Pioneering in Retail Innovation

ANNUAL REPORT 2010

Don Quijote Co., Ltd.

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Profile

Since opening its first Don Quijote store in 1989, Don Quijote Co., Ltd. has emphasized a corporate philosophy of "Putting the Customer First" in developing its business activities—primarily a network of stores under a comprehensive discount format. We have attracted enormous support from customers for our innovative approach to retail that meets their each and every need, featuring late-night operating hours; a rich assortment of merchandise, from daily necessities to luxury brands; prices that epitomize our reputation as a "Super Savings Emporium"; and a novel approach to presentation that utilizes "compression displays" and handwritten POP (point-of-purchase) cards to transform the typically routine chore of shopping into an exciting experience.

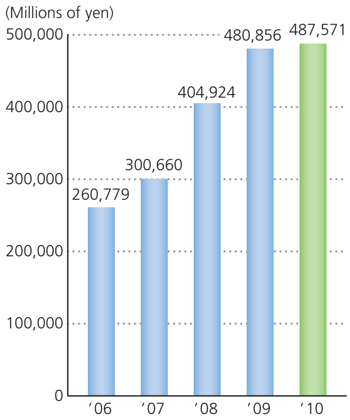
Despite a challenging market environment during the fiscal year under review, we adhered to our "Putting the Customer First" perspective and concentrated on creating stores that address customer needs straight on. This effort was rewarded with higher revenues and operating income for the 20th consecutive fiscal year, and with the Group network now at 220 stores, we made steady progress toward our target of ¥500 billion in consolidated net sales.

We will strive to build on our success to ensure even higher growth. Toward this end, we will prioritize our CV (convenience) + D (discounts) + A (amusement) store concept and maximize our one-of-a-kind "consumable-time" format, which gives customers the opportunity to truly enjoy their shopping experience whenever they visit one of our stores.

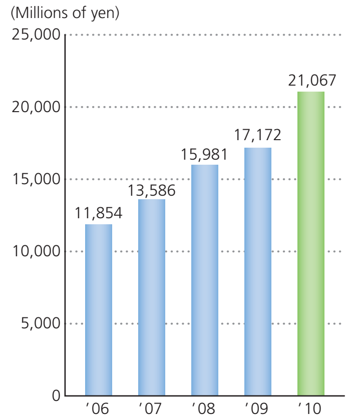
Disclaimer Regarding Forward-Looking Statements
Forward-looking content in this annual report is based on various assumptions and is not a guarantee of future performance or the realization of stated strategies.

Consolidated Financial Highlights

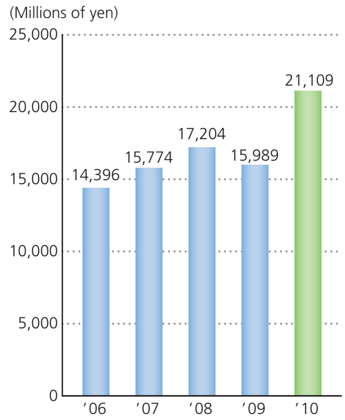
Net sales



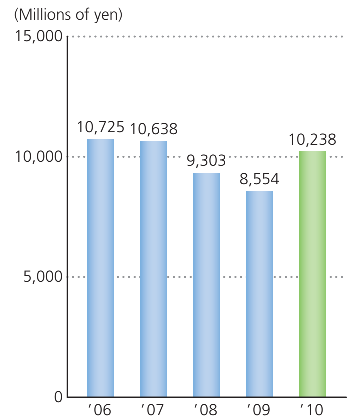
Operating income



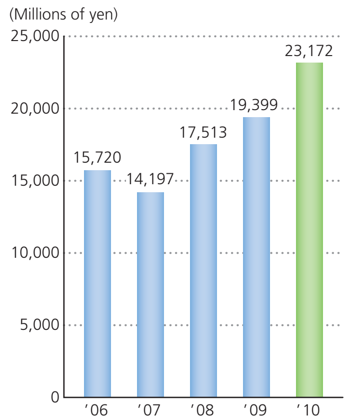
Recurring income



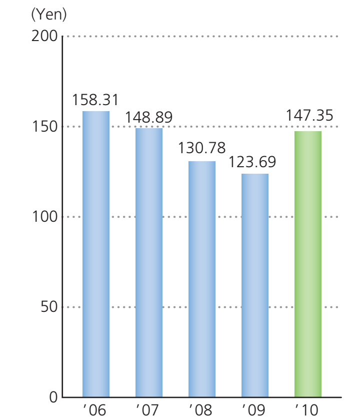
Net income



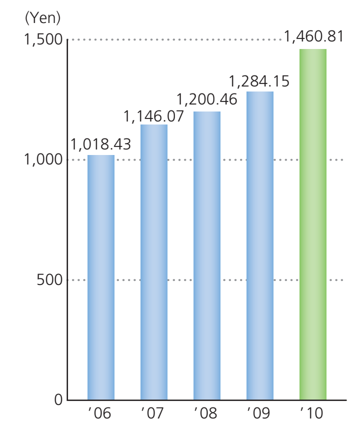
Free cash flow*1



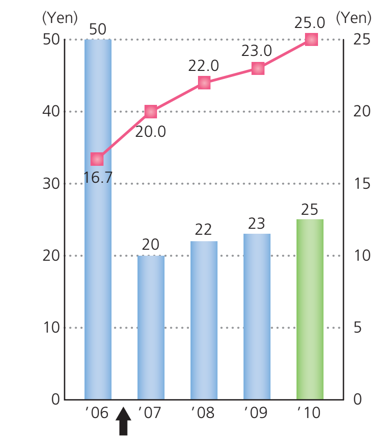
Net income per share*2



Shareholders' equity per share*2

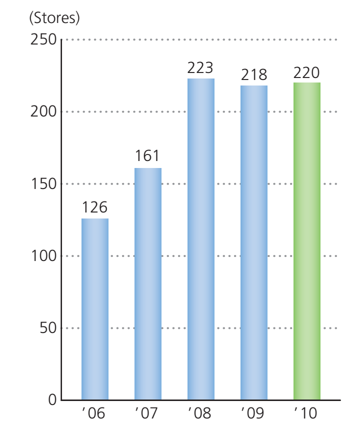


Annual dividends per share*3



Stock split (3 for 1) in July 2006

Number of stores*4



*1 Free cash flow = 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 a stock split in July 2006.
*3 The bar graph indicates annual dividends per share (left axis), while the line graph displays the restatement of annual dividends per share to reflect the retroactive effects of a stock split (right axis).
*4 Please refer to pages 20 and 21 for a breakdown of the number of stores.

Dear Fellow Shareholders and Investors

The Don Quijote Group closed its consolidated books for fiscal 2010 on June 30, 2010, and we would now like to report the Group's performance to our shareholders and investors.

Chairman of the Board and CEO
Takao Yasuda

President and COO
Junji Narusawa

During fiscal 2010, the retail industry was faced with an increasing number of people moving into belt-tightening mode and cutting back on purchases to deal with the long recession and employment uncertainty. Thanks to efforts by the government to stimulate the economy, however, personal spending started to show signs of improvement. Nevertheless, as companies continued to face deflationary pressure, the market environment remained challenging.

Against this backdrop, based on our corporate philosophy of "Putting the Customer First," the Don Quijote Group embraced various measures designed to give customers an exciting and enjoyable shopping experience, in the Group's pursuit of entertainment value in its operations. We realized solid earnings mainly through our flagship Don Quijote discount stores that deliver entertainment value, and we also confirmed the viability of MEGA Don Quijote deep-discount stores, which support consumers' efforts to maintain their standard of living on a limited budget. These efforts have enabled us to set the stage for stable growth into the future.

As a result, consolidated net sales increased 1.4% compared with the previous fiscal year, to ¥487.6 billion, and operating income climbed 22.7%, to ¥21.1 billion. Recurring income jumped 32.0% from the previous fiscal year, to ¥21.1 billion, and net income rose 19.7%, to ¥10.2 billion. Net sales and operating income increased for the 20th consecutive year, uninterrupted since the opening of the first Don Quijote store in 1989. In addition, recurring income and net income showed large gains year on year. As for the annual dividend, management set it at ¥25 per share, up ¥2 from fiscal 2009.

Takao Yasuda
Chairman of the Board and CEO
Takao Yasuda

Junji Narusawa
President and COO
Junji Narusawa

Summary of Group Activities in Fiscal 2010

Guided by the philosophy of "Putting the Customer First," we continued to demonstrate an ability to identify trends and respond quickly to the changes. As a result, we steadily improved profitability, sales capabilities and business efficiency.

At our mainstay-format Don Quijote stores, we endeavored to enhance entertainment value while reinforcing our capacity to offer customer-appealing discounts. Consumers continued to cut back on purchases and move into belt-tightening mode. Against this backdrop, our product offerings and price competitiveness—especially on daily-life necessities—were well received.

At MEGA Don Quijote deep-discount stores, which support customers' efforts to maintain their standard of living on a limited budget, we worked to boost profitability along with further improving our business model and attracting a new customer segment. Moreover, Doit home centers, which handle do-it-yourself (DIY) products, have made every effort to create a stronger earnings platform and have successfully raised profitability.

We pursued store development from two angles: expanding our store network, and opening new stores in the Greater Tokyo metropolitan area where synergies with our existing network would deliver enhanced results. From these angles, we expanded our store network, opening our first stores in Miyazaki and Saga prefectures, and added six new locations in the Kanto region, with Tokyo as the region's hub. Along with these openings, we aggressively promoted a strategy dubbed "renewal & scrap," through which stores with room for improvement in business efficiency are converted into more profitable formats while stores with limited chances of improving profitability are closed. Nagasakiya stores are in this spotlight. In fiscal 2010, six stores shut their doors permanently. Also of note, the Don Quijote Omiya-Owada store was converted into the Town Doit format in June 2010. This brought the Groupwide network to 220 locations as of June 30, 2010, a net increase of two, from 218 locations a year earlier.

Consumers are undoubtedly getting tired of scrimping and saving, as demand for products with added value gradually increases. Seeking to impress more customers, we took significant steps to strengthen our planning and sales strategies for our private brands, including Jonetsu Kakaku. We also worked to make our stores more inviting and to expand our base of loyal customers.

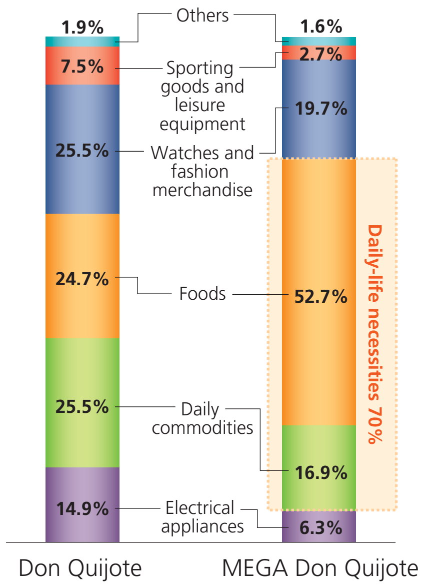
Progress in MEGA Don Quijote

MEGA Don Quijote stores are deep-discount stores targeting families, emphasizing price competitiveness while utilizing the sales capabilities of the entire Don Quijote Group. The stores have also greatly enhanced their merchandise purchasing and content review capabilities.

Based on our flagship Don Quijote stores, which provide a highly enjoyable shopping experience and offer the convenience of late-night operating hours, MEGA Don Quijote stores offer customers the pleasure in finding deep discounts, enabling them to buy the products

Comparison data of Don Quijote and MEGA Don Quijote

Sales by product category*



* Results for Don Quijote and for MEGA Don Quijote as of June 2010

they specifically came in to get as well as to indulge in spur-of-the-moment purchases at very low prices.

The buying floor ("sales floors" are referred to as "buying floors," a term that assumes the customer's point of view) at MEGA Don Quijote stores is brimming with entertaining features that make shopping a pleasant experience. The MEGA Don Quijote stores are providing up to 100,000 products, all at remarkably low prices, from foods, sundries and other daily commodities to hobby items and nonessential goods.

Most MEGA Don Quijote stores were originally Nagasakiya general merchandise stores (GMS), which were added to the Group in October 2007 and subsequently converted to the MEGA Don Quijote format. Compared with the previous Nagasakiya format, MEGA Don Quijote stores have been well received by customers and have seen a significant improvement in performance while major general merchandise stores continue to struggle.

A look from customer segments and peak shopping times reveals that Don Quijote's customers are mainly adults and younger generations, and their prime shopping time is at night. MEGA Don Quijote, on the other hand, has targeted families and housewives as its main customer segment and has successfully attracted wider interest from the daytime market, which includes morning to early evening hours.

Also, Don Quijote discount stores follow what we call the "consumable-time" business format, which is designed to make shopping more of a pastime than a chore. By developing MEGA Don Quijote as a complementary format, we are moving toward our goal of capturing larger component shares of the retail market, by customer segment and shopping hours, as a group.

In fiscal 2010, we energetically implemented additional renovations even after converting stores to fine-tune the MEGA Don Quijote format more precisely to customer needs. We will continue to strive for higher profitability and enhanced sales capabilities. We will maintain our focus on thorough purchasing and inventory control that utilize the economy of scale of the Group and will continue to concentrate on improving product strategies in addition to logistics and business operations.

Growth Strategies for the Future

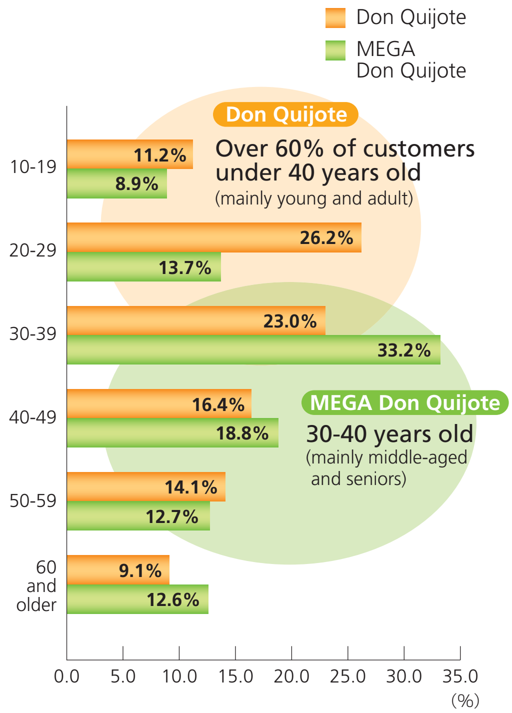
Our growth strategies parallel our corporate commitment to "Putting the Customer First."

To promote greater synergy among our stores, primarily among MEGA Don Quijote locations and our mainstay Don Quijote stores, we, the Don Quijote Group, will accelerate efforts to reinforce the Group's domestic store network. In addition, Group companies will stress flexibility and efficiency in new store openings in conjunction with efforts to effectively utilize management resources that are derived through format conversions and restructuring.

Concerning overall management, we will strengthen human resource development and strive to achieve enhanced efficiency. Thus, we will do our utmost to establish a solid business foundation and financial structure that will support stable earnings.

Comparison data of Don Quijote and MEGA Don Quijote

Customers by age group*



* 2009 sample survey

Don Quijote Nakameguro store

MEGA Don Quijote Hakodate store

Marketing Strategy

All marketing-related activities within the Don Quijote Group are carefully coordinated, from market analysis and selection of possible sites for new stores, along with store size, to merchandise lineup offered to customers. This meticulous approach is indeed a marketing strategy that aims to make the most of our accumulated expertise.

We have always maintained an efficient marketing strategy that maximizes our domestic store network, which now boasts more than 200 locations.

Ideal Marketing Strategy Fine-Tuned to Each Area

Different store formats have evolved within the Don Quijote Group that match individual properties and size of catchment area in addition to regional characteristics. Furthermore, to create stores that meet localized customer demands, we pick an optimal store format suitable to the particular location, based on careful analyses of catchment areas.

For example, the Shibuya and Nakameguro stores, under the mainstay Don Quijote format, are separated by only a few kilometers, but the customer base is greatly different between the two locations. The Nakameguro store is on the roadside, and many customers are either from the neighborhood or those who come by car. Meanwhile, the Shibuya store is close to a major train station and attracts a lot of young people. Since each store targets a different customer base, not only merchandise but also store layouts are tailored to meet the respective core shopper profile.

The Group implements meticulous marketing surveys at each store even after the grand opening to ensure that stores are fully addressing the changing needs of customers, along with trends in the area, and are keeping up with the local competition. Our Don Quijote Group stores are always open to customer feedback, and concerted efforts are made to reflect the opinions of customers in each store. It is these measures that give our stores the edge in attracting customers, making us the "No. 1 store in a given catchment area."

Store Development at Home and Abroad

Our store development for the domestic market calls for the development of roadside stores in the suburbs as well as a good balance of new store openings in city centers close to major train stations and commercial areas. Concurrently, we will strive to achieve higher earnings.

We will expand the store network by actively opening new stores under whichever format best suits respective catchment size and local characteristics while promoting renovations at existing stores to reinforce profitability.

Regarding our overseas business development, ongoing efforts are being made to boost sales at the four existing Don Quijote stores in Hawaii. To prepare for possible expansion of our overseas store network in other markets, we will address the hiring and training of employees with skills suitable for supporting network development overseas. We will also put in place the appropriate structure that fully supports our goal of becoming the "No. 1 store in a given catchment area," which applies to all of our stores—both at home and abroad.

Stores oriented toward suburban customers

Don Quijote Fuchu store (daytime)

Don Quijote Fuchu store (nighttime)

Stores oriented toward urban customers

Don Quijote Shinjuku Higashiguchi store (daytime)

Don Quijote Shinjuku Higashiguchi store (nighttime)

Stores oriented toward suburban customers

Don Quijote Urawa Harayama store

MEGA Don Quijote Kuroiso store

Stores oriented toward urban customers

Don Quijote Ikebukuro Higashiguchi Ekimae store

Don Quijote Roppongi store

Merchandise Purchasing

At stores throughout the Don Quijote Group, "sales floors" are referred to as "buying floors," a term that assumes the customer's point of view. These buying floors are so well received by so many customers because they not only offer a wide selection of merchandise that customers always come to expect when shopping at any one of our locations, they always provide "something new," motivating our customers to visit again and again. The Group's stability in merchandise purchasing is underpinned by its "delegation of authority" and "spot product purchasing."

The Don Quijote Group authorizes its store staff for the purchase of merchandise so that each store can respond immediately to customer feedback.

Delegation of Authority Allows the Purchase of Captivating Merchandise

Most merchandise purchasing authority within the Don Quijote Group is delegated to each member of its store staff. This delegation of authority is unique to Don Quijote and extensive in scope, from purchasing to pricing and display, and each staff member can act like an independent shop owner, making his or her own decisions with regard to product purchasing and market response, without relying on the head office for product distribution. Thus, this system encourages staff to enhance their skills in the purchase of merchandise by promoting a sense of friendly competition.

Further, the system of delegation of authority has worked as a part of the Group's risk hedging activities. A Don Quijote store carries between 40,000 and 60,000 items, but the risk of carrying dead stock—that is, unsold inventory—is diversified, and related damage exposed by dead stock can be kept under control by granting purchasing authority relative to the respective capabilities of each staff member, wherein he or she initially purchases products from a limited range. As a result, we have cultivated a corporate atmosphere that encourages staff to aggressively meet challenges head on without fear of failing, even if one has little purchasing experience. Consequently, store staff have many opportunities to amass purchasing expertise, and with this expertise they are able to pick up on market trends with a fresh perception. As such, the Group's merchandise purchasing capabilities are always maintained at a high level.


