

Don Quijote Holdings Co., Ltd.

Results for FY 2018

Earnings Results
July 1, 2017 - June 30, 2018

August 10, 2018

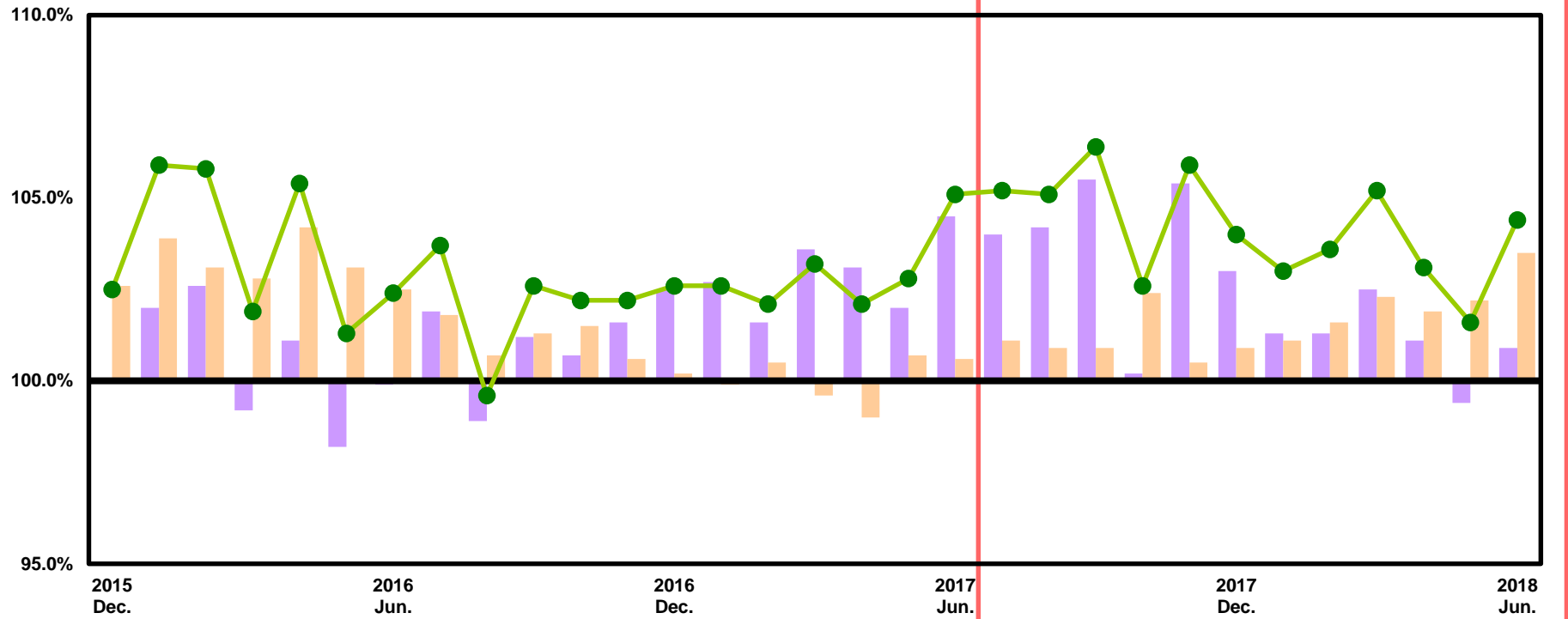


Earnings summary

Consolidated (Millions of yen)	12 months to June 2018			12 months to June 2017	
	Actual	Share	YoY	Actual	Share
Net sales	941,508	100.0%	113.6%	828,798	100.0%
Gross profit	243,991	25.9%	111.6%	218,580	26.4%
SGA	192,423	20.4%	111.6%	172,395	20.8%
Operating profit	51,568	5.5%	111.7%	46,185	5.6%
Recurring profit	57,218	6.1%	125.7%	45,523	5.5%
Profit attributable to owners of parent	36,405	3.9%	110.0%	33,082	4.0%
EPS(Yen)	230.14	—	110.0%	209.18	-

- Consolidated and same store sales went up 13.6% and 4.1% YoY respectively. Traffic and per-customer sales rose by facing the reality of consumption trend and being more price competitive. Tax-free sales went up 56.1% and beat last year's sales for 45 consecutive months.
- GPM declined 50 basis points. We invested in price to respond to rapidly-changing consumer sentiment.
- SG&A went down 0.4 pts. Personnel cost and rent increased associated with new store openings. Expenses related to newly-acquired QSI and Singapore stores were added. Personnel cost at existing stores was streamlined.
- Operating profit and net profit went up 11.7% and 10.0% respectively. Don Quijote Holdings made a growth in sales and operating profit for 29 consecutive years. Net profit hit an all time high for 9 consecutive years.

