MARUI GROUP CO., LTD

Overview of Performance in Three Months Ended June 30, 2021

MARUI GROUP

August 5, 2021

I am Kato. Thank you. Once again, thank you very much for taking the time out of your busy schedule to participate in our first quarter earnings conference call today.

I will now provide an overview of the financial results for the first quarter of the fiscal year ending March 31, 2022, in accordance with the financial summary materials.

Highlights in Three Months Ended June 30, 2021

1. **Net income increased ¥1.8 billion to ¥3.3 billion, important KPI of EPS increased ¥8.3 to ¥15.6**

2. **EPS decreased 39% from FY2019, below the level of before COVID-19**

3. **Consolidated operating income decreased 21% to ¥7.0 billion due to impacts of extraordinary loss in previous year.
Excluding extraordinary factors, which include rent exemption and fixed cost extraordinary loss transfer, it increased ¥0.3 billion to ¥9.2 billion**

4. **In both Retailing segment and FinTech segment, sales increased and profits decreased**

* From this term new revenue recognition standard is applied.
For further details, please refer to reference material at the end for details.

There are 4 highlight points for this term.

First, net income increased by ¥1.8 billion to ¥3.3 billion.
As a result, EPS was ¥15.6, an increase of ¥8.3 from the previous fiscal year.

On the other hand, EPS was down 39% compared to the year before the previous fiscal year, and still below the pre-COVID-19 level.

Thirdly, consolidated operating income decreased by 21% to ¥7 billion, partly due to a decrease in the transfer of extraordinary losses on fixed costs during the period of store closures, a factor that boosts profits, from the previous year. However, excluding the effects of rent exemptions and the transfer of extraordinary losses on fixed costs, actual operating income increased by ¥300 million YoY.

Fourth, regarding segments, both Retailing and FinTech sales increased, but Retailing income declined for the third consecutive term. FinTech posted its first quarterly decline in profit since the start of quarterly disclosure.

The new revenue recognition standard has been applied from this fiscal year.
The impact of the application is ¥3.2 billion, mainly in ecommerce revenue, but the data for this fiscal year is after retroactive application to the previous year.

See the reference page at the end of this document for details.

Consolidated Performance

	Three months ended Jun. 30, 2020	Three months ended Jun. 30, 2021	YOY change (%)	YOY difference	Change from Q1 FY2019
EPS (yen)	7.3	15.6	214	+8.3	61
	Billions of yen	Billions of yen	%	Billions of yen	%
Total Group transactions	615.3	784.7	128	+169.3	114
Revenue	42.7	48.6	114	+5.9	91
Gross Profit	37.2	42.5	114	+5.3	93
〈Recurring gross profit〉	27.3	31.3	115	+4.0	98
SG&A expenses	28.3	35.5	126	+7.2	97
Operating income	8.9	7.0	79	−1.9	79
Net income	1.6	3.3	213	+1.8	60

Total group transaction volume was ¥784.7 billion, 28% higher than the previous year and 14% higher than the year before the previous year, due to less COVID-19 impact in the Retailing segment than last year and strong performance in shopping credit and services in the FinTech segment.

As for revenue, retail sales revenue in the Retailing segment, which fell sharply last year, recovered significantly due to the impact of the rebound from the previous year's rent exemption, and consolidated revenue rose 14% to ¥48.6 billion.

Gross profit also increased by ¥5.3 billion to ¥42.5 billion due to the increase in revenue.

On the other hand, SG&A expenses increased by ¥7.2 billion to ¥35.5 billion, due to the rebound of the transfer of fixed costs to extraordinary losses in the previous year.

As a result of the above, operating income decreased by ¥1.9 billion to ¥7 billion, the first decrease in 7 years.

Net income nearly doubled from the previous year to ¥3.3 billion, due in part to a significant decrease in the amount of extraordinary losses transferred.

