Summary Report of Consolidated Financial Results
For the Six Months Ended December 31, 2005

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

Don Quijote Co., Ltd.

Securities Code No.: 7532
Shares Listed: Tokyo Stock Exchange
Address: Shinjuku Sumitomo Bldg. 35F, 2-6-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
Representative: Junji Narusawa, President and Representative Director
Contact: Mitsuo Takahashi, Senior Managing Director (Phone: +81-3-5381-7588)
URL: http://www.donki.com

1. Basis for preparation of semi-annual financial results

① The financial results for the six months of fiscal 2006 and 2005 were not audited 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. Overview of Business Results and Financial Position for the six months of fiscal 2006 (From July 1, 2005 to December 31, 2005)

(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, 2005	131,247	10.0	7,407	13.8	8,477	11.9
Six Months Ended December 31, 2004	119,368	26.8	6,509	6.3	7,573	7.7
Last Fiscal Year	232,778	—	10,814	—	12,841	—

	Net Income	Change (%)	Net Income per Share (Yen)	Diluted Income per Share (Yen)
Six Months Ended December 31, 2005	4,854	13.2	221.19	191.83
Six Months Ended December 31, 2004	4,289	9.8	204.33	173.23
Last Fiscal Year	7,163	—	336.74	288.29

(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 Loss on investments due to the equity method:
Six months ended December 31, 2005 ¥76 million
Six months ended December 31, 2004 — million
Year ended June 30, 2005 — million
⑤ Weighted average number of shares:
As of December 31, 2005 21,943,770 shares
As of December 31, 2004 20,991,006 shares
As of June 30, 2005 21,270,727 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, 2005	167,755	59,157	35.3	2,653.75
As of December 31, 2004	147,057	46,793	31.8	2,198.84
Last Fiscal Year	150,048	52,128	34.7	2,398.50

(Notes)
① Number of issued shares :
As of December 31, 2005 22,292,041 shares
As of December 31, 2004 21,280,773 shares
As of June 30, 2005 21,733,699 shares
② Number of treasury stocks :
As of December 31, 2005 88,164 shares
As of December 31, 2004 277,264 shares
As of June 30, 2005 277,464 shares

(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, 2005	11,765	(3,121)	2,253	25,952
Six Months Ended December 31, 2004	9,185	(9,094)	6,869	15,863
Last Fiscal Year	8,431	(14,950)	12,669	15,055

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

Consolidated subsidiaries: 5 companies
Unconsolidated subsidiaries accounted for by the equity method: N/A
Affiliated companies accounted for by the equity method: 2 companies
Change in scope of consolidation: Consolidated (new): 1 company
Equity method (new): 1 company

3. Consolidated Business Forecast： For the year ending June 30, 2006 (From July 1, 2005 to June 30, 2006)

(Millions of yen, except per-share data)

	Net Sales	Recurring Income	Net Income	Net Income per Share (Yen)
Year Ending June 30, 2006	259,000	14,900	8,300	372.33

(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 22,292,041 shares as of December 31, 2005 (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, 2005 and 2004. (Millions of yen)

	Six Months Ended December 31, 2005 (Unaudited)		Six Months Ended December 31, 2004 (Unaudited)		Change		Last Fiscal Year (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Net sales	131,247	100.0	119,368	100.0	11,879	10.0	232,778	100.0
Gross profit	30,393	23.2	27,217	22.8	3,176	11.7	53,448	23.0
Selling, general and Administrative expenses	22,986	17.5	20,708	17.4	2,278	11.0	42,634	18.4
Operating income	7,407	5.6	6,509	5.5	898	13.8	10,814	4.6
Recurring income	8,477	6.5	7,573	6.3	904	11.9	12,841	5.5
Net income	4,854	3.7	4,289	3.6	565	13.2	7,163	3.1

Japanese economy during the six months of fiscal 2006 overall had been recovering due to expansion of investments in property and increase of private consumption supported by growth of employment and income.

In the retail industry, corporate profits had been improving, reflecting the recovery of consumer confidence due to the improvement of employment situation, the increase of household income, and the effect of booming the high stock prices, though business environment had still been severe because of selective consumption behavior and competitive market.

In such conditions, Don Quijote Co., Ltd. (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 by consumers.

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 2006, the Company opened eight stores: One store in Tohoku area (Miyagi prefecture – PAW Sendai Minami), three stores in Kanto area (Tokyo metropolis－Picasso Nishi Waseda: Kanagawa prefecture－Hinodecho: Chiba prefecture－Gyotoku Ekimae), two stores in Chubu area (Shizuoka prefecture－Numazu: Nagano prefecture – PAW Kawanakajima), and two stores in Kansai area (Osaka prefecture－Sakuranomiya: Wakayama prefecture – Burakuricho). Kampachi Setagaya store, which had been suspended, was refurbished and reopened in September 2005. The operation of Fuchu store has been suspended due to its refurbishment since August 2005. Consequently, the total number of stores at the end of December 2005 is 115 (107 at the end of the last fiscal year).

