Don Quijote HLDGS

Integrated Report 2018

At a Glance

The Fiscal Year Ended June 30, 2018

Net Sales

¥941.5 billion

Operating Income

¥51.6 billion

Return on Equity

13.3%

Number of Group Stores

418

Number of Purchasing Customers

371 million

"majica" E-money Card Membership

6.8 million

Ratio of Tax-Free Sales to Total Sales at Don Quijote Co., Ltd.

8.7%

Ratio of Original Products* Sales to Total Sales

10.9%

* Original products: Jonetsu Kakaku private brand products and OEM products
Scope: Don Quijote Co., Ltd. and Nagasakiya Co., Ltd.

Disclaimer Regarding Forward-Looking Statements	Forward-looking statements contained in this integrated report are based on various assumptions and do not guarantee future performance or the progress of stated strategies.

Corporate Philosophy

Valuing the customer as our utmost priority

Genryu— DNA of the Don Quijote Group

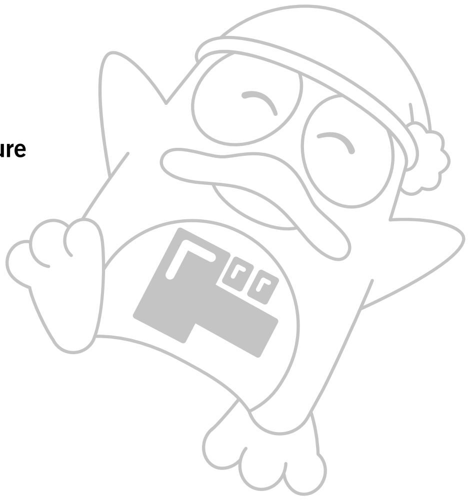
Genryu (The Source) is a collection of corporate ideals that clearly delineate the corporate philosophy and principles that we expect all Don Quijote Group employees and officers to abide by.
This work compiles our code of conduct, the relationships we seek to form with business partners (suppliers), and other aspects of the "Donki-ism" and DNA that have lived on since our founding. We conduct ongoing training aimed at encouraging all employees to act in accordance with *Genryu* in their daily work and to further spread understanding of this document in order to transmit the transcendental DNA of the Don Quijote Group.

Contents

To Our Stakeholders

Having continued to grow for 29 years in a difficult environment, we stand committed to developing stores that are loved by customers in all eras.

Guided by our corporate philosophy of "valuing the customer as our utmost priority," we took bold steps to reinforce the foundations of existing businesses and to create new businesses in the fiscal year ended June 30, 2018, successfully creating results, while also laying the groundwork for future development. The effectiveness of our aggressive management approach has manifested in our ability to achieve higher net sales and operating income for 29 consecutive years since opening our first store in 1989. This success is due to the support of our stakeholders, and we extend our sincerest thanks to everyone involved in this commendable achievement.



Domestic Operations

In our domestic operations, we won higher levels of support from families and other customers by outcompeting nearby stores in terms of product assortment and prices.

We also succeeded in attracting customers from overseas by utilizing social media and other venues to acquire new customers and create repeat customers. These efforts contributed to an increase in customers from overseas, which exceeded the rise in the number of visitors to Japan. As a result, tax-free sales in the fiscal year ended June 30, 2018 increased 56% year on year, making an even greater contribution to overall performance.

Moreover, the capital and business alliance commenced with FamilyMart UNY Holdings Co., Ltd. in August 2017 led to the swift conversion of the format of UNY stores and the speedy development of joint trial FamilyMart stores. Both initiatives got off to an impressive start with better-than-expected sales growth. We will continue to tackle new challenges and verify the results of this alliance as we work to generate greater synergies with FamilyMart UNY Holdings.

Overseas Operations

The fiscal year ended June 30, 2018 was a year of new initiatives in our overseas operations, particularly in the U.S. and Asian markets. For example, in September 2017 we acquired QSI, Inc., which helped us expand our market share in Hawaii with its network of 24 supermarkets.

Meanwhile, December 2017 saw the opening of our first location in Singapore. Under the format name of DON DON DONKI, this Japan-brand specialty store has proven incredibly popular for its selection of made-in-Japan products at reasonable prices. Our second store in Singapore was opened in June 2018, and we plan to open our first store in Thailand in 2019.

The domestic market is anticipated to drive our growth into the foreseeable future. At the same time, we will proceed to open stores on a trial basis overseas, forming and verifying theories for successful overseas expansion as we prepare to enlarge our network going forward.

Medium-Term Management Plan

The Don Quijote Group's Vision 2020 medium-term management plan, which was established in 2015, sets the targets of ¥1 trillion in net sales, a store network of 500 locations, and return on equity of 15%, to be achieved by the fiscal year ending June 30, 2020. We expect to achieve our net sales and store network targets a year ahead of schedule, in the fiscal year ending June 30, 2019.

The retail industry is changing constantly as indicated by unprecedented weather patterns and a widening gap between successful and unsuccessful stores. The ability of the Don Quijote Group to achieve robust growth even in this challenging environment is predicated on the strengths of our delegation of authority and our swift responsiveness to change.

No matter how times may change, we have always based our stores on the needs of our customers, and these stores have continued to enact sales measures aimed at claiming the No. 1 position in their community. These efforts have enabled us to set new growth records one year after another.

Emphasis on ESG

The achievement of sustainable growth requires us to build stronger relationships with our stakeholders while practicing management with an emphasis on environmental, social, and governance (ESG) factors. Based on this understanding, the Don Quijote Group will fully leverage its existing business foundations while contributing to the resolution of social and environmental issues through its business and reinforcing corporate governance to heighten management transparency.

Moreover, the act of advancing ESG initiatives through our business is congruent with the intent of the United Nations Sustainable Development Goals. A total of 29 years have passed since we opened our first store in 1989. Over the years, we have continued to tackle the challenges placed before us by the operating environment, achieving massive success even in difficult times.

We are committed to developing stores that are loved by customers in every era, and we thereby aim to help shape the future while achieving sustainable growth.

Koji Ohara

Section 1

Overview of the Don Quijote Group

Our Story

Front of Don Quijote's predecessor "Thieves' Market"

First Don Quijote store, in Fuchu, Tokyo

Unprecedented Ideas Going Against Standard Industry Practices

"Thieves' Market," Don Quijote's predecessor, was a general merchandise store opened in Tokyo's Suginami Ward in 1978 by founder Takao Yasuda. He embarked on this journey with zero retail experience and expertise and no network. This was the birthplace of the ideas and DNA that betray industry conventions and that continue to live on to this day in the Don Quijote Group.

One day, when Yasuda was stocking shelves late at night after business hours, a customer visited the store, mistakenly assuming that the store was still open. He saw this as a possible sign of demand for shopping at night, heralding the start of late-night operations.

Furthermore, Thieves' Market was initially lacking in store and storage space, and Yasuda would therefore pack the store with products from floor to ceiling and adorn the shelves with countless handwritten point-of-purchase (POP) advertisements introducing products. This represents the origins of Don Quijote's compression displays and jungle-like treasure hunting atmosphere.

Don Quijote stores supporting shopping districts and communities across Japan by operating around the clock

MEGA Don Quijote store employing new format to appeal to a wider range of ages

Delegation of Authority Founded on Trust

The first Don Quijote store was opened in Fuchu, Tokyo in March 1989. Founder Yasuda attempted to transmit his expertise to the employees working at this store, but was unable to achieve the desired results.

Yasuda thus decided to trust the employees and leave decisions up to them, entrusting the employees with almost all aspects of store operations, including product procurement, pricing, displays, and sales. Don Quijote's approach toward the delegation of authority arose from this practice and has since become a fundamental strength of the Group.

To support this approach, the Company introduced a performance-linked compensation system that linked authority to responsibilities and remuneration. This system contributed to higher motivation among employees and allowed them to enjoy their jobs as "games" rather than as "work." The end result was highly enjoyable buying floors* that were shaped freely by employees through engaging in trial and error and growing together. This unique evolution gave rise to the distinctive characteristics of the Don Quijote Group stores of today.

* As the customer is the focus of everything we do at the Don Quijote Group, we refer to "sales floors" as "buying floors" to frame this idea from the perspective of customers.

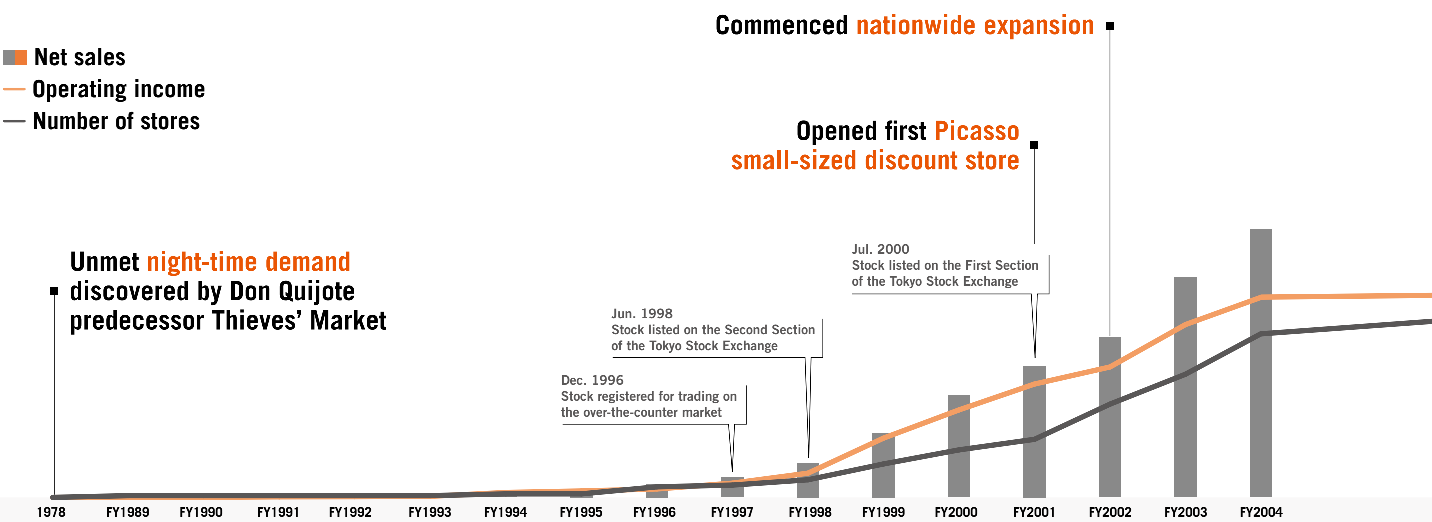
Origin of Company Name

The name "Don Quijote" is taken from the Spanish novel *The Ingenious Nobleman Sir Quixote of La Mancha* written by Miguel de Cervantes. This name symbolizes our desire to, like the titular hero Don Quixote, enact our own ideals, unbound by preconceptions, to create new value in the retail industry.

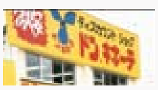
A Growth Path Driven By Responsiveness to Change

29 Consecutive Years of Higher Sales and Income

Despite the challenging operating environment characterized by unseasonable weather and sluggish consumption, the Don Quijote Group has achieved higher net sales and operating income for 29 consecutive years since its first store opened its doors in 1989. This continuous growth has been driven by a speedy and unrivaled responsiveness to change made possible through the delegation of authority. By fully capitalizing on the distinctive strengths of the Group, we will continue to grow while improving corporate value.



FY1989
Mar. 1989
Opened first Don Quijote store, in Fuchu, Tokyo

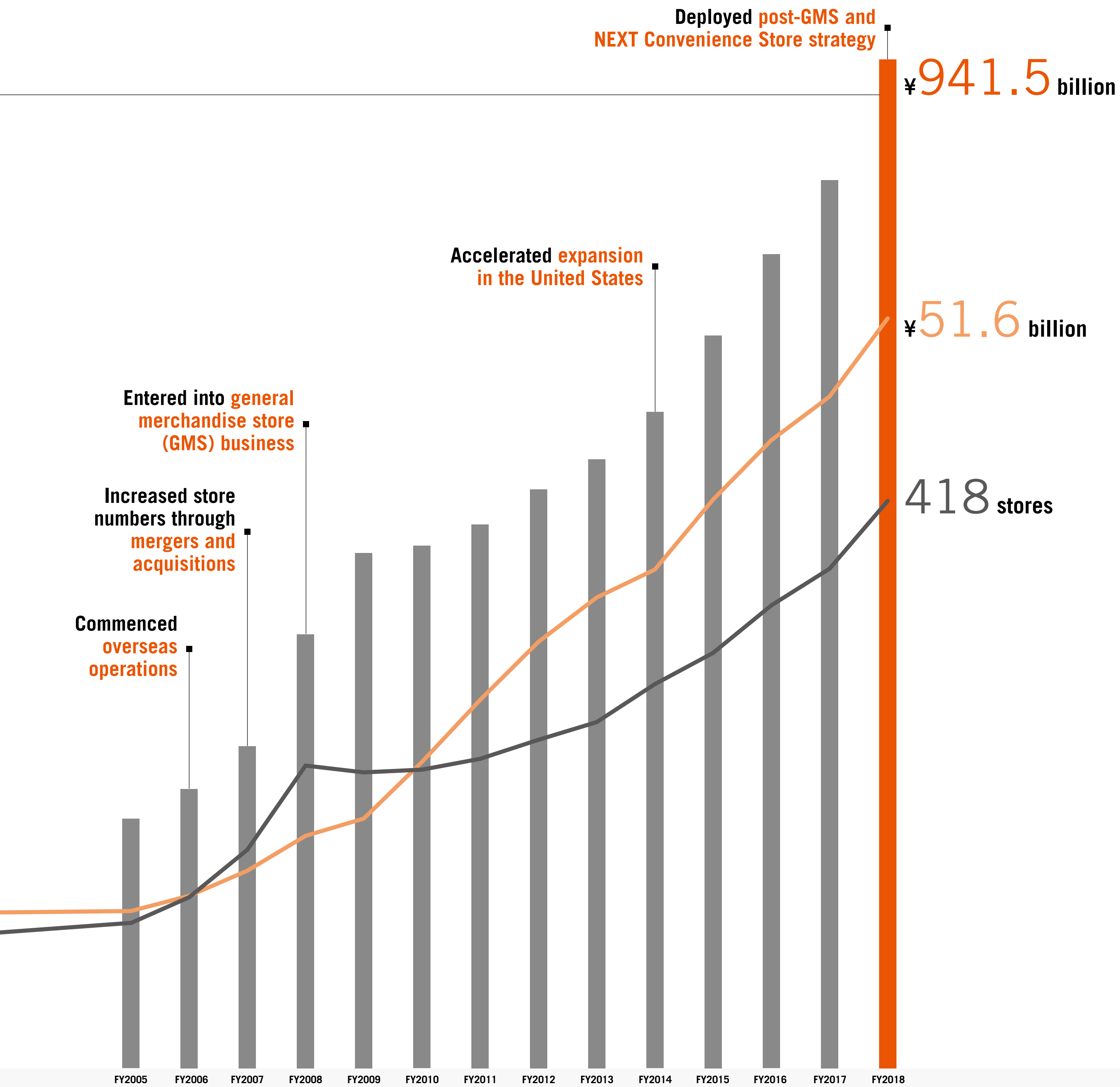


FY2001
Jun. 2001
Opened first Picasso small-sized discount store, in Yokohama, Kanagawa

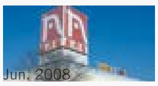
FY2002
Dec. 2001
Opened first Don Quijote store in Fukuoka, as first step in nationwide chain expansion

FY2006
Feb. 2006
Acquired Don Quijote (USA) Co., Ltd. as a consolidated subsidiary to operate stores in Hawaii, U.S.A.

FY2007
Jan. 2007
Acquired DIY products store operator Doit Co., Ltd. as a consolidated subsidiary



FY2008
Oct. 2007
Acquired GMS operator Nagasakiya Co., Ltd. as a consolidated subsidiary


Jun. 2008
Opened first MEGA Don Quijote store, in Yotsukaido, Chiba

FY2010
Oct. 2009
Launched "Jonetsu Kakaku" private brand

FY2014
Sep. 2013
Turned MARUKAI CORPORATION, which operates supermarkets in Hawaii and California, into a consolidated subsidiary

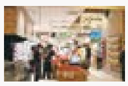
Mar. 2014
Launched proprietarily developed "majica" e-money service

FY2016
Jun. 2016
Acquired Daishin Corporation as a consolidated subsidiary and converted its stores to the MEGA Don Quijote format

FY2018
Aug. 2017
Commenced capital and business alliance with general merchandise store and convenience store operator FamilyMart UNY Holdings Co., Ltd.

Sep. 2017
Acquired QSI, Inc., which operates supermarkets in Hawaii, as a consolidated subsidiary

Dec. 2017
Opened first DON DON DONKI store in Singapore



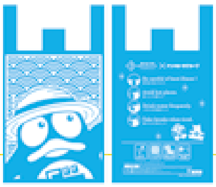
Digest for the Fiscal Year Ended June 30, 2018

2017

First Quarter

July

- Opened Don Quijote Shinjuku Tonanguchi store in Tokyo
- Opened MEGA Don Quijote Nago store in Okinawa



Participated in heat illness prevention awareness project by distributing special limited-edition blue plastic bags in summer

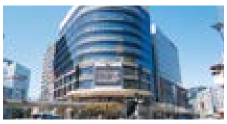
August

- Launched ACTIVEGEAR full-HD camera capable of taking vivid photographs and videos

Commenced capital and business alliance with general merchandise store and convenience store operator FamilyMart UNY Holdings Co., Ltd.

September

- Opened Don Quijote Nagano-Ekimae store in Nagano



Acquired QSI, Inc., which operates 24 supermarkets in Hawaii, as a consolidated subsidiary

Second Quarter

October

- Opened Don Quijote Nagaoka-Kawasaki store in Niigata
- Opened MEGA Don Quijote Toyohashi store, boasting largest floor space in Japan, in Aichi

- Opened MEGA Don Quijote Seki-Mago store in Gifu
- Opened Don Quijote Yame store in Fukuoka

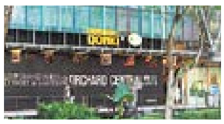
November

- Opened Don Quijote Setagaya Wakabayashi store in Tokyo
- Opened MEGA Don Quijote Fukuoka Tenjin Honten store, boasting highest number of floors in Fukuoka
- Opened MEGA Don Quijote Kyoto Yamashina store in Kyoto

- Opened MEGA Don Quijote Claspo Gamagori store in Aichi
- Opened MEGA Don Quijote Nobeoka store in Miyazaki
- Launched completely hands-free wireless earphones

December

- Opened DON DON DONKI Orchard Central store, our first store in Singapore



- Opened Don Quijote Hino-Inter store in Kanagawa
- Opened Don Quijote Suita-Esaka store in Osaka
- Launched Jonetsu Kakaku MUGA Stoic PC laptop, targeting lowest price in the industry

Topics Pertaining to Japanese Economy

- Number of overseas visitors to Japan over the period from January to July 2017 exceeds 16 million
- Number of overseas visitors to Japan over the period from January to September 2017 exceeds 20 million

2018

■ New Store Topics ■ Product Topics □ Don Quijote Group Topics ▶ Topics Pertaining to Japanese Economy

Third Quarter

January

- ■ Opened Don Quijote Tanukikoji store in Hokkaido
- ■ Launched Jonetsu Kakaku Premium Protect Ion Hair Dryer, boasting industry's top air output

- ■ Received top prize and prize for its category for two original products in 5th Generic Consumer Electronics Awards

Jonetsu Kakaku Plus Ultra HD 50V 4K LCD television

February

- ■ Opened Kyoyasudo Akiruno store in Tokyo
- ■ Opened MEGA Don Quijote Himeji Hirohata store in Hyogo
- ■ Opened first MEGA Don Quijote UNY store —MEGA Don Quijote UNY Oguchi store—by converting a UNY brand store in Kanagawa

March

- ■ Opened Don Quijote Nishiarai Ekimae store in Tokyo
- ■ Opened Don Quijote Kirishima-Hayato store in Kagoshima
- ■ Opened MEGA Don Quijote UNY Tokai-Dori store by converting a UNY brand store in Aichi
- ■ Opened MEGA Don Quijote UNY Zama store by converting a UNY brand store in Kanagawa
- ■ Opened MEGA Don Quijote UNY Hoshikawa store by converting a UNY brand store in Mie
- ■ Opened MEGA Don Quijote UNY Toyota Motomachi store by converting a UNY brand store in Aichi
- ■ Opened MEGA Don Quijote UNY Kou store by converting a UNY brand store in Aichi
- ■ Launched slide-on replacements for worn-out heels, enabling easy replacement of shoe heels, as part of Jonetsu Kakaku Premium line

Fourth Quarter

April

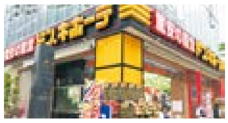
- ■ Opened Doit PRO Kawagoe store in Saitama

- ■ Opened MEGA Don Quijote Yokote store in Akita

□ Absorbed Don Quijote Holdings Retail Management Co., Ltd.

May

- ■ Opened Don Quijote Akasaka Mitsuke store in Tokyo



- ■ Opened MEGA Don Quijote Tsurumi-Chuo store in Kanagawa

June

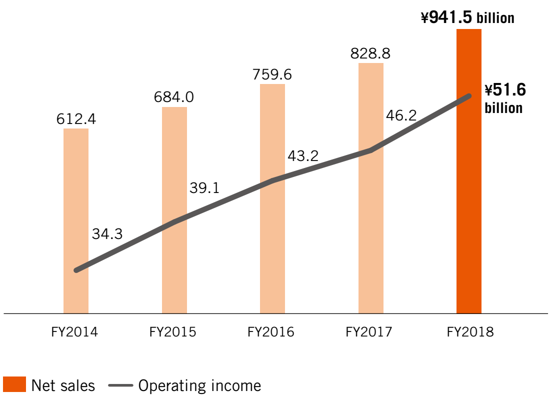
- ■ Opened Don Quijote Shin-Okubo-Ekimae store in Tokyo
- ■ Opened MEGA Don Quijote Ise-Ueji store in Mie
- ■ Opened DON DON DONKI 100AM store in Singapore
- ■ Opened Don Quijote Ikebukuro-Eki Kitaguchi store in Tokyo
- ■ Opened Picasso Kamakura Ofuna store in Kanagawa
- ■ Opened Don Quijote Sendai-Eki Nishiguchi-Honten store in Miyagi
- ■ Opened Picasso Otsuka Kitaguchi-Ekimae store in Tokyo
- ■ Launched Jonetsu Kakaku "Jibun Senyo (Personal) PC & Tablet 3"

□ Commenced operation of joint trial stores by FamilyMart and Don Quijote

- ▶ Act on Employment Promotion etc. of Persons with Disabilities revised effective April 1, 2018
- ▶ Number of overseas visitors to Japan increases 16.6% year on year, reaching record high of 2,670,000 in May 2018
- ▶ Proposal for workstyle reform legislation approved at House of Councillors regular session in June 2018

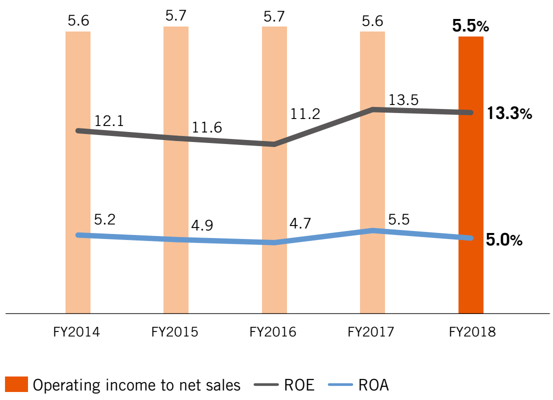
Financial Highlights

Net Sales / Operating Income



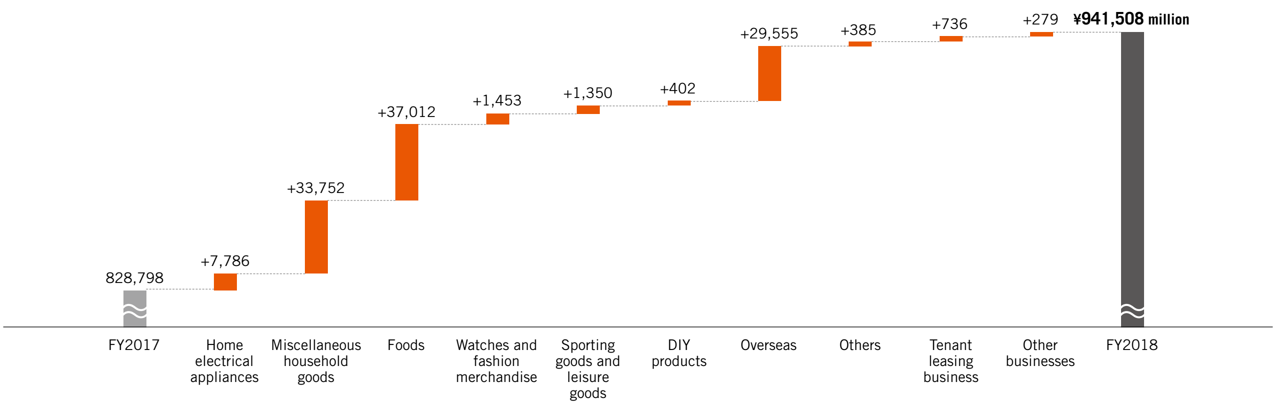
We were able to increase our wallet share among domestic customers through products and proposals matched to customer needs. Coupled with high growth in tax-free sales on the back of higher inbound travelers to Japan, these factors contributed to year-on-year increases of 13.6% in net sales, to ¥941.5 billion, and 11.7% in operating income, to ¥51.6 billion.

Operating Income to Net Sales / ROE / ROA



Return on equity (ROE) decreased 0.2 percentage point year on year, to 13.3%; return on assets (ROA) was down 0.5 percentage point, to 5.0%; and operating income to net sales edged down 0.1 percentage point, to 5.5%. The Company will continue to operate its business in a manner that pursues higher capital efficiency.

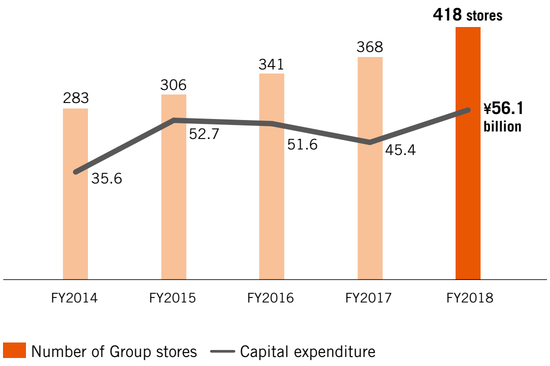
Net Sales by Product Category



There was strong demand for daily necessities among domestic customers. Pharmaceuticals and cosmetics were popular among tourists. This demand drove strong growth in sales of foods and miscellaneous household goods, supporting overall sales.

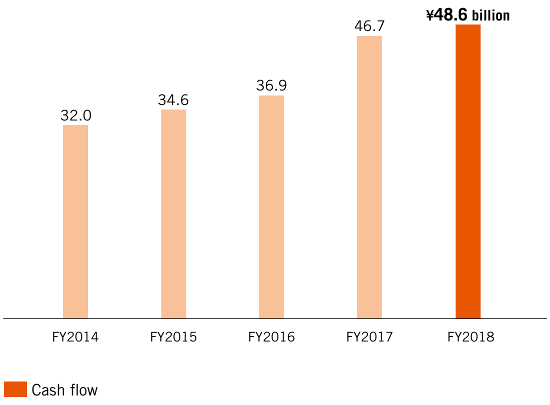
We also saw sales contributions from non-food categories, such as home electrical appliances. For example, our private brand 4K television garnered attention. The consolidation of QSI, Inc. contributed to massive increases in sales in our overseas operations.

Number of Group Stores / Capital Expenditure



A total of 31 new stores were opened, mainly in properties vacated by other operators. Meanwhile, five stores were closed as a result of land readjustment projects and other reasons, bringing the Group's network to 418 stores on June 30, 2018. Capital expenditures totaled ¥56.1 billion due in part to new store openings in the fiscal year ended June 30, 2018 and the acquisition of sites for future stores.

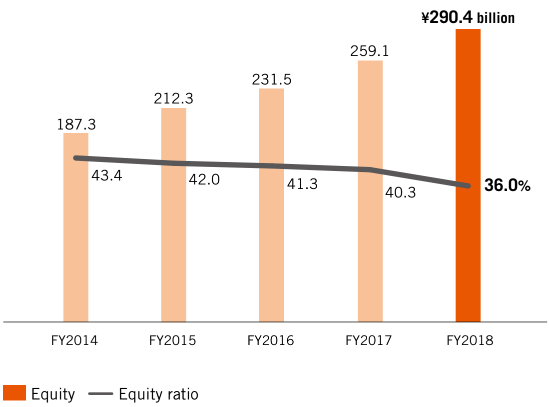
Cash Flow



Cash flow amounted to ¥48.6 billion primarily as a result of higher profit attributable to owners of parent and an increase in depreciation and amortization. Proactive capital investments resulted in a negative free cash flow (cash flow less capital expenditure) of ¥7.5 billion.

