November 14, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: MARUI GROUP CO.,LTD.
Stock exchange listing: Tokyo Stock Exchange
Code umber: 8252
URL:https://www.0101maruigroup.co.jp/en/
Representative: Hiroshi Aoi President and Representative Director
Contact: Masakazu Iizuka General Manager, Financial Department
Phone: +81-3-3384-0101

Scheduled date of filing quarterly securities report: November 14, 2023
Scheduled date of commencing dividend payments: December 6, 2023
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (cumulative)

(% indicates changes from the previous corresponding period.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	112,148	2.9	18,688	(16.6)	17,551	(18.6)	11,475	(14.5)
September 30, 2022	108,949	4.3	22,415	6.1	21,557	4.6	13,416	9.7

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 12,240 million [(11.6)%]
Six months ended September 30, 2022: ¥ 13,845 million [19.7%]

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	60.61	-
September 30, 2022	67.13	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Book value per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	1,021,749	253,098	24.7	1,335.24
March 31, 2023	961,950	246,562	25.6	1,299.97

(Reference) Equity: As of September 30, 2023 ¥ 252,810 million
As of March 31, 2023 ¥ 246,145 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	29.00	-	30.00	59.00
Fiscal year ending March 31, 2024	-	50.00			
Fiscal year ending March 31, 2024 (Forecast)			-	51.00	101.00

Dividend on equity ratio (DOE) Fiscal year ended March 31, 2023 4.6%
Fiscal year ending March 31, 2024 (forecast) 8.0%

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	232,500	6.7	42,000	8.3	39,000	7.2	24,000	11.8	128.00

Forecast of the return on equity ratio (ROE) Fiscal year ending March 31, 2024 (full year):9.9%
(Note) Revision to the financial results forecast announced most recently: Yes

* **Notes:**

(1) Changes in significant subsidiaries during the six months ended September 30, 2023
(changes in specified subsidiaries resulting in changes in the scope of consolidation): No
New -
Exclusion: -

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(4) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):

As of September 30, 2023:	208,660,417	shares
As of March 31, 2023:	208,660,417	shares

2) Number of treasury shares at the end of the period:

As of September 30, 2023:	19,322,917	shares
As of March 31, 2023:	19,313,961	shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Six months ended September 30, 2023:	189,341,925	shares
Six months ended September 30, 2022:	199,851,717	shares

(Note) The number of treasury shares at the end of the period includes shares of the Company held in the BIP Trust and the ESOP Trust.
As of September 30, 2023: 766,567 shares
As of March 31, 2023: 766,567 shares
The shares of the Company held in the BIP Trust and the ESOP Trust are included in the number of treasury shares to be deducted from the total number of issued shares for the calculation of the average number of shares outstanding during the period.
Six months ended September 30, 2023: 766,567 shares
Six months ended September 30, 2022: 766,567 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable. Actual results may significantly differ due to various factors. Please see “(4) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 9 of the attached document for the assumptions underlying the earnings forecasts and notes on the use of them.

Table of Contents - Attachments

1. Overview of Operating Results, etc. for the Period under Review

(1) Overview of Operating Results

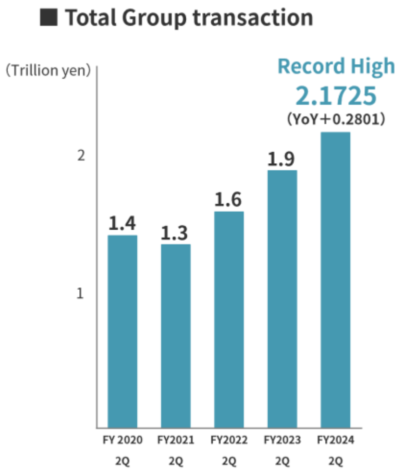
(Consolidated business results)

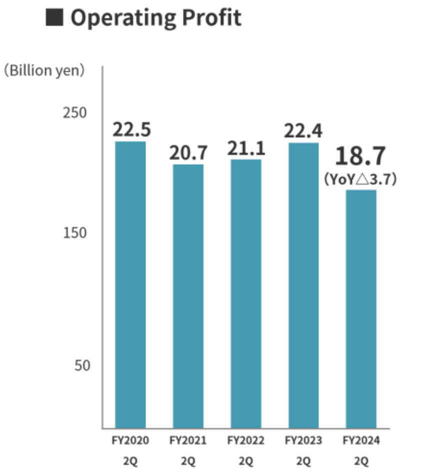
• EPS came to ¥60.6 (-10% or -¥6.5 year on year), falling short of the year-earlier result.

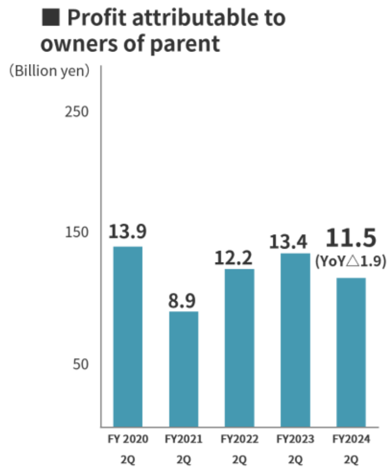
• Total Group transactions were ¥2,172.5 billion (+15% or +¥280.1 billion year on year), reaching the highest ever for a semiannual period, driven by the growth in credit card transaction volume in the FinTech business.

• Operating revenue was ¥112.1 billion (+3% year on year), marking the third consecutive quarter of increased revenue. On the other hand, operating profit was ¥18.7 billion (-17% year on year) and profit was ¥11.5 billion (-14% year on year), a decrease in profit for the first time in three quarters.

* In "1. Overview of Operating Results, etc. for the Period under Review," amounts expressed in billions of yen have been rounded off to the first decimal place.







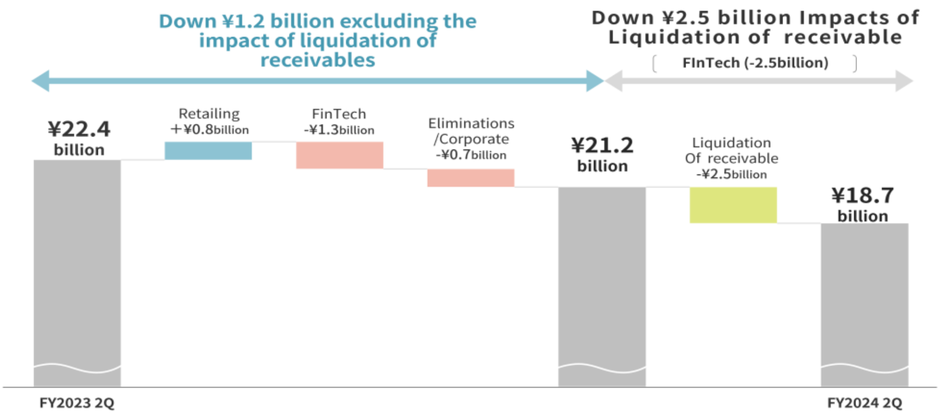
* ASBJ Statement No. 29 (Accounting Standard for Revenue Recognition), etc. have been applied to the figures shown above.

Breakdown of changes in operating profit

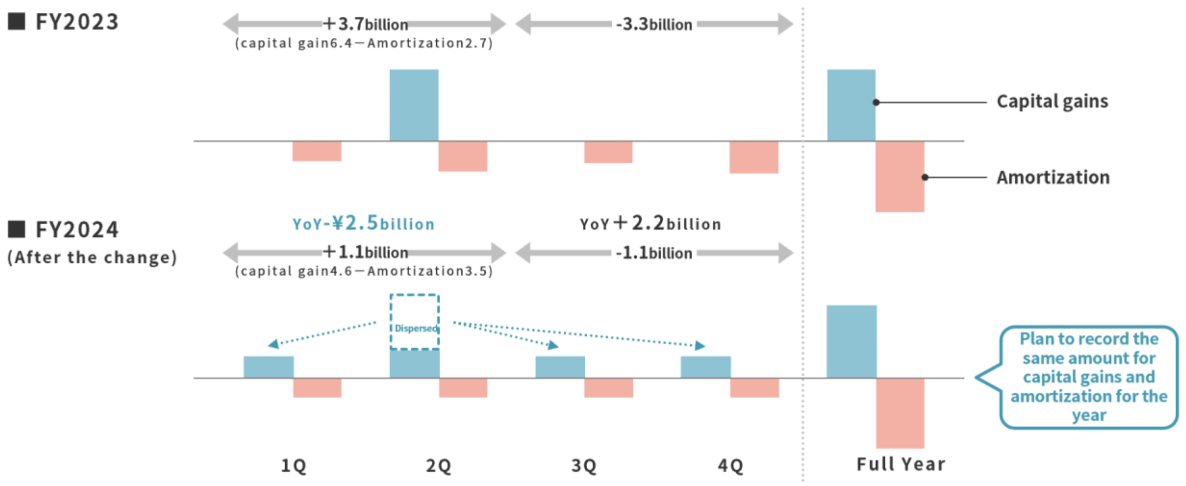
• In order to equalize income on transfer of receivables, which has been previously concentrated in a second quarter period, and to enhance financing efficiency, we have changed the timing of implementing the liquidation of receivables to every quarter. As a result, income on transfer of receivables (¥4.6 billion) decreased by ¥1.7 billion year on year and depreciation and expenses, etc. (¥3.5 billion) increased by ¥0.8 billion, and therefore operating profit decreased by ¥2.5 billion.

• Substantial operating profit, excluding the effect of the liquidation of receivables mentioned above, decreased by ¥1.2 billion year on year (+¥0.8 billion in Retailing, -¥1.3 billion in FinTech).

□ Factors in changing operating profit



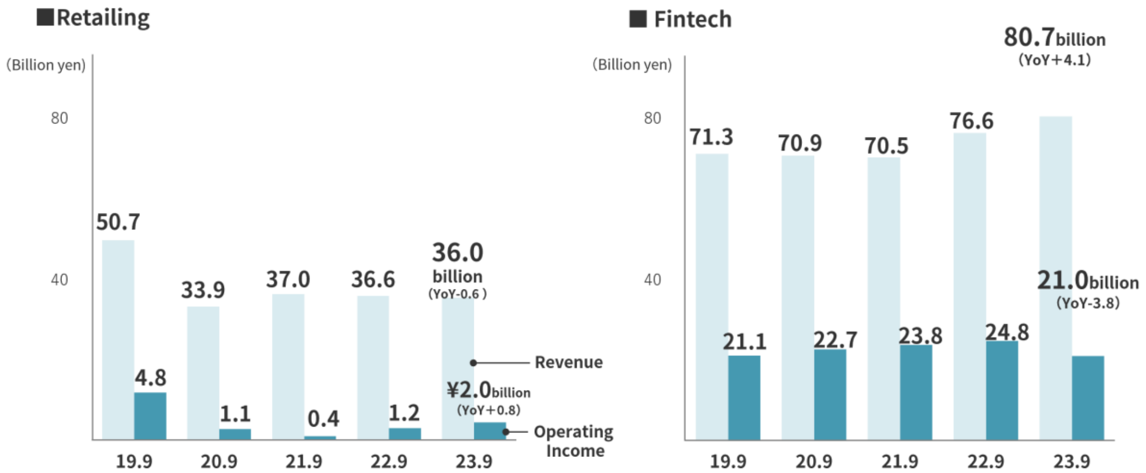
□Impact of liquidated accounts receivable on YoY difference



(Business results by segment)

- In the Retailing segment, operating profit was ¥2.0 billion (+66% year on year), a year-on-year increase of ¥0.8 billion.
- In the FinTech segment, operating profit was ¥21.0 billion (-15% year on year), a year-on-year decrease of ¥3.8 billion.

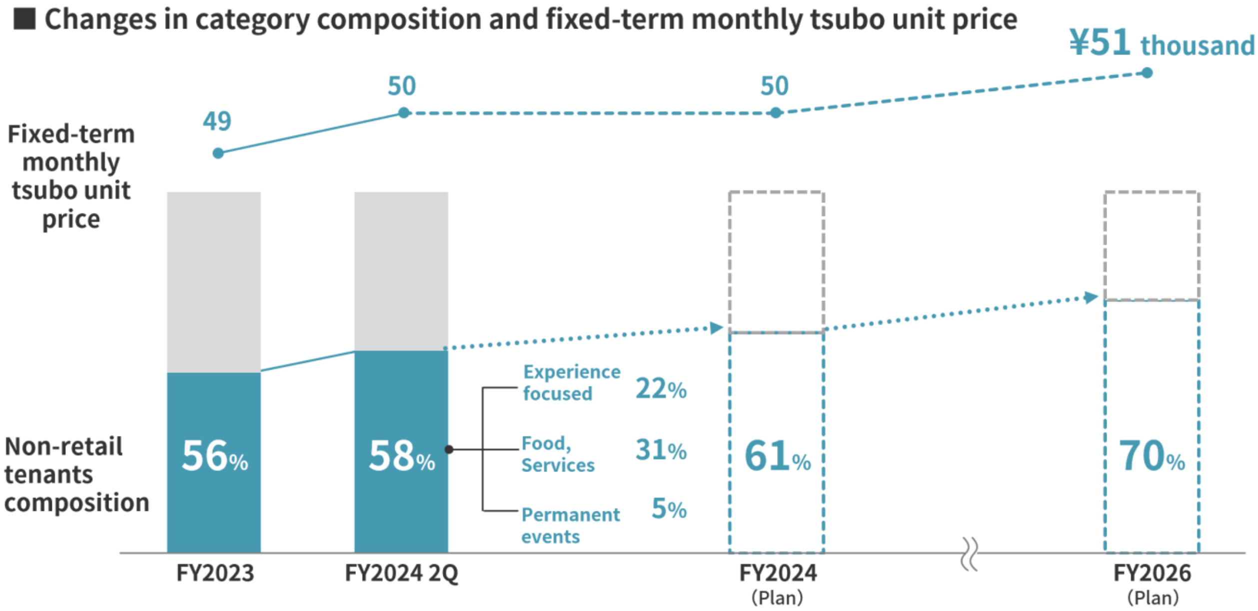
□ Operating revenue and operating profit by segment



<Retailing segment>

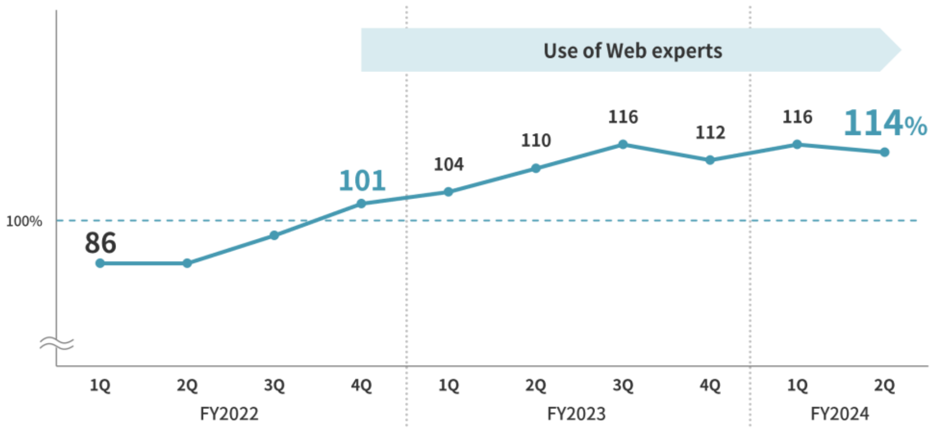
- As socio-economic activities are returning to normal with the classification of COVID-19 downgraded to "Class 5 Infectious Disease" in May, the transaction volume rose due to a year-on-year increase in the number of customers at Marui and Modi stores and an increase in unit purchase prices. In addition, rent income from fixed-term rental tenants increased due to a decrease in unutilized floor space in fixed-term rental areas at stores and an increase in the monthly rent per square meter (*tsubo*). As a result, operating profit rose for the second consecutive quarter.
- Aiming to create value unique to brick-and-mortar stores, we are introducing experience-providing tenants that are not focused on the "sales of goods," as well as schools, restaurants, and services. As a result, the area of tenants in the non-product sales category was 58% (+2% year on year) of the entire store area, marking a steady progress in the category shift.

