

## Materiality 2

## Accepting Diversity and Creating a Rewarding Workplace

## (1) Human Capital Management

The PPIH Group aims to become a visionary company that is needed by changing customers and society, based on our principle that “The Customer Matters Most”. A visionary company is one that can achieve long-term growth, and we consider the following four core values essential for achieving this: name (brand), stores, products, and human resources (for realizing the vision). In particular, human resources, who are proactive and strongly commit to achieving their goals, are the Group’s greatest strength and driving force for growth. Efforts to improve employee motivation and create an environment that supports challenges are essential elements in this respect.

We will forge ahead with even greater power toward the future by fostering a corporate culture that embodies our corporate philosophy, “The Source”, while creating a vibrant organization that constantly creates innovation, and where every highly productive employee, including mate employees (part-time or temporary employees), continues to tackle challenges without fear of failure.

## Goal &amp; Progress

Medium-term target	Progress (FY2024)
Produce 200 store merchandise (MD) planners among mate employees every year (Target: Don Quijote, from FY2025 to FY2030)	—*
Promote the operation of next-generation executive development program	160 employees participated in the program

\*Progress is not applicable as this indicator and target were set in the consolidated fiscal year.

## Initiatives to foster a corporate culture that constantly embodies “The Source”

Rather than motivating people through manuals and rules, the PPIH Group focuses on the ability of each individual employee to think and act independently, and to continue growing, based on the ideas and thoughts of “The Source”. In this way, we are fostering systems and a corporate culture that draw out the individuality and capabilities of every individual.

## Systems and corporate culture that draw out the strengths of our human resources

- A corporate culture that tolerates failures while enabling challenges and swift decision-making through delegation of authority and ability to adapt
- Shop floor design led by frontline employees to adapt to changes in the trade areas, through individual store operation and letting the people who actually run the stores take control by delegating authority
- Semi-annual salary system that boldly adjusts promotions/demotions and salaries based on the employee’s capability
- True meritocracy that clearly defines the “winners and losers” while eliminating seniority-based systems
- Revision of personnel systems and implementation of salary increases based on the results of productivity improvement and business expansion efforts

## Education on “The Source” and implementation of exams

To promote understanding of “The Source”, the Group conducts “The Source” training when new graduates and mid-career hires join the company. Furthermore, for the purpose of ensuring that employees around the world engage in their work with a common perspective and direction, “The Source” is available not only in Japanese, but has also been translated into multiple languages (English, Chinese (Simplified and Traditional), and Thai), and general level exams are conducted twice a year both in Japan and overseas (for all employees and some mate employees). To check employees’ mastery of “The Source”, The Master of “The Source” certification exams are conducted twice a year for employees in certain job positions or responsible for certain duties. Those who pass the certification exam practice “The Source” in their daily work and develop human resources who will contribute to the realization of its philosophy and culture in their respective organizations. On top of that, the “Masters” submit a report once a year and present and share with other “Masters” what they have put into practice, striving to further improve their interpretation and embodiment of “The Source” with a view to making PPIH the visionary company it aims to be.

## “The Source” exam and training implementation status

- General level exam: Taken by 23,208 people/23,146 people passed
- Master certification exam: Taken by 2,175 people/355 people passed
- Number of masters of “The Source”: 2352

\*FY2024 (July 2023 – June 2024) results for domestic and overseas Group companies



Image during the certification exam

## Stores × Mate employees initiatives

Our group currently employs 43,712 mate employees (part-time or temporary employees) as of the end of June 2024, calculated as a monthly average based on an 8-hour workday (domestic and international consolidated). The Group has adopted the “individual store management” approach, where each store independently determines its product procurement and sales strategies. We rely on our mates, who deeply understand the unique needs of their communities and customers, serving as key contributors to store operations. By creating systems and environments where mate employees can work with enjoyment and a sense of fulfillment, we aim to ensure the success of each employee, bring joy to customers, and become the best store in each local area.

## Initiatives to foster employee engagement

- Introduction of the “FOR THE TEAM AWARD”, which offers employees with the achievement-based rewards every six months, based on store performance and adjusted according to employment type and working hours.
- Developing MD planners from mate employees who have the same roles, responsibilities, and benefits as full-time employees, in line with the principle of equal pay for equal work (As of June 1, 2024, 166 MD planners/ Target: mate employees at Don Quijote)
- Periodic implementation of engagement surveys on store employees, including mate employees

## Introduction of systems to support store operations

- Introduction of (semi/full) self-checkout registers
- Smartphone integration for ordering terminals
- Introduction of “AI Discount” systems, contributing to profit increase and reduction of food waste (currently in trial at select domestic stores)
- Introduction of the “Kakaku-Miru” system, where AI recommends pricing based on factors like weather and sales performance to improve pricing accuracy
- Introduction of “electronic shelf tags”, allowing flexible price display changes.

## Initiatives to bring out employees’ spirit of challenge and foster their growth together with the company

## Producing and supporting the growth of human resources necessary for the implementation of business strategies

- Start of training to foster meat specialists at the Narimasu Butchery Training Center in March 2024, with a view to producing fresh food specialists
- Reskilling through initiatives such as assigning employees with store experience and an interest in IT to the IT Division, and conducting internal training, with a view to producing IT specialists
- “Design thinking” process among young employees and IT Division personnel



Training at the Narimasu Butchery Training Center

## Systems and programs to encourage employees to tackle challenges in pursuit of independent careers

- Holding an in-house competition called “Iron Men of Displays (D-Tetsu)”, where participants compete in marketing ideas and display techniques, aimed at uncovering young talents for the stores. A total of 105 people participated in the 2023 competition (eligible participants: Don Quijote employees and mate employees). → Top performers in the D-Tetsu competition are selected to be seconded to Asian countries, where they share Japanese store display techniques and other know-how with local employees
- Revitalization of “Koubo.com” (internal recruitment system), designed to encourage employees in certain positions, who have been with their current department for over a year, to pursue diverse career opportunities and expand their experience and skills
- Launch of a project team comprising young employees as well as executives to tackle sales issues, with the aim of uncovering young talents and promoting their growth
- “Million Star Program”, in which employees selected through an open call serve as general managers and supervise branches with a commercial zone of 1 million people and annual sales of 10 billion yen



“Iron Men of Displays (D-Tetsu)” Competition

## Initiatives to produce next-generation management talents

To produce the next generation of management talents, we have been conducting a next-generation executive development program under the supervision of Outside Directors since 2022. Participants study subjects such as management knowledge and problem-solving methods for organizational operations, and the training was attended by 160 employees in FY2024 (cumulative total of 320 participants to date).

## Systems and initiatives related to the development of the corporate environment

To ensure all employees to maximize their individual strengths and fully engage in their work, we recognize the need to develop an appropriate corporate environment that offers a high level of psychological safety while allowing employees to maintain both their physical and mental health. In light of that, we have established the following systems and programs.

## Major systems and initiatives

- Implementation of employee satisfaction survey once a month
- Establishment of “Personnel Career Calls” to address employees’ concerns and respond to consultations about personnel evaluations, career advancement, and other related topics
- Establishment of “Nandemo Anshin Sodan Madoguchi (consultation desk for any issue)” through which employees (including mate employees) can consult with external professional counsellors on personal and work issues
- Establishment of a “Compliance Hotline” to enable the reporting of compliance violations, including harassment (also available to mate employees/including a third-party hotline)
- Introduction of GLTD insurance to ensure income compensation for employees who are unable to work due to illness or injury.
- Relaxation of dress code rules and free hair color choice