

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **August 13, 2019**, Pan Pacific International Holdings Corporation (PIIH) announced earnings results for full-year FY06/19.

Cumulative (JPYmn)	FY06/17				FY06/18				FY06/19				FY06/20 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	201,327	417,694	619,987	828,798	223,433	462,830	703,156	941,508	250,080	513,416	918,990	1,328,874	1,650,000
YoY	7.9%	8.6%	8.9%	9.1%	11.0%	10.8%	13.4%	13.6%	11.9%	10.9%	30.7%	41.1%	24.2%
Gross profit	54,224	110,640	163,905	218,580	59,268	120,176	180,615	243,991	66,732	135,611	252,117	370,527	466,000
YoY	9.2%	7.5%	7.7%	8.3%	9.3%	8.6%	10.2%	11.6%	12.6%	12.8%	39.6%	51.9%	25.8%
GPM	26.9%	26.5%	26.4%	26.4%	26.5%	26.0%	25.7%	25.9%	26.7%	26.4%	27.4%	27.9%	28.2%
SG&A expenses	41,692	84,297	126,767	172,395	44,968	90,929	140,555	192,423	52,229	105,594	205,785	307,417	400,000
YoY	8.6%	9.0%	8.2%	8.6%	7.9%	7.9%	10.9%	11.6%	16.1%	16.1%	46.4%	59.8%	30.1%
SG&A ratio	20.7%	20.2%	20.4%	20.8%	20.1%	19.6%	20.0%	20.4%	20.9%	20.6%	22.4%	23.1%	24.2%
Operating profit	12,532	26,343	37,138	46,185	14,300	29,247	40,060	51,568	14,503	30,017	46,332	63,110	66,000
YoY	10.9%	3.0%	6.3%	6.9%	14.1%	11.0%	7.9%	11.7%	1.4%	2.6%	15.7%	22.4%	4.6%
OPM	6.2%	6.3%	6.0%	5.6%	6.4%	6.3%	5.7%	5.5%	5.8%	5.8%	5.0%	4.7%	4.0%
Recurring profit	12,788	26,928	36,006	45,523	14,301	31,058	43,441	57,218	17,917	35,330	51,758	68,240	66,000
YoY	10.5%	4.1%	2.1%	3.9%	11.8%	15.3%	20.6%	25.7%	25.3%	13.8%	19.1%	19.3%	-3.3%
RPM	6.4%	6.4%	5.8%	5.5%	6.4%	6.7%	6.2%	6.1%	7.2%	6.9%	5.6%	5.1%	4.0%
Net income	8,127	16,459	26,977	33,082	8,465	18,678	27,163	36,405	11,646	23,616	37,052	48,253	45,000
YoY	25.4%	15.6%	36.7%	32.7%	4.2%	13.5%	0.7%	10.0%	37.6%	26.4%	36.4%	32.5%	-6.7%
Net margin	4.0%	3.9%	4.4%	4.0%	3.8%	4.0%	3.9%	3.9%	4.7%	4.6%	4.0%	3.6%	2.7%

