Summary Report of Consolidated Financial Results
For the Six Months Ended December 31, 2006

(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: The First Section of Tokyo Stock Exchange
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1. Basis for preparation of semi-annual financial results

① The financial results for the six months of fiscal 2007 and 2006 were not audited by independent auditors.
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. Overview of Business Results and Financial Position for the six months of fiscal 2007 (From July 1, 2006 to December 31, 2006)

(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, 2006	150,422	14.6	7,608	2.7	8,625	1.7
Six Months Ended December 31, 2005	131,247	10.0	7,407	13.8	8,477	11.9
Last Fiscal Year	260,779	—	11,854	—	14,396	—

	Net Income	Change (%)	Net Income per Share (Yen)	Diluted Income per Share (Yen)
Six Months Ended December 31, 2006	6,475	33.4	90.78	84.29
Six Months Ended December 31, 2005	4,854	13.2	73.73	63.94
Last Fiscal Year	10,725	—	158.31	140.66

(Notes)
① Change in accounting method: N/A
② Percentages above represent increase / decrease over the preceding six months.
③ Net income per share was computed through dividing net income by weighted average number of shares at the end of the six months.
④ The Company has effected a three-for-one stock split on July 1, 2006. Per share information was adjusted on the assumption that the split was effected at the beginning of last fiscal year.
⑤ Loss on investments due to the equity method:
Six months ended December 31, 2006 ¥18 million
Six months ended December 31, 2005 ¥76 million
Year ended June 30, 2006 ¥94 million
⑥ Weighted average number of shares:
As of December 31, 2006 71,323,850 shares
As of December 31, 2005 21,943,770 shares
As of June 30, 2006 22,582,955 shares

(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, 2006	198,773	78,015	39.2	1,091.32
As of December 31, 2005	167,755	59,157	35.3	884.58
Last Fiscal Year	167,534	72,741	43.3	1,018.43

(Notes)
① Number of issued shares :
As of December 31, 2006 71,419,870 shares
As of December 31, 2005 22,292,041 shares
As of June 30, 2006 23,753,758 shares
② Number of treasury stocks :
As of December 31, 2006 77,054 shares
As of December 31, 2005 88,164 shares
As of June 30, 2006 25,650 shares
③ The Company has effected a three-for-one stock split on July 1, 2006. Per share information was adjusted on the assumption that the split was effected at the beginning of last fiscal year.

(3) The Consolidated Statements of Cash Flows (Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents
Six Months Ended December 31, 2006	9,441	(2,157)	15,462	50,501
Six Months Ended December 31, 2005	11,765	(3,121)	2,253	25,952
Last Fiscal Year	10,427	2,070	227	27,792

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

Consolidated subsidiaries: 6 companies
Unconsolidated subsidiaries accounted for by the equity method: N/A
Affiliated companies accounted for by the equity method: 1 company
Change in scope of consolidation and application of the equity method: N/A

3. Consolidated Business Forecast : For the year ending June 30, 2007 (From July 1, 2006 to June 30, 2007)

(Millions of yen, except per-share data)

	Net Sales	Recurring Income	Net Income	Net Income per Share (Yen)
Year Ending June 30, 2007	300,000	15,500	10,500	147.02

(Notes) ① 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, undue reliance should not be placed 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 risks.

② Net income per share in Consolidated Business Forecast is computed with 71,419,870 shares as of December 31, 2006 (the number of shares issued and outstanding net of treasury stocks).

Attachments

Business Results and Financial Position
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

Business Results and Financial Position

Ⅰ.Business Results

(1) Business Overview

Business results for the six months ended December 31, 2006 and 2005.

(Millions of yen)

	Six Months Ended December 31, 2006 (Unaudited)		Six Months Ended December 31, 2005 (Unaudited)		Change		Last Fiscal Year (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Net sales	150,422	100.0	131,247	100.0	19,175	14.6	260,779	100.0
Gross profit	36,493	24.3	30,393	23.2	6,100	20.1	60,354	23.1
Selling, general and administrative expenses	28,885	19.2	22,985	17.6	5,900	25.7	48,500	18.6
Operating income	7,608	5.1	7,407	5.6	201	2.7	11,854	4.5
Recurring income	8,625	5.7	8,477	6.5	148	1.7	14,396	5.5
Net income	6,475	4.3	4,854	3.7	1,621	33.4	10,725	4.1

Japanese economy during the six months of fiscal 2007 overall had been recovering because exports and business investment played a leading role.

In the retail industry, business environment had remained in balance due to anemic sales of seasonal commodity caused by cold summer and mild winter, escalation of enterprise competition and increase of optional consumption.

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

The Group made every effort to have customers find the intrinsic joy of shopping by laying out profitable goods that adapt to changing times and enhancing unique goods marketing to meet both diverse and individual needs.

Also, the Group bolstered and enriched quality of internal systems for nationwide expansion as well as promoted opening new stores with mobility and efficiency so that the Group can impress as many customers as possible.

In the six months of fiscal 2007, the Group opened seven stores: Three stores in Kanto area (Tokyo metropolis—Jonetsu Kukan Shibuya Nishihara and Jonetsu Kukan Kokubunji-ekimae: Chiba prefecture—Inage Naganuma), one store in Chubu area (Nagano prefecture – Minami Matsumoto), one store in Chugoku area (Okayama prefecture – Kurashiki), and two stores in Kyushu area (Kumamoto prefecture—Kumamoto Chuo: Fukuoka prefecture – Fukuoka Kuko-minami). The Group sold Ginza Brand-kan store and Keihin Kamata store and closed down Picasso Funabashikeibajo.

Consequently, the total number of stores at the end of December 2006 is 130 (126 at the end of the last fiscal year).

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As a result, for the six months of fiscal 2007 the Group achieved the following net sales and net income.

Net sales 150,422 million yen (up 14.6% from the six months of fiscal 2006)
Recurring income 8,625 million yen (up 1.7% from the six months of fiscal 2006)
Net income 6,475 million yen (up 33.4% from the six months of fiscal 2006)

(2) Segment Overview

Business results for the six months ended December 31, 2006 and 2005.

(Millions of yen)

	Six Months Ended December 31, 2006 (Unaudited)		Six Months Ended December 31, 2005 (Unaudited)		Change		Last Fiscal Year (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Discount store operations								
Electrical goods	27,183	18.1	26,153	19.9	1,030	3.9	51,531	19.8
Daily commodities	31,908	21.2	28,666	21.8	3,242	11.3	57,168	21.9
Foods	25,599	17.0	24,094	18.4	1,505	6.2	49,282	18.9
Watches, fashion goods	39,720	26.4	37,135	28.3	2,585	7.0	70,889	27.2
Sports, leisure goods	11,245	7.5	9,822	7.5	1,423	14.5	18,342	7.0
Oversea	8,902	5.9	—	—	8,902	—	2,807	1.1
Others	2,413	1.6	2,386	1.8	27	1.1	4,674	1.8
Subtotal	146,970	97.7	128,256	97.7	18,714	14.6	254,693	97.7
Rental business operations	3,086	2.1	2,675	2.0	411	15.4	5,539	2.1
Other operations	366	0.2	316	0.3	50	16.0	547	0.2
Total	150,422	100.0	131,247	100.0	19,175	14.6	260,779	100.0

(Discount store operations)

Net sales from discount store operations for the six months of fiscal 2007 increased by ¥18,714 million from the six months of fiscal 2006 to ¥146,970 million (up 14.6%). This is resulted from net sales increase from oversea due to the purchase of Don Quijote (USA) Co., Ltd., high growth rate of sports, leisure goods sales by the successful outcome of the lineup revision, and the steady growth of daily commodities sales.

