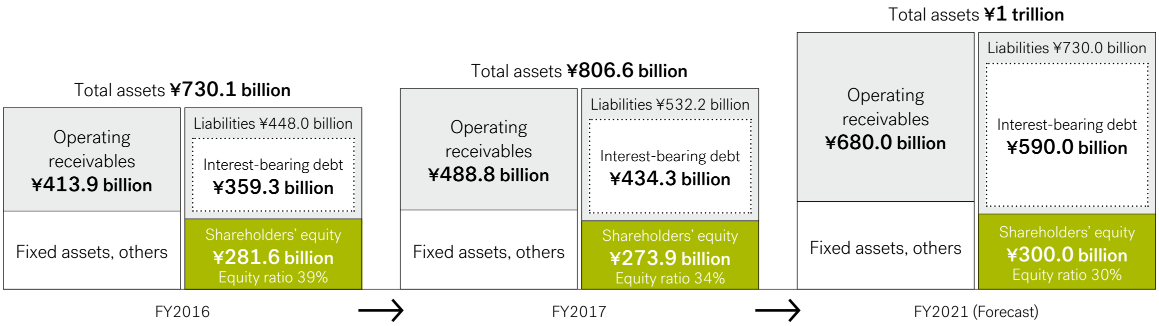
# Target Balance Sheet

POINT 01

## Target Balance Sheet

Total assets forecast to reach ¥1 trillion in the fiscal year ending March 31, 2021, due to increased operating receivables
Optimal capital structure defined as having equity ratio of approximately 30%



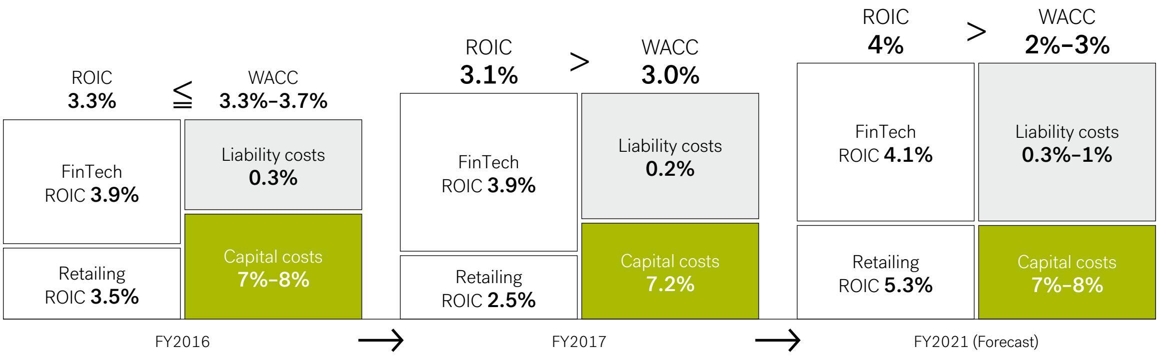

In the past, although the asset portion of our balance sheet was oriented toward finance, the liability portion remained unchanged from the days when retailing was more prominent in our operations, as indicated by high levels of shareholders' equity. As part of the provisions of the medium-term management plan with the fiscal year ending March 31, 2021, as its final year, we will procure funds in the form of interest-bearing debt to address the projected rise in operating receivables with the aim of maintaining a level of interest-bearing debt that is equivalent to 90% of operating receivables. As for the equity ratio, we will target a ratio of approximately 30%, the level we have deemed to be optimal.

In the fiscal year ended March 31, 2017, interest-bearing debt amounted to ¥434.3 billion, rising to a level equivalent to 89% of operating receivables.

POINT 02

## Creation of Corporate Value through ROIC Exceeding WACC

Surplus income achieved in the fiscal year ended March 31, 2017, through steady advance of financial strategies that aim to achieve structure in which ROIC consistently exceeds weighted average cost of capital (WACC) by increasing ROIC and lowering capital costs

