

a mass merchandiser of home electronic appliances

KOJIMA Co.,Ltd.

47th Fiscal Year (April 1, 2009 – March 31, 2010)

Shareholders' Report

An Outline of Our Initiatives
—From the General Shareholders' Meeting—



Explaining our prior fiscal year results in greater detail.

On behalf of everyone at Kojima Co., Ltd., I would like to extend my sincere gratitude for your continued patronage.

The purpose of this “Shareholders’ Report” is to communicate the details of the financial results presentation held for our shareholders after the General Shareholders’ Meeting on June 29, 2010.

In April, at the start of our current fiscal year, Kojima set up a new corporate structure in order to further enhance our management constitution. The goal of this new structure is to create a strong organization in which greater responsibility is placed in the hands of each and every employee. As chairman, I, too, am committed to working toward the company’s continued growth and development.

Kojima got its start in Utsunomiya, Tochigi Prefecture, with the challenge of making it possible to find the best home electronics in Japan at the lowest prices, without going to Tokyo’s famed Akihabara electronics district. We are working to expand our business in order to make this concept a reality for as many customers as possible. This follows an initiative we introduced last fiscal year aimed at making Kojima number one in customer relations.

I ask for your continued support of Kojima going forward.
June 29, 2010



Akitoshi Kojima

Chairman and Representative Director, Kojima Co., Ltd.

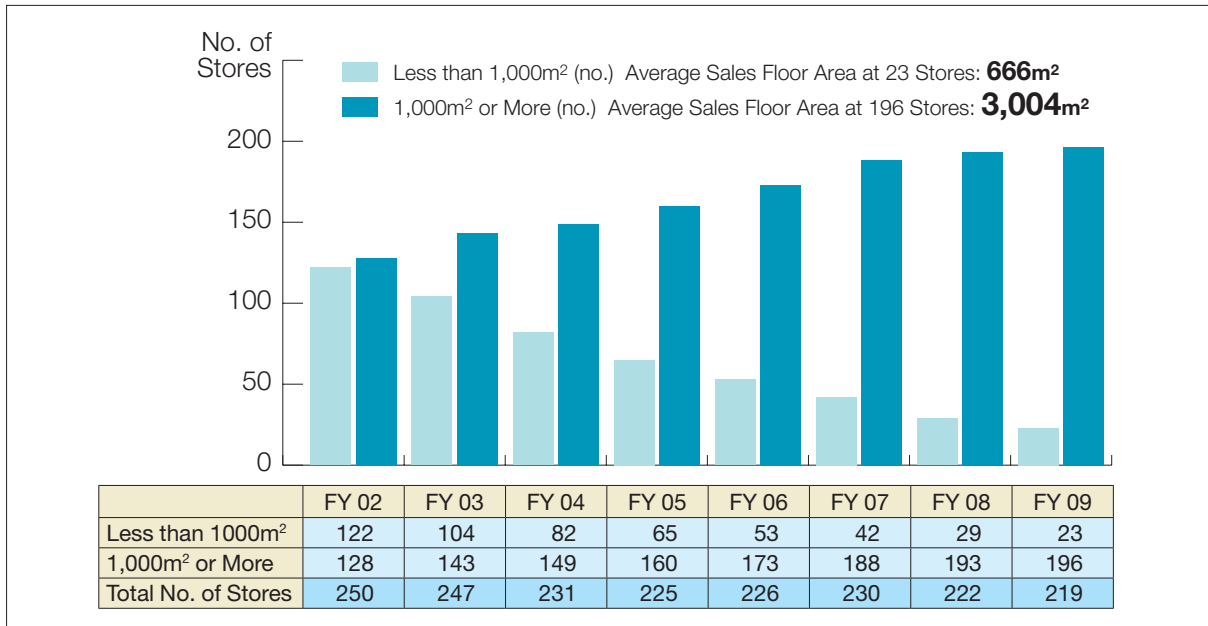
Kojima is working to create “a family of top-ranked regional stores.”



The framework for Kojima’s management foundation has been in place from the beginning

Since our founding, Kojima has made the four pillars of “More Competitive Stores,” “More Competent Employees,” “More Appealing Products,” and “More Efficient Operations” the basis of our management foundation. While adjusting these pillars in keeping with changing times and an evolving business climate, we have continued our business activities to this day. We will continue to grow and develop as a “family of top-ranked regional stores” that is even more deserving of our customers’ faith and trust.

Investment in large-scale stores has nearly come full circle. Further enhancing outlet quality will be our focus going forward.



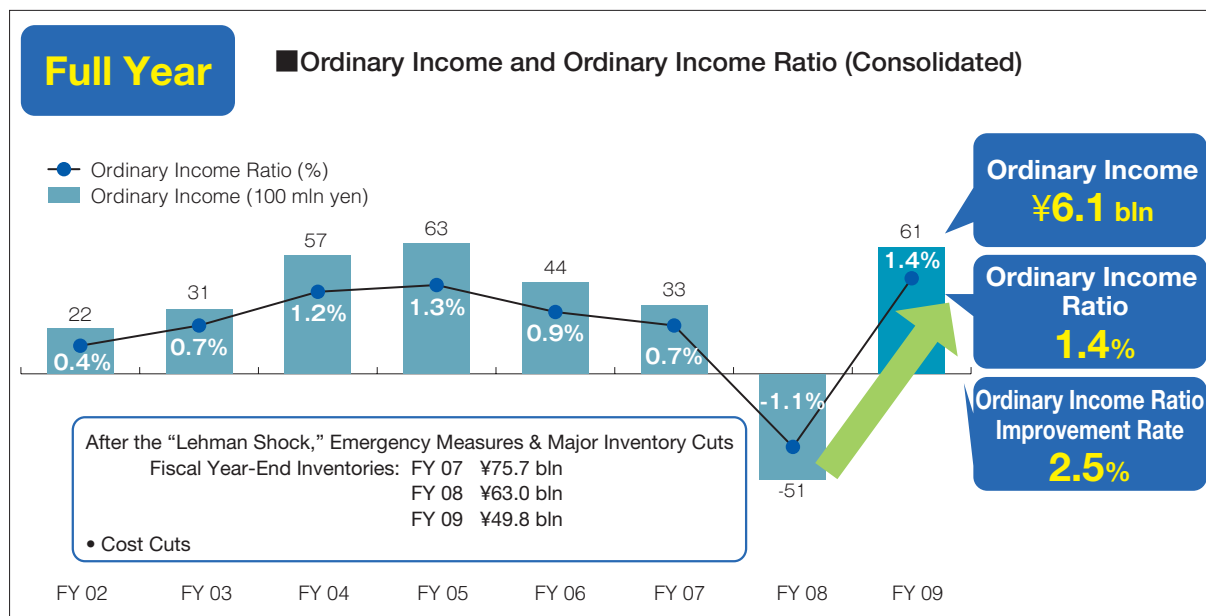
The shift to large outlets (3,000m² or larger) is nearly complete

The amount of store area required for selling home electronic appliances has changed over time. Looking ahead, Kojima considers the optimum sales floor area required to efficiently sell home electronic appliances to be 3,000m².

