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MARUI GROUP will continue to produce high growth coupled with high returns by increasing recurring revenue.

Accomplishment of Initial Targets for All KPIs

In the fiscal year ended March 31, 2019, the third year of the medium-term management plan, we were able to achieve our initial third-year targets for all KPIs (EPS, ROE, and ROIC). Over this year, we moved forward with the principal strategies of the plan, namely improving the earnings capacity of the Retailing segment through business structure reforms and expanding earnings scale in the FinTech segment. At the same time, our financial strategies for achieving our target balance sheet and capital measures produced benefits. As a result, earnings per share (EPS) increased by 1.6 times over the past three years, to ¥116; return on equity (ROE) rose 3.1 percentage points, to 9.1%; and return on invested capital (ROIC) grew 0.4 percentage point, to 3.7%.

Furthermore, an average annual growth rate of 18% was seen over the past three years for EPS, which reached a record high in the fiscal year ended March 31, 2019, I might add, and the average annual rate of increase in dividends was 31%. In this manner, we have continued to achieve high growth coupled with high returns.

From the perspective of corporate value creation, ROIC exceeded weighted average cost of capital (WACC) in the fiscal year ended March 31, 2017, the first year of the medium-term management plan, leading to a positive economic value added spread. However, our equity spread swung into the positive in the fiscal year ended March 31, 2019, as ROE climbed to 9.1% and cost of shareholders' equity was 6.8% following a decline in the beta value. We are committed to continuously creating corporate value in line with the expectations of our shareholders in the future.

Improvement of Capital Efficiency Not Dependent on the Balance Sheet

To achieve our target balance sheet, we have been working to maintain a sufficient level of financial soundness and efficiency as represented by an equity ratio of approximately 30% and level of interest-bearing debt that is equivalent to around 90% of operating receivables. Meanwhile, operating receivables grew to a degree that exceeded our initial expectations, leading to a similar increase in interest-bearing debt. We sought to curb this increase by liquidating revolving payment receivables from card shopping transactions and cash advance receivables. The amount of liquidated receivables on March 31, 2019, was ¥119.3 billion, representing 17.4% of operating receivables (ratio of liquidation). Operating receivables are expected to continue to increase above the projected levels, and the ratio of liquidation is forecast to reach around 25% by March 31, 2021. Our receivable liquidation scheme has been highly regarded as contributing to debt safety due to it embodying the co-creation of creditability, MARUI GROUP's core value. Accordingly, procurement costs are at low levels on par with those of borrowings from banks or corporate bonds. For this reason, the majority of earnings, such as those from finance charges on revolving transactions, return directly to the Company, enabling us to maintain high profitability without depending on our balance sheet. Our rent guarantee business, which is in the process of expanding the scope of its operations, is also realizing high profitability without depending on its balance sheet through the co-creation of creditability. Looking ahead, MARUI GROUP will pursue further improvements in capital efficiency by proactively expanding businesses with high levels of LTV and low dependence on balance sheets, whether new or existing businesses.

Dramatic Changes in Earnings Structure

Over the period encompassing the previous medium-term management plan, which began with the fiscal year ended March 31, 2015, and the current medium-term management plan, which was launched in the fiscal year ended March 31, 2017, we have proceeded to pursue increases in LTV. These increases were accomplished through various strategies and measures aimed at transforming all flow-type businesses into stock-type businesses, regardless of segment, and at strengthening stock-based businesses. As a result, MARUI GROUP's earnings structure has been transformed dramatically when compared to the fiscal year ended March 31, 2014, prior to the establishment of the previous medium-term management plan. LTV itself is an estimated figure dependent on future predictions. Recurring revenue, however, is an important component of LTV that can be tracked numerically with a relatively high degree of financial accuracy. Recurring revenue is defined as the revenue that is generated on a recurring basis through contracts with customers or business models and includes finance charges on revolving and installment payments and sales floor rent revenues. Accordingly, recurring revenue could be seen as a quantitative measurement of our core value of the co-creation of creditability.

