

Don Quijote Holdings. Co., Ltd.

Results for FY 2016

Earnings Results

July 1, 2015 - June 30, 2016

August 17, 2016



Earnings summary

Consolidated (Millions of yen)	12 months to Jun. 2016			12 months to Jun. 2015	
	Actual	Share	YoY	Actual	Share
Net sales	759,592	100.0%	111.1%	683,981	100.0%
Gross profit	201,893	26.6%	111.1%	181,741	26.6%
SGA	158,708	20.9%	111.3%	142,638	20.9%
Operating profit	43,185	5.7%	110.4%	39,103	5.7%
Recurring profit	43,797	5.8%	109.1%	40,160	5.9%
Profit attributable to owners of parent	24,938	3.3%	107.7%	23,148	3.4%
EPS(Yen)	157.76	-	107.3%	147.09	-

- Consolidated and same store sales went up 11.1% and 4.5% YoY respectively. We avoided opportunity losses by expanding daily necessities because customers became more price-conscious after autumn 2015. We successfully increased the wallet share of family customers by being price competitive in each catchment area.
- GPM was flat YoY. Product mix shift boosted SSS, but it dampened GPM temporarily. Sales growth brought GP increase as we planned. Spot procurement and precise price control contributed to improve GPM. Write-downs of slow-moving inventories went smoothly.
- Aggressive new store openings triggered the rise in personnel, supplies expense and depreciation. We increased the headcount to deal with sales-mix shift and tax-free procedure for tourists. The rise of cost, however, was more than offset by the sales growth and excellent cost management.
- Sales and OP went up by 10.4%, beat the consensus estimate, marking the 27th consecutive sales and OP growth.

Same-store sales



	2015 May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	2016 Jan.	Feb.	Mar.	Apr.	May.	June.	July.
Existing stores															
Sales	108.5%	104.4%	108.1%	107.3%	105.3%	106.8%	102.4%	102.5%	105.9%	105.8%	101.9%	105.4%	101.3%	102.4%	103.7%
Customer traffic	103.2%	99.8%	102.0%	101.7%	99.1%	102.8%	98.2%	100.0%	102.0%	102.6%	99.2%	101.1%	98.2%	99.9%	101.9%
Customer spending	105.1%	104.6%	106.0%	105.5%	106.3%	103.9%	104.3%	102.6%	103.9%	103.1%	102.8%	104.2%	103.1%	102.5%	101.8%
Existing store count	207	208	207	209	212	214	216	218	221	220	222	223	226	232	236

- DQ SSS went up 4.5%, traffic +0.5% and spending +3.9% for FY June 2016.
- Domestic customers became more price conscious. Chinese professional buyers decelerated inbound consumption. MD structure change and localization strengthened customer base.

Sales breakdown by product category

Consolidated (Millions of yen)	12 months to Jun. 2016			12 months to Jun. 2015	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	60,978	8.0%	107.3%	56,842	8.3%
Miscellaneous household goods	157,288	20.7%	114.6%	137,260	20.1%
Foods	242,215	31.9%	116.1%	208,541	30.5%
Watches & fashion merchandise	154,183	20.3%	104.6%	147,462	21.6%
Sporting goods & leisure goods	51,722	6.8%	109.3%	47,310	6.9%
Other products	66,947	8.8%	107.1%	62,516	9.1%
Total retail store business	733,333	96.5%	111.1%	659,931	96.5%
Rent income	19,781	2.6%	108.7%	18,200	2.7%
Other business	6,478	0.8%	110.7%	5,850	0.8%
Total	759,592	100.0%	111.1%	683,981	100.0%

Home appliances : POSA cards and smart phone accessories were the two biggest earners. Headsets and mobile appliances were strong.

Household goods : Consumables attracted domestic customers while cosmetic and drugs were popular among tourists.

Foods : Daily delivered food such as eggs and milk took the lead. Product groups across the board achieved high growth.

Watches & Fashion : Slow broker purchase decelerated luxury watches in tax-free sales. Domestic consumption for high-end items had bottomed out. All-season items such as bags and shoes were robust.

Sports & Leisure : Sales skyrocketed thanks to seasonal event goods such as party costumes. Workout equipments greatly contributed.

The number of stores

(Number of stores)	FY2014	FY2015	FY2016
Don Quijote	174	183	194
MEGA	37	36	39
New MEGA	28	41	55
Others	30	32	39
Total stores in Japan	269	292	327
Overseas	14	14	14
Grand Total	283	306	341
Domestic opening	22	33	40
Domestic closure	5	10	5
Net increase	17	23	35

- A record 40 new stores were opened : 15 Don Quijote, 13 New MEGA , 3 MEGA, 2 Kyoyasudo, 2 Doit and 5 small format.
- 5 stores were closed. 3 closed for lease termination, 1 for format conversion and 1 for renewal construction.
- The number of new stores was more than initially planned backed by the greater-than-expected vacated properties.

