

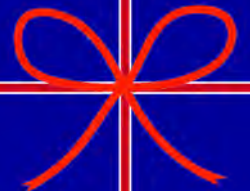
Don Quijote Holdings. Co., Ltd.

1H Results for FY 2018

Earnings Results

July 1, 2017 - December 31, 2017

February 6, 2018



Earnings summary

Consolidated (Millions of yen)	6 months to Dec. 2017			6 months to Dec. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	462,830	100.0%	110.8%	417,694	100.0%
Gross profit	120,176	26.0%	108.6%	110,640	26.5%
SGA	90,929	19.6%	107.9%	84,297	20.2%
Operating profit	29,247	6.3%	111.0%	26,343	6.3%
Recurring profit	31,058	6.7%	115.3%	26,928	6.4%
Profit attributable to owners of parent	18,678	4.0%	113.5%	16,459	3.9%
EPS(Yen)	118.08	-	113.4%	104.09	-

- Consolidated and same store sales went up 10.8% and 4.8% YoY respectively. We expanded our presence in each commercial area by beating our peers with our competitive prices on daily necessity items. We delivered strong sales momentum by quickly responding to ever-changing customer needs. Our pricing provided customers with fast and easy ways to save money.
- Gross Profit Margin declined 50 basis points. Price investments on food and consumables items were the primary contributors to the decline. We focused on securing gross profit in value terms by executing EDLP pricing strategies.
- Operating expenses as a percentage of net sales decreased 60 basis points. Personnel cost at comparable stores were streamlined as we have done organizational reforms and changed how we work. Our productivity loop is starting to turn.
- Operating profit and net profit went up 11.0% and 13.5% respectively. Our 1H results hit an all-time high.

Same-store sales



Existing stores	2016 Oct.	Nov.	Dec.	2017 Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Sales	102.2%	102.2%	102.6%	102.6%	102.1%	103.2%	102.1%	102.8%	105.1%	105.2%	105.1%	106.4%	102.6%	105.9%	104.0%
Customer traffic	100.7%	101.6%	102.5%	102.7%	101.6%	103.6%	103.1%	102.0%	104.5%	104.0%	104.2%	105.5%	100.2%	105.4%	103.0%
Customer spending	101.5%	100.6%	100.2%	99.9%	100.5%	99.6%	99.0%	100.7%	100.6%	101.1%	100.9%	100.9%	102.4%	100.5%	100.9%
Existing store count	238	239	240	244	244	245	247	258	258	265	269	271	274	275	277

- DQ SSS went up 4.8%, traffic +3.7% and spending +1.1% for 1H. (July-December).
- Bad weather and major consumption pattern to save money made the price wars more intense. Customers responded to our wide product assortment and competitive price. Rapidly-growing sales from overseas travelers were the significant contributor.

Sales breakdown by product category

Consolidated (Millions of yen)	6 months to Dec. 2017			6 months to Dec. 2016	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	40,010	8.6%	112.7%	35,490	8.5%
Miscellaneous household goods	108,408	23.4%	123.5%	87,782	21.0%
Foods	153,557	33.2%	114.6%	133,985	32.1%
Watches & fashion merchandise	83,838	18.1%	97.7%	85,796	20.5%
Sporting goods & leisure goods	31,079	6.7%	102.1%	30,444	7.3%
Other products	31,899	6.9%	105.6%	30,219	7.3%
Total retail store business	448,791	97.0%	111.2%	403,716	96.7%
Rent income	10,686	2.3%	103.3%	10,349	2.5%
Other business	3,353	0.7%	92.4%	3,629	0.8%
Total	462,830	100.0%	110.8%	417,694	100.0%

- Home appliances : Seasonal appliances accelerated the sales momentum in association with temperature fluctuation. Smart phone accessories were strong. 4K TV, full HD cameras and laptops made a big hit.
- Household goods : Strong daily consumables sales took the lead. Cosmetics and drugs were boosted by tourists' good shopping appetite.
- Foods : Snacks and daily delivered food earned a lot. Fresh produce at MEGA stores were impacted by bad weather.
- Watches & Fashion : Sales for e-cigarettes and their parts grew fast. Underwear and gloves were encouraged by the temperature drop.
- Sports & Leisure : Sporting goods made a solid growth. Seasonal event items like Halloween were affected by some external factors.

The number of stores

(Number of stores)	FY2016	FY2017	FY2018-1Q	FY2018-2Q
Don Quijote	194	198	199	204
MEGA	39	40	40	41
New MEGA	55	72	73	77
Others	39	44	44	43
Total stores in Japan	327	354	356	365
Overseas	14	14	37	38
Grand Total	341	368	393	403
Domestic opening	40	32	27	12
Domestic closure	5	5	2	2
Net increase	35	27	25	10

- 15 new stores were opened in 1H : 8 Don Quijote, 5 New MEGA, 1 MEGA in Japan. We opened our very first store in Singapore named "Don Don Donki Orchard Central Store". 24 stores were newly added to our overseas store count as QSI (Supermarket operator in Hawaii) joined our group.
- 4 stores closed due to nations' land readjustment project and other reasons.

