

Domestic Business

Initiatives in Domestic Business

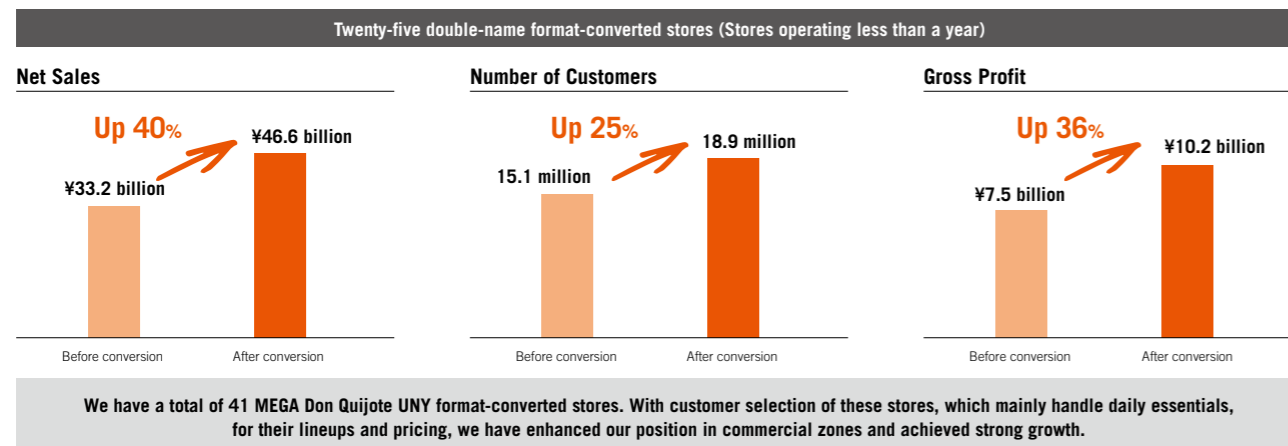
Shift from Growth Driven by Store Expansion to “Existing Store Refinement” × “Maximization of Customer Income”

▶ Upbeat Trends in Format and Work Reforms

In domestic business, we are promoting business portfolio management with diverse formats, store locations, and store sizes and bolstering profitability. By creating Group synergies and maximizing economies of scale with segmentation of various formats, we aim to build a powerful business foundation.

We are making steady progress with the plan to convert some Apita and Piago stores operated by UNY to MEGA Don Quijote UNY stores and had a total of 41 stores in this category at the end of June 2020. With customer selection of these stores for their lineups and pricing, we have enhanced our position in commercial zones and achieved strong growth.

Progress with Format-Converted Stores (Stores Operating Less Than a Year)



Before conversion: July 2018 to June 2019; After conversion: July 2019 to June 2020 (from the conversion date through June for each store)
Directly operated sales floors excluding tenants and consignment

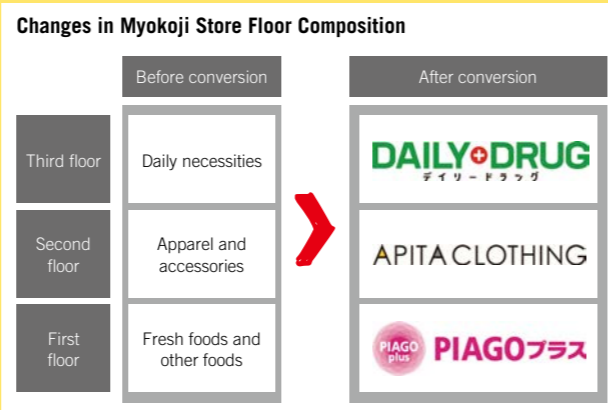
New Piago Vital to Renewed Growth in UNY Business

PIAGO Plus Myokoji reopened as the first New Piago store with full-fledged individual store management rooted in “delegation of authority.” At its 50th anniversary, UNY started the rebranding of existing stores aimed at supporting business in the next 50 years. It plans to relaunch roughly 10 stores as experimental renovated sites during fiscal year 2021.

“Advanced GMS” with Category Specialization by Floor Concept

UNY revamped its composition to separating categories by floor with the purpose of reliably sustaining the senior segment that is its main customer base at this point and recruiting the family segment that Don Quijote has struggled to attract up until now. It also introduced a “floor store manager” assigned to each floor, a first for UNY, and is developing sales floors “from the customer perspective” led by mates who are the closest to customers. This format harnesses things learned from UD Retail and applies methods not used by UNY in the past.

The store has demonstrated a healthy start versus the sales plan goal since opening on June 27, 2020.



MD and PB Initiatives

Promoting edited-style MD with the aim of increasing No. 1 categories from a longer-term perspective

Ken Sakakibara

Director & Managing Executive Officer
CMO (Non-Food)



▶ Pursuit of Edited-style MD and PB Initiatives

Edited-style MD builds the best lineup from staple products and spot products procured from existing business partners.

Since all PPIH Group stores apply a concept of “an enjoyable experience,” they steadily adopt lineups that outperform others so that customers can enjoy visiting the store. In recent years, family-segment customers have risen, and this has resulted in increasing product lineups to accommodate shopping by families and a shift away from past emphasis on younger customers. Meanwhile, it is also necessary to move beyond overly extensive product lineups and thus carefully select among products in the same category and boldly take on challenges with items that have future needs.

PB business addresses latent needs that could not be covered

in past procurement and spot products. We expect growing PB demand in consumer electronics, apparel, household miscellaneous goods, and other categories. It is important to distinguish between products suited to edited-style MD and others that should be handled under PB business. We think PB development has a major role to follow up in categories that cannot supply all stores using edited-style MD. Our top priority is building strong categories that lead to customers saying “Don Quijote’s the place to buy XX.” Leveraging edited-style MD and PB, we aim to increase the volume of No. 1 categories in product capabilities, lineups, pricing, and other aspects over the longer term.

▶ Product Reorganization

Product reorganization is a major issue in store operation. It is ideal to offer products that avoid waste through accurate selection at suitable pricing. This also serves as the consolidation standard. Products placed on shelves must have their own value and significance.

One of our recent initiatives is the formation of a “Product and Inventory Revitalization Division.” With this move, what had been a management department at headquarters is now the MD Headquarters under sales. The new division aims to be a proactive “defense” department by issuing alerts for products with low turnover, including procurement by headquarters and stores, and

collaborating with the Product Division if it finds products with “signs” of potential for improved results. Use of the “Product and Inventory Revitalization Division” name, rather than Product and Inventory Management Division, conveys that this is not just a “defense” department for thinning out products that are not selling; it also has an “offense” role of identifying products with high turnover rates and emptying shelves and procuring new products. We intend to act in a timely manner with product reorganization by highlighting products in inventories through such thinning out.

▶ Acquisition of Economies of Scale and Removal of Disadvantages

The PPIH Group aims to further utilize economies of scale that expand business size and broaden format scope. In procurement, Don Quijote’s strong areas have been favorably affecting UNY, including reduction of unit costs for UNY’s processed foods and daily consumables. We are also realizing synergies that are not just procurement prices in the fresh food business with Don Quijote’s use of UNY’s process center and other infrastructure.

Economies of scale present a challenge for individual store management through delegation of authority and overall

optimization. Due to risk of pursuit of overall optimization suppressing unique regional and store characteristics and delays in adapting to changes, we are constantly thinking about balance between individual stores and overall operations.

Furthermore, as the number of overseas stores rises and sales increase, we expect realization of even larger economies of scale from the combination of domestic and overseas operations.