

- Visionary 2025/2030 - Medium-to-long term management plan (August 2022 Revision)

August 12, 2022

Pan Pacific International Holdings Corporation

Quantitative

**FY2019 Sales 1.3 trillion yen • OP 63.1 billion yen
(Before Passion2030)**

FY2022 Sales 1.8 trillion yen • OP 88.7 billion yen

Qualitative

Domestic Business

- ✓ Continued growth in DS business
 - Creation of UDR business format, expansion of PB ratio
- ✓ Profitability improvement in GMS business
 - Operating profit increased by 14 billion yen (vs FY2019)
 - Shift to individual store management has progressed.
- ✓ Promotion of Digital Strategies
 - 10 million registered app users ('22/7); preparations underway to enhance functionality.
- ✓ Strengthen financial business
 - Aim to achieve operating income of 10 billion yen in FY2026

Overseas Business

- ✓ Building and expanding Japan Brand Specialty Stores
 - Asia business has grown to 30 stores with sales of 69 billion yen and OP of 1.7 billion yen.
 - Sushi and other restaurant & retail food business format has launched
- ✓ Sales in North America expanded to 198.2 billion yen and OP to 10.4 billion yen, with the acquisition of Gelson's.
- ✓ Promote SPA of food
 - Acceleration of PPIC activities, PB sales 6.5%

Medium-to-long term management plan (August 2022 Revision)

From Passion 2030

To **Visionary 2025/2030**

Changes in the external environment since Passion 2030 was announced in February 2020

Changes in consumer lifestyles/purchasing behavior due to COVID-19

- ✓ Change in activity area (Urban ⇒ Rural/Suburban)
- ✓ Change in motives for store visits (increase in planned buying)
- ✓ Change in purchasing methods (accelerated digital shift)

Cost inflation

- ✓ Various costs increased, including procurement of goods, logistics, and utilities
- ✓ Minimum wages also continue to rise

Growing social demand for ESG

- ✓ Increased environmental/human rights awareness among consumers and society
- ✓ Increased need for women's empowerment and human resource development
- ✓ Acceleration of governance enhancement including revised CG Code, etc.

**Based on the “customer matters most” principle,
PPIH will continue to serve changing customers and society.**

From Passion 2030 to Visionary 2025/2030

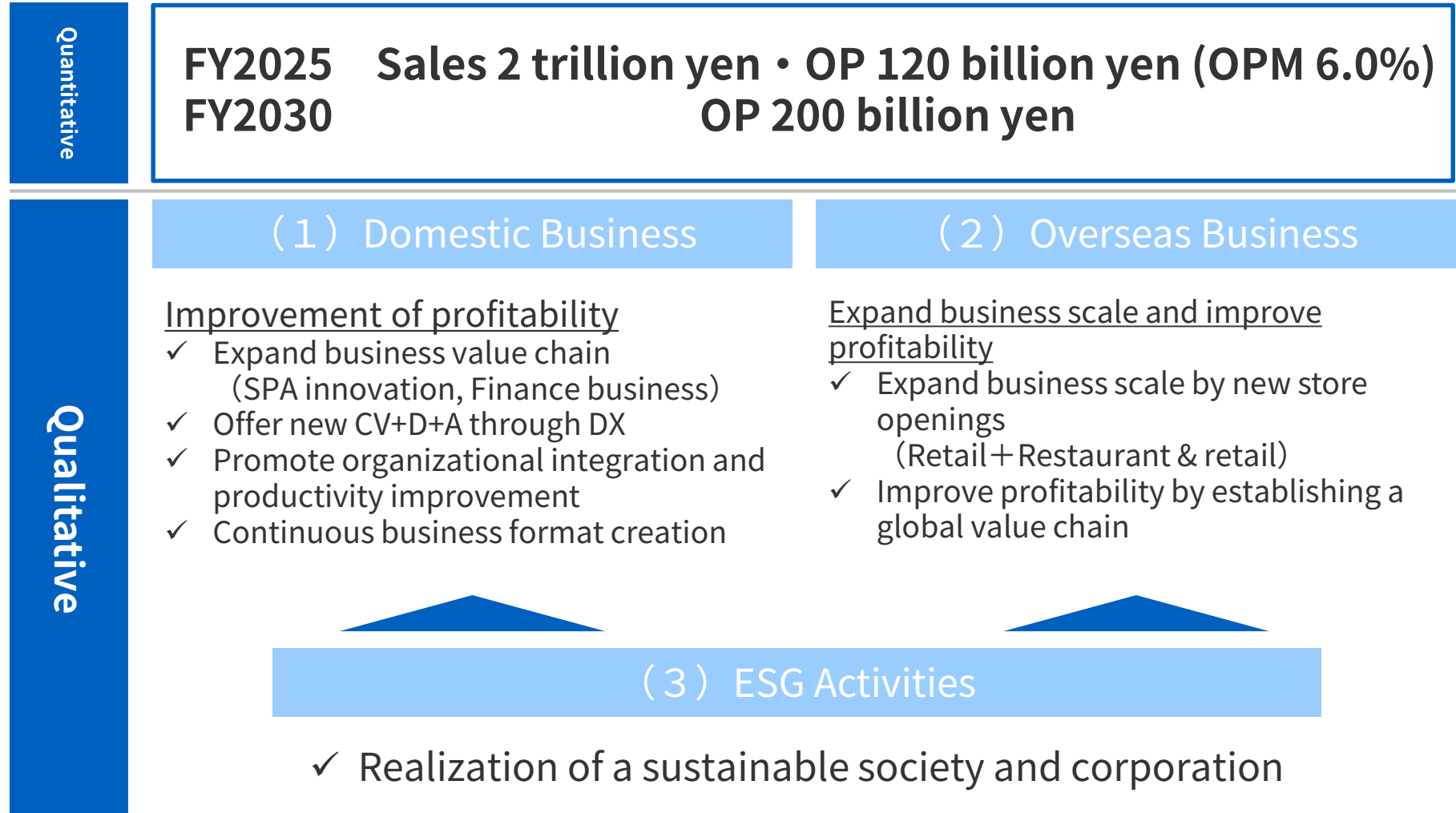
- Immediately after the announcement of Passion2030 in February 2020, there were major changes in the environment, mainly due to COVID-19, and the environment surrounding the retail industry and our company.
- Two and a half years have passed since then, and we have revised our future growth strategies and numerical targets to reflect these changes in the environment, and are now announcing them as Visionary 2025 and Visionary 2030.
- Visionary2025 shows the numerical targets and growth strategies for the three years ending June 30, 2025. Please note that Visionary2030 is a modification of Passion 2030 by reflecting the vision of the current management team and the next generations, which aim to be a visionary company.

