



**YUHO REPORT**

Annual

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Fiscal Year Ended **June 30,1999**

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Traded **TSE2**

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Stock Code **7532**

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**Don Quijote Co.,Ltd.**

DON QUIJOTE

# YUHOREPORT

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Fiscal Year Ended	June 30, 1999
Traded	TSE2
Stock Code	7532

This report is based on the Company’s Japanese-language annual filing with the Ministry of Finance and supplemented with materials that facilitate comparison with the Company’s peers. The materials from the annual filing with the Ministry of Finance have been edited and reorganized in a format more familiar to the international investment community. All information contained in this report has been obtained from sources believed to be reliable, but the accuracy of the data and the translation, completeness, or timeliness of the information are not warranted by the Company, Pacific Associates, or Asia Securities Printing. None of the above parties shall be responsible for any errors or omissions or for the results obtained from the use of this information.

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## Company Profile

## Financial highlights

Years ended June 30; Thousands of yen	1995	*1996	1997	1998	1999	*Change 1999/1997
<b>Parent</b>						
Net sales	5,513,879	9,884,321	14,625,429	24,481,351	45,715,211	313%
Ordinary profit	372,266	578,493	773,622	1,487,281	3,648,899	472%
Net income	180,191	276,779	392,303	687,036	1,659,037	423%
Common stock	30,000	30,000	543,000	1,985,100	5,427,900	1000%
Shares outstanding	60,000	3,600,000	4,200,000	4,750,000	4,990,000	119%
Shareholders' equity	403,877	680,657	3,444,091	6,994,327	15,515,214	450%
Total assets	1,406,495	3,327,675	5,608,095	11,011,279	22,779,848	406%
Shareholders' equity per share (Yen)	6,731.29	189.07	820.02	1,472.48	3109.26	379%
Dividends per share (Yen)	-	-	5.00	5.00	5.00	100%
Net income per share (Yen)	4,105.48	76.88	100.02	162.88	348.35	348%
Net income per share, fully diluted (Yen)	-	-	-	-	-	-
Dividend payout ratio (%)	-	-	5.4	3.5	1.5	-
Employees	39	65	121	199	397	328%
<b>Consolidated</b>						
Net sales	-	11,373,216	15,954,141	25,515,010	46,522,042	292%
Ordinary profit	-	581,612	771,116	1,500,480	3,674,807	477%
Net income	-	290,500	402,721	710,280	1,675,347	416%
Shareholders' equity	-	694,378	3,468,229	7,041,710	15,578,907	449%
Total assets	-	3,783,991	5,883,041	11,174,891	22,938,805	390%
Shareholders' equity per share (Yen)	-	192.88	825.76	1,482.47	3122.02	378%
Net income per share (Yen)	-	80.69	102.67	168.39	351.78	343%
Net income per share, fully diluted (Yen)	-	-	-	-	-	-

On January 31, 1996, the Company split each of its 500-yen par value shares into 40 non-par value shares. On June 30, 1996, it again split its shares, this time on a 1.5-to-1 basis. For the June 1996 fiscal term, earnings per share and consolidated earnings per share were calculated on the assumption that the share splits had taken place at the beginning of the term.

## Peer comparisons

Percent	1995	1996	1997	1998	1999
Net income / net sales (%)	3.3	2.8	2.7	2.8	3.6
Peers	1.1	1.0	1.2	1.1	1.3
Ordinary profit / net sales (%)	6.8	5.9	5.3	6.1	8.0
Peers	2.9	3.1	3.0	2.4	3.0
Net income / assets (%)	12.8	8.3	7.0	6.2	7.3
Peers	1.7	1.7	2.0	2.0	2.4
Ordinary profit / assets (%)	26.5	17.4	13.8	13.5	16.0
Peers	4.4	5.1	5.2	4.3	5.8
Equity / assets (%)	28.7	20.5	61.4	63.5	68.1
Peers	34.9	34.1	36.8	37.0	36.7
Net income / equity (%)	44.6	40.7	11.4	9.8	10.7
Peers	4.8	5.1	5.5	5.3	6.7

Peers include Kojima (7513), Keiyo (8168), Otsuka Kagu (8186), K's Denki (8282), Olympic (8289), Matsumotokiyoshi (9875), Cowboy (9971), Yamaya (9994), Mr. Max (8203), Yamada Denki (9831).

## Common size statements

Years ended June 30; Percent	Parent		Consolidated	
	1998	1999	1998	1999
<b>Balance sheet</b>				
Assets	100.0	100.0	100.0	100.0
Current assets	41.8	46.0	44.6	47.1
Tangible fixed assets	45.1	37.4	44.5	37.1
Intangible fixed assets	0.1	3.5	0.1	3.5
Investments and other assets	13.0	13.1	10.8	12.3
Total fixed assets	58.2	54.0	55.4	52.9
Liabilities	100.0	100.0	100.0	100.0
Current liabilities	36.0	28.7	36.3	28.8
Long-term liabilities	0.5	3.2	0.5	3.3
Consolidation and translation adjustments			0.2	-
Total liabilities	36.5	31.9	37.0	32.1
Common stock	18.0	23.8	17.8	23.7
Additional paid-in capital	30.0	29.6	29.5	29.4
Legal income reserve	0.0	0.0	0.0	-
Retained earnings	15.5	14.7	15.7	14.8
Total shareholders' equity	63.5	68.1	63.0	67.9
<b>Income statement</b>				
Net sales	100.0	100.0	100.0	100.0
Cost of goods sold	78.1	78.2	78.2	78.2
Gross profit on sales	21.9	21.8	21.8	21.8
Selling, general and administrative expenses	16.6	15.0	16.8	15.0
Operating income	5.3	6.8	5.0	6.8
Nonoperating income	1.0	1.3	1.1	1.3
Nonoperating expenses	0.2	0.1	0.2	0.2
Ordinary profit	6.1	8.0	5.9	7.9
Extraordinary income	0.3	0.0	0.3	-
Extraordinary losses	0.0	0.1	0.0	0.1
Net income before taxes	6.4	7.9	6.2	7.8
Corporate and inhabitant taxes	3.6	-	3.4	-
Corporate, inhabitant and enterprise taxes	-	4.3	-	4.2
Net income	2.8	3.6	2.8	3.6

## Description of business

The Company sells home electrical appliances, miscellaneous household goods, food, watches and fashion-related merchandise, sporting goods and leisure products, and other items. Its stores are characterized by their location in residential areas near the center of major cities, or along major thoroughfares, and by the parking facilities that each provides. The Company's method of selling is basically cash-and-carry retailing to the general public through corporate-run stores.

The Company is engaged in the development of a retailing chain that defines itself by the concept of "great convenience and discount stores." Currently, the Company operates 19 stores in various locations in Tokyo and in the three prefectures of Kanagawa, Saitama, and Chiba.

When opening new stores or increasing the floor space of existing stores, the Company may be subject to restrictions under the "Law Concerning Adjustment of Retailing Activities by Large-scale Retailing Outlets" (hereinafter, the "Large-scale Retailer Law").

Specifically, in accordance with regulations contained in the "Large-scale Retailer Law," the Company is required to notify either the Minister of International Trade and Industry or the governors of the prefectures concerned, when opening new stores with over 500m<sup>2</sup> of retail space, or when increasing the retail space of existing stores to above 500m<sup>2</sup>. The law requires that the Company adjust the number of business days, amount of retail space, times of closing, and the number of non-business days, based on a screening that takes place following the notification of plans. Even when stores have less than 500m<sup>2</sup> of floor space, the Company may be required to make adjustments with local retailers if its stores are located in prefectures or municipalities that have adopted "Guidelines Relating to Adjustments of Retailing Activity." Although the items affected by such guidelines differ depending on the local government involved, these adjustments generally follow the standards set under the "Large-scale Retailer Law."

However, in May 1994, the standards governing implementation of the "Large-scale Retailer Law" were relaxed. Thereafter, the law has generally lifted all restrictions on new stores with retailing space of between 500 m<sup>2</sup>~1,000m<sup>2</sup>, and on expansions of existing stores to between 500m<sup>2</sup>~1,000m<sup>2</sup>. Standards for notification regarding closing times and non-business days were also relaxed.

Then, in May 1998, two laws were established to replace the "Large-scale Retailer Law" as indicators of government thinking regarding the opening of large retailing

outlets, to wit: "The Large-scale Retailer Location Law" (hereinafter, the "Large Retailer Location Law") and "The Revised Urban Planning Law." Depending on the specific standards for implementation that are adopted hereafter, these two laws could affect the Company's policies on new store openings. It is generally expected, however, that the size of a "large store" under the Large Retailer Location Law will be defined as one with over 1,000m<sup>2</sup> of sales space; and that stores of less than 1,000m<sup>2</sup> will be exempted from the provisions of the law.

As of June 30, 1999, all of the Company's 19 stores had sales space of less than 1,000m<sup>2</sup>, as defined under the "Large-scale Retailer Law".