□ Change in composition of tenants in non-product sales category



• We have been putting efforts into creating "eventful stores" so that customers can always enjoy themselves whenever they visit our stores. Among such efforts, Marui's store opening support service "OMEMIE," which started in 2022, allows businesses to complete online the whole process from searching for spaces to set up stores at nationwide Marui and Modi stores to signing contracts. The service is widely used by businesses such as direct-to-consumer (D2C) brands and sole proprietors, and has been successful in bringing in tenants who have never opened stores at Marui before. As a result, the variety of events has expanded, including trial sessions and workshops for services provided by new tenants.
• For e-commerce, in addition to expanding event-type e-commerce in collaboration with stores, we increased web-related professionals to improve the user interface and user experience of our e-commerce sites. As a result, the transaction volume of the e-commerce sites improved year on year for the seventh consecutive quarter, and e-commerce transactions amounted to ¥10.7 billion (+15% year on year).

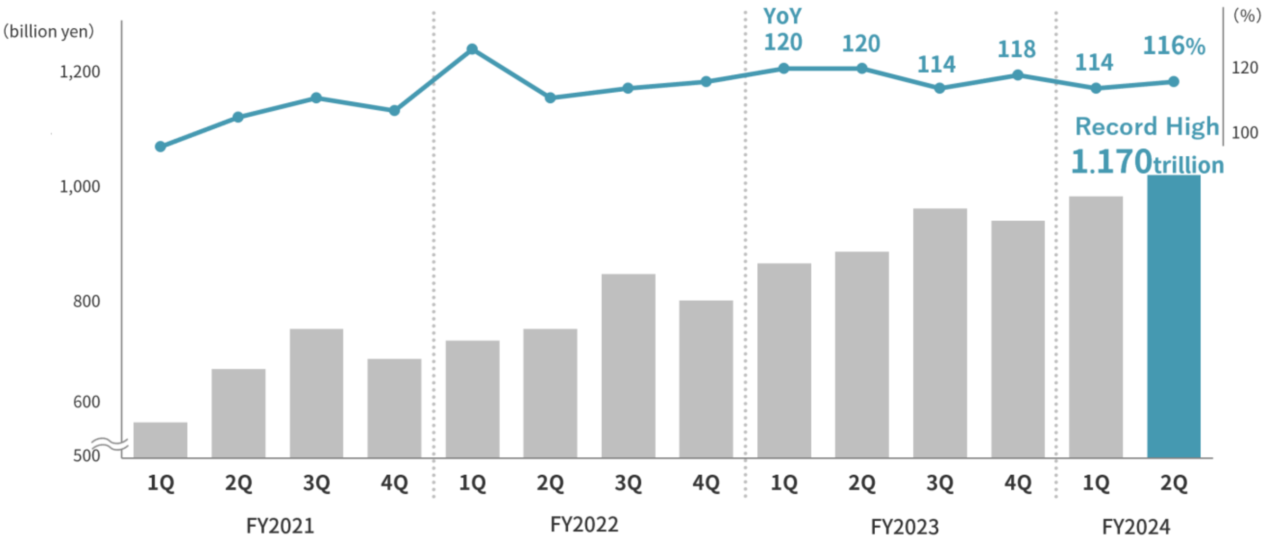
□ Changes in e-commerce transaction volume



<FinTech segment>
• As socio-economic activities have picked up steam in line with the declining trend of COVID-19, strong growth was seen in travel and entertainment. In addition, through approaches for maximization of household share, which have been strategically underway, recurring payments such as rent, e-commerce transactions, and utilities increased. As a result, credit card transaction volume reached a record high of ¥1,995.3 billion (+15% year on

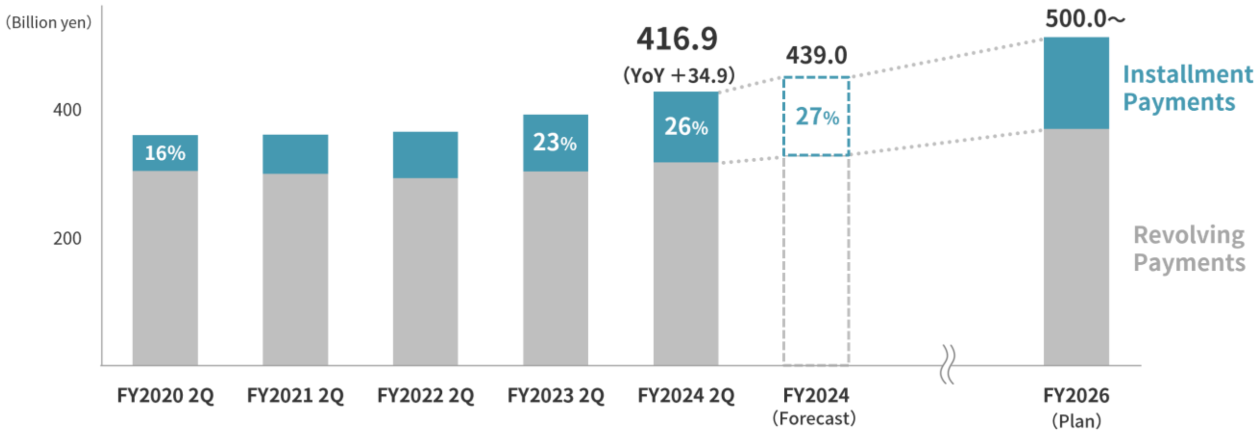
year).
• In order to equalize income on transfer of receivables and to enhance financing efficiency, we changed the timing for liquidating receivables. In addition, affiliate commissions rates decreased while card rewards and handling fees increased, resulting in a year-on-year decrease in profit.

□ Breakdown of card credit transaction volume



• Transaction volume of installment and revolving payments increased to ¥188.2 billion, a 16% increase year on year, and balance of installment and revolving payment including liquidated receivables reached a record high of ¥416.9 billion, a 9% increase year on year.

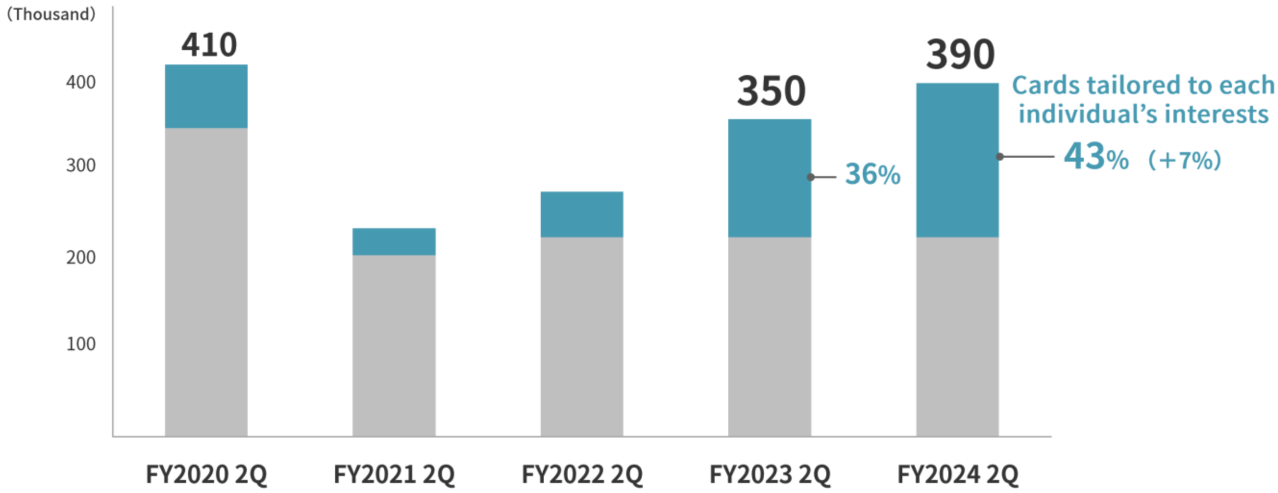
□ Balance of installment and revolving payment (including liquidated receivables)



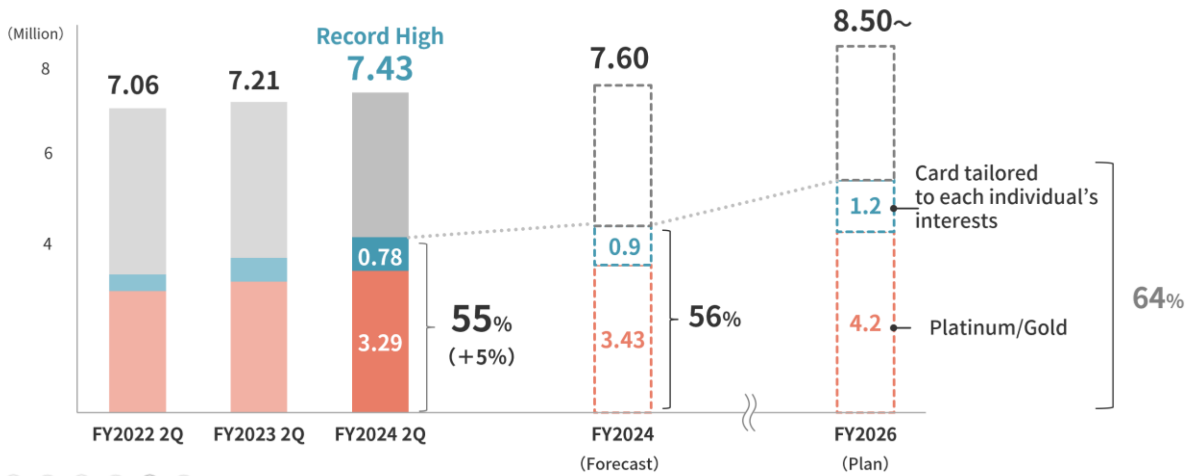
• The number of new EPOS cardholders reached 390 thousand (+40 thousand cardholders year on year), as the number of online applications grew. The number of cardholders as of the end of the quarter under review totaled 7,430 thousand (+220 thousand cardholders year on year), a record high.
• In addition to our Gold cards, which have been a driver of our business growth to date, we are also enhancing our measures with respect to credit cards that support individuals in pursuing their interests, such as our anime and other content-related cards. Young people make up a higher percentage of holders of these credit cards that support individuals in pursuing their interests than they do for holders of ordinary credit cards, bringing higher LTV (lifetime value) to these cards. Cards created in collaboration with anime, games, and entertainment content have many passionate fans, and they tend to quickly become recognized through social media and are therefore

highly compatible with online membership applications. We will continue to step up our efforts to increase the number of highly loyal members and achieve further growth in transaction volume and the number of new cardholders. The number of new holders of cards that support individuals in pursuing their interests rose to 170 thousand (+40 thousand cardholders year on year), and they now account for 43% of all new credit cardholders (+7% year on year).

□ New memberships



□ Number of cardholders



- We proceeded with the collaborations with commercial facilities and promoted initiatives to expand the number of EPOS cardholders nationwide. The number of facilities we are collaborating with grew to 41 facilities (+2 facilities year on year). We will increase the value of these facilities with the use of the credit cards, in collaboration with the facilities.

(Indicators of LTV stability)

As a result of the change in our business model, “recurring revenue,” which includes rent revenues from our stores and card commissions, has increased to account for a larger proportion of total sales and profits, altering the Group’s revenue structure. Recurring revenue, which is recurring revenue from contracts with customers and business partners, can be viewed as “contracted future recurring revenue” for the following fiscal year and beyond, and can be used as an indicator to measure the stability of earnings. These are important elements of the Group’s long-term management that emphasizes lifetime profit (LTV).

- Recurring revenue (on a gross profit basis) for the quarter under review was ¥68.6 billion (+5% year on year), and the ratio of recurring revenue to gross profit was 66.8% (+1.2% year on year).
- At the beginning of the current fiscal year, contracted future recurring revenue was ¥357.5 billion (+6% year on year), and it is expected to generate future earnings approximately 1.8 times the gross profit of the fiscal year ended March 31, 2023. The calculation of contracted future recurring revenue is based on the remaining contract years for rent revenues, the repayment period for installment and revolving fees and cash advance fees, the period until expiration dates for (recurring) affiliate commissions, and the guarantee period for rent guarantees.