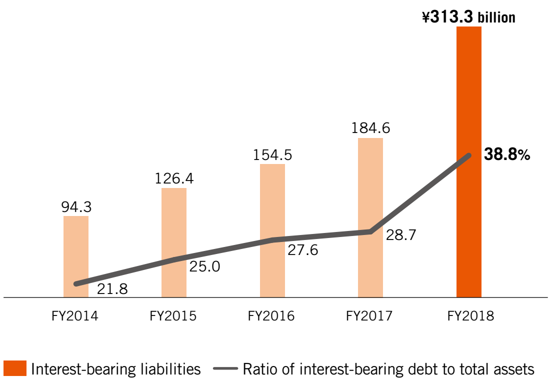
Note: Cash flow = Profit attributable to owners of parent + Depreciation and amortization + Extraordinary loss – Cash dividends paid

Equity / Equity Ratio



Equity amounted to ¥290.4 billion, a year-on-year increase of ¥31.3 billion, underpinning stable business operation. The equity ratio declined 4.3 percentage points, to 36.0%, but this level indicates sustained corporate financial strength and stability.

Interest-Bearing Liabilities / Ratio of Interest-Bearing Debt to Total Assets

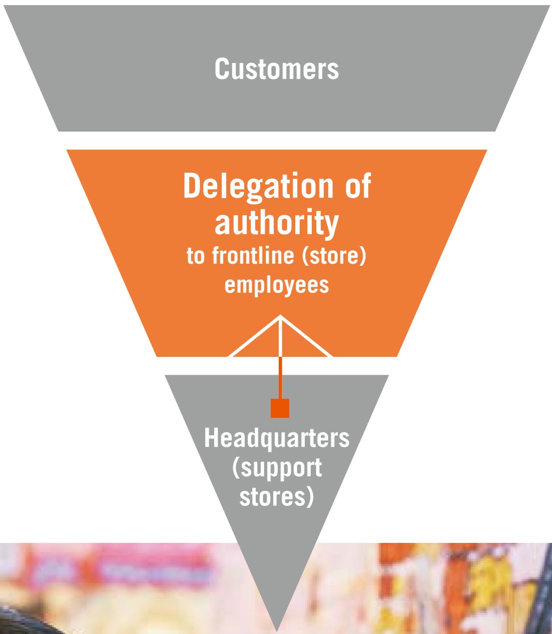


Funds were procured through subordinated loans to strengthen our financial position and support ongoing growth strategies, and long-term debt increased. As a result, interest-bearing liabilities rose ¥128.8 billion year on year, to ¥313.3 billion, and the ratio of interest-bearing debt to total assets came to 38.8%.

Structure of Strengths Underpinning Growth

Guided by the corporate philosophy of "valuing the customer as our utmost priority," the Don Quijote Group leaves various aspects of operations, including product procurement, pricing, displays, and sales, to the discretion of its frontline store employees. The delegation of authority is an approach that has been utilized since our founding, and it is now a fundamental strength of the Group and a part of its very DNA.

Customer-Oriented Reverse Pyramid Structure



権限委譲

Delegation of Authority

Fundamental

Strengths

変化対応

Responsiveness to Change

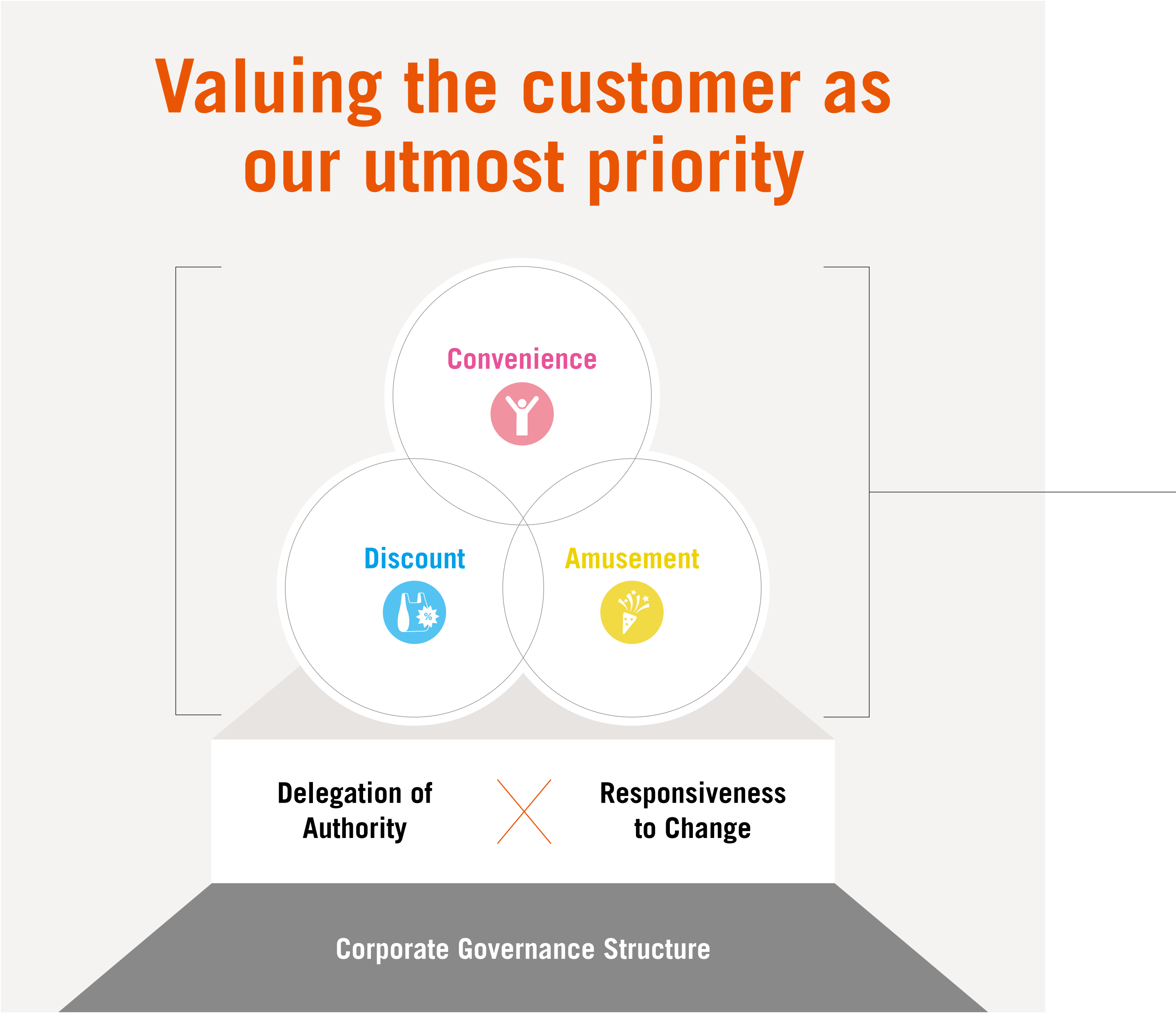
Employees that are keenly aware of customer needs and social trends

Pursuit of the lowest prices in the area in reaction to the prices of competitors

Product lineups accurately matched to customer needs

We allow all stores to operate from a unique perspective matched to the characteristics of their respective commercial areas. This approach enables stores to swiftly and flexibly adjust product prices and lineups in response to customer needs and the actions of competitors. This swift responsiveness to change is a wellspring of competitiveness for the Don Quijote Group and a driving force behind its ability to create value in response to changes in customer needs and the operating environment.

Structure of Strengths Underpinning Growth



The Don Quijote Group's Business Model

Don Quijote Group stores are based on the concepts of convenience, discount, and amusement. Grounded on a foundation formed by strengths that cannot be copied by the competition, namely our delegation of authority and our responsiveness to change, we develop stores based on these three concepts to foster our position as a one-of-a-kind retailer.

Convenience

A principal characteristic of Don Quijote Group stores is their **long hours of operation**, which offer greater convenience to customers. Stores in urban areas are often open 24 hours a day, helping cater to night-time demand from travelers to Japan. Another characteristic is the **broad lineup of products** we offer, which ranges from low-priced items, such as foods and daily consumables, to high-ticket items, including electrical appliances and import brand-name products.

Discount

Don Quijote Group stores feature a vast array of products offered at highly competitive prices. Centered on items that have to be frequently repurchased and based on our everyday low-price policy, we provide **amazing discounts** that bring smiles to customers' faces as part of sales measures aimed at expanding our market shares within the communities we serve.

Amusement

At Don Quijote Group stores, customers are greeted by a diverse array of products presented through unique display methods. The sight of such a varied assortment of products creates an exciting and heart-pounding shopping experience. We distinguish our stores from other standardized and simplistic retail outlets with our characteristic third-dimensional store displays that enable customers to **enjoy shopping in an out-of-the-ordinary atmosphere**.

Organizational Framework That Cannot Be Copied By Others

Many Japanese companies place great emphasis on seniority, which makes it difficult for them to delegate authority to the extent that we do. The Don Quijote Group, meanwhile, has created a unique corporate culture through the introduction of a system that would be out of place in other companies based on our corporate philosophy of "valuing the customer as our utmost priority." This framework has become a distinctive strength of the Group. With this organizational framework that cannot be copied by others as our foundation, we will pursue ongoing growth by creating value in response to changes in the needs of customers and society.

Localization enabling stores to connect with communities

High levels of customer affinity allowing employees to understand customer viewpoints

Store discretion allowing frontline employees to lead buying floor development

Delegation of authority contributing to swift frontline decision-making

Performance-linked compensation system increasing employee motivation by rewarding results

Complete meritocracy blind to seniority

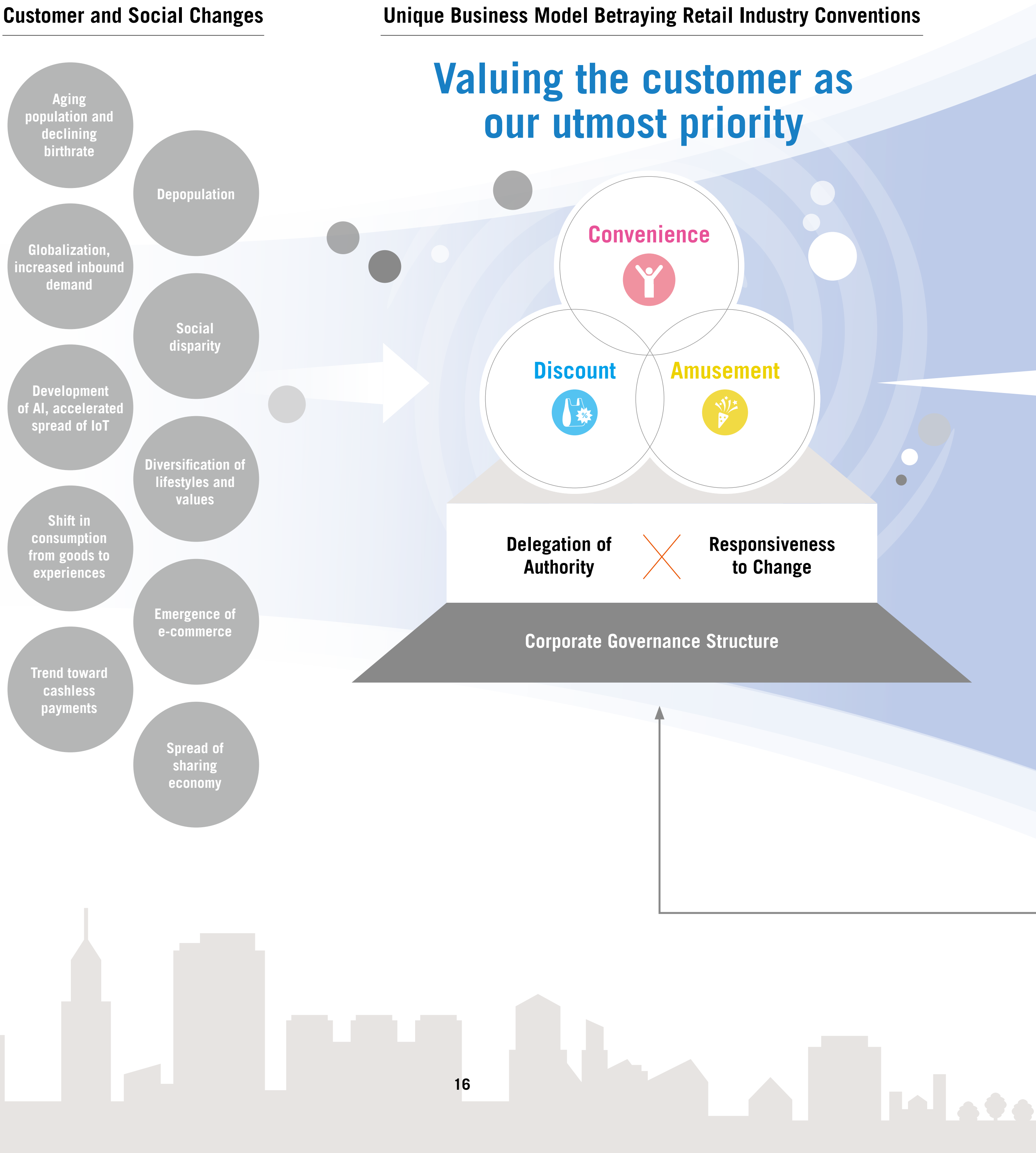
Optimal placement drawing out the potential of all employees

Section 2

Vision for the Don Quijote Group of the Future

The Don Quijote Group's Value Creation Story

The Don Quijote Group bases its stores on the three concepts of convenience, discount, and amusement. With a unique business model that cannot be copied by the competition, we have proceeded to create value while responding to changes in customer consumption habits and in the times. In addition to appealing products and prices, we also seek to create value as a retailer through time-eating stores that provide spaces where customers can enjoy their time shopping. In these manners, we aim to become a retailer that is chosen by customers in every era.



Three Transcendental Concepts

Promote

Convenience

- Late-night operations
- Diverse product lineup encompassing everything from daily commodities to brand-name items
- Optimal store locations

Discount

- Distinctive product procurement capabilities
- Competitive prices

Amusement

- Compression displays
- Mass quantities of POP advertisement cards
- Jungle-like treasure hunting atmosphere

Value Created for Society

Diverse Store Formats

驚安の殿堂 ドン.キホーテ

驚安の殿堂 MEGA ドン.キホーテ

驚安の殿堂 MEGAドンキ

Produced by ドン.キホーテ

DIYホームセンター Doit

長崎屋

Net Sales
¥941.5 billion

Annual Number of Purchasing Customers
371 million

Number of Group Stores
418

Ratio of Original Product Sales to Total Sales
10.9%

Number of Members of *kyoeikai* (co-prosperity club) Membership Structure
More than 1,700 companies

“majica” E-money Card Membership
6.8 million

Mission

Become a retailer that is chosen by customers in every era

Challenges and Growth Opportunities

To further the Don Quijote Group on its quest to become a retailer that is chosen by customers in every era, we emphasize an understanding of the challenges and growth opportunities in our business activities. This understanding is to be gained through analyses of the operating environment. The Group endeavors to fully exercise its competitiveness to seize hold of growth opportunities and develop an undisputed presence in the industry. At the same time, we remain keenly aware of the challenges that may arise in the future as we boldly tackle new challenges to create value by positioning risks as business opportunities.

Strategies for Overcoming Challenges

Aging Population and Declining Birthrate

The aging population and declining birthrate indicate the unlikeliness of the retail market expanding, and this situation is leading to accelerated reorganization among retailers and a widening gap in the performance of stores. We will overcome these challenges by developing stores that can be enjoyed by customers of a wider range of ages.

P.20 P.24

Emergence of E-Commerce

The Group is conducting trials of new services and seeking to create next-generation stores that utilize IT while leveraging the strengths of brick-and-mortar stores. Our aim in these ambitious endeavors is to enhance customer convenience, an objective we will accomplish by exercising the flexibility offered by physical stores and realizing a state of coexistence between these stores and e-commerce.

P.20

Shift in Consumption from Goods to Experiences

The Group has continued to create time-eating stores based on its CV+D+A concept, which offers customers convenience (CV), discounts (D), and amusement (A). We constantly strive to be a retailer that is loved for providing stores that foster feelings of excitement and anticipation and that allow customers to enjoy the act of shopping itself.

P.20 P.24 P.26 P.28

Strategies for Seizing Growth Opportunities

Growth Opportunity 1

Higher Inbound Demand Accompanying Increase in Visitors to Japan

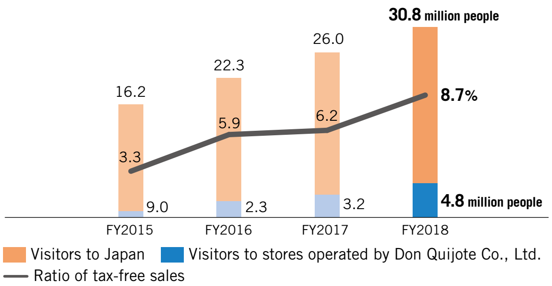
The government has set the target of attracting 40 million non-Japanese visitors to Japan in 2020, the year of the Olympic and Paralympic Games Tokyo 2020, and this target is being pursued through a joint public–private initiative.

Goal of Becoming a Leader in Catering to Customers from Overseas

The strengths of Don Quijote Group stores include its locations in shopping districts, late-night operation, rich product lineups, and discount prices. In addition to these inherent strengths, we also have special counters for tax-free sales, offer service in multiple languages, provide free Wi-Fi access, and accept various payment methods. These conveniences culminate into a stress-free shopping environment for non-Japanese visitors to Japan.

P.22

Number of Non-Japanese Visitors to Japan and Stores Operated by Don Quijote Co., Ltd. / Ratio of Tax-Free Sales to Total Sales at Stores Operated by Don Quijote Co., Ltd.



Source: Japan National Tourism Organization

Growth Opportunity 2

Competitiveness in the GMS Industry

As industry leaders suffer in terms of profitability, the Don Quijote Group has the opportunity to syphon shares away from these companies by taking advantage of the competitiveness of its low-cost operations.

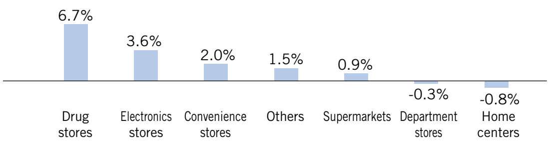
Success in Reforming the GMS Format

In 2008, we began converting the stores of Nagasakiya into the MEGA Don Quijote format, successfully achieving stable profits while rivals in the GMS industry suffered in terms of profitability.

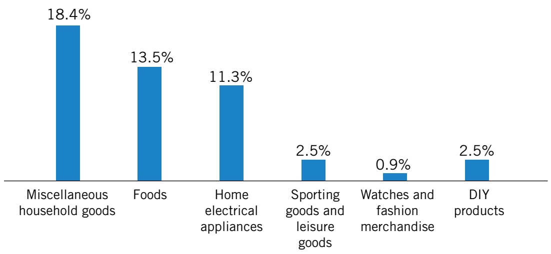
Going forward, we will step up our efforts to develop stores that are chosen by and bring joy to customers of a wider range of ages in order to expand our share in this industry.

P.20 P.24 P.26

Sales Growth Rates by Retail Store Format in Japan



Sales Growth Rates by Product Category at Don Quijote Group Stores



Source: Commercial industry statistics, Ministry of Economy, Trade and Industry
Year-on-year comparisons for period from July 1, 2017 to June 30, 2018

Growth Opportunity 3

Rising Popularity of Japanese Products Overseas

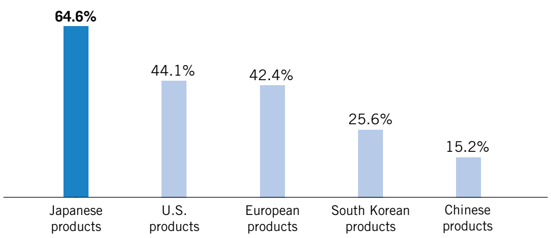
Japanese products have become synonymous with high quality while gaining a strong reputation for safety, contributing to the rising popularity for these products overseas.

Medium- to Long-Term Strategy Eying Full-Fledged Overseas Expansion

The rising popularity for and reputation for reliability of Japanese products outside of Japan presents the opportunity for our overseas stores to achieve competitiveness by providing high-quality Japanese products and safe and delicious Japanese foods at reasonable prices. We are currently laying the groundwork for full-fledged overseas expansion by opening several stores on a trial basis each year.

P.22

Ratio of People Viewing Products of a Given Country as High Quality



Source: Survey on image and reputation of Japanese products conducted in 14 Asian cities, Hakuhodo Incorporated

New Initiative Aimed at Further Growth

The first FamilyMart produced by Don Quijote was opened in June 2018 as part of a new initiative aimed at further growth advanced through collaboration with FamilyMart UNY Holdings Co., Ltd. In this initiative, three FamilyMart stores located in Tokyo were converted to this new format, which offers a wider array of products and features unique display and pricing measures that generate synergies between the two companies. As a result, these stores have been enjoying substantially higher sales and customer numbers since being converted.

Innovations for Achieving Our Vision for the Future

Innovation 1

Development of Stores Targeting a Wider Range of Ages

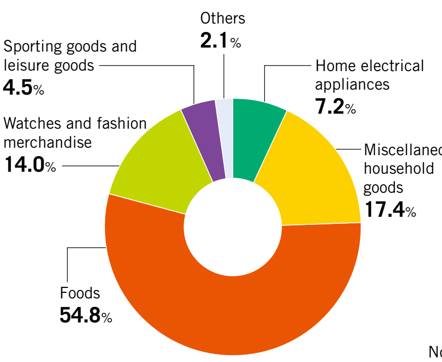
The aging population and declining birthrate in Japan is creating a situation in which we cannot expect increases in the total amount of consumption. Meanwhile, consumers are becoming more selective and price conscious. We have been developing MEGA Don Quijote stores, which offer lineups centered on foods and other daily necessities. This focus has attracted customers from a wide range of ages, including the younger generation, our main customers, people in their thirties or older, women, and families that comprise three generations, a trend that has continued since 2010. Looking ahead, we will take advantage of IT as we seek to offer the sense of excitement and anticipation for shopping that can only be created at physical stores, as we develop stores based on the perspective of customers from a wider range of ages.

Incorporation of Successful Efforts at MEGA Don Quijote Toyohashi Store into Future Store Development

The MEGA Don Quijote Toyohashi store was opened in Toyohashi, Aichi Prefecture in October 2017. Located in a property that previously housed a since closed large-scale general supermarket, this store is a core tenant of a commercial complex connected to a movie theater and a bowling alley. It also boasts among the largest buying floor areas of any Don Quijote Group store.

MEGA Don Quijote Toyohashi's performance is driven by sales of electrical appliances, miscellaneous household goods, and other non-food items, which are thought to be an area of weakness for general merchandise stores (GMSs), making for overall strong performance. MEGA Don Quijote Toyohashi is thus a successful example of the transformation of GMS format stores, being a product of our efforts to change the format of UNY stores, which we are advancing together with FamilyMart UNY Holdings.

Distribution of Sales by Product Category at MEGA Don Quijote Stores



Foods, miscellaneous household goods, and other daily necessities function as a magnet for attracting customers while apparel, sporting goods, and other non-food product categories drive earnings at MEGA Don Quijote stores.

Note: Based on performance of MEGA Don Quijote format stores in the fiscal year ended June 30, 2018.

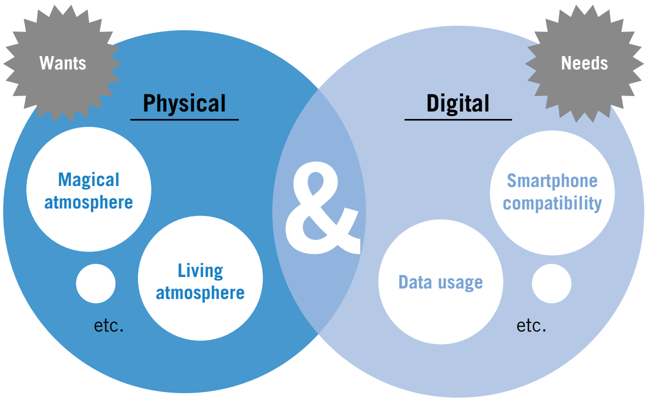
Diverse lineup of fresh, locally produced foods offered at prices designed to make MEGA Don Quijote Toyohashi the No. 1 store in its area.

Next-Generation Stores Utilizing IT

Allowing customers to gaze upon a wide assortment of products simultaneously is a store presentation technique that cultivates a sense of excitement and anticipation for shopping, and we use this technique to create a magical and living atmosphere that is only possible at physical stores. This is a strength of Don Quijote Group stores that cannot be copied by other retail chains and that we believe is in tune with the wants of customers.

At the same time, we will deploy a digital strategy that takes advantage of increasingly ubiquitous smartphones to infuse shopping at physical stores with IT. We see this strategy as capturing the needs of customers. By adopting these two approaches, we plan to unveil next-generation stores that combine the strengths of physical stores with IT in the near future.

Next-Generation Stores Combining the Physical and Digital

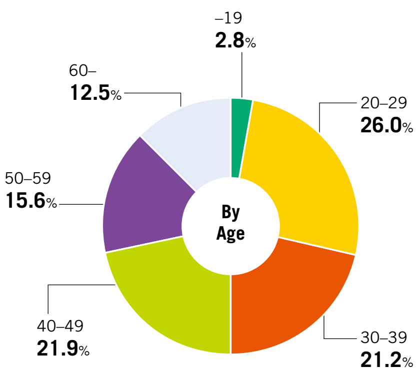


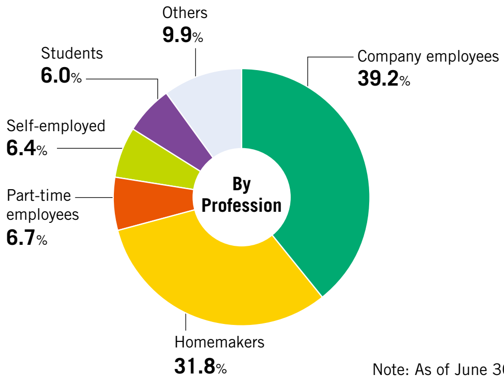
Digital Strategy Utilizing Big Data Collected from "majica" Members

The Don Quijote Group is readying new services that inject IT into the official app for our "majica" e-money service to improve the efficiency and productivity of store operations. From ticketless systems that automatically control parking lot gates to services that mark the locations of recommended items on an in-app store map based on purchase records, we plan to provide a range of services that will make shopping experiences even more enjoyable.

On June 30, 2018, the number of "majica" members exceeded 6,750,000, and approximately 70% of these members were women. The growth of our member base has enabled us to collect larger volumes of purchase history information and other big data, which are being used to improve the accuracy of product procurement. In this manner, "majica" will form the backbone of our digital strategies going forward.

Distribution of "majica" Members





Note: As of June 30, 2018

Innovation 2

Goal of Becoming a Leader in Catering to Visitors to Japan

The influx of visitors to Japan in 2020, the year of the Olympic and Paralympic Games Tokyo 2020, is anticipated to generate significant business opportunities. The needs of inbound visitors and the environment in this market are constantly changing, and responsiveness to change will be integral to expanding our share of this market. The Don Quijote Group will rise to this challenge by leveraging its store network and other infrastructure and taking advantage of strengths such as its store hours while providing services that address even the smallest changes in customer needs. We will also exploit the customer attraction methods of word of mouth and social media as we work toward our goal of becoming a leader in catering to inbound demand.

Sources of Concerns for Visitors to Japan

- Insufficient telecommunication infrastructure due to lack of public Wi-Fi hotspots
- Desire for convenience of using currency and online payment services from own country
- Difficulty in communication with store staff due to language barriers
- Limited options for accessible night-time entertainment due to early end times of musicals and other shows and difficulty in making reservations

Changes in Inbound Market

In October 2014, the range of products available for tax-free sales was expanded to include foods, cosmetics, and other consumables in addition to import brand-name products and other high-ticket items. After this change, there was a large shift in the purchasing habits of travelers to Japan with the focus of purchases changing from high-ticket items to consumables. This trend was also seen at Group stores. At the same time, customers have been increasingly showing preference for the consumption of experiences that provide them with an enjoyable time as opposed to the consumption of goods characterized by the purchase of massive quantities of products.

Combination of Group Strengths and Strategy Based on Customers' Perspectives

The popularity of Don Quijote Group stores among visitors to Japan can be explained by the locations of our stores, many of which are positioned in shopping districts that are also popular areas for tourists; our late-night operations; and our varied assortment of products offered at unrivaled prices.

These inherent strengths of the Don Quijote Group are complemented by a strategy of increasing convenience from the perspective of visitors to Japan in order to further heighten the competitiveness of our stores.

