Don Quijote

Annual Report 2009



Don Quijote Co., Ltd.



Profile

Since opening the first Don Quijote store in 1989, Don Quijote Co., Ltd. has aggressively pursued business activities primarily through the format of a comprehensive discount store under the corporate philosophy of “Putting the Customer First” and the Company’s formula of CV (convenience) + D (discounts) + A (amusement). We have created our one-of-a-kind business format of “consumable time,” which is far different from that of any conventional retail business, by focusing on late-night operation to meet customers’ needs, offering a rich assortment of goods from daily commodities to luxury brand items at deeply discounted prices, and developing stores for more entertaining customer experiences.

The external environment changed drastically in the fiscal year under review, in which we started out by promoting the development of MEGA Don Quijote, a deep-discount, daily-life necessities store format with family customers as its main target, in line with our forecast of future market trends. As a result of these efforts, our performance in the recessionary phase strengthened with consolidated net sales reaching approximately ¥500 billion. And ever mindful of the constant need for innovation, we continue to strive each day toward evolving our unique business models to achieve further growth.







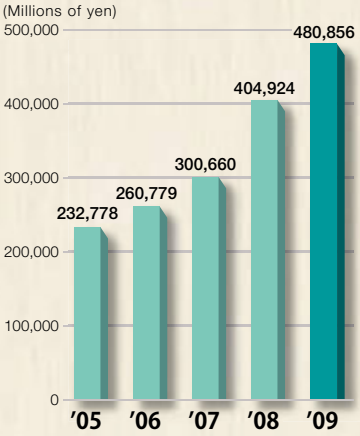


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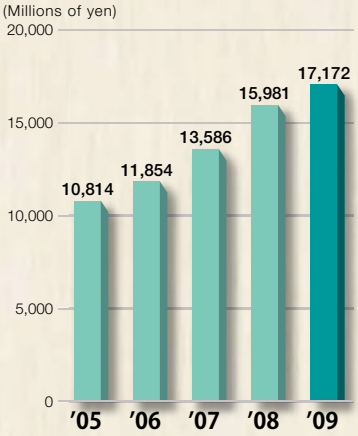
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Consolidated Financial Highlights

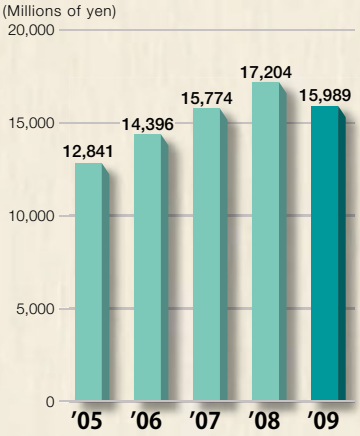
Net sales



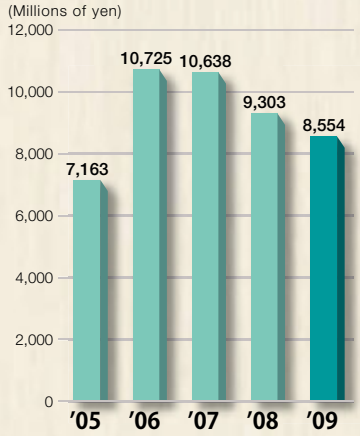
Operating income



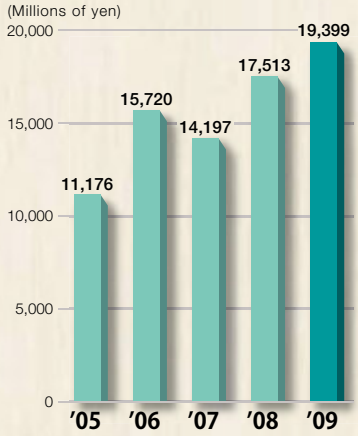
Recurring income



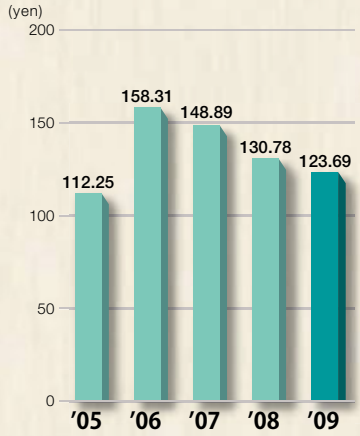
Net income



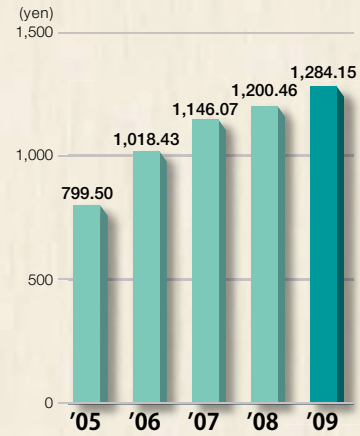
Free cash flow*1



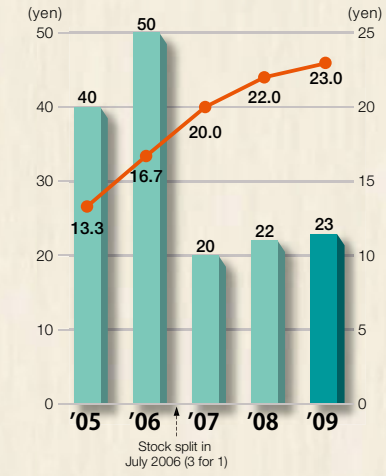
Net income per share*2



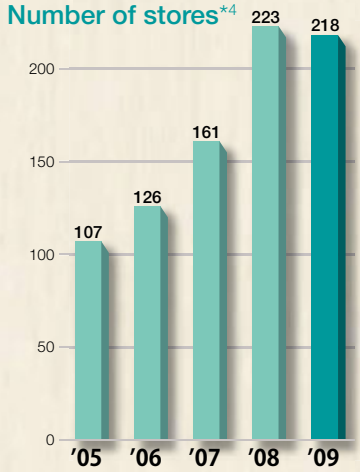
Shareholders' equity per share*2



Annual dividends per share*3



Number of stores*4



*1 Free cash flows = net income after taxes + depreciation and amortization + extraordinary loss - cash dividends
*2 Net income per share and shareholders' equity per share have been restated to reflect the retroactive effects of stock splits in July 2006.
*3 The bar chart indicates annual dividends per share (left axis), while the line chart displays the restatement of annual dividends per share to reflect the retroactive effects of stock splits (right axis).
*4 Please refer to p.12 for a breakdown of the number of stores.


ドン.キホーテ
激安の殿堂
DON QUIJOTE
OPEN SALE
ドン.キホーテ 横浜西口店


激安の殿堂
ドン.キホーテ
GAME
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激安の殿堂
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Don Quijote
ドン.キホーテ

Pioneering in Retail Innovation



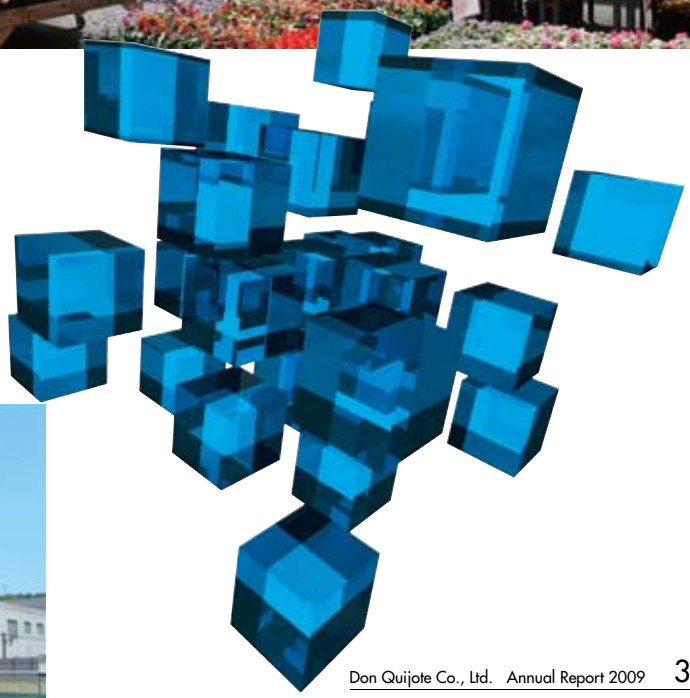














Envisioning the future and evolving as a company that creates innovative business formats



Chairman of the Board and CEO
Takao Yasuda

President and COO
Junji Narusawa

Achieving growth in net sales and operating income for the 19th consecutive year* and thereby further enhancing the comprehensive capabilities of the Group

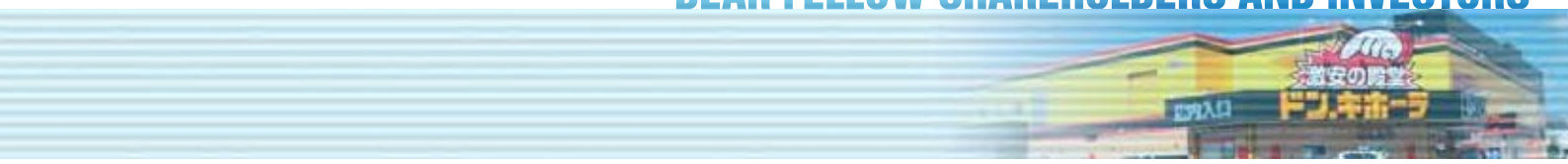
During the fiscal year ended June 2009, corporate competition intensified along with an accelerating price war in the Japanese retail industry as consumer confidence deteriorated in the wake of an economic recession caused by confusion in global financial markets. In this severe environment, the Don Quijote Group quickly grasped emerging consumption trends and flexibly implemented a number of measures. We squarely responded to rapidly growing customers' needs for daily-life necessities and economizing in purchasing and strengthened our low-price strategy.

While existing Don Quijote stores maintained solid performance through the building of a stronger discount competitiveness than ever, we also expeditiously proceeded with the restructuring of Nagasakiya, GMS, and Doit, DIY product stores in the Group to expand profit. In particular, we moved forward with renewals and business model conversions to the MEGA Don Quijote deep-discount, daily-life necessities store, which we began developing as a new business format.

As a result, in our consolidated financial results for the fiscal year under review, net sales grew 18.8% year-on-year to ¥480.9 billion and operating income rose 7.5% to ¥17.2 billion, while recurring income fell 7.1% to ¥16.0 billion. And although recurring income fell, due in part to valuation losses related to financial products, we nevertheless achieved our 19th consecutive year* of growth in sales and operating income.

This fiscal year we successfully met the challenge of slumping consumption by looking beyond the current circumstances and demonstrating our comprehensive capabilities with flexibility and agility.

*Non-consolidated basis. On a consolidated basis, the fiscal year under review marked the 13th consecutive year of growth since we began consolidated accounting.



Promoting strategic renewal & scrap

The Don Quijote Group has flexibly and effectively promoted new store openings in order to offer more customers the enjoyment of an outstanding shopping experience with high-quality service and amusement.

During the fiscal year under review, we scaled back on new store openings and focused on revitalizing existing stores and aggressively promoting renewal & scrap mainly to convert business formats. We accelerated the development of MEGA Don Quijote, which we introduced as our new business format, and strategically closed stores to raise business efficiency. As a result, the Group network as of the end of June 2009 comprised a total of 218 stores, including 214 stores in 36 prefectures in Japan and 4 stores in Hawaii, U.S.A.

Looking ahead, we intend to expand our flagship Don Quijote business format while at the same time reinforcing the development of the new MEGA Don Quijote business format toward evolving it into another pillar of business, alongside our existing Don Quijote stores. We also plan to promote our nationwide store opening strategy with an emphasis on business efficiency through flexible store formats and with an added focus on commercial areas, scale and location characteristics.

Swiftly responding to consumer trends by expanding business scope

During the fiscal year under review, we sought to boost the number of customers and units sold. This was done through strategic actions designed to accommodate growing customers' needs, for daily-life necessities and economizing, by offering an enhanced product lineup focused on daily needs, such as food and daily commodities, as well as a strengthened low-price policy. On the other hand, to improve management efficiency, we implemented the reorganizing of Group companies' businesses. This reform was carried out boldly through the consolidation, elimination and reorganization of our operations.

As a result, net sales in our discount store business grew significantly by 12.7% on the year to ¥373.6 billion in the fiscal year under review. This was due to stable sales of foods and daily commodities and the contribution of BIG1 CO., LTD. as a newly consolidated subsidiary, as well as the partial format conversion of Nagasakiya stores from GMS to MEGA Don Quijote stores.

Net sales in our GMS operations, despite a reduction in the number of stores as a result of conversions and closures of some Nagasakiya stores, dramatically surged by 47.5% on the year to ¥88.6 billion, as the full year net sales 12 months of Nagasakiya Co., LTD. contributed to consolidated accounting starting with the year under review (6 months accounted for in the previous fiscal year).

In our tenant leasing business, the longer store hours of Nagasakiya Co., LTD. also contributed to boosting net sales by 37.7% on the year to ¥15.9 billion.

On the other hand, selling, general and administrative (SG&A) expenses increased by 18.7% on the year to ¥110.1 billion, as we pushed forward with our vigorous sales promotion policy; moreover, the effects from our measures to boost business efficiency and reduce fixed costs have started to appear. While subsidiaries undergoing revitalization were burdened by format conversion cost, performance began to improve in the latter half of the fiscal year.



Annual dividend rises for sixth consecutive year

Despite drastic changes in the external environment influencing the business situation and the management of companies, we paid an annual dividend of ¥23 (previous fiscal year: ¥22) and thereby increased our annual dividend for the sixth consecutive year. We intend to draw upon retained earnings to fund investment in facilities, and we will endeavor to further enhance corporate value and bolster our management constitution.

With the top priority of issuing ongoing returns to shareholders, the Don Quijote Group will enhance its corporate value by solidifying its management base while developing its businesses, and will move forward by delivering stable returns to shareholders.

Creation of business formats to further advance as a comprehensive retail group

The Japanese economy is expected to continue seeing deteriorating corporate performance and employment conditions, resulting in a continuous decline in exports and capital investment. The economy also faces the problems of personal consumption further stagnating and deflation arising from consumer anxieties about the future, which may remain for some time.

To remain on the path of growth in such a business environment, the Group plans to strategically execute new store openings during the next fiscal year and focus on strengthening the sales foundation of existing stores. In addition, it will continue store renewals and format conversions of subsidiary company stores to achieve enhanced sales capability and profitability. The Group will seek to further evolve its unique business model, Don Quijote stores, which combines high-quality service and amusement, while forging ahead with the development of our new business format, MEGA Don Quijote.

In overall management, we intend to launch a full-scale effort toward bolstering our internal management systems and thereby establish a solid corporate foundation by taking measures to enhance our internal control systems and uncompromising pursuit of business efficiency.

Given these initiatives, we project consolidated business results for the fiscal year ending June 30, 2010 will include a 3.4% year-on-year increase in net sales to ¥497.0 billion, an 11.3% increase in recurring income to ¥17.8 billion, and a 16.9% increase in net income to ¥10.0 billion.

The Don Quijote Group will remain committed to the corporate philosophy of “Putting the Customer First” and will continue facing every challenge to further enhance corporate value and increase shareholder return. We invite all our stakeholders to join us in maintaining the highest expectations for the Don Quijote Group.



Chairman of the Board and CEO

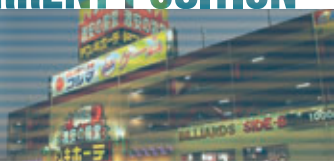
Takao Yasuda



President and COO

Junji Narusawa

Opening new markets with an approach that defies industry conventions



Persistent growth as a Group that creates new business formats

We pioneer the night market through late-night operations, provide a rich product selection from daily commodities to luxury brands, and offer display techniques and interior decor designed to add joy to shopping while hunting for products. Since its founding, Don Quijote has built up its unique "consumable-time" business format through practicing a variety of such methods, which overturn the conventional wisdom of the retail industry and create an unconventional space for shopping.

Our business operating format started with the establishment in 1978 of a miscellaneous daily goods store—only 60 to 70 square meters—by Takao Yasuda (currently Chairman of the Board and CEO of Don Quijote Co., Ltd.). As Mr. Yasuda worked on the displays late at night after operating hours, customers began showing up, believing the store was still open. Mr. Yasuda quickly noticed there was a demand during late night hours. The "compression displays" create a jungle-like atmosphere, and the hand-written, point-of-purchase (POP) product information cards that fill the stores today also originated through our efforts to meet customers' needs at that same small store.

Then in 1989, building on the expertise gained at the store, the first Don Quijote store was opened in Fuchu, Tokyo. Multi-store operations were subsequently launched, and the business has expanded in step with developments to its unique business models.