Our company has worked to increase the number of large sales outlets, while concurrently promoting consolidation. Over the past eight years, our efforts to expand the number of large outlets and associated

replacement investment have nearly come full circle. At present, 90% of our stores are large sales outlets with an average area of 3,000m². We will put greater focus on enhancing the quality of each sales outlet from here on out.

In fiscal 2009, full-year ordinary income totaled ¥6.1 billion, and we achieved an ordinary income ratio of 1.4%, the highest in 8 years.



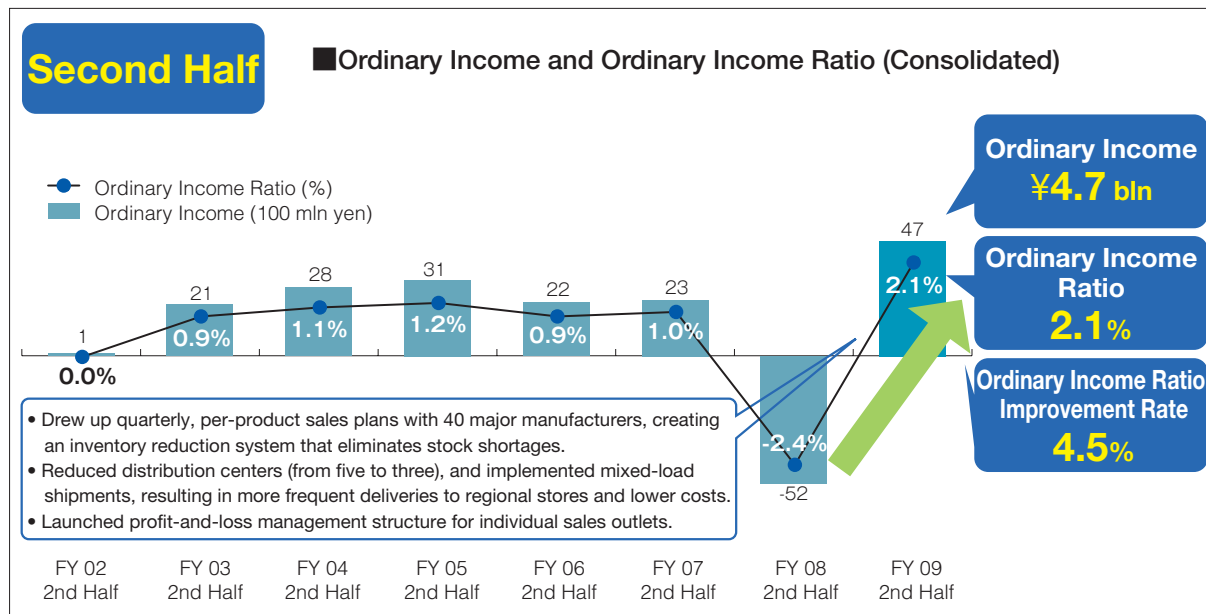
Emergency measures, inventory cuts and cost reductions in response to the "Lehman Shock"

In the fiscal year ended March 31, 2009, Kojima enacted structural improvements in response to the global financial turmoil unleashed by the sudden collapse of Lehman Bros. Maintaining ample inventories had been one of our corporate policies, but it became necessary for us to implement significant inventory cuts. This was done not only for efficiency's sake but also because the introduction of a new accounting standard (fair-value accounting) put us at risk of carrying continuous appraisal losses if we

maintained excess inventories.

We reduced our fiscal year-end inventory by ¥25.9 billion, from ¥75.7 billion in fiscal 2007 to ¥49.8 billion in fiscal 2009. The improvement in our gross-profit margin generated by inventory reductions, and the reestablishment of our cost control structure, pushed our ordinary income ratio to its highest level in the previous eight years.

Kojima's fiscal 2009 second-half ordinary income came to ¥4.7 billion and the ordinary income ratio was 2.1%, both 8-year highs. And our ordinary income ratio improved by 4.5%.



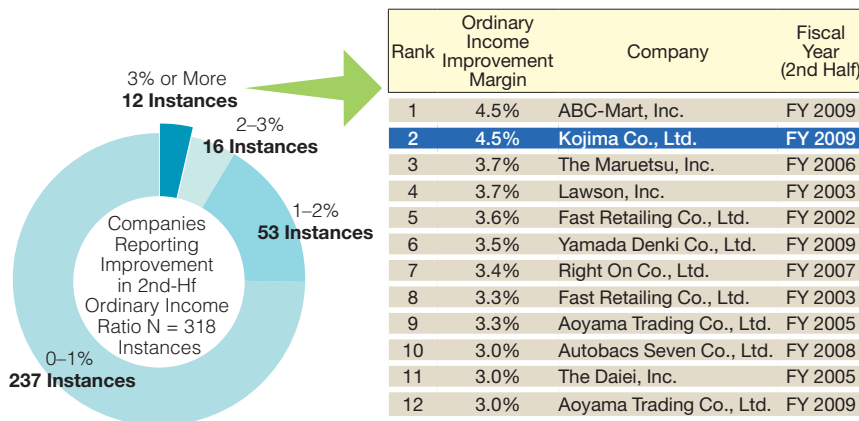
A mechanism to ensure continuous reductions in inventories and costs

In the second half of the fiscal year ended March 31, 2010 Kojima took on the task of establishing a mechanism to ensure that inventory reductions are maintained on an ongoing basis. To minimize inventory shortages, Kojima teamed up with 40 major manufacturers to draw up quarterly sales plans by individual product. Meanwhile, reducing inventory volumes creates a need for more frequent distribution. By using mixed-load shipments, Kojima managed to increase the number of weekly

deliveries to distant outlets from three to six without raising costs. And while we had concentrated profit-and-loss management at our head office up until this time, we introduced a revenue management system at individual outlets as well in order to raise company-wide consciousness about earnings.

Our second-half ordinary income ratio improved by 4.5%, making Kojima one of the top major retailers over the past 10 years.

■ Major general retailers reporting second-half improvement in ordinary income*



2nd Biggest Gain
Among 318 instances over the past 10 years

* 98 publicly traded retailers with second-half sales of ¥50.0 bln or more in FY 2000 or later, except operators of online and mail-order, door-to-door, or telecommunications carriers.

