Don Quijote HLDGS

Don Quijote Holdings

Second Quarter Results for Dec. 2014

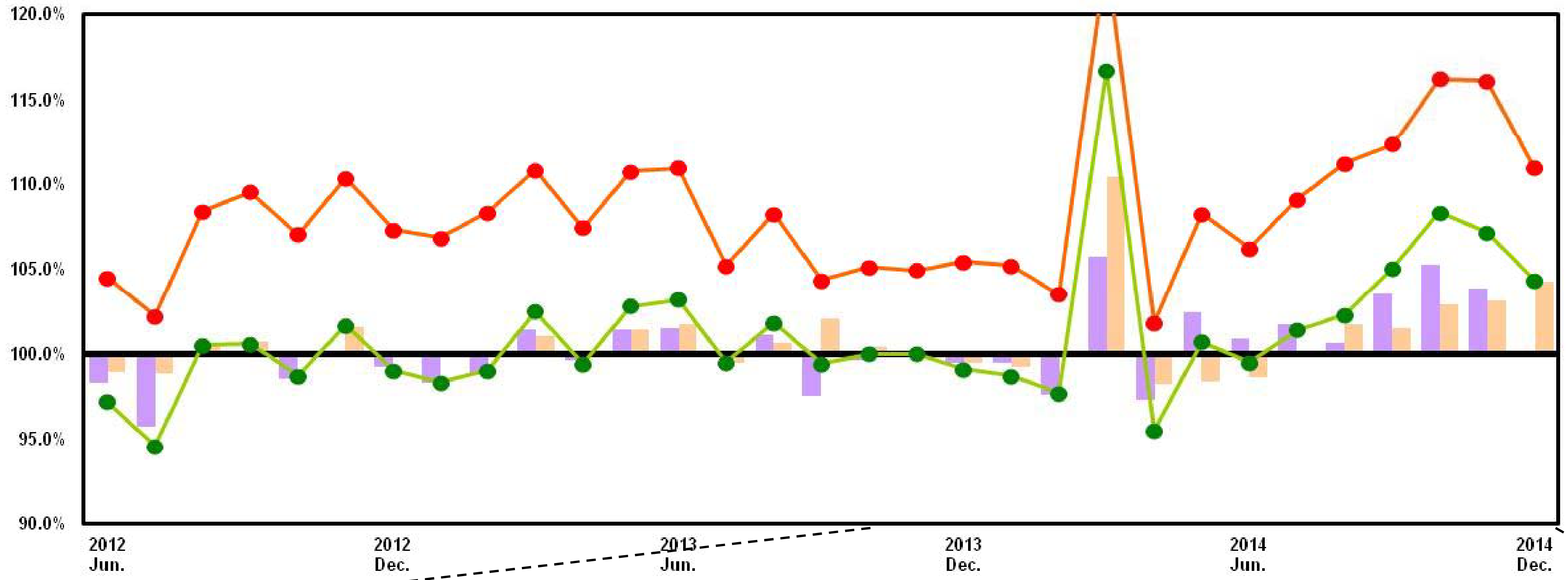
February 5th, 2015

Earnings Summary, First Half of FY2015

Consolidated (Millions of yen)	6 months to Dec. 2014			6 months to Dec. 2013	
	Actual	Share	YoY	Actual	Share
Net sales	342,224	100.0%	112.8%	303,322	100.0%
Gross profit	91,634	26.8%	113.0%	81,075	26.7%
SGA	68,223	20.0%	112.6%	60,571	20.0%
Operating profit	23,411	6.8%	114.2%	20,504	6.7%
Recurring profit	24,044	7.0%	113.8%	21,135	7.0%
Net profit	13,694	4.0%	105.1%	13,024	4.3%
EPS(Yen)	174.41	-	104.5%	166.94	-

- Total sales increased by 12.8% YoY, same-store sales were up 4.6% YoY(DQ format only). We delivered upbeat sales growth with our successful strategies for daily necessities and foods. We also took market share from competitors by leading price competition after the consumption tax-hike.
- GPM improved 0.1 points year on year to 26.8% in 1H, mainly due to the following two reasons.
  -Food sales, which have relatively lower GPM, jumped by about 20% from a year ago. GPM improved because of the better sales in value-added goods.
  -Gross profit increased at a faster pace than sales.
- SGA ratio to the sales were flat although we made the upfront investment, mainly labor cost etc, for the future new store rollout.
  OP grew and beat our estimate driven by sales growth. 1H results were all time high.

