

Summary Report of Consolidated Financial Results For the First Quarter of Fiscal 2005

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Don Quijote Co., Ltd

Securities Code No.: 7532
 Shares Listed: Tokyo Stock Exchange
 Address: 4-14-1, Kitakasai, Edogawa-ku, Tokyo, Japan
 Representative: Takao Yasuda, President and Representative Director
 Contact: Mitsuo Takahashi, Director of Corporation Management and Strategic Division (Phone: +81-3-5667-7588)
 URL: <http://www.donki.com>

1. Basis for preparation of quarterly financial results

- ① The financial results for the first quarters of fiscal 2005 and 2004 were not audited by independent public accountants.
- ② This summary report includes the accounting figures that is not through the formal closing process.
- ③ Amounts are presented in millions of yen and are rounded off to the nearest million yen.

2. Overview of Business Results and Financial Position for the first quarter of fiscal 2005 (From July 1, 2004 to September 30, 2004)

(1) Results of Business Operations

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Recurring Income	Change (%)
Three Months Ended September 30, 2004	57,039	30.5	3,101	6.9	3,691	6.0
Three Months Ended September 30, 2003	43,715	15.2	2,902	30.7	3,482	56.5
Last Fiscal Year	192,840		10,611		12,598	

	Net Income	Change (%)	Net Income Per Share (Yen)
Three Months Ended September 30, 2004	2,170	11.0	104.12
Three Months Ended September 30, 2003	1,954	54.6	95.47
Last Fiscal Year	6,846		348.83

- (Notes)
- ① Change in accounting method: Effective July 1, 2004, the Company and its consolidated subsidiaries changed their method of accounting for noncancelable lease transactions which transfer substantially all risks and rewards associated with the ownership of assets, from accounting for them as operating leases, to finance leases.
 - ② Percentages above represent increase / decrease over preceding first quarter.
 - ③ Net income per share was computed through dividing net income by number of outstanding shares net of treasury stocks at the end of this first Quarter.
 - ④ The Company and its consolidated subsidiaries did not apply to the calculation of net income per share for the first quarters of 2005 and 2004, but applied to the calculation of net income per share for the last fiscal year, the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance for Accounting Standard for Earnings Per Share").

(2) Financial Position

(Millions of yen, except per-share data)

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets (%)	Shareholders' Equity Per Share (Yen)
Three Months Ended September 30, 2004	137,486	43,110	31.4	2,068.61
Three Months Ended September 30, 2003	99,518	34,855	35.0	1,703.10
Last Fiscal Year	126,774	41,738	32.9	2,003.60

- (Notes)
- ① Number of outstanding shares :

As of September 30, 2004	20,840,022 shares
As of September 30, 2003	20,465,612 shares
As of June 30, 2004	20,831,622 shares
 - ② Number of treasury stocks :

As of September 30, 2004	2,407 shares
As of September 30, 2003	1,789 shares
As of June 30, 2004	2,307 shares

(3) The Consolidated Statements of Cash Flows

The consolidated statements of cash flows were not prepared for the first quarter of fiscal 2005 and 2004.

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 3 companies
 Unconsolidated subsidiaries accounted for by the equity method: N/A
 Affiliated companies accounted for by the equity method: N/A
 Change in scope of consolidation: (Increase) 1 company

3. Consolidated Business Forecast : For the year ending June 30, 2005 (From July 1, 2004 to June 30, 2005)

(Millions of yen, except per-share data)

	Net Sales	Recurring Income	Net Income	Net Income Per Share (Yen)
Six Months Ending December 31, 2004	113,300	7,500	4,081	195.83
Year Ending June 30, 2005	230,000	15,000	8,100	388.68

(Notes) ① There are no amendments made to our business plans since its announcements on August 19, 2004. Net income per share in Consolidated Business Forecast is computed with 20,840,022 shares as of September 30, 2004 (the number of shares issued and outstanding net of treasury stocks).

② Statements made in this report with respect to our current business plans, estimates, strategies and briefs, including the above forecasts, are forward-looking statements about our future performance. These statements are based on management's assumption and briefs in the light of information currently available to us, and therefore, you should not place undue reliance on them. Various important factors could cause actual results to be materially different from those discussed in forward-looking statements. Such factors include but are not limited to (1) changes in economic conditions affecting our operations (2) intensive competition in the retail industry (3) changes in regulatory environment and government policy (4) key management figures and (5) financing risk.

Attachments

Business Results and Financial Position

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Retained Earnings

Business Results and Financial Position

I. Business Results

(1) Business Overview

Business results for three months ended September 30, 2004 and 2003.