## History

Year	Month	Event
1980	September	With capital of 3 million yen, established Just Co. Ltd. (today's Don Quijote Co., Ltd..) at 4-19, Momoi 4-chome, Suginami-ku, Tokyo, to wholesale and retail miscellaneous daily goods
1982	June	To expand and strengthen wholesaling operations, changed primary business to wholesaling
	July	Moved headquarters to 6-8, Kurihara 1-chome, Niiza-shi, Saitama
1989	February	Moved headquarters to 7782-5, Yawatajuku Kita, Fuchu-shi, Tokyo (the present-day 6-3, Midori-cho 2-chome, Fuchu-shi, Tokyo)
	March	Opened the "Don Quijote" Fuchu store (1st store in chain) in Fuchu-shi, Tokyo, and changed primary business from wholesaling to retailing
1992	November	Installed POS (point-of-sales information management) system
1993	July	Installed EOS (electronic ordering system)
	November	Opened the Don Quijote Suginami store (2nd store) in Suginami-ku, Tokyo
1995	March	Moved operational headquarters (corporate headquarters functions) to 3, Wakamatsucho 4-chome, Fuchu-shi, Tokyo
	June	Opened the Don Quijote Tomei-Kawasaki store (3rd store) in Miyamae-ku, Kawasaki-shi, Kanagawa To strengthen its merchandising capabilities, acquired Leader, Inc. and incorporated it into group as a wholly-owned subsidiary
	September	Opened the Don Quijote Kisarazu store (4th store) in Kisarazu-shi, Chiba Changed trade name to Don Quijote Co., Ltd.
	November	Opened the Don Quijote Makuhari store (5th store) in Hanamigawa-ku, Chiba
	November	Opened the Don Quijote Ichihara store (6th store) in Ichihara-shi, Chiba
1996	September	Opened the Don Quijote Omiya store (7th store) in Omiya-shi, Saitama
	December	Registered shares for over-the-counter trading with the Securities Dealers Association of Japan
	December	Registered shares for over-the-counter trading with the Securities Dealers Association of Japan
1997	October	Opened the Don Quijote Shinjuku store (8th store) in Shinjuku-ku, Tokyo
	November	Moved headquarters to 14-1, Kita-Kasai 4-chome, Edogawa-ku, Tokyo
1998	March	Simultaneously opened the Don Quijote Kasai store (9th store) in Edogawa-ku, Tokyo and the Don Quijote Kanpachi-Setagaya store (10th store) in Setagaya-ku, Tokyo
	June	Listed its shares on the Second Section of the Tokyo Stock Exchange
	September	Opened the Don Quijote Wako store (11th store) in Wako-shi, Saitama
	November	Opened the Don Quijote Kannana-Umejima store (12th store) in Adachi-ku, Tokyo
	December	Opened the Don Quijote Keihin-Kamata store (13th store) in Ota-ku, Tokyo
1999	April	Opened the Don Quijote Urawa-Kagetsu store (14th store) in Urawa-shi, Saitama, and the Don Quijote Keio-Horinouchi store (15th store) in Hachioji-shi, Tokyo
	May	Opened the Don Quijote Tohachi-Mitaka store (16th store) in Mitaka-shi, Tokyo, and the Don Quijote Shin-Yokohama store (17th store) in Kohoku-ku, Yokohama-shi, Kanagawa
	June	Opened the Don Quijote Koganei-Koen store (18th store) in Hoya-shi, Tokyo, and the Don Quijote Baraki-Nishi-Funabashi store (19th store) in Funabashi-shi, Chiba.

## Merchandise

Products	Use	1998	1999
Home electrical appliances	Audio equipment, visual equipment, general household appliances, seasonal household appliances, telecommunications equipment, etc.	24.8%	23.5%
Miscellaneous household goods	Household accessories, paper and cotton goods, stationery, do-it-yourself products, drugs, household-interior products	22.1%	23.0%
Food	Processed food, drinks, confectionery, noodles, bread, dairy products, frozen foods, alcoholic beverages, etc.	15.7%	16.2%
Watches and fashion-related merchandise	Watches, jewelry, shoes, tobacco-related goods, clothing, designer brands, sunglasses, etc.	24.1%	24.7%
Sporting goods and leisure products	Sporting goods, bicycles, automobile accessories, miscellaneous outdoor items, etc.	9.3%	9.3%
Other	Pet food, etc.	4.0%	3.3%
		100.0%	100.0%

## Organization

Administration division	Accounting department
	General affairs department
	System department
Development division	
1st sales division	Fuchu store
	Suginami store
	Tomei-Kawasaki store
	Shinjuku store
	Kanpachi-Setagaya store
	Keihin-Kamata store
	Keio-Horinouchi store
	Tohachi-Mitaka store
	Shin-Yokohama store
	Koganei-Koen store
2nd sales division	Kisarazu store
	Makuhari store
	Ichihara store
	Omiya store
	Kasai store
	Wako store
	Kannana-Umejima store
	Urawa-Kagetsu store
	Baraki-Nishi-Funabashi store
	Chiba-Chuo store
Central buying division	
Corporate planning section	
President's office	
Operations division	

## Directors

Name	Title	Entered company	Previous employers	Date of birth	University	Shares Thousands
Takao Yasuda	Representative Director, Chairman	Sep-80		7-May-49	Keio	5,202.0
Mitsuo Takahashi	Director	Jul-97	Aoki International	10-Mar-55	Nihon	6.0
Junji Narusawa	Director	Nov-92		23-Aug-62		12.0
Kouji Ohara	Director	Feb-93	Lake	23-Aug-63		10.0
Satoshi Ueda	Director	Jun-95		28-Nov-65		10.0
Isao Matsuura	Standing Statutory Auditor	Jan-96		26-Jan-39	Chuo	-
Mutsuo Takahashi	Statutory Auditor	Jan-96	National Police Agency, CSK	16-Feb-26	Tokyo	-
Hitoshi Ehara	Statutory Auditor	Jan-96	National Tax Administration Agency	19-Aug-32	National Tax College	0.2
Masaru Ueno	Statutory Auditor	Sep-99	Tokyo High Public Prosecutors Office	2-Dec-30	Hitotsubashi	-
	9					5,240.2

Current assignments and previous positions in the Company have been omitted.

## Employees

	Male	Female	Total or average
Number	308	89	397
Average age	28.1	28.0	28.1
Average years of service	1.1	1.1	1.1
Average monthly salary (Yen)	295,034	263,876	288,146

The average monthly salary does not include bonuses.

The number of employees does not include 915 temporary employees, and 1 employees on transfer to the company.

The mandatory retirement age is 60.

As a result of an expansion of its business, the Company increased its employees by 198 persons during the term through regularly-scheduled and mid-term hiring.

## Stock option system

The Company has adopted a system of stock options. Based on provisions of Article 280-19 of the Commercial Code, the Company resolved at its Regular General Meeting of Shareholders held on September 25, 1998 that it would provide such options through the award of warrants to each of the following: four members of the board of directors who were serving in that capacity as of the end of the Regular General Meeting of Shareholders held on September 25, 1998; and 47 managerial employees above the rank of assistant section chief (in the case of store employees, above the rank of assistant store manager) who were employed by the company as of the end of the aforementioned general shareholders meeting. The details of the system are as follows.

Persons qualifying	Type of stock	Number of shares	Exercise price	Exercise period
4 directors	Common stock	A maximum of 20,000 shares (ranging between 2,000 and 5,000 shares per person)	(Note)	October 2, 2000 to October 1, 2003
47 managerial employees above the rank of assistant section chief (in the case of store employees, above the rank of assistant store manager)	Common stock	A maximum of 30,000 shares (ranging between 300 and 2,000 shares per person)		

After the Regular General Meeting of Shareholders held on September 28, 1999, 40 managerial employees would be provided the award of warrants also.

Persons qualifying	Type of stock	Number of shares	Exercise price	Exercise period
40 managerial employees above the rank of assistant section chief (in the case of store employees, above the rank of assistant store manager)	Common stock	A maximum of 20,000 shares (ranging between 200 and 2,000 shares per person)	(Note)	October 2, 2001 to October 1, 2004

The exercise price shall be the product of the following calculation: the average of the daily closing prices of the shares on the Tokyo Stock Exchange in the month preceding the month in which the award of the warrants is made (excluding days on which there is no trading) X 1.025, with fractional amounts rounded off to the next yen. This amount, however, shall not be less than the closing price of the shares on the Tokyo Stock Exchange on the day that the warrants are awarded (in the event that there is no trading on that day, then the closing price on the closest preceding day).

## Union

The Company has no labor union and enjoys amicable labor relations.

## Group Information

### Group organization

The Company's corporate group consists of the Company and Leader, Inc. Don Quijote Co., Ltd.

The Company conducts retailing operations through the development of a chain of stores that sells household electrical appliances, miscellaneous household goods, food, watches, sporting goods and leisure products, etc. The Company defines its merchandising concept as "stores offering great convenience and discounts."

Leader, Inc.

A wholly-owned domestic corporation of the Company, Leader is engaged in wholesaling miscellaneous household goods. It also supplies the Company with merchandise.

### Results of operations

Consolidated fiscal year ended June 30, 1999

Economic factors affecting operations

- (See "Results of operations" for the Company above.)

Other factors affecting operations

- 1) Endeavored to respond to the increasingly diverse needs of consumers
  - Procured items that were in demand and that were suited to the times; developed highly original merchandise assortments.
  - Made qualitative improvements to customer service.
- 2) Took further steps to strengthen acceptance and recognition in market.

Consolidated fiscal year ended June 30, 1998

Segment information

- 1) Discount store operations

During the current consolidated fiscal year, this operation added three new stores. Consequently, revenues increased by 67.4 percent year-on-year to 24,481 billion yen, and operating profit increased by 87.1 percent to 1,973 billion yen.

## 2) Wholesaling of miscellaneous household goods

Amid an extremely difficult operating environment, this operation endeavored to strengthen its procurement capabilities to meet increasingly diverse consumer needs. Consequently, revenues declined by 19.1 percent year-on-year to 1,237 billion yen, and the operation reported an operating loss of 23 million yen.

