Don Quijote HLDGS

INTEGRATED REPORT 2016

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.		
REALIT Co., Ltd.	Advertising and sales promotion services	Advertising and Promotions Division
Japan Inbound Solutions Co., Ltd.		
Don Quijote Co., Ltd.	Domestic retail business	Domestic Distribution and Retail Division
Lirack Co., Ltd.		
Fujiya Shoji Co., Ltd.		
Nagasakiya Co., Ltd.		
Doit Co., Ltd.		
Daishin Corporation		
Justneo Co., Ltd.	Import and wholesale business	
Don Quijote Shared Services Co., Ltd.	Administrative functions business	Operation Support Division
Don Quijote Life Assist Co., Ltd.	Insurance agency business	Insurance Division
Japan Commercial Establishment Co., Ltd.	Tenant leasing, restaurant and franchise business	Real Estate, Restaurant and Franchise Division
Pan Pacific Foods Co., Ltd.		
D-ONE Co., Ltd.	Store development business	
Japan Asset Marketing Co., Ltd.	Real estate leasing and management business	
Human Motivation Delight Co., Ltd.	Outsourcing services	Outsourcing and Financial Services Division
Accretive Co., Ltd.	Financial and outsourcing services	
STORECREWS Co., Ltd.		

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

As of September 30, 2016

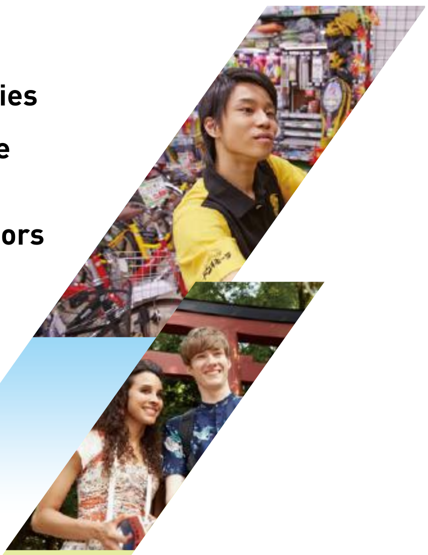
Disclaimer Regarding Forward-Looking Statements
Forward-looking content in this integrated report is based on various assumptions and is not a guarantee of future performance or the realization of stated strategies.

Contents

Value Story

Business Strategy

ESG Topics



Financial Section

Fiscal 2016 Highlights

27 consecutive years of higher consolidated sales and operating income

Saw favorable shift in regional development and captured larger share of family market

Sales Growth at All Stores

11.1%

Stores tapped into customer needs and demonstrated ability to respond to changes

Number of New Stores

40 stores

Easier acquisition of buildings led to record number of new stores

Growth at Existing Don Quijote Stores

4.5%

Efforts to highlight product proposals and price appeal based on store-based approach

Growth at Existing Nagasakiya Stores

4.3%

Attracted more customers for family segment and raised store-visit frequency

Tax-free Sales Ratio

5.9%

Tax-free transactions continued to drive sales, paralleling increase in number of overseas visitors

Number of Customers

304.90 million

Achieved new record, thanks to large number of customers

Number of Items Sold (Domestic)

2,039.83 million

Achieved new record, thanks to large number of customers

"majica" E-money Card Membership

tops 4 million

Contributed to increases in spending per customer and store-visit frequency

Dear Fellow Stakeholders

We will convey our corporate philosophy of "valuing the customer as our utmost priority"—the spirit that has permeated the Don Quijote Group since its earliest days—to the next generation to realize sustainable growth, while striving to boost corporate value.

The Don Quijote Group has passionately adhered to a "good store creation" strategy since its establishment, guided by its corporate philosophy of "valuing the customer as our utmost priority." With repeated minor reforms, we have fostered countless innovations in retailing and charted continuous growth. To achieve steady growth even in times of constant change requires the ability to meet ever-evolving customer needs with a consistent vision. In making decisions, we always consider whether or not the strategy falls in line with our corporate philosophy of "valuing the customer as our utmost priority," and we believe that sustainable growth is possible if we, as a Group, can convey this perspective to the next generation.

During fiscal 2016, the year ended June 30, 2016, the Japanese economy was characterized by heightened uncertainty, due to several persistent factors. There was the risk of a downturn, mainly due to sluggish conditions in Asia's emerging nations, particularly China, as well as resource-producing countries. The situation was compounded by the rapid appreciation of the Japanese yen. A fog also hung over overseas economies, precipitated by the UK's impending withdrawal from the European Union and the ongoing impact on financial and capital markets. In the retail industry, the purchasing activity of inbound tourists had an underlying positive effect, but given the economic conditions, consumer spending remained lackluster. Consumers are much more cost-conscious and selective in their purchases, and these trends are becoming firmly established.

Against this backdrop, the Don Quijote Group continued to fully demonstrate strengths built on a frontline emphasis, that is, the delegation of authority to store staff, and a store emphasis, which enables each store to fine-tune operations to customer needs, and proactive steps have been taken, based on aggressive sales strategies. As a result, the Group posted another year of higher sales and operating income, on a consolidated basis. This impressive performance is entirely due to the support of local customers and all stakeholders, including our suppliers and sincerest thanks go to everyone involved in marking this achievement.

Today, in Japan, social issues that have taken center stage include a steadily falling birthrate and aging population, regional disparities, strategies to encourage women to be more active in the workplace and greater acceptance of overseas visitors. To deal with these issues, each and every employee within the Don Quijote Group must consider how he or she can respond to 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.

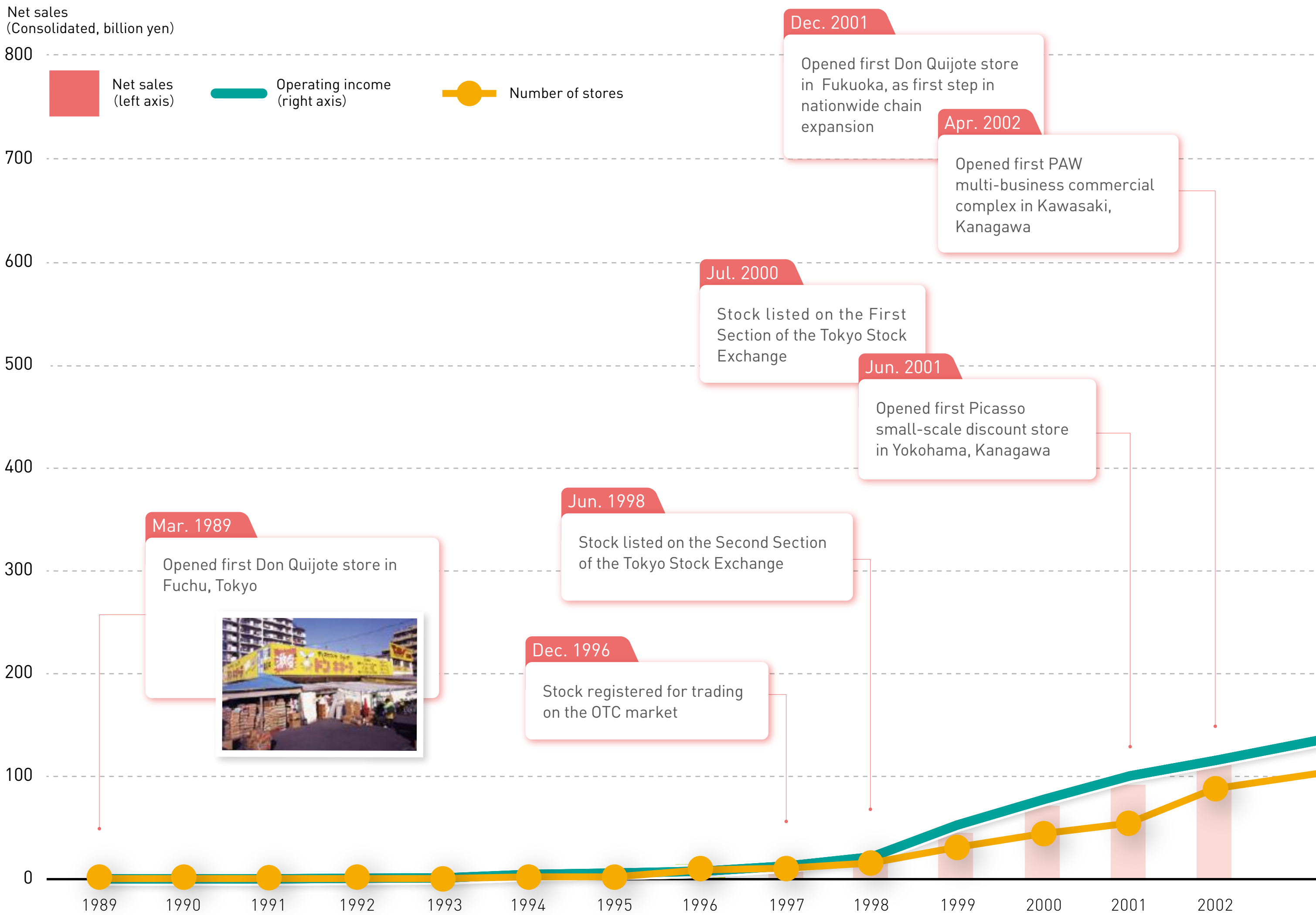
Going forward, we will continue to listen carefully to customers so that we can play a constructive role in solutions to social issues through our business activities. We will also strive, as a general retailing group, to meet the expectations of all stakeholders and boost corporate value.

Koji Oohara

Koji Oohara
President and CEO

The Don Quijote Group: Stages in Our History

With solid customer loyalty, the Don Quijote Group has marked consistent growth for 27 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 essentials, 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.

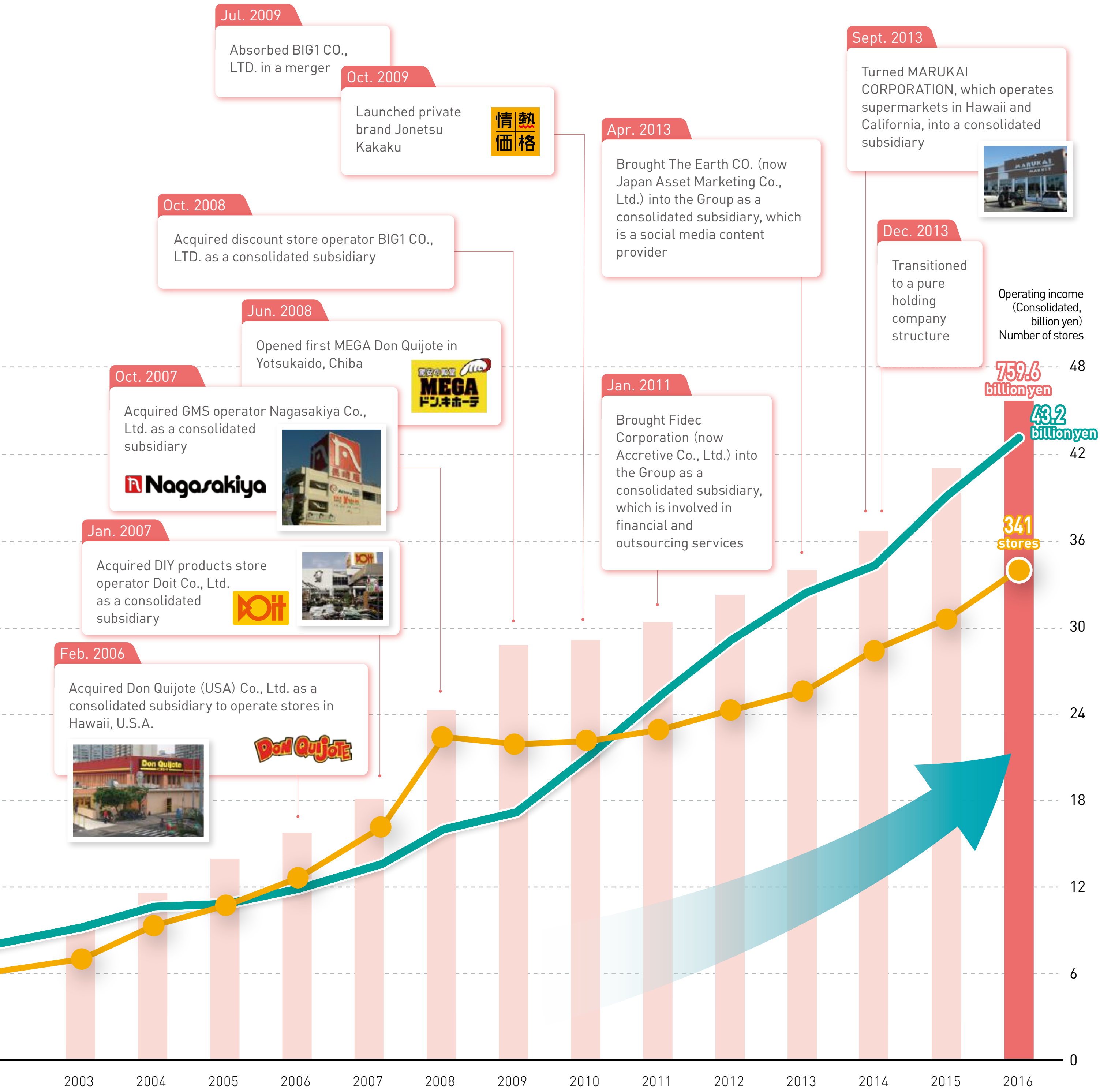


A Business Platform That Secures Profits Under Any Environment

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



(For the fiscal years ended June 30)

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 ¥700 billion.

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

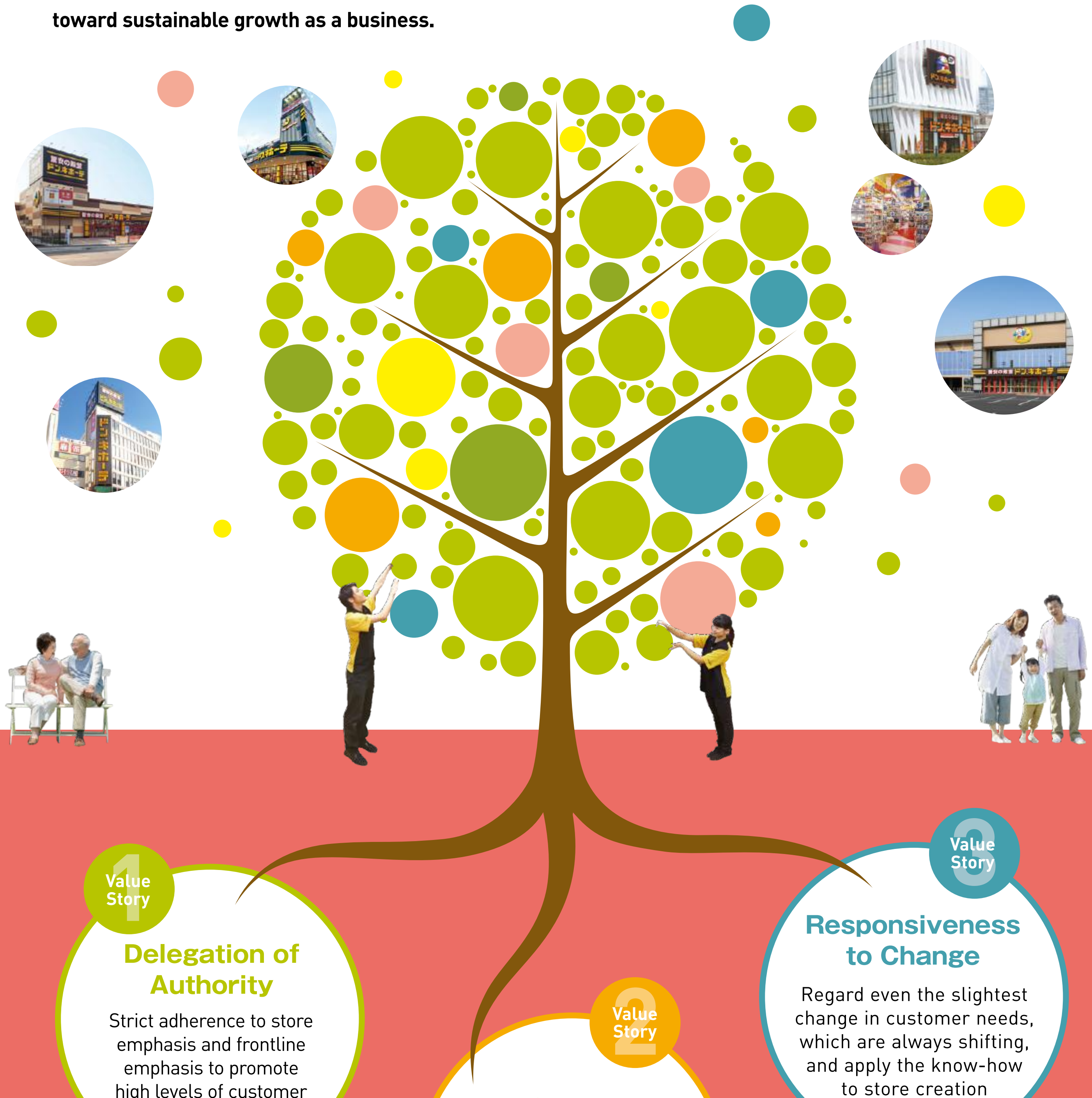
Even during the economic slowdown that has persisted in Japan since the 1990s—an era dubbed the “Lost Two Decades” —the Don Quijote Group has achieved growth. This reflects the undeterred adherence to our founding principle of “valuing the customer as our utmost priority” and our enduring quest to create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

As a result, consolidated sales and income have charted an upward path for 27 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. 11 in net sales* (please see page 28).

* The 49th Survey on the Retailing Industry in Japan, *Nikkei MJ* (June 29, 2016)

Driving Our Value Story

As a general retailing group, the Don Quijote Group supports customer lifestyles and provides shopping enjoyment by maximizing three strengths: delegation of authority, speed and responsiveness to change. Drawing on these strengths, our stores fulfill a social role as components of infrastructure that support daily living in every region. And by cultivating new demand and presenting value suggestions, we pave the way toward sustainable growth as a business.



1 Value Story

Delegation of Authority

Strict adherence to store emphasis and frontline emphasis to promote high levels of customer affinity

2 Value Story

Speed

Quick responses that anticipate constantly changing consumer needs

3 Value Story

Responsiveness to Change

Regard even the slightest change in customer needs, which are always shifting, and apply the know-how to store creation

Success through store capabilities

Store staff have the greatest opportunity to interact with customers, so companies that operate stores under the Don Quijote Group delegate considerable authority to their frontline staff, guided by our corporate philosophy of "valuing the customer as our utmost priority." Such authority covers a range of merchandise-related duties, from purchasing and pricing to product mix and displays. Store staff with strong affinity to a specific customer group—that is, share similar sensibilities and lifestyle to, and are of a generation near the target customer base—arrange sales areas from a shopper's viewpoint to create a unique store atmosphere.

We maintain a performance-linked evaluation structure, which assesses results fairly and is not influenced by age, gender or nationality. The delegation of authority is a practice firmly entrenched in our corporate culture, which encourages frontline staff to embrace challenges without fear of failure, and not only keeps them motivated but also enables everyone to actively develop their skills through repeated efforts to capitalize on opportunities.

1 Value Story

Delegation of Authority

All stores under the Don Quijote Group umbrella operate from a unique perspective matched to the characteristics of the respective business district. The objective is to respond quickly and flexibly to meet the needs of target customer groups and to address whatever competitive issues might derive from other stores. Each operating company delegates considerable merchandise-related authority to each of its stores, from purchasing to pricing and sales, so that each location can swiftly adjust prices and recombine the product mix in line with movements at rival stores. Speed is a corporate strength shared Groupwide that enables each store to quickly pinpoint ever-changing consumer needs and apply evolving demand trends into creating stores that capture No.1 status in each community.

Value Story 2

Speed

Quick Response

No.1 in each community

Value Story 3
Responsiveness to Change

The shopping needs and demands of customers are always changing. Stores under the Don Quijote Group demonstrate responsiveness to change by monitoring customer sensitivity to consumer trends and repeatedly making minor adjustments to product mix and pricing. This builds loyalty among more and more customers and keeps market share growing. The store formats used within the Group are diverse, including mainstay Don Quijote, which targets young singles and couples, MEGA and New MEGA Don Quijote family-oriented stores in the suburbs, and small-scale Picasso stores. When opening new stores, management takes a flexible approach, selecting the best format in terms of building size and the characteristics of the business district.

Consolidated Financial Highlights

For the fiscal years ended June 30

	2007	2008	2009	2010
For the fiscal year				
Net sales	¥300,660	¥404,924	¥480,856	¥487,571
Cost of goods sold	227,537	296,215	353,616	364,065
Selling, general and administrative expenses	59,537	92,728	110,068	102,439
Operating income	13,586	15,981	17,172	21,067
Ordinary income	15,774	17,204	15,989	21,109
Profit before income taxes	18,817	16,640	14,214	16,845
Profit attributable to owners of parent	10,638	9,303	8,554	10,238

	2007	2008	2009	2010
At year-end				
Total assets	¥209,865	¥276,288	¥297,527	¥302,029
Total equity	82,470	84,625	89,972	106,760

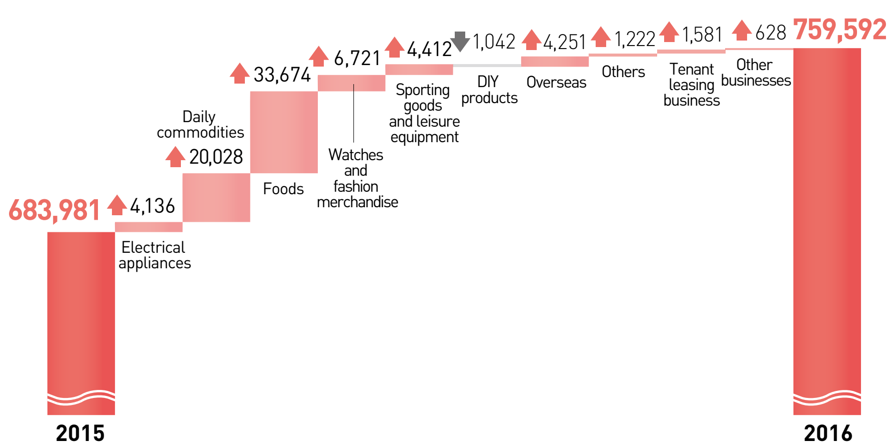
	2007	2008	2009	2010
Per share*				
Basic earnings	¥74.45	¥65.39	¥61.85	¥73.68
Diluted earnings	69.16	61.00	61.85	68.82
Cash dividends	10.00	11.00	11.50	12.50

* Per share amounts were calculated on the assumption that a stock split executed in July 1, 2015 occurred at the beginning of fiscal 2007.

