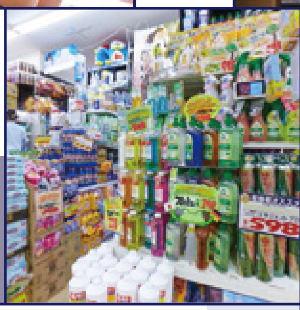
2013 ANNUAL REPORT

Pioneering in Retail Innovation

Don Quijote Co., Ltd.



We do it all for our customers

The Don Quijote Group comprises companies operating stores under several formats, notably, Don Quijote variety-style general discount stores, MEGA Don Quijote family-oriented general lifestyle discount stores, and Doit home centers handling do-it-yourself products. All formats are infused with the corporate philosophy of "valuing the customer as our utmost priority."

ドン.キホーテ

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

長崎屋

Nagasakiya Co., Ltd.
General merchandise store operation

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

Accretive
アクリーティブ株式会社

Accretive Co., Ltd.
Financial services to quickly acquire client accounts receivable, and outsourcing services to manage clients' payment processing operations

SUN ASSORT

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

REALIT
株式会社リアリット

REALIT Co., Ltd.
Marketing business

D-ONE

D-ONE Co., Ltd.
Real estate business

日本商業施設
Japan Commercial Establishment

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

JAM
Japan Asset Marketing Co., Ltd.

Japan Asset Marketing Co., Ltd.
Social content provider

Doit

Doit Co., Ltd.
Retailing business emphasizing DIY goods

As of July 1, 2013

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.

Contents

Financial Summary

For the fiscal year ended June 30, 2013 (Fiscal 2013)

Financial Highlights

Net Sales
¥568.4 billion — Up 5.2%

Operating Income
¥32.4 billion — Up 10.4%

Operating Income Ratio
5.7% — UP 0.3 ppt

Net Income
¥21.1 billion — Up 6.5%

Annual Dividends per Share
¥33 — +¥2

Net Assets
¥170.2 billion — +¥24.5 billion

Earnings per Share
¥273.47 — +¥16

Return on Equity
13.7% — Down 1.2 ppt

Operating Highlights

Number of Stores
255 — +13

Sales Floor Space
719,695 m^2 — Up 5.2%

Number of Customers
244,660 thousand

Number of Products Sold (Domestic)
1,388.3 million

Trusting and Relying on Our Staff

“Delegation of authority = Having trust in store staff” This is a source of power for Don Quijote.

Since its establishment, Don Quijote has been committed to the idea of *kenshu sokko*—a feudal term for staunchly defending a castle and attacking quickly to prevent the enemy from gaining any advantage—and has, with the rest of the Group on board, maintained steady growth by demonstrating an ability to respond flexibly to changes regardless of lackluster business conditions and deflationary environments and by turning adversity into opportunity. In fiscal 2013, as always, we emphasized store operation that makes shopping a wonderful experience for customers from the perspective of a concept-creating business enterprise putting the principle of “valuing the customer as our utmost priority” into practice. Our efforts were rewarded with higher consolidated sales and income for the 24th consecutive year.

Behind the extraordinary growth achieved to date is the Group’s success in delegating authority to store staff for a good number of merchandise-related tasks. Delegation of authority begins by trusting people. Store staff who have been given responsibility for a certain job will gain a sense of duty and remain highly motivated because they feel their contribution counts. The sales floor is therefore always evolving through efforts by every staff member to raise his or her level of skill. This leads to growth throughout the Group. We will draw on the underlying power of trust to sustain the tireless work of ensuring the satisfaction of as many customers as possible.

I ask for the continued support of our valued stakeholders as we work toward an even brighter future together.

Takao Yasuda

Takao Yasuda
Chairman of the Board, President and CEO

Pursuit of "valui as our utm

introduction

Source of Growth 1

From its earliest days, the Don Quijote Group has set out to create store designs with its customers in mind, a perspective epitomized by the corporate philosophy of "valuing the customer as our utmost priority."

Original Business Model Founded on Cv+D+A

Store formats embody the basic concept of "consumable time," giving customers Convenience, Discounts and Amusement—the opportunity to truly enjoy their shopping experience not only when they need to buy a certain item but anytime and for any purchase. This unique business model also grants us the flexibility and corporate nimbleness to respond quickly and accurately to prevailing consumer trends.

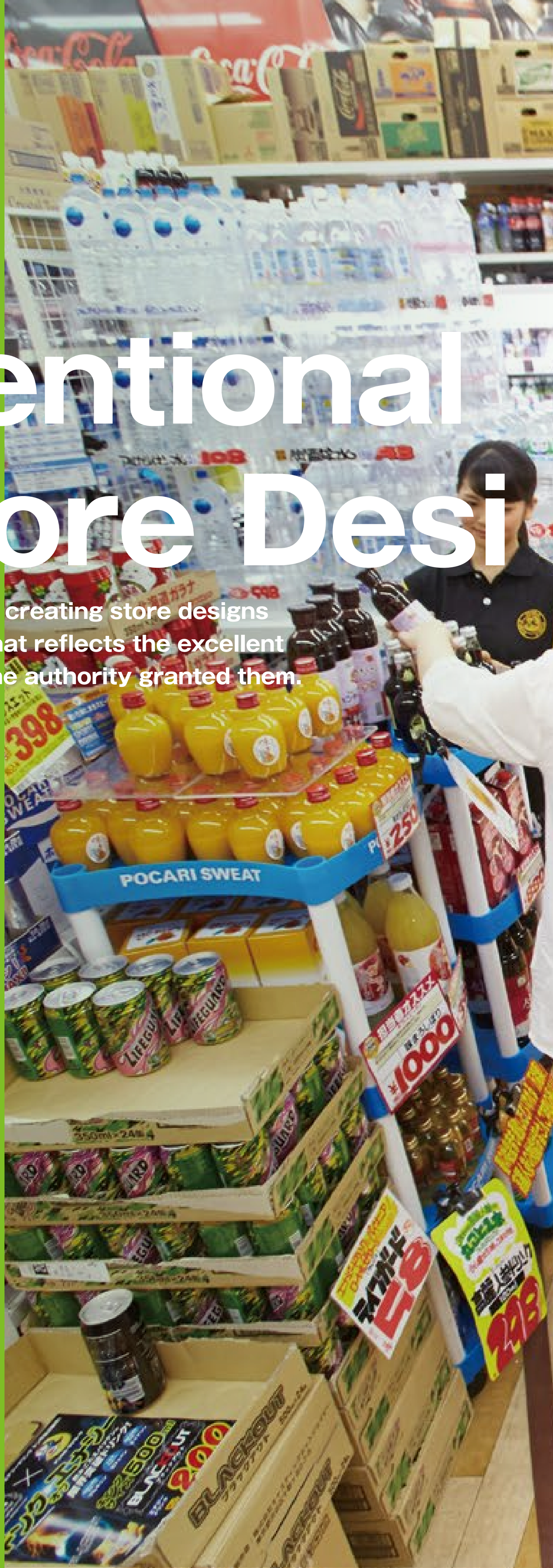
ng the customer ost priority”

Unconventional Store Desi

introduction

Source of Growth 2

We are able to raise store-visit frequency by creating store designs brimming with amusement value, a feature that reflects the excellent capabilities of human resources worthy of the authority granted them.



Delegation of Authority Leads to Ingeniously Designed Product Portfolios

Throughout the Don Quijote Group, we staunchly adhere to the idea of delegating authority, which makes frontline staff responsible for a broad range of merchandise-related tasks, from purchasing and pricing to displays and presentation. Frontline staff have intimate contact with customers, allowing them to reflect their needs in the assortment of merchandise by constantly making adjustments in product composition and layouts to match the ever-changing needs of customers, thus creating a customer-driven ambiance.

Store Presentation that Evokes *Wakuwaku Dokidoki*—a Sense of Fun

Handwritten POP (point-of-purchase) cards and compression displays, huge storefront aquariums and distinctive exterior signage—these are the components of our unique store presentation that turn the routine chore of shopping into an entertaining experience at Don Quijote Group stores. Sales floors bursting with a sense of amusement make shopping itself a joy, and this consistently translates into a higher store-visit frequency.

gn

Private Brand P
Developme

Source of Growth 3 introduction

Jonetsu Kakaku ("passionate price) —a one-of-a-kind private brand infused with the requisite sense of fun and discovery associated with Don Quijote.

情熱価格

Customer Feedback Prompted New Level of Added-Value

To customers, a private brand is supposed to be inexpensive. But Jonetsu Kakaku goes beyond that preconception in characteristic Don Quijote style with the additional qualities of fun, delicious, fashionable and convenient, exceeding customer expectations and delivering delight, surprise and amazement.

Most Familiar and Most Loved: "Everybody's Home Brand"

Comments from customers about the Jonetsu Kakaku brand serve as ideas for product development, and we take all feedback in earnest in our ongoing pursuit to develop and improve products. As a result, the lineup of products under the Jonetsu Kakaku label has steadily expanded since the brand debuted in 2009, with the brand now featuring more than 2,800 items. This list continues to grow.

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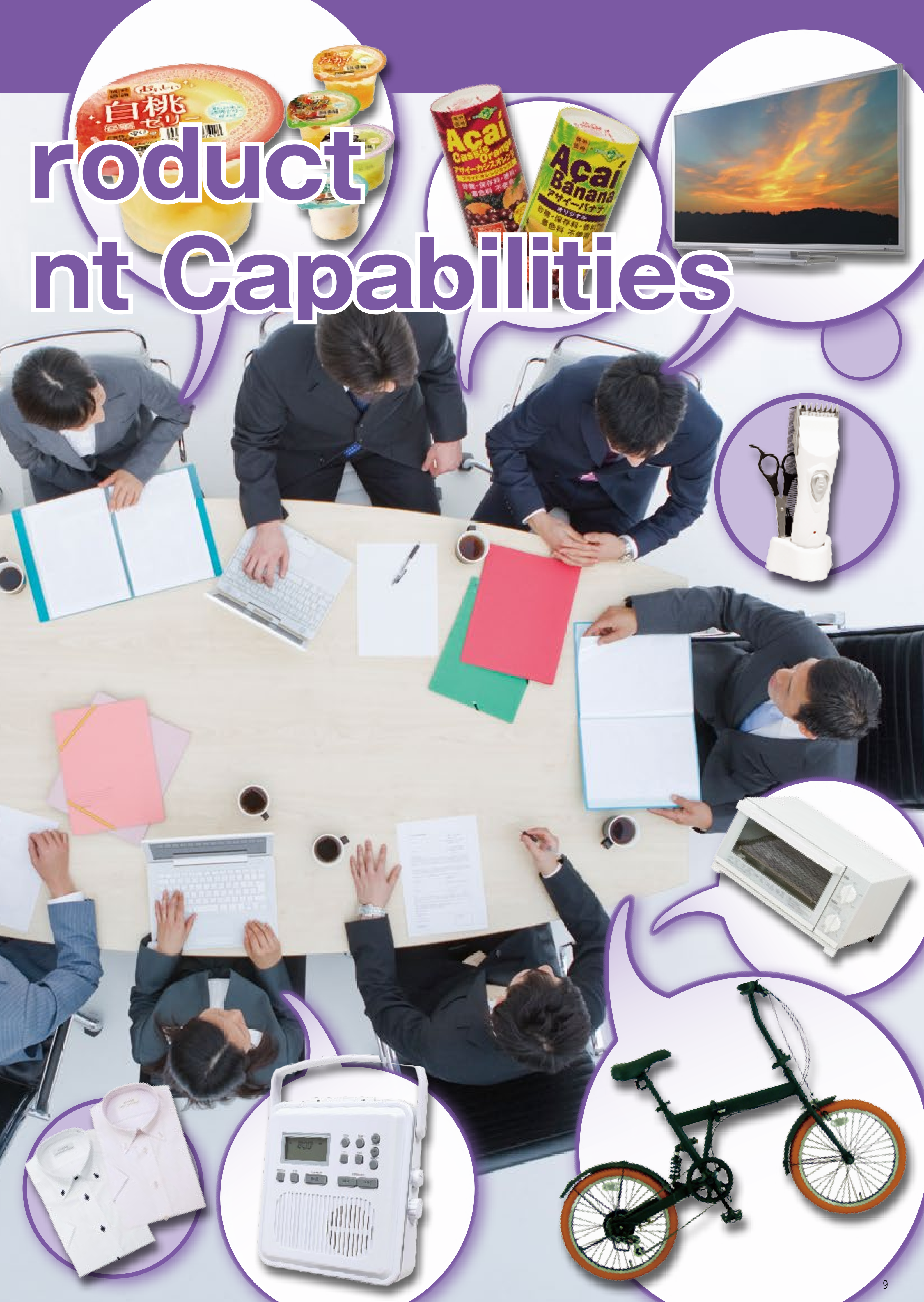
nt Capabilities

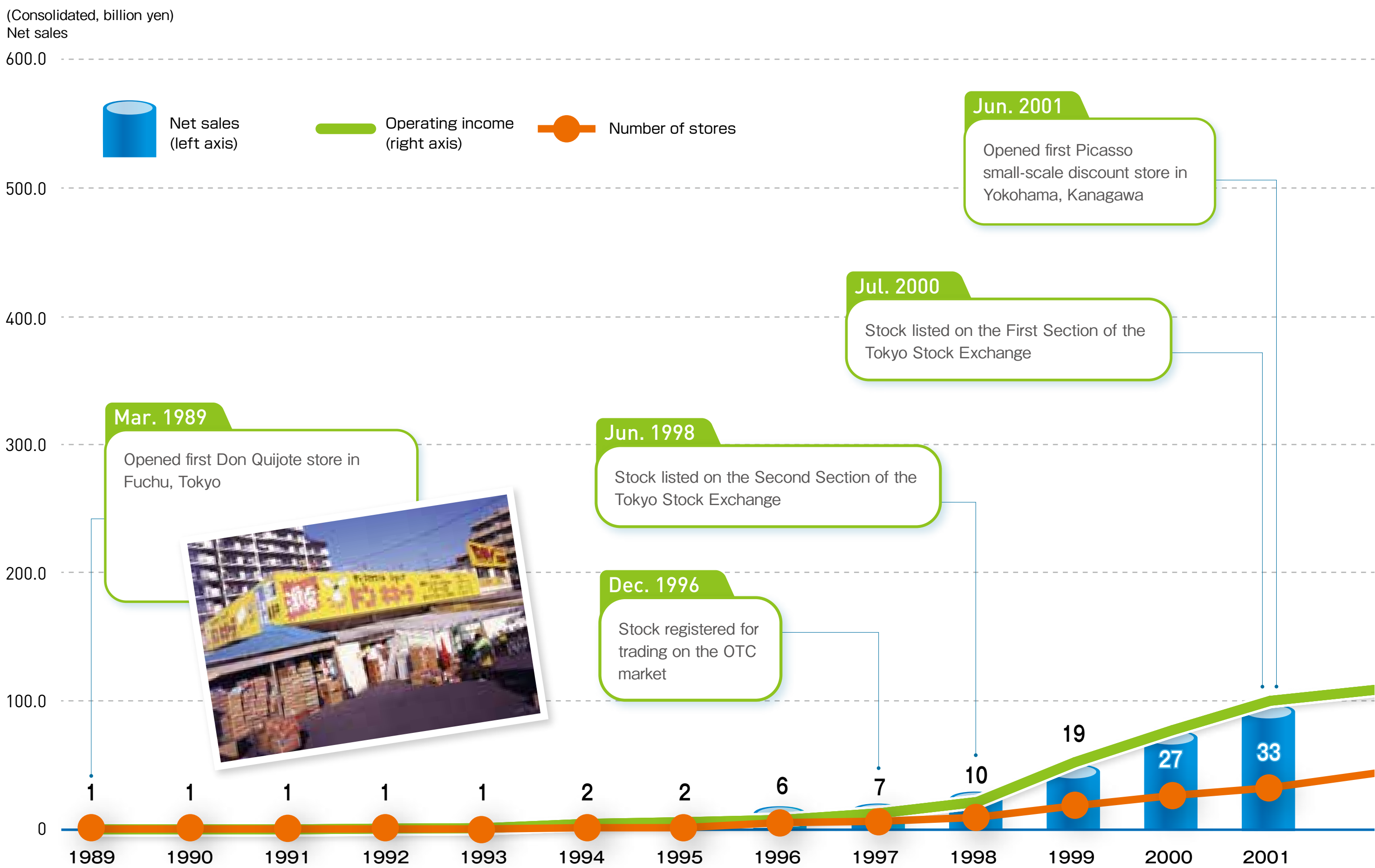


The Don Quijote Group: Stages in Our History

Established in 1980, Don Quijote has been in business for 33 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.

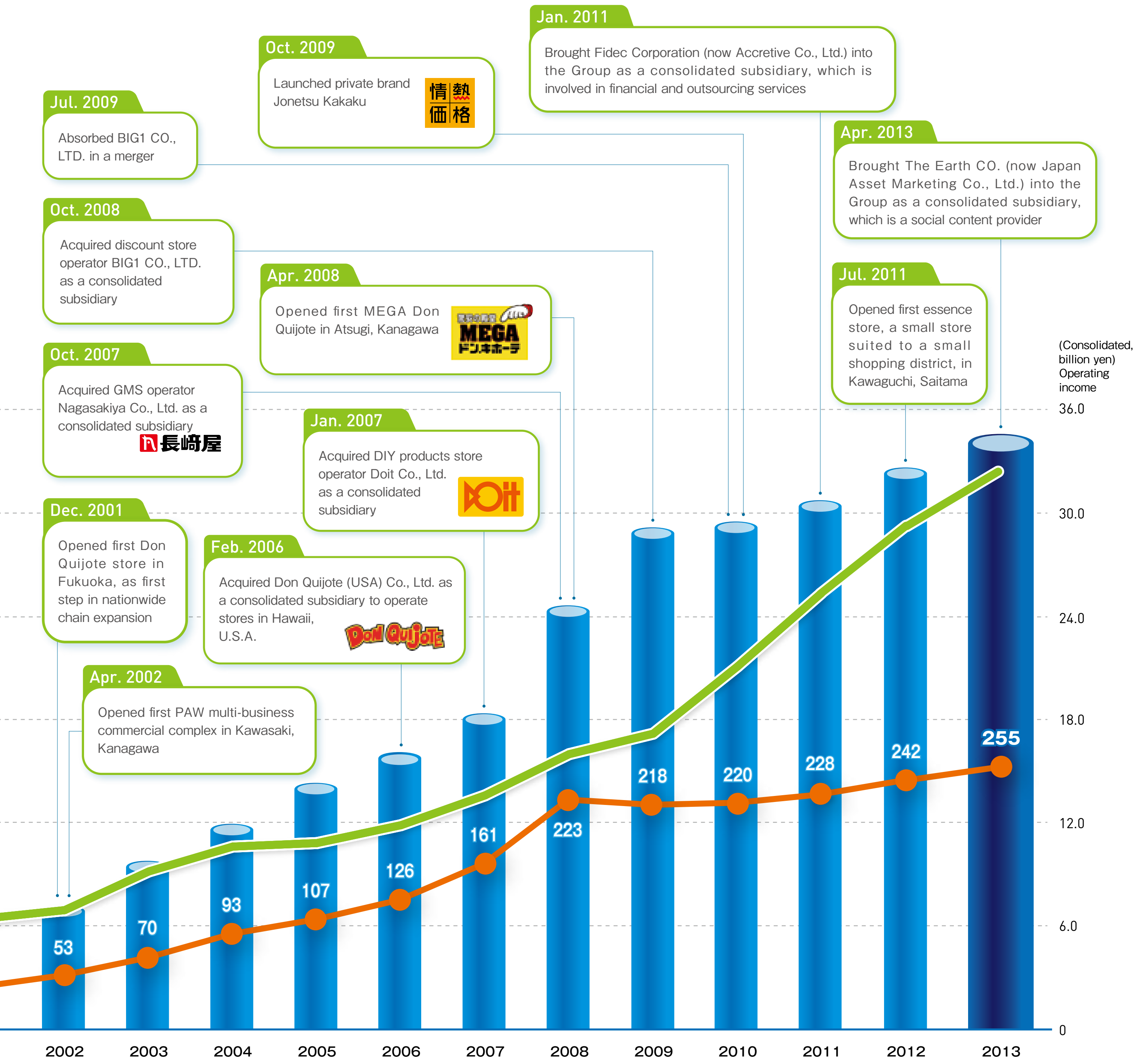


A Business Platform that Secures Profits Even When Times Are Bad

The starting point for the Don Quijote Group was a general merchandise store established in 1978 by Takao Yasuda, the Group's chairman of the Board, president and CEO. The store was small, with only around 60 to 70 square meters of area. Late one night, after the store had closed, Mr. Yasuda was restocking merchandise and arranging displays when a customer dropped by, thinking that the store was still open because the lights were on. This gave Mr. Yasuda the idea to target demand for late-night shopping. It was also here, in this small store, that "compression displays" for products and handwritten POP price cards, which filled all available space and then some, first appeared.

In 1989, the first Don Quijote store opened, in Fuchu, Tokyo. The know-how accumulated at this location provided the platform for developing a multi-store network.

Fast-forwarding to 2006, the Don Quijote Group kicked off merger and acquisition activity with the purchase of stores in Hawaii and then brought Doit, a home center operator, and Nagasakiya, a general merchandise store operator, under its umbrella in 2007, followed by BIG1 discount stores in 2008.



