

Fiscal Year Ending February 2024

Financial Result Briefing

April 24, 2024
Mr Max Holdings Ltd.
(Securities Code: 8203)



● The earnings outlook contained in this material is a forecast prepared by the Company based on information available as of the date of this material. As such, it includes risks and uncertainties. Therefore, the Company does not guarantee that the outlook will be achieved. This material is not intended for investment solicitation. Users of this material should make their investment decisions based on their own judgment.

Financial Results Highlights for the Fiscal Year Ending February 2024

- Net sales increased for two consecutive years since consumers became more cost-conscious.
- Operating profit decreased due to a decline in gross profit margin and an increase in investment cost.

Unit: Millions of yen	FYE Feb 2023 Results	FYE Feb 2024 Results	Year on Year	FYE Feb 2024 Plan note2	Versus Plan
Operating Revenue	126,904	129,570	102.1%	129,500	100.1%
Net Sales	122,107	124,514	102.0%	124,600	99.9%
Gross Profit	27,687	26,949	97.3%	-	-
(Gross Profit Margin) Note 1	22.7%	21.6%	(1.0%)	-	-
Real Estate Lease Revenue	3,820	3,862	101.1%	-	-
Other Operating Revenue	976	1,193	122.2%	-	-
Operating Gross Profit	32,485	32,005	98.5%	-	-
Selling, General and Administrative Expenses	27,853	28,984	104.1%	-	-
Operating Profit	4,632	3,021	65.2%	3,000	100.7%
Ordinary Profit	4,523	2,908	64.3%	2,900	100.3%
Net Profit Attributable to Parent Company Shareholders	3,427	2,444	71.3%	2,500	97.8%

Note 1: Gross Profit Margin = Gross Profit / Net Sales

Note 2: Plan information is stated only for items disclosed in financial results and financial results briefing materials

