August 12, 2022

【Speech Summary for FY2022 Fourth Quarter Financial Results Briefing】

President & CEO, Representative Director, Naoki Yoshida
Director & Senior Managing Executive Officer, Kazuhiro Matsumoto
Director & Senior Managing Executive Officer, Kenji Sekiguchi
Director & Managing Executive Officer, Hideki Moriya
Director & Executive Officer, CFO, Keita Shimizu

1. Overview of Financial Results for FY2022

Director & Executive Officer, CFO, Keita Shimizu

・Report of Financial Results for FY2022 (presentation P.4)

For the fiscal 2022 full-year, net sales were 1,831.3 billion yen, operating profit was 88.7 billion yen, recurring profit was 100.4 billion yen, and net income for the period was 61.9 billion yen. We are pleased to report that we overcame the severe external environment in Q1 to achieve 33rd consecutive year of sales and profit growth, and that although sales slightly fell short of our initial forecast due to the longer-than-expected impact of COVID-19, we were able to fully achieve our profit forecast.

As a supplement to this page, the recurring profit section shows a large upward swing due to a foreign exchange gain of 15.4 billion yen in non-operating income. In terms of foreign exchange, the exchange rate at the end of the fiscal year generates a marginal gain on loans within the Group. To put it very roughly, an increase of 1 yen per dollar would result in a foreign exchange gain of about 600 million yen, which is outside the scope of our business.

・Executive Summary for Q4 (presentation P.5)

In terms of sales, the overseas business has contributed to growth through the consolidation of Gelson's and expansion of new store openings, while the DS business has contributed to growth through store expansion, including business format conversions, and a recovery in existing stores.

As you may recall, operating profit for Q1 was down approximately 7.1 billion yen year-on-year, and we reported that operating profit was down approximately 3 billion yen from the forecast. From there, we have been able to turn things around each quarter, achieving our forecasts and clearing our business targets in each of our businesses. The DS business in particular contributed with a significant growth of 13.7 billion yen year-on-year, thanks to the success of strategic measures.

In Q4 alone, sales and operating profit reached record highs. We are in a phase of rising purchase costs, but strategic measures such as strengthening PB/OEM have been effective. In addition, the improvement of the inventory turnover ratio, which began in Q3, also produced positive results, resulting in a significant improvement in the gross profit margin of 2.1% over Q4 of the previous fiscal year. The SG&A ratio also improved by 0.1% from the previous Q4, which I believe contributed to the increase in profit.
Moreover, I would like to report that the financial business, which will be strengthened in the future, has already realized cost reduction effects since the start of the merchant services in June, and that the enhancement of ESG, which was initiated at the beginning of this fiscal year, has already led to certain results.

・Domestic Discount Store Business (presentation P.7)

In the DS business, as reported, we were able to achieve a significant increase in operating profit, up 13.7 billion yen year-on-year.

Strategic measures to strengthen PB/OEM and improve pricing accuracy were effective throughout the period, resulting in a 0.5% increase in gross profit margin at existing stores year-on-year. Looking at Q4 alone, there was a large increase of 1.8%, due in part to strong sales of seasonal products. As a result, operating profit at existing stores increased by 8.7 billion yen, which I believe is the strongest contribution of the overall increase in profits.
Inventory turnover ratio, which was strengthened from Q3, also improved further in Q4, as reported earlier. Inventory actual at existing stores declined significantly by 15.2 billion yen year-on-year.

Sales increased by 45.6 billion yen, which was contributed by the addition of 19 new stores and the conversions of 3 stores to new formats, as well as a 1.1% increase in existing stores year-on-year. In Q4, existing store sales increased by 1.8% due to the lifting of the special measures for the pandemic and the early end of the rainy season. Demand in station-front stores and at night time is gradually recovering.

In addition, SG&A expenses have been under control within budget throughout all quarters, which I believe has contributed to the increase in profit.

