Message from the CFO

> **By constructing the optimal capital structure for the Group's business, we will consistently generate ROIC that exceeds capital costs.**
>
> **Motohiko Sato**
> Senior Managing Executive Officer and CFO

In the fiscal year ended March 31, 2018, the second year of the medium-term management plan, total Group transactions rose 13.2% year on year, to ¥2,189.4 billion, exceeding ¥2 trillion for the first time thanks to the strong growth of card shopping transactions. At the same time, operating income increased for the ninth consecutive year, to ¥35.2 billion, and net income attributable to owners of parent grew for the seventh consecutive year, to ¥20.9 billion. Coupled with the benefits of share buybacks and dividend increases, this income growth contributed to a 0.9 percentage point increase in ROE, to 7.6%; a 16.1% rise in EPS, to ¥93.2; and a total shareholder return of 45.6%, well above the Tokyo Stock Price Index average of 22.0%. In addition, income improvements in the Retailing segment led ROIC to rise by 0.1 percentage point, to 3.2%. ROIC exceeded weighted average cost of capital (WACC), which was 3.0%, for the second consecutive year as a result of efforts to reconstruct our business and capital structures to achieve the corporate value improvements targeted by the medium-term management plan.

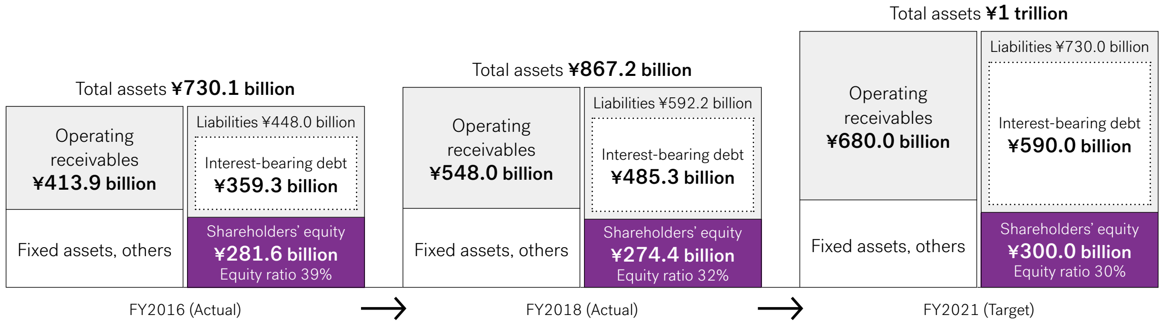
The reconstruction of our capital structure is being advanced based on our target balance sheet, a vision for the balance sheet judged to be ideal from the perspective of long-term corporate value improvement, our participation in the securities business, and new business entries and reforms to be undertaken in the future. Total assets are expected to rise to ¥1 trillion in the fiscal year ending March 31, 2021, as a result of higher operating receivables (installment sales accounts receivable and consumer loans outstanding) in the FinTech segment. Meanwhile, the liability portion of our balance sheet has been more oriented toward retailing with high levels of shareholders' equity. Under the medium-term management plan, we aim to address this structure by transforming our business model to target an equity ratio of approximately 30%. Higher funding demands will be met through the procurement of low-cost capital as we seek to lower overall capital costs by increasing the portion of funds accounted for by interest-bearing debt. At the same time, we will seek to maintain a level of interest-bearing debt that is equivalent to around 90% of operating receivables to ensure financial safety.

We plan to enact a fund procurement policy of liquidating operating receivables and procuring funds through borrowings from financial institutions and bond issuances. Our end goal is to improve asset efficiency by limiting the increase in total assets and liabilities.