Factors Behind the Change in Operating Profit

Decrease in gross profit

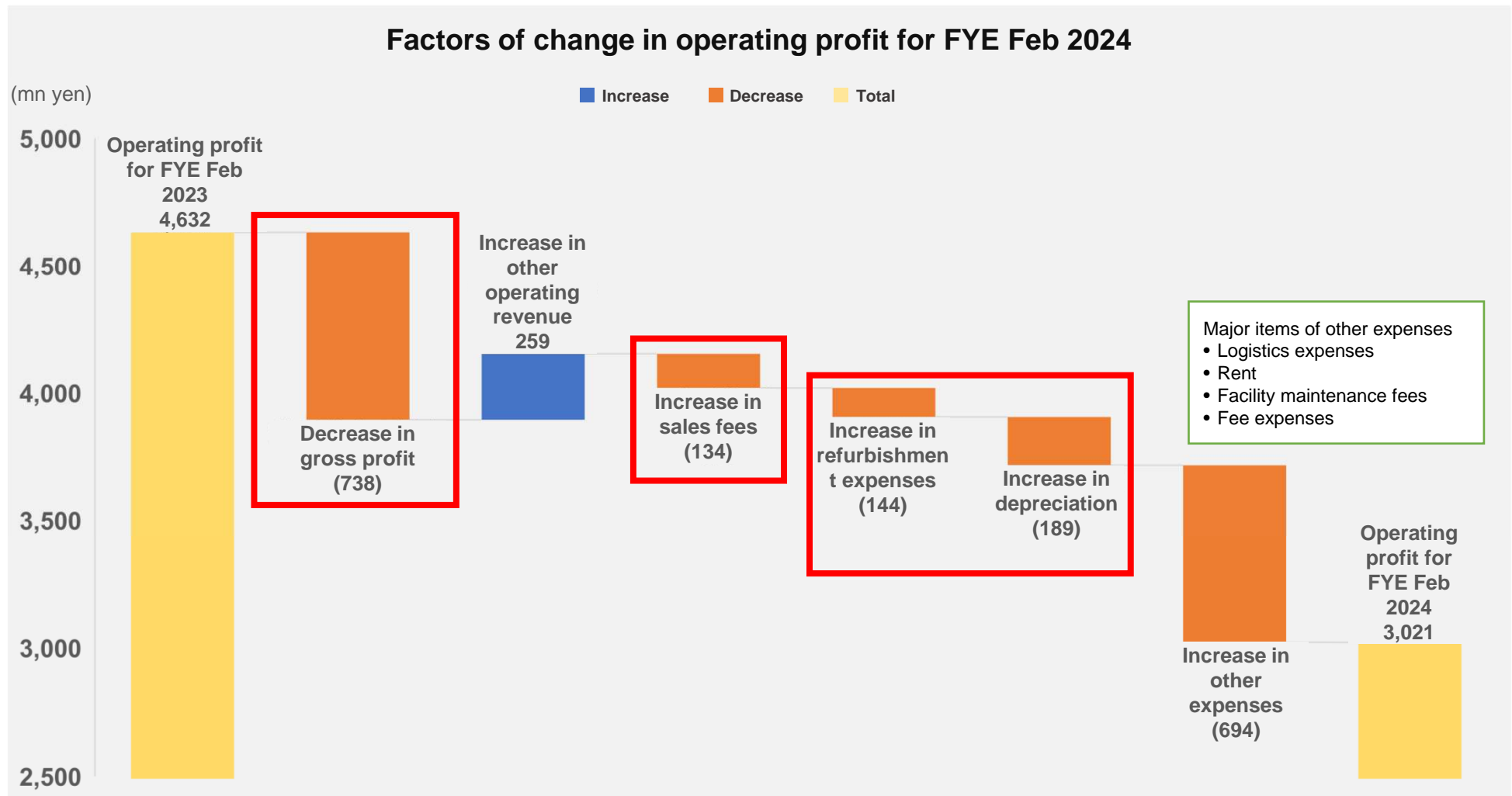
Sales of COVID-related products, which have a high profit margin, decreased. Product costs surged.

Increase in refurbishment expenses

Expenses were incurred for the refurbishment of 12 stores.

Increase in depreciation

Depreciation increased associated with online stores and refurbishment.



Net Sales by Division

- Sales of food were strong as consumer became more cost-conscious.

(Unit: Millions of yen)

	FYE February 2023			FYE February 2024		
	Net Sales	% of Total	YoY	Net Sales	% of Total	YoY
Home Appliances Division	17,803	14.5%	99.0%	17,406	14.0%	97.8%
Apparel Division	6,656	5.5%	103.3%	6,677	5.4%	100.3%
Lifestyle Division	17,172	14.2%	104.1%	17,066	13.7%	99.4%
Home Living Division	11,581	9.2%	99.7%	11,569	9.3%	99.9%
HBC Division	25,052	21.0%	102.6%	25,514	20.5%	101.8%
Food Division	43,840	35.5%	102.0%	46,507	37.3%	106.1%
Other	—	—	—	△ 220	△0.2%	—
Total	122,108	100.0%	101.8%	124,523	100.0%	102.0%

Main products with strong sales

<Apparel Division>
Suitcases and shoes

<Lifestyle Division>
Pet goods

<HBC Division>
Paper products and
cosmetics

<Food Division>
Rice, alcoholic beverages, instant
noodles, and bottled beverages

Status of Online Store Activities



■ Online Store

<< Opened in March 2023 >>

- Offered for the 35,000 items posted
- same prices as in physical stores
- Membership exceeded 100,000 registrations

