

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

**Results for FY 2017**

Earnings Results

July 1, 2016 - June 30, 2017

August 15, 2017



# Earnings summary

Consolidated (Millions of yen)	12 months to Jun. 2017			12 months to Jun. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	828,798	100.0%	109.1%	759,592	100.0%
Gross profit	218,580	26.4%	108.3%	201,893	26.6%
SGA	172,395	20.8%	108.6%	158,708	20.9%
Operating profit	46,185	5.6%	106.9%	43,185	5.7%
Recurring profit	45,523	5.5%	103.9%	43,797	5.8%
Profit attributable to owners of parent	33,082	4.0%	132.7%	24,938	3.3%
EPS(Yen)	209.18	-	132.6%	157.76	-

- Consolidated and same store sales went up 9.1% and 2.6% YoY respectively. We executed pricing and merchandising strategy based on the consumer sentiment and external environment. We focused on the rise in traffic and the number of item purchased even if we temporarily sacrificed the gross profit.
- GPM went down 0.2pts. We increased the gross profit thanks to the private brand and spot procured items. Non-food items generated satisfying GP while food items attracted the greater number of customer by being more price-competitive.
- Aggressive new store openings triggered the rise in personnel cost and rent. Personnel cost at existing store went down due to the organization reform. Utility cost and supplies expense dropped. SG&A went down 0.1pts owing to the well-controlled personnel cost.
- OP went up 6.9%, marking the 28th consecutive sales and OP growth. NP jumped by 32.7%. Net profit hit all time high for 8 consecutive years.

# Same-store sales



	2016 July.	Aug.	Sep.	Oct.	Nov.	Dec.	2017 Jan.	Feb.	Mar.	Apr.	May.	June.	July.
Existing stores													
Sales	103.7%	99.6%	102.6%	102.2%	102.2%	102.6%	102.6%	102.1%	103.2%	102.1%	102.8%	105.1%	105.2%
Customer traffic	101.9%	98.9%	101.2%	100.7%	101.6%	102.5%	102.7%	101.6%	103.6%	103.1%	102.0%	104.5%	104.0%
Customer spending	101.8%	100.7%	101.3%	101.5%	100.6%	100.2%	99.9%	100.5%	99.6%	99.0%	100.7%	100.6%	101.1%
Existing store count	236	239	236	238	239	240	244	244	245	247	258	258	266

- DQ SSS went up 2.6%, traffic +2.2% and spending +0.4% for FY June 2017.
- Aggressive new store openings triggered the rise in personnel cost and rent. Personnel cost at existing store went down due to the organization reform. Utility cost and supplies expense dropped. SG&A went down 0.1pts owing to the well-controlled personnel cost.

# Sales breakdown by product category

Consolidated (Millions of yen)	12 months to Jun. 2017			12 months to Jun. 2016	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	68,912	8.3%	113.0%	60,978	8.0%
Miscellaneous household goods	183,505	22.1%	116.7%	157,288	20.7%
Foods	274,553	33.1%	113.4%	242,215	31.9%
Watches & fashion merchandise	158,451	19.1%	102.8%	154,183	20.3%
Sporting goods & leisure goods	53,596	6.5%	103.6%	51,722	6.8%
Other products	62,785	7.6%	93.8%	66,947	8.8%
<b>Total retail store business</b>	<b>801,802</b>	<b>96.7%</b>	<b>109.3%</b>	<b>733,333</b>	<b>96.5%</b>
Rent income	20,559	2.5%	103.9%	19,781	2.6%
Other business	6,437	0.8%	99.4%	6,478	0.8%
<b>Total</b>	<b>828,798</b>	<b>100.0%</b>	<b>109.1%</b>	<b>759,592</b>	<b>100.0%</b>

Home appliances : Headsets took the lead. Smart phone goods such as batteries were strong. Private Brand TV attracted a huge attention.  
Household goods : Daily consumables including kitchen goods made a stable growth. Temperature fluctuation encouraged seasonal items.  
Foods : Snacks including chocolates were robust. Daily delivered and processed food drew more frequent customers.  
Watches & Fashion : Luxury watches hit the bottom. Underwear and sporting wear grew sharply. Bags and shoes were brisk.  
Sports & Leisure : Workout equipments and character toys boosted the sales. Leisure goods and seasonal event goods were good.

# The number of stores

(Number of stores)	FY2015	FY2016	FY2017
Don Quijote	183	194	198
MEGA	36	39	40
New MEGA	41	55	72
Others	32	39	44
Total stores in Japan	292	327	354
Overseas	14	14	14
Grand Total	306	341	368
Domestic opening	33	40	32
Domestic closure	10	5	5
Net increase	23	35	27

- 32 new stores were opened : 11 Don Quijote, 15 New MEGA , 1 MEGA, 1 Kyo-yasu-do, 3 Doit and 1 Picasso.
- 5 stores were closed. 2 closed for insufficient profitability, 2 for relocation and 1 for renewal construction.
- 60% of new stores were formally occupied by other retailers.