・Discount Store Business: Enhancing store attractiveness through strengthening of

PB/OEM and improvement of Inventory turnover ratio (presentation P.8)

With regard to strengthening PB/OEM, the sales composition ratio for the full year was 14.2%, up 2.1% year-on-year. The improvement in gross profit margin also exceeded the target set at the beginning of the fiscal year, so I think we can say that we have achieved very good results. As you can see in the graph on the bottom, the ratio has been increasing since the announcement of the renewal in February last year. During Q4, seasonal products and, as some examples are given, various non-food product categories grew. As a result, sales in Q4 also increased year-on-year.

As for the improvement of inventory turnover ratio, the effect of this improvement has been further expanded from Q3, and inventory reduction has reached 15.2 billion yen. We have achieved this reduction and a 0.59% improvement in inventory turnover as a result of management based on interest deadlines, automatic ordering based on demand forecasts, and SKU refinement based on unit control through DX.
This has also led to a reduction in inventory write-downs at the end of the period, which we believe has contributed to a certain level of improvement in the gross profit margin.

This improvement of inventory turnover is an important measure for us to realize “the customer matters most" principle by constantly proposing new products to our customers, and is also important for us to deal with the increase in inventory to further strengthen our PB/OEM business in the future.
In stores, inventory reduction also has the effect of increasing labor productivity in inventory management operations. We have already heard from employees that it has helped them to secure work hours for customer service and store attraction improvement, and we will continue to work on this issue.

・GMS Business (presentation P.9)

In the GMS business, we struggled in H1 due to the negative impact of the external environment, but gross profit margins improved significantly in Q3 and Q4, and as a result, we achieved our initial GMS target for operating profit.

By element, net sales decreased by 20 billion yen due to a reactionary decline in demand for food service alternatives and a business format conversion to UDR. As I mentioned earlier, the conversions to new formats have had the effect of increasing revenues in the DS business, and I would like to add that the effect of the change has been a net increase of 10.3 billion yen.
In addition, as mentioned, 7 stores have been converted to the new format in the full fiscal year, and

we have decided to add 3 more stores to the list, instead of the originally planned 1 store remaining. We will continue to consider this matter depending on the situation.
The gross profit margin was lower year-on-year in H1, but recovered in Q3 and improved significantly to 1.7% in Q4 due to the growth of seasonal products, a high gross profit category. In addition, the SG&A ratio improved by 0.1% in H2, compared to a 0.9% deterioration in H1, contributing to the achievement of final operating profit.
We are still in the process of reforms, such as the evolution to individual store management and the integration of headquarters functions. We will be able to continue to improve gross profit margins and generate profits through cost efficiencies as we move forward in these areas. We believe that we were able to achieve certain results in this fiscal year.

・Progress of majica App (presentation P.10)

As a measure of our overall domestic business, we are pleased to report that the number of members reached 9.87 million at the end of June, and reached 10 million at the end of July.
We believe that the majica app will become the core tool of our new CV+D+A offering, with payment and product search functions, and later, various services will also be integrated. The number of members has finally surpassed 10 million, and we are now in a position to implement CRM measures tailored to each individual member, which we consider to be an extremely significant achievement.

As we have already reported in past briefings, the number of purchases by app members tends to increase to a certain degree, and we have been conducting CRM trials throughout this fiscal year, and we are beginning to see certain results.
We have three examples of such measures in this document. In addition to these, we intend to implement CRM measures in earnest based on the number of members exceeding 10 million in this fiscal year and the following fiscal year.

・Overseas Business (presentation P.11)

Overseas, although still affected by COVID-19, we were able to continue to increase sales and profits, thanks to the consolidation of Gelson's, the continued opening of new stores in our Asian operations, and efforts to improve gross profit margins centered on PPIC.

First, in the Asian business, we opened 11 new stores in six countries and regions during the pandemic, which was not an easy period in terms of store opening expansion, and achieved a significant increase in sales of 18.9 billion yen or 37.7% year-on-year.