Same-store sales



Existing stores	2017 Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	2018 Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
Sales (%)	102.6	102.1	103.2	102.1	102.8	105.1	105.2	105.1	106.4	102.6	105.9	104.0	103.0	103.6	105.2	103.1	101.6	104.4	100.0
Customer traffic (%)	102.7	101.6	103.6	103.1	102.0	104.5	104.0	104.2	105.5	100.2	105.4	103.0	101.3	101.3	102.5	101.1	99.4	100.9	98.9
Customer spending (%)	99.9	100.5	99.6	99.0	100.7	100.6	101.1	100.9	100.9	102.4	100.5	100.9	101.6	102.3	102.6	101.9	102.2	103.5	101.2
Existing store count	244	244	245	247	258	258	265	269	271	274	275	277	278	278	278	280	283	283	288

- DQ SSS went up 4.1% (1.9pts from domestic sales and 2.2pts from tax-free sales), traffic +2.3% and spending +1.8% for FY June 2018.
- Bad weather gave a negative impact on the consumption. Right product mix and pricing attracted greater number of customers and delivered a strong sales momentum.

Sales breakdown by product category

Consolidated (Millions of yen)	12 months to June 2018			12 months to June 2017	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	76,698	8.1%	111.3%	68,912	8.3%
Miscellaneous household goods	217,257	23.1%	118.4%	183,505	22.1%
Foods	311,565	33.1%	113.5%	274,553	33.1%
Watches & fashion merchandise	159,904	17.0%	100.9%	158,451	19.1%
Sporting goods & leisure goods	54,946	5.8%	102.5%	53,596	6.5%
Other products	93,127	9.9%	148.3%	62,785	7.6%
Total retail store business	913,497	97.0%	113.9%	801,802	96.7%
Rent income	21,295	2.3%	103.6%	20,559	2.5%
Other business	6,716	0.7%	104.3%	6,437	0.8%
Total	941,508	100.0%	113.6%	828,798	100.0%

Home appliances : Smartphone accessories and headsets took the lead. Private brand 4K TV attracted a great deal of attention and made a big hit.

Household goods : Seasonal items sales went up sharply in association with a temperature fluctuation. Daily consumables were strong. Rapidly-growing overseas travelers brought a robust cosmetics and drugs sales.

Foods : All product groups delivered strong sales momentum such as processed food. MEGA stores enjoyed great deli sales.

Watches & Fashion : Sales for e-cigarettes and their parts grew fast. Casual wear, rain wear as well as shoes and bags were contributors.

Sports & Leisure : Seasonal events encouraged the sales for outdoor goods. Exercising items including compression shirts were strong enough to offset the slow sales for toys.

The number of stores

(Number of stores)	FY2016	FY2017	FY2018
Don Quijote	194	198	209
MEGA	39	40	43
New MEGA	55	72	80
Others	39	44	47
Total stores in Japan	327	354	379
Overseas	14	14	39
Global Total	341	368	418
Domestic opening	40	32	55
Domestic closure	5	5	5
Net increase	35	27	50

- 31 new stores were opened in FY2018 : 14 Don Quijote, 3 MEGA, 8 New MEGA, 3 small format stores, 1 Doit in Japan. 2 overseas stores in Singapore opened under the name of Don Don Donki format. 24 stores were newly added to our overseas store count because QSI (Supermarket operator in Hawaii) joined our group.
- 5 stores closed due to nations' land readjustment project and other reasons.

Key components in SG&A

Consolidated (Millions of yen)	12 months to June 2018			12 months to June 2017	
	Actual	Share	YoY	Actual	Share
Net sales	941,508	100.0%	113.6%	828,798	100.0%
Salary allowance	71,941	7.6%	111.5%	64,538	7.8%
Rent	28,330	3.0%	121.3%	23,357	2.8%
Commission paid	22,957	2.4%	117.6%	19,524	2.4%
Depreciation and amortization	14,815	1.6%	105.3%	14,075	1.7%
Others	54,380	5.8%	106.8%	50,901	6.1%
SG&A	192,423	20.4%	111.6%	172,395	20.8%

- SG&A expenses as a percent of sales decreased 40 basis points. Personnel cost and rent increased associated with new store openings. Expenses related to newly consolidated QSI and Singapore stores were added. Personnel cost at existing stores were streamlined.
- SG&A increased by 11.6% year-over-year, however, it would have gone up by 6.8% without newly consolidated overseas business. (Hawaii and Singapore)