(For the fiscal years ended June 30)

Today, the Group stands as a retailing conglomerate with net sales of more than ¥500 billion.

Another notable marker was the 2009 launch of the private brand Jonetsu Kakaku.

Even during the downturn that has persisted in Japan since the 1990s—an era dubbed "the lost 20 years" —the Don Quijote Group has grown by leaps and bounds. This reflects adherence to the founding principle of "valuing the customer as our utmost priority" and an enduring quest to create new store formats.

As a result, our retailing formats have scored high points with customers. According to surveys compiled by *Nikkei Marketing Journal (Nikkei MJ)*, Don Quijote held onto its No. 14 ranking among retailers in net sales[1] (please see page 23), 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 46th Survey on the Retailing Industry in Japan, *Nikkei MJ* (June 26, 2013)
[2]The 41st Survey on Specialized Stores in Japan, *Nikkei MJ* (July 17, 2013)

Consolidated Financial Highlights

	2004	2005	2006	2007
For the fiscal year				
Net sales	¥192,840	¥232,778	¥260,779	¥300,660
Cost of goods sold	148,543	179,330	200,425	227,537
Selling, general and administrative expenses	33,686	42,634	48,500	59,537
Operating income	10,611	10,814	11,854	13,586
Ordinary income	12,598	12,841	14,396	15,774
Income before income taxes	12,368	12,690	17,808	18,817
Net income	6,846	7,163	10,725	10,638

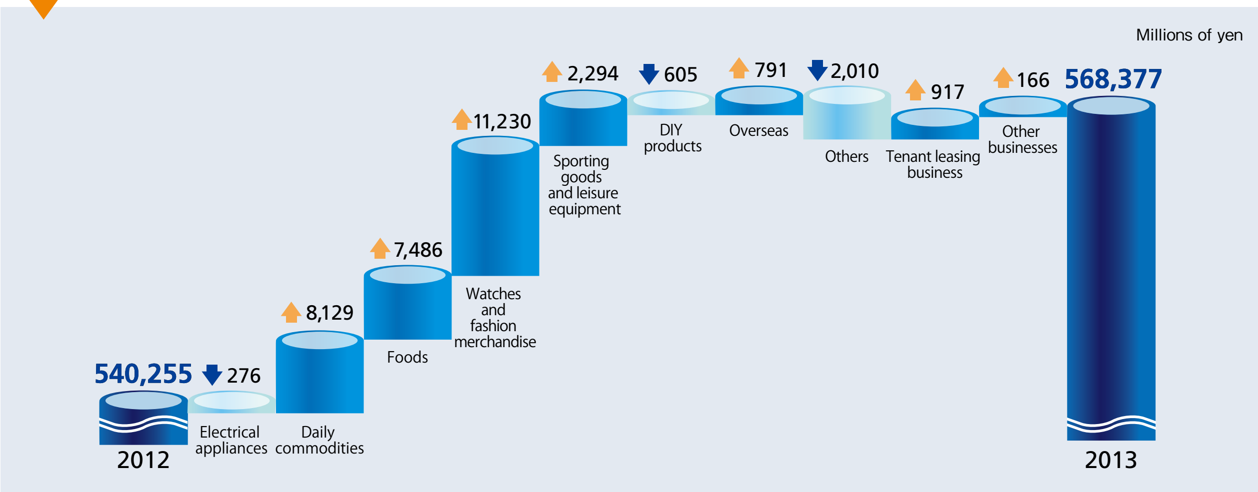
	2004	2005	2006	2007
At year-end				
Total assets	¥126,774	¥150,048	¥167,534	¥209,865
Total equity	41,738	52,128	72,741	82,470

	2004	2005	2006	2007
Per share*				
Basic earnings	¥116.28	¥112.25	¥158.31	¥148.89
Diluted earnings	102.89	96.10	140.66	138.32
Cash dividends (before retroactive adjustment)	30.00	40.00	50.00	20.00

	2004	2005	2006	2007
Key ratios				
ROA	6.2	5.2	6.8	5.6
ROE	18.5	15.3	17.2	13.7

*Per share amounts have been retroactively adjusted to reflect stock splits distributed in July 2006.

Net Sales by Product Category



In the categories of food items, daily commodities, and watches and fashion merchandise, putting emphasis on flexibility in product lineups to reflect consumer interest and local characteristics and on pricing strategies led to high sales growth and lifted performance results overall.

Millions of yen

2008	2009	2010	2011	2012	2013
¥404,924	¥480,856	¥487,571	¥507,661	¥540,255	**¥568,377**
296,215	353,616	364,065	378,587	400,712	**418,570**
92,728	110,068	102,439	103,738	110,223	**117,438**
15,981	17,172	21,067	25,336	29,320	**32,369**
17,204	15,989	21,109	25,138	29,283	**33,201**
16,640	14,214	16,845	21,147	30,395	**33,382**
9,303	8,554	10,238	12,663	19,845	**21,141**

Millions of yen

2008	2009	2010	2011	2012	2013
¥276,288	¥297,527	¥302,029	¥341,300	¥362,651	**¥386,622**
84,625	89,972	106,760	125,242	145,735	**170,178**

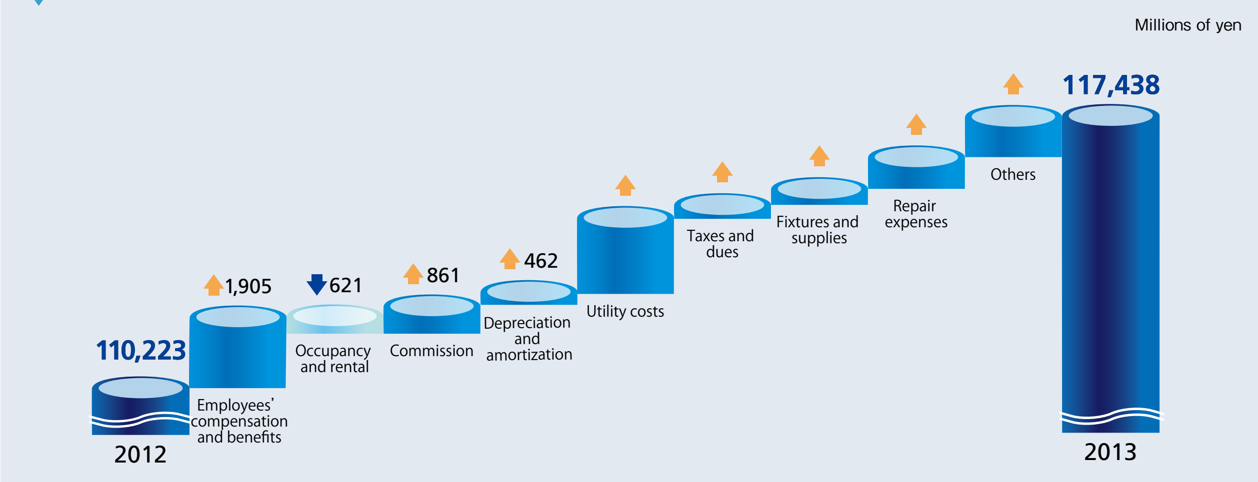
Yen

2008	2009	2010	2011	2012	2013
¥130.78	¥123.69	¥147.35	¥167.82	¥257.47	**¥273.47**
122.00	123.69	137.64	164.34	256.90	**272.34**
22.00	23.00	25.00	28.00	31.00	**33.00**

%

2008	2009	2010	2011	2012	2013
3.8	3.0	3.4	3.9	5.6	**5.6**
11.3	10.0	10.5	11.1	14.9	**13.7**

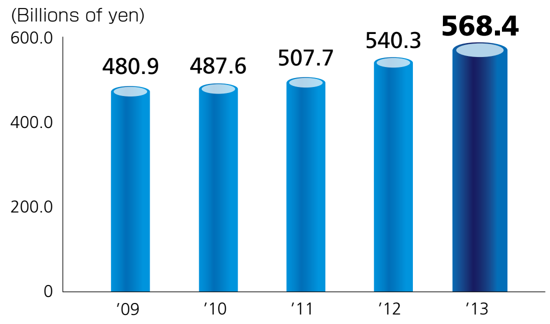
Selling, General and Administrative Expenses



Consolidated selling, general and administrative expenses rose 6.5%, to ¥117.4 billion, owing to increases, mainly in personnel costs and utility costs, paralleling store expansion in the suburbs and more new stores with larger dimensions.

Consolidated Financial Highlights

Net Sales



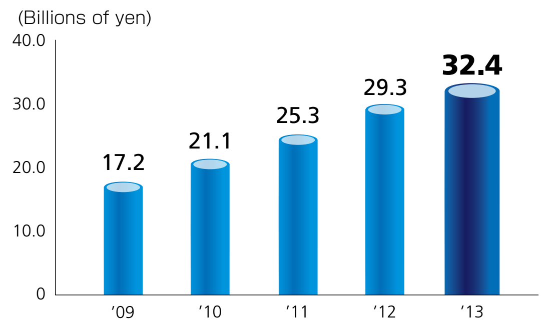
¥568.4 billion

Year on year

Up 5.2%

Amid intensifying price wars mainly related to daily necessities, the Don Quijote Group maintained its competitive advantage thanks to a superb sales mix and enjoyed a high store-visit frequency. These factors led to a 5.2% year-on-year increase in net sales, to ¥568.4 billion.

Operating Income



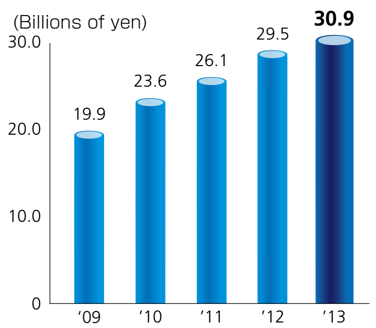
¥32.4 billion

Year on year

Up 10.4%

Reflecting measures to keep inventory in check and control costs while working to boost profitability, mainly by enriching the private brand lineup, operating income grew 10.4%, to ¥32.4 billion.

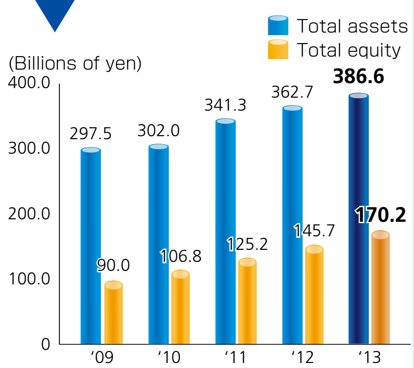
Free Cash Flow



Free cash flow was ¥30.9 billion, with the primary components of the increase coming from higher net income and depreciation and amortization.

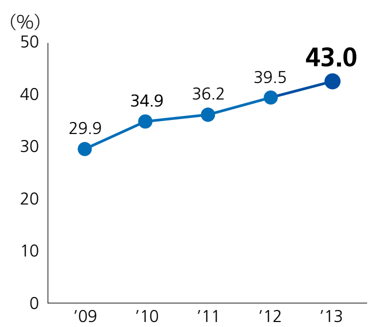
Note: Free cash flow = Net income after taxes + Depreciation and amortization + Extraordinary loss – Cash dividends paid

Total Assets/Total Equity



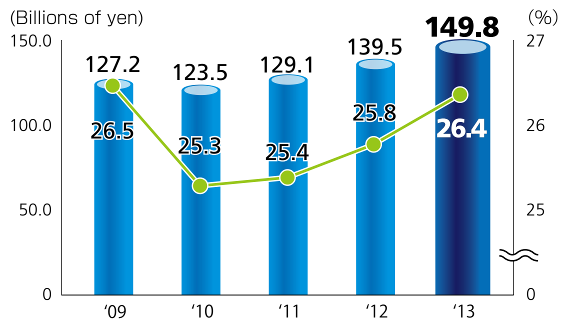
Total assets rose ¥24.0 billion, to ¥386.6 billion, as of June 30, 2013, mainly because of a ¥16.8 billion increase in property, plant and equipment. Total equity settled at ¥170.2 billion, up ¥24.5 billion from a year earlier.

Equity Ratio



The equity ratio improved 3.5 percentage points over fiscal 2012, to 43.0%, substantiating greater financial strength and stability.

Gross Profit/Gross Profit Margin

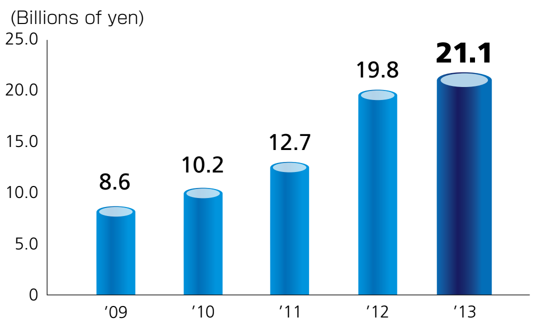


¥149.8 billion
Year on year
Up 7.4%

26.4%
Year on year
Up 0.6 ppt

Thanks to resourceful efforts to strengthen unit merchandise marketability and successfully adjust the product mix, we achieved gross profit of ¥149.8 billion, up 7.4% over the previous fiscal year. The gross profit margin edged up 0.6 percentage point, to 26.4%.

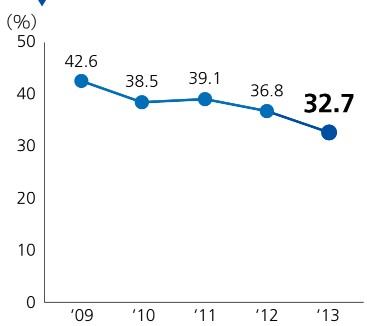
Net Income



¥21.1 billion
Year on year
Up 6.5%

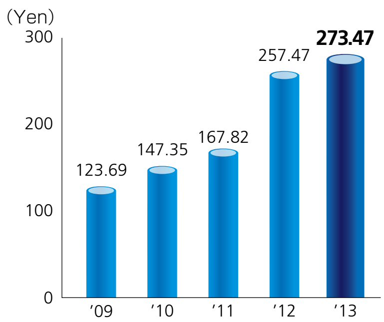
Net income reached ¥21.1 billion, up 6.5% from a year ago. Net income, along with operating income, surpassed initial expectations and reached all-time highs.

Ratio of Interest-Bearing Debt to Total Assets



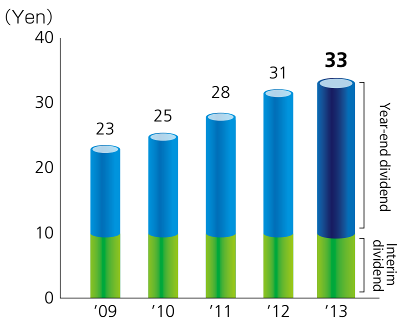
Interest-bearing liabilities amounted to ¥126.5 billion in fiscal 2013, and the Company's dependence on such financing options fell 4.1 percentage points from a year ago, to 32.7%.

EPS



Earnings per share (EPS) were ¥273.47 in fiscal 2013, up ¥16 from a year ago and more than double the level (¥130.78) five years ago in fiscal 2008.

Annual Dividends per Share



For fiscal 2013, the annual dividend amounted to ¥33 per share, comprising an interim dividend of ¥10 per share and a year-end dividend of ¥23 per share. The year-end dividend increased ¥2 per share, from ¥21 per share in the previous fiscal year.

A Message from the President

Takao Yasuda

Chairman of the Board, President and CEO

Activities, Fiscal Performance and Dividends in Fiscal 2013

In fiscal 2013, the year ended June 30, 2013, the domestic economy seemed headed toward recovery, with corporate earnings on the rise paralleling various measures introduced by the government since last year that energized the stock market. But negative influences, particularly the risk of a downturn overseas, still clouded the business climate, and uncertainty about the future remained. In the retailing industry, higher employment—and thus less pressure on household incomes—were among promising developments that put consumers in more of a spending frame of mind. This shift was exemplified by a lull in well-entrenched price wars centering on daily necessities. Retailers have, however, been prioritizing structures that ensure quicker and more flexible responses to diversifying customer needs.

In this environment, the Don Quijote Group maintained its emphasis on communicating with customers, with efforts directed into the enduring quest for the best product mix and higher gross profit. Despite ongoing deepening price wars, Don Quijote Co., Ltd., the core company of the Group, promoted its ingenious portfolio of products fine-tuned to customer needs and was rewarded with a 0.7 percentage point increase in the gross profit margin—a 0.6 percentage point improvement on a consolidated basis year on year. Nagasakiya Co., Ltd., another Group company, steadily elevated its store-visit frequency, and both Doit Co., Ltd. and Don Quijote (USA) Co., Ltd., achieved solid growth.

Buoyed by these developments, consolidated net sales increased 5.2% over the previous fiscal year, to ¥568.4 billion, and operating income grew 10.4%, to ¥32.4 billion, extending the upward trend in net sales and operating income to 24 consecutive years. Ordinary income climbed 13.4%, to ¥33.2 billion, and net income rose 6.5%, to ¥21.2 billion.

The annual dividend was set at ¥33 per share, up ¥2 from fiscal 2012. Tracking back to fiscal 2004, this marked the 10th consecutive year of increase. We will strive, as always, to reinforce the management foundation and further enhance business reforms and our financial position to ensure a stable return of profit to shareholders.

Higher Overseas Profile for the Don Quijote Group

Since stepping abroad in 2006 with stores in Hawaii, we have conducted several inquiries to explore the potential of further overseas expansion. We came to realize that the Group needed a firmer foothold abroad and a more flexible approach to management. With this in mind, in July 2013 Don Quijote and Nagasakiya established Pan Pacific International Holdings Pte. Ltd. in Singapore—the indisputable hub of Asia—to function as a holding company for overseas businesses. Also, to accelerate growth in the United States, where we already have a toehold with stores in Hawaii, we acquired MARUKAI CORPORATION, which operates 11 supermarkets in the U.S. states of Hawaii and California, and turned the company into a consolidated subsidiary in September 2013.

These events served as the launch pad for the Group to embark on a full-fledged global growth strategy. We will continue to emphasize expansion of domestic operations while seeking out new opportunities to reinforce our overseas presence, as we strive to further enhance the value of our business from a Groupwide perspective.

Activities and Business Outlook for Fiscal 2014

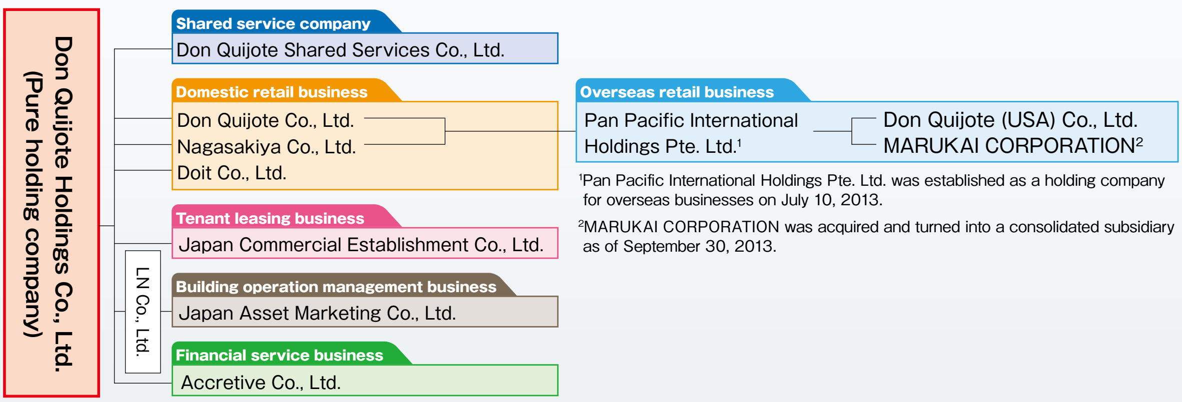
The somewhat sluggish operating environment that engulfed the Don Quijote Group is gradually giving way to brighter conditions, highlighted by the rallying trend in consumer sentiment. However, the consumption tax in Japan is slated to go up in April 2014 and this will quite likely have a major impact on consumer confidence. The capacity to respond to changes is sure to become more important. Against this backdrop, the companies of the Group will strive to sharpen their competitive edge in respective commercial areas and raise corporate brand power through an enhanced ability to bring together product selections well matched to expanding customer needs and by improving the level of services provided. These efforts should lead to consolidated net sales of ¥596.3 billion, up 4.9% from fiscal 2013, operating income of ¥33.5 billion, up 3.5%, ordinary income of ¥34.0 billion, up 2.4%, and net income of ¥21.5 billion, up 1.7% in fiscal 2014.

Outlook for Fiscal 2014

Net sales	¥ 596.3 billion
Operating income	¥ 33.5 billion
Ordinary income	¥ 34.0 billion
Net income	¥ 21.5 billion

Transition to Pure Holding Company Planned for December 2013

We have decided that the Don Quijote Group will transition to a pure holding company format and have set a target date of December 2, 2013. Through this move, we aim to delegate authority to each operating company and clarify responsibility for the planning and execution of business activities and to build a Group management structure that promotes agility and flexibility in decision-making processes. Even after the transition, we will strive to maximize corporate value as a group by establishing a strategic and streamlined management organization, with the role of the holding company being primarily to formulate flexible strategies based on the principle of "valuing the customer as our utmost priority," ensure optimum allocation of management resources and oversee the execution of business activities at subsidiaries.



[1]Pan Pacific International Holdings Pte. Ltd. was established as a holding company for overseas businesses on July 10, 2013.