Business negotiations

POP cards produced by expert staff

Spot Purchasing Yields a New Discovery All the Time

The Don Quijote Group strategically purchases spot products, which are limited in quantity or in availability, in line with a basic policy on inventory that calls for a 60:40 mix of standard and spot products, respectively. Consequently, the 40% of inventory allocated to spot products is constantly changing. Since spot products turn stores into places where customers always encounter something new, they carry a great deal of weight in store operations.

In addition, stores under the Group umbrella demonstrate excellent product and presentation know-how, exemplified by the barrage of handwritten point-of-purchase (POP) cards and compression displays imbued with the creativity of each and every staff member. The unique store décor maximizes the appeal of spot products, acting like a magnet to draw customers closer.

We create stores that offer something new through spot product purchasing, raising customers' expectations that our stores will always meet their needs.


Store staff displaying merchandise

Private Brand Merchandise

The Don Quijote Group is developing a series of original products. These include “Jonetsu Kakaku,” a private brand with a range of merchandise for everyday occasions; Tokyo Cover Girl, a fast-fashion line; and Cosu Mode Power, a line of cosplay costumes.

By smashing existing perceptions of fast-fashion by offering quality merchandise at a lower price, we are developing competitive products under our own labels as a driver for growth.

A Rich Variety of Private Brands to Meet Customer Needs

Jonetsu Kakaku is a private brand of products launched in October 2009, with the aim of becoming not only the most familiar brand but also the customer's favorite that expresses each one's originality. Under its name, which translates as "passionate price," this brand comprised more than 600 items—mainly food, daily necessities, clothing and appliances—as of June 30, 2010.

We are also developing and marketing original products targeting specific preferences. These labels include Tokyo Cover Girl and Cosu Mode Power, which offer a wide selection of cosplay costumes marketed under the concept of "having fun playing make-believe."

Tokyo Cover Girl is fully coordinated fast-fashion like that worn by models on the cover of fashion magazines.

This three-piece set, featuring a top, a bottom and accessories, is wrapped up in a package that looks like the cover of a fashion magazine. And just like every new issue of a fashion magazine, Tokyo Cover Girl offers four or so trendy fashion ensembles each month.

The Customer's Viewpoint as a Starting Point for the Development of Our Private Brand Products

The development process of Don Quijote Group's private brand Jonetsu Kakaku products begins with asking customers for their ideas. We earnestly listen to each and every customer by inviting them to leave suggestions on a store visit, through a message on our website or a call to our customer center.

Jonetsu Kakaku is the result of bringing together our philosophy with the technical expertise of competent manufacturers sincere in their efforts to provide customers with excellent products. This private brand is exactly what customers are looking for and offers high quality at an unbelievably low price. Prioritizing product safety, consumer peace of mind and quality, we have succeeded in lowering prices by performing our own product planning, production management and marketing, along with implementing measures to prevent waste.

Apart from other private brand products focusing only on low prices, Jonetsu Kakaku uniquely provides enjoyment and new discovery for the consumer.

We will continue to enhance the quality of our goods and expand the selection of merchandise. In addition, we will strive to transform the development of private brands into a core product strategy for the Group.

Jonetsu Kakaku sales promotion posters

Jonetsu Kakaku men's and women's jeans

24-inch terrestrial digital LCD TV

Original fast-fashion brand Tokyo Cover Girl

Original costume brand Cosu Mode Power

Brand Formation

At Don Quijote, the Group's mainstay store format, we undertake activities that exemplify our corporate philosophy of "Putting the Customer First" and thereby solidify the Don Quijote brand. We demonstrate strong price competitiveness by keeping advertising and promotion costs down and showcasing our capacity to provide excellent discounts. This ensures a solid earnings base.

We raise the profile of the Don Quijote brand through activities that exemplify our corporate philosophy of "Putting the Customer First."

Top Ranking in Corporate Message Survey 2009*

The Don Quijote catchphrase "*Gekiyasu no Dendo*" translated as "Super Savings Emporium"—earned Don Quijote 12th place among major, well-known companies in the corporate name recognition category of the Corporate Message Survey 2009, conducted by Nikkei BP Consulting, Inc., a domestic research and consulting firm. Most of the other top-ranked companies were major corporations that frequently purchase advertising space, mainly television commercials and magazine and newspaper ads, and incur considerable expenses in the process. In contrast, Don Quijote undertakes hardly any advertising through mass media. But even without big-budget advertising, the Don Quijote brand has acquired a high profile among the general public. This is largely because of our novel approach to "Putting the Customer First," which touches a chord with consumers, and also because our "corporate formula"—Don Quijote = "Super Savings Emporium"—is instilled in the minds of consumers.

* Nikkei BP Consulting, Inc. conducts a survey to determine the level of recognition and corporate image that ordinary consumers have of companies, based on the message each company presents to the public.

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"Putting the Customer First" Raises Brand Profile—Even without Advertising

Since the founding of Don Quijote Co., Ltd., our stores have been run to give customers surprises and discoveries that they will not find anywhere else, thanks to such strategies as late-night operating hours, a huge selection of merchandise and compression displays.

We have endeavored to raise the amusement factor in shopping through various approaches. For example, our store exteriors attract attention even late at night; we have created a lovable mascot; our signs feature an eye-catching logo; our POP product description cards are handwritten to add a personal touch to product displays; and an original theme song plays throughout all of our stores. These approaches have won strong support from customers. Each and every aspect of our strategy that underscores "Putting the Customer First" helps to reinforce the Don Quijote brand image.

In addition, many of these efforts get further distance through word of mouth by customers. The media often picks up on the attention our stores attract, which in turn increases recognition. Again, people talk, sparking more interest, which generates a positive cycle that keeps the Don Quijote name in the spotlight. Because of all this, even when we open a store in an area where we have not yet established a solid presence, the checkout lines are long right from the very first day of business. This exemplifies our success in building a strong brand image—an enviably high profile—recognized throughout Japan.

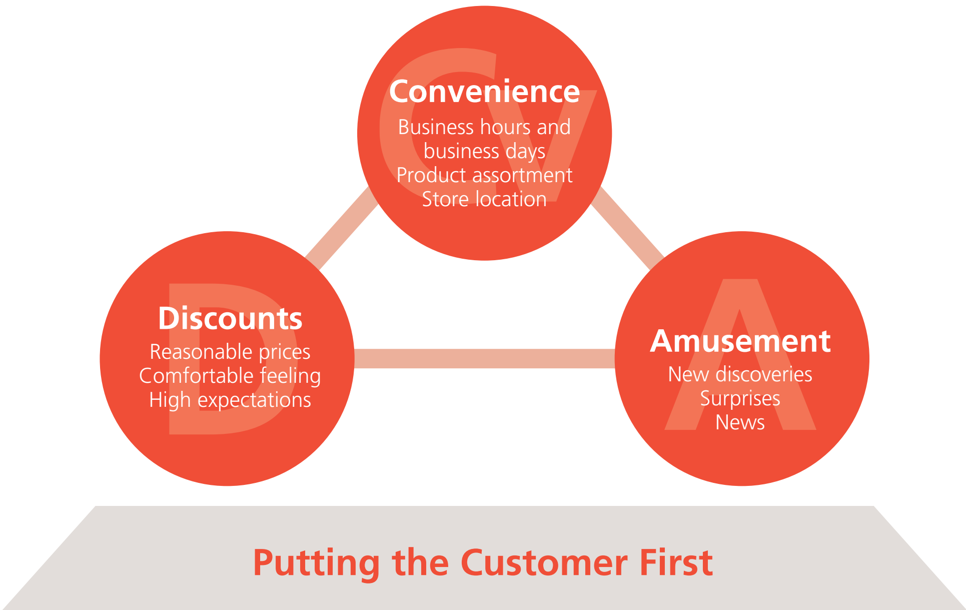
The bustling Don Quijote Nakameguro store

The grand opening of the Don Quijote Urawa Harayama store

Business Model

We promote the "consumable-time" business model to realize greater convenience, greater discounts and greater shopping pleasure for customers.

Don Quijote Co., Ltd. has adhered to a corporate philosophy of "Putting the Customer First" since its establishment, and has always created stores with customers in mind. This philosophy is not merely a goal to achieve but an unwavering principle that underpins all activities, from corporate management to store operation.



OPEN

Through shopping, we provide convenience and amusement in addition to offering a discount to customers. Moreover, the Group's store operations and merchandise strategies are based on this unique concept. Thus, we have maintained a store in which customers not only can find what they want when they want it but also spend a delightful time shopping, enjoying the entire Don Quijote experience.

We recognize that our business model, which excites customers and more than meets their satisfaction, is highly useful for meeting the needs of customers and cultivating markets.

Convenience Cv

Through our philosophy of "Putting the Customer First," we have endeavored to create store space that delivers convenience, as reflected in a vast array of store merchandise from daily necessities and foods to household appliances and high-level-branded merchandise. We offer a product lineup geared to all types of customers—from shoppers in the daytime to customers at night—in our efforts to establish the corporate brand of Don Quijote: a store that offers shoppers convenience and everything they need all the time.

Discounts D

We subscribe to the practice of "everyday low prices," whereby items are offered at deep discounts, not at certain times or for a set period, but all the time. This gives customers a never-ending opportunity to find amazing prices. In addition, we continually strive to uphold our promise to customers—that our prices are the lowest in the area—and toward this end, we check out the prices charged at competitors' stores and stand by such pledges as our low-price guarantee, which refunds the difference if a product is sold at a price lower than what we have set for that product.

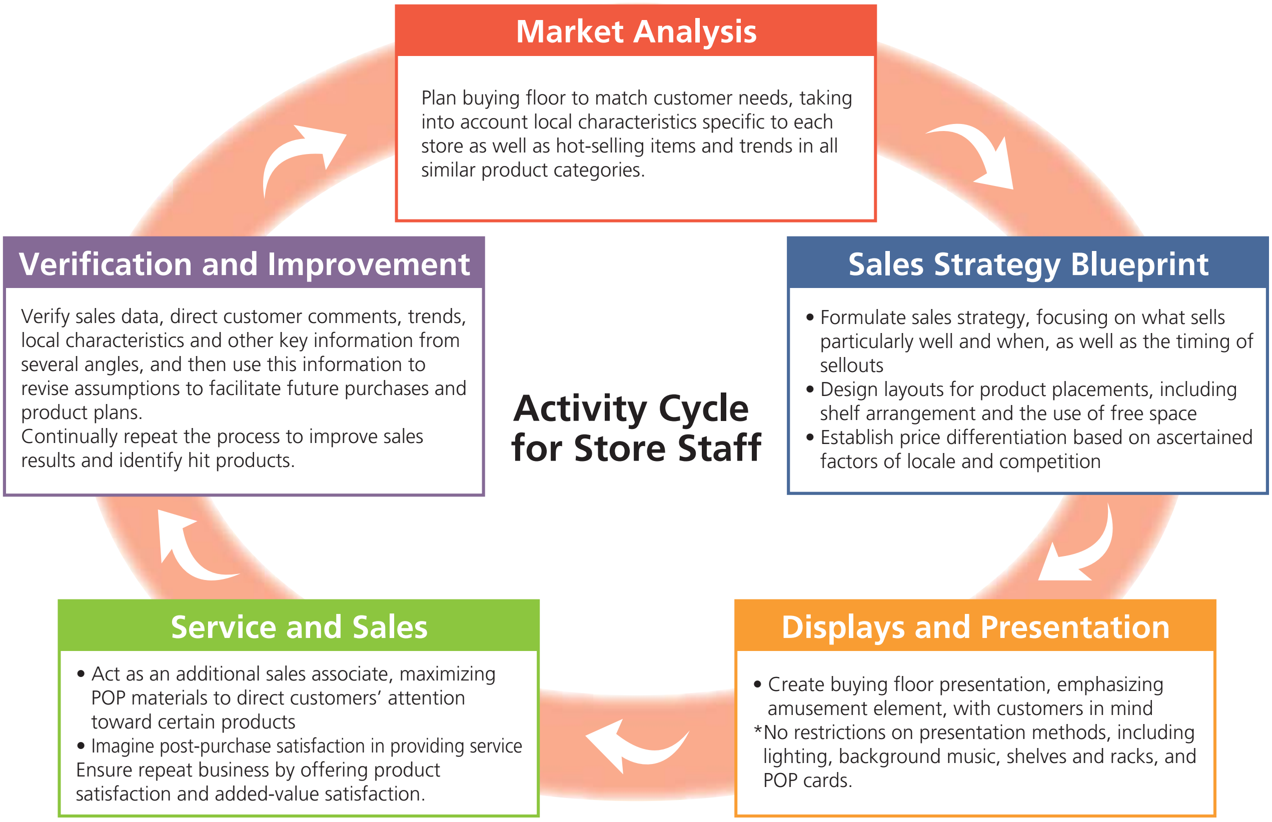
Amusement A

Don Quijote trumped conventional "easy-to-see, easy-to-buy" retailing wisdom with compression displays, which pack as many items as possible in a given space. We propose that customers spend a delightful time shopping for "little treasures" amid a "jungle" of merchandise, in grab-bag fashion, aided by amusing point-of-purchase (POP) cards. Customers can find enjoyment in not only selecting items but also in searching for and finding them—an adventure in shopping that only Don Quijote can deliver.

Delegating Authority to Store Staff Develops Excellent Human Resources

We have always granted considerable authority to store staff, based on the idea that authority be kept by those who know the store's customers best. In addition, we strive to boost morale through performance-based assessments that effectively evaluate staff by current performance excluding past achievements or failures. These performance-based assessments allow staff to try and try again regardless of past failures.

To give form to the corporate philosophy of "Putting the Customer First," we endeavor to develop staff who will ultimately be our future. Toward this end, we delegate authority to store staff and maintain a fair employee evaluation system.



All sales-related activities—from market analysis to the planning of strategies and the placement and presentation of merchandise—are the responsibility of our store staff. The Company's strength is quite literally its excellent ability to keep shop.

OPEN

Learn through Competition, Not by Top Down Method

We announce various rankings and run event-like seminars for employees so that work takes on a game-like atmosphere, thereby fostering a competitive spirit. Work is not considered labor but rather a "game," and employees are not regarded as workers but "players" in that game.

An atmosphere in which authority has been delegated to employees, who realize achievement through self-sustained growth and enjoyment on the job, is in essence the motivating force that drives corporate growth.

We set well-defined parameters in delegating to store staff—some of whom have joined us only a short time ago—purchasing and pricing responsibilities, among other duties, while limiting the range of merchandise each staff member may handle. This approach not only invigorates in-house competition but also distributes risk. Moreover, this approach gives the employee an opportunity to handle a given product more comprehensively.

Don Quijote's corporate culture of not being afraid of failure and always encouraging a challenge are built upon these risk controls.

Virtual Shop Tour

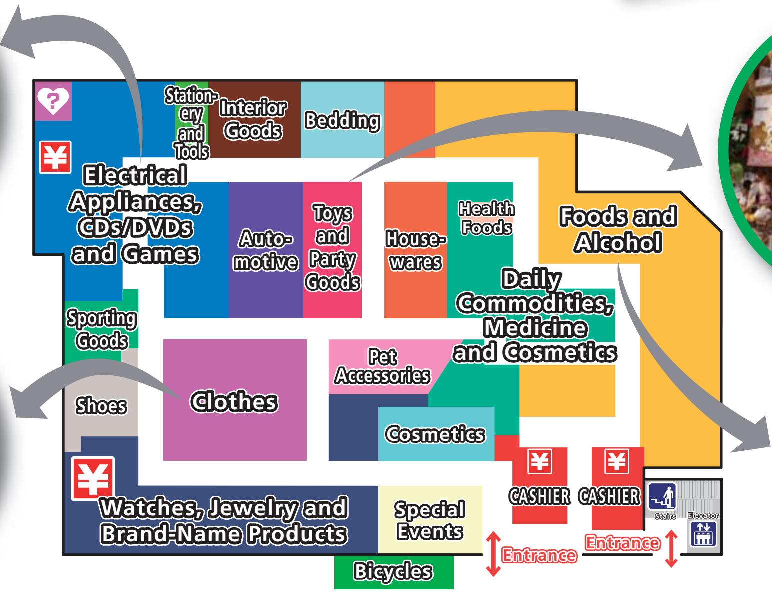
The source of Don Quijote's growth comes from store formats built on the CV (convenience) + D (discounts) + A (amusement) concept.

Over the next few pages, Don Quijote Co., Ltd. will showcase its signature approach to retailing—one that seeks greater convenience, greater discounts and greater fun without compromise.

Overwhelming Assortment of Products Packed into Compression Displays and "Consumable-Time" Concept Raise Entertainment Value of Shopping

The size of Don Quijote stores is one-fifth to one-tenth the size of a general merchandise store. However, in this limited space, we pack in 40,000 to 60,000 products, a shopper-accessible inventory far exceeding that of a general merchandise store. This becomes possible through compression displays—a sales technique that piles a huge amount of merchandise—huge in variety as well as quantity—into an overwhelmingly voluminous configuration, creating a veritable jungle of merchandise.

The buying floor is indeed like a jungle, as a huge assortment of merchandise, in all shapes, sizes and materials, goes into the creation of these compression displays of products handled by the Company. As if on a treasure hunt, customers navigate this labyrinth in search of the items they want, discovering deep discounts and interesting merchandise along the way. This is consumable-time shopping, a concept we use to create stores that make shopping an enjoyable activity rather than a chore.



Layout of store interior


Business suit
西装 양복
Yシャツ
衬衫 와이셔츠
カバン・スーツケース
衣料品カジュアル
HAPPY
の殿堂
スナック菓子
大袋菓子
ホールトマト

Cultivate Latent Demand at Night and Maintain Original Store Development Concept of "Whatever Whenever Access"

A special feature of the Don Quijote store format is late-night operating hours.

The idea for this concept materialized some years ago when a customer, late at night, mistakenly assumed that the store was still open upon seeing its lights on and the shelves being stocked and the displays being arranged. This chance event wound up becoming the inspiration for the Company to cultivate latent demand at night. In fact, the opening of the first Don Quijote store was an attempt to turn potential demand into sales. The Company has successfully cultivated the night market, steadily capturing shopper interest by providing a comprehensive selection of merchandise, fine-tuned to time of day—actually, in this case, night—and store location.

The Company's store development concept ensures availability of anything and everything customers might want whenever the need arises. Conventional retailing wisdom held that demand for everything except highly essential items evaporates at night. Obviously, the Company has shattered such conventional wisdom. Accordingly, Don Quijote stores are well received by customers, as the Company is always open to customer feedback and creates stores that are conceived with the customer in mind.

Spot Purchasing Authority Delegated to Store Staff; Expectation of Something New Is Incentive for Repeat Visits

Looking around a Don Quijote store, you will come across many unusual products with deep discounts. These products are unusual in that you may not be familiar with them. But they are definitely comparable in function and quality to the more widely known national brands. We call this merchandise, which appeals to shoppers as something new, spot products.

There is a tendency in the distribution market for spot products to be surplus items, but some spot products may be one-time shipments, such as products from a company going out of business or an inventory sell-off. In such cases, spot products grant us the advantage of reduced purchasing costs and a significant profit margin. These spot products have been a driving force in adding surprise and excitement to the customer's shopping experience, as the products on sale and displays are different each time the customer visits our stores.

Spot products underpin efforts to offer customers something new on every visit, and this ability is a valuable trump card in the retailing game.

