

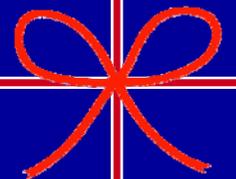
**Don Quijote Holdings. Co., Ltd.**

# **1H Results for FY 2017**

**Earnings Results**

**July 1, 2016 - December 31, 2016**

**February 6, 2017**

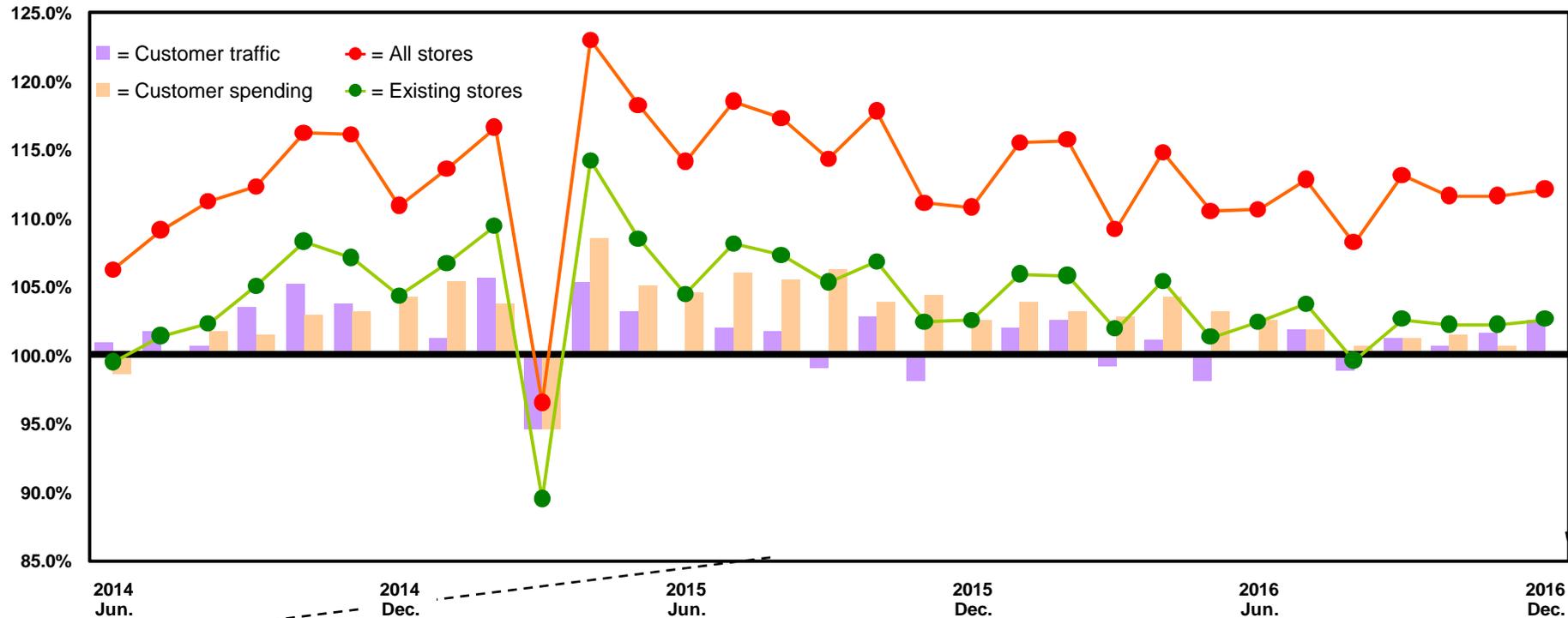


# Earnings summary

| Consolidated<br>(Millions of yen)       | 6 months to Dec. 2016 |        |        | 6 months to Dec. 2015 |        |
|---|-----------------------|--------|--------|-----------------------|--------|
|   | Actual                | Share  | YoY    | Actual                | Share  |
| Net sales                               | 417,694               | 100.0% | 108.6% | 384,445               | 100.0% |
| Gross profit                            | 110,640               | 26.5%  | 107.5% | 102,941               | 26.8%  |
| SGA                                     | 84,297                | 20.2%  | 109.0% | 77,370                | 20.1%  |
| Operating profit                        | 26,343                | 6.3%   | 103.0% | 25,571                | 6.7%   |
| Recurring profit                        | 26,928                | 6.4%   | 104.1% | 25,873                | 6.7%   |
| Profit attributable to owners of parent | 16,459                | 3.9%   | 115.6% | 14,232                | 3.7%   |
| EPS(Yen)                                | 104.09                | -      | 115.6% | 90.05                 | -      |

