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**【Speech Summary for FY2021 Financial Results Briefing】**

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1. Overview of Financial Results for FY2021 and Business Forecast for FY2022

Executive Officer, CFO, Keita Shimizu

Thank you for taking the time today to attend PPIH's Financial Results Briefing. I will now give you an overview of the financial results for FY2021, and explain the business forecast for FY2022.

• Earnings summary for the full-year (presentation p.4)

Net sales were 1,708.6 billion yen, operating profit was 81.3 billion yen, and profit attributable to owners of parent was 53.8 billion yen. With regard to the respective year-on-year growth rates, net sales increased by 1.6%, operating profit increased by 7.8%, and profit attributable to owners of parent increased by 7.9%. Both earnings and profit increased with new record highs.

We also achieved positive growth across all earnings figures in comparison with projected earnings.

• Summary report of consolidated financial results (presentation p.5)

Next, I will give an overview of the Domestic Discount Store Business, GMS Business and Overseas Business.

Overall, we registered new record highs for both sales and profit, but there were slight variations in the results for each business.

As we may expect, the impact of COVID-19 meant that the Domestic Discount Store Business, which has many stores near stations, had to fight a difficult uphill battle to a certain degree. On the other hand, the GMS Business and Overseas Business steadily compensated for that, contributing to the strong overall results. The following is the breakdown of these variations in results.

In the Domestic Discount Store Business, as I have explained earlier, the evaporation of inbound tourism and restrictions to human traffic for stores near stations contributed to the continued difficulties faced by this business throughout the year. On the other hand, suburban stores were able to secure steady sales. Nevertheless, it has been a year of difficult struggles to generate profits in the

Domestic Discount Store Business.

On the other hand, the GMS and Overseas Businesses recorded a strong performance.

In the GMS Business, we successfully captured demand for alternatives to eating out, driven by the COVID-19 pandemic. We were also able to control costs firmly. Hence, we were still able to achieve profit growth for the fiscal year despite the fall in sales. In short, I believe that GMS reforms produced certain results during the year.

As for the conversion of stores to the UD Retail format as well as the renovation of stores as New GMS, which we have been advancing from before, we made steady progress with the opening of 11 stores respectively for each initiative.

For the Overseas Business, results varied by country, season, or period due to the impact of the COVID-19 pandemic. Overall, I think we were successful in gaining both popularity and repute in Asia as a “Japan Brand Specialty Store”. The business model of directly exporting primary products from Japan to increase profitability is gradually being established. In the fourth quarter of FY2021, we generated a profit for the first time.

In North America as well, riding on the favorable winds of the COVID-19 pandemic, we achieved positive sales and profit and successfully achieved an increase in profit. Furthermore, Gelson’s was added to the consolidated results in the fourth quarter, leading to a significant increase in sales.

Pages 6 and 7 show the graphs for the contents that I have just explained.

• Domestic Discount Store Business, stores near stations (presentation p.8)

I will provide an overview for the business separately for stores near stations and suburban stores.

I will first talk about stores near stations, which faced the greatest struggle. The graph shown in the presentation material follows a somewhat longer time axis.

Firstly, COVID-19 started to spread in February and March 2020. Inbound demand evaporated from this point on and led to a sharp fall in tax-free sales. Similarly, non-tax-free sales declined, greatly impacted by the restrictions placed on human traffic as a result of the declaration of state of emergency in Japan. Of course, during this period, there were times when the state of emergency was lifted and times when COVID-19 had less impact. However, sales did not necessarily recover significantly even during such periods. As people are saying, I think that consumer behavior itself has changed somewhat. The changes in sales are reflected in this graph, which is a little sparse, along with a comparison with non-tax-free sales from two years ago. As we may expect, sales have not recovered significantly.

