

Summary Report of Consolidated Financial Results For the Second Quarter Ended December 31, 2008

(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: Shinjuku Sumitomo Bldg. 35F, 2-6-1 Nishi-shinjuku, Shinjuku-ku, Tokyo
 Representative: Junji Narusawa, President and Representative Director
 Contact: Mitsuo Takahashi, Senior Managing Director (Phone: +81-3-5381-7588)
 URL: <http://www.donki.com>

1. Overview of Business Results and Financial Position for the second quarter of fiscal 2009 (From July 1, 2008 to December 31, 2008)

(1) Results of Business Operations

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Recurring Income	Change (%)
Six Months Ended December 31, 2008	244,195	—	8,296	—	6,382	—
Six Months Ended December 31, 2007	185,515	23.3	9,370	23.2	10,027	16.3

	Net Income	Change (%)	Basic Earnings Per Share (Yen)	Diluted Earnings Per Share (Yen)
Six Months Ended December 31, 2008	2,068	—	29.91	27.92
Six Months Ended December 31, 2007	6,710	3.6	93.40	86.97

(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)
As of December 31, 2008	293,185	85,274	28.7	1,216.42
Last Fiscal Year	276,288	84,625	30.0	1,200.46

2. Dividends

	Yen (per share)				
	Three Months Ended September 30	Six Months Ended December 31	Nine Months Ended March 31	Year Ended June 30	Total
Year Ended June 30, 2008	—	10.00	—	12.00	22.00
Year Ending June 30, 2009	—	10.00	—	—	—
Year Ending June 30, 2009 (Forecast)	—	—	—	12.00	22.00

(Notes) Revision to the forecast of dividends in the second quarter of fiscal 2009: None

3. Consolidated Business Forecast : For the year ending June 30, 2009 (From July 1, 2008 to June 30, 2009)

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Recurring Income	Change (%)	Net Income	Change (%)	Net Income per Share (Yen)
Year Ending June 30, 2009	460,000	13.6	13,300	(16.8)	11,300	(34.3)	5,500	(40.9)	79.50

(Notes) Revision to the business forecast in the second quarter of fiscal 2009: Yes

4. Others

- (1) Basis for preparation of quarterly financial results
 - ① The financial results for the second quarter of fiscal 2009 and 2008 were reviewed by independent public accountants.
 - ② This summary report includes the accounting figures that are not through the formal closing process.
 - ③ Amounts are presented in millions of yen and are rounded off to the nearest million yen.
- (2) Changes in subsidiaries (Changes in subsidiaries resulting in changes in scope of consolidation):
(Increased by stock acquisition: One Company) Big1 Co., Ltd.
- (3) Simplified accounting methods and special accounting methods for preparation of the quarterly consolidated financial statements: Yes
- (4) Changes in accounting policies concerning preparation of quarterly consolidated financial statements
 - ① Changes in line with revision to accounting standards: Yes
 - ② Other changes: None
- (5) Number of outstanding shares (Common stock)
 - ① Number of outstanding shares (Treasury stock included)

December 31, 2008	72,022,209 shares
June 30, 2008	72,022,209 shares
 - ② Number of treasury stock

December 31, 2008	2,840,899 shares
June 30, 2008	2,936,729 shares
 - ③ Average number of outstanding shares during the period

December 31, 2008	69,133,711 shares
December 31, 2007	71,837,315 shares

Disclaimer regarding Forward-looking Statements

1. The Consolidated business forecast for the year ending June 30, 2009 was revised as shown in the Consolidated Business Forecast.
2. Statements made in this report with respect to our consolidated business 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, undue reliance should not be placed on them. Various important factors could cause actual results to be materially different from those discussed in the forward-looking statements.
3. Effective from the fiscal year ending June 30, 2009, Don Quijote Co., Ltd. and its subsidiaries (the "Group") adopted "Accounting Standard for Quarterly Financial Statements" (Corporate Accounting Standard No.12) and "Application Guideline of Accounting Standard for Quarterly Financial Statements" (Corporate Accounting Standard Application Guideline No.14). Consolidated financial statements were prepared in accordance with the "Regulations of Quarterly Consolidated Financial Statements".