As a result, for the six months of fiscal 2006 the Group achieved the following net sales and net income.

Net sales 131,247 million yen (up 10.0% from the six months of fiscal 2005)
Recurring income 8,477 million yen (up 11.9% from the six months of fiscal 2005)
Net income 4,854 million yen (up 13.2% from the six months of fiscal 2005)

(2) Segment Overview

Business results for the six months ended December 31, 2005 and 2004. (Millions of yen)

	Six Months Ended December 31, 2005 (Unaudited)		Six Months Ended December 31, 2004 (Unaudited)		Change		Last Fiscal Year (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Discount store operations								
Electrical goods	26,153	19.9	24,844	20.8	1,309	5.3	47,976	20.6
Merchandise	28,666	21.8	25,719	21.5	2,947	11.5	50,627	21.7
Foods	24,094	18.4	22,319	18.7	1,775	8.0	45,126	19.4
Watches, fashion goods	37,135	28.3	32,368	27.1	4,767	14.7	62,163	26.7
Sports, leisure goods	9,822	7.5	9,348	7.8	474	5.1	17,107	7.3
Others	2,386	1.8	2,493	2.2	(107)	(4.3)	5,046	2.3
Subtotal	128,256	97.7	117,091	98.1	11,165	9.5	228,045	98.0
Rental business operations	2,675	2.0	2,277	1.9	398	17.5	4,660	2.0
Other operations	316	0.3	—	—	316	—	73	0.0
Total	131,247	100.0	119,368	100.0	11,879	10.0	232,778	100.0

(Discount store operations)

Net sales from discount store operations for the six months of fiscal 2006 increased ¥11,165 million from the six months of fiscal 2005 to ¥128,256 million (up 9.5%). Although net sales of relatively high priced electrical goods and watches, fashion goods showed high growth rate, this is resulted from stagnant growth of foods and sports, leisure goods sales compared to the same period of the last fiscal year, when the heat wave caused boosted demand of the goods.

(Rental business operations)

Net sales from rental business operations for the six months of fiscal 2006 increased ¥398 million from the six months of fiscal 2005 to ¥2,675 million (up 17.5%). This was due to the increase of tenant numbers accompanied by increased number of PAW shopping malls. The number of PAW shopping malls totaled 27 at the end of December 2005 (23 malls at the end of December 2004).

(Other operations)

Net sales from other operations for the six months of fiscal 2006 is ¥316 million. This resulted mainly from real estate business and internet service business.

II. Financial Position

(Millions of yen)

	December 31, 2005 (Unaudited)		December 31, 2004 (Unaudited)		Change (From the last fiscal year)		June 30, 2005 (Audited)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Total assets	167,755	100.0	147,057	100.0	17,707	11.8	150,048	100.0
Current assets	76,507	45.6	62,439	42.5	15,314	25.0	61,193	40.8
Fixed assets	91,248	54.4	84,618	57.5	2,393	2.7	88,855	59.2
Current liabilities	55,771	33.2	59,187	40.3	15,486	38.4	40,285	26.9
Long-term liabilities	52,827	31.5	41,069	27.9	(4,808)	(8.3)	57,635	38.4
Total liabilities	108,598	64.7	100,256	68.2	10,678	10.9	97,920	65.3
Minority interests	—	—	8	0.0	—	—	—	—
Total shareholders' equity	59,157	35.3	46,793	31.8	7,029	13.5	52,128	34.7

(Millions of yen)

	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Change
Net cash provided by operating activities	11,765	9,185	2,580
Net cash used in investing activities	(3,121)	(9,094)	5,973
Net cash provided by financing activities	2,253	6,869	(4,616)
Cash and cash equivalents at the end of the period	25,952	15,863	10,089

Analysis of Financial Condition

(1) Assets, liabilities and shareholders' equity

1. Total assets

Total assets as of December 31, 2005 increased by ¥ 17,707 million from June 30, 2005 to ¥167,755 million.
This was mainly due to the increase of investment securities of subsidiaries and affiliates by ¥7,665 million and inventories by ¥3,062 million.

2. Liabilities

Liabilities as of December 31, 2005 increased by ¥10,678 million from June 30, 2005 to ¥108,598 million. This was due to the increase of accounts payable-trade due to the expansion of operation by ¥8,026 million and the increase of commercial paper due to the issuance by ¥ 4,000 million.