- Consolidated and same store sales went up 8.6% and 2.1% YoY respectively. Consumer sentiment remained stagnant. Budget-minded customers chose what to buy more carefully because of the rise in food price triggered by bad weather and higher social security cost burden. Under such circumstances, we focused on to get more foot traffic by offering various daily necessity items at competitive prices.
- GPM went down 0.3pts. Offering daily necessity was our focus to deal with the tough consumption environment. Our strategy to have greater sales and traffic worked well even by sacrificing short-term profit.
- Aggressive new store openings triggered the rise in personnel cost, rent and depreciation. The personnel cost at existing stores were well-controlled as we improved productivity with the organizational change.
- OP went up by 3.0%, Profit attributable to owners of parent was up 15.6%, both beat our guidance.

# Same-store sales



| Existing stores      | 2015 Oct. | Nov.   | Dec.   | 2016 Jan. | Feb.   | Mar.   | Apr.   | May.   | June.  | July.  | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   |
|----------------------|-----------|--------|--------|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Sales                | 106.8%    | 102.4% | 102.5% | 105.9%    | 105.8% | 101.9% | 105.4% | 101.3% | 102.4% | 103.7% | 99.6%  | 102.6% | 102.2% | 102.2% | 102.6% |
| Customer traffic     | 102.8%    | 98.2%  | 100.0% | 102.0%    | 102.6% | 99.2%  | 101.1% | 98.2%  | 99.9%  | 101.9% | 98.9%  | 101.2% | 100.7% | 101.6% | 102.5% |
| Customer spending    | 103.9%    | 104.3% | 102.6% | 103.9%    | 103.1% | 102.8% | 104.2% | 103.1% | 102.5% | 101.8% | 100.7% | 101.3% | 101.5% | 100.6% | 100.2% |
| Existing store count | 214       | 216    | 218    | 221       | 220    | 222    | 223    | 226    | 232    | 236    | 239    | 236    | 238    | 239    | 240    |

- DQ SSS went up 2.1%, traffic +1.2% and spending +0.9% in 1H. (July-December).
- Macro consumption expenditure is stagnant. Our competitive price in daily necessities successfully expanded the domestic customers' wallet share. Inbound customer number surged and it contributed to the SSS.

# Sales breakdown by product category

| Consolidated<br>(Millions of yen)  | 6 months to Dec. 2016 |               |               | 6 months to Dec. 2015 |               |
|------------------------------------|-----------------------|---------------|---------------|-----------------------|---------------|
|                                    | Actual                | Share         | YoY           | Actual                | Share         |
| Home electrical appliances         | 35,490                | 8.5%          | 113.7%        | 31,213                | 8.1%          |
| Miscellaneous household goods      | 87,782                | 21.0%         | 112.1%        | 78,335                | 20.4%         |
| Foods                              | 133,985               | 32.1%         | 113.1%        | 118,451               | 30.8%         |
| Watches & fashion merchandise      | 85,796                | 20.5%         | 106.9%        | 80,290                | 20.9%         |
| Sporting goods & leisure goods     | 30,444                | 7.3%          | 101.8%        | 29,899                | 7.8%          |
| Other products                     | 30,219                | 7.3%          | 91.0%         | 33,221                | 8.6%          |
| <b>Total retail store business</b> | <b>403,716</b>        | <b>96.7%</b>  | <b>108.7%</b> | <b>371,409</b>        | <b>96.6%</b>  |
| Rent income                        | 10,349                | 2.5%          | 106.3%        | 9,737                 | 2.5%          |
| Other business                     | 3,629                 | 0.8%          | 110.0%        | 3,299                 | 0.9%          |
| <b>Total</b>                       | <b>417,694</b>        | <b>100.0%</b> | <b>108.6%</b> | <b>384,445</b>        | <b>100.0%</b> |

Home appliances : Smart phone accessories and headsets were strong. Seasonal appliances grew as temperature dropped.