Quarterly (JPYmn)	FY06/17				FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	201,327	216,367	202,293	208,811	223,433	239,397	240,326	238,352	250,080	263,336	405,574	409,884
YoY	7.9%	9.4%	9.3%	9.7%	11.0%	10.6%	18.8%	14.1%	11.9%	10.0%	68.8%	72.0%
Gross profit	54,224	56,416	53,265	54,675	59,268	60,908	60,439	63,376	66,732	68,879	116,506	118,410
YoY	9.2%	5.9%	8.3%	9.9%	9.3%	8.0%	13.5%	15.9%	12.6%	13.1%	92.8%	86.8%
GPM	26.9%	26.1%	26.3%	26.2%	26.5%	25.4%	25.1%	26.6%	26.7%	26.2%	28.7%	28.9%
SG&A expenses	41,692	42,605	42,470	45,628	44,968	45,961	49,626	51,868	52,229	53,365	100,191	101,632
YoY	8.6%	9.3%	6.6%	9.3%	7.9%	7.9%	16.8%	13.7%	16.1%	16.1%	101.9%	95.9%
SG&A ratio	20.7%	19.7%	21.0%	21.9%	20.1%	19.2%	20.6%	21.8%	20.9%	20.3%	24.7%	24.8%
Operating profit	12,532	13,811	10,795	9,047	14,300	14,947	10,813	11,508	14,503	15,514	16,315	16,778
YoY	10.9%	-3.3%	15.3%	9.7%	14.1%	8.2%	0.2%	27.2%	1.4%	3.8%	50.9%	45.8%
OPM	6.2%	6.4%	5.3%	4.3%	6.4%	6.2%	4.5%	4.8%	5.8%	5.9%	4.0%	4.1%
Recurring profit	12,788	14,140	9,078	9,517	14,301	16,757	12,383	13,777	17,917	17,413	16,428	16,482
YoY	10.5%	-1.1%	-3.2%	11.3%	11.8%	18.5%	36.4%	44.8%	25.3%	3.9%	32.7%	19.6%
RPM	6.4%	6.5%	4.5%	4.6%	6.4%	7.0%	5.2%	5.8%	7.2%	6.6%	4.1%	4.0%
Net income	8,127	8,332	10,518	6,105	8,465	10,213	8,485	9,242	11,646	11,970	13,436	11,201
YoY	25.4%	7.5%	91.2%	17.3%	4.2%	22.6%	-19.3%	51.4%	37.6%	17.2%	58.4%	21.2%
Net margin	4.0%	3.9%	5.2%	2.9%	3.8%	4.3%	3.5%	3.9%	4.7%	4.5%	3.3%	2.7%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Performance by group Quarterly (JPYmn)	FY06/17				FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales												
PIIH consolidated	201,327	216,367	202,293	208,811	223,433	239,397	240,326	238,352	250,080	263,336	405,574	409,884
YoY	7.9%	9.4%	9.3%	9.9%	11.0%	10.6%	18.8%	14.1%	11.9%	10.0%	68.8%	72.0%
Don Quijote Group	201,327	216,367	202,293	208,811	223,433	239,397	240,326	238,352	250,080	263,336	251,389	255,244
YoY	7.9%	9.4%	9.3%	9.9%	11.0%	10.6%	18.8%	14.1%	11.9%	10.0%	4.6%	7.1%
Uny Group	-	-	-	-	-	-	-	-	-	-	155,063	156,683
YoY	-	-	-	-	-	-	-	-	-	-	-	-
Gross profit												
PIIH consolidated	54,224	56,416	53,265	54,675	59,268	60,908	60,439	63,376	66,732	68,879	116,506	118,410
YoY	9.2%	5.9%	8.3%	9.9%	9.3%	8.0%	13.5%	15.9%	12.6%	13.1%	92.8%	86.8%
GPM	26.9%	26.1%	26.3%	26.2%	26.5%	25.4%	25.1%	26.6%	26.7%	26.2%	28.7%	28.9%
Don Quijote Group	54,224	56,416	53,265	54,675	59,268	60,908	60,439	63,376	66,732	68,879	63,676	65,593
YoY	9.2%	5.9%	8.3%	9.9%	9.3%	8.0%	13.5%	15.9%	12.6%	13.1%	5.4%	3.5%
GPM	26.9%	26.1%	26.3%	26.2%	26.5%	25.4%	25.1%	26.6%	26.7%	26.2%	25.3%	25.7%
Uny Group	-	-	-	-	-	-	-	-	-	-	53,104	53,534
YoY	-	-	-	-	-	-	-	-	-	-	-	-
GPM	-	-	-	-	-	-	-	-	-	-	34.2%	34.2%
SG&A expenses												
PIIH consolidated	41,692	42,605	42,470	45,628	44,968	45,961	49,626	51,868	52,229	53,365	100,191	101,632
YoY	8.6%	9.3%	6.6%	9.9%	7.9%	7.9%	16.8%	13.7%	16.1%	16.1%	101.9%	95.9%
SG&A ratio	20.7%	19.7%	21.0%	21.9%	20.1%	19.2%	20.6%	21.8%	20.9%	20.3%	24.7%	24.8%
Don Quijote Group	41,692	42,605	42,470	45,628	44,968	45,961	49,626	51,868	52,229	53,365	53,532	54,693
YoY	8.6%	9.3%	6.6%	9.9%	7.9%	7.9%	16.8%	13.7%	16.1%	16.1%	7.9%	5.4%
SG&A ratio	20.7%	19.7%	21.0%	21.9%	20.1%	19.2%	20.6%	21.8%	20.9%	20.3%	21.3%	21.4%
Uny Group	-	-	-	-	-	-	-	-	-	-	46,933	47,781
YoY	-	-	-	-	-	-	-	-	-	-	-	-
SG&A ratio	-	-	-	-	-	-	-	-	-	-	30.3%	30.5%
Operating profit												
PIIH consolidated	12,532	13,811	10,795	9,047	14,300	14,947	10,813	11,508	14,503	15,514	16,315	16,778
YoY	10.9%	-3.3%	15.3%	9.7%	14.1%	8.2%	0.2%	27.2%	1.4%	3.8%	50.9%	45.8%
OPM	6.2%	6.4%	5.3%	4.3%	6.4%	6.2%	4.5%	4.8%	5.8%	5.9%	4.0%	4.1%
Don Quijote Group	12,532	13,811	10,795	9,047	14,300	14,947	10,813	11,508	14,503	15,514	10,144	10,900
YoY	10.9%	-3.3%	15.3%	9.7%	14.1%	8.2%	0.2%	27.2%	1.4%	3.8%	-6.2%	-5.3%
OPM	6.2%	6.4%	5.3%	4.3%	6.4%	6.2%	4.5%	4.8%	5.8%	5.9%	4.0%	4.3%
Uny Group	-	-	-	-	-	-	-	-	-	-	6,171	5,753
YoY	-	-	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-	-	-	4.0%	3.7%