(Millions of yen, except per-share data)

	Three Months Ended September 30, 2004 (Unaudited)		Three Months Ended September 30, 2003 (Unaudited)		Change		Last Fiscal Year (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Net sales	57,039	100.0	43,715	100.0	13,324	30.5	192,840	100.0
Gross profit	13,303	23.3	10,181	23.3	3,122	30.7	44,297	23.0
Selling, general and administrative expenses	10,202	17.9	7,279	16.7	2,923	40.2	33,687	17.5
Operating income	3,101	5.4	2,902	6.6	199	6.9	10,611	5.5
Recurring income	3,691	6.5	3,482	8.0	209	6.0	12,598	6.5
Net income	2,170	3.8	1,954	4.5	216	11.0	6,846	3.5

In the first quarter of fiscal 2005, there were some positive economic signs in the Japanese economy, such as indications of improving environment for export and recovery in the corporate investments, and improvement in corporate profitability.

In the retail industry, consumer-purchasing behavior remained uncertain due to the sense of uncertainty about the future, in addition, the unseasonable weather conditions, marked by high temperature in summer, typhoon, and lingering heat of late summer.

In this environment, Our Group has been developing stores to expand the number and area for "Customer Satisfaction", simultaneously reducing operating expenses, and improving the gross margin under the lower cost operation. In addition, Our Group has made efforts to improve our service level.

We established the store named "Don Quijote Akihabara" and, "Picasso Kannana-Edogawa" in Tokyo, "Paw Shin-Anjo" in Aichi prefecture, and "Don Quijote Kakogawa" in Hyogo prefecture. As a result, the number of stores at the end of September 2004 became 97 (73 stores at the end of September, 2003, and 93 stores at the end of June, 2004).

As a result, net sales for the first quarter of fiscal 2005 was ¥ 57,039 million (up 30.5 % from the first quarter of fiscal 2004), operating income was ¥ 3,101 million (up 6.9 %), recurring income was ¥ 3,691 million (up 6.0 %) and net income was ¥ 2,170 million (up 11.0 %).

(2) Overview of consolidated income statements

1. Net sales

For the first quarter of fiscal 2005, consolidated net sales surged 30.5 % from the first quarter of fiscal 2004 to ¥57,039 million despite of unfavorable business environment such as hot summer, typhoon and lingering heat of late summer. This was due to the efforts to the well-balanced development of creative planning and effective execution mobilizing all the resources of the Group.

Net sales of existing stores was up 2.8 % over the first quarter of fiscal 2004. We focused on the mix marketing of seasonable merchandise and low price strategy to satisfy the customers.

A further breakdown of the net sales is presented under "Segment Overview".

2. Cost of goods sold and gross profit

For the first quarter of fiscal 2005, Cost of goods sold was ¥43,737 million and gross profit was up 30.7 % from the first quarter of fiscal 2004 to ¥13,303 million. The costs of sales to net sales ratio was 76.7 %, and the gross profit ratio was 23.3 %.

3. Selling, general and administrative expenses

Selling, general and administrative expenses in the first quarter of fiscal 2005 increased 40.2 % from the first quarter of fiscal 2004 to ¥10,202 million. This was due to the increase of the labor costs and commission expenses for opening new large stores and developing new region. The ratio of selling, general, and administrative expenses to net sales was 17.9 %, 0.3 % improved compared the previous quarter, however 1.2 % increased from the first quarter of fiscal 2004.

Major elements of selling, general and administrative expenses for the first quarter of fiscal 2005 and 2004 and for the fiscal year 2005 are summarized as follows;

(Millions of yen)

	Three Months Ended September 30, 2004 (Unaudited)		Three Months Ended September 30, 2003 (Unaudited)		Change		Last Fiscal Year (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Employees' compensation and benefit	3,731	6.5	2,694	6.2	1,037	38.5	12,471	6.5
Occupancy and rental	1,614	2.8	1,197	2.7	416	34.8	5,156	2.7
Commission	1,190	2.1	772	1.8	418	54.2	3,537	1.8
Depreciation	838	1.5	616	1.4	222	36.1	3,045	1.6
Others	2,829	5.0	2,000	4.6	829	41.5	9,478	4.9
Total	10,202	17.9	7,279	16.7	2,923	40.2	33,687	17.5

(Note) Percent indication of quarter and year amounts shows the ratios of those to the net sales of same period.

4. Other income (expenses)

Other net income for the first quarter of fiscal 2005 was ¥655 million.

