Pan Pacific International Holdings

Integrated Report

2019

“I was lucky to find such a good deal on milk!”

“Look at these cool party goods.”

“This store was a real lifesaver during last week’s rough weather.”

The PPIH Group welcomes approximately 529 million customers to its stores every year.*

Each shopping excursion tells a meaningful story.

We are committed to spreading smiles throughout Japan and across the globe.

“We are committed to the smiles of our customers.”

These words express the PPIH Group’s mission.

* The number of customers represents the number that passed through our checkout lanes in the fiscal year ended June 30, 2019.

The Dawn of a New Growth Stage

The PPIH Group has taken the first step on its journey to becoming a globally competitive retail group.

UNY Co., Ltd. joined the Group in January 2019, and
the Company’s name was changed to Pan Pacific International Holdings Corporation
in February of the same year.
“We are committed to the smiles of our customers.”
Recognizing the mission expressed in this statement, we have opened a new chapter
in our growth story as we move forward on our quest
to continue tackling new challenges and innovating the retail industry.

Vision for the PPIH Group

MISSION

The PPIH Group's Purpose

We Are Committed to the Smiles of Our Customers

We remain dedicated to our corporate principle—"the customer matters most."
The PPIH Group continues to evolve and exist for the sake of its customers.
By "customers," we refer to all stakeholders, including our business partners and shareholders.

CORPORATE PHILOSOPHY

Our Ever-Lasting Corporate Principle

The Customer Matters Most

Our corporate principle is an important commitment that must be upheld at all costs and also represents the PPIH Group's stance toward fulfilling its mission. The principle, "the customer matters most," shapes and drives all of our actions.

VISION

Road Map for Fulfilling Our Mission

Expansion of Operations in the Pacific Rim

Driven by our commitment to developing new store formats together with Group companies and responding to diverse and changing customer needs, we envision a future in which the PPIH Group grows into a prominent retailer in Japan and throughout the Pacific Rim.

CORE VALUE

The PPIH Group's Distinctive Value

Delegation of Authority × Ability to Adapt

Our distinctive core value, something that cannot be mimicked by our rivals, has propelled us forward to achieve 30 consecutive years of net sales and operating income growth. We pride ourselves on the unique strength born out of the ability to adapt arising from the delegation of authority.

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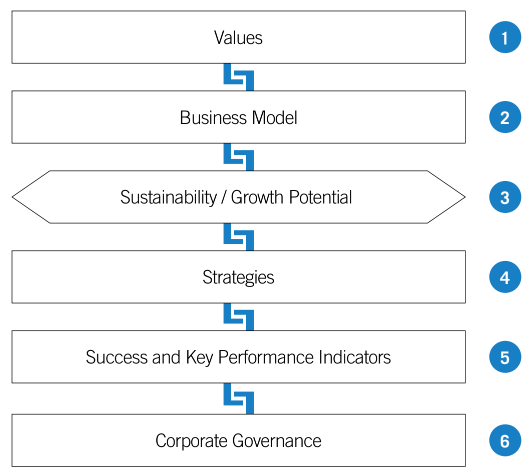
Disclaimer Regarding Forward-Looking Statements

Forward-looking statements contained in this integrated report are based on various assumptions and do not guarantee future performance or the progress of stated strategies.

Editorial Policy

This integrated report contains information on the medium- to long-term business strategies of the PPIH Group and non-financial information on factors underpinning the Group's ongoing growth. The report was published with the goal of invigorating the dialogue between the PPIH Group and its stakeholders. In preparing this report, reference was made to the International Integrated Reporting Framework of the International Integrated Reporting Council and to the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment of the Ministry of Economy, Trade and Industry. The relationship between each section of this report and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation is as shown in the table of contents above.



I will practice our corporate principle, which is delineated in *Genryu*, through the ultimate empowerment of employees.

Greetings, my name is Naoki Yoshida, and I took up the mantle of president and CEO of Pan Pacific International Holdings Corporation on September 25, 2019. I recognize the weight of the responsibility with which I have been assigned, and I am committed to fulfilling this responsibility.

Naoki Yoshida
President and CEO

Accomplishment of All Targets of Vision 2020 Medium-Term Management Plan a Year Ahead of Schedule

The fiscal year ended June 30, 2019 marked a major milestone for the PPIH Group. Not only was it a year in which we achieved higher net sales and operating income for the 30th consecutive year since the opening of the first Don Quijote store, it was also a year in which we converted UNY Co., Ltd. into a consolidated subsidiary, which took place in January 2019. With the addition of UNY, the PPIH Group's business scale exceeded ¥1 trillion in terms of net sales, total assets, and market capitalization.

Furthermore, we posted net sales of ¥1,328.9 billion and return on equity (ROE) of 15.6% in the fiscal year ended June 30, 2019, while our store network grew to 693 locations. These figures represent the accomplishment of all targets of the Don Quijote Group's Vision 2020 medium-term management plan—net sales of ¥1 trillion, a store network of 500 locations, and ROE of 15% to be achieved by the fiscal year ending June 30, 2020—a year ahead of schedule.

We are currently in the process of formulating a new medium-term management plan to succeed Vision 2020, and this plan is slated to be announced in February 2020. My most important mission will thus be to ensure that the targets of this new medium-term management plan are accomplished while cultivating future managers.

Bold, Constant, and Ever-More Dedicated Quest to Address the Changing Times

In the domestic market, we continue to face difficult conditions due to the rising maturity of consumption trends as well as demographic circumstances. We are opening new stores while working to improve the earnings structures of existing stores in this market. Meanwhile, our MEGA Don Quijote UNY format has been growing at a pace that has exceeded expectations.

Overseas, we opened our first store in Thailand in February 2019, followed by our first store in Hong Kong in July of the same year. In this manner, we are making smooth progress with our advancement into ASEAN countries. Our stores in these countries supply high-quality, made-in-Japan fruits, vegetables, processed foods, and cosmetics and accessories at reasonable prices. These offerings consistently draw large numbers of customers, making the stores a massive hit. I am confident that this success is the result of our ability to capture the hearts of customers in these countries through the creation of the new DON DON DONKI store format, which is radically different from our traditional store formats.

I see strong potential for the growth of our existing operations both in Japan and overseas. Going forward, the PPIH Group will look to further entrench its distinctive store formats among customers, an endeavor that will include incorporating new earnings models based on lifetime value and other concepts employing long-term time frames. At the same time, we will undertake new challenges as a conglomerate founded on the tradition of constantly creating new formats and with an ability to adapt forming the foundation of our business. In other words, we recognize the need to continue to implement new initiatives in step with the times. This need is expressed by our founder in *Genryu*, a collection of our corporate ideals, in the words "practice creative destruction that reinvents prior successes from the ground up." We take these words to heart as we go about our daily activities.

Team Management System of the Future

I had the honor of meeting Director Takao Yasuda, the PPIH Group's founder, roughly two decades ago. At first, I was only there to provide outside support, but I later became president of Hawaii-based Don Quijote (USA) Co., Ltd. in 2007.

In the 12 years that followed, I devoted myself to my duties in the retail industry, a field completely different from anything I had experienced. It was also during these 12 years that I became convinced there is no business better than retail.

Even with my limited opportunities to interact directly with customers, I was able to realize the allure of this industry from the employees active on the front lines. The employees truly are our greatest asset. In my capacity as president, I see the best way to repay my debt to our employees for giving me the opportunity to work with them as being to continue to adhere to the principle of "the customer matters most" and to trust the employees who are most directly connected to customers by delegating the greatest amounts of authority to them. These actions should be based on *Genryu* (The Source), which describes our corporate philosophy.

