

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

**Q3 Results for FY 2016**

Earnings Results

July 1, 2015 - March 31, 2016

May 9 ,2016

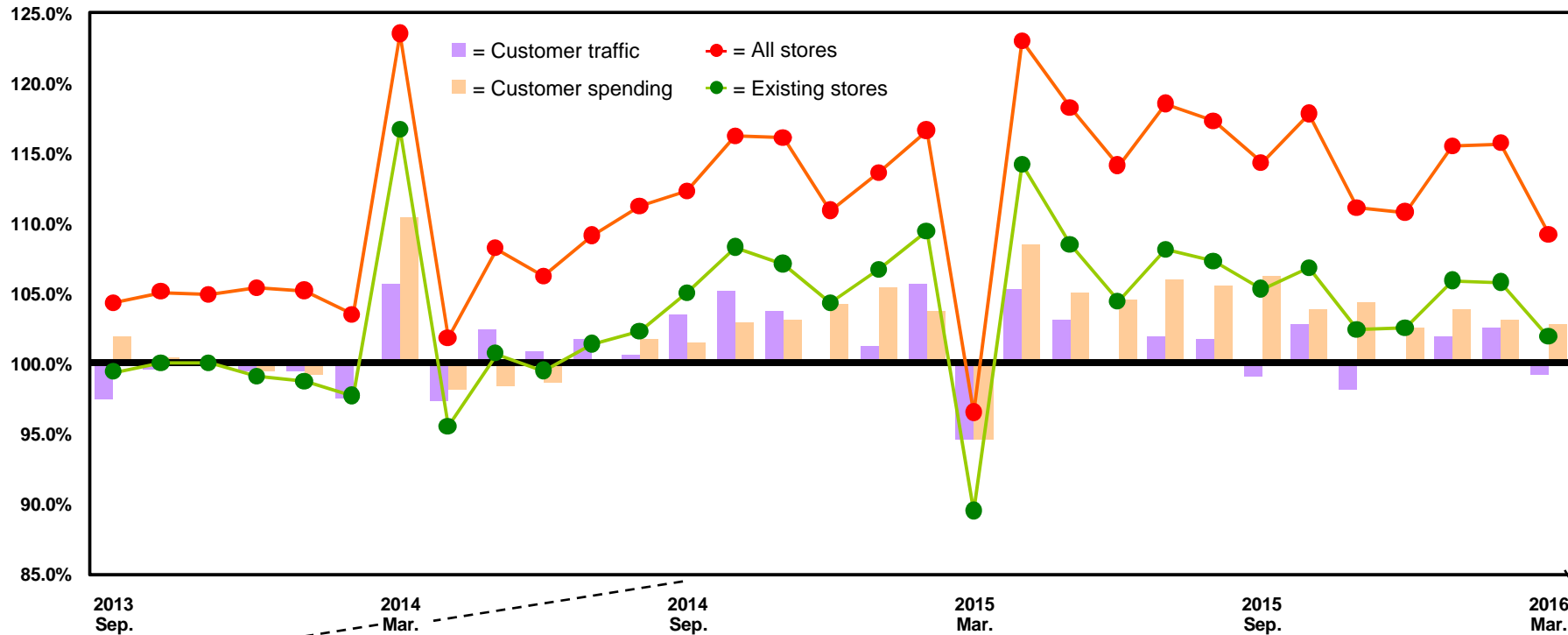


# Earnings summary

Consolidated (Millions of yen)	9 months to Mar. 2016			9 months to Mar. 2015	
	Actual	Share	YoY	Actual	Share
Net sales	569,547	100.0%	111.7%	509,920	100.0%
Gross profit	152,134	26.7%	110.6%	137,531	27.0%
SGA	117,197	20.6%	112.9%	103,844	20.4%
Operating profit	34,937	6.1%	103.7%	33,687	6.6%
Recurring profit	35,249	6.2%	101.3%	34,802	6.8%
Profit attributable to owners of parent	19,732	3.5%	98.3%	20,083	3.9%
EPS(Yen)	124.83	-	97.7%	127.74	-

- Consolidated and same store sales went up 11.7% and 5.0% YoY respectively. We enjoyed greater sales and traffic despite of stagnant consumer sentiment and bad weather. Our discount price and varied selection were highly appreciated. There were increasing number of repeat tourist customers, and we quickly responded to tourists' changing consumption patterns.
- GPM went down 0.3 pts. The number of repeat customers increased due to our effort to meet their wants and needs. Consumers became more price conscious which led to greater daily necessities' sales with low margin and high inventory turnover. Write-downs of slow-moving inventories are ongoing.
- SGA was in line with our expectation. We increased the headcount more than ever before to deal with greater-than-expected new store openings and more man-hour triggered by change in sales-mix and growing tourists' sales. The rise of cost, however, was more than offset by the sales growth.
- Sales and OP went up by 5% and 29% respectively against our estimate.

