

October 11, 2023

=BIO-RALが大切にしていること=

Organic
オーガニック

自然の恵みをいかした
農産物や加工品。
私たちはその価値を
お伝えするとともに
いつでも手にできる場を
提供します。

Local
ローカル

私たちは、その土地で
採れた食材を使い、
四季折々の楽しみを
自然の恵みにあふれた
食生活を提供します。

Healthy
ヘルシー

健康な食生活が
健康な暮らしを支えます。
私たちは、体にやさしい
健康食品やヘルシーな
食生活を提供します。

Sustainability
サステナビリティ

環境・社会・経済の
持続可能な発展を
目指し、社会貢献を
推進します。

BIO-RAL
-café-

LIFE CORPORATION

Financial Results Briefing

For the First Half of FY2023

(First Six Months of the Fiscal Year Ending February 29, 2024)

Key points for FY2023 H1 earnings

[Higher Sales and Profit]

- (1) Operating revenue **exceeded ¥400 billion for the first time**
- (2) Gross profit ratio **+0.4P**, SG&A ratio **(0.3)P**
- (3) Net sales/ordinary profit ratio **3.3%**

Successful start of the 7th Medium-Term Plan



- 1. FY2023 First Half (H1) performance overview**
- 2. Our Strengths**
- 3. Initiatives of the 7th Medium-Term Plan**
- 4. Enhancement of information disclosure**
- 5. Full-year forecast for FY2023**



1. FY2023 First Half (H1) performance overview

FY2023 H1 performance overview (consolidated)

(Unit: Millions of yen, %)

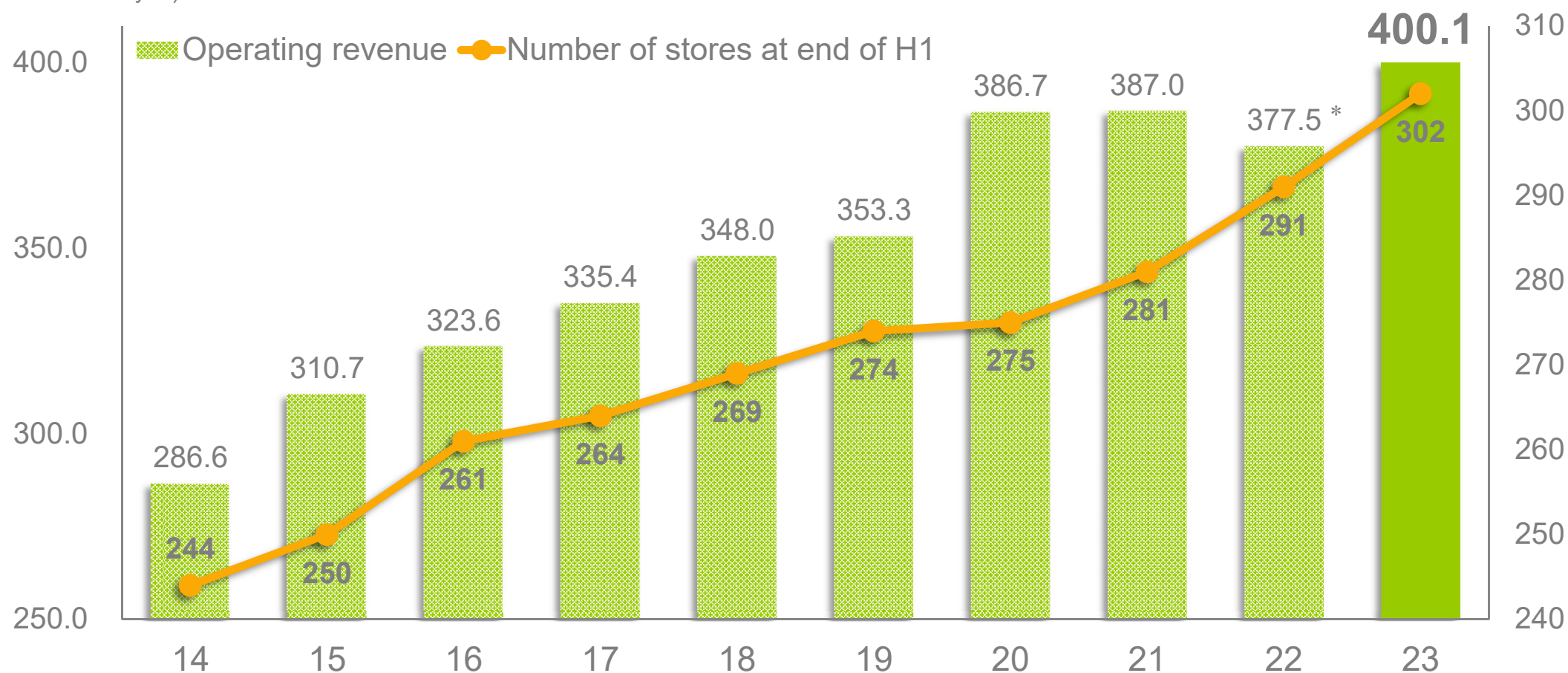
Item	FY2022 H1	FY2023 H1	Change
Operating revenue	377,563	400,148	+6.0%
Net sales	364,251	385,663	+5.9%
Operating profit	8,914	12,410	+39.2%
Ordinary profit	9,331	12,851	+37.7%
Profit	6,412	8,534	+33.1%