What we consider to be a Visionary Company

- A company that adheres to the PPIH corporate principle of putting the customer matters most principle first in every corner of the organization (e.g., Store should be the most convenient store for the customer).
- A company that responds to change and takes on challenges boldly (always challenging boldly but withdrawing quickly when it failed).
- A company that constantly grows and continues to set bold goals.
- A company that targets innovation to take its core values (name = branding, stores, products and human resources) to the next level.
- A management team that is ambitious for the growth of PPIH as a company, not for personal goals, and that can pass the baton of management and continuous growth to the next generation in a timely manner.

Target for Visionary 2025/2030

- ✓ The operating income target of 200 billion yen for FY2030 will be maintained.
However, in order to promote a shift in management strategy, sales will be excluded from the numerical targets (short-term sales targets will be presented as needed).



Visionary 2030

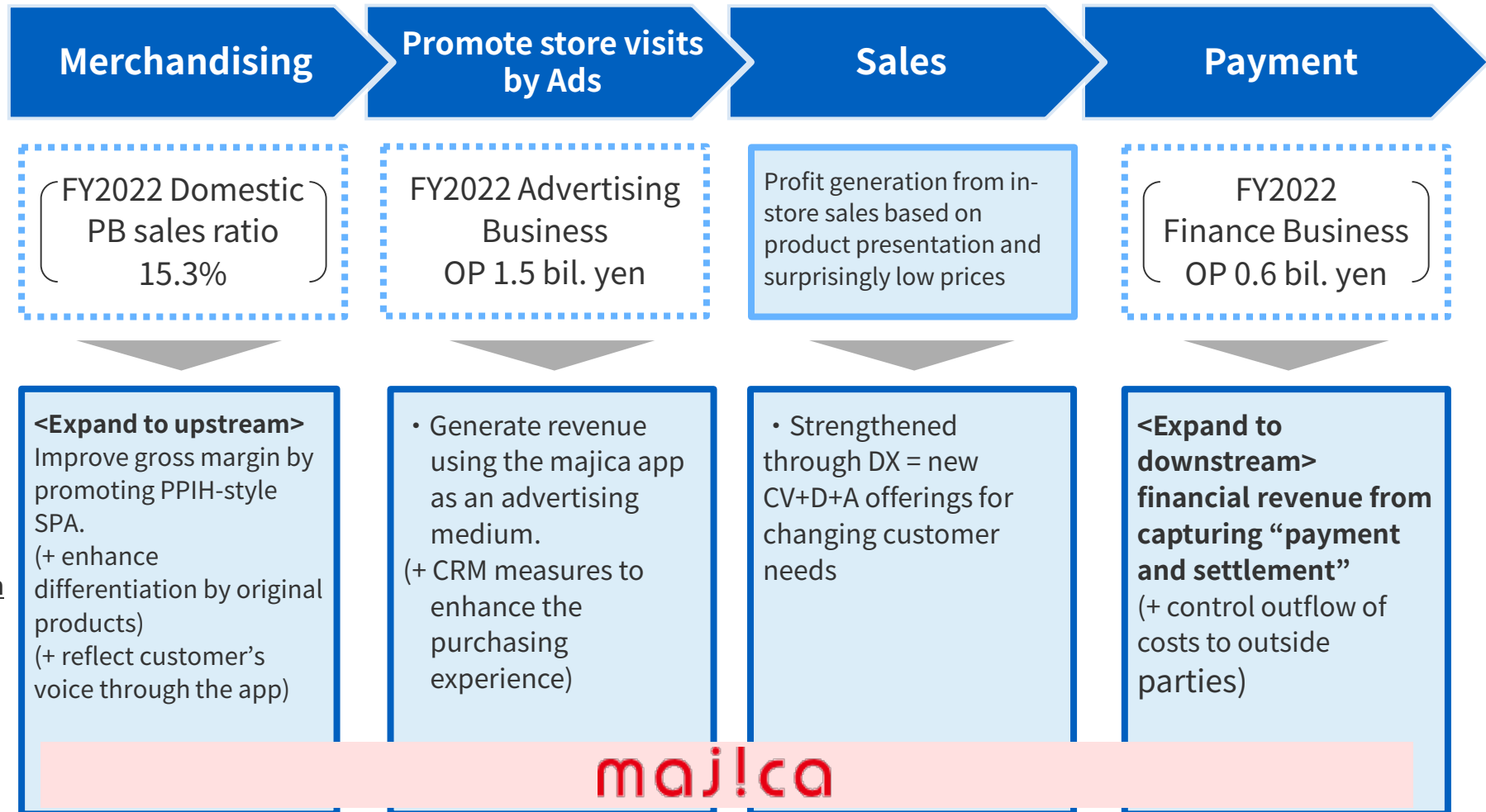
- Building a New Value Chain
 - ✓ In the upstream of the value chain, aim for PPIH-style SPA. In the downstream, consider finance including payment and settlement. Review the value chain as appropriate, and always build an optimal profit model.
 - ✓ To secure OP by focusing on improving gross margin, increasing productivity, and controlling SG&A expenses.
- Revisiting the PPIH Group's corporate principle of "the customer matters most", and aiming to be "the most convenient store for the customer".
 - ✓ Promote CRM measures based on the "People Brand" declaration.
 - ✓ Realization of a product development cycle based on "the customer matters most" principle in order to realize a PPIH-style SPA.
- Becoming a Highly Productive Company
 - ✓ By incorporating the labor distribution ratio as a management indicator, we will ensure that the company has a strong fundamental strength. On the other hand, we will aggressively invest in "people," which is one of our strengths.
 - ✓ Constantly reviewing SG&A expenses and never neglecting to invest in the future.

Visionary 2025

- Numerical targets are sales of 2 trillion yen and operating income of 120 billion yen.
- Main measures (or changes in measures) are shown on the next page and beyond.

