

MARUI GROUP Co., Ltd.
Financial Results Briefing for the Nine Months
Ended December 31, 2021
< Questions and Answers >

- Q. Could you please provide us with information about the number of interest repayment claims?
- A. For the first nine months of the fiscal year, the interest repayment amount exceeded that of the previous year. In the third quarter, however, the interest repayment amount was ¥1.4 billion, down 3% year on year, so there is a downward trend. In the third quarter, the amount of interest repayment claims received, which is a leading indicator, was also trending lower at between 0% and 10% below the year-earlier period. A number of major law firms are continuing to advertise interest overpayment refund-related services, and we will continue to monitor developments closely. Since both the interest repayment amount and the amount of interest repayment claims received, the leading indicator, both declined in the third quarter, we don't currently feel that there is a need to set aside any additional provisions.
- Q. With regard to the Retailing segment, looking at the three months of the third quarter alone, there was actually an increase in profit for the first time in nine quarters. It seems like favorable results are finally emerging in a variety of different areas. The absolute level of profit is still low, but I'd like to ask you to share with us your thoughts on the solid recovery in the Retail business's profits. Could you please tell us some of the factors that you think helped with the recovery, as well as your thoughts on the speed of the transition to the "stores that don't

sell” model and the consumer response to that model?

A. The vacancy rate hasn’t increased, partly because we’ve been successful in attracting tenants, including co-creative investees. I think this is a positive trend.

Next, we’re making progress with the creation of what we call “eventful” stores, which were explained in our new Medium-Term Management Plan released in May 2021. The number of events held in the cumulative third quarter was triple that of the same period of the previous year. We think that has led to an increase in the number of customers.

Also, the third quarter of last year was when the impacts of COVID-19 pandemic started to emerge, and the increase in profit you mention is partly due to the fact that there wasn’t as much of an impact from the pandemic in the third quarter of this year. I think we need to pay close attention to the situation in the fourth quarter. Overall, however, I think that things are currently moving in a favorable direction with respect to the initiatives we are advancing in line with the new Medium-Term Management Plan, including category transformations, and the transition to “eventful” stores and “stores that don’t sell.” I believe this is preventing the vacancy rate from deteriorating and is contributing to the increase in the number of customers, so we intend to continue moving in this direction.

Q. With regard to the full-year forecasts for this fiscal year, you mentioned that you’re taking the risk from the Omicron variant into consideration, but are there other things that you view as risks? With respect to top-line performance and operating income, do you sense any risks given the current increase in infections? For example, what do you think will happen up ahead with transaction volume for travel and food, which both improved in the third quarter?

A. I don’t think transaction volume in the FinTech segment is being impacted much anymore by the Omicron variant. In the Retailing

segment, however, the number of customers visiting stores has decreased somewhat due to the surge in infections, so I think there is a possibility that this will affect transaction volume. At this stage though I think we'll be able to achieve our announced full-year operating income target without issue.

Net income may be affected by the top line as well, and may also be impacted by risks such as valuation losses on investment securities we hold. Particularly with regard to start-up companies, we'll need to determine impairment losses after a certain amount of time passes. While we've already made good progress by achieving 98% of the announced target figure for the fiscal year, considering these valuation loss risks and other risks, we opted to leave the full-year forecast unchanged.

Q. Looking at the third quarter alone, there was an increase in overall new cardholders as well as a small increase in non-store sign-ups. You previously commented that you don't really carry out campaigns such as online sign-up campaigns that offer extra points as a bonus. Looking at the increase in new sign-ups in the third quarter, what proportion of this do you feel is attributable to the increase in the number of people visiting stores due to the decreased impact of COVID-19, and what proportion is the result of efforts to bring in new tenants, including co-creative investment initiatives?

A. As for the number of new cardholders, the cost of acquiring customers via online sign-ups has become very high, so, as you suggested, we pay attention to costs as we carry out sign-up campaigns. I think the biggest reason for the increase in sign-ups in the third quarter was the recovery from the impact of COVID-19. In particular, the number of sign-ups at commercial facilities increased by 40,000 in the cumulative third quarter compared to last year, so the bounce back from COVID-19 has been a big factor.

Besides that, customers liked the design of the collaboration card that we issued with the startup "Heralbony," a co-creative investee that

sells art created by people with disabilities. In addition, following on from the release of the “Sumikkogurashi EPOS Card,” the “Chiikawa EPOS Card” is also performing well. These kinds of “cards tailored to each individual's interests” are designated in the current medium-term management plan as an area to be strengthened, so we will continue to work on bolstering them. The level of signups hasn’t yet returned to pre-COVID-19 level, but we would like to get it back to that level as soon as possible.

Q. Would it be correct to assume that there’ll be a net increase in cardholders based on both the net increase due to the economy not being so impacted by COVID-19 and the movement of people, as well your efforts to bolster the strategy of issuing “cards tailored to each individual's interests” ?

A. Yes, I think so. In particular, I think that as people return to commercial facilities, the number of sign-ups will naturally recover. On the other hand, it will remain difficult to add new cardholders via overseas travel, so we’re hoping to gain more new cardholders through new initiatives such as with “cards tailored to each individual's interests”. In addition, as alliances with commercial facilities and other entities are gradually increasing, we would like to hit the one million new cardholders per year mark as soon as possible.

Q. What is the reason behind the comeback in revolving and installment payment transactions shown on Page 10 of the materials? I presume installment and revolving transactions are each influenced by different types of demand, but what is behind the recent increase in installment transactions?

A. After we began issuing the EPOS Card in 2006, the majority of customers who used revolving payments were those who used a service that allowed them to go online and switch to revolving payments afterwards. Other credit card companies were also allowing customers to switch to revolving payments, but no companies were

letting customers switch to installments. Installment payments had always been a strength of ours, and we figured there would always be demand for installment payments, so from around 2018 we started letting customers switch to installment payments. There was, in fact, demand for this, and although the volume of revolving transactions decreased a little, the increase in the installment transaction volume more than offset that, which is what is shown on the left side of the graph in the materials.

After that, the volume of both revolving and installment transactions declined temporarily last fiscal year, but with the launch of the new app April in 2021 it became even easier to switch to installment payments, and the volume of installment transactions is now growing even further. We thought that people who may be scared of revolving payments and thus hesitant to use them, might feel more secure using installment payments, as they know when the final payment will be made, such as when payments are divided into 10 installments, for example. We found out that such demand really did exist, and by making it easier to switch to installments, the total volume of transactions has been increasing.

- Q. What percentage of people start with revolving payments and then switch to installments?
- A. Once you purchase something using either revolving payments or installments, you can't change the payment plan, but each month you can choose whether new purchases that month will be made on installment or with revolving payments. Therefore, if you look at the graph on Page 10 of the materials, there was a slight decline in the volume of revolving transactions in 3Q and 4Q of the fiscal year ending March 31, 2018, which was when we started allowing this switch to installment payment plans. I think this decline was probably due to people who had been using revolving payments in the past switching to installments. Once most of those people had already switched to installments, the volume of revolving transactions stopped declining from about the fiscal year ending March 31, 2019, and since

then I think we've been meeting the demand for new installment payment plans.