Source: Based on information from the SPEEDA financial results database. "Retailers" were extracted from major business categories, and irregular accounting years were omitted. Consolidated data is presented if available. As the settlement day differs by company, "latter half" data was used. Data for FY 2009 is limited to previously released information contained in the database (as of Feb 19, 2010).

Kojima ranks no. 2 among publicly traded retailers with second-half sales of ¥50.0 billion or more over the past 10 years (Rate of improvement in ordinary income ratio)

Of the 980 pieces of data available from the past 10 years about Japan's 98 publicly traded retailers with second-half sales of ¥50.0 billion or more, there are 318 instances in which ordinary income improved compared to the previous reporting period. Kojima's improvement rate

of 4.5% in ordinary income ratio is among the highest in the industry.

Kojima's profit structure is in line with the industry average, but our profit improvement significantly outperforms the industry average.

	Competitors' (1) Average Results (2) (Consolidated)			Kojima (Consolidated)			
	FY 2008 2nd Half	FY 2009 2nd Half	FY 2009 2nd Half	FY 2008 2nd Half	FY 2009 2nd Half	FY 2009 2nd Half	
Sales	¥384.6 bln	+ ¥38.7 bln (+ 10.1%) Sales Floor Space (4) (+10.9%)	¥423.3 bln	¥218.6 bln	+ ¥3.4 bln (+ 1.5%) Sales Floor Space (+1.2%)	¥222.0 bln	Sales growth rate relative to floor space outperforms the industry
1. Real Gross Margin Ratio (3)	22.3%	+0.4%	22.7%	20.0%	+2.0%	22.0%	
2. Costs as a Percentage of Sales	20.6%	-0.5%	20.1%	22.1%	-2.7%	19.4%	Operating income ratio in line with competitors' average
Real Operating Income Ratio = 1. - 2.	1.7%	+0.9%	2.6%	-2.1%	+4.7.%	2.6%	

Source: Companies' IR materials, "Shikiho" (Japan Company Handbook) and The Nikkei Corporate Quarterly.
Notes: (1) Industry rivals include Yamada Denki Co., Ltd., K's Holding Corporation, Edion Corporation, Biccamera Inc., Joshin Denki Co., Ltd. and Best Denki Co., Ltd. Figures from Biccamera's (Aug. settlement) first half (Sept.-Feb.) and Best Denki's (Feb. settlement) second half (Sept.-Feb.) were used. (2) The sales figure is an average of all companies' results, and the figures for real gross margin ratio and cost as a percentage of sales are each an average of all companies' results. (3) Includes the corresponding amount of gross profit margin resulting when sales promotion co-sponsorship fees, etc., are factored into non-operating revenues. (4) The figure used for Yamada Denki Co. is the group total appearing in monthly IR reports (end of March '09, end of March '10); figures used for Joshin Denki, K's Holding and Best Denki are from Vol. 2 of the spring edition of the Shikiho and the Nikkei Corporate Quarterly. Edion and Biccamera do not disclose this data and are therefore not included.

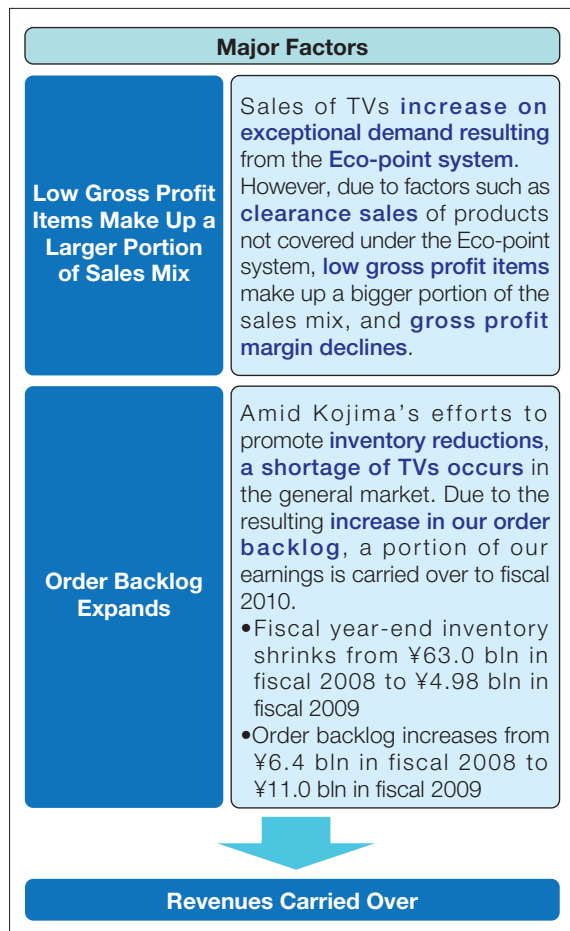
We chalked up major improvements in both results and profitability

When compared to the competition, Kojima has achieved significant improvements in both business results and profitability. The left-hand table shows averages for our competitors. The figures are simple averages (attained by simply tallying and dividing) for six major companies, excluding Kojima and privately held Yodobashi Camera Co., Ltd. Our company, which is currently focusing on building an improved profit structure, posted sales growth of 1.5%, compared to the average of 10.1% for our competitors. However, in contrast to the 10.9% increase in sales floor space among the competition, Kojima's sales floor space increased by 1.2%. Thus, we are maintaining our sales competitiveness and also outperforming the average in

terms of the rate sales growth relative to floor space.

Moreover, looking at real gross margin ratio, which is gross margin on product plus non-operating sales promotion fees, our competitors had an average 0.4% improvement last fiscal year, for a ratio of 22.7%. Kojima reported 2.0% improvement last fiscal year, for a ratio of 22.0%. Costs as a percentage of sales (advertising, rent and personnel expenses, etc.) declined by 0.5% among our competitors to 20.1%. In contrast, Kojima reported a reduction of 2.7% to 19.4%. The real operating income ratio stood at 2.6% for both Kojima and the competition. Although market conditions are severe, these results illustrate that Kojima's profit structure is stronger than the industry standard.

Due to the introduction of the Eco-point system at the end of fiscal 2009, a portion of revenues have been carried over to fiscal 2010.



Order backlog (incomplete deliveries) increases by ¥4.6 bln year-on-year

We raised our ordinary income forecast two times in fiscal 2009, but we were unable to attain our final forecast. This was due to an unexpected increase in our order backlog. The first contributing factor was exceptional demand for televisions as a result of the Eco-point system, and we were met by a larger-than-expected increase in sales at the end of the fiscal year. That boosted sales revenues, but we then sold products that were not covered by the Eco-Point system at drastically reduced prices. As a result, our profit fell in line with our initial forecast.