□ LTV management indicators

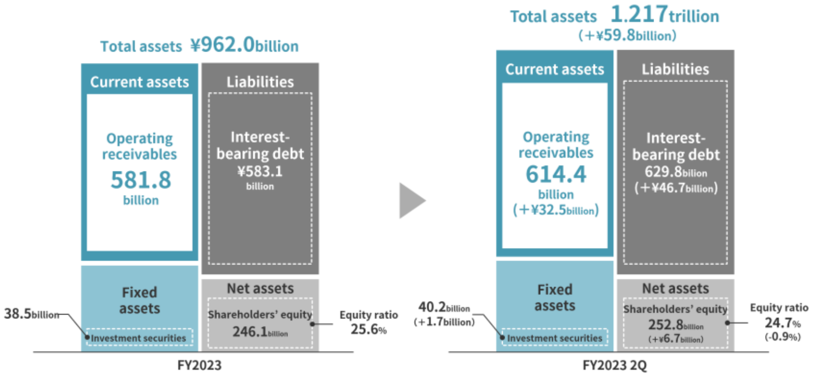
	Recurring Gross Profit			Contracted Future Recurring Gross Profit	
	FY2023 2Q	FY2024 2Q	YoY change	From FY2024	FY2023 Gross profit ratio
	Billion yen	Billion yen	%	Billion yen	%
Recurring Gross Profit	**65.1**	**68.6**	**105**	**357.5**	**182**
Ratio of Total Gross Profit	**65.6%**	**66.8%**	-		

* Gross profit used in calculating the gross profit-based recurring revenue and its composition includes selling, general and administrative expenses paid by business partners on a recurring basis.

(2) Overview of Financial Position

- Operating receivables (accounts receivable - installment and operating loans) amounted to ¥614.4 billion (+¥32.5 billion compared with the end of the previous fiscal year) as a result of an increase in credit card transaction volume. Total assets were ¥1,021.7 billion (+¥59.8 billion compared with the end of the previous fiscal year).
- Interest-bearing debt (excluding lease obligation) amounted to ¥629.8 billion (+¥46.7 billion compared with the end of the previous fiscal year).
- Shareholders’ equity amounted to ¥252.8 billion (+¥6.7 billion compared with the end of the previous fiscal year), and the equity ratio was 24.7% (-0.9% compared with the end of the previous fiscal year).

□ Balance sheet



(3) Overview of Cash Flows

- Net cash used in operating activities was -¥20.3 billion (-¥14.6 billion used in the previous corresponding period), the core operating cash flow subtracted net cash provided by operating activities and decrease in operating receivables was ¥14.5 billion (-¥7.8 billion used in the previous corresponding period).
- Net cash used in investing activities was -¥6.1 billion (-¥11.8 billion used in the previous corresponding period) due to spending ¥5.4 billion to property, plant and equipment and intangible assets and ¥1.7 billion to investment securities
- Net cash provided by financing activities was ¥38.8 billion (¥30.7 billion provided in the previous corresponding period), partly owing to an inflow of ¥46.7 billion due to an increase in interest-bearing debt and ¥5.7 billion of dividends paid.

	FY2023 2Q	FY2024 2Q	YoY Change
	Billion yen	Billion yen	Billion yen
Core operating cash flow	22.3	14.5	-7.8
Net cash provided by (used in) operating activities	-14.6	-20.3	-5.7
Decrease (increase) in operating receivables	-36.9	-34.8	+2.1
Net cash provided by (used in) investing activities	-11.8	-6.1	+5.7
Net cash provided by (used in) financing activities	30.7	38.8	+8.2
Net increase/decrease in cash and cash equivalents	4.3	12.4	+8.1
Cash and cash equivalents at end of period	44.0	64.8	+20.8

(Note) The Group uses core operating cash flow which is net cash provided by operating activities minus decrease in operating receivables.

(4) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The financial results forecast for the fiscal year ending March 31, 2024, which was announced on May 9, 2023, has been revised as follows, in light of the results up to the second quarter under review and the recent trend in the operating results. There is no revision to the financial results forecast for the final year of the medium-term management plan that ends in the fiscal year ending March 31, 2026.

- For the fiscal year ending March 31, 2024, we plan EPS of ¥128.0 (-¥12.0 year on year), ROE of 9.9% (-0.1% year on year), and ROIC of 3.5% (-0.3% year on year).
- Total Group transactions are expected to be ¥4,520.0 billion (amount of change: -¥50.0 billion, rate of change: -1.1%) due to expansion of credit cards.

  * The amount and rate of change are comparison with the previous announcement; hereinafter the same.
- Both revenue and profit are expected to increase, with operating revenue of ¥232.5 billion (amount of change: -¥1.5 billion, rate of change: -0.6%), operating profit of ¥42.0 billion (amount of change: -¥3.5 billion, rate of change: -7.7%), ordinary profit of ¥39.0 billion (amount of change: -¥3.5 billion, rate of change: -8.2%), and profit of ¥24.0 billion (amount of change: -¥2.0 billion, rate of change: -7.7%) planned.
- Operating profit for the Retailing segment is expected to increase, reaching ¥7.0 billion (unchanged from the previous announcement).
- Operating profit for Fintech segment is expected to be ¥43.0 billion (-¥3.0 billion, -6.5% year on year) for the FinTech segment.
- The annual dividend is expected to increase for the 12th consecutive year, reaching a record high of ¥101 (unchanged from the previous announcement).

□ Consolidated financial results forecast for the fiscal year ending March 31, 2024

	FY2023	FY2024	vs. Initial Forecast	YoY change	YoY difference
EPS (yen)	109.4	128.0	△12.0	117	+18.6
ROE (%)	8.5	9.9	△0.1	—	+1.4
ROIC (%)	3.5	3.5	△0.3	—	0.0
Reduction of CO2 (thousand tons)	340	350		103	+10
< Reference >					
	Billion yen	Billion yen	Billion yen	%	Billion yen
Total Group transactions	3957.3	4520.0	△50.0	114	+562.7
Revenue	217.9	232.5	△1.5	107	+14.6
Gross Profit	191.7	205.5	△1.5	107	+13.8
SG&A expenses	153.0	163.5	+2.0	107	+10.5
Operating income	38.8	42.0	△3.5	108	+3.2
Net income	21.5	24.0	△2.0	112	+2.5

	FY2023	FY2024	vs. Initial Forecast	YoY change	YoY difference
	Billion yen	Billion yen	Billion yen	%	Billion yen
Retailing	3.6	7.0	—	194	+3.4
FinTech	42.5	43.0	△3.0	101	+0.5
Eliminations・Corporate	△7.3	△8.0	△0.5	—	△0.7
Consolidated operating income	38.8	42.0	△3.5	108	+3.2

＊Forecasts assumptions	FY2024 Six Months Ended September 30, 2023 (Actual)	Full Year
Retailing Transaction （Existing stores・Web)	vs.FY2020 93%	vs.FY2020 98%
Fintech Transaction Card credit transaction)	YOY 115%	YOY 115%

(5) Management Policies and Management Strategies

■ Overview of the Company

Since its founding in 1931, the Group has evolved its unique business model merging retailing and financial service, and established its strength and position not found in other companies. Recently, the Group newly added forward-looking investments consisting of co-creative investment and investment in new businesses, and with a business model that integrates the three pillars consisting of retailing, FinTech, and forward-looking investments, the Group aims to further increase its corporate value.

■ Basic management policies

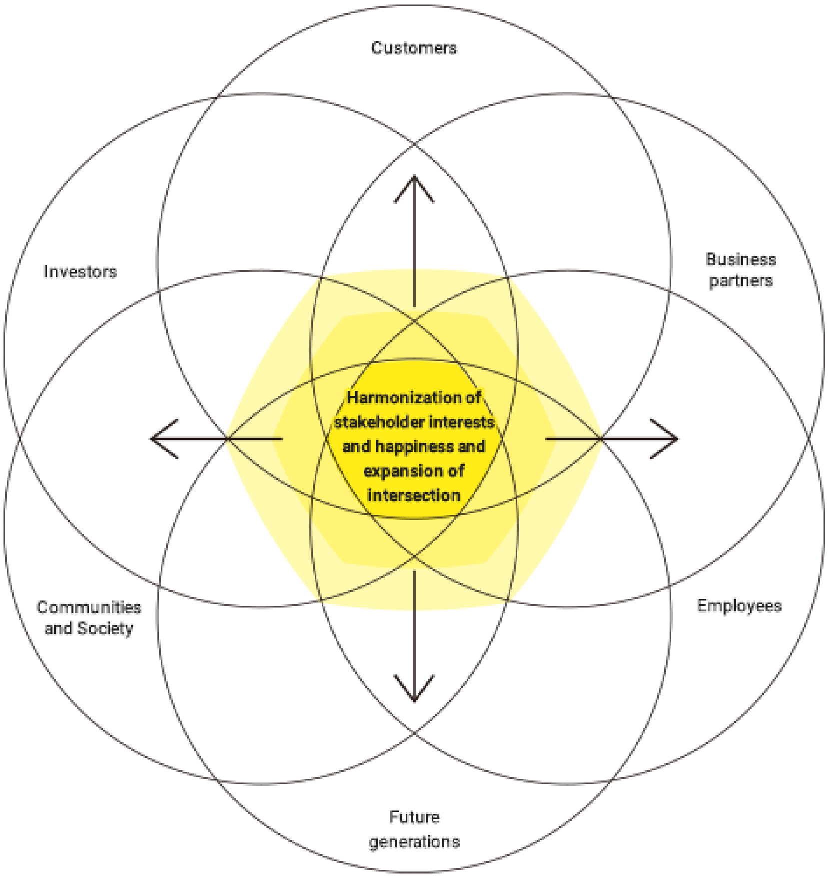
The Group's mission is to work together with our stakeholders to help build an inclusive society that offers happiness to all, based on our corporate philosophy of "continue evolving to better aid our customers" and "equate the development of our people with the development of our company."

The Group aims to promote harmony and the expansion of the interests and happiness of all stakeholders, including customers, shareholders, investors, communities and society, and business partners, employees and future generations. In order to achieve this goal, we endeavor to create value that we can share with our stakeholders by taking their perspectives into consideration as we deliberate and take action on all matters. We hope to promote "stakeholder management" to improve our corporate value as a result of these endeavors.

For details of the Group's stakeholder management, please refer to the Co-Creation Management Report 2021 and the VISION BOOK 2050.

Co-Creation Management Report (https://www.0101maruigroup.co.jp/en/ir/lib/i-report.html)

VISION BOOK 2050 (https://www.0101maruigroup.co.jp/en/sustainability/lib/s-report.html)



Corporate value = Intersection of the interests and happiness of all stakeholders

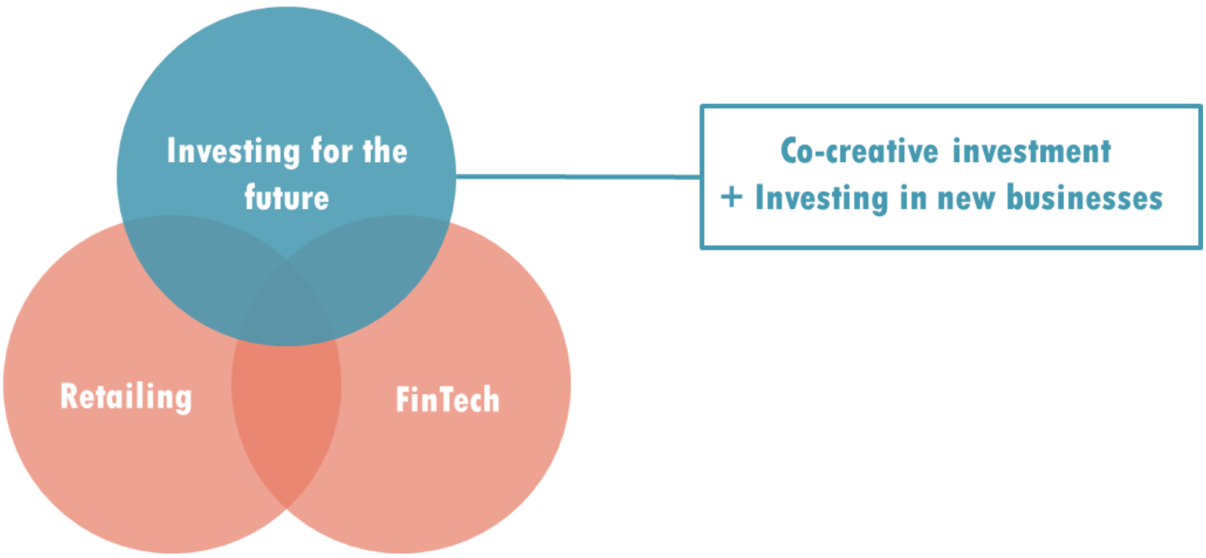
Harmonization and expansion of the intersection = Increase in the corporate value

■ Medium-term management plan
Amid the expected rapid changes in the business environment, we aim to achieve the targets of a five-year medium-term management plan that ends in the fiscal year ending March 31, 2026, and further increase our corporate value.

1) Changes in the business environment
In the next 10 years toward 2030, we will face three big transformations: “from current generations to future generations,” “transition of digital technologies from the introduction stage to the development stage,” and “from tangible assets to intangible assets,” and companies that cannot respond to the sensibilities of future generations such as digitalization, sustainability, and well-being may have a risk of rapidly losing their reputation at the time of a generational change in society.

2) Future course
- Through co-creation with future generations, we will achieve both social issue solutions and improvement in corporate value.
- Through stores and FinTech, we will aim to offer a “platform that connects online and offline.”
- Through expansion of investments in new businesses, co-creation and other intangible assets in addition to human resources and software, we will evolve into an intellectual creation company.
- Inviting stakeholders as board members, we will promote stakeholder management for the “harmonization of stakeholder interests and happiness.”

3) Specific initiatives
<Business strategy>
(Overview of the Group business)
- We will create a business model that integrates the three pillars consisting of Retailing, FinTech, and the newly added “investing for the future.” Investing for the future includes co-creative investments and investments in new businesses.



(Retailing)

- Amid concerns over deteriorating market conditions due to COVID-19, we will further promote the transformation in department store-type operations advanced thus far, and realize new growth. We will position stores as a platform for “integration of online and offline,” hold various events of new businesses to be developed mainly with e-commerce, and promote creation of stores where customers will be brought in by events. We will also aim to commercialize events along with FinTech with a view to developing events not only in Marui stores but in commercial facilities across Japan.

(FinTech)

- With the new cards and apps that launched in April 2021, we will aim to dramatically enhance the user experience and further improve LTV. In addition, we will introduce credit cards that support individuals in pursuing their “interests” such as credit cards in collaboration with anime content, which grew to become the second pillar after Gold cards.
- We will review membership recruitment that largely relies on physical stores to increase the ratio of online applications for membership and reinforce approaches for maximization of household share mainly through the growing areas of e-commerce, online services, and rent fees, aiming at ¥5.3 trillion of transaction volume in the fiscal year ending March 31, 2026, which is more than double the volume in the fiscal year ended March 31, 2021.
- Furthermore, 500 thousand customers pay their bills for renewable energy with their EPOS card, and we will tackle both reductions in CO_2 emissions and improvement of LTV.