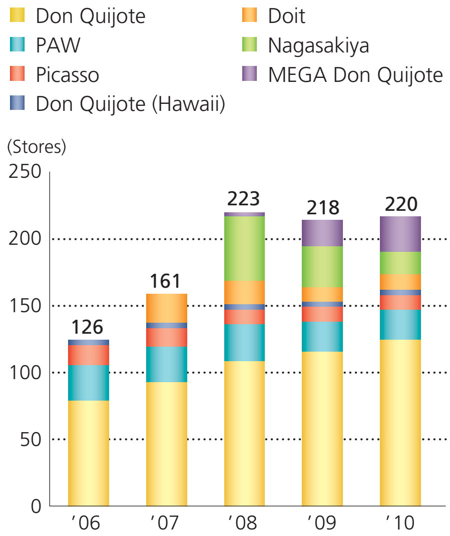
Handwritten POP Cards Add an Amusing Touch and Turn Shopping into an Exciting Adventure

POP product introduction cards, bursting with color and entertainment value, are posted throughout the store and provide quick and simple value information on the profusion of products packed like bricks into compression displays. These cards add to the appeal of the already interesting and fun merchandise and turn the buying floor into a stage for products—the actors—and the supporting cast of merchandise.

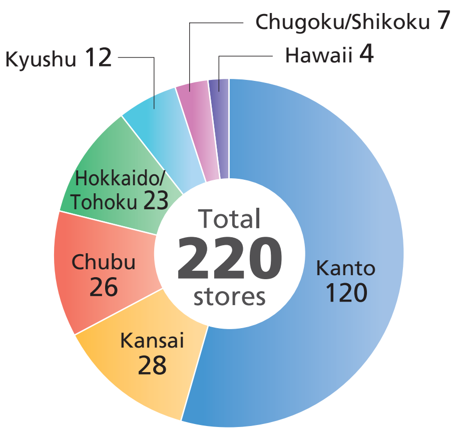
The store staff's eagerness to recommend merchandise while including their own personal flair is included in the handwritten POP cards, which are conceived with the customer in mind. The staff's enthusiasm infuses product descriptions with an amusing touch, bringing a spontaneous smile to shoppers as they read the cards and hunt for treasures in this fun jungle of merchandise.

Store Development

Number of stores by format (as of June 30)



Number of stores by region



Achieving a Groupwide Network of 220 Stores

The Don Quijote Group is rolling out a store opening strategy that aims to secure dominance in urban areas, boost business efficiency and seek nationwide development through the expansion of its store network.

As in previous fiscal years, Don Quijote Co., Ltd. sought to improve profitability and sales capacity in addition to business efficiency. Accordingly, we opened new stores in areas where we previously did not operate any stores—including Miyazaki and Saga prefectures—and expanded our store network in the Greater Tokyo metropolitan area, our stronghold. With these new openings, we strengthened our store network.

We are also operating MEGA Don Quijote deep-discount stores, which support consumers' efforts to maintain their standard of living on a limited budget, and are promoting improvements in this business format. For these improvements, we have adopted an aggressive policy of "renewal & scrap," which mainly focuses on conversion of Nagasakiya Co., LTD. general merchandise stores to other formats.

As of June 30, 2010, there were 27 stores in the MEGA Don Quijote network, and the competitive edge of this network was sharp in all locations.

Doit marked its first new store opening since coming under the Don Quijote Group umbrella.

At the end of fiscal 2010, the domestic store network comprised 216 stores in 38 prefectures: 162 stores operated by Don Quijote Co., Ltd. and 42 Nagasakiya Co., LTD. and 12 Doit Co., Ltd. stores. Taking into account our four stores in Hawaii, the overall store network stood at 220.

Under our strategy that emphasizes efficiency in store openings, we will continue to promote the aggressive renewal of stores and the conversion of store formats. We will also strive to enhance sales capabilities and improve profitability on a consolidated basis.

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

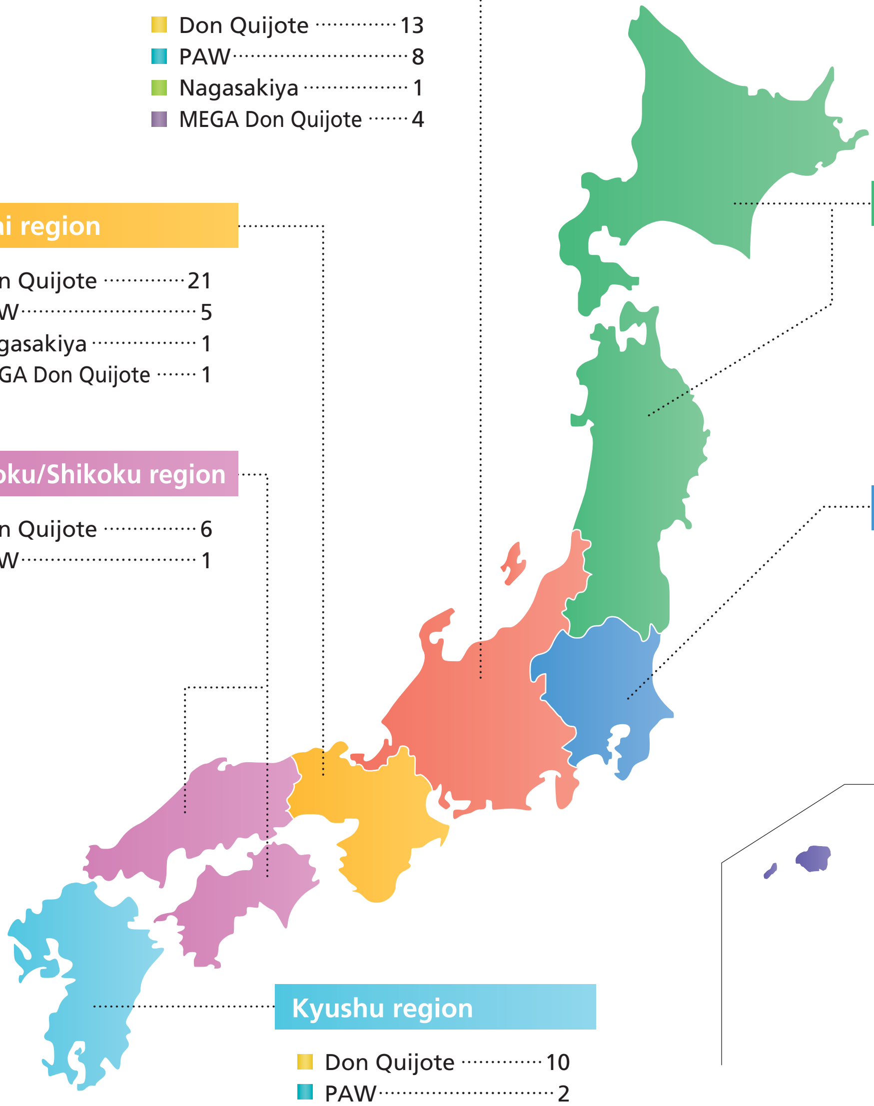
Don Quijote Miyazaki store (Don Quijote's first store in Miyazaki Prefecture)

Don Quijote Saga store (Don Quijote's first store in Saga Prefecture)

Group store network (as of June 30, 2010)

Number of stores by format (Total: 220 stores)

Don Quijote	126
PAW	23
Picasso	11
Don Quijote (Hawaii)	4
Doit	12
Nagasakiya	17
MEGA Don Quijote	27



Chubu region

Don Quijote	13
PAW	8
Nagasakiya	1
MEGA Don Quijote	4

Kansai region

Don Quijote	21
PAW	5
Nagasakiya	1
MEGA Don Quijote	1

Chugoku/Shikoku region

Don Quijote	6
PAW	1

Hokkaido/Tohoku region

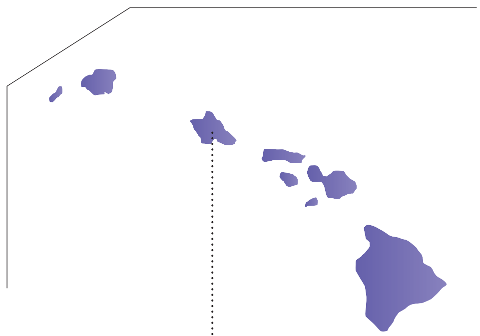
Don Quijote	9
PAW	1
Nagasakiya	7
MEGA Don Quijote	6

Kanto region

Don Quijote	67
PAW	6
Picasso	11
Doit	12
Nagasakiya	8
MEGA Don Quijote	16

Kyushu region

Don Quijote	10
PAW	2



Hawaii

Don Quijote	4

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

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

★ At the present time, this information is only available in Japanese.

History of the Don Quijote Group and Its Standing in the Industry

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

A Business Platform that Secures Profits Even in a Recession

Don Quijote was the architect of consumable-time shopping, a novel approach to retailing that successfully encourages customers to spend copious amounts of time browsing even if just for entertainment. This was realized by creating innovative shopping spaces through various formats that trump conventional retailing wisdom. These include keeping stores open into the wee hours of the morning to cultivate the night market, offering a rich variety of merchandise, from daily commodities to luxury brands, and utilizing product display methods and décor that turn the search for items into a delightful shopping experience.

The Don Quijote Group's store format goes back to a general merchandise store established in 1978 by Takao Yasuda, the Group's chairman and CEO. The store was small, with only around 60 to 70 square meters of area. Since Mr. Yasuda did not have the means to hire staff, he was unable to restock merchandise during daytime operating hours. Meeting the demand of late-night shopping was therefore inspired by a chance event whereby a customer, late at night, mistakenly assumed that the store was still open upon seeing its lights on and the shelves being stocked and the displays being arranged.

Efforts to meet the needs of customers at this store led to the introduction of compression displays, which turned the sales floor into a jungle of merchandise, and handwritten POP cards, which hung like vines all over the place.

In 1989, we opened our first Don Quijote store, in Fuchu, a city within metropolitan Tokyo. The know-how accumulated at this location provided the platform for developing a multi-store network, and our unique store format kept business results expanding.

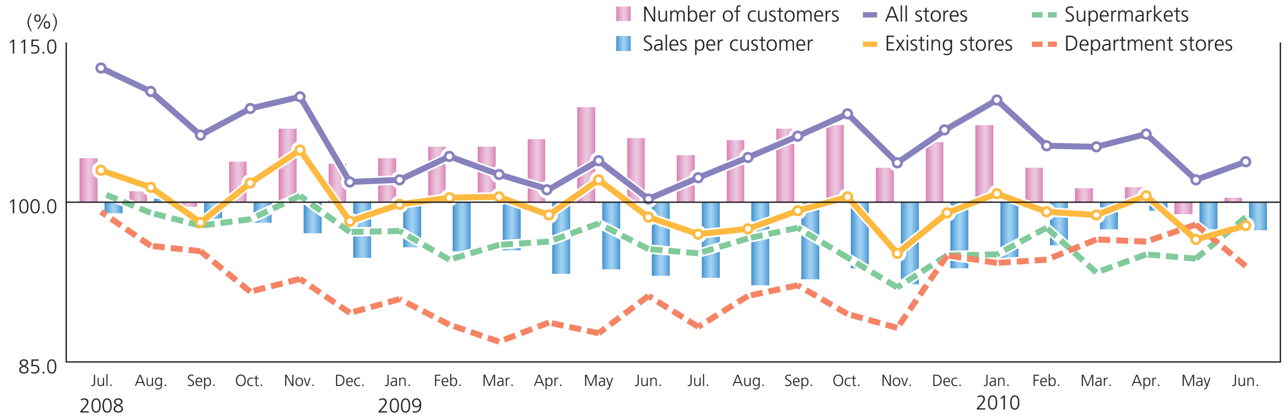
In 2006, the Don Quijote Group entered a new stage in its corporate history with its first merger and acquisition. Beginning with an acquisition of four stores in Hawaii, the Group acquired the well-established do-it-yourself chain Doit and the general merchandise stores of Nagasakiya in 2007. Then in 2008, the Group followed up with the acquisition of BIG1 Co., Ltd., a chain of discount stores based in the Greater Nagoya and Greater Gifu areas. These additions have dramatically transformed the Group into a retailing conglomerate of nearly ¥500 billion in net sales.

Despite the downturn that has persisted since Japan's economic bubble burst in the 1990s and subsequent deflation, and the latest recession triggered in 2007 by the subprime mortgage crisis, the Don Quijote Group has grown by leaps and bounds and has done so at amazing speed. This achievement reflects tenacious adherence to the founding philosophy of "Putting the Customer First," as well as efforts to pinpoint current trends and embrace the constant challenge to define new store formats.

As a result, the innovative retail formats that were constructed by anticipating market needs have always been well received by our customers. Our success is substantiated by solid rankings based on net sales. According to surveys compiled by *Nikkei Marketing Journal* (*Nikkei MJ*), the Don Quijote Group ranked 15th among retailers in net sales*1, which is a big jump from 22nd a year ago, and maintained its No. 1 standing in general discount store net sales*2, with an overwhelming lead over the rest of the industry.

*1 The 43rd Survey on the Retailing Industry in Japan, *Nikkei MJ* (June 30, 2010)
*2 The 38th Survey on Specialized Stores in Japan, *Nikkei MJ* (July 14, 2010)

Sales at Don Quijote (Monthly)



* Sources: "Gross Sales of Department Stores in Japan" (Japan Department Store Association) and "Statistical Figures Concerning Chain Stores' Sales" (Japan Chain Store Association)

Ranking of Retail Companies by Net Sales

2009 Ranking	2008 Ranking	Company Name	Business Category	Fiscal Term	Net Sales (Millions of Yen)	Growth Rate (%)	Recurring Income (Millions of Yen)	Growth Rate (%)	Net Income (Millions of Yen)
1	1	Seven & i Holdings Co., Ltd.	Holding Company	Feb.	5,111,297	–9.5	226,950	–18.7	44,875
2	2	AEON CO., LTD.	Holding Company	Feb.	5,054,394	–3.4	130,198	3.3	31,123
3	3	YAMADA DENKI CO., LTD.	Electronics Store	Mar.	2,016,140	7.7	101,586	57.2	55,947
4	4	Isetan Mitsukoshi Holdings Ltd.	Holding Company	Mar.	1,291,617	–9.5	19,730	–43.7	–63,521
5	5	UNY CO., LTD.	Supermarket	Feb.	1,134,427	–4.7	19,019	–51.2	–4,995
6	6	J. FRONT RETAILING Co., Ltd.	Holding Company	Feb.	982,533	–10.4	19,966	–29.4	8,167
7	7	The Daiei, Inc.	Supermarket	Feb.	976,815	–6.2	–4,714	—	–11,885
8	8	Takashimaya Company, Limited	Department Store	Feb.	877,761	–10.1	16,764	–40.1	7,709
9	9	EDION Corporation	Holding Company	Mar.	820,030	2.1	19,612	66.9	9,323
10	12	FAST RETAILING CO., LTD.	Holding Company	Aug.	814,811	18.9	123,755	22.2	61,681
11	10	Yodobashi Camera Co., Ltd.	Electronics Store	Mar.	683,620	–2.5	48,503	36.2	26,919
12	13	K'S HOLDINGS CORPORATION	Electronics Store	Mar.	648,628	13.0	29,068	54.5	15,936
13	11	BIC CAMERA INC.	Electronics Store	Aug.	608,274	3.2	11,759	25.5	5,965
14	15	IZUMI CO., LTD.	Supermarket	Feb.	492,140	–1.6	19,730	0.5	8,752
15	22	Don Quijote Co., Ltd.	Discount Store	Jun.	487,571	1.4	21,109	32.0	10,238
16	14	H2O RETAILING CORPORATION	Holding Company	Mar.	470,395	–7.7	9,603	–37.2	3,016
17	16	LIFE CORPORATION	Supermarket	Feb.	468,858	1.3	8,438	–23.7	4,062
18	27	LAWSON, INC.	Convenience Store	Feb.	467,192	33.7	49,440	1.3	12,562
19	17	Kojima Co., Ltd.	Electronics Store	Mar.	438,255	–4.7	6,103	—	3,165
20	21	SHIMAMURA CO., Ltd.	Clothing Store	Feb.	430,612	4.6	38,148	12.2	21,734
21	19	DCM Japan Holdings Co., Ltd.	Holding Company	Feb.	422,805	–0.9	12,037	–12.4	1,539
22	18	MARUI GROUP CO., LTD.	Holding Company	Mar.	419,254	–6.3	9,924	31.8	5,104
23	23	Matsumotokiyoshi Holdings Co., Ltd.	Holding Company	Mar.	393,007	0.2	16,852	–6.3	7,281
24	20	HEIWADO CO., LTD.	Supermarket	Feb.	385,731	–6.4	9,648	–20.9	6,457
25	26	Joshin Denki Co., Ltd.	Electronics Store	Mar.	385,607	7.2	8,810	25.1	4,687
26	24	Izumiya Co., Ltd.	Supermarket	Feb.	368,591	–3.3	933	–77.7	–7,005
27	25	BEST DENKI CO., LTD.	Electronics Store	Feb.	345,619	–7.1	–5,698	—	–37,448
28	31	VALOR CO., LTD.	Supermarket	Mar.	344,900	2.5	9,916	–2.7	3,945
29	28	Cainz Corp.	Home Center	Feb.	342,890	–1.1	21,439	6.9	10,553
30	30	Daiso Industries Co., Ltd.	100 Yen Store	Mar.	341,400	0.1	—	—	—

Progression of Don Quijote's Ranking

(Billions of yen)

	2005	2006	2007	2008	2009
Net Sales	232.7	260.8	300.7	404.9	480.9
Ranking	43	38	33	22	15

* The table above was created by adding the Company's performance indicators for the fiscal year ended June 30, 2010, as well as performance indicators for Fast Retailing Co., Ltd., and Bic Camera Inc. for their fiscal years ended August 31, 2010, vis-à-vis company rankings that appeared in the 43rd Survey on Japanese Retail Business from the June 30, 2010 edition of the *Nikkei MJ*. All the other companies listed above close their books in either February or March, and while the majority of performance indicators apply to that time frame, the inclusion of the Company's data should give readers an idea of where Don Quijote stands in the retail industry.

Corporate Governance

Basic Policy on Corporate Governance

At Don Quijote, we recognize that improving corporate governance is vital to maximizing corporate value and ensuring thorough adherence to the corporate philosophy of "Putting the Customer First." Efforts to reinforce our corporate governance structure is a top management priority. By enhancing the decision-making components of our management structure, we underpin our ability to respond swiftly and accurately to the sweeping changes that characterize our operating environment. At the same time, we enrich the status of corporate governance and foster development in our corporate activities.

Summary of Corporate Governance

Board of Directors

The highest decision-making body, with regard to the execution of operations, is the Board of Directors, which meets at least once a month to discuss and determine important issues concerning business activities. As of September 28, 2010, the Board of Directors had five members.

Board of Auditors

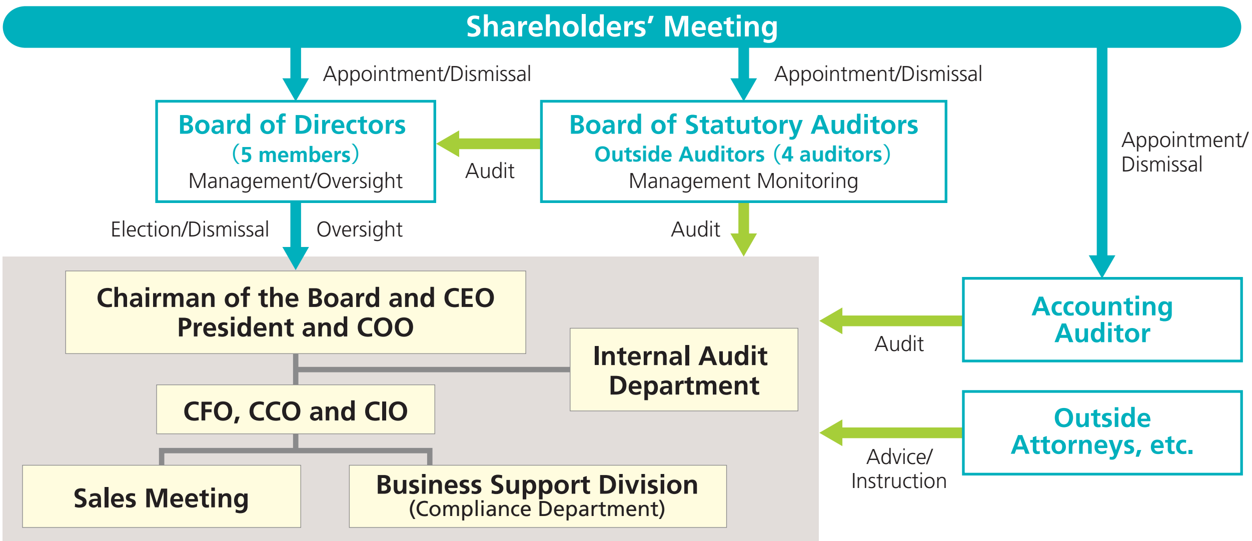
Don Quijote maintains a corporate auditor system, wherein the Board of Corporate Auditors audits the status of duties assigned to directors. As of September 28, 2010, the Board of Corporate Auditors had four members, all of whom were outside auditors. These auditors have specialized expertise as lawyers, certified public accountants and/or tax accountants, which enables them to confirm that directors are executing their duties fairly and appropriately from legal, corporate financing and accounting perspectives.

