2011
ANNUAL REPORT

Pioneering in Retail Innovation

Don Quijote Co., Ltd.

We do it all for our customers

Contents

Profile

Since the first Don Quijote store opened in 1989, Don Quijote Co., Ltd., has adhered to a company principle of "valuing the customer as our utmost priority" in developing business activities—primarily a network of stores under a comprehensive discount format emphasizing variety. We have attracted enormous support from customers for an innovative perspective on retailing that meets their needs with a rich assortment of merchandise and remarkably low prices and then transforms the typically routine chore of shopping into an entertaining experience through presentations that utilize "compression displays" and handwritten POP (point-of-purchase) cards.

Also of note, general discount MEGA Don Quijote stores catering to family-oriented lifestyles as well as Doit home centers have drawn favorable market attention and established a solid market presence.

Even under the very challenging market conditions that characterized the fiscal year in review, mainly due to the circumstances that followed the devastation caused by the Great East Japan Earthquake, we directed concerted effort toward the operation of stores that epitomize the "valuing the customer as our utmost priority" ideal and meet customer needs straight on. This effort was rewarded with an increase in visits by new customer segments, which underpinned higher revenues and operating income for the 21st consecutive year. But even more impressive was achieving consolidated net sales of ¥507.7 billion and securing growth as a comprehensive retailing group with 228 stores.

We will continue to pursue 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.

Nagasakiya Co., LTD.
General merchandise store operation

Don Quijote (USA) Co., Ltd.
Discount retail chain in the U.S.

Doit Co., Ltd.
Retailing business emphasizing DIY goods

Fidec Corporation
Financial services to quickly acquire client accounts receivable, and outsourcing services to manage clients' payment processing operations

Don Quijote Co., Ltd.
Operation of discount stores that sell electrical appliances, daily commodities, foods, watches, fashion merchandise, sporting goods, leisure equipment, DIY products and others

Japan Commercial Establishment Co., Ltd.
Leasing space management
Rental business operation

Donki Johokan Co., Ltd.
Cellular phone sales business

REALIT Co., Ltd.
Marketing business

Sun Assort Co., Ltd.
Casualty insurance agency services and services related to the sale (subscription) of life insurance policies

D-ONE Co., Ltd.
Real estate business

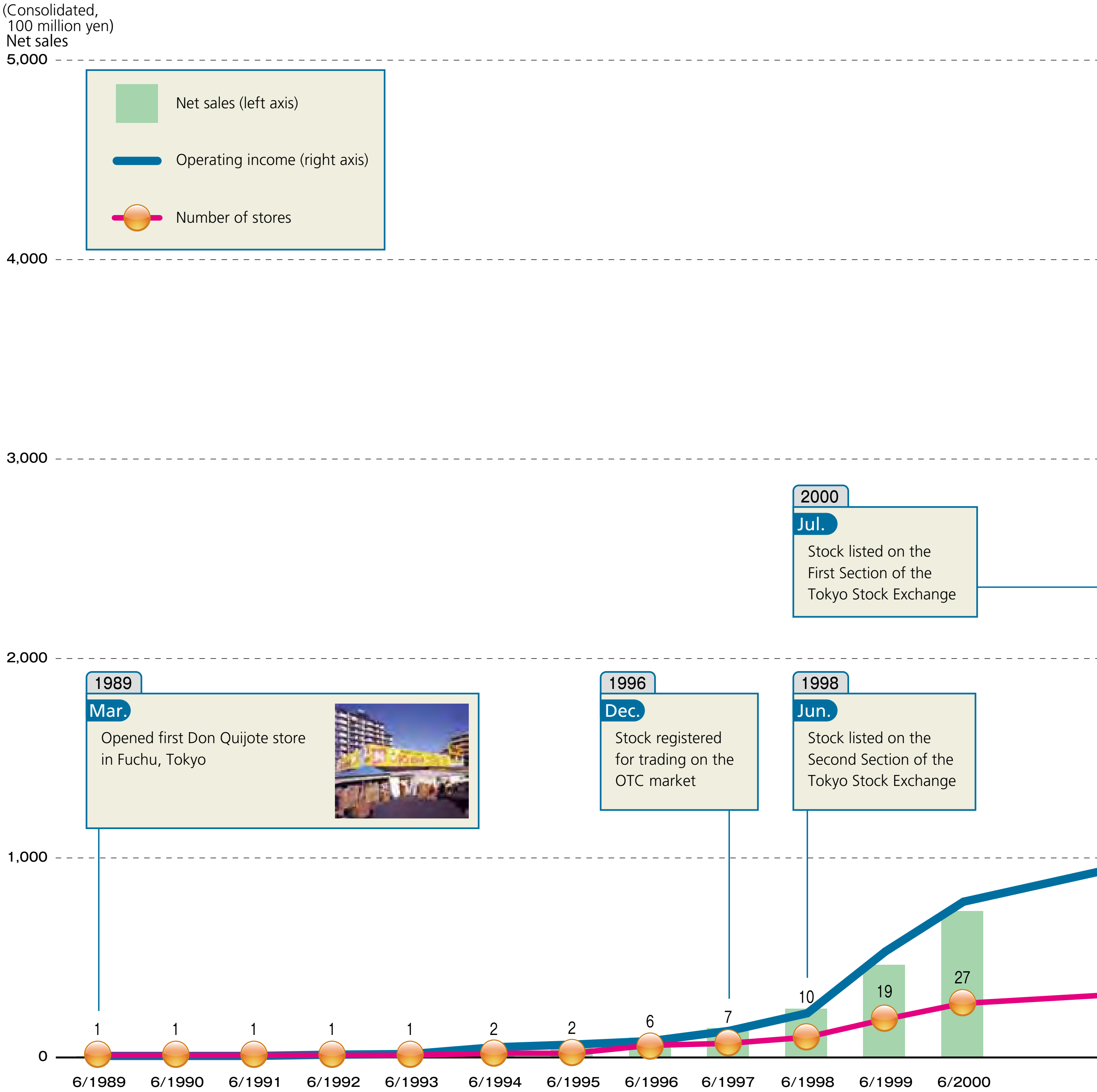
Disclaimer Regarding Forward-Looking Statements
Forward-looking content in this annual report is based on various assumptions and is not a guarantee of future performance or the realization of stated strategies.

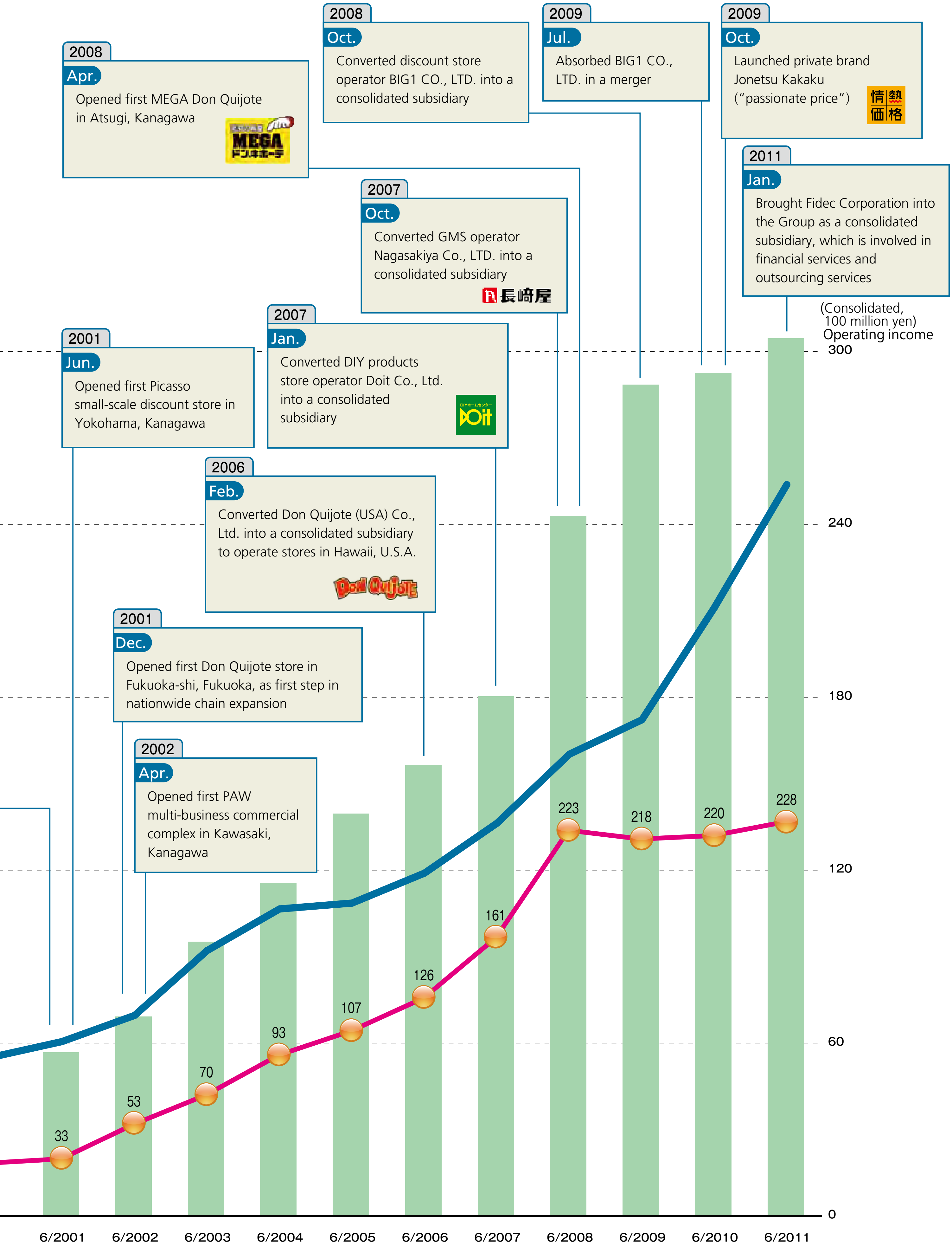
The Don Quijote Group: Stages in Development

Established in 1980, Don Quijote has been in business for 31 years, building a strong group of companies that enjoy the support of huge customer bases.

Guided by our "valuing the customer as our utmost priority" principle, we have grown through a repeated process of trial and error to find the right approaches to delight customers and meet their needs.

Going forward, we will continue to create shopping environments that enable as many people as possible to enjoy the convenience, discounts and amusement that the Don Quijote Group is known for. This emphasis will underpin further growth.




2008
Apr.
Opened first MEGA Don Quijote in Atsugi, Kanagawa
2008
Oct.
Converted discount store operator BIG1 CO., LTD. into a consolidated subsidiary
2009
Jul.
Absorbed BIG1 CO., LTD. in a merger
2009
Oct.
Launched private brand Jonetsu Kakaku (“passionate price”)
情熱
価格
2011
Jan.
Brought Fidec Corporation into the Group as a consolidated subsidiary, which is involved in financial services and outsourcing services
2007
Oct.
Converted GMS operator Nagasakiya Co., LTD. into a consolidated subsidiary
長崎屋
2007
Jan.
Converted DIY products store operator Doit Co., Ltd. into a consolidated subsidiary
2001
Jun.
Opened first Picasso small-scale discount store in Yokohama, Kanagawa
2006
Feb.
Converted Don Quijote (USA) Co., Ltd. into a consolidated subsidiary to operate stores in Hawaii, U.S.A.
2001
Dec.
Opened first Don Quijote store in Fukuoka-shi, Fukuoka, as first step in nationwide chain expansion
2002
Apr.
Opened first PAW multi-business commercial complex in Kawasaki, Kanagawa
(Consolidated, 100 million yen)
Operating income
300
240
180
120
60
0
33
53
70
93
107
126
161
223
218
220
228
6/2001
6/2002
6/2003
6/2004
6/2005
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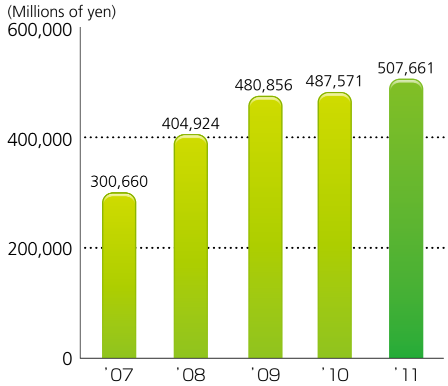
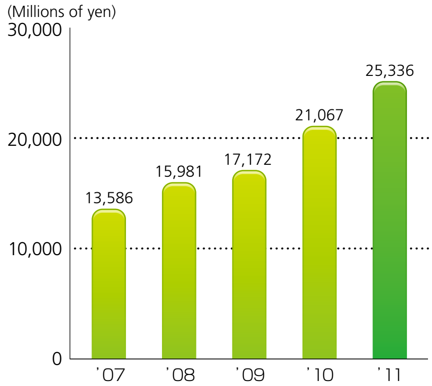
6/2007
6/2008
6/2009
6/2010
6/2011

Consolidated Financial Highlights

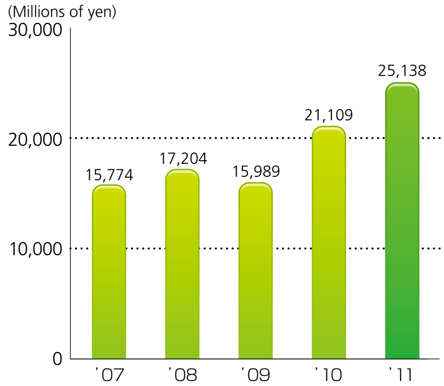
Net sales



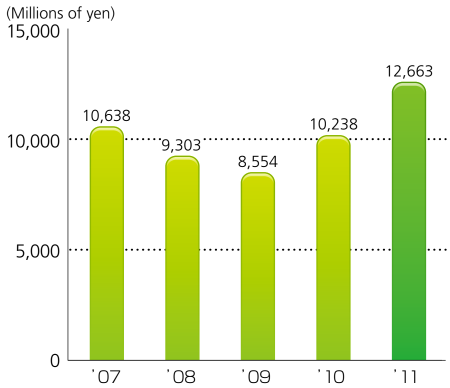
Operating income



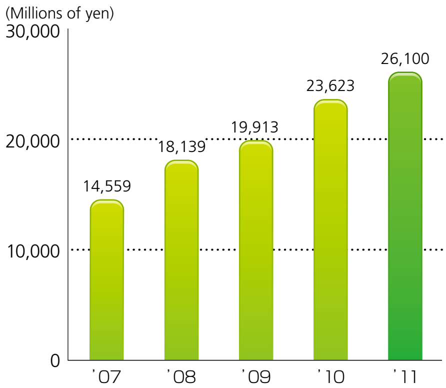
Recurring income



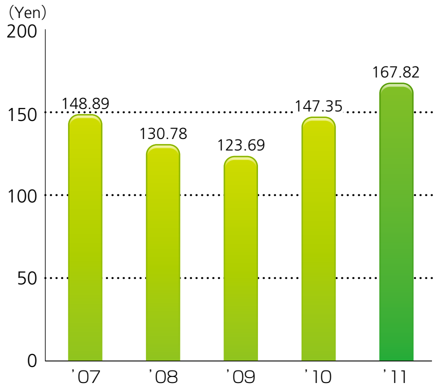
Net income



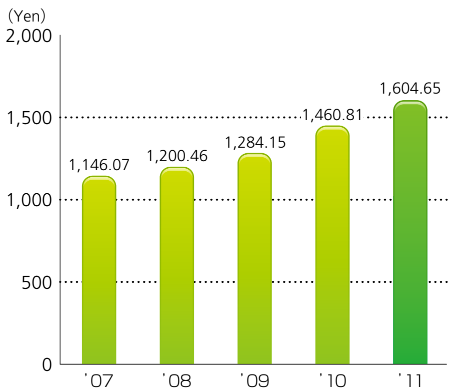
Free cash flow*1



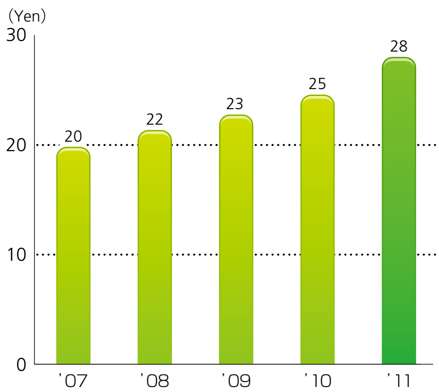
Net income per share



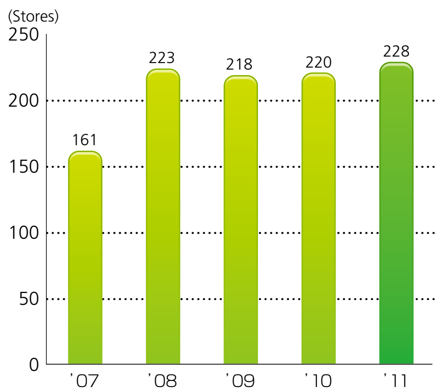
Shareholders' equity per share



Annual dividends per share



Number of stores*2



*1 Free cash flow = net income after taxes + depreciation and amortization + extraordinary loss − cash dividends
*2 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 2011 on June 30, 2011, and we would like to describe the Group's operating environment and performance for shareholders and investors.

For most of fiscal 2011, the domestic economy charted a slow but steady recovery, fostered mainly by external demand—especially from emerging markets—and successful government measures to stimulate the economy. But bright prospects suddenly dimmed when the Great East Japan Earthquake struck and associated disasters precipitated issues, such as minus growth for gross domestic product, that tested the strength of economic recovery in Japan. Like many sectors of the economy, the distribution and retail industries were significantly impacted by the earthquake and tsunami, since the damage disrupted supply chain systems. The rapidly appreciating yen only added to the already challenging situation that pervaded Japan.

In this difficult operating environment, the Don Quijote Group demonstrated a tenacious ability to respond quickly and flexibly to changes, always conscious of the company principle of "valuing the customer as our utmost priority." Our efforts were rewarded with another year of solid growth.

Consolidated net sales increased 4.1% over the previous fiscal year, to ¥507.7 billion, operating income climbed 20.3%, to ¥25.3 billion, recurring income rose 19.1%, to ¥25.1 billion, and net income jumped 23.7%, to ¥12.7 billion. Net sales and operating income grew for the 21st consecutive year—an uninterrupted pattern of growth since the opening of the first Don Quijote store in 1989. In fact, income hit an all-time high, greatly surpassing initial forecasts. The annual dividend was set at ¥28 per share, up ¥3 from fiscal 2010. This was the eighth consecutive year of increase, exemplifying our policy on returning profit to shareholders.

Takao Yasuda
Chairman of the Board and CEO

Junji Narusawa
President and COO

Group Activities in Fiscal 2011

As always, Group companies emphasized the unique amusement quality and great services and endeavored to make shopping a wonderful experience for customers. These efforts were implemented from the perspective of a retailer that specializes in creating store formats, coupled with our principle of "valuing the customer as our utmost priority" and original concepts in shopping.

Don Quijote, the core company of the Group, made progress in its development of stores that appeal to customers by drawing on its ability to anticipate purchasing needs, and toward this end emphasized speedy recombination of product portfolios and pricing strategies corresponding to the deflationary environment. The Company also took cost management efforts to the next level. In addition, the Company aggressively pursued opportunities to open new stores near train stations, including recently completed, massive commercial complexes that connect to train terminals in major metropolitan areas. A prime example is the new Don Quijote Umeda store, in the Umeda district of Osaka, which is one of the busiest shopping areas in Japan. To retailers, Umeda is one of the most sought-after locations in all of Japan. The Company is working on new store creation strategies specifically for stores in prized station squares where original product lineups are fine-tuned to the varied lifestyles and shopping needs of urban customers.

Don Quijote Umeda store


MEGA Don Quijote Kobe store

Meanwhile, Nagasakiya Co., LTD., enjoyed profitability, thanks to its efforts to be more competitive by expanding the MEGA Don Quijote general discount, family-oriented store network, which included progress in store renovations and store conversions matched to geographical characteristics. Additionally, Doit Co., Ltd., which handles do-it-yourself products, improved its profitability significantly, owing to some success in business recovery efforts. As a result, Doit could actively promote the opening of new stores.

As far as product strategy is concerned, we resourcefully worked to strengthen planning and sales capabilities for products, such as the Jonetsu Kakaku private brand, that we conceived on our own. We also highlighted the diversity and popularity factor of our product selection and endeavored to boost profitability.

Fiscal 2012 Tasks and Performance Expectations

More time will be needed to achieve a full-scale economic turnaround because of uncertainties that currently complicate the process. Key factors include lingering issues stemming from the Great East Japan Earthquake as well as fears of recession in the United States and Europe and exchange rate fluctuations. Challenging conditions are therefore likely to persist in the retail industry. Against this backdrop, the Don Quijote Group will strive to create stores that attract customers and elicit a high level of customer satisfaction. The focus will be on two formats: the mainstay Don Quijote format and the family-oriented MEGA Don Quijote format.

Our store strategy calls for as many as 15 new stores, with an emphasis on the mainstay Don Quijote format, while we will work to boost customer visits to MEGA Don Quijote and raise the gross profit margin for this format. In our product strategy, we will seek to enhance our product portfolio to further draw the attention of consumers. We will also strive to enrich product lineups, such as the Jonetsu Kakaku private brand, with new features and specialty items.

These measures should lead to another year of higher sales and income on a consolidated basis, with net sales rising 4.2% to ¥528.9 billion, operating income gaining 6.6% to ¥27.0 billion, and net income jumping 10.6% to ¥14.0 billion for fiscal 2012, the year ending June 30, 2012.