[2]MARUKAI CORPORATION was acquired and turned into a consolidated subsidiary as of September 30, 2013.

Special Feature

1 Don Quijote Store Operation

Don Quijote—maximizing our ability to respond to change and continually evolving. This section highlights our emphasis on store design.

Store Design Geared to a Wider Age Demographic

At one time, Don Quijote kindled interest among young singles by arranging compression displays into meandering paths that guided shoppers through the store and created the impression of a treasure hunt. Now, those who were attracted to the Don Quijote concept back then are in their 30s and 40s—most of them married with children—and so visits are more often as a family. To address this change in customer composition, the Group has pursued a store design with family shopping fun in mind. This includes wider aisles when new stores are constructed especially in suburban locations and when existing stores are renovated.

Creating a Cluster of Specialty Shops Within a Store

On weekends, shoppers often bring their families to shopping malls, making for a bustling atmosphere. We have modeled our newest stores on the shopping mall idea, seeking to construct a cluster of specialty shops with a richer assortment of products. For example, we are promoting a layout similar to that of a larger complex lined with shops, with an in-shop-style display of smartphone-related products and sales counters spotlighting popular local foods. This format will facilitate the creation of appealing stores combining the rich selection of products that Don Quijote is known for with price advantages that are far-and-away better than the big general merchandise stores.

Designing Stores that Everyone Loves to Visit

To make shopping fun and exciting, Don Quijote uses vibrant colors, particularly red and yellow, on building walls and ceilings, and plays up the thrill and excitement of a treasure hunt with colorful handwritten POP (point-of-purchase) cards. We have earned high marks from customers for creating stores brimming with this kind of entertainment quality, along with a rich selection of products and ease of shopping. The Group aims to take these strengths to the next level and create stores that even more people love to visit. This is a challenge that we whole-heartedly embrace.

1 Don Quijote, with engaging maze-like aisles

2 New store with wide aisles makes family shopping trips a breeze

3 In-store specialty goods corner

Special Feature 2

The Group's Logistics Structure

Logistics—the lifeblood of the Don Quijote Group. This section describes the logistics structure that supports smooth distribution of products to stores under the Group umbrella.

Carefully Designed Logistics Structure Makes Rich Assortment Possible

Product procurement within the Don Quijote Group is geared to the characteristics of each store's catchment area and regional customer needs, so the content of delivered products varies greatly from store to store. In addition, because we pride ourselves on the rich selection of items available to our customers, our product mix is immense. Each store handles between 50,000 and 100,000 products, for a Groupwide total of some 1.4 billion products moved through stores annually. Moreover, the diversity of products offered means we must address individual store requirements, including same-time delivery of a wide range of items, from foodstuffs, such as snacks and drinks, to furniture, to big household appliances, such as televisions.

We have five distribution centers across Japan that are part of a reliable and expedient logistics structure and meet the needs of our expanding store network. This logistics structure started off with a jointly operated distribution center in the Kanto region—the area centering on Tokyo—in the autumn of 2000, and in the years since, we have added more locations in different parts of the country. In 2012, the cross-country distribution network was completed.

Ensuring Reliable Delivery of Products to Customers

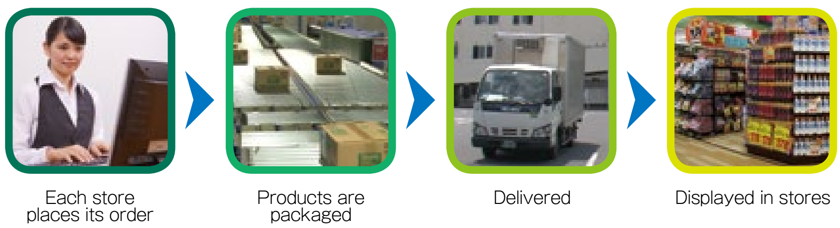
1

2

Senko Co., Ltd.'s Urawa PD (physical distribution) Center, which delivers merchandise ordered to about 140 stores, mainly in the Kanto region, is equipped with a seismic isolation system and has systems and structures in place to ensure safe and reliable movement of products even in emergency situations. In fact, when the March 2011 disaster occurred, this center was able to resume store deliveries as scheduled the day after the earthquake and tsunami. In addition, we were able to jump into action before lifelines were restored, rushing relief supplies to the Tohoku region several times over and helping in other ways to support people in the area of devastation as a company in the retail distribution industry.

We will continue to rigorously monitor the journey of products procured from suppliers until they are before our customers. Even as we grow our store network, we aim to enhance the logistics structure and thereby ensure reliable and swift delivery of products to stores all over Japan.

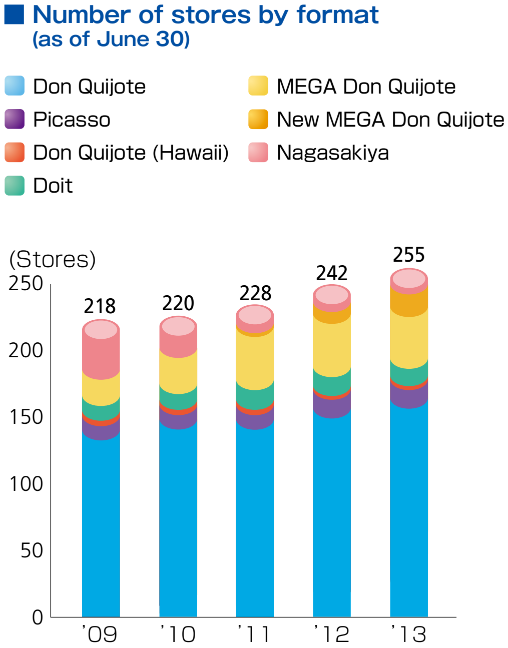
From Supplier to Store Shelf

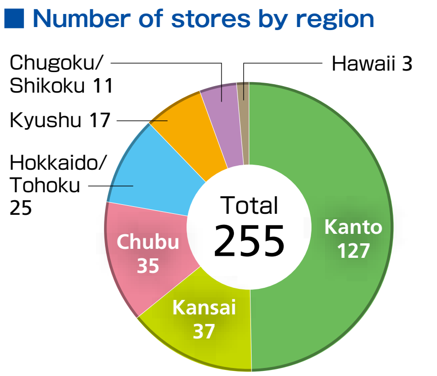


1 Senko's Urawa PD Center delivers to about 140 stores, mainly in the Kanto region.

2 Relief supplies are rushed to stricken areas.

Store Development





Store Network Hits 255 Groupwide

The Don Quijote Group welcomed 16 new locations into the store network—eight under the Don Quijote format, including a small store, and eight under the New MEGA Don Quijote format—indicative of a well-balanced approach to store development that centers on regional cities. Of note, the recently opened Kyouyasudou Sakurajosui store, in Suginami Ward, Tokyo, has a small sales floor of 650 m^2 but this enables customers to navigate the aisles with ease. The format has been well received by the target customer base—the singles market—who liken it to a "big convenience store" because it is open around the clock and offers boxed lunches and side dishes as well as everyday items.

Under the solution store concept, we opened the MEGA Don Quijote Saijo-Tamatsu store on the first floor of a shopping center in the city of Saijo, Ehime Prefecture, and the Don Quijote Kobe Nishi store on the first floor of the MEGA-PALACE amusement center, a big crowd-drawing complex particularly popular with young people in Hyogo Prefecture.

These additions brought the Groupwide network to 255 stores, as of June 30, 2013, up from 242 a year earlier.

Guided by the principle of "valuing the customer as our utmost priority," we will continue to promote store development on a national scale that anticipates customer needs and strive to contribute to the revitalization of the local economy by actively selecting products from local suppliers for sale at our stores.

■ Stores opened by the Don Quijote Group

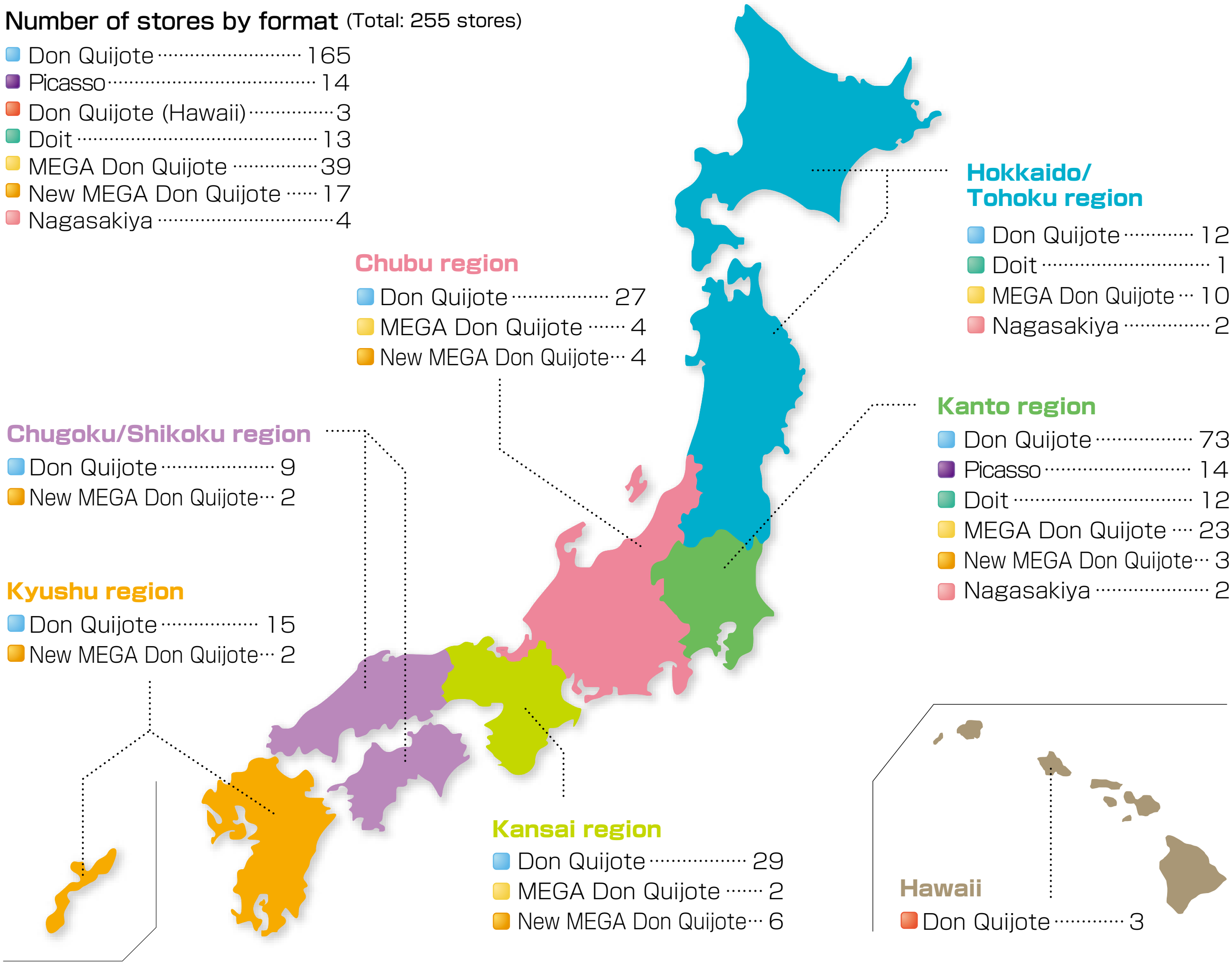
Kyouyasudou Sakurajosui store

MEGA Don Quijote Saijo-Tamatsu store

■ Group store network (as of June 30, 2013)

Number of stores by format (Total: 255 stores)

- Don Quijote ············ 165
- Picasso ············ 14
- Don Quijote (Hawaii) ············ 3
- Doit ············ 13
- MEGA Don Quijote ············ 39
- New MEGA Don Quijote ······ 17
- Nagasakiya ············ 4



Hokkaido/ Tohoku region

- Don Quijote ············ 12
- Doit ············ 1
- MEGA Don Quijote ··· 10
- Nagasakiya ············ 2

Chubu region

- Don Quijote ············ 27
- MEGA Don Quijote ······ 4
- New MEGA Don Quijote··· 4

Kanto region

- Don Quijote ············ 73
- Picasso ············ 14
- Doit ············ 12
- MEGA Don Quijote ···· 23
- New MEGA Don Quijote··· 3
- Nagasakiya ············ 2

Chugoku/Shikoku region

- Don Quijote ············ 9
- New MEGA Don Quijote··· 2

Kyushu region

- Don Quijote ············ 15
- New MEGA Don Quijote··· 2

Kansai region

- Don Quijote ············ 29
- MEGA Don Quijote ······ 2
- New MEGA Don Quijote··· 6

Hawaii

- Don Quijote ············ 3

MARUKAI CORPORATION, which operates supermarkets in the U.S.A., joined the Group in September 2013.

http://www.marukai.com/

M ···Marukai stores
···Existing DQ stores (in Hawaii)

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

Don Quijote	**http://www.donki.com/**	Doit	**http://www.doit.co.jp/**
MEGA Don Quijote	**http://mega.donki.com/**	Nagasakiya	**http://www.nagasakiya.co.jp/**

Store Concepts

Store Type		Sales Floor	Number of Items	Products Featured	Key Customers
MEGA Don Quijote		4,000 m^2～10,000 m^2	40,000～100,000	Clothing, food and household necessities Mainly food items and daily necessities	Housewives, families＋
New MEGA Don Quijote		3,000 m^2～5,000 m^2	40,000～60,000	Food: Fewer perishable foods Clothing: Mainly everyday wear	Housewives, families＋
Don Quijote		1,000 m^2～3,000 m^2	40,000～60,000	Amusement and variety shops	Singles＋
essence/ Picasso		300 m^2～1,000 m^2	10,000～20,000	Emphasis on specialty products (drugstore/ convenience store/ mini grocery)	Singles＋
Doit		2,000 m^2～7,000 m^2	40,000～80,000	Do-it-yourself-related and home products	Craftsmen, do-it-yourselfers and families＋

Stores in Focus

MEGA Don Quijote Ginowan Store

The MEGA Don Quijote Ginowan store opened in Ginowan, Okinawa, in November 2011, kicking off the chain's presence in the prefecture. With a sales floor area of 4,720 m^2—one of the largest Don Quijote stores—offering about 80,000 products, including foods and daily commodities as well as overseas brands, home appliances, outdoor goods and party items. An extensive selection of products found only in Okinawa is also available, such as *awamori*—an alcoholic beverage made from long-grain indica rice and purchased from local distillers—and local ingredients for cooking. This rich product mix addresses customer needs and also energizes the local economy.

MEGA Don Quijote Kinokawa Store

The MEGA Don Quijote Kinokawa store, which opened in February 2013, is located in a residential area in Wakayama and targets mainly families and seniors under the New MEGA format. The one-floor store features wide aisles and a bright interior with good lighting in a layout that makes shopping comfortable for people of various age groups. Tactical approaches to keep customers in the store longer are visible throughout the store, including a play area for kids in the toy corner, which has been allocated a large share of the sales floor.

Ranking of Retail Companies by Net Sales

2013 Ranking	2012 Ranking	Company Name	Business Category	FY Ended	Net Sales (Millions of yen)	Growth Rate (%)	Ordinary Income (Millions of yen)	Growth Rate (%)	Net Income (Millions of yen)
1	1	AEON CO., LTD.	Holding Company	Feb	5,685,303	8.8	212,907	0.3	74,697
2	2	Seven & i Holdings Co., Ltd.	Holding Company	Feb	4,991,642	4.3	295,836	0.9	138,064
3	3	YAMADA-DENKI CO., LTD.	Electronics Store	Mar	1,701,489	– 7.3	47,906	– 53.1	22,203
4	4	Isetan Mitsukoshi Holdings Ltd.	Department Store	Mar	1,236,333	– 0.3	34,217	– 11.0	25,292
5	9	FAST RETAILING CO., LTD.	Clothing Store	Aug	1,143,003	23.1	148,979	19.0	90,377
6	6	J. FRONT RETAILING Co., Ltd.	Department Store	Feb	1,092,756	16.1	32,202	40.4	12,183
7	5	UNY Group Holdings Co., Ltd.	Supermarket	Feb	1,030,258	– 4.5	33,423	– 21.2	30,471
8	8	Takashimaya Co., Ltd.	Department Store	Feb	870,332	1.4	29,866	22.6	16,540
9	7	The Daiei, Inc.	Supermarket	Feb	831,293	– 4.4	– 3,674	—	– 3,693
10	13	BIC CAMERA INC.	Electronics Store	Aug	805,378	55.5	15,346	148.4	2,436
11	10	EDION Corporation	Electronics Store	Mar	685,145	– 9.7	1,476	– 91.0	– 2,640
12	11	K'S HOLDINGS CORPORATION	Electronics Store	Mar	637,497	– 12.2	23,396	– 44.5	13,265
13	12	Yodobashi Camera Co., Ltd.	Electronics Store	Mar	637,179	– 5.1	46,951	– 11.7	26,208
14	15	Don Quijote Co., Ltd.	Discount Store	Jun	568,377	5.2	33,201	13.4	21,141
15	14	IZUMI CO., LTD.	Supermarket	Feb	535,509	3.8	27,102	15.1	16,187
16	16	H2O RETAILING CORPORATION	Department Store	Mar	525,154	3.9	11,338	10.0	6,200
17	17	LIFE CORPORATION	Supermarket	Feb	519,941	—	7,308	—	2,968
18	19	SHIMAMURA CO., Ltd.	Clothing Store	Feb	492,097	5.3	47,620	5.2	27,523
19	18	LAWSON, INC.	Convenience Store	Feb	487,445	1.8	65,926	6.8	33,182
20	21	Matsumotokiyoshi Holdings Co., Ltd.	Drug Store	Mar	456,311	5.0	21,666	10.3	11,270
21	20	DCM Holdings Co., Ltd.	Hardware Store	Feb	434,205	– 1.7	18,870	– 3.7	10,581
22	29	ARCS COMPANY, LIMITED	Supermarket	Feb	433,992	24.6	14,513	20.1	8,253
23	23	Valor Co., Ltd.	Supermarket	Mar	431,218	5.0	16,844	5.1	8,184
24	26	SUNDRUG CO., LTD.	Drug Store	Mar	407,401	5.3	25,288	10.9	14,955
25	22	MARUI GROUP CO., Ltd.	Department Store	Mar	407,365	– 1.2	24,443	38.7	13,255
26	25	HEIWADO CO., LTD.	Supermarket	Feb	392,586	0.8	12,854	5.9	5,528
27	24	Joshin Denki Co., Ltd.	Electronics Store	Mar	365,958	– 10.8	5,323	– 56.0	3,461
28	31	Nitori Holdings Co., Ltd.	Home Furnishings	Feb	348,789	5.4	62,195	5.1	35,811
29	28	Izumiya Co., Ltd.	Supermarket	Feb	344,294	– 2.1	2,482	– 23.2	565
30	33	SUGI Holdings Co., Ltd.	Supermarket	Feb	343,613	5.0	22,696	18.5	12,630

Note: The table above was created by updating the company rankings that appeared in the Nikkei Marketing Journal's 46th Survey on the Retailing Industry in Japan issued on June 26, 2013, with the Company's performance indicators for the fiscal year ended June 30, 2013, and the performance indicators for FAST RETAILING CO., LTD., and BIC CAMERA INC., (made Kojima Co., Ltd. a consolidated subsidiary in June 2012) for their fiscal years ended August 31, 2013. All the other companies listed in the table 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 most recent data should give readers a better idea of where Don Quijote stands in the retail industry.

Ranking of Companies by Years of Consecutive Growth in Sales and Income

As of June 30, 2013

Ranking	Securities Code	Company Name	Date of Listing (M/Y)	Start of Consecutive Growth (M/FY)	Years of Consecutive Growth	Net Sales (Millions of yen)	Operating Income (Millions of yen)
1	9843	Nitori Holdings Co., Ltd.	9/1989	2/1988	26	348,789	61,550
2	7532	Don Quijote Co., Ltd.	12/1996	6/1990	24	568,377	32,369
3	9989	SUNDRUG CO., LTD.	8/1994	3/1991	23	407,401	24,720
4	4689	Yahoo Japan Corporation	11/1997	3/1998	16	342,989	186,351
5	4282	EPS Corporation	7/2001	9/1998	15	35,202	5,174
6	9948	ARCS COMPANY, LIMITED	7/1993	3/2002	12	433,992	13,464
6	2432	DeNA Co., Ltd.	2/2005	3/2002	12	202,467	76,840
6	6869	SYSMEX CORPORATION	11/1995	3/2002	12	145,577	21,804
6	2413	M3, Inc.	12/2004	3/2002	12	26,007	9,294
6	9795	STEP CO., LTD.	6/1995	9/2001	12	8,244	1,944
11	4817	Jupiter Telecommunications Co., Ltd.	3/2005	12/2002	11	376,835	71,414
11	2309	CMIC HOLDINGS Co., Ltd.	6/2002	9/2002	11	50,303	3,918
11	3079	DVx Inc.	4/2007	3/2003	11	22,872	1,124
11	9381	AIT Corporation	3/2007	2/2003	11	16,730	1,277
11	3769	GMO Payment Gateway, Inc.	4/2005	9/2002	11	4,708	1,753
11	8771	eGuarantee, Inc.	3/2007	3/2003	11	3,617	1,031
17	9984	SoftBank Corp.	7/1994	3/2004	10	3,378,365	745,000
17	2670	ABC-MART, INC.	10/2000	2/2004	10	159,418	30,375
17	7522	Watami Co., Ltd.	10/1996	3/2004	10	157,765	9,259
17	3092	START TODAY CO., LTD.	12/2007	3/2004	10	35,050	8,529
17	7611	HIDAY Co., Ltd.	9/1999	2/2004	10	29,520	3,688

Note: When years of consecutive growth are equal in number, ranking is based on net sales.

