

MARUI GROUP Co., Ltd.
Financial Results Briefing for the Three Months Ended June 30, 2025
<Questions and Answers>

- Q. Concerning the first quarter results, I would like to understand how profit, excluding the impact of the liquidated accounts receivables, has progressed against the plan provided.
- A. Excluding the liquidated accounts receivable in FinTech, operating profit rose by ¥400 million compared to the previous year, which aligns with our plan. Retailing's profit is slightly higher than our plan, so progress is nearly on track as planned.
- Q. Retailing is seeing a rebound to pre-COVID profit levels. What factors are contributing to this increase? Based on the new strategy outlined during the briefing for the fourth quarter of the last fiscal year, is the initiative of EPOS cards that supports "Suki" proving to be successful at events, for example?
- A. In the first quarter, we observed some positive effects from the events. However, the more significant impact came from a reduction in the number of unoccupied spaces and an increase in monthly tsubo rents. Nevertheless, the two events highlighted in the briefing material were very well received, and we anticipate that by expanding the events in the same manner, we can expect to see even more positive outcomes in the future.
- Q. With regard to FinTech's liquidation of accounts receivables, you mentioned the potential risks of not being able to liquidate the receivables in the second half of the year. Could you specify the anticipated risks that led to accelerating the implementation of the liquidation process this time?
- A. In the process of liquidating accounts receivables, we consulted a rating agency to analyze the historical data associated with the receivables. However, we would lack sufficient historical data immediately after the fee rates are changed, and it would make it challenging to foresee the risks involved with these

receivables. Consequently, we were advised to refrain from liquidating the accounts receivables after the fee rate change. As a result, we decided to expedite the liquidation process this fiscal year.

- Q. You have mentioned that FinTech's profit is in line with the guidance. Still, I'm curious why the rise in transaction-linked profit appears to be modest, especially given the steady growth in transactions and the number of EPOS cardholders that support "Suki." Starting from the second quarter, I anticipate that the transaction-linked profit will have a more positive impact, and the increase in installment and revolving payment fees will also contribute to this from October. Can we expect this to be the case?
- A. In the first quarter, we observed limited use of overseas merchants, which led to a slight decline in affiliate commissions and had an impact on transaction-linked profit. However, we expect an improvement starting in July with the introduction of higher foreign currency settlement fees. These adjustments have been incorporated into our guidance, so you can consider them aligned with our plan. Concerning the outlook for the second quarter and beyond, your observations are indeed correct.
- Q. The liquidation of accounts receivables resulted in a ¥2.5 billion increase in profit in the first quarter. However, you pointed out that it will lead to a decrease in profit by ¥5.0 billion from the second to the fourth quarter. Can you explain the reasoning behind that?
- A. After the accounts receivables are liquidated, we see write-offs happening over an average span of five years. In this case, we record a gain on the transfer of receivables through liquidation that is roughly equivalent to the write-offs incurred each year. However, since we will not be proceeding with the liquidation in the second half of this fiscal year, only write-offs will occur during this period, leading to a negative impact of ¥5.0 billion.
- Q. How does FinTech's guidance on profit take into account the impact of the increase in foreign currency settlement fees starting from July? The effect of the change in fee rates on profit has risen from ¥1.5 billion, as explained in the fourth quarter, to ¥4.0 billion. Could you provide a breakdown of the foreign currency settlement fees and the installment and revolving payment fees?

- A. The impact of the change in foreign currency settlement fees is not factored into the ¥4.0 billion figure. Starting in July, we raised the commission associated with overseas merchant usage by our customers. As a result, we anticipate that affiliate commissions (transaction-linked income) will contribute more significantly to profits from the second quarter onward compared to the first quarter.
- For the installment and revolving payment fees, we hadn't finalized the timing for the increase as of the previous fiscal year's fourth quarter. We estimated a profit increase of ¥1.5 billion, reflecting a two-month effect based on the assumption of the most delayed start. However, for this fiscal year, we have now decided to adjust the fees for all accounts receivables related to revolving payments, effective October 1. As a result, we now estimate a profit increase of ¥4.0 billion for the six months starting from the third quarter.
- Q. Will the increase in revenue of ¥4.0 billion from the changes in installment and revolving fee rates be accompanied by a corresponding increase in financial expenses?
- A. The changes in installment and revolving fees do not impact the increase in the outstanding balance of the receivables, as only the interest rate on the accounts receivable to customers will be raised. Consequently, we anticipate an increase in income without any corresponding rise in financial expenses.
- Q. With the anticipated increase in installment and revolving payment fees, there was a mention of an expected revenue boost of approximately ¥10 billion for the next fiscal year, as this will take effect for the entire year. Concerning revolving receivables, was it initially planned to revise the fees for existing credits as well? Also, will the target of ¥10 billion be subject to change?
- A. There has been no change to the plan established at the beginning of the fiscal year regarding receivables affected by the fee change for revolving receivables. However, installment receivables will be subject to the fee change for claims incurred on or after October 1. As a result, the total impact from both installment and revolving receivables for this fiscal year is estimated to be ¥4.0 billion over six months. It's important to note that not all installment receivables will contribute to this total.
- Since more installment receivables will fall under the fee change in the following fiscal year, we

