

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

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

Q1. What made PPIH revise the guidance upwardly?

A : It was because Q1 results were much better than our expectation. The short-term negative factors were incorporated into the guidance such as impact from bulk buying right before consumption tax hike in September. PPIH added actual Q1 results to guidance and also takes prudent approach because the consumer behaviors should be monitored closely.

Q2. What is your comfortable level of interest bearing debt?

A : Balance sheet reform has just started. We would like to make this forward by pursuing the appropriate figures and efficiency. Our target for fiscal soundness is to keep net D/E ratio below 1 time. Capital adequacy ratio should be enough when it is about one-third of total asset. We would like to lever the debt effectively and invest in areas for growth.

Q3. What is your thinking for contribution from card business?

A : Our medium to long term target is to generate 10 billion yen of OP from financial business including card business (loyalty program). For starters, UNY will end to accept new membership for Unico card, and Unico will be integrated to Majica (loyalty program for Don Quijote). We would like to consider various options to build platform that generates profit.

Q4. How is the new management team so far?

A : New management team was appointed at general shareholders meeting at the end of September. Directors who are in their 40s are newly appointed as board of directors. "Matrix management" started on November 1 after reshuffling group organization across the board. The company had been managed by few directors for many years, but now number of directors increased associated with the expansion of business. Directors and executive officers spare more time on information sharing and opinion exchanging than they did in the past.

Q5. What strategies do you have in mind for pricing and assortment to gain more market share?

A : We are getting ready for the next competition because we have continued to negotiate with suppliers to benefit from economies of scale. Now, we are working on to be more price competitive. “Discount store business” and “GMS business” have different assortment especially clothing. The way each business format formulates merchandise will be the same as in the past. Items that are common in both businesses will further be competitive in terms of price.

Q6. How are you planning to change personnel system for UNY?

A : We would like to work on this issue fairly. It is important to deepen communication. Personnel system should be optimized by repeating fruitful communication with top-down and bottom-up approach to bridge the gap between ideal and reality. Personnel issues may naturally be solved by formulating effective organization structure and conveying the know-how and knowledge of UNY employees. We believe that we will be able to overcome this issue from the lesson we have learnt through experiences.

Q7. How is your condition on inventory?

A : Inventory level is mostly optimized despite bad weather and bulk buying before consumption tax hike, but challenges still remain for some items. Inventory condition excluding UNY had not been changed drastically although seasonal items and new stores gave impacts on inventory number. “8% discount sale” was taken place in September and it promoted the sales for super brand items that were low turnover. The revision for inventory at logistic center also bore fruits.

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