

CEO Message



**Launching “Double Impact 2035:”
Maximizing corporate value
by leveraging the PPIH
Group’s collective wisdom and
stakeholder perspectives**

Hideki Moriya

President and CEO, Representative Director

Assuming the Role of Chief Executive Officer (CEO)

Thank you for your continued strong support and understanding for the PPIH Group. My name is Hideki Moriya, and I have assumed the role of President, Representative Director and CEO.

I joined the company as a new graduate in 2000 and started my career as a store staff member. This was during the recession that followed the collapse of the bubble economy, an era called the “employment ice age,” when the unemployment rate was in the 4% range and companies prioritized efficiency and cost reduction, making low wages the norm. However, the Don Quijote store I joined was thriving, with cars queued up waiting for parking spaces and lines at cash registers lasting until 1 or 2 a.m. I vividly remember how much I enjoyed my daily work in purchasing and sales operations.

Subsequently, after working in sales positions such as store manager and branch general manager, I gained extensive experience in back-office divisions, including logistics network development, contract management with business partners, risk management, launching the majica app, developing management strategies as CSO, and managing IR activities and financial operations as acting CFO.

My strength lies in the “ability to build teams that make the most of our human capital.” I have worked in many departments and on a wide range of operations across the PPIH Group. Each time, I have built new teams. I take pride in the fact that, through my experiences, I have developed the most extensive human capital network, covering both executives and employees, of anyone. I believe I can form teams composed of many talented individuals through this network and provide them with opportunities to excel.

In the new management structure, I will work together with the Representative Director and COO, Kosuke Suzuki, in a dual-leadership system. By clearly separating the holding company functions from operational execution functions, we will promote team-based management that enables swift decision-making while maximizing the PPIH Group’s potential.

Management Policies Underpinning the New Structure

Recently, there has been much discussion of the dramatic changes in society and consumer behavior, often emphasizing the volatility, uncertainty, complexity, and ambiguity. However, with “The Source,” our collection of corporate principles at our core, we have continued to move forward while enjoying each change and the business environment itself, viewing these as growth opportunities. We have called this “the business of adapting to change.”

Therefore, we consider business environments filled with drastic changes to be the “battlefield where we can best excel,” and we have absolute confidence that we can continue to respond flexibly and boldly to all changes. We

will maintain policies based on “The Source” at all times, and under these unwavering policies, we will establish and execute the following “3 foundational management policies”:

1. Implementation of speedy decision-making

This is something that is not changing.

Even with sales exceeding 2 trillion yen and approximately 90,000 employees, we are confident that our “decision-making speed”—in other words “the number of people with decision-making authority”—is the best in Japan. Even during the next 10 years as we aim to approximately double our business scale, we will continue to develop systems that maintain and strengthen our No. 1 decision-making speed and not let it slow down.

2. Building countless optimal teams

This is something that will be accelerated.

Until now, we have concentrated on achieving an overwhelming “maximization of individual capabilities” through our division-based independent accounting system, our individual store manager system, and the Million-Star Program and we have achieved steady results under a “competitive meritocracy.” I will maintain this competitive meritocracy from the time of Messrs. Yasuda and Yoshida create a new philosophy by combining it with “meritocracy through resonating co-creation” (Kyoso Seika Shugi in Japanese) and elevating it to a higher level.

I have placed strong conviction in the term “resonating co-creation” (Kyoso). At PPIH, where individual talent has always been strong, ordinary collaboration and cooperation alone are not enough to elevate and maximize individual capabilities at the team level. I firmly believe that the greatest results are achieved when individuals influence each other and resonate with one another. We will place team formation through such “resonating co-creation” at the heart of our management philosophy and embody the “next-generation battle-ready PPIH Group.”

3. Strategic investment through selection and focus

Finally, this is something that will be changed.

Since becoming a publicly listed company, we have achieved 36 consecutive years of increases in both sales and profits through organic store expansion each year and investment decisions based on short-term investment recovery.

However, we recognize that we are now entering a stage aimed at greater corporate growth. We plan to invest over 1.2 trillion yen over the next 10 years and will review the recovery period standards that serve as investment decision criteria and revisit our approach to the “delegation of authority” for each business. We will make sufficient investments not only in growth businesses but also in projects and initiatives that are expected to grow in the future, while tolerating short-term failures. Additionally, we will clearly incorporate M&A, which has not been included in our strategy until now, into our management strategy to enhance corporate value. When executing these initiatives, we will also shift the timeframe over which we pursue increases in sales and profit from an annual basis to a medium-term basis.

“Double Impact 2035” as Our New Guideline

We believe the PPIH Group's growth to date can be expressed as “earnings capability” = “adaptability to change × “knowing our customers.”

