

Don Quijote Holdings. Co., Ltd.

Q1 Results for FY 2017

Earnings Results

July 1, 2016 - September 30, 2016

November 4, 2016

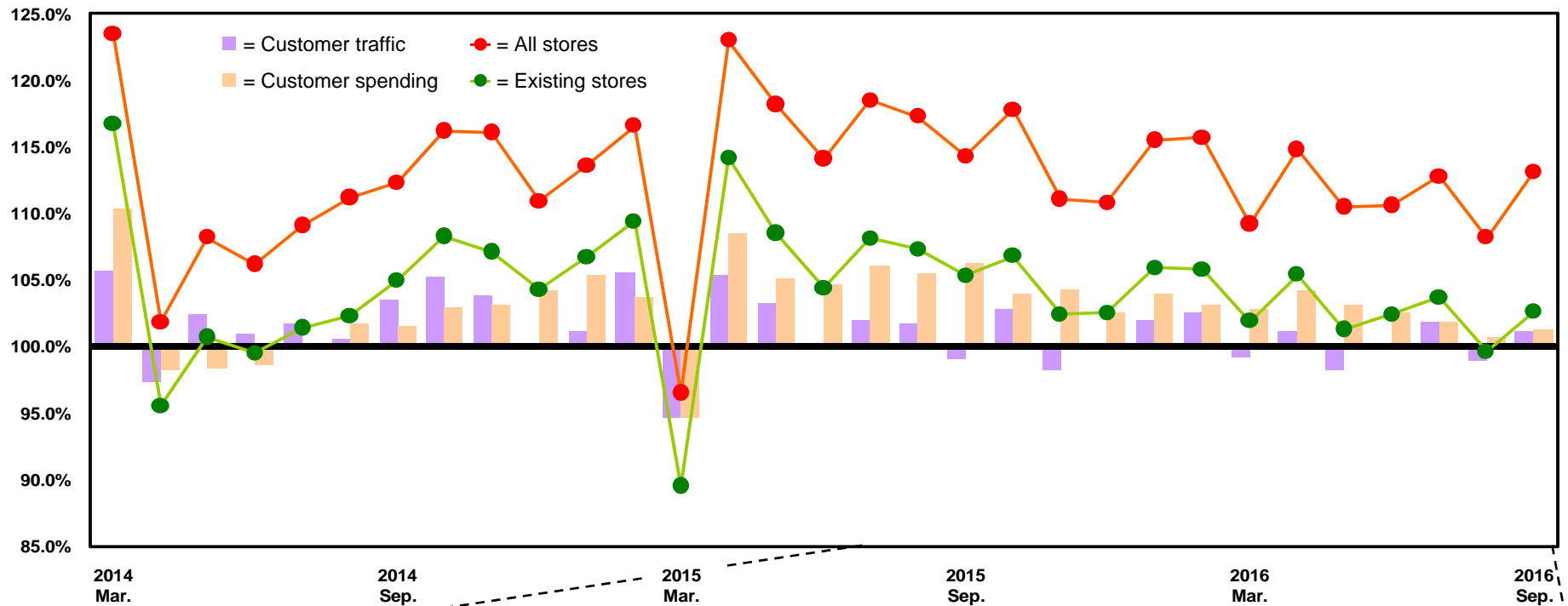


Earnings summary

Consolidated (Millions of yen)	3 months to Sep. 2016			3 months to Sep. 2015	
	Actual	Share	YoY	Actual	Share
Net sales	201,327	100.0%	107.9%	186,642	100.0%
Gross profit	54,224	26.9%	109.2%	49,678	26.6%
SGA	41,692	20.7%	108.6%	38,382	20.6%
Operating profit	12,532	6.2%	110.9%	11,296	6.0%
Recurring profit	12,788	6.4%	110.5%	11,578	6.2%
Profit attributable to owners of parent	8,127	4.0%	125.4%	6,482	3.5%
EPS(Yen)	51.40	-	125.3%	41.02	-

- Consolidated and same store sales went up 7.9% and 1.9% YoY respectively. Consumer sentiment had become sluggish. Budget-minded customers started to choose what to buy more carefully. Bad weather decelerated customer traffic and seasonal items sales. Under such circumstances, our existing stores attracted more family customers by responding to the local needs swiftly.
- GPM was up 0.3pts. Our finely-tuned price setting on daily necessities drove up GPM.
- Aggressive new store openings triggered the rise in personnel cost, rent and depreciation. The rise in personnel cost in existing stores, however, is slowing down as the organization structure change in 2015 is bearing fruit.
- OP went up by 10.9%, Profit attributable to owners of parent was up 25.4%, both beat our guidance.