Household goods : Consumables sales have become even more strong. Tourists' sales in cosmetics and drugs were contributor.

Foods : Processed foods such as snacks and instant noodle were robust by being price competitive.  
MEGA store enjoyed the sales growth in meats and delis.

Watches & Fashion : Import brand wallets enjoyed greater sales. Temperature drop encouraged the sales in underwear and gloves.  
Bags and sneakers went up.

Sports & Leisure : Bicycles and workout equipments were good. Three-day Christmas weekend pushed the toy sales up.

# The number of stores

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

- 16 new stores opened in 1H : 7 Don Quijote, 7 New MEGA, 1 MEGA, 1 Doit.
- 3 DQ stores closed for relocation and renovation.
- 31 new stores will be opened in FY2017.

# Key components in SG&A

| Consolidated<br>(Millions of yen) | 6 months to Dec. 2016 |        |        | 6 months to Dec. 2015 |        |
|-----------------------------------|-----------------------|--------|--------|-----------------------|--------|
|                                   | Actual                | Share  | YoY    | Actual                | Share  |
| Net sales                         | 417,694               | 100.0% | 108.6% | 384,445               | 100.0% |
| Salary allowance                  | 32,124                | 7.7%   | 111.1% | 28,920                | 7.5%   |
| Rent                              | 11,387                | 2.7%   | 111.2% | 10,237                | 2.7%   |
| Commission paid                   | 9,424                 | 2.3%   | 106.9% | 8,815                 | 2.3%   |
| Depreciation and amortization     | 6,793                 | 1.6%   | 110.5% | 6,149                 | 1.6%   |
| Others                            | 24,569                | 5.9%   | 105.7% | 23,249                | 6.0%   |
| SGA                               | 84,297                | 20.2%  | 109.0% | 77,370                | 20.1%  |

- SGA to sales ratio went up 0.1pts to 20.2%. Cost increased due to initial cost of new store openings such as personnel cost, rent and depreciation expenses. Productivity improvement offset the rise in social security cost for part-timers.
- The rise in personnel cost in existing stores, however, is slowing down as the organization structure change in 2015 is bearing fruit.

# Sales and profit by business

Sales, profit and loss by segment from Jul. 1, 2016, to Dec. 31, 2016 (Millions of yen)

| Consolidated                                 | Retail store   | Rent income   | Others       | Total          | Adjusted amount | Consolidated   |
|--|----------------|---------------|--------------|----------------|-----------------|----------------|
| Sales to external customers                  | 403,716        | 10,349        | 3,629        | 417,694        | -               | 417,694        |
| Internal sales or transfers between segments | 271            | 9,780         | 4,951        | 15,002         | (15,002)        | -              |
| <b>Total</b>                                 | <b>403,987</b> | <b>20,129</b> | <b>8,580</b> | <b>432,696</b> | <b>(15,002)</b> | <b>417,694</b> |
| <b>Segment profit</b>                        | <b>14,321</b>  | <b>8,442</b>  | <b>3,485</b> | <b>26,248</b>  | <b>95</b>       | <b>26,343</b>  |

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

| Consolidated                                 | Retail store   | Rent income   | Others       | Total          | Adjusted amount | Consolidated   |
|--|----------------|---------------|--------------|----------------|-----------------|----------------|
| Sales to external customers                  | 371,409        | 9,737         | 3,299        | 384,445        | -               | 384,445        |
| Internal sales or transfers between segments | 7              | 8,762         | 3,747        | 12,516         | (12,516)        | -              |
| <b>Total</b>                                 | <b>371,416</b> | <b>18,499</b> | <b>7,046</b> | <b>396,961</b> | <b>(12,516)</b> | <b>384,445</b> |
| <b>Segment profit</b>                        | <b>15,393</b>  | <b>7,129</b>  | <b>3,266</b> | <b>25,788</b>  | <b>(217)</b>    | <b>25,571</b>  |

- Profit in the retail business was 14.3 billion yen which is our mainstay.
- Profit in the tenant leasing business was 8.4 billion yen.
- Profit in other business was 3.5 billion.

