

Financial Results Briefing for the Fiscal Year Ended March 31, 2017, and Future Outlook

MARUI GROUP CO., LTD.

May 11, 2017

1. Overview of Performance in the Fiscal Year Ended March 31, 2017, and Forecasts for the Fiscal Year Ending March 31, 2018

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

2. Progress of Medium-Term Management Plan and Future Initiatives

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

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Overview of Performance in the Fiscal Year Ended March 31, 2017, and Forecasts for the Fiscal Year Ending March 31, 2018

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

- 1. EPS reaches ¥80.2 (up 14% YoY) and ROE reaches 6.7% (up 0.7 percentage point YoY), both meeting targets due to income growth and capital measures**
- 2. FinTech segment achieves strong income growth of 6%, making for 8th consecutive year of increases, despite failing to meet operating income target (by ¥0.2 billion)**
- 3. Record-high annual dividend payments of ¥33 per share (up ¥11 YoY) issued**
- 4. ROIC exceeds WACC due to steady progress of financial strategies targeting optimal capital structure**

- EPS shows massive 14% increase, ROE achieves target at 6.7%
- 8th consecutive year of higher operating income and 6th consecutive year of higher net income

	FY2015	FY2016	FY2017	YoY	YoY	vs.
				change	difference	target
EPS (yen)	58.9	70.7	80.2	+14	+9.5	+1.0
ROE (%)	5.2	6.0	6.7	–	+0.7	±0.0
ROIC (%)	3.3	3.3	3.1	–	-0.2	-0.1

	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen	Billions of yen
Total Group transactions	1,469.1	1,703.4	1,933.7	+14	+230.3	-16.3
Revenue	249.8	245.9	237.0	-4	-8.8	-6.0
Gross profit (Gross profit margin [%])	159.4 (63.8)	160.0 (65.1)	166.0 (70.0)	+4 (–)	+5.9 (+4.9)	-1.0 (+1.3)
SG&A expenses	131.4	130.4	134.7	+3	+4.3	-0.8
Operating income	28.0	29.6	31.3	+6	+1.6	-0.2
Ordinary income	28.0	29.2	31.1	+7	+2.0	+0.1
Net income	16.0	17.8	18.7	+5	+1.0	+0.2

Segment Income

- Retailing income down YoY due to poor sales of consignment agreement sales floors and increase in inactive floor space
- FinTech income up for 5th consecutive year due to strong growth in card shopping transactions

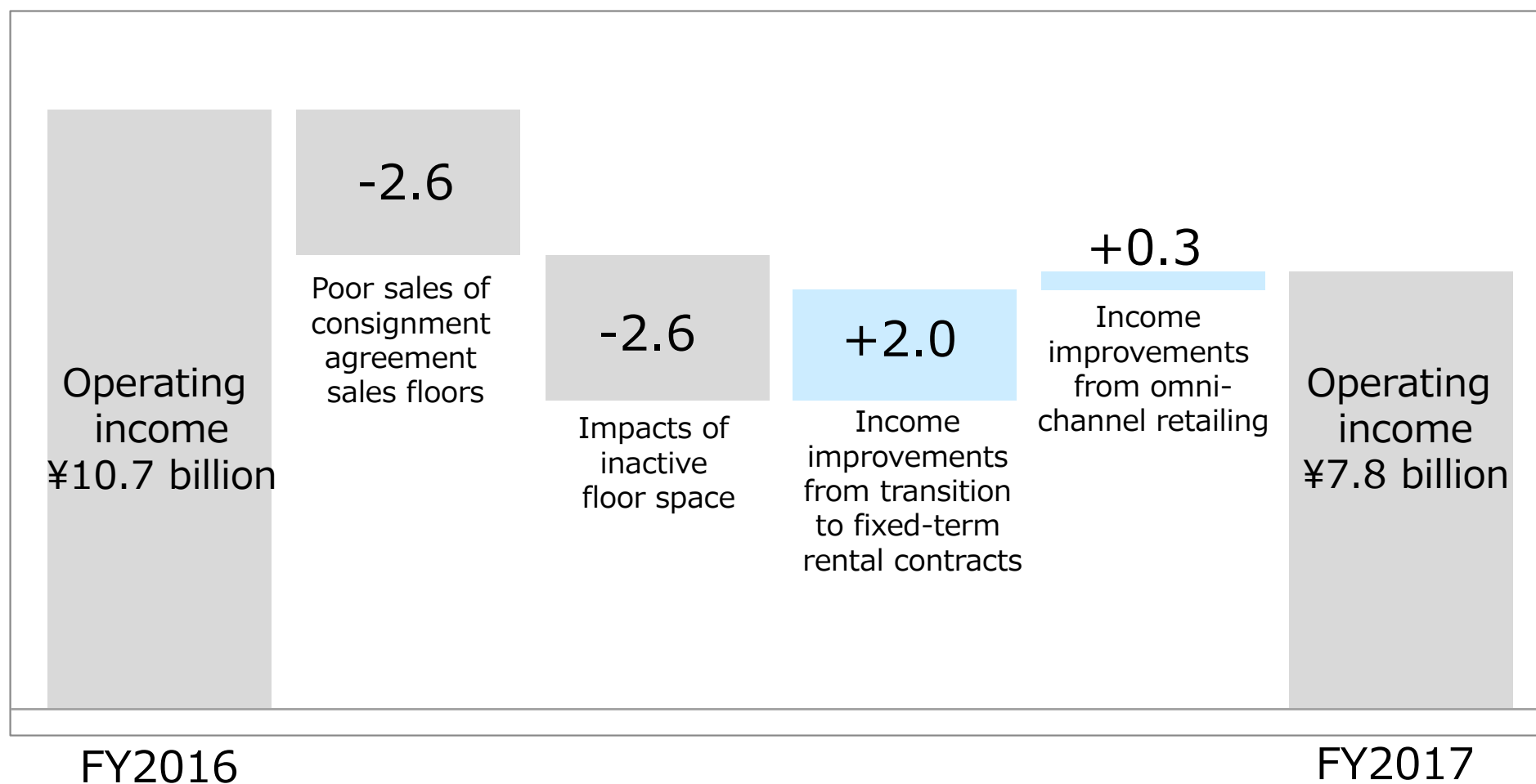
	FY2015	FY2016	FY2017	YoY change	YoY difference	vs. target
				%	Billions of yen	Billions of yen
Retailing	10.5	10.7	7.8	-27	-2.9	-0.1
FinTech	20.9	23.1	27.1	+17	+4.0	-0.2
Eliminations/ Corporate	(3.4)	(4.1)	(3.6)	-13	+0.5	+0.1
Consolidated	28.0	29.6	31.3	+6	+1.6	-0.2

*Consignment agreement sales floors = Sales floors not converted to fixed-term rental contracts
(Sales prior to conversion + Sales floors that cannot be converted to fixed-term rental contracts)

*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)

Reasons for YoY Operating Income Changes in Retailing

- Income down YoY due to poor sales of consignment agreement sales floors and impacts of inactive floor space
- Steady progress in business structure transformations, including transition to shopping centers and fixed-term rental contracts and expansion of omni-channel retailing

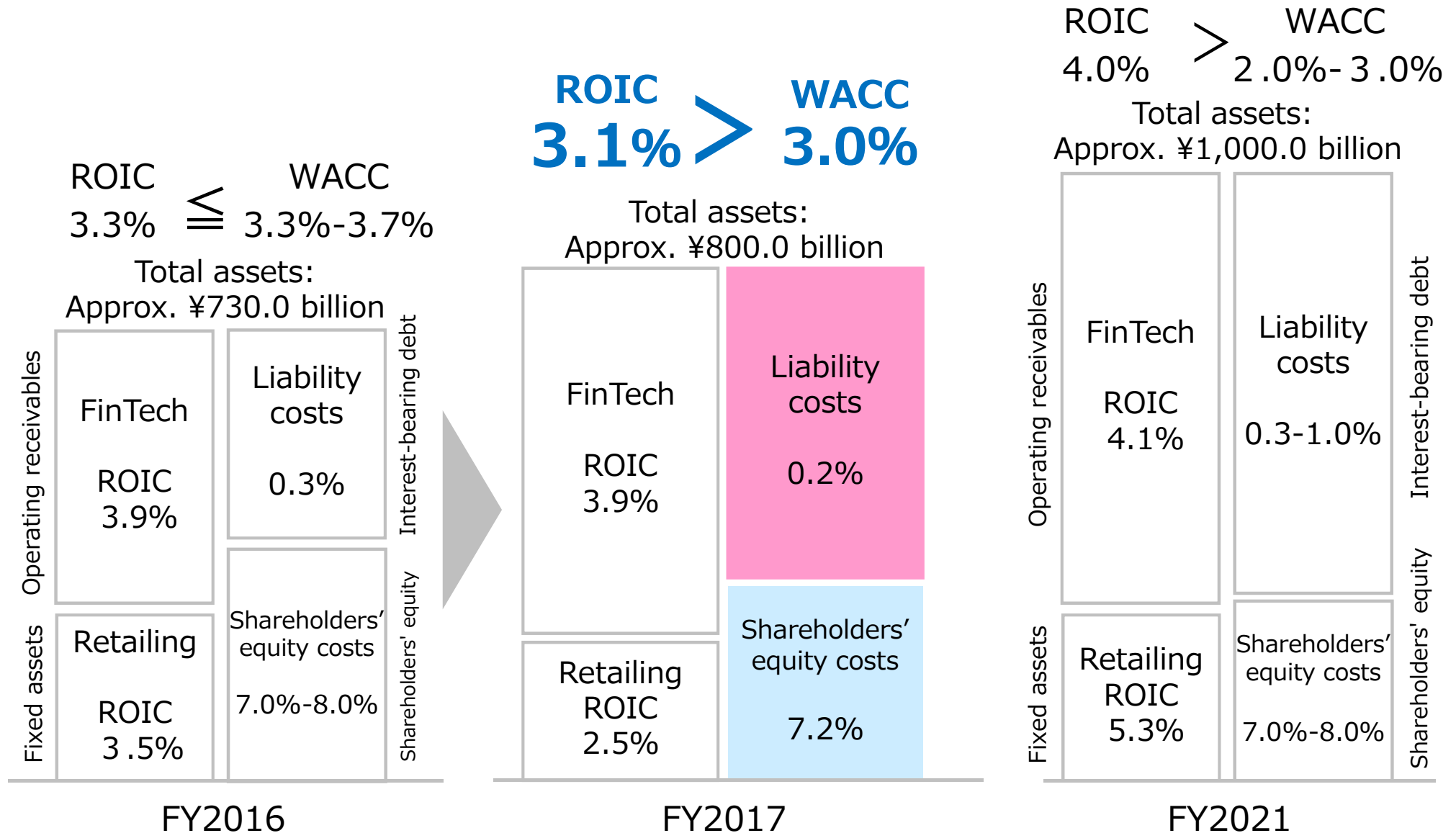


Consolidated Balance Sheets

- Operating receivables up ¥74.9 billion due to increase in card shopping transactions
- Interest-bearing debt up ¥75.0 billion, ratio of interest-bearing debt to operating receivables up 2 percentage points, to 89%