Sales and profit by business

Sales, profit and loss by segment from Jul.1, 2017, to Jun.30, 2018

(Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	913,497	21,295	6,716	941,508	-	941,508
Internal sales or transfers between segments	731	21,812	9,125	31,668	(31,668)	-
Total	914,228	43,107	15,841	973,176	(31,668)	941,508
Segment profit	27,760	17,237	6,329	51,326	242	51,568

Sales, profit and loss by segment from Jul.1, 2016, to Jun.30, 2017

(Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	801,802	20,559	6,437	828,798	-	828,798
Internal sales or transfers between segments	487	20,054	9,156	29,697	(29,697)	-
Total	802,289	40,613	15,593	858,495	(29,697)	828,798
Segment profit	23,693	16,123	6,395	46,211	(26)	46,185

- Profit in the retail business was 27.8 billion yen which is our mainstay.
- Profit in the tenant leasing business was 17.2 billion yen.
- Profit in other business was 6.3 billion yen.

Sales, profit and asset by subsidiaries

Sales, profit and asset by subsidiaries from Jul.1, 2017, to Jun.30, 2018

(Millions of yen)

Consolidated	Don Quijote 1)	Doit	Nagasakiya 2)	Overseas 3)	JAM 4)	Consolidated
Net sales	666,052	16,820	177,825	67,383	19,736	941,508
Operating profit	26,620	171	4,941	1,487	7,909	51,568
Total asset	266,057	22,989	84,214	66,254	178,481	807,057
Net asset	133,750	19,450	51,216	50,580	104,300	312,495

PL/1USD=¥110.7 1SGD=¥82.2

BS/1USD=¥106.3 1SGD=¥80.8

Sales, profit and asset by subsidiaries from Jul.1, 2016, to Jun.30, 2017

(Millions of yen)

Consolidated	Don Quijote 1)	Doit	Nagasakiya 2)	Overseas 3)	JAM 4)	Consolidated
Net sales	596,419	16,708	165,700	36,636	18,109	828,798
Operating profit	22,492	418	4,814	1,303	7,395	46,185
Total asset	240,624	22,936	80,540	23,038	140,255	642,868
Net asset	119,447	19,435	48,692	16,731	67,131	279,930

1) Don Quijote runs retail business.

2) Nagasakiya shows retail business only.

3) Overseas includes DQ USA , MARUKAI, QSI and PPIH.

3) PL on JAM shows its results from July1,2017 to June 30,2018. BS is as of June 30,2018.

PL/1USD=¥108.88

BS/1USD=¥112.18

- Strong performance at subsidiaries contributed to overall group strong results.

Balance Sheet

(Millions of yen)			(Millions of yen)		
Consolidated	As of June 30, 2018	Change from June 30, 2017	Consolidated	As of June 30, 2018	Change from June 30, 2017
Total current assets	244,125	16,540	Total current liabilities	171,886	7,061
Cash and deposits	71,973	(4,367)	Accounts payable	93,030	7,369
Merchandise	135,781	11,812	Short-term liabilities*	21,404	(3,618)
Total noncurrent assets	562,932	147,649	Total noncurrent liabilities	322,676	124,563
Total property, plan and equipment	347,913	37,147	Long-term bonds	91,274	16,384
Buildings	133,415	14,792	Long-term borrowings	200,668	116,030
Land	188,866	17,848	Long-term payables under fluidity lease receivables	12,104	(7,262)
Total intangible assets	28,247	12,359	Total liabilities	494,562	131,624
Goodwill	17,600	12,237	Net assets	312,495	32,565
Total investments and other assets	186,772	98,143	Total shareholders' equity	291,337	33,055
Lease and guarantee deposits	46,494	6,020	Non-controlling interests	21,787	1,008
Total assets	807,057	164,189	Liabilities and net assets	807,057	164,189

* Short-term liabilities = Short-term loans payable + Current portion of long-term loans payable + Current portion of bonds

- Cash & deposits : We financed long-term borrowing for new stores in next year and afterwards, the acquisition of QSI and the capital alliance with Family Mart UNY.
- Merchandise : We added 9.3 billion yen of inventory to open 29 new stores in Japan. 3.3 billion yen was added because of QSI and 2 stores in Singapore.
- Payables associated with the liquidation of receivables : 19.4 billion yen.