Target Balance Sheet

01 POINT Target Balance Sheet

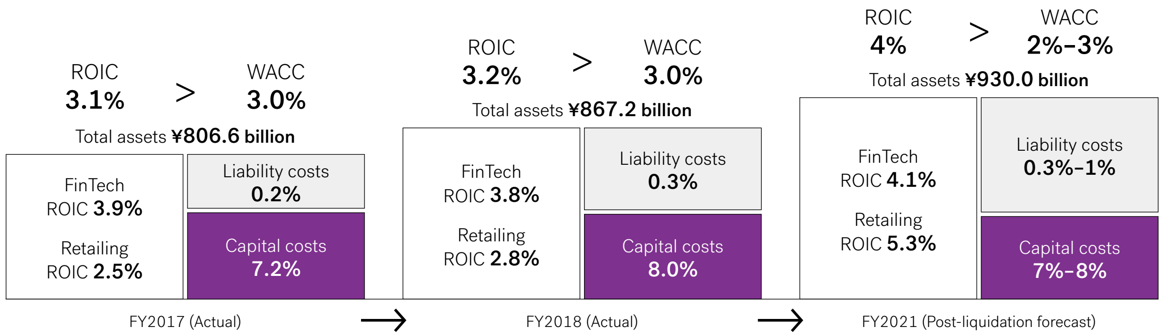
Procurement through interest-bearing debt in response to increases in operating receivables
Optimal capital structure defined as targeting an equity ratio of approximately 30%



The medium-term management plan with the fiscal year ending March 31, 2021 as its final year, defined our target balance sheet with the aim of bringing the liability portion of the balance sheet in line with our earnings structure. Based on this target, 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 around 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.

02 POINT Creation of Corporate Value through ROIC Exceeding WACC

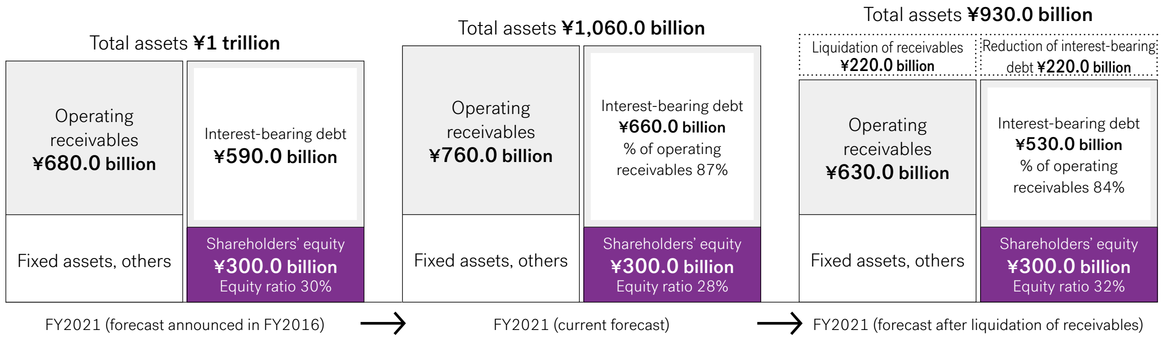
Structure in which ROIC consistently exceeds WACC to be achieved by increasing ROIC and lowering capital costs
Surplus income once again achieved in the fiscal year ended March 31, 2018, through steady advance of financial strategies



In the fiscal year ended March 31, 2018, ROIC exceeded WACC for the second consecutive year following an improvement in the ROIC of the Retailing segment. In the FinTech segment, we are targeting ROIC of 4.1% or more in the fiscal year ending March 31, 2021, by growing service revenues that require less invested capital through initiatives in the securities business and other new fields. Our ROIC target for this year in the Retailing segment is 5.3% or more. We will work toward this target through growth in e-commerce earnings and by pursuing income improvements by raising the value of the transition to shopping centers and fixed-term rental contracts after its completion. We will also develop businesses that do not require increased assets to improve the efficiency of invested capital.