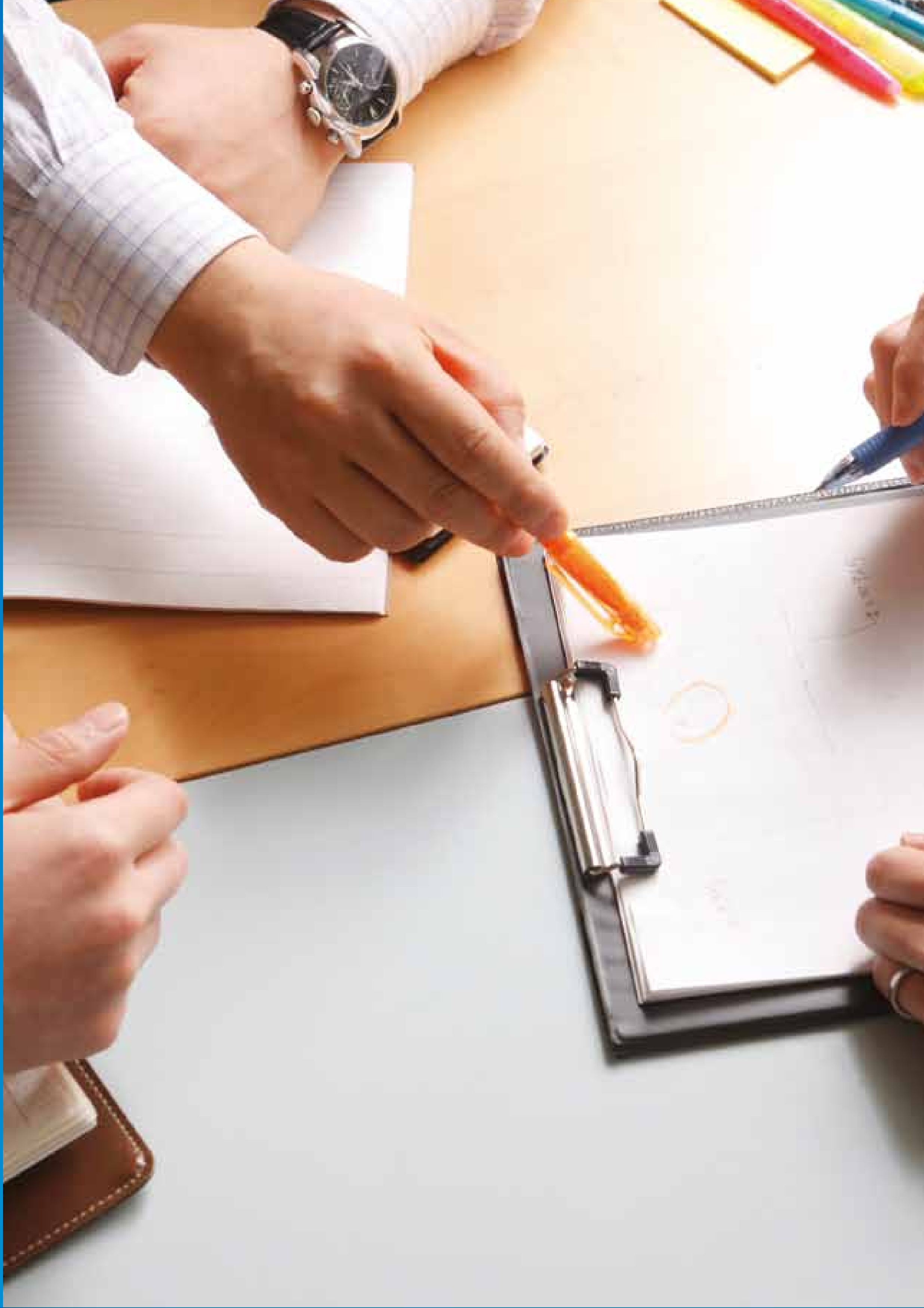
Corporate Image We Aspire to

The medium- to long-term goals of the Don Quijote Group are to balance growth and profitability while expanding corporate value through the implementation of business plans emphasizing a more extensive store network, and to establish a business model that capitalizes on the lucrative night market. Customer needs are diversifying, and people are increasingly eager to showcase their individuality. Given these trends, we will not be held back by one-size-fits-all rules but strive instead to address prevailing consumer demands by constantly reviewing product composition from the customer's perspective and presenting new ways to think outside the box. In addition, we will reinforce our domestic network by flexibly adopting various store formats tailored to market size and local characteristics but also enhance the skills of staff who will be better able to address overseas developments, especially in Asia, where economic growth is still strong, and thereby set the stage for securing future profits.

Participating in both the distribution and retail sectors, the Don Quijote Group has an obligation to ensure access to the products that customers regard as must-have items. This commitment, while demonstrated in many ways and at many times, was truly evident in the swift response taken right after the Great East Japan Earthquake on March 11, 2011. We immediately resumed sales of essential products, such as food and beverages and drinking water at our stores, even in the disaster area, and made every effort to support the daily-living infrastructure of our customers.

We are part of the communities in which we operate. We have been and always will be right there with our customers, walking the same path. Our "valuing the customer as our utmost priority" principle is absolute and, guided by this unwavering pledge, we will create stores that provide safe and entertaining products and services. Furthermore, we aim to share successful results with our many stakeholders and will strive to the very limits of our capabilities to reinforce corporate value and shareholder value.

Customers in line for reopening of store seven days after disaster (MEGA Don Quijote Sendai Dainohara 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 220 locations.

Ideal Marketing Strategy Fine-Tuned to Each Area

The Don Quijote Group has several unique store formats, most notably, the Don Quijote comprehensive discount format emphasizing variety, the MEGA Don Quijote general discount format catering to family-oriented lifestyles, and the Doit home center format for the do-it-yourself market. When planning to open a new store, we carefully analyze the catchment area and select a store format perfectly suited to local characteristics. After the grand opening, we rely on the sharp eyes and ears of on-site staff to pick up on customer needs, which differ by location, so that we can accurately adapt product mix, store layout and other aspects of the daily shopping experience to local factors.

The magnetic draw of these truly innovative store formats is not only generating a hustle-and-bustle atmosphere inside the respective stores but also fostering a lively mood in the surrounding areas, which helps to revitalize the community as a whole. A perfect example of this is the Don Quijote Yanagase store, which opened in the city of Gifu in April 2011. The store opened in a style that satisfied certain conditions for opening, particularly requests made by merchants and local officials in the immediate shopping district. It was an attempt to improve the local scene, and it drew considerable attention.

Our goal is to make each store the "No. 1 store in a given catchment area." To create stores well-matched to market needs and trends, which are constantly changing, we always consider issues from a customer's perspective and act accordingly. It is this customer-oriented emphasis on store creation that underpins the excellent marketing capabilities of the Don Quijote Group and thus represents a corporate strength of unparalleled force.

Store Development at Home and Abroad

In our domestic store development strategy, we will reinforce the store network by adding roadside stores in the suburbs and by achieving a good balance of new store openings in city centers close to major train stations and commercial districts.

We will change up existing stores as necessary to reflect the seasons and trends, and we will ensure the novelty aspect that customers have come to love about our stores. This will keep our competitive edge sharp and our profits high.

Overseas, we will continue to direct concerted effort toward improving business results at our three stores in Hawaii. But we also seek to build a wider presence in Asia to capitalize on anticipated growth in its markets, and so we will endeavor to secure and train people with the requisite skills for working abroad, such as fluency in other languages and knowledge of established business practices in other countries.

Stores oriented toward suburban customers

MEGA Don Quijote Yotsukaido store

Stores oriented toward urban customers

Don Quijote Ikebukuro Higashiguchi Ekimae store

Training candidates to run operations in China

Product Procurement

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 product procurement is underpinned by its "delegation of authority" and "spot product purchasing."

The Don Quijote Group authorizes its store staff for product procurement so that each store can respond immediately to customer feedback.

Delegation of Authority Leads to a Captivating Product Lineup

Most product procurement authority within the Don Quijote Group is delegated to staff at each store. The delegation of purchasing authority realizes quick and efficient access to products through on-site decisions and allows each store to pinpoint and react straight away to changing trends. It also enhances price competitiveness.

The "buying floor"—the "sales floor" as seen from the customer's point of view—provides direct confirmation of customer needs and responses to the products on display, which can be applied to subsequent orders. This process underpins a structure that ensures stores always have exactly what customers are looking for.

Under this delegation of authority, each member of staff at each store acts like an independent shopowner, considering factors from a customer's perspective, weighing the pros and cons of a purchase, making decisions and then acting on them without relying solely on the head office for product distribution. This process keeps the product procurement capability of the Don Quijote Group constantly evolving.

Spot Purchasing Yields a New Discovery Every 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.

Using methods unique to the Don Quijote Group, namely, handwritten point-of-purchase (POP) cards and compression displays, stores make spot products as attractive as possible to draw customers' attention. These products are comparable to national brands and represent a key component of the merchandise mix on buying floors at all stores under the Don Quijote Group umbrella.

Spot products typically include seasonal items and incredibly low-priced, unusual items, and the selection is always changing so customers will discover something new on every visit. The prospect of a delightful surprise in store is a major factor encouraging customers to drop by.

POP cards produced by expert staff

POP cards maximize the appeal of products

Brand Management

The Don Quijote Group implements measures that solidify the "valuing the customer as our utmost priority" principle and developed Jonetsu Kakaku, a private brand with a range of merchandise for everyday occasions.

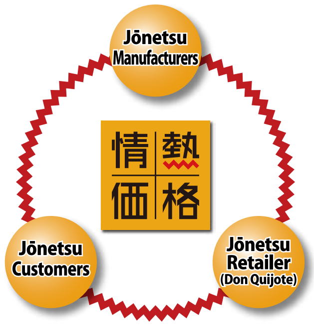
We have established a high brand profile through a host of novel approaches, including such original products as the private brand Jonetsu Kakaku, which are designed to show our commitment to the "valuing the customer as our utmost priority" principle.

Developing Jonetsu Kakaku Private Brand from a "Wouldn't that be nice?" Perspective

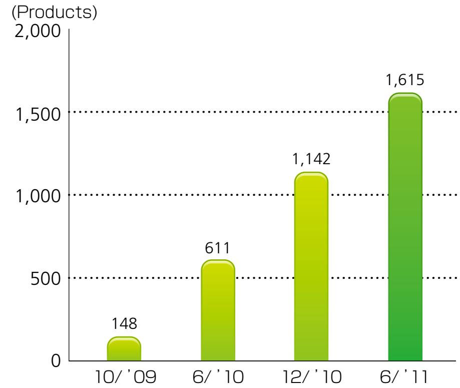
Jonetsu Kakaku is a Don Quijote private brand of products launched in October 2009 with the aim of making it not only the most familiar brand but also the best-loved brand that expresses one's individuality. The name translates as "passionate price," and the brand currently comprises more than 2,000 items—mainly food, daily necessities, clothing and electrical appliances.

The product development process for Jonetsu Kakaku begins by listening carefully to the comments of each and every customer who takes the time to share thoughts with us. 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 unbeatable low price.

We will continue to expand our selection of products notable for aspects of enjoyment and new discovery for customers that make our private brands unique, so very much unlike other private brand products that focus solely on low prices. In addition, we will strive to transform the development of private brands into a core product strategy for the Group.



Number of products under Jonetsu Kakaku brand



Highly Recognized Brand in Japan Underpinned by "Valuing the Customer as Our Utmost Priority" Principle

Although hardly any of its advertising activities utilize mass media, the Group has built a strong brand image—an enviably high profile—recognized throughout Japan. Original approaches that put our "valuing the customer as our utmost priority" principle into practice are a key to reinforcing our brand image because they resonate with customers, drawing them to our stores. Business practices, notably the creation and use of a lovable mascot, store exteriors that attract attention even late at night, and handwritten POP cards that add a personal touch to product displays, have enhanced the amusement factor in shopping. It has been word of mouth, primarily, from customers who had enjoyable shopping experiences that has quickly put the Don Quijote name in a bright spotlight, and the reputation for originality that has been cultivated by our stores, particularly those in urban centers, has extended across the country, fueling the popularity of our retailing format still further. In addition, many public figures have become fans of our buying floors, where customers always find surprises and something new, and inevitably, our stores frequently appear or are mentioned in various media.

We will continue to reinforce brand recognition, permeating market consciousness, as we expand our store network and shopping concept throughout the country, always guided by the "valuing the customer as our utmost priority" principle.

Grand opening of the Don Quijote Uji store

Grand opening of the MEGA Don Quijote Soka store

Human Resource Development

Staff at stores under the Don Quijote Group umbrella are, through the delegation of authority, responsible for all aspects of store operation, from market analysis to the planning of sales strategies and further to displays and product presentation. The potential for employees to grow and develop their skills is nurtured under a fair evaluation system and a spirit of friendly competition within the organization.

We promote the development of staff on whom our future will inevitably depend by delegating authority, which motivates individuals to do well, and by fairly evaluating their performance.

Developing Skills through Friendly Competition, Not Classroom Training

To give form to the company principle of "valuing the customer as our utmost priority," the Don Quijote Group endeavors to develop staff who will carry the corporate torch into the future. This is accomplished by delegating authority to store staff and recognizing performance under a fair employee evaluation system.

A notable feature of our human resources development structure is the opportunity afforded to employees to enhance their abilities not through classroom training but through competition amongst themselves. We allocate responsibilities—considerable but focused—covering everything from purchasing to pricing, while limiting the range of merchandise each staff member is assigned to oversee. Then we take an impartial look at how individuals used the authority they were given. This approach creates an environment in which employees can develop skills while competing with each other.

We announce various rankings and run event-like seminars for employees so that work takes on a game-like atmosphere and the spirit of in-house competition becomes stronger. Staff who assume responsibilities have fun while they work and enhance their capabilities through friendly competition. This is the approach that we have taken to develop human resources with excellent capabilities.

Cultivating Human Resources to Accept Challenges without Fear of Failure

The Don Quijote Group adheres to a completely performance-based employee evaluation system, which assesses individuals on their current performance not on past achievements or failures. Therefore, as long as employees maintain an indomitable fighting spirit that pushes them to bounce back after a misstep, they can try and try again to achieve successful results. This structure keeps store staff highly motivated and fosters a positive form of in-house competition.

At the same time, the allocation of considerable but focused responsibilities to store staff helps us disperse risks. Under this risk-control concept, we have built a corporate culture that encourages employees to embrace challenges without fear of failure, and we have cultivated the skills of our human resources, the people who put our principle of "valuing the customer as our utmost priority" into practice.

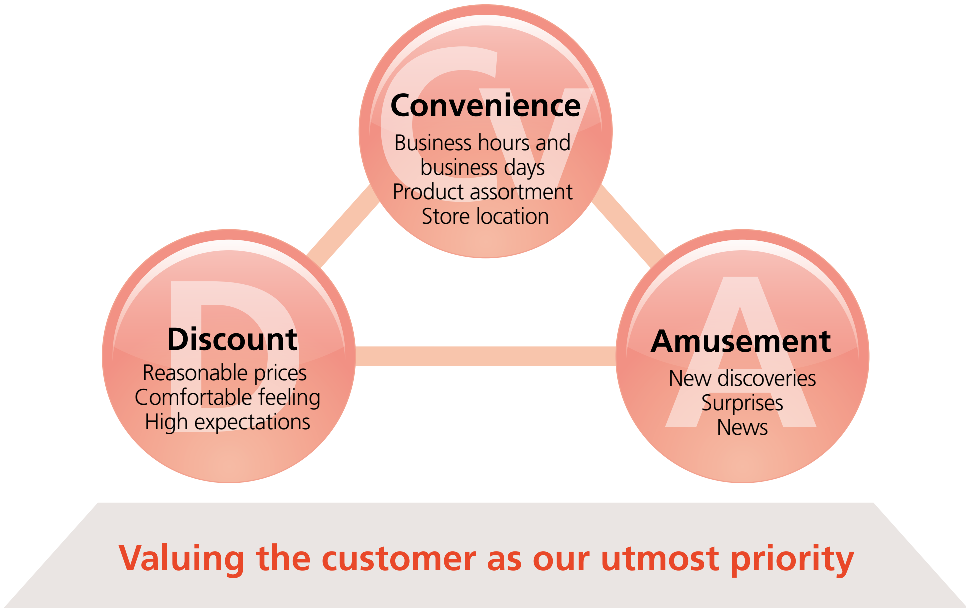
In-house contest "Iron Man of Displays":
Staff compete for best display arrangement and speed

Store staff arranging a display within a limited time period

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 "valuing the customer as our utmost priority" 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.



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

Through our philosophy of "valuing the customer as our utmost priority," 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.

Discount

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 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

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.

New Store Format Creation

Creating Diverse Store Formats Based on an Unwavering Principle

The unique business model that the Don Quijote Group has shaped over the years features a quality shared universally across all store formats under the Company principle of “valuing the customer as our utmost priority.”

The Don Quijote Group has adhered to this unwavering principle, as it blazed trails in the development of store formats with the Group’s flagship Don Quijote general discount stores emphasizing variety and the MEGA Don Quijote general discount stores catering to family-oriented lifestyles. Even established companies, such as Nagasakiya general merchandise stores and Doit home centers, which were brought into the Group through M&A, undergo a thorough review from the “valuing the customer as our utmost priority” perspective and are restructured accordingly.

When creating new store formats, our greatest priority at all times is to read customer needs and present buying floors that delight and excite customers. Making shopping an enjoyable experience for customers and delivering surprises and discoveries for them are absolutely integral to all formats—common threads that run through the development process for all store formats used within the Group.

Format Development Will Not Deviate from Core Business

The Don Quijote Group is an innovative corporate organization that boldly challenges conventional retailing concepts without fear of failure. We are unique in what we do—this is our strong point—and we channel our store format development efforts into our area of specialization: retailing.

We will continue to challenge retailing traditions and develop a rich variety of formats in sectors where we can demonstrate our expertise. Through an ongoing process of trial and error, with possible repetition of mistakes, we will steadily grow a network of stores that customers love and simply cannot do without.

The MEGA Don Quijote Story

Guided by its "valuing the customer as our utmost priority" principle and corporate desire to realize innovative concepts in shopping, the Don Quijote Group supports the dynamic creation of new store formats. The next few pages will take you through the steps taken to build one of these formats—MEGA Don Quijote—from its inception to its thriving status today.

STEP. 1

The Challenge Begins: Nagasakiya Co., LTD. Becomes a Subsidiary

Acquired well-established supermarket operator to cultivate new demand

In October 2007, the Don Quijote Group welcomed Nagasakiya Co., LTD., operator of Nagasakiya Japanese-style general merchandise stores, under its umbrella. The acquisition of this large supermarket chain was intended to expand the domestic store network.

The Nagasakiya operator was really struggling, saddled with highly unprofitable stores. To execute a successful turnaround, the Don Quijote Group started off with an analysis of factors specific to each catchment area as well as the geographical location of the stores, respective profitability and other aspects of business, and drafted a plan for strategic renewals and store closures.

Then the Company overhauled the store format, taking an approach along the lines of the completely unrivaled and thus unequivocally unique Don Quijote format but with a twist, to effectively utilize the more extensive floor space available at Nagasakiya stores, compared with flagship Don Quijote stores. Another factor that played into the design of the store format was that customers were becoming increasingly concerned about rising household expenses around this time. The Company took this opportunity to respond with a different view on product mix and pricing, for example, that flouted traditional concepts in retailing to successfully cultivate demand.

This is how the MEGA Don Quijote format of general discount stores suited to the family lifestyle came to be.

STEP. 2

Pioneering Format: The Debut of Super Savings Emporium MEGA Don Quijote

Unique Store Concept

The MEGA Don Quijote format debuted with the objective of complementing the existing Don Quijote format, which emphasized a highly enjoyable shopping experience and the convenience of late-night operating hours, to give customers pleasure in finding deep discounts not only on the products they specifically came in to get but also to indulge in spur-of-the-moment purchases. While the size of the stores is comparable to suburban general merchandise stores, the style is much different, with buying floors—sales floors from the customer's perspective—brimming with entertaining features to make shopping a thoroughly enjoyable experience. In addition, under this format, which targets families and housewives primarily, the selection of products is truly mega-class—as many as 100,000 products, from foods, sundries and other daily commodities that customers use on a regular basis to hobby items and nonessential goods—all at remarkably low prices. Moreover, the buying floor is designed so that customers can wander leisurely down the aisles, even with big shopping carts, to browse and simply have a good time doing a routine chore.

By thinking outside the box to create a shopping space like this, we were able to attract the attention of a new customer segment and cultivate a daytime market, thereby complementing the Don Quijote format and its focus on customers who prefer to shop at night.

Number of stores of Nagasakiya Co., LTD

	4/2008	4/2009	4/2010	9/2011
Stores in operation	56	48	42	40
Nagasakiya	56	35	20	5
MEGA Don Quijote	0	13	22	35
Total number of store closures	0	8	14	16

STEP. 3

Fiscal 2011—Fourth Year under the Don Quijote Umbrella—Sees a Return to Profit

Improved Profitability

The ultimate objective of the MEGA Don Quijote format—upon which the Nagasakiya restructuring process hinged—was improved profitability. Consequently, the focus has been on reviewing product mix in all Nagasakiya divisions, utilizing Group synergy to make products offered at Don Quijote and Doit stores available at MEGA Don Quijote locations as well, and selectively implementing operational policies, such as those to enhance purchasing methods and lower product costs.

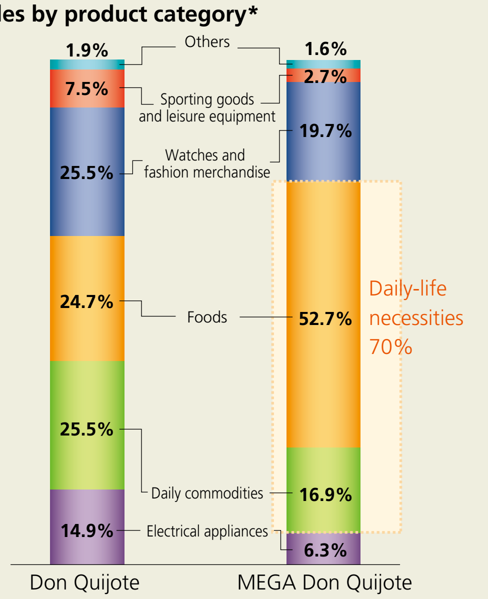
On the human resources front, we raised the level of motivation among employees by running personnel exchanges within the Group, allocating greater authority to staff in each store and by applying a completely performance-based assessment process to personnel evaluations.