# Same-store sales



	2013 Sep.	2014 Mar.	2014 Sep.	2015 Mar.	2015 Sep.	2016 Mar.
Existing stores	100.0%	100.0%	100.0%	90.0%	100.0%	100.0%
Customer traffic	100.0%	100.0%	100.0%	95.0%	100.0%	100.0%
Customer spending	100.0%	100.0%	100.0%	95.0%	100.0%	100.0%
All stores	104.5%	123.5%	102.0%	97.0%	113.0%	109.5%

	2015 Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	2016 Jan.	Feb.	Mar.
Sales	106.7%	109.4%	89.5%	114.2%	108.5%	104.4%	108.1%	107.3%	105.3%	106.8%	102.4%	102.5%	105.9%	105.8%	101.9%
Customer traffic	101.2%	105.6%	94.6%	105.3%	103.2%	99.8%	102.0%	101.7%	99.1%	102.8%	98.2%	100.0%	102.0%	102.6%	99.2%
Customer spending	105.4%	103.7%	94.6%	108.5%	105.1%	104.6%	106.0%	105.5%	106.3%	103.9%	104.3%	102.6%	103.9%	103.1%	102.8%
Existing store count	203	204	205	205	207	208	207	209	212	214	216	218	221	220	222

- DQ SSS went up 5.0%, traffic +0.8% and spending +4.2% for nine-month period from July to March.
- We strived with our heart to ensure fair and equitable business practices, and responding to changing consumer sentiment since August 2015.

# Sales breakdown by product category

Consolidated (Millions of yen)	9 months to Mar. 2016			9 months to Mar. 2015	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	46,663	8.2%	106.9%	43,668	8.6%
Miscellaneous household goods	116,729	20.5%	115.6%	100,941	19.8%
Foods	179,251	31.5%	116.7%	153,636	30.1%
Watches & fashion merchandise	116,207	20.4%	105.0%	110,674	21.7%
Sporting goods & leisure goods	40,087	7.0%	112.3%	35,708	7.0%
Other products	50,991	9.0%	107.8%	47,316	9.3%
<b>Total retail store business</b>	<b>549,928</b>	<b>96.6%</b>	<b>111.8%</b>	<b>491,943</b>	<b>96.5%</b>
Rent income	14,690	2.6%	108.3%	13,568	2.7%
Other business	4,929	0.8%	111.8%	4,409	0.8%
<b>Total</b>	<b>569,547</b>	<b>100.0%</b>	<b>111.7%</b>	<b>509,920</b>	<b>100.0%</b>

Home appliances : POSA such as iTunes cards contributed a lot. Headsets, refrigerators and washing machines had grown very much.

Household goods : Both cosmetics and drugs had grown by about 30% each, as there were greater tourists' sales.

Foods : Daily delivered food such as eggs and milk became stronger as being more price competitive.  
Also, drinks, processed food, preserved food, rice and condiments achieved high growth.

Watches & Fashion : Although there was a slow domestic consumption toward high-end items, tourists' sales were robust.  
Warm winter decelerated seasonal apparels sales. On the other hand, bags and shoes grew favorably.

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	FY2016-1Q	FY2016-2Q	FY2016-3Q
Don Quijote	174	183	182	184	184
MEGA	37	36	36	37	38
New MEGA	28	41	45	48	50
Others	30	32	34	36	36
<b>Total stores in Japan</b>	<b>269</b>	<b>292</b>	<b>297</b>	<b>305</b>	<b>308</b>
<b>Overseas</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>
<b>Grand Total</b>	<b>283</b>	<b>306</b>	<b>311</b>	<b>319</b>	<b>322</b>
Domestic opening	22	33	6	9	6
Domestic closure	5	10	1	1	3
<b>Net increase</b>	<b>17</b>	<b>23</b>	<b>5</b>	<b>8</b>	<b>3</b>

- 21 new stores opened during Q3 : 5 Don Quijote, 8 New MEGA, 2 MEGA, 3 Picasso, 2 Kyoyasudo, and 1 Doit.
- 3 stores were closed, 2 stores are temporarily closing for renovation and format conversion.
- Full year store opening plan is up-revised to 39 stores.

