August 14, 2024
Trial Holdings Inc.

【Presentation Script for Investor Briefing (FY2024)】

(Overview of consolidated results)

(Presenter: Koichi Kameda, Representative Director and President)
(Presentation Slides for Results Briefing: P3)

We are pleased to report our consolidated financial results.
The theme for the fiscal year 2024 was to achieve both sales growth and profitability improvement. Trial has a long history of focusing just on sales growth.

After going public and entering a new stage, the entire management team has changed its mindset and worked to balance the contradictory goals of maintaining high topline growth and improve profitability.
I believe we have been able to demonstrate the results of our efforts with increased sales and profits.
Of course, we still have a long way to go.

Sales were 717.9 billion yen, up 9.9% YoY.
We opened 41 new stores, including M&A of small stores, and renovated 30 existing stores, with both new and existing stores contributing. Our strategy bore fruit, and the acquisition of new customers led to an increase in the number of customers, which contributed to the increase in sales.

Consolidated operating income increased 37.2% to 19.1 billion yen.
The increase in gross profit and the control of SG&A expenses enabled the company to achieve an increase in operating profit that significantly exceeded the growth in sales.

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We have achieved 24 consecutive terms of revenue growth.
The history of Trial, which started its business with IT as its founder's vision of "changing distribution with IT," has been a series of twists and turns and hardships, but we keep trying, just like the company name.

We have been working to establish a supercenter format while adhering to the EDLP (Everyday Low Prices) pricing policy.

My role is to manage the portfolio of businesses conducted by the Trial Group. We continue to invest separately in those that are in the harvesting phase and those that are in the seeding phase, which have just started and are still in the experimental stage.
In order to continue to achieve high growth, we will manage our investments in a disciplined manner while accelerating our investments.

（P29）
At the end of my presentation, I would like to share with you the long-term perspective that the Trial Group is aiming for.
The diagram in the slide shows the passage of time from left to right, with the left representing the present and the right representing the future. Trial's goal is to "eliminate inefficiencies in the distribution and retail industry.

There are many Japanese business practices that have yet to be streamlined. There are inefficiencies that can be reduced by more companies joining hands and working together across company boundaries, and across industries.

One example is the Logistics Study Group, which was established in cooperation with logistics and retail companies in Kyushu. By viewing trucks and warehouses as shared goods for stores operated by multiple companies, it has been possible to prevent trucks from running empty and to shorten driving distances. The same approach has been initiated in Hokkaido.

Trial is also unique in that we are working with manufacturers to eliminate inefficiencies from the roots of the supply chain through deep discussions. We hope to realize a sustainable world by working together, not just with one company.

The key message is,
Our future is to achieve exponential growth and advance the distribution revolution by crossing distribution retailing with IT and AI.

We are working on many areas, using backcast thinking. We are currently implementing four key strategies.
1. "Existing store growth" by strengthening fresh food and renovations.
2. "Acceleration of new store openings" by strengthening the store opening system.
3. "Improve profitability" mainly through product development.
4. Productivity improvement through the use of "retail tech".

（Overview of retail and distribution business results）
（Presenter: Ryota Ishibashi, Representative Director and President at Trial Company）
I will guide you the results and strategies of our distribution and retail business.
First, I talk about the business environment and look back at FY2024, and then we will delve into our performance and strategy along the following four themes.

1. Sales
2. New store openings
3. Merchandise measures
4. SG&A expenses

Before I get into the main topic, I would like to discuss the perception of the business environment, which is a prerequisite.
The trends in consumption that can be seen from Trial's storefronts show an even clearer bipolarization.
In other words, the slow and steady trend in consumption is becoming more pronounced in 2024, as consumers increasingly tend to curb spending in their daily lives, while choosing high-unit-price products for seasonal events and "special occasions".

The consumption environment in the second half of the fiscal year was more difficult than initially expected, and price competition in the retail industry as a whole is becoming more intense due to an increase in price-sensitive consumers.

In Trial stores, demand for low-priced and large-volume products for daily necessities such as food and daily necessities has increased, and there has been a shift from national brands to private brands.