Segment Income

Operating Income

	Three months ended Jun. 30, 2020	Three months ended Jun. 30, 2021	YOY change	YOY difference
	Billions of yen	Billions of yen	%	Billions of yen
Retailing	0.8	0.2	25	−0.6
FinTech	9.5	8.4	88	−1.1
Eliminations /Corporate	−1.5	−1.6	−	−0.1
Consolidated	8.9	7.0	79	−1.9

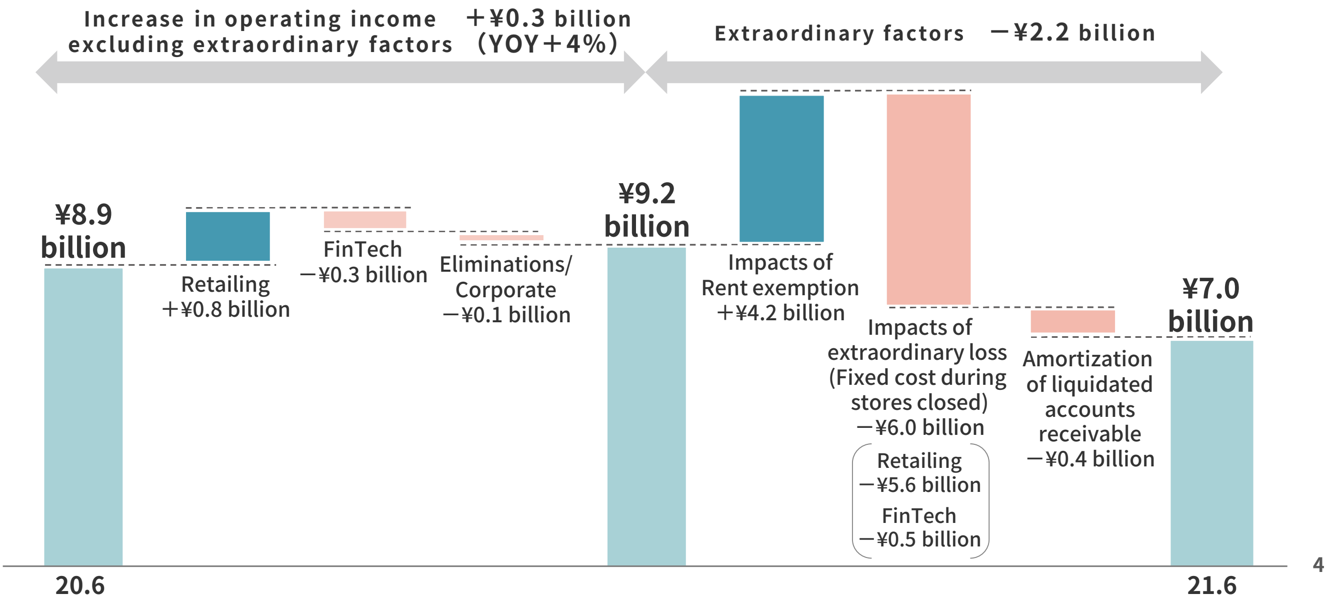
Operating income in the Retailing segment declined by 75% to ¥0.2 billion, while operating income in the FinTech segment declined by 12% to ¥8.4 billion.

The detailed changes in operating income will be explained later in this report.

As a result of the above, consolidated operating income fell 21% to ¥7 billion, the first decline in 7 years.

Factors Affecting Operating Income

- **Consolidated operating income excluding extraordinary factors including impacts of extraordinary losses increased 4% to ¥0.3 billion**



The increase in revenue due to a decrease in the amount of rent exemption compared to last year was ¥4.2 billion, and the impact of the transfer of extraordinary losses on fixed costs during the store closure period was a factor of ¥6 billion in the decrease in operating income. If we include the impact of amortization of liquidated accounts receivable, the extraordinary factors totaled minus ¥2.2 billion.

Excluding these special factors, actual operating income increased by ¥9.2 billion, or 4%.

By segment, operating income in Retailing increased by ¥0.8 billion due to an increase in revenue from a near doubling of the number of business days, as well as reductions in fixed costs such as personnel and equipment due to the impact of streamlining of directly operated and store closures.

As for FinTech segment ,while shopping transaction volume increased, operating receivables balance at the beginning of the fiscal year fell below the previous year’s level, and finance charges on revolving and installment payments and cash advance interest income fell below the previous year’s level. In addition, variable costs associated with the increase in shopping transaction volume and card issuance costs associated with the increase in new cardholders increased. The result was a decrease of ¥0.3 billion in profit.