## Business segment information

## Consolidated fiscal year ended June 30, 1999

Whereas the Company had previously disclosed segment information based on markets served and method of sales, it will omit such information hereafter, beginning with the current consolidated fiscal year. This is because discount store operations accounted for more than 90 percent of the total revenues, operating profits, and assets of the consolidated entity, and are likely to continue accounting for over 90 percent of these figures in the future. This accords with the standard set for the omission of such information in Section 39-4 of the Guidelines Relating to Consolidated Statements.

	Discount store business	Miscellaneous household goods wholesale	Total	Eliminations	Consolidated
1998					
Sales					
Outside customer sales	24,481,351	1,033,659	25,515,010	-	25,515,010
Intersegment transactions and eliminations	-	203,966	203,966	(203,966)	-
	24,481,351	1,237,626	25,718,977	(203,966)	25,515,010
Operating expenses	22,508,109	1,261,584	23,769,693	461,728	24,231,421
Operating income	1,973,242	(23,957)	1,949,284	(665,694)	1,283,589
Identifiable assets	8,103,355	404,720	8,508,075	2,666,815	11,174,891
Depreciation	147,533	774	148,308	82,440	230,749
Capital expenditures	3,488,995	-	3,488,995	1,032,522	4,521,518



## Consolidated Financial Statements

## Consolidated balance sheet: assets

June 30; Thousands of yen	1998	1999
<b>Current assets</b>		
Cash	900,516	3,172,332
Trade notes and accounts receivable - total	271,722	435,770
Marketable securities	-	510,849
Inventories	3,492,617	6,374,208
Prepaid expenses	101,584	222,580
Other current assets	219,709	90,382
Allowance for doubtful accounts	(4,926)	(4,133)
	4,981,223	10,801,990
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	1,535,803	2,773,449
Accumulated depreciation	270,157	542,860
	1,265,645	2,230,588
Vehicles and delivery equipment	35,460	34,975
Accumulated depreciation	13,252	16,881
	22,207	18,094
Furniture and fixtures	346,850	1,036,644
Accumulated depreciation	94,949	289,806
	251,900	746,837
Land	2,317,892	5,432,831
Construction in progress	1,115,395	94,751
	4,973,042	8,523,103
Intangible fixed assets	9,983	803,244
<b>Investments and other assets</b>		
Investments in securities	22,012	140,070
Long-term loans	37,500	-
Long-term prepaid expenses	178,298	226,020
Leasing and guarantee deposits	910,762	2,199,715
Other investments and other assets	62,442	244,870
Allowance for doubtful accounts	(375)	(209)
	1,210,641	2,810,466
Total fixed assets	6,193,668	12,136,814
Total assets	11,174,891	22,938,805

## Consolidated balance sheet: liabilities and shareholders' equity

June 30; Thousands of yen	1998	1999
<b>Current liabilities</b>		
Accounts payable - trade (total)	1,541,523	3,832,593
Short-term borrowings - total	1,050,000	50,000
Current maturities of long-term debt	183,600	578,400
Income taxes payable	688,533	1,406,712
Enterprise taxes payable	177,943	-
Accrued expenses	101,681	383,416
Reserve for bonuses	126,912	-
Other	189,864	357,243
	<u>4,060,057</u>	<u>6,608,365</u>
<b>Long-term liabilities</b>		
Long-term debt	46,000	676,600
Reserve for retirement allowances	544	-
Reserve for directors' retirement allowances	-	49,601
Consolidation adjustment	-	11,574
Other	3,430	13,755
	<u>49,974</u>	<u>751,531</u>
Consolidation adjustment	23,149	-
	<u>4,133,181</u>	<u>7,359,897</u>
Minority interest in income (loss) of consolidated	-	-
<b>Shareholders' equity</b>		
Common stock	1,985,100	5,427,900
Additional paid-in capital	3,300,230	6,743,030
Legal income reserves	2,100	-
Retained earnings	1,754,280	3,407,977
	<u>7,041,710</u>	<u>15,578,907</u>
Total liabilities and shareholders' equity	11,174,891	-
Total liabilities, minority interest in income (loss) of consolidated companies and shareholders' equity	-	22,938,805

## Consolidated income statement

Years ended June 30; Thousands of yen	1998	1999
Net sales	25,515,010	46,522,042
Cost of goods sold	19,954,155	36,376,000
Gross profit on sales	5,560,855	10,146,041
Selling, general and administrative expenses	4,277,266	7,003,270
Operating income	1,283,589	3,142,771
Nonoperating income		
Interest income	5,620	4,045
Dividend income received	-	345
Gain on sales of marketable securities	-	117,260
Depreciation of consolidation adjustment	-	11,574
Rental fee for computer system	119,972	230,230
Tenant income	41,195	62,877
Marketing support from manufacturers	35,130	42,003
Income from insurance policies	39,726	-
Other	45,489	156,414
	287,135	624,750
Nonoperating expenses		
Interest expenses	36,880	55,910
Issuing expenses on new shares	17,639	36,222
Expenses related to listing on TSE	8,563	-
Other	7,161	580
	70,243	92,713
Ordinary profit	1,500,480	3,674,807
Extraordinary income		
Reversal of allowance for doubtful accounts	2,027	-
Compensation income	70,000	-
	72,027	-
Extraordinary losses		
Loss on disposal of fixed assets	909	3,363
Loss on valuation of investments securities	-	1,395
Reserve provision for directors' retirement allowances in prior years	-	41,289
	909	46,048
Income before taxes and other adjustments	1,571,598	3,628,759
Corporate and inhabitant taxes	872,891	-
Corporate, inhabitant and enterprise taxes	-	1,953,411
Amortization of consolidation differences	11,574	-
Net income for the period	710,280	1,675,347

## Consolidated appropriation of retained earnings

June 30, Thousands of yen	1998	1999
Retained earnings, beginning of period	1,067,099	1,756,380
Other retained earnings, beginning of period	-	1,754,280
Legal income reserves, beginning of period	-	2,100
Deductions from retained earnings	23,100	23,750
Appropriation for legal income reserves	2,100	-
Dividends - total	21,000	23,750
Net Income for the period	710,280	1,675,347
Retained earnings, end of period	1,754,280	3,407,977

## Principal selling, general and administrative expenses

Years ended June 30; Thousands of yen	1998	1999
Employees' salaries	1,469,561	2,656,014
Reserve provision for bonuses	126,912	-
Rent	541,724	772,219
Interest payable	-	772,331
Depreciation expenses	226,425	489,740
Provision for allowance for doubtful accounts	-	192
Reserve provision for directors' retirement allowances	-	8,312

## Assets provided as collateral

Thousands of yen	1998	1999
Assets provided as collateral		
Land	2,213,840	3,114,479
Buildings	515,387	720,042
	<u>2,729,228</u>	<u>3,834,522</u>
Liabilities for which collateral provided		
Short-term borrowings	1,000,000	-
Current portion of long-term debt	183,600	578,400
Long-term debt	46,000	676,600
	<u>1,229,600</u>	<u>1,255,000</u>

## Leases

Finance leases that do not transfer ownership are accounted for in the same manner as operating leases under generally accepted accounting principles in Japan if “as if capitalized” information is disclosed.

Pro forma information on leased property is as follows:

Thousands of yen	1998	1999
Furniture and fixtures		
Acquisition cost	-	621,928
Accumulated depreciation	-	211,083
Net leased property	-	410,844
Future minimum lease payments including interest portion		
Due within one year	97,419	144,873
Due after one year	150,554	185,576
Lease payments	101,583	109,156
Pro forma depreciation expenses (assuming straight-line method)	-	104,578
Pro forma interest expenses	-	4,219

## Nonconsolidated Operations

### Income statement

Years ended June 30; Thousands of yen	1998	1999
Net sales	24,481,351	45,715,211
Cost of goods sold		
Merchandise inventory, beginning of period	1,802,966	3,397,604
Purchase of merchandise for the period	20,721,952	38,667,415
	22,524,918	42,065,019
Merchandise inventory, end of period	3,397,604	6,307,748
	19,127,314	35,757,270
Gross profit on sales	5,354,036	9,957,940
Selling, general and administrative expenses	4,050,130	6,826,828
Operating income	1,303,905	3,131,112
Nonoperating income		
Interest income	8,188	6,097
Dividend income received	-	345
Gain on sales of marketable securities	-	117,260
Rental fee for computer system	119,972	230,230
Tenant income	41,195	62,877
Marketing support from manufacturers	35,130	42,003
Other	42,951	150,393
	247,437	609,207
Nonoperating expenses		
Interest expenses	34,851	55,198
Issuing expenses on new shares	17,639	36,222
Expenses related to listing on TSE	8,563	-
Other	3,008	-
	64,061	91,421
Ordinary profit	1,487,281	3,648,899
Extraordinary income		
Reversal of allowance of doubtful accounts	-	133
Compensation income	70,000	-
	70,000	133

Years ended June 30; Thousands of yen	1998	1999
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets	909	2,753
Loss on valuation of investments securities	-	1,395
Reserve provision for director's retirement allowances in prior years	-	41,289
	909	45,438
Net income before taxes and special reserves for the period	1,556,371	3,603,594
Corporate and inhabitant taxes	869,335	-
Corporate, inhabitant and enterprise taxes	-	1,944,557
Net income for the period	687,036	1,659,037
Retained earnings brought forward from previous period	519,861	580,647
Unappropriated retained earnings, end of fiscal period	1,206,897	2,239,684

## Appropriation of retained earnings

Thousands of yen	Sep.25 1998	Sep.28 1999
Unappropriated retained earnings, end of fiscal period	1,206,897	2,239,684
Appropriation of retained earnings	626,250	1,527,950
Legal income reserves	2,500	3,000
Dividends - total	23,750	24,950
Voluntary reserves - total		
Special reserves	600,000	1,500,000
Retained earnings carried forward to next period	580,647	711,734

## Results of operations

Fiscal year ended June 30, 1999

Economic factors affecting operations

- 1) No firm signs of the economy bottoming out.
  - Emergency economic measures by the government resulted in expansion of public works spending and a recovery in housing investment.
  - Personal consumption and capital investment remained weak.
- 2) Continuation of difficult operating environment, characterized by greater consumer sensitivity toward price.

