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# [Speech Summary for FY2026 Second Quarter Financial Results Briefing]

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## 1. Overview of Q2 FY6/2026 Results

President & CEO, Representative Director/ Hideki Moriya
Executive Officer, Head of IR Headquarters / Yuichi Watanabe

- ✓ Net sales reached ¥1.2101 trillion, representing a 7.2% increase YoY.
  - Same-store sales performed strongly both in domestic and overseas.
  - Across all business segments, strengthened pricing strategies for popular products and initiatives to maintain prices despite rising costs contributed to higher customer traffic.
  - Tax-free sales were ¥107.1 billion, increasing ¥27.2 billion YoY and reaching a new all-time high.
  - Building on the stores opened in FY6/2025, an additional 10 new stores are scheduled to open in FY6/2026 in domestic and overseas, further contributing to sales growth.
- ✓ Gross margin was 31.7%, down 0.5 pts YoY.
  - Same-store gross margins improved across all business segments compared with Q1.
  - Stronger pricing strategies aimed at gaining market share and weak demand for winter seasonal items put downward pressure on margins.
  - The consolidation of Kanemi negatively impacted margins by 0.2 pts. Excluding this impact, margins declined by 0.3 pts YoY.
- ✓ SG&A ratio was 23.9%, down 0.4 pts YoY.
  - Investments in human capital, new store openings and Food-Focused Donki stores were included.

- Factor-based tax amounted to ¥1.9 billion in H1.
- Net sales growth and operational progress both domestically and overseas enabled continued control of the SG&A ratio.
- The consolidation of Kanemi negatively impacted margins by 0.2 pts. Excluding this impact, margins declined by 0.2 pts YoY.

✓ Operating income reached ¥94.0 billion, up 4.7% YoY. Net sales, operating income, ordinary profit, and profit attributable to owners of the parent marked record highs.

## 2. Business Segment Overview of Q2 FY6/2026

Executive Officer, Head of IR Headquarters / Yuichi Watanabe

1. Discount Store Business
   - Net sales rose by 4.7%, supported by robust tax-free demand and sustained growth in our core categories, as well as continued capture of trend-driven merchandise.
   - Gross margin declined by 0.2 pts, reflecting intensified pricing strategy and softer sales of winter seasonal items.
     - Same-store margins normalized from the temporary factor in Q1 and became positive for H1.
   - Operating income decreased due to the reversal of last year's disaster-alert-driven demand and higher SG&A from factor-based tax. However, progress remains on track toward the full-year plan.
2. UNY Business
   - Net sales outperformed plan, with results reflecting effective pricing strategies and strong contributions from non-food categories.
   - Gross margin improved, benefiting from progress in PB/OEM and the expansion of higher-margin non-food sales.
     - Same-store gross margin improved from -1.3% in Q1 to - 0.8% in Q2.
   - Through phased optimization of staffing, productivity improved and the SG&A ratio remained under control.
   - Operating income increased for H1, landing in line with plan.
3. North America Business
   - Net sales trended steadily, supported by continued strength at TOKYO CENTRAL and improving traffic in Guam. New stores in Hawaii and TOKYO CENTRAL also contributed to revenue growth.
   - Operating profit declined due to growth investments centered on new store openings and the impact of a store loss caused by a fire in the previous year.
     - Operating profit turned positive in Q2, driven by progress in establishing operational structures and improved profit margins.
4. Asia Business
   - Net sales increased as effective pricing in Thailand, Hong Kong, and Macau, coupled with faster introduction of trending and new products, lifted results across the broader Asia region.

- Operating income increased on the back of progress in merchandising and store operations, with the operating margin improving to 4.3%.
  - Singapore and Hong Kong are major contributors to operating profit in the region.

5. Dividend Policy
   - The interim dividend was increased from ¥1.8 in prior year to ¥3.0 in line with the initial plan and toward achieving 23 consecutive years of dividend increases.

