MARUI GROUP Co., Ltd.

MARUI IR DAY 2025

<Summary of Questions and Answers＞

App Initiatives for Main Card Adoption

Q. Since you've newly introduced the main card usage rate metric and set a 35% target, we hope you will disclose the main card usage rates for Gold Cards and EPOS cards that support "Suki" in each period's FACT BOOK going forward.

A. We will consult with the IR department and consider this positively.

Q. You mentioned an 8.4x difference in LTV between main card users and non-main card users. Once the 35% main card ratio target is reached, how will this impact the P&L? Specifically, how will increasing the main card ratio change your transactions and fee income? Which metrics should we monitor?

A. The expansion of household share, crucial for improving the primary card ratio, will occur in tandem with the expansion in shopping transaction volume. Therefore, affiliate commission from shopping transactions will increase. Furthermore, as household share expands, usage for 'emergency avoidance'—as explained earlier—tends to rise, along with the utilization rate of installment and revolving payments. This leads to a dual increase in revenue from both types of fees. While directly converting the main card adoption rate improvement into our profits presents challenges, we will continue to disclose shopping transactions and revolving/installment transactions. Please refer to those figures.

Q. I found the alert function for "excessive spending" and household management features very interesting. You mentioned that "initially, this approach was not common practice in the industry." Since then, have competitors followed suit by implementing similar features in their apps? Also, Are other companies emerging that, like yours, are placing main card adoption at the center of their strategy?

A. It's true we were pioneers, but apps with features like "excessive spending" alerts or household ledger functions are gradually appearing from other companies too. However, looking at their content, many require settings like manually tagging expenses for household management or linking with other household ledger apps. Actually, during the initial planning phase, we also considered such features. However, customer feedback was not very positive, with many saying, "This specification is too cumbersome, so we won't use it." That's why we settled on our current functionality. Therefore, we view lifestyle apps and other companies' apps as similar yet fundamentally different. Regarding the rate of becoming the primary card among competitors, since becoming the primary card is crucial in the credit card business, we naturally assume other companies are also working on this. On the other hand, we believe our approach differs significantly from competitors because we will promote becoming the primary card through the business model discussed earlier: support "Suki" cards that support "Suki".

Q. I understand that apps play a very important role in your company's strategy. Compared to competitors in the same industry, is your development structure more robust, or do other companies have similar structures?

A. We've just started in-house development, but some competitors are ahead of us. However, being a latecomer has its advantages. For example, splitting the company and offering different salary levels to recruit engineers is something only a latecomer could do. This approach is highly regarded even by leading financial competitors. We've heard that other companies struggle greatly with engineer recruitment precisely because their parent company and subsidiaries offer identical salary levels. We plan to leverage this advantage to rapidly accelerate our development.

<u>Organization and Talent to Accomplish a Business that supports "Suki"</u>

Q. As explained in previous earnings briefings, you expect revenue growth to come primarily from selective event curation and increased event frequency for the time being. Once event numbers exceed a certain threshold, operational limits will likely emerge. How do you plan to address this to sustain mid-to-long-term growth? With plans to double event frequency and increase merchandise development, won't staffing become a bottleneck?

A. While the total number of events appears to be increasing significantly, the target figure we've set applies only to events supporting "Suki." Events supporting "Suki" primarily focus on genres like anime, but Marui stores also host various other events, such as food-related ones. Going forward, we plan to focus on events supporting "Suki" and scale back other events like food-related ones. Therefore, we are also considering gradually shifting personnel currently involved in other events to support events promoting "Suki." Furthermore, regarding how to increase personnel for events supporting "Suki," naturally, among our employees, there are many members beyond the Passion Support Unit Promotion Office who have been involved not only in event development but also in merchandise planning and development. Going forward, we are also considering consolidating employees with such experience into departments handling events, goods, and cards, which form the core of our support "Suki" business.

Q. So, the idea is to enhance capabilities while improving efficiency by reassigning skilled employees?

A. Exactly.

Q. While you also hold events at commercial facilities outside Marui, who determines the balance when allocating personnel to events and merchandise development? Beyond support "Suki" in the support "Suki" business, how does the company as a whole decide the allocation of personnel between retailing, FinTech, and other areas? Please share your current approach and future plans.

A. Currently, our focus is primarily on event operations and planning. However, as we strengthen merchandise development going forward, we plan to reassign members with experience in Merchandise planning and development. Additionally, to expand events nationwide beyond Marui, we anticipate a greater need for operations personnel. Therefore, we expect the emphasis to shift slightly more toward operations than planning in the future. Regarding personnel allocation, we have historically handled placements within the group, including job role changes, so we do not foresee this becoming a major issue. However, we do recognize the need to strengthen personnel involved in events and merchandise. We will consult with group HR, considering the overall balance, to determine the best approach.

Q. Your company has a Culture of Voluntary Participation. Are event and merchandise planning positions popular within the company? I'd like to know if it's easy to secure personnel for them.

A. We solicit voluntary participation in transfers through a self-declaration system. Not only events and merchandise, but also the EPOS cards that support "Suki" department is popular. As our business continues to expand, we expect opportunities for such individuals to participate will increase significantly.