(Rental business operations)

Net sales from rental business operations for the six months of fiscal 2007 increased by ¥411 million from the six months of fiscal 2006 to ¥3,086 million (up 15.4%). This was due to the increase of tenant numbers accompanied by the increase of the Group's stores (115 stores at the end of December 2005 to 130 stores at the end of December 2006)

II. Financial Position

(Millions of yen)

	December 31, 2006 (Unaudited)		December 31, 2005 (Unaudited)		Change (From the last fiscal year)		June 30, 2006 (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Total assets	198,773	100.0	167,755	100.0	31,239	18.6	167,534	100.0
Current assets	109,633	55.2	76,507	45.6	29,891	37.5	79,742	47.6
Fixed assets	89,140	44.8	91,248	54.4	1,348	1.5	87,792	52.4
Current liabilities	58,395	29.4	55,771	33.2	11,949	25.7	46,446	27.7
Long-term liabilities	62,363	31.4	52,827	31.5	14,016	29.0	48,347	28.9
Total liabilities	120,758	60.8	108,598	64.7	25,965	27.4	94,793	56.6
Minority interests	73	0.0	—	—	(93)	(56.0)	166	0.1
Total shareholders' equity	78,015	39.2	59,157	35.3	5,274	7.3	72,741	43.4

(Millions of yen)

	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Change
Net cash provided by operating activities	9,441	11,765	(2,324)
Net cash used in investing activities	(2,157)	(3,121)	964
Net cash provided by financing activities	15,462	2,253	13,209
Cash and cash equivalents at the end of the period	50,501	25,952	24,549

Analysis of Financial Condition

(1) Assets, liabilities and shareholders' equity

1. Total assets

Total assets as of December 31, 2006 increased by ¥31,239 million from June 30, 2006 to ¥198,773 million. This was mainly due to the increase of cash and time deposits by the issuance of convertible bonds by ¥2,279 million and the increase of inventories by ¥6,246 million.

2. Liabilities

Liabilities as of December 31, 2006 increased by ¥25,965 million from June 30, 2006 to ¥120,758 million. This mainly resulted from the issuance of the Zero Coupon Convertible Bonds due 2013 which was amounted to ¥23,057 million (¥23,000 million at par).

3. Shareholders' equity

Reflecting the increase of net income, shareholders' equity as of December 31, 2006 increased by ¥5,274 million from June 30, 2006 to ¥78,015 million.

(2) Consolidated Statements of Cash Flows

1. Cash flows from operating activities

Although there were positive factors such as the increase of net income and of trade payable, net cash provided by operating activities for the six months of fiscal 2007 decreased to ¥9,441 million due to negative factors such as the increase of inventories by store expansion and income tax payments.

2. Cash flows from investing activities

Regardless of proceeds from sale of property and equipment, net cash used in investing activities for the six months of fiscal 2007 went into the red by ¥2,157 million because of the acquisition of property and equipment and payments for leasehold deposit.

3. Cash flows from financing activities

Net cash provided by financing activities for the six months of fiscal 2007 is ¥15,462 million mostly due to the issuance of convertible bonds.

As a result, cash and cash equivalents at the end of December 2006 increased by ¥24,549 million from the end of December 2005 to ¥50,501 million.

The cash flows indication of the Group is as follows:

	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Six Months Ended December 31, 2003 (Unaudited)
Total shareholders' equity / Total assets (%)	39.2	35.3	31.8	33.0
Market capitalization * / Total assets (%)	81.7	131.0	75.7	101.0
Cash flows from operating activities / Interest paid (time)	35.6	40.6	47.2	23.0
Debt bearing interest / Cash flows from operating activities (year)	7.6	5.6	6.7	8.7

Note: * Market capitalization = Share price at the end of six months × Number of outstanding shares (excluding treasury stocks) at the end of six months

Risk Information

Listed below are the main risks that could affect the business of the Group. We make every effort to avoid and mitigate these risks after recognizing a possibility of these risks in the future.

The following risks include the future matters, which are described based on our judgment and consideration from management point of view as of the date of announcing the semi-annual financial reports to public, February 22, 2007

1. Store expansion and human resources

To keep its planned store expansion, the Group must ensure the continuing adequacy of its existing systems, controls and procedures, including distribution facilities, store management, financial controls and information systems. Especially the adequate labor resources are essential. There is no assurance that the Group will be able to achieve its planned expansion, that new stores will be effectively integrated into the Group's existing operations or that such stores will be profitable.

2. Import and distribution

The Group is importing an increasing portion of its merchandise from sources outside Japan. As an importer, the Group's business is subject to the risks generally associated with doing business abroad, such as foreign governmental regulations, economic disruptions, delays in shipments, increases of freight cost and changes in political or economic conditions in countries in which the Group purchases products.

Two distribution centers in Saitama and Osaka are operated by a third party contractor on behalf of the Group. Any significant interruption in the operation of these facilities, failure by the contractor to properly and successfully coordinate the operations of these facilities or any financial difficulty on the contractor would have a material adverse effect on the Group's business, financial condition and results of operations.

3. Merchandising

The Group's success depends in part upon the ability of its marketing staff, particularly those in their twenties and thirties, who anticipate customer trends and provide merchandise that appeals to customers. The failure to maintain and improve the quality of those staff members and to keep managing the Group's organizational systems could lead to the decline of the Group's business results.

4. Consumer demand, weather and seasonality

Sales at the Group's stores are subject to consumer demand, weather and seasonal variations. The peak sales periods for the Group are the months of August and December. Consequently, if the Group fails to realize sufficient sales during its peak points, this could have a material adverse effect on the Group's business, financial condition and results of operation.

5. Regulatory environment

The Group is subject to Japanese laws and regulations. The Large Scale Retail Store Location Law has been effective since June 2000. The purpose of the law is to give local governments the power to regulate the development of large stores with a sales floor space of more than 1,000 square meters and to maintain lively environment in the areas surrounding such stores.

The Group has to take measures to build soundproofing fences around store parking lots so as to resolve problems regarding car-parking noise. Thus, it is expected that the cost of building the fences will, somewhat, affect the Group's financial performance. If the local communities have special regulations for stores with a sales floor space of less than 1,000 square meters, in particular, the Group's financial performance and expansion plans may be also adversely affected if stores are forced to downsize their operations.

6. Future capital requirements

The Group has to secure enough finance through the use of the various financial instruments (including bonds) for its further expansion. To the extent that such funding is not available to the Group in the future or is only available at very high cost, the Group's business, financial condition and results of operations are likely to be adversely affected.