I therefore look to delegate authority, to the greatest degree possible, to the appropriate individuals in our operating divisions. To put it otherwise, the PPIH Group already boasts an unrivaled operating team along with the frameworks to delegate authority to this team. In operating divisions, the four newly appointed managing corporate officers, along with all of the other corporate officers, are exercising their roles and responsibilities in their areas of expertise. Of course, I too maintain close coordination with the operating divisions. Each of our corporate officers, including managing corporate officers, has created remarkable results. The mid-ranked employees, including division and other managers, many of whom are in their 30s, positioned under these officers are also steadily building upon their capabilities.

At the same time, responding to the massive changes being seen in society will require management that better unites both operating and back-office divisions as well as new business partners. I am excited at the prospects of the new stage that lies before us, a stage in which all members of management engage in frank discussion internally to help tackle challenges in a swift yet bold manner. My role is to dedicate my full effort to supporting our current operating team. The most important factor regarding our ability to exercise our corporate principle—"the customer matters most"—is for management to consider the front lines of operations, where employees interact most directly with customers.

Going forward, those of us in management will promote team management through a concerted effort in order to guide the PPIH Group to a brighter future in its new growth stage.

November 2019

Genryu—Foundational Principles for the PPIH Group

Genryu (The Source) is a collection of corporate ideals that clearly delineate the corporate principle and the management philosophy that we expect all PPIH Group employees and officers to abide by. This work compiles the business spirit and DNA that have lived on since our founding, serving as a source of guidance when we lose sight of our path while undertaking new businesses or tackling new challenges. At the PPIH Group, we shape our daily activities based on our corporate principle of “the customer matters most” and other elements of *Genryu*.

The Six Precepts of Our Management Philosophy

Precept 1: We commit ourselves to doing business in a manner that is unselfish, 100% honest, and grounded in a strong sense of morality and purpose.
Precept 2: In every age, we create shop floors that evoke the anticipation and excitement of finding astonishingly cheap goods.
Precept 3: Boldly granting authority to those at the center of things, we are always ready to move people around, to make sure they are in the best possible position.
Precept 4: We are committed to creative destruction and the ability to adapt; we reject pre-established harmony and the hesitancy to do anything that might rock the boat.
Precept 5: We are unhesitant in the face of daunting challenges, and unafraid to beat a rapid retreat when a cold, hard look at reality tells us this is the best course.
Precept 6: Undistracted by easy profits, we hone to perfection the strengths that form our core business.

Ten Precepts Relating to Employee Mindset and Conduct

1. Have the fighting spirit to get back up when you go down, and the presence of mind to learn from the experience.
2. Commit with more passion than anyone to your store, your products, and your customers.
3. Use your work on the floor to hone your insights, sensibility, and ability to be inspired.
4. Go beyond will-power, skillfully deploying guts and passion to make your floor the winner.
5. Make others the subject of the sentence so you can talk from their perspective.
6. Managers must constantly be raising their own successors.
7. Regardless of rank and position, always acknowledge and respect individual diversity.
8. Think of what you do not as “work” but as a “game,” and have fun!
9. Rather than list all the reasons you can’t do something, think long and hard about how you make it possible.
10. Rather than accept the seeming incompatibility of two options, figure out how to make them work together.

Dedicated Practice of “*Genryu* Management”

Our dedicated practice of “*Genryu* Management” is aimed at enabling a shift to independent, self-driven management. This type of management is expected to enable the PPIH Group to continue to overcome the challenges presented by the times and grow by exercising the principles contained in *Genryu* and to work toward its vision, even without a charismatic leader.

We hope to create an organizational structure that is not dependent on the leadership of one individual and ensure the never-ending growth of the PPIH Group.

Positioning of Others as the Subject of the Sentence

Positioning others as the subject of the sentence and thinking from their perspective can help us uncover previously unseen issues and thereby contribute to improvements.

Culture of Overcoming Failure

Truly bold endeavors are impossible if one is wrought with fear of mistakes or failures. An intrepid, enterprising spirit that thrives on failure is a driving force behind growth. The PPIH Group has frameworks in place to allow and compensate for failures based on this recognition.

Unique Corporate Culture Treasured by the PPIH Group

A corporate culture represents the set of values and behaviors shared among employees. As we have continued to base our business on *Genryu*, the unique set of values we hope to treasure into the future has been entrenched within the Group.

Diversity

People are not cultivated, but rather grow on their own. Based on this belief, PPIH Group employees accept and respect differences in values and the individuality of others while leveraging their aptitudes to heighten the overall capabilities of the organization.

Ideas Prefaced on “And” as Opposed to “Or”

No matter the business, success is achieved by finding ways of overcoming dichotomies through ideas prefaced on “and” as opposed to “or.”

New Management Team

On September 25, 2019, the PPIH Group embarked on a new journey under the leadership of a new management team.
Going forward, the roles and responsibilities fulfilled by directors will be more important than ever for the improvement of corporate value and ongoing growth. The new management team is united in its devotion to working for the future of the PPIH Group.

From left

Kenji Sekiguchi
Director and Managing Executive Officer

Yuji Ishii
Director and Executive Officer

Hiroshi Abe
Director and Executive Officer

Takeshi Nishii
Director, Managing Executive Officer, and COO

Tetsuji Maruyama
Director and Executive Officer

Kazuhiro Matsumoto
Director, Managing Executive Officer, and CMO (Global)

Naoki Yoshida
President and CEO, Representative Director

Takao Yasuda
Director

Ken Sakakibara
Director, Managing Executive Officer, and COO

Yukihiko Inoue
Outside Director (Audit & Supervisory Committee Member)

Yasunori Yoshimura
Outside Director (Audit & Supervisory Committee Member)

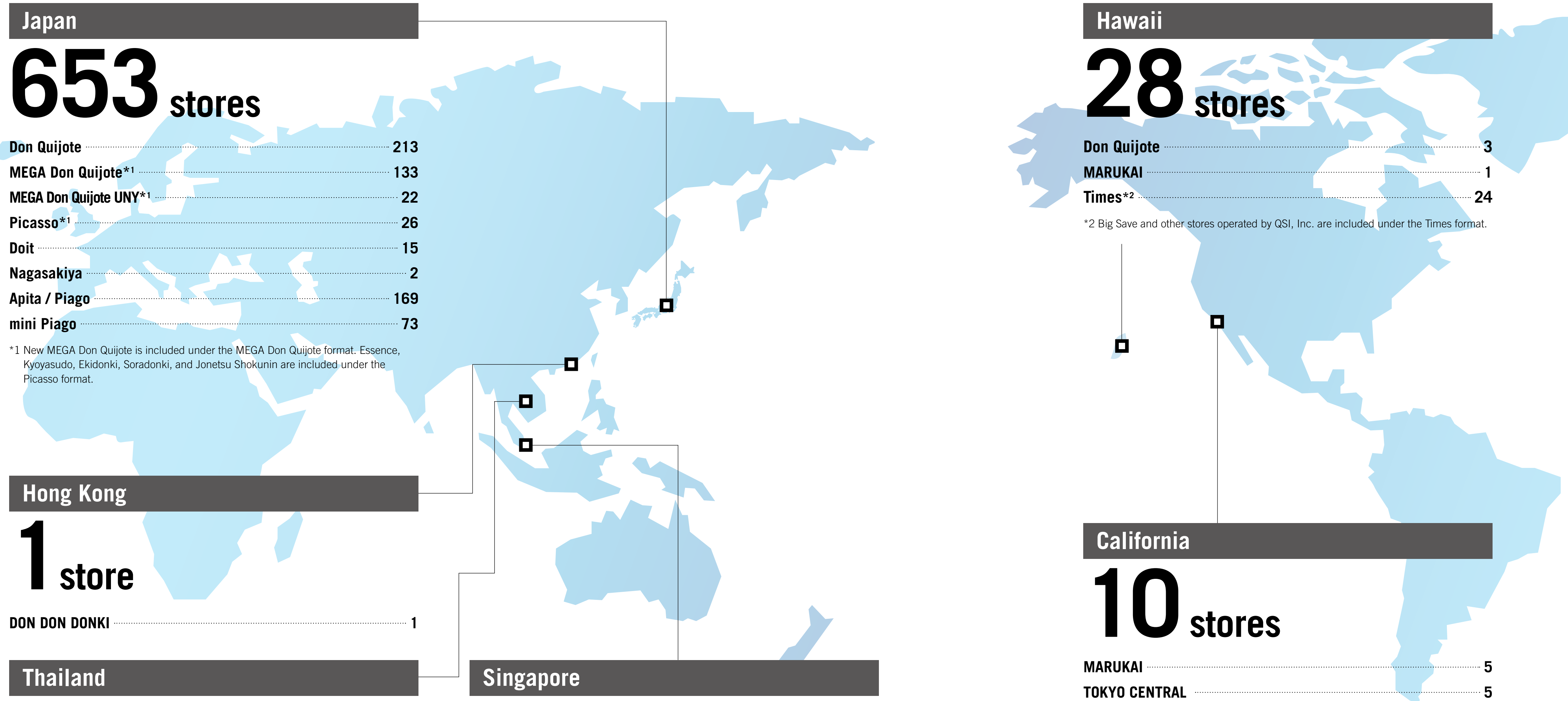
Tomiaki Fukuda
Outside Director (Audit & Supervisory Committee Member)