Improve profit margin by creating a new value chain of the business

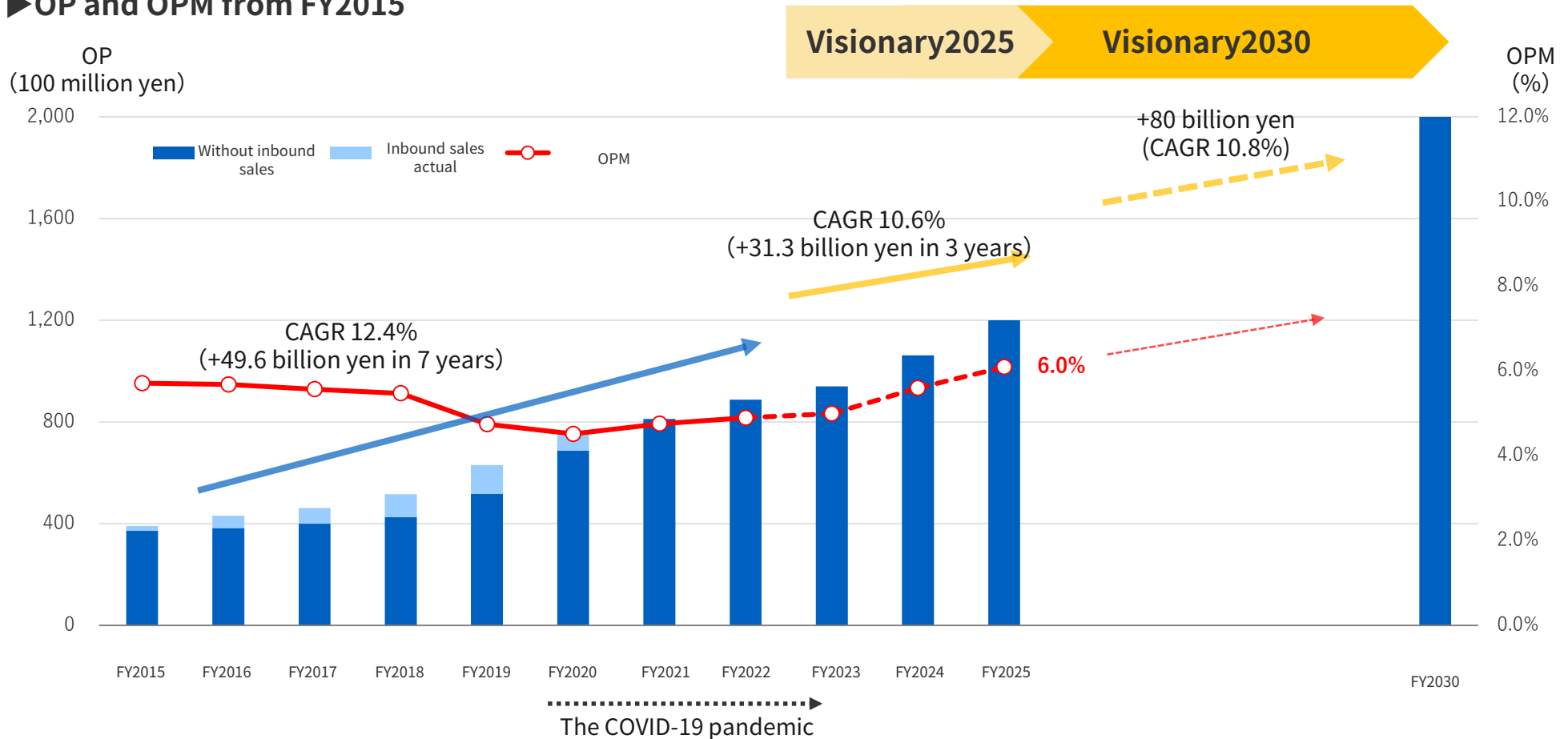
- ✓ Expand/restructure the business value chain as a way to increase operating income.
- ✓ Focus on "revenue per customer," which has been unattainable until now, and use the enhanced majica app as a core tool to achieve this goal.



Continued annual growth of more than 10% toward operating profit of 200 billion yen in FY2030

- ✓ Since the announcement of the first mid-term management plan in the FY2015, the company has achieved average annual operating profit growth of 12.4%, despite the loss of inbound demand due to the pandemic.
- ✓ Going forward, we will continue to grow at an average annual rate of more than 10% and achieve operating profit of 200 billion yen in the FY2030.

► OP and OPM from FY2015



Quantitative Target for Visionary 2025

- ✓ Group-wide growth of +31.3 billion yen on operating income, and +1.2% on operating profit margin in FY2025
- ✓ For domestic business, operating profit increases by 16.4 billion yen, and +0.8% increase in OPM through improving profitability. For overseas business, operating profit increases by 14.9 billion yen, and +2.8% in OPM through expanding businesses and improving profitability. (Composition of Overseas business in operating profit increases to 22.5%)

		FY2022		FY2025 (Unit: billion yen)		
		Amount	Ratio	Amount	Growth rate	Ratio
Consolidated	Sales	1831.2	-	2000.0	+9.2%	-
	OP	88.7	-	120.0	+35.2% (+31.3)	-
	OPM	4.8%	-	6.0%	(+1.2)	-
Domestic	Sales	1563.9	85.4%	1630.0	+4.2%	81.5%
	OP	76.6	86.3%	93.0	+21.4% (+16.4)	77.5%
	OPM	4.9%	-	5.7%	(+0.8)	-
Overseas	Sales	267.3	14.6%	370.0	+38.4%	18.5%
	OP	12.1	13.7%	27.0	+123.1% (+14.9)	22.5%
	OPM	4.5%	-	7.3%	(+2.8)	-

*Estimated exchange rate : 1USD=122.41 yen,1HKD=15.64 yen,1SGD=90.47 yen,1THB=3.68 yen,1MYR=29.14 yen,1TWD=4.29 yen,1MOP=15.18 yen

1. Growth Targets for Domestic Business

<Growth strategy>

Increase the profitability

- ✓ Promote PPIH-style SPA
- ✓ Offer “New CV+D+A” through DX
- ✓ Organizational integration and promote efficiency improvement
- ✓ Continuous creation of business formats
- ✓ Strengthen finance business

