

**MARUI GROUP Co., Ltd.**  
**Financial Results Briefing for the 6 Months**  
**Ended September 30, 2021**  
**< Questions and Answers >**

- Q. About status of interest repayments, I would like to know what the trend is, including the number of claims.
- A. The amount of interest repayments for first half of this fiscal year was ¥2.8 billion, which is almost in line with the plan. As for the amount of leading indicator lawyer acceptances, judicial scrivener and lawyer offices were closed in first half of last year due to the impact of COVID-19, so the YoY comparison is unreliable level. In terms of the actual amount, compared with second half of last year, the amount received in first half of this year has decreased by about ¥100 million, and the current situation of interest repayments is that they are gradually declining month by month.
- Q. Is it correct to assume that they will decrease gradually in the future?
- A. The statute of limitations is steadily approaching, and we expect the target balance to decrease every year, so we expect the amount of interest repayments to decrease as the years go by.
- Q. Given the current level of reserves, there is little possibility of increase interest repayment expenses during this mid-term plan period?
- A. If it is the forecast level assumed in the previous regulation, I think that it is not necessary to add a more one, but there is uncertainty, so I would like to continue it in the future.

- Q. The provision of allowance for doubtful accounts has decreased significantly, how should this be viewed in the future? Will this situation be healthier for the balance or will the increase with increase balance ?
- A. The overall cost of the allowance for doubtful accounts in first half of this fiscal year was down very significantly, at 70% of the level of the previous year. The most recent overdue loans have also been below the previous year's level. The current state of the allowance for doubtful accounts is that as a result of the decrease in the amount of overdue loans received, the amount of transfer is decreasing due to the decrease in the target delinquent loans balance.
- Q. I think you will be estimating the average of previous years, so even if the balance turn to increase, the trend of the increase in reserves will be a little lower than that in the next and after next fiscal year?
- A. The provision for doubtful accounts is basically a variable cost, so if the transactions increases steadily and the balance of receivables expands, it tends to increase by a certain percentage. As a result, we expect that the number of delinquent loans may start to increase in the future.
- Q. Is it an image that it will increase as the denominator grows?
- A. You can understand it that way. It doesn't mean that the content itself will get worse.
- Q. About Retailing business, in first half of the fiscal year, despite the extremely difficult external environment, you managed to make a profit. What area should we pay attention to as you aim to achieve the full-year plan? Should we expect a recovery when the declaration of state of emergency is declared over, and the number of customers gradually returns to stores? Or, since your company has been replacing more and more of the content during this period, will you be able to make a profit on the content? Or is there some other factor? Where do you see your strategy for second half of the fiscal year going in order to meet the full-year plan? I would like you to be specific in your explanation.

- A. The factor that will have the greatest impact on the announced plan for second half of this fiscal year is the transaction volume. In the sense that income rises and falls in line with transaction volume, the biggest factor is the change in transaction volume due to COVID-19 impact. In addition, there are 2 other risks. One is the vacancy rate, and the other is the decline in rent. However, we now know that the vacancy rate problem and rent decline did not occur in first half of this year. We know that this is unlikely to happen in second half of the current fiscal year, so if there is no major change in the volume of transactions during the sixth wave of COVID-19, we believe that we will be able to achieve the announced plan.
- Q. Is the number of customers recovering overall in October? Do you feel any change, such as 20% of apparel moving?
- A. Since the declaration of the state of emergency was lifted on October 1, the trend has been slowly and gradually recovering. The situation is not one in which we will suddenly return to pre-COVID-19 conditions. However, according to the figures for October, the underlying trend was up about 15%, and entering November, half of the stores were able to achieve the level of the previous year.
- Q. About FinTech business, I understood to growth in rent and travel & entertainment in first half. Can we expect that transaction volume further in second half of the year? If you can expect it, what kind of things will grow further? The balance is recovering fairly quickly, but please tell us about the usage situation of customers.
- A. Rent, EC, and recurring payments, which we have worked on strategically, have expanded steadily. Travel & entertainment and commercial facilities have seen significant YoY increases, but we recognize that we are still far from a full-fledged recovery. In the case of travel & entertainment, which is the main category, the level is still at the 60% level compared with fiscal 2019. In second half of the year, now that the declaration of state of emergency has been lifted, people will

gradually move more actively, and if usage in areas such as travel & entertainment and dining increase, I think we will be able to achieve further growth in card transaction volume. But at this point in time, I am afraid that I cannot yet say that we will recover sufficiently.