A store atmosphere imbued with this kind of on-site initiative fosters fine-tuned responses to customer needs, which vary from one catchment area to another, and allows staff to anticipate products that will be in demand before seasonal preferences and trends become widespread. This enhanced environment has contributed greatly to improved profitability for Nagasakiya. In fact, stores that have converted from the Nagasakiya format to the MEGA Don Quijote format are enjoying high customer traffic, even though business conditions for major general merchandise stores remain difficult, and the Company's profit base has become much stronger.

These small successes have accumulated over the four years since Nagasakiya became a Don Quijote subsidiary, culminating in a return to the black for the fiscal year ended April 30, 2011.

Comparison data of Don Quijote and MEGA Don Quijote

Sales by product category*



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

STEP. 4

Seeking to Be the Customer Favorite and No. 1 Store in the Catchment Area

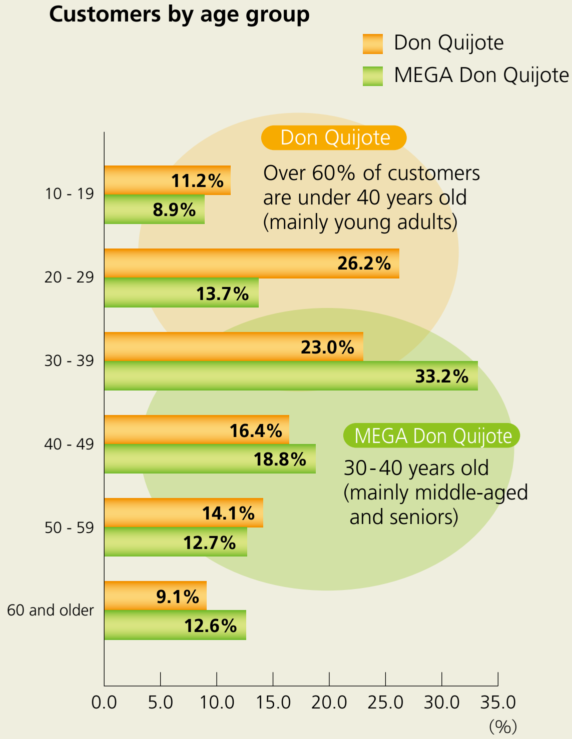
What's Next for MEGA Don Quijote?

MEGA Don Quijote stores, finally in the black after a repeated process of trial and error, are ready to contribute fully to the Group. It is time to harvest the fruits of our labor, in a business sense. Efforts will be directed toward capitalizing on suburban household demand and further adjusting the format to make it viable for new store openings. The assortment of products offered and the presentation methods used will be revised, as necessary, again and again to attain even higher profits.

Guided by the "valuing the customer as our utmost priority" principle, the Don Quijote Group will never be satisfied with the status quo but rather will lend a ready ear to customers and respond sincerely to their comments to achieve higher goals. This commitment will shorten the wait to see MEGA Don Quijote stores become a customer favorite and the No. 1 shopping destination in each catchment area. You can be sure that the MEGA Don Quijote format will continue to attract a loyal following, which will sustain steady growth.

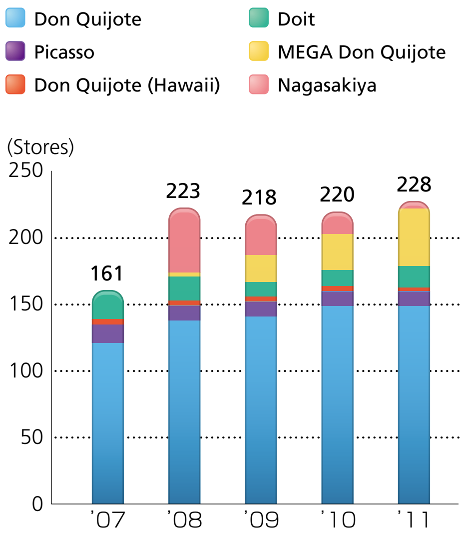
Comparison data of Don Quijote and MEGA Don Quijote

Customers by age group



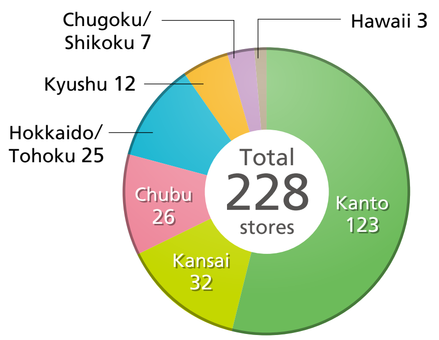
Store Development

Number of stores by format (as of June 30)



Note: PAW, which appeared as a separate category in the previous fiscal year, was absorbed into Don Quijote from this fiscal year.

Number of stores by region



Achieving a Groupwide Network of 228 Stores

The Don Quijote Group continued to promote flexibility and efficiency in new store openings and store renovations to make shopping a wonderful experience for as many customers as possible.

Don Quijote pushed ahead with a strategy that emphasizes store openings in large metropolitan areas, adding five new stores in Tokyo—kicked off by the Ikebukuro Higashiguchi Ekimae store—and four new stores, including the Umeda store, in the Kinki region, which centers on Osaka. The Yanagase store, which opened as the Company's flagship store in Gifu Prefecture, brought the number of new store openings in fiscal 2011 to 10. But two existing stores were closed during the year, leaving Don Quijote's network at 169 locations as of June 30, 2011.

The network operated by Nagasakiya comprised 40 stores, as of June 30, 2011, reflecting the conversion of nine Nagasakiya locations, including the Tomakomai, Hasuda and Kishiwada stores, to the MEGA Don Quijote format and the closure of three other stores. Doit continued to promote new store openings. As a result, the Doit network had 16 stores at the end of June 2011, following the opening of two stores in the Tohoku region and two in Tokyo. Don Quijote USA closed its Kailua store, bringing its network to three as of June 30, 2011.

Given these changes, there were 228 stores under the Group umbrella as of June 30, 2011, comprising 225 stores in 38 prefectures in Japan and three stores in Hawaii.

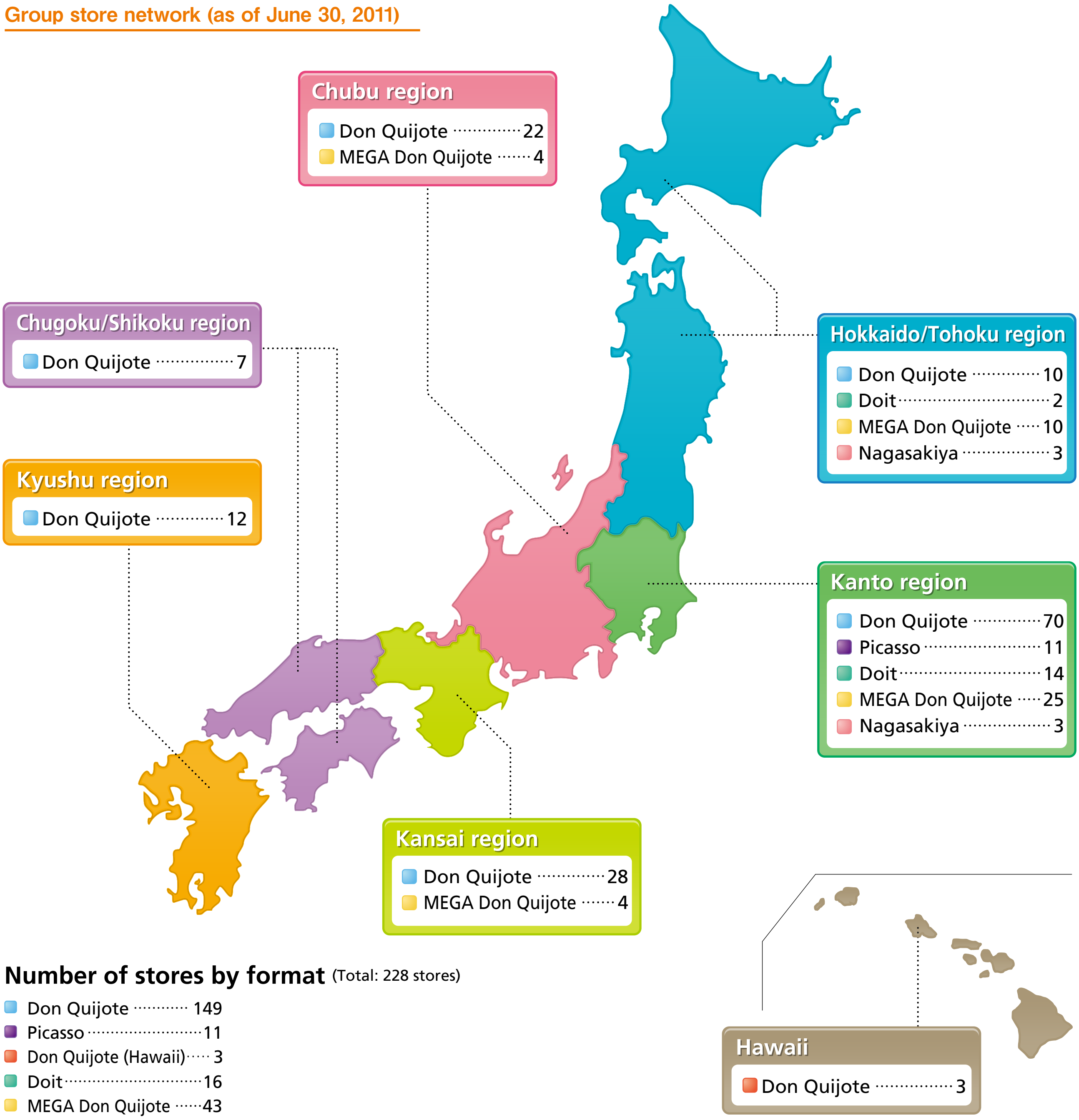
We will continue to promote a variety of location-optimizing measures, tempered by considerations of each community, to reinforce our operating strength and profitability.

Stores opened by Don Quijote Group

Don Quijote Yanagase store

Doit Koigakubo store

Group store network (as of June 30, 2011)



Number of stores by format (Total: 228 stores)

- Don Quijote ············ 149
- Picasso ························· 11
- Don Quijote (Hawaii) ····· 3
- Doit ································· 16
- MEGA Don Quijote ······ 43
- Nagasakiya ··················· 6

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 family-oriented discount 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
Oct.	Launched private brand Jonetsu Kakaku
'11 Jan.	Brought into the Group as a consolidated subsidiary Fidec Corporation, which is involved in financial services and outsourcing services, through third-party allocation of shares

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. It is a multifaceted process that has been maintained since the Company was established and includes 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 buying floor into a jungle of merchandise, and handwritten POP cards, which hung like vines throughout the store.

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 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 about ¥500 billion in net sales.

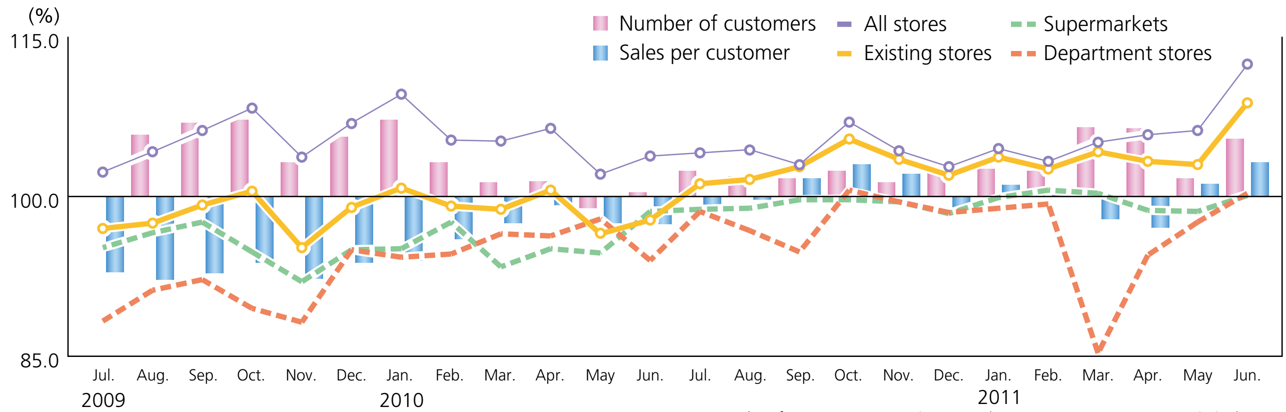
In 2009, we launched the private brand Jonetsu Kakaku, which smashed existing perceptions about quality merchandise at unbelievably low prices.

Despite the downturn that has persisted since Japan's economic bubble burst in the 1990s and the ensuing deflation, as well as the recession triggered primarily by the subprime mortgage crisis that began unfolding in 2007, the Don Quijote Group has grown by leaps and bounds and has done so at extraordinary speed. This achievement reflects tenacious adherence to the founding principle of "valuing the customer as our utmost priority," as well as efforts to pinpoint current trends and embrace the constant challenge to create new store formats.

As a result, the innovative retail formats that we have 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), Don Quijote held onto its No. 15 ranking among retailers in net sales*[1], 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 44th Survey on the Retailing Industry in Japan, *Nikkei MJ* (June 29, 2011) *[2] The 39th Survey on Specialized Stores in Japan, *Nikkei MJ* (July 13, 2011)

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

2010 Ranking	2009 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.	5,119,739	0.2	242,907	7.0	111,961
2	2	AEON CO., LTD.	Holding Company	Feb.	5,096,569	0.8	182,080	39.8	59,688
3	3	YAMADA-DENKI CO., LTD.	Electronics Store	Mar.	2,153,259	6.8	137,847	35.7	70,754
4	4	Isetan Mitsukoshi Holdings Ltd.	Holding Company	Mar.	1,220,772	-5.5	27,093	37.3	2,640
5	5	UNY CO., LTD.	Supermarket	Feb.	1,112,781	-1.9	32,282	69.7	6,046
6	6	J. FRONT RETAILING Co., Ltd.	Holding Company	Feb.	950,102	-3.3	21,092	5.6	8,862
7	7	The Daiei, Inc.	Supermarket	Feb.	911,801	-6.7	-1,144	—	-5,318
8	9	EDION Corporation	Electronics Store	Mar.	901,010	9.9	34,435	75.6	16,211
9	8	Takashimaya Co., Ltd.	Department Store	Feb.	869,475	-0.9	22,484	34.1	13,849
10	10	FAST RETAILING CO., LTD.	Holding Company	Aug.	820,349	0.7	107,090	-13.5	54,354
11	12	K'S HOLDINGS CORPORATION	Electronics Store	Mar.	770,947	18.9	49,365	69.8	23,412
12	11	Yodobashi Camera Co., Ltd.	Electronics Store	Mar.	700,518	2.5	61,034	25.8	28,476
13	13	BIC CAMERA INC.	Electronics Store	Aug.	612,114	0.6	22,329	89.9	9,049
14	15	Don Quijote Co., Ltd.	Discount Store	Jun.	507,661	4.1	25,138	19.1	12,663
15	14	IZUMI CO., LTD.	Supermarket	Feb.	502,379	2.1	20,949	6.2	9,941
16	17	LIFE CORPORATION	Supermarket	Feb.	480,821	2.6	9,850	16.7	3,389
17	16	H2O RETAILING CORPORATION	Holding Company	Mar.	465,033	-1.1	11,210	16.7	3,109
18	19	Kojima Co., Ltd.	Electronics Store	Mar.	449,449	2.6	11,690	91.5	2,014
19	18	LAWSON, INC.	Convenience Store	Feb.	441,277	-5.5	54,594	10.4	25,386
20	20	SHIMAMURA CO., Ltd.	Clothing Store	Feb.	441,052	2.4	41,048	7.6	23,507
21	25	Joshin Denki Co., Ltd.	Electronics Store	Mar.	435,237	12.9	11,978	36.0	6,152
22	23	Matsumotokiyoshi Holdings Co., Ltd.	Holding Company	Mar.	428,184	9.0	17,497	3.8	7,291
23	21	DCM Japan Holdings Co., Ltd.	Holding Company	Feb.	422,373	-0.1	13,164	9.4	6,846
24	22	MARUI GROUP CO., Ltd.	Holding Company	Mar.	406,472	-3.0	14,088	42.0	-23,638
25	24	HEIWADO CO., LTD.	Supermarket	Feb.	382,955	-0.7	10,880	12.8	4,520
26	28	Valor Co., Ltd.	Supermarket	Mar.	379,172	9.9	12,765	28.7	4,223
27	39	SUNDRUG CO., LTD.	Drug Store	Mar.	360,655	26.9	19,801	20.1	10,871
28	26	Izumiya Co., Ltd.	Supermarket	Feb.	357,274	-3.1	2,565	174.9	753
29	27	BEST DENKI CO., LTD.	Electronics Store	Feb.	340,969	-1.3	5,854	—	1,057
30	29	Cainz Corp.	Home Center	Feb.	336,533	-1.9	24,298	13.3	12,501

Progression of Don Quijote's Ranking

(Billions of yen)

	2006	2007	2008	2009	2010
Net sales	260.8	300.7	404.9	480.9	487.6
Ranking	38	33	22	15	15

* The table above was created by adding the Company's performance indicators for the fiscal year ended June 29, 2011, as well as performance indicators for FAST RETAILING CO., LTD., and BIC CAMERA INC. for their fiscal years ended August 31, 2011, vis-à-vis company rankings that appeared in the 44th Survey on the Retailing Industry in Japan from the June 29, 2011 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 firmly adhere to the corporate principle of "valuing the customer as our utmost priority" and strive to reinforce corporate governance and compliance. This commitment is integral to enhanced corporate value and is thus a top management priority. Indeed, business activities—executed fairly and to a high standard of ethics—are conditioned upon the existence of a company to undertake them, and we will build and maintain the in-house structure to expedite responses and when necessary seek advice from outside experts to establish and support internal controls and ensure that operations are conducted properly. Compliance will take center stage as we foster development in our corporate activities, with an even greater emphasis on having a strong business administration structure in place along with thorough and increasingly wider approaches that will, for example, deepen awareness of legal compliance, underpin more rigorous checks by the accounting department and see the creation of investigation and auditing departments and a compliance committee.

Summary of Corporate Governance and Reasons for Adopting Internal Control Structures

Details of Organization

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 27, 2011, the Board of Directors had four members.

Board of Corporate 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 27, 2011, the Board of Corporate Auditors had four members, all of whom were outside auditors. The Board of Corporate Auditors includes Makoto Iwade, a lawyer, and Yoshihiro Hongo, a certified public accountant and tax accountant, who apply their respective legal and corporate financing and accounting perspectives to confirm that duties are being executed properly.

Internal Audit Department

The Internal Audit Department, under the direct authority of the president, provides a point of contact between the independent auditor and corporate auditors and undertakes audits, based on an auditing plan, to ascertain the legality and appropriateness of activities undertaken by each division and Group subsidiary. In addition, the department applies an internal control perspective to its monitoring of key business practices in all divisions and at stores as well as at subsidiaries.

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 if the directors involved are those who possess a thorough understanding of the Company's business. In addition, management feels 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.

Outside Corporate Auditors

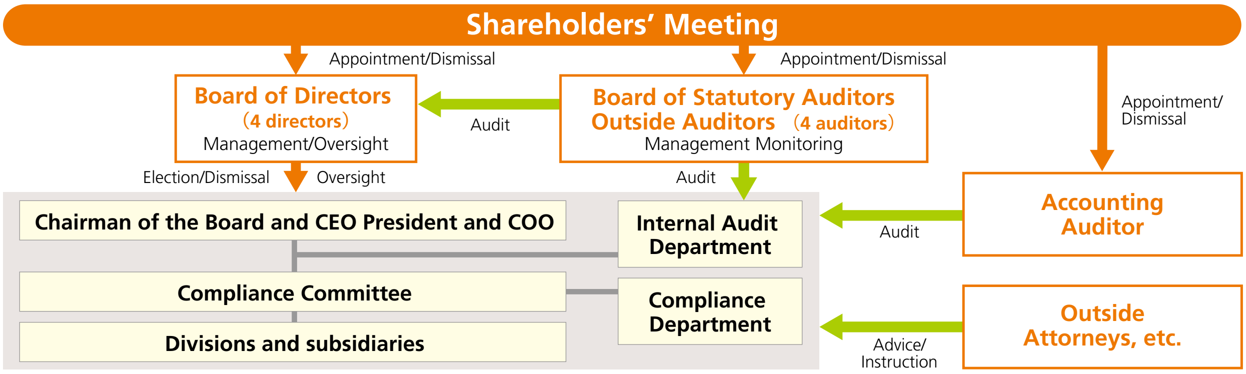
Don Quijote has four outside corporate auditors. They offer opinions as necessary on the execution of duties by directors from an external perspective, utilizing respective professional expertise in such areas as law, corporate accounting and taxation as well as accumulated business-related insights and experience, and they monitor operations from an objective and impartial position. In addition to their own regularly scheduled Board of Corporate Auditors meetings, the Company's corporate auditors attend important meetings of other corporate bodies, including the Board of Directors, and strive to keep an open channel to the Internal Audit Department while implementing scheduled audits, based on auditing plans.

Compliance Committee

Members of this committee are primarily outside experts, such as lawyers and outside corporate auditors. Their duties include formulating fraud prevention measures, drafting investigation and auditing plans, examining the results of such investigations and audits, and sharing information on fraud cases that have occurred at other companies and verifying facts as a way to preclude such situations from happening to the Don Quijote Group.

