2015 INTEGRATED REPORT

Pioneering in Retail Innovation

Don Quijote HLDGS

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."

Don Quijote HLDGS
Don Quijote Holdings Co., Ltd.

PPI HD

DRM

MARUKAI CORPORATION	Overseas retail business	Overseas Retail Division
Don Quijote (USA) Co., Ltd.	Overseas retail business	Overseas Retail Division
REALIT Co., Ltd.	Advertising and sales promotion services	Advertising and Promotions Division
Japan Inbound Solutions Co., Ltd.	Advertising and sales promotion services	Advertising and Promotions Division
Doit Co., Ltd.	Domestic retail business	Domestic Distribution and Retail Division
Nagasakiya Co., Ltd.	Domestic retail business	Domestic Distribution and Retail Division
Don Quijote Co., Ltd.	Domestic retail business	Domestic Distribution and Retail Division
Lirack Co., Ltd.	Domestic retail business	Domestic Distribution and Retail Division
Justneo Co., Ltd.	Import and wholesale business	Domestic Distribution and Retail Division
Fujiya Shoji Co., Ltd.	Import and wholesale business	Domestic Distribution and Retail Division
Don Quijote Shared Services Co., Ltd.	Administrative functions business	Operation Support Division
Human Motivation Delight Co., Ltd.	Administrative functions business	Operation Support Division
STORECREWS Co., Ltd.	Administrative functions business	Operation Support Division
Japan Commercial Establishment Co., Ltd.	Tenant leasing business	Real Estate Division
D-ONE Co., Ltd.	Real estate investment, planning and brokerage business	Real Estate Division
Japan Asset Marketing Co., Ltd.	Building operation and management services	Real Estate Division
Accretive Co., Ltd.	Financial services	Financial Services Division
Sun Assort Co., Ltd.	Insurance services	Financial Services Division

PPI : Pan Pacific International
DRM: Don Quijote Holdings Retail Management

As of September 30, 2015

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

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Dear Fellow Stakeholders

We will draw on our ability to respond to change, cultivated from our earliest days in business, to achieve sustainable growth and strive to boost corporate value.

Since its establishment, the Don Quijote Group has adhered firmly to the idea that corporate thoughts and actions must put customers first, and by maintaining this perspective in promoting a "good store creation" strategy, the Group has achieved steady growth. The biggest reason we have been able to chart this upward path no matter what the operating environment throws at us is none other than our ability to respond to change—to be able to quickly address the ever-changing needs and desires of customers.

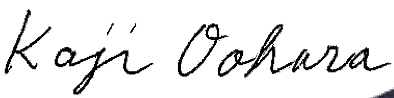
During fiscal 2015, the year ended June 30, 2015, the Japanese economy maintained a gradual recovery tone, supported by the integrated promotion of the three arrows of Abenomics as well as the benefits of a weak yen and a drop in the price of oil. However, consumer spending was lackluster, mainly owing to an increase in the consumption tax, effective from April 2014, which dampened purchasing enthusiasm, and also reflecting an increase in commodity prices. As a result, the economic outlook continued to remain uncertain.

At this challenging time, the gap widened between companies in the retail industry, and those that were able to respond to change and offer appealing products and services while accommodating customers' preferences for saving money saw the fruits of their efforts.

Against this backdrop, the Don Quijote Group took full advantage of its corporate culture—that is, the delegation of authority to store staff—to implement store-specific product portfolio reviews and fine-tune pricing strategies perfectly matched to consumer behavior and evolving market needs in each catchment area. These efforts extended growth in sales and operating income, on a consolidated basis, for the 26th straight year, beginning with the first store that opened in 1989. This impressive performance is entirely due to the support of local customers and other stakeholders, including our suppliers, and our most heartfelt gratitude goes to everyone involved in reaching this new milestone.

Today, in Japan, social issues that require a pervasive response include a steadily falling birthrate and aging population, regional disparities, the need to support women in more active roles outside the home, and further acceptance of overseas visitors. In this environment, each and every employee within the Don Quijote Group needs to consider how he or she can address these social issues and contribute to a better community, and then apply personal insights and enthusiasm to invigorate store operations and corporate performance. I firmly believe that we can achieve a snowball effect, as the power of employees to make the workplace better will also strengthen the Company and inevitably make society better as well.

Going forward, we will continue to listen carefully to customers so that we can be a constructive part of solutions to social issues through our business activities. We will also strive, as a general retailing group, to meet the expectations of various stakeholders and boost corporate value.



Koji Oohara
President and CEO

Our Value Story

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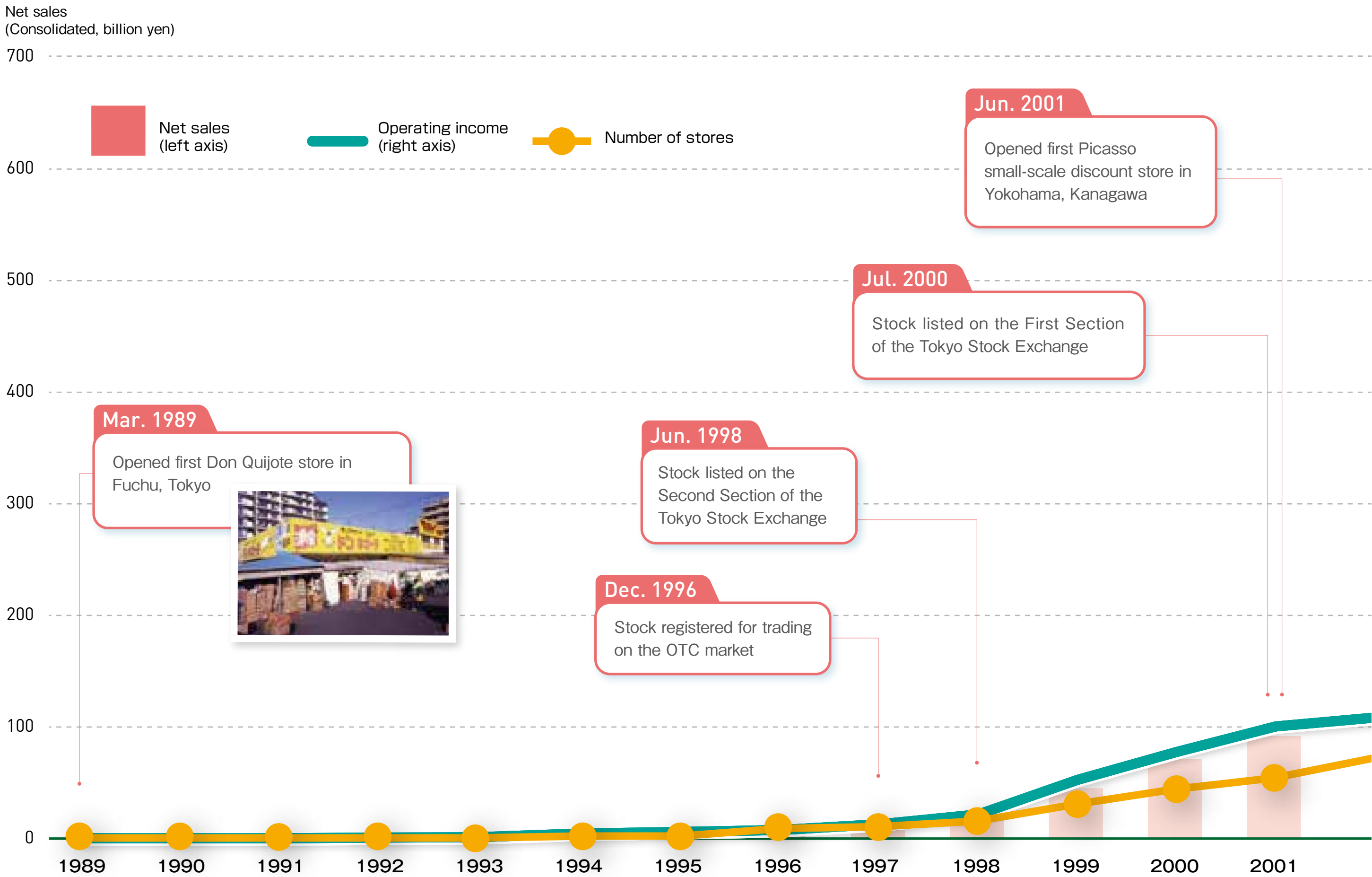
The Don Quijote Group: Stages in Our History

With solid customer loyalty, the Don Quijote Group has marked consistent growth for 26 years, a journey that began with the first Don Quijote store. Customers are increasingly price-conscious, especially with regard to daily necessities, such as food products and daily consumables, which has made the business environment rather challenging for retailers. Even under these conditions, the Don Quijote Group has continually tracked a higher number of customers to its stores by adhering to the corporate philosophy of "valuing the customer as our utmost priority," and the resulting support has translated into consecutively higher sales and income. We will draw on our strengths, namely, convenience, good prices and the fun and excitement of a great shopping experience unique to the Group, to fuel continued growth.

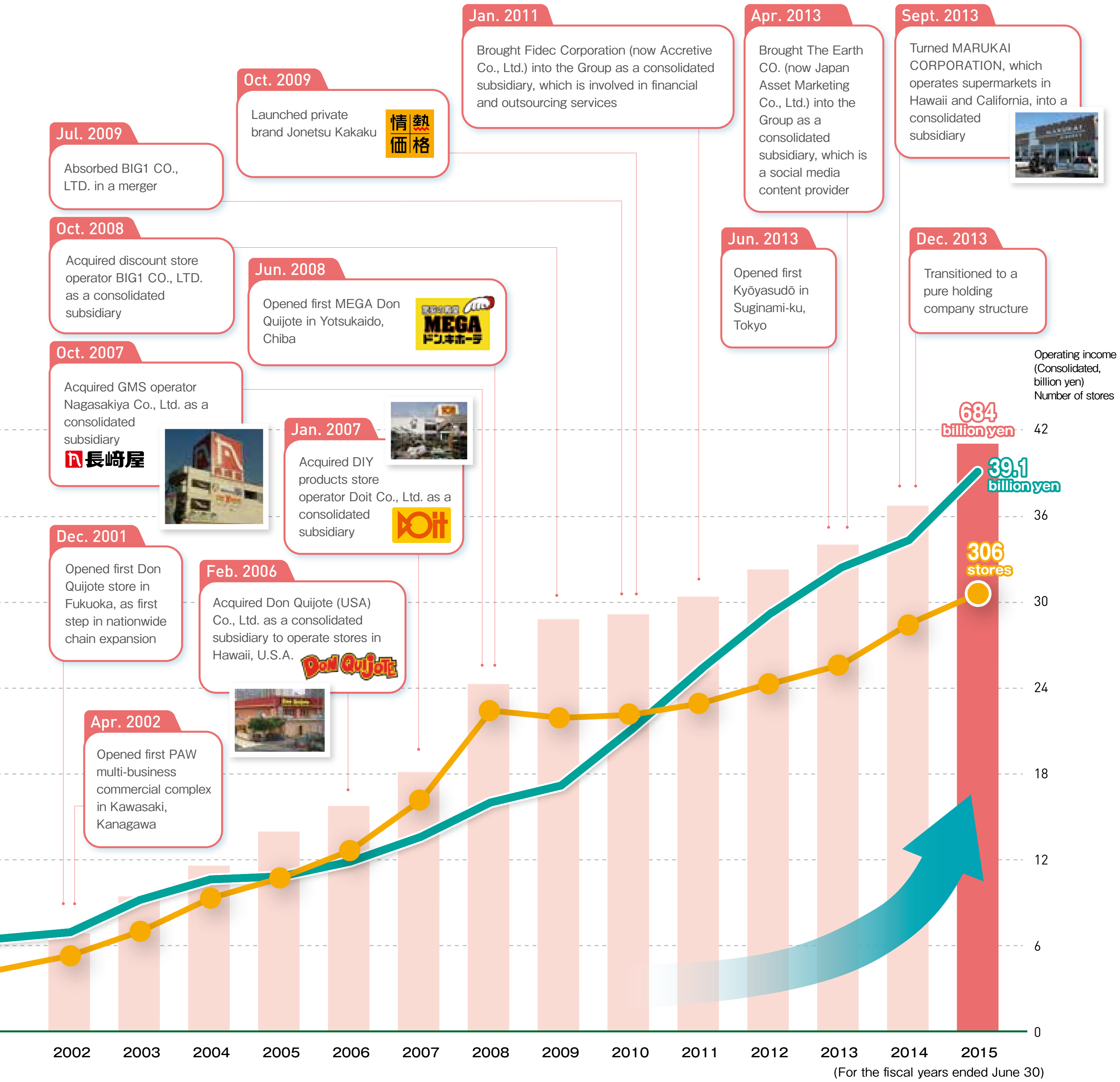


A Business Platform That Secures Profits Even When Times Are Bad

The starting point for the Don Quijote Group was a general merchandise store, opened in 1978 by Takao Yasuda, who went on to establish Don Quijote. The store was small, with an area of only 60 to 70 square meters. 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 (point-of-purchase) 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, first in the Tokyo metropolitan area and then expanding across all of Japan.

Fast-forwarding to 2006, Don Quijote kicked off merger and acquisition activity with the purchase of



stores in Hawaii and later brought in Doit, a home center operator, and Nagasakiya, a general merchandise store operator, under its Group umbrella in 2007, followed by BIG1 discount stores in 2008. In 2013, MARUKAI CORPORATION became a new addition to the Group.

Today, the Group stands as a retailing conglomerate with net sales of more than ¥600 billion.

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

Even during the economic slowdown that has persisted in Japan since the 1990s—an era dubbed the "Lost Two Decades"—the Don Quijote Group has achieved growth. This reflects the undeterred adherence to our founding principle of "valuing the customer as our utmost priority" and our enduring quest to create new store formats.

As a result, consolidated sales and income have charted an upward path for 26 consecutive years, going right back to the opening of our first store in March 1989. According to surveys compiled by *Nikkei Marketing Journal* (*Nikkei MJ*), Don Quijote ranked No. 12 in net sales* (please see page 26).

* The 48th Survey on the Retailing Industry in Japan, *Nikkei MJ* (June 24, 2015)

1 Delegation of Authority

At the Don Quijote Group, store staff have the greatest opportunity to come into contact with customers. Frontline personnel are therefore granted considerable authority, under the corporate philosophy of "valuing the customer as our utmost priority," to handle a range of merchandise-related duties, from purchasing and pricing to product mix and displays. The delegation of authority enables each store to fully demonstrate a fine-tuned ability to respond to change, adjusting product mix and layouts to match daily changes in customer needs, and thereby creating a store design from a customer perspective.

Throughout the Don Quijote Group, employees are human capital, that is, vital corporate assets. We adhere to a completely performance-based employee evaluation system, which emphasizes fair and equitable assessment of current performance, not past successes, and is not influenced by age or experience. Our corporate culture encourages frontline personnel to embrace challenges without fear of failure, and the delegation of authority keeps store staff highly motivated while enabling everyone to develop skills through repeated efforts to take on new opportunities.

豊富なカラーバリエーション!
ホワイト
ブラック
イエロー
レッド
ブルー
まさに運命的な出会い! あなたが乗るのを待っている♫
超オススメ!!
クロスバイク
23,800
クロスバイ
税込¥ 23,80
700
Switch

2 Store Design

Stores operated by Don Quijote Group companies are the epitome of amusement, transforming routine shopping into an entertaining experience through unique presentations featuring handwritten POP cards and compression displays, as well as huge storefront aquariums and distinctive exteriors that inevitably become local landmarks. Store presentation brimming with this kind of originality clearly differentiates our stores from other retailers and provides a fun and exciting shopping environment.

Minor adjustments to product mix and displays, matched to daily changing customer needs through repeated trial and error, offer customers *something new* on every visit, and the potential for discovery is what entices customers to return again and again.

パスタ
Pasta
レトルト
Boil-in-Bag Food
調味料
Seasoning Ingredients
乾物
米
FOOD FOREST
TABASCO
SPAM
De Cecco
ディチェコ パスタ
スパゲッティ
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3 Community Criteria

The Don Quijote Group has a presence across Japan—with 292 stores in 43 prefectures—and 14 stores in the United States, for a Groupwide network of 306 stores. Stores are operated under various formats. The primary format is the one-and-only Don Quijote—a store concept unlike anything rival retailers offer—which targets young customers. Other formats include the family-oriented MEGA Don Quijote, with mainly roadside locations in the suburbs, and the small-store formats Picasso and Kyōyasudō that front train stations in the Tokyo metropolitan area.

When opening new stores, we take a flexible approach, selecting a store format perfectly matched to the characteristics of the region in which the store will operate and the needs of customers in each catchment area. We will build closer ties to each region and to each community by contributing to local events and actively offering local goods in our stores, as we strive to become the No. 1 shopping destination at every one of our locations.


2F
ドン.キホーテ
驚安の殿堂
MEGA
ドン.キホーテ
Tax Free 免 税 Tax Free
2F
グランドオープン

Consolidated Financial Highlights

For the fiscal years ended June 30

	2006	2007	2008	2009
For the fiscal year				
Net sales	¥260,779	¥300,660	¥404,924	¥480,856
Cost of goods sold	200,425	227,537	296,215	353,616
Selling, general and administrative expenses	48,500	59,537	92,728	110,068
Operating income	11,854	13,586	15,981	17,172
Ordinary income	14,396	15,774	17,204	15,989
Income before income taxes	17,808	18,817	16,640	14,214
Net income	10,725	10,638	9,303	8,554

	2006	2007	2008	2009
At year-end				
Total assets	¥167,534	¥209,865	¥276,288	¥297,527
Total equity	72,741	82,470	84,625	89,972

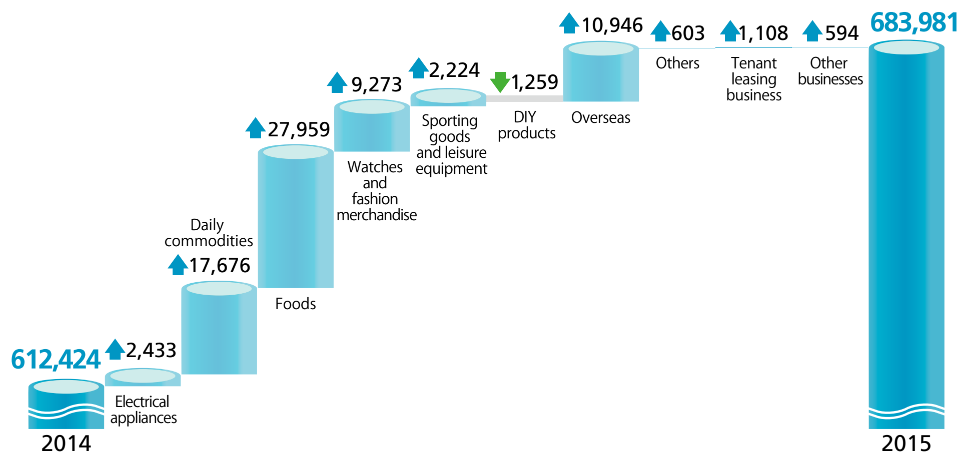
	2006	2007	2008	2009
Per share*				
Basic earnings	¥79.16	¥74.45	¥65.39	¥61.85
Diluted earnings	70.33	69.16	61.00	61.85
Cash dividends (before retroactive adjustment)	50.00	20.00	22.00	23.00

	2006	2007	2008	2009
Key ratios				
ROA	6.8	5.6	3.8	3.0
ROE	17.2	13.7	11.3	10.0

* Per share amounts were calculated on the assumption that a stock split executed in July 2015 occurred at the beginning of fiscal 2006.

1 Net Sales by Product Category

Millions of yen



The success of measures to boost sales of food and daily commodities after the consumption tax increase and the advantage of capitalizing on inbound demand led to greater customer loyalty and solid results. The tenant business also shifted in a favorable direction and supported higher revenue.

Millions of yen

2010	2011	2012	2013	2014	2015
¥487,571	¥507,661	¥540,255	¥568,377	¥612,424	**¥683,981** 1
364,065	378,587	400,712	418,570	451,406	**502,240**
102,439	103,738	110,223	117,438	126,726	**142,638** 2
21,067	25,336	29,320	32,369	34,292	**39,103**
21,109	25,138	29,283	33,201	35,487	**40,160**
16,845	21,147	30,395	33,382	34,225	**39,157**
10,238	12,663	19,845	21,141	21,471	**23,148**

Millions of yen

2010	2011	2012	2013	2014	2015
¥302,029	¥341,300	¥362,651	¥386,622	¥432,135	**¥505,666**
106,760	125,242	145,735	170,178	193,164	**221,367**

Yen

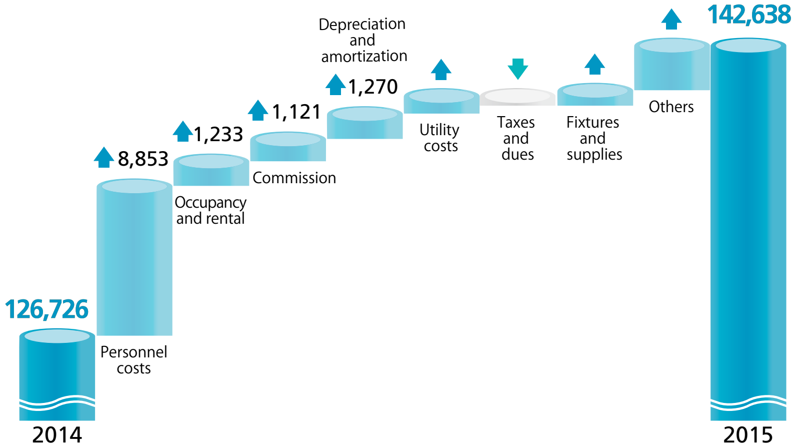
2010	2011	2012	2013	2014	2015
¥73.68	¥83.91	¥128.74	¥136.74	¥137.34	**¥147.09**
68.82	82.17	128.45	136.17	136.56	**146.63**
25.00	28.00	31.00	33.00	36.00	**40.00**

%

2010	2011	2012	2013	2014	2015
3.4	3.9	5.6	5.6	5.2	**4.9**
10.5	11.1	14.9	13.7	12.1	**11.6**

2 Selling, General and Administrative Expenses

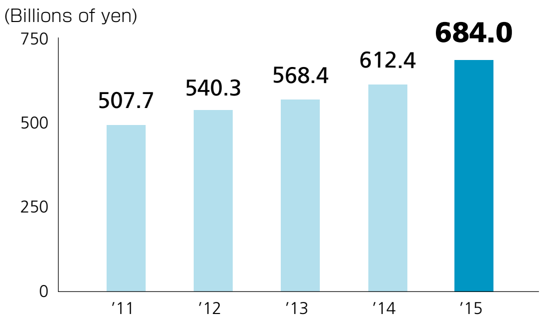
Millions of yen



Selling, general and administrative expenses increased 12.6%, to ¥142.6 billion, on a consolidated basis. This reflects a rise in man-hours due to a larger share of sales from daily necessities, an increase in personnel costs, paralleling efforts to strengthen inbound business and undertake aggressive store expansion activities, an increase in fixtures and supplies, and an increase in depreciation and amortization.