In addition to the expansion of PPIC initiatives, we have also strengthened PB and reviewed pricing in response to cost inflation, resulting in a 1.2% increase in gross profit margin at existing stores year-on-year. We have been able to maintain an operating profit margin of over 10% at existing stores. In addition, we are steadily expanding the new business category of restaurant & retail business, such as sushi, rice milling and wagyu beef skewers to increase profit opportunities.
In addition, as we will explain later in the medium- to long-term management plan part, we intend to aggressively expand our business in the future.

Next is the North America business. Each was affected by COVID-19 here as well. In California, we were able to continue to capture a certain amount of demand for food service alternatives, but on the other hand, there were some negative effects such as a delay in the recovery of tourism demand in Hawaii, etc. In a sense, there were some mixed effects.
In addition, Gelson's was newly consolidated from Q4 of the fiscal year before last, and it was also consolidated in previous Q4. If we compare the figures for this period, we can see that we achieved positive increases in revenue and profit. Excluding the partial impact of foreign exchange rates, sales were down slightly, while profits were about the same, so we can tell you that we are maintaining solid profits.

・Shareholder Returns (presentation P.15)

As we released today along with the financial results, we have revised the dividend forFY2022 by increasing the year-end dividend to 14, for a total dividend of 17 for the full year.
The final decision will be made by a resolution of the General Meeting of Shareholders, but this will be the 19th consecutive year of dividend increase, and we have increased our forecast for the following year by another 1 to 18, which will make it our 20th consecutive year of dividend increase.
Together with the shareholder benefit program announced in January of this year, we intend to continue strengthening our engagement with our shareholders, and we ask for your continued support in this endeavor.

・Consolidated Earnings Forecast for FY2023 (presentation P.16.17)

As for the forecast for the current fiscal year, we are expecting to achieve sales and profit growth, with net sales of 1,890 billion yen and operating profit of 94 billion yen. Recurring profit is expected to be 82.5 billion yen, which is a decrease on the surface, but as I mentioned earlier, this figure includes the foreign exchange gain of 15.4 billion yen in the previous fiscal year and the foreign exchange loss of approximately 8.5 billion yen, which resulted from using the foreign exchange rate of 122 at the end of

March for the current fiscal year's forecast..
As exchange rates are outside the scope of our business efforts and are difficult to read, we have mechanically used the overseas exchange rate of 122 at the end of the previous fiscal year to provide you with this information.

2. Medium- to Long-term Management Plan, Visionary 2025/2030

President & CEO, Representative Director, Naoki Yoshida

・Reflecting on FY2022 (presentation p.1)

Although the first quarter started with a year-on-year decline in operating profit of more than 7 billion yen, we achieved record sales and operating profit in the second, third, and fourth quarters. This is thanks to our customers and all stakeholders, and we are deeply grateful to everyone.

As a result, we were able to achieve a record-high operating profit of 88.7 billion yen.

Internally, we took up the challenge of shifting the gears for our sales activities in the previous fiscal year, from the COVID-19 era to the post-COVID-19 era. As you are aware, due to the evaporation of inbound sales since March 2020, we have experienced a significant decline in domestic sales. We made a promise to shift our focus toward operating profit in 2019, and as sales have shown a certain level of recovery necessary for covering SG&A expenses, we were able to make the shift toward putting the emphasis on profits. With regard to increasing operating profit, we have placed the greatest importance on how to increase gross profit margin and gross profit amount. At the same time, we will strive constantly to continue controlling SG&A expenses.

Looking at the quarterly results and the results of each company, we see that gross profit margin has been increasing steadily. The shift to PB has been described as the "SPA innovation" ("SPA" stands for "Specialty store retailer of Private label Apparel (or other products)"), and since the announcement of the PB rebranding in February 2021, PB sales have increased by 33.6 billion yen in FY2022 while the gross profit effect was 15.4 billion yen.
Amidst the shift to PB, there is a greater need than before to have indicators for inventory control and turnover ratio to ensure that the shop floors are constantly changing and offering "something new" to customers.