Source: Shared Research based on company data

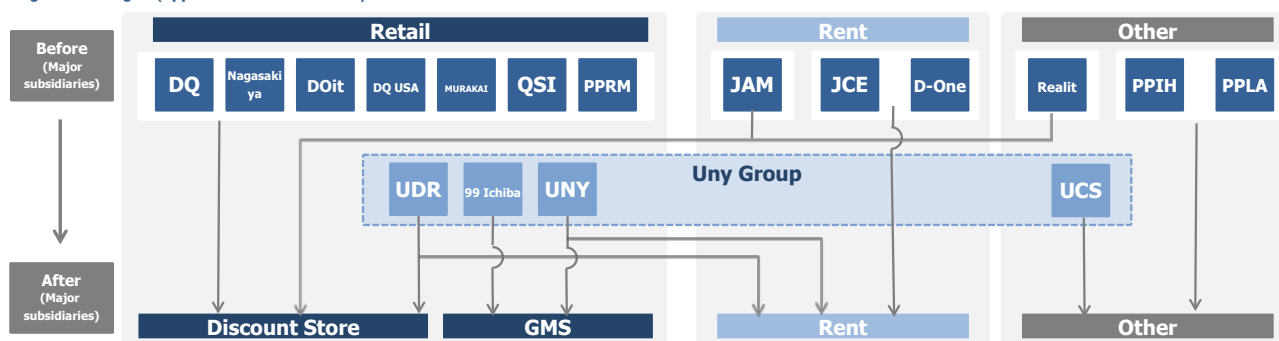
By segment	FY06/17				FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	201,327	417,694	619,987	828,798	223,433	462,830	703,156	941,508	250,080	513,416	918,990	1,328,874
YoY	7.9%	8.6%	8.9%	9.1%	11.0%	10.8%	13.4%	13.6%	11.9%	10.9%	30.7%	41.1%
Discount Store							689,393	923,042	-	-	756,449	1,015,924
YoY							-	-	-	-	9.7%	10.1%
GMS											133,953	266,058
YoY											-	-
Rent							12,984	17,420			24,156	39,132
YoY							-	-			86.0%	124.6%
Other							779	1,046			4,432	7,760
YoY							-	-			468.9%	641.9%
Operating profit	12,532	26,343	37,138	46,185	14,300	29,247	40,060	51,568	14,503	30,017	46,332	63,110
YoY	10.9%	3.0%	6.3%	6.9%	14.1%	11.0%	7.9%	11.7%	1.4%	2.6%	15.7%	22.4%
OPM	6.2%	6.3%	6.0%	5.6%	6.4%	6.3%	5.7%	5.5%	5.8%	5.8%	5.0%	4.7%
Discount Store							39,906	51,508			39,355	49,589
YoY							-	-			-1.4%	-3.7%
OPM							5.8%	5.6%			5.2%	4.9%
GMS											3,141	7,039
YoY											-	-
OPM											2.3%	2.6%
Rent							2,067	2,768			4,495	7,795
YoY							-	-			117.5%	181.6%
OPM							15.9%	15.9%			18.6%	19.9%
Other							-1,916	-2,691			-768	-1,240
YoY							-	-			-	-
OPM							-246.0%	-257.3%			-17.3%	-16.0%
Adjustments							3	-17			109	-73

Source: Shared Research based on company data

By segment	FY06/17				FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	201,327	417,694	619,987	828,798	223,433	462,830	703,156	941,508	250,080	513,416	918,990	1,328,874
YoY	7.9%	8.6%	8.9%	9.1%	11.0%	10.8%	13.4%	13.6%	11.9%	10.9%	30.7%	41.1%
Discount Store							689,393	923,042			756,449	1,015,924
YoY							-	-			9.7%	10.1%
Electric appliances	16,479	35,490	53,121	68,912	18,418	40,010	59,970	76,698	19,405	41,290	61,886	80,125
YoY	13.2%	13.7%	13.8%	13.0%	11.8%	12.7%	12.9%	11.3%	5.4%	3.2%	3.2%	4.5%
% of total sales							8.7%				8.2%	7.9%
Household goods	43,148	87,783	133,377	183,505	53,356	108,408	162,482	217,257	57,232	114,961	172,162	231,835
YoY	11.6%	12.1%	14.3%	16.7%	23.7%	23.5%	21.8%	18.4%	7.3%	6.0%	6.0%	6.7%
% of total sales							23.6%				22.8%	22.8%
Foods	63,874	133,984	203,394	274,553	73,231	153,557	232,745	311,565	81,143	167,943	257,625	350,897
YoY	12.5%	13.1%	13.5%	13.4%	14.6%	14.6%	14.4%	13.5%	10.8%	9.4%	10.7%	12.6%
% of total sales							33.8%				34.1%	34.5%
Watches & fashion merchandise	40,881	85,796	121,728	158,451	40,051	83,838	122,153	159,904	41,491	83,906	121,893	162,397
YoY	5.2%	6.9%	4.8%	2.8%	-2.0%	-2.3%	0.3%	0.9%	3.6%	0.1%	-0.2%	1.6%
% of total sales							17.7%				16.1%	16.0%
Sports & leisure goods	15,016	30,444	41,128	53,596	15,803	31,079	42,549	54,946	15,821	30,871	42,570	55,889
YoY	2.2%	1.8%	2.6%	3.6%	5.2%	2.1%	3.5%	2.5%	0.1%	-0.7%	0.0%	1.7%
% of total sales							6.2%				5.6%	5.5%
DIY goods	3,721	7,790	11,470	15,814	3,992	8,167	11,927	16,216	3,720	7,895	11,542	15,448
YoY	-9.9%	-0.6%	-2.8%	2.1%	7.3%	4.8%	4.0%	2.5%	-6.8%	-3.3%	-3.2%	-4.7%
% of total sales							1.7%				1.5%	1.5%
Overseas	8,565	16,772	26,936	35,925	8,817	17,926	41,741	65,480	20,957	45,255	72,268	96,996
YoY	-11.5%	-14.0%	-12.2%	-9.8%	2.9%	6.9%	55.0%	82.3%	137.7%	152.5%	73.1%	48.1%
% of total sales							6.1%				9.6%	9.5%
Other							15,826	20,976			16,502	22,337
YoY							-	-			4.3%	6.5%
% of total sales							2.3%	2.3%			2.2%	2.2%
GMS											133,953	266,058
YoY											-	-
Electric appliances											17,445	35,719
YoY											-	-
% of total sales											13.0%	13.4%
Household goods											19,370	32,378
YoY											-	-
% of total sales											14.5%	12.2%
Foods											92,500	185,532
YoY											-	-
% of total sales											69.1%	69.7%
Watches & fashion merchandise											4,638	12,429
YoY											-	-
% of total sales											3.5%	4.7%

