

[Speech Summary for FY2025 First Quarter Financial Results Briefing]

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1. Overview of FY2025 First Quarter Financial Results

- ✓ We have achieved good results overall.
- ✓ On the other hand, with regard to the measures we have been advancing this fiscal year, certain costs that were originally expected to be incurred during the first quarter have not been fully incurred yet. Since we are still in the first quarter of the fiscal year, we have decided to keep the full-year outlook unchanged.
 - ✓ (1) Net sales
 - The summer seasonal products, which is one of the strengths of our DS business, performed well due to high summer temperatures.
 - This strong performance in turn had a positive impact on gross profit margins, resulting in a 1.0-point increase in gross profit margin year on year, which was more than we had anticipated.
 - ✓ (2) SG&A
 - Personnel and utility costs were as budgeted.
 - Other costs (investments in new stores and IT investments) have been deferred to the second quarter and after.
 - We have produced greater profits in the first quarter than initially expected.

<Results by business>

- ✓ We feel that the overall portfolio is solid and well designed.
 - The domestic DS business is doing extremely well.
 - The UNY business is progressing as anticipated.
 - The North American business is facing some difficulties, and the Asian business is struggling.
- ✓ In non-operational aspects, a foreign exchange loss was recorded.
 - A foreign exchange loss was recorded due to the impact of exchange rate fluctuations.
 - We have revised intergroup financing between PPIH and our overseas subsidiaries to limit future impact.

2. Beyond 2030 (Introduction with how we plan to achieve growth going forward, beyond 2030)

- ✓ Achieving 2 trillion yen in sales is just one milestone that we will pass through; we will incorporate “long-term significant growth” as a key management theme.

- ✓ We feel that the previous era of “increasing store numbers = growth of the Company” has come to an end.
 - Therefore, growth of the Company beyond 2030 would be inconceivable without a growth strategy that follows a different timeline.
 - With regard to our overseas business, we have previously asked that you wait for six months, and that we will provide a detailed explanation in a year. In conclusion, however, while we will firmly pursue efforts that realize short-term benefits, we believe that we will not be able to achieve growth overseas without adopting a more long-term perspective.
 - We do not just want to be successful, but to be significantly successful. However, we felt that it would be considerably difficult to achieve this “significant success” as things stand now.

- ✓ Regarding timelines
 - We will ensure that we attain our goals from the current fiscal year through to the fiscal year ending June 2030, but the areas of our business playing a key role in the achievement of these goals will change over time.
 - ◇ In the short term, for example in the current fiscal year, this will overwhelmingly be the DS business and UNY. In the next four or five years, however, we must see changes to the contribution ratios of our businesses area.

- ✓ Regarding initiatives toward realizing long-term growth
 - Domestic businesses
 - ◇ The domestic businesses are doing very well, so please be assured on their performance for this year and the next two years. However, we feel that this is the right time to earnestly consider how we can become the winner in 10 years’ time.
 - ◇ As the overall structure of the retail industry is going through changes, we will compete on the premise of significant demographic changes.
 - ◇ DS business and UNY will compete firmly in the domestic market. However, if UNY does not also have the capability to open new stores, it cannot be said to have acquired management capabilities.
 - Financial and other businesses
 - ◇ Internally, we are currently positioning the financial business as a cost center. While it will require some time, we will steadily convert it to become a profit center.
 - Overseas business
 - ◇ First, it is necessary to redefine what kind of stores we have, and what we want our customers to understand (stores, business format, etc.).

- ◇ Furthermore, it is necessary for these business formats or stores to establish profit-making structures.
- ◇ In its current condition, we feel that it has not yet developed a structure for establishing many stores and making large profits all at once.
- ◇ There are many talents who can shine if they are delegated the authority, but we have not yet nurtured our human resources to that level overseas. Therefore, human resource development is a must.

