



Six Months Ended September 30, 2017

Financial Results and Future Developments

MARUI GROUP CO., LTD.

November 9, 2017

1. Overview of Performance in Six Months Ended September 30, 2017, and Full-Year Forecasts

Hirotsugu Kato

**Director and Senior Executive Officer,
General Manager, IR Department,
MARUI GROUP CO., LTD.**

2. Progress of Medium-Term Management Plan

Hiroshi Aoi

**President and Representative Director,
MARUI GROUP CO., LTD.**

3. Future Outlook

Hiroshi Aoi

**President and Representative Director,
MARUI GROUP CO., LTD.**

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**Overview of Performance in Six Months Ended
September 30, 2017, and Full-Year Forecasts**

Hirotsugu Kato

**Director and Senior Executive Officer,
General Manager, IR Department, MARUI GROUP CO., LTD.**

- 1. EPS up 26%, to ¥41.1, due to income growth and capital measures**
- 2. Consolidated operating income up for third consecutive year, rising 16%, to ¥15.3 billion**
- 3. Six-month Retailing income up for first time in two years due to progress in transition to shopping centers and fixed-term rental contracts**

Consolidated Performance

- Massive growth of 26% in EPS, ¥1.4 higher than projected
- Operating income up 16% and net income up 21% for third consecutive year of higher income

Six months ended	Sep. 30, 2016	Sep. 30, 2017	YOY	YOY	vs. target
			change	difference	
EPS (yen)	32.6	41.1	+26	+8.5	+1.4

	Billions of yen	Billions of yen	%	Billions of yen	Billions of yen
Total Group transactions	926.2	1,046.8	+13	+120.6	-5.7
Revenue	116.2	114.6	-1	-1.6	-2.9
Gross profit	80.3	84.4	+5	+4.1	-0.6
[Gross profit margin (%)]	[69.1]	[73.6]	[-]	[+4.5]	
SG&A expenses	67.1	69.1	+3	+2.0	-1.4
Operating income	13.2	15.3	+16	+2.1	+0.8
Ordinary income	13.2	15.5	+17	+2.3	+1.0
Net income attributable to owners of parent	7.7	9.3	+21	+1.6	+0.3

Segment Income

- Six-month Retailing income up for first time in two years and higher than projected
- Six-month FinTech income up for 10th consecutive year due to strong growth in card shopping transactions

Six months ended	Sep. 30, 2016	Sep. 30, 2017	YOY change	YOY difference	vs. target
	Billions of yen	Billions of yen	%	Billions of yen	Billions of yen
Retailing	2.4	2.8	+14	+0.3	+0.3
FinTech	12.8	14.6	+14	+1.8	+0.6
Eliminations/ Corporate	(2.0)	(2.0)	—	(0.0)	(0.0)
Consolidated	13.2	15.3	+16	+2.1	+0.8

Consolidated Balance Sheets

- Operating receivables up ¥22.9 billion due to increase in card shopping transactions
- Interest-bearing debt up ¥28.0 billion, ratio of interest-bearing debt to operating receivables reaches targeted level of 90%

	Mar. 31, 2017	Sep. 30, 2017	Change
	Billions of yen	Billions of yen	Billions of yen
Operating receivables	488.8	511.6	+22.9
Installment sales accounts receivable (Including factoring accounts receivable)	348.2	368.2	+20.0
Operating loans	(64.3)	(75.7)	(+11.4)
Fixed assets	140.6	143.5	+2.9
Interest-bearing debt	247.8	246.0	-1.8
[% of operating receivables (%)]	434.3	462.3	+28.0
Shareholders' equity	[88.9]	[90.4]	[+1.5]
[Equity ratio (%)]	273.9	274.6	+0.7
Total assets	[34.0]	[32.8]	[-1.2]
	806.6	836.2	+29.6

Cash Flows

- Core operating cash flow (operating cash flow excluding change in operating receivables) up ¥6.0 billion
- Net cash provided by financing activities recorded as a result of limiting increase in interest-bearing debt through liquidation of operating receivables

	Sep. 30, 2016	Sep. 30, 2017	Change
	Billions of yen	Billions of yen	Billions of yen
Core operating cash flow	+ 8.0	+14.0	+6.0
Capital investment	(12.0)	(5.0)	+7.0
Sale of fixed assets, investment securities, etc.	+ 14.5	+3.4	(11.1)
Net cash provided by (used in) investing activities	+2.5	(1.5)	(4.0)
Increase in interest-bearing debt	+49.9	+27.9	(22.0)
Cash dividends paid	(2.7)	(3.9)	(1.2)
Acquisition of treasury stock, etc. (including deposits)	(15.8)	(15.1)	+0.7
Net cash provided by (used in) financing activities	+ 31.4	+8.9	(22.5)
Cash and cash equivalents at end of period	37.0	34.9	(2.1)

Full-Year Forecasts for FY2018

- EPS of ¥91.4 (up 14%), ROE of 7.6%, and ROIC of 3.1%

	FY17	FY18	YOY change	YOY difference
EPS (yen)	80.2	91.4	+14	+11.2
ROE (%)	6.7	7.6	–	+0.9
ROIC (%)	3.1	3.1	–	±0.0

	Billions of yen	Billions of yen	%	Billions of yen
Total Group transactions	1,933.7	2,204.0	+14	+270.3
Revenue	237.0	245.5	+4	+8.5
Gross profit	166.0	177.0	+7	+11.0
[Gross profit margin (%)]	[70.0]	[72.1]	[–]	[+2.1]
SG&A expenses	134.7	142.0	+5	+7.3
Operating income	31.3	35.0	+12	+.37
[Operating income margin (%)]	[13.2]	[14.3]	[–]	[+1.1]
Net income attributable to owners of parent	18.7	20.5	+10	+1.8

Segment Income Forecasts for FY2018

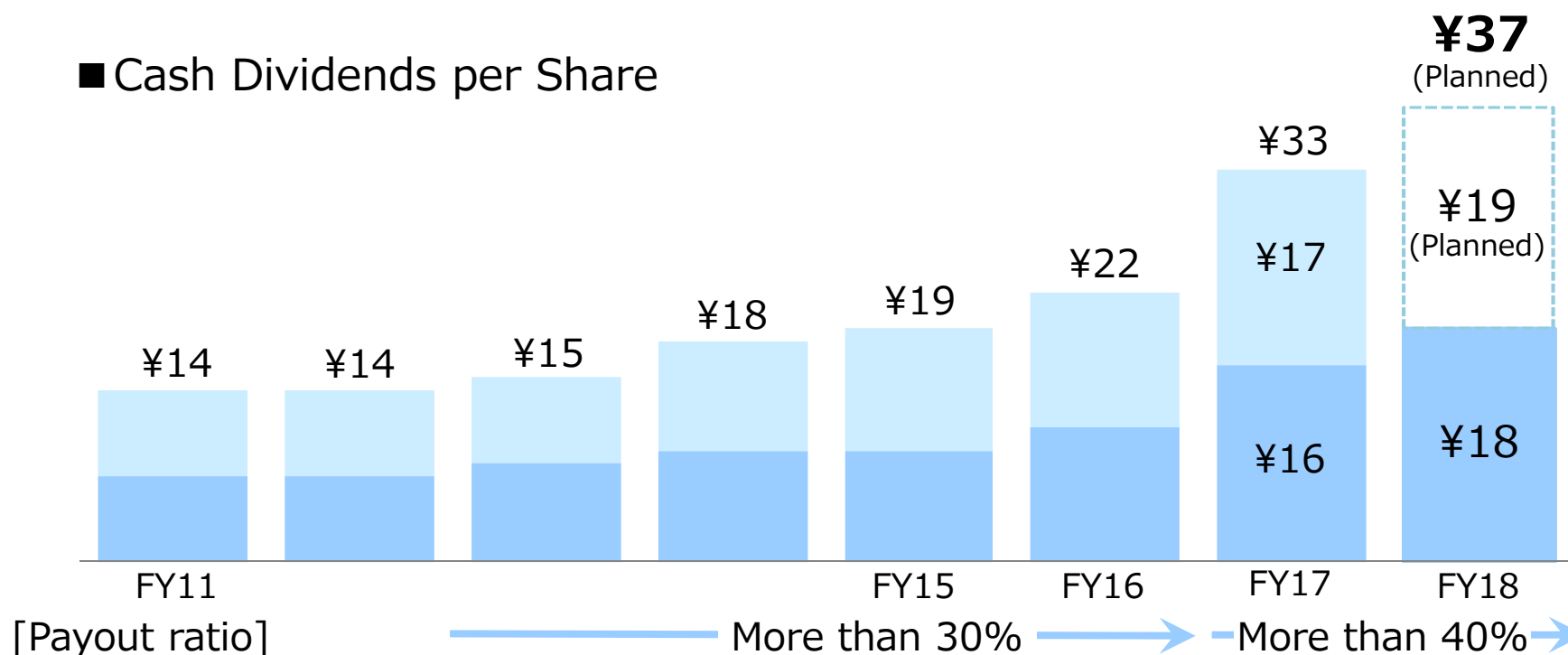
- Initial forecasts for Retailing income of ¥8.8 billion (up 13%) and FinTech income of ¥30.1 billion (up 11%) to be met

	FY17	FY18	YOY change	YOY difference
			%	Billions of yen
	Billions of yen	Billions of yen	%	Billions of yen
Retailing	7.8	8.8	+13	+1.0
FinTech	27.1	30.1	+11	+3.0
Eliminations/ Corporate	(3.6)	(3.9)	—	(0.3)
Consolidated	31.3	35.0	+12	+3.7

Shareholder Returns

- Interim dividend up ¥2 per share, to ¥18, and record-high full-year dividend of ¥37 per share planned
- Treasury stock acquisitions of ¥6.9 billion conducted in six months, ¥15.0 billion planned for full year

■ Cash Dividends per Share



[Treasury Stock Acquisitions]	¥15.0 billion	¥35.0 billion	¥20.0 billion	¥15.0 Billion (Planned)
[EPS]	¥58.9	¥70.7	¥80.2	¥91.4 (Planned)

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Progress of Medium-Term Management Plan