Consolidated Financial Highlights

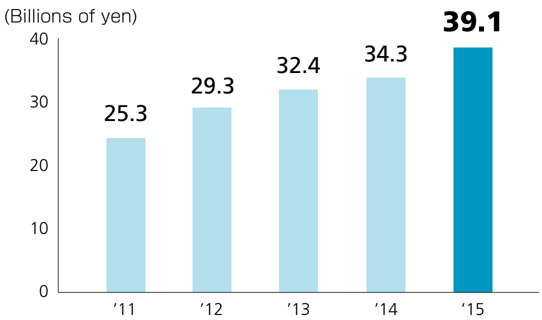
Net Sales



¥684.0 billion
Year on year
Up 11.7%

With product and pricing strategies fine-tuned to the intense competition that arose following the consumption tax increase, we capitalized on demand from families. We also drew on inbound demand, fueled by a revised tax-free shopping system for visitors to Japan. In the end, **net sales reached ¥684.0 billion**, up 11.7% year on year.

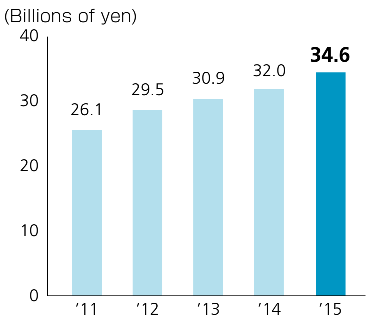
Operating Income



¥39.1 billion
Year on year
Up 14.0%

Selling, general and administrative expenses, including personnel costs, were up due to an increase in man-hours to cover a larger share of sales from daily necessities. **These expenses were absorbed by higher sales**, however, leading to **operating income of ¥39.1 billion**, up 14.0% year on year.

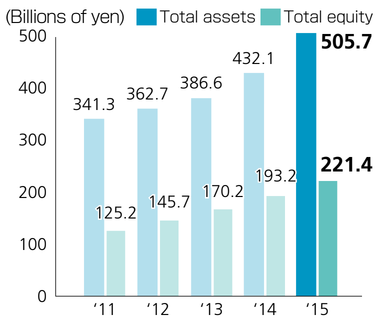
Free Cash Flow



Free cash flow reached ¥34.6 billion, with the primary components being higher net income and higher depreciation and amortization.

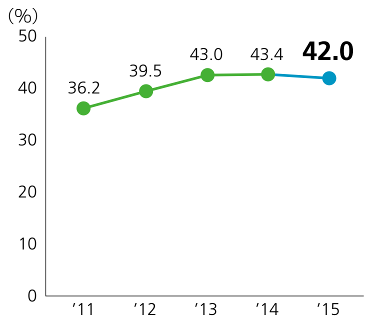
Note: Free cash flow = Net income after taxes + Depreciation and amortization + Extraordinary loss – Cash dividends paid

Total Assets/Total Equity



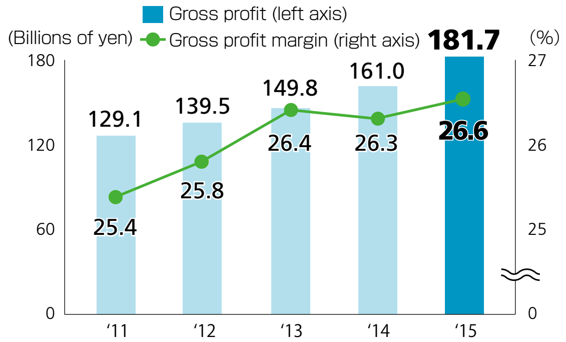
Total assets stood at ¥505.7 billion as of June 30, 2015, up ¥73.5 billion from a year earlier, mainly due to a **¥49.4 billion increase in property, plant and equipment. Total equity settled at ¥221.4 billion**, up ¥28.2 billion from a year earlier.

Equity Ratio



The equity ratio slipped 1.4 percentage points from the end of fiscal 2014, to **42.0%**, but the level still indicates **corporate financial strength and stability**.

Gross Profit/Gross Profit Margin

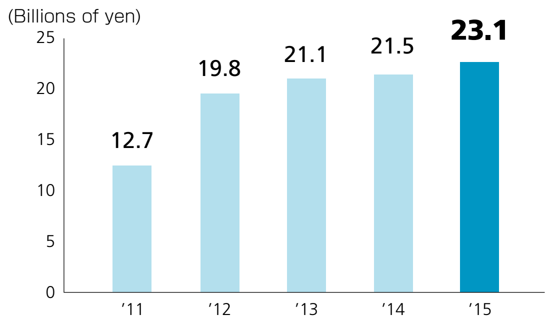


¥181.7billion
Year on year
Up 12.9%

26.6%
Year on year
Up 0.3ppt

While we made every effort to provide appealing prices to draw customers to convenience goods, such as food and daily commodities, effective utilization of spot products and wider inbound demand were the real keys to a 12.9% improvement in **gross profit, at ¥181.7 billion**. The **gross profit margin was 26.6%**.

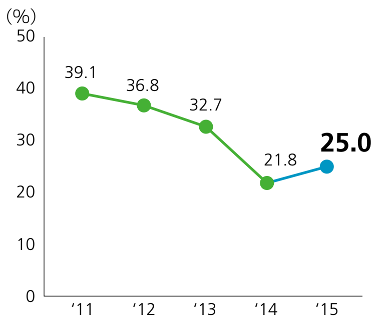
Net Income



¥23.1billion
Year on year
Up 7.8%

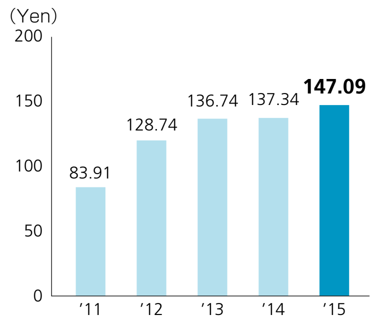
Net income was ¥23.1 billion, and along with operating income and ordinary income, **broke previous records** yet again.

Ratio of Interest-Bearing Debt to Total Assets



Interest-bearing liabilities settled at ¥126.4 billion, up ¥32.2 billion from a year earlier, and the **ratio of interest-bearing debt to total assets increased 3.2 percentage points, to 25.0%**, due to an issuance of unsecured corporate bonds for the first time in two years and four months.

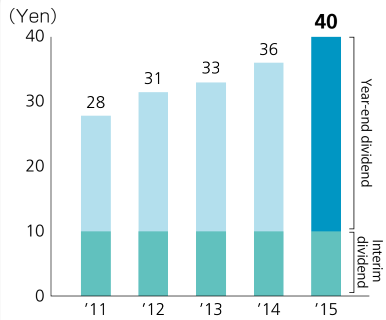
EPS



Earnings per share (EPS) amounted to **¥147.09**, up ¥9.75 from a year ago.

Note: On July 1, 2015, the Company executed a stock split of common shares at a ratio of 2-to-1. EPS reflects this stock split, with values for prior years restated, accordingly.

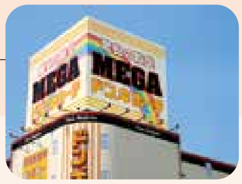
Annual Dividends per Share



The annual dividend for fiscal 2015 was ¥40 per share, comprising an interim dividend of ¥10 per share and a year-end dividend of ¥30 per share. The year-end dividend rose from ¥26 a year ago. Including effective increases through stock splits, the fiscal 2015 annual dividend marked the **12th consecutive year of higher dividends**.

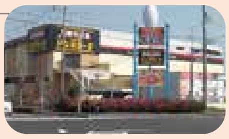
Fiscal 2015 Digest

Quarter	Month	Don Quijote Group News	New Stores	Economic News in Japan
First Quarter	2014 Jul.	● Start of fiscal 2015 ● Hiring of staff for "rising crew" (part-timers age 60 and older) begins	SING Hashimoto-Ekimae (Sagamihara, Kanagawa Prefecture) Asahi (Asahi, Chiba Prefecture) MEGA Ibaraki (Ibaraki, Osaka) MEGA Shin-Yokohama (Yokohama, Kanagawa Prefecture)	**June** Ratio of job offers to job seekers rises to highest level in 22 years
	Aug.		Kōrakuen (Bunkyo-ku, Tokyo)	
	Sept.		Kyōyasudō Mejiro (Shinjuku-ku, Tokyo)	Japan takes No. 6 spot on Global Competitiveness Index
Second Quarter	Oct.	● Call center, dubbed "welcome desk," which caters to overseas visitors, is set up ● YOKOSO! JAPAN PASS cards are available for tourists	Town-Doit Shin-Yokohama (Yokohama, Kanagawa Prefecture) Kyōyasudō Umejima-Ekimae (Adachi-ku, Tokyo) Isezakicho (Yokohama, Kanagawa Prefecture)	Consumption tax exemption (tax-free) program is revised for overseas visitors
	Nov.	● Japan's first authorized system employing tax-free sales coordinators to accommodate overseas visitors is established	Nagoya Sakae (Nagoya, Aichi Prefecture) Shizuoka Matsudomi (Shizuoka, Shizuoka Prefecture) MEGA Fukaebashi (Osaka)	Government postpones next phase of consumption tax increase—to 10%
	Dec.	● "majica" e-money card membership surpasses two million ● Long-term issuer rating is upgraded by Japan Credit Rating Agency, Ltd., from A/Stable to A+/Stable	MEGA Kasugai (Kasugai, Aichi Prefecture) MEGA Lepark Yamagata Mikawa (Tagawa-gun, Yamagata Prefecture) Tama Mizuho (Nishitama-gun, Tokyo)	Spending by overseas visitors tops ¥200 million
Third Quarter	2015 Jan.	● Marukai Costa Mesa store is renovated, first TOKYO CENTRAL store opens		Regular gasoline breaks ¥140 per liter mark for first time in two years and five months
	Feb.	● "Welcome reservation site," where visitors to Japan can pre-order purchases, is launched ● Foreign currency is accepted at the cash register and airport delivery service begins	Kagoshima tenmonkan (Kagoshima, Kagoshima Prefecture) Kushiro (Kushiro-gun, Hokkaido) MEGA Shinsekai (Osaka)	
	Mar.	● Unsecured corporate bonds worth ¥30 billion are issued	MEGA Hamamatsu Mikatahara (Hamamatsu, Shizuoka Prefecture) MEGA Miyakonojou (Miyakonojou, Miyazaki Prefecture) MEGA Matsubara (Matsubara, Osaka) MEGA Tsukuba (Tsukuba, Ibaraki Prefecture)	Number of visitors to Japan in a single month surpasses 1.5 million for the first time / Increase in consumption tax to 10% is scheduled for April 2017 / Land prices in Japan's three largest metropolitan areas (Tokyo, Osaka, Nagoya) climbs for second straight year / Japan's trade balance moves into the black for the first time in two years and nine months / Japan's travel balance turns positive for the first time in 55 years
Fourth Quarter	Apr.		Doit Pro Koganei Koen (Nishi-Tokyo, Tokyo) Ishinomaki Kaido Yamoto (Higashimatsushima, Miyazaki Prefecture) Kashiba Inter (Kashiba, Nara Prefecture) Koshigaya (Koshigaya, Saitama Prefecture)	Unemployment rate drops to lowest level in 18 years, and ratio of job offers to applicants rises to highest level in 23 years
	May	● Don Quijote Group store network expands to 300	Toyonaka (Toyonaka, Osaka) Hoenzaka (Osaka) PLATINUM Shirokanedai (Minato-ku, Tokyo)	Total market capitalization of Tokyo Stock Exchange, First Section reaches record-high level, surpassing peak hit during height of Japanese asset bubble (in late 1989)
	Jun.	● A 1-for-2 stock split, set for July 1, is announced ● Chairman and CEO Takao Yasuda steps down	MEGA Higashi-matsuyama (Higashimatsuyama, Saitama Prefecture) Costa Yukuhashi (Yukuhashi, Fukuoka Prefecture) Dotonbori Midosuji (Osaka) MEGA Narita (Narita, Chiba Prefecture)	Nikkei Stock Average closes at 20,922, marking the highest level in 18 years / Yen drops to ¥125 against U.S. dollar, marking the lowest level in 13 years







Business Strategy

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A Message from the President

Koji Oohara
President and CEO

Looking back on fiscal 2015

I would describe it as a year of dramatic change and fierce competition.

As a cohesive unit, the Don Quijote Group implemented approaches related to product and pricing strategies following the April 2014 consumption tax increase, and then from October 2014, when the number of items eligible for tax exemption was increased, efforts were directed into beefing up sales activities to tap into inbound demand even better. Prevailing conditions, however, continued to add an element of uncertainty, requiring the review of store operations on a daily basis to stay on top of the constantly evolving situation.

Meanwhile, the tax increase made customers more price-conscious, fueling intense competition, especially for daily necessities, such as food and daily commodities.

Against this backdrop, Don Quijote founder, Takao Yasuda, bowed out as chairman this past June and assumed the position of founding chairman and supreme advisor. This internal development is another reason why fiscal 2015 will undoubtedly be seen as a turning point for the Don Quijote Group.

Was there anything noteworthy about the Group's operations in fiscal 2015?

During this year of dramatic change and fierce competition, the Don Quijote Group emphasized flexible, accommodating frontline responses, guided by the corporate philosophy of "valuing the customer as our utmost priority," and expanded market share by targeting families amid intense competition in the wake of the consumption tax increase. In addition, the Group tapped into inbound demand buoyed by revision of the tax-free program for overseas tourists.

As a result, consolidated performance was record-breaking—yet again. Net sales hit ¥684.0 billion, up 11.7% year on year. Operating income rose 14.0%, to ¥39.1 billion; ordinary income climbed 13.2%, to ¥40.2 billion; and net income grew 7.8%, to ¥23.1 billion. This marked the 26th consecutive year of higher net sales and operating income. With ordinary income exceeding ¥40.0 billion, we took a huge step toward further growth.

With regard to dividends, management decided on an annual dividend of ¥40 per share, up ¥4 from fiscal 2014. Going forward, our goal is to maintain stable shareholder returns by reinforcing the management platform, pursuing business reforms and strengthening our financial position, underpinned by aggressive business development.

Performance Highlights

Net sales	¥684.0 billion
Operating income	¥39.1 billion
Net income	¥23.1 billion
Total assets	¥505.7 billion
Total equity	¥221.4 billion
Earnings per share*	¥147.09

* On July 1, 2015, the Company executed a stock split of common shares at a ratio of 2-to-1, and EPS has been calculated on the assumption that the stock split occurred at the beginning of fiscal 2015.

What plans are in the works going forward?

● Inbound demand

To capture demand from visitors to Japan, we took a trailblazing approach and set all sorts of activities in motion.

Our popularity with overseas tourists grew at an accelerating pace, fueled by the obtainment of the license to sell tax-free merchandise, as well as added conveniences, such as free Wi-Fi in stores and the option to use foreign currency to pay for purchases. We also offer easy-access locations, an extensively varied product mix, discount prices and late-night operation.

In fiscal 2015, we aggressively expanded the store network, opening locations that would draw the attention of overseas tourists. These included the Don Quijote Nagoya Sakae store and Dotonbori Midosuji store and the MEGA Don Quijote Narita store. In fiscal 2016, we will reinforce the activities currently in play while honing a sharper competitive edge as a frontrunner in tapping into inbound demand.

MEGA Don Quijote
Narita store

Don Quijote
Dotonbori Midosuji store

● Store-opening strategy and format development

In fiscal 2015, we marked a record-high 33 new store openings across the Group, mostly stores under the Don Quijote and New MEGA Don Quijote formats.

We pursued network expansion with the intention of achieving a good balance among store formats, particularly the New MEGA format, with roadside locations in the suburbs that cater primarily to families, and the Don Quijote format, with strategies geared toward capturing demand from overseas tourists. We also explored the potential of formats for small stores and vacated general merchandise stores, while developing new formats as well.

It is becoming increasingly easier to secure buildings suitable for new stores, and we will draw on the acquired ability to open stores of various sizes in various locations, which demonstrates agility and flexibility—and we plan to open about 30 new stores in fiscal 2016 as well.

What kind of performance is the Group likely to deliver in fiscal 2016?

In fiscal 2016, guided as always by the corporate philosophy "valuing the customer as our utmost priority," we will continue to listen carefully to customers to satisfy their constantly evolving needs, and through these efforts we will enhance corporate value. We will also adhere firmly to the practice of delegating authority to reinforce a flexible and responsive structure. In addition, by encouraging new stages in store operations we will attract a larger portion of spending by families in Japan while capturing the purchasing interest of overseas tourists.

The performance forecast for fiscal 2016 calls for consolidated net sales of ¥730 billion, up 6.7% over fiscal 2015; operating income of ¥39.8 billion, up 1.8%; ordinary income of ¥40.8 billion, up 1.6%; and net income of ¥23.3 billion, up 0.7%.

Looking ahead to 2020

In 2020, Tokyo will host the Olympic and Paralympic Games, and in that year we are targeting consolidated net sales of ¥1 trillion. But I believe it is important to pursue not just a number but rather expansion of corporate scale in the truest sense of the word. The most essential factors of growth for the Don Quijote Group come from all employees making customers their utmost priority and a level of flexibility that facilitates responsive, fine-tuned approaches to customers' needs.

The Don Quijote Group is known for its unique store concepts. We will make sure this one-and-only quality remains firmly entrenched as we continue to fully demonstrate the strengths we have acquired in the business.

Stakeholders can rest assured that we will embrace challenges and turn them into opportunities for continued success.

Special Feature

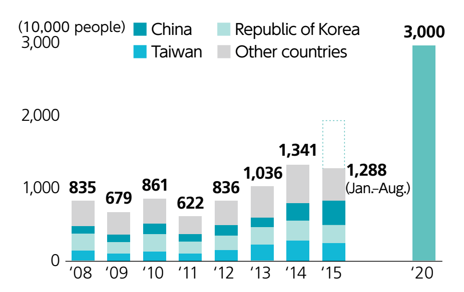
The Don Quijote Group's Growth Drivers

Key Strategies to Expand Sales

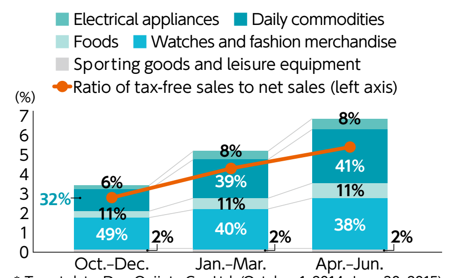
We have charted an uninterrupted upward path in consolidated sales and operating income for 26 years, ever since the first store opened in 1989, and regardless of the difficulties that have characterized the greater economy, we have maintained steady growth by demonstrating the ability to respond successfully to changes. Today, the two keys that will unlock sustained improvement in the Group's business results are efforts to tap into inbound demand and approaches to attract families.

Tapping into Inbound Demand

Number of Overseas Tourists



Composition of Tax-Free Sales by Product*



* Target data: Don Quijote Co., Ltd. (October 1, 2014–June 30, 2015)

Increasing numbers of overseas tourists

The number of people visiting Japan is steadily increasing, with the tally for 2014 up nearly 30% year on year, to 13.41 million, according to the Japan National Tourism Organization. In addition, in October 2014 the government eased restrictions on tax-free shopping for visitors to Japan, with the scope of consumption tax exemptions extended to cover all products, including daily essentials such as food, beverages, pharmaceuticals and cosmetics. This development will surely lead to increased demand from overseas tourists.

Inbound demand serves as tailwind for higher earnings

Tourists from overseas often fully intend to spend, and consumer interest is high for all types of merchandise, from high-priced items, such as watches and electrical appliances, to daily necessities, such as cosmetics and snacks. Since overseas tourists tend to buy in large volume in a single visit, average spending per customer on tax-free purchases is about 6.5 times higher than the domestic average. Moreover, average spending by Chinese tourists is about 10 times the domestic average. As such, we will continue to emphasize efforts to tap into rapidly rising inbound demand.

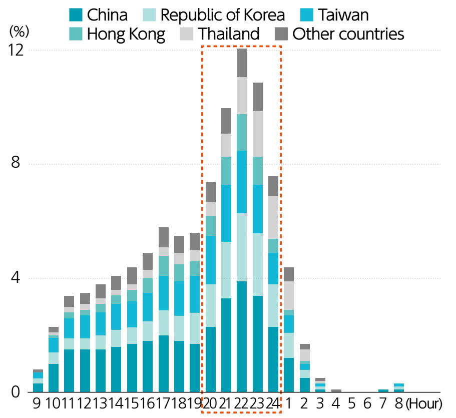
Why people love Don Quijote

Wandering through a famously popular store in a bustling shopping district is part of the sightseeing experience for tourists. Among such stores, Don Quijote has drawn the attention of overseas customers with a diverse assortment of products, from electrical appliances and imported brand-name products to daily commodities and foods, which is complemented by store displays brimming with entertainment value. In addition, most Don Quijote stores in busy shopping areas are open around the clock, as travelers are known to enjoy a leisurely shopping opportunity after dinner. Don Quijote is hugely popular with overseas tourists, mainly because of the unique appeal of its locations, an eclectically wide variety of products, and late-night operation.

Pioneer in inbound business

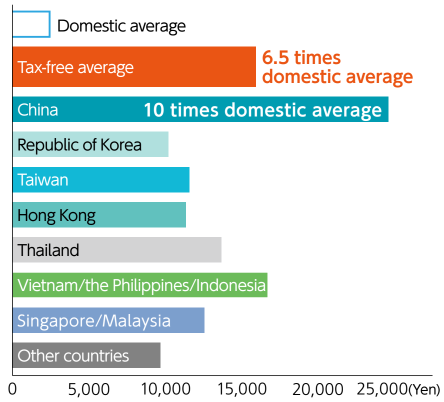
The Don Quijote Group was already aggressively reaching out to overseas tourists in 2008, well ahead of other retailers. We maintain support desks with multilingual staff to help customers so that they can enjoy shopping at our stores. We also provide free in-store Internet access. These approaches geared to the visitor make our stores more inviting. With inbound demand expected to expand still further, we will strive as a pioneer in the inbound market to tap demand not only from a store perspective but from a wider area perspective. Toward this end, we will work with local communities and other companies to capitalize on the opportunities generated through Japan's rising profile as a travel destination.