Existing Stores (Don Quijote store format)



Existing stores	2013 Oct.	Nov.	Dec.	2014 Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul	Aug.	Sep.	Oct.	Nov.	Dec.
Sales	100.0%	100.0%	99.1%	98.7%	97.7%	116.7%	95.5%	100.7%	99.5%	101.4%	102.3%	105.0%	108.3%	107.1%	104.3%
Customer traffic	99.6%	99.9%	99.5%	99.5%	97.6%	105.7%	97.3%	102.4%	100.9%	101.7%	100.6%	103.5%	105.2%	103.8%	100.0%
Customer spending	100.4%	100.1%	99.5%	99.2%	100.1%	110.4%	98.2%	98.4%	98.6%	99.8%	101.7%	101.5%	102.9%	103.1%	104.2%
Existing store No.	186	187	189	192	191	193	195	195	194	196	196	196	195	196	200

- Don Quijote same store sales were up 4.6%(1Q:+2.8%, 2Q:+6.3%) because of more customer traffic (up 2.3%) and more customer spending (up 2.2%) even though cold air mass brought low temperature nationwide throughout the month.

- Stronger demand towards daily commodity goods and growing foreign tourists' sales are the major contributors. Low temperature promoted winter seasonal goods.

Sales Breakdown of Products Category : FY2015 1H

Consolidated	6 months to Dec. 2014			6 months to Dec. 2013	
(Millions of yen)	Actual	Share	YoY	Actual	Share
Home electrical appliances	29,346	8.6%	104.5%	28,095	9.3%
Miscellaneous household goods	76,530	22.4%	111.1%	68,861	22.7%
Foods	101,616	29.7%	118.5%	85,721	28.3%
Watches & fashion merchandise	73,164	21.4%	105.6%	69,281	22.8%
Sporting goods & leisure goods	19,835	5.8%	106.3%	18,666	6.1%
Other products	29,870	8.7%	137.7%	21,699	7.2%
Total retail store business	330,361	96.6%	113.0%	292,323	96.4%
Rent income	8,972	2.6%	107.5%	8,348	2.8%
Other business	2,892	0.8%	109.1%	2,651	0.8%
Total	342,224	100.0%	112.8%	303,322	100.0%

- Foods grew its sales by 18.5% year on year thanks to successful pricing strategy and product mix.
  “Processed foods” e.g. snacks and noodles “Daily delivered foods” e.g. eggs, tofu and beverages are the contributors.
- Miscellaneous household goods grew 11.1% year on year backed by the strong foreign tourists’ demand toward cosmetics and drugs as well as daily necessities like hair care products.
- Luxuries and durables are on the recovery track with smaller negative impact from pre tax-hike last-minute demand.

Number of stores

(Number of stores)	FY2013	FY2014	FY2015-1Q	FY2015-2Q
Don Quijote	165	174	172	173
MEGA	35	37	37	37
New MEGA	21	28	31	34
Others	31	30	32	33
Domestic store opening	16	22	6	9
Temporary store closing	0	3	1	1
Domestic store closure	3	5	2	3
Net store increase	13	17	3	5
Overseas	3	14	14	14
Total	255	283	286	291

- 15 new stores opened in 1H: 7 Don Quijote, 5 New MEGA , 1 Doit and 2 Kyoyasudo.
- 7 stores closed total in DQ Group including temporal suspension.
- New store openings are ongoing in line with our expectation so far. Having stores in properties that were formally occupied by other retailers, is our main way. We're securing human resources including senior-citizen part-time staff in an agile manner.

Key Components of SG&A Expenses : FY2015 1H

Consolidated (Millions of yen)	6 months to Dec. 2014			6 months to Dec. 2013	
	Actual	Share	YoY	Actual	Share
Net sales	342,224	100.0%	112.8%	303,322	100.0%
Salary allowance	24,332	7.1%	116.8%	20,834	6.9%
Rent	9,170	2.7%	106.1%	8,640	2.8%
Commission paid	7,791	2.3%	103.3%	7,545	2.5%
Depreciation and amortization	5,370	1.6%	118.0%	4,551	1.5%
Others	21,560	6.3%	113.5%	19,001	6.3%
SGA	68,223	20.0%	112.6%	60,571	20.0%

- SGA ratio to the sales stood at 20.0%, flat year on year. It was affected by initial cost* burden associated with new 15 stores openings, more work required with sales mix change, and the consolidation of MARUKAI, the U.S. subsidiary.
  **Salary allowance, Depreciation & Amortization, Fixings, etc.*
- Stronger sales promotion with our original e-money ”majica” to push up the spending per customer for further sales growth. Personnel cost, mainly salary allowance went up year on year. This is because of the fact that we secured human resources in advance to be ready for the aggressive new store openings onwards.

