Don Quijote Holdings. Co., Ltd.

1H Results for FY 2016

Earnings Results

July 1 - December 31, 2015

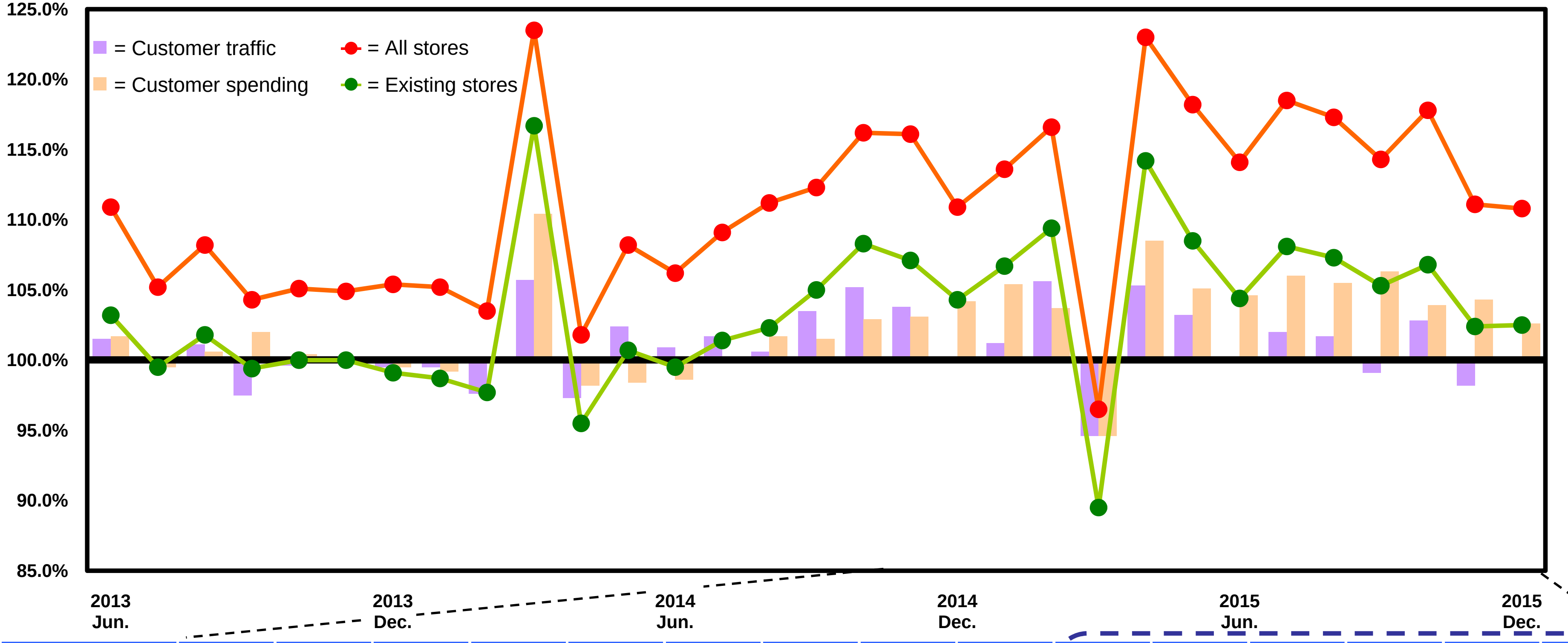
February 5 ,2016

Earnings summary

Consolidated (Millions of yen)	6 months to Dec. 2015			6 months to Dec. 2014	
	Actual	Share	YoY	Actual	Share
Net sales	384,445	100.0%	112.3%	342,224	100.0%
Gross profit	102,941	26.8%	112.3%	91,634	26.8%
SGA	77,370	20.1%	113.4%	68,223	20.0%
Operating profit	25,571	6.7%	109.2%	23,411	6.8%
Recurring profit	25,873	6.7%	107.6%	24,044	7.0%
Profit attributable to owners of parent	14,232	3.7%	103.9%	13,694	4.0%
EPS(Yen)	90.05	-	103.3%	87.21	-

- Consolidated and same store sales went up 12.3% and 5.3% YoY respectively. We enjoyed greater sales in daily necessities as consumers got more price sensitive reflecting the negative expenditures. We successfully expanded the sales of Halloween goods, and there were more repeat tourist customers and inbound sales became greater contributor. Stagnant consumption and bad weather became headwinds for Q2, but we expanded the market share by attracting tourists and domestic family customers.
- GPM was flat YoY. We expanded daily necessities' sales with low margin and high inventory turnover, and there were aggressive write-downs of slow-moving inventories, however seasonal items such as winter apparels were affected by the bad weather and unusually high temperature.
- SGA was within our expectation. It increased due to up-front investments for new stores such as personnel, depreciation expenses. We are increasing the headcount in existing stores to deal with more man-hour triggered by change in sales-mix.
- 1H profits hit all time high.