Source: Shared Research based on company data

Segment changes (applied from Q3 FY06/19)



Source: Shared Research based on company data

SG&A expenses, store count, and comparable store sales

SG&A expenses (JPYmn)	FY06/17				FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	41,692	42,605	42,471	45,628	44,968	45,961	49,626	51,868	52,229	53,365	100,191	101,632
YoY	8.6%	9.3%	6.6%	9.9%	7.9%	7.9%	16.8%	13.7%	16.1%	16.1%	101.9%	95.9%
Salaries and allowances	16,049	16,075	16,128	16,286	16,718	17,313	18,760	19,150	19,425	20,180	35,901	35,979
YoY	13.4%	8.9%	6.6%	7.3%	4.2%	7.7%	16.3%	17.6%	16.2%	16.6%	91.4%	87.9%
Rents	5,638	5,749	5,814	6,156	6,602	6,800	7,443	7,485	7,453	7,689	13,453	13,536
YoY	9.4%	13.1%	12.3%	13.5%	17.1%	18.3%	28.0%	21.6%	12.9%	13.1%	80.7%	80.8%
Commission fees	4,362	5,062	4,584	5,516	5,593	5,573	5,352	6,439	6,033	6,746	15,565	15,428
YoY	2.5%	11.0%	1.1%	11.2%	28.2%	10.1%	16.8%	16.7%	7.9%	21.0%	190.8%	139.6%
Depreciation and amortization	3,338	3,455	3,563	3,719	3,343	3,498	3,896	4,078	3,669	3,940	6,193	6,210
YoY	12.1%	8.9%	4.5%	-0.6%	0.1%	1.2%	9.3%	9.7%	9.8%	12.6%	59.0%	52.3%
Other	12,305	12,264	12,381	13,951	12,712	12,777	14,175	14,716	15,648	14,810	29,079	30,480
YoY	3.9%	7.5%	7.0%	14.3%	3.3%	4.2%	14.5%	5.5%	23.1%	15.9%	105.1%	107.1%

Store count by format	FY06/17				FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Don Quijote	195	196	197	198	199	204	206	209	212	215	213	212
MEGA	39	40	40	40	40	41	42	43	43	43	43	44
New MEGA	61	64	67	72	73	77	78	80	81	83	87	88
MEGA Don Quijote Uny	-	-	-	-	-	-	-	-	-	-	10	16
Apita / Piago	-	-	-	-	-	-	-	-	-	-	182	176
Picasso	20	20	20	21	21	21	21	23	26	26	26	21
Kyo Yasu Do	3	3	4	4	4	3	4	4	4	4	3	4
mini Piago	-	-	-	-	-	-	-	-	-	-	74	73
Doit	14	15	16	17	17	17	17	18	17	16	15	15
Nagasakiya	2	2	2	2	2	2	2	2	2	2	2	2
Overseas	14	14	14	14	37	38	38	39	39	40	40	42

Store count by company	FY06/17				FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Don Quijote	-	-	-	292	294	303	306	313	320	325	327	322
Nagasakiya	39	40	40	40	40	41	42	43	43	43	43	44
UD Retail	-	-	-	-	-	-	-	-	-	-	10	16
Uny	-	-	-	-	-	-	-	-	-	-	182	176
Doit	14	15	16	17	17	17	17	18	17	16	15	15
Lirack	3	3	4	4	4	3	4	4	4	4	3	4
99 Ichiba	-	-	-	-	-	-	-	-	-	-	74	73
Daishin	1	1	1	1	1	1	1	1	1	1	1	1
SUM: Japan	-	-	-	-	356	365	370	379	385	389	655	651
Don Quijote (USA)	3	3	3	3	4	4	4	4	4	3	3	4
Marukai	11	11	11	11	9	9	9	9	9	10	10	10
QSI	-	-	-	-	24	24	24	24	24	24	24	24
PPRM	-	-	-	-	-	1	1	2	2	2	2	3
SUM: Overseas	-	-	-	-	37	38	38	39	39	40	40	42
Total	348	354	360	368	393	403	408	418	424	429	695	693

Comparable stores (cumulative)	FY06/17				FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales increase	1.9%	2.1%	2.3%	2.6%	5.6%	4.8%	4.5%	4.1%	1.6%	0.6%	1.0%	1.2%
Domestic	-	2.0%	2.1%	2.0%	4.0%	2.8%	2.4%	1.9%	0.1%	-0.8%	-0.2%	0.2%
Duty-free	-	0.1%	0.4%	0.6%	1.6%	2.0%	2.1%	2.2%	1.5%	1.4%	1.2%	1.0%
Customer count	0.6%	1.2%	1.7%	2.2%	4.6%	3.7%	3.0%	2.3%	-0.9%	-0.7%	-0.2%	0.3%
Customer spend	1.3%	0.9%	0.5%	0.4%	0.9%	1.1%	1.5%	1.8%	2.5%	1.3%	1.2%	0.9%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Full-year FY06/19 results (out August 13, 2019)