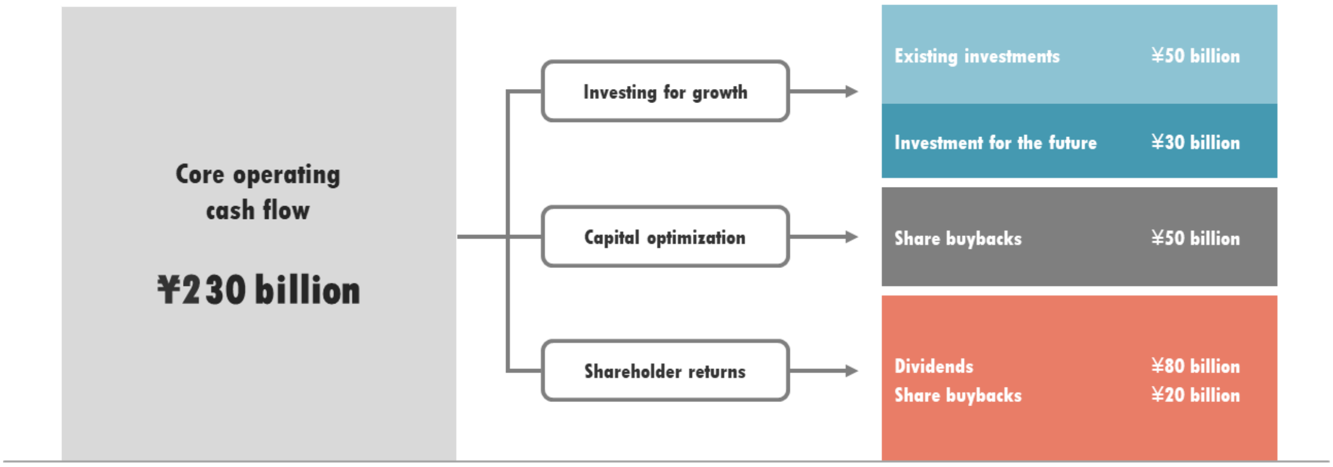
(Investing for the future)

- With regard to “investing for the future,” we will create innovation for balancing the impact of sustainability, well-being, and profits. We will aim at creating innovation within the Company through investments in new businesses and introducing innovation from outside the Company through co-creative investment.
- With regard to new businesses, we will establish unique business models where media, stores, and FinTech are integrated with e-commerce at the center.
- With regard to co-creative investment, we will proceed with an approach for growing together and creating value based on the co-creative philosophy, and seek both earnings contributions to Retailing and FinTech as well as financial returns.

<Capital measures>

- The Retailing segment generated more earnings and stabilized its profits after the stores adopted a fixed-term rental system, but the equity ratio remains at a high level. Thus, we plan to redistribute surplus capital and improve our balance sheet to achieve a consolidated equity ratio of around 25%.
- We expect our core operating cash flow to be ¥230.0 billion for the next five years and plan to allocate ¥80.0 billion for investment for growth including investment for the future, ¥50.0 billion for share buybacks to optimize our capital, ¥100.0 billion for shareholder returns (consisting of ¥80.0 billion for dividends and ¥20.0 billion for share buybacks).

■ Capital allocation plan (Fiscal 2022-2026)



* Share buybacks for capital optimization were completed in the fiscal year ended March 31, 2023. Measures for shareholder returns have changed from the fiscal year ending March 31, 2024.

<Impact>

- Under the Group’s 2050 Vision announced in 2019, targets related to sustainability and well-being have been defined as “Impact.” As part of our initiatives toward 2030, we have made some changes to the three targets of “work together with future generations to create the future,” “work together to bring happiness to individuals,” and “create a co-creative ecosystem,” and set the key items for initiatives as main KPIs under the medium-term management plan. Going forward, we will advance concrete initiatives with the aim of achieving these KPIs.
- In addition, aiming at co-creation management which realizes the interests and happiness sought by stakeholders together, we will invite stakeholders as board members to evolve the governance structure.

Themes	Priorities
Work together with future generations to create the future	Help realize a carbon-neutral society
	Achieve sustainable consumption and reform our lifestyles
	Support future generations in creating businesses
Work together to bring happiness to individuals	Support individuals in pursuing their interests
	Support individuals for their uniqueness
	Support individuals for their health
	Support individuals in their choices of how to make their money for them
Create a co-creation ecosystem	Provide co-creation platforms
	Innovate the workstyles and organizations

4) Main KPIs

Along with the changes made to Impact-related KPIs for the fiscal year ending March 31, 2031, we have also made changes to our Impact targets for the year ending March 31, 2026. By achieving the Impact, we will realize EPS of ¥200 or more, ROE of 13% or more, and ROIC of 4% or more.

	Key Targets	Fiscal year ending March 31, 2031 KPIs
Impact	Reduction of CO_2 emissions	1 million tons or more
	Users participating in "achieving sustainable consumption and reform our lifestyles"	1 million people or more
	Companies offering options for "achieving sustainable consumption and reform our lifestyles"	1,000 companies or more
	Investing in future generation of entrepreneurs	100 cases or more
	Card users receiving support in pursuing their interests, uniqueness, and health	3 million people or more
	Companies supporting individuals in pursuing their interests, uniqueness, and health	200 companies or more
	Financial service users, including domestic, overseas, and young users	10 million people or more
	Supportive investment through co-creative partners	In 20 countries or more worldwide
	Companies providing co-creation platforms	350 companies or more
	Participants in creating a co-creative ecosystem	10,000 people or more
	Innovation creation personnel	5,000 people or more

■ Shareholder returns

The Group has promoted capital optimization to date in line with the business structure reforms. First, in responding to reform to a business structure centered on FinTech, the Group conducted approximately 100.0 billion worth of share buybacks under a policy of reducing the equity ratio of the FinTech segment to approximately 10% in line with the average in the industry and achieved this target in the fiscal year ended March 31, 2021. Next, in the current five-year medium-term management plan that ends in the fiscal year ending March 31, 2026, the Group conducted 50.0 billion worth of share buybacks by the fiscal year ended March 31, 2023 to redistribute surplus capital in the Retailing segment. Through such share buybacks, the equity ratio which had remained high lowered to approximately 25%, our target level. The Group has achieved a target for the balance sheet, so it has decided to use a dividend on equity ratio (DOE) as a new dividend indicator and aims to achieve high growth and high returns in the future. The Group has changed the method for share buybacks and flexibly conducted this process, comprehensively considering a range of factors including the financial conditions and share price, instead of the existing plan-based method.

(Basic policy)

With respect to shareholder returns, the Group's basic policy will be one of ongoing, appropriate profit sharing.

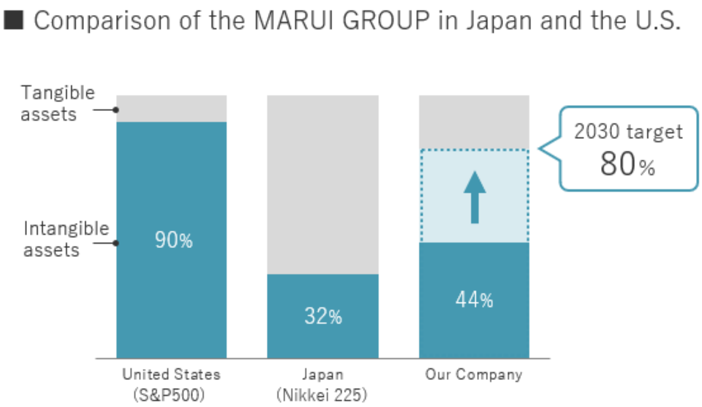
- The Company will endeavor to continuously increase the level of dividends based on the long-term growth in EPS to realize high growth coupled with high returns. It will aim to realize ongoing, long-term dividend increases, targeting a dividend on equity ratio (DOE) of approximately 8%.
- Share buybacks are flexibly conducted after comprehensively considering a range of factors including the financial conditions and share price, for improving capital efficiency and enhancing shareholder interest. Treasury shares acquired through share buybacks will, in principle, be cancelled.
- Dividend standards and treasury stock acquisition policies are regularly verified and revised as appropriate.

■ The future corporate value we seek to achieve

Going forward, we will further increase human capital investment to increase our corporate value. Intangible assets account for 90% of corporate value in the United States, but only 32% among Japanese companies. Our Group's intangible asset ratio is currently 44%, but we aim to raise it to 80%, in line with American companies, by 2030 by investing in human capital, thereby increasing our corporate value.

Percentage of intangible assets

$$= 1 - \frac{\text{Net tangible assets}}{\text{Market capitalization}}$$



Source: Created by the Company based on OCEAN TOMO "INTANGIBLE ASSET MARKET VALUE STUDY" (2020)

With respect to our future corporate value goals, we seek to raise ROE to roughly 25% and increase our PBR to 5.

Current	Future
PBR 1.7 times	PBR 5 times
= ROE 10% (Plan for FY2024) × PER 17 times (Current level)	= ROE 25% × PER 20 times

(6) Sustainability Approach and Initiatives

■ The Group’s idea of sustainability

<Overall sustainability>

In 2016, the Group took its first steps toward practicing future-oriented sustainability management, an approach that integrates its business with consideration for the environment, the resolution of social issues, and corporate governance initiatives. We have redefined our business approach targeted for “every individual” to that featuring “inclusion” and reorganized our core themes. We believe that these will also contribute to the realization of the United Nations Sustainable Development Goals (“SDGs”).

Furthermore, in 2019 we formulated the MARUI GROUP’s 2050 Vision, our long-term vision for 2050, to achieve full-fledged sustainability management, and declared the slogan “Harnessing the power of business to build a world that transcends dichotomies.”

As stated in the previous section “Medium-term management plan,” in 2021 we defined our targets related to sustainability and well-being as “Impact” based on the 2050 Vision. “Impact” consists of three co-creation objectives described as “work together with future generations to create the future,” “work together to bring happiness to individuals,” and “create a co-creative ecosystem.”

We aim to achieve both the solution of social issues and profits through its business, and some of the key approaches are defined as main KPIs in our medium-term management plan. Please refer to “(4) Indicators and targets” for specific indicators.

1) Governance

We will develop a management structure that is inclusive of stakeholders to promote harmony and the expansion of the interests and happiness of all stakeholders.

Stakeholder Management	Aiming at co-creation management which realizes the interests and happiness sought by stakeholders together, we will invite stakeholders as board members to evolve the governance structure.
Sustainability Management	We have been verifying activities as necessary for the promotion of sustainability management, and are confirming our progress on the key performance indicators (KPI) for evaluating sustainability in our businesses. In order to strengthen our sustainability management system, we established Sustainability Advisors and the Sustainability Committee as an advisory body to the Board of Directors in 2019. Committee members, including external experts and members from younger generations, have engaged in deeper dialogue about the future, including issues on Group-wide sustainability strategies and initiatives. The Committee has also actively reported and made recommendations to the Board of Directors.

Promotion of Risk Management	We established the MARUI GROUP Code of Conduct as the foundation for sustainability management. Under that Code of Conduct, we formulated the MARUI GROUP Human Rights Policy, the MARUI GROUP Occupational Health and Safety Policy, the MARUI GROUP Environmental Policy, etc. In addition, in order to respond to the volatile operating environment while accelerating business structure reforms through digitization and technological innovation, we appointed a Chief Digital Officer (CDO). Moreover, to strengthen measures in response to information security risks, we established the Information Security Committee and appointed a Chief Security Officer (CSO) to serve as the highest-level authority on security responsible for managing and protecting Groupwide information assets. The effectiveness of these policies is verified once a year and all Group employees are familiarized with them through training and other activities. We will review them as required and promote risk management suitable for the times in the future.
Cultivation of Future Leaders	In April 2017, we launched the Co-Creation Management Academy (CMA) future leader development program. Each year 10 to 20 candidates are selected, and through this program we seek to discover and cultivate future leaders under the guidance of our External Directors.

2) Strategy

The Group's mission is to "contribute to co-creating an inclusive society that offers happiness to everyone" guided by the management philosophy of "Continue evolving to better aid our customers" and "Equate the development of our people with the development of our company." The Group shall offer "happiness" as not only economic affluence but spiritual affluence through merging finance and retailing and aim to realize a society where all people, not just some people, can become "happy."

Along with our formulation of 2050 Vision, our long-term vision for 2050, we have selected social issues to prioritize in our efforts, and we have defined our ideals for 2050 as being a world in which nations, races, and nature are interconnected.

By promoting our business model, which integrates the three pillars of Retailing, FinTech, and investing for the future (co-creative investment + investments in new businesses), based on our foundation of co-creation, we will balance impact and revenue.

We have defined the initiatives to be carried out by the Group in the form of three themes and nine key targets. By working to achieve 2050 Vision, we will strive to create a flourishing and inclusive society that offers happiness to all.

i. Work together with future generations to create the future

We will take steps toward creating an eco-friendly and sustainable future by helping realize a carbon-neutral society, providing sustainable options, and supporting future generations in creating businesses.