# Key components in SG&A

Consolidated (Millions of yen)	9 months to Mar. 2016			9 months to Mar. 2015	
	Actual	Share	YoY	Actual	Share
Net sales	569,547	100.0%	111.7%	509,920	100.0%
Salary allowance	44,056	7.7%	118.5%	37,170	7.3%
Rent	15,415	2.7%	109.8%	14,044	2.8%
Commission paid	13,350	2.3%	113.9%	11,722	2.3%
Depreciation and amortization	9,560	1.7%	113.6%	8,415	1.6%
Others	34,815	6.2%	107.1%	32,493	6.4%
SGA	117,197	20.6%	112.9%	103,844	20.4%

- SGA to sales ratio went down 0.2pts to 20.6%
- SGA was in line with our expectation. We increased the headcount more than ever before to deal with greater-than-expected new store openings and more man-hour triggered by change in sales-mix and growing tourists' sales. The rise of cost, however, was more than offset by the sales growth.

# Sales and profit by business

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)	-
<b>Total</b>	<b>549,939</b>	<b>28,013</b>	<b>10,875</b>	<b>588,827</b>	<b>(19,280)</b>	<b>569,547</b>
<b>Segment profit</b>	<b>19,673</b>	<b>10,638</b>	<b>4,870</b>	<b>35,181</b>	<b>(244)</b>	<b>34,937</b>

Sales, profit and loss by segment from Jul. 1, 2014, to Mar. 31, 2015 (Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	491,943	13,568	4,409	509,920	-	509,920
Internal sales or transfers between segments	-	11,573	4,567	16,140	(16,140)	-
<b>Total</b>	<b>491,943</b>	<b>25,141</b>	<b>8,976</b>	<b>526,060</b>	<b>(16,140)</b>	<b>509,920</b>
<b>Segment profit</b>	<b>20,605</b>	<b>9,393</b>	<b>3,947</b>	<b>33,945</b>	<b>(258)</b>	<b>33,687</b>

- Profit in the retail business was 19.7 billion yen which is our mainstay.
- Profit in the tenant leasing business was 10.6 billion yen.
- Profit in other business was 4.9 billion.

# Balance Sheet

Consolidated	(Millions of yen)	
	As of Mar. 31, 2016	Change from Jun. 30, 2015
Total current assets	203,730	27,749
Cash and deposits	61,703	11,986
Merchandise	109,214	14,634
Total noncurrent assets	357,276	27,591
Total property, plant and equipment	285,375	23,248
Buildings	105,047	9,026
Land	162,458	11,811
Total intangible assets	17,335	(194)
Goodwill	7,097	(312)
Total investments and other assets	54,566	4,537
Lease and guarantee deposits	33,512	695
<b>Total assets</b>	<b>561,006</b>	<b>55,340</b>

Consolidated	(Millions of yen)	
	As of Mar. 31, 2016	Change from Jun. 30, 2015
Total current liabilities	149,608	5,032
Accounts payable	69,824	9,268
Short-term liabilities*	35,925	(2,673)
Total noncurrent liabilities	170,991	31,268
Long-term bonds	77,271	14,581
Long-term borrowings	46,036	20,880
Long-term payables under fluidity lease receivables	28,673	(5,350)
<b>Total liabilities</b>	<b>320,599</b>	<b>36,300</b>
<b>Net assets</b>	<b>240,407</b>	<b>19,040</b>
Total shareholders' equity	226,575	16,893
Non-controlling interests	12,015	3,002
<b>Liabilities and net assets</b>	<b>561,006</b>	<b>55,340</b>

\* 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 through debt by issuing 20 billion yen straight bond in addition to bank borrowings.
- Merchandise : It increased by 14.6 billion yen. More inventories had secured for record number of new stores and strong existing stores to avoid opportunity losses.
- Payables associated with the liquidation of receivables : 35.8 billion yen was financed by asset-backed loans.