# Sales, profit and asset by subsidiaries

Sales, profit and asset by subsidiaries from Jul. 1, 2016, to Dec. 31, 2016

(Millions of yen)

| Consolidated     | Don Quijote 1) | Doit   | Nagasakiya 2) | Overseas 3) | Accretive 4) | JAM 4)  | Consolidated |
|------------------|----------------|--------|---------------|-------------|--------------|---------|--------------|
| Net sales        | 302,028        | 8,240  | 84,010        | 17,122      | 2,918        | 8,889   | 417,694      |
| Operating profit | 13,069         | 390    | 3,166         | 583         | 937          | 3,806   | 26,343       |
| Total asset      | 237,357        | 23,200 | 82,797        | 20,766      | 25,670       | 126,258 | 628,931      |
| Net asset        | 113,166        | 19,424 | 47,503        | 14,652      | 9,382        | 23,272  | 265,432      |

PL/1USD=¥105.7

BS/1USD=¥101.0

Sales, profit and asset by subsidiaries from Jul. 1, 2015, to Dec. 31, 2015

(Millions of yen)

| Consolidated     | Don Quijote 1) | Doit   | Nagasakiya 2) | Overseas 3) | Accretive 4) | JAM 4)  | Consolidated |
|------------------|----------------|--------|---------------|-------------|--------------|---------|--------------|
| Net sales        | 270,793        | 8,291  | 79,453        | 19,939      | 2,246        | 8,044   | 384,445      |
| Operating profit | 14,545         | 452    | 2,405         | 819         | 1,007        | 3,362   | 25,571       |
| Total asset      | 205,606        | 22,049 | 79,924        | 22,070      | 23,503       | 102,875 | 560,400      |
| Net asset        | 104,167        | 18,752 | 45,060        | 15,980      | 7,057        | 11,711  | 234,971      |

1) Don Quijote is retail business. DQHoldings is not included.

2) Nagasakiya shows retail business only

3) Overseas includes DQ USA and MARUKAI

PL/1USD=¥121.7

BS/1USD=¥120.3

- The rise in cost was more than offset by the sales growth in Don Quijote, Nagasakiya with finely-tuned cost management.
- Forex affected overseas business ; 1USD=JPY105.7 (1H in FY2017), 1USD=JPY121.7 (1H in FY2016).

# Balance Sheet

| Consolidated                        | (Millions of yen)   |                           |
|-------------------------------------|---------------------|---------------------------|
|                                     | As of Dec. 31, 2016 | Change from Jun. 30, 2016 |
| Total current assets                | 227,660             | 31,683                    |
| Cash and deposits                   | 58,021              | 15,127                    |
| Merchandise                         | 122,677             | 5,277                     |
| Total noncurrent assets             | 401,271             | 36,680                    |
| Total property, plant and equipment | 299,721             | 7,669                     |
| Buildings                           | 110,677             | 2,563                     |
| Land                                | 169,155             | 3,970                     |
| Total intangible assets             | 16,870              | (135)                     |
| Goodwill                            | 6,439               | (413)                     |
| Total investments and other assets  | 84,680              | 29,146                    |
| Lease and guarantee deposits        | 39,407              | 3,762                     |
| <b>Total assets</b>                 | <b>628,931</b>      | <b>68,363</b>             |