Internal Audit Department

The Internal Audit Department, under the direct authority of the president, undertakes audits based on an auditing plan, cooperating with accounting auditors and corporate auditors, to ascertain the legality and appropriateness of activities by each division within Don Quijote and its subsidiaries. In addition, as part of its internal control structure, the department monitors key business practices in all divisions at Don Quijote's headquarters, at each store and at its subsidiaries. As of September 28, 2010, the Internal Audit Department had eight members.

Outside Directors

No outside directors are appointed at Don Quijote. Management believes that rational, efficient decision making by the Board of Directors is best achieved when the directors involved are those who possess a thorough understanding of the Company's business. In addition, management maintains that the current structure is satisfactory since all four of the Company's corporate auditors are outside auditors who lend a sufficient external perspective to the management supervisory function with regard to the execution of operations.



Status of Internal Control Structure (Abridged)

Don Quijote's internal control structure was established and is maintained in accordance with the Companies Act of Japan and its Ordinance for Enforcement, to ensure the appropriateness of the Company's business operations.

1. System ensuring the execution of duties by directors complies with the Company's Articles of Incorporation and prevailing laws and regulations

1) Directors must consistently strive to ensure that the Company's business activities are undertaken in compliance of laws and regulations and must take the initiative to promote awareness of compliance practices at the Company and at each subsidiary.
2) To ensure that directors properly execute their duties, the Company's corporate auditors—at least three of whom must be external—conduct comprehensive audits through a fair and transparent process.
3) A chief compliance officer (CCO) is assigned to oversee compliance practices and monitor issues related to compliance and internal controls.

2. System for administering rules for managing the risk of loss

1) The CCO analyzes and evaluates lateral risks on a Groupwide basis and considers measures to deal with such risks.
2) Efforts are made to swiftly and accurately systematize rules and instruction manuals and standardize business practices to minimize operational risk.
3) Organizational and operating structures are swiftly and accurately established to control risks associated with administrative procedures, including financial accounting, purchasing, sales, stores and legal issues, which serve to minimize operational risk.

3. System ensuring the execution of duties by employees complies with the Company's Articles of Incorporation and prevailing laws and regulations

1) The CCO promotes awareness of compliance practices and the implementation of such practices, in accordance with the Board of Directors' resolutions.
2) The Compliance Department, responsible for compliance-related administrative tasks, formulates plans and oversees implementation, including opportunities for employees to acquire greater familiarity of compliance-oriented issues.
3) The Company maintains a whistleblower system, dubbed "Gohatto 110," that enables employees to directly report questionable conduct—that is, possible violation of laws and regulations or in-house rules—to an outside entity, with complete confidentiality. Concerted efforts are made to promote awareness of this system to ensure that it continues to function effectively.

4. System ensuring the appropriateness of operations at the Company and at its subsidiaries

1) Timely and accurate reports on the status of operations—that is, progress in the execution of operations—at each Group company must be submitted to the Board of Directors.
2) To confirm the proper execution of operations at Group companies, the Internal Audit Department works with each company to determine progress in the establishment of internal controls. To further improve the internal control system, the Business Support Division provides instruction and support as required, based on a shared understanding of internal control measures within the Group.
3) To confirm the proper execution of operations at Group companies, the Company has prepared "Rules for Management of Affiliated Companies." These rules provide guidelines for monitoring business activities at Group companies.

5. System for submitting reports to corporate auditors, which includes the system for directors and employees to report to corporate auditors

1) The CCO provides corporate auditors with timely and accurate updates regarding the implementation of internal controls.
2) Directors and employees must respond immediately to requests from corporate auditors and the office of the Board of Corporate Auditors when asked to provide information on the status of operations, assets or other corporate matters.

6. System ensuring effective application of audits by corporate auditors

Corporate auditors communicate with directors of the Company as well as the directors and corporate auditors of Group companies to ensure the effectiveness of the audits.

Measures to Prevent Transactions with Antisocial Forces

Management is resolute in its stand against antisocial forces and will not allow transactions, the provision of funds or any other type of association with such elements. Should an inappropriate request from antisocial forces be received, the Company will not respond and will instead work with external organizations, including the police, and execute legally acceptable measures to deal with the situation on a Companywide level. The Crisis Management Department acts as the unit overseeing measures to prevent relationships with antisocial forces.

To underpin this process, Don Quijote is always prepared for the possibility of inappropriate requests from antisocial forces, and the Crisis Management Department maintains close ties with the police, legal counsel, the Public Safety Commission, the National Center for the Elimination of *Boryokudan* (organized crime) and other external organizations specialized in dealing with antisocial forces.

Implementing Internal Controls for Financial Reporting

The structure and implementation status of internal controls for financial reporting under the Financial Instruments and Exchange Act of Japan have been confirmed at Don Quijote and at Group companies.

An internal control report stating that relevant internal controls for financial reporting are effectively in place at all Group companies was submitted to the supervising authorities on September 28, 2010.

Corporate Social Responsibility

To contribute to the realization of a better society, the Don Quijote Group is involved in philanthropic activities, such as youth development, community revitalization and the promotion of sporting events.

Internship participants gain work experience at Don Quijote store

Pink Ribbon Campaign poster

Competitors tussle in the sand at the Fifth All-Japan Beach Wrestling Championships Don Quijote Cup, held in August 2010 at Oarai Sun Beach in Ibaraki Prefecture

Internship Program

The Group runs a very well-received internship program that provides students, from elementary school through high school, with the opportunity to tour a store and actually work on the sales floor. The primary objective of this program is for both students and store staff to develop personal skills together. This project allows students to get a taste of the Don Quijote way of doing business—that is, experiencing the "Putting the Customer First" philosophy and exercising purchasing authority in a store setting—and enables them to enjoy retailing and the thrill of working at a job while learning responsibility and defining possible career paths. Participants have given this project very high marks, acknowledging that the experience was truly valuable. We will continue to offer opportunities for young people to experience the satisfaction of being a working member of society.

Supporting the Pink Ribbon Campaign

The Group endorses the mission statement of the Pink Ribbon Campaign, a movement to raise awareness of the need for early detection of breast cancer with the goal of eradicating the disease altogether. In May 2010, we began donating a portion of the proceeds from the sale of participating products, including those under the Jonetsu Kakaku private label to the Japan Cancer Society. We will strive to expand the range of applicable products as a way of contributing to the realization of a healthier society.

Supporting Beach Wrestling Championships

Don Quijote is keen to encourage people with a strong competitive spirit and has been a major sponsor of the All-Japan Beach Wrestling Championships since the Japan Wrestling Federation hosted the first event in 2005. In the fifth installment of the event, which has enjoyed an increase in participants over the years, an Olympic medalist in wrestling livened up the games by participating in an exhibition match. We intend to promote health among today's youth and to give local communities a boost by supporting such sporting events.

Financial Section

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Five-Year Summary (Consolidated Data)

Years ended June 30

	Millions of yen					Millions of U.S. dollars
	2006	2007	2008	2009	**2010**	**2010**
For the fiscal year						
Net sales	¥260,779	¥300,660	¥404,924	¥480,856	**¥487,571**	**$5,511**
Cost of goods sold	200,425	227,537	296,215	353,616	**364,065**	**4,115**
Selling, general and administrative expenses	48,500	59,537	92,728	110,068	**102,439**	**1,158**
Operating income	11,854	13,586	15,981	17,172	**21,067**	**238**
Recurring income	14,396	15,774	17,204	15,989	**21,109**	**239**
Income before income taxes	17,808	18,817	16,640	14,214	**16,845**	**190**
Net income	10,725	10,638	9,303	8,554	**10,238**	**116**
At year-end						
Total assets	¥167,534	¥209,865	¥276,288	¥297,527	**¥302,029**	**$3,414**
Total equity	72,741	82,470	84,625	89,972	**106,760**	**1,207**

	Yen					U.S. dollars
Per share*	2006	2007	2008	2009	**2010**	**2010**
Basic earnings	¥ 158.31	¥148.89	¥130.78	¥123.69	**¥147.35**	**$1.67**
Diluted earnings	140.66	138.32	122.00	123.69	**137.64**	**1.56**
Cash dividends	16.67	20.00	22.00	23.00	**25.00**	**0.28**
(Before retroactive restatement)	50.00	20.00	22.00	23.00	**25.00**	**0.28**

	%				
Key ratios	2006	2007	2008	2009	**2010**
ROA	7.1	6.7	6.1	5.7	**6.6**
ROE	17.2	13.7	11.3	10.0	**10.5**

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

Management's Discussion and Financial Analysis

Consolidated Business Results

Net Sales and Operating Income

During fiscal 2010, the year ended June 30, 2010, economic conditions in Japan were a mix of favorable and unfavorable developments. On the bright side, corporate earnings and capital investment showed signs of improvement. This trend was supported by progress in inventory adjustments and a positive turnaround in exports prompted by a recovery in economic activity in emerging markets. These encouraging developments, however, were tempered by a persistently difficult employment situation and a gradual shift toward deflation.

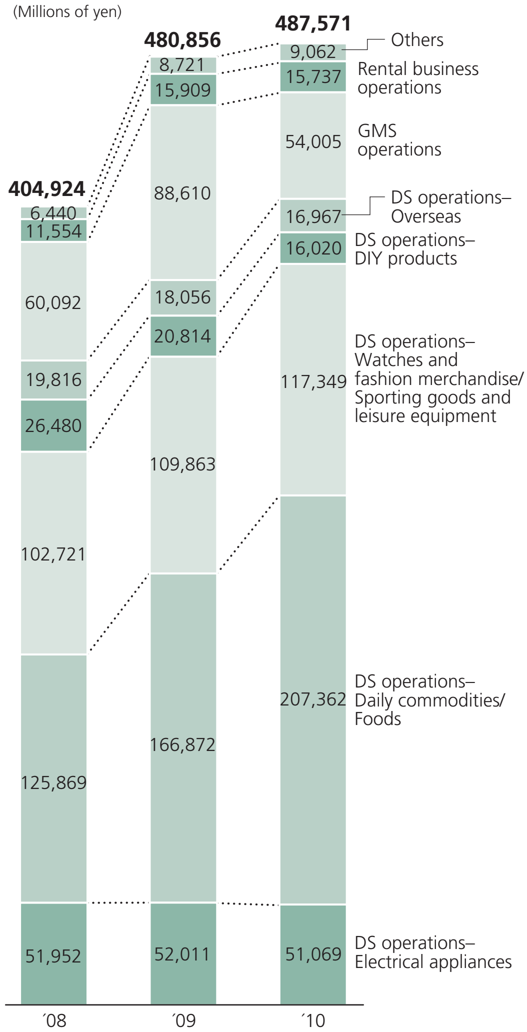
In the retail industry, the market environment remained challenging. The prolonged recession and the pinch of reduced personal income fueled a growing sense of uncertainty among consumers about the future. An increasing number of people moved into belt-tightening mode and cut back on purchases to deal with the situation. Government efforts to stimulate the economy were somewhat successful, substantiated by an upward trend in personal spending. Nevertheless, the war to win consumers' favor with lower prices continued unabated, and the market environment remained challenging.

Against this backdrop, the Don Quijote Group made every effort to emphasize its philosophy of "Putting the Customer First" and promote store formats with high-quality shopping fun and services attuned to the times. The Company embraced a variety of measures designed to give customers an exciting and inspiring shopping experience at all stores under the Group umbrella.

Don Quijote led the Group in efforts to enrich product selection, focusing on daily commodities such as food items and convenience goods geared toward budget-conscious shoppers. The appeal of reasonable prices buoyed customer loyalty, boosting the number of customers making purchases in fiscal 2010 to about 210 million, up 8.6% year on year, based on cash register receipts.

Sales by product category

(Millions of yen)



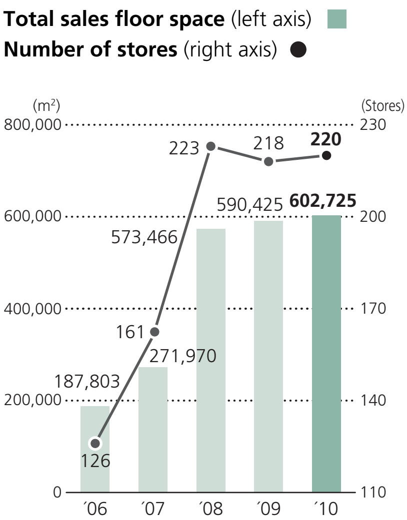
* Sales of Others are the combined total of Other products and Other operations.

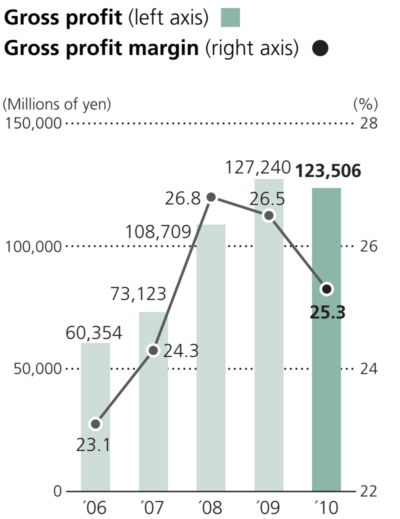
Sales and composition by product category	2009 Net sales (Millions of yen)	2009 Percentage (%)	2010 Net sales (Millions of yen)	2010 Percentage (%)
Discount store operations	373,630	77.7	**416,183**	**85.4**
Electrical appliances	52,011	10.8	**51,069**	**10.5**
Daily commodities	80,354	16.7	**93,090**	**19.1**
Foods	86,518	18.0	**114,272**	**23.4**
Watches and fashion merchandise	85,290	17.7	**91,109**	**18.7**
Sporting goods and leisure equipment	24,573	5.1	**26,240**	**5.4**
DIY products	20,814	4.3	**16,020**	**3.3**
Overseas	18,056	3.8	**16,967**	**3.5**
Other products	6,014	1.3	**7,416**	**1.5**
GMS operations	88,610	18.4	**54,005**	**11.1**
Clothing	29,327	6.1	**14,576**	**3.0**
Groceries	36,872	7.7	**25,937**	**5.3**
Housing commodities	16,017	3.3	**10,866**	**2.2**
Others	6,394	1.3	**2,626**	**0.6**
Rental business operations	15,909	3.3	**15,737**	**3.2**
Other operations	2,707	0.6	**1,646**	**0.3**
Total	480,856	100.0	**487,571**	**100.0**

We continued to prioritize flexibility and efficiency in new store openings and format conversions to make shopping a source of excitement for customers. In addition, various strategies were applied to enhance the capabilities of the Group, including efforts to expand sales of products in the private brand Jonetsu Kakaku.

As a result, consolidated net sales edged up 1.4% year on year, to ¥487,571 million, while operating income climbed 22.7%, to ¥21,067 million. Net sales and operating income rose for the 20th consecutive year (on a non-consolidated basis, and rose for the 14th consecutive year on a consolidated basis), uninterrupted since the opening of the first Don Quijote store in 1989.

Furthermore, recurring income and net income both grew significantly, to ¥21,109 million (up 32.0% year on year) and ¥10,238 million (up 19.7%), respectively.





Store Network

As of June 30, 2010, there were 220 stores under the Group umbrella, a net increase of two from a year earlier. During fiscal 2010, the Company oversaw the opening of eight Don Quijote stores in the Kanto region and in Kyushu. Meanwhile, a review of business efficiency led to the closure of six stores, mainly Nagasakiya stores, and the conversion of the Don Quijote Omiya-Owada store into a Town Doit store.

Net Sales by Business Segment

• Discount Store Business

In fiscal 2010, the discount store business generated sales of ¥416,183 million, up ¥42,553 million, or 11.4%, from fiscal 2009. Operating income reached ¥16,543 million, climbing 23.1% year on year. The improvement was primarily due to a boost from the sale of food products and daily commodities. This was accomplished by taking a flexible approach toward merchandise mix and prices, bearing in mind local demand factors and consumer sentiment vis-à-vis economic trends. Also contributing to higher segment growth was the conversion of eight Nagasakiya general merchandise stores into MEGA Don Quijote stores.

• General Merchandise Business

In the general merchandise business, sales declined ¥34,605 million, or 39.1%, year on year, to ¥54,005 million. The segment showed an operating loss of ¥256 million, an improvement of ¥1,292 million year on year. A significant factor contributing to reduced segment sales and the operating loss was a decrease in the number of stores due to a review of business efficiency at the subsidiary Nagasakiya, resulting in the subsequent conversion of 10 Nagasakiya general merchandise stores into general discount stores, mostly MEGA Don Quijote stores, and the closure of five stores.

• Tenant Leasing Business

Sales from the tenant leasing business declined ¥172 million, or 1.1%, year on year, to ¥15,737 million. Note, however, that fiscal 2009 sales were for a 14-month period, paralleling business restructuring within the Group. Operating income fell 5.6%, to ¥4,336 million.

Operating Income

The gross profit margin faltered, partly owing to changes in merchandise content and a low price strategy geared to consumer trends. Bad weather also impacted the profit margin, along with an increase in the number of MEGA Don Quijote stores and organizational restructuring. Consequently, the gross profit margin fell 1.2 percentage points year on year, to 25.3%. However, the Company was successful in raising Groupwide business efficiency and promoting low-cost operations, through implementing tighter budgets, especially with regard to rents, personnel expenses and advertising costs, and trimming selling general and administrative expenses. As a result, operating income jumped 22.7%, to ¥21,067 million.

Recurring Income, Net Income

Reflecting a recovery in operating income and net non-operating income, to ¥40 million, recurring income jumped 32.0% year on year, to ¥21,109 million, in fiscal 2010. Although the Company suffered losses on the devaluation of investment securities and through store closures, net income climbed 19.7%, to ¥10,238 million.

Outlook for Fiscal 2011

Despite an upward trend in corporate performances, macroeconomic indicators are weak. Other developments, notably skyrocketing yen appreciation and concern over the direction of business conditions in Europe and the United States, indicate a full-scale recovery, including positive employment news that will require a certain amount of time to achieve. Taking into account such factors, the retail industry is likely to face a challenging environment for the foreseeable future. After careful review of the situation, we are expecting net sales to increase 4.6% year on year, to ¥510,000 million; operating income to grow 9.2%, to ¥23,000 million; recurring income to increase 4.2%, to ¥22,000 million; and net income to grow 13.3%, to ¥11,600 million.

In store development, we will maintain our focus on our core Don Quijote format and plan to open 15 new stores, including Doit stores that have delivered favorable business results. In addition, we will promote the MEGA Don Quijote store format and fine-tune the approach to attract more consumer interest. Meanwhile, we will launch trials of a new format, “Wholesale Club Membership.” Through such efforts, we will continue to demonstrate the overall capabilities of the Group and underpin our ability to create stores that earn a high level of satisfaction from customers.

