

Organizational Framework for Implementing Strategy

Establishment of the “Three Axis” Structure — Business Axis, Product Axis, and Holdings Axis

Reinforcing “Ability to Adapt” with Organizational Changes

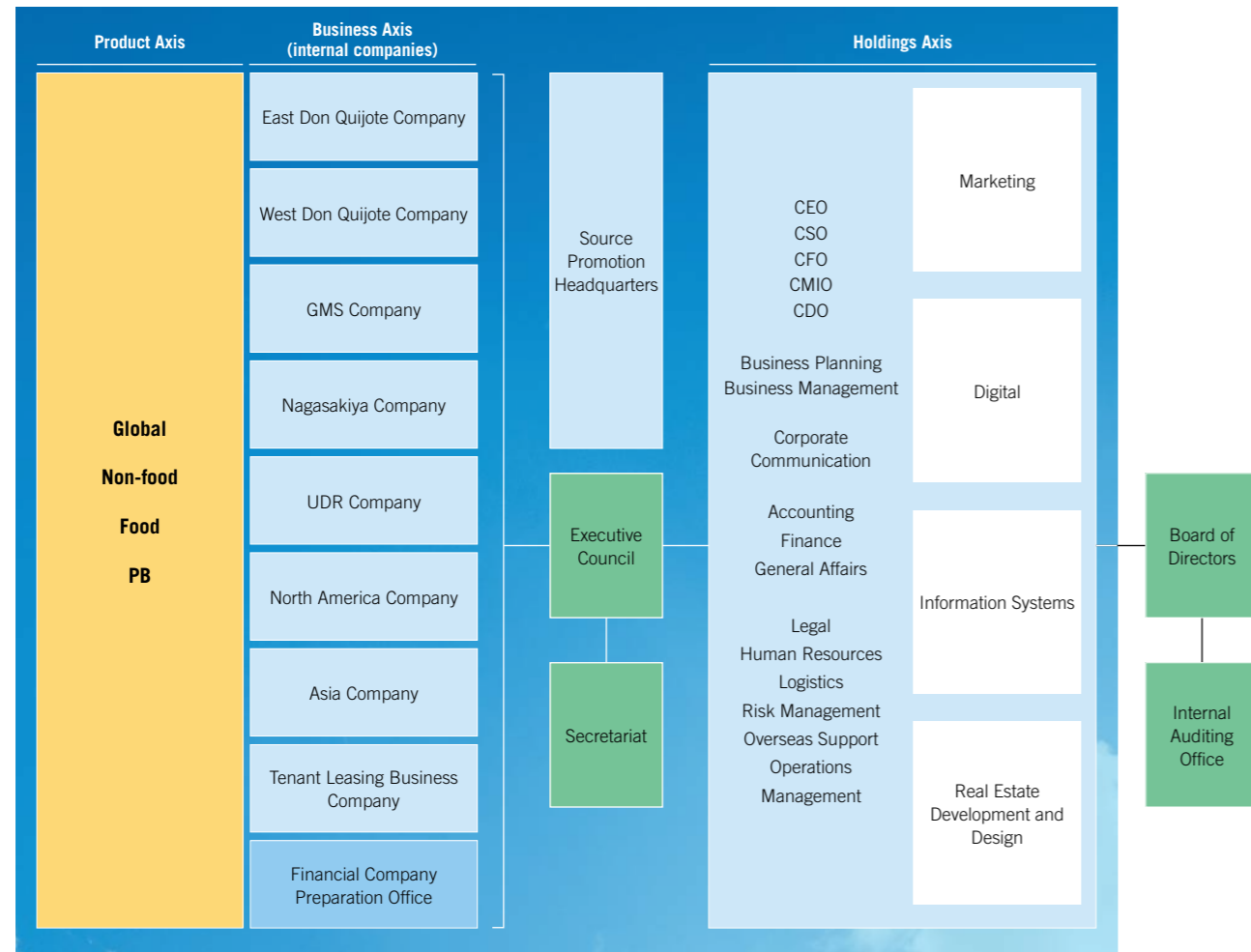
In the new organizational framework launched on July 1, 2020, the PPIH Group targeted overall optimization as a Group, rather than separate optimization of Group companies, by putting top emphasis on the content of individual businesses without being constrained by past corporate identities.

Key points of the Group's reorganization are the establishment of the “three axis” structure (business axis [internal companies], product axis, and holdings axis) and significant delegation of authority as well as formation of an Executive Council of executive officers in charge of the three axes. We assign the president and business executives to the business axis and the CMO to the product axis and hope to accelerate decision-making by having these people fulfill the role of top sales executives, respectively. The holdings axis has Companywide horizontal functions and governance functions, conducts business strategy development, business resource allocation, budget formulation and progress management, mainly by the CSO, and implements Groupwide strategies, such as marketing and digital, mainly by the CMIO and CDO. We think enhancement of corporate functions under the

three axis structure and improved governance with the formation of an Executive Council should contribute to faster decision-making and reinforcement of next-generation executives by incorporating free thinking and vibrant opinions from executive officers. Furthermore, we intend to steadily delegate authority to frontline operations, not only executives, and promote talented leaders, regardless of age or experience.

Additionally, we newly formed the Source Promotion Headquarters as an independent organization operated by eight executive officers for the purpose of ensuring that “The Source” behavior principles unique to our Group continue as a cornerstone of the Group. We aim to reinforce the Group's “ability to adapt” for an era of dramatic changes by building a new organizational framework.

CMO Chief Merchandising Officer
 CSO Chief Strategy Officer
 CMIO Chief Marketing & Integration Officer
 CDO Chief Digital Officer



As of November 2020

Further Evolution of “Delegation of Authority” with the Million Star Program to Restore Our Founding Spirit

While deployment of the internal company framework simplified the corporate structure, we started the Million Star Program to proceed with further reforms. This measure aims to get the Group back to basics and restore our founding spirit.

This program introduces a sales management structure for 102 commercial zones with one million people, each of which has a branch president and transcends Don Quijote, Nagasakiya, and UD Retail corporate boundaries. By placing 102 branch presidents directly underneath executive officers, we aim to realize full delegation of authority and raise area profits. Since the previous scheme with 20 branches put roughly 25 stores under the jurisdiction of each branch president and hence made it difficult to closely assess operations and management at all of the stores, our revised format assigns 3–6 stores to individual jurisdictions. New branch presidents do not have a boss of their own and are given full authority as area president in commercial zones with one million people and ¥10 billion in annual sales. This is also a drastic

scheme with an “up or out” framework in which top profit contributors obtain high compensation while the bottom 20% is replaced annually. While it is effective in “visualizing” numbers, we intend to prepare an oversight function and follow-up operation to avoid violations of the law and “The Source” guidelines, driven by an emphasis on outcomes.

Actual operation of this program might encounter a variety of issues and problems. However, our executive team led by the CEO intends to put its full efforts into this revolutionary program and support the ability to harness capabilities of branch presidents.

With the launch of the Million Star Program, Don Quijote appointed a young woman who is just 27 years old as a branch president, the company's first female branch president. This is a major step for the overall Group in promoting diversity. Through this program, we want to build a system that generates a virtuous cycle of effectively leveraging our talented human resources.



Million Star Program—Kickoff event for new branch presidents

Finer segmentation of
20 commercial zones into
102 commercial zones
 and the resulting emergence of
102 new branch presidents