	March 31, 2016	March 31, 2017	Difference
	Billions of yen	Billions of yen	Billions of yen
Operating receivables	413.9	488.8	+74.9
Installment sales accounts receivable (Factoring accounts receivable)	279.8 (68.9)	348.2 (64.3)	+68.4 (-4.6)
Operating loans	134.1	140.6	+6.5
Fixed assets	244.1	247.8	+3.7
Interest-bearing debt (% of operating receivables)	359.3 (87%)	434.3 (89%)	+75.0 (+2%)
Shareholders' equity	281.6	273.9	-7.7
Equity ratio (%)	38.6	34.0	-4.6
Total assets	730.1	806.6	+76.4

- ROIC exceeds WACC due to steady progress of financial strategies targeting optimal capital structure



- Core operating cash flow (operating cash flow excluding change in operating receivables) up ¥1.4 billion
- Net cash provided by investing activities recorded because gains on sales of fixed assets offset increase in capital investments

	FY2016	FY2017	YoY difference
	Billions of yen	Billions of yen	Billions of yen
Core operating cash flow	26.8	28.2	+1.4
Capital investments	(9.1)	(18.1)	-9.0
Gains on sales of fixed assets	—	14.6	+14.6
Redemption of guarantees	5.0	5.4	+0.4
Net cash provided (used in) by investing activities	(4.1)	2.0	+6.1
Increase in interest-bearing debt	81.3	74.9	-6.4
Cash dividends paid	(5.4)	(6.4)	-1.0
Purchase of treasury stock, etc.	(35.2)	(20.9)	+14.3
Net cash provided by financing activities	40.7	47.6	+6.9
Cash and cash equivalents at end of period	32.6	36.2	+3.7

- EPS of ¥91.6 (up 14%), ROE of 7.6%, and ROIC of 3.1%

	FY2016	FY2017	FY2018	YoY change	YoY difference
EPS (yen)	70.7	80.2	91.6	+14	+11.4
ROE (%)	6.0	6.7	7.6	—	+0.9
ROIC (%)	3.3	3.1	3.1	—	±0.0

	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen
Total Group transactions	1,703.4	1,933.7	2,204.0	+14	+270.3
Revenue	245.9	237.0	245.5	+4	+8.5
Gross profit (Gross profit margin [%])	160.0 (65.1)	166.0 (70.0)	177.0 (72.1)	+7 (—)	+11.0 (+2.1)
SG&A expenses	130.4	134.7	142.0	+5	+7.3
Operating income (Operating income margin [%])	29.6 (12.0)	31.3 (13.2)	35.0 (14.3)	+12 (—)	+3.7 (+1.1)
Net income	17.8	18.7	20.5	+10	+1.8

Segment Income Forecasts for FY2018

- Retailing income to increase ¥1.0 billion, to ¥8.8 billion
- FinTech income to increase ¥3.0 billion, to ¥30.1 billion

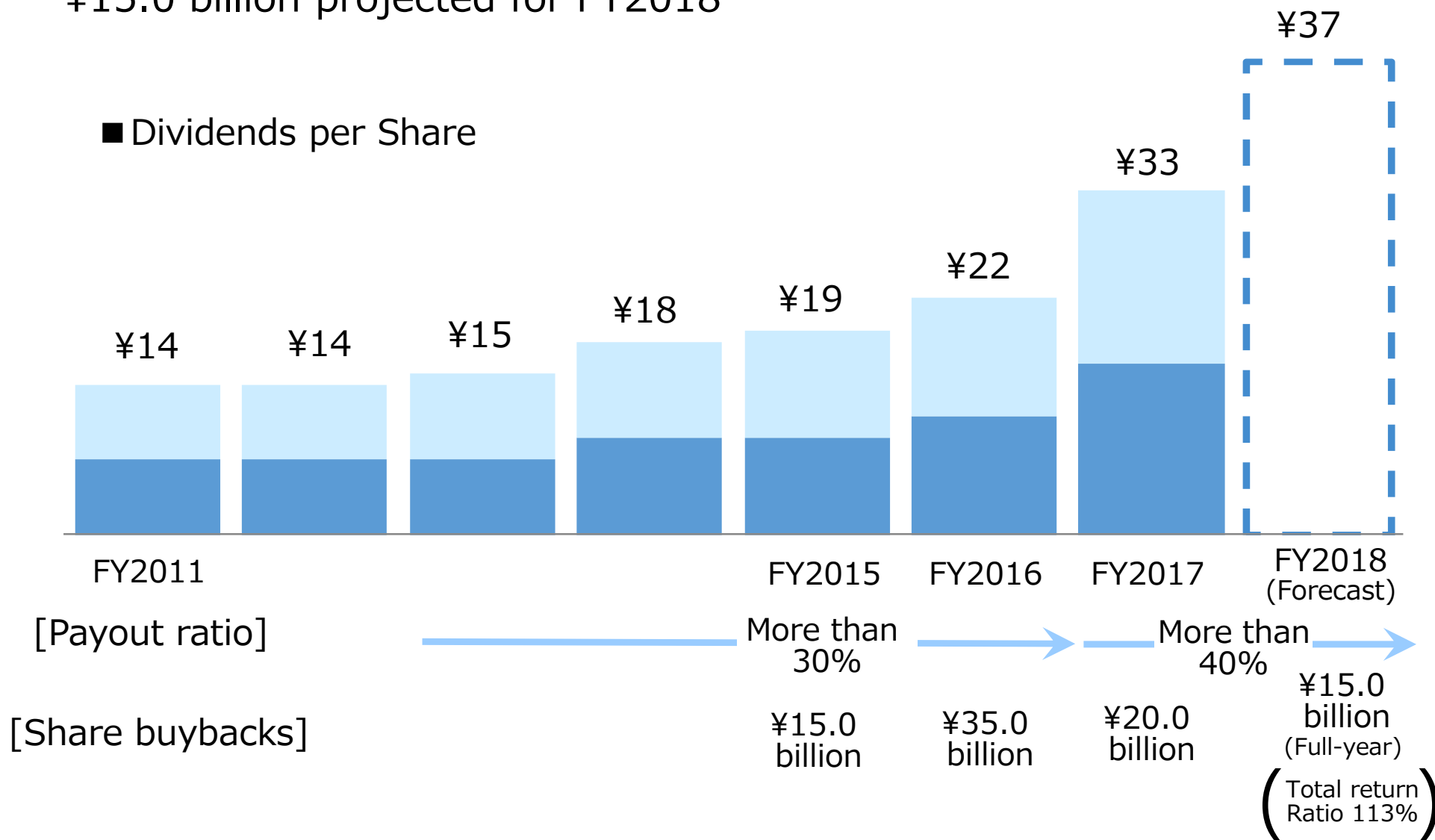
	FY2016	FY2017	FY2018	YoY	YoY
				change	difference
	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen
Retailing	10.7	7.8	8.8	+13	+1.0
FinTech	23.1	27.1	30.1	+11	+3.0
Eliminations/ Corporate	(4.1)	(3.6)	(3.9)	—	-0.3
Consolidated	29.6	31.3	35.0	+12	+3.7

<Reasons for ¥1.0 billion increase in Retailing income>

- Disappearance of poor sales of consignment agreement sales floors due to transition to fixed-term rental contracts
- Temporary increase in inactive floor space and continuation of poor sales at stores that cannot be converted to fixed-term rental contracts

Shareholder Returns

- FY2017 dividends up ¥11, to ¥33 per share, 5th consecutive year of higher dividends
- Record-breaking dividends of ¥37 per share and share buybacks of ¥15.0 billion projected for FY2018



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Progress of Medium-Term Management Plan and Future Initiatives

Hiroshi Aoi

President and Representative Director,
Representative Executive Officer, MARUI GROUP CO., LTD.

- (1) Medium-Term Management Plan
—1st-Year Progress and Future Initiatives**
- (2) Long-Term Operating Environment Changes and
Initiatives Targeting New Growth**

2. Progress of Medium-Term Management Plan and Future Initiatives

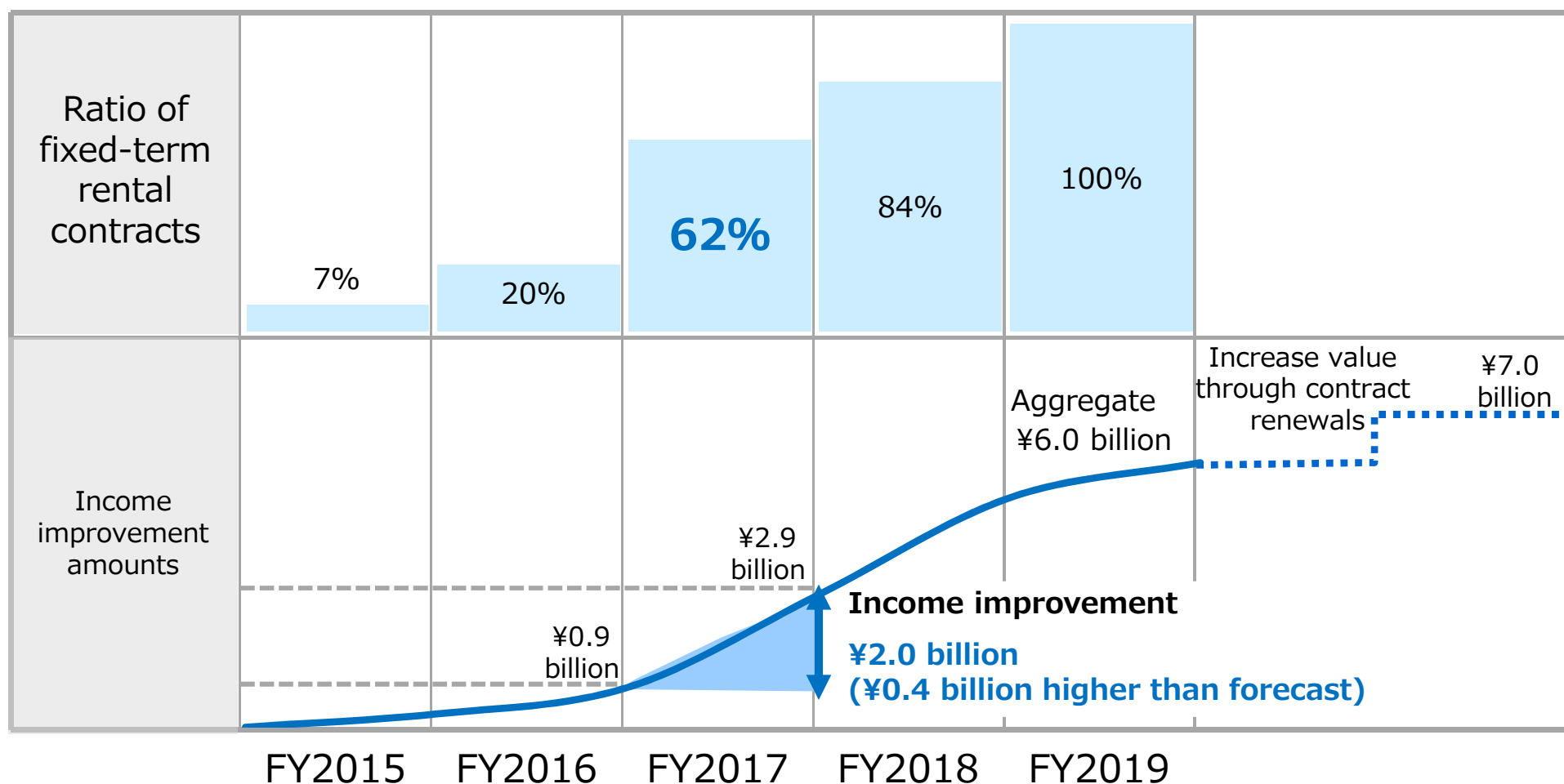
(1) Medium-Term Management Plan —1st-Year Progress and Future Initiatives