Consolidated Business Results

As a result of the financial crisis caused by the subprime mortgage defaults, Japanese economy during the second quarter ended December 31, 2008, slowed down further and entered into recession. The financial crisis affected the real economy and resulted in weak private consumption both inside and outside Japan and decline in business investment and exports due to yen's appreciation.

In the retail industry, business environment had been severer due to fierce price competition along with deteriorating consumer confidence and fierce enterprise competition triggered by the financial crisis as well as recrudescence of deflation seen in low price competition across the industries, in contrast of inflation concerns caused by steep rise of raw material price that had lasted since 2007.

In such conditions, as a pioneer of creating a new type of business operations that focuses on the principle of "Always thinking of customers first", the Group had practiced various measures to make such stores where customers get impressed by high quality amusements and services.

To stimulate consumer spending, the Group had worked to enhance lineups of products such as foods and daily commodities at lower price.

Furthermore, the Group had promoted opening new stores and renovation with mobility and efficiency so that the Group can enchant as many customers as possible and reorganized administrative structure to enhance integration.

For the second quarter of fiscal 2009, the Group opened one store in Kanto area (Ibaraki prefecture - Don Quijote Mito) and one store in Kyusyu area (Nagasaki prefecture - Don Quijote Sasebo). On the other hand, the Group closed eight stores (Don Quijote Kitamoto, Don Quijote Asahikawa, Don Quijote Huerta Shingu, Don Quijote Atsubetsu, Town-Doit Kyodo, Nagasakiya-Tateishi, Nagasakiya-Kushiro and Nagasakiya-Mobara) based on a review of business strategy. The Group has also closed four stores (Doit Kasukabe, Doit Kobuchi, Doit Soka and Don Quijote Sendai Dainohara) for the purpose of business model change into MEGA-Don Quijote. In addition, the Group has seven more stores from the acquisition of BIG 1 Co., Ltd.

Consequently, the total number of stores as of December 31, 2008 is 220 (223 as of June 30, 2008).

As a result, the Group achieved its net sales of ¥244,195 million, operating income of ¥8,296 million, recurring income of ¥6,382 million and net income of ¥2,068 million as for the six months of fiscal 2009.

Results by operating segment are as follows. Net sales and operating income in the discount store business were ¥187,697 million and ¥7,811 million respectively. Net sales and operating loss in the GMS business were ¥48,169 million and ¥1,955 million respectively. Net sales and operating income in the rent business were ¥8,606 million and ¥2,116 million respectively. Net sales and operating income in others were ¥2,156 million and ¥291 million respectively.

Consolidated Financial Position

Total assets as of December 31, 2008 increased by ¥16,897 million from the end of last consolidated fiscal year ended June

30, 2008 to ¥293,185 million. The result is mainly from the increase of cash and time deposits by ¥3,847 million as well as the increase of inventories by ¥5,897 million.

Total liabilities as of December 31, 2008 increased by ¥16,248 million from the end of last consolidated fiscal year to ¥207,911 million. The result is mainly from the increase of accounts payable-trade by ¥9,275 million and the increase of short-term loans by ¥8,800 million.

Shareholders' equity as of December 31, 2008 increased by ¥649 million from the end of last consolidated fiscal year to ¥85,274 million.

Although the Group recorded the increase of accumulated depreciation and trade payable, net cash provided by operating activities was ¥12,423 million because of payment of income taxes and increase of inventories.

Net cash used in investing activities was ¥14,700 million because of the acquisition of property and equipment, investment securities, and all shares of BIG1 Co., Ltd.

Net cash provided by financing activities was ¥6,035 million because of the increase of short-term loans and issuance of bonds.

Cash and cash equivalents at the end of the second quarter ended December 31, 2008 was ¥41,937 million.

Others

Simplified accounting methods and special accounting methods for preparation of the quarterly consolidated financial statements were applied.