	2007	2008	2009	2010
Key ratios				
ROA	5.6	3.8	3.0	3.4
ROE	13.7	11.3	10.0	10.5

1 Net Sales by Product Category

Millions of yen



Greater loyalty from families, thanks to thorough efforts to attract interest with appealing prices, spurred sales of daily necessities such as foods and daily commodities. In addition, stores located within bustling shopping districts in big cities capitalized on inbound purchasing activity. The tenant leasing business marked an increase in buildings, paralleling aggressive store-opening activities.

Millions of yen

2011	2012	2013	2014	2015	2016
¥507,661	¥540,255	¥568,377	¥612,424	¥683,981	**¥759,592** ❶
378,587	400,712	418,570	451,406	502,240	**557,699**
103,738	110,223	117,438	126,726	142,638	**158,708** ❷
25,336	29,320	32,369	34,292	39,103	**43,185**
25,138	29,283	33,201	35,487	40,160	**43,797**
21,147	30,395	33,382	34,225	39,157	**42,113**
12,663	19,845	21,141	21,471	23,148	**24,938**

Millions of yen

2011	2012	2013	2014	2015	2016
¥341,300	¥362,651	¥386,622	¥432,135	¥505,666	**¥560,568**
125,242	145,735	170,178	193,164	221,367	**244,547**

Yen

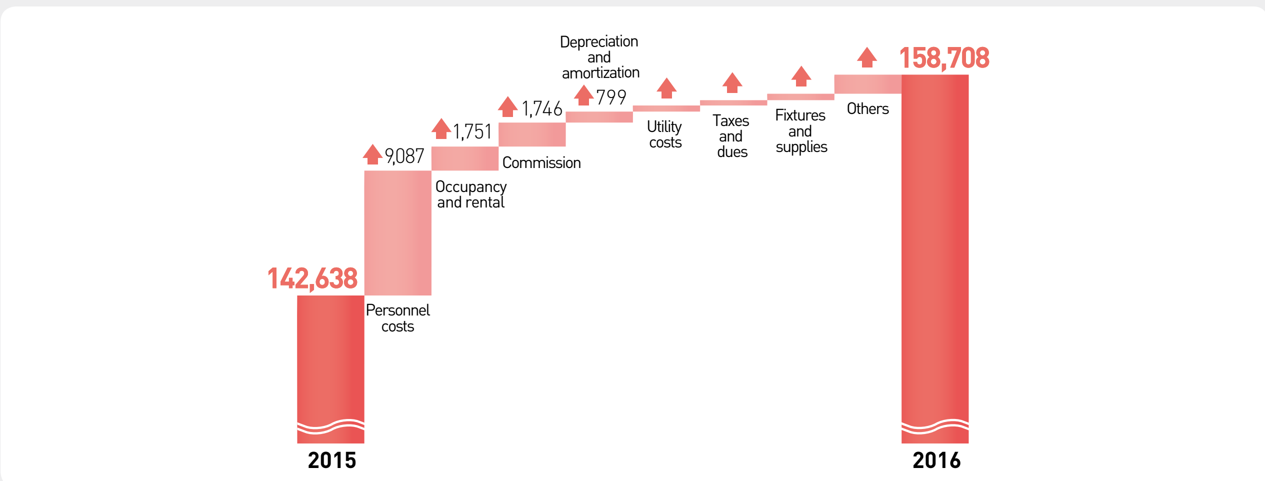
2011	2012	2013	2014	2015	2016
¥83.91	¥128.74	¥136.74	¥137.34	¥147.09	**¥157.76**
82.17	128.45	136.17	136.56	146.63	**157.65**
14.00	15.50	16.50	18.00	20.00	**22.00**

%

2011	2012	2013	2014	2015	2016
3.9	5.6	5.6	5.2	4.9	**4.7**
11.1	14.9	13.7	12.1	11.6	**11.2**

❷ Selling, General and Administrative Expenses

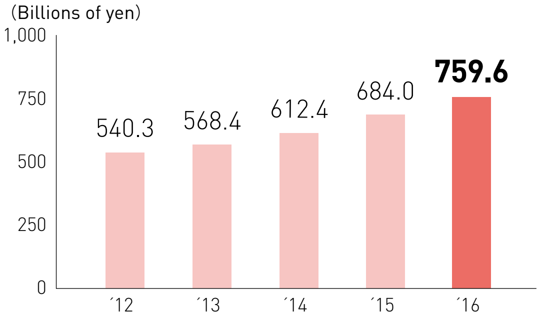
Millions of yen



We recorded increases primarily in personnel costs, occupancy and rental, and depreciation and amortization, paralleling aggressive store expansion activities. At existing stores, personnel costs were up, reflecting rising customer numbers following changes in the sales mix, higher man-hours resulting from efforts to address inbound demand, and an increase in the number of employees to reinforce the sales structure. As a result, selling, general and administrative expenses rose 11.3%, to ¥158.7 billion, on a consolidated basis.

Consolidated Financial Highlights

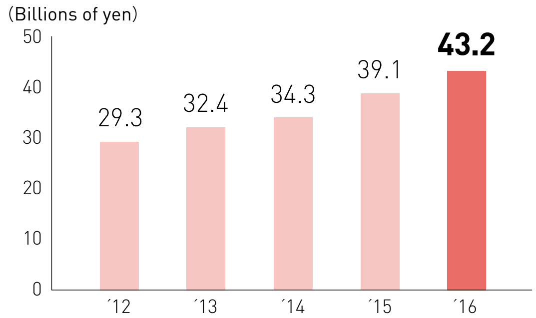
Net Sales



¥759.6billion
Year on year
Up11.1%

A wider lineup of daily necessities and thorough efforts to attract customer interest with appealing prices led to greater customer loyalty, particularly from families. In addition, we responded quickly to changes in purchasing trends in the inbound market, leading to **net sales of ¥759.6 billion**, up 11.1% year on year.

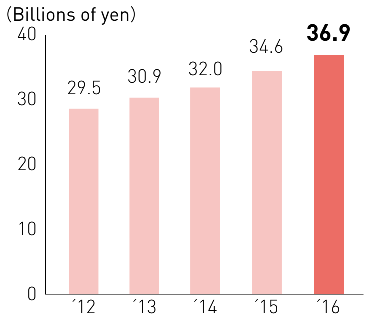
Operating Income



¥43.2billion
Year on year
Up10.4%

Efforts to ensure appropriate staffing levels, paralleling aggressive store-opening activities and an increase in man-hours, led to **higher selling, general and administrative expenses**. However, these expenses were **absorbed by higher sales and successful measures to control costs** through operations. Consequently, **operating income reached ¥43.2 billion**, up 10.4% year on year.

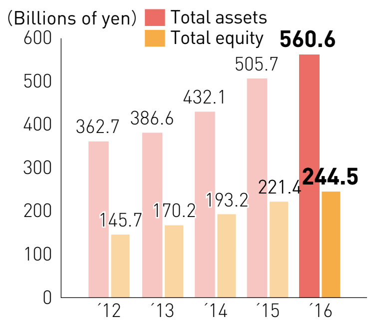
Free Cash Flow



Free cash flow amounted to ¥36.9 billion, with the primary factors being higher profit and an increase in depreciation and amortization.

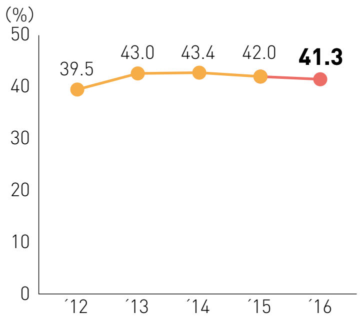
Note: Free cash flow = Profit attributable to owners of parent + Depreciation and amortization + Extraordinary loss − Cash dividends paid

Total Assets/Total Equity



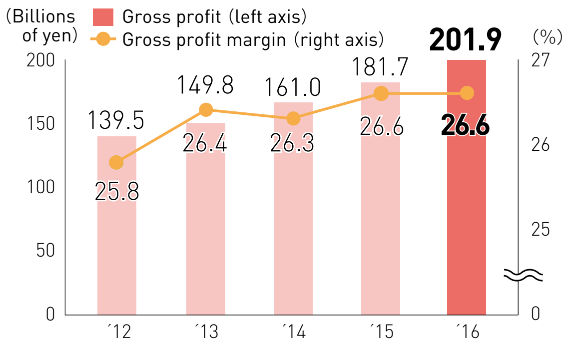
Total assets stood at **¥560.6 billion** as of June 30, 2016, up ¥54.9 billion from a year earlier, mainly owing to **increases in inventories and property, plant and equipment**, paralleling record-high openings of new stores. **Total equity** settled at **¥244.5 billion**, up ¥23.2 billion from a year earlier.

Equity Ratio



The equity ratio slipped 0.7 percentage point from the end of fiscal 2015, to **41.3%**, but the level **indicates sustained corporate financial strength and stability**.

Gross Profit/Gross Profit Margin

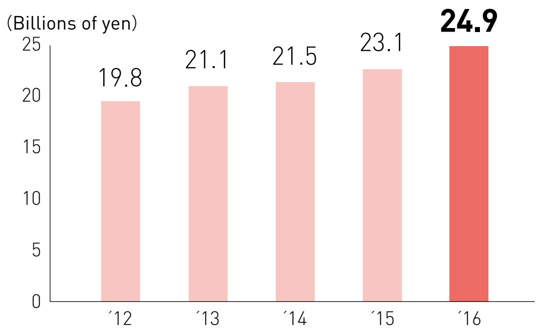


¥201.9 billion
Year on year
Up 11.1%

26.6%
Year on year
±0.0 ppt

We maintained an adequate markup ratio on merchandise, while building up inventories, and we **steadily capitalized on opportunities to generate sales** through constructive strategies, such as increased staffing at each store. These efforts led to **gross profit of ¥201.9 billion**, up 11.1% year on year, and a **gross profit margin of 26.6%**.

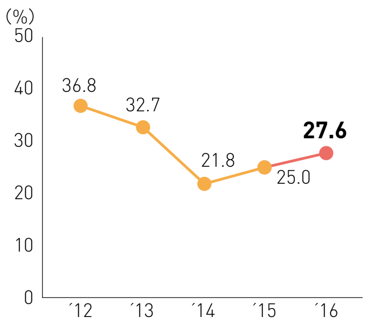
Profit Attributable to Owners of Parent



¥24.9 billion
Year on year
Up 7.7%

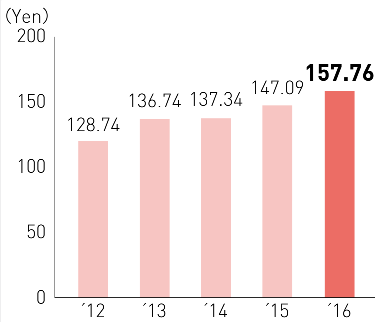
Profit attributable to owners of parent came to ¥24.9 billion, up 7.7% year on year, and marked the seventh straight year of record-breaking results.

Ratio of Interest-Bearing Debt to Total Assets



We took advantage of low interest rates and appropriately secured capital geared to the progress of our accelerated store-opening plan. This led to **interest-bearing liabilities of ¥154.5 billion and a ratio of interest-bearing debt to total assets of 27.6%**.

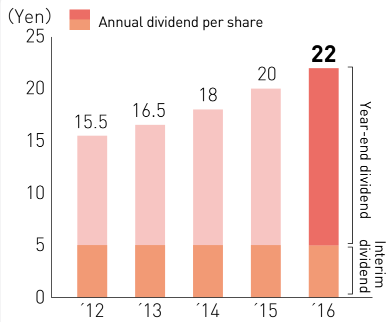
Earnings per Share (EPS)



Earnings per share (EPS) amounted to ¥157.76, up ¥10.67 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 values for prior years have been retroactively restated.

Annual Dividends per Share



The annual dividend for fiscal 2016 was ¥22 per share.
Taking into account effective increases through stock splits, this marked the **13th consecutive year of increased dividends**.

Note: On July 1, 2015, the Company executed a stock split of common shares at a ratio of 2-to-1. Dividend values for prior years have been retroactively restated.

Fiscal 2016 Digest

	First Quarter			Second Quarter		
	2015 Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Don Quijote Group News	● **New management structure is introduced**	● **Heatstroke prevention campaign, for inbound tourists, is implemented**	● **New model store Kyōyasudō opens** ● **"majica" e-money card membership surpasses three million**	● **First in-station store opens (Osaka Station)**	● **Group's domestic store network tops 300**	● **First store in Shimane Prefecture opens** ● **Model store under GMS renewal strategy opens**
New Stores	**MEGA Minoh** (Minoh, Osaka) **MEGA Wakayama Jiromaru** (Wakayama, Wakayama Prefecture) **Picasso Yokosuka-chuo** (Yokosuka, Kanagawa Prefecture) **MEGA Nagoya Honten** (Nagoya, Aichi Prefecture)		**Shinjuku Meijidori** (Shinjuku-ku, Tokyo) **MEGA Sakurai** (Sakurai, Nara Prefecture) **Kyōyasudō Fussa** (Fussa, Tokyo)	**Ekidonki Eki Marche Osaka** (Osaka)	**MEGA Kamisu** (Kamisu, Ibaraki Prefecture) **Kyōyasudō Matsubushi** (Kitakatsushika-gun, Saitama Prefecture)	**Yachiyo** (Yachiyo, Chiba Prefecture) **Shizuoka Yamazaki** (Shizuoka, Shizuoka Prefecture) **MEGA Izumo** (Izumo, Shimane Prefecture) **MEGA Sendai Tomiya** (Kurokawa-gun, Miyagi Prefecture) **MEGA Ayase** (Ayase, Kanagawa Prefecture) **Doit WithReHome Shinjuku Shimoochiai** (Shinjuku-ku, Tokyo)
Economic News in Japan		The Act of Promotion of Women's Participation and Advancement in the Workplace is established	Abe administration announces three new arrows with 2020 targets to spur economic growth Number of foreign tourists since the beginning of the year climbs 48.8% year on year, to 14.48 million people Premiums on Employees' Pension Insurance go up			Annual spending by overseas visitors soars 71.5% year on year, to ¥3,477.1 billion

Third Quarter

2016 Jan.

Feb.

- Revamp of private brand Jonetsu Kakaku is announced

Mar.

- Unsecured corporate bonds worth ¥20 billion are issued (¥10 billion in five-year bonds and ¥10 billion in 10-year bonds)
- "majica" e-money card membership surpasses 3.5 million

Fourth Quarter

Apr.

- Nine stores open—new monthly record

May

Jun.

- "majica" e-money card membership surpasses four million
- First store inside airport opens (Haneda Airport)
- Daishin department store reopens under MEGA Don Quijote format

Store openings

Feb.

MEGA Tachikawa (Tachikawa, Tokyo)

Mar.

Okayama Ekimae (Okayama, Okayama Prefecture)

Iwata (Iwata, Shizuoka Prefecture)

MEGA Yokohama Aobadai (Yokohama, Kanagawa Prefecture)

MEGA Chikushino Inter (Chikushino, Fukuoka Prefecture)

Picasso Minamigyotoku Ekimae (Ichikawa, Chiba Prefecture)

Apr.

Ise (Ise, Mie Prefecture)

Tenri (Tenri, Nara Prefecture)

Fujieda (Fujieda, Shizuoka Prefecture)

Omagari (Daisen, Akita Prefecture)

Center Kita Ekimae (Yokohama, Kanagawa Prefecture)

MEGA Itabashi Shimura (Itabashi-ku, Tokyo)

MEGA Omura Inter (Omura, Nagasaki Prefecture)

MEGA Otsu (Otsu, Shiga Prefecture)

MEGA Chikusakanare (Nagoya, Aichi Prefecture)

May

Kanazawa Morimoto (Kanazawa, Ishikawa Prefecture)

City Doit Hinodecho (Yokohama, Kanagawa Prefecture)

Jun.

Kyoto Rakusai (Kyoto)

Yamato (Yamato, Kanagawa Prefecture)

CROSS MALL Sakai (Sakai, Osaka)

Fujisawa Ekimae (Fujisawa, Kanagawa Prefecture)

MEGA Meiyontangodori (Nagoya, Aichi Prefecture)

Soradonki Haneda Airport store (Ota-ku, Tokyo)

Picasso Shinozaki Ekimae (Edogawa-ku, Tokyo)

MEGA Omori Sanno (Ota-ku, Tokyo)

Economic and social events

Jan.

Bank of Japan determines introduction of negative interest rates

Nikkei Stock Average falls to ¥18,000 level

Feb.

Nikkei Stock Average falls to ¥15,000 level

Leap-year effect pushes consumer spending into positive territory for first time in six months

Apr.

China raises import duty

May

Steep appreciation of yen, surging to level of ¥105 to U.S. dollar—highest since October 2014

Jun.

Increase in consumption tax to 10% postpones till October 2019

Decision by the U.K. through referendum to withdraw from the European Union (EU) causes yen to rise even further. Briefly hits ¥99 to U.S. dollar

Growth Strategy, from CEO Perspective

It has been one year since the new structure was adopted. What kind of year was fiscal 2016?

The weight on my shoulders was lifted for a moment when I saw that fiscal 2016—my first term after assuming the management role filled by founder Takao Yasuda—was another year of record-breaking consolidated sales and operating income. Nevertheless, I am already thinking about what needs to be done to keep this momentum going.

Personnel costs soared beyond anything we could have imagined, and cost control was a struggle. These were among several issues that characterized a very difficult operating environment in which sales could easily have decreased. But even amid the challenging conditions, we have traveled a steady course, and I firmly believe that this achievement demonstrates the success of our measures put into practice. Fiscal 2016 also marked solid progress under our five-year employment improvement plan toward creating a happy company with a positive atmosphere for our employees, the operating companies, our customers—essentially, all of our stakeholders.

Existing stores are growing, and sales and income are charting a steady upward path. Where do such favorable results come from?

They come from our emphasis on fine-tuning each store to the needs of its customers. This perspective permeates throughout the entire Group. It is backed by the pursuit of store-level benefits as well as economies of scale, without acknowledging any slight disadvantages that might arise at the store level behind economies of scale generated by our headquarters. We have the ability to place emphasis on these store-level benefits and combine them in such a way that they translate into economies of scale. This demonstrates the intrinsic value of our headquarters.

Fiscal 2016 was a year when our preparations to date, such as new awareness—different ways of thinking—and thorough delegation of merchandise-related authority to frontline staff, gradually began to bear fruit. By implementing organizational reforms, we were able to reinforce the structure that allows our headquarters to support day-to-day activities at the store level. In the same way, efforts to convert slight disadvantages into store-level benefits will naturally lead to better performances at existing stores. This is undoubtedly what has fueled a steady increase in sales and income. The reforms we have embraced to date have certainly delivered results, but I feel we have to keep pushing forward.

What is the status of progress toward our Vision 2020 targets?

Fiscal 2016 marked the highest number of new stores opened in a single fiscal year—40. We dug into our portfolio of store formats, including the Don Quijote and New MEGA Don Quijote formats, focusing on opening stores in buildings vacated by other companies. One after another, distribution companies are packing up and moving out of brick-and-mortar stores. This provides us with a fabulous opportunity to extend our store network because we have the ability to breathe new life into vacated buildings, such as general merchandise stores (GMS) and drugstores, of various sizes and in various locations. We also pushed ahead on the creation of new formats designed to attract demand from inbound tourists. These included stores inside a train station and an airport terminal.

Home center operator Doit emphasized the development of new formats. The company opened stores under three concepts: Doit PRO, focusing on products for professionals; City Doit, targeting demand from offices; and Doit WithReHome, specializing in home renovation.

We are taking a parallel approach, steadily opening new stores while developing new formats, and will promote business activities aggressively aimed at achieving our Vision 2020 goals of ¥1 trillion in net sales and a store network of 500 locations.

Performance Highlights

Net sales	¥759.6 billion
Operating income	¥43.2 billion
Profit attributable to owners of parent	¥24.9 billion
Total assets	¥560.6 billion
Total equity	¥244.5 billion
Earnings per share	¥157.76

Which issue requires attention from a medium- to long-term perspective?

That is corporate globalization. To date, we have—as the Don Quijote Group—come up with attention-grabbing store formats in Japan, and our hiring and personnel development methods have emphasized business competency rather than academic qualifications. However, from a medium- to long-term perspective, if we are to evolve from Japan's Don Quijote into the world's Don Quijote, we are going to need human resources with linguistic talents and literacy in many areas as well as a completely different set of qualifications than we looked for in the past. To collect all the necessary components for successful globalization, we have to venture into uncharted territory and get involved in a mountain of activities.

Please tell us your priority measures and performance forecasts for fiscal 2017.

In fiscal 2017, we will focus on three measures:

1. Promote even deeper application of store-based approach and harvest greater rewards
2. Ensure a good yield through greater pursuit of store-level benefits
3. Boost productivity and return results to employees

Through these measures, we will take great strides toward realizing our 28th consecutive year of higher sales and operating income on a consolidated basis.

Do you have a message for our stakeholders?

To promote the true spirit of our store-based approach, which creates a close connection with the lives of customers and the working people in each community while contributing to comfortable lifestyles, and continue to operate stores that local shoppers really love, I believe we have to respond sensibly to changes in our world. We must always think about how we can contribute to society and pledge to maintain corporate activities that link contribution at the local level and with society as a whole.

I will earnestly strive to guide these activities into tangible results—consolidated performance—and build win-win relationships with all of our stakeholders.

At the same time, I know full well that it is my role to connect customer satisfaction, derived through the hard work of frontline staff, to business results and to boost employee satisfaction as well.

In these efforts, I look forward to the continued support from all of our stakeholders.

Doit PRO Koganei Koen store

Don Quijote Tenri store

MEGA Don Quijote Omura Inter store

Financial Strategy, from CFO Perspective

Analyze "now" in fine detail and approach "tomorrow" with an accurate perspective

Mitsuo Takahashi
Senior Managing Director and CFO

Market environment in fiscal 2016 and evaluation of the Group's performance

In fiscal 2016, the increase in raw material costs and rising personnel costs, which paralleled the shortage of labor, picked up even greater speed. Consumers became more price sensitive, particularly in their search for daily necessities, due to heightened budget-consciousness.

In a challenging business environment characterized most notably by intense price competition, the fact that we were able to post year-on-year increases in double-digits for both net sales and operating income, on a consolidated basis, speaks volumes about our solid reputation. I believe this is the cumulative effect of the best possible actions we could have taken under the prevailing conditions, including a vigorous and bold approach to new store openings while responding to consumer needs.

