

Don Quijote Holdings. Co., Ltd.

Q3 Results for FY 2017

Earnings Results

July 1, 2016 - March 31, 2017

May 8 ,2017

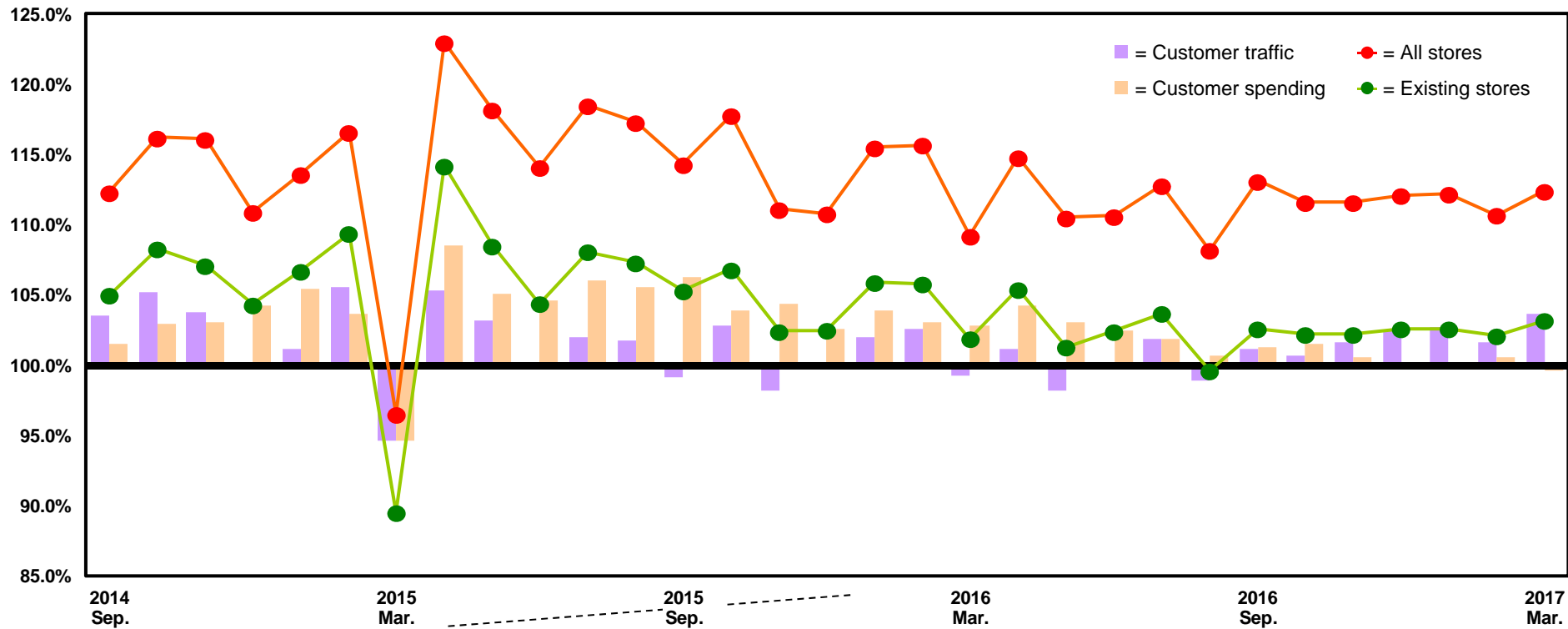


Earnings summary

Consolidated (Millions of yen)	9 months to Mar. 2017			9 months to Mar. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	619,987	100.0%	108.9%	569,547	100.0%
Gross profit	163,905	26.4%	107.7%	152,134	26.7%
SGA	126,767	20.4%	108.2%	117,197	20.6%
Operating profit	37,138	6.0%	106.3%	34,937	6.1%
Recurring profit	36,006	5.8%	102.1%	35,249	6.2%
Profit attributable to owners of parent	26,977	4.4%	136.7%	19,732	3.5%
EPS(Yen)	170.59	-	136.7%	124.83	-

