

MARUI GROUP CO., LTD

**Overview of Performance in Nine Months
Ended December 31, 2020**


MARUI GROUP
February 8, 2021

This is Kato. Thank you.

Thank you for participating in the conference call for our financial results for the third quarter despite your busy schedule today.

Now, I would like to explain the summary of financial results for the third quarter of the fiscal year ending March 2021 along with the “Overview of Performance in Nine Months Ended December 31, 2020”.

Highlights in Nine Months Ended December 31, 2020

- 1. EPS decreased 30% year on year to ¥64.8 due to COVID-19**
- 2. Consolidated operating income decreased 13% year on year to ¥28.6 billion, for the first time in 5th consecutive year of decrease**
- 3. Retailing segment operating income decreased 77% year on year
FinTech segment operating income increased 4% year on year**
- 4. For the negative impact of COVID-19,
Retailing segment operating income decreased ¥5.2 billion and
FinTech segment operating income decreased ¥1.7 billion**
- 5. Net income decreased 30% to ¥13.9 billion, for the first time
in 6th consecutive year, due to the recording of extraordinary losses
in fixed expenses during store closures**

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First, please see the financial results digest page. There are five digests for this term.

The first point is EPS, but due to the influence of COVID-19, it decreased by 30% to ¥64.8.

Second, consolidated operating income fell by 13% to ¥28.6 billion, the first decline in five years.

The third point is operating income by segment. The Retailing segment decreased by 77% to ¥1.8 billion, while the FinTech segment increased by 4% to ¥31.6 billion, the fifth consecutive quarter of increase.

Fourth, regarding the impact of COVID-19 on operating income, we believe that the Retailing segment had an impact of minus ¥5.2 billion and the FinTech segment had an impact of minus ¥1.7 billion.

Fifth, net income decreased by 30% to ¥13.9 billion, the first decrease in six years, partly due to the recording of fixed costs during the business suspension period as an extraordinary loss.

Consolidated Performance



	Nine months ended Dec.31, 2019	Nine months ended Dec.31, 2020	YOY Change (%)	YOY difference
EPS (yen)	92.0	64.8	70	-27.1
	Billions of yen	Billions of yen	%	Billions of yen
Total Group transactions	2174.3	2163.7	100	-10.5
Revenue	186.4	164.5	88	-21.9
Gross Profit	149.0	134.7	90	-14.3
<Recurring gross profit>	98.4	91.0	92	-7.4
SG&A expenses	116.1	106.1	91	-10.0
Operating income	32.9	28.6	87	-4.3
(progress toward Full-Year Result · Full-year forecasts)	(78%)	(81%)	—	—
Net income	19.9	13.9	70	-6.0

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Now, let me give you an overview of the financial results.

Please see the document, the consolidated performance on page 2.

EPS, which is the KPI of the medium-term management plan, decreased by 30% to ¥64.8, down from the previous year due to the impact of COVID-19. The Group's total transaction volume increased by 7% YoY in the third quarter alone, and has recovered to a cumulative total of ¥2163.7 billion, the level of the previous year.

The total transaction volume of the Retailing segment decreased by 33%, and compared to the keynote of 80% after November, which was the premise for the full-year forecast, the keynote for the cumulative period in November and December was 81%. Cumulative transaction volume of the FinTech segment increased by 2%, and compared to the keynote of 107% after November, which was the premise for the full-year forecast, the keynote for the cumulative period in November and December was 106%, and both the Retailing and the FinTech segment were almost as we expected.

Revenue decreased by 27% in the Retailing segment, and it decreased by 1% in the FinTech segment, and it decreased by 12% to ¥164.5 billion on a consolidated basis.

Gross profit decreased by 10% to ¥134.7 billion, and recurring gross profit on a consolidated gross profit basis decreased by 8% to ¥91 billion due to the impact of rent reductions and exemptions during the business suspension period. The composition ratio of the recurring gross profit is 66%.