Impact of inbound purchasing activity on business results

Sales from inbound tourists comprised 5.9% of net sales in fiscal 2016. This certainly reflects our abilities to provide a product mix that entices return visits, appealing prices and quick responses to purchasing demand so that popular merchandise are always in stock.

Trends in the purchasing interests of inbound tourists indicate a shift from luxury items, such as watches, to consumables, such as cosmetics and pharmaceuticals. Our extensive selection of merchandise and appealing prices are the key factors for our steady rise in customer loyalty.

To attract the attention of foreign visitors to Japan, it is important for the public and private sectors to work together and ride the huge wave of energy that is flowing into the country rather than to push against the current.

Thoughts on investment and fund procurement

Over the next few years, opportunities will certainly arise with the potential to drive growth by leaps and bounds. On the merchandise front, trends, such as a widening gap among distribution companies and an increasingly determined stance on product adjustments in the exceptionally prosperous convenience store sector, have resulted in a surplus of unconsumed products for the distribution sector. This presents tremendous opportunities for the Group, which achieves great results from procuring these types of products.

In regard to store openings, opportunities abound as other retailers reduce their brick-and-mortar presence. It is therefore relatively easy to find buildings that suit our needs in terms of size and location and that fit into our budget. In addition, the development of new formats gives us the flexibility to open stores with large or small footprints in a range of locations.

On the financial front, basically, we prefer to allocate the majority of the resources generated from daily operations into our capital investment; however a reasonable amount of procurement from the market is necessary to ensure good leverage. Now is the time to actively invest funds that are procured through low-cost borrowings into high-revenue core businesses and promote an aggressive management approach that targets a larger market share.

Direction on future IR activities

We will place emphasis on our explanation, mainly on the Group's business activities and performance results, and provide detailed descriptions to deepen understanding. The fiscal 2017 performance forecast has been disclosed as a commitment to our stakeholders.

The keys toward stable, sound management practices, are responsiveness to change and repeated minute adjustments. We will encourage two-way communication with all our stakeholders through IR activities and build unshakeable trust, underpinned by our vital concept of placing more importance on analyzing "now" in fine detail and approaching "tomorrow" with an accurate perspective than on talking eagerly about future expectations.

Strengthening of Management Foundation, from CCO Perspective

Ensuring prosperity through openness and ethical practices

Naoki Yoshida
Senior Managing Director and CCO

Corporate governance fuels corporate growth

Social responsibility and corporate governance have taken on increasing importance in today's corporate environment. Having a direct relationship with consumers, retail businesses must heed the call of accountability in their day-to-day activities. How a company responds to its customers and employees will determine its future success. In short, corporate growth will not be realized without enhanced corporate governance.

Every year since its inception, Don Quijote has achieved increased sales and profit. This sustained growth was due to the combination of Don Quijote's unique corporate vision and the persistent effort of its entire team to make this vision a reality. Such success will not be sustained through overconfidence and contentment but, rather, will be actively pursued and achieved by Don Quijote's shared dedication—from executive management to staff members—to our humble, thoughtful, disciplined, and ethical approach to business and a daily commitment to our customers, core values, and business practices.

Integral to Don Quijote's growth and dedication is an openness and appreciation for internal and external feedback; prudent reflection; insatiable self-improvement; unrivaled adaptability; and dedication to identifying and addressing situations as they arise. In the age of social media and other technological advancements, Don Quijote has access to more customer feedback than ever before. Additionally, Don Quijote has established and enhanced various internal and external portals that provide for employee complaints and anonymous whistleblower communications. How well Don Quijote succeeds in its commitment to its customers and employees by ensuring open, fair, and just situational evaluations and corrective actions will, in my estimation, be a litmus test for the strength of its corporate governance and, ultimately, its future growth.

Longevity through loyalty

Don Quijote's founder, Mr. Takao Yasuda, instilled in Don Quijote's senior management a mission to build a company that will prosper for over one hundred years. In achieving this goal, I believe there is a strong correlation between our becoming a long-lasting and venerable company and our commitment to ensuring an openness and appreciation for internal and external feedback from our customers and team members.

Most, if not all, successful companies today—with Amazon and Google at the top of the list—are built upon the participation and loyalty of their customers or users. With such customer-business interconnectedness most likely to be pivotal for our success, Don Quijote is committed to prioritize its customers, take their feedback into account, build upon their loyalty, and deepen these relationships. The key factor to our continued success is our unyielding adherence to our corporate philosophy of "valuing the customer as our utmost priority." In accordance with this corporate philosophy, we have a steadfast commitment to act in a responsible and ethical manner, which affords us an opportunity to build trust and cultivate relationships.

Our founding principle of "striving with our heart and soul to ensure fair and equitable business practices, backed by strong morals and noble ambitions" is also crucial for our future growth. By continuing to hold this principle paramount, Don Quijote will build upon its strong ethical foundation, dedication and interconnected relationship with its customers, and ability to adapt to any situation. I strongly believe that these ethical philosophies and values in our business practices are prerequisites to realize our founder's mission to prosper for, at least, one hundred years.

Growth Drivers 1

Tapping into Inbound Demand

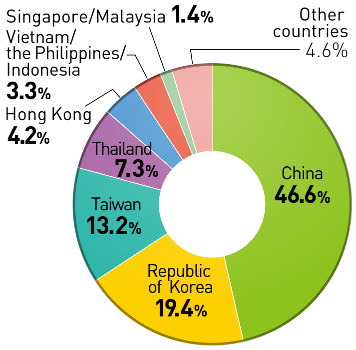
While spending per customer remains unchanged, the number of people visiting Japan is charting a steady upward path, resulting in a favorable direction for inbound spending. Here, we describe changes in inbound demand and our approaches toward them.

The changing shopping needs of overseas tourists

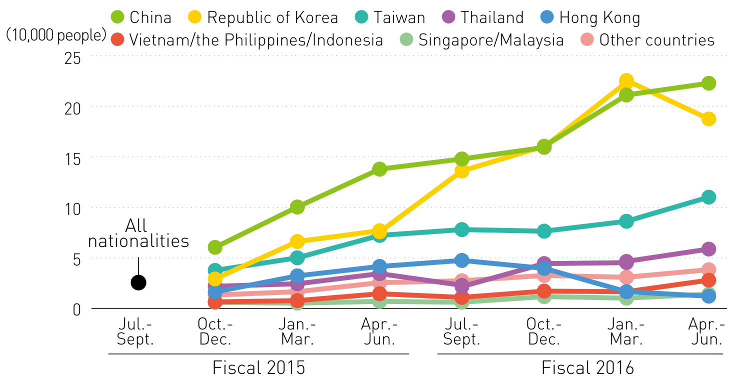
In October 2014, a revised tax-free program for overseas tourists took effect in Japan, and in 2015, the inbound market demonstrated outstanding growth, with shopping sprees for high-priced items such as brand-name products and electrical appliances making headlines. In 2016, changes gradually started to appear in customer composition and in the shopping lists of overseas tourists.

Inbound customer composition is expanding, with an increase in customers hailing not only from China but also from the Republic of Korea, Taiwan, Thailand and other neighboring countries in Asia. In addition, we are seeing changes in merchandise that sell particularly well to overseas tourists, with a shift away from products in the high-price range, such as brand-name products and electrical appliances, in favor of products in the low-price range, such as cosmetics and pharmaceuticals.

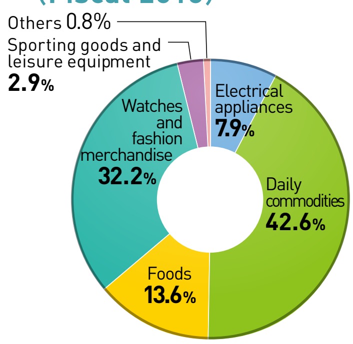
Tax-Free Sales by Country (Fiscal 2016)



Number of overseas visitors



Tax-Free Sales by Product (Fiscal 2016)



Don Quijote draws on responsiveness to change to tap into inbound demand

To address these changes in inbound demand, Don Quijote is taking a flexible approach that showcases its strength as a general discount store with an extensive lineup of merchandise. The depth of this product mix is very appealing to overseas tourists, and Don Quijote is becoming highly recognized, mainly through social media, as a store where tourists can buy cosmetics, sundries and other products at bargain prices to be given as souvenirs to family and friends. This market recognition attracts even more customers.

In addition, each store demonstrates its ability to respond to change and has localized know-how to make frequent and fine-tuned adjustments to the product mix and prices matched to the ever-changing needs of customers. By drawing on this know-how, Don Quijote stores can respond flexibly to always-emerging new trends in the purchasing preferences of inbound tourists as well. Original approaches such as this lead to higher tax-free sales and expanding inbound demand.

We will work to create stores loved by customers domestically and abroad, drawing on our ability to respond to change.

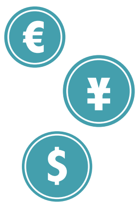
Original approaches of the Don Quijote Group

Establishment of "welcome desk" (special counter for overseas tourists)

Flagship stores that are particularly popular with inbound tourists have special counters that cater specifically to tourists from abroad. Bilingual staff provide assistance with tax-free paperwork and interpretations as necessary to help customers enjoy their shopping experience. Don Quijote also launched a "welcome reservation site," where visitors to Japan can pre-order items before arrival, and an airport delivery service, which sends items that are purchased in-store to the customer's airport of departure for pickup.

Diverse payment options

All stores accept China UnionPay credit cards as well as seven major currencies—U.S. dollar, Euro, Chinese yuan, Korean won, Hong Kong dollar, Taiwan dollar and Thai baht. In addition, some stores, which are particularly popular with inbound tourists, accept payment through Alipay, the largest online settlement services provider in China.



DONKI Free Wi-Fi

All Don Quijote stores offer free Wi-Fi service. No pre-registration is required, and there are no fiddly configuration steps to navigate. The user policy is available in several languages, paving the way to smooth access. Many visitors to Japan find the country's telecommunications environment rather problematic, so Don Quijote was quick to set up in-store Wi-Fi access to make Internet connection easy and practical.

What's new

Soradonki Haneda Airport store—First store located inside airport facility

On June 24, 2016, the Soradonki Haneda Airport store opened on the fifth floor of the international terminal at Haneda Airport. With just 107m^2 of floor space, this store is the Group's smallest, and its product selection features such items as souvenir-oriented snacks as well as pharmaceuticals and other items that are particularly popular with visitors to Japan. The store also offers a number of unique, somewhat wacky items, including party goods, which are only available at a Don Quijote store. As a showroom for the gateway to the skies, Soradonki serves to raise the Don Quijote profile to new heights.

Growth Drivers 2

Capturing Demand from Families in Japan

The Don Quijote Group—with a store network steadily becoming national in scale. The Group is building a loyal customer base, especially at MEGA Don Quijote stores, through an appealing selection of daily necessities, such as food and daily essentials, and attractive prices. The effort is paying off with a bigger share of the family market.
Here, we describe the approaches that the Group has embraced to draw and keep families as active customers.

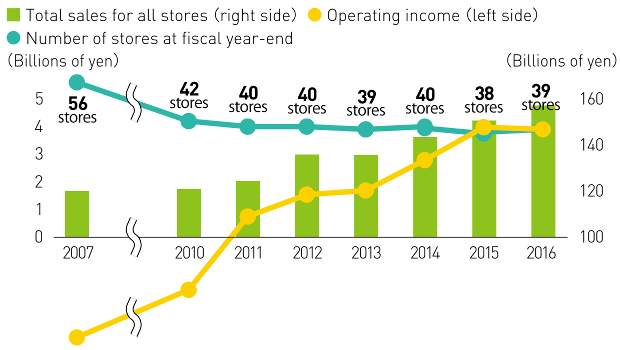
Cultivating family segment that grew out of revitalized Nagasakiya

In 2008, the Group took steps to cultivate a presence in the family market. In 2007, the general merchandise store Nagasakiya was brought into the Group and this opportunity was used to promote development of MEGA Don Quijote. As the target customer group was families, the Group placed emphasis on its selection of daily necessities, such as food and daily essentials. At the same time, however, efforts were directed into developing a wider base of loyal customers by complementing the product mix with the amusement factor that characterized Don Quijote.

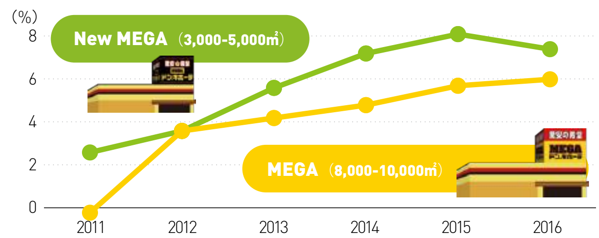
Nagasakiya Co., Ltd. generated steadily improving performances and was back in the black by 2011. The company moved forward on the closure of unprofitable stores, and though the store network shrank to about two-thirds of what it had been, net sales for the fiscal year ended June 30, 2016, from all stores operated by Nagasakiya, hit a level about 1.3 times the amount recorded in the acquisition year (2007), and operating income hovered around ¥9.0 billion. The company had achieved amazing growth. New stores were opened in buildings vacated by other big general merchandise stores during 2013 and 2015, when all existing stores underwent renewals. Nagasakiya's family segment was developed and is making favorable progress.

Nagasakiya Co., Ltd. Performance

*Retail business only



MEGA/New MEGA stores Operating income to net sales (store level)



Identifying constantly changing customer needs

In the autumn of 2015, the purchasing trends of customers revealed subtle changes involving a trend toward budget-consciousness and selective spending. Macroeconomic statistics, including household spending data, back the perception that consumers were reluctant to part with their money. To quickly address the changes in this spending environment, the Don Quijote Group emphasized greater delegation of authority to store staff, who determined product mix and prices matched to the characteristics of the business district where their store operates. This prompted greater loyalty among customers in the family segment and led to a higher number of store visits as well as more items purchased per visit. On the whole, this has resulted in tremendous growth of net sales among existing stores.

Going forward, our goal is to demonstrate Group strengths to create stores where customers of all ages, from families to seniors, can have a satisfying shopping experience.

Model store for GMS renewal

MEGA Don Quijote Ayase store


The MEGA Don Quijote Ayase store, which opened in December 2015 on a site vacated by a large general merchandise store (GMS) operator, is a model store for the renewal of GMS. It is the crystallization of the Don Quijote Group's experience in store format development to date and the know-how acquired through the opening of stores in buildings vacated by other store operators. The MEGA Don Quijote Ayase store emphasizes perishable foods but also features a rich assortment of prepared items, such as lunch boxes and side dishes prepared in its in-store kitchen. In addition, the store has an in-store bakery that offers freshly baked bread. The store also offers clothing and fashion accessories as well as toys to meet the needs of customers across all ages.

Revitalizing of department store with close ties to community

MEGA Don Quijote Omori Sanno store


Daishin Corporation, in Ota-ku, Tokyo, operated as a department store with close ties to the community. In May 2016, the store shut its doors after 52 years in business but reopened the following month, as the MEGA Don Quijote Omori Sanno store, on June 30. The store is brimming with the know-how of the Don Quijote Group and valuable intangible assets, notably, insight into the business and the trust of customers, as accumulated by the veteran staff who have been working there since its Daishin days and boast a wealth of product knowledge. In addition, a furniture retailer and family restaurant were welcomed as tenants in the revitalized store, generating synergies that transcend any perceived barrier in store format and establishing a shopping spot that encourages continuous patronage from customers in the community.

Urban-style hybrid store

MEGA Don Quijote Tachikawa store


In February 2016, the MEGA Don Quijote Tachikawa store was opened almost on the doorstep of JR Tachikawa Station in a building vacated by a big GMS operator. This store is an urban-style hybrid combining trends and food. It offers an assortment of foods, including perishable foods in four categories—fruits and vegetables, fish, meat and side dishes—as well as daily essentials and leisure equipment, such as bicycles. The store also features a bar where customers can enjoy a glass of wine from around the world at a reasonable price. These aspects of the store meet the diverse needs of customers across a wide spectrum of age groups.

What's new

"majica"—Favorable increase in membership contributes to higher sales per customer

"majica," an original electronic payment system that debuted in 2014, marked an increase in membership, by providing a variety of services, such as extra points for recharging cards and discounts on certain products. As of June 18, 2016, membership had topped four million.

In addition, in March 2016, the Group launched "majica donpen card," featuring a credit card function, which was followed in July by "cardless service"—members use a smartphone app—and "e-receipt system."

Going forward, we will continue to add services and create stores to encourage customer loyalty, which will underpin a bigger base of returning customers.

Growth Drivers③

Tailwind for New Store Openings

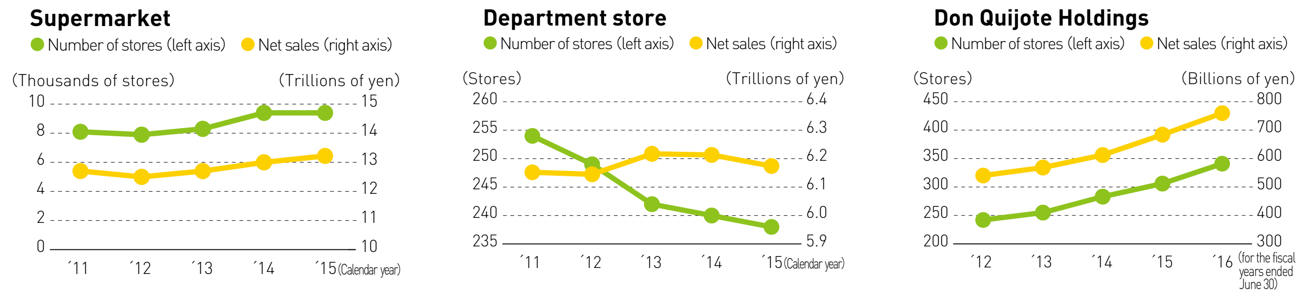
As many companies in the retail industry close stores and shelve plans for new openings, the Don Quijote Group is keen to move in where others have moved out. We are accelerating plans to open stores with profitability in mind.
Here, we describe changes in the external environment that drive our store-opening strategy forward and initiatives that demonstrate strengths unique to the Don Quijote Group.

Golden opportunity appears as other retailers scale back en masse

The Don Quijote Group, in aggressive store opening mode, added 40 stores —a record number—to its growing network in fiscal 2016. Other retailers are accelerating efforts to scale back operations, which opens up retail space formerly occupied by GMS, high-volume electronics stores and anchor tenants in shopping centers. As a result, the Group is finding it much easier to secure buildings for its own stores. This is a golden opportunity that we cannot pass up.

We have succeeded at moving into vacant spaces that once belonged to other retailers, and are keen to capitalize on prevailing circumstances to expand our store network.

Number of stores and net sales by format



Sources: (Supermarket) Japan Chain Stores Association
(Department store) JAPAN DEPARTMENT STORES ASSOCIATION

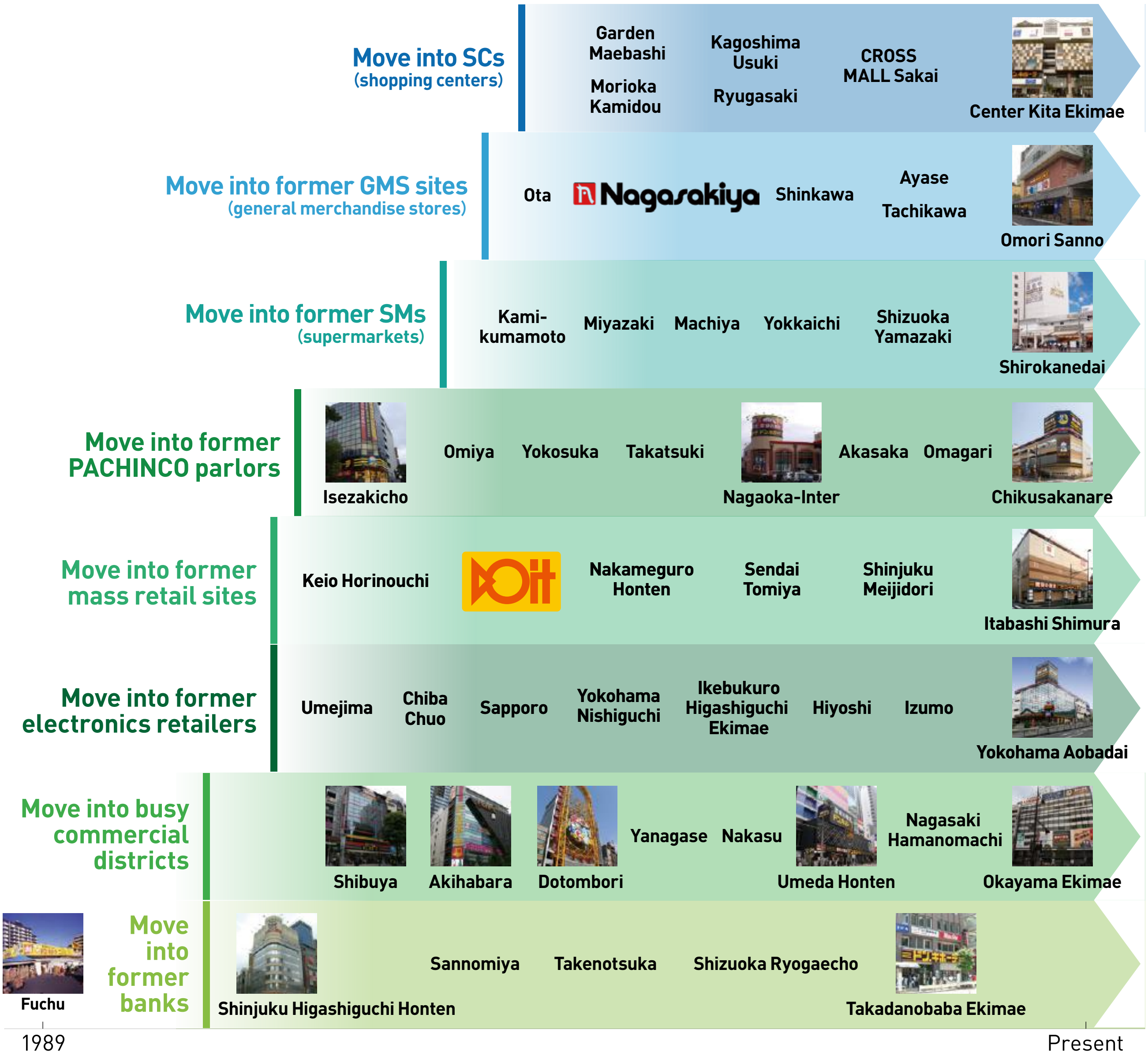
Diverse store formats facilitate flexible store openings

Opening stores in spaces made available from other companies closing stores and leaving buildings is our primary approach to new store development. Moving into vacant retail space is a fast and low-cost way to expand our store network. To date, we have acquired and opened profitable stores in various buildings once used by other retailers, such as high-volume electronics stores, furniture retailers, general merchandise stores and commercial complexes.

