

Long-Term Business Plan

Double Impact 2035

August 18, 2025
Pan Pacific International Holdings Corporation

- 1** **“Double Impact 2035” Quantitative Targets**
- 2** **External Environment Shifts and PPIH’s Growth Opportunities**
- 3** **Accelerating New Store Openings to “Cover Japan”**
- 4** **Merchandising Strategy**
PB/OEM NEXT Revolution – Driving a Shopping Frenzy with Discount PB
“New products? It’s Donki!”, “XX? It’s Donki!”, and Deli Strategy
- 5** **Same-Store Strategy**
Phenomenal Growth in Net Sales
- 6** **Tax-Free Sales Strategy**
Establishing Tourist-Oriented Retail
- 7** **New Store Format**
Food-Focused Don Quijote
- 8** **Human Capital Strategy**

“Double Impact 2035” Quantitative Targets

Consolidated quantitative targets

FY6/25 : Net sales ¥2.2468 tn, operating income ¥162.3 bn

FY6/26 : Net sales ¥4.2000 tn, operating income ¥330.0 bn

By business segment

		FY6/25		FY6/35		
		Amount	Ratio	Amount	Growth rate	Ratio
Consolidated	Net Sales	¥2.2468 tn	-	¥4.2000 tn	186.9%	-
	Operating Income	¥162.3 bn	-	¥330.0 bn	203.3%	-
	Operating margin	7.2%	-	7.9%	+0.7pt	-
Domestic	Net Sales	¥1.8949 tn	84.3%	¥3.7000 tn	195.3%	88.1%
	Operating Income	¥156.1 bn	96.2%	¥300.0 bn	192.2%	90.9%
	Operating margin	8.2%	-	8.1%	(0.1)pt	-
Overseas	Net Sales	¥351.9 bn	15.7%	¥500.0 bn	142.1%	11.9%
	Operating Income	¥6.2 bn	3.8%	¥30.0 bn	483.9%	9.1%
	Operating margin	1.8%	-	6.0%	+4.2pt	-

❑ Long-term business plan: Double Impact 2035

- We have set new goals under the long-term business plan titled “Double Impact 2035.”
- This plan views shifts in external environment as opportunities for growth and focuses on strategies to expand domestic market share. This document highlights growth strategies for our Japan-based operations.
- For overseas businesses, we disclose minimum targets for 2035. Over the next year, we will focus on building a solid foundation, including stable operations and a clear business model. A detailed overseas strategy will be announced separately in the future.

❑ Our view on shifts in external environment

- We expect moderate growth in Japan's consumer market. At the same time, the total addressable market (TAM) for discount retail is projected to expand significantly across both non-food and food categories.
- We believe that discount formats can be established in Japan across a wide range of categories, including groceries, daily essentials, apparel, consumer electronics, skincare and cosmetics, furniture and home interiors, sporting goods, pet supplies, automotive and bicycle accessories, and DIY tools. We estimate the accessible market size at ¥98 tn, and expect it to grow to approximately ¥130 tn by 2035. Within this, the discount format is projected to capture around 16%, increasing from ¥15 tn to ¥21 tn.
- We see growth potential in securing at least 25% of the above share, equivalent to ¥3.8 tn to ¥5.2 tn.
- Under this long-term business plan, we have set a domestic net sales target of ¥3.7 tn, which includes ¥3.3 tn in core sales and ¥400 bn in tax-free sales.

External Environment Shifts and PPIH's Growth Opportunities (cont'd)

- ❑ We do not limit our total addressable market to the discount sector, which is expected to grow in the coming years. Changes in the external environment are driving shifts in consumer behavior, enabling us to capture demand across adjacent markets such as food supermarkets.