Other factors affecting operations

- 1) Company efforts to implement a clear and consistent retailing concept aimed at

allowing customers to "buy more cheaply, with greater convenience, and above all with enjoyment."

2) The opening of nine new stores (see section on "History" above).

#### Issues

1) Continuing serious uncertainty regarding the economy.

- Deflationary pressures as the impact of government policy peters out, further deterioration of employment conditions due to corporate restructuring, etc.
- Loss of economic momentum as sudden and rapid fluctuations in foreign exchange cause corporate financial results to suffer.

2) Developing attractive stores to exploit the fertile night-time market

- Supplementing the content of existing stores
- Developing new stores near the central areas of cities in the greater Tokyo region.
- Commencing operations of night malls.
- Attracting increased customer support through flexible and unconventional merchandise assortments.
- Executing policies that adapt to the environments of communities in which stores are operated.

3) Unrelenting efforts to improve efficiency, through development of stronger systems of internal controls.

#### Y2K Issue

Recognizing the importance of the issue, the Company began dealing with the Y2K problem at an early date. It is planning to complete all adjustments by October 1999.

Fiscal year ended June 30, 1998

#### Economic factors affecting operations

1) Considerably weaker consumer sentiment, leading to the first decline in personal consumption in postwar history.

- Termination of special tax cuts, increase in medical expenditures, and other burdens placed on households following increase in consumption tax rates in April 1997.



- Sudden weakening of the economy in the second half due to concerns about the viability of the financial system and serial bankruptcies by major corporations.
- 2) Economic and currency crisis in Asia, which caused capital spending to begin to falter.

#### Other factors affecting operations

- 1) Declining selling prices, reflecting intensifying competition.
- 2) Unfavorable weather.
- 3) The Company's clear appeal to consumers that "Don Quijote was a company seeking to create a new retailing segment where the primacy of customer interests was a reality."
- 4) The opening of three new stores, including the Shinjuku store, the Company's first outlet in a central urban district.

## Sales

### Procurement

Thousands of yen	1998		1999	
	Amount	%	Amount	%
Home electrical appliances	5,363,940	25.9	9,757,540	25.2
Miscellaneous household goods	4,292,344	20.7	8,355,151	21.6
Food	3,111,319	15.0	6,129,564	15.9
Watches and fashion-related merchandise	5,314,835	25.7	9,838,999	25.4
Sporting goods and leisure products	1,828,964	8.8	3,406,782	8.8
Other	810,546	3.9	1,179,376	3.1
	20,721,952	100.0	38,667,415	100.0

## Sales by store

Thousands of yen	1998		1999	
	Amount	%	Amount	%
<b>Tokyo</b>				
Fuchu store	4,077,204	16.6	4,019,494	8.8
Suginami store	2,786,049	11.4	2,748,017	6.0
Shinjuku store	3,988,756	16.3	7,428,020	16.3
Kasai store	1,336,475	5.5	4,481,666	9.8
Kanpachi-Setagaya store	1,500,599	6.1	4,951,369	10.8
Kannana-Umejima store	-	-	2,123,025	4.6
Keihin-Kamata store	-	-	2,385,837	5.2
Keio-Horinouchi store	-	-	979,480	2.1
Tohachi-Mitaka store	-	-	540,670	1.2
Koganei-Koen store	-	-	252,848	0.6
	13,689,085	55.9	29,910,430	65.4
<b>Kanagawa</b>				
Tomei-Kawasaki store	3,375,380	13.8	4,155,240	9.1
Shin-Yokohama store	-	-	499,813	1.1
	3,375,380	13.8	4,655,054	10.2
<b>Saitama</b>				
Omiya store	2,866,380	11.7	3,655,436	8.0
Wako store	-	-	1,500,823	3.3
Urawa-Kagetsu store	-	-	844,808	1.8
	2,866,380	11.7	6,001,067	13.1
<b>Chiba</b>				
Kisarazu store	1,439,639	5.9	1,522,425	3.4
Makuhari store	1,895,662	7.7	2,006,265	4.4
Ichihara store	1,213,244	5.0	1,283,259	2.8
Baraki-Nishi-Funabashi store	-	-	279,713	0.6
	4,548,547	18.6	5,091,664	11.2
Head office	1,958	0.0	56,995	0.1
	24,481,351	100.0	45,715,211	100.0

## Sales by category of merchandise

Thousands of yen	1998		1999	
	Amount	%	Amount	%
Home electrical appliances	6,074,510	24.8	10,753,241	23.5
Miscellaneous household goods	5,406,288	22.1	10,498,417	23.0
Food	3,839,391	15.7	7,394,076	16.2
Watches and fashion-related merchandise	5,896,564	24.1	11,290,868	24.7
Sporting goods and leisure products	2,290,674	9.3	4,258,698	9.3
Other	973,921	4.0	1,519,908	3.3
	24,481,351	100.0	45,715,211	100.0

## Unit sales

Thousands of yen		1998	1999
Net sales		24,481,351	45,715,211
Sales per m <sup>2</sup>	Sales space (average space during term)	5,784	9,934
	Sales per m <sup>2</sup> of sales space	4,233	4,602
Sales per employee	Number of employees (average during term)	613	956
	Sales per employee	39,937	47,819

## Principal selling, general and administrative expenses

Years ended June 30; Thousands of yen	1998	1999
Provision for allowance for doubtful accounts	1,235	-
Employees' salaries	1,402,025	2,608,301
Reserve provision for bonuses	118,912	-
Rent	517,373	775,136
Interest payable	350,068	742,415
Depreciation expenses	225,650	489,345
Reserve provision for directors' retirement allowances	-	8,312
Enterprise taxes	221,045	-
<hr/>		
%		
Selling expenses	70%	74%
General administrative expenses	30%	26%

## Leases

The company's main finance lease contracts are as follows:

Item	Number	Term Months	Current	Future
			payments	payments
			Thousands of yen	
Computer and peripheral equipment	1	60	31,772	74,279
Merchandise showcases	47 sets	60	50,685	210,423
Air-conditioning equipment	3 sets	60	10,276	12,787
Systems for the prevention of shoplifting	10 sets	60 - 84	10,976	20,030

Pro forma information on leased property is as follows:

Thousands of yen	1998	1999
Furniture and fixtures		
Acquisition cost	493,778	600,760
Accumulated depreciation	260,652	201,755
Net leased property	233,126	399,005
Future minimum lease payments including interest portion		
Due within one year	95,754	140,465
Due after one year	147,223	177,612
Lease payments	99,918	104,732
Pro forma depreciation expenses (assuming straight-line method)	95,489	100,344
Pro forma interest expenses	5,168	3,969

## Nonconsolidated Cash Flow

### Sources and uses of funds

Years ended June 30; Millions of yen	Full year		Interim period	
	1998	1999	Dec-98	Dec-99 (Proj.)
<b>Cash provided by operations</b>				
Operating revenues	25,769	47,832	20,497	39,594
Nonoperating revenues				
Interest and dividend income	8	6	3	0
Other	-	366	96	72
	<u>25,778</u>	<u>48,205</u>	<u>20,597</u>	<u>39,667</u>
<b>Sale of fixed assets</b>				
Sale of tangible fixed assets	-	-	-	-
Sale of investment securities	-	-	-	-
Collection of loans receivable	6	80	29	27
Other	59	132	24	53
	<u>65</u>	<u>213</u>	<u>53</u>	<u>80</u>
<b>Total cash provided by operations</b>	<u>25,843</u>	<u>48,418</u>	<u>20,651</u>	<u>39,747</u>
<b>Cash used by operations</b>				
<b>Operating expenses</b>				
Purchase of raw materials and merchandise	17,485	38,065	16,202	32,973
Salaries	1,622	3,198	1,354	2,747
Other	5,649	3,197	1,097	2,162
<b>Nonoperating expenses</b>				
Interest	25	65	26	15
Other	-	39	6	6
	<u>24,781</u>	<u>44,566</u>	<u>18,687</u>	<u>37,905</u>
<b>Additions to tangible fixed assets</b>				
Purchase of tangible fixed assets	4,178	4,161	1,066	1,609
Purchase of investment securities	7	119	29	-
Increase in advances	-	-	-	-
Other	706	2,243	463	685
	<u>4,892</u>	<u>6,524</u>	<u>1,560</u>	<u>2,294</u>
<b>Other uses of cash</b>				
Dividends	21	23	23	24
Corporate taxes	429	1,405	690	1,404
Other	-	-	-	-
	<u>450</u>	<u>1,429</u>	<u>714</u>	<u>1,429</u>
<b>Total cash used in operations</b>	<u>30,125</u>	<u>52,520</u>	<u>20,962</u>	<u>41,629</u>
<b>Net cash provided (used) by operations</b>	<u>(4,281)</u>	<u>(4,101)</u>	<u>(310)</u>	<u>(1,882)</u>