3. Shareholders' equity

Reflecting the increase of net income, shareholders' equity as of December 31, 2005 increased by ¥7,029 million from June 30, 2005 to ¥59,157 million.

(2) Consolidated Statements of Cash Flows

1. Cash flows from operating activities

There were not only positive factors such as the increases of net income by operating activities and of trade payable but also negative factors such as the increases of inventories accompanied by store expansion and of income tax payments, so that net cash provided by operating activities for the six months of fiscal 2006 increased to ¥11,765 million.

2. Cash flows from investing activities

Net cash used in investing activities for the six months of fiscal 2006 went into the red by ¥3,121 million, mainly due to the expenditure of payments for purchase of tangible fixed assets for stores and investment securities of subsidiaries and affiliates.

3. Cash flows from financing activities

Net cash provided by financing activities for the six months of fiscal 2006 is ¥2,253 million due to the issuance of commercial paper.

From these facts, cash and cash equivalents at the end of December 2005 increased by ¥10,089 million from the end of December 2004 to ¥25,952 million.

The cash flows indication of the Group is as follows:

	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Six Months Ended December 31, 2003 (Unaudited)	Six Months Ended December 31, 2002 (Unaudited)
Total shareholders' equity / Total assets (%)	35.3	31.8	33.0	35.3
Market capitalization * / Total assets (%)	131.0	75.7	101.0	133.3
Cash flows from operating activities / Interest paid (time)	40.6	47.2	23.0	36.3
Debt bearing interest / Cash flows from operating activities (year)	5.6	6.7	8.7	6.4

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 Factors

Listed below are the main risks that could affect the business of Don Quijote Group (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 filing the semi-annual financial reports to MOF, March 24 , 2006.

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 difficulties 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 consumers' 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 according to 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 reduce 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 payables to a third party contractor. Any significant interruption in the procedures, failure by the contractor to properly coordinate the procedures successfully or any financial difficulties on the contractor would have a material adverse effect on the Group's accounting and payment process.

9. Security of customers' data

The Group handles customers' 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 applied the accounting standard for impairment of fixed assets as earlier adoption since the year ended June 30, 2004.

The Halfpipe, which is the roller coaster on top of Roppongi store, is under construction, but the completion date has not determined yet.

The Halfpine has not been impaired yet.

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

The Fair Trade Commission of Japan claimed that the Group forced the suppliers to burden the partial promotion cost, the labor work for counting the inventories, against the antimonopoly law on March 9, 2005. The Group alleged that this claim is not accepted on March 22, 2005. The procedures have not been settled yet.

12. International operations subjects us to risks associated with the legislative, judicial, accounting, regulatory, political and economic conditions specific to the country or region in which we operate

Our future operating results in the United States of America could be negatively affected by the variety of factors, most of which are beyond our control. These factors include economic conditions, political conditions, legal conditions and regulatory constraints, cultural condition, business practice, market competitive condition, currency regulations and other matters.

Consolidated Balance Sheets

	(Millions of yen)		
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
ASSETS			
Current assets:			
Cash and deposits	**¥25,952**	¥15,863	¥15,055
Accounts receivable-trade	**3,188**	2,983	2,311
Less: Allowance for doubtful accounts	**(7)**	(4)	(4)
Inventories	**42,509**	38,822	39,447
Prepaid expenses	**1,084**	894	1,002
Deferred tax assets	**1,360**	1,146	1,169
Fire insurance claims unsettled	—	783	—
Other current assets	**2,421**	1,952	2,213
Total current assets	**76,507**	62,439	61,193
Investments and advances:			
Investment securities	**13,703**	4,498	6,044
Advance payment for fixed leasehold deposits	**616**	119	387
Long-term loans receivable	**870**	1,164	876
Less: Allowance for doubtful accounts	**(40)**	(4)	(5)
Total investments and advances	**15,149**	5,777	7,302
Property and equipments, at cost:			
Land	**20,387**	23,757	24,316
Buildings and structures	**37,351**	34,969	40,312
Vehicles and delivery equipments	**54**	50	54
Equipments	**10,152**	8,428	9,479
Construction in progress	**899**	3,331	1,063
Less: Accumulated depreciation	**(13,656)**	(10,017)	(12,245)
Net property and equipments	**55,187**	60,518	62,979
Intangibles	**3,980**	2,147	2,421
Other assets:			
Fixed leasehold deposits	**13,832**	12,774	13,121
Prepaid expenses	**1,247**	1,093	1,183
Deferred tax assets	—	473	82
Cash surrender value	**1,815**	1,836	—
Other non-current assets	**38**	—	1,767
Total other assets	**16,932**	16,176	16,153
Total assets	**¥167,755**	¥147,057	¥150,048

The accompanying notes are integral part of the statements.

