

Message from the Heads of Inbound Tourism



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## Meeting the expectations of inbound tourists to Japan as a global company that continues to expand its recognition overseas

### Returning to “The Source” and getting ready for the next challenge

**Kawashita:** Before the outbreak of COVID-19, the number of foreign visitors to Japan exceeded 30 million in 2018 and reached a record high of 31.88 million in 2019, continuing a boom in inbound tourism to Japan. Our company also strengthened our approach to inbound tourism and tax-free sales were strong. But the situation changed completely when COVID-19 began to spread in 2020.

**Yamafuji:** We were in dire straits at the beginning as sales at our station-front stores, which have a high ratio of tax-free sales to foreign tourists, dropped significantly compared to the previous year.

**Kawashita:** It could be said that this exposed the reality that we were so focused on inbound tourism sales that we were not adequately meeting domestic needs. Also, for the urban commercial zones business (inbound tourism business format), we were confronted with the fundamental question of who were the customers that were the target of our corporate principle of “The Customer Matters Most.” In other words, would this only mean inbound tourists to Japan?

At that time, the grounds for this were Precept 10 of the “Ten Precepts Relating to Employee Mindset and Conduct,” which states, “Rather than accept the seeming incompatibil-

ity of two options, figure out how to make them work together.” Inbound tourism and domestic needs were said to be “two incompatible options” at that time, but we took on the challenge of balancing the two based on Precept 10. Now that the spread of COVID-19 has wound down, we have been able to achieve simultaneous growth in tax-free and non-tax-free sales through various bouts of trial and error.

**Yamafuji:** When our tax-free sales evaporated, I also felt encouraged that this was not the end as stated in Precept 1, “Have the fighting spirit to get back up when you go down, and the presence of mind to learn from the experience.” Also, as supported by Precept 4, “Go beyond will-power, skillfully deploying guts and passion to make your floor the winner,” I continued to feel that our company would be the quickest to get back on its feet as other companies also faced the same environment and circumstances.

Without forgetting the code of conduct of “The Source,” we have been steadily preparing while unifying the awareness of our employees on the frontlines in order to respond to the return of inbound tourism. I feel that this led to our rapid recovery now.

### Making a flying start at the optimal timing

**Kawashita:** You and I took up our posts as the Heads of Urban Commercial Zones Business in October 2022. At that time, entry restrictions had just been eased, so we immediately worked on infrastructure improvements, including increasing the number of cash registers and strengthening personnel placement, in anticipation of an increase in the amounts of customers and sales.

**Yamafuji:** In our multi-story stores where the ratio of tax-free sales is as high as 40-50%, we boldly proposed changing the layout by placing the tax-free floor on the upper floors.

**Kawashita:** We have tried to differentiate inbound tourism and domestic needs based on our reflection that Japanese people often felt it was difficult using the stores amidst the commotion of crowds of foreign visitors to Japan before the COVID-19 pandemic.

Also, besides the increase of cash registers, we also successfully reviewed our cash register operations, which led to improvements in the checkout speed and customer flow.

**Yamafuji:** We were able to improve the payment environment at an early stage largely because we increased opportunities to discuss the store environment due to COVID-19 and continued to consider specific improvement measures. I feel that

this time was instrumental in achieving the current rapid recovery.

**Kawashita:** With regard to the expansion of personnel, we were able to take various measures to secure human resources, who were in short supply, by taking action at an early stage.

**Yamafuji:** I feel that the company-wide efforts to secure human resources also had a positive effect. For example, in March 2022, we decided to relax the dress code, allowing employees working at Group stores to freely enjoy styling their hair and nails. These advanced initiatives that reflect the needs of frontline employees have increased employee motivation. In fact, the number of applications for part-time jobs is increasing. I think that this is contributing to the acquisition of young human resources.

**Kawashita:** In addition to improving customer satisfaction, we will promote initiatives with a vision from the perspective of diversity and globalization to create an attractive workplace that makes people want to work for our company.

### Increased recognition through expansion of business in Asia also contributes to increased tax-free sales

**Kawashita:** Another major factor in the recovery of tax-free sales is the acceleration of store openings in Asia. More and more customers are visiting Don Quijote stores in Japan after experiencing DON DON DONKI stores in their local areas, and I feel that this is contributing to our domestic tax-free sales figures.

**Yamafuji:** I also sensed the sharp recovery in tax-free sales, which made me realize anew that we are a global company.

**Kawashita:** We can hear more and more inbound tourist customers humming “Miracle Shopping” in our stores in Japan. This song is also played in our overseas stores, so I think overseas customers must be familiar with it as well.

**Yamafuji:** Even outside Japan, we are seeing a spread of Don Quijote’s image of having excellent business hours, locations, and product lineups, as well as “something new.” At the same time, I sense that our inbound tourist customers have high expectations for us in domestic stores.

There is clearly an “overseas to Japan” trend of inbound tourist customers visiting our domestic stores after experiencing our overseas stores. But at the same time, there should also be a “Japan to overseas” trend where customers who experience the anticipation and excitement of Don Quijote in Japan visit DON DON DONKI stores after returning to their countries. We will further enhance the synergy of the entire Group.

### Responding to expectations by adhering to our principle of “The Customer Matters Most”

**Kawashita:** During the current fiscal year, we focused our efforts on urban commercial zone stores, which have had significant tax-free sales in the past. For the fiscal year ending June 30, 2024, we are targeting tax-free sales of over 80 billion yen, exceeding the peak of sales before the COVID-19 pandemic. In addition to further expanding the number of target stores, we will further strengthen efforts for increasing the number of employees at flagship stores, layouts to accommodate inbound tourism, securing merchandise, and more.

**Yamafuji:** Digitalization, including apps and social media, is rapidly progressing in the daily lives of customers, both in Japan and overseas. We are seeing more and more people taking pictures and videos of shopping inside and outside stores and sending out positive, experience-based communication such as “I tried shopping at Don Quijote.” I feel that there is a clear shift in the purpose of tourism to Japan from “goods consump-

tion,” as exemplified by so-called explosive shopping, to “experiences consumption.”

**Kawashita:** I agree. As inbound tourists become more and more interested in experiences consumption, we will continue our principle of “The Customer Matters Most” by providing not only products but also spaces and services that customers will want to remember.

**Yamafuji:** The advancement of digitalization is an opportunity for us in the sense that we are now in an environment where we can hear more real voices of our customers. We believe that there is still much room for us to work on including opening new stores and creating new business formats in order to capture the growing inbound tourism demand.

**Kawashita:** That is right. We will aim to further expand people’s recognition of us as a company that is representative of Japan, and increase the number of people who say, “I want to visit Don Quijote if I go to Japan.”