5. Operating income and recurring income (losses)

Operating income for the first quarter of fiscal 2005 increased 6.9% from the first quarter of fiscal 2004 to ¥3,101 million. This is due to the fact that the improvement of gross profit surpassed the increase of selling, general and administrative expenses. Recurring income for the first quarter of fiscal 2005 increased 6.0% from the first quarter of fiscal 2004 to ¥3,691 million.

6. Net income

Net income for the first quarter of fiscal 2005 increased 11.0% from the first quarter of fiscal 2004 to ¥2,170 million.

(3) Segment Overview

Business results for three months ended September 30, 2004 and 2003.

(Millions of yen)

	Three Months Ended September 30, 2004 (Unaudited)		Three Months Ended September 30, 2003 (Unaudited)		Change		Last Fiscal Year (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Discount store operations								
Electric goods	10,270	18.0	8,623	19.7	1,647	19.1	39,203	20.4
Merchandise	12,561	22.0	10,416	23.8	2,145	20.6	43,831	22.7
Foods	10,874	19.1	7,990	18.3	2,885	36.1	36,646	19.0
Watches, fashion goods	14,731	25.8	11,129	25.5	3,602	32.4	50,374	26.1
Sports, leisure goods	5,163	9.1	4,087	9.3	1,076	26.3	14,988	7.8
Others	1,185	2.1	1,008	2.3	177	17.6	4,263	2.2
Subtotal	54,785	96.1	43,252	98.9	11,533	26.7	189,304	98.2
Rental business operations	1,095	1.9	463	1.1	632	136.6	2,890	1.5
Other operations	1,159	2.0	—	—	1,159	—	646	0.3
Total	57,039	100.0	43,715	100.0	13,324	30.5	192,840	100.0

(Discount store operations)

Net sales from discount store operations for the first quarter of fiscal 2005 increased ¥ 11,533 million (up 26.7 %) from the first quarter of fiscal 2004 to ¥ 54,785 million. This was mainly due to the efforts that the Company enriched the assortment of food products and implemented strategy of flexible pricing and uniqueness of products and store layout so that the customers come to the stores often, and also due to the increased sales of life-style products such as watches and fashion goods for high selling prices that deliver high profit margins.

(Rental business operations)

Net sales from rental business operations for the first quarter of fiscal 2005 increased ¥ 632 million (up 136.6 %) from the first quarter of fiscal 2004 to ¥ 1,095 million. This was due to the increase of rent revenue from tenants of the newly opened PAW shopping malls. The number of PAW shopping malls totaled 19 at the end of September, 2004.

(Other operations)

In February 2004, the Company formed a wholly-owned subsidiary, Donki Johokan Co., Ltd. specializing in sales of cellular phones. Net sales from this business operations for the first quarter of fiscal 2005 was ¥ 1,159 million.

In September 2004, the Company formed a wholly-owned subsidiary, D-ONE Co., Ltd. specializing in development of stores.

II. Financial Position

(Millions of yen)

	Three Months Ended September 30, 2004 (Unaudited)		Three Months Ended September 30, 2003 (Unaudited)		Change (From the last fiscal year)		Last Fiscal Year (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Total assets	137,486	100.0	99,518	100.0	10,711	8.4	126,774	100.0
Current assets	56,888	41.4	39,115	39.3	7,824	15.9	49,064	38.7
Fixed assets	80,598	58.6	60,403	60.7	2,888	3.7	77,710	61.3
Current liabilities	49,367	35.9	36,261	36.5	4,632	10.4	44,735	35.3
Long-term liabilities	44,997	32.7	28,402	28.5	4,696	11.7	40,301	31.8
Total liabilities	94,365	68.6	64,663	65.0	9,328	11.0	85,036	67.1
Minority interests	11	0.0	—	—	11	—	—	—
Total shareholders' equity	43,110	31.4	34,855	35.0	1,372	3.3	41,738	32.9

Analysis of Financial Condition

(1) Assets, liabilities and shareholders' equity

1. Total assets

Total assets as of September 30, 2004 increased by ¥10,711 million from June 30, 2004 to ¥137,486 million. Summary is the following.

2. Current assets

Current assets as of September 30, 2004 increased by ¥7,824 million from June 30, 2004 to ¥56,888 million. This was mainly due to the fact that cash and cash equivalents increased by ¥ 8,205 million. Inventories as of September 30, 2004 decreased by ¥1,021 million from June 30, 2004 to ¥34,093 million, although the floor space of stores increased by 5,185 m² during this quarter by opening 4 new stores.

