

Fiscal Year Ending February 2023 Financial Results Briefing

April 27, 2023
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.

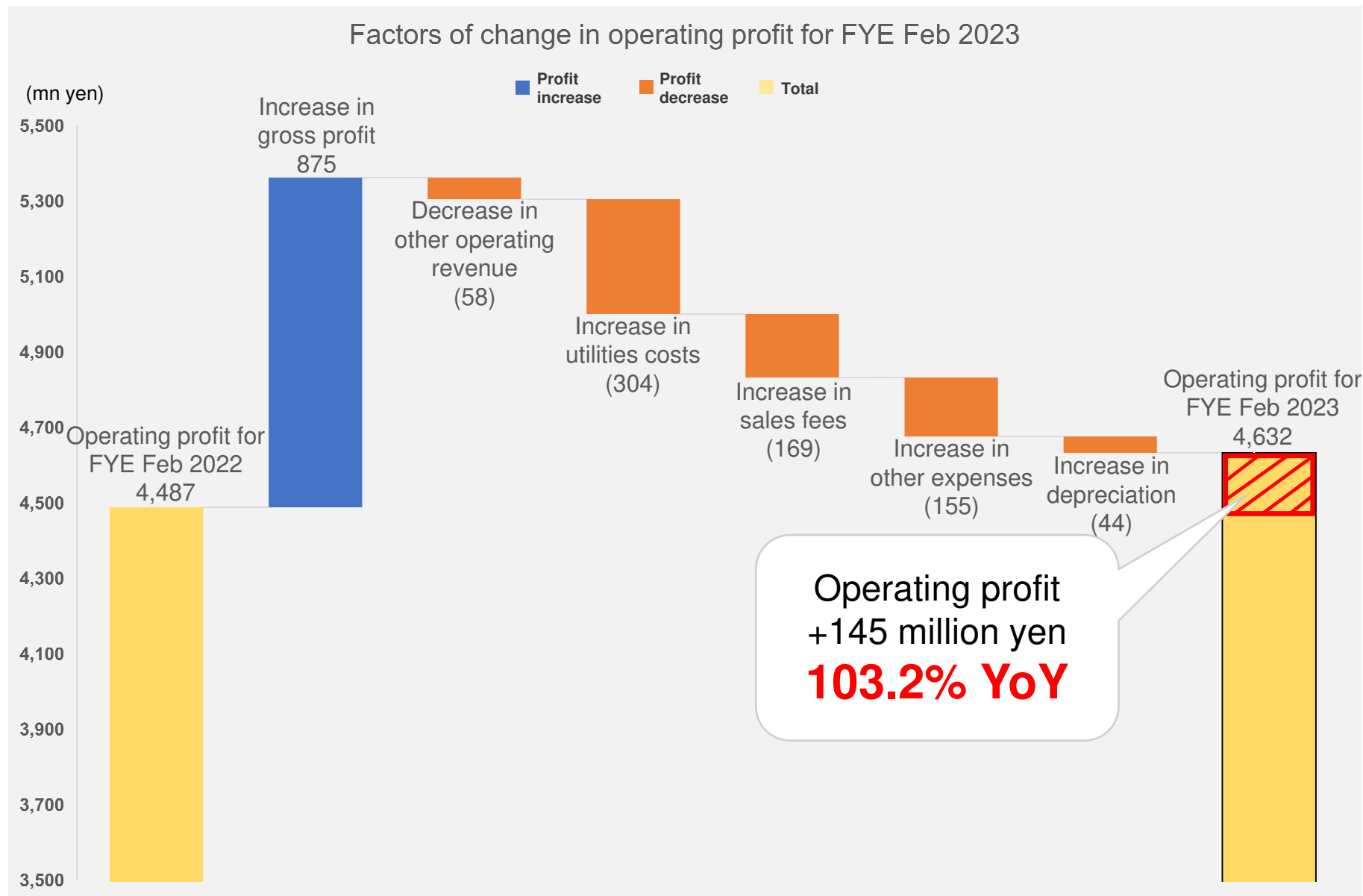
Financial Results Highlights for the Fiscal Year Ending February 2023

- Increased sales due to customers' support for the EDLP (Everyday Low Price) promotion.
- Increased profits due to the offsetting of higher expenses due to higher electricity prices and other factors with improved gross profit margins.