Key components in SG&A

Consolidated (Millions of yen)	6 months to Dec. 2017			6 months to Dec. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	462,830	100.0%	110.8%	417,694	100.0%
Salary allowance	34,031	7.4%	105.9%	32,124	7.7%
Rent	13,402	2.9%	117.7%	11,387	2.7%
Commission paid	11,166	2.4%	118.5%	9,424	2.3%
Depreciation and amortization	6,841	1.5%	100.7%	6,793	1.6%
Others	25,489	5.5%	103.7%	24,569	5.9%
SG&A	90,929	19.6%	107.9%	84,297	20.2%

- SG&A expenses as a percentage of net sales decreased 60 basis points. Personnel cost at comparable stores were streamlined. It is due mainly to our organizational reforms which were taken place since 2 years ago. Also, we changed how we work and it is bearing fruit. We invested in people and rent in association with our aggressive new store openings.
- Our productivity loop in people and wage are starting to turn.

Sales and profit by business

Sales, profit and loss by segment from Jul. 1, 2017, to Dec. 31, 2017

(Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	448,791	10,686	3,353	462,830	-	462,830
Internal sales or transfers between segments	427	10,637	4,522	15,586	(15,586)	-
Total	449,218	21,323	7,875	478,416	(15,586)	462,830
Segment profit	17,495	8,834	2,858	29,187	60	29,247

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)	-
Total	403,987	20,129	8,580	432,696	(15,002)	417,694
Segment profit	14,321	8,442	3,485	26,248	95	26,343

- Profit in the retail business was 17.5 billion yen which is our mainstay.
- Profit in the tenant leasing business was 8.8 billion yen.
- Profit in other business was 2.9 billion yen.

Sales, profit and asset by subsidiaries

Sales, profit and asset by subsidiaries from Jul. 1, 2017, to Dec. 31, 2017

(Millions of yen)

Consolidated	Don Quijote	Doit	Nagasakiya 1)	Overseas 2)	JAM 3)	Consolidated
Net sales	339,466	8,524	89,890	18,161	9,483	462,830
Operating profit	16,619	199	3,211	391	3,764	29,247
Total asset	273,296	23,106	88,814	32,202	171,324	782,137
Net asset	125,931	19,518	49,822	20,861	101,501	296,897
				PL/1USD=111.3		
				BS/1USD=112.7		

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

(Millions of yen)

Consolidated	Don Quijote	Doit	Nagasakiya 1)	Overseas 2)	JAM 3)	Consolidated
Net sales	302,028	8,240	84,010	17,122	8,889	417,694
Operating profit	13,069	390	3,166	583	3,806	26,343
Total asset	237,357	23,200	82,797	20,766	126,258	628,931
Net asset	113,166	19,424	47,503	14,652	23,272	265,432
				PL/1USD= ¥ 105.7		
				BS/1USD= ¥ 101.0		

1) Nagasakiya shows retail business only.

2) Overseas includes DQ USA and MARUKAI and QSI (Only BS).

3) PL on JAM shows its results from July1,2017 to December 31,2017. BS is as of December 31,2017.

- Good performance at subsidiaries contributed to overall group strong results.

Balance Sheet

Consolidated	(Millions of yen)	
	As of Dec. 31, 2017	Change from Jun. 30, 2017
Total current assets	240,563	12,978
Cash and deposits	51,677	(24,663)
Merchandise	145,140	21,171
Total noncurrent assets	541,574	126,291
Total property, plant and equipment	323,065	12,299
Buildings	125,130	6,507
Land	174,090	3,072
Total intangible assets	29,604	13,716
Goodwill	18,982	13,619
Total investments and other assets	188,905	100,276
Lease and guarantee deposits	45,022	4,548
Total assets	782,137	139,269

Consolidated	(Millions of yen)	
	As of Dec. 31, 2017	Change from Jun. 30, 2017
Total current liabilities	189,532	24,707
Accounts payable	116,783	31,122
Short-term liabilities*	17,122	(7,900)
Total noncurrent liabilities	295,708	97,595
Long-term bonds	72,982	(1,908)
Long-term borrowings	187,069	102,431
Long-term payables under fluidity lease receivables	15,749	(3,617)
Total liabilities	485,240	122,302
Net assets	296,897	16,967
Total shareholders' equity	274,401	16,119
Non-controlling interests	20,690	(89)
Liabilities and net assets	782,137	139,269

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

- Cash & deposits : We financed long-term borrowing for capital investment to expand our business in next year and afterwards.
- Merchandise : We had more inventory to open 15 new stores as well as to reduce opportunity losses.
- Payables associated with the liquidation of receivables : 23 billion yen.