We also develop different types of store formats, matched to market size and local characteristics. When opening new stores, we take a flexible approach, selecting the store format that is best suited to the location.

In fiscal 2017, we plan to open about 30 new stores. Maintaining this pace, we should realize a store network of 500 locations by 2020.

Existing Stores by Type of Previous Tenant



Note: The above stores represent only a fraction of our store network.

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	Clothing: Mainly everyday wear Food: Fewer perishable foods	Housewives, families
Don Quijote	1,000㎡～3,000㎡	40,000～60,000	Amusement and variety shops	Young people, couples
Small-Scale (Picasso / Essence / Kyōyasudō / Ekidonki / Soradonki)	300㎡～1,000㎡	10,000～20,000	Emphasis on specialty products (drugstore/convenience store/ mini grocery)	Young people, couples
Doit	2,000㎡～7,000㎡	40,000～80,000	Do-it-yourself-related and home products	Craftsmen, do-it-yourselfers and families

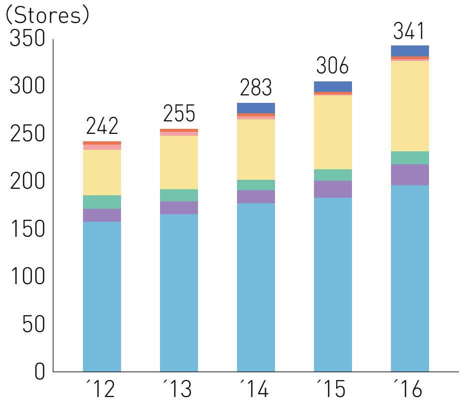
Store Network and Industry Data

Store Development

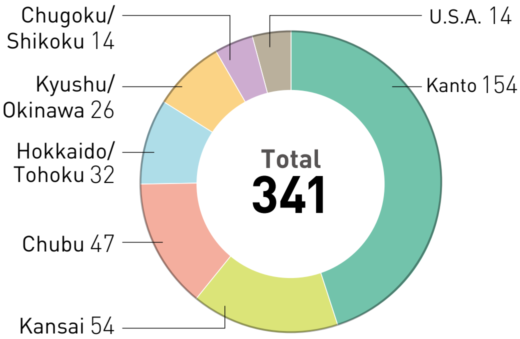
Number of stores by format (as of June 30, 2016)

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

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



Number of stores by region



Store Network Hits 341 Groupwide

In fiscal 2016, we opened 40 new stores—more than in any other year—with 15 under the Don Quijote format, 16 under the MEGA Don Quijote format, two Kyōyasudō stores, two Doit stores and five small-store formats, including Picasso. However, we closed five stores, mainly to rebuild or switch formats. As a result, our Groupwide network consisted of 341 stores —327 stores in Japan and 14 overseas, all in the United States.

Going forward, our store opening strategy will emphasize a good balance of stores in the cities and in the suburbs, with store formats matched to market size and local characteristics. We will strive to create shopping environments that brim with the entertainment value that the Don Quijote Group is so well known for, to give young singles as well as families and seniors a fun and exciting shopping experience.

Stores opened by the Don Quijote Group

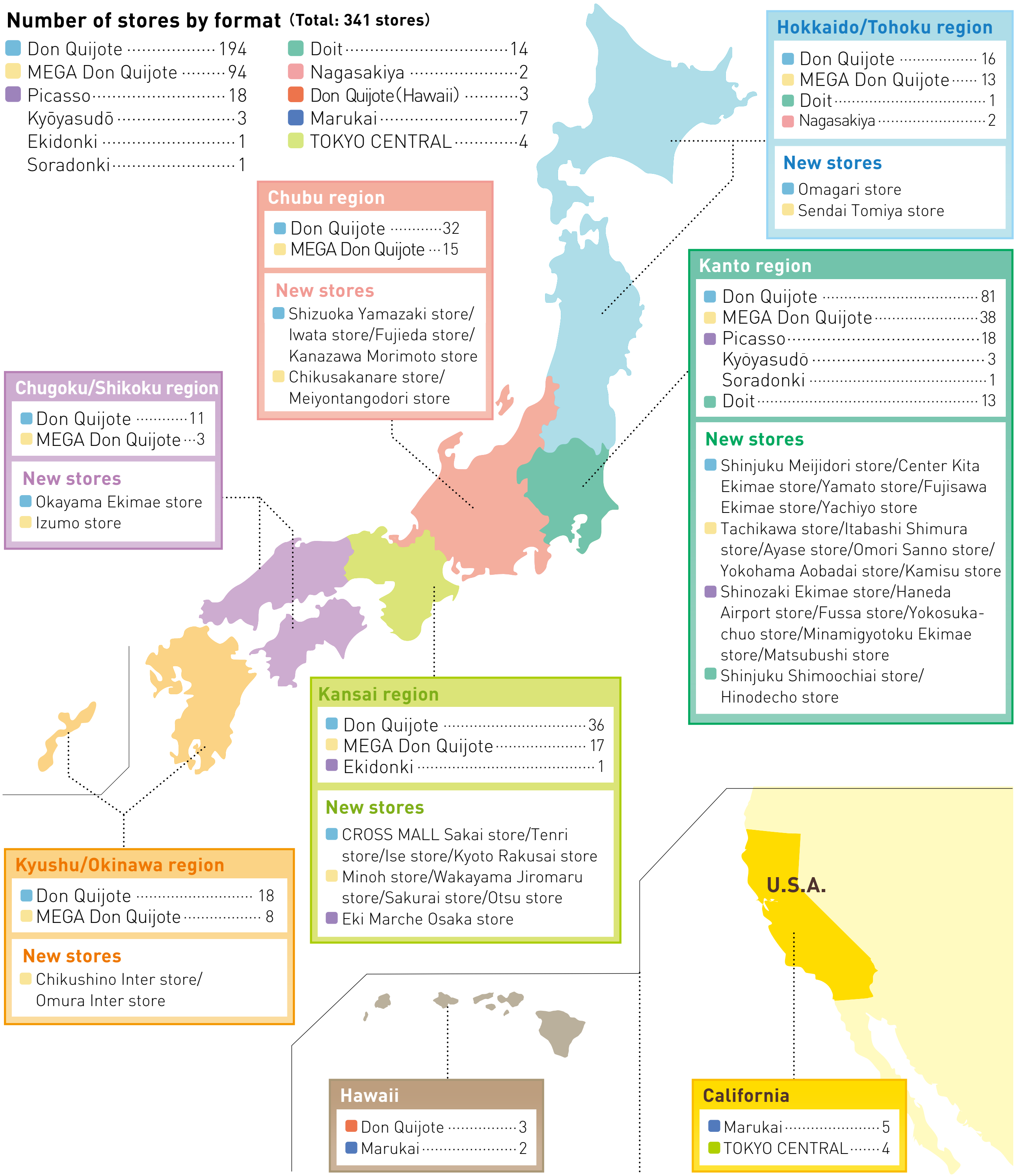
Don Quijote Kanazawa Morimoto store

MEGA Don Quijote Itabashi Shimura store

Group store network (as of June 30, 2016)

Number of stores by format (Total: 341 stores)

- Don Quijote ····· 194
- MEGA Don Quijote ····· 94
- Picasso ····· 18
- Kyōyasudō ····· 3
- Ekidonki ····· 1
- Soradonki ····· 1
- Doit ····· 14
- Nagasakiya ····· 2
- Don Quijote (Hawaii) ····· 3
- Marukai ····· 7
- TOKYO CENTRAL ····· 4



Hokkaido/Tohoku region
- Don Quijote ····· 16
- MEGA Don Quijote ····· 13
- Doit ····· 1
- Nagasakiya ····· 2

New stores
- Omagari store
- Sendai Tomiya store

Chubu region
- Don Quijote ····· 32
- MEGA Don Quijote ····· 15

New stores
- Shizuoka Yamazaki store/Iwata store/Fujieda store/Kanazawa Morimoto store
- Chikusakanare store/Meiyontangodori store

Chugoku/Shikoku region
- Don Quijote ····· 11
- MEGA Don Quijote ····· 3

New stores
- Okayama Ekimae store
- Izumo store

Kanto region
- Don Quijote ····· 81
- MEGA Don Quijote ····· 38
- Picasso ····· 18
- Kyōyasudō ····· 3
- Soradonki ····· 1
- Doit ····· 13

New stores
- Shinjuku Meijidori store/Center Kita Ekimae store/Yamato store/Fujisawa Ekimae store/Yachiyo store
- Tachikawa store/Itabashi Shimura store/Ayase store/Omori Sanno store/Yokohama Aobadai store/Kamisu store
- Shinozaki Ekimae store/Haneda Airport store/Fussa store/Yokosuka-chuo store/Minamigyotoku Ekimae store/Matsubushi store
- Shinjuku Shimoochiai store/Hinodecho store

Kansai region
- Don Quijote ····· 36
- MEGA Don Quijote ····· 17
- Ekidonki ····· 1

New stores
- CROSS MALL Sakai store/Tenri store/Ise store/Kyoto Rakusai store
- Minoh store/Wakayama Jiromaru store/Sakurai store/Otsu store
- Eki Marche Osaka store

Kyushu/Okinawa region
- Don Quijote ····· 18
- MEGA Don Quijote ····· 8

New stores
- Chikushino Inter store/Omura Inter store

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

California
- Marukai ····· 5
- TOKYO CENTRAL ····· 4

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

Don Quijote	**http://www.donki.com/en/**
MEGA Don Quijote	**http://www.donki.com/mega/** (Japanese only)
Doit	**http://www.doit.co.jp/** (Japanese only)
Nagasakiya	**http://www.nagasakiya.co.jp/** (Japanese only)
MARUKAI California	**http://www.marukaicorp.com/**
Hawaii	**http://www.marukaihawaii.com/**

Ranking of Retail Companies by Net Sales

2016 Ranking	2015 Ranking	Company Name	Business Category	FY Ended	Net Sales (Millions of yen)	Growth Rate (%)	Ordinary Income (Millions of yen)	Growth Rate (%)	Profit (Millions of yen)
1	1	AEON CO., LTD.	Holding Company	Feb	8,176,732	15.5	179,674	17.8	6,008
2	2	Seven & i Holdings Co., Ltd.	Holding Company	Feb	6,045,704	0.1	350,165	2.5	160,930
3	4	FAST RETAILING CO., LTD.[1, 2]	Apparel	Aug	1,786,473	6.2	90,237	-50.1	48,052
4	3	YAMADA-DENKI CO., LTD.	Electronics Store	Mar	1,612,735	-3.1	62,734	76.5	30,395
5	5	Isetan Mitsukoshi Holdings Ltd.	Department Store	Mar	1,287,253	1.2	36,704	6.2	26,506
6	6	J. FRONT RETAILING Co., Ltd.	Department Store	Feb	1,163,564	1.2	47,910	18.4	26,313
7	7	UNY Group Holdings Co., Ltd.	General Merchandise Store	Feb	1,038,733	1.9	21,657	5.7	-2,873
8	8	Takashimaya Co., Ltd.	Department Store	Feb	929,587	1.9	37,785	5.2	23,829
9	9	H2O RETAILING CORPORATION	Department Store	Mar	915,690	8.4	23,060	8.7	14,053
10	10	BIC CAMERA INC.[1]	Electronics Store	Aug	779,081	-2.0	23,067	13.1	11,985
11	14	Don Quijote Holdings Co., Ltd.	Discount Store	Jun	759,592	11.1	43,797	9.1	24,938
12	11	EDION Corporation	Electronics Store	Mar	692,087	0.1	17,275	55.4	6,022
13	12	Yodobashi Camera Co., Ltd.	Electronics Store	Mar	679,610	4.3	51,219	0.1	32,025
14	16	IZUMI CO., LTD.	General Merchandise Store	Feb	668,784	15.4	31,102	4.5	18,766
15	13	K'S HOLDINGS CORPORATION	Electronics Store	Mar	644,181	1.1	28,614	10.7	16,305
16	15	LIFE CORPORATION	Supermarket	Feb	629,986	7.5	12,982	18.8	7,923
17	18	LAWSON, INC.	Convenience Store	Feb	583,452	17.2	69,622	-2.9	31,381
18	17	SHIMAMURA Co., Ltd.	Apparel	Feb	546,058	6.7	40,709	5.5	24,747
19	19	Matsumotokiyoshi Holdings Co., Ltd.	Drug Store	Mar	536,052	10.4	29,805	48.8	17,853
20	27	TSURUHA Holdings, Inc.[1]	Drug Store	May	527,508	19.8	32,623	16.6	19,323
21	22	SUNDRUG CO., LTD.	Drug Store	Mar	503,773	13.0	33,817	27.6	21,569
22	21	ARCS COMPANY, LIMITED	Supermarket	Feb	501,905	6.7	15,894	11.2	6,547
23	20	Valor Holdings Co., Ltd.	Supermarket	Mar	497,463	5.7	17,586	9.2	10,759
24	25	Nitori Holdings Co., Ltd.	Home Furnishings	Feb	458,140	9.8	75,007	10.4	46,969
25	51	Nojima Corporation	Electronics Store	Mar	454,842	86.4	14,892	121.1	13,226
26	32	COSMOS Pharmaceutical Corporation[1]	Drug Store	May	447,273	9.5	20,691	8.7	12,435
27	23	DCM Holdings Co., Ltd.	Home Center	Feb	437,731	1.6	17,489	7.6	10,549
28	24	HEIWADO CO., LTD.	General Merchandise Store	Feb	437,085	4.2	16,664	8.5	9,574
29	30	FamilyMart Co., Ltd.	Convenience Store	Feb	427,676	14.2	51,888	22.0	21,067
30	29	SUGI Holdings Co., Ltd.	Drug Store	Feb	414,885	8.1	23,810	8.7	14,605

[1] Rankings were calculated by updating the company rankings that appeared in the *Nikkei Marketing Journal's* 49th Survey on the Retailing Industry in Japan, issued on June 29, 2016, with the performance indicators for TSURUHA Holdings, Inc. and COSMOS Pharmaceutical Corporation for their fiscal years ended May 31, 2016, the Company's performance indicators for the fiscal year ended June 30, 2016, and the performance indicators for FAST RETAILING CO., LTD. and BIC CAMERA INC. for their fiscal years ended August 31, 2016.
[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	Seven & i Holdings Co., Ltd.	3,814,360	352,320	6.9
2	FAST RETAILING CO., LTD.	3,546,042	164,463	16.1
3	Nitori Holdings Co., Ltd.	1,458,010	73,039	14.7
4	Aeon Cao., Ltd.	1,292,192	176,977	0.5
5	LAWSON, INC.	793,373	72,541	12.0
6	Ryohin Keikaku Co., Ltd.	643,829	34,439	16.4
7	Don Quijote Holdings Co., Ltd.	641,169	43,185	11.2
8	SUNDRUG CO., LTD.	599,789	33,025	17.3
9	FamilyMart Co., Ltd.	591,960	48,734	7.6
10	TSURUHA Holdings, Inc.	569,767	31,342	13.7
11	SHIMAMURA Co., Ltd.	555,176	39,913	8.4
12	ABC-MART, INC.	544,714	41,514	14.6
13	YAMADA-DENKI CO., LTD.	523,837	58,158	6.0
14	COSMOS Pharmaceutical Corporation	430,009	18,648	17.6
15	MARUI GROUP CO., LTD.	415,204	29,615	6.0
16	Isetan Mitsukoshi Holdings Ltd.	402,633	33,107	4.7
17	WELCIA HOLDINGS CO., LTD.	355,855	18,759	10.7
18	IZUMI CO., LTD.	352,907	31,912	13.3
19	SUGI Holdings Co., Ltd.	326,787	23,112	11.2
20	J. FRONT RETAILING Co., Ltd.	320,939	48,038	6.9

[1] Market capitalization: Closing price on Tokyo Stock Exchange on July 29, 2016
[2] Operating income and ROE: Results for each company's most recent fiscal year

Making a Sustainable Society a Reality

Through our business activities as a general retailing group, we will contribute to local communities and strive to help resolve social issues while raising corporate value.

Guided by our corporate philosophy "valuing the customer as our utmost priority," as a general retailing group, the Don Quijote Group embraces its mission to create stores that provide shoppers with fun, convenience and low prices and to contribute to the communities where these stores are located.

Pursuit of corporate philosophy "valuing the customer as our utmost priority"

Business activities

Convenience
Stores that always have a great assortment of daily necessities

Amusement
Stores that turn shopping into a fun and exciting experience

Discount
Stores with products featuring absolute value and prices to delight shoppers

Delegation of authority

Corporate governance structure

Coexist and Prosper Mutually with Stakeholders

We strive to become a corporate group trusted by customers, business partners and shareholders.

Customers — Create stores that are valued by local communities

Business partners — Maintain a sense of coexistence and mutual prosperity, viewing all on an equal footing

Shareholders/Investors — Seek stable return of profit to shareholders through continuous growth

Employees — Establish a workplace environment in which people approach their jobs with enthusiasm

Local communities/Environment — Create stores that have close ties to local communities and are friendly to the environment

With Local Communities

The Don Quijote Group seeks to coexist and prosper mutually with each community and rolls out CSR activities that foster close ties with local customers. We direct efforts into solutions for local concerns, such as involvement in the planning and execution of community revitalization strategies in cooperation with neighborhood commercial facilities and shopping districts, participation in disaster prevention and anti-crime initiatives, and reconstruction support in areas affected by disasters.

Local contributions utilizing retailing resources

The retailing business plays an absolutely indispensable role in the lives of customers and is, essentially, a social infrastructure. Based on this belief, the Don Quijote Group contributes to local communities by utilizing the resources we have available as a general retailer. For instance, we draw on our inherent capabilities, such as a system that promptly delivers products to customers in times of disaster, and apply approaches through our core operations to help in resolving issues that concern local communities.

When the Kumamoto earthquakes hit, what did Don Quijote do?

The Kumamoto earthquakes—a series of major seismic events that hit the area in and around Kumamoto Prefecture, on Japan's southern island of Kyushu in April 2016. While other retailers invariably closed shop and stopped distribution, Don Quijote restored operations at its three stores in Kumamoto Prefecture right away so that they were open for business the morning after the earthquake.

First off, immediately after the earthquake, Don Quijote confirmed the status of its distribution center and truck availability and then set up a system to ensure timely deliveries to Kyushu. Even though phone services were disrupted, the head office, branch office and stores were able to communicate through the in-house SNS—an enterprise social network—and merchandise were quickly transported to Kumamoto. At the stores, however, it was not business as usual. Fixtures had fallen down, the walls showed cracks and the power was out, making normal operations impossible. The products were brought and arranged outside under a big tent in front of the store and sold directly into the hands of customers.

Even in emergency situations such as this recent ground-shaking disaster, Don Quijote was able to fulfill its role as a social infrastructure with a highly expedited response that perfectly exemplified its concept of "valuing the customer as our utmost priority."

Post-earthquake SNS message and customer response

Key information, such as opening hours and the status of deliveries were posted on Twitter and Facebook. The information spread, allowing us to provide merchandise to those who suffered as a result of the earthquake.

Relief donations collected at all stores, at home and abroad

A total of ¥6,196,681 from Japan and $2,988.56 from overseas were collected through the Japanese Red Cross Society and the Japanese Prefectural Association of Southern California (California, U.S.A.) and directed to disaster-stricken areas.

Specialty Product Fairs for Kumamoto Recovery Support
Total sales: ¥2,677,577
(Dates: May 3-5, June 3-5)

Fairs featuring special products from Kumamoto were held at four stores in Tokyo in support of recovery from the earthquakes. The event held in May offered only a short time to prepare; however, the stores were able to showcase 31 products and rang up purchases exceeding ¥850,000. On June 3, Kumamon—the official mascot of Kumamoto Prefecture—even made an appearance.

Special tent set up by entrance of Don Quijote Nakameguro Honten store

Activities 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. Our mission is to constantly provide customers with a fun and exciting shopping environment. As a group, we will strive to fulfill this mission and direct efforts into the realization of a rich society through activities that draw on the unique strengths of the Don Quijote Group.

DIY renovation workshop program at Doit WithReHome Shinjuku Shimoochiai store

Disaster prevention, anti-crime activities

Participation at storefront events for revitalization of local communities

Halloween garbage problem and shortage of changing rooms in Shibuya—What did Don Quijote do?

With every passing year, Halloween becomes more popular in Japan. However, the garbage that litters the roads during this time of year, especially in central Tokyo, has become a social issue.

During Halloween in 2015, Don Quijote ran a cleanup campaign with teams from the Don Quijote Shibuya store and pop-up shops in the neighborhood joined by head office employees. To preserve the fun atmosphere of Halloween in the city, employees went about their cleanup duties dressed in cleverly devised costumes, which were abuzz with social networking sites. A massive cleanup event, organized by a volunteer association, took place on the morning of November 1, and Don Quijote employees got involved in this activity as well. In addition, as the steady stream of people who change into their Halloween costumes inside washrooms at train stations and shopping facilities or even on the street tends to bother ordinary customers, changing rooms were set up at pop-up shops near the Shibuya store as well as 28 rooms at two neighborhood karaoke bars for customers who purchased costumes to get changed. In addition, Don Quijote supported "Operation Halloween Zero Garbage in Shibuya," an event jointly sponsored by Shibuya-ku (Tokyo), and helped with establishing changing rooms at Jingudori Park.

The Shoiku® Project

The Don Quijote Group is keen to give children in Japan, on whose shoulders the nation's future rests, the opportunity to experience the enjoyment of working and gain a sense of responsibility and mission through retail sales. With this in mind, all stores under the Group umbrella in Japan are involved in the Shoiku® Project, an in-store learning opportunity for children. In fiscal 2015, stores welcomed 1,323 children, mostly elementary and junior high school students, from a total of 180 schools.

The practice of delegating authority to frontline staff is well-entrenched within the Group, and the corporate culture is such that each and every employee is always thinking about what might enhance customer satisfaction as they go about their tasks. To give children a chance to apply their personal perspective to a work assignment, each store has some leeway to create its own program content based on the theme "Serve customers the way you would like to be treated if you were a customer."

Through the Shoiku® Project, children experience the enjoyment and fulfillment that comes with working, and as these children come to love Don Quijote, employees rediscover the fun in retailing and gain a new sense of duty, which ultimately leads to greater motivation.

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 direct concerted efforts 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.

