

> Innovations for Achieving Our Vision for the Future



Post-GMS Business Model

Japan's retail market has a scale of approximately ¥143 trillion, of which the general merchandise store (GMS) market accounts for roughly ¥13 trillion.* However, several leading companies are suffering in terms of profit in the GMS market. Against this backdrop, in 2008 the Group began developing stores using the MEGA Don Quijote format, thereby growing its share of the massive GMS market. The experience and expertise gained through the successful format conversion and revitalization of Nagasakiya during its period of faltering performance are being utilized to promote innovation to establish a unique post-general supermarket business model in order to develop the Group into a retailer that is chosen by customers of a wider range of ages.

* Source: Commercial industry statistics, Ministry of Economy, Trade and Industry



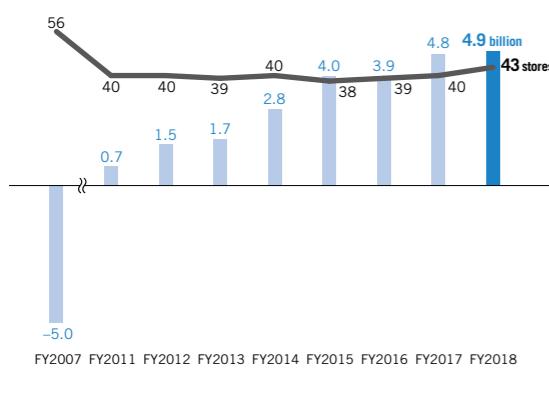
MEGA Don Quijote Yotsukaido store, the first Nagasakiya store to undergo format conversion

Successful Revitalization of Nagasakiya

Nagasakiya was acquired in 2007, and we began converting the stores of this company to the MEGA Don Quijote format and their further development in 2008. At the beginning of this undertaking, we lacked the expertise related to operating large-scale stores four to six times the size of standard Don Quijote stores, handling fresh foods, and planning store layouts that are geared toward families. As such, the undertaking was a process of trial and error.

We then proceeded to close underperforming stores while implementing sweeping reforms to enhance our lineups of fresh foods and other products and incorporating the compression and POP display techniques used at Don Quijote stores. The result was the creation of stores boasting a strong amusement element produced through bustling activity and dynamism that distinguishes these stores from standard GMSs. These unique stores have continued to capture the hearts of young families and a wide range of other age groups.

Operating Income and Number of Stores for Nagasakiya



Transformation of store interior following format change



Application of Expertise Gained through Revitalization of Nagasakiya into New Stores

The MEGA Don Quijote Toyohashi store, opened in Toyohashi, Aichi in October 2017, and the MEGA Don Quijote Himeji Hirohata store, opened in Himeji, Hyogo in February 2018, are both located at sites vacated by major GMSs.

At these locations, we are taking advantage of the expertise gained through the rehabilitation of Nagasakiya to develop stores that are tailored to the characteristics of their respective regions. Both of these stores are currently enjoying rapid growth in performance while carving out a position in the industry for the Group's unique post-GMS business model.



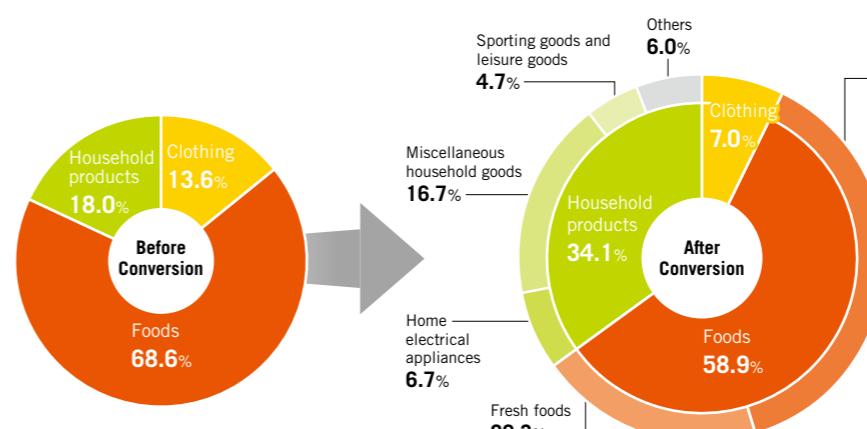
MEGA Don Quijote Himeji Hirohata store, boasting one of the Group's largest buying floor areas

Collaboration with FamilyMart UNY Holdings

In August 2017, Don Quijote Holdings formed a capital and business alliance agreement with FamilyMart UNY Holdings. Through this alliance, we will merge the strengths of UNY pertaining to fresh foods and other products with the Group's expertise in variety goods and other non-food products to generate synergies between these strengths to improve the corporate value of both parties.

This alliance has already led to the conversion of one Apita store and five Piago stores operated by UNY Co., Ltd. into MEGA Don Quijote UNY stores in February and March 2018. These six stores feature unrivaled product lineups and low prices coupled with store presentation techniques that offer fun surprises throughout the stores to encourage longer shopping times, helping them gain greater popularity among young families.

Change in Metrics at Six Stores Converted to MEGA Don Quijote UNY Stores (March–September 2018)



Approximately 70% of sales came from foods prior to the conversion while the ratio of sales from cosmetics, miscellaneous household goods, home electrical appliances, and other non-food items rose following the conversion.