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Years ended June 30; Millions of yen	Full year		Interim period	
	1998	1999	Dec-98	Dec-99 (Proj.)
<b>Financing activities</b>				
Cash provided by				
Short-term borrowings	13,110	-	150	-
Notes discounted	-	-	-	-
Long-term borrowings	-	1,586	1,600	1,000
Bond issues	-	-	-	-
Capital increase	2,884	6,885	-	-
Other	-	-	-	-
	<u>15,994</u>	<u>8,471</u>	<u>1,750</u>	<u>1,000</u>
Cash used for				
Repayment of short-term debt	12,160	1,000	-	-
Repayment of long-term debt	494	560	257	289
Redemption of bonds	-	-	-	-
Other	-	-	-	-
	<u>12,654</u>	<u>1,560</u>	<u>257</u>	<u>289</u>
Net cash provided (used) by financing activities	<u>3,339</u>	<u>6,911</u>	<u>1,492</u>	<u>710</u>
Net increase in cash	(941)	2,809	1,181	(1,171)
Adjustments accompanying application of lower of cost method	-	-	-	-
Cash at beginning of period	1,634	692	692	3,502
Cash at end of period	<u>692</u>	<u>3,502</u>	<u>1,874</u>	<u>2,330</u>

## Capital expenditures

Capital investments during the term were primarily for the establishment of nine new stores (see section on "History" above), and for the acquisition of properties for three new stores scheduled to be opened next term: the Chiba-Chuo store (in Chuo-ku, Chiba); the Yokohama-Yamashita store (in Naka-ku, Yokohama); and the Kannana-Suginami store (in Suginami-ku, Tokyo). Consequently, total capital investment amounted to 5.99 billion yen. There were no sales or removals of facilities during the term that resulted in a material impact on operations.

## Capital expenditure plans

Thousands of yen	Budgeted amount	Expenditures to date	Anticipated expenditures	Date commenced	Completion date
Construction of new stores					
Chiba-Chuo store	869,385	869,385	-	1998/3	1999/7
Yokohama-Yamashitacho store	2,188,311	1,318,063	870,248	1999/8	2000/1
Kannana-Suginami store	2,517,000	1,320,000	1,197,000	1999/11	2000/5
Shibuya-Dogenzaka store	652,000	-	652,000	1999/10	1999/12
Other	3,574,000	-	3,574,000	-	.
	9,800,696	3,507,448	6,293,248	-	-

## Dividend policy

The Company considers the return of profit to shareholders to be one of its paramount managerial issues. Accordingly, it will seek basically to maintain a stable payout to shareholders, while taking steps to strengthen its operational foundations, pursue an aggressive development of its businesses, carry out operational reforms, and strengthen its financial structure.

In accordance with this policy, the Company will determine its dividends each term by taking into account a comprehensive set of factors relating to financial condition, operational environment, and the like. Because the Company is currently in a period of growth, it believes that the optimum policy for return of profits to shareholders will be to build an increasingly substantial base of retained earnings, which would allow it to enhance its financial performance by providing a solid source of investment capital for expansion of its business.

Consequently, at the current stage, it will be giving precedence to returning profits to shareholders via capital gains rather than income gains.

Accordingly, the Company has declared a dividend of 5 yen a share for the current term, and will be reinvesting retained earnings into capital investment aimed at expanding operations.

## Nonconsolidated Capital Structure

## Balance sheet: assets

June 30; Thousands of yen	1998	1999
<b>Current assets</b>		
Cash	692,739	2,991,296
Accounts receivable - trade	195,895	364,568
Marketable securities	-	510,849
Merchandise	3,397,604	6,307,748
Prepaid expenses	101,461	221,532
Accounts receivable - other	13,424	45,280
Advances to suppliers	203,939	15,350
Other	310	28,171
Allowance for doubtful accounts	(1,926)	(2,893)
	<u>4,603,447</u>	<u>10,481,904</u>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings	1,271,503	2,454,016
Accumulated depreciation	233,481	462,529
	<u>1,038,021</u>	<u>1,991,486</u>
Structures	255,577	318,416
Accumulated depreciation	29,752	79,993
	<u>225,825</u>	<u>238,423</u>
Vehicles and delivery equipment	34,794	34,310
Accumulated depreciation	12,712	16,273
	<u>22,082</u>	<u>18,036</u>
Furniture and fixtures	341,730	1,034,789
Accumulated depreciation	90,144	288,346
	<u>251,585</u>	<u>746,442</u>
Land	2,317,892	5,432,831
Construction in progress	1,115,395	94,751
	<u>4,970,803</u>	<u>8,521,972</u>



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June 30; Thousands of yen	1998	1999
<b>Intangible fixed assets</b>		
Leaseholds	-	792,000
Telephone subscription rights	9,103	10,364
	<u>9,103</u>	<u>802,364</u>
<b>Investments and other assets</b>		
Investments in securities	22,012	140,070
Capital stock of affiliated companies	65,600	65,600
Long-term loans	37,500	-
Long-term loans to affiliated companies	170,000	100,000
Long-term prepaid expenses	177,529	225,174
Leasing and guarantee deposits	894,927	2,198,880
Reserve for insurance	59,070	241,498
Other	3,300	3,300
Allowance for doubtful accounts	(2,016)	(916)
	<u>1,427,924</u>	<u>2,973,607</u>
Total fixed assets	<u>6,407,832</u>	<u>12,297,943</u>
Total assets	<u>11,011,279</u>	<u>22,779,848</u>

## Balance sheet: liabilities and shareholders' equity

June 30; Thousands of yen	1998	1999
<b>Current liabilities</b>		
Accounts payable - trade	1,526,113	3,819,527
Short-term borrowings	1,000,000	-
Current portion of long-term debt	183,600	578,400
Accounts payable - other	168,850	233,280
Income taxes payable	685,000	1,401,000
Enterprise taxes payable	177,000	-
Consumption taxes payable	-	100,376
Accrued expenses	100,387	377,786
Deposits received	5,992	8,507
Deferred income	1,665	5,798
Reserve for bonuses	118,912	-
	<u>3,967,522</u>	<u>6,524,676</u>
<b>Long-term liabilities</b>		
Long-term debt	46,000	676,600
Reserve for director's retirement allowances	-	49,601
Other	3,430	13,755
	<u>49,430</u>	<u>739,956</u>
Total liabilities	<u>4,016,952</u>	<u>7,264,633</u>
<b>Shareholders' equity</b>		
Common stock	1,985,100	5,427,900
Additional paid-in capital	3,300,230	6,743,030
Legal income reserves	2,100	4,600
Retained earnings		
Voluntary reserves - total	500,000	1,100,000
Special reserves	500,000	1,100,000
Unappropriated retained earnings, end of fiscal period	1,206,897	2,239,684
	<u>1,706,897</u>	<u>3,339,684</u>
Total shareholders' equity	<u>6,994,327</u>	<u>15,515,214</u>
Total liabilities and shareholders' equity	<u>11,011,279</u>	<u>22,779,848</u>

## Trade credit

## Accounts receivable trade

Thousands of yen	
Kyodo Kumiai Shinjuku Senmontenkai	262,771
Sony Finance International	84,344
Masuki	3,917
Zenkoku Shuhan Kyodo Kumiai Rengokai	2,178
Other	11,356
	364,568

## Turnover of trade receivables

Thousands of yen	
Beginning balance	195,895
Increase	3,899,290
Collected	3,730,617
Ending balance	364,568
Turnover	91.1%
Average days for collection	26.2

## Accounts payable trade

Thousands of yen	
Sodensha	187,888
Maehara	134,456
Fujiya Oribe Shoji	128,580
Maruko	101,582
Okuma Shoji	94,572
Ooki	86,225
Sekizuka Shoji	68,434
Sharp Electronics Sales	58,943
Okada Shoji	57,265
Sanko Shokai	53,763
Other	2,847,815
	3,819,527

## Securities

## Marketable and investment securities

Thousands of yen	Number of shares	Purchase price	Book value
Shares			
Marketable securities			
Aruze	38,000	142,462	142,462
Investments in securities			
C2 Network	17,500	12,600	12,600
Taisho Pharmaceutical (4535)	1,000	2,272	2,272
Asahi Bank (8322)	100,000	48,869	48,869
Sumitomo Bank (8318)	30,000	46,337	45,283
Tokai Bank (8321)	20,000	14,246	13,904
Kyodo Toshin Jutaku Hanbai	60	4,140	4,140
S.K.21 Sogo Kenkyujo	60	3,000	3,000
	168,620	131,464	130,070
	206,620	273,929	272,533
Other securities			
Marketable securities	368,386	368,386	
Investments in securities	10,000	10,000	
	378,386	378,386	

## Market value of securities

Thousands of yen	1998			1999		
	Book value	Market value	Unrealized gain (loss)	Book value	Market value	Unrealized gain (loss)
Publicly traded						
Current assets						
Stocks	-	-	-	142,462	452,200	309,737
Bonds	-	-	-	-	-	-
Others	-	-	-	268,386	399,000	130,613
	-	-	-	410,849	851,200	440,350
Fixed assets						
Stocks	2,272	2,590	317	122,930	453,330	330,399
Bonds	-	-	-	-	-	-
Others	-	-	-	-	-	-
	2,272	2,590	317	122,930	453,330	330,399
	2,272	2,590	317	533,779	1,304,530	770,750
Other						
Current assets						
Beneficiary certificates of securities investment trust in the closed period	-			100,000		
Fixed assets						
Beneficiary certificates of securities investment trust in the closed period	-			10,000		
Shares	85,340			72,740		
(Shares of affiliates)	65,600			65,600		