Hiring and fostering personnel with an emphasis on the person

In hiring new employees, we do not look at résumés during any stage of the selection process. This reflects a policy we have for identifying unlimited potential in job applicants—potential that is not apparent from a résumé alone. We focus on an individual's personality, ambitions and dreams for the future, because we hire people, not résumés.

We place priority on the delegation of authority—a key aspect of our corporate culture—that gives frontline staff the green light to make merchandise-related decisions as they see fit. The underlying premise is that the principle of valuing the customer as our utmost priority loses relevance without the delegation of authority. Essentially, if the frontline, which is always in direct contact with customers, does not have authority for the products sold in-store, the store will not be able to properly address the needs of customers. By giving frontline staff—that is, the store—the authority to handle merchandise-related aspects of store operation, from placing orders to setting prices and arranging displays, we encourage creativity in the workplace. In addition, we maintain a performance-based personnel evaluation system that ensures fair assessment of results. This keeps employees highly motivated, eager to embrace challenges again and again and develop their skills in the process.

Diverse workstyles

The Don Quijote Group promotes diversity that respects the individuality and background of employees.

Under a corporate culture that emphasizes delegation of authority, we strive to create an environment in which each and every employee can fully demonstrate his or her own capabilities, regardless of gender, age, nationality, work experience, principles, ideology, or interests/preferences. We have started several initiatives that reflect changing times, including suggestions for working hours matched to different lifestyles and the launch of an in-house project in support of diverse workstyles for women.

Active utilization of early morning stockers

We have a short hour work system—three hours in the morning, two or three times a week—for seniors over the age of 60 who want to put the early hours of the morning to good use. The sincere attitude that seniors have toward work fosters a greater sense of togetherness among store staff and leads to enhanced motivation.

Start of Cocoro Project to support diverse workstyles for women

The Cocoro Project, initiated in October 2015, has simplified the internal application process for women who utilize such systems as maternity leave and childcare leave, and promotes widespread awareness of these systems through posters and a special website. In addition, we established contact points at branches and offices where employees can inquire about different workstyles, and we laid out a support structure that enables women to continue to work with a sense of security amid the many life events that occur throughout their lives.

Program for sexual minorities

In June 2016, we launched a program directed toward sexual minorities. To create an environment where members of sexual minorities who work within the Don Quijote Group can be themselves and demonstrate their capabilities, we established an in-house project team with participation from relevant divisions. Through in-house newsletters and other materials, the team deepens its knowledge of sexual minorities. In addition, the rules of employment at Don Quijote were revised so that, as of July 1, 2016, no one is to be discriminated against, based on sexual orientation or gender.

Environmental Activities

To contribute to the realization of a sustainable society, the Don Quijote Group promotes environmentally conscious business activities. Members of the Group vigorously strive to reduce environmental load, including the installation of equipment to reduce CO_2 emissions and other initiatives. These include automated air-conditioning systems and interior LED lighting inside stores, water-saving devices in kitchens and toilets, 100% recycling of the cardboard boxes used for deliveries, and participation in regional cleanup activities.

CO_2 reduction initiatives

At stores under the Don Quijote Group umbrella, efforts are being made to reduce CO_2 emissions through the installation of the latest energy-saving equipment, which keeps air-conditioning systems running efficiently and automatically maintains an appropriate temperature all the time. The 15 stores where the latest energy-saving equipment has been installed reduced their power consumption by 361,265kWh between July 2015 and June 2016. (See the table on the right) Moreover, the switch to power companies with smaller CO_2 footprints led to a 12,241-ton decrease in CO_2 on an all-store basis.

Reduction in Power Consumption Through Installation of Latest Energy-Saving Equipment

Store	Prefecture	Installation Date	Reduction Amount
MEGA Soka	Saitama	Jun. 2015	90,241
MEGA Katsuta	Ibaraki	Apr. 2016	72,266
Keio Horinouchi	Tokyo	Oct. 2015	40,257
MEGA Higashikurume	Tokyo	Oct. 2015	27,382
MEGA Bentencho	Osaka	Mar. 2016	26,803
Essence Sekimachi	Tokyo	Oct. 2015	21,457
Akita	Akita	Feb. 2016	19,284
Bansui-dori	Miyagi	Feb. 2016	14,601
Kusatsu	Shiga	Mar. 2016	10,069
Kichijoji Ekimae	Tokyo	Mar. 2016	9,633
Sendai Minami	Miyagi	Feb. 2016	9,316
MEGA Uji	Kyoto	Mar. 2016	6,377
MEGA Kariba Inter	Kanagawa	Jun. 2016	5,878
MEGA Shin-Yokohama	Kanagawa	Jun. 2016	4,984
Hiyoshi	Kanagawa	Jun. 2016	2,717
Total			**361,265**

Aggregation period: July 2015 to June 2016
Unit: reduction amount (kWh)

Participated in GOMI Fantasista Project in Osaka-Minami

The Don Quijote Group participated in a cleanup event sponsored by the Japan Empowerment Consortium Osaka. At the event held on May 3, 2016, employees collected 39 bags of garbage, weighing 132kg, and earned a letter of appreciation from the mayor of Chuo-ku in Osaka.

Children were delighted to interact with employees dressed up as Donpen—Don Quijote's mascot

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 than ever, 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

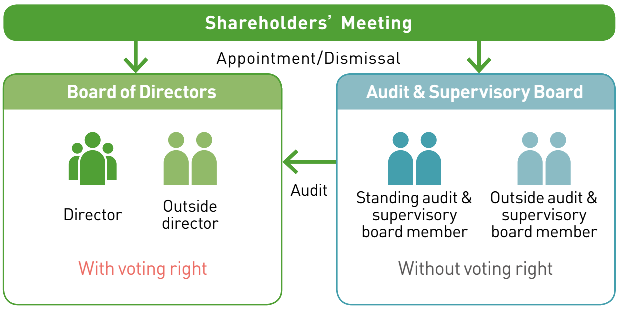
Transition to Company with Audit & Supervisory Committee

At the 36th Ordinary General Meeting of Shareholders, held on September 28, 2016, a resolution was passed to amend the Articles of Incorporation so that Don Quijote Holdings could transition to a company with an audit & supervisory committee. On the same date, the Company duly transitioned from a company with an audit & supervisory board to a company with an audit & supervisory committee. The establishment of the Audit & Supervisory Committee and the granting of voting rights to directors, who are audit & supervisory committee members, at the Board of Directors' meetings is intended to strengthen the audit and supervisory functions of the Board of Directors, enhance corporate governance and improve corporate value.

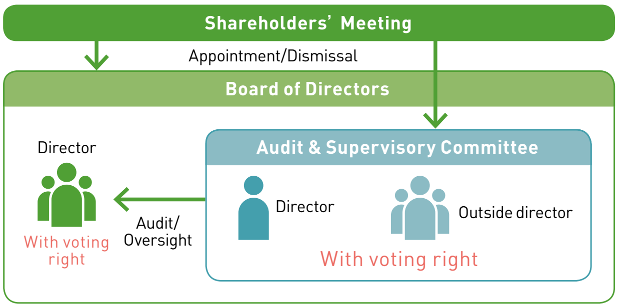
Merits of Transitioning to Company with Audit & Supervisory Committee

- Separate duties for execution of operations from those for supervision by adding several outside directors who do not execute operations of their own
- Strengthen the audit and supervisory functions of the Board of Directors by granting directors, who are audit & supervisory committee members, the right to vote at Board of Directors' meetings
- Promote prompt decision-making through the delegation of some key decisions on execution of operations to directors in charge of business execution

Before Transition



After Transition



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 28, 2016, the Board of Directors comprised seven members to expedite management decisions. Three of them are directors (excluding those who are audit & supervisory committee members), of whom none are from outside the Company. The other four members are directors (audit & supervisory committee members), of whom three are from outside the Company.

The execution of duties by directors are audited by the Audit & Supervisory Committee, and when necessary, the Audit & Supervisory Committee will work with the independent auditor to facilitate the execution of audits. In addition, management has designated one of the outside directors as an independent director, who contributes 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 companywide business strategies, and management therefore believes that the current Board of Directors structure is conducive to suitable decision-making processes.

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 committee 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 three 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.

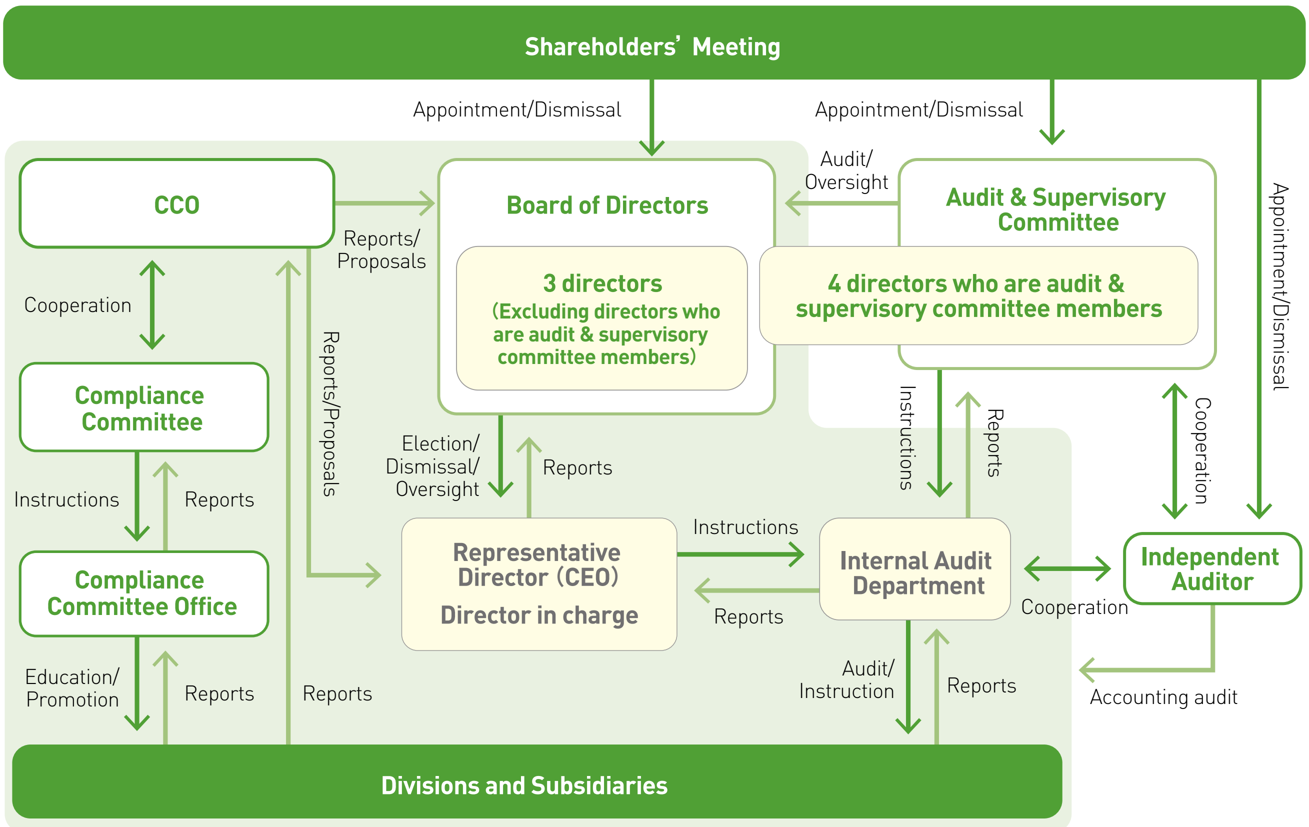
The Company has no clear-cut criteria or policies regarding the independence of individuals appointed as outside directors. However, in the appointment process, a candidate for outside director is evaluated on the ability to maintain a sufficient degree of separation to perform assigned duties independent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

Compliance Committee

Members of this committee are primarily outside experts, including lawyers and outside directors. 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 28, 2016)



Internal Control Structure

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

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

1) Directors must consistently 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 Committee, which has the participation of outside directors, conducts thorough audits to ensure fairness and transparency from a position independent of influence of directors (excluding those who are audit & supervisory committee members).
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 the Audit & Supervisory Committee when such assistance is required

The Company established an office of the Audit & Supervisory Committee (Auditors' Office) with staff exclusively dedicated to assisting the Audit & Supervisory Committee in its duty as required.

8. Matters related to the independence of employees who are to assist the Audit & Supervisory Committee with its duty from directors (excluding those who are audit & supervisory committee members) and matters related to ensuring the effectiveness of instruction from the Audit & Supervisory

Committee to such employees

1) Any personnel matters (including treatment and disciplinary action) pertaining to Auditors' Office staff must be reported first to the Audit & Supervisory Committee.
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 Committee 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 Committee's instructions.

9. System for submitting reports to the Audit & Supervisory Committee, which includes the system for directors and employees to report to the Audit & Supervisory Committee

1) The Internal Audit Department provides the Audit & Supervisory Committee 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 the Audit & Supervisory Committee 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 the Audit & Supervisory Committee 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 the Audit & Supervisory Committee concerning information related to the aforementioned matters.

10. Other: ensuring effectiveness of audits by the Audit & Supervisory Committee

1) Opportunities are made for the Audit & Supervisory Committee to communicate with directors (excluding those who are audit & supervisory committee members) of the Company as well as the directors and audit & supervisory board members of Group companies to make audits as effective as possible. The Audit & Supervisory Committee keeps close ties with the Internal Audit Department and looks over internal audit reports to complement standard audits performed in line with in-house rules. Also, when the independent auditor submits an audit report, the Audit & Supervisory Committee confirms the appropriateness of the content therein.
2) The Audit & Supervisory Committee is 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 a director who is an audit & supervisory committee 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 2016 is as follows:

Certified public accountants who have provided auditing services: Three*

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

The Company has three 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 outside directors have presented their views based on their respective professional fields.

Ties Between the Audit & Supervisory Committee, the Internal Audit Division and the Independent Auditor

The Audit & Supervisory Committee works with the internal audit division and the independent auditor on the content discussed at Board of Directors' meetings.

The Audit & Supervisory Committee exchanges information, as necessary, and maintains close ties with the internal audit division and the independent auditor and thereby enhances 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

Personal, capital or business relationships or any other interests between the Company and its three outside directors are as follows:

Tomiaki Fukuda, an outside director, is president of the Japan Wrestling Federation. The Company provides financial sponsorship to wrestling tournaments hosted by the aforesaid federation to contribute to the healthy development of young people through sports and as part of its contribution to society toward the 2020 Tokyo Olympics. The Company supports the views of the federation and provides this support as part of its CSR activities. Furthermore, the amount is very small, in the vicinity of ¥20 million annually (less than 0.01% of the Company's consolidated net sales and around 0.01% of its selling, general and administrative expenses), and the Company deems that Mr. Fukuda has sufficient independence with regard to his relationship with the Company. There are no special interests between the other outside directors and the Company.

■ 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 to 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 Committee.

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 Act 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 28, 2016.

Board of Directors (as of September 28, 2016)

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) President and Representative Director of Don Quijote Holdings Retail Management Co., Ltd. (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
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. President and Representative Director of Doit Co., Ltd. (current position)
June 2016	Director (Audit & Supervisory Committee Member) of Accretive 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
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)

Shoji Wada
Director (Standing Audit & Supervisory Committee 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
September 2016	Director (Audit & Supervisory Committee Member) of the Company (current position)

Yukihiko Inoue

Outside Director
(Audit & Supervisory Committee Member)

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
September 2016	Director (Audit & Supervisory Committee Member) of the Company (current position)

Yasunori Yoshimura

Outside Director
(Audit & Supervisory Committee Member)

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
September 2016	Director (Audit & Supervisory Committee Member) of the Company (current position)

Tomiaki Fukuda

Outside Director
(Audit & Supervisory Committee Member)

April 1995	President and Representative Director of U.H.I. SYSTEMS K.K.
November 2002	Vice-president of Fédération Internationale des Luttes Associées (currently United World Wrestling)
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 Chairman and Representative Director of Goyo Intex Co., Ltd.
June 2013	Honorary member of Japanese Olympic Committee (current position)
January 2014	Councillor of the Tokyo Organising Committee of the Olympic and Paralympic Games (current position)
September 2014	Honorary Vice-president of Fédération Internationale des Luttes Associées (currently United World Wrestling) (current position)
September 2016	Director (Audit & Supervisory Committee Member) of the Company (current position)

Messages from Directors

Utilize accumulated experience and contribute to higher corporate value

Shoji Wada
Director (Standing Audit & Supervisory Committee Member)

As my role is to audit and supervise directors in the execution of their duties, I will utilize the insights and knowledge accumulated over the many years of experience in information system and security operations while continuing to offer advice that will help the Don Quijote Group achieve sustainable growth over the medium to long term. In addition, the Audit & Supervisory Committee will contribute actively toward the enhancement of corporate value by encouraging free and open-minded opinions from outside directors through the sharing of various Company information known only to standing committee members, and acknowledging the importance of reflecting their opinions into management practices.

Contribute to further progress in diversity

Yasunori Yoshimura
Outside Director (Audit & Supervisory Committee Member)

I will utilize my experience as an obstetrician and gynecologist, and my involvement in improving the nation's declining birth rate and childrearing support as a Special Advisor to the Cabinet, to contribute to the creation of an even better workplace environment that supports work styles matched to various lifestyles.

In addition, I have been involved in the Company's management as an outside audit & supervisory board member and as an outside director. However, from this year (fiscal 2017), as Don Quijote Holdings transitions to a company with an audit and supervisory committee, I hope to contribute toward raising the corporate value of the Group by offering suggestions aimed at realizing sound corporate growth through a combination of perspectives—monitoring of adherence to governance requirements as well as supervision of management.

Financial Section

Consolidated Business Results

Business Environment and Results

The economic environment in Japan during fiscal 2016—July 1, 2015 to June 30, 2016—became increasingly uncertain. The ongoing factors included: the risk of an economic downturn due to slowdowns in China, other emerging nations in Asia, and resource-producing countries; a sharp appreciation of the Japanese yen; increasing uncertainty in overseas economies due to the UK's impending withdrawal from the European Union and the impact this could have on financial and capital markets; and concerns over the impact of the Kumamoto earthquakes on the economy.

Business sentiment remained low in the absence of any signs of strength in the economy, despite a boost to the retail industry from spending by overseas visitors. In a situation with negative growth in real wage levels due to higher commodity prices, we have moved into an era of increasingly heightened consumer preferences for saving money and selective spending.

Under this challenging business environment, the Don Quijote Group continued to proudly demonstrate its strengths built on policies that recognize the capabilities of frontline staff and differentiate each store—policies that distinguish the Group's operating companies from the competition—and proactive steps have been taken based on aggressive sales strategies.

In addition, new challenges and verifications were undertaken during fiscal 2016, as the Group has formats that can be deployed for various sizes in various locations, facilitating easier acquisition of buildings for new stores.

In December 2015, the Group opened the MEGA Don Quijote Izumo store on the former site of a high-volume electronics retailer, marking the Group's first store opening in Shimane Prefecture. In the same month, the large-scale MEGA Don Quijote Ayase store with a sales floor space of approximately 10,000m² was opened on the former site of a general merchandise store (GMS) in Ayase, Kanagawa Prefecture in an effort to expand the market share for families. Furthermore, Daishin Corporation (in Ota-ku, Tokyo), which operated as a local department store for many years, was renovated and reopened in June 2016 as a MEGA Don Quijote store and is one of the largest MEGA Don Quijote stores in

Sales by product category

* Classification of product category has been changed from fiscal 2016 with a focus on seasonal events related products. The results for the previous fiscal year have been prepared based on the new classification method.

Sales and composition by product category	2015 Net sales	2015 Percentage	2016 Net sales	2016 Percentage
	Millions of yen	%	Millions of yen	%
Retail business	659,931	96.5	**733,333**	**96.5**
Electrical appliances	56,842	8.3	**60,978**	**8.0**
Daily commodities	137,260	20.1	**157,288**	**20.7**
Foods	208,541	30.5	**242,215**	**31.9**
Watches and fashion merchandise	147,462	21.6	**154,183**	**20.3**
Sporting goods and leisure equipment	47,310	6.9	**51,722**	**6.8**
DIY products	16,535	2.4	**15,493**	**2.0**
Overseas	35,591	5.2	**39,842**	**5.3**
Others	10,390	1.5	**11,612**	**1.5**
Tenant leasing business	18,200	2.7	**19,781**	**2.6**
Other businesses	5,850	0.8	**6,478**	**0.9**
Total	683,981	100.0	**759,592**	**100.0**

Tokyo. We aim to combine the Group's know-how for establishing stores that are supported by customers with the experience locally accumulated by Daishin, toward the creation of a completely new kind of store that constantly evolves in response to customers' comments.

In addition, the Group began experiments aimed at the creation of new formats. These included the Ekidonki store inside JR Osaka Station, which became the first store to open inside a train station, and the Soradonki store on the fifth floor of the international terminal at Haneda Airport, which marked the first store opening inside an airport.

Doit, which is engaged in the home center business, started offering various new services including Doit WithReHome, which specializes in home renovation and house cleaning services, and City Doit that supports a variety of office-related needs.

As a result, the Group achieved consecutively higher sales and income during fiscal 2016, with ¥759,592 million in net sales, up 11.1% year on year, ¥43,185 million in operating income, up 10.4% year on year, ¥43,797 million in ordinary income, up 9.1% year on year, and ¥24,938 million in profit attributable to owners of parent, up 7.7% year on year.

Note that "net income" is stated as "profit attributable to owners of parent" with the application of the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) from fiscal 2016.

Store Network

In fiscal 2016, the Group oversaw the opening of a total of 40 stores: two in the Tohoku region, 19 in the Kanto region, six in the Chubu region, nine in the Kinki region, two in the Chugoku region and two in the Kyushu region. The breakdown by subsidiary was: 34 stores for Don Quijote Co., Ltd., one for Nagasakiya Co., Ltd., two for Doit Co., Ltd., two for Lirack Co., Ltd., and one for Daishin Corporation. On the other hand, three stores were closed: the Don Quijote Oyama Ekimae store, Don Quijote Tomisato Inter store, and Kyōyasudō Mejiro store. The Don Quijote Tomei Kawasaki store was temporarily closed for reconstruction, and the Kyōyasudō Hinodecho store was closed for conversion to a different format.