<Quantitative target >

FY2022

FY2025

Operating Profit

<Reference>

OPM

ROIC

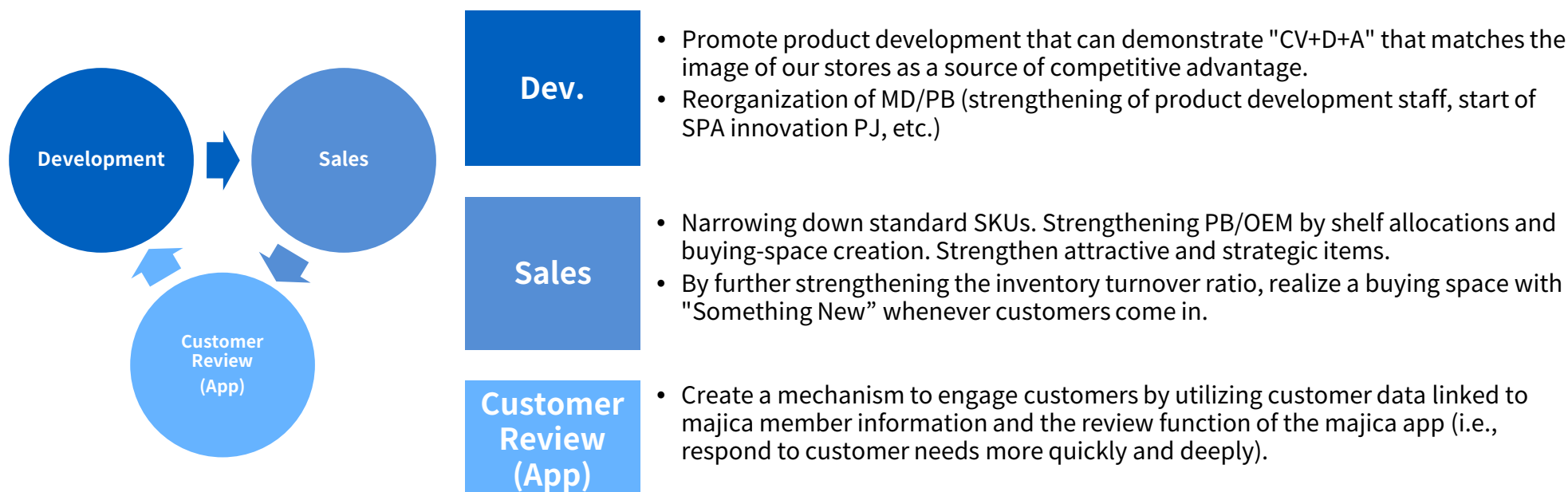
Domestic Total		76.6 bil. yen	
DS	GMS	Finance	Others
36.3 bil. yen	25.5 bil. yen	0.6 bil. Yen	14.1 bil. Yen
4.9 %			
3.3%	5.4%	3.1%	
6.2%	4.8%	8.4%	

Domestic Total		93 bil. Yen (+16.4 bil. yen/+21.4%)	
DS	GMS	Finance	Others
45 bil. yen (+8.7 bil. /+23.8%)	30 bil. yen (+4.5 bil. /+17.5%)	6 bil. yen (+5.4 bil. /+906.7%)	12 bil. yen (-2.1 bil. /-14.9%)
5.7 %			
3.9%	6.4%	15.4%	
7.1%	5.6%	55.0%	

(1) PPIH-style SPA

	PB/OEM ratio		Gross margin ratio (directly managed store)	
	FY2022	FY2025	FY2022	FY2025
Domestic Total	15.3%	25.0%	25.5%	27.5%
DS Business	14.2%	25.0%	25.2%	27.5%
GMS Business	17.9%	25.0%	26.1%	27.5%

(+ Including the effect of improved GPM of PB/OEM and NB products)

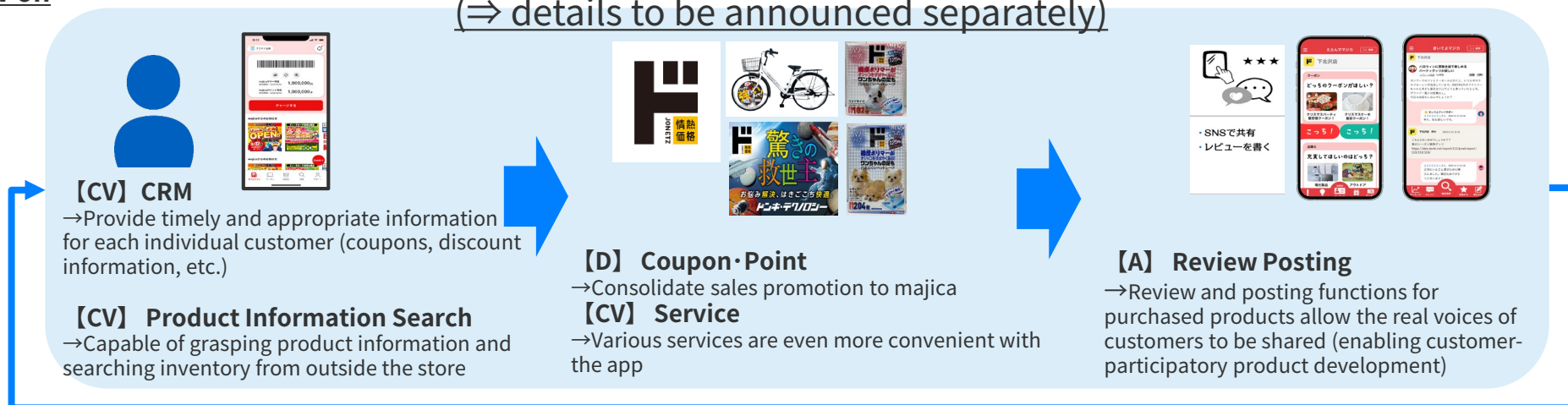


(2) Offer "New CV+D+A" through DX

- ✓ Expand "CV+D+A" to outside of the store with majica app as a core, further enhance the shopping experience, and realize a "new CV+D+A" with less or no stress.



Further enhance the shopping experience through advanced app functions (⇒ details to be announced separately)



(3) Promote organizational integration and productivity improvement

Improve company-wide cost efficiency by further promoting organizational integration

Since the DS and GMS businesses differ only in customer base, establish a more efficient and robust operational structure while maintaining the business format

- ✓ Improving the efficiency of operations through consolidation of MD HQ, and further enhancing individual store management

Improved efficiency and manpower-saving in store operations through DX

With labor shortages and rising labor costs expected, limited personnel will focus on areas where manpower is needed to improve the quality of store operations and profit margins

■ Areas where manpower is needed

- ✓ Store management (spot purchasing, creating buying space, etc.)
- ✓ Activities to provide feedback to HQ on PB/OEM product development and purchasing areas through gathering customer insights

■ Areas where efficiency improvement is needed

- ✓ improve operational efficiency through automation and mechanization (Examples: cash register operations, placing orders, delivery / display / replenishment / merchandise management operations)

Revitalization of human resource exchange

Review of human resource allocation

Target (Example)

DS: In response to expected annual labor cost increase of over 3%, improve productivity and maintain the labor cost ratio

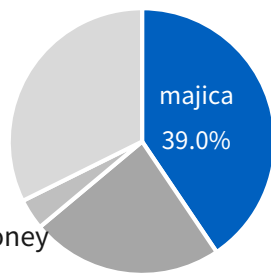
(4) Expansion of financial revenue by capturing "the payment and settlement"

- ✓ Increase the ratio of in-house settlement to over 50% (target for FY2025) by enhancing the functionality of Majica app, curbing cost outflow and acquiring financial revenues.