However, Kojima experienced a large order backlog stemming from our efforts to promote inventory reductions, and on top of this, manufacturers' inventories became depleted on unexpectedly exceptional demand. Our order backlog rose by ¥4.5 billion, to ¥11.0 billion in fiscal 2009 from ¥6.4 billion in fiscal 2008. Because sales are recorded at the time of delivery, profit was not recorded in fiscal 2009. Had this carry-over not occurred, we would have been able to secure ordinary income in line with our estimate.

Structural reforms yield improvements in real gross margin ratio and costs as a percentage of sales.



Creation of a sustainable high-profit structure

Kojima is committed to improving its gross margin ratio by increasing the share of new items in its product lineup, reducing inventories of older models and upgrading the overall freshness of our products. On the sales front, we recognize that it is important to fully explain the added value of attractive new products to customers when selling them, and we are putting this into practice.

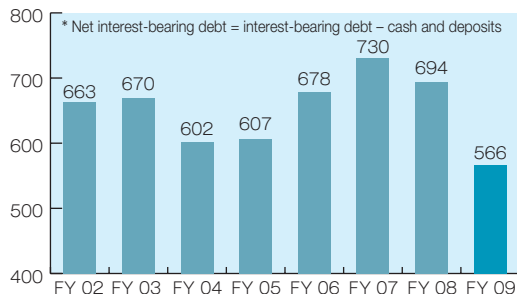
We also made substantial cuts in our selling, general and administrative expenses, realizing a full-year reduction of 9% (¥8.4 billion) and improved our expense ratio. This was thanks to through to the cooperation of many people, as well as a united effort on the part of everyone at our company. And by transferring profit-and-loss management to individual sales outlets, we are developing into an organization in which each and every store manager advances our business pursuits with a strong awareness of earnings.

Such achievements are not the result of conducting business as usual; rather, we attained them through reforms designed to transform our corporate structure. Looking ahead, we will continue to implement the structural improvements adopted by management.

Net interest-bearing debt slashed to the lowest level in 8 years, and debt-to-equity ratio improves.

■ Changes in Net-Interest Bearing Debt

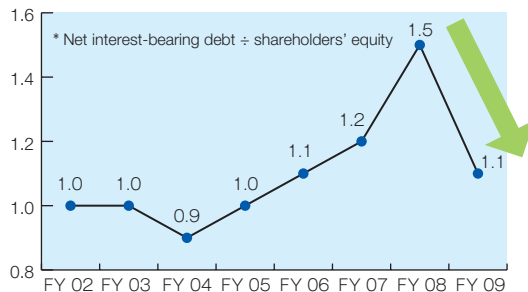
(Unit: 100 mln yen)



Net Interest-Bearing Debt Balance Lowest in 8 Years Fiscal Year-End Balance in ¥50.0 bln-Range

■ Changes in Net Interest-Bearing Debt-to-Equity Ratio

(Unit: 100 mln yen)



0.4-Point Improvement Over Previous Fiscal Year Brought Within 1.0-Times at End of Term

Improvements to our financial standing

By pushing ahead with improvements to our financial standing, we reduced net interest-bearing debt to ¥56.6 billion in fiscal 2009, the lowest level in the past eight years. In actuality, our fiscal 2009 results did not factor in a ¥6.4 billion off-balance transaction carried out in fiscal 2008 involving accounts receivable, so the real reduction in net interest-bearing debt translates into a figure of ¥19.2 billion.

Our net interest-bearing debt-to-equity ratio, which stood at 1.5 times in fiscal 2008, showed a 0.4-point improvement in fiscal 2009, declining to 1.1 times. Kojima has set out to achieve a ratio in the range of 1.0-time in fiscal 2010.

In fiscal 2010, we will implement initiatives designed with an eye to medium- and long-term growth. And we will drive home improvements in the profitability of individual sales outlets.

Concrete Initiatives	
Improved Sales	<ul style="list-style-type: none"> •By reinforcing our ability to propose products to customers in our areas of strength – people in their 30's and older and women – we aim to further build a relationship of trust with our customers •Expand lineup of new energy-saving products in the eco-friendly and low-energy consumption segments (solar, Eco-Cute, LED) •Strengthen online and mail-order sales and corporate sales channels, and expand contact with customers previously not won over (establish the first online and mail-order sales system in the industry to offer nationwide next-day delivery)
Continuous Improvements to Profitability	<ul style="list-style-type: none"> •Continuously enhance sales outlets' self-improvement capabilities by disclosing profit-loss information and specifying responsibilities with regard to earnings. •Provide continuous guidance to sales outlets requiring earnings improvements through a dedicated body newly established at the head office •Respond to an increasingly challenging market and a diminished selection of favorable locations by carefully screening new outlets through rigorous market surveys, and by establishing sales forecasts •Stress cash flow in renovation investments and sales outlet consolidation

Sales improvements (With a view to medium- to long-term growth)

Kojima's core customer demographic consists of consumers between their 30's to their 50's. Women account for a larger proportion of our sales than for any other mass marketer of home electronic appliances. Recognizing these strengths, we are working to further strengthen our product proposal capabilities, and we are continuing our efforts to build a relationship of mutual trust with our customers.

In particular, we are actively proposing energy-saving products to customers in order to increase sales of such items. In 2007, Kojima introduced what we believe to be the industry's first full-fledged point system for energy-saving products. We subsequently created a policy of concentrating on sales of low-energy products, which is now a long-term initiative central to our sales activities. Furthermore, Kojima is stepping up efforts to increase sales of new energy-saving products in the areas of solar-powered goods, energy-saving Eco-Cute water heaters that utilize economical late-night electricity, and products incorporating LED's. We are also working to strengthen new sales channels in the areas of online and mail-order and corporate sales.

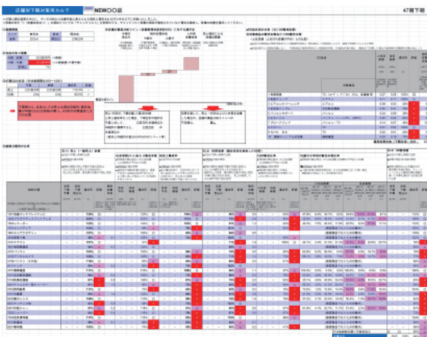
Continuous improvements to profitability

In order for Kojima to make continuous improvements to profitability, it is vital that sales outlets maintain their market competitiveness. At the same time, it is important for every single employee, starting with store managers, to have a heightened consciousness about earnings.