Strengths of the Don Quijote Group

Accessible Store Locations

Late-Night Operations Enabling Shopping at Anytime

Varied Assortment of Products

Discount Prices That Are Truly a Bargain

×

Strategy Based on Customers' Perspectives

DONKI Free Wi-Fi

All of our stores are equipped with free Wi-Fi services that provide instructions in multiple languages.

Compatibility with Foreign Currencies and Online Payment Services

Almost all Don Quijote stores allow for payments to be made in seven different foreign currencies (Chinese renminbi, U.S. dollar, euro, Thai baht, South Korean won, Hong Kong dollar, and Taiwan dollar) or with China UnionPay Cards. Furthermore, stores that are popular among visitors to Japan can process payments through online payment services such as Alipay and WeChat Pay.

Multilingual Staff

Stores that frequently welcome visitors to Japan employ full-time staff that speak English, Chinese, Korean, Thai, and other languages, and all stores offer access to multilanguage interpretation services via iPads 24 hours a day.

Area Invigoration through Initiatives for Attracting Tourists Together with Communities

Compared with popular areas for visitors to Japan, such as Ginza and Shinjuku in Tokyo, it is less common for visitors to go shopping in Shibuya, despite its famous scramble crossing tourist spot. Hoping to encourage shopping in Shibuya, the Don Quijote Group is collaborating with the Shibuya community to attract greater numbers of foreign tourists.

In June 2017, we made it possible to use WeChat Pay, a payment service for Chinese tourists, at MEGA Don Quijote Shibuya Honten and other stores that are popular among visitors to Japan.

Furthermore, MEGA Don Quijote Shibuya Honten now offers confectionaries with designs based on the Hachiko dog statue—Shibuya's symbol—that are easy to eat on the move as well as souvenir items recommended by Shibuya City Tourism Association Inc. These items have won this store additional support from customers visiting Japan while also helping to invigorate the area.

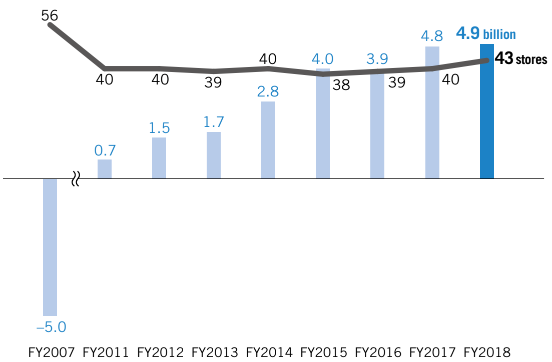
Innovation 3 Post-GMS Business Model

Japan's retail market has a scale of approximately ¥143 trillion, of which the general merchandise store (GMS) market accounts for roughly ¥13 trillion.* However, several leading companies are suffering in terms of profit in the GMS market. Against this backdrop, in 2008 the Group began developing stores using the MEGA Don Quijote format, thereby growing its share of the massive GMS market. The experience and expertise gained through the successful format conversion and revitalization of Nagasakiya during its period of faltering performance are being utilized to promote innovation to establish a unique post-general supermarket business model in order to develop the Group into a retailer that is chosen by customers of a wider range of ages.

* Source: Commercial industry statistics, Ministry of Economy, Trade and Industry

MEGA Don Quijote Yotsukaido store, the first Nagasakiya store to undergo format conversion

Operating Income and Number of Stores for Nagasakiya



Successful Revitalization of Nagasakiya

Nagasakiya was acquired in 2007, and we began converting the stores of this company to the MEGA Don Quijote format and their further development in 2008. At the beginning of this undertaking, we lacked the expertise related to operating large-scale stores four to six times the size of standard Don Quijote stores, handling fresh foods, and planning store layouts that are geared toward families. As such, the undertaking was a process of trial and error.

We then proceeded to close underperforming stores while implementing sweeping reforms to enhance our lineups of fresh foods and other products and incorporating the compression and POP display techniques used at Don Quijote stores. The result was the creation of stores boasting a strong amusement element produced through bustling activity and dynamism that distinguishes these stores from standard GMSs. These unique stores have continued to capture the hearts of young families and a wide range of other age groups.

Transformation of store interior following format change

Before　　After

Application of Expertise Gained through Revitalization of Nagasakiya into New Stores

The MEGA Don Quijote Toyohashi store, opened in Toyohashi, Aichi in October 2017, and the MEGA Don Quijote Himeji Hirohata store, opened in Himeji, Hyogo in February 2018, are both located at sites vacated by major GMSs.

At these locations, we are taking advantage of the expertise gained through the rehabilitation of Nagasakiya to develop stores that are tailored to the characteristics of their respective regions. Both of these stores are currently enjoying rapid growth in performance while carving out a position in the industry for the Group's unique post-GMS business model.

MEGA Don Quijote Himeji Hirohata store, boasting one of the Group's largest buying floor areas

Collaboration with FamilyMart UNY Holdings

In August 2017, Don Quijote Holdings formed a capital and business alliance agreement with FamilyMart UNY Holdings. Through this alliance, we will merge the strengths of UNY pertaining to fresh foods and other products with the Group's expertise in variety goods and other non-food products to generate synergies between these strengths to improve the corporate value of both parties.

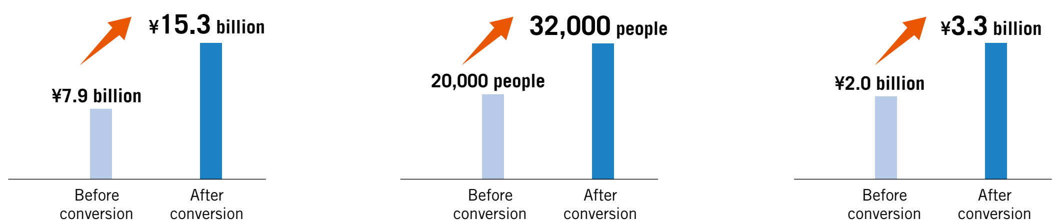
This alliance has already led to the conversion of one Apita store and five Piago stores operated by UNY Co., Ltd. into MEGA Don Quijote UNY stores in February and March 2018. These six stores feature unrivaled product lineups and low prices coupled with store presentation techniques that offer fun surprises throughout the stores to encourage longer shopping times, helping them gain greater popularity among young families.

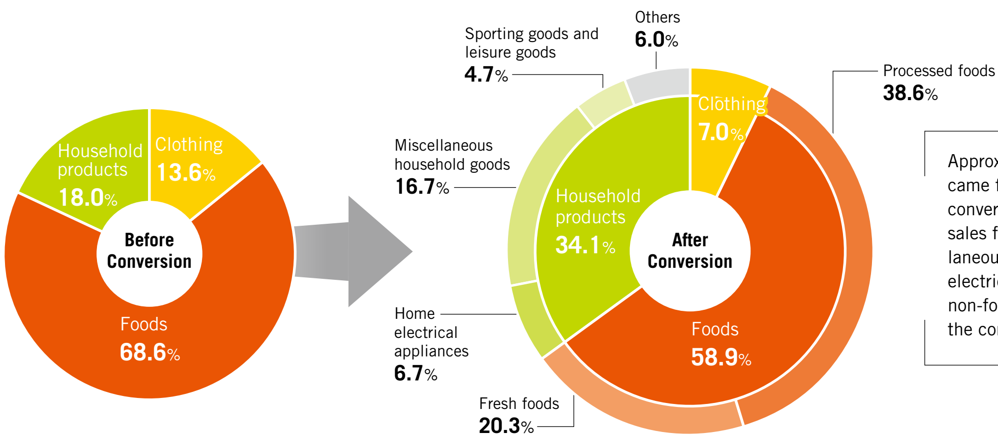
Change in Metrics at Six Stores Converted to MEGA Don Quijote UNY Stores (March–September 2018)

Net Sales **+90%**

Daily Number of Customers **+60%**

Gross Profit **+70%**





Approximately 70% of sales came from foods prior to the conversion while the ratio of sales from cosmetics, miscellaneous household goods, home electrical appliances, and other non-food items rose following the conversion.

4 Innovation

Development of Stores in Urban Areas Exhibiting Don Quijote's Unique Characteristics

The challenging environment for the retail industry has been increasingly forcing competitors to close their stores. Don Quijote, meanwhile, has been exploiting this trend to accelerate store openings at sites vacated by competitors. In addition, the recent diversification of hobbies and stricter regulatory climate have created a greater number of opportunities to open stores at sites previously occupied by pachinko parlors and video rental shops in urban and other areas. The Don Quijote Group has the advantage of being able to select the optimal store format based on the area or size of the property, and this strength is being utilized to accelerate new store openings. We will continue to develop community-rooted stores going forward by opening new stores in a wide range of locations, including urban shopping districts and roadside locations in suburban areas.

Store Presentation Methods Featuring a Unique Amusement Element

Many properties in urban shopping districts in Japan are narrow, tall, multifloored buildings that could be described as "pencil-shaped."

Multifloored stores must find ways of drawing customers to its upper floors, and it can be difficult to effectively utilize space in these stores. Moreover, stores situated in such buildings also sometimes lack the space for escalators.

At these stores, we plan floors and presentation methods by focusing on the stairwell used to advance to other floors with the aim of fostering a sense of excitement and anticipation among our customers driven by a curiosity for what lies ahead of them.

By employing store presentation methods that feature a unique amusement element, we strive to create stores that make shopping feel like an adventure.

Bewildering yet impactful store displays at the Don Quijote Ikebukuro-Eki Kitaguchi store

Products along walls of stairwell

Display method encouraging longer shopping times

Strength Derived From Diverse Range of Store Formats

The Don Quijote Group is expanding its store network largely through opening new stores in properties vacated by other business operators. Because of this approach, our stores are set up in a wide variety of properties, including those that previously housed general supermarkets, banks, and pachinko parlors.

As for location, we develop stores in areas ranging from urban shopping districts to along roads in suburban areas. We employ several store formats based on specific concepts and target demographics in order to respond flexibly to differing properties and locations as well as floor spaces.

MEGA Don Quijote

MEGA Don Quijote is a format for large-sized stores with buying floor spaces ranging from 8,000 m^2 to 10,000 m^2. These stores focus on fresh and other foods and daily commodities, and their main targets are women and families.

New MEGA Don Quijote

New MEGA Don Quijote is a family-oriented format for stores with buying floor spaces ranging from 3,000 m^2 to 5,000 m^2. The ratio of floor space dedicated to fresh foods is less than that of standard MEGA Don Quijote as these stores place greater emphasis on profitability and efficiency with lineups largely consisting of daily consumables and processed foods.

Don Quijote

Don Quijote is a format for variety discount stores with buying floor spaces ranging from 1,000 m^2 to 3,000 m^2. These stores mainly target youths and couples with diverse lineups that include everything from foods and miscellaneous household goods to home electrical appliances, fashion products, and import brand-name items.

Small Formats (Picasso, Essence, Kyoyasudo, Ekidonki, and Soradonki)

Our small formats seek to form oligopolies in small business spheres through stores with buying floor spaces ranging from 300 m^2 to 1,000 m^2. Located in highly convenient areas, such as in and around train stations and in airports, these stores boast convenience coupled with amusement through selectively limited product lineups.

Doit

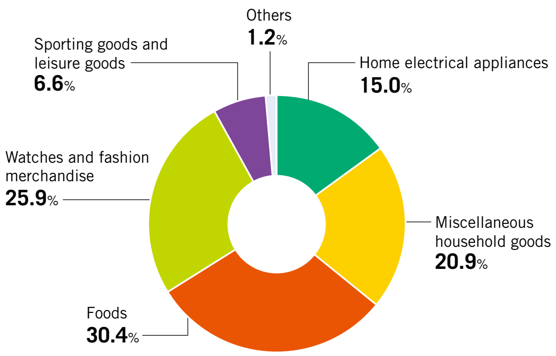
Doit is a format for home centers with buying floor spaces ranging from 2,000 m^2 to 7,000 m^2. With lineups of do-it-yourself and professional products, these stores primarily target craftsmen and families.

Innovation 5

Development of Original Products

Aspiring to give form to the desires of customers, the Don Quijote Group launched its Jonetsu Kakaku series of private brand products in 2009. This series has been highly rated by customers for its fun and appealing products that boast high quality and affordable prices. As indicated by this evaluation, having a wide variety of original products not only contributes to enhanced lineups and profitability for Group stores but also plays an important role in maintaining the favor of customers of a wide range of age groups.

Breakdown of Sales by Original Product Category



情熱価格

Jonetsu Kakaku
Jonetsu Kakaku is a brand centered on foods and other items that are indispensable to daily life based on the concept of offering amazingly low prices.

情熱価格 +PLUS

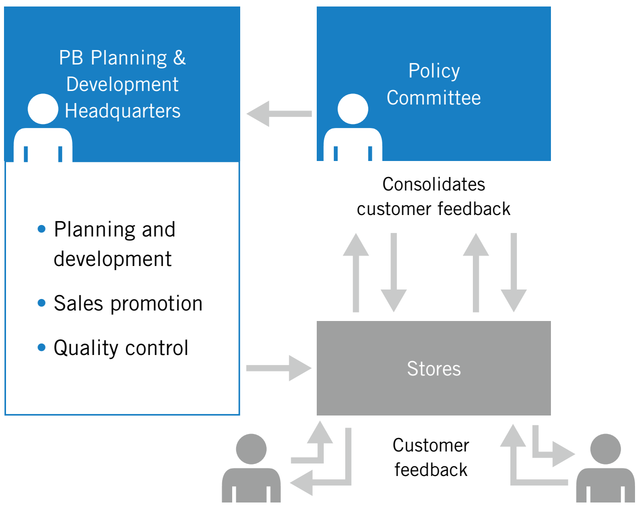
Jonetsu Kakaku Plus
Jonetsu Kakaku Plus offers electrical appliances and other products with slightly higher levels of quality and design to provide customers with a bit more convenience and a bit more joy.

情熱価格 PREMIUM

Jonetsu Kakaku Premium
Offering unique, high-value-added products, Jonetsu Kakaku Premium is Jonetsu Kakaku's top-of-the-line brand in terms of price, quality, features, and design.

Incorporation of Customer Input into Product Development

The PB Planning & Development Headquarters, comprising specialists for each product category, is responsible for the development of original products, which refers to both private brand products and OEM products (products sold exclusively at Don Quijote stores). We are proactively developing original products to contribute to their growth in sales.
The Group has adopted a bottom-up organizational structure in which frontline employees collect input from customers and then act as marketers to reflect this input in product development. The PB Planning & Development Headquarters, meanwhile, dedicates itself to developing products so that it can focus on rolling out unique merchandising measures embodying the Don Quijote style.



Varied Product Lineup and Diverse Brands

The Group's lineup of original products is highly varied and includes foods, miscellaneous household goods, and electrical appliances.

We also develop a diverse range of original brands. RESTORATION is an original apparel brand that we began deploying in multiple stores in 2015. This brand offers an extensive range of apparel, from casual to business-oriented, emphasizing a sense of refinement and casualness. ACTIVEGEAR is a brand of sports fashion and miscellaneous items boasting stylish and functional gear, such as sportswear, earphones, and other sporting goods.

With this varied lineup and these diverse brands, we aim to cater to the needs of a wide range of customers with products for various uses.


Water gun

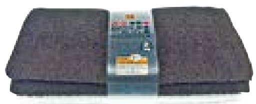

Camera-mounted, remote-controlled vehicle

RESTORATION


Karuteshimo folding bicycle with 14-inch tires


Women's camisole with padded bra cup


Rabbit bed


Large microfiber bath towel

External Evaluation of Original Products

The Don Quijote Group's products have won high evaluations from outside of the Group. For example, the Jonetsu Kakaku Plus Ultra HD 50V 4K LCD television, which debuted in June 2017, received the top prize and the prize for its category in the 5th Generic Consumer Electronics Awards. These awards are a reflection of its low price—the result of our effort to achieve the lowest price on the market—and high quality.

Furthermore, Jonetsu Kakaku MUGA Stoic PC, which features a high-resolution IPS panel monitor with wide-viewing angles allowing users to enjoy beautiful, full-HD videos, also won the prize for its category in the 5th Generic Consumer Electronics Awards. Going forward, we will accelerate the development of high-value-added products that amaze and inspire customers.

Jonetsu Kakaku Plus Ultra HD 50V 4K LCD television


Jonetsu Kakaku MUGA Stoic PC

Innovation 6

Full-Fledged Overseas Expansion

Although the Japanese market remains the primary target for the Don Quijote Group, we are steadily building foundations for full-fledged expansion overseas. In our overseas forays, we plan to take advantage of the strong reputation and increasing demand for Japanese brands outside of Japan to compete with our rivals overseas by supplying high-quality Japanese products and safe Japanese foods at reasonable prices. We will not utilize the Don Quijote model for the Japanese market as it is overseas. Rather, we will tailor our store operation and development practices to each country or region as we prepare for full-fledged overseas expansion in the future.

Scale of Overseas Operations (Fiscal year ended June 30, 2018)

Number of Stores	Net Sales	Buying Floor Area
39	¥67.4 billion	72,301 m²

Times supermarket operated by QSI

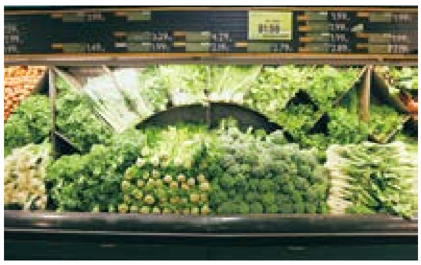
U.S. Strategy Focused On Hawaii

We welcomed QSI, Inc., which operates a chain of 24 supermarkets in Hawaii, into the Group in September 2017. The QSI brand has a long history in this state with enduring support from local fans and a network consisting of 16 stores on Oahu Island, six stores on Kauai Island, and two stores on Maui Island.

We will seek to improve efficiency by exercising synergies between the stores of QSI and our previously existing stores in Hawaii in order to win support from a wider range of customers.

Hawaii

Pay-by-weight seafood and side dish corner that is immensely popular among local customers



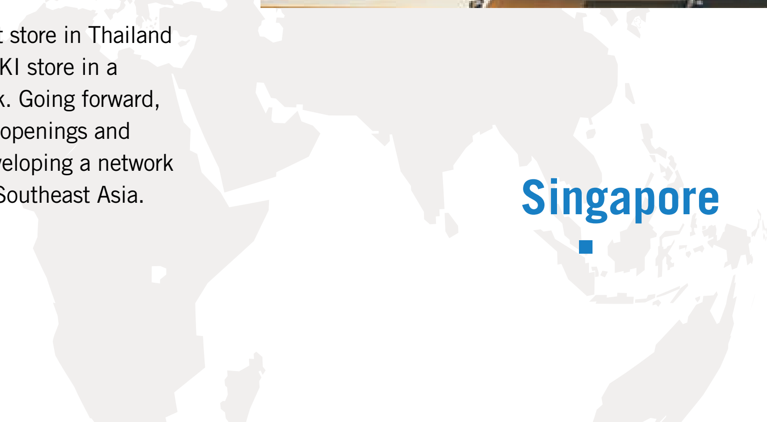
Fresh, locally grown vegetables offered at reasonable prices

New Store Format for Southeast Asia—DON DON DONKI

Located in a commercial facility in Orchard area shopping district, the DON DON DONKI Orchard Central store, our first location in Singapore, opened its doors in December 2017. DON DON DONKI is a new store format that features made-in-Japan and made-for-Japan products based on the concept of a Japan-brand specialty store.

Our second store in Singapore—DON DON DONKI 100AM—was opened in a business district shopping mall in June 2018. This store has enjoyed great success thanks to the extreme popularity of Japanese foods and products. Moreover, the number of customers it has attracted has been well beyond our expectations due to its 24-hour-a-day operation and its reasonably priced lineup of fresh and safe food products and other daily necessities.

We are planning to establish our first store in Thailand in 2019 by opening a DON DON DONKI store in a commercial facility located in Bangkok. Going forward, we will also continue the cycle of trial openings and results verification with the goal of developing a network of multiple stores located throughout Southeast Asia.



“Japan mobile food corner” offering accessible Japanese gourmet treats, including the immensely popular *yakiimo* (baked sweet potatoes), which sees long lines every day

Rich lineup of fresh vegetables, seasonal fruit, and other items benefiting local customers

Section 3

Initiatives Targeting Sustainable Growth

Road Map for Sustainable Growth

The Don Quijote Group aspires to always be a retailer that is chosen by customers in every era. To accomplish this goal and achieve sustainable growth going forward, it will be crucial to boost the competitiveness of the Group while enhancing its intangible, non-financial assets. We are therefore committed to building strong relationships with customers, business partners (suppliers), employees, and all other stakeholders, while contributing to the resolution of environmental and social issues through our main business, the operation of general merchandise stores (GMSs). At the same time, the Company will take proactive steps to reinforce corporate governance in order to increase the efficiency and transparency of management.

Priority Themes for Achieving Sustainable Growth

Theme 1 Development of an Organization That Continuously Generates Innovation

We view all employees as vital resources—corporate assets—and therefore seek to draw out the individuality and potential of employees and foster comfortable workplace environments that empower and motivate them. Furthermore, we strive to ensure the satisfaction of all employees in their work to develop an organization that continuously generates innovation.

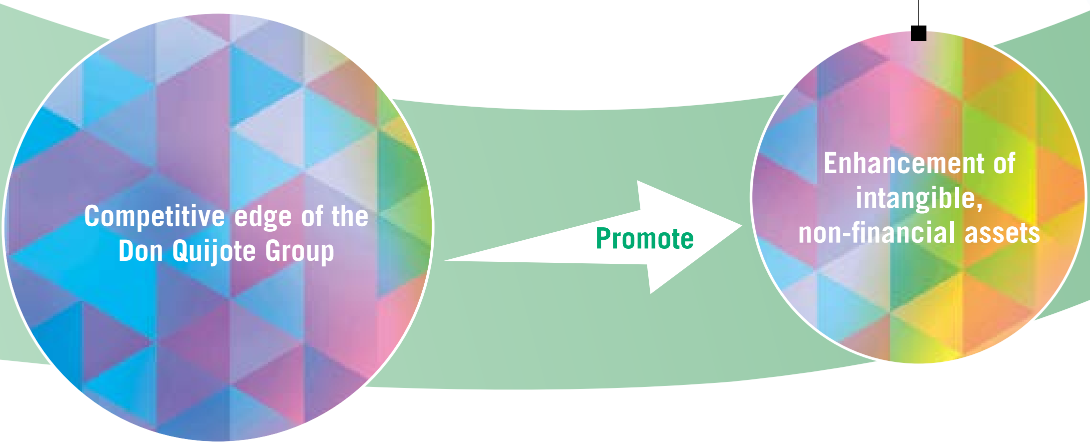
Theme 2 Social Contributions through Business

The Don Quijote Group enables all stores to operate from a unique perspective to create community-rooted stores and thereby help resolve the issues faced by their respective communities.

We are also proactive in our efforts to reduce the environmental impact of our store operations.

Theme 3 Reinforcement of Corporate Governance to Increase Management Transparency

It is essential for us to create an atmosphere that ensures a high level of ethics and awareness among all directors and employees if we are to improve corporate value over the medium to long term. To this end, we have placed the reinforcement of corporate governance and compliance as top management priorities, and are targeting efficient and transparent management accordingly.



We believe that the act of advancing environmental, social, and governance (ESG) initiatives during the course of our business is an undertaking that coincides with the intent of the United Nations Sustainable Development Goals (SDGs).

The SDGs are a set of 17 goals and 169 targets established as an action plan for the benefit of people, the global environment, and a prosperous future following the adoption of *Transforming our world: the 2030 Agenda for Sustainable Development* at the UN General Assembly held in September 2015.

Theme 1

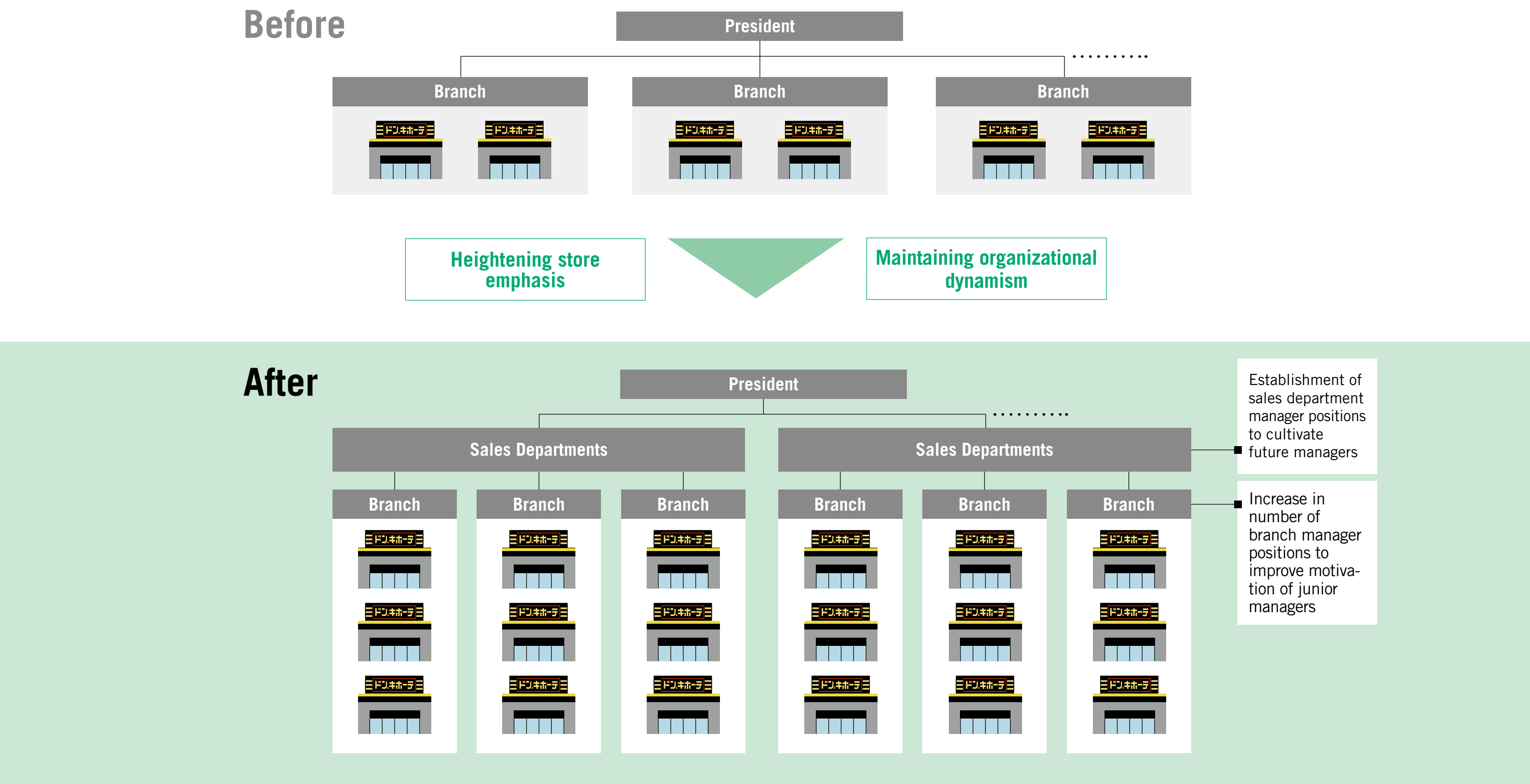
Development of an Organization That Continuously Generates Innovation

The Don Quijote Group respects the diversity of all individuals and promotes the diversity of employees while focusing on recruitment and education approaches tailored to drawing out the individuality and potential of employees. We believe that the delegation of large amounts of authority to employees brimming with individuality and diverse values will enable us to keep responding flexibly to ever-changing customer needs and thereby foster a corporate culture that can continuously generate innovation. The Group is also proactively developing organizational structures and systems that promote the exercise of our corporate philosophy—"valuing the customer as our utmost priority"—to create workplace environments that empower employees in their work.

Organizational Restructuring to Heighten Store Emphasis

The Don Quijote Group restructured its organization in 2017. With the goals of heightening store emphasis, maintaining organizational dynamism, cultivating future members of management, and improving the motivation of junior managers, the prior 18-branch structure was reorganized into a system of six sales departments and 52 branches (six sales departments and 60 branches as of October 2018).

This organizational restructuring was part of a strategy of enabling the Group's roughly 400 stores to adjust their store development approaches and product lineups in a bid to become No. 1 in their respective regions. In addition, we extensively delegate authority to all stores, sometimes even bestowing certain aspects of product merchandising authority to part-time employees, to create a framework that encourages autonomous thought and action among all employees.



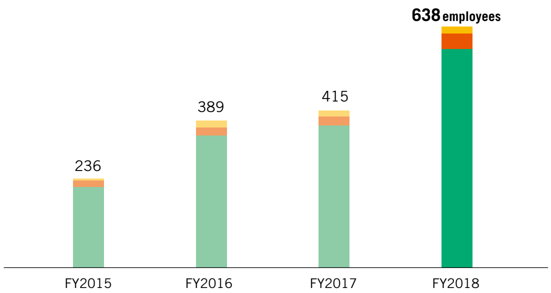
Donki-Way Workstyle Reforms

The Don Quijote Group is taking steps to allow every employee to find the workstyle that best suits them. These measures include introducing shorter shifts for employees that can only work at certain times and a certain number of hours and establishing an in-house project in support of workstyles for women.