In 2006, Don Quijote marked a new direction by engaging in M&A, starting off with the acquisition of four stores in Hawaii, U.S.A. The Group went on to acquire Doit, a well-established DIY products store operator, and Nagasakiya, a general merchandise store operator, in 2007, and in 2008 it acquired BIG1 CO., LTD., a discount store operator in the Nagoya and Gifu areas. Having undergone several major changes, Don Quijote's sales has turned the Company into a 500-billion-yen comprehensive retail group.

Despite the recession in the wake of the bursting of the Japanese "bubble economy" and subsequent deflation, as well as the recent economic downturn caused by the sub-prime loan crisis, the Don Quijote Group has been able to leap forward with exceptional speed by following a steadfast commitment to "Putting the Customer First," discerning the tide of the times and rising to the daily challenge of creating new business formats.

Consequently, the Group has been highly acclaimed by customers for its innovative retail business formats that have been created by meeting market needs ahead of the times. The Group was ranked 22nd in retail net sales*1, rising rapidly from the 33rd spot in the previous year's survey, and Don Quijote Co., Ltd. was ranked No. 1 in general discount store net sales*2 with an overwhelming lead over other industry participants for the second year running.

*1 The 42nd Japan Retail Business Survey, *The Nikkei MJ (June 24, 2009)*
*2 The 37th Japan Specialized Store Survey, *The Nikkei MJ (July 8, 2009)*

History of Creating New Business Formats and Our Growth

'80	Sep.	Established Just Co., Ltd. (currently Don Quijote Co., Ltd.)
'89	Mar.	Opened first Don Quijote store in Fuchu, Tokyo
'95	Sep.	Changed corporate name to Don Quijote Co., Ltd.
'96	Dec.	Stock registered for trading on the OTC market
'98	Jun.	Stock listed on the Second Section of the Tokyo Stock Exchange
'00	Jul.	Stock listed on the First Section of the Tokyo Stock Exchange
'01	Jun.	Opened first Picasso small-scale discount store in Yokohama, Kanagawa
	Dec.	Opened first Don Quijote store in Fukuoka-shi, Fukuoka as first step in nationwide chain expansion
'02	Apr.	Opened first PAW multi-business commercial complex in Kawasaki, Kanagawa
'06	Feb.	Converted Don Quijote (USA) Co., Ltd. into a consolidated subsidiary to operate stores in Hawaii, U.S.A.
'07	Jan.	Converted DIY products store operator Doit Co., Ltd. into a consolidated subsidiary
	Oct.	Converted GMS operator Nagasakiya Co., LTD. into a consolidated subsidiary
'08	Apr.	Opened first MEGA Don Quijote deep-discount daily-life necessities store in Atsugi, Kanagawa
	Oct.	Converted discount store operator BIG1 CO., LTD. into a consolidated subsidiary
'09	Jul.	Absorbed BIG1 CO., LTD. in a merger

With a new business format, the Group has grown into a comprehensive retailer with net sales of around ¥500 billion

MEGA Don Quijote—offering a new business format that is ahead of the times

The Don Quijote Group develops varied store formats that bear the DNA of its core Don Quijote comprehensive discount store to correspond with specific commercial areas, scale and location characteristics.

During the fiscal year under review, we sought to remain one step ahead of the current economic crisis, which dramatically altered the consumer environment, and actively set up the MEGA Don Quijote deep discount stores with full awareness of consumer entrenchment. We described this approach as the “Emporium of astonishingly low prices.”

Under the same store concept as our flagship Don Quijote business format, we established a “MEGA-class” lineup of 40,000 to 50,000 products for the support of daily life and offered at “astonishingly low prices,” thereby contributing to the betterment of local communities.

In the store, wide aisles afford customers easy passage, even with a large cart, in highly amusing surroundings with incomparable displays that depict the essence of Don Quijote and effective POP. While the store features the same floor space as a GMS, its style is dynamic with a bustling atmosphere, which differs from typical supermarket styles and enables more customers to discover the sheer joy of shopping.

The development of MEGA Don Quijote has set a precedent in the recent lower price trend, establishing itself as a groundbreaking post-GMS store model that is generating excitement in the industry.





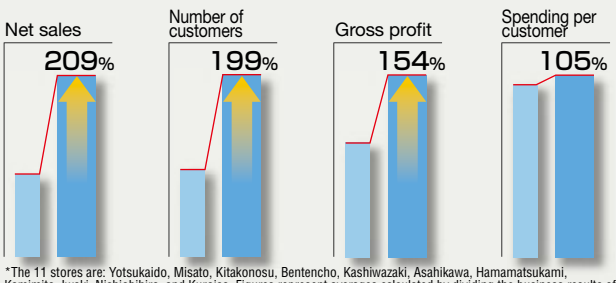
MEGA Don Quijote Strategy
Business format conversions deliver significant performance improvements

MEGA Don Quijote, after opening its first experimental store in April 2008, has steadily expanded to 20 stores in the Group as of June 30, 2009. Most of these were originally GMS under Nagasakiya, which joined the Group in October 2007. After undergoing a business format conversion, these stores attracted enthusiastic customer support, and their performance improved significantly compared with before conversion, even as leading GMS format stores struggle amid the current business climate.

MEGA Don Quijote saw net sales and the number of customers nearly double on the year to 209.1% and 198.9%, respectively, compared with those before conversion. Spending per customer, despite the shift toward a lower price trend, increased somewhat from ¥1,958 in the previous year to ¥2,058, and gross profit increased 53.6%, substantial improvements compared to before conversion.

Looking ahead, we will focus on further boosting customer satisfaction by repeating the cycle of hypothesis and verification to evolve our product strategy, logistics system and business processes.

■ MEGA Don Quijote: Business results before and after conversion



*The 11 stores are: Yotsukaido, Misato, Kitakonosu, Bentencho, Kashiwazaki, Asahikawa, Hamamatsukami, Kamimito, Iwaki, Nishiobihiro, and Kuroiso. Figures represent averages calculated by dividing the business results of 11 stores after their conversion to MEGA Don Quijote stores and their prior business results as conventional stores directly operated by Nagasakiya by the number of months in operation (73 months), respectively.

MEGA Don Quijote Strategy
Combining our expertise in response to consumer entrenchment

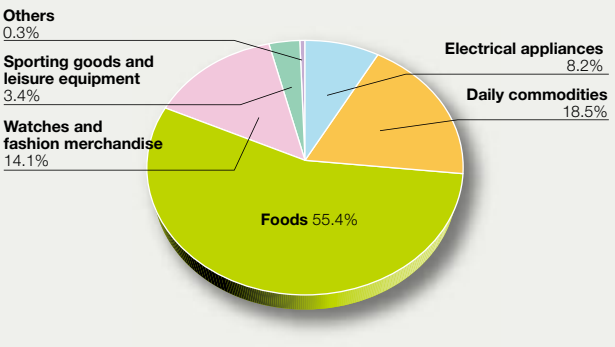
Our MEGA Don Quijote has been providing ample support for the daily lives of customers. In its recent net sales composition by product category, approximately 74% of products are comprised of daily essentials, with daily commodities and foods accounting for 18.5% and 55.4%, respectively.

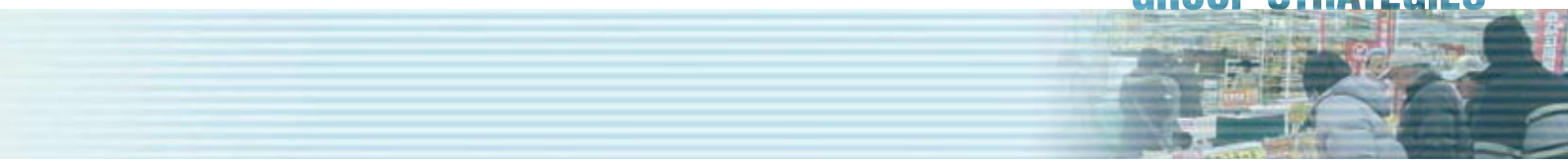
We have also been successful in providing products to meet customers' expectations in terms of our product lineup and prices by integrating the Group's capabilities and offering products that constitute the respective strengths of each Group company. These include Don Quijote's daily consumables, imported merchandise and variety goods, Nagasakiya's fresh foods and clothing, and Doit's DIY goods, gardening items and pet accessories.

At the same time, we emphasize a community-based strategy through thoughtful, store-by-store merchandising, such as selecting products that correspond with customer and seasonal needs that differ in each commercial area and developing the individual appeal of each store by strengthening purchasing systems, again on a store-by-store basis. Researching our competitors' prices is conducted unrelentingly to ensure that our prices are the lowest in the area.

In this way, MEGA Don Quijote leverages the Group's comprehensive expertise in response to consumer entrenchment.

■ MEGA Don Quijote: Sales by product category





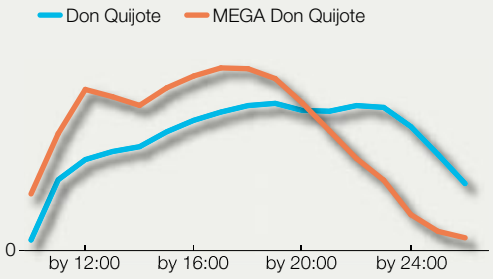
MEGA Don Quijote Strategy
Covering all market directions with Don Quijote

The development of MEGA Don Quijote has enabled the Group to accomplish its initial goal of expanding the market share by supplementing our existing Don Quijote business format, as we intended.

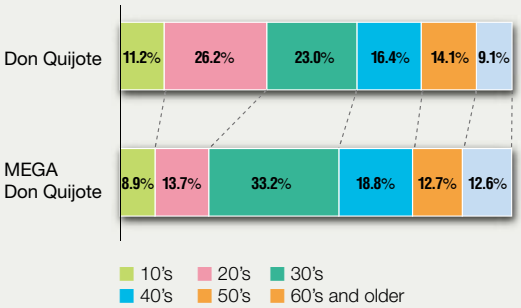
In terms of customer groups and high-traffic hours, while Don Quijote's core customers range from young to adult age groups and the format exhibits particular strength at night, we sought to attract housewives and families to MEGA Don Quijote, thereby successfully developing a daytime market between the morning and evening hours.

With the twin pillars of our flagship Don Quijote and new MEGA Don Quijote store formats, we were able to establish a structure that covers all directions of the market, from the perspectives of both customer groups and business hours.

■ Number of customers by time zone



■ Configuration comparison by age group



Securing expansive growth by combining the capabilities of the entire Group

While enhancing profitability and sales capabilities to improve business efficiency, the Don Quijote Group conducted an overall review of basic operational activities, such as purchasing and sales that maximize the business scope of the entire Group, as well as rigorous inventory and store management. We also aggressively implemented initiatives that set a precedent in the current trend for lower prices.

Furthermore, we restructured each Group company and business to enhance efficiency for utilizing management resources. In concrete terms, we endeavored to improve profitability while reducing costs, with a particular focus on fixed costs, by reviewing our internal and organizational systems. This was done by concentrating and improving the efficiency of back office divisions.

On the other hand, in our discount business, Don Quijote Co., Ltd. absorbed BIG1 CO., LTD., and the operations of Nagasakiya Co., LTD. were transferred to Paw Creation Co., Ltd. (currently Japan Commercial Establishment Co., Ltd.) in order to strengthen our rental business.

We have entered the harvesting phase for our investments in Doit Co., Ltd., and Nagasakiya Co., LTD. is also approaching that milestone following the implementation of a Revival Program. Together, they are developing as a driving force for further Group performance.

With net sales of around ¥500 billion, the Don Quijote Group is gaining an even stronger presence as a comprehensive retail group.

Launching a new project that meets the needs of society and customers

Start of the Nekketsu Shopping Mall project, supporting independent shop owners with a merchant's vision

In March 2009, Don Quijote Co., Ltd. launched a new owner entry system called the Nekketsu Shopping Mall project (Nekketsu means enthusiastic) with the objective of signing on shop owners for a fresh foods shopping mall set up within Group stores such as MEGA Don Quijote and Nagasakiya.

This initiative is designed to support independent shop openings for the four mainstay food categories of meat, fish, vegetables, and prepared foods. It also aims to enlist the help of highly motivated shop owners to reframe the fresh foods sales floor as a driving force for attracting customers, and in turn, to create a lively space within our stores akin to Tokyo's Ameyoko Market and the Tsukiji Outside Market.

We provide comprehensive support for shop openings by offering programs such as unlimited joint guarantees on loans for purchasing store fixtures and equipments, free rental space for the first six months after opening, and qualification requirements that do not discriminate based on age, experience, gender or nationality. Applicants are interviewed and assessed through a practical demonstration, after which they are able to open a shop inside the Nekketsu Shopping Mall and become an independent shop owner (sole proprietor).

The first Nekketsu Shopping Mall opened in October in conjunction with the re-opening of the MEGA Don Quijote Hakodate Store in Hokkaido after it underwent renovations, and will be followed by the opening of another mall inside the MEGA Don Quijote Misato Store in Saitama Prefecture.

We plan to gradually expand the project to our nationwide stores toward our goal of creating stores that satisfy our customers through joint efforts between Don Quijote and shop owners.





Nekketsu Shopping Mall opened in MEGA Don Quijote Hakodate

Opening of the Sanchoku-Kan to promote local production for local consumption, thereby strengthening the local economy

In recent years, rising concern for food safety has increased the appeal of local production for local consumption. In an effort to address this appeal, the Don Quijote Group opened the Sanchoku-Kan (direct-from-the-farm emporium), where reasonably priced fresh local products are sold under consignment from producers and commercial associations in the nearby area. We opened the Sagaminokunino-eki Atsugi Sanchoku-Kan in Atsugi City at the end of May 2009, followed by the opening in July of the Sagaminokunino-eki Yamato Sanchoku-Kan in Yamato City, both in Kanagawa prefecture.

At the Sanchoku-Kan, we sell local specialty products, agricultural products that come directly from farms and fresh fish from home waters. Bringing customers closer to the site of production engenders a sense of comfort and trust, and these stores are very popular.

We believe the Sanchoku-Kan contributes to the development of the local economy by revitalizing the local fresh food industry, putting previously unused agricultural land into production and promoting businesses, while also affording a meaningful enterprise for enhancing customer satisfaction. We will strive to create stores that the community cherishes by carefully listening to the requests of local citizens and our customers.



Sagaminokunino-eki Atsugi Sanchoku-Kan



Sagaminokunino-eki Yamato Sanchoku-Kan

Promoting renewal & scrap with an emphasis on developing new format stores

Total of 218 stores for the consolidated Group

Don Quijote Group's store opening strategy rests on the twin pillars of securing dominance in urban areas for greater efficiency and increasing the number of store locations nationwide.

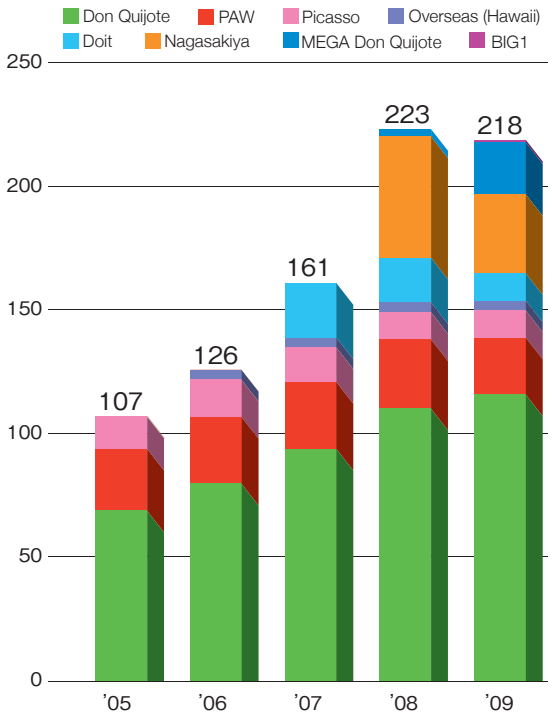
During the fiscal year under review, we revitalized stores to enhance profitability, sales capability and business efficiency, while at the same time aggressively promoting renewal & scrap with an emphasis on business format conversion. Based on this strategy, we restrained new store openings to five, including first openings in Nagasaki and Ehime prefectures, while reinforcing the development of our new format stores, MEGA Don Quijote deep-discount, daily-life necessities stores.

As of the end of June 2009, the number of MEGA Don Quijote stores had increased to 20, which are gaining a competitive edge in their respective areas. And in October 2008 we converted BIG1 CO., LTD., which operates discount stores in the Nagoya and Gifu areas, into a consolidated subsidiary and added 7 of its stores to the Group to strengthen our network in the area. Meanwhile, we closed 17 stores to enhance business efficiency or to convert them into MEGA Don Quijote stores.

As a result, the number of stores operated by the Group as of June 30, 2009, included 150 stores operated by Don Quijote Co., Ltd., 46 stores operated by Nagasakiya Co., LTD., 12 stores operated by Doit Co., Ltd., and 6 stores operated by BIG1 CO., LTD., for a total of 214 stores in 36 prefectures nationwide. With the addition of 4 stores in Hawaii, the Group operates a total of 218 stores. Looking ahead, we will aggressively promote innovative business format conversions and renewals under our new store opening strategy that emphasizes efficiency to enhance sales capability and profitability for the entire Group.