アプリで注文 店舗受け取り



■ Prompt delivery service

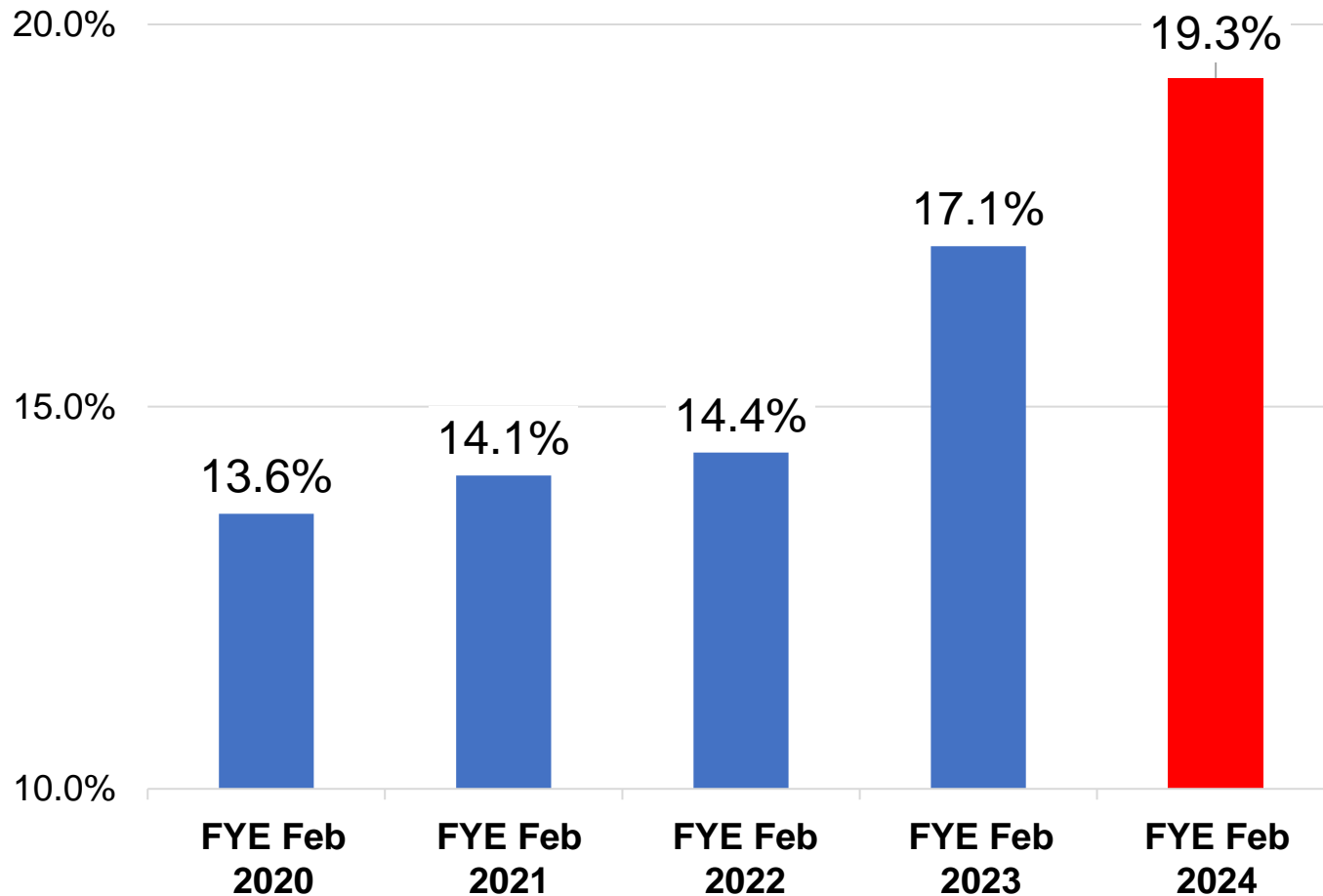
<< Integrated into Online Store in December 2023 >>

- Applicable to 600,000 households around Fukuoka City



Status of Private Brand Product Activities

Trend in Ratio of PB Products to Total Sales



PB Product Development Weekly Meeting

- The product development meeting is held every week, where immediate decisions are made on the spot on whether or not to start the sale of a new product.
- 155 new items were debuted for FYE ended February 2024.