Over the course of our growth, we really have experienced a great many social and economic changes. These include, for example, 30 years of deflation, shifts in economic policy, transition to inflation, declining real wages, rising Engel coefficients, increasing dual-income households, large-scale natural disasters, the global COVID-19 pandemic, mobile phone proliferation, IT technology evolution, rapid EC market growth, the proliferation and consolidation of the retail industry—the list goes on.

Even in this rapidly changing environment, we have consistently deepened our understanding of customers and continued to refine our products and services to meet local needs. We have continued to pursue and provide convenience and enjoyment that are unique to physical stores and, in our analysis, we believe this has been the key factor enabling us to steadily improve our “earnings capability.”

This “earnings capability” will give us the conviction that we can achieve further growth and evolve into “next-level earnings capability.”

Next-level Earnings Capability = TAM (Growth Opportunities) × Execution Model × Talent & Capabilities

We will formulate and execute our next growth strategy based on this new definition.

Regarding “TAM (growth opportunities),” as noted on the previous page, various environmental and market changes are predicted in Japan's consumer market over the next 10 years. We view all these future environmental and market changes as growth opportunities and are confident that there is ample room to further expand market share.

For “execution model,” we take pride in already having most of what we need, including the right mindset based on our collection of corporate principles “The Source” and appropriate business structures for procurement and sales. For strategy, approximately 40 people, centered on executive officers and the management team, held rigorous discussions and formulated “Double Impact 2035.” We encourage you to review the details.

On “talent & capabilities,” which will enable us to implement our model and strategy and generate results from them, we have seen the steady development of our human capital across several generations, ranging from people in their 20s to 50s, and we have great confidence in our execution capabilities.

“Double Impact 2035” focuses on growth strategies for our domestic business, which has significant growth potential.

For our overseas business, while we currently aim for minimal growth, achieving medium- to long-term expansion

requires a clear store model that consistently earns customer support and an efficient operational framework to sustain it. Over the next year, we intend to determine the direction for our overseas business and disclose our strategy.

The quantitative targets for “Double Impact 2035” are 4.2 trillion yen in net sales and 330 billion yen in operating income.

These target figures and diverse growth strategies will become new guidelines for all employees and serve as the driving force powering our daily business activities.

We have long aimed for the following corporate ideals as part of our objectives (to be a visionary company):

- A company that adheres to the PPIH corporate principle of “The Customer Matters Most” in every corner of the organization
- A company that responds to change and takes on challenges boldly
- A company that targets innovation to elevate core values to the next level

Under our new guideline, Double Impact 2035, we will pursue these ideas while maximizing the collective wisdom of the PPIH Group.

The PPIH Group's Sustainability Management

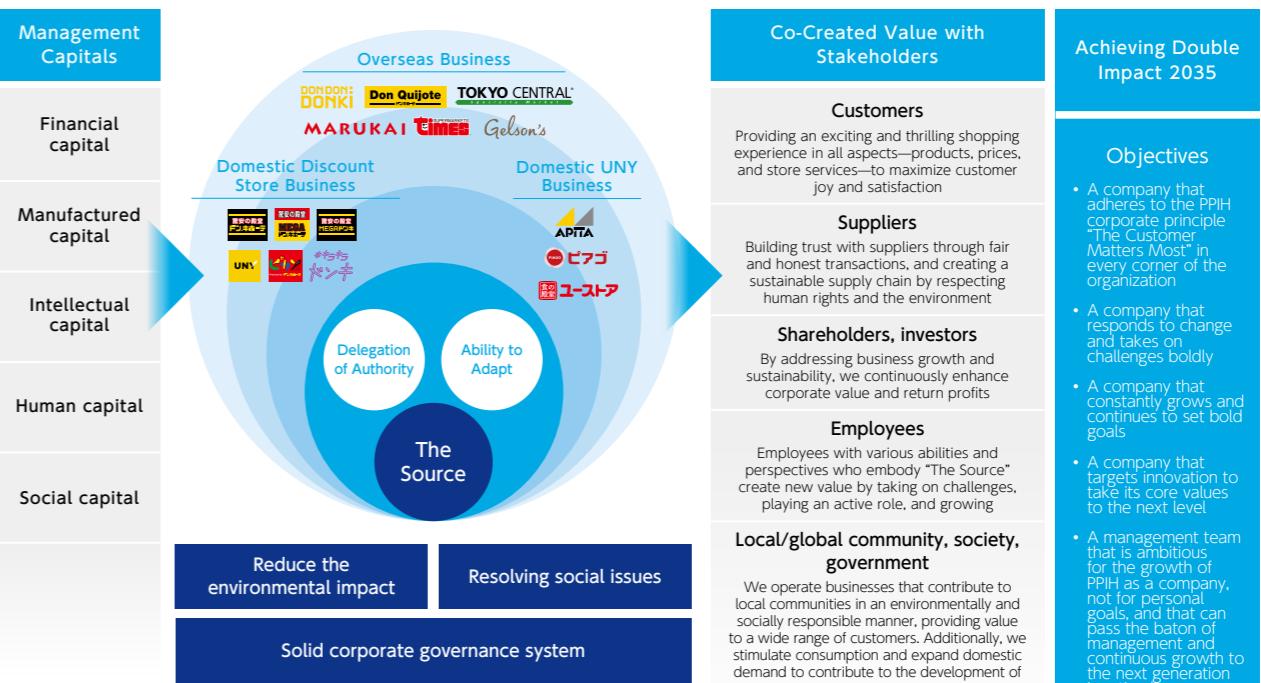
The PPIH Group has established growth strategies that include accelerating new store openings, strengthening PB/OEM products, and developing new formats. If we are to steadily advance these strategies, the strengthening of “human capital” and “supply chain management” will take on even greater importance than before.