Overall, management will strive to enrich the internal control structure and promote efficiency on a more widespread scale. Internal monitoring systems will be reconfigured and an all-out effort will be made to build a stronger corporate platform and financial foundation for growth.

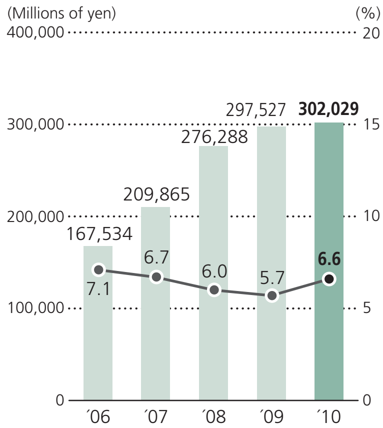
Financial Position

As of June 30, 2010, total assets stood at ¥302,029 million, up ¥4,502 million from a year earlier.

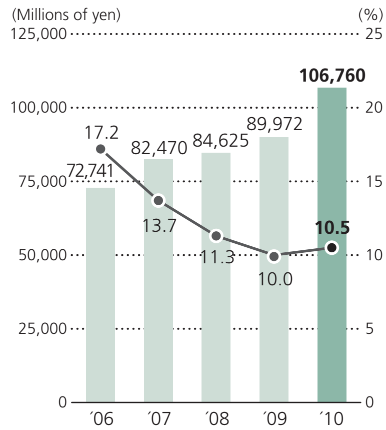
Current assets came to ¥128,198 million, up ¥4,396 million year on year. A major component of this change was merchandise and finished goods, which grew ¥3,801 million, paralleling the opening of new stores and store format conversions.

Noncurrent assets amounted to ¥173,831 million, up ¥106 million from a year earlier. A major component of this category was property,

Total assets (left axis)
Return on assets (right axis)



Total equity (left axis)
Return on equity (right axis)



plant and equipment, at ¥123,734 million, which was buoyed by a ¥9,350 million increase in land, following the purchase of property in fiscal 2010 for future new stores.

Investments and other assets fell ¥9,011 million, to ¥47,376 million. This decline is largely due to a ¥5,758 million decrease in investment securities and a ¥3,172 million drop in lease and guarantee deposits, based on a strategy to reduce holdings of financial instruments.

Total liabilities stood at ¥195,269 million, down ¥12,286 million from a year earlier.

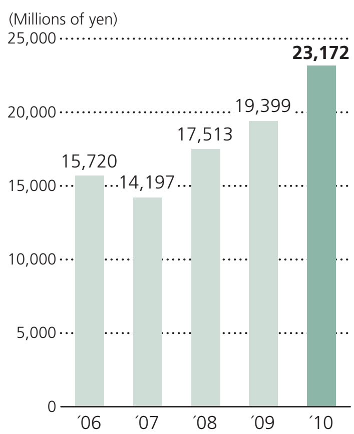
Current liabilities came to ¥122,005 million, up ¥11,122 million year on year. This change was caused primarily by a ¥31,812 million increase in current portion of bonds, which overshadowed a ¥10,302 million decrease in short-term loans and an ¥11,546 million decrease in current portion of convertible bonds.

Noncurrent liabilities amounted to ¥73,264 million, down ¥23,408 million, mainly due to a ¥19,402 million decrease in bonds. The debt-to-equity ratio fell 32 percentage points, to 108.9%. Net interest-bearing debt amounted to ¥116,244 million as of June 30, 2010, leading to a ratio of interest-bearing debt to total assets of 38.5%, down from 42.6% at the end of June 2009. Net liabilities were ¥74,500 million, down ¥9,700 million from a year earlier.

Reflecting an increase in income, total equity reached ¥106,760 million, up ¥16,788 million year on year. This change was primarily due to the booking of ¥10,238 million in net income and the disposal of ¥4,975 million from the sale of treasury stock.

The equity ratio rose 5.0 percentage points year on year, to 34.9%, and return on equity (ROE) edged up 0.5 percentage point, to 10.5%.

Free cash flow



* Free cash flow = net income after taxes + depreciation and amortization + extraordinary loss – cash dividends

Cash Flow

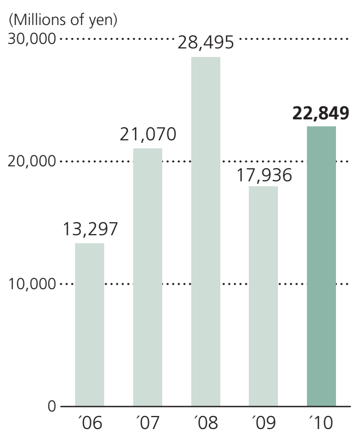
Cash provided by operating activities in fiscal 2010 amounted to ¥18,885 million, as the opening of new stores and store format conversions expanded inventories, offsetting the contributions from net income and depreciation.

Cash used in investing activities came to ¥16,497 million, as outflow, mainly for the purchase of property, plant and equipment, overshadowed proceeds from the sale of investment securities.

Cash used in financing activities reached ¥5,475 million, reflecting redemption of bond expenditures, which includes early redemption of convertible bonds, and income from issuance of bonds along with an increase in long-term loans and the sale of treasury stock.

As a result, cash and cash equivalents at the end of fiscal 2010 amounted to ¥38,911 million, down ¥3,129 million.

Capital expenditure



Capital Investment

Capital investment reached ¥22,849 million, on a consolidated basis. Funds were directed toward investments as the Company worked to expand the network of discount stores under the Don Quijote Group umbrella, which included the opening of eight new stores and the conversion of 10 stores. The Company's investments will focus on the purchase of land, buildings, facilities, fixed leasehold deposits and software, taking place in fiscal 2011 and beyond.

The Company also recorded ¥163 million under impairment losses and ¥399 million under loss on store closures.

Risk Information

Listed below are the main risks that could affect the business of the Don Quijote Group. We make every effort to avoid and mitigate these risks upon recognizing the possibility of these risks in the future.

The following description of risks include future events, which are based on our judgments and forecasts made from information available as of September 28, 2010, the date of filing the annual securities report to the Financial Services Agency of Japan.

1. Store expansion and human resources

Without securing and training the necessary personnel to meet the demands of store expansion from our stronghold in the Greater Tokyo metropolitan area to all over Japan, and without developing subsidiaries aimed at expanding specific business areas, deterioration in the quality of business and, as a result, a decline in business results are likely to occur.

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 tested fixed assets for impairment by comparing the fair value of each unit, using discounted cash flows to the carrying 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 affect 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.

Note: The risks described above do not cover all of the potential risks that the Don Quijote Group may face. Other risks include, but are not limited to, litigation, natural disasters, and amendments to laws or ordinances, which could affect the business of the Group.

Consolidated Balance Sheets

Don Quijote Co., Ltd. and Consolidated Subsidiaries
As of June 30, 2010 and 2009

ASSETS	Millions of yen (Note 2) 2010	Millions of yen (Note 2) 2009	Millions of U.S. dollars (Note 2) 2010
Current assets:			
Cash and deposit (Notes 6 and 15)	**¥41,734**	¥42,563	**$472**
Notes and Accounts receivable-trade (Note 6)	**4,045**	4,612	**46**
Less: Allowance for doubtful accounts (Note 3)	**(38)**	(111)	**(0)**
Inventories (Notes 3 and 4)	**74,452**	70,651	**841**
Prepaid expenses	**2,106**	2,173	**24**
Deferred tax assets (Notes 3 and 16)	**1,853**	1,477	**21**
Other current assets	**4,046**	2,437	**45**
Total current assets	**128,198**	123,802	**1,449**
Investments and advances:			
Investments in and advances to affiliates (Notes 3, 6 and 7)	**324**	147	**4**
Investment securities (Notes 3, 6, 7 and 11)	**5,973**	11,908	**68**
Advance payment for fixed leasehold deposits	**658**	42	**7**
Long-term loans receivable (Note 6)	**1,311**	1,251	**15**
Less: Allowance for doubtful accounts (Note 3)	**(127)**	(426)	**(1)**
Total investments and advances	**8,139**	12,922	**93**
Property, plant and equipment, at cost (Notes 3, 11, 15 and 18):			
Land	**64,378**	55,028	**727**
Buildings and structures	**83,931**	79,649	**948**
Vehicles and delivery equipment	**—**	94	**—**
Equipment	**32,032**	30,780	**362**
Construction in progress	**597**	617	**7**
Other property, plant and equipment, at cost	**165**	—	**2**
Less: Impairment loss	**(3,223)**	(3,681)	**(36)**
Less: Accumulated depreciation	**(54,146)**	(48,109)	**(612)**
Net property, plant and equipment	**123,734**	114,378	**1,398**
Intangibles (Notes 3 and 18):	**2,721**	2,960	**31**
Other assets:			
Long-term deposits	**300**	325	**3**
Fixed leasehold deposits (Notes 6 and 15)	**33,674**	36,846	**381**
Less: Allowance for doubtful accounts (Note 3)	**(3,034)**	(2,340)	**(34)**
Prepaid expenses	**2,225**	2,222	**25**
Deferred tax assets (Notes 3 and 16)	**2,173**	2,623	**24**
Other non-current assets	**3,899**	3,789	**44**
Total other assets	**39,237**	43,465	**443**
Total assets	**¥302,029**	¥297,527	**$3,414**

The accompanying notes are an integral part of the statements.

LIABILITIES AND EQUITY	Millions of yen (Note 2) 2010	2009	Millions of U.S. dollars (Note 2) 2010
Current liabilities:			
Accounts payable-trade (Note 6)	**¥42,670**	¥41,062	**$482**
Short-term loans (Notes 6, 8 and 15)	**698**	11,000	**8**
Current maturities of long-term debt (Notes 6 and 8)	**61,074**	39,747	**690**
Accrued income taxes (Note 6)	**4,014**	3,354	**45**
Accrued expenses (Note 6)	**6,119**	6,005	**69**
Allowance for point program (Note 3)	**247**	386	**3**
Other current liabilities (Note 15)	**7,183**	9,329	**82**
Total current liabilities	**122,005**	110,883	**1,379**
Non-current liabilities:			
Long-term debt (Notes 6 and 8)	**54,680**	76,371	**618**
Derivatives liabilities (Notes 3, 6 and 10)	**2,848**	2,233	**32**
Allowance for retirement benefits for employees (Notes 3 and 12)	**84**	472	**1**
Allowance for retirement benefits for directors (Note 3)	**375**	162	**4**
Negative goodwill (Note 3)	**3,306**	4,163	**37**
Other non-current liabilities (Note 15)	**11,971**	13,271	**136**
Total non-current liabilities	**73,264**	96,672	**828**
Total liabilities	**195,269**	207,555	**2,207**
Equity (Notes 3, 13 and 20):			
Common stock			
Authorized:			
2009—234,000,000 shares			
2010—234,000,000 shares			
Issued and outstanding:			
2009—72,022,209 shares			
2010—72,095,109 shares	**15,049**	14,977	**170**
Additional paid-in capital	**17,856**	16,289	**202**
Stock acquisition rights	**0**	1	**0**
Retained earnings	**74,503**	65,806	**842**
Net unrealized losses on investment securities	**(104)**	(1,856)	**(1)**
Foreign exchange adjustments	**(1,986)**	(1,401)	**(23)**
Less: Treasury stock, at cost			
2009—2,840,970 shares			
2010—473 shares	**(1)**	(4,976)	**(0)**
Total	**105,317**	88,840	**1,190**
Minority interests	**1,443**	1,132	**17**
Total equity	**106,760**	89,972	**1,207**
Liabilities and equity	**¥302,029**	¥297,527	**$3,414**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Income

Don Quijote Co., Ltd. and Consolidated Subsidiaries
For the years ended June 30, 2010 and 2009

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Net sales	**¥487,571**	¥480,856	**$5,511**
Cost of goods sold (Note 3)	**364,065**	353,616	**4,115**
Gross profit	**123,506**	127,240	**1,396**
Selling, general and administrative expenses (Note 17)	**102,439**	110,068	**1,158**
Operating income	**21,067**	17,172	**238**
Other income (expenses):			
Interest and dividend income	**617**	580	**7**
Interest expenses	**(1,678)**	(1,278)	**(19)**
Loss on close of stores (Note 21)	**(399)**	(1,254)	**(5)**
Gain on liquidation of retirement benefit plan by subsidiaries (Note 12)	**—**	1,556	**—**
Loss on devaluation of derivative instruments (Note 10)	**(615)**	(2,009)	**(7)**
Loss on devaluation of investment securities (Note 7)	**(2,659)**	(1,417)	**(30)**
Other income, net (Note 14)	**512**	864	**6**
Income before income taxes and minority interests	**16,845**	14,214	**190**
Income taxes:			
Current	**7,103**	6,403	**80**
Deferred (Notes 3 and 16)	**(796)**	(1,059)	**(9)**
Income before minority interests	**10,538**	8,870	**119**
Minority interests	**(300)**	(316)	**(3)**
Net income	**¥10,238**	¥8,554	**$116**

The accompanying notes are an integral part of the statements.

Recurring Income

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

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Operating income	**¥21,067**	¥17,172	**$238**
Other income (expenses):			
Interest and dividend income	**617**	580	**7**
Interest expenses	**(1,678)**	(1,278)	**(19)**
Loss on devaluation of derivative instruments	**(615)**	(2,009)	**(7)**
Other income, and expenses, net	**1,718**	1,524	**20**
Recurring income	**21,109**	15,989	**239**
Other and extraordinary income (expenses):			
Gain on liquidation of retirement benefit plan by subsidiaries	**—**	1,556	**—**
Loss on devaluation of investment securities	**(2,659)**	(1,417)	**(30)**
Loss on close of stores	**(399)**	(1,254)	**(5)**
Other income and expenses, net	**(1,206)**	(660)	**(14)**
Income before income taxes and minority interests	**¥16,845**	¥14,214	**$190**

Amount per share of common stock	Yen (Note 2)		U.S. dollars (Note 2)
Basic earnings (Notes 3 and 20)	**¥147.35**	¥123.69	**$1.67**
Diluted earnings (Notes 3 and 20)	**137.64**	123.69	**1.56**
Cash dividends applicable to the year (Notes 3 and 25)	**25.00**	23.00	**0.28**

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, 2010 and 2009

	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, 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**
Cash dividends	—	—	—	**(1,595)**	—	—	—	—	**(1,595)**
Net income	—	—	—	**10,238**	—	—	—	—	**10,238**
Issuance of new shares	**72**	**72**	—	—	—	—	—	—	**144**
Disposal of treasury stock	—	**1,495**	—	—	—	—	**4,975**	—	**6,470**
Purchase of treasury stock	—	—	—	—	—	—	**(0)**	—	**(0)**
Change of scope of consolidation	—	—	—	**54**	—	—	—	—	**54**
Other	—	—	**(1)**	—	**1,752**	**(585)**	—	**311**	**1,477**
Balance at June 30, 2010	**¥15,049**	**¥17,856**	**¥0**	**¥74,503**	**¥(104)**	**¥(1,986)**	**¥(1)**	**¥1,443**	**¥106,760**

	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, 2009	**$169**	**$184**	**$0**	**$744**	**$(21)**	**$(16)**	**$(56)**	**$13**	**$1,017**
Cash dividends	—	—	—	**(18)**	—	—	—	—	**(18)**
Net income	—	—	—	**116**	—	—	—	—	**116**
Issuance of new shares	**1**	**1**	—	—	—	—	—	—	**2**
Disposal of treasury stock	—	**17**	—	—	—	—	**56**	—	**73**
Purchase of treasury stock	—	—	—	—	—	—	**(0)**	—	**(0)**
Change of scope of consolidation	—	—	—	**0**	—	—	—	—	**0**
Other	—	—	**(0)**	—	**20**	**(7)**	—	**4**	**17**
Balance at June 30, 2010	**$170**	**$202**	**$0**	**$842**	**$(1)**	**$(23)**	**$(0)**	**$17**	**$1,207**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Don Quijote Co., Ltd. and Consolidated Subsidiaries
For the years ended June 30, 2010 and 2009

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Cash flows from operating activities:			
Income before income taxes	**¥16,845**	¥14,214	**$190**
Depreciation and amortization	**9,823**	8,898	**111**
Impairment loss	**163**	649	**2**
Amortization of negative goodwill	**(857)**	(858)	**(10)**
Increase (decrease) for doubtful accounts	**274**	(141)	**3**
Decrease in allowance for retirement benefits for employees	**(388)**	(5,216)	**(4)**
Provision (reversal) for retirement benefits for directors	**212**	(22)	**2**
Decrease in allowance for point program	**(139)**	(376)	**(2)**
Interest and dividend income	**(617)**	(580)	**(7)**
Loss on devaluation of derivative instruments	**615**	2,009	**7**
Equity in loss of affiliated company	**1**	18	**0**
Gain on SPE	**(58)**	(68)	**(1)**
Interest expenses	**1,678**	1,278	**19**
Loss on sale of investment securities	**510**	28	**6**
Loss on devaluation of investment securities	**2,659**	1,417	**30**
Loss (gain) on sale of property, plant and equipment	**(123)**	82	**(1)**
Loss on close of stores	**152**	929	**2**
Offset rent expense from deposit received from lessees	**1,192**	1,300	**13**
Gain on redemption of convertible bonds	**(221)**	—	**(2)**
Decrease (increase) in trade receivable	**566**	(58)	**6**
Increase in inventories	**(3,879)**	(2,171)	**(44)**
Decrease (increase) in other current assets	**(1,016)**	619	**(11)**
Increase in trade payable	**1,911**	711	**22**
Increase (decrease) in other current liabilities	**(1,825)**	1,060	**(21)**
Increase (decrease) in other non-current liabilities	**(1,052)**	2,111	**(12)**
Other-net	**398**	187	**5**
Cash generated from operations	**26,824**	26,020	**303**
Received interest and dividend income	**452**	326	**5**
Interest paid	**(1,660)**	(1,175)	**(19)**
Income taxes paid	**(6,731)**	(5,658)	**(76)**
Net cash provided by operating activities	**18,885**	19,513	**213**
Cash flows from investing activities:			
Time deposit transferred from cash	**(23,766)**	(1,014)	**(269)**
Proceeds from time deposit	**21,323**	319	**241**
Payments for purchase of property, plant and equipment	**(20,952)**	(17,757)	**(237)**
Proceeds from sale of property, plant and equipment	**1,412**	327	**16**
Payments for purchase of intangible assets	**(288)**	(244)	**(3)**
Payments for leasehold deposits	**(1,145)**	(2,596)	**(13)**
Proceeds from termination of leasehold deposits	**2,743**	3,091	**31**
Payments for purchase of investment securities	**(63)**	(8,340)	**(0)**
Proceeds from sales of investment securities	**3,427**	1,286	**39**
Payments for purchase of subsidiaries' securities resulting in changes in the scope of consolidation (Note 22)	—	(1,893)	—
Proceeds on withdrawal of SPE	**22**	21	**0**
Proceeds on liquidation of SPE	**825**	—	**9**
Payments for purchase of subsidiaries' securities	**(10)**	(648)	**(0)**
Payments for investments to funds	—	(1,000)	—
Proceeds from liquidation of investment funds	**914**	—	**10**
Other, net	**(939)**	(1,407)	**(10)**
Net cash used in investing activities	**(16,497)**	(29,855)	**(186)**
Cash flows from financing activities:			
Increase of short-term bank loans	**(10,302)**	9,600	**(116)**
Borrowing of long-term debt	**19,702**	8,500	**223**
Repayment of long-term debt	**(11,761)**	(8,966)	**(133)**
Proceeds from issuance of bonds	**23,200**	14,000	**262**
Payments for redemption of bonds	**(10,790)**	(7,143)	**(122)**
Repayment of lease liabilities	**(186)**	(436)	**(2)**
Issuance of common stock	**144**	—	**2**
Payments for purchase of treasury stock	**(0)**	(0)	**(0)**
Proceeds from sales of treasury stock	**5,675**	164	**64**
Redemption of convertible bonds	**(19,950)**	—	**(226)**
Payments of cash dividends	**(1,595)**	(1,521)	**(18)**
Proceeds from stock issuance to minority shareholders	**8**	126	**0**
Other, net	**380**	(8)	**4**
Net cash provided by financing activities	**(5,475)**	14,316	**(62)**
Effect of exchange rate changes on cash and cash equivalents	**(114)**	(20)	**(1)**
Net increase (decrease) in cash and cash equivalents	**(3,201)**	3,954	**(36)**
Cash and cash equivalents at beginning of the year	**42,040**	38,086	**475**
Increase in cash and cash equivalents due to the effect of the additional consolidation	**10**	—	**0**
Increase in cash and cash equivalents due to a merger between consolidated subsidiary and non-consolidated subsidiary	**62**	—	**1**
Cash and cash equivalents at end of the year (Notes 3 and 22)	**¥38,911**	¥42,040	**$440**

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

1. NATURE OF OPERATIONS

The Don Quijote Group (the "Group") is composed of Don Quijote Co., Ltd. (the "Company"), 18 consolidated subsidiaries (Japan Commercial Establishment Co., Ltd., Donki Johokan Co., Ltd., D-ONE Co., Ltd., REALIT Co., Ltd., Don Quijote (USA) Co., Ltd., Doit Co., Ltd., Nagasakiya Co., LTD., and other 11 subsidiaries), five subsidiaries excluded from consolidation and two affiliated companies accounted for by the equity method and two affiliated companies not accounted for by the equity method.