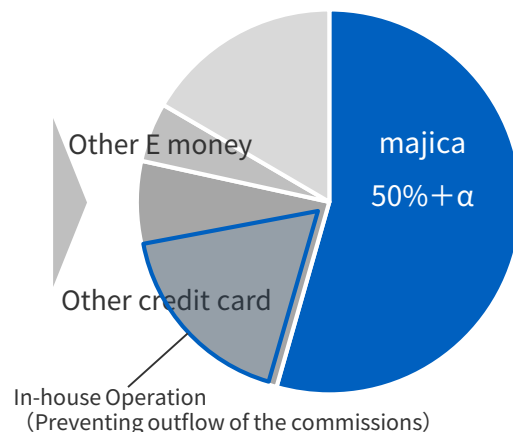
(Target) In-house Settlement Ratio
FY 2022 39.0% → **FY2025 50%+α**

- ✓ Expansion of membership (majica membership + credit card membership FY2022 13 mil. to **FY2025 16 mil.**)
- ✓ Enhancement of majica app functionality and convenience
- ✓ Consolidation of services to majica

FY2022



FY2025



Operating income target for financial business (6 billion yen in FY2025)

(1) Reduce outflow of settlement costs (0.5~1 billion yen)

- ✓ Increase in-house settlement ratio = Reduce settlement costs by reducing other companies' settlement ratios (reflected in P/L of retail business)
- ✓ In-house operation of settlement and cost reduction through the start of the merchant services (from June 2022)
⇒ Total cost reduction of about 1.3 billion yen in FY2023

(2) New financial revenue (5~5.5 billion yen)

- ✓ Expand earnings by offering revolving/deferred payment
- ✓ Earning revenue through use of majica outside the group (Will be able to use more than 100 million VISA member stores worldwide)
- ✓ Providing additional services such as mutual funds and insurance products

(3) Contribute to the upstream of the value chain through data utilization

- ✓ Boost P/L of retail business by utilizing purchasing data for product development and advertising revenue generation.

2. Growth Targets for Overseas Business

<Growth Strategy>

**Business scale expansion
and profit margin
improvement**

- ✓ Scale expansion by opening new stores
(Enhance efforts in the new business
format(restaurant & retail etc))
- ✓ Improve profitability by establishing a global
value chain

<Quantitative Target>

FY2022

FY2025

Operating Profit

	FY2022		FY2025	
	Overseas Total 12.1 bil. yen		Overseas Total 27.0 bil. yen (+ 14.9 bil. yen/+123.1%)	
	North America	Asia	North America	Asia
	10.4 bil. yen	1.7 bil. yen	15.8bil. yen (+5.4 bil. yen/+51.9%)	11.2bil. yen (+9.5bil. yen/+558.8%)
<Reference>				
Number of store (Retail)	65	30	78 (+13)	64 (+34)
OPM	5.3%	2.5%	6.8%	8.2%
ROIC	11.6%		17.0%	

(1) Expand business scale by continuing to open new stores

- ✓ In the retail business, the Company will expand store openings in both Asia and North America. In particular, efforts will be made to open “Japan Brand Specialty Store” in North America to expand business potential.
- ✓ Put efforts to expand the new format (restaurant & retail, etc.) in Asia and North America, led by "SENSEN SUSHI".

The end of FY2022

The end of FY2025

Asia

Sales
FY2022 69 bil. yen
FY2025 136 bil. yen

30 stores

64 stores

+ 34 stores

(14 stores confirmed, 8 stores under negotiation)

*Breakdown by area

SG 7 stores, TH 8 stores, HK 6 stores,
TW 5 stores, MY 7 stores, MO 1 store

+

**Expand the new format
(Restaurant & retail, etc.)**



+

North America

Sales
FY2022 198.2 bil. yen
FY2025 234 bil. Yen

65 stores

78 stores

+ 13 stores

(6 stores confirmed, 2 stores under negotiation)

North America 8 stores, Hawaii 2 stores,
Guam 1 store, Gelson's 2 stores

(2) Improving profitability by establishing a global value chain

- ✓ Become a company that plays a central role in the "5 trillion yen export of Japanese agricultural and marine products," with PPIC at the center, and promote business not only in retail stores but also in a variety of business formats/sales channels

Producer

Strengthen overseas PB

Sales composition 6.5% → over 20%

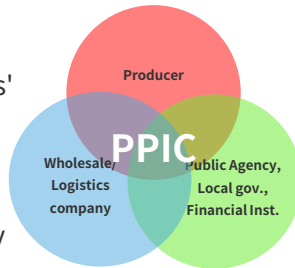
- Plans to expand PB products by focusing on perishable products that are gaining support overseas



Strengthen procurement network of primary products

Export amount
About 6 bil. yen → over 10 bil. yen

- Securing Producers' Profits to Ensure Sustainable Trade
- Reducing procurement costs by trading at upstream

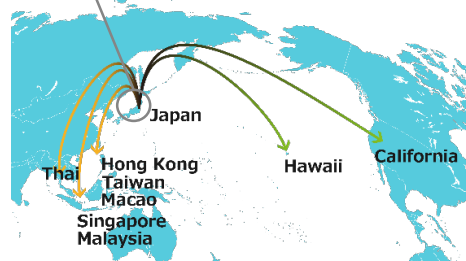


Distribution

Supply Chain Management

- ✓ Direct exports from the place of origin (Made in Japan)

Export directly from production areas to create the fastest supply chain, bringing the freshness and taste of Japan to abroad.