FinTech Segment

	Three months ended Jun. 30, 2020	Three months ended Jun. 30, 2021	YOY change	YOY difference
	10 thousand	10 thousand	%	10 thousand
New cardholders *	10	12	127	+3
(Outside of Marui Group stores)	(8)	(10)	(114)	(+1)
Number of cardholders	715	706	99	−9
Platinum card, Gold card	256	276	108	+20
	Billions of yen	Billions of yen	%	Billions of yen
FinTech transactions	591.7	746.1	126	+154.4
Card Shopping	459.9	580.9	126	+121.0
(Outside of Marui Group)	(449.4)	(566.6)	(126)	(+117.2)
Service	105.6	134.0	127	+28.4
Cash advance	24.1	29.0	120	+4.9
Operating receivables outstanding (including liquidated accounts receivable)	717.9	735.2	102	+17.3
Revolving Payment, Payment by installments (Card shopping)	354.3	355.2	100	+0.9
Operating loans	142.5	130.5	92	−12.0
Ratio of bad debt write-offs (%)	0.47	0.48	−	+0.01

*Change from Q1 FY2019 −7

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The number of new cardholders in the first quarter increased by 30,000 compared to the previous year to 120,000 due to an increase in issuance by Marui, Modi, and external commercial facilities, which fell sharply last year, and continued strong enrollment from services including the rent guarantee. But it declined by 70,000 compared to the year before the previous year, and it is still below the pre-COVID-19 level.

As a result, the number of cardholders at the end of June decreased by 90,000 compared to the previous year to 706,000.

On the other hand, the number of Platinum/Gold Card members, which is a unique initiative to make them the main card, increased by 200,000 to 2.76 million. The percentage of the number of Platinum/Gold Card members to total number of members increased by 3% to 39%, and the card is steadily becoming the main card.

As for the transaction volume, it increased by 26% to ¥746.1 billion due to the expansion of services including the rent guarantee business as well as the strong performance of outside of Marui Group in shopping credit.

As a result, the balance of revolving and installment payments, including liquidated accounts receivable, which had been a source of concern since the second half of last year due to the continued YoY decline, reached ¥355.2 billion, the first YoY increase in 3 quarters.

On the other hand, in cash advances, although the transaction volume has increased, the balance has not fully recovered and continues to be below the level of the previous year.

Consolidated Balance Sheets

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	Mar.31, 2021	Jun.30, 2021	YOY difference
	Billions of yen	Billions of yen	Billions of yen
Operating receivables	544.7	552.0	+7.3
(Liquidated accounts receivable : Off-balance sheet)	(182.2)	(183.2)	(+1.0)
[Ratio of liquidated accounts receivable(%) *1]	[25.1]	[24.9]	[−0.2]
installment sales accounts receivable	426.7	435.6	+8.9
operating loans outstanding	118.0	116.5	−1.6
Fixed assets	277.5	279.8	+2.3
Investment securities	42.1	44.7	+2.5
Interest-bearing debt	484.6	504.5	+19.9
[Ratio of operating receivables(%) *2]	[89.0]	[91.4]	[+2.4]
Shareholder's equity	289.6	283.9	−5.7
[Equity ratio (%)]	[32.1]	[31.4]	[−0.7]
Total assets	901.2	905.5	+4.3

*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

Operating receivables increased by ¥7.3 billion from the end of the previous fiscal year due to the increase in FinTech transaction volume, and interest-bearing debt increased by ¥19.9 billion accordingly.

The ratio of liquidated accounts receivable was 24.9% as of the end of June.

The ratio of interest-bearing debt to operating receivables was 91.4%, and the equity ratio was 31.4%.

In addition, in order to optimize capital, we acquired 1.66 million shares of our own stock for ¥3.5 billion in the first quarter, with a progress rate of 12% against the ¥30 billion scheduled for implementation by March next year.