Masaki Yoshino
Outside Director (Audit & Supervisory Committee Member)

Jumpei Nishitani
Outside Director (Audit & Supervisory Committee Member)

We are committed to the smiles of our customers.

Our corporate principle of "the customer matters most" is the ever-lasting foundation of our business. Taking this to heart, we recognize that our mission is to continue to be committed to the smiles of our customers. The PPIH Group will endeavor to fulfill this mission together with its customers, business partners, employees, and all other stakeholders.



Japan

653 stores

Don Quijote	213
MEGA Don Quijote*1	133
MEGA Don Quijote UNY*1	22
Picasso*1	26
Doit	15
Nagasakiya	2
Apita / Piago	169
mini Piago	73

*1 New MEGA Don Quijote is included under the MEGA Don Quijote format. Essence, Kyoyasudo, Ekidonki, Soradonki, and Jonetsu Shokunin are included under the Picasso format.

Hong Kong

1 store

DON DON DONKI 1

Thailand

1 store

DON DON DONKI 1

Singapore

5 stores

DON DON DONKI 5

Hawaii

28 stores

Don Quijote	3
MARUKAI	1
Times*2	24

*2 Big Save and other stores operated by QSI, Inc. are included under the Times format.

California

10 stores

MARUKAI	5
TOKYO CENTRAL	5

Number of Group Stores

698 stores

Note: Store numbers are as of September 30, 2019.

Overview (Fiscal year ended June 30, 2019)

Consolidated Net Sales

¥1,328.9 billion

Operating Income

¥63.1 billion

Return on Equity (ROE)

15.6%

Number of Purchasing Customers

528.9 million

"majica" E-money Card Membership

8.2 million

Number of Group Employees

13,546

Future Approach Given the Reality of the Operating Environment

The operating environment of the PPIH Group is undergoing great change. In Japan, the landscape is undergoing massive transformations due to labor shortfalls, resulting from factors such as population aging and birthrate decline, as well as the trend toward frugality among consumers and the burgeoning of e-commerce. Overseas, a rising movement toward protectionism is deepening the divide between countries while concerns over climate change and resource depletion are growing. Faced with this reality, we must examine the approach to be taken by the PPIH Group going forward and think about the foundations that will be needed to support the ongoing existence of the Group.

The current era is one in which we are pressed to accelerate the evolution of the PPIH Group to move toward a brighter future.

Projected Population of Japan in 2060

Down to 86,740,000 people

Source: *White Paper on the Labour Economy 2015*, Ministry of Health, Labour and Welfare

Portion of Population Over 65

Up to 40%

Source: *White Paper on the Labour Economy 2015*, Ministry of Health, Labour and Welfare

Non-Japanese Residents of Japan

Approx. 1,460,000

Source: Status of reporting on the employment of foreign workers by employers (October 2018)

Global Megatrends

- Population growth in emerging countries
- Economic growth in emerging countries
- Widening wealth disparity
- Accelerated trend toward diversity and diversification of values
- Climate change
- Resource depletion
- Increased need for decarbonization and renewable energy
- Evolution of artificial intelligence (AI) and IT technologies
- Population aging
- Shrinking workforces

Average Economic Growth Rate of Emerging Countries in 2020

4.7%

Source: *World Economic Outlook*, International Monetary Fund, July 2019

Middle Income or Higher Population in Asia's Emerging Countries in 2030

Approx. 3.4 billion

Source: *Outlook for 2030 and Improvement Taskforce Report*, Cabinet Office

Consequences If Climate Change Is Not Addressed

Average temperature 3.7°C above pre-industrial levels in 2100 and higher physical risks to assets

Source: Summary for Policymakers of the Working Group I of IPCC Fifth Assessment Report released by Intergovernmental Panel on Climate Change

Maximization of Opportunities and Minimization of Risks

If the PPIH Group is to continue to achieve growth, it will be crucial to develop its business while identifying growth opportunities and risks based on various global megatrends.

Management strategies will thus need to be developed going forward by working backward from a vision for the future. This approach should look at the strategies needed to maximize growth opportunities for the Group while minimizing its risks.

The PPIH Group will continue to create new value by positioning risks as business opportunities going forward, all the while exercising its competitiveness and relentlessly tackling bold, new challenges.

Major Growth Opportunities

- Growing demand in Japan
- Rising demand overseas
- Increased demand for low-carbon products and services
- Diversification of energy sources and improvement of resource efficiency
- Creation of new services utilizing innovative technologies
- Augmentation of value creation capabilities through human resource diversity

Major Risks

- Deterioration of political, economic, and social conditions in major foreign countries
- Halts to business activities due to natural disasters stemming from climate change
- Labor shortfalls and inflexible organizations plaguing major corporations

The PPIH Group's Response

Expansion of Business Scale in Japan

In Japan, consumers are becoming more selective and price conscious. Accordingly, we are developing our stores with the aim of making them No. 1 in their area among a wide range of customers. At the same time, we are utilizing IT technologies to develop next-generation stores in order to better deliver the sense of anticipation and excitement that are exclusive to physical stores.

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Store Environmental Management Systems

The PPIH Group Environmental Policy states "the PPIH Group contributes to the building of a sustainable society... through our corporate activities." Accordingly, we assess the environmental impacts of our stores and offices and pursue improvements with this regard. As of July 2019, all 173 Apita and Piago stores acquired certification under the ISO 14001 international standard for environmental management systems as part of their efforts to help preserve the environment and improve environmental performance.

