

Domestic Discount Store Business



Main points of our strategy

- Enhancing the development of PB/OEM products and promoting OEM conversion of staple products
- Implement initiatives to make Don Quijote the No. 1 must-visit destination in Japan for inbound tourists
- Strategy development for engaging younger customers and increasing customer numbers via app-centric approaches

Reflecting on FY2024

Overview

Our domestic discount business achieved significant increases in both sales and profits in FY2024.

Net sales reached 1.3186 trillion yen (141.1 billion yen increase year on year), with existing store sales growing by 10.1% year on year. The increase in inbound tourists drove tax-free sales to 117.3 billion yen (79.0 billion yen increase year on year). In addition, our successful initiatives such as member-exclusive pricing strategies, promotional activities, and product offerings capturing outdoor/event demand contributed to the 3.3% year-on-year increase in non-tax-free sales.

Gross profit amounted to 360.2 billion yen (49.2 billion yen increase year on year), with a gross profit margin of 27.3% (0.9 pt increase year on year). Sales of PB/OEM products increased to 246.1 billion yen (48.2 billion yen increase year on year), with their sales composition ratio increasing to 19.3% (2.0 pt increase year on year). Furthermore, our inventory optimization accelerated the product introduction cycle for new and spot products. This created a positive cycle that helped customers find “something new” contributed to increases in the operating income margin and inventory turnover rate.

SG&A expenses totaled 274.2 billion yen (18.8 billion yen increase year on year) due to the opening of 24 new stores and investments in human resources. However, our SG&A ratio decreased to 20.8% (0.9 pt decrease year on year) thanks to sales growth and reduced utility costs. As a result, we achieved operating income of 86.0 billion yen (30.4 billion yen increase year on year), with an operating income margin of 6.5% (1.8 pt increase year on year).

Progress of initiatives

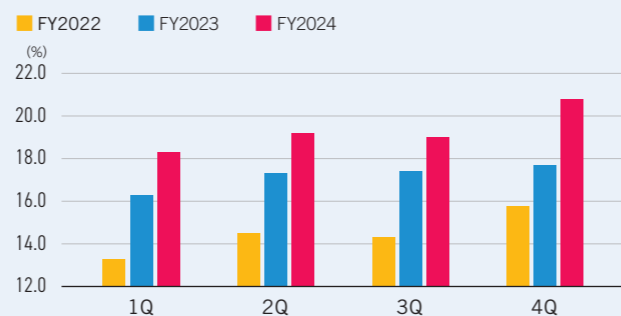
(1) Strengthening of PB/OEM products

We increased customer awareness through enhanced media exposure, including TV commercials, and stronger social media strategies. Initiatives including our continued development of unique products and diverse flavor variations of popular items such as “Mixed Nuts” and “Red Ginger Rice Cracker” helped to boost overall sales growth across various categories. We also actively promoted product development based on raw customer feedback received through “Maji-Voice”.

(2) Expansion of tax-free sales

We successfully increased awareness and attracted more customers by strengthening pre-travel promotional campaigns in collaboration with influencers and travel agencies. We also leveraged our strengths of price competitiveness over rivals, our comprehensive product lineup enabling one-stop shopping, and late-night operations, as well as popular character merchandise enhancement and strengthening of

Ratio of PB/OEM in the domestic discount store business



collaborative products with manufacturers. Through these adaptable approaches to create stores aligned with trends, we expanded our market share. In addition, improvements to our tax-free register infrastructure and operations (including reducing checkout processing time by one minute) allow us to better accommodate inbound tourists.

(3) Expansion of new store openings

PPIH advanced new store openings using a variety of business formats, opening 24 new stores in FY2024.

We utilized a diverse range of business formats and locations for our store openings. Stores included traditional Don Quijote stores, smaller “rail-side” Don Quijote stores, and category-specific business formats like “Kirakira Donki”, and “replacement format” stores. That latter involves closing older properties with high maintenance costs and opening new stores in nearby areas with the latest formats.

