

**Don Quijote Holdings. Co., Ltd.**

**Q3 Results for FY 2018**

Earnings Results

July 1, 2017 - March 31, 2018

May 8 ,2018

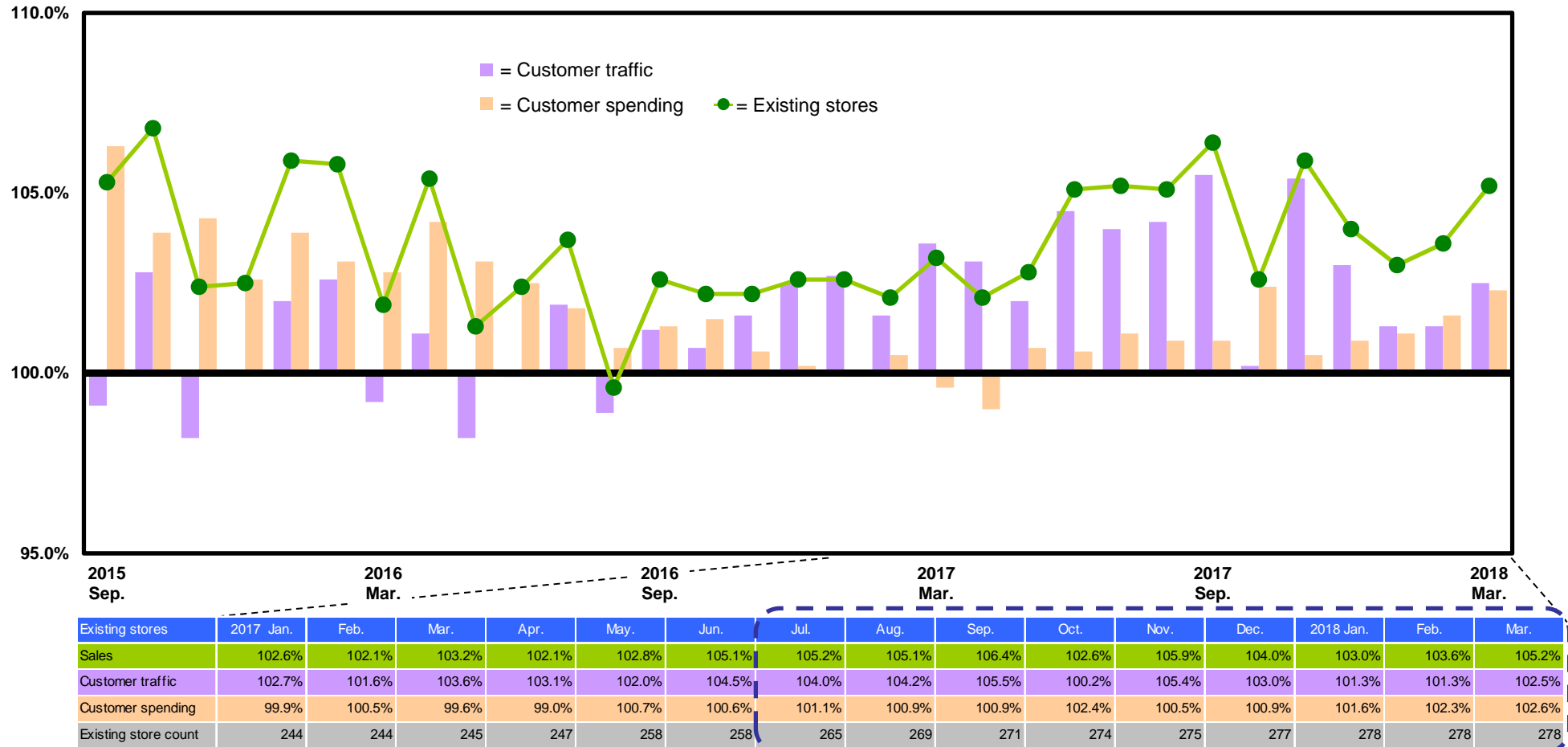


# Earnings summary

Consolidated (Millions of yen)	9 months to Mar. 2018			9 months to Mar. 2017	
	Actual	Share	YoY	Actual	Share
Net sales	703,156	100.0%	113.4%	619,987	100.0%
Gross profit	180,615	25.7%	110.2%	163,905	26.4%
SGA	140,555	20.0%	110.9%	126,767	20.4%
Operating profit	40,060	5.7%	107.9%	37,138	6.0%
Recurring profit	43,441	6.2%	120.6%	36,006	5.8%
Profit attributable to owners of parent	27,163	3.9%	100.7%	26,977	4.4%
EPS(Yen)	171.71	-	100.7%	170.59	-