Help realize a carbon-neutral society	<Reduction of the Group-wide emissions> In March 2018, we became the first retailer in Japan to receive approval from the Science Based Targets (SBT) initiative for our greenhouse gas emissions reduction targets. We also became the first Japanese retailer to declare support for TCFD in November 2018 and disclosed the financial impact of climate change in our annual securities report in 2019. Furthermore, we obtained a certification for our SBT Net Zero targets in August 2023. Groupwide targets to reduce greenhouse gas emissions are as follows: Medium-term targets for 2030 • Reduce the total Group-wide Scope 1[*1] and Scope 2[*2] emissions by 80% and Scope 3[*3] emissions by 35% compared to the fiscal year ended March 31, 2017 • Procure 100% of the electricity used by the Group's business activities from renewable energy sources by 2030 Long-term targets for 2050 • Achieve net-zero by reducing the total Group-wide Scope 1 and 2 emissions and Scope 3 emissions by 90% compared to the fiscal year ended March 31, 2017, and removing carbon from any residual emissions Going forward, we will implement the disclosure of our "Transition Plan for Climate Change," which is essential to achieving our SBT Net Zero targets. As a first step in this effort, we have published the first "Transition Plan" in the ESG Data Book. ESG Data Book (https://www.0101maruigroup.co.jp/en/sustainability/pdf/esg/esg2023_en.pdf) Achievement for the fiscal year ended March 31, 2023 • Reduction of 35,625 tons in combined emissions of Scope 1 (10,043 tons) and Scope 2 (25,582 tons) A 69.9% reduction compared to the fiscal year ended March 31, 2017 • A reduction in Scope 3 (255,620 tons) A 47.8% reduction compared to the fiscal year ended March 31, 2017 Resulting in greenhouse gas emissions intensity[*4] of 7.5, 92.5% of the level in the previous fiscal year. We became a member of RE100 in July 2018 and will source 100% of the electricity used in our business activities from renewable energy by 2030. The ratio of renewable energy for the fiscal year ended March 31, 2023 was 68%. *1) Greenhouse gas emissions from its use of fuel *2) Greenhouse gas emissions from its use of electricity, etc. *3) Greenhouse gas emissions from its value chain *4) Calculated based on the ratio of greenhouse gas emissions (tons) to consolidated operating profit (¥1 million)
	<Reduce societal CO_2 emissions through co-creation with customers> MARUI GROUP launched the Project for Promoting Shift to Renewable Energy with UPDATER, Inc. (previously Minna-denryoku, Inc). The Group will take action to reduce CO_2 emissions together with its customers by offering services where its cardholders can easily apply for Minna-denryoku's renewable energy. Together with our 500,000 customers, we aim to reduce CO_2 emissions by 1 million tons by the fiscal year ending March 31, 2026.
Achieve sustainable consumption and reform our lifestyles	We will help bring about sustainable consumption and lifestyles by providing options through affiliates, tenants, and co-creative investees that meet our sustainability standards.
Support future generations in creating businesses	We will accelerate investment and financing that supports future generations in creating businesses through co-creative investment in future generation of entrepreneurs and EPOS Owner Card business.

ii. Work together to bring happiness to individuals

We will support pursuit of interests, uniqueness, health, and choices of how to make their money work for them of individuals, accelerating the realization of a society where every person feels empowered.

Support individuals in pursuing their interests	We will support individuals in pursuing their ‘interests’ by creating new businesses, including anime, Korean cosmetics, and K-pop, as well as through co-creative investments. We will also issue credit cards in collaboration with various content, hold in-store events, and carry out other highly unique initiatives to further expand our business in this area.
Support individuals for their uniqueness	Through co-creative investments that integrate the three pillars of Retailing, FinTech, and investing for the future, we will support individuals for their uniqueness by providing inclusive options with respect to areas such as allergies, sizes, LGBTQ issues, and support for people with disabilities.
Support individuals for their health	We will provide choices, such as femtech, health technology, and mindfulness, to support the health which is the foundation of life stages, thus supporting the health of individuals.
Support individuals in their choices of how to make their money work for them	We will support individuals in their choices of how to make their money work for them by providing financial inclusion opportunities, primarily by issuing credit cards through credit co-creation, and through investments that contribute to society while building assets, such as supportive investment (social bonds).

iii. Create a co-creative ecosystem

By using our Group assets, we will create a co-creative ecosystem with stakeholders and inspire innovation.

Provide co-creation platforms	We will support future generations of entrepreneurs by providing co-creation platforms for spurring innovation such as Future Accelerator Gateway, Marui Co-Creation Pitch, and the Teens Apps Awards, and by leveraging our Group platform such as our stores and credit cards.
Innovate the workstyles and organizations	Through project-based organizations such as co-creative teams, DX training, and the like, we will create environments that are consistently conducive to innovation and we will promote personnel development.

3) Risk management

The Group identifies risks and opportunities in order to track and assess sustainability-related issues. The identified risks and opportunities are managed in terms of strategy formulation and individual business operations through a promotion system led by the Sustainability Committee. The content of deliberations by the ESG Committee consisting of officers of Group companies (credit card services, retailing, facility management, distribution, general building management, etc.), is regularly reported and discussed at the Compliance Promotion Board chaired by the Representative Director, or at the Sustainability Committee, an advisory body to the Board of Directors. Reports and advice are provided to the Board of Directors as necessary for specific items. Going forward, strategies and measures will be examined based on a myriad of factors. External factors on which information will be shared include trends in society that may impact corporate strategies as well as legal and regulatory revisions. Internal factors examined will include progress in the measures of Group companies and future risks and opportunities.

4) Indicators and targets

The Group has set three targets as impact-related KPIs for the fiscal year ending March 31, 2031, based on co-creation: “work together with future generations to create the future,” “work together to bring happiness to individuals,” and “create a co-creative ecosystem.” We are carrying out specific initiatives for achieving these

KPIs.

To assist in rapidly realizing these impact-related KPIs, Group companies and divisions have formulated medium-term management plans, and progress on these plans is monitored annually at progress report meetings for the management.

	Themes and Key Targets	Fiscal year ending March 31, 2031 KPIs		Financial values
Work together with future generations to create the future	Help realize a carbon-neutral society	Reduction of CO_2 emissions	1 million tons or more	Not less than 680.0 billion of transaction volume Not less than 90.0 billion of LTV
	Achieve sustainable consumption and reform our lifestyles	Users participating in "achieving sustainable consumption and reform our lifestyles"	1 million people or more	
		Companies offering options for "achieving sustainable consumption and reform our lifestyles"	1,000 companies or more	
	Support future generations in creating businesses	Investing in future generation of entrepreneurs	100 cases or more	
Work together to bring happiness to individuals	Support individuals in pursuing their interests Support individuals for their uniqueness Support individuals for their health Support individuals in their choices of how to make their money for them	Card users receiving support in pursuing their interests, uniqueness, and health	3 million people or more	Not less than 1.3 trillion of transaction volume Not less than 200.0 billion of LTV
		Companies supporting individuals in pursuing their interests, uniqueness, and health	200 companies or more	
		Financial service users, including domestic, overseas, and young users	10 million people or more	Not less than 3.5 trillion of transaction volume Not less than 250.0 billion of LTV
		Supportive investment through co-creative partners	In 20 countries or more worldwide	
Create a co-creation ecosystem	Provide co-creation platforms Innovate the workstyles and organizations	Companies providing co-creation platforms	350 companies or more	Not less than 10% of IRR
		Participants in creating a co-creative ecosystem	10,000 people or more	
		Innovation creation personnel	5,000 people or more	

<Initiatives related to climate change and endorsing the Task Force on Climate-related Financial Disclosures (TCFD)>

Climate change should be considered as a climate crisis today. Recognizing climate change as one of its most important management priorities, MARUI GROUP aims to "limit the rise in the global temperature to below 1.5°C above pre-industrial levels," as presented in the Paris Agreement. The Group has strengthened its governance system to actively engage in creating a carbon-neutral society based on the long-term targets of the Paris Agreement in accordance with the MARUI GROUP Environmental Policy as revised in March 2022. At the same time, the Group has analyzed the potential impact of climate change on business, and is promoting initiatives in capturing opportunities for growth and responding appropriately to relevant risks resulting from climate change. The Group endorsed the recommendations of the TCFD, which was established by the Financial Stability Board, and disclosed information in its annual securities report for the fiscal year ended March 31, 2019, based on these recommendations. We conducted repeated analyses and expanded the disclosure of information concerning opportunities and physical risks due to climate change in our annual report for the fiscal year ended March 31, 2020. As we continue to focus on enhancing our information disclosure in the future, we will benchmark the appropriateness of the Group's responses to climate change using the TCFD recommendations to promote sustainability management.

1) Governance

The Sustainability Committee is an advisory body to the Board of Directors, established for the purpose of examining and discussing the Group's basic policies and major items related to climate change. In addition, the ESG Committee has been established to improve the level of management of relevant risks, and through the Compliance Promotion Board, chaired by the Representative Director, we manage risks for the entire Group. In formulating business strategies and implementing investment and financing, we will strengthen our governance related to climate change based on this system by comprehensively discussing and making decisions with considerations for the MARUI GROUP Environmental Policy and other major items related to climate change.

2) Strategies

(Business risks and opportunities)

Recognizing that a 4°C rise in the average global temperature resulting from climate change would have an enormous impact on society, we believe it is important to work to help limit global warming to below 1.5°C above pre-industrial levels. In order to strengthen our ability to respond to scenarios below 2°C (with a target of 1.5°C), we will identify the impact of climate-related risks and opportunities on our business, and proceed to formulate relevant strategies.

The Group aims to create a business model integrating Retailing and FinTech with “investing for the future” that leads to mutual development, by investing in start-ups, etc., with which we can share our corporate philosophy or visions. Climate change would pose such risks as damages to stores, facilities, etc., from floods caused by typhoons and torrential rains, and an increase in costs due to the introduction of carbon taxes along with tightened regulations. On the other hand, we view the provision of goods and services responding to increased consumer environmental awareness and investing in eco-friendly companies as the Group’s business opportunities.

(Analysis and calculation of financial impacts)

Financial impacts on businesses are analyzed based on our climate change scenario, etc., and calculated by item as the amount of impact on income anticipated within the period through 2050. As physical risks, even if a rise in temperature is held below 1.5°C, we anticipate that flood damage will abruptly occur due to typhoons, torrential rains, etc. These risks are expected to affect rent revenues, etc., due to suspension of store operations (approx. ¥1.9 billion) and cause building damages (approx. ¥3.0 billion). We assessed the transition risks by estimating increases in future energy-related costs, which are expected to be renewable power procurement costs (approx. ¥0.8 billion) and the introduction of carbon taxes (approx. ¥2.2 billion). The relevant opportunities are expected to have an impact on store revenue as a result of proposing lifestyles to highly environmentally conscious consumers (approx. ¥1.9 billion), long-term revenue due to an increase in cardholders (approx. ¥2.6 billion), and returns from investment in environmentally friendly companies (approx. ¥0.9 billion). We project long-term revenue owing to an increase in recurring payments due to cardholders using electrical power from renewable energy, leading to the conversion of regular cardholders to Gold cardholders (approx. ¥2.0 billion), a reduction of procurement costs resulting from entering the power retailing business (approx. ¥0.3 billion), and exemption from carbon taxes (approx. ¥2.2 billion). We will conduct analysis regularly based on various future trends and continue to review our evaluations and disclose relevant information.

(Assumptions)

<table>
<tr><td>Target period</td><td>2020 to 2050</td></tr>
<tr><td>Scope</td><td>All businesses of MARUI GROUP</td></tr>
<tr><td rowspan="5">Calculation requirements</td><td>Analyses based on climate change scenarios (IPCC, IEA, etc.)</td></tr>
<tr><td>Calculation of financial impacts assumed during the period by item</td></tr>
<tr><td>Calculation of risks in the amount of impact if an event occurs</td></tr>
<tr><td>Calculation of opportunities for lifetime value (LTV), in principle</td></tr>
<tr><td>Not considering infrastructure enhancements such as public works and technology advancements, etc.</td></tr>
</table>

(Risks and opportunities associated with climate change)

	Changes in society	Risks faced by MARUI GROUP	Description of risks	Financial impacts
Physical risks	Flood damage due to typhoons, torrential rains, etc.*1	Suspension of store operations	Impact on rent revenues, etc., due to business suspension	Approx. ¥1.9 billion
			Building damages due to flooding (recovery of power supply facilities, etc.)	Approx. ¥3.0 billion
		Stop of system centers	Groupwide suspension of business activities due to system outage	Response completed *2
Transition risks	Increase in demand for renewable energy	Rise in renewable energy prices	Increase in energy costs due to renewable energy procurement	Approx. ¥0.8 billion (Annual)
	Tightening of government's environmental regulations	Introduction of carbon taxes	Tax increase due to carbon taxes	Approx. ¥2.2 billion (Annual)

	Changes in society	MARUI GROUP's opportunities	Description of opportunities	Financial impacts
Opportunities	Enhanced environmental consciousness and change in lifestyles	Propose sustainable lifestyles	Revenue from bringing in eco-friendly tenants, or other efforts	Approx. ¥1.9 billion *3
			Increase in sustainability-minded credit cardholders	Approx. ¥2.6 billion *4
			Returns from investments in eco-friendly companies	Approx. ¥0.9 billion
		Response to demand from general households for renewable energy	Revenue from cardholders using electrical power from renewable energy	Approx. ¥2.0 billion *5
	Diversification of electricity procurement	Entry into the power retailing business	Reduction in intermediary costs due to direct procurement of electricity	Approx. ¥0.3 billion (Annual)
	Tightening of government's environmental regulations	Introduction of carbon taxes	Exemption from carbon taxes from achieving zero greenhouse gas emissions	Approx. ¥2.2 billion (Annual)

*1. Assuming flooding of a river that will have the most significant effects based on hazard maps (Arakawa River) (three-month effect on two stores in the watershed areas)

*2. Assuming no financial impacts as a backup center has been established

*3. Increased rent revenues and credit card usage

*4. Calculated revenue from credit card admission and usage

*5. Estimated revenue from an increase in the number of Gold card holders after making recurring payments, etc.

3) Risk management

MARUI GROUP performs scenario analyses to track and assess the impacts of climate change on its business and identify climate change-related risks and opportunities. The identified risks and opportunities are managed in terms of strategy formulation and individual business operations through a promotion system led by the Sustainability Committee. The content of deliberations by the ESG Committee consisting of officers of Group companies (credit card services, retailing, facility management, distribution, general building management, etc.), is regularly reported and discussed at the Compliance Promotion Board chaired by the Representative Director, or at the Sustainability Committee, an advisory body to the Board of Directors. Reports and advice are provided to the Board of Directors as necessary for specific items. Going forward, strategies and measures will be examined based on a myriad of factors. External factors on which information will be shared include climate change and other trends that may impact corporate strategies as well as legal and regulatory revisions. Internal factors examined will include progress in the measures of Group companies and future risks and opportunities.

4) Indicators and targets

- Our Groupwide greenhouse gas emission reduction targets are as follows: an 80% reduction in emissions attributable to Scope 1 and Scope 2 and a 35% reduction attributable to Scope 3 from the level in the fiscal year ended March 31, 2017 by 2030 (a 90% reduction in emissions attributable to Scope 1 and Scope 2 from the level in the fiscal year ended March 31, 2017 by 2050); and they were certified as “targeting 1.5°C” by the SBT initiative in September 2019.
- The Group has set a target of procuring 100% of the electricity used in its business activities from renewable power sources by 2030 (medium-term target: 70% by 2025) and became a member of RE100 in July 2018.