- 1. Forecast-exceeding income improvements stimulated by steady progress in transition to shopping centers and fixed-term rental contracts**
- 2. Promotion of omni-channel retailing to achieve Group integrated operations**
- 3. Ongoing growth in FinTech business driven by strong increases in revolving and installment payments**
- 4. Commencement of e-commerce and experience-related initiatives for further increasing cardholder numbers**

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

- Steady progress in transition to shopping centers and fixed-term rental contracts leads to ratio of fixed-term rental contracts of 62% (2% higher than forecast)
- Income improvements of ¥2.0 billion in FY2017 (¥0.4 billion higher than forecast)

■ Plan for and Increases in Ratio of Fixed-Term Rental Contracts and Income Improvements (As of end of each fiscal year)



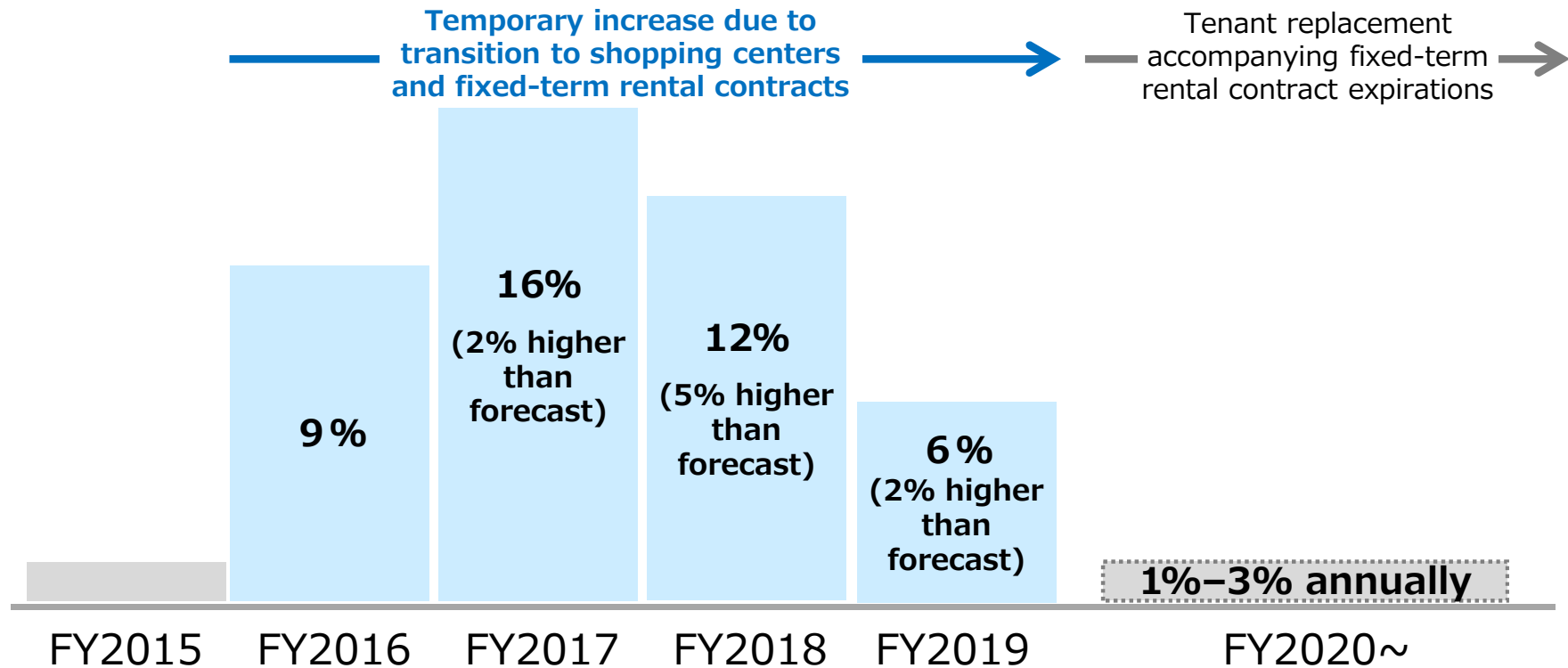
Note: Ratio of fixed-term rental contracts = Fixed-term rental contracted floor space ÷ Total floor space capable of being contracted as fixed-term rental (200,000 m²)

- Temporary increase in floor space under renovation and idle floor space due to transition to shopping centers and fixed-term rental contracts
- Decrease to begin in FY2018 followed by progress toward disappearance of inactive floor space

■ Portion of Floor Space That is Inactive

<Major reasons behind inactive floor space>

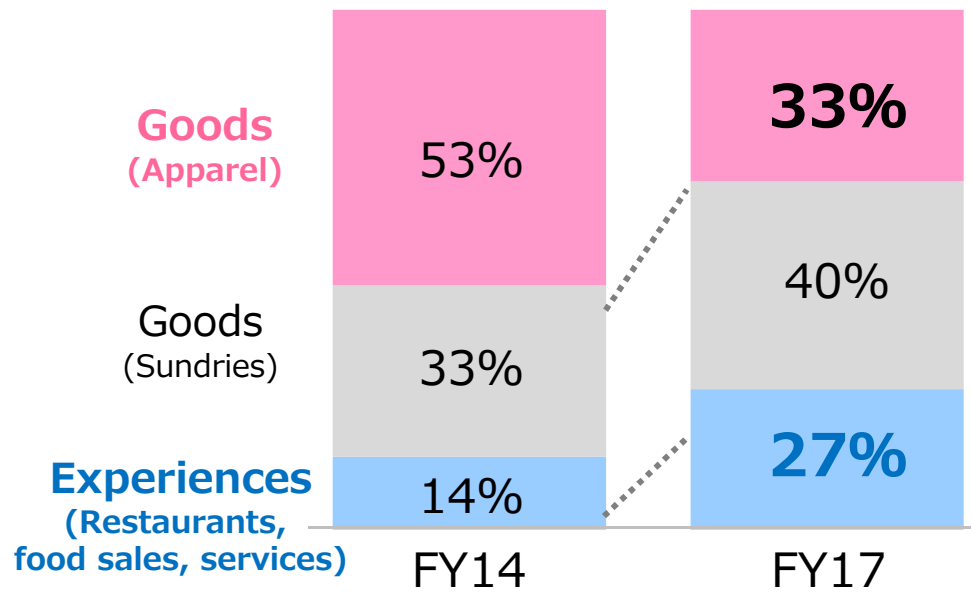
- Floor space under renovation
- Idle floor space (floor space temporarily used for events, etc., prior to introduction of fixed-term rental tenants)



Circumstances Regarding Stores after Transition to Shopping Centers and Fixed-Term Rental Contracts

- Large shift from goods to experiences category through transition to fixed-term rental contracts
- NOI yield over 4% at Hakata Marui and number of customers visiting similar to level at Yurakucho Marui

■ Distribution of Product Categories



	FY2014 (Prior to shopping center / fixed-term rental transition)	FY2017 (Ratio of fixed-term rental contracts: 62%)
Restaurants / food sales	11%	18%
Services	3%	9%

■ Hakata Marui (First-Year Performance)



Number of customers visiting	13.4 million
Total transactions	¥8.8 billion
New card applications	55,000

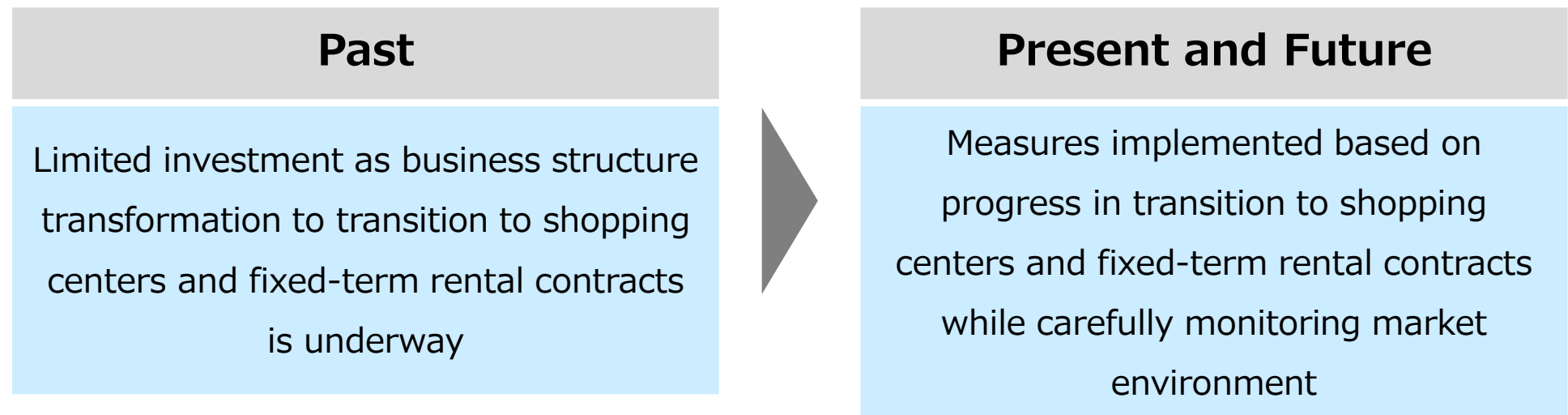
First-year number of customers visiting Yurakucho Marui: 13.5 million

NOI yield	More than 4%
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Measures for Addressing Stores That Cannot Be Converted to Fixed-Term Rental Contracts

- 8% of total floor space represented by stores that cannot be converted to fixed-term rental contracts
- Measures for resolving issues to be advanced while carefully monitoring market environment