The correlation between corporate structures and internal controls is as follows:

(As of September 27, 2011)



Status of Internal Control Structure

Don Quijote's internal control structure was established and is maintained in accordance with the Company Law 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 storing and managing information related to the execution of duties by directors

1) The minutes of shareholders' meetings, Board of Directors' meetings and other important meetings along with any and all related materials are stored and managed by a designated department and retained for a period of 10 years under conditions that facilitate examination whenever necessary.
2) The Company utilizes tools to improve the security of in-house information networks and performs careful and timely reviews of the Rules for Information Security Management. Concurrently, the Company encourages information-sharing within the organization and maintains systems to prevent confidential information from leaking out.

3. 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 systemize 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.

4. System ensuring efficient execution of duties by directors

1) Rules related to organizational structures are reviewed and updated in a timely and appropriate manner to clarify the division of directors' segregation of duties and respective oversight authority.
2) Organizational and administrative systems are revised as the occasion arises to meet changes in the business environment.

5. 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. In operating this system, the Company makes it a top priority to protect individuals who file reports so that they are not put at any sort of disadvantage for bringing potential infractions to light.

6. 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 Compliance Committee 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.

7. Issues pertaining to employees who assist corporate auditors when such assistance is required

The Company established an office to the Board of Corporate Auditors with staff exclusively dedicated to assisting corporate auditors and the Board of Corporate Auditors in their duties when required.

8. Issues pertaining to the independence of employees who assist corporate auditors

Disciplinary action, reassignment or any other treatment of employees in the Auditors' Office must be reported first to the standing statutory auditor.

9. 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.

10. Other: ensuring effective application of audits by corporate auditors

1) Opportunities are made for corporate auditors to communicate with directors of the Company as well as the directors and corporate auditors of Group companies to make audits as effective as possible. Corporate auditors keep close ties with the Internal Audit Department and look over internal audit reports to complement standard audits performed in line with in-house rules. Also, if the independent auditor requests access to an audit report, corporate auditors confirm the appropriateness of the content therein.
2) Corporate auditors are informed of the operating status of Gohatto 110 on a regular basis.

Measures to Prevent Transactions with Antisocial Forces

Don Quijote's basic position—and one to which the entire Group subscribes—with regard to antisocial forces is to eliminate any and all relationships with such elements. An internal structure has been established to ensure this process, as described below.

1) Neither the Company nor any Group company will respond to inappropriate requests or any other form of request from antisocial forces and will cancel business dealings if the counterparty is found to be an individual, business, organization or any other type of entity with ties to antisocial forces.
2) To deal with any persistent approach by antisocial forces to engage in inappropriate activity, the Company established the Risk Management Department to oversee measures to prevent relationships with antisocial forces and undertakes in-house training and addresses any questionable situations.
3) The Risk Management Department collects information through its close ties with the police, legal counsel and other external organizations specialized in dealing with antisocial forces. In addition, a special position has been set up within the Company to deal with inappropriate requests and an internal structure is in place, with an intranet, to expedite responses in the event a situation arises.

Status of Accounting Audits

The Company has engaged the services of UHY Tokyo & Co.* as its independent auditor and undergoes a strict review of its books at each consolidated and non-consolidated settlement of accounts. The structure for accounting audits in fiscal 2011 is as follows.

Certified public accountants who have provided auditing services: Two**

Assistants involved in the execution of accounting audits: four certified public accountants, eight junior accountants and two others

* UHY Tokyo & Co. is the new name of BA Tokyo & Co., as of June 1, 2011.

** The number of consecutive years that these certified public accountants have served the Company is omitted because it is seven years or fewer for all of them.

Personal, Capital or Business Relationships or Other Interests between the Company and Its Outside Directors/Auditors

There are no personal, capital or business relationships or any other interests between the Company and its four outside corporate auditors.

Status of Risk Management Efforts

Risk management for the Don Quijote Group is an exhaustively comprehensive process. The CCO is responsible for tracking Groupwide risks and ensures efficient execution of measures to manage risk. The CCO also promotes the implementation of appropriate compliance practices and strives to enhance the system of internal controls. The status of risk management efforts in each division is then audited by the Internal Audit Department, and the results are forwarded to representative directors on a regular basis. For compliance issues, the Company takes advantage of comments received through Gohatto 110, which allows employees to report suspicious behavior directly to an external entity.

The Company receives timely advice and direction on accounting matters through regular audits by an independent auditor, while legal matters are dealt with by the Company's attorneys, and taxation matters are addressed by tax accountants.

Implementing Internal Controls for Financial Reporting

The structure and implementation status of internal controls for financial reporting under the Financial Instruments and Exchange Law 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 27, 2011.

Financial Section

Five-Year Summary (Consolidated Data)

Years ended June 30

	Millions of yen					Millions of U.S. dollars
	2007	2008	2009	2010	**2011**	**2011**
For the fiscal year						
Net sales	¥300,660	¥404,924	¥480,856	¥487,571	**¥507,661**	**$6,288**
Cost of goods sold	227,537	296,215	353,616	364,065	**378,587**	**4,689**
Selling, general and administrative expenses	59,537	92,728	110,068	102,439	**103,738**	**1,285**
Operating income	13,586	15,981	17,172	21,067	**25,336**	**314**
Recurring income	15,774	17,204	15,989	21,109	**25,138**	**311**
Income before income taxes	18,817	16,640	14,214	16,845	**21,147**	**262**
Net income	10,638	9,303	8,554	10,238	**12,663**	**157**
At year-end						
Total assets	¥209,865	¥276,288	¥297,527	¥302,029	**¥341,300**	**$4,228**
Total equity	82,470	84,625	89,972	106,760	**125,242**	**1,551**

	Yen					U.S. dollars
Per share	2007	2008	2009	2010	**2011**	**2011**
Basic earnings	¥148.89	¥130.78	¥123.69	¥147.35	**¥167.82**	**$2.08**
Diluted earnings	138.32	122.00	123.69	137.64	**164.34**	**2.04**
Cash dividends	20.00	22.00	23.00	25.00	**28.00**	**0.35**

	%				
Key ratios	2007	2008	2009	2010	**2011**
ROA	5.6	3.8	3.0	3.4	**3.9**
ROE	13.7	11.3	10.0	10.5	**11.1**

Management's Discussion & Analysis

Consolidated Business Results

Net Sales and Operating Income

Economic conditions in Japan during the Company's fiscal 2011 accounting period, the year ended June 30, 2011, benefited from a slow but steady recovery, fostered mainly by external demand, especially from emerging markets, and a certain degree of success from domestic economic stimulus plans. But the trend plateaued toward the halfway mark, as a feeling spread throughout the country that such drivers of growth had run their course.

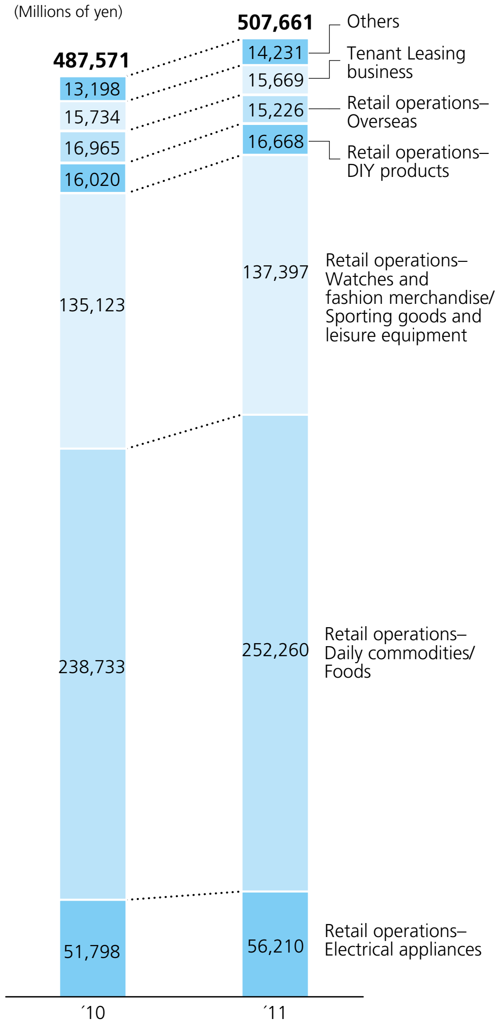
Meanwhile, even though consumers were somewhat more inclined to spend and companies were enjoying a more favorable business climate—both precursors of brisk expansion into fiscal 2012—the Great East Japan Earthquake radically altered the country's trajectory, plunging Japan back into economic uncertainty.

In the retail industry, the devastating earthquake and tsunami and the ensuing crisis at the damaged nuclear plant in Fukushima hit just as improving economic prospects were hinting at a slow but sure recovery. The unprecedented triple disaster led to new issues for the industry to address, namely, rebuilding supply chains and reinforcing crisis management systems. But the situation, as disruptive as it was from a business perspective, led to higher approval ratings for companies that were able to meet customer needs swiftly and flexibly despite challenging circumstances.

Against this backdrop, the Don Quijote Group embraced various measures designed to make shopping a wonderful experience for as many customers as possible while constantly showcasing the high-quality amusement factor, great services and remarkable prices to be enjoyed at all stores under the Group umbrella. These efforts were implemented from the perspective of a concept-creating business enterprise putting the Company principle of "valuing the customer as our utmost priority" into practice.

Sales by product category

(Millions of yen)

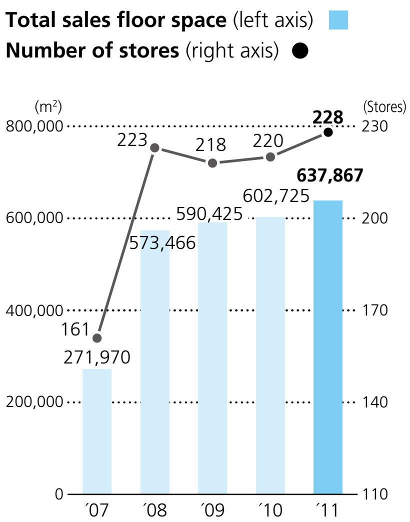


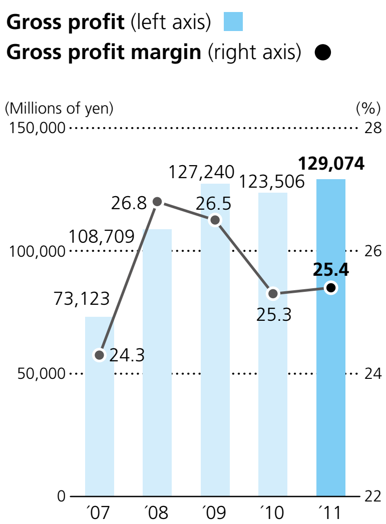
* Sales of Others are the combined total of Other products and Other operations.

Sales and composition by product category	2010 Net sales Millions of yen	2010 Percentage %	2011 Net sales Millions of yen	2011 Percentage %
Retail operations	467,363	95.9	**487,875**	**96.1**
Electrical appliances	51,798	10.6	**56,210**	**11.1**
Daily commodities	100,028	20.5	**108,691**	**21.4**
Foods	138,705	28.5	**143,569**	**28.3**
Watches and fashion merchandise	108,297	22.2	**107,833**	**21.2**
Sporting goods and leisure equipment	26,826	5.5	**29,564**	**5.8**
DIY products	16,020	3.3	**16,668**	**3.3**
Overseas	16,965	3.5	**15,226**	**3.0**
Others	8,724	1.8	**10,114**	**2.0**
Rental business operations	15,734	3.2	**15,669**	**3.1**
Other operations	4,474	0.9	**4,117**	**0.8**
Total	487,571	100.0	**507,661**	**100.0**

The Group also endeavored to provide a wider selection of products at reasonable prices to match changing customer habits and preferences, an approach that was rewarded with higher customer loyalty. Other priorities were to promote flexibility and efficiency in new store openings, format conversions and store renovations and to strengthen overall capabilities, including approaches to boost sales of the Jonetsu Kakaku private brand.

In the end, consolidated net sales increased 4.1% over the previous fiscal year, to ¥507,661 million, and operating income climbed 20.3%, to ¥25,336 million. Net sales and operating income rose for the 21st consecutive year on a non-consolidated basis; on a consolidated basis, this was the 15th consecutive year—an uninterrupted pattern of growth since the opening of the first Don Quijote store in 1989. Meanwhile, recurring income and net income showed solid expansion, reaching new records of ¥25,138 million, up 19.1%, and ¥12,663 million, up 23.7%, respectively.





Store Network

During fiscal 2011, the Company oversaw the opening of seven stores in the Kanto region, two in the Tohoku region, four in the Kinki region and one in the Chubu region. Following a review of business efficiency, six stores were closed. The WR Kishiwada store, which opened in Osaka in September 2010 on a trial basis to gauge interest in a membership wholesale club format, closed in January 2011.

As a result, there were 228 stores under the Group umbrella as of June 30, 2011, a net increase of eight from a year earlier.

Net Sales by Business Segment

• Retail Business

In fiscal 2011, the retail business generated sales of ¥487,875 million, up ¥20,512 million, or 4.4%, from fiscal 2010, and operating income of ¥19,821 million, up 21.0%. The increases were primarily due to a boost from the sale of food products, daily commodities and electrical appliances, reflecting a flexible approach toward merchandise mix and prices, bearing in mind local demand factors and consumer sentiment vis-à-vis economic trends.

• Tenant Leasing Business

In fiscal 2011, sales from the tenant leasing business slipped ¥65 million, or 0.4%, from fiscal 2010, to ¥15,669 million, but operating income edged up 3.5%, to ¥4,485 million.

Operating Income

The gross profit margin rebounded, owing to a well-balanced product strategy highlighting efforts to ensure low prices on daily life necessities on one hand and efforts to enrich the selection of products in the mid to high price range. Enhanced business efficiency within the Group and progress in cost control management kept the year-on-year rise in selling, general and administrative expenses below the gross profit margin, which led to a 20.3% jump in operating income, to ¥25,336 million.

Recurring Income, Net Income

The Company booked ¥1,681 million in interest expenses under other expenses and a ¥682 million loss on adjustment for the application of the accounting standard for asset retirement obligations and ¥1,894 million in loss on disaster under other and extraordinary expenses. Nevertheless, healthy operating income covered these expenses and losses, securing recurring income of ¥25,138 million, up 19.1%, and net income of ¥12,663 million, up 23.7%.

Outlook for Fiscal 2012

Looking to fiscal 2012, a full-scale recovery, including positive employment news, will require a certain amount of time to achieve, for several reasons. The biggest pressures are repercussions from the Great East Japan Earthquake—particularly reduced production and consumers' reluctance to spend—which stifle economic expansion, as well as sustained yen appreciation and uncertainty over how the economic situations will unfold in the United States and Europe.

The challenging environment that the retail industry has been facing for a while is likely to persist. Against this backdrop, the Company will strive to achieve the highest degree of customer satisfaction while securing continuous growth and stable profits. These goals will be met by seeking further improvement in business efficiency and by promoting store operations that enjoy high customer volume.

In store development, the Company aims to expand nationwide by emphasizing formats matched to market size and local characteristics and by complementing the opening of roadside locations under the core Don Quijote format in the suburbs with a good balance of store openings in city centers close to large train stations and bustling commercial districts.

The Company will also expand the networks of MEGA Don Quijote general discount stores catering to family-oriented lifestyles and Doit home centers while working to enhance profitability and marketing capabilities and promoting a review of business efficiency.

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.

In light of anticipated market conditions and the Group's responses to future developments, management expects the following performance level in fiscal 2012: net sales up 4.2%, to ¥528.9 billion; operating income up 6.6%, to ¥27.0 billion; recurring income also up 6.6%, to ¥26.8 billion; and net income up 10.6%, to ¥14.0 billion.

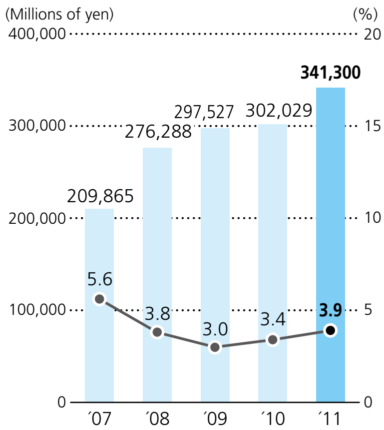
Financial Position

As of June 30, 2011, total assets stood at ¥341.3 billion, up ¥39,271 million from a year earlier.

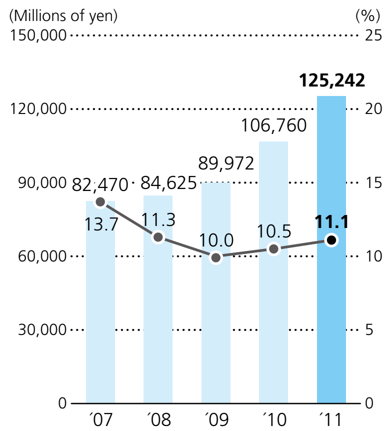
Current assets reached ¥134,515 million, up ¥6,317 million compared with the previous fiscal year. A major component of this change was merchandise, which grew ¥7,130 million, paralleling brisk existing store sales activity as well as the opening of new stores and store format conversions. The appearance of purchased receivables through the conversion of Fidec Corporation into a consolidated subsidiary also boosted current assets, by ¥6,787 million.

Non-current assets came to ¥206,785 million, up ¥32,954 million compared with the previous fiscal year. A major component of this change was net property, plant and equipment, at ¥154,870 million, up ¥31,136 million from June 30, 2010, following capital investment associated with new store openings as well as the acquisition of land for future new stores. Investments and advances and other assets fell

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



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



¥1,922 million, to ¥45,454 million, as of June 30, 2011, reflecting a ¥1,935 million decrease in investment securities and a ¥371 million decrease in fixed leasehold deposits, among others.

Total liabilities stood at ¥216,058 million on June 30, 2011, up ¥20,789 million from a year earlier.

Current liabilities reached ¥106,071 million, down ¥15,934 million compared with the previous fiscal year, despite an increase in short-term loans of ¥14,237 million and the allocation of ¥1,132 million to allowance for loss on disaster, as a large part of the current portion of convertible bonds due in 2011 was converted into stock.

Non-current liabilities came to ¥109,987 million, up ¥36,723 million compared with the previous fiscal year. This was largely due to a ¥24,178 million increase in bonds. The debt-to-equity ratio dipped 2.2 percentage points, to 106.7%. Net interest-bearing liabilities settled at ¥133,681 million as of June 30, 2011, for a ratio of interest-bearing debt to total assets of 39.2%, compared with 38.6% a year ago. Net liabilities rose ¥24.0 billion, to ¥98.5 billion.

Reflecting higher income, total equity grew ¥18,482 million, to ¥125,242 million.

The equity ratio improved 1.3 percentage points, to 36.2%, and return-on-equity edged up 0.6 percentage point, to 11.1%.

Cash Flows

Cash provided by operating activities in fiscal 2011 amounted to ¥26,029 million, as outflow, mainly expanded inventories paralleling the opening of new stores and store format conversions, offset inflow, primarily contributions from net income and depreciation.

Cash used in investing activities came to ¥44,789 million, owing to the purchase of property, plant and equipment for new stores and the purchase of shares in subsidiaries following a change in the scope of consolidation.

Cash provided by financing activities totaled ¥7,274 million, through issuance of bonds and long-term debt.

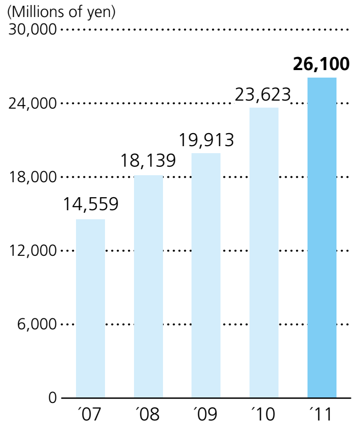
These changes led to cash and cash equivalents of ¥26,875 million at the end of fiscal 2011, down ¥12,036 million from a year earlier.

Capital Investment

Within the Group, in fiscal 2011 funds were applied to 15 newly built stores to purchase land, buildings, facilities, fixed leasehold deposits, software, etc., and to acquire land for future new stores related to expanding the retail and tenant leasing businesses. As a result, capital investment totaled ¥37,872 million in this fiscal year.

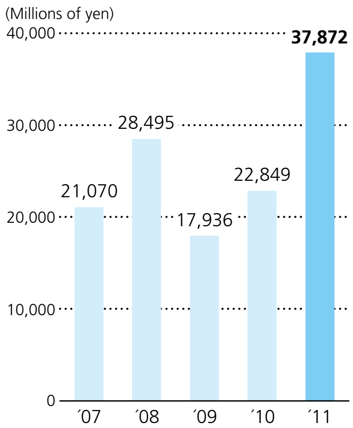
The Company also recorded ¥779 million under impairment losses and ¥425 million under loss on close of stores.

Free cash flow



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

Capital expenditure



Risk Information

Business risks, etc.

Listed below are the main risks that could affect the business or corporate affairs 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 27, 2011, the date of filing the annual securities report to the Financial Services Agency of Japan.

1. Store expansion and human resources

The Group has been expanding its business stronghold from the Greater Tokyo metropolitan area to all over Japan, while increasing the number of subsidiaries in order to expand business areas. If the Group fails to appropriately secure or train its employees, the quality of business could be deteriorated, which leads to a decline in business results.

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 political conditions regulations or economic environment.

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 would have a material adverse effect on the Group's distribution and logistics.

3. Marketing

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 changes in 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 appropriately such changes or variations, 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 the Large Scale Retail Store Location Law. 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. 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 store development strategies or sales plan may be adversely affected.

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. 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.