Composition of Tax-Free Sales by Time Slot*



* Target data: Don Quijote Co., Ltd. (October 1, 2014–June 30, 2015)

Tax-Free Spending per Customer*



* Target data: Don Quijote Co., Ltd. (October 1, 2014–June 30, 2015)

Key Inbound Strategies

Tax-free counter

This counter caters specifically to customers making tax-free purchases. It is staffed by a "welcome crew" of specially appointed individuals who can answer all sorts of questions from overseas tourists and provide helpful advice.

DONKI Free Wi-Fi

Customers have free Wi-Fi service at all Don Quijote stores and MEGA Don Quijote stores in Japan.

Airport delivery service

Customers using this service will have whatever they purchased at our stores delivered directly to the airport from which their return flight leaves. This service has been well received by customers who purchase a large amount of merchandise in one store visit.

Foreign currency service

Seven currencies—Chinese yuan, Taiwan dollar, Korean won, Thai baht, Hong Kong dollar, U.S. dollar and euro—are accepted at our stores.

Capturing Demand from Families

Seeking bigger share of family market

The consumption tax increase, which went into effect in April 2014, was the motivation for the Don Quijote Group to reinforce store operations, including pricing and product strategies, particularly at family-oriented MEGA Don Quijote stores. The emphasis paid off with an increase in customers and greater customer loyalty. With budget-conscious customers increasingly keen to save money, we strengthened the price appeal of daily necessities, such as food and daily commodities, and were rewarded with enhanced customer loyalty, which translated into performance growth.

Creating stores loved across many age groups

The keys to capturing an even larger share of the family segment are enhanced specialization in non-food areas and a bigger base of returning customers. Frontline staff, from their close contact with customers, will create sales areas that reflect changing requirements gleaned from the customer comments they hear each day. The ability to read trends and act quickly is what gives the Don Quijote Group a very sharp competitive edge.

Since our earliest days, we have refined our ability to respond to change by adhering to a motto of creating stores from a customer perspective. This ability enables us to create stores that attract, and keep the purchasing interest of, customers across many age groups.

What's new

MEGA Don Quijote Fukaebashi store

The Don Quijote Uchikan Fukae store, which had operated for about 10 years, underwent renovation, with floor space added, and reopened under the MEGA Don Quijote format. Sales area quadrupled, from about 1,000 m^2 to about 4,000 m^2, and perishables, such as good quality meats and fruits and vegetables, which the store had not carried before its reopening, as well as side dishes were introduced to the inventory. In the side dishes corner on the first floor, displays are set up to resemble street food stalls to attract the attention of family shoppers and offer an array of appetizing dishes. The second floor features an enhanced fashion section, with a boutique-like space offering a wide selection of fashionable products from different brands to provide customers with enjoyable choice, new discoveries and popular styles.

Store Network and Industry Data

Store Concepts

Store Type		Sales Floor	Number of Items	Products Featured	Key Customers
MEGA Don Quijote		8,000 ㎡～ 10,000 ㎡	60,000～ 100,000	Clothing, food and household necessities; Mainly food items and daily necessities	Housewives, families＋
New MEGA Don Quijote		3,000 ㎡～ 5,000 ㎡	40,000～ 80,000	Food: Fewer perishable foods Clothing: Mainly everyday wear	Housewives, families＋
Don Quijote		1,000 ㎡～ 3,000 ㎡	40,000～ 60,000	Amusement and variety shops	Singles＋
Essence/ Picasso/ Kyōyasudō		300 ㎡～ 1,000 ㎡	10,000～ 20,000	Emphasis on specialty products (drugstore/ convenience store/mini grocery)	Singles＋
Doit		2,000 ㎡～ 7,000 ㎡	40,000～ 80,000	Do-it-yourself-related and home products	Craftsmen, do-it-yourselfers and families＋

What's new

Favorable response to Don Quijote Group's e-money "majica"

The Don Quijote Group debuted "majica," an original electronic payment system, in March 2014, and membership has climbed steadily, even faster than expected. In the first 12 weeks of the card's launch, membership already exceeded the target—one million—for the first year. In December 2014, the number topped two million, and as of June 2015, it stood at 2.78 million.

This e-money card can be charged repeatedly and can be used at Group stores, including Don Quijote, MEGA Don Quijote, Nagasakiya and Doit, in Japan. In addition, as a loyalty card, "majica" provides various member-only perks, such as a special discount—*enman kaikei* ("reducing the last digit to zero")—so that customers pay between ¥1 and ¥9 less on their purchases by showing the card. This applies only when the cash register rings up a total of ¥1,000 or more. Members also accumulate points when they charge their cards. These features have found favor with many customers.

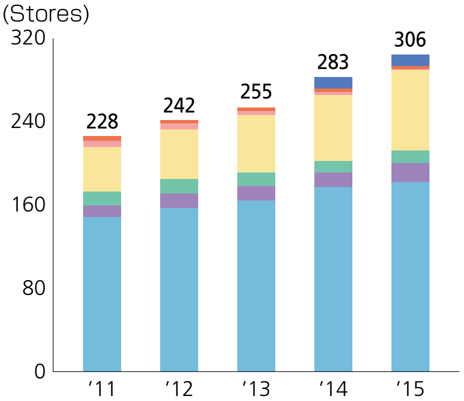
"majica" cards are available at Don Quijote Group stores for ¥100 (including tax) and require no annual fee.

Store Development

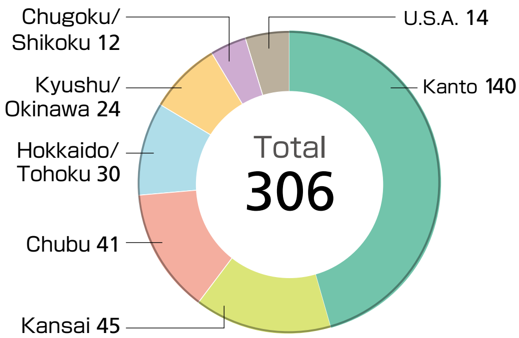
Number of stores by format (as of June 30, 2015)

Don Quijote
Picasso
Doit
MEGA Don Quijote
Nagasakiya
Don Quijote (Hawaii)
Marukai

Note: Essence and Kyōyasudō are included under the Picasso format.
TOKYO CENTRAL is included under the Marukai format.



Number of stores by region



Store Network Hits 306 Groupwide

In fiscal 2015, we pursued network expansion that included store openings in all formats, while primarily focusing on the core Don Quijote format as well as the family-oriented MEGA Don Quijote format and Doit. During fiscal 2015, we opened 33 new locations—17 under the Don Quijote format, 12 under the MEGA Don Quijote format, two Picasso stores and two Doit stores. Also, in January 2015, two Marukai stores in California were converted to the TOKYO CENTRAL format.

As of June 30, 2015, the Don Quijote Group has a solid presence across Japan—with 292 stores in 43 prefectures—and 14 stores in the United States, for a Groupwide network of 306 stores. This compares with 283 stores a year earlier.

Going forward, our store opening strategy will continue to center on opening stores in key locations in the big cities and roadside solution stores in the suburbs with two successful business formats—Don Quijote and MEGA Don Quijote—as we work to expand the network matched to market size and local characteristics and develop new formats that accommodate customers' needs.

Stores opened by the Don Quijote Group

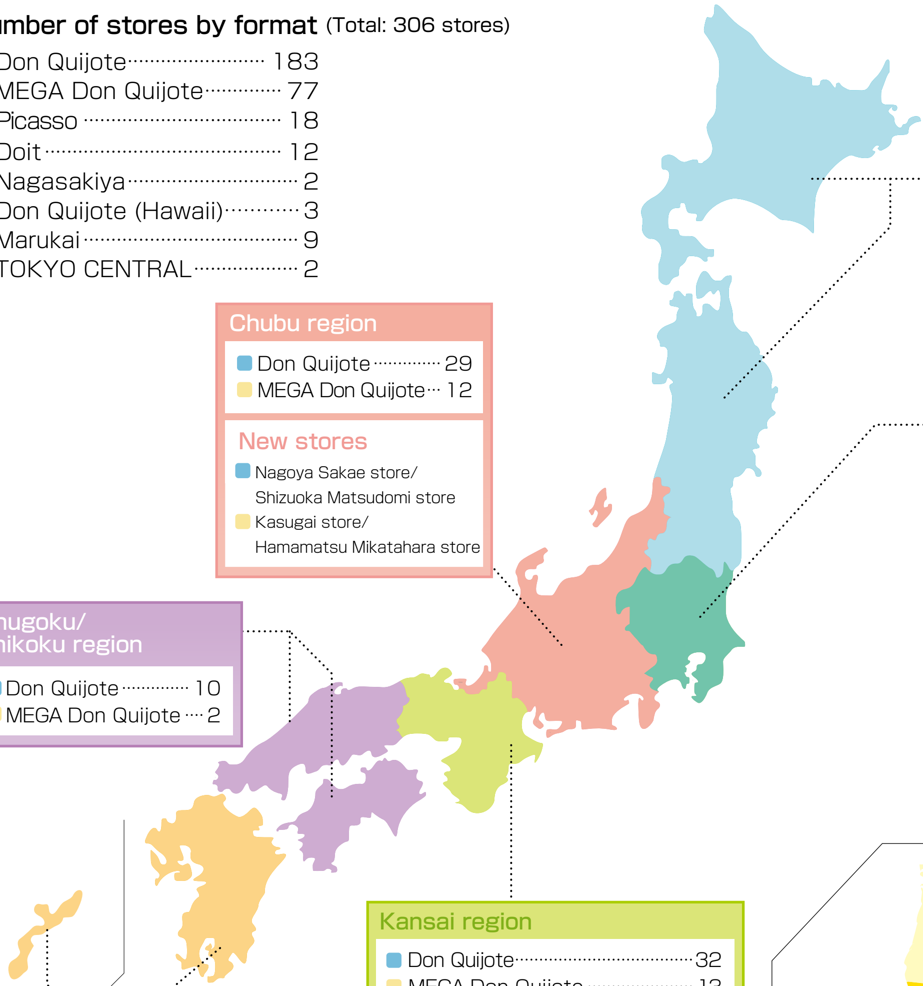
PLATINUM Don Quijote Shirokanedai store

MEGA Don Quijote Higashi-matsuyama store

Group store network (as of June 30, 2015)

Number of stores by format (Total: 306 stores)

- Don Quijote ········ 183
- MEGA Don Quijote ········ 77
- Picasso ········ 18
- Doit ········ 12
- Nagasakiya ········ 2
- Don Quijote (Hawaii) ········ 3
- Marukai ········ 9
- TOKYO CENTRAL ········ 2



Hokkaido/ Tohoku region

- Don Quijote ········ 15
- MEGA Don Quijote ········ 12
- Doit ········ 1
- Nagasakiya ········ 2

New stores

- Kushiro store/ Ishinomaki Kaido Yamoto store
- Yamagata Mikawa store

Kanto region

- Don Quijote ········ 79
- MEGA Don Quijote ········ 32
- Picasso ········ 18
- Doit ········ 11

New stores

- Hashimoto-Ekimae store/ Asahi store/Kōrakuen store/ Isezakicho store/Tama Mizuho store/ Koshigaya store/Shirokanedai store
- Shin-Yokohama store/Tsukuba store/ Higashi-matsuyama store/Narita store
- Mejiro store/ Umejima-Ekimae store
- Shin-Yokohama store/ Koganei Koen store

Chubu region

- Don Quijote ········ 29
- MEGA Don Quijote ··· 12

New stores

- Nagoya Sakae store/ Shizuoka Matsudomi store
- Kasugai store/ Hamamatsu Mikatahara store

Chugoku/ Shikoku region

- Don Quijote ········ 10
- MEGA Don Quijote ···· 2

Kansai region

- Don Quijote ········ 32
- MEGA Don Quijote ········ 13

New stores

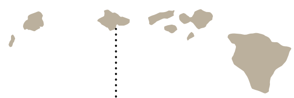
- Kashiba Inter store/Toyonaka store/ Hoenzaka store/Dotonbori Midosuji store
- Ibaraki store/Fukaebashi store/ Shinsekai store/Matsubara store

Kyushu/ Okinawa region

- Don Quijote ········ 18
- MEGA Don Quijote ···· 6

New stores

- Kagoshima tenmonkan store/ Yukuhashi store
- Miyakonojou store



Hawaii

- Don Quijote ········ 3
- Marukai ········ 2

California

- Marukai ········ 7
- TOKYO CENTRAL ···· 2

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/**
MARUKAI California	**http://www.marukai-market.com/**
MARUKAI Hawaii	**http://www.marukaihawaii.com/**
TOKYO CENTRAL	**http://www.tokyocentral.com/**

Ranking of Retail Companies by Net Sales

2015 Ranking	2014 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	7,078,577	10.7	152,509	–13.8	42,069
2	2	Seven & i Holdings Co., Ltd.	Holding Company	Feb	6,038,948	7.2	341,484	0.7	172,979
3	6	FAST RETAILING CO., LTD.[1, 2]	Apparel	Aug	1,681,781	21.6	180,676	33.4	117,388
4	3	YAMADA-DENKI CO., LTD.	Electronics Store	Mar	1,664,370	–12.1	35,537	–29.2	9,340
5	4	Isetan Mitsukoshi Holdings Ltd.	Department Store	Mar	1,272,130	–3.7	34,563	–10.1	29,886
6	5	J. FRONT RETAILING Co., Ltd.	Department Store	Feb	1,149,529	0.3	40,404	–0.2	19,918
7	7	UNY Group Holdings Co., Ltd.	General Merchandise Store	Feb	1,018,958	–	20,488	–	–2,408
8	8	Takashimaya Co., Ltd.	Department Store	Feb	912,522	0.9	35,904	7.7	22,581
9	14	H2O RETAILING CORPORATION	Department Store	Mar	844,819	46.5	21,219	16.8	11,586
10	9	BIC CAMERA INC.[1]	Electronics Store	Aug	795,368	–4.5	20,401	–15.2	6,804
11	10	EDION Corporation	Electronics Store	Mar	691,216	–9.8	11,118	–25.3	4,929
12	13	**Don Quijote Holdings Co., Ltd.**	Discount Store	Jun	683,981	11.7	40,160	13.2	23,148
13	12	Yodobashi Camera Co., Ltd.	Electronics Store	Mar	651,588	–5.7	51,149	–3.8	31,825
14	11	K'S HOLDINGS CORPORATION	Electronics Store	Mar	637,194	–9.1	25,849	–17.9	15,030
15	16	LIFE CORPORATION	Supermarket	Feb	584,984	9.4	11,010	42.9	5,213
16	15	IZUMI CO., LTD.	General Merchandise Store	Feb	579,738	4.1	29,767	4.6	17,360
17	17	SHIMAMURA CO., Ltd.	Apparel	Feb	512,828	2.0	38,601	–12.3	23,288
18	19	LAWSON, INC.	Convenience Store	Feb	497,913	2.6	71,714	4.1	32,686
19	18	Matsumotokiyoshi Holdings Co., Ltd.	Drug Store	Mar	485,512	–2.0	20,031	–18.3	11,619
20	21	Valor Co., Ltd.	Supermarket	Mar	470,563	3.6	16,108	5.2	9,214
21	20	ARCS COMPANY, LIMITED	Supermarket	Feb	470,310	3.5	14,290	–2.7	9,475
22	22	SUNDRUG CO., LTD.	Drug Store	Mar	445,818	–0.4	26,505	–7.9	16,362
23	23	DCM Holdings Co., Ltd.	Home Center	Feb	430,751	–0.8	16,256	–1.6	9,013
24	25	HEIWADO CO., LTD.	General Merchandise Store	Feb	419,284	3.6	15,356	11.2	8,453
25	27	Nitori Holdings Co., Ltd.	Home Furnishings	Feb	417,285	7.7	67,929	7.0	41,450
26	24	MARUI GROUP CO., Ltd.	Department Store	Mar	404,947	–2.8	28,002	1.1	16,036
27	33	TSURUHA Holdings, Inc.	Drug Store	May	388,465	13.2	25,321	6.3	14,563
28	28	CAINZ HOME	Home Center	Feb	387,173	4.8	27,294	–1.1	16,213
29	29	SUGI Holdings Co., Ltd.	Drug Store	Feb	383,644	5.1	21,901	0.2	12,862
30	32	FamilyMart Co., Ltd.	Convenience Store	Feb	374,430	8.3	42,520	–10.1	25,672

[1] Rankings were calculated by updating the company rankings that appeared in the *Nikkei Marketing Journal*'s 48th Survey on the Retailing Industry in Japan, issued on June 24, 2015, with the Company's performance indicators for the fiscal year ended June 30, 2015, and the performance indicators for FAST RETAILING CO., LTD. and BIC CAMERA INC. for their fiscal years ended August 31, 2015.
[2] FAST RETAILING CO., LTD. is a company subject to IFRS, and in light of these standards, profit before income taxes is used in lieu of ordinary income.

Ranking of Market Capitalization in the Retail Industry

Ranking	Company Name	Market Capitalization[1] (Millions of yen)	Operating Income[2] (Millions of yen)	ROE[2] (%)
1	FAST RETAILING CO., LTD.	6,509,740	164,463	16.1
2	Seven & i Holdings Co., Ltd.	5,073,994	343,331	7.9
3	Aeon Cao., Ltd.	1,653,169	141,368	3.6
4	Nitori Holdings Co., Ltd.	1,273,756	66,307	14.9
5	LAWSON, INC.	925,769	70,482	13.0
6	Isetan Mitsukoshi Holdings Ltd.	892,252	33,083	5.5
7	**Don Quijote Holdings Co., Ltd.**	835,391	39,103	11.6
8	Ryohin Keikaku Co.,Ltd.	743,225	23,846	14.3
9	J. FRONT RETAILING Co., Ltd.	625,522	42,091	5.3
10	FamilyMart Co., Ltd.	586,099	40,417	9.7
11	ABC-MART, INC.	575,626	39,651	17.0
12	TSURUHA Holdings, Inc.	528,861	26,905	13.9
13	SUNDRUG CO., LTD.	485,607	25,924	14.3
14	MARUI GROUP CO., Ltd.	484,033	28,042	5.2
15	SHIMAMURA CO., Ltd.	472,490	36,823	8.4
16	YAMADA-DENKI CO., LTD.	458,116	19,918	1.8
17	IZUMI CO., LTD.	456,611	30,330	13.6
18	Takashimaya Co., Ltd.	422,001	32,022	5.9
19	SUGI Holdings Co., Ltd.	400,251	20,861	10.8
20	Laox Co., Ltd.	345,882	1,736	12.8

[1] Market capitalization: Closing price on Tokyo Stock Exchange on July 31, 2015
[2] Operating income and ROE: Results for each company's most recent fiscal year

ESG Topics

Index

ESG = Environmental, social and governance

Making a Sustainable Society a Reality

A firm commitment to the corporate philosophy of "valuing the customer as our utmost priority" underpins business activities and our contribution to local communities.

The corporate philosophy of "valuing the customer as our utmost priority" infuses efforts throughout the Don Quijote Group, as a general retailing group, to create stores under a "consumable time" format that makes shopping a fun and satisfying experience for customers.

The corporate philosophy also infuses CSR activities. We take a proactive approach which naturally emphasizes enhanced compliance practices, respect for corporate ethics, and honest information disclosure to all stakeholders—everyone with a vested interest in our businesses—but also draws on the personal perspectives of each and every employee in how best to serve customers and the community.

CSR = Corporate social responsibility

With Local Communities

The stores opened by the Don Quijote Group are located nationwide in a variety of settings. Through store-based operations centered on bold delegation of authority to frontline staff, each store under each format is designed to meet the needs of its customers. At the same time, the Group helps to energize the local economy and contribute to job creation. In addition, we cooperate with public and private entities in the community, including local government and shopping districts, in such pursuits as planning and running store events and participation in regional events, which support local development.

Creating stores rooted in the community

The Don Quijote Group enthusiastically promotes opportunities to renovate existing stores and meet the needs of local customers. A prime example is MEGA Don Quijote Nagoya Honten, which reopened in July 2015. The store was modified to make shopping more comfortable for families and middle-aged and senior customers, with enhanced lineups of fresh foods and side dishes as well as areas to sit and rest and a play zone for kids.

MEGA Don Quijote Nagoya Honten kid zone

Promoting local products

Don Quijote Holdings set up the Area-based Spot Product Discussion Department to promote individual store strategies matched to each catchment area. Designated area managers actively pursue discussions with representatives from companies in the vicinity of the store to purchase products, such as local specialties.

Meeting with local business owners

Energizing areas with the kind of fun only Don Quijote can provide

Don Quijote plans and holds various events at its stores and is keen to provide space where people in the community can gather for a good time. For example, local pop singers from the Sagamihara area performed with local children in front of the MEGA Don Quijote Kobuchi store in July 2015. Also that month, the Don Quijote mascot—"Donpen"—joined a dance event organized by the Shin-Yokohama neighborhood association, adding a delightful dimension of entertainment to the activities.

Performance by pop singers from the Sagamihara area in front of the MEGA Don Quijote Kobuchi store

Donpen, the Don Quijote mascot, appears at the dance event organized by the Shin-Yokohama neighborhood association

With local communities

Many of the CSR activities under the Don Quijote Group banner showcase specific stores and are joint efforts with local groups, such as neighborhood associations, shopping districts, the police, and fire departments. The spirit of the corporate philosophy of "valuing customers as our utmost priority" infuses CSR activities, right down to the very roots of the organization. Going forward, the Group will continue its enthusiastic support for local activities utilizing the resources of the retailing business and strive along with customers and the wider local community to achieve a rich society for all.

Meguro River cherry blossom viewing party

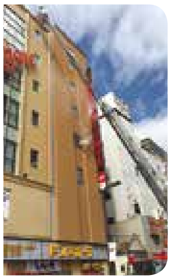
In 2015, we held our Meguro River cherry blossom viewing party, which takes advantage of our prime location along the Meguro River, in Tokyo. We have done this each year since 2010, when the head office was moved to the current location. About 3,700 people came to the 2015 event, including everyone from local nursing homes and children's welfare facilities, and all enjoyed the amazing view from the head office's balcony.

Store setup at local care facility offers a fun and exciting shopping experience

The Don Quijote Nakameguro Honten store regularly sets up shop at Aobadai Sakuraen, a special nursing home for the elderly. The residents are asked what they need, and their selection of products is prepared. The residents of Aobadai Sakuraen enjoy shopping in the fun atmosphere created by POP cards and the lively Don Quijote theme song. Going forward, we will continue to provide such fun and excitement, well beyond the traditional store framework.