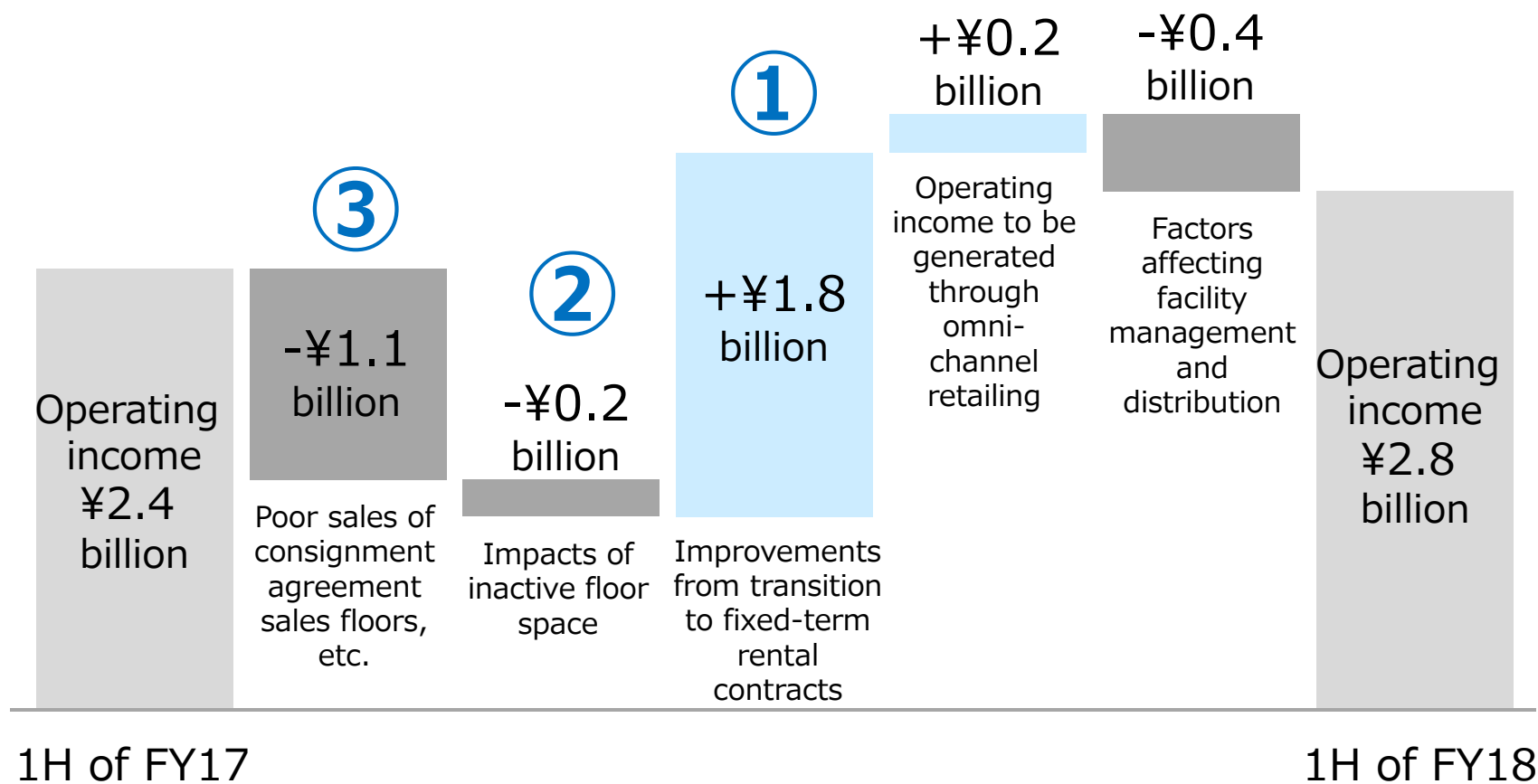
Hiroshi Aoi

**President and Representative Director,
MARUI GROUP CO., LTD.**

- 1. Progress made in transition to shopping centers and fixed-term rental contracts and, as a result, income improvements**
- 2. Growth in e-commerce sales stimulated by collaborative initiatives**
- 3. Path to medium-to-long-term growth for EPOS cards established**
- 4. New card applications projected to fall short of targets for second consecutive year**

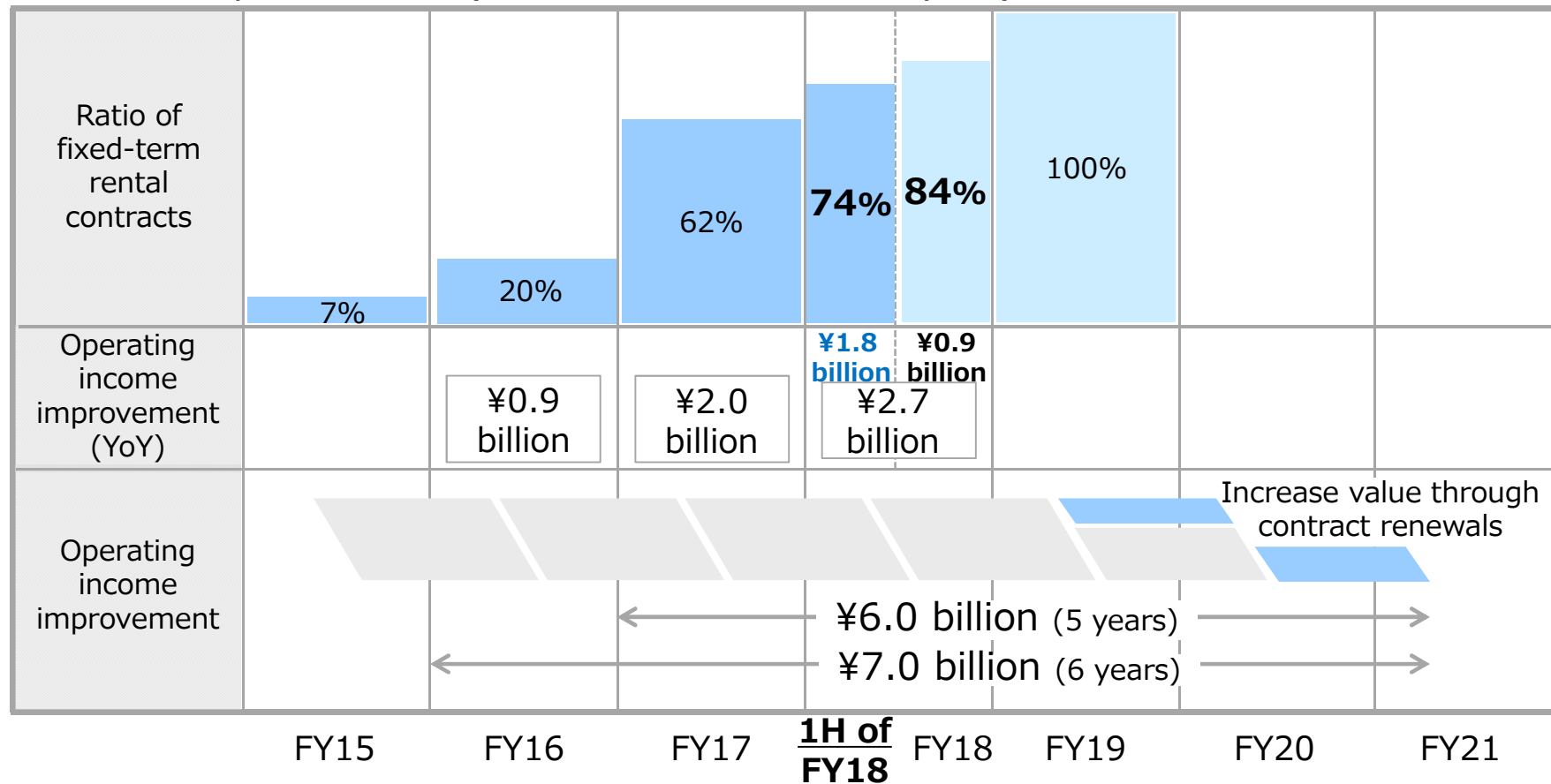
Factors Affecting Retailing Segment Operating Income

- Higher operating income achieved due to earnings improvements stemming from transition to fixed-term rental contracts and income improvements resulting from reductions in inactive floor space and in consignment agreement sales floors suffering from poor sales



① Plan for and Progress of Transition to Shopping Centers and Fixed-Term Rental Contracts

- Ratio of shopping centers and fixed-term rental contracts of 74% achieved in six months, ratio of 84% forecast for fiscal year-end
- Income improvements of ¥1.8 billion in six months as projected
- Plan for and Increases in Ratio of Fixed-Term Rental Contracts and Income Improvements (As of end of each fiscal year)

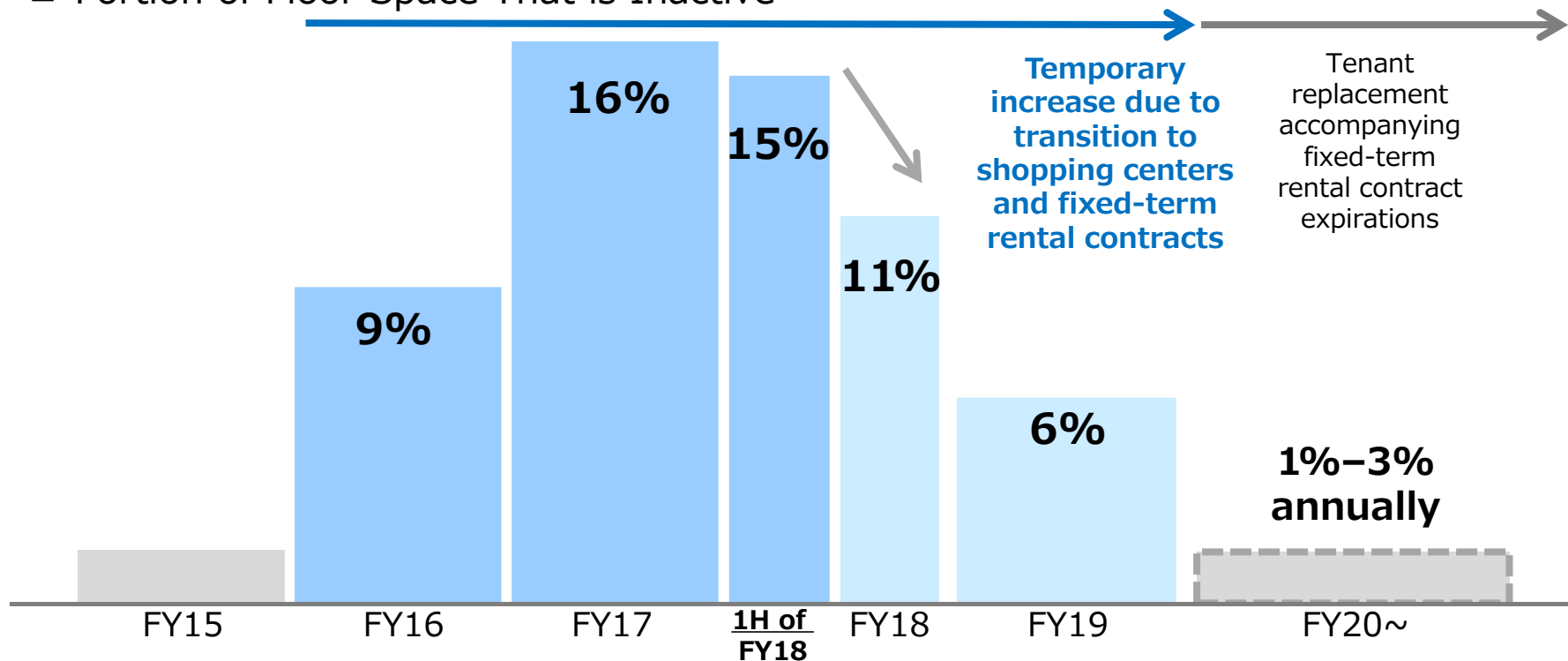


Note: Ratio of fixed-term rental contracts = Fixed-term rental contracted floor space ÷ Total floor space capable of being contracted as fixed-term rental (200,000 m²)

② Inactive Floor Space

- Transition to shopping centers and fixed-term rental contracts resulting in temporary increase in inactive floor space; inactive floor space relatively unchanged YoY in first half of fiscal year, projected to decline 11% in second half

■ Portion of Floor Space That is Inactive



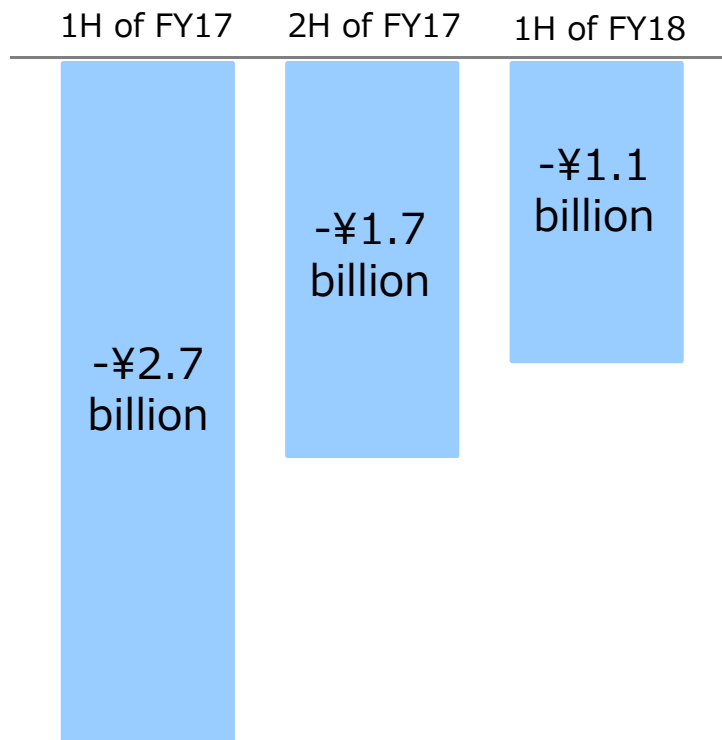
<Definition of Inactive Floor Space>

- Floor space under renovation
- Idle floor space (floor space temporarily used for events, etc., prior to introduction of fixed-term rental tenants)

