Domestic GMS Business

Main points of our strategy

- Customer count is recovering thanks to successful initiatives such as "Price Voting" by employees and "Maji-Kakaku"
- Food section continues to achieving growth in both customer count and sales through thorough competitive strategy
- Non-food section undergoes drastic transformation driven by our full efforts with product and store focus

Reflecting on FY2024

The GMS business saw increases in both sales and profits in FY2024.

Net sales amounted to 462.4 billion yen (0.5 billion yen increase year on year). In the first half of the fiscal year, customer count stagnated at existing stores and we shifted our strategies. From the second half of the fiscal year, we were successful in strengthening various promotional strategies, such as price appeals on daily items and the "Price Voting" by employees, which started from April 2024.

Gross profit was 161 billion yen (2.2 billion yen increase year on year), and gross profit margin was 34.8% (0.4 pt increase year on year). The introduction of new products through MD integration and the strengthening of prime location development led to PB/OEM annual sales of 109.9 billion yen (20.5 billion yen increase year on year) and a sales composition ratio of 25.7% (4.8 pt increase year on year), contributing to improved profitability.

Although SG&A expenses increased due to advertising and strengthened promotions for majica, the optimization of personnel placement and reduction in utility costs resulted in the annual SG&A of 126.8 billion yen (4 billion yen decrease year on year) and SG&A ratio of 27.4% (0.9 pt decrease year on year). As a result, operating income was 34.2 billion yen (6.2 billion yen increase year on year), and the operating income margin was 7.4% (1.3 pt increase year on year).

Future strategy

In the GMS business, since UNY became our subsidiary in 2019, we have been gradually promoting a shift away from traditional Headquarters-led store management to individual store management, where merchandise procurement, pricing, displays, and more are based on judgments by frontline employees in a way that leverages local characteristics and locations.

In the second half of FY2024, we implemented various sales promotion strategies such as "Maji-Kakaku," which offers astonishingly cheap prices exclusively for majica app members on carefully selected products that customers truly want, and "Toku-Toku Sale", which provides monthly discounts on groceries and daily necessities. Moreover, our unique "Price Voting" program generated significant interest. Through this, mate employees (part-time or temporary employees), who are also local customers, vote on which products and prices they truly want reduced, resulting in prices tailored to each commercial zone. These customer-focused measures helped drive the recovery in customer count.

For the GMS business, we set a goal to increase operating income by 10 billion yen by FY2030. In the food category, in addition to maintaining our high quality standards which have received excellent customer survey ratings, we will further enhance our competitive edge through "Price Voting" by employees and continue to drive growth in customer count and sales. For the non-food categories, while the operating income margin improved by over 2%, net sales remained flat. To address this, we are deploying many store managers and branch managers to the GMS business, including those in charge of non-food categories who have achieved success in the discount business. With the full support of the Group, we will drive drastic transformation of the non-food categories with both a product-focused and store-focused approach.

Overseas Business

Main points of our strategy

- North America business targets growth and profit with new store openings
- Started sushi restaurants in California and Guam; plan to expand with combined restaurant and retail establishments
- Asia business focuses on immediate improvements and on building new business concepts

Reflecting on FY2024

Our North America business recorded increased sales but decreased profits in FY2024. Net sales reached 247.4 billion yen (14 billion yen increase year on year), driven by enhanced deli items and sushi offerings, which met shifts in demand caused by inflation and a trend from dining out to eating at home. Gross profit stood at 92.5 billion yen (5.3 billion yen increase year on year), and we maintained gross profit margin at 37.4%, matching the previous year. This was achieved by offsetting cost increases through growth in high-margin deli items and sushi, improved profitability of PB/OEM products, and a favorable margin mix driven by competitive pricing. SG&A expenses rose to 87.9 billion yen (9 billion yen increase year on year) due to higher growth investments in new stores and supply chain-related initiatives, resulting in an SG&A ratio of 35.5% (1.7 pt increase year on year). Consequently, operating income declined to 4.6 billion yen (3.7 billion yen decrease year on year), with an operating income margin of 1.9% (1.7 pt decrease year on year).

Our Asia business also recorded increased sales but decreased profits in FY2024. Net sales rose to 85.2 billion yen (2.8 billion yen increase year on year), supported by the opening of 11 new stores. Gross profit reached 31.6 billion yen (1.3 billion yen increase year on year), and the gross profit margin was 37.1% (0.3 pt increase year on year). While we implemented labor cost controls, SG&A expenses rose to 31.3 billion yen (2.6 billion yen increase year on year) due to greater costs associated with new store openings, resulting in an SG&A ratio of 36.8% (2.0 pt increase year on year). Consequently, operating income was 0.3 billion yen (1.3 billion yen decrease year on year), with an operating income margin of 0.4% (1.6 pt decrease year on year).

* The rise and fall difference of operating income in the North America business is calculated after deducting Gelson's amortization of goodwill (approx. 3.4 billion yen in FY2023 and approx. 3.7 billion yen in FY2024)

Future strategy

In our North America business, we are pursuing growth and profit contribution by expanding business scale via new store openings.

At TOKYO CENTRAL in California, our central kitchen has enabled quality improvements in sushi and deli items, as well as the creation of "something new" through regular product development. These efforts have garnered customer support, particularly from customers in commercial zones with many Asian people. We are entering a new phase with plans for the first store opening in 6 years during FY2025, and we aim to open more than 4 stores annually from FY2026 onwards. In addition, under a new management team, we will increase the profitability of Gelson's through tighter control of SG&A expenses and waste reduction initiatives. We will also strengthen sales promotion activities to boost Gelson's brand recognition, attract new customers, and communicate the quality of its products.

In Hawaii, we face a challenging environment caused by intensified competition due to inflation and a decrease in tourists from the U.S. mainland. In response, we are advancing a differentiation strategy centered on strengthening high-profit products such as sushi and deli items, which have been consistently popular.

In addition, our sushi restaurants opened in California and Guam have been well-received for their menus tailored to local needs and high quality. Looking ahead, we plan to open new combined restaurant and retail establishments.

In the Asia business, as a short-term improvement, we are solidifying the future direction for unprofitable stores and strengthening negotiations with manufacturers to expand locally produced PB/OEM products and spot items. We will continue to accelerate our MD cycle to facilitate new product introductions and create astonishingly cheap products. In addition, in order to achieve major growth with our sights set on 2030 and beyond, we are conducting a long-term review of our business concepts in light of the current state of our Asia business, with the aim of establishing a stable and replicable revenue model.