However, it is not only "low price" that customers seek.
The balance between quality and price, such as "taste," has become more important than ever.

After the pandemic, we have been committed to honest business practices to support the lives of our customers in the face of rising inflation.
There is a steady turnover of players and structural changes in the industry, and according to a study by the Ministry of Economy, Trade and Industry, the size of the retail market in 2023 reached 163 trillion yen, but the breakdown of this figure is very fragmented.
We believe that the winners and losers will become increasingly clear as the integration process continues.

（P10）
The first theme of the distribution and retail business is about sales.

SSS for FY2024, grew 5.8% over the same period last year. This growth was particularly strong in the fourth quarter from April to June, growing by 5.2%.
With the July results disclosed last week, SSS have grown for 38 consecutive months.
This is the result of our product assortment and pricing strategies that take into account the external environment.
We have responded quickly and flexibly to the customer trends in front of us while improving profitability.

The key to this achievement is data analysis, which is one of Trial's strengths.
Information obtained from membership data and in-store retail technology is analyzed from various angles, including by product, price range, time of day, customer, and trade area characteristics, and strategies are developed and implemented based on this analysis.

According to the trade area analysis tool developed by the company, there is currently an inflow of customers from GMS and local supermarkets to Trial.
The number of customers disclosed is customers passed through the cash register, but a deeper analysis shows that customers who had not visited Trial before are now coming to Trial.

The increase in the number of customers is due to the fact that new customers are becoming repeat customers, leading to an increase in the frequency of store visits over time.

Trial membership has exceeded 10.55 million, a 14% increase over the same period last year. Customers are becoming loyal.
Behind our success in attracting new customers and establishing them by increasing the frequency of visits and wallet share is the "food enhancement" that we have been strategically promoting for 3 to 4 years, which has contributed greatly to our success.

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According to a household survey by the Ministry of Internal Affairs and Communications, the Engel's coefficient in FY2023 was 29.8%, the highest level in the past 45 years.
Behind the increase in food expenditures as a percentage of consumption expenditures are the increase in the number of pension households due to the aging of the population, soaring prices of fresh food due to abnormal weather, and inflation experienced for the first time in about 40 years.

The need for easy-to-prepare foods and ready-to-eat prepared foods has grown tremendously, and we have been strengthening our product development with the keywords of "shortening time" and "ready-to-eat".

Meijiya, a group company with professional chefs, develops original menus, creates mass production system and delivers competitive pricing which differentiate TRIAL from other retail competitors with delicious fresh food.

Menu development, mass production system and competitive pricing by professional chefs

For example, "Sangen Pork Loin Cut-let Bowl," which sells 7 million servings a year, and "Ohagi," which has sold over 100 million units in total, are representative products of Trial.

Furthermore, TRIAL FARM is a contract farm where Trial and growers work together to produce and sell produce, mainly bananas, oranges, and other fruits.

The company also operates its own beverage factory and manages the entire process of manufacturing and selling its products in-house. 2 liters for the astonishing price of 59 yen and the great taste of the product have made it a popular product.

These are only a few examples.
Through "food enhancement," the percentage of Trial's products in customers' refrigerators and on their dining tables is increasing.
This is one of the key factors behind our sales growth in the period under review.

（P12）
Next, Store Renovation. In FY2024, we remodeled 30 stores.
This renovation, which has started since 2021, will proceed at a pace of about 30 stores each year over the next several years. The renovations are fine-tuning product categories to meet the needs of the times, particularly in the area of food.
The introduction of Retail tech devices has also improved the profitability of our stores.
Retail tech has provided a more convenient shopping experience, increased store throughput by eliminating wait times at the cash register, and increased parking lot turnover.

The 5.8% SSS growth rate was the result of flexible implementation of product and pricing policies in response to the consumption environment. In particular, the enhancement of food and the improvement of profitability through remodeling contributed significantly to this growth.

（P13）

Next, I will discuss new store openings.
In FY2024, we opened 41 new stores.
With the addition of 18 Satocho stores in Aomori prefecture to the group, the number of small format increased.