In the PB business, we are under the pressure to make decisions to ensure that products can gain the support of customers, or to quickly rebrand or dispose of products that fail to gain the support of customers. For this reason, we must work steadily to develop a mechanism to ensure that we are always listening to customer feedback. Currently, the “Do-Over Palace” system is one such mechanism. In general terms, I believe this would be equivalent to reviews. I will make a separate presentation on another occasion with regard to PPHI’s unique review system.

While there will also be a need for more accurate pricing as well as a mechanism to accurately capture quantities, we can say that improvements in the precision of demand prediction, pricing, and other elements is a positive trend. Although inventory exceeding one year is subjected to impairment for accounting purposes, we have been able to work earnestly on reducing inventory through means such as incorporating the concept of “interest expiration date,” and achieved results. We consider this an important outcome with respect to the timing of this PB shift.
The world has been confronted by the unexpected situation of the COVID-19 pandemic, but as I have mentioned earlier, I feel that we have achieved a certain degree of success in taking more concrete steps toward preparing for the post-COVID-19 era in FY2022 than in FY2021.

・Executive Summary for Q4 (presentation p.3)

Today, we announced some revisions to Passion 2030, which was unveiled in February 2020, along with a three-year outlook in the form of Visionary 2030 and Visionary 2025 respectively.
I shall now explain about this revised version of the Medium- to Long-term Management Plan.

Some examples of the changes to the external environment in recent years I can touch on here include changes in the lifestyles and purchasing behavior of consumers as a result of the COVID-19 pandemic, inflation, and greater social demand for ESG.
Against this backdrop, we aim to become a “visionary company” that is needed by changing customers and society, based on the “customer matters most” principle.

・Significance of Visionary 2025/2030 (Positioning) (presentation p.4)

What is a “Visionary Company?” Jim Collins defined the expression “Visionary Company” in his book “Built to Last: Successful Habits of Visionary Companies,” and both Founding Chairman Yasuda and myself, have spoken about this concept in our dialogues with everyone.
Based on my understanding, a “Visionary Company” is one that has the characteristics of a company.

These characteristics, summed up in a sentence, is a company that can continue growing over the long-term.
This may be difficult to understand, so let me explain further.
Mr. Collins states in his book:
"Keep in mind that all products, services, and great ideas, no matter how visionary, eventually become obsolete." "But a visionary company does not necessarily become obsolete, not if it has the organizational ability to continually change and evolve beyond existing product life cycles."

In short, as I have shown in the three-year plan on this occasion, we consider a "Visionary Company" to be a company that can maintain its position as one that greedily pursues profits over the long-term or in an enduring manner. I think a "Visionary Company" is not only that; rather, we believe that a "Visionary Company" is equipped with the following elements.
Firstly, we, as a company, ensure that all employees continue to adhere to the PPIH corporate principle of putting the "customer matters most" principle first.

"The Source," our collection of corporate principles, sets out the following explanation of the "customer matters most" principle: "Customers choose us to do their shopping because they believe doing so is in their own best interest—because it saves them money, and they enjoy our stores. If we don't maintain this situation, in which a store in the PPIH group is the natural choice, we have no hope of continuing to grow or develop."

First of all, we ensure that this principle is spread to all corners of the company, and that all employees believe in it and act in accordance with these values. This means that there is no place in our company for people who do not believe in our corporate principle of making our stores the most convenient store for the customer.

Secondly, a "Visionary Company" is a company that responds to change and boldly takes on daunting challenges. This is also set out in the following sections of "The Source:" "We are committed to creative destruction and the ability to adapt; we reject pre-established harmony and the hesitancy to do anything that might rock the boat;" and, "We are unhesitant in the face of daunting challenges, and unafraid to beat a rapid retreat when a cold, hard look at reality tells us this is the best course."