■ The Group’s idea of human capital management

Based on the philosophy that we should “equate the development of our people with the development of our company," the Group has been working to reform the corporate culture since 2005, with the aim of continuously improving corporate value. In order to reform our corporate culture, we have simultaneously promoted measures related to “Corporate Philosophy,” “Culture of Dialogue,” “Workstyle Reforms,” “Promotion of Diversity,” “Culture of Voluntary Participation,” “Intra-Group Companies Profession Changes and Transfers,” “Dual-Axis Evaluation of Performance and Values,” and “Well-being,” etc.

For performance data on the Group’s human capital management, please refer to the “Social” category in the ESG Data Book for the fiscal year ended March 31, 2023.

ESG Data Book

(https://www.0101maruigroup.co.jp/en/sustainability/pdf/esg/esg2023_en.pdf)

<Initiatives aimed at reforming the corporate culture>

1) Corporate Philosophy

The Group’s human capital management is based on the management philosophy that we should “equate the development of our people with the development of our company.” With regard to this philosophy, by setting up a dialogue forum for employees to discuss their reasons for working and what they wish to accomplish at the Company, we reconciled the Company’s purpose with the purposes of individuals. Over a period of more than ten years, more than 4,500 employees participated in this dialogue forum. As a result, the retirement rate temporarily increased due to the retirement of people who could not share the same philosophy, but since then, the retirement rate (excluding those who retired at the mandatory retirement age) has remained at a low level of around 3%. In addition, the turnover rate within three years of joining the Company is about 11%, which is far below the national average, showing that the foundation for the “mutually chosen relationship” between the Company and individual employees has been established.

2) Culture of Dialogue

Although communication used to be a one-way street, the Group has fostered a “culture of dialogue” through two-way communication. Discussions and meetings are always conducted interactively in accordance with the following seven guidelines: “1. Start with a declaration that opinions can be safely expressed,” “2. Do not set a particular purpose,” “3. Do not seek conclusions,” “4. Listen attentively,” “5. Speak in response to other people’s remarks,” “6. Do not reject other’s opinions,” and “7. Include intervals to allow discussions to develop.”

3) Workstyle Reforms

We are aiming not only to create a comfortable work environment, but also to transform our corporate culture from one in which the essence of work is “providing time” to one in which value is placed on “creating value.” As a result of project activities conducted by employees, overtime per person decreased significantly from 11 hours per month in the fiscal year ended March 31, 2008 to approximately 5.2 hours in the fiscal year ended March 31, 2023.

4) Promotion of Diversity

Since 2014, we have been promoting organizational reform by advocating for diversity in three aspects: “gender,” “age group,” and “individuals.” With regard to gender diversity, we started a project to promote women’s participation and advancement in the workplace in the fiscal year ended March 31, 2014. In addition, as a result of promoting initiatives based on our own KPI called the “vitality index of female employees,” the rate of male employees taking childcare leave reached 100% for the fifth consecutive year in the fiscal year ended March 31, 2023, and the percentage of female employees who wish to work in high-level positions also improved to 58%. From the fiscal year ended March 31, 2022, we have set new goals of “encouraging the taking of paternity leave” and “reviewing the gender role division between men and women,” and have embarked on more substantive initiatives.

■ Vitality index of female employees (extract)

		14.3	23.3	26.3
	Ratio of female leaders	20	34	40
	Female employees who wish to work in high-level positions	41	58	75
	Maintain ratio of childcare leave taken by male employees at 100%	14	100	100
Newly established	Ratio of paternity leave taken by male employees (within 8 weeks of childbirth)	—	78	80
Newly established	Ratio of employees who believe that fixed gender roles, where “men should work while women should do housework and raise children,” should be reviewed	—	53	50

(%)

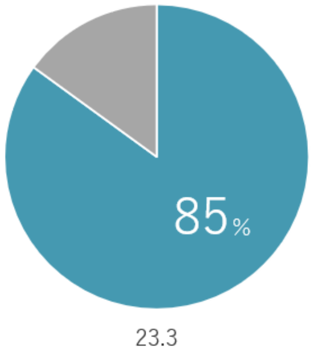
5) Culture of Voluntary Participation

For over a decade, we have promoted a culture of voluntary participation by employees so as to encourage the individual initiatives of our employees and form an autonomous organization where innovation is generated.

We provided our employees with a wide range of self-driven opportunities, such as official projects and initiatives, and the Medium-Term Management Visionary Committee. During the fiscal year ended March 31, 2023, the percentage of employees who voluntarily participated reached approximately 80%.

■ Initiatives that enable voluntary participation

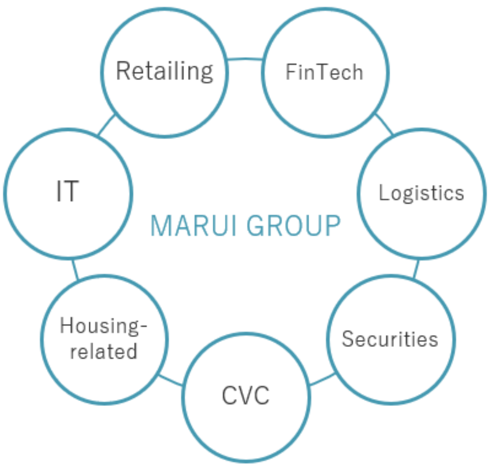
■ Ratio of employees who engaged in voluntary participation



6) Intra-Group Companies Profession Changes and Transfers

Based on the culture of voluntary participation by employees, we have been promoting full-fledged intra-Group companies profession changes and transfers that span various businesses across the Group since 2013. By the fiscal year ended March 31, 2023, approximately 85% of all Group employees have experienced profession changes. In a survey conducted in 2016, approximately 86% of the respondents said that changes in professions contributed to their growth. We believe that this system develops a capacity for diversity and resilience of each employee. Going forward, we will further promote the secondment of our employees to other companies, particularly the investees of co-creative investment, to develop human resources that are resilient to change.

■ Flow of transfers



■ Ratio of profession changes

85%

*As of March 2023

■ Ratio of respondents who said transfers contributed to their growth

86%

*According to Nov. 2016 survey

7) Dual-Axis Evaluation of Performance and Values

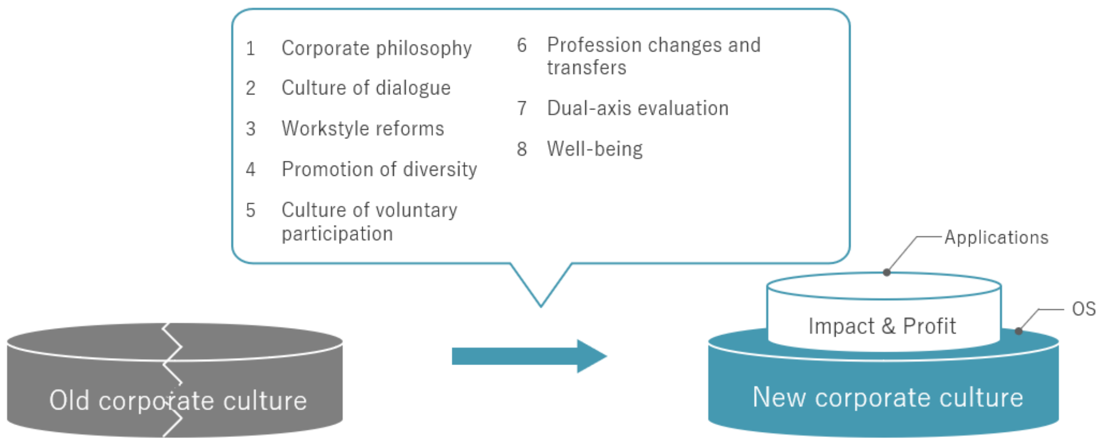
In the personnel evaluation system, we aim to realize the corporate philosophy of "developing our people" by conducting evaluations not only based on performance, but also by having superiors, colleagues, and subordinates conduct a comprehensive evaluation related to values.

8) Well-being

Since 2016, the Group has been working on the well-being of employees with the aim of creating an organization with vitality that enables each and every employee to engage in work enthusiastically and energetically. Led by Director, Senior Executive Officer and CWO (Chief Wellbeing Officer) Ms. Reiko Kojima, we will strive to realize the happiness of each and every person in the organization through the “Resilience Program for Executives” and the “Well-being Promotion Project” in which employees voluntarily participate.

<Improving employee engagement by reforming the corporate culture>

Through eight measures, which include unique Company initiatives, we have updated our corporate culture, which serves as our management OS, creating a new OS. As a result of these measures, employee engagement has improved. Comparing the engagement indicators we measure in-house over the ten-year period between 2012 and 2022, work “expectation” scores have risen from 46% to 80%, workplace “respect” scores have risen from 28% to 66%, and scores relating to “leveraging their own strengths” have risen from 38% to 52%, all major improvements.



■ Employee engagement

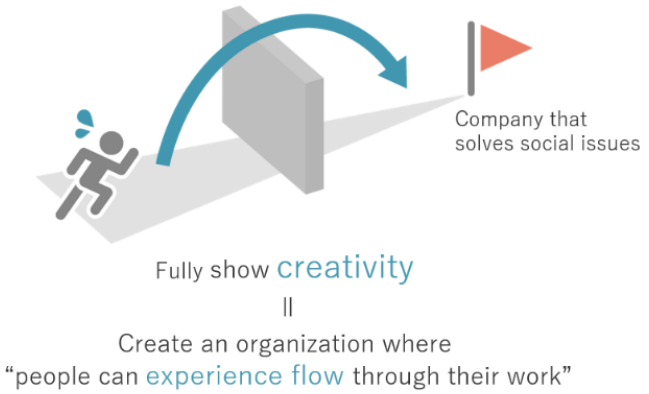
	2012	2022
I know what is expected of me on the job	46%	80%
I feel respected at work	28%	66%
I leverage my own strengths to meet challenges	38%	52%

1) Strategy

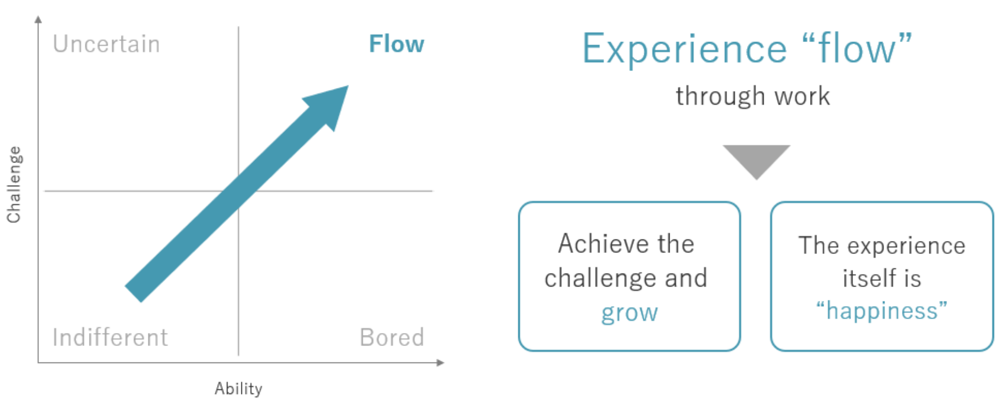
MARUI GROUP’s 2050 Vision, which was formulated in 2019, sets forth a vision of transcending dichotomies between impact and profit. By reforming our corporate culture, we have become able to create innovation in order to achieve this vision. However, these innovations are still but tiny “seedlings.” We must increase the number of these “seedlings” that bear the twin leaves of impact and profit and grow them into mighty trees bearing many fruit to evolve into a company that solves social issues.

To overcome the difficult hurdle of balancing the pursuit of profit with the solving of social issues, it is essential that each person brings their full creativity to bear. This is why we are working to create an organization in which people can experience “flow” through their work.

“Flow” is a concept advanced by psychologist Mihaly Csikszentmihalyi, in which people’s abilities and the level of challenges they are tackling are well-matched, so they become completely absorbed in their challenges and lose track of time. By experiencing flow, people can leverage their full creative abilities, surmounting difficult obstacles and achieving personal growth. The experience of flow produces a feeling of happiness. Our goal is to create organizations where people can experience flow through their work, thereby achieving our ideals while contributing to the happiness of each and every worker. We will achieve this through two initiatives: “workstyle and organization innovation” and “DX promotion.”

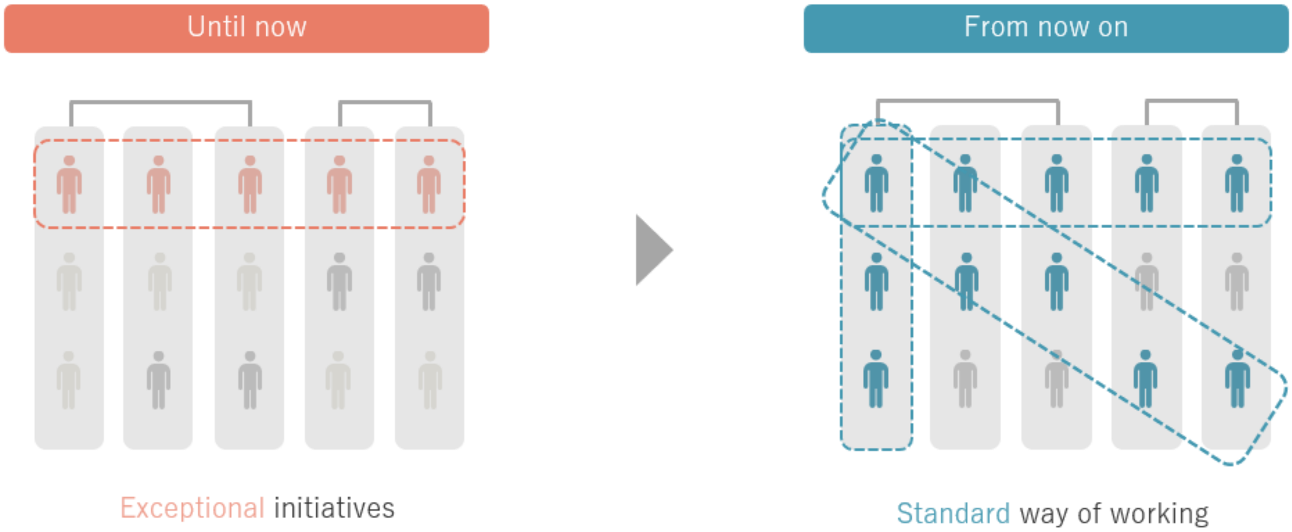


■ “Flow” experience image



(Innovate the workstyles and organizations)

In our workstyle and organization innovation, we are promoting the creation of project-based workstyles and organizations. Employees who wanted to realize an impact have reached out of their own accord and gathered together across Group company lines, promoting innovation by working using a project approach. Until now, this workstyle has been an exceptional one. In the future, we will expand the use of this project approach so that it is no longer a rarity, but instead the standard way of doing work.