Forecasted Shifts in the External Environment	Anticipated shifts	Revenue Opportunities
1. More low-income consumers	<ul style="list-style-type: none"> • Stronger saving and defensive spending due to inflation and falling real wages • More dual-income households and demand for ready-to-eat, time-saving products 	<ul style="list-style-type: none"> ➤ Demonstrate price competitiveness in discount retail and <u>strengthen access</u> to fresh food markets ➤ <u>Expand target markets</u> like food supermarkets
2. Fewer retail players and industry consolidation	<ul style="list-style-type: none"> • Population decline from aging and low birthrate, with losses outside Tokyo • Cost-push inflation continues, raising costs 	<ul style="list-style-type: none"> ➤ <u>Increase M&A opportunities</u> due to market shrinkage, cost pressure, and succession issues ➤ <u>Grow same stores and open more locations</u> as retail players consolidate
3. More foreign residents	<ul style="list-style-type: none"> • Population growth from rising foreign resident ratio 	<ul style="list-style-type: none"> ➤ <u>Develop new revenue-generating markets</u>
4. More foreign visitors	<ul style="list-style-type: none"> • Government target: 60 million foreign visitors and ¥15 tn in spending by 2030 (2024 actual: 36.87 million, ¥8 tn) 	<ul style="list-style-type: none"> ➤ <u>Grow tax-free sales</u> from foreign visitors to Japan
5. Rise of "Real Price™" ¹ as consumers gain information advantage	<ul style="list-style-type: none"> • Information gap between consumers and producers shrinks and accelerates • Consumers shift toward seeking "Real Price™" as real wages fall 	<ul style="list-style-type: none"> ➤ <u>Capture consumer trade-down</u> from national brands to equivalent products and from dining out to eating at home

1: Real Price (RP™): Purchase price of the lowest available product in the market

Next-level earnings capability = TAM (growth opportunities) × Execution model × Talent & Capabilities

❑ Growth Opportunity = Strategy to Expand Domestic Market Share

- Accelerating New Store Openings to “Cover Japan”
- Same store growth: phenomenal growth in net sales
- Tax-free sales: Establish tourist-oriented retail
- New format: develop compact stores for small catchable areas (food-focused Don Quijote)
- M&A strategy: leverage strong track record with Nagasakiya and UNY
 - ✓ Position M&A as a key strategy amid ongoing industry consolidation and market concentration

❑ Merchandising Strategy Powers Growth + extra = × Execution model × Talent × Capabilities

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|---|--|
| ➤ PB/OEM strategy: NEXT Revolution – Driving a shopping frenzy with discount PB | ➤ Productivity improvement: PPIH-style digital × generative AI |
| ➤ National brand collaboration: Strengthen NPB strategy | ➤ Marketing strategy: Expand wallet share |
| ➤ Category development: Build brand identity as “XX? It’s Donki!” | ➤ Human capital strategy: Build multiple high-performing teams |
| ➤ Supply chain strategy: Strengthen upstream sourcing | |
| ➤ Deli category enhancement: Strengthen deli as a key traffic driver | |

Accelerating New Store Openings to “Cover Japan”

Accelerating New Store Openings to “Cover Japan”

- ❑ Store openings progressing in all prefectures, with significant room for further expansion.
- ❑ Open 250 new stores by FY6/35 by expanding roadside, urban rail-side, and locations with strong tax-free demand from foreign visitors to Japan, in line with our strategy, while increasing market share by filling white spaces on the Japan map.
 - Achieve new store opening targets, while simultaneously developing new store formats.

➤ Roadside : +120 Stores

- ✓ Select areas with sufficient population that match our target customer profile.



➤ Urban rail-side : +80 Stores

- ✓ Focus on station-front locations which are proving successful in Tokyo, Kanagawa, Chiba, Saitama, and Osaka.



➤ Inbound : +50 Stores

- ✓ Select locations near existing stores with strong tax-free demand and in regional downtown areas.



Grow domestic business share by surpassing 1,000 total stores, including new formats.

**Merchandising Strategy
PB/OEM NEXT Revolution –
Driving a Shopping Frenzy
with
Discount PB**

The 2021 rebranding transformed our PB/OEM into a “People Brand” designed for customers. The initiative was well received, but further expansion requires adapting to rising price sensitivity and earning overwhelming customer preference.

We will now focus on pricing and drive the following strategies under our PB pricing policy.

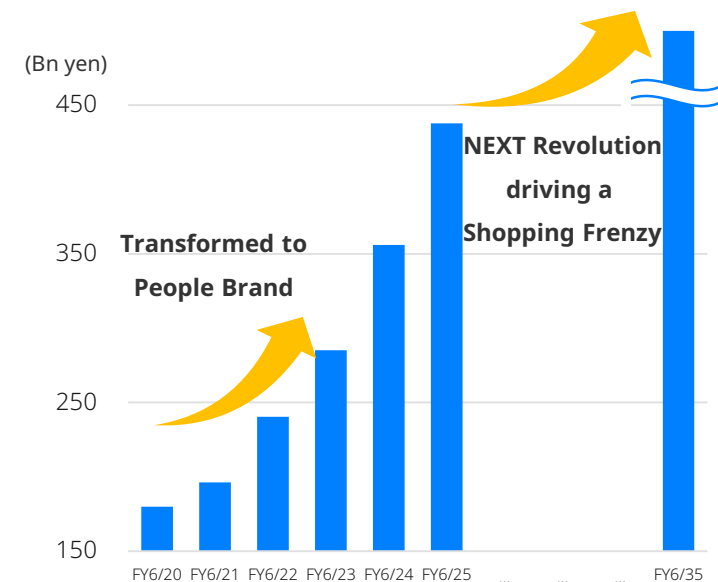
PB/OEM with Unbeatable Price Appeal – EDRP Strategy

- Developed “EveryDay RealPrice™” PB/OEM items that reflect the price customers truly want to pay, going beyond Everyday Low Price. The concept was inspired by the “*maji-kakaku* (exclusive price for app members).”
- Selected 20–30 key value items (KVIs) in daily essentials and launched them at a unified price across all stores in Japan under the concept of unbeatable price. This initiative reinforces the message: “If you’re buying XX, it’s PPIH” — not just in value but in price.

NPB Strategy

Partnered closely with national brand manufacturers to co-develop PB/OEM items that combine the brand equity of NB with our bold, customer-driven innovation. Product functions were fine-tuned based on customer feedback.

Domestic Business – PB/OEM Net Sales Trends



Expand switching categories for basic items tenfold to increase shelf share and continuously grow sales ratio

Achieve ¥1.3 tn in PB/OEM net sales in the domestic business by FY6/35

Merchandising Strategy
“New products? It’s Donki!”
“XX? It’s Donki!”
and
Deli Strategy

Merchandising Strategy

“New products? It’s Donki!”, “XX? It’s Donki!”

Advanced collaboration with national brand : New products? It’s Donki!:

Build a win-win-win model for customers, manufacturers, and Don Quijote

- Customers: Always find the latest products at Donki—no hesitation, just satisfaction
- Manufacturers: Collaborate with PPIH’s ¥2 tn+ scale, diverse customer base, and broad product range to boldly develop NPBs
- Don Quijote: Drive traffic and secure brand uniqueness by selling exclusive new products developed from customer feedback. Strengthen the reason to visit by creating products that meet the needs of both customers and manufacturers, reinforcing the image of Don Quijote as a store that always offers something new.

- ▶ Unique NPB sample
“Mizukan powdered Ajipon”



Turn liquid seasonings into powder! Developed with the belief that selling it at Don Quijote would create buzz, the product became so popular that it sold out repeatedly right after launch.

Deepen Don Quijote-style merchandising: Expand the “XX? It’s Donki!” category

- “XX? It’s Donki!” categories: These are signature items such as color contact lenses and carry-on suitcases, where Don Quijote holds a dominant market share and that drive store visits.
- Increase the number of “XX? It’s Donki!” categories while maintaining affordability, fun, and quality to further strengthen customer traffic and expand net sales.
- The biggest enabler is the speed of discovering and scaling products, made possible by delegating authority to 80,000 employees who interact with customers daily. More than 80 categories are already identified for enhancement, ensuring a constant pipeline of new opportunities.
- More than 80 categories are already identified as candidates for “XX? It’s Donki!”, ensuring a constant pipeline of new opportunities.

- ▶ Top market share categories

Category	PPIH Net sales (2025)	Market share (2025)
Color contact lenses	¥24.6 bn	24.5%
Imported liquor	¥20.0 bn	6.3%
Carry-on suitcases	¥16.0 bn	6.9%
Protein	¥8.2 bn	8.7%

Create new reasons to visit

Deli Strategy

Position deli as a core pillar of growth strategy

- ❑ Make deli a key reason for store visits by delivering three values: affordability, fun, and taste
- ❑ Combine our sourcing and planning capabilities with Kanemi's manufacturing expertise, dedicated plants, and talent investments. Establish an integrated food SPA model that covers everything from product development and procurement to sales.

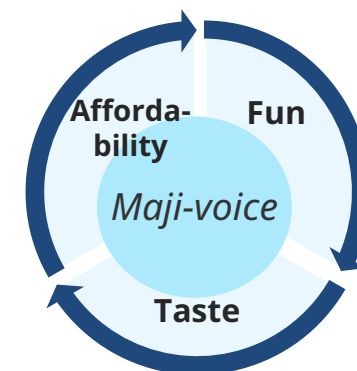
Affordability	Fun	Taste
Procure raw materials separately by Kanemi Foods and PPIH, which prevents full advantage of strengths. Conduct joint procurement with the fresh food division to reduce raw material costs.	<ul style="list-style-type: none"> • Operate dedicated manufacturing plants to accelerate product development and increase production volume. • Invest further to expand manufacturing capacity and accelerate product renewal. 	<ul style="list-style-type: none"> • Secure diverse talent from inside and outside the company and strengthen the development structure to double the number of SKUs. • Expand semi-prepared products using central kitchens to reduce in-store processing and balance freshness with profitability.

Offer competitive prices with a focus on cost per meal for everyday affordability	Maintain a dynamic assortment with "something new" so customers always find fresh options	Deliver taste that makes customers want to eat every day and develop innovative menus
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- Leverage "*Maji-voice*" to incorporate customer feedback into product improvements.
- Enhance affordability, fun, and taste to make deli a signature category and build a loyal base of enthusiastic customers and fans.

【FY6/25】 Net Sales: ¥63.0 bn, accounting for 3.3% of total

【FY6/35 Target】 Net Sales: ¥200.0 bn, accounting for 5.4% of total



Same-Store Strategy

Phenomenal Growth in Net Sales

- ❑ Same-store sales still have plenty of room to grow. In addition to overall retail market expansion and the rising share of discount store formats, there's significant upside in reaching **hesitant shoppers** and **increasing visit frequency among existing customers**.

- To capture these opportunities, we're approaching customers with the theme:
"Why not just get everything at Donki?"

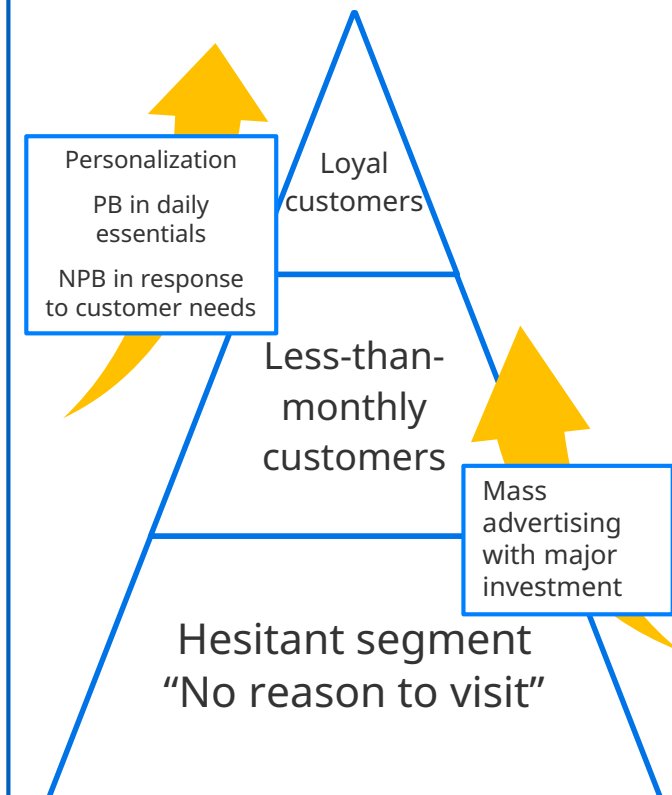
Around 30 million people know Don Quijote but don't visit because they "don't have a reason to go" or "Donki doesn't come to mind when they shop." This hesitant segment represents a major growth opportunity through advertising-driven marketing.

- Implement large-scale advertising investments under the theme "Why not just get everything at Donki?" to create reasons to visit. Aim to acquire new customers and increase visit frequency and basket size among existing customers.

Donki maintains a high sales ratio in food and daily necessities, but visit frequency remains low. About 80 percent of customers shop less than once a month. The wide product assortment leaves significant room to expand wallet share among existing customers.

- Surpassed 18 million majica app members. Combine purchase history with external data and AI to enhance personalization based on pricing strategies, helping customers discover new products and increasing visit frequency even for items they haven't bought before.
- Offer more unique and value-driven assortments through merchandising strategy:
 - Introduce unbeatable price PB items in daily essentials (see page 9)
 - Introduce NPB items that combine NB brand power with PB innovation (see page 11)

► Image of Customer Engagement



❑ Driving store visits through merchandising strategy renewal and price appeal in both non-food and food categories

- Non-food -

Apita is transforming its large-format sales floors into dynamic spaces

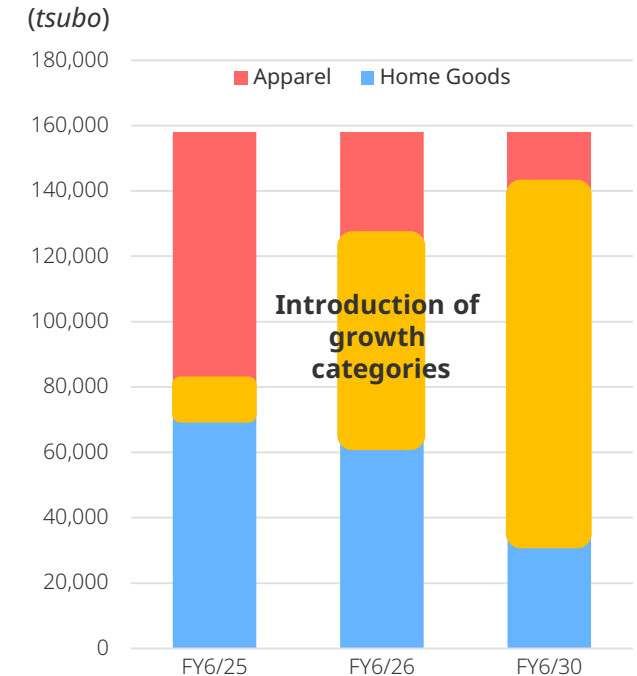
- The most critical challenge is apparel, which will undergo a full-scale review over five years, covering 85,000 *tsubo* (approx. 280,991.74 m²), with 15,000 *tsubo* (approx. 49,588 m²) updated annually.
- By leveraging PPIH Group's sourcing capabilities, Apita will introduce growth categories across all stores. These include trend-driven items, character merchandise, seasonal appliances, kitchen electronics, and recovery wear.
- The second floor will be redesigned to feature products that evoke surprise, laughter, and "Wow!" These elements, previously missing from Apita, will create a compelling reason for customers to visit.

- Food -

Enhancing value through PPIH Group's price-competitive food offerings with themes of color, seasonality, and rarity

- Fresh produce and prepared meals meet every day needs and also cater to special occasions through proprietary sourcing and placement of category specialists.
- Capturing former Piago customers through Piago's format conversion
- Capture weekend bulk-buying demand. Utilize large-format stores to drive volume and case sales.

▶ Non-food categories sales floor area plan in *tsubo* (1 *tsubo* = approx. 3.3058 m²)



Evolving into a store that meets both everyday discount demand and value-added demand for special occasions

Tax-Free Sales Strategy

Establishing Tourist-Oriented Retail

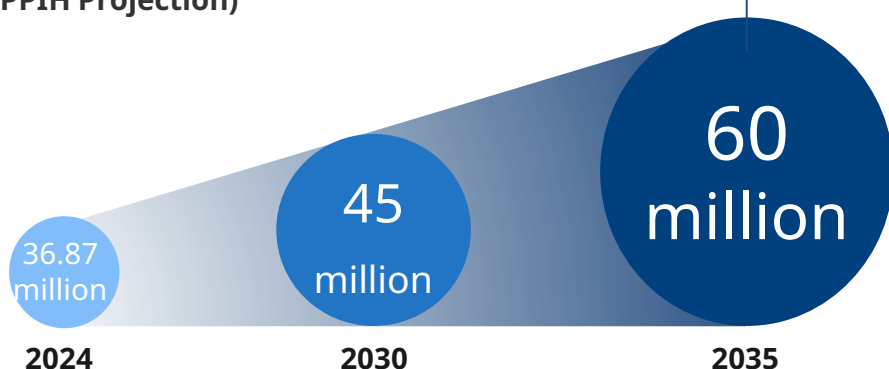
- ❑ **Target ¥400.0 bn in tax-free sales by FY2035, up ¥225.8 bn YoY, by establishing the brand position as a reason to visit Japan and continues advancing from its position as the undisputed leader.**

Growth Vision

- Deepen our unique entertainment-driven retail experience that goes beyond shopping by offering a taste of Japanese culture, creating a brand world no competitor can replicate, and increasing customer loyalty.
- Expand into diverse catchable areas and secure locations along key travel routes of foreign visitors to Japan to realize nationwide presence where Don Quijote can be found anywhere in Japan, driving market share growth and increasing customer traffic.

► Estimated Foreign Visitor Volume (PPIH Projection)

Store Visit Rate Target:
34.4%



► Target figures

	FY6/25	FY6/35	YoY from FY6/25
Net Sale	¥174.2 bn	¥400.0 bn	+¥225.8 bn
Visit Rate	24.7%	34.4%	+9.7%

- Raise store visit rate to 34.4% by FY6/35, up 9.7pt YoY from FY6/25, in response to the Japanese government's goal of attracting 60 million foreign visitors by 2030.

- ✓ Strengthen customer acquisition by deepening marketing strategies tailored to each nationality and implementing competitive pricing strategies focused on pharmaceuticals.
- ✓ Accelerate new store openings and expand into tourist destinations to capture new customer segments.

Tax-Free Sales Strategy: Establishing Tourist-Oriented Retail (cont'd)

❑ **Expand wallet share by aligning with the spending behavior of foreign visitors to Japan and making Don Quijote top-of-mind across all touchpoints**

Strategy	Customer Traffic		Gross Profit Margin	Store Opening
	Experience-driven	Product-driven		
Target	Visit Rate 34.4%		PB ratio 33% Gross Profit Margin +5% UP	From FY6/25 +50 Stores
Details	Case			
	<ul style="list-style-type: none"> Attract younger customers by enhancing entertainment-driven store experiences with seasonal themes and character displays Increase customer traffic by hosting events across Japan that offer uniquely Japanese experiences to foreign visitors Develop a mobile app to support foreign visitors to Japan before and during their trip, aiming to expand market share 	<ul style="list-style-type: none"> Capture customer traffic by offering key destination products such as pharmaceuticals at the most reasonable prices in the area Drive traffic growth by expanding new food categories such as grab-and-go items Increase visit frequency by developing signature products that foreign visitors to Japan associate with Don Quijote 	<ul style="list-style-type: none"> Leverage AI analysis to recommend products by nationality and develop new PB item Launch collaborative products with manufacturers, featuring popular characters and cosmetics 	<ul style="list-style-type: none"> Gain new market share and attract first-time customers by opening stores in major tourist destinations Expand tax-free sales and strengthen customer retention by opening stores of various formats in busy downtown areas

Make Don Quijote the preferred choice for foreign visitors to Japan by offering affordability, convenience, and Japanese uniqueness across all occasions.

New Store Format

“Food-Focused Don Quijote”

New format: Develop compact stores for small catchable areas, “food-focused Don Quijote”

Targets by FY6/35:

FY2035 Net Sales Target: ¥600.0 bn, Operating Income: ¥36.0 bn, Operating Margin: 6.0%

- ❑ The share of food in consumer spending continues to rise, putting pressure on the non-food market. Strengthening food categories such as frozen, daily, and processed products drives overall growth for PPIH even in discount formats.
- ❑ Future growth requires formats with a stronger food focus, targeting the food market in local catchment areas. Build a small-format model that combines UNY's fresh procurement capabilities and Don Quijote's merchandising expertise with discount pricing.

► Performance outlook for the new format

Net Sales	Increase 1.5 times by introducing fresh food at discount prices in Don Quijote, reaching the level of a typical supermarket
Sales Mix	Allocate 60% of selling space to food, reducing the non-food ratio to 25% in the new format compared to 65% at Don Quijote, which remains higher than a typical supermarket
Gross Margin	Limit the decline despite discounting food by maintaining a higher non-food sales mix
SG&A	Higher sales dilute fixed costs, reducing SG&A ratio. Typical supermarkets have higher SG&A due to labor-intensive fresh categories
Operating Income	Operating margin remains comparable to Don Quijote, while operating income increases 1.5 times, about twice the profitability of a typical supermarket

“Food-focused Don Quijote” = Don Quijote’s merchandising expertise & UNY’s fresh procurement capabilities × Discount pricing

► **Business Model Only We Can Deliver**

Traffic-Driving Capability

×

Strong Profitability

Value proposition	Unbeatable Price Convenience (One-stop & Store Hours)	Trend-driven, market-optimized assortment
Strategic categories	Food: Fresh, Deli, Processed, Daily Non-food: Daily necessities	Food: Confectionery, Imported liquor Non-food: PB, Cosmetics, Household goods

- PPIH is developing a food-focused Don Quijote format by expanding beyond the limited catchable area for grocery needs and leveraging the Group’s diverse resources.
- Strong traffic driven by market-based pricing and profitability supported by trend-driven assortments will create a unique business model that only PPIH can deliver. The Group’s ability to curate over 1 million SKUs in Japan makes this possible. This model will become a key growth driver

The new format will launch in H2 FY6/26 by converting Piago stores. Expand the store network through new openings and M&A to increase market share. Plan 200 to 300 stores by FY6/35.

Human Capital

- ❑ Actively support, recognize, and reward individuals who take risks and pursue autonomous challenges to create a company filled with bold talent
- ❑ Generate leaders who drive challenges in new domains and build numerous strong teams capable of diverse initiatives

Organization of people who set ambitious goals and take bold actions

Promote autonomous proactivity

- Provide far more opportunities for new hires to make decisions from the start compared to other companies through delegation of authority.
- Build an environment where employees can shape their careers by their own will, regardless of age, and take on bold challenges. Expand internal job posting programs that allow entry to all positions as one example.

Support autonomous challenges

- Provide growth opportunities to acquire new knowledge and skills, creating a culture where employees with store experience and strong execution capabilities identify successors and aim for the next stage of growth.
- Accept failures. Value and reward autonomous challenges to promote advancement and future opportunities.

Cultivating a corporate culture and systems that embody “The Source”

Promote a mindset of taking risks through delegation of authority, meritocracy, and acceptance of failure to create an environment where innovation thrives

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