SG&A expenses decreased by ¥10 billion from the previous year to ¥106.1 billion due to the transfer of fixed costs of ¥7 billion during the business suspension period as an extraordinary loss.

As a result, operating income fell by 13% to ¥28.6 billion, the first decline in five years. The progress rate against the full-year forecast is 81%. Although we have not announced an operating income plan for the third quarter alone, the transaction volume has been in line with the forecast, so it is generally in line with the plan.

Net income decreased by 30% to ¥13.9 billion, the first decrease in six years, due to the recording of extraordinary loss of ¥7.7 billion for infectious disease control costs such as fixed costs during the business suspension period.

Segment Income

	Operating income				ROIC	
	Nine months ended Dec.31, 2019	Nine months ended Dec.31, 2020	YOY change	YOY difference	Nine months ended Dec.31, 2020	YOY change
	Billions of yen	Billions of yen	%	Billions of yen	%	%
Retailing	7.7	1.8	23	-5.9	0.6	-2.0
FinTech	30.3	31.6	104	+1.2	3.8	+0.3
Eliminations /Corporate	-5.1	-4.8	-	+0.4	-	-
Consolidated	32.9	28.6	87	-4.3	2.6	-0.3

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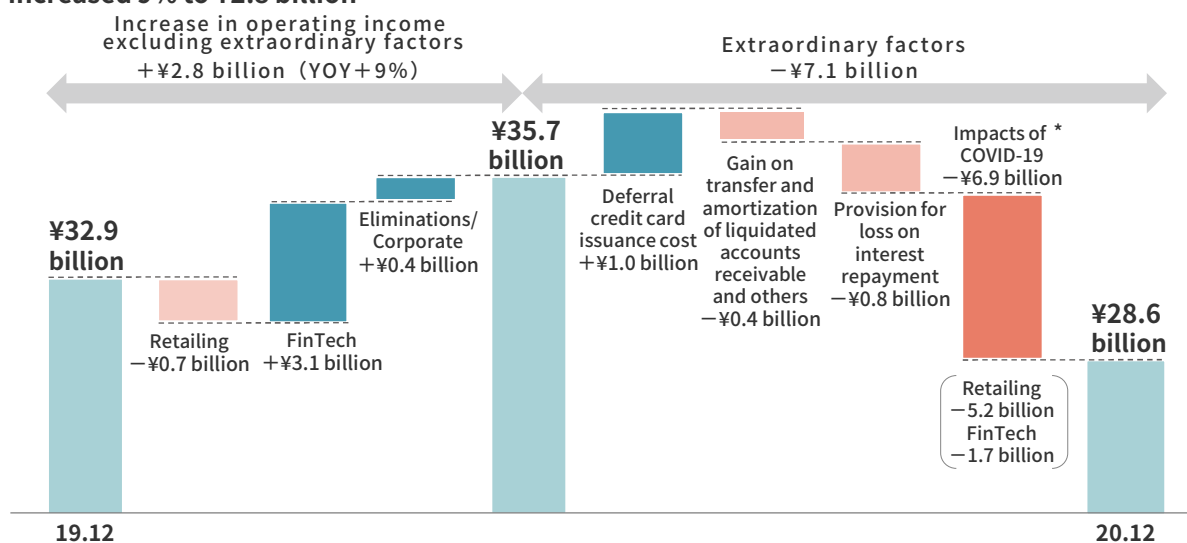
Next, please see page 3 for the status of segment income.

Operating income in the Retailing segment decreased by 77% to ¥1.8 billion, and operating income in the FinTech segment increased by 4% to ¥31.6 billion, the fifth consecutive years of increase. I will explain in detail the factors that increase or decrease operating income later.

Eliminations/Corporate decreased by ¥0.4 billion due to a decrease in head office expenses, et cetera, and consolidated operating income decreased by 13% to ¥28.6 billion.

Factors Affecting Operating Income

- Consolidated operating income excluding extraordinary factors and impacts of COVID-19 increased 9% to ¥2.8 billion



* Impacts of COVID-19: Difference from the estimated figures assuming that the performance for this term would follow the same trend as before COVID-19 epidemic (April.2019-February.2020)

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Next, on page 4, I will explain the factors affecting operating income.