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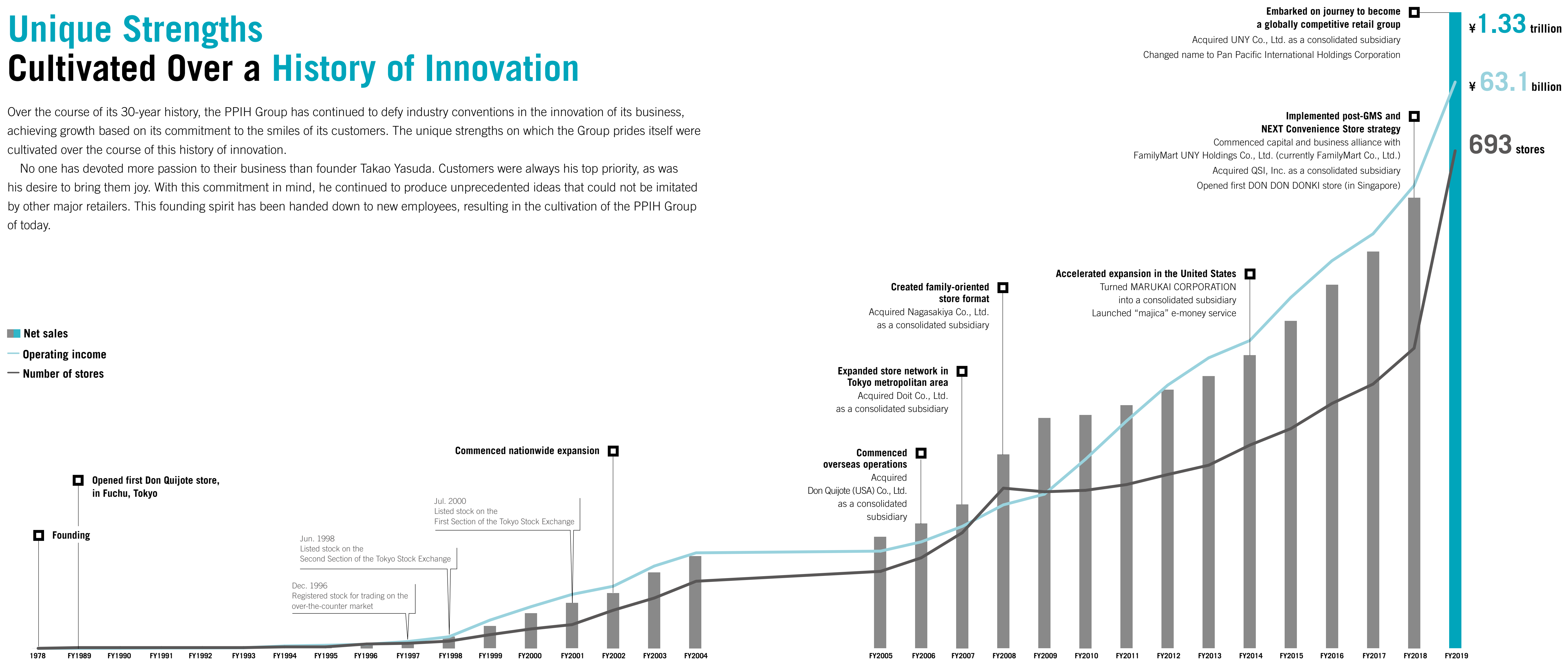
Unique Strengths Cultivated Over a History of Innovation

Over the course of its 30-year history, the PPIH Group has continued to defy industry conventions in the innovation of its business, achieving growth based on its commitment to the smiles of its customers. The unique strengths on which the Group prides itself were cultivated over the course of this history of innovation.

No one has devoted more passion to their business than founder Takao Yasuda. Customers were always his top priority, as was his desire to bring them joy. With this commitment in mind, he continued to produce unprecedented ideas that could not be imitated by other major retailers. This founding spirit has been handed down to new employees, resulting in the cultivation of the PPIH Group of today.



DNA Dating Back to Founding—Innovation That Goes Against Standard Industry Practices

The PPIH Group traces its roots back to Doroboichiba, a small general merchandise store with floor space of about 60 m² opened in 1978 in Tokyo's Suginami Ward. The Group began growing rapidly after the opening of the first Don Quijote store in March 1989. The DNA of breeding innovation with unprecedented ideas going against standard industry practices dates back to our founding and continues to live on in the PPIH Group today.

Discovery of Unmet Night-Time Demand

One day, when Yasuda was stocking shelves at Doroboichiba late at night after business hours, a customer visited the store, mistakenly assuming that the store was still open. He saw this as a possible sign of demand for shopping at night, heralding the start of late-night operations.

Creation of Distinct Shop Floors

Doroboichiba was initially lacking in store and storage space, and Yasuda would therefore pack the store with products from floor to ceiling and adorn the shelves with countless handwritten point-of-purchase (POP) advertisements introducing products. This represents the origins of Don Quijote's compression displays and shop floors with treasure hunting atmosphere.

Start of Delegation of Authority Founded on Trust

After the opening of the first Don Quijote, founder Yasuda attempted to transmit his expertise to the employees working at this store, but was unable to achieve the desired results. Yasuda thus decided to entrust the employees with almost all aspects of store operations, marking the start of the Group's delegation of authority.

Fostered Core Value—Delegation of Authority × Ability to Adapt

The PPIH Group's greatest strengths are born out of the combination of its delegation of authority and its ability to adapt. This ability to adapt, which arises from the delegation of authority, constitutes the core value of the Group and is something that cannot be mimicked by our rivals.

Delegation of Authority

The PPIH Group's delegation of authority makes for a system in which various aspects of operations, including product procurement, pricing, displays, and sales, are entrusted to store employees.

Ability to Adapt

All store staff, or those who interact directly with our customers, are given flexibility when making decisions regarding store operations. This approach enables stores to swiftly adapt to changes in customer needs and the operating environment.

Value Creation Story Woven by Customer-Oriented Philosophy

Dedicated to its corporate principle of “the customer matters most” in all of its business activities, the PPIH Group is creating value while responding flexibly to changes in the operating environment. The creation of value is founded on our human resources, who embody the spirit of *Genryu*, and on our corporate governance system, which enables us to create various types of value such as enjoyable stores, which are a source of competitiveness that cannot be mimicked by our rivals.

Through the creation of value, we aim to build an earnings structure that is resilient to changes in the operating environment while simultaneously resolving social issues through our business activities so that we can always be an entity that exists for the sake of its customers.

Important Resources for Creating Value

Financial Capital
Sound financial base
Credit rating
A+ (Japan Credit Rating Agency, Ltd.)

Natural Capital
Coexistence and co-prosperity with the environment
Stores that have acquired ISO 14001 certification
173

Human Capital
Human resources creating value
Number of Group employees
13,546

Social and Relationship Capital
Coexistence and co-prosperity with partners
Members of *kyoeikai* (co-prosperity club) membership-based organization
1,900 companies

Manufactured Capital
Infrastructure strength
Number of Group stores
693

Social Changes

- Population aging and birthrate decline
- Shrinking workforces
- Population growth in emerging countries
- Economic growth in emerging countries
- Widening wealth disparity
- Climate change
- Resource depletion
- Advent of AI
- Evolution of IT
- Diversification of values

The PPIH Group’s Stance Toward Business Activities

The Customer Matters Most
The principle that shapes and drives all of our actions

Business Activities Drawing on Our Competitive Edge

Discount Store Business
General Merchandise Store Business
Advertising and Promotion Business
Asia Business
United States Business
Real Estate Business, etc.

Competitive Edge
Delegation of Authority × Ability to Adapt

Foundation Supporting Value Creation —Organizational Structure That Cannot Be Mimicked by Our Rivals

Human resources embodying the spirit of *Genryu*
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Corporate governance structure
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Creation of Value

Enjoyable Stores

PPIH Group stores are based on the three shared concepts of convenience (CV), discounts (D), and amusement (A), referred to collectively as the CV+D+A concept. Forming the basis for our stores, these three concepts are employed in store development initiatives rooted in communities to create enjoyable stores that foster feelings of anticipation and excitement and that allow customers to enjoy the act of shopping itself.

ConVenience
Discount
Amusement

Reduction of Environmental Impacts through Core Business

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VISION

Expansion of Operations in the Pacific Rim

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MISSION

We are committed to the smiles of our customers.

SUSTAINABLE DEVELOPMENT GOALS

The PPIH Group aims to resolve environmental, social, and governance (ESG) issues through its business in pursuit of sustainable growth. We believe that the ESG initiatives in our core business are congruent with the aims of the United Nations Sustainable Development Goals.