anticipate that the annual impact will remain mostly unchanged at ¥10.0 billion, and the semiannual effect will stay around ¥5.0 billion compared to a scenario with no fee changes implemented.

Q. About the liquidation of accounts receivables, this fiscal year, by expediting the liquidation of accounts receivables and then at a slower pace than usual, the burden of write-offs will come into play. But will this make the growth in the balance of receivables, which is the parameter for liquidation, become more clearly visible than in the past?

A. Since we usually look at the balance, which includes the liquidated accounts receivables, there is not much of an impact there.

Q. Isn't it the unliquidated receivables that actually incur interest-related fees?

A. Commission revenue is recognized from accounts receivables, including those that have been liquidated (i.e., installment and revolving payment fees). For receivables that have already been liquidated, we record amortization as a deduction from income over an average period of five years, which we refer to as the "Amortization of liquidated accounts receivable and others."

*For details on revenue recognition categories, please see page 6 of the FACT BOOK (Supplementary Financial Materials) for the three months ended June 30, 2025. Additionally, for information regarding the accounting treatment of liquidated accounts receivables, refer to page 18 of the same document.

Q. Concerning FinTech's liquidation of accounts receivables, has the management decided to hold off on implementation in the second half of the year, following the advice to allow some time after the change in fees? And when can we anticipate the process to resume?

A. Currently, there are no plans to liquidate the accounts receivables in the second half of the year. Even if liquidation were an option, we assume that it would not happen. It's difficult to predict when we might resume this process, as it will largely depend on investor demand and the evaluations from rating agencies. However, we expect to see the impact of changes in fees on defaults and repayment periods within approximately six months, so we do not anticipate an extended pause.

- Q. While there are still uncertainties, could we reasonably conclude that now is the time when liquidation slightly drags profits and based on the understanding that, at some point during the next fiscal year, MARUI Group can restart it at the same pace as before, and that the factors contributing to the decline in profits related to the liquidation of accounts receivables will not persist?
- A. We certainly agree with your viewpoint. We want to ensure that the liquidation of accounts receivable does not affect profit or loss. Therefore, we will continue analyzing data from the second half of the year to confirm that we can liquidate the receivables at the same pace as before.
- Q. In the first quarter, FinTech experienced seemingly modest profit growth, due to a rise in non-operating expenses stemming from the impact of increased interest rates. While an increase in installment and revolving payment fees could affect profitability, is the company poised to enhance its profitability by focusing on EPOS cards that support "Suki" and by introducing new value-added services?
- A. First of all, as a hedge against rising interest rates, we will raise the installment and revolving fees starting in October, which did not start to take effect during the first half of the year. However, we anticipate that on an annual basis, the increase in income will adequately counterbalance the rise in interest rates. In that regard, as you've pointed out, it seems to be the right moment to move forward with this plan and take a variety of actions.
- For example, we've identified the decline in new Gold Card memberships as a key factor contributing to the recent slight slowdown in transaction growth. To address this, we've started implementing proactive measures this year, and we are already seeing gradual positive effects. By continuing to make steady progress, we aim to achieve a 12% increase in transactions, ultimately reaching ¥10 trillion in the future.
- Q. Regarding Retailing profits, I am aware that the decrease in unoccupied spaces and the rise in monthly tsubo rents may eventually stabilize. Still, I am curious if the steady growth we have seen in the first quarter is in line with the guidance. What is the primary reason for the slight upturn in Retailing sales?
- A. The first quarter results were largely in line with our guidance, showing a 10% increase in transactions. It led to a corresponding rise in rental income as anticipated. The slight uptick was partly attributable to the growth in the food and beverage category among our tenants, whose rent levels tend to be higher

than others.

Looking ahead, it's important to note, as you mentioned, that the unoccupied area has a finite number of square meters, so that any future profit growth from these spaces will slow over time. On a positive note, some places still have monthly subo rents that remain lower compared to pre-COVID levels. The company plans to enhance Retailing profit by expanding sales of event-related goods and other products moving forward.