	(Millions of yen)		
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable-trade	**¥30,696**	¥28,072	¥22,671
Short-term loans payable	**1,975**	4,625	125
Current maturities of long-term debt	**9,856**	7,287	9,098
Commercial paper	**4,000**	10,000	—
Accrued income taxes	**4,155**	3,640	3,295
Accrued expenses	**1,477**	1,252	1,688
Other current liabilities	**3,612**	4,311	3,408
Total current liabilities	**55,771**	59,187	40,285
Long-term liabilities:			
Long-term debt	**49,731**	39,414	55,985
Allowance for retirement benefits for directors	**178**	148	155
Deferred tax liabilities	**1,375**	—	—
Other non-current liabilities	**1,543**	1,507	1,495
Total long-term liabilities	**52,827**	41,069	57,635
Total liabilities	**108,598**	100,256	97,920
Minority interests	—	8	—
Shareholders' equity:			
Common stock	**10,553**	8,682	9,654
Additional paid-in capital	**11,867**	9,996	10,968
Retained earnings	**36,292**	29,472	32,346
Net unrealized gains on investment securities	**927**	157	675
Total	**59,639**	48,307	53,643
Less: Treasury stock, at cost	**(482)**	(1,514)	(1,515)
Total shareholders' equity	**59,157**	46,793	52,128
Total liabilities, minority interest and shareholders' equity	**¥167,755**	¥147,057	¥150,048

The accompanying notes are integral part of the statements.

Consolidated Statements of Income

	(Millions of yen)		
	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Net sales	**¥131,247**	¥119,368	¥232,778
Cost of goods sold	**100,854**	92,151	179,330
Gross profit	**30,393**	27,217	53,448
Selling, general and administrative expenses	**22,986**	20,708	42,634
Operating income	**7,407**	6,509	10,814
Other income (expenses):			
Interest and dividend income	**122**	128	244
Interest expense	**(260)**	(171)	(403)
Stock issuance cost	**(12)**	(12)	(19)
Bond issuance cost	**—**	(8)	(163)
Other income, net	**1,296**	1,162	2,483
Extraordinary item-losses due to fire	**—**	(117)	(266)
Income before income taxes and minority interests	**8,553**	¥7,491	12,690
Income taxes:			
Current	**3,872**	3,418	5,742
Deferred	**(173)**	(197)	(188)
Income before minority interests	**4,854**	4,270	7,136
Minority interests	**—**	19	27
Net income	**¥4,854**	¥4,289	¥7,163

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, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Operating income	**¥7,407**	¥6,509	¥10,814
Other income (expenses):			
Interest and dividend income	**122**	128	244
Interest expense	**(260)**	(171)	(403)
Stock issuance cost	**(12)**	(12)	(19)
Bond issuance cost	**—**	(8)	(163)
Other income, net	**1,220**	1,127	2,368
Recurring income	**8,477**	7,573	12,841
Other and extraordinary income (expenses):			
Other income and expenses, net	**76**	35	115
Extraordinary item-losses due to fire	**—**	(117)	(266)
Income before income taxes and minority interests	**¥8,553**	¥7,491	¥12,690

Amount per share of common stock:	(Yen)		
	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Basic earnings:			
Net income	**¥221.19**	¥204.33	¥336.74
Diluted earnings:			
Net income	**¥191.83**	¥173.23	¥288.29

The accompanying notes are integral part of the statements.

Consolidated Statements of Stockholders' Equity

	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
	(Millions of yen)		
Common stock:			
Balance at beginning of the period	**¥9,654**	¥7,134	¥7,134
Exercise of stock options	**36**	144	259
Conversion of convertible bonds	**863**	1,404	2,261
Balance at end of the period	**¥10,553**	¥8,682	¥9,654
Additional paid- in capital:			
Balance at beginning of the period	**¥10,968**	¥8,449	¥8,449
Exercise of stock options	**36**	144	259
Conversion of convertible bonds	**863**	1,403	2,260
Balance at end of the period	**¥11,867**	¥9,996	¥10,968
Retained earnings:			
Balance at beginning of the period	**¥32,346**	¥25,808	¥25,808
Net income	**4,854**	4,289	7,163
Cash dividends	**(869)**	(625)	(625)
Loss on sale of treasury stock	**(39)**	—	—
Balance at end of the period	**¥36,292**	¥29,472	¥32,346

The accompanying notes are integral part of the statements.

