

Summary Report of Consolidated Financial Results

For the Six Months Ended December 31, 2016

(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
 Address: 2-19-10 Aobadai, Meguro-ku, Tokyo
 Representative: Kohji Oohara, President and CEO
 Contact: Mitsuo Takahashi, Senior Managing Director (Phone: +81-3-5725-7588)
 URL: <http://www.donki-hd.co.jp>

(Amounts in million yen are rounded off to the nearest million)

1. Overview of Business Results and Financial Position for the six months ended 31 December, 2016

(1) Results of Business Operations

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)
Six Months Ended December 31, 2016	417,694	8.6	26,343	3.0	26,928	4.1
Six Months Ended December 31, 2015	384,445	12.3	25,571	9.2	25,873	7.6

(Note) Comprehensive income: 18,922 million yen [16.9%] (FY 2017.6 2Q), 16,185 million yen [Δ 3.7%] (FY 2016.6 2Q)

	Profit Attributable to Owners of Parent	Change (%)	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Six Months Ended December 31, 2016	16,459	15.6	104.09	104.05
Six Months Ended December 31, 2015	14,232	3.9	90.05	89.97

(2) Financial Position

(Millions of yen, except per-share data)

	Total Assets	Net assets	Ratio of Shareholders' Equity to Total Assets (%)
As of December 31, 2016	628,931	265,432	39.3
June 30, 2016	560,568	244,547	41.3

(Reference) Equity: 247,482 million yen (as of December 31, 2016), 231,528 million yen (as of June 30, 2016)

2. Dividends

	Yen				
	Three Months Ended September 30	Six Months Ended December 31	Nine Months Ended March 31	Year Ended June 30	Total
Year Ended June 30, 2016	—	5.00	—	17.00	22.00
Year Ending June 30, 2017	—	5.00			
Year Ending June 30, 2017 (Forecast)			—	18.00	23.00

(Note) Revision to the dividend forecast in the second quarter of fiscal 2017: None

3. Consolidated Business Forecast : For the year ending June 30, 2017 (From July 1, 2016 to June 30, 2017)

(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)
Year Ending June 30, 2017	820,000	8.0	45,000	4.2	45,500	3.9	27,500	10.3	173.88

(Note) Revision to the business forecast in the second quarter of fiscal 2017: Yes

4. Others

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

Newly consolidated: — Excluded:—

(2) Simplified accounting methods and special accounting methods for preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies concerning preparation of quarterly 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

(4) Number of outstanding shares (Common stock)

① Number of outstanding shares (Treasury stock included)	December 31, 2016	158,156,560 shares
	June 30, 2016	158,118,160 shares
② Number of treasury stock	December 31, 2016	4,633 shares
	June 30, 2016	4,633 shares
③ Average number of outstanding shares during the period	December 31, 2016	158,129,763 shares
	December 31, 2015	158,051,983 shares

(5) Changes in accounting policies

(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 first quarter of the fiscal year under review 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 at the beginning of the first quarter of the current fiscal year 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 at the beginning of the first quarter of the current fiscal year.

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 at the beginning of the first quarter of the current fiscal year.

※Implementation Status of Financial Audit

This financial summary is not subject to quarterly review under the Financial Instrument and Exchange Act.

Quarterly review procedures for the consolidated financial statements are being conducted at the time of the announcement of this financial summary.

※Explanation regarding the appropriate use of forecasts of business results

The financial forecasts of business results are based on judgments and estimates that have been made using currently available information. By nature, such financial forecasts are subject to uncertainties and risks. Therefore, actual results might be significantly different from the aforementioned forecasts for a variety of reasons, including changes in economic environments related to our business, market trends and exchange rates.

Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of December 31, 2016	As of June 30, 2016
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥58,021	¥42,894
Notes and Accounts receivable-trade	11,002	7,720
Purchased receivables	8,135	6,606
Merchandise	122,677	117,400
Other	27,850	21,423
Allowance for doubtful accounts	(25)	(66)
Total current assets	227,660	195,977
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	110,677	108,114
Tools, furniture and fixtures, net	16,383	16,616
Land	169,155	165,185
Other, net	3,506	2,137
Total property, plant and equipment	299,721	292,052
Intangible assets		
Goodwill	6,439	6,852
Other	10,431	10,153
Total intangible assets	16,870	17,005
Investments and other assets		
Investment securities	3,967	5,736
Lease and guarantee deposits	39,407	35,645
Other	43,112	15,950
Allowance for doubtful accounts	(1,806)	(1,797)
Total investments and other assets	84,680	55,534
Total non-current assets	401,271	364,591
Total assets	¥628,931	¥560,568

	As of December 31, 2016 Amount	(Millions of yen) As of June 30, 2016 Amount
Liabilities		
Current liabilities		
Accounts payable-trade	¥87,992	¥70,194
Short-term loans payable	2,830	1,680
Current portion of long-term loans payable	7,691	18,557
Current portion of bonds	20,116	12,686
Payables under fluidity lease receivables	7,098	7,147
Income taxes payable	8,507	5,573
Provision for point card certificates	1,525	1,327
Other	31,193	30,831
Total current liabilities	166,952	147,995
Non-current liabilities		
Bonds payable	66,948	76,471
Long-term loans payable	87,827	45,082
Long-term payables under fluidity lease receivables	22,956	26,876
Asset retirement obligations	5,572	5,177
Negative goodwill	396	439
Other	12,848	13,981
Total non-current liabilities	196,547	168,026
Total liabilities	363,499	316,021
Net assets		
Shareholders' equity		
Capital stock	22,407	22,382
Capital surplus	25,257	25,215
Retained earnings	200,614	184,205
Treasury shares	(14)	(14)
Total shareholders' equity	248,264	231,788
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	290	12
Foreign currency translation adjustment	(1,072)	(272)
Total accumulated other comprehensive income	(782)	(260)
Subscription rights to shares	44	23
Non-controlling interests	17,906	12,996
Total net assets	265,432	244,547
Total liabilities and net assets	628,931	560,568

Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Six months ended December 31, 2016	Six months ended December 31, 2015
	Amount	Amount
Net sales	¥417,694	¥384,445
Cost of sales	307,054	281,504
Gross profit	110,640	102,941
Selling, general and administrative expenses	84,297	77,370
Operating income	26,343	25,571
Non-operating income		
Interest and dividend income	442	334
Gain on valuation of derivatives	539	—
Amortization of negative goodwill	43	43
Penalty income	82	703
Other	1,053	623
Total non-operating income	2,159	1,703
Non-operating expenses		
Interest expenses	551	522
Bond issuance cost	151	81
Cost of claim's liquidation	270	314
Foreign exchange losses	466	220
Other	136	264
Total non-operating expenses	1,574	1,401
Ordinary income	26,928	25,873
Extraordinary income		
Gain on sales of non-current assets	45	9
Gain on sales of investment securities	215	—
Other	54	—
Total extraordinary income	314	9
Extraordinary losses		
Loss on retirement of non-current assets	98	51
Loss on closing of stores	143	919
Other	67	1
Total extraordinary losses	308	971
Profit before income taxes	26,934	24,911
Income taxes - Current	9,568	8,197
Income taxes - Deferred	(2,085)	262
Total income taxes	7,483	8,459
Profit	19,451	16,452
Profit attributable to non-controlling interests	2,992	2,220
Profit attributable to owners of parent	¥16,459	¥14,232

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Six months ended December 31, 2016	Six months ended December 31, 2015
	Amount	Amount
Profit	¥19,451	¥16,452
Other comprehensive income		
Valuation difference on available-for-sale securities	292	(218)
Foreign currency translation adjustment	(821)	(49)
Total other comprehensive income	(529)	(267)
Comprehensive income	¥18,922	¥16,185
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	¥15,938	¥13,976
Comprehensive income attributable to non-controlling interests	2,984	2,209

Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Six months ended December 31, 2016	Six months ended December 31, 2015
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥26,934	¥24,911
Depreciation	7,739	7,068
Amortization of negative goodwill	(43)	(43)
Increase (decrease) in provision	(211)	158
Interest and dividend income	(442)	(334)
Interest expenses	551	522
Gain on sales of investment securities	(215)	—
Increase in notes and accounts receivable - trade	(4,971)	(3,933)
Increase in inventories	(5,532)	(12,882)
Increase in notes and accounts payable - trade	17,982	23,623
Other, net	4,141	3,278
Subtotal	45,933	42,368
Interest and dividend income received	314	242
Interest expenses paid	(559)	(469)
Income taxes paid	(7,154)	(10,160)
Income taxes refund	1,203	1,624
Net cash provided by operating activities	39,737	33,605
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18,314)	(21,700)
Proceeds from sales of property, plant and equipment	1,288	53
Purchase of intangible assets	(441)	(274)
Payments for lease and guarantee deposits	(1,738)	(1,144)
Proceeds from collection of lease and guarantee deposits	183	66
Payment for store opening in progress	(390)	(1,530)
Proceeds from sales of investment securities	1,118	—
Payments of loans receivable	(22,536)	(1,685)
Other, net	(475)	(229)
Net cash used in investing activities	(41,305)	(26,443)
Cash flows from financing activities:		
Net increase in short-term loans payable	1,249	538
Proceeds from long-term loans payable	44,023	24,100
Repayment of long-term loans payable	(13,996)	(3,793)
Proceeds from issuance of bonds	8,349	4,819
Redemption of bonds	(10,593)	(3,320)
Repayments of payables under fluidity lease receivables	(4,228)	(3,810)
Proceeds from issuance of common shares	50	309
Cash dividends paid	(2,688)	(2,369)
Cash dividends paid to non-controlling interests	(583)	(567)
Other, net	(11)	(5)
Net cash provided by financing activities	21,572	15,902
Effect of exchange rate change on cash and cash equivalents	(491)	(206)

Net increase in cash and cash equivalents	19,513	22,858
Cash and cash equivalents at beginning of period	44,496	51,292
Increase in cash and cash equivalents	103	—
from newly consolidated subsidiary		
Decrease in cash and cash equivalents resulting from	—	(32)
exclusion of subsidiaries from consolidation		
Increase in cash and equivalents resulting	49	—
from change of accounting period of consolidated subsidiaries		
Cash and cash equivalents at end of period	¥64,161	¥74,118

Segment Information

For the six months ended December 31, 2016

1. Information concerning sales and income by reporting segment

(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	¥403,716	¥10,349	¥414,065	¥3,629	¥417,694	¥—	¥417,694
Intersegment sales	271	9,780	10,051	4,951	15,002	(15,002)	—
Total	403,987	20,129	424,116	8,580	432,696	(15,002)	417,694
Segment income	¥14,321	¥8,442	¥22,763	¥3,485	¥26,248	¥95	¥26,343

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 ¥ 95 million adjustment to segment income is an intersegment elimination.
- Segment income is adjusted to the quarterly consolidated operating income.

2. Information concerning impairment loss of fixed assets or goodwill by reporting segment

(Significant impairment losses on non-current assets)

Information is omitted since it is immaterial.

(Significant changes in goodwill)

Information is omitted since it is immaterial.

(Significant gain on negative goodwill)

Not applicable

For the six months ended December 31, 2015

1. Information concerning sales and income by reporting segment

(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	¥371,409	¥9,737	¥381,146	¥3,299	¥384,445	¥—	¥384,445
Intersegment sales	7	8,762	8,769	3,747	12,516	(12,516)	—
Total	371,416	18,499	389,915	7,046	396,961	(12,516)	384,445
Segment income	¥15,393	¥7,129	¥22,522	¥3,266	¥25,788	¥(217)	¥25,571

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.

2. The ¥ (217) million adjustment to segment income is an intersegment elimination.

3. Segment income is adjusted to the quarterly consolidated operating income.

2. Information concerning impairment loss of fixed assets or goodwill by reporting segment

(Significant impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill)

Not applicable

(Significant gain on negative goodwill)

Not applicable