## Fixed assets

## Facilities

Thousands of yen	Land		Buildings		Structures	Vehicles and delivery equipment	Furniture and fixtures	Total book value	Number of employees
	Square meters	Book value	Square meters	Book value					
Operating facilities									
Fuchu store	3,170	230,000	792	15,971	5,349	40	20,632	271,993	17
Suginami store	2,479	599,628	649	26,031	2,919	20	15,654	644,254	14
Shinjuku store	3,202	-	4,252	115,852	35,276	-	42,389	193,518	36
Kasai store	1,382	667,821	3,115	130,787	98,033	784	65,435	962,863	20
Kanpachi-Setagaya store	2,689	-	1,292	439	27,047	1,085	50,428	79,002	20
Kannana-Umejima store	1,697	-	2,824	55,784	10,310	-	81,332	147,426	14
Keihin-Kamata store	2,392	900,638	2,791	269,738	12,070	-	83,049	1,265,495	19
Keio-Horinouchi store	5,756	-	4,512	115,967	-	-	44,989	160,957	17
Tohachi-Mitaka store	2,882	-	1,774	66,264	-	-	40,707	106,972	19
Koganei-Koen store	6,626	-	1,993	825	10,732	-	42,706	54,263	17
Tomei-Kawasaki store	2,575	-	1,562	18,067	2,039	693	12,831	33,631	17
Shin-Yokohama store	2,124	-	2,156	35,606	-	-	45,521	81,127	22
Omiya store	3,105	-	1,488	50,287	6,039	716	9,235	66,278	18
Wako store	4,065	-	1,329	58,420	17,100	-	39,674	115,195	8
Urawa-Kagetsu store	4,176	-	4,672	80,995	488	-	41,310	122,793	14
Kisarazu store	3,556	-	950	24,031	3,588	-	7,444	35,064	8
Makuhari store	2,393	-	731	53,194	410	19	9,066	62,690	13
Ichihara store	2,177	-	1,157	16,519	7,016	545	7,377	31,459	7
Baraki-Nishi-Funabashi store	2,725	-	6,481	-	-	-	38,089	38,089	18
	59,171	2,398,089	44,520	1,134,785	238,423	3,906	697,877	4,473,081	318
Other									
Head office	1,698	820,442	3,827	450,303	-	14,129	48,192	1,333,068	69
Planned store sites (3)	5,977	2,214,298	4,492	406,397	-	-	373	2,621,070	10
	7,675	3,034,742	8,319	856,700	-	14,129	48,565	3,954,138	79
	66,846	5,432,831	52,839	1,991,486	238,423	18,036	746,442	8,427,220	397

## Fixed assets and depreciation

Thousands of yen	Beginning of period	Increase	Decrease	End of period	Depreciation			End of period, net
					Accumulated	Current	Percent depreciated	
Tangible fixed assets								
Buildings	1,271,503	1,182,988	475	2,454,016	462,529	229,105	18.8	1,991,486
Structures	255,577	62,839	-	318,416	79,993	50,241	25.1	238,423
Vehicles and delivery equipment	34,794	16,078	16,563	34,310	16,273	11,156	47.4	18,036
Furniture and fixtures	341,730	696,034	2,975	1,034,789	288,346	198,842	27.9	746,442
Land	2,317,892	3,114,938	-	5,432,831	-	-	-	5,432,831
Construction in progress	1,115,395	638,196	1,658,840	94,751	-	-	-	94,751
	5,336,894	5,711,075	1,678,854	9,369,116	847,143	489,345		8,521,972
Intangible fixed assets								
Leasehold	-	792,000	-	792,000	-	-	-	792,000
Telephone subscription rights	9,103	1,260	-	10,364	-	-	-	10,364
	9,103	793,260	-	802,364	-	-	-	802,364
Long-term prepaid expenses	188,154	84,770	17,889	255,035	29,860	19,235	22.7	225,174

## Debt

## Assets pledged as collateral

Thousands of yen	1998	1999	1998	1999
Assets provided as collateral			Liabilities for which collateral provided	
Land	2,213,840	3,114,479	Short-term borrowings	1,000,000
Buildings	515,387	720,042	Current portion of long-term debt	183,600
			Long-term debt	46,000
	2,729,228	3,834,522		1,229,600
				1,255,000

## Reserves

Thousands of yen	Beginning of period	Increase	Decrease	End of period
Allowance for doubtful accounts	3,943	3,809	3,943	3,809
Reserve for bonuses	118,912	-	118,912	-
Reserve for directors' retirement allowances	-	49,601	-	49,601

## Related Parties

### Loans to affiliates

Thousands of yen	Beginning of period	Increase	Decrease	End of period
Long-term loans				
Leader, Inc.	170,000	-	70,000	100,000
	170,000	-	70,000	100,000



## Accounting Policies

### Summary of accounting policies: Parent

Basis of presentation	Japanese GAAP; nonconsolidated
Marketable securities and investments in securities	Publicly traded securities: lower of cost or market method - moving average method Other securities: cost method - moving average method
Inventories	Merchandise: cost method - sales price method
Depreciation	Tangible fixed assets: declining balance method Long-term prepaid expenses: straight line method
Deferred assets	Issuing expenses on new equity: straight line method
Allowance for doubtful accounts	Maximum amount permitted to be charged to income under Japanese tax regulations plus an estimated amount of known bad debt
Reserve for bonuses	Accrue 100% of the amount deductible for income tax purposes
Opinion of independent auditors	Auditors: Toshikazu Oono and Susumu Kimura (1998), Tadashige Morishita, Shunji Harane and Kazuhiko Chiku (1999) Opinion: unqualified

### Summary of accounting policies: Consolidated

Basis of presentation	Japanese GAAP; consolidated
Marketable securities and investments in securities	Publicly traded securities: lower of cost or market method - moving average method Other securities: cost method - moving average method
Inventories	Parent: cost method - sales price method Consolidated: cost method - final purchase cost method
Depreciation	Tangible fixed assets: declining balance method Long-term prepaid expenses: straight line method
Deferred assets	Issuing expenses on new equity: straight line method
Allowance for doubtful accounts	Maximum amount permitted to be charged to income under Japanese tax regulations plus an estimated amount of known bad debt
Reserve for bonuses	Accrue 100% of the amount deductible for income tax purposes
Reserve for retirement allowances	Accrue 40% of the amount required on a voluntary retirement basis
Opinion of independent auditors	Auditors: Toshikazu Oono, Susumu Kimura (1998), Tadashige Morishita, Shunji Harane and Kazuhiko Chiku (1999) Opinion: unqualified

## Share-Related Information

## Shares in issue

Class of shares	No per value
Registered or bearer	Registered
Number of shares authorized	19,000,000
Issued	
As of June 30, 1999	4,990,000
As of September 30, 1999	9,980,000
Stock exchange listings or registration	Tokyo Stock Exchange, Second Section
Remarks	Voting rights

## Changes in common stock

Thousands of yen Date	Capital increase	Common stock after increase	Remark
November 25, 1994	20,000	30,000	Right offering of shares
December 17, 1996	513,000	543,000	Public offering of shares
June 19, 1998	1,442,100	1,985,100	Public offering of shares
June 12, 1999	3,442,800	5,427,900	Public offering of shares

## Shareholders by type of investor

Type of investor	Number of shareholders	Thousands of shares	% owned
National and local government agencies	-	-	-
Financial institutions	38	7,754	15.54
Securities companies	5	130	0.26
Business and other corporations	152	645	1.29
Nonresidents	79	5,842	11.71
Individuals and others	5,492	35,529	71.20
	5,766	49,900	100.00

## Shareholders by size of shareholding

Trading units	Number of shareholders	% of total shareholders	Number of units owned	% of total outstanding
1,000 or more	2	0.04	28,010	56.13
500 or more	6	0.10	3,670	7.35
100 or more	28	0.49	6,028	12.08
50 or more	22	0.38	1,475	2.96
10 or more	161	2.79	2,623	5.26
5 or more	199	3.45	1,182	2.37
1 or more	5,348	92.75	6,912	13.85
	5,766	100.00	49,900	100.00

## Largest shareholders

Name	Thousands of shares owned	Held in trust accounts	% of shares outstanding
Takao Yasuda	2,601.0		52.12
U.B.S. Trust & Banking	200.0	200.0	4.00
Daiwa Bank	94.2	94.2	1.88
The Chase Manhattan Bank NA London	62.5		1.25
Mitsui Trust & Banking	57.8	57.8	1.15
Toyo Trust & Banking	52.1	52.1	1.04
BBH for Fidelity Japan Small Company Fund	50.4		1.01
Asahi Bank	50.0		1.00
Sumitomo Trust & Banking	47.5	47.5	0.95
Mitsubishi Trust & Banking	46.5	46.5	0.93
	3,262.0		65.37