03 POINT Forecasts and Issues Related to Target Balance Sheet

Equity ratio of 32% in the fiscal year ended March 31, 2018, approaching optimal level of 30%
Operating receivables to exceed initial forecast, making for total assets of ¥1 trillion in the fiscal year ending March 31, 2021

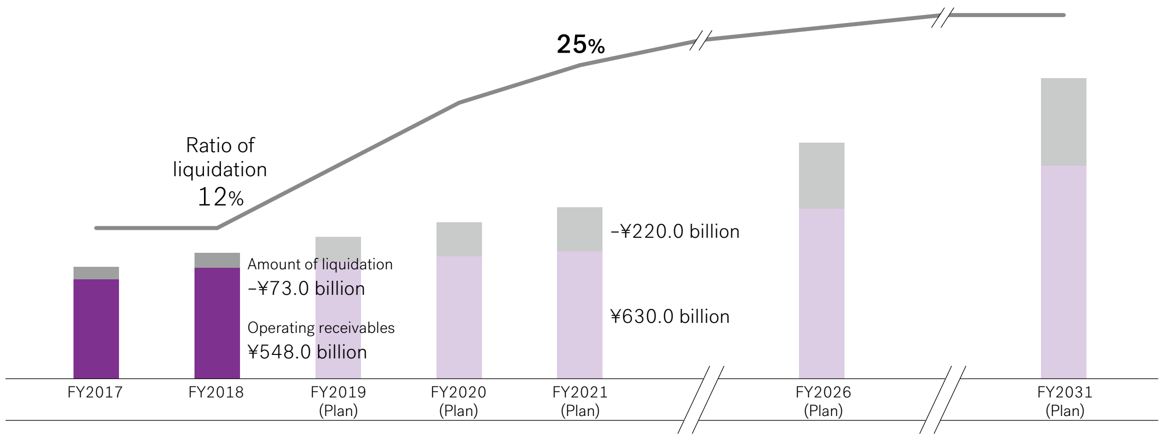


In the fiscal year ended March 31, 2018, the equity ratio reached 32%, a large step toward the optimal level of 30% from the level of 39% in the fiscal year ended March 31, 2016. However, operating receivables are expected to exceed our initial forecast for the fiscal year ending March 31, 2021, due to the growth of the FinTech segment. As we address this rise in receivables through additional interest-bearing debt, this situation is projected to cause the equity ratio to fall below 30% while total assets exceed ¥1 trillion in this year.

We will respond to this issue through a systematic increase in fund procurement through the liquidation of operating receivables beginning in the fiscal year ending March 31, 2019. By raising the ratio of liquidated operating receivables to around 25% from the level of 12% seen on March 31, 2018, we aim to keep total assets below ¥1 trillion in the fiscal year ending March 31, 2021, which enables us to maintain an equity ratio of more than 30%, moving us closer to our optimal capital structure.

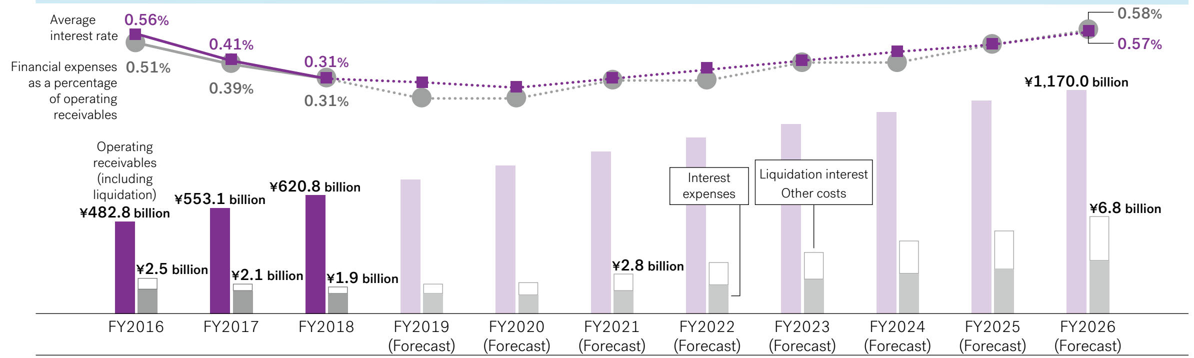
Operating Receivable Liquidation Schedule