Thirdly, a "Visionary Company" is one that constantly grows and continues to set bold goals. In "The Source," this is explained as follows: "Undistracted by easy profits, we hone to perfection the strengths that form our core business."

Now, what are the elements that make PPIH what we are? I think there are four elements, and I call them our core values. I believe that aiming for innovation that takes these core values to the next level is what makes PPIH what we are. I will talk about this point at the end of my speech.

Last but not least, is the approach of the management team. The top management should be ambitious for the growth of PPIH as a company, and not act to achieve their personal goals. They should also pass the baton that is currently entrusted to them to the next generation in a timely manner, and I believe it will become necessary to put effort into nurturing and developing the next generation.

・Targets for Visionary 2025/2030 (presentation p.5)

Next, I shall explain the numerical targets set out in the plan.
The Medium-term Management Plan set out previously was announced at the worst possible timing, just before the COVID-19 pandemic. It goes without saying that revising the plan at this point, two and half years later, is because the retail environment has undergone major changes due to the great impact of the COVID-19 pandemic.

The gist of Visionary 2030, which is the revised version of the previous Medium-term Management Plan, is to maintain the target operating profit of 200 billion yen set out in Passion 2030 while excluding sales targets.

The reason for excluding sales targets is because we believe that the correlative relationship between sales growth and operating profit growth will weaken in the future, from the perspectives of a shrinking market and significant changes to the competitive situation domestically, alongside further evolution of the business model from conventional retail in the overseas markets. This is why we have excluded sales from the numerical targets in the plan. We will, of course, continue to disclose our sales targets for each fiscal year going forward.

・Significance of Visionary 2025/2030 (Growth Strategy) (presentation p.6)

We have set out the target operating profit of 120 billion yen for the next three years and 200 billion yen for FY2030.
However, our mindset has changed considerably over the past two years. To achieve the target operating profit of 200 billion yen, we intend to implement various measures for the respective periods

based on three points: building a new value chain, continuing to adhere to the corporate principle of putting the “customer matters most” principle first, and becoming a highly productive company.

・Improve Profit Margin by Building a New Value Chain (presentation p.7, 8)

With regard to reviewing and building a new value chain, as we have announced previously, a review of the value chain is precisely a departure from a principle of sales supremacy. Our company’s business model itself has changed. In line with our founder’s mindset that sales are not the solution for everything, we have decided that it is better to set out the targets for our Medium-term Management Plan by focusing on operating profit through maximizing corporate value.

We will also return to our starting point of “The Customer Matters Most,” and aim fully to be “the most convenient store for the customer.”
To that end, we will further evolve the “People Brand” declaration. Even as we aim to realize a PPIH-style SPA, the consequence of that will ultimately be the realization of greatest convenience for the customer. We will also promote CRM measures steadily and develop a business model that thoroughly reflects customers’ voices in the product development cycle.

As a company, we will further promote improvements in productivity, and by doing so, enable aggressive investment in the “people” who shoulder the responsibilities of the company. In the three-year plan, we have established the target operating profit of 120 billion yen for FY2025. This is based on a policy of maintaining a profit growth rate of more than 10% over the next three years, and continuing to sustain growth while responding to environmental changes.

If we were to continue growing on a similar basis, the target operating profit of 200 billion yen set out in Visionary 2030 will be achievable.
While inbound demand had been the engine driving the growth of existing stores in our domestic business until February 2020, we have largely left it out of consideration for all three business years in Visionary 2025. I seek your understanding on this point.

・Quantitative Targets for Visionary 2025 (presentation p.9)

I have explained our policy of moving toward the target operating profit of 120 billion yen for the next three years while keeping in mind the target for 2030. With regard to the overview, please refer to the contents set out here.

・Growth Targets for Domestic Business (presentation p.10)

For the domestic business, we aim to achieve operating profit of 93 billion yen for FY2025 from the profit of 76.6 billion yen for FY2022.

