

MARUI GROUP CO., LTD

Overview of Performance in Nine Months
Ended December 31, 2019

OIOI
MARUI GROUP
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Highlights in the Nine Months Ended December 31, 2019

- 1. EPS increased 4% year on year to reach record high for the third quarter of ¥92.0**
- 2. Consolidated operating income increased to ¥32.9 billion (up 8% YoY) for 4th consecutive year**
- 3. Retailing segment operating income decreased 8% year on year
FinTech segment operating income increased 16% year on year**
- 4. Full-Year operating income forecast revised downward to ¥44.0 billion (up 7% YoY)**

Today, I will be discussing our financial results for the nine months ended December 31, 2019, based on the material of “Overview of performance”.

To begin, please look at the page of Highlights. I would like to discuss four highlights with regard to the nine months ended December 31, 2019.

First, EPS increased 4% year on year, to ¥92.0.

Second, consolidated operating income increased for 4th consecutive year, rising 8%.

Third, Retailing segment operating income decreased 8% year on year, and FinTech segment operating income increased 16% year on year.

Fourth, regarding the full-year forecasts, based on the results of Retailing performance, we revised down our consolidated operating income by ¥1.5 billion to ¥44.0 billion, up 7% year on year.

Consolidated Performance

	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2019	YOY change	YOY difference
EPS (yen)	88.3	92.0	104	+3.7
	Billions of yen	Billions of yen	%	Billions of yen
Total Group transactions	1,881.0	2,174.3	116	+293.3
Revenue	186.5	186.4	100	-0.1
Gross Profit	141.6	149.0	105	+7.4
〈Recurring gross profit〉	〈90.9〉	〈98.4〉	〈108〉	〈+7.5〉
SG&A expenses	111.1	116.1	104	+5.0
Operating income	30.5	32.9	108	+2.4
(Progress toward Full-Year Result • Initial Forecasts)	(74%)	(72%)		
Net income	19.3	19.9	103	+0.6

Now, let me explain MARUI GROUP's performance for the nine months ended December 31, 2019.

Please look at "Overview of Performance" on page 2, Consolidated Performance.

EPS, which has been defined as a key performance indicator in the medium-term management plan, increased 4% year on year, to ¥92.0 as a highest record in the third quarter.

Total Group transactions rose 16% year on year, to ¥2,174.3 billion. Card shopping transactions in the FinTech segment grew 17%, driving overall transaction growth.

FinTech segment revenue was up 11% year on year, Retailing segment was down 11%. As a result, revenue was ¥186.4 billion, roughly the same level as seen in the previous equivalent period.

Gross profit increased for the 4th consecutive year, rising 5%, to ¥149.0 billion. Recurring gross profit was growing steadily, up 8% year on year, to ¥98.4 billion. The reasons that recurring gross profit has increased are the expansion of rent revenue in Retailing segment and revolving installment payments and rent guarantees in FinTech segment.

Selling, general and administrative (SG&A) expenses were up 4% year on year, to ¥116.1 billion. Variable costs increased in conjunction with the growth of operations in the FinTech segment, offsetting cost reductions in the Retailing segment.

As a result of these factors, operating income increased for the 4th consecutive year, growing 8%, to ¥32.9 billion. This figure represented 72% of the initial full-year forecast, making for progress that was 2% below the previous equivalent period.

Net income increased for the 5th consecutive year, increasing by 3% year on year, to ¥19.9 billion.