* Japan Commercial Establishment Co., Ltd., changed its name from Paw Creation 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., and Nagasakiya 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.

(Tenant leasing business)

Japan Commercial Establishment Co., Ltd., is involved in tenant leasing business and rents floor space in shopping malls to tenants. The company is also carrying out a management of these tenants.

The Company, Don Quijote (USA) Co., Ltd., and Doit Co., Ltd., are involved in the tenant leasing business and lease 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 for sales promotion system.

2. BASIS OF PRESENTING CONSOLIDATIED 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 financial statements of consolidated subsidiaries in overseas are prepared in accordance with accounting methods generally accepted by accounting standards 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 ¥88.48 to U.S. $1.00, which was the approximate exchange rate prevailing on June 30, 2010. 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 2009 financial statements to conform to the presentation for 2010.

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, 2010, the Company had 23 subsidiaries, including 18 consolidated subsidiaries, as set out in the following table.

	Group interest of capital	Activity
Japan Commercial Establishment Co., Ltd. *1	100.0%	Operation of multiple tenant shopping malls including leasing of real property
Donki Johokan Co., Ltd.	51.0%	Agency handling new subscriber sign-ups and model exchange procedures as well as sales of cellular phones and devices
D-ONE Co., Ltd.	100.0%	Operation of development of the Group companies, and real estate business
REALIT Co., Ltd. *2	4.3%	Operation of POS-linked cellular phones for sales promotion system
Don Quijote (USA) Co., Ltd.	100.0%	Operation of discount stores
Doit Co., Ltd.	100.0%	Operation of discount stores and discount retail stores
Nagasakiya Co., LTD.	100.0%	Operation of retail superstores and discount stores
And 11 more companies		

*1 Japan Commercial Establishment Co., Ltd., changed its name from Paw Creation Co., Ltd., on July 1, 2009.
*2 The equity holding in REALIT Co., Ltd., is below 50% but it is essentially controlled by the Company. Therefore, REALIT Co., Ltd., is considered as a consolidated subsidiary.

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.

The financial statements of the following subsidiaries are used as it is upon consolidation because the gap between their respective balance sheet dates and that of the Company is less than three months.

Don Quijote (USA) Co., Ltd., and its one subsidiary	Last Saturday of March
Doit Co., Ltd.	March 31
Nagasakiya Co., LTD., and five other consolidated subsidiaries	April 30

Notwithstanding the above, necessary adjustments are made upon consolidation to account for significant transactions occurring between such balance sheet dates and the consolidated year-end on June 30.

Financial statements of the following consolidated subsidiary based on provisional settlement of accounts corresponding to the consolidated year-end are used upon consolidation because the gap between its respective balance sheet date and that of the Company exceeds three months.

World Victory Road Inc.	September 30

All material intercompany transactions and account balances have been eliminated.

Equity method companies

(1) Affiliates accounted for by the equity method: two companies
Fidec Corporation *
THE GALAXY RAILWAYS II Production Partnership
* From the consolidated fiscal year under review, Fidec Corporation is included in the scope of affiliated companies accounted for by the equity method on the basis of the influence criteria. Furthermore, consolidated balance sheet date of the fiscal year under review has been treated as a commencement date of which Fidec Corporation is being accounted for by the equity method.

(2) Non-consolidated subsidiaries and affiliates not accounted for by the equity method
Five 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.

(3) For those companies of which the equity method is applied, with a balance sheet date that differs from the consolidated balance sheet date, financial statements for their respective business years or financial statements based on a provisional settlement of accounts are used upon consolidation.

Cash and cash equivalents

In preparing the cash flow statements for the years ended June 30, 2010 and 2009, 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 is 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.

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

Inventories

The Company, Doit Co., Ltd., Nagasakiya Co., LTD., and foreign subsidiaries apply valuation at cost 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 ¥1,468 million ($17 million) losses for the fiscal year ended June 30, 2010.

Property, plant and equipment

Property, plant 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, plant and equipment are not capitalized.

For the Company and domestic subsidiaries, depreciation of property, plant 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, plant and equipment by lease contracts is computed by the straight-line method.

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

The useful lives of property, plant 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 to be included in intangible assets in the same manner in 2010 as in 2009 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

Finance lease transactions other than those associated with ownership transfer are accounted for by the straight-line method with zero residual value, along with considering a useful life as a lease period.

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 accounts 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

Two consolidated subsidiaries have 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)

Doit Co., Ltd., discontinued its retirement benefit plan for employees on February 28, 2010. As an accrued amounts payable and an long-term accrued amounts payable, ¥9 million ($0 million) under other current liabilities, in addition to ¥257 million ($3 million) under non-current liabilities have been recorded, since an amount of unpaid retirement benefits is fixed.

Allowance for retirement benefits for directors

The Company and one subsidiary of Nagasakiya Co., LTD. have included the estimated necessary amount as of the balance sheet date in accordance with the Company rules, as a preparation for the provision of retirement benefit for directors and statutory auditors.

Revenue recognition

The Company, Nagasakiya Co., LTD., and Don Quijote (USA) Co., Ltd., recognize revenue as "Net sales" at the time sales are made to customers. Japan Commercial Establishment Co., Ltd. recognizes revenue as rental fees from tenants, according to the provision of lease agreements.

Income taxes

Income taxes are determined by using the asset liability method, where deferred tax assets and liabilities are recognized for temporary differences between assets and liabilities for the purpose of tax regulations and reported amounts in the financial statements, in addition to amounts corresponding with net operating loss carryforwards.

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.

Financial instruments

From the consolidated fiscal year under review, the Company applies "Accounting Standard for Financial Instruments" (Statement No. 10, issued by the Accounting Standards Board of Japan, with final amendments made on March 10, 2008) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 10, 2008).

Derivatives

The Group uses derivative financial instruments for the purpose of hedging against the risk of fluctuating foreign exchange rates and interest on loans along with as a source of investment returns. Accounting treatment is based on the market value method.

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 are subject to shareholders' approval at the annual shareholders' meeting under the Japanese Corporate Law.

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

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, 2010 and 2009 were as follows:

Common stock outstanding:	2010	2009
Balance at beginning of the year	72,022,209	72,022,209
Exercise of stock options	72,900	—
Balance at end of the year	72,095,109	72,022,209

Changes in the number of treasury stock during the years ended June 30, 2010 and 2009 are as follows:

Treasury stock outstanding:	2010	2009
Balance at beginning of the year	2,840,970	2,936,729
Increase through the purchase of treasury stock	196	241
Decrease due to exercising stock options	220,500	96,000
Decrease due to conversion of convertible bonds	197,693	—
Decrease due to sale of treasury stock	2,422,500	—
Balance at end of the year	473	2,840,970

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, 2010, and 2009 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	2010
Electrical appliances	¥13,400	¥13,073	$151
Daily commodities	15,526	13,456	175
Foods	6,304	5,348	71
Watches, fashion goods	28,802	28,210	326
Sports, leisure goods	4,997	4,388	56
DIY products	3,317	3,992	38
Others	2,106	2,184	24
Total	¥74,452	¥70,651	$841

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)
	2010	2009	2010
Land	¥3,671	¥7,236	$41
Buildings	4,349	4,913	49
Structures	70	70	1

(b) Lease payments:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	2010
Lease payments	¥1,454	¥1,742	$16

(c) Residual value guarantees

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	2010
Residual value guarantees	¥—	¥1,584	$—

(2) Operating leases

(a) Leasing transactions (unexpired lease payments) using SPEs:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	2010
Due within one year	¥878	¥1,454	$10
Due after one year	3,658	4,536	41
Total	¥4,536	¥5,990	$51

(b) Leasing transactions (unexpired lease payments) through leases

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	2010
Due within one year	¥3,257	¥3,448	$37
Due after one year	17,671	17,720	200
Total	¥20,928	¥21,168	$237

6 . FINANCIAL INSTRUMENTS

1. Matters related to the Status of Financial Instruments

(1) Policy on the handling of financial Instruments

The Group adheres to a policy that limits fund application to short-term, highly stable financial instruments and emphasizes fund procurement through bank borrowings. Derivative transactions serve to hedge the risk of future interest rate and exchange rate fluctuations and to provide investment returns.

(2) Financial instruments and inherent risks and associated risk management structure

Operating credits, namely notes and accounts receivable-trade, are mainly amounts charged to companies, such as credit card companies and consumer credit companies, that extend credit to customers and are therefore exposed to credit risk. Credit companies are deemed to have hardly any credit risk. Operating credits other than those to be paid by credit companies are managed separately through such practices as monitoring.

Marketable securities are exposed mostly to credit risk and liquidity risk. Such risks are controlled and funds are appropriately invested in accordance with internal rules for managing marketable securities. In addition, particularly significant transactions are discussed by the Investment Committee and then presented to the Board of Directors for approval before the transactions are made.

Long-term debt and corporate bonds provide funds primarily for capital investment purposes. To avert the risk of fluctuating interest amounts payable on the outstanding balances of some of these acquired funds and to immobilize interest expense, the Company and certain consolidated subsidiaries apply derivative transactions—namely, interest rate swaps—to each contract as a hedging tool. Funds other than these carry fixed interest rates and therefore present no fluctuating interest risk.

In the execution and monitoring of derivative transactions, the Company and certain consolidated subsidiaries control inherent risks and invest funds in accordance with internal rules for managing marketable securities. In addition, particularly significant transactions are discussed by the Investment Committee and then presented to the Board of Directors for approval before the transactions are made. Furthermore, derivative transactions are only entered into with financial institutions having high credit ratings, and credit risk is therefore deemed to be minimal.

Operating debits and loans are exposed to liquidity risk. The Company and each of its consolidated subsidiaries manage this risk through such methods as the preparation of monthly cash flow plans.

Fixed leasehold deposits are monies involved in the leasing of property, primarily stores. These monies are exposed to the credit risk of the lessor, that is, the owner of the property leased by the Company or a consolidated subsidiary. The credit status of the lessor is determined when entering into a lease agreement and then regularly checked to ascertain the creditworthiness of each lessor.

Convertible bonds due within one year are zero coupon convertible bonds due 2011, and convertible bonds are zero coupon convertible bonds due 2013. Both types of convertible bonds are zero coupon securities and are not exposed to the risk of fluctuating interest amounts payable.

(3) Supplementary explanation concerning matters related to fair value of financial instruments

Fair value of financial instruments includes a value based on market price or, if no market price is available, then a reasonable determination of value. The determination of such value takes variable factors into account, so the application of different preset conditions could cause the value to fluctuate.

Contract amounts for the fair value of transactions are listed in 10. Derivatives are strictly hypothetical amounts for derivative transactions or assumed principal based on calculations, and the amounts themselves are not indicative of the size of risk associated with specific derivative transactions.

2. Matters related to fair value of financial instruments

Carrying amounts appearing on the consolidated balance sheets, fair value and respective differences as of June 30, 2010, which marked the end of the consolidated fiscal year under review, are presented below. However, financial instruments for which fair value proved extremely difficult are not included in the table below.

	Millions of yen (Note 2)		
	2010		
	Acquisition cost	Fair value	Difference
(1) Cash and deposit	¥41,734	¥41,734	¥ —
(2) Notes and accounts receivable-trade	4,045		
Less: Allowance for doubtful accounts*1	(38)		
Net	4,007	4,007	—
(3) Current portion of long-term loans receivable	61		
Less: Allowance for doubtful accounts*2	(1)		
Net	60	61	1
(4) Investment securities	4,952	4,952	—
(5) Investments in and advances to affiliates	171	251	80
(6) Long-term loans receivable	843		
Less: Allowance for doubtful accounts*3	(1)		
Net	842	843	1
(7) Fixed leasehold deposits	13,515	12,193	(1,322)
Total assets	65,281	64,041	(1,240)
(1) Accounts payable-trade	42,670	42,670	—
(2) Short-term loans	698	698	—
(3) Current portion of long-term debt	10,834	10,820	(14)
(4) Current portion of corporate bonds	41,507	41,422	(85)
(5) Current portion of convertible bonds	8,625	11,315	2,690
(6) Accrued expenses	6,119	6,119	—
(7) Accrued income taxes	4,014	4,014	—
(8) Corporate bonds	33,851	33,596	(255)
(9) Convertible bonds	350	351	1
(10) Long-term debt	20,379	20,275	(104)
Total liabilities	169,047	171,280	2,233
Derivative transactions*4	(2,759)	(2,759)	—

	Millions of U.S. dollars (Note 2)		
	2010		
	Acquisition cost	Fair value	Difference
(1) Cash and deposit	$472	$472	$ —
(2) Notes and accounts receivable-trade	46		
Less: Allowance for doubtful accounts*1	(0)		
Net	46	46	—
(3) Current portion of long-term loans receivable	1		
Less: Allowance for doubtful accounts*2	(0)		
Net	1	1	0
(4) Investment securities	56	56	—
(5) Investments in and advances to affiliates	2	3	1
(6) Long-term loans receivable	9		
Less: Allowance for doubtful accounts*3	(0)		
Net	9	9	0
(7) Fixed leasehold deposits	153	138	(15)
Total assets	738	724	(14)
(1) Accounts payable-trade	482	482	—
(2) Short-term loans	8	8	—
(3) Current portion of long-term debt	122	122	(0)
(4) Current portion of corporate bonds	469	468	(1)
(5) Current portion of convertible bonds	98	128	30
(6) Accrued expenses	69	69	—
(7) Accrued income taxes	45	45	—
(8) Corporate bonds	383	380	(3)
(9) Convertible bonds	4	4	0
(10) Long-term debt	230	229	(1)
Total liabilities	1,910	1,935	25
Derivative transactions*4	(31)	(31)	—

*1 Excludes allowance for doubtful accounts applicable to notes and accounts receivable-trade.
*2 Excludes allowance for doubtful accounts applicable to the current portion of long-term loans receivable.
*3 Excludes allowance for doubtful accounts applicable to long-term loans receivable.
*4 Net credit/obligation arising from derivative transactions is shown as a net amount. If the total is a net obligation, the number appears in parentheses.

Calculation method for fair value of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and deposit; (2) Notes and accounts receivable-trade
Book value approximates fair value because of the short maturity of these financial instruments and is therefore used as the fair value amount.

(3) Current portion of long-term loans receivable; (6) Long-term loans receivable
Fair value is calculated by discounting total principal and interest by the interest rate that would be applied were the long-term loans receivable newly acquired.

(4) Investment securities; (5) Investments in and advances to affiliates
For stock, fair value is the quoted market price, and for bonds, fair value is the quoted market price or the price disclosed by the financial institution or broker involved in the transaction. For details on matters related to investment securities according to investment purpose, please refer to 7. Marketable securities and investment securities.

(7) Fixed leasehold deposits
Fair value of fixed leasehold deposits is determined by estimating future cash flows using current prices discounted by an interest rate that factors credit risk into a suitable index, such as the government bond yield.

Liabilities

(1) Accounts payable-trade; (2) Short-term loans; (6) Accrued expenses; (7) Accrued income taxes
Book value approximates fair value because of the short maturity of these financial instruments and is therefore used as the fair value amount.

(3) Current portion of long-term debt; (4) Current portion of corporate bonds; (8) Corporate bonds; (10) Long-term debt
Fair value is calculated by discounting total principal and interest by the interest rate that would be applied were the long-term debt newly acquired.

(5) Current portion of convertible bonds; (9) Convertible bonds
Fair value is determined by market price.

Derivative Transactions
Please refer to 10. Derivatives.

Financial instruments for which fair value proves extremely difficult

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
	2010	
	Acquisition cost	
Investment securities	¥1,021	$12
Investments in and advances to affiliates	153	2
Long-term loans receivable	467	5
Less: Allowance for doubtful accounts*1	(124)	(1)
Net	343	4
Fixed leasehold deposits	20,158	228
Less: Allowance for doubtful accounts*2	(1,711)	(19)
Net	18,447	209

*1 Excludes allowance for doubtful accounts applicable to long-term loans receivable.
*2 Excludes allowance for doubtful accounts applicable to fixed leasehold deposits.
The figures above are not indicative of fair value because no market prices exist and the inability to estimate future cash flow precludes efforts to determine fair value.

Projected redemption amounts for monetary claims and securities with maturities occurring after the end of the consolidated balance sheet date under review

	Millions of yen (Note 2)			
	2010			
	Due in one year	Due after one year and within five years	Due after five years and within 10 years	Due after 10 years
1. Cash and deposit	¥41,734	¥ —	¥ —	¥ —
2. Notes and accounts receivable-trade	4,045	—	—	—
3. Bonds				
(1) National and local government bonds	—	—	—	—
(2) Bonds	131	—	—	510
(3) Other	—	—	—	—
4. Long-term loans receivable	61	268	355	220
5. Fixed leasehold deposits	1,574	5,761	3,742	2,438
Total	¥47,545	¥6,029	¥4,097	¥3,168

	Millions of U.S. dollars (Note 2)			
	2010			
	Due in one year	Due after one year and within five years	Due after five years and within 10 years	Due after 10 years
1. Cash and deposit	$472	$ —	$ —	$ —
2. Notes and accounts receivable-trade	46	—	—	—
3. Bonds				
(1) National and local government bonds	—	—	—	—
(2) Bonds	1	—	—	6
(3) Other	—	—	—	—
4. Long-term loans receivable	1	3	4	2
5. Fixed leasehold deposits	18	65	42	28
Total	$538	$68	$46	$36

Anticipated redemption or repayment amounts for corporate bonds, convertible bonds and long-term debt occurring after the end of the consolidated balance sheet date under review.
Please refer to 8. Short-term loans and long-term debt.

(Supplementary Data)
From the consolidated fiscal year under review, the Company has applied "Accounting Standard for Financial Instruments" (Statement No. 10, issued by the Accounting Standards Board of Japan on March 10, 2008) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008).

7 . MARKETABLE SECURITIES AND INVESTMENT SECURITIES

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

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

1. Information regarding available-for-sale securities and other marketable securities having fair value as of June 30, 2010 and 2009 are as follows:

The following table sets forth acquisition cost, amounts which have been included in the consolidated balance sheet and unrealized gains (losses) as of June 30, 2010.