As extraordinary factors for the increase/decrease in operating income, we deferred the card issuance cost to promote LTV management from the fourth quarter of the previous fiscal year, which increased profit by ¥1 billion. However, in addition to gain on transfer and amortization of liquidated accounts receivable and others and the increase in the provision for loss on interest repayment in the first half, the impact of COVID-19 caused a negative ¥6.9 billion, which was a factor of a decrease of ¥7.1 billion.

For this reason, the actual consolidated operating income excluding these extraordinary factors is estimated to increase by 9% to ¥35.7 billion. Looking at the breakdown of increase in operating income excluding extraordinary factors by segment, the Retailing segment saw a decrease of ¥0.7 billion and the FinTech segment saw an increase of ¥3.1 billion.

FinTech Segment



	Nine months ended Dec.31, 2019	Nine months ended Dec.31, 2020	YOY change	YOY difference
	10 thousand	10 thousand	%	10 thousand
New cardholders	60	37	62	-23
(Outside of Marui Group stores)	(34)	(27)	(81)	(-6)
Number of card holders	714	711	100	-3
Platinum Card, Gold Card	240	267	111	+27
	Billions of yen	Billions of yen	%	Billions of yen
FinTech transactions	2002.9	2049.2	102	+46.3
Card shopping	1629.7	1630.1	100	+0.4
(Outside of Marui Group)	(1553.8)	(1578.7)	(102)	(+24.9)
Service	257.0	335.4	131	+78.4
Cash advance	109.8	77.3	70	-32.5
Operating receivables outstanding (including liquidated accounts receivable)	759.2	751.0	99	-8.2
Revolving payment, Payment by installments (Card shopping)	358.5	355.3	99	-3.2
Operating loans	151.7	133.3	88	-18.5
Ratio of bad debt write-offs (%)	1.36	1.52	-	+0.16

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Next, on page 5, the status of the FinTech segment.

The number of new card members in the third quarter decreased by 230,000 from the previous year to 370,000 due to the store closure in the first quarter and the subsequent decrease in the number of customers visiting the store.

The number of card members at the end of December decreased by 30,000 from the previous year to 7.11 million. On the other hand, the number of platinum and gold card members increased by 270,000 to 2.67 million. The composition ratio of the total number of card members is 38%, and the use of main cards is steadily progressing.

In terms of transaction volume, platinum and gold card member transaction volume drove the overall transaction volume, and with the expansion of the Rent Guarantee Business, it increased by 2% to ¥2,049.2 billion, which was the highest ever in the third quarter even in COVID-19 crisis.

The balance of revolving and installment payments for shopping, including liquidated receivables, was ¥355.3 billion, almost the same as the previous year. The balance of cashing, including liquidated receivables, decreased by 12% to ¥133.3 billion due to the decline in cash demand in COVID-19 crisis.

In addition, although the ratio of bad debt write-offs was slightly higher than the previous year due to the effect of the balance of operating receivables not increasing, the bad debt cost decreased by 4% from the previous year, and there is no extreme movement regarding bad debt so far.

Regarding the status of interest repayment (Kabarai), the amount of Claims, which is a leading indicator, has been flat or slightly higher than the previous year, so we will keep an eye on future trends in the amount of Claims.

Consolidated Balance sheets



	Mar.31, 2020	Dec.31, 2020	YOY difference
	Billions of yen	Billions of yen	Billions of yen
Operating receivables	555.6	565.8	+10.2
(Liquidated accounts receivable : Off-balance sheet)	(181.9)	(185.3)	(+3.3)
[Ratio of liquidated accounts receivable(%) *1]	[24.7]	[24.7]	[0.0]
installment sales accounts receivable	416.3	446.3	+30.1
operating loans outstanding	139.3	119.4	-19.9
Fixed assets	259.2	273.7	+14.5
Investment securities	27.4	47.1	+19.7
Interest-bearing debt	479.8	484.2	+4.4
[Ratio of operating receivables(%) *2]	[86.4]	[85.6]	[-0.8]
Shareholder's equity	289.8	304.2	+14.4
[Equity ratio (%)]	[32.7]	[33.1]	[+0.4]
Total assets	886.0	919.3	+33.4

*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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Next, on page 6, I will provide an overview of consolidated balance sheet.

