

Summary Report of Consolidated Financial Results

For the Six Months Ended 31 December, 2014

(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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(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, 2014

(1) Consolidated Results

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)
Six Months Ended December 31, 2014	342,224	12.8	23,411	14.2	24,044	13.8
Six Months Ended December 31, 2013	303,322	4.7	20,504	9.8	21,135	10.8

(Note) Comprehensive income: 16,811 million yen [18.0%] (FY 2015.6 2Q), 14,249 million yen [18.3%] (FY 2014.6 2Q)

	Net Income	Change (%)	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Six Months Ended December 31, 2014	13,694	5.1	174.41	173.73
Six Months Ended December 31, 2013	13,024	10.6	166.94	165.84

(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, 2014	489,466	208,282	41.1
June 30, 2014	432,135	193,164	43.4

(Reference) Equity: 201,147 million yen (as of December 31, 2014), 187,345 million yen (as of June 30, 2014)

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, 2014	—	10.00	—	26.00	36.00
Year Ending June 30, 2015	—	10.00			
Year Ending June 30, 2015 (Forecast)			—	26.00	36.00

(Note) Revision to the dividend forecast in the second quarter of fiscal 2015: None

3. Consolidated Business Forecast : For the year ending June 30, 2015 (From July 1, 2014 to June 30, 2015)

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)	Net Income	Change (%)	Net Income per Share (Yen)
Year Ending June 30, 2015	658,000	7.4	36,500	6.4	37,500	5.7	21,800	1.5	278.09

(Note) Revision to the business forecast in the second quarter of fiscal 2015: Yes

4. Others

- (1) Significant changes in the scope of consolidation: None
- (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: None
 - 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, 2014: 78,691,280 shares
June 30, 2014: 78,393,980 shares
 - ② Number of treasury stock
December 31, 2014: 1,244 shares
June 30, 2014: 1,244 shares
 - ③ Average number of outstanding shares during the period
Six months ended December 31, 2014: 78,513,696 shares
Six months ended December 31, 2013: 78,016,547 shares

※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 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.

<Contents>

1. Summary Information Regarding Financial Results for the Six Months Ended 31 December, 2014	P. 4
(1) Summary Information Regarding Consolidated Business Results	P. 4
(2) Summary Information Regarding Consolidated Financial Position	P. 5
(3) Summary Information Regarding Consolidated Projections	P. 6
2. Consolidated Financial Statements for the Six Months Ended 31 December, 2014	P. 7
(1) Balance Sheets for the Six Months Ended 31 December, 2014	P. 7
(2) Statements of Income and Statements of Comprehensive Income	P. 9
Statements of Income for the Six Months	P. 9
Statements of Comprehensive Income for the Six Months	P. 10
(3) Statements of Cash Flows for the Six Months Ended 31 December, 2014	P. 11
(4) Notes to Consolidated Financial Statements for the Six Months Ended 31 December, 2014	P. 13
Notes Relating to Going Concern Assumptions	P. 13
Notes Concerning Significant Changes in Stockholders' Equity	P. 13
Segment Information	P. 13

1. Financial Results for the Six Months Ended 31 December, 2014

(1) Consolidated Business Results

During the six-months period ended December, 2014 covered by this report (1 July, 2014 to 31 December, 2014), the Japanese government revised its economic growth outlook for the domestic economy in 2014 downward from an initial positive rate to about -0.5%, dropped to the negative level first time in the past five years (since the Lehman Shock in 2008), contrary to previous expectations for a moderate recovery spurred by various policy efforts (known as “Abenomics”). Uncertainty remains strong for personal consumption behavior because of weaker consumer motivation after the consumption tax hike implemented in April 2014, higher consumer prices driven by yen depreciation, current decline in real disposable income, and other divers factors. Additionally, customers are becoming increasingly sensitive to prices for daily necessities, such as food items and daily consumables.

The retail industry now goes through an era of increasing disparity between retailers, where mind of “flexible and adaptable to changes” is required to respond promptly to customer frugality, an economically wise consumption behavior in the current harsh environment, and having the ability to set prices at levels that customers find attractive.

Though in such severe circumstances, with our strong point represented by the mind of “flexible and adaptable to changes” based on front-line business power, an essential element that would enable us to fully differentiate our company to the rivals, the Don Quijote Group has adopted an aggressive management approach performed by active and enhanced sales strategies.