Result Forecasts for the Fiscal Year Ending February 2025

Unit: Millions of yen	FYE February 2024 Results	FYE February 2025 Forecasts	Year on Year
Operating Revenue	129,570	132,000	101.9%
Net Sales	124,514	127,000	102.0%
Gross Profit	26,949	27,900	103.5%
(Gross Profit Margin (note 1))	21.6%	22.0%	-
Real estate Lease and Other Operating Revenues	5,056	5,100	100.9%
Operating Gross Profit	32,005	33,000	103.1%
Selling, General, and Administrative Expenses	28,984	29,700	102.5%
Operating Profit	3,021	3,300	109.2%
Ordinary Profit	2,908	3,200	110.0%
Net Profit Attributable to Parent Company Shareholders	2,444	2,200	90.0%
【Key Management Indicators】			
Ratio of Change in Existing Stores	+2.2%	+2.0%	
Operating Profit to Net Sales	2.4%	2.6%	
Number of Store Openings	None	1 store	
Number of Store Closures	1 store	None	
Number of Stores at Year-end	56 stores	57 stores	
Year-end Dividend (per share) (note 2)	18 yen	20 yen	

Assumptions for forecasts
Ratio of change in existing stores: 2.0%
Store openings: 1
It is assumed that expenses will increase due to investment.

- Strengthen the online store
- Expand self-checkout
- Improve productivity by adopting DX

Note 1: Gross Profit Margin = Gross Profit / Net Sales

Note 2: Year-end dividends (per share) for FYE Feb. 2024 and FYE Feb. 2025 are planned figures.

Medium-term Management Plan

01

Review of Previous Medium-term Management Plan (FYE February 2022 to FYE February 2024)

We promoted “The Way a General Discount Store Should Be,” i.e. Everyday Low Price (EDLP) and EDLC. However, we came short of fulfilling the targets of net sales and operating profit margin.

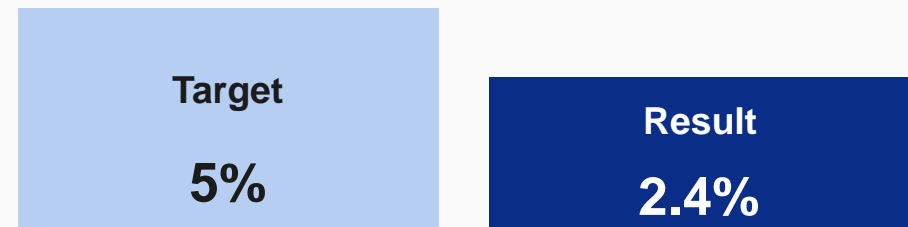
Net Sales

Although net sales increased year on year each year, the target was not reached due to the lack of results of boosting existing stores.



Operating Profit Margin

The target of operating profit margin was not reached due to a rapid surge in prices, including energy costs, and the burden of investments for future projects.

