

[Speech Summary for FY2025 Second Quarter Financial Results Briefing]

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Senior Executive Officer, Head of Asia Business/ Satoshi Machida
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1. FY2025 second quarter financial status

- ✓ For the interim financial results, achieved record-high sales, operating income, and operating income margin.
 - Profitability was further improved by increased sales, improved gross profit margin, and effective control of increased costs.

<Results by business segment>

- ✓ The Discount Store business successfully captured demand for outings, events, and seasonal products. Pricing strategies implemented via the majica app and large-scale promotions proved effective, and tax-free sales reached a record high. PB/OEM expansion and SG&A control were also successful.
- ✓ The UNY business aims to boost sales and increase customer numbers through pricing strategies that drive growth in food products and daily consumables. Additionally, its non-food strategy is beginning to yield results. UNY is advancing competitive pricing strategies and strengthening the non-food sector.
- ✓ The Asia business has emerged from its worst period and achieved sales and profit growth in Q2 FY6/25. It remains on track against the full-year targets. Effective control of SG&A and strengthened collaboration with local partners have paid off.
- ✓ The North America business performed as planned through September. However, negative impacts* in the second half resulted in operating income being revised downward by 4 billion yen.

*Note: Gelson's flagship store burned down in Southern California due to wildfires, and there were struggles in Guam and a system glitch in Hawaii.

<Revision of full-year forecast>

- ✓ The full-year forecast has been revised based on the performance of each business segment.
 - Net sales: 2,220 billion yen (unchanged), operating income: 155 billion yen (+5 billion yen), ordinary profit: 150.8 billion yen (+15.4 billion yen), profit attributable to owners of parent: 90 billion yen (+3.5 billion yen).

- The breakdown of operating income by business segment shows an upward revision of 9 billion yen for domestic business, driven by the strong performance of the Discount Store business, and a downward revision of 4 billion yen for the North America business.

2. Discount Store business

✓ Representative Director & Senior Managing Executive Officer, Kosuke Suzuki

- ✓ The Discount Store business has set four strategies as its main pillars; PB/OEM strategies, majica membership strategies, inbound strategies, and store opening strategies. Below, we explain the growth potential of each strategy.
 - PB/OEM strategies
 - Its shift in strategy of converting standard products to OEM is proceeding as planned, with transitions in smartphone parts, carry cases, frying pans, and pet products.
 - A new beauty brand, "mical," has been launched with the slogan, "Buying beauty appliances? Go Don Quijote."
 - Experimental protein vending machines have performed well. This new sales method has approximately doubled protein sales in the stores that have installed these machines.
 - majica strategies
 - The rate of majica card presentation at checkout has risen to 48.3%. As of December, the number of majica members has exceeded 16 million.
 - We are confident that the continuation of the *Maji-kakaku* initiative (a strategy of deliberately reducing the prices of popular NB products) has contributed to gaining popularity.
 - Inbound strategies
 - Progress remains at record-high levels in FY6/25. We hope you will look forward to the next quarter as well.
 - We are confident in gaining market share regardless of whether the yen is strong or weak.
 - PB/OEM products that encourage inbound tourists to visit our stores have been developed, garnering attention on both domestic and international social media.
 - The composition ratio of PB/OEM in tax-free sales has increased to 12.6%.
 - A global version of the majica app targeting inbound visitors is planned. The aim is to maintain touchpoints even after visitors return home.
 - Store opening strategies
 - 26 new stores are planned for FY6/25. The target of opening 100 new stores by FY6/27 remains unchanged.

