

# **Key points for FY2024 H1 earnings**

- (1) Operating revenue in the first half reached a record high of ¥421.8 billion

  Net sales exceeded ¥400 billion mark for the first time
- (2) Although personnel expenses have risen, the net sales/SG&A ratio has been flat, falling by 0.1P compared to previous year
- (3) Ordinary profit reached ¥12.7 billion, exceeding plans

Profit reached ¥8.9 billion (¥0.37 million increase YoY), the second highest profit recorded in FY2020 and FY2021 during the COVID-19 pandemic

- 1. Performance overview
- 2. FY2024 First Half (H1) initiatives
- 3. Progress of the 7th Medium-Term Plan
- 4. Topics
- 5. Full-year forecast for FY2024

# 1. Performance overview

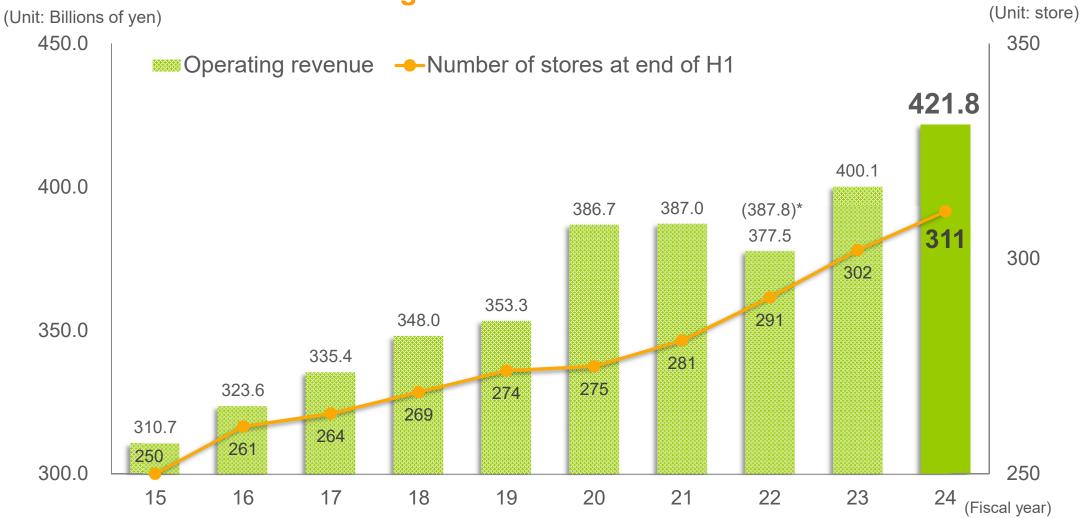
## Consolidated performance overview (H1)

(Unit: Millions of yen, %)

	FY2023 H1	FY2024 H1	Change	Rate of Change
Operating revenue	400,148	421,885	+21,737	+5.4
Net sales	385,663	406,199	+20,535	+5.3
Operating profit	12,410	12,232	(178)	(1.4)
Ordinary profit	12,851	12,706	(145)	(1.1)
Profit	8,534	8,914	+379	+4.4

# **Operating revenue trends (H1)**

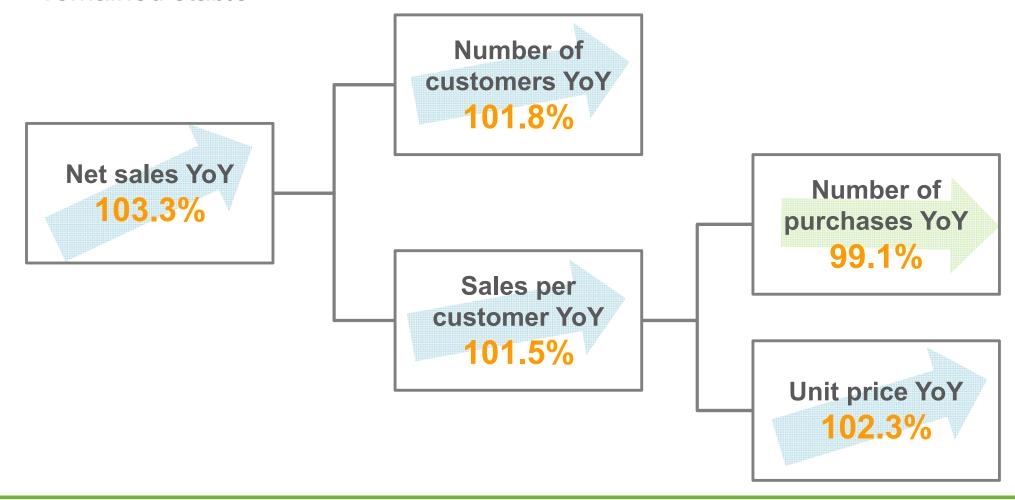
- Operating revenue reached a record high of ¥421.8 billion
- New stores (8 stores), growth of existing stores (YoY net sales 103.3%),
   and net sales exceeding ¥400 billion for the first time