*Don Quijote Co., Ltd. absorbed BIG1 CO., LTD. in a merger that took place on July 1, 2009.

■ Number of stores by format



■ Stores opened by Don Quijote Co., Ltd. in new locations

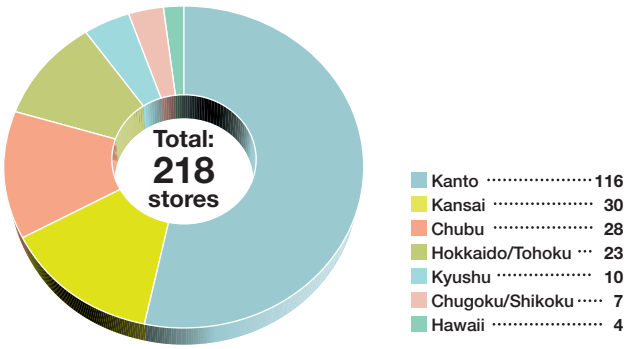


Don Quijote Sasebo store (Nagasaki prefecture)



Don Quijote Matsuyama store (Ehime prefecture)

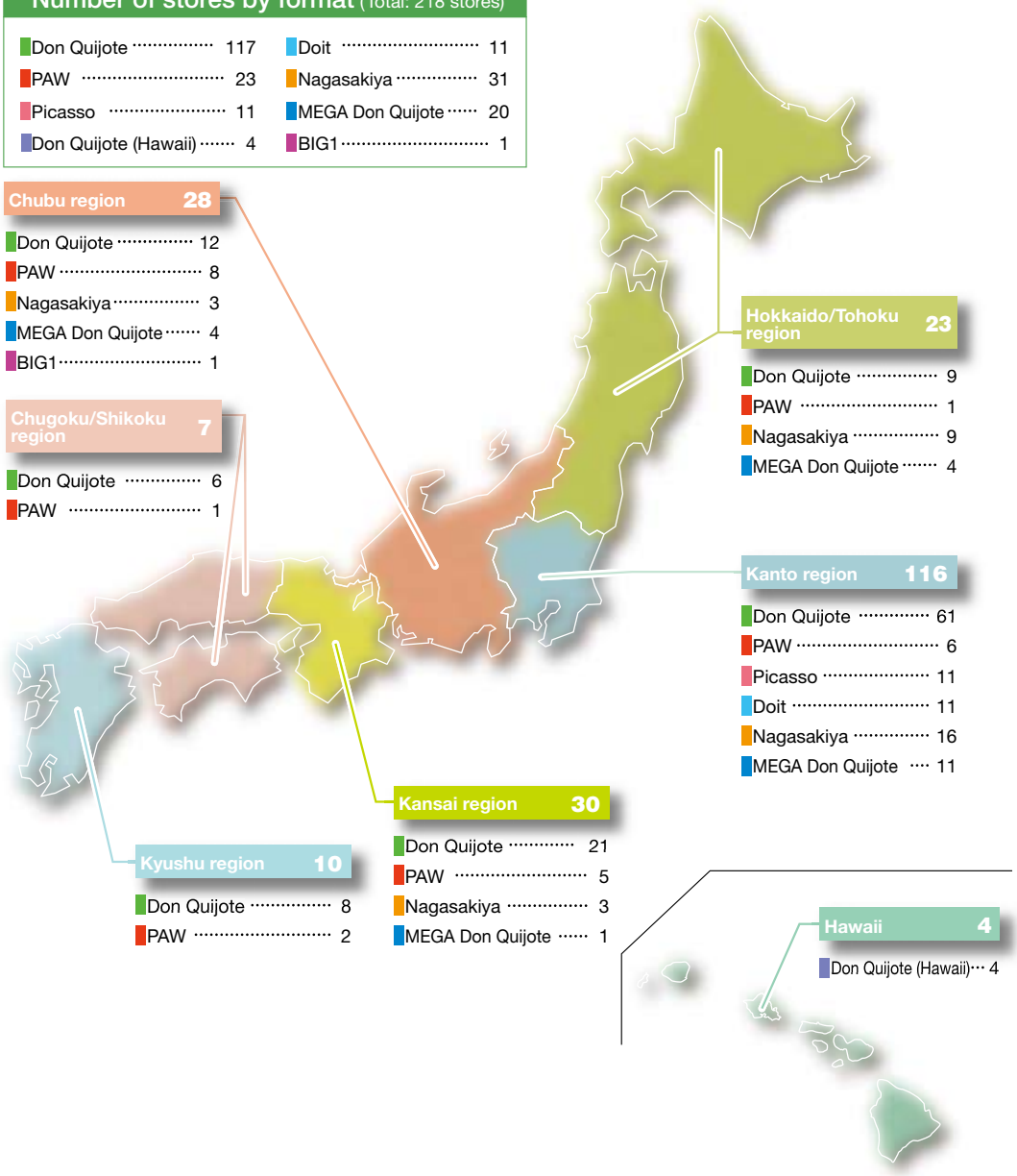
■ Number of stores by region



Group Store Network (as of June 30, 2009)

Number of stores by format (Total: 218 stores)

Don Quijote	117	Doit	11
PAW	23	Nagasakiya	31
Picasso	11	MEGA Don Quijote	20
Don Quijote (Hawaii)	4	BIG1	1



Please see detailed information, such as store access and operating hours, on the following websites.

Don Quijote	P C	http://www.donki.com/en/
	Mobile	http://www.donki.com/ ★
Doit	P C	http://www.doit.co.jp/ ★
Nagasakiya	P C	http://www.nagasakiya.co.jp/ ★

★ Available only in Japanese.

Unique business model for “Putting the Customer First”

Realizing our corporate philosophy of “Putting the Customer First”

Don Quijote believes “Putting the Customer First” is an integral part of its corporate philosophy and has engaged in customer-oriented store creation since its foundation. Positioning this stance as a steadfast principle, instead of an abstract goal, creates the foundation for constructing everything else, from management to store operation. Discovering the night retail market that has emerged as our home field advantage also resulted from earnestly addressing customers’ needs, and our absolute commitment to this approach is evident in the selection of products and store operation methods that are free from an excessive fixation on efficiency.

We believe this approach of beginning with the customer to grasp market needs has an effective appeal in today’s business environment and provides significant power for exploring new markets.

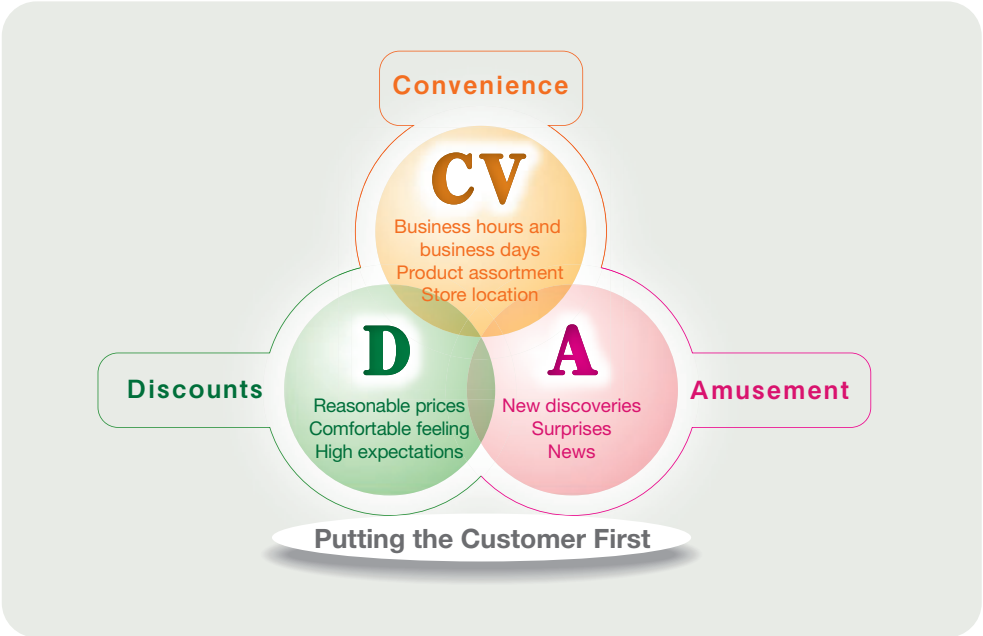
“CV+D+A”—greater convenience, greater discounts and greater amusement Establishing the “consumable-time” business model for the night retail market

Don Quijote has maintained the unique store concept “CV+D+A,” which offers customers greater convenience (CV), greater discounts (D) and greater amusement (A).

Pursuing store operation and product strategy in the framework of this store concept enabled us to construct a “consumable-time” business model that offers the sheer joy of shopping, instead of simply meeting immediate needs.

We established late-night operations along with an abundant assortment of products under the concept of convenience. And under the category of discounts we created deeply discounted prices such as EDLP (Every Day Low Prices) and systems such as the Lowest Price Guarantee, ensuring the lowest prices and refunding the price difference in the case that a customer purchases a product that turns out to be priced lower than at another shop. In addition, our stores offer amusement and a festival-like atmosphere through in-store presentations, such as compression displays that show a cornucopia of products, from floor to ceiling.

Amusement, which is a unique element of Don Quijote, is an especially significant factor for winning popularity, as it brings an uplifting shopping feeling to customers.



Greater Amusement

Compression displays that evoke the joy of treasure hunting

Our flagship Don Quijote stores feature “compression displays,” which carry as many items as possible. This makes it possible for us to offer 40,000 items in a standard sales floor area of 1,000 to 1,500 square meters and as many as 50,000 to 60,000 products in larger stores, placing us on par with general merchandise stores having far more space. In contrast with the conventional retailing wisdom of “easy to see, understand and purchase,” our stores are a virtual “jungle” of products, where an astounding variety and large volume of products vie for space. Unlike in the simple creation of “confused displays,” however, we exercise meticulous calculation and care in the order and combination of displays as well as in the presentation of products. In particular, hand-written, point-of-purchase cards with attractive copy that highlights each product’s features generate maximum impact as “clues” in a “treasure hunt.” This approach offers a brand-new type of enjoyment—discovering treasures while wandering around a “jungle.”

Greater Amusement

Using spot products to offer “Something New”

Don Quijote’s sales floors are also designed to feature “Something New” so that the thrill of discovery is always on offer. Our product strategy of 60% basic products and 40% spot products enables us to offer new discoveries while also providing customers with the comforting feeling that they can find any products they are looking for. Spot products are comparable in function and quality to well-recognized national brands and can be offered at deeply discounted prices because of they are lesser known, or products that are offered during limited sales periods or in limited quantities. Our ongoing search for these products contributes to the opportunity for unexpected discoveries.

The act of searching, discovering and selecting unique to Don Quijote is precisely what stimulates the joy of shopping that lies in the heart of every customer and constitutes the amusement component of our store concept.



A corporation that continues to contribute in coexistence with society and the environment

Don Quijote's corporate governance

Our basic approach to corporate governance

We at Don Quijote recognize strengthening corporate governance as a vital management task that will enable us to maximize corporate value through an unwavering commitment to our corporate philosophy of "Putting the Customer First." We intend to quickly and accurately respond to the dramatically changing business environment and promote corporate activities by further reinforcing our management control organization while constantly enhancing corporate governance.

Compliance system

At Don Quijote we maintain a CCO (Chief Compliance Officer), who oversees compliance and internal control matters. The CCO seeks to promote and thoroughly implement compliance based on the resolutions of the Board of Directors and oversees planning and management, including compliance education, at the Compliance Department.

In addition, our "Gohatto 110 system" provides a safe channel for employees to report potential compliance violations to an appropriate external institution.

Risk management system

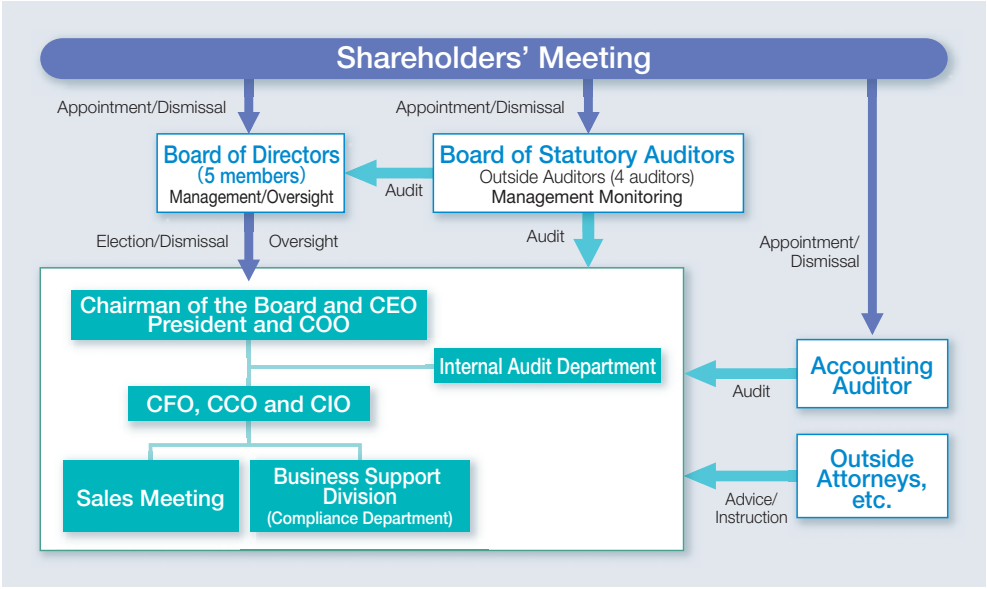
The CCO is responsible for the overall management of risks pertaining to the entire Group and the efficient execution of related activities. The Internal Audit Department audits the status of risk management at each business unit and regularly reports findings to the President.

System for ensuring the appropriateness of operations at each Group company

The Internal Audit Department has put into action internal controls in collaboration with each Group company. The Business Support Division provides guidance and support as necessary. Furthermore, Management Regulations for Related Companies were established to direct each Group company.

Internal control efforts related to financial reporting

With respect to internal controls related to financial reporting under the Financial Instruments and Exchange Law, we have confirmed the system and status of implementation at Don Quijote Co., Ltd. and Group companies. We submitted an Internal Control Report to the regulatory agency in September 2009 stating our assessment that relevant internal controls related to financial reporting are being carried out effectively.





Creating stores friendly to the environment through their energy saving and reduced CO_2 emissions

Don Quijote, as a pioneer in the night retail market, has been giving due consideration to environmental protection in its store development. Moreover, Don Quijote has led the distribution industry in reducing CO_2 emissions. We have been implementing a joint project for confirming the energy saved at each store by adjusting air conditioning to suit the number of visitors and controlling power sources based on electrical appliances per circuit. Equipment for dynamically adjusting voltage and conserving water has also been installed. By pursuing these efforts, we are conserving energy and reducing CO_2 emissions across our entire network of stores.

Work-based learning project that offers experience at Don Quijote

Don Quijote conducts a work-based learning project offering tours and work experience at its stores for helping elementary, junior high and high school students determine their future career paths.

In the fiscal year ended June 30, 2009, we provided 81 opportunities serving a total of 375 students at our stores nationwide. The most important goal of this project is to encourage both students and store staff to grow together. By learning aspects of the Don Quijote way of doing business, such as putting into practice our philosophy of “Putting the Customer First” and delegation of authority, students experience a sense of responsibility and mission along with the gratification that work brings, and our store staff is able to incorporate participant feedback into store management through mutually beneficial exchanges.





Support for beach wrestling through the Don Quijote Cup

Beach wrestling has recently gained popularity along with beach volleyball and beach soccer. Since 2005, when the very first All-Japan Beach Wrestling Championships sponsored by the Japan Wrestling Federation were held in Oarai, Ibaraki Prefecture, Don Quijote has served as a primary sponsor. With the idea of supporting serious competitors, we intend to promote health among youth, nurture competitors and invigorate local communities. The number of contestants has steadily increased, with more than 200 having participated in the fourth championship held in August 2009. And expectations run high for the further development of this sport.