7. Quarterly reports

As it has not been regulated by law or regulation in Japan that quarterly reports must be filed, it is not appropriate that quarterly reports are equally compared to semi-annual financial results and annual financial results.

8. Outsourcing of bookkeeping of accounts payable

The Group entrusts daily procedures in relation to the Group's accounting payable to a third party contractor. Any significant interruption in the procedures, failure by the contractor to properly coordinate the procedures or any financial difficulties on the contractor would have a material adverse effect on the Group's accounting and payment process.

9. Security of clients' data

The Group handles clients' data with precise care. Any data leak would have a material adverse effect on the Group's business, financial condition and results of operations that could lead to legal matters.

10. Impairment of fixed assets

The Group has promptly adopted the accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standards Implementation Guidance No.6 issued by the Accounting Standards Board of Japan（ASBJ ） on October 31, 2003) since the year ended June 30, 2004.

The Group tests fixed assets for impairment by comparing the fair value of each unit, using discounted cash flows to the caring value to determine if there is an indication that potential impairment may exist. Potential impairment would have a material adverse effect on the Group's business, financial condition and results of operations.

11. Legal proceedings that may affect our financial condition and result of operation

On March 9, 2005, the Company received and advisory report based on the Antimonopoly Act from the Japan Fair Trade Commission (JFTC) regarding partial charge of sales promotion expenses on its suppliers and enforcing them labor service at the time of inventory count and reengagement. The Company, however, notified JFTC of denial of the report, and a judicial proceeding has been initiated.

The Company has requested proper investigation and application of the Act.

12. Price drop of subsidiary and affiliated company shares

Shares of subsidiary are valued at cost. When the real value of subsidiary drops remarkably, by applying the Financial Accounting Standards Impairment Guidance No.6, the potential impairment would have material adverse effect on the Group's business, financial condition and results of operations.

Consolidated Balance Sheets

	(Millions of yen)		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
ASSETS			
Current assets:			
Cash and time deposits	**¥50,501**	¥25,952	¥27,792
Accounts receivable-trade	**3,614**	3,188	2,617
Less: Allowance for doubtful accounts	**(10)**	(7)	(6)
Inventories	**50,646**	42,509	44,400
Prepaid expenses	**1,206**	1,084	1,282
Deferred tax assets	**1,751**	1,360	1,576
Other current assets	**1,925**	2,421	2,081
Total current assets	**109,633**	76,507	79,742
Investments and advances:			
Investment securities	**8,813**	13,703	7,294
Advance payment for fixed leasehold deposits	**1,683**	616	169
Long-term loans receivable	**870**	870	870
Less: Allowance for doubtful accounts	**(48)**	(40)	(53)
Total investments and advances	**11,318**	15,149	8,280
Property and equipment, at cost:			
Land	**18,837**	20,387	20,367
Buildings and structures	**46,822**	37,351	46,338
Vehicles and delivery equipment	**77**	54	83
Equipment	**14,309**	10,152	13,943
Construction in progress	**87**	899	12
Less: Impairment loss	**(505)**	—	(505)
Less: Accumulated depreciation	**(22,924)**	(13,656)	(21,471)
Net property and equipment	**56,703**	55,187	58,767
Intangibles	**2,476**	3,980	2,460
Other assets:			
Fixed leasehold deposits	**14,847**	13,832	14,713
Prepaid expenses	**1,557**	1,247	1,429
Deferred tax assets	**307**	—	248
Cash surrender value	**—**	1,815	—
Other non-current assets	**1,932**	38	1,895
Total other assets	**18,643**	16,932	18,285
Total assets	**¥198,773**	¥167,755	¥167,534

The accompanying notes are integral part of the statements.

	(Millions of yen)		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable-trade	**¥34,082**	¥30,696	¥26,197
Short-term loans payable	**—**	1,975	743
Current maturities of long-term debt	**12,577**	9,856	9,557
Commercial paper	**—**	4,000	—
Accrued income taxes	**5,472**	4,155	2,649
Accrued expenses	**2,674**	1,477	2,764
Other current liabilities	**3,590**	3,612	4,536
Total current liabilities	**58,395**	55,771	46,446
Long-term liabilities:			
Long-term debt	**59,020**	49,731	44,938
Allowance for retirement benefits for directors	**195**	178	186
Negative goodwill	**1,505**	—	1,557
Deferred tax liabilities	**—**	1,375	—
Other non-current liabilities	**1,643**	1,543	1,666
Total long-term liabilities	**62,363**	52,827	48,347
Total liabilities	**120,758**	108,598	94,793
Shareholders' equity:			
Common stock	**14,515**	10,553	14,360
Additional paid-in capital	**15,827**	11,867	15,672
Retained earnings	**47,461**	36,292	42,175
Net unrealized gains on investment securities	**344**	927	498
Foreign exchange adjustments	**(62)**	—	13
Total	**78,085**	59,639	72,718
Minority interests	**73**	—	166
Less: Treasury stock, at cost	**(143)**	(482)	(143)
Total shareholders' equity	**78,015**	59,157	72,741
Total liabilities, minority interest and shareholders' equity	**¥198,773**	¥167,755	¥167,534

The accompanying notes are integral part of the statements.

Consolidated Statements of Income

	(Millions of yen)		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Net sales	**¥150,422**	¥131,247	¥260,779
Cost of goods sold	**113,929**	100,854	200,425
Gross profit	**36,493**	30,393	60,354
Selling, general and administrative expenses	**28,885**	22,986	48,500
Operating income	**7,608**	7,407	11,854
Other income (expenses):			
Interest and dividend income	**174**	122	375
Interest expense	**(263)**	(260)	(518)
Stock issuance cost	**—**	(12)	(53)
Bond issuance cost	**—**	—	(13)
Gain on sale of affiliates's securities	**—**	—	4,592
Other income, net	**3,830**	1,296	1,571
Income before income taxes and minority interests	**11,349**	8,553	17,808
Income taxes:			
Current	**5,130**	3,872	8,677
Deferred	**(162)**	(173)	(1,594)
Income before minority interests	**6,381**	4,854	10,725
Minority interests	**94**	—	—
Net income	**¥6,475**	¥4,854	¥10,725

The accompanying notes are integral part of the statements.

Recurring income:

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

	(Millions of yen)		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Operating income	**¥7,608**	¥7,407	¥11,854
Other income (expenses):			
Interest and dividend income	**174**	122	375
Interest expense	**(263)**	(260)	(518)
Stock issuance cost	**—**	(12)	(53)
Bond issuance cost	**—**	—	(13)
Other income, net	**1,106**	1,220	2,751
Recurring income	**8,625**	8,477	14,396
Other and extraordinary income (expenses):			
Gain on sale of affiliates' securities	**—**	—	4,592
Other income and expenses, net	**2,724**	76	(1,180)
Income before income taxes and minority interests	**¥11,349**	¥8,553	¥17,808

Amount per share of common stock:

	(Yen)		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Basic earnings:			
Net income	**¥90.78**	¥73.73	¥158.31
Diluted earnings:			
Net income	**¥84.29**	¥63.94	¥140.66

The Company has effected a three-for-one stock split on July 1, 2006. Per share information for the six months ended December 31, 2005 and the year ended June 30, 2006 was adjusted on the assumption that the split was effected at the beginning of the last fiscal year.

