

Overview of Q&A Session at Small Meeting for Sell-Side Analysts for Q2 FY June 2025

This document provides an overview of the Q&A session at the small meeting for sell-side analysts for the second quarter results. Questions and answers have been edited for clarity.

Q1. Regarding the revision to the full-year forecast: Inbound sales have been raised by 20 billion yen from the initial plan, but overall consolidated net sales remain unchanged. Could you explain the increases or decreases in the sales forecast by business segment?

- ✓ For Discount Store business, inbound sales are set at +20 billion yen; however, due to delays in store openings, a negative adjustment of 5 billion yen was applied, resulting in a revision of +15 billion yen. Additionally, the original full-year same-store sales forecast (including inbound), was 104.1% YoY. This revision raises it to approximately 105%.
- ✓ For the North America business, the exchange rate assumption was revised from 140 yen to 150 yen, positively impacting sales in yen terms.
- ✓ The Group's overall net sales remain unchanged due to intergroup transaction offsets.
 - Some sales, such as PB products supplied from subsidiaries to each business segments, are offset in consolidated processing as they are intergroup transactions.
 - The offset amounts were not calculated in proportion to the increase in the supply of PB, etc., at the time of the original forecast. This negative impact has been corrected, and the adjustment is reflected in the revised forecast.

Q2. Regarding the North America business from Q3 onward: When did the system glitch in Hawaii occur, and what was its duration of impact?

- ✓ The system glitch in Hawaii has now been resolved.
- ✓ It occurred at the end of September, with the impact lasting from October to December (Q3). By January, the effect had dissipated (from Q4 onward).
 - Note: For the North America business (except for Gelson's), the fiscal period starts three months earlier, so October to December is considered Q3.
- ✓ While some inventory management issues arose, these will only impact Q4 during the upcoming stocktaking. Operational problems have been resolved.

Q3. Regarding Gelson's (North America business) from Q3 onward: The January wildfires had a negative impact of 1.5 billion yen in Q3. Will this impact continue throughout H2 to FY6/26?

- ✓ Gelson's has been affected in both Q3 and Q4.
 - In Q3, the impact was due to partial power outages and store closures, but these were temporary.
 - However, there is no clear timeline for reopening the burned-down store, so the impact is expected to persist into H2 and FY6/26.
- ✓ Apart from this, other stores have progressed as planned through Q2, with no further issues expected.

Q4. Guam's performance in the North America business fell short of the plan. What time frame is required to see improvements?

- ✓ The first factor is the weak recovery of tourist arrivals.
 - Tourist recovery is tie to the number of flights, but currently, operating flights are only about 40% to 50% of peak levels. Gradual improvement is expected as flight numbers increase.
 - However, the initial plan for Guam expected tourist sales to account for 20%–25%, which represents the largest variance from the budget.
- ✓ The second factor is equipment issues on the infrastructure side.
 - As a remote island, delays in material deliveries are inevitable, and additional time is needed for investigating causes and performing repairs. Complete restoration is not expected until around July.
 - The issue mainly involves refrigerated display cases. A full lineup of perishable and frozen products is expected to be available by summer.
- ✓ The third factor is a shortage of SKUs relative to customer needs.
 - Although a streamlined SKU approach was rolled up, it became clear that customers prefers a one-stop shopping experience for their daily purchases.
 - Feedback indicates customers desire a broader lineup, particularly focusing on domestic items for everyday use. A renovation is planned in April to significantly increase the number of SKUs.

Q5. I understand that a new store has opened in Guam, and new stores are planned for Hawaii. Will there be any revisions to these plans going forward?

- ✓ The current plans are considered adequate, but decisions on which regions to invest in and what to invest in will requires close monitoring.
- ✓ We are optimistic in the long term, but investments cannot move forward without clear answers.
- ✓ The keys to success are (1) a solid business format, (2) having the right personnel to execute plans

and (3) smooth operations.

Q6. Regarding the upward revision of 2 billion yen for domestic business in H2 (Discount Store business +4 billion, Other businesses revised downward by 2 billion): Examining the trends in Q1 and Q2 indicates that the improvement in the Discount Store business appears weaker in Q2 compared to Q1. What are your plans for H2?

- ✓ The Discount Store business has been progressing as initially forecasted. The improvement is not considered weakened compared to the previous year.
- ✓ The main factor driving the rise in sales is inbound. We are planning for FY6/26 and anticipating further investments which may impact profit.
- ✓ Also, the revision of compensation in winter is expected to have some impacts in H2. Compared to H1, this has contributed to the increase in SG&A.

Q7. Regarding reduced foreign exchange losses: Is this included in the current revision plan?

- ✓ Since FY6/24 ended at around 160 yen, some exchange losses that would occur if the current exchange rate remains are already factored into the plan.
- ✓ Due to changes in the financing structure in Q2, significant exchange losses have been eliminated.

Q8. Impairments were announced in H1; does that mean even more impairments will occur in H2?

- ✓ Approximately 400 million yen in impairments were recognized in H1, but typically, impairments are accounted for at the end of the fiscal year.
- ✓ Given the infrastructure issues in Guam, the events in Hawaii, and the situations with Gelson's, impairments during the fiscal year must also be considered, and these expectations has been reflected into the revision.
- ✓ We ask that you attribute the gap between Ordinary Profit and Profit Attributable to Owners of Parent to these factors.