FINANCIAL SECTION

Five-year Summary (Consolidated data)

Years ended June 30

	Millions of yen					Millions of U.S. dollars
	2005	2006	2007	2008	2009	2009
For the fiscal year						
Net sales	¥232,778	¥260,779	¥300,660	¥404,924	¥480,856	$5,008
Cost of goods sold	179,330	200,425	227,537	296,215	353,616	3,683
Selling, general and administrative expenses	42,634	48,500	59,537	92,728	110,068	1,146
Operating income	10,814	11,854	13,586	15,981	17,172	179
Recurring income	12,841	14,396	15,774	17,204	15,989	167
Income before income taxes	12,690	17,808	18,817	16,640	14,214	148
Net income	7,163	10,725	10,638	9,303	8,554	89
At year-end						
Total assets	¥150,048	¥167,534	¥209,865	¥276,288	¥297,527	$3,099
Total equity	52,128	72,741	82,470	84,625	89,972	937
Per share*			Yen			U.S. dollars
Basic earnings	¥ 112.25	¥ 158.31	¥148.89	¥130.78	¥123.69	$1.29
Diluted earnings	96.10	140.66	138.32	122.00	123.69	1.29
Cash dividends	13.33	16.67	20.00	22.00	23.00	0.24
Cash dividends (before retroactive restatement)	40.00	50.00	20.00	22.00	23.00	0.24
Key ratios			%			
ROA	7.3	7.1	6.7	6.0	5.7	
ROE	15.3	17.2	13.7	11.3	10.0	

*Per share data has been restated to reflect the retroactive effects of stock splits in July 2006.

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Consolidated Business Results

In the fiscal year ended June 30, 2009 (July 1, 2008 to June 30, 2009), Don Quijote Co., Ltd. and its consolidated subsidiaries reported net sales of ¥480.9 billion and an operating income of ¥17.2 billion, equivalent to year-on-year increases of 18.8% and 7.5%, respectively. This is the result of our aggressively pursuing conversions into the new MEGA Don Quijote store format, which responds to spending trends that reflect consumer entrenchment amid dramatic declines in consumption. In addition, GMS operator Nagasakiya Co., LTD., a consolidated subsidiary since October 2007, contributed to year-round performance (12 months) in the term under review (6 months in the previous fiscal year). These figures marked the 19th consecutive year* of increased revenues since the opening of the first Don Quijote store.

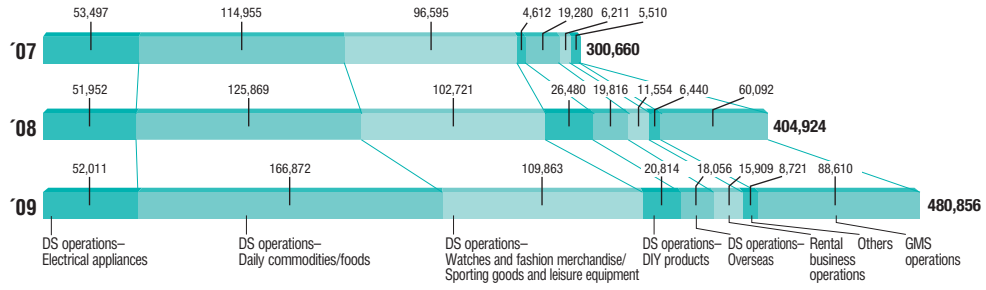
Net sales rose Existing Don Quijote stores managed a soft landing, better than expected, as our direction toward offering products centered on daily essentials, such as foods and daily commodities for everyday life, garnered customer support, resulting in a 0.5% year-on-year increase in net sales at existing stores. The number of customers rose 4.5% while spending per customer fell 3.8% year-on-year.

With respect to the total number of stores under consolidation, while we restrained new store openings to 5, we aggressively implemented a renewal & scrap strategy to improve the profitability of Nagasakiya and Doit stores, primarily through conversions into MEGA Don Quijote stores. Bringing BIG1 CO., LTD. under consolidation in October 2008 brought the total of newly added Group stores to 7. Meanwhile, we implemented store format conversions and conducted a review of operational efficiencies that led to the closure of 17 stores throughout the Group, resulting in a total of 218 stores in the Group as of the end of June 2009.

By business segment, the Discount Store Operations reported net sales of ¥373.6 billion, an increase of 12.7% year-on-year, and an operating income of ¥13.4 billion. This was due to steady sales of foods and daily commodities catering to the consumer's current mindset and local characteristics, along

*Non-consolidated basis. On a consolidated basis, the fiscal year under review marked the 13th consecutive year of growth since we began consolidated accounting.

Sales by product category (Millions of yen)



* Sales of Others is combined total of Other products and Other operations.

Sales and composition by product category (Millions of yen, %)

	2008		2009	
	Net sales	Percentage	Net sales	Percentage
Discount store operations	331,446	81.9	373,630	77.7
Electrical appliances	51,952	12.8	52,011	10.8
Daily commodities	68,320	16.9	80,354	16.7
Foods	57,549	14.2	86,518	18.0
Watches and fashion merchandise	80,785	20.0	85,290	17.7
Sporting goods and leisure equipment	21,936	5.4	24,573	5.1
DIY products	26,480	6.5	20,814	4.3
Overseas	19,816	4.9	18,056	3.8
Other products	4,608	1.1	6,014	1.3
GMS operations	60,092	14.8	88,610	18.4
Clothing	18,391	4.5	29,327	6.1
Groceries	27,008	6.7	36,872	7.7
Housing commodities	10,800	2.7	16,017	3.3
Others	3,893	1.0	6,394	1.3
Rental business operations	11,554	2.9	15,909	3.3
Other operations	1,832	0.4	2,707	0.6
Total	404,924	100.0	480,856	100.0

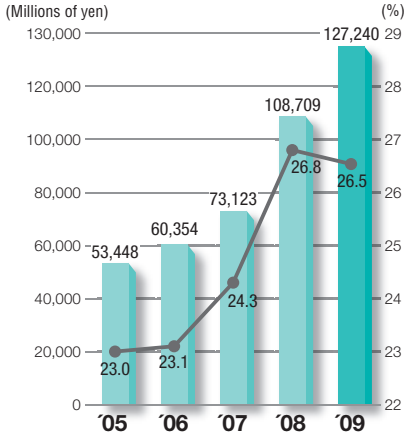
with the additional factor of converting some of Nagasakiya Co., LTD.'s stores from Nagasakiya general merchandise stores to the discount store business format, MEGA Don Quijote. Net sales of discount store operator BIG1 CO., LTD., which became a consolidated subsidiary in October 2008, also contributed to the results. The GMS Operations reported net sales of ¥88.6 billion, an increase of 47.5% year-on-year, and an operating income of ¥1.5 billion. This reflected the positive influence of year-round contribution from Nagasakiya Co., LTD., while also factoring in the negative impact of converting Nagasakiya stores from the GMS to the discount store format, MEGA Don Quijote, to improve operational efficiencies at some stores as well as the closure of 7 stores. The Rental Business Operations reported net sales of ¥15.9 billion, a year-on-year increase of 37.7%, and an operating income of ¥4.6 billion. This was due to the year-round contribution of the tenant leasing business related to Nagasakiya Co., LTD., which became a consolidated subsidiary in the previous fiscal year.

The gross profit margin fell by 0.3 percentage point to 26.5%, as we pursued low-priced sales and disposed of inventory to respond to an environment shaped by consumer entrenchment and intensifying sales competition. Selling, general and administrative (SG&A) expenses increased by 18.7% year-on-year to ¥110.1 billion. Despite the burden of reinforced sales promotion measures and costs associated with the store format conversion of subsidiaries' stores, the impact of various actions for raising operational efficiencies and cost-cutting measures, primarily focused on fixed costs, limited overall expenses. As a result, we reported an operating income of ¥17.2 billion, an increase of 7.5% year-on-year, and an operating income margin of 3.6%.

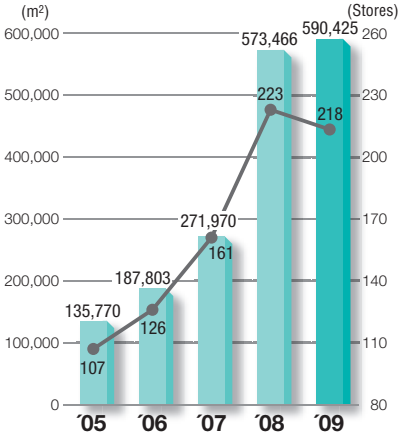
The balance of non-operating income and expenses was a loss of ¥1.2 billion, and the balance of extraordinary income and loss was a loss of ¥1.8 billion, due to valuation loss on financial products and losses arising from store closures. Consequently, recurring income decreased by 7.1% year-on-year to ¥16.0 billion, and the recurring income margin was 3.3%. With the additional impact of deferred tax accounting, net income fell 8.1% year-on-year to ¥8.6 billion, and the net income margin was 1.8%. These figures, however, exceeded our expectations.

In the fiscal year ending June 30, 2010, we are exercising caution in our budget planning since the near-term outlook for economic trends and consumer spending remains uncertain. We therefore project a consolidated net income of ¥497.0 billion (a year-on-year increase of 3.4%), operating income of ¥18.0 billion (up 4.8%), recurring income of ¥17.8 billion (up 11.3%) and net income of ¥10.0 billion (up 16.9%). We will limit new store openings to a few and will seek to expand profit by promoting store format conversions into MEGA Don Quijote stores and by revitalizing existing stores. We will also continue to reinforce the Group's organizational structure, reduce costs and enhance competitiveness toward our goal of maintaining growth in sales and income.

Gross profit (Millions of yen)
Gross profit margin (%)



Total sales floor space (m²)
Number of stores



Financial Position

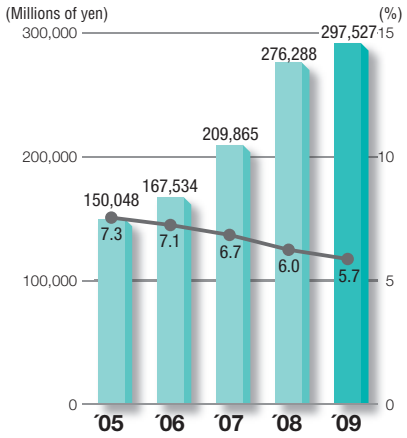
Total assets as of the end of the fiscal year under review (June 30, 2009) increased by ¥21.2 billion from the previous fiscal year to ¥297.5 billion, a year-on-year increase of 6.2%.

Current assets increased by ¥7.2 billion to ¥123.8 billion. This is largely attributable to increases of ¥4.2 billion in cash and cash equivalents and ¥3.2 billion in inventory due to the transformation of BIG1 CO., LTD. into a consolidated subsidiary and aggressive store format conversions associated with Nagasakiya Co., LTD. Fixed assets increased by a total of ¥11.8 billion to ¥114.4 billion, the addition of ¥4.5 billion in buildings and ¥6.2 billion in land associated with the consolidation of BIG1 CO., LTD., acquiring of a property in Meguro, Tokyo, for our head office and store, and new store openings and store format conversions. Investments and other assets rose ¥2.5 billion to ¥56.4 billion, primarily due to an increase of ¥2.4 billion in investment securities.

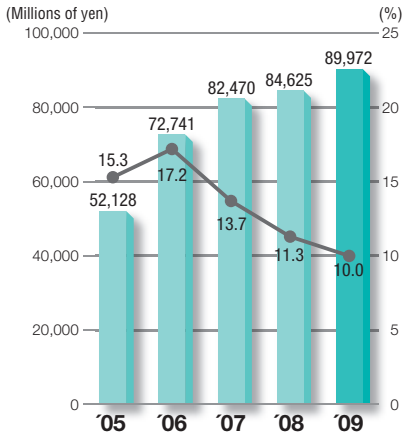
Total liabilities as of the end of the fiscal year under review increased by ¥15.9 billion, or 8.3%, to ¥207.6 billion. Current liabilities rose by ¥37.9 billion to ¥110.9 billion, as we reported ¥20.2 billion as the current portion of bond repayment in response to a request for advanced redemption of convertible bonds maturing in 2013 (redemption date July 24, 2009) and an increase of ¥9.6 billion in short-term loans payable. Non-current liabilities decreased by ¥22.0 billion to ¥96.7 billion as convertible bonds were accounted for as current liabilities due to the advanced redemption request for bonds maturing in 2013 and as allowance for retirement benefits for employees decreased due to a revision in the retirement benefit plan system of Nagasakiya Co., LTD. Net liabilities were ¥84.2 billion as of the end of the fiscal year under review. The debt-to-equity ratio rose from 133.5% in the previous fiscal year to 140.8%. Excluding Zero Coupon Convertible Bonds, the net total of interest-bearing debt was ¥97.2 billion, and the ratio of interest-bearing debt to total assets rose from 29.3% in the previous fiscal year to 32.7%.

Total equity as of June 30, 2009 increased by ¥5.3 billion to ¥90.0 billion, reflecting the growth in profit. The equity ratio was 29.9%, and return on equity (ROE) was 10.0%.

Total assets (Millions of yen)
Return on assets (%)



Total equity (Millions of yen)
Return on equity (%)



Cash Flows

Net cash generated by operating activities during the fiscal year ended June 30, 2009 amounted to ¥19.5 billion, a significant increase of ¥11.7 billion from the previous fiscal year. The decrease in net income was offset by increases in depreciation, and a decrease in income taxes paid and other payments.

Net cash used in investing activities amounted to ¥29.9 billion, due to the acquisition of fixed assets based on an aggressive business strategy and expenditures for the acquisition of stock in BIG1 CO. LTD.

Net cash generated by financing activities amounted to ¥14.3 billion, as we procured funds mainly through bonds and short-term loans. A portion of the funds was procured in preparation for the advanced redemption of convertible bonds due in 2013.

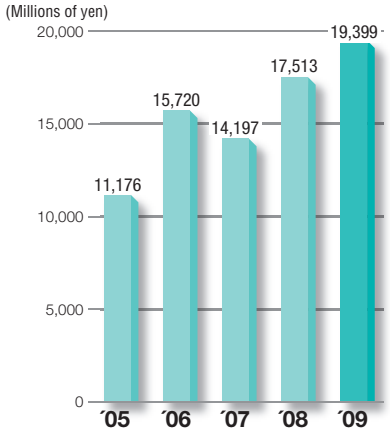
As a result of these cash flows, cash and cash equivalents as of the end of the fiscal year under review totaled ¥42.0 billion, an increase of ¥4.0 billion from the previous fiscal year.

Capital Investment

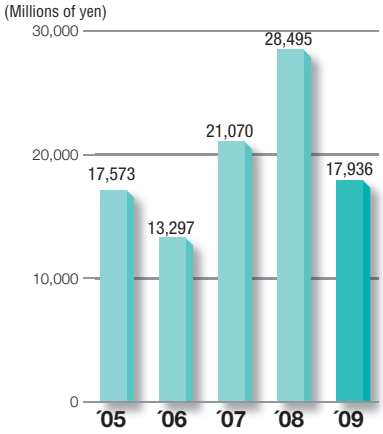
In the fiscal year ended June 30, 2009, capital investment totaled ¥17.9 billion, as we actively promoted store format conversions into MEGA Don Quijote stores, mainly impacting Nagasakiya stores, while also scaling back on new store openings, and purchased a property in Meguro, Tokyo for our head office and store. Capital investment decreased by ¥10.6 billion from the previous fiscal year and remains within cash flows generated by operating activities. Net investment after recovery of leasehold deposits upon store closings amounted to ¥14.9 billion. Free cash flows (net income after taxes + depreciation and amortization + extraordinary loss – cash dividends) increased by ¥1.9 billion year-on-year to ¥19.4 billion.

In the fiscal year ending June 30, 2010, we plan to maintain our strategy of restraining store openings in order to focus on store format conversions and renovations. We consequently project a capital investment of approximately ¥11.0 billion.

Free cash flow (Millions of yen)



Capital expenditure (Millions of yen)



To the Shareholders and the Board of Directors of Don Quijote Co., Ltd.

We have audited the accompanying consolidated balance sheets of Don Quijote Co., Ltd. and consolidated subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly, in all material respects, the consolidated financial position of Don Quijote Co., Ltd. and consolidated subsidiaries as of June 30, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information
As described in Note 21 to the consolidated financial statements, the Company redeemed the Zero Coupon Convertible Bonds due 2013 in advance.

As described in Note 21 to the consolidated financial statements, the Company conducted or may conduct the substantial amount of financing.

And also, in our opinion, the accompanying consolidated financial statements expressed in yen have been translated into U.S. dollars on the basis set forth in Note 2.

