

Summary Report of Consolidated Financial Results

For the Fiscal Year Ended June 30, 2017

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Don Quijote Holdings Co., Ltd.

Securities Code No.: 7532
 Shares Listed: Tokyo Stock Exchange
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 Representative: Koji Oohara, President and CEO
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(Amounts in million yen are rounded off to the nearest million)

1. Overview of Business Results and Financial Position for the fiscal year ended June 30, 2017

(1) Consolidated Results

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)	Profit Attributable to Owners of Parent	Change (%)
Fiscal year ended June 30, 2017	828,798	9.1	46,185	6.9	45,523	3.9	33,082	32.7
Fiscal year ended June 30, 2016	759,592	11.1	43,185	10.4	43,797	9.1	24,938	7.7

(Note) Comprehensive income: 40,104 million yen [50.6%] (FY 2017.6), 26,628 million yen [Δ 10.9%] (FY 2016.6)

	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)	Return on Equity (%)	Ordinary Income on Total Assets (%)	Operating Income on Net Sales (%)
Fiscal year ended June 30, 2017	209.18	209.04	13.5	7.6	5.6
Fiscal year ended June 30, 2016	157.76	157.65	11.2	8.2	5.7

(Reference) Equity in earnings of affiliates: 511 million yen (FY 2017.6), — (FY 2016.6)

(2) Financial Position

(Millions of yen, except per-share data)

	Total Assets	Net assets	Ratio of Shareholders' Equity to Total Assets (%)	Net Assets per Share (Yen)
As of June 30, 2017	642,868	279,930	40.3	1,637.77
June 30, 2016	560,568	244,547	41.3	1,464.31

(Reference) Equity: 259,053 million yen (as of June 30, 2017), 231,528 million yen (as of June 30, 2016)

(3) The Consolidated Statements of Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents
Fiscal year ended June 30, 2017	56,441	(40,593)	17,644	78,094
Fiscal year ended June 30, 2016	29,110	(52,197)	17,148	44,496

2. Dividends

	Dividend per share (yen)			Dividends in total (annual, Millions of yen)	Dividend payout ratio (consolidated basis, %)	Dividends on net assets (consolidated basis, %)
	Six Months Ended December 31	Year Ended June 30	Total			
Year Ended June 30, 2016	5.00	17.00	22.00	3,478	13.9	1.6
Year Ended June 30, 2017	5.00	21.00	26.00	4,113	12.4	1.7
Year Ending June 30, 2018 (Forecast)	5.00	22.00	27.00		—	

3. Consolidated Business Forecast : For the year ending June 30, 2018 (From July 1, 2017 to June 30, 2018)

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)	Profit Attributable to Owners of Parent	Change (%)	Net Income per Share(Yen)
Six Months Ending December 31, 2017	445,000	6.5	27,000	2.5	27,000	0.3	15,500	△5.8	97.99
Year Ending June 30, 2018	880,000	6.2	48,000	3.9	48,000	5.4	28,000	△15.4	177.02

4. Others

(1) Significant changes in the scope of consolidation: None

Newly consolidated: – Excluded: –

(2) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated financial statements

① Changes in line with revision to accounting standards: Yes

② Other changes: None

③ Changes in accounting estimates: None

④ Restatement: None

(3) Number of outstanding shares (Common stock)

① Number of outstanding shares (Treasury shares included) June 30, 2017 158,178,760 shares

June 30, 2016 158,118,160 shares

② Number of treasury shares June 30, 2017 4,633 shares

June 30, 2016 4,633 shares

③ Average number of outstanding shares during the period June 30, 2017 158,148,194 shares

June 30, 2016 158,082,461 shares

(4) Changes in accounting policies, changes in financial estimates and restatements

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Accounting Statement No. 26 of March 28, 2016; hereinafter called the “Implementation Guidance on Recoverability”) from the beginning of the fiscal year ended June 30, 2017 and revised part of its accounting treatment for recoverability of deferred tax assets.

As for application of the Implementation Guidance on Recoverability, the Company followed the transitional treatment stipulated in paragraph 49 (4) of the Implementation Guidance on Recoverability.