	Millions of yen (Note 2)		
	2010		
	Acquisition cost	Fair value	Net unrealized gains (losses)
Fair value exceeds acquisition cost:			
Equity securities	**¥29**	**¥27**	**¥2**
Debt securities:			
Corporate bonds	**304**	**300**	**4**
Others	**1,274**	**1,131**	**143**
Subtotal	**1,607**	**1,458**	**149**
Fair value does not exceed acquisition cost:			
Equity	**2,639**	**2,654**	**(15)**
Bonds:			
Corporate bonds	**337**	**489**	**(152)**
Others	**368**	**525**	**(157)**
Subtotal	**3,344**	**3,668**	**(324)**
Total	**¥4,951**	**¥5,126**	**¥(175)**

* In fiscal 2010, the Company wrote down ¥2,659 million ($30 million) in marketable securities.

The following table sets forth acquisition cost, amounts which have been included in the consolidated balance sheet and unrealized gains (losses) in U.S. dollars as of June 30, 2010.

	Millions of U.S. dollars (Note 2)		
	2010		
	Acquisition cost	Fair value	Net unrealized gains (losses)
Fair value exceeds acquisition cost:			
Equity securities	**$0**	**$0**	**$0**
Debt securities:			
Corporate bonds	**3**	**3**	**0**
Others	**15**	**13**	**2**
Subtotal	**18**	**16**	**2**
Fair value does not exceed acquisition cost:			
Equity	**30**	**30**	**(0)**
Bonds:			
Corporate bonds	**4**	**6**	**(2)**
Others	**4**	**6**	**(2)**
Subtotal	**38**	**42**	**(4)**
Total	**$56**	**$58**	**$(2)**

The following table sets forth acquisition cost, amounts which have been included in the consolidated balance sheet and unrealized gains (losses) as of June 30, 2009.

	Millions of yen (Note 2)		
	2009		
	Acquisition cost	Fair value	Net unrealized gains (losses)
Fair value exceeds acquisition cost:			
Equity	¥200	¥369	¥169
Bonds:			
Corporate bonds	300	303	3
Others	—	—	—
Subtotal	500	672	172
Fair value does not exceed acquisition cost:			
Equity	6,009	3,748	(2,261)
Bonds:			
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)

* In fiscal 2009, the Company wrote down ¥787 million ($9 million) in marketable securities.

2. Information regarding other marketable securities having been sold, as of June 30, 2010 and 2009

Fiscal 2010

	Millions of yen (Note 2)		
	2010		
	Proceeds from sale	Gain on sales	Loss on sales
Equity	**¥588**	**¥23**	**¥212**
Bonds:			
Corporate bonds	**1,000**	**0**	**0**
Others	**1,839**	**22**	**342**
Total	**¥3,427**	**¥45**	**¥554**

	Millions of U.S. dollars (Note 2)		
	2010		
	Proceeds from sale	Gain on sales	Loss on sales
Equity	**$7**	**$0**	**$2**
Bonds:			
Corporate bonds	**11**	**0**	**0**
Others	**21**	**0**	**4**
Total	**$39**	**$0**	**$6**

Fiscal 2009

	Millions of yen (Note 2)		
	2009		
	Proceeds from sale	Gain on sales	Loss on sales
Equity	¥469	¥ —	¥32
Bonds:			
Corporate bonds	300	—	—
Others	517	4	—
Total	¥1,286	¥4	¥32

3. Information on key marketable securities without fair value assessment, as of June 30, 2010 and 2009 are as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Subsidiaries and affiliates	**¥153**	¥147	**$2**
Unlisted equity securities	**512**	529	**6**
Stock acquisition rights	**54**	54	**1**
Investment in Special Purpose Entity	**450**	1,388	**5**
Investment in Investment Association	—	921	—
Others	**6**	6	**0**

* "GALAXY RAILWAYS STORY II Production Partnership" is an investment association deemed an affiliate under the equity method, and it is therefore included under investments in affiliates.
* In fiscal 2009, the Company wrote off ¥630 million ($7 million).

4. Assumed redemption amounts on securities with maturity dates, as of June 30, 2010 and 2009

Fiscal 2010

	Millions of yen (Note 2)			
	2010			
	Due within one year	Due after one year and within five years	Due after five years and within 10 years	Due after 10 years
Bonds:				
Corporate bonds	**¥131**	**¥—**	**¥—**	**¥510**
Total	**¥131**	**¥—**	**¥—**	**¥510**

	Millions of U.S. dollars (Note 2)			
	2010			
	Due within one year	Due after one year and within five years	Due after five years and within 10 years	Due after 10 years
Bonds:				
Corporate bonds	**$1**	**$—**	**$—**	**$6**
Total	**$1**	**$—**	**$—**	**$6**

Fiscal 2009

	Millions of yen (Note 2)			
	2009			
	Due within one year	Due after one year and within five years	Due after five years and within 10 years	Due after 10 years
Bonds:				
Corporate bonds	¥989	¥143	¥—	¥513
Total	¥989	¥143	¥—	¥513

8. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans are principally comprised of bank loans (average interest rate have had been 1.1%).

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, 2010, 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 2.1%	**¥31,213**	**$353**
0.00% unsecured convertible bonds due 2011 (convertible at ¥1,821 ($21) for one common share, redeemable before due date)*	**8,625**	**97**
0.00% unsecured convertible bonds due 2013 (convertible at ¥3,571 ($40) for one common share, redeemable before due date)*	**350**	**4**
1.26% unsecured straight bonds due 2010	**200**	**2**
0.97% unsecured straight bonds due 2011	**200**	**2**
1.28% unsecured straight bonds due 2011	**300**	**3**
1.67% unsecured straight bonds due 2011	**30,000**	**339**
1.04% unsecured straight bonds due 2011	**400**	**5**
1.36% unsecured straight bonds due 2012	**600**	**7**
1.33% unsecured straight bonds due 2012	**600**	**7**
1.21% unsecured straight bonds due 2012	**1,000**	**11**
1.30% unsecured straight bonds due 2012	**938**	**11**
1.07% unsecured straight bonds due 2012	**1,250**	**14**
1.17% unsecured straight bonds due 2012	**500**	**6**
0.97% unsecured straight bonds due 2012	**575**	**6**
0.96% unsecured straight bonds due 2012	**340**	**4**
0.81% unsecured straight bonds due 2012	**420**	**5**
1.17% unsecured straight bonds due 2012	**500**	**6**
0.79% unsecured straight bonds due 2012	**420**	**5**
0.74% unsecured straight bonds due 2012	**2,505**	**28**
1.79% unsecured straight bonds due 2012	**11,000**	**124**
1.20% unsecured straight bonds due 2013	**2,100**	**24**
0.99% unsecured straight bonds due 2013	**1,800**	**20**
1.08% unsecured straight bonds due 2013	**1,800**	**20**
1.30% unsecured straight bonds due 2013	**1,200**	**14**
1.38% unsecured straight bonds due 2013	**1,400**	**16**
1.24% unsecured straight bonds due 2013	**1,400**	**16**
1.39% unsecured straight bonds due 2013	**1,050**	**12**
0.68% unsecured straight bonds due 2013	**1,300**	**15**
1.27% unsecured straight bonds due 2014	**3,200**	**36**
1.00% unsecured straight bonds due 2014	**2,400**	**27**
1.10% unsecured straight bonds due 2014	**1,800**	**20**
1.05% unsecured straight bonds due 2014	**2,160**	**24**
0.95% unsecured straight bonds due 2015	**2,000**	**23**
Subtotal	**115,546**	**1,306**
Finance lease liabilities	**208**	**2**
Less: Current portion of long-term debt	**61,074**	**690**
Total	**¥54,680**	**$618**

* A summary of stock acquisition rights (SARs) as of June 30, 2010 were 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	$21	3,400	1,725	4,736,408 common shares

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	$40	2,300	35	98,256 common shares

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 debt are principally comprised of bank loans (average interest rate have had been 1.7%).

The aggregate annual maturities of long-term debt and corporate bonds are as follows:

Fiscal year ending June 30	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
2011	¥60,966	$689
2012	18,738	212
2013	25,726	291
2014	3,680	41
2015 and thereafter	6,436	73
Total	¥115,546	$1,306

9. OVERDRAFT AGREEMENTS AND COMMITMENT LINES

The Company maintains overdraft agreements with 16 banks to ensure efficient procurement of funds for working capital. The balances of unused financing based on these agreements as of June 30, 2010 and June 30, 2009 are as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Total amount of overdraft granted	**¥16,800**	¥ —	**$190**
Bank loans arranged	**41**	—	**1**
Unused financing commitments as of June 30, 2010	**¥16,759**	¥ —	**$189**

The Company maintains commitment line agreements with 12 banks to ensure efficient procurement of funds for working capital. The balances of unused financing based on these agreements as of June 30, 2010 and June 30, 2009 are as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Total commitment line	**¥ —**	¥10,000	**$ —**
Bank loans arranged	**—**	10,000	**—**
Unused financing commitments as of June 30, 2010	**¥ —**	¥ —	**$ —**

10. 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: To avoid interest rate run-up of loan interest payable on the market in the future.
Currency derivatives: To avoid future exchange rate fluctuations on foreign-currency-denominated debts and credits of normal business transactions.
Equity option trading: To acquire investment gains.

(4) Risks inherent in derivative transactions

Interest rate swap trading carries the risk of fluctuating interest rates, forward exchange trading carries the risk of fluctuating currency values, and equity option trading carries the risk of fluctuating prices on subject stocks.

(5) Risk management structure for transactions

Derivative transactions are appropriately pre-approved by the supervisor of the financing department, in accordance with internal rules, which establish authorization for transactions and credit limit amounts.

(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. Outstanding amounts along with fair value and losses concerning derivatives contracts.

Fiscal 2010

	Millions of yen (Note 2)		
	Contract amount	Fair value	Unrealized gain
Interest rate swap contracts	**¥7,800**	**¥(77)**	**¥(77)**
Forward exchange contracts	**92**	**88**	**(4)**
Knock-out equity option contracts	**4,999**	**(2,770)**	**(2,570)**

	Millions of U.S. dollars (Note 2)		
	Contract amount	Fair value	Unrealized gain
Interest rate swap contracts	**$88**	**$(1)**	**$(1)**
Forward exchange contracts	**1**	**1**	**(0)**
Knock-out equity option contracts	**56**	**(31)**	**(29)**

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
Knock-out equity option contracts	4,999	(2,137)	(1,937)

11. USE OF SPECIAL PURPOSE ENTITIES ("SPEs") 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.

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 Don Quijote OUTLET-Kan. 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. Under this structure, the scheme is to be reviewed five years later, and if a decision is made to discontinue the process, the Company will either buy the real estate assets or SPEs will sell it to third parties.

The Company has received funds procured by the SPEs through loans from banks as proceeds from the sale of real estate.

The Company invests in the SPEs through silent partnership agreements. The Company expects to recover all funds directed toward silent partnerships, and as of June 30, 2010, management maintains a decision that any possibility of incurring a losses does not exists in the future. As two SPEs are having balances, the Company had bought it back a part of real estate that having been securitized during fiscal 2010 from one of SPEs. Therefore, as a lease back transaction on the subject property was concluded, the associated SPE will be liquidated.

Total assets held by SPEs as of the most recent fiscal year-end amounted to ¥9,176 million ($104 million) and total liabilities were ¥7,156 million ($81 million).

The Company's investments do not grant it voting rights in the SPEs. Also, the Company does not assign any directors or employees to these SPEs.

2. Transactions between SPEs as of consolidated fiscal year ended June 30, 2010 and 2009 were as follows:

Fiscal 2010

	Millions of yen (Note 2)		
	Major transaction amount or balance	Profit and loss	
		Account	Amount
Purchased property	**¥4,450**	—	—
Investments in silent partnerships (Tokumei Kumiai)	—	Gain on SPE	**¥58**
Accounts receivable through repayment of investment	**123**	—	—
Lease back transactions	—	Lease payment	**1,454**

	Millions of U.S. dollars (Note 2)		
	Major transaction amount or balance	Profit and loss	
		Account	Amount
Purchased property	**$50**	—	—
Investments in silent partnerships (Tokumei Kumiai)	—	Gain on SPE	**$1**
Accounts receivable through repayment of investment	**1**	—	—
Lease back transactions	—	Lease payment	**16**

No investments were made in fiscal 2010. As of June 30, 2010, the balance of investments in silent partnerships associated with the securitization of property stood at ¥450 million ($5 million). Gains in these silent partnership investments were recorded under non-operating income.

Fiscal 2009

	Millions of yen (Note 2)		
	Major transaction amount or balance	Profit and loss	
		Account	Amount
Investments in silent partnerships (Tokumei Kumiai)	¥ —	Gain on SPE	¥147
Lease back transactions	—	Lease payment	1,742
Residual value guarantees	1,584	—	—

12. ALLOWANCE FOR RETIREMENT BENEFITS FOR EMPLOYEES

The liabilities for retirement benefits as of June 30, 2010 and 2009 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Projected retirement benefit obligation	**¥84**	¥420	**$1**
Unrecognized actuarial differences	—	52	—
Net liability for retirement benefits	**¥84**	¥472	**$1**

* Some domestic consolidated subsidiaries have adopted a simplified method for calculating projected benefit obligation.

* Doit Co., Ltd. discontinued its retirement benefit plan for employees on February 28, 2010. Due to the discontinuation of this plan, the Company recorded ¥9 million (truncated to $0 million) under other current liabilities and ¥257 million ($3 million) under non-current liabilities as accrued amounts payable and long-term accrued amounts payable for fiscal 2010.

* Nagasakiya Co., LTD. discontinued its retirement benefit plan for employees on March 31, 2009. Two other consolidated subsidiaries also discontinued their respective retirement benefit plans for employees in fiscal 2009. Due to the discontinuation of such plans, the Company recorded ¥453 million ($5 million) under other current liabilities and ¥2,487 million ($28 million) under other non-current liabilities on the Consolidated Balance Sheets.

Net periodic costs for the years ended June 30, 2010 and 2009 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Service costs—benefits earned during the year	**¥27**	¥260	**$0**
Interest costs on projected benefit obligation	—	81	—
Expected return on retirement benefit plan assets	—	(17)	—
Amortization of actuarial differences	—	(73)	—
Net periodic retirement costs	**¥27**	¥251	**$0**

* Retirement costs of consolidated subsidiaries adopting the simple method are included in service costs.

* Nagasakiya Co., LTD. discontinued its retirement benefit plan for employees on March 31, 2009. Two other consolidated subsidiaries also discontinued their respective retirement benefit plans for employees in fiscal 2009. Due to the discontinuation of such plans, the Company recorded ¥1,556 million ($18 million) under other income on the Consolidated Statements of Income.

The assumptions and basis used for the calculation of retirement benefit obligation as of June 30, 2010 and 2009 were as follows:

	2010	2009
Allocation method for the projected retirement benefits	**Straight-line method**	Straight-line method
Discount rate	—	1.5%
Expected return rate for plan assets	—	1.5%
Amortization period for actuarial differences	—	7 years Straight-line method over a certain number of years within the average remaining service years

13. STOCK INCENTIVE PLAN

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, at an exercise price of ¥1,970 ($22). The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at a price less than the market price per share. The unexercised and outstanding balance of SAR, as of June 30, 2010, was 896,400 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, at an exercise price of ¥3,134 ($35). 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, 2010, had been 1,626,300 shares.

14. OTHER INCOME, NET

Other income, net for the years ended June 30, 2010 and 2009 consisted of Other income and Other expenses. Other income and other expenses were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Other income:			
Amortization of negative goodwill	**¥857**	¥858	**$10**
Gain on sale of investments securities	—	4	—
Gain on SPE	**58**	147	**1**
Fees and commissions received	**292**	267	**3**
Gain on the sale of fixed assets	**442**	174	**5**
Gain from redemption of convertible bonds	**221**	—	**2**
Other	**1,305**	1,303	**15**
Other income total	**3,175**	2,753	**36**
Other expenses:			
Impairment loss	**163**	649	**2**
Loss on disposal of fixed assets	**318**	232	**3**
Equity in loss of affiliated company	**1**	18	**0**
Other	**2,181**	990	**25**
Other expenses total	**2,663**	1,889	**30**
Other income, net	**¥512**	¥864	**$6**

15. PLEDGED ASSETS

Assets pledged as collateral for the Company's liabilities at June 30, 2010 and 2009 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Time deposit	**¥39**	¥150	**$0**
Land	**3,146**	3,146	**36**
Buildings and structures	**1,269**	662	**14**
Fixed leasehold deposits	**4,489**	4,833	**51**
Other	**136**	135	**2**
Total	**¥9,079**	¥8,926	**$103**

Liabilities related to assets pledged at June 30, 2010 and 2009 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Short-term loans	**¥140**	¥1,550	**$2**
Other current liabilities	**384**	436	**4**
Other non-current liabilities	**5,008**	5,390	**57**
Total	**¥5,532**	¥7,376	**$63**

16. TAX-EFFECT ACCOUNTING

1. The typical effective tax rate in Japan is based on corporate tax, business tax and inhabitant tax rates, and had been 40.7% in fiscal 2010 and 40.5% in fiscal 2009. Significant components of deferred tax assets are as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Deferred tax assets:			
Provision for enterprise taxes	**¥332**	¥266	**$4**
Allowance for doubtful accounts	**1,489**	1,488	**17**
Inventories	**970**	1,195	**11**
Net operating loss carry forwards	**4,050**	2,573	**46**
Revaluation loss on investment securities not deductible for tax purposes	**1,078**	644	**12**
Depreciation	**388**	684	**4**
Impairment loss	**1,235**	1,513	**14**
Net unrealized losses on investment securities	**119**	1,146	**1**
Long-term accounts payable	**934**	1,010	**11**
Others	**1,259**	1,907	**14**
Total gross deferred tax assets	**11,854**	12,426	**134**
Valuation allowance	**(6,991)**	(7,089)	**(79)**
Total deferred tax assets	**4,863**	5,337	**55**
Deferred tax liabilities:			
Goodwill	**(837)**	(994)	**(9)**
Others	**(63)**	(246)	**(1)**
Total deferred tax liabilities	**(900)**	(1,240)	**(10)**
Net deferred tax assets	**¥3,963**	¥4,097	**$45**

Note: Net deferred tax assets as of June 30, 2010 and 2009 are reflected in the following line items in the consolidated balance sheets:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Current assets–Deferred tax assets	**¥1,853**	¥1,477	**$21**
Other assets (non-current)–Deferred tax assets	**2,173**	2,623	**25**
Current liabilities-Others	—	(3)	—
Non-current liabilities-Others	**(63)**	—	**(1)**

2. A breakdown of major factors which accompanied a difference between the statutory effective tax rate and the corporate tax rate to be applied as a result of tax-effect accounting for the years ended June 30, 2010 and 2009 were as follows:

	2010	2009
Statutory tax rate	**40.7%**	40.5%
Per capita levy	**3.3%**	4.0%
Amortization of negative goodwill	**(2.0)%**	(2.4)%
Change in valuation allowance	**4.1%**	(4.6)%
Others	**(8.7)%**	0.1%
Effective income tax rate	**37.4%**	37.6%

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for fiscal 2010 and 2009 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Employees' compensation and benefit	**¥35,064**	¥37,968	**$396**
Occupancy and rental	**18,313**	20,487	**207**
Commission	**11,942**	12,302	**135**
Depreciation and amortization	**9,372**	8,384	**106**
Allowance for doubtful accounts	**3**	157	**0**
Provision for retirement benefits for directors	**206**	5	**2**
Provision for retirement benefits for employees	**27**	251	**0**
Allowance for point program	**12**	26	**0**
Other	**27,500**	30,488	**312**
Total	**¥102,439**	¥110,068	**$1,158**

18. IMPAIRMENT LOSS

Impairment loss summaries for fiscal 2010 and fiscal 2009 are as follows:

Fiscal 2010

			Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Location	Use	Category	**2010**	
Kanto	Stores and facilities	Buildings and structures	**¥8**	**$0**
Kanto	Leasing	Land	**132**	**2**
Kanto	Leasing	Buildings and structures	**8**	**0**
—	Other	Goodwill	**15**	**0**
	Total		**¥163**	**$2**

Within the Group, stores and operating divisions are classified as independent base units. For rental property, each property is the smallest unit within the respective category.

