

Don Quijote Holdings Co., Ltd.

Q1 Results for FY 2019

Earnings Results
July 1, 2018 - September 30, 2018

November 6, 2018

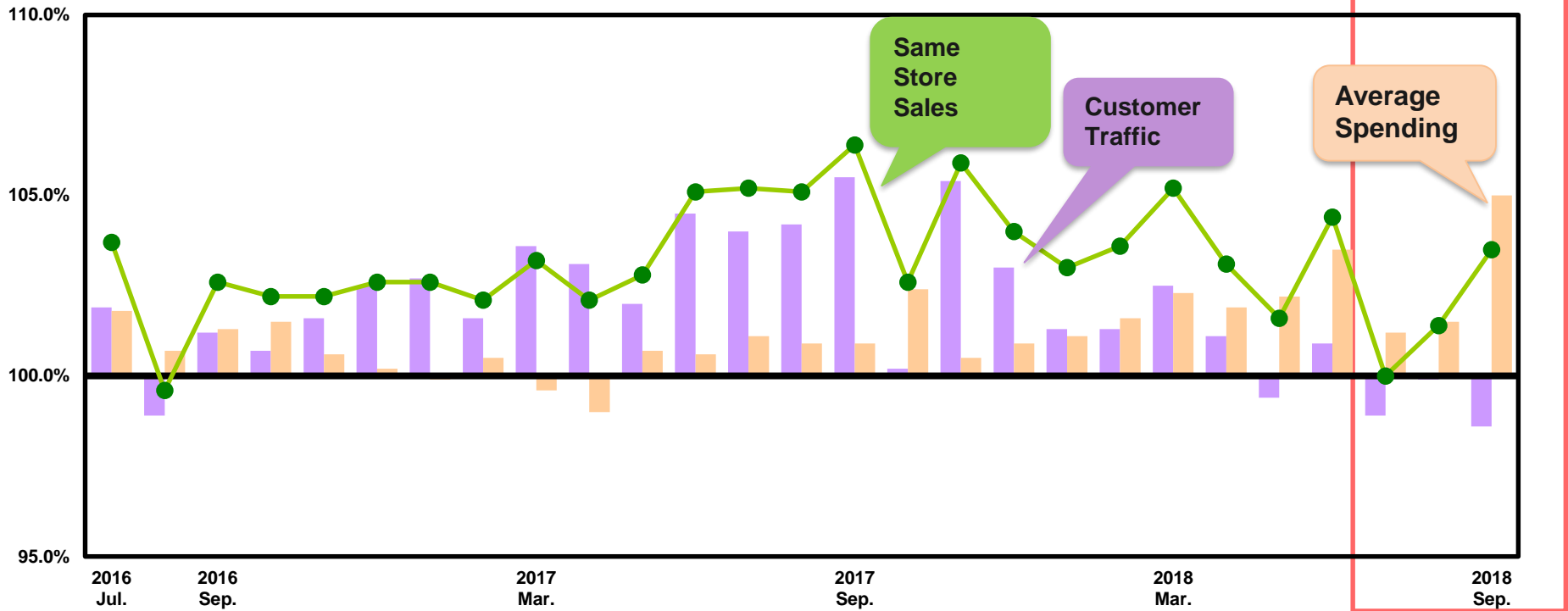


Earnings summary for Q1

Consolidated (Millions of yen)	3 months to September 2018			3 months to September 2017	
	Actual	Share	YoY	Actual	Share
Net sales	250,080	100.0%	111.9%	223,433	100.0%
Gross profit	66,732	26.7%	112.6%	59,268	26.5%
SGA	52,229	20.9%	116.1%	44,968	20.1%
Operating profit	14,503	5.8%	101.4%	14,300	6.4%
Recurring profit	17,917	7.2%	125.3%	14,301	6.4%
Profit attributable to owners of parent	11,646	4.7%	137.6%	8,465	3.8%
EPS(Yen)	73.62	—	137.6%	53.52	-

- Net sales made YoY growth of 11.9% despite the fact that bad weather and natural disasters happened one after another. The consolidation of QSI (24 supermarkets in Hawaii) contributed to the sales growth. The same store sales went up by 1.6% (0.1ppt:Domestic, 1.5ppt:Tax-free) on top of the last-year's high bar of 5.6% growth. We flexibly and swiftly dealt with emergencies and boosted customer loyalty as we played an important role as retail infrastructure for each community.
- GPM went up by 0.2%. Non-food items and summer seasonal goods were contributors while there were competitive prices for daily necessities to take the lead of price wars.
- On SGA side, personnel cost increased by 16.2% to prepare for the upcoming new store rollouts as well as to deal with emergencies such as heavy rain and earthquake. Rent, utility, repair expenses rose in addition to the increase of amortization of goodwill.
- Operating and net profit grew by 1.4% and 37.6% respectively. 2.5 billion yen of equity income mostly from UNY boosted the bottom line growth.