Three factors for the struggle are listed here. With regard to factors (1) Inbound evaporation, and (2) Restrictions on human flow, I believe we will see a recovery in these respects someday, when a certain period has passed after the COVID-19 pandemic comes under control. In these aspects, we just have to be well-prepared for that to happen. As for (3) Changes in consumer behavior, this may not

necessarily return to pre-COVID levels, or may further accelerate in the future. In this respect, I think that it is vital for our company to evolve and change.

I will touch briefly on this point, including the digital values, in the Strategy and Measures section in the latter half of this presentation.

• Domestic Discount Store Business, suburban stores (presentation p.9)

Suburban stores landed at 98.9% year-on-year, staying largely at the same level as the previous year. While these figures are also published every month in the Monthly Sales Report, there was special demand for hygiene products around the time last year when COVID-19 began to spread. The rise in sales from that special demand resulted in a slight reactionary weakening of sales in March, April, and May this year. Even so, suburban stores achieved firm gains, especially for stores offering fresh food products. As the chart shows, we registered steady growth and gains in the food product sector. I think this is a positive outcome.

On the other hand, stores that do not offer fresh food products could not fully ride on this favorable wind. As such, sales declined year-on-year. Overall, results for suburban stores remained largely at the same level as the previous year, landing with a slight drop in sales.

With regard to suburban stores without fresh food products, as we have been reporting from before, six stores were renovated under the 100-Day Project that has been ongoing since March this year. This is a simple summary from the quantitative and qualitative aspects.

In the four months from April to July, we were able to establish a certain degree of improvement in the numerical figures.

As for the qualitative aspect, we made many discoveries in various areas by conducting thorough, intensive observations in these six stores. Some of these discoveries will soon be introduced to other stores, or be applied to future measures. In addition to improvements in numerical figures, discoveries were also made in the qualitative aspect. In this sense, I think that we have firmly achieved a single, unified result. Going forward, we aim to continue making these improvements.

• GMS Business (presentation p.10-11)

There are parts of the GMS Business that incurred a significant decline in sales as a result of the business format conversion to UDR. However, this decline was recovered through the growth of existing stores, and by controlling SG&A expenses in particular in the aspect of profits. Despite a decline in sales, we achieved profit growth over this past year.

As explained also on page 11, we are making smooth progress on the penetration of individual store management, renovations, and business format conversion. As for business format conversion for individual stores, the Utsunomiya Store was our first experiment in retaining the UNY brand “Apita” instead of the double-name conversion to UDR, and the store was renovated to incorporate Don

Quijote as a tenant. This experiment has performed well and produced good results.

Going forward, we are considering entering a phase of further pursuing development of the GMS Business through renovation as GMS, or through this tenant format.

• Asia Business (presentation p.12)

The Asia Business also performed very well, with growth for both sales and profit.

With regard to profit, it registered a positive profit of 3.4 billion yen, which marks a 3.9-billion-yen improvement year-on-year and the realization of significant growth.

The explanation for PPIC is rewritten from the overview. In summary, the initiative has also achieved significant growth, and is contributing to the establishment of the business model.

• North America Business (presentation p.13)

The North America Business also recorded positive growth in both sales and profit. Please have a look at the main contents driving this growth.

Gelson's has been added from this fiscal year. Consolidation began from the fourth quarter, so Gelson's contributed to 20 billion yen in sales and 1.3 billion yen in profits. Although only a short time has passed since its consolidation, an integration committee has been established since April, and we have begun to engage in discussions on its future growth. Therefore, I believe there will be opportunities to report on its progress going forward.

Detailed figures such as the respective financial statements are provided from page 14 onward.

Here, I would like to conclude the brief summary for the FY2021.

• Full year forecast of consolidated results (presentation p.20-21)

Last but not least, I will present the full year forecast of consolidated results for FY2022.

In our forecast of business results for FY2022, we aim to achieve net sales of 1,870 billion yen, operating profit of 85 billion yen, and profit attributable to owners of parent of 57.6 billion yen. The preconditions for the forecast are set out on page 21 of the presentation material.