・(1) Promote PPIH-style SPA (presentation p.11)

The first major pillar of the domestic business for the next three years is to accelerate the shift toward PB.
In this respect, our quantitative targets are to achieve PB/OEM sales composition ratio of 25.0% and gross profit margin of 27.5% on products for the next three years.

While this means that we will be increasing PB/OEM ratio, we intend to continue creating attractive shop floors where customers can always find "something new," while at the same time securing gross profit.
Specifically, this does not entail merely replacing NB products with PB/OEM products. We will develop and release PB/OEM products that demonstrate the CV + D + A characteristics (CV=convenience, D=discount, A=amusement) that correspond with our store concept. Moreover, we will incorporate customer feedback into not only PB, but also all products including NB products, and reflect it into new PB/OEM product development as well as the narrowing down and selection of SKU that are handled in the shop floors.

The strengthening of inventory turnover ratio, which we have been placing emphasis on since the previous fiscal year, plays a role in driving this cycle. Through this, we aim to move closer to a product composition that meets customer needs more quickly and deeply.

In the next three years, we will strive to improve knowhow (planning ability, development ability, pricing, product cycle (and turnover ratio), creating a thorough mechanism to engage customers, promotion) toward promoting PPIH-style SPA. Furthermore, by October 1 this year and February 1 next year, we intend to (1) embark on a large-scale organizational reform of the product division and (2) integrate the product divisions of the Discount and GMS Businesses, and dramatically enhance such knowhow over the next three years.

・(2) Offer "New CV+D+A" Through DX (presentation p.12)

The second point is our digital CRM measures. In July, the majica app achieved a record 10 million users

(Number of registered members. The number of downloads exceeds 13 million people). As we have been explaining from before, by fully utilizing the two customer interfaces of our stores and the majica app, we have successfully built a foundation that can contribute to enhancing profits. In August, we will carry out the first large-scale update to the interface, and we will work intensively on strengthening the functions on the app going forward, focusing on the majica app through the addition of functions engage customers, in particular payment and review functions, promotion and search functions, as well as extension of services. The concept is to consolidate all the numerous services that are offered on many interfaces, on the majica app. It further enhances the shopping experience through the two interfaces of stores and app, and realizes a new CVDA that is low-stress and offers good value.

・(3) Promote Organizational Integration and Productivity Improvement (presentation p.13)

The third point is the further integration of the DS and GMS Businesses. The policy has been to maintain these two broad business formats while bearing in mind the idea that the difference between these two businesses lies in their customer segments, or in other words, the only difference lies in their customer segments. Today, however, three years since the acquisition of UNY, we intend to take a step from the previous PMI and move decisively toward integration, such as by distancing UNY from chain-store management and integrating the production divisions. The main measures, such as PB, will be applied not only to the DS Business but also to the GMS Business, and the domestic retail businesses will be further integrated at this timing. By doing so, we believe that we will be able to achieve even bolder and more efficient operation.

The fourth point is productivity improvement. In the financial results for FY2022 as well, I hope you understand that we have succeeded in controlling our SG&A expenses amidst the increase of various costs. We aim to improve productivity through the two-pronged measure of controlling SG&A expenses and increasing earnings per employees. As we believe there is also a significant correlative relationship between product composition and productivity, we intend to greatly improve work efficiency in combination with product composition.

The fifth point is the creation of new business formats. We believe that we should consider the potential for opening new stores in Japan alongside the creation of new business formats, instead of thinking of the potential as being saturated.

・Expand Financial Revenue by Capturing "Payment and Settlement" (presentation p.14)

The sixth point, as we have been explaining from before, is our commitment to growing the financial business to become one of the major revenue sources by 2025.

・Growth Targets for Overseas Business (presentation p.15)

With regard to the overseas business, we aim to increase profits from 12.1 billion yen in FY2022 to 27 billion yen in FY2025.

・(1) Expand Business Scale by Continuing to Open New Stores (presentation p.16)

In both Asia and North America, we are expanding efforts to open new stores. Moreover, in Asia, we are working on further evolving and deepening the business format not only for the Don Don Donki Business, but also for the Sen Sen Sushi and milled rice businesses that are spinoffs from Don Don Donki. Among these, we have decided to set up a considerable number of new stores at the current point in time, so please set your mind at ease.