In addition, we stepped up our unique "Donki-way" workstyle reforms in 2015, which include programs for promoting part-time employees to full-time employees (both new graduates and mid-career hires). In 2018, 32.0% of the full-time employees that we recruited after graduating from university were previously part-time employees.*1 We expect the recruitment of highly motivated individuals that understand our corporate culture to help new hires begin making contributions immediately after joining, while increasing productivity and reducing turnover rates.

*1 Figure is based on current full-time employees that were part-time employees prior to October 2017.

Number of Employees Taking Maternity Leave, Childcare Leave, or Nursing Care Leave, or on Short Work Hours for Childcare*2



Number of employees taking maternity leave or childcare leave
Number of employees on short work hours for childcare
Number of employees taking nursing care leave

*2 Includes part-time employees

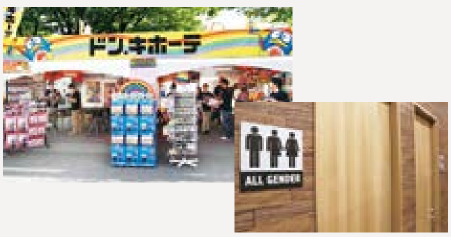
Invigoration of Corporate Culture by Promoting Diversity

The Don Quijote Group promotes diversity with the aim of fostering a corporate culture that continuously generates innovation by combining the individuality and values of all employees, regardless of gender, age, nationality, or physical characteristics. In the fiscal year ended June 30, 2018, the Group rehired 20 retired employees, non-Japanese employees accounted for 28.9% of all new recruits, and the ratios of differently abled employees to total employees at Don Quijote Co., Ltd., Nagasakiya Co., Ltd., and Doit Co., Ltd., exceeded 3.0%, higher than the legally mandated ratio of 2.2%. We are dedicated to enabling contributions from every employee and to cultivating a corporate culture in which we can grow together.

		FY2015	FY2016	FY2017	FY2018
Number of retired employees rehired		64	79	99	119
Ratio of non-Japanese employees to total newly graduated recruits (%)		5.4	9.2	22.0	28.9
Ratio of differently abled employees to total employees (%)	**Don Quijote Co., Ltd.**	2.1	2.3	2.6	3.1
	Nagasakiya Co., Ltd.	2.9	3.1	3.2	3.7
	Doit Co., Ltd.	2.9	3.6	3.2	3.1

Support for the LGBT Community

We support the LGBT community with the goal of creating stores that can bring joy to all customers, regardless of their sexual orientation or gender identity. Furthermore, we participate in Tokyo Rainbow Pride, Japan's largest LGBT pride event, and have installed all-gender rest-rooms that can be used by anyone at our stores as part of our drive to contribute to the realization of a more diverse society.



Theme 2 Social Contributions through Business

Japan is distinguished among developed countries for the various social issues it faces, which include unprecedented labor shortages stemming from its aging population and declining birthrate. Against this backdrop, the Don Quijote Group feels that the greatest contribution it can make to society is achieved by returning the profits earned through its business of operating GMSs to society via appropriate tax payments. At the same time, we strive to help resolve social issues through our business and thereby contribute to the development of society. By promoting social contributions through our business, we aim to improve corporate value while resolving social issues by way of our business activities.

Social Issues Emphasized by the Don Quijote Group

Environmental Destruction

It is estimated that Japan produces 400 million tons of industrial waste each year. Processing this waste requires massive amounts of energy and results in significant emissions of greenhouse gases, placing a substantial burden on the environment.

Aging Population and Declining Birthrate

The rapidly aging population and declining birthrate in Japan is creating various issues, including the contraction of the working age population, the isolation of senior citizens from their communities, and an increase in instances of illness and injury among senior citizens.

Daycare Waiting Lists

In Japan, diversification of workstyles and increased participation of women in society have resulted in a larger number of people seeking daycare for their children. However, the number of daycare centers is currently insufficient for meeting this demand, creating social issues in the form of long waiting lists for daycare entry.

Development of Private Brand Products That are Not Thrown Away

Waste from apparel products in the country amounts to roughly 1 million tons per year, around 70% of which is incinerated or sent to landfills, meaning that only a few of these products are reused or recycled.* The Don Quijote Group seeks to address this issue through the development of unique private brand products.

One success of these efforts is the slide-on replacements for worn-out heels introduced on Jonetsu Kakaku PREMIUM private brand shoes in March 2017. Using a patent-pending technology, these products enable the heels of business shoes to be replaced easily with no tools needed. With these products, we hope to encourage customers to wear their shoes longer and thereby reduce the number of shoes that are thrown away and lower CO_2 emissions from incineration at the source.

* Source: Survey by the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN

Aggregate Number of Pairs Sold
16,200
(March 2017–June 2018)

Jonetsu Kakaku PREMIUM private brand shoes have been proven safe and durable through four-month test periods and 100,000 weight endurance tests by third-party testing institutions.

Contributions to Community Building and Resolution of Senior Health Issues

Depopulation and population aging are draining the life from regional communities. Seeking to address this issue by helping invigorate communities, we have held a Meguro River cherry blossom viewing event on the roof of our head office in Naka-Meguro, Tokyo each year since 2010. In 2018, this event took place over a 15-day period spanning from late March to early April during which approximately 4,500 individuals, including guests from local senior citizen facilities, neighborhood associations, and business partners (suppliers), visited to enjoy the cherry blossoms from the head office balcony.

In addition, the MEGA Don Quijote Yachiyo 16 go bypass store holds the "Yachiyo Genki Taiso no Kai" light exercise event every Wednesday. This event uses an original exercise program designed by the city of Yachiyo in Chiba Prefecture to help senior citizens prevent themselves from falling. Every week more than 40 individuals gather, making this event an opportunity for community building and for addressing senior health issues.

Establishment of "Donkids" In-Store Daycare Centers

Japan is plagued by a shortage of daycare centers and long waiting lists for daycare entry. Government measures and new systems are resulting in gradual improvements to these issues, but there are still an estimated 20,000 children awaiting entry into daycare across Japan (as of April 1, 2018).* To address this issue, we have established Donkids in-store daycare centers for employees at five MEGA Don Quijote locations. Going forward, we will continue to work toward the elimination of children waiting for daycare slots and help create a child-raising environment that integrates communities, daycares, and stores.

* Source: Report on the status related to day-care centers, etc., Ministry of Health, Labour and Welfare

Theme 3

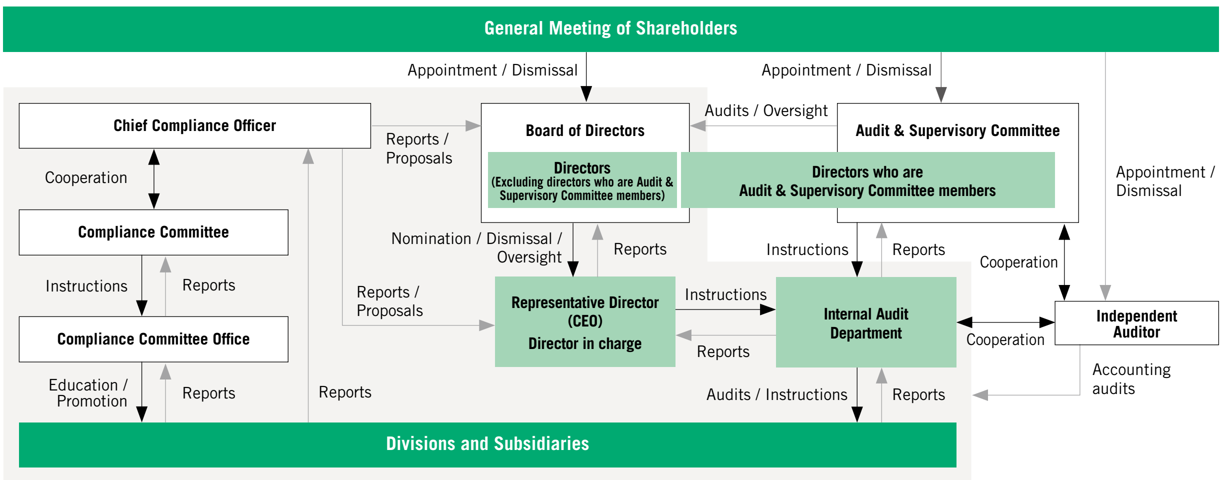
Reinforcement of Corporate Governance to Increase Management Transparency

The Company has developed a unique organizational structure in which a significant amount of authority is delegated to the frontline employees that interact directly with customers, in order to ensure that we firmly adhere to the corporate philosophy of "valuing the customer as our utmost priority." It is essential for us to create an atmosphere that ensures a high level of ethics and awareness among all directors and employees if we are to improve corporate value over the medium to long term. To this end, we have placed the reinforcement of corporate governance and compliance as top management priorities, and are targeting efficient and transparent management accordingly.

Corporate Governance

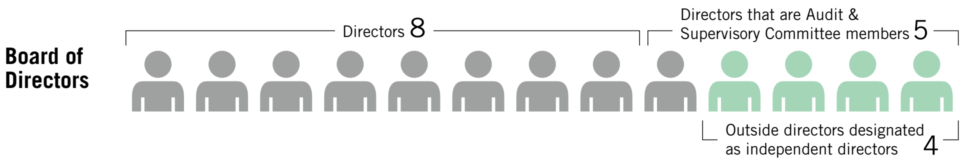
In September 2016, the Company transitioned from a company with an audit & supervisory board structure to a company with an audit & supervisory committee structure described in the Companies Act of Japan. In conjunction with this change, we established the Audit & Supervisory Committee and granted voting rights to directors that are Audit & Supervisory Committee members at the Board of Directors meetings. These moves are intended to strengthen the audit and supervisory functions of the Board of Directors and thereby enhance corporate governance and improve corporate value.

Corporate Governance Structure (As of June 30, 2018)



Highest Decision-Making Body—The Board of Directors

The Board of Directors of the Company meets at least once a month to engage in vigorous discussions on topics such as the formulation of important Group management strategies for improving corporate value. The Board of Directors consists of 13 members, of which four are outside directors that have been designated as independent directors. The appointment of such independent outside directors allows management to incorporate wide-ranging insight and perspectives that share the independent standpoint of shareholders. This system thus guarantees appropriate and highly transparent management.



Evaluation of the Effectiveness of the Board of Directors

A third-party institution is commissioned to evaluate the effectiveness of the Board of Directors at least once a year. Measures are instituted to address any issues identified based on the evaluation results in order to increase the effectiveness of the Board of Directors, enhance the Company's corporate governance structure, and contribute to sustainable growth and improved corporate value over the medium to long term.

Evaluation Process

Preparation of questionnaires regarding the effectiveness of the Board of Directors based on advice from a third-party institution

▶ Collection of questionnaires from all directors by a third-party institution

▶ Analysis of the effectiveness of the Board of Directors based on questionnaire results

▶ Discussions at meetings of the Board of Directors

Results of Evaluation of Effectiveness in the Fiscal Year Ended June 30, 2018

Summary	It was confirmed that the Board of Directors is fulfilling its role of contributing to medium- to long-term improvements in corporate value through swift and accurate decision-making based on vigorous discussions guided by the corporate philosophy and through stringent supervisory functions. We have therefore judged that the effectiveness of the Board of Directors has been ensured.
Strengths of the Company's Board of Directors	1. Proceedings based on the corporate philosophy 2. Swift decision-making processes enabled by appropriate delegation of operational execution authority 3. Functional whistle-blower system and regular monitoring of implementation status

Pressing issues for the Company's Board of Directors	Future initiatives
Task 1 **Creation of training opportunities for directors**	The Company will provide, arrange, and support the utilization of external seminars and other training opportunities for directors. These efforts are aimed at ensuring that directors are able to fulfill their responsibilities and roles effectively based on changes in the structure of the Board of Directors, including the increase in the number of directors instituted in September 2017.
Task 2 **Provision of appropriate opportunities for utilizing the experience of outside directors**	The Company will clearly define the roles and duties expected of each outside director to enable them to sufficiently exert their supervisory function based on their wealth of experience and specialized insight. Based on these definitions, discussions will be directed in a manner that draws upon the values and insight of outside directors.
Task 3 **Periodic revision of ideal state of Board of Directors**	Discussions will be held on what constitutes an effective Board of Directors in the pursuit of sustainable growth and medium- to long-term improvements in corporate value, in order to achieve the ideal state of resolutions by and reports to the Board of Directors in terms of content, volume, and other factors.

Director Remuneration System

Remuneration for directors (excluding those that are Audit & Supervisory Committee members) is determined by the Board of Directors, within the overall limit of remuneration approved by a resolution of the General Meeting of Shareholders, taking into account the Company's operating results and financial position as well as the economic environment. Remuneration for directors that are Audit & Supervisory Committee members is determined by deliberation among Audit & Supervisory Committee members, within the overall limit of remuneration approved by a resolution of the General Meeting of Shareholders.

Remuneration of Directors in the Fiscal Year Ended June 30, 2018

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Number of applicable directors
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Directors (excluding Audit & Supervisory Committee members and outside directors)	466	219	247	–	–	10
Directors that are Audit & Supervisory Committee members (excluding outside directors)	6	6	–	–	–	1
Outside directors	13	13	–	–	–	4
Total	485	238	247	–	–	15

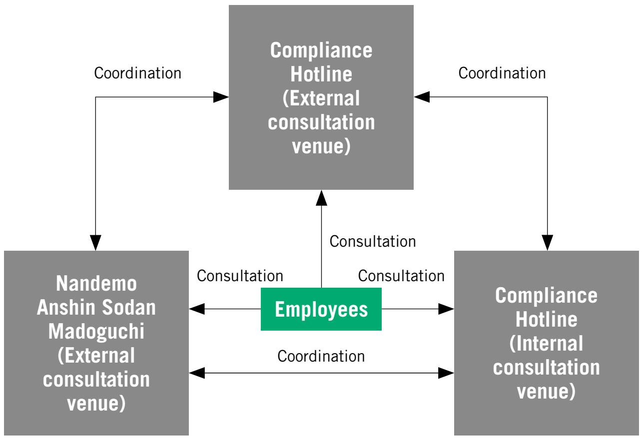
Remuneration of Individual Directors in the Fiscal Year Ended June 30, 2018 (Directors that received total remuneration exceeding ¥100 million)

Name (Position)	Company	Total remuneration (millions of yen)				Total remuneration (millions of yen)
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Koji Ohara (Director)	Don Quijote Holdings Co., Ltd.	69	173	–	–	258
	Don Quijote Shared Services Co., Ltd.	16	–	–	–	

Reinforcement of Compliance

In the Group's risk management system, the Chief Compliance Officer is designated as the director responsible for compliance, and the Group carries out compliance-based risk analyses and assessments and conducts education programs on compliance themes. To the Don Quijote Group, true compliance is about earning the confidence of all stakeholders and fulfilling social responsibilities. With this in mind, we have set up the Compliance Hotline, which functions as a portal for reporting concerns, such as possible legal violations, as well as the Nandemo Anshin Sodan Madoguchi (a consultation help desk for any issue) to help resolve issues relating to the emotional and physical well-being and lifestyles of employees and their families.

Whistle-Blower System



Management Structure for Minimizing Risks

The Don Quijote Group assigns the risk rank of "store compliance" to the laws and regulations with which stores are required to comply, and pursues improvements to compliance structures through e-learning programs for store managers and employees and store self-check sheets. We also have in place systems for monthly checks by Group companies responsible for legal compliance inspections and improvement follow-up systems for ensuring rigorous compliance by stores. Furthermore, branch and store managers that oversee stores coordinate with management divisions to reinforce systems for maintaining legal compliance.

Enhancement of Store Disaster Countermeasures

PAD (Protection Against Disasters) leaders are appointed at each store to lead the enhancement of disaster countermeasures at their store with the cooperation of the store manager. Through regular disaster response drills at stores, the presentation of awards to PAD leaders that have contributed to higher disaster preparedness awareness or the elimination of Fire Service Act violations, and the development of disaster response manuals, we work to prepare for disasters that could strike at any moment. These initiatives help foster disaster preparedness awareness among all employees and guarantee calm and accurate responses in times of disaster.

Responsible Product Procurement

Throughout the planning and manufacturing processes for original products, we exercise responsibility for our supply chain by performing on-site inspections of the overseas factories to which we outsource production. These inspections examine conditions pertaining to labor standards, working environments, and safety and quality management across all production processes.

Preparation and management of evaluation sheets detailing standards for approximately 100 items and reports containing internal views of factories to ensure appropriate working conditions and help manage quality

Management Team Driving Value Creation (As of September 26, 2018)

The responsibilities and roles of directors will be more important than ever going forward if the Don Qujiote Group is to improve its corporate value and achieve sustainable growth. Recognizing this fact, the Company strives to maintain a management team that contributes to higher levels of transparency in management and speed in decision-making.

Back row, from left

Shoji Wada
Director
(Standing Audit & Supervisory Committee Member)

Tetsuji Maruyama
Director

Yuji Ishii
Director

Takeshi Nishii
Director

Front row, from left

Yasunori Yoshimura
Outside Director
(Audit & Supervisory Committee Member)

Mitsuo Takahashi
Senior Managing Director and CFO

Koji Ohara
President and CEO
(Representative Director)

Takeshi Haga
Director

Hiroshi Abe
Director

Jumpei Nishitani
Outside Director
(Audit & Supervisory Committee Member)

Naoki Yoshida
Senior Managing Director and CAO
(Representative Director)

Yukihiko Inoue
Outside Director
(Audit & Supervisory Committee Member)

Tomiaki Fukuda
Outside Director
(Audit & Supervisory Committee Member)

Board of Directors (As of September 26, 2018)

Koji Ohara

President and CEO (Representative Director)

Feb. 1993 Joined the Company
Sep. 1995 Director of the Company
Jan. 2005 President and Representative Director of REALIT Co., Ltd.
Apr. 2007 Resigned from the position of Director of the Company
Apr. 2009 President and Representative Director of Japan Commercial Establishment Co., Ltd.
Sep. 2009 Director and CIO of the Company
Jun. 2012 Director of Doit Co., Ltd.
Jul. 2012 President and Representative Director of Don Quijote Shared Services Co., Ltd.
Sep. 2012 Director of Nagasakiya Co., Ltd. (current position)
Apr. 2013 Senior Vice President, Director and COO of the Company
Nov. 2013 Senior Vice President, Representative Director and COO of the Company
Dec. 2013 President and Representative Director of Don Quijote Co., Ltd. (current position)
Jul. 2014 President, Representative Director and COO of the Company
Chairman and Representative Director of Japan Commercial Establishment Co., Ltd.
Chairman and Representative Director of REALIT Co., Ltd.
Jul. 2015 President and CEO of the Company (current position)
President and Representative Director of Don Quijote Holdings Retail Management Co., Ltd.
Apr. 2017 President and Representative Director of Doit Co., Ltd. (current position)

Naoki Yoshida

Senior Managing Director and CAO (Representative Director)

Dec. 1995 Joined McKinsey & Company Inc. Japan
Mar. 1997 Joined Union Bancaire Privée
Aug. 2002 Established Alter Ego Consulting Co., Ltd.
President and Representative Director of Alter Ego Consulting Co., Ltd.
Feb. 2003 President and Representative Director of T-ZONE HOLDINGS, INC. (currently MAG NET HOLDINGS, INC.)
Jul. 2007 President of Don Quijote (USA) Co., Ltd.
Sep. 2012 Director of the Company
Nov. 2013 Senior Managing Director of the Company
Dec. 2013 Member of the Board of Directors of Don Quijote Co., Ltd. (current position)
Director of Nagasakiya Co., Ltd. (current position)
Director of Doit Co., Ltd. (current position)
Jul. 2015 Senior Managing Director and CCO of the Company
Jun. 2017 Outside Director of Accretive Co., Ltd. (current position)
Nov. 2017 Audit & Supervisory Board Member of UNY Co., Ltd. (current position)
Jan. 2018 Senior Managing Director and CAO (Representative Director) of the Company (current position)

Mitsuo Takahashi

Senior Managing Director and CFO

Apr. 1977 Joined AOKI Fashion Sales Co., Ltd. (currently AOKI Holdings Inc.)
Jun. 1990 Director of AOKI Holdings Inc.
Jul. 1997 Joined the Company
General Manager of Administration Headquarters of the Company
Sep. 1997 Director of the Company
Jan. 2005 Senior Managing Director of the Company
Sep. 2005 Senior Managing Director and CFO of the Company (current position)
Jan. 2007 Director of Doit Co., Ltd.
Nov. 2007 Director of Nagasakiya Co., Ltd. (current position)
Jul. 2012 General Manager of Corporate Communications Headquarters of the Company (current position)
Jun. 2013 President and Representative Director of Doit Co., Ltd.
Dec. 2013 Member of the Board of Directors of Don Quijote Co., Ltd. (current position)
Apr. 2017 Director of Doit Co., Ltd. (current position)

Hiroshi Abe

Director

Dec. 2003 Joined the Company
Sep. 2011 Director of REALIT Co., Ltd.
Jun. 2012 Senior Vice President and Director of REALIT Co., Ltd.
Jul. 2014 President and Representative Director of REALIT Co., Ltd. (current position)
Jul. 2015 Director of Don Quijote Holdings Retail Management Co., Ltd.
Director of Don Quijote Shared Services Co., Ltd.
General Manager of Operation Management Headquarters of Don Quijote Shared Services Co., Ltd. (current position)
Sep. 2017 Director of the Company (current position)
Nov. 2017 Director of UNY Co., Ltd. (current position)
Feb. 2018 Representative Director of Don Quijote Shared Services Co., Ltd. (current position)

Yuji Ishii

Director

Sep. 2008 Joined the Company
Jul. 2015 Deputy General Manager, Administration Headquarters of Don Quijote Shared Services Co., Ltd.
Director of Don Quijote Holdings Retail Management Co., Ltd.
Jul. 2016 General Manager of Administration Headquarters of Don Quijote Shared Services Co., Ltd. (current position)
Sep. 2017 Director of the Company (current position)
Director of Don Quijote Shared Services Co., Ltd.
Oct. 2017 General Manager of General Accounting Headquarters of Don Quijote Shared Services Co., Ltd. (current position)
Feb. 2018 Representative Director of Don Quijote Shared Services Co., Ltd. (current position)

Takeshi Nishii

Director

Aug. 1998 Joined the Company
Dec. 2013 Executive Officer of Don Quijote Co., Ltd.
Jul. 2015 Director of Don Quijote Holdings Retail Management Co., Ltd.
Apr. 2017 General Manager of Sales Support Headquarters of Don Quijote Co., Ltd. (current position)
Sep. 2017 Director of the Company (current position)
Nov. 2017 Director of UNY Co., Ltd. (current position)
Jun. 2018 Outside Director of Kanemi Co., Ltd. (current position)

Takeshi Haga

Director

Mar. 1999 Joined the Company
Dec. 2013 Senior Vice President and Director of Japan Commercial Establishment Co., Ltd.
Jul. 2014 President and Representative Director of Japan Commercial Establishment Co., Ltd. (current position)
Jul. 2015 Director of Don Quijote Holdings Retail Management Co., Ltd.
Mar. 2016 Manager, Store Development Division of Don Quijote Shared Services Co., Ltd. (current position)
May 2016 President and Representative Director of Pan Pacific Foods Co., Ltd. (current position)
Sep. 2017 Director of the Company (current position)
Director of Don Quijote Shared Services Co., Ltd. (current position)
Nov. 2017 Director of UNY Co., Ltd. (current position)

Tetsuji Maruyama

Director

Oct. 1997 Joined the Company
Dec. 2013 Executive Officer of Don Quijote Co., Ltd.
Jul. 2015 Director of Don Quijote Holdings Retail Management Co., Ltd.
Apr. 2017 General Manager of Store Management Support Headquarters of Don Quijote Co., Ltd. (current position)
Sep. 2017 Director of the Company (current position)
Nov. 2017 Audit & Supervisory Board Member of UNY Co., Ltd. (current position)
Audit & Supervisory Board Member of UD Retail Co., Ltd. (current position)
Mar. 2018 General Manager of Human Resources Strategy Headquarters of Don Quijote Co., Ltd. (current position)

Shoji Wada

Director
(Standing Audit & Supervisory Committee Member)

Apr. 1979	Joined Hinode Co., Ltd. (currently Doit Co., Ltd.)
Apr. 2009	Transferred to the Company
Jul. 2009	Acting Manager of Information System Division, Operation Management Headquarters of the Company
Jul. 2012	Transferred to Don Quijote Shared Services Co., Ltd. Acting Manager of Information System Division, Operation Management Headquarters of Don Quijote Shared Services Co., Ltd.
Sep. 2015	Standing Audit & Supervisory Board Member of the Company
Sep. 2016	Director (Standing Audit & Supervisory Committee Member) of the Company (current position)

Yukihiko Inoue

Outside Director
(Audit & Supervisory Committee Member)

Sep. 1994	Superintendent-General of the Metropolitan Police Department
Sep. 2003	Chairperson of the Board of Directors of Japan Guide Dog Association (current position)
Jun. 2006	Outside Corporate Auditor of TOKO ELECTRICAL CONSTRUCTION CO., LTD. (current position) Outside Director of ASAHI KOGYOSHA CO., LTD. (current position)
Sep. 2009	Audit & Supervisory Board Member of the Company
Mar. 2011	Chairman of Public Interest Incorporated Foundation, Aikido Yoshinkai (current position)
Jun. 2011	Outside Statutory Auditor of All Nippon Security Co., Ltd. (current position)
Jun. 2012	Standing Audit & Supervisory Board Member of the Company
Sep. 2014	Outside Director of the Company
Sep. 2016	Outside Director (Audit & Supervisory Committee Member) of the Company (current position)
Jun. 2018	Outside Director of Anicom Holdings, Inc. (current position)

Yasunori Yoshimura

Outside Director
(Audit & Supervisory Committee Member)

Mar. 1975	Graduated from Keio University School of Medicine
Nov. 1995	Professor of Keio University (Department of Obstetrics and Gynecology, School of Medicine)
Jun. 2011	Outside Director of ASKA Pharmaceutical Co., Ltd. (current position)
Oct. 2012	Established YOSHIMURA BIOETHIC INSTITUTE Chairman of YOSHIMURA BIOETHIC INSTITUTE (current position)
Mar. 2013	Special Advisor to the Cabinet (in charge of measures to counter the declining birthrate and support for child-raising) (current position)
Nov. 2013	Outside Audit & Supervisory Board Member of the Company
Apr. 2014	Professor Emeritus of Keio University (Department of Obstetrics and Gynecology) (current position) Honorary Director of SHIN-YURIGAOKA General Hospital (current position)
Sep. 2015	Outside Director of the Company
Sep. 2016	Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Tomiaki Fukuda

Outside Director
(Audit & Supervisory Committee Member)

Apr. 1994	President and Representative Director of Unimat Corporation (currently Japan Beverage Holdings Inc.)
Apr. 1996	President and Representative Director of U.H.I. SYSTEMS K.K.
Apr. 2003	President of Japan Wrestling Federation (current position)
Sep. 2010	Standing Audit & Supervisory Board Member of the Company
Jun. 2012	Outside Audit & Supervisory Board Member of the Company
Jun. 2013	Honorary member of Japanese Olympic Committee (current position)
Jan. 2014	Councillor of the Tokyo Organising Committee of the Olympic and Paralympic Games (current position)
Sep. 2014	Honorary Vice-president of Fédération Internationale des Luttes Associées (currently United World Wrestling) (current position)
Sep. 2016	Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Jumpei Nishitani

Outside Director
(Audit & Supervisory Committee Member)

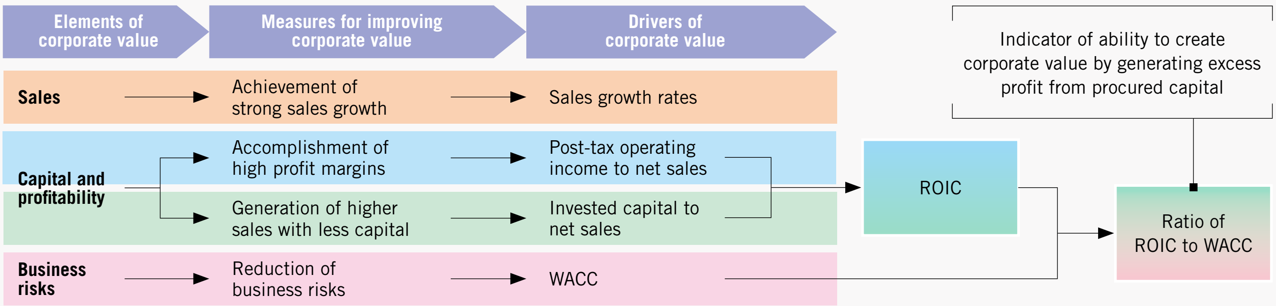
Mar. 1995	Graduated from the Faculty of Economics, The University of Tokyo
Mar. 1997	Earned a master's degree from the Faculty of Economics, The University of Tokyo
Mar. 2000	Obtained scores for doctorate degree and resigned from Graduate School of Economics, The University of Tokyo
Apr. 2000	Assistant Professor, Faculty of Management and Economics, Aomori Public University
Apr. 2005	Associate Professor, College of Business Administration, Ritsumeikan University
Aug. 2009	Visiting Fellow, The University of British Columbia
Apr. 2015	Professor, College of Business Administration, Ritsumeikan University (current position)
Sep. 2017	Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Policies for Financial Strategies

The path to increased corporate value could be seen as being paved by strong sales growth, high profit margins, the ability to generate higher sales with less capital, and low business risks. Accordingly, the Don Quijote Group believes that in order to improve corporate value, it will be essential to maintain a high ratio of return on invested capital (ROIC) to weighted average cost of capital (WACC) while establishing a differentiated competitive position that cannot be mimicked by rivals characterized by continually strong sales growth. The Group therefore seeks to maintain a ratio of ROIC to WACC, an indicator of the ability to create corporate value by generating excess profit from procured capital, of 2 to 1 as it pursues long-term improvements in corporate value.