3. Fixed assets

Fixed assets as of September 30, 2004 increased ¥2,888 million from June 30, 2004 to ¥80,598 million. This was due to the fact that fixed assets including buildings, land and etc increased by ¥1,604 million and leasehold deposit increased by ¥1,710 million as a result of new opening of 4 stores.

4. Current liabilities

Current liabilities as of September 30, 2004 increased by ¥4,632 million from June 30, 2004 to ¥49,367 million. This was due to the increase of short-term loans by ¥4,652 million and current portion of long-term debt by ¥1,296 million, and the decrease of accounts payable-trade by ¥272 million and accrued income tax by ¥1,402 million.

5. Long-term liabilities

Long-term liabilities as of September 30, 2004 increased by ¥4,696 million from June 30, 2004 to ¥44,997 million. This is due to the increase of long-term loans by ¥4,054 million.

6. Minority interests

Minority interests in loss of consolidated subsidiaries was ¥11 million by Donki Johokan Co., Ltd.

7. Shareholders' equity

Shareholders' equity as of the end of this first quarter increased by ¥1,372 million from the last fiscal year end to ¥43,110 million. This is due to the increase of retained earnings by ¥1,545 million. Equity ratio was 31.4%.

(2) Consolidated Statements of Cash Flows.

The Consolidated Statements of Cash flows were not prepared for the first quarter of fiscal 2005 and 2004.

(3) Capital investments

Capital investments including the securitization of assets as of September 30, 2004 and 2003 and June 30, 2004 were as follows:
(Millions of yen)

	Three Months Ended September 30, 2004 (Unaudited)		Three Months Ended September 30, 2003 (Unaudited)		Change		Last Fiscal Year (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Total capital investments	3,868	6.8	4,716	10.8	(848)	(18.0)	22,437	11.6

(Notes) ① Capital investments for the fiscal year 2004 includes the capital investments of ¥ 50 million by the SPC, and capital investments for the first quarters of fiscal 2005 and 2004 do not include the capital investments by the SPC .

② Percent indication of quarter and year amounts shows the ratio of capital investments to the net sales of same period.

Consolidated Balance Sheets

	(Millions of yen)		
	Three Months Ended September 30, 2004 (Unaudited)	Three Months Ended September 30, 2003 (Unaudited)	Year Ended June 30, 2004 (Audited)
ASSETS			
Current assets:			
Cash and time deposits	¥17,109	¥8,609	¥8,904
Note and accounts receivables-trade	2,080	1,014	2,017
Less: Allowance for doubtful accounts	(2)	(1)	(2)
Inventories	34,093	26,966	35,114
Prepaid expenses	936	664	825
Deferred tax assets	865	801	934
Other current assets	1,808	1,063	1,273
Total current assets	56,888	39,115	49,064
Investments and advances:			
Investment securities	4,481	3,269	4,732
Advance payment for fixed leasehold deposits ..	398	756	869
Long-term loans receivable	1,161	1,150	1,173
Less: Allowance for doubtful accounts	(3)	(2)	(3)
Total investments and advances	6,037	5,173	6,770
Property and equipment, at cost:			
Buildings and structures	33,082	22,005	30,881
Vehicles and delivery equipment	52	74	80
Equipment	8,167	5,468	7,695
Less: Accumulated depreciation	(9,345)	(6,043)	(8,426)
Land	23,160	20,426	22,575
Construction in progress	2,098	1,955	2,806
Net property and equipment	57,214	43,884	55,611
Intangibles	1,601	1,107	1,503
Other assets:			
Fixed leasehold deposits	12,507	7,649	10,797
Prepaid expenses	964	408	923
Deferred tax assets	495	588	345
Cash surrender value	1,778	1,594	1,761
Total other assets	15,745	10,240	13,826
Total assets	137,486	¥99,518	¥126,774

	(Millions of yen)		
	Three Months Ended September 30, 2004 (Unaudited)	Three Months Ended September 30, 2003 (Unaudited)	Year Ended June 30, 2004 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable-trade	¥20,091	¥16,077	¥20,364
Short-term loans payable	5,500	7,330	848
Current maturities of long-term debt	7,318	5,702	5,702
Commercial paper	10,000	3,000	10,000
Accrued income taxes	1,707	1,444	3,109
Accrued expense	1,520	896	1,604
Other current liabilities	3,231	1,812	3,108
Total current liabilities	49,367	36,261	44,735
Long-term liabilities:			
Long-term debt	43,377	27,682	38,943
Allowance for retirement benefits for directors	146	97	143
Other non-current liabilities	1,474	623	1,215
Total long-term liabilities	44,997	28,402	40,301
Total liabilities	94,365	64,663	85,036
Minority interests in loss of consolidated subsidiaries	11	—	—
Shareholders' equity:			
Common stock	7,154	6,345	7,134
Additional paid-in capital	8,469	7,660	8,449
Retained earnings	27,353	20,915	25,808
Net unrealized gains (losses) on investment securities	148	(56)	360
Total	43,124	34,864	41,751
Less: Treasury stock, at cost	(14)	(10)	(13)
Total shareholders' equity	43,110	34,855	41,738
Total liabilities and shareholders' equity	137,486	99,518	¥126,774