1 Post-GMS Business Model

In Japan's general merchandise store (GMS) market, several companies leading the industry in sales are suffering in terms of profit. Against this backdrop, in 2008 the PPIH Group began developing stores using the MEGA Don Quijote format, thereby growing its share of the massive GMS market.

The PPIH Group's post-GMS business model is a new format for realizing an ultimate comprehensive discount store created by augmenting lineups of both food and non-food products. We are therefore working to establish a unique post-GMS model that is distinctly different from the Japanese-style GMS models of competitors.

Conversion of UNY into a Wholly Owned Subsidiary

UNY Co., Ltd. develops GMS chains with offerings encompassing clothing, food, home-related products, and leisure goods primarily in the Tokai area but also in the Kanto, Hokuriku, and Kinki areas. UNY has maintained the favor of its customers for years as an operator of stores that are necessary to the regions they serve through community-rooted operations and discerningly selected products.

UNY was converted into a wholly owned subsidiary in January 2019 based on the belief that this move would lead to improvements in the corporate value of both UNY and the PPIH Group through the utilization of UNY's strong customer bases built on years of customer support.

Principal Businesses of the UNY Group

The UNY Group develops stores that primarily target homemakers, families, and senior citizens with product mixes focused on fresh foods, daily consumables, and other items essential to daily life.

This group also engages in a wide range of other operations to provide multifaceted coverage for the lifestyles of local customers. These operations include small-sized urban supermarket formats operating mini Piago stores in locations centered on the Tokyo metropolitan area and financial service businesses providing UCS Cards and other credit cards.

General supermarkets designed to propose ways of enriching customers' lifestyles in a wide range of business areas

General supermarkets offering robust lineups of food and other products and services that are tailored to their respective regions

Supermarkets smaller than standard Piago stores that feature carefully selected lineups of food products

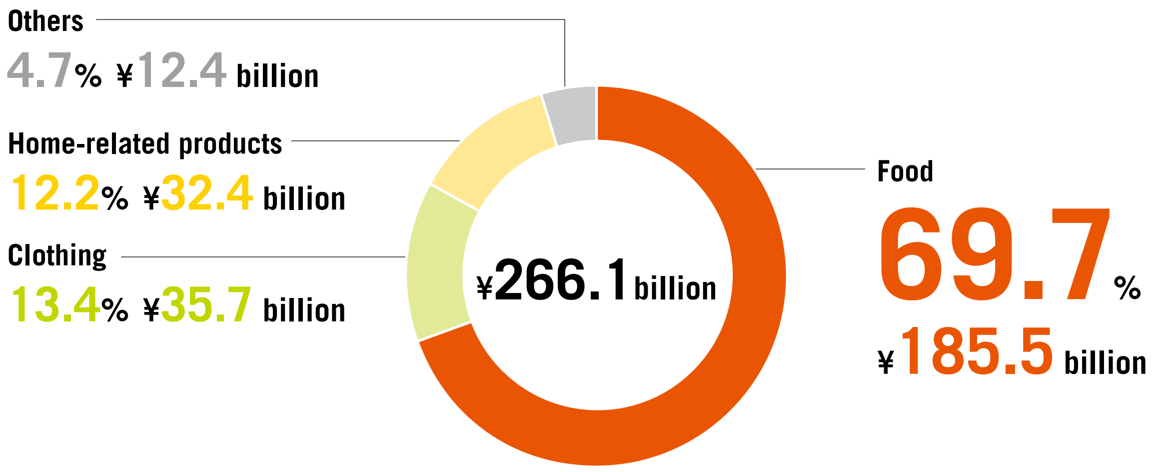
Small-sized urban supermarkets located in local neighborhoods primarily within the Tokyo metropolitan area to offer customers greater convenience

The UNY Group's Strength in Food Products

The most distinctive trait of the UNY Group is its strength in food products. UNY's stores feature vast arrays of competitively priced products that exude a sense of value, all carefully selected based on the needs of customers and the trends of rivals. In 2018, we launched a prepared food project aimed at improving quality and expanding our lineup of prepared food, thereby building the frameworks necessary for bolstering our competitiveness in the prepared food market.

The strength of UNY's original brand products is undeniable, and it was these food products that drove growth in GMS business sales in the fiscal year ended June 30, 2019. Going forward, we will continue to capitalize on the expertise of the UNY Group to differentiate our GMS business with food and other high-quality original products and thereby cater to the needs of a broad range of customers.

Sales by Product Category in the GMS Business (FY2019)



Prime ONE—Regard for Safety, Health, and the Environment

One of UNY's original brands, Prime ONE is a new lifestyle creation brand that delivers carefully crafted levels of quality in food and home-related products. With care paid to producing regions, components, and manufacturing processes, Prime ONE products boast the pinnacle of taste and quality. Considerate of safety, health, and the environment, these products go a step further to deliver unparalleled satisfaction to customers through affordable prices.

We are particularly confident in the taste and safety of UNY's brand-name pork and poultry products, which are delivered through coordination between feed companies, producers, and UNY.

In producing Yukenton pork products, UNY directly manages everything from feed development to production environments. The livestock used to produce Yukenton is raised by certified producers in Japan with proprietarily developed feed consisting of herbs and flaxseeds to ensure superb taste. Moreover, targets for meat flavor, quality, and color are set. Annual meat inspections and regular meetings are conducted to maintain the high quality standards for this brand.

Yusendori poultry products are made from livestock raised under a stress-free environment, realized through thorough management and careful cultivation, to draw out the natural flavor of the meat. Livestock is raised in environments submitted to thorough hygiene and health management with high-quality water subject to periodic water inspections. Using four different types of feed based on growth stage in order to meet the needs of health-conscious customers, we deliver healthy poultry products.

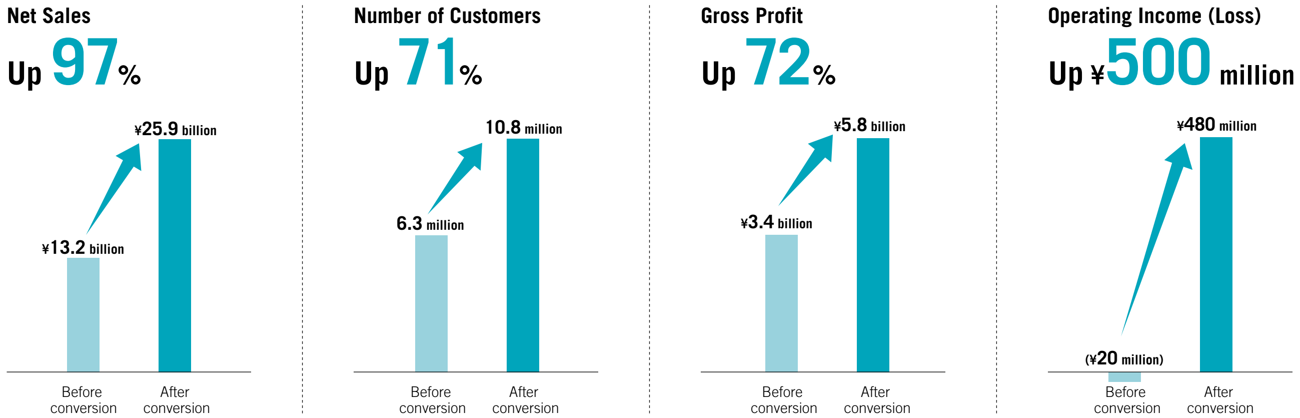
Don Quijote UNY and MEGA Don Quijote UNY Stores Forming Core of Post-GMS Strategy

We are moving forward with a plan for a phased conversion of UNY's existing Apita and Piago stores to the Don Quijote UNY and MEGA Don Quijote UNY format. As of June 30, 2019, we had completed the conversion of 16 such stores, and we plan to convert approximately 100 stores by the end of 2022.