- Consolidated and same store sales went up 8.9% and 2.3% YoY respectively. Our measures as a price leader perfectly met the needs of customers and successfully expanded the customers' wallet share. Tax-free sales for inbound customers have never experienced the negative growth. The drop in per-customer spending hit the bottom last summer and the sharply rising customer traffic is contributing to the strong inbound consumption.
- GPM went down 0.3pts. Offering daily necessity at competitive price was our focus to deal with the tough consumption environment. Gross profit amount increased due to the greater sales by having more repeat customers and gaining larger market share.
- SGA is well-controlled for existing stores. The change in organization structure and measures taken for better efficiency are bearing fruit. The personnel cost naturally increased for aggressive new store openings.
- OP went up by 6.3%, Profit attributable to owners of parent was up 36.7%, both beat YoY results and our guidance.

Same-store sales



Existing stores	2016 Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sep.	Oct.	Nov.	Dec.	2017 Jan.	Feb.	Mar.
Sales	105.9%	105.8%	101.9%	105.4%	101.3%	102.4%	103.7%	99.6%	102.6%	102.2%	102.2%	102.6%	102.6%	102.1%	103.2%
Customer traffic	102.0%	102.6%	99.2%	101.1%	98.2%	99.9%	101.9%	98.9%	101.2%	100.7%	101.6%	102.5%	102.7%	101.6%	103.6%
Customer spending	103.9%	103.1%	102.8%	104.2%	103.1%	102.5%	101.8%	100.7%	101.3%	101.5%	100.6%	100.2%	99.9%	100.5%	99.6%
Existing store count	221	220	222	223	226	232	236	239	236	238	239	240	244	244	245

- DQ SSS went up 2.3%, traffic +1.7% and spending +0.5% for first nine months period. (July-March)
- Strong SSS is largely due to our honest and swift response to budget-conscious customer behaviors.

Sales breakdown by product category

Consolidated (Millions of yen)	9 months to Mar. 2017			9 months to Mar. 2016	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	53,121	8.6%	113.8%	46,663	8.2%
Miscellaneous household goods	133,377	21.5%	114.3%	116,729	20.5%
Foods	203,394	32.8%	113.5%	179,251	31.5%
Watches & fashion merchandise	121,728	19.6%	104.8%	116,207	20.4%
Sporting goods & leisure goods	41,128	6.6%	102.6%	40,087	7.0%
Other products	46,769	7.5%	91.7%	50,991	9.0%
Total retail store business	599,517	96.7%	109.0%	549,928	96.6%
Rent income	15,450	2.5%	105.2%	14,690	2.6%
Other business	5,020	0.8%	101.8%	4,929	0.8%
Total	619,987	100.0%	108.9%	569,547	100.0%

Home appliances : Smart phone accessories took the lead. Popular apps encouraged the mobile batteries. Wireless headsets were strong.

Household goods : Consumables became more popular among domestic and inbound customers. Seasonal items were brisk associated with temperature fluctuation.

Foods : Chocolates were the best contributors. Our pricing strategy for daily items such as milk and bread won customers' wallet share. MEGA attracted more family customers by perishables thanks to its price. Meat and delis were good.

Watches & Fashion : Luxury watches hit the bottom. Casual wear, underwear, shoes and bags were robust.

Sports & Leisure : Workout equipments, character toys and seasonal event items including party costume made a stable growth.

The number of stores

(Number of stores)	FY2015	FY2016	FY2017-1Q	FY2017-2Q	FY2017-3Q
Don Quijote	183	194	195	196	197
MEGA	36	39	39	40	40
New MEGA	41	55	61	64	67
Others	32	39	39	40	42
Total stores in Japan	292	327	334	340	346
Overseas	14	14	14	14	14
Grand Total	306	341	348	354	360
Domestic opening	33	40	10	6	6
Domestic closure	10	5	3	0	0
Net increase	23	35	7	6	6

- 22 new stores opened in 9 months : 8 Don Quijote, 10 New MEGA, 1 MEGA, 2 Doit and 1 Kyo-yasu-do.
- 3 DQ stores closed for relocation and renovation.
- 32 new stores will be opened in FY2017.