BA Tokyo & Co
MEMBER OF MAZARS
Certified Public Accountants

Tokyo, Japan
September 25, 2009

STATEMENT ON ACCOUNTING PRINCIPLES AND AUDITING STANDARDS
This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Consolidated Balance Sheets

Don Quijote Co., Ltd. and consolidated subsidiaries
As of June 30, 2009 and 2008

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
ASSETS	2009	2008	2009
Current assets:			
Cash and time deposits (Note 14)	¥42,563	¥38,381	$443
Notes and Accounts receivable-trade	4,612	4,397	48
Less: Allowance for doubtful accounts (Note 3)	(174)	(82)	(2)
Inventories (Notes 3 and 4)	70,651	67,411	736
Prepaid expenses	2,173	2,368	23
Deferred tax assets (Notes 3 and 15)	1,477	1,575	15
Other current assets	2,500	2,530	26
Total current assets	123,802	116,580	1,289
Investments and advances:			
Investments in and advances to affiliates (Notes 3 and 6)	147	165	2
Investment securities (Notes 3, 6 and 10)	11,908	9,539	124
Advance payment for fixed leasehold deposits	42	518	0
Long-term loans receivable	1,251	935	13
Less: Allowance for doubtful accounts (Note 3)	(426)	(499)	(4)
Total investments and advances	12,922	10,658	135
Property and equipment, at cost (Notes 3,10 and 14)**:**			
Land	55,028	48,779	573
Buildings and structures	79,649	72,419	830
Vehicles and delivery equipment	94	110	1
Equipment	30,780	30,824	320
Construction in progress	617	318	6
Less: Impairment loss	(3,681)	(4,586)	(38)
Less: Accumulated depreciation	(48,109)	(45,313)	(501)
Net property and equipment	114,378	102,551	1,191
Intangibles (Note 3)	2,960	3,284	31
Other assets:			
Time deposits	325	461	3
Fixed leasehold deposits (Note 14)	36,846	37,716	384
Less: Allowance for doubtful accounts (Note 3)	(2,340)	(2,500)	(24)
Prepaid expenses	2,222	2,644	23
Deferred tax assets (Notes 3 and 15)	2,623	874	27
Other non-current assets	3,789	4,020	40
Total other assets	43,465	43,215	453
Total assets	¥297,527	¥276,288	$3,099

The accompanying notes are integral part of the statements.

LIABILITIES AND EQUITY	Millions of yen (Note 2) 2009	2008	Millions of U.S. dollars (Note 2) 2009
Current liabilities:			
Accounts payable-trade	¥41,062	¥39,172	$428
Short-term loans payable (Notes 7 and 14)	11,000	1,400	115
Current maturities of long-term debt (Notes 7 and 14)	39,747	15,197	414
Accrued income taxes	3,354	2,610	35
Accrued expenses	6,005	5,588	63
Allowance for point program (Note 3)	386	762	4
Other current liabilities (Note 14)	9,329	8,246	96
Total current liabilities	110,883	72,975	1,155
Non-current liabilities:			
Long-term debt (Note 7)	76,371	97,111	795
Derivatives liabilities (Notes 3 and 9)	2,233	–	23
Allowance for retirement benefits for employees (Notes 3 and 11)	472	5,687	5
Allowance for retirement benefits for directors (Note 3)	162	185	2
Negative goodwill (Note 3)	4,163	4,657	43
Other non-current liabilities (Note 14)	13,271	11,048	139
Total non-current liabilities	96,672	118,688	1,007
Total liabilities	207,555	191,663	2,162
Equity (Notes 3, 12 and 18)**:**			
Common stock			
Authorized:			
2008 — 234,000,000 shares			
2009 — 234,000,000 shares			
Issued and outstanding:			
2008 — 72,022,209 shares			
2009 — 72,022,209 shares	14,977	14,977	156
Additional paid-in capital	16,289	16,289	170
Stock subscription rights	1	3	0
Retained earnings	65,806	58,777	685
Net unrealized losses on investment securities	(1,856)	(680)	(19)
Foreign exchange adjustments	(1,401)	(1,285)	(15)
Less: Treasury stock, at cost			
2008 —2,936,729 shares			
2009 —2,840,970 shares	(4,976)	(5,144)	(52)
Total	88,840	82,937	925
Minority interests	1,132	1,688	12
Total equity	89,972	84,625	937
Liabilities and equity	¥297,527	¥276,288	$3,099

The accompanying notes are integral part of the statements.

Consolidated Statements of Income

Don Quijote Co., Ltd. and consolidated subsidiaries
For the years ended June 30, 2009 and 2008

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Net sales	¥480,856	¥404,924	$5,008
Cost of goods sold (Note 3)	353,616	296,215	3,683
Gross profit	127,240	108,709	1,325
Selling, general and administrative expenses (Note 16)	110,068	92,728	1,146
Operating income	17,172	15,981	179
Other income (expenses):			
Interest and dividend income	580	632	6
Interest expenses	(1,278)	(877)	(13)
Loss on close of stores (Note 19)	(1,254)	(837)	(13)
Gain on liquidation of retirement benefit plan by subsidiaries (Note 11)	1,556	–	16
Loss on devaluation of derivative instruments (Note 9)	(2,009)	(27)	(21)
Loss on devaluation of investment securities	(1,417)	(44)	(15)
Other income, net (Note 13)	864	1,812	9
Income before income taxes and minority interests	14,214	16,640	148
Income taxes:			
Current	6,403	6,607	67
Deferred (Notes 3 and 15)	(1,059)	565	(11)
Income before minority interests	8,870	9,468	92
Minority interests	(316)	(165)	(3)
Net income	¥8,554	¥9,303	$89

Recurring income:
According to accounting principles and practices generally accepted in Japan, recurring income is shown below:

Operating income	¥17,172	¥15,981	$179
Other income (expenses):			
Interest and dividend income	580	632	6
Interest expenses	(1,278)	(877)	(13)
Loss on devaluation of derivative instruments	(2,009)	(27)	(21)
Other income and expenses, net	1,524	1,495	16
Recurring income	15,989	17,204	167
Other and extraordinary income (expenses):			
Gain on liquidation of retirement benefit plan by subsidiaries	1,556	–	16
Loss on devaluation of investment securities	(1,417)	(44)	(15)
Loss on close of stores	(1,254)	(837)	(13)
Other income and expenses, net	(660)	317	(7)
Income before income taxes and minority interests	¥14,214	¥16,640	$148

Amount per share of common stock:	Yen (Note 2)		U.S. dollars (Note 2)
Basic earnings (Notes 3 and 18)	¥123.69	¥130.78	$1.29
Diluted earnings (Notes 3 and 18)	123.69	122.00	1.29
Cash dividends applicable to the year (Notes 3 and 21)	23.00	22.00	0.24

The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Equity

Don Quijote Co., Ltd. and consolidated subsidiaries
For the years ended June 30, 2009 and 2008

	Millions of yen (Note 2)								
	Common stock	Additional paid-in capital	Stock subscription rights	Retained earnings	Net unrealized gains on investment securities	Foreign exchange adjustments	Treasury stock, at cost	Minority interests	Total Equity
Balance at June 30, 2007	¥14,819	¥16,130	¥–	¥50,911	¥229	¥305	¥(143)	¥219	¥82,470
Issuance of new shares	158	159	–	–	–	–	–	–	317
Cash dividends	–	–	–	(1,437)	–	–	–	–	(1,437)
Net income	–	–	–	9,303	–	–	–	–	9,303
Purchase of treasury stock	–	–	–	–	–	–	(5,001)	–	(5,001)
Other	–	–	3	–	(909)	(1,590)	–	1,469	(1,027)
Balance at June 30, 2008	**14,977**	**16,289**	**3**	**58,777**	**(680)**	**(1,285)**	**(5,144)**	**1,688**	**84,625**
Cash dividends	–	–	–	(1,521)	–	–	–	–	(1,521)
Net income	–	–	–	8,554	–	–	–	–	8,554
Disposal of treasury stock	–	–	–	(4)	–	–	168	–	164
Purchase of treasury stock	–	–	–	–	–	–	(0)	–	(0)
Other	–	–	(2)	–	(1,176)	(116)	–	(556)	(1,850)
Balance at June 30, 2009	**¥14,977**	**¥16,289**	**¥1**	**¥65,806**	**¥(1,856)**	**¥(1,401)**	**¥(4,976)**	**¥1,132**	**¥89,972**

	Millions of U.S. dollars (Note 2)								
	Common stock	Additional paid-in capital	Stock subscription rights	Retained earnings	Net unrealized gains on investment securities	Foreign exchange adjustments	Treasury stock, at cost	Minority interests	Total Equity
Balance at June 30, 2008	**$156**	**$170**	**$0**	**$612**	**$(7)**	**$(13)**	**$(54)**	**$17**	**$881**
Cash dividends	–	–	–	(16)	–	–	–	–	(16)
Net income	–	–	–	89	–	–	–	–	89
Disposal of treasury stock	–	–	–	(0)	–	–	2	–	2
Purchase of treasury stock	–	–	–	–	–	–	(0)	–	(0)
Other	–	–	(0)	–	(12)	(2)	–	(5)	(19)
Balance at June 30, 2009	**$156**	**$170**	**$0**	**$685**	**$(19)**	**$(15)**	**$(52)**	**$12**	**$937**

The accompanying notes are integral part of the statements.

Consolidated Statements of Cash Flows

Don Quijote Co., Ltd. and consolidated subsidiaries
For the years ended June 30, 2009 and 2008

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes	¥14,214	¥16,640	$148
Depreciation and amortization, including prepaid expenses	8,898	7,398	93
Impairment loss	649	932	7
Amortization of negative goodwill	(858)	(1,119)	(9)
Increase (decrease) for doubtful accounts	(141)	993	(1)
Decrease in allowance for retirement benefits for employees	(5,216)	(1,078)	(54)
Provision (reversal) for retirement benefits for directors	(22)	17	(0)
Decrease in allowance for point program	(376)	(289)	(4)
Interest and dividend income	(580)	(632)	(6)
Loss on devaluation of derivative instruments	2,009	27	21
Loss on investment by the equity method	18	160	0
Gain on SPE	(68)	(172)	(1)
Interest expenses	1,278	877	13
Gain from changes in equity	–	(3)	–
Loss on sale of investment securities	28	6	0
Loss on devaluation of investment securities	1,417	44	15
Gain from liquidation of SPE	–	(961)	–
Gain on debt extinguishment	–	(500)	–
Gain from penalty charges	–	(243)	–
Loss on sale of property and equipment	82	269	1
Loss on close of stores	929	433	10
Offset rent expense from deposit received from lessees	1,300	1,470	14
Decrease (increase) in trade receivable	(58)	263	(1)
Increase in inventories	(2,171)	(8,420)	(23)
Decrease (increase) in other current assets	619	(730)	6
Increase in trade payable	711	1,368	7
Increase in other current liabilities	1,060	1,332	11
Increase in other non-current liabilities	2,111	188	22
Other-net	187	337	2
Cash generated from operations	26,020	18,607	271
Received interest and dividend income	326	422	3
Interest paid	(1,175)	(801)	(12)
Income taxes paid	(5,658)	(10,440)	(59)
Net cash provided by operating activities	19,513	7,788	203
Cash flows from investing activities:			
Time deposits transferred from cash	(1,014)	(313)	(10)
Proceeds from time deposits	319	215	3
Payments for purchase of property and equipment	(17,757)	(19,305)	(185)
Proceeds from sale of property and equipment	327	16	3
Payments for purchase of intangible assets	(244)	(572)	(2)
Payments for leasehold deposits	(2,596)	(4,109)	(27)
Proceeds from termination of leasehold deposits	3,091	1,580	32
Payments for purchase of investment securities	(8,340)	(3,144)	(87)
Proceeds from sales of investment securities	1,286	200	13
Payments for purchase of subsidiaries' securities resulting in changes in the scope of consolidation (Note 20)	(1,893)	(11,261)	(20)
Payments for purchase of securities of an affiliated company accounted for by the equity method	–	(120)	–
Proceeds on withdrawal of SPE	21	203	0
Proceeds on liquidation of SPE	–	1,912	–
Payments for purchase of subsidiaries' securities	(648)	–	(7)
Payments for investments to funds	(1,000)	–	(10)
Other, net	(1,407)	(4,262)	(14)
Net cash used in investing activities	(29,855)	(38,960)	(311)
Cash flows from financing activities:			
Increase of short-term bank loans	9,600	1,400	100
Borrowing of long-term debt	8,500	19,500	88
Repayment of long-term debt	(8,966)	(8,723)	(93)
Proceeds from issuance of bonds	14,000	50,500	146
Payments for redemption of bonds	(7,143)	(24,838)	(74)
Repayment of lease liabilities	(436)	(308)	(5)
Issuance of common stock	–	212	–
Payments for purchase of treasury stock	(0)	(5,001)	(0)
Proceeds from sales of treasury stock	164	3	2
Payments of cash dividends	(1,521)	(1,437)	(16)
Proceeds from stock issuance to minority shareholders	126	–	1
Other, net	(8)	60	(0)
Net cash provided by financing activities	14,316	31,368	149
Effect of exchange rate changes on cash and cash equivalents	(20)	(235)	(0)
Net increase (decrease) in cash and cash equivalents	3,954	(39)	41
Cash and cash equivalents at beginning of the year	38,086	38,164	397
Decrease in cash and cash equivalents due to the effect of the excluded results of consolidation	–	(39)	–
Cash and cash equivalents at end of the year (Notes 3 and 20)	¥42,040	¥38,086	$438

The accompanying notes are an integral part of the statements.

Risk information

Listed below are the main risks that could affect the business of Don Quijote Co., Ltd. (the "Company") and its subsidiaries (the "Group"). We make every effort to avoid and mitigate these risks after recognizing a possibility of these risks in the future.

The following risks include the future matters, which are described based on our judgment and consideration from management point of view as of the date of filing the financial reports to MOF, September 25, 2009.

1. Store expansion and human resources

To keep its planned store expansion, the Group must ensure the continuing adequacy of its existing systems, controls and procedures, including distribution facilities, store management, financial controls and information systems. Especially the adequate labor resources are essential. There is no assurance that the Group will be able to achieve its planned expansion, that new stores will be effectively integrated into the Group's existing operations or that such stores will be profitable.

2. Import and distribution

The Group is importing an increasing portion of its merchandise from sources outside Japan. As an importer, the Group's business is subject to the risks generally associated with doing business abroad, such as foreign governmental regulations, economic disruptions, delays in shipments, increases of freight cost and changes in political or economic conditions in countries in which the Group purchases products.

Two distribution centers in Saitama and Osaka are operated by a third party contractor on behalf of the Group. Any significant interruption in the operation of these facilities, failure by the contractor to properly and successfully coordinate the operations of these facilities or any financial difficulties on the contractor would have a material adverse effect on the Group's business, financial condition and results of operations.

3. Merchandising

The Group's success depends in part upon the ability of its marketing staff, particularly those in their twenties and thirties, who anticipate customer trends and provide merchandise that appeals to customers. The failure to maintain and improve the quality of those staff members and to keep managing the Group's organizational systems could lead to the decline of the Group's business results.

4. Consumer demand, weather and seasonality

Sales at the Group's stores are subject to consumer demand, weather and seasonal variations. The peak sales periods for the Group are the months of August and December. Consequently, if the Group fails to realize sufficient sales during its peak points, this could have a material adverse effect on the Group's business, financial condition and results of operation.

5. Regulatory environment

The Group is subject to Japanese laws and regulations. The Large Scale Retail Store Location Law became effective from June 2000. The purpose of the law is to give local governments the power to regulate the development of large stores with a sales floor space of more than 1,000 square meters and to maintain lively environment in the areas surrounding such stores.

The Group has to take measures to build soundproofing fences around store parking lots so as to resolve problems regarding car-parking noise. Thus, it is expected that the cost of building the fences will, somewhat, affect the Group's financial performance. If the local communities have special regulations for stores with a sales floor space of less than 1,000 square meters, in particular, the Group's financial performance and expansion plans may be also adversely affected if stores are forced to reduce their operations.

6. Future capital requirements

The Group has to secure enough finance through the use of the various financial instruments including bonds for its further expansion. To the extent that such funding is not available to the Group in the future or is only available at very high cost, the Group's business, financial condition and results of operations are likely to be adversely affected.

7. Outsourcing of bookkeeping of accounts payable

The Company entrusts daily procedures in relation to the Company's accounting payables to a third party contractor. Any significant interruption in the procedures, failure by the contractor to properly coordinate the procedures successfully or any financial difficulties on the contractor would have a material adverse effect on the Company's accounting and payment process.

8. Security of customers' data

The Group handles customers' data with precise care. Any data leak would have a material adverse effect on the Group's reputation, financial condition and results of operations that could lead to legal matters.

9. Impairment of fixed assets

The Group has promptly adopted the accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standards Implementation Guidance No.6 issued by the Accounting Standards Board of Japan (ASBJ) on October 31, 2003) since the year ended June 30, 2004.

The Group tested fixed assets for impairment by comparing the fair value of each unit, using discounted cash flows to the caring value to determine if there is an indication that potential impairment may exist. Potential impairment would have material adverse effect on the Group's business, financial condition and results of operations.

10. Price drop of subsidiary and affiliated company shares

Shares of subsidiaries and affiliates are valued at cost. To the extent that the operation of subsidiaries and affiliates become loss continually, by applying the Financial Accounting Standards Impairment Guidance No.6, the potential impairment would have material adverse effect on the Group's business, financial condition and results of operations.

11. Accounting policy change for investments through silent partnership (Tokumei Kumiai)

The Company operates the fluidity of the store real estate through silent partnership (Tokumei Kumiai), in recognition that accounting practices on consolidation scope is still yet to be undecided.