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 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 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 Structure

Details of the 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 26, 2013, the Board of Directors had four members.

Audit & Supervisory Board

Don Quijote maintains an audit & supervisory board member system, wherein the Audit & Supervisory Board audits the status of duties assigned to directors. As of September 26, 2013, the Audit & Supervisory Board had four members, three of whom were outside audit & supervisory board members. The Audit & Supervisory Board includes Yoshihiro Hongo, a certified public accountant and tax accountant, who applies his corporate financing and accounting perspectives to the proper execution of duties.

Internal Audit Department

The Internal Audit Department, under the direct authority of the Board of Directors, provides a point of contact between the independent auditor and audit & supervisory board members 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, 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 three out of the four of the Company's audit & supervisory board members are outside audit & supervisory board members who lend a sufficient external perspective to the management supervisory function with regard to the execution of operations.

Outside Audit & Supervisory Board Members

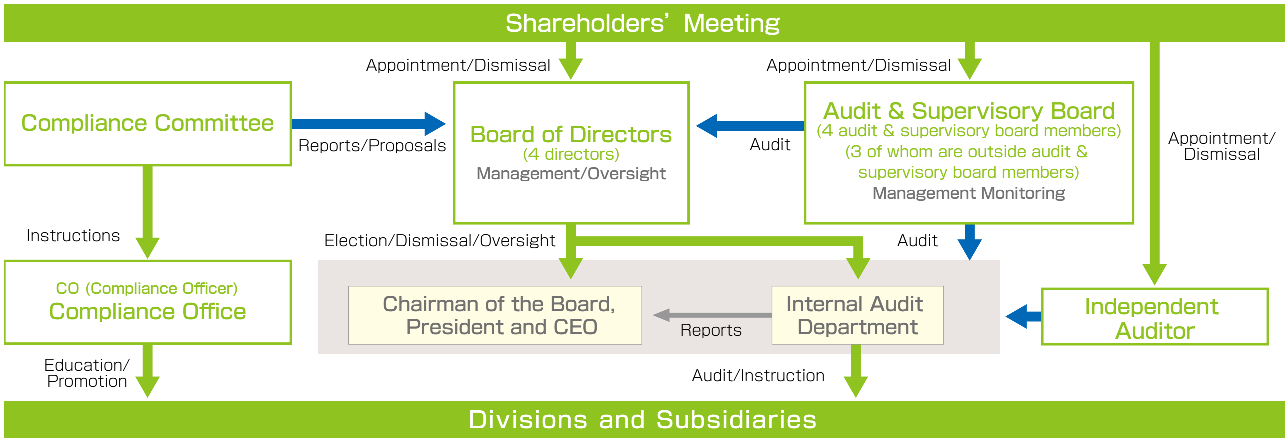
Don Quijote has three outside audit & supervisory board members. They offer opinions as necessary on the execution of duties by directors from an external perspective, utilizing respective professional expertise in such areas as law, corporate accounting and taxation as well as accumulated business-related insights and experience, and they monitor operations from an objective and impartial position. In addition to their own regularly scheduled Audit & Supervisory Board meetings, the Company's audit & supervisory board members 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. Yukihiko Inoue, an audit & supervisory board member, was designated an independent officer, in accordance with a rule established by the Tokyo Stock Exchange, and the appropriate notification was submitted to the exchange. The Company has no clear-cut criteria or policies regarding the independence of individuals appointed as outside audit & supervisory board members, but when such an appointment is made, the Company takes into consideration such factors as the professional expertise necessary to execute auditing duties as well as experience in the running of a business and will appoint outside audit & supervisory board members with the ability to properly monitor the Company's business activities.

Compliance Committee

Members of this committee are primarily outside experts, including lawyers. 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 incidents from happening to the Don Quijote Group.

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

(As of September 26, 2013)



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 ensure that the Company's business activities are undertaken in compliance with 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 audit & supervisory board members—at least three of whom must be external—conduct comprehensive audits through a fair and transparent process.
3) The Compliance Committee, comprising mainly outside experts such as lawyers, ensures that business activities follow strict ethical standards and confirms the legality of the corporate governance structure and operations.

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 Compliance Committee 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 effectively established to control risks associated with administrative procedures, including financial accounting, purchasing, sales, store operation 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' 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 Compliance Committee fulfills an advisory function for the Board of Directors and seeks to promote compliance and ensure thorough adherence to stated practices.
2) The Compliance Committee prepares plans, including proposals for education on compliance-related issues, and the Compliance Office, headed up by a Compliance Officer, handles the administrative aspect of these activities, based on instructions from the Compliance Committee.
3) The Company maintains a whistleblower system, dubbed Compliance Hotline, that enables employees to directly report questionable conduct—that is, possible violations of the law or regulations or in-house rules—to an outside entity or an in-house point of contact, 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 report a possible violation, from 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 establishing 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 audit & supervisory board members when such assistance is required

The Company established an office of the Audit & Supervisory Board (Auditors' Office) with staff exclusively dedicated to assisting audit & supervisory board members and the Audit & Supervisory Board in their duties as required.

8. Issues pertaining to the independence of employees who assist audit & supervisory board members

Disciplinary action, reassignment or any other treatment of employees in the Auditors' Office must be reported first to the standing audit & supervisory board member.

9. System for submitting reports to audit & supervisory board members, which includes the system for directors and employees to report to audit & supervisory board members

1) The Internal Audit Department provides audit & supervisory board members with timely and accurate updates on the implementation of internal controls.
2) Directors and employees must respond immediately when requested to provide information on the status of operations, assets or other corporate matters by audit & supervisory board members and the Auditors' Office.

10. Other: ensuring effectiveness of audits by audit & supervisory board members

1) Opportunities are made for audit & supervisory board members to communicate with directors of the Company as well as the directors and audit & supervisory board members of Group companies to make audits as effective as possible. Audit & supervisory board members 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, when the independent auditor submits an audit report, audit & supervisory board members confirm the appropriateness of the content therein.
2) Audit & supervisory board members are informed on a regular basis of how the Compliance Hotline is operating.

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 follows.

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 Crisis Management Department to oversee measures to prevent relationships with antisocial forces and undertakes in-house training to address any questionable activities.
3) The Crisis 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, along with 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 2013 is as follows.

Certified public accountants who have provided auditing services: Two*
Assistants involved in the execution of accounting audits: Four certified public accountants, nine junior accountants and three other

*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.

Appointing Outside Audit & Supervisory Board Members

The Company is confident that its management supervisory function is fully developed and sufficient from an objective and independent perspective, given that three out of the four Company's audit & supervisory board members are outside audit & supervisory board members, and that they have presented their views based on their respective professional fields.

Ties Between Outside Audit & Supervisory Board Members, the Internal Audit Division and the Independent Auditor

The Company aims to improve effectiveness and efficiency through the exchange of information necessary for maintaining close ties between outside audit & supervisory board members and the Internal Audit Department, audit & supervisory board members and the independent auditor as well as between outside audit & supervisory board members and the internal control division.

Personal, Capital or Business Relationships or Other Interests Between the Company and Its Outside Directors/Audit & Supervisory Board Members

Personal, capital or business relationships or any other interests between the Company and its three outside audit & supervisory board members are as follows.

Tomiaki Fukuda, an outside audit & supervisory board member, is the President of the Japan Wrestling Federation. The Company has a business relationship with the Japan Wrestling Federation. Yoshihiro Hongo, an outside audit & supervisory board member, is an outside audit & supervisory board member of Accretive Co., Ltd., which is a consolidated subsidiary of the Company. There is no special relationship between the Company and other-than-the-above companies where outside audit & supervisory board members are holding important concurrent positions.

Status of Risk Management Efforts

Risk management for the Don Quijote Group is an exhaustively comprehensive process. The Compliance Committee is responsible for tracking Groupwide risks and ensures efficient execution of measures to manage risk. The Compliance Committee also promotes the implementation of appropriate compliance practices and strives to enhance the system of internal controls. The status of risk management 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 note of information received through the Compliance Hotline, which allows employees to report suspicious behavior directly to an external entity or an in-house point of contact.

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.

Whistleblower System—Compliance Hotline

The Company instituted a whistleblower system, dubbed Compliance Hotline, to ensure adherence to compliance practices and respect for laws and in-house regulations. The Compliance Hotline is an access point for Group personnel to directly report questionable conduct or seek guidance when a compliance-related issue occurs or seems likely to occur. The system is operated by an outside organization with no capital or personal connections to the Group, and this same organization conducts investigations of an issue. Steps have been taken to maintain the confidentiality of whistleblowers and ensure that no one is put at a disadvantage for reporting any potential infraction. Furthermore, Group companies take advantage of such opportunities as training for new employees to promote awareness of the system and encourage an environment strong in corporate ethics.

Implementing Internal Controls for Financial Reporting

The structure and implementation of internal controls for financial reporting under the Financial Instruments and Exchange Law of Japan have been verified 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 26, 2013.

A Message from an Audit & Supervisory Board Member

Koichi Otoshi
Standing Audit & Supervisory Board Member

On behalf of shareholders, audit & supervisory board members ensure that the executive team is carrying out assigned duties properly. Additionally, audit & supervisory board members are tasked with the vital role of providing advice to the executive team when necessary.

In performing my duties as an audit & supervisory board member, I attend important meetings, such as Board of Directors' meetings. I also strive for greater understanding of different approaches, particularly business strategies, embraced by the Don Quijote Group and a deeper awareness about issues of concern. I try to engage in the issues and keep to the corporate principle of "valuing the customer as our utmost priority" in formulating a more accurate perspective.

I will continue to contribute to the enhancement of corporate governance practices and higher corporate value, which will underpin confidence in the Group and raise its reputation in the eyes of all stakeholders.

CSR Activities

The Don Quijote Group is involved in various philanthropic and CSR activities in its efforts to contribute to a better world.

Traveling Store Goes to Special Nursing Home for the Aged

Wishing to provide the joy of shopping to people who cannot make it to one of our stores, we regularly open a traveling store at Aobadai Sakuraen, a special nursing home for the aged near our head office in Naka-Meguro, Tokyo. This enables residents of this care facility to enjoy shopping at a leisurely pace.

Going forward, we will strive to provide the amusement and excitement that Don Quijote stores are known for, well beyond the traditional store framework.

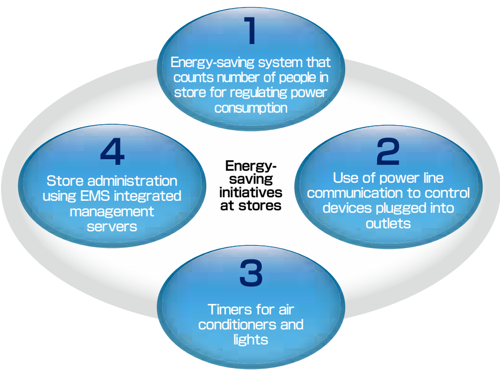
The Shoiku® Project

The Shoiku® Project is an ongoing work experience program for children—the generation that carries the torch on to future generations—and is held at Group stores across Japan. Through this project, young people get a feel for the fun side of having a job while learning responsibility and defining possible career paths. In fiscal 2013, students from elementary, junior and high schools took part in this project. Employees also benefit from the project as they gain a deeper understanding of their own jobs and work value, which leads to enhanced motivation.

Note: Shoiku is a term coined by Don Quijote and was trademarked in 2008 (No. 5103295).

Support for Culture, Sports and Charitable Organizations

As a group, we are involved in an extensive range of activities, including support for the performances of the New Japan Philharmonic, for the All-Japan Beach Wrestling Championships and for the Pink Ribbon Campaign.



▲ Model demonstrating and evaluating measures to counter global warming earned high marks from NEDO.

Measures to Reduce Environmental Impact

We have embraced several measures as a member of the communities in which we operate to deal with environmental issues, such as global warming and destruction of the ozone layer. Of note, measures to counter global warming (highlighted on the left) in the form of ongoing tests undertaken jointly by industry and academic institutions have earned high marks from the Incorporated Administrative Agency: New Energy and Industrial Technology Development Organization (NEDO). For the future, we will focus on drafting and revising measures that emphasize sustainable business activities with reduced environmental impact.

FINANCIAL SECTION

Consolidated Business Results

Net Sales and Operating Income

The domestic economy was expected to transition into gradual recovery during the Company's fiscal 2013 accounting period, the year ended June 30, 2013. Corporate earnings were to rise amid positive trends, such as an energized domestic stock market and a rally in exports prompted by various measures introduced by the government since last year. However, downside risk overseas created a sense of uncertainty that exerted persistent downward pressure on business conditions in Japan and obscured the economic path ahead.

In the retailing industry, higher employment was among promising developments that put consumers in more of a spending frame of mind. This shift was exemplified by the appearance of a lull in well-entrenched price wars centering on daily necessities as well as favorable interest in certain high-value-added products. Consequently, retailers placed even more emphasis than before on the means to facilitate quick and flexible responses to diversifying customer needs.

Against this backdrop, the Don Quijote Group has implemented various measures to create store operations conducive to a delightful shopping experience for customers. At the same time, management continued to promote the high-quality amusement, services and prices characteristic of the Don Quijote Group as a concept-creating business enterprise putting the principle of "valuing the customer as our utmost priority" into practice.

Efforts were also made to enrich the selection of products offered through respective store formats, from shopping goods—items that consumers shop around for, looking at specifications and comparing prices—to convenience goods, such as food items and daily commodities, all at reasonable prices to match evolving customer habits and preferences. This approach was rewarded with higher customer loyalty. Other priorities were to promote flexibility and efficiency in new store openings and store renovations so as to make shopping a wonderful experience for as many customers as possible, while strengthening the Group's overall capabilities, including approaches to boost sales of the Jonetsu Kakaku private brand.

In the end, consolidated net sales increased 5.2% over the previous fiscal year, to ¥568,377 million; operating income grew 10.4%, to ¥32,369 million;

Sales by product category
(Millions of yen)

Note: Sales of Others are the combined total of Other products and Other businesses.

	2012		2013	
	Net sales	Percentage	Net sales	Percentage
Sales and composition by product category	Millions of yen	%	Millions of yen	%
Retail business	519,891	96.2	**546,930**	**96.2**
Electrical appliances	56,049	10.3	**55,773**	**9.8**
Daily commodities	117,420	21.7	**125,549**	**22.1**
Foods	154,385	28.6	**161,871**	**28.5**
Watches and fashion merchandise	119,246	22.1	**130,476**	**23.0**
Sporting goods and leisure equipment	30,728	5.7	**33,022**	**5.8**
DIY products	17,798	3.3	**17,193**	**3.0**
Overseas	12,940	2.4	**13,731**	**2.4**
Others	11,325	2.1	**9,315**	**1.6**
Tenant leasing business	15,453	2.9	**16,370**	**2.9**
Other businesses	4,911	0.9	**5,077**	**0.9**
Total	540,255	100.0	**568,377**	**100.0**

ordinary income climbed 13.4%, to ¥33,201 million; and net income rose 6.5%, to ¥21,141 million. These results extended the Company’s upward trend in consolidated sales and income.

Store Network

During fiscal 2013, the Company oversaw the opening of one store in the Kanto region, one in the Tohoku region, six in the Chubu region, three in the Kinki region, two in the Chugoku region, one in the Shikoku region and two in the Kyushu region. Meanwhile, three stores were closed, primarily to enhance business efficiency.

As a result, the Group's store network grew to 255 stores as of June 30, 2013, compared with 242 stores as of June 30, 2012.

Net Sales by Business Segment

■ Retail Business

In fiscal 2013, the retail business generated sales of ¥546,930 million, up ¥27,039 million, or 5.2%, from fiscal 2012, and operating income grew to ¥25,328 million. The increases were primarily due to a boost from the sale of foods, daily commodities, watches and fashion goods, which reflects a flexible approach to merchandise mix and pricing that emphasize local demand factors and consumer reaction to economic trends.

■ Tenant Leasing Business

In fiscal 2013, the tenant leasing business rebounded, recording sales of ¥16,370 million, up ¥917 million, or 5.9%, year on year, and operating income reached ¥4,987 million.

■ Other Businesses

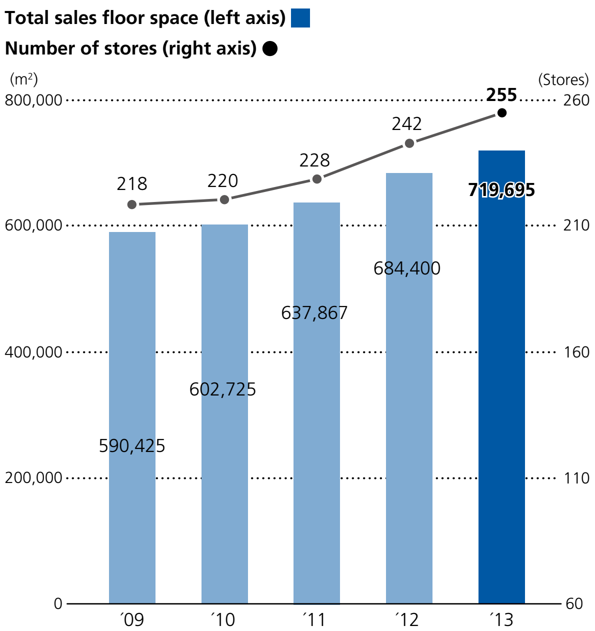
In fiscal 2013, sales from other businesses grew to ¥5,077 million, up ¥166 million, or 3.4%, year on year, and operating income increased to ¥1,989 million.

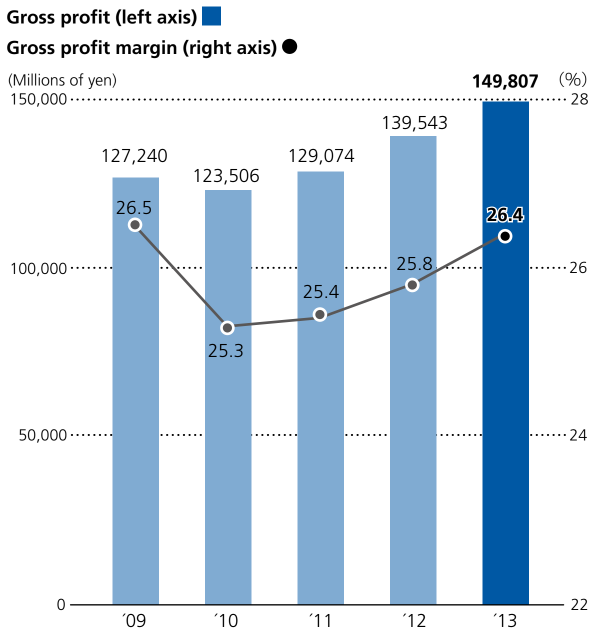
Operating Income

Don Quijote Group stores embraced strategies to enhance the sales mix, seeking to enrich the selection of products under the private brand and to expand sales of seasonal products through active reshuffling of the merchandise mix, while working to reduce the loss ratio by keeping inventory at optimum levels. This led to further improvement in the gross profit margin. Higher selling, general and administrative expenses accompanied the opening of new stores, but sustained success in cost control management held the increase below the gross profit margin for a 10.4% year-on-year gain in operating income, to ¥32,369 million.

Ordinary Income, Net Income

The Company booked ¥317 million in impairment losses, ¥296 million in loss on disposal of non-current assets and ¥144 million in loss on closing of stores under extraordinary loss. Nevertheless, with ¥505 million in gain on sales of investment securities and ¥602 million in gain on sales of affiliates' securities under extraordinary income, the Company posted ¥33,201 million in ordinary income, up 13.4% year on year, and ¥21,141 million in net income, up 6.5% year on year.





Outlook for Fiscal 2014

The outlook for fiscal 2014 is positive. Management expects the domestic economy to perk up, albeit gradually, amid rallying exports and rising corporate earnings that will, as the various measures initiated by the government yield results, support a trend in higher household incomes and increased capital investment activity. In the retailing industry, the somewhat gloomy operating environment is slowly but surely giving way to brighter conditions, fueled by an uptrend in consumer sentiment even though growth in personal incomes is lagging behind optimistic employment news. A concern, however, is the consumption tax increase scheduled for April 2014, which will likely have a major impact on consumer confidence. Management will be formulating measures to deal with such market changes.

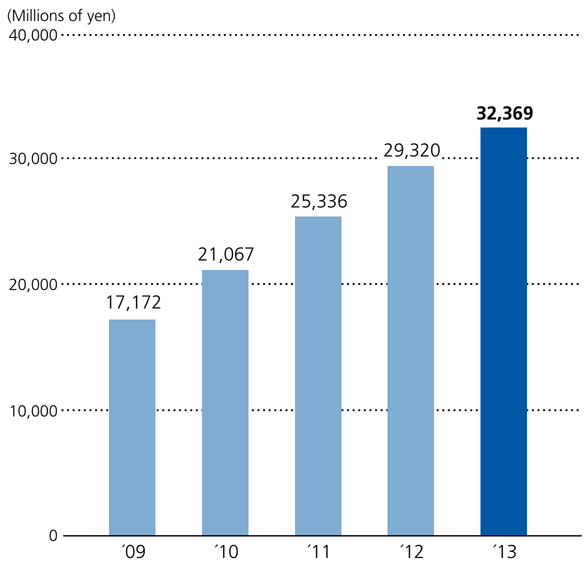
Given this operating scenario, the Group continues to work on store development aimed at building a nationwide presence through an emphasis on two business formats—the consumable-time style of retailing that highlights big convenience and discount stores and the family-oriented general discount stores—and promote the creation of stores that attract customers and secure a high level of customer satisfaction.

