

[Speech Summary for FY2026 First Quarter Financial Results Briefing]

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COO and Representative Director,
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Executive Officer, Head of IR Headquarters / Yuichi Watanabe

1. Opening Remarks

President & CEO, Representative Director/ Hideki Moriya

- The long-term management plan “Double Impact 2035” is designed to pursue a balance between economic value and social value.
- We are confident that steadily realizing this vision will drive sustainable growth, enhance corporate value, and maximize shareholder value.
- Under the new management structure, we will maintain our unique approach to earnings briefings, featuring presentations by executives and leadership from across the organization.
- We will strengthen investor relations activities to deepen dialogue with the market and strive to meet expectations through more proactive engagement.

2. Positioning of This FY6/26 in the Long-Term Management Plan “Double Impact 2035”

President & CEO, Representative Director/ Hideki Moriya

Year 1 initiatives under the long-term management plan

(1) Strengthening strategies that have proven effective

- i. External factors and shifts in consumer behavior have been significant, and this fiscal year we see a heightened sense of household budget consciousness.
- ii. While adapting to these changes, we will continue to advance strategies that have been successful since FY2025, such as PB/OEM, tax-free business for visiting foreign customers, and promotional and marketing initiatives, focusing on price sensitivity and new value domains as key drivers for achieving this year’s targets.

(2) Investing in growth to realize domestic business strategies

- i. Store strategy pillar: To capture the newly defined TAM, we are pursuing store openings not only under existing formats but also through new concepts such as Rail-Side format and Tourism-Oriented format tailored to new areas and customer segments. In addition, investments are being made to roll out the new format “Food-Focused Donki.”

- ii. Merchandising (MD) strategy pillar: Investments are directed toward optimizing product assortments by format, expanding categories where we hold high market share, and strengthening product development in collaboration with manufacturers to advance each MD strategy.
- iii. Talent strategy pillar: To accelerate strategies on both the store and MD pillars, we are reinforcing investments in talent.

3. **Business overview for Q1 FY6/26**

Executive Officer, Head of IR Headquarters/ Yuichi Watanabe

(1) Net sales totaled ¥573.3 billion, up ¥22.7 billion YoY.

- i. Tax-free sales reached ¥47.5 billion, up 35.5% YoY, maintaining strong momentum.
 - Several initiatives contributed to this performance, including expansion of pre-arrival promotions for foreign tourists, competitive responses, and successful PB/OEM product launches.
 - The growing presence of visiting foreign customers at regional stores also made a notable impact, supported by proactive measures at those locations.
- ii. Same-store growth across businesses
 - Domestic business
 - Benefited from strong seasonal products and effective marketing strategies.
 - In particular, the UNY business achieved a 1.6% YoY increase in customer traffic, driven by a pricing strategy sustained for 18 months.
 - Expanded initiatives such as non-food category reform and introduction of new product categories, with 70% of UNY stores outperforming the previous year.
 - We will introduce our PB brand “JONETZ,” which is highly popular in the Discount Store business, into UNY stores going forward.
 - Overseas business
 - Asia business: Customer traffic showed signs of recovery, driven by new product introductions and an astonishingly reasonable pricing strategy.
 - North America business: Same-store sales increased YoY
- iii. 33 stores opened in FY6/25, both in Japan and overseas, contributed to net sales.

(2) Gross profit margin was 31.8%, down 0.3pt YoY

- i. There were two factors behind the decline in gross margin:
 - Strategic factor: Strengthening pricing strategy to address rising price sensitivity among customers.
 - Temporary factor: Reactionary decrease following last year’s special demand for disaster-prevention products triggered by mega-earthquake alerts.

(3) SG&A ratio was 24.5%, down 0.2pt YoY

- i. Certain costs increased, but the SG&A ratio ended below the level of FY6/25.

- Increase factors: Higher costs from growth investments such as new store openings and talent investments, as well as a temporary factor of approximately ¥0.9 billion in external standard taxation recorded in the Discount Store business.
- Decrease factors: Continued productivity improvements in domestic business and progress in building operational structures in overseas business.
 - In addition, higher net sales contributed to an improvement in the SG&A ratio.

(4) Q1 FY6/26 results

- i. Net sales, operating income, ordinary profit, and profit attributable to owners of parent all reached record highs.
 - The gap between operating income and ordinary profit narrowed YoY, driven by reduced fluctuations in foreign exchange gains and losses.
- ii. We view this as a solid start toward achieving FY6/26 targets.

(5) Expansion of shareholder benefits

- i. We will expand experiential shareholder benefits to further broaden the investor base.
- ii. A retail circulation program will be introduced, offering PB products as gifts based on a certain purchase amount at stores.
- iii. Event invitations such as Donki Cosmetics Fest will be provided to create loyal shareholder fans.

(6) Announcement of IR event

- i. We plan to hold our first “IR Day” to report progress on “Double Impact 2035,” as some areas cannot be fully explained within the earnings briefing.
- ii. This event will provide an opportunity for strategy leaders to directly share updates.

4. **Market Share Expansion in Domestic Business**

COO and Representative Director,

President and Representative Director of Don Quijote Co., Ltd./ Kosuke Suzuki

The approach to store-opening strategy aimed at expanding market share and the MD strategy that enables this.