Operating revenue trends (H1)

- Operating revenue exceeded **¥400 billion** for the first time
- New stores (11 stores in FY2022, 6 stores in FY2023 H1) and growth of existing stores (YoY net sales **102.6%**) contributed to this

(Unit: Billions of yen)

(Unit: store)



* Application of "Accounting Standard for Revenue Recognition" from FY2022 (operating revenue before application: ¥387.8 billion)

(Fiscal year)

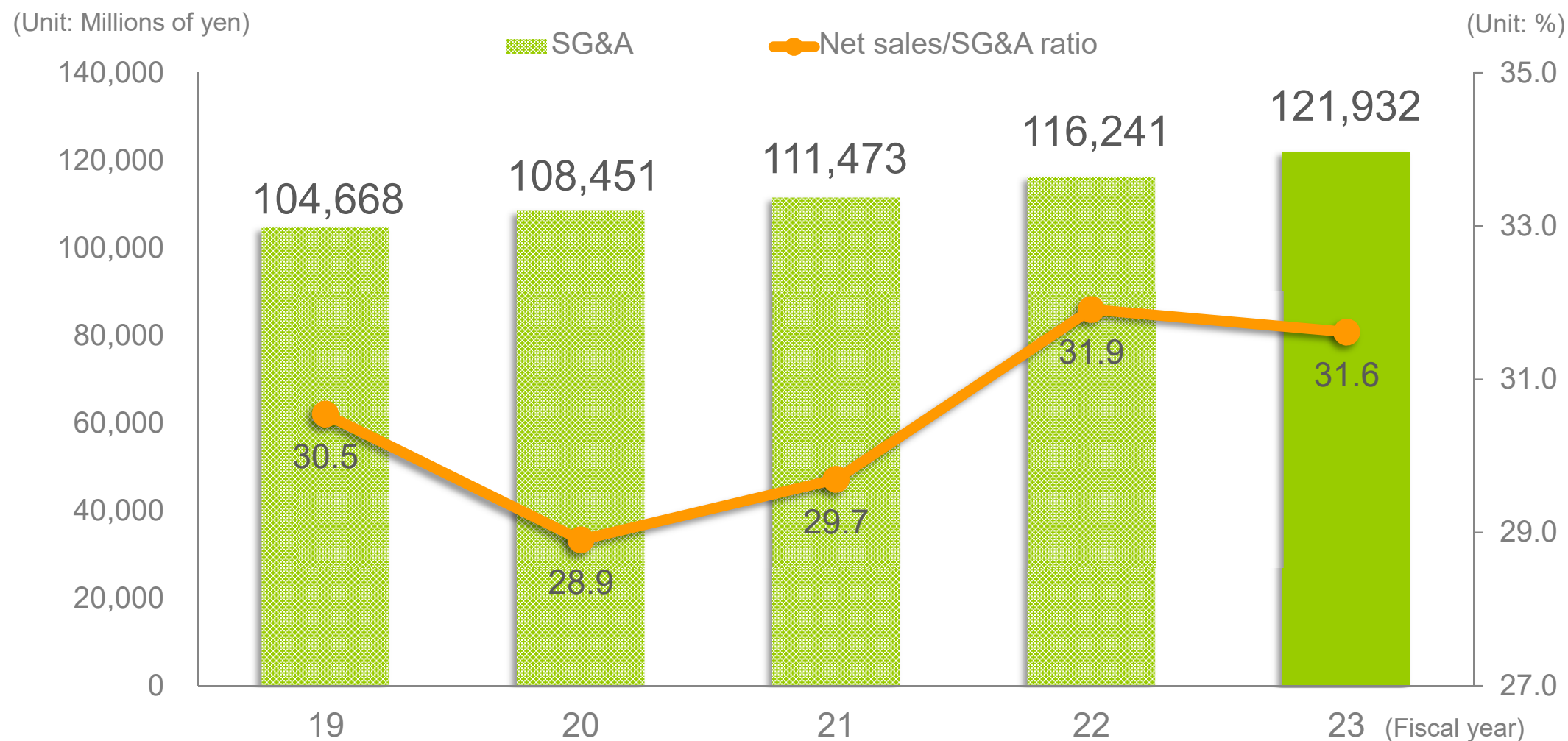
Net sales/gross profit ratio (by division)

- Sales increased mainly in the Process and Daily Department and Delicatessen and Lifestyle Products
- Growth in unique products and appropriate price settings, etc. resulted in **gross profit ratio +0.4P**

Net sales (Unit: Millions of yen, %)				Gross profit ratio (Unit: %, P)	
Department	FY2023 H1			FY2023 H1	
		All stores vs. FY2022	Existing stores vs. FY2022	Gross profit ratio	Change
Food	340,393	106.0	102.6	31.3	+0.4
Agricultural Produce	49,510	103.7	100.5	29.2	±0.0
Marine Products	29,676	104.0	100.3	32.5	+0.9
Meat Products	42,392	104.7	101.2	30.1	+0.2
Delicatessen	45,315	106.5	102.6	55.1	(0.1)
Process and Daily	173,498	107.2	104.0	25.7	+0.7
Lifestyle Products	33,541	105.4	102.9	26.5	+0.2
Apparel	11,728	103.9	102.0	39.0	(0.8)
Total	385,663	105.9	102.6	31.1	+0.4

