

Overview of Q&A session at analysts briefing for 1H FY June 2020. (July-December, 2019)

This document illustrates an overview of Q&A session at analysts briefing for the first half results. Questions and answers are edited for clarity.

Q1. What is the reason behind 4 billion yen upward revision of full-year OP guidance?
Is it because you factored into OP upside in 1H?

A: OP upside in 1H was not all factored into the full-year guidance.
We formulated the full year guidance conservatively given the strong results in 1H and uncertain business environment.

Q2. It seems that Don Quijote full year guidance considering 1H results is more conservative than that of UNY. What is the difference between those two?

A: This is because we are facing uncertain coronavirus situation for inbound consumption from overseas tourists at Don Quijote stores.
Full year SSS guidance for DQ revised from flat to negative 1.8% by factoring the impact of possible declining tax-free sales for the next few months.
On the other hand, UNY delivered a strong sales momentum in 1H not only food but also non-food items. This is why SSS guidance for UNY is higher than DQ.

Q3. Your focus has been securing absolute amount for sale and profit, not margins.
Is there any change on that ?

A: There is no change for our policy to focus on amount. Our focus was to maximize the topline growth by opening 30 stores a year, but we will be building a structure to gain more market share in each commercial area.

Q4. Why UNY delivered very strong 1H OP versus guidance?
What are the reasons for good performance for UD retail (conversion stores)

A: UNY gross margin went up thanks to the strong sales momentum both in food and non-food items that linked higher OP.
UNY was able to save various cost items such as advertisement, utility and social expenses.

Moreover, personnel costs went down backed by higher productivity and efficiency per employee. UNY and UD retail have been working on to integrate procurement pipelines since November, 2019 and it led to higher GPM.

UNY store network is concentrated in Chukyo area including Nagoya. When one store is converted to MEGA format, sales for surrounding existing UNY stores made substantial growth. These are the reasons for sales growth at UNY.

Q5. Why the sales momentum for Don Quijote seems weak?

A: PPIH focuses on the growth in UNY by allocating various management resources. Don Quijote has been sending top managers to help out UNY. At the same time, DQ is taking various measures for further sales growth and it is in the middle of by appointing young middle managers as leaders of store operation.

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