Unit: Millions of yen	FYE February 2022	FYE February 2023	Year on Year
Operating Revenue	124,831	126,904	101.7%
Net sales	119,975	122,107	101.8%
Gross profit	26,812	27,687	103.3%
(Gross profit margin)	22.3%	22.7%	+0.3%
Real Estate Lease Revenue	3,832	3,820	99.7%
Other Operating Revenue	1,023	976	95.4%
Operating Gross Profit	31,668	32,485	102.6%
Sales, General, and Administrative Expenses	27,181	27,853	102.5%
Operating profit	4,487	4,632	103.2%
Ordinary profit	4,346	4,523	104.1%
Net Profit Attributable to Parent Company Shareholders	2,853	3,427	120.1%

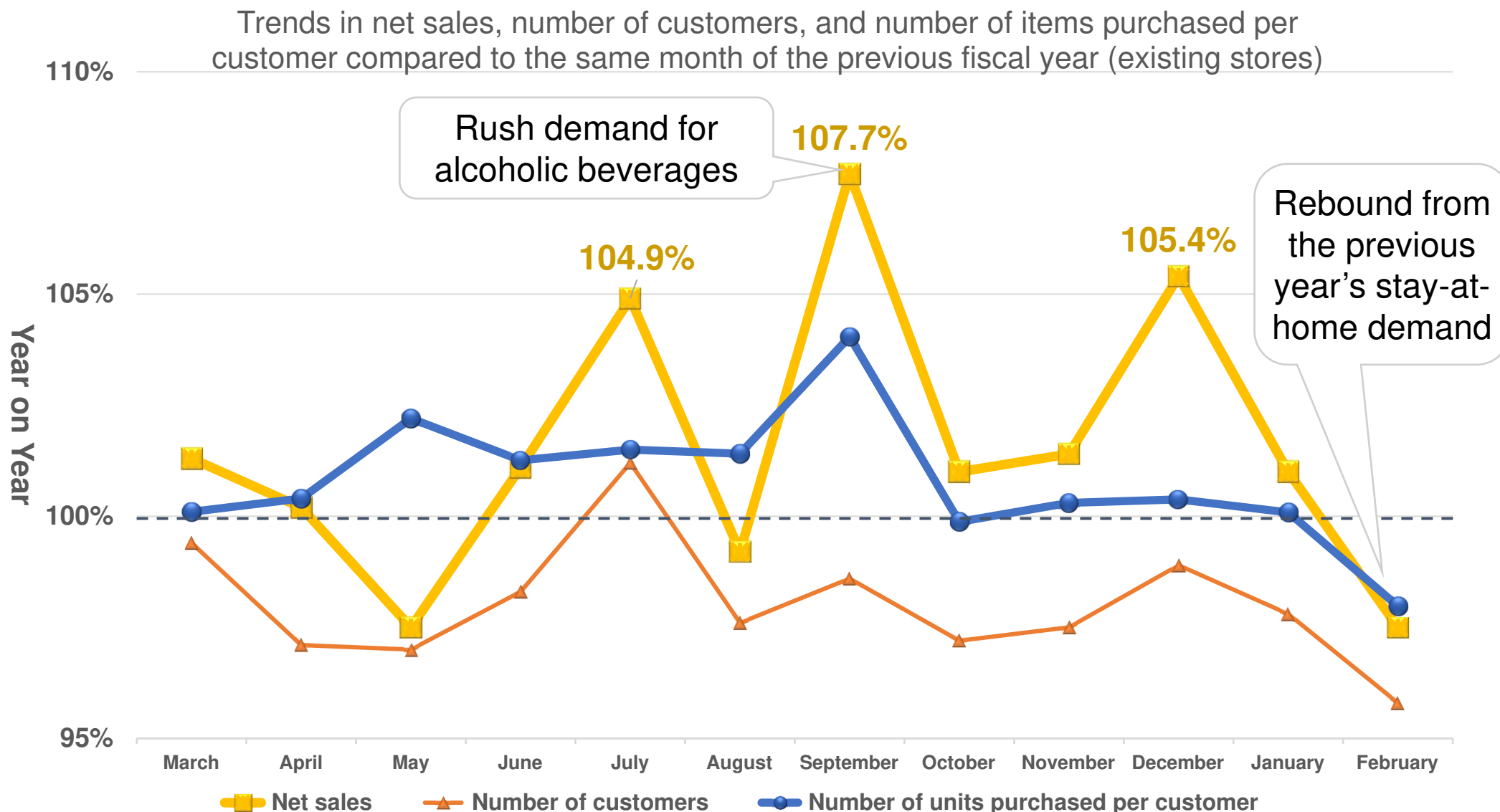
Factors behind the increase in operating profit