Segment Income

Operating income

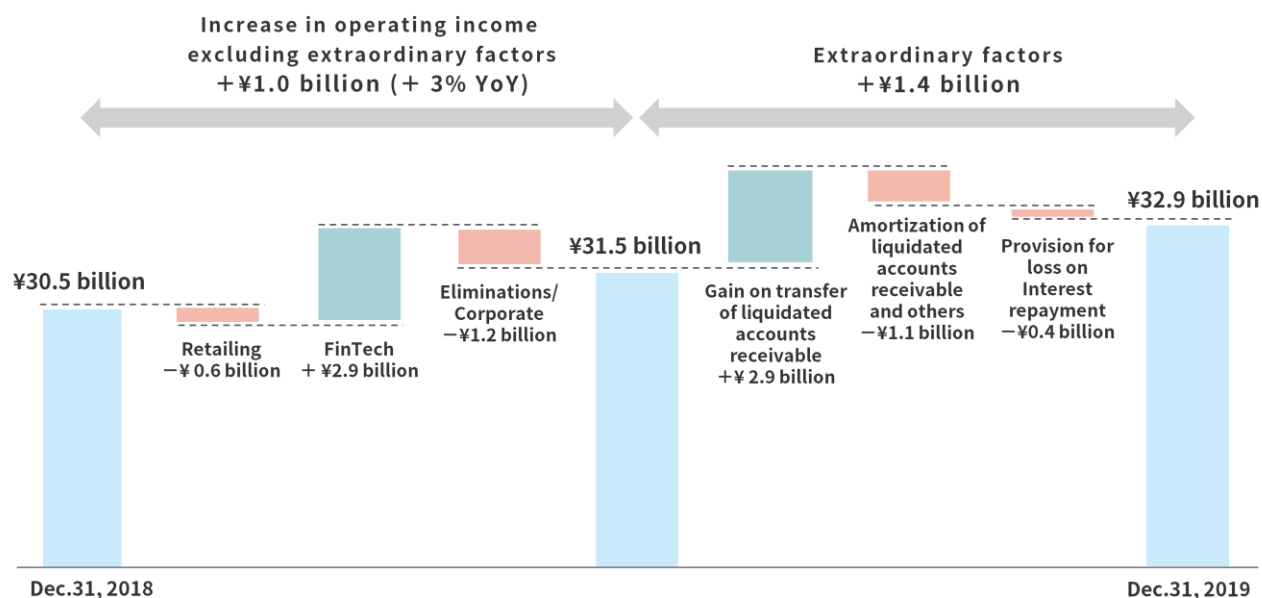
	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2019	YoY change	YoY difference
	Billions of yen	Billions of yen	%	Billions of yen
Retailing	8.3	7.7	92	-0.6
FinTech	26.1	30.3	116	+4.2
Eliminations/Corporate	-3.9	-5.1	-	-1.2
Consolidated	30.5	32.9	108	+2.4

Moving on, please look at Segment Income on page 3.

Retailing segment operating income declined 8% year on year, to ¥7.7 billion. In the FinTech segment, operating income was up 16% year on year, to ¥30.3 billion. I will explain factors affecting operating income in detail later.

On the other hand, elimination/corporate, which includes human resources investment and R&D expenses for new business development increased ¥1.2 billion. However, consolidated operating income increased 8% to ¥32.9 billion. It was mainly due to FinTech segment income increase.

Factors Affecting Operating Income



Next, I would like to explain Factors Affecting Operating Income on page 4.

First, as we explained at our financial results briefing in November, we liquidated revolving receivables in the second quarter. As a result, gain on transfer of liquidated accounts receivable amounted to ¥7.1 billion, an increase of ¥2.9 billion from the previous year.

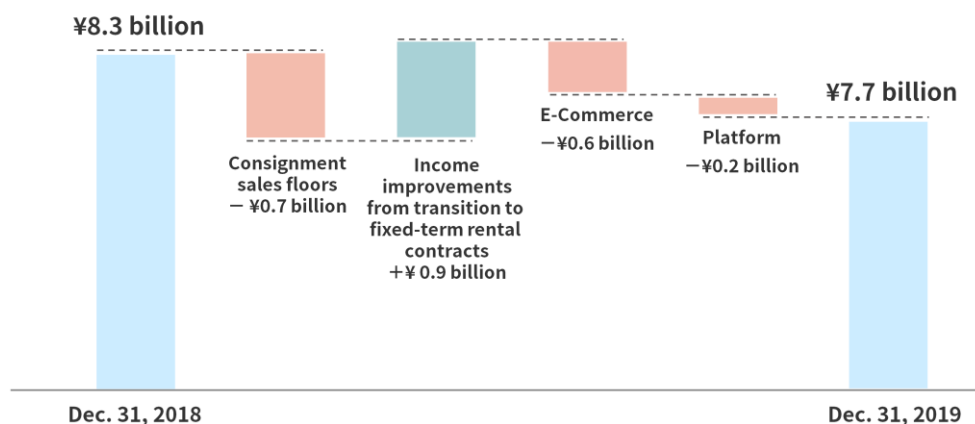
Also, regarding interest repayment, we made ¥2.9 billion provision for loss on interest repayment in the second quarter, an increase of ¥0.4 billion from the previous year.

In addition, considering amortization of liquidated accounts receivables of liquidation implemented so far, the extraordinary factors brought ¥1.4 billion income increase in the nine months ended December 31, 2019.

When the influence of these extraordinary factors are excluded, consolidated operating income increased 3%, or ¥0.1 billion year on year, to ¥31.5 billion.

Consequently, for a breakdown of operating income excluding extraordinary factors by segments, Retailing segment operating income declined ¥0.6 billion and FinTech segment operating income increased ¥2.9 billion.