Effective from the fiscal year ended June 30, 2008, the Company and its consolidated subsidiaries adopted "Accounting standard for practical Solution on Application of the Control Criteria and Influence Criteria to Investment Associations" (Statement No.20 issued by The Accounting Standards Board of Japan (ASBJ) September 8, 2006).

Currently, the Company considers anonymous association agreement of each SPE, assessing existence of control, or influence on the decision of a subsidiary or an affiliate and its consolidation scope.

In case accounting practice which vary widely from the policy that the Company adopted would be established under new accounting standards or practical guidelines, changes on consolidation scope policy adversely effect its operating results and financial positions.

12. Expansion by mergers and acquisitions

The Company has implemented mergers and acquisitions as a means of its business expansion. The Company avoids risks by precise due diligence about the target company, its business and contractual relevant matters. There is, however, possibility of liabilities incurrence and revelation after mergers and acquisitions are completed. In addition, there is a possibility that expected synergy effect could not be seen by various factors.

For this case, it would have adverse effect on the Group's business, financial condition and results of operations.

13. Stock option

The Company adopts an incentive system that gives stock option to competent directors and employees in the Group. For when the currently given stock option as well as prospectively given stock option are exercised, the Company shares would be diluted. Stock option given after May 1, 2006 essentially needs to be allocated as expense, and so it would possibly have material adverse effect on the Group's business, financial condition and results of operations.

14. Loss on close of stores

The Group is proactively opening positive new stores, and withdrawing unprofitable stores. In case stores cannot achieve scheduled profit, it is a policy to be closed unless successful performance in reduction of selling, general and administrative expenses or expansion in sales by the management effort to be seen. Loss on close of stores might be an adverse effect on business performance.

15. Foreign currency risks

The Company imports commodities directly and indirectly from overseas.

Generally, higher-yen introduces lower purchase price, and lower-yen introduces higher purchase price. Therefore, ratio of gross profit to sales is still open to currency risks despite forward exchange contract in purpose of avoiding Company's exposure to fluctuations in foreign currency rates.

1. NATURE OF OPERATIONS

The Don Quijote Group (the "Group") is composed of Don Quijote Co., Ltd. (the "Company"), sixteen consolidated subsidiaries (Paw Creation Co., Ltd., Donki Johokan Co., Ltd., D-ONE Co., Ltd., REALIT Co., Ltd., Don Quijote (USA) Co., Ltd., Doit Co., Ltd., Nagasakiya Co., LTD., BIG1 CO., LTD., World Victory Road Inc. and other seven subsidiaries), four subsidiaries excluded from consolidation and one affiliated company accounted for by the equity method and two affiliated companies not accounted for by the equity method.

*Paw Creation Co., Ltd. changed its name as Japan Commercial Establishment Co., Ltd., on July 1, 2009.

*BIG1 CO., LTD. was dissolved on July 1, 2009, by the merger with the Company.

Major operations of the Group are as follows:

(Discount store business)

The Company, Don Quijote (USA) Co., Ltd., Doit Co., Ltd., Nagasakiya Co., LTD. and BIG1 CO., LTD. operate retail chain business by selling electrical appliances, daily commodities, foods, watches, fashion goods, and sports and leisure goods, and DIY products with the concept of "big convenience and discount stores".

(GMS business)

General Merchandise Store business means Superstore operations.

Nagasakiya Co., LTD. operates general merchandise store business by selling clothes, foods and housing related commodities.

(Rent business)

Paw Creation Co., Ltd. (currently Japan Commercial Establishment Co., Ltd.) rents part of floor space in PAW shopping malls to tenants.

The Company, Don Quijote (USA) Co., Ltd., Doit Co., Ltd., BIG1 CO., LTD. operate space-leasing business by leasing part of their stores to tenants.

(Other businesses)

Donki Johokan Co., Ltd. operates as an agent who sells cellular phones and call plans.

D-ONE Co., Ltd. operates store development and real estate business for the Group stores.

REALIT Co., Ltd. operates POS-linked cellular phones sales promotion system sales business.

World Victory Road Inc. operates event promotion business.

2. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with accounting principles and practices generally accepted in Japan under the requirements of the Japanese Corporate Law and other applicable rules and regulations for domestic purpose and are filed with the local finance bureau of the Ministry of Finance (MOF) as required by the Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related laws, rules and regulations. In preparing these financial statements, certain reclassifications and rearrangements have been made to the original financial statements issued domestically in Japan, for the conveniences of readers outside Japan. The consolidated financial statements are not intended to present the financial positions, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Don Quijote (USA) Co., Ltd. is prepared in accordance with accounting principles and generally accepted in U.S.A.

In addition, the accompanying notes include information, which is not required under generally accepted accounting principles and practices in Japan, but is presented herein as additional information.

All yen figures are rounded off to the nearest million yen. The U.S. dollar amounts presented in the accompanying financial statements are converted solely for convenience at the rate of ¥96.01 to U.S. $1.00, which was the approximate exchange rate prevailing on June 30, 2009. The convenient translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Certain reclassifications have been made in the 2008 financial statements to conform to the presentation for 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

In the accompanying consolidated financial statements, the Company accounts for its subsidiaries on a consolidated basis. As of June 30, 2009, the Company has twenty subsidiaries including sixteen consolidated subsidiaries as set out in the following table.

	Group interest of capital	Activity
Paw Creation Co., Ltd. *1	100.0%	Operation of multiple tenant shopping malls including leasing of real property
Donki Johokan Co., Ltd.	51.0%	Operation of cellular phones sales business as an agency of Don Quijote.
D-ONE Co., Ltd.	100.0%	Operation of development of the group companies, and real estate business
REALIT Co., Ltd.	4.4%	Operation of POS-linked cellular phones sales promotion system sales business
Don Quijote (USA) Co., Ltd.	100.0%	Operation of discount retail stores
Doit Co., Ltd.	100.0%	Operation of discount retail stores
Nagasakiya Co., LTD.	100.0%	Operation of retail superstore
BIG1 CO., LTD.*2,3	100.0%	Operation of discount retail stores
World Victory Road Inc. *4	40.0%	Operation of event promotion business
Other 7 companies		

*1 Paw Creation Co., Ltd. changed its name as Japan Commercial Establishment Co., Ltd., on July 1, 2009.
*2 BIG1 CO., LTD. has been consolidated since the second quarter ended December 31, 2008.
*3 BIG1 CO., LTD. was dissolved on July 1, 2009, by the merger with the Company.
*4 World Victory Road Inc. has been converted from an equity method company to a consolidated subsidiary since the third quarter ended March 31, 2009.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in affiliates are accounted for by the equity method. All material intercompany transactions and account balances have been eliminated.

Equity method companies

(1) Affiliates accounted for by the equity method: one company
THE GALAXY RAILWAYS II Production Partnership

(2) Non-consolidated subsidiaries and affiliates not accounted for by the equity method
Four non-consolidated subsidiaries and two affiliates that are not accounted for by the equity method are excluded from the application of the equity method as they do not have a significant impact on the financial condition and the operation.

Cash and cash equivalents

In preparing the cash flow statements for the years ended June 30, 2009 and 2008, cash is considered to be "cash and cash equivalents", which include cash on hand, readily available deposits and highly liquid investments with original maturities not exceeding three months.

Exchange of foreign currency accounts

All assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates. Foreign exchange gains or losses are credited or charged to current income when incurred.

All assets and liabilities of foreign consolidated subsidiaries are translated at the foreign exchange rates prevailing at the respective balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign exchange adjustments" in a separate component of "Shareholders' equity". Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Marketable securities and Investment securities

Securities available-for-sale are carried at fair value with corresponding unrealized gains (losses) recorded directly in a separate component of shareholders' equity. Realized gains and losses, which are determined by the moving-average cost method, are reflected in the statements of income when realized. Securities available-for-sale for which fair value is not readily determinable are carried at moving average cost or amortized cost determined by the moving average method.

Investment in affiliates, in which the Group has a 20%-50% interest or otherwise exercises significant influence are carried at cost, adjusted for the Companys' proportionate share of their undistributed earnings or losses.

Inventories

The Company, Doit Co., Ltd., Nagasakiya Co., LTD., BIG1 CO., LTD. and foreign subsidiaries

adopt the principle that inventories are valued at cost determined by the retail method.

Fresh food is valued at last purchased price method.

Effective from the fiscal year ended June 30, 2008, the Group adopted "Accounting Standard for measurement of Inventories" (Statement No.9 issued by the Accounting Standards Board of Japan on July 5, 2006). The standard requires a company to adopt cost method of reducing book value in accordance with declines in profitability. Accordingly, the Group posted ¥ 1,921 million ($20 million) losses for the fiscal year ended June 30, 2009.

Property and equipment

Property and equipment are carried at cost. Significant renewals and additions are capitalized: maintenance repairs, minor renewals and improvements, are charged to income as incurred, interest costs relating to construction of property and equipment are not capitalized.

For the Company and domestic subsidiaries, depreciation of property and equipment is computed principally by the declining balance method except the buildings, which is depreciated on the straight-line method. These are according to the rules based on the Japanese Corporation Tax Law. Property and equipment by lease contracts is computed by the straight-line method.

For the foreign subsidiaries, the depreciation of property and equipment is computed by the straight-line method.

The useful lives of property and equipment for computing depreciation, which are identical with the useful lives stipulated under the Japanese Corporate Tax regulations, are as shown below:

	Years
Buildings and structures	3 to 45
Equipment and vehicles	2 to 20

In general, when assets are sold or otherwise disposed of, the profits or losses thereon, computed on the basis of the difference between depreciated costs and proceeds, are credited or charged to income in the year of sale or disposal, and costs and accumulated depreciation are removed from the accounts.

Long-lived assets are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and an impairment loss must be recognized. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recognized.

Intangible assets

In accordance with the provisional rule of the JICPA's Accounting Committee Report No.12 "Practical Guidance for Accounting for Research and Development Costs, etc." (the "Report"), the Group (except Don Quijote (USA) Co., Ltd.) accounts for software which was included in intangible assets in the same manner in 2009 as in 2008 and depreciated it using the straight-line method over the estimated useful lives (five years).

Identifiable intangibles are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and an impairment loss must be recognized. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recognized.

Negative goodwill

Negative goodwill is amortized using the straight-line method over their estimated useful lives.

Lease transactions

Non-cancelable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and relating payments are charged to income.

Common stock issuance costs

Common stock issuance costs are directly charged to income as incurred. The Japanese Corporate Law prohibits charging such stock issuance costs to capital accounts.

Bond issuance costs

Bond issuance costs are directly charged to income as incurred.

Allowance for doubtful accounts

The allowance for doubtful receivables is provided in amounts sufficient to cover possible losses on collection. The allowances for doubtful accounts has been provided for at the aggregate amount of estimated credit loss based on the individual financial approach for doubtful or troubled receivables and a general reserve for other receivables calculated based on the historical loss experience for a certain time period.

Allowance for point program

The allowance for the point program is stated in amounts considered to be appropriate based on the Company's past redemption experience.

Allowance for retirement benefits for employees

Doit Co., Ltd., and two other consolidated subsidiaries adopted a retirement benefit plan for employees. The subsidiaries accounted for the allowance based on projected benefit obligations at the balance sheet date.

(Additional information)

Nagasakiya Co., LTD. discontinued the retirement benefit plan for employees as of the end of March 31, 2009, and two other consolidated subsidiaries also discontinued the plan during the fiscal year ended July 30, 2009. Accompanying by the discontinuance of the plan, the subsidiaries posted ¥1,556 million ($16 million) gains, ¥453 million ($ 5 million) in other current liabilities, and ¥2,487 million ($26 million) in other non-current liabilities.

Allowance for retirement benefits for directors

The Company and Nagasakiya Co., LTD. adopted a retirement benefit plan for directors and statutory auditors. Directors and statutory auditors are entitled to be paid a lump-sum retirement benefit determined on the basis of the Company rules.

Revenues recognition

The Company, Nagasakiya Co., LTD., Don Quijote (USA) Co., Ltd., Doit Co., Ltd., BIG1 CO., Ltd. and foreign subsidiaries recognize revenue as "Net sales" at the time sales are made to customers. Paw Creation Co., Ltd. (currently Japan Commercial Establishment Co., Ltd.) recognizes revenue as rental fees from tenant, as it becomes receivable according to the provision of lease agreement. These fees are determined on the basis of the sale of each tenant.

Income taxes

Income taxes are determined by using the asset liability method, where deferred tax assets and liabilities are recognized for temporary differences between tax basis of assets and liabilities and their reported amounts in the financial statements.

Presentation of equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity.

Under this accounting standard, certain items previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives under hedge accounting.

This standard is effective for fiscal years ended on or after May 1, 2006.

Derivatives financial instruments

The Group uses derivative finance instruments for the purpose of hedging against the risk of fluctuation in foreign currency rates and interests on loan payable. The carrying amounts of interest swap contracts and forward exchange contracts are stated at fair value on balance sheet date.

The Group has entered into a Target Buying Transaction (Knock-out Put Option Agreement) for investment purpose with Daiwa Securities SMBC Co., Ltd. as of October 6, 2008. The carrying amounts of the Knock-out Put Option Agreement are stated at fair value on balance sheet date.

Dividends

Dividends are declared by the Board of Directors and approved by the shareholders at meetings held subsequent to the fiscal year to which the dividends are applicable, and shareholders of record as at the end of such fiscal year are entitled to the subsequently declared dividends. Dividends charged to retained earnings represent dividends approved by the shareholders and paid during the respective years. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Japanese Corporate Law.

Bonuses to directors and statutory auditors

Bonuses to directors and statutory auditors, which are subject to shareholders' approval at the annual shareholders' meeting under the Japanese Corporate Law, are charged to income as incurred.

The Company applies its method of accounting for bonuses to directors and statutory auditors to charge them to income as incurred (Practical Issues Task Force No.13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," issued by the Accounting Standards Board of Japan on March 9, 2004).

Accounting for consumption taxes

The Japanese consumption taxes withheld and consumption tax paid are not included in the accompanying consolidated statements of income. Accrued consumption tax is included in other current liabilities.

Shareholders' equity

Changes in the number of shares issued and outstanding during the years ended June 30, 2009 and 2008 are as follows:

Common stock outstanding:	2009	2008
Balance at beginning of the year	72,022,209	71,845,149
Conversion of convertible bonds	–	57,660
Exercise of stock options	–	119,400
Balance at end of the year	72,022,209	72,022,209

Changes in the number of treasury stocks during the years ended June 30, 2009 and 2008 are as follows:

Treasury stock outstanding:	2009	2008
Balance at beginning of the year	2,936,729	77,079
Increase based on the Articles of Incorporation in accordance with Article 165-2 of the Japanese Corporate Law	–	2,859,400
Increase by the purchase of the treasury stock	241	250
Decrease due to exercising stock options	96,000	–
Balance at end of the year	2,840,970	2,936,729

Per share data

Basic net income per common share is calculated by dividing net income by the weighted-average number of shares outstanding during the reported period excepted for Note of Statements of Income. The calculation of diluted net income per common share is similar to the calculation of basic net income per share, except that the weighted-average number of shares outstanding includes the additional dilution from potential common stock equivalents such as convertible bonds and dilutive equity securities.

4. INVENTORIES

Inventories at June 30, 2009 and 2008 are as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Electrical appliances	¥13,073	¥13,040	$136
Daily commodities	13,456	10,487	140
Foods	5,348	3,829	56
Watches, fashion goods	28,210	30,256	294
Sports, leisure goods	4,388	3,599	46
DIY products	3,992	4,187	41
Others	2,184	2,013	23
Total	¥70,651	¥67,411	$736

5. LEASE TRANSACTIONS

(1) Lease transactions derived from Special Purpose Entity (SPE)

(a) Assumed acquisition cost:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Land	¥7,236	¥7,236	$75
Buildings	4,913	4,913	51
Structures	70	70	1

(b) Lease payments:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Lease payments	¥1,742	¥1,825	$18

(c) Maximum guarantees for SPE: ¥1,584 million ($16 million)

(2) Operating lease

(a) Future minimum lease payments subsequent to for operating leases by SPE were summarized as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Due within one year	¥1,454	¥1,742	$15
Due after one year	4,536	5,989	47
Total	¥5,990	¥7,731	$62

(b) Future minimum lease payments subsequent to for operating leases of superstore operations were summarized as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Due within one year	¥3,448	¥3,514	$36
Due after one year	17,720	21,219	184
Total	¥21,168	¥24,733	$220

6 . MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The Group invests in equity securities and classifies its investments in equity securities as available-for-sale.

Investments securities consist of equity securities, debt securities and others.

(1) Information regarding available-for-sale securities and investment securities as of June 30, 2009 and 2008 are as follows:

The following table sets forth acquisition cost, fair market value and unrealized gains (losses) as of June 30, 2009.