Joint efforts with local police and fire departments on disaster prevention drills and anti-crime campaigns

The Don Quijote Group tackles disaster prevention and anti-crime awareness along with the communities where its stores are located. In February 2015, Don Quijote took a supporting role in the spring fire-prevention exercises conducted by the Tokyo Fire Department, and along with participants from commercial facilities and the local residents' association in Asakusa, participated in a fire drill that simulated a big fire involving the Don Quijote Asakusa store.



Don Quijote's Shoiku® Project

At the Don Quijote Group, the practice of delegating authority is well-entrenched, turning each store employee into a shopkeeper. With this in mind, we wanted to give children—the generation on whose shoulders the nation's future rests—an opportunity to get a feel for the fun side of having a job while learning a sense of responsibility and mission through retail sales activities. This opportunity is provided in a work experience program called The Shoiku® Project at all Group stores across Japan.

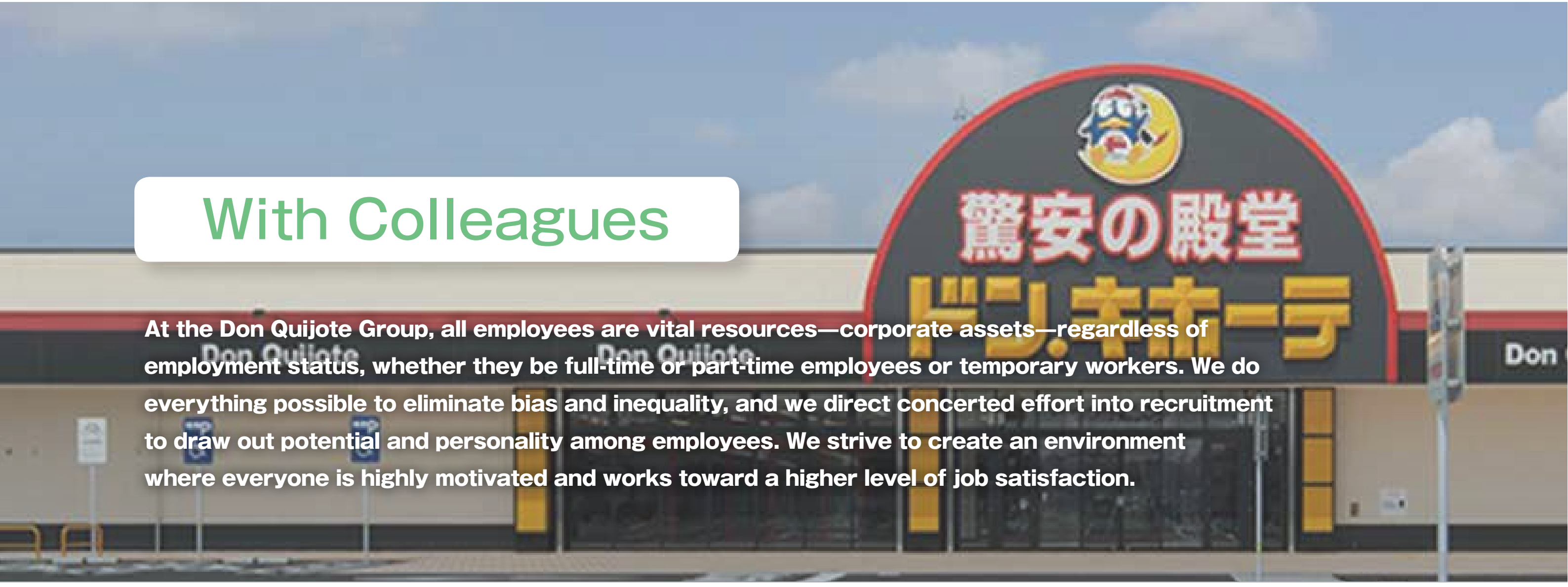
During fiscal 2015, the program attracted the participation of 1,336 students, from kindergarten through high school, but mainly those of elementary school and junior high school age.

The content of the program is determined independently by the stores that accept participants, but the basic concept is the same at every location: "Serve customers the way you would like to be treated if you were a customer." Participants have a great time learning in an environment different from a school-based setting and really apply themselves to the assigned tasks.

Employees also benefit from the program because it enables them to see through the participants' eyes. They rediscover the fun in retailing and the pride in their job, and they gain a new sense of duty, which generates a cycle that leads to enhanced motivation.

The Shoiku® Project

Retail sales is more than just waiting for someone to give instructions. It requires trading places—switching "me" for "customer" and standing in the other person's shoes—and thinking about what is necessary from a customer perspective and what to do to achieve that. The idea of imparting the fun and the challenges of retail sales activities and helping young people form a clearer picture of the working world is encapsulated in the opportunity to gain hands-on experience through retail sales. The program is called Shoiku®, a term coined by Don Quijote and trademarked in 2008 (No. 5103295).



With Colleagues

At the Don Quijote Group, all employees are vital resources—corporate assets—regardless of employment status, whether they be full-time or part-time employees or temporary workers. We do everything possible to eliminate bias and inequality, and we direct concerted effort into recruitment to draw out potential and personality among employees. We strive to create an environment where everyone is highly motivated and works toward a higher level of job satisfaction.

1. Hiring and fostering personnel with an emphasis on the person
— We draw out inherent potential in people and develop human capital

The Don Quijote approach to work-life balance means work and life are wheels of the same cart

In planning and developing human capital programs and a personnel system, the Don Quijote Group adheres to an idea of "ingeniously making two incongruous choices work." This means, essentially, when faced with two options, neither of which would be easy to apply, we will not choose one or the other—that is, compromise with a trade-off. Instead, we rack our brains for a way to utilize the best aspects of both.

For example, the Don Quijote Group actively takes measures to realize a good work-life balance. Rather than sacrifice some aspect of work to address issues in life, or vice versa, the emphasis is on synergistic effects gained through improvements in career as well as lifestyle—work hard at the job but also enjoy life and family time, too.

The corporate principle of delegating authority, as well, does not necessarily entail the transfer of head office authority to stores. Rather, it is an approach to increase the extent of authority that stores are allowed to exercise at the discretion of frontline staff. That is, overall authority is expanded, rather than limited, to enable each store to demonstrate inherent potential.

In this way, the management philosophy that permeates the Don Quijote Group is deeply instilled in the minds of employees and fuels the development of human capital that is totally unique to our brand of retailing.

2. Improved motivation among employees invigorates business platform
— We let each and every employee shine

It is policy at the Don Quijote Group to review workstyles for all employees working within the Group—about 30,000 people in all—because the right approach translates into a more motivated workforce.

Establishing an environment conducive to flexible, adjustable workstyles

For seniors and homemakers, who have certain limitations on the time of day they work and the number of hours they work, we have set up shift work with reduced hours, such as a system of three hours in the morning two or three times a week. Also, for employees who are inclined to quit because of unavoidable reasons, we offer flexible, adjustable workstyle solutions that today's changing social structures demand, including the "welcome back" system for re-employment.

Environmental Activities

Social duty, as we see it, requires efforts to undertake corporate activities that have little impact on the environment and to always work toward additional improvements in our efforts to realize a sustainable society. The Don Quijote Group promotes environmentally conscious business activities and enthusiastically engages in pursuits that utilize resources and skills amassed in the course of its distribution and retailing business.

Energy-saving activities

At the Don Quijote Group, efforts are made to promote environmentally conscious business activities that contribute to the realization of a sustainable society. For example, energy management systems have been installed at 14 stores. These systems, which automatically adjust air-conditioning and heating temperatures to the number of people inside the store, help to reduce CO_2 emissions. For the three months from July to September 2014, electricity usage at the 14 stores with an energy management system was down by 12,736kW (see chart below).

In addition, all Group stores have replaced interior lighting with LED fluorescent lights, contributing to environmental protection and energy savings through the reduction of CO_2 emissions.

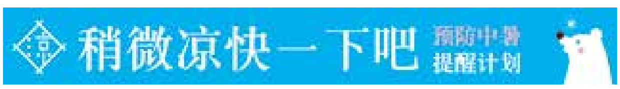
Electricity Usage Reduction Results Through Installation of Energy Management System

Store	Reduction Amount July–September (kW)
Kannana Edogawa	222
Kannana Honancho	1,010
Nakano Ekimae	1,224
Kanpachi Setagaya	240
Aoto	153
Isesaki	1,158
Tokorozawa Miyamoto	1,716
Chiba Chuo	1,322
Makuhari	280
Mizuho	942
Fuchu	500
Hinodecho	481
MEGA Don Quijote Atsugi	2,277
MEGA Don Quijote Kobuchi	1,211
Total	**12,736**

In-store video for heatstroke prevention geared to foreign tourists

We participated in the activities of the Heatstroke Prevention—Communication Project, a joint initiative organized by the Ministry of the Environment with public and private sector participation and executive secretariat duties handled by the Japan Empowerment Consortium (JEC). Since Don Quijote attracts many overseas visitors to its stores, we produced a video on how to prevent heatstroke in four languages—English, Chinese, Korean and Thai—and posted the content on our website. We also ran the video on in-store monitors at our flagship stores as well as on large outdoor screens to get the word out to tourists. This approach earned top marks, substantiated by our winning the Gold Prize in the foreign visitor category at the Hitosuzumi (Cool Break) Awards 2015.

Looking ahead to the Tokyo 2020 Olympic and Paralympic Games, the number of visitors to Japan is bound to increase, and we will direct our efforts into the creation of an environment that enables tourists to enjoy the sights safely and in comfort.



Corporate Governance

We seek advice from outside experts when necessary and maintain legality and transparency in corporate governance and management practices. The business activities of store-operating companies within the Don Quijote Group entail the delegation of considerable authority to store staff as they are the frontline of operations, so it is essential that we create an atmosphere that ensures a high level of ethics and awareness of governance issues among each and every employee at all times. Through a variety of approaches, we have established measures that preclude possible risk situations and have built structures to facilitate quick responses in the event such a situation occurs.

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 while actively carrying out disclosure practices and encouraging a deeper understanding of Don Quijote as a company coexisting with society. 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 problem solving 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 extend the scope of our corporate activities, with an emphasis on an even stronger organizational framework that meets the needs of the day, which will, for example, improve awareness of legal compliance and underpin more rigorous checks by our accounting department, Internal Audit Department and monitoring and auditing departments.

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 25, 2015, the Board of Directors had a small number of directors—five—to expedite management decisions. Two of these directors are from outside the Company, and management has designated one of them as an independent director, contributing broad-based knowledge from an objective position free from any conflicts of interest with general shareholders. Such input is applied to issues important from a corporate administration perspective, such as the formulation of business strategies, and management therefore believes that the current Board of Directors structure is conducive to suitable decision-making processes.

Audit & Supervisory Board

Don Quijote maintains an audit & supervisory board member system, wherein the Audit & Supervisory Board audits the status of decision-making processes and the execution of duties by directors. As of September 25, 2015, the Audit & Supervisory Board had four members, two of whom were outside audit & supervisory board members. Outside audit & supervisory board member Yoshihiro Hongo is 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, is separate from divisions that execute operations. This department provides a point of contact, as necessary, 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

The Company has two outside directors.

The outside directors are appointed on the expectation that the individuals will offer opinions and point out issues helpful to management from an external perspective, based on specialized knowledge and experience in corporate management, and thereby contribute to enhanced management soundness and transparency. Outside Director Yukihiko Inoue is deemed to present no risk of a conflict of interest with general shareholders, and was designated independent director in accordance with rules set by the Tokyo Stock Exchange, to which notification was submitted.

The Company has no clear-cut criteria or policies regarding the independence of individuals appointed as outside directors. However, in the appointment process, a candidate for outside director is evaluated on the ability to maintain a sufficient degree of separation to perform assigned duties independent of the management team.

Outside Audit & Supervisory Board Members

Don Quijote has two 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.

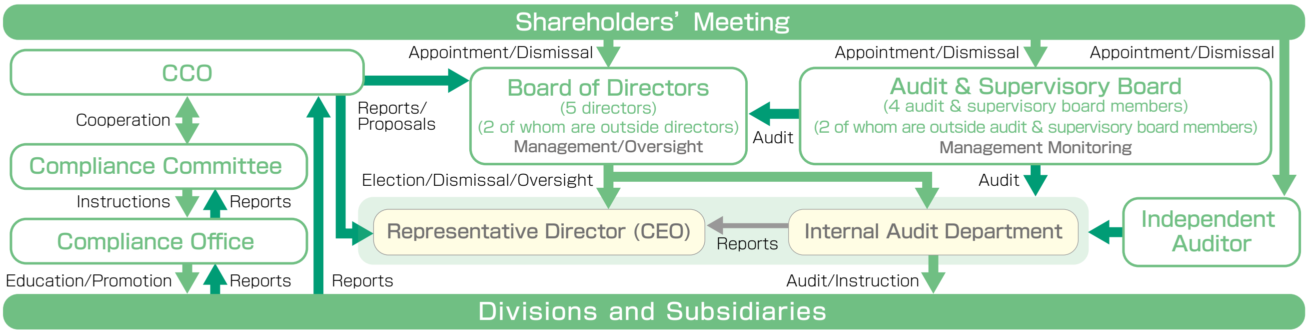
The Company has no clear-cut criteria or policies regarding the independence of individuals appointed as outside audit & supervisory board members, but when such an appointment is made, the Company takes into consideration such factors as the professional expertise necessary to execute auditing duties as well as experience in the running of a business and will appoint outside audit & supervisory board members who are capable of properly monitoring the Company's business activities.

Compliance Committee

Members of this committee are primarily outside experts, including lawyers, outside directors and outside audit & supervisory board members. Their duties include formulating fraud prevention measures, drafting monitoring 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 25, 2015)



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 appropriate execution of duties by directors, the Company continues to appoint outside directors to its Board of Directors and strives to enhance the supervision of duties executed by directors. In addition, the Audit & Supervisory Board, which has the participation of outside audit & supervisory board members, conducts thorough audits to ensure fairness and transparency from a position independent of directors' influence.

3) The Chief Compliance Officer (CCO) is designated as the director responsible for compliance and coordinates issues related to legal compliance and internal controls. In addition, the CCO works closely with the Compliance Committee, members of which are primarily external professionals, such as lawyers, and ensures that business activities follow a highly ethical code of conduct and that the corporate governance structure and execution of associated practices conform to legal standards.

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 its Rules for Information Security Management. Concurrently, the Company encourages information sharing within the organization and maintains systems to prevent leaks of confidential information.

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

1) The CCO and the Compliance Committee analyze and evaluate lateral risks from a compliance standpoint for the entire Group and consider 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 CCO promotes compliance and ensures thorough adherence to stated practices, in accordance with resolutions by the Board of Directors.
2) The Compliance Committee, in conjunction with the CCO, formulates plans that include education on issues related to compliance, and the Compliance Office 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 and business partners of the Group 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. The Company makes it a top priority to protect individuals who report an actual or 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 of the Company.
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. Matters related to the independence of employees who are to assist audit & supervisory board members with their duties from directors and matters related to ensuring the effectiveness of instruction from audit & supervisory board members to such employees

1) Any personnel matters (including treatment and disciplinary action) pertaining to Auditors' Office staff must be reported first to the standing audit & supervisory board member.
2) If a staff member of the Auditors' Office concurrently performs administrative tasks in another division, priority shall be given to requests from the audit & supervisory board member when the instructions are deemed necessary in the course of auditing activities. In addition, the supervisor in the other division where the individual with concurrent duties is assigned will extend the necessary support if requests are made to facilitate implementation of the audit & supervisory board member's instructions.

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 of the Company and companies within the Group shall immediately inform an audit & supervisory board member of any important issues that impact, or may impact, the operations of the Company or any company within the Group.
3) Directors and employees of the Company and companies within the Group must respond immediately when asked by an audit & supervisory board member or the Auditors' Office to provide information about the status of operations, assets or other corporate matters.
4) The Company prohibits unfavorable treatment of anyone on the basis of a report given to an audit & supervisory board member concerning information related to the aforementioned matters.

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.
3) Payment of costs incurred in the process of executing the required duties of an audit & supervisory board member shall be addressed immediately upon submission of a request for payment.

■ 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.

■ 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 2015 is as follows:
Certified public accountants who have provided auditing services: Three*

Assistants involved in the execution of accounting audits: Eight certified public accountants, seven junior accountants and two others.

* 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 Directors and Outside Audit & Supervisory Board Members

The Company has two outside directors. Management believes these individuals can execute the duties of an outside director and bring an external perspective different to that of management, based on expertise and experience in corporate management.

The Company is confident that its management supervisory function is fully developed and sufficient from an objective and independent perspective, given that two out of the four of the 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 Directors, Outside Audit & Supervisory Board Members, the Internal Audit Division and the Independent Auditor

The outside director works with audit & supervisory board members, the internal audit division and the independent auditor on the content discussed at Board of Directors' meetings.

Outside audit & supervisory board members exchange information, as necessary, and maintain close ties with the internal audit division and the independent auditor and thereby enhance the efficiency and effectiveness of internal audits and independent audits.

■ 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 two outside directors and two outside audit & supervisory board members are as follows.

Tomiaki Fukuda, an outside audit & supervisory board member, is president of the Japan Wrestling Federation. The Company has business ties with the federation, but the value of business transactions is very small, in the vicinity of ¥18 million annually, and management feels that Mr. Fukuda has sufficient independence with regard to the relationship with the Company. Other than the relationship described above, there are no special relationships with the organizations at which other outside directors or outside audit & supervisory board members hold important concurrent positions.

■ Risk Management

The Group's Chief Compliance Officer (CCO) is designated as the director responsible for compliance and coordinates issues related to legal compliance and internal controls. In addition, the CCO works closely with the Compliance Committee, members of which are primarily external professionals, such as lawyers, implements compliance-based risk analysis and assessment cutting laterally across all companies of the Don Quijote Group, and conducts education programs on compliance themes. Another approach to risk awareness is the Compliance Hotline, which enables Group employees and business associates report questionable actions related to laws or internal rules directly to external organizations or a designated division at the Company. The content of reports made to the hotline is brought up for discussion by the Compliance Committee, and the outcome of such discussions is circulated in a timely and appropriate manner to the Company's Board of Directors and the Audit & Supervisory Board.

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. In addition to the internal channel, the Company provides an external access point, an outside organization with no capital or personal connections to the Group. Steps have been taken to maintain the confidentiality of whistleblowers and ensure that no one is put at a disadvantage for reporting any actual or potential infraction. Furthermore, Group companies take advantage of such opportunities as training of 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 Holdings 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 25, 2015.

Board of Directors and Audit & Supervisory Board
(as of September 25, 2015)

Koji Oohara
President and CEO

February 1993	Joined the Company
September 1995	Director and Division Director of 2nd Sales Division of the Company
May 2003	Department Manager of System Department of the Company
March 2004	Division Director of Business Development Division of the Company
January 2005	President and Representative Director of REALIT Co., Ltd.
April 2007	Resigned from the position of Director of the Company
April 2009	President and Representative Director of Japan Commercial Establishment Co., Ltd.
September 2009	Director and CIO of the Company
December 2010	Division Director of Development Division of the Company
June 2012	Director of Doit Co., Ltd. (current position)
July 2012	President and Representative Director of Don Quijote Shared Services Co., Ltd. (current position)
September 2012	Director of Nagasakiya Co., Ltd. (current position)
April 2013	Vice President, Director and COO of the Company
November 2013	Vice President, Representative Director and COO of the Company
December 2013	President and Representative Director of Don Quijote Co., Ltd. (current position)
July 2014	President, Representative Director and COO of the Company Chairman and Representative Director of Japan Commercial Establishment Co., Ltd. (current position) Chairman and Representative Director of REALIT Co., Ltd.
July 2015	President, Representative Director and CEO of the Company (current position)

Mitsuo Takahashi
Senior Managing Director and CFO

April 1977	Joined AOKI Fashion Sales Co., Ltd. (currently AOKI Holdings Inc.)
June 1990	Director of AOKI Holdings Inc.
July 1997	Joined the Company Division Director of Administration Division of the Company
September 1997	Director of the Company
February 2000	Division Director of Corporation Management and Strategic Division of the Company
November 2001	Audit & Supervisory Board Member of Japan Commercial Establishment Co., Ltd.
September 2004	Director of D-ONE Co., Ltd.
January 2005	Senior Managing Director of the Company Director of REALIT Co., Ltd.
September 2005	Senior Managing Director and CFO of the Company
January 2007	Director of Doit Co., Ltd.
November 2007	Director of Nagasakiya Co., Ltd. (current position)
December 2010	Senior Managing Director, CFO and CCO of the Company
September 2011	Director of Japan Commercial Establishment Co., Ltd.
July 2012	Senior Managing Director and CFO of the Company (current position) Division Director of Corporate Communications Division of the Company (current position) Audit & Supervisory Board Member of Don Quijote Shared Services Co., Ltd. (current position)
June 2013	Director of Accretive Co., Ltd. (current position) President and Representative Director of Doit Co., Ltd. (current position)

Naoki Yoshida
Senior Managing Director and CCO

December 1995	Joined McKinsey & Company, Inc. Japan
March 1997	Joined Union Bancaire Privée
August 2002	Established Alter Ego Consulting Co., Ltd. President and Representative Director
February 2003	President and Representative Director of T-ZONE HOLDINGS, INC. (currently MAG NET HOLDINGS, INC.)
June 2012	Audit & Supervisory Board Member of Doit Co., Ltd.
July 2012	Director of Don Quijote Shared Services Co., Ltd. (current position)
September 2012	Director of the Company Audit & Supervisory Board Member of Nagasakiya Co., Ltd.
November 2013	Senior Managing Director of the Company
December 2013	Director of Nagasakiya Co., Ltd. (current position) Director of Doit Co., Ltd. (current position) Director of Japan Commercial Establishment Co., Ltd. (current position)
July 2015	Senior Managing Director and CCO of the Company (current position)

Yukihiko Inoue
Director (Outside)

September 1994	Superintendent-General of the Metropolitan Police Department
September 2003	Chairperson of the Board of Directors of Japan Guide Dog Association (current position)
June 2006	Outside Corporate Auditor of TOKO ELECTRICAL CONSTRUCTION CO., LTD. (current position) Outside Director of ASAHI KOGYOSHA CO., LTD. (current position)
September 2009	Audit & Supervisory Board Member of the Company
March 2011	Chairman of Public Interest Incorporated Foundation, Aikido Yoshinkai (current position)
June 2011	Outside Statutory Auditor of All Nippon Security Co., Ltd. (current position)
June 2012	Standing Audit & Supervisory Board Member of the Company
September 2014	Director of the Company (current position)

Yasunori Yoshimura
Director (Outside)