Overarching Principle for Improving Corporate Value

Maintain a high ratio of ROIC to WACC while establishing a differentiated competitive position that cannot be mimicked by rivals characterized by continually strong sales growth



Structure of Corporate Value

Our ability to sustain strong sales growth rates while maintaining a ratio of ROIC to WACC of 2 to 1 will be key to improving our corporate value. Meanwhile, aggressive investments in new business will contribute to higher sales and income over the long term, despite temporarily placing downward pressure on ROIC. For these reasons, it will be crucial to strike a balance between the negative impacts on ROIC of higher investments and the positive effect on ROIC of long-term growth if the Group is to continue to grow over the long term.

Going forward, our quest to become a leading company in the retail market will be supported by aggressive investments for creating value and growth, conducted while maintaining a ratio of ROIC to WACC of 2 to 1, and strong sales growth rates that are sustained over the long term.

Drivers of corporate value	Current level	Future goal
Annual sales growth rate*1	10.6%	Target growth of 5%–10% over long term
Post-tax operating income to net sales*2	3.7%	Increase by improving profitability
ROIC	5.8%	Increase going forward
Invested capital to net sales*3	63.2%	Maintain current level over long term by offsetting impacts of increased investment with benefits of economies of scale
WACC*4	3.0%	Reduce by expanding scale and stabilizing operating foundations

Maintain ratio of ROIC to WACC of approx. 2 to 1

*1 Average annual net sales growth rate from the fiscal year ended June 30, 2013 (net sales of ¥568.4 billion) to the fiscal year ended June 30, 2018 (net sales of ¥941.5 billion)
*2 ¥53.0 billion (operating income target for the fiscal year ending June 30, 2019) × (1 – 30.86 (statutory tax rate)) ÷ ¥1,000.0 billion (net sales target for the fiscal year ending June 30, 2019) = 3.7%
*3 ¥807.1 billion (total assets) – ¥31.6 billion (investment securities) – ¥143.2 billion (current liabilities other than interest-bearing liabilities) = ¥632.2 billion (invested capital on June 30, 2018)
Invested capital to net sales = Invested capital ÷ ¥1,000.0 billion (net sales target for the fiscal year ending June 30, 2019)
*4 A figure of 0.3%, the average five-year yield of 10-year national bonds on June 30, 2018, is used for the rates of daily fluctuation in the stock prices of the Company and listed companies with similar business models and in the Tokyo Stock Price Index as well as for the risk-free rate over the period from July 2013 to July 2018. A figure of 5.0% is used for the risk premium, which has been calculated based on historical stock price fluctuations. Other figures are estimated based on the Company's interest payment rates, components of capital and liability, and other factors.

Corporate Constitution Contributing to Ongoing Improvements in Shareholder Value

The Company uses economic value added (EVA), an indicator of the amount of value generated in excess of capital costs, to formulate long-term projections.
The WACC of the Group is estimated to be around 3% based on the risks it faces as a retailer and the composition of its financial liabilities. A trial calculation of EVA based on this figure will produce an EVA projection for the fiscal year ending June 30, 2019 of ¥17.7 billion. Assuming this level can be sustained perpetually, the perpetual value for EVA (excess profit value) will be ¥589.2 billion. The figure of approximately ¥880.0 billion (the value to be created in the fiscal year ending June 30, 2019), arrived at by adding the book value figure for equity in the fiscal year ended June 30, 2018 of ¥290.7 billion, will be the amount contributed to shareholder value.

* EVA is a registered service mark of Stern Stewart & Co. This indicator is calculated by subtracting capital costs (invested capital × WACC from post-tax operating income) from post-tax operating income.

EVA for the Fiscal Year Ending June 30, 2019 Determined through Trial Calculation

Post-tax operating income **¥36.7 billion** (Projection for the fiscal year ending June 30, 2019) − Capital costs **¥19.0 billion** = EVA **¥17.7 billion**

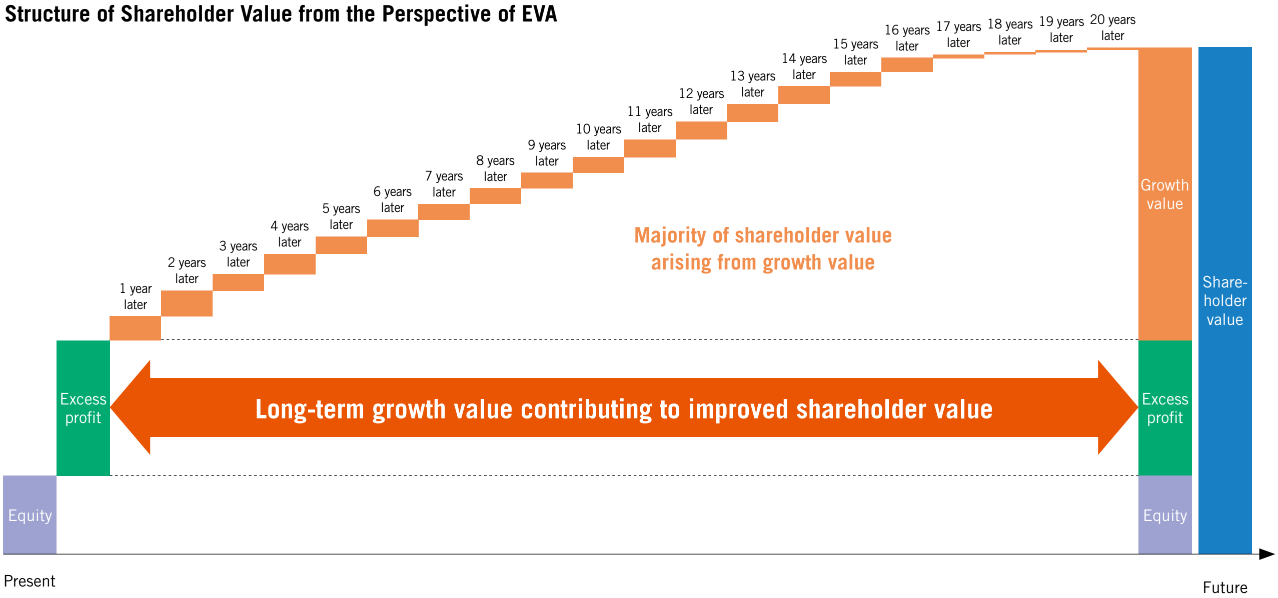
Perpetual value for EVA (excess profit value): ¥17.7 billion ÷ WACC = ¥589.2 billion
¥589.2 billion + ¥290.7 billion (equity) = Approx. ¥880.0 billion

Approx. ¥880.0 billion (the value to be generated in the fiscal year ending June 30, 2019)
= Amount contributed to shareholder value

Improvement of Shareholder Value through Perpetual Creation of Growth Value

The above figure of approximately ¥880.0 billion (excess profit value + equity) is an estimate for shareholder value that does not account for growth after the fiscal year ending June 30, 2019. We expect to be able to create additional shareholder value on top of this figure through the growth value generated over the long term by exercising the unique competitive edge of the Don Quijote Group, which is something that cannot be mimicked by our competitors. By building upon our distinctive strengths, we will continue to evolve as a one-of-a-kind retailer.

Structure of Shareholder Value from the Perspective of EVA

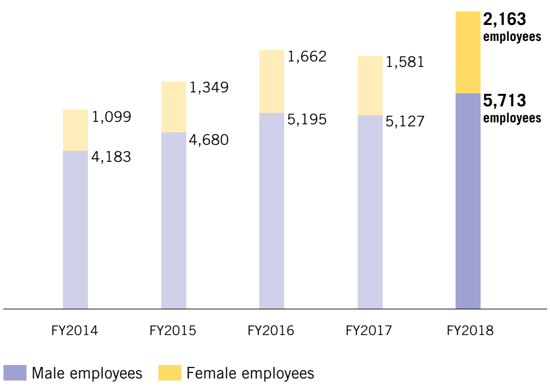


Financial and Non-Financial Highlights

	FY2009	FY2010	FY2011	FY2012
Net sales	¥480,856	¥487,571	¥507,661	¥540,255
Cost of sales	353,616	364,065	378,587	400,712
Selling, general and administrative expenses	110,068	102,439	103,738	110,223
Operating income	17,172	21,067	25,336	29,320
Ordinary income	15,989	21,109	25,138	29,283
Profit before income taxes	14,214	16,845	21,147	30,395
Profit attributable to owners of parent	8,554	10,238	12,663	19,845
Total assets	¥297,527	¥302,029	¥341,300	¥362,651
Total net assets	89,972	106,760	125,242	145,735
Basic earnings per share (yen)*1	61.85	73.68	83.91	128.74
Diluted earnings per share (yen)*1	61.85	68.82	82.17	128.45
Cash dividends per share (yen)*1	11.50	12.50	14.00	15.50
Consolidated dividend payout ratio (%)	18.6	17.0	16.7	12.0
Return on assets (%)	3.0	3.4	3.9	5.6
Return on equity (%)	10.0	10.5	11.1	14.9
Number of purchasing customers	–	–	–	232,969,021
Number of purchased items	–	–	–	–
Number of Group employees	4,391	4,061	4,164	4,517
CO_2 emissions (t-CO_2)*2	–	–	–	–
Energy consumption (GJ)*2	–	–	–	–

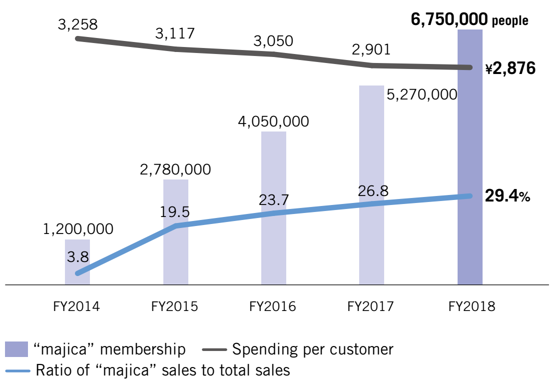
*1 Per share amounts were calculated based on the assumption that the stock split conducted on July 1, 2015 took place on July 1, 2008.
*2 Scope: Don Quijote Co., Ltd. and Nagasakiya Co., Ltd.

Number of Full-Time Group Employees by Gender



The Group is enhancing its lineup of maternity leave, childcare leave, and other systems and is actively stepping up recruitment of people of all genders, including differently abled individuals and employees that have reached the mandatory retirement age. In the fiscal year ended June 30, 2018, the number of female employees increased 582 year on year, to 2,163, and the number of male employees rose 586, to 5,713.

"majica" Membership / Spending per Customer / Ratio of "majica" Sales to Total Sales

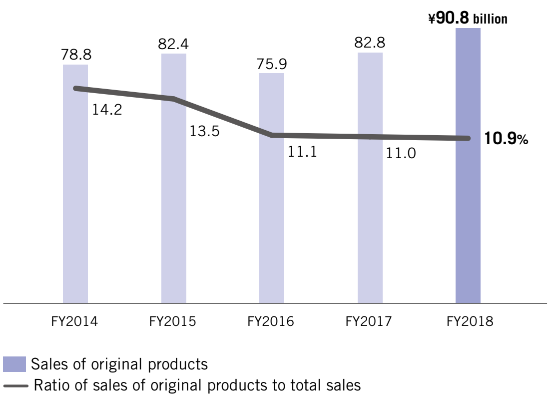


On June 30, 2018, the number of members for our "majica" e-money service stood at 6,750,000. Sales through this service accounted for 29.4% of total sales, and spending per customer via "majica" was ¥2,876, higher than the average for all customers. In this manner, "majica" is contributing to increases in repeat customers and earnings.

Millions of yen

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
	¥568,377	¥612,424	¥683,981	¥759,592	¥828,798	¥941,508
	418,570	451,406	502,240	557,699	610,218	697,517
	117,438	126,726	142,638	158,708	172,395	192,423
	32,369	34,292	39,103	43,185	46,185	51,568
	33,201	35,487	40,160	43,797	45,523	57,218
	33,382	34,225	39,157	42,113	55,325	56,373
	21,141	21,471	23,148	24,938	33,082	36,405
	¥386,622	¥432,135	¥505,666	¥560,568	¥642,868	¥807,057
	170,178	193,164	221,367	244,547	279,930	312,495
	136.74	137.34	147.09	157.76	209.18	230.14
	136.17	136.56	146.63	157.65	209.04	229.66
	16.50	18.00	20.00	22.00	26.00	32.00
	12.1	13.1	13.6	13.9	12.4	13.9
	5.6	5.2	4.9	4.7	5.5	5.0
	13.7	12.1	11.6	11.2	13.5	13.3
	244,658,461	260,191,080	283,039,023	304,899,600	333,215,467	370,829,179
	1,388,295,164	1,586,622,869	1,824,446,232	2,039,829,666	2,313,489,393	2,662,827,579
	4,511	5,282	6,029	6,857	6,708	7,876
	224,605	258,365	235,595	270,623	249,804	251,026
	4,378,119	4,818,336	4,466,378	5,141,716	5,083,574	5,312,474

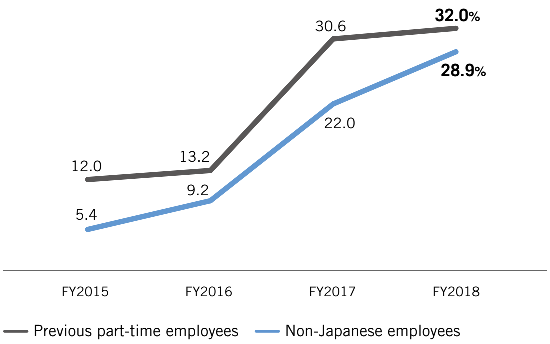
Sales of Original Products*3 / Ratio of Sales of Original Products to Total Sales



Sales of original products amounted to ¥90.8 billion in the fiscal year ended June 30, 2018, an increase of 9.7% year on year, and accounted for 10.9% of total sales, 0.1 percentage point lower than in the previous fiscal year. Sales of these products were driven by the foods and apparel categories, which garnered customer support by offering a sense of a bargain.

*3 Original products: Jonetsu Kakaku private brand products and OEM products
Scope: Don Quijote Co., Ltd. and Nagasakiya Co., Ltd.

Ratio of Previous Part-Time Employees and Non-Japanese Employees to Total Newly Graduated Recruits



As a result of our promotion of "Donki-way" workstyle reforms and employee diversity, 32.0%*4 of full-time employees from among newly graduated recruits in the fiscal year ended June 30, 2018 were previously part-time employees and 28.9% were non-Japanese employees.

*4 Figure is based on current full-time employees that were part-time employees prior to October 2017.

Consolidated Balance Sheets

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries
As of June 30, 2017 and 2018

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Assets			
Current assets			
Cash and deposits (Note 2)	¥ 76,340	¥ 71,973	$ 651
Notes and accounts receivable–trade	8,966	12,848	116
Merchandise and finished goods (Note 2)	123,969	135,781	1,228
Prepaid expenses	3,525	3,749	34
Deferred tax assets	7,540	7,512	68
Other	7,263	12,266	111
Allowance for doubtful accounts	(18)	(4)	(0)
Total current assets	227,585	244,125	2,208
Non-current assets			
Property, plant and equipment			
Buildings and structures (Note 2)	204,354	230,570	2,086
Accumulated depreciation	(80,463)	(90,932)	(823)
Accumulated impairment loss	(5,268)	(6,223)	(56)
Buildings and structures, net	118,623	133,415	1,207
Tools, furniture and fixtures	59,936	68,276	618
Accumulated depreciation	(42,220)	(48,162)	(436)
Accumulated impairment loss	(467)	(396)	(4)
Tools, furniture and fixtures, net	17,249	19,718	178
Other	413	422	4
Accumulated depreciation	(173)	(202)	(2)
Accumulated impairment loss	(7)	(7)	(0)
Other, net	233	213	2
Land (Note 2)	171,018	188,866	1,709
Construction in progress	3,643	5,701	51
Total property, plant and equipment	310,766	347,913	3,147
Intangible assets			
Goodwill	5,363	17,600	159
Other	10,525	10,647	97
Total intangible assets	15,888	28,247	256
Investments and other assets			
Investment securities (Note 1)	7,539	31,606	286
Long-term loans receivable	23,171	95,815	867
Long-term prepaid expenses	3,214	3,531	32
Deferred tax assets	8,801	8,156	74
Lease and guarantee deposits (Note 2)	40,474	46,494	421
Other (Note 2)	7,131	2,848	25
Allowance for doubtful accounts	(1,701)	(1,678)	(15)
Total investments and other assets	88,629	186,772	1,690
Total non-current assets	415,283	562,932	5,093
Total assets	¥642,868	¥807,057	$7,301

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Liabilities			
Current liabilities			
Accounts payable–trade	¥ 85,661	¥ 93,030	$ 842
Short-term loans payable (Notes 2 and 5)	285	–	–
Current portion of long-term loans payable (Notes 2 and 6)	5,421	17,788	161
Current portion of bonds	19,316	3,616	33
Payables under fluidity lease receivables (Note 8)	7,152	7,262	66
Accrued expenses	9,964	13,242	120
Income taxes payable	9,128	8,821	80
Provision for point card certificates	1,691	1,892	17
Other (Note 2)	26,207	26,235	236
Total current liabilities	164,825	171,886	1,555
Non-current liabilities			
Bonds payable	74,890	91,274	826
Long-term loans payable (Notes 2, 6, and 7)	84,638	200,668	1,815
Long-term payables under fluidity lease receivables (Note 8)	19,366	12,104	109
Asset retirement obligations	6,000	6,538	59
Negative goodwill	353	267	2
Other	12,866	11,825	108
Total non-current liabilities	198,113	322,676	2,919
Total liabilities	362,938	494,562	4,474
Net assets			
Shareholders' equity			
Capital stock	22,425	22,436	203
Capital surplus	19,425	19,975	181
Retained earnings	216,446	248,940	2,252
Treasury shares	(14)	(14)	(0)
Total shareholders' equity	258,282	291,337	2,636
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	326	244	2
Foreign currency translation adjustment	445	(1,218)	(11)
Total accumulated other comprehensive income	771	(974)	(9)
Share acquisition rights	98	345	3
Non-controlling interests	20,779	21,787	197
Total net assets	279,930	312,495	2,827
Total liabilities and net assets	¥642,868	¥807,057	$7,301

See accompanying notes to consolidated financial statements.

Consolidated Statements of Profit and Loss

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2017 and 2018

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Net sales	¥828,798	¥941,508	$8,517
Cost of sales (Note 1)	610,218	697,517	6,310
Gross profit	218,580	243,991	2,207
Selling, general and administrative expenses (Note 2)	172,395	192,423	1,740
Operating income	46,185	51,568	467
Non-operating income			
Interest and dividend income	968	1,604	15
Amortization of negative goodwill	86	86	1
Equity in earnings of affiliates	511	4,579	41
Commission fee	449	457	4
Other	2,062	2,915	26
Total non-operating income	4,076	9,641	87
Non-operating expenses			
Interest expenses paid on loans and bonds	1,145	2,912	26
Bond issuance cost	195	90	1
Cost of claim's liquidation	502	382	3
Commission fee	2,174	300	3
Other	722	307	3
Total non-operating expenses	4,738	3,991	36
Ordinary income	45,523	57,218	518
Extraordinary income			
Gain on sales of non-current assets (Note 3)	9,547	93	1
Gain on sales of shares of subsidiaries and affiliates (Note 4)	2,968	–	–
Compensation income for expropriation (Note 5)	–	457	4
Other	271	100	1
Total extraordinary income	12,786	650	6
Extraordinary losses			
Impairment loss (Note 6)	1,537	1,007	9
Loss on retirement of non-current assets (Note 7)	251	172	2
Loss on closing of stores (Note 8)	959	189	2
Other	237	127	1
Total extraordinary losses	2,984	1,495	14
Profit before income taxes	55,325	56,373	510
Income taxes–current	19,339	16,986	154
Income taxes–deferred	(3,111)	543	5
Total income taxes	16,228	17,529	159
Profit	39,097	38,844	351
Profit attributable to non-controlling interests	6,015	2,439	22
Profit attributable to owners of parent	¥ 33,082	¥ 36,405	$ 329

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2017 and 2018

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Profit	¥39,097	¥38,844	$351
Other comprehensive income			
Valuation difference on available-for-sale securities	304	(86)	(1)
Foreign currency translation adjustment	706	(1,663)	(15)
Share of other comprehensive income of affiliates accounted for using equity method	(3)	3	0
Total other comprehensive income (Note 1)	1,007	(1,746)	(16)
Comprehensive income	¥40,104	¥37,098	$335
Comprehensive income attributable to:			
Owners of parent	¥34,115	¥34,659	$313
Non-controlling interests	5,989	2,439	22

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended June 30, 2017 and 2018

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					
2017	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	¥22,382	¥25,215	¥184,205	¥(14)	¥231,788	¥ 12	¥(272)	¥ (260)	¥23	¥12,996	¥244,547
Cumulative effects of changes in accounting policies			2,406		2,406					2,484	4,890
Restated balance	22,382	25,215	186,611	(14)	234,194	12	(272)	(260)	23	15,480	249,437
Changes of items during period											
Issuance of new shares	43	42			85						85
Dividends of surplus			(3,479)		(3,479)						(3,479)
Profit attributable to owners of parent			33,082		33,082						33,082
Change of scope of consolidation			(4)		(4)						(4)
Capital increase of consolidated subsidiaries		(4,150)	(0)		(4,150)						(4,150)
Purchase of shares of consolidated subsidiaries		(1,682)			(1,682)						(1,682)
Other			236		236						236
Net changes of items other than shareholders' equity						314	717	1,031	75	5,299	6,405
Total changes of items during period	43	(5,790)	29,835	–	24,088	314	717	1,031	75	5,299	30,493
Balance at end of current period	¥22,425	¥19,425	¥216,446	¥(14)	¥258,282	¥326	¥ 445	¥ 771	¥98	¥20,779	¥279,930

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					
2018	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	¥22,425	¥19,425	¥216,446	¥(14)	¥258,282	¥326	¥ 445	¥ 771	¥ 98	¥20,779	¥279,930
Changes of items during period											
Issuance of new shares	11	11			22						22
Dividends of surplus			(4,113)		(4,113)						(4,113)
Profit attributable to owners of parent			36,405		36,405						36,405
Capital increase of consolidated subsidiaries		539			539						539
Other			202		202						202
Net changes of items other than shareholders' equity						(82)	(1,663)	(1,745)	247	1,008	(490)
Total changes of items during period	11	550	32,494	–	33,055	(82)	(1,663)	(1,745)	247	1,008	32,565
Balance at end of current period	¥22,436	¥19,975	¥248,940	¥(14)	¥291,337	¥244	¥(1,218)	¥ (974)	¥345	¥21,787	¥312,495

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income					
2018	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	$203	$176	$1,958	$(0)	$2,337	$ 3	$ 4	$ 7	$1	$187	$2,532
Changes of items during period											
Issuance of new shares	0	0			0						0
Dividends of surplus			(37)		(37)						(37)
Profit attributable to owners of parent			329		329						329
Capital increase of consolidated subsidiaries		5			5						5
Other			2		2						2
Net changes of items other than shareholders' equity						(1)	(15)	(16)	2	10	(4)
Total changes of items during period		5	294	–	299	(1)	(15)	(16)	2	10	295
Balance at end of current period	$203	$181	$2,252	$(0)	$2,636	$ 2	$(11)	$ (9)	$3	$197	$2,827

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Don Quijote Holdings Co., Ltd. and Consolidated Subsidiaries

For the fiscal years ended June 30, 2017 and 2018

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Cash flows from operating activities			
Profit before income taxes	¥ 55,325	¥ 56,373	$ 510
Depreciation and amortization	15,952	17,378	157
Impairment loss	1,537	1,007	9
Amortization of negative goodwill	(86)	(86)	(1)
Increase (decrease) in allowance for doubtful accounts	(51)	(36)	(0)
Interest and dividend income	(968)	(1,604)	(15)
Interest expenses paid on loans and bonds	1,145	2,912	26
Loss (gain) on sales of shares of subsidiaries and affiliates	(2,968)	–	–
Loss (gain) on sales of investment securities	(215)	(63)	(1)
Equity in earnings of affiliates	(511)	(4,579)	(41)
Loss (gain) on sales and retirement of non-current assets	(9,291)	119	1
Loss on closing of stores	959	189	2
Compensation income for expropriation	–	(457)	(4)
Offset payments for house rental fee with lease and guarantee deposits	1,754	1,777	16
Decrease (increase) in notes and accounts receivable–trade	(2,928)	(3,816)	(34)
Decrease (increase) in inventories	(6,517)	(9,235)	(83)
Increase (decrease) in notes and accounts payable–trade	9,108	4,638	42
Decrease (increase) in other current assets	592	(402)	(4)
Increase (decrease) in other current liabilities	5,472	(79)	(1)
Increase (decrease) in other non-current liabilities	(42)	308	3
Other, net	3,199	792	7
Subtotal	71,466	65,136	589
Interest and dividend income received	702	1,102	10
Interest expenses paid	(1,150)	(2,274)	(20)
Income taxes paid	(15,830)	(19,152)	(173)
Income taxes refund	1,203	637	6
Proceeds from compensation for expropriation	–	582	5
Dividends received from affiliates accounted for using equity method	50	50	0
Net cash provided by (used in) operating activities	56,441	46,081	417
Cash flows from investing activities			
Payments into time deposits	(59)	–	–
Proceeds from withdrawal of time deposits	59	–	–
Purchase of property, plant and equipment	(39,398)	(53,341)	(483)
Proceeds from sales of property, plant and equipment	16,594	1,225	11
Purchase of intangible assets	(858)	(695)	(6)
Payments for lease and guarantee deposits	(3,552)	(2,123)	(19)
Proceeds from collection of lease and guarantee deposits	224	153	1
Payment for store opening in progress	(1,950)	(404)	(4)
Proceeds from sales of investment securities	1,122	64	1
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	3,265	–	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 2)	–	(16,283)	(147)
Purchase of shares of subsidiaries and associates	(3,527)	(19,976)	(181)
Payments of loans receivable	(22,818)	(77,979)	(705)
Collection of loans receivable	10,242	4,601	42
Other, net	63	315	2
Net cash provided by (used in) investing activities	(40,593)	(164,443)	(1,488)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	1,249	(281)	(2)
Proceeds from long-term loans payable	44,086	134,689	1,218
Repayments of long-term loans payable	(18,734)	(6,057)	(55)
Proceeds from issuance of bonds	18,302	19,903	180
Redemption of bonds	(13,001)	(19,316)	(175)
Repayments of payables under fluidity lease receivables	(7,985)	(7,514)	(68)
Proceeds from issuance of common shares	85	23	0
Cash dividends paid	(3,479)	(4,113)	(37)
Cash dividends paid to non-controlling interests	(660)	(892)	(8)
Other, net	(2,219)	(359)	(3)
Net cash provided by (used in) financing activities	17,644	116,083	1,050
Effect of exchange rate change on cash and cash equivalents	(46)	68	1
Net increase (decrease) in cash and cash equivalents	33,446	(2,211)	(20)
Cash and cash equivalents at beginning of period	44,496	78,094	706
Increase in cash and cash equivalents from newly consolidated subsidiary	103	–	–
Increase (decrease) in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries	49	–	–
Cash and cash equivalents at end of period (Note 1)	¥ 78,094	¥ 75,883	$ 686

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2017 and 2018

(Basis of Presenting Consolidated Financial Statements)

The accompanying consolidated financial statements of Don Quijote Holdings Co., Ltd. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards. Foreign subsidiaries maintain their records of account in conformity with the accounting and relevant legal requirements in the respective countries, and there are no significant differences from the accounting standards adopted by the Company.

Each amount in the accompanying consolidated financial statements is rounded off to nearest million yen. The U.S. dollar amounts are included solely for the convenience of readers and stated at the exchange rate of ¥110.54 to U.S. $1, the rate prevailing on June 30, 2018. These translations should not be construed as representations that the yen actually represent, or have been or could be converted into U.S. dollars at that or any other rate. 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.