SG&A [Net sales/SG&A ratio]

- Smaller size leaflets by using online leaflets, and reducing in-store displays to focus on products, and optimizing consumables resulted in SG&A **(0.3)P YoY**

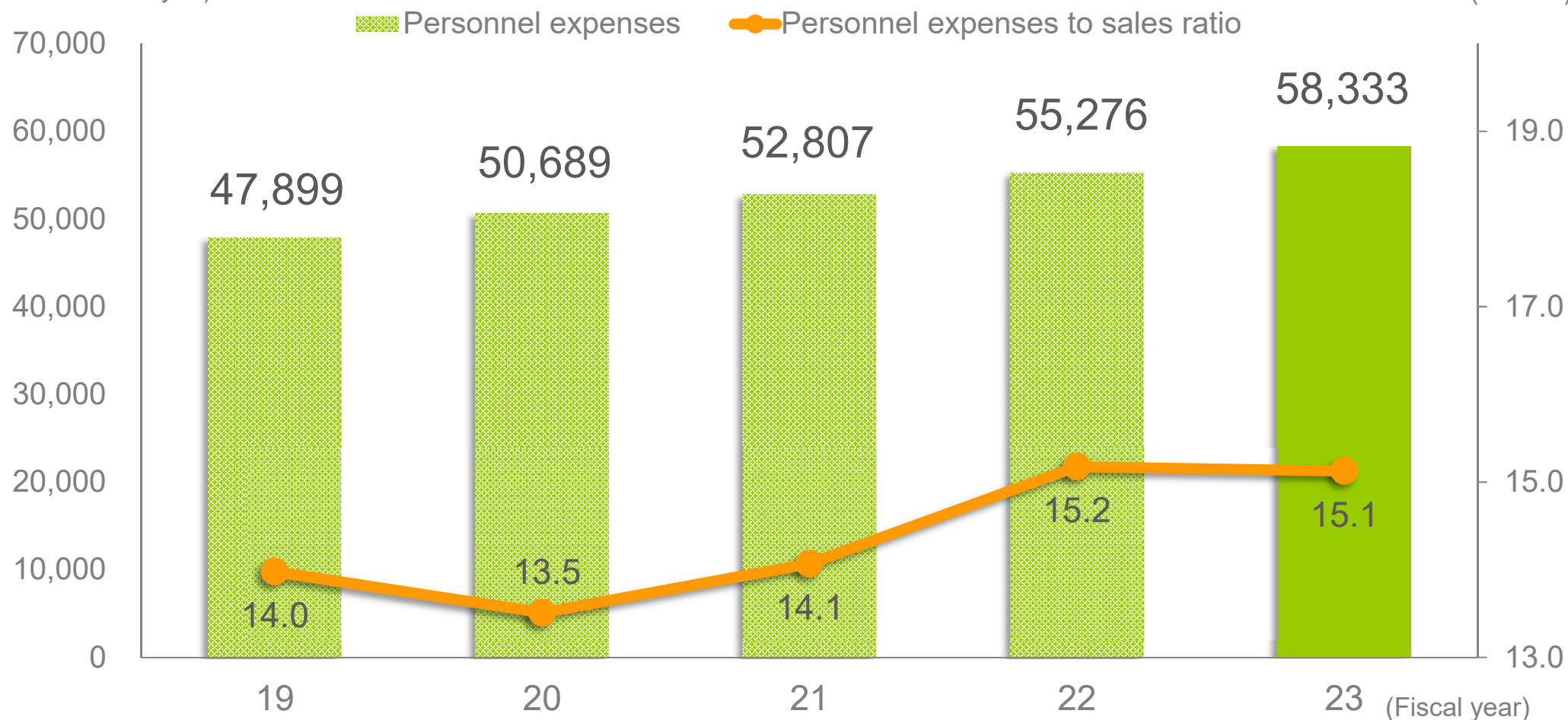


SG&A [personnel expenses]