In other words, by transferring major decision-making authority to the business front-line, a unique culture of the Don Quijote Group, we have revised the product mix and taken fine-tuned price strategies at each store in order to respond properly to customers’ behavior and requirements regionally different. These efforts allowed us to strengthen and enrich the lineup of daily necessities, to secure price advantages in commercial area and thereby to improve support from customers. Our management considers that our dynamism to launch into price strategy let us make the most of the Group’s highly efficient and powerful business resources to compete in retail market after the consumption tax hike when rivals remained hesitant to adopt price strategy. This dynamism is the exact reason of the Group’s success in gaining market share from rivals and winning support from customers.

Besides these company’s robust fundamentals, a result of the Group’s steadfast efforts since 2008 to attract foreign tourists’ interest, ahead of other retailers, is making a substantial contribution to the Group’s business performance in the context of increase in total number of inbound tourists by around 30% year-on-year accompanied by the government’s initiatives to boost foreign tourists volume in recent years. Furthermore, the revised consumption tax exemption (tax-free) program that took effect on 1 October, 2014 expanded the tax-exemption items to almost all products. In order to accommodate to this deregulation, the Don Quijote Group enhanced sales support for foreign tourists, such as an installation of “Welcome Desk”, a call center for foreign tourists, tax-exemption counters and placement of “Welcome Crew” staff at stores to interact with foreign tourists. As a result, since October, 2014, the vigorous demand of foreign tourists contributes and provides a tailwind for the business performance.

The Don Quijote Group’s original electronic money card “majica”, introduced in March 2014, has been recording a steady increase in number of subscribing members and transaction sales volume beyond initial expectations and also contributing to improve average sales per customer. The majica membership exceeded two million as of the end of December 2014.

During the six-month period ended December, 2014, the Don Quijote Group opened 15 new stores in Japan – one in the Tohoku region (Yamagata—MEGA Don Quijote Lepark Mikawa), nine in the Kanto region (Tokyo—Don Quijote Kōrakuen, Don Quijote Tama Mizuho, KYŌYASUDŌ Mejiro, KYŌYASUDŌ Umejima-Ekimae, Kanagawa—Don Quijote SING Hashimoto-Ekimae, Don Quijote Isezakicho, MEGA Don Quijote Shin-Yokohama, Town-Doit Shin Yokohama, and Chiba—Don Quijote Asahi), three in the Chubu region (Shizuoka—Don Quijote Shizuoka Matsudomi, Aichi—Don Quijote Nagoya Sakae, and MEGA Don Quijote Kasugai), and two in the Kinki region (Osaka—MEGA Don Quijote Ibaraki and MEGA Don

Quijote Fukaebashi).

On the other hand, The Don Quijote Group closed temporarily two stores for remodeling (Don Quijote Minoh, Don Quijote Koganei Koen). It also closed two stores because of moves (Don Quijote Mizuho, Picasso Isezakicho) and three stores to improve business efficiency (Don Quijote Futtsu, Don Quijote Shinonome, and Home Center Koigakubo). As a result, the number of Group's stores attained 291 at the end of December, 2014 (while 283 stores at the end of June 2014).

The following is an overview of the consolidated results for the six-month period ended December, 2014.

(millions of yen)

	Jul.- Dec. 2014	Jul.- Dec. 2013	Year-on-Year change	(%)
Net sales	342,224	303,322	38,902	12.8
Operating income	23,411	20,504	2,907	14.2
Ordinary income	24,044	21,135	2,909	13.8
Net income	13,694	13,024	670	5.1

The profit has reached the highest-ever level for the six-month period.

Segment income results are reviewed as follows.

- 1) The retail segment recorded 330,361 million yen in sales and 14,954 million yen in operating income. Sales of the existing stores of the Group's main line category, Don Quijote, increased by 4.6% year on year, marked a satisfactory figure. MEGA Don Quijote and New MEGA Don Quijote stores, a category intended for families, also continue to grow at a solid pace owing to a success in sales strategies for daily necessities and in taking market share away from rival retailers.
- 2) The tenant leasing segment recorded 8,972 million yen in sales and 6,041 million yen in operating income. Japan Asset Marketing Co., Ltd. and Japan Commercial Establishment Co., Ltd. are the main entities in this segment. Income expanded at a steady pace accompanied by the increase in number of retail segment's stores.
- 3) The other businesses segment recorded 2,891 million yen in sales and 2,604 million yen in operating income, due to an expansion in business of Financial services provider Accretive Co., Ltd., and other entities.