Q. Can we achieve our future target number of events by having each employee plan something they like and then holding those events in multiple locations? If not, how will we come up with new ideas? Should we worry about running out of ideas?

A. Currently, we receive numerous project proposals from many companies. However, we lack sufficient event space to accomplish all of them, so we don't anticipate running out of ideas. Furthermore, with the proliferation of social media, new creators are more easily generating IP. By ensuring we capture these opportunities without missing any, we believe we can continue developing new projects without running dry.

Q. Regarding the indie games mentioned earlier, it seems challenging to gauge the market size. Is it easy to estimate approximate visitor or purchaser numbers? Inventory risk management also seems crucial—could you elaborate?

A. You're right; indie games have less established results compared to anime or manga, making some aspects harder to predict. However, we can leverage insights from other IPs, such as media mix strategies and social media response metrics, to refine our estimates with greater precision.

Conversation with external director Mr. Nakagami

Q. As an external director, you also bring a professional investor's perspective and monitor how the stock market views the company. From your vantage point, how do you perceive the stock market's view of the Marui Group?

A. Currently, Marui Group has a market capitalization of 570 billion yen and a PBR of 2.3 times. While its PER dipped slightly at one point, it now exceeds 20 times. Unfortunately, with companies trading below a PBR of 1 times accounting for half of the Japanese stock market, a PBR of 2.3 times suggests it is reasonably well-valued.

Q. I generally feel that PBR is an indicator of stable growth and profitability. Therefore, I also believe that indicators like PER, which reflect how much growth potential investors attribute to a company, are important. Looking back at times when Marui Group's stock price was highly valued, most recently, expectations of increases in installment and revolving fees due to rising interest rates drove the stock price up. After that, the stock price fell temporarily. However, by adjusting the timing of liquidated accounts receivables, the market interpreted this as the company aiming for extremely stable growth this fiscal year and next. Consequently, while stable, it likely didn't lead to significant stock price movements. On the other hand, the share buybacks, established nearly every fiscal period, also contribute to supporting the stock price. How the market perceives your company's stock depends on which aspect it focuses on. For investors seeking stable growth, it is perceived as an excellent stock. However, if the expected growth rate is perceived as not being particularly high, the valuation may be difficult to increase. What are your thoughts, Mr. Nakagami?

A. I believe investors are likely most familiar with this, but since the market has various types of shareholders, it's necessary to align which segment to target with the company's direction. The Marui Group is currently in a phase where it aims for both high growth and high returns—a rather ambitious approach. For high growth, we plan to create new customers through businesses that support "Suki," generating high profits to accomplish meaningful growth. Regarding high returns, our share buybacks aimed at optimizing the balance sheet have concluded for now. Going forward, we will achieve high returns by combining dividends from our dividend-on-equity (DOE) policy with share buybacks. Of course, macro conditions, particularly interest rates, could change the outlook. To achieve this dual goal, Marui Group must generate its own alpha. Rather than relying on liquidated accounts receivables, it should communicate that growth will come from its unique growth story—creating new customers and developing new markets—and that the profits generated from this will be returned at a high level.While the PER once dropped to around 14 times, I believe it has recovered significantly this time by announcing a new management vision and raising the DOE level.

Q. I believe that if your company had remained unchanged, the concept of supporting "Suki" would never have emerged. However, the emergence of the Culture of Voluntary Participation has steadily improved the corporate culture, enabling the company-wide promotion of a business strategy centered on supporting "Suki". Presenters and Mr. Nakagami mentioned the Culture of Voluntary Participation and other aspects of corporate culture. When there's a gap between a company's mid-to-long-term growth strategy and its corporate culture, how do you think external directors can engage to bridge that gap?

A. Thank you for your excellent question. I believe many companies struggle with misalignment between their growth strategies and corporate culture. While numerous companies have inherently weak corporate cultures, the additional issue is poor integration with their strategies. Joining the Marui Group board has been truly stimulating, and I'm very glad I did. I chair the Marui Group's Strategy Committee, while another external director, Etsuko Okajima, leads the Human Resources Strategy Committee. These two committees sometimes hold joint meetings. We advance our discussions by cross-referencing each other's committees, asking questions like: Does the strategy we plan to execute align with our current talent portfolio? Or, are our corporate culture and growth strategy properly aligned? Additionally, Director Kojima on the executive side is working on employee well-being, engagement, and flow experiences. I believe this triangle is a very powerful structure for the Marui Group. While the Strategy Committee I chair focuses on major strategic decisions and capital allocation, as an external director, I also believe I can monitor and contribute to the penetration of our philosophy and purpose, our corporate culture, and our corporate principles, and take responsibility for these areas.

Q. Conversely, for companies like the Marui Group that have a strong growth strategy but struggle with a mismatched corporate culture, wouldn't it be difficult to change that?

A. Japanese companies often face particular bottlenecks in this area. In my experience, companies that successfully increased their corporate value frequently achieved this by first transforming their HR systems and corporate culture before formulating new strategies.