# Cash flows and Capital expenditure

## Consolidated Cash Flows

(Millions of yen)

	9 months to Mar. 2016	9 months to Mar. 2015	Change
Cash and equivalents at beginning of period	51,292	44,105	7,187
Cash flows from operating activities	25,156	24,434	722
Cash flows from investing activities	(35,826)	(41,317)	5,491
Cash flows from financing activities	23,498	22,501	997
Net increase (decrease) in cash and equivalents	12,249	6,539	5,710
Cash and equivalents at end of period	63,541	50,644	12,897

## Consolidated Capital Expenditures

(Millions of yen)

	9 months to Mar. 2016	9 months to Mar. 2015	Change
Capital expenditures	34,949	41,007	(6,058)
Cash flows*	27,219	27,440	221
Net increase (decrease)	(7,730)	(13,567)	5,837

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

- Cash flow from operating activities was 25.2 billion yen positive.  
Positive factors : 34.3 billion yen of income before income taxes and minority interests, 10.9 billion yen of depreciation and amortization, 9.3 billion yen increase in trade payables. Negative factor : 14.6 billion yen increase in inventory, 16.7 billion yen for tax payment.
- Cash flow from financing activities was 23.5 billion yen positive driven by 21.9 billion yen of net increase in long term loans and 8.3 billion yen of net increase of bonds. 5.7 billion yen of repayments of payables under fluidity lease receivables and 3.2 billion yen of dividend payment were negative factors.
- Capex was 34.9 billion yen, free cash flow was negative 7.7 billion yen due to aggressive new store openings.

# Earnings summary for Q3

Consolidated (Millions of yen)	3 months to Mar. 2016			3 months to Mar. 2015	
	Actual	Share	YoY	Actual	Share
Net sales	185,102	100.0%	110.4%	167,696	100.0%
Gross profit	49,192	26.6%	107.2%	45,897	27.3%
SGA	39,826	21.5%	111.8%	35,621	21.2%
Operating profit	9,366	5.1%	91.1%	10,276	6.1%
Recurring profit	9,376	5.1%	87.2%	10,758	6.4%
Profit attributable to owners of parent	5,499	3.0%	86.1%	6,389	3.8%
EPS(Yen)	34.78	-	85.8%	40.53	-

# Sales breakdown by product category for Q3

Consolidated (Millions of yen)	3 months to Mar. 2016			3 months to Mar. 2015	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	15,449	8.4%	107.2%	14,412	8.6%
Miscellaneous household goods	38,395	20.7%	115.9%	33,124	19.8%
Foods	60,800	32.9%	116.8%	52,033	31.0%
Watches & fashion merchandise	35,917	19.4%	102.9%	34,908	20.8%
Sporting goods & leisure goods	10,188	5.5%	102.3%	9,963	5.9%
Other products	17,770	9.6%	103.7%	17,142	10.2%
<b>Total retail store business</b>	<b>178,519</b>	<b>96.4%</b>	<b>110.5%</b>	<b>161,582</b>	<b>96.4%</b>
Rent income	4,953	2.5%	107.8%	4,596	2.7%
Other business	1,630	0.9%	107.4%	1,518	0.9%
<b>Total</b>	<b>185,102</b>	<b>100.0%</b>	<b>110.4%</b>	<b>167,696</b>	<b>100.0%</b>

## Key components in SG&A for Q3

Consolidated (Millions of yen)	3 months to Mar. 2016			3 months to Mar. 2015	
	Actual	Share	YoY	Actual	Share
Net sales	185,102	100.0%	110.4%	167,696	100.0%
Salary allowance	15,136	8.2%	117.9%	12,839	7.7%
Rent	5,178	2.8%	106.2%	4,874	2.9%
Commission paid	4,535	2.5%	115.4%	3,931	2.3%
Depreciation and amortization	3,411	1.8%	112.0%	3,045	1.8%
Others	11,566	6.2%	105.8%	10,932	6.5%
SGA	39,826	21.5%	111.8%	35,621	21.2%

# Full year forecast for fiscal June 2016

Consolidated (Millions of yen)	FY2016 Forecast			FY2015 Results		
	Plan	Share	YoY	Plan	Share	YoY
Net sales	750,000	100.0%	109.7%	683,981	100.0%	111.7%
Gross profit	200,000	26.7%	110.0%	181,741	26.6%	112.9%
SGA	159,000	21.2%	111.5%	142,638	20.9%	112.6%
Operating profit	41,000	5.5%	104.9%	39,103	5.7%	114.0%
Recurring profit	41,500	5.5%	103.3%	40,160	5.9%	113.2%
Net profit	23,400	3.1%	101.1%	23,148	3.4%	107.8%
EPS(Yen)	147.99	-	100.6%	147.09	-	107.1%
Capital expenditure	44,000	-	83.4%	52,727	-	148.3%
Depreciation	13,100	1.7%	112.2%	11,672	1.7%	112.2%

- Full year forecast : 750 billion yen, OP : 41 billion, RP : 41.5 billion, NP : 23.4 billion.
- Don Quijote SSS forecast : +3.7% YoY for full year, flat for Q4.