- Q. Should we understand that the profit base will not increase unless you further promote the recurring business, which you are working on much more strategically than the cash advance, the former pillar of profit?
- A. Recurring and EC also lead to continued use, firmly growing this area will lead to the stabilization of revenue. We are aware of this, so we will continue to strengthen this area.
- Q. You have created a Strategy Study Committee, what specific effects are you expecting? Specifically, how often, what kind of content etc, will be fed back to management through dialogue with Mr. Nakagami, or with Mr. Pedersen in the sustainability area?
- A. We are planning to hold the Strategy Study Committee about once every 2 months, the Sustainability Committee meets 4 times a year. In the Strategy Study Committee, we are going to discuss from the perspective of shareholders and investors.
- For example, As I mentioned this briefing, from the perspective of investors, they are very concerned about whether the barrier is high or not. This is something that has not been discussed from that perspective in the past, either at board meetings or management meetings, so we are thinking it may have some effect.
- Mr. Pedersen also commented that sustainability and management strategy are inseparable, and that he would like to contribute to strategy by joining the Strategy Study Committee in a good way, exchanging opinions, and going between them rather than working separately. We want to increase corporate value in a way that is visible, by conducting initiatives in that way.

Q. About status of new card holders, by Q2 looks like it hasn't increased much. Moreover it doesn't look like card holders increased much. By increasing the ratio of active cardholders, you put much value on the contents of the number of members. It is understandable that it is important, but it can be said that the current situation where the number of members itself does not increase is uneasy. What do you think?

A. First, I would like to talk about the actual number of new members in the first half of the year, which increased by 40,000 from the previous year to 270,000. Last year, we were recruiting card holders in a very harsh environment such as store closures, so we were considerably depressed. From April to July this year difficult situation continued that the declaration of the state of emergency continues, the priority measures such as prevention of spread. In such a situation, the number of enrollments via stores is increasing in reaction to last year.

We recognize that the current level is in the 60% range compared to last year, which is far from a full-scale recovery, compared to the fact that there were 400,000 new members in half a year before COVID-19. However, looking at the breakdown of the decline of 400,000 to 270,000 people, it is mostly due to the influence of COVID-19. It is due to the decrease in overseas travel demand, store closures and shortened business hours, so if you return from COVID-19, it will recover sufficiently.

On the other hand, we are strengthening new enrollment via the Internet. The number of online members has increased by 10,000 since last year, but the number of members via online advertising has decreased. As strategies such as animation and EC payment contribute to the favorable performance of 1.7 times, the number of online members has increased. It can be said that the effort is steadily producing results.

The total number of members has decreased by 30,000 compared to 1Q, but this factor is due to not only a decrease in the number of new members but also a temporary increase in the number of withdrawals. EPOS Card was launched in 2006. At that time, we are transferring more

than 1 million members from the former “red card”. Because it was the third deadline renewal timing for customers, the number of withdrawals increased temporarily. It is a special factor. In the future, while the number of new members is increasing, it is predicted that withdrawals will calm down. Therefore, we believe that we can steadily increase the number of members.

Q. I think that you explained that you did not use the sales promotion costs that you had prepared in Q1 as much as you had planned because competition related to the Internet had become quite fierce and costs had been going up. Is it correct to say that even in Q2, the amount of promotional expenses that you used was lower than what you had originally planned to use?

A. In the first half, we had planned to pay a certain amount of money for affiliates when we advertised on the Internet, but now the acquisition cost per page via Internet advertising has soared from about ¥10,000 the year before last to ¥30,000. Instead of entering there unnecessarily, we are trying to control costs by monitoring the overall.

Q. It's about EC. You said that you are hiring 250 Web-related personnel, and I think the image is that you will first hire the people that you need. But unless that helps expand the EC top line, or the transaction volume, I think there is a short-term risk that you will first be hit by costs. What are your thoughts on the risks involved in this?

A. As you pointed out, we are afraid of causing concern around this though the nationwide use of EC has been increasing for a long time and during COVID-19. In first half of this fiscal year, we achieved an 86% YoY in EC sales. The forecast for transaction volume for the current fiscal year is ¥18.5 billion, which is the third consecutive year of decline. We recognize that the slump in EC is not a short-term issue, but a

fundamental problem. We believe that this is due to the lack of progress in improving UI/UX, the aging of systems, and insufficient establishment of the uniqueness of the site. About these fundamental problem we would like to restructure the issues over the next two years, and the most important of these issues is the utilization of web-based human resources.

By utilizing web-related human resources, we will review our structures, and fundamentally replace aging systems. In addition, we would like to expand event type EC as operates real stores, to expand EC to ¥30 billion in the fiscal year ending March 31, 2026.

As for the issue of cost and profit, we will naturally incur costs as an upfront investment, but it will not affect the current operating income of Retailing and FinTech. In fact, we believe that the value of the Company will be enhanced by the web-based human resources, therefore I think there's no call for you to worry.