Same-Store Sales



Existing stores	2017 Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	2018 Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Sales (%)	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	101.4	103.5
Customer traffic (%)	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	99.9	98.6
Customer spending (%)	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	101.5	105.0
Existing store count	265	269	271	274	275	277	278	278	278	280	283	283	288	291	283

- DQ SSS went up 1.6% (0.1pts came from domestic and 1.5pts from tax-free). Traffic went down 0.9% due mainly to bad weather. Per-customer spending went up 2.5% for Q1.
- SSS made a satisfying growth in spite of consecutive natural disasters and last-year's high bar.

Sales breakdown by product category

Consolidated (Millions of yen)	3 months to September 2018			3 months to September 2017	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	19,405	7.8%	105.4%	18,418	8.2%
Miscellaneous household goods	57,232	22.9%	107.3%	53,356	23.9%
Foods	81,143	32.4%	110.8%	73,231	32.8%
Watches & fashion merchandise	41,491	16.6%	103.6%	40,051	17.9%
Sporting goods & leisure goods	15,821	6.3%	100.1%	15,803	7.1%
Other products	2,934	1.2%	103.7%	2,830	1.3%
Total retail store business	242,703	97.1%	112.1%	216,498	96.9%
Rent income	5,480	2.2%	104.7%	5,232	2.3%
Other business	1,897	0.8%	111.4%	1,703	0.8%
Total	250,080	100.0%	111.9%	223,433	100.0%

Home appliances : Wireless headsets became very popular. Seasonal appliances such as fans and flashlights and batteries were strong. The launch of new devices boosted the smartphone accessories.

Household goods : Seasonal items such as sunscreen as well as daily consumables took the lead. Cosmetics and pharmaceutical items grew rapidly as those were must-buy items for overseas travelers.

Foods : Processed food including seasonings and snacks, and daily delivered food were the two biggest earners. Record high temperature encouraged the sales for drinks and ice creams.

Watches & Fashion : Strong sales for E-cigarettes and their parts led this category. Casual wear and rain wear were robust.

Sports & Leisure : Bad weather affected outdoor and sporting goods. Sunshade for cars and bathing goods such as swimsuits were good.

The number of stores

(Number of stores)	FY2016	FY2017	FY2018	FY2019-1Q
Don Quijote	194	198	209	212
MEGA	39	40	43	43
New MEGA	55	72	80	81
Others	39	44	47	49
Total stores in Japan	327	354	379	385
Overseas	14	14	39	39
Global Total	341	368	418	424
Domestic opening	40	32	55	7
Domestic closure	5	5	5	1
Net increase	35	27	50	6

- 7 new stores were opened in FY2019 Q1 : 3 Don Quijote, 1 New MEGA and 3 small format stores.
- 1 store (Doit) closed for improving operational efficiency.

Key components in SG&A for Q1

Consolidated (Millions of yen)	3 months to September 2018			3 months to September 2017	
	Actual	Share	YoY	Actual	Share
Net sales	250,080	100.0%	111.9%	223,433	100.0%
Salary allowance	19,425	7.8%	116.2%	16,718	7.5%
Rent	7,453	3.0%	112.9%	6,602	3.0%
Commission paid	6,033	2.4%	107.9%	5,593	2.5%
Depreciation and amortization	3,669	1.5%	109.8%	3,343	1.5%
Others	15,648	6.3%	123.1%	12,712	5.7%
SG&A	52,229	20.9%	116.1%	44,968	20.1%

- Personnel cost increased to deal with emergencies and to prepare for upcoming new store rollouts.
- SG&A increased by 16.1% year-over-year.

Sales and profit by business

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

(Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	242,703	5,480	1,897	250,080	-	250,080
Internal sales or transfers between segments	149	5,772	2,298	8,219	(8,219)	-
Total	242,852	11,252	4,195	258,299	(8,219)	250,080
Segment profit	8,151	4,374	1,862	14,387	116	14,503

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

(Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	216,498	5,232	1,703	223,433	-	223,433
Internal sales or transfers between segments	245	5,295	2,256	7,796	(7,796)	-
Total	216,743	10,527	3,959	231,229	(7,796)	223,433
Segment profit	8,847	4,321	1,067	14,235	65	14,300

- Profit in the retail business was 8.2 billion yen which is our mainstay.
- Profit in the tenant leasing business was 4.4 billion yen.
- Profit in other business was 1.9 billion yen.