In FY2024, store openings progressed as planned, and in FY2025, a progressive period, we plan to open 27 new stores, mainly core format supercenters.

（P14）

We are also expanding into new areas where we have not had stores before, with plans to open our first stores in Shikoku in the previous fiscal year and in Hokuriku and Shizuoka in FY2025.

In parallel with its dominant presence in Kyushu, the company is expanding outside of Kyushu and expanding its store network.

In order to open new stores aggressively, we believe it is imperative not only to secure a site, but also to secure and train human resources and enhance our manufacturing infrastructure.
Opening a new store naturally requires an initial investment, and it takes about two years for the store to get on track and stabilize.

Initially, the initial costs are heavy, both in terms of people and initial costs.
Over the next few years, we will be opening about 30 new stores and remodeling 30 stores simultaneously each year, a period of heavy workloads to get new stores off the ground while extending the

strength of existing stores.

We will accelerate our investment in human capital to increase our competitiveness and the coexistence of man and machine around data through retail DX.

(P16)

The next theme is product measures.
Sales in the distribution and retail business increased 9.9% YoY, while the food category grew 10.7%.
Prepared foods in particular recorded a high growth rate of 20%, and the percentage of sales accounted for by prepared foods reached 5.7%, well on track to reach the mid-term target of 8%.

(P18)

Private brands (PB) accounted for 14.9% of sales, up 4.6 percentage points from the same period last year.
The Company aims for PB to account for 25% of sales in the medium term, and product development is being strengthened.

The increase in the composition of these higher gross margin products contributed to the bottoming out of the overall gross margin for FY2024.

Prepared foods and PB serve as important drivers of gross profit margins while meeting customer needs.
A detailed breakdown by product shows a mix of "point products" and "gross profit products" within prepared foods and PB, which has led to an increase in gross profit by striking a balance between price and value appeals.
We will continue this policy in FY2025.

（P19）
Finally, let me discuss SG&A expenses.
In preparation for store openings in FY2025, we have strengthened our investment in human resources to ensure top-line growth while minimizing lost opportunities.

Personnel expenses increased 12.9% over the same period last year, outpacing the 9.9% growth in sales, but this was the result of strategic upfront investment. In a cost inflationary environment, we were able to maintain a SG&A to sales ratio of 17.5%, one of the lowest in the industry.

This is due to hiring in response to rising hourly wage rates and securing human resources to strengthen competitiveness.
In the fourth quarter, we also paid out extra bonuses to express our appreciation to our employees and to motivate them.

Utility expenses decreased 5.5% YoY, mainly due to lower unit electricity prices.

For FY2025, we anticipate a 15%-20% increase in utility expenses due to higher unit electricity prices and an increase in total usage due to new store openings.
Nevertheless, we will continue to maintain a low SG&A-to-sales ratio in the 17% range, while spending as necessary to achieve top-line growth.

Finally, I would like to discuss our prospects.
While improving each of our issues, we are well on our way to increasing revenues by more than 10% and profits by 20%.

We believe that industry restructuring, and mergers and acquisitions will surely occur as DX and efficiency advance.
A wave of restructuring is already underway, and we are ready to survive and win amidst it.
For FY2025, we will continue to expand our distribution and retail business, focusing on supercenters, and accelerate multiple new challenges, including product development and small store experimentation.

(Overview of Retail AI business results)

(Presenter: Hiro Nagata, Representative Director CEO)

(P８)

We are pleased to report the results of our Retail AI business, which had sales of 4.6 billion yen for FY2024, with a negative segment profit of 520 million yen due to the investment phase of the business.

Due to the intensive introduction of Skip Cart and other devices within the Trial Group in the previous fiscal year, FY2023, sales to internal customers suffered a reactionary decline in FY2024.

On the other hand, sales to outside customers increased significantly, up 29.7% from FY2023. This was mainly due to an increase in the number of companies subscribing to the data platform called MD-Link.

Trial's longstanding commitment to working together across company boundaries to eliminate inefficiencies is also important in retail AI.