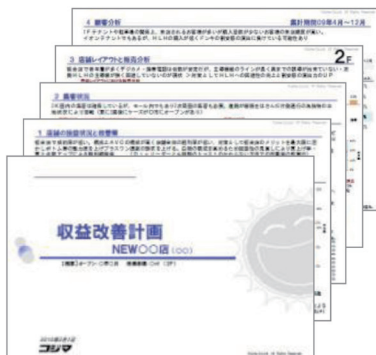
When it comes to launching new sales outlets, selective screening is a necessity amid an uncertain business climate and in a landscape in which good locations are becoming harder to find. Kojima will also continue to push ahead with the renovation and consolidation of sales outlets, keeping cash flow firmly in mind.

Strengthening our sales outlets will lead to continued improvements in profitability.

■ Disclosure of Earnings Information on a Per-Outlet Basis (Using Data to Analyze Sales Outlets' Strengths and Weaknesses)



■ Guidance for Individual Sales Outlets by a Dedicated Head Office Team (Analysis of Individual Outlets' Status and Earnings Improvement Planning)

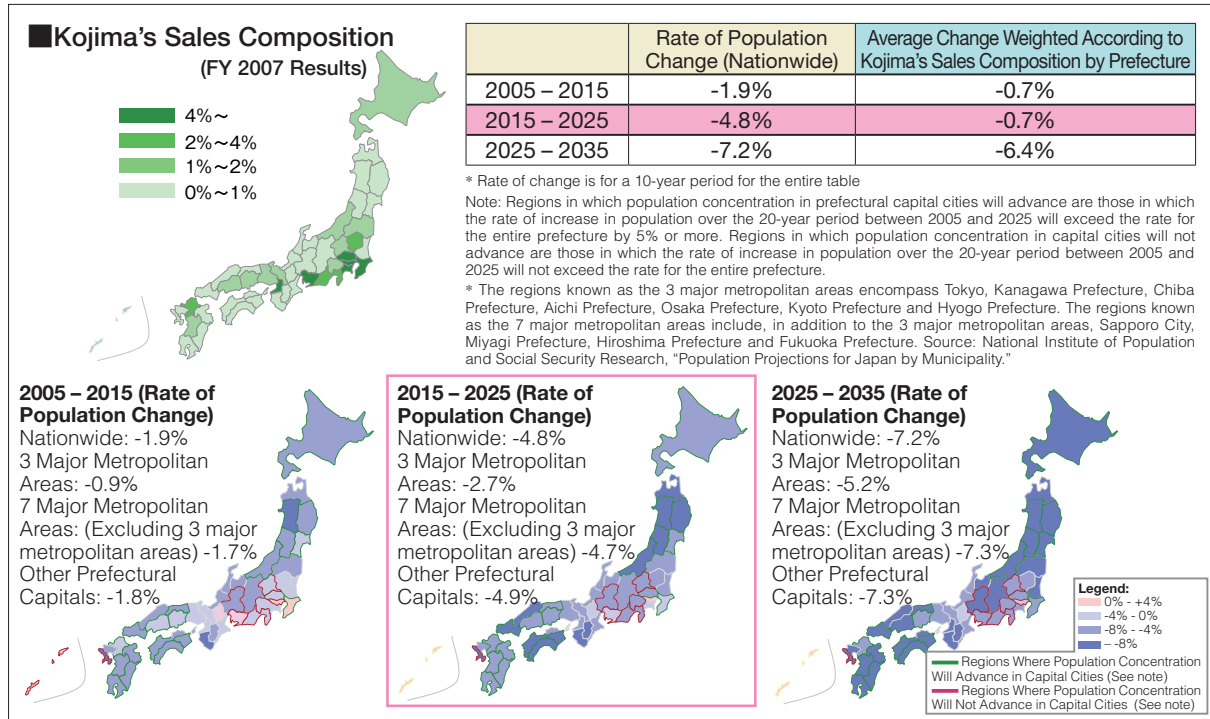


Both sales outlets and headquarters contribute to greater earning power

By reviewing earnings information compiled for individual sales outlets, store managers grasp and understand their outlet's status with regard to sales, gross margin and costs by product category, see where their outlet stands vis-à-vis expectations, and take appropriate measures.

In the event a certain sales outlet is not able to come up with solutions on its own, a dedicated team at Kojima's head office analyzes the problem areas, creates an individualized "earnings improvement plan," and provides targeted guidance.

Kojima currently opens sales outlets in commercial districts with a population of 200,000. We expect minimal impact from the decline in Japan's population a decade from now.



Areas where Kojima is currently opening sales outlets

Our company is currently opening sales outlets in commercial areas with a population of 200,000. Therefore, our approach is three-pronged, with the Kanto region, the Osaka region and the Nagoya region comprising the focus of first area, the cities of Sapporo, Sendai, Hiroshima and Fukuoka central to the second area, and prefectural capitals in other regions forming the core of the third area.

The map in the center shows that although Japan's population overall will shrink by 4.8% between 2015 and 2025, the decline is limited to 0.7% using a weighted average calculated according to the areas where Kojima's sales outlets are located. Meanwhile, the prefectures outlined in green are those in which the population will become more concentrated in capital cities.

Promoting energy-saving household appliances, and actively tackling sales in the areas of solar power generation and all-electric power in the home.

■ Sales Areas for Solar Power Generation and All-Electric Products



■ Training Center



Focusing on sales of new energy-saving home electronics

Promoting the sale and proliferation of energy-saving home electronics is an important initiative in reducing CO² emissions. It has been said that the world's petroleum supplies will dry up 30 to 40 years from now. Saving energy is extremely important for resource-challenged Japan. And substantially lower electricity bills are a plus for individual consumers' household budgets.

Our company has sold roughly 500,000 energy-saving air conditioners. Each unit saves about ¥10,000 per year in electricity charges, for total savings of about ¥5 billion. Used for 10 years, this type of air conditioner will deliver approximately ¥50 billion in savings on our customers' electricity bills. As a company with considerable experience in selling home electronics, and given our responsibility to continue to make it possible for our customers to use home electronics goods with peace of mind, it is Kojima's desire to become the number one seller of energy-saving home electronics, not only in Japan but in the world.

As far as new products are concerned, our company is currently concentrating its focus on new energy-saving household electronics related to solar, energy-saving Eco-Cute water heaters, and LED's. Our solar power generation training center, opened in November 2009, is a facility offering instruction in installation techniques and other topics. The training center has the official endorsement of Sharp Corp. and Mitsubishi Electric Corp. , and it carries out manufacturer certification programs, primarily for Kojima employees responsible for air conditioners, and members of our partner companies. Looking ahead, we will work on establishing the necessary structure to make it possible to install solar power generation and Eco-Cute products in many of our customers' homes.