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

## Sales-related indicators for existing stores (H1)

- The number of customers rose YoY due to the expansion of our lineup of unique products and the appeal of the affordable prices
- Unit prices have been settling down in comparison to FY2023, but have remained stable



#### (Reference) Trends in sales-related indicators for existing stores

(before application of Accounting Standard for Revenue Recognition)

The YoY ratio of the number of customers has exceeded 100% for 12 continuous months



## Net sales/gross profit ratio (H1)

- Sales growth was driven by departments such as Agricultural Produce, Process and Daily, and Delicatessen
- Although the affordable price of products was appealed as planned, factors such as rising costs for meat products impacted the gross profit ratio

		Net sales (Unit: Millions of yen, %)			Gross profit ratio (Unit: %, P)	
			FY2024 H1		FY2024 H1	
	Department		All stores YoY	Existing stores YoY	Gross profit ratio	Change
Foo	od	360,083	105.8	103.6	30.8	(0.4)
	Agricultural Produce	53,358	107.8	105.6	29.1	(0.2)
	Marine Products	31,117	104.9	102.8	33.0	+0.5
	Meat Products	44,356	104.6	102.5	27.9	(2.2)
	Delicatessen	47,953	105.8	103.2	54.6	(0.5)
	Process and Daily	183,296	105.6	103.5	25.5	(0.2)
Nor	n-food	46,115	101.9	100.9	29.5	(0.2)
	Lifestyle Products	34,652	103.3	102.1	26.3	(0.2)
	Apparel	11,463	97.7	97.6	39.1	+0.2
	Total	406,199	105.3	103.3	30.7	(0.4)

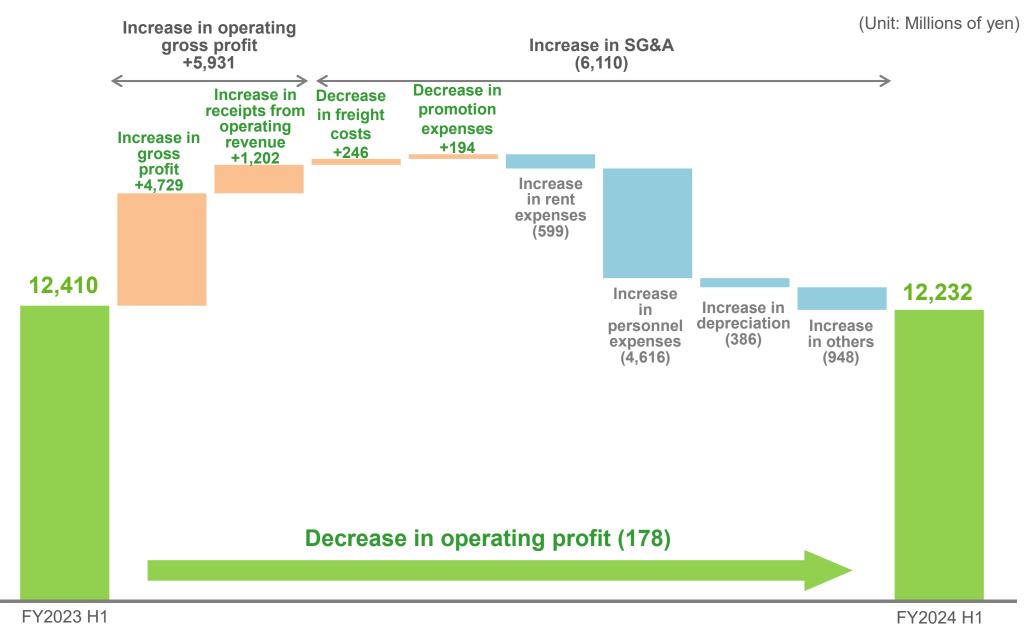
# **SG&A (H1)**

 Although personnel expenses rose due to investment in employees, such as improved compensation and the promotion of direct hiring by process centers, we worked to optimize non-personnel expenses, causing the net sales/SG&A ratio to fall by 0.1P YoY