① Calculation of provision for doubtful accounts

Credit loss ratio of previous fiscal year end was used to calculate the provision for bad debts for the current second quarter.

② Method for assessing the value of inventories

The carrying amount of inventories is reduced to estimated net selling value only where there is an obvious decrease in profitability.

③ Calculation of depreciation expenses for fixed assets

For fixed assets where depreciation is calculated by declining-balance method, the annual estimated depreciation is proportionately allocated to each quarter.

Consolidated Balance Sheets

	(Millions of yen)	
	As of December 31, 2008 (Unaudited)	As of June 30, 2008 (Audited)
ASSETS		
Current assets:		
Cash and time deposits	¥42,227	¥38,381
Notes and Accounts receivable-trade	5,211	4,397
Less: Allowance for doubtful accounts	(125)	(82)
Inventories	73,307	67,411
Prepaid expenses	2,203	2,368
Deferred tax assets	1,473	1,575
Other current assets	2,379	2,530
Total current assets	126,675	116,580
Investments and advances:		
Investments in and advances to affiliates	151	165
Investment securities	11,669	9,539
Advance payment for fixed leasehold deposits ..	248	518
Long-term loans receivable	1,162	935
Less: Allowance for doubtful accounts	(764)	(499)
Total investments and advances	12,466	10,658
Property and equipment, at cost:		
Land	50,023	48,779
Buildings and structures	75,821	72,419
Vehicles and delivery equipment	102	110
Equipment	30,332	30,824
Construction in progress	432	318
Less: Impairment loss	(4,176)	(4,586)
Less: Accumulated depreciation	(46,750)	(45,313)
Net property and equipment	105,784	102,551
Intangibles	3,071	3,284
Other assets:		
Time deposits	377	461
Fixed leasehold deposits	38,201	37,716
Less: Allowance for doubtful accounts	(2,340)	(2,500)
Prepaid expenses	2,625	2,644
Deferred tax assets	2,413	874
Other non-current assets	3,913	4,020
Total other assets	45,189	43,215
Total assets	¥293,185	¥276,288

(Millions of yen)		
	As of December 31, 2008 (Unaudited)	As of June 30, 2008 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable-trade	¥48,447	¥39,172
Short-term loans payable	10,200	1,400
Current maturities of long-term debt	15,926	15,197
Accrued income taxes	3,267	2,610
Accrued expenses	5,212	5,588
Allowance for point program	608	762
Other current liabilities	8,315	8,246
Total current liabilities	91,975	72,975
Long-term liabilities:		
Long-term debt	92,175	97,111
Allowance for retirement benefits for employees	5,496	5,687
Allowance for retirement benefits for directors ..	157	185
Negative goodwill	4,613	4,657
Other non-current liabilities	13,495	11,048
Total long-term liabilities	115,936	118,688
Total liabilities	207,911	191,663
Shareholders' equity:		
Common stock	14,977	14,977
Additional paid-in capital	16,289	16,289
Retained earnings	60,012	58,777
Net unrealized gains on investment securities ..	(1,443)	(680)
Foreign exchange adjustments	(706)	(1,285)
Total	89,129	88,078
Minority interests	1,118	1,688
Stock subscription rights	3	3
Less: Treasury stock, at cost	(4,976)	(5,144)
Total shareholders' equity	85,274	84,625
Total liabilities, minority interests and shareholders' equity	¥293,185	¥276,288

Consolidated Statements of Income

	(Millions of yen)	
	Six Months Ended December 31, 2008 (Unaudited)	Six Months Ended December 31, 2007 (Unaudited)
Net sales	¥244,195	¥185,515
Cost of goods sold	179,075	136,963
Gross profit	65,120	48,552
Selling, general and administrative expenses	56,824	39,182
Operating income	8,296	9,370
Other income (expenses):		
Interest and dividend income	231	235
Interest expenses	(612)	(345)
Gain on sale of fixed assets	63	0
Loss on devaluation of derivative instruments	(2,165)	(69)
Loss on devaluation of investment securities	(1,548)	—
Other income and expenses, net	(327)	1,893
Income before income taxes and minority interests	3,938	11,084
Income taxes:		
Current	2,926	3,605
Deferred	(1,259)	621
Income before minority interests	2,271	6,858
Minority interests	(203)	(148)
Net income	¥2,068	¥6,710

