

Overview of Q&A Session at Analysts Briefing for Q3 FY6/26

This document summarizes the Q&A session from the third-quarter financial results briefing. Some questions and responses have been edited or supplemented for clarity.

Q1: You mentioned that operating income was in line with plan. Could you walk us through the progress to date?

A:

- Based on performance through Q3 year to date, as well as the monthly trend in April, we have made solid progress and have tracked in line with our plan.
- At the time of the interim results, we indicated that we would place greater emphasis on driving sales by strengthening initiatives in response to heightened price sensitivity among consumers. Since then, amid geopolitical developments in the Middle East, price sensitivity has intensified further, and we have responded with agile pricing actions, which have driven higher customer traffic and resulted in net sales trending ahead of plan.
- While gross margin has come in below plan due to these pricing initiatives, gross profit has continued to expand in absolute terms. In addition, we have maintained productivity through labor cost discipline based on gross profit, and overall performance has remained in line with our plan.
- Looking ahead to Q4 and beyond, the outlook remains uncertain given the fluid external environment, including developments in the Middle East. That said, based on what we see today, we expect to continue tracking broadly in line with our plan.

Q2: Could you discuss any potential impact on earnings or operations from the situation in the Middle East, based on what you see today?

A: Based on the overall trends we are seeing, we currently expect the impact on operating income in FY6/26 to be limited. That said, we will continue to closely monitor the situation and update our assumptions in the following areas.

1. On procurement costs, we believe product supply itself can be maintained at this point, but we recognize the risk of higher procurement costs going forward.
2. We also recognize the risk of potential disruptions to product procurement itself. While we are taking steps to secure products where possible, uncertainty remains high, and we believe there are certain areas that are not fully within our control.
3. We expect potential impacts on SG&A expenses related to utilities, logistics, and transportation, particularly those linked to energy and crude oil prices. However, we believe we have sufficient flexibility within overall SG&A expenses to manage these impacts.
4. Regarding tax-free sales, any earnings impact from a decline in visitors to Japan due to reduced airline capacity has been limited at this point. We are continuing to monitor trends in airline capacity by country, as well as inbound customer traffic.

Q3: Regarding “TAM Capture: Current Position and Transition to the Expansion Phase” in the earnings presentation, could you discuss your strategic priorities for new store openings, which are a key growth driver, across formats such as MEGA Donki and Robin Hood?

A:

- For FY6/27, we expect to execute approximately 40 store actions, including both new store openings and format conversions.
- This fiscal year is a preparation phase for accelerating store expansion from next fiscal year onward. We have also secured the necessary talent as we strengthen our store development structure. Rather than prioritizing one specific format over another, our policy is to accelerate openings across each format.
- Pure (Traditional) Donki is already an established format, and we believe there is room for more than 100 additional stores nationwide, primarily in roadside locations. At the same time, we plan to define priority areas by format: expanding MEGA Donki in Western Japan and further west, scaling Robin Hood beyond the Chukyo area into the Kanto area, and expanding Rail-side Donki in Tokyo and the three surrounding prefectures.

Q4: Could you discuss the background and basis for your confidence in expanding the new Robin Hood format going forward?

A:

- At the first Robin Hood store, refreshing the merchandise mix and rebranding under the new format created strong buzz and helped raise awareness within the catchment area.
- In addition to visits from existing customers, we have also been able to attract the new customer segments we had been targeting, including new family households, working adults, and younger customers. This initial performance gave us greater confidence in the reproducibility of the model.
- We have made progress in developing fresh products by leveraging our process centers, and we are beginning to see a clear path toward building a stable and highly reproducible supply structure. In addition, our quick-and-easy fresh food solutions have performed well, supporting strong sales across the overall fresh food category. Taking into account further room for improvement, we believe the format has the potential to continue growing going forward.