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Construction of an Optimal Capital Structure in Conjunction with Business Transformation

In the fiscal year ended March 31, 2017, the first year of the plan, total Group transactions rose 14% year on year, to ¥1,933,685 million, on the back of strong card shopping transactions in the FinTech business. At the same time, operating income increased for the eighth consecutive year, to ¥31,253 million, and net income attributable to owners of parent grew for the sixth consecutive year, to ¥18,724 million. This income growth coupled with the effects of share buybacks and dividend increases led return on equity (ROE) to rise by 0.7 percentage point, to 6.7%, while earnings per share (EPS) was up 14%, to ¥80.2. Return on invested capital (ROIC), meanwhile, decreased 0.2 percentage point, to 3.1%, following lower income in the Retailing business. As a result of our steadily advancing financial strategies, ROIC exceeded weighted average cost of capital (WACC).

Seeking to ensure that we can accomplish the targets set forth by the medium-term management plan for the three key performance indicators (KPIs)—ROE, ROIC, and EPS—these KPIs have been broken down in each business to provide KPIs for frontline operations. As a result, two new business and sales floor KPIs were established for specialty shops in the Retailing business: net operating income yield (NOI yield) and lifetime value (LTV). We also took steps to make it easier for all employees to understand the KPIs and to shape their daily work accordingly. In April 2017, a project was started up to inform employees about operating environment changes pertaining to MARUI GROUP's operations and to business in general and our view of corporate value, and the topics of why the KPIs are necessary and what is needed to accomplish related targets are subjects of active discussion.

With regard to the balance sheet we target, we are in the process of achieving an optimal level for shareholders' equity out of consideration for the increase in operating receivables in the FinTech business that has continued since the launch of the EPOS card in 2006. However, we are of course aware of the fact that, should the business model targeted by MARUI GROUP change, so will its ideal capital structure. Accordingly, the construction of an optimal balance sheet will be an ongoing process conducted in conjunction with the creation of new businesses and the transformation of existing businesses currently underway and with an eye to long-term corporate value gains.