Key components in SG&A

Consolidated (Millions of yen)	9 months to Mar. 2017			9 months to Mar. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	619,987	100.0%	108.9%	569,547	100.0%
Salary allowance	48,252	7.8%	109.5%	44,056	7.7%
Rent	17,201	2.8%	111.6%	15,415	2.7%
Commission paid	14,008	2.3%	104.9%	13,350	2.3%
Depreciation and amortization	10,356	1.7%	108.3%	9,560	1.7%
Others	36,950	6.0%	106.1%	34,815	6.2%
SGA	126,767	20.4%	108.2%	117,197	20.6%

- SGA to sales ratio went down 0.2 pts to 20.4%. Increase in personnel cost for new stores were in line with our expectation.
- The change in organization structure and measures taken for better efficiency bear fruit for cost reduction.

Sales and profit by business

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)	-
Total	599,891	30,340	12,101	642,332	(22,345)	619,987
Segment profit	19,673	12,520	5,009	37,202	(64)	37,138

Sales, profit and loss by segment from Jul. 1, 2015, to Mar. 31, 2016

(Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	549,928	14,691	4,928	569,547	-	569,547
Internal sales or transfers between segments	11	13,322	5,947	19,280	(19,280)	-
Total	549,939	28,013	10,875	588,827	(19,280)	569,547
Segment profit	19,673	10,638	4,870	35,181	(244)	34,937

- Profit in the retail business was 19.7 billion yen which is our mainstay.
- Profit in the tenant leasing business was 12.5 billion yen.
- Profit in other business was 5.0 billion.

Balance Sheet

Consolidated	(Millions of yen)	
	As of Mar. 31, 2017	Change from Jun. 30, 2016
Total current assets	219,333	23,356
Cash and deposits	74,059	31,165
Merchandise	118,061	661
Total noncurrent assets	410,372	45,781
Total property, plant and equipment	306,397	14,345
Buildings	116,017	7,903
Land	169,810	4,625
Total intangible assets	16,034	(971)
Goodwill	5,521	(1,331)
Total investments and other assets	87,941	32,407
Lease and guarantee deposits	39,185	3,540
Total assets	629,705	69,137

Consolidated	(Millions of yen)	
	As of Mar. 31, 2017	Change from Jun. 30, 2016
Total current liabilities	155,054	7,059
Accounts payable	81,054	10,860
Short-term liabilities*	25,672	(7,252)
Total noncurrent liabilities	201,203	33,177
Long-term bonds	75,690	(781)
Long-term borrowings	84,812	39,730
Long-term payables under fluidity lease receivables	21,164	(5,712)
Total liabilities	356,257	40,236
Net assets	273,448	28,901
Total shareholders' equity	252,171	20,383
Non-controlling interests	19,849	6,853
Liabilities and net assets	629,705	69,137

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

- Cash & deposits : We financed long-term bank borrowing for capital investment. Sales are strong and inventory is well-controlled.
- Merchandise : Inventory increased for 22 new stores. Inventory level for existing stores is normalized.
- Payables associated with the liquidation of receivables : 28.3 billion yen was financed by asset-backed loans.

Cash flows and Capital expenditure

Consolidated Cash Flows

(Millions of yen)

	9 months to Mar. 2017	9 months to Mar. 2016	Change
Cash and equivalents at beginning of period	44,496	51,292	(6,796)
Cash flows from operating activities	42,850	25,156	17,694
Cash flows from investing activities	(32,634)	(35,826)	3,192
Cash flows from financing activities	21,042	23,498	(2,456)
Net increase (decrease) in cash and equivalents	31,379	12,249	19,130
Cash and equivalents at end of period	75,875	63,541	12,334

Consolidated Capital Expenditures

(Millions of yen)

	9 months to Mar. 2017	9 months to Mar. 2016	Change
Capital expenditures	33,564	34,949	(1,385)
Cash flows*	34,666	27,219	7,447
Net increase (decrease)	1,102	(7,730)	8,832