# Key components in SG&A

Consolidated (Millions of yen)	12 months to Jun. 2017			12 months to Jun. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	828,798	100.0%	109.1%	759,592	100.0%
Salary allowance	64,538	7.8%	108.9%	59,239	7.8%
Rent	23,357	2.8%	112.1%	20,838	2.7%
Commission paid	19,524	2.4%	106.6%	18,309	2.4%
Depreciation and amortization	14,075	1.7%	105.8%	13,301	1.8%
Others	50,901	6.1%	108.3%	47,021	6.2%
SGA	172,395	20.8%	108.6%	158,708	20.9%

- SGA to sales ratio went down by 0.1pts YoY as costs were perfectly controlled.
- Aggressive new store openings triggered the rise in personnel cost and rent. Personnel cost at existing store went down due to the organization reform. Utility cost and supplies expense dropped. SG&A went down 0.1pts owing to the well-controlled personnel cost.

# Sales and profit by business

Sales, profit and loss by segment from Jul. 1, 2016, to Jun. 30, 2017

(Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	801,802	20,559	6,437	828,798	-	828,798
Internal sales or transfers between segments	487	20,054	9,156	29,697	(29,697)	-
<b>Total</b>	<b>802,289</b>	<b>40,613</b>	<b>15,593</b>	<b>858,495</b>	<b>(29,697)</b>	<b>828,798</b>
<b>Segment profit</b>	<b>23,693</b>	<b>16,123</b>	<b>6,395</b>	<b>46,211</b>	<b>(26)</b>	<b>46,185</b>

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)	-
<b>Total</b>	<b>733,349</b>	<b>37,807</b>	<b>14,964</b>	<b>786,120</b>	<b>(26,528)</b>	<b>759,592</b>
<b>Segment profit</b>	<b>22,746</b>	<b>14,159</b>	<b>6,733</b>	<b>43,638</b>	<b>(453)</b>	<b>43,185</b>

- Profit in the retail business was 23.7 billion yen which is our mainstay.
- Profit in the tenant leasing business was 16.1 billion yen.
- Profit in other business was 6.4 billion.

# Sales, profit and asset by subsidiaries

Sales, profit and asset by subsidiaries from Jul. 1, 2016, to Jun. 30, 2017

(Millions of yen)

Consolidated	Don Quijote 1)	Doit	Nagasakiya 2)	Overseas 3)	JAM 4)	Accretive 5)	Consolidated
Net sales	596,419	16,708	165,700	36,636	18,109	1,698	828,798
Operating profit	22,492	418	4,814	1,303	7,395	705	46,185
Total asset	240,624	22,936	80,540	23,038	140,255	–	642,868
Net asset	119,447	19,435	48,692	16,731	67,131	–	279,930

PL/1USD= ¥108.88

BS/1USD= ¥112.18

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

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

3) Overseas includes DQ USA and MARUKAI

4) Profit & Loss statement for JAM shows results from July 2016 to June 2017. Balance Sheet shows results as of June 30, 2017.

5) Accretive was transferred from subsidiary to equity affiliate in January 19, 2017.

PL/1USD= ¥119.99

BS/1USD= ¥112.69

- Don Quijote and Nagasakiya enjoyed the record high profit.
- Doit and Overseas were impacted by external factors, however, these business areas started new format stores.



# Balance Sheet

Consolidated	(Millions of yen)	
	As of Jun. 30, 2017	Change from Jun. 30, 2016
Total current assets	227,585	31,608
Cash and deposits	76,340	33,446
Merchandise	123,969	6,569
Total noncurrent assets	415,283	50,692
Total property, plant and equipment	310,766	18,714
Buildings	118,623	10,509
Land	171,018	5,833
Total intangible assets	15,888	(1,117)
Goodwill	5,363	(1,489)
Total investments and other assets	88,629	33,095
Lease and guarantee deposits	40,474	4,829
Total assets	642,868	82,300

Consolidated	(Millions of yen)	
	As of Jun. 30, 2017	Change from Jun. 30, 2016
Total current liabilities	164,825	16,830
Accounts payable	85,661	15,467
Short-term liabilities*	25,022	(7,901)
Total noncurrent liabilities	198,113	30,087
Long-term bonds	74,890	(1,581)
Long-term borrowings	84,638	39,556
Long-term payables under fluidity lease receivables	19,366	(7,510)
Total liabilities	362,938	46,917
Net assets	279,930	35,383
Total shareholders' equity	258,282	26,494
Non-controlling interests	20,779	7,783
Liabilities and net assets	642,868	82,300

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

- Cash & deposits : Long-term borrowings were financed for capex. Cash on hand increased due to the strong sales and inventory reduction.
- Merchandise : Inventories increased associated with 32 new stores. Inventory for existing store went down by 5%.
- Payables associated with the liquidation of receivables : 26.5 billion yen. It went down by 7.5 billion yen from a year ago.