The differences between the amount of deferred tax assets and deferred tax liabilities as of July 1, 2016 in the case of applying the paragraph 49 (3) 1 to 3 of the Implementation Guidance on Recoverability and the amount of deferred tax assets and deferred tax liabilities at the end of the previous fiscal year were added to the retained earnings as of July 1, 2016.

As a result, deferred tax assets (investments and other assets) increased by ¥4,890 million, retained earnings increased by ¥2,406 million and non-controlling interests increased by ¥2,484 million as of July 1, 2016. With the reflection of the impact on net assets as of July 1, 2016, retained earnings and non-controlling interests increased ¥2,406 million and ¥2,484 million, respectively, in the consolidated statements of changes in net assets.

※This financial summary is not subject to audit.

※ Explanation regarding the appropriate use of forecasts of business results

The future business result forecasts included in the financial statements are based on the information available to the company at the time of the announcement and on certain assumptions considered reasonable. Thus, we do not make any representation as to their achievability and undertake any obligation of their updates as a result of new information. Actual results may differ widely from the forecasts for a variety of reasons, including changes in economic environments related to our business, market trends and exchange rates.

Consolidated Balance Sheets

	(Millions of yen)	
	As of June 30, 2017	As of June 30, 2016
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥76,340	¥42,894
Notes and Accounts receivable-trade	8,966	7,720
Purchased receivables	—	6,606
Merchandise and finished goods	123,969	117,400
Prepaid expenses	3,525	3,214
Deferred tax assets	7,540	7,210
Other	7,263	10,999
Allowance for doubtful accounts	(18)	(66)
Total current assets	227,585	195,977
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	118,623	108,114
Tools, furniture and fixtures, net	17,249	16,616
Land	171,018	165,185
Other, net	233	238
Construction in progress	3,643	1,899
Total property, plant and equipment	310,766	292,052
Intangible assets		
Goodwill	5,363	6,852
Other	10,525	10,153
Total intangible assets	15,888	17,005
Investments and other assets		
Investment securities	7,539	5,736
Long-term loans receivable	23,171	864
Long-term prepaid expenses	3,214	2,754
Deferred tax assets	8,801	3,310
Lease and guarantee deposits	40,474	35,645
Other	7,131	9,022
Allowance for doubtful accounts	(1,701)	(1,797)
Total investments and other assets	88,629	55,534
Total non-current assets	415,283	364,591
Total assets	¥642,868	¥560,568

	As of June 30, 2017	(Millions of yen) As of June 30, 2016
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	¥85,661	¥70,194
Short-term loans payable	285	1,680
Current portion of long-term loans payable	5,421	18,557
Current portion of bonds	19,316	12,686
Payables under fluidity lease receivables	7,152	7,147
Accrued expenses	9,964	8,799
Income taxes payable	9,128	5,573
Provision for point card certificates	1,691	1,327
Other	26,207	22,032
Total current liabilities	164,825	147,995
Non-current liabilities		
Bonds payable	74,890	76,471
Long-term loans payable	84,638	45,082
Long-term payables under fluidity lease receivables	19,366	26,876
Asset retirement obligations	6,000	5,177
Negative goodwill	353	439
Other	12,866	13,981
Total non-current liabilities	198,113	168,026
Total liabilities	362,938	316,021
Net assets		
Shareholders' equity		
Capital stock	22,425	22,382
Capital surplus	19,425	25,215
Retained earnings	216,446	184,205
Treasury shares	(14)	(14)
Total shareholders' equity	258,282	231,788
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	326	12
Foreign currency translation adjustment	445	(272)
Total accumulated other comprehensive income	771	(260)
Subscription rights to shares	98	23
Non-controlling interests	20,779	12,996
Total net assets	279,930	244,547
Total liabilities and net assets	¥642,868	¥560,568