In store development, management is keen to extend the Group's store network nationwide while pushing formats matched to market size and local characteristics and complementing 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. Efforts will also be directed toward the development of family-oriented MEGA Don Quijote general discount stores and new business models that encourage daily customer visits along with a continued push to get solution stores up and running. Solution stores represent a format that facilitates fast and low-cost store development by moving into tenant-ready locations within an existing multiuse commercial complex such as a shopping center. Management will maintain measures to enhance profitability and sharpen marketing capabilities and consistently review business efficiency to ensure successful development of stores under the Don Quijote Group umbrella.

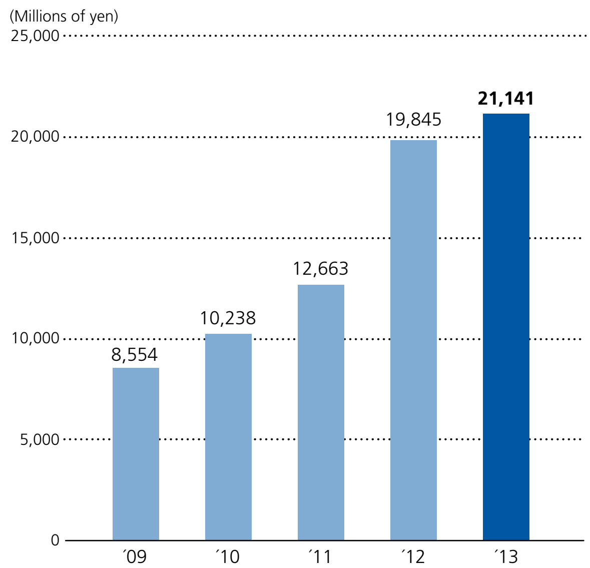
In store operations, management seeks to reinforce the marketing platform for existing stores by sharpening customer service, product salability and price competitiveness while maintaining a flexible approach that respects the special characteristics of each store. Another area of emphasis is to strengthen sales of the private brand Jonetsu Kakaku and enrich the selection of products under this label and to raise customer loyalty to a higher level. Furthermore, from a store environment perspective, the Group will continue to undertake corporate social responsibility activities and implement a variety of measures perfectly attuned to environmental issues in the communities where stores under the Group umbrella operate.

Overall, management will strive to augment the internal control structure and promote a deeper level of efficiency. Internal monitoring systems will be reconfigured and an all-out effort will be made to

Operating income



Net income



build a stronger corporate platform.

Given anticipated market conditions and the Group's efforts to maximize business opportunities, management expects the following results for fiscal 2014: net sales up 4.9%, to ¥596.3 billion; operating income up 3.5%, to ¥33.5 billion; ordinary income up 2.4%, to ¥34.0 billion; and net income up 1.7%, to ¥21.5 billion.

Financial Position

As of June 30, 2013, total assets stood at ¥386,622 million, up ¥23,971 million from a year earlier.

Current assets amounted to ¥143,391 million, up ¥4,575 million, compared with the previous fiscal year. A major component of this change was inventories, which rose ¥2,356 million, paralleling the opening of new stores.

Property, plant and equipment totaled ¥186,094 million, up ¥16,758 million, compared with the previous fiscal year. The primary components of this change were buildings and structures, up ¥12,448 million, and land, up ¥10,588 million, reflecting the opening of new stores and acquisition of candidate buildings for future stores since the end of fiscal 2013.

Intangible assets grew ¥1,708 million, to ¥11,974 million, from June 30, 2012, mainly because of higher goodwill.

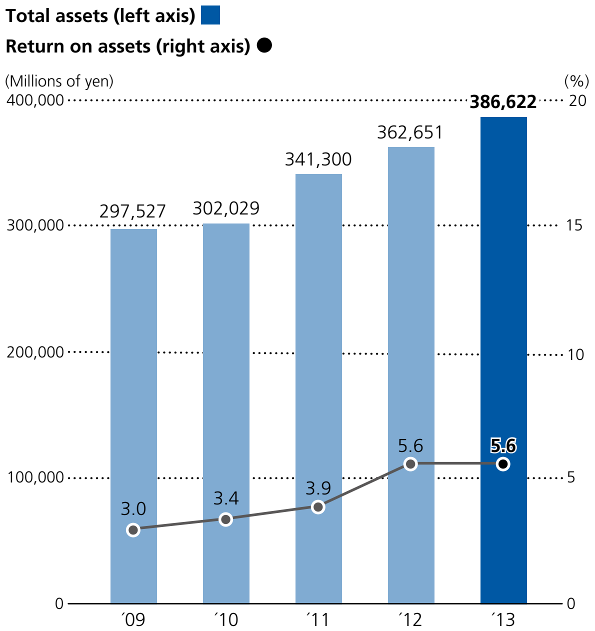
Total liabilities stood at ¥216,444 million on June 30, 2013, down ¥472 million from a year earlier.

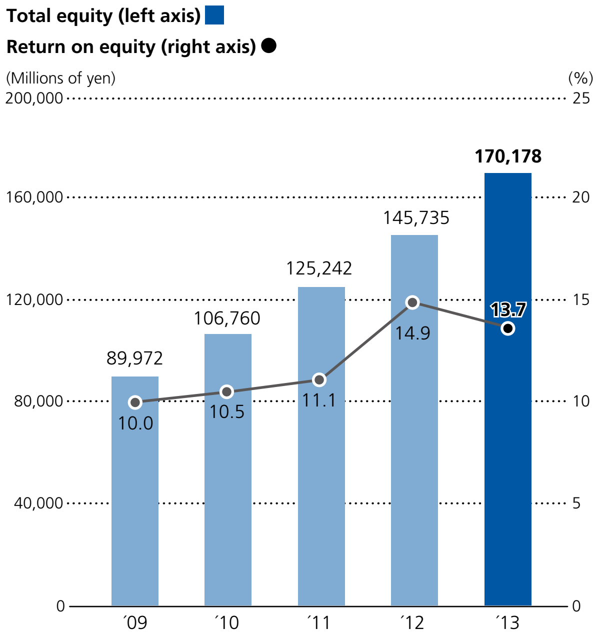
Current liabilities amounted to ¥121,170 million, up ¥927 million, compared with the previous fiscal year, owing to an increase of ¥3,243 million in accounts payable–trade. This increase was partially offset by a ¥1,984 million decrease in current portion of long-term debt.

Non-current liabilities reached ¥95,274 million, down ¥1,399 million, reflecting a ¥4,283 million drop in long-term debt. The debt-to-equity ratio improved 17.2 percentage points, to 74.3%. Net interest-bearing liabilities at the end of June 30, 2013 amounted to ¥126,505 million, for a ratio of interest-bearing debt to total assets of 32.7%, compared with 36.8% a year earlier. Net liabilities declined ¥4,297 million, to ¥94,807 million.

Reflecting an increase of ¥18,744 million in retained earnings, total equity grew ¥24,443 million, to ¥170,178 million, as of June 30, 2013.

The equity ratio rose 3.5 percentage points, to 43.0%, but return-on-equity edged down 1.2 percentage points, to 13.7%.





Cash Flows

Cash provided by operating activities in fiscal 2013 amounted to ¥38,270 million, as inflow, primarily net income, depreciation and amortization, and increase in trade payables, more than offset outflow, namely expanded inventories associated with the opening of new stores.

Cash used in investing activities came to ¥23,293 million, owing to payments for purchase of property, plant and equipment and payments for purchase of subsidiaries' securities resulting in changes in the scope of consolidation.

Cash used in financing activities totaled ¥9,510 million, mainly due to payments for redemption of bonds, a decrease in loans, and payments of cash dividends.

As a result, cash and cash equivalents came to ¥36,132 million at the end of fiscal 2013, up ¥6,159 million from a year earlier.

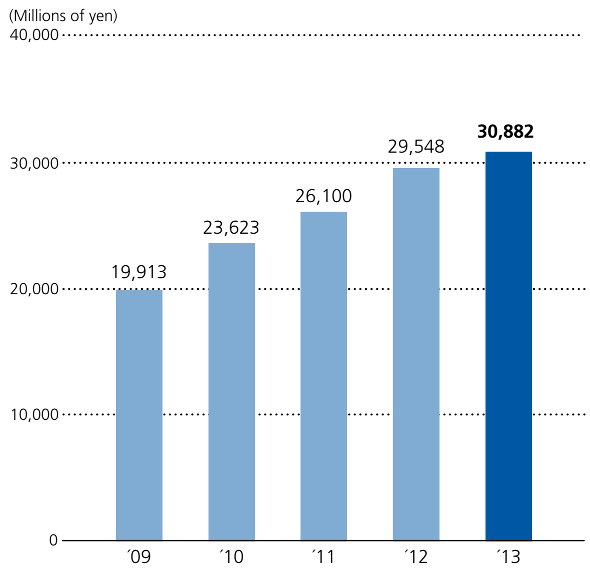
Capital Investment

In fiscal 2013, the Group allocated capital investment, mainly to purchase land, buildings and facilities, pay fixed leasehold deposits and acquire software, for 16 newly built stores and thereby expand the retail and tenant leasing businesses.

As a result, capital investment by reporting segment was ¥16,920 million in the retail business, ¥12,912 million in the tenant leasing business and ¥82 million in other businesses.

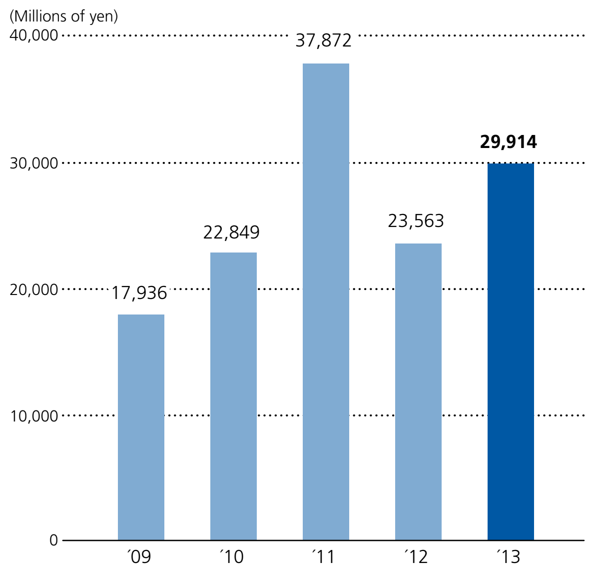
The Company also recorded ¥317 million under impairment losses and ¥144 million under loss on closing of stores.

Free cash flow



Note: Free cash flow = Net income after taxes + Depreciation and amortization + Extraordinary loss – Cash dividends paid

Capital investment



Risk Information

Business risks

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 as soon as we recognize the possibility of such risks arising. The following summary of risks includes future events, which are based on judgments and forecasts made by the Group based on the information available as of September 26, 2013, 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, and increasing the number of subsidiaries in order to expand its business fields. If the Group fails to recruit and appropriately train its employees, the quality of business could deteriorate, which could lead 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 the economic environment.

Distribution centers including 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, to anticipate trends and provide merchandise which appeals to customers. The failure to retain and train these staff members or to maintain the Group's organizational systems could lead to a decline in the Group's business results.

4. Consumer demand, weather and seasonality

Sales at Group stores are subject to changes in consumer demand, the weather and to seasonal variations. The peak sales periods for the Group are the months of August and December. Consequently, if the Group fails to appropriately meet such changes or variations, the Group's business, financial condition and results of operations could be adversely affected.

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 retail stores with a sales floor of more than 1,000 square meters. Should there also be specific regulations in a community or prefecture for stores with sales floors smaller than 1,000 square meters, the Group's store development strategies or sales plans may be adversely affected.

6. Future capital requirements

The Group has to secure sufficient capital through 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. Data security

The Group handles customers' personal information with precision and care. Any data leak would have a material adverse effect on the Group's reputation, financial condition and results of operations and could lead to possible litigation.

8. Impairment of non-current assets

The Group estimates future cash flows of its assets in order to assess the possibility of the occurrence of an impairment loss. Potential impairment would have a material adverse effect on the Group’s business, financial condition and results of operations.

9. Decline in the value of subsidiary and affiliated company shares

Shares of subsidiaries and affiliates are valued at cost. To the extent that the financial condition of subsidiaries and affiliates continues to deteriorate, by applying the Accounting for Financial Instruments, the potential impairment on shares without quoted market prices would have a material adverse effect on the Group's business, financial condition and results of operations.

10. Expansion by mergers and acquisitions

The Group has implemented mergers and acquisitions as a means of business expansion. The Company avoids risks through a thorough due diligence review of the target company, its business and relevant contractual matters. There is, however, the possibility of incurring contingent liabilities or discovering unrecognized liabilities after the merger and acquisition has taken place. In addition, there is the possibility that the expected synergy does not materialize, for any number of reasons. In either case, there would be an adverse effect on the Group's business, financial condition and results of operations.

11. Stock options

The Company adopts an incentive system that gives stock options to directors and employees of the Group in order to improve their morale or recruit excellent people. When the given stock options as well as the prospectively given stock options are exercised, the Company shares become diluted. Stock options given after May 1, 2006, are essentially allocated to expenses, and as such may have a material adverse effect on the Group's business, financial condition and results of operations.

12. Loss on closing of stores

The Group is proactively opening new stores and withdrawing from unprofitable stores. The Group put into place a policy stating that unprofitable stores be closed should they fail to achieve planned targets, or should their performance not recover even after augmenting sales or reducing selling, general and administrative expenses. Losses on closing of stores could have an adverse effect on business results.

13. Foreign currency transactions

The Group imports merchandise directly and indirectly from overseas. Generally, a stronger yen means lower purchase prices, and a weaker yen means higher purchase prices. Therefore, the ratio of gross profit to sales remains open to currency risks despite forward exchange contracts used for the purpose of limiting exposure to fluctuations in foreign currency rates. As such, the Company cannot entirely eliminate a certain amount of exposure to currency fluctuations in the market.

14. Natural disaster

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

15. Inventory

With the ongoing opening of new stores, the Group tends to expand its inventory of merchandise. Consequently, we aim to minimize inventory risk by analyzing sales trends and managing inventory volumes through POS (point of sale) and core operating systems in real time. However, changes in consumer demand or the weather, among others, may lead to slow-moving inventory. In such case, there would be an adverse effect on the Group’s business, financial condition and results of 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, 2013 and 2012

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and deposits (Notes 6, 15 and 22)	**¥31,698**	¥34,237	**$322**
Notes and accounts receivable–trade (Note 6)	**5,371**	4,889	**54**
Less: Allowance for doubtful accounts (Note 6)	**(35)**	(13)	**(0)**
Purchased receivables (Notes 6 and 15)	**6,738**	6,761	**68**
Inventories (Note 4)	**85,997**	83,641	**872**
Prepaid expenses	**2,210**	2,124	**23**
Deferred tax assets (Note 16)	**3,987**	2,958	**40**
Other current assets	**7,425**	4,219	**75**
Total current assets	**143,391**	138,816	**1,454**
Investments and advances:			
Investments in securities and capital to affiliates (Note 6)	**405**	407	**4**
Investment securities (Notes 6 and 7)	**4,732**	3,372	**48**
Advance payment for fixed leasehold deposits	**3,265**	2,881	**33**
Long-term loans receivable (Note 6)	**1,136**	1,665	**12**
Less: Allowance for doubtful accounts (Note 6)	**(197)**	(765)	**(2)**
Total investments and advances	**9,341**	7,560	**95**
Property, plant and equipment (Notes 15, 18 and 23)**:**			
Land	**107,905**	97,317	**1,094**
Buildings and structures	**117,151**	104,703	**1,188**
Furniture and fixtures	**40,093**	38,485	**407**
Construction in progress	**1,049**	558	**11**
Other property, plant and equipment	**187**	180	**2**
Total	**266,385**	241,243	**2,702**
Less: Accumulated impairment loss	**(3,632)**	(3,899)	**(37)**
Less: Accumulated depreciation	**(76,659)**	(68,008)	**(777)**
Net property, plant and equipment	**186,094**	169,336	**1,888**
Intangibles:			
Goodwill	**4,640**	3,300	**47**
Other intangibles	**7,334**	6,966	**74**
Total intangibles	**11,974**	10,266	**121**
Other assets:			
Long-term deposits	**300**	300	**3**
Fixed leasehold deposits (Notes 6 and 15)	**31,762**	32,286	**322**
Less: Allowance for doubtful accounts (Note 6)	**(2,084)**	(2,111)	**(21)**
Long-term prepaid expenses	**2,261**	2,058	**23**
Deferred tax assets (Note 16)	**658**	1,379	**7**
Other non-current assets	**2,925**	2,761	**30**
Total other assets	**35,822**	36,673	**364**
Total assets	**¥386,622**	¥362,651	**$3,922**

The accompanying notes are an integral part of the statements.

LIABILITIES AND EQUITY	Millions of yen (Note 2) 2013	2012	Millions of U.S. dollars (Note 2) 2013
Current liabilities:			
Accounts payable–trade (Note 6)	**¥48,036**	¥44,793	**$487**
Short-term loans (Notes 6, 8, 10 and 15)	**14,286**	14,866	**145**
Current portion of long-term debt (Notes 6, 8 and 15)	**32,217**	34,201	**327**
Accrued expenses (Note 6)	**6,431**	6,229	**65**
Accrued income taxes (Note 6)	**6,746**	5,783	**69**
Allowance for point program	**221**	179	**2**
Allowance for loss on disaster	—	193	—
Other current liabilities (Note 15)	**13,233**	13,999	**134**
Total current liabilities	**121,170**	120,243	**1,229**
Non-current liabilities:			
Long-term debt (Notes 6, 8 and 15)	**80,030**	84,313	**812**
Derivatives liabilities (Notes 6 and 11)	**65**	119	**1**
Allowance for retirement benefits for directors	**337**	387	**3**
Asset retirement obligations (Note 24)	**2,521**	2,163	**25**
Negative goodwill	**964**	1,592	**10**
Other non-current liabilities (Notes 15 and 16)	**11,357**	8,099	**115**
Total non-current liabilities	**95,274**	96,673	**966**
Total liabilities	**216,444**	216,916	**2,195**
Equity (Notes 3, 12 and 20)**:**			
Common stock			
Authorized:			
2012—234,000,000			
2013—234,000,000			
Issued and outstanding:			
2012—77,134,880			
2013—77,863,880	**20,613**	19,664	**209**
Additional paid-in capital	**23,416**	22,466	**238**
Retained earnings	**123,207**	104,463	**1,250**
Net unrealized gains (losses) on investment securities	**736**	(391)	**7**
Foreign currency translation adjustments	**(1,625)**	(3,004)	**(16)**
Less: Treasury stock, at cost			
2012—1,244			
2013—1,244	**(3)**	(3)	**(0)**
Total	**166,344**	143,195	**1,688**
Minority interests	**3,834**	2,540	**39**
Total equity	**170,178**	145,735	**1,727**
Total liabilities and equity	**¥386,622**	¥362,651	**$3,922**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Income

Don Quijote Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2013 and 2012

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	**2013**
Net sales	**¥568,377**	¥540,255	**$5,765**
Cost of goods sold (Note 4)	**418,570**	400,712	**4,246**
Gross profit	**149,807**	139,543	**1,519**
Selling, general and administrative expenses (Note 17)	**117,438**	110,223	**1,191**
Operating income	**32,369**	29,320	**328**
Other income (expenses):			
Interest and dividend income	**522**	614	**5**
Gain on liquidation of reorganization claim (Note 21)	**—**	1,782	**—**
Gain on sales of investment securities	**505**	100	**5**
Gain on sales of affiliates' securities	**602**	—	**6**
Interest expenses	**(1,460)**	(1,690)	**(15)**
Loss on closing of stores (Note 21)	**(144)**	(778)	**(1)**
Other income and expenses, net (Notes 13, 18 and 21)	**988**	1,047	**10**
Income before income taxes and minority interests	**33,382**	30,395	**338**
Income taxes:			
Current	**11,463**	9,523	**116**
Deferred (Notes 3 and 16)	**(135)**	135	**(1)**
Income before minority interests	**22,054**	20,737	**223**
Minority interests	**(913)**	(892)	**(9)**
Net income	**¥21,141**	¥19,845	**$214**

The accompanying notes are an integral part of the statements

Ordinary Income

According to accounting principles and practices generally accepted in Japan, ordinary income is as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	**2013**
Operating income	**¥32,369**	¥29,320	**$328**
Other income (expenses):			
Interest and dividend income	**522**	614	**5**
Interest expenses	**(1,460)**	(1,690)	**(15)**
Other income and expenses, net	**1,770**	1,039	**18**
Ordinary income	**33,201**	29,283	**336**
Extraordinary income (loss):			
Gain on liquidation of reorganization claim	**—**	1,782	**—**
Gain on sales of investment securities	**505**	100	**5**
Gain on sales of affiliates' securities	**602**	—	**6**
Loss on closing of stores	**(144)**	(778)	**(1)**
Other extraordinary income and loss, net	**(782)**	8	**(8)**
Income before income taxes and minority interests	**¥33,382**	¥30,395	**$338**