Recurring income:

According to accounting principles and practices generally accepted in Japan, recurring income is shown below:

	Six Months Ended December 31, 2008 (Unaudited)	Six Months Ended December 31, 2007 (Unaudited)
Operating income	¥8,296	¥9,370
Non-operating income (expenses):		
Interest and dividend income	231	235
Interest expenses	(612)	(345)
Loss on devaluation of derivative instruments	(2,165)	(69)
Other, net	632	836
Recurring income	6,382	10,027
Other and extraordinary income (expenses):		
Gain on sales of fixed assets	63	—
Loss on devaluation of investment securities	(1,548)	—
Other, net	(959)	1,057
Income before income taxes and minority interests	¥3,938	¥11,084

Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six Months Ended December 31, 2008 (Unaudited)	Six Months Ended December 31, 2007 (Unaudited)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥3,938	¥11,084
Depreciation and amortization, including prepaid expenses	4,149	3,362
Amortization of negative goodwill	(428)	(714)
Decrease in provision	(228)	(592)
Interest and dividend income	(231)	(235)
Interest expenses	612	359
Loss on devaluation of derivative instruments.....	2,165	69
Loss on devaluation of investment securities.....	1,548	—
Increase in trade receivable	(723)	(1,170)
Increase in inventories	(4,735)	(7,060)
Increase in trade payable	8,130	12,265
Other, net	983	(1,583)
Cash generated from operations	15,180	15,785
Received interest and dividend income	123	169
Interest paid	(601)	(381)
Income taxes paid	(2,279)	(6,093)
Net cash provided by operating activities	12,423	9,480
Cash flows from investing activities:		
Payments for purchase of property and equipment	(4,927)	(16,100)
Proceeds from sales of property and equipment	227	4
Payments for leasehold deposits	(1,626)	(2,209)
Proceeds from termination of leasehold deposits	1,474	722
Payments for purchase of investment securities	(7,614)	(1,890)
Proceeds from sales of investment securities	817	—
Payment for purchase of subsidiaries' securities.....	(1,893)	(11,261)
Payments for purchase of securities of an affiliated company	(648)	(120)
Proceeds from liquidation of SPE	—	1,907
Other, net	(510)	(2,197)
Net cash used in investing activities	(14,700)	(31,144)
Cash flows from financing activities:		
Increase of short-term bank loans	8,800	2,000
Net increase on commercial paper.....	—	14,966
Borrowing of long-term debt	225	9,000
Repayment of long-term debt	(4,413)	(3,010)
Proceeds from issuance of bonds	5,500	8,000
Payments for redemption of bonds	(3,160)	(7,818)
Issuance of common stock	—	199
Payments of cash dividends	(829)	(718)
Other, net	(88)	50
Net cash provided by financing activities	6,035	22,669
Effect of exchange rate changes on cash and cash equivalents	93	(26)
Net increase in cash and cash equivalents	3,851	979
Cash and cash equivalents at beginning of the period	38,086	38,164
Decrease in cash and cash equivalents due to the effect of the excluded results of consolidation	—	(39)
Cash and cash equivalents at end of the period	¥41,937	¥39,104

Notes on Going Concern Assumption

For the second quarter ended December 31, 2008

Not applicable

Segment Information

For the second quarter ended December 31, 2008

a. Operating segment information

For the second quarter ended December 31, 2008

(Millions of yen)

	Discount store business	GMS business	Rent business	Others	Total	Corporate eliminations	Consolidated
Sales, Operating profit and loss							
Sales							
Sales to third parties	¥187,446	¥47,991	¥7,473	¥1,285	¥244,195	¥—	¥244,195
Intersegment sales	251	178	1,133	871	2,433	(2,433)	—
Total	187,697	48,169	8,606	2,156	246,628	(2,433)	244,195
Operating profit (loss)	¥7,811	¥(1,955)	¥2,116	¥291	¥8,263	¥33	¥8,296