- Consolidated and same store sales went up 13.4% and 4.5% YoY respectively. Strong daily necessities sales such as food and consumables drove the sales and customer traffic. Tax-free sales for overseas travelers rose 56.7%, beating YoY sales for 42 consecutive months since the new tax free system was implemented. Customers chose our stores as their frequent shopping destinations mainly because of our wide assortment and competitive price.
- GPM went down 0.7pts. We successfully increased the customer traffic and the market share by being more price competitive to beat peer stores. Our sales strategy focused more on securing gross profit than margin.
- SGA went down 0.4pts. Initial cost for new stores and the cost associated with QSI increased. Without newly-consolidated overseas business, SGA would have gone down by 0.6pts.
- OP went up by 7.9%, Profit attributable to owners of parent was up 0.7%, hit an all-time high profit.

# Same-store sales



- DQ SSS went up 4.5% (Tax-free contribution:2.1pts), traffic +3.0% and per-customer average spending +1.5% for the first nine months period. (July-March)
- There were intense competitions between retailers reflecting the difficult consumer sentiment as well as bad weather. Our product assortment and pricing strategy attracted more customers.

# Sales breakdown by product category

Consolidated (Millions of yen)	9 months to Mar. 2018			9 months to Mar. 2017	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	59,970	8.5%	112.9%	53,121	8.6%
Miscellaneous household goods	162,482	23.1%	121.8%	133,377	21.5%
Foods	232,745	33.1%	114.4%	203,394	32.8%
Watches & fashion merchandise	122,153	17.4%	100.3%	121,728	19.6%
Sporting goods & leisure goods	42,549	6.1%	103.5%	41,128	6.6%
Other products	62,299	8.8%	133.2%	46,769	7.5%
Total retail store business	682,198	97.0%	113.8%	599,517	96.7%
Rent income	15,914	2.3%	103.0%	15,450	2.5%
Other business	5,044	0.7%	100.5%	5,020	0.8%
Total	703,156	100.0%	113.4%	619,987	100.0%

Home appliances : 4K TV sets were hit items. Headsets and smartphone accessories went up sharply. Vacuum cleaners were contributors.

Household goods : Cosmetics and drugs were the two largest earners. Consumables including seasonal items were strong.

Foods : All product groups grew rapidly. Processed food like snacks and seasonings, Daily delivered food like eggs, and fresh foods at MEGA stores were popular items.

Watches & Fashion : E-cigarettes and their accessories made a significant growth. Underwear, casual outfits and gloves grew steadily.

Sports & Leisure : Sporting goods such as compressive training T-shirt took the lead in this segment.

# The number of stores

(Number of stores)	FY2016	FY2017	FY2018-1Q	FY2018-2Q	FY2018-3Q
Don Quijote	194	198	199	204	206
MEGA	39	40	40	41	42
New MEGA	55	72	73	77	78
Others	39	44	44	43	44
Total stores in Japan	327	354	356	365	370
Overseas	14	14	37	38	38
Grand Total	341	368	393	403	408
Domestic opening	40	32	27	12	5
Domestic closure	5	5	2	2	0
Net increase	35	27	25	10	5

- 20 new stores opened in 9 months : 10 Don Quijote, 6 New MEGA, 2 MEGA and 1 Kyo-yasu-do in Japan and 1 Don Don Donki in Singapore. Also, 24 stores were added to our store-count in September due to the acquisition of QSI.
- The number of new stores for FY2018 will be 31.

# Key components in SG&A

Consolidated (Millions of yen)	9 months to Mar. 2018			9 months to Mar. 2017	
	Actual	Share	YoY	Actual	Share
Net sales	703,156	100.0%	113.4%	619,987	100.0%
Salary allowance	52,791	7.5%	109.4%	48,252	7.8%
Rent	20,846	3.0%	121.2%	17,201	2.8%
Commission paid	16,517	2.3%	117.9%	14,008	2.2%
Depreciation and amortization	10,737	1.5%	103.7%	10,356	1.7%
Others	39,664	5.7%	107.3%	36,950	5.9%
SGA	140,555	20.0%	110.9%	126,767	20.4%

- SGA to sales ratio went down 0.4 pts to 20.0%. Initial cost for new stores and the cost associated with newly-consolidated company (QSI) increased. Our measures to change working style to improve productivity have been taken place.
- We enjoyed greater cost-efficiency by having topline growth and more market share.