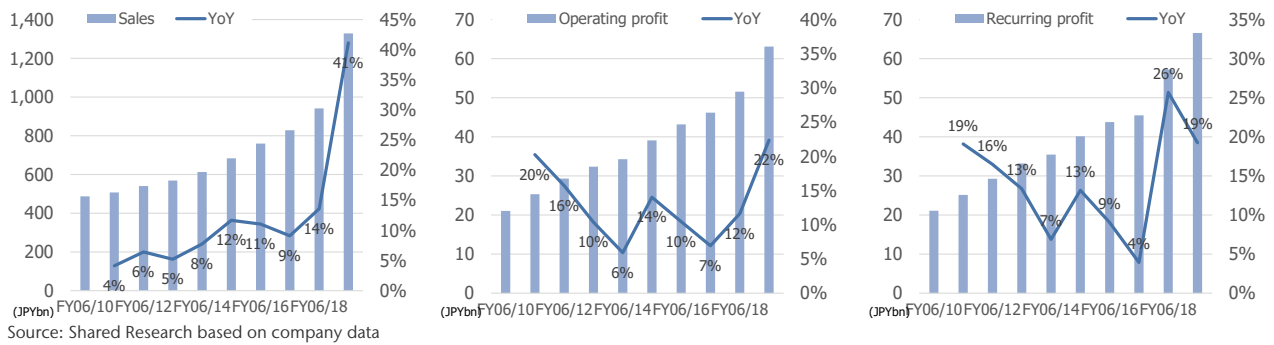
Results summary

- ▷ FY06/19 results: The company reported full-year sales of JPY1.3tn (+41.1% YoY), operating profit of JPY63.1bn (+22.4% YoY), and net income attributable to parent company shareholders of JPY48.3bn (+32.5% YoY). This was in line with its previous forecast for sales of JPY1.3tn, operating profit of JPY63.0bn, and net income of JPY48.0bn, and also a new record high. At the end of FY06/19, the group had a total of 693 stores in operation and had achieved an ROE of 15.6%, thereby achieving the targets of JPY1.0tn in sales, 500 stores, and an ROE of 15% set out for FY06/20 under its Vision 2020 plan (announced in August 2015) one year ahead of schedule.
- ▷ Impact of Uny on consolidated results: The inclusion of Uny in consolidated results starting in Q3 (January–March 2019) added JPY311.7bn to sales and JPY11.9bn to operating profit in FY06/19, according to company estimates (not audited). At the time it was added to the group, Uny had a total of 269 stores in operation. As of the end of FY06/19, this number was down to 265 stores.
- ▷ DQ Group: The DQ Group (excluding Uny and its subsidiaries) reported FY06/19 sales of JPY1.0tn (+8.3% YoY), gross profit of JPY264.9bn (+8.6% YoY), and operating profit of JPY51.1bn (-1.0% YoY). The 428 stores the DQ Group had in operation at the end of FY06/19 represented a net increase of 10 stores or 2.4%. Sales at existing stores finished up 1.2% YoY, with 1.0pp of this from sales to inbound tourists and 0.2pp from domestic sales. By product category, the main growth drivers were food (+12.6% YoY), household goods (+6.7% YoY), and electric appliances (+4.5% YoY). Sales of sports & leisure goods rose a modest 1.7% YoY and sales of watches & fashion merchandise rose just 1.6% YoY. Sales of DIY goods were down 4.7% YoY. The full-year gross profit margin of 26.0% was up 0.1pp YoY. The SG&A expense ratio of 21.0% was up 0.6pp YoY, pushed up by increases in personnel expenses and commission payments.
- ▷ Dual-name stores: The change to its dual-name format at the first six stores (now in their second year in operation) has led to average growth in sales of 75%, growth in customer traffic of 46%, and growth in gross profit of 56% as of the April–June 2019 quarter compared with pre-conversion quarterly figures. This compares with growth in sales of 85%, growth in customer traffic of 56%, and growth in gross profit of 54% during the first three months of the first year following conversion, which means quarterly sales and customer traffic have come down a bit but gross profit is holding at the same level. During the first three months, the six dual-name stores had to prominently feature special bargain goods (on which they accepted lower gross margins) in order to increase name recognition, but the stores are well past that point and for some time have been focusing mainly on profit management. The ten stores that have been converted to the dual-name format since the start of 2019 are said to be off to a strong start, with sales up 123%, customer traffic up 68%, and gross profit up 107% compared with pre-conversion figures. The company is looking to have 26 more dual-name format stores in operation by the end of FY06/20, then get the total number of dual-name format stores up to around 70 by the end of FY06/21, then up to around 100 by the end of FY06/22. As before, the company is looking to increase the amount of operating profit generated by the Uny Group by JPY20.0bn over its pre-acquisition level by FY06/24.
- ▷ Sales to inbound tourists: Don Quijote reported duty-free sales of some JPY68.4bn (+20.4% YoY), with this accounting for 9.8% of total sales by Don Quijote. By country, tourists from China accounted for 40.5% of its duty-free sales, tourists from South Korea 22.5%, and tourists from Taiwan 13.6%. Tourists from major ASEAN countries accounted for 16.3% of duty-free sales, with this figure rising steadily over the course of the year.
- ▷ FY06/20 forecast: For FY06/20, the company forecasts full-year sales of JPY1.7tn (+24.2% YoY), operating profit of JPY66.0bn (+4.6% YoY), recurring profit of JPY66.0bn (-3.3% YoY), and net income of JPY45.0bn (-6.7% YoY). The company expects the addition of Uny as a consolidated subsidiary to push up 1H consolidated sales by 61.7% YoY and 1H consolidated operating profit by 13.3% YoY. In contrast, it expects Uny to add only 0.6% to 2H consolidated sales and push down 2H consolidated

operating profit by 3.3%. The projected decline in full-year recurring profit reflects the dropout of JPY5.1bn in non-operating income booked in FY06/19; the company expects to book no non-operating income or losses on a net basis in FY06/20.