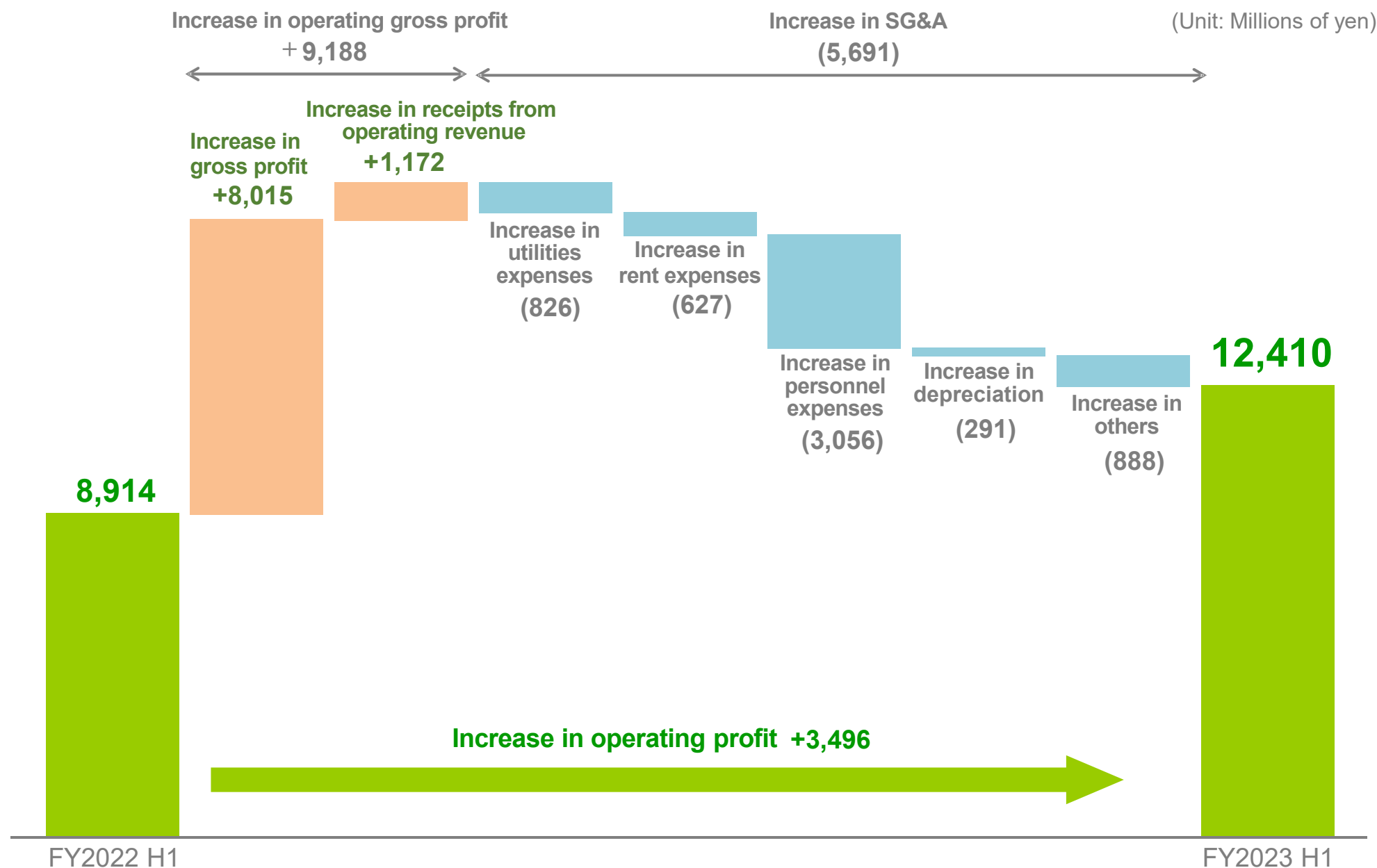
- New hires, pay rises and higher hourly wage to attract skilled personnel, etc. led to personnel expenses +¥3.06 billion (YoY 105.5%). Yet the personnel expenses to sales ratio decreased **to 15.1%**

(Unit: Millions of yen)

(Unit: %)



Factors of changes in operating profit (H1)



Consolidated balance sheet

- Interest-bearing liabilities ¥(19,432) million
- Retained earnings increased, with equity ratio of 46.1%

(Unit: Millions of yen)	End-February, 2023	End-August, 2023	Change
Current assets	80,490	78,620	(1,870)
Cash and deposits	9,727	8,087	(1,639)
Inventories	26,061	27,144	+1,082
Accounts receivable - trade	9,209	10,805	+1,595
Accounts receivable - other	29,664	27,988	(1,676)
Others	5,826	4,594	(1,231)
Non-current assets	200,319	201,053	+733
Property, plant and equipment	155,880	155,778	(102)
Intangible assets	3,218	4,005	+786
Investments and other assets	41,220	41,270	+49
Total assets	280,810	279,673	(1,136)
Total liabilities	158,807	150,728	(8,079)
(Interest-bearing liabilities)	74,170	54,738	(19,432)
Total net assets	122,002	128,945	+6,942
Total liabilities and net assets	280,810	279,673	(1,136)

Consolidated cash flow

- Cash flows from operating activities increased and repayments of interest-bearing liabilities resulted in a decrease in cash flows from financing activities

(Unit: Millions of yen)

	FY2022 H1	FY2023 H1	Change
Cash flows from operating activities	18,037	28,517	+10,480
Cash flows from investing activities	(14,689)	(8,557)	+6,132
Cash flows from financing activities	(5,881)	(21,599)	(15,718)
Cash and cash equivalents at the end of the period	6,875	7,687	+812



2. Our Strengths



Creating stores based on customer feedback (analysis of local needs)

- Customer characteristics **separated into 9 categories** for each store, to analyze purchasing trends and preferences
- Based on around 100,000 notes of customer feedback obtained with surveys and sales data proposed strategies were created for each individual store, and discussed with headquarters before implementation

	Customer Characteristics								
	1	2	3	4	5	6	7	8	9
Store A									
Store B									
Store C									

Store layouts, product lineup, and better prices were achieved to suit local needs



