

Don Quijote Holdings' Conversion of UNY into Its Wholly-owned Subsidiary—Limited Impact on Rating through Financing by Issue of Equity Instruments that Controls Worsening of Financial Structure

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Don Quijote Holdings Co., Ltd. security code: 7532)'s acquisition of UNY CO., LTD.'s shares from FamilyMart UNY Holdings Co., Ltd. (security code: 8028, JCR's long-term issuer rating: A+) to make it a wholly-owned subsidiary.

- (1) Don Quijote Holdings Co., Ltd. (the "Company") today announced that it would acquire 60% shares in UNY CO., LTD. ("UNY") from FamilyMart UNY Holdings Co., Ltd. ("FamilyMart UNY HD") to make UNY a wholly-owned subsidiary. The share acquisition is scheduled for January 2019. In August 2017, the Company entered into a business alliance with FamilyMart UNY HD and has since been operating 6 store-format converted "MEGA Don Quijote" stores based on the alliance. The Company decided to acquire UNY's shares and make it a consolidated subsidiary, judging that it could increase competitiveness of its stores through further deepening its relations with UNY.
- (2) The funds for the acquisition of shares will be raised by hybrid finance up to an appropriate amount in addition to the fund in hand and borrowings from financial institutions. Despite an expected increase of interest-bearing debt, JCR assumes that an expected worsening of financial structure will be limited in light of the equity content of the hybrid finance. Its cash flow generation capacity, on the other hand, is expected to increase, thanks to contributions from UNY in addition to the growth of the Company's existing businesses. The sales and the number of customers at the already converted 6 stores have been favorable, and synergistic effects after the integration can be expected to a certain degree. It is highly likely that the Company's financial structure after the share acquisition will improve thanks partly to the increased equity capital through profit accumulation. Given these factors, JCR assessed it is unnecessary to change the Company's rating due to the acquisition this time.
- (3) Going forward, JCR will confirm the Company's financing of the hybrid finance, management strategies including UNY's, measures to strengthen relations with FamilyMart UNY HD, etc.

Hiroyuki Chikusa, Hiroyoshi Ohtsuka

<Reference>

Issuer: Don Quijote Holdings Co., Ltd.

Long-term Issuer Rating: A+ Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.