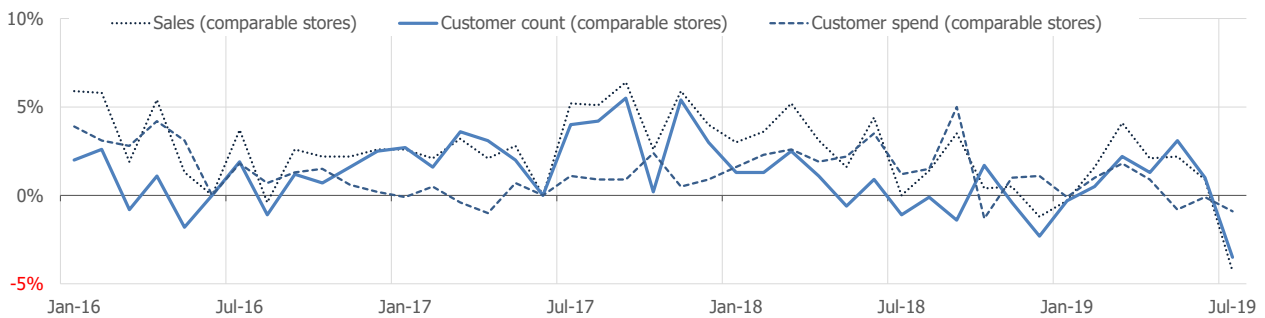
- ▷ The 4-for-1 stock split previously announced by the company will go into effect September 1, 2019. The annual dividend of JPY11.0 per share indicated for FY06/20 represents an increase of JPY1.0 per share. For FY06/20, the company anticipates dividend payout ratio of 15.5%. In the medium term, it targets the payout ratio of at least 20%.
- ▷ Key assumptions underlying the company's FY06/20 forecast including capital spending of JPY40.0bn, at least 20 new store openings (including overseas), at least 25 conversions into dual-name format stores, and flat same store sales at both Don Quijote and Uny.
- ▷ Change in president and medium-term business plan: The company has announced that it will appoint Naoki Yoshida, currently Senior Managing Director and CAO, to the position of Representative Director (President and CEO) after its annual general shareholders meeting scheduled for September 25, 2019. As the next president, Naoki Yoshida will be heading the effort to put together a new medium-term business plan under which the company will be targeting sales of JPY2.0tn and an operating profit of JPY100.0bn. The company plans to make public the new business plan in February 2020.
- ▷ Naoki Yoshida: After working for McKinsey & Company Japan and a number of other companies, Naoki Yoshida came onboard the PPIH group as president of Don Quijote (USA). In addition to heading up the group's overseas operations, he also oversees the group's accounting division. He current serves as Senior Managing Director and Chief Administrative Officer (CAO) and also as the Chief Compliance Officer (CCO). When he takes over as President and CEO, Naoki Yoshida will be the third president, the first being the founder, Takao Yasuda, and the second being the current president, Koji Ohara. He will also be the first president that has not worked his way up through the ranks at the company.
- ▷ Corporate governance: The elevation of someone without a sales background like Naoki Yoshida to lead the organization does not mean that the group is shifting its focus away from sales, as there remains plenty of support for the new president from long-time sales veterans including Takeshi Nishii, and the newly nominated directors Kazuhiro Matsumoto, Ken Sakakibara, and Kenji Sekiguchi. With the company having historically been led by someone whose background was in sales, the appointment of Naoki Yoshida as president will certainly represent a change in leadership style toward team-based management. Still, the foundational management principles of the company are those that were laid out by its founder, Takao Yasuda, with one of those principles being delegating authority to subordinates as a means of passing along knowledge to the next generation of leaders. Thus, we find the current President and CEO, Koji Ohara, taking the opening afforded by the achievement of the targets under the medium-term plan one year ahead of schedule as an opportunity to step down as president and give the next president, Naoki Yoshida, roughly four years to devote all his energies to growing the company.
- ▷ Accelerating overseas expansion: After stepping down as President and CEO, Koji Ohara is slated to move into the position of president of the group's US subsidiary, Pan Pacific Retail Management (USA). His appointment to this position overseeing US operations reflects the company's belief that there is a lot of money to be made in the US given the favorable growth in the US economy and the ongoing growth in the US retail market, the declining cost of vacated retail property with fixtures left in place, and the favorable reception given by US consumers to the company's Tokyo Central stores. Because of the importance of overseas expansion in the group's overall expansion plans, Koji Ohara will be given a key role to play on this front. Meanwhile, at the group's ASEAN business (in which company founder Takao Yasuda is still deeply involved), the favorable results from new store openings thus far has prompted the company to step up the pace of new store openings and entry into new markets going forward.