Utilities expenses were ¥6.7 billion (YoY 100.3%)



# Factors of changes in operating profit (H1)



### **Consolidated balance sheet**

(Unit: Millions of yen)

		End-February, 2024	End-August, 2024	Change
Tot	al current assets	82,849	111,201	+28,352
	Cash and deposits	8,606	28,973	+20,366
	Inventories	28,173	28,109	(64)
	Accounts receivable - trade	9,560	18,399	+8,839
	Accounts receivable - other	32,072	32,170	+98
	Others	4,436	3,549	(886)
Tot	al non-current assets	204,297	205,770	+1,472
	Property, plant and equipment	156,315	158,025	+1,710
	Intangible assets	5,484	5,488	+3
	Investments and other assets	42,497	42,256	(241)
	Total assets	287,146	316,971	+29,825
Tot	al liabilities	150,290	173,498	+23,208
	Interest-bearing liabilities	53,094	29,960	(23,134)
Tot	al net assets	136,855	143,473	+6,617
Т	otal liabilities and net assets	287,146	316,971	+29,825

#### **Consolidated cash flow**

(Unit: Millions of yen)

	FY2023 H1	FY2024 H1	Change
Cash flows from operating activities	28,517	56,447	+27,929
Cash flows from investing activities	(8,557)	(10,347)	(1,789)
Cash flows from financing activities	(21,599)	(25,733)	(4,133)
Cash and cash equivalents at end of period	7,687	28,573	+20,885

# 2. FY2024 First Half (H1) initiatives

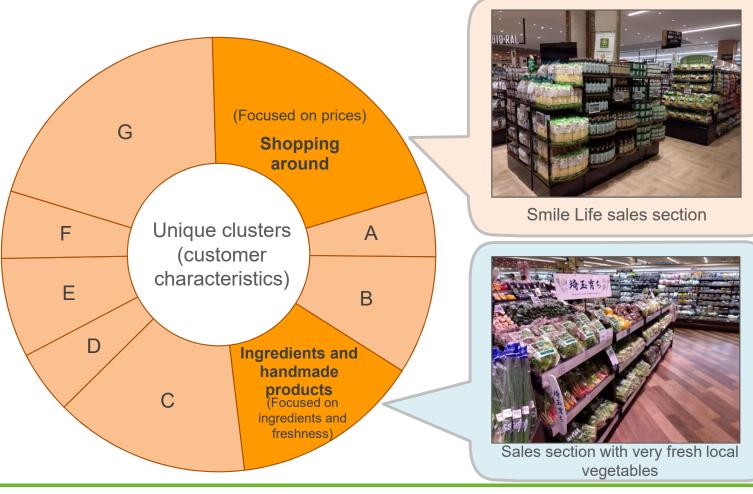
### Store development (new stores)

- 8 new stores were opened in H1 (6 LIFE stores and 2 BIO-RAL stores)
- Layouts and product lineups were decided based on local needs identified through studies performed in advance

#### SoCoLa Tokorozawa Store



[Before opening]
Performed studies
of local needs



# Store development (new stores)

#### **BIO-RAL Kunitachi Ekimae Store**

#### [Features]

- Prepared foods
- Focus on quality

# BEORGE TO THE STATE OF THE STAT

Salads and side-dishes made from select ingredients and sold by weight

Net sales vs. planned net sales (from March to August)



High quality PB products

180%

#### **Ikebukuro Sanchome Store**

#### [Features]

- People living alone account for a large share of customers
  - Prepared foods





Placement of the high-demand delicatessen sales section near the entrance

Sales composition of delicatessen compared to avg. of all stores (from March to August)

+5.5P

# Store development (renovation of existing stores) Existing store renovations were performed as planned (H1: 2 stores)

Existing store renovations were performed as planned (H1: 2 stores)
 Carried out respective renovations with differing content based on local needs

#### **Minamitsumori Store**



- Increased product lineup by +4,000 products
- Renovated lifestyle products and apparel sales section
   Reinforced one-stop shopping design

#### Nishikujo Store



- Newly introduced "Komugi-no-Sato" (bakery)
- Created new pharmaceutical sales section

# Product strategy (unique products development)

- Expanded lineup of unique frozen foods to meet customer needs
- Went beyond processed foods to also take on the challenge of frozen bread from Komugi-no-Sato

#### Expanded lineup of unique frozen foods



Extensive lineup of frozen breads

Frozen pizza made by flashfreezing freshly baked pizza, sealing in its delicious flavor