	Millions of yen (Note 2)		
	2009		
	Acquisition cost	Fair market value	Net unrealized gains (losses)
Fair market value exceeds acquisition cost:			
Equity securities	¥200	¥369	¥169
Debt securities:			
Corporate bonds	300	303	3
Others	–	–	–
Subtotal	500	672	172
Fair market value does not exceed acquisition cost:			
Equity securities	6,009	3,748	(2,261)
Debt securities:			
Corporate bonds	1,496	1,341	(155)
Others	3,826	3,249	(577)
Subtotal	11,331	8,338	(2,993)
Total	¥11,831	¥9,010	¥(2,821)

¥787 million ($8 million) was written off as a loss for the year ended June 30, 2009.

The following table sets forth acquisition cost, fair market value and unrealized gains (losses) in U.S. dollars as of June 30, 2009.

	Millions of U.S. dollars (Note 2)		
	2009		
	Acquisition cost	Fair market value	Net unrealized gains (losses)
Fair market value exceeds acquisition cost:			
Equity securities	$2	$4	$2
Debt securities:			
Corporate bonds	3	3	0
Others	–	–	–
Subtotal	5	7	2
Fair market value does not exceed acquisition cost:			
Equity securities	63	39	(24)
Debt securities:			
Corporate bonds	15	14	(1)
Others	40	34	(6)
Subtotal	118	87	(31)
Total	$123	$94	$(29)

The following table sets forth acquisition cost, fair market value and unrealized gains (losses) as of June 30, 2008.

	Millions of yen (Note 2)		
	2008		
	Acquisition cost	Fair market value	Net unrealized gains (losses)
Fair market value exceeds acquisition cost:			
Equity securities	¥752	¥916	¥164
Debt securities:			
Corporate bonds	300	301	1
Others	548	573	25
Subtotal	1,600	1,790	190
Fair market value does not exceed acquisition cost:			
Equity securities	2,346	2,019	(327)
Debt securities:			
Corporate bonds	1,796	1,664	(132)
Others	2,407	1,628	(779)
Subtotal	6,549	5,311	(1,238)
Total	¥8,149	¥7,101	¥(1,048)

(2) Unlisted equity securities as of June 30, 2009 and 2008 are as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Subsidiaries and affiliates	¥147	¥165	$2
Unlisted equity securities	529	1,176	6
Share subscription rights	54	–	1
Investment in Special Purpose Entity	1,388	1,261	14
Investment in Investment Association	921	–	10
Others	6	–	0

*1 The Group' s investment of the "GALAXY RAILWAYS STORY II Production Partnership" fund was carried at equity. This fund was the only application of the equity method and included in investment in and advances to affiliates.

*2 ¥630 million ($7 million) was written off as a loss for the year ended June 30, 2009.

(3) Redemption timing for held-to-maturity securities

	Millions of yen (Note 2)			
	2009			
	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Debt securities				
Corporate bonds	¥ 989	¥143	¥ –	¥513
Subtotal	¥ 989	¥143	¥ –	¥513

¥989 million ($10 million) of perpetual subordinated debt with call option before redemption by the issuer (issuer has a call option to buy the debt back from May 17, 2010), are included in Due in one year.

	Millions of U.S. dollars (Note 2)			
	2009			
	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Debt securities				
Corporate bonds	$10	$1	$ –	$5
Subtotal	$10	$1	$ –	$5

	Millions of yen (Note 2)			
	2008			
	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Debt securities				
Corporate bonds	¥ –	¥1,164	¥ –	¥800
Subtotal	¥ –	¥1,164	¥ –	¥800

7. SHORT-TERM LOAN AND LONG-TERM DEBT

Short-term loans are principally comprised of bank loans (average interest rate is 1.0% as of June 30, 2009).

As is customary in Japan, substantially all loans from banks (including short-term loans) are made under general agreements which provide that, at the request of the banks, the borrower is required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to such loans, and that all assets pledged as collateral under such agreements will be applicable to all present and future indebtedness to the banks concerned.

Long-term debt as of June 30, 2009, consisted of the following:

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Borrowings from banks and insurance companies at interest ranging from 1.0% to 1.9%	¥23,271	$242
0.00 % unsecured convertible bonds due 2011 (convertible at ¥1,821 ($19) for one common share, redeemable before due date) *	8,985	94
0.00 % unsecured convertible bonds due 2013 (convertible at ¥3,571 ($37) for one common share, redeemable before due date) *	20,521	214
0.63 % unsecured straight bonds due 2010	400	4
0.92 % unsecured straight bonds due 2010	200	2
0.69 % unsecured straight bonds due 2010	200	2
0.76 % unsecured straight bonds due 2010	200	2
0.75 % unsecured straight bonds due 2010	200	2
1.26 % unsecured straight bonds due 2010	520	5
0.97 % unsecured straight bonds due 2011	400	4
1.28 % unsecured straight bonds due 2011	600	6
1.67 % unsecured straight bonds due 2011	30,000	313
1.04 % unsecured straight bonds due 2011	700	7
1.36 % unsecured straight bonds due 2012	900	9
1.33 % unsecured straight bonds due 2012	900	9
1.21 % unsecured straight bonds due 2012	1,400	15
1.30 % unsecured straight bonds due 2012	1,313	14
1.07 % unsecured straight bonds due 2012	1,750	18
1.17 % unsecured straight bonds due 2012	700	7
0.97 % unsecured straight bonds due 2012	915	10
0.96 % unsecured straight bonds due 2012	500	5
1.20 % unsecured straight bonds due 2013	2,800	29
0.99 % unsecured straight bonds due 2013	2,400	25
1.08 % unsecured straight bonds due 2013	2,400	25
1.30 % unsecured straight bonds due 2013	1,600	17
1.38 % unsecured straight bonds due 2013	1,800	19
1.24 % unsecured straight bonds due 2013	1,800	19
1.39 % unsecured straight bonds due 2013	1,350	14
1.27 % unsecured straight bonds due 2014	4,000	42
1.00 % unsecured straight bonds due 2014	3,000	31
Subtotal	115,725	1,205
Capital finance lease liabilities	393	4
Less: Current portion of long-term debt	39,747	414
Total	¥76,371	$795

* A summary of the stock acquisition rights (SARs) as of June 30, 2009 is as follows:

Issued on	Exercisable during	Exercise price		Total number of SARs to be issued	Outstanding balance	Number of shares of outstanding balance
		Yen	Dollars			
January 26, 2004	February 9, 2004 to January 11, 2011	¥1,821	$19	3,400	1,797	4,934,102

Issued on	Exercisable during	Exercise price		Total number of SARs to be issued	Outstanding balance	Number of shares of outstanding balance
		Yen	Dollars			
July 24, 2006	August 7, 2006 to July 10, 2013	¥3,571	$37	2,300	2,300	6,456,874

Convertible bonds are treated solely as bonds and no value inherent in their conversion feature is recognized in accordance with accounting principles generally accepted in Japan. The total amount of the convertible bonds has been included in long-term debt.

Long-term loans are principally comprised of bank loans (average interest rate is 1.6 % as of June 30, 2009).

The aggregate annual maturities of the long-term debts (except for capital finance lease liabilities) subsequent to June 30, 2009 are as follows:

Fiscal year ending June 30,	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
2010	¥39,561	$412
2011	54,574	569
2012	12,132	126
2013	6,758	70
2014 and thereafter	2,700	28
Total	¥115,725	$1,205

8. UNUSED FINANCING COMMITMENTS

The Company has 10,000 million yen of unused line of credit with 12 banks to be draw upon as needed to finance.

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Gross amount of committed line of loan payable	¥10,000	¥10,000	$104
Bank loan committed	10,000	–	104
Unused financing commitments at June 30, 2009	–	¥10,000	–

9. DERIVATIVES

1. Outline of derivative transactions

(1) Nature of derivative transactions

The Company utilizes interest rate swap contracts, forward exchange contracts and equity option contracts for the derivative financial instrument.

(2) Policy for derivative transactions

Derivative transactions are for evading exposure to fluctuations in foreign currencies and interest rates, and for acquiring of investment gains.

(3) Purpose of derivative transactions

The Company utilizes derivative transactions as follows:
Interest derivatives: avoiding interest-rate runup of loans interest payable.
Currency derivatives: avoiding future currency fluctuations on foreign-currency-denominated debts and credits of normal business transactions.
Equity option contracts: acquiring of investment gains.

(4) Risks of derivative transactions

The Company is exposed to risks related to interest and currency rate fluctuations, and the share prices fluctuation.

(5) Transaction control

Derivative transactions are appropriately pre-approved by the financial decision maker of the accounting department. The Company approves derivative transactions as appropriate, and in accordance with policies, which regulate the authorization and credit limit amount.

(6) Additional explanation regarding transaction value

The notional amounts of the derivative financial instruments do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's risk exposure in connection with derivatives.

2. The Company had the following derivatives contracts outstanding at June 30.

For fiscal 2009

	Millions of yen (Note 2)		
	Contract Amount	Fair Value	Unrealized Gain
Interest rate swap contracts	¥9,541	¥(95)	¥(95)
Forward exchange contracts	448	461	13
Equity knock-out option contracts	4,999	(2,137)	(1,937)

	Millions of U.S. dollars (Note 2)		
	Contract Amount	Fair Value	Unrealized Gain
Interest rate swap contracts	$99	$(1)	$(1)
Forward exchange contracts	5	5	0
Equity knock-out option contracts	52	(22)	(20)

For fiscal 2008

	Millions of yen (Note 2)		
	Contract Amount	Fair Value	Unrealized Gain
Interest rate swap contracts	¥10,185	¥(23)	¥(23)
Forward exchange contracts	717	739	22

10. USE OF A SPECIAL PURPOSE ENTITY (THE "SPE") FOR PROPERTY OWNERSHIP

1. Summary and transactions of SPEs

The Company has used a sales and lease back structure to securitize real estate assets pursuant to which the SPE acquires real estate from the Company and leases it back to the Company. The scheme was used to refinance the Shinjuku Higashi-guchi store. This particular SPE structure is required to be reviewed after five years and, if it is determined at that time not to continue with the structure, the real estate will either be repurchased by the Company or sold by the SPE to a third party. In the latter case, where the market value of the real estate has fallen to less than 75% of the initial purchase price, the Company is required to pay the shortfall up to 75% of the initial purchase price.

In order to obtain financing, in August 2005, the Company used the SPE structure in respect of real estate for PAW Nishinomiya, PAW Ishikiri, MEGA Don Quijote Kashiwa, and MEGA Don Quijote Atsugi. The Company entrusted the real estate to a trustee and sold beneficial rights/interests to improve the financial structure of the Company by reducing interest-bearing debt.

The amount of SPE was stated at ¥1,388 million ($14 million), which is the historical cost as of June 30, 2009.

Under these arrangements, the funds (investments) are subordinated to all liabilities to other members of silent partnerships and third parties other than members of the silent partnerships. Gain from fund was charged to other income. Total assets of SPEs were ¥13,905 million ($145 million) and total liabilities of them were ¥10,943 million ($114 million) as of the nearest end of reporting period.

2. Transactions between SPEs as of consolidated fiscal year ended June 30, 2009 and 2008 are as follows:

For fiscal 2009

	Millions of yen (Note 2)		
	Major transaction amount or balance	Profit and loss	
		Account	Amount
Investments on silent partnership (Tokumei Kumiai)	¥–	Gain on SPE	¥147
Lease back transaction	–	Lease payment	1,742
Guaranteed amount	1,584	–	–

	Millions of U.S. dollars (Note 2)		
	Major transaction amount or balance	Profit and loss	
		Account	Amount
Investments on silent partnership (Tokumei Kumiai)	$–	Gain on SPE	$2
Lease back transaction	–	Lease payment	18
Guaranteed amount	16	–	–

For fiscal 2008

	Millions of yen (Note 2)		
	Major transaction amount or balance	Profit and loss	
		Account	Amount
Investments on silent partnership (Tokumei Kumiai)	¥–	Gain on SPE	¥172
Lease back transaction	–	Gain from liquidation of SPE	961
Guaranteed amount	1,724	Lease payment	1,825

11. ALLOWANCE FOR RETIREMENT BENEFITS FOR EMPLOYEES

The liabilities for retirement benefits included in the liability section of the consolidated balance sheets as of June 30, 2009 and 2008 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Projected retirement benefit obligation	¥420	¥6,407	$4
Fair value of Plan assets	–	(946)	–
Unrecognized actuarial differences	52	226	1
Net liability for retirement benefits	¥472	¥5,687	$5

Note: Some consolidated subsidiaries adopt the simple method to calculate projected benefit obligation. Nagasakiya Co., LTD. discontinued the retirement benefit plan for employees as of the end of March 31, 2009, and two other consolidated subsidiaries also discontinued the plan during the fiscal year ended July 30, 2009. Accompanying the discontinuance of the plan, ¥453 million ($5 million) are included in other current liabilities, and ¥2,487 million ($26 million) in other non-current liabilities.

Net periodic costs for the years ended June 30, 2009 and 2008 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Service costs–benefits earned during the year	¥260	¥132	$3
Interest costs on projected benefit obligation	81	46	1
Expected return on retirement benefit plan assets	(17)	(11)	(0)
Amortization of actuarial differences	(73)	54	(1)
Net periodic benefit costs	¥251	¥113	$3

Note: Retirement benefit expenses of consolidated subsidiaries adopting the simple method are included in service costs.
Nagasakiya Co., LTD. discontinued the retirement benefit plan for employees as of the end of March 31, 2009, and two other consolidated subsidiaries also discontinued the plan during the fiscal year ended July 30, 2009. Accompanying the discontinuance of the plan, the subsidiaries posted ¥1,556 million ($16 million) gains.

The assumptions and basis used for the calculation of retirement benefit obligation as of June 30, 2009 and 2008 were as follows:

	2009	2008
Allocation method for the projected retirement benefits	Straight-line method	Straight-line method
Discount rate	1.5%	1.5%
Expected return rate for plan assets	1.5%	1.5%
Amortization period for actuarial differences	7 years	7 years
	Straight-line method over a certain number of years within the average remaining service years	Straight-line method over a certain number of years within the average remaining service years

12. STOCK INCENTIVE PLAN

The shareholders of the Company approved a stock incentive plan on September 25, 2003. The options may be exercised during the period from October 2, 2005 until October 1, 2009, and the exercise price was ¥1,980 ($21). The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at price less than the market price per share. The unexercised and outstanding balance of SAR, as of June 30, 2009, was 388,800 shares.

The shareholders of the Company approved a stock incentive plan on September 28, 2004. The options may be exercised during the period from October 2, 2006 until October 1, 2016, and the exercise price was ¥1,970 ($21). The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at price less than the market price per share. The unexercised and outstanding balance of SAR, as of June 30, 2009, was 1,041,000 shares.

The shareholders of the Company approved a stock incentive plan on September 29, 2005. The options may be exercised during the period from October 2, 2007 until October 1, 2017, and the exercise price was ¥3,134 ($33). The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at price less than the market price per share. The unexercised and outstanding balance of SAR, as of June 30, 2009, was 1,684,200 shares.