March 1975	Graduated from Keio University School of Medicine
November 1995	Professor of Keio University (Department of Obstetrics and Gynecology, School of Medicine)
November 2010	President of Japan Society for Reproductive Medicine
June 2011	Outside Director of ASKA Pharmaceutical Co., Ltd. (current position)
August 2011	President of Japan Society of Gynecologic and Obstetric Endoscopy and Minimally Invasive Therapy
October 2012	Established Yoshimura Bioethics Institute Chairman of Yoshimura Bioethics Institute (current position)
March 2013	Special Advisor to the Cabinet (in charge of measures to counter the declining birthrate and support for child-raising) (current position)
November 2013	Outside Audit & Supervisory Board Member of the Company
April 2014	Professor Emeritus of Keio University (Department of Obstetrics and Gynecology) (current position) Honorary Director of SHIN-YURIGAOKA General Hospital (current position)
September 2015	Director of the Company (current position)

Koichi Otoshi
Standing Audit & Supervisory Board Member

September 1980	Joined Hinode Co., Ltd. (currently Doit Co., Ltd.)
March 2006	Department Manager of General Affairs Department, Administration Division of Doit Co., Ltd.
January 2008	Seconded to the Company Department Manager of Group Management Department, General Affairs Division of the Company
April 2008	Deputy Manager of Compliance and Human Rights Enlightenment Office, Legal Department of the Company
September 2008	Acting Department Manager of Group Management Department of the Company
December 2008	Acting Department Manager of Personnel Administration Department, Personnel Division of the Company
July 2012	Seconded to Don Quijote Shared Services Co., Ltd. Acting Department Manager of Labor Administration Department, General Affairs Division of Don Quijote Shared Services Co., Ltd.
September 2012	Standing Audit & Supervisory Board Member of the Company (current position)

Shoji Wada
Standing Audit & Supervisory Board Member

April 1979	Joined Hinode Co., Ltd. (currently Doit Co., Ltd.)
February 2007	Department Manager of Information System Department of Doit Co., Ltd.
April 2009	Transferred to the Company
July 2009	Acting Department Manager of Information System Department, Information and Communication Technology Division of the Company
July 2012	Transferred to Don Quijote Shared Services Co., Ltd. Acting Department Manager of Information System Department, Information and Communication Technology Division of Don Quijote Shared Services Co., Ltd.
September 2015	Standing Audit & Supervisory Board Member of the Company (current position)

Tomiaki Fukuda
Audit & Supervisory Board Member (Outside)

April 1995	President and Representative Director of U.H.I. SYSTEMS K.K.
November 2002	Vice-president of Fédération Internationale des Luttes Associées (FILA)
April 2003	President of Japan Wrestling Federation (current position)
August 2004	General Manager of the Japanese Delegation for Athens Olympic Games
August 2008	Chef de Mission of the Japanese Delegation for Beijing Olympic Games
April 2009	Vice President of Japanese Olympic Committee
September 2010	Standing Audit & Supervisory Board Member of the Company
June 2012	Audit & Supervisory Board Member of the Company (current position) Chairman and Representative Director of Goyo Intex Co., Ltd.
June 2013	Honorary member of Japanese Olympic Committee (current position)
January 2014	Councilor of the Tokyo Organising Committee of the Olympic and Paralympic Games (current position)
June 2015	Outside Director of Tamagawa Holdings Co., Ltd. (current position)

Yoshihiro Hongo
Audit & Supervisory Board Member (Outside)

April 1972	Joined Showa & Co. (currently Ernst & Young ShinNihon LLC)
March 1975	Registered as a certified public accountant
May 1975	Registered as a tax accountant
January 1977	Established Hongo Certified Public Accountant Firm
October 2000	Outside Statutory Auditor of e-System Corporation
April 2002	Representative Partner and Chairman of Hongo Tsuji Tax & Consulting (current position)
September 2002	Outside Statutory Auditor of MOC Corporation
December 2002	Outside Statutory Auditor of Asia Air Survey Co., Ltd.
June 2006	Outside Auditor of The Tokyo Tomin Bank, Limited
September 2007	Outside Audit & Supervisory Board Member of the Company (current position)
June 2009	Auditing Officer of UT Holdings Co., Ltd.
June 2011	Independent Auditor of Fidec Corporation (currently Accretive Co., Ltd.)

Messages from an Outside Director and an Audit & Supervisory Board Member

Strive, as a group, to lift corporate value higher

Yukihiko Inoue
Outside Director

My role as an outside director is, as I see it, to state honest opinions from an objective perspective and to help lead Don Quijote Group management in an appropriate direction. I draw on the experience and insights I have gained to date to contribute to further growth of the Group and to help raise management's ability to fulfill its responsibility to stakeholders and boost corporate value. I believe the Don Quijote Group has a bright future, and stakeholders should also expect good things over the long term.

Earning society's trust through an external perspective

Yoshihiro Hongo
Outside Audit & Supervisory Board Member

I believe the role of an outside audit & supervisory board member is to ensure that corporate governance and compliance are functioning effectively, from an independent position and external perspective. For myself, in this role, I will draw on accumulated experience as a certified public accountant and tax accountant to monitor the decisions of the Board of Directors and identify any issues pertaining to the rationality and transparency of management practices. I believe this will lead to improved corporate value and earn society's trust.

Financial Section

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Consolidated Business Results

Net Sales and Operating Income

The economic environment in Japan during fiscal 2015—July 1, 2014 to June 30, 2015—was characterized by a gradual recovery, underpinned by the integrated promotion of the three arrows of Abenomics—dramatic monetary easing, flexible fiscal policy, and growth strategy to spur private investment—and a positive trend in corporate earnings and employment news, which was fueled by favorable exchange rates due to sustained yen depreciation, and also by a drop in the price of oil. However, consumer spending grew more uncertain, mainly the result of a hike in the consumption tax, effective from April 2014, which dampened purchasing enthusiasm, and also owing to a rise in commodity prices and a decline in real disposable income. In addition, consumers have become more sensitive about prices on daily necessities, such as food items and daily consumables.

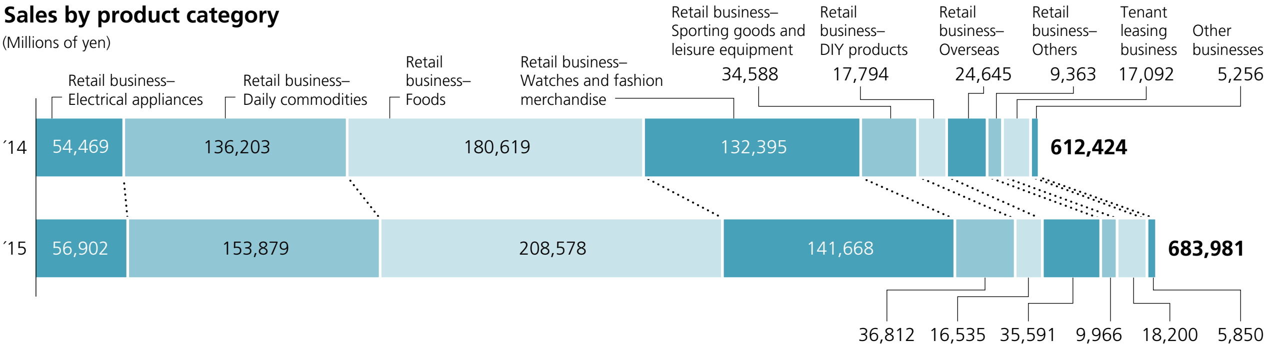
These factors contributed to a rather challenging business environment for retailers. Given this situation, companies that have had the ability to respond expediently to change are steadily separating themselves from those that do not, with prompt responses to thrifty consumer behavior—that is, a heightened consumer preference for saving money—and an appealing product mix and pricing fine-tuned to the needs of the times.

For the Don Quijote Group, prevailing conditions are actually seen as a great opportunity to proudly demonstrate strengths built on policies that recognize the capabilities of frontline staff and make each store special—policies that distinguish the Group's operating companies from the competition—and proactive steps have been taken, based on aggressive sales strategies, to achieve success despite, or perhaps, precisely because of, the challenges that mark the business environment.

More to the point, the Don Quijote Group took full advantage of a thoroughly unique corporate culture that thrives on the delegation of authority to store personnel, and implemented store-specific product portfolio reviews and pricing strategies perfectly matched to consumer behavior and evolving market needs. These efforts facilitated the realization of an enhanced mix of daily necessities and the best possible prices in each catchment area, which generated a higher level of customer loyalty.

Sales by product category

(Millions of yen)



Sales and composition by product category	2014 Net sales	2014 Percentage	2015 Net sales	2015 Percentage
	Millions of yen	%	Millions of yen	%
Retail business	590,076	96.3	**659,931**	**96.5**
Electrical appliances	54,469	8.9	**56,902**	**8.3**
Daily commodities	136,203	22.2	**153,879**	**22.5**
Foods	180,619	29.5	**208,578**	**30.5**
Watches and fashion merchandise	132,395	21.6	**141,668**	**20.7**
Sporting goods and leisure equipment	34,588	5.6	**36,812**	**5.4**
DIY products	17,794	2.9	**16,535**	**2.4**
Overseas	24,645	4.0	**35,591**	**5.2**
Others	9,363	1.6	**9,966**	**1.5**
Tenant leasing business	17,092	2.8	**18,200**	**2.7**
Other businesses	5,256	0.9	**5,850**	**0.8**
Total	612,424	100.0	**683,981**	**100.0**

Since 2008, well ahead of other retailers, the Don Quijote Group has energetically embarked on marketing activities to capitalize on inbound demand. Initial efforts included the "welcome desk" (a call center specifically for visitors to Japan), tax-free counters and the "welcome crew" (specially appointed staff who cater to foreign visitors' queries), followed by a steady stream of unparalleled marketing strategies designed with tourist convenience in mind, based on the philosophy of "valuing the customer as our utmost priority." In February 2015, anticipating greater demand at Chinese New Year, Don Quijote launched a Chinese-language version of its "welcome reservation site," where visitors to Japan can pre-order items they wish to purchase at a Don Quijote store in Japan. Also, consolidated subsidiary Accretive Co., Ltd., which focuses on financial services, provided vital business know-how to bring about a foreign currency payment service that enables foreign tourists to pay for their purchases at the cash register in currencies other than yen. Seven currencies—Chinese yuan, Taiwan dollar, Korean won, Thai baht, Hong Kong dollar, U.S. dollar and euro—are accepted at all stores nationwide, a first in Japan. In June 2015, seeking to draw greater notice from inbound tourists, Don Quijote opened the Don Quijote Dotonbori Midosuji store, its second location in Osaka's Dotonbori district, which is a popular spot for overseas tourists, and the MEGA Don Quijote Narita store, located a 20-minute drive or so from Narita Airport, a key gateway to Japan, with a special parking lot for big tour buses. We will strive to capitalize further on inbound demand.

Earlier, in May 2015, the Company opened the PLATINUM Don Quijote Shirokanedai store in the exclusive Shirokanedai residential area of Minato Ward, in Tokyo, to test the waters for a new kind of store, offering a sensory mix of reasonable, chaotic and luxurious. The store's tasteful, white exterior, handsomely detailed in gold tones, blends in nicely with the characteristics of the neighborhood. The store offers excellent convenience, exemplified by the merchandise mix and late-night hours, and has been well-received by customers.

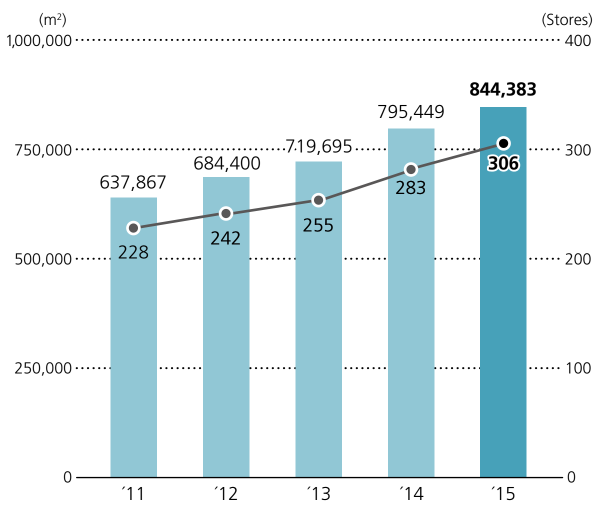
For the "majica" card, an original Don Quijote Group electronic payment system launched in March 2014, membership has exceeded the target set at pre-introduction, and the number of members is steadily rising, as are sales to members, even after a year since its introduction. The card is also spurring higher spending per customer. As of June 30, 2015, "majica" membership had topped 2.78 million.

In overseas operations, consolidated subsidiary MARUKAI CORPORATION totally renovated the existing Marukai Costa Mesa store in California and reopened it in January 2015 under a new grocery store format—TOKYO CENTRAL—focusing on Japanese foods such as sushi and prepared side dishes under an "oriental mobile foods" concept, with a particular emphasis on quality and price. In March, the company opened a second TOKYO CENTRAL store, also in California, in the newly remodeled West Covina store.

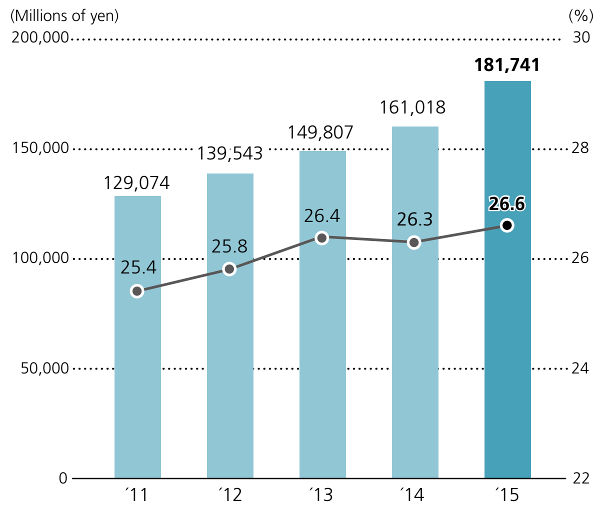
Store Network

In fiscal 2015, the Group oversaw the opening of a record 33 stores: one in Hokkaido, two in the Tohoku region, 15 in the Kanto region, four in the Chubu region, eight in the Kinki region and three in the Kyushu region. A review of business activities prompted the conversion of five stores to different

Total sales floor space (left axis)
Number of stores (right axis)



Gross profit (left axis)
Gross profit margin (right axis)



formats, while relocation and business efficiency improvement measures led to the closure of 10 Group stores.

As a result, the Group's store network expanded to 306 stores as of June 30, 2015, compared with 283 stores as of June 30, 2014.

Operating Results by Business Segment

Retail Business

In fiscal 2015, the retail business generated sales of ¥659,931 million, up ¥69,855 million, or 11.8%, from fiscal 2014, and operating income grew to ¥21,417 million. Don Quijote, the core operating company within the Group, successfully captured inbound demand from visitors to Japan, and benefited from winning sales strategies, particularly for food items and daily commodities, targeting customers at the family-oriented New MEGA Don Quijote format. This prompted greater customer loyalty, which triggered a favorable shift in sales at existing stores, up 4.6% year on year.

Tenant Leasing Business

In fiscal 2015, the tenant leasing business advanced, recording sales of ¥18,200 million, up ¥1,108 million, or 6.5%, year on year, and operating income reached ¥12,714 million. This segment delivered brisk results, centering on the efforts of Japan Asset Marketing Co., Ltd., and Japan Commercial Establishment Co., Ltd., which are engaged in the tenant leasing business, paralleling an increase in the number of stores in the retail business.

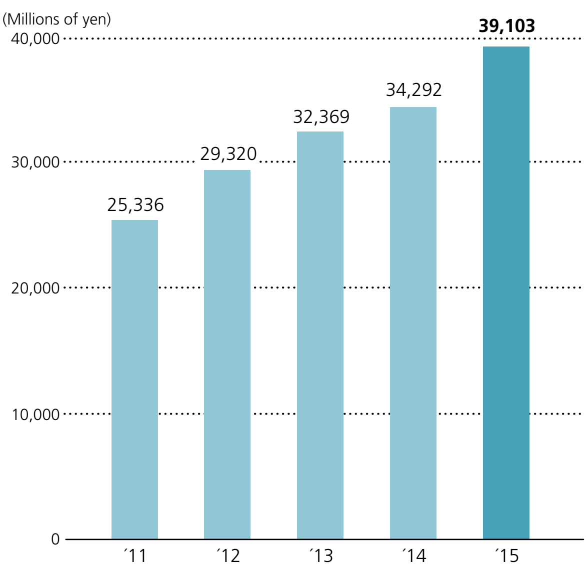
Other Businesses

In fiscal 2015, sales from other businesses grew to ¥5,850 million, up ¥594 million, or 11.3%, year on year, and operating income increased to ¥5,372 million. This result reflects performance growth at subsidiaries, particularly Accretive, which is involved in financial services.

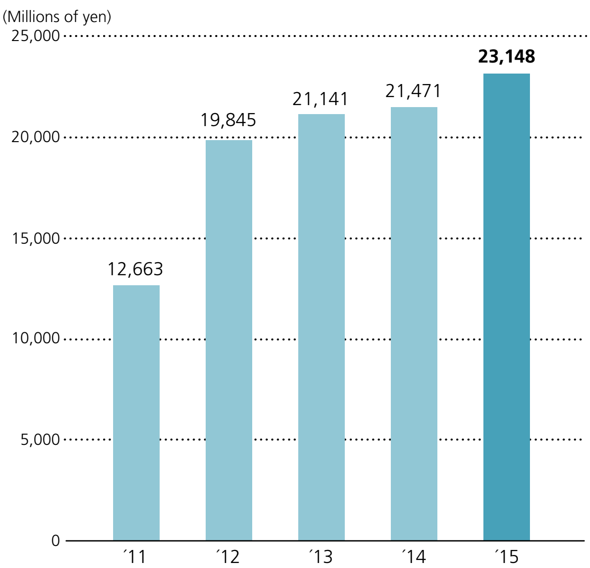
Operating Income

After the hike in the consumption tax took effect, the trend among consumers to save money became more entrenched. Against this backdrop, the Group made concerted efforts to offer attractive prices on daily necessities, such as food and daily commodities, and was rewarded with greater customer loyalty. While stores aggressively promoted the disposal of slow-moving inventory toward the fiscal year-end, the gross profit margin improved, as the effective use of spot products and successful efforts to capitalize on inbound purchasing activity enabled stores to accumulate gross profit. Selling, general and administrative (SG&A) expenses grew, paralleling energetic network expansion, an increase in the number of customers seeking more affordable daily necessities in the wake of the consumption tax hike, and an increase in the number of man-hours, coupled with measures to strengthen the Group's inbound business and sales structure. Despite higher SG&A expenses, operating income jumped 14.0% year on year, to ¥39,103 million, thanks to higher net sales and the improved gross profit margin.

Operating income



Net income



Ordinary Income, Net Income

The Company booked ¥404 million under loss on closing of stores, ¥368 million in loss on sales of non-current assets, and ¥202 million in loss on disposal of non-current assets under extraordinary loss, but posted ¥168 million in gain on negative goodwill and ¥138 million in gain on insurance adjustment under extraordinary income. Buoyed by the higher net sales, ordinary income climbed 13.2%, to ¥40,160 million, and net income rose 7.8%, to ¥23,148 million.

Outlook for Fiscal 2016

The outlook for fiscal 2016 continues to present uncertainties. The government's measures to stimulate the economy should keep generating positive effects, and issues associated with the April 2014 consumption tax hike are gradually subsiding. However, a sharp rise in raw material costs will drive up product prices, and consumers will become even more sensitive to prices.

The Company sees the situation as an opportunity for growth and will guide the Group to create stores with appealing formats that translate into a high level of customer satisfaction.

In store development, management is pushing for expansion of the store network, based on due consideration of various store formats, namely the Don Quijote format and the family-oriented MEGA Don Quijote format, so that stores are perfectly matched to market size and local characteristics.

In store operation, management will emphasize a store-based approach that enables each location to demonstrate price superiority while catering to the needs of customers in respective commercial districts with the best merchandise mix possible. At the same time, efforts will be directed toward capturing a larger share of inbound demand.

Management is also keen to reinforce sales promotion activities through "majica," the Group's proprietary e-money card, and raise the level of customer loyalty.

Given anticipated market conditions and the Group's efforts to maximize business opportunities, management expects the following results for fiscal 2016: net sales up 6.7%, to ¥730 billion; operating income up 1.8%, to ¥39.8 billion; ordinary income up 1.6%, to ¥40.8 billion; and net income up 0.7%, to ¥23.3 billion.

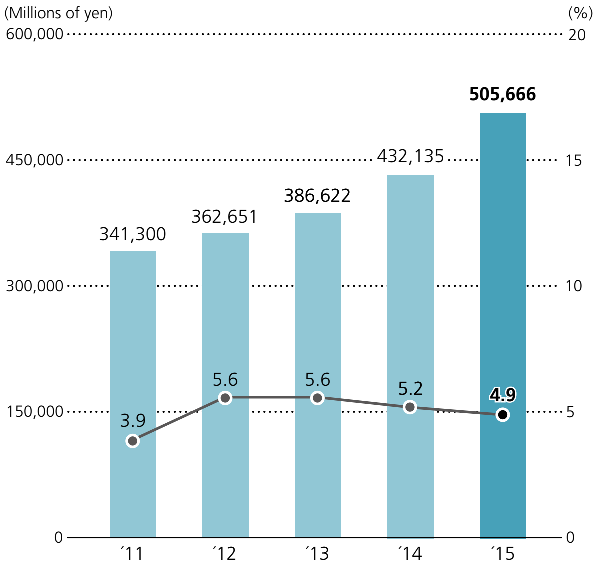
Financial Position

As of June 30, 2015, total assets stood at ¥505,666 million, up ¥73,531 million from a year earlier.

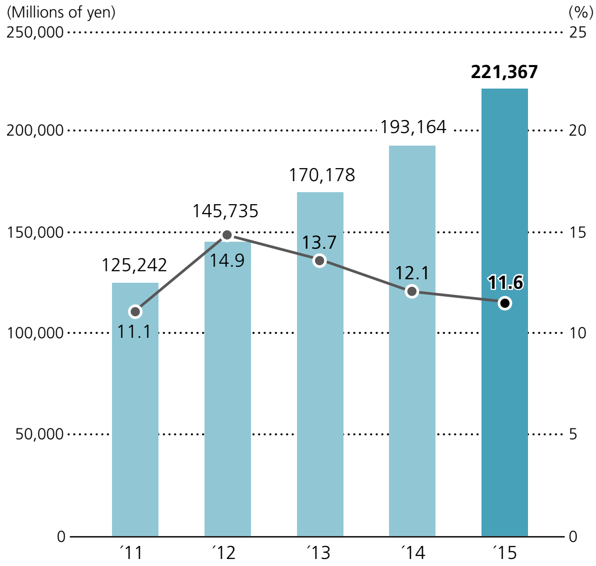
Current assets amounted to ¥175,981 million, up ¥17,147 million, compared with the previous fiscal year. The primary components of this change were increases of ¥7,027 million in cash and deposits and ¥5,475 million in inventories, paralleling the opening of new stores.