Consolidated Statements of Income

	(Millions of yen)	
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2016
	Amount	Amount
Net sales	¥828,798	¥759,592
Cost of sales	610,218	557,699
Gross profit	218,580	201,893
Selling, general and administrative expenses	172,395	158,708
Operating income	46,185	43,185
Non-operating income		
Interest and dividend income	968	706
Amortization of negative goodwill	86	86
Equity in earnings of affiliates	511	—
Penalty income	126	869
Commission fee	449	426
Other	1,936	1,200
Total non-operating income	4,076	3,287
Non-operating expenses		
Interest expenses paid on loans and bonds	1,145	1,003
Loss on valuation of derivatives	—	563
Bond issuance cost	195	213
Cost of claim's liquidation	502	601
Commission fee	2,174	189
Other	722	106
Total non-operating expenses	4,738	2,675
Ordinary income	45,523	43,797
Extraordinary income		
Gain on sales of non-current assets	9,547	117
Gain on sales of shares of subsidiaries and affiliates	2,968	—
Other	271	—
Total extraordinary income	12,786	117
Extraordinary losses		
Impairment loss	1,537	179
Loss on retirement of non-current assets	251	279
Loss on closing of stores	959	1,197
Other	237	146
Total extraordinary losses	2,984	1,801
Profit before income taxes	55,325	42,113
Income taxes - Current	19,339	13,515
Income taxes - Deferred	(3,111)	(957)
Total income taxes	16,228	12,558
Profit	39,097	29,555
Profit attributable to non-controlling interests	6,015	4,617
Profit attributable to owners of parent	¥33,082	¥24,938

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2016
	Amount	Amount
Profit	¥39,097	¥29,555
Other comprehensive income		
Valuation difference on available-for-sale securities	304	(572)
Foreign currency translation adjustment	706	(2,355)
Share of other comprehensive income of affiliates accounted for using equity method	(3)	—
Total other comprehensive income	1,007	(2,927)
Comprehensive income	¥40,104	¥26,628
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	¥34,115	¥22,020
Comprehensive income attributable to non-controlling interests	5,989	4,608

Consolidated statements of changes in Net Assets

	(Millions of yen)	
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2016
	Amount	Amount
Shareholders' equity		
Capital stock		
Balance at beginning of current period	¥22,382	¥22,227
Changes of items during period		
Issuance of new shares	43	155
Total changes of items during period	43	155
Balance at end of current period	22,425	22,382
Capital surplus		
Balance at beginning of current period	25,215	25,030
Changes of items during period		
Issuance of new shares	42	155
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	30
Capital increase of consolidated subsidiaries	(4,150)	—
Purchase of shares of consolidated subsidiaries	(1,682)	—
Total changes of items during period	(5,790)	185
Balance at end of current period	19,425	25,215
Retained earnings		
Balance at beginning of current period	184,205	162,428
Cumulative effects of changes in accounting policies	2,406	—
Restated balance	186,611	162,428
Changes of items during period		
Dividends of surplus	(3,479)	(3,159)
Profit attributable to owners of parent	33,082	24,938
Change of scope of consolidation	(4)	—
Capital increase of consolidated subsidiaries	(0)	—
Change of scope of equity method	—	(2)
Other	236	—
Total changes of items during period	29,835	21,777
Balance at end of current period	216,446	184,205
Treasury shares		
Balance at beginning of current period	(14)	(3)
Changes of items during period		
Purchase of treasury shares	—	(11)
Total changes of items during period	—	(11)
Balance at end of current period	(14)	(14)
Total shareholders' equity		
Balance at beginning of current period	231,788	209,682
Cumulative effects of changes in accounting policies	2,406	—
Restated balance	234,194	209,682
Changes of items during period		
Issuance of new shares	85	310
Dividends of surplus	(3,479)	(3,159)
Profit attributable to owners of parent	33,082	24,938
Change of scope of consolidation	(4)	—
Capital increase of consolidated subsidiaries	(4,150)	—
Purchase of shares of consolidated subsidiaries	(1,682)	—
Purchase of treasury shares	—	(11)
Change of scope of equity method	—	(2)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	30
Other	236	—
Total changes of items during period	24,088	22,106
Balance at end of current period	¥258,282	¥231,788