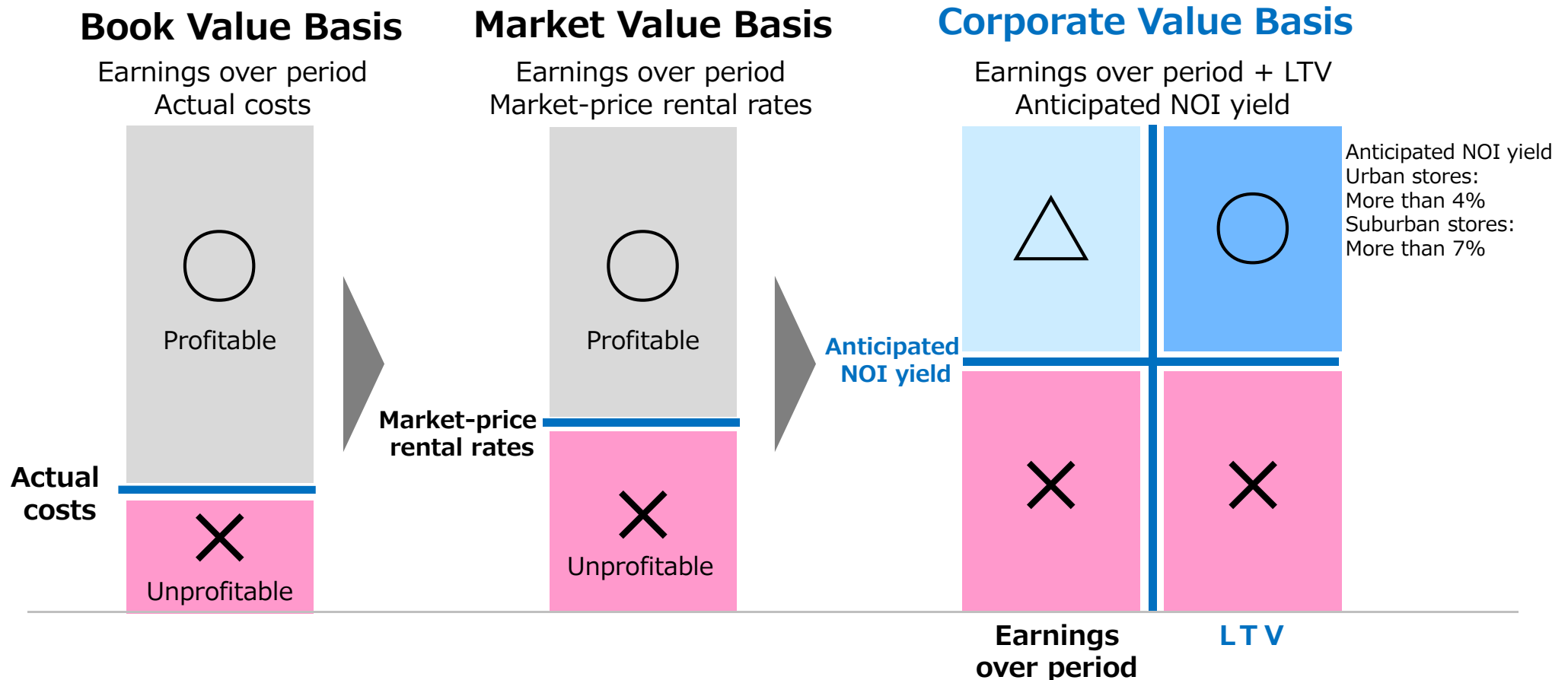
■ Measures for Addressing Stores That Cannot Be Converted to Fixed-Term Rental Contracts



Closure of Kawasaki Marui scheduled for January 2018 as changes in regional business environment present little hope for performance improvement

- Portion of total floor space that cannot be converted to fixed-term rental contracts to decline from 8% to 5%
(Extraordinary loss of ¥1.2 billion recorded in FY2017)

- Revision of KPIs to facilitate development of specialty stores that contribute to improved corporate value
- Selection and Concentration of Specialty Stores Following KPI Revision

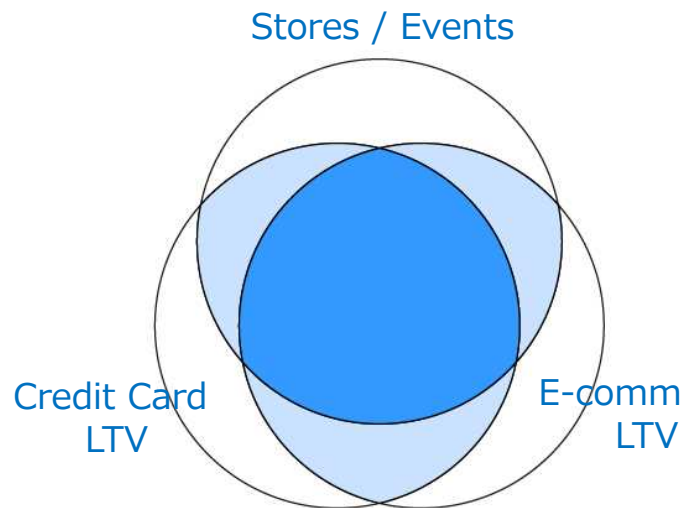


NOI yield = (Business earnings + E-commerce income) ÷ (Market price per floor space × Floor space area)
LTV (medium-to-long-term income) = Credit card LTV + E-commerce LTV

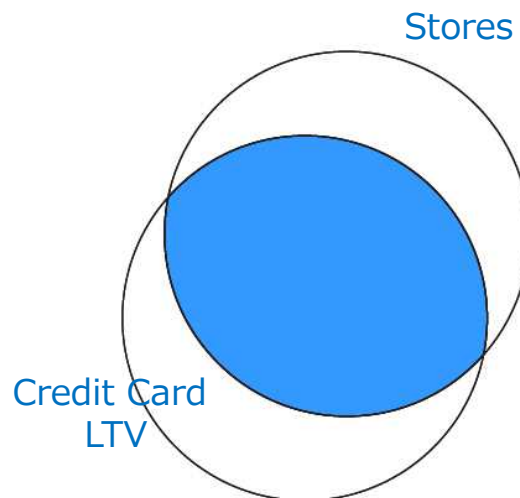
- Unique business model to be created through overlap of Group businesses

■ Integrated Group Operations

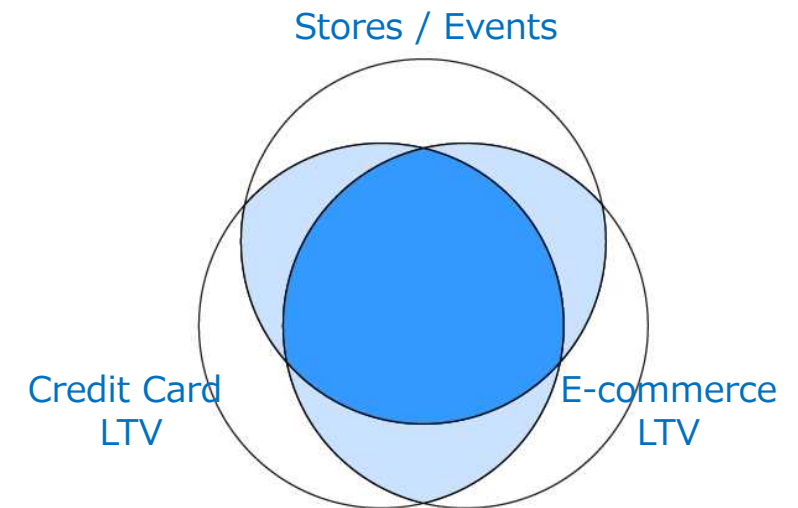
1. Rakuchin Kirei Shoes Try-on Stores



2. Shops Integrating Sundries and Card Application Centers



3. Anime-Related Ventures



<Deployment History>

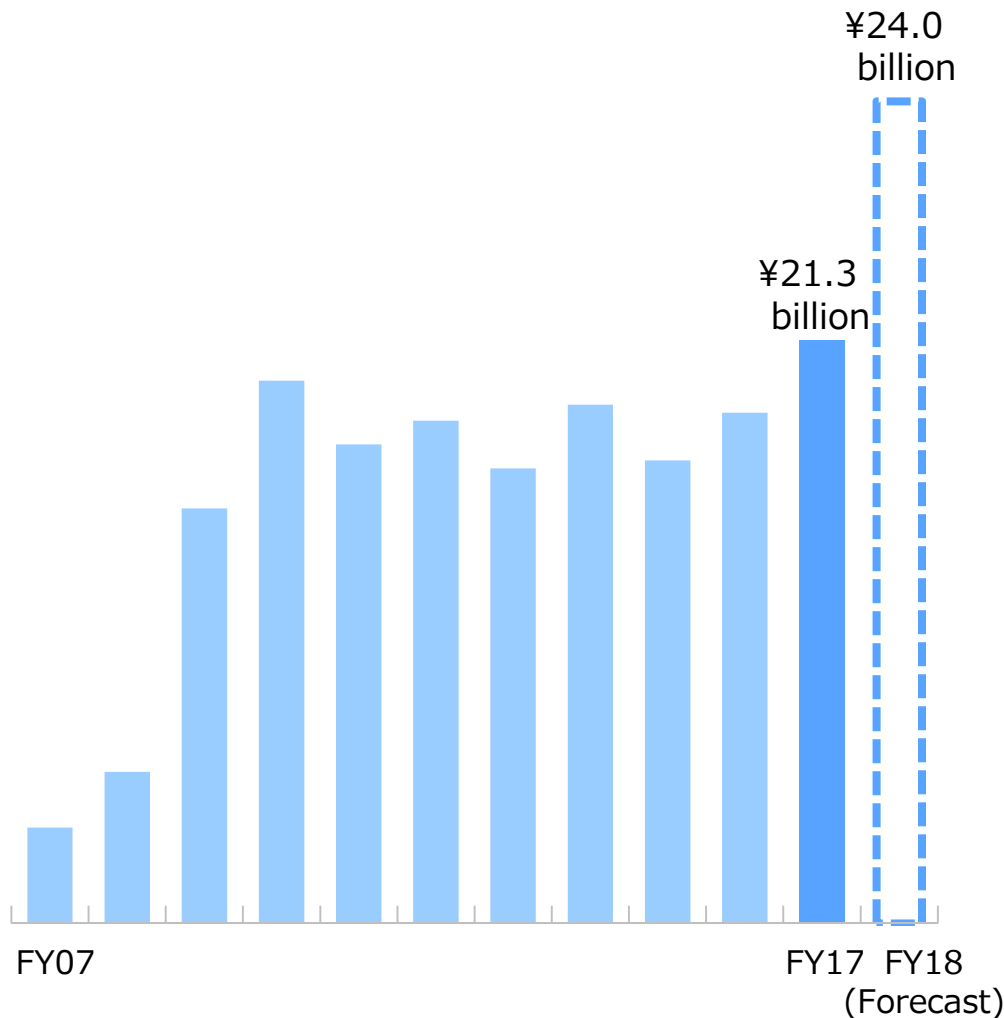
- Marui: 3 stores
- Events: Approx. 50

- Marui: 3 stores
- Modi: 2 stores

- Events: Approx. 200

- Total e-commerce transactions rise 5% YoY to ¥21.3 billion
- Participation in Wowma! Internet shopping site through alliance with KDDI