Q9. In Other businesses, the Q2 profit is lower than in Q1. What are your thoughts on this decrease?

- ✓ One factor is the provisions for doubtful accounts in the financial business.
- ✓ Another is head office costs arising from intergroup transactions. Because figures have trended lower than the initial budget, the amounts allocated to each business have also decreased accordingly. Thus, when looking solely at the PPIH entity, profit appears to have correspondingly decreased.

Q10. In Other businesses, profits are lower in Q2 and Q4—is this attributable to seasonality?

- ✓ CAPEX is typically concentrated in H2, which often leads to the perception that profit in H2 is weaker. However, this shift makes H1 appear lighter in SG&A.
- ✓ The most significant factor is IT investments. Large investments are concentrated in H2, and when viewed on a quarterly basis, these investments span multiple quarters.

Q11. You mentioned that in H2, the North America business will have a negative impact, and there will also be investments in the Discount Store business. Given these factors, there still seems to be some margin in the figures. Could you elaborate on your comments about leaving leeway in the domestic Discount Store business?

- ✓ Had North America not been revised downward, the operating income forecast would have been set at 159 to 160 billion yen.
- ✓ While current performance is steady—with the Discount Store business performing very well and hard work required for the UNY business—there is a gradation among them. Taking this into account, we do not expect a significant upward revision.
- ✓ Instead, it is a situation requiring initiatives and investments from FY6/26 onward.
 - The Discount Store business is being encouraged to pursue various initiatives leading to investments from FY6/26 onward.
 - Even with some setbacks, strong earnings in H1 allow room to take risks.

Q12. Regarding the UNY business: The reforms to the non-food sector are showing positive signs—how confident are you? Some personnel have already been transferred from the Discount Store business to the UNY business. What do you think of the results so far?

- ✓ The initiatives at the Apita Chiyodabashi store are showing promising results. We believe this project will succeed, but we are not yet at a stage where we can present an exact timeline for its future.
- ✓ This project is planned to span 2 years, and we will provide a comprehensive evaluation on the current progress at the final results announcement.

Q13. Competing stores are using various pricing strategies in the food sector. Is PPIH considering adopting any of these?

- ✓ PPIH's greatest strength lies in its ability to flexibly scale operations and swiftly respond to changes.
- ✓ We can also flexibly incorporate and adapt successful examples from competitors to make them our own.
- ✓ Once we can freely adjust our scale and routinely capture key indicators such as inventory levels and

turnover rates that affect popularity, there will be substantial room for further growth.

Q14. In FY6/25, there were delays in store openings in the Discount Store business. Is the plan for 100 new stores over 3 years still in place?

- ✓ Some store openings may be slightly postponed to FY6/26, but the overall plan for 100 new stores over 3 years still on track. Delays are due to overlapping factors such as preparation for development, discussions with store owners, opening preparations, and government application procedures.

Q15. Regarding UNY business figures at the Chiyodabashi store: How much do you expect to increase net sales and gross profit compared with previous figures? Please explain the scale of improvement.

- ✓ We are confident that if we carry the same assortment as a drugstore, we can earn on par with a typical drugstore. However, since many tenants in our buildings are drugstores, simply increasing the assortment may result in product overlap, creating a challenge.
- ✓ But, given our 2-year initiatives aiming to increase operating income by 10 billion yen by 2030, the success of the non-food strategy is essential. While the extent of growth will vary on a case-by-case basis, the most crucial factor is that we are determined to move forward with confidence.

Q16. When Nagasakiya and UNY's business format changed, figures for improvements in net sales, gross profit, and customer numbers were disclosed before and after. How should we assess the results of UNY's improvement initiatives going forward?

- ✓ We have not yet established a definitive formula. In the case of UDR, a before-after formula became apparent with the first six stores. On the other hand, there are no other examples of non-food revitalization within GMS. Although we are seeing positive signs, it would be better to wait for the final results for the details.
- ✓ It will be necessary to add up the efforts from each store + UNY + the Group. We need a certain scale of promotion for customers to recognize that we are making sales, and we're aiming to be able to demonstrate the extent of these contribution taking this into account.

Q17. Regarding investment targets for the Discount Store business in H2: Overall, operations are running smoothly, and investments are being effectively utilized. What opportunities are there for the business?

- ✓ Fundamentally, increasing the number of stores is one key to boosting sales and profits.

- ✓ However, when approaching this from a perspective on customers, it is essential to increase numbers of customers, boost wallet share and LTV, and expand the fan base.
 - These kinds of marketing-oriented approaches are vital.
 - Additionally, with PB, the synergistic effect resulted in an increase in new customers and fans; however, this is entirely independent of expanding store count.
- ✓ Inbound largely relies on contributions from the same-stores, but there are still significant opportunities in this area.
- ✓ What is essential is to continue experimenting and investing, even if there are setbacks. Without a doubt, we can increase the number of stores, but we must also challenge ourselves to create new business formats, including how we define our trade areas.