Domestic Discount Store Business

Main points of our strategy

- Promote “PPIH-style SPA” to expand and strengthen PB/OEM products and improve pricing accuracy
- Rigorously manage inventory using our proprietary indicators of interest expiration date (exit) and low-turnover product order control (entry)
- Improve productivity by leveraging DX

Reflecting on FY2022

During this fiscal year, the domestic discount store business recovered quarter by quarter from the harsh external environment of the first quarter to achieve increased sales and profits for the full year. Net sales increased 45.6 billion yen from the previous year to 1.0975 trillion yen, mainly due to steady new store openings, despite the ongoing COVID-19 pandemic, and higher sales at existing stores. Gross profit margin at existing stores increased by 0.5% year-on-year, thanks to the success of strategic measures to strengthen PB/OEM and efforts to improve pricing accuracy. SG&A expenses were also kept under control and within the budget throughout the year.

In addition, faced with upward pressure on costs due to sharp increases in raw material prices and global inflationary trends, the PPIH Group has adopted a strategic policy of expanding our range of PB/OEM products in order to be able to offer customers attractive prices, while at the same time still securing profits. Since the third quarter, we have also been further strengthening inventory management to improve inventory turnover. These measures have been successful, and operating profit increased significantly, by 61.0% year-on-year to 36.2 billion yen.

Future strategy

The domestic market is continuing to shrink due to the declining birthrate and aging population, while the growth of e-commerce is accelerating due to the COVID-19 pandemic. To respond to these changes in the business environment and ensure that our stores continue to win the support of customers as physical retail stores, we have positioned 2022 as the “year of SPA reform” and will focus on promoting “PPIH-style SPA” over the next three years. Specifically, we will strengthen development of PB/OEM products that offer the kind of convenience, discounts and amusement (CV+D+A) that is only available at our stores, increase their sales composition ratio from the current 14.2% to 25.0% in the fiscal year ending June 2025, and increase their product gross margin ratio from the current 25.2% to 27.5%.

Since the overhaul of our PB “JONETZ” in February 2021, we have been actively accepting customer requests for its improvement through a special website called “Do-Over Palace.” In the future, we will promote even greater DX and provide a service that allows majica app members to view both positive and negative reviews from customers regarding PB/OEM products in real time in our stores. Through such efforts, we will not only develop original hit products and make them feel like even more of a bargain, but also use the majica app as a marketing tool both inside and outside stores to raise the profile of our PB/OEM products and further strengthen them. In terms of OEM products, we will aim for “cooperative SPA” whereby manufacturers, wholesalers, and retailers engage in manufacturing in an equal partnership with shared stakes. We will also expand our lineup of OEM products that lack name recognition but offer high quality and are available at reasonable prices in order to secure a solid gross profit margin.

For inventory control, we will continue to rigorously manage inventory on an item-by-item basis by their “interest expiration dates” and to make thorough use of automatic ordering based on demand forecasts. We will also leverage DX to improve productivity by enhancing efficiency and reducing manpower in store operations.

Through these combined efforts, we aim to achieve operating profit of 45 billion yen for the fiscal year ending June 2025, an increase of 23.8% from the fiscal year ended June 2022.

Domestic GMS Business

Main points of our strategy

- Integrate the merchandise development headquarter of the domestic discount store business and GMS to promote “PPIH-style SPA” centered on improving operational efficiency and strengthening PB/OEM products
- Aim to have the best stores in the regions by evolving individual store management
- Improve productivity by leveraging DX

Reflecting on FY2022

In the first half of the fiscal year, the domestic GMS business struggled due to the external environment, including bad weather and the COVID-19 pandemic. However, from the second half, measures to improve sales and gross profit margins, including optimizing pricing by individual stores, strengthening sales of PB/OEM products, and reviewing sales planning, were successful. In addition to an improvement of the SG&A ratio, there was growth in high gross margin seasonal products, particularly in the fourth quarter, and operating profit exceeded the target set at the beginning of the fiscal year.

Part of the decrease in net sales in this business is due to the decrease in the number of stores resulting from the conversion of some stores to the UD Retail format. This is reflected as an increase in net sales in the domestic discount business. In the aggregate, net sales increased by 10.3 billion yen for the two businesses combined.

During this fiscal year, we sought to achieve growth by promoting structural reforms, shifting to individual store management, and promoting functional integration. We will continue to implement these reforms and work to generate profits by further improving gross profit margins and cost efficiency beyond this fiscal year.

Future strategy

Three years have passed since UNY joined the Group. Our aim going forward is to realize unique product offerings and initiatives that only UNY can provide. To this end, we will further promote individual store management initiatives that delegate a great deal of authority to individual stores. For their part, individual stores will strive to become the best stores in their regions through unique approaches based on information such as household conditions in each store’s business area and the presence of competitors’ stores, and will strengthen their ability to generate profits through improved gross profit margins and cost efficiency.

The domestic GMS business differs from the domestic discount store business only in its customer base. We will maintain this business format and aim to establish a more efficient and robust operating structure.

In concrete terms, for PPIH’s domestic retail business as a whole, we will further build on the post-merger integration of UNY by implementing large-scale organizational reforms of the merchandise departments and promoting the integration of the merchandise departments of the domestic discount store and domestic GMS businesses. Furthermore, we will focus on promoting “PPIH-style SPA” and strive to improve our know-how in planning, development, pricing, product cycles, creating in-depth customer engagement mechanisms, and promotions, with a focus on strengthening PB/OEM products. By strengthening our PB/OEM products, we aim to increase their sales composition ratio in the domestic GMS business from the current 17.9% to 25.0% in the fiscal year ending June 2025, and to improve the merchandise gross profit margin from the current 26.1% to 27.5%.

In addition, as in the domestic discount business, we will strive to keep SG&A expenses under control, increase earnings per employee, and improve productivity by establishing a more efficient and robust operating structure through DX. In cooperation with the domestic discount business, we will also continuously create new business formats based on our understanding of the needs and characteristics of each region.

Through these efforts, we aim to achieve operating profit of 30 billion yen in the fiscal year ending June 2025, a 17.5% increase from the fiscal year ended June 2022.