Manufacturers and other retailers have visited our AI development center in Miyawaka City, Fukuoka Prefecture, to observe our trial efforts and discuss how to work together.

The "Miyawaka Week" initiative, in which participants gather in

Miyawaka to focus on discussions and all kinds of experiments and verifications, began in 2021. As the program has been implemented every month for about three years, the number of participants has gradually increased and the involvement has grown.
Last month, more than 200 manufacturers from 45 companies participated.

In addition, top management from other retailers have also come to visit.
This is because many companies have a sense of crisis about the lack of progress in DX.
We would like to strengthen external sales of not only retail tech devices that provide a convenient shopping experience for customers, but also systems that can save labor and improve the efficiency of store operations.

In addition to developing systems, software, and data platforms, Retail AI is working on multiple fronts, including collaboration with retail media, strengthening partnerships with outside companies, and promoting alliances.

（P23）
We are pleased to report on the results of Skip Cart, one of our most representative products.
The number of stores with installed carts reached 223 and the number of carts exceeded 19,000.
Since June 30, 2023, the number of Skip Cart has increased by 2,547, with new installations in 43 stores.

We are proud of the fact that Skip Cart has been able to spread this number of units as a retail solution that contributes to eliminating wait times and improving the efficiency of cash register operations.

We are proud of the fact that Skip Cart has been deployed to such a large number of units as a retail solution that eliminates wait times and contributes to the efficiency of checkout operations.

Skip Cart has dramatically increased the throughput of customers through the cash register per hour.

（P24）

Finally, we will discuss Retail AI's long-term strategy to build a distribution ecosystem that leverages retail tech.

Retail AI's vision is to "Create the next generation shopping experience and revolutionize retail operations through the power of technology."
As shown in the lower slide, data in the distribution and retail industry is fragmented, resulting in inefficiencies.
Manufacturers, wholesalers, and retailers can become more efficient by sharing data. An example of this is MD-Link.

By looking at the same data and assembling shelf layouts, manufacturers and retailers are not in a relationship of selling and buying products, but rather work together to eliminate waste and create attractive shelves and sales areas that provide customers with the valuable products they really want at competitive prices.

Our long-term strategy is to create a distribution revolution by strengthening partnerships and promoting alliances based on data to eliminate the inefficiencies, which is estimated to be over 40 trillion yen in the distribution and retail market.

(P28)
(Presenter: Keiji Furuhashi, Senior vice president)
We would like to explain our consolidated earnings forecast for FY2025. Our guidance is for a 12.7% YoY increase in sales to 808.9 billion yen and a 20% increase in operating income to 23 billion yen.
This embodies the more than 10% increase in sales and 20% increase in income that we have been explaining to investors.
The message is that we are confident that we can maintain our strong growth and improve profitability in FY2025, and that we can continue to increase our power.

The number of new stores, on which sales are based, is planned to be 27.
The 27 stores include 4 Mega, 17 Super Center, 3 smart, a total of 24 stores in existing formats, and 3 TRIAL GO stores.

There are seven supercenters scheduled to open at the end of the fiscal year, i.e., in June next year, which have already been contracted but are not included in this fiscal year's schedule due to the possibility of a periodic delay in the opening date.

In addition, the assumption for existing stores is planned for a 4.1% increase.
Of this increase, the number of customers and the contribution of sales per customer are expected to be half and half, respectively.
The gross profit margin is projected to be 20.3%, up 0.5 percentage points from the previous year.

Although the consumption environment is not optimistic, we will take product and pricing measures to increase the number of customer visits in line with our proposition to expand customer support. At the same time, we will steadily implement measures to improve profitability, step by step, every fiscal year.

The operating income margin is expected to be 2.8%, but the emphasis is on the profit margin, which is the increase in profit amount, or monetary basis.

Net income is up 20% to 13.7 billion yen. We have conservatively estimated impairment losses on stores and have factored in a net negative 1.3 billion yen for extraordinary accounts.
We have included a corporate tax rate of about 37%.
Please refer to the breakdown of the first and second half of the forecast in the document.

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