The accompanying notes are integral part of the statements.

Consolidated Statements of Stockholders' Equity for the six months ended December 31, 2006

	(Thousands)	(Millions of yen)						
	Outstanding number of shared of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on investment securities	Foreign exchange adjustments	Minority interests	Treasury stock, at cost
Balance at June 30, 2006	**23,754**	**¥14,360**	**¥15,672**	**¥42,175**	**¥498**	**¥13**	**¥166**	**¥(143)**
Issuance of new shares	**—**	**155**	**155**	**—**	**—**	**—**	**—**	**—**
Stock splits	**47,559**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Exercised stock option	**159**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(1,188)**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**6,475**	**—**	**—**	**—**	**—**
Purchase of treasury stock	**(52)**	**—**	**—**	**—**	**—**	**—**	**—**	**0**
Other	**—**	**—**	**—**	**—**	**(154)**	**(75)**	**(93)**	**—**
Balance at December 31, 2006	**71,420**	**¥14,515**	**¥15,827**	**¥47,461**	**¥344**	**¥(62)**	**¥73**	**¥(143)**

The accompanying notes are integral part of the statements.

Consolidated Statements of Stockholders' Equity for six months ended December 31, 2005

	(Millions of yen) Six Months Ended December 31, 2005 (Unaudited)
Common stock:	
Balance at beginning of the period	¥9,654
Exercise of stock options	36
Conversion of convertible bonds	863
Balance at end of the period	¥10,553
Additional paid- in capital:	
Balance at beginning of the period	¥10,968
Exercise of stock options	36
Conversion of convertible bonds	863
Balance at end of the period	¥11,867
Retained earnings:	
Balance at beginning of the period	¥32,346
Net income	4,854
Cash dividends	(869)
Loss on sale of treasury stock	(39)
Balance at end of the period	¥36,292

The accompanying notes are integral part of the statements.

Consolidated Statements of Stockholders' Equity for the year ended June 30, 2006

	(Thousands)	(Millions of yen)						
	Outstanding number of shared of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on investment securities	Foreign exchange adjustments	Minority interests	Treasury stock, at cost
Balance at June 30, 2005	21,734	¥9,654	¥10,968	¥32,346	¥675	¥—	¥—	¥(1,515)
Issuance of new shares	1,655	4,706	4,704	—	—	—	—	—
Exercised stock option	113	—	—	—	—	—	—	—
Cash dividends	—	—	—	(869)	—	—	—	—
Net income	—	—	—	10,725	—	—	—	—
Purchase of treasury stock	(1)	—	—	—	—	—	—	(9)
Disposal of treasury stock	253	—	—	(27)	—	—	—	1,381
Other	—	—	—	—	(177)	13	166	—
Balance at June 30, 2006	23,754	¥14,360	¥15,672	¥42,175	¥498	¥13	¥166	¥(143)

The accompanying notes are integral part of the statements.

Consolidated Statements of Cash Flows

	(Millions of yen)		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Cash flows from operating activities:			
Income before income taxes	**¥11,349**	¥8,553	¥17,808
Depreciation and amortization	**2,518**	2,263	4,740
Impairment loss	**—**	—	1,194
Amortization of negative goodwill	**(52)**	—	(452)
Increase in doubtful accounts	**(1)**	39	51
Provision for retirement benefits for directors	**9**	24	31
Increase in accrued sales discount	**21**	23	45
Interest and dividend income	**(174)**	(123)	(375)
Gain from funds	**(233)**	(207)	(301)
Interest expenses	**289**	288	571
Loss on investments due to the equity method	**18**	76	94
Gain on sale of investment securities	**—**	(167)	(250)
Gain on derivatives	**—**	(22)	—
Gain on sale of affiliated companies	**—**	—	(4,592)
Loss (Gain) on disposal of property and equipment	**(2,355)**	(42)	13
Proceeds from penalty charges	**(500)**	—	—
Offset rent from deposit	**338**	310	686
Increase in trade receivable	**(997)**	(877)	(306)
Increase in inventories	**(6,263)**	(3,062)	(3,693)
Increase in other current assets	**105**	(260)	144
Increase in trade payable	**7,897**	8,026	2,213
Increase in other current liabilities	**(818)**	56	2,392
Increase in other non-current liabilities	**94**	—	214
Other, net	**136**	59	(76)
Cash generated from operations	**11,381**	14,957	20,151
Received interest and dividend income	**130**	111	293
Interest paid	**(265)**	(290)	(570)
Income tax paid	**(2,305)**	(3,013)	(9,447)
Received penalty charges	**500**	—	—
Net cash provided by operating activities	**9,441**	11,765	10,427
Cash flows from investing activities:			
Payments for purchase of property and equipment	**(3,411)**	(3,186)	(6,760)
Proceeds from sale of property and equipment	**5,454**	8,926	8,942
Payments for purchase of intangible assets	**(518)**	(142)	(440)
Payments for leasehold deposits	**(3,092)**	(2,278)	(4,305)
Proceeds from termination of leasehold deposits	**2,735**	1,555	3,365
Advance payment for fixed leasehold deposits	**(1,651)**	—	—
Payments for purchase of investment securities	**(1,667)**	(913)	(1,422)
Proceeds from sale of investment securities	**—**	580	750
Payment for purchase of subsidiaries' securities	**—**	(3,559)	(5,328)
Payment for purchase of securities of an affiliated company Accounted for by the equity method	**—**	(2,939)	(14,903)
Proceeds from sales of affiliates' securities	**—**	—	24,374
Payments to funds	**—**	(440)	(440)
Proceed from funds of investment in funds	**48**	75	99
Other, net	**(55)**	(800)	(1,862)
Net cash used in investing activities	**(2,157)**	(3,121)	2,070

Cash flows from financing activities:			
Increase (decrease) on short-term bank loans	**(743)**	1,850	743
Net increase on commercial paper	**—**	4,000	—
Borrowing of long-term debt	**—**	800	5,000
Repayment of long-term debt	**(3,473)**	(3,342)	(6,971)
Proceeds from issuance of bonds	**23,057**	—	2,500
Payments for redemption of bonds	**(2,478)**	(1,228)	(2,456)
Proceeds from sale of treasury stock	**—**	997	1,354
Issuance of common stock	**310**	72	983
Payments of cash dividends	**(1,188)**	(869)	(869)
Other, net	**(23)**	(27)	(57)
Net cash provided by financing activities	**15,462**	2,253	227
Effect of exchange rate changes on cash and cash equivalents	**(37)**	—	13
Net increase in cash and cash equivalents	**22,709**	10,897	12,737
Cash and cash equivalents at beginning of the period	**27,792**	15,055	15,055
Cash and cash equivalents at end of the period	**¥50,501**	¥25,952	¥27,792

The accompanying notes are integral part of the statements.