CONSOLIDATED BALANCE SHEETS

KOJIMA Company, Ltd. and its Consolidated Subsidiary
As of March 31, 2010 and 2009

ASSETS	Millions of Japanese Yen		Thousands of U.S. dollars (Notes)
	2010	2009	2010
Current assets:			
Cash and cash equivalents	¥20,639	¥16,544	\$221,839
Notes and accounts receivable, trade	22,772	8,151	244,762
Inventories	50,198	63,503	539,533
Deferred tax assets	2,046	2,514	21,999
Others	5,217	6,957	56,080
Allowance for doubtful accounts	(190)	(123)	(2,052)
Total current assets	100,684	97,547	1,082,160
Property and equipment:			
Land	10,754	11,121	115,594
Buildings and structures	69,673	70,529	748,851
Others	8,048	8,170	86,506
Construction in progress	85	87	923
	88,562	89,909	951,874
Accumulated depreciation	(43,713)	(41,443)	(469,834)
Property and equipment, net	44,848	48,465	482,040
Other assets:			
Investment securities	791	809	8,504
Lease deposits	26,568	24,949	285,555
Deferred tax assets	639	1,060	6,878
Others	6,314	6,556	67,873
Allowance for doubtful accounts	(0)	(0)	(5)
Total other assets	34,313	33,374	368,805
Total assets	¥179,846	¥179,388	\$1,933,005

LIABILITIES AND EQUITY	Millions of Japanese Yen		Thousands of U.S. dollars (Notes)
	2010	2009	2010
Current liabilities:			
Short-term loans	¥35,527	¥12,500	\$381,854
Current portion of long-term debt	19,751	24,859	212,288
Accounts payable	26,457	26,513	284,368
Income taxes payable	429	382	4,615
Others	19,302	16,608	207,463
Total current liabilities	101,468	80,863	1,090,588
Noncurrent liabilities:			
Long-term debt, net of current portion	22,002	44,143	236,479
Capital lease obligations	1,045	1,336	11,239
Allowance for award credits granted to customers	3,114	3,728	33,475
Employee benefits obligations	34	35	369
Retirement allowance for directors and statutory corporate auditors	259	259	2,789
Others	2,239	2,329	24,068
Total noncurrent liabilities	28,695	51,833	308,419
Total liabilities	130,163	132,696	1,399,007
Shareholders' Equity:			
Common stock:			
Authorized – 97,200,000 shares;			
Issued – 38,912,716 shares in 2010 and 2009	18,916	18,916	203,317
Additional paid-in capital	20,940	20,940	225,066
Retained earnings	9,861	6,832	105,987
Treasury stock, at cost: 591 and 536 shares in 2010 and 2009	(0)	(0)	(9)
Unrealized gains (losses) on investments	(12)	3	(129)
Deferred losses on hedges	(21)	—	(234)
Total shareholders' equity	49,683	46,691	533,998
Total liabilities and shareholders' equity	¥179,846	¥179,388	\$1,933,005

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

KOJIMA Company, Ltd. and its Consolidated Subsidiary
For the years ended March 31, 2010 and 2009

	Millions of Japanese Yen		Thousands of U.S. dollars (Notes)
	2010	2009	2010
Net sales	¥438,255	¥459,840	\$4,710,404
Cost of sales	343,865	374,326	3,695,891
Gross profit	94,390	85,514	1,014,513
Selling, general and administrative expenses	88,055	96,367	946,422
Operating income (loss)	6,335	(10,853)	68,091
Other income (expenses):			
Interest and dividend income	171	171	1,846
Interest expense	(1,548)	(1,612)	(16,646)
Income from cooperation with manufacturers on sales promotion activities of vendors	1,253	7,245	13,477
Impairment loss on fixed assets	(1,571)	(4,806)	(16,890)
Other expenses, net	(431)	(1,080)	(4,640)
Total other expenses, net	(2,126)	(83)	(22,852)
Income (loss) before income taxes	4,208	(10,936)	45,238
Income taxes:			
Current	153	655	1,646
Deferred	890	1,084	9,572
	1,043	1,739	11,218
Net income (loss)	¥3,165	¥ (12,676)	\$34,020

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

KOJIMA Company, Ltd. and its Consolidated Subsidiary

For the years ended March 31, 2010 and 2009

Millions of Japanese yen							
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on investments	Deferred losses on hedges	Total shareholders' equity
Balance at March 31, 2008	¥18,916	¥20,940	¥20,150	¥(0)	¥28	¥—	¥60,035
Net loss	—	—	(12,676)	—	—	—	(12,676)
Cash dividends paid	—	—	(642)	—	—	—	(642)
Other net changes during the year	—	—	—	(0)	(25)	—	(25)
Balance at March 31, 2009	¥18,916	¥20,940	¥6,832	¥(0)	¥3	¥—	¥46,691
Net income	—	—	3,165	—	—	—	3,165
Cash dividends paid	—	—	(136)	—	—	—	(136)
Other net changes during the year	—	—	—	(0)	(15)	(21)	(37)
Balance at March 31, 2010	¥18,916	¥20,940	¥9,861	¥(0)	¥(12)	¥(21)	¥49,683

Thousands of U.S. dollars (Notes)							
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on investments	Deferred losses on hedges	Total shareholders' equity
Balance at March 31, 2009	\$203,317	\$225,066	\$73,431	\$(9)	\$35	\$—	\$501,841
Net income	—	—	34,020	—	—	—	34,020
Cash dividends paid	—	—	(1,464)	—	—	—	(1,464)
Other net changes during the year	—	—	—	(0)	(164)	(234)	(399)
Balance at March 31, 2010	\$203,317	\$225,066	\$105,987	\$(9)	\$(129)	\$(234)	\$533,998

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOJIMA Company, Ltd. and its Consolidated Subsidiary
For the years ended March 31, 2010 and 2009

	Millions of Japanese Yen		Thousands of U.S. dollars (Notes)
	2010	2009	2010
Operating activities:			
Net income (loss)	¥3,165	¥(12,676)	\$34,020
Adjustments reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,954	3,988	42,501
Deferred income taxes	890	1,084	9,572
Allowance for award credits granted to customers	(614)	733	(6,602)
Impairment loss on fixed assets	1,571	4,806	16,890
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	(14,621)	2,431	(157,149)
Inventories	13,305	12,469	143,005
Accounts payable	(55)	(4,971)	(599)
Advance receipts	6,047	329	65,002
Other, net	2,892	1,900	31,093
Total adjustments	13,371	22,771	143,713
Net cash provided by operating activities	16,536	10,094	177,733
Investing activities:			
Purchase of property and equipment	(1,932)	(5,143)	(20,775)
Proceeds from sales of property and equipment	352	652	3,787
Other, net	(1,820)	(1,209)	(19,564)
Net cash used in investing activities	(3,400)	(5,701)	(36,552)
Financing activities:			
Increase in short-term loans	23,027	6,500	247,503
Proceeds from long-term debt	—	20,850	—
Repayment of long-term debt	(27,249)	(30,237)	(292,879)
Other, net	(4,818)	(1,746)	(51,788)
Net cash used in financing activities	(9,040)	(4,634)	(97,164)
Net increase (decrease) in cash and cash equivalents	4,095	(240)	44,016
Cash and cash equivalents, beginning of year	16,544	16,785	177,822
Cash and cash equivalents, end of year	¥20,639	¥16,544	\$221,839
Supplemental disclosures:			
Interest expenses paid	¥(1,542)	¥(1,612)	\$(16,579)
Income taxes paid, net of refunds	137	(786)	1,477

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KOJIMA Company, Ltd. and its Consolidated Subsidiary

Organization and Summary of Significant Accounting Policies

Organization and Business

KOJIMA Company, Ltd. (the “Company”) was incorporated in Utsunomiya, Tochigi Prefecture, Japan, in August, 1963, as a mass merchandiser of home electronic appliances and has expanded its business all over the country.