Same-store sales



Existing stores	2014 Oct.	Nov.	Dec.	2015 Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Sales	108.3%	107.1%	104.3%	106.7%	109.4%	89.5%	114.2%	108.5%	104.4%	108.1%	107.3%	105.3%	106.8%	102.4%	102.5%
Customer traffic	105.2%	103.8%	100.0%	101.2%	105.6%	94.6%	105.3%	103.2%	99.8%	102.0%	101.7%	99.1%	102.8%	98.2%	100.0%
Customer spending	102.9%	103.1%	104.2%	105.4%	103.7%	94.6%	108.5%	105.1%	104.6%	106.0%	105.5%	106.3%	103.9%	104.3%	102.6%
Existing store count	195	196	200	203	204	205	205	207	208	207	209	212	214	216	218

- DQ SSS were up 5.3% for six-month period from July to December, which were better than our guidance.
- Our Sales promotion measures based on the current consumer behavior went quite successful, while ASP rose. Fast-growing inbound tourists' consumption boosted our sales.

Sales breakdown by product category

Consolidated (Millions of yen)	6 months to Dec. 2015			6 months to Dec. 2014	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	31,213	8.1%	106.7%	29,256	8.6%
Miscellaneous household goods	78,335	20.4%	115.5%	67,817	19.8%
Foods	118,451	30.8%	116.6%	101,604	29.7%
Watches & fashion merchandise	80,290	20.9%	106.0%	75,766	22.1%
Sporting goods & leisure goods	29,899	7.8%	116.1%	25,745	7.5%
Other products	33,221	8.6%	110.1%	30,173	8.8%
Total retail store business	371,409	96.6%	112.4%	330,361	96.6%
Rent income	9,737	2.5%	108.5%	8,972	2.6%
Other business	3,299	0.9%	114.1%	2,892	0.8%
Total	384,445	100.0%	112.3%	342,224	100.0%

Home appliances : Smart phone accessories and POSA cards took the lead. Personal-care items and white goods were robust.

Household goods : Cosmetics and drugs contributed even better thanks to fast-growing tourists' sales. Daily consumables became more popular among families. Kitchen goods such as knives and pans went up.

Foods : All product groups achieved high growth. Daily delivered food became more popular as being price competitive.

Watches & Fashion : Sales were solid in luxury watches though winter apparels were slow because of high temperature. Bags and shoes were good.

Sports & Leisure : Halloween costumes surged, workout equipments and toys were strong.

The number of stores

(Number of stores)	FY2014	FY2015	FY2016-1Q	FY2016-2Q
Don Quijote	174	183	182	184
MEGA	37	36	36	37
New MEGA	28	41	45	48
Others	30	32	34	36
Total stores in Japan	269	292	297	305
Overseas	14	14	14	14
Grand Total	283	306	311	319
Domestic opening	22	33	6	9
Domestic closure	5	10	1	1
Net increase	17	23	5	8

- 15 new stores opened in 1H : 3 Don Quijote, 6 New MEGA, 1 MEGA, 1 Picasso, 2 Kyoyasudo, 1 Ekidonki and 1 Doit.
- 2 DQ stores were closed.
- Full year store opening plan is up-revised to 35 stores.

Key components in SG&A

Consolidated (Millions of yen)	6 months to Dec. 2015			6 months to Dec. 2014	
	Actual	Share	YoY	Actual	Share
Net sales	384,445	100.0%	112.3%	342,224	100.0%
Salary allowance	28,920	7.5%	118.9%	24,332	7.1%
Rent	10,237	2.7%	111.6%	9,170	2.7%
Commission paid	8,815	2.3%	113.1%	7,791	2.3%
Depreciation and amortization	6,149	1.6%	114.5%	5,370	1.6%
Others	23,249	6.0%	107.8%	21,560	6.3%
SGA	77,370	20.1%	113.4%	68,223	20.0%

- SGA to sales ratio went down 0.1pts to 20.1%. Cost increased due to initial cost of new store openings such as supplies expenses and depreciation expenses.
- SGA was within our expectation though personnel cost and depreciation expenses went up, we are increasing the headcount in existing stores to deal with more man-hour triggered by change in sales-mix.