- Q. I know that you announced the targets for each segment for the fiscal years ending March 2026 in your medium-term management plan. Do you have any views on that progress, Mr. Aoi?
- A. We have only just begun on those goals, but my immediate thought is that the speed of various near-future and future-oriented initiatives is accelerating. Therefore, by increasing the acceleration, we believe that we will be able to achieve the targets, although we believe they are high targets that include a lot of challenges.
- Q. In the Retailing segment, increase rate of experience-oriented Store tenant, the variation of tenants has been expanding. These tenant's needs and KPIs need to be evaluated, and at the same time, accordingly, you need to maintain the number of customers who enter your stores. Regarding this balance, how do you see the response by the experience-oriented stores, and how do you view room for expansion?

- A. All of our co-creative investment companies and business partners have their own KPIs, and we are working to achieve them by setting common goals. At the general meeting of shareholders of Mercari, a shareholder said, "I have become a fan and a shareholder using the 'Mercari station' in the Shinjuku Marui Main Building.", qualitatively highly evaluated. To further collaborate, we dispatched one of our own staff to the company and measure the KPIs and work on how to achieve them. We are carrying out such initiatives with each of our co-creative investment companies. We are still in the process of trial and error, but by achieving the goals we have set together, we hope to further spread this initiative and, at the same time, expand the number of partners, new tenants, and start-ups. We hope to expand the number of tenants and start-ups who will open new stores.
- Q. Is it not necessary to worry about the impact on store entry when expanding the efforts of experience-oriented store?
- A. For example, if we assume the risk of what would have happened if we hadn't made the change, our vacancy rate would have fallen to around 5% if we hadn't reduced the amount of apparel in the same manner as commercial facilities nationwide over a period of 5 years or 6 years. Stores that don't sell goods is just a hypothesis, since they don't exist anywhere in the world. I understand your concern about the model. However, when I think about if we had continued only with selling things and consider the risk from those 5 years or 10 years on, I think it is a strategy well worth pursuing. In fact, 85% of the new tenants are experience-oriented or service-oriented, and while so-called merchandise tenants are refraining from opening new stores during COVID-19, 85 out of 100 tenants are actively opening new stores because they see it as an opportunity. So, rather than being just a one-sided hypothesis, we believe that our strategy is firmly based on the needs of our customers and business partners, including new business partners. We would like to create a new commercial facility by collaborating with people who have been unable to participate in real



stores due to our focus on merchandise sales, or due to their focus on EC. Or with individuals who run experience-oriented shops with BASE. For these small businesses, their opportunity has arrived, and they are very happy about it.

Q. I would like to ask about the impact of Buy Now, Pay Later on FinTech. For example, perhaps the number of new members is really slowing down because many people, especially young people, are looking for something like BNPL. What are your current thoughts about risks related to that?

A. I think both threats and opportunities. About the influence of BNPL to FinTech, I would like to explain it at IR DAY in December.

There are various players in the BNPL industry, some of which rely on merchant income as their main cash point, while others rely on fees and interest from consumers and users as their main source of revenue. In the case of developing countries, some of the growth is centered on customers who are unable to get credit cards, while in developed countries, some of the growth is centered on credit card holders. I would like to summarize and explain what the threats are and what the opportunities are, and what our response and strategy are.

Q. If it replaces the interest rate with the part that the consumer actually bears the economic burden of, paying at the convenience store and paying the fee, it creates a bit of a question mark from the standpoint of economic rationality.

However if this methodology works, I wonder if there may be a chance for EPOS card, but what do you think?

A. As you said, BNPL is very similar to credit card services. But in a sense, I believe that BNPL has expanded the realm of credit card transactions, including payment and credit for services, to areas that credit cards could not previously handle. Therefore, we believe that there is an

opportunity for us to expand our services to areas that we have not tackled in the past, such as use by minors, or the use of more casual payment at convenience stores. We believe that there are opportunities to expand the services we have been providing to these areas, not only for BNPL, but also for us.

Q. Can you tell us what kind of changes you're seeing in the FinTech area since the State of Emergency ended?

Now that the restrictions on travel, entertainment, and dining out have been removed, can we expect to see a further acceleration in the growth of revolving and installment transactions? Also, in terms of acquiring card members, I don't think we can foresee overseas travel for the time being, but since stores are now operating normally, so is getting better?

A. With the end of the State of Emergency in October, we are looking at the daily figures with the expectation that people will start to move around again all at once and the use of the cards will expand at a rapid pace. However, I think that overall, most of the general public is still taking a rather wait-and-see approach. Credit card transaction volume has increased by between 4 points and 5 points compared with the trend until September.

However, my honest impression is that the increase is a bit reserved, and there has been no sudden increase in travel or any other trend in the use of cards. However, in terms of what will happen in the future, it depends on COVID-19, but I would like to keep a close watch on the resumption of the Go To program and various other developments. As for acquire new members, in addition to the lifting of the so-called shortened hours at stores, we are actually making various efforts, so there has been a slight increase. However, so far, we have not seen any trend of a sudden change.