Key components in SG&A

Consolidated (Millions of yen)	12 months to Jun. 2016			12 months to Jun. 2015	
	Actual	Share	YoY	Actual	Share
Net sales	759,592	100.0%	111.1%	683,981	100.0%
Salary allowance	59,239	7.8%	115.8%	51,158	7.5%
Rent	20,838	2.7%	109.2%	19,088	2.8%
Commission paid	18,309	2.4%	110.5%	16,563	2.4%
Depreciation and amortization	13,301	1.8%	114.0%	11,672	1.7%
Others	47,021	6.2%	106.5%	44,157	6.5%
SGA	158,708	20.9%	111.3%	142,638	20.9%

- SGA to sales ratio was flat YoY.
- Aggressive new store openings triggered the rise in personnel, supplies expense and depreciation. We increased the headcount to deal with sales-mix shift and tax-free procedure for tourists. The rise of cost, however, was more than offset by the sales growth and excellent cost management.

Sales and profit by business

Sales, profit and loss by segment from Jul. 1, 2015, to Jun. 30, 2016 (Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	733,333	19,781	6,478	759,592	-	759,592
Internal sales or transfers between segments	16	18,026	8,486	26,528	(26,528)	-
Total	733,349	37,807	14,964	786,120	(26,528)	759,592
Segment profit	22,746	14,159	6,733	43,638	(453)	43,185

Sales, profit and loss by segment from Jul. 1, 2014, to Jun. 30, 2015 (Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	659,931	18,200	5,850	683,981	-	683,981
Internal sales or transfers between segments	3	15,796	6,308	22,107	(22,107)	-
Total	659,934	33,996	12,158	706,088	(22,107)	683,981
Segment profit	21,417	12,714	5,372	39,503	(400)	39,103

- Profit in the retail business was 22.7 billion yen which is our mainstay.
- Profit in the tenant leasing business was 14.2 billion yen.
- Profit in other business was 6.7 billion.

Sales, profit and asset by subsidiaries

Sales, profit and asset by subsidiaries from Jul. 1, 2015, to Jun. 30, 2016

(Millions of yen)

Consolidated	Don Quijote 1)	Doit	Nagasakiya 2)	Overseas 3)	Accretive 4)	JAM 4)	Consolidated
Net sales	532,671	16,403	157,101	40,706	4,834	16,940	759,592
Operating profit	20,431	1,004	3,923	2,281	1,911	6,970	43,185
Total asset	225,968	22,638	75,635	21,455	21,911	109,027	560,568
Net asset	109,295	18,907	46,242	16,061	8,216	14,734	244,547

PL/1USD=¥119.99

BS/1USD=¥112.69

Sales, profit and asset by subsidiaries from Jul. 1, 2014, to Jun. 30, 2015

(Millions of yen)

Consolidated	Don Quijote 1)	Doit	Nagasakiya 2)	Overseas 3)	Accretive 4)	JAM 4)	Consolidated
Net sales	471,542	17,438	150,639	36,449	3,800	14,228	683,981
Operating profit	20,225	566	3,984	1,647	1,580	5,843	39,103
Total asset	182,387	21,780	72,824	21,751	23,152	93,003	505,666
Net asset	98,788	18,483	44,254	15,525	6,238	9,000	221,367

1) Figures show the results of retail business at DQ. 2) Nagasakiya shows only retail business

3) Overseas includes DQ USA and MARUKAI

4) Sales and OP for Accretive and JAM are the results in the year ended June 2016. Total and net asset figures are as of June 30, 2016.

PL/1USD=¥110.64

BS/1USD=¥120.28

- The rise in cost was more than offset by the sales growth in Don Quijote, Nagasakiya with finely-tuned cost management.
- Doit and Overseas improved profitability as being more efficient.

Balance Sheet

Consolidated	(Millions of yen)	
	As of Jun. 30, 2016	Change from Jun. 30, 2015
Total current assets	195,977	19,996
Cash and deposits	42,894	(6,823)
Merchandise	117,400	22,820
Total noncurrent assets	364,591	34,906
Total property, plant and equipment	292,052	29,925
Buildings	108,114	12,093
Land	165,185	14,538
Total intangible assets	17,005	(524)
Goodwill	6,852	(557)
Total investments and other assets	55,534	5,505
Lease and guarantee deposits	35,645	2,828
Total assets	560,568	54,902

Consolidated	(Millions of yen)	
	As of Jun. 30, 2016	Change from Jun. 30, 2015
Total current liabilities	147,995	3,419
Accounts payable	70,194	9,638
Short-term liabilities*	32,924	(5,674)
Total noncurrent liabilities	168,026	28,303
Long-term bonds	76,471	13,781
Long-term borrowings	45,082	19,926
Long-term payables under fluidity lease receivables	26,876	(7,147)
Total liabilities	316,021	31,722
Net assets	244,547	23,180
Total shareholders' equity	231,788	22,106
Non-controlling interests	12,996	3,983
Liabilities and net assets	560,568	54,902

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

- Cash & deposits : Aggressive new store openings were financed by bank borrowings and straight bonds while trying to improve group-wide cash efficiency.
- Merchandise : Inventories increased as record 40 new store opened and 108 thousand square meters were added. Sales opportunities expanded by having more inventories.
- Payables associated with the liquidation of receivables : 34.0 billion yen was financed by asset-backed loans.