# Sales and profit by business

Sales, profit and loss by segment from Jul. 1, 2017, to Mar. 31, 2018

(Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	682,198	15,914	5,044	703,156	-	703,156
Internal sales or transfers between segments	555	16,167	6,777	23,499	(23,499)	-
<b>Total</b>	<b>682,753</b>	<b>32,081</b>	<b>11,821</b>	<b>726,655</b>	<b>(23,499)</b>	<b>703,156</b>
<b>Segment profit</b>	<b>22,123</b>	<b>13,340</b>	<b>4,552</b>	<b>40,015</b>	<b>45</b>	<b>40,060</b>

Sales, profit and loss by segment from Jul. 1, 2016, to Mar. 31, 2017

(Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	599,517	15,450	5,020	619,987	-	619,987
Internal sales or transfers between segments	374	14,890	7,081	22,345	(22,345)	-
<b>Total</b>	<b>599,891</b>	<b>30,340</b>	<b>12,101</b>	<b>642,332</b>	<b>(22,345)</b>	<b>619,987</b>
<b>Segment profit</b>	<b>19,673</b>	<b>12,520</b>	<b>5,009</b>	<b>37,202</b>	<b>(64)</b>	<b>37,138</b>

- Profit in the retail business was 22.1 billion yen which is our mainstay.
- Profit in the tenant leasing business was 13.3 billion yen.
- Profit in other business was 4.6 billion.

# Balance Sheet

Consolidated	(Millions of yen)	
	As of Mar. 31, 2018	Change from Jun. 30, 2017
Total current assets	251,136	23,551
Cash and deposits	74,521	(1,819)
Merchandise	137,168	13,199
Total noncurrent assets	546,309	131,026
Total property, plant and equipment	331,475	20,709
Buildings	130,101	11,478
Land	175,660	4,642
Total intangible assets	29,328	13,440
Goodwill	18,769	13,406
Total investments and other assets	185,506	96,877
Lease and guarantee deposits	44,775	4,301
Total assets	797,445	154,577

Consolidated	(Millions of yen)	
	As of Mar. 31, 2018	Change from Jun. 30, 2017
Total current liabilities	166,513	1,688
Accounts payable	93,159	7,498
Short-term liabilities*	21,895	(3,127)
Total noncurrent liabilities	325,694	127,581
Long-term bonds	91,874	16,984
Long-term borrowings	200,515	115,877
Long-term payables under fluidity lease receivables	13,930	(5,436)
Total liabilities	492,207	129,269
Net assets	305,238	25,308
Total shareholders' equity	282,095	23,813
Non-controlling interests	21,353	574
Liabilities and net assets	797,445	154,577

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

- Cash & deposits : Debt financing was taken place for new stores for this year and onwards, QSI acquisition, and investment for capital tie-up with UNY.
- Merchandise : Inventory stood at 137.2 billion yen, went up by 16.2% YoY, mainly due to 11.8 billion yen inventory for new stores. Also inventory for QSI stores and the store in Singapore were added.
- Payables associated with the liquidation of receivables : 21.2 billion yen of debt outstanding financed by asset-backed loans.



# Cash flows and Capital expenditure

## Consolidated Cash Flows

(Millions of yen)

	9 months to Mar. 2018	9 months to Mar. 2017	Change
Cash and equivalents at beginning of period	78,094	44,496	33,598
Cash flows from operating activities	25,891	42,850	(16,959)
Cash flows from investing activities	(144,716)	(32,634)	(112,082)
Cash flows from financing activities	119,596	21,042	98,554
Net increase (decrease) in cash and equivalents	375	31,379	(31,004)
Cash and equivalents at end of period	78,469	75,875	2,594

## Consolidated Capital Expenditures

(Millions of yen)

	9 months to Mar. 2018	9 months to Mar. 2017	Change
Capital expenditures	34,538	33,564	974
Cash flows*	34,054	34,666	(612)
Net increase (decrease)	(484)	1,102	(1,586)