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

- Cash flow from operating activities was 42.9 billion yen positive.
Positive factors : 46.1 billion yen of income before income taxes, 11.8 billion yen of depreciation and amortization etc.
Negative factors : 7.7 billion yen of gain from sale of fixed asset, 3.0 billion yen of gain from sale of equity affiliate and 12.8 billion yen for tax payment.
- Cash flow from financing activities was 21.0 billion yen positive driven by 26.0 billion yen of net increase of long-term borrowings and 3.5 billion yen of dividend payment were negative factors.
- Capex was 33.6 billion yen (DQ: 17.8 bil, Nagasakiya: 2.0 bil, JAM: 11.4 bil). Free cash flow was 1.1 billion yen positive.

Earnings summary for Q3

Consolidated (Millions of yen)	3 months to Mar. 2017			3 months to Mar. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	202,293	100.0%	109.3%	185,102	100.0%
Gross profit	53,266	26.3%	108.3%	49,192	26.6%
SGA	42,471	21.0%	106.6%	39,826	21.5%
Operating profit	10,795	5.3%	115.3%	9,366	5.1%
Recurring profit	9,078	4.5%	96.8%	9,376	5.1%
Profit attributable to owners of parent	10,518	5.2%	191.3%	5,499	3.0%
EPS(Yen)	66.50	-	191.2%	34.78	-

Sales breakdown by product category for Q3

Consolidated (Millions of yen)	3 months to Mar. 2017			3 months to Mar. 2016	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	17,631	8.7%	114.1%	15,449	8.4%
Miscellaneous household goods	45,595	22.5%	118.8%	38,395	20.7%
Foods	69,409	34.3%	114.2%	60,800	32.9%
Watches & fashion merchandise	35,932	17.8%	100.0%	35,917	19.4%
Sporting goods & leisure goods	10,684	5.3%	104.9%	10,188	5.5%
Other products	16,551	8.2%	93.1%	17,770	9.6%
Total retail store business	195,802	96.8%	109.7%	178,519	96.4%
Rent income	5,100	2.5%	103.0%	4,953	2.5%
Other business	1,391	0.7%	85.3%	1,630	0.9%
Total	202,293	100.0%	109.3%	185,102	100.0%

Key components in SG&A for Q3

Consolidated (Millions of yen)	3 months to Mar. 2017			3 months to Mar. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	202,293	100.0%	109.3%	185,102	100.0%
Salary allowance	16,128	8.0%	106.6%	15,136	8.2%
Rent	5,814	2.9%	112.3%	5,178	2.8%
Commission paid	4,583	2.3%	101.1%	4,535	2.5%
Depreciation and amortization	3,564	1.8%	104.5%	3,411	1.8%
Others	12,381	6.1%	107.0%	11,566	6.2%
SGA	42,471	21.0%	106.6%	39,826	21.5%

Forecast for fiscal June 2017

Consolidated (Millions of yen)	FY2017 Revised forecast			FY2016 Results		
	Plan	Share	YoY	Actual	Share	YoY
Net sales	822,000	100.0%	108.2%	759,592	100.0%	111.1%
Gross profit	217,500	26.4%	107.7%	201,893	26.6%	111.1%
SGA	172,000	20.9%	108.4%	158,708	20.9%	111.3%
Operating profit	45,500	5.5%	105.4%	43,185	5.7%	110.4%
Recurring profit	44,800	5.5%	102.3%	43,797	5.8%	109.1%
Net profit	31,500	3.8%	126.3%	24,938	3.3%	107.7%
EPS(Yen)	199.15	-	126.2%	157.76	-	107.3%
Capital expenditure	45,000	-	87.3%	51,570	-	97.8%
Depreciation	14,300	1.7%	107.5%	13,301	1.8%	114.0%

- Full year forecast revised. Net sales up 2 billion, OP up 0.5 billion, RP down 0.7 billion and NP up 4 billion, against our initial forecast.
- Don Quijote SSS forecast : DQ SSS forecast : +1.7% for full year and flat for Q4.