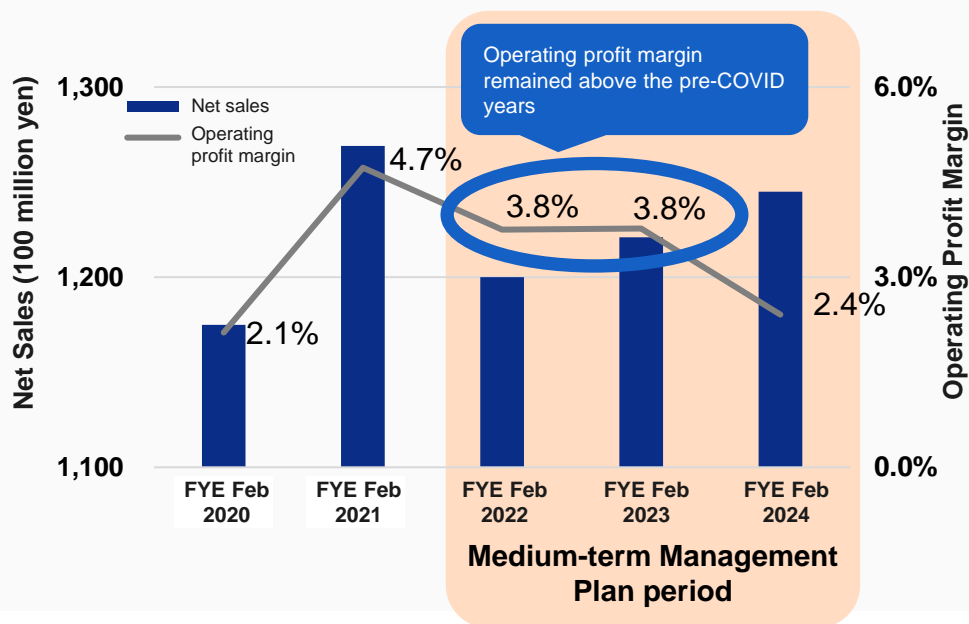


01

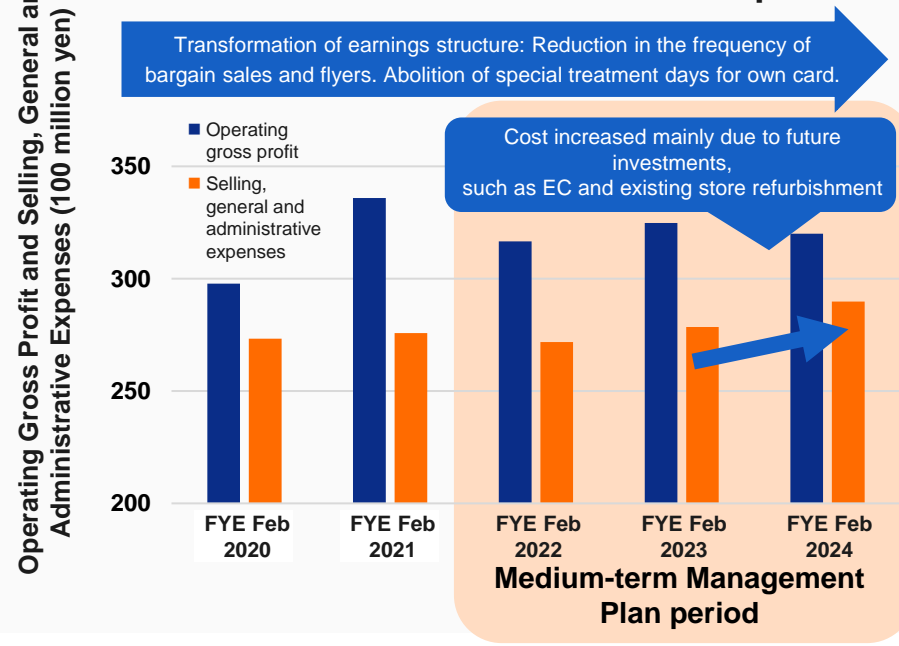
Review of Previous Medium-term Management Plan (FYE February 2022 to FYE February 2024)

Although we attempted to change our earnings structure, we did not make enough progress to reach the target.

Trend in Net Sales and Operating Profit Margin



Trend in Gross Profit and SG&A Expenses



02

Numerical Targets for Medium-term Management Plan (FYE February 2025 to FYE February 2029)

Pursue “What a General Discount Store Should Be” and aim to achieve business scale expansion.