Consolidated earnings

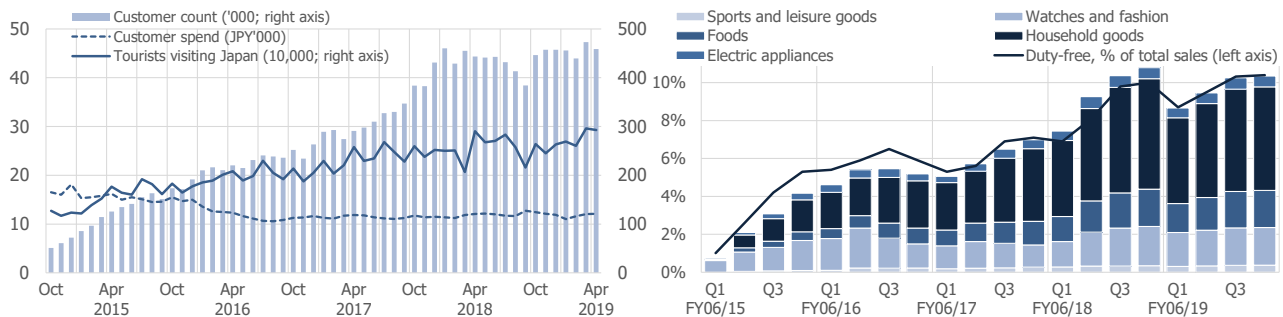


Results of the Don Quijote Group

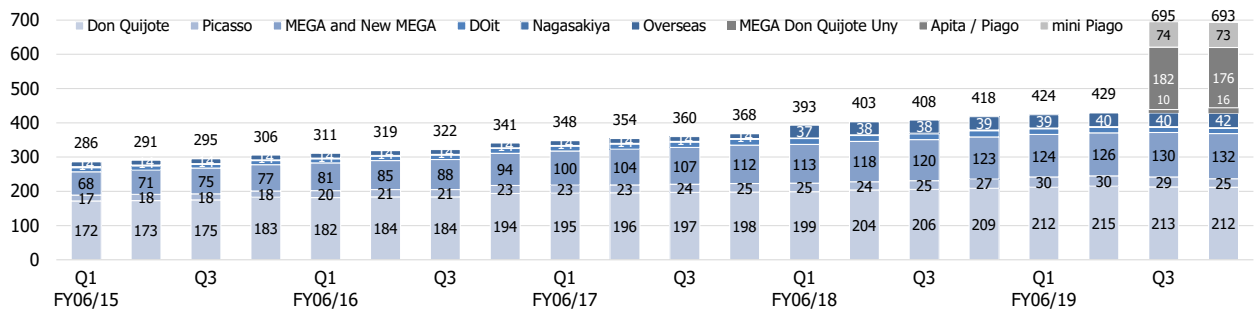
Comparable store sales



Inbound tourists

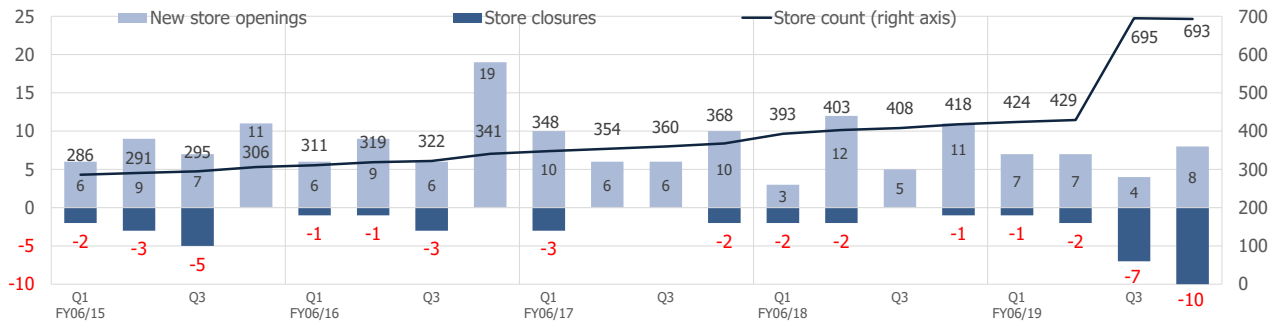


Store count by format



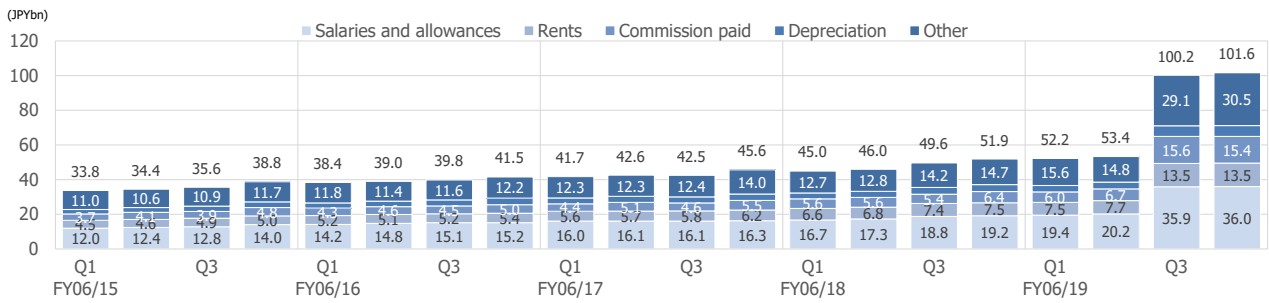
Source: Shared Research based on company data

Store openings and closures



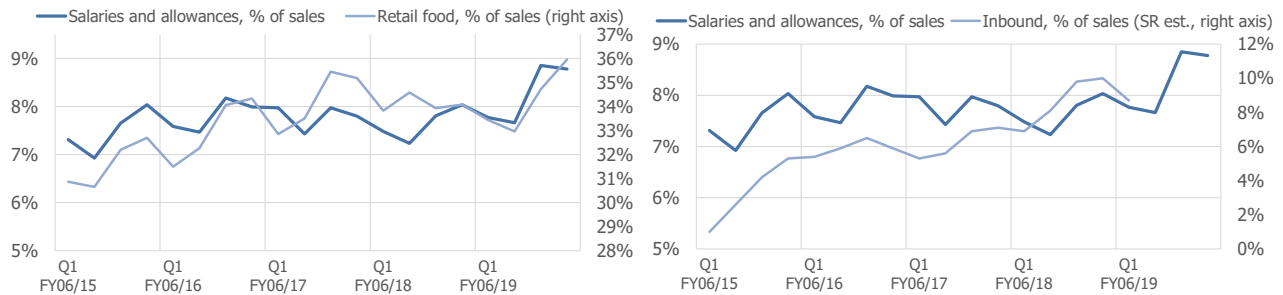
Source: Shared Research based on company data