Statement of Compliance

The consolidated financial statements have been translated from the original audited consolidated financial statements prepared in accordance with generally accepted accounting principles in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Certain amounts have been reclassified for overseas investors’ convenience.

Basis of Preparation

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million of Japanese yen have been omitted. Consequently, the totals shown in the consolidated financial statements do not necessarily agree with the sum of the individual amounts. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 to U.S.\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Reclassifications

Certain amounts in the prior year’s consolidated financial statements have been reclassified to conform to the current year’s presentation.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and one of its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The investments in stocks of immaterial subsidiaries unconsolidated to the consolidated financial statements are stated at cost.

Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less.

Trade and Other Receivables

Trade and other receivables are stated at cost. Recognizable individual risks are taken into account by making appropriate value adjustments as well as a general allowance for possible credit losses.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is based primarily on the basis of average method for merchandise in stores and its most recent purchase prices for supplies.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to the consolidated statements of operations on a straight-line basis or on a declining-balance basis over the estimated useful lives.

Investment securities

Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or

loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving average method.

Retirement allowance for directors and statutory corporate auditors

Directors and corporate auditors of the Company and its consolidated subsidiary receive lump-sum payments upon termination of their services under unfunded termination plans. The full amount of such retirement benefits for directors and corporate auditors is accrued in accordance with their internal rules.

Income Taxes

Deferred income tax assets and liabilities are computed for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred income tax assets to the amounts expected to be realized.

Pension plans

The Company and its consolidated subsidiary have non-contributory pension plans which cover all eligible employees. Net periodic pension cost, which represents the amount recognized as the cost of a pension plan for a year, is accounted for based on the projected benefit obligation and the pension plan assets.

The unrecognized retirement benefit obligation at transition is being amortized by the straight-line method over a period of 15 years.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period (principally 10 years) which falls within the average estimated remaining years of service of the active participants in the plans.

Allowance for award credits granted to customers

The allowance for award credits granted to customers is based on an estimate of award credits granted to customers during the year and expected to be used in future periods. The amount of the allowance is determined with reference to the actual usage of award credits during the year.

Derivatives

Derivative financial instruments are carried at fair value and any changes in fair value are charged or credited to income as incurred unless the derivatives qualify as hedges, in which case special deferral hedge accounting treatment, under which the fair value of the derivatives is not recognized on the balance sheet, is applied.

The Company and its consolidated subsidiary utilize derivatives for the purpose of hedging their exposure to adverse fluctuation in interest rates but do not enter into such transactions for speculative trading purposes. The Company has entered into interest-rate swaps to reduce the risk exposure related to its borrowings. These interest-rate swaps qualify as hedging instruments and for the special accounting treatment referred to above. Any differences paid or received on the interest-rate swaps are recognized as adjustments to interest expense over the life of each swap, thereby adjusting the effective interest rate on the underlying hedged item.

■ Company Profile (as of May 31, 2010)

Company Name:	Kojima Co., Ltd.
Head Office:	2-1-8 Hoshigaoka, Utsunomiya, Tochigi 320-8528, Japan
Phone:	(028) 621-0001 (Main)
URL:	http://www.kojima.net
Founded:	April 1955
Established:	August 1963
Representative:	Etsuo Terasaki, President and CEO
Capital:	18,916,640,000 yen
Employees:	4,499
Primary Banks:	The Ashikaga Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Inc., The Tochigi Bank, Ltd., Resona Bank, Ltd., Joyo Bank, Ltd., The Bank of Yokohama, Ltd., The Toho Bank, Ltd., Kirayaka Bank, Ltd., Daishi Bank, Ltd., The Daito Bank, Ltd., Tsukuba Bank, Ltd., Gunma Bank, Ltd., The Norinchukin Bank, Mizuho Trust & Banking Co., Ltd., Sumitomo Trust & Banking Co., Ltd., Mitsubishi UFJ Trust and Banking Corporation

■ Board of Directors and Corporate Auditors (as of June 29, 2010)

Chairman and Representative Director	Akitoshi Kojima	Director	Hideo Ishikawa
President and Representative Director	Etsuo Terasaki	Director	Yasuo Nakata
Vice President	Etsuo Ogaki	Senior Corporate Auditor	Takanori Akimoto
Vice President, General Manager of Sales	Motohiko Sato	Corporate Auditor	Koichi Hirayama
Director and Senior Managing Executive Officer General Manager, General Affairs Director, CSR Promotion Office	Maki Mori	Corporate Auditor	Mitsue Aizawa
Director and Managing Executive Officer General Manager of Merchandising	Akio Kamiyama	Corporate Auditor	Mitsuru Doi

* Director Yasuo Nakata is an independent director.

■ Sales Outlets (as of June 30, 2010)

Hokkaido

NEW Teine Store
NEW Hakodate Store
NEW Sapporo Kotoni Store
NEW AEON Nishioka Store

Aomori Prefecture

Hachinohe Store
NEW Aomori Store
NEW Hirosaki Store

Iwate Prefecture

SELECT Hanamaki Store
NEW Morioka Store

Miyagi Prefecture

NEW Sendai Store
NEW Tagajo Store
SELECT Ishinomaki Nishi Store
NEW Izumi Chuo Store
NEW Osaki Store
NEW Natori Airy Store

Akita Prefecture

NEW Oroshidanchi Store

Yamagata Prefecture

NEW Yamagata Store
SELECT Yonezawa Store
NEW Mikawa Store

Fukushima Prefecture

NEW Shirakawa Store
NEW Koriyama Store
NEW Aizuwakamatsu Store
NEW Iwaki Store
NEW Fukushima Store
NEW Houkida Store

Ibaraki Prefecture

NEW Gakuen Toshi Store
NEW Shimodate Store
NEW Hitachi Minami Store
NEW Koga Store
NEW Mito Store