8. Impairment of non-current assets

The Group estimates future cash flows of its assets in order to check whether impairment loss will be incurred or not. Potential impairment would have material adverse effect on the Group's business, financial condition and results of operations.

9. 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 on shares without market price would have material adverse effect on the Group's business, financial condition and results of operations.

10. 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 incurrence or revelation of liabilities 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.

11. Stock option

The Company adopts an incentive system that gives stock option to directors and employees in the Group in order to improve their morale or recruit excellent people. 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.

12. Loss on close of stores

The Group is proactively opening positive new stores, and withdrawing unprofitable stores. The Group put into place a policy that unprofitable stores be closed if they cannot achieve scheduled profits, or if their performance is not recovered even by augmenting sales or reducing selling, general and administrative expenses. Loss on close of stores might be an adverse effect on business performance.

13. 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.

14. Natural disaster

When a natural disaster such as a large-scale earthquake or typhoon occurs, the results of the Group's operations and financial position may be affected due to restoration expenses incurred for store facilities, the interruption of business activities, and possible interference in logistics and shipping operations.

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 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, 2011 and 2010

ASSETS	Millions of yen (Note 2) 2011	2010	Millions of U.S. dollars (Note 2) 2011
Current assets:			
Cash and deposit (Notes 8, 18 and 25)	**¥35,031**	¥41,734	**$434**
Notes and Accounts receivable-trade (Note 8)	**4,585**	4,045	**57**
Less: Allowance for doubtful accounts (Note 8)	**(13)**	(38)	**(0)**
Purchased receivables (Notes 8 and 18)	**6,787**	—	**84**
Inventories (Note 6)	**81,582**	74,452	**1,010**
Prepaid expenses	**2,096**	2,106	**26**
Deferred tax assets (Note 19)	**1,868**	1,853	**23**
Other current assets	**2,579**	4,046	**32**
Total current assets	**134,515**	128,198	**1,666**
Investments and advances:			
Investments in securities and capital to affiliates (Note 8)	**422**	324	**5**
Investment securities (Notes 8 and 9)	**3,940**	5,973	**49**
Advance payment for fixed leasehold deposits	**487**	658	**6**
Long-term loans receivable (Note 8)	**1,332**	1,311	**17**
Less: Allowance for doubtful accounts (Note 8)	**(203)**	(127)	**(3)**
Total investments and advances	**5,978**	8,139	**74**
Property, plant and equipment, at cost (Notes 13, 18, 21 and 26):			
Land	**87,187**	64,378	**1,080**
Buildings and structures	**96,947**	83,931	**1,201**
Equipment	**33,839**	32,032	**419**
Construction in progress	**180**	597	**2**
Other property, plant and equipment, at cost	**166**	165	**2**
Less: Impairment loss	**(3,970)**	(3,223)	**(49)**
Less: Accumulated depreciation	**(59,479)**	(54,146)	**(737)**
Net property, plant and equipment	**154,870**	123,734	**1,918**
Intangibles:	**6,461**	2,721	**80**
Other assets:			
Long-term deposits	**300**	300	**4**
Fixed leasehold deposits (Notes 8 and 18)	**33,303**	33,674	**413**
Less: Allowance for doubtful accounts (Note 8)	**(1,787)**	(1,711)	**(22)**
Prepaid expenses	**2,014**	2,225	**25**
Deferred tax assets (Note 19)	**2,320**	2,173	**29**
Other non-current assets	**3,326**	2,576	**41**
Total other assets	**39,476**	39,237	**490**
Total assets	**¥341,300**	¥302,029	**$4,228**

The accompanying notes are an integral part of the statements.

LIABILITIES AND EQUITY	Millions of yen (Note 2) 2011	2010	Millions of U.S. dollars (Note 2) 2011
Current liabilities:			
Accounts payable-trade (Note 8)	¥42,430	¥42,670	$526
Short-term loans (Notes 8, 10 and 18)	14,935	698	185
Current portion of long-term debt (Notes 8, 10 and 18)	24,765	61,074	307
Accrued income taxes (Note 8)	4,434	4,014	55
Accrued expenses (Note 8)	5,739	6,119	71
Allowance for point program	186	247	2
Allowance for loss on disaster (Note 24)	1,132	—	14
Asset retirement obligations (Note 27)	153	—	2
Derivative liabilities (Notes 8 and 12)	2,978	—	37
Other current liabilities (Note 18)	9,319	7,183	115
Total current liabilities	106,071	122,005	1,314
Non-current liabilities:			
Long-term debt (Notes 8, 10 and 18)	93,981	54,680	1,164
Derivatives liabilities (Notes 8 and 12)	128	2,848	2
Allowance for retirement benefits for employees (Note 14)	—	84	—
Allowance for retirement benefits for directors	367	375	5
Asset retirement obligations (Note 27)	1,705	—	21
Negative goodwill	2,449	3,306	30
Other non-current liabilities (Notes 18 and 19)	11,357	11,971	141
Total non-current liabilities	109,987	73,264	1,363
Total liabilities	216,058	195,269	2,677
Equity (Notes 3, 15 and 23):			
Common stock			
Authorized:			
2010—234,000,000 shares			
2011—234,000,000 shares			
Issued and outstanding:			
2010—72,095,109 shares			
2011—77,030,780 shares	19,561	15,049	242
Additional paid-in capital	22,364	17,856	277
Stock acquisition rights	—	0	—
Retained earnings	85,165	74,503	1,055
Net unrealized losses on investment securities	(327)	(104)	(4)
Foreign exchange adjustments	(3,155)	(1,986)	(39)
Less: Treasury stock, at cost			
2010—473 shares			
2011—1,244 shares	(3)	(1)	(0)
Total	123,605	105,317	1,531
Minority interests	1,637	1,443	20
Total equity	125,242	106,760	1,551
Liabilities and equity	¥341,300	¥302,029	$4,228

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, 2011 and 2010

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	**2011**
Net sales	**¥507,661**	¥487,571	**$6,288**
Cost of goods sold (Note 6)	**378,587**	364,065	**4,689**
Gross profit	**129,074**	123,506	**1,599**
Selling, general and administrative expenses (Note 20)	**103,738**	102,439	**1,285**
Operating income	**25,336**	21,067	**314**
Other income (expenses):			
Interest and dividend income	**497**	617	**6**
Interest expenses	**(1,681)**	(1,678)	**(21)**
Loss on close of stores (Note 24)	**(425)**	(399)	**(5)**
Loss on valuation of derivative instruments (Note 12)	**(253)**	(615)	**(3)**
Loss on valuation of investment securities (Note 9)	**(716)**	(2,659)	**(9)**
Loss on disaster (Note 24)	**(1,894)**	—	**(24)**
Other income and expenses, net (Notes 13, 14, 16, 21 and 24)	**283**	512	**4**
Income before income taxes and minority interests	**21,147**	16,845	**262**
Income taxes:			
Current	**7,732**	7,103	**96**
Deferred (Notes 3 and 19)	**179**	(796)	**2**
Income before minority interests	**13,236**	10,538	**164**
Minority interests	**(573)**	(300)	**(7)**
Net income	**¥12,663**	¥10,238	**$157**

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)
	2011	2010	**2011**
Operating income	**¥25,336**	¥21,067	**$314**
Other income (expenses):			
Interest and dividend income	**497**	617	**6**
Interest expenses	**(1,681)**	(1,678)	**(21)**
Loss on valuation of derivative instruments	**(253)**	(615)	**(3)**
Other income and expenses, net	**1,239**	1,718	**15**
Recurring income	**25,138**	21,109	**311**
Other and extraordinary income (expenses):			
Loss on valuation of investment securities	**(716)**	(2,659)	**(9)**
Loss on close of stores	**(425)**	(399)	**(5)**
Other income and expenses, net	**(2,850)**	(1,206)	**(35)**
Income before income taxes and minority interests	**¥21,147**	¥16,845	**$262**

Consolidated Statements of Comprehensive Income (Note 17)

Don Quijote Co., Ltd. and Consolidated Subsidiaries
For the years ended June 30, 2011 and 2010

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	**2011**
Income before minority interests	**¥13,236**	¥ —	**$164**
Other comprehensive income			
Valuation difference on available-for-sale securities	**(223)**	—	**(3)**
Foreign currency translation adjustment	**(1,169)**	—	**(14)**
Total other comprehensive income	**(1,392)**	—	**(17)**
Comprehensive income	**¥11,844**	¥ —	**$147**
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	**¥11,271**	—	**$140**
Comprehensive income attributable to minority interests	**573**	—	**7**

Amount per share of common stock	Yen (Note 2)		U.S. dollars (Note 2)
Basic earnings (Note 23)	**¥167.82**	¥147.35	**$2.08**
Diluted earnings (Note 23)	**164.34**	137.64	**2.04**
Cash dividends applicable to the year	**28.00**	25.00	**0.35**

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, 2011 and 2010

	Millions of yen (Note 2)								
	Common stock	Additional paid-in capital	Stock acquisition rights	Retained earnings	Net unrealized losses on investment securities	Foreign exchange adjustments	Treasury stock, at cost	Minority interests	Total equity
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**
Cash dividends	**—**	**—**	**—**	**(1,850)**	**—**	**—**	**—**	**—**	**(1,850)**
Net income	**—**	**—**	**—**	**12,663**	**—**	**—**	**—**	**—**	**12,663**
Issuance of new shares	**4,512**	**4,508**	**—**	**—**	**—**	**—**	**—**	**—**	**9,020**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(2)**	**—**	**(2)**
Change of scope of consolidation	**—**	**—**	**—**	**(150)**	**—**	**—**	**—**	**—**	**(150)**
Other	**—**	**—**	**(0)**	**—**	**(223)**	**(1,169)**	**—**	**194**	**(1,198)**
Balance at June 30, 2011	**¥19,561**	**¥22,364**	**¥ —**	**¥85,165**	**¥(327)**	**¥(3,155)**	**¥(3)**	**¥1,637**	**¥125,242**

	Millions of U.S. dollars (Note 2)								
	Common stock	Additional paid-in capital	Stock acquisition rights	Retained earnings	Net unrealized losses on investment securities	Foreign exchange adjustments	Treasury stock, at cost	Minority interests	Total equity
Balance at June 30, 2010	**$186**	**$221**	**$0**	**$923**	**$(1)**	**$(25)**	**$(0)**	**$18**	**$1,322**
Cash dividends	**—**	**—**	**—**	**(23)**	**—**	**—**	**—**	**—**	**(23)**
Net income	**—**	**—**	**—**	**157**	**—**	**—**	**—**	**—**	**157**
Issuance of new shares	**56**	**56**	**—**	**—**	**—**	**—**	**—**	**—**	**112**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(0)**	**—**	**(0)**
Change of scope of consolidation	**—**	**—**	**—**	**(2)**	**—**	**—**	**—**	**—**	**(2)**
Other	**—**	**—**	**(0)**	**—**	**(3)**	**(14)**	**—**	**2**	**(15)**
Balance at June 30, 2011	**$242**	**$277**	**$ —**	**$1,055**	**$(4)**	**$(39)**	**$(0)**	**$20**	**$1,551**

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, 2011 and 2010

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes	¥21,147	¥16,845	$262
Depreciation and amortization	9,908	9,823	123
Impairment loss	779	163	10
Amortization of negative goodwill	(857)	(857)	(11)
Increase for doubtful accounts	129	274	2
Decrease in allowance for retirement benefits for employees	—	(388)	—
Provision for retirement benefits for directors	21	212	0
Decrease in allowance for point program	(61)	(139)	(1)
Increase in allowance for loss on disaster	1,132	—	14
Loss on disaster	762	—	9
Interest and dividend income	(497)	(617)	(6)
Loss on valuation of derivative instruments	253	615	3
Equity in loss of affiliated company	175	1	2
Gain on SPE	4	(58)	0
Interest expenses	1,681	1,678	21
Loss on sale of investment securities	148	510	2
Loss on valuation of investment securities	716	2,659	9
Loss (gain) on sale of property, plant and equipment	123	(123)	2
Loss on close of stores	245	152	3
Offset rent expense from deposit received from lessees	1,171	1,192	15
Gain on redemption of convertible bonds	—	(221)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	682	—	8
Decrease (increase) in trade receivables	(501)	566	(6)
Increase in inventories	(7,655)	(3,879)	(95)
Decrease (increase) in other current assets	913	(1,016)	11
Increase in trade payable	4,750	1,911	59
Increase (decrease) in other current liabilities	545	(1,825)	7
Decrease in other non-current liabilities	(809)	(1,052)	(10)
Other-net	(221)	398	(3)
Cash generated from operations	34,683	26,824	430
Received interest and dividend income	330	452	4
Interest paid	(1,681)	(1,660)	(21)
Income taxes paid	(7,303)	(6,731)	(91)
Net cash provided by operating activities	26,029	18,885	322
Cash flows from investing activities:			
Time deposit transferred from cash	(45,962)	(23,766)	(569)
Proceeds from time deposit	41,498	21,323	514
Payments for purchase of property, plant and equipment	(34,864)	(20,952)	(432)
Proceeds from sale of property, plant and equipment	482	1,412	6
Payments for purchase of intangible assets	(2,704)	(288)	(34)
Payments for leasehold deposits	(869)	(1,145)	(11)
Proceeds from termination of leasehold deposits	794	2,743	10
Payments for purchase of investment securities	(0)	(63)	(0)
Proceeds from sales of investment securities	1,045	3,427	13
Payments for purchase of subsidiaries' securities resulting in changes in the scope of consolidation (Note 25)	(4,935)	—	(61)
Proceeds on withdrawal of SPE	3	22	0
Proceeds on liquidation of SPE	—	825	—
Proceeds from purchase of subsidiaries' securities resulting in changes in the scope of consolidation (Note 25)	1,178	—	15
Payments for purchase of subsidiaries' securities	(321)	(10)	(4)
Proceeds from liquidation of investment funds	—	914	—
Other, net	(134)	(939)	(2)
Net cash used in investing activities	(44,789)	(16,497)	(555)
Cash flows from financing activities:			
Decrease of short-term bank loans	(964)	(10,302)	(12)
Borrowing of long-term debt	28,300	19,702	350
Repayment of long-term debt	(12,731)	(11,761)	(158)
Proceeds from issuance of bonds	37,591	23,200	466
Payments for redemption of bonds	(42,407)	(10,790)	(525)
Repayment of lease liabilities	(109)	(186)	(1)
Issuance of common stock	420	144	5
Proceeds from sales of treasury stock	—	5,675	—
Redemption of convertible bonds	(25)	(19,950)	(0)
Payments of cash dividends	(1,850)	(1,595)	(23)
Cash dividends paid to minority shareholders	(945)	—	(12)
Other, net	(6)	388	(0)
Net cash provided by (used in) financing activities	7,274	(5,475)	90
Effect of exchange rate changes on cash and cash equivalents	(344)	(114)	(4)
Net decrease in cash and cash equivalents	(11,830)	(3,201)	(147)
Cash and cash equivalents at beginning of the year	38,911	42,040	482
Increase in cash and cash equivalents due to the effect of the additional consolidation	9	10	0
Decrease in cash and cash equivalents due to the effect of the deconsolidation	(215)	—	(2)
Increase in cash and cash equivalents due to a merger between consolidated subsidiary and non-consolidated subsidiary	—	62	—
Cash and cash equivalents at end of the year (Note 25)	¥26,875	¥38,911	$333

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

1. DESCRIPTION OF BUSINESS

The Don Quijote Group (the "Group") is composed of Don Quijote Co., Ltd. (the "Company"), 22 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., Fidec Corporation*, and 14 other subsidiaries), nine subsidiaries excluded from consolidation and one affiliated company accounted for by the equity method and two affiliated companies not accounted for by the equity method.

* Fidec Corporation changed from being an equity method company to a consolidated subsidiary following the Company's acceptance of an allocation of new shares to a third party.

Major operations of the Group are as follows:

(Retail business)

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

(Tenant leasing business)

Japan Commercial Establishment Co., Ltd., operates 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., operate 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.

Fidec Corporation provides financial services such as early financing of accounts receivable and outsourcing services for payments.

2. BASIS OF PRESENTING CONSOLIDATIED FINANCIAL STATEMENTS

The Company prepares the consolidated financial statements in conformity with accounting principles and practices generally accepted in Japan under the requirements of the Japanese Corporate Law and other applicable rules and regulations. The Company files the financial statements 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, they have been restructured and translated into English from the statutory Japanese language consolidated financial statements in order to present them in a form that is more useful to readers outside Japan. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The foreign subsidiary maintains its books of account in conformity with accounting methods generally accepted under accounting standards in U.S.A.

The accompanying notes include additional information, which is not required under generally accepted accounting principles and practices in Japan.

Monetary figures are rounded off to the nearest million yen. The U.S. dollar amounts are included solely for convenience of readers and stated at the exchange rate of ¥80.73 to U.S. $1, the rate prevailing on June 30, 2011. These translations should not be construed as representations that the yen actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

Certain items in the financial statements of fiscal year ended June 30, 2010, have been reclassified for comparative purposes with fiscal year ended June 30, 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

As of June 30, 2011 the Company has 31 subsidiaries, including 22 consolidated subsidiaries, presented in the following table:

	Group interest of capital	Activity
Japan Commercial Establishment Co., Ltd.	100.0%	Leasing of real estate including management of these tenants
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.*	5.4%	Operation of POS-linked cellular phones for sales promotion system
Don Quijote (USA) Co., Ltd.	100.0%	Operation of retail stores and tenant leasing business
Doit Co., Ltd.	100.0%	Operation of retail stores and tenant leasing business
Nagasakiya Co., LTD.	100.0%	Operation of retail stores
Fidec Corporation*	48.6%	Financial services such as early financing of accounts receivable and outsourcing service for payments
Koigakubo SC TMK	100.0%	Tenant leasing business
And 13 other companies		

* The Company's equity holdings in REALIT Co., Ltd., and Fidec Corporation are less than 50%, but the Company has power to exercise control over both companies. Therefore, REALIT Co., Ltd., and Fidec Corporation are considered to be consolidated subsidiaries.

Those companies which the Company controls directly or indirectly are fully consolidated.

Investments in non-consolidated subsidiaries and affiliated companies over which the Group has significant influence are accounted for under the equity method.

The financial statements used in the preparation of the consolidated financial statements are prepared as of the same reporting date, except for some of the subsidiaries listed below. However, the differences between the reporting dates are no more than three months and adjustments are made for the effects of significant transactions or events that occur between the dates of these subsidiaries' and the Company's financial statements.

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

The subsidiary listed below prepared, for consolidation purposes, additional financial statements as of the same date as the financial statements of the Company because the difference between the reporting dates is in excess of three months.

World Victory Road Inc.	September 30
Koigakubo SC TMK	December 31

In the consolidated fiscal year ended June 30, 2011, the reporting date of Fidec Corporation, which changed from being an equity method company to a consolidated subsidiary, is March 31 and the equity method was applied using the financial statements as of March 31. However, to provide more appropriate management information, Fidec Corporation is consolidated in additional financial statements as of the Company's reporting date. All material intercompany transactions and accounts are eliminated in consolidation.

Equity method companies

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

(2) Non-consolidated subsidiaries and affiliates not accounted for under the equity method
Nine subsidiaries and two affiliates are not accounted for under the equity method because they are, individually or in aggregate, immaterial to the Group's financial position and results of operation.

(3) When the end of the reporting period of an equity method company differs from that of the Company, the Company uses the financial statements of the equity method company using the year-end date of the Company with adjustment for the effects of any significant transactions or events occuring between the accounting period ends.

Cash and cash equivalents

For the purpose of preparation of the statement of cash flows, cash and cash equivalents include cash in hand, demand deposits and all highly liquid investments with original maturities of three months or less.

Foreign currency translation
All assets and liabilities denominated in foreign currencies are translated at current exchange rates prevailing at the respective balance sheet dates. Exchange gains or losses resulting from translation of assets and liabilities are recognized in current income and expenses.

The assets and liabilities of foreign consolidated subsidiaries that operate in local currency are translated into Japanese yen at the prevailing rates of exchange at the balance sheet date. Income and expense items are translated at the average exchange rate prevailing during the year.

Gains or losses resulting from translation of financial statements are recognized as foreign currency translation adjustments in equity.

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

Marketable securities and Investment securities
Available-for-sale securities are recorded at fair value. The amounts of unrealized gains or losses from such securities, after accounting for tax effects, are presented in equity. Realized gains or losses from sales of securities are calculated using the moving-average method.Securities available for sale without quoted market price are stated at moving-average cost.

Investments in affiliates over which the Group has significant influence but does not have control are accounted for under the equity method.

Inventories
The Company, Doit Co., Ltd., Nagasakiya Co., LTD., and foreign subsidiaries use the retail method for inventories, except for fresh food, which is recorded at the 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). Inventories are required to be stated at the lower of cost or net realizable value.

Property, plant and equipment
Property, plant and equipment, including significant renewals and additions, are carried at cost.

Depreciation of property, plant and equipment is calculated according to the declining-balance method based mainly on the articles of the Japanese Tax Law except for buildings, which are depreciated using the straight-line method.

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

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

Intangible assets
Software is amortized using the straight-line method over the estimated useful life of five years, except for Don Quijote (USA) during the years ended June 30, 2011 and 2010.

Identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recorded based on the fair value of the assets.

Goodwill and negative goodwill
Goodwill is amortized using the straight-line method over 20 years. Negative goodwill incurred by business combinations before April 1, 2010 is amortized using the straight-line method over the estimated useful lives.

Lease transactions
Finance leases that do not transfer ownership are recognized as purchase transactions. They are recognized as lease assets and amortized using the straight-line method over their lease periods with zero residual value.

Common stock issuance costs
Common stock issuance costs are expensed as incurred. The Japanese Corporate Law prohibits deducting such stock issuance costs from capital accounts.

Bond issuance costs
Bond issuance costs are expensed as incurred.