The liquidation ratio was 24.7% at the end of December, compared to the standard of 25% for the fiscal year ending March 2021.

Operating receivables increased by ¥10.2 billion from the end of the previous fiscal year due to the recovery of transaction volume, and interest-bearing debt also increased by ¥4.4 billion. The ratio of interest-bearing debt to operating receivables is 85.6%, and the equity ratio is 33.1%.

Cash Flows



	Nine months ended Dec.31, 2019	Nine months ended Dec.31, 2020	YOY difference
	Billions of yen	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	11.4	19.8	+8.4
Increase(decrease) in operating receivables	-16.6	5.6	+22.3
Core operating cash flow *3	28.0	14.1	-13.9
Net cash provided by (used in) investing activities	-15.1	-15.0	+0.1
Purchase of fixed assets	-9.0	-8.8	+0.2
Gains on sales of investment securities	-6.3	-4.5	+1.8
Gains on sales of fixed assets, etc.	0.2	-1.7	-1.9
Net cash provided by (used in) financial activities	-4.9	-5.9	-1.0
Increase(decrease) in interest-bearing dept	13.6	4.3	-9.3
Cash dividends paid	-11.7	-10.1	+1.6
Purchase of treasury stock, etc.	-6.8	-0.1	+6.7
Cash and cash equivalents at end of period	38.1	39.7	+1.6

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

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Next, on page 7, the status of cash flows.

Core operating cash flow decreased by ¥13.9 billion YoY due to a decrease in income before income tax. In addition, investment cash flow was about the same as the previous year, at ¥15 billion, due to the acquisition of fixed assets, investment in start-up companies, and the return of security deposits as a measure to support business partners.

Co-Creative Investment

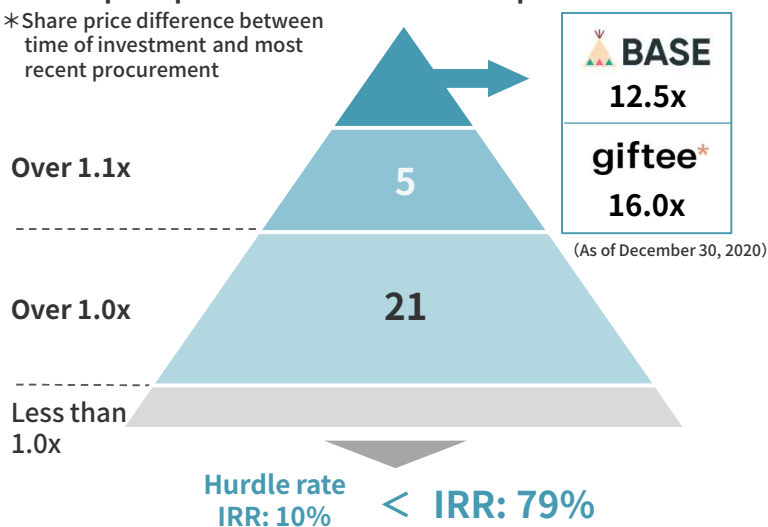
■ Status at the end of December 2020

tsumiki Securities	¥1.9 billion
D2C & Co.	¥1.6 billion
Venture companies	¥11.1 billion
Fund	¥5.7 billion

Total. ¥20.3 billion

■ Share price performance of the 28 companies

*Share price difference between time of investment and most recent procurement



*IRR: Calculated using most recent procurement price of securities held, assuming that listed shares were sold at the end of each company's fiscal year

Next, on page 8, the status of co-creative investment.

For new growth, Marui Group is not only aiming for investment returns and dividends, but is also actively investing in start-up companies that can demonstrate mutual strengths and synergies.

