

## Digitalization Strategy

# Promoting DX through Collaboration with External Companies



### Utilizing Digital Technologies in Response to a New Era in Retail Business

The PPIH Group is bolstering its initiatives with digital technologies in order to achieve further evolution of its corporate philosophy of "The Customer Matters Most" in a rapidly changing market environment. We have introduced the Marshmallow Concept\* as a different methodology than what was used in past years that combines entertainment-style store operations and product measures, an important strength of the PPIH Group, and joint efforts with external companies that have a variety of experiences and knowledge. This is an initiative that responds to the new era of retail, offers an even better store experience, and deepens our understanding of customers.

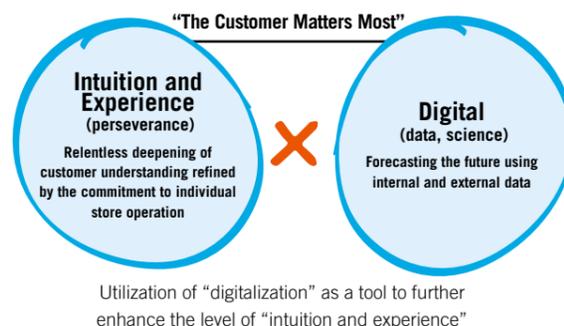
Marshmallow Co., Ltd., a wholly owned subsidiary of the Group, promotes open innovation as an integration bridge between the PPIH Group and the latest digital technologies. We intend to utilize all types of external resources to build operations that adapt to an era in which pricing optimization, analysis of consumer needs, new financial services, and other activities make maximum use of PPIH Group strengths.

With the aim of realizing further growth in an environment of growing uncertainty, we hope to carry out our corporate culture of "conducted repeated hypothesis and verification" and "taking on

many challenges" jointly with external companies and construct measures that respond to a new era.

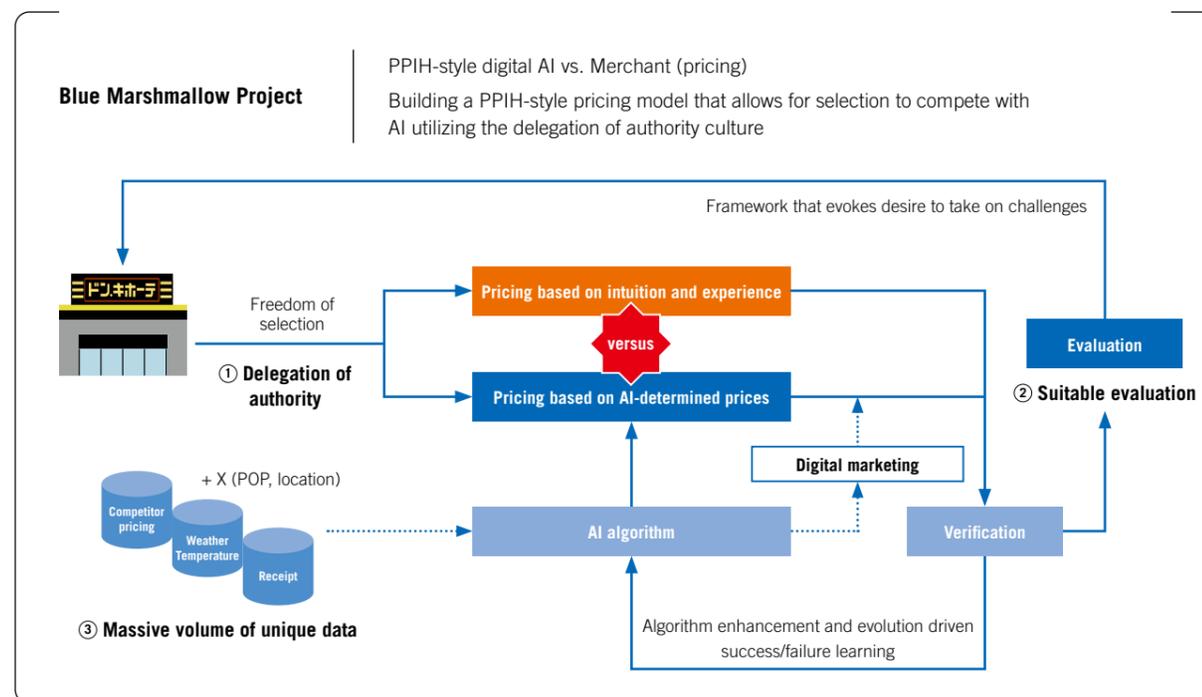
\* This name adopts the image of a soft, white marshmallow in reference to the concept of the PPIH Group pursuing new initiatives that accept new values with an open mind, not colored by the Group's own distinctive style, and thereby delivering enjoyment to consumers.

#### Positioning and Significance of "Digital" to the PPIH Group



### Overview of the Marshmallow Concept

To achieve future growth, we think it is essential to collaborate with parties, internally and externally, that have a variety of value systems and ideas, and therefore we have adopted a new "color" to express respect for diversity.



### Message from the CMIO

## Intend to change personal thinking and actively pursue DX amid major changes at PPIH

Tetsuya Karube

Chief Marketing & Integration Officer (CMIO) and Executive Officer



After continuous involvement in sales since joining Don Quijote in 1999, I assumed a position as director at Marshmallow in 2020 and have been addressing digital as a new area as CMIO, with responsibilities for marketing and business integration since July 2020. My mission is deployment of digitalization initiatives at frontline stores in an easily understood way amid joint promotion of digital transformation (DX) with Mr. Tsukuda. The PPIH Group positions DX as a tool to achieve even deeper understanding of customers and provide frontline assistance with goals of contributing to improved productivity for increased sales and store staff and higher profits. Through digitalization, it is important to build front-line operation (order placement timing) and other related systems that support development of more robust capabilities by using free time to interact with customers, attend to product shelves, engage in

dialogue with mates, and implement price surveys of other companies. We intend to expand dynamic pricing and raise competitiveness in primary commercial zones in fiscal year 2021. Furthermore, we aim to increase "majica" app members, promote use and boost the retention rate, and lift customer lifetime value (LTV).

As CMIO, I've experienced difficulty in winning over frontline teams to digitalization initiatives because they do not immediately yield results in daily numbers. This point is a dilemma due to my past involvement in sales, but the strength of our Group is its ability to adapt. I intend to harness capabilities cultivated to date and change my personal thinking for the process of aggressively promoting DX.

### Message from the CDO

## Hope to be part of adaptation in the digital world and contribute to realizing PPIH-style DX

Shinichiro Tsukuda

Chief Digital Officer (CDO) and Executive Officer



I joined the PPIH Group as the representative director and president of Marshmallow in March 2020. My strength lies in my past experience in the ramp-up and expansion of retail and web (digital) businesses. Using this experience, I hope to realize DX truly suited to the PPIH Group by understanding the Group's strengths, positive features, and culture that have supported its success in the retail industry up until now in the ramp-up of DX.

The PPIH Group's DX consists of many activities, including database construction, data analysis, digital marketing, app development, e-commerce ramp-up, and work enhancement supported by systems. Since none of these were core initiatives at the PPIH Group until now, the biggest issue in promoting DX at this point is the overwhelming shortage of organizations to promote these

activities and related human resources. I believe the timely reinforcement of human resources via internal recruitment campaigns, hiring from outside the company, and other methods is essential to the success of DX.

I'm greatly honored to participate at this juncture in major reform with the challenge of implementing DX at the PPIH Group that includes Don Quijote, a retailer that I admired and pursued in past years when undertaking DX initiatives at retailers. We are currently in a trial-and-error process of finding solutions amid a mix of anticipation and uncertainty. I'm determined to have a role in the PPIH Group's adaptation to the digital world by fully utilizing my past experience and taking on new challenges without fear of failing.