Sales and profit by business

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)	-
Total	371,416	18,499	7,046	396,961	(12,516)	384,445
Segment profit	15,393	7,129	3,266	25,788	(217)	25,571

Sales, profit and loss by segment from Jul. 1, 2014, to Dec. 31, 2014 （Millions of yen）

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	330,361	8,972	2,891	342,224	-	342,224
Internal sales or transfers between segments	-	7,373	2,959	10,332	(10,332)	-
Total	330,361	16,345	5,850	352,556	(10,332)	342,224
Segment profit	14,954	6,041	2,604	23,599	(188)	23,411

- Profit in the retail business was 15.4 billion yen which is our mainstay.
- Profit in the tenant leasing business was 7.1 billion yen.
- Profit in other business was 3.3 billion.

Sales, profit and asset by subsidiaries

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)	Others	Elimination	Consolidated
Net sales	270,793	8,291	79,453	19,939	38,200	(32,231)	384,445
Operating profit	14,545	452	2,405	819	13,713	(6,363)	25,571
Total asset	205,606	22,049	79,924	22,070	695,541	(464,790)	560,400
Net asset	104,167	18,752	45,060	15,980	331,853	(280,841)	234,971
				PL/1USD=¥121.7			
				BS/1USD=¥120.3			

Sales, profit and asset by subsidiaries from Jul. 1, 2014, to Dec. 31, 2014 (Millions of yen)

Consolidated	Don Quijote 1)	Doit	Nagasakiya 2)	Overseas 3)	Others	Elimination	Consolidated
Net sales	237,703	9,171	77,149	16,481	25,118	(23,398)	342,224
Operating profit	14,010	333	2,215	672	9,843	(3,662)	23,411
Total asset	181,346	22,205	75,877	17,260	439,696	(246,918)	489,466
Net asset	93,936	18,489	42,736	13,532	140,594	(101,005)	208,282
				PL/1USD=¥103.6			
				BS/1USD=¥109.5			

1) According to the change in pure holdings firm, Don Quijote is simply added both Don Quijote and Don Quijote HD by split

2) Nagasakiya shows only retail business

3) Overseas includes DQ USA and MARUKAI

- Retail businesses were strong including Don Quijote, Nagasakiya, Doit and Overseas. Profitability of those companies had improved.

Balance Sheet

(Millions of yen)

Consolidated	As of Dec. 31, 2015	Change from Jun. 30, 2015
Total current assets	212,987	37,006
Cash and deposits	68,685	18,968
Merchandise	107,451	12,871
Total noncurrent assets	347,413	17,728
Total property, plant and equipment	276,187	14,060
Buildings	100,250	4,229
Land	159,933	9,286
Total intangible assets	17,373	(156)
Goodwill	7,191	(218)
Total investments and other assets	53,853	3,824
Lease and guarantee deposits	33,517	700
Total assets	560,400	54,734

(Millions of yen)

Consolidated	As of Dec. 31, 2015	Change from Jun. 30, 2015
Total current liabilities	184,704	40,128
Accounts payable	84,167	23,611
Short-term liabilities*	56,893	18,295
Total noncurrent liabilities	140,725	1,002
Long-term bonds	56,704	(5,986)
Long-term borrowings	35,156	10,000
Long-term payables under fluidity lease receivables	30,463	(3,560)
Total liabilities	325,429	41,130
Net assets	234,971	13,604
Total shareholders' equity	221,841	12,159
Non-controlling interests	10,704	1,691
Liabilities and net assets	560,400	54,734

* Short-term liabilities = Short-term loans payable + Current portion of long-term loans payable + Current portion of bonds

- Cash & deposits : Outstanding amount was increased by financing through debt for new store openings.
- Merchandise : Inventories increased due to new stores. More inventories had secured for existing stores to avoid opportunity losses for growing inbound sales and year-end shopping needs.
- Payables associated with the liquidation of receivables : 37.6 billion yen was financed by asset-backed loans.