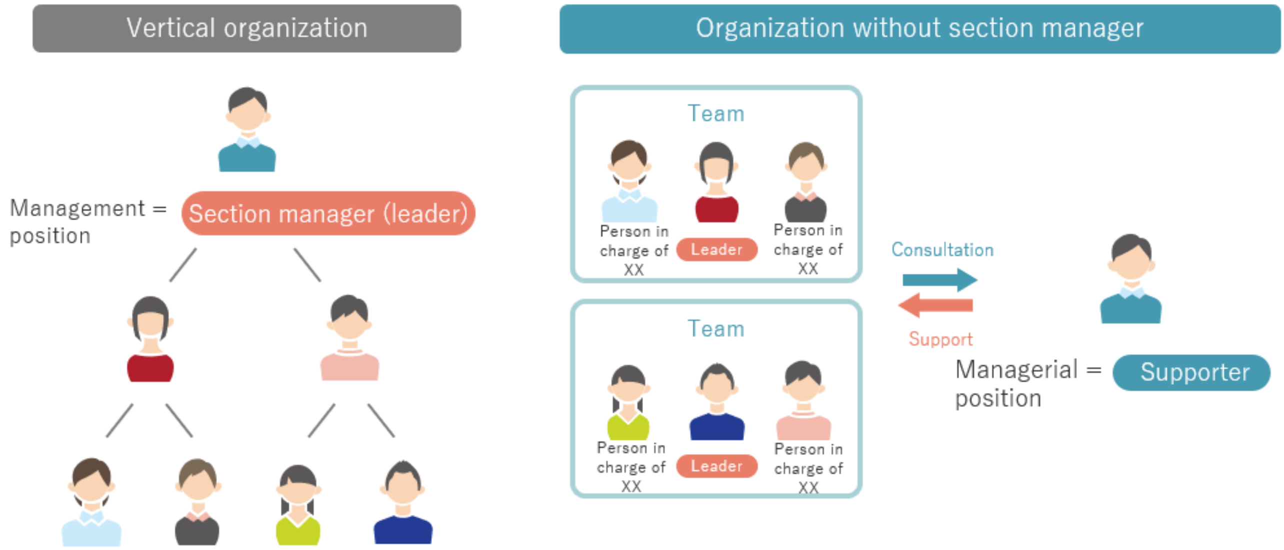


activities that span organization lines, both inside and outside each company.

	Name of themes
Focus on impact	Consider in-house entrepreneurial community
	Develop apps for future generations
Impact and profit	Consider designs of workplace to exert creativity
	Develop apps to consider career designs
	Body positive
	Establish businesses to promote DE&I
	Create events in the social domain
Focus on profit	Consider new credit card services using Web3
	Consider new financial services without balance sheet (B/S)

ii. Organizations without section managers

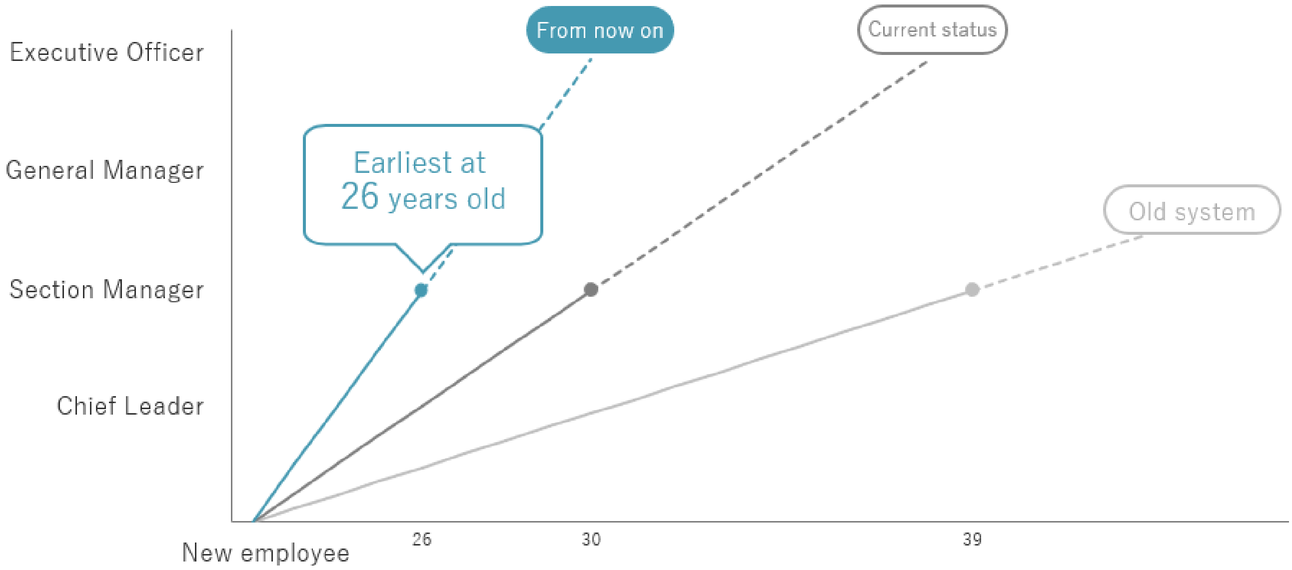
Section managers manages people and team, but is not the head of the team, but a supporter of the team. Instead of being at the top, being side by side to the team members, creating a flat organization. Each member is independent and self-driven, encouraging creativity as a team.



iii. Early appointment to managerial positions

By revising the personnel system, for those who can be expected to contribute to higher corporate value, early promotion will be encouraged as a part of investment in human capital. Minimum age for promotion to manager will be changed from the current 29 to 26. Preparing a stage where young talents can play an active role will allow for more innovations.

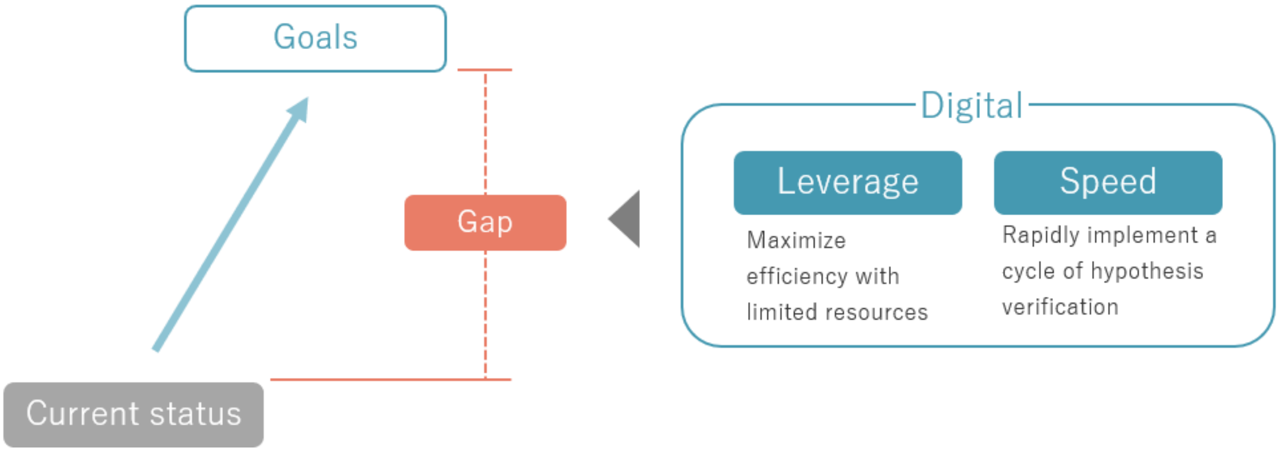
■ Minimum managerial age



(Promotion of DX)

In order to bridge the gap between the status quo and the vision, the power of digital is indispensable. We must utilize the leverage and speed of digital technology to rapidly implement a cycle of hypothesis verification.

■ DX gap

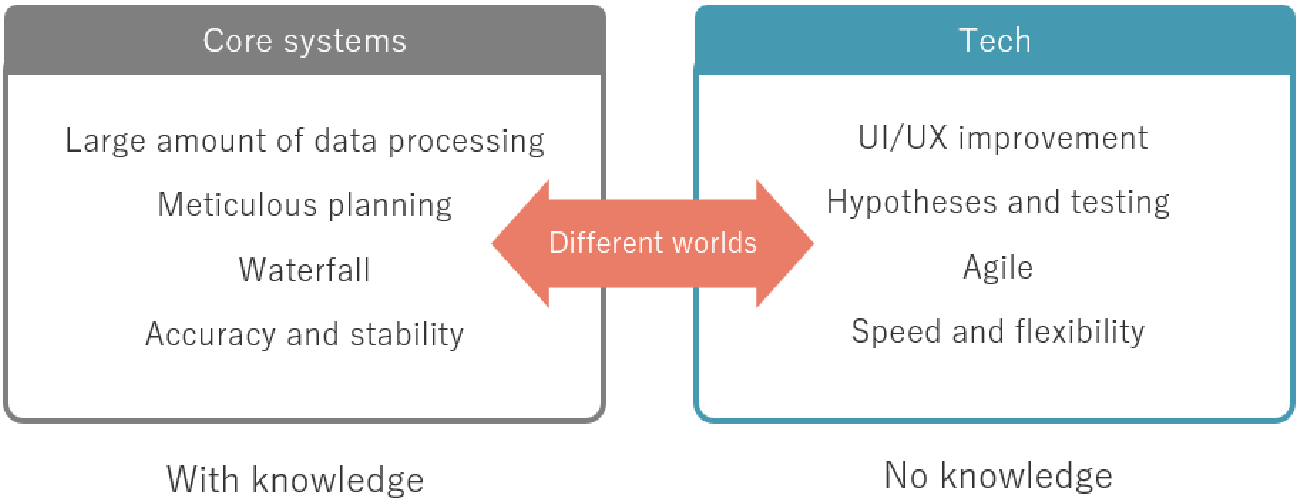


i. Hiring professionals with Muture

In April 2022, we partnered with a leading UX design company, Goodpatch and established Muture, and began hiring professionals that could not be hired under the Group brand. Some of the best talents in the industry have joined us and are contributing to the development of lifestyle apps and OMEMIE.

ii. Development of a tech organization

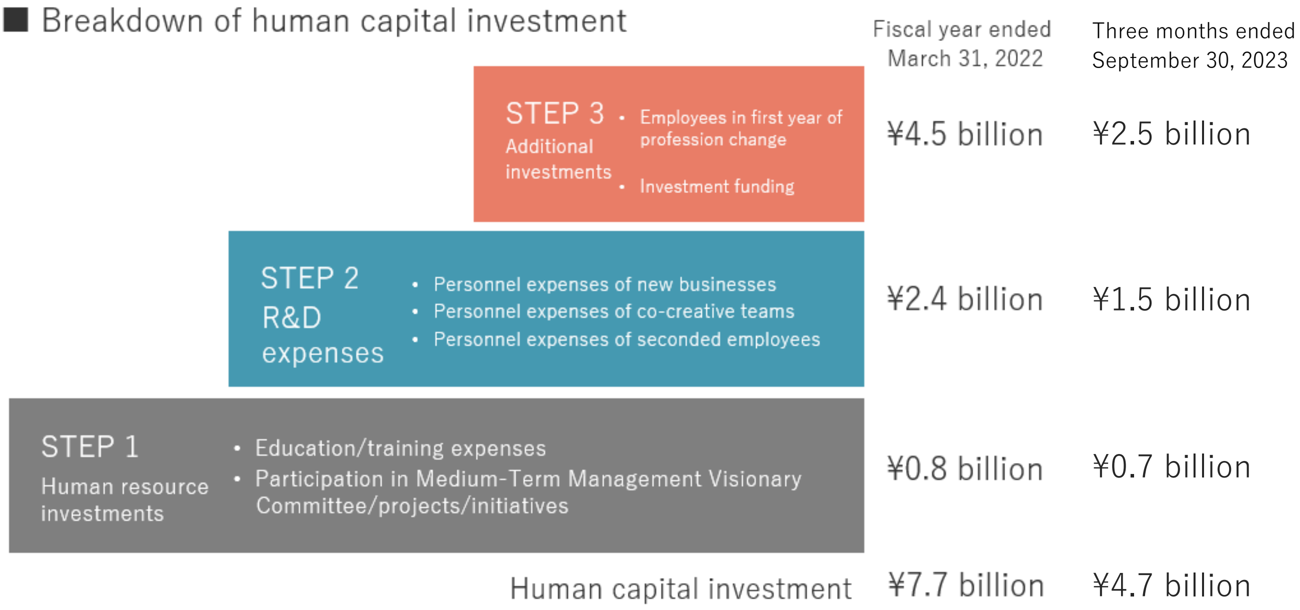
Professionals recruited through Muture have helped develop our product development capabilities. However, we are now faced with the challenge of having to transform the entire related organization into an agile organization in order to expand product development throughout the Company and continuously evolve the process. Until now, our strength has been in so-called core systems, but going forward, we will develop a tech organization that is completely different from the past organization in order to solve social issues.



iii. Inviting a CDXO

To promote our agile organization development, in June 2023 we invited Naofumi Tsuchiya from Goodpatch Inc. to serve as our Chief Digital Transformation Officer (CDXO). Mr. Tsuchiya possesses high level knowledge regarding organization development and can apply the perspectives of both a digital specialist and an enterprise manager.

In addition, in the fiscal year ended March 31, 2022, besides education and training expenses, which have already been included in human resources investment, we reviewed our business administration expenses and redefined “human capital investment” to include the following: personnel expenses related to new businesses that were included in R&D expenses, personnel expenses of co-creative teams, and personnel expenses for employees in their first year of intra-Group companies profession change or transfer. Among the profit and loss items for a single fiscal year, these are items that lead to an increase in corporate value over the medium to long term. As a result of this redefinition, human capital investment for the April-June period of the fiscal year ending March 31, 2024 amounted to ¥2.6 billion. The Group aims to sustainably improve corporate value by expanding human capital investment from ¥7.7 billion in the fiscal year ended March 31, 2022 to ¥12.0 billion in the fiscal year ending March 31, 2026.