Frozen foods with a focus on ingredient selection

[Popular breads and pizzas from the "Komugi-no-Sato" bakery]

[BIO-RAL]

# **Product strategy (PB products)**

- Used our in-house app to carry out new initiatives to improve recognition
- The net sales composition ratio of all four brands combined reached a record high of 9.9% (net sales of ¥4.0 billion)
- Shared posts of ranking project through app







Original recipe videos using PB products





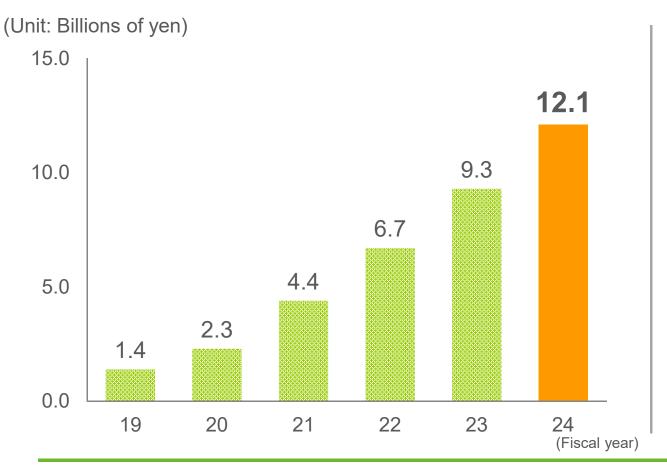
- Results from FY2024 H1
- \* Due to product category changes, figures for FY2023 H1 have been revised so that they can be compared for the same categories as FY2024 H1

	Private brand name	Net sales (Millions of yen)	YoY(%)*	Sales composition (%)	Number of items
27111517	Smile Life	25,918	112.0	6.4	814
LIFE SPREMIUM	LIFE PREMIUM	3,806	103.0	0.9	154
BIO-RAL	BIO-RAL	4,451	133.0	1.1	382
starselect	star select	6,144	101.4	1.5	224
	Total	40,320	111.3	9.9	1,574

### Online supermarkets (H1 net sales)

- Net sales rose, led by the growth of existing stores, reaching a record high of ¥12.1 billion (130% YoY)
- We have maintained high delivery efficiency by leveraging dominant stores and expect to achieve further expansion
  - Online supermarket net sales trends in H1

■ Topics



LIFE online supermarket on Amazon

# Increased number of supported accounts

\*It is now possible for all customers with Amazon.co.jp accounts who live in supported areas to use the online supermarket.



### **Productivity improvement efforts**

Actively engaging in ongoing investment aimed at improving productivity, primarily focusing on stores

Expanded installation of full self-checkout registers\*





\* Checkout registers where customers handle product scanning and payment entirely on their own

Increased installation of fixtures that improve productivity





[Mobile fixtures]

[Sales area stock shelves]

Expanded use of electronic shelf labels

Tokyo Region: installed at all stores Osaka Region: installed at 69 stores

(+35 stores in H1)

Ongoing investment with aim of installation at all stores

Net sales per employee\*

YoY 103.8%

#### **Greater than increase in unit price**

\* Net sales ÷ number of employees (calculating part-time employees as working 8 hours)

# 3. Progress of the 7th Medium-Term Plan

### Overview of 7th Medium-Term Plan (no changes to plan)

7th Medium-Term Plan for FY2023 to FY2026

#### **Corporate Philosophy**

Through "reliable management with noble aspirations," contribute towards the realization of a sustainable and flourishing society.

Corporate Philosophy

Vision

True to LIFE Declaration

LIFE Pledge
LIFE Code of Conduct

#### **Corporate Culture**

- Think and act from the customer's point of view
- Employee teamwork challenging spirit
- •A sense of mission to support local lifelines

#### The 7th Medium-Term Plan Main Themes

Investment in employees

Employee growth / ES improvement

Breaking away from the homogeneous competition

Full lineup of attractive products unique to LIFE

Attractive real stores
Realize a convenient online environment

Contribution towards the realization of a sustainable and flourishing society

Create economic value/social value/ environmental value

Linking the circle of Kaizen activities

A company that everyone says, "It's my supermarket"

### What we want to be in FY2030 (no change from plan)

#### [Qualitative target]

Become a company that everyone says,

"It's my supermarket," as a community-based supermarket

#### [Quantitative targets]

#### **Financial**

Item	Target
Net sales	¥1 trillion
Ordinary profit	¥35.0 billion
Profit	¥22.0 billion
Number of stores	400 stores