(Significant Matters for the Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 52

Names of consolidated subsidiaries

Don Quijote Co., Ltd.
Nagasakiya Co., Ltd.
Doit Co., Ltd.
Japan Asset Marketing Co., Ltd.
Japan Commercial Establishment Co., Ltd.
Koigakubo SC TMK
REALIT Co., Ltd.
Don Quijote Shared Services Co., Ltd.
Pan Pacific International Holdings Pte. Ltd.
Don Quijote (USA) Co., Ltd.
MARUKAI CORPORATION
QSI, Inc.
And 40 other companies

During the fiscal year ended June 30, 2018, the Company newly included QSI, Inc. in the scope of consolidation as a result of the Company acquiring all of its outstanding shares. In addition, during the fiscal year ended June 30, 2018, one company was newly established and included in the scope of consolidation. On April 1, 2018, Don Quijote Holdings Retail Management Co., Ltd. was dissolved due to a merger, with Don Quijote Holdings Co., Ltd. as the surviving company; therefore, it was excluded from the scope of consolidation. Further, one company was excluded from the scope of consolidation due to its liquidation during the fiscal year ended June 30, 2018.

(2) Names, etc. of major non-consolidated subsidiaries

Eighteen non-consolidated subsidiaries are excluded from the scope of consolidation due to the scale of their business, and total assets, net sales, profit or loss (amount corresponding to equity), and retained earnings (amount corresponding to equity) not having a material effect on the consolidated financial statements.

2. Application of the equity method

(1) Number of affiliates accounted for under the equity method 2

Names of affiliates accounted for under the equity method

UNY Co., Ltd.
Accretive Co., Ltd.

During the fiscal year ended June 30, 2018, the Company acquired 40% of outstanding shares of UNY Co., Ltd. and newly included it in the scope of application of the equity method.

(2) Non-consolidated subsidiaries and affiliates not accounted for under the equity method

Eighteen non-consolidated subsidiaries and three 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 based on their profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity).

3. Fiscal year-ends of consolidated subsidiaries

Of the consolidated subsidiaries, Don Quijote (USA) Co., Ltd. and five other companies have fiscal year-ends that differ from the consolidated 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 five 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 are used in the preparation of the consolidated financial statements.

Of the consolidated subsidiaries, Japan Asset Marketing Co., Ltd. and eight 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 are used in the preparation of the consolidated financial statements, as this would provide more appropriate management information.

4. Accounting policies

(1) Basis and method of valuation of significant assets

(a) Securities

Shares of subsidiaries and affiliates

Cost method by determining the cost using the moving-average method

Available-for-sale securities

Securities with quoted market prices

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 net assets. Costs of securities sold are calculated using the moving-average method.)

Securities without quoted market prices

Cost method by determining the cost using the moving-average method

(b) Derivatives

Fair value method

(c) Inventories

Cost method by determining the cost using the retail method (The amounts on the consolidated balance sheets are calculated using a method of writing down the book value due to decline in profitability.)

For fresh food, cost method by determining the cost using the last purchased price method

(2) Depreciation method for significant depreciable assets

(a) Property, plant and equipment (excluding lease assets)

For calculation of depreciation, the Company and domestic consolidated subsidiaries use the declining-balance method and the foreign consolidated subsidiaries use the straight-line method.

However, the Company and domestic consolidated subsidiaries use the straight-line method for buildings (excluding fixtures) acquired on or after April 1, 1998 and fixtures and structures acquired on or after April 1, 2016.

The useful life and residual value are determined in accordance with the Corporation Tax Act of Japan.

(b) Intangible assets (excluding lease assets)

Straight-line method

Software for internal use is amortized using the straight-line method over an estimated internal useful life of five years.

(c) Lease assets

Lease assets are depreciated using the straight-line method over the lease term with no residual value.

(d) Long-term prepaid expenses

Straight-line method

(3) Accounting treatment for deferred assets

(a) Common stock issuance cost

Expense as incurred.

(b) Bond issuance cost

Expense as incurred.

(4) Basis for significant provision and allowance

(a) 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.

(b) Provision for point card certificates

Provision for point card certificates is provided for the use of points given to customers at the amount expected to be used. The amount is based on historical redemption experience.

(5) Basis for foreign currency translation of significant assets and liabilities denominated in foreign currencies

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the prevailing rates of exchange at the consolidated balance sheet date. Exchange gains or losses resulting from translation of assets and liabilities are recognized in income or expenses.

The assets and liabilities of foreign consolidated subsidiaries 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 fiscal year. Exchange gains or losses resulting from translation of financial statements are recognized as foreign currency translation adjustments in net assets.

(6) Method and period of amortizing goodwill

Goodwill is mainly 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 in which investment effects will be revealed.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

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 bear only low risks from fluctuations in value.

(8) Other significant matters for preparation of consolidated financial statements

Japanese consumption taxes withheld and consumption tax paid are not included in the accompanying consolidated statements of profit and loss. Accrued consumption tax is included in other current liabilities.

(Changes in Accounting Policies)

(Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.)

Applying the "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions" (Accounting Standards Board of Japan ("ASBJ") PITF No. 36, January 12, 2018; hereinafter the "PITF No. 36") effective from April 1, 2018, the Company accounts for transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions in accordance with the "Accounting Standard for Share-based Payment" (ASBJ Statement No. 8, December 27, 2005).

As for application of the PITF No. 36, the Company follows the transitional treatment stipulated in paragraph 10 (3) of the PITF No. 36. Accordingly, transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions before April 1, 2018 are accounted for under the accounting treatment previously applied.

(Accounting Standards Issued But Not Yet Applied)

- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, revision on February 16, 2018)
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, final revision on February 16, 2018)

(1) Overview

The above implementation guidance were prepared by making necessary amendments to the practical guidelines relating to deferred tax accounting by the Japanese Institute of Certified Public Accountants ("JICPA") when the guidelines were transferred from JICPA to ASBJ, while general principles in the guidelines are taken over.

(Major amendments made to accounting treatment)

- Treatment of future taxable temporary differences in connection with subsidiaries' shares on non-consolidated financial statements
- Treatment in determining recoverability of deferred tax assets for companies falling under "Classification 1"

(2) Scheduled date of application

The Company will apply the aforementioned guidance from the beginning of the fiscal year ending June 30, 2019.

(3) Effect of application of the new accounting standard

The effect of application of the aforementioned guidance on the Company's consolidated financial statements is currently under evaluation.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

Conducting a joint project to clarify the comprehensive principles for recognizing revenues, the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in the U.S. issued "Revenues from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. IFRS 15 shall be effective from a fiscal period beginning on or after January 1, 2018 and Topic 606 shall be effective from a fiscal period beginning on or after December 15, 2017. Under these circumstances, ASBJ also developed a comprehensive accounting standard for revenue recognition and issued a new standard together with its implementation guidance.

As a basic policy for the development of the new standard, ASBJ determined to adopt the core principles of IFRS 15 in order to enhance comparability of financial statements, which is one of the benefits of aligning with IFRS 15. In addition, for any practical issue to be considered in Japan, alternative treatment shall be added to the extent that comparability is not impaired.

(2) Scheduled date of application

The Company will apply the aforementioned standard and guidance from the beginning of the fiscal year ending June 30, 2022.

(3) Effect of application of the new accounting standard

The effect of application of the aforementioned standards on the Company's consolidated financial statements is currently under evaluation.

(Changes in Presentation)

(Consolidated Statements of Profit and Loss)

For the fiscal year ended June 30, 2018, the account "Penalty income," which was previously shown as a separate line item under "Non-operating income," is included in "Other," as the amount became immaterial. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2017.

As a result, the amount of ¥126 million presented as "Penalty income" under "Non-operating income" was reclassified and included in "Other" in the consolidated statement of profit and loss for the fiscal year ended June 30, 2017.

(Notes to Consolidated Balance Sheets)

Note 1 The item relating to non-consolidated subsidiaries and affiliates is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Investment securities (stocks)	¥4,646	¥28,818	$261

Note 2 Assets pledged as collateral and liabilities corresponding to assets pledged as collateral

Assets pledged as collateral are as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Cash and deposits	¥ 791	¥1,480	$13
Merchandise and finished goods	1,828	1,559	14
Buildings and structures	1,237	1,131	10
Land	1,272	1,206	11
Lease and guarantee deposits	71	38	0
Other	532	518	6
Total	¥5,731	¥5,932	$54

Liabilities corresponding to assets pledged as collateral are as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Short-term loans payable	¥ 285	¥ –	$ –
Current portion of long-term loans payable	354	69	1
Long-term loans payable	436	343	3
Current liabilities "Other"	88	98	1
Total	¥1,163	¥510	$ 5

Note 3 Guarantee obligations

The Company is liable for guarantees on debts of the following companies other than consolidated subsidiaries.

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
UCS Co., Ltd.	¥–	¥20,000	$181

Note 4 The Company has entered into bank overdraft agreements with 33 banks to ensure the procurement of efficient funds as working capital. The balance of unused funds based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Total credit line given for overdraft	¥38,000	¥38,000	$344
Bank loans arranged	–	–	–
Unused amount of the credit line	¥38,000	¥38,000	$344

Note 5 Consolidated subsidiaries have entered into loan commitment agreements with two banks to ensure the procurement of efficient funds as working capital. The balance of unused funds based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Total amount of loan commitment	¥653	¥594	$5
Bank loans arranged	285	–	–
Unused amount of the agreed loan commitment	¥368	¥594	$5

Note 6 The Company signed syndicated loan agreements with 40 financial institutions totaling ¥25,000 million ($226 million).

These agreements include financial covenants based on certain indices calculated from net assets on the consolidated balance sheets.

The balance of loans payable based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Balance of loans payable based on syndicated loan agreements	¥19,300	¥15,500	$140

Note 7 The Company signed syndicated loan agreements with 18 financial institutions totaling ¥12,500 million ($113 million).
These agreements include financial covenants based on certain indices calculated from net assets on the consolidated balance sheets.
The balance of loans payable based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Balance of loans payable based on syndicated loan agreements	¥12,500	¥12,500	$113

Note 8 Payables under fluidity lease receivables at Japan Asset Marketing Co., Ltd., a consolidated subsidiary of the Company, are liabilities arising through the securitization of anticipated receivables to be booked by the company. The balance of payables under fluidity lease receivables is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Payables under fluidity lease receivables	¥ 7,152	¥ 7,262	$ 66
Long-term payables under fluidity lease receivables	19,366	12,104	109
Total	¥26,518	¥19,366	$175

(Notes to Consolidated Statements of Profit and Loss)

Note 1 The balance of inventories at the fiscal year-end shows the amount after writing down the book value due to decline in profitability.
The following amount of loss on revaluation of inventories is included in cost of sales.

Millions of yen		Millions of U.S. dollars
Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
¥4,212	¥7,005	$63

Note 2 Of selling, general and administrative expenses, major items and their amounts are as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Employees' compensation and benefits	¥64,538	¥71,941	$651
Occupancy and rental	23,357	28,330	256
Commission	19,524	22,957	208
Depreciation and amortization	14,075	14,815	134
Allowance for doubtful accounts	34	–	–
Provision for point card certificates	2,940	3,580	32
Amortization of goodwill	377	676	6
Retirement benefit costs	122	128	1

Note 3 The breakdown of gain on sales of non-current assets is as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Buildings and structures	¥ 802	¥ 5	$ 0
Land	8,964	140	1
Cost to sell	(219)	(53)	(0)
Other	0	1	0
Total	¥9,547	¥ 93	$ 1

Note 4 Gain on sales of shares of subsidiaries and affiliates
For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)
The gain is due to sale of part of shares of Accretive Co., Ltd.

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)
Not applicable

Note 5 Compensation income for expropriation
For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)
Not applicable

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)
Compensation income related to the expropriation of stores of Don Quijote Co., Ltd., a consolidated subsidiary of the Company.

Note 6 Impairment loss

The Group reported impairment loss on the following asset groups:

For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

			Millions of yen
Location	Use	Category	Impairment loss
Kanto	Store facilities	Buildings and structures	¥1,299
Kanto	Rental properties	Buildings and structures	22
Chubu	Store facilities	Buildings and structures	39
Kinki	Store facilities	Buildings and structures	125
Overseas	Store facilities	Buildings and structures	52
Total			¥1,537

The Group categorizes 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, 2017, the Group reduced the book value of assets to their recoverable amounts for stores whose profitability declined or stores that continuously generated losses from their operating activities. The amounts of these reductions were recorded as impairment loss (¥1,515 million for buildings and structures). The recoverable amounts of these asset groups are calculated based on their value in use. For asset groups whose value in use based on estimated future cash flows is negative, the Group recognizes the recoverable amounts as zero. For all other asset groups, the recoverable amounts are calculated by discounting the estimated future cash flows by 2.2%.

The Group also reduced the book value of rental properties whose profitability declined to their recoverable amounts. The amounts of these reductions were recorded as impairment loss. They consist of buildings and structures of ¥22 million. The recoverable amounts of these asset groups are calculated based on their value in use by discounting the estimated future cash flows by 2.2%.

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

			Millions of yen	Millions of U.S. dollars
Location	Use	Category	Impairment loss	
Kanto	Store facilities	Buildings and structures	¥ 699	$6
Kinki	Store facilities	Buildings and structures	221	2
Kyushu	Store facilities	Buildings and structures	41	0
Overseas	Store facilities	Buildings and structures	46	1
Total			¥1,007	$9

The Group categorizes 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, 2018, the Group reduced the book value of assets to their recoverable amounts for stores whose profitability declined or stores that continuously generated losses from their operating activities. The amounts of these reductions were recorded as impairment loss (¥1,007 million ($9 million) for buildings and structures). The recoverable amounts of these asset groups are determined to be the higher of their net selling value or value in use. The net selling value is based on the appraisal value by a real estate appraiser, whereas the value in use is calculated by discounting the estimated future cash flows by 3.4%. If the value in use based on estimated future cash flows is negative, the Group recognizes the recoverable amounts as zero.

Note 7 The breakdown of loss on retirement of non-current assets is as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Buildings and structures	¥165	¥ 45	$0
Furniture and fixtures	52	58	1
Removal expenses	30	58	1
Other	4	11	0
Total	¥251	¥172	$2

Note 8 The breakdown of loss on closing of stores is as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Buildings and structures	¥547	¥ 79	$1
Furniture and fixtures	59	69	1
Removal expenses	353	31	0
Other	–	10	0
Total	¥959	¥189	$2

(Notes to Consolidated Statements of Comprehensive Income)

Note 1 The reclassification adjustments and tax effects allocated to each component of other comprehensive income

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥ 720	¥ (123)	$ (1)
Reclassification adjustment to profit (loss)	(288)	–	–
Amount before tax effect	432	(123)	(1)
Tax effect	(128)	37	0
Valuation difference on available-for-sale securities	304	(86)	(1)
Foreign currency translation adjustment:			
Amount arising during the fiscal year	696	(1,663)	(15)
Reclassification adjustment to profit (loss)	10	–	–
Amount before tax effect	706	(1,663)	(15)
Tax effect	–	–	–
Foreign currency translation adjustment	706	(1,663)	(15)
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the fiscal year	(3)	3	0
Total other comprehensive income	¥1,007	¥(1,746)	$(16)

(Notes to Consolidated Statements of Changes in Net Assets)

For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

1. Matters regarding class and total number of outstanding shares, and class and number of treasury shares

Thousands of shares

	Number of shares as of July 1, 2016	Increase	Decrease	Number of shares as of June 30, 2017
Outstanding shares				
Common stock (Note)	158,118	61	–	158,179
Total	158,118	61	–	158,179
Treasury shares				
Common stock	5	–	–	5
Total	5	–	–	5

(Note) The increase of 61 thousand shares of common stock issued and outstanding is due to the exercise of stock options.

2. Matters regarding share acquisition rights and treasury share acquisition rights

			Shares				Millions of yen
Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares subject to share acquisition rights				As of June 30, 2017
			Number of shares as of July 1, 2016	Increase	Decrease	Number of shares as of June 30, 2017	
The Company	Share-based compensation stock options	–	–	–	–	–	¥80
The Company	Paid-in stock options (Note)	–	–	–	–	–	18
Total		–	–	–	–	–	¥98

(Note) The exercise period of share acquisition rights under paid-in stock options has not yet commenced.

3. Matters regarding dividends

(1) Dividend payment

		Millions of yen	Yen		
(Resolution)	Class of stock	Total amount of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 28, 2016	Common stock	¥2,688	¥17.0	June 30, 2016	September 29, 2016
Board of Directors' meeting held on February 6, 2017	Common stock	791	5.0	December 31, 2016	March 24, 2017

(2) Dividends with a record date during the fiscal year ended June 30, 2017, but with an effective date subsequent to the fiscal year ended June 30, 2017

(Resolution)	Class of stock	Source	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 27, 2017	Common stock	Retained earnings	¥3,322	¥21.0	June 30, 2017	September 28, 2017

4. Significant changes in net assets

For the fiscal year ended June 30, 2017, capital surplus decreased ¥5,832 million as the Company acquired additional shares of Japan Asset Marketing Co., Ltd., a consolidated subsidiary of the Company, and three other companies.

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

1. Matters regarding class and total number of outstanding shares, and class and number of treasury shares

Thousands of shares

	Number of shares as of July 1, 2017	Increase	Decrease	Number of shares as of June 30, 2018
Outstanding shares				
Common stock (Note)	158,179	14	–	158,193
Total	158,179	14	–	158,193
Treasury shares				
Common stock	5	–	–	5
Total	5	–	–	5

(Note) The increase of 14 thousand shares of common stock issued and outstanding is due to the exercise of stock options.

2. Matters regarding share acquisition rights and treasury share acquisition rights

Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares subject to share acquisition rights (Shares): Number of shares as of July 1, 2017	Increase	Decrease	Number of shares as of June 30, 2018	As of June 30, 2018 (Millions of yen)	As of June 30, 2018 (Millions of U.S. dollars)
The Company	Share-based compensation stock options	–	–	–	–	–	¥327	$3
The Company	Paid-in stock options (Note)	–	–	–	–	–	18	0
Total		–	–	–	–	–	¥345	$3

(Note) The exercise period of share acquisition rights under paid-in stock options has not yet commenced.

3. Matters regarding dividends

(1) Dividend payment

(Resolution)	Class of stock	Total amount of dividends (Millions of yen)	Total amount of dividends (Millions of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 27, 2017	Common stock	¥3,322	$30	¥21.0	$0.19	June 30, 2017	September 28, 2017
Board of Directors' meeting held on February 6, 2018	Common stock	791	7	5.0	0.05	December 31, 2017	March 23, 2018

(2) Dividends with a record date during the fiscal year ended June 30, 2018, but with an effective date subsequent to the fiscal year ended June 30, 2018

(Resolution)	Class of stock	Source	Total amount of dividends (Millions of yen)	Total amount of dividends (Millions of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 26, 2018	Common stock	Retained earnings	¥4,271	$39	¥27.0	$0.24	June 30, 2018	September 27, 2018

4. Significant changes in net assets

Not applicable

(Notes to Consolidated Statements of Cash Flows)

Note 1 The relationship between the fiscal year-end balances of cash and cash equivalents and the amounts of accounts on the consolidated balance sheets

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Cash and deposits	¥76,340	¥71,973	$651
Deposits paid, included in other current assets	1,804	3,960	35
Pledged time deposits	(50)	(50)	(0)
Cash and cash equivalents	¥78,094	¥75,883	$686

Note 2 Breakdown of major assets and liabilities of a company which became a consolidated subsidiary due to acquisition of shares during the fiscal year ended June 30, 2018

The breakdown of assets and liabilities at the beginning of consolidation of QSI, Inc. due to the acquisition of its shares, and the share acquisition price and net proceeds given for the acquisition are as follows:

	Millions of yen	Millions of U.S. dollars
Current assets	¥ 4,340	$ 39
Non-current assets	3,189	29
Goodwill	13,794	125
Current liabilities	(3,717)	(34)
Non-current liabilities	(2,911)	(26)
Foreign currency translation adjustment	(328)	(3)
Acquisition cost of shares	14,367	130
Cash and cash equivalents	(913)	(8)
Payment for undertaking borrowings	2,829	25
Less: Payment for acquisition	¥16,283	$147

Note 3 Breakdown of major assets and liabilities of a company which is no longer a consolidated subsidiary of the Company due to sales of shares

For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

The breakdown of assets and liabilities at the time of sales resulting from Accretive Co., Ltd. no longer being a consolidated subsidiary due to sales of its shares, and the selling price of the shares and proceeds from sales are as follows:

	Millions of yen
Current assets	¥ 19,013
Non-current assets	1,192
Goodwill	936
Current liabilities	(11,070)
Non-current liabilities	(873)
Other	(6)
Non-controlling interests	(3,978)
Investment account after sales	(2,323)
Gain on sales of shares of subsidiaries and affiliates	2,968
Selling price of shares of subsidiaries and affiliates	5,859
Cash and cash equivalents	(2,594)
Less: Proceeds from sales	¥ 3,265

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Not applicable

(Lease Transactions)

(As a lessee)

1. Finance lease transactions

Finance leases that do not transfer ownership

(a) Description of lease assets
Property, plant and equipment

(b) Depreciation method for lease assets
Stated in "4. Accounting policies, (2) Depreciation method for significant depreciable assets" in Significant Matters for the Preparation of Consolidated Financial Statements

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Due within one year	¥ 5,214	¥ 5,124	$ 46
Due after one year	25,560	23,225	210
Total	¥30,774	¥28,349	$256

(Financial Instruments)

1. Status of financial instruments

(1) Policy on 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 Group 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 believes that the credit risk related to these credit companies is minimal. For operating receivables other than those due from credit companies, the Group monitors due dates and outstanding balances, respectively.

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 securities. Significant transactions of securities require prior consultation with the Investment Committee and approval of the Board of Directors.

Long-term loans payable, bonds payable, and payables under fluidity lease receivables provide funds primarily for capital investment and for working capital. For some long-term loans payable, derivatives (interest rate swaps) are utilized for individual contracts to avoid interest rate risk and fix interest rates. Some long-term loans payable denominated in foreign currencies are exposed to foreign exchange risk. In order to avoid any losses arising from the fluctuation of foreign currencies, derivatives (interest rate currency swaps) are utilized for individual contracts as hedging instruments.

The Group manages derivative transactions in accordance with 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 believes that the credit risk is limited since the only counterparties to such derivative transactions are financial institutions with high credit rating.

Trade payables and loans are exposed to liquidity risk. The Group manages liquidity risk through such measures as monthly planning of cash flows.

Lease and guarantee 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 of financial instruments

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

The contract amounts stated in matters regarding fair values in note "Derivatives" indicate the nominal amounts of contracts or notional amounts for calculation purposes. Such amounts do not indicate the extent of market risk exposure of derivative transactions.

2. Fair value of financial instruments

Carrying amounts on the consolidated balance sheets, fair values, and respective differences are presented below. Note that the following tables do not include financial instruments for which fair values are extremely difficult to determine. (Please refer to Note 2 below.)

As of June 30, 2017

			Millions of yen
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 76,340	¥ 76,340	¥ –
(2) Notes and accounts receivable–trade	8,966		
Allowance for doubtful accounts(*1)	(15)		
	8,951	8,951	–
(3) Investment securities			
(i) Available-for-sale securities	2,843	2,843	–
(ii) Investments in securities and capital to subsidiaries and affiliates	3,638	4,573	935
(4) Long-term loans receivable	22,823		
Allowance for doubtful accounts(*2)	(2)		
	22,821	22,821	(0)
(5) Lease and guarantee deposits	13,354	14,463	1,109
Total assets	127,947	129,991	2,044
(1) Accounts payable–trade	85,661	85,661	–
(2) Short-term loans payable	285	285	–
(3) Current portion of long-term loans payable	5,421	5,403	(18)
(4) Current portion of bonds	19,316	19,240	(76)
(5) Payables under fluidity lease receivables	7,152	7,166	14
(6) Accrued expenses	9,964	9,964	–
(7) Income taxes payable	9,128	9,128	–
(8) Bonds payable	74,890	72,350	(2,540)
(9) Long-term loans payable	84,638	82,695	(1,943)
(10) Long-term payables under fluidity lease receivables	19,366	19,520	154
Total liabilities	315,821	311,412	(4,409)
Derivative transactions(*3)	[758]	[758]	–

(*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 figures are shown within brackets.

As of June 30, 2018

			Millions of yen			Millions of U.S. dollars
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥71,973	¥71,973	¥ –	$651	$651	$ –
(2) Notes and accounts receivable–trade	12,848			116		
Allowance for doubtful accounts(*1)	(4)			(0)		
	12,844	12,844	–	116	116	–
(3) Investment securities						
(i) Available-for-sale securities	2,720	2,720	–	24	24	–
(ii) Investments in securities and capital to subsidiaries and affiliates	3,733	3,138	(595)	34	28	(6)
(4) Long-term loans receivable	95,471			864		
Allowance for doubtful accounts(*2)	(5)			(0)		
	95,466	95,466	(0)	864	864	(0)
(5) Lease and guarantee deposits	13,451	14,520	1,069	122	132	10
Total assets	200,187	200,661	474	1,811	1,815	4
(1) Accounts payable–trade	93,030	93,030	–	842	842	–
(2) Short-term loans payable	–	–	–	–	–	–
(3) Current portion of long-term loans payable	17,788	17,791	3	161	161	0
(4) Current portion of bonds	3,616	3,612	(4)	33	33	(0)
(5) Payables under fluidity lease receivables	7,262	7,274	12	66	66	0
(6) Accrued expenses	13,242	13,242	–	120	120	–
(7) Income taxes payable	8,821	8,821	–	80	80	–
(8) Bonds payable	91,274	89,353	(1,921)	826	808	(18)
(9) Long-term loans payable	200,668	201,453	785	1,815	1,822	7
(10) Long-term payables under fluidity lease receivables	12,104	12,181	77	109	110	1
Total liabilities	447,805	446,757	(1,048)	4,052	4,042	(10)
Derivative transactions(*3)	[546]	[546]	–	[5]	[5]	–

(*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 figures are shown within brackets.

Notes:
1. Method to measure fair value of financial instruments and matters related to securities and derivative transactions

Assets
(1) Cash and deposits; (2) Notes and accounts receivable–trade
These are stated at book value, since the book values approximate fair value due to the short-term nature of these instruments.
(3) 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. For stocks of affiliates with quoted market prices, the carrying amounts on the consolidated balance sheets are the amounts after application of the equity method. Refer to "Securities" for further information.
(4) 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.
(5) Lease and guarantee deposits
The fair values of lease and guarantee deposits are stated at their present value, 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 payable; (6) Accrued expenses; (7) Income taxes payable
These are stated at book value, since the book values approximate fair value due to the short-term nature of these instruments.

(3) Current portion of long-term loans payable; (4) Current portion of bonds; (5) Payables under fluidity lease receivables; (8) Bonds payable; (9) Long-term loans payable; (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 by the interest rate that would be applied to similar new fund procurement.

Derivative transactions
Please refer to "Derivatives."

2. Financial instruments for which fair values are extremely difficult to determine

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Securities and investment securities	¥ 50	¥ 68	$ 1
Investments in securities and capital to subsidiaries and affiliates	1,008	25,085	227
Long-term loans receivable	348	344	3
Allowance for doubtful accounts(*1)	(162)	(163)	(1)
	186	181	2
Lease and guarantee deposits	27,120	33,043	299
Allowance for doubtful accounts(*2)	(1,462)	(1,458)	(13)
	25,658	31,585	286

(*1) Not including allowance for doubtful accounts booked separately under long-term loans receivable.
(*2) Not including allowance for doubtful accounts booked separately under lease and guarantee deposits.
The figures above are not included in "investment securities," "long-term loans receivable," or "lease and guarantee deposits" because these financial instruments do not have quoted market prices and thus it is not possible to estimate future cash flows to determine their fair value.