High Growth Coupled with High Returns

The most noteworthy change to MARUI GROUP's earnings structure is large increases in recurring revenue and in the portion of total revenue that it represents. For example, recurring gross profit in the fiscal year ended March 31, 2019, represented 63% of total gross profit, double the level from five years ago. By segment, recurring gross profit accounted for 54% of total gross profit in the Retailing segment and 69% in the FinTech segment, a majority in both segments. On April 1, 2019, contracted recurring revenue, which will translate to revenue in the future, amounted to ¥357.2 billion, 2.6 times higher than the amount of recurring revenue in the fiscal year ended March 31, 2019, and 1.4 times higher than total revenue in this year. One way of measuring corporate value is a methodology using future cash flows. Recurring revenue contributes to higher and more reliable future cash flows. For this reason, the growth in recurring revenue to date could be seen to have made significant contributions to improved corporate value.

Due to these factors, MARUI GROUP's ability to achieve stable profit growth has increased. In addition, we have put forth a policy of raising the consolidated payout ratio to 55% by the fiscal year ending March 31, 2024, while targeting a total return ratio of 70%. I therefore think it is entirely possible that we will be seeing high growth coupled with high returns in the future with EPS growth rates of 10% and average annual dividend increases of 15%.

Tracking of LTV

The completion of the transition to shopping centers and fixed-term rental contracts has granted MARUI GROUP a business structure that enables it to secure consistent earnings. Going forward, the Company will aspire to stabilize LTV while accurately communicating its business value arising from consistent earnings using the concepts of recurring revenue, contracted future recurring revenue, and total addressable market.

⇨ Please refer to "Lifetime Value Management Dramatically Transforming Earnings Structures" on Page 34 and "Co-Creation Credit Expertise" on page 40 for more information.

Recurring Revenue

An important element of LTV, recurring revenue is revenue that is generated on a recurring basis through contracts with customers and business partners. Examples of recurring revenue include rent revenues in the Retailing segment and finance charges on revolving and installment payments and cash advances, rent guarantee revenues, and annual enrollment fees from EPOS card use in the FinTech segment. In the fiscal year ended March 31, 2019, recurring revenue was 2.1 times higher than in the fiscal year ended March 31, 2014, largely as a result of the completion of the transition to shopping centers and fixed-term rental contracts in the Retailing segment. In addition, recurring revenue has been representing an increasingly large portion of total revenue, with the ratio of recurring to total revenue exceeding 50% in the fiscal year ended March 31, 2019, and projected to surpass 55% in the fiscal year ending March 31, 2020. Meanwhile, recurring gross profit accounted for more than 60% of total gross profit in the fiscal year ended March 31, 2019, and was 2.3 times higher than in the fiscal year ended March 31, 2014. The ratio of recurring to total gross profit is expected to climb past 65% in the fiscal year ending March 31, 2020.

Recurring Gross Profit

	FY2014	FY2018	FY2019	% of total	vs. FY2018	vs. FY2014
Retailing (total)	¥5.9 billion	¥34.0 billion	¥41.1 billion	54%	+21%	+595%
Rent revenues, etc.	¥2.0 billion	¥27.1 billion	¥33.6 billion			
Other	¥3.9 billion	¥6.8 billion	¥7.5 billion			
FinTech (total)	¥47.0 billion	¥74.1 billion	¥81.5 billion	69%	+10%	+73%
Finance charges on revolving and installment payments	¥20.7 billion	¥39.0 billion	¥43.5 billion			
Affiliate commissions (Of which, recurring)	¥0.8 billion	¥1.7 billion	¥1.9 billion			
Finance charges on cash advances	¥21.1 billion	¥23.9 billion	¥24.5 billion			
Service revenues	¥3.6 billion	¥8.4 billion	¥10.3 billion			
Other	¥0.9 billion	¥1.2 billion	¥1.3 billion			
Total recurring revenue	¥52.9 billion	¥108.0 billion	¥122.7 billion	63%	+14%	+132%

Note: Calculated as the ratios of segment income and of a figure combining gross profit and selling, general and administrative expenses paid by business partners

Contracted Future Recurring Revenue

Contracted future recurring revenue is an indicator of the earnings promised by contracts with customers and business partners in the given fiscal year and in subsequent fiscal years and is used to measure the stability of earnings. For rent revenues, for example, contracted future recurring revenue is calculated by assessing the future earnings projected based on the remaining number of years in rental contracts. Meanwhile, repayment periods are used for finance charges on revolving and installment payments and cash advances, expiration dates are used for (recurring) affiliate commissions, and the number of remaining years of residency is used for rent guarantees. The completion of the transition to shopping centers and fixed-term rental contracts and the expansion of rent guarantee services in the fiscal year ended March 31, 2019, led to an increase in future anticipated revenue. As a result, the amount of contracted future recurring revenue promised in subsequent fiscal years was ¥357.2 billion, 1.4 times higher than total revenue in the fiscal year ended March 31, 2019.