Note: Some of Nagasakiya stores are converted into MEGA-Don Quijote and classified in Discount store business.

b. Geographic segment information

For the second quarter ended December 31, 2008, net sales in Japan accounted for more than 90% of those of all the segments. Consequently, details of each geographic segment information are not presented.

c. Sales outside Japan

For the second quarter ended December 31, 2008, sales outside of Japan amounted less than 10% of the consolidated net sales, and therefore the information is not presented.

For the second quarter ended December 31, 2007

a. Operating segment information

For the second quarter ended December 31, 2007

(Millions of yen)

	Discount store business	GMS business	Rent business	Others	Total	Corporate eliminations	Consolidated
Sales, Operating profit and loss							
Sales							
Sales to third parties	¥168,455	¥11,243	¥4,906	¥911	¥185,515	¥—	¥185,515
Intersegment sales	6	—	995	1,060	2,061	(2,061)	—
Total	168,461	11,243	5,901	1,971	187,576	(2,061)	185,515
Operating profit (loss)	¥7,458	¥(361)	¥2,113	¥225	¥9,435	¥(65)	¥9,370

b. Geographic segment information

For the second quarter ended December 31, 2007, net sales in Japan accounted for more than 90% of those of all the segments. Consequently, details of each geographic segment information are not presented.

c. Sales outside Japan

For the second quarter ended December 31, 2007, sales outside of Japan amounted less than 10% of the consolidated net sales, and therefore the information is not presented.

Notes on Significant Changes in Shareholder's Equity

For the second quarter ended December 31, 2008

Not applicable

Derivatives

Target Buying Transaction (Knock-Out Put Option Agreement) of the Group

As of October 6, 2008, the Group has entered into a Target Buying Transaction (Knock-Out Put Option Agreement) for investment purpose with Daiwa Securities SMBC Co. Ltd.

The Group states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses unless the derivative financial instruments are used for hedging purposes.

1. Option type	Put option
2. Option style	European-style
3. Settlement type	Net settlement
4. Option purchaser	Daiwa Securities SMBC Co. Ltd.
5. Option seller	Don Quijote Co., Ltd. and its consolidated subsidiary Nagasakiya Co., LTD.
6. Underlying security	Sumitomo Mitsui Financial Group, Inc. (Code 8316)
7. Number of the underlying security	Don Quijote Co., Ltd.: 500,800 Nagasakiya Co., LTD.: 333,800
8. Strike price	5,990 yen
9. Knock out price	6,580 yen
10. Option premium	Don Quijote Co., Ltd.: 120,000 thousands yen Nagasakiya Co., LTD.: 80,000 thousands yen
11. Receiving date of the option premium	October 9, 2008
12. Exercise date	October 6, 2011
13. Settlement date	October 12, 2011

During the period beginning on October 6, 2008 and ending on October 6, 2011, the transaction between the Group and Daiwa Securities SMBC Co. Ltd. will be automatically terminated and the Group will acquire the option premium as their income once the stock price of Sumitomo Mitsui Financial Group, Inc. rises over the knock-out price (6,580 yen) at the Tokyo Stock Exchange.

In the case of the stock price of Sumitomo Mitsui Financial Group, Inc. never reaches 6,580 yen at the Tokyo Stock Exchange during the period beginning on October 6, 2008 and ending on October 6, 2011, the transaction between the Group and Daiwa Securities SMBC Co. Ltd. will be terminated and the Group will acquire the option premium as their income if the stock price is more than the exercise price (5,990 yen) at October 6, 2011.

The Group will pay the amount of difference of 5,990 yen and the stock price at October 6, 2011 multiplied by 834,600 shares to Daiwa Securities SMBC Co. Ltd. if the stock price of Sumitomo Mitsui Financial Group, Inc. is less than 5,990 yen at October 6, 2011.