③ Consignment Agreement Sales Floors

- Reduction in impact of consignment agreement sales floors' poor sales on operating income due to transition to shopping centers and fixed-term rental contracts
- Measures to be formulated for stores struggling to improve income while carefully monitoring local market trends

■ Impact of Consignment Agreement Sales Floors' Poor Sales on Operating Income (YoY)



■ Measures at Struggling Stores

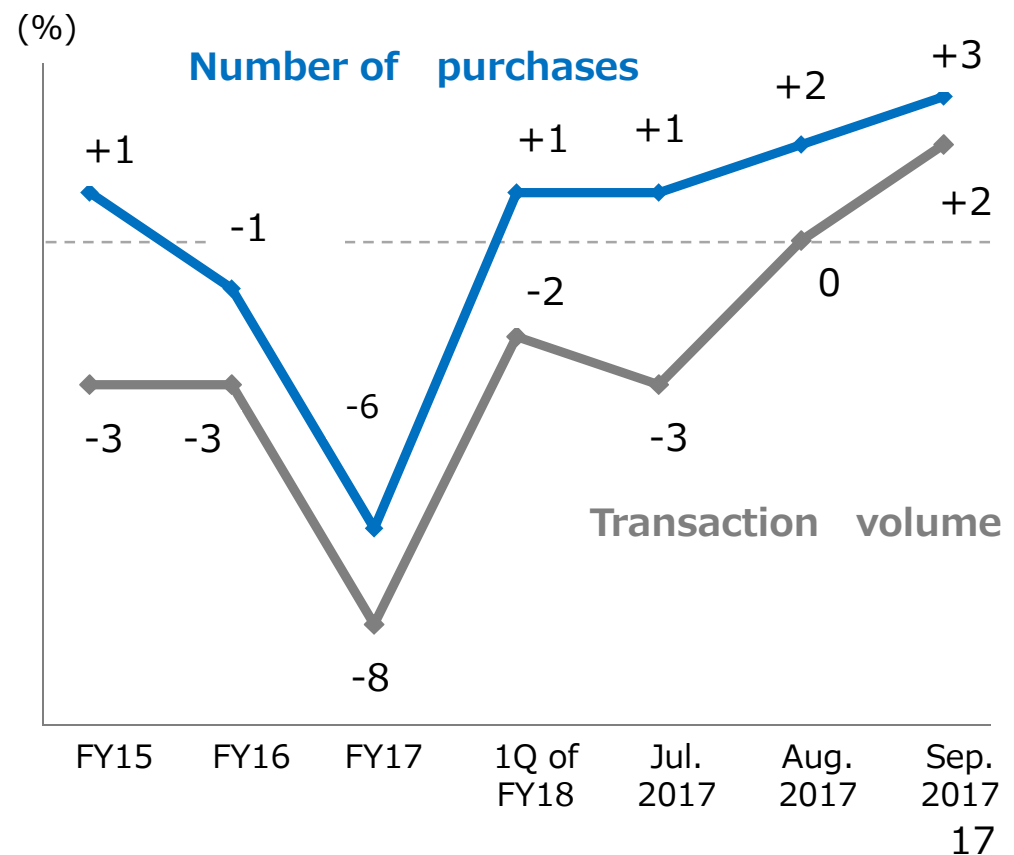
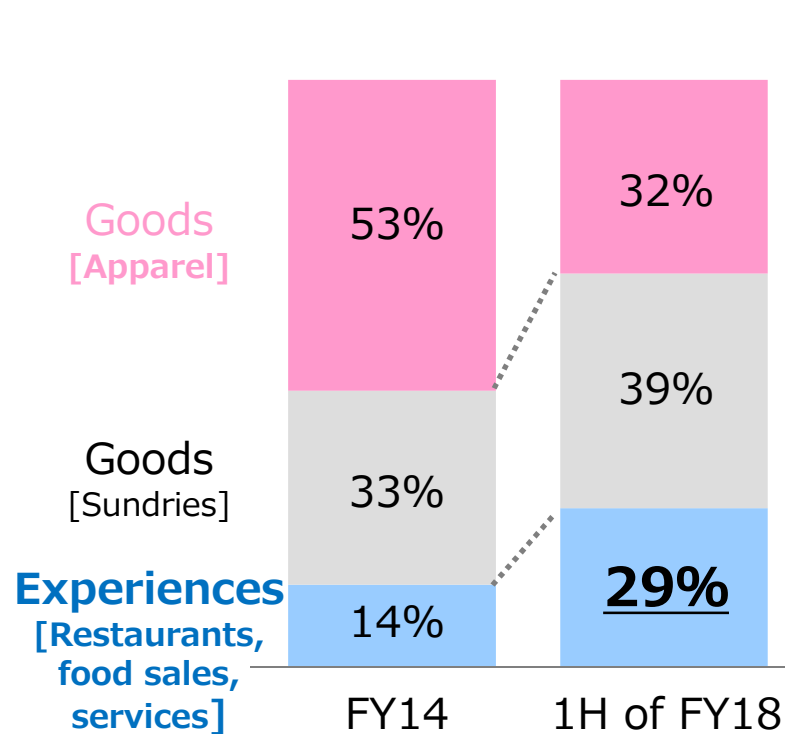
Kawasaki Marui and Mito Marui scheduled for closure as changes in the local business environment have made future income improvements difficult

- Kawasaki Marui
Scheduled for closure on January 14, 2018
- Mito Marui
Scheduled for closure in fall 2018
(Extraordinary loss of ¥1.6 billion recorded in 1H of FY2018)

Revision of Product Category Balance

- Ratio of restaurants and services grew to roughly 30% following the transition to shopping centers and fixed-term rental contracts
- Growth in transaction volumes and purchase numbers as a result of the revision of the product category balance

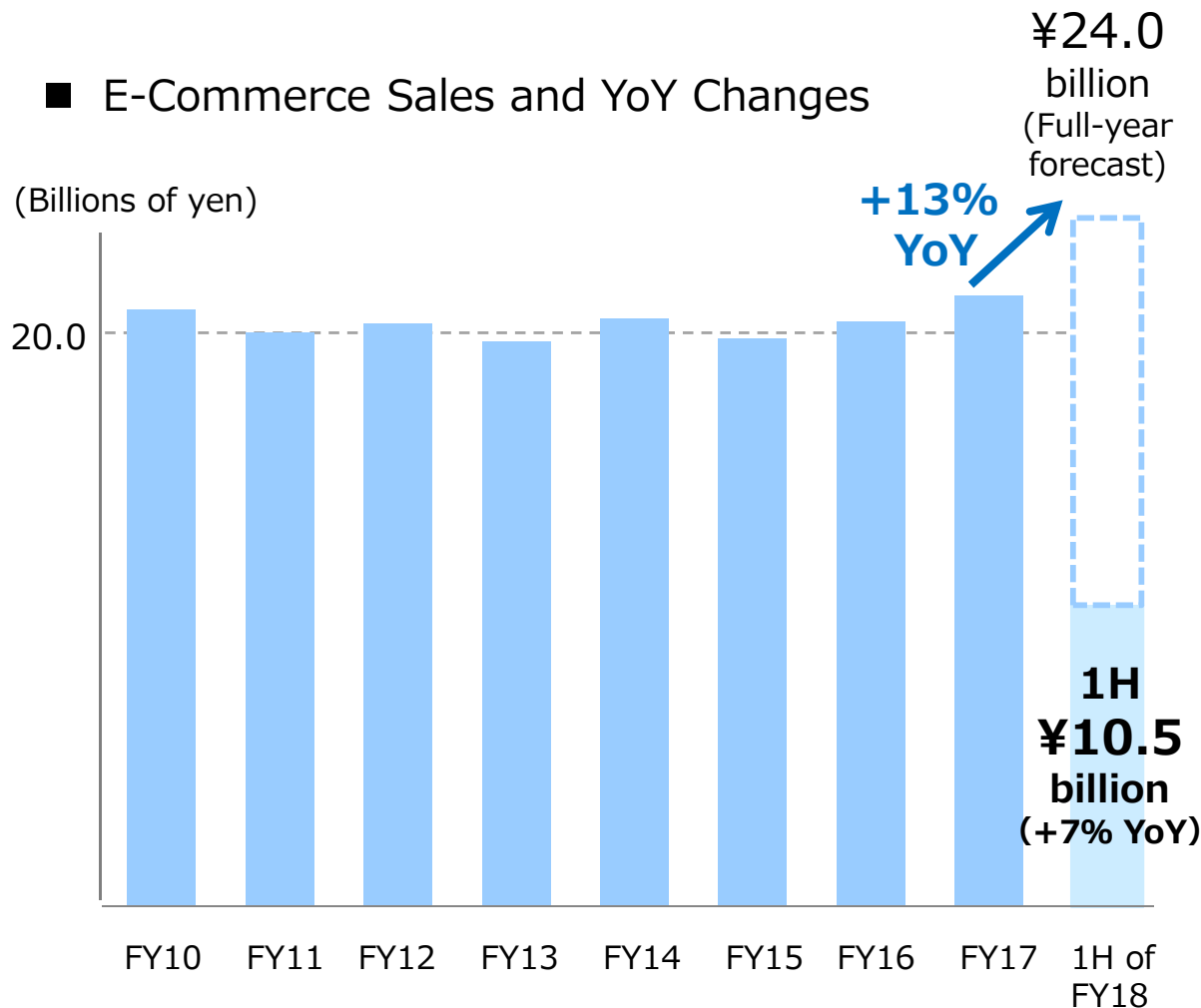
■ Change in Product Category Balance ■ YoY Changes in Transaction Volume and Number of Purchases



Total E-Commerce Sales and Target

- Six-month e-commerce sales grew smoothly to ¥10.5 billion (up 7% YoY) due to alliance with KDDI; full-year e-commerce sales of ¥24.0 billion (up 13% YoY) projected

