

[Presentation Q&A Summary (FY2024)]

Sentences have been edited for clarity.

Q: Is your plan for a 0.5 percentage point YoY increase in gross profit margin for FY2025 a high hurdle? How do you see the risk of intensifying price competition?

A: This will be achieved by adjusting the mix of high gross margin and valuable products such as ready meals and private brands to meet customer needs. We believe that we can achieve our superiority by taking pricing measures that are appropriate to the competitive environment.

Q: Are there any one-time expenses other than IPO-related expenses posted in FY2024?

A: In addition to IPO expenses, there are renovation costs for Satocho, year-end bonus was paid out for FY2024, but the amount of year-end bonus for FY2025 is factored into the plan as an estimated amount.

Q: Can SG&A expenses be controlled in FY2025?

A: In order to achieve EDLP, we have been thoroughly controlling SG&A expenses and will continue to do so in FY2025. In the event of changes in the economic environment or business plan, we will manage the company to generate operating income by controlling SG&A expenses while spending the necessary expenses to increase sales.

Q: What is your mid-to-long term gross profit margin target? Also, what measures do you plan to take to increase gross profit margin?

A: The gross profit margin will be increased by about 0.5 percentage points each fiscal year. Measures will include strengthening the development of ready meals and private-brand products, which are highly supported by customers. The mid-term sales targets are 8% for ready meals and 25% for PB products. The company will promote sales expansion of products that have definite value.

Q: What are the specific cost items of the planned 0.3 percentage point increase in the SG&A to sales ratio for FY2025 compared to FY2024?

A: Increases in unit labor costs and utilities costs due to investments in human capital are

mainly incorporated in the plan.

Q: While the gross profit margin for FY2024 was higher than FY2025, why was it lower than the guidance for FY2024?

A: Price competition was more intense than expected at the beginning of the period, especially in the second half of the year. Price competitiveness was demonstrated to maintain prices at the best stores in the region.

Q: There is a strong possibility that pressure to raise prices on national brand products will increase this fall and beyond; is this positive for your company?

A: Our pricing policy is to be the last to follow other stores raise their prices. We consider this positive given our sales growth potential.

Q: Should the Retail AI business be understood as a cost center within the Trial Group in the medium to long term, or is it expected to contribute to profits?

A: The company expects to post a loss of about 300 million yen for FY2025. The mid-to-long term strategy is to sell the data platform and Skip Cart externally, which will contribute to profits in the future.

Q: What is the breakdown of the planned same store sales growth rate of 4.1% YoY for the 1H and 2H of FY2025, and what are the actual and planned amounts of capital expenditure?

A: The company projects same store sales growth of about 4.5% in 1H and 3.6% in 2H. The breakdown of the traffic and spending is about half and half. The company's actual capital expenditure for FY2024 was in the mid 20 billion yen, and for FY2025, the company has factored in a plan of about 36 billion yen, mainly for new stores and renovations.

Q: Operating income for FY2025 is planned to increase by 20%, but has the impact of new store openings been factored in?

A: Out of the 41 new stores opened in FY2024, only 7 were Super Centers (SuC), our core format, so we expect the contribution from the second year of new stores to be small; we conservatively estimate that the company will be ahead of costs in FY2025, as it plans to open about 30 new stores in this period.

Q: What areas would you like to focus on in the next three to five years?

A: (Koichi Kameda) Focus on investments in store openings that will ensure a return on

investment. In parallel, we consider it important to invest in manufacturing infrastructure such as process centers and central kitchens.

(Ryota Ishibashi) The company will step up investments in store openings and manufacturing infrastructure, with a focus on its core format, the supercenter. Over the next five years, the pace of store openings of TRIAL GO, which is currently undergoing experiments, will accelerate, with Supercenter as the mainstay.

(Hiro Nagata) The ability to collect data is the Trial Group's greatest strength. As the amount of data accumulated increases due to an increase in store openings and the development of other companies, the company foresees value-added improvements through IT.

Q: What are the reasons for the delay in accelerating the opening of small stores and what are the challenges in expansion?

A: The small format, TRIAL GO, which is currently undergoing experimentation, is opening stores in Fukuoka and parts of the Kanto metropolitan area. During the experimentation, the level of food product offerings varied, so the company is redefining its strategy to increase the speed of store openings after ensuring that the manufacturing infrastructure is in place.

————— The end of Q&A memo —————