## 3. Upward Revision to the Full-Year FY6/2026 Forecast and Management Policy

President & CEO, Representative Director/ Hideki Moriya

✓ Key changes to the full-year earnings forecast
- Net sales: ¥2.4350 trillion (+ ¥108.0 billion vs. the initial plan)
- Operating income: ¥174.0 billion (+ ¥4.0 billion)
- Ordinary profit: ¥172.0 billion (+ ¥4.9 billion)
- Net income: ¥107.0 billion (+ ¥1.5 billion)

✓ Details on key changes

(The following explanation excludes the consolidation impact of Kanemi)
- The revised plan reflects the consolidation impact of Kanemi, which had not been included in the initial forecast.
- Gross margin is now expected to be 32.1%, slightly below the initial projection of 32.3%, but above FY6/2025 level of 31.9%.
- SG&A ratio is projected to be 24.8%, decreasing from the initial forecast of 25.0%.
- Excluding the consolidation impact of Kanemi, operating margin is expected to be 7.3%, in line with the initial plan and up 0.1 pts YoY. For the PPIH Group on a consolidated basis, operating profit is projected to be ¥174.0 billion, with an operating margin of 7.1%.
  - By segment: DS + ¥1.5 billion, UNY - ¥2.5 billion, North America + ¥1.2 billion, Asia + ¥2.0 billion, Others + ¥1.8 billion.
  - In the UNY business, operating profit was revised downward by ¥2.5 billion, from ¥36.5 billion to ¥34.0 billion, due to ¥1.7 billion in factor-based tax and ¥0.8 billion in remodeling costs for new formats.

✓ Management Policy
- Compared with the initial plan, the Company is now placing even greater emphasis on expanding top-line.
  - As customer behavior and market conditions continue to shift rapidly month by month, the Company expects these trends to persist rather than remain temporary.
  - The Company is transitioning into a new phase focused on strengthening “earning power” and expanding market share as part of its challenge to develop new markets.

- To achieve growth in retail, 3 pillars are essential: (1) expanding net sales and customer traffic, (2) enhancing gross margin, and (3) maintaining proper inventory control.
  - Instead of attempting to maximize all 3 in the short term, the Company aims to elevate them over the medium-to-long term through a sustainable cycle of continuous improvement.
- PPIH Operational Excellence
  - The Company believes it has reached a level where its strong human capital and operational capabilities provide a solid foundation for maintaining high operating profit margins.
  - Hands-on and personalized operations, rooted in the Company's core philosophy, create high productivity that competitors cannot easily replicate, establishing a unique competitive advantage.
  - Even if gross margin temporarily declines as the Company prioritizes net sales expansion, management believes our productivity strengths will continue to support earnings.

**4. Tax-free Strategy with Significant Growth Opportunities**

COO and Representative Director/ Kosuke Suzuki

Managing Executive Officer/ Shinichiro Akagi

✓ Structural Changes in Tax-free Sales

- The structure of our tax-free sales has already changed significantly.
  - In FY6/2019, customers from mainland China and Hong Kong accounted for over 40% of tax-free sales, but this ratio declined to 16% in Q2 FY6/2026.
  - We are successfully capturing tax-free demand while reducing reliance on any specific nationality.
  - Although some negative impact is expected during the Chinese Lunar New Year period, recent trends including figures from February, remain within expectations.
- Tax-free sales in January reached a record high of ¥20.0 billion.

✓ Development of the Tax-free Market

- In our promotional activities, we have strengthened diverse initiatives to avoid dependence on any specific region.
  - By focusing on pre-travel outreach, our promotions have expanded effectively to 18 countries and regions, primarily across Asia.
- Treating tax-free demand as a distinct merchandising category, tax-free sales floor have expanded beyond flagship stores.
  - In addition to expanding popular product lines, regional souvenirs and PB/OEM items have also performed strongly. PB/OEM products now account for around 15% of tax-free sales.
  - By accelerating store openings in tourist destinations and satellite locations, we are creating a model that captures tax-free demand across all of Japan, not just in major cities.

- Through these market-development efforts, our share of visiting tourists has risen to approximately 27%.

✓ Growth Opportunities in the Tax-free Market

- Further market expansion will center on making Don Quijote a tourist attraction and destination in itself for tourists.
- Our store concept of "CV + D + A" is highly effective in the tax-free business as well.
  - Our historical strengths lie in "CV: Convenience," such as one-stop shopping enabled by a wide assortment and a night-market-like atmosphere.
  - Customer surveys indicate that visitors come because the stores feel "fun" and provide an "experience of Japanese culture." We will further enhance our strength in "A: Amusement," refining these capabilities to elevate the overall experiential value of our stores.
  - Our competitive advantage in "D: Discount", our pricing strategy, will continue to remain a core element.