Ratio of liquidated operating receivables to be systematically raised from 12% to 25%
Equity ratio of more than 30% to be maintained by keeping total assets below ¥1 trillion in the fiscal year ending March 31, 2021



04 POINT Interest Rate Hike Risk (Preliminary Calculation of Amount of Impact)

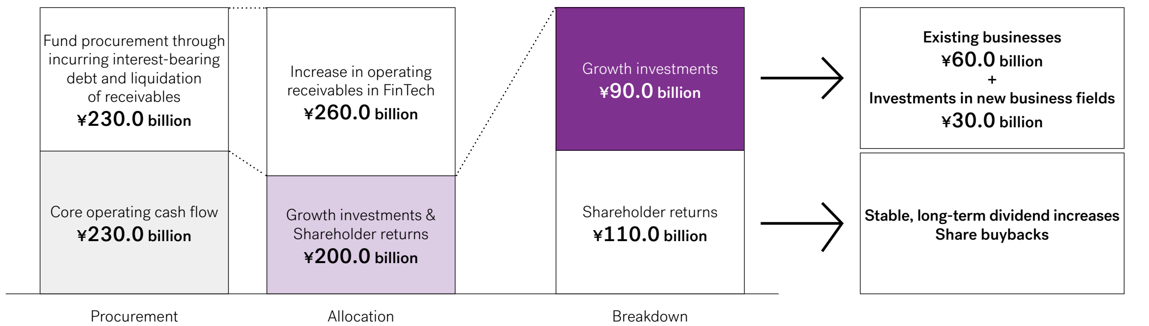
Limited impact on financial expenses anticipated from projected interest rate hike risks
Liability costs to be controlled through optimal fund procurement balance



As the FinTech segment continues to grow, it will be impossible to avoid increases in liabilities. A higher level of liabilities means that interest rate hikes will have greater impact on the Company. If long-term interest rates are increased by 0.1% every year, the average interest rate on the Company's debt is estimated to rise from 0.31% in the fiscal year ended March 31, 2018, to 0.57% in the fiscal year ending March 31, 2026. These higher interest rates will cause financial expenses to climb above ¥6.0 billion in this year. However, this amount will only represent 0.58% of operating receivables (including liquidation), a level that is not significantly larger than now. MARUI GROUP has been successful in absorbing a portion of the potential impact of interest rate hikes by procuring funds with lower interest rates, longer borrowing periods, and even fixed interest rates. Going forward, we will continue to monitor interest rate trends to limit liability costs.

05 POINT Cash Flow Forecasts

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



Over the period of the medium-term management plan, core operating cash flow, which excludes outflows associated with increases in operating receivables, is expected to amount to ¥230.0 billion. 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 for investments in new business fields and collaborative ventures. The remaining ¥110.0 billion will go to shareholder returns.

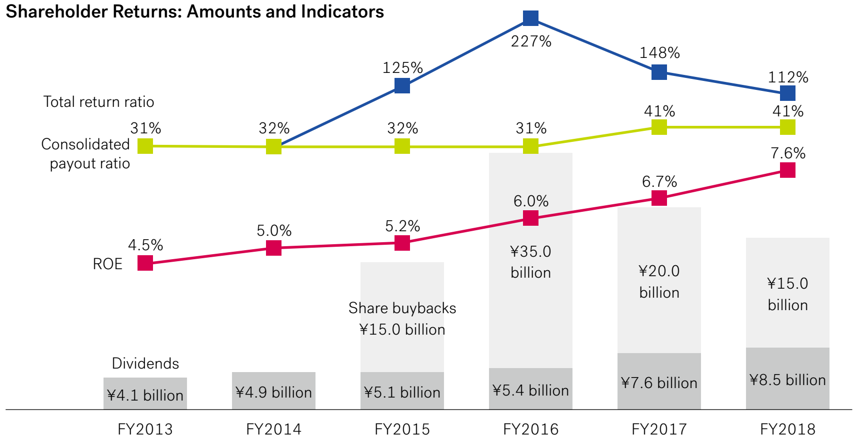
Continuous, Long-Term Dividend Increases