Notes to Consolidated Financial Statements

Note 1. NATURE OF OPERATIONS

The Don Quijote Group (the "Group") is composed of Don Quijote Co., Ltd. (the "Company"), six consolidated subsidiaries (Paw Creation Co., Ltd., Donki Johokan Co., Ltd., D-ONE Co., Ltd., Donkicom Co., Ltd., Don Quijote (USA) Co., Ltd. and Oriental Seafoods, Inc.), one affiliated company by the equity method and five non-consolidated subsidiaries.
Major operations of the Group are as follows:

(Discount store operations)
The Company, Don Quijote (USA) Co., Ltd. and Oriental Seafoods, Inc. operate retail chain business by selling electrical goods, daily commodities, foods, watches, fashion goods, and sports and leisure goods with the concept of "big convenience and discount stores".

(Rental business operations)
Paw Creation Co., Ltd. rents part of floor space in PAW shopping malls to tenants.
The Company and Don Quijote (USA) Co., Ltd. operate space-leasing business by leasing part of its stores to tenants.

(Other operations)
Donki Johokan Co., Ltd. operates as an agent for cellular phones and call plans.
D-ONE Co., Ltd. operates real estate business and develops the Group stores.
Donkicom Co., Ltd. operates system development and provides internet services.

Note 2. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with accounting principles and practices generally accepted in Japan under the requirements of the Japanese Corporate Law and other applicable rules and regulations for domestic purpose and are filed with the local finance bureau of the Ministry of Finance (MOF) as required by the Securities and Exchange Law and its related laws, rules and regulations. In preparing these financial statements, certain reclassifications and rearrangements have been made to the original financial statements issued domestically in Japan, for the convenience of readers outside Japan. The consolidated financial statements are not intended to present the financial positions, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the accompanying notes include information, which is not required under generally accepted accounting principles and practices in Japan, but is presented herein as additional information.

All yen figures are rounded off to the nearest million yen.

Certain reclassifications have been made in the fiscal 2006 financial statements to conform to the presentation for the fiscal 2007 financial statements.

Note 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation
In the accompanying consolidated financial statements, the Company accounts for its subsidiaries on a consolidated basis. As of December 31, 2006, the Company has eleven subsidiaries including six consolidated subsidiaries as set out in the following table.

	Group interest of capital	Activity
PAW Creation Co., Ltd.	100%	Operation of multiple tenant shopping malls including leasing of real property
Donki Johokan Co., Ltd.	51%	Operation of cellular phones sales business as an agency of Don Quijote.
D-ONE Co., Ltd.	100%	Operation of development of the group companies, and real estate business
Donkicom Co., Ltd.*	20%	Operation of mobile, web, finance, and marketing businesses
Don Quijote (USA) Co., Ltd	100%	Operation of discount retail shops.
Oriental Seafoods, Inc.	100%	Mainly whole sales to Don Quijote (USA) Co., Ltd.

* Although the percentage of its voting rights held by the Company is less than 50%, Donkicom Co., Ltd. has been consolidated because it is substantially controlled by the Company

Non-consolidated subsidiaries: 5 companies
Each of the five non-consolidated subsidiaries is small in size and is excluded from consolidation as they do not have a significant impact on the consolidated financial statements in respect of net assets, net sales, net profit, and retained earnings.

Equity method companies

(1) Affiliates with the equity method applied: 1 company
THE GALAXY RAILWAYS II Production Partnership

(2) Non-consolidated subsidiaries with the equity method applied

Five non-consolidated subsidiaries are excluded from the applied scope of the equity method as they do not have a significant impact on the financial condition and the operation.

(3) For the affiliates accounted by the equity method with the semi-annual year ended other than December 31, 2006, their semi-annual reports were incorporated in this semi-annual report.

Semi-annual accounting period for consolidated subsidiaries

Of the consolidated subsidiaries, the six months end for Don Quijote (USA) Co., Ltd. and Oriental Seafoods, Inc. is the last Saturday of September. The Company used their interim reports ended September 30, 2006 for the Group semi-annual report. The Group however made adjustments for significant transaction made between October 1, 2006 and December 31, 2006.

Cash and cash equivalents

In preparing the cash flow statements for the six months ended December 31, 2006 and 2005, cash is considered to be " cash and cash equivalents", which include cash on hand, readily available deposits and highly liquid investments with original maturities not exceeding three months.

Exchange of foreign currency accounts

All assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates. Foreign exchange gains or losses are credited or charged to current income when incurred.

All assets and liabilities of foreign consolidated subsidiaries are translated at the foreign exchange rates prevailing at the respective balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as " Foreign currency translation adjustments" in a separate component of "Shareholders' equity". Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Marketable securities and investment securities

Securities available-for-sale are carried at fair value with corresponding unrealized gains (losses) recorded directly in a separate component of stockholders' equity. Realized gains and losses, which are determined by the moving-average cost method, are reflected in the statements of income when realized. Securities available-for-sale for which fair value is not readily determinable are carried at moving average cost or amortized cost determined by the moving average method.

Investment in affiliates, in which the Group has a 20%-50% interest or otherwise exercises significant influence are carried at cost, adjusted for the company's proportionate share of their undistributed earnings or losses.

Inventories

The Company and its foreign subsidiaries adopt the principle that inventories are valued at cost determined by the retail method. Impairment loss on inventories of ¥382 million as of December 31, 2006 was recorded in "Cost of goods sold". The subsidiaries substantially adopt the principle that inventories are valued at cost determined by the average method.

Property and equipment

Property and equipment are carried at cost. Significant renewals and additions are capitalized: maintenance repairs, minor renewals and improvements, are charged to income as incurred, interest costs relating to construction of property and equipment are not capitalized.

For the Company and domestic subsidiaries, depreciation of property and equipment is computed principally by the declining balance method except the buildings, which is depreciated on the straight-line method. These are according to the rules based on the Japanese Corporation Tax Law. Property and equipment by lease contracts is computed by the straight-line method.

For the foreign subsidiary, the depreciation of property and equipment is computed by the straight-line method.

The useful lives of property and equipment for computing depreciation, which are identical with the useful lives stipulated under the Japanese Corporate Tax regulations, are as shown below:

	Years
Buildings and structures	3 to 45
Equipment and vehicles	2 to 20

In general, when assets are sold or otherwise disposed of, the profits or losses thereon, computed on the basis of the difference between depreciated costs and proceeds, are credited or charged to income in the year of sale or disposal, and costs and accumulated depreciation are removed from the accounts.

Long-lived assets are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and an impairment loss must be recognized. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recognized.

Intangible assets

In accordance with the provisional rule of the JICPA's Accounting Committee Report No. 12 "Practical Guidance for Accounting for Research and Development Costs, etc." (the "Report"), the Group accounts for software which was included in intangible assets in the same manner in fiscal 2007 as in fiscal 2006 and depreciated it using the straight-line method over the estimated useful lives (five years).

Identifiable intangibles are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and an impairment loss must be recognized. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recognized.

Negative goodwill is amortized using the straight-line method over their estimated useful lives.

Impairment of fixed assets

The Group adopted early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standards Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003). This standard also applies to non-capitalized finance leases.

Leased transactions

Non-cancelable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and relating payments are charged to income.

Common stock issuance costs

Common stock issuance costs are directly charged to income as incurred. The Japanese Corporate Law prohibits charging such stock issuance costs to capital accounts.

