Visionary 2025/2030

Interview on Strategic Management

Focusing on improving capital efficiency and growth investments founded upon a strong financial position, with the view to achieving our 2030 target

Representative Director, Senior Managing Executive Officer, CSO
Head of Management Strategy Headquarters and
Head of Executive Committee of the Company

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Achieving the Medium-Term Management Plan "Visionary 2025" Targets One Year Ahead

In FY2024, we achieved net sales of 2.0951 trillion yen, surpassing the 2-trillion-yen mark for the first time, along with operating income of 140.2 billion yen (operating income margin of 6.7%). Both net sales and operating income were the highest ever recorded, marking the achievement of our final year targets of the medium-term management plan, "Visionary 2025", one year ahead of schedule.

Looking back over the last five years since the company changed its name from Don Quijote Holdings Co., Ltd. to Pan Pacific International Holdings Corporation in February 2019, we have increased net sales by more than 1.5 times and more than doubled operating income compared to five years ago.

While adding the Asia and GMS businesses and transitioning toward portfolio-based management, we have made the transition from an approach that placed the utmost priority on year-on-year changes to one that focuses on comparison with a budget for numerical assessments. This has enabled us to take on various challenges and make growth investments while controlling costs.

We have also realized major changes in the sales aspect. In February 2021, we rebranded our PB/OEM products, clarified our development concept, and concentrated on marketing efforts. As a result, the recognition of our PB, "JONETZ", increased to over 70%, and we can even say that the logo with the Japanese character "Do" on our product packaging has become synonymous with Don Quijote's PB.

Furthermore, majica app development has spurred a steady increase in app membership, surpassing 15 million users. We have received much feedback from customers through "Maji-Voice", an in-app service launched in November 2023, enabling us to make improvements to sales strategy, product development, and operations.

Concerning the human resources who power our growth engine, PPIH advocates to a merit-based system. Under the policy of "Becoming a Highly Productive Company", as set out in "Visionary 2025", we have been able to make bold investments in human resources, including revising salaries and compensation, by improving labor productivity and controlling SG&A expenses. I feel strongly that our human resources have grown in tandem with our business performance as we respond and adapt to significant changes in the external environment.

Promoting our growth strategies toward achieving our operating income target of 200 billion yen in 2030

In FY2025, we expect to achieve net sales of 2.22 trillion yen and operating income of 150 billion yen (operating income margin of 6.8%), led by the domestic business and particularly the discount store business.

We plan to open more than 30 new stores in Japan and 7 overseas. Within our domestic business, we aim to expand our domestic market share by promoting strategies to increase foot traffic at existing stores and acquire new customers. In the discount store business, we will focus on expanding PB/OEM and capturing inbound demand. As for the North America business, we will inject effort into boosting product categories that generate high gross profits, such as sushi and deli.

While SG&A expenses are expected to rise due to new store openings, human resources investment, IT investments, and higher utility costs, the SG&A ratio is projected to remain lower than in the previous fiscal year.

Domestic Business

In the discount store business, our rebranded PB "JONETZ" contributed to achieving net sales of 246.1 billion yen in FY2024. By increasing our market share through the development of JONETZ products, as well as switching to standard non-branded products, we aim to achieve net sales of 500 billion yen by FY2027.

Concerning our strategy for tax-free sales, thanks to improvements in operations, sales promotion strategies, and changes to the MD structure, net sales for FY2024 rose significantly to 117.3 billion yen, nearly three times the previous fiscal year's total. Going forward, we plan to achieve tax-free sales of 175 billion yen by FY2027 through measures such as strengthening pre-travel promotional activities to attract customers to stores, providing shopping experiences that are unique to Don Quijote, and releasing global app functions. In addition to these initiatives, we have established the targets of opening over 100 new stores and achieving 30 million majica app members by FY2027.

In our GMS business, we are working to expand not only food sales, our traditional strength, but also non-food categories that will drive customer traffic. In the food category, we are working on maintaining quality, which has been highly rated in customer surveys. In addition, we are promoting a strategy of continuous growth in customer numbers and sales, working against our competitors through price voting by employees and other sales promotion tactics. With regard to non-food categories, the supervisors from non-food categories in the discount store business took the lead to launch the "Million Star Program", among other collective Group-wide reform efforts based on the integration of MD and store strategies (see pages 25-26 for details). Going forward, we will change the name of the business from "GMS business" to "UNY business", with a view towards promoting reforms that are not constrained by the concept of "GMS" in order to achieve further growth.

Oversea Business

We anticipate significant, long-term growth in our overseas business.

In the North America business, under the "TOKYO CENTRAL" business that handles Japanese products, we have established a manufacturing system based on a "central kitchen" concept. This has led to a dramatic increase in the popularity of sushi and deli, and we are seeing stronger support particularly in the areas with large Asian communities. In FY2025, we opened a new TOKYO CENTRAL store for the first time in six years, and we are proceeding with the next phase toward opening new stores and expanding the scale of the business from next year and after. We also plan to open a large-scale store in Hawaii in FY2025.

For the Asia business, we aim to move beyond short-term improvements to achieve significant growth, including opening stores in new countries after 2030. We have decided to change our policy after considering that management should allow for a certain amount of time to establish an evolved, replicable, and highly profitable model.

Promoting management that is conscious of capital costs and stock prices

In FY2024, we were able to strike a good balance between generating stable cash flows from operating activities and continued investment in growth. With respect to liabilities, interest-bearing debt decreased by 114.4 billion yen compared to the previous fiscal year due to the full early repayment of 140 billion yen in subordinated corporate bonds. Ratio of shareholder's equity to total assets improved by 5.2 pt to 35.8%, and net D/E ratio improved by 0.20 to 0.54, marking significant improvements in our financial soundness.

Regarding capital allocation, we aim to strike a balance between profits and growth investments in each business, with the aim of achieving ROE (17.9% in FY2024) that exceeds the cost of shareholders' equity, and to stabilize ROE at a high level.

As for our dividend policy, our dividend payout ratio has exceeded 20% for the first time. Going forward, we will strive to achieve a dividend payout ratio of 25% based on a progressive dividend policy, while achieving a balance between growth investments and shareholder returns.

In line with our focus on enhancing corporate value, we are committed to promoting management practices that are conscious of both capital costs and stock prices. Our management team, led by the CEO and myself, will continue to engage actively with the market to foster dialogue. We greatly appreciate the continued support and patronage of our stakeholders.