Allowance for doubtful accounts
The allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and the amount calculated using actual historical rate of losses.

Allowance for point program
Allowance for the point program is provided for the use of points given to customers at the amount expected to be used on the balance sheet date in accordance with the sales promotion point program. The amount is based on historical redemption experience.

Allowance for retirement benefits for employees
Some domestic consolidated subsidiaries had a retirement lump sum grant system as a defined benefit plan, but abolished the retirement plan in the consolidated fiscal year ended June 30, 2011.

Allowance for retirement benefits for directors
The Company has retirement benefit plans for directors and corporate auditors. Allowance for retirement benefits for directors and corporate auditors is provided at the amount expected to be paid on the balance sheet date in accordance with the company rules.

Allowance for loss on disaster
Allowance for loss on disaster is provided for the estimated amount of the restoration and other expenses for the damage caused by the Great Eastern Japan Earthquake as of the end of consolidated fiscal year ended June 30, 2011.

Revenue recognition
The revenue of the Company, Nagasakiya Co., LTD., Doit Co., Ltd., and Don Quijote (USA) Co.,Ltd., consists of sales through retail outlets. The revenue is recognized at the time of sale and recorded net of returns.

The revenue of Japan Company Establishment Co., LTD. consists of rental income from tenants, which is recorded over the contract term.

Income taxes
Tax expenses include tax payable and deferred tax.

Deferred tax is calculated according to the asset liability method on the basis of temporary differences between book value on the balance sheet and the tax basis of assets and liabilities under the Corporation Tax Act.

Deferred tax assets are recognized for deductible temporary differences and for unused tax losses, to the extent it is likely that taxable profit will be available against which the deductible temporary difference may be used.

Financial instruments
The Company has adopted "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 its exposure to fluctuation in foreign exchange rates and interest rates on loans payable, as well as a source of investment returns. Derivatives are recognized at the market value.

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, 2011 and 2010 were as follows:

Common stock outstanding:	2011	2010
Balance at beginning of the year	72,095,109	72,022,209
Exercise of stock options	213,000	72,900
Increase due to conversion of convertible bonds	4,722,671	—
Balance at end of the year	77,030,780	72,095,109

Changes in the number of treasury stocks during the years ended June 30, 2011 and 2010 were as follows:

Treasury stock outstanding:	2011	2010
Balance at beginning of the year	473	2,840,970
Increase through the purchase of treasury stock	771	196
Decrease due to exercising stock options	—	220,500
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	1,244	473

Per share data

Basic net income per share is computed based on the weighted-average number of shares of common stock outstanding during the reported period. Diluted net income per share reflects the potential dilution and is computed based on the weighted-average number of shares of common stock outstanding during each year after incorporating the dilutive potential common stocks to be issued upon the exercise of stock options and convertible bonds.

4. CHANGE OF ACCOUNTING POLICIES

(1) Application of accounting standard for asset retirement obligations

From the fiscal year ended June 30, 2011, the Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). Accordingly, operating income and recurring income decreased ¥144 million ($2 million) respectively, while income before income taxes and minority interests decreased ¥826 million ($10 million).

(2) Application of accounting standard for business combinations and others

From the fiscal year ended June 30, 2011, the Company adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), "Partial Amendment to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, issued on December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on December 26, 2008), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008).

5. CHANGES TO PRESENTATION METHOD

(1) Accounting standard for consolidated financial statements

From the fiscal year ended June 30, 2011, the Company adopted "Cabinet Office Ordinance on Partial Revision of Rules Regarding Words, Formats and Preparation Method of Financial Statements" (Cabinet Office Ordinance No. 5, issued on March 24, 2009), based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008) and included the line item "Income before minority interests."

(2) Application of the accounting standard for presentation of comprehensive income

From the consolidated fiscal year ended June 30, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010). The amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments" were used for the amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" in the previous consolidated fiscal year.

6. INVENTORIES

Inventories at June 30, 2011 and 2010 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Electrical appliances	¥13,713	¥13,400	$170
Daily commodities	17,362	15,526	215
Foods	7,230	6,304	89
Watches, fashion goods	30,741	28,802	381
Sports, leisure goods	5,799	4,997	72
DIY products	4,518	3,317	56
Others	2,219	2,106	27
Total	¥81,582	¥74,452	$1,010

* Inventories at the year-end are the amount after any reduction of book value, and the following loss on valuation of inventories is included in cost of sales.

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Loss on valuation of inventories	¥2,174	¥1,468	$27

7. 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)
	2011	2010	2011
Land	¥3,671	¥3,671	$45
Buildings	4,349	4,349	54
Structures	70	70	1

(b) Lease payments:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Lease payments	¥878	¥1,454	$11

2. Operating leases

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

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Due within one year	¥878	¥878	$11
Due after one year	2,780	3,658	34
Total	¥3,658	¥4,536	$45

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

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Due within one year	¥3,120	¥3,257	$39
Due after one year	13,845	17,671	171
Total	¥16,965	¥20,928	$210

8. FINANCIAL INSTRUMENTS

1. Status of Financial Instruments

(1) Policy for financial instruments

The Group's basic policy for management of surplus funds is to give priority to low risk financial assets, investing only in short-term financial instruments. For fund procurement, the Company raises funds mainly through bank loans. The Group uses derivative instruments to manage its exposure to fluctuation in foreign currency exchange and interest rates. Derivative instruments are also used for trading.

(2) Financial instruments, associated risks and risk management systems

Notes and accounts receivable-trade are mainly due from credit companies. They are exposed to credit risk, although the Group has little or no exposure to the credit risk related to these credit companies. For operating receivables other than those due from credit companies, the Group monitors due dates and outstanding balances, respectively.

Purchased receivables are exposed to the credit risk of customers. Within the Group, the Credit Department regularly monitors the status of major business partners and manages due dates and outstanding balances of each partner in accordance with the receivables management rule, while promptly identifying and minimizing concerns over collection due to the deterioration of financial condition.

Marketable securities are exposed mostly to credit risk and liquidity risk. The Group manages and controls exposures to the risks within acceptable limits in accordance with its internal rules for managing marketable securities. Significant transactions of marketable securities require prior consultation with the Investment Committee and approval of the Board of Directors.

Long-term debt and corporate bonds provide funds primarily for capital investment purposes. To limit exposure to fluctuations in interest rates, the Company and some of its subsidiaries have entered into certain interest rate swap agreements for a portion of long-term debt to convert their interest rate basis from a variable rate to a fixed rate. Other than these agreements, the Group's long-term debt and corporate bonds have fixed interest rates and are not exposed to interest rate fluctuation risk.

The Group has policies and procedures for the risk management of derivative transactions. Significant transactions of derivative instruments require prior consultation with the Investment Committee and approval of the Board of Directors. The Group minimizes its exposure to credit risk by limiting them to counterparties with high credit rating.

Trade payable, loans and bonds are exposed to liquidity risk. The Company and its subsidiaries manage the liquidity risk by such measures as monthly cash flow planning.

Fixed leasehold deposits are mainly related to leasing properties for stores. They are exposed to credit risk of lessors. The Group performs credit checks before lease agreements and monitors creditworthiness of their counterparts regularly to limit the credit risk.

Convertible bonds are restricted-clause euroyen convertible bonds with stock acquisition rights due in 2013. These convertible bonds are zero coupon securities and are not exposed to the risk of interest rate fluctuations.

(3) Supplementary information on fair value

Fair values of financial instruments include quoted market prices if available. If a quoted market price is not available, fair value is estimated by using a reasonable valuation technique. The valuation techniques incorporate various assumptions. Estimated fair values may change depending on the different assumptions.

The contract amounts of the derivatives listed in Note 12 "Derivatives" indicate the notional amounts, not indicating the extent of market risk exposure.

2. Fair value of financial instruments

Carrying amounts on the consolidated balance sheets, fair value and respective differences as of the end of June, 2011 and 2010 are presented below. Note that the following tables do not include financial instruments for which fair values are extremely difficult to determine.

	Millions of yen (Note 2)		
	2011		
	Carrying amount	Fair value	Difference
(1) Cash and deposit	¥35,031	¥35,031	¥ —
(2) Notes and accounts receivable-trade	4,585		
Less: Allowance for doubtful accounts*1	(13)		
Net	4,572	4,572	—
(3) Purchased receivables	6,787	6,787	—
(4) Current portion of long-term loans receivable	73		
Less: Allowance for doubtful accounts*2	(1)		
Net	72	73	1
(5) Investment securities	3,643	3,643	—
(6) Long-term loans receivable	792		
Less: Allowance for doubtful accounts*3	(3)		
Net	789	797	8
(7) Fixed leasehold deposits	11,796	10,881	(915)
Total assets	62,690	61,784	(906)
(1) Accounts payable-trade	42,430	42,430	—
(2) Short-term loans	14,935	14,935	—
(3) Current portion of long-term debt	11,774	11,776	2
(4) Current portion of corporate bonds	12,922	12,913	(9)
(5) Accrued expenses	5,739	5,739	—
(6) Accrued income taxes	4,434	4,434	—
(7) Corporate bonds	58,029	57,821	(208)
(8) Convertible bonds	350	354	4
(9) Long-term debt	35,570	35,581	11
Total liabilities	186,183	185,983	(200)
Derivative transactions*4	(2,154)	(2,154)	—

	Millions of U.S. dollars (Note 2)		
	2011		
	Carrying amount	Fair value	Difference
(1) Cash and deposit	$434	$434	$ —
(2) Notes and accounts receivable-trade	57		
Less: Allowance for doubtful accounts*1	(0)		
Net	57	57	—
(3) Purchased receivables	84	84	—
(4) Current portion of long-term loans receivable	1		
Less: Allowance for doubtful accounts*2	(0)		
Net	1	1	0
(5) Investment securities	45	45	—
(6) Long-term loans receivable	10		
Less: Allowance for doubtful accounts*3	(0)		
Net	10	10	0
(7) Fixed leasehold deposits	146	135	(11)
Total assets	777	766	(11)
(1) Accounts payable-trade	526	526	—
(2) Short-term loans	185	185	—
(3) Current portion of long-term debt	146	146	0
(4) Current portion of corporate bonds	160	160	(0)
(5) Accrued expenses	71	71	—
(6) Accrued income taxes	55	55	—
(7) Corporate bonds	719	716	(3)
(8) Convertible bonds	4	4	0
(9) Long-term debt	441	441	0
Total liabilities	2,307	2,304	(3)
Derivative transactions*4	(27)	(27)	—

	Millions of yen (Note 2)		
	2010		
	Carrying amount	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 securities and capital 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)	—

*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 values of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and deposits; (2) Notes and accounts receivable-trade (3) Purchased receivables

These are stated at book value, since the book values approximate fair value because of the short-term nature of these instruments.

(4) Current portion of long-term loans; (6) Long-term receivables

The fair values are calculated by discounting total principal and interest by the interest rate that would be applied if similar new loans were entered into.

(5) Investment securities

For stocks, the fair values are the quoted market prices. For bonds, the fair values are the quoted market prices or the prices obtained from financial institutions. Refer to Note 9. "Marketable securities and investment securities" for further information.

(7) Fixed leasehold deposits

The fair values of fixed leasehold deposits are calculated by discounting the future cash flows using the interest rate based on the risk-free rate, such as the yields on government bonds, plus credit risk premiums.

Liabilities

(1) Accounts payable-trade; (2) Short-term loans; (5) Accrued expenses; (6) Accrued income taxes

These are stated at book value, since the book values approximate fair values because of the short-term nature of these instruments.

(3) Current portion of long-term debt; (4) Current portion of corporate bonds; (7) Corporate bonds; (9) Long-term debt

The fair values are calculated by discounting the total principal and interest payment by the interest rate that would be applied to similar new borrowings.

(8) Convertible bonds

The fair values are measured at the quoted market price.

Derivative Transactions

Please refer to Note 12. "Derivatives."

Financial instruments for which fair values are extremely difficult to measure:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Investment securities	¥297	¥1,021	$4
Investments in securities and capital to affiliates	422	153	5
Long-term loans receivable	540	467	7
Less: Allowance for doubtful accounts*1	(200)	(124)	(3)
Net	340	343	4
Fixed leasehold deposits	21,507	20,158	267
Less: Allowance for doubtful accounts*2	(1,787)	(1,711)	(22)
Net	19,720	18,447	245

*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.

Maturity analysis for assets and securities with contractual maturities:

	Millions of yen (Note 2)			
	2011			
	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 deposits	¥35,031	¥ —	¥ —	¥ —
2. Notes and accounts receivable-trade	4,585	—	—	—
3. Purchased receivables	6,787	—	—	—
4. Bonds				
(1) National and local government bonds	—	—	—	—
(2) Bonds	—	—	—	189
(3) Other	—	—	—	—
5. Long-term loans receivable	73	284	355	153
6. Fixed leasehold deposits	1,823	4,904	3,124	1,945
Total	¥48,299	¥5,188	¥3,479	¥2,287

	Millions of U.S. dollars (Note 2)			
	2011			
	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 deposits	$434	$ —	$ —	$ —
2. Notes and accounts receivable-trade	57	—	—	—
3. Purchased receivables	84	—	—	—
4. Bonds				
(1) National and local government bonds	—	—	—	—
(2) Bonds	—	—	—	2
(3) Other	—	—	—	—
5. Long-term loans receivable	1	3	4	2
6. Fixed leasehold deposits	22	61	39	24
Total	$598	$64	$43	$28

	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 deposits	¥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

For the redemption schedule for corporate bonds, convertible bonds and long-term debt please refer to Note 10. "Short-term loans and long-term debt."

9. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The Group invests in equity securities which are classified 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 with fair values as of June 30, 2011 and 2010 is as follows:

The following table summarizes carrying amount, acquisition cost and unrealized gains (losses) as of June 30, 2011.

	Millions of yen (Note 2)		
	2011		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	¥9	¥5	¥4
Others	796	762	34
Subtotal	805	767	38
Carrying amount does not exceed acquisition cost:			
Equity	2,265	2,714	(449)
Bonds:			
Corporate bonds	189	300	(111)
Others	384	415	(31)
Subtotal	2,838	3,429	(591)
Total	¥3,643	¥4,196	¥(553)

Note: In the fiscal year ended June 30, 2011, the Company wrote down ¥716 million ($9 million) in marketable securities.

The following table summarizes carrying amount, acquisition cost and unrealized gains (losses) in U.S. dollars as of June 30, 2011.

	Millions of U.S. dollars (Note 2)		
	2011		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	$0	$0	$0
Others	10	10	0
Subtotal	10	10	0
Carrying amount does not exceed acquisition cost:			
Equity	28	34	(6)
Bonds:			
Corporate bonds	2	3	(1)
Others	5	5	(0)
Subtotal	35	42	(7)
Total	$45	$52	$(7)

The following table summarizes carrying amount, acquisition cost and unrealized gains (losses) as of June 30, 2010.

	Millions of yen (Note 2)		
	2010		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity	¥29	¥27	¥2
Bonds:			
Corporate bonds	304	300	4
Others	1,274	1,131	143
Subtotal	1,607	1,458	149
Carrying amount 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)

Note: In the fiscal year ended June 30, 2010, the Company wrote down ¥2,659 million in marketable securities.

2. Sales amounts and gains (losses) on sales of other marketable securities during the years ended June 30, 2011 and 2010 were as follows:

Fiscal year ended June 30, 2011

	Millions of yen (Note 2)		
	2011		
	Proceeds from sales	Gain on sales	Loss on sales
Bonds:			
Corporate bonds	¥412	¥ —	¥ —
Others	332	—	148
Total	¥744	¥ —	¥148

	Millions of U.S. dollars (Note 2)		
	2011		
	Proceeds from sales	Gain on sales	Loss on sales
Bonds:			
Corporate bonds	$5	$ —	$ —
Others	4	—	2
Total	$9	$ —	$2

Fiscal year ended June 30, 2010

	Millions of yen (Note 2)		
	2010		
	Proceeds from sales	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

10. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans are principally comprised of bank loans (average interest rate was 2.1%).

Substantially all of the loans with banks (including short-term loans) have basic written agreements, which state that the borrowers would need to provide collateral or guarantors immediately upon the banks' request with respect to all present or future loans and that any collateral furnished pursuant to such agreements will be used against repayment of debts in case of default.

Fidec Corporation, a consolidated subsidiary of the Group, signed a syndicated loan agreement with 20 financial institutions, totaling ¥15,201 million ($188 million). This agreement has a financial covenant on the basis of certain indices calculated from net assets of consolidated and unconsolidated balance sheets and ordinary income and loss of consolidated and unconsolidated statements of income for the second quarter of each year and for each fiscal year. In addition, as a borrower's commitment, the ratio of the sum of the following items to the outstanding loan should not fall below a predetermined ratio: (1) amount of purchased receivables as of the end of each month that can be used as collateral less liabilities such as deposits received; and (2) balance of savings account designated by the lender. In addition, there is a negative pledge covenant that stipulates collateral will not be provided for current or future liabilities of Fidec Corporation or a third party, with the exception of liabilities based on this agreement.

Long-term debt as of June 30, 2011, 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 0.9% to 2.9%	¥47,344	$587
0.00% unsecured convertible bonds due 2013 (convertible at ¥3,571 ($44) for one common share, redeemable before due date)*	350	5
1.33% unsecured straight bonds due 2012	300	4
1.36% unsecured straight bonds due 2012	300	4
1.21% unsecured straight bonds due 2012	600	8
1.30% unsecured straight bonds due 2012	563	7
1.07% unsecured straight bonds due 2012	750	9
1.17% unsecured straight bonds due 2012	300	4
0.97% unsecured straight bonds due 2012	235	3
0.96% unsecured straight bonds due 2012	180	2
0.81% unsecured straight bonds due 2012	260	3
1.17% unsecured straight bonds due 2012	500	6
0.79% unsecured straight bonds due 2012	260	3
0.74% unsecured straight bonds due 2012	1,515	19
1.79% unsecured straight bonds due 2012	11,000	136
1.20% unsecured straight bonds due 2013	1,400	17
0.99% unsecured straight bonds due 2013	1,200	15
1.08% unsecured straight bonds due 2013	1,200	15
1.30% unsecured straight bonds due 2013	800	10
1.38% unsecured straight bonds due 2013	1,000	12
1.24% unsecured straight bonds due 2013	1,000	12
1.39% unsecured straight bonds due 2013	750	9
0.68% unsecured straight bonds due 2013	858	11
1.27% unsecured straight bonds due 2014	2,400	30
1.00% unsecured straight bonds due 2014	1,800	22
1.10% unsecured straight bonds due 2014	1,400	17
1.05% unsecured straight bonds due 2014	1,680	21
0.97% unsecured straight bonds due 2014	12,000	149
0.95% unsecured straight bonds due 2015	1,600	20
0.74% unsecured straight bonds due 2015	1,800	22
0.59% unsecured straight bonds due 2015	2,700	34
0.66% unsecured straight bonds due 2015	1,800	22
0.94% unsecured straight bonds due 2015	900	11
TIBOR 6-month interest rate of 0.20 on unsecured straight bonds due 2015	900	11
0.92% unsecured straight bonds due 2016	2,000	25
0.74% unsecured straight bonds due 2016	1,000	12
TIBOR 6-month interest rate of 0.20 on unsecured straight bonds due 2016	1,000	12
1.57% unsecured straight bonds due 2016	13,000	161
Subtotal	118,645	1,470
Finance lease liabilities	101	1
Less: Current portion of long-term debt	24,765	307
Total	¥93,981	$1,164

* A summary of stock acquisition rights (SARs) as of June 30, 2011 is as follows:

Issued on	Exercisable during	Exercise price		Total number of SARs to be issued	Outstanding balance	Number of shares of outstanding balance
		Yen	Dollars			
July 24, 2006	August 7, 2006 to July 10, 2013	¥3,571	$44	2,300	35	98,256 common shares

Convertible bonds are treated solely as bonds 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 is principally comprised of bank loans (with average interest rate of 1.5%).

Japan Commercial Establishment Co., Ltd., a consolidated subsidiary of the Group, and the Company, its guarantor, signed a syndicated loan agreement with six financial institutions, totaling ¥12,000 million ($149 million). This agreement has a financial covenant based on certain indices calculated from net assets of the unconsolidated balance sheet and ordinary income and loss of unconsolidated statement of income for each fiscal year. In addition, there is a negative pledge covenant that stipulates collateral will not be provided for liabilities of Japan Commercial Establishment Co., Ltd., or a third party, with the exception of liabilities based on this agreement.

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)
2012	¥24,696	$306
2013	30,036	372
2014	24,540	304
2015	13,250	164
2016 and thereafter	26,123	324
Total	¥118,645	$1,470

11. OVERDRAFT AGREEMENTS

The Company has entered into overdraft agreements with 23 banks to ensure efficient procurement of funds for working capital. The balances of unused financing based on these agreements as of June 30, 2011 and 2010 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	**2011**
Total amount of overdraft granted	**¥22,800**	¥16,800	**$282**
Bank loans arranged	**—**	41	**—**
Unused financing commitments as of June 30, 2011	**¥22,800**	¥16,759	**$282**

12. DERIVATIVES

1. Derivative transaction hedge accounting is not applied to:

Fiscal year ended June 30, 2011

	Millions of yen (Note 2)			
	Contract amount	Due after one year	Fair value	Unrealized gain
Interest rate swap contracts, variable receipts and fixed payments	**¥13,601**	**¥9,086**	**¥(133)**	**¥(133)**
Forward exchange contracts	**952**	**—**	**947**	**(5)**
Knock-out equity option contracts	**4,999**	**—**	**(2,968)**	**(2,768)**

	Millions of U.S. dollars (Note 2)			
	Contract amount	Due after one year	Fair value	Unrealized gain
Interest rate swap contracts, variable receipts and fixed payments	**$168**	**$113**	**$(2)**	**$ (2)**
Forward exchange contracts	**12**	**—**	**12**	**(0)**
Knock-out equity option contracts	**62**	**—**	**(37)**	**(34)**

Fiscal year ended June 30, 2010

	Millions of yen (Note 2)			
	Contract amount	Due after one year	Fair value	Unrealized gain
Interest rate swap contracts, variable receipts and fixed payments	¥7,800	¥ —	¥(77)	¥(77)
Forward exchange contracts	92	—	88	(4)
Knock-out equity option contracts	4,999	4,999	(2,770)	(2,570)

* To calculate market value, the Company uses the price presented by a partner financial institution or securities company that signed such agreement.