Bond issuance costs

Bond issuance costs are directly charged to income as incurred.

Allowance for doubtful accounts

The allowance for doubtful receivables is provided in amounts sufficient to cover possible losses on collection. The allowances for doubtful accounts has been provided for at the aggregate amount of estimated credit loss based on the individual financial approach for doubtful or troubled receivables and a general reserve for other receivables calculated based on the historical loss experience for a certain time period.

Allowance for retirement benefits for directors

The Group adopted a retirement benefit plan for directors and statutory auditors. Directors and statutory auditors are entitled to be paid a lump-sum retirement benefit determined on the basis of the Group rules.

Allowance for sales discount

Allowance for sales discount is calculated based on the aggregated amount of the historical sales discount incentive on sales.

Revenues recognition

The Company recognizes revenue as "Net sales" at the time sales are made to customers. Paw Creation Co., Ltd. recognized revenue as rental fees from tenant, as it becomes receivable according to the provision of lease agreement. These fees are determined on the basis of the sale of each tenant.

Income taxes

Income taxes are determined by using the liability method, where deferred tax assets and liabilities are recognized for temporary differences between tax basis of assets and liabilities and their reported amounts in the financial statements.

Treasury stock and reversal of statutory reserve

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002).

The effect on net income by the adoption of this new accounting standard was not material.

Derivatives financial instruments

The Group uses derivative finance instruments for the purpose of hedging against the risk of fluctuation in interests on loan payable. The carrying amounts of interest swap agreements are stated at market value at balance sheet date.

Dividends

Dividends are declared by the Board of Directors and approved by the shareholders at meetings held subsequent to the fiscal year to which the dividends are applicable, and shareholders of record as at the end of such fiscal year are entitled to the subsequently declared dividends. Dividends charged to retained earnings represent dividends approved by the shareholders and paid during the respective years. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Japanese Corporate Law.

Bonuses to directors and statutory auditors

Bonuses to directors and statutory auditors, which are subject to shareholders' approval at the annual shareholders' meeting under the Japanese Corporate Law, are charged to income as incurred.

The Company applies its method of accounting for bonuses to directors and statutory auditors to charge them to income as incurred (Practical Issues Task Force No.13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," issued by the Accounting Standards Board of Japan on March 9, 2004).

Accounting for consumption taxes

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

Shareholders' equity

Through May 1, 2006, Japanese companies are subject to the Japanese Corporate Law (the "Law")

The Law requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Law permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Law also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earning) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available of dividends by resolution of the shareholders after transferring such excess in accordance with the Law. In addition, the Law permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Law allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury sock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

Per share data

Basic net income per common share is calculated by dividing net income by the weighted-average number of shares outstanding during the reported period, retroactively adjusted for the stock splits. The calculation of diluted net income per common share is similar to the calculation of basic net income per share, except that the weighted-average number of shares outstanding includes the additional dilution from potential common stock equivalents such as convertible bonds and dilutive equity securities.

New accounting pronouncements

In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Business Separations" and ASBJ Guidance No. 10 "Guidance for Accounting Standard for Business Combinations and Business Separations" These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006. These new accounting pronouncements may be applicable to business combinations and business separations which occur on or after May 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

These specific criteria are as follow;

(a) the consideration for the business combination consists solely of common shares with voting rights,

(b) the ratio of voting rights of each predecessor shareholder groups after business combination is nearly equal, and,

(c) there are no other factors that would indicate any control exerted by any share holder group other that voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received fro the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separations is recognized.

Stock options

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options and related guidance". The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

These standard requires companies to recognize compensation expense for employee stock options based on the fair value at that date of grant and over the vesting period as consideration or receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock options or the goods or services received. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Note 4. PLEDGED ASSETS

The assets pledged as collateral for the Group's liabilities are as follows:

	Millions of yen		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
Land	**¥1,718**	¥2,619	¥2,619
Buildings and structures	**127**	345	333
Total	**¥1,845**	¥2,964	¥2,952

Liabilities related with the assets pledged are as follows:

	Millions of yen		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
Short-term loan	**¥—**	¥1,150	¥743
Current maturities of long-term debt	**1,336**	1,550	1,786
Long-term debt	**2,662**	2,250	3,780
Total	**¥3,998**	¥4,950	¥6,309

Note 5. UNUSED FINANCING COMMITMENTS

The Company had the unused line of credit with 12 banks to be drawn upon as needed to finance.

	Millions of yen		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
Gross amount of committed line of loan payable	**¥10,000**	¥10,000	¥10,000
Bank loan committed	**—**	—	—
Unused financing commitments	**¥10,000**	¥10,000	¥10,000

Note 6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses are summarized as follows:

	Millions of yen		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Employees' compensation and benefit	**¥10,085**	¥7,479	¥16,352
Occupancy and rental	**4,217**	3,825	8,061
Commission	**3,836**	3,325	6,794
Depreciation and amortization	**2,338**	2,028	4,366
Allowance for doubtful accounts	**5**	39	44
Provision for retirement benefits for directors	**27**	24	31
Accrued sales discount	**21**	23	45
Amortization of consolidation adjustment account	**—**	19	38
Other	**8,356**	6,224	12,769
Total	**¥28,885**	¥22,986	¥48,500

Note 7. CASH FLOWS INFORMATION

Cash flows information is summarized as follows:

	Millions of yen		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Cash and time deposits	**¥50,501**	¥25,952	¥27,792
Time deposits (over three months)	**—**	—	—
Cash and cash equivalents	**¥50,501**	¥25,952	¥27,792

Note 8. LEASES TRANSACTIONS

(1) Equipment under capitalized finance lease.
Non-cancelable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases.

(2) Lease transactions derived from Special Purpose - Entity (SPE)

(a) Assumed acquisition cost:

	Millions of yen		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
Land	**¥11,567**	¥11,567	¥11,567
Buildings	**7,024**	7,024	7,024
Structures	**132**	132	¥132

(b) Lease payments:

	Millions of yen		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Lease payments	**¥1,156**	¥1,083	¥2,238

(c) Maximum guarantees for SPE was ¥1,934 million.

(3) Operating lease
Future minimum lease payments subsequent to for operating leases are summarized as follows:

	Millions of yen		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
Due within one year	**¥2,312**	¥2,312	¥2,312
Due after one year	**12,352**	14,664	13,508
Total	**¥14,664**	¥16,976	¥15,820

Note 9. SEGEMENT INFORMATION

Operating segment information

Operating segment information is not presented as the discount store operations consist of more than 90% of the Group's net sales and operating income and therefore the percentages of other operating activities are not material.

Geographic segment information

Since most of the Group's business operations are conducted in Japan, geographic segment information is not presented.