In human capital, we have launched new personnel strategies and committed ourselves to becoming a company overflowing with talent that continues to take on bold challenges. We will strengthen individual capabilities by establishing an environment where all employees have many opportunities to step up to the plate, expanding systems that encourage the development of new leaders and self-initiated challenges, and increasing the number of “distinctive talents.” This will enable us to build numerous optimal teams and further enhance the competitiveness of the company as a whole.

In supply chain management, structures are becoming more complex with the expansion of PB/OEM products and development of new formats. We accept this responsibility and will strengthen collaboration with NGOs and business partners, enhance our ability to address human rights and environmental matters, and rigorously practice responsible sales, including enhancing quality control systems to improve product safety.

Furthermore, in addition to promoting initiatives in each field, we will continue to create opportunities for dialogue such as ESG briefings and accelerate the integrated promotion of growth strategies and sustainability management.

Value Creation Model at the PPIH Group



Capital Allocation Policy

In FY6/25, we achieved a good balance between stable operating cash flow generation and continuous growth investment.

In terms of debt, interest-bearing debt decreased by 60.6 billion yen, and the equity ratio reached 40.1%, an improvement of +4.3 pts compared to FY6/24. The net D/E ratio also improved to 0.38 times, a 0.16 pt improvement, further enhancing financial soundness. This financial foundation provides us with a solid base for vigorously promoting future growth strategies. We are also focusing on capital efficiency, stably maintaining ROE at the high level of 15.8%, above the cost of capital.

For growth strategies over the next 10 years, we have planned growth investments exceeding 1.2 trillion yen, which we will implement while continuing to give sufficient consideration to capital efficiency.

Alongside growth investments, we will also strengthen shareholder returns. Regarding dividend policy, while maintaining a progressive policy, we have adopted an approach targeting a 25% dividend payout ratio, and we will also consider increasing the dividend payout ratio in the long term, striving to achieve a balance between growth investments and shareholder returns.

Furthermore, we executed a stock split aimed at improving stock liquidity and expanding our investor base. We will also advance initiatives aimed at broadening our base of individual investors and creating fan shareholders.

Going forward, we will continue to engage in management that is conscious of cost of capital and stock price, aiming for long-term corporate value enhancement.

To All Our Stakeholders

Business activities under the next-generation management team are now fully underway. The current management structure includes not only executive officers capable of conceiving and executing diverse strategies but also a strong lineup of outside directors with extensive knowledge and experience who are responsible for further strengthening our governance structure.

As a visionary company, we aim to be an enterprise that continues to prosper for 100 years, 200 years, and beyond. To realize this, it is essential that we maintain and pass on a management structure that supports sustainable corporate growth. As CEO, I strongly recognize this responsibility and believe that one of my extremely important missions is to identify the next generation of managers and responsibly pass on the baton of management.

Furthermore, to maximize corporate value, besides executing growth strategies, it is important to reflect stakeholder perspectives in management. We have established a structure where management, including the CEO and COO, actively participate in dialogue with the market, and the IR team aggregates feedback obtained through meetings and reports to management. Going forward, we will further strengthen relationships built on trust with the market, accurately comprehend matters of high interest and potential risks, and reflect these in management decisions.

We will continue to fulfill our corporate responsibilities, strive to create value exceeding your expectations, and vigorously promote sustainable growth and transformation. We hope you will continue to expect even greater successes from the PPIH Group.

We sincerely ask for your continued support and encouragement.