

Summary of Q&A at Analyst Briefing on the Execution of the Business Transfer Agreement with Toys“R”Us-Japan, Ltd.

The following is a summary of the Q&A from an analyst briefing held for sell-side analysts.

Some questions and responses have been edited or supplemented for clarity.

Q1: What level of cash outflow and personnel-related burden does PPIH expect in connection with the business transfer?

A:

- As the court-supervised civil rehabilitation proceedings are ongoing and the transaction remains subject to court approval, we are unable to provide further details at this time.
- The business transfer consideration itself is limited. However, we plan to assume certain assets and liabilities required to operate the business, including merchandise payments, working capital and repayment of a portion of the DIP financing.
- We do not plan to assume historical interest-bearing debt or similar obligations as-is.
- The key issue is how quickly we can turn around the business and achieve profitability. We plan to provide further details on the expected timeline going forward.

Q2: Should we understand that this transaction is being evaluated under PPIH's existing investment return criteria? Which is expected to contribute more: the standalone turnaround of Toys“R”Us or synergies with PPIH's existing businesses?

A:

- This investment decision was made based on the same investment return criteria PPIH has historically applied.
- We expect contributions from both the standalone turnaround of Toys“R”Us and synergies with our existing businesses. The combined toy business would have approximately ¥150.0 bn in sales, establishing one of the largest presences in Japan's toy market.
- We also expect a broad range of synergies, including stronger product sourcing through increased purchasing scale, expansion into baby products, a stronger IP

business through PB/OEM development and rollout across large-format stores.

Q3: Many Toys“R”Us stores appear to be large, at roughly 1,000 tsubo, or 3,300 square meters. Could some eventually be converted to Don Quijote or another PPIH format?

A:

- Converting certain stores to an existing PPIH format, such as Don Quijote, is one option under consideration.

Q4: What are the downside risks associated with the business transfer?

A:

- At this stage, we view the risks associated with the transaction as limited.
- One key consideration is the assumption of store leases. Discussions with landlords will be particularly important, as the number of stores transferred will affect the value of the business.

Q5: What factors have contributed to Toys“R”Us’ prolonged losses, and how long do you expect it will take to achieve profitability following the business transfer?

A:

- We see room to improve inventory levels, product presentation and assortments, including the introduction of products that better reflect market needs. These areas have been affected in part by insufficient growth investment in recent years.
- Adapting to changes in the market environment, including the expansion of e-commerce, has also been a challenge.
- It is difficult to provide a specific timeline for profitability at this stage. Our first priority is to restore sales by strengthening our product offerings and selling floors, with the goal of delivering results during the year-end holiday season.
- We also see room to improve the cost structure and plan to begin reviewing it after the start of the new year.

Q6: PPIH already expects higher costs this fiscal year, including investments in Olympic Group. Will Toys“R”Us require additional costs such as store renovation expenses, and should we expect significant investment next fiscal year?

A:

- We are not assuming significant investment beyond our current plan. For example, many store renovations can be completed using existing facilities or within the scope of current renovation plans.
- We plan to discuss the specific investment plan and expected financial impact when we announce our Q2 results.
- We will also consider disclosing any information available at the time of our Q1 results announcement.

Reference: Summary of Q&A at Media Briefing

The following is a summary of the Q&A from the media briefing. Certain statements have been supplemented or edited for clarity.

Q1: What are the objectives and strategic significance of the business transfer from Toys“R”Us-Japan?

A:

- We have positioned our domestic retail business as a core driver of long-term growth and believe this transaction will contribute to the PPIH Group’s sustainable growth.
- We highly value Toys“R”Us’ broad customer touchpoints with children and families, its expertise in toys and baby products, and its nationwide store network. We believe these strengths will enable us to reach new customer segments, enter new business areas and increase customer lifetime value, or LTV.

Q2: Will the Toys“R”Us brand be retained?

A:

- No formal decision has been made at this stage, and discussions with the relevant parties are required.