# Cash flows and Capital expenditure

## Consolidated Cash Flows

(Millions of yen)

	12 months to Jun. 2017	12 months to Jun. 2016	Change
Cash and equivalents at beginning of period	44,496	51,292	(6,796)
Cash flows from operating activities	56,441	29,110	27,331
Cash flows from investing activities	(40,593)	(52,197)	11,604
Cash flows from financing activities	17,644	17,148	496
Net increase (decrease) in cash and equivalents	33,598	(6,796)	40,394
Cash and equivalents at end of period	78,094	44,496	33,598

## Consolidated Capital Expenditures

(Millions of yen)

	12 months to Jun. 2017	12 months to Jun. 2016	Change
Capital expenditures	45,357	51,570	(6,213)
Cash flows*	46,661	36,881	9,780
Net increase (decrease)	1,304	(14,689)	15,993

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

- Cash flow from operating activities was 56.4 billion yen positive.  
Positive factors : 55.3 billion yen of income before income taxes and minority interests, 16 billion yen of depreciation and amortization, 9.1 billion yen increase in trade payables. Negative factors : 3 billion yen of profit from the sale of share of affiliated company and 56.4 billion yen for tax payment.
- Cash flow from financing activities was 17.6 billion yen positive driven by 25.4 billion yen of net increase of long-term borrowings and 5.3 billion yen of corporate bond issued. 3.5 billion yen of dividend payment were negative factors.
- Capex was 45.4 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. 2017			3 months to Jun. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	208,811	100.0%	109.9%	190,045	100.0%
Gross profit	54,675	26.2%	109.9%	49,759	26.2%
SGA	45,627	21.9%	109.9%	41,511	21.8%
Operating profit	9,047	4.3%	109.7%	8,248	4.3%
Recurring profit	9,517	4.6%	111.3%	8,548	4.5%
Profit attributable to owners of parent	6,104	2.9%	117.2%	5,206	2.7%
EPS(Yen)	38.59	-	117.2%	32.93	-

# Sales breakdown by product category for Q4

Consolidated (Millions of yen)	3 months to Jun. 2017			3 months to Jun. 2016	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	15,791	7.6%	110.3%	14,315	7.5%
Miscellaneous household goods	50,128	24.0%	123.6%	40,559	21.3%
Foods	71,160	34.1%	113.0%	62,964	33.1%
Watches & fashion merchandise	36,723	17.6%	96.7%	37,976	20.0%
Sporting goods & leisure goods	12,468	6.0%	107.2%	11,634	6.1%
Other products	16,015	7.7%	100.4%	15,958	8.4%
<b>Total retail store business</b>	<b>202,285</b>	<b>96.9%</b>	<b>110.3%</b>	<b>183,406</b>	<b>96.5%</b>
Rent income	5,110	2.4%	100.4%	5,090	2.7%
Other business	1,417	0.7%	91.5%	1,549	0.8%
<b>Total</b>	<b>208,811</b>	<b>100.0%</b>	<b>109.9%</b>	<b>190,045</b>	<b>100.0%</b>

# Key components in SG&A for Q4

Consolidated (Millions of yen)	3 months to Jun. 2017			3 months to Jun. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	208,811	100.0%	109.9%	190,045	100.0%
Salary allowance	16,286	7.8%	107.3%	15,183	8.0%
Rent	6,156	2.9%	113.5%	5,423	2.9%
Commission paid	5,517	2.6%	111.3%	4,959	2.6%
Depreciation and amortization	3,718	1.8%	99.4%	3,741	2.0%
Others	13,950	6.7%	114.3%	12,206	6.4%
SGA	45,627	21.9%	109.9%	41,511	21.8%

# Forecast for fiscal June 2018

Consolidated (Millions of yen)	FY2018 Forecast			FY2018 1H Forecast		
	Plan	Share	YoY	Plan	Share	YoY
Net sales	880,000	100.0%	106.2%	445,000	100.0%	106.5%
Gross profit	232,000	26.4%	106.1%	117,000	26.3%	105.7%
SGA	184,000	20.9%	106.7%	90,000	20.2%	106.8%
Operating profit	48,000	5.5%	103.9%	27,000	6.1%	102.5%
Recurring profit	48,000	5.5%	105.4%	27,000	6.1%	100.3%
Net profit	28,000	3.2%	84.6%	15,500	3.5%	94.2%
EPS(Yen)	177.02	-	84.6%	97.99	-	94.1%
Capital expenditure	45,000	-	99.2%	-	-	-
Depreciation	15,000	1.7%	106.6%	-	-	-

- Full year forecast : Sales 880 billion yen, OP : 48 billion, RP : 48 billion, NP : 28 billion.
- Don Quijote SSS forecast : DQ SSS forecast : +0.6% in 1H, +0.4% in 2H and +0.5% for full year.