Property, plant and equipment totaled ¥262,127 million, up ¥49,404 million, compared with the previous fiscal year. The primary components of this change were buildings and structures, up ¥29,723 million, and land,

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



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



up ¥30,967 million, reflecting the opening of new stores and acquisition of candidate buildings for future stores since the end of fiscal 2015.

Intangible assets grew ¥2,173 million, to ¥17,529 million, from June 30, 2014, mainly because of higher goodwill.

Total liabilities stood at ¥284,299 million on June 30, 2015, up ¥45,328 million from a year earlier.

Current liabilities amounted to ¥144,576 million, up ¥30,132 million from a year earlier, due to increases of ¥5,438 million in accounts payable–trade and ¥2,627 million in accrued expenses.

Non-current liabilities reached ¥139,723 million, up ¥15,196 million, as an increase of ¥18,390 million in corporate bonds outweighed a decrease in long-term debt totaling ¥4,874 million.

The debt-to-equity ratio was 0.60 times, an increase of 0.10 point. Net interest-bearing liabilities as of June 30, 2015, amounted to ¥126,444 million, for a ratio of interest-bearing debt to total assets of 25.0%, compared with 21.8% a year earlier. Net liabilities increased ¥25,143 million, to ¥76,727 million. The equity ratio declined 1.4 percentage points, to 42.0%, while return-on-equity edged down 0.5 percentage point, to 11.6%.

Cash Flows

Cash provided by operating activities in fiscal 2015 amounted to ¥42,520 million, as inflow, primarily income before income taxes, depreciation and amortization, and increase in trade payables, more than offset outflow, namely higher inventories paralleling the opening of new stores as well as income taxes paid.

Cash used in investing activities came to ¥52,641 million, largely owing to payments for purchase of property, plant and equipment and payments for fixed leasehold deposits.

Cash provided by financing activities totaled ¥16,176 million, mainly because proceeds from issuance of bonds exceeded a decrease in loans and payments of cash dividends.

As a result, cash and cash equivalents came to ¥51,292 million at the end of fiscal 2015, up ¥7,187 million from a year earlier.

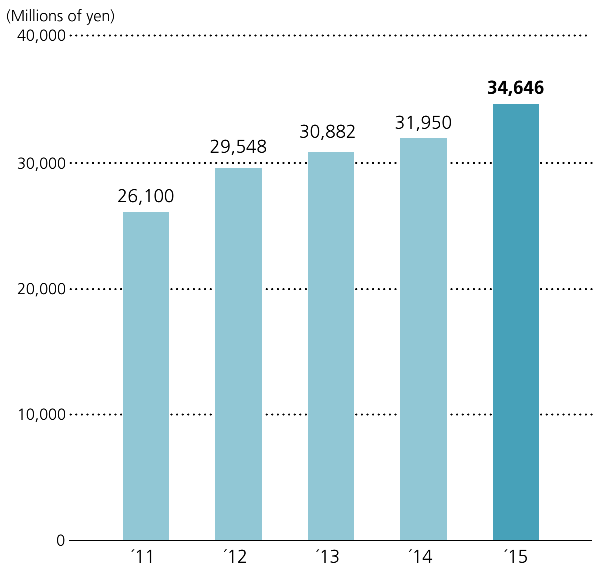
Capital Investment

In fiscal 2015, the Group allocated capital investment, mainly to purchase land, buildings and facilities, pay fixed leasehold deposits and acquire software, for 33 newly built stores and thereby expand the retail and tenant leasing businesses.

As a result, capital investment by reporting segment was ¥24,594 million in the retail business, ¥28,079 million in the tenant leasing business and ¥54 million in other businesses.

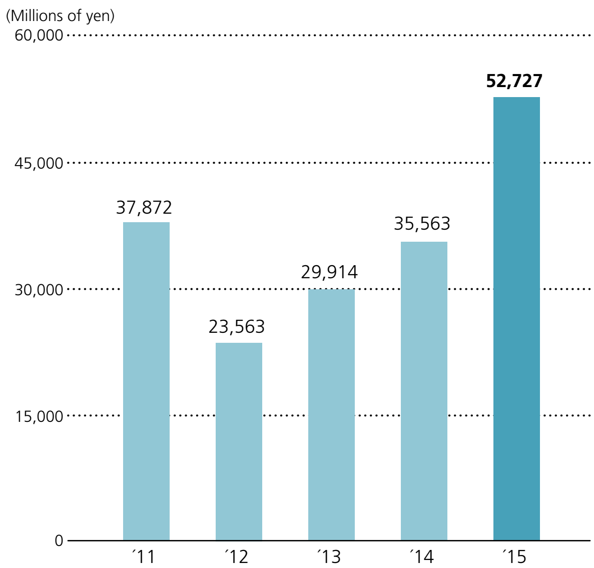
The Company also recorded a ¥198 million impairment loss and ¥404 million under loss on closing of stores.

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 25, 2015, 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

Business results are greatly influenced by the ability of young marketing staff, particularly those in their 20s and 30s, to quickly and accurately pinpoint demand and expertly apply this information to the selection of merchandise matching customer needs. Failure to retain and train such staff, or to maintain the appropriate organizational structure to support such efforts, could lead to sluggish business results.

4. Consumer demand, weather and seasonality

Business results may be influenced by unavoidable factors, including fluctuations in consumer demand, changes in the weather and seasonal variations. The inability to prepare for and respond to changing external factors such as these may dampen improvement in business results.

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

To expand Group operations, the Company may have to derive capital in new ways, such as bond issuance, depending on the amount of capital required for the target investment. Business expansion plans could be hampered by an unfavorable economic environment, high interest rates or other problematic fund procurement conditions.

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 either case, there would be an adverse effect on the Group's business, financial condition and results of operations.

11. Stock options

The Group 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

Store-operating Group companies actively pursue new store openings but may also close locations that prove unprofitable. A policy is in place stating that any newly opened store failing to achieve its initial revenue target will be closed if a turnaround in performance is unattainable even with management efforts to expand sales and reduce selling, general and administrative expenses. Losses associated with the closure of one or more stores due to poor performance could have a negative impact on consolidated results.

13. Foreign currency transactions

Store-operating Group companies import certain merchandise directly from overseas. If indirect imports are also included, most of the merchandise sold comes from outside Japan. Generally, the effective purchase price will trend downward if the yen is strong, and rise when the yen weakens. The gross profit margin is therefore susceptible to the risk of currency fluctuations. On occasion, merchandise-importing Group companies will undertake forward exchange contracts and formulate measures to avoid exchange rate risk. But there is no guarantee that these efforts will be completely effective, and general market risk from fluctuations in forex markets, in particular, will inevitably affect business results.

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

Inventories at stores throughout the Group have recently tended to rise because of the Company's aggressive stance on store openings. To minimize inventory risk, stores monitor sales trends and inventory volumes in real time through POS (point of sale) and core operating systems. However, changes in the operating environment, mainly fluctuating consumer demand and changes in the weather, could cause the turnover of inventory to slow, and the subsequent disposal of inventory and booking of loss on valuation of merchandise could adversely affect the Group's business results and financial position.

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 Holdings Co., Ltd. and Consolidated Subsidiaries
As of June 30, 2015 and 2014

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
ASSETS	**2015**	2014	**2015**
Current assets:			
Cash and deposits (Notes 7, 17 and 25)	**¥49,717**	¥42,690	**$406**
Notes and accounts receivable–trade (Note 7)	**6,820**	5,730	**56**
Purchased receivables (Notes 7 and 17)	**5,439**	6,009	**44**
Inventories (Notes 5 and 17)	**94,580**	89,105	**772**
Prepaid expenses	**2,918**	2,596	**24**
Deferred tax assets (Note 18)	**6,644**	5,228	**54**
Other current assets	**9,914**	7,517	**81**
Less: Allowance for doubtful accounts (Note 7)	**(51)**	(41)	**(0)**
Total current assets	**175,981**	158,834	**1,437**
Investments and advances:			
Investments in securities and capital to affiliates (Note 7)	**2,047**	360	**17**
Investment securities (Notes 7 and 8)	**4,378**	4,054	**36**
Advance payment for fixed leasehold deposits	**4,066**	3,215	**34**
Long-term loans receivable (Note 7)	**914**	1,069	**7**
Less: Allowance for doubtful accounts (Note 7)	**(192)**	(190)	**(2)**
Total investments and advances	**11,213**	8,508	**92**
Property, plant and equipment (Notes 17, 21 and 26)**:**			
Land	**150,647**	119,680	**1,230**
Buildings and structures	**165,786**	136,063	**1,354**
Furniture and fixtures	**50,004**	45,617	**408**
Construction in progress	**1,373**	3,441	**11**
Other property, plant and equipment	**321**	260	**3**
Total	**368,131**	305,061	**3,006**
Less: Accumulated impairment loss	**(4,818)**	(3,855)	**(39)**
Less: Accumulated depreciation	**(101,186)**	(88,483)	**(826)**
Net property, plant and equipment	**262,127**	212,723	**2,141**
Intangibles (Note 21)**:**			
Goodwill	**7,409**	6,332	**60**
Other intangibles	**10,120**	9,024	**83**
Total intangibles	**17,529**	15,356	**143**
Other assets:			
Long-term deposits	**300**	300	**2**
Fixed leasehold deposits (Notes 7 and 17)	**32,817**	30,963	**268**
Long-term prepaid expenses	**2,202**	2,147	**18**
Deferred tax assets (Note 18)	**2,710**	2,050	**22**
Other non-current assets	**2,350**	2,815	**20**
Less: Allowance for doubtful accounts (Note 7)	**(1,563)**	(1,561)	**(13)**
Total other assets	**38,816**	36,714	**317**
Total assets	**¥505,666**	¥432,135	**$4,130**

The accompanying notes are an integral part of the statements.

LIABILITIES AND EQUITY	Millions of yen (Note 2) 2015	2014	Millions of U.S. dollars (Note 2) 2015
Liabilities			
Current liabilities:			
Accounts payable–trade (Note 7)	¥60,556	¥55,118	$495
Short-term loans (Notes 7, 9, 10, 11 and 17)	1,921	2,197	16
Current portion of long-term debt (Notes 7, 9 and 17)	36,764	17,755	300
Payables under fluidity lease receivables (Notes 7 and 12)	7,040	5,912	57
Accrued expenses (Note 7)	9,948	7,321	81
Accrued income taxes (Note 7)	8,454	7,883	69
Allowance for point program	938	413	8
Other current liabilities (Notes 17 and 18)	18,955	17,845	155
Total current liabilities	144,576	114,444	1,181
Non-current liabilities:			
Long-term debt (Notes 7, 9, 11 and 17)	87,998	74,338	719
Long-term payables under fluidity lease receivables (Notes 7 and 12)	34,023	34,345	278
Allowance for retirement benefits for directors	—	360	—
Asset retirement obligations (Note 27)	3,777	3,285	31
Negative goodwill	526	622	4
Other non-current liabilities (Notes 17 and 18)	13,399	11,577	109
Total non-current liabilities	139,723	124,527	1,141
Total liabilities	284,299	238,971	2,322
Equity (Notes 3, 14 and 23)**:**			
Common stock			
Authorized:			
2014—234,000,000			
2015—234,000,000			
Issued and outstanding:			
2014—78,393,980			
2015—78,959,480	22,227	21,366	182
Additional paid-in capital	25,030	24,169	204
Stock acquisition rights	13	—	0
Retained earnings	162,428	142,105	1,326
Net unrealized gains on investment securities	569	472	5
Foreign currency translation adjustments	2,090	(764)	17
Less: Treasury stock, at cost			
2014—1,244			
2015—1,244	(3)	(3)	(0)
Total	212,354	187,345	1,734
Minority interests	9,013	5,819	74
Total equity	221,367	193,164	1,808
Total liabilities and equity	¥505,666	¥432,135	$4,130

The accompanying notes are an integral part of the statements.

Consolidated Statements of Income

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2015 and 2014

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2015**
Net sales	**¥683,981**	¥612,424	**$5,586**
Cost of goods sold (Note 5)	**502,240**	451,406	**4,102**
Gross profit	**181,741**	161,018	**1,484**
Selling, general and administrative expenses (Notes 19 and 20)	**142,638**	126,726	**1,165**
Operating income	**39,103**	34,292	**319**
Other income (expenses):			
Interest and dividend income	**639**	523	**5**
Gain on sales of non-current assets (Note 24)	**2**	214	**0**
Gain on sales of investment securities	**—**	18	**—**
Penalty income	**922**	183	**8**
Interest expenses	**(928)**	(1,064)	**(8)**
Cost of claim's liquidation	**(675)**	(250)	**(5)**
Loss on sales of non-current assets (Note 24)	**(368)**	(201)	**(3)**
Loss on disposal of non-current assets (Note 24)	**(202)**	(390)	**(2)**
Loss on closing of stores (Note 24)	**(404)**	(762)	**(3)**
Other income and expenses, net (Notes 15 and 21)	**1,068**	1,662	**9**
Income before income taxes and minority interests	**39,157**	34,225	**320**
Income taxes (Note 18):			
Current	**14,379**	13,100	**117**
Deferred	**(2,154)**	(2,928)	**(17)**
Income before minority interests	**26,932**	24,053	**220**
Minority interests	**(3,784)**	(2,582)	**(31)**
Net income	**¥23,148**	¥21,471	**$189**

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)
	2015	2014	**2015**
Operating income	**¥39,103**	¥34,292	**$319**
Other income (expenses):			
Interest and dividend income	**639**	523	**5**
Penalty income	**922**	183	**8**
Interest expenses	**(928)**	(1,064)	**(8)**
Cost of claim's liquidation	**(675)**	(250)	**(5)**
Other income and expenses, net	**1,099**	1,803	**9**
Ordinary income	**40,160**	35,487	**328**
Extraordinary income (loss):			
Gain on sales of non-current assets	**2**	214	**0**
Gain on sales of investment securities	**—**	18	**—**
Loss on sales of non-current assets	**(368)**	(201)	**(3)**
Loss on disposal of non-current assets	**(202)**	(390)	**(2)**
Loss on closing of stores	**(404)**	(762)	**(3)**
Other extraordinary income and loss, net	**(31)**	(141)	**(0)**
Income before income taxes and minority interests	**¥39,157**	¥34,225	**$320**

Consolidated Statements of Comprehensive Income (Note 16)

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2015 and 2014

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	2015
Income before minority interests	¥26,932	¥24,053	$220
Other comprehensive income			
Net unrealized gains (losses) on investment securities	101	(262)	1
Foreign currency translation adjustments	2,859	859	23
Total other comprehensive income	2,960	597	24
Comprehensive income	¥29,892	¥24,650	$244
Comprehensive income attributable to:			
Owners of the parent	¥26,099	¥22,067	$213
Minority interests	3,793	2,583	31

Amount per share of common stock:	Yen (Note 2)		U.S. dollars (Note 2)
	2015	2014	2015
Basic earnings (Note 23)	¥147.09	¥137.34	$1.20
Diluted earnings (Note 23)	146.63	136.56	1.20
Cash dividends applicable to the year	40.00	36.00	0.33

* The Company executed a 2-for-1 stock split of common shares on July 1, 2015, in accordance with a resolution by the Board of Directors at its meeting on June 10, 2015. The basic earnings per share and diluted earnings per share have been calculated as if this stock split took place at the beginning of the fiscal year ended June 30, 2014.

The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Equity

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2015 and 2014

	Millions of yen (Note 2)								
	Common stock	Additional paid-in capital	Stock acquisition rights	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, 2013	¥20,613	¥23,416	¥ —	¥123,207	¥736	¥(1,625)	¥(3)	¥3,834	¥170,178
Cash dividends	—	—	—	(2,573)	—	—	—	—	(2,573)
Net income	—	—	—	21,471	—	—	—	—	21,471
Issuance of new shares	753	753	—	—	—	—	—	—	1,506
Other	—	—	—	—	(264)	861	—	1,985	2,582
Balance at June 30, 2014	¥21,366	¥24,169	¥ —	¥142,105	¥472	¥(764)	¥(3)	¥5,819	¥193,164
Cash dividends	—	—	—	(2,825)	—	—	—	—	(2,825)
Net income	—	—	—	23,148	—	—	—	—	23,148
Issuance of new shares	861	861	—	—	—	—	—	—	1,722
Other	—	—	13	—	97	2,854	—	3,194	6,158
Balance at June 30, 2015	¥22,227	¥25,030	¥13	¥162,428	¥569	¥2,090	¥(3)	¥9,013	¥221,367

	Millions of U.S. dollars (Note 2)								
	Common stock	Additional paid-in capital	Stock acquisition rights	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, 2014	$175	$197	$ —	$1,160	$4	$(6)	$(0)	$48	$1,578
Cash dividends	—	—	—	(23)	—	—	—	—	(23)
Net income	—	—	—	189	—	—	—	—	189
Issuance of new shares	7	7	—	—	—	—	—	—	14
Other	—	—	0	—	1	23	—	26	50
Balance at June 30, 2015	$182	$204	$0	$1,326	$5	$17	$(0)	$74	$1,808

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2015 and 2014

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes	¥39,157	¥34,225	$320
Depreciation and amortization	13,003	11,408	106
Impairment loss	198	19	2
Amortization of negative goodwill	(96)	(342)	(1)
Gain on negative goodwill	(168)	—	(1)
Decrease in allowance for doubtful accounts	(2)	(114)	(0)
Increase (Decrease) in allowance for retirement benefits for directors	(360)	23	(3)
Interest and dividend income	(639)	(523)	(5)
Interest expenses	928	1,064	8
Loss on sales of affiliates' securities	—	48	—
Gain on sales of investment securities, net	—	(18)	—
Loss on sales and disposal of property, plant and equipment, net	567	377	5
Loss on closing of stores	599	266	5
Offset rent expense from deposit received from lessees	1,279	1,302	10
Decrease (Increase) in trade receivables	(93)	483	(1)
Increase in inventories	(4,519)	(1,739)	(37)
Increase in trade payables	4,600	6,402	38
Decrease (Increase) in other current assets	517	(1,697)	4
Increase in other current liabilities	1,466	835	12
Increase (Decrease) in other non-current liabilities	(134)	412	(1)
Other, net	1,704	96	13
Subtotal	58,007	52,527	474
Received interest and dividend income	456	386	4
Interest paid	(892)	(1,186)	(7)
Income taxes paid	(15,499)	(12,033)	(127)
Income taxes refund	557	—	4
Surcharge paid	(109)	(10)	(1)
Net cash provided by operating activities	42,520	39,684	347
Cash flows from investing activities:			
Time deposits transferred from cash	(50)	(491)	(0)
Proceeds from time deposits	891	7	7
Payments for purchase of property, plant and equipment	(46,633)	(31,872)	(381)
Proceeds from sales of property, plant and equipment	252	2,363	2
Payments for purchase of intangible assets	(779)	(2,045)	(6)
Payments for fixed leasehold deposits	(4,791)	(1,072)	(39)
Proceeds from termination of fixed leasehold deposits	2,264	872	18
Advance payment for fixed leasehold deposits	(1,417)	(575)	(12)
Proceeds from sales of investment securities	—	423	—
Payments for purchase of subsidiaries' securities resulting in changes in the scope of consolidation (Note 25)	(1,581)	(2,948)	(13)
Proceeds from purchase of subsidiaries' securities resulting in changes in the scope of consolidation (Note 25)	713	—	6
Payments of loans receivable	(231)	(1,136)	(2)
Other, net	(1,279)	(119)	(10)
Net cash used in investing activities	(52,641)	(36,593)	(430)
Cash flows from financing activities:			
Net decrease of short-term bank loans	(384)	(12,421)	(3)
Borrowing of long-term debt	13,414	20,500	110
Repayment of long-term debt	(25,932)	(23,030)	(212)
Proceeds from issuance of bonds	37,836	1,960	309
Payments for redemption of bonds	(7,110)	(20,330)	(58)
Redemption of convertible bonds	—	(350)	—
Proceeds from fluidity of lease receivables	7,461	42,792	61
Repayments of payables under fluidity lease receivables	(7,349)	(2,988)	(60)
Issuance of common stock	1,722	1,506	14
Payments of cash dividends	(2,825)	(2,573)	(23)
Cash dividends paid to minority shareholders	(602)	(552)	(5)
Other, net	(55)	(74)	(0)
Net cash provided by financing activities	16,176	4,440	133
Effect of exchange rate changes on cash and cash equivalents	1,132	442	9
Increase in cash and cash equivalents	7,187	7,973	59
Cash and cash equivalents at beginning of the year	44,105	36,132	360
Cash and cash equivalents at end of the year (Note 25)	¥51,292	¥44,105	$419

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2015 and 2014

1. DESCRIPTION OF BUSINESS

The Don Quijote Group (the "Group") comprises pure holding company Don Quijote Holdings Co., Ltd. (the "Company"), 47 consolidated subsidiaries (Don Quijote Co., Ltd., Japan Commercial Establishment Co., Ltd., D-ONE Co., Ltd., REALIT Co., Ltd., Don Quijote (USA) Co., Ltd., Doit Co., Ltd., Nagasakiya Co., Ltd., MARUKAI CORPORATION, Accretive Co., Ltd., Japan Asset Marketing Co., Ltd., Don Quijote Shared Services Co., Ltd., and 36 other subsidiaries), 22 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.

Major operations of the Group are as follows:

Retail business

Don Quijote Co., Ltd., Don Quijote (USA) Co., Ltd., Doit Co., Ltd., Nagasakiya Co., Ltd., and MARUKAI CORPORATION 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 also manages these tenants.

Don Quijote Co., Ltd., Don Quijote (USA) Co., Ltd., Doit Co., Ltd. and MARUKAI CORPORATION are engaged in the tenant leasing business and lease part of their stores to tenants.

Japan Asset Marketing Co., Ltd., is involved in the tenant leasing business through leasing of commercial buildings to Group companies. The company also manages these 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 including early financing of accounts receivable and outsourcing services for payments.