3. Maturity analysis for monetary claims and securities with contractual maturities
As of June 30, 2017

	Millions of yen			
	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash and deposits	¥76,340	¥ –	¥ –	¥ –
Notes and accounts receivable–trade	8,966	–	–	–
Long-term loans receivable	–	22,739	84	–
Lease and guarantee deposits	1,307	4,010	3,665	4,372
Total	¥86,613	¥26,749	¥3,749	¥4,372

As of June 30, 2018

	Millions of yen			
	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash and deposits	¥71,973	¥ –	¥ –	¥ –
Notes and accounts receivable–trade	12,848	–	–	–
Long-term loans receivable	–	22,429	12	73,030
Lease and guarantee deposits	1,236	3,954	3,809	4,452
Total	¥86,057	¥26,383	¥3,821	¥77,482

	Millions of U.S. dollars			
	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash and deposits	$651	$ –	$ –	$ –
Notes and accounts receivable–trade	116	–	–	–
Long-term loans receivable	–	203	0	661
Lease and guarantee deposits	11	36	35	40
Total	$778	$239	$35	$701

4. Redemption schedule for bonds and long-term loans payable
As of June 30, 2017

	Millions of yen					
	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 payable	¥ 285	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds payable	19,316	3,616	22,916	11,916	12,566	23,876
Long-term loans payable	5,421	16,225	16,470	9,214	25,504	17,225
Total	¥25,022	¥19,841	¥39,386	¥21,130	¥38,070	¥41,101

As of June 30, 2018

	Millions of yen					
	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
Bonds payable	¥ 3,616	¥22,916	¥11,916	¥12,566	¥11,421	¥ 32,455
Long-term loans payable	17,788	17,917	10,732	40,212	12,419	119,388
Total	¥21,404	¥40,833	¥22,648	¥52,778	¥23,840	¥151,843

	Millions of U.S. dollars					
	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
Bonds payable	$ 33	$207	$108	$114	$103	$ 294
Long-term loans payable	161	162	97	364	112	1,080
Total	$194	$369	$205	$478	$215	$1,374

(Securities)

1. Available-for-sale securities

As of June 30, 2017

Millions of yen

	Type	Carrying amount	Acquisition cost	Difference
Carrying amount exceeds acquisition cost	(1) Equity securities	¥2,716	¥2,285	¥431
	(2) Debt securities			
	(i) JGBs/muni bonds	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	105	50	55
	Subtotal	2,821	2,335	486
Carrying amount does not exceed acquisition cost	(1) Equity securities	0	0	(0)
	(2) Debt securities			
	(i) JGBs/muni bonds	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	22	28	(6)
	Subtotal	22	28	(6)
Total		¥2,843	¥2,363	¥480

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥49 million) and other items (carrying amount on the consolidated balance sheet: ¥0 million) are not included in the above table, since they do not have quoted market prices and thus it is extremely difficult to determine their fair value.

As of June 30, 2018

		Millions of yen			Millions of U.S. dollars		
	Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Carrying amount exceeds acquisition cost	(1) Equity securities	¥2,587	¥2,285	¥302	$23	$21	$ 2
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	107	50	57	1	0	1
	Subtotal	2,694	2,335	359	24	21	3
Carrying amount does not exceed acquisition cost	(1) Equity securities	0	0	(0)	0	0	(0)
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	26	28	(2)	0	0	(0)
	Subtotal	26	28	(2)	0	0	(0)
Total		¥2,720	¥2,363	¥357	$24	$21	$ 3

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥68 million ($1 million)) and other items (carrying amount on the consolidated balance sheet: ¥0 million ($0 million)) are not included in the above table, since they do not have quoted market prices and thus it is extremely difficult to determine their fair value.

2. Sales amounts and gains (losses) on sales of available-for-sale securities

For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

Millions of yen

Type	Proceeds from sales	Gains on sales	Losses on sales
(1) Equity securities	¥ 4	¥ –	¥–
(2) Debt securities			
(i) JGBs/muni bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	1,118	215	–
Total	¥1,122	¥215	¥–

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

	Millions of yen			Millions of U.S. dollars		
Type	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
(1) Equity securities	¥64	¥63	¥–	$1	$1	$–
(2) Debt securities						
(i) JGBs/muni bonds	–	–	–	–	–	–
(ii) Corporate bonds	–	–	–	–	–	–
(iii) Other	–	–	–	–	–	–
(3) Other	–	–	–	–	–	–
Total	¥64	¥63	¥–	$1	$1	$–

3. Impaired securities

For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

Not applicable

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Not applicable

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

As of June 30, 2017

Not applicable

As of June 30, 2018

Not applicable

(2) Interest-rate related

As of June 30, 2017

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable/ Pay fixed	¥73,081	¥68,996	¥(754)	¥(754)

(Note) As to fair value measurement, the Company uses the price obtained from a financial institution or brokerage firm that is a counterparty to the transaction.

As of June 30, 2018

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable/ Pay fixed	¥68,996	¥65,161	¥(529)	¥(529)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable/ Pay fixed	$624	$589	$(5)	$(5)

(Note) As to fair value measurement, the Company uses the price obtained from a financial institution or brokerage firm that is a counterparty to the transaction.

(3) Interest-rate and currency related

As of June 30, 2017

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency swaps Receive variable/ Pay fixed Pay JPY Receive USD	¥2,834	¥2,834	¥(5)	¥(5)

(Note) As to fair value measurement, the Company uses the price obtained from a financial institution or brokerage firm that is a counterparty to the transaction.

As of June 30, 2018

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency swaps Receive variable/ Pay fixed Pay JPY Receive USD	¥9,193	¥9,193	¥(17)	¥(17)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency swaps Receive variable/ Pay fixed Pay JPY Receive USD	$83	$83	$(0)	$(0)

(Note) As to fair value measurement, the Company uses the price obtained from a financial institution or brokerage firm that is a counterparty to the transaction.

(Retirement Benefits)

1. Retirement benefit plans

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 plans. The necessary contributions to such plans were, in total, ¥122 million for the fiscal year ended June 30, 2017 and ¥128 million ($1 million) for the fiscal year ended June 30, 2018.

(Stock Options)

1. Amount of expenses recorded and name of account in connection with stock options

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Selling, general and administrative expenses	¥57	¥247	$2

2. Amount recorded as income due to forfeitures resulting from the non-exercise of stock options

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Gain on reversal of share acquisition rights	¥0	¥0	$0

(Note) Gain on reversal of share acquisition rights is included in “Other” under “Extraordinary income” in the consolidated statements of profit and loss.

3. Details and number of stock options

(1) Details of stock options

	2006 Stock Options	First Share-based Compensation Stock Options	Second Share-based Compensation Stock Options
Eligible grantees	5 directors 5 subsidiary directors 541 employees 52 subsidiary employees	3 directors	3 directors
Class and number of stock options (Note 1)	Common stock 3,900,000 shares	Common stock 2,600 shares	Common stock 2,500 shares
Grant date	April 10, 2006	June 26, 2015	December 28, 2015
Condition for vesting	(Note 2)	None	None
Required service period	None	None	None
Exercise period	From October 2, 2007 to October 1, 2017	From June 26, 2015 to June 25, 2045	From December 28, 2015 to December 27, 2045
Condition for exercise	(Note 3)	(Note 4)	(Note 4)

	First Paid-in Stock Options	Third Share-based Compensation Stock Options	Fourth Share-based Compensation Stock Options
Eligible grantees	1,633 persons including directors, audit & supervisory board members, and employees of the Company and its subsidiaries	3 directors	3 directors
Class and number of stock options (Note 1)	Common stock 969,700 shares	Common stock 14,000 shares	Common stock 50,000 shares
Grant date	September 23, 2016	June 1, 2017	June 29, 2018
Condition for vesting	(Note 5)	None	None
Required service period	None	None	None
Exercise period	From October 1, 2018 to September 30, 2026	From June 1, 2017 to May 31, 2047	From June 29, 2018 to June 28, 2048
Condition for exercise	(Note 5)	(Note 4)	(Note 4)

(Notes)

1. The number of stock options presents the number of shares to be issued. 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 reflects the effect of said stock splits.
2. Those who received an allotment of share acquisition rights as eligible grantees 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 share acquisition rights are exercised.
3. Conditions for exercise are as follows:
   (1) Those who received an allotment of share acquisition rights as eligible grantees 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 share acquisition rights are exercised.
   (2) In cases where the eligible grantees (directors, audit & supervisory board members, or employees of the Company or its subsidiaries) (i) retire due to the expiry of their term of office, (ii) become no longer employees due to compulsory retirement, or (iii) have other legitimate reasons, notwithstanding the preceding paragraph, the said grantees may exercise the allotted share acquisition rights within 90 days from the day of such retirement. However, in these cases, the share acquisition rights cannot be exercised beyond this period.
   (3) The eligible grantees are not allowed to transfer, pledge, or dispose the share acquisition rights by any other means.
   (4) An heir of the eligible grantees is not allowed to exercise the share acquisition rights.
   (5) Other conditions for the exercise of share acquisition rights are set forth in a share acquisition rights allocation agreement concluded between the Company and the share acquisition rights holder, in accordance with the resolutions of the Board of Directors and the Ordinary General Meeting of Shareholders.
4. Conditions for exercise are as follows:
   (1) A share acquisition rights holder may exercise all of his/her share acquisition rights at once during the exercise period only within ten days from the day following the day he/she loses his/her position as a director of the Company.
   (2) In cases where a share acquisition rights holder deceases, an heir may exercise the share acquisition rights. In this case, notwithstanding (1) above, the heir may exercise the share acquisition rights all at once during the exercise period only within one year from the day following the day the rights are inherited.
5. Conditions for vesting and exercise are as follows:
   (1) A share acquisition rights holder may exercise his/her share acquisition rights, if and only when the amounts of net sales and operating income in the consolidated statements of profit and loss stated in the annual securities report, which had been submitted by the Company pursuant to the Financial Instruments and Exchange Act, satisfy all of the conditions stated in each of the items below:
   (a) Net sales exceed ¥820,000 million and operating income exceeds ¥45,000 million for the fiscal year ended June 30, 2017; and
   (b) Net sales exceed ¥880,000 million ($7,961 million) and operating income exceeds ¥48,000 million ($434 million) for the fiscal year ended June 30, 2018.
   However, in cases where a significant event, such as the major acquisition of a business, which has a significant impact on net sales and operating income on a consolidated basis, occurs during the aforementioned period (July 2016 to June 2018) and the Board of Directors of the Company determines that it is not appropriate to use the actual results stated in the annual securities report, the Company may make adjustments to the actual results used for the conditions for vesting and exercise by reducing the impact of the event to the extent deemed reasonable.
   (2) The share acquisition rights holder must be a director, audit & supervisory board member, or employee of the Company or its subsidiaries and affiliates at the time the share acquisition rights are exercised. However, this condition shall not necessarily apply in the case of retirement due to the expiry of the term of office, compulsory retirement, or any other reason deemed valid by the Board of Directors.
   (3) An heir of the share acquisition rights holder is not allowed to exercise the share acquisition rights.
   (4) Share acquisition rights may not be exercised in the case where the total number of shares issued after the exercise of the share acquisition rights exceeds the authorized shares as of the date of exercise.
   (5) Acquisition rights of less than one unit may not be exercised.

(2) Number and changes in number of stock options

Stock options as of the beginning of the fiscal year ended June 30, 2018 are stated below. The number of stock options presents the number of shares to be issued.

(i) Number of stock options

Shares

	2006 Stock Options	First Share-based Compensation Stock Options	Second Share-based Compensation Stock Options
Grant date	April 10, 2006	June 26, 2015	December 28, 2015
Before vesting			
Balance as of June 30, 2017	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2018	–	–	–
After vesting			
Balance as of June 30, 2017	46,200	2,600	2,500
Vested	–	–	–
Exercised	14,400	–	–
Forfeited	31,800	–	–
Balance as of June 30, 2018	–	2,600	2,500

Shares

	First Paid-in Stock Options	Third Share-based Compensation Stock Options	Fourth Share-based Compensation Stock Options
Grant date	September 23, 2016	June 1, 2017	June 29, 2018
Before vesting			
Balance as of June 30, 2017	933,300	–	–
Granted	–	–	50,000
Forfeited	22,000	–	–
Vested	–	–	50,000
Balance as of June 30, 2018	911,300	–	–
After vesting			
Balance as of June 30, 2017	–	14,000	–
Vested	–	–	50,000
Exercised	–	–	–
Forfeited	–	–	–
Balance as of June 30, 2018	–	14,000	50,000

(Note) The number of stock options presents the number of shares to be issued. 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 reflects the effect of said stock splits.

(ii) Stock option price information

	2006 Stock Options		First Share-based Compensation Stock Options		Second Share-based Compensation Stock Options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Grant date	April 10, 2006		June 26, 2015		December 28, 2015	
Exercise price	¥1,567	$14	¥ 1	$ 0	¥ 1	$ 0
Average stock price at time of exercise	4,051	37	–	–	–	–
Fair value at grant date	–	–	4,968	45	4,030	36

	First Paid-in Stock Options		Third Share-based Compensation Stock Options		Fourth Share-based Compensation Stock Options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Grant date	September 23, 2016		June 1, 2017		June 29, 2018	
Exercise price	¥3,700	$33	¥ 1	$ 0	¥ 1	$ 0
Average stock price at time of exercise	–	–	–	–	–	–
Fair value at grant date	–	–	4,046	37	4,943	45

(Note) 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 exercise price for stock options reflects the effect of said stock splits.

4. Methods used to estimate fair value of stock options

The methods used to estimate the fair value of stock options granted in the fiscal year ended June 30, 2018 are as follows:

Fourth Share-based Compensation Stock Options

(1) Valuation model Black-Scholes

(2) Basic assumption and estimation method

	Fourth Share-based Compensation Stock Options
Volatility (Note 1)	31.97%
Expected life of option grants (Note 2)	15 years
Expected dividend (Note 3)	¥26 ($0) per share
Risk-free interest rate (Note 4)	0.267%

(Notes)
1. The volatility is calculated based on historical price data for 15 years (from June 2003 to June 2018).
2. Due to the difficulty in making reliable estimates owing to insufficient historical data, the expected life of option grants was calculated based on the assumption that the rights were exercised in the middle of the exercise period.
3. Figures reflect annual dividends per share for the fiscal year ended June 30, 2017.
4. The risk-free interest rate is the yield on JGBs corresponding to the expected life of option grants.

5. Methods used to estimate number of stock options vested

In general, it is very difficult to reasonably estimate the forfeited number of stock options for future periods; thus, only the number of actually forfeited stock options is reflected.

(Income Taxes)

1. Significant components of deferred tax assets and deferred tax liabilities

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Deferred tax assets (current)			
Accrued enterprise taxes not deductible for tax purposes	¥ 838	¥ 756	$ 7
Inventories	2,223	2,915	26
Net operating loss carryforwards	1,429	1,461	13
Provision for point card certificates	552	692	6
Other	2,555	1,707	16
Deferred tax assets (current) subtotal	7,597	7,531	68
Valuation allowance	(56)	(17)	(0)
Deferred tax assets (current) total	7,541	7,514	68
Deferred tax liabilities (current)			
Accrued enterprise taxes	(1)	(2)	(0)
Deferred tax liabilities (current) total	(1)	(2)	(0)
Net deferred tax assets (current)	7,540	7,512	68
Deferred tax assets (non-current)			
Excess depreciation and amortization	3,455	3,573	32
Impairment loss	2,060	2,178	20
Net operating loss carryforwards	7,595	6,202	56
Loss on valuation of investment securities not deductible for tax purposes	112	74	1
Long-term accounts payable	264	220	2
Excess allowance for doubtful accounts	612	604	5
Asset retirement obligations	1,067	1,243	11
Other	812	186	2
Deferred tax assets (non-current) subtotal	15,977	14,280	129
Valuation allowance	(5,779)	(4,926)	(44)
Deferred tax assets (non-current) total	10,198	9,354	85
Deferred tax liabilities (non-current)			
Valuation of assets and liabilities of subsidiaries at market value for the purpose of consolidation	(2,547)	(2,258)	(20)
Valuation difference on available-for-sale securities	(150)	(112)	(1)
Other	(703)	(684)	(7)
Deferred tax liabilities (non-current) total	(3,400)	(3,054)	(28)
Net deferred tax assets (non-current)	¥ 6,798	¥ 6,300	$ 57

2. Reconciliation of significant difference between statutory tax rate and effective tax rate

	As of June 30, 2017	As of June 30, 2018
Statutory tax rate	30.9 %	30.9 %
(Adjustments)		
Inhabitant tax per capita levy	1.2	1.2
Change in valuation allowance	(5.2)	(1.1)
Equity in earnings of affiliates	(0.3)	(2.5)
Amortization of goodwill and other consolidation adjustments	1.6	0.4
Tax deduction	(1.6)	(1.5)
Difference in tax rate from consolidated subsidiaries	3.3	4.2
Other	(0.6)	(0.5)
Effective income tax rate after tax-effect accounting	29.3	31.1

3. Adjustments to deferred tax assets and liabilities due to change in corporate income tax rate

In the U.S., the "Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018" (the "Tax Cuts and Jobs Act") was enacted on December 22, 2017, and the corporate income tax rate is to be reduced in the fiscal year beginning on January 1, 2018 and thereafter. As a result, the corporate income tax rate applied to the Company's consolidated subsidiaries in the U.S. has been reduced from 35% to 21%.

The impact of this change in the corporate income tax rate is not material.

(Business Combination)

Business combination by acquisition

1. Overview of the business combination

(1) Name and description of business of the acquired company

Name of acquired company: QSI, Inc.

Business description: Retail business (supermarket)

(2) Major reason for the business combination

To advance the Group's global business strategy in the United States with a focus on the Hawaiian market and enhance its corporate value significantly.

(3) Date of the business combination

September 15, 2017

(4) Legal form of the business combination

Share acquisition in exchange for cash

(5) Name of entity after the business combination

There will be no change to the name.

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination –%

Percentage of voting rights acquired on the day of the business combination 100%

Percentage of voting rights held after the business combination 100%

(7) Major basis for determining the acquiring company

Acquisition of shares in exchange for cash

2. The period of operations of the acquired company included in the consolidated financial statements

From October 1, 2017 to March 31, 2018

3. The breakdown of the acquisition cost and the type of consideration given to acquire the acquired company

Consideration given	Cash	¥14,367 million	$130 million
Acquisition cost		¥14,367 million	$130 million

4. The description and amount of major acquisition related cost

Advisory fee, etc. ¥614 million ($6 million)

5. The amount of goodwill incurred, reason for the goodwill, and method and period of amortization

(1) Amount of goodwill incurred

¥13,794 million ($125 million)

(2) Reason for the goodwill

Since the acquisition cost exceeded the net amount allocated to assets obtained and liabilities assumed, the excess amount was recognized as goodwill.

(3) Method and period of amortization

The goodwill is amortized on a straight-line basis over the period of time in which the goodwill remains effective.

6. The amounts and breakdown of assets obtained and liabilities assumed on the date of the business combination

	Millions of yen	Millions of U.S. dollars
Current assets	¥4,340	$39
Non-current assets	3,189	29
Total assets	7,529	68
Current liabilities	3,717	34
Non-current liabilities	2,911	26
Total liabilities	¥6,628	$60

7. The approximate amount and calculation method of the impact of the business combination on the consolidated statements of profit and loss for the fiscal year ended June 30, 2018, assuming that the acquisition was completed on the first day of the fiscal year ended June 30, 2018

	Millions of yen	Millions of U.S. dollars
Net sales	¥24,865	$225
Operating income	422	4
Ordinary income	359	3
Profit before income taxes	325	3
Profit attributable to owners of parent	241	2

	Yen	U.S. dollars
Profit per share	¥1.53	$0.01

(Calculation method)
The approximate amount of the impact is calculated by taking the difference between (i) the amount of net sales and other profit and loss under the assumption that the acquisition was completed on the first day of the fiscal year ended June 30, 2018 and (ii) the amount of net sales and other profit and loss on the consolidated statements of profit and loss of the acquired company.

This information is beyond the scope of the Company's independent auditor.

Transaction under common control
Absorption-type merger of consolidated subsidiary
The Company resolved at the Board of Directors' meeting held on January 15, 2018 to carry out an absorption-type merger wherein the Company would be the surviving company and Don Quijote Holdings Retail Management Co., Ltd., a wholly owned consolidated subsidiary, would be the absorbed company. The merger was concluded on April 1, 2018.

1. Overview of the transaction
(1) Name and description of business of the absorbed company
Name of absorbed company:
Don Quijote Holdings Retail Management Co., Ltd.
Business description:
Business administration and management of Group companies, management service for subsidiaries, etc.
(2) Date of the business combination
April 1, 2018
(3) Legal form of the business combination
Absorption-type merger with the Company as the surviving company and Don Quijote Holdings Retail Management Co., Ltd. as the absorbed company
(4) Name of entity after the business combination
Don Quijote Holdings Co., Ltd.
(5) Other matters related to the transaction
The absorption-type merger was carried out for the purposes of further improving management efficiency and speeding up decision-making.

2. Overview of applied accounting treatment
The transaction was accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(Asset Retirement Obligations)
1. Asset retirement obligations recorded on the 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 method for 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		Millions of U.S. dollars
	As of June 30, 2017	As of June 30, 2018	As of June 30, 2018
Beginning of the year	¥5,177	¥6,024	$54
Increase due to acquisition of property, plant and equipment	791	527	5
Adjustments over time	56	79	1
Decrease due to settlement of asset retirement obligations	–	(35)	(0)
End of the year	¥6,024	¥6,595	$60

2. Asset retirement obligations not recorded on the 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.

(Investment and Rental Property)

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, 2017, rental income related to such properties and facilities was ¥2,681 million and gain on sales was ¥7,570 million. (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses, and gain on sales was recorded in extraordinary income.) For the fiscal year ended June 30, 2018, rental income related to such properties and facilities was ¥2,929 million ($26 million) and gain on sales was ¥50 million ($0 million). (Rental income was recorded in net sales, significant rental expenses were recorded in cost of sales and selling, general and administrative expenses, and gain on sales was recorded in extraordinary income.)

The carrying amounts on the consolidated balance sheets and the changes in and fair values of these assets for the fiscal years ended June 30, 2017 and 2018 are as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Carrying amount			
Beginning of the year	¥56,857	¥58,166	$526
Net change	1,309	20,079	182
End of the year	58,166	78,245	708
Fair value	64,426	90,168	816

(Notes)
1. The carrying amount on the consolidated balance sheets is the acquisition cost minus accumulated depreciation and accumulated impairment loss.
2. Net change for the fiscal year ended June 30, 2017 consisted of a major increase of ¥9,209 million from the acquisition of real estate, as well as major decreases of ¥4,729 million from a change in the proportion of leases and ¥3,171 million from the sale of real estate. Net change for the fiscal year ended June 30, 2018 consisted of major increases of ¥18,915 million ($171 million) from the acquisition of real estate and ¥1,650 million ($15 million) from a change in the proportion of leases, as well as a major decrease of ¥486 million ($4 million) from the sale of real estate.
3. Fair value is primarily an amount calculated by the Company based on Japanese Real Estate Appraisal Standards, including adjustments made using certain financial indicators.

(Segment Information)

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 “Significant Matters for the Preparation of Consolidated Financial Statements.”

The total of profit 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

For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

Millions of yen

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Sales to third parties	¥801,802	¥ 20,559	¥822,361	¥ 6,437	¥828,798	¥ –	¥828,798
Intersegment sales and transfer	487	20,054	20,541	9,156	29,697	(29,697)	–
Total	802,289	40,613	842,902	15,593	858,495	(29,697)	828,798
Segment profit	23,693	16,123	39,816	6,395	46,211	(26)	46,185
Segment assets	360,658	239,653	600,311	43,091	643,402	(534)	642,868
Other items (Note 4)							
Depreciation and amortization	10,797	4,861	15,658	324	15,982	(30)	15,952
Increase in property, plant and equipment and intangible assets	18,902	23,889	42,791	154	42,945	(1,892)	41,053

(Notes)
1. "Other," which is not a reportable segment, includes the real estate business, marketing business, and financial services business.
2. Components of "Adjustments" are as follows:
The ¥(26) million adjustment to segment profit is an intersegment elimination. The ¥(534) million adjustment to segment assets includes surplus funds of ¥47,680 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 ¥(48,214) million.
3. Segment profit is adjusted to operating income on the consolidated statements of profit and loss.
4. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Millions of yen

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Sales to third parties	¥913,497	¥ 21,295	¥934,792	¥ 6,716	¥941,508	¥ –	¥941,508
Intersegment sales and transfer	731	21,812	22,543	9,125	31,668	(31,668)	–
Total	914,228	43,107	957,335	15,841	973,176	(31,668)	941,508
Segment profit	27,760	17,237	44,997	6,329	51,326	242	51,568
Segment assets	428,348	252,602	680,950	28,057	709,007	98,050	807,057
Other items (Note 4)							
Depreciation and amortization	12,159	4,932	17,091	319	17,410	(32)	17,378
Increase in property, plant and equipment and intangible assets	25,184	46,097	71,281	240	71,521	(16,824)	54,697

Millions of U.S. dollars

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Sales to third parties	$8,264	$ 193	$8,457	$ 60	$8,517	$ –	$8,517
Intersegment sales and transfer	7	197	204	83	287	(287)	–
Total	8,271	390	8,661	143	8,804	(287)	8,517
Segment profit	251	156	407	58	465	2	467
Segment assets	3,875	2,285	6,160	254	6,414	887	7,301
Other items (Note 4)							
Depreciation and amortization	110	45	155	2	157	(0)	157
Increase in property, plant and equipment and intangible assets	228	417	645	2	647	(152)	495

(Notes)
1. "Other," which is not a reportable segment, includes the real estate business and marketing business.
2. Components of "Adjustments" are as follows:
The ¥242 million ($2 million) adjustment to segment profit is an intersegment elimination. The ¥98,050 million ($887 million) adjustment to segment assets includes surplus funds of ¥53,822 million ($487 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 ¥44,228 million ($400 million).
3. Segment profit is adjusted to operating income on the consolidated statements of profit and loss.
4. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

Related information
For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)
1. Information by product and service
Description is 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 profit and loss.
(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 more of net sales on the consolidated statements of profit and loss.

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)
1. Information by product and service
Description is 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 profit and loss.
(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 more of net sales on the consolidated statements of profit and loss.

Information on impairment loss of non-current assets by reportable segment
For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

Millions of yen

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other	Total	Adjustments	Consolidated
Impairment loss	¥1,515	¥22	¥1,537	¥–	¥1,537	¥–	¥1,537

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Millions of yen

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other	Total	Adjustments	Consolidated
Impairment loss	¥987	¥20	¥1,007	¥–	¥1,007	¥–	¥1,007

Millions of U.S. dollars

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other	Total	Adjustments	Consolidated
Impairment loss	$9	$0	$9	$–	$9	$–	$9

Information on amortization of goodwill and unamortized balance of goodwill by reportable segment

For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

Millions of yen

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥ 186	¥ 84	¥ 270	¥107	¥ 377	¥–	¥ 377
Balance at year-end	3,161	1,221	4,382	981	5,363	–	5,363

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

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥ 86	¥–	¥ 86	¥–	¥ 86	¥–	¥ 86
Balance at year-end	353	–	353	–	353	–	353

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Millions of yen

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥ 525	¥ 82	¥ 607	¥ 69	¥ 676	¥–	¥ 676
Balance at year-end	15,549	1,139	16,688	912	17,600	–	17,600

Millions of U.S. dollars

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	$ 5	$ 1	$ 5	$1	$ 6	$–	$ 6
Balance at year-end	141	10	151	8	159	–	159

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

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥ 86	¥–	¥ 86	¥–	¥ 86	¥–	¥ 86
Balance at year-end	267	–	267	–	267	–	267

Millions of U.S. dollars

	Reportable segment						
	Retail business	Tenant leasing business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	$1	$–	$1	$–	$1	$–	$1
Balance at year-end	2	–	2	–	2	–	2

Information on gain on negative goodwill by reportable segment

For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

Not applicable

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Not applicable

Information on related parties

1. Transactions with related parties

Transactions between the Company and its related parties

(1) The Company's non-consolidated subsidiaries and affiliates

For the fiscal year ended June 30, 2017 (From July 1, 2016 to June 30, 2017)

Category	Name	Location	Capital stock (Millions of yen)	Type of business	% of voting rights (owned)	Business relationship	Description of transactions	Transaction amount (Millions of yen)	Account	Balance at year-end (Millions of yen)
Affiliate	Accretive Co., Ltd. (Note)	Chuo-ku, Tokyo	¥1,225	Financial services business	(Own) Direct 26.1	Concurrently serving directors	Collection of funds	¥7,500	–	–

(Note) As a result of a tender offer conducted by Fuyo General Lease Co., Ltd., Accretive Co., Ltd. transitioned from a consolidated subsidiary of the Company to an affiliate accounted for by the equity method on January 19, 2017.

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Category	Name	Location	Capital stock		Type of business	% of voting rights (owned)	Business relationship	Description of transactions	Transaction amount		Account	Balance at year-end	
			(Millions of yen)	(Millions of U.S. dollars)					(Millions of yen)	(Millions of U.S. dollars)		(Millions of yen)	(Millions of U.S. dollars)
Affiliate	UNY Co., Ltd.	Inazawa, Aichi	¥10,000	$90	General retail business	(Own) Direct 40.0	Fund support/ concurrently serving directors	Granting of loans (Note)	¥77,630	$702	Long-term loans receivable	¥73,030	$661
								Collection of funds	4,600	42			
Subsidiary of affiliate	UCS CO., LTD.	Inazawa, Aichi	1,610	15	Credit card business	N/A	Guarantee	Guarantee (Note)	20,000	181	–	–	–

(Note) The terms and conditions of transactions and their decisions are as follows:
(1) Rates of loans are reasonably determined considering market interest rates.
(2) The Company guarantees 40% of its loans payables and other obligations.