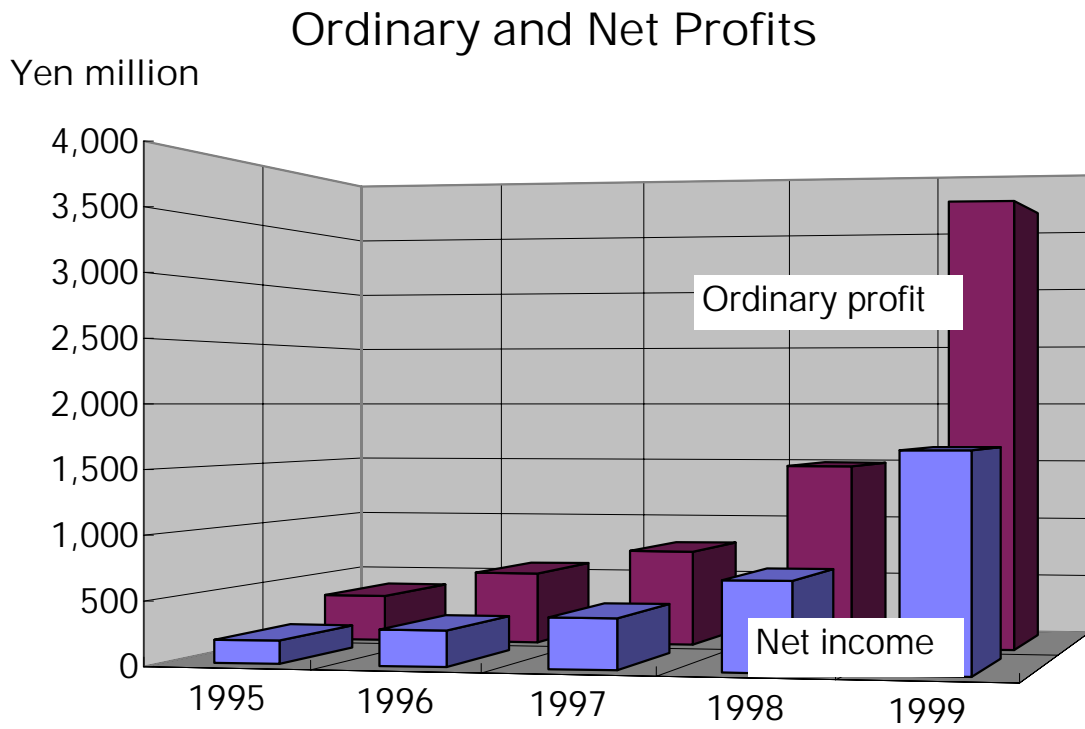
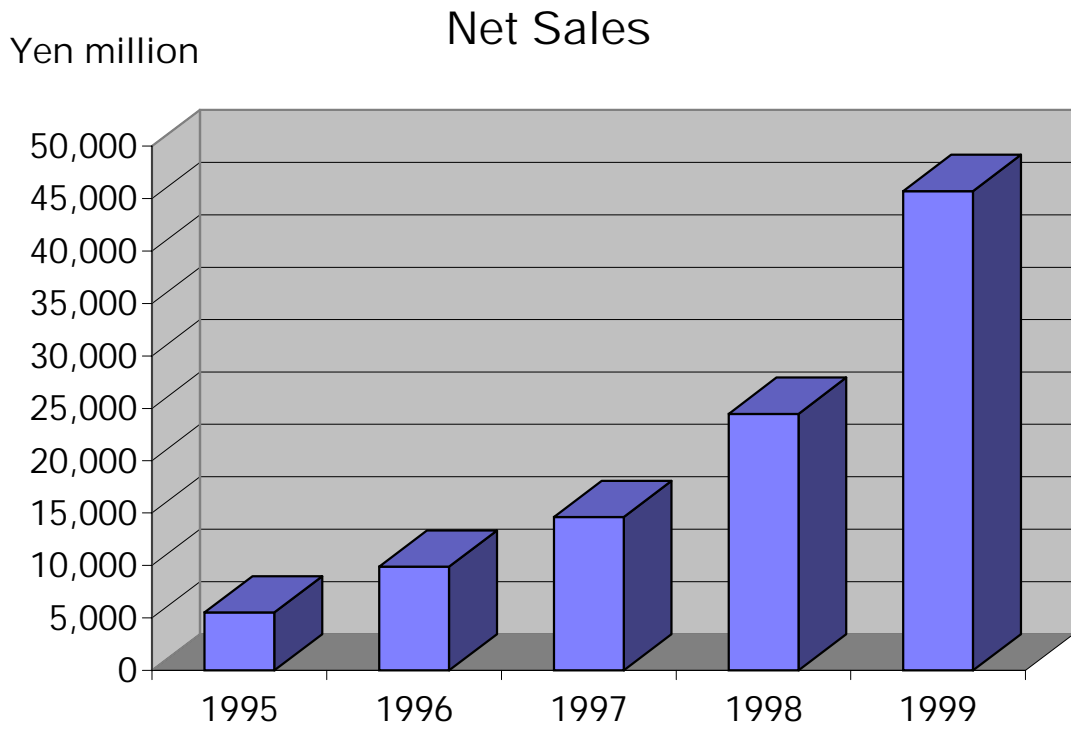
## Share information

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Fiscal year-end	June 30
Ex-rights date	June 30
Ex-rights date for interim dividend	December 31
Annual general meeting of shareholders	September
Trading unit	100 shares
Type of share certificates	100, 1,000 and 10,000 shares
Transfer agent	Chuo Trust & Banking, 1-7-1, Kyobashi, Chuo-ku, Tokyo
Publication of record	Nihon Keizai Shimbun

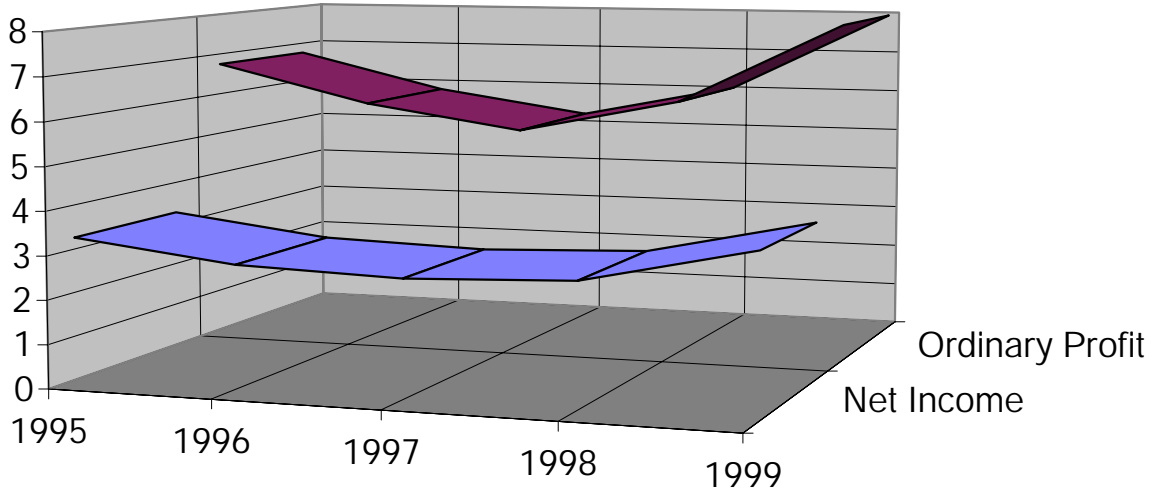
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## Performance in Graphs