2. Derivative transaction hedge accounting is applied to:

Not applicable

13. USE OF SPECIAL PURPOSE ENTITIES (SPEs) FOR PROPERTY OWNERSHIP

1. Summary and transactions of SPEs

The Company securitized its real estate assets using a sales and lease back structure in order to diversify and stabilize its funds procurement. For securitization, the Company transfers its real estate to the SPEs, which procure funds from financial institutions using the real estate assets as collateral. The Company receives these funds as proceeds from sales. After securitization, the same real estate is leased back to the Company.

The Company invests in SPE through silent partnership agreements. There is one SPE with a transaction balance.

Total assets held by SPEs as of the most recent fiscal year-end amounted to ¥8,945 million ($111 million) and total liabilities were ¥6,890 million ($85 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 for consolidated fiscal years ended June 30, 2011 and 2010 were as follows:

Fiscal year ended June 30, 2011

	Millions of yen (Note 2)		
	Major transaction amount or balance	Profit and loss	
		Account	Amount
Investments in silent partnerships (*Tokumei Kumiai*)	**¥ —**	Loss on SPE	**¥4**
Lease back transactions	**—**	Lease payment	**878**

	Millions of U.S. dollars (Note 2)		
	Major transaction amount or balance	Profit and loss	
		Account	Amount
Investments in silent partnerships (*Tokumei Kumiai*)	**$ —**	Loss on SPE	**$0**
Lease back transactions	**—**	Lease payment	**11**

No investments were made in the fiscal year ended June 30, 2011. As of June 30, 2011, there is no balance of investments in silent partnerships associated with the securitization of property because the potential loss expected to incur in the fiscal year ended June 30, 2011, of ¥440 million ($5 million) was recorded as a valuation loss. Losses in these silent partnership investments were recorded under non-operating expenses.

Fiscal year ended June 30, 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

14. ALLOWANCE FOR RETIREMENT BENEFITS FOR EMPLOYEES

Some domestic consolidated subsidiaries had a retirement lump sum grant system as a defined benefit plan, but abolished the retirement plan in the consolidated fiscal year ended June 30, 2011.

The projected retirement benefit obligations as of June 30, 2011 and 2010 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	**2011**
Projected retirement benefit obligations	**¥ —**	¥84	**$ —**
Allowance for retirement benefits	**¥ —**	¥84	**$ —**

Note: Some domestic consolidated subsidiaries have adopted a simplified method for calculating projected benefit obligations.

Net periodic benefit costs for the years ended June 30, 2011 and 2010 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	**2011**
Service costs—benefits earned during the year	**¥5**	¥27	**$0**
Net periodic retirement costs	**¥5**	¥27	**$0**

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

The assumptions and basis used for the calculation of retirement benefit obligations as of June 30, 2011 and 2010 were as follows:

	2011	2010
Allocation method for the projected retirement benefits	—	Straight-line method
Discount rate	—	—
Expected return rate for plan assets	—	—
Amortization period for actuarial differences	—	—
Amortization period for differences at the time accounting standards changed	—	—

15. STOCK INCENTIVE PLANS

The shareholders of the Company approved a stock incentive plan on September 28, 2004. The options can be exercised during the period from October 2, 2006 until October 1, 2016, at an exercise price of ¥1,970 ($24). The terms of options are subject to adjustment for 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, 2011, was 644,100 shares.

The shareholders of the Company also approved a stock incentive plan on September 29, 2005. The options can be exercised during the period from October 2, 2007 until October 1, 2017, at an exercise price of ¥3,134 ($39). The terms of options are subject to adjustment for stock splits, consolidation of shares or additional shares issued at a price less than the market price per share. The number of stock options exercisable at June 30, 2011 was 1,518,300 shares.

16. OTHER INCOME, NET

Other income, net for the years ended June 30, 2011 and 2010 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)
	2011	2010	**2011**
Other income:			
Amortization of negative goodwill	**¥857**	¥857	**$11**
Gain on SPE	**—**	58	**—**
Fees and commissions received	**343**	292	**4**
Gain on the sale of fixed assets	**21**	442	**0**
Legal settlement	**167**	39	**2**
Compensation income for expropriation	**387**	—	**5**
Gain from redemption of convertible bonds	**—**	221	**—**
Gain on liquidation of reorganization claim	**258**	—	**3**
Gain on step acquisition	**197**	—	**3**
Other	**1,360**	1,266	**17**
Other income total	**3,590**	3,175	**45**
Other expenses:			
Bond issuance costs	**390**	259	**5**
Impairment loss	**779**	163	**10**
Loss on disposal of fixed assets	**118**	318	**2**
Equity in loss of affiliated company	**175**	1	**2**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**682**	—	**8**
Other	**1,163**	1,922	**14**
Other expenses total	**3,307**	2,663	**41**
Other income, net	**¥283**	¥512	**$4**

17. COMPREHENSIVE INCOME

Comprehensive income for the fiscal year ended June 30, 2010 was as follows:

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
	2010	
Comprehensive income attributable to owners of the parent	¥11,405	$141
Comprehensive income attributable to minority interests	300	4
Total	¥11,705	$145

Other comprehensive income for the fiscal year ended June 30, 2010 was as follows:

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
	2010	
Valuation difference on available-for-sale securities	¥1,752	$22
Foreign currency translation adjustment	(585)	(7)
Total	¥1,167	$15

18. PLEDGED ASSETS

The Company's assets pledged as collateral as of June 30, 2011 and 2010 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Cash and deposits	¥2,612	¥ —	$32
Time deposit	263	39	3
Purchased receivables*	10,749	—	133
Debt deducted from claims used for collateral such as deposits payable	(90)	—	(1)
Land	15,405	3,146	191
Buildings and structures	5,157	1,269	64
Fixed leasehold deposits	4,502	4,489	56
Other	149	136	2
Total	¥38,747	¥9,079	$480

* Purchased receivables of ¥5,283 million ($65 million) are eliminated for consolidation purposes.

The Company's liabilities for which assets are pledged as collateral as of June 30, 2011 and 2010 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Short-term loans	¥14,562	¥140	$181
Current portion of long-term debt	1,200	—	15
Long-term debt	13,350	—	165
Other current liabilities	383	384	5
Other non-current liabilities	4,551	5,008	56
Total	¥34,046	¥5,532	$422

19. TAX-EFFECT ACCOUNTING

1. The effective tax rate in Japan is based on corporate tax, business tax and inhabitant tax rates, 40.7% in the fiscal year ended June 30, 2011 and 2010. Significant components of deferred tax assets and deferred tax liabilities were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Deferred tax assets:			
Provision for enterprise taxes	¥377	¥332	$5
Excess allowance for doubtful accounts	1,706	1,489	21
Inventories	950	970	12
Net operating loss carryforwards	7,798	4,050	97
Valuation loss on investment securities not deductible for tax purposes	112	1,078	1
Excess depreciation and amortization	711	388	9
Impairment loss	2,304	1,235	28
Valuation difference on available-for-sale securities	225	119	3
Long-term accounts payable	670	934	8
Allowance for loss on disaster	499	—	6
Asset retirement obligations	308	—	4
Others	1,057	1,259	13
Total gross deferred tax assets	16,717	11,854	207
Valuation allowance	(11,640)	(6,991)	(144)
Total deferred tax assets	5,077	4,863	63
Deferred tax liabilities:			
Goodwill	(889)	(837)	(11)
Others	(307)	(63)	(4)
Total deferred tax liabilities	(1,196)	(900)	(15)
Net deferred tax assets	¥3,881	¥3,963	$48

Net deferred tax assets as of June 30, 2011 and 2010 were included in the following assets and liabilities in the consolidated balance sheets:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Current assets–Deferred tax assets	¥1,868	¥1,853	$23
Other assets (non-current)–Deferred tax assets	2,320	2,173	29
Current liabilities-Others	—	—	—
Non-current liabilities-Others	307	63	4

2. The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended June 30, 2011 and 2010 was as follows:

	2011	2010
Statutory tax rate	40.7%	40.7%
Per capita levy	2.8%	3.3%
Amortization of negative goodwill	(1.6)%	(2.0)%
Change in valuation allowance	(0.9)%	4.1%
Loss on recognition of goodwill	(5.7)%	(7.3)%
Allocation of losses carried forward from subsidiaries recording losses	(0.9)%	(3.1)%
Other	3.0%	1.7%
Effective income tax rate	37.4%	37.4%

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the fiscal years ended June 30, 2011 and 2010 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	2011
Employees' compensation and benefits	¥35,060	¥35,064	$434
Occupancy and rental	18,053	18,313	224
Commission	12,181	11,942	151
Depreciation and amortization	9,385	9,372	116
Allowance for doubtful accounts	6	3	0
Provision for retirement benefits for directors	21	206	0
Provision for retirement benefits for employees	5	27	0
Allowance for point program	33	12	0
Amortization of goodwill	27	—	0
Other	28,967	27,500	360
Total	¥103,738	¥102,439	$1,285

21. IMPAIRMENT LOSS

Impairment losses for the fiscal years ended June 30, 2011 and 2010 were as follows:

Fiscal year ended June 30, 2011

Location	Use	Category	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
			2011	
Kanto	Stores and facilities	Buildings and structures	¥380	$5
Kansai	Stores and facilities	Buildings and structures	329	4
—	Other	Goodwill	70	1
	Total		¥779	$10

For recognition and measurement of impairment losses of fixed assets, the Company identifies groups of assets based on individual stores and operating divisions, which are minimum cash-generating units. For investment and rental properties, individual properties are identified as minimum cash-generating units.

The Company recognized impairment losses for stores incurring continuous operating losses, idle assets with no further use, and business assets whose economic performance had deteriorated. The carrying amounts of these assets are reduced to their recoverable amounts. The amounts of these reductions were impairment losses totaling ¥709 million ($9 million) for buildings and structures. They consist of buildings and structures of ¥647 million ($8 million), intangible assets of ¥42 million ($1 million), and long-term prepaid expenses of ¥20 million ($0 million).

The Company recorded an impairment loss on goodwill totaling ¥70 million ($1 million), due to some consolidated subsidiaries being unlikely to achieve the profits initially expected.

The recoverable amounts of these asset groups are values in use or net selling prices. Net selling price is determined based on the real estate appraisal value. Calculation of value in use is based on the estimate of future cash flows discounted by the rate of 4%.

Fiscal year ended June 30, 2010

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

For recognition and measurement of impairment losses of fixed assets, the Company identifies groups of assets based on individual stores and operating divisions, which are minimum cash-generating units. For investment and rental properties, individual properties are identified as minimum cash-generating units.

The Company recognized impairment losses for stores incurring continuous operating losses, idle assets with no further use, and business assets whose economic performance had deteriorated. The carrying amounts of these assets are reduced to their recoverable amounts. The amounts of these reductions are impairment losses, totaling ¥8 million for buildings and structures.

For rental properties, the Company recognized impairment losses when their carrying amounts were below their fair values. The carrying amounts of these rental properties were reduced to their recoverable amounts. The total of these impairment losses was ¥140 million, including ¥132 million for land and ¥8 million for buildings and structures.

The Company recorded Impairment loss of goodwill, totaling ¥15 million, due to the fact that some of consolidated subsidiaries are not likely to achieve the profit which was expected at the time of acquisition of their shares.

The recoverable amounts of these asset groups are values in use or net selling prices. Net selling price is determined based on the real estate appraisal value. Calculation of value in use is based on the estimate of future cash flows discounted by the rate of 6%.

22. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended June 30, 2011 and 2010 were as follows:

Fiscal year ended June 30, 2011

Related party	Category	Description of the transactions	Millions of yen (Note 2)*2 2011	Millions of U.S. dollars (Note 2) 2011
Anryu Shoji Co., Ltd.	Company in which directors hold the majority of voting rights	Leasing of real estate*1	¥38	$0

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

Fiscal year ended June 30, 2010

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

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

23. CALCULATION OF EARNINGS PER SHARE

	Millions of yen (Note 2) 2011	2010	Millions of U.S. dollars (Note 2) 2011
Net income	¥12,663	¥10,238	$157
Net income after adjustments	¥12,663	¥10,238	$157

	2011	2010
Weighted average number of shares	75,451,847	69,482,278
Effective of dilutive securities:		
Stock options	164,591	98,467
Convertible bonds	1,435,385	4,805,421
Diluted weighted average number of shares	77,051,823	74,386,166

	Yen (Note 2) 2011	2010	U.S. dollars (Note 2) 2011
Shareholders' equity per share	¥1,604.65	¥1,460.81	$19.88
Basic earnings per share	167.82	147.35	2.08
Diluted earnings per share	164.34	137.64	2.04

24. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

Breakdown of gain on sales of fixed assets

Breakdown of gain on sales of fixed assets	Millions of yen (Note 2) 2011	2010	Millions of U.S. dollars (Note 2) 2011
Buildings and structures	¥20	¥422	$0
Furniture and fixtures	1	2	0
Other	0	18	0
Total	¥21	¥442	$0

Breakdown of gain on liquidation of reorganization claim	Millions of yen (Note 2) 2011	2010	Millions of U.S. dollars (Note 2) 2011
Differences in payments for properties sold	¥134	¥ —	$2
Differences in pledges of fixed leasehold deposits	124	—	1
Total	¥258	¥ —	$3

Breakdown of loss on disposal of fixed assets	Millions of yen (Note 2) 2011	2010	Millions of U.S. dollars (Note 2) 2011
Buildings and structures	¥34	¥216	$1
Furniture and fixtures	72	98	1
Other	12	4	0
Total	¥118	¥318	$2

Breakdown of loss on close of stores	Millions of yen (Note 2) 2011	2010	Millions of U.S. dollars (Note 2) 2011
Buildings and structures	¥149	¥125	$2
Furniture and fixtures	79	11	1
Other	197	263	2
Total	¥425	¥399	$5

Breakdown of loss on disaster	Millions of yen (Note 2) 2011	2010	Millions of U.S. dollars (Note 2) 2011
Product damage	¥396	¥ —	$5
Restoration expenses for property, plant and equipment	1,336	—	17
Fixed costs incurred during business interruption period	110	—	1
Others	52	—	1
Total*	¥1,894	¥ —	$24

* Loss on disaster includes allowance for loss on disaster of ¥1,132 million ($14 million).

25. CASH FLOW INFORMATION

Cash flow information as of June 30, 2011 and 2010 is as follows:

1. Cash and cash equivalents

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	**2011**
Cash and time deposits	**¥35,031**	¥41,734	**$434**
Deposits paid, included in other current assets	**96**	736	**1**
Money market funds included under other current assets	**—**	22	**—**
Time deposit with maturities of more than three months	**(7,988)**	(3,542)	**(99)**
Pledged time deposit (over three months)	**(263)**	(39)	**(3)**
Cash and cash equivalents	**¥26,875**	¥38,911	**$333**

2. Significant non-cash transactions

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2011	2010	**2011**
Increase in capital due to conversion of convertible bonds	**¥4,302**	¥ —	**$53**
Increase in additional paid-in capital due to conversion of convertible bonds	**4,298**	—	**53**
Decrease in substitute for treasury stock through conversion of convertible bonds	**—**	346	**—**
Disposal of treasury stock through conversion of convertible bonds	**—**	14	**—**
Decrease in convertible bonds through conversion	**¥8,600**	¥360	**$106**

Note: Due to the adoption of "Accounting Standard for Asset Retirement Obligations" and "Guidance on Accounting Standard for Asset Retirement Obligations" from the consolidated fiscal year ended June 30, 2011, buildings and structures (net) increased by ¥1,032 million ($13 million), and asset retirement obligations increased by ¥1,858 million ($23 million) as of June 30, 2011.

3. Major components of the assets and liabilities of a company that had been consolidated through acquisition of shares or preferred equity securities.

Major components of Koigakubo SC TMK's assets and liabilities newly consolidated through the acquisition of preferred equity securities, amounts of preferred equity securities, cash and cash equivalents, and payments for acquisition of preferred equity securities (net) were as follows:

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
	2011	
Current assets	**¥31**	**$0**
Non-current assets	**4,641**	**57**
Current liabilities	**(15)**	**(0)**
Acquisition cost of Koigakubo SC TMK	**4,657**	**57**
Cash and cash equivalents of Koigakubo SC TMK	**(30)**	**(0)**
Net:		
Payments for acquisition of Koigakubo SC TMK	**¥4,627**	**$57**

Major components of assets and liabilities of Fidec Corporation and its two subsidiaries, which changed from being equity method companies to consolidated subsidiaries due to an additional acquisition of shares, acquisition costs of shares and proceeds from acquisition (net) were as follows:

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
	2011	
Current assets	**¥15,123**	**$187**
Non-current assets	**1,798**	**22**
Goodwill	**1,292**	**16**
Current liabilities	**(15,603)**	**(193)**
Non-current liabilities	**(21)**	**(0)**
Minority interests	**(639)**	**(8)**
Stock acquisition rights	**(54)**	**(1)**
Gain on step acquisition	**(197)**	**(2)**
Acquisition costs of Fidec Corporation and its two subsidiaries	**1,700**	**21**
Cash and cash equivalents of Fidec Corporation and its two subsidiaries	**(2,878)**	**(36)**
Net:		
Proceeds from acquisition of Fidec Corporation and its two subsidiaries	**¥(1,178)**	**$(15)**

26. INVESTMENT AND RENTAL PROPERTY

Information on investment and rental property in the fiscal years ended June 30, 2011 and 2010 is as follows:

Fiscal year ended June 30, 2011

The Company and some of its consolidated subsidiaries own commercial facilities (including land) for lease in Tokyo and other areas. Rental income related to such facilities was ¥1,007 million ($12 million) in the fiscal year ended June 30, 2011. Rental income is recorded in net sales, and significant rental expenses are recorded in cost of sales and selling, general and administrative expenses.

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

Millions of yen (Note 2)			
Carrying amount			Fair value as of June 30, 2011
Balance as of June 30, 2010	Net change	Balance as of June 30, 2011	
¥15,152	**¥10,389**	**¥25,541**	**¥26,498**

Millions of U.S. dollars (Note 2)			
Carrying amount			Fair value as of June 30, 2011
Balance as of June 30, 2010	Net change	Balance as of June 30, 2011	
$188	**$128**	**$316**	**$328**

Notes: 1. The carrying amount on the consolidated balance sheet is the acquisition cost minus accumulated depreciation and impairment loss.
2. For the consolidated fiscal year ended June 30, 2011, a major component of the increase was ¥10,448 million ($129 million) for the acquisition of real estate, and major components of the decrease were depreciation and ¥158 million ($2 million) for expropriation.
3. Fair value as of June 30, 2011 is an amount which was calculated by the Company based primarily on Japanese Real Estate Appraisal Standards including adjustments made by using certain indicators.

Fiscal year ended June 30, 2010

The Company and some of its consolidated subsidiaries own commercial facilities (including land) for lease in Tokyo and other areas. Rental income related to such facilities was ¥971 million in the fiscal year ended June 30, 2010. Rental income is recorded in net sales, and significant rental expenses are recorded in cost of sales and selling, general and administrative expenses. Impairment loss was ¥140 million, which is recorded in extraordinary losses.

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

Millions of yen (Note 2)			
Carrying amount			Fair value as of June 30, 2010
Balance as of June 30, 2009	Net change	Balance as of June 30, 2010	
¥13,132	¥2,020	¥15,152	¥16,255

Notes: 1. The carrying amount on the consolidated balance sheet is acquisition cost minus accumulated depreciation and impairment loss.
2. For the consolidated fiscal year ended June 30, 2010, a major component of the increase was ¥3,801 million for the acquisition of real estate, and major components of the decrease were depreciation and ¥1,070 million for the change in application from real estate used for leasing purposes to real estate used by the Company.
3. Fair value as of June 30, 2010 is an amount calculated by the Company based primarily on Japanese Real Estate Appraisal Standards including adjustments made using certain indicators.

27. ASSET RETIREMENT OBLIGATIONS

Fiscal year ended June 30, 2011

1. Asset retirement obligations recorded on consolidated balance sheets

(1) Summary of asset retirement obligations

It relates to restoration obligations for land and buildings used for stores according to fixed-term leasehold for commercial use and fixed-term lease contracts for buildings.

(2) Calculation of asset retirement obligations

Asset retirement obligations are calculated on the basis of estimated period of use of 4 to 31 years and discount rates of 0.39% –2.15%.

(3) Changes in asset retirement obligations for the fiscal year ended June 30, 2011 were as follows:

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
	2011	
Beginning balance*	¥1,635	$20
Increase due to acquisition of property, plant and equipment	197	3
Adjustments over time	26	0
Ending balance	¥1,858	$23

* It is the beginning balance resulting from adopting "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008) from the fiscal year ended June 30, 2011.

2. Asset retirement obligations not recorded on consolidated balance sheets

For real estate lease contracts other than fixed-term leasehold for commercial use and fixed-term lease contracts for buildings, the Company and its consolidated subsidiaries have restoration obligations when vacating premises, but it is impossible to reasonably estimate asset retirement obligations because the period of use of the leased properties related to such obligations is not clear, and there is no current plan to vacate the premises in the future. Therefore, the asset retirement obligations that correspond to these obligations are not recorded.