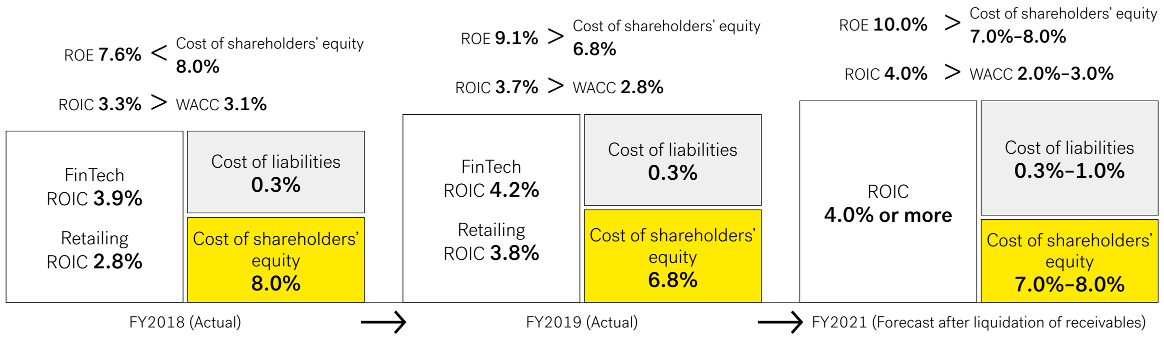
Contracted Future Recurring Revenue

	FY2019	Contracted future recurring revenue to be posted in FY2020 and beyond	vs. FY2019
Recurring revenue	¥137.0 billion	¥357.2 billion	+161%
Retailing	¥48.8 billion	¥90.4 billion	+85%
FinTech	¥88.2 billion	¥266.8 billion	+203%
Non-recurring revenue	¥118.9 billion	—	—
Consolidated revenue + Selling, general and administrative expenses paid by business partners	¥255.9 billion	¥357.2 billion	+40%

Target Balance Sheet

01 POINT Creation of Corporate Value with ROIC Exceeding WACC and ROE Exceeding Cost of Shareholders' Equity

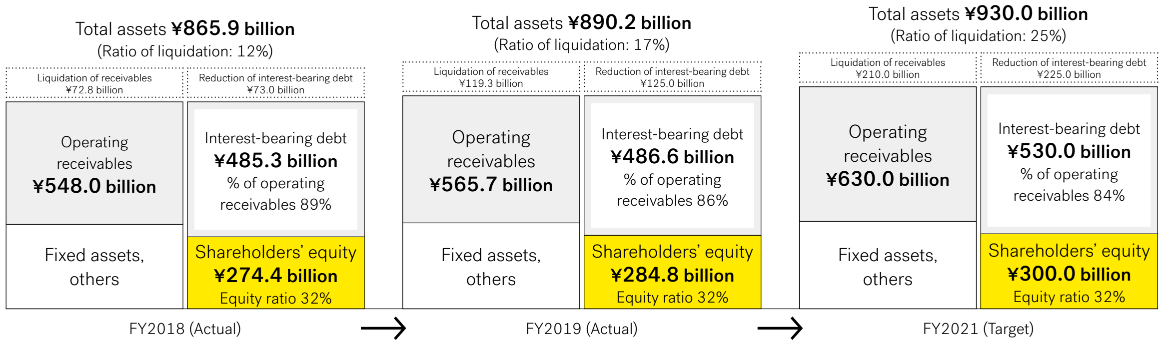
ROE exceeds cost of shareholders' equity for the first time due to improved profit and low cost of capital while ROIC stays consistently above WACC



In the fiscal year ended March 31, 2019, profit growth caused a large increase in ROE, which exceeded cost of shareholders' equity for the first time. Meanwhile, a significant increase in ROIC was achieved in the Retailing segment, resulting in overall ROIC surpassing WACC for the third consecutive year. MARUI GROUP will continue working toward businesses that can achieve high profitability without depending on the balance sheet. To this end, the Company will proactively develop businesses with high LTV to realize further improvements in capital efficiency and achieve the targets of ROE of 10.0% or more and ROIC of 4.0% or more in the fiscal year ending March 31, 2021.