	(Millions of yen)	
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2016
	Amount	Amount
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of current period	¥12	¥569
Changes of items during period		
Net changes of items other than shareholders' equity	314	(557)
Total changes of items during period	314	(557)
Balance at end of current period	326	12
Foreign currency translation adjustment		
Balance at beginning of current period	(272)	2,090
Changes of items during period		
Net changes of items other than shareholders' equity	717	(2,362)
Total changes of items during period	717	(2,362)
Balance at end of current period	445	(272)
Total accumulated other comprehensive income		
Balance at beginning of current period	(260)	2,659
Changes of items during period		
Net changes of items other than shareholders' equity	1,031	(2,919)
Total changes of items during period	1,031	(2,919)
Balance at end of current period	771	(260)
Subscription rights to shares		
Balance at beginning of current period	23	13
Changes of items during period		
Net changes of items other than shareholders' equity	75	10
Total changes of items during period	75	10
Balance at end of current period	98	23
Non-controlling interests		
Balance at beginning of current period	12,996	9,013
Cumulative effects of changes in accounting policies	2,484	—
Restated balance	15,480	9,013
Changes of items during period		
Net changes of items other than shareholders' equity	5,299	3,983
Total changes of items during period	5,299	3,983
Balance at end of current period	20,779	12,996
Total net assets		
Balance at beginning of current period	244,547	221,367
Cumulative effects of changes in accounting policies	4,890	—
Restated balance	249,437	221,367
Changes of items during period		
Issuance of new shares	85	310
Dividends of surplus	(3,479)	(3,159)
Profit attributable to owners of parent	33,082	24,938
Change of scope of consolidation	(4)	—
Capital increase of consolidated subsidiaries	(4,150)	—
Purchase of shares of consolidated subsidiaries	(1,682)	—
Purchase of treasury shares	—	(11)
Change of scope of equity method	—	(2)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	30
Other	236	—
Net changes of items other than shareholders' equity	6,405	1,074
Total changes of items during period	30,493	23,180
Balance at end of current period	¥279,930	¥244,547

Consolidated Statements of Cash Flows

	(Millions of yen)	
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2016
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥55,325	¥42,113
Depreciation and amortization	15,952	15,092
Impairment loss	1,537	179
Amortization of negative goodwill	(86)	(86)
Increase (decrease) in allowance for doubtful accounts	(51)	60
Interest and dividend income	(968)	(706)
Interest expenses paid on loans and bonds	1,145	1,003
Gain on sales of shares of subsidiaries and affiliates	(2,968)	—
Gain on sales of investment securities	(215)	—
Equity in earnings of affiliates	(511)	—
Loss (gain) on sales and retirement of property, plant and equipment	(9,291)	163
Loss on store closings	959	1,197
Offset payments for house rental fee with lease and guarantee deposits	1,754	1,457
Increase in notes and accounts receivable-trade	(2,928)	(2,264)
Increase in inventories	(6,517)	(23,022)
Increase in notes and accounts payable-trade	9,108	9,745
Decrease in other current assets	592	3
Increase (decrease) in other current liabilities	5,472	(8)
Decrease in other non-current liabilities	(42)	(11)
Other, net	3,199	842
Subtotal	71,466	45,757
Interest and dividend income received	702	500
Interest expenses paid	(1,150)	(1,005)
Income taxes paid	(15,830)	(17,772)
Income taxes refund	1,203	1,630
Dividends received from affiliates accounted for using equity method	50	—
Net cash provided by operating activities	56,441	29,110
Cash flows from investing activities:		
Payments into time deposits	(59)	(89)
Proceeds from withdrawal of time deposits	59	389
Purchase of property, plant and equipment	(39,398)	(43,736)
Proceeds from sales of property, plant and equipment	16,594	1,144
Purchase of intangible assets	(858)	(465)
Payments for lease and guarantee deposits	(3,552)	(4,492)
Proceeds from collection of lease and guarantee deposits	224	170
Payment for store opening in progress	(1,950)	(3,341)
Proceeds from sales of investment securities	1,122	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,265	—
Purchase of shares of subsidiaries and associates	(3,527)	(176)
Payments of loans receivable	(22,818)	(1,685)
Collection of loans receivable	10,242	9
Other, net	63	75
Net cash used in investing activities	¥(40,593)	¥(52,197)