Same-store sales



Existing stores	2015 Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	2016 Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sep.
Sales	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%	99.6%	102.6%
Customer traffic	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%	98.9%	101.2%
Customer spending	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%	100.7%	101.3%
Existing store count	207	209	212	214	216	218	221	220	222	223	226	232	236	239	236

- DQ SSS went up 1.9%, traffic +0.6% and spending +1.3% in Q1(July-September).
- Macro consumption expenditure data were stagnant. Our rich assortment and competitive price in daily necessities successfully expanded the domestic customers' wallet share.
Tax free sales for inbound customers trended quite nicely and contributed to the overall results.

Sales breakdown by product category

Consolidated (Millions of yen)	3 months to Sep. 2016			3 months to Sep. 2015	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	16,479	8.2%	113.2%	14,559	7.8%
Miscellaneous household goods	43,148	21.4%	111.6%	38,677	20.7%
Foods	63,874	31.7%	112.5%	56,799	30.4%
Watches & fashion merchandise	40,881	20.3%	105.2%	38,874	20.8%
Sporting goods & leisure goods	15,016	7.5%	102.2%	14,690	7.9%
Other products	15,055	7.5%	90.0%	16,734	9.0%
Total retail store business	194,453	96.6%	107.8%	180,333	96.6%
Rent income	5,114	2.5%	108.3%	4,720	2.5%
Other business	1,760	0.9%	110.7%	1,589	0.9%
Total	201,327	100.0%	107.9%	186,642	100.0%

Home appliances : POSA cards and smart phone accessories were strong. Headsets, air-conditioners and TVs were contributors.
Household goods : High temperature encouraged seasonal consumables. Tourists' sales in cosmetics and drugs grew rapidly.
Foods : Snacks took the lead. Daily delivered food showed stable growth. MEGA store enjoyed the sales growth in delis.
Watches & Fashion : Sales in luxury watches plummeted as there was a change in consumption patterns for inbound tourists.
Rainwear, shoes and bags were good.
Sports & Leisure : Summer outdoor goods made a satisfying growth such as tents. Workout equipments and toys contributed.

The number of stores

(Number of stores)	FY2014	FY2015	FY2016	FY2017-1Q
Don Quijote	174	183	194	195
MEGA	37	36	39	39
New MEGA	28	41	55	61
Others	30	32	39	39
Total stores in Japan	269	292	327	334
Overseas	14	14	14	14
Grand Total	283	306	341	348
Domestic opening	22	33	40	10
Domestic closure	5	10	5	3
Net increase	17	23	35	7

- 10 new stores opened in Q1 : 6 Don Quijote, 4 New MEGA.
- 3 DQ stores closed for relocation and renovation.
- Thirty or more new stores will be opened in FY2017, including 15 Don Quijote, 13 New MEGA and other formats backed by our aggressive store opening strategy.

Key components in SG&A

Consolidated (Millions of yen)	3 months to Sep. 2016			3 months to Sep. 2015	
	Actual	Share	YoY	Actual	Share
Net sales	201,327	100.0%	107.9%	186,642	100.0%
Salary allowance	16,049	8.0%	113.4%	14,155	7.6%
Rent	5,638	2.8%	109.4%	5,153	2.8%
Commission paid	4,362	2.2%	102.6%	4,254	2.3%
Depreciation and amortization	3,338	1.6%	112.1%	2,977	1.6%
Others	12,305	6.1%	103.9%	11,843	6.3%
SGA	41,692	20.7%	108.6%	38,382	20.6%

- SGA to sales ratio went up 0.1pts to 20.7%. Cost increased due to initial cost of new store openings such as personnel cost, rent and depreciation expenses.
- The rise in personnel cost in existing stores, however, is slowing down as the organization structure change in 2015 is bearing fruit.