Creating stores based on customer feedback (layout, product lineup)

- Store intentions were implemented before renovations, to change the store layout

[Before]

Oizumigakuen Ekimae
Store



Delicatessen area
before renovation

[After]



- Delicatessen area was moved to the 2F area directly connected to the station, **increasing sales by around 1.6-fold**
- Opened a face-to-face yakitori and tempura section
- Set up a hand-made side-dish section made with ingredients from the Meat Products and Marine Products Departments

Store development (new stores)

- New stores opened as planned: 6 stores (Tokyo region: 4 stores, Osaka region: 2 stores)
- Total stores in Tokyo and Osaka regions: **302 stores**



March Takarazuka Nakayamadera Store



March BIO-RAL PARCO_ya Ueno Store



April Kawasaki Tsukagoshi Store



April Central Square LaLaport Kadoma Store



June Umejima Ekimae Store



June BIO-RAL Ariake Garden Store

Store development (renovation of existing stores)

- Major renovations at **2 stores**, with larger sales areas and face-to-face sections, etc.
- Installed many **new sections** etc. at existing stores

[Major renovations]



April Oizumigakuen Ekimae Store



June Kema Store



[New sections]



Breeze garden section
(apparel: accessories section)



Rye bread section
(in-store bakery)



Product strategy (unique products)

- The commitment to the quality of ingredients and production methods was rated high, winning 2 awards for **“Delicious Items General Election*”**
- Products catering to customer needs are rated highly, like fresh salad made by hand in-store

■ “2nd All-Japan Supermarket Delicious Items General Election”

[**Awarded** in the Delicatessen Category]



Delicious with flying fish stock!
Chunky beef croquette



Inhouse processed meat
steamed dumplings
(made with Satsuma Herb
Mochi Pork)
(Osaka Region)

■ Fresh salad made in-store



Wide range of the highly popular in-store hand-made salad

Products strategy (economical price of products)

- Increased exposure of PB products (Smile LIFE and Star Select) that are economically priced to meet the broad needs of customers
- Available at great value prices that differ to products listed in ordinary leaflets

■ Increased exposure of reasonably priced PB products



■ Everyday Low Price (EDLP) pricing strategy for standard products



EDLP leaflet
(Tokyo Region)



EDLP leaflet
(Osaka Region)

Product strategy (PB products)

- Major growth in reasonably priced PB products (Smile LIFE and Star Select) and BIO-RAL
- Won two awards in the “2nd All-Japan Supermarket Delicious Items General Election”

■ Winning products

[Commitment to
Quality Category]
Special Award





BIO-RAL
Potato chips made
without chemical
seasoning
lightly salted flavor



[Sweets Category]
Awarded prize

LIFE PREMIUM
Milk cream puff
(Tokyo Region)



	Private brand name	Net sales (Unit: Millions of yen)	YoY (%)	Sales composition (%)	Number of items
	Smile Life	23,057	104.5	6.0	799
	LIFE PREMIUM	3,692	99.3	1.0	160
	BIO-RAL	3,344	137.3	0.9	331
	Star select	6,059	110.0	1.6	211
	Total	36,151	107.2	9.4	1,501