3. UNY business

- ✓ President & Representative Director of UNY Co., Ltd., Ken Sakakibara
- ✓ (UNY) Category Leader, Tomoya Kato

- ✓ The UNY business is committed to pricing strategies, strengthening fresh and prepared food offerings, and strengthening the non-food sector.
 - Pricing strategies
 - To compete with rival stores, we are targeting the top 400 best-selling products.
 - The annual visit frequency of majica members has increased by five, contributing to improvements in visits.
 - Strengthening fresh and prepared food offerings
 - Each store is implementing a tailored strategy in line with customer needs, from procurement of fresh products to pricing.
 - Traditional promotional initiatives has improved, with sales of promotional items growing by 113%.
 - Strengthening the non-food sector
 - There are two fundamental principles underlying this initiative:
 - First, to undergo a change in mindset by abandoning the conventional “apparel, food, and housing” approach for product offerings.
 - Second, to boldly reduce products and categories with poor turnover rates while introducing new products.
 - ◇ Introduce new products swiftly based on the hypothesis that they will be popular.
 - Model store case: Chiyodabashi store
 - Traditional apparel has been reduced by approximately 30%, and new products inspired by various lifestyle scenarios have been introduced.
 - ◇ Apparel is redefined not solely as clothing but more broadly as fashion accessories, suitcases, and character goods.
 - A new promotional strategy has been implemented
 - ◇ The focus is on individual items to deliver a direct and more impactful message.
 - ◇ A strategy of displaying a single product in multiple locations has also been employed.
 - Nearly all 54 General Managers have been empowered to aggressively implement initiatives, not limited to the success case of the Chiyodabashi store.

4. Regarding the North America business

- ✓ General Manager, IR Headquarters, Yuichi Watanabe
 - ✓ The situation by region:
 - California
 - Continuing from last year, MarukaiCA is performing well, maintaining an operating income margin of over 13% in same stores.
 - The new stores opened in FY6/25 have also been performing smoothly, with 3 new stores scheduled for FY6/26.

- Hawaii
 - The system glitch has been resolved. Efforts are underway to stabilize operations.
 - In terms of sales, initiatives such as strengthening the sushi category and business format shifts to implement various challenges are being pursued to differentiate from competitors.
- Guam
 - Challenges have become apparent, making infrastructure improvements and operational stabilization a top priority.
 - Plans are in place to add more than 3,000 SKUs to cater to the needs of local customers.
 - Further collaboration with hotels and airports and enhanced promotional activities are needed to increase tourist visit frequency.
- ✓ Outlook for FY6/26
 - Despite MarukaiCA's growth investments and negative factors affecting Gelson's, an increase in profitability is expected due to improved performance in Hawaii and Guam, better SG&A control, and new store profitability.
 - The impact of losing one Gelson's store due to wildfires in Southern California is expected to persist into FY6/26.
 - Hawaii is anticipated to recover from negative effects such as lost sales opportunities due to lack of stock and waste.
 - In Guam, addressing identified challenges is expected to produce an upward trend.

5. Regarding the Asia business

- ✓ Senior Executive Officer, Head of Asia Business, Satoshi Machida
 - ✓ The Asia business has spent the past year working on the following improvements.
 - MD's strategy has introduced non-food categories such as character goods and hobby products regardless of location, resulting in an approximate 2% increase in the non-food composition ratio across Asia.
 - Local talent has grown significantly, with Japanese expatriate staff sharing merchandise display techniques, promotional methods, and the correlation between pricing and sales volume. Over the past year, 2 country managers and 13 General Managers have emerged among local staff.
 - By region, both Thailand and Hong Kong have shown upward trends. Although the market in Hong Kong struggled due to sluggish consumption, the price appeal of products popular among inbound tourists in Japan helped revive popularity in the latter half of Q2.

6. Conclusion

- ✓ Although record-high profits continue to be achieved, there remains ample room for further growth.
 - Negative factors affecting the North America business have fully played out, and the Asia business is also showing early signs of a turnaround.
 - The UNY business is entering its second turnaround phase, marking a fresh start.
 - The Discount Store business is performing exceptionally well, yet there remains further potential for growth.

- ✓ Inflation presents a significant opportunity, and rising wages provide reassurance.
 - While rising procurement costs and SG&A, pricing strategies remain a crucial determinant in consumer purchasing decisions.
 - Established inflation translates into substantial business opportunities for discounters.
- ✓ The most significant benefit of inflation is that the domestic market no longer needs to be viewed as a negative-sum game.
 - The modest growth in GDP will support our efforts to expand market share.
- ✓ PPIH's growth story is still unfolding. Overall, the future is filled with potential.