MEGA Don Quijote UNY leverages the strengths of both the PPIH Group and the UNY Group by offering a combination of hobby items and miscellaneous household goods, which Don Quijote specializes in, and food products, which are the strength of UNY, for a more diverse product mix.

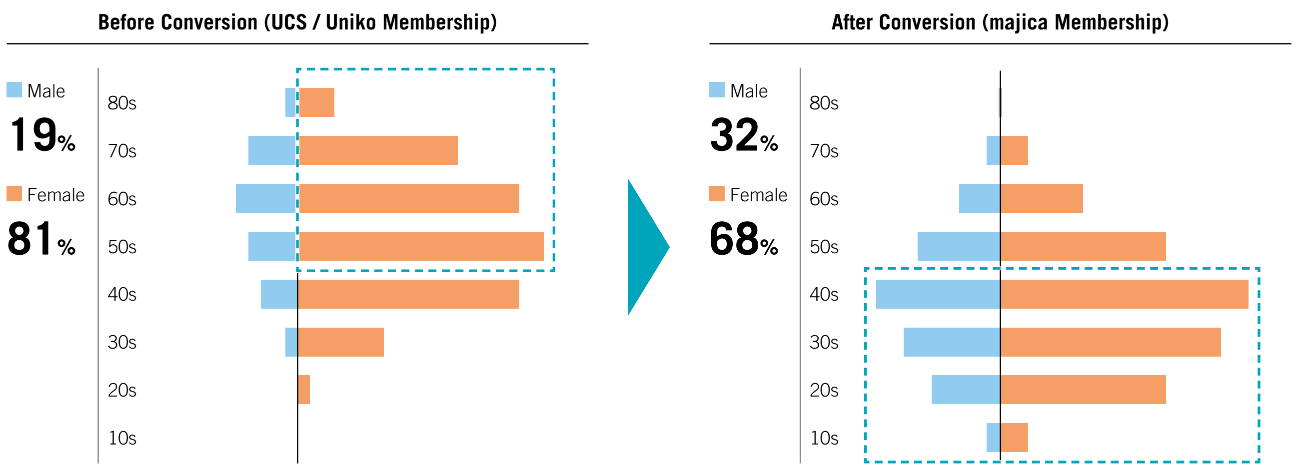
Stores that have been reborn in this manner have thus been able to win the favor of a wide range of customers.

Changes in Metrics at Six Stores That Completed Conversion in 2018



Scope: March 2018–February 2019
Directly operated sales floors excluding tenants and consignment (Yokohama Oguchi store, Tokaidori store, Zama store, Hoshikawa store, Toyota Motomachi store, Kou store)

Change in Distribution of Cardholder Base



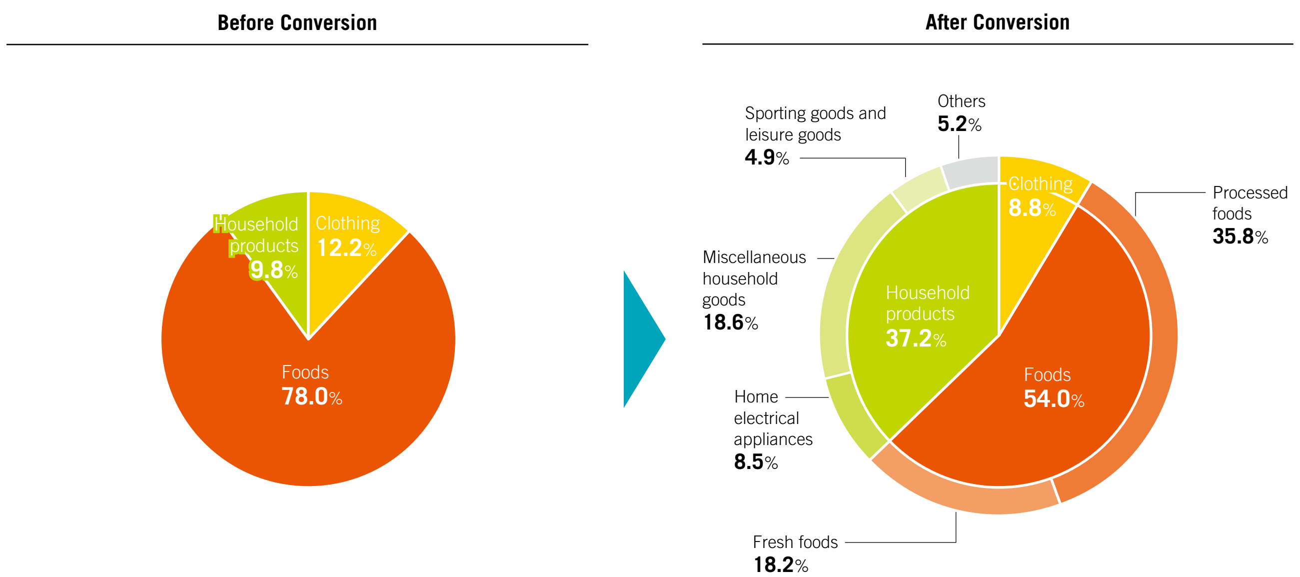
Scope: Six MEGA Don Quijote UNY stores (Yokohama Oguchi store, Tokaidori store, Zama store, Hoshikawa store, Toyota Motomachi store, Kou store)
(Before conversion) Members who visited any of the applicable stores above over the period from February 21, 2017 to February 20, 2018
(After conversion) Members as of March 16, 2019

New Brand Conversion Initiatives

The product mixes at all converted stores changed greatly after conversion. In the area of food products, we were able to cultivate new demand centered on the new family demographic while growing sales. Meanwhile, the portion of sales accounted for by household necessities, which define the strengths of Don Quijote stores, such as miscellaneous household goods and home electrical appliances, is rising.

Meanwhile, there is room for further growth in sales of clothing items. We are therefore rolling out new strategies for this product category (see the column below for details).

Change in Breakdown of Sales by Product Category



Clothing Specialty Store Merging Expertise

The MEGA Don Quijote UNY Suzuka store, an Apita store reopened in this format in June 2019, features APITA CLOTHING, a directly operated clothing store tenant representing a first-time initiative for this store format. APITA CLOTHING boasts a product lineup selected under the scrutiny of UNY clothing division specialists. Seeking to cater to the needs of customers who had been using this store for years prior to its conversion, we prepared a selection of practical men's, women's, and children's clothing along with women's clothing aimed at the young adult market. In addition, we established a youth casual wear and fashion accessory shop floor at this store to address the needs of new families.

2

IT Supporting Enjoyable Stores

A substantial edge of the PPIH Group is its ability to develop enjoyable stores that cannot be mimicked by other retail chains. In these stores, we seek to cultivate a sense of anticipation and excitement for shopping and create a magical and living atmosphere that is only possible at physical stores. IT is imperative for fully drawing out the strength of enjoyable stores. We are therefore implementing a digital strategy that takes advantage of increasingly ubiquitous smartphones to infuse IT into shopping at physical stores in order to increase their value.

Digital Strategy Utilizing Big Data Collected from "majica" Members

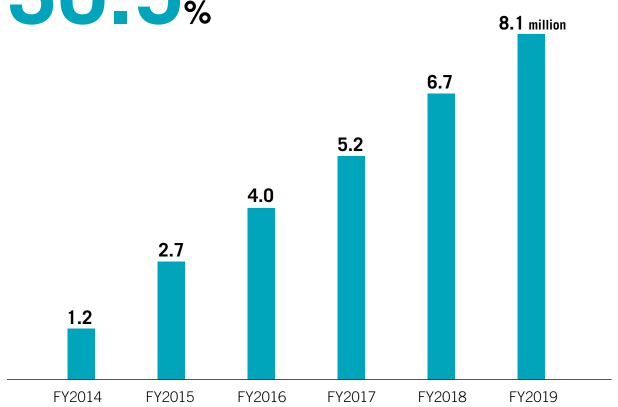
Launched in March 2014, "majica" is a proprietary e-money service card that can be used at domestic Don Quijote stores and affiliates (excluding same stores). This service has no age restrictions, application fees, or annual membership fees, making it accessible for a wide range of customers, including youths, company employees, homemakers, and senior citizens. This service also offers rank bonuses, including promotions to gold and platinum status based on purchase amounts, and has thereby been contributing to increases in repeat visits to PPIH Group stores.