Consolidated Statements of Cash Flows

	(Millions of yen)		
	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Cash flows from operating activities:			
Income before income taxes	**¥8,553**	¥7,491	¥12,690
Depreciation and amortization	**2,263**	2,006	4,441
Increase in doubtful accounts	**39**	3	3
Provision for retirement benefits for directors	**24**	5	12
Increase in accrued sales discount	**23**	—	—
Interest and dividend income	**(123)**	(128)	(244)
Gain from funds	**(207)**	(209)	(290)
Interest expenses	**288**	195	454
Foreign exchange gain	—	1	0
Loss on investments due to the equity method	**76**	—	—
Gain from changes in equity	—	(63)	(63)
Gain (Loss) on sale of investment securities	**(167)**	4	(229)
Loss (Gain) on derivatives	**(22)**	49	42
Loss on fire disaster	—	50	97
Loss (Gain) on disposal of property and equipments	**(42)**	26	115
Offset rent from deposit	**310**	227	566
Increase in trade receivable	**(877)**	(966)	(294)
Increase in inventories	**(3,062)**	(3,708)	(4,333)
Increase in other current assets	**(260)**	(1,479)	(1,124)
Increase in trade payable	**8,026**	7,709	2,307
Increase in other current liabilities	**56**	804	275
Increase in other non-current liabilities	—	157	188
Other, net	**59**	—	(292)
Cash generated from operations	**14,957**	12,172	14,321
Received interest and dividend income	**111**	95	47
Interest paid	**(290)**	(195)	(381)
Income tax paid	**(3,013)**	(2,887)	(5,556)
Net cash provided by operating activities	**11,765**	9,185	8,431
Cash flows from investing activities:			
Payments for purchase of property and equipments	**(3,186)**	(6,770)	(11,685)
Proceeds from sale of property and equipments	**8,926**	7	8
Payments for purchase of intangible assets	**(142)**	(711)	(1,053)
Collection of loan receivable	—	8	296
Payments for leasehold deposits	**(2,278)**	(2,034)	(3,598)
Proceeds from termination of leasehold deposits	**1,555**	848	2,118
Advance payment for fixed leasehold deposits	—	(442)	—
Payments for cash surrender value	—	(77)	—
Proceeds from cash surrender value	—	3	—
Payments for purchase of investment securities	**(913)**	(166)	(1,291)
Proceeds from sale of investment securities	**580**	262	1,213
Payments for acquisition of securities of subsidiaries	**(3,559)**	—	—
Payments for purchase of affiliates' securities	**(2,939)**	—	—
Payments to funds	**(440)**	—	—
Refunds from funds	**75**	—	—
Other, net	**(800)**	(22)	(958)
Net cash used in investing activities	**(3,121)**	(9,094)	(14,950)

Cash flows from financing activities:			
Borrowing of short-term bank loans	**—**	9,625	—
Repayment of short-term bank loans	**—**	(5,848)	—
Net increase (decrease) on short-term bank loans	**1,850**	—	(724)
Proceeds from issuance of commercial paper	**—**	20,000	—
Payments for redemption of commercial paper	**—**	(20,000)	—
Net increase (decrease) on commercial paper	**4,000**	—	(10,000)
Borrowing of long-term debt	**800**	7,000	9,000
Repayment of long-term debt	**(3,342)**	(2,837)	(6,282)
Proceeds from issuance of bonds	**—**	1,000	23,000
Payments for redemption of bonds	**(1,228)**	(300)	(760)
Repayment of lease liabilities	**—**	(23)	(46)
Proceeds from private placement of subsidiaries	**—**	90	—
Proceeds from sale of treasury stock	**997**	—	—
Payments for purchase of treasury stock	**—**	(1,501)	(1,502)
Issuance of common stock	**72**	288	608
Payments of cash dividends	**(869)**	(625)	(625)
Other, net	**(27)**	—	—
Net cash provided by financing activities	**2,253**	6,869	12,669
Effect of exchange rate changes on cash and cash equivalents	**—**	1	1
Net increase in cash and cash equivalents	**10,897**	6,959	6,151
Cash and cash equivalents at beginning of the period	**15,055**	8,904	8,904
Cash and cash equivalents at end of the period	**¥25,952**	¥15,863	¥15,055

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”), five consolidated subsidiaries (Paw Creation Co., Ltd., Donki Johokan Co., Ltd., D-ONE Co., Ltd., Donkicom Co., Ltd., and Cervantes Co., Ltd.) and two affiliated companies by the equity method and five non-consolidated subsidiaries.
Major operations of the Group are as follows:

(Discount store operations)
The Company operates the retail chain business by selling electrical appliances, miscellaneous household goods, foods, watches, fashion goods, sporting goods and leisure goods with the concept of “great convenient and discount stores”.

