

The Future of the GMS Business

Achieving the goals of the UNY and UDR Midterm Plan Tackling the challenge of transforming non-food sectors through MD-focused and store-focused strategies for future growth

Director, Senior Managing Executive Officer
Head of GMS Business and Domestic Business Co-CMO*
President and Representative Director of UNY Co., Ltd.

Ken Sakakibara

* CMO (Chief Merchandising Officer)



Message upon my appointment as director

Since joining PPIH in 1997 as part of the opening team for the Don Quijote Shinjuku store (the eighth store), I have gained experience across various sales-related roles. Starting as a store staff member, I progressed through operational positions, including store manager and supervisory store manager. Later, I took on senior roles in the MD headquarters, including general manager of the product division and category leader. In October 2023, I assumed responsibility for leading the GMS business, overseeing all the product divisions (MD and inventory management). I was appointed as a director in September 2024. I am confident that the GMS business will play an even greater role in contributing to the achievement of the PPIH Group's strategic goals.

Achieving the goals of the UNY and UDR Midterm Plan

Reflecting on the past five years, UNY Co., Ltd. joined the PPIH Group in 2019, and we announced

the UNY and UDR Midterm Plan. The goal of the plan was to increase operating income by an additional 20 billion yen compared to the operating income of 21.7 billion yen recorded in FY2018, prior to the acquisition. To achieve this goal, we promoted two major strategies: business format conversion to UDR and profitability improvement of the UNY business.

In the conversion to UDR, we integrated UNY's strength in food with Don Quijote's expertise in non-food sectors. Aiming to encourage customers to spend more time in-store, we advanced the conversion of "Apita" and "Piago" stores, developing the dual-brand formats "MEGA Don Quijote UNY" and "Don Quijote UNY". Through these efforts, we not only retained our existing customers but also attracted new customer segments, particularly younger families and individuals, transforming the stores to gain support from a broader customer base. By FY2024, we converted 63 stores (62 as of the end of November 2024), contributing to sales growth. This contributed to the expansion of both sales and profits. Going forward, we will continue to

create stores that are beloved by local communities, utilizing the strengths of both companies to offer an abundant product lineup and provide an entertaining store experience.

For the profitability improvement of the UNY business, we implemented measures such as spreading individual store management; integrating systems like the cashier system, enterprise core IT systems, and the AI pricing tool "Kakaku-Miru"; advancing MD strategies through organizational integration, and increasing the composition ratio of PB/OEM products. As a result, the total gross profit margin for UNY and UDR in FY2024 maintained a high level of 32.0%. Additionally, through optimal human resources allocation and integrating back-office operations, we reduced SG&A expenses, lowering the SG&A ratio from 28.6% in FY2019 to 25.6% in FY2024, a decrease of 3.0 pt, leading to an improvement in profitability. Furthermore, the annual sales per store increased by 11.2% from FY2019 to 3.53 billion yen.

As a result of these efforts, major transformations were achieved in the FY2024 performance of UNY and UDR compared to UNY's fiscal year ended February 2019. Net sales grew by 90.2 billion yen, reaching 702.9 billion yen, an increase from 612.7 billion yen in FY2019. Operating income more than doubled to 44.8 billion yen, an increase of 23.1 billion yen from 21.7 billion yen. Operating income margin reached 6.4%, an increase of 2.9 pt from 3.5%.

Focusing on "increase of customer numbers" for food sectors and promotion of reforms under a new leadership structure for non-food sectors

Through such improvements in profitability, we have enhanced our "earning power". We now set "increase of customer numbers" as our theme for the next phase of growth. This will involve the implementation of related initiatives.

In food sectors, under the slogan "Fighting UNY", we are strengthening sales promotion strategies and launching a "Price Voting" campaign. This allows our part-time and temporary staff, who are also local customers, to vote on which products they want to see discounted. By maintaining thorough price-based competition with rivals, especially in food and daily consumables, we aim to attract more customers. In addition, we received high ratings for quality in customer surveys. We plan to further enhance our sourcing of fresh foods by leveraging our long-established production area distribution channels to improve the freshness, quality, and originality

of our offerings. Moreover, for deli products, we will deepen our collaboration with Kanemi Co., Ltd., our business partner.

For non-food sectors, although operating income margins have significantly improved, net sales have remained stagnant. We believe there is still room for further growth in acquiring new customers. Alongside pricing strategies, we will focus on transformation of non-food sectors as the next growth driver toward 2030, utilizing MD-focused and store-focused approaches with the full support from the Group.

In terms of our MD-focused approach, we have revamped the leadership structure by appointing 5 supervisors from all the non-food departments within the discount business to leadership positions at UNY. We will focus on creating various new non-food categories tailored to the needs of commercial zones by promoting younger talent to introduce fresh perspectives and leveraging the Group's procurement capabilities.

For our store-focused approach, we will introduce the Million Star Program into the GMS business, a program cultivated over four years in our discount business. Under this program, a single general manager oversees a commercial zone serving one million people. It delegates authority in a "narrow but deep" manner, further strengthening individual store management by centralizing decision-making at the general manager level. We aim to drive evolution through "something new" approach by leveraging the methods cultivated in our discount business, such as focused single-item sales methods, effective sales promotion methods, and the strengthened introduction of spot products. In line with the practices of our discount business, we will implement store layout improvements and execute product introductions or discontinuations with the same speed and agility. With these initiatives, we will enhance our non-food items, further improve profitability, and leverage that as a resource to reinforce competitiveness.

Moreover, it has been five years since UNY joined our Group, and we have built an organizational structure to accelerate PB/OEM strategies through the effects of post-merger integration (PMI). In FY2024, we exceeded the 25% target for the PB/OEM ratio set in our medium- to long-term management plan. We view this achievement as a milestone and intend to continue expanding this strategy as part of our future growth plan.

Through these initiatives, we are committed to increasing operating income in the GMS business by 10 billion yen by FY2030, and will make every effort to achieve our goal.