As of June 30, 2019, there were 8.1 million "majica" members. Capitalizing on this base, the PPIH Group is implementing a digital strategy that injects IT into the official app for this service to improve the efficiency and productivity of store operations. This strategy entails the development of services that use big data, such as purchase records, to make shopping experiences even more enjoyable and convenient.

Growth in Membership after Service Launch

Average Annual Growth Rate*

30.9%



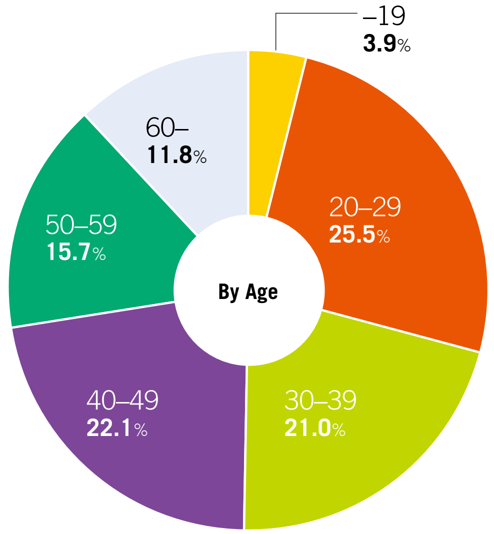
* As the "majica" service was launched in March 2014, the fiscal year ended June 30, 2014 has been excluded from the scope of calculation.

The "majica" service is evolving to offer greater convenience in the age of smartphones through offerings such as downloadable coupons and cardless services that allow for payments to be made or e-money to be purchased using barcodes displayed via the official app.

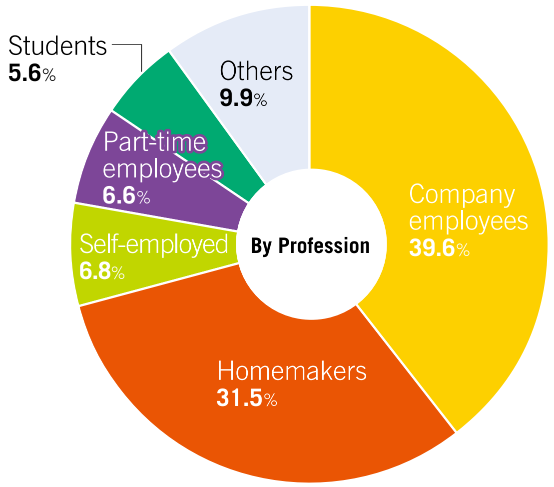
Expansion of "majica" Service to All Apita and Piago Stores

The "majica" service will be made applicable at all Apita and Piago GMS stores operated by UNY from spring 2020. In addition, certain portions of UNY's uniko will be transferred to "majica" in order to expand the scope of stores at which "majica" can be used to over 600 stores. This move will enable us to better accumulate and utilize purchase history data in order to create stores that foster feelings of anticipation and excitement.

Distribution of "majica" Members (As of June 30, 2019)

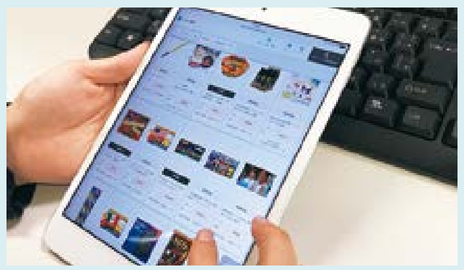


"majica" membership is distributed relatively evenly across the spectrum of ages spanning from 20 to 59, illustrating how this service has won support from a wide range of customers. However, there is a difference in the concentration of members in each age group between genders, with ages 40 to 49 representing the largest portion of male members (24.4% of all male members) and ages 20 to 29 accounting for the most significant portion of female members (29.3% of all female members).



Company employees, who use our stores in a business capacity, and homemakers, who take advantage of our stores for daily living purposes, comprise 71% of the entire "majica" member base. Company employees was the most represented profession among men (66.2% of all male members) while the largest portion accounted for by women was homemakers (45.8% of all female members) followed by company employees (27.3% of all female members).

Direct Negotiation System Enabling Negotiations Via the Internet



IT is critical to our ability to adapt, which represents a strength of the PPIH Group. We are utilizing IT to promote management innovation for the purpose of shortening all management cycles, in order to realize management capable of swiftly responding to changes in customers and society.

One example of such IT-powered innovation is the direct negotiation system introduced by the PPIH Group in 2015. By simply having our business partners (product suppliers) register their product information onto the system, store representatives across Japan are able to engage in direct business negotiations via the system, no matter where they are located. This system thus cuts back on the time needed to engage in procurement negotiations and otherwise improve efficiency, while also increasing the procurement capabilities of individual stores by enabling procurement representatives to order products matched to the needs of their store whenever necessary.

3

Growth Strategies for Asia and United States Businesses

Our overseas operations comprise our Asia business, which develops DON DON DONKI stores based on the concept of a Japan-brand specialty store, and the United States business, which boasts brands with enduring customer support. In these operations, we are leveraging the expertise cultivated in Japan while exercising the competitiveness of our overseas stores.

Japanese products with strong reputations for high quality and our food courts, which are an accessible option for experiencing Japanese dining, have proven exceptionally popular overseas. Our distinctive stores based on the theme of “Japan brand” are thus anticipated to play a crucial role in future overseas strategies.

United States Business

“Food Entertainment” Stores

The TOKYO CENTRAL stores being developed in California complement their lineups of fruits, vegetables, meat, and fish with prepared foods and sushi made using Japanese ingredients as well as authentic ramen prepared under the direction of a Japanese chef. These stores also supply Japanese sake and *shochu* spirits, which can be difficult to find locally. Moreover, TOKYO CENTRAL stores offer a product mix combining both imports from Japan and locally procured products.

At these stores, the eat-in spaces modeled after a traditional Japanese banquet hall and the counter bars that allow customers to imbibe Japanese sake make for an impactful store presentation, attracting customers from outside of the stores’ business area and proving so popular that they are anticipated to contribute to the entrenchment of Japanese dining culture.

The PPIH Group plans to expand its network in the United States centered on this format by fully leveraging the experience and expertise it has cultivated toward creating store formats without peer in this country.

Attention to detail apparent in register lanes named after Japanese locations

Vibrant displays of Japanese snacks based on Don Quijote’s practices

Counter bar serving sake that allows customers to experience Japanese dining culture as they shop

Asia Business

Japan-Brand Specialty Store

The DON DON DONKI Orchard Central store, our first location in Singapore, opened its doors in December 2017. After breaking ground in this market, we have proceeded to swiftly open a number of various other stores.

DON DON DONKI is a new store format designed for the Southeast Asia market that features assortments of made-in-Japan and made-for-Japan products. These stores have won the favor of countless customers with their safe, fresh foods and other daily necessities offered at reasonable prices and the food courts that allow customers to experience Japanese dining culture.

Outside of Singapore, we opened DONKI MALL THONGLOR, a commercial facility in Bangkok, Thailand with a DON DON DONKI store as its central tenant, in February 2019 and established DON DON DONKI Mira Place 2, our first store in Hong Kong, in July of the same year. These DON DON DONKI stores have been incredibly profitable since their opening.