■ E-Commerce Sales and YoY Changes



■ Benefits of Alliance with KDDI

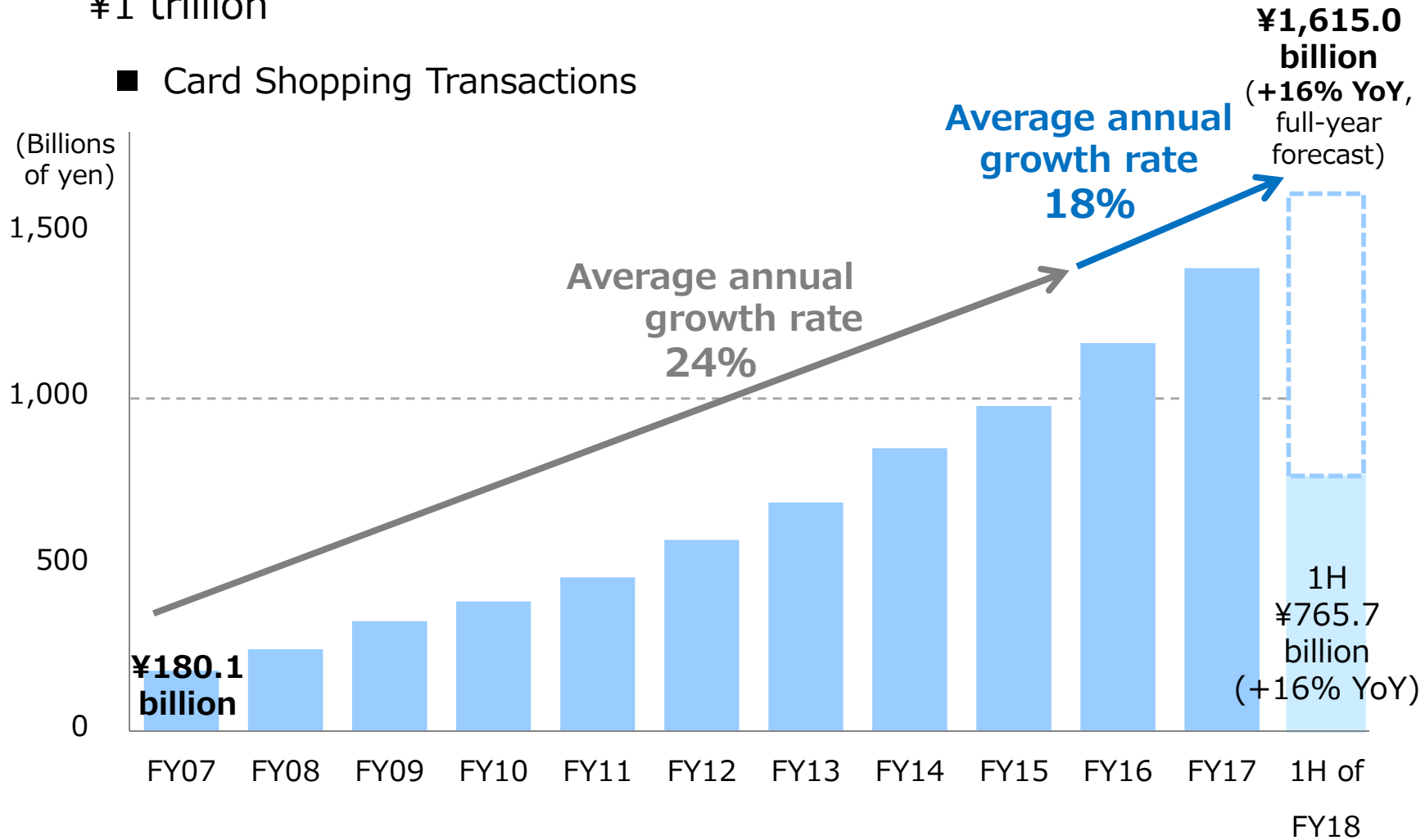
- Transactions: **¥0.5 billion** (5% of total transactions)
- First time “marui web channel” users: **90%**

Full-year forecast of **¥1.5 billion** to be achieved

Card Shopping Transactions

- Rapid growth over past decade following launch of EPOS cards, high growth rates continuing even after card shopping transactions exceed ¥1 trillion

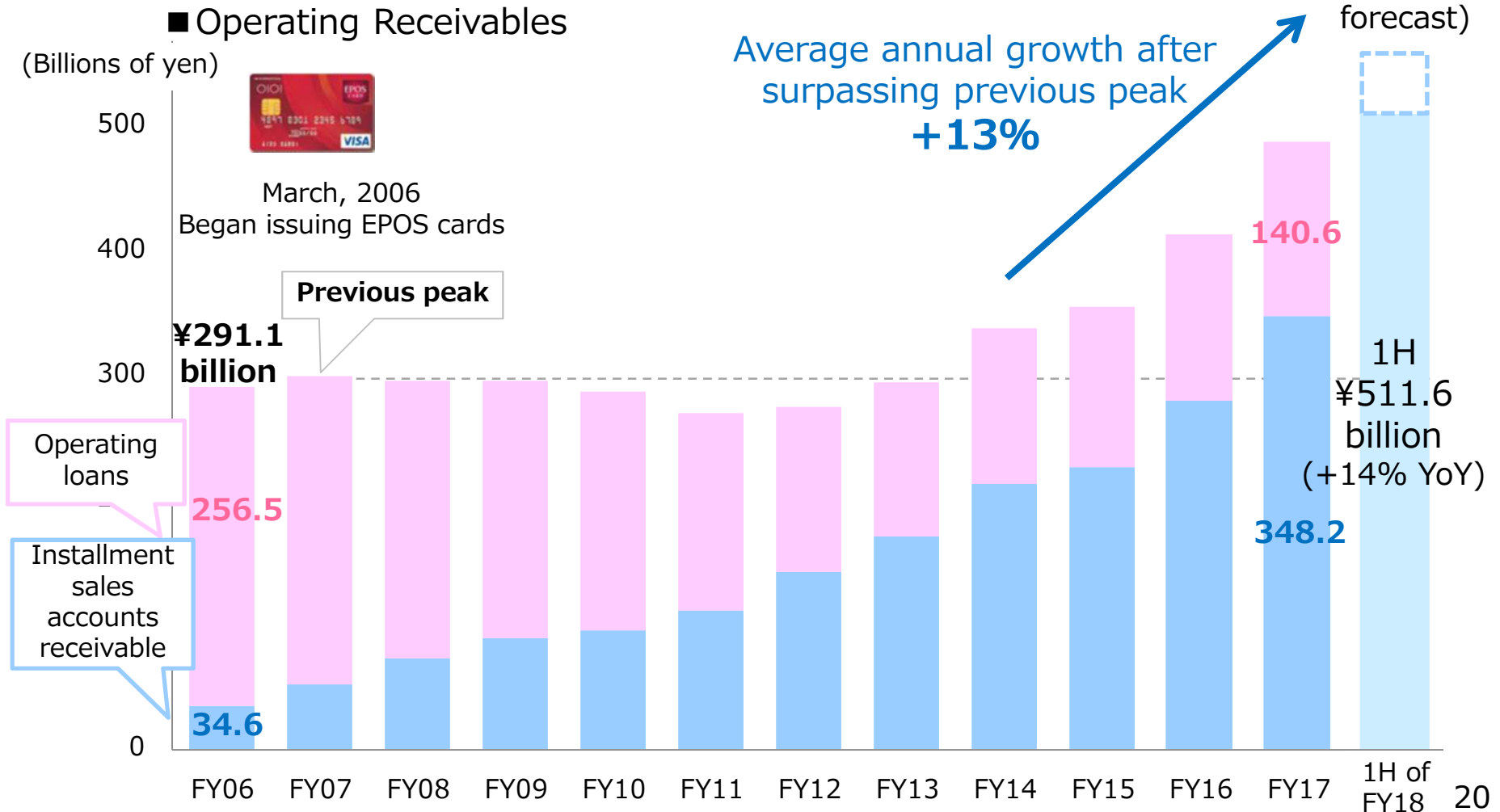
■ Card Shopping Transactions



Operating Receivables

- Growth in card shopping transactions (installment sales accounts receivable) enabled MARUI GROUP to overcome the crisis following the Money Lending Business Act revision and achieve six consecutive years of operating receivable growth

¥560.0 billion
 (+15% YoY, full-year forecast)

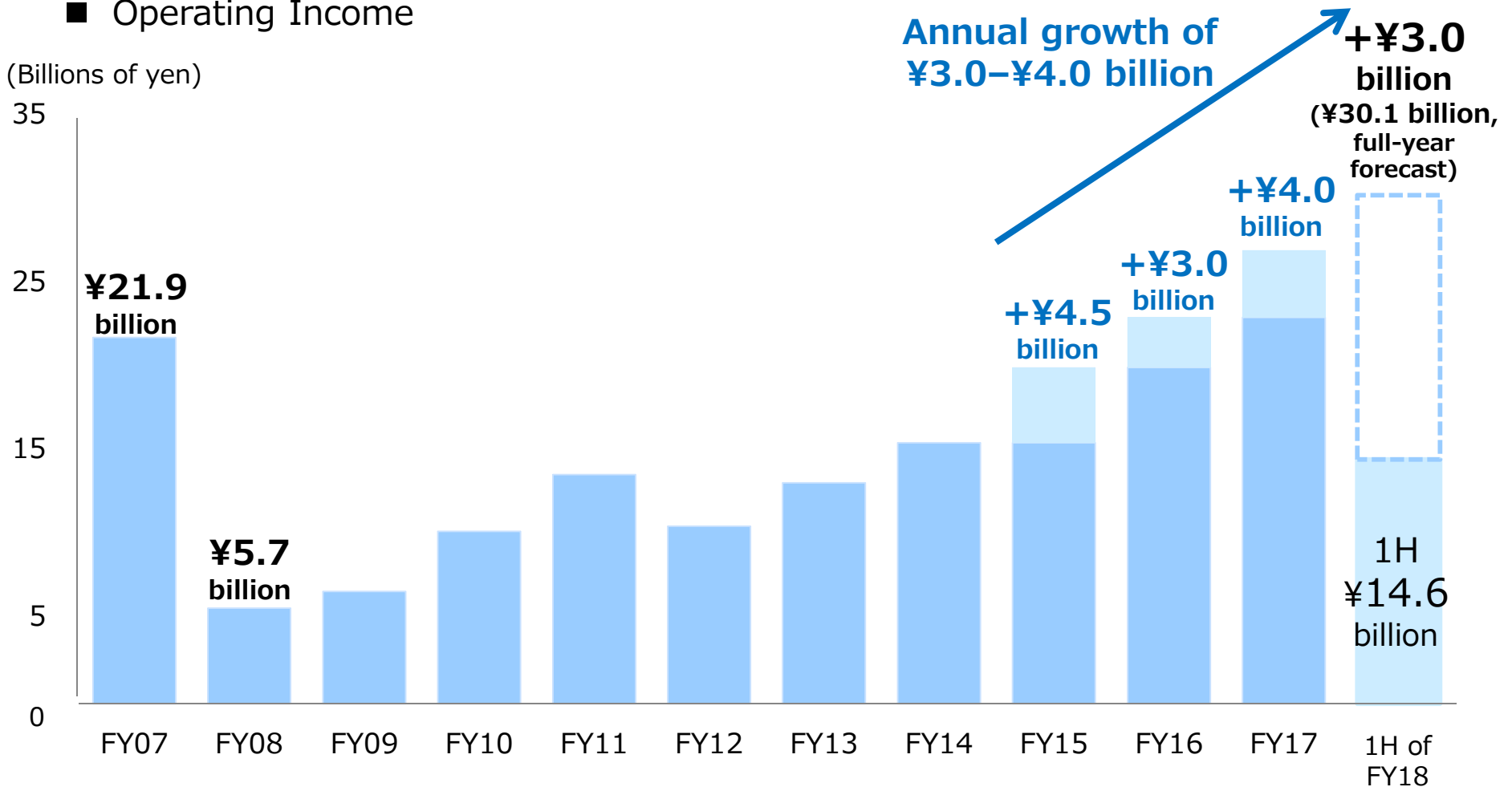


FinTech Segment Operating Income

- Smooth operating income growth since FY2008; annual growth of ¥3.0–¥4.0 billion since FY2015; growth of ¥3.0 billion anticipated in FY2018