(Rental business operations)
Paw Creation Co., Ltd. rents part of floor space in PAW shopping malls to tenants.

The Company operates the 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 Commercial Code 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 conveniences 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 2004 financial statements to conform to the presentation for 2005.

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, 2005, the Company has ten subsidiaries including five 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 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.	100%	Operation of mobile, web, finance, and marketing businesses
Cervantes Co., Ltd.*	100%	Operation of real estate administration business

＊ Cervantes Co., Ltd. is newly included in the consolidated financial statements from the six months ended December 31, 2005.

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: 2 companies
Origin Toshu Co., Ltd.
THE GALAXY RAILWAYS II Production Partnership

Origin Toshu Co., Ltd. became a newly affiliated company with the equity method applied in the six months ended December 31, 2005.

(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.

Cash and cash equivalents
In preparing the cash flow statements for the six months ended December 31, 2005 and 2004, 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.

Translation of foreign currency accounts
Accounts payables denominated in foreign currencies are translated into Japanese yen at the foreign currency exchange rates in effect at the respective balance sheet dates. Translation differences are charged to income.

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 securities other than trading securities and securities being held to maturity.
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 adopts the principle that inventories are valued at cost determined by the retail method.
Impairment loss on inventories of ¥444 million as of December 31, 2005 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 equipments
Property and equipments are carried at cost. Significant renewals and additions are capitalized. Maintenance repairs, minor renewals and improvements are charged to income as incurred, and interest costs relating to construction of property and equipments are not capitalized.
Depreciation of property and equipments 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 equipments by lease contracts is computed by the straight-line method.
The useful lives of property and equipments for computing depreciation, which are identical with the useful lives stipulated under the Japanese Corporate Tax regulations.
The useful lives of property and equipments 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
Equipments 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 Company accounts for software which was included in intangible assets in the same manner in fiscal 2006 as in fiscal 2005 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.

Impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued the "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use. The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004.

The Company has applied this new standard for the year ended June 30, 2004.

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 Commercial Code 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 Company 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 Company rules.

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 become 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 Commercial Code.

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 Commercial Code, are charged to income as incurred.

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
The Japanese Commercial Code requires at least 50% of the issue price of new shares to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

Effective October 1, 2001, the amended Japanese Commercial Code provides that an amount of at least 10 % of the aggregate amounts of cash dividends and directors' and statutory auditors' bonuses which are made as an appropriation of retained earnings allocable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve plus additional paid-in capital equals 25 % of stated capital.

The Japanese Commercial Code permits the transfer of the portions of additional paid-in capital by the resolution of the Board of Directors. The Japanese Commercial Code also permits the transfer of portions of inappropriate retained earnings to stated capital by resolution 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. 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.
Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance "Accounting Standard for Earnings Per Share" and "Implementation Guidance for Accounting Standard for Earnings Per Share."

Note 4. PLEDGED ASSETS

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

	Millions of yen		
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
Land	**¥2,619**	¥2,619	¥2,619
Buildings and structures	**345**	370	357
Total	**¥2,964**	¥2,989	¥2,976

Liabilities related with the assets pledged are as follows:

	Millions of yen		
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
Short-term loan	**¥1,150**	¥4,000	¥—
Current maturities of long-term debt	**1,550**	2,055	1,844
Long-term debt	**2,250**	3,800	2,900
Total	**¥4,950**	¥9,855	¥4,744

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, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
Gross amount of committed line of loan payable	**¥10,000**	—	¥10,000
Bank loan committed	**—**	—	—
Unused financing commitments	**¥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, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Employees' compensation and benefit	**¥7,479**	¥7,442	¥14,893
Occupancy and rental	**3,825**	3,298	6,714
Commission	**3,325**	2,466	5,736
Depreciation and amortization	**2,028**	1,841	4,066
Allowance for doubtful accounts	**39**	3	3
Provision for retirement benefits for directors	**24**	5	12
Accrued sales discount	**23**	—	—
Amortization of consolidation adjustment account	**19**	—	2

Note 7. CASH FLOWS INFORMATION

Cash flows information is summarized as follows:

	Millions of yen		
	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Cash and time deposits	**¥25,952**	¥15,863	¥15,055
Time deposits exceed three months	**—**	—	—
Cash and cash equivalents	**¥25,952**	¥15,863	¥15,055

Note 8. LEASES TRANSACTIONS

(1) Equipments under capitalized finance lease.