Sales, Profit and Loss by Segment : FY2015 1H

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

Sales, profit and loss by segment from Jul. 1, 2013, to Dec. 31, 2013 (Millions of yen)

Consolidated	Retail store	Rent income	Others	Total	Adjusted amount	Consolidated
Sales to external customers	292,323	8,348	2,651	303,322	-	303,322
Internal sales or transfers between segments	3	2,043	1,409	3,455	(3,455)	-
Total	292,326	10,391	4,060	306,777	(3,455)	303,322
Segment profit	17,055	2,539	1,280	20,874	(370)	20,504

- 1H segment profit in the retail business was 15.0 billion yen which is our mainstay.
- 1H segment profit in the tenant leasing business was 6.0 billion yen.
- 1H segment profit in other business was 2.6 billion.

Sales, profit and asset by subsidiaries : FY2015 1H

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	243,856	9,171	77,149	16,481	18,965	(23,398)	342,224
Operating profit	18,208	333	2,215	672	5,645	(3,662)	23,411
Total asset	370,538	22,205	75,877	17,260	250,504	(246,918)	489,466
Net asset	167,290	18,489	42,736	13,532	67,240	(101,005)	208,282
				PL/1USD=¥103.6			
				BS/1USD=¥109.5			

Sales, profit and asset by subsidiaries from Jul. 1, 2013, to Dec. 31, 2013 （Millions of yen）

Consolidated	Don Quijote[1]	Doit	Nagasakiya[2]	Overseas[3]	Others	Elimination	Consolidated
Net sales	211,643	10,385	71,287	8,186	11,778	(9,957)	303,322
Operating profit	14,139	634	1,771	425	2,131	1,404	20,504
Total asset	363,526	22,651	66,934	10,388	150,967	(173,704)	440,762
Net asset	153,187	18,112	36,526	9,419	36,932	(71,231)	182,945
				PL/1USD=¥99.5			
				BS/1USD=¥99.0			

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

- Same store sales continue to grow, mainly DQ, Nagasakiya and DQ USA and expanded profit.
- Doit struggle to get recoil reduction after the consumption tax-hike and decreased stores.
- Don Quijote Group continues to pursue the concept of “Valuing the customer as our utmost priority” after the change to a pure holdings company.

Balance Sheet

（Millions of yen）

Consolidated	As of Dec. 31, 2014	Change from Jun. 30, 2014
Total current assets	176,926	18,092
Cash and deposits	39,485	(3,205)
Merchandise	102,369	13,264
Total noncurrent assets	312,540	39,239
Total property, plant and equipment	244,798	32,075
Buildings	89,244	12,166
Land	140,193	20,513
Total intangible assets	17,192	1,836
Goodwill	7,415	1,083
Total investments and other assets	50,550	5,328
Lease and guarantee deposits	31,929	966
Total assets	489,466	57,331

（Millions of yen）

Consolidated	As of Dec. 31, 2014	Change from Jun. 30, 2014
Total current liabilities	144,723	30,279
Accounts payable	73,335	18,217
Short-term liabilities*	31,547	11,603
Total noncurrent liabilities	136,461	11,934
Long-term bonds	48,010	3,710
Long-term borrowings	31,654	1,624
Long-term payables under fluidity lease receivables	37,556	3,211
Total liabilities	281,184	42,213
Net assets	208,282	15,118
Total shareholders' equity	200,188	12,551
Minority interests	7,135	1,316
Liabilities and net assets	489,466	57,331

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

- Cash & deposits amounted to 39.5 billion yen, a decline of 3.2 billion from the end of the fiscal year ending in June 2014. Increased efficiency for current cash on hand led to a reduction of 3.2 billion yen.
- Merchandise stood at 102.4 billion yen, 13.3 billion more than the end of last year with 15 new stores as well as the accumulation based on the robust sales trend.
- Payables under fluidity lease receivables were 44.5 billion yen, up 4.3 billion, with financing through ABL.