■ Total E-commerce Transactions



■ Expansion of E-commerce Initiatives through Alliances

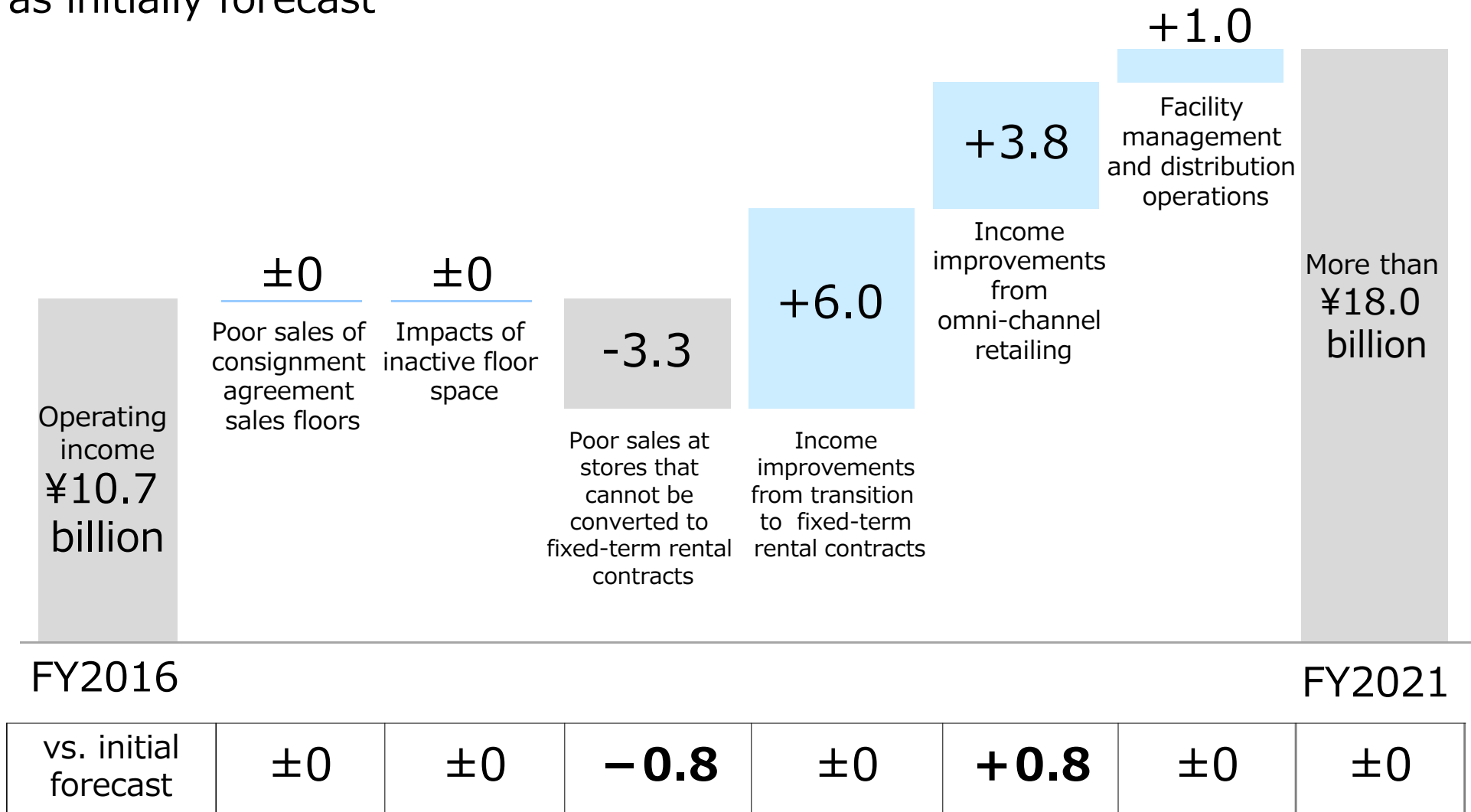


- Brand fashion specialty store positioned on Wowma! site operated by KDDI (February 2017~)
- Broadening of customer base to be pursued by utilizing contact points with approx. 38 million au customers under contract

FY2021 Forecast

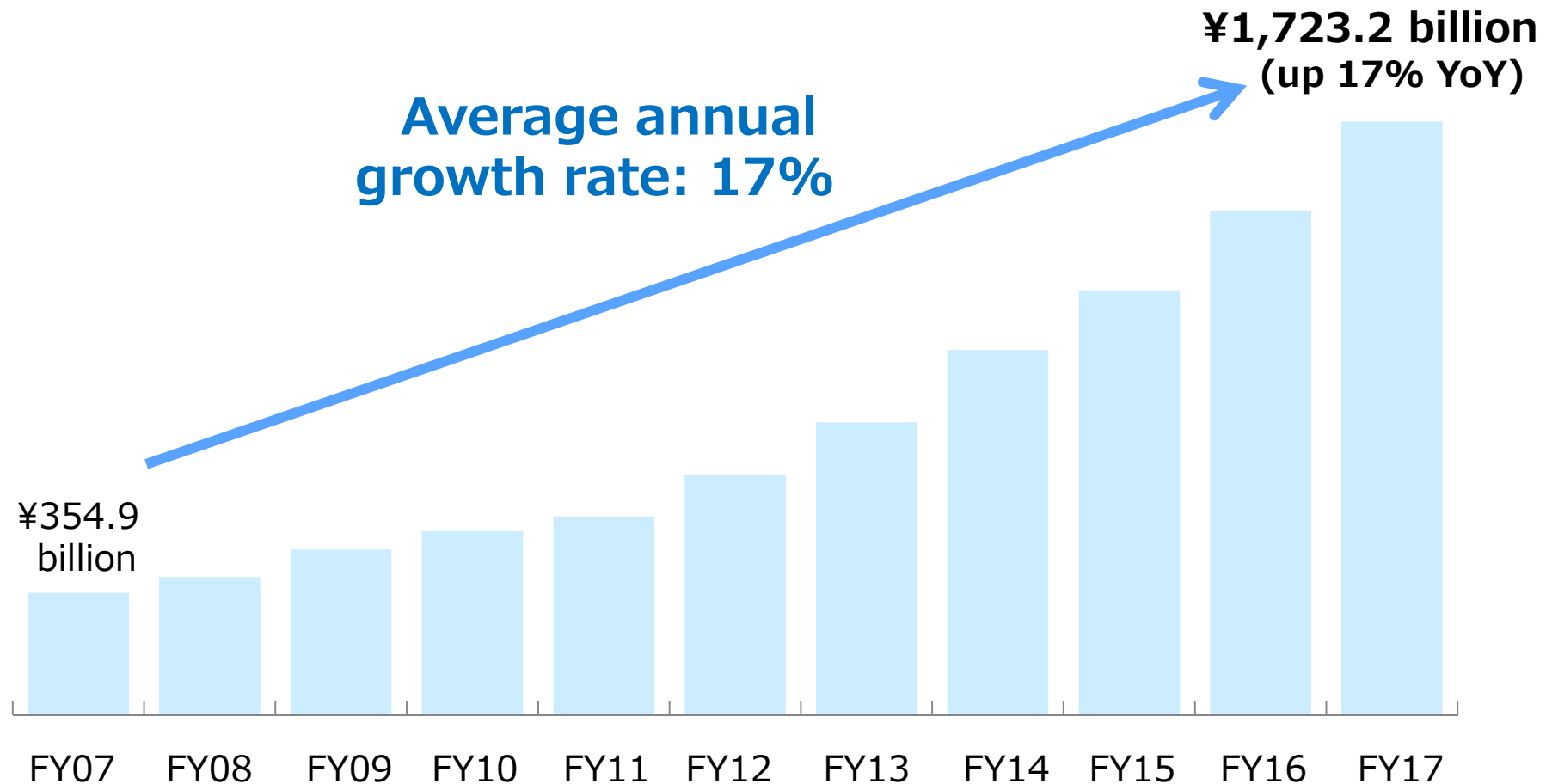
Net sales ¥4.0–¥5.0 billion
Operating income margin 20%

- Income improvements stemming from transition to shopping centers and fixed-term rental contracts and expansion of omni-channel retailing to lead to operating income of more than ¥18.0 billion in FY2021, as initially forecast



- Strong growth continues with total transactions of ¥1,723.2 billion (up 17% YoY)

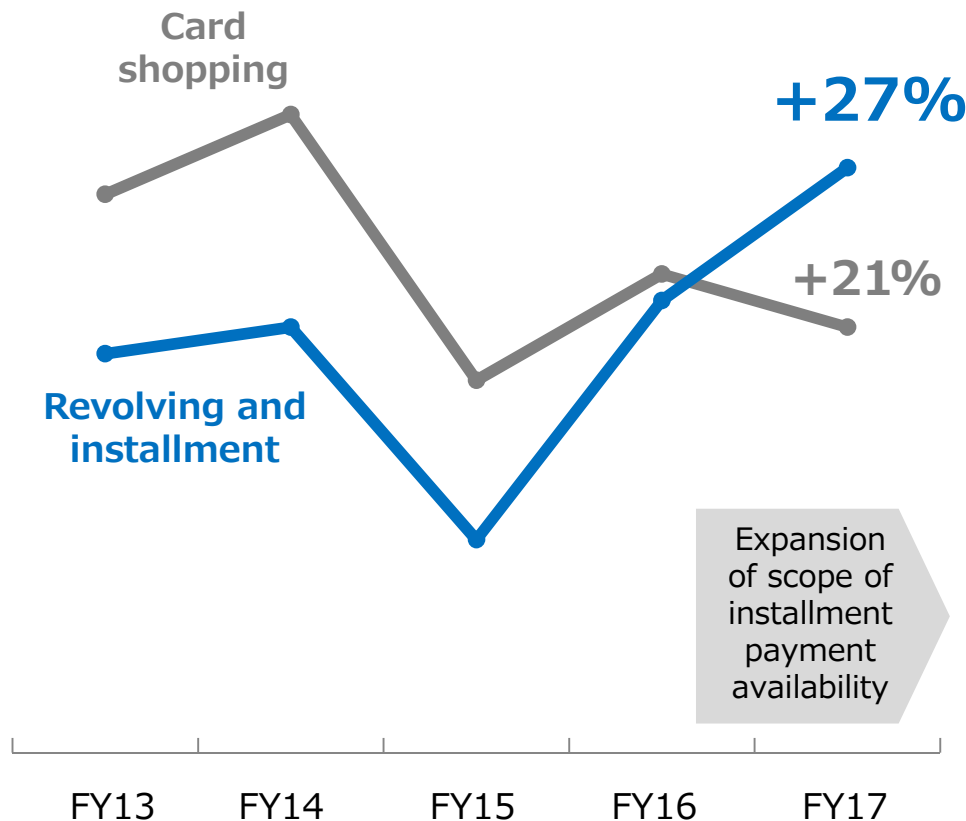
■ Total Transactions



FinTech: Continually Strong Growth of Revolving and Installment Payment Transactions

- Revolving and installment payment transaction growth exceeds card shopping transaction growth due to large increase in installment payment usage outside of Marui Group

■ Revolving and Installment Payment Transactions (Outside Marui Group)



■ Increase in Installment Payment Usage Outside of Marui Group

<Previously> **Approx. 10,000 stores** → <From March 2016> **More than 1 million stores**

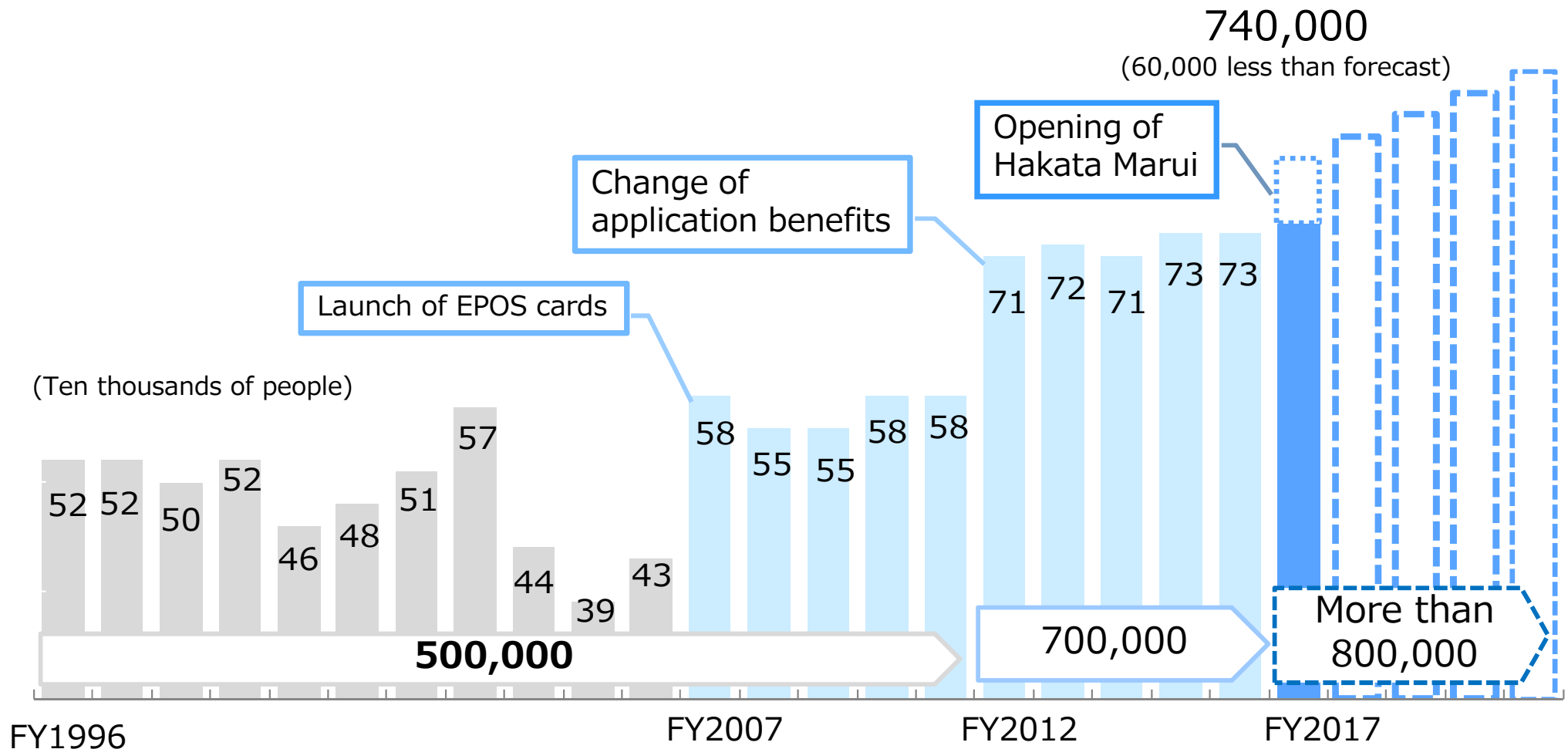
Large increase in installment payment usage outside of Marui Group, which had previously been limited to electronics and certain other stores