#### Non-financial

Item	Target
CO <sub>2</sub> emissions (Scope 1 and 2)	50% reduction (compared with FY2013)
Amount of food loss*	50% reduction (compared with FY2017)
Employee satisfaction (ES)	4.0 (5.0 maximum)
Ratio of female managers	20% (ratio within management positions)
Percentage of male employees taking childcare leave	100%

<sup>\*</sup> Final food waste per unit of net sales

# Investment in employees (improvement of compensation, promotion of diversity)

 Aim to improve both workplace comfort and motivation with the aim to achieve an employee satisfaction score of 4.0 In FY2024, we have implemented measures such as pay rises and relaxing clothing and appearance rules

#### Pay rises

Full-time employees

Approx. 5%

Part-time employees

Approx. 6%

- We have continued to implement pay rises as part of our investment in employees
- Taking the rising price of goods into consideration, in FY2024 we raised pay by a greater margin than ever before
- We support the active use of "wage wall and support packages" and promote greater workstyle diversity

#### Relaxing clothing and appearance rules for employees



Hair color / hairstyles

Free

Hair accessories

**Allowed** 

\* Some rules based on safety and hygiene standards apply to personnel involved in food processing

# Breaking away from the homogeneous competition (deeper connections with customers)

- We have created new social media accounts and promoted active sharing of information
- We are working to deepen connections with customers and turn them into fans and supporters



Sharing the thoughts and feelings of our employees







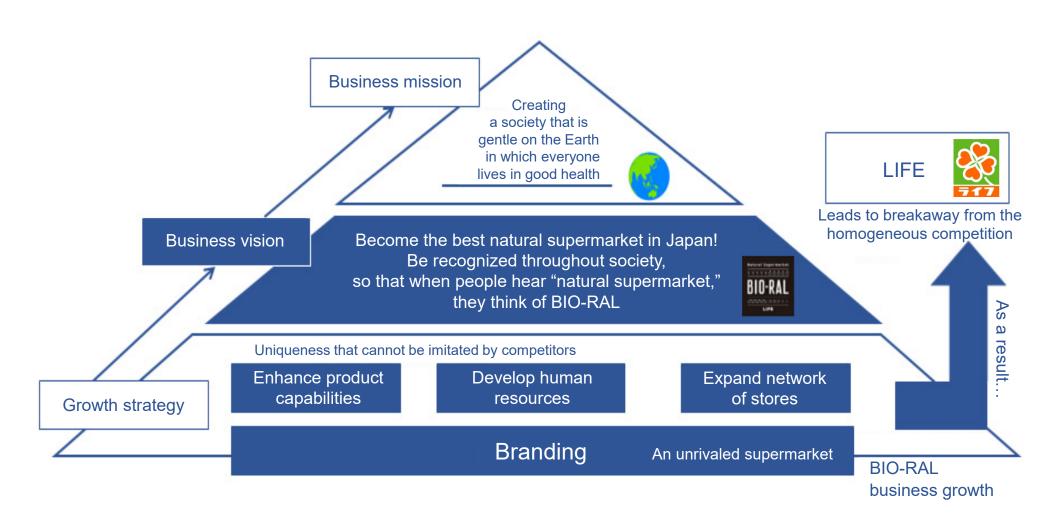
Introducing store-specific products





# Breaking away from the homogeneous competition (overall vision of BIO-RAL business)

 We always keep in mind our business mission (our unwavering core beliefs) as we aim to achieve further business growth



# Breaking away from the homogeneous competition (BIO-RAL's business mission)

### Business mission (our unwavering core beliefs)

"Gentle on the Earth, Gentle on People"

# "Create a society that is gentle on the Earth in which everyone lives in good health"

Our four concepts of [Organic / Local / Healthy / Sustainability] are our unwavering core beliefs



#### Organic

自然の恵みをいかした 農作物や加工品。 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

私たちは、その土地で 培われたおいしさ、 四季折々の実りに感謝し、 自然の摂理に合った 食生活を提案します。

#### **Healthy**

A 11.57

健康的な食生活が 健全な体と心を育みます。 私たちは、体にやさしい 商品の品ぞろえや 開発にも取り組みます。

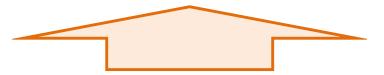
#### Sustainability

サステナビリティ

自然の恵みをこどもの代まで 受け継いでいくために、 循環型社会の実現、 地球環境保持を目指します。

# Breaking away from the homogeneous competition (achieving our Corporate Philosophy through BIO-RAL)

Through "reliable management with noble aspirations," contribute towards the realization of a sustainable and flourishing society.