Net Sales

FYE Feb 2024
124.5 billion yen

FYE Feb 2029
Target
200 billion yen

- | | |
|---|---|
| <p>New stores
40 billion yen</p> | <ul style="list-style-type: none"> • New stores: 25 stores • Utilize unoccupied property effectively. |
| <p>Existing stores
160 billion yen</p> | <ul style="list-style-type: none"> • Improve sales efficiency per area of standard product • Expand omnichannel |

Operating Profit Margin

FYE Feb 2024
2.4%

FYE Feb 2029
Target
5%

- Improve gross profit margin by revising shelf allocation for regular products and driving PB product development.
- Enhance productivity by pushing DX.

03

Product Key Strategies

Proposing products that realize EDLP and EDLC and enrich customers' everyday life

KPI	Target	Challenge		Response
Net sales of existing stores	160 billion yen	Number of customers	The number of visiting customers has decreased due to changes in customer shopping behavior.	<ul style="list-style-type: none"> • Drive EDLP. • Establish and develop a core sales floor for customers to buy their predetermined choices. • Promote omnichannel that takes advantage of the characteristics of physical stores.
		Purchase amount per customer	<ul style="list-style-type: none"> • Revisions to existing items have not progressed sufficiently. • There are insufficient additions of new items that accommodate changes to customer lifestyles. 	<ul style="list-style-type: none"> • Improve product mixtures that lead to customer satisfaction. • Create a sales floor for customers to choose their purchases from a broad range of items without stress.
Ratio of PB to total net sales	30%	<ul style="list-style-type: none"> • There are not enough new items under PB. • Sales floors in which customers find it difficult to compare PB and NB 		<ul style="list-style-type: none"> • Step up new product development. • Create an existing sales floor of regular products that makes it easy for customers to compare PB and NB.

04

Growth Strategy

Speeding up growth with three growth strategies as the pillars

Store Openings

- Expand a dominant presence in the Northern Kyushu area and the central Metropolitan area.

25 store openings

Omnichannel

Spread Omnichannel with apps as hubs

- Offer assortments of products in physical stores and something extra.
- Attract customers in a way that exceeds physical sales areas.

FYE February 2029 [Target] Ratio of net sales: 10%

M&A and New Business Strategy

- Expand business scale by M&A.
- Accept logistics contracts from other companies.
- Expand into overseas markets.

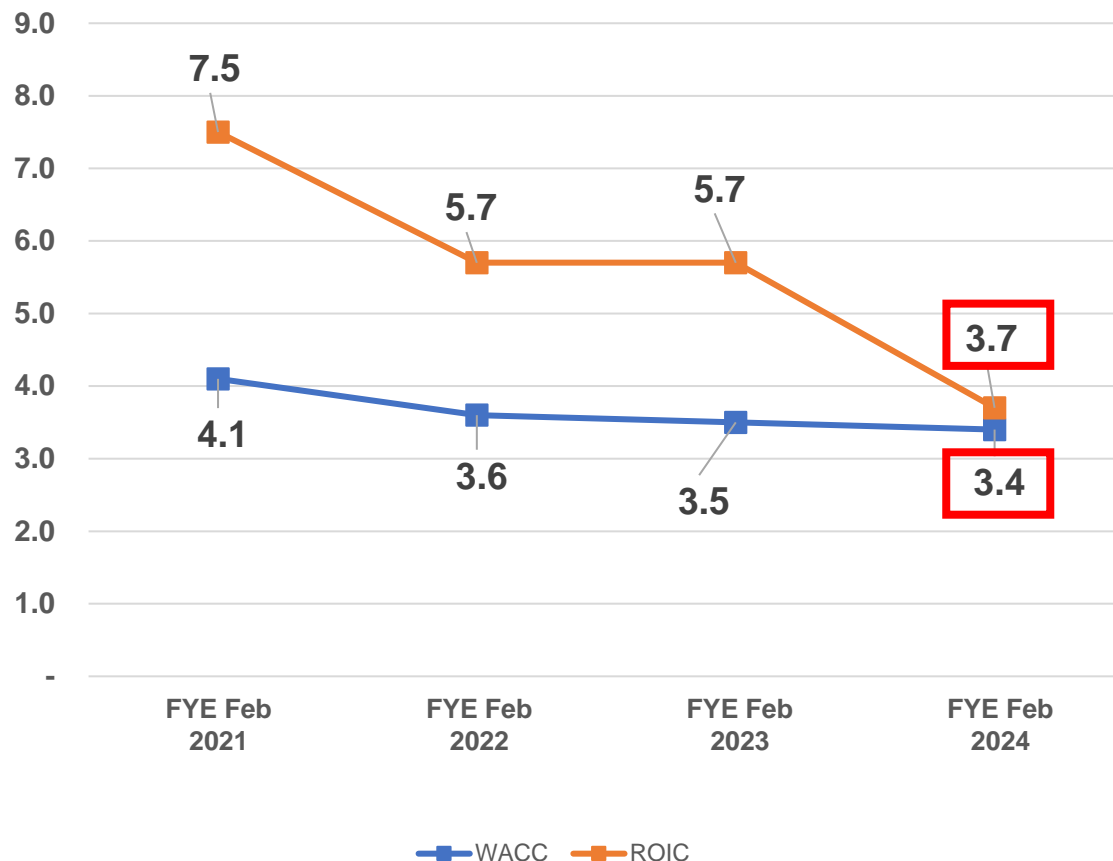
Management that is Conscious of Cost of Capital and Stock Price