The medium-to-long term strategy aims to create stores that would gain support from customers and to increase the number of customers visiting the stores by reinforcing the Group's differentiating attributes (Convenience, Discount, and Amusement) as a concept-creating business enterprise with an unyielding corporate principle of "highest priority given to the customers' satisfaction" and implementing various operating initiatives.

The Group is striving to achieve a goal of 15% return on equity (ROE) and intends to realize sustainable growth over the longer term with sales and gross profit gains driven by further support from customers.

(2) Consolidated Financial Position

(Millions of yen)

	As of June 30, 2014	As of December 31, 2014	Change
Total assets	432,135	489,466	57,331
Total liabilities	238,971	281,184	42,213
Net assets	193,164	208,282	15,118

1. Assets, liabilities, and net assets

At the end of the second quarter of the consolidated accounting period (December 31, 2014), total assets increased by 57,331 million yen, compared to the end of the previous consolidated fiscal year (June 30, 2014), to 489,466 million yen. The main changes were gains of 32,075 million yen by tangible fixed assets, 13,264 million yen by merchandise and a decline of 3,205 million yen by cash and deposits.

Liabilities increased by 42,213 million yen, compared to the end of the previous consolidated fiscal year, to 281,184 million yen. The main changes were gains of 18,217 million yen by accounts payable, 12,527 million by loans payable, and 4,410

million yen by bonds payable. Net assets increased by 15,118 million yen, compared to the end of the previous consolidated fiscal year, to 208,282 million yen.

2. Cash flow

Net cash provided by operating activities totaled 23,651 million yen based on additions from net profit, depreciation costs, and an increase in accounts payable and reductions from an increase in inventories and income taxes paid.

Net cash used in investing activities totaled 29,558 million yen due to payments for the acquisition of tangible fixed assets and other items.

Net cash provided by financing activities totaled 5,248 million yen based on additions from proceeds from issuance of bonds and proceeds from fluidity of receivables and reductions of repayment of loans and cash dividends paid.

Cash and cash equivalents at the end of the second quarter of the consolidated accounting period amounted to 43,901 million yen.

(3) Qualitative Information Concerning Consolidated Business Results Projection

The following adjustments were made concerning the business results projection for the fiscal year ending June 30, 2015 in consideration of the business results for the six months period ended 31 December 2014, released on 18 August, 2014.

Fiscal year beginning on July 1, 2014 and ending June 30, 2015 (Millions of yen, except per-share data)

	Net sales	Operating income	Ordinary income	Net income	Net Income Per Share (Yen)
Previous forecast (A)	634,000	34,800	35,600	21,500	274.26
Revised forecast (B)	658,000	36,500	37,500	21,800	278.09
Difference (B-A)	24,000	1,700	1,900	300	—
Change (%)	3.8	4.9	5.3	1.4	—
Previous results	612,424	34,292	35,487	21,471	274.68

The Don Quijote Group faces various risks and uncertainties as part of conducting business. The economic environment, market trends, and other external conditions for Don Quijote and Don Quijote Group businesses hence are important factors capable of affecting actual income results.

Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of December 31, 2014	As of June 30, 2014
	Amount	Amount
Assets		
Current assets		
Cash and deposits	39,485	42,690
Notes and Accounts receivable-trade	8,290	5,730
Purchased receivables	5,805	6,009
Merchandise	102,369	89,105
Other	21,016	15,341
Allowance for doubtful accounts	(39)	(41)
Total current assets	<u>176,926</u>	<u>158,834</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	89,244	77,078
Tools, furniture and fixtures, net	13,031	12,451
Land	140,193	119,680
Other, net	2,330	3,514
Total property, plant and equipment	<u>244,798</u>	<u>212,723</u>
Intangible assets		
Goodwill	7,415	6,332
Other	9,777	9,024
Total intangible assets	<u>17,192</u>	<u>15,356</u>
Investments and other assets		
Investment securities	6,281	4,414
Lease and guarantee deposits	31,929	30,963
Other	14,104	11,596
Allowance for doubtful accounts	(1,764)	(1,751)
Total investments and other assets	<u>50,550</u>	<u>45,222</u>
Total non-current assets	<u>312,540</u>	<u>273,301</u>
Total assets	<u>489,466</u>	<u>432,135</u>