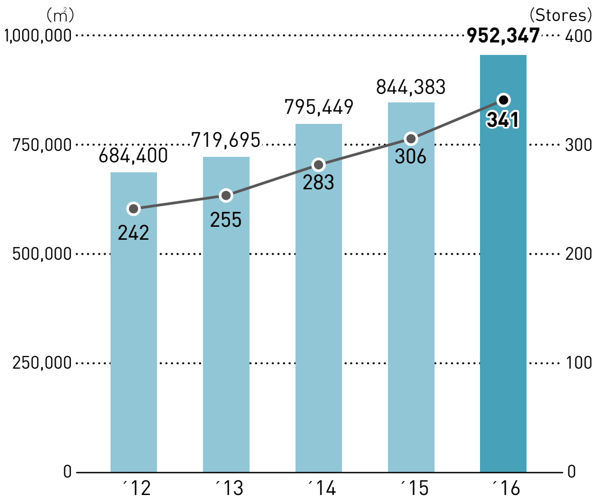
As a result, the Group's store network (including overseas stores) expanded to 341 stores as of June 30, 2016, compared with 306 stores as of June 30, 2015.

Operating Results by Business Segment

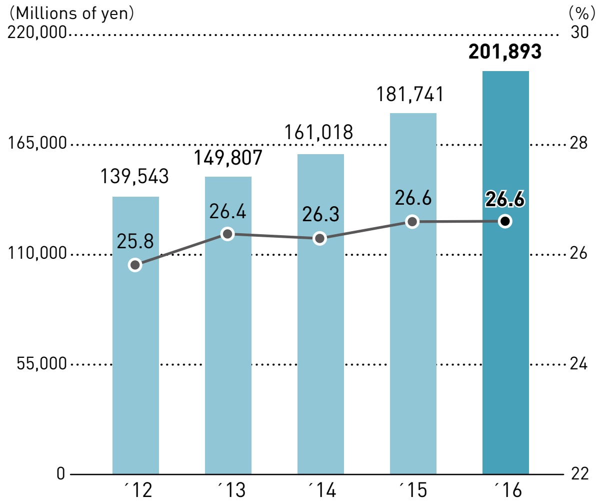
Retail Business

In fiscal 2016, the retail business generated sales of ¥733,333 million, up ¥73,402 million, or 11.1%, from fiscal 2015, and operating income grew to ¥22,746 million. Don Quijote, the core operating format within the Group, achieved a 4.5% increase in sales at existing stores. Contributing factors included solid performance of products such as food and daily commodities that have a high store-visit frequency reflecting the spending environment, and the continuous and strong needs for consumables from inbound purchasing activity driving an increase in the number of customers. In the family-oriented MEGA Don

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



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



Quijote and New MEGA Don Quijote formats, sales growth was driven by daily necessities including food and daily essentials due to a strengthening of community-based product mix and services.

Tenant Leasing Business

In fiscal 2016, the tenant leasing business advanced, recording sales of ¥19,781 million, up ¥1,581 million, or 8.7%, year on year, and operating income reached ¥14,159 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. The results were due to an increase in the number of properties paralleling an increase in the number of stores in the retail business.

Other Businesses

In fiscal 2016, sales from other businesses grew to ¥6,478 million, up ¥628 million, or 10.7%, year on year, and operating income increased to ¥6,733 million. This result reflects performance growth at subsidiaries, particularly Accretive, Co., Ltd., which is involved in financial services.

Operating Income

While measures to review the sales structure and product mix in response to consumer needs boosted growth at existing stores, they also led to some temporary sluggishness in the gross profit margin. Nonetheless, gross profit grew as a result of higher net sales. Although there were concerns over a narrowing of profit margins associated with changes in the sales mix, the gross profit margin remained unchanged year on year as a result of thorough price control measures, the expansion of spot products, and the aggressive disposal of slow-moving inventory. Selling, general and administrative (SG&A) expenses grew due to energetic network expansion, an increase in the number of customers associated with changes in the sales mix at existing stores, higher man-hours associated with the response to inbound demand, and a rise in the number of staff to strengthen the sales structure. Despite higher SG&A expenses, operating income grew 10.4% year on year, to ¥43,185 million, thanks to higher net sales and the success of cost management measures.

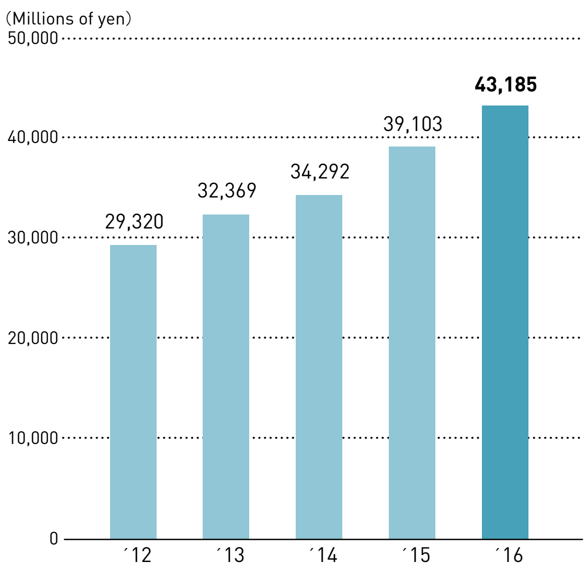
Ordinary Income, Profit Attributable to Owners of Parent

The Company booked ¥1,197 million under loss on closing of stores, ¥279 million in loss on disposal of non-current assets, and ¥179 million in impairment loss under extraordinary loss, but posted ¥117 million in gain on sales of non-current assets under extraordinary income. Buoyed by the higher net sales, ordinary income climbed 9.1%, to ¥43,797 million, and profit attributable to owners of parent rose 7.7%, to ¥24,938 million, breaking previous records yet again.

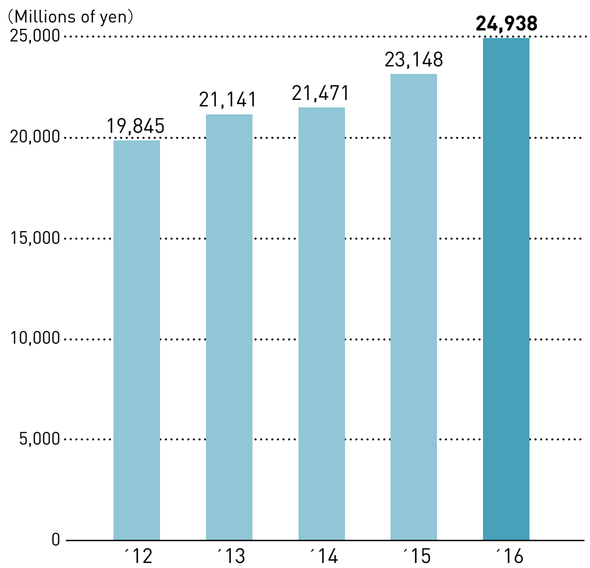
Outlook for Fiscal 2017

The outlook for fiscal 2017 continues to

Operating income



Profit attributable to owners of parent



present uncertainties. While the government's measures to stimulate the economy should continue generating positive effects, the hike in consumption tax has been postponed again and uncertainty in overseas economies is growing due to the UK's impending withdrawal from the European Union. There are also concerns over the impact of fluctuations in financial and capital markets.

Even in the retail industry, the gap widened between companies and stores, and store closures and industry reorganization are expected to accelerate.

The Group sees the situation as an opportunity for growth and will guide itself to create stores with appealing formats that translate into a high level of customer satisfaction. We will pursue well-balanced store openings including roadside openings of stores for Don Quijote, which serves as the core of the Group's store opening policy, in suburban areas as well as openings in city centers adjacent to large terminal train stations and bustling shopping districts. Furthermore, in addition to MEGA Don Quijote, a general discount store for families, we will evolve the New MEGA Don Quijote as a more flexible store opening format to enable store openings in buildings vacated by other companies. In addition to standalone stores, we will promote solution store openings that make swift and low-cost openings possible as tenant openings in multi-business commercial complexes such as shopping centers, while working to improve sales capabilities, profitability, and business efficiency.

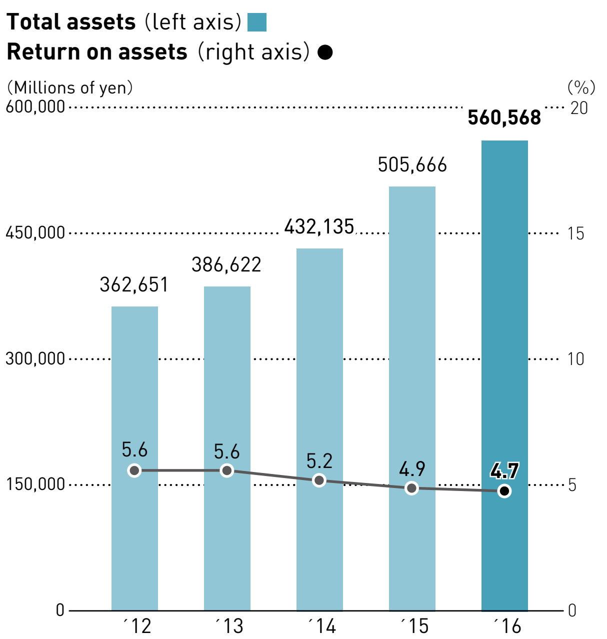
In store operation, management will emphasize a store-based approach that caters to the needs of customers in respective commercial districts while enhancing our capabilities for attracting customers, product strength, and price competitiveness in order to strengthen the operational base at existing stores. Management is also keen to reinforce sales promotion activities through "majica," the Group's proprietary e-money card, and further raise the level of customer loyalty.

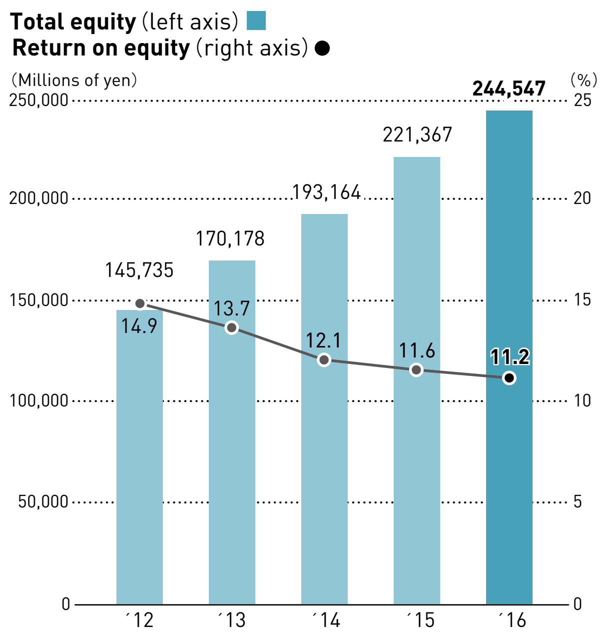
Given anticipated market conditions and the Group's efforts to maximize business opportunities, management expects the following results for fiscal 2017: net sales up 8.0%, to ¥820 billion; operating income up 4.2%, to ¥45.0 billion; ordinary income up 3.9%, to ¥45.5 billion; and profit attributable to owners of parent up 7.5%, to ¥26.8 billion.

Financial Position

As of June 30, 2016, total assets stood at ¥560,568 million, up ¥54,902 million from a year earlier. Current assets amounted to ¥195,977 million, up ¥19,996 million, compared with the previous fiscal year. This difference consisted primarily of a ¥22,820 million increase in inventories, paralleling the opening of new stores, as well as a ¥6,823 million decrease in cash and deposits.

Property, plant and equipment totaled ¥292,052 million, up ¥29,925 million, compared with the previous fiscal year. The primary components of this change were land, up ¥14,538 million, and buildings and structures, up ¥12,093





million, reflecting the opening of 40 new stores and acquisition of candidate buildings for future stores since the end of fiscal 2016.

Intangible assets decreased ¥524 million, to ¥17,005 million, from June 30, 2015, mainly because of a decline in goodwill.

Total liabilities stood at ¥316,021 million on June 30, 2016, up ¥31,722 million from a year earlier.

Current liabilities amounted to ¥147,995 million, up ¥3,419 million from a year earlier, due to an increase of ¥9,638 million in accounts payable–trade and a decrease of ¥6,054 million in current position of corporate bonds.

Non-current liabilities reached ¥168,026 million, up ¥28,303 million, mainly because of increases totaling ¥19,926 million in long-term debt and ¥13,781 million in corporate bonds.

The debt-to-equity ratio was 0.67 times, an increase of 0.07 point. Net interest-bearing liabilities as of June 30, 2016, amounted to ¥154,476 million, for a ratio of interest-bearing debt to total assets of 27.6%, compared with 25.0% a year earlier. Net liabilities increased ¥34,855 million, to ¥111,582 million. The equity ratio declined 0.7 percentage point, to 41.3%, while return-on-equity edged down 0.4 percentage point, to 11.2%.

Cash Flows

Cash provided by operating activities in fiscal 2016 amounted to ¥29,110 million, as inflow, primarily profit 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 ¥52,197 million, largely owing to payments for purchase of property, plant and equipment, payments for fixed leasehold deposits, and advance payment for fixed leasehold deposits.

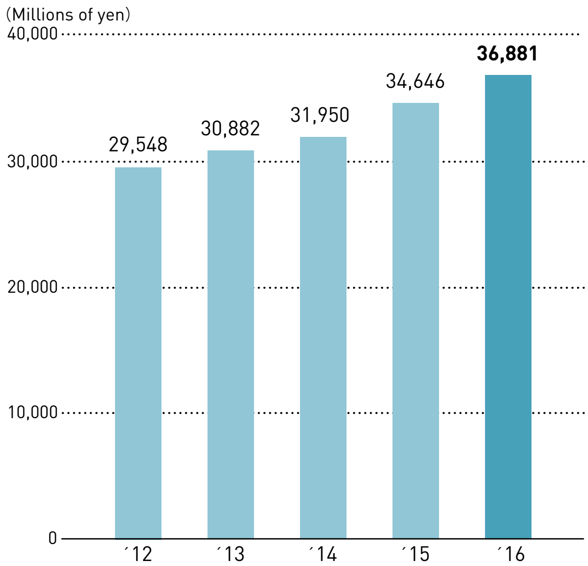
Cash provided by financing activities totaled ¥17,148 million, mainly because borrowing of long-term debt and proceeds from issuance of bonds exceeded repayments of payables under fluidity lease receivables and payments of cash dividends.

As a result, cash and cash equivalents came to ¥44,496 million at the end of fiscal 2016, down ¥6,796 million from a year earlier.

Capital Investment

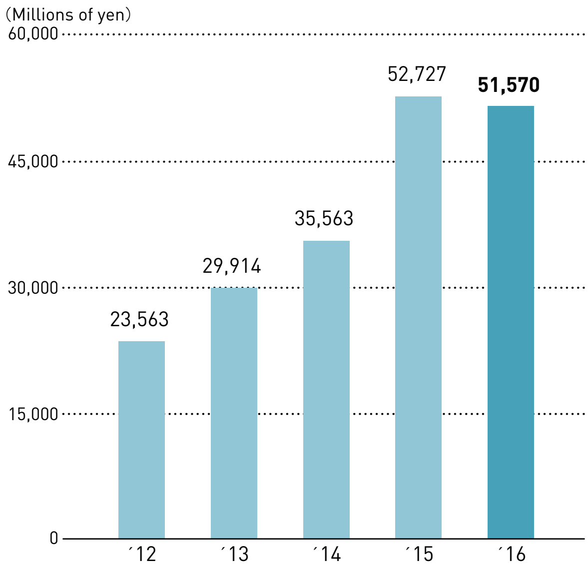
In fiscal 2016, the Group allocated capital investment, mainly to purchase land, buildings and facilities, pay fixed leasehold deposits and acquire software, for 40 newly built stores and thereby expand the retail and tenant leasing businesses. As a result, capital investment by reporting segment was ¥27,523 million in the retail business, ¥23,622 million in the tenant leasing business and ¥425 million in other businesses. The Company also recorded a ¥179 million impairment loss and ¥1,197 million under loss on closing of stores.

Free cash flow



Note: Free cash flow = Profit attributable to owners of parent + 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 28, 2016, 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, 2016 and 2015

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
ASSETS	2016	2015	2016
Current assets:			
Cash and deposits (Notes 8, 18 and 26)	¥42,894	¥49,717	$417
Notes and accounts receivable–trade (Note 8)	7,720	6,820	75
Purchased receivables (Notes 8 and 18)	6,606	5,439	64
Inventories (Notes 6 and 18)	117,400	94,580	1,141
Prepaid expenses	3,214	2,918	31
Deferred tax assets (Note 19)	7,210	6,644	70
Other current assets (Note 26)	10,999	9,914	107
Less: Allowance for doubtful accounts (Note 8)	(66)	(51)	(1)
Total current assets	195,977	175,981	1,904
Investments and advances:			
Investments in securities and capital to affiliates (Note 8)	2,296	2,047	22
Investment securities (Notes 8 and 9)	3,440	4,378	33
Advance payment for fixed leasehold deposits	6,458	4,066	64
Long-term loans receivable (Note 8)	864	914	8
Less: Allowance for doubtful accounts (Note 8)	(192)	(192)	(2)
Total investments and advances	12,866	11,213	125
Property, plant and equipment (Notes 18, 22 and 27)**:**			
Land	165,185	150,647	1,605
Buildings and structures	185,739	165,786	1,805
Furniture and fixtures	55,896	50,004	543
Construction in progress	1,899	1,373	18
Other property, plant and equipment	399	321	4
Total	409,118	368,131	3,975
Less: Accumulated impairment loss	(4,906)	(4,818)	(47)
Less: Accumulated depreciation	(112,160)	(101,186)	(1,090)
Net property, plant and equipment	292,052	262,127	2,838
Intangibles:			
Goodwill	6,852	7,409	67
Other intangibles	10,153	10,120	98
Total intangibles	17,005	17,529	165
Other assets:			
Long-term deposits	—	300	—
Fixed leasehold deposits (Notes 8 and 18)	35,645	32,817	346
Long-term prepaid expenses	2,754	2,202	27
Deferred tax assets (Note 19)	3,310	2,710	32
Other non-current assets	2,564	2,350	25
Less: Allowance for doubtful accounts (Note 8)	(1,605)	(1,563)	(15)
Total other assets	42,668	38,816	415
Total assets	¥560,568	¥505,666	$5,447

The accompanying notes are an integral part of the statements.

LIABILITIES AND EQUITY	Millions of yen (Note 2) 2016	2015	Millions of U.S. dollars (Note 2) 2016
Liabilities			
Current liabilities:			
Accounts payable–trade (Note 8)	¥70,194	¥60,556	$682
Short-term loans (Notes 8, 10, 11, 12 and 18)	1,680	1,921	16
Current portion of long-term debt (Notes 8, 10 and 18)	31,304	36,764	304
Payables under fluidity lease receivables (Notes 8 and 13)	7,147	7,040	69
Accrued expenses (Note 8)	8,799	9,948	86
Accrued income taxes (Note 8)	5,573	8,454	54
Allowance for point program	1,327	938	13
Other current liabilities (Notes 18 and 19)	21,971	18,955	214
Total current liabilities	147,995	144,576	1,438
Non-current liabilities:			
Long-term debt (Notes 8, 10 and 18)	121,644	87,998	1,182
Long-term payables under fluidity lease receivables (Notes 8 and 13)	26,876	34,023	261
Asset retirement obligations (Note 28)	5,177	3,777	51
Negative goodwill	439	526	4
Other non-current liabilities (Notes 18 and 19)	13,890	13,399	135
Total non-current liabilities	168,026	139,723	1,633
Total liabilities	316,021	284,299	3,071
Equity (Notes 3, 15 and 24)**:**			
Common stock			
Authorized:			
2015—234,000,000			
2016—468,000,000			
Issued and outstanding:			
2015— 78,959,480			
2016—158,118,160	22,382	22,227	217
Additional paid-in capital	25,215	25,030	245
Stock acquisition rights	23	13	0
Retained earnings	184,205	162,428	1,790
Net unrealized gains on investment securities	12	569	0
Foreign currency translation adjustments	(272)	2,090	(2)
Less: Treasury stock, at cost			
2015—1,244			
2016—4,633	(14)	(3)	(0)
Total	231,551	212,354	2,250
Non-controlling interests	12,996	9,013	126
Total equity	244,547	221,367	2,376
Total liabilities and equity	¥560,568	¥505,666	$5,447

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, 2016 and 2015

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Net sales	¥759,592	¥683,981	$7,381
Cost of goods sold (Note 6)	557,699	502,240	5,419
Gross profit	201,893	181,741	1,962
Selling, general and administrative expenses (Notes 20 and 21)	158,708	142,638	1,542
Operating income	43,185	39,103	420
Other income (expenses):			
Interest and dividend income	706	639	7
Gain on sales of non-current assets (Note 25)	117	2	1
Penalty income	869	922	8
Interest expenses	(1,003)	(928)	(10)
Cost of claim's liquidation	(601)	(675)	(6)
Loss on sales of non-current assets (Note 25)	(1)	(368)	(0)
Loss on disposal of non-current assets (Note 25)	(279)	(202)	(3)
Loss on closing of stores (Note 25)	(1,197)	(404)	(12)
Other income and expenses, net (Notes 16 and 22)	317	1,068	4
Profit before income taxes	42,113	39,157	409
Income taxes (Note 19):			
Current	13,515	14,379	131
Deferred	(957)	(2,154)	(9)
Profit	29,555	26,932	287
Profit attributable to non-controlling interests	4,617	3,784	45
Profit attributable to owners of parent	¥24,938	¥23,148	$242

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)
	2016	2015	2016
Operating income	¥43,185	¥39,103	$420
Other income (expenses):			
Interest and dividend income	706	639	7
Penalty income	869	922	8
Interest expenses	(1,003)	(928)	(10)
Cost of claim's liquidation	(601)	(675)	(6)
Other income and expenses, net	641	1,099	7
Ordinary income	43,797	40,160	426
Extraordinary income (loss):			
Gain on sales of non-current assets	117	2	1
Loss on sales of non-current assets	(1)	(368)	(0)
Loss on disposal of non-current assets	(279)	(202)	(3)
Loss on closing of stores	(1,197)	(404)	(12)
Other extraordinary income and loss, net	(324)	(31)	(3)
Profit before income taxes	¥42,113	¥39,157	$409

Consolidated Statements of Comprehensive Income (Note 17)

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2016 and 2015

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Profit	¥29,555	¥26,932	$287
Other comprehensive income			
Net unrealized gains (losses) on investment securities	(572)	101	(5)
Foreign currency translation adjustments	(2,355)	2,859	(23)
Total other comprehensive income	(2,927)	2,960	(28)
Comprehensive income	¥26,628	¥29,892	$259
Comprehensive income attributable to:			
Owners of parent	¥22,020	¥26,099	$214
Non-controlling interests	4,608	3,793	45

Amount per share of common stock:	Yen (Note 2)		U.S. dollars (Note 2)
	2016	2015	2016
Basic earnings (Note 24)	¥157.76	¥147.09	$1.53
Diluted earnings (Note 24)	157.65	146.63	1.53
Cash dividends applicable to the year	22.00	20.00	0.21

* 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, diluted earnings per share and cash dividends applicable to the year have been calculated as if this stock split took place at the beginning of the fiscal year ended June 30, 2015.