The Company recognized impairment of stores showing continued negative results from operating activities, facilities not intended for future use and business assets for which profitability has deteriorated. The book value of each asset was reduced to the recoverable value, and the write-down was recorded as impairment loss. The amount, derived mainly from buildings and structures, reached ¥8 million ($0 million). For rental property, the Company recognized impairment of assets for which fair value had fallen noticeably below book value. The book value of each asset was reduced to the recoverable value, and ¥140 million ($2 million) was recorded as impairment loss. The impairment loss included ¥132 million ($2 million) for land and ¥8 million ($0 million) for buildings and structures.

The Company recorded ¥15 million ($0 million) for total impairment of goodwill, reflecting the fact that certain consolidated subsidiaries are unlikely to achieve the revenue status anticipated at the time respective stock was acquired.

The recoverable value of these asset groups is derived by value in use or net disposal value. If a recoverable value is determined using the net disposal value, that amount will be based on an appraisal by a real estate appraiser. If a recoverable value is determined using value in use, that amount will be based on 6% discounted future cash flow.

Fiscal 2009

			Millions of yen (Note 2)
Location	Use	Category	2009
Kanto	Stores and facilities	Buildings and structures	¥148
Koshinetsu	Stores and facilities	Furniture and fixtures	0
Hokuriku	Stores and facilities	Furniture and fixtures	3
Hokkaido	Stores and facilities	Buildings and structures	15
—	Other	Goodwill	483
	Total		¥649

Within the Group, stores and operating divisions are treated as independent base units in specified asset groups.

The Company recognized impairment of stores showing continued negative results from operating activities, facilities not intended for future use and business assets for which profitability has deteriorated. The book value of each asset was reduced to the recoverable value, and the write-down was recorded as impairment loss. The amount, derived mainly from buildings and structures, reached ¥649 million ($7 million).

This amount comprised ¥125 million ($1 million) for buildings and structures, ¥20 million (truncated to $0 million) for furniture and fixtures, ¥483 million ($5 million) for goodwill and ¥21 million (truncated to $0 million) for other assets.

Of these asset write-downs, the complete write-down of ¥483 million ($5 million) on goodwill is due to the fact that certain consolidated subsidiaries are unlikely to achieve the revenue status anticipated at the time respective stock was acquired.

The recoverable value of these asset groups was derived by value in use or net disposal value. If a recoverable value is determined using the net disposal value, that amount will be based on an appraisal by a real estate appraiser. If a recoverable value is determined using value in use, that amount will be based on 6% discounted future cash flow.

19. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended June 30, 2010 and 2009 were as follows:

Fiscal 2010

			Millions of yen (Note 2)*2	Millions of U.S. dollars (Note 2)
Related party	Category	Description of the transactions	**2010**	
Anryu Shoji Co., Ltd.	Company in which directors hold the majority of voting rights	Leasing of real estate*1	**¥12**	**$0**
		Purchasing of fixed assets	**80**	**1**

*1 The rental value on real estate is determined under the same conditions of a regular transaction.
*2 Transaction amounts do not include consumption tax.

Fiscal 2009

			Millions of yen (Note 2)*2	Millions of U.S. dollars (Note 2)
Related party	Category	Description of the transactions	2009	
Takao Yasuda	Chairman of the Board of the Company	Purchasing of shares in affiliates*1	¥648	$7

*1 The purchase price of shares of affiliates is based on the net asset amount.
*2 Transaction amounts does not include consumption tax.

20. CALCULATION OF EARNINGS PER SHARE

The Company is applying "Accounting Standard for Earnings per Share" (Statement No. 2) and "Guidance on Accounting Standard for Earnings per Share" (Guidance No. 4), that are issued from the Accounting Standards Board of Japan on September 25, 2002. Some of the stock options issued in connection with the introduction of stock option plans and SARs of convertible bonds that could not 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)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Net income	**¥10,238**	¥8,554	**$116**
Net income after adjustments	**¥10,238**	¥8,554	**$116**

	2010	2009
Weighted average number of shares	**69,482,278**	69,157,288
Effective of dilutive securities:		
Stock options	**98,467**	2,280
Convertible bonds	**4,805,421**	—
Diluted weighted average number of shares	**74,386,166**	69,159,568

	Yen (Note 2)		U.S. dollars (Note 2)
	2010	2009	**2010**
Shareholders' equity per share	**¥1,460.81**	¥1,284.15	**$16.51**
Basic earnings per share	**147.35**	123.69	**1.67**
Diluted earnings per share	**137.64**	123.69	**1.56**

21. SUPPLEMENTARY DATA CONCERNING LOSSES

Breakdown of gain on sales of fixed assets

Breakdown of gain on sales of fixed assets	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Buildings and structures	**¥422**	¥110	**$5**
Furniture and fixtures	**2**	1	**0**
Land	—	63	—
Other	**18**	—	**0**
Total	**¥442**	¥174	**$5**

Breakdown of loss on disposal of fixed assets	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Buildings and structures	**¥216**	¥86	**$2**
Furniture and fixtures	**98**	142	**1**
Other	**4**	4	**0**
Total	**¥318**	¥232	**$3**

Breakdown of loss due to store closure	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Buildings and structures	**¥125**	¥845	**$2**
Furniture and fixtures	**11**	61	**0**
Other	**263**	348	**3**
Total	**¥399**	¥1,254	**$5**

22. CASH FLOW INFORMATION

Cash flow information as of June 30, 2010 and 2009 are as follows:

1. Cash and cash equivalents

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Cash and time deposit	**¥41,734**	¥42,563	**$472**
Deposits paid, which are included in the other current assets	**736**	602	**8**
Money market funds included under other current assets	**22**	—	**0**
Time deposit with maturities of more than three months	**(3,542)**	(1,001)	**(40)**
Pledged time deposit (over three months)	**(39)**	(124)	**(0)**
Cash and cash equivalents	**¥38,911**	¥42,040	**$440**

2. Significant non-cash transactions

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Decrease in substitute for treasury stock through conversion of convertible bonds	**¥346**	¥ —	**$4**
Disposal of treasury stock through conversion of convertible bonds	**14**	—	**0**
Decrease in convertible bonds through conversion	**¥360**	¥ —	**$4**

3. Major components of assets and liabilities of a company that has been consolidated through the acquisition of shares

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2010	2009	**2010**
Current assets	**¥ —**	¥1,616	**$ —**
Non-current assets	—	2,344	—
Current liabilities	—	(1,277)	—
Non-current liabilities	—	(119)	—
Negative goodwill	—	(248)	—
Acquisition cost of BIG1 CO., LTD.	—	2,316	—
Cash and cash equivalents of BIG1 CO., LTD.	—	(423)	—
Payments for the acquisition	**¥ —**	¥1,893	**$ —**

23. LEASING AND OTHER MATTERS CONCERNING REAL ESTATES

Information on leasing and other matters concerning real estates, in fiscal 2010, were as follows:

The Company and some of its consolidated subsidiaries own commercial facilities, including the land on which these facilities sit, in Tokyo and other areas. Income on leased real estate, including the aforementioned facilities, reached ¥971 million ($11 million) in fiscal 2010, with leasing-related income recorded under net sales and significant leasing-related expenses recorded under cost of sales and selling, general and administrative expenses. Impairment loss recognized ¥140 million ($2 million), with the amount recorded under extraordinary losses.

The balance sheet carrying amount, changes and fair value are as follows:

Millions of yen (Note 2)			
Acquisition cost			Fair value at end of consolidated fiscal year
Balance at end of previous consolidated fiscal year	Change	Balance at end of consolidated fiscal year	
¥13,132	**¥2,020**	**¥15,152**	**¥16,255**

Millions of U.S. dollars (Note 2)			
Acquisition cost			Fair value at end of consolidated fiscal year
Balance at end of previous consolidated fiscal year	Change	Balance at end of consolidated fiscal year	
$148	**$23**	**$171**	**$184**

* The amount which have been included in the consolidated balance sheet are the ones which have had been subtracted an acquisition cost by the sum of depreciation and amortization in addition to impairment loss.

* For the year ended June 30, 2010, a major increase component was ¥3,801 million ($43 million) for the acquisition of real estate, and major decrease components were depreciation and ¥1,070 million ($12 million) for the change in application from real estate used for leasing purposes to real estate used by the Company.

* Fair value as of June 30, 2010 is an amount which was calculated by the Company, including ones with which adjustments had been made by using certain indicators, based primarily on Japanese Real Estate Appraisal Standards.

(Additional information)

From the consolidated fiscal year under review, the Company has applied "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20), issued on November 28, 2008, and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23), also issued on November 28, 2008.

24. BUSINESS COMBINATIONS

Information pertaining to business combinations in fiscal 2010 and fiscal 2009 are presented as follows:

Fiscal 2010

(Transactions under common control)

1. Name and business activity of companies at the time of business combination, form of business combination, name of entity after combination, outline and purpose of transaction

(1) Name and business activity of combined entity

Surviving company in business combination

Company name	Don Quijote Co., Ltd. (the filing company)
Business activity	Discount store business

Company absorbed in business combination

Company name	BIG1 CO., LTD. (Consolidated subsidiary of the filing company)
Business activity	Discount store business

(2) Form of business combination

An absorption-type merger through which Don Quijote, as the surviving company, absorbs BIG1, which is subsequently dissolved.

(3) Name of entity after combination

Don Quijote Co., Ltd.

(4) Outline and purpose of transaction

BIG1 operated six discount stores in Aichi Prefecture and Gifu Prefecture. The company had seven stores as of October 2008, but closed one in February 2009. The company became a wholly owned subsidiary of Don Quijote in October 2008. On July 1, 2009, Don Quijote absorbed BIG1 in an effort to use management resources through concentration of such assets and to enhance efficiency in group management.

2. Summary of accounting treatment applied

In accordance with "Accounting Standard for Business Combinations," (Business Accounting Council, October 31, 2003) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, final revision November 15, 2007), this business combination has been treated as a transaction under common control.

Fiscal 2009

(Transactions under common control)

Transfer of operations between consolidated subsidiaries

1. Name and business activity of companies at the time of business combination, form of business combination, name of entity after combination, outline and purpose of transaction

(1) Name and business activity at the time of combination

Company transferring operations

Company name	Nagasakiya Co., LTD.
Business activity	General merchandise store business and tenant leasing operations

Company assuming operations

Company name	Paw Creation Co., Ltd.
Business activity	Tenant leasing operations

(2) Business activity targeted for combination

Tenant leasing business

(3) Form of business combination

Transfer of business

(4) Name of entity after combination

Paw Creation Co., Ltd.

(5) Outline and purpose of transaction

The tenant leasing operations of Nagasakiya Co., LTD., were transferred on April 1, 2009, through restructuring aimed at strengthening said operations.

2. Summary of accounting treatment applied

In accordance with "Accounting Standard for Business Combinations," (Business Accounting Council, October 31, 2003) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, final revision November 15, 2007), this business combination has been treated as a transaction under common control.

25. SUBSEQUENT EVENTS

1. Cash dividends

The following cash dividends of the Company, which have not been reflected in the consolidated financial statements for the year ended June 30, 2010, were approved at the shareholders' meeting held on September 28, 2010.

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Cash dividends (¥15.00 = $0.17 per share)	**¥1,081**	**$12**

2. Substantial amount of financing

Pursuant to a resolution of the Board of Directors at a meeting held on July 23, 2010, the Company have conducted the following financing activity.

(Financing through overdraft loan agreement)

1. Lenders	Resona Bank, Ltd., and six other banks
2. Principle amount of a loan	¥6,500 million ($73 million)
3. Interest rate	0.79% per annum
4. Execution date	July 30, 2010
5. Term of redemption	September 30, 2010
6. Asset pledged as collateral	None
7. Purpose	Capital investment

Pursuant to a resolution of the Board of Directors at a meeting held on August 19, 2010, the Company have undertaken the following financing activities.

(Financing through overdraft loan agreement and loan on bill)

1. Lenders	Resona Bank, Ltd., and four other banks
2. Principle amount of a loan	¥3,400 million ($38 million)
3. Interest rate	0.91~0.99% per annum
4. Execution date	August 31, 2010
5. Term of redemption	February 28, 2011
6. Asset pledged as collateral	None
7. Purpose	Tax payments

Pursuant to a resolution of the Board of Directors at a meeting held on September 9, 2010, the Company has undertaken and will undertake the following financing activities.

(Financing through issuance of Don Quijote 42nd through 46th unsecured bonds)

1. Amount of issuance	Total of ¥9,000 million ($102 million)
2. Coupon rate	0.59~0.94% per annum
3. Execution date	September 27, 2010 to September 30, 2010
4. Term	Five years
5. Asset pledged as collateral	None
6. Purpose	Capital investment

(Financing through loan on deed)

1. Lenders	Mizuho Bank, Ltd. and six other banks
2. Principle amount of a loan	¥11,000 million ($124 million)
3. Interest rate	Undecided
4. Execution date	September 30, 2010 to November 30, 2010 (Tentative)
5. Repayment term	Three to five years
6. Asset pledged as collateral	None
7. Purpose	Capital investment

3. Early redemption of zero coupon convertible bonds due 2011

Pursuant to a resolution of the Board of Directors at its meeting on September 17, 2010, the Company will execute early redemption of zero coupon convertible bonds due 2011, as outlined below, based on a 120% call option provision.

1. Name	Don Quijote Zero Coupon Convertible Bonds due 2011
2. Date of early redemption	October 29, 2010
3. Reason of early redemption	According to 120% call option provision set forth in prospectus of the bonds

4. Other facts

Principal amount outstanding before redemption	¥8,620 million ($97 million)
Total amount of early redemption	¥8,620 million ($97 million)
Principal amount outstanding after redemption	¥ — million ($ — million)

26. SEGMENT INFORMATION

Operating segment information

Operating segment information for the consolidated fiscal year ended June 30, 2010 and 2009 were as follows:

Fiscal 2010

	Millions of yen (Note 2)						
	Discount store business	GMS business	Tenant leasing business	Others	Total	Corporate Eliminations	Consolidated
1. Sales, operating income and expenses							
Sales							
Sales to third parties	**¥416,183**	**¥54,005**	**¥15,737**	**¥1,646**	**¥487,571**	**¥—**	**¥487,571**
Intersegment sales	**204**	**3**	**2,152**	**903**	**3,262**	**(3,262)**	**—**
Total	**416,387**	**54,008**	**17,889**	**2,549**	**490,833**	**(3,262)**	**487,571**
Operating expenses	**399,844**	**54,264**	**13,553**	**1,952**	**469,613**	**(3,109)**	**466,504**
Operating income	**16,543**	**(256)**	**4,336**	**597**	**21,220**	**(153)**	**21,067**
2. Assets, depreciation and amortization, loss on impairment of fixed assets, and capital expenditure							
Assets	**237,188**	**19,625**	**40,773**	**3,477**	**301,063**	**966**	**302,029**
Depreciation and amortization	**7,481**	**745**	**1,619**	**48**	**9,893**	**(90)**	**9,803**
Loss on impairment of fixed assets	**8**	**—**	**140**	**15**	**163**	**—**	**163**
Capital expenditure	**17,111**	**1,452**	**3,371**	**156**	**22,090**	**40**	**22,130**

Fiscal 2010

	Millions of U.S dollars (Note 2)						
	Discount store business	GMS business	Tenant leasing business	Others	Total	Corporate Eliminations	Consolidated
1. Sales, operating income and expenses							
Sales							
Sales to third parties	**$4,704**	**$610**	**$178**	**$19**	**$5,511**	**$—**	**$5,511**
Intersegment sales	**2**	**0**	**24**	**10**	**36**	**(36)**	**—**
Total	**4,706**	**610**	**202**	**29**	**5,547**	**(36)**	**5,511**
Operating expenses	**4,519**	**613**	**153**	**22**	**5,307**	**(34)**	**5,273**
Operating income	**187**	**(3)**	**49**	**7**	**240**	**(2)**	**238**
2. Assets, depreciation and amortization, loss on impairment of fixed assets, and capital expenditure							
Assets	**2,681**	**222**	**461**	**39**	**3,403**	**11**	**3,414**
Depreciation and amortization	**85**	**8**	**18**	**1**	**112**	**(1)**	**111**
Loss on impairment of fixed assets	**0**	**—**	**2**	**0**	**2**	**—**	**2**
Capital expenditure	**193**	**16**	**38**	**2**	**249**	**0**	**249**

Fiscal 2009

	Millions of yen (Note 2)						
	Discount store business	GMS business	Tenant leasing business	Others	Total	Corporate Eliminations	Consolidated
1. Sales, operating income and expenses							
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

Geographic segment information

For fiscal 2010 and 2009, 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 fiscal 2010 and 2009, sales outside of Japan amounted less than 10% of consolidated net sales, and therefore the information is not presented.

Report of Independent Auditors

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, 2010 and 2009, 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, 2010 and 2009, 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 25 to the consolidated financial statements, the Company conducted or may conduct the substantial amount of financing.
As described in Note 25 to the consolidated financial statements, the Company may redeem the Zero Coupon Convertible Bonds due 2011 in advance.

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
Tokyo, Japan
September 28, 2010

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.

Corporate Information

Corporate Data (as of June 30, 2010)

COMPANY NAME
Don Quijote Co., Ltd.

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

HEAD OFFICE
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
¥15,049,045 thousand

NUMBER OF EMPLOYEES
2,452

NUMBER OF STORES (Consolidated basis)
220

Board of Directors (as of September 28, 2010)

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	Tomiaki Fukuda
Statutory Auditor	Makoto Iwade
Statutory Auditor	Yoshihiro Hongo
Statutory Auditor	Yukihiko Inoue

* The four statutory auditors are outside auditors as provided in Article 2, Paragraph 16 and Article 335, Paragraph 3 of the Japanese Corporate Law.

Share Information (as of June 30, 2010)

SHARES OF COMMON STOCK

Authorized:	234,000,000
Issued:	72,095,109
Treasury stock:	473

NUMBER OF SHAREHOLDERS

5,114

PRINCIPAL SHAREHOLDERS

	Number of shares held	Percentage of total shares in issue (%)
Takao Yasuda	14,712,000	20.41
La Mancha	9,000,000	12.48
The Master Trust Bank of Japan, Ltd. (Trust Account)*	4,929,400	6.84
Japan Trustee Service Bank, Ltd. (Trust Account)*	4,559,000	6.32
Anryu Shoji Co., Ltd.	4,140,000	5.74
BBH for Fidelity Low-priced Stock Fund	2,905,374	4.03
Japan Trustee Service Bank, Ltd. (Trust Account 9G)*	2,892,500	4.01
Yasuda Scholarship Foundation	1,800,000	2.50
Goldman, Sachs & Co. Reg	1,310,206	1.82
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	1,137,208	1.58

* 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	51	17,791,718	24.68
Financial Products Trader	23	135,854	0.19
Other Japanese Corporations	67	6,104,885	8.47
Foreign Corporations and Individuals	254	30,594,485	42.43
Japanese Individuals and Others*	4,719	17,468,167	24.23
Total	5,114	72,095,109	100.00

* Shares held by Japanese Individuals and Others include treasury stock (473 shares).

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

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