

Summary Report of Consolidated Financial Results

For the First Quarter Ended September 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
 Address: 2-19-10 Aobadai, Meguro-ku, Tokyo
 Representative: Kohji Ohara, President and CEO
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 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 first quarter of fiscal 2018 (From July 1, 2017 to September 30, 2017)

(1) Results of Business Operations

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)
Three Months Ended September 30, 2017	223,433	11.0	14,300	14.1	14,301	11.8
Three Months Ended September 30, 2016	201,327	7.9	12,532	10.9	12,788	10.5

(Note) Comprehensive income: 9,865 million yen [21.9%] (FY 2018.6 1Q), 8,092 million yen [5.8%] (FY 2017.6 1Q)

	Profit Attributable to Owners of Parent	Change (%)	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Three Months Ended September 30, 2017	8,465	4.2	53.52	53.47
Three Months Ended September 30, 2016	8,127	25.4	51.40	51.37

(2) Financial Position

(Millions of yen, except per-share data)

	Total Assets	Net assets	Ratio of Shareholders' Equity to Total Assets (%)
As of September 30, 2017	752,213	285,910	35.2
June 30, 2017	642,868	279,930	40.3

(Reference) Equity: 265,148 million yen (as of September 30, 2017), 259,053 million yen (as of June 30, 2017)

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, 2017	—	5.00	—	21.00	26.00
Year Ending June 30, 2018	—				
Year Ending June 30, 2018 (Forecast)		5.00	—	22.00	27.00

(Note) Revision to the dividend forecast in the first quarter of fiscal 2018: None

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	455,000	8.9	28,800	9.3	28,700	6.6	16,900	2.7	106.83
Year Ending June 30, 2018	890,000	7.4	49,800	7.8	49,800	9.4	29,500	(10.8)	186.49

(Note) Revision to the business forecast in the first quarter of fiscal 2018: Yes

4. Others

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

Newly consolidated: — Excluded:—

Note: QSI, Inc. is included in the scope of consolidation starting from the first quarter of the fiscal year ending June 30, 2018, following the share acquisition by the Company, which does not fall under a change in specific subsidiary.

(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)	September 30, 2017	158,193,160 shares
	June 30, 2017	158,178,760 shares
② Number of treasury stock	September 30, 2017	4,633 shares
	June 30, 2017	4,633 shares
③ Average number of outstanding shares during the period	September 30, 2017	158,178,366 shares
	September 30, 2016	158,118,281 shares

※This financial summary is not subject to quarterly reviews.

※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.

※The Company plans to hold financial results briefing for securities analysts and institutional investors on November 6, 2017. Presentation materials will be available on the Company's website.

Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of September 30, 2017	As of June 30, 2017
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥153,805	¥76,340
Notes and Accounts receivable-trade	9,312	8,966
Merchandise	130,025	123,969
Other	22,181	18,328
Allowance for doubtful accounts	(20)	(18)
Total current assets	315,303	227,585
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	122,895	118,623
Tools, furniture and fixtures, net	18,968	17,249
Land	173,037	171,018
Other, net	3,366	3,876
Total property, plant and equipment	318,266	310,766
Intangible assets		
Goodwill	19,056	5,363
Other	10,552	10,525
Total intangible assets	29,608	15,888
Investments and other assets		
Investment securities	7,894	7,539
Lease and guarantee deposits	43,544	40,474
Other	39,299	42,317
Allowance for doubtful accounts	(1,701)	(1,701)
Total investments and other assets	89,036	88,629
Total non-current assets	436,910	415,283
Total assets	¥752,213	¥642,868

	(Millions of yen)	
	As of September 30, 2017	As of June 30, 2017
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable-trade	¥93,591	¥85,661
Short-term loans payable	285	285
Current portion of long-term loans payable	5,307	5,421
Current portion of bonds	18,816	19,316
Payables under fluidity lease receivables	7,180	7,152
Income taxes payable	5,816	9,128
Provision for point card certificates	1,567	1,691
Other	35,761	36,171
Total current liabilities	168,323	164,825
Non-current liabilities		
Bonds payable	73,782	74,890
Long-term loans payable	187,173	84,638
Long-term payables under fluidity lease receivables	17,561	19,366
Asset retirement obligations	6,116	6,000
Negative goodwill	331	353
Other	13,017	12,866
Total non-current liabilities	297,980	198,113
Total liabilities	466,303	362,938
Net assets		
Shareholders' equity		
Capital stock	22,436	22,425
Capital surplus	19,436	19,425
Retained earnings	221,792	216,446
Treasury shares	(14)	(14)
Total shareholders' equity	263,650	258,282
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	512	326
Foreign currency translation adjustment	986	445
Total accumulated other comprehensive income	1,498	771
Subscription rights to shares	98	98
Non-controlling interests	20,664	20,779
Total net assets	285,910	279,930
Total liabilities and net assets	¥752,213	¥642,868

Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Three months ended September 30, 2017	Three months ended September 30, 2016
	Amount	Amount
Net sales	¥223,433	¥201,327
Cost of sales	164,165	147,103
Gross profit	59,268	54,224
Selling, general and administrative expenses	44,968	41,692
Operating income	14,300	12,532
Non-operating income		
Interest and dividend income	228	192
Amortization of negative goodwill	22	22
Equity in earnings of affiliates	56	—
Other	759	662
Total non-operating income	1,065	876
Non-operating expenses		
Interest expenses	688	266
Bond issuance cost	—	151
Cost of claim's liquidation	106	144
Other	270	59
Total non-operating expenses	1,064	620
Ordinary income	14,301	12,788
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sales of investment securities	—	215
Other	0	27
Total extraordinary income	1	242
Extraordinary losses		
Loss on retirement of non-current assets	3	56
Loss on closing of stores	50	21
Other	15	1
Total extraordinary losses	68	78
Profit before income taxes	14,234	12,952
Income taxes - Current	5,071	5,027
Income taxes - Deferred	24	(1,891)
Total income taxes	5,095	3,136
Profit	9,139	9,816
Profit attributable to non-controlling interests	674	1,689
Profit attributable to owners of parent	¥8,465	¥8,127

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Three months ended September 30, 2017	Three months ended September 30, 2016
	Amount	Amount
Profit	¥9,139	¥9,816
Other comprehensive income		
Valuation difference on available-for-sale securities	185	(42)
Foreign currency translation adjustment	541	(1,682)
Share of other comprehensive income of affiliates accounted for using equity method	0	—
Total other comprehensive income	726	(1,724)
Comprehensive income	¥9,865	¥8,092
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	¥9,192	¥6,400
Comprehensive income attributable to non-controlling interests	673	1,692

Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended September 30, 2017	Three months ended September 30, 2016
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥14,234	¥12,952
Depreciation	3,815	3,805
Amortization of negative goodwill	(22)	(22)
Decrease in provision	(113)	(235)
Interest and dividend income	(228)	(192)
Interest expenses	688	266
Gain on sales of investment securities	—	(215)
Equity in earnings of affiliates	(56)	—
Increase in notes and accounts receivable - trade	(263)	(627)
Increase in inventories	(3,158)	(1,683)
Increase in notes and accounts payable - trade	4,937	1,245
Other, net	879	(573)
Subtotal	20,713	14,721
Interest and dividend income received	145	146
Interest expenses paid	(372)	(356)
Income taxes paid	(8,101)	(5,133)
Net cash provided by operating activities	12,385	9,378
Cash flows from investing activities:		
Purchase of property, plant and equipment	(11,277)	(11,772)
Proceeds from sales of property, plant and equipment	4	1,131
Purchase of intangible assets	(168)	(273)
Payments for lease and guarantee deposits	(22)	(530)
Proceeds from collection of lease and guarantee deposits	11	103
Payment for store opening in progress	(392)	(121)
Proceeds from sales of investment securities	—	945
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(16,283)	—
Payments of loans receivable	(20)	(20,774)
Other, net	(120)	(53)
Net cash used in investing activities	(28,267)	(31,344)
Cash flows from financing activities:		
Net increase in short-term loans payable	—	1,738
Proceeds from long-term loans payable	105,000	34,040
Repayment of long-term loans payable	(2,681)	(13,352)
Proceeds from issuance of bonds	—	8,349
Redemption of bonds	(1,608)	(1,793)
Repayments of payables under fluidity lease receivables	(1,878)	(2,350)
Proceeds from issuance of common shares	23	17
Cash dividends paid	(3,322)	(2,688)
Cash dividends paid to non-controlling interests	(788)	(583)
Other, net	(20)	5
Net cash provided by financing activities	94,726	23,383
Effect of exchange rate change on cash and cash equivalents	424	(509)
Net increase in cash and cash equivalents	79,268	908
Cash and cash equivalents at beginning of period	78,094	44,496
Increase in cash and cash equivalents from newly consolidated subsidiary	—	64
Increase in cash and equivalents resulting from change of accounting period of consolidated subsidiaries	—	49
Cash and cash equivalents at end of period	¥157,362	¥45,517

Segment Information

For the first quarter ended September 30, 2017

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	¥216,498	¥5,232	¥221,730	¥1,703	¥223,433	¥—	¥223,433
Intersegment sales	245	5,295	5,540	2,256	7,796	(7,796)	—
Total	216,743	10,527	227,270	3,959	231,229	(7,796)	223,433
Segment income	¥8,847	¥4,321	¥13,168	¥1,067	¥14,235	¥65	¥14,300

Notes

1. The other businesses segment includes the services of real estate business and marketing business that are not included in other reporting segments.
2. The ¥ 65 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

In the retail business segment, the increase of goodwill resulting from the acquisition of all shares of QSI, Inc. was ¥13,794 million during the three months ended September 30, 2017.

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

For the first quarter ended September 30, 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	¥194,453	¥5,114	¥199,567	¥1,760	¥201,327	¥—	¥201,327
Intersegment sales	136	4,873	5,009	2,512	7,521	(7,521)	—
Total	194,589	9,987	204,576	4,272	208,848	(7,521)	201,327
Segment income	¥6,784	¥4,001	¥10,785	¥1,753	¥12,538	¥(6)	¥12,532

Notes

1. 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 ¥ (6) 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

Not applicable