2) Governance

In order to link our management strategy and human resource strategy, the Human Resource Strategy Committee was newly established in April 2022 as an advisory body to the Board of Directors. Mr. Tomoo Ishii, Chief Human Resource Officer (CHRO) and Senior Managing Executive Officer, was appointed as the chairperson, while Ms. Etsuko Okajima, an External Director, was appointed as a committee member. The Human Resource Strategy Committee, in cooperation with the Strategy Committee, serves its role of recommending human resource strategies to the Board of Directors.

3) Risk management

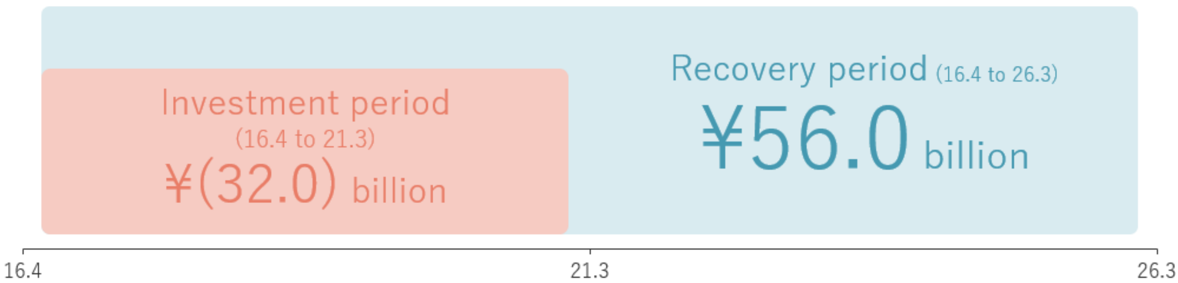
We believe that growth of the Group can be attained by the development and contribution of each employee. If competition intensifies for the securing of human resources, an outflow of human resources occurs, and a consequent shortage in future management personnel becomes apparent, these may affect the evolution and continuity of our business. The Group emphasizes the importance of human capital investments to accumulate the intangible assets that are a wellspring of future corporate value, based on the culture where all of our employees can tackle new challenges. We are currently creating an environment where employees can fully realize personal growth and are highly motivated owing to our conducting of systematic human capital investments from a variety of angles. These investments include education and training programs based on open application, and the Groupwide project teams that engage in discussions on important topics for Group management. These efforts also include the establishment of the Co-Creation Management Academy (CMA) Future Leader Development Program, which cultivates human resources capable of promoting management reforms, as well as the secondment of employees to start-up companies.

4) Indicators and targets

To further reform our corporate culture, by declaring ourselves to be a social experiment company, we will foster a culture that accepts failure and encourages challenge. To this end, behavioral KPIs, such as the number of at bats and the number of attempts to take on challenges will be defined. By experimenting a lot and failing fast, we will encourage fail fast and fail forward to cumulate the know-how for success, aiming to become a company that continues to drive innovation.

In the five years from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2021, we invested ¥32.0 billion in human capital. If we look at the marginal profit of new businesses created during that period, such as our anime business, rent guarantees, and co-creative investment, as returns, then over the ten-year period from the fiscal year ended March 31, 2017 to the fiscal year ending March 31, 2026, we will produce ¥56.0 billion in returns. With regard to investment profitability and capital efficiency, using an IRR measurement model to calculate return, for an investment recovery period ending with the fiscal year ending March 31, 2026, the anticipated IRR would be 12.7%, exceeding the cost of shareholders' equity. We will use this measurement model to perform further benefit verification and carry out human capital investment that contributes to greater corporate value.

■ Measurement model

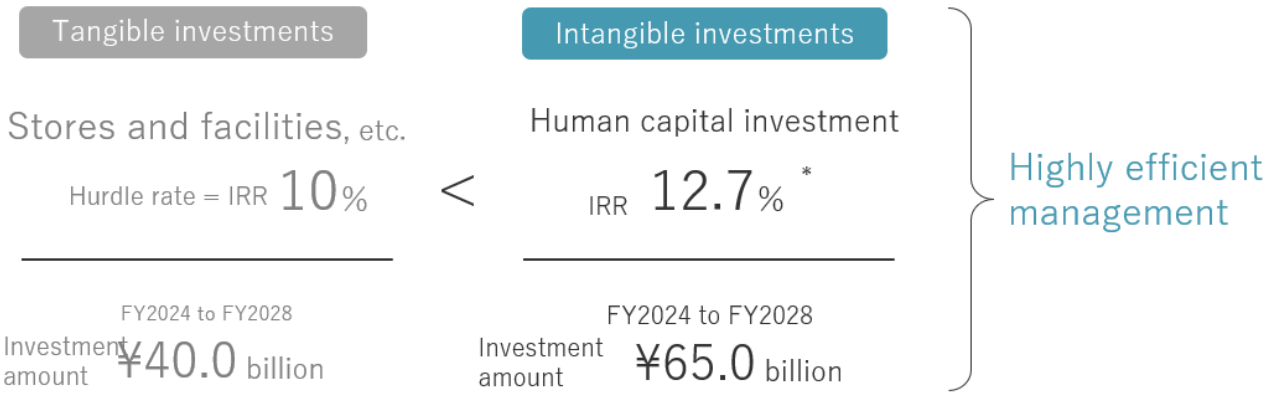


(Billions of yen)

	17.3	18.3	19.3	20.3	21.3	22.3	23.3	24.3	25.3	26.3
Investment amount	4.1	5.4	8.1	8.5	6.3	-	-	-	-	-
Income	0.1	0.4	1.5	2.6	3.4	4.7	6.2	8.6	12.4	15.9

IRR 12.7%

The human capital investment IRR of 12.7% also exceeds the hurdle rate for tangible investments (primarily for stores, etc.) of 10%. We will therefore achieve highly efficient enterprise operation by expanding our human capital investment to ¥65.0 billion or more over a five-year period while increasing our investment effectiveness.



* Calculate return on investment by considering marginal profits from our Company's unique new businesses and services created through human capital investment as returns
(Investment period: FY2017 to FY2021 – Recovery period: FY2017 to FY2026)

2. Consolidated Financial Statements, Etc

1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets:		
Cash and deposits	¥52,432	¥64,794
Notes and accounts receivable - trade	4,827	3,853
Accounts receivable - installment	481,442	515,794
Operating loans	100,395	98,585
Merchandise	640	641
Other	52,617	64,004
Allowance for doubtful accounts	(16,445)	(17,442)
Total current assets	675,909	730,232
Non-current assets:		
Property and equipment:		
Buildings and structures	55,854	54,172
Land	103,395	102,635
Other	8,461	9,661
Total property and equipment	167,711	166,470
Intangible assets	9,661	10,001
Investments and other assets:		
Investment securities	38,516	40,246
Guarantee deposits	26,441	26,305
Other	43,709	48,491
Total investments and other assets	108,668	115,044
Total non-current assets	286,040	291,516
Total assets	¥961,950	¥1,021,749

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities:		
Accounts payable - trade	¥7,160	¥5,916
Short-term borrowings	103,919	80,081
Current portion of bonds payable	20,240	30,322
Commercial papers	25,000	75,000
Income taxes payable	6,167	6,361
Provision for bonuses	3,093	3,290
Provision for point card certificates	32,477	35,105
Provision for share-based remuneration	-	1,047
Provision for loss on redemption of gift certificates	139	140
Other	60,228	66,730
Total current liabilities	258,426	303,994
Non-current liabilities:		
Bonds payable	81,300	71,300
Long-term borrowings	352,600	373,100
Provision for loss on interest repayment	12,500	10,369
Provision for loss on guarantees	71	68
Provision for share-based remuneration	817	-
Other	9,670	9,817
Total non-current liabilities	456,961	464,655
Total liabilities	715,388	768,650
Net assets		
Shareholders' equity:		
Share capital	35,920	35,920
Capital surplus	91,952	91,944
Retained earnings	155,130	160,902
Treasury shares	(42,774)	(42,775)
Total shareholders' equity	240,229	245,993
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	5,915	6,817
Total accumulated other comprehensive income	5,915	6,817
Non-controlling interests	417	287
Total net assets	246,562	253,098
Total liabilities and net assets	¥961,950	¥1,021,749

2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Second Quarter Period

(Millions of yen)

	2Q of Fiscal year 2022 (From April 1, 2022 to September 30, 2022)	2Q of Fiscal year 2023 (From April 1, 2023 to September 30, 2023)
Operating revenue	¥108,949	¥112,148
Cost of sales	12,219	11,920
Gross profit	96,730	100,227
Selling, general and administrative expenses	74,315	81,538
Operating profit	22,415	18,688
Non-operating income:		
Dividend income	164	202
Other	229	161
Total non-operating income	394	363
Non-operating expenses:		
Interest expenses	669	855
Other	583	644
Total non-operating expenses	1,252	1,500
Ordinary profit	21,557	17,551
Extraordinary income		
Gain on sales of noncurrent assets	-	2,500
Total extraordinary losses	-	2,500
Extraordinary losses		
Loss on retirement of non-current assets	334	1,165
Loss on valuation of investment securities	1,069	1,124
Other	112	231
Total extraordinary losses	1,516	2,520
Profit before income taxes	20,041	17,530
Income taxes	6,716	6,191
Profit	13,324	11,383
Profit (loss) attributable to non-controlling interests	(91)	(136)
Profit attributable to owners of parent	¥13,416	¥11,475

・Consolidated Statements of Comprehensive Income

Second Quarter Period

(Millions of yen)

	2Q of Fiscal year 2022 (From April 1, 2022 to September 30, 2022)	2Q of Fiscal year 2023 (From April 1, 2023 to September 30, 2023)
Profit	¥13,324	¥11,338
Other comprehensive income:		
Valuation difference on available-for-sale securities	521	901
Total other comprehensive income	521	901
Comprehensive income	¥13,845	¥12,240
Comprehensive income attributable to:		
Owners of parent	13,937	12,377
Non-controlling interests	(91)	(136)

Consolidated Statements of Cash Flows

(Millions of yen)

		2Q of Fiscal year 2022 (From April 1, 2022 to September 30, 2022)		2Q of Fiscal year 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities:				
Profit before income taxes		¥20,041		¥17,530
Depreciation		5,602		6,089
Increase (decrease) in provision for point card certificates		2,629		2,628
Increase (decrease) in allowance for doubtful accounts		96		996
Increase (decrease) in provision for loss on interest repayment		(2,477)		(2,131)
Increase (decrease) in provision for bonuses		119		196
Interest and dividend income		(176)		(224)
Interest expenses		669		855
Loss on retirement of non-current assets		49		406
Loss (gain) on valuation of investment securities		1,069		1,124
Decrease (increase) in trade receivables		1,766		973
Decrease (increase) in accounts receivable - installment		(47,893)		(34,351)
Decrease (increase) in operating loans receivable		20,211		1,809
Decrease (increase) in inventories		40		(1,513)
Increase (decrease) in accounts payable - trade		(2,088)		(1,243)
Other, net		(12,801)		(6,767)
Subtotal		(13,142)		(13,621)
Interest and dividends received		170		224
Interest paid		(674)		(852)
Income taxes paid		(996)		(6,127)
Income taxes refund		32		50
Net cash provided by (used in) operating activities		(14,609)		(20,326)
Cash flows from investing activities:				
Purchase of non-current assets		(4,749)		(5,435)
Proceeds from sales of non-current assets		-		3,416
Purchase of investment securities		(3,859)		(1,719)
Proceeds from refund of guarantee deposits		482		125
Other, net		(3,642)		(2,500)
Net cash provided by (used in) investing activities		(11,769)		(6,114)
Cash flows from financing activities:				
Net increase (decrease) in short-term borrowings		11,174		(30,337)
Proceeds from long-term borrowings		38,500		48,500
Repayments of long-term borrowings		(11,500)		(21,500)
Proceeds from issuance of bonds		39,897		171
Redemption of bonds		(20,000)		(121)
Net increase (decrease) in commercial papers		(17,000)		50,000
Purchase of treasury shares		(3,838)		(0)
Decrease (increase) in segregated deposits for treasury stock acquisition		(1,163)		(2,000)
Dividends paid		(5,224)		(5,703)
Other, net		(186)		(193)
Net cash provided by (used in) financing activities		30,658		38,814
Net increase (decrease) in cash and cash equivalents		4,279		12,373
Cash and cash equivalents at beginning of period		¥39,708	*	¥52,421
Cash and cash equivalents at end of period	*	¥43,988	*	¥64,794

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of income tax expense)

Income tax expense is calculated by multiplying profit before income taxes, by a reasonably estimated effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year including the six months ended September 30, 2023. However, if the result of calculation using the estimated effective tax rate is significantly unreasonable, the effective statutory tax rate is used.

(Segment information)

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

Information on operating revenue and income (loss) by reportable segment

(Millions of yen)

	Reportable segment			Adjustment *1	Consolidated *2
	Retailing	FinTech	Total		
Operating revenue:					
Outside customers	¥33,321	¥75,628	¥108,949	¥―	¥108,949
Intersegment operating revenue and transfers	3,254	952	4,206	(4,206)	―
Total	¥36,576	¥76,580	¥113,156	¥(4,206)	¥108,949
Segment income	¥1,186	¥24,842	¥26,028	¥(3,613)	¥22,415

Notes:

(1) Adjustment to segment income consists of intersegment elimination of ¥1,119 million and corporate expenses of ¥(4,732) million that are not allocated to each reportable segment. Corporate expenses are mainly expenses of the Company that are not attributable to reportable segments.

(2) Segment income is reconciled to operating profit in the consolidated statements of income.

(Segment information)

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

Information on operating revenue and income (loss) by reportable segment

(Millions of yen)

	Reportable segment			Adjustment *1	Consolidated *2
	Retailing	FinTech	Total		
Operating revenue:					
Outside customers	¥32,497	¥79,650	¥112,148	¥―	¥112,148
Intersegment operating revenue and transfers	3,490	1,002	4,493	(4,493)	―
Total	¥35,988	¥80,653	¥116,641	¥(4,493)	¥112,148
Segment income	¥1,967	¥21,035	¥23,002	¥(4,314)	¥18,688

Notes:

(1) Adjustment to segment income consists of intersegment elimination of ¥913 million and corporate expenses of ¥(5,227) million that are not allocated to each reportable segment. Corporate expenses are mainly expenses of the Company that are not attributable to reportable segments.

(2) Segment income is reconciled to operating profit in the consolidated statements of income.