Cash Flow

	Three months ended Jun. 30, 2020	Three months ended Jun. 30, 2021	YOY difference
	Billions of yen	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	12.1	−4.0	−16.1
Increase(decrease) in operating receivables	12.6	−11.6	−24.2
Core operating cash flow *3	−0.5	7.6	+8.1
Net cash provided by (used in) investing activities	−4.7	−4.8	−0.1
Purchase of fixed assets	−2.2	−3.5	−1.3
Gains on sales of investment securities	−1.1	−1.9	−0.8
Deposit refund, etc.	−1.5	0.6	+2.0
Net cash provided by (used in) financial activities	−11.8	6.7	+18.5
Increase(decrease) in interest-bearing dept	−7.0	19.9	+26.9
Cash dividends paid	−4.7	−5.6	−0.9
Purchase of treasury stock, etc.	0	−7.6	−7.6
Cash and cash equivalents at end of period	36.5	39.1	+2.6

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

Core operating cash flow, which is net cash flow provided by operating activities minus changes in operating receivables, was ¥7.6 billion, an increase of ¥8.1 billion from the previous fiscal year due to the receipt of subsidies for consumption tax point reductions and an increase in income before income taxes.

Cash flow provided by investing activities resulted in a cash outflow of ¥4.8 billion due to venture investments and the acquisition of fixed assets.

Co-creative Investment

• **Status of Co-creative investment in three months ended Jun. 30, 2021**

			change FY2021
Amount of Co-creative investment	**Co-creative Investment amount**	**¥23.1 billion**	**(+¥0.9 billion)**
	Balance of investment securities	**¥44.7 billion**	**(+¥2.5 billion)**
	Unrealized gains	**¥14.3 billion**	**(+¥0.8 billion)**
Co-creative teams	**Co-creative teams**	**24 teams**	**(+4 teams)**
	Team members	**180**	**(+53)**

Based on our core value of "Co-Creation of Creditability", which has been with us since our founding, MARUI GROUP is actively investing in start-up companies that not only aim to become financial returns, but also to create synergies that will lead to the co-creation of a future happiness.

In the mid-term management plan that we mentioned in the last financial results, we plan to invest a total of ¥43 billion as of the end of March 2026, the final year of the plan.

In the first quarter, we invested approximately ¥900 million in the Real Tech Global Fund and other funds, for a cumulative investment of ¥23.1 billion and an IRR of 41%.

In addition, the co-creative team, which promotes collaboration with investees, has recently added 4 new teams, bringing the total to 180 members in 24 teams, and is accelerating the opening of stores in Marui stores and the issuance of collaboration cards.

Co-creation with BULK HOMME

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• **Launch collaboration cards and open the first flagship store from August 10, 2021**

■BULK HOMME's first flagship store 「BULK HOMME THE STAND」

* The photo is for illustrative purposes only.

■ 「BULK HOMME EPOS Card」 debut

Here are some examples of collaboration.

In an initiative with BULK HOMME, one of our co-creative investment partners, we will open BULK HOMME's first flagship store in Shinjuku Marui Main building in mid-August, and at the same time, we will start selling new men's cosmetic products.

In addition, we will be issuing the BULK HOMME EPOS Card as a collaboration card. Through the strengthening of the alliance, MARUI GROUP will maximize the synergy between the two companies and contribute to the growth and development of the D2C ecosystem.

ESG Topics

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- **MARUI GROUP has been included in all four ESG Indexes, which the GPIF use to manage ESG investments, since its adoption**
- **Renewable energy usage rate is 52% in FY2021, and opportunities and physical risks based on the TCFD is disclosed**

■Included in four ESG Indexes utilized by the GPIF since its adoption

2021 CONSTITUENT MSCIジャパン ESGセレクト・リーダーズ指数 *1

2021 CONSTITUENT MSCI日本株 女性活躍指数 (WIN) *1

FTSE Blossom Japan

S&P/JPX カーボン エフィシェント 指数

■Initiative to renewable energy usage rate to 100%

- **Affiliation with RE100 from 2018**
- **Aim to renewable energy usage rate to 70% in FY2025, to 100% in FY2030**

RE100

■Initiative to Climate change

- **Recommendation of the TCFD since 2018, disclosure of information for annual security report since 2019**

*1 THE INCLUSION OF MARUI GROUP CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF MARUI GROUP CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES.THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

We have been selected for the four ESG indicators adopted by the GPIF for the management of ESG investments, and this year we were selected again for all of them. We believe that this is a recognition of the Group's future-oriented "co-creation sustainability management", which integrates business with environmental considerations, solutions to social issues, and governance initiatives.