28. BUSINESS COMBINATIONS

Information pertaining to business combinations in the fiscal years ended June 30, 2011 and 2010 is as follows:

Fiscal year ended June 30, 2011

(Business combination by acquisition)

(Consolidation of Fidec Corporation due to the acceptance of an allocation of new shares to a third party)

1. Overview of business combination

(1) Name of the acquired company and its scope of business

Name of company	Fidec Corporation
Business activities	Accounting outsourcing and liquidation of receivables

(2) Major reason for the business combination

The Company signed a new agreement on a business and capital alliance with Fidec Corporation on October 15, 2010 and supports the management of Fidec Corporation.

Based on this agreement, the Company consolidated Fidec Corporation by accepting an allocation of new shares to a third party to remove concerns over the capital deficit of Fidec Corporation and further strengthen its financial base.

(3) Date of the business combination

January 27, 2011

(4) Legal form of the business combination

Acquisition of shares

(5) Name of company after the business combination

Fidec Corporation

(6) Share of voting rights acquired

Before acquisition: 10.33%

After acquisition: 48.60%

(7) Basis for determining the acquiring company

The Company accepted an allocation of new shares to a third party of Fidec Corporation, which led to an increase in the ratio of voting rights, and resulted in the Company owning 50.9% of voting rights together with the shares of Fidec Corporation owned by directors of the Company.

2. Financial periods of the acquired company included in consolidated financial statements

Because the reporting date of Fidec Corporation is March 31, the difference between the reporting date of the Company is three months. Therefore, financial statements as of June 30, 2011 were used for consolidation. Accordingly, the results between March 31, 2011 (deemed acquisition date) and June 30, 2011 were included in the consolidated financial statements. However, as Fidec Corporation was an equity method company, the equity method was applied to results between April 1, 2010 and December 31, 2010, while adjustments necessary for consolidation were made for the period from January 1, 2011 to June 30, 2011.

3. Acquisition cost of the acquired company

Acquisition cost: ¥1,700 million ($21 million)

4. Difference between acquisition cost of the acquired company and the aggregation of the purchase prices for the acquired company's shares

Gain on step acquisition: ¥197 million ($2 million)

5. Amount of goodwill recognized, reason for recognition of goodwill, amortization method, and amortization period

Amount of goodwill recognized: ¥1,292 million ($16 million)

Reason for recognition of goodwill: Because the acquisition cost exceeded the market value of net assets at the time of the business combination, the difference is recognized as goodwill.

Amortization method and amortization period: Straight-line amortization over 20 years

6. Amounts of assets acquired and liabilities assumed as of the date of business combination and major components of these assets and liabilities

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
	2011	
Current assets	¥15,123	$187
Non-current assets	1,798	22
Total assets	16,921	209
Current liabilities	(15,603)	(193)
Non-current liabilities	(21)	(0)
Total liabilities	¥(15,624)	$(193)

7. Estimated effect and its calculation method used on the consolidated statements of income for the consolidated fiscal year ended June 30, 2011, when the business combination is assumed to have been completed on the first day of the consolidated fiscal year ended June 30, 2011

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
	2011	
Sales	¥1,261	$16
Operating income	340	4
Recurring income	510	6

(Method of calculating estimated amount)

Estimated effect is the difference between sales and profit information calculated assuming that the business combination is completed on the first day of the consolidated fiscal year ended June 30, 2011 and sales and profit information of the acquired company presented in the consolidated statements of income. This note is not covered by an audit certificate.

(Consolidation of subsidiaries, making them second-generation subsidiaries, by acquisition of equity investment in SPC of consolidated subsidiaries)

1. Overview of business combination

(1) Name of the acquired company and scope of business activities

Name of company	KAG Six Investment SPC
Business activities	Transfer of designated assets and management and disposal of those assets in accordance with the asset liquidation plan based on laws regarding liquidation of assets

(2) Major reason for the business combination

Japan Commercial Establishment Co., Ltd., a consolidated subsidiary of the Company, determined to acquire preferred equity investment and designated equity investment of SPC, which owns retail properties, in order to engage in store operation and tenant leasing businesses of the Group.

(3) Date of the business combination
March 31, 2011

(4) Legal form of the business combination
Acquisition of equity investment

(5) Name of company after the business combination
Koigakubo SC TMK

(6) Share of voting rights acquired
Before acquisition: 0.00%
After acquisition: 100.00%

(7) Basis for determining the acquiring company
A consolidated subsidiary of the Company acquired 100% of the equity investment in exchange for cash.

2. Financial periods of the acquired company included in consolidated financial statements

Because the reporting date of Koigakubo SC TMK is December 31, the financial statements for the term ended June 30, 2011 were used for consolidation. Results between March 31, 2011 (date of the business combination) and June 30, 2011 were included in the consolidated financial statements.

3. Acquisition cost of the acquired company

Acquisition cost: ¥4,657 million ($57 million)

4. Difference between acquisition cost of acquired company and the aggregation of the purchase prices for the acquired company's shares

Not applicable

5. Amount of goodwill recognized, reason for recognition of goodwill, amortization method, and amortization period

Not applicable

6. Amounts of assets acquired and liabilities assumed as of the date of business combination and major components of these assets and liabilities

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
	2011	
Current assets	¥31	$0
Non-current assets	4,641	57
Total assets	4,672	57
Current liabilities	(15)	(0)
Non-current liabilities	—	—
Total liabilities	¥(15)	$(0)

7. Estimated effects and its calculation method used on the consolidated statements of income for the consolidated fiscal year ended June 30, 2011, when the business combination is assumed to have been completed on the first day of the consolidated fiscal year ended June 30, 2011

Because it was difficult to estimate, it was not calculated. This note is not covered by an audit certificate.

Fiscal year ended June 30, 2010
(Transactions under common control)

1. Names and business activities of companies at the time of the business combination, legal form of the business combination, name of company after the business combination, outline and purpose of the transaction

(1) Name and business activity of combined parties

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

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

(2) Legal form of the business combination
An absorption-type merger in which Don Quijote was the surviving company and BIG1 was absorbed company.

(3) Name of company after the business combination
Don Quijote Co., Ltd.

(4) Outline and purpose of the transaction
BIG1 operated six discount stores in Aichi Prefecture and Gifu Prefecture. The company had seven stores as of October 2008, but closed one of them in February 2009. The company became a wholly owned subsidiary of Don Quijote in October 2008. On July 1, 2009, Don Quijote absorbed BIG1 to concentrate management resources and enhance the efficiency of Group management.

2. Overview of accounting procedures implemented

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 accounted for as a transaction under common control.

29. SUBSEQUENT EVENTS

1. Cash dividends

The following cash dividend of the Company was approved at the shareholders' meeting held on September 27, 2011.

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Cash dividend (¥18.00 = $0.22 per share)	¥1,387	$17

2. Substantial amount of financing

Pursuant to a resolution of the Board of Directors at a meeting held on July 13, 2011, the Company conducted the following financing activity:

(Issuance of bonds)

1. Method: Issuance of private placement bonds
2. Name: Don Quijote 50th unsecured bond
3. Amount of issue: Total of ¥2,000 million ($25 million)
4. Interest rate: 0.62% per annum
5. Date of issue: July 29, 2011
6. Redemption period: Five years
7. Collateral: None
8. Purpose: Capital investment

(Loan on deed)

1. Method: Long-term borrowing through loan on deed
2. Lenders: Shinkin Central Bank and seven other banks
3. Amount of borrowing: Total of ¥5,500 million ($68 million)
4. Interest rate: 0.74%~1.20% per annum
5. Date of implementation: July 29, 2011
6. Term: Three to five years
7. Collateral: None
8. Purpose: Capital investment

Pursuant to a resolution of the Board of Directors at a meeting held on September 14, 2011, the Company undertook the following financing activities.

(Issuance of bonds)

1. Method: Issuance of private placement bonds
2. Name: Don Quijote 51st unsecured bond
3. Amount of issue: Total of ¥2,000 million ($25 million)
4. Interest rate: 0.76% per annum
5. Date of issue: September 26, 2011
6. Redemption period: Five years
7. Collateral: None
8. Purpose: Capital investment

(Issuance of bonds)

1. Method: Issuance of private placement bonds
2. Name: Don Quijote 52nd unsecured bond
3. Amount of issue: Total of ¥1,000 million ($12 million)
4. Interest rate: 0.77% per annum
5. Date of issue: September 30, 2011
6. Redemption period: Five years
7. Collateral: None
8. Purpose: Capital investment

(Loan on deed)

1. Method: Long-term borrowing through loan on deed
2. Lenders: Mizuho Bank, Ltd. and two other banks
3. Amount of borrowing: Total of ¥3,000 million ($37 million)
4. Interest rate: 0.84%~1.50% per annum
5. Date of implementation: September 30, 2011-October 7, 2011
6. Term: five years
7. Collateral: None
8. Purpose: Capital investment

(Term loan by syndication)

1. Method: Long-term borrowing through term loan by syndication
2. Lenders: The Bank of Yokohama, Ltd. and 13 other banks
3. Amount of borrowing: Total of ¥5,000 million ($62 million)
4. Basic interest rate: Six-month TIBOR
5. Spread: 0.6% per annum
6. Date of implementation: September 30, 2011
7. Term: Five years
8. Collateral: None
9. Financial covenant: The amount of net assets on consolidated balance sheets is required to be equal or greater than 75% of net assets at the consolidated balance sheet date of the previous year or the fiscal year ended June 30, 2011, whichever amount is greater.
   The amount of net assets on the Company's individual balance sheets is required to be equal or greater than 75% of net assets at the balance sheet date of the previous year or the fiscal year ended June 30, 2011, whichever amount is greater.
   The Company should not record a recurring loss on consolidated and individual statements of income for two consecutive years.
10. Arranger: The Bank of Yokohama, Ltd.
11. Agent: The Bank of Yokohama, Ltd.
12. Purpose: Business capital

3. Commitment lines by syndication

The Company approved a resolution on the following commitment lines by syndication at a Board of Directors' meeting held on September 14, 2011, and signed the contract on September 22, 2011 to secure expeditious and stable financing.

1. Date of contract: September 22, 2011
2. Term of contract: September 22, 2011– September 21, 2012
3. Amount of commitment line: ¥10,000 million ($124 million)
4. Basic interest rate: TIBOR corresponding to basic loan term
5. Spread: 0.5% per annum
6. Collateral: None
7. Financial covenant: The amounts of net assets on the consolidated balance sheets at the end of each fiscal year and each second quarter are required to be equal or greater than 75% of net assets at the consolidated balance sheet date of the previous year and the previous second year.
   The amount of net assets on the Company's individual balance sheet is required to be equal or greater than 75% of net assets at the balance sheet date of the previous year.
   The Company should not record recurring loss on the consolidated statements of income for each fiscal year and the second quarter.
   The Company should not record recurring loss on the individual statements of income for each fiscal year.
8. Arranger: Resona Bank, Limited
9. Co-arranger: Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd.
10. Agent: Resona Bank, Limited
11. Participating financial institutions: Resona Bank, Limited, and five other banks
12. Purpose: Working capital

4. Recording of other and extraordinary income due to discharge of debts

Nagasakiya Co., LTD., a consolidated subsidiary of the Company, signed an agreement on the discharge of debts dated September 22, 2011, as a result of negotiations with creditors for a portion of its debts (long-term accrued payable). Based on this agreement, the remaining debts of Nagasakiya Co., LTD., are discharged by repaying a portion of its debts on September 30, 2011. Accordingly, other and extraordinary income (gain on discharge of debts) of ¥1,782 million ($22 million) is recorded.

30. SEGMENT INFORMATION

1. Overview of reportable segments

Reportable segments of the Company are components of the Company whose segregated financial information is available and that are under regular review for determining the allocation of management resources and assessment of financial results by the Board of Directors.

The Company consists of segments categorized by how goods and services are provided, and "retail business" and "tenant leasing business" are the Company's two reportable segments. The "retail business" deals in electrical appliances, daily commodities, foods, watches, fashion merchandise, sporting goods, leisure equipment, DIY products, and others. It operates "Don Quijote," a large-scale convenience and discount store, "MEGA Don Quijote," a general discount store for families; "Nagasakiya," a GMS; and, "Doit," a DIY store. "Tenant leasing business" recruits and manages tenants of retail properties.

2. Method of calculating sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting procedures of reportable operating segments are as described in Note 3. "Summary of Significant Accounting Policies."
The sum of income of the reportable segments and that of other operating segments is operating income.
Intersegment sales are mainly based on quoted market prices.

3. Information on amounts of sales, profit or loss, assets, liabilities, and other items by reportable segment

Information on amounts of sales, profit or loss, assets, liabilities, and other items by reportable segment for the fiscal years ended June 30, 2011 and 2010 is as follows:

Fiscal year ended June 30, 2011

	Millions of yen (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others *1	Total	Adjustments *2	Consolidated *3
Sales							
Sales to third parties	¥487,875	¥15,669	¥503,544	¥4,117	¥507,661	¥ —	¥507,661
Intersegment sales	4	2,601	2,605	1,159	3,764	(3,764)	—
Total	487,879	18,270	506,149	5,276	511,425	(3,764)	507,661
Segment income	19,821	4,485	24,306	1,174	25,480	(144)	25,336
Segment assets	255,925	66,550	322,475	24,074	346,549	(5,249)	341,300
Other items *4							
Depreciation and amortization	8,436	1,382	9,818	157	9,975	(67)	9,908
Increase of property, plant and equipment and intangible assets	19,597	18,945	38,542	231	38,773	(477)	38,296

*1 "Others" are operating segments not included in reportable segments such as real estate business, marketing business, mobile equipment sales business, and financial services business.
*2 Adjustments to segment income of (¥144 million ($2 million)) are eliminations of intersegment transactions.
Adjustments to segment assets of (¥5,249 million ($65 million)) include surplus funds of ¥34,318 million ($425 million) of the Company and Nagasakiya Co., LTD., which are companywide assets (cash and deposits, long-term deposits and investment securities) and elimination of receivables between reportable segments of (¥39,567 million ($490 million)).
*3 Some adjustments are made between segment income and operating income in the consolidated statements of income.
*4 Increase in property, plant and equipment and intangible assets includes increase in long-term prepaid expenses.

	Millions of U.S. dollars (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others *1	Total	Adjustments *2	Consolidated *3
Sales							
Sales to third parties	$6,043	$194	$6,237	$51	$6,288	$ —	$6,288
Intersegment sales	0	32	32	14	46	(46)	—
Total	6,043	226	6,269	65	6,334	(46)	6,288
Segment income	245	56	301	15	316	(2)	314
Segment assets	3,170	825	3,995	298	4,293	(65)	4,228
Other items *4							
Depreciation and amortization	105	17	122	2	124	(1)	123
Increase in property, plant and equipment and intangible assets	243	234	477	3	480	(6)	474

Fiscal year ended June 30, 2010

	Millions of yen (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others *1	Total	Adjustments *2	Consolidated *3
Sales							
Sales to third parties	¥467,363	¥15,734	¥483,097	¥4,474	¥487,571	¥ —	¥487,571
Intersegment sales	—	2,152	2,152	1,084	3,236	(3,236)	—
Total	467,363	17,886	485,249	5,558	490,807	(3,236)	487,571
Segment income	16,381	4,333	20,714	451	21,165	(98)	21,067
Segment assets	242,018	40,773	282,791	4,210	287,001	15,028	302,029
Other items *4							
Depreciation and amortization	8,148	1,619	9,767	128	9,895	(92)	9,803
Increase in property, plant and equipment and intangible assets	18,556	3,371	21,927	163	22,090	40	22,130

*1 "Others" are operating segments not included in reportable segments such as real estate business, marketing business, and mobile equipment sales business.
*2 Adjustments to segment income of (¥98 million) are eliminations of intersegment transactions.
Adjustments to segment assets of (¥15,028 million) include surplus funds of ¥47,383 million of the Company and Nagasakiya Co., LTD., which are companywide assets (cash and deposits, long-term deposits and investment securities) and elimination of receivables between reportable segments of (¥32,355 million).
*3 Some adjustments are made between segment income and operating income in the consolidated statements of income.
*4 Increase in property, plant and equipment and intangible assets includes increase in long-term prepaid expenses.

Geographic segment information
For the fiscal year ended June 30, 2010, net sales and assets in Japan accounted for more than 90% of the net sales and assets of all the segments. Consequently, details of each geographic segment are not presented.

Sales outside Japan
For the fiscal year ended June 30, 2010, sales outside of Japan amounted to less than 10% of consolidated net sales, and therefore the information is not presented.

(Additional information)
From the fiscal year ended June 30, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

(Relevant information)
1. Information by product and service
Descriptions are omitted because the classification is the same as that of reportable segments.

2. Information by region

(1) Sales

Description is omitted because the Company's domestic sales to third parties exceed 90% of net sales on the consolidated statements of income.

(2) Property, plant and equipment

Description is omitted because property, plant and equipment located in Japan exceed 90% of the property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

Description is omitted because no third-party customer accounts for 10% or above of net sales on the consolidated statements of income.

4. Loss on impairment of non-current assets by reportable segment

Fiscal year ended June 30, 2011

	Millions of yen (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated statements of income
Impairment loss	**¥638**	**¥141**	**¥779**	**¥ —**	**¥779**	**¥ —**	**¥779**

	Millions of U.S. dollars (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated statements of income
Impairment loss	**$8**	**$2**	**$10**	**$ —**	**$10**	**$ —**	**$10**

Fiscal year ended June 30, 2010

	Millions of yen (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated statements of income
Impairment loss	¥8	¥140	¥148	¥15	¥163	¥ —	¥163

5. Amortization of goodwill and unamortized balance of goodwill by reportable segment

Fiscal year ended June 30, 2011

	Millions of yen (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated statements of income
Amortization for the year	**¥7**	**¥4**	**¥11**	**¥16**	**¥27**	**¥ —**	**¥27**
Balance at year-end	**—**	**304**	**304**	**1,276**	**1,580**	**—**	**1,580**

	Millions of U.S. dollars (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated statements of income
Amortization for the year	**$0**	**$0**	**$0**	**$0**	**$0**	**$ —**	**$0**
Balance at year-end	**—**	**4**	**4**	**16**	**20**	**—**	**20**

Amortization of negative goodwill and unamortized balance of negative goodwill incurred by business combinations conducted before April 1, 2010 were as follows:

	Millions of yen (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated statements of income
Amortization for the year	¥511	¥346	¥857	¥ —	¥857	¥ —	¥857
Balance at year-end	1,716	733	2,449	—	2,449	—	2,449

	Millions of U.S. dollars (Note 2)						
	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated statements of income
Amortization for the year	$7	$4	$11	$ —	$11	$ —	$11
Balance at year-end	21	9	30	—	30	—	30

Fiscal year ended June 30, 2010

Description is omitted since the amounts had no materiality for the financial statements.

6. Gain on negative goodwill by reportable segment

Description is omitted because the amounts had no materiality for the financial statements for the fiscal year ended June 30, 2011. There is no applicable item for the fiscal year ended June 30, 2010.

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, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets, 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, 2011 and 2010, 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 4 to the consolidated financial statements, effective July 1, 2010, Don Quijote Co., Ltd. and the consolidated subsidiaries adopted "Accounting Standard for Asset Retirement Obligations". As described in Note 29 to the consolidated financial statements, Don Quijote Co., Ltd. conducted or may conduct the substantial amount of financing.

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

UHY Tokyo & Co
Tokyo, Japan
September 27, 2011

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 consolidated financial statements are prepared based on accounting principles generally accepted in Japan, and filed with the local finance bureau of the Ministry of Finance (MOF) as required by the Financial Instruments and Exchange Law. The auditing standards and their application in practice are those generally accepted in Japan, and Report of Independent Auditors is translated into English from the statutory Japanese language consolidated financial statements. 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, 2011)

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
¥19,561 million

NUMBER OF EMPLOYEES
2,455

NUMBER OF STORES (Consolidated basis)
228

Board of Directors (as of September 27, 2011)

Chairman of the Board and CEO	Takao Yasuda
President and COO	Junji Narusawa
Senior Managing Director, CFO and CCO	Mitsuo Takahashi
Director and CIO	Koji Oohara
Standing Statutory Auditor	Tomiaki Fukuda
Statutory Auditor	Makoto Iwade
Statutory Auditor	Yoshihiro Hongo
Statutory Auditor	Yukihiko Inoue

Note: 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, 2011)

SHARES OF COMMON STOCK

Authorized:	234,000,000
Issued:	77,030,780
Treasury stock:	1,244

NUMBER OF SHAREHOLDERS

4,542

PRINCIPAL SHAREHOLDERS

	Number of shares held	Percentage of total shares in issue (%)
Takao Yasuda	10,872,000	14.11
La Mancha	9,000,000	11.68
The Master Trust Bank of Japan, Ltd. (Trust Account)*	4,451,200	5.78
Anryu Shoji Co., Ltd.	4,140,000	5.37
Japan Trustee Service Bank, Ltd. (Trust Account)*	3,991,600	5.18
BBH for Fidelity Low-priced Stock Fund	3,100,000	4.02
Japan Trustee Service Bank, Ltd. (Trust Account 9G)*	2,295,300	2.98
Yasuda Scholarship Foundation	1,800,000	2.34
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	1,764,739	2.29
Mellon Bank ABN Amro Global Custody N.V.	1,531,200	1.99

* Shares held by these institutions include shares in trust.
Percentage of total shares does not include treasury stock (1,244 shares).
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, Financial Products Traders	83	18,060,119	23.45
Other Japanese Corporations	59	6,121,680	7.95
Foreign Corporations and Individuals	260	39,672,583	51.50
Japanese Individuals and Others*	4,140	13,176,398	17.10
Total	4,542	77,030,780	100.00

* Shares held by Japanese Individuals and Others include treasury stock (1,244 shares).

TRANSFER AGENT

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

STOCK LISTING

Tokyo Stock Exchange, First Section

Don Quijote Co., Ltd.

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