Tochigi Prefecture

NEW Ken-Hoku Store
SELECT Karasuyama Store
Yaita Store
Koyoudai Store
NEW Komaoi Store
Ujicie Store
NEW Kanuma Store
NEW Ashikaga Store

NEW Higashi Store
NEW Tochigi Store
NEW Utsunomiya Minami Store

NEW Oyama Store
NEW Sano Store
NEW Moka Store
NEW Nikko Store
NEW Kuroiso Store
Kojima Yakuhin Midorino Store

Gunma Prefecture

Ota Store
NEW Hiyoshi Store
NEW Maebashi Otomo Store
NEW Tatebayashi Store
NEW Oizumi Store
NEW Kiryu Store
NEW Isesaki Store
NEW Takasaki Store

Saitama Prefecture

NEW Kawagoe
Interchange Store
NEW Fukasaku Store
Satte Store
NEW Wako Store
NEW Minami Koshigaya Store
NEW Tokorozawa Nishi Store
NEW Kawaguchi Store
NEW Kuki
NEW Kamifukuoka Store
NEW Yono Store
NEW Sakado Store
NEW Urawa Store
NEW Hatogaya Store
NEW Koshigaya Store
NEW Kumagaya Store
NEW Niiza Store
NEW Ageo Kasuga Store
NEW Kazo Store
NEW Kasukabe Store
NEW Tokorozawa Store
NEW Kitamoto Store

Chiba Prefecture

Kisarazu Store
NEW Hanamigawa Store
NEW Chiba Chuo Store
NEW Makuhari
Interchange Store
NEW Kimitsu Store
NEW Yukarigaoka Store
NEW Kashiwa Store
NEW Matsudo Store

NEW Funabashi
NEW Narashino Store
NEW Chiba New Town Store
NEW Shin-Funabashi Store
NEW Narita Store

Tokyo

SELECT Kamiitabashi Store
Tama Store
NEW Kodaira Store
NEW Takashimadaira Store
NEW Toyotama Store
NEW Higashi Kurume Store
NEW Edogawa Store
NEW Hachioji Store
NEW Higashiyamato Store
NEW Igusa Store
NEW Yoga Store
NEW Fuchu Store
NEW Wakabayashi Store
NEW Shimura Store
NEW Machiya Store
NEW Nishiarai Store
NEW Shin-Koiwa Store
NEW Mitaka Store
NEW Ikegami Store
NEW Zenpukuji Store
NEW Katsushika Store
NEW Higashimurayama Store
NEW Adachi Kohoku Store
NEW Minami Sunamachi SUNAMO Store
NEW Fussa Store
NEW Nishi Tokyo Store
NEW Oi Keibajo-mae Store
NEW Adachi Kahei Store
NEW AEON Akishima The Big Store

Kanawaga Prefecture

NEW Kohoku
Interchange Store
SELECT Yokohama Store
Isehara Store
NEW Shin-Sugita Store
NEW Atsugi Sakaecho Store
NEW Fujisawa Store
NEW Odawara Store
NEW Ebina Store
NEW Hirama Store
NEW Yokohama Hyoyoshi Store
NEW Kajigaya Store
NEW Yokosuka Store
NEW Sagamihara Store
NEW Zama Store

NEW Hashimoto Store
NEW Hiratsuka Store
NEW Yokohama Oguchi Store
NEW Gontazaka Square Store
NEW Tokai Daigaku Higashi Store

Niigata Prefecture

SELECT Tsubame Sanjo Store
SELECT Nagaoka Store
NEW Niigata Store
NEW Joetsu Store

Yamanashi Prefecture

NEW Kofu Store
NEW Kofu Bypass Store

Ishikawa Prefecture

NEW Kanazawa Eki Nishi Store

Fukui Prefecture

NEW Fukui Lpa Store

Toyama Prefecture

NEW Toyama Store
NEW Nishi Toyama Store

Nagano Prefecture

NEW Nagano Store
NEW Matsumoto Store

Gifu Prefecture

NEW Nishi Gifu Store

Shizuoka Prefecture

NEW Shizuoka Store
NEW Hamamatsu Store
NEW Shizuoka Ariake Store
NEW Numazu Store
NEW Fuji Store

Aichi Prefecture

NEW Atsuta Store
NEW Toyohashi Store
NEW Okazaki Store
NEW Seto Store
NEW Nisshin Store
NEW Ichinomiya Store
NEW Arimatsu
Interchange Store
NEW Kiyosu Higashi
Interchange Store
NEW Narumi Store
NEW Sunadabashi Store

NEW Nagoya Kita Store

Mie Prefecture

NEW Yokkaichi Store

Shiga Prefecture

NEW Otsu Store

Kyoto Prefecture

NEW Fushimi Store
NEW Takano Store

Osaka Prefecture

NEW Kadoma Store
NEW Izumi Store
NEW Ryokuchi Koen Store
NEW Matsubara Store
NEW Minoo Store
NEW Ibaraki Store
NEW Sakai Store
NEW Ikuno Store
NEW Asahi Store
NEW Rinku Hagurazaki Store
NEW Abeno Store
NEW Takatsuki Store
NEW Daito Store
NEW Neyagawa Store

Hyogo Prefecture

NEW Myodani Store
NEW Daikai Store
NEW Tegara Store
NEW Naruo Store
NEW Ashiya Store
NEW Minami Mukonosu Store

Nara Prefecture

NEW Kashiba Store

Wakayama Prefecture

NEW Wakayama Store

Tottori Prefecture

NEW Tottori Store

Shimane Prefecture

NEW Matsue Store

Okayama Prefecture

NEW Kurashiki Store
NEW Okayama Store

Hiroshima Prefecture

NEW Ujina Store

NEW Fukuyama Store
NEW Hiroshima Interchange Midoriri Station

Yamaguchi Prefecture

NEW Yamaguchi Ube Airport Store

Tokushima Prefecture

NEW Tokushima Store

Kagawa Prefecture

NEW Takamatsu Store

Ehime Prefecture

NEW Matsuyama Store

Kochi Prefecture

NEW Kochi Interchange Store

Fukuoka Prefecture

NEW Fukuoka Airport Store
NEW Yahata Store
NEW Fukuoka Kasuga Store
NEW Fukuoka Nishi Store
NEW Kokura Higashi Interchange Store

Saga Prefecture

NEW Tosu Store

Nagasaki Prefecture

NEW Nagasaki Store

Kumamoto Prefecture

NEW Kumamoto Store
NEW Kumamoto Interchange Store

Oita Prefecture

NEW Oita Store

Miyazaki Prefecture

NEW Miyazaki Store

Kagoshima Prefecture

NEW Taniyama Store
NEW Yojiro Store

Okinawa Prefecture

NEW Naha Store



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