Cash Flows and Capital Expenditures

Consolidated Cash Flows

（Millions of yen）

	6 months to Dec. 2014	6 months to Dec. 2013	Change
Cash and equivalents at beginning of period	44,105	36,132	7,973
Cash flows from operating activitiies	23,651	22,624	1,027
Cash flows from investing activities	(29,558)	(16,664)	(12,894)
Cash flows from financing activities	5,248	17,636	(12,388)
Net increase (decrease) in cash and equivalents	(204)	23,904	(24,108)
Cash and equivalents at end of period	43,901	60,036	(16,135)

Consolidated Capital Expenditures

（Millions of yen）

	6 months to Dec. 2014	6 months to Dec. 2013	Change
Capital expenditures	27,230	15,497	11,733
Cash flows*	17,940	16,252	1,688
Net increase (decrease)	(9,290)	755	(10,045)

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

- Net cash provided by operating activities totaled 23.7 billion yen based on additions from pretax profit at 23.3 billion yen and an increase in trade payable at 17.5 billion yen and subtractions from an increase in inventory at 12.6 billion yen and income taxes paid at 9 billion yen.
- 5.2 billion yen of cash inflows in financial CF largely due to 7.5 billion yen income from rent claims liquidation intending diversified financing.
- Capex stood at 27.2 billion yen, mainly in Japan Asset Marketing and Don Quijote.

Earnings Summary, Second Quarter of FY2015

Consolidated	3 months to Dec. 2014			3 months to Dec. 2013	
(Millions of yen)	Actual	Share	YoY	Actual	Share
Net sales	178,363	100.0%	113.7%	156,808	100.0%
Gross profit	47,399	26.6%	115.1%	41,195	26.3%
SGA	34,444	19.3%	111.7%	30,831	19.7%
Operating profit	12,955	7.3%	125.0%	10,364	6.6%
Recurring profit	13,222	7.4%	123.6%	10,701	6.8%
Net profit	7,553	4.2%	114.3%	6,608	4.2%
EPS(Yen)	96.20	-	113.7%	84.61	-

Sales Breakdown of Products Category : FY2015 2Q

Consolidated	3 months to Dec. 2014			3 months to Dec. 2013	
(Millions of yen)	Actual	Share	YoY	Actual	Share
Home electrical appliances	16,461	9.3%	107.7%	15,279	9.7%
Miscellaneous household goods	40,519	22.7%	112.6%	35,990	23.0%
Foods	52,843	29.6%	118.2%	44,723	28.5%
Watches & fashion merchandise	39,066	21.9%	106.6%	36,649	23.4%
Sporting goods & leisure goods	8,627	4.9%	108.1%	7,982	5.1%
Other products	14,846	8.3%	140.0%	10,601	6.8%
Total retail store business	172,362	96.7%	114.0%	151,223	96.5%
Rent income	4,523	2.5%	106.1%	4,262	2.7%
Other business	1,478	0.8%	111.7%	1,323	0.8%
Total	178,363	100.0%	113.7%	156,808	100.0%

Key Components of SG&A Expenses : FY2015 2Q

Consolidated	3 months to Dec. 2014			3 months to Dec. 2013	
(Millions of yen)	Actual	Share	YoY	Actual	Share
Net sales	178,363	100.0%	113.7%	156,808	100.0%
Salary allowance	12,352	6.9%	116.6%	10,592	6.8%
Rent	4,626	2.6%	106.3%	4,353	2.8%
Commission paid	4,130	2.3%	98.0%	4,214	2.7%
Depreciation and amortization	2,762	1.6%	118.1%	2,339	1.5%
Others	10,574	5.9%	113.3%	9,333	5.9%
SGA	34,444	19.3%	111.7%	30,831	19.7%

Company Forecast : FY2015 (June 2015)

Consolidated	FY2015 Revised forecast			FY2015 Previous forecast	
(Millions of yen)	Plan	Share	YoY	Plan	Share
Net sales	658,000	100.0%	107.4%	634,000	100.0%
Gross profit	175,500	26.7%	109.0%	167,800	26.5%
SGA	139,000	21.1%	109.7%	133,000	21.0%
Operating profit	36,500	5.5%	106.4%	34,800	5.5%
Recurring profit	37,500	5.7%	105.7%	35,600	5.6%
Net profit	21,800	3.3%	101.5%	21,500	3.4%
EPS(Yen)	278.09	-	101.2%	274.26	-
Capital expenditure	45,000	-	126.5%	35,000	-
Depreciation	11,200	1.7%	107.7%	10,500	1.7%

- FY2015 forecast revised upward. Sales : up 24 billion yen, OP : up 1.7 billion, RP : up 1.9 billion, against our initial forecast.
- Don Quijote same store sales forecast goes as follows. Full year : +3.5% year on year, 2H : -1.1%
- Main reason for 45 billion of capex per annum: 28-30 new store openings, etc