Offset higher electricity prices, cashless payment fees and other expenses with higher gross profit.



Existing stores sales

Amid the trend for price hikes, the number of units bought per customer was higher than in the previous fiscal year on the whole.



Net sales by division

- Replacement of refrigerators and washing machines with energy-saving models has been driven by growing awareness of energy saving.
- Leisure goods and bottled beverages have performed well due to increased opportunities to go out.

(Unit: mn yen)

	FYE February 2022			FYE February 2023		
	Net sales	% of total	YoY	Net sales	% of total	YoY
Home Appliances Division	17,977	15.0%	89.8%	17,803	14.6%	99.0%
Apparel Division	6,443	5.4%	87.1%	6,656	5.5%	103.3%
Lifestyle Division	16,502	13.8%	96.1%	17,172	14.1%	104.1%
Home living Division	11,611	9.7%	92.6%	11,581	9.5%	99.7%
HBC Division	24,405	20.3%	96.4%	25,052	20.5%	102.6%
Food Division	42,992	35.8%	96.6%	43,840	35.9%	102.0%
Total	119,933	100.0%	94.5%	122,108	100.0%	101.8%

Note: Non-consolidated sales of Mr Max.

Main products with strong sales

<Home Appliances Division>

Refrigerators, washing machines, air conditioners

<Apparel Division>

Suitcases, shoes

<Lifestyle Division>

Pet goods, bicycles, leisure goods

<HBC Division>

Masks, oral care products

<Food Division>

Bottled beverages, frozen food products

Policies and Priority Measures for the Fiscal Year Ending February 2024

Result Forecasts for the Fiscal Year Ending February 2024

Unit: mn yen	FYE February 2023 Results	FYE February 2024 Forecasts	Year on Year
Operating Revenue	126,904	129,500	102.0%
Net Sales	122,107	124,600	102.0%
Gross Profit	27,687	28,235	102.0%
(Gross Profit Margin)	22.7%	22.7%	-
Real Estate Lease and Other Operating Revenues	4,797	4,900	102.1%
Operating Gross Profit	32,485	33,135	102.0%
Sales, General, and Administrative Expenses	27,853	29,135	104.6%
Operating Profit	4,632	4,000	86.4%
Ordinary Profit	4,523	3,800	84.0%
Net Profit Attributable to Parent Company Shareholders	3,427	2,500	72.9%
[Key Management Indicators]			
Ratio of change in existing stores	+ 1.6%	+ 2.0%	
Operating profit to net sales	3.8%	3.2%	
Number of Store Openings	None	None	
Number of Store Closures	1 store	None	
Number of stores at year-end	57 stores	57 stores	
Year-end dividend (per share) *Planned figures	27 yen	21 yen	

Assumptions for forecasts

PB product sales composition: 30%

Expenses: Assumed increase in electricity costs and investments

Refurbishment: 18 stores planned

Move to a more competitive and stronger corporate structure

1. Pursue **EDLP** and promote **EDLC**
2. Expand **PB products**
3. **Strengthen existing stores** through refurbishment
4. **Respond to market changes** through DX

Promote **EDLP** and **EDLC** to support it

Pursue **EDLP**

- ✓ Increase sales per unit area with mass displays of one product
- ✓ Expand PB products