MARUI GROUP has been conducting proactive share buybacks over the past four years. Also, in the fiscal year ended March 31, 2017, we raised our target for consolidated payout ratio from 30% or more to 40% or more. The total return ratio exceeded 100% for four consecutive years leading up to March 31, 2018, representing a high level of shareholder returns. Looking ahead, MARUI GROUP will be gradually shifting the focus of shareholder returns from share buybacks to dividends, and we will aim for a consolidated payout ratio of 55% and move toward this ratio in a phased manner as we implement ongoing, long-term dividend increases. Our target for the total return ratio will be around 70%, a level that will enable us to maintain an equity ratio of 30% going forward. Acquired treasury stock will, in principle, be canceled.

Previously

- Acquired ¥85.0 billion worth of treasury stock in four years beginning with the fiscal year ended March 31, 2015
- Raised target for consolidated payout ratio to 40% or more in the fiscal year ended March 31, 2017
- Achieved total return ratio exceeding 100% for four consecutive years leading up to March 31, 2018

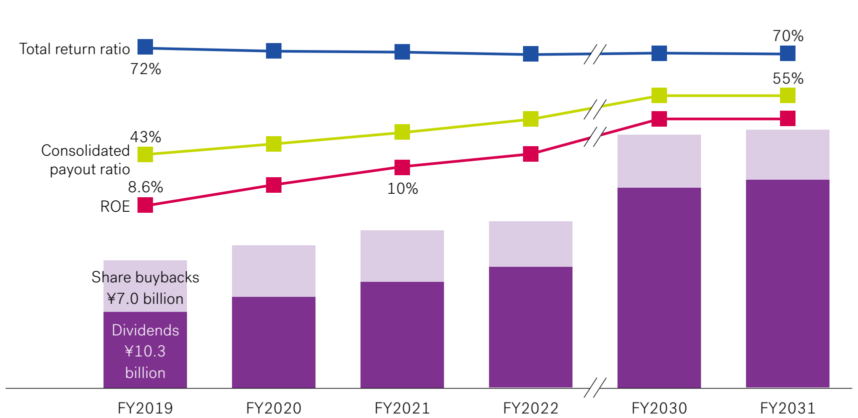
Shareholder Returns: Amounts and Indicators



Going Forward

- Gradually shift the focus of shareholder returns from share buybacks to dividends beginning in the fiscal year ending March 31, 2019
- Target a total return ratio of approximately 70% to maintain an equity ratio of 30% going forward
- Aim for a consolidated payout ratio of 55% and move toward this ratio in a phased manner