Balance Sheet

Consolidated	(Millions of yen)		Consolidated	(Millions of yen)	
	As of September 30, 2018	Change from June 30, 2018		As of September 30, 2018	Change from June 30, 2018
Total current assets	288,808	52,195	Total current liabilities	182,695	10,809
Cash and deposits	119,407	47,434	Accounts payable	97,752	4,722
Merchandise	137,142	1,361	Short-term liabilities*	29,477	8,073
Total noncurrent assets	582,904	12,739	Total noncurrent liabilities	375,905	53,508
Total property, plan and equipment	363,536	15,623	Long-term bonds	90,166	(1,108)
Buildings	146,725	13,310	Long-term borrowings	255,777	55,109
Land	193,518	4,652	Long-term payables under fluidity lease receivables	10,272	(1,832)
Total intangible assets	28,969	722	Total liabilities	558,600	64,317
Goodwill	17,917	317	Net assets	313,112	617
Total investments and other assets	190,399	(3,606)	Total shareholders' equity	293,176	1,839
Lease and guarantee deposits	46,272	(222)	Non-controlling interests	19,211	(2,576)
Total assets	871,712	64,934	Liabilities and net assets	871,712	64,934

* 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 from financial institutions to implement aggressive growth strategies.
- Merchandise : Inventory investment for low-turnover products such as luxuries were minimized.
- Payables associated with the liquidation of receivables : 17.6 billion yen.

Cash flows and Capital expenditure

(Millions of yen)

Consolidated Cash Flows	3 months to September 2018	3 months to September 2017	Change
Cash and equivalents at beginning of period	75,833	78,094	(2,211)
Cash flows from operating activities	14,603	12,385	2,218
Cash flows from investing activities	(14,623)	(28,267)	13,644
Cash flows from financing activities	49,591	94,726	(45,135)
Net increase (decrease) in cash and equivalents	49,999	79,268	(29,269)
Cash and equivalents at end of period	125,882	157,362	(31,480)

(Millions of yen)

Consolidated Capital Expenditures	3 months to September 2018	3 months to September 2017	Change
Capital expenditures	15,530	11,837	3,693
Cash flows*	11,323	8,555	2,768
Net increase (decrease)	(4,207)	(3,283)	(924)

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

- Cash flow from operating activities was 14.6 billion yen positive. Positive factors :17.6 billion yen of income before income taxes, 4.4 billion yen of depreciation and amortization. Negative factors : 1.1 billion yen increase in inventory and 8.3 billion yen for corporate tax payment.
- Cash flow from financing activities was 49.6 billion yen positive mainly due to 62 billion yen of net increase of long-term loans, 4.3 billion yen of dividend payment.
- Capex was 15.5 billion yen. (DQ: 10.3 bil, Nagasakiya: 0.9 bil, JAM: 4.1 bil). Free Cash Flow was 4.2 billion yen negative.

Forecast for 1H of June 2019

Consolidated (Millions of yen)	FY2019 1H Revised Forecast			FY2018 1H Forecast (Announced Aug.10,2018)	
	Plan	Share	YoY	Plan	Share
Net sales	512,000	100.0%	110.6%	503,000	100.0%
Gross profit	135,000	26.4%	112.3%	131,800	26.2%
SGA	105,000	20.5%	115.5%	102,300	20.3%
Operating profit	30,000	5.9%	102.6%	29,500	5.9%
Recurring profit	35,000	6.8%	112.7%	32,400	6.4%
Net profit	21,500	4.2%	115.1%	19,500	3.9%
EPS (Yen)	135.91	—	115.1%	123.27	—
Depreciation	7,600	1.5%	111.1%	7,600	1.5%

- 1H forecast : 512 billion yen, OP :30 billion yen, RP : 35 billion yen, NP : 21.5 billion. All items were revised upward from FY19 1H forecast that was announced on August 10, 2018.
- Don Quijote SSS forecast : DQ SSS forecast :+1.3% in 1H +1.0% in 2H and +1.1% for full year.
- UNY Co., Ltd will be consolidated in January 2019. Full year forecast for FY 2019 will be announced on February 5 when 1H results will be disclosed.