■ YoY Usage Increase

	Revolving and installment	Installment	
		Installment	Revolving
Outside Marui Group	+27%	+113%	+20%

- New cardholders come to 740,000 due to poor performance of collaboration cards, contrary to full-year forecast of around 800,000 new cardholders in FY2017 and beyond following opening of Hakata Marui

■ New Cardholders



- Cards issued within Group up 4% YoY; cards issued by collaboration partner companies down 28% YoY and 31% lower than target

■ New Card Issuances (FY2017)

	Issuances	YoY change	vs. target
Total new card issuances	742,000	+2%	-7%
Within Group	580,000	+4%	-5%
Outside of Group	162,000	-6%	-16%
ROOM iD / License-related operations	53,000	+10%	-2%
Collaboration cards	109,000	-12%	-21%
Collaboration partner facilities	55,000	+12%	-8%
Collaboration partner companies	54,000	-28%	-31%

■ Poor Performance of Collaboration Cards and Future Initiatives

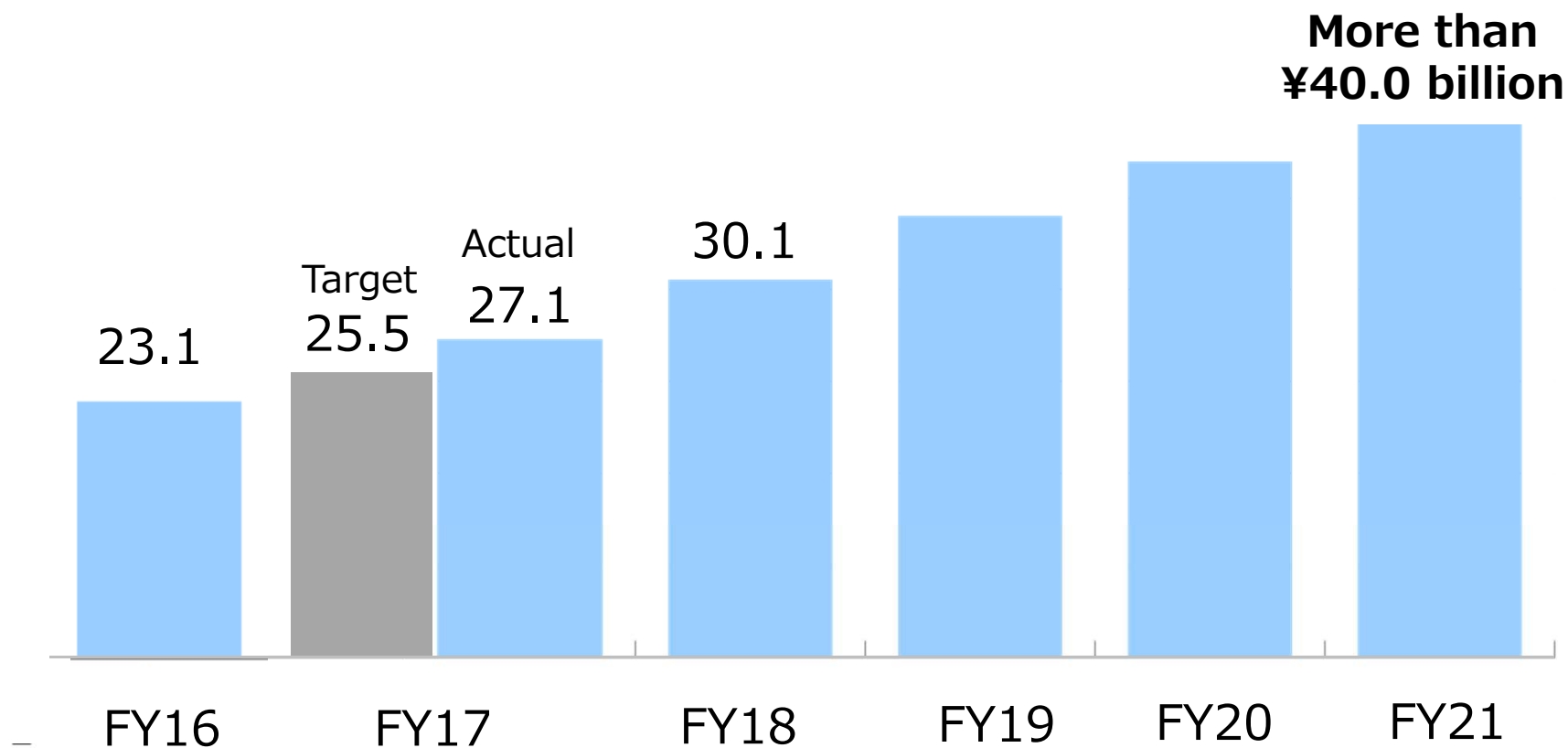
- New card issuances down for companies focused on physical stores and goods
- Card issuances by collaboration partner facilities 8% lower than target due to delayed installation of application desks at partner facilities



- **Increase number of e-commerce-, service-, and contents-related partner companies**
- **Continue promoting collaboration with commercial facilities that can leverage the Group's know-how and employees**

- Operating income of more than ¥40.0 billion to be targeted in FY2021 as initially forecast

(Billions of Yen)