・(2) Improve Profitability by Establishing a Global Value Chain (presentation p.17)

As for the changes to the value chain that accompany the establishment of PPIC, there are even greater changes overseas.
If we become a company that plays a central role in Japan's goal of "five trillion yen export of Japanese agricultural and marine products," with PPIC taking on a central role of this development, we will be able to further expand the creation of business formats. Furthermore, depending on the business format, we will also be able to expand further into more regions and countries in addition to the markets that currently form the basis of our retail stores.

・ESG Initiatives (presentation p.18, 19)

I think that ESG is one of the most important issues in coping with the significant changes to society. Going forward, we aim to further strengthen our efforts in this area.

・Dividend and Shareholder Returns (presentation p.22)

With regard to dividends and shareholder returns, the company's important policy of ensuring that we are able to continue increasing dividends in the future remains unchanged.

・PPIH’s Core Values

PPIH’s corporate principle is “The Customer Matters Most.” Needless to say, it is vital for us to consider matters from the customer’s perspective at all times. I consider the following as PPIH’s four core values for realizing this “Customer Matters Most” principle: name (branding), stores, products, and employees.

Don Quijote’s branding may be somewhat different from what one may imagine. Put simply, in the context of what store or product image a person thinks of when he or she hears the name, I think that the names “Don Quijote” and Don Don Donki” have become very familiar and well-known to everybody to the same degree as other companies that place a very strong emphasis on core values.
Touching on a personal experience here, in 2019, I encountered a small child sitting in a baby pram at Changi Airport in Singapore who was humming “Don Don Donki…,” the English version of our “Miracle Shopping” song. I was truly touched and inspired by that encounter.

The engine of our company’s business, which comprises our name, stores, and products is, after all, our people. I think that further improving the skills of these people is extremely important to enhancing our productivity in the future.

・Conclusion

As we do not release a Medium-term Management Plan every year, I think the next plan will be formulated three years later at the earliest. However, in our business companies and on the frontlines, we have to constantly review our strategies and take a flexible approach to the strategy of PPIH, the holding company, and to investments and asset allocation.
On the other hand, as we have achieved a considerable scale in sales, assets, and interest-bearing debt, I feel that the time has arrived to clearly set out the rights of each business company and the role of the holding company going forward. We will drive the further development of the business through the concerted efforts of the executive officers, under the new structure after the Shareholders’ Meeting.

Significant social changes are making it necessary for our company to advance initiatives in the areas of ESG and SDGs. The PPIH Group asks for your further support to enable us to manage the company as a vessel of society, while keeping this point in mind.

All employees and executive officers have started this fiscal year with a high level of motivation. On behalf of the company, I promise that we will put all effort into achieving Visionary 2025/2030.

3. Overseas Business

Director & Senior Managing Executive Officer, Kazuhiro Matsumoto

・Initiatives for Expanding Business Scale in Asia in FY2022

In FY2022, despite fluctuations in the number of customers and average spend per customer due to the COVID-19 disaster regulations, the Company continued to increase revenues and profits thanks to new store openings in its Asian business and improved gross profit margins centered on PPIC.
In Asia in particular, we have opened 11 new stores in six areas, despite the COVID-19 impact. We achieved a significant increase in revenues.
I would also like to add that the existing stores continue to maintain an operating profit of 10% or more.
I will discuss new business categories, such as the restaurant and retail business, later.