3. Initiatives toward addressing issues in the Asian business, and a new concept

✓ Head of Hong Kong, Macau and Thailand, Kota Tamaki

- ✓ Regarding challenges in Hong Kong
 - The strongest impression is the focus on looking inward without looking outward at all.
 - ◇ The business is currently focusing only on looking inward, paying attention to retail spaces and distribution channels from Japan without looking at changes in the competition and market. As some competitors are also increasing the number of Japanese products they handle, our competitive edge appears to be weakening.
 - ◇ I felt that the local product division did not have a strong grasp of feedback from the field or changes in the trading area, so immediately after taking up my post, I fundamentally reviewed the systems of the local division.
- ✓ Hypothesis
 - It took Japan's Don Quijote 20 years to develop its concept and business model of "CV (convenience) + D (discounts) + A (amusement)," and it has made a significant leap forward in the 25 years since then.
 - Since entering the Asian market in 2017, we are still in the "HOP" phase among the "HOP", "STEP," and "JUMP" stages.
 - I am not satisfied with the current situation. I aim to create a solid store concept, and I believe the time has come to review and revise our concept.
- ✓ Regarding the concept
 - Since entering the Asian market, we have followed the concept of being a "Japanese brand specialty store," and initially thrived by offering products that were not available locally at reasonable prices.
 - On the other hand, I think that customers' impression during and after the COVID-19 pandemic is that we are a "slightly expensive store that merely brings together and sells Japanese products," and I think that this impression of our stores is directly linked to the numbers.
 - There is a need to redefine the concept.
 - We will add the elements of "D (discounts)" and "A (amusement)" to "J (Japan)."
 - ◇ With the introduction of this concept, one of the concrete changes we expect to see will be the number of items purchased by each customer. We were able to capture the demand for home dining during the COVID-19 pandemic to achieve strong sales, but I believe that we had misjudged the true potential of the

business.

- ◇ I hope to increase the number of items purchased to a level that can be described as “a new post-COVID level.”

✓ President & CEO, Representative Director, Naoki Yoshida

- A key point in the message today is to face “inconvenient truths” in the field. It is vital to continue coming up with hypotheses. This “J (Japan) + D (Discount) + A (Amusement)” concept is also a hypothesis. We will thoroughly validate this hypothesis and iterate it at high speed.
- The management team considers it necessary to give it a certain amount of time in order to make it a significant success.
- We will take firm steps to ensure that the Asian business achieves its targeted contribution to the 200-billion-yen operating income that we have committed to for 2030.
- On the other hand, I believe that the business and store concepts will take a span of at least three to five years to become established. Rather than focusing on small successes, we will move toward achieving the major goals.

4. Concrete measures for non-food reforms in the UNY business

- ✓ Going forward, we will transition away from the GMS business and categorize UNY’s business as the “UNY business.”
 - Once we have completed the major food-centered reforms that we are currently implementing, we believe that we will be able to maintain the sales and popularity of our current food products, while at the same time, create a profitable new business format that can garner support and attract customers through non-food products.
 - In our aim to reach that stage, we felt that it was incongruous to label ourselves as the “GMS business,” so we have now decided to call it the “UNY business.”
- ✓ As we have stated during the full-year financial results briefing in August, we have set out the commitment of increasing operating income by 10 billion yen by 2030.
 - Even now, UNY is highly profitable within the GMS business format. However, the premise is not to increase the number of stores as we move toward our target for 2030.
 - If we are successful in establishing this new business format, it would be possible to establish stores that are “neither Donki nor UDR” across the whole of Japan, within UNY, and within UDR. This means that business expansion will be in sight. However, at present, we shall limit ourselves to describing the amount of profit we will make as “over 10 billion yen.”
 - On October 1st, the top team from PPIH Group took up position in UNY.
 - ◇ Around 40 staff members, comprising mainly of branch managers and category leaders (heads of product divisions), underwent what can be described as a major personnel transfer, and took up their posts on October 1st
 - Five years have passed since UNY joined the PPIH Group in 2019, and operating income has doubled. However, as we mentioned in the previous financial results briefing, we believe there is still much room for taking up challenges

in non-food areas.

- ◇ This will be implemented as a two-year project. We will complete the project at 29 stores in the first year, with a view to completing it at all stores in the second year.

5. Regarding the North American business

- ✓ Overall, both sales and SG&A increased significantly due to the major impact of exchange rate fluctuations and new store openings.
- ✓ Results at existing stores, with the exception of Marukai CA, are below the previous year's levels.
 - Operating income increased in California but decreased in Hawaii. North America as a whole recorded a decrease in profits compared to the previous year.
- ✓ Looking at the results by areas California is performing well, particularly for Marukai.
 - Marukai CA has introduced new strategies, including extending opening hours. These have contributed to its success in continuing to produce good results from the previous fiscal year.
 - As we have also explained previously, Gelson's has implemented measures for unprofitable stores, including reducing losses and controlling personnel costs. Progress has been made in these efforts, resulting in a year-on-year increase in operating income.
 - Amid the impact of rising prices and a competitive environment, the performance of Don Quijote (USA) has remained on par with the previous fiscal year, but its QSI has fallen in comparison with the previous fiscal year.

6. Conclusion

- ✓ The key point in this briefing is, with regard to the overseas business, we feel that making improvements and minor corrections alone do not provide the answer.
- ✓ We will approach it with a steady, long-term perspective while also coming up with short-term solutions. We shall add "achieving significant success in the long-term" as a new management goal.
- ✓ However, as this is no more than a declaration of our intent, we will provide further explanations in the full-year financial results briefing.