5. **Food-Focused Donki Format**
COO and Representative Director/ Kosuke Suzuki
Managing Executive Officer/ Mikinari Katagiri

✓ Concept of the New Format

- First, the new format aims to develop markets in daily-life catchment areas where we previously had little presence.
  - By offering food, deli, and daily essentials with a "price × time-saving/ready-to-use" value proposition, the concept seeks to become a store that customers choose for everyday needs—"It is good enough."
- Second, the aim is to maximize customer lifetime value.
  - With key concepts such as "It is good enough." and "a small Donki debut," the strategy targets young customers in local catchment areas while encouraging them to use this format alongside our existing store formats.
  - The objective is to build a structure that enhances customer value over the long term. Starting from their initial engagement in daily-life catchment areas during their elementary to middle school years, to their core engagement in high school, and eventually to their mature engagement with MEGA Donki and continued visits to Donki as their lifestyle changes.

✓ Profit Structure of the New Format

- First, by combining a highly distinctive product strategy with the traffic-driving power of fresh foods, the format maintains price competitiveness while securing profitability.
  - While non-food typically represents less than 10% at conventional supermarkets, this format targets a non-food ratio of 25%.
- Second, the format leverages PPIH's highly productive operational model.

- Through multi-task operations, stores can be run primarily by part-time staff with a small number of full-time employees.
- Area-focused store openings maximize the utilization of resources such as labor, production bases, and logistics networks.

✓ Group synergies from the Food-focused Donki

- Expanded food market share enhances purchasing scale advantages.
- Enhanced development capabilities for fresh foods and PB products focused on ready-to-eat and ready-to-use themes strengthen product competitiveness across existing businesses.

✓ Store Opening Schedule

- The first store is scheduled to open on April 24, 2026, as the conversion from Piago Jimokuji store in Ama City, Aichi Prefecture.
- In FY6/2026, the company has decided to convert a total of 5 stores and plans to open locations in the Tokyo metropolitan area in FY6/2027.

## 6. Progress in Overseas Business Operations

COO and Representative Director/ Kosuke Suzuki

Executive Officer/ Kota Tamaki

✓ MD Operations in Asia Business

- First, we are verifying "price and sales volume," expanding the "astonished affordable price" items through initiatives such as introducing spot products.
- Second, we are focusing on creating "something new."
  - We have accelerated the introduction of products from Japanese manufacturers operating locally, as well as popular items including trendy and newly launched products, from various Asian markets.

✓ Store Operations in Asia Business

- Local talent has shown remarkable growth.
  - A total of 15 local employees has become area leaders, creating positive ripple effects among other local staff.
- Productivity has improved through multi-tasking across multiple categories and changes to checkout operations.
  - Labor share ratio improved from 37.8% two years ago to 32.5% currently, contributing to stable operating margins.

✓ Current Status of North America Business

- Progress in North America has been slower than in Asia. However, improvement initiatives began in Guam one year ago and in Hawaii six months ago, and their effects are gradually becoming apparent.

- As operational foundations at TOKYO CENTRAL have stabilized, the business is now entering a phase of new store openings and iterative trial and error.
    - All 3 stores opened across FY6/2025 and FY6/2026 have been performing well.

✓ Current Assessment and Outlook

- Asia business has exited its worst phase and entered a stage of stable profit generation.
- North America business is also nearing an exit from its most challenging phase.
- However, overseas business as a whole is still midway through its development.
    - Management believes additional large-scale growth strategies and investment decisions will require more time.

## 7. Key Takeaways from Today's Result Briefing

President & CEO, Representative Director/ Hideki Moriya

✓ The following 3 takeaways are extremely important for driving the future growth of the PPIH Group.

① The Company has shifted into an "execution mode" focused on expanding market share.

- To capture the TAM defined last August, both shop-floor and headquarters are accelerating execution across new format strategies, store development strategies, M&A strategies, and MD strategies.

② Strong human capital, which provides a competitive advantage, drives robust operational capabilities that support high productivity and form the foundation for strong operating margins.

③ Regarding the long-term management policy for overseas business:

- Management believes it will take more time before making decisions on large-scale growth strategies and investment decisions in overseas businesses.
- The Company feels increasingly confident about achieving overseas operating profit target of ¥30.0 billion for FY6/2035.
- Meanwhile, new opportunities continue to emerge within the domestic business, allowing for further acceleration of growth.