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, 2016 and 2015

	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	Non-controlling interests	Total equity
Balance at June 30, 2014	¥21,366	¥24,169	¥—	¥142,105	¥472	¥(764)	¥(3)	¥5,819	¥193,164
Cash dividends	—	—	—	(2,825)	—	—	—	—	(2,825)
Profit attributable to owners of parent	—	—	—	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
Cash dividends	—	—	—	(3,159)	—	—	—	—	(3,159)
Profit attributable to owners of parent	—	—	—	24,938	—	—	—	—	24,938
Issuance of new shares	155	155	—	—	—	—	—	—	310
Purchase of treasury shares	—	—	—	—	—	—	(11)	—	(11)
Change of scope of equity method	—	—	—	(2)	—	—	—	—	(2)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	30	—	—	—	—	—	—	30
Other	—	—	10	—	(557)	(2,362)	—	3,983	1,074
Balance at June 30, 2016	¥22,382	¥25,215	¥23	¥184,205	¥12	¥(272)	¥(14)	¥12,996	¥244,547

	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	Non-controlling interests	Total equity
Balance at June 30, 2015	$215	$243	$0	$1,579	$6	$20	$(0)	$88	$2,151
Cash dividends	—	—	—	(31)	—	—	—	—	(31)
Profit attributable to owners of parent	—	—	—	242	—	—	—	—	242
Issuance of new shares	2	2	—	—	—	—	—	—	3
Purchase of treasury shares	—	—	—	—	—	—	(0)	—	(0)
Change of scope of equity method	—	—	—	(0)	—	—	—	—	(0)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	0	—	—	—	—	—	—	0
Other	—	—	0	—	(6)	(22)	—	38	11
Balance at June 30, 2016	$217	$245	$0	$1,790	$0	$(2)	$(0)	$126	$2,376

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, 2016 and 2015

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Cash flows from operating activities:			
Profit before income taxes	¥42,113	¥39,157	$409
Depreciation and amortization	15,092	13,003	147
Impairment loss	179	198	2
Amortization of negative goodwill	(86)	(96)	(1)
Gain on negative goodwill	—	(168)	—
Increase (Decrease) in allowance for doubtful accounts	60	(2)	1
Decrease in allowance for retirement benefits for directors	—	(360)	—
Interest and dividend income	(706)	(639)	(7)
Interest expenses paid on loans and bonds	1,003	928	10
Loss on sales and disposal of property, plant and equipment, net	163	567	2
Loss on closing of stores	1,197	599	12
Offset rent expense from deposit received from lessees	1,457	1,279	14
Increase in trade receivables	(2,264)	(93)	(22)
Increase in inventories	(23,022)	(4,519)	(224)
Increase in trade payables	9,745	4,600	94
Decrease in other current assets	3	517	0
Increase (Decrease) in other current liabilities	(8)	1,466	(0)
Decrease in other non-current liabilities	(11)	(134)	(0)
Other, net	842	1,704	8
Subtotal	45,757	58,007	445
Received interest and dividend income	500	456	5
Interest paid	(1,005)	(892)	(10)
Income taxes paid	(17,772)	(15,499)	(173)
Income taxes refund	1,630	557	16
Surcharge paid	—	(109)	—
Net cash provided by operating activities	29,110	42,520	283
Cash flows from investing activities:			
Time deposits transferred from cash	(89)	(50)	(1)
Proceeds from time deposits	389	891	4
Payments for purchase of property, plant and equipment	(43,736)	(46,633)	(425)
Proceeds from sales of property, plant and equipment	1,144	252	11
Payments for purchase of intangible assets	(465)	(779)	(5)
Payments for fixed leasehold deposits	(4,492)	(4,791)	(44)
Proceeds from termination of fixed leasehold deposits	170	2,264	2
Advance payment for fixed leasehold deposits	(3,341)	(1,417)	(32)
Payments for purchase of subsidiaries' securities resulting in changes in the scope of consolidation	—	(1,581)	—
Proceeds from purchase of subsidiaries' securities resulting in changes in the scope of consolidation	—	713	—
Payments of loans receivable	(1,685)	(231)	(16)
Other, net	(92)	(1,279)	(1)
Net cash used in investing activities	(52,197)	(52,641)	(507)
Cash flows from financing activities:			
Net decrease of short-term bank loans	(110)	(384)	(1)
Borrowing of long-term debt	38,934	13,414	378
Repayment of long-term debt	(18,019)	(25,932)	(175)
Proceeds from issuance of bonds	26,680	37,836	259
Payments for redemption of bonds	(19,173)	(7,110)	(186)
Proceeds from fluidity of lease receivables	—	7,461	—
Repayments of payables under fluidity lease receivables	(7,621)	(7,349)	(74)
Issuance of common stock	310	1,722	3
Payments of cash dividends	(3,159)	(2,825)	(31)
Cash dividends paid to non-controlling interests	(646)	(602)	(6)
Other, net	(48)	(55)	(1)
Net cash provided by financing activities	17,148	16,176	166
Effect of exchange rate changes on cash and cash equivalents	(825)	1,132	(8)
Increase (Decrease) in cash and cash equivalents	(6,764)	7,187	(66)
Cash and cash equivalents at beginning of the year	51,292	44,105	498
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(32)	—	(0)
Cash and cash equivalents at end of the year (Note 26)	¥44,496	¥51,292	$432

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements
For the fiscal years ended June 30, 2016 and 2015

1. DESCRIPTION OF BUSINESS
The Don Quijote Group (the "Group") comprises pure holding company Don Quijote Holdings Co., Ltd. (the "Company"), 53 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 42 other subsidiaries), 24 subsidiaries excluded from consolidation and two affiliated companies 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 Companies Act 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 Act 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, and there are no significant differences from the accounting standards adopted by the parent company.

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 ¥102.91 to U.S.$1, the rate prevailing on June 30, 2016. 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, 2015, have been reclassified for comparative purposes with fiscal year ended June 30, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Consolidation
As of June 30, 2016 the Company has 77 subsidiaries, including 53 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
Don Quijote Holdings Retail Management Co., Ltd.	100.0%	Management guidance for Group companies
And 39 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.

Seven companies were newly established and included in the scope of consolidation in the fiscal year under review. One company was removed from the scope of consolidation during the same period due to its reduced materiality.

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 12 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: none
THE GALAXY RAILWAYS II Production Partnership is no longer accounted for under the equity method due to its reduced materiality.

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

Cash and cash equivalents

Funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash in hand, demand deposits and short-term highly liquid investments with a maturity of three months or less from the time of purchase, which bears only low risks from fluctuations in value.

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

Securities with quoted market prices are recorded at fair value based on the market prices at the fiscal year-end. The amounts of unrealized gains or losses from such securities, after accounting for tax effects, are presented in equity. Realized gains or losses from sales of securities are calculated using the moving-average method.

Securities 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 consolidated 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 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 and structures, which are depreciated using the straight-line method.

For the foreign consolidated 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.

Intangibles

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, 2016 and 2015.

Intangibles 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 on or before March 31, 2010, is amortized using the straight-line method upon determining the amortization period based on the individually estimated period subject to its effect.

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 Companies Act 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. For foreign consolidated subsidiaries, the estimated uncollectible amount is provided mainly with respect to certain receivables.

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.

Revenue recognition

The revenue of Don Quijote Co., Ltd., Nagasakiya Co., Ltd., Doit Co., Ltd., Don Quijote (USA) Co., Ltd., and MARUKAI CORPORATION is recognized at the time of sale. 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, 2016 and 2015 were as follows:

Common stock outstanding (number of shares)	2016	2015
Balance at beginning of the year	78,959,480	78,393,980
Increase through stock splits	78,959,480	—
Exercise of stock options	199,200	565,500
Balance at end of the year	158,118,160	78,959,480

Changes in the number of treasury stock during the years ended June 30, 2016 and 2015 were as follows:

Treasury stock outstanding (number of shares)	2016	2015
Balance at beginning of the year	1,244	1,244
Increase through stock splits	1,244	—
Purchase of fractional shares	2,145	—
Balance at end of the year	4,633	1,244

Per share data

Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the reported period.

Diluted earnings 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, 2015.

4. CHANGES IN ACCOUNTING POLICIES

(Application of Accounting Standard for Business Combinations)
From the beginning of this consolidated fiscal year, the Company has applied the "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), and other applicable standards. Accordingly, the accounting method was changed to record the difference caused by changes in equity in subsidiaries which the Company continues to control as additional paid-in capital, and acquisition-related costs as expenses for the fiscal year in which they occurred. Furthermore, for business combinations carried out on or after the beginning of this fiscal year, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the fiscal year in which the relevant business combinations became or will become effective. In addition, the presentation method for net income and other related items was changed, and the presentation of minority interests was changed to non-controlling interests. To reflect these changes, the consolidated financial statements for the previous fiscal year have been reclassified.

Application of the Accounting Standard for Business Combinations is in line with the transitional treatment provided in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and paragraph 57-4(4) of the Accounting Standard for Business Divestitures. The Company has applied these standards prospectively from the beginning of this consolidated fiscal year.

In the consolidated statements of cash flows for this consolidated fiscal year, cash flows related to the acquisition or sale of shares in subsidiaries that do not result in change in scope of consolidation have been stated in cash flows from financing activities, and cash flows related to costs arising from acquisition of shares in subsidiaries resulting in change in scope of consolidation or costs associated with acquisition or sale of shares in subsidiaries that do not result in change in scope of consolidation have been stated in cash flows from operating activities.

The effect of these changes on the consolidated financial statements and the per-share data for this consolidated fiscal year is immaterial.

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)
Following the revision to the Corporation Tax Act, the Company applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the fiscal year ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect on operating income, ordinary income and profit before income taxes for the fiscal year ended June 30, 2016 is immaterial.

5. UNAPPLIED ACCOUNTING STANDARDS

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(1) Summary
The Implementation Guidance basically follows the framework used in the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets" where companies are classified into five categories and the amount of deferred tax assets to be calculated are based on such categories, whereas necessary revisions are made regarding the following treatments:
- Treatment of companies that do not satisfy any of the category requirements for Category 1 through Category 5
- Category requirements for Category 2 and Category 3
- Treatment of deductible temporary differences which are unable to be scheduled for companies in the Category 2
- Treatment of reasonably estimable periods for taxable income before adding or deducting deductible temporary differences for companies in the Category 3
- Treatments when companies which satisfy the category requirements for Category 4, but qualify as Category 2 or Category 3

(2) Application schedule
The aforementioned Guidance shall be applied from the start of the consolidated fiscal year beginning on July 1, 2016.

(3) Effect of applying the revised accounting standards and guidance
The impact of applying the Implementation Guidance on Recoverability of Deferred Tax Assets on the consolidated financial statements is currently under review.

6. INVENTORIES

Inventories as of June 30, 2016, and 2015 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Electrical appliances	¥17,693	¥12,510	$172
Daily commodities	22,598	22,149	220
Foods	11,637	8,960	113
Watches, fashion goods	45,548	36,730	443
Sports, leisure goods	11,793	6,595	115
DIY products	3,317	3,148	32
Others	4,814	4,488	46
Total	¥117,400	¥94,580	$1,141

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)
	2016	2015	2016
Loss on valuation of inventories	¥4,449	¥4,984	$43

7. LEASE TRANSACTIONS

Operating leases

Unexpired lease payments for non-cancellable leases:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Due within one year	¥4,284	¥3,700	$41
Due after one year	17,474	14,902	170
Total	¥21,758	¥18,602	$211

8. FINANCIAL INSTRUMENTS

1. Status of financial instruments

(1) Policy for financial Instruments

The Group's basic policy for management of surplus funds is to give priority to low risk financial assets, investing only in short-term financial instruments. For fund procurement, the Company raises funds mainly through bank loans. The Group uses derivative instruments to 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 market fluctuation risk, 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. In addition, they have entered into separate derivative transactions—interest rate and currency swap—for a portion of long-term debt denominated in foreign currencies, which is exposed to foreign currency risk, to avoid losses from the exchange fluctuations.

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 and loans 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 14. "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, 2016 and 2015 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, 2016

	Millions of yen (Note 2)		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥42,894	¥42,894	¥—
(2) Notes and accounts receivable–trade	7,720		
Less: Allowance for doubtful accounts*1	(38)		
Net	7,682	7,682	—
(3) Purchased receivables	6,606	6,606	—
(4) Investment securities	3,190	3,190	—
(5) Long-term loans receivable	492		
Less: Allowance for doubtful accounts*2	(1)		
Net	491	491	(0)
(6) Fixed leasehold deposits	11,033	12,023	990
Total assets	71,896	72,886	990
(1) Accounts payable–trade	70,194	70,194	—
(2) Short-term loans	1,680	1,680	—
(3) Current portion of long-term debt	18,557	18,521	(36)
(4) Current portion of corporate bonds	12,686	12,670	(16)
(5) Payables under fluidity lease receivables	7,147	7,157	10
(6) Accrued expenses	8,799	8,799	—
(7) Accrued income taxes	5,573	5,573	—
(8) Corporate bonds	76,471	75,186	(1,285)
(9) Long-term debt	45,082	44,351	(731)
(10) Long-term payables under fluidity lease receivables	26,876	27,123	247
Total liabilities	273,065	271,254	(1,811)
Derivative transactions*3	(802)	(802)	—

	Millions of U.S. dollars (Note 2)		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	$417	$417	$—
(2) Notes and accounts receivable–trade	75		
Less: Allowance for doubtful accounts*1	(1)		
Net	74	74	—
(3) Purchased receivables	64	64	—
(4) Investment securities	31	31	—
(5) Long-term loans receivable	5		
Less: Allowance for doubtful accounts*2	(0)		
Net	5	5	(0)
(6) Fixed leasehold deposits	107	117	10
Total assets	698	708	10
(1) Accounts payable–trade	682	682	—
(2) Short-term loans	16	16	—
(3) Current portion of long-term debt	180	180	(0)
(4) Current portion of corporate bonds	123	123	(0)
(5) Payables under fluidity lease receivables	69	69	0
(6) Accrued expenses	86	86	—
(7) Accrued income taxes	54	54	—
(8) Corporate bonds	743	731	(12)
(9) Long-term debt	438	431	(7)
(10) Long-term payables under fluidity lease receivables	261	263	2
Total liabilities	2,652	2,635	(17)
Derivative transactions*3	(8)	(8)	—

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)	—

[*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.

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 9. "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 14. "Derivatives."

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

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Investment securities	¥250	¥235	$2
Investments in securities and capital to affiliates	2,296	2,047	22
Long-term loans receivable	372	391	3
Less: Allowance for doubtful accounts[*1]	(191)	(190)	(2)
Net	181	201	1
Fixed leasehold deposits	24,612	25,633	239
Less: Allowance for doubtful accounts[*2]	(1,469)	(1,477)	(14)
Net	23,143	24,156	225

[*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, 2016

	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	¥42,894	¥—	¥—	¥—
2. Notes and accounts receivable–trade	7,720	—	—	—
3. Purchased receivables	6,606	—	—	—
4. Long-term loans receivable	—	339	153	372
5. Fixed leasehold deposits	1,166	3,725	3,019	27,735
Total	¥58,386	¥4,064	¥3,172	¥28,107

	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	$417	$—	$—	$—
2. Notes and accounts receivable–trade	75	—	—	—
3. Purchased receivables	64	—	—	—
4. Long-term loans receivable	—	3	1	4
5. Fixed leasehold deposits	11	36	29	270
Total	$567	$39	$30	$274

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

Redemption schedule for corporate bonds and long-term debt:

Fiscal year ended June 30, 2016

	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	¥1,680	¥—	¥—	¥—	¥—	¥—
Corporate bonds	12,686	18,686	2,686	21,986	10,986	22,127
Long-term debt	18,557	5,076	16,276	6,878	8,630	8,222
Total	¥32,923	¥23,762	¥18,962	¥28,864	¥19,616	¥30,349

	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	123	182	26	213	107	215
Long-term debt	180	49	158	67	84	80
Total	$319	$231	$184	$280	$191	$295

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

9. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

1. Information regarding marketable securities and investment securities with quoted market prices as of June 30, 2016 and 2015

The following table summarizes carrying amount, acquisition cost and net unrealized gains (losses) (amount in yen) as of June 30, 2016 and 2015.

Fiscal year ended June 30, 2016

	Millions of yen (Note 2)		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	¥106	¥67	¥39
Others	1,036	781	255
Subtotal	1,142	848	294
Carrying amount does not exceed acquisition cost:			
Equity securities	2,026	2,273	(247)
Others	22	28	(6)
Subtotal	2,048	2,301	(253)
Total	¥3,190	¥3,149	¥41

	Millions of U.S. dollars (Note 2)		
	Carrying amount	Acquisition cost	Net unrealized gains (losses)
Carrying amount exceeds acquisition cost:			
Equity securities	$1	$1	$0
Others	10	8	2
Subtotal	11	9	2
Carrying amount does not exceed acquisition cost:			
Equity securities	20	22	(2)
Others	0	0	(0)
Subtotal	20	22	(2)
Total	$31	$31	$0

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

2. Sales amounts and gains (losses) on sales of marketable securities and investment securities in the years ended June 30, 2016 and 2015

Not applicable

3. Information regarding impaired marketable securities and investment securities in the fiscal years ended June 30, 2016 and 2015

Fiscal year ended June 30, 2016
Not applicable

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.

10. SHORT-TERM LOANS, CORPORATE BONDS 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, 2016, 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 0.2% to 3.3%	¥63,639	$618
0.62% unsecured straight bonds due 2016	200	2
0.76% unsecured straight bonds due 2016	200	2
1.21% unsecured straight bonds due 2016	8,000	78
0.67% unsecured straight bonds due 2017	450	4
0.49% unsecured straight bonds due 2017	450	4
0.53% unsecured straight bonds due 2017	300	3
0.62% unsecured straight bonds due 2017	300	3
0.85% unsecured straight bonds due 2017	15,000	146
0.60% unsecured straight bonds due 2018	600	6
TIBOR 6-month interest rate unsecured straight bonds due 2018	1,000	10
TIBOR 6-month interest rate unsecured straight bonds due 2019	4,200	41
0.55% unsecured straight bonds due 2020	20,000	194
0.32% unsecured straight bonds due 2020	2,700	26
0.33% unsecured straight bonds due 2021	10,000	97
0.79% unsecured straight bonds due 2021	1,000	10
0.68% unsecured straight bonds due 2021	790	8
0.80% unsecured straight bonds due 2022	10,000	97
0.63% unsecured straight bonds due 2022	1,767	17
0.33% unsecured straight bonds due 2023	2,000	19
0.73% unsecured straight bonds due 2026	10,000	97
Other bonds	200	2
Subtotal	152,796	1,484
Finance lease liabilities	152	2
Less: Current portion of long-term debt	31,304	304
Total	¥121,644	$1,182

Long-term debt principally comprises bank loans (with average interest rate of 0.5%).

The Company signed a syndicated loan agreement with 14 financial institutions, totaling ¥5,000 million ($49 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, 2016 is ¥500 million ($5 million).

The Company also signed a syndicated loan agreement with 40 financial institutions, totaling ¥25,000 million ($243 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, 2016 was ¥23,100 million ($224 million).

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

Fiscal years ending June 30:	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
2017	¥31,243	$303
2018	23,762	231
2019	18,962	184
2020	28,864	280
2021 and thereafter	49,965	486
Total	¥152,796	$1,484

11. 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, 2016 and 2015. The balances of unused financing based on these agreements as of June 30, 2016 and 2015 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Total overdraft limit granted	¥41,540	¥39,083	$404
Bank loans arranged	1,394	1,615	14
Unused amount of the agreed overdraft limit	¥40,146	¥37,468	$390

12. LOAN COMMITMENT AGREEMENT

The Company and its consolidated subsidiaries have entered into loan commitment agreements with four banks as of June 30, 2016 and three banks as of June 30, 2015 to ensure the efficient procurement of funds as working capital. The balance of unused funds based on these agreements as of June 30, 2016 and 2015 was as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Total amount of loan commitment	¥12,645	¥10,760	$123
Bank loans arranged	286	306	3
Unused amount of the agreed loan commitment	¥12,359	¥10,454	$120

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.

13. 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)
	2016	2015	2016
Payables under fluidity lease receivables	¥7,147	¥7,040	$69
Long-term payables under fluidity lease receivables	26,876	34,023	261
Total	¥34,023	¥41,063	$330

14. DERIVATIVES

Derivative transaction hedge accounting is not applied to:

Fiscal year ended June 30, 2016

	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	¥29,340	¥23,081	¥(493)	¥(493)
Interest rate and currency swap contracts, variable receipts and fixed payments	2,834	2,834	(309)	(309)

	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	$285	$224	$(5)	$(5)
Interest rate and currency swap contracts, variable receipts and fixed payments	28	28	(3)	(3)

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

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

15. STOCK INCENTIVE PLANS

The Company and its consolidated subsidiaries booked share-based compensation expenses of ¥10 million ($0 million) and ¥13 million under selling, general and administrative expenses in the fiscal years ended June 30, 2016 and 2015, respectively. 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, 2016 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	First Share-based Compensation Stock Options	3 directors	2,600	June 26, 2015	—	1	June 26, 2015–June 25, 2045
The Company	Second Share-based Compensation Stock Options	3 directors	2,500	December 28, 2015	—	1	December 28, 2015–December 27, 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, 2016 are as follows:

	2005 Stock Options	2006 Stock Options	First Share-based Compensation Stock Options	Second Share-based Compensation Stock Options
Before vesting (shares)				
Balance at June 30, 2015	—	—	—	—
Granted	—	—	—	2,500
Forfeited	—	—	—	—
Vested	—	—	—	2,500
Balance at June 30, 2016	—	—	—	—
After vesting (shares)				
Balance at June 30, 2015	34,800	286,800	2,600	—
Vested	—	—	—	2,500
Exercised	4,200	195,000	—	—
Forfeited	—	1,800	—	—
Balance at June 30, 2016	30,600	90,000	2,600	2,500
Exercise price	¥985 ($10)	¥1,567 ($15)	¥1 ($0)	¥1 ($0)
Average stock price at time of exercise	¥4,863 ($47)	¥4,690 ($46)	—	—
Fair value at grant date	—	—	¥4,968 ($48)	¥4,030 ($39)

Methods used to estimate fair value at grant date for second share-based compensation stock options granted in the fiscal year ended June 30, 2016 are as follows:

Valuation model	Black-Scholes
Risk-free interest rate	0.617%
Expected life of option grants	15 years
Volatility	34.73%
Expected dividend	¥20 ($0) per share

16. OTHER INCOME, NET

Other income, net for the fiscal years ended June 30, 2016 and 2015 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)
	2016	2015	**2016**
Other income:			
Amortization of negative goodwill	**¥86**	¥96	**$1**
Gain on negative goodwill	—	168	—
Gain on insurance adjustment	—	138	—
Fees and commissions received	**426**	406	**4**
Other	**1,200**	1,489	**12**
Other income total	**1,712**	2,297	**17**
Other expenses:			
Loss on valuation of derivatives	**563**	125	**5**
Bond issuance costs	**213**	261	**2**
Impairment loss	**179**	198	**2**
Other	**440**	645	**4**
Other expenses total	**1,395**	1,229	**13**
Other income, net	**¥317**	¥1,068	**$4**

17. COMPREHENSIVE INCOME

The reclassification adjustments and tax effects allocated to each component of other comprehensive income for the fiscal years ended June 30, 2016 and 2015 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	**2016**
Net unrealized gains (losses) on investment securities:			
Gain (loss) arising during the fiscal year	**¥(851)**	¥127	**$(8)**
Reclassification adjustment to net income	**(2)**	—	**(0)**
Amount before tax effect	**(853)**	127	**(8)**
Tax effect	**281**	(26)	**3**
Net unrealized gains (losses) on investment securities	**(572)**	101	**(5)**
Foreign currency translation adjustments:			
Gain (loss) arising during the fiscal year	**(2,355)**	2,859	**(23)**
Total other comprehensive income	**¥(2,927)**	¥2,960	**$(28)**

18. PLEDGED ASSETS

The Company's assets pledged as collateral as of June 30, 2016 and 2015 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	**2016**
Cash and deposits	**¥1,819**	¥4,962	**$18**
Purchased receivables*	—	6,660	—
Merchandise and finished goods	**1,697**	1,491	**16**
Buildings and structures	**1,244**	1,277	**12**
Land	**1,261**	1,346	**12**
Fixed leasehold deposits	**70**	456	**1**
Other	**593**	609	**6**
Total	**¥6,684**	¥16,801	**$65**

* Purchased receivables of ¥6,660 million were eliminated for consolidation purposes in the fiscal year ended June 30, 2015.