■ Operating Income

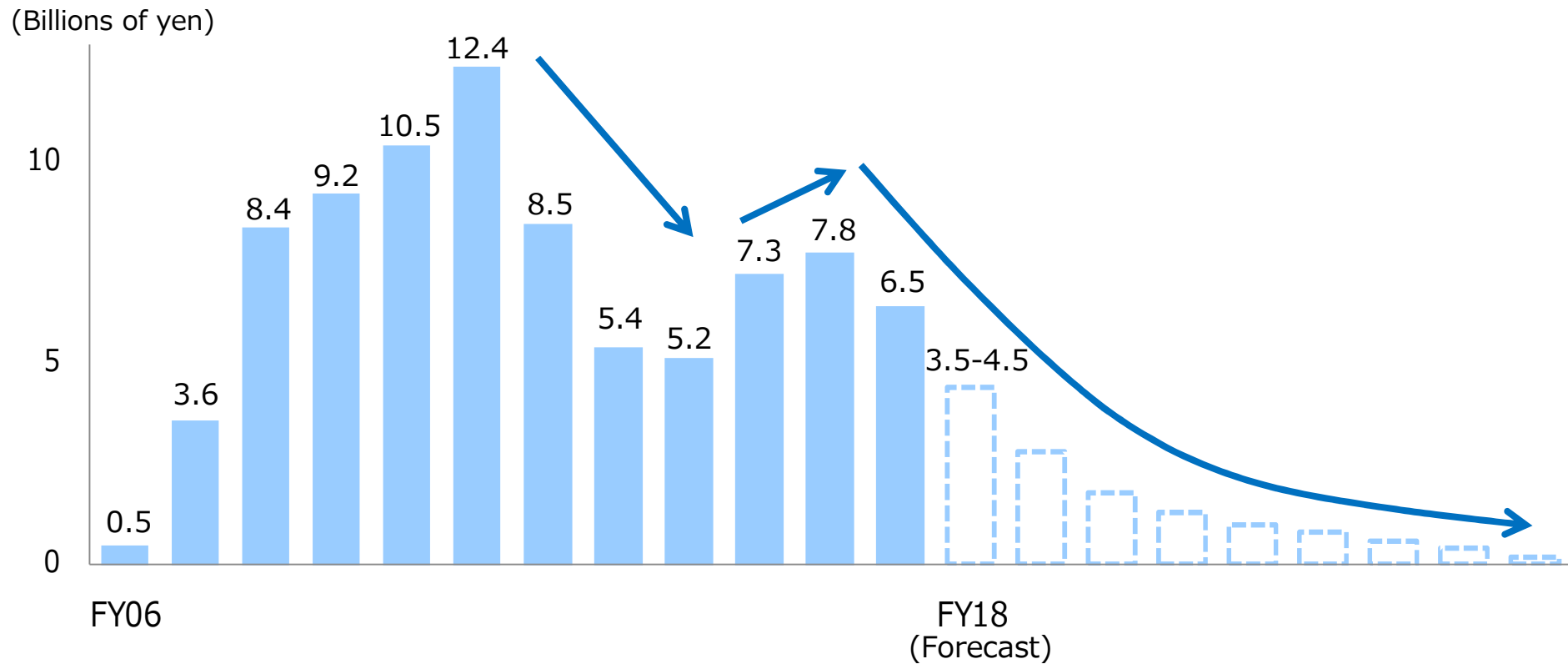
(Billions of yen)



Interest Repayment

- Interest repayment down from FY2017 despite temporary increase in repayments; repayment projected to be completed on schedule

■ Interest Repayment Amounts

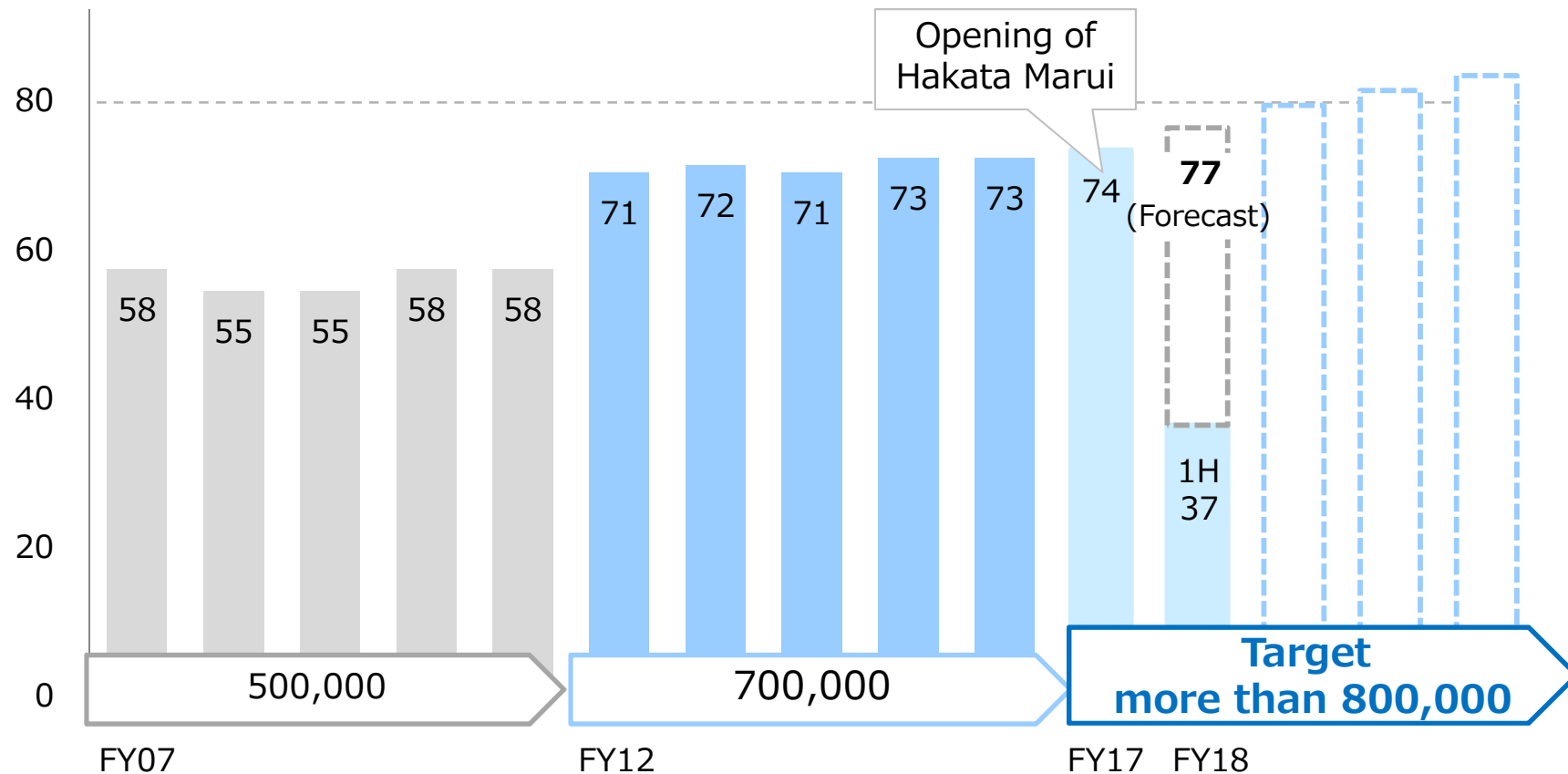


Issues: Failure to Meet New Card Application Targets

- Despite anticipated influx of 800,000 new applicants in conjunction with opening of Hakata Marui, failure to meet new card application targets for two consecutive years due to low application numbers at Marui stores

■ New Card Applicants

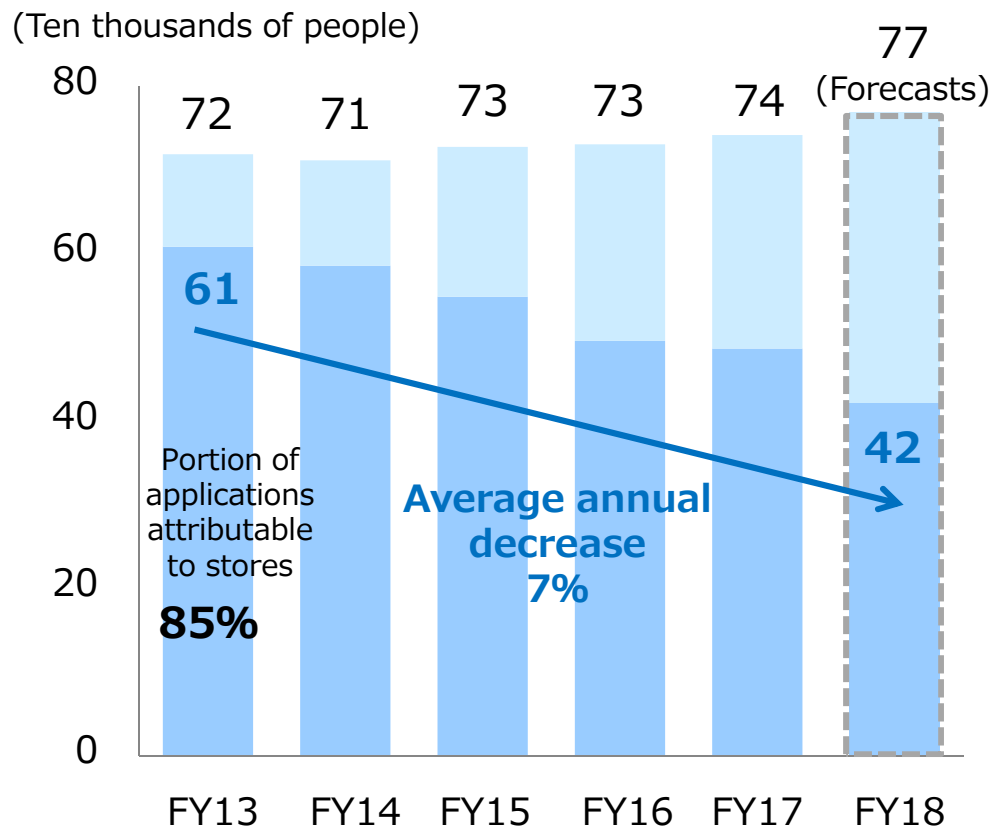
(Ten thousands of people)



Reasons for Failure to Meet New Card Application Targets

- Ongoing decline in applications at Marui stores, which accounted for more than 80% of new applications
- Adoption of new cardholder recruitment approach needed in light of transition to shopping centers and fixed-term rental contracts

■ Reasons for Failure to Meet New Card Application Targets



■ Reasons for Failure to Meet Targets and Future Initiatives

- Insufficient effort to cater to new customers attracted by increase in restaurants and services accompanying transition to shopping centers and fixed-term rental contracts (recommendation methods, measures, etc.)

<Future Initiatives>

- Revision of EPOS card benefits and enhancement of application guidance and measures
- Improvement of operation systems and development of infrastructure and environment

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Future Developments
Incorporating investor feedback

Hiroshi Aoi
President and Representative Director,
MARUI GROUP CO., LTD.