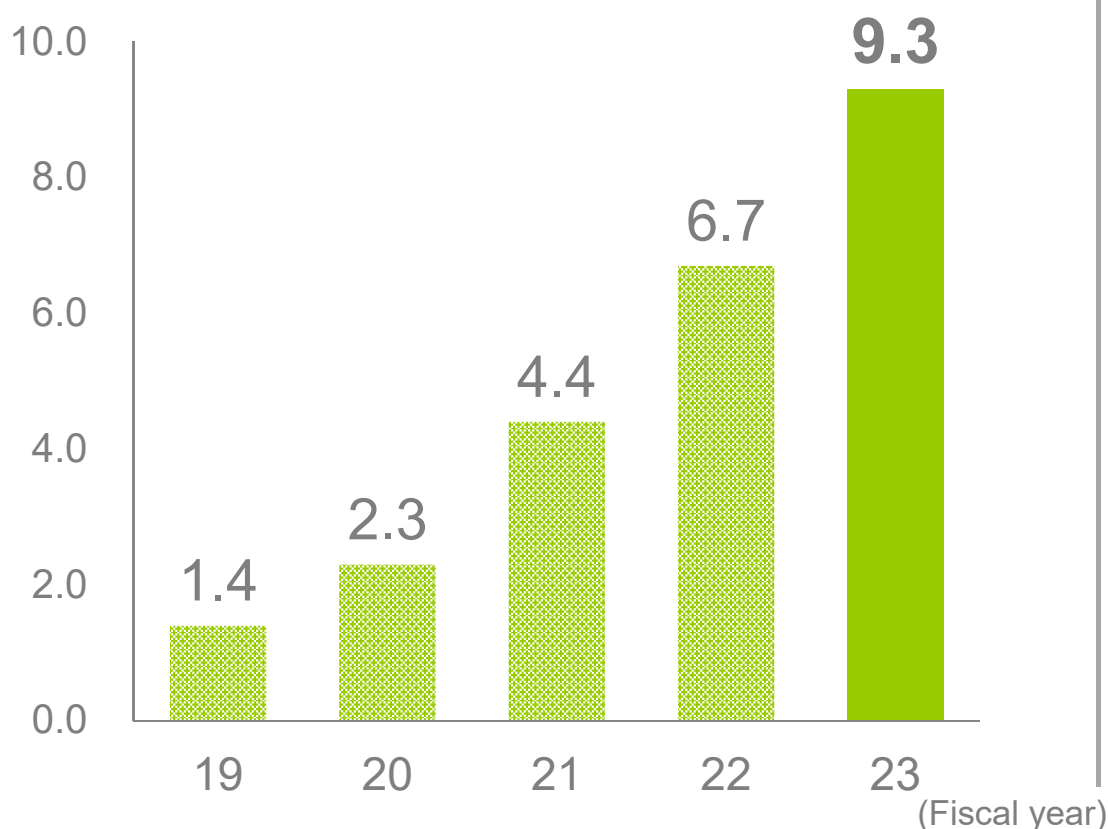
Online supermarkets

- Net sales **¥9.3 billion** (YoY 139.9%)
- Simultaneously expanded areas, enhanced delivery quality and optimized costs

■ Online supermarket net sales trends

■ Initiatives

(Unit: Billions of yen)



[Growth in net sales]

- Increased delivery areas
- Promoted use
- Enhanced customer service like delivery quality

[Cost optimizations]

- More efficient deliveries by leveraging network of dominant stores
- More efficient picking work

Infrastructure functions that assist sales (process center)

- [“Ultra” thinly sliced meat] by introducing special equipment, and [Single hot pot] using our own ingredients significantly contributed to product appeal

■ “Ultra” thinly sliced meat



- Cut thinly at 1.2 mm for a fluffy texture and soft taste
- Ideal for hot pots and shabu-shabu dishes

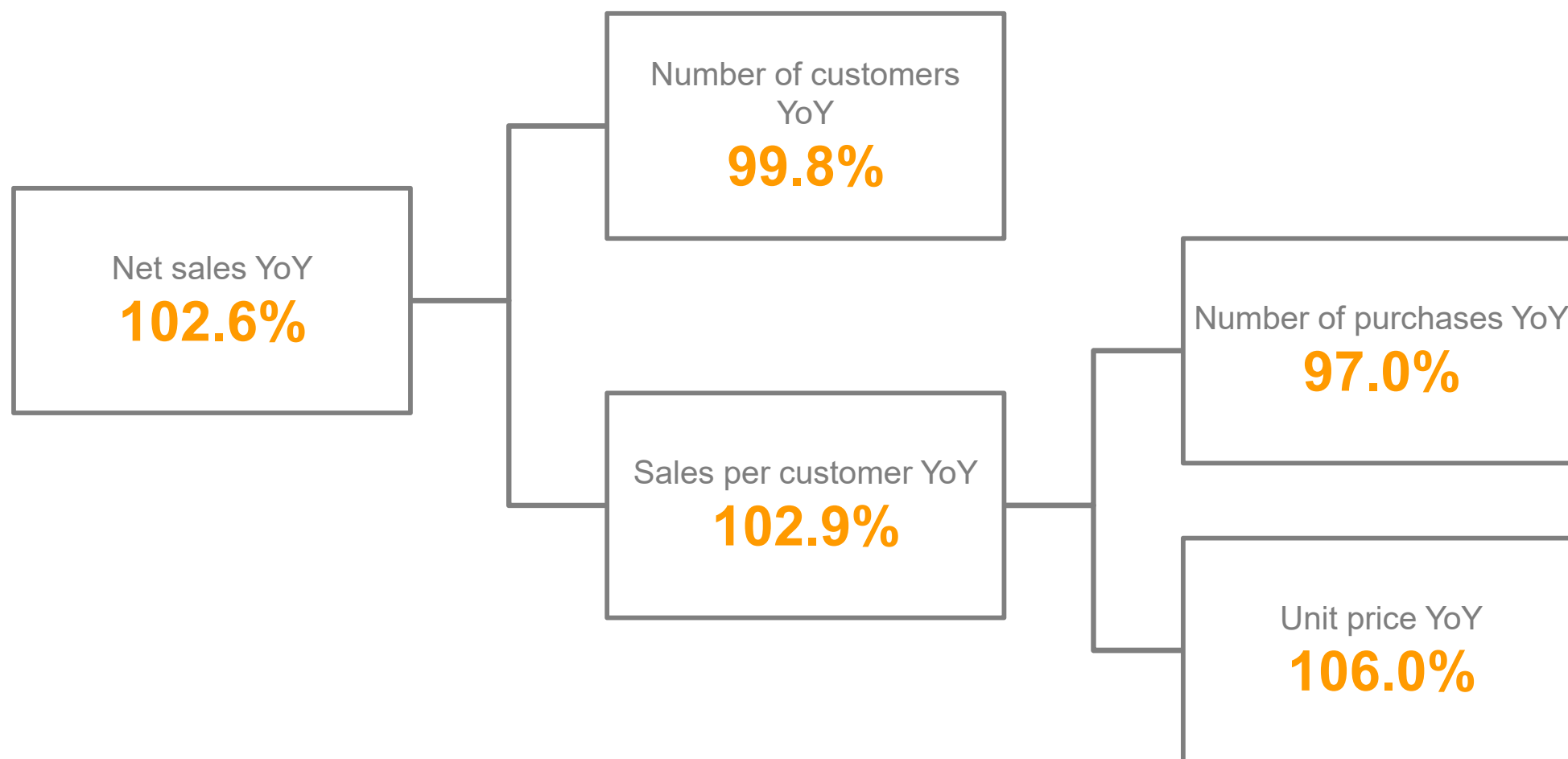
■ LIFE’s unique [Single hot pot (Osaka Region)]