Consolidated Statements of Comprehensive Income (Note 14)

Don Quijote Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2013 and 2012

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	**2013**
Income before minority interests	**¥22,054**	¥20,737	**$223**
Other comprehensive income			
Net unrealized gains (losses) on investment securities	**1,148**	(48)	**12**
Foreign currency translation adjustments	**1,379**	151	**14**
Total other comprehensive income	**2,527**	103	**26**
Comprehensive income	**¥24,581**	¥20,840	**$249**
Comprehensive income attributable to:			
Owners of the parent	**¥23,647**	¥19,944	**$240**
Minority interests	**934**	896	**9**

Amount per share of common stock:	Yen (Note 2)		U.S. dollars (Note 2)
	2013	2012	**2013**
Basic earnings (Note 20)	**¥273.47**	¥257.47	**$2.77**
Diluted earnings (Note 20)	**272.34**	256.90	**2.76**
Cash dividends applicable to the year	**33.00**	31.00	**0.33**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Net Assets

Don Quijote Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2013 and 2012

	Millions of yen (Note 2)							
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains (losses) on investment securities	Foreign currency translation adjustments	Treasury stock, at cost	Minority interests	Total equity
Balance at June 30, 2011	¥19,561	¥22,364	¥85,165	¥(327)	¥(3,155)	¥(3)	¥1,637	¥125,242
Cash dividends	—	—	(2,157)	—	—	—	—	(2,157)
Net income	—	—	19,845	—	—	—	—	19,845
Issuance of new shares	103	102	—	—	—	—	—	205
Effect of changes in fiscal year-end date applied to subsidiaries	—	—	940	—	—	—	—	940
Change of scope of consolidation	—	—	670	—	—	—	—	670
Other	—	—	—	(64)	151	—	903	990
Balance at June 30, 2012	**¥19,664**	**¥22,466**	**¥104,463**	**¥(391)**	**¥(3,004)**	**¥(3)**	**¥2,540**	**¥145,735**
Cash dividends	—	—	**(2,392)**	—	—	—	—	**(2,392)**
Net income	—	—	**21,141**	—	—	—	—	**21,141**
Issuance of new shares	**949**	**949**	—	—	—	—	—	**1,899**
Change of scope of consolidation	—	—	**(5)**	—	—	—	—	**(5)**
Other	—	—	—	**1,127**	**1,379**	—	**1,294**	**3,799**
Balance at June 30, 2013	**¥20,613**	**¥23,416**	**¥123,207**	**¥736**	**¥(1,625)**	**¥(3)**	**¥3,834**	**¥170,178**

	Millions of U.S. dollars (Note 2)							
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains (losses) on investment securities	Foreign currency translation adjustments	Treasury stock, at cost	Minority interests	Total equity
Balance at June 30, 2012	**$199**	**$228**	**$1,060**	**$ (4)**	**$ (30)**	**$ (0)**	**$26**	**$1,479**
Cash dividends	—	—	**(24)**	—	—	—	—	**(24)**
Net income	—	—	**214**	—	—	—	—	**214**
Issuance of new shares	**10**	**10**	—	—	—	—	—	**20**
Change of scope of consolidation	—	—	**(0)**	—	—	—	—	**(0)**
Other	—	—	—	**11**	**14**	—	**13**	**38**
Balance at June 30, 2013	**$209**	**$238**	**$1,250**	**$7**	**$ (16)**	**$ (0)**	**$39**	**$1,727**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Don Quijote Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2013 and 2012

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes	¥33,382	¥30,395	$338
Depreciation and amortization	11,051	10,474	112
Impairment loss	317	184	3
Amortization of negative goodwill	(628)	(857)	(6)
Increase (Decrease) in allowance for doubtful accounts	(44)	599	(0)
Increase (Decrease) in allowance for retirement benefits for directors	(50)	20	(1)
Decrease in allowance for loss on disaster	(40)	(75)	(0)
Interest and dividend income	(522)	(614)	(5)
Loss (Gain) on valuation of derivative instruments	(46)	283	(0)
Interest expenses	1,460	1,690	15
Gain on sales of affiliates' securities	(602)	—	(6)
Loss (Gain) on sales of investment securities, net	(485)	10	(5)
Loss on sales and disposal of property, plant and equipment, net	417	153	4
Loss on closing of stores	135	235	1
Offset rent expense from deposit received from lessees	1,295	1,326	13
Gain on liquidation of reorganization claim	—	(1,782)	—
Increase in trade receivables	(81)	(196)	(1)
Increase in inventories	(2,180)	(4,517)	(22)
Increase in trade payables	3,155	1,814	32
Decrease in other current assets	1,227	445	12
Increase in other current liabilities	1,125	2,925	11
Increase in other non-current liabilities	1,219	78	12
Other, net	(48)	937	(0)
Subtotal	50,057	43,527	507
Received interest and dividend income	372	432	4
Interest paid	(1,510)	(1,654)	(15)
Income taxes paid	(10,477)	(8,067)	(106)
Payments for loss on disaster	(172)	(276)	(2)
Net cash provided by operating activities	38,270	33,962	388
Cash flows from investing activities:			
Time deposits transferred from cash	(7)	(29,863)	(0)
Proceeds from time deposits	6,167	31,960	63
Payments for purchase of property, plant and equipment	(27,770)	(18,348)	(282)
Proceeds from sales of property, plant and equipment	722	41	7
Payments for purchase of intangible assets	(434)	(1,727)	(4)
Payments for fixed leasehold deposits	(1,117)	(1,379)	(11)
Proceeds from termination of fixed leasehold deposits	608	1,349	6
Advance payment for fixed leasehold deposits	(621)	(2,846)	(6)
Proceeds from sales of investment securities	897	494	9
Payments for purchase of subsidiaries' securities resulting in changes in the scope of consolidation (Note 22)	(1,381)	(6,360)	(14)
Proceeds from purchase of subsidiaries' securities resulting in changes in the scope of consolidation (Note 22)	575	—	6
Payments for the settlement of derivative instruments	—	(3,272)	—
Other, net	(932)	157	(10)
Net cash used in investing activities	(23,293)	(29,794)	(236)
Cash flows from financing activities:			
Net decrease of short-term bank loans	(2,143)	(69)	(22)
Borrowing of long-term debt	11,500	14,500	116
Repayment of long-term debt	(15,747)	(13,919)	(160)
Proceeds from issuance of bonds	21,590	12,855	219
Payments for redemption of bonds	(23,559)	(13,422)	(239)
Repayments of secured reorganization claims	—	(2,550)	—
Issuance of common stock	1,899	205	20
Payments of cash dividends	(2,392)	(2,157)	(24)
Cash dividends paid to minority shareholders	(630)	—	(7)
Other, net	(28)	(80)	(0)
Net cash used in financing activities	(9,510)	(4,637)	(97)
Effect of exchange rate changes on cash and cash equivalents	691	60	7
Increase (Decrease) in cash and cash equivalents	6,158	(409)	62
Cash and cash equivalents at beginning of the year	29,973	26,875	304
Increase in cash and cash equivalents due to the effect of the additional consolidation	1	—	0
Decrease in cash and cash equivalents due to the effect of the deconsolidation	—	(0)	—
Increase in cash and cash equivalents resulting from change in fiscal year-end of consolidated subsidiaries	—	3,507	—
Cash and cash equivalents at end of the year (Note 22)	¥36,132	¥29,973	$366

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

1. DESCRIPTION OF BUSINESS

The Don Quijote Group (the "Group") is composed of Don Quijote Co., Ltd. (the "Company"), 31 consolidated subsidiaries (Japan Commercial Establishment Co., Ltd., D-ONE Co., Ltd., REALIT Co., Ltd., Don Quijote (USA) Co., Ltd., Doit Co., Ltd., Nagasakiya Co., Ltd., Accretive Co., Ltd. The Earth CO.*, Don Quijote Shared Services Co., Ltd., and 22 other subsidiaries), ten subsidiaries excluded from consolidation and one affiliated company accounted for by the equity method and one affiliated company not accounted for by the equity method.

*The Earth CO. changed its name to Japan Asset Marketing Co., Ltd. on July 1, 2013.

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 a tenant leasing business and rents floor space in shopping malls to tenants. The company is also carrying out 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)

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.

Accretive Co., Ltd. provides financial services such as early financing of accounts receivable and outsourcing services for payments.

The Earth CO.'s business operations comprise advertising, business services, and real estate operations.

Don Quijote Shared Services Co., Ltd. provides shared services for the Group's back-office operations.

2. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Accounting applied to the Company and significant subsidiaries is on a consolidated basis.

The Company prepares its consolidated financial statements in conformity with accounting principles and practices generally accepted in Japan as per the requirements of the Japanese Corporate Law and other applicable rules and regulations. The Company files its 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.

Foreign subsidiaries maintain their books of account in conformity with accounting methods generally accepted under accounting standards in the respective countries.

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 ¥98.59 to U.S.$1, the rate prevailing on June 30, 2013. 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 rates.

Certain items in the financial statements of fiscal year ended June 30, 2012, have been reclassified for comparative purposes with fiscal year ended June 30, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

As of June 30, 2013 the Company has 41 subsidiaries, including 31 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
D-ONE Co., Ltd.	100.0%	Operation of store development of the group companies, and real estate business
REALIT Co., Ltd.*	2.6%	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
Accretive Co., Ltd.*	48.6%	Financial services such as early financing of accounts receivable and outsourcing service for payments
Koigakubo SC TMK	100.0%	Tenant leasing business
Nagoya Sakae Jisho Limited Liability Co.	100.0%	Real estate management business
Don Quijote Shared Services Co., Ltd.	100.0%	Shared services for the Group's back-office operations
The Earth CO.*	49.2%	Advertising, business services, and real estate operations
And 20 other companies		

*The Company's equity holdings in REALIT Co., Ltd., Accretive Co., Ltd. and The Earth CO. are less than 50%, but the Company can exercise control over these companies. Therefore, REALIT Co., Ltd., Accretive Co., Ltd. and The Earth CO. 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

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.

Nagoya Sakae Jisho Limited Liability Co. and its consolidated subsidiary December 31

To provide relevant operating information, the subsidiaries listed below prepared additional financial statements as of the same date as the financial statements of the Company, while their reporting date is different.

Accretive Co., Ltd. and its three subsidiaries March 31
The Earth CO. and its three subsidiaries March 31

Koigakubo SC TMK, a consolidated subsidiary of the Company, changed its reporting date for the fiscal year, to June 30 from December 31, in order to provide the relevant operating information. For the period from July 1, 2012 to June 30, 2013 of the transitional fiscal year under review, additional financial statements prepared as of the same date as the financial statements of the Company are used.

The Company sold all shares of Donki Johokan Co., Ltd. during the fiscal year ended June 30, 2013 and therefore excluded it from the scope of consolidation.

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
Ten subsidiaries and one affiliate 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 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 occurring between the accounting period ends.

Cash and cash equivalents
For the purpose of preparation of the consolidated 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 other 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 with quoted market prices 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. Available-for-sale securities without quoted market prices 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.

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 Corporation Tax Act except for buildings, which are depreciated using the straight-line method.

For the foreign subsidiaries, the depreciation of property, plant and equipment 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 straight-line method over estimated useful life of five years, except for Don Quijote (USA) Co., Ltd., during the years ended June 30, 2013 and 2012.

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
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 directors
The Company has retirement benefit plans for Directors and Audit & Supervisory Board Members. Allowance for retirement benefits for Directors and Audit & Supervisory Board Members 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, 2013.

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 Commercial 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.

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. 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, 2013 and 2012 were as follows:

Common stock outstanding (number of shares)	2013	2012
Balance at beginning of the year	77,134,880	77,030,780
Exercise of stock options	729,000	104,100
Balance at end of the year	77,863,880	77,134,880

Changes in the number of treasury stock during the years ended June 30, 2013 and 2012 were as follows:

Treasury stock outstanding (number of shares)	2013	2012
Balance at beginning of the year	1,244	1,244
Balance at end of the year	1,244	1,244

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 weight-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.

Changes in accounting policies that are difficult to distinguish from changes in accounting estimates

Following the revision of the Corporate Tax Act, the Company and its domestic consolidated subsidiaries changed the depreciation method—for property, plant and equipment which were acquired on and after July 1, 2012—to comply with the revised Corporate Tax Act in the fiscal year ended June 30, 2013.

The impact of this change on profit and loss is immaterial.

4. INVENTORIES

Inventories as of June 30, 2013, and 2012 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	2013
Electrical appliances	¥13,551	¥13,661	$137
Daily commodities	19,524	18,516	198
Foods	7,007	6,764	71
Watches, fashion goods	33,678	32,238	342
Sports, leisure goods	5,839	5,892	59
DIY products	4,113	4,370	42
Others	2,285	2,200	23
Total	¥85,997	¥83,641	$872

Note: The value of inventories is stated after writing down the carrying amount when the contribution of inventories to profitability declines 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)
	2013	2012	2013
Loss on valuation of inventories	¥2,227	¥2,487	$23

5. LEASE TRANSACTIONS

OPERATING LEASES

Unexpired lease payments for non-cancellable leases:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	2013
Due within one year	¥3,310	¥3,675	$33
Due after one year	11,402	13,045	116
Total	¥14,712	¥16,720	$149

6. 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.

(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 and investment 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 and investment securities. Significant transactions of marketable securities and investment 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 debts 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 fluctuation.

(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 11 "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 June 30, 2013 and 2012 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)		
	2013		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥31,698	¥31,698	¥ —
(2) Notes and accounts receivable-trade	5,371		
Less: Allowance for doubtful accounts*1	(35)		
Net	5,336	5,336	—
(3) Purchased receivables	6,738	6,738	—
(4) Investment securities	4,677	4,677	—
(5) Long-term loans receivable	760		
Less: Allowance for doubtful accounts*2	(1)		
Net	759	760	1
(6) Fixed leasehold deposits	9,662	9,006	(656)
Total assets	58,870	58,215	(655)
(1) Accounts payable-trade	48,036	48,036	—
(2) Short-term loans	14,286	14,286	—
(3) Current portion of long-term debt	11,726	11,717	(9)
(4) Current portion of corporate bonds	20,130	20,096	(34)
(5) Current portion of convertible bonds	350	350	—
(6) Accrued expenses	6,431	6,431	—
(7) Accrued income taxes	6,746	6,746	—
(8) Corporate bonds	48,640	48,240	(400)
(9) Convertible bonds	—	—	—
(10) Long-term debt	31,374	31,474	100
Total liabilities	187,719	187,376	(343)
Derivative transactions*3	(77)	(77)	—

	Millions of U.S. dollars (Note 2)		
	2013		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	$322	$322	$ —
(2) Notes and accounts receivable-trade	54		
Less: Allowance for doubtful accounts*1	(0)		
Net	54	54	—
(3) Purchased receivables	68	68	—
(4) Investment securities	47	47	—
(5) Long-term loans receivable	8		
Less: Allowance for doubtful accounts*2	(0)		
Net	8	8	0
(6) Fixed leasehold deposits	98	91	(7)
Total assets	597	590	(7)
(1) Accounts payable-trade	487	487	—
(2) Short-term loans	145	145	—
(3) Current portion of long-term debt	119	119	(0)
(4) Current portion of corporate bonds	204	204	(0)
(5) Current portion of convertible bonds	4	4	—
(6) Accrued expenses	65	65	—
(7) Accrued income taxes	69	69	—
(8) Corporate bonds	493	489	(4)
(9) Convertible bonds	—	—	—
(10) Long-term debt	318	319	1
Total liabilities	1,904	1,901	(3)
Derivative transactions*3	(1)	(1)	—

	Millions of yen (Note 2)		
	2012		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥34,237	¥34,237	¥ —
(2) Notes and accounts receivable-trade	4,889		
Less: Allowance for doubtful accounts*1	(13)		
Net	4,876	4,876	—
(3) Purchased receivables	6,761	6,761	—
(4) Investment securities	3,285	3,285	—
(5) Long-term loans receivable	721		
Less: Allowance for doubtful accounts*2	(3)		
Net	718	721	3
(6) Fixed leasehold deposits	10,933	10,229	(704)
Total assets	60,810	60,109	(701)
(1) Accounts payable-trade	44,793	44,793	—
(2) Short-term loans	14,866	14,866	—
(3) Current portion of long-term debt	11,121	11,112	(9)
(4) Current portion of corporate bonds	23,059	23,027	(32)
(5) Current portion of convertible bonds	—	—	—
(6) Accrued expenses	6,229	6,229	—
(7) Accrued income taxes	5,783	5,783	—
(8) Corporate bonds	47,470	47,093	(377)
(9) Convertible bonds	350	348	(2)
(10) Long-term debt	36,476	36,645	169
Total liabilities	190,147	189,896	(251)
Derivative transactions*3	(101)	(101)	—

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

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

Assets

(1) Cash and 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) 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 7. "Marketable securities and investment securities" for further information.

(5) Long-term loans receivable
The fair values are calculated by discounting total principal and interest by the interest rate that would be applied to similar new loans.

(6) 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 premium.

Liabilities

(1) Accounts payable-trade; (2) Short-term loans; (5) Current portion of convertible bonds; (6) Accrued expenses; (7) Accrued income taxes
These are stated at book value, since the book values approximate fair value because of the short-term nature of these instruments.

(3) Current portion of long-term debt; (4) Current portion of corporate bonds; (8) Corporate bonds; (10) 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.

(9) Convertible bonds
The fair values are measured at the quoted market prices.

Derivative Transactions

Please refer to Note 11. "Derivatives."

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

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	**2013**
Investment securities	**¥55**	¥87	**$1**
Investments in securities and capital to affiliates	**405**	407	**4**
Long-term loans receivable	**376**	944	**4**
Less: Allowance for doubtful accounts*1	**(196)**	(762)	**(2)**
Net	**180**	182	**2**
Fixed leasehold deposits	**22,100**	21,353	**224**
Less: Allowance for doubtful accounts*2	**(2,084)**	(2,111)	**(21)**
Net	**20,016**	19,242	**203**

*1Deducts allowance for doubtful accounts applicable to each respective long-term loans receivable.
*2Deducts allowance for doubtful accounts applicable to each respective fixed leasehold deposits.
The figures above are not included in "(4) investment securities," "(5) long-term loans receivable,"or "(6) fixed leasehold deposits" because these financial instruments do not have quoted market prices and thus it is not possible to estimate future cash flows to determine fair value.

Maturity analysis for assets and securities with contractual maturities:

Fiscal year ended June 30, 2013

	Millions of yen (Note 2)			
	2013			
	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
1. Cash and deposits	**¥31,698**	**¥ —**	**¥ —**	**¥ —**
2. Notes and accounts receivable-trade	**5,371**	—	—	—
3. Purchased receivables	**6,738**	—	—	—
4. Long-term loans receivable	—	**357**	**391**	**12**
5. Fixed leasehold deposits	**1,486**	**4,045**	**2,611**	**1,520**
Total	**¥45,293**	**¥4,402**	**¥3,002**	**¥1,532**

	Millions of U.S. dollars (Note 2)			
	2013			
	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
1. Cash and deposits	**$322**	**$ —**	**$ —**	**$ —**
2. Notes and accounts receivable-trade	**54**	—	—	—
3. Purchased receivables	**68**	—	—	—
4. Long-term loans receivable	—	**4**	**4**	**0**
5. Fixed leasehold deposits	**16**	**41**	**26**	**15**
Total	**$460**	**$45**	**$30**	**$15**

Fiscal year ended June 30, 2012

	Millions of yen (Note 2)			
	2012			
	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
1. Cash and deposits	¥34,237	¥ —	¥ —	¥ —
2. Notes and accounts receivable-trade	4,889	—	—	—
3. Purchased receivables	6,761	—	—	—
4. Long-term loans receivable	—	286	351	84
5. Fixed leasehold deposits	1,624	4,618	3,010	1,681
Total	¥47,511	¥4,904	¥3,361	¥1,765

Redemption schedule for corporate bonds, convertible bonds and long-term debt:

Fiscal year ended June 30, 2013

	Millions of yen (Note 2)					
	2013					
	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Corporate bonds	**¥20,130**	**¥5,740**	**¥17,000**	**¥9,800**	**¥16,100**	**¥ —**
Convertible bonds	**350**	—	—	—	—	—
Long-term debt	**11,726**	**11,679**	**6,595**	**3,750**	**1,550**	**7,800**
Total	**¥32,206**	**¥17,419**	**¥23,595**	**¥13,550**	**¥17,650**	**¥7,800**

	Millions of U.S. dollars (Note 2)					
	2013					
	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Corporate bonds	**$204**	**$59**	**$172**	**$99**	**$163**	**$ —**
Convertible bonds	**4**	—	—	—	—	—
Long-term debt	**119**	**118**	**67**	**38**	**16**	**79**
Total	**$327**	**$177**	**$239**	**$137**	**$179**	**$79**

Fiscal year ended June 30, 2012

	Millions of yen (Note 2)					
	2012					
	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Corporate bonds	¥23,059	¥18,830	¥4,440	¥15,700	¥8,500	¥ —
Convertible bonds	—	350	—	—	—	—
Long-term debt	11,121	9,554	12,507	4,315	1,700	8,400
Total	¥34,180	¥28,734	¥16,947	¥20,015	¥10,200	¥8,400

7. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

1. Information regarding marketable securities and investment securities with quoted market prices as of June 30, 2013 and 2012 is as follows:

The following table summarizes carrying amount, acquisition cost and net unrealized gains (losses) as of June 30, 2013 and 2012.