	As of December 31, 2014	(Millions of yen) As of June 30, 2014
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable-trade	73,335	55,118
Short-term loans payable	16,998	2,197
Current portion of long-term loans payable	7,709	11,607
Current portion of bonds	6,840	6,140
Payables under fluidity lease receivables	6,987	5,912
Income taxes payable	7,497	7,883
Provision for point card certificates	724	413
Other	24,633	25,174
Total current liabilities	144,723	114,444
Non-current liabilities		
Bonds payable	48,010	44,300
Long-term loans payable	31,654	30,030
Long-term payables under fluidity lease receivables	37,556	34,345
Provision for directors' retirement benefits	—	360
Asset retirement obligations	3,470	3,285
Negative goodwill	569	622
Other	15,202	11,585
Total non-current liabilities	136,461	124,527
Total liabilities	281,184	238,971
Net assets		
Shareholders' equity		
Capital stock	21,814	21,366
Capital surplus	24,617	24,169
Retained earnings	153,760	142,105
Treasury shares	(3)	(3)
Total shareholders' equity	200,188	187,637
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	512	472
Foreign currency translation adjustment	447	(764)
Total accumulated other comprehensive income	959	(292)
Minority interests	7,135	5,819
Total net assets	208,282	193,164
Total liabilities and net assets	489,466	432,135

Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Six months ended December 31, 2014	Six months ended December 31, 2013
	Amount	Amount
Net sales	342,224	303,322
Cost of sales	250,590	222,247
Gross profit	91,634	81,075
Selling, general and administrative expenses	68,223	60,571
Operating income	23,411	20,504
Non-operating income		
Interest and dividends income	292	212
Amortization of negative goodwill	52	249
Other	1,238	972
Total non-operating income	1,582	1,433
Non-operating expenses		
Interest expenses	421	582
Cost of claim's liquidation	335	29
Other	193	191
Total non-operating expenses	949	802
Ordinary income	24,044	21,135
Extraordinary income		
Gain on sales of non-current assets	0	212
Gain on negative goodwill	168	—
Other	1	46
Total extraordinary income	169	258
Extraordinary loss		
Loss on sales of fixed asset	367	—
Loss on retirement of non-current assets	51	209
Loss on closing of stores	389	204
Other	108	55
Total extraordinary losses	915	468
Income before income taxes and minority interests	23,298	20,925
Income taxes - Current	8,141	7,559
Income taxes - Deferred	(402)	(380)
Total income taxes	7,739	7,179
Income before minority interests	15,559	13,746
Minority interests in income	1,865	722
Net income	13,694	13,024

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Six months ended December 31, 2014	Six months ended December 31, 2013
	Amount	Amount
Income before minority interests	15,559	13,746
Other comprehensive income		
Valuation difference on available-for-sale securities	44	34
Foreign currency translation adjustment	1,208	469
Total other comprehensive income	1,252	503
Comprehensive income	16,811	14,249
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	14,945	13,523
Comprehensive income attributable to minority interests	1,866	726

Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Six months ended December 31, 2014	Six months ended December 31, 2013
	Amount	Amount
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	23,298	20,925
Depreciation and amortization	5,985	5,213
Amortization of negative goodwill	(52)	(249)
Gain on negative goodwill	(168)	—
Increase (decrease) in provision	(146)	6
Interest and dividends income	(292)	(212)
Interest expenses	421	582
Increase in notes and accounts receivable-trade	(1,979)	(723)
Increase in inventories	(12,561)	(5,511)
Increase in notes and accounts payable-trade	17,511	14,152
Other, net	389	(4,400)
Sub total	32,406	29,783
Interest and dividends income received	223	156
Interest expenses paid	(442)	(651)
Income taxes paid	(8,983)	(6,664)
Income taxes refund	556	—
Surcharge paid	(109)	—
Net cash provided by operating activities	23,651	22,624
Net cash provided by (used in) investing activities:		
Proceeds from withdrawal of time deposits	538	—
Purchase of property, plant and equipment	(24,865)	(12,963)
Proceeds from sales of property, plant and equipment	233	1,938
Purchase of intangible assets	(274)	(1,736)
Payments for lease and guarantee deposits	(1,531)	(743)
Proceeds from collection of lease and guarantee deposits	444	197
Payment for store opening in progress	(1,509)	(498)
Proceeds from sales of investment securities	—	423
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,581)	(2,491)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	713	—
Payments of loans receivable	(103)	(1,079)
Other, net	(1,623)	288
Net cash used in investing activities	(29,558)	(16,664)
Net cash provided by (used in) financing activities:		
Net increase in short-term loans payable	14,776	39
Proceeds from long-term loans payable	1,400	10,000
Repayment of long-term loans payable	(17,443)	(18,663)
Proceeds from issuance of bonds	7,888	1,960
Redemption of bonds	(3,590)	(4,340)
Redemption of convertible bonds	—	(350)
Proceeds from fluidity of lease receivables	7,461	30,869
Repayments of payables under fluidity lease receivables	(3,539)	(372)
Proceeds from issuance of common stock	896	907
Cash dividends paid	(2,038)	(1,791)
Cash dividends paid to minority shareholders	(552)	(552)
Other, net	(11)	(71)
Net cash provided by financing activities	5,248	17,636

	(Millions of yen)	
	Six months ended December 31, 2014	Six months ended December 31, 2013
	Amount	Amount
Effect of exchange rate change on cash and cash equivalents	455	308
Net increase (decrease) in cash and cash equivalents	(204)	23,904
Cash and cash equivalents at beginning of period	44,105	36,132
Cash and cash equivalents at end of period	43,901	60,036

(4) Notes to consolidated financial statements:

(Notes to assumption of going concern)

Not applicable

(Notes to significant change in balance of stockholders' equity)

Not applicable

Segment Information

For the six months ended December 31, 2013

1. Information concerning net sales and income or loss by reporting segment is as follow:

(Millions of yen)

	Reporting segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Retail business	Rent business	Sub Total				
Sales, Segment income							
Net sales							
Sales to third parties	292,323	8,348	300,671	2,651	303,322	—	303,322
Intersegment sales	3	2,043	2,046	1,409	3,455	(3,455)	—
Total	292,326	10,391	302,717	4,060	306,777	(3,455)	303,322
Segment income	17,055	2,539	19,594	1,280	20,874	(370)	20,504

Notes

1. The other businesses segment includes real estate business, marketing business and financial service business that are not included in other reporting segments.
2. The ¥ (370) 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)

In the retail segment, the increase of goodwill resulting from the acquisition of MARUKAI CORPORATION was ¥1,516 million in the six months ended December 31, 2013.

The amount of goodwill is provisionally recognized based on reasonable information available at that point of time.

(Significant gain on negative goodwill)

Not applicable

For the six months ended December 31, 2014

1. Information concerning net sales and income or loss by reporting segment is as follow:

(Millions of yen)

	Reporting segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Retail Business	Rent business	Sub Total				
Sales, Segment income							
Net sales							
Sales to third parties	330,361	8,972	339,333	2,891	342,224	—	342,224
Intersegment sales	—	7,373	7,373	2,959	10,332	(10,332)	—
Total	330,361	16,345	346,706	5,850	352,556	(10,332)	342,224
Segment income	14,954	6,041	20,995	2,604	23,599	(188)	23,411

Notes

1. The other businesses segment includes real estate business, marketing business, and financial service business that are not included in other reporting segments.
2. The ¥ (188) million adjustment to segment income is an intersegment elimination.
3. Segment income is adjusted to the quarterly consolidated operating income.
4. In the fourth quarter of the fiscal year ended June 30, 2014, a change in the business positioning of some consolidated subsidiaries within the Don Quijote Group resulted in reclassification of their reporting segment from the Others segment to the Rent Business segment. Based on these changes, segment amounts for the fiscal year ended June 30, 2014 have been adjusted to reflect updated segment coverage.

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)

Information is omitted since it is immaterial.

(Significant gain on negative goodwill)

Information is omitted since it is immaterial.