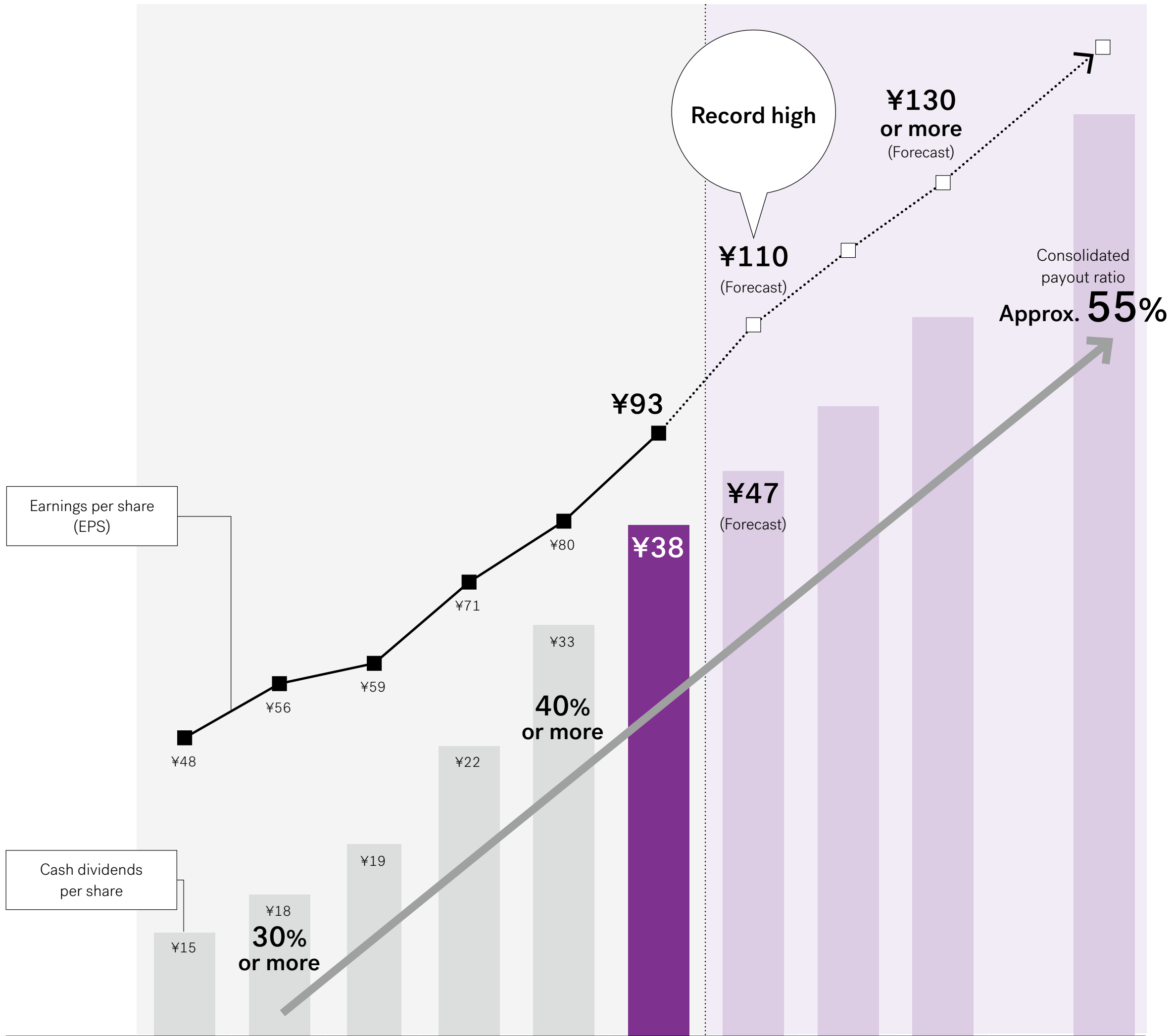
Forecasts for Shareholder Returns: Amounts and Indicators



High Growth Coupled with High Returns

For the fiscal year ended March 31, 2018, we raised dividend payments by ¥5 per share, to the record high of ¥38 per share. In the fiscal year ending March 31, 2019, MARUI GROUP will target record-breaking EPS of ¥109.9 through income growth and capital measures.

In addition, we plan to issue higher dividends for the seventh consecutive year with dividends of ¥47 based on our new shareholder return policies. The Company will also acquire ¥7.0 billion worth of treasury stock in this year. In May 2018, MARUI GROUP canceled 10 million shares of acquired treasury stock.



	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Forecast)	FY2020 (Forecast)	FY2021 (Forecast)	—
Consolidated payout ratio	31.0%	32.0%	32.3%	31.1%	41.1%	40.8%	42.8%	Phased increase toward **55%**		
Total return ratio	31.0%	32.0%	125.3%	227.5%	147.5%	112.3%	71.9%	Total return ratio target of **70%**		
Share buybacks	—	—	¥15.0 billion	¥35.0 billion	¥20.0 billion	¥15.0 billion	¥7.0 billion			