Fiscal year ended June 30, 2013

	Millions of yen (Note 2)		
	2013		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	**¥3,217**	**¥2,356**	**¥861**
Others	**1,443**	**1,149**	**294**
Subtotal	**4,660**	**3,505**	**1,155**
Carrying amount does not exceed acquisition cost:			
Others	**17**	**28**	**(11)**
Subtotal	**17**	**28**	**(11)**
Total	**¥4,677**	**¥3,533**	**¥1,144**

Note: In the fiscal year ended June 30, 2013, the Company wrote down ¥6 million ($0 million) in investment securities.

	Millions of U.S. dollars (Note 2)		
	2013		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	**$32**	**$24**	**$8**
Others	**15**	**12**	**3**
Subtotal	**47**	**36**	**11**
Carrying amount does not exceed acquisition cost:			
Others	**0**	**0**	**(0)**
Subtotal	**0**	**0**	**(0)**
Total	**$47**	**$36**	**$11**

Fiscal year ended June 30, 2012

	Millions of yen (Note 2)		
	2012		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	¥44	¥36	¥8
Others	818	762	56
Subtotal	862	798	64
Carrying amount does not exceed acquisition cost:			
Equity securities	2,055	2,682	(627)
Others	368	414	(46)
Subtotal	2,423	3,096	(673)
Total	¥3,285	¥3,894	¥(609)

Note: In the fiscal year ended June 30, 2012, the Company wrote down ¥6 million in investment securities.

2. Sales amounts and gains (losses) on sales of investment securities during the years ended June 30, 2013 and 2012 were as follows:

Fiscal year ended June 30, 2013

	Millions of yen (Note 2)		
	2013		
	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	**¥897**	**¥505**	**¥20**
Total	**¥897**	**¥505**	**¥20**

	Millions of U.S. dollars (Note 2)		
	2013		
	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	**$9**	**$5**	**$0**
Total	**$9**	**$5**	**$0**

Fiscal year ended June 30, 2012

	Millions of yen (Note 2)		
	2012		
	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	¥303	¥100	¥ —
Bonds:			
Corporate bonds	191	—	109
Total	¥494	¥100	¥109

8. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans are principally comprised of bank loans (average interest rate was 1.4%).

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.

Long-term debt as of June 30, 2013, 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 0.6% to 1.9%	**¥43,100**	**$437**
0.00% unsecured convertible bonds due 2013 (convertible at ¥3,571 ($36 for one common share, redeemable before due date)*	**350**	**4**
1.38% unsecured straight bonds due 2013	**200**	**2**
1.24% unsecured straight bonds due 2013	**200**	**2**
1.39% unsecured straight bonds due 2013	**150**	**2**
1.27% unsecured straight bonds due 2014	**800**	**8**
1.00% unsecured straight bonds due 2014	**600**	**6**
1.10% unsecured straight bonds due 2014	**600**	**6**
1.05% unsecured straight bonds due 2014	**720**	**8**
0.97% unsecured straight bonds due 2014	**12,000**	**122**
0.95% unsecured straight bonds due 2015	**800**	**8**
0.74% unsecured straight bonds due 2015	**1,000**	**10**
0.59% unsecured straight bonds due 2015	**1,500**	**15**
0.66% unsecured straight bonds due 2015	**1,000**	**10**
0.94% unsecured straight bonds due 2015	**500**	**5**
TIBOR 6-month interest rate plus 0.20% unsecured straight bonds due 2015	**500**	**5**
0.92% unsecured straight bonds due 2016	**1,200**	**12**
0.74% unsecured straight bonds due 2016	**600**	**6**
TIBOR 6-month interest rate plus 0.20% unsecured straight bonds due 2016	**600**	**6**
1.57% unsecured straight bonds due 2016	**13,000**	**132**
0.62% unsecured straight bonds due 2016	**1,400**	**14**
0.76% unsecured straight bonds due 2016	**1,400**	**14**
0.77% unsecured straight bonds due 2016	**700**	**7**
1.21% unsecured straight bonds due 2016	**8,000**	**81**
0.67% unsecured straight bonds due 2017	**1,350**	**14**
0.49% unsecured straight bonds due 2017	**1,350**	**14**
0.53% unsecured straight bonds due 2017	**900**	**9**
0.62% unsecured straight bonds due 2017	**900**	**9**
0.85% unsecured straight bonds due 2017	**15,000**	**152**
0.74% specified bonds with general security due 2017	**300**	**3**
0.60% unsecured straight bonds due 2018	**1,500**	**15**
Subtotal	**112,220**	**1,138**
Finance lease liabilities	**27**	**1**
Less: Current portion of long-term debt	**32,217**	**327**
Total	**¥80,030**	**$812**

*A summary of stock acquisition rights (SARs) as of June 30, 2013 is as follows:

Issued on	Exercisable during	Exercise price: Yen	Exercise price: Dollar	Total number of SARs to be issued	Outstanding balance	Number of shares of outstanding balance
July 24, 2006	August 7, 2006 to July 10, 2013	¥3,571	$36	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.

The exercise period of SARs expired on July 10, 2013 and bonds worth ¥350 million ($4 million) were redeemed on July 23, 2013.

Long-term debt is principally comprised of bank loans (with average interest rate of 1.3%).

The Company signed a syndicated loan agreement with 14 financial institutions, totaling ¥5,000 million ($51 million). This agreement includes financial covenants based on certain indices calculated from net assets of the consolidated and non-consolidated balance sheets and ordinary income and loss of the consolidated and non-consolidated statements of income. The balance of loans payable as of June 30, 2013 is ¥3,500 million ($36 million).

Accretive Co., Ltd., a consolidated subsidiary of the Company, signed a syndicated loan agreement with seven financial institutions, totaling ¥13,000 million ($132 million) as of June 30, 2013; and with 20 financial institutions, totaling ¥13,941 million as of June 30, 2012. This agreement includes financial covenants based on certain indices calculated from net assets of the consolidated and non-consolidated balance sheets and ordinary income and loss of the consolidated and non-consolidated statements of income for the second quarter of each fiscal 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 amount: (1) the 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) the balance of savings account designated by the lender. In addition, there is a negative pledge covenant that stipulates that collateral will not be provided for current or future liabilities of Accretive Co., Ltd. or a third party, with the exception of liabilities based on this agreement.

Japan Commercial Establishment Co., Ltd., a consolidated subsidiary of the Company, and the Company, its guarantor, signed a syndicated loan agreement with five financial institutions, totaling ¥12,000 million ($122 million). This agreement has financial covenants based on certain indices calculated from net assets of the non-consolidated balance sheet and ordinary income and loss of non-consolidated 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 balance of loans payable as of June 30, 2013 is ¥10,800 million ($110 million).

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

Fiscal years ending June 30:	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
2014	¥32,206	$327
2015	17,419	177
2016	23,595	239
2017	13,550	137
2018 and thereafter	25,450	258
Total	¥112,220	$1,138

9. OVERDRAFT AGREEMENTS

As of June 30, 2013 and 2012, the Company and its consolidated subsidiaries had overdraft agreements to ensure efficient procurement of funds for working capital with 35 banks and 32 banks, respectively. The balances of unused financing based on these agreements as of June 30, 2013 and 2012 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	**2013**
Total overdraft limit granted	**¥33,300**	¥30,800	**$338**
Bank loans arranged	**—**	—	**—**
Unused amount of the agreed overdraft limit	**¥33,300**	¥30,800	**$338**

10. LOAN COMMITMENT AGREEMENT

The Company and its consolidated subsidiaries have entered into loan commitment agreements with nine banks as of June 30, 2013 and five banks as of June 30, 2012 to ensure the efficient procurement of funds as working capital. The balance of unused funds based on these agreements as of June 30, 2013 and 2012 was as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	**2013**
Total amount of loan commitment	**¥12,500**	¥10,000	**$127**
Bank loans arranged	**423**	—	**4**
Unused amount of the agreed loan commitment	**¥12,077**	¥10,000	**$123**

Note: This agreement includes financial covenants based on certain indices calculated from net assets of the consolidated and non-consolidated balance sheets and ordinary income and loss of the consolidated and non-consolidated statements of income.

11. DERIVATIVES

Derivative transaction hedge accounting is not applied to:

Fiscal year ended June 30, 2013

	Millions of yen (Note 2)			
	Contract amount	Due after one year	Fair value	Unrealized gain
Interest rate swap contracts, variable receipts and fixed payments	**¥13,831**	**¥7,263**	**¥(76)**	**¥(76)**
Forward exchange contracts	**68**	**—**	**67**	**(1)**

	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	**$140**	**$74**	**$(1)**	**$(1)**
Forward exchange contracts	**1**	**—**	**1**	**(0)**

Fiscal year ended June 30, 2012

	Millions of yen (Note 2)			
	Contract amount	Due after one year	Fair value	Unrealized gain
Interest rate swap contracts, variable receipts and fixed payments	¥16,085	¥11,981	¥(122)	¥(122)
Forward exchange contracts	644	—	665	21

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

12. 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 ($20). 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, 2013, was 193,800 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 ($32). The number of stock options exercisable as of June 30, 2013 was 1,066,800 shares.

13. OTHER INCOME, NET

Other income, net for the years ended June 30, 2013 and 2012 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)
	2013	2012	2013
Other income:			
Amortization of negative goodwill	¥628	¥857	$6
Fees and commissions received	378	364	4
Gain on sales of non-current assets	5	3	0
Compensation income for expropriation	—	318	—
Other	1,474	1,383	15
Other income total	2,485	2,925	25
Other expenses:			
Loss on valuation of derivative instruments	—	283	—
Bond issuance costs	202	139	2
Allowance for doubtful accounts	146	576	2
Loss on sales of non-current assets	126	4	1
Impairment loss	317	184	3
Loss on disposal of non-current assets	296	159	3
Other	410	533	4
Other expenses total	1,497	1,878	15
Other income, net	¥988	¥1,047	$10

14. COMPREHENSIVE INCOME

The reclassification adjustments and tax effects allocated to each component of other comprehensive income for the fiscal year ended June 30, 2013 and 2012 was as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	2013
Net unrealized gains (losses) on investment securities:			
Gain (loss) arising during the fiscal year	¥2,277	¥(151)	$23
Reclassification adjustment to net income	(505)	108	(5)
Amount before tax effect	1,772	(43)	18
Tax effect	(624)	(5)	(6)
Net unrealized gains (losses) on investment securities	1,148	(48)	12
Foreign currency translation adjustments:			
Gain arising during the fiscal year	1,379	151	14
Total other comprehensive income	¥2,527	¥103	$26

15. PLEDGED ASSETS

The Company's assets pledged as collateral as of June 30, 2013 and 2012 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	2013
Cash and deposits	¥3,530	¥3,911	$36
Time deposits	7	260	0
Purchased receivables*	8,733	8,706	88
Debt deducted from claims used for collateral such as deposits payable	(28)	(492)	(0)
Buildings and structures	4,713	4,512	48
Land	14,599	13,878	148
Fixed leasehold deposits	395	572	4
Other	—	21	—
Total	¥31,949	¥31,368	$324

*Purchased receivables of ¥6,230 million ($63 million) and ¥5,259 million were eliminated for consolidation purposes in the fiscal year ended June 30, 2013 and 2012, respectively.

Secured liabilities as of June 30, 2013 and 2012 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	2013
Short-term loans	¥12,838	¥13,941	$130
Current portion of long-term debt	2,200	1,500	22
Long-term debt	14,050	13,125	143
Other current liabilities	15	19	0
Other non-current liabilities	555	569	6

16. TAX-EFFECT ACCOUNTING

1. The effective tax rate in Japan is based on corporate tax, business tax, and inhabitant tax rates, resulting in 38.0% and 40.7% in the fiscal years ended June 30, 2013 and 2012, respectively.

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)
	2013	2012	2013
Deferred tax assets:			
Accrued enterprise taxes	¥575	¥449	$6
Inventories	1,193	987	12
Allowance for loss on disaster	—	74	—
Net operating loss carry forwards	19,398	6,122	197
Excess depreciation and amortization	700	591	7
Net unrealized losses on investment securities	—	217	—
Impairment loss	2,072	2,230	21
Loss on valuation of investment securities not deductible for tax purposes	72	95	1
Long-term accounts payable	416	462	4
Excess allowance for doubtful accounts	898	1,230	9
Asset retirement obligations	396	325	4
Others	1,489	1,368	15
Total gross deferred tax assets	27,209	14,150	276
Valuation allowance	(22,082)	(9,008)	(224)
Total deferred tax assets	5,127	5,142	52
Deferred tax liabilities:			
Goodwill	(859)	(823)	(9)
Valuation of assets and liabilities of subsidiaries at market value for the purpose of consolidation	(1,087)	(973)	(11)
Net unrealized gains on investment securities	(407)	—	(4)
Others	(8)	(9)	(0)
Total deferred tax liabilities	(2,361)	(1,805)	(24)
Net deferred tax assets	¥2,766	¥3,337	$28

Net deferred tax assets as of June 30, 2013 and 2012 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)
	2013	2012	2013
Current assets–Deferred tax assets	¥3,987	¥2,958	$40
Other assets (non-current)–Deferred tax assets	658	1,379	7
Current liabilities–Others	—	—	—
Non-current liabilities–Others	1,879	1,000	19

2. The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended June 30, 2013 and 2012 was as follows:

	2013	2012
Statutory tax rate	**38.0%**	40.7%
Per capita levy	**2.1%**	2.1%
Amortization of negative goodwill	**(0.7)%**	(1.1)%
Change in valuation allowance	**(2.9)%**	(0.3)%
Loss on recognition of goodwill	**(3.2)%**	(3.8)%
Allocation of losses carried forward from subsidiaries recording losses	**(0.3)%**	(6.2)%
Reduction of deferred tax assets at the end of the period due to changes in tax rates	—	0.7%
Other	**0.9%**	(0.3)%
Effective income tax rate	**33.9%**	31.8%

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the fiscal years ended June 30, 2013 and 2012 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	**2013**
Employees' compensation and benefits	**¥39,522**	¥37,617	**$401**
Occupancy and rental	**17,211**	17,832	**175**
Commission	**13,360**	12,499	**135**
Depreciation and amortization	**10,028**	9,566	**102**
Allowance for doubtful accounts	**29**	18	**0**
Allowance for retirement benefits for directors	**21**	20	**0**
Amortization of goodwill	**186**	150	**2**
Other	**37,081**	32,521	**376**
Total	**¥117,438**	¥110,223	**$1,191**

18. IMPAIRMENT LOSS

Impairment losses for the fiscal years ended June 30, 2013 and 2012 were as follows:

Fiscal year ended June 30, 2013

			Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Location	Use	Category	**2013**	
Kanto	Stores and facilities	Buildings, structures and land	**¥293**	**$3**
Kanto	Idle assets	Land	**24**	**0**
	Total		**¥317**	**$3**

Fiscal year ended June 30, 2012

			Millions of yen (Note 2)
Location	Use	Category	2012
Tohoku	Idle assets	Land	¥54
Koshinetsu	Idle assets	Land	47
Kanto	Idle assets	Land	83
	Total		¥184

The Company identifies groups of assets based on individual stores and operating divisions, which are minimum cash-generating units. For investment and rental properties, and idle assets, individual properties are identified as minimum cash-generating units.

The Company recognizes impairment losses for stores incurring continuous operating losses, facilities with no further use, business assets with deteriorated economic performance, and idle assets whose fair value declined. The carrying amounts of these assets are reduced to their recoverable amounts. The amounts of these reductions were recorded as impairment losses.

In the fiscal year ended June 30, 2013, the Company recognized impairment losses for the business assets of stores incurring continuous operating losses. The carrying amount of each asset is reduced to its recoverable amount. The amounts of these reductions were recorded as impairment losses. They consist of buildings and structures of ¥76 million ($1 million) and land of ¥217 million ($2 million).

In the fiscal year ended June 30, 2012, the Company recognized impairment losses on idle assets whose fair value declined.

The recoverable amounts of these asset groups are net selling prices. Net selling price is determined based on the real estate appraisal value.

19. RELATED PARTY TRANSACTIONS

Related party transactions for the fiscal years ended June 30, 2013 and 2012 were as follows:

Fiscal year ended June 30, 2013

			Millions of yen (Note 2)*[2]	Millions of U.S. dollars (Note 2)
Related party	Category	Description of the transactions	**2013**	
Anryu Shoji Co., Ltd.	Company in which directors hold the majority of voting rights	Leasing of real estate*[1]	**¥38**	**$0**

Fiscal year ended June 30, 2012

			Millions of yen (Note 2)*[2]
Related party	Category	Description of the transactions	2012
Anryu Shoji Co., Ltd.	Company in which directors hold the majority of voting rights	Leasing of real estate*[1]	¥38

*[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.

20. CALCULATION OF EARNINGS PER SHARE

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	**2013**
Net income	**¥21,141**	¥19,845	**$214**
Net income after adjustments	**¥21,141**	¥19,845	**$214**

	Shares	
	2013	2012
Weighted average number of shares	**77,308,069**	77,076,446
Effective of dilutive securities:		
Stock options	**321,055**	170,650
Diluted weighted average number of shares	**77,629,124**	77,247,096

	Yen (Note 2)		U.S. dollars (Note 2)
	2013	2012	**2013**
Shareholders' equity per share	**¥2,136.38**	¥1,856.45	**$21.67**
Basic earnings per share	**273.47**	257.47	**2.77**
Diluted earnings per share	**272.34**	256.90	**2.76**

21. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
Breakdown of gain on sales of non-current assets	**2013**	2012	**2013**
Furniture and fixtures	**¥2**	¥2	**$0**
Other	**3**	1	**0**
Total	**¥5**	¥3	**$0**

Breakdown of gain on liquidation of reorganization claim

Fiscal year ended June 30, 2013

Not applicable

Fiscal year ended June 30, 2012

In liquidation of reorganization claims, a gain is recognized differences in payments for land and profitable properties, and the differences in pledges for fixed leasehold deposits.

Breakdown of loss on disposal of non-current assets	Millions of yen (Note 2) 2013	2012	Millions of U.S. dollars (Note 2) 2013
Buildings and structures	¥182	¥78	$2
Furniture and fixtures	55	56	0
Other	59	25	1
Total	¥296	¥159	$3

Breakdown of loss on closing of stores	Millions of yen (Note 2) 2013	2012	Millions of U.S. dollars (Note 2) 2013
Buildings and structures	¥54	¥311	$0
Furniture and fixtures	10	14	0
Other	80	453	1
Total	¥144	¥778	$1

Breakdown of loss on sales of non-current assets	Millions of yen (Note 2) 2013	2012	Millions of U.S. dollars (Note 2) 2013
Buildings and structures	¥27	¥ —	$0
Land	98	—	1
Other	1	4	0
Total	¥126	¥4	$1

22. CASH FLOW INFORMATION

Cash flow information as of June 30, 2013 and 2012 is as follows:

1. Cash and cash equivalents

	Millions of yen (Note 2) 2013	2012	Millions of U.S. dollars (Note 2) 2013
Cash and deposits	¥31,698	¥34,237	$322
Deposits paid, included in other current assets	4,429	1,902	44
Money held in trust, included in other current assets	12	—	0
Time deposits with maturities of more than three months	—	(5,906)	—
Pledged time deposits (over three months)	(7)	(260)	(0)
Cash and cash equivalents	¥36,132	¥29,973	$366

2. Major components of the assets and liabilities of companies that were consolidated through the acquisition of shares

Fiscal year ended June 30, 2013

The Company acquired the ownership of The Earth CO. including its three subsidiaries, and also Koei Enterprises Ltd. during the fiscal year ended June 30, 2013, and consolidated their financial statements. The fair values of assets acquired and assumed liabilities as of the relevant acquisition date, the acquisition cost of the shares and net of payments for the acquisition of these companies were as follows:

(The Earth CO. and its three subsidiaries)

	Millions of yen (Note 2) 2013	Millions of U.S. dollars (Note 2) 2013
Current assets	¥1,783	$18
Non-current assets	221	2
Goodwill	836	9
Current liabilities	(59)	(1)
Non-current liabilities	(51)	(0)
Minority interests	(962)	(10)
Loss on step acquisition	27	0
Acquisition costs of The Earth CO. and its three subsidiaries	1,795	18
Acceptance of an allocation of new shares to a third party of The Earth CO.	(1,690)	(17)
Cash and cash equivalents of The Earth CO. and its three subsidiaries	(54)	(1)
Net:		
Payments for acquisition of The Earth CO. and its three subsidiaries	¥51	$0

(Koei Enterprises Ltd.)