02 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%
Increased fund procurement through liquidation of operating receivables to limit total assets to below ¥1.0 trillion in the fiscal year ending March 31, 2021, and maintain an equity ratio of approximately 30%

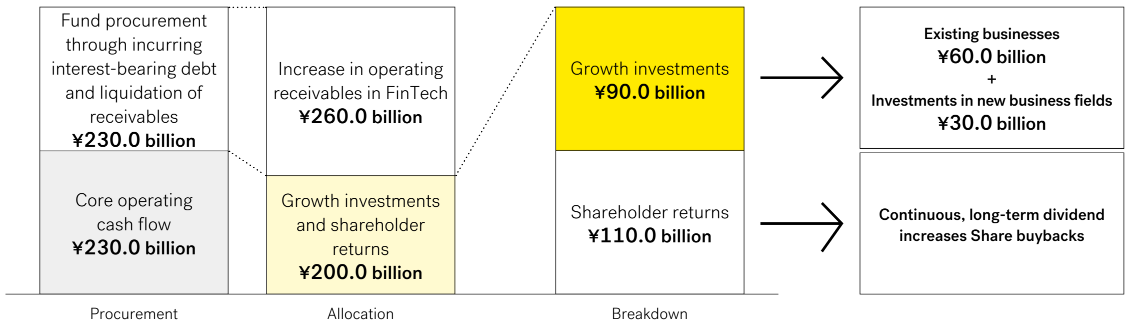


The medium-term management plan slated to conclude with the fiscal year ending March 31, 2021, defines a target balance sheet. Achieving this balance sheet will entail procuring funds through interest-bearing debt in response to increases in operating receivables, seeking a level of interest-bearing debt equivalent to roughly 90% of operating receivables, and maintaining an equity ratio of approximately 30%, deemed ideal.

Growth in the FinTech segment is resulting in levels of operating receivables that exceed initial expectations along with a consequent rise in interest-bearing debt. Faced with the forecast of the equity ratio dipping below 30%, MARUI GROUP responded through systemic fund procurement via the liquidation of operating receivables beginning in the fiscal year ended March 31, 2019. As a result, the ratio of liquidation reached 17% on March 31, 2019, and will be raised to around 25% on March 31, 2021, while net assets are kept below ¥1.0 trillion to maintain the ideal equity ratio of approximately 30%.

03 POINT Cash Flow Forecasts

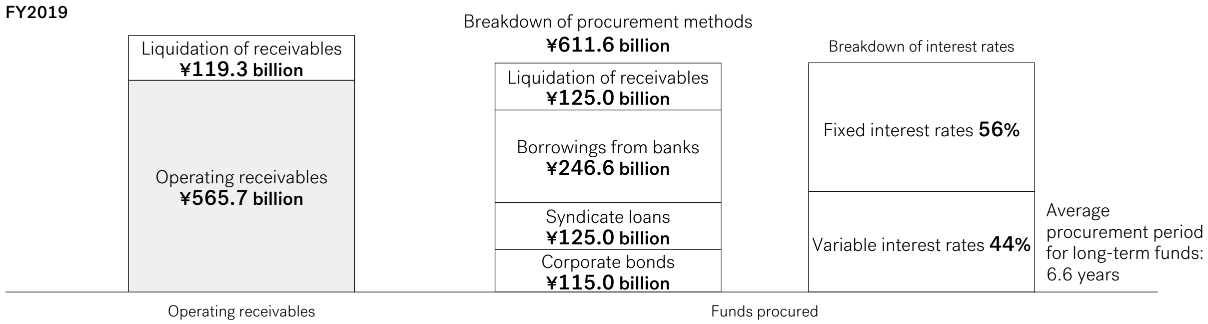
Five-year aggregate core operating cash flow of ¥230.0 billion forecast for period of medium-term management plan (fiscal year ended March 31, 2017–fiscal year ending March 31, 2021)
Allocation of cash flows to growth investments and shareholder returns to achieve ongoing growth and improve capital efficiency



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 through continuous, long-term dividend increases and share buybacks. Investments in new business fields will be conducted steadily over the period leading up to the fiscal year ending March 31, 2023.