Balance Sheet

Consolidated	(Millions of yen)	
	As of Sep. 30, 2016	Change from Jun. 30, 2016
Total current assets	200,298	4,321
Cash and deposits	44,003	1,109
Merchandise	118,877	1,477
Total noncurrent assets	394,484	29,893
Total property, plant and equipment	296,690	4,638
Buildings	110,753	2,639
Land	166,184	999
Total intangible assets	16,965	(40)
Goodwill	6,572	(280)
Total investments and other assets	80,829	25,295
Lease and guarantee deposits	36,789	1,144
Total assets	594,782	34,214

Consolidated	(Millions of yen)	
	As of Sep. 30, 2016	Change from Jun. 30, 2016
Total current liabilities	137,523	(10,472)
Accounts payable	71,272	1,078
Short-term liabilities*	24,423	(8,501)
Total noncurrent liabilities	202,686	34,660
Long-term bonds	82,748	6,277
Long-term borrowings	75,881	30,799
Long-term payables under fluidity lease receivables	24,740	(2,136)
Total liabilities	340,209	24,188
Net assets	254,573	10,026
Total shareholders' equity	239,887	8,099
Non-controlling interests	16,631	3,635
Liabilities and net assets	594,782	34,214

* 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.
- Merchandise : Inventory increased for 10 new stores and greater sales in existing stores.
- Payables associated with the liquidation of receivables : 31.8 billion yen was financed by asset-backed loans.

Cash flows and Capital expenditure

Consolidated Cash Flows

(Millions of yen)

	3 months to Sep. 2016	3 months to Sep. 2015	Change
Cash and equivalents at beginning of period	44,496	51,292	(6,796)
Cash flows from operating activities	9,378	12,099	(2,721)
Cash flows from investing activities	(31,344)	(19,983)	(11,361)
Cash flows from financing activities	23,383	21,043	2,340
Net increase (decrease) in cash and equivalents	1,021	12,992	(11,971)
Cash and equivalents at end of period	45,517	64,284	(18,767)

Consolidated Capital Expenditures

(Millions of yen)

	3 months to Sep. 2016	3 months to Sep. 2015	Change
Capital expenditures	12,580	18,879	(6,299)
Cash flows*	8,856	7,487	1,369
Net increase (decrease)	(3,275)	(11,392)	7,667

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

- Cash flow from operating activities was 2.7 billion yen negative.
Positive factors : 13.0 billion yen of income before income taxes and minority interests, 3.8 billion yen of depreciation and amortization.
Negative factors : 1.7 billion yen more in inventories and 5.1 billion yen for tax payment.
- Cash flow from financing activities was 23.4 billion yen positive driven by 22.4 billion yen of net increase of short and long-term borrowings and 6.6 billion yen of corporate bond issued. 2.7 billion yen of dividend payment were negative factors.
- Capex was 12.6 billion yen (DQ: 7.2 bil, Nagasakiya: 0.5 bil, JAM: 4.1bil). Free cash flow was negative 3.7 billion yen.

Forecast for fiscal June 2017

Consolidated (Millions of yen)	FY2017 1H Revised forecast			FY2016 1H Previously announced forecast		FY2017 Forecast	
	Plan	Share	YoY	Plan	Share	Actual	Share
Net sales	41,500	100.0%	107.9%	415,000	100.0%	820,000	100.0%
Gross profit	111,500	26.9%	108.3%	111,500	26.9%	220,000	26.8%
SGA	85,500	20.6%	110.5%	85,500	20.6%	175,000	21.3%
Operating profit	26,000	6.3%	101.7%	26,000	6.3%	45,000	5.5%
Recurring profit	26,200	6.3%	101.3%	26,200	6.3%	45,500	5.5%
Profit attributable to owners of parent	16,000	3.9%	112.4%	14,500	3.5%	26,800	3.3%
EPS(Yen)	101.18	-	112.4%	91.71	-	169.50	-
Depreciation	6,800	1.6%	110.6%	6,800	1.6%	14,700	1.8%

- First half forecast revised upward. Net profit up 1.5 billion, against our initial forecast.
- Don Quijote SSS forecast : DQ SSS forecast : +0.5% in 1H, +0.6% in 2H and +0.5% for full year.