SG&A expenses



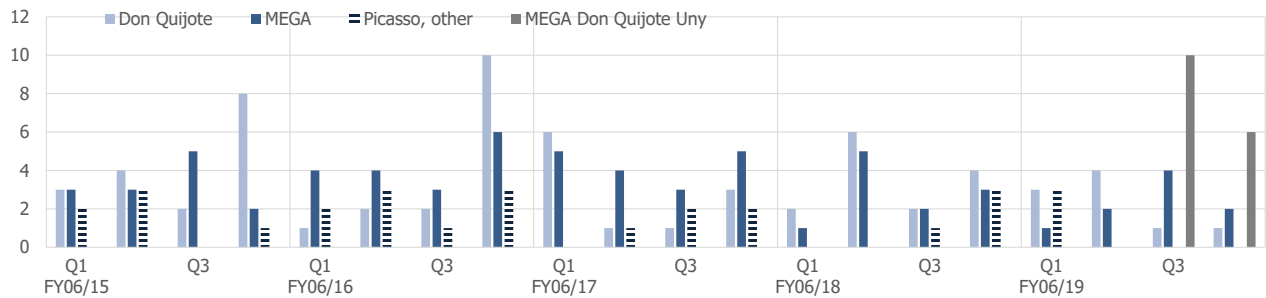
Source: Shared Research based on company data

Salaries and allowances



Source: Shared Research based on company data

Don Quijote, MEGA, and NEW MEGA, MEGA Don Quijote UNY store openings in Japan (including scrap and build, and format changes)



Source: Shared Research based on company data

Full-year company forecasts

(JPYmn)	FY06/18			FY06/19			FY06/20 Est.		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Sales	462,830	478,678	941,508	513,416	815,458	1,328,874	830,000	820,000	1,650,000
YoY	10.8%	16.4%	13.6%	10.9%	70.4%	41.1%	61.7%	0.6%	24.2%
Gross profit	120,176	123,815	243,991	135,611	234,916	370,527	234,000	232,000	466,000
YoY	8.6%	14.7%	11.6%	12.8%	89.7%	51.9%	72.6%	-1.2%	25.8%
GPM	26.0%	25.9%	25.9%	26.4%	28.8%	27.9%	28.2%	28.3%	28.2%
SG&A expenses	90,929	101,494	192,423	105,594	201,823	307,417	200,000	200,000	400,000
SG&A ratio	19.6%	21.2%	20.4%	20.6%	24.7%	23.1%	24.1%	24.4%	24.2%
Operating profit	29,247	22,321	51,568	30,017	33,093	63,110	34,000	32,000	66,000
YoY	11.0%	12.5%	11.7%	2.6%	48.3%	22.4%	13.3%	-3.3%	4.6%
OPM	6.3%	4.7%	5.5%	5.8%	4.1%	4.7%	4.1%	3.9%	4.0%
Recurring profit	31,058	26,160	57,218	35,330	32,910	68,240	34,000	32,000	66,000
YoY	15.3%	40.7%	25.7%	13.8%	25.8%	19.3%	-3.8%	-2.8%	-3.3%
RPM	6.7%	5.5%	6.1%	6.9%	4.0%	5.1%	4.1%	3.9%	4.0%
Net income	18,678	17,727	36,405	23,616	24,637	48,253	21,000	24,000	45,000
YoY	13.5%	6.6%	10.0%	26.4%	39.0%	32.5%	-11.1%	-2.6%	-6.7%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Historical forecast accuracy

Results vs. Initial Est. (JPYmn)		FY06/10	FY06/11	FY06/12	FY06/13	FY06/14	FY06/15	FY06/16	FY06/17	FY06/18	FY06/19
		Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	Initial Est.	497,000	510,000	528,900	560,000	596,300	634,000	730,000	820,000	880,000	1,000,000
	Results	487,571	507,661	540,255	568,377	612,424	683,981	759,592	828,798	941,508	1,328,874
	Results vs. Initial Est.	-1.9%	-0.5%	2.1%	1.5%	2.7%	7.9%	4.1%	1.1%	7.0%	32.9%
Operating profit	Initial Est.	18,000	23,000	27,000	30,500	33,500	34,800	39,800	45,000	48,000	53,000
	Results	21,067	25,336	29,320	32,369	34,292	39,103	43,185	46,185	51,568	63,110
	Results vs. Initial Est.	17.0%	10.2%	8.6%	6.1%	2.4%	12.4%	8.5%	2.6%	7.4%	19.1%
Recurring profit	Initial Est.	17,800	22,000	26,800	30,300	34,000	35,600	40,800	45,500	48,000	58,000
	Results	21,109	25,138	29,283	33,201	35,487	40,160	43,797	45,523	57,218	68,240
	Results vs. Initial Est.	18.6%	14.3%	9.3%	9.6%	4.4%	12.8%	7.3%	0.1%	19.2%	17.7%
Net income	Initial Est.	10,000	11,600	14,000	20,000	21,500	21,500	23,300	26,800	28,000	37,000
	Results	10,238	12,663	19,845	21,141	21,471	23,148	24,938	33,082	36,405	48,253
	Results vs. Initial Est.	2.4%	9.2%	41.8%	5.7%	-0.1%	7.7%	7.0%	23.4%	30.0%	30.4%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

 This note is the most recent addition to the [full report](#).

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <http://www.sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion by us that could influence investment decisions in the company, such opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp