

Interview with the CFO

Announcement of the medium-term targets through FY2025
Continuing to achieve high profit growth while improving the efficiency of invested capital

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Reflecting on FY2022

In the fiscal year ended June 2022, net sales were 1.8313 trillion yen and operating profit was 88.7 billion yen, which exceeded our initial target of 85.0 billion yen. As a result, our net sales and operating profit both reached record highs, and we have achieved sales and profit growth for 33 consecutive fiscal years.

Although the first quarter did not go as planned due to external factors such as the spread of COVID-19 and bad weather, we achieved increased profits from the second quarter onward. This was thanks to the steady effects of strategic measures such as strengthening PB/OEM products, enhancing pricing accuracy, and improving the inventory turnover ratio, especially in the domestic DS business. For our overseas business, we have also launched future-focused challenges by opening new locations and creating further demand for Japanese products through new business formats such as sales of sushi and milled rice.

In summary, I believe that we were able to demonstrate our corporate strengths of overcoming difficult situations through Group-wide efforts and achieving results. I would like to express my deep appreciation for the efforts of our stores as well as the support of our customers and other stakeholders.

Management strategies aimed at 3 and 10 years from now

In August 2022, we announced Visionary 2025/2030 as our new medium-to-long term management plan. The numerical targets are net sales of 2 trillion yen and operating profit of 120 billion yen for the fiscal year ending June 30, 2025, and operating profit of 200 billion yen for the fiscal year ending June 30, 2030.

Particularly in the three years leading up to and including 2025, we will take into account the changes to the post-COVID-19 business environment and speedily adapt to these external changes by enhancing profitability through the establishment of a new value chain, including further PB/OEM strengthening and the enhanced functionality of the majica app.

In addition, we believe that these efforts to strengthen profitability will lead to an improved rate of return on invested capital (ROIC) from a financial perspective as well.

While our business growth to date has been achieved by expanding our invested capital and borrowings with a focus on new store openings, going forward, our profit growth will be achieved by increasing the profitability of each of our stores, the number of which we have been firmly expanding. We expect to improve our ROIC and other such indicators each year as we achieve profit growth without capital investment.

From a cash flow perspective, investment cash flow will be restrained, while operating cash flow will be expanded. This will result in increased free cash flow and an accompanying

improvement in our financial health, which we believe will further increase the capacity for shareholder returns over the medium to long term.

ESG-related initiatives

In the current fiscal year, we have strengthened our ESG Promotion Framework by again identifying key issues (materiality) for our Group, establishing a Sustainability Committee, and other initiatives. As a result, we have made progress in several areas, as I will introduce below.

Firstly, with regard to our response to climate change, we announced our endorsement of the Task Force on Climate-Related Financial Disclosures (TCFD) in February 2022, conducted scenario analysis based on the TCFD recommendations, and identified and disclosed risks and opportunities. We have also set CO₂ emission reduction targets.

Secondly, with regard to our supply chain, we established the PPIH Group Sustainable Procurement Policy in January 2022 so as to ensure we account for human rights and environmental issues when procuring products. Because the understanding and cooperation of our suppliers are essential to achieving this, we have established the PPIH Group Supply Chain Code of Conduct and ask for their understanding and compliance with the PPIH Group Sustainable Procurement Policy. In July 2022, we started a self-check survey questionnaire on human rights, the environment, and other such issues for our PB product partners. We will analyze the results and continue to cooperate with our partners to detect various risks.

In terms of diversity promotion, we established the Diversity Management Committee (DM Committee) in the fiscal year ending June 30, 2021 to promote women's participation and career advancement. The DM Committee has been working for more than a year to analyze and discuss the effects of various measures and data, and has set new goals for women's participation and career advancement that are suitable for our Group, such as "improving the retention rate of female employees" and "increasing the number of female managers to 100." We will plan and implement various measures to achieve the targets for 2026 and 2030. (See page 27.)

We will reflect these ESG initiatives in our business activities, continue to fulfill our social responsibility through our business as a retailer, and contribute to the realization of a sustainable society.

Policy on shareholder returns

In January 2022, we decided to introduce our new shareholder benefit program. The purpose of this program is to live up to the constant support we receive from our shareholders, to encourage more people, including our customers, to hold our shares over the medium to long

term, and to further deepen their understanding of our Group through purchases at our Group stores. We hope that everyone will experience the appeal of our Group's products and exciting shop floors by shopping at our stores.

With regard to dividends, we will continue to return profits to shareholders based on our progressive dividend policy, with a dividend payout ratio of 20% or more over the medium term, while maintaining a balance with investments for growth. We will also consider share buybacks on a case-by-case basis as necessary, based on a comprehensive consideration of multiple factors, including our dividend capacity, financial health, future investment prospects, and stock price conditions.

To our stakeholders

The importance of ESG is growing worldwide. As various global issues become more serious, society is making ever stronger demands for companies to solve these social problems. As a retailer with global operations, the PPIH Group recognizes that we have an important mission to contribute to resolving social issues and realizing a sustainable society, centered on the corporate ideals raised in *Genryu* ("The Source"). To achieve this, it is essential for us to sincerely listen to the voices of many different people in society and to strive to accurately understand their needs.

By continuing to actively exchange opinions with our customers, shareholders, investors, and other stakeholders, the PPIH Group will build strong trusting relationships that will lead to the co-creation of the new value demanded by society. We hope that this integrated report will help deepen understanding of our Group.

We will continue to actively develop our business, enhance our corporate value, and live up to your expectations. Please kindly extend us your continued support.