- We intend to make every effort to continue using the Toys“R”Us brand.

Q3: What store model do you envision within UNY (APITA) and MEGA Don Quijote locations? How will you leverage PPIH’s inbound tourism expertise?

A:

Store openings within existing locations

- Within large-format stores such as UNY (APITA) and MEGA Don Quijote, we plan to expand toy sections and experiential shopping areas.
- We also plan to extend the synergies from the greater scale created through Toys“R”Us across the Group.

Inbound tourism initiatives

- PPIH serves customers from more than 200 countries and regions.
- Demand for Japanese subculture, toys and character merchandise is increasing. We plan to leverage our existing social media marketing and customer acquisition expertise to drive traffic to Toys“R”Us.

Q4: What measures will you take to improve Toys“R”Us’ prolonged loss-making performance?

A:

- A key priority is reaching customer segments that Toys“R”Us has not historically captured.
- In addition to its traditional focus on babies and children, we plan to expand into the kidult market for adult hobbies. The specific merchandise mix is still under consideration.
- By leveraging the Group’s expertise and product resources in other categories, we intend to rebuild the toy shopping experience from the ground up and evolve stores into destinations that can be enjoyed by customers of all generations, from children to seniors.

Q5: Why did PPIH choose M&A rather than expanding the toy category solely through its existing businesses?

A:

- The primary strategic benefit is achieving unrivaled scale in Japan's toy market.
- Building a leading share in a large category significantly expands the range of strategic initiatives available to us. We believe that establishing a major market presence will accelerate growth.

Q6: Could you discuss PPIH's business turnaround expertise and the dedicated team for this transaction?

A:

Business turnaround expertise

- Through the format conversions of Nagasakiya and UD Retail, we have built substantial business turnaround expertise.
- That experience includes not only successful initiatives but also lessons learned from many initiatives that did not produce the intended results.
- We believe this accumulated expertise can be applied to the turnaround of the toy category.

Dedicated team

- We plan to establish a dedicated team of approximately 50 employees.
- The team will begin work on this transaction effective October 1, 2026.
- We will pursue the turnaround through continuous testing and validation.

Q7: Does PPIH have sufficient human resources to execute its M&A strategy?

A:

- In the long-term management plan announced last year, we positioned M&A as a key pillar of our growth strategy.
- Previously, teams were assembled as individual projects arose. We have since established a dedicated organization and strengthened staffing, enabling us to execute multiple transactions in parallel.
- We have sufficient resources to manage both the Olympic and Toys"R"Us transactions.

Q8: How will this transaction help PPIH reach customers who currently have limited engagement with its stores?

A:

- We estimate that approximately 30 million consumers do not have a negative view of PPIH but do not currently visit our stores. Reaching this group is an important element of our growth strategy.
- We believe toys and hobbies can create new customer touchpoints and help us reach customer segments with which PPIH has historically had limited engagement.
- We plan to strengthen customer engagement through media initiatives and product-led communications.

Q9: Could you provide more detail on the experiential shopping areas?

A:

Introducing experiential shopping areas in existing stores

- We intend to introduce experiential spaces in as many existing Toys“R”Us stores as possible.
- Our current concept is to use approximately 10% of selling space for these areas.

Objectives of experiential shopping areas

- Allowing customers to see, touch and play with products should help drive sales.
- We have also confirmed the positive sales impact of experiential shopping areas among inbound tourists.
- Potential initiatives include character events and new product showcases.
- We aim to provide experiences that appeal not only to children but also to kidults and seniors.

Q10: Is it correct to view this transaction as an M&A initiative centered on PPIH’s merchandising strategy? Going forward, will PPIH continue to consider M&A as a means of driving category growth, primarily within categories in which it already operates?

A:

- PPIH has long worked to build categories that customers associate first with Don Quijote, with successful examples including colored contact lenses and suitcases.
- Toys are part of this strategy, and we intend to build additional category strengths beyond toys.
- We will pursue both organic growth and M&A, using M&A as an effective strategic option where appropriate.