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 ¥122.45 to U.S.$1, the rate prevailing on June 30, 2015. 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, 2014, have been reclassified for comparative purposes with fiscal year ended June 30, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

As of June 30, 2015 the Company has 69 subsidiaries, including 47 consolidated subsidiaries, presented in the following table:

	Equity holdings by the Group	Activity
Don Quijote Co., Ltd.	100.0%	Operation of retail stores and tenant leasing business
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.*	5.4%	Operation of POS-linked cellular phones for sales promotion system
Don Quijote (USA) Co., Ltd.	100.0%	Operation of retail stores and tenant leasing business
Doit Co., Ltd.	100.0%	Operation of retail stores and tenant leasing business
Nagasakiya Co., Ltd.	100.0%	Operation of retail stores
Accretive Co., Ltd.*	49.2%	Financial services such as early financing of accounts receivable and outsourcing service for payments
Koigakubo SC TMK	100.0%	Real estate management 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
Japan Asset Marketing Co., Ltd.*	49.2%	Leasing of real estate and management businesses
MARUKAI CORPORATION	100.0%	Operation of retail stores and tenant leasing business
And 34 other companies		

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

Six companies were newly added to the scope of consolidation through the acquisition of all shares in the fiscal year under review. An additional seven companies were newly established during this same period and were similarly included in the scope of consolidation. Five companies merged with other consolidated subsidiaries and were removed from the scope of consolidation. Of the consolidated subsidiaries, Doit Co., Ltd. and four other companies have fiscal year-ends that differ from that of the Company's fiscal year-end, but the gap is less than three months so the financial statements of these subsidiaries are used in the preparation of the consolidated financial statements.

However, adjustments are made for the effects of significant transactions that occur during the gap between the fiscal year-ends of these subsidiaries and the consolidated fiscal year-end on June 30.

Of the consolidated subsidiaries, Nagoya Sakae Jisho Limited Liability Co. and four other companies have fiscal year-ends that differ from the consolidated fiscal year-end by more than three months. Consequently, financial statements based on a provisional settlement of accounts on the consolidated closing date have been used in the preparation of the consolidated financial statements.

Of the consolidated subsidiaries, Accretive Co., Ltd. and 11 other companies have fiscal year-ends that differ from the consolidated fiscal year-end. Consequently, financial statements based on a provisional settlement of accounts on the consolidated closing date have been used in the preparation of the consolidated financial statements, as this would provide more appropriate management information.

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
Twenty-two 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

Don Quijote Co., Ltd., 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 the straight-line method over an estimated useful life of five years, except for Don Quijote (USA) Co., Ltd. and MARUKAI CORPORATION, during the years ended June 30, 2015 and 2014.

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

At the Ordinary General Meeting of Shareholders in September 2014, approval was given for the Company to abolish its retirement benefit plan for directors and members of the Audit and Supervisory Board and make final retirement benefit payments to the aforementioned corporate officers, and to introduce a share-based compensation stock option program. As a result, the entire allowance for retirement benefits for directors was reversed, and ¥365 million in unpaid final payments is included in other current liabilities or other non-current liabilities, depending on the timing of payments.

Revenue recognition

The revenue of Don Quijote Co., Ltd., Nagasakiya Co., Ltd., Doit Co., Ltd., Don Quijote (USA) Co., Ltd., and MARUKAI CORPORATION 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. and Japan Asset Marketing 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, 2015 and 2014 were as follows:

Common stock outstanding (number of shares)	2015	2014
Balance at beginning of the year	78,393,980	77,863,880
Exercise of stock options	565,500	530,100
Balance at end of the year	78,959,480	78,393,980

Changes in the number of treasury stock during the years ended June 30, 2015 and 2014 were as follows:

Treasury stock outstanding (number of shares)	2015	2014
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 weighted-average number of shares of common stock outstanding during each year after incorporating the dilutive potential common stocks to be issued upon the exercise of stock options.

The Company executed a 2-for-1 stock split of common shares on July 1, 2015, in accordance with a resolution by the Board of Directors at its meeting on June 10, 2015. The basic earnings per share and diluted earnings per share have been calculated as if this stock split took place at the beginning of the fiscal year ended June 30, 2014.

4. UNAPPLIED ACCOUNTING STANDARDS

- Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Summary

The accounting standards and guidance were revised, primarily with regard to the accounting treatment of changes in the ownership interest in a subsidiary in which the Company has acquired additional shares and over which it continues to exercise control, acquisition-related costs, the presentation method of "net income" and the presentation method regarding the change from "minority interests" to "non-controlling interests," and finalization of the provisional accounting treatment.

(2) Application schedule

The Company will apply the revised accounting standards and guidance at the beginning of the fiscal year ending June 30, 2016.

The Company will apply provisional accounting treatment upon the implementation of a business combination after the beginning of the fiscal year ending June 30, 2016.

(3) Effect of applying the revised accounting standards and guidance

The impact of applying the Accounting Standard for Business Combinations, etc., on the consolidated financial statements is currently under review.

5. INVENTORIES

Inventories as of June 30, 2015, and 2014 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	2015
Electrical appliances	¥12,510	¥13,427	$102
Daily commodities	22,149	21,213	181
Foods	8,960	7,665	73
Watches, fashion goods	36,730	33,599	300
Sports, leisure goods	6,595	6,097	54
DIY products	3,148	3,482	26
Others	4,488	3,622	36
Total	¥94,580	¥89,105	$772

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)
	2015	2014	2015
Loss on valuation of inventories	¥4,984	¥1,991	$41

6. LEASE TRANSACTIONS

OPERATING LEASES

Unexpired lease payments for non-cancellable leases:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	2015
Due within one year	¥3,700	¥3,504	$30
Due after one year	14,902	15,681	122
Total	¥18,602	¥19,185	$152

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

Long-term debt, corporate bonds and payables under fluidity lease receivables provide funds primarily for capital investment and for working capital. The Company and some of its subsidiaries have entered into separate derivative transactions—interest rate swap—for a portion of long-term debt and corporate bonds to convert the interest rate basis from variable to fixed as a hedging method to limit exposure to fluctuations in interest rates.

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.

(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 13. "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, 2015 and 2014 are presented below. Note that the following tables do not include financial instruments for which fair values are extremely difficult to determine.

Fiscal year ended June 30, 2015

	Millions of yen (Note 2)		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥49,717	¥49,717	¥ —
(2) Notes and accounts receivable–trade	6,820		
Less: Allowance for doubtful accounts*1	(32)		
Net	6,788	6,788	—
(3) Purchased receivables	5,439	5,439	—
(4) Investment securities	4,143	4,143	—
(5) Long-term loans receivable	523		
Less: Allowance for doubtful accounts*2	(2)		
Net	521	522	1
(6) Fixed leasehold deposits	7,184	7,513	329
Total assets	73,792	74,122	330
(1) Accounts payable–trade	60,556	60,556	—
(2) Short-term loans	1,921	1,921	—
(3) Current portion of long-term debt	17,937	17,910	(27)
(4) Current portion of corporate bonds	18,740	18,689	(51)
(5) Payables under fluidity lease receivables	7,040	7,044	4
(6) Accrued expenses	9,948	9,948	—
(7) Accrued income taxes	8,454	8,454	—
(8) Corporate bonds	62,690	61,668	(1,022)
(9) Long-term debt	25,156	24,864	(292)
(10) Long-term payables under fluidity lease receivables	34,023	34,223	200
Total liabilities	246,465	245,277	(1,188)
Derivative transactions*3	(228)	(228)	—

	Millions of U.S. dollars (Note 2)		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	$406	$406	$ —
(2) Notes and accounts receivable–trade	56		
Less: Allowance for doubtful accounts*1	(0)		
Net	56	56	—
(3) Purchased receivables	44	44	—
(4) Investment securities	34	34	—
(5) Long-term loans receivable	4		
Less: Allowance for doubtful accounts*2	(0)		
Net	4	4	0
(6) Fixed leasehold deposits	59	61	2
Total assets	603	605	2
(1) Accounts payable–trade	495	495	—
(2) Short-term loans	16	16	—
(3) Current portion of long-term debt	146	146	(0)
(4) Current portion of corporate bonds	153	153	(0)
(5) Payables under fluidity lease receivables	57	57	0
(6) Accrued expenses	81	81	—
(7) Accrued income taxes	69	69	—
(8) Corporate bonds	512	504	(8)
(9) Long-term debt	206	203	(3)
(10) Long-term payables under fluidity lease receivables	278	279	1
Total liabilities	2,013	2,003	(10)
Derivative transactions*3	(2)	(2)	—

*1 Not including allowance for doubtful accounts booked separately under notes and accounts receivable–trade.
*2 Not including allowance for doubtful accounts booked separately under 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.

Fiscal year ended June 30, 2014

	Millions of yen (Note 2)		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥42,690	¥42,690	¥ —
(2) Notes and accounts receivable–trade	5,730		
Less: Allowance for doubtful accounts*1	(36)		
Net	5,694	5,694	—
(3) Purchased receivables	6,009	6,009	—
(4) Investment securities	3,913	3,913	—
(5) Long-term loans receivable	678		
Less: Allowance for doubtful accounts*2	(1)		
Net	677	678	1
(6) Fixed leasehold deposits	7,929	8,137	208
Total assets	66,912	67,121	209
(1) Accounts payable–trade	55,118	55,118	—
(2) Short-term loans	2,197	2,197	—
(3) Current portion of long-term debt	11,607	11,583	(24)
(4) Current portion of corporate bonds	6,140	6,141	1
(5) Payables under fluidity lease receivables	5,912	5,911	(1)
(6) Accrued expenses	7,321	7,321	—
(7) Accrued income taxes	7,883	7,883	—
(8) Corporate bonds	44,300	43,996	(304)
(9) Long-term debt	30,030	29,895	(135)
(10) Long-term payables under fluidity lease receivables	34,345	34,421	76
Total liabilities	204,853	204,466	(387)
Derivative transactions*3	(43)	(43)	—

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 8. "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; (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; (5) Payables under fluidity lease receivables; (8) Corporate bonds; (9) Long-term debt; (10) Long-term payables under fluidity lease receivables

The fair values are calculated by discounting the total principal and interest payment as well as the redemption total from the interest rate that would be applied to similar new fund procurement.

Derivative Transactions

Please refer to Note 13. "Derivatives."

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

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	2015
Investment securities	¥235	¥481	$2
Investments in securities and capital to affiliates	2,047	360	17
Long-term loans receivable	391	391	3
Less: Allowance for doubtful accounts*1	(190)	(189)	(2)
Net	201	202	1
Fixed leasehold deposits	25,633	23,034	209
Less: Allowance for doubtful accounts*2	(1,477)	(1,482)	(12)
Net	24,156	21,552	197

*1 Not including allowance for doubtful accounts booked separately under long-term loans receivable.
*2 Not including allowance for doubtful accounts booked separately under 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, 2015

	Millions of yen (Note 2)			
	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	¥49,717	¥ —	¥ —	¥ —
2. Notes and accounts receivable–trade	6,820	—	—	—
3. Purchased receivables	5,439	—	—	—
4. Long-term loans receivable	—	283	240	391
5. Fixed leasehold deposits	947	3,099	1,971	26,800
Total	¥62,923	¥3,382	¥2,211	¥27,191

	Millions of U.S. dollars (Note 2)			
	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	$406	$ —	$ —	$ —
2. Notes and accounts receivable–trade	56	—	—	—
3. Purchased receivables	44	—	—	—
4. Long-term loans receivable	—	2	2	3
5. Fixed leasehold deposits	8	25	16	219
Total	$514	$27	$18	$222

Fiscal year ended June 30, 2014

	Millions of yen (Note 2)			
	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	¥42,690	¥ —	¥ —	¥ —
2. Notes and accounts receivable–trade	5,730	—	—	—
3. Purchased receivables	6,009	—	—	—
4. Long-term loans receivable	—	365	313	391
5. Fixed leasehold deposits	1,251	3,213	2,152	24,347
Total	¥55,680	¥3,578	¥2,465	¥24,738

Redemption schedule for corporate bonds and long-term debt:

Fiscal year ended June 30, 2015

	Millions of yen (Note 2)					
	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
Short-term loans	¥1,921	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	18,740	11,540	17,540	1,540	20,840	11,230
Long-term debt	17,937	17,929	1,726	2,097	3,100	304
Total	¥38,598	¥29,469	¥19,266	¥3,637	¥23,940	¥11,534

	Millions of U.S. dollars (Note 2)					
	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
Short-term loans	$16	$ —	$ —	$ —	$ —	$ —
Corporate bonds	153	94	143	13	170	92
Long-term debt	146	147	14	17	26	2
Total	$315	$241	$157	$30	$196	$94

Fiscal year ended June 30, 2014

	Millions of yen (Note 2)					
	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
Short-term loans	¥2,197	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	6,140	17,400	10,200	16,500	200	—
Long-term debt	11,607	15,700	13,014	917	70	329
Total	¥19,944	¥33,100	¥23,214	¥17,417	¥270	¥329

8. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

1. Information regarding marketable securities and investment securities with quoted market prices as of June 30, 2015 and 2014 is as follows:

The following table summarizes carrying amount, acquisition cost and net unrealized gains (losses) as of June 30, 2015 and 2014.

Fiscal year ended June 30, 2015

	Millions of yen (Note 2)		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	¥2,760	¥2,340	¥420
Others	1,356	881	475
Subtotal	4,116	3,221	895
Carrying amount does not exceed acquisition cost:			
Equity securities	0	0	(0)
Others	27	28	(1)
Subtotal	27	28	(1)
Total	¥4,143	¥3,249	¥894

	Millions of U.S. dollars (Note 2)		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	$23	$19	$4
Others	11	7	4
Subtotal	34	26	8
Carrying amount does not exceed acquisition cost:			
Equity securities	0	0	(0)
Others	0	0	(0)
Subtotal	0	0	(0)
Total	$34	$26	$8

Fiscal year ended June 30, 2014

	Millions of yen (Note 2)		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	¥2,814	¥2,337	¥477
Others	1,082	781	301
Subtotal	3,896	3,118	778
Carrying amount does not exceed acquisition cost:			
Others	17	28	(11)
Subtotal	17	28	(11)
Total	¥3,913	¥3,146	¥767

2. Sales amounts and gains (losses) on sales of investment securities during the years ended June 30, 2015 and 2014 were as follows:

Fiscal year ended June 30, 2015
Not applicable

Fiscal year ended June 30, 2014

	Millions of yen (Note 2)		
	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	¥21	¥18	¥ —
Total	¥21	¥18	¥ —

3. Information regarding impaired marketable securities and investment securities in the fiscal years ended June 30, 2015 and 2014

Fiscal year ended June 30, 2015
For marketable securities, the Company wrote down ¥10 million ($0 million) (for other marketable securities without market value: ¥10 million ($0 million)). In determining impairment write-down, if market value at the end of the fiscal year has fallen around 50% below acquisition cost, the Company books impairment loss on acquisition cost at market value.

Fiscal year ended June 30, 2014
Not applicable

9. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans principally comprise bank loans (average interest rate was 1.6%).

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, 2015, 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 0.4% to 3.3%	¥43,093	$352
0.74% unsecured straight bonds due 2015	200	2
0.59% unsecured straight bonds due 2015	300	2
0.66% unsecured straight bonds due 2015	200	2
0.92% unsecured straight bonds due 2016	400	3
1.57% unsecured straight bonds due 2016	13,000	106
0.62% unsecured straight bonds due 2016	600	5
0.76% unsecured straight bonds due 2016	600	5
0.77% unsecured straight bonds due 2016	300	2
1.21% unsecured straight bonds due 2016	8,000	65
0.67% unsecured straight bonds due 2017	750	6
0.49% unsecured straight bonds due 2017	750	6
0.53% unsecured straight bonds due 2017	500	4
0.62% unsecured straight bonds due 2017	500	4
0.85% unsecured straight bonds due 2017	15,000	123
0.60% unsecured straight bonds due 2018	900	7
TIBOR 6-month interest rate unsecured straight bonds due 2018	1,400	11
TIBOR 6-month interest rate unsecured straight bonds due 2019	5,400	44
0.55% unsecured straight bonds due 2020	20,000	163
0.79% unsecured straight bonds due 2021	1,000	8
0.68% unsecured straight bonds due 2021	930	8
0.80% unsecured straight bonds due 2022	10,000	82
Other bonds	700	7
Subtotal	124,523	1,017
Finance lease liabilities	239	2
Less: Current portion of long-term debt	36,764	300
Total	¥87,998	$719

Long-term debt principally comprises bank loans (with average interest rate of 0.7%).

The Company signed a syndicated loan agreement with 14 financial institutions, totaling ¥5,000 million ($41 million). This agreement includes financial covenants based on certain indices calculated from equity on the consolidated balance sheets and ordinary income and loss on the consolidated statements of income. The balance of loans payable as of June 30, 2015 is ¥1,500 million ($12 million).

The Company also signed a syndicated loan agreement with 40 financial institutions, totaling ¥25,000 million ($204 million). At the end of fiscal 2015, the Company borrowed ¥5,000 million ($41 million). The agreement includes financial covenants based on certain indices calculated from equity on the consolidated balance sheets. The balance of loans payable as of June 30, 2015 was ¥5,000 million ($41 million).

Accretive Co., Ltd., a consolidated subsidiary of the Company, signed a syndicated loan agreement with three financial institutions, totaling ¥10,500 million ($86 million) as of June 30, 2015. This agreement includes financial covenants based on certain indices calculated from equity on the consolidated balance sheets and ordinary income and loss on the 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. Also, 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.

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)
2016	¥36,677	$299
2017	29,469	241
2018	19,266	157
2019	3,637	30
2020 and thereafter	35,474	290
Total	¥124,523	$1,017

10. OVERDRAFT AGREEMENTS

The Company and its consolidated subsidiaries had overdraft agreements to ensure the efficient procurement of funds for working capital with 36 banks as of June 30, 2015, and 35 banks as of June 30, 2014. The balances of unused financing based on these agreements as of June 30, 2015 and 2014 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2015**
Total overdraft limit granted	**¥39,083**	¥37,212	**$319**
Bank loans arranged	**1,615**	1,179	**13**
Unused amount of the agreed overdraft limit	**¥37,468**	¥36,033	**$306**

11. LOAN COMMITMENT AGREEMENT

The Company and its consolidated subsidiaries have entered into loan commitment agreements with three banks as of June 30, 2015 and 11 banks as of June 30, 2014 to ensure the efficient procurement of funds as working capital. The balance of unused funds based on these agreements as of June 30, 2015 and 2014 was as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2015**
Total amount of loan commitment	**¥10,760**	¥23,496	**$88**
Bank loans arranged	**306**	713	**3**
Unused amount of the agreed loan commitment	**¥10,454**	¥22,783	**$85**

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

12. FLUIDITY LEASE RECEIVABLES

Payables under fluidity lease receivables at Japan Asset Marketing Co., Ltd., a consolidated subsidiary, are liabilities arising through the liquidation of anticipated rental income to be booked by the company. The balance of payables under fluidity lease receivables was as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2014**
Payables under fluidity lease receivables	**¥7,040**	¥5,912	**$57**
Long-term payables under fluidity lease receivables	**34,023**	34,345	**278**
Total	**¥41,063**	¥40,257	**$335**

13. DERIVATIVES

Derivative transaction hedge accounting is not applied to:

Fiscal year ended June 30, 2015

	Millions of yen (Note 2)			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Interest rate swap contracts, variable receipts and fixed payments	**¥13,875**	**¥9,340**	**¥(239)**	**¥(239)**
Forward exchange contracts	**356**	—	**11**	**11**

	Millions of U.S. dollars (Note 2)			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Interest rate swap contracts, variable receipts and fixed payments	**$113**	**$76**	**$(2)**	**$(2)**
Forward exchange contracts	**3**	—	**0**	**0**

Fiscal year ended June 30, 2014

	Millions of yen (Note 2)			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Interest rate swap contracts, variable receipts and fixed payments	¥7,263	¥3,575	¥(42)	¥(42)
Forward exchange contracts	62	—	(1)	(1)

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

14. STOCK INCENTIVE PLANS

In the fiscal year ended June 30, 2015, the Company booked share-based compensation expenses of ¥13 million ($0 million) under selling, general and administrative expenses. In recognizing and measuring share-based compensation expenses, the Company uses only historical data for the number of forfeitures to derive a possible number of stock options vested since it is difficult to determine a reasonable estimate for the actual number of stock options that will be forfeited in the future.

Details on the stock option scheme in effect as of June 30, 2015 are as follows:

Company name	Stock option scheme	Eligible recipients	Number of stock options (share-based)	Grant date	Condition for vesting	Exercise price (yen)	Exercise period
The Company	2005 Stock Options	7 directors, 469 employees	3,000,000	February 8, 2005	*2	985	October 2, 2006–October 1, 2016
The Company	2006 Stock Options	5 directors, 5 subsidiary directors, 541 employees, 52 subsidiary employees	3,900,000	April 10, 2006	*2	1,567	October 2, 2007–October 1, 2017
The Company	2015 Stock Options	3 directors	2,600	June 26, 2015	—	1	June 26, 2015–June 25, 2045

*1 On July 1, 2006, the Company executed a 3-for-1 stock split, and on July 1, 2015, executed a 2-for-1 stock split. The number of shares for stock options and the exercise price for stock options reflect the effect of said stock splits.

*2 Those who received an allotment of subscription rights to shares as eligible recipients must be directors, audit & supervisory board members or employees of the Company or its subsidiaries in continuous service from the day of allotment until said subscription rights are exercised.