Sales outside Japan

Sales outside Japan is not presented because it is less than 10% of the Group sales

Note 10. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The Group invests in equity securities and classifies its investments in equity securities as available-for-sale.
Investments securities consist of equity securities, debt securities and others.
(1) Information regarding available-for-sale securities and investment securities is as follows:

	Millions of yen								
	December 31, 2006 (Unaudited)			December 31, 2005 (Unaudited)			June 30, 2006 (Audited)		
	Acquisition cost	Fair market value	Net realized gain (loss)	Acquisition cost	Fair market value	Net realized gain (loss)	Acquisition cost	Fair market value	Net realized gain (loss)
Equity securities	**¥69**	**¥511**	**¥442**	¥57	¥676	¥619	¥68	¥548	¥480
Debt securities	**1,607**	**1,554**	**(53)**	1,007	993	(14)	1,007	974	(33)
Others	**2,945**	**3,135**	**190**	2,567	3,521	954	2,940	3,331	391
Total	**¥4,621**	**¥5,200**	**¥580**	¥3,631	¥5,190	¥1,559	¥4,015	¥4,853	¥838

(2) Unlisted equity securities are as follows:

	Millions of yen		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
(1) Securities of subsidiaries and affiliates			
Subsidiaries	**¥66**	¥66	¥66
Affiliates	**83**	105	101
(2) Other securities			
Unlisted equity securities (except the equity securities which traded on over-the-counter markets)	**1,312**	270	307
Investment in Special Purpose Entity	**2,143**	1,888	1,958
Total	**¥3,604**	¥2,329	¥2,432

Note 11. DERIVATIVES

1.Outline of derivative transactions
(1) Nature of derivative transactions
The Company utilizes currency swaps for the derivative financial instrument.

(2) Policy for derivative transactions
Derivative transactions are for evading exposure to fluctuations in foreign currencies and interest rates. The Company does not utilize derivatives for trading purposes.

(3) Purpose of derivative transactions
The Company utilizes derivative transactions for avoiding future foreign currency fluctuations caused by a rise of interest rates.

(4) Risks of derivative transactions
The Company is exposed to risks related to interest rate fluctuations, but any such risk would not be expected to be material because the Company enters into derivative transactions only with financial institutions with high credit ratings.

(5) Transaction control
Derivative transactions are appropriately pre-approved by the financial decision maker of the accounting department. The Company approves derivative transactions as appropriate, and in accordance with policies, which regulate the authorization and credit limit amount.

(6) Additional explanation regarding fair value
The fair value of the derivative financial instruments do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's risk exposure.

2.The Company had the following derivatives contracts outstanding at December 31, 2006.

	Millions of yen		
	Contract Amount	Fair Value	Unrealized loss
Interest rate swap contracts	**¥2,800**	**¥2,798**	**¥2**

The Company had the following derivatives contracts outstanding at December 31, 2005.

	Millions of yen		
	Contract Amount	Fair Value	Unrealized loss
Interest rate swap contracts	¥4,585	¥4,565	¥20

The Company had the following derivatives contracts outstanding at June 30, 2006.

	Millions of yen		
	Contract Amount	Fair Value	Unrealized gain
Interest rate swap contracts	¥4,480	¥4,483	¥3

Note 12. USE OF A SPECIAL PURPOSE ENTITY (THE "SPE") FOR PROPERTY OWNERSHIP

The Company has used a sales and lease back structure to securitize real estate assets pursuant to which the SPE acquires real estate from the Company and leases it back to the Company. The scheme was used to refinance the Shinjuku Higashi-guchi store. This particular SPE structure is required to be reviewed after five years and, if it is determined at that time not to continue with the structure, the real estate will either be repurchased by the Company or sold by the SPE to a third party. In the latter case, where the market value of the real estate has fallen to less than 75 % of the initial purchase price, the Company is required to pay the shortfall up to 75 % of the initial purchase price.

In order to obtain financing, in February 2002 the Company used the SPE structure in respect of real estate which it owned in Roppongi district of Tokyo. Under this scheme, the Company entrusted the real estate to a trustee and received beneficial rights/interests. The trustee, who leases the real estate to the Company, will receive rent from the Company and will pay dividends under the trust to the SPE. The term of the trust agreement is 6 years and the term of the lease agreement is 15 years. At the end of the trust agreement, the real estate will either be repurchased by the Company, sold to a third party by tender or assigned by the trustee to the SPE.

In order to obtain financing, in September 2002, the Company used the SPE structure in respect of real estate for PAW Kawasaki. The Company entrusted the real estate to a trustee and sold beneficial rights/interests to improve the financial structure of the Company by reducing interest-bearing debt.

In order to obtain financing, in August 2005, the Company used the SPE structure in respect of real estate for PAW Nishinomiya, PAW Ishikiri, PAW Kashiwa, and Atsugi. The Company entrusted the real estate to a trustee and sold beneficial rights/interests to improve the financial structure of the Company by reducing interest-bearing debt.

The amount of fund was stated at ¥2,143 million, which is the historical cost as of December 31,2006. Under these arrangements, the funds (investments) are subordinated to all liabilities to other members of silent partnerships and third parties other than members of the silent partnerships. Gain from fund was charged to other income. Total assets of SPEs were ¥22,591 million and total liabilities of them were ¥15,879 as of December 31, 2006.

Note 13. LONG-TERM DEBT

Long-term debt consists of the following:

	Millions of yen		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
Long-term debt:			
Straight bond	**¥20,410**	¥26,656	¥27,428
Convertible bond	**32,143**	16,255	9,090
Others	**6,467**	6,820	8,420
Long-term debt total	**¥59,020**	¥49,731	¥44,938

Note 14. OTHER INCOME, NET

Other income, net consists of the following:

	Millions of yen		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Other income:			
Rental fee for computer system	**¥758**	¥699	¥1,320
Amortization of negative goodwill	**52**	—	490
Gain on sale of investment securities	**—**	222	305
Gain on fund	**233**	207	301
Gain from sale of fixed assets	**2,515**	74	75
Gain from surrender of insurance policy	**—**	50	49
Gain from changes in equity	**—**	—	194
Other	**698**	254	541
Other income total	**4,256**	1,506	3,275
Other expenses:			
Impairment loss	**—**	—	1,194
Fee for bond guarantee	**—**	27	54
Loss on close of stores	**75**	—	—
Loss due to fire	**—**	—	195
Loss on sale of investment securities	**—**	55	55
Loss on disposal of fixed assets	**160**	32	88
Loss on investments dues to the equity method	**18**	76	94
Other	**173**	20	24
Other expenses total	**426**	210	1,704
Other income, net	**¥3,830**	¥1,296	¥1,571

Rental fees received for computer system are charged to suppliers for registration of their information on the Company's computer system and sales information on inventories.

Items included in "Gain from sales of fixed assets" are as follows:

	Millions of yen		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Buildings and structures	**¥54**	¥74	¥759
Land	**2,461**	—	(684)
Total	**¥2,515**	¥74	¥75

Items included in "Loss on disposal of fixed assets" are as follows:

	Millions of yen		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Buildings and structures	**¥94**	¥14	¥37
Equipment	**66**	14	46
Others	**0**	4	5
Total	**¥160**	¥32	¥88

Items included in "Loss on close of stores" are as follows:

	Millions of yen		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Buildings and structures	**¥50**	—	—
Equipment	**8**	—	—
Fixed leasehold deposits	—	—	—
Others	**17**	—	—
Total	**¥75**	—	—

Note 15. EXTRAORDINARY ITEMS – LOSSES ON CLOSE OF STORES

Major items included in "Loss due to fire" are as follows:

	Millions of yen		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Buildings and structures	–	–	¥83
Equipment	–	–	–
Fixed leasehold deposits	–	–	50
Others	–	–	62
Total	–	–	¥195

Note 16. STOCK INCENTIVE PLAN

The shareholders of the Company approved a stock incentive plan on September 26, 2001. The options may be exercised during the period from October 2, 2003 until October 1, 2007, and the exercise price and average market price exercised were ¥1,430 and ¥2,973 respectively. The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at price less than the market price per share. The unexercised and outstanding balance of SARs, as of June 30, 2006, was 58,800 shares.