Sales

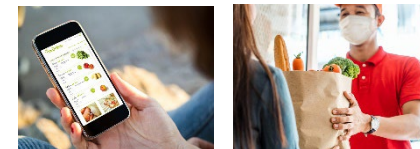
Retail stores



New Format (Restaurant & Retail, etc)



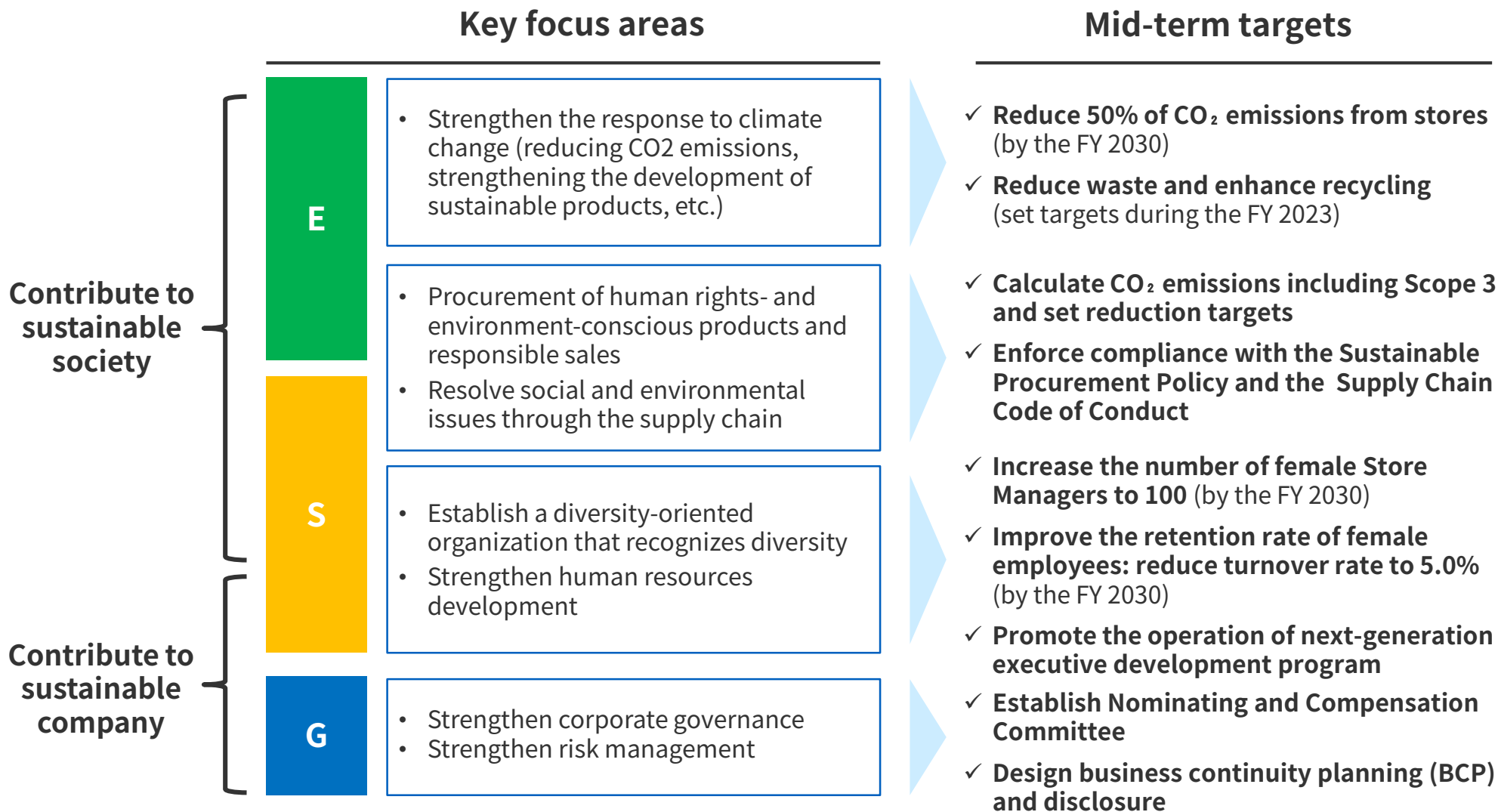
EC



Diversification of business formats and sales channels

(3) ESG initiatives

- ✓ Continue to promote and strengthen ESG initiatives to realize a sustainable society and company
- ✓ Aim to receive high scores from external evaluation organizations in order to ensure objectivity in the promotion of ESG initiatives.



(Reference) Major initiatives and current evaluations

Major initiatives

Responding to climate change:

Solar power generation

Solar panels installed on the rooftops of existing stores. Reduce CO₂ emissions by promoting the use of electricity derived from renewable energy sources (installed in 16 stores, 4 of which are Corporate PPAs).



Building a sustainable supply chain:

Briefing sessions for partner companies

Briefing sessions on the PPIH Group Supply Chain Code of Conduct and Self-Check Assessment were held for approximately 700 partner companies.



Establish a diversity-oriented organization that recognizes diversity:

A training program that aims to produce 100 female store managers

Continuing "RISE! 100", a training program for future 100 female store managers, to learn the mental attitude, knowledge, and skillsets necessary for store managers.

Inclusion in ESG indexes/ external evaluations (excerpt)



FTSE Blossom Japan Sector Relative Index

Selects companies with an FTSE's ESG rating of 2.0 or higher and industry weights are adjusted to be sector-neutral. PPIH has been selected as a part of this index since June 2022. PPIH current score: 2.7



An index developed by Bloomberg. Selects outstanding companies for their commitment to formulating and expressing policies that promote gender equality and improving transparency. PPIH has been selected as a part of this index consecutively since 2019.



SUSTAINALYTICS

a Morningstar company

ESG risk rating provided by Sustainalytics, who supports development and implementation of responsive investment strategies by investors around the world. PPIH has been ranked as Low Risk since 2021.



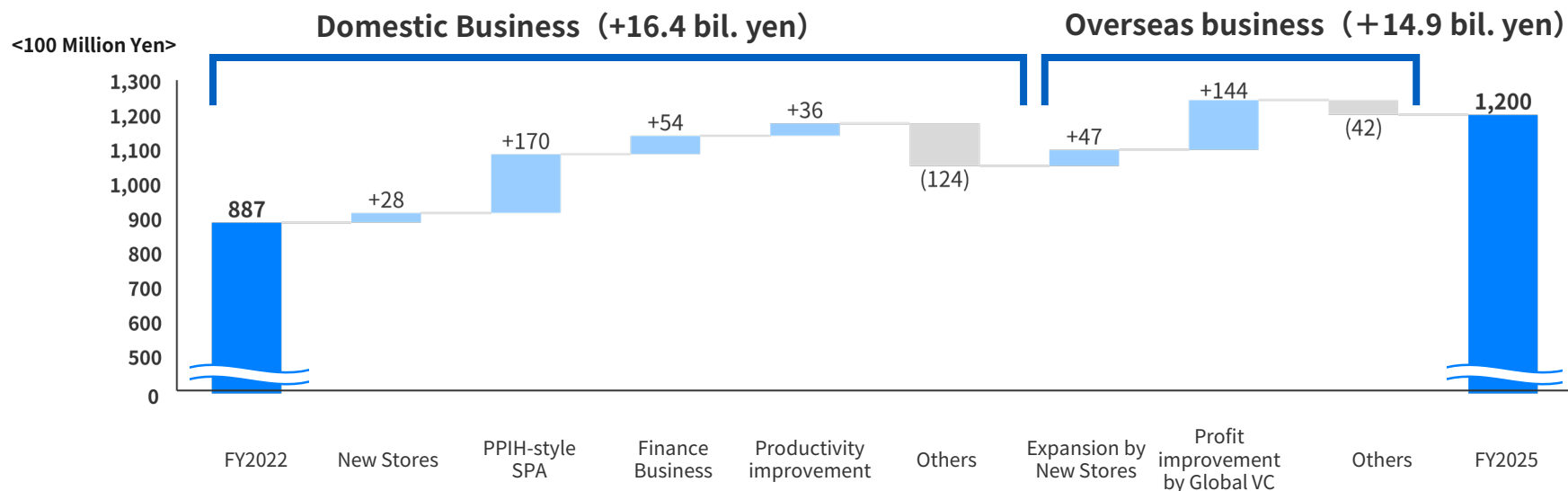
Other ESG ratings are also improving year by year.

