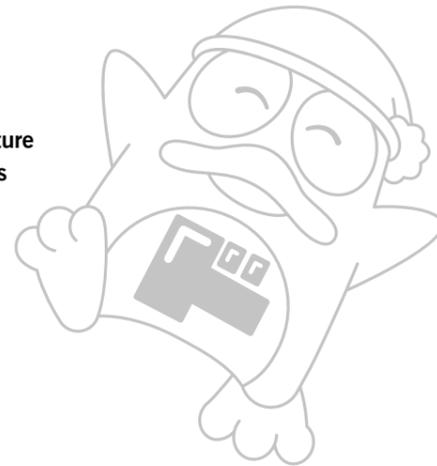


Having continued to grow for 29 years in a difficult environment, we stand committed to developing stores that are loved by customers in all eras.

Guided by our corporate philosophy of “valuing the customer as our utmost priority,” we took bold steps to reinforce the foundations of existing businesses and to create new businesses in the fiscal year ended June 30, 2018, successfully creating results, while also laying the groundwork for future development. The effectiveness of our aggressive management approach has manifested in our ability to achieve **higher net sales and operating income for 29 consecutive years** since opening our first store in 1989.

This success is due to the support of our stakeholders, and we extend our sincerest thanks to everyone involved in this commendable achievement.



Domestic Operations

In our domestic operations, we won higher levels of support from families and other customers by outcompeting nearby stores in terms of product assortment and prices.

We also succeeded in attracting customers from overseas by utilizing social media and other venues to acquire new customers and create repeat customers. These efforts contributed to an increase in customers from overseas, which exceeded the rise in the number of visitors to Japan. As a result, tax-free sales in the fiscal year ended June 30, 2018 increased 56% year on year, making an even greater contribution to overall performance.

Moreover, the capital and business alliance commenced with FamilyMart UNY Holdings Co., Ltd. in August 2017 led to the **swift conversion of the format of UNY stores and the speedy development of joint trial FamilyMart stores**. Both initiatives got off to an impressive start with better-than-expected sales growth. We will continue to tackle new challenges and verify the results of this alliance as we work to generate greater synergies with FamilyMart UNY Holdings.

Overseas Operations

The fiscal year ended June 30, 2018 was a year of new initiatives in our overseas operations, particularly in the U.S. and Asian markets. For example, in September 2017 **we acquired QSI, Inc., which helped us expand our market share in Hawaii with its network of 24 supermarkets**.

Meanwhile, **December 2017 saw the opening of our first location in Singapore. Under the format name of DON DON DONKI**, this Japan-brand specialty store has proven incredibly popular for its selection of made-in-Japan products at reasonable prices. Our second store in Singapore was opened in June 2018, and we plan to open our first store in Thailand in 2019.

The domestic market is anticipated to drive our growth into the foreseeable future. At the same time, we will proceed to open stores on a trial basis overseas, forming and verifying theories for successful overseas expansion as we prepare to enlarge our network going forward.

Medium-Term Management Plan

The Don Quijote Group's Vision 2020 medium-term management plan, which was established in 2015, sets the targets of ¥1 trillion in net sales, a store network of 500 locations, and return on equity of 15%, to be achieved by the fiscal year ending June 30, 2020. We expect to achieve our net sales and store network targets a year ahead of schedule, in the fiscal year ending June 30, 2019.

The retail industry is changing constantly as indicated by unprecedented weather patterns and a widening gap between successful and unsuccessful stores. The ability of the Don Quijote Group to achieve robust growth even in this challenging environment is predicated on the strengths of our **delegation of authority and our swift responsiveness to change**.

No matter how times may change, we have always based our stores on the needs of our customers, and these stores have continued to enact sales measures aimed at claiming the No. 1 position in their community. These efforts have enabled us to set new growth records one year after another.

Emphasis on ESG

The achievement of sustainable growth requires us to build stronger relationships with our stakeholders while practicing **management with an emphasis on environmental, social, and governance (ESG) factors**. Based on this understanding, the Don Quijote Group will fully leverage its existing business foundations while contributing to the resolution of social and environmental issues through its business and reinforcing corporate governance to heighten management transparency.

Moreover, the act of advancing ESG initiatives through our business is congruent with the intent of the United Nations Sustainable Development Goals. A total of 29 years have passed since we opened our first store in 1989. Over the years, we have continued to tackle the challenges placed before us by the operating environment, achieving massive success even in difficult times.

We are committed to developing stores that are loved by customers in every era, and we thereby aim to help shape the future while achieving sustainable growth.

Koji Ohara