The shareholders of the Company approved a stock incentive plan on September 25, 2002. The options may be exercised during the period from October 2, 2004 until October 1, 2008, and the exercise price and average market price exercised were ¥1,695 and ¥2,694 respectively. The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at price less than the market price per share. The unexercised and outstanding balance of SARs, as of June 30, 2006, was 334,800 shares.

The shareholders of the Company approved a stock incentive plan on September 25, 2003. The options may be exercised during the period from October 2, 2005 until October 1, 2009, and the exercise price and average market price exercised were ¥1,980 and ¥2,986 respectively. The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at price less than the market price per share. The unexercised and outstanding balance of SARs, as of June 30, 2006, was 518,100 shares.

The shareholders of the Company approved a stock incentive plan on September 28, 2004. The options may be exercised during the period from October 2, 2006 until October 1, 2016, and the exercise price was ¥1,970. The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at price less than the market price per share. The unexercised and outstanding balance of SARs, as of June 30, 2006, was 1,357,200 shares.

The shareholders of the Company approved a stock incentive plan on September 29, 2005. The options may be exercised during the period from October 2, 2007 until October 1, 2017, and the exercise price was ¥3,134. The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at price less than the market price per share. The unexercised and outstanding balance of SARs, as of June 30, 2006, was 1,930,200 shares.

The shareholders of the Company approved a stock incentive plan on September 28, 2006. The plan provides for the issuance of up to 2,000,000 shares in the form of options to management and employees. The options may be exercised during the period from October 2, 2008 until October 1, 2018, and the exercise price is almost equal to the fair market value on the date of grant. The terms of options are subject to adjustment if there are stock splits, consolidation of shares or additional shares issued at price less than the market price per share.

Note 17. EARNING PER SHARE

	Millions of yen		
	Six Months Ended December 31, 2006 (Unaudited)	Six Months Ended December 31, 2005 (Unaudited)	Year Ended June 30, 2006 (Audited)
Basic earnings per share	**¥90.78**	¥73.73	¥158.31
Diluted earnings per share	**¥84.29**	¥63.94	¥140.66

	Millions of yen		
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)	June 30, 2006 (Audited)
Shareholders' equity per share	**¥1,091.32**	¥884.58	¥1,018.43

Basic earnings per share is computed based on the weighted average number of common stock outstanding during the respective period. Diluted earnings per share is computed based on the weighted average number of shares after consideration of the dilutive effect of the shares of common stock issuable upon the conversion of convertible bond and exercise of stock options.

The Company has effected a three-for-one stock split on July 1, 2006. Per share information for the six months ended December 31, 2005 and the year ended June 30, 2006 was adjusted on the assumption that the split was effected at the beginning of the last fiscal year.

	Six Months Ended December 31, 2006 (Unaudited)
Weighted average number of shares	**71,323,850**
Effect of dilutive securities:	
Stock options	**424,856**
Convertible Bonds	**5,066,390**
Diluted weighted average number of shares	**76,815,096**

Note 18. SUBSEQUENT EVENTS

1. Acquisition of a subsidiary

Based on the contract for management aid concluded on November 30, 2006 and the statement of mutual agreement for change on the contract for management support concluded on December 29, 2006, the Board of Directors resolved at their meeting on January 31, 2007 that the Company enters into a stock purchase agreement with Doit Co., Ltd. (the "old Doit") and that a newly constituted divided company (the "new Doit") is to be a Group subsidiary.

(1) Purpose of the acquisition

After the conclusion of the contract for management support on November 30, 2006, the old Doit pondered schemes to achieve early business recovery through their drastic business and financial renovation.

The scheme they adopted was that the Group subsidiaries a company they establish by corporate division. The newly divided company succeeds all the rights and duty regarding their DIY business. The Company acquires all shares of the new Doit, and therefore the new Doit is to be a 100% Company subsidiary.

The Company and the old Doit concluded the stock purchase agreement on January 31, 2007 after the conclusion of the statement of mutual agreement for change on the contract for management aid on December 29, 2006 on the basis of the old Doit's corporate division scheme.

As a result, the Group including the new Doit is able to expand business territory by the effect of higher store network density, generating synergy effects and reinforcing store and price competitiveness.

The corporate value of the Company and the new Doit is to be highly improved as a result of promoted business efficiency.

(2) Overview of the new Doit

① Company name	Doit Co., Ltd.
② Representative director	Mitsuaki Shirahama
③ Headquarter address	1-1-3 Ennami Chuo-ku, Saitama, Saitama
④ Establishment date	January 31, 2007
⑤ Nature of business	DIY business
⑥ End of fiscal year	March 31
⑦ Number of employees	1,329
⑧ Location of main store	Headquarter: Saitama Stores: 10 in Saitama, 10 in Tokyo, 4 in Kanagawa
⑨ Capital	¥1,000,000 thousand
⑩ Total number of issued shares	7,025,000 shares
⑪ Major shareholders and its ratio	Don Quijote Co., Ltd. 100%

Financial summary of the years ended March 31, 2006 and 2005.

Doit Co., Ltd.		
	(Millions of yen, except for per share data)	
Fiscal year end	March 2005	March 2006
Net sales	¥35,265	¥32,975
Gross profit	12,164	10,986
Operating income	817	212
Recurring income	402	(197)
Net income	127	(1,514)
Total assets	30,847	27,104
Total shareholders' equity	3,518	¥2,001
Cash dividends per share	¥10.00	—

(3) Vendor information

① Company name	Sunflower Co., Ltd.
② Representative director	Masami Hasegawa
③ Headquarter address	1-7-26 Hachioji, Chuo-ku, Saitama, Saitama
④ Nature of business	DIY business
⑤ Relationship with Don Quijote Co., Ltd.	None

Numbers of shares acquired

① Number of shares before acquisition	0 shares	(Ownership ratio 0.0%)
② Number of shares acquired	7,025,000 shares	(Acquisition cost ¥14,851 million)
③ Number of shares hold	7,025,000 shares	(Ownership ratio 100.0%)

Schedule

Event	Date
Corporate resolution: Conclusion of the contract for management support	November 30, 2006
Corporate resolution: Conclusion of statement of mutual agreement for change on the contract for management support	December 29, 2006
Corporate resolution: Conclusion of the stock purchase agreement	January 31, 2007

2. Acquisition of beneficial interests of Roppongi Store.

On February 28, 2007, the Company acquired the beneficially rights of trust related to the land and building of Roppongi store for ¥4,853 million from SPE, and its delivery was made on the same day.