	Millions of yen (Note 2) 2013	Millions of U.S. dollars (Note 2) 2013
Current assets	¥178	$2
Non-current assets	914	9
Goodwill	493	5
Current liabilities	(20)	(0)
Non-current liabilities	(135)	(1)
Acquisition costs of Koei Enterprises Ltd.	1,430	15
Cash and cash equivalents of Koei Enterprises Ltd.	(100)	(1)
Net:		
Payments for acquisition of Koei Enterprises Ltd.	¥1,330	$14

The Company acquired the ownership of Medical Service Co., Ltd. during the fiscal year ended June 30, 2013, and consolidated its financial statements. The fair values of assets acquired and assumed liabilities as of the relevant acquisition date, the acquisition cost of the shares and net of proceeds for the acquisition of these companies were as follows:

	Millions of yen (Note 2) 2013	Millions of U.S. dollars (Note 2) 2013
Current assets	¥1,693	$17
Non-current assets	4	0
Goodwill	197	2
Current liabilities	(1,589)	(16)
Acquisition costs of Medical Service Co., Ltd.	305	3
Cash and cash equivalents of Medical Service Co., Ltd.	(880)	(9)
Net:		
Proceeds from acquisition of Medical Service Co., Ltd.	¥(575)	$(6)

Fiscal year ended June 30, 2012

The Company acquired the ownership of Nagoya Sakae Jisho Limited Liability Co. and its subsidiary during the fiscal year ended June 30, 2012, and consolidated their financial statements. The fair values of assets acquired and assumed liabilities as of the relevant acquisition date, the acquisition cost of the shares and net of payments for the acquisition of these companies were as follows:

	Millions of yen (Note 2) 2012
Current assets	¥47
Non-current assets	5,280
Goodwill	1,870
Current liabilities	(50)
Non-current liabilities	(787)
Acquisition costs of Nagoya Sakae Jisho Limited Liability Co. and its subsidiary	6,360
Cash and cash equivalents of Nagoya Sakae Jisho Limited Liability Co. and its subsidiary	0
Net:	
Payments for acquisition of Nagoya Sakae Jisho Limited Liability Co. and its subsidiary	¥6,360

23. INVESTMENT AND RENTAL PROPERTY

Information on investment and rental property in the fiscal years ended June 30, 2013 and 2012 is as follows:

The Company and some of its consolidated subsidiaries own commercial properties and facilities (including land) for lease in Tokyo and other areas.

For the fiscal year ended June 30, 2013, rental income related to such properties and facilities was ¥1,385 million ($14 million) and the impairment loss was ¥311 million ($3 million). Rental income was recorded in net sales, and significant rental expenses were recorded in cost of goods sold and selling, general and administrative expenses.

For the fiscal year ended June 30, 2012, rental income related to such properties and facilities was ¥1,370 million and the impairment loss was ¥184 million. Rental income was recorded in net sales, and significant rental expenses were recorded in cost of goods sold and selling, general and administrative expenses.

The balance sheet carrying amounts, changes and fair values of these assets for the fiscal years ended June 30, 2013 and 2012 are as follows:

Fiscal year ended June 30, 2013

Millions of yen (Note 2)			
2013			
Carrying amount			Fair value[*2]
Beginning of the year	Net change[*3]	End of the year[*1]	
¥26,991	**¥3,690**	**¥30,681**	**¥32,111**

Millions of U.S. dollars (Note 2)			
2013			
Carrying amount			Fair value[*2]
Beginning of the year	Net change[*3]	End of the year[*1]	
$274	**$37**	**$311**	**$326**

Fiscal year ended June 30, 2012

Millions of yen (Note 2)			
2012			
Carrying amount			Fair value[*2]
Beginning of the year	Net change[*3]	End of the year[*1]	
¥25,541	¥1,450	¥26,991	¥27,654

[*1]The carrying amount on the consolidated balance sheet is the acquisition cost minus accumulated depreciation and accumulated impairment loss.
[*2]Fair value is an amount that was calculated by the Company based primarily on Japanese Real Estate Appraisal Standards, including adjustments made by using certain financial indicators.
[*3]For the fiscal year ended June 30, 2013, a major component of the increase was ¥6,309 million ($64 million) for the acquisition of real estate, and major components of the decrease were ¥2,308 million ($24 million) for change in the proportion of leases and ¥311 million ($3 million) for impairment loss. For the fiscal year ended June 30, 2012, major components of the increase were ¥640 million for the acquisition of real estate and ¥994 million for change in the proportion of leases, and a major component of the decrease was ¥184 million for impairment loss.

24. ASSET RETIREMENT OBLIGATIONS

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

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2013	2012	**2013**
Beginning of the year	**¥2,163**	¥1,858	**$22**
Increase due to acquisition of property, plant and equipment	**408**	335	**4**
Adjustments over time	**35**	29	**0**
Decrease due to fulfillment of asset retirement obligations	—	(59)	—
End of the year	**¥2,606**	¥2,163	**$26**

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.

25. BUSINESS COMBINATIONS

Information pertaining to business combinations in the fiscal years ended June 30, 2013 and 2012 is as follows:

Fiscal year ended June 30, 2013

(Consolidation of The Earth CO. 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	The Earth CO.
Business activities	Advertising, business services and real estate operations

(2) Major reason for the business combination
The necessity to efficiently operate the real estate owned by the Don Quijote Group has increased since acquiring further real estate for new stores, of mega size in some cases, and for expansions.
The Group accepted to enter into a capital and business alliance agreement with The Earth CO., aiming to gain practical experience and expertise and advice regarding real estate which will enable the Group to achieve more efficient operation of its real estate. Based on the agreement, the Group decided to make LN Co., Ltd., underwrite a capital increase through a third party allocation of new shares.
(3) Date of the business combination
April 22, 2013
(4) Legal form of the business combination
Acquisition of shares
(5) Name of company after the business combination
The Earth CO.
(The Earth CO. changed its name to Japan Asset Marketing Co., Ltd. on July 1, 2013.)
(6) Share of voting rights acquired
Before acquisition: 4.10%
After acquisition: 49.20%
(7) Basis for determining the acquiring company
The Company's subsidiary LN Co., Ltd., accepted an allocation of new shares to a third party of The Earth CO., which resulted in LN Co., Ltd., owning 49.2% of voting rights.

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

To provide more appropriate information on its operations, The Earth CO. prepared additional financial statements as of the Company's reporting date, although its reporting date is March 31. Accordingly, the results between April 1, 2013 (deemed acquisition date) and June 30, 2013 were included in the consolidated financial statements.

3. Acquisition cost of the acquired company and its breakdown

Acquisition cost: ¥1,690 million ($17 million) (Cash)

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

Loss on step acquisition: ¥27 million ($0 million)

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

Amount of goodwill recognized: ¥836 million ($9 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)
Current assets	**¥1,783**	**$18**
Non-current assets	**221**	**2**
Total assets	**2,004**	**20**
Current liabilities	**(59)**	**(1)**
Non-current liabilities	**(51)**	**(0)**
Total liabilities	**¥(110)**	**$(1)**

7. Estimated effect and its calculation method used on the consolidated statements of income for the fiscal year ended June 30, 2013, when the business combination is assumed to have been completed on July 1, 2012

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Sales	**¥101**	**$1**
Operating income	**(285)**	**(3)**
Ordinary income	**(319)**	**(3)**

(Method of calculating estimated amount)
Estimated effect is the difference between sales and profit information calculated assuming that the business combination is completed on July 1, 2012 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.

Fiscal year ended June 30, 2012
Not applicable

26. SUBSEQUENT EVENTS

1. Cash dividends

The following cash dividend of the Company was approved at the shareholders' meeting held on September 26, 2013. The cash dividend is not reflected in the consolidated financial statements for the fiscal year ended June 30, 2013.

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Cash dividend (¥23.00=$0.23 per share)	**¥1,791**	**$18**

2. Company split

On July 26, 2013, the Board of Directors decided to enter into preparation for the transition to a pure holding company structure by way of a company split with the target date of December 2, 2013. The company split will be implemented upon the approval of relevant resolutions to be proposed at the extraordinary shareholders' meeting to be held in November 2013, as well as approval by government agencies and other relevant bodies, as stipulated by laws and regulations.

(1) Purpose of transforming into a pure holding company structure
For further growth potential, the Company decided to transform itself into a holding company structure, deeming it desirable to build a group management structure which would enable greater agility and more flexible decision-making ability, while clarifying the authority and responsibilities of each operating company.
The Company will remain listed after the transition to a holding company structure while striving to maximize its corporate value as a group, by establishing a more streamlined organization and a foundation for the flexible formulation of strategies based on its corporate principle of "valuing the customer as our utmost priority," optimal allocation of management resources, and careful oversight of the execution of business activities at subsidiaries.
(2) Summary of company split
(i) Schedule of company split
Establishment of successor company: August 14, 2013
Resolution by Board of Directors on approval of absorption-type split agreement: October 2013 (scheduled)
Execution of absorption-type split agreement: October 2013 (scheduled)
Resolution by shareholders' meeting on approval of absorption-type split: November 2013 (scheduled)
Effective date of absorption-type split: December 2, 2013 (scheduled)
(ii) Method of company split
Absorption-type split will be executed, with the Company to be the splitting company and the newly established wholly owned subsidiary the successor company
(3) Status of successor company
Name: Don Quijote Split Preparation Co., Ltd.
Address: 2-19-10, Aobadai, Meguro-ku, Tokyo
Representative: President and CEO Takao Yasuda
Business: Operator of general discount stores
Capital: ¥100 million ($1 million)
Date established: August 14, 2013
Fiscal year-end: June 30

3. Establishment of principal subsidiaries

The Company and Nagasakiya Co., Ltd. have jointly established Pan Pacific International Holdings Pte. Ltd. in Singapore as a holding company for their overseas businesses, functioning as the headquarters of the Company's overseas business division.

(1) Purpose of establishment
The Company has determined that the full-fledged expansion of its overseas business going forward requires the establishment of an overseas group headquarters for flexible management. The Company has therefore established Pan Pacific International Holdings Pte. Ltd. in Singapore, a hub of the Asian region, as the Company's overseas headquarters.
(2) Outline of the established company
Company name: Pan Pacific International Holdings Pte. Ltd.
Business: Headquarters for the Group's overseas business
Location of Head Office: 6001 BEACH ROAD #14-01 GOLDEN MILE TOWER SINGAPORE (199589)
Representative Chairman: Takao Yasuda
Date established: July 10, 2013
Date of equity investment: July 22, 2013
Capital: US$1 million + S$1
Number of acquired shares and shareholding ratio:
Nagasakiya Co., Ltd.: 6,000 shares (60.0%)
Don Quijote International Co., Ltd.: 4,001 shares (40.0%)

4. Acquisition of companies through stock acquisition

The Company has executed a share purchase agreement for the acquisition of MARUKAI CORPORATION (USA) ("MARUKAI"), a subsidiary of MARUKAI CORPORATION (JPN) and the operator of 11 stores in the U.S. states of Hawaii and California, via Pan Pacific International & Co., a subsidiary of Pan Pacific International Holdings Pte. Ltd., a consolidated subsidiary of the Company.

(1) Purpose and reason
By making MARUKAI, the operator of 11 supermarkets in the U.S. states of Hawaii and California, a consolidated subsidiary, the Company will expand its operations in North America. This acquisition of shares also marks the first step in the Group's full-fledged global growth strategy, and will significantly enhance the value of its business.
(2) Name of company which acquired stock
Company name: Pan Pacific International & Co.
Business: Holding company
Location of Head Office: 160 Green Tree Drive, Suite 101, in the City of Dover, County of Kent, 19904
Representative President: Naoki Yoshida
(3) Name of counterpart of stock acquisition
Company name: MARUKAI CORPORATION (JPN)
Business: Import/export, production and sales of food, alcoholic beverages, sundry goods and smoking supplies
Location of Head Office: 1-18-5, Kyomachibori, Nishi-ku, Osaka-shi, Osaka, Japan
Representative President: Junzo Matsu
(4) Name, business, and size of the purchased company
Company name: MARUKAI CORPORATION (USA)
Business: Retail (supermarket), product development, import, and sales of food and household items
Date established: March 25, 1965
Location of Head Office: 2310 Kamehameha Highway, Honolulu, HI 96819
Representative President: Hidejiro Matsu
Capital: $319,000
Major shareholders and shareholding ratio:
MARUKAI CORPORATION (JPN) 84.82%
Other three shareholders 15.18%
(5) Date of stock acquisition
Resolution at the Board of Directors' Meeting: July 11, 2013
Signing of share transfer agreement: July 12, 2013
Date of stock acquisition: September 30, 2013
(6) Number of acquired shares and shareholding ratio after acquisition
Number of shares owned before the transfer: 0 shares (Shareholding ratio: 0.00%)
Number of acquired shares: 31,893 shares
Number of shares owned after the transfer: 31,893 shares (Shareholding ratio: 100.00%)
(7) Method of fund procurement
Own funds

27. 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 by the Board of Directors for determining the allocation of management resources and assessment of financial results.

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" conducts sales of electrical appliances, daily commodities, foods, watches, fashion merchandise, sporting goods, leisure equipment, DIY products, and others. This segment includes "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 in the reportable segments and other operating segments is operating income.

Intersegment sales are mainly based on quoted market prices.

As described in Note 3. "Summary of Significant Accounting Policies," following the revision of the Corporate Tax Act, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment that were acquired on or after July 1, 2012 to comply with the revised Corporate Tax Act from the fiscal year ended June 30, 2013; and therefore, the depreciation method in the reporting segment was changed to comply with the revised Corporate Tax Act.

The impact of this change on the segment information of the fiscal year ended June 30, 2013 is immaterial.

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, 2013 and 2012 is as follows:

Fiscal year ended June 30, 2013

	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	**¥546,930**	**¥16,370**	**¥563,300**	**¥5,077**	**¥568,377**	**¥ —**	**¥568,377**
Intersegment sales	**3**	**2,721**	**2,724**	**3,525**	**6,249**	**(6,249)**	**—**
Total	**546,933**	**19,091**	**566,024**	**8,602**	**574,626**	**(6,249)**	**568,377**
Segment income	**25,328**	**4,987**	**30,315**	**1,989**	**32,304**	**65**	**32,369**
Segment assets	**298,358**	**84,438**	**382,796**	**31,549**	**414,345**	**(27,723)**	**386,622**
Other items*4							
Depreciation and amortization	**9,067**	**1,745**	**10,812**	**309**	**11,121**	**(70)**	**11,051**
Increase in property, plant and equipment and intangible assets	**16,278**	**12,733**	**29,011**	**67**	**29,078**	**(72)**	**29,006**

	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	**$5,548**	**$166**	**$5,714**	**$51**	**$5,765**	**$ —**	**$5,765**
Intersegment sales	**0**	**28**	**28**	**35**	**63**	**(63)**	**—**
Total	**5,548**	**194**	**5,742**	**86**	**5,828**	**(63)**	**5,765**
Segment income	**257**	**50**	**307**	**20**	**327**	**1**	**328**
Segment assets	**3,026**	**857**	**3,883**	**320**	**4,203**	**(281)**	**3,922**
Other items*4							
Depreciation and amortization	**92**	**18**	**110**	**3**	**113**	**(1)**	**112**
Increase in property, plant and equipment and intangible assets	**165**	**129**	**294**	**1**	**295**	**(1)**	**294**

Fiscal year ended June 30, 2012

	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	¥519,891	¥15,453	¥535,344	¥4,911	¥540,255	¥ —	¥540,255
Intersegment sales	8	3,251	3,259	2,162	5,421	(5,421)	—
Total	519,899	18,704	538,603	7,073	545,676	(5,421)	540,255
Segment income	22,009	5,710	27,719	1,843	29,562	(242)	29,320
Segment assets	276,114	68,150	344,264	32,513	376,777	(14,126)	362,651
Other items*4							
Depreciation and amortization	8,726	1,502	10,228	294	10,522	(48)	10,474
Increase in property, plant and equipment and intangible assets	16,316	2,561	18,877	75	18,952	1,545	20,497

*1 "Others," which is not a reportable segment, includes real estate business, marketing business, mobile equipment sales business, and financial services business.

*2 Components of "Adjustments" are as follows:

(1) Fiscal year ended June 30, 2013

The ¥65 million ($1 million) adjustment to segment income is an intersegment elimination. The ¥(27,723) million ($(281) million) adjustment to segment assets includes surplus funds of ¥23,228 million ($236 million) of the Company and Nagasakiya Co., Ltd., which are company-wide assets (cash and deposits, long-term deposits, and investment securities), and elimination of receivables between reportable segments of ¥(50,951) million ($(517) million).

(2) Fiscal year ended June 30, 2012

The ¥(242) million adjustment to segment income is an intersegment elimination. The ¥(14,126) million adjustment to segment assets includes surplus funds of ¥26,752 million of the Company and Nagasakiya Co., Ltd., which are company-wide assets (cash and deposits, long-term deposits, and investment securities), and elimination of receivables between reportable segments of ¥(40,878) million.

*3 Segment income is adjusted to operating income on the consolidated statements of income.

*4 Increase in property, plant and equipment, and intangible assets includes the increase in long-term prepaid expenses.

(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) Net 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, 2013

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	**¥5**	**¥288**	**¥293**	**¥ —**	**¥293**	**¥24**	**¥317**

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	**$0**	**$3**	**$3**	**$ —**	**$3**	**$0**	**$3**

Fiscal year ended June 30, 2012

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	¥ —	¥ —	¥ —	¥ —	¥ —	¥184	¥184

*The amount of "Adjustments" is attributable to idle assets classified as company-wide assets.

5. Amortization of goodwill and unamortized balance of goodwill by reportable segment
Fiscal year ended June 30, 2013

Millions of yen (Note 2)

	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated financial statements
Amortization for the year	**¥ —**	**¥15**	**¥15**	**¥171**	**¥186**	**¥ —**	**¥186**
Balance at year-end	**493**	**273**	**766**	**3,874**	**4,640**	**—**	**4,640**

Millions of U.S. dollars (Note 2)

	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated financial statements
Amortization for the year	**$ —**	**$0**	**$0**	**$2**	**$2**	**$ —**	**$2**
Balance at year-end	**5**	**3**	**8**	**39**	**47**	**—**	**47**

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 financial statements
Amortization for the year	¥366	¥262	¥628	¥ —	¥628	¥ —	¥628
Balance at year-end	839	125	964	—	964	—	964

Millions of U.S. dollars (Note 2)

	Reportable segment						
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	Amount recorded on consolidated financial statements
Amortization for the year	$4	$2	$6	$ —	$6	$ —	$6
Balance at year-end	9	1	10	—	10	—	10

Fiscal year ended June 30, 2012

	Millions of yen (Note 2)						
	Reportable segment						Amount recorded on consolidated financial statements
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	
Amortization for the year	¥—	¥15	¥15	¥135	¥150	¥—	¥150
Balance at year-end	—	288	288	3,012	3,300	—	3,300

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						Amount recorded on consolidated financial statements
	Retail business	Tenant leasing business	Total	Others	Total	Adjustments	
Amortization for the year	¥511	¥346	¥857	¥—	¥857	¥—	¥857
Balance at year-end	1,205	387	1,592	—	1,592	—	1,592

6. Gain on negative goodwill by reportable segment

Not applicable

Independent Auditor's Report

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, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in net assets, cash flows for the year then ended, and notes to the consolidated financial statements, all expressed in yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Don Quijote Co., Ltd. and consolidated subsidiaries as of June 30, 2013 and 2012, and their consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 26 to the consolidated financial statements, the company prepares to shift to a pure holding company structure by way of company split, establishment of a subsidiary in Singapore and acquisition of a new subsidiary in the USA.

Our opinion is not modified in respect of this matter.

Convenience Translation

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 26, 2013

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, 2013)

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
¥20,613 million

NUMBER OF EMPLOYEES
2,708

NUMBER OF STORES (Consolidated basis)
255

Board of Directors (as of September 26, 2013)

Chairman of the Board, President and CEO	Takao Yasuda
Vice President and COO	Koji Oohara
Senior Managing Director and CFO	Mitsuo Takahashi
Director	Naoki Yoshida
Standing Audit & Supervisory Board Member	Koichi Otoshi
Standing Audit & Supervisory Board Member	Yukihiko Inoue
Audit & Supervisory Board Member	Tomiaki Fukuda
Audit & Supervisory Board Member	Yoshihiro Hongo

Note: The three audit & supervisory board members are outside audit & supervisory board members as provided by Article 2, Paragraph 16, and Article 335, Paragraph 3, of the Japanese Corporate Law, except for Standing Audit & Supervisory Board Member Koichi Otoshi.

Share Information (as of June 30, 2013)

SHARES OF COMMON STOCK

Authorized:	234,000,000
Issued:	77,863,880
Treasury stock:	1,244

NUMBER OF SHAREHOLDERS

3,518

PRINCIPAL SHAREHOLDERS	Number of shares held	Percentage of total shares in issue (%)
La Mancha	9,000,000	11.56
Takao Yasuda	7,746,000	9.95
Anryu Shoji Co., Ltd.	4,140,000	5.32
The Chase Manhattan Bank 385036	3,512,200	4.51
Japan Trustee Service Bank, Ltd. (Trust Account)*	3,101,600	3.98
State Street Bank and Trust Company 505225	2,964,646	3.81
BBH for Fidelity Low-priced Stock Fund (Principal All Sector Subportfolio)	2,534,000	3.25
The Master Trust Bank of Japan, Ltd. (Trust Account)*	2,460,500	3.16
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	2,232,738	2.87
Northern Trust Company AVFC Re Fidelity Funds	1,822,700	2.34

*Shares held by these institutions include shares in trust.
Note: Percentage of total shares does not include treasury stock (1,244 shares).
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	74	12,125,822	15.57
Other Japanese Corporations	54	6,070,380	7.80
Foreign Corporations and Individuals	355	50,269,615	64.56
Japanese Individuals and Others*	3,035	9,398,063	12.07
Total	3,518	77,863,880	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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