Initiatives to Achieve Management that is Conscious of Cost of Capital and Stock Price

WACC and ROIC:

- Return on Invested Capital (ROIC) has remained above Weighted Average Cost of Capital (WACC), but it is on a downward trend.
- It is necessary to improve ROIC when taking into account the risk of interest rates rising in the future.

(%) Trends in Weighted Average Cost of Capital (WACC) and Return on Invested Capital (ROIC)



Premises:

Both WACC and ROIC are computed using figures as of the end of each fiscal year.

1. WACC

- (1) Risk free rate: 10-year government bond yields
- (2) Risk premium: 6.50%
- (3) β value: 0.93 Computed over the last 60 months

2. ROIC

- (1) Market capitalization is computed using the number of outstanding shares excluding treasury shares (average for the period).
- (2) Stock price is the average of the share price at the beginning of the period and that of the end of the period.
- (3) Shareholder equity is computed using the **book value** at the end of the previous and current fiscal years.

3. Difference from the material made in the past year

Figures used in the calculation were changed and the calculation was made retroactively with those in the past years. Therefore, the figures herein are different from the WACC and ROIC on page 17 of the material for the Financial Results Briefing held on April 27, 2023, which is posted on the Company website.

- (1) WACC: Risk premium was replaced with the latest one.
- (2) ROIC: Shareholders equity was changed to the book value for each period. Market value was used in the previous year.

Access to the material for the Financial Results Briefing held on April 27, 2023
<https://www.mrmaxhd.co.jp/ir/ir-library/account/upload/51cedf3d3d1c16911773f968dfd9891ede01d549.pdf>

Initiatives to Achieve Management that is Conscious of Cost of Capital and Stock Price

Financial results trend:

- Operating revenue grew only by 1.5% per year for the last five years.
- The number of stores at year-end has not increased in the last five years, resulting in stagnant growth.

MrMax Trends in Major Management Indicators

	FYE Feb 2020	FYE Feb 2021	FYE Feb 2022	FYE Feb. 2023	FYE Feb 2024	Annual rate Growth rate (%) (FYE Feb 2024 / FYE Feb 2020)
Operating Revenue (mil. yen)	122,319	131,789	124,831	126,904	129,570	1.5
Net Sales (mil yen)	117,508	126,913	119,975	122,107	124,514	1.5
Other operating Revenue (mil yen)	4,811	4,875	4,856	4,797	5,056	1.2
Operating profit (mil yen)	2,450	6,011	4,487	4,632	3,021	5.4
Operating profit to net sales	2.1%	4.7%	3.7%	3.8%	2.4%	-
Total assets (mil yen)	83,604	82,306	82,216	81,932	83,511	-0.0
Net assets (mil yen)	24,694	27,863	29,706	32,452	34,129	8.4
Number of stores at year-end (stores)	57	57	58	57	56	-