Effective July 1, 2004, the Company and its consolidated subsidiaries changed their method of accounting for noncancelable lease transactions which transfer substantially all risks and rewards associated with the ownership of assets, from accounting for them as operating leases, to capitalized finance leases.

(2) Lease transactions derived from Special Purpose Company (SPC)

(a) Assumed acquisition cost:

	Millions of yen		
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
Land	**¥11,567**	¥8,279	¥8,279
Buildings	**7,024**	2,736	2,736
Structures	**132**	62	62

(b) Lease payments:

	Millions of yen		
	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Lease payments	**¥1,083**	¥717	¥1,434

(c) Maximum guarantees for SPC was ¥2,075 million.

(3) Operating lease

Future minimum lease payments subsequent to for operating leases are summarized as follows:

	Millions of yen		
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
Due within one year	**¥2,312**	¥1,074	¥642
Due after one year	**14,664**	4,890	4,605
Total	**¥16,976**	¥5,964	¥5,247

Note 9. SEGEMENT INFORMATION

Operating segment information

Operating segment information is not presented as the discount store operations consist of 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

The Group has no sales outside Japan.

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, 2005 (Unaudited)			December 31, 2004 (Unaudited)			June 30, 2005 (Audited)		
	Acquisition cost	Fair market value	Net realized gain (losses)	Acquisition cost	Fair market value	Net realized gain	Acquisition cost	Fair market value	Net realized gain (losses)
Equity securities	**¥57**	**¥676**	**¥619**	¥27	¥56	¥29	¥51	¥889	¥838
Debt securities	**1,007**	**993**	**(14)**	—	—	—	1,007	1,003	(4)
Others	**2,567**	**3,521**	**954**	2,694	2,928	234	2,094	2,398	304
Total	**¥3,631**	**¥5,190**	**¥1,559**	¥2,721	¥2,984	¥263	¥3,152	¥4,290	¥1,138

(2) Unlisted equity securities are as follows:

	Millions of yen		
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
(1) Securities of subsidiaries and affiliates			
Subsidiaries	**¥66**	¥70	¥70
Affiliates	**105**	—	105
(2) Other securities			
Unlisted equity securities (except the equity securities which traded on over-the-counter markets)	**270**	160	248
Investment in Special Purpose Company	**1,888**	—	1,316
Total	**¥2,329**	¥231	¥1,739

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, 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 December 31, 2004.

	Millions of yen		
	Contract Amount	Fair Value	Unrealized loss
Interest rate swap contracts	¥4,800	¥4,751	¥49

The Company had the following derivatives contracts outstanding at June 30, 2005.

	Millions of yen		
	Contract Amount	Fair Value	Unrealized loss
Interest rate swap contracts	¥5,800	¥5,758	¥42

Note 12. USE OF A SPECIAL PURPOSE COMPANY (THE “SPC”) FOR PROPERTY OWNERSHIP

The Company has used a sales and lease back structure to securitize real estate assets pursuant to which an SPC 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 SPC 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 SPC 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 SPC 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 SPC. 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 SPC.

In order to obtain financing, in September 2002, the Company used the SPC 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 SPC 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.

Note 13. LONG-TERM DEBT

Long-term debt consists of the following:

	Millions of yen		
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
Long-term debt:			
Straight bond	**¥26,656**	¥8,880	¥28,884
Convertible bond	**255**	2,694	981
Bond with stock option	**16,000**	17,000	17,000
Others	**6,820**	10,840	9,120
Long-term debt total	**¥49,731**	¥39,414	¥55,985

Note 14. OTHER INCOME, NET

Other income, net consists of the following:

	Millions of yen		
	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Other income:			
Rental fee for computer system	**¥699**	¥674	¥1,252
Gain on sale of investment securities	**222**	—	233
Gain on fund	**207**	209	290
Gain from sale of fixed assets	**74**	—	—
Gain from surrender of insurance policy	**50**	—	358
Gain from changes in equity	—	63	63
Other	**254**	322	705
Other income total	**1,506**	1,268	2,901
Other expenses:			
Fee for bond guarantee	**27**	24	51
Loss on sale of investment securities	**55**	4	4
Loss on disposal of fixed assets	**32**	28	115
Loss on investments dues to the equity method	**76**	—	—
Loss on derivatives	—	49	42
Other	**20**	1	206
Other expenses total	**210**	106	418
Other income, net	**¥1,296**	¥1,162	¥2,483

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, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Buildings and structures	**¥74**	¥—	¥—

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

	Millions of yen		
	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Buildings and structures	**¥14**	¥1	¥27
Vehicles and delivery equipments	**—**	0	—
Equipments	**14**	25	88
Others	**4**	1	0
Total	**¥32**	¥28	¥115