The PPIH Group will promote further improvement of the ratings and selections of constituent stocks by the FY 2025.

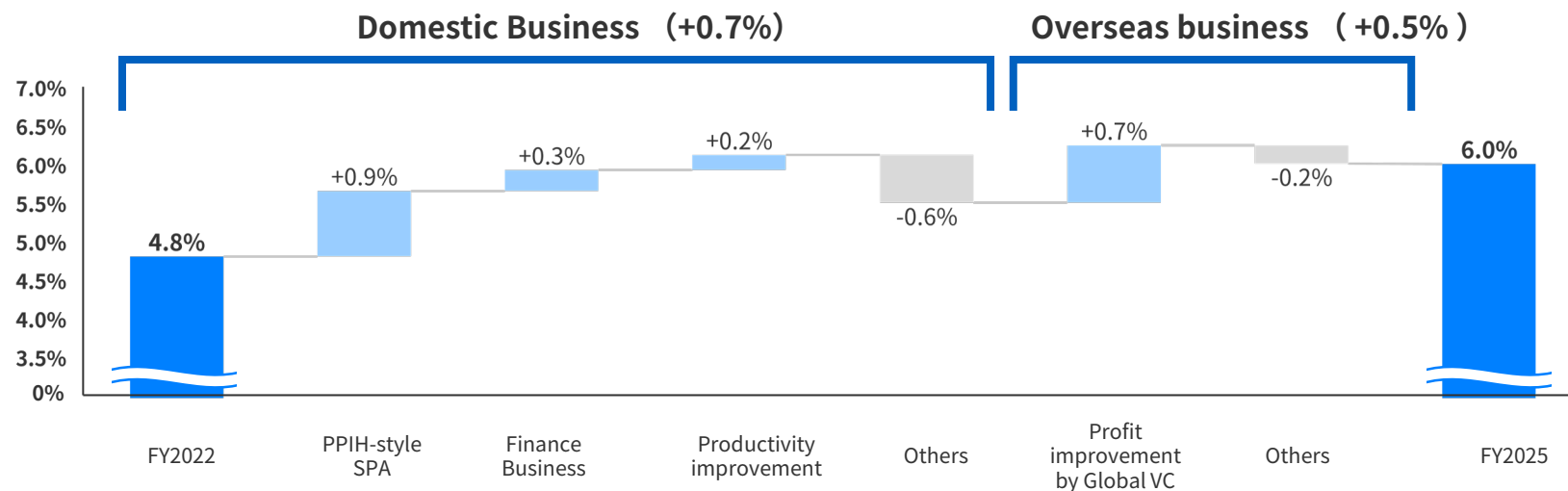


Reference (1) Operating Profit Waterfall

Operating Profit

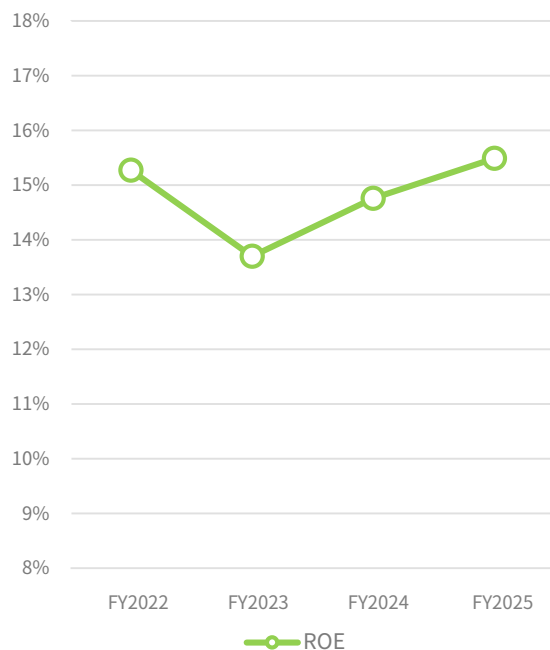


Operating Profit Margin

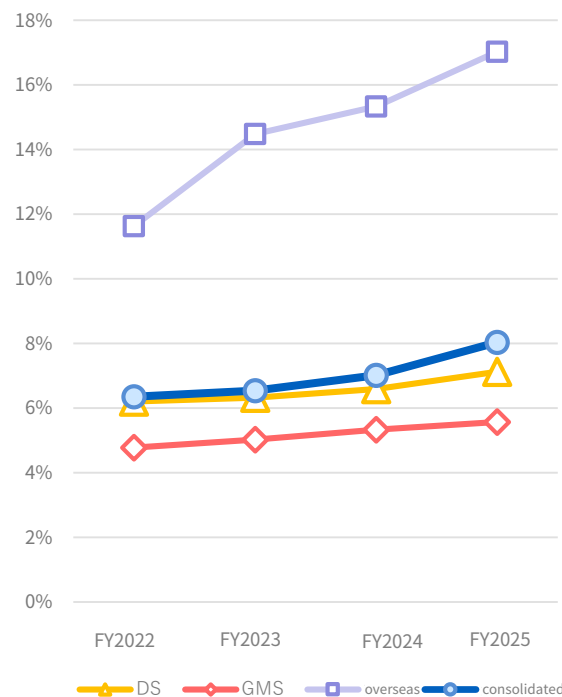


Reference (2) Trends in various management indexes

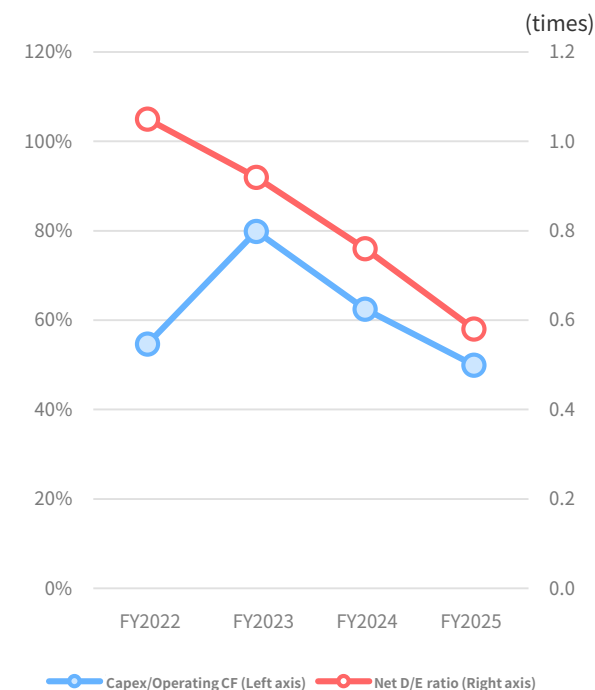
ROE



ROIC



Net D/E Ratio • Capex to operating CF ratio



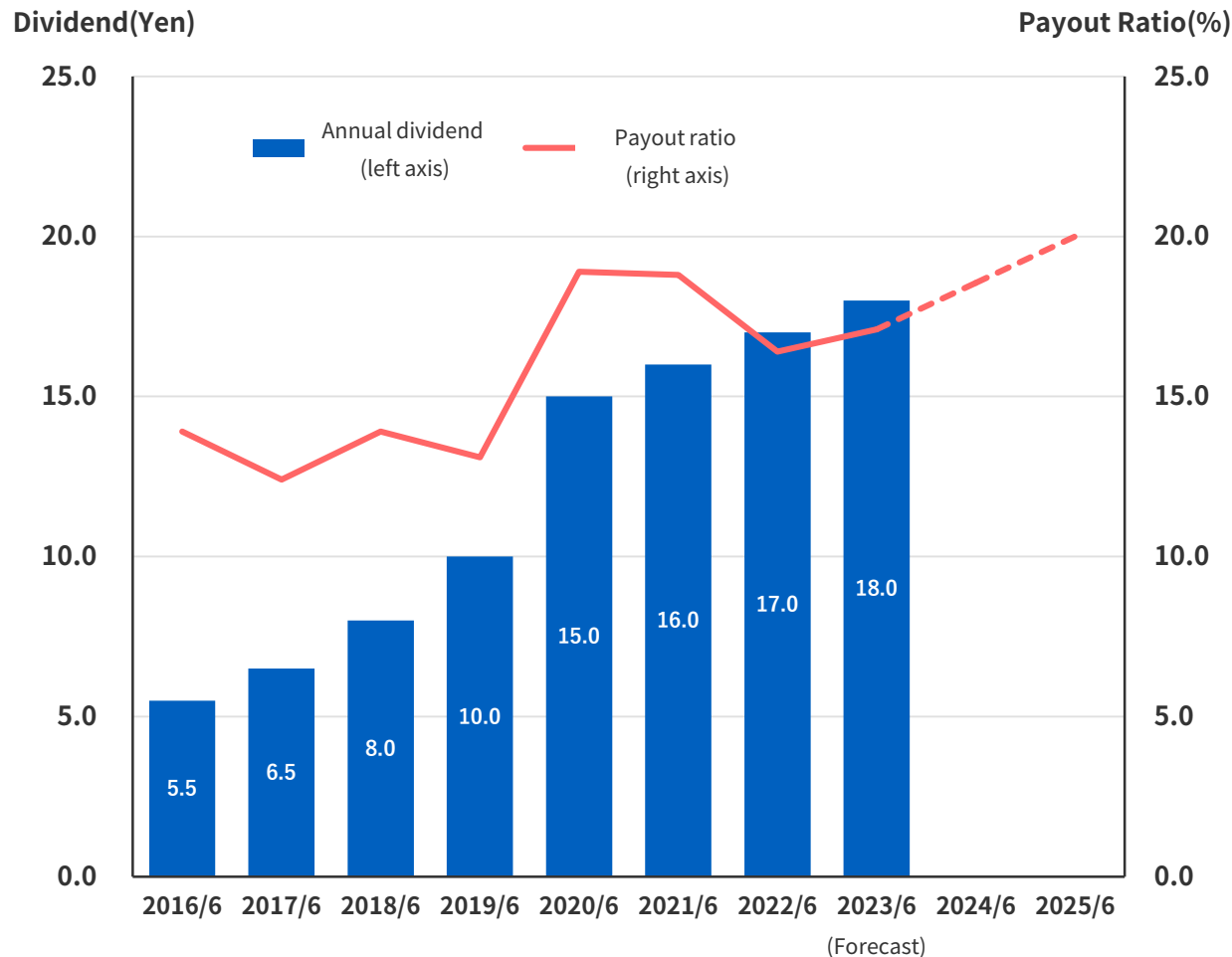
- Improvement in FY2022 due to share buyback and large foreign exchange gains
- FY2023 will see a temporary decline due to the reaction to the above, but continuous improvement is expected thereafter.

- In addition to growth in high-ROIC overseas businesses, we expect steady improvement in ROIC for both domestic businesses. (Company-wide ROIC at the end of FY2025 will be about 8%)

- Net D/E ratio rose in FY2022 due to share buybacks, but is expected to steadily improve in FY2023 and beyond.
- Capex is planned to be 65-75 billion yen per year during the mid-term period. Capital investment ratio to operating CF will temporarily increase in FY2023, but is expected to decrease to around 50% as profits grow.

• Note: ROIC = NOPAT / Invested capital (= goods and products + fixed assets (excluding some items))

Reference (3) Dividend and Shareholder Returns



Payout Ratio

- Dividends have been increased for 19 consecutive years.
- We will continue to return profits to shareholders based on a "progressive dividend policy," with a dividend payout ratio of 20% or more over the medium term, while maintaining a balance with investments for growth.

Financial Health

- Conscious of the need to increase financial strength over the medium to long term, expand shareholders' equity and improve investment efficiency.
- Aim to maintain and improve the external rating of A+.

Share Buybacks

- The decision will be based on comprehensive consideration of the above dividend capacity, financial health, future investment prospects, stock price conditions, and other factors.



PPIH
Pan Pacific International Holdings