Initiatives to Achieve Management that is Conscious of Cost of Capital and Stock Price

ROE is low at 5.5%. There are concerns of the impact of low profitability on the capital, including the downward trend of ROIC. On the other hand, we have returned profits to shareholders at levels similar to the average of listed companies.

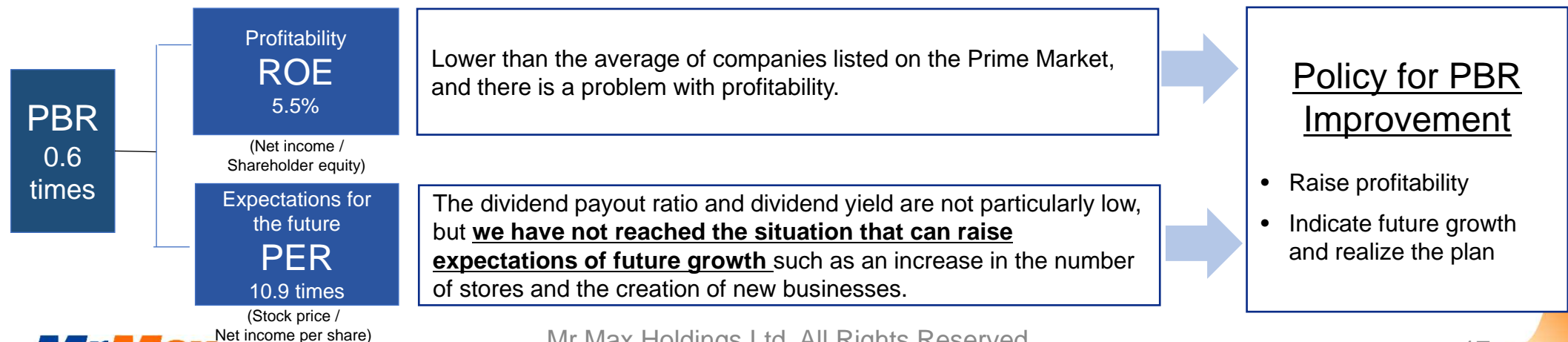
MrMax Stock-price related Indicators

	PER (times)	PBR (times)	ROE (%)	Dividend payout ratio (%)	Dividend yield(%)	Equity ratio (%)	D/E ratio (times)
FYE February 2024 results	10.9	0.6	5.5	32.1	3.0	40.9	0.68
Average of companies listed on Prime Market	17.6	1.4	9.2	34.7	2.1	31.8	-
Average of retailers listed on Prime Market	24.9	1.9	7.5	34.3	NA	44.8	-

(Note)

- The stock price is the closing price on February 29, 2024.
- In the financial indicators, temporary profits (580 million yen) such as the recording of deferred income tax assets are excluded from net income after tax in financial results for FYE February 2024.
- Dividend payout and yield are based on the company plan for financial results for FYE February 2024.
- The average numbers of companies and retailers listed on the Prime Market are from the website of TSE.

A condition for enhancing corporate value is to keep announcing the growth strategy and fulfilling it without fail in addition to raising the profitability of assets.



Initiatives to Achieve Management that is Conscious of Cost of Capital and Stock Price

To grow equity value, it is essential to implement the medium-term plan and restore growth potential while enhancing profitability.

Repeat Medium-term Management Plan: From FYE February 2025 to FYE February 2029

FYE February 2029: Net sales of 200 billion yen and operating profit margin of 5%

Speeding up growth with three growth strategies as the pillars

Store openings

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