Note 15. EXTRAORDINARY ITEMS – LOSSES DUE TO FIRE

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

	Millions of yen		
	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Buildings and structures	**—**	¥38	¥66
Vehicles and delivery equipments	**—**	0	—
Equipments	**—**	11	31
Others	**—**	68	291
Loss due to fire	**—**	117	388
Proceeds from fire insurance	**—**	—	122
Total	**—**	¥117	¥266

Note 16. EARNING PER SHARE

	Millions of yen		
	Six Months Ended December 31, 2005 (Unaudited)	Six Months Ended December 31, 2004 (Unaudited)	Year Ended June 30, 2005 (Audited)
Basic earnings per share	**¥221.19**	¥204.33	¥336.74
Diluted earnings per share	**¥191.83**	¥173.23	¥288.29

	Millions of yen		
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)	June 30, 2005 (Audited)
Shareholder's equity per share	**¥2,653.75**	¥2,198.84	¥2,398.50

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.

	Six Months Ended December 31, 2005 (Unaudited)
Weighted average number of shares	**21,943,770**
Effect of dilutive securities:	
Stock options	**160,023**
Convertible Bonds	**3,199,978**
Diluted weighted average number of shares	**25,303,771**

Note 17. SUBSEQUENT EVENTS

1. Stock acquisition

Purpose of stock acquisition

The purpose is to greatly improve the corporate value by pursuing efficiency of scale and fully using our corporate operation expertise by the Group management.

Overview of the new subsidiary

① Company name	THE DAI'EI (USA), INC.	Oriental Seafoods, Inc.
② Representative director	Kozo Yamagishi	Kozo Yamagishi
③ Headquarter address	801 Kaheka St. Honolulu, Hawaii,USA	801 Kaheka St. Honolulu, Hawaii,USA
④ Establishment date	August 3, 1972	November 24, 1980
⑤ Nature of business	General merchandise supermarket	Sales, purchase of fish
⑥ End of fiscal year	January 31	January 31
⑦ Number of employees	229 (as of January 31, 2005)	23 (as of January 31, 2005)
⑧ Capital	U.S.$97,000,000	U.S.$1,000,000
⑨ Location of main store	Honolulu	Honolulu
⑩ Total number of issued shares	3,000 shares	10,000 shares
⑪ Major shareholders and its ratio	The Daiei, Inc. 100%	THE DAI'EI (USA),INC. 100%

Financial summary of the years ended January 31, 2005 and 2004

Thousands of dollars

	THE DAI'EI (USA), INC.		Oriental Seafoods, Inc.	
Fiscal year end	January 2004	January 2005	January 2004	January 2005
Net sales	$151,610	$155,633	$7,622	$7,933
Gross profit	36,897	38,373	1,950	1,948
Operating income	899	805	(96)	(149)
Recurring income	1,960	1,653	(96)	(149)
Net income	1,960	1,653	(60)	(92)
Total assets	113,611	116,950	1,608	1,487
Total shareholders' equity	97,806	$98,978	$1,076	$984
Cash dividends per share	$333.33	—	—	—

Overview of The Daiei, Inc.

① Company name The Daiei, Inc.
② Representative director President & Chief Operating Officer Yasuyuki Higuchi
③ Headquarter 4-1-1, Minatojima Nakamachi Chuo-ku, Kobe, Hyogo
④ Nature of business Merchandise wholesale and retail through self-service sales system
⑤ Relationship with Don Quijote Co., Ltd. None

Numbers of shares acquired

	THE DAI'EI (USA), INC.	Oriental Seafoods, Inc.
① Number of shares before acquisition	0 shares (0%)	0 shares (0%)
② Number of shares acquired	3,000 shares (100%)	10,000 shares (100%)
③ Number of shares hold	3,000 shares (100%)	10,000 shares (100%)

Schedule

Event	Date
The board of directors' meeting for acquisition	December 8, 2005
The stock purchase agreements signed	December 8, 2005
The title transfer	February 24, 2006

２．Additional stock acquisition of Origin Toshu Co., Ltd.

Purpose of stock acquisition

The purpose of the stock acquisition is to pursue the possibility of the profit increase and the new business opportunities for the development of joint stores and the cooperative purchasing in collaboration with Origin Toshu Co., Ltd. ("Origin").

Subsequent to the launch of the Company's Tender Offer, AEON Co., Ltd. ("AEON") commenced a tender offer for shares of Origin on January 31, 2006. The board of directors decided to sell Origin shares to AEON on February 24, 2006. As a result, the expected gain on sale of the investment securities is ¥6,067 million for year ending June 30, 2006.