The concepts of the BIO-RAL business is selling products that use as little pesticides, chemical fertilizers, food additives, and other chemicals as possible to support the healthy living of our customers and achieve an eco-friendly and sustainable society!

# Breaking away from the homogeneous competition (business plans for BIO-RAL)

• Expand business based on the four pillars of (1) enhancing product capabilities, (2) developing human resources, (3) expanding network of stores, and (4) branding

BIO-RAL FY2030 Targets for BIO-RAL Business		
Net sales	¥40.0 billion	
Number of dedicated stores	50 stores	
Number of PB product items	1,000 items	

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

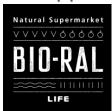
 Conducted joint product promotion with the Kindai University Faculty of Business Administration

Students engage in hands-on learning about promotion while sharing the appeal of products









Deepen understanding of product and brand concepts through taste-testing of BIO-RAL PB products



Share information such as menu proposals with customers from a consumer-centric perspective via the LIFE app





#### Kaizen activities

- Actively promote Kaizen activities on a Company-wide basis to improve productivity and further optimize costs
- While carrying out each of these initiatives, we will also focus efforts on raising service levels and making sales areas more appealing

Kaizen activities (examples)

Raising service levels and making sales areas more appealing

Shortening of service counter operating hours

Review and revision of operations

Work support across department lines

Linking results to further growth



[Priority support checkout] (Less rushed checkout)



[Producing high value added products]



[Applying ingenuity to product displays]

# 4. Topics

#### Governance

 Transitioned to a company with an Audit and Supervisory Committee by a resolution at the General Meeting of Shareholders in May 2024

# Purpose of the transition to a company with an Audit and Supervisory Committee

- (1) Strengthen the supervisory function of the Board of Directors
  - Increased the number of outside Directors to 6, which is a majority of the board
- (2) Expedite decision-making
  - Speed up decision-making by delegating authority
  - Reduce decisions regarding business execution and deepen discussions regarding management by Directors
  - Promote the growth of employees by expanding their responsibilities

# 5. Full-year forecast for FY2024

## Full-year forecast for FY2024 (consolidated)

There are no changes to the full-year forecast

(Unit: Millions of yen, %)

	Full-year FY2023 Full-year FY2024 Amount of Change			Rate of Change
Operating revenue	809,709	853,400	+43,691	+5.4
Net sales	780,028	821,800	+41,772	+5.4
Operating profit	24,118	24,700	+582	+2.4
Ordinary profit	24,948	25,500	+552	+2.2
Profit	16,938	17,000	+62	+0.4

# **Investment plan**

Revise implementation timing of some IT and digital system investments

(Unit: Millions of yen)

	EV	2024 114		Full-year FY2024 (plan)		
	FY,	FY2024 H1		Initial plan	Change	Notes
New stores	6,307	8 new stores	9,500	10,000	(500)	New stores after FY2025, etc. (new stores in FY2024 are as planned)
Renovations	431	2 major store renovations	1,300	1,900	(600)	Review number of stores to renovate
IT and digital systems	1,973	Expanding use of electronic shelf labels Increase number of self-checkout registers, etc.	5,500	7,000	(1,500)	Revision of investment timing, etc.
Process center	1,031	Production facilities, etc.	1,900	1,300	+600	_
Others (expensive equipment, major repairs, etc.)	1,409	Existing store facilities, etc.	3,400	2,800	+600	_
Total	11,151		21,600	23,000	(1,400)	

### Acquisition and tender offer for treasury shares

#### [Objectives]

- To increase capital efficiency of earnings per share (EPS) and return on equity (ROE)
- To return profit to shareholders

	[Overview]		
Number of shares for planned tender offer	4,030,800 shares (maximum) *8.15% of issued shares		
Total acquisition amount	Approx. ¥13.0 billion (maximum)		
Period of tender offer, etc.	From October 8, 2024 (Tuesday) to November 6, 2024 (Wednesday) (20 business days)		
Amount of tender offer, etc.	¥3,219 per share of common stock *10% discount on ¥3,577, which is the raw average of final prices of common stock over the three month period leading up to October 4, 2024, which is the business day before the public announcement of the tender offer		
Planned counterparts	Sumitomo Mitsui Trust Bank, Limited; The Norinchukin Bank		

## (Reference) Dividend trends

Planned full-year dividend totaling ¥100 per share (+¥10 per share)
 We will continue to focus on shareholder returns