As we have been reporting to our investors from before, firstly, the most significant aspect for now is still the highly uncertain situation concerning the impact of the COVID-19 pandemic. Hence, inbound sales are not factored into these figures. I ask for your understanding on this point based on this precondition.

Nevertheless, even under the circumstances, I would like to highlight that we have set out these figures and hope to achieve them through the steady opening of new stores, renovation of stores, as well as the growth of existing stores.

Furthermore, while we had originally planned for 50 billion yen of capital expenditure last year, the

actual figures landed at about 46 billion yen. In light of that, we have drawn up the forecast for 75 billion yen this year. We aim to expand capital expenditure slightly with a view to accelerating growth. I ask for your understanding on these targets.

## 2. Strategy and Measures in the FY2021

Director & Managing Executive Officer, Hideki Moriya

### • Domestic Discount Store Business (presentation p.23)

In the FY2021, the external environment went through major changes due to the impact of the spread of COVID-19, and consumer behavior also changed significantly. When people are out, their range of activities and activity time has reduced dramatically, alongside with a fall in the frequency and time that they spend on shopping. On the other hand, the increase in the amount of time spent at home has led to a great increase in the amount of time they spend on the Internet.

These changes in consumer behavior have contributed to the intensification of competition in both the aspects of product and price, resulting in greater demand for companies to make it easier than ever before to understand the values they provide, as well as to differentiate their products. In the fact of these challenges, we will put in place three main strategies for the Discount Store Business.

The first is to strengthen and dig deeper into product categories that have the potential to become the “number one”.

We will narrow down the SKU from our previous all-round product lineup, strengthen and dig deeper into the product categories that can demonstrate the strengths of our company, and through these, motivate customers to visit our stores.

An example would be the test development of “Meat Donki,” a sales floor package specializing in meat products. Going forward, we will repeatedly carry out the verification of various hypothesis in order to create stores that offer a lineup of such products and product categories.

The second is to promote differentiation through the introduction of PB and strengthening of development.

I will explain the details of PB product strategy on another page later. We will strengthen efforts, more than ever before, to introduce existing PB products, and to advance with the development of new products. Furthermore, we will create incentives for customers to visit stores and improve profit margins by strengthening differentiation measures, through the development of unique and proprietary

products.

The third is to strengthen price competition against competitors.

In FY2021 to date, we have consistently worked on this based on the Million Star Program. However, amidst the intensification of price competition, we will further strengthen price competition against competitors specifically for the Discount Store Business.

In order to realize these measures, we will create 3 million working hours through the project to improve productivity, which we have been implementing since FY2021.

• PB/OEM strategies (presentation p.24)

The main initiative for FY2021 is the complete update and full rebranding of “Jonetsu Kakaku” in February this year. We approached it from the two prongs of revamping regular products and developing differentiated products, rolled out successful new regular items from the 100 day project and other initiatives to other stores, and increased the PB ratio for the Domestic Discount Store Business.

As for the strategy for FY2022, we will strengthen PB/OEM mainly for food products, daily consumables, home appliances, and apparel.

With regard to existing products, we will implement measures to promote in-store sales and enhance brand value, with the aim of increasing sales by more than 20%. At the same time, we will accelerate development with a view to enhancing product lineup.

At the beginning of FY2021, we drew up a forecast of 300 billion yen in sales and PB sales ratio of 17.5% in our PB/OEM sales plan. However, after verification of the 100 day project, there is a need to further advance product development through the integration of production, sales, and planning, as well as promote the rollout of products to the markets, in order to achieve an increase in sales.

To that end, we have reviewed some of our plans to date and revised the sales target to 250 billion yen for FY2022, and to 300 billion yen for FY2023 respectively.

However, concerning the sales ratio of PB/OEM products, we aim to achieve a sales ratio of 17.5% in FY2022 for domestic retail, which is the original target we had established.

• GMS Business (presentation p.25)

In the GMS Business, of which UNY is the core, we have expanded the renovation and transition of stores to New GMS, following the successful renovation of the Myokoji store in FY2020.

We are successfully increasing sales by strengthening the pricing of each individual store and developing sales floor packages with enhanced specialization. Hence, it is possible to maximize profits by leveraging on existing UNY stores even without business format conversion to UD Retail. Based

on the verification of results achieved in the business format conversions that we have carried out so far, we revised the number of stores targeted for business format conversion in our initial plans.

The number of stores for business format conversion to UD Retail, in the years leading up to FY2024, has been revised from the original 80 stores to approximately 60 stores. Concerning the business format conversion stores for FY2022, we will shift from our previous focus on MEGA Don Quijote UNY, to Don Quijote as tenants in Apita stores.

On the other hand, there are plans to renovate 11 stores to become New GMS stores. We also plan to close two stores alongside the business format conversion to UD Retail, so the number of stores under the GMS Business is expected to be 137 stores.

As for the mid-term plan announced in FY2020, we are making progress as planned toward achieving adding up 20 billion yen of operating profit for UNY and UD Retail combined by the FY2024.

• Overseas Business (presentation p.26)

In the Asia Business, we plan to open about 12 new stores in FY2022.

In addition to strengthening efforts to open new stores in existing countries, such as four stores in Singapore, we will also open new stores in Macau for the first time. As a part of the initiative to further promote and firmly establish Japanese food culture, we will also roll out products such as onigiri made with Japanese rice and high-grade fresh bread.

Next, I will talk about the North America business.

Concerning existing businesses, we will boost the renovation of existing stores with the aim of further increasing sales. We also aim to enhance quality with a focus on departments that achieved greater sales during the COVID-19 pandemic due to increased awareness of the products as alternatives for eating out. These include, in particular, products such as deli foods and sushi. For Gelson's, we expect a reactionary decline in sales, which grew during the COVID-19 pandemic. However, we aim to maintain the new customer base that we acquired during this period and achieve sales that exceed pre-COVID levels. There are no plans to open new stores for the North America business in FY2022.

With regard to Gelson's, we plan to open two new stores in FY2023, and will put effort into making these preparations during FY2022.

Last but not least, with regard to PPIC, we will further deepen cooperation with producers, the relevant organizations, and administrative agencies in FY2022, expand the scale of procurement, and work to increase the amount of direct trade by further expanding the lineup of products that we deal in. Going forward, we will support the growth of both the Asia and North America businesses by supporting efforts to expand the business and improve profitability.

• Digital data strategy (presentation p.27-30)

Along the axis of the “Marshmallow Concept” that we launched in 2019, we have to date implemented various pilot initiatives and tested hypothesis. Based on the knowledge that we have built up from these initiatives, we have entered the phase of implementation and application in the business from FY2022. Hence, we will establish new organizations and restructure existing ones, and advance efforts after organizing the priority areas.

• P28

Next, I will provide an overview of the digital data strategy.

In this area, we will promote the following three broad initiatives: improving customer point of contact, improving customer experience, and improving customer understanding. Overall, we aim to bring about the further evolution of the contents that we have been working on to date.

• P29

In the aspect of improving the point of contact with customers, we will provide a seamless channel to customers.

From the perspectives of usability and collecting data that contributes to greater understanding of our customers, we will capture these customer points of contact as an excellent opportunity for learning about our customers, and apply them to the continuous improvement of the business.

• P30

As for the app that we will be operating to strengthen our digital point of contact, which is still a powerful driver for the business now, we aim to enhance its functions and expand its service offerings in the form of the new “majica” app. We will improve the customer point of contact itself by enhancing the functions of the “majica” app, which had until now leaned toward product purchases, and by doing so, enhance shopping convenience for users.

• ESG initiatives (presentation p.32)

In PPIH, we established the Diversity Management Committee and Nomination/Compensation Committee in FY2021. In addition to these, we established the Sustainability Committee on July 1 for the further promotion of company-wide initiatives for environmental measures and supply-chain management, which have been addressed separately by the respective departments until now. From FY2022, we will actively strengthen ESG initiatives with a focus on these four committees in addition to the Compliance Committee.