Consolidated Statements of Income

	(Millions of yen)		
	Three Months Ended September 30, 2004 (Unaudited)	Three Months Ended September 30, 2003 (Unaudited)	Year Ended June 30, 2004 (Audited)
Net sales	57,039	¥43,715	¥192,840
Cost of goods sold	43,737	33,534	148,543
Gross profit	13,303	10,181	44,297
Selling, general and administrative expenses	10,202	7,279	33,687
Operating income	3,101	2,902	10,611
Other income (expenses):			
Interest and dividend income	85	13	99
Interest expense	(78)	(85)	(353)
Stock issuance cost	(0)	(0)	(8)
Bond issuance cost	(8)	—	(70)
Other income, net	655	632	2,089
Income before income taxes	3,754	3,462	12,368
Income taxes:			
Current	1,537	1,368	5,554
Deferred	63	140	(32)
Income before minority interests in loss of consolidated subsidiaries	2,155	1,954	6,846
Minority interests in loss of consolidated subsidiaries	(15)	—	—
Net income	¥2,170	¥1,954	¥6,846

Recurring income:

According to accounting principles and practices generally accepted in Japan,

Recurring income is shown below:

	(Millions of yen)		
	Three Months Ended September 30, 2004 (Unaudited)	Three Months Ended September 30, 2003 (Unaudited)	Year Ended June 30, 2004 (Audited)
Operating income	¥3,101	¥2,902	¥10,611
Other income (expenses)			
Interest and dividend income	85	13	99
Interest expense	(78)	(85)	(353)
Stock issuance cost	(0)	(0)	(8)
Bond issuance cost	(8)	—	(70)
Other income and expenses, net	655	651	2,320
Recurring income	3,691	3,482	12,598
Other income (expenses)			
Other income and expenses, net	63	(20)	(230)
Income before income taxes	¥3,754	¥3,462	¥12,368

Consolidated Statements of Retained Earnings

	(Millions of yen)		
	Three Months Ended	Three Months Ended	Year Ended
	September 30, 2004 (Unaudited)	September 30, 2003 (Unaudited)	June 30, 2004 (Audited)
Additional paid- in capital:			
Balance at beginning of the period	8,449	¥7,265	7,265
Conversion of convertible bonds	—	395	888
Exercise of stock options	20	—	296
Balance at end of the period	8,469	¥7,660	8,449
Retained earnings:			
Balance at beginning of the period	25,808	¥19,114	19,149
Net income	2,170	1,954	6,846
Cash dividends	(625)	(152)	(152)
Decrease for exclusion of consolidation	—	—	(35)
Balance at end of the period	¥27,353	¥20,915	25,808

[Note.1]

Change in Accounting Policies

Until the year ended June 30, 2004, noncancelable lease transactions of the Company and its consolidated subsidiaries were accounted for as operating leases (whether such leases were classified as operating or finance leases) except that lease agreements, which stipulated the transfer of ownership of the leased assets to the lessee, were accounted for as finance leases. Effective July 1, 2004, the Company and its consolidated subsidiaries changed their method of accounting for noncancelable lease transactions which transfer substantially all risks and rewards associated with the ownership of assets, from accounting for them as operating leases, to finance leases. This change was made in order to achieve a better matching of revenue and expenses and to establish a better presentation of the Company's and its consolidated subsidiaries' financial position by reflecting lease transactions more appropriately in its consolidated financial statements, considering the increasing materiality of these lease transactions as well as from an international point of view.

The effect of the change was to increase equipment by ¥147 million, current liabilities by ¥45 million, and long-term liabilities by ¥102 million.

[Note.2]

Until the year ended June 30, 2004, figures were rounded down to the nearest appropriate unit. From the first quarter of fiscal 2005, figures are rounded off to the nearest appropriate unit. For the better comparison, reclassifications have been made to prior period amounts to conform with current period presentation.