Secured liabilities as of June 30, 2016 and 2015 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	**2016**
Short-term loans	**¥286**	¥306	**$3**
Current portion of long-term debt	**445**	9,925	**4**
Long-term debt	**792**	615	**8**
Other current liabilities	**95**	36	**1**
Other non-current liabilities	**3**	382	**0**
Total	**¥1,621**	¥11,264	**$16**

19. TAX-EFFECT ACCOUNTING

1. The effective tax rate in Japan is based on corporate tax, enterprise tax, and inhabitant tax rates, resulting in 33.1% in the fiscal year ended June 30, 2016 and 35.6% in the fiscal year ended June 30, 2015.

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)
	2016	2015	**2016**
Deferred tax assets:			
Accrued enterprise taxes	**¥565**	¥780	**$6**
Inventories	**2,302**	1,846	**22**
Net operating loss carry forwards	**13,215**	17,569	**128**
Allowance for point program	**435**	331	**4**
Excess depreciation and amortization	**1,926**	1,346	**19**
Impairment loss	**1,909**	2,270	**19**
Loss on valuation of investment securities not deductible for tax purposes	**113**	91	**1**
Long-term accounts payable	**313**	321	**3**
Excess allowance for doubtful accounts	**626**	644	**6**
Asset retirement obligations	**908**	792	**9**
Others	**2,743**	2,569	**27**
Total gross deferred tax assets	**25,055**	28,559	**244**
Valuation allowance	**(14,060)**	(18,569)	**(137)**
Total deferred tax assets	**10,995**	9,990	**107**
Deferred tax liabilities:			
Accrued enterprise taxes	**(0)**	—	**(0)**
Valuation of assets and liabilities of subsidiaries at market value for the purpose of consolidation	**(2,550)**	(2,634)	**(25)**
Net unrealized gains on investment securities	**(97)**	(304)	**(1)**
Others	**(919)**	(868)	**(9)**
Total deferred tax liabilities	**(3,566)**	(3,806)	**(35)**
Net deferred tax assets	**¥7,429**	¥6,184	**$72**

Net deferred tax assets as of June 30, 2016 and 2015 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)
	2016	2015	**2016**
Current assets–Deferred tax assets	**¥7,210**	¥6,644	**$70**
Other assets (non-current)–Deferred tax assets	**3,310**	2,710	**32**
Current liabilities–Others	**0**	—	**0**
Non-current liabilities–Others	**3,091**	3,170	**30**

2. The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended June 30, 2016 and 2015 was as follows:

	2016	2015
Statutory tax rate	**33.1%**	35.6%
Per capita levy	**1.5%**	1.5%
Change in valuation allowance	**(5.1)%**	(6.2)%
Amortization of goodwill and other consolidation adjustments	**1.4%**	0.4%
Tax deduction	**(2.7)%**	(1.4)%
Difference in tax rate from consolidated subsidiaries	**2.2%**	1.2%
Other	**(0.6)%**	0.1%
Effective income tax rate	**29.8%**	31.2%

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

With enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) by the Diet on March 29, 2016, the corporate tax rate decreased, effective from consolidated fiscal years beginning on or after April 1, 2016. Accordingly, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities changed from 32.3% to 30.9% for temporary differences expected to be reversed in the fiscal years beginning on July 1, 2016 and 2017, and to 30.6% for temporary differences expected to be reversed in the fiscal years beginning on or after July 1, 2018.

Due to these changes, net deferred tax assets (deferred tax assets minus deferred tax liabilities) decreased ¥181 million ($2 million). Income taxes-deferred increased ¥180 million ($2 million), and net unrealized gains (losses) on investment securities decreased ¥1 million ($0 million).

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the fiscal years ended June 30, 2016 and 2015 were as follows:

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	**2016**
Employees' compensation and benefits	**¥59,239**	¥51,158	**$576**
Occupancy and rental	**20,838**	19,088	**202**
Commission	**18,309**	16,563	**178**
Depreciation and amortization	**13,301**	11,672	**129**
Allowance for doubtful accounts	**16**	15	**0**
Allowance for point program	**2,348**	1,546	**23**
Allowance for retirement benefits for directors	—	5	—
Amortization of goodwill	**423**	388	**4**
Retirement benefit costs	**106**	76	**1**
Other	**44,128**	42,127	**429**
Total	**¥158,708**	¥142,638	**$1,542**

21. RETIREMENT BENEFIT COSTS

Retirement benefit costs for the fiscal years ended June 30, 2016 and 2015 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, ¥106 million ($1 million) in the fiscal year ended June 30, 2016 and ¥76 million in the fiscal year ended June 30, 2015.

22. IMPAIRMENT LOSS

Impairment losses for the fiscal years ended June 30, 2016 and 2015 were as follows:

Fiscal year ended June 30, 2016

Location	Use	Category	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Kanto	Store facilities	Buildings and structures	¥42	$1
Kanto	Idle assets	Buildings, structures and land	137	1
Total			¥179	$2

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

In the fiscal year ended June 30, 2016, the Company reduced the book value of assets to their recoverable amounts for stores that continuously generated losses from their operating activities. The amounts of these reductions were recorded as impairment loss (¥42 million ($1 million) for buildings and structures) under extraordinary loss. The recoverable amounts of these asset groups are calculated based on their value in use. The Company recognizes the recoverable amounts as zero because the value in use based on estimated future cash flows is negative.

The Company also reduced the book value of idle assets to their recoverable amounts. The amounts of these reductions were recorded as impairment loss under extraordinary loss. They consist of buildings and structures of ¥106 million ($1 million) and land of ¥31 million ($0 million).

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

Fiscal year ended June 30, 2015

Location	Use	Category	Millions of yen (Note 2)
Kanto	Idle assets	Buildings, structures and land	¥198
Total			¥198

The Company groups assets based on individual stores and operating divisions as basic units. For rental properties 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 their recoverable amounts. They consist of buildings and structures of ¥33 million and land of ¥165 million.

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

23. RELATED PARTY TRANSACTIONS

Nothing of significance

24. CALCULATION OF EARNINGS PER SHARE

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Profit attributable to owners of parent	¥24,938	¥23,148	$242
Profit after adjustments	¥24,938	¥23,148	$242

	Shares	
	2016	2015
Weighted average number of shares	158,082,461	157,371,496
Effective of dilutive securities:		
Stock options	107,620	490,376
Diluted weighted average number of shares	158,190,081	157,861,872

	Yen (Note 2)		U.S. dollars (Note 2)
	2016	2015	2016
Shareholders' equity per share	¥1,464.31	¥1,344.64	$14.23
Basic earnings per share	157.76	147.09	1.53
Diluted earnings per share	157.65	146.63	1.53

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, 2015.

25. 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	2016	2015	2016
Buildings and structures	¥73	¥—	$1
Furniture and fixtures	0	1	0
Land	44	—	0
Other	0	1	0
Total	¥117	¥2	$1

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
Breakdown of loss on disposal of non-current assets	2016	2015	2016
Buildings and structures	¥171	¥125	$2
Furniture and fixtures	27	8	0
Removal expenses	70	65	1
Other	11	4	0
Total	¥279	¥202	$3

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
Breakdown of loss on closing of stores	2016	2015	2016
Buildings and structures	¥681	¥147	$7
Furniture and fixtures	22	73	0
Removal expenses	479	180	5
Other	15	4	0
Total	¥1,197	¥404	$12

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
Breakdown of loss on sales of non-current assets	2016	2015	2016
Buildings and structures	¥—	¥35	$—
Land	—	325	—
Other	1	8	0
Total	¥1	¥368	$0

26. CASH FLOW INFORMATION

Cash flow information as of June 30, 2016 and 2015 is as follows:

Cash and cash equivalents

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Cash and deposits	¥42,894	¥49,717	$417
Deposits paid, included in other current assets	1,652	1,625	16
Pledged time deposits (over three months)	(50)	(50)	(1)
Cash and cash equivalents	¥44,496	¥51,292	$432

27. INVESTMENT AND RENTAL PROPERTY

Information on investment and rental property in the fiscal years ended June 30, 2016 and 2015 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, 2016, rental income related to such properties and facilities was ¥2,638 million ($26 million) and impairment loss was ¥137 million ($1 million). Rental income was recorded in net sales, significant rental expenses were recorded in cost of goods sold and selling, general and administrative expenses, and impairment loss was recorded in extraordinary loss.

For the fiscal year ended June 30, 2015, rental income related to such properties and facilities was ¥2,301 million and impairment loss was ¥198 million. Rental income was recorded in net sales, significant rental expenses were recorded in cost of goods sold and selling, general and administrative expenses, and impairment loss was recorded in extraordinary loss.

The balance sheet carrying amounts, changes and fair values of these assets for the fiscal years ended June 30, 2016 and 2015 are as follows:

Fiscal year ended June 30, 2016

Millions of yen (Note 2)			
Carrying amount			
Beginning of the year	Net change[*3]	End of the year[*1]	Fair value[*2]
¥48,577	¥8,280	¥56,857	¥62,400

Millions of U.S. dollars (Note 2)			
Carrying amount			
Beginning of the year	Net change[*3]	End of the year[*1]	Fair value[*2]
$472	$80	$552	$606

Fiscal year ended June 30, 2015

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

[*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, 2016, major increases included the acquisition of real estate at ¥3,159 million ($30 million) and a change in the proportion of leases at ¥5,700 million ($55 million); and major decreases were sale of real estate at ¥442 million ($4 million) and impairment loss on idle assets at ¥137 million ($1 million). For the fiscal year ended June 30, 2015, major increases included the acquisition of real estate at ¥16,290 million, newly idled real estate at ¥485 million and a change in the proportion of leases at ¥1,446 million; and a major decrease was impairment loss on idle assets at ¥198 million.

28. 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 30 years and discount rates of 0.00%–2.02%.

(3) Changes in asset retirement obligations

	Millions of yen (Note 2)		Millions of U.S. dollars (Note 2)
	2016	2015	2016
Beginning of the year	¥3,881	¥3,305	$38
Increase due to acquisition of property, plant and equipment	1,353	586	13
Adjustments over time	53	62	1
Decrease due to fulfillment of asset retirement obligations	—	(62)	—
Decrease due to settlement of asset retirement obligations	(110)	(10)	(1)
End of the year	¥5,177	¥3,881	$51

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.

29. BUSINESS COMBINATIONS

Description omitted due to immaterial significance.

30. SUBSEQUENT EVENTS

1. Cash dividends

The following cash dividend of the Company was approved at the shareholders' meeting held on September 28, 2016. The cash dividend is not reflected in the consolidated financial statements for the fiscal year ended June 30, 2016.

	Millions of yen (Note 2)	Millions of U.S. dollars (Note 2)
Cash dividend (¥17.00 = $0.17 per share)	¥2,688	$26

2. Transfer of non-current assets

The Company' s consolidated subsidiary, Japan Asset Marketing Co., Ltd., decided to transfer its non-current assets (trust beneficiary rights) at its Board of Directors' meeting held on September 23, 2016 as follows.

(1) Reason for the transfer
The subsidiary decided to transfer its non-current assets (trust beneficiary rights) in order to strengthen its asset efficiency and financial position.

(2) Content of the asset to be transferred

Content and location of the asset to be transferred	Current status
A property in Musashi Kosugi area Location: Kosugimachi, Nakahara-ku, Kawasaki, Kanagawa Prefecture Land area: 1,646.77 m^2 Total floor space of the building: 14,944.03 m^2	Real estate for leasing

Note: Disclosure of the transfer price and book value of the asset shall be withheld under the contractual duty of confidentiality.

(3) Description of the transferee
While the transferee is a general domestic business operator, disclosure of its details shall be withheld under the duty of confidentiality imposed by the transferee. There are no significant matters between the Company and the transferee, concerning any capital, personal, or transactional ties or as a related party.
(4) Schedule of the transfer
Date of resolution at the Board of Directors' meeting: September 23, 2016
Date of contract: September 23, 2016
Date of delivery of the property: March 31, 2017 (planned)
(5) Impact on the consolidated income or loss
As a result of the transfer, approximately ¥7,531 million ($73 million) in gain on sales of non-current assets is scheduled to be recorded under extraordinary income for the fiscal year ending June 30, 2017.

31. 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, 2016 and 2015 is as follows:

Fiscal year ended June 30, 2016

	Millions of yen (Note 2)						
	Reportable segment			Others*1	Total	Adjustments*2	Consolidated*3
	Retail business	Tenant leasing business	Total				
Sales							
Sales to third parties	¥733,333	¥19,781	¥753,114	¥6,478	¥759,592	¥—	¥759,592
Intersegment sales	16	18,026	18,042	8,486	26,528	(26,528)	—
Total	733,349	37,807	771,156	14,964	786,120	(26,528)	759,592
Segment income	22,746	14,159	36,905	6,733	43,638	(453)	43,185
Segment assets	342,763	211,166	553,929	61,752	615,681	(55,113)	560,568
Other items*4							
Depreciation and amortization	9,956	4,551	14,507	351	14,858	234	15,092
Increase in property, plant and equipment and intangibles	22,519	28,668	51,187	424	51,611	(5,785)	45,826

	Millions of U.S. dollars (Note 2)						
	Reportable segment			Others*1	Total	Adjustments*2	Consolidated*3
	Retail business	Tenant leasing business	Total				
Sales							
Sales to third parties	$7,126	$192	$7,318	$63	$7,381	$—	$7,381
Intersegment sales	0	175	175	82	257	(257)	—
Total	7,126	367	7,493	145	7,638	(257)	7,381
Segment income	221	138	359	65	424	(4)	420
Segment assets	3,331	2,052	5,383	600	5,983	(536)	5,447
Other items*4							
Depreciation and amortization	97	44	141	3	144	3	147
Increase in property, plant and equipment and intangibles	219	279	498	4	502	(57)	445

Fiscal year ended June 30, 2015

Millions of yen (Note 2)

	Reportable segment: Retail business	Reportable segment: Tenant leasing business	Reportable segment: 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 intangibles	21,775	26,445	48,220	55	48,275	(259)	48,016

[*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, 2016
The ¥(453) million ($(4) million) adjustment to segment income is an intersegment elimination. The ¥(55,113) million ($(536) million) adjustment to segment assets includes surplus funds of ¥43,548 million ($423 million) of the Company, Don Quijote Co., Ltd. and Nagasakiya Co., Ltd., which are companywide assets (cash and deposits, and investment securities), and elimination of receivables between reportable segments of ¥(98,661) million ($(959) million).
(2) Fiscal year ended June 30, 2015
The ¥(400) million adjustment to segment income is an intersegment elimination. The ¥(23,358) million adjustment to segment assets includes surplus funds of ¥60,077 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.
[*3] Segment income is adjusted to operating income on the consolidated statements of income.
[*4] Increase in property, plant and equipment, and intangibles 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, 2016

Millions of yen (Note 2)

	Reportable segment: Retail business	Reportable segment: Tenant leasing business	Reportable segment: Total	Others	Total	Adjustments*	Amount recorded on consolidated statements of income
Impairment loss	¥42	¥—	¥42	¥—	¥42	¥137	¥179

Millions of U.S. dollars (Note 2)

	Reportable segment: Retail business	Reportable segment: Tenant leasing business	Reportable segment: Total	Others	Total	Adjustments*	Amount recorded on consolidated statements of income
Impairment loss	$1	$—	$1	$—	$1	$1	$2

Fiscal year ended June 30, 2015

Millions of yen (Note 2)

	Reportable segment: Retail business	Reportable segment: Tenant leasing business	Reportable segment: Total	Others	Total	Adjustments*	Amount recorded on consolidated statements of income
Impairment loss	¥—	¥—	¥—	¥—	¥—	¥198	¥198

* 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, 2016

Millions of yen (Note 2)

	Reportable segment: Retail business	Reportable segment: Tenant leasing business	Reportable segment: Total	Others	Total	Adjustments	Amount recorded on consolidated statements of income
Amortization for the year	¥197	¥82	¥279	¥144	¥423	¥—	¥423
Balance at year-end	3,365	1,303	4,668	2,184	6,852	—	6,852

	Millions of U.S. dollars (Note 2)						
	Reportable segment			Others	Total	Adjustments	Amount recorded on consolidated statements of income
	Retail business	Tenant leasing business	Total				
Amortization for the year	$2	$1	$3	$1	$4	$ —	$4
Balance at year-end	33	13	46	21	67	—	67

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			Others	Total	Adjustments	Amount recorded on consolidated statements of income
	Retail business	Tenant leasing business	Total				
Amortization for the year	¥86	¥ —	¥86	¥ —	¥86	¥ —	¥86
Balance at year-end	439	—	439	—	439	—	439

	Millions of U.S. dollars (Note 2)						
	Reportable segment			Others	Total	Adjustments	Amount recorded on consolidated statements of income
	Retail business	Tenant leasing business	Total				
Amortization for the year	$1	$ —	$1	$ —	$1	$ —	$1
Balance at year-end	4	—	4	—	4	—	4

Fiscal year ended June 30, 2015

	Millions of yen (Note 2)						
	Reportable segment			Others	Total	Adjustments	Amount recorded on consolidated statements of income
	Retail business	Tenant leasing business	Total				
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

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			Others	Total	Adjustments	Amount recorded on consolidated statements of income
	Retail business	Tenant leasing business	Total				
Amortization for the year	¥96	¥ —	¥96	¥ —	¥96	¥ —	¥96
Balance at year-end	526	—	526	—	526	—	526

6. Gain on negative goodwill by reportable segment

Fiscal year ended June 30, 2016
Description omitted due to immaterial significance.

Fiscal year ended June 30, 2015
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, 2016 and 2015, 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, 2016 and 2015, and their consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 30 of the consolidated financial statements which describes the company's consolidated subsidiary, Japan Asset Marketing Co., Ltd., decided at its Board of Directors' meeting held on September 23, 2016 to transfer its non-current assets (trust beneficiary rights) and followed by the conclusion of a transfer contract.

Our opinion is not modified in respect of this matter.

Convenience Translation

The accompanying consolidated financial statements expressed in yen have been translated into U.S. dollars on the basis set forth in Note 2.

UHY Tokyo & Co
Tokyo, Japan
September 28, 2016

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, 2016)

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

¥22,382 million

NUMBER OF EMPLOYEES

43 (6,857 on consolidated basis)

NUMBER OF STORES (Consolidated basis)

341

Board of Directors (as of September 28, 2016)

President and CEO	Koji Oohara
Senior Managing Director and CFO	Mitsuo Takahashi
Senior Managing Director and CCO	Naoki Yoshida
Director (Standing Audit & Supervisory Committee Member)	Shoji Wada
Outside Director (Audit & Supervisory Committee Member)	Yukihiko Inoue
Outside Director (Audit & Supervisory Committee Member)	Yasunori Yoshimura
Outside Director (Audit & Supervisory Committee Member)	Tomiaki Fukuda

Note: The Company transitioned to a company with an audit and supervisory committee, effective at the conclusion of the 36th Ordinary General Meeting of Shareholders held on September 28, 2016.

Share Information (as of June 30, 2016)

SHARES OF COMMON STOCK

Authorized:	468,000,000
Issued:	158,118,160
Treasury stock:	4,633

NUMBER OF SHAREHOLDERS

9,847

PRINCIPAL SHAREHOLDERS	Number of shares held	Percentage of total shares in issue (%)
La Mancha	18,000,000	11.38
Credit Suisse AG Hong Kong Trust A/C Clients for DQ Windmolen B. V.	15,507,000	9.81
Anryu Shoji Co., Ltd.	8,280,000	5.24
State Street Bank and Trust Company 505001	7,766,433	4.91
Japan Trustee Service Bank, Ltd. (Trust Account)*	6,334,600	4.01
JP Morgan Chase Bank 380055	5,296,641	3.35
The Master Trust Bank of Japan, Ltd. (Trust Account)*	3,997,100	2.53
Yasuda Scholarship Foundation	3,600,000	2.28
State Street Bank and Trust Company 505225	3,384,687	2.14
State Street Bank and Trust Company	2,754,052	1.74

* Shares held by these institutions include shares in trust.
Note: Percentage of total shares does not include treasury stock (4,633 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	85	26,454,613	16.7
Other Japanese Corporations	87	12,099,815	7.7
Foreign Corporations and Individuals	537	115,447,876	73.0
Japanese Individuals and Others*	9,138	4,115,856	2.6
Total	9,847	158,118,160	100.0

* Shares held by Japanese Individuals and Others include treasury stock (4,633 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.

Head Office

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