Cash flows and Capital expenditure

Consolidated Cash Flows

(Millions of yen)

	12 months to Jun. 2016	12 months to Jun. 2015	Change
Cash and equivalents at beginning of period	51,292	44,105	7,187
Cash flows from operating activities	29,110	42,520	(13,410)
Cash flows from investing activities	(52,197)	(52,641)	444
Cash flows from financing activities	17,148	16,176	972
Net increase (decrease) in cash and equivalents	(6,796)	7,187	(13,983)
Cash and equivalents at end of period	44,496	51,292	(6,796)

Consolidated Capital Expenditures

(Millions of yen)

	12 months to Jun. 2016	12 months to Jun. 2015	Change
Capital expenditures	51,570	52,727	(1,157)
Cash flows*	36,881	34,646	2,235
Net increase (decrease)	(14,689)	(18,081)	3,392

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

- Cash flow from operating activities was 29.1 billion yen positive.
Positive factors : 42.1 billion yen of income before income taxes and minority interests, 15.1 billion yen of depreciation and amortization, 9.7 billion yen increase in trade payables. Negative factors : 23 billion yen more in inventories and 17.8 billion yen for tax payment.
- Cash flow from financing activities was 17.1 billion yen positive driven by 20.8 billion yen of net increase of long-term borrowings and 7.5 billion yen of corporate bond issued. 3.2 billion yen of dividend payment were negative factors.
- Capex was 51.6 billion yen to acquire properties for new stores for this year and years afterwards.

Earnings summary for Q4

Consolidated (Millions of yen)	3 months to Jun. 2016			3 months to Jun. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	190,045	100.0%	109.2%	174,061	100.0%
Gross profit	49,759	26.2%	112.6%	44,209	25.4%
SGA	41,511	21.8%	107.0%	38,794	22.3%
Operating profit	8,248	4.3%	152.3%	5,415	3.1%
Recurring profit	8,548	4.5%	159.6%	5,357	3.1%
Profit attributable to owners of parent	5,206	2.7%	169.9%	3,065	1.8%
EPS(Yen)	32.93	-	170.1%	19.36	-

Sales breakdown by product category for Q4

Consolidated (Millions of yen)	3 months to Jun. 2016			3 months to Jun. 2015	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	14,315	7.5%	108.9%	13,151	8.6%
Miscellaneous household goods	40,559	21.3%	100.8%	40,251	19.8%
Foods	62,964	33.1%	114.7%	54,918	31.0%
Watches & fashion merchandise	37,976	20.0%	108.2%	35,108	20.8%
Sporting goods & leisure goods	11,634	6.1%	123.5%	9,424	5.9%
Other products	15,958	8.4%	105.4%	15,136	10.2%
Total retail store business	183,406	96.5%	109.2%	167,988	96.5%
Rent income	5,090	2.7%	109.9%	4,632	2.7%
Other business	1,549	0.8%	107.5%	1,441	0.8%
Total	190,045	100.0%	109.2%	174,061	100.0%

Key components in SG&A for Q4

Consolidated (Millions of yen)	3 months to Jun. 2016			3 months to Jun. 2015	
	Actual	Share	YoY	Actual	Share
Net sales	190,045	100.0%	109.2%	174,061	100.0%
Salary allowance	15,183	8.0%	108.5%	13,988	8.0%
Rent	5,423	2.9%	107.5%	5,044	2.9%
Commission paid	4,959	2.6%	102.4%	4,841	2.8%
Depreciation and amortization	3,741	2.0%	114.9%	3,257	1.9%
Others	12,206	6.4%	104.6%	11,664	6.7%
SGA	41,511	21.8%	107.0%	38,794	22.3%

Forecast for fiscal June 2017

Consolidated (Millions of yen)	FY2017 Forecast			FY2017 1H Forecast		
	Plan	Share	YoY	Plan	Share	YoY
Net sales	820,000	100.0%	108.0%	415,000	100.0%	107.9%
Gross profit	220,000	26.8%	109.0%	111,500	26.9%	108.3%
SGA	175,000	21.3%	110.3%	85,500	20.6%	110.5%
Operating profit	45,000	5.5%	104.2%	26,000	6.3%	101.7%
Recurring profit	45,500	5.5%	103.9%	26,200	6.3%	101.3%
Net profit	26,800	3.3%	107.5%	14,500	3.5%	101.9%
EPS(Yen)	169.50	-	107.5%	91.71	-	101.8%
Capital expenditure	45,000	-	87.3%	-	-	-
Depreciation	14,700	1.8%	110.5%	-	-	-

- Full year forecast : Sales 820 billion yen, OP : 45 billion, RP : 45.5 billion, NP : 26.8 billion.
- Don Quijote SSS forecast : DQ SSS forecast : -0.5% in 1H, +0.6% in 2H and flat for full year.