### 3. Overall Summary

President & CEO, Representative Director, Naoki Yoshida

Thank you for your time today. Mr.Shimizu and Mr.Moriya have just provided the detailed explanations, so I will now move on to the overall summary.

Firstly, to summarize FY2021 briefly, I would say that it has been a year of difficult struggles. However, with the expansion of our business portfolio, we ultimately succeeded in increasing earnings and profits, and I believe we have fulfilled our commitment to all our stakeholders. This success is being driven by the Overseas Business, and by UNY and UDR.

On the other hand, as you have heard in the explanation, we faced great challenges in producing results for the Domestic Discount Store Business, which is the business that we originally started with. We faced an uphill struggle to cope with the COVID-19 situation for the Domestic Discount Store Business. I think that we have to acknowledge this point with honesty.

In the last financial results briefing, I have also raised the point about the vital need to respond to changes in consumer behavior in future. There are also aspects of these changes that we are able to address, and we can consider that a certain degree of results was produced. However, with regard to the Domestic Discount Store Business in particular, we have not yet achieved strong operating results. Hence, I will state here with honesty that we are having a difficult time with the COVID-19 pandemic.

How will we address these challenges? As Mr.Moriya has explained earlier, we will implement various measures and provide support for the implementation of these measures. To that end, we are increasing the budget for capital expenditures in the stages of progression. Then, in the accounting aspect, after careful consideration, we have recorded a large extraordinary loss for this fiscal year centered on the Discount Store Business. We have carried out the accounting more conservatively based on the premise that the impact of the COVID-19 pandemic will continue in the immediate future.

Furthermore, with regard to personnel, we have entered the second year of the “Million Star System” that we launched in the previous fiscal year. We remain firmly committed to a system of meritocracy, and aim to revitalize the organization by selecting more and more young people and appointing them to important positions. We will strive to uncover outstanding human resources by focusing on this “Million Star System.”

Regardless of executive officers or “million stars,” and regardless of position or occupation and scope of work, I hope that the Discount Store Business, as well as PPIH, will continue to tackle new

challenges going forward.

I believe there is a tendency for people to feel worried amidst these circumstances. However, with regard to the second point, I would like to bring out the keyword of “DX.” There were some parts of this explanation that were difficult to understand, so I would like to create an opportunity again to present further explanations.

In addition, our company has established the new position of CXO.

The idea embedded in this “X” is that there is no need to adhere to the way of doing things that we have followed in PPIH until now.

We have adopted a format that is different from the “Marshmallow Project” implemented to date, and which is based on the premise of implementation. Rather than a project, I would like you to consider this as an initiative that the whole company will tackle together.

We plan to implement a system that connects customers, products and the company, with the “majica” app as the center of the system. This will be some time in the future, in Golden Week next year. However, we are advancing efforts on it every day with this timing and schedule in mind.

Finally, to conclude FY2021, despite the great difficulty and uncertainty, I have high hopes and expectations for the future if we are able to overcome this challenge. This is not necessarily being optimistic; rather, I think that we are moving in the right direction, broadly speaking.

Last but not least, I would like to talk briefly about FY2022.

While the figures for July were quite good, I believe we will continue to be impacted by the COVID-19 pandemic in the near future. Hence, we expect the respective monthly figures to fluctuate up and down. I believe that the COVID-19 pandemic will also have a certain impact on the Overseas Business.

Based on this premise, while we may receive criticism and negative comments about our targets for the progressive period, in terms of the numerical targets, we are predicting about 4% of growth on the basis of operating profit. However, in comparison with the previous fiscal year, as explained earlier, we aim to secure CAPEX and accelerate investment in future growth.

I believe the time will come when the free movement of people resumes. In order to secure further significant growth when that happens by firmly capturing additional domestic demand and inbound customers, I would like to establish the current fiscal year as a year for tackling challenges. I would also like to take it as an opportunity to make proactive investments as preparation for the future.

(End)