Pan Pacific International Holdings Corporation
November 12, 2025

Overview of Q&A Session at Analysts Briefing for Q1 FY6/26

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

Q1. Q1 results were in line with the plan, but Asia business performed above expectations and tax-free sales in the Discount Store business were strong. Were there any factors that caused results to fall short of expectations?

A: The domestic retail gross margin was below the initial assumption. Compared with the target-setting phase, we implemented certain pricing strategies to address higher customer price sensitivity. In addition, rising costs for fresh products also had an impact, resulting in slightly weaker performance than planned.

North America also saw a slight decline in gross margin versus the initial plan, as we focused on pricing strategies to strengthen traffic. Operating income was down YoY, but progress is on track with the plan.

Q2. Could you share your thoughts on how things have been since the management structure changed?

A: (Respondent: President & CEO, Representative Director/ Hideki Moriya) In my case, I had been working almost side by side with former CEO Yoshida as CSO, so over the past 3 months, I have felt confident and have not encountered any new challenges that require additional time. The positive point is that, even after the leadership change, store employees continue to stay focused on customers regardless of who is in management. I believe this is the most important aspect. For me personally, I hardly feel any change.

A: (Respondent: COO and Representative Director, President and Representative Director of Don Quijote Co., Ltd./ Kosuke Suzuki) I hardly feel any change either, and I consider that a positive sign. Regardless of who the CEO is, we operate under the principle of “The Customer Matters Most.” As we transition to team-based management and have announced our long-term business plan, I sense that over the past few months, each individual has developed a stronger sense of ownership and a perspective that looks ahead to where we want to be after 10 years.

Q3. What kind of value and appeal can “Food-Focused Donki” offer to customers?

A: We believe the greatest value we can deliver lies in non-food categories, which are our strength. While typical supermarkets generate less than 10% of sales from non-food items, we aim to raise the ratio to 25%. This will not only secure profitability but also differentiate us from competitors by creating stronger reasons for customers to visit our stores.

We also have multiple strengths in fresh and other food products, and we plan to offer them in ways that avoid becoming similar to competitors. Details will be explained by the person in charge at the interim earnings briefing.

Q4. Gross profit margin improved by 1.0pt in Q1 FY6/25 and by 0.3pt for the full year, but it declined by 0.3pt in Q1 FY6/26. How has the business environment changed since the end of FY6/25?

A: Rather than a sudden shift in Q1, trends have been gradually changing since early spring, so there has not been a major change between the end of FY6/25 and Q1 of FY6/26. Factors affecting customers’ daily lives have heightened their cautious mindset, leading to changes in product mix, purchase frequency, and price sensitivity, particularly in food items. While consumers had previously accepted inflation to some extent, we now see greater sensitivity to new price ranges and overall pricing.

In Q1, about 5,000 items faced price increases, and we responded by carefully monitoring customer price sensitivity and differentiating between products where we kept prices unchanged and those where we made adjustments.

Q5. Regarding the overseas business: The Asia business has been improving profitability through better operations, but as you prepare to announce your directional plan for the overseas business next year, could you update us on the current progress and situation? Also, please share the status of the North America business.

A: As we mentioned, the Asia business moved past its worst phase in FY6/25, and operational stability is progressing. In terms of merchandise, we have 2 store formats: those that handle fresh products and those that do not. Previously, stores with fresh products were the main focus. Currently, we are strengthening cosmetics and character-related goods in non-food categories, as well as highly preferred confectionery in food, to enhance product offerings that drive store visits. This has contributed to traffic and growth in same-store sales.

On the other hand, the North America business started operational improvements about 1 year later than Asia, so challenges remain. Within the North America region, Guam, where we acted first, has shown progress, followed by improvements in Hawaii, and we plan to advance the turnaround during FY6/26. In addition, Marukai plans to open 3 stores in FY6/26. The investment per store is significant, so contributions to operating income from new stores are expected from FY6/27 onward. Taking all this into account, we are progressing in line with the plan.

Q6. Could you tell us about the domestic store opening plan for FY6/26 and the positioning of each format in your long-term business plan?

A: In Japan, we have opened 6 stores so far in FY6/26, and the plan to open 25 stores announced at the beginning of FY6/26 is progressing smoothly.

Our core formats are Road-side Donki, MEGA Donki, Urban Downtown Donki, and Rail-side Donki. Rail-side Donki is further divided into 2 formats: tenant-in and small-sized stores. We expect to open these formats without bias in FY6/26. Food-Focused Donki is considered a separate format.

For Rail-side Donki, we plan about 80 new stores mainly in the Tokyo metropolitan area, with an average annual net sales of ¥1.5 bn per store, totaling approximately ¥120 bn. For Food-Focused Donki, we expect 200 to 300 stores generating around ¥600 bn. Combining these formats will significantly expand our Total Addressable Market (TAM). Ultimately, we aim to balance existing and new formats and move toward achieving nationwide coverage as outlined in our long-term business plan.

Q7. Some food supermarkets have started lowering prices using PB products as inflation eases. If competitors further reduce prices, is there a risk that your gross profit margin will decline?

A: We do not expect inflation to have a negative impact on our profit margin. As we shared during the FY6/25 full-year earnings announcement, while we focused on “quality over quantity” for the past 6 years, we are now shifting to a “quantity over quality” approach for the next 10 years. We will continue to monitor both gross profit margin and gross profit amount, and securing customer popularity remains a key priority.

For example, large-scale sales campaigns may boost top-line sales, but balancing that with gross profit

margin is a challenge. With inflation now stabilizing, our focus is on becoming a destination that inspires shopping behavior. It will take some time to attract customers as we respond to their growing price sensitivity.

Gross profit margin is also affected by seasonal factors and category mix. This trend is reflected in our October monthly sales data, and we currently see no need to revise our plan. That said, we remain mindful of potential margin impacts due to market conditions. We are confident in maintaining balanced productivity, and therefore do not see a need to significantly revise the overall plan for either the Discount Store or UNY businesses in FY6/26.