

Overview of Q&A Session at Analysts Briefing for Q1 FY June 2025

This document provides an overview of the Q&A session at the analysts briefing for the first quarter results. Questions and answers have been edited for clarity.

Q1. Sales have been strong, and the gross profit margin has improved. How should we interpret the breakdown of operating profit?

A : Sales increased primarily due to strong performance in the DS (Discount Store) business, driven by seasonal summer items. The gross profit margin was approximately 0.5 to 0.6 points higher than planned. This improvement was due to better-than-expected sales of high-margin seasonal items. Additionally, while the UNY business had anticipated a slight decrease in gross profit margin due to pricing strategies, the margin held steady in Q1, contributing to the overall positive result.

Q2. Could you explain the impact of the timing shift on SG&A expenses?

A : Some planned expenses for Q1, such as new store openings and IT investments, were deferred to Q2 and beyond, amounting to approximately 20 to 25 billion yen. These costs are expected to be incurred in the upcoming quarters.

Q3. The DS business is performing well. Could you provide updates on initiatives like PB/OEM products and Majica membership strategies?

A : We are in the process of transitioning key items to OEM production. Last fiscal year, we successfully produced OEM items such as smartphone accessories and kitchen supplies, enabling us to offer better-quality products. This not only boosted profitability but also drove stronger-than-expected sales growth. Looking ahead, we plan to OEM more key items, including pet supplies and suitcases.

On the customer acquisition front, 20% of Japan's youth (ages 15–24) are already Majica members. To further increase our membership, we are implementing strategies like TV commercials, collaborating with micro-influencers, and introducing student discounts. As a result, the number of young Majica members has grown by 200,000 compared to the end of the previous fiscal year.

Q4. You mentioned further hypothesis testing is required for the Asia business. Are there any significant changes in strategy?

A : This is more of a strategic decision rather than a significant change in direction from what has been previously communicated. Instead of focusing solely on achieving the 2030 target, we have committed to a broader, more ambitious vision. We believe small, incremental changes won't be enough, and that a fundamental transformation is needed to build a business model that drives substantial profitability.

We are confident that our leadership team in Asia—Mr. Machida, Mr. Shimoichi, and Mr. Tamaki—will elevate the business to a higher level, driving both scale and profitability. While we expect steady growth in the domestic market over the next three years, we are also laying the groundwork for a more profitable business model in Asia to ensure long-term success.

Q5. What is the vision for “long-term (over 10 years) significant growth” mentioned on Page 3 of Q1 Results ?

A : With Japan's declining population, we anticipate shifts in trade area dynamics, leading to a reduction in the total number of stores and retail floor space. In light of this, we believe it is essential to transform our business model, considering the possibility of industry consolidation.

Q6. On October 1, 40 talents from the DS business were transferred to the UNY business. How has the DS business performed since then ?

A : Many of the executives presenting today gained valuable career opportunities early on, which helped shape their success. In the DS business, we are seeing a proactive approach from leaders, including category managers, to delegate authorizes and empower their teams. We've also expanded beyond traditional OJT (on-the-job training) by introducing external training programs. Young employees, in particular, have shown a strong willingness to learn, positioning them for future success.