04 POINT Response to Fund Procurement Risks and Interest Rate Hikes

Prioritization of safety in response to volatile procurement environment by maintaining consistent repayment levels and establishing backups
Balanced combination of diverse procurement methods and measures to limit risks and procurement costs



The FinTech segment is expected to continue to grow, resulting in ongoing increases in fund procurement. Recognizing the risks presented by the volatile financial market, MARUI GROUP will respond by prioritizing safety and costs.

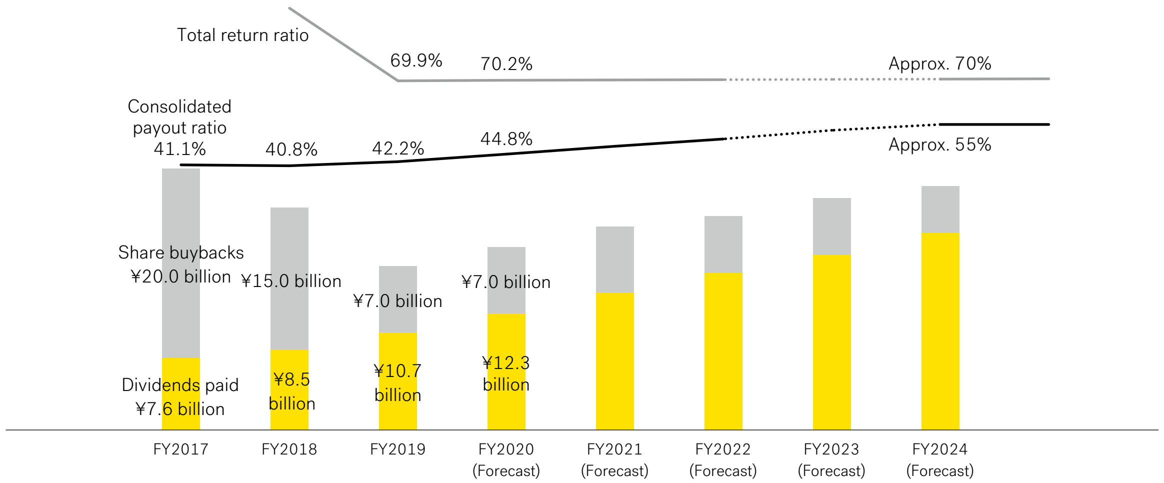
To this end, we will maintain consistent repayment levels while establishing backups, such as commitment lines, to hedge against the risk of not being able to replace repaid borrowings. At the same time, we will diversify the procurement methods we use through a combination of borrowings from banks, syndicate loans, corporate bonds, and liquidation of operating receivables, utilizing these procurement methods in a balanced manner. We will look to have procurement methods with fixed interest rates represent 50%–60% of total debt in order to absorb the impacts of future interest rate hikes and limit procurement costs.

Shareholder Returns and Future Policies

Continuous, Long-Term Dividend Increases

MARUI GROUP is targeting high growth coupled with high returns through ongoing dividend increases in conjunction with long-term growth in EPS. From the current target for the consolidated payout ratio of 40%, we will institute a phased increase toward the target of 55% in the fiscal year ending March 31, 2024, and consistent, long-term increases in dividends will be implemented to achieve these targets. Share buybacks will be implemented targeting a total return ratio of 70% through improved capital efficiency and shareholder returns. Acquired treasury stock will, in principle, be canceled.

Future Shareholder Returns Outlook



Following the completion of the transition to fixed-term rental contracts and shopping centers, recurring gross profit has come to represent more than 60% of total gross profit. Through this stable earnings growth combined with a phased increase in the consolidated payout ratio along with ongoing share buybacks, we will target average annual increases of 10% in EPS and 15% in cash dividends per share to realize high long-term growth coupled with high returns.

Future Dividend Outlook