MARUI GROUP Co., Ltd.
Summary of Teleconference Financial Results Briefing for the 3 Months Ended June 30, 2019
<Overview of Financial Results>

Today, I will be discussing our financial results for the 3 months ended June 30, 2019, based on the digest page of our FACT BOOK.

First, please look at Table ①**Consolidated performance**. EPS, which has been defined as a key performance indicator in the medium-term management plan, declined 1% year on year, to ¥25.7, falling for the first time in five years as a result of lower net income attributable to owners of parent.

- Total Group transactions rose 17% year on year, to ¥685.8 billion. Card shopping transactions in the FinTech segment grew 18%, a growth rate that was 3 percentage points higher than in the previous equivalent period, driving overall transaction growth.
- Revenue was down 1%, to ¥57.4 billion, making for the first decrease in three-month revenue in two years. This outcome was a result of lower revenue in the Retailing segment.
- Three-month gross profit increased for the ninth consecutive year, rising 3%, to ¥45.8 billion.
- Selling, general and administrative (SG&A) expenses were up 3% year on year, to ¥37.0 billion. Variable costs increased in conjunction with the growth of operations in the FinTech segment, offsetting cost reductions stemming from the transition to shopping centers and fixed-term rental contracts in the Retailing segment.
- As a result of these factors, operating income increased for the fifth consecutive time, growing 2%, to ¥8.8 billion. This figure represented 19% of the full-year forecast, making for progress that was slightly below the previous equivalent period.
- Net income attributable to owners of parent decreased for the first time in five years, declining by 2% year on year, to ¥5.6 billion. This decrease was the result of the absence of a gain on sale of property and equipment that was recorded in the previous equivalent period.

Moving on, please look at Graph ②**Factors affecting operating income**.

- Revolving payment receivables were liquidated in the fiscal year ended March 31, 2019. As a result, the extraordinary factor of amortization of liquidated accounts receivables lowered operating income by ¥0.3 billion in the 3 months ended June

30, 2019. If this factor is excluded, operating income would have risen by 6% year on year, to ¥9.1 billion.

- The amortization of liquidated accounts receivables is an extraordinary factor pertaining to the FinTech segment. If this factor is excluded, the FinTech segment would have seen a year-on-year increase of ¥0.9 billion in operating income.
- Operating income was down ¥0.1 billion in the Retailing segment.
- Meanwhile, Eliminations/Corporate increased ¥0.3 billion due to higher R&D expenses and other factors. Accordingly, it could be said that operating income was actually up ¥0.5 billion year on year.

I would next like to explain Table ③**Summary of consolidated balance sheets**.

- Operating receivables on June 30, 2019, were ¥20.2 billion higher than on March 31, 2019, when accounting for liquidated accounts receivables, due to ongoing growth in card shopping transactions.
- In the 3 months ended June 30, 2019, ¥15.0 billion was procured through the liquidation of one-time payment transactions. Accordingly, the ratio of liquidated accounts receivables stood at 19.1% on June 30, 2019, still below the target of 25.0% set for March 31, 2021. As this liquidation was of one-time payment transactions, profit has not been affected.
- Interest-bearing debt rose ¥21.7 billion from the previous fiscal year-end as we sought to address this rise in operating receivables.
- The ratio of interest-bearing debt to operating receivables was 89.1% while the equity ratio was 31.5%.

Next, let us move on to the middle row and Table ④**Cash flows**.

- Core operating cash flows, cash flows from operating activities less the change in operating receivables, moved ¥0.7 billion in the negative direction in comparison with the previous equivalent period. This outcome was largely a result of higher outflows for income taxes. Meanwhile, the Company is investing in FABRIC TOKYO and two other start-up companies as well as two investment funds. Together with investments for store renovations, these investments resulted in net cash used in operating activities of ¥7.3 billion, an increase of ¥2.7 billion year on year.

Let us now look at Table ⑤**Segment income**.