- Made using fresh meat and vegetables processed at our centers
- In-house produced soup matches perfectly with ingredients

Sales-related indicators for existing stores

- **Unit price increased** due to increased sales of value-added products and appropriate price settings, contributing to increased net sales
- All stores in the Osaka Region closed for one day when Typhoon Lan (seventh named storm) struck (in August), so the number of customers YoY was 99.8%





3. Initiatives of the 7th Medium-Term Plan



Investment in employees

- **Moving ahead with workplace development with the aim of becoming a company that helps achieve employee growth**, including level-specific training and increasing use of educational tools using videos. A **Smile Workshop** is planned to be held in October to share success stories of initiatives taken voluntarily by employees during the first half

[Level-specific training]

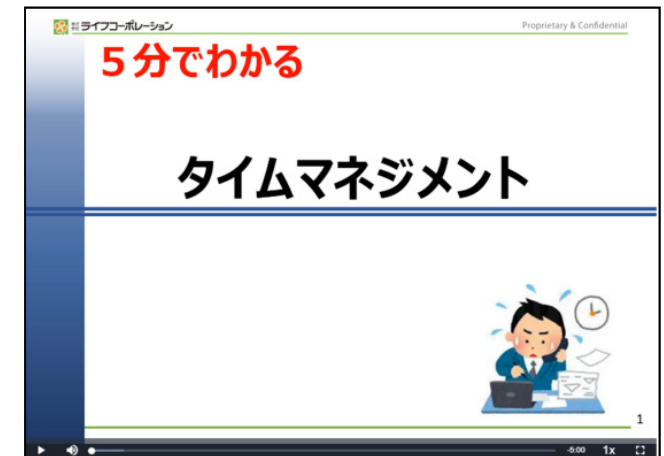


Store training class
(for store managers)



2nd year training
(Marine Products Department,
company-wide)

[Extensive educational videos]



Skills training tool can be viewed easily at stores

Breaking away from the homogeneous competition (development of BIO-RAL brand)

- Opened BIO-RAL Ariake Garden Store in June
- The large BIO-RAL cafe is attached to the store, with menus of items made using products on sale, giving customers the opportunity to **experience the BIO-RAL outlook**



Large 50-seat BIO-RAL cafe attached to store



[Choice of Deli Plate]
• Menus using products on sale

- [Shop]
- Largest product lineup in Tokyo Region, with around 5,000 items available



Breaking away from the homogeneous competition (updated LIFE app for customers)

- The LIFE app is a key tool to achieve business model reform, and was updated at the end of July
- In addition to better usability, it provides more accurate marketing based on purchasing data



[Active monthly users]

Approx. 650,000
as of end of August

[Features]

- (1) Provides better information based on customer's purchasing behavior
- (2) Includes a scanless coupon function

Breaking away from the homogeneous competition (increased use of online leaflets and social media)

- Released online leaflets to diversity ways customers can obtain information, and ran a campaign to collect customer feedback

■ Online-only leaflets



Online-only
BIO-RAL NEWS

■ Distribute information via social media



BIO-RAL five fundamental seasonings
Feedback campaign



Facebook

Contribution towards the realization of a sustainable and flourishing society (environment)

- Development of product using pineapple cores generated at our plant
- Plastic bottles for PB products changed to recycled plastic bottles

[Food upcycling]



Pineapple cores that had been “food residue” is being upcycled as dried fruit

[Bottle to Bottle]



5 million PB tea and water products are sold every year, and recycled PET resin is used for the plastic bottles

Contribution towards the realization of a sustainable and flourishing society (society)

- Increased donations to children's cafeterias help with social contribution in local communities and reduces food waste
- Held "LIFE Sustainability Tours" to learn about energy-saving initiatives and resource recycling

[Increasing products donations to children's cafeterias]



[LIFE Sustainability Tour]

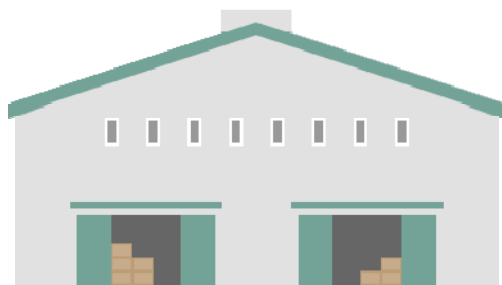


Contribution towards the realization of a sustainable and flourishing society (society)