Notable successes include the MEGA Don Quijote Narimasu store, which received significant media coverage, as well

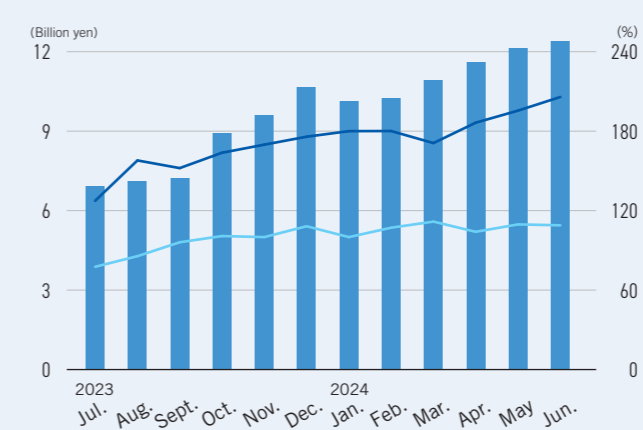
as the fresh-food-focused MEGA stores opened in Tottori and Aomori prefectures. These locations have attracted many customers thanks to their enhanced fresh food offerings and trend-focused curated non-food sections, catering to a wide range of age groups, including younger people.

(4) Realization of the “Maji-Toku Cycle”

The number of majica app members has surpassed 15 million, driven by strategies such as member-exclusive pricing strategies and promotional campaigns celebrating surpassing 2 trillion yen in net sales. Four key services of the “Maji-Toku Cycle” have strengthened product appeal and attracted customers: “Maji-Kaitori”, which buys back unsatisfactory PB items; “Maji-Kakaku”, which offers popular items at astonishingly cheap prices; “Maji-Voice”, a product review function that collects raw customer feedback; and “Maji-Nebiki”, which discounts prices by rounding the last digit down. Through these services, we are promoting the creation of a positive cycle that enhances the shopping experience for customers.

Tax-free sales of domestic discount store business

■ FY2024 ■ vs. 2019 ■ Number of inbound visitors (vs. 2019)*



Future strategy

PB/OEM strategies

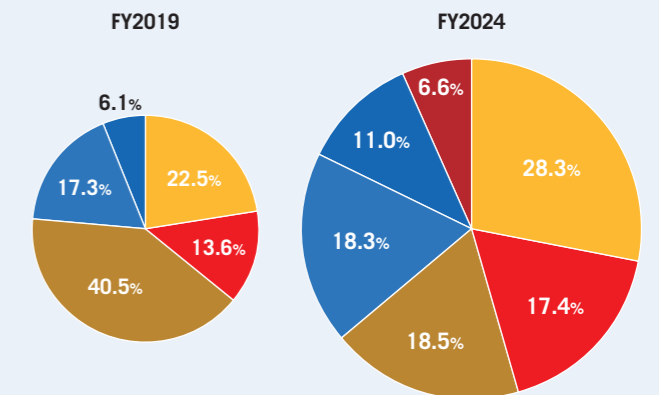
We aim to increase PB/OEM sales to 500 billion yen by FY2027 (an increase of 253.9 billion yen over FY2024). For our PB JONETZ, we will focus on developing highly original products that align with customer needs to further expand category share. As a new initiative, we will also promote OEM conversion of staple products in categories previously not subject to PB/OEM conversion. Moreover, we will enhance profitability by reducing costs, reviewing the supply chain to enable small-lot production, shifting production countries, and consolidating production factories.

Inbound strategies

We are targeting tax-free sales of 175 billion yen by FY2027 (an increase of 57.7 billion yen over FY2024). To make Don Quijote Japan’s No. 1 must-visit destination, we will enhance recognition and motivate customers to visit stores through social media promotions and new sales activities, while providing a shopping experience unique to our company, including PB products and amusement. Additionally, with the release of the global majica app planned for the second half of FY2025, we will continue to promote app membership

Tax-free sales by nationality

■ S. Korea ■ Taiwan ■ China ■ ASEAN ■ Other ■ USA



among inbound tourists, encourage repeat visits to stores, and improve satisfaction.

New store opening strategy

We aim to open over 100 new stores by FY2027. By leveraging our strengths in adapting to various store sizes and locations, we will focus store openings to fill gaps nationwide with traditional Don Quijote stores while also approaching new customer segments through the opening of rail-side stores and mall tenant stores. In addition, we plan to open satellite stores for successful inbound tourism-focused stores. Through these efforts, we aim to further increase our domestic market share.

Customer acquisition strategy

By FY2027, we aim to achieve 30 million majica app members and 50% membership among the youth population (ages 15–24). To acquire new customers, particularly among younger demographics, we will implement TV commercial-linked initiatives, student discount campaigns, key opinion leader (KOL) initiatives, and in-person “real” event initiatives. In parallel, we are developing marketing automation initiatives to increase the store visit frequency of our existing customers.