We have invested a cumulative total of approximately ¥20.3 billion by the third quarter against the plan of ¥30 billion by the fiscal year ending March 31, 2023.

Due to the rise in the stock prices of BASE and giftee, which were listed on the stock exchange two years ago and is where we invest in, the IRR, which currently indicates the investment yield, is 79%, which is much higher than the hurdle rate of 10%.

ESG Topics



- MARUI GROUP has been included in DJSI World Index and CDP's Climate A-List.
- Launched "Minna-Denryoku EPOS Plan" to recommend the use of renewable energy to our customers.

■ Main external evaluations

- Ranked first in the Retailing sector in the world in Dow Jones Sustainability Index (Nov. 2020)
- Included in CDP's Climate A-List, which represents the highest evaluation (Dec. 2020)

Member of

**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

3rd consecutive year



3rd consecutive year

■ For resolve environmental issues

- Launched "Minna-Denryoku EPOS Plan", developing a system that allows EPOS cardholders to switch to renewable energy plan easily using their smartphones (sep. 2020)
- Started issuing "Minna-Denryoku EPOS card"
- Aiming for 500,000 users and reduction of 1 million-ton CO2 per year

みんな電力エポスプラン
Minna-Denryoku EPOS plan



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Next, on page 9, I will explain ESG topics.

In November, we were selected as a constituent of the DJSI World Index, a global socially responsible investment stock index, for the third consecutive year, and won the number one position in the retail category in the world.

In December, we were certified as the highest rated Climate A List Company by CDP, an international evaluation organization for environmental issues, for the third consecutive year.

Regarding our efforts with customers, we started a renewable energy purchase plan for EPOS Card members in September in collaboration with Minna-Denryoku, which is our co-creative investment destination.

Together with 500,000 customers, we will work together with the aim of reducing CO2 emissions by 1 million tons annually, such as through a developed mechanism that makes contract procedures easy by linking data between EPOS Card members and Minna-Denryoku.

In addition, we continue to refer to TCFD in this financial report, so please check it.

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 FY2021

	FY2020	FY2021	YOY change	YOY difference
EPS (yen)	117.6	72.3	61	-45.3
ROE (%)	8.8	5.3	-	-3.5
ROIC (%)	3.7	3.1	-	-0.6
<Reference>				
	Billions of yen	Billions of yen	%	Billions of yen
Total Group transactions	2903.7	2970.0	102	+66.3
Revenue	247.6	223.0	90	-24.6
Gross Profit	195.7	179.5	92	-16.2
SG&A expenses	153.7	144.0	94	-9.7
Operating income	41.9	35.5	85	-6.4
Net income	25.4	15.5	61	-9.9

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Finally, please see page 10, full-year forecasts for the fiscal year ending March 2021, and page 11, segment income forecasts.

Although the impact of COVID-19 in the future is uncertain because of the issuance of a state of emergency due to the third wave of the spread of COVID-19, there is no revision to the earnings forecast as the operating income has been generally in line with the plan until the third quarter.

That is all for the summary of financial results. Thank you very much for your attention.

<Reference> Segment income forecasts for FY2021

	FY2020	FY2021	YOY change	YOY difference
	Billions of yen	Billions of yen	%	Billions of yen
Retailing	10.0	3.0	30	-7.0
FinTech	38.4	39.0	102	+0.6
Eliminations /Corporate	-6.5	-6.5	-	0
Consolidated	41.9	35.5	85	-6.4
* Planning premise		From November to December		Second half
Retailing transactions (store • Web)		81%		Trend 80% (YOY 88%)
FinTech transactions (outside of Marui Group)		106%		Trend 107% (YOY 111%)



The forward-looking statements contained in this presentation are based on information available at the time of preparation of this presentation and certain assumptions that MARUI GROUP deems to be reasonable.
The forward-looking statements may differ materially from actual results due to a variety of different factors.
Please direct any inquiries to the IR Department (Tel: 03-5343-0075).