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

- Cash flow from operating activities was 25.9 billion yen positive.  
Positive factors : 43.3 billion yen of income before income taxes, 12.6 billion yen of depreciation and amortization etc.  
Negative factors : 3.1 billion yen of gain from sale of equity affiliate and 5.4 billion yen of increase in trade accounts receivable, 10.3 billion yen of increase in inventory assets, 18.4 billion yen for tax payment.
- Cash flow from financing activities was 119.6 billion yen positive driven by 129.1 billion yen of net increase of long-term borrowings and 4.1 billion yen of dividend payment were negative factors.
- Capex was 34.5 billion yen (DQ: 17 bil, Nagasakiya: 2.5 bil, JAM: 23.3 bil). Free cash flow was 500 million yen negative.

# Earnings summary for Q3

Consolidated (Millions of yen)	3 months to Mar. 2018			3 months to Mar. 2017	
	Actual	Share	YoY	Actual	Share
Net sales	240,326	100.0%	118.8%	202,293	100.0%
Gross profit	60,439	25.1%	113.5%	53,266	26.3%
SGA	49,626	20.6%	116.8%	42,471	21.0%
Operating profit	10,813	4.5%	100.2%	10,795	5.3%
Recurring profit	12,383	5.2%	136.4%	9,078	4.5%
Profit attributable to owners of parent	8,485	3.5%	80.7%	10,518	5.2%
EPS(Yen)	53.64	-	80.7%	66.50	-

# Sales breakdown by product category for Q3

Consolidated (Millions of yen)	3 months to Mar. 2018			3 months to Mar. 2017	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	19,959	8.3%	113.2%	17,631	8.7%
Miscellaneous household goods	54,074	22.5%	118.6%	45,595	22.5%
Foods	79,188	33.0%	114.1%	69,409	34.3%
Watches & fashion merchandise	38,316	15.9%	106.6%	35,932	17.8%
Sporting goods & leisure goods	11,470	4.8%	107.4%	10,684	5.3%
Other products	30,400	12.6%	183.7%	16,551	8.2%
<b>Total retail store business</b>	<b>233,407</b>	<b>97.1%</b>	<b>119.2%</b>	<b>195,802</b>	<b>96.8%</b>
Rent income	5,228	2.2%	102.5%	5,100	2.5%
Other business	1,691	0.7%	121.6%	1,391	0.7%
<b>Total</b>	<b>240,326</b>	<b>100.0%</b>	<b>118.8%</b>	<b>202,293</b>	<b>100.0%</b>

# Key components in SG&A for Q3

Consolidated (Millions of yen)	3 months to Mar. 2018			3 months to Mar. 2017	
	Actual	Share	YoY	Actual	Share
Net sales	240,326	100.0%	118.8%	202,293	100.0%
Salary allowance	18,760	7.8%	116.3%	16,128	8.0%
Rent	7,443	3.1%	128.0%	5,814	2.9%
Commission paid	5,352	2.2%	116.8%	4,583	2.3%
Depreciation and amortization	3,896	1.6%	109.3%	3,564	1.7%
Others	14,175	5.9%	114.5%	12,382	6.1%
SGA	49,626	20.6%	116.8%	42,471	21.0%

# Forecast for fiscal June 2018

Consolidated (Millions of yen)	FY2018 Revised forecast			FY2017 Results		
	Plan	Share	YoY	Actual	Share	YoY
Net sales	935,000	100.0%	112.8%	828,798	100.0%	109.1%
Gross profit	242,000	25.9%	110.7%	218,580	26.4%	108.3%
SGA	191,000	20.4%	110.8%	172,395	20.8%	108.6%
Operating profit	51,000	5.5%	110.4%	46,185	5.6%	106.9%
Recurring profit	54,000	5.8%	118.6%	45,523	5.5%	103.9%
Net profit	33,300	3.6%	100.7%	33,082	4.0%	132.7%
EPS(Yen)	210.51	-	100.6%	209.18	-	132.6%
Capital expenditure	45,000	-	99.2%	45,357	-	88.0%
Depreciation	14,800	1.6%	105.2%	14,075	1.7%	105.8%

- Full year forecast revised. Net sales up 55 billion, OP up 3 billion, RP up 6 billion and NP up 5.3 billion, against our initial forecast that was announced on August 15,2017.
- Don Quijote SSS forecast : DQ SSS forecast : +3.5% for full year and +0.6% for Q4.