Cash flows and Capital expenditure

Consolidated Cash Flows

(Millions of yen)

	6 months to Dec. 2017	6 months to Dec. 2016	Change
Cash and equivalents at beginning of period	78,094	44,496	33,598
Cash flows from operating activities	31,758	39,737	(7,979)
Cash flows from investing activities	(133,932)	(41,305)	(92,627)
Cash flows from financing activities	84,580	21,572	63,008
Net increase (decrease) in cash and equivalents	(17,059)	19,665	(36,724)
Cash and equivalents at end of period	61,035	64,161	(3,126)

Consolidated Capital Expenditures

(Millions of yen)

	6 months to Dec. 2017	6 months to Dec. 2016	Change
Capital expenditures	19,844	19,857	(13)
Cash flows*	22,420	20,872	1,548
Net increase (decrease)	2,577	1,015	1,562

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

- Cash flow from operating activities was 31.8 billion yen positive.
Positive factors :30.9 billion yen of income before income taxes, 7.8 billion yen of depreciation and amortization.
Negative factors :18.2 billion yen increase in inventory and 11.3 billion yen for corporate tax payment.
- Cash flow from financing activities was 84.6 billion yen positive driven by 110 billion yen of net increase of loans, and 17.4 billion yen of net decrease in corporate bond. 3.3 billion yen of dividend payment were negative factors.
- Capex was 19.8 billion yen. (DQ: 10.8 bil, Nagasakiya: 1.4 bil, JAM: 14.9 bil). Free cash flow was 2.6 billion yen positive.

Earnings summary for Q2

Consolidated (Millions of yen)	3 months to Dec. 2017			3 months to Dec. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	239,397	100.0%	110.6%	216,367	100.0%
Gross profit	60,908	25.4%	108.0%	56,415	26.1%
SGA	45,961	19.2%	107.9%	42,605	19.7%
Operating profit	14,947	6.2%	108.2%	13,811	6.4%
Recurring profit	16,757	7.0%	118.5%	14,140	6.5%
Profit attributable to owners of parent	10,212	4.3%	122.6%	8,332	3.9%
EPS(Yen)	64.56	–	122.5%	52.69	

Sales breakdown by product category for Q2

Consolidated (Millions of yen)	3 months to Dec. 2017			3 months to Dec. 2016	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	21,592	9.0%	113.6%	19,011	8.8%
Miscellaneous household goods	55,052	23.0%	123.3%	44,635	20.6%
Foods	80,326	33.6%	114.6%	70,110	32.4%
Watches & fashion merchandise	43,787	18.3%	97.5%	44,915	20.8%
Sporting goods & leisure goods	15,276	6.4%	99.0%	15,428	7.1%
Others	16,260	6.8%	107.2%	15,163	7.0%
Total retail store business	232,293	97.0%	111.0%	209,262	96.7%
Rent income	5,454	2.3%	104.2%	5,236	2.4%
Other business	1,650	0.7%	88.3%	1,869	0.9%
Total	239,397	100.0%	110.6%	216,367	100.0%

Key components in SG&A for Q2

Consolidated (Millions of yen)	3 months to Dec. 2017			3 months to Dec. 2016	
	Actual	Share	YoY	Actual	Share
Net sales	239,397	100.0%	110.6%	216,367	100.0%
Salary allowance	17,313	7.2%	107.7%	16,076	7.4%
Rent	6,800	2.8%	118.3%	5,749	2.7%
Commission paid	5,573	2.3%	110.1%	5,062	2.3%
Depreciation and amortization	3,498	1.5%	101.3%	3,454	1.6%
Others	12,777	5.3%	104.2%	12,264	5.7%
SG&A	45,961	19.2%	107.9%	42,605	19.7%

Forecast for fiscal June 2018

Consolidated (Millions of yen)	FY2018 Revised forecast			FY2018 Initial forecast	
	Plan	Share	YoY	Plan	Share
Net sales	920,000	100.0%	111.0%	890,000	100.0%
Gross profit	240,000	26.1%	109.8%	234,200	26.3%
SGA	189,000	20.5%	109.6%	184,400	20.7%
Operating profit	51,000	5.5%	110.4%	49,800	5.6%
Recurring profit	53,800	5.8%	118.2%	49,800	5.6%
Net profit	32,200	3.5%	97.3%	29,500	3.3%
EPS(Yen)	203.55	-	97.3%	186.49	-
Capital expenditure	45,000	-	99.2%	45,000	-
Depreciation	15,000	1.6%	106.3%	15,000	1.6%

- Full year forecast was revised upward. Net sales up 30 billion yen, OP up 1.2 billion yen, RP up 4 billion yen and NP up 2.7 billion against our initial forecast.
- Don Quijote SSS forecast : DQ SSS forecast :+0.6% in 2H and +2.7% for full year.