(Profit per Share)

Fiscal year ended June 30, 2017		Fiscal year ended June 30, 2018		
Net assets per share	¥1,637.77	Net assets per share	¥1,835.55	$16.61
Profit per share	209.18	Profit per share	230.14	2.08
Diluted profit per share	209.04	Diluted profit per share	229.66	2.08

(Note) The basis for calculating profit per share and diluted profit per share is as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2018
Profit per share			
Profit attributable to owners of parent (millions of yen)	¥ 33,082	¥ 36,405	$329
Profit not attributable to common stock owners (millions of yen)	–	–	–
Profit attributable to common stock owners of parent (millions of yen)	33,082	36,405	329
Weighted average number of shares of common stock (shares)	158,148,194	158,185,966	
Diluted profit per share			
Adjustment of profit attributable to owners of parent (millions of yen)	–	–	–
Increase in number of shares of common stock (shares)	103,522	329,934	
(Of which, share acquisition rights)	(103,522)	(329,934)	
Descriptions of potentially dilutive common shares not included in the calculation of diluted profit per share due to the absence of their dilutive effect	–	–	–

(Subsequent Events)

Not applicable

Supplemental information

Corporate bonds

Issuer	Type of issue	Issue date	Balance at July 1, 2017 (Millions of yen)	Balance at June 30, 2018		Interest rate (%)	Collateral	Redemption date
				(Millions of yen)	(Millions of U.S. dollars)			
Don Quijote Holdings Co., Ltd.	The 57th unsecured corporate bond	November 29, 2013	¥600 (¥400)	¥200 (¥200)	$2 ($2)	6-month TIBOR	N/A	November 30, 2018
Don Quijote Holdings Co., Ltd.	The 58th unsecured corporate bond	November 29, 2014	3,000 (1,200)	1,800 (1,200)	16 (11)	6-month TIBOR	N/A	November 29, 2019
Don Quijote Holdings Co., Ltd.	The 7th unsecured corporate bond	December 4, 2012	15,000 (15,000)	–	–	0.85	N/A	December 4, 2017
Don Quijote Holdings Co., Ltd.	The 8th unsecured corporate bond	March 12, 2015	20,000 (–)	20,000 (–)	181 (–)	0.55	N/A	March 12, 2020
Don Quijote Holdings Co., Ltd.	The 9th unsecured corporate bond	March 12, 2015	10,000 (–)	10,000 (–)	90 (–)	0.80	N/A	March 11, 2022
Don Quijote Holdings Co., Ltd.	The 10th unsecured corporate bond	March 10, 2016	10,000 (–)	10,000 (–)	90 (–)	0.33	N/A	March 10, 2021
Don Quijote Holdings Co., Ltd.	The 11th unsecured corporate bond	March 10, 2016	10,000 (–)	10,000 (–)	90 (–)	0.73	N/A	March 10, 2026
Don Quijote Holdings Co., Ltd.	The 12th unsecured corporate bond	March 21, 2017	10,000 (–)	10,000 (–)	90 (–)	0.39	N/A	March 21, 2024
Don Quijote Holdings Co., Ltd.	The 13th unsecured corporate bond	March 8, 2018	–	10,000 (–)	90 (–)	0.21	N/A	March 8, 2023
Don Quijote Holdings Co., Ltd.	The 14th unsecured corporate bond	March 8, 2018	–	10,000 (–)	90 (–)	0.48	N/A	March 8, 2028
Japan Asset Marketing Co., Ltd.	The 1st unsecured corporate bond	September 25, 2014	1,000 (–)	1,000 (–)	9 (–)	0.79	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 2nd unsecured corporate bond	September 25, 2014	650 (140)	510 (140)	5 (1)	0.68	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 3rd unsecured corporate bond	September 25, 2015	1,501 (266)	1,235 (266)	11 (2)	0.63	N/A	September 22, 2022
Japan Asset Marketing Co., Ltd.	The 4th unsecured corporate bond	September 30, 2015	2,100 (600)	1,500 (600)	14 (5)	0.32	N/A	September 30, 2020
Japan Asset Marketing Co., Ltd.	The 5th unsecured corporate bond	March 25, 2016	1,720 (280)	1,440 (280)	13 (3)	0.33	N/A	March 24, 2023
Japan Asset Marketing Co., Ltd.	The 6th unsecured corporate bond	September 21, 2016	2,375 (250)	2,125 (250)	20 (2)	0.18	N/A	September 18, 2026
Japan Asset Marketing Co., Ltd.	The 7th unsecured corporate bond	September 26, 2016	3,800 (400)	3,400 (400)	31 (4)	0.22	N/A	September 25, 2026
Japan Asset Marketing Co., Ltd.	The 8th unsecured corporate bond	September 26, 2016	1,860 (280)	1,580 (280)	15 (3)	0.37	N/A	September 26, 2023
Other	–	–	600 (500)	100 (–)	1 (–)	–	–	–
Total	–	–	¥94,206 (¥19,316)	¥94,890 (¥3,616)	$858 ($33)	–	–	–

(Notes)
1. Figures in parentheses represent the current portion.
2. The annual redemption schedule for five years is as follows:

Millions of yen

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
¥3,616	¥22,916	¥11,916	¥12,566	¥11,421

Millions of U.S. dollars

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
$33	$207	$108	$114	$103

Loans payable, etc.

Classification	Balance at July 1, 2017 (Millions of yen)	Balance at June 30, 2018		Average interest rate (%)	Redemption date
		(Millions of yen)	(Millions of U.S. dollars)		
Short-term loans payable	¥ 285	¥ –	$ –	–	–
Current portion of long-term loans payable	5,421	17,788	161	0.4	–
Current portion of lease obligations	56	46	1	1.1	–
Long-term loans payable excluding current portion	84,638	200,668	1,815	1.1	From July 2019 to July 2067
Lease obligations excluding current portion	76	39	0	1.0	From August 2019 to April 2023
Other interest-bearing debt	–	–	–	–	–
Total	¥90,476	¥218,541	$1,977	–	–

(Notes)
1. Average interest rate represents the weighted-average interest rate of loans as of June 30, 2018.
2. The annual repayment schedule for long-term loans payable and lease obligations excluding current portion for five years is as follows:

Millions of yen

	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
Long-term loans payable	¥17,917	¥10,732	¥40,212	¥12,419
Lease obligations	20	11	7	1

Millions of U.S. dollars

	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
Long-term loans payable	$162	$97	$364	$112
Lease obligations	0	0	0	0

Details of asset retirement obligations

The amounts of asset retirement obligations as of July 1, 2017 and June 30, 2018 are 1% or less of the totals of liabilities and net assets as of July 1, 2017 and June 30, 2018. Thus, the disclosure is omitted as prescribed in Article 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Independent Auditor's Report

To 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 its consolidated subsidiaries as of June 30, 2018 and 2017, and the related consolidated statements of profit and loss, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to consolidated financial statements, all expressed in Japanese 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 its consolidated subsidiaries as of June 30, 2018 and 2017, and their consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

UHY Tokyo & Co
Tokyo, Japan
September 26, 2018

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 Act. 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.

Corporate Data

Company Name	Don Quijote Holdings Co., Ltd.
Business Activities	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	¥22,436 million
Fiscal Year-End	June 30
Number of Employees	Non-consolidated: 70 (consolidated: 7,876)

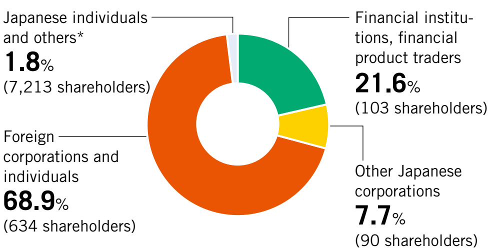
Share and Shareholder Information

Share Information

Shares authorized	468,000,000
Shares issued	158,193,160
Treasury stock	4,633
Number of shareholders	8,040

Note: The number of shareholders decreased 741 from June 30, 2017.

Share Ownership by Category



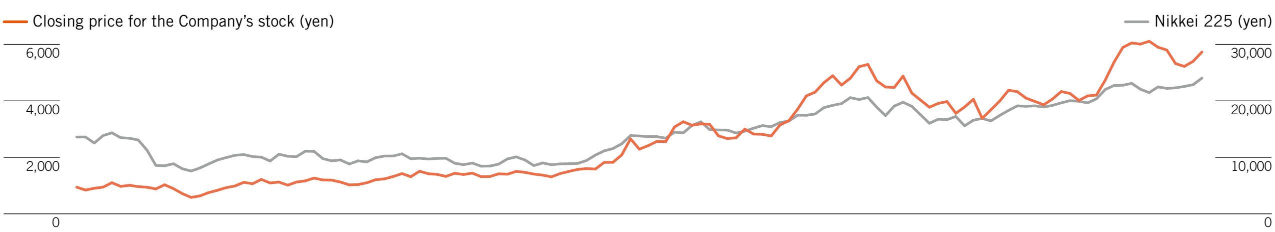
* Shares held by Japanese individuals and others include treasury stock (4,633 shares).

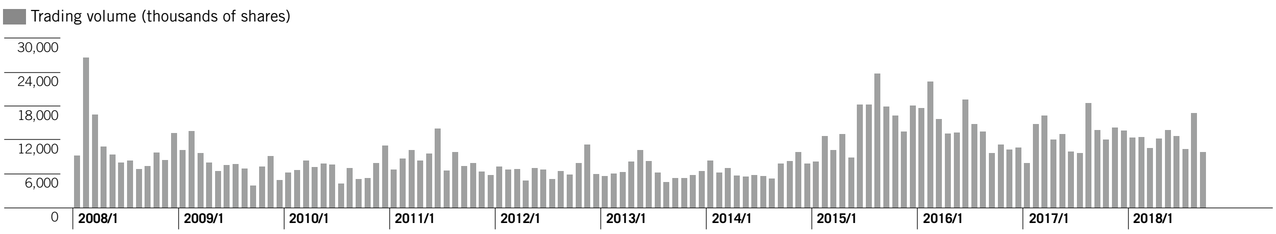
Principal Shareholders

Name	Number of shares held	Percentage of total shares issued (%)
Credit Suisse AG Hong Kong Trust A/C Clients for DQ Windmolen B.V.	23,407,000	14.80
La Mancha Holdings Pte Ltd	10,100,000	6.38
Japan Trustee Services Bank, Ltd. (Trust Account)	8,676,100	5.48
Anryu Shoji Co., Ltd.	8,280,000	5.23
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,269,200	3.96
State Street Bank and Trust Company 505001	5,950,871	3.76
The Bank of New York Mellon 140044	3,759,152	2.38
Yasuda Scholarship Foundation	3,600,000	2.28
State Street Bank and Trust Company 505225	3,233,303	2.04
JAPAN POST BANK Co., Ltd.	2,705,000	1.71

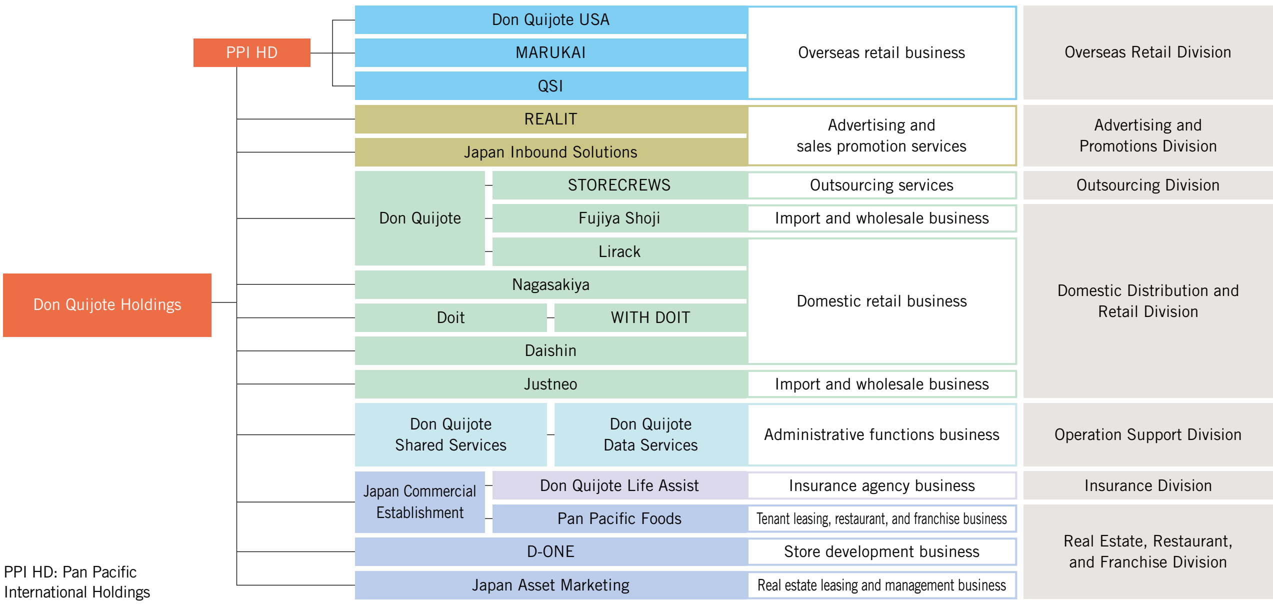
Note: Percentage of total shares issued does not include treasury stock (4,633 shares). The number of shares held by trust accounts include shares in trust. Where Don Quijote Holdings Co., Ltd. has confirmed the actual number of shares held by the shareholder, the number of actual shares is reflected in the status of shareholding of the principal shareholders listed above.

Stock Price





Business Domains of the Don Quijote Group



PPI HD: Pan Pacific International Holdings

Business Activities of Group Companies

Don Quijote Co., Ltd.

Operation of big convenience and discount stores focusing on sales of electrical appliances, daily commodities, foods, watches and fashion merchandise, and sporting goods and leisure goods

2-19-10, Aobadai, Meguro-ku, Tokyo
153-0042, Japan

Nagasakiya Co., Ltd.

Operation of MEGA Don Quijote chain of family-oriented general discount stores and other general merchandise stores

2-19-10, Aobadai, Meguro-ku, Tokyo
153-0042, Japan

Doit Co., Ltd.

Operation of Doit home centers and Hananoki garden centers, and renovation and remodeling businesses

1-6-18, Hachioji, Chuo-ku, Saitama, Saitama
338-0006, Japan

Japan Commercial Establishment Co., Ltd.

Real estate leasing, management, sales, and intermediary services; operation and management of parking lots; etc.

4-14-1, Kitakasai, Edogawa-ku, Tokyo
134-0081, Japan

D-ONE Co., Ltd.

Real estate development business engaged in development of Don Quijote Group stores

2-19-10, Aobadai, Meguro-ku, Tokyo
153-0042, Japan

REALIT Co., Ltd.

Internet service business involving coupons offered via mobile phones, website operation and management, etc.

Kanda Yasukuni-dori Bldg. 5F, 3-3,
Kanda Ogawa-cho, Chiyoda-ku, Tokyo
101-0052, Japan

Don Quijote Life Assist Co., Ltd.

Non-life insurance agency business, services related to life insurance sales

4-14-1, Kitakasai, Edogawa-ku, Tokyo
134-0081, Japan

Japan Asset Marketing Co., Ltd.

Property rental and management, building maintenance

4-14-1, Kitakasai, Edogawa-ku, Tokyo
134-0081, Japan

Don Quijote (USA) Co., Ltd.

General supermarket operations in Hawaii

801 Kaheka St. Honolulu, Hawaii 96814 (USA)

MARUKAI CORPORATION

Operation of supermarkets; product development, import, and sales of foods and household items

1740 West Artesia Blvd., Gardena, California
90248 (USA)

Japan Inbound Solutions Co., Ltd.

Inbound tourism, international exchange, and promotion campaigns aimed at encouraging tourism in Japan

PMO Nihonbashi Mitsukoshimae 10th Floor,
3-4-5, Nihonbashi-Honcho, Chuo-ku, Tokyo
103-0023, Japan

Justneo Co., Ltd.

Product development, procurement, and production control overseas

2-19-10, Aobadai, Meguro-ku, Tokyo
153-0042, Japan

Daishin Corporation

General retailing

3-6-3, Sanno, Ota-ku, Tokyo
143-0023, Japan

QSI, Inc.

General supermarket operations in Hawaii

3375 Koapaka Street, Honolulu, Hawaii
96819 (USA)

Group Store Network

Japan
379 stores

Hokkaido Region	15 stores
Don Quijote	6
MEGA Don Quijote	7
Nagasakiya	2

Tohoku Region	18 stores
Don Quijote	10
MEGA Don Quijote	7
Doit	1

Kanto Region	175 stores
Don Quijote	86
MEGA Don Quijote	46
Picasso	21
Kyoyasudo	4
Soradonki	1
Doit	17

Chubu Region	54 stores
Don Quijote	32
MEGA Don Quijote	22

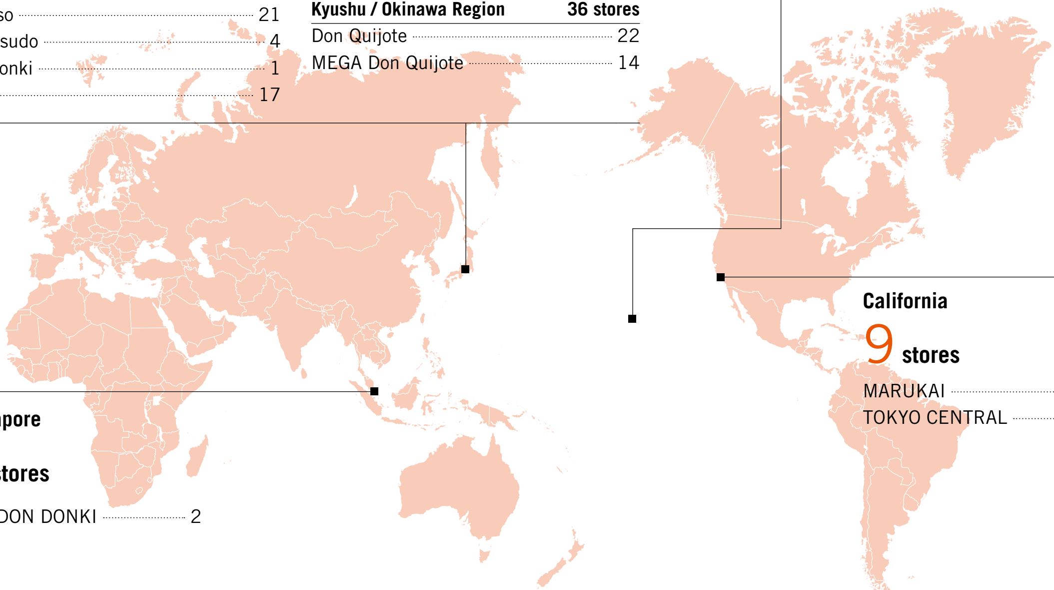
Kansai Region	66 stores
Don Quijote	41
MEGA Don Quijote	24
Ekidonki	1

Chugoku / Shikoku Region	15 stores
Don Quijote	12
MEGA Don Quijote	3

Kyushu / Okinawa Region	36 stores
Don Quijote	22
MEGA Don Quijote	14

Hawaii
28 stores

Don Quijote	3
MARUKAI	1
Times	24



California
9 stores

MARUKAI	5
TOKYO CENTRAL	4

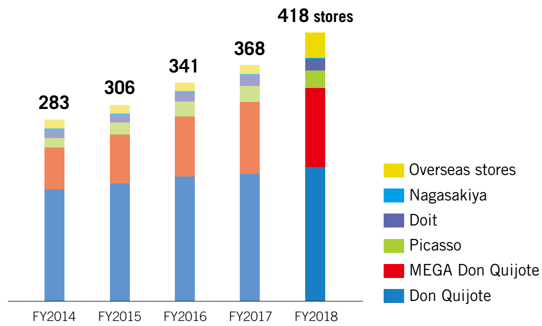
Singapore
2 stores

DON DON DONKI	2

In the fiscal year ended June 30, 2018, the Group opened a total of 29 new stores in Japan: 14 Don Quijote stores, three MEGA Don Quijote stores, eight New MEGA Don Quijote stores, one Doit store, and three small format stores. Overseas, two DON DON DONKI stores were opened in Singapore and 24 stores operated by the recently acquired QSI, Inc. in Hawaii were incorporated into the Group's network. Conversely, five stores were closed due to land readjustment projects and other factors. As a result, the Group's store network on June 30, 2018 comprised a total of 418 stores: 379 stores in Japan and 39 stores overseas.

Note: New MEGA Don Quijote is included under the MEGA Don Quijote format. Essence, Kyoyasudo, Ekidonki, Soradonki, and Jonetsu Shokunin are included under the Picasso format. Big Save and other stores operated by QSI, Inc. are included under the Times format.

Number of Stores by Format



Ranking of Retail Companies by Net Sales

FY2017 ranking	FY2016 ranking	Company name	Net sales (millions of yen)	YoY change (%)	Ordinary income (millions of yen)	YoY change (%)	Profit (millions of yen)
1	1	AEON CO., LTD.	8,390,012	2.2	213,772	14.1	24,522
2	2	Seven & i Holdings Co., Ltd.	6,037,815	3.5	390,746	7.2	181,150
3	3	FAST RETAILING CO., LTD.	2,130,060	14.4	242,678	25.5	154,811
4	4	YAMADA-DENKI CO., LTD.	1,573,873	0.7	47,335	–28.3	29,779
5	9	FamilyMart UNY Holdings Co., Ltd.	1,275,300	51.1	28,639	–15.0	33,656
6	5	Isetan Mitsukoshi Holdings Ltd.	1,268,865	1.2	27,325	–0.3	(960)
7	7	Takashimaya Co., Ltd.	949,572	2.8	38,606	3.7	23,658
8	**10**	**Don Quijote Holdings Co., Ltd.**	**941,508**	**13.6**	**57,218**	**25.7**	**36,405**
9	8	H2O RETAILING CORPORATION	921,871	2.3	24,272	11.7	14,636
10	11	BIC CAMERA INC.	844,029	6.8	29,241	20.0	17,122
11	12	IZUMI CO., LTD.	729,857	4.0	38,208	7.1	26,932
12	13	EDION Corporation	686,284	1.8	16,167	1.0	8,944
13	15	Yodobashi Camera Co., Ltd.	680,500	3.4	60,676	9.1	38,967
14	14	K'S HOLDINGS CORPORATION	679,132	3.2	36,661	14.2	22,706
15	16	LIFE CORPORATION	677,746	3.8	12,550	–2.2	6,555
16	18	TSURUHA Holdings, Inc.	673,238	16.7	41,610	12.9	24,798
17	17	LAWSON, INC.	657,324	4.1	65,141	–10.8	26,828
18	23	Nitori Holdings Co., Ltd.	572,060	11.5	94,860	8.3	64,219
19	19	SHIMAMURA Co., Ltd.	566,103	–0.1	43,920	–12.3	29,717
20	21	SUNDRUG CO., LTD.	564,215	6.8	36,792	5.5	24,829

Notes: 1. Rankings were calculated by updating the company rankings that appeared in the Nikkei Marketing Journal's 51st Survey on the Retailing Industry in Japan, issued on June 27, 2018, with the performance indicators for TSURUHA Holdings, Inc. for its fiscal year ended May 31, 2018, the Company's performance indicators for the fiscal year ended June 30, 2018, and the performance indicators for FAST RETAILING CO., LTD. and BIC CAMERA INC. for their fiscal years ended August 31, 2018.
2. FAST RETAILING CO., LTD. and FamilyMart UNY Holdings Co., Ltd. apply International Financial Reporting Standards, and, in light of these standards, profit before income taxes is used in lieu of ordinary income.

Ranking of Retail Companies by Market Capitalization

Ranking	Company name	Market capitalization (millions of yen)	Operating income (millions of yen)	ROE (%)
1	FAST RETAILING CO., LTD.	5,171,093	236,212	19.4
2	Seven & i Holdings Co., Ltd.	4,037,743	391,657	7.6
3	AEON CO., LTD.	1,976,217	210,273	2.1
4	Nitori Holdings Co., Ltd.	1,930,090	93,378	15.4
5	FamilyMart UNY Holdings Co., Ltd.	1,317,808	27,974	6.3
6	Ryohin Keikaku Co., Ltd.	1,006,596	45,286	18.6
7	**Don Quijote Holdings Co., Ltd.**	**825,769**	**51,568**	**13.3**
8	TSURUHA Holdings, Inc.	674,875	40,236	13.9
9	LAWSON, INC.	673,013	65,820	9.7
10	WELCIA HOLDINGS CO., LTD.	594,315	28,826	14.0
11	YAMADA-DENKI CO., LTD.	535,435	38,763	5.2
12	SUNDRUG CO., LTD.	533,410	36,080	17.1
13	Isetan Mitsukoshi Holdings Ltd.	532,787	24,413	–0.2
14	Matsumotokiyoshi Holdings Co., Ltd.	528,877	33,565	11.7
15	ABC-MART, INC.	499,321	43,386	12.9
16	MARUI GROUP CO., LTD.	495,631	35,243	7.6
17	COSMOS Pharmaceutical Corporation	491,810	22,749	17.5
18	IZUMI CO., LTD.	483,023	38,487	15.7
19	J. FRONT RETAILING Co., Ltd.	442,375	49,546	7.5
20	Seria Co., Ltd.	389,818	16,479	20.8

Notes: 1. Market capitalization figures are based on the closing price on the Tokyo Stock Exchange on July 31, 2018.
2. Operating income and ROE figures are based on the results for each company's most recent fiscal year.
3. FAST RETAILING CO., LTD., FamilyMart UNY Holdings Co., Ltd., and J. FRONT RETAILING Co., Ltd. apply International Financial Reporting Standards.

External Recognition and Awards

2018 Constituent
MSCI Japan ESG
Select Leaders Index

Don Quijote Holdings Co., Ltd. was included in the MSCI Japan ESG Select Leaders Index. This index comprises companies with relatively high MSCI ESG Ratings in each industry selected from among the top 500 companies in terms of market capitalization. Inclusion in this index indicates a relatively high level of resilience to potential ESG-related risks in the future.

JPX-NIKKEI 400
2013 - 2018 年度選定

Don Quijote Holdings Co., Ltd. has been selected for inclusion in the JPX-Nikkei Index 400 stock price index for six consecutive years since 2013. This index is composed of companies with high appeal for investors that meet the requirements of global investment standards, such as those pertaining to the efficient use of capital and investor-focused management perspectives.

Japan Credit Rating Agency, Ltd., a leading Japanese rating company, has awarded the Company a long-term issuer rating of A+ based on its reliability in debt repayment. In addition, the Company was given a stable outlook in reflection of its cash flow generation capacity and its accumulation of equity and the forecast that its financial position will remain generally stable going forward.

Institutional Investor
2018 - ALL-JAPAN EXECTIVE TEAM

The All-Japan Executive Team Rankings is a ranking of listed Japanese companies that exhibit excellence in investor relations activities compiled by world-renowned U.S. financial industry magazine *Institutional Investor* based on votes from institutional investors and securities analysts from around the world. In the 2018 ranking, Don Quijote Holdings Co., Ltd. was listed among the most honored companies in the retailing sector.

Gomez IRサイト総合ランキング 銀賞 2017年10月

IRサイトランキング 小売業 業種別 第1位 2017年10月 Gomez

企業ホームページ 優秀サイト 2017 日興アイ・アール 総合ランキング

The Company's investor relations website received a Silver Prize in the Gomez IR Site Ranking 2017, which was compiled by Morningstar Japan K.K. to evaluate the ease of use and comprehensiveness of corporate websites. Our website also ranked No. 1 in the retailing sector. The website was also recognized as a superior website in the FY2017 All Japanese Listed Companies' Website Ranking of Nikko Investor Relations Co., Ltd.

News! Conversion of UNY Co., Ltd. into Wholly Owned Subsidiary

Don Quijote Holdings Co., Ltd. has resolved to acquire 60% of the shares of UNY Co., Ltd. from FamilyMart UNY Holdings Co., Ltd. and to convert UNY into a wholly owned subsidiary of the Company. This decision was based on the judgment that the corporate value of UNY could be further heightened through improvements to store operations and increases in the efficiency of commercial distribution. Meanwhile, the Company also concluded that it would be possible to enhance its own corporate value by leveraging new brick-and-mortar stores with strong amusement qualities that take advantage of the solid customer base UNY has built on top of its years of trust from customers.

Don Quijote HLDGS　ユニー

Change in Trade Name (Scheduled for February 2019)

Conditional upon the completion of the conversion of UNY into a wholly owned subsidiary, the Company plans to change its trade name to Pan Pacific International Holdings Corporation. This name change symbolizes our commitment to continue responding to the diverse and changing needs of customers together with Group companies and to grow as a major retailer, not only in Japan but also in the Pacific Rim region.

Appointment of New Director (Scheduled for January 2019)

Takao Yasuda, the founder of the Don Quijote Group, is scheduled to become a director (part-time) of the Company in order to contribute to its ongoing growth.

Don Quijote Holdings Co., Ltd.

2-19-10, Aobadai, Meguro-ku, Tokyo
153-0042, Japan
Tel : +81-3-5725-7532
Fax : +81-3-5725-7322
www.donki-hd.co.jp/en/

FSC www.fsc.org MIX Paper from responsible sources FSC® C002286

VEGETABLE OIL INK

Publication date: November 2018
Printed in Japan