	(Millions of yen)	
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2016
	Amount	Amount
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	¥1,249	¥(110)
Proceeds from long-term loans payable	44,086	38,934
Repayments of long-term loans payable	(18,734)	(18,019)
Proceeds from issuance of bonds	18,302	26,680
Redemption of bonds	(13,001)	(19,173)
Repayments of payables under fluidity lease receivables	(7,985)	(7,621)
Proceeds from issuance of common shares	85	310
Cash dividends paid	(3,479)	(3,159)
Cash dividends paid to non-controlling interests	(660)	(646)
Other, net	(2,219)	(48)
Net cash provided by financing activities	17,644	17,148
Effect of exchange rate change on cash and cash equivalents	(46)	(825)
Net increase (decrease) in cash and cash equivalents	33,446	(6,764)
Cash and cash equivalents at beginning of period	44,496	51,292
Increase in cash and cash equivalents from newly consolidated subsidiary	103	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(32)
Increase in cash and equivalents resulting from change of accounting period of consolidated subsidiaries	49	—
Cash and cash equivalents at end of period	¥78,094	¥44,496

Segment Information

1. Overview of Reporting Segments

The Company's reporting segments are those for which financial information separate from that of other units comprising the Group can be obtained. These reporting segments are the subject of regular reviews by the board of directors for determining the allocation of management resources and assessment of business results.

The Group regards "Retail business" and "Rent business" as reporting segments from scope of business. The "Retail business" presents stores such as "Don Quijote", "MEGA Don Quijote", "Nagasakiya", "Doit". The "Rent business" operates a tenant invitation in the shopping malls and management.

2. Calculation of net sales, profit and loss, and assets, etc.

The same accounting method with which is applied to the consolidated financial statements is applied to segment accounting.

Income of reporting segment and others are calculated based on operating income.

Intersegment sales and transfers calculated based on market value.

3. Information related to net sales, profit and loss, and assets, etc. by reporting segment

For the Fiscal Year Ended June 30, 2017

(Millions of yen)

	Reporting segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Retail business	Rent business	Sub Total				
Sales, Segment income							
Sales							
Sales to third parties	¥801,802	¥20,559	¥822,361	¥6,437	¥828,798	¥—	¥828,798
Intersegment sales	487	20,054	20,541	9,156	29,697	(29,697)	—
Total	802,289	40,613	842,902	15,593	858,495	(29,697)	828,798
Segment income	23,693	16,123	39,816	6,395	46,211	(26)	46,185
Segment Assets	360,658	239,653	600,311	43,091	643,402	(534)	642,868
Others (Note 4)							
(1) Depreciation expenses	10,797	4,861	15,658	324	15,982	(30)	15,952
(2) Increase in property, plant and equipment, and intangible assets	¥18,902	¥23,889	¥42,791	¥154	¥42,945	¥(1,892)	¥41,053

Notes

- The other businesses segment includes the services of real estate business, marketing business and financial service business that are not included in other reporting segments.
- The ¥(26) million adjustment to segment income is an intersegment elimination.
The ¥(534) million adjustment to segment assets includes ¥47,680 million of companywide assets not allocated to the respective reporting segments, and ¥ (48,214) million of net eliminations for intersegment transaction.
- Segment income is adjusted to the consolidated operating income.
- Increase in property, plant and equipment, and intangible assets includes long-term prepaid expenses.

For the Fiscal Year Ended June 30, 2016

(Millions of yen)

	Reporting segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Retail business	Rent business	Sub Total				
Sales, Segment income							
Sales							
Sales to third parties	¥733,333	¥19,781	¥753,114	¥6,478	¥759,592	¥—	¥759,592
Intersegment sales	16	18,026	18,042	8,486	26,528	(26,528)	—
Total	733,349	37,807	771,156	14,964	786,120	(26,528)	759,592
Segment income	22,746	14,159	36,905	6,733	43,638	(453)	43,185
Segment Assets	342,763	211,166	553,929	61,752	615,681	(55,113)	560,568
Others (Note 4)							
(1) Depreciation expenses	9,956	4,551	14,507	351	14,858	234	15,092
(2) Increase in property, plant and equipment, and intangible assets	¥22,519	¥28,668	¥51,187	¥424	¥51,611	¥(5,785)	¥45,826

Notes

- The other businesses segment includes the services of real estate business, marketing business and financial service business that are not included in other reporting segments.
- The ¥(453) million adjustment to segment income is an intersegment elimination.
The ¥(55,113) million adjustment to segment assets includes ¥43,548 million of companywide assets not allocated to the respective reporting segments, and ¥ (98,661) million of net eliminations for intersegment transaction.
- Segment income is adjusted to the consolidated operating income.
- Increase in property, plant and equipment, and intangible assets includes long-term prepaid expenses.