| Consolidated  | (Millions of yen)   |                           |
|---|---------------------|---------------------------|
|   | As of Dec. 31, 2016 | Change from Jun. 30, 2016 |
| Total current liabilities                           | 166,952             | 18,957                    |
| Accounts payable                                    | 87,992              | 17,798                    |
| Short-term liabilities*                             | 30,637              | (2,287)                   |
| Total noncurrent liabilities                        | 196,547             | 28,521                    |
| Long-term bonds                                     | 66,948              | (9,523)                   |
| Long-term borrowings                                | 87,827              | 42,745                    |
| Long-term payables under fluidity lease receivables | 22,956              | (3,920)                   |
| <b>Total liabilities</b>                            | <b>363,499</b>      | <b>47,478</b>             |
| <b>Net assets</b>                                   | <b>265,432</b>      | <b>20,885</b>             |
| Total shareholders' equity                          | 248,264             | 16,476                    |
| Non-controlling interests                           | 17,906              | 4,910                     |
| <b>Liabilities and net assets</b>                   | <b>628,931</b>      | <b>68,363</b>             |

\* 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. December, the best-selling month of a year, brought another cash.
- Merchandise : Inventory increased for 16 new stores and strong existing stores.
- Payables associated with the liquidation of receivables : 30.1 billion yen was financed by asset-backed loans.

# Cash flows and Capital expenditure

## Consolidated Cash Flows

(Millions of yen)

|   | 6 months to Dec.<br>2016 | 6 months to Dec.<br>2015 | Change   |
|---|--------------------------|--------------------------|----------|
| Cash and equivalents at beginning of period     | 44,496                   | 51,292                   | (6,796)  |
| Cash flows from operating activities            | 39,737                   | 33,605                   | 6,132    |
| Cash flows from investing activities            | (41,305)                 | (26,443)                 | (14,862) |
| Cash flows from financing activities            | 21,572                   | 15,902                   | 5,670    |
| Net increase (decrease) in cash and equivalents | 19,665                   | 22,826                   | (3,161)  |
| Cash and equivalents at end of period           | 64,161                   | 74,118                   | (9,957)  |

## Consolidated Capital Expenditures

(Millions of yen)

|                         | 6 months to Dec.<br>2016 | 6 months to Dec.<br>2015 | Change  |
|-------------------------|--------------------------|--------------------------|---------|
| Capital expenditures    | 19,857                   | 23,836                   | (3,979) |
| Cash flows*             | 20,872                   | 19,314                   | 1,558   |
| Net increase (decrease) | 1,015                    | (4,522)                  | 5,537   |

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

- Cash flow from operating activities was 39.7 billion yen positive.  
Positive factors : 26.9 billion yen of income before income taxes, 7.7 billion yen of depreciation and amortization.  
Negative factors : 5.5 billion yen more in inventories and 7.2 billion yen for tax payment.
- Cash flow from financing activities was 21.6 billion yen positive driven by 31.2 billion yen of net increase of short and long-term borrowings and 2.2 billion yen of net decrease in corporate bond. 2.7 billion yen of dividend payment were negative factors.
- Capex was 19.9 billion yen (DQ: 11 bil, Nagasakiya: 1 bil, Doit: 0.3 bil, JAM: 6bil). Free cash flow was 1 billion yen positive.

# Earnings summary for Q2

| Consolidated<br>(Millions of yen)          | 3 months to Dec. 2016 |        |        | 3 months to Dec. 2015 |        |
|--|-----------------------|--------|--------|-----------------------|--------|
|  | Actual                | Share  | YoY    | Actual                | Share  |
| Net sales                                  | 216,367               | 100.0% | 109.4% | 197,803               | 100.0% |
| Gross profit                               | 56,415                | 26.1%  | 105.9% | 53,263                | 26.9%  |
| SGA  | 42,605                | 19.7%  | 109.3% | 38,988                | 19.7%  |
| Operating profit                           | 13,811                | 6.4%   | 96.7%  | 14,275                | 7.2%   |
| Recurring profit                           | 14,140                | 6.5%   | 98.9%  | 14,296                | 7.2%   |
| Profit attributable<br>to owners of parent | 8,332                 | 3.9%   | 107.5% | 7,751                 | 3.9%   |
| EPS(Yen)                                   | 52.69                 | –      | 107.5% |                       | 49.03  |