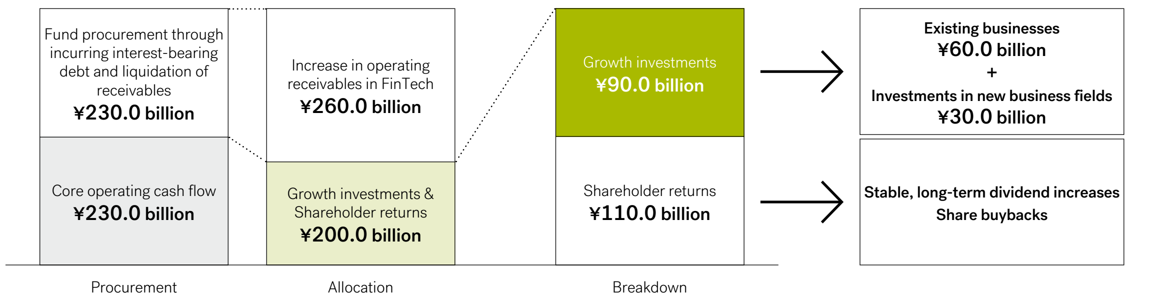



We will increase ROIC by growing financial service revenues in the FinTech business and transitioning to shopping centers and fixed-term rental contracts in the Retailing business. Meanwhile, we will deploy financial strategies of increasingly procuring funds in the growing FinTech business through low-cost interest-bearing debt to reduce the overall capital costs of the Group.

As a result of the steady progress of financial strategies based on the above policies, MARUI GROUP succeeded in creating a structure in which ROIC exceeds WACC in the fiscal year ended March 31, 2017.

## POINT 03 Cash Flow Forecasts

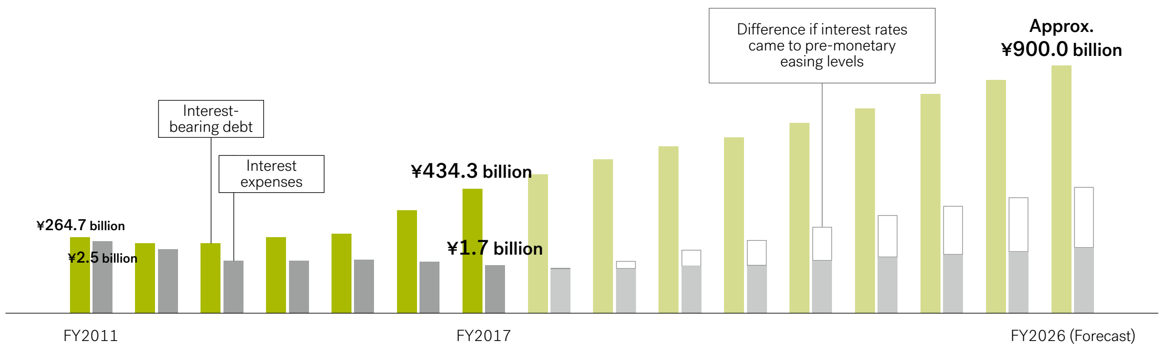
Five-year aggregate core operating cash flow of ¥230.0 billion forecast for period of new medium-term management plan
Allocation of cash flows to growth investments and shareholder returns to achieve ongoing growth and improve capital efficiency




Excluding the anticipated increase in operating receivables, core operating cash flow is expected to amount to ¥230.0 billion over the period of the medium-term management plan. We will allocate ¥200.0 billion of this amount to growth investments and shareholder returns. Growth investments of ¥90.0 billion will be conducted, of which ¥30.0 billion will be used to expand and transform the Company's business through investments in new business fields and collaborative ventures. We intend to use the remaining ¥110.0 billion for enhancing shareholder returns through dividend increases and share buybacks. We will evaluate cash flows when considering share buybacks, targeting the ideal timing for improving capital efficiency and increasing shareholder returns. Acquired treasury stock will, in principle, be canceled.

## POINT 04 Interest-Bearing Debt and Interest Expense Forecasts

Preparation for future procurement risks by procuring funds through debt with longer maturity periods and fixed interest rates while arranging level repayment schedules




MARUI GROUP will stabilize its financial base by procuring funds primarily through borrowings and bonds while maintaining a level of interest-bearing debt equivalent to 90% of operating receivables.

On March 31, 2017, liabilities were roughly ¥170.0 billion higher than six years ago. Regardless, interest expenses in the fiscal year ended March 31, 2017, were down ¥0.8 billion primarily due to monetary easing measures. To mitigate risks of future interest rate hikes, MARUI GROUP will procure funds through debt with longer maturity periods and fixed interest rates while arranging level repayment schedules. Currently, the average maturity period for debt is over 6 years, roughly double the recovery period for revolving payment receivables, and the portion of debt that uses fixed interest rates is 65%. We will procure funds in a manner that ensures the Company's performance will not fluctuate substantially should interest rates rise.