Cash flows and Capital expenditure

(Millions of yen)

<u>Consolidated Cash Flows</u>	12 months to June 2018	12 months to June 2017	Change
Cash and equivalents at beginning of period	78,094	44,496	33,598
Cash flows from operating activities	46,081	56,441	(10,360)
Cash flows from investing activities	(164,443)	(40,593)	(123,850)
Cash flows from financing activities	116,083	17,644	98,439
Net increase (decrease) in cash and equivalents	(2,211)	33,598	(35,089)
Cash and equivalents at end of period	75,883	78,094	(2,211)

(Millions of yen)

<u>Consolidated Capital Expenditures</u>	12 months to June 2018	12 months to June 2017	Change
Capital expenditures	56,061	45,357	10,704
Cash flows*	48,603	46,661	1,942
Net increase (decrease)	(7,458)	1,304	(8,762)

* Cash flows = Net income + Depreciation and amortization + Extraordinary loss - Dividend

- Cash flow from operating activities was 46.1 billion yen positive. Positive factors :56.4 billion yen of income before income taxes, 17.4 billion yen of depreciation and amortization. Negative factors : 9.2 billion yen increase in inventory and 19.2 billion yen for corporate tax payment.
- Cash flow from financing activities was 116.1 billion yen positive mainly due to 128.6 billion yen of net increase of long-term loans, 4.1 billion yen of dividend payment.
- Capex was 56.1 billion yen. (DQ: 18.3 bil, Nagasakiya: 3.3 bil, JAM: 33.5 bil). Free cash flow was 7.5 billion yen negative.

Earnings summary for Q4

Consolidated (Millions of yen)	3 months to June 2018			3 months to June 2017	
	Actual	Share	YoY	Actual	Share
Net sales	238,352	100.0%	114.1%	208,811	100.0%
Gross profit	63,376	26.6%	115.9%	54,675	26.2%
SGA	51,868	21.8%	113.7%	45,627	21.9%
Operating profit	11,508	4.8%	127.2%	9,047	4.3%
Recurring profit	13,777	5.8%	144.8%	9,517	4.6%
Profit attributable to owners of parent	9,242	3.9%	151.4%	6,104	2.9%
EPS(Yen)	58.42	-	151.4%	38.59	-

Sales breakdown by product category for Q4

Consolidated (Millions of yen)	3 months to June 2018			3 months to June 2017	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	16,728	7.0%	105.9%	15,791	7.6%
Miscellaneous household goods	54,775	23.0%	109.3%	50,128	24.0%
Foods	78,820	33.1%	110.8%	71,160	34.1%
Watches & fashion merchandise	37,751	15.8%	102.8%	36,723	17.6%
Sporting goods & leisure goods	12,398	5.2%	99.4%	12,468	6.0%
Other products	30,828	12.9%	192.5%	16,015	7.7%
Total retail store business	231,299	97.0%	114.3%	202,285	96.9%
Rent income	5,381	2.3%	105.3%	5,110	2.4%
Other business	1,672	0.7%	118.0%	1,417	0.7%
Total	238,352	100.0%	114.1%	208,811	100.0%

Key components in SG&A for Q4

Consolidated (Millions of yen)	3 months to June 2018			3 months to June 2017	
	Actual	Share	YoY	Actual	Share
Net sales	238,352	100.0%	114.1%	208,811	100.0%
Salary allowance	19,150	8.0%	117.6%	16,286	7.8%
Rent	7,485	3.1%	121.6%	6,156	2.9%
Commission paid	6,439	2.7%	116.7%	5,517	2.6%
Depreciation and amortization	4,078	1.7%	109.7%	3,718	1.8%
Others	14,716	6.2%	105.5%	13,950	6.7%
SG&A	51,868	21.8%	113.7%	45,627	21.9%

Forecast for fiscal June 2019

Consolidated (Millions of yen)	FY2019 Forecast			FY2018 1H Forecast	
	Plan	Share	YoY	Plan	Share
Net sales	1,000,000	100.0%	106.2%	503,000	100.0%
Gross profit	260,000	26.0%	106.6%	131,800	26.2%
SGA	207,000	20.7%	107.6%	102,300	20.3%
Operating profit	53,000	5.3%	102.8%	29,500	5.9%
Recurring profit	58,000	5.8%	101.4%	32,400	6.4%
Net profit	37,000	3.7%	101.6%	19,500	3.9%
EPS (Yen)	233.90	—	101.6%	123.27	—
Capital expenditure	40,000	—	71.4%	—	—
Depreciation	15,500	1.6%	104.6%	—	—

- Full year forecast : Sales 1trillion yen, OP :53 billion yen, RP : 58 billion yen, NP : 37 billion.
- Don Quijote SSS forecast : DQ SSS forecast :+1.0% in 1H +1.0% in 2H and +1.0% for full year.