Factors Affecting Retailing Segment Income



I would now like to explain Factors Affecting Retailing Segment Income on page 5.

Looking at specific factors, the transition to shopping centers and fixed-term rental contracts made steady contributions to income, thereby operating income increased ¥0.9 billion.

Meanwhile, due to decline in consumption following the consumption tax hike since October and mild winter effects, consignment sales floors and directly operated sales floors, where a decline in transaction directly affects income, was down ¥0.7 billion. As a break down, consignment sales floors decreased ¥0.3 billion and directly operated sales floors decreased ¥0.4 billion.

Due to poor performance in private brand products as in the six months ended September 30, 2019, and changes in environment, etc., e-commerce decreased ¥0.6 billion. I apologize that consignment sales floors and e-commerce differed greatly from our initial forecasts, leading to revisions to our full-year forecasts.

Furthermore, a decrease of ¥0.2 billion was associated with our platform operations, due to delays in large-scale construction in the store renovation business.

Due to the aforementioned factors, the Retailing segment income in the nine months ended December 31, 2019, decreased 8%, or ¥0.6 billion, year on year.

FinTech segment

	Nine months ended Dec.31, 2018	Nine months ended Dec.31, 2019	YOY change	YOY difference
	10 thousand	10 thousand	%	10 thousand
New cardholders	59	60	103	+2
(Outside of Marui Group stores)	(29)	(34)	(116)	(+5)
Number of cardholders	676	714	106	+38
Platinum Card, Gold Card	208	240	115	+32
	Billions of yen	Billions of yen	%	Billions of yen
FinTech transactions	1,710.5	2,002.9	117	+292.4
Card shopping	1,390.9	1,629.7	117	+238.8
(Outside of Marui Group)	(1,310.2)	(1,553.8)	(119)	(+243.6)
Service	204.7	257.0	125	+52.2
Cash advance	108.0	109.8	102	+1.8
Operating receivables outstanding (including liquidated accounts receivable)	688.6	759.2	110	+70.6
Revolving payment, Payment by installments (Card shopping)	327.2	358.5	110	+31.3
Operating loans	148.9	151.7	102	+2.8
Ratio of bad debt write-offs (%)	1.33	1.36	—	+0.03

We will next look at FinTech Segment on page 6.

The number of new cardholders was 20,000 higher than in the previous equivalent period, at 600,000. Applications through Internet- and service-related venues made large contributions to this increase.

As a result, the total number of cardholders on December 31, 2019, was 7,140,000, an increase of 380,000 from the previous year. Of this, the number of Platinum and Gold cardholders was up 15%, to 2,400,000, representing 34% of total cardholders. This rise can be attributed to cardholders increasingly using their EPOS card as their main credit card.

FinTech transactions were up 17% year on year, to ¥2,002.9 billion, as transactions by Platinum and Gold cardholders drove overall card shopping transactions and the rent guarantee services business grew. FinTech transactions exceed ¥2,000.0 billion for the first time in the third quarter.

The balance of revolving repayment and payment by installments, including liquidated accounts receivables, increased 10%, to ¥358.5 billion. The ongoing growth in this balance was an expansion of installment payments by improving the convenience. In addition, the balance of operating loans, including liquidated accounts receivables, was up 2%, to ¥151.7 billion, as a result of higher cardholder numbers.

Consolidated Balance Sheets

	Mar. 31, 2019	Dec. 31, 2019	YoY difference
	Billions of yen	Billions of yen	Billions of yen
Operating receivables	565.7	590.9	+ 25.2
(Liquidated accounts receivable :Off-balance sheet)	(119.3)	(168.4)	(+ 49.1)
[Ratio of liquidated accounts receivable(%) *1]	[17.4]	[22.2]	[+ 4.8]
installment sales accounts receivable	428.2	452.6	+ 24.4
operating loans outstanding	137.5	138.3	+ 0.8
Fixed assets	249.8	255.6	+ 5.7
Interest-bearing debt	486.6	500.3	+ 13.7
[Ratio of operating receivables(%) * 2]	[86.0]	[84.7]	[− 1.3]
Shareholder's equity	284.8	289.8	+ 5.0
[Equity ratio (%)]	[32.0]	[31.3]	[− 0.7]
Total assets	890.2	924.9	+ 34.7

*1 Ratio of liquidated accounts receivable = Liquidated accounts receivable / (Operating receivables + Liquidated accounts receivable)

*2 Ratio of interest-bearing debt to operating receivables = Interest-bearing debt / Operating receivables

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I would next like to explain Consolidated Balance Sheets on page 7.

The ratio of liquidated accounts receivables stood at 22% on December 31, 2019, still below the target of 25% set for March 31, 2021.