<Approach to store-opening strategy>

(1) Direction for capturing market share

- i. We disclosed a target map by business format for domestic operations (see “First Quarter Presentation Slides”, p.16).
 - Pure (Traditional) Donki: Captures wide catchment areas of 5–10 km during daytime and about 20 km at night or in regional areas, mainly targeting students and single-person households.
 - MEGA Donki: Covers wide catchment areas, focusing on newly formed families and single-person households.
 - Urban Downtown Donki: Targets young adults and employed adults, capturing demand after school or work.

- UNY business (Apita and Piago): Focuses on engaged senior customers, with Apita covering wide catchment areas and Piago serving nearby areas.
 - Demand from foreign visitors: Expanding beyond Urban Downtown Donki to roadside stores in regional areas.
 - ii. We view various environmental changes as growth opportunities and have developed new formats such as “Rail-Side Donki” and “Food-Focused Donki” to drive market share expansion.
- (2) Format development: Rail-Side Donki
 - i. Basic model
 - Store size: Approximately 300 to 500 *tsubo* (approx. 990 to 1,650 m²)
 - Food sales ratio: Around 30%
 - Catchment area: Within 1 km to 3 km of commuting and school routes
 - Store-opening area: Expansion focused on Tokyo metropolitan area and Osaka, driving market share growth
 - Development model: Two approaches—standalone stores in station-front locations in suburban areas and tenant-in stores within commercial facilities near stations
- (3) Format development: Food-Focused Donki
 - i. We clarified the model because the explanation of “narrow catchment area” at the FY6/25 full-year results briefing in August led to misunderstandings, with many perceiving it as a small supermarket.
 - ii. Basic model
 - Store size: up to 700 *tsubo* (approx. 2,310 m²)
 - Food sales ratio: about 75%
 - Based on Pure (Traditional) Donki format (500 to 1,000 *tsubo*/ approx. 1650 to 3300 m²), with 25% non-food categories leveraging our strengths
 - Catchment area: within 1–3 km for walking and cycling
 - Store-opening area: Mainly in suburban residential clusters
 - iii. Customer target
 - For newly formed families and single-person households, we offer non-food categories where it has strong expertise
 - For households with dual incomes and growing demand for time-saving solutions, we strengthen food offerings such as prepared meals, convenient fresh items, and daily products
 - We aim to create a “Donki for everyday use close to home” and drive domestic market share expansion

<Approach to MD strategy>

- (1) Basic policy for strengthening competitiveness through md development
 - i. Promotion of manufacturer collaboration (NPB strategy)
 - We combine the brand power of national brands with our own innovative approach to develop distinctive products

- Example: Collaboration with Bandai on soft vinyl kaiju figures, which captured collector demand through vibrant color variations
 - Leveraging diverse store formats, we conduct test marketing through early launches and exclusive sales across multiple product categories
- ii. MD Strategy for Foreign Visitors
 - Responding to the trend of foreign visitors expanding from urban centers to regional areas, 127 stores recorded tax-free sales exceeding ¥10 million in Q1 FY6/26
 - Beyond Urban Downtown Donki, we promote store development that treats foreign visitor demand as a distinct MD component
 - We will continue to evolve MD composition beyond the boundaries of “tax-free” and “non-tax-free” to maximize total store sales
- iii. “XX? It’s Donki!” Strategy
 - We strengthen competitiveness by segmenting and deepening non-food categories to meet changing customer lifestyles
 - Existing focus categories: color contact lenses, liquor, carrying cases, protein
 - New growth categories: bath bombs, Asian cosmetics, facial masks, character goods, and more
 - By growing these categories into “XX? It’s Donki!” segments, we create destination purchases for non-food categories across all store formats

(2) Importance of MD strategy

- i. In addition to the “NPB Strategy,” “MD for Foreign Visitors,” and “XX? It’s Donki!” approach, strategies such as “PB/OEM” and “Prepared Food” also play critical roles for PPIH
- ii. By leveraging our strong product curation capabilities and expanding MD strengths, the company can deliver assortments and value tailored to local needs
- iii. We will deepen these initiatives into MD strategies aligned with each store format and accelerate market share expansion

Changes within the organization 1 month after the new leadership structure

- i. “Double Impact 2035” has become a common language across the organization, and employee motivation remains extremely high toward the new targets.
- ii. Multiple project teams have started operating in parallel, signaling dynamic changes throughout the organization.

5. Conclusion

President & CEO, Representative Director/ Hideki Moriya

- We evaluate the first quarter as a solid start.

- This fiscal year, we will focus on growth investments across stores, talent, and MD. We will steadily advance these investments and initiatives that are aligned with our growth strategy.
- By continuing to demonstrate adaptability through diverse MD strategies and promotional initiatives, we aim to achieve FY6/26 targets with certainty.
- Toward achieving “Double Impact 2035,” we will actively and ambitiously pursue a wide range of challenges, both large and small.
- We will establish the foundation for our growth strategy within PPIH’s corporate culture of embracing bold challenges and delivering proven success.