

Overseas Business

Review of Overseas Business and Future Initiatives

Overseas Business Offers Major Opportunities

► Only-one Growth Possibilities

Our overseas business is implementing only-one MD with direct imports of mainly Japanese foods as a "Japanese brand specialty store." It is actively growing the store network under the "U.S. business" and the "Asian business" rolling out DON DON DONKI stores. The U.S. business started with the acquisition of Don Quijote (USA) Co., Ltd. as a consolidated subsidiary aimed at operating stores in Hawaii in 2006, and it currently has 28 stores in Hawaii and 10 stores in California. The Asian business began with the DON DON DONKI Orchard Central Store as the first location in Singapore,

in 2017. It now operates four stores in Hong Kong, two stores in Thailand, and eight stores in Singapore (as of October 31, 2020).

Don Quijote has achieved significant growth in Japan as an only-one retail format that does not have rivals. Overseas DON DON DONKI similarly is an only-one format without direct rival formats in countries that we have entered. The PPIH Group has positioned the rollout of overseas business as its next growth driver, targeting growth in the next 5–10 years.

► Robust Overseas Business! Hong Kong Operations Are Doing Extremely Well!

While our results have been robust in Asia and the U.S., our Hong Kong business is doing extremely well. The first Hong Kong store, opened in July 2019, is located on the basement floor of a multi-functional building with a hotel and other stores. It supplies products with an emphasis on food items based on the concept of a "Japanese brand specialty store" that carries Japanese products and goods developed for Japan. Even direct-import foods from Japan are 20%–50% cheaper than local prices. We strive to curtail prices as much as possible by leveraging economies of scale. Through the merger of UNY, PPIH has enjoyed economies of scale in terms of procurement (lower unit prices and self-managed imports through direct requests to a logistics partner). While the stores handle fewer non-food products than Don Quijote stores in Japan, we intend to adjust product composition shares based on feedback from customers and our assessments of strong-selling products and other factors.

The DON DON DONKI OP Mall Main Store, our second store in Hong Kong that opened at the OP Mall retail facility in December 2019, is in the largest class of our Asian stores at roughly double the floor space of the first Hong Kong store. It features a "Japanese festival" theme with lanterns, paper fans, and other decorations that create a Japanese atmosphere as well as a Don Quijote-style liveliness.

We opened our first store on Hong Kong island with the DON DON DONKI Pearl City Store in July 2020. This store carries an extensive lineup of Japanese foods that are highly popular abroad, and it also has strengthened its handling of popular snacks and cosmetics as gifts.



Strawberries were very popular at the first Hong Kong store, and Japanese fruits are a major attraction (DON DON DONKI OP Mall Store)



Highly popular fresh fish and sushi lineup, direct delivery of high-end eel from Japan (DON DON DONKI Pearl City Store)

Kazuhiro Matsumoto

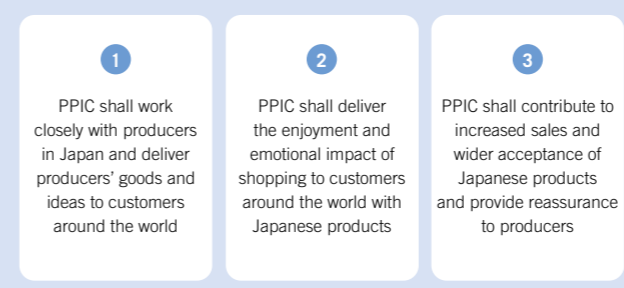
Director & Managing Executive Officer
CMO (Global) Vice President of Asia Company

Launch of Pan Pacific International Club (PPIC), Seeking a Distribution Revolution for Japanese Products Worldwide

PPIC, launched in October 2020, is a partnership organization between Japanese producers of agricultural, livestock, and marine products aimed at expanding exports and the PPIH Group. It offers benefits to the PPIH Group in the ability to procure products with stable quality, volume, and pricing throughout the year and helps producers by "securing a stable customer" and "realizing shipment prices that are not affected by fluctuations in market pricing and weather." Club members are able to participate in business talks and arrange continuous and steady product shipments and receive support in planting and production plans.

Overseas stores based on the "Japanese brand specialty store" concept run by the PPIH Group rely on Japanese foods as an important source of local enthusiast acquisition. We aim to create a virtuous cycle that benefits all stakeholders through establishment of an environment that is capable of supplying Japanese products with a reputation of high quality at affordable pricing even abroad and achievement of a distribution revolution in Japanese products worldwide. We have a goal of ¥300 billion in exports of agricultural, livestock, and marine products in 2030.

Three Major Principles of the PPIC Charter



► Future Overseas Strategy

In overseas business, we intend to actively develop stores mainly in the U.S. and the Asian region and provide the appeal of Japanese products at affordable prices and create stores that are perpetually enjoyed by local people. We approach the COVID-19 crisis as an opportunity to develop stores and plan to steadily roll out DON DON DONKI stores and move forward with a multi-store business model in Southeast Asia and East Asia while also localizing stores to the destination country. We want to build a stable procurement scheme and logistics network for Japanese products and pursue further expansion.

In fiscal year 2021, we target an increase in the overseas sales ratio from about 6.8% currently to at least 8% and also a much larger percentage of operating profit than the current level of about 4.0%. We intend to aggressively expand overseas business in pursuit of our longer-term goal of ¥1 trillion in overseas sales.