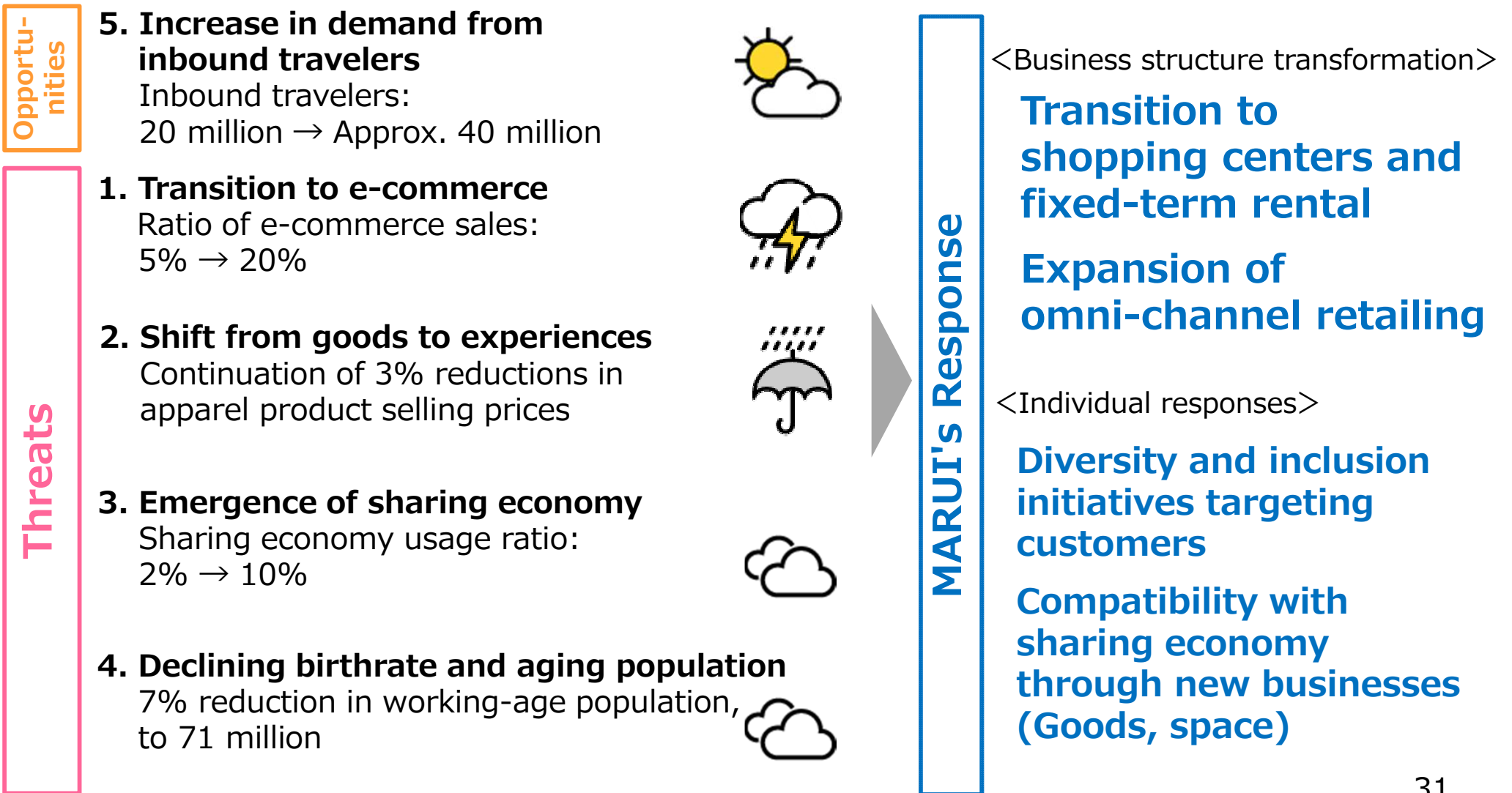


2. Progress of Medium-Term Management Plan and Future Initiatives

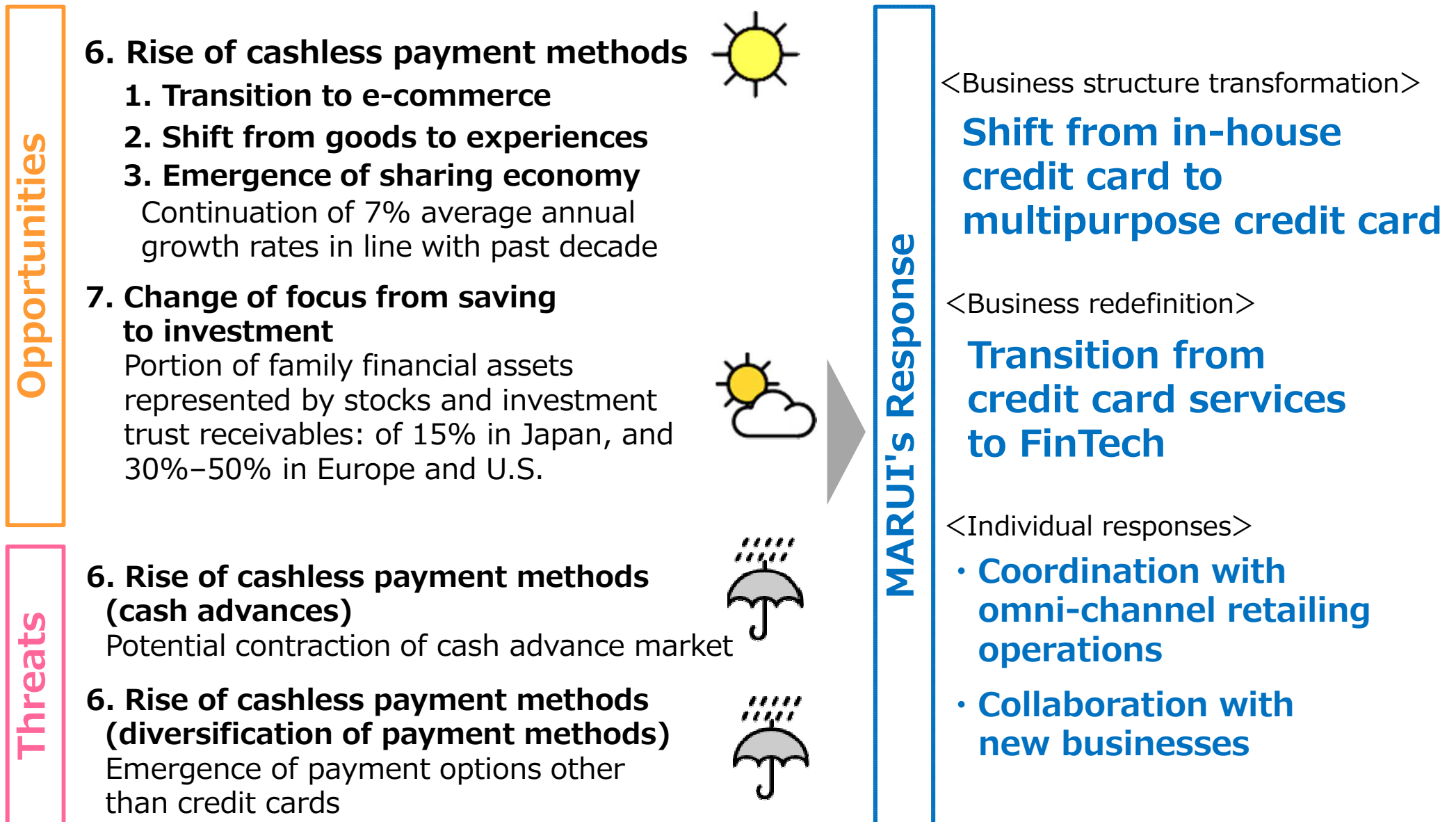
**(2) Long-Term Operating Environment Changes
and Initiatives Targeting New Growth**

1. Transition to e-commerce
2. Shift from goods to experiences
3. Emergence of sharing economy
4. Declining birthrate and aging population
5. Increase in demand from inbound travelers
6. Rise of cashless payment methods
7. Change of focus from saving to investment

Hypothetical scenario in which MARUI continued to operate a department store-oriented business focused on selling goods in physical stores without any innovation (Over next decade)



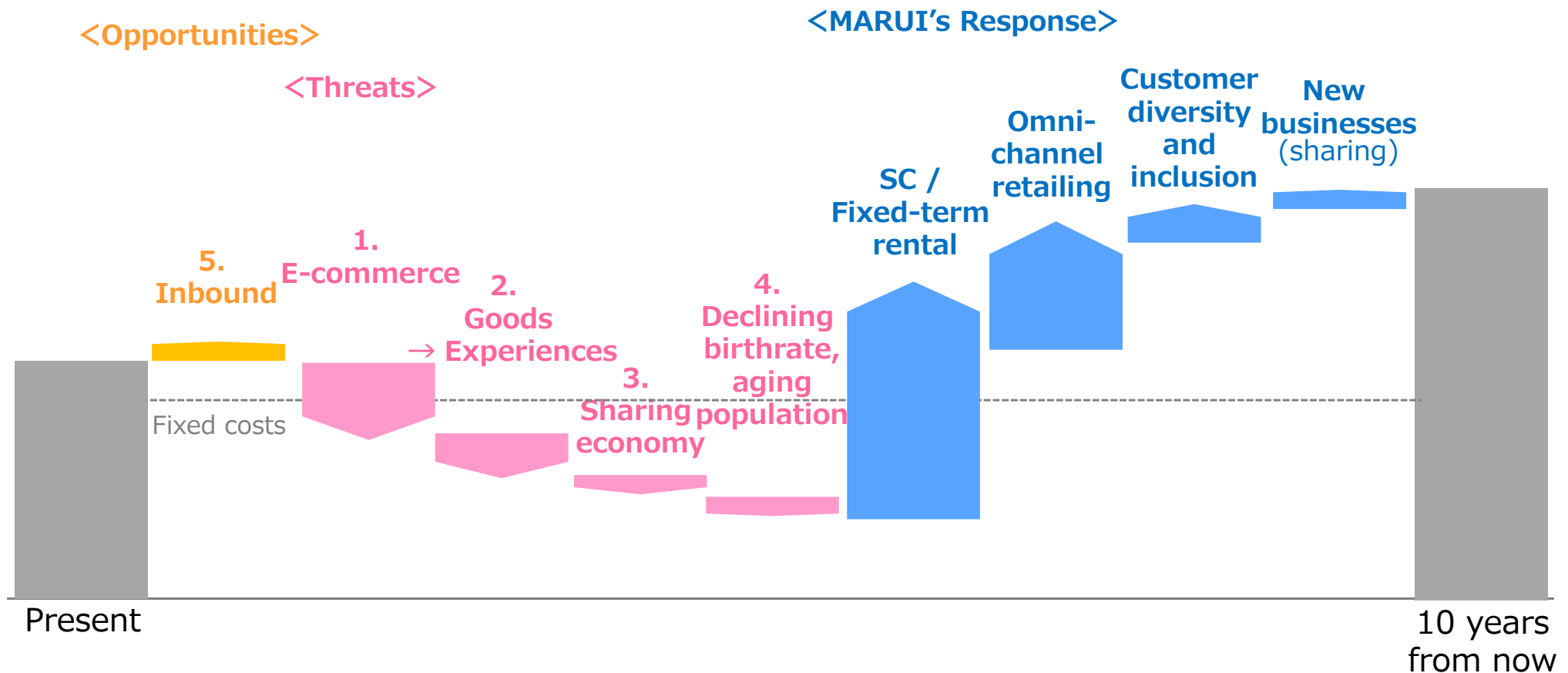
(Over next decade)



3. Influence of Opportunities, Threats, and MARUI's Response on Performance: Retailing

- Threats to Retailing business to be overcome through innovations including transition to shopping centers and fixed-term rental and expansion of omni-channel retailing as well as growth initiatives in new businesses

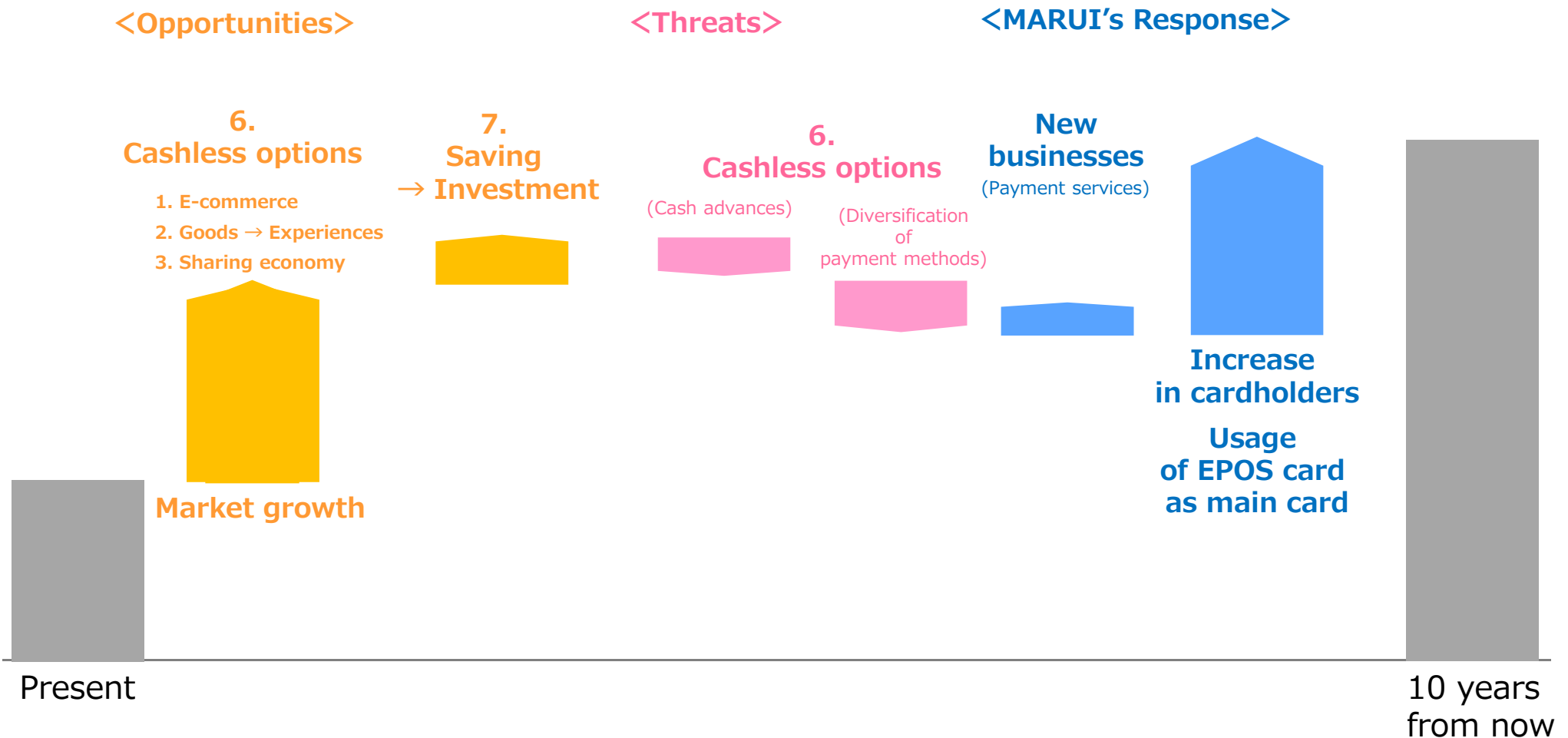
(Influence on Marginal Profit)



3. Influence of Opportunities, Threats, and MARUI's Response on Performance: FinTech

- Opportunities created by cashless payment options to be steadily leveraged in the FinTech business while deploying unique initiatives merging Retailing and FinTech