13. OTHER INCOME, NET

Other income, net for the years ended June 30, 2009 and 2008 consisted of other income and other expense. Other income and other expense are as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Other income:			
Amortization of negative goodwill	¥858	¥1,119	$9
Gain on sale of investments securities	4	31	0
Gain on SPE	147	172	2
Gain from liquidation of SPE	–	961	–
Gain from debt extinguishment	–	500	–
Gain from changes in equity	–	3	–
Other	1,744	1,642	18
Other income total	2,753	4,428	29
Other expense:			
Impairment loss	649	932	7
Loss on disposal of fixed assets	232	258	2
Loss on investments due to the equity method	18	160	0
Settlement fees	–	360	–
Other	990	906	11
Other expense total	1,889	2,616	20
Other income, net	¥864	¥1,812	$9

14. PLEDGED ASSETS

The assets pledged as collateral for the Company's liabilities at June 30, 2009 and 2008 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Time deposits	¥150	¥455	$2
Land	3,146	3,146	33
Buildings and structures	662	758	7
Fixed leasehold deposits	4,833	4,998	50
Other	135	136	1
Total	¥8,926	¥9,493	$93

Liabilities related with the assets pledged at June 30, 2009 and 2008 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Short-term loans	¥1,550	¥350	$16
Current maturities of long-term debt	–	244	–
Other current liabilities	436	600	5
Other non-current liabilities	5,390	6,044	56
Total	¥7,376	¥7,238	$77

15. INCOME TAXES

1. The significant components of deferred tax assets and liabilities for the years ended June 30, 2009 and 2008 are as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Deferred tax assets:			
Provision for enterprise taxes	¥266	¥102	$3
Allowance for doubtful accounts	1,488	756	15
Inventories	1,195	1,632	12
Net operating loss carry forwards	2,573	6,355	27
Depreciation	684	284	7
Impairment loss	1,513	564	16
Net unrealized gains on investment securities	1,146	432	12
Long- term accounts payable	1,010	–	10
Others	2,551	4,768	27
Total gross deferred tax assets	12,426	14,893	129
Valuation allowance	(7,089)	(12,387)	(73)
Total deferred tax assets	5,337	2,506	56
Deferred tax liabilities:			
Goodwill	(994)	–	(10)
Others	(246)	(57)	(3)
Total deferred tax liabilities	(1,240)	(57)	(13)
Net deferred tax assets	¥4,097	¥2,449	$43

Note: Net deferred tax assets as of June 30, 2009 and 2008 are reflected in the following accounts in the consolidated balance sheets:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Current assets–Deferred tax assets	¥1,477	¥1,575	$15
Other assets (non-current)–Deferred tax assets	2,623	874	27
Current liabilities–Other current liabilities	(3)	–	(0)

2. A reconciliation of the difference between the statutory tax rate and the effective income tax rate reflected in the accompanying statements of operation for the years ended June 30, 2009 and 2008 are as follows:

	2009	2008
Statutory tax rate	40.5%	40.5%
Flat tax of inhabitant tax	4.0%	2.8%
Amortization of negative goodwill	(2.4)%	(2.7)%
Change in valuation allowance	(4.6)%	(0.7)%
Others	0.1%	3.2%
Effective income tax rate	37.6%	43.1%

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for fiscal 2009 and 2008 were summarized as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2009	2008	2009
Employees' compensation and benefit	¥37,968	¥32,305	$395
Occupancy and rental	20,487	16,139	213
Commission	12,302	11,042	128
Depreciation and amortization	8,384	6,773	87
Allowance for doubtful accounts	157	213	2
Provision for retirement benefits for directors	0	37	0
Provision for retirement benefits for employees	251	113	3
Allowance for point program	26	22	0
Other	30,493	26,084	318
Total	¥110,068	¥92,728	$1,146

17. RELATED PARTY TRANSACTIONS

(Additional information)

Effective as of the consolidated accounting period ended June 30, 2009, as the Company has adopted ASBJ Statement No.11, "Accounting Standard for Related Party Disclosures," and ASBJ Guidance No.13, "Guidance on Accounting Standard for Related Party Disclosures", both released on October 17, 2006. As a result, Anryu Shoji Co., Ltd., Yasuda Scholarship Foundation and Makoto Iwade were excluded from the scope of disclosure.

Related party transactions for the years ended June 30, 2009 were as follows:

Related party	Category	Description of the Transactions	Millions of yen (Note 2) 2009	Millions of U.S. dollars (Note 2) 2009
Takao Yasuda	Chairman of the Company	Purchase of subsidiaries' shares*1	¥648	$7

*1 The acquisition price was based on the net asset value of the subsidiaries.

Related party transactions for the years ended June 30, 2008 were as follows:

Related party	Category	Description of the Transactions	Millions of yen (Note 2)*5 2008
Anryu Shoji Co., Ltd.*1	Company in which the chairman owns the majority votes.	Rental real estate*2	¥4
Takao Yasuda	Chairman of the Company	Loan and collection*3	1,500
		Sale of affiliates' stock	55
Yasuda Scholarship Foundation	Chairman is Takao Yasuda which is chairman of the Company	Rental real estate	1
		Commission income from detached employees service	3
		Commission income from office service	1
Makoto Iwade	Statutory auditor	Attorney's fee*4	3
World Victory Road Inc.	Affiliate company	Loan*6	¥200

*1 Representative director of the Company, Takao Yasuda, essentially holds the 100% of voting stocks.
*2 The contract for rental of real estate was signed on November 1, 2000.
*3 The Company loaned ¥1,500 million to Takao Yasuda, and collected the same amounts. Therefore, the amounts due from Takao Yasuda as of June 30, 2008 was zero.
*4 The amounts are based on arm's lengths business conditions.
*5 Amounts of transactions don't include consumption taxes.
*6 The loan contract was executed and interest rate was determined on market rate. As of June 30, 2008, the amounts due from World Victory Road Inc. was ¥ 200 million.

18. EARNINGS PER SHARE

The Company adopted the new rule of "Earnings per share" effective on April 1, 2002.

The following table sets forth the computation of basic and diluted earnings per share showing the reconciliation of the numerators and denominators used for the computation. Some of the stock options issued in connection with the introduction of stock option plans, and SARs of convertible bonds that could potentially dilute earnings per share were not included in the composition of diluted earnings per share because of its antidilutive effect on net income.

	Millions of yen (Note 2) 2009	Millions of yen (Note 2) 2008	Millions of U.S. dollars (Note 2) 2009
Net income	¥8,554	¥9,303	$89
Net income after adjustments of effects of dilutive securities	¥8,554	¥9,303	$89

	2009	2008
Weighted average number of shares	69,157,288	71,132,930
Effect of dilutive securities:		
Stock subscription rights	2,280	170,769
Convertible bonds	–	4,951,322
Diluted weighted average number of shares	69,159,568	76,255,021

	Yen (Note 2) 2009	Yen (Note 2) 2008	U.S. dollars (Note 2) 2009
Shareholders' equity per share	¥1,284.15	¥1,200.46	$13.38
Basic earnings per share	123.69	130.78	1.29
Diluted earnings per share	123.69	122.00	1.29

19. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

Major items included in "Loss on disposal of fixed assets" are as follows:

	Millions of yen (Note 2) 2009	Millions of yen (Note 2) 2008	Millions of U.S. dollars (Note 2) 2009
Buildings and structures	¥86	¥123	$1
Equipment	142	126	1
Others	4	9	0
Total	¥232	¥258	$2

Major items included in "Loss on close of stores" are as follows:

	Millions of yen (Note 2) 2009	Millions of yen (Note 2) 2008	Millions of U.S. dollars (Note 2) 2009
Buildings and structures	¥845	¥339	$9
Equipment	61	149	1
Others	348	349	3
Total	¥1,254	¥837	$13

Major items included in "Impairment loss" are as follows:

	Millions of yen (Note 2) 2009	Millions of yen (Note 2) 2008	Millions of U.S. dollars (Note 2) 2009
Buildings and structures	¥125	¥497	$1
Construction in progress	–	232	–
Software	–	95	–
Equipment	20	87	0
Goodwill	483	–	5
Others	21	21	1
Total	¥649	¥932	$7

20. CASH FLOW INFORMATION

1) Cash and cash equivalent information

Cash flow information as of June 30, 2009 and 2008 were summarized as follows:

	Millions of yen (Note 2) 2009	Millions of yen (Note 2) 2008	Millions of U.S. dollars (Note 2) 2009
Cash and time deposits	¥42,563	¥38,381	$443
Deposits paid, which are included in the other current assets	602	–	6
Time deposits with maturities of more than three months	(1,001)	–	(10)
Pledged Time deposits (over three months)	(124)	(295)	(1)
Cash and cash equivalents	¥42,040	¥38,086	$438

2) Major components of the assets and liabilities of the company that has been consolidated by acquiring its shares Acquisition of BIG1 CO., LTD.

The summarized assets and liabilities of BIG1 CO., LTD. are as follows:

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Current assets	¥1,616	$17
Non-current assets	2,344	24
Current liabilities	(1,277)	(13)
Non-current liabilities	(119)	(1)
Negative goodwill	(248)	(3)
Acquisition cost of BIG1 CO., LTD.	2,316	24
Cash and cash equivalents of BIG1 CO., LTD.	(423)	(4)
Payments for the acquisition	¥1,893	$20

21. SUBSEQUENT EVENTS

1. Appropriation of retained earnings

The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended June 30, 2009, were approved at the shareholders' meeting held on September 25, 2009.

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Cash dividends (¥13.00=$0.14 per share)	¥899	$9

2. Advanced redemption of Convertible Bonds due 2013

The Company redeemed the Zero Coupon Convertible Bonds due 2013 in advance.

(1) Bonds to be redeemed in advance	Zero Coupon Convertible Bonds due 2013
(2) Date of advanced redemption	July 24, 2009
(3) Reason for advanced redemption	Exercise of put option by bonds holders based on the article 7(E) in the terms of issue.
(4) Details of the advanced redemption	
1.Total remaining face value amount prior to advanced redemption	¥23,000 million ($240 million)
2.Total face value amount for advanced redemption	¥19,950 million ($208 million)
3.Total remaining face value amount after advanced redemption	¥3,050 million ($32 million)

3. Substantial amount of financing

Pursuant to the resolution of the Board of Directors at a meeting held on July 15, 2009, the company conducted the financing through overdraft loan agreement and issuance of commercial paper.

(Financing through overdraft loan agreement)

1. Name of lender	Resona Bank, Ltd. and 9 other banks
2. Principle amount	¥8,150 million ($85 million)
3. Interest rate	0.910~1.070% per annum
4. Execution date	July 31, 2009
5. Repayment term	September, 2009 and October, 2009
6. Asset pledged as collateral	None
7. Usage	Advanced redemption of convertible bonds due 2013

(Financing through issuance of commercial paper)

1. Underwriting company	The bank of Tokyo-Mitsubishi UFJ, Ltd. and other 4 banks
2. Amount of issue	¥9,500 million ($99 million)
3. Interest rate	0.346~0.900% per annum
4. Execution date	July 29, 2009
5. Repayment term	October, 2009
6. Asset pledged as collateral	None
7. Usage	Advanced redemption of convertible bonds due 2013

Pursuant to the resolution of the Board of Directors at a meeting held on August 21, 2009, the company conducted the financing through loan on note.

(Financing through loan on note)

1. Name of lender	Resona Bank, Ltd. and 3 other banks
2. Principle amount	¥3,194 million ($33 million)
3. Interest rate	0.750~1.165% per annum
4. Execution date	August 31, 2009
5. Repayment term	February 26, 2010 to February 28, 2010
6. Asset pledged as collateral	None
7. Usage	Tax payments

The Board of Directors of the Company, at a meeting held on September 16, 2009, approved the financing through issuance of unsecured straight bonds and loan on deed.

(Financing through issuance of the Don Quijote 34th, 35th and 36th unsecured straight bonds)

1. Amount of issue	¥3,000 million ($31 million)
2. Coupon rate	0.800~1.173% per annum
3. Execution date	September 25, 2009 to September 30, 2009
4. Term	3 to 5 years
5. Asset pledged as collateral	None
6. Usage	Capital investment

(Financing through loan on deed)

1. Name of lender	The Musashino Bank, Ltd. and 7 other banks
2. Principle amount	¥3,900 million ($41 million)
3. Interest rate	Suspense
4. Execution date	Suspense
5. Repayment term	3 years
6. Asset pledged as collateral	None
7. Usage	Operating fund

22. SEGMENT INFORMATION

Operating segment information

Operating segment information for the consolidated fiscal year ended June 30, 2009 and 2008 are summarized as follows:

As of and for the year ended June 30, 2009

	Millions of yen (Note 2)						
	Discount store business	GMS business	Rent business	Others	Total	Corporate Eliminations	Consolidated
1. Sales, Operating profit and loss							
Sales							
Sales to third parties	¥373,630	¥88,610	¥15,909	¥2,707	¥480,856	¥–	¥480,856
Intersegment sales	518	320	2,364	1,801	5,003	(5,003)	–
Total	374,148	88,930	18,274	4,508	485,859	(5,003)	480,856
Operating expenses	360,706	90,478	13,679	3,975	468,838	(5,154)	463,684
Operating income	13,441	(1,548)	4,595	533	17,021	151	17,172
2. Assets, depreciation and amortization, loss on impairment of fixed assets, and capital expenditure							
Assets	224,232	37,697	36,993	5,661	304,583	(7,056)	297,527
Depreciation and amortization	6,743	770	1,266	53	8,832	–	8,832
Loss on impairment of fixed assets	122	45	–	482	649	–	649
Capital expenditure	17,343	687	403	40	18,473	(74)	18,399

As of and for the year ended June 30, 2009

	Millions of U.S dollars (Note2)						
	Discount store business	GMS business	Rent business	Others	Total	Corporate Eliminations	Consolidated
1. Sales, Operating profit and loss							
Sales							
Sales to third parties	$3,892	$923	$166	$27	$5,008	$–	$5,008
Intersegment sales	5	3	24	19	51	(51)	–
Total	3,897	926	190	46	5,059	(51)	5,008
Operating expenses	3,757	942	142	41	4,882	(53)	4,829
Operating income	140	(16)	48	5	177	2	179
2. Assets, depreciation and amortization, loss on impairment of fixed assets, and capital expenditure							
Assets	2,336	393	385	58	3,172	(73)	3,099
Depreciation and amortization	70	8	13	1	92	–	92
Loss on impairment of fixed assets	1	0	–	6	7	–	7
Capital expenditure	181	7	4	0	192	(0)	192

As of and for the year ended June 30, 2008

	Millions of yen (Note2)						
	Discount store business	GMS business	Rent business	Others	Total	Corporate Eliminations	Consolidated
1. Sales, Operating profit and loss							
Sales							
Sales to third parties	¥331,446	¥60,092	¥11,554	¥1,832	¥404,924	¥–	¥404,924
Intersegment sales	147	62	2,014	1,949	4,172	(4,172)	–
Total	331,593	60,154	13,568	3,781	409,096	(4,172)	404,924
Operating expenses	317,656	59,567	12,773	3,313	393,309	(4,366)	388,943
Operating income	13,937	587	795	468	15,787	194	15,981
2. Assets, depreciation and amortization, loss on impairment of fixed assets, and capital expenditure							
Assets	196,718	49,373	23,681	4,586	274,358	1,930	276,288
Depreciation and amortization	5,693	524	959	89	7,265	(15)	7,250
Loss on impairment of fixed assets	693	125	19	95	932	–	932
Capital expenditure	15,911	637	3,600	119	20,267	(160)	20,107

Geographic segment information

For the fiscal years of 2009 and 2008, net sales and assets in Japan accounted for more than 90% of those of all the segments. Consequently, details of each geographic segment information are not presented.

Sales outside Japan

For the fiscal years of 2009 and 2008, sales outside of Japan amounted less than 10% of the consolidated net sales, and therefore the information is not presented.

Corporate Information

Corporate Data (as of June 30, 2009)

COMPANY NAME
Don Quijote Co., Ltd.

SCOPE OF BUSINESS
Operation of discount stores, which sell electrical appliances, daily commodities, foods, watches, fashion merchandise, sporting goods, leisure equipment, DIY products and others.

HEAD OFFICE (as of september 25, 2009)
2-19-10, Aobadai, Meguro-ku, Tokyo
153-0042, Japan
Tel: +81-3-5725-7532
Fax: +81-3-5725-7322

DATE OF ESTABLISHMENT
September 5, 1980

PAID-IN CAPITAL
¥14,977,238 thousand

NUMBER OF EMPLOYEES
2,564

NUMBER OF STORES (Consolidated basis)
218

Board of Directors (as of September 25, 2009)

Chairman of the Board and CEO
Takao Yasuda

President and COO
Junji Narusawa

Senior Managing Director and CFO
Mitsuo Takahashi

Managing Director and CCO
Sumio Inamura

Director and CIO
Koji Oohara

Standing Statutory Auditor
Junzo Tabuchi

Statutory Auditors
Makoto Iwade
Yoshihiro Hongo
Yukihiko Inoue

Share Information (as of June 30, 2009)

SHARES OF COMMON STOCK

Authorized : 234,000,000
Issued : 72,022,209
Treasury stock : 2,840,970

NUMBER OF SHAREHOLDERS

6,304

PRINCIPAL SHAREHOLDERS

	Number of shares held	Percentage of total shares in issue (%)
Takao Yasuda	14,712,000	20.43
La Mancha	9,000,000	12.50
The Master Trust Bank of Japan, Ltd. (Trust Account)*	4,996,900	6.94
Japan Trustee Service Bank, Ltd. (Trust Account)*	4,760,500	6.61
Japan Trustee Service Bank, Ltd. (Trust Account 4G)*	4,635,100	6.44
Anryu Shoji Co., Ltd.	4,140,000	5.75
BBH for Fidelity Low-price Stock Fund	2,946,374	4.09
Don Quijote Co., Ltd.	2,840,970	3.94
Yasuda Scholarship Foundation	1,800,000	2.50
Sajap	1,487,300	2.07

*Shares held by these institutions include shares in trust.
Note: Where Don Quijote Co., Ltd. has confirmed the actual number of shares held by the shareholder, the number of actual shares is reflected in the status of shareholding of the principal shareholders listed above.

SHARE OWNERSHIP BY CATEGORY

	Number of shareholders	Number of shares held	Percentage of total shares in issue (%)
Financial Institutions	39	18,496,023	25.68
Financial Products Trader	24	287,490	0.40
Other Japanese Corporations	75	6,110,743	8.48
Foreign Corporations and Individuals	192	26,136,469	36.29
Japanese Individuals and Others	5,974	20,991,484	29.15
Total	6,304	72,022,209	100.00

TRANSFER AGENT

Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

STOCK LISTINGS

Tokyo Stock Exchange, First Section

Don Quijote Co., Ltd.

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