- Operating income in the Retailing segment declined 4% year on year, to ¥2.4 billion. In the FinTech segment, operating income was ¥8.1 billion, up 7% year on year. As explained when looking at Graph ②Factors affecting operating income, the FinTech segment achieved operating income of ¥8.4 billion when excluding extraordinary factors.

- On a consolidated basis, return on invested capital was 0.8%, relatively unchanged year on year.

I would now like to explain Graph ⑥**Factors affecting Retailing segment income**.

- Looking at specific factors, the transition to shopping centers and fixed-term rental contracts made steady contributions to income, thereby buoying segment income by ¥0.3 billion. After completing the scheduled transition, we continued to convert back-office space to sales floors and to transition directly operated sales floors to fixed-term rental contracts. As a result, the conversion ratio on June 30, 2019, was 107%.

- Meanwhile, poor sales at directly operated sales floors and consignment sales floors caused a ¥0.15 billion reduction in Retailing segment income.

- Another ¥0.15 billion reduction came from e-commerce, where sales from existing customers fell as a result of sluggish performance in private brand products, among others.

- Furthermore, a decrease of ¥0.1 billion was associated with our platform operations, primarily attributable to lower store renovation construction.

- Due to the aforementioned factors, the Retailing segment income in the 3 months ended June 30, 2019, decreased ¥0.1 billion, or 4%, year on year.

We will next look at Table ⑦**FinTech segment** on the bottom row.

- As explained, operating income in the FinTech segment was ¥8.1 billion, up 7% year on year. If extraordinary factors are excluded, this figure would have risen to ¥8.4 billion, an increase of 12% that represents progress of 22% toward the full-year forecast, roughly the same level as seen in the previous equivalent period.

- The number of new cardholders was 10,000 higher than in the previous equivalent period, at 200,000. Applications through Internet- and service-related venues made large contributions to this increase.

- As a result, the total number of cardholders on June 30, 2019, was 6,970,000, an increase of 350,000 from a year earlier. Of this, the number of Platinum and Gold cardholders rose 320,000, to 2,220,000, representing 32% of total cardholders. This rise can be attributed to cardholders increasingly using their EPOS card as their main credit card.

- FinTech transactions were up 18% year on year, to ¥630.8 billion, as transactions by Platinum and Gold cardholders drove overall card shopping transactions and the rent guarantee services business grew.

- The balance of revolving repayment and payment by installments, including liquidated accounts receivables, increased 10%, to ¥342.1 billion. The ongoing growth in this balance was a product of our measures to improve the convenience of payment methods and to expand usage of payments through installments. In addition, the balance of operating loans, including liquidated accounts receivables, was up 3%, to ¥152.1 billion, as a result of higher cardholder numbers.

While this information is not included on the digest page, I would like to talk about some **environmental, social, and governance (ESG) topics**.

- First of all, MARUI GROUP was included in the three ESG indexes that are utilized by the Government Pension Investment Fund for the third consecutive year.

- The Company was also included in the FTSE4Good Index Series, a leading global responsible investment index, for the third consecutive year.

- In addition, starting with the 3 months ended June 30, 2019, our Japanese financial results summaries will contain information disclosed based on the recommendations of the Task Force on Climate-related Financial Disclosures. This adds to the list of documents containing this information, which includes MARUI IR DAY materials and our Japanese securities reports. We hope you will take a look at these documents when you have the chance.

- Going forward, MARUI GROUP will seek to become a forerunner in ESG management through the active practice of co-creation sustainability management with its stakeholders to contribute to the development of a flourishing and inclusive society that offers happiness to all.

Lastly, please take a look at table ⑧**Forecasts for the fiscal year ending March 31, 2020**.

- In the 3 months ended June 30, 2019, overall progress was slightly lower than in the previous equivalent period as a result of the decrease in the Retailing segment income. However, we have chosen not to revise our current forecasts, which we will work toward through income boosting and cost revision measures.