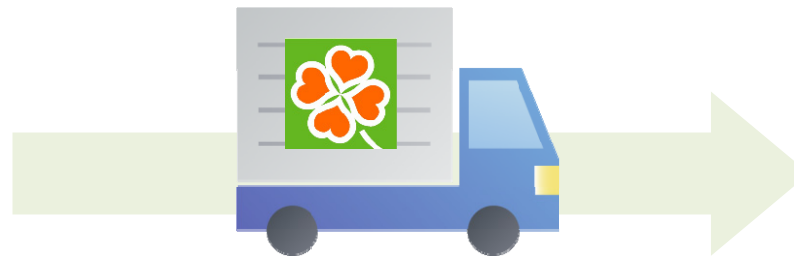
- Began initiatives from May to increase efficiency between our distribution centers and stores, to deal with the 'logistics 2024 problem'
- Revised delivery system with highest priority on store operations

[Initiatives implemented between LIFE distribution centers and stores]

- Increased turnover efficiency of trucks → reduce number of trucks and equalization of volume
- Reduced standby time → reduce driver working hours



LIFE distribution center



Store

Contribution towards the realization of a sustainable and flourishing society (society)

- Launched Tokyo Region Supermarket Logistics Study Group in March
- Began initiatives for sustainable logistics at 6 supermarkets in the Tokyo Region

[Initiatives]

Implemented with each company's distribution center and manufacturers, etc.

- Revise order time of standard products
- Ensure sufficient lead time for orders and deliveries of bargain products
- Alleviate delivery deadlines (adopt 1/2 rule)
- Streamline operations with logistics BMS



Manufacturers, etc.



Each company's distribution center

[Supply Chain Innovation Award 2023]

Received Excellence Award



Contribution towards the realization of a sustainable and flourishing society (diversity)

- Received two awards at “FY2022 Disabled Person Evaluations and Commemoration” run by the Osaka Career Support & Talent Enhancement Plaza
- The ratio of female managers was 10%, with the aim of reaching 20% by FY2030

Received certificates of appreciation with “Award for Contributing to Human Resources Development and Training” and “Award for Employment Matching”



[Ratio of female managers]

10.3% as of end of August

[Percentage of male employees taking childcare-related leave]

86.6% First half results

[Ratio of employees with disabilities]

3.4% as of end of August

Energy-saving initiatives (electronic shelf labels)

- Contributed significantly to increased productivity. Began efforts to install labels at all stores in the Osaka Region.

[Installation progress]

- **Completed at almost all stores in the** Tokyo Region
- After a trial in the Osaka Region, installation is planned at **around 30 stores in H2**
→ subsequently planned to be installed at all stores

[Effects]

- **Reduces effort for changing POP (reduces POP for 10,000 or more items per store)**
- Reduces expenses related to POP paper and promotional materials
- System linkage assists with **stocking and expiry date management**

Energy-saving initiatives (AI ordering)

- Shift to 2nd phase of AI ordering. Gradually expand to the Fresh Produce Department (some categories)

[Installation progress]

- Used in the Food Department (daily food) of all stores in FY2021
- **Will begin trial in the Fresh Produce Departments** from FY2023, based on data accumulated from installation
- [Effects]
- **Daily food: reduces ordering time (400,000 hours/year → 200,000 hours/year)**
- Fresh Produce Departments: aiming to reduce ordering time by 100,000 hours/year
→ use the part of saved time to increase profitability and enhance sales area levels



4. Enhancement of information disclosure

Publish Integrated Report 2023

- “Integrated Report 2023” was released in August
- Includes more non-financial information**, like providing details of local focused management used at stores





7th Medium-Term Plan and Video Message by President

- Video on company strengths and the 7th Medium-Term Plan released by management in August





5. Full-year forecast for FY2023

Full-year forecast for FY2023 (consolidated)

- No change in forecast, after factoring in the increase in personnel expenses and relocation of Tokyo Headquarters

(Unit: Millions of yen, %)

	Full-year FY2022	Full-year FY2023	Amount of Change	Rate of Change
Operating revenue	765,426	801,000	+35,574	+4.6
Net sales	738,494	772,000	+33,506	+4.5
Operating profit	19,148	19,800	+652	+3.4
Ordinary profit	20,015	20,500	+485	+2.4
Profit	13,327	13,500	+173	+1.3



Relocation of Tokyo Headquarters

- The Tokyo Headquarters will be (planned) relocated to Shinagawa Ward in February 2024
- The move maintains the convenient access by public transport, and will improve working style efficiency and productivity



[Planned relocation site]

Shinagawa Seaside TS Tower

Investment plan

- Revise investment timing of IT and digital systems

(Unit: Millions of yen)

	FY2023 H1		Full-year FY2023 (plan)			
			Plan	Initial plan	Change	Notes
New stores	5,276	6 new stores, etc.	10,800	8,700	+2,100	New stores after FY2024, etc. (new stores in FY2023 are as planned)
Renovations	1,078	2 major store renovations	2,900	2,600	+300	—
IT and digital systems	1,725	Expanding use of electrical price tags Cash register-related equipment, etc.	5,400	6,400	(1,000)	Revision of investment timing, etc.
Process center	546	Production facilities, etc.	1,100	1,000	+100	—
Others (expensive equipment, major repairs, etc.)	856	Existing store facilities, etc.	3,600	3,700	(100)	—
Total	9,481		23,800	22,400	+1,400	