Changes in the status of stock option schemes as of June 30, 2015 are as follows:

	2005 Stock Options	2006 Stock Options	2015 Stock Options
Before vesting (shares)			
Balance at June 30, 2014	—	—	—
Granted	—	—	2,600
Forfeited	—	—	—
Vested	—	—	2,600
Balance at June 30, 2015	—	—	—
After vesting (shares)			
Balance at June 30, 2014	120,600	1,335,000	—
Vested	—	—	2,600
Exercised	85,800	1,045,200	—
Forfeited	—	3,000	—
Balance at June 30, 2015	34,800	286,800	2,600

Exercise price	¥985 ($8)	¥1,567 ($13)	¥1 ($0)
Average stock price at time of exercise	¥3,537 ($29)	¥3,886 ($32)	—
Fair value at grant date	—	—	¥4,968 ($41)

Methods used to estimate fair value at grant date for stock options granted in the fiscal year ended June 30, 2015 are as follows:

Valuation model	Black-Scholes
Risk-free interest rate	0.847%
Expected life of option grants	15 years
Volatility	35.28%
Expected dividend	¥40 ($0) per share

15. OTHER INCOME, NET

Other income, net for the fiscal years ended June 30, 2015 and 2014 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)
	2015	2014	**2015**
Other income:			
Amortization of negative goodwill	**¥96**	¥342	**$1**
Gain on negative goodwill	**168**	—	**1**
Gain on insurance adjustment	**138**	—	**1**
Fees and commissions received	**406**	379	**3**
Gain on disposal of debts	**—**	65	**—**
Other	**1,489**	1,429	**13**
Other income total	**2,297**	2,215	**19**
Other expenses:			
Bond issuance costs	**261**	38	**2**
Impairment loss	**198**	19	**2**
Other	**770**	496	**6**
Other expenses total	**1,229**	553	**10**
Other income, net	**¥1,068**	¥1,662	**$9**

16. COMPREHENSIVE INCOME

The reclassification adjustments and tax effects allocated to each component of other comprehensive income for the fiscal year ended June 30, 2015 and 2014 was as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2015**
Net unrealized gains (losses) on investment securities:			
Gain (loss) arising during the fiscal year	**¥127**	¥(347)	**$1**
Reclassification adjustment to net income	**—**	(45)	**—**
Amount before tax effect	**127**	(392)	**1**
Tax effect	**(26)**	130	**(0)**
Net unrealized gains (losses) on investment securities	**101**	(262)	**1**
Foreign currency translation adjustments:			
Gain arising during the fiscal year	**2,859**	859	**23**
Total other comprehensive income	**¥2,960**	¥597	**$24**

17. PLEDGED ASSETS

The Company's assets pledged as collateral as of June 30, 2015 and 2014 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2015**
Cash and deposits	**¥4,962**	¥4,003	**$41**
Purchased receivables*	**6,660**	6,210	**54**
Merchandise and finished goods	**1,491**	1,224	**12**
Buildings and structures	**1,277**	964	**10**
Land	**1,346**	1,151	**11**
Fixed leasehold deposits	**456**	431	**4**
Other	**609**	270	**5**
Total	**¥16,801**	¥14,253	**$137**

* Purchased receivables of ¥6,660 million ($54 million) and ¥6,210 million were eliminated for consolidation purposes in the fiscal year ended June 30, 2015 and 2014, respectively.

Secured liabilities as of June 30, 2015 and 2014 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2015**
Short-term loans	**¥306**	¥210	**$2**
Current portion of long-term debt	**9,925**	729	**81**
Long-term debt	**615**	10,435	**5**
Other current liabilities	**36**	82	**0**
Other non-current liabilities	**382**	383	**3**

18. TAX-EFFECT ACCOUNTING

1. The effective tax rate in Japan is based on corporate tax, enterprise tax, and inhabitant tax rates, resulting in 35.6% in the fiscal year ended June 30, 2015 and 38.0% in the fiscal year ended June 30, 2014.

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)
	2015	2014	**2015**
Deferred tax assets:			
Accrued enterprise taxes	**¥780**	¥653	**$6**
Inventories	**1,846**	1,382	**15**
Net operating loss carry forwards	**17,569**	17,799	**144**
Excess depreciation and amortization	**1,346**	1,154	**11**
Impairment loss	**2,270**	2,357	**19**
Loss on valuation of investment securities not deductible for tax purposes	**91**	66	**1**
Long-term accounts payable	**321**	374	**3**
Excess allowance for doubtful accounts	**644**	685	**5**
Asset retirement obligations	**792**	762	**6**
Others	**2,900**	2,259	**24**
Total gross deferred tax assets	**28,559**	27,491	**234**
Valuation allowance	**(18,569)**	(19,563)	**(152)**
Total deferred tax assets	**9,990**	7,928	**82**
Deferred tax liabilities:			
Accrued enterprise taxes	**—**	(32)	**—**
Valuation of assets and liabilities of subsidiaries at market value for the purpose of consolidation	**(2,634)**	(1,511)	**(22)**
Net unrealized gains on investment securities	**(304)**	(277)	**(2)**
Others	**(868)**	(629)	**(7)**
Total deferred tax liabilities	**(3,806)**	(2,449)	**(31)**
Net deferred tax assets	**¥6,184**	¥5,479	**$51**

Net deferred tax assets as of June 30, 2015 and 2014 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)
	2015	2014	**2015**
Current assets–Deferred tax assets	**¥6,644**	¥5,228	**$54**
Other assets (non-current)–Deferred tax assets	**2,710**	2,050	**22**
Current liabilities–Others	**—**	1	**—**
Non-current liabilities–Others	**3,170**	1,797	**25**

2. The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended June 30, 2015 and 2014 was as follows:

	2015	2014
Statutory tax rate	**35.6%**	38.0%
Per capita levy	**1.5%**	1.6%
Change in valuation allowance	**(6.2)%**	(7.1)%
Amortization of goodwill and other consolidation adjustments	**0.4%**	(2.5)%
Tax deduction	**(1.4)%**	(1.2)%
Other	**1.3%**	0.9%
Effective income tax rate	**31.2%**	29.7%

3. Revision to amounts of deferred tax assets and deferred tax liabilities due to change in corporate income tax rates

With promulgation of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) on March 31, 2015, the corporate tax rate decreased, effective from consolidated fiscal years beginning on or after April 1, 2015. Accordingly, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities changed from the previous 35.6% to 33.1% for temporary differences expected to be reversed in the fiscal year beginning July 1, 2015, and to 32.3% for temporary differences expected to be reversed in fiscal years beginning on or after July 1, 2016. Due to these changes, net deferred tax assets (deferred tax assets minus deferred tax liabilities) decreased ¥417 million ($3 million) while income taxes–deferred and net unrealized gains (losses) on investment securities increased ¥439 million ($4 million) and ¥22 million ($0 million), respectively.

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the fiscal years ended June 30, 2015 and 2014 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2015**
Employees' compensation and benefits	**¥51,158**	¥43,695	**$418**
Occupancy and rental	**19,088**	17,855	**156**
Commission	**16,563**	15,442	**135**
Depreciation and amortization	**11,672**	10,402	**95**
Allowance for doubtful accounts	**15**	9	**0**
Allowance for point program	**1,546**	441	**13**
Allowance for retirement benefits for directors	**5**	23	**0**
Amortization of goodwill	**388**	300	**3**
Retirement benefit costs	**76**	11	**1**
Other	**42,127**	38,548	**344**
Total	**¥142,638**	¥126,726	**$1,165**

20. RETIREMENT BENEFIT COSTS

Retirement benefit costs for the fiscal years ended June 30, 2015 and 2014 are summarized as follows:

1. Retirement benefit plans in use

The Company and some of its consolidated subsidiaries maintain defined contribution pension plans. The Company adopted defined contribution plans in October 2014.

2. Defined contribution plans

The Company and some of its consolidated subsidiaries maintain defined contribution pension plans. The necessary contributions to such plans were, in total, ¥76 million ($1 million) in the fiscal year ended June 30, 2015 and ¥11 million in the fiscal year ended June 30, 2014.

21. IMPAIRMENT LOSS

Impairment losses for the fiscal years ended June 30, 2015 and 2014 were as follows:

Fiscal year ended June 30, 2015

Location	Use	Category	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Kanto	Idle assets	Buildings, structures and land	**¥198**	**$2**
	Total		**¥198**	**$2**

The Company groups assets based on individual stores and operating divisions as basic units. For investment and rental property and idle assets, each property is regarded as a minimum cash-generating unit.

In the fiscal year ended June 30, 2015, the Company reduced the book value of assets that became idle following the closure of stores to the recoverable amounts. They consist of buildings and structures of ¥33 million ($0 million) and land of ¥165 million ($1 million).

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

Fiscal year ended June 30, 2014

Location	Use	Category	Millions of yen (Note 2)
Kanto	Business assets	Software	¥19
	Total		¥19

The Company groups assets based on individual stores and operating divisions as basic units.

In the fiscal year ended June 30, 2014, the Company reduced the carrying amounts of business assets to the recoverable amounts, since such assets were deemed difficult-to-recover investments due to their poor profitability. The amounts of these reductions were recorded as impairment losses under extraordinary loss. Of these, ¥19 million was for software.

The recoverable amounts of these asset groups are net selling prices or their value in use. For measurement using value in use, the Company did not calculate a specific discount rate because the value amount based on estimated future cash flows is negative.

22. RELATED PARTY TRANSACTIONS

Related party transactions for the fiscal years ended June 30, 2015 and 2014 were as follows:

Fiscal year ended June 30, 2015
Nothing of significance

Fiscal year ended June 30, 2014

Related party	Category	Description of the transactions	Millions of yen (Note 2)*2
Anryu Shoji Co., Ltd.	Company in which directors and relatives hold the majority of voting rights	Leasing of real estate*1	¥16

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

23. CALCULATION OF EARNINGS PER SHARE

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2015**
Net income	**¥23,148**	¥21,471	**$189**
Net income after adjustments	**¥23,148**	¥21,471	**$189**

	Shares	
	2015	2014
Weighted average number of shares	**157,371,496**	156,332,496
Effective of dilutive securities:		
Stock options	**490,376**	895,122
Diluted weighted average number of shares	**157,861,872**	157,227,618

	Yen (Note 2)		U.S. dollars (Note 2)
	2015	2014	**2015**
Shareholders' equity per share	**¥1,344.64**	¥1,194.91	**$10.98**
Basic earnings per share	**147.09**	137.34	**1.20**
Diluted earnings per share	**146.63**	136.56	**1.20**

The Company executed a 2-for-1 stock split of common shares on July 1, 2015, in accordance with a resolution by the Board of Directors at its meeting on June 10, 2015. The weighted-average number of shares, effective of dilutive securities, the diluted weighted-average number of shares, shareholders' equity per share, basic earnings per share and diluted earnings per share have been calculated as if this stock split took place at the beginning of the fiscal year ended June 30, 2014.

24. 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	**2015**	2014	**2015**
Furniture and fixtures	**¥1**	¥1	**$0**
Land	—	211	—
Other	**1**	2	**0**
Total	**¥2**	¥214	**$0**

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
Breakdown of loss on disposal of non-current assets	**2015**	2014	**2015**
Buildings and structures	**¥125**	¥148	**$1**
Furniture and fixtures	**8**	48	**0**
Removal expenses	**65**	135	**1**
Other	**4**	59	**0**
Total	**¥202**	¥390	**$2**

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
Breakdown of loss on closing of stores	**2015**	2014	**2015**
Buildings and structures	**¥147**	¥636	**$1**
Furniture and fixtures	**73**	5	**1**
Removal expenses	**180**	117	**1**
Other	**4**	4	**0**
Total	**¥404**	¥762	**$3**

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
Breakdown of loss on sales of non-current assets	**2015**	2014	**2015**
Buildings and structures	**¥35**	¥(48)	**$0**
Land	**325**	246	**3**
Other	**8**	3	**0**
Total	**¥368**	¥201	**$3**

25. CASH FLOW INFORMATION

Cash flow information as of June 30, 2015 and 2014 is as follows:

1. Cash and cash equivalents

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	**2015**
Cash and deposits	**¥49,717**	¥42,690	**$406**
Deposits paid, included in other current assets	**1,625**	1,905	**13**
Time deposits with maturities of more than three months	—	(487)	—
Pledged time deposits (over three months)	**(50)**	(3)	**(0)**
Cash and cash equivalents	**¥51,292**	¥44,105	**$419**

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

Fiscal year ended June 30, 2015
Description omitted due to immaterial significance.

Fiscal year ended June 30, 2014
The Company acquired the ownership of MARUKAI CORPORATION during the fiscal year ended June 30, 2014, and consolidated their financial statements. The fair values of assets acquired and liabilities assumed as of the relevant acquisition date, the acquisition cost of the shares and net of payments for the acquisition of the company were as follows:

	Millions of yen (Note 2)
Current assets	¥2,601
Non-current assets	3,785
Goodwill	1,974
Current liabilities	(2,758)
Non-current liabilities	(1,438)
Acquisition costs of MARUKAI CORPORATION	4,164
Cash and cash equivalents of MARUKAI CORPORATION	(1,216)
Net: Payments for acquisition of MARUKAI CORPORATION	¥2,948

26. INVESTMENT AND RENTAL PROPERTY

Information on investment and rental property in the fiscal years ended June 30, 2015 and 2014 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, 2015, rental income related to such properties and facilities was ¥2,301 million ($19 million) and impairment loss was ¥198 million ($2 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, 2014, rental income related to such properties and facilities was ¥1,406 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, 2015 and 2014 are as follows:

Fiscal year ended June 30, 2015

Millions of yen (Note 2)			
Carrying amount			Fair value*2
Beginning of the year	Net change*3	End of the year*1	
¥30,554	¥18,023	¥48,577	¥51,450

Millions of U.S. dollars (Note 2)			
Carrying amount			Fair value*2
Beginning of the year	Net change*3	End of the year*1	
$250	$147	$397	$420

Fiscal year ended June 30, 2014

Millions of yen (Note 2)			
Carrying amount			Fair value*2
Beginning of the year	Net change*3	End of the year*1	
¥30,681	¥(127)	¥30,554	¥32,883

*1 The carrying amount on the consolidated balance sheet is the acquisition cost minus accumulated depreciation and accumulated impairment loss.

*2 Fair value at year-end is primarily an amount calculated by the Company based on Japanese Real Estate Appraisal Standards, including adjustments made using certain financial indicators.

*3 For the fiscal year ended June 30, 2015, major increases included the acquisition of real estate at ¥16,290 million ($133 million), newly idled real estate at ¥485 million ($4 million) and a change in the proportion of leases at ¥1,446 million ($12 million); and a major decrease was impairment loss on idle assets at ¥198 million ($2 million). For the fiscal year ended June 30, 2014, a major increase was the acquisition of real estate at ¥1,147 million, and major decreases included a change in the proportion of leases at ¥81 million and sale of real estate at ¥1,193 million.

27. 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 26 years and discount rates of 0.39%–1.83%.

(3) Changes in asset retirement obligations

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2015	2014	2015
Beginning of the year	¥3,305	¥2,606	$27
Increase due to acquisition of property, plant and equipment	586	664	5
Adjustments over time	62	46	1
Decrease due to fulfillment of asset retirement obligations	(62)	(11)	(1)
Decrease due to settlement of asset retirement obligations	(10)	—	(0)
End of the year	¥3,881	¥3,305	$32

2. Asset retirement obligations not recorded on consolidated balance sheets

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

28. BUSINESS COMBINATIONS

Description omitted due to immaterial significance.

29. SUBSEQUENT EVENTS

1. Cash dividends

The following cash dividend of the Company was approved at the shareholders' meeting held on September 25, 2015. The cash dividend is not reflected in the consolidated financial statements for the fiscal year ended June 30, 2015.

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Cash dividend (¥30.00 = $0.24 per share)	¥2,369	$19

2. Stock split

On June 10, 2015, the Board of Directors resolved to conduct a stock split on July 1, 2015. Per-share information has therefore been calculated as if this stock split took place at the beginning of the fiscal year ended June 30, 2014.

(1) Purpose of stock split

The aim of the stock split is to further increase liquidity of the Company's shares and expand the investor base by lowering the investment unit.

(2) Overview of stock split

i. Method

Common shares held by shareholders stated or recorded in the last shareholder registry on the record date, June 30, 2015, were split in a 2-for-1 ratio.

ii. Number of shares added due to stock split

Total number of shares outstanding before stock split	78,959,480
Number of shares added through this stock split	78,959,480
Total number of shares outstanding after stock split	157,918,960
Total number of authorized shares after stock split	468,000,000

iii. Schedule

Announcement of record date	June 16, 2015
Record date	June 30, 2015
Effective date	July 1, 2015

30. SEGMENT INFORMATION

1. Overview of reportable segments

Reportable segments of the Company are components of the Company whose segregated financial information is available and that are under regular review 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.

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, 2015 and 2014 is as follows:

Fiscal year ended June 30, 2015

	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	¥659,931	¥18,200	¥678,131	¥5,850	¥683,981	¥ —	¥683,981
Intersegment sales	3	15,796	15,799	6,308	22,107	(22,107)	—
Total	659,934	33,996	693,930	12,158	706,088	(22,107)	683,981
Segment income	21,417	12,714	34,131	5,372	39,503	(400)	39,103
Segment assets	293,398	178,867	472,265	56,759	529,024	(23,358)	505,666
Other items[*4]							
Depreciation and amortization	8,357	3,948	12,305	339	12,644	359	13,003
Increase in property, plant and equipment and intangible assets	21,775	26,445	48,220	55	48,275	(259)	48,016

	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	$5,389	$149	$5,538	$48	$5,586	$ —	$5,586
Intersegment sales	0	129	129	52	181	(181)	—
Total	5,389	278	5,667	100	5,767	(181)	5,586
Segment income	175	104	279	43	322	(3)	319
Segment assets	2,396	1,461	3,857	464	4,321	(191)	4,130
Other items[*4]							
Depreciation and amortization	68	32	100	3	103	3	106
Increase in property, plant and equipment and intangible assets	178	216	394	0	394	(2)	392

Fiscal year ended June 30, 2014

	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	¥590,076	¥17,092	¥607,168	¥5,256	¥612,424	¥ —	¥612,424
Intersegment sales	—	8,812	8,812	4,195	13,007	(13,007)	—
Total	590,076	25,904	615,980	9,451	625,431	(13,007)	612,424
Segment income	24,381	6,505	30,886	3,540	34,426	(134)	34,292
Segment assets	251,484	139,484	390,968	40,231	431,199	936	432,135
Other items[*4]							
Depreciation and amortization	8,137	2,716	10,853	305	11,158	250	11,408
Increase in property, plant and equipment and intangible assets	22,541	47,250	69,791	119	69,910	(34,676)	35,234

[*1] "Others," which is not a reportable segment, included real estate business, marketing business, and financial services business.
[*2] Components of "Adjustments" are as follows:
(1) Fiscal year ended June 30, 2015
The ¥(400) million ($(3) million) adjustment to segment income is an intersegment elimination. The ¥(23,358) million ($(191) million) adjustment to segment assets includes surplus funds of ¥60,077 million ($491 million) of the Company, Don Quijote Co., Ltd. and Nagasakiya Co., Ltd., which are companywide assets (cash and deposits, long-term deposits, and investment securities), and elimination of receivables between reportable segments of ¥(83,435) million ($(681) million).
(2) Fiscal year ended June 30, 2014
The ¥(134) million adjustment to segment income is an intersegment elimination. The ¥936 million adjustment to segment assets includes surplus funds of ¥27,722 million of the Company, Don Quijote Co., Ltd. and Nagasakiya Co., Ltd., which are companywide assets (cash and deposits, long-term deposits, and investment securities), and elimination of receivables between reportable segments of ¥(26,786) 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, 2015

	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	¥ —	¥ —	¥ —	¥ —	¥ —	¥198	¥198

	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	$ —	$ —	$ —	$ —	$ —	$2	$2

Fiscal year ended June 30, 2014

	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	¥ —	¥ —	¥ —	¥19	¥19	¥ —	¥19

* The amount of "Adjustments" is attributable to idle assets classified as companywide assets.

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

Fiscal year ended June 30, 2015

	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	¥162	¥82	¥244	¥144	¥388	¥ —	¥388
Balance at year-end	3,696	1,385	5,081	2,328	7,409	—	7,409

	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	$1	$1	$2	$1	$3	$ —	$3
Balance at year-end	30	11	41	19	60	—	60

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	¥96	¥ —	¥96	¥ —	¥96	¥ —	¥96
Balance at year-end	526	—	526	—	526	—	526

	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	$1	$ —	$1	$ —	$1	$ —	$1
Balance at year-end	4	—	4	—	4	—	4

Fiscal year ended June 30, 2014

	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	¥74	¥82	¥156	¥144	¥300	¥ —	¥300
Balance at year-end	2,392	1,467	3,859	2,473	6,332	—	6,332

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	¥217	¥125	¥342	¥ —	¥342	¥ —	¥342
Balance at year-end	622	—	622	—	622	—	622

6. Gain on negative goodwill by reportable segment

Fiscal year ended June 30, 2015
Description omitted due to immaterial significance.

Fiscal year ended June 30, 2014
Not applicable

Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheets of Don Quijote Holdings Co., Ltd. and consolidated subsidiaries as of June 30, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, 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 Holdings Co., Ltd. and consolidated subsidiaries as of June 30, 2015 and 2014, 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.

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 25, 2015

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, 2015)

COMPANY NAME
Don Quijote Holdings Co., Ltd.

SCOPE OF BUSINESS
Corporate planning for and management of Group companies through the holding of shares in such companies, contracted administrative operation of subsidiaries, and real estate management

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
¥22,227 million

NUMBER OF EMPLOYEES
52 (6,029 on consolidated basis)

NUMBER OF STORES (Consolidated basis)
306

Board of Directors and Audit & Supervisory Board (as of September 25, 2015)

President and CEO	Koji Oohara
Senior Managing Director and CFO	Mitsuo Takahashi
Senior Managing Director and CCO	Naoki Yoshida
Director[1]	Yukihiko Inoue
Director[1]	Yasunori Yoshimura
Standing Audit & Supervisory Board Member	Koichi Otoshi
Standing Audit & Supervisory Board Member	Shoji Wada
Audit & Supervisory Board Member[2]	Tomiaki Fukuda
Audit & Supervisory Board Member[2]	Yoshihiro Hongo

[1] Outside directors as provided by Article 2, Paragraph 15, of the Japanese Corporate Law
[2] Outside audit & supervisory board members as provided by Article 2, Paragraph 16, and Article 335, Paragraph 3, of the Japanese Corporate Law

Share Information (as of June 30, 2015)

SHARES OF COMMON STOCK

Authorized:	234,000,000
Issued:	78,959,480
Treasury stock:	1,244

NUMBER OF SHAREHOLDERS

6,285

PRINCIPAL SHAREHOLDERS	Number of shares held	Percentage of total shares in issue (%)
La Mancha	9,000,000	11.40
Credit Suisse AG Hong Kong Trust A/C Clients for Takao Yasuda	7,746,000	9.81
Anryu Shoji Co., Ltd.	4,140,000	5.24
State Street Bank and Trust Company 505001	3,164,848	4.01
Japan Trustee Service Bank, Ltd. (Trust Account)*	2,588,000	3.28
The Master Trust Bank of Japan, Ltd. (Trust Account)*	2,405,900	3.05
Yasuda Scholarship Foundation	1,800,000	2.28
State Street Bank and Trust Company 505225	1,797,025	2.28
State Street Bank and Trust Company	1,743,898	2.21
The Chase Manhattan Bank 385036	1,705,100	2.16

* 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 Holdings 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 Product Traders	79	12,747,805	16.1
Other Japanese Corporations	75	6,051,605	7.7
Foreign Corporations and Individuals	518	58,426,840	74.0
Japanese Individuals and Others*	5,613	1,733,230	2.2
Total	6,285	78,959,480	100.0

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

TRANSFER AGENT

Mizuho Trust & Banking Co., Ltd.
1-2-1, Yaesu, Chuo-ku, Tokyo 103-8670, Japan

STOCK LISTING

Tokyo Stock Exchange, First Section

Don Quijote Holdings Co., Ltd.

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