

➤ Innovations for Achieving Our Vision for the Future



Development of Stores Targeting a Wider Range of Ages

The aging population and declining birthrate in Japan is creating a situation in which we cannot expect increases in the total amount of consumption. Meanwhile, consumers are becoming more selective and price conscious. We have been developing MEGA Don Quijote stores, which offer lineups centered on foods and other daily necessities. This focus has attracted customers from a wide range of ages, including the younger generation, our main customers, people in their thirties or older, women, and families that comprise three generations, a trend that has continued since 2010. Looking ahead, we will take advantage of IT as we seek to offer the sense of excitement and anticipation for shopping that can only be created at physical stores, as we develop stores based on the perspective of customers from a wider range of ages.

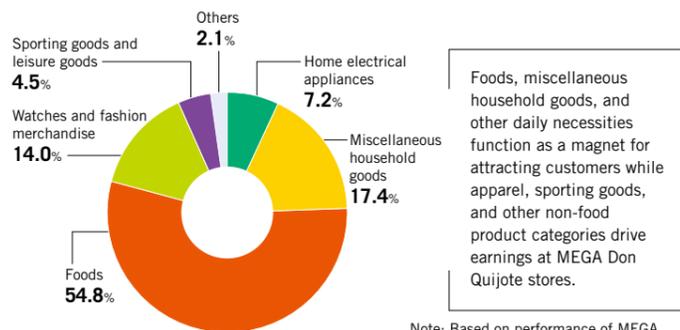
Incorporation of Successful Efforts at MEGA Don Quijote Toyohashi Store into Future Store Development

The MEGA Don Quijote Toyohashi store was opened in Toyohashi, Aichi Prefecture in October 2017. Located in a property that previously housed a since closed large-scale general supermarket, this store is a core tenant of a commercial complex connected to a movie theater and a bowling alley. It also boasts among the largest buying floor areas of any Don Quijote Group store.

MEGA Don Quijote Toyohashi's performance is driven by sales of electrical appliances, miscellaneous household goods, and other non-food items, which are thought to be an area of weakness for general merchandise stores (GMSs), making for overall strong performance. MEGA Don Quijote Toyohashi is thus a successful example of the transformation of GMS format stores, being a product of our efforts to change the format of UNY stores, which we are advancing together with FamilyMart UNY Holdings.



Distribution of Sales by Product Category at MEGA Don Quijote Stores



Note: Based on performance of MEGA Don Quijote format stores in the fiscal year ended June 30, 2018.



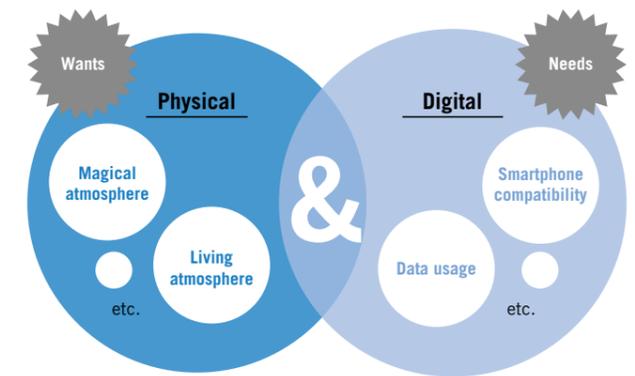
Diverse lineup of fresh, locally produced foods offered at prices designed to make MEGA Don Quijote Toyohashi the No. 1 store in its area.

Next-Generation Stores Utilizing IT

Allowing customers to gaze upon a wide assortment of products simultaneously is a store presentation technique that cultivates a sense of excitement and anticipation for shopping, and we use this technique to create a magical and living atmosphere that is only possible at physical stores. This is a strength of Don Quijote Group stores that cannot be copied by other retail chains and that we believe is in tune with the wants of customers.

At the same time, we will deploy a digital strategy that takes advantage of increasingly ubiquitous smartphones to infuse shopping at physical stores with IT. We see this strategy as capturing the needs of customers. By adopting these two approaches, we plan to unveil next-generation stores that combine the strengths of physical stores with IT in the near future.

Next-Generation Stores Combining the Physical and Digital



Digital Strategy Utilizing Big Data Collected from "majica" Members

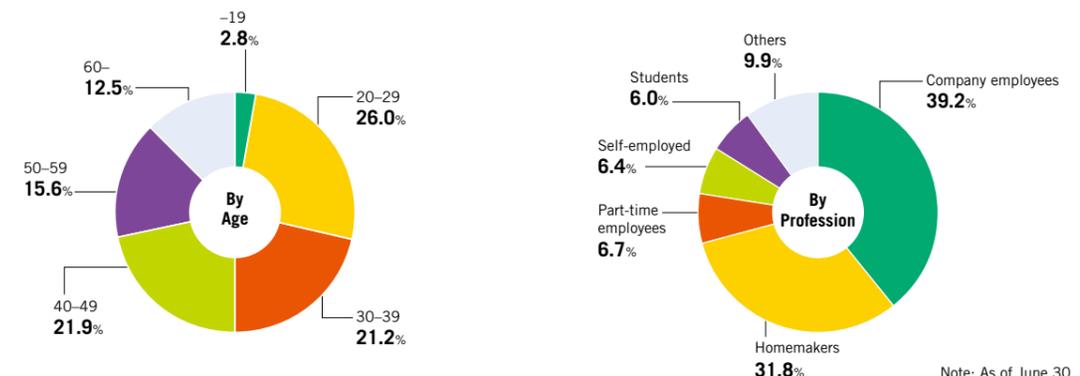
The Don Quijote Group is readying new services that inject IT into the official app for our "majica" e-money service to improve the efficiency and productivity of store operations. From ticketless systems that automatically control parking lot gates to services that mark the locations of recommended items on an in-app store map based on purchase records, we plan to provide a range of services that will make shopping experiences even more enjoyable.

On June 30, 2018, the number of "majica" members exceeded 6,750,000, and approximately 70% of these members were women. The growth of our member base has enabled us to collect larger volumes

of purchase history information and other big data, which are being used to improve the accuracy of product procurement. In this manner, "majica" will form the backbone of our digital strategies going forward.



Distribution of "majica" Members



Note: As of June 30, 2018