# Sales breakdown by product category for Q2

| Consolidated<br>(Millions of yen)  | 3 months to Dec. 2016 |               |               | 3 months to Dec. 2015 |               |
|------------------------------------|-----------------------|---------------|---------------|-----------------------|---------------|
|                                    | Actual                | Share         | YoY           | Actual                | Share         |
| Home electrical appliances         | 19,011                | 8.8%          | 114.2%        | 16,654                | 8.4%          |
| Miscellaneous household goods      | 44,635                | 20.6%         | 112.5%        | 39,658                | 20.0%         |
| Foods                              | 70,110                | 32.4%         | 113.7%        | 61,652                | 31.2%         |
| Watches & fashion merchandise      | 44,915                | 20.8%         | 108.5%        | 41,415                | 20.9%         |
| Sporting goods & leisure goods     | 15,428                | 7.1%          | 101.4%        | 15,209                | 7.7%          |
| Others                             | 15,163                | 7.0%          | 92.0%         | 16,488                | 8.4%          |
| <b>Total retail store business</b> | <b>209,262</b>        | <b>96.7%</b>  | <b>109.5%</b> | <b>191,076</b>        | <b>96.6%</b>  |
| Rent income                        | 5,236                 | 2.4%          | 104.3%        | 5,018                 | 2.5%          |
| Other business                     | 1,869                 | 0.9%          | 109.4%        | 1,709                 | 0.9%          |
| <b>Total</b>                       | <b>216,367</b>        | <b>100.0%</b> | <b>109.4%</b> | <b>197,803</b>        | <b>100.0%</b> |

# Key components in SG&A for Q2

| Consolidated<br>(Millions of yen) | 3 months to Dec. 2016 |        |        | 3 months to Dec. 2015 |        |
|-----------------------------------|-----------------------|--------|--------|-----------------------|--------|
|                                   | Actual                | Share  | YoY    | Actual                | Share  |
| Net sales                         | 216,367               | 100.0% | 109.4% | 197,803               | 100.0% |
| Salary allowance                  | 16,076                | 7.4%   | 108.9% | 14,764                | 7.4%   |
| Rent                              | 5,749                 | 2.7%   | 113.1% | 5,084                 | 2.6%   |
| Commission paid                   | 5,062                 | 2.3%   | 111.0% | 4,562                 | 2.3%   |
| Depreciation and amortization     | 3,454                 | 1.6%   | 108.9% | 3,171                 | 1.6%   |
| Others                            | 12,264                | 5.7%   | 107.5% | 11,407                | 5.8%   |
| SGA                               | 42,605                | 19.7%  | 109.3% | 38,988                | 19.7%  |

# Forecast for fiscal June 2017

| Consolidated<br>(Millions of yen) | FY2017 Revised forecast |        |        | FY2017 Initial forecast |        |
|-----------------------------------|-------------------------|--------|--------|-------------------------|--------|
|                                   | Plan                    | Share  | YoY    | Plan                    | Share  |
| Net sales                         | 820,000                 | 100.0% | 108.0% | 820,000                 | 100.0% |
| Gross profit                      | 218,000                 | 26.6%  | 108.0% | 220,000                 | 26.8%  |
| SGA                               | 173,000                 | 21.1%  | 109.0% | 175,000                 | 21.3%  |
| Operating profit                  | 45,000                  | 5.5%   | 104.2% | 45,000                  | 5.5%   |
| Recurring profit                  | 45,500                  | 5.5%   | 103.9% | 45,500                  | 5.5%   |
| Net profit                        | 27,500                  | 3.4%   | 110.3% | 26,800                  | 3.3%   |
| EPS(Yen)                          | 173.88                  | -      | 110.2% | 169.50                  | -      |
| Capital expenditure               | 45,000                  | -      | 87.3%  | 45,000                  | -      |
| Depreciation                      | 14,700                  | 1.8%   | 110.5% | 14,700                  | 1.8%   |

- Full year forecast revised. Net profit up 700 million, against our initial forecast.
- Don Quijote SSS forecast : DQ SSS forecast : flat in 2H and +1.0% for full year.