Interest-bearing debt rose ¥13.7 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 84.7% while the equity ratio was 31.3%.

Cash Flows

	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2019	YoY difference
	Billions of yen	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	−14.1	11.4	+25.5
Increase in operating receivables	−39.2	−13.7	+25.4
Core operating cash flow *3	25.0	25.1	+0.1
Net cash provided by (used in) investing activities	−7.4	−15.1	−7.7
Purchase of fixed assets	−6.1	−9.0	−3.0
Gains on sales of investment securities	−4.8	−6.3	−1.5
Gains on sales of fixed assets, etc.	3.4	0.2	−3.2
Net cash provided by (used in) financing activities	18.0	−4.9	−22.9
Increase in interest-bearing debt	34.6	13.6	−21.0
Cash dividends paid	−9.5	−11.7	−2.3
Purchase of treasury stock, etc.	−7.2	−6.8	+0.4
Net increase / decrease in cash and cash equivalents	−3.6	−8.6	−5.0
Cash and Cash equivalents at end of period	41.8	38.1	−3.7

*3 Core operating cash flow = Net cash provided by (used in) operating activities − Change in operating receivables

Next, please look at Cash Flows on page 8.

Core operating cash flows, cash flows from operating activities less the change in operating receivables, increased slightly to ¥25.1 billion.

Meanwhile, by increasing store renovations investments and investments in 10 start-up companies etc., net cash provided by investing activities was a cash out of ¥15.1 billion.

ESG Topics

- MARUI GROUP included in CDP’s Climate A-List, which represents the highest evaluation, for second consecutive year in January 2020.
- Our Japanese financial results summaries contained information disclosed based on the recommendations of the Task Force on Climate-related Financial Disclosures.

■Main external evaluations (FY2020)



CLIMATE



- Included in DJSI World Index in 2nd consecutive year



- Included in the Bronze Class and recognized as Industry Mover



- Included in four ESG Indexes utilized by the GPIF



3rd consecutive year



2019 Constituent
MSCI日本株
女性活躍指数 (WIN)



2019 Constituent
MSCI ジャパンESG
セレクト・リーダーズ指数

3rd consecutive year



Included in
the first time

I would like to talk about ESG Topics on page 9.

In January, MARUI GROUP has been included in Climate A-list for second consecutive year, which represents the highest evaluation offered by CDP that is an international assessment organization on environmental issues.

In addition, 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 annual 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.

Full-Year Forecasts for FY2020

	FY2019	Previous forecasts FY2020	Revised forecasts FY2020	Vs. Previous forecasts	YoY change
EPS (yen)	116.0	127.3	122.7	-4.6	106
ROE (%)	9.1	9.5	9.2	-0.3	-
ROIC (%)	3.7	3.9	3.8	-0.1	-
Cash dividends per share (yen)	49.0	57.0	57.0	-	116
Payout ratio (%)	42.2	44.8	46.5	+1.7	-
Total return ratio (%)	69.9	70.2	72.8	+2.6	-

<Reference>	Billions of yen	Billions of yen	Billions of yen	Billions of yen	%
Total Group transactions	2,539.6	2,990.0	2,980.0	-10.0	117
Revenue	251.4	262.0	256.0	-6.0	102
Gross profit	190.5	204.0	201.5	-2.5	106
SG&A expenses	149.3	158.5	157.5	-1.0	105
Operating income	41.2	45.5	44.0	-1.5	107
Net income	25.3	27.5	26.5	-1.0	105

Lastly, please take a look at Full-Year Forecasts for FY2020 on page 10 and
 <Reference> Segment Income Forecasts for FY2020 on page 11.

Based on the results up to our performance in the nine months ended December 31, 2019 and recent trends, we instituted downward revisions to our full-year forecasts.


In Retailing segment, due to decline in consumption following the consumption tax hike since October and mild winter effects, we revised down our revenue by ¥6.0 billion, operating income by ¥1.5 billion, and net income by ¥1.0 billion.

We project year-on-year increases of 6% in EPS, to ¥122.7; 0.1% point in ROE, to 9.2%; and 0.1% point in ROIC, to 3.8%.

<Reference> Segment income forecasts for FY2020

Operating income

	FY2019	Previous forecasts FY2020	Revised forecasts FY2020	Vs. Previous forecasts	YoY change
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	%
Retailing	11.4	13.0	11.5	-1.5	101
FinTech	35.0	39.0	39.0	-	111
Eliminations/Corporate	-5.3	-6.5	-6.5	-	-
Consolidated	41.2	45.5	44.0	-1.5	107



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: +81 3 5343 0075).

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