・Major Overseas Initiatives

First, I would like to talk about the US. In the previous fiscal year, I was posted to the region and we are once again working to improve the management foundation. While taking advantage of portfolio management, we are integrating and upgrading head office functions in each of our operating companies. We promote mutual understanding of each company's culture and history, and then work to spread PPIH's management philosophy, centered on “the customer matters most" principle.
As for California, we are in the process of launching a collaborative project with Gelson's to achieve synergies. In addition, super-sized stores in Guam, Hawaii and Kapolei are scheduled to open in the future. Toward this end, we are currently laying the groundwork for new developments in the business.
This is followed by the Asia business. As a new business, in October last year, we opened Sensen Sushi, our first restaurant & retail business in Hong Kong. This restaurant has committed to using the freshest ingredients, and has been well received for its fastest supply chain, which uses a global procurement network to provide the same freshness and taste as in Japan at the local restaurant.
Currently, we have expanded our store network to three stores in Hong Kong. In the future, we will work to expand our store openings not only in Asia, but also in the US. In addition, we are creating a number of restaurant and retail businesses to further stimulate new demand for Japanese food. An example of a business model is a restaurant specializing in wagyu beef skewers, where customers can easily taste wagyu beef. The rice ball store to convey the taste and flavor of locally milled Japanese rice. Rice

dealers Yasuda Seimai and Tomita Seimai. The concept is that customers who have come to know the taste of rice through onigiri rice balls will directly buy the rice milled at the mill, and will also be able to cook that rice at home.

In this way, we are working on this as a paid tasting where local customers can easily taste Japanese food.　I would also like to add that much of this business type creation is the result of the collective wisdom of the local employees under "the customer matters most" principle. We are confident that the establishment of such a restaurant and retail business will become a major management resource in the current fiscal year and beyond. Toward FY2025, we will try the development of various business categories and the opening of new stores.

・Overseas Growth Strategy

An essential part of the future growth strategy will be the redevelopment of the supply chain. This supply chain will be sublimated into a value chain of making products, delivering products, and communicating the delivered products to customers.

The first is to create products, i.e., to strengthen the development and deployment of PB products. Differences in product import regulations around the world are a bottleneck, but on the other hand, if we can meet those regulations, it will be a barrier to entry for other companies. The development and supply of Japanese products that can be exported is a major challenge, especially in the US, Thailand, Malaysia, and Taiwan, where the level of difficulty is particularly high.

One of the bottlenecks in the development of global regulation products was the quantity of material. The increase in the number of our stores here has allowed us to increase the amount of procurement and development. In addition to the development of made-in-Japan products, we have already begun developing made-by-Japan products at our overseas locations.

To give an example, one of our efforts is to develop ways to increase the supply of halal-certified products, which is a problem that Malaysia is currently facing. If we can overcome this challenge, we believe we will see business expansion in the Muslim market.

Second is the delivery of goods. We will develop a supply chain for this delivery. Our overseas stores are characterized by a high sales composition of fresh products. In 2020, we launched PPIC, a membership organization to promote exports of Japanese products.

We currently have over 300 members, mainly producers, related organizations, and local governments, but in light of our potential, we still have a ways to go. There are many issues in progress, including not only the development of products that meet the regulations of each country as mentioned earlier, but also efforts to directly export products by temperature zone from the place of origin, aiming for the supply chain to deliver products to customers in the fastest and shortest possible time.

The third is to inform the customer of the product delivered. Quality Japanese products must not only be purchased, but their value and taste must also be communicated. Therefore, we are constantly improving our sales promotion techniques in which we excel, such as in-store video promotions and POP, while adapting them to the local market.

In particular, the local staff's experience of Japanese food products and their impressions and good qualities are voiced, which enhances the reality and creates a trend of conveying the good qualities of Japanese products to our customers. Through these efforts, we will build our unique know-how as an SPA for Japanese products.

These three elements will drive the development of the value chain.

As you can see, we are facing many challenges overseas, but we feel that when we overcome these challenges, we will be able to expand our business with a high degree of certainty. Business is tough for local products where competition is strong. However, our overseas business, which specializes in Japanese products, is a blue ocean.

We will continue to establish ourselves as a truly one-of-a-kind business by developing diverse sales channels and business formats, with a focus on the conduction of Japanese products and culture.