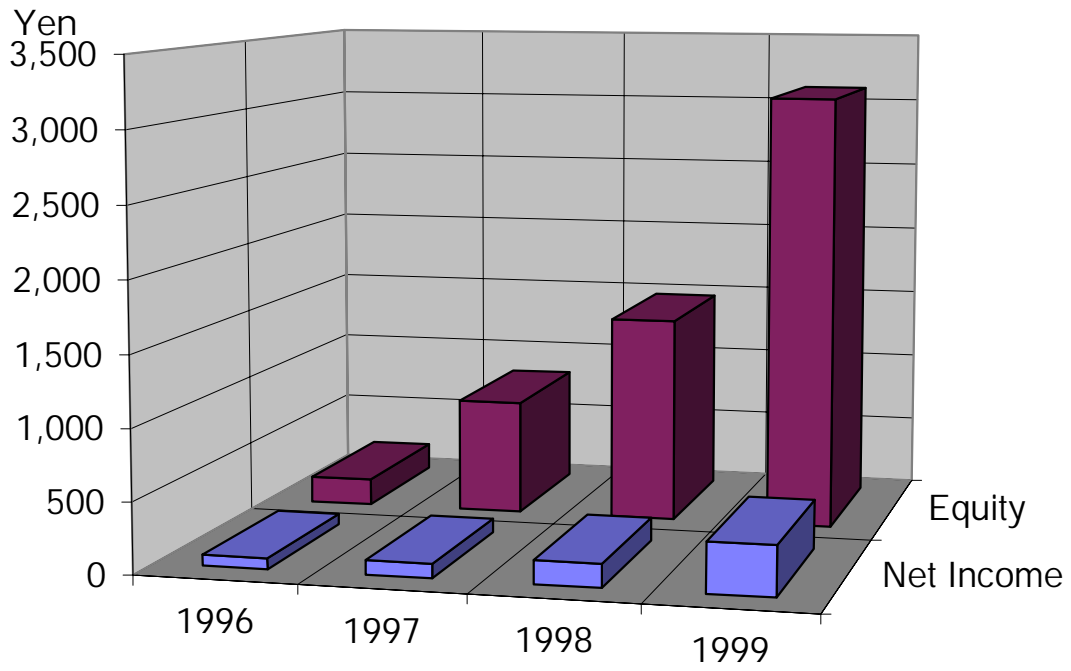


%

### Margin on Sales

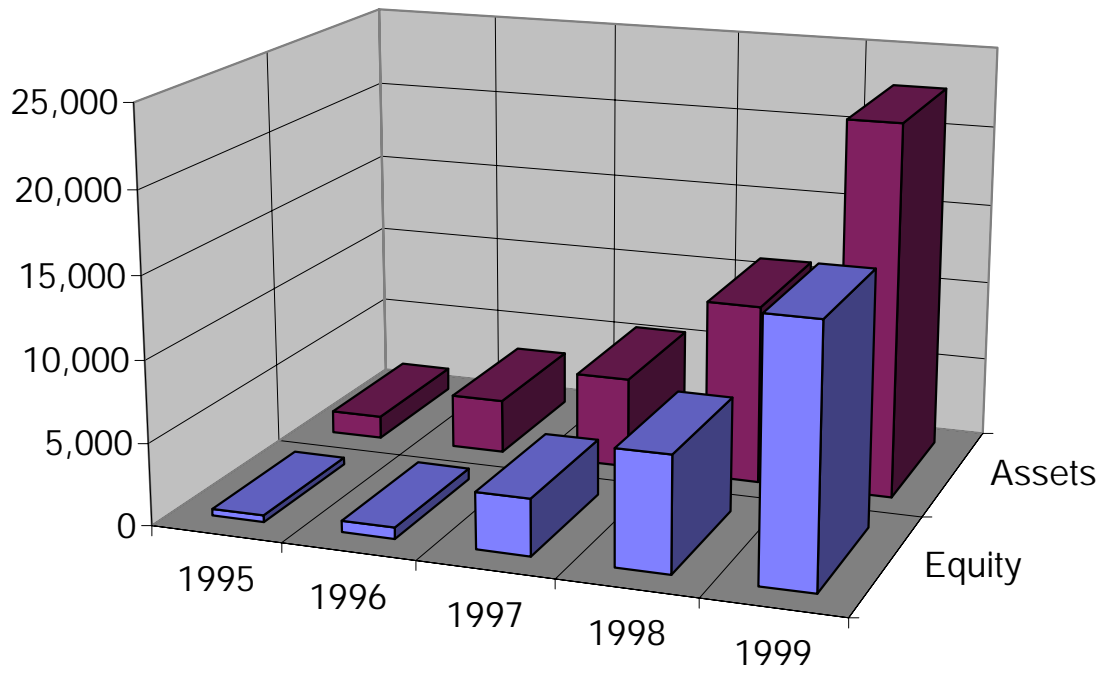


### Per Share



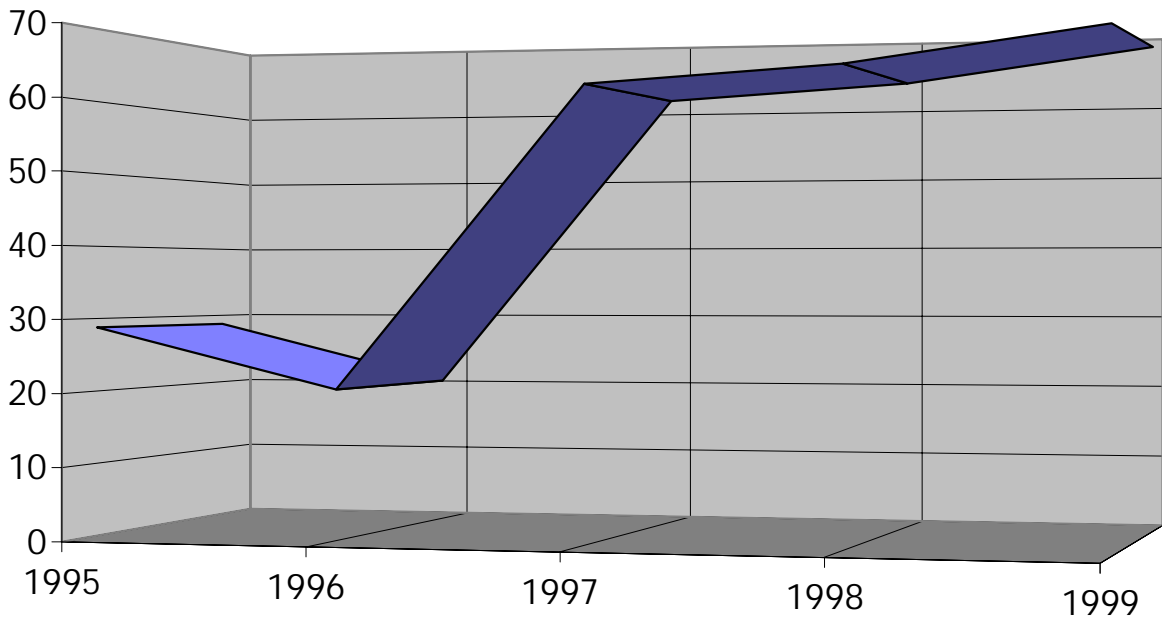
### Equity and Assets

Yen million

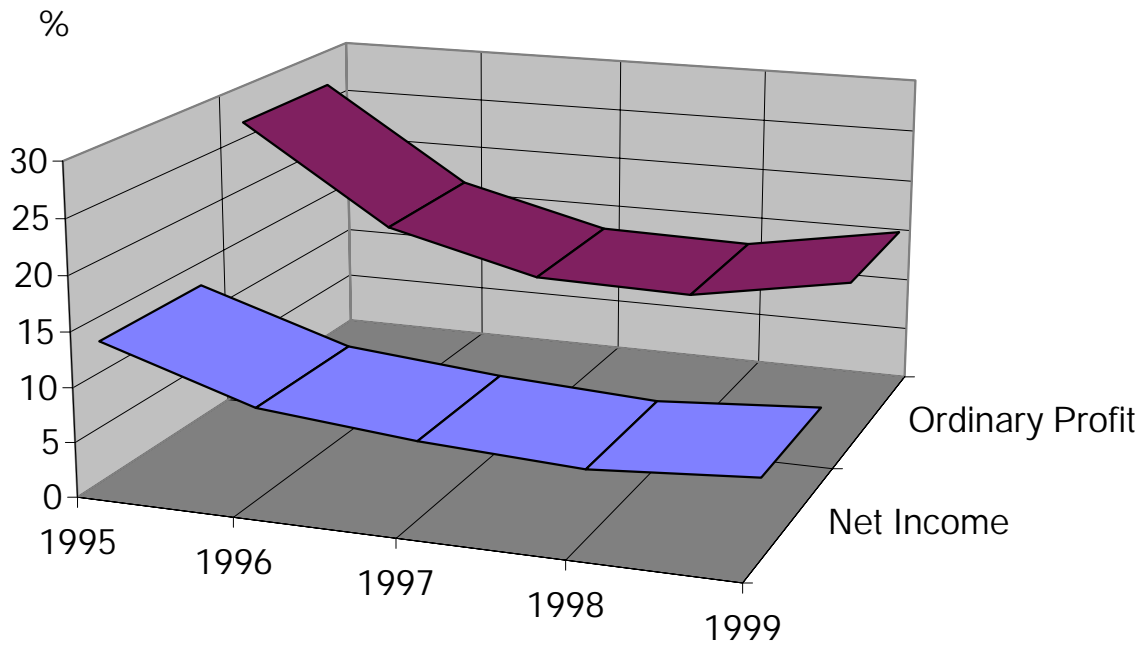


### Equity / Assets

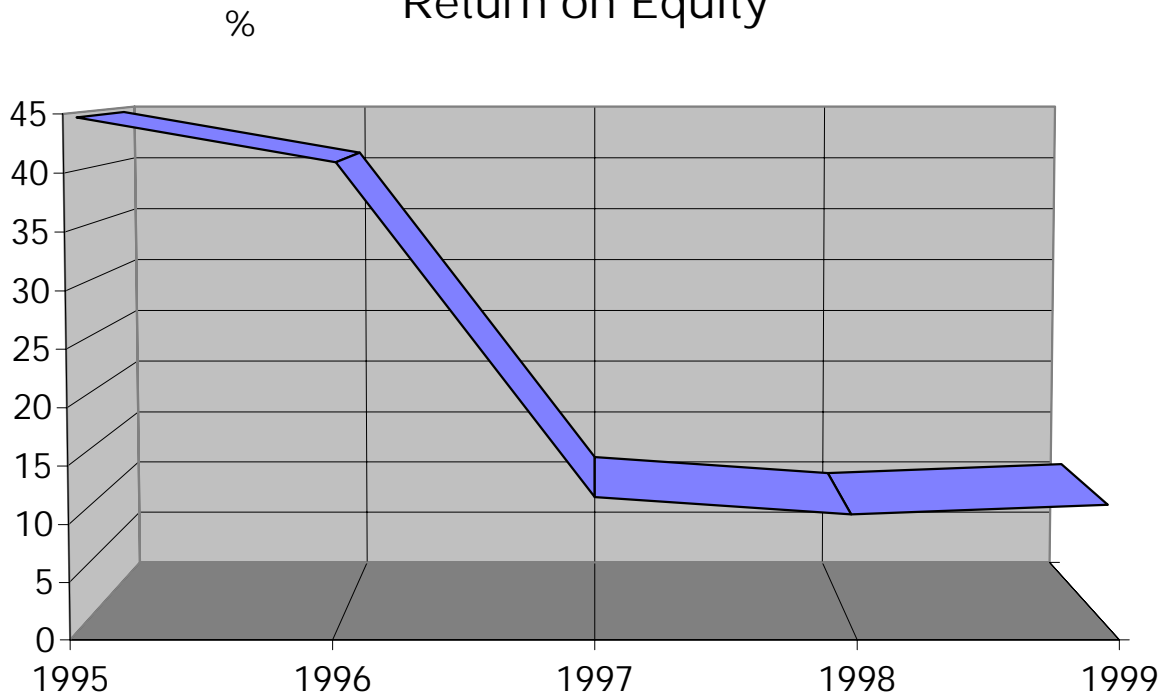
%



### Return on Assets



### Return on Equity





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