Cash flows and Capital expenditure

Consolidated Cash Flows (Millions of yen)

	6 months to Dec. 2015	6 months to Dec. 2014	Change
Cash and equivalents at beginning of period	51,292	44,105	7,187
Cash flows from operating activitiies	33,605	23,651	9,954
Cash flows from investing activities	(26,443)	(29,558)	3,115
Cash flows from financing activities	15,902	5,248	10,654
Net increase (decrease) in cash and equivalents	22,826	(204)	22,622
Cash and equivalents at end of period	74,118	43,901	30,217

Consolidated Capital Expenditures (Millions of yen)

	6 months to Dec. 2015	6 months to Dec. 2014	Change
Capital expenditures	23,836	27,230	(3,394)
Cash flows*	19,314	17,940	1,374
Net increase (decrease)	(4,522)	(9,290)	4,768

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

- Cash flow from operating activities was 33.6 billion yen positive.
  Positive factors : 24.9 billion yen of income before income taxes and minority interests, 7.1 billion yen of depreciation and amortization, 23.6 billion yen increase in trade payables. Negative factor : 12.9 billion yen increase in inventory, 10.2 billion yen for tax payment.
- Cash flow from financing activities was 15.9 billion yen positive driven by 20.8 billion yen of net increase in long and short term loans and 1.5 billion yen of net increase of bonds. 3.8 billion yen of repayments of payables under fluidity lease receivables and 2.4 billion yen of dividend payment were negative factors.
- Capex was 23.8 billion yen, free cash flow was negative 4.5 billion yen due to aggressive reinvestment.

Earnings summary for Q2

Consolidated	3 months to Dec. 2015			3 months to Dec. 2014	
(Millions of yen)	Actual	Share	YoY	Actual	Share
Net sales	197,803	100.0%	110.9%	178,363	100.0%
Gross profit	53,263	26.9%	112.4%	47,399	26.6%
SGA	38,988	19.7%	113.2%	34,444	19.3%
Operating profit	14,275	7.2%	110.2%	12,955	7.3%
Recurring profit	14,296	7.2%	108.1%	13,222	7.4%
Profit attributable to owners of parent	7,751	3.9%	102.6%	7,553	4.2%
EPS(Yen)	49.03	−	102.0%	48.06	

Sales breakdown by product category for Q2

Consolidated (Millions of yen)	3 months to Dec. 2015			3 months to Dec. 2014	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	16,654	8.4%	101.6%	16,386	9.2%
Miscellaneous household goods	39,658	20.0%	116.9%	33,914	19.0%
Foods	61,652	31.2%	116.7%	52,829	29.6%
Watches & fashion merchandise	41,415	20.9%	104.7%	39,545	22.2%
Sporting goods & leisure goods	15,209	7.7%	104.6%	14,537	8.2%
Other products	16,488	8.4%	108.8%	15,151	8.4%
Total retail store business	191,076	96.6%	110.9%	172,362	96.6%
Rent income	5,018	2.5%	110.9%	4,523	2.5%
Other business	1,709	0.9%	115.6%	1,478	0.8%
Total	197,803	100.0%	110.9%	178,363	100.0%

Key components in SG&A for Q2

Consolidated (Millions of yen)	3 months to Dec. 2015			3 months to Dec. 2014	
	Actual	Share	YoY	Actual	Share
Net sales	197,803	100.0%	110.9%	178,363	100.0%
Salary allowance	14,764	7.4%	119.5%	12,352	6.9%
Rent	5,084	2.6%	109.9%	4,626	2.6%
Commission paid	4,562	2.3%	110.5%	4,130	2.3%
Depreciation and amortization	3,171	1.6%	114.8%	2,762	1.6%
Others	11,407	5.8%	107.9%	10,574	5.9%
SGA	38,988	19.7%	113.2%	34,444	19.3%

Full year forecast for fiscal June 2016

Consolidated (Millions of yen)	FY2016 Revised forecast			FY2016 Previous forecast	
	Plan	Share	YoY	Plan	Share
Net sales	750,000	100.0%	109.7%	730,000	100.0%
Gross profit	200,000	26.7%	110.0%	196,800	27.0%
SGA	159,000	21.2%	111.5%	157,000	21.5%
Operating profit	41,000	5.5%	104.9%	39,800	5.5%
Recurring profit	41,500	5.5%	103.3%	40,800	5.6%
Net profit	23,400	3.1%	101.1%	23,300	3.2%
EPS(Yen)	148.00	-	100.7%	147.55	-
Capital expenditure	40,000	-	133.7%	40,000	-
Depreciation	12,800	1.7%	109.7%	12,800	1.8%

- Full year forecast revised upward for 7 consecutive years. Sales : 750 billion yen, up 20 billion and 9% YoY. OP : 41 billion, up 4%, RP : 41.5 billion, up 3%, NP : 23.4 billion, up 1%.
- Don Quijote SSS forecast : +2.7% YoY for full year, +5.3% YoY for 1H, flat for 2H.