Incorporating investor feedback

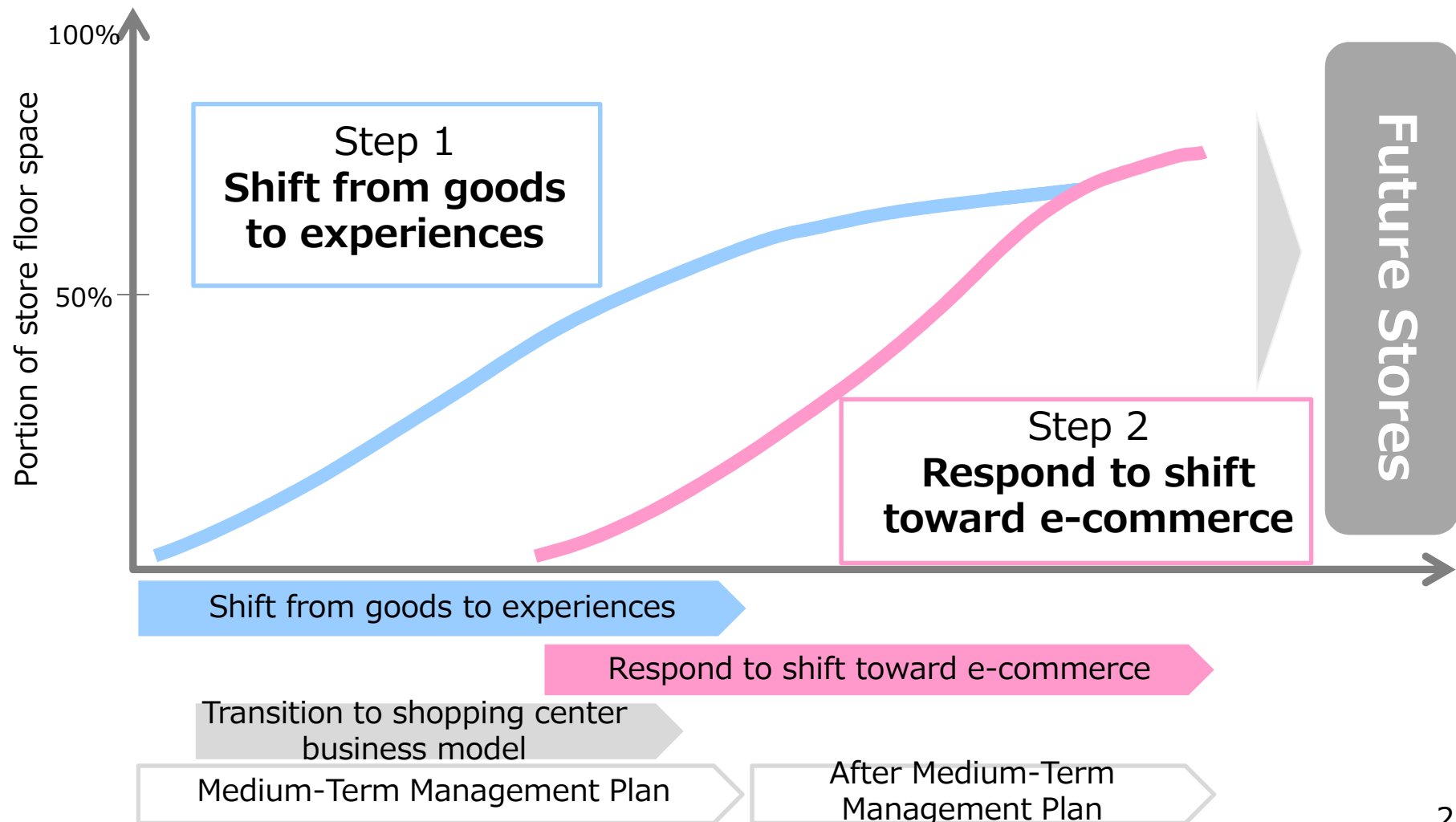
- (1) Store Development Strategy for After Transition to Shopping Centers and Fixed-Term Rental Contracts**
- (2) Application of Hakata Marui's Co-Creation Store Development Approach to Other Stores**
- (3) Outlook for Duration of EPOS Card's Strong Growth Trend**
- (4) Progress in Financial Inclusion**
- (5) Progress in New Growth Investments**
- (6) Response to ESG Investment Trend**

3. Future Developments

- (1) Store Development Strategy for After Transition to Shopping Centers and Fixed-Term Rental Contracts**

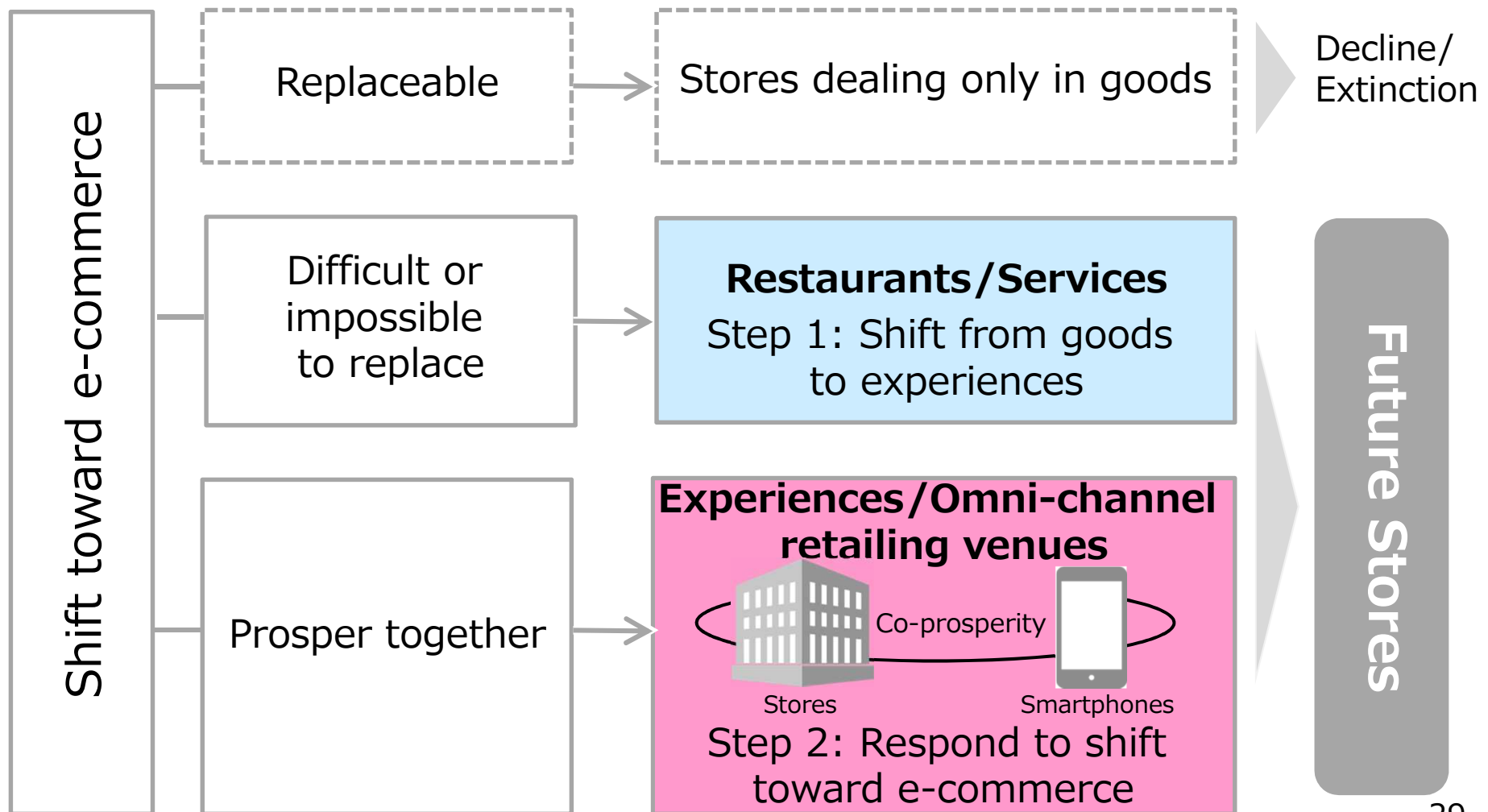
Long-Term Trends Addressed by Transition to Shopping Centers and Fixed-Term Rental Contracts

- Provide experiences through transition to shopping center business model
- Address long-term trends by responding to shift toward e-commerce



Direction of Future Store Development Initiatives

- Target development of future stores that feature a greater lineup of experiences and omni-channel retailing venues that prosper together with e-commerce as response to shift toward e-commerce



3. Future Developments

(2) Application of Hakata Marui's Co-Creation Store Development Approach to Other Stores

Hakata Marui's Co-Creation Store Development Approach

- Inclusive store design realized at Hakata Marui by positioning food vendors on entry floors and otherwise making the store accommodating to all customers based on co-creation with customers

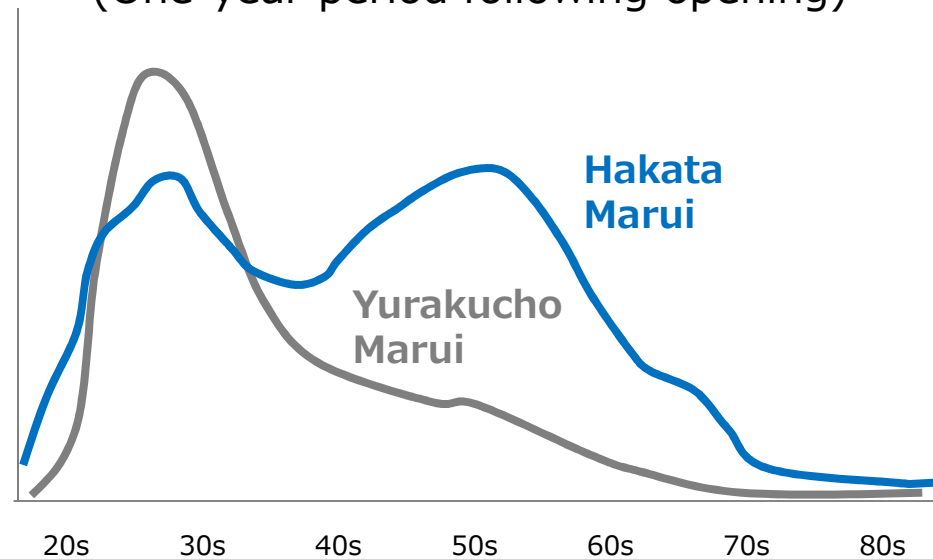
Identification of unmet customer needs through engagement

Planning meetings with customers:
600 meetings attended by an aggregate total of 15,000 people

Positioning of food vendors on entry floors

Realization of store that customers of all genders and ages frequent

■ Number of Purchases by Age Group (One-year period following opening)



- Comparison to Yurakucho Marui (FY2017)

Number of visiting customers

1.3 times higher

Number of purchases

1.2 times higher

New card applications

1.5 times higher

Positioning of Food Vendors on Entry Floors Based on Co-Creation with Customers

- Increase customer numbers and transactions by expanding co-creation store development approach to other stores

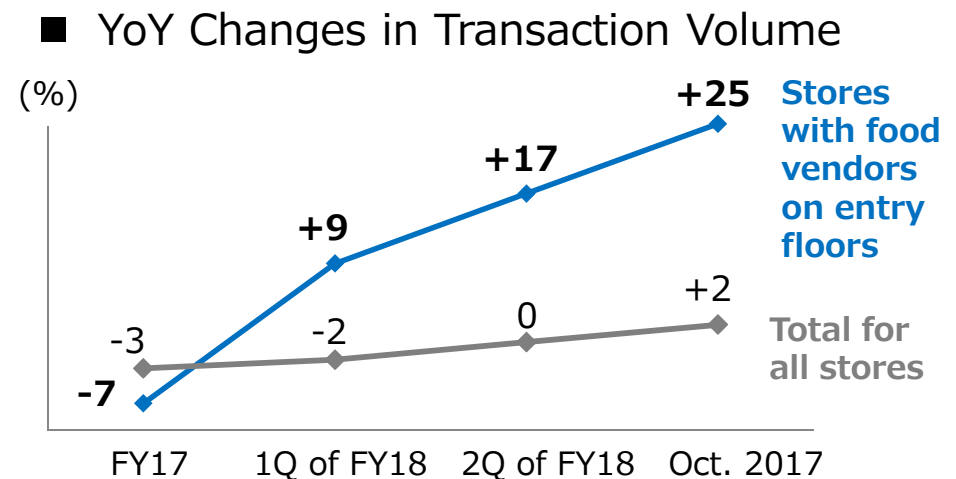
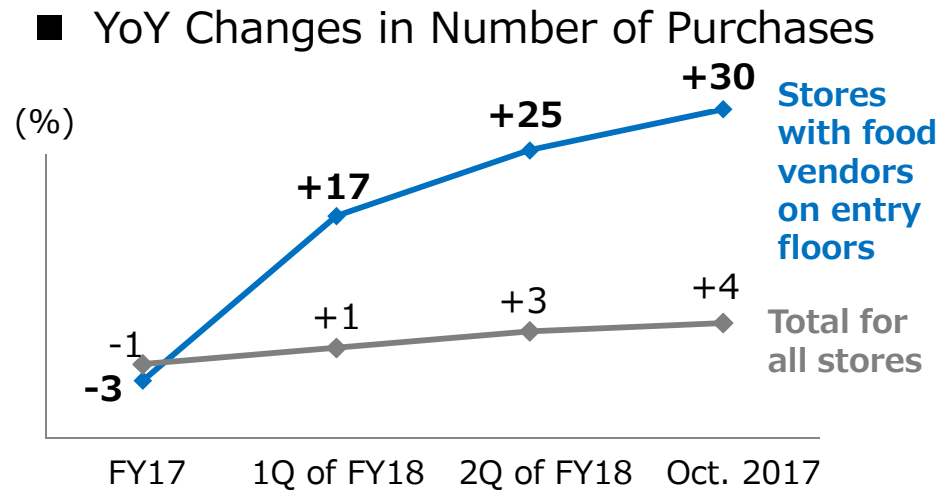
Planning meetings with customers held at five stores