Promote **EDLC**

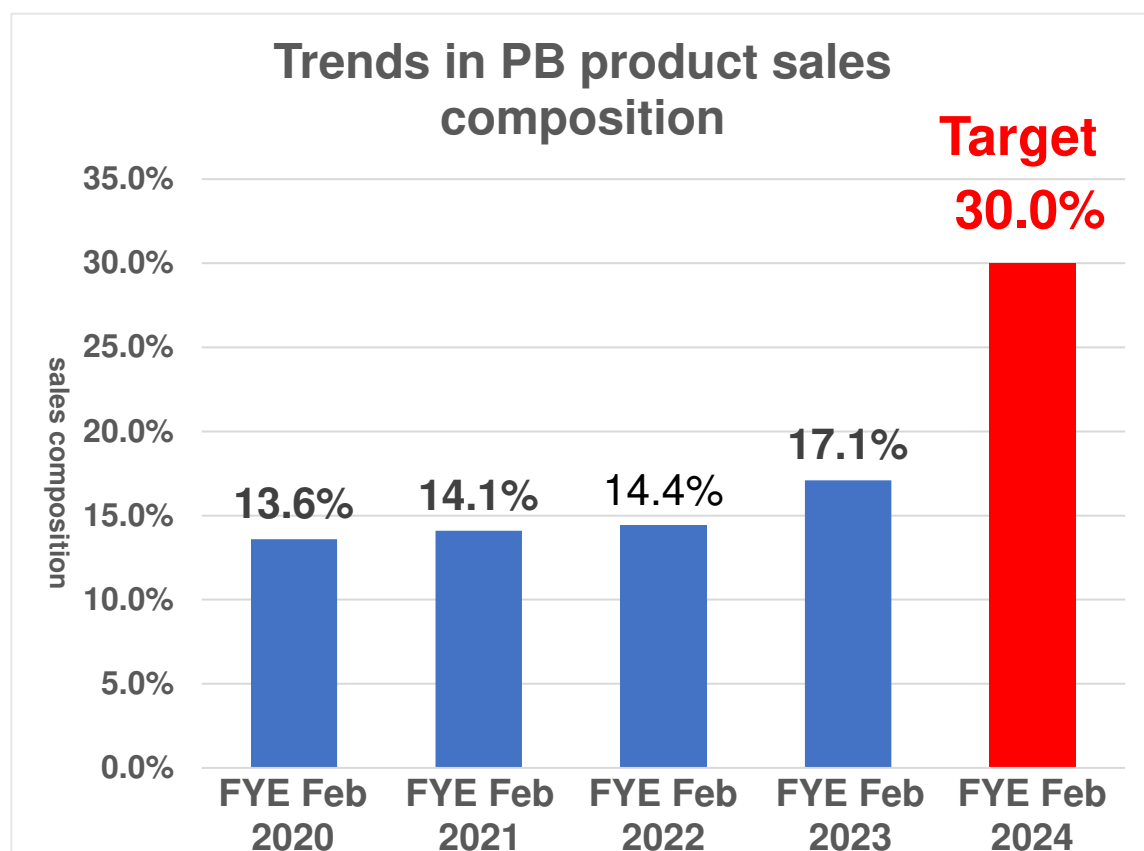
- ✓ Reform operations by reviewing work systems and shelf allocation
- ✓ Utilize digital tools, etc.



Policies on FYE February 2024 – 2. Expand PB products

Measures to expand PB products

- ✓ Expand the lineup of handling products
- ✓ Increase exposure on the sales floor and promote PB products throughout the year



Display example of PB products
(confectionery sales floor)

Policies on FYE February 2024 – 2. Expand PB products

- Develop a wide range of products without specializing in a particular sector
- Expand the line of environmentally friendly products (plastic reduction, simplified packaging, products with certification marks)

Home appliances



Interior goods



Snacks



Locabo nuts chocolate

51% paper used for packaging.
Can be disposed of as **paper waste**.



Half-labelled plastic bottles



Reduced labeling materials by **58.6%** compared to our company's conventional products.

Plastic bottles are lighter, from **26 g to 22 g**.