(Influence on Transactions)

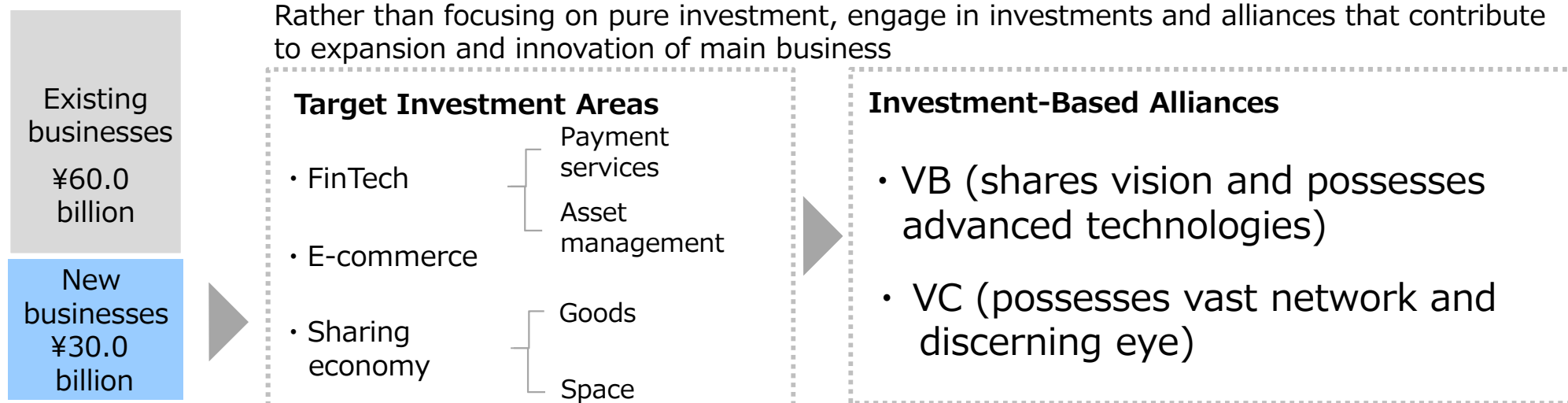


- ¥30.0 billion of ¥90.0 billion worth of growth investment scheduled over next 5 years to be directed at new businesses
- Investment in VB and VC in fields contributing to expansion of Group businesses

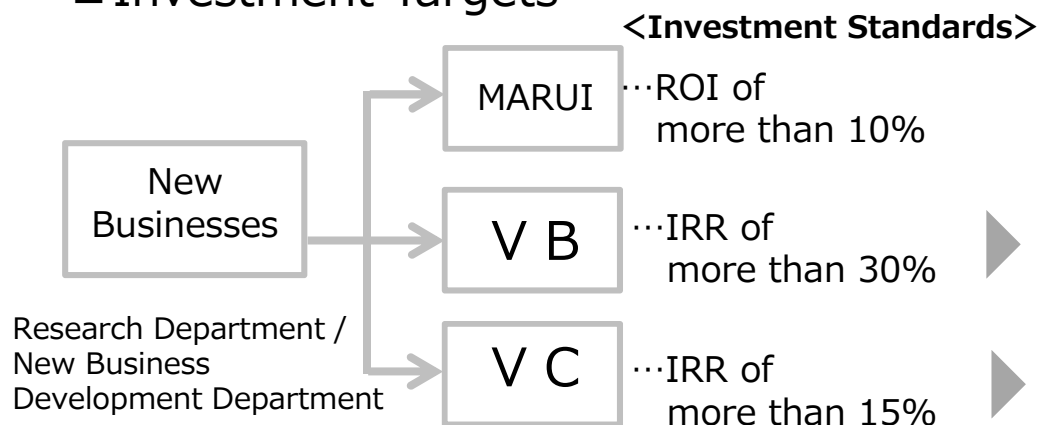
■ Growth Investments under Medium-Term Management Plan (5 Years)

<Investment policy>

Rather than focusing on pure investment, engage in investments and alliances that contribute to expansion and innovation of main business



■ Investment Targets



■ Targets of Investments Conducted to Date



- Measures taken to address two issues identified through evaluation of the Board of Directors' effectiveness

■ Issues Identified through Evaluation of the Board of Directors' Effectiveness and Response Measures

Failure to link director compensation to medium-to-long-term corporate value



<Introduction of medium-to-long-term incentives>

- Performance-linked, stock-based compensation system
- Allocation of stocks based on KPIs of medium-term management plan (EPS, ROIC, ROE)

Lack of successor development programs



<Voluntary establishment of Nominating and Compensation Committee>

- Committee comprising two external directors and one internal director

<Commencement of next-generation manager development program>

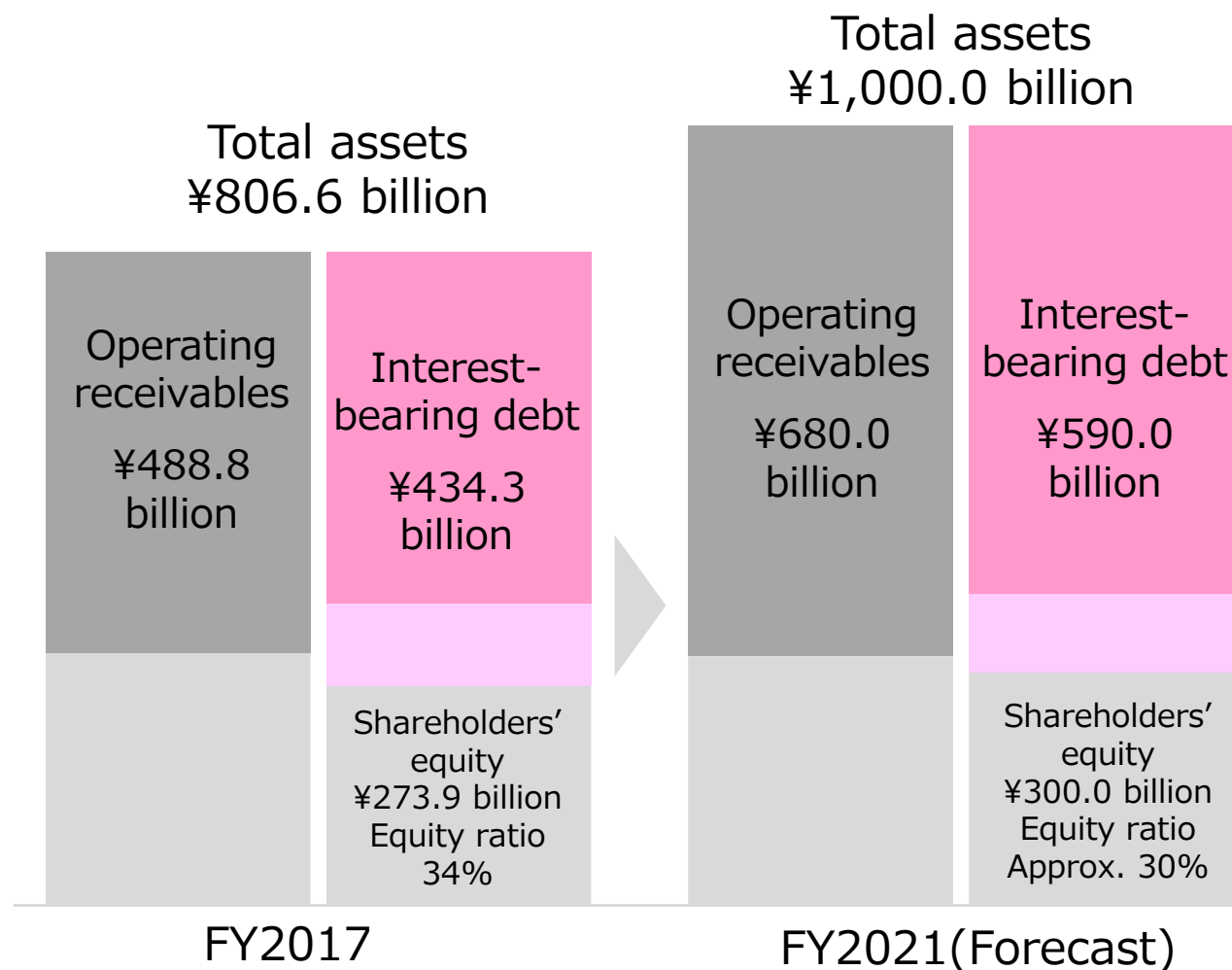
- Program created under guidance of external directors and Hitotsubashi University graduate school



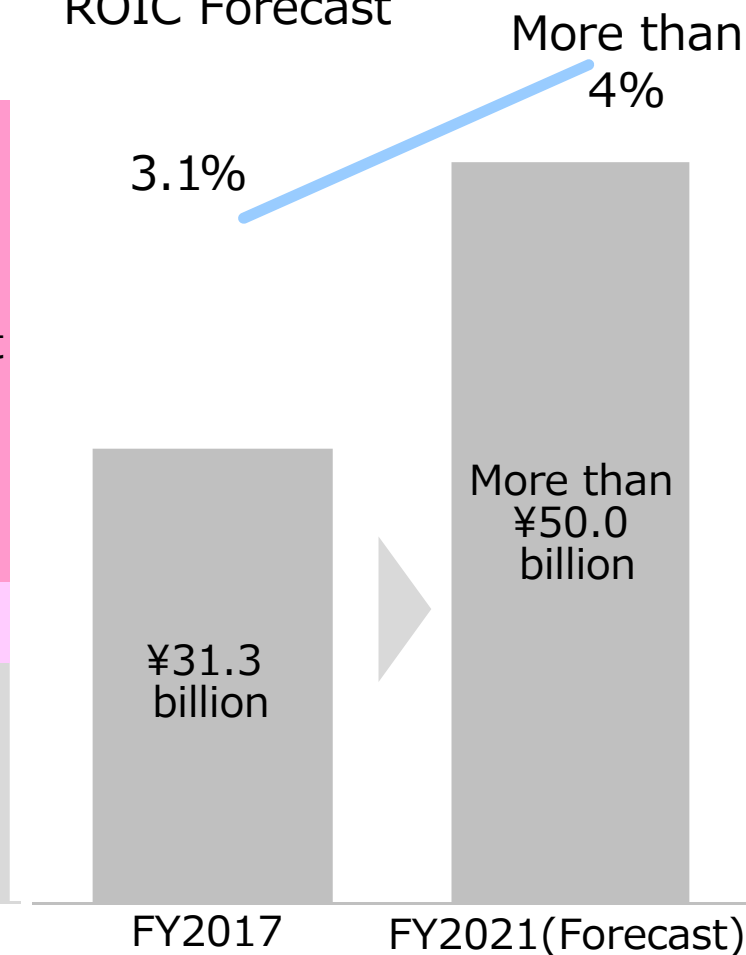
Consolidated Balance Sheet and ROIC Forecasts

- Optimal capital structure defined as interest-bearing debt equivalent to 90% of operating receivables and equity ratio of 30%
- ROIC of more than 4% to be achieved through business structure transformation in Retailing and expansion of FinTech

■ Consolidated Balance Sheet Forecasts



■ Operating Income and ROIC Forecast



	FY2016	FY2017
EPS	¥70.7	¥80.2
ROIC	3.3%	3.1%
ROE	6.0%	6.7%



FY2021
More than ¥130
More than 4%
More than 10%

Operating income	¥29.6 billion	¥31.3 billion
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More than ¥50.0 billion



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).