We are also a member of RE100 and are working towards our goal of switching 100% of our electricity use to renewable energy by FY2030.

TCFD will also continue to be included in this financial report and the Annual Securities Report for the fiscal year ending March 31, 2021, so please check them.

In our mid-term management plan, we have set targets related to sustainability and wellbeing as our impact based on VISION 2050, which was announced in FY2019.

We will continue to be a front-runner in sustainability management, and will actively work with our stakeholders on co-creation sustainability management, aiming to realize a sustainable society and global environment through business, and to create an inclusive and prosperous society where all people can feel happy without being left behind.

Management with Stakeholders

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- **Experts in each field are inaugurated as directors at the general meeting of shareholders toward construction of management system that utilizes the perspective of stakeholders**

Yasunori Nakagami

CEO, Misaki Capital Inc.

Peter D. Pedersen

Representative Director, Next Leaders Initiative for Sustainability (NELIS);

Professor, Graduate School of Leadership and Innovation Shizenkan University

Reiko Kojima

Executive Officer and CWO, General Manager, Wellbeing Promotion Department, MARUI GROUP

By welcoming stakeholders to the Board, we will also continue to evolve our governance structure.

We are pleased to announce that Yasunori Nakagami, a long-term investor from Misaki Capital Inc., and Peter D. Pedersen, a sustainability expert, were newly appointed as outside directors, and Reiko Kojima, an industrial physician and wellbeing expert, was appointed as an internal director at the general meeting of shareholders held in June. We will further accelerate our management with stakeholder.

Full-Year Forecasts for FY2022

	FY2021	FY2022	YOY change	YOY difference	VS. FY2020 difference
EPS (yen)	10.6	79.6	752	+69.0	−38.0
ROE (%)	0.8	5.9	−	+5.1	−2.9
ROIC (%)	1.4	3.2	−	+1.8	−0.5

〈Reference〉

	Billions of yen	Billions of yen	%	Billions of yen	Billions of yen
Total Group transactions	2919.2	3410.0	117	+490.8	+506.3
Revenue	206.2	212.0	103	+5.8	−35.6
Gross Profit	177.3	185.0	104	+7.7	−10.7
SG&A expenses	162.1	148.5	92	−13.6	−5.2
Operating income	15.2	36.5	240	+21.3	−5.4
Net income	2.3	16.5	728	+14.2	−8.9

In the first quarter, there was an extension of the emergency declaration, which was not initially expected, but in terms of transaction volume, both Retailing and FinTech are generally in line with expectations, so there is no change to the forecast.

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

〈Reference〉 Segment income forecasts for FY2022

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Operating Income

	FY2021	FY2022	YOY change	YOY difference
	Billions of yen	Billions of yen	%	Billions of yen
Retailing	1.5	2.0	135	+0.5
FinTech	20.2	41.0	203	+20.8
Eliminations /Corporate	−6.5	−6.5	−	0
Consolidated	15.2	36.5	240	+21.3

〈Reference〉 About Applying New Revenue Recognition Standard

- **From FY2022, new revenue recognition standard is applied**

1． Amount equivalent to gross profit is recorded as revenue

1. **Commissioned sales（Retailing）** … **Revenue is presented as a net amount**
2. **Card member special sale （Retailing）** … **Discount amount is deducted from revenue**
3. **Point operation revenue（FinTech）** … **Regarding points burdened from business partners, neither revenue nor SG&A is recorded**

2． Revenue based on long-term contract is recognized according to the period

4. **Annual enrollment fees （FinTech）** … **Revenue is recognized by apportionment according to the period**

〈Impact amount〉

	Three months ended Jun. 30, 2021				Annual forecasts
	Revenue	Cost of sales	SG&A expenses	Operating income	Revenue
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Billions of yen
1. Commissioned sales	－0.3	－3.0	－	－	－13.5
2. Card member special sale	－0.1	－	－0.1	－	－0.4
3. Point operation revenue	－0.1	－	－0.1	－	－0.5
4. Annual enrollment fees	0	－	－	0	－0.1
Total	－3.2	－3.0	－0.2	0	－14.5

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).

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