Policies on FYE February 2024 – 3. Strengthen existing stores through refurbishment

FYE February 2023 Refurbishment FYE February 2024 Refurbishment
result **13** stores ⇒ planned **18** stores

- ✓ Change to a layout that enhances the attractiveness of the regular aisle sales area and makes it easier for customers to enjoy shopping
- ✓ Revitalize standard sales floors further by changing the product mix



Oral care products displayed on a standard sales floor



Condiments displayed on a standard sales floor

Policies on FYE February 2024 –

4. Respond to market changes through DX

Service development and business transformation utilizing digital data

Increase customer numbers and sales through improved convenience by increasing the number of contact points with customers

Shopping online

Shopping at MrMax stores

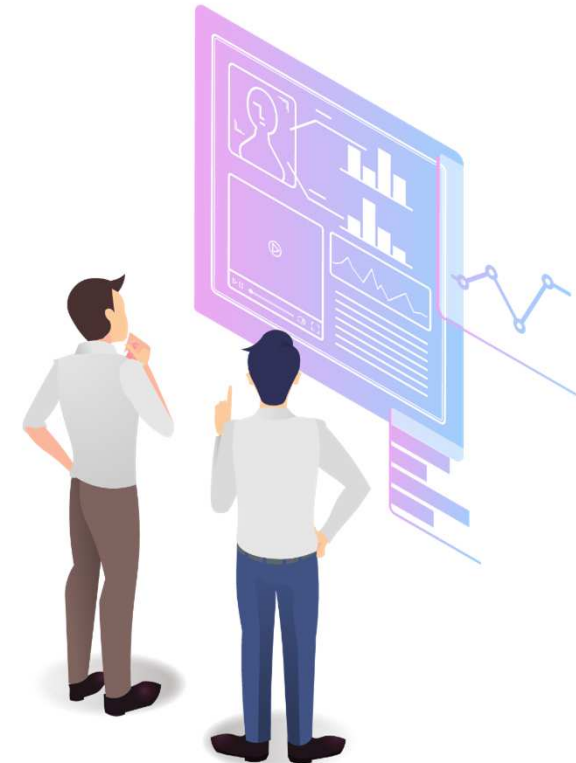


Receive at home Receive in-store

MrMax Online Store

<https://mrmax.jp/>

Transform operations through utilizing digital data



- Training DX human resources
- Eliminate over-reliance on individual employees through work standardization

Medium-term management plan FYE February 2024

Pursue the ideal form for a general discount store

Develop
general
discount stores



Improve
profitability of
existing stores



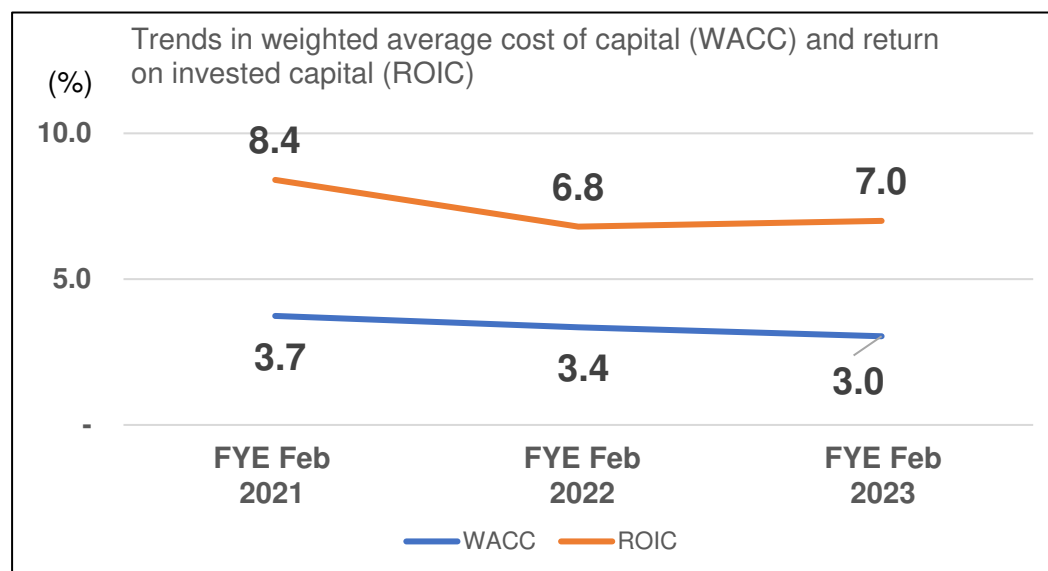
Operating
profit margin
5%

Net sales 130 billion yen
Operating profit 6.5 billion yen
Operating profit margin 5%