(Kitasenju Marui, Kinshicho Marui, Kyoto Marui, Kashiwa Marui, Shizuoka Marui)

Discovery of common demand

Demand for food vendors on entry floors common among all stores

Renovation of stores focused on positioning food vendors on entry floors



3. Future Developments

(3) Outlook for Duration of EPOS Card's Strong Growth Trend

Characteristics of EPOS Cardholder Base

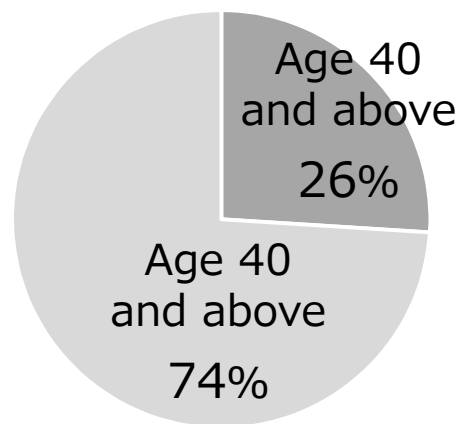
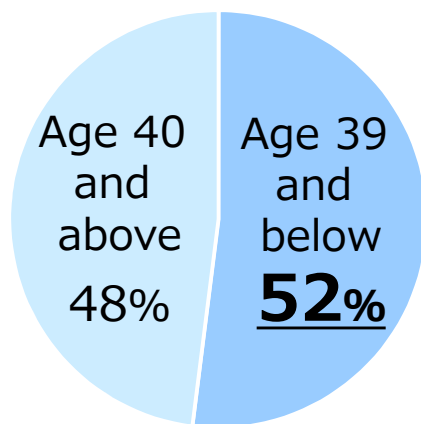
- Majority of cardholders under age 39 and below, higher ratio than industry average
- Shares of 25% in Tokyo, Kanagawa, and Saitama and 11% nationwide, leaving significant room to grow

■ Distribution of Cardholder Base by Age (FY2017)

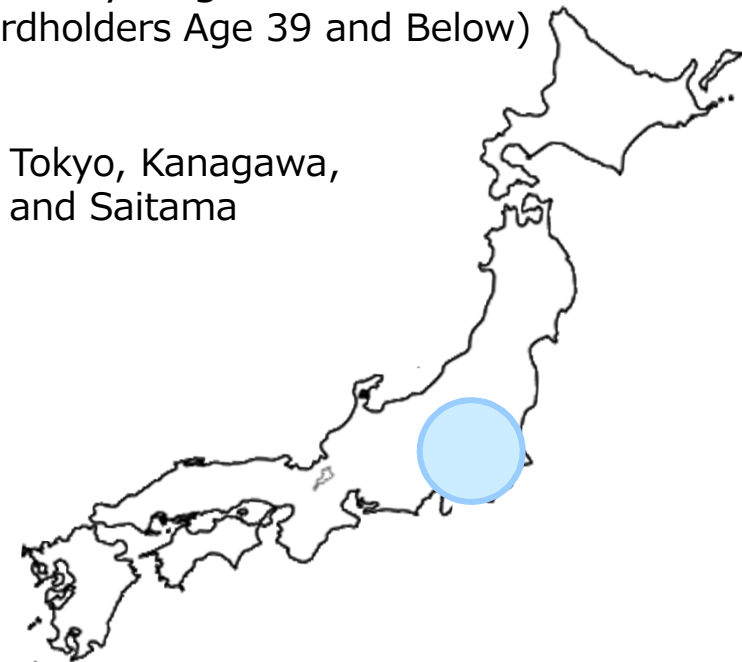
■ Share by Region (Cardholders Age 39 and Below)

<EPOS Card>

<Credit Card Industry Average>



○ Tokyo, Kanagawa, and Saitama



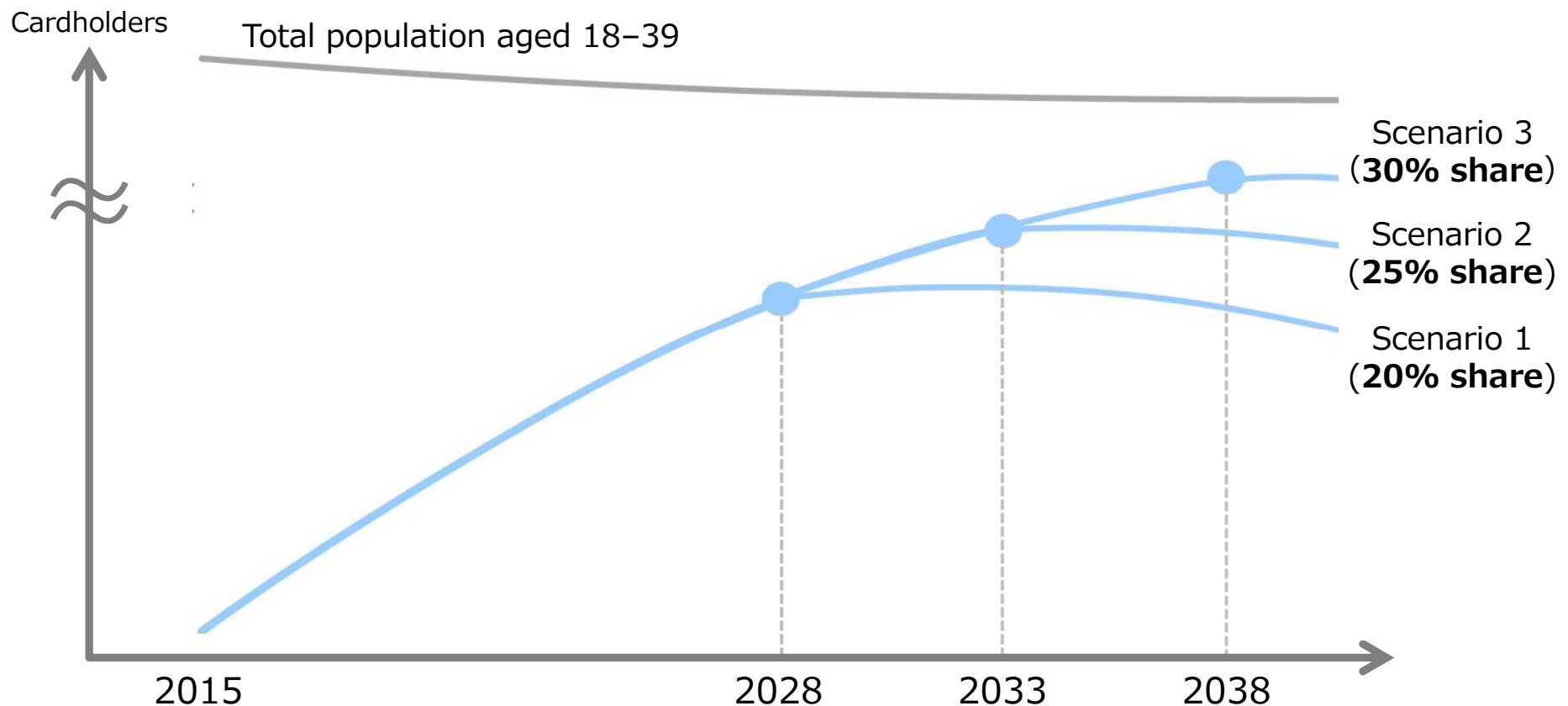
Share Outside of Tokyo, Kanagawa, and Saitama
6%

Share in Tokyo, Kanagawa, and Saitama
25%

Note: **11%** nationwide share (including Tokyo, Kanagawa, and Saitama)

Growth Projections for EPOS Cardholders (Cardholders Age 39 and Below)

- Despite decrease in the total population aged 18–39, ongoing growth in EPOS cardholders to continue for over a decade in conjunction with expansion of cardholder share
- Growth Projections for EPOS Cardholders Age 39 and Below
(Preliminary calculation using average annual growth rate of 4% seen over past 10 years)



Note: Calculated by the Company based on data provided by the Statistics Bureau of the Ministry of Internal Affairs and Communications and the National Institute of Population and Social Security Research

Initiatives for Growing Cardholder Base

- Promote strategic collaboration with e-commerce companies and content creators companies and coordinate with the anime business to grow nationwide customer base

■ Strategic Collaboration Initiatives

- Collaboration with e-commerce companies
- Collaboration with content creators
- Collaboration with rental housing companies

Currently negotiating strategic collaboration initiatives

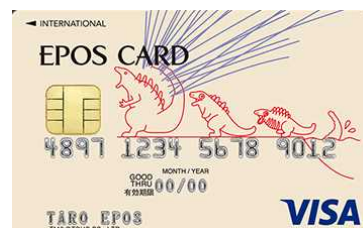
■ Anime Business Initiatives

Gintama EPOS CARD GODZILLA EPOS CARD



(Began offering in June 2017)

Gintama
©Hideaki Sorachi / SHUEISHA /
TV TOKYO / DENTSU / BNP / Aniplex



(Began offering in September 2017)

TM & © TOHO CO., LTD.

<Achievements>

- New anime-related collaboration cards issued (in October 2017)

7,000 (13% of all new cards issued)

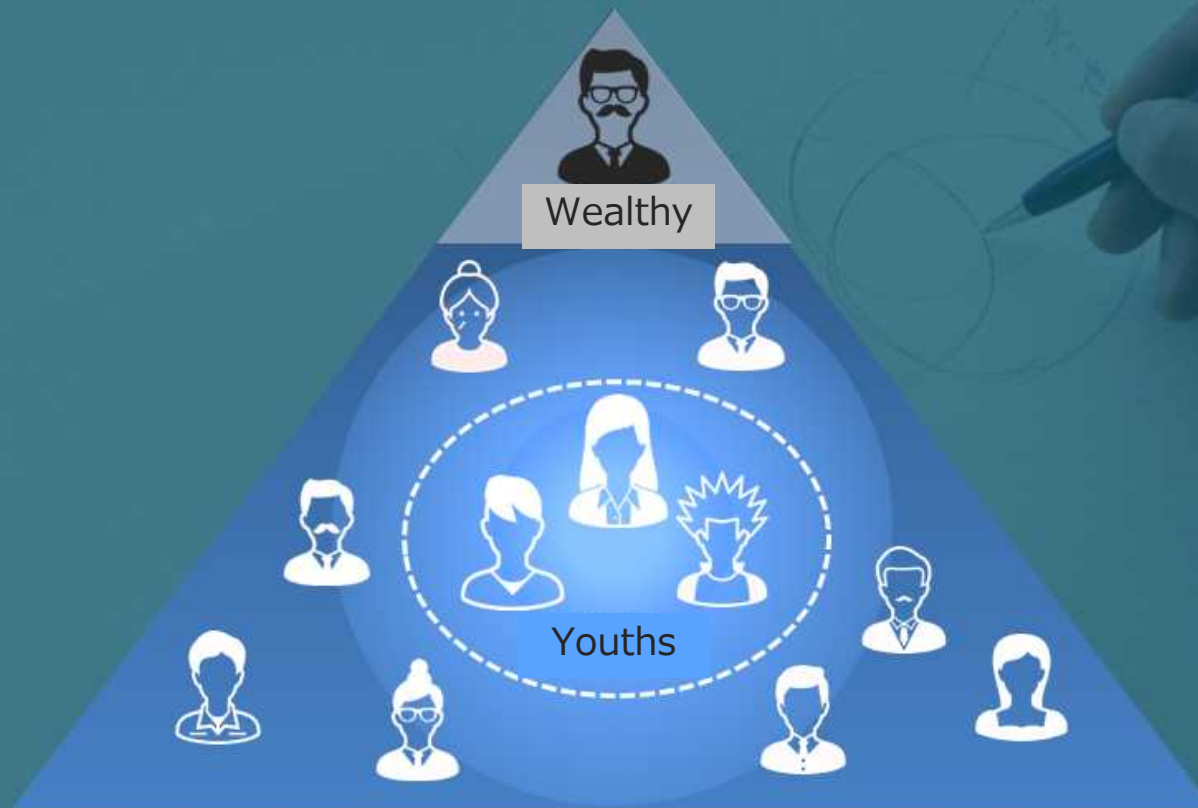
- Ratio of new holders of anime-related collaboration cards age 39 and below (FY2017)