- Q. Among non-operating expenses, financial expenses increased ¥0.8 billion year on year in the first quarter. Are these increasing faster than the forecasted rise of ¥10.0 billion over the six years of the medium-term management plan?
- A. The pace of the interest rate increase is in line with our expectations of about ¥10.0 billion in the medium-term management plan. Since we had assumed from the beginning that interest rates would rise starting in September of this year, we have predicted this level for the first quarter, considering that the interest rate level will remain the same during the quarter.
- Q. Regarding SG&A expenses, the growth rates for sales promotion expenses and sales administration costs have been more moderate compared to last year. Is this trend due to a period deviation, or can we expect these expenses to stabilize at this level from this fiscal year onward?
- A. First of all, the growth of card rewards in the first quarter was lower than it was last year. This is due to the impact of the revisions made to the point program this fiscal year, and we expect that the level will remain flat in the future. Additionally, the growth rate of provision for bad debts showed a slight decrease compared to the previous year, which is mainly due to a slight reduction in personal bankruptcies during the quarter. Lastly, there are no major factors impacting sales promotion/administration costs.
- Q. Where is the Retailing event and goods business categorized within the Retailing segment? Also, what is the current status of its progress?

- A. In our FACTBOOK, you'll find that we categorize items we manufacture ourselves as product sales. However, since we are not yet producing all the merchandise for our events, any items from our suppliers are recorded as consignment sales. As we have just begun this endeavor, I hope you understand that it has yet to have much impact on our overall business.
- Q. Regarding the liquidation of accounts receivables, you mentioned that liquidating installment sales accounts receivable will be more challenging this fiscal year. How about operating loans, i.e., cash advances? Will you still be able to liquidate those?
- A. Yes, we will. To mitigate the adverse impact of ¥5.0 billion on profit from liquidation for the second quarter onward, we are planning to liquidate some cash advances in the quarter, and we account for this in our projections.
- Q. Regarding interest repayments, is there any one-off factor that explains the increase in the amount of repayment claims during the first quarter, despite a steady decline in the balance of interest repayments?
- A. The amount of repayment claims, which saw a decline in the fourth quarter of last year, experienced a slight uptick in the first quarter. This increase can be attributed to claims that were postponed from the previous quarter. Although it appears to be growing, we observed another drop in July, leading us to believe that this trend is due to a temporary factor.
- Q. Then, is it correct to say that, given the current balance of interest repayment and the ongoing rate of decrease, it seems unlikely that the allowance on interest repayments will need to be increased with SG&A expenses in the current or next fiscal year? If an increase is necessary, I believe it will have a reasonable monetary impact.
- A. We have confirmed with the audit firm in the first quarter that, at this time, there is no need to increase the allowance for the current fiscal year. However, this could change depending on the situation. If repayment claims do not decrease much in the future, we might need to raise the allowance. Therefore, we will continue to monitor the situation closely.

- Q. Regarding the increase in profit generated from installment and revolving payment fees and the effect of liquidated accounts receivables, the guidance announced at the beginning of the fiscal year indicated an increase of ¥1.5 billion for the two-month period. Therefore, I thought that the next fiscal year's increase would be an additional ¥7.5 billion as a difference from the previous year. However, since the liquidation of accounts receivables was accelerated in the first quarter, it appears that the driver for profit increase for the next fiscal year is contained. Is my understanding correct?
- A. We expect a revenue increase effect of ¥4.0 billion in this fiscal year due to changes in installment and revolving fees, with projections suggesting it could reach around ¥10.0 billion next fiscal year. This leads us to estimate a revenue increase effect of about ¥6.0 billion when comparing the two fiscal years. Furthermore, as I mentioned earlier, we manage the liquidation of accounts receivable to minimize its impact on profits. The reduction in the liquidation amount is expected to affect profit by ¥2.5 billion this fiscal year. But for example, if the projected ¥6.0 billion increase in revenue from the change in fee rates in the next fiscal year proves to be significant, there may be an option to reduce the amount of liquidation accordingly. It is still too early to make any definite statements.
- Q. Does that mean that the negative impact of ¥2.5 billion in the current fiscal year may not result in a positive rebound in the next fiscal year?
- A. That is correct. The upcoming change in payment fee rates should not significantly impact profits solely in the next fiscal year, as that would be concerning. Therefore, we aim to manage the liquidation of accounts receivable to avoid a too significant impact on profits.