Initiatives to achieve management awareness of capital costs and share price

Initiatives to achieve management awareness of capital costs and share price

Capital cost: return on invested capital (ROIC) has been above WACC for the past 3 years
 ⇒ **Our capital costs have exceeded the profitability levels required by the market**



(Notes)

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

- **WACC**
 Risk-free rate: 10-year government bond rate
 Risk premium: 5.50%
 β value: 0.99 Computed over the last 60 months.
 Borrowings at end of period include lease obligations
 (Cash and deposits are not deducted. Calculated on a gross basis)
- **ROIC**
 Market capitalization is computed using the number of shares excluding treasury shares (average for the period).
 Share price is the average of the share price at the beginning of the period and the share price at the end of the period.

Share price: PER is 7.5x and PBR is 0.7x
 ⇒ **We assume that investors do not fully anticipate the future growth potential of our company**

Mr Max share price-related indicators

	PER (times)	PBR (times)	ROE (%)	Dividend payout ratio (%)	Dividend yield (%)	Equity ratio (%)	D/E ratio (times)
FYE February 2023 Results	7.5	0.7	9.0	31.1	4.2	39.6	0.75

(Notes)

- The share price is the closing price on 28 Feb 2023.
- Financial indicators are based on profit after tax for the results of FYE February 2023 excluding the impact of one-off property disposals (546 million yen).
- Dividend payout ratio and yields are based on corporate plans for the results of FYE February 2023.

Initiatives to achieve management awareness of capital costs and share price

- Operating income in FYE February 2023 achieved a high annual growth rate of 14% compared to 5 years ago
- On the other hand, sales grew at an annualized rate of 1.7% and the number of stores remained at 57, the same as 5 years ago



We assume that our company has gained earning power but has yet to achieve the business expansion that investors expect

	FYE Feb 2019	FYE Feb 2020	FYE Feb 2021	FYE Feb 2022	FYE Feb 2023	Year on Year (%) (FYE Feb 2023 / FYE Feb 2019)
Operating Revenue (mil. yen)	118,546	122,319	131,789	124,831	126,904	1.7
Net Sales (mil. yen)	113,988	117,508	126,913	119,975	122,107	1.7
Operating Profit (mil. yen)	2,746	2,450	6,011	4,487	4,632	14.0
Total assets (mil. yen)	80,130	83,604	82,306	82,216	81,932	0.6
Net assets (mil. yen)	24,042	24,694	27,863	29,706	32,452	7.8
Number of stores at year-end	57	57	57	58	57	0.0
Sales floor area at year-end (<i>tsubo</i>)	99,713	98,898	98,532	99,608	99,124	(0.1)
Number of personnel at year-end	2,550	2,521	2,503	2,464	2,411	(1.4)

Notes: 1 *tsubo* = 3.31 square meters

Number of personnel at year-end = number of employee + average number of part-time workers

Initiatives to achieve management awareness of capital costs and share price

Began addressing issues related to future growth in the medium-term management plan

- Investment to improve profitability of existing stores and to create and nurture growth areas
- enhance corporate value through contribution to realizing a sustainable society

Measures proposed in the Medium-Term 3 Year Plan and their implementation

◆Improve profitability of existing stores (increase value) Number of refurbished stores: FYE Feb 2022: 7 stores → FYE Feb 2023: 13 stores → FYE Feb 2024: 18 stores (planned) PB products sales ratio: FYE Feb 2022: 14% → FYE Feb 2023: 17% → FYE Feb 2024: 30% (target)
◆Investment to create and nurture growth areas Number of app members FYE Feb 2022: 1.12 million → FYE Feb 2023: 1.38 million Launched online store business in March 2023, and started app integration in April 2023
◆Contribute to realizing a sustainable society Established Sustainability Committee in February 2022 and disclosed materiality (quantitative targets) in August 2022 Disclose TCFD in May 2023 (planned)