84% (55% of all new cardholders age 39 and below)

3. Future Developments

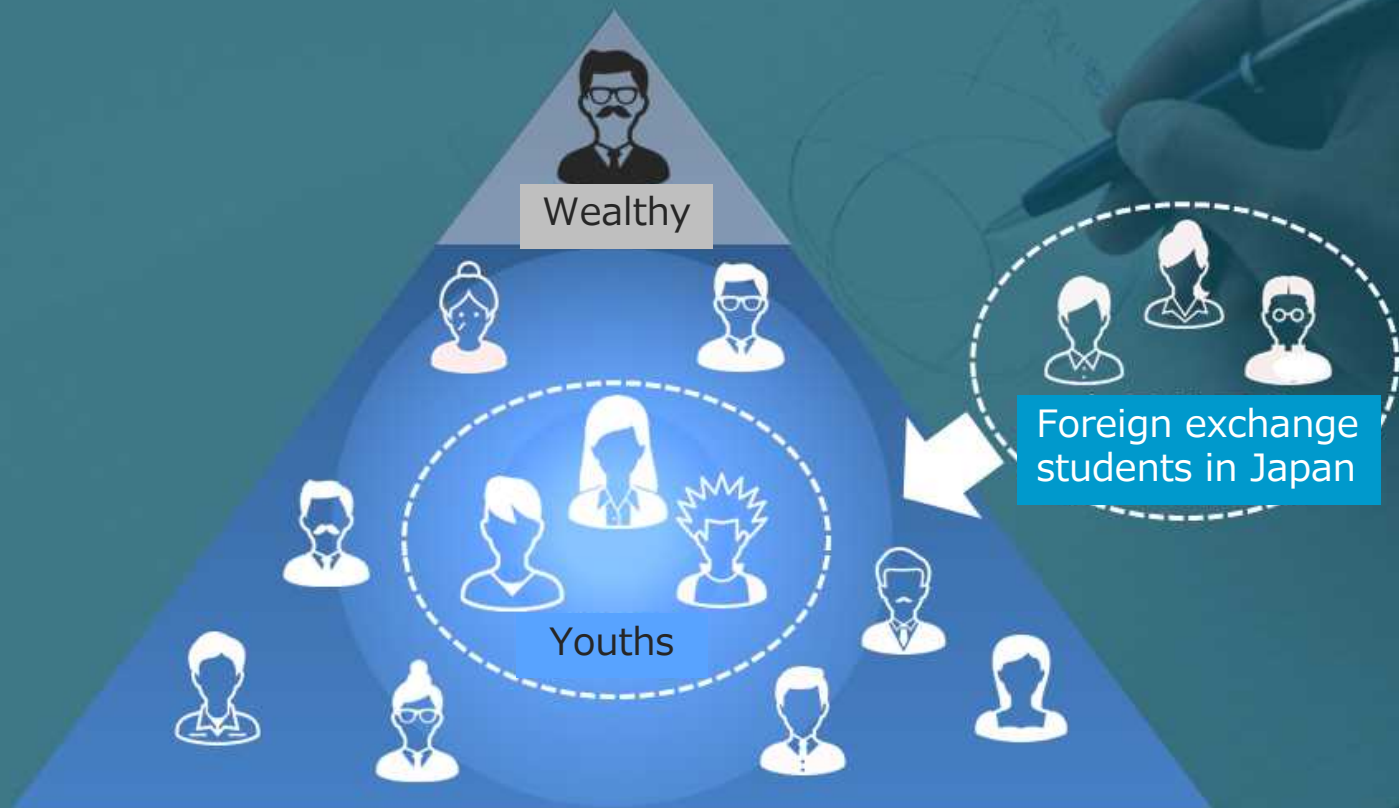
(4) Progress in Financial Inclusion

Financial Inclusion



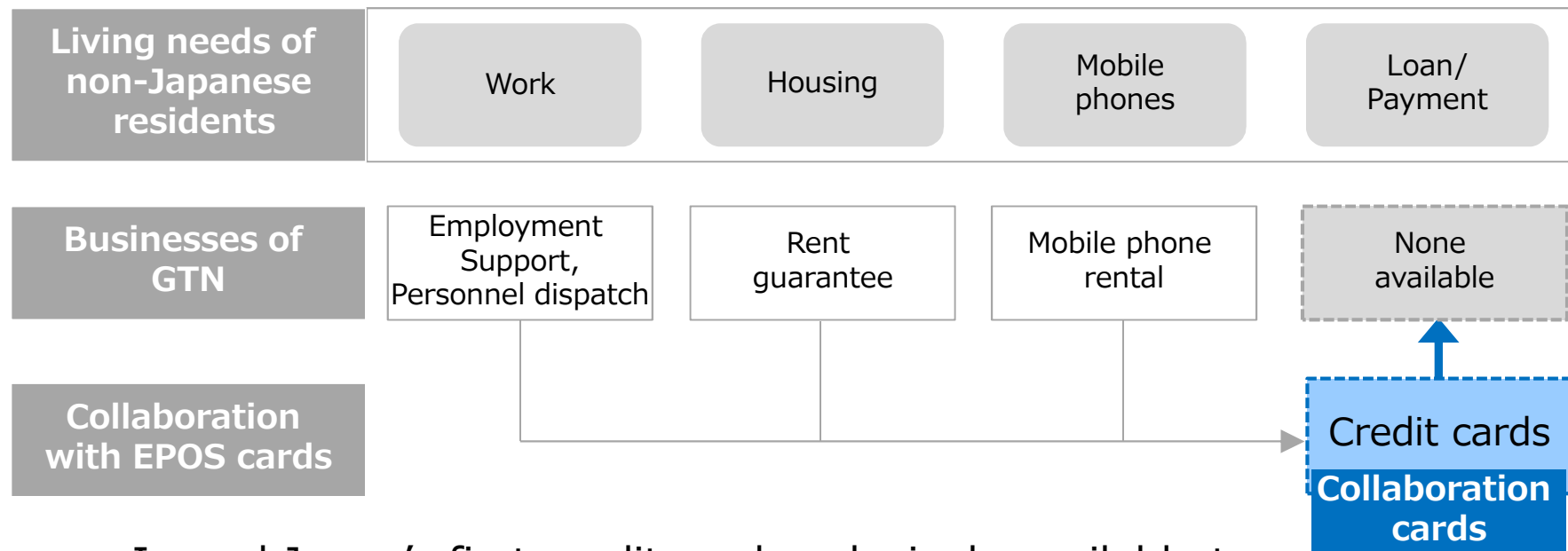
Financial services for youths and everyone else

Financial Inclusion



- Collaborate with Global Trust Networks Co., Ltd. (GTN), to support loan and payment services for non-Japanese residents of Japan through EPOS cards

■ Collaborative Initiatives



- Issued Japan's first credit card exclusively available to non-Japanese residents of Japan in Oct. 2017
- Number of newly issued cards
Cardholders (aggregate)

1st year: **10,000**
5th year: **70,000**

Note: There are approximately 2.4 million non-Japanese people living in Japan, representing a 20% increase from FY2012 largely comprising foreign exchange students.

3. Future Developments

(5) Progress in New Growth Investments

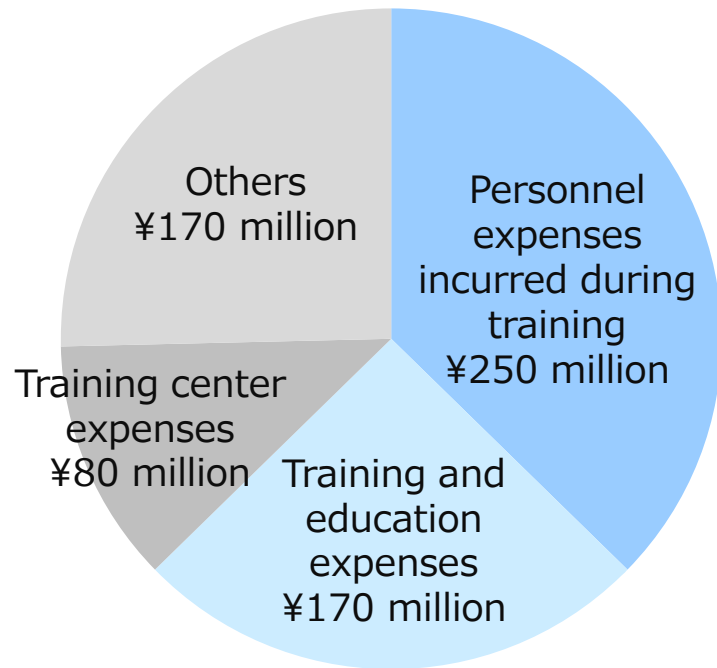
- Conduct new business investments in venture companies and venture capital firms in fields that will help grow Group businesses
- Continue investing in the anime business, a unique MARUI GROUP experience business

■ Investments to Date

External	 <p>Automated Asset Management Advisor Respond to growing investment needs of EPOS cardholders</p>	 <p>Rental and Sharing of Brand-Name Handbags Address rise in sharing needs</p>
	 <p>Fund for Investing in Domestic Digital-Field Venture Companies Gather information on venture companies and locate potential collaboration partners</p>	 <p>Fund for Investing in Smart Society Venture Companies in Silicon Valley and Other Areas Receive up-to-date information on Silicon Valley</p>
Internal	 <p>Anime Business Invest in production of movies and anime TV series and produce original anime works to promote nationwide expansion of EPOS cards</p>	

- Proactively invest in cultivation and recruitment of human resources to continue improving corporate value

■ Human Resource Investment Amounts



Total Investments:
¥670 million
 Up 40% YoY
 (Forecast for FY2018)

■ Major Initiatives

<Co-Creation Management Academy>

- Program for discovering and cultivating candidates for future management positions (approx. 200 people in 10 years)
- Curriculum for teaching management and finance skills under guidance of Hitotsubashi University

<Medium-Term Management Visionary Committee>

- Forum for examining various topics important to future Group management (10 times a year)
- Members for each meeting selected from among employees applying voluntarily

<Student Internships>

- Internship program aimed at recruiting promising future employees that are receptive toward MARUI GROUP's corporate philosophy (70 days each year, aggregate total of 480 student participants)

3. Future Developments

(6) Response to ESG Investment Trend


ESG Initiatives

- Position inclusion as an ESG-related theme of MARUI GROUP's sustainability management
 - Seek to bring joy to all stakeholders through inclusion
- Specific Initiatives
- Established ESG Promotion Department in October 2016
 - Issued ESG DATA BOOK and held explanatory forums for institutional investors
 - Created Groupwide project team to promote healthcare management and diversity
- External Recognition Related to ESG (FY2018)

Inclusion in Three ESG Indexes Utilized by GPIF



FTSE Blossom Japan



2017 Constituent
MSCI Japan Empowering Women Index (WIN)



2017 Constituent
MSCI Japan ESG Select Leaders Index

Inclusion in Globally Recognized SRI Index



FTSE4Good

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Co-creation sustainability explanatory forum (MARUI IR DAY) on the themes of co-creation, ESG, and inclusion scheduled to be held in December 2017



Forward-looking statements contained in this presentation are based on information available at the time of preparation and on assumptions that have been deemed to be rational. Actual performance may differ greatly due to a variety of factors. Any inquiries may be directed to the IR Department (Tel: 03-5343-0075).