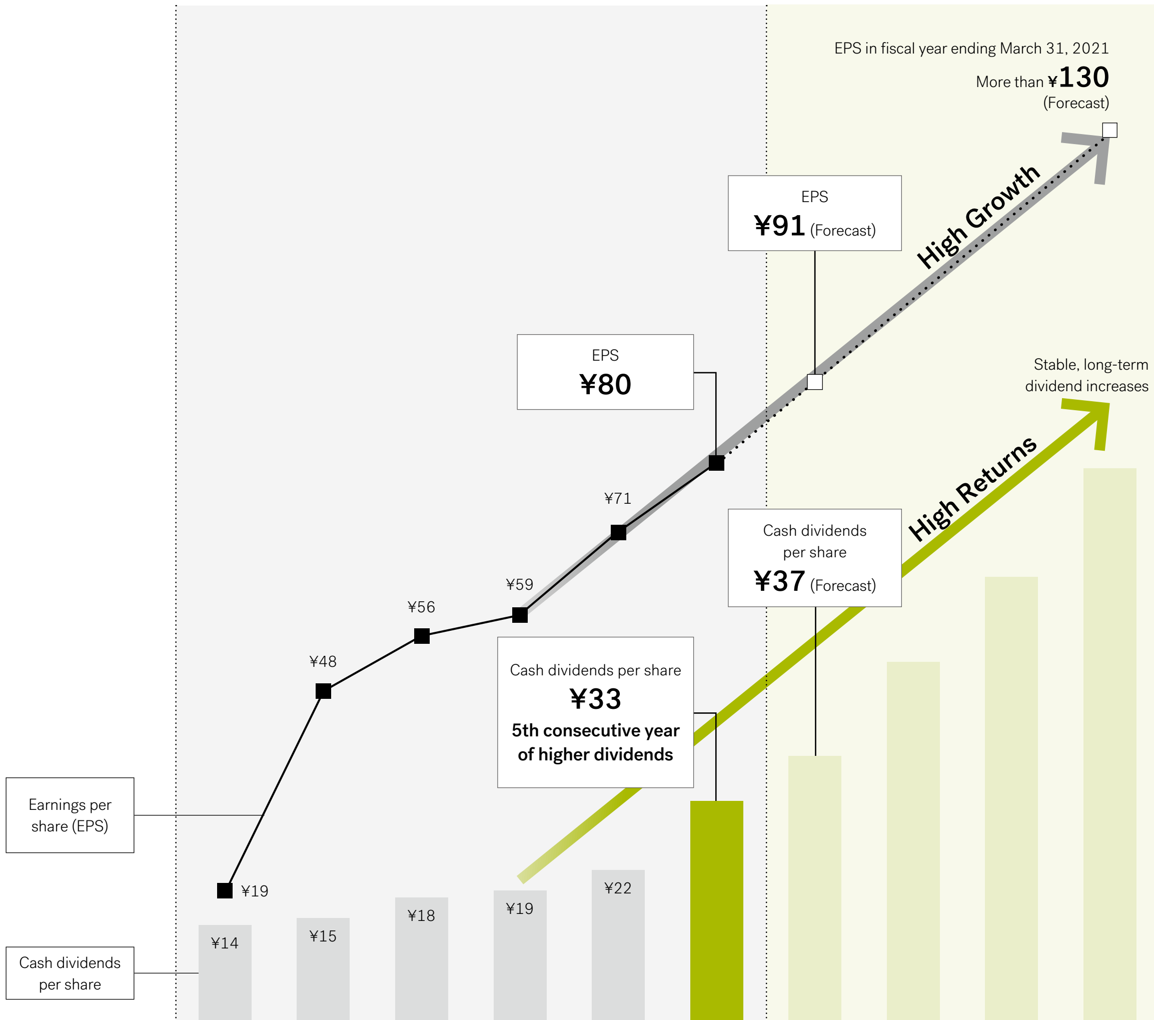




## POINT 05 High Growth Coupled with High Returns

Continuous, long-term dividend increases in conjunction with EPS growth and targeting a payout ratio of 40% or more

MARUI GROUP positions returning profits to shareholders as an important management priority. The medium-term management plan targets a consolidated payout ratio of 40% or more. In line with this policy, we issued our highest ever dividend payment of ¥33 per share in the fiscal year ended March 31, 2017, and plan to raise dividend payments to ¥37 in the fiscal year ending March 31, 2018, making for the sixth consecutive year of increased dividends. Going forward, we will target high growth coupled with high returns, which is to be realized through ongoing dividend increases based on long-term growth in EPS.




| | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 (Forecast) | FY2019 (Forecast) | FY2020 (Forecast) | FY2021 (Forecast) |
|---|---|---|---|---|---|---|---|---|---|---|
| Consolidated payout ratio | 30% or more | | | | | 40% or more | | | | |
| Total return ratio | 73.0% | 31.0% | 32.0% | 125.3% | 227.5% | 147.5% | 113.3% | | | |
| Share buybacks | — | — | — | ¥15.0 billion | ¥35.0 billion | ¥20.7 billion | ¥15.0 billion | | | |