Japanese-language POP cards contributing to a sense of being in Japan

Fresh Japanese vegetables, fish, and meat products offered at the lowest prices around

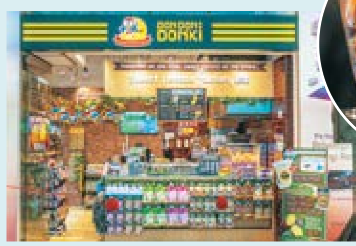
Immensely popular *yakiimo* (baked sweet potatoes) and *daigakuimo* (candied sweet potatoes) that draw long lines every day

New Store Format Specializing in Mobile Foods

In May 2019, we opened the DON DON DONKI Sweet potato factory Changi Airport Terminal 3 store in Singapore Changi Airport.

This DON DON DONKI spinoff specializes in *yakiimo* and other mobile foods that have gained a following at conventional DON DON DONKI stores.

This new store offers *yakiimo* and *daigakuimo* made using Japanese Beniharuka-brand sweet potatoes, sweet potato milkshakes, and other foods that can be conveniently eaten in airports.



DON DON DONKI Sweet potato factory Changi Airport Terminal 3 store, based on the concept of traveling with a passport in one hand and a *yakiimo* in the other

4

Conquering of the World with Food

More than 80% of sales at DON DON DONKI stores in Southeast Asia are accounted for by fresh fruits, vegetables, fish, meat, prepared foods, and other food products. The vast majority of these items are Japanese products, and the seasonal fruits and vegetables we offer have earned immense popularity. The most powerful tool for advancing the PPIH Group's overseas strategies is Japanese quality and dining culture. For customers, DON DON DONKI stores offer benefits in the ability to purchase safe, high-quality Japanese foods at the lowest prices around. These stores also provide opportunities to experience seasonal Japanese tastes and dining culture at the eat-in corners (food courts) where customers can enjoy prepared foods, some made in-store, on the spot.

Three Food-Related Elements of Overseas Strategies

Low Prices Realized through Direct Trade

Rather than procuring products through a trading company or other third party, the PPIH Group practices direct trade to reduce import and export costs and achieve flexible procurement with a high degree of freedom in order to offer products at the lowest prices around, even overseas.

Entertainment Value of Japanese Cuisine

The PPIH Group develops distinctive, amusement-type stores by offering Japanese cuisine in a manner that caters to the trend toward the consumption of experiences. At PPIH Group stores, prepared foods that express Japanese cuisine and grown-in-Japan fruits and vegetables are transformed into out-of-the-ordinary entertainment products.

Entertainment and Experience-Oriented Shopping Created through Vivid Dining Experiences

The PPIH Group is increasingly developing experience-oriented stores that provide prepared foods not as products but as experiences that are prepared in-store to be eaten on the spot. Moreover, the vivid dining experiences offered in our open kitchen style eat-in corners are being utilized to build upon the entertainment value and experience-oriented shopping of our stores.

Contributions by UNY Group Human Resources Specializing in Food

Overseas, PPIH Group stores are being developed while capitalizing on the competitiveness of food products. Accordingly, expanding the range of areas of contribution by the UNY Group's human resources, who boast years of experience in fresh food, will be key to accelerating the growth of overseas businesses.

On this front, a UNY Group employee that was previously in charge of foods at an Apita store in Shanghai voluntarily applied to be transferred to DON DON DONKI Mira Place 2 in Hong Kong to handle fresh foods. In addition, we are establishing procedures for operating overseas stores prefaced on securing human resources capable of competing overseas and delegating authority to local employees.

The overseas market is an area in which I am able to tackle new challenges even greater than those available in Japan. I applied to be transferred in the hope of being able to leverage the experience I gained in Shanghai and further hone my skills. My goal is to make DON DON DONKI the No. 1 store in the ASEAN region. My first step in achieving this goal will be to exert my efforts toward achieving success in Hong Kong, and I thereby aim to become capable of competing in the ASEAN market.

Shinji Yamaguchi
Senior Merchandising Manager, Fresh Foods
Pan Pacific Retail Management (Hong Kong) Co., Ltd.

Global Dissemination of Japan Cuisine

In April 2019, the first cabinet meeting on responding to import restriction to expand exports of agricultural, forestry, fishery, and food products was convened at the prime minister's official residence. PPIH Group directors Takao Yasuda and Kazuhiro Matsumoto attended this meeting to provide explanations on our agricultural product export initiatives in Asia.

The meeting centered on why, despite the sales of Japanese fish and meat products, fruits were gaining the most popularity. The reason for this trend is the high quality of Japanese fruits, which are generally managed with the utmost care paid to offering a balance between sweetness and sourness. However, it was stated that this situation will be difficult to sustain without expanded subsidy systems in Japan, the exporter of these products, and restriction alleviations and system changes in the countries that import these products. Improvements and cooperation were requested by the government with this regard.

We are confident that Japanese agricultural products have the potential to grow into one of Japan's major export industries, approaching the scale of automobile exports. We are therefore committed to disseminating the appeal of Japanese dining culture throughout the world in order to contribute to the development of primary industries.

Japanese strawberries that sometimes sell as many as 2,000 packs a day in Thailand

Development of Human Resources Embodying the Spirit of *Genryu*

The PPIH Group does not have clear-cut human resource development systems. Rather, employees are cultivated primarily through on-the-job training based on our approach of trusting employees and delegating authority to them. Nonetheless, we do have three principles that we emphasize in human resource development: conventional education, mutual education, and competitive education. After employees learn the fundamental knowledge and rules needed to perform their duties, they grow by exercising this insight. Working with different individuals with differing values helps employees broaden their perspectives. Meanwhile, our personnel evaluation systems, which are based on the principles of complete meritocracy, stimulate healthy competition among employees, enabling them to mutually grow and refine their skills. We believe that accurate evaluations of employees' achievements motivate employees to pursue greater success while competition with others helps foster employees' ability to enjoy work as a game.

Furthermore, the PPIH Group has a deep-rooted corporate culture of accepting failure. It is those employees capable of overcoming a failure, turning that failure into a driving force, who are able to create innovation. PPIH Group employees fostered in this environment grow to possess the pluck needed to produce innovation for the benefit of customers.

Entry

Complete Elimination of Resume Submission

Eliminate the obligation of new graduates for submitting resumes toward greater emphasis on recruitment based on personal qualities.

People are not cultivated, but rather grow on their own.

Conventional Education
Learn fundamental knowledge and rules

Mutual Education
Broaden perspective by working with different individuals with differing values

Competitive Education
Enjoy work as a game while competing

Corporate Culture of Accepting Failure

After joining the Group, employees are assigned responsibility for certain products and store areas, and they are given the freedom to arrange these areas however they see fit. They are allowed to make all decisions regarding product displays and prices in relation to their shelves. Even if one of their decisions leads to losses, we do not fixate on this failure. Many companies incur costs to provide training to new employees; we see the losses from such failures as our form of training costs.

Shared Groupwide Personnel Evaluation Systems

Complete Meritocracy

Factors that are unrelated to an employee's work results and skills, such as age, gender, or nationality, are not taken into account in evaluations in order to assess work results fairly and place employees in the most ideal positions.

Performance-Linked Compensation System

The pace of promotions is swift as evaluations are performed on a half-year basis, sometimes enabling employees to be assigned responsibility for shop floors within a mere six months. In this manner, employees are able to unlock a wider range of opportunities based on their talents.

Enterprising Employees with Pluck

Pluck: The determination to face hardship and succeed in the end no matter what in oder to overcome the various circumstances faced in real life and the attachment to self-actualization in order to complete the task at hand.

Success born in the midst of failure

Special Feature

Promotion of United Group Management

Kenji Sekiguchi, who has held various positions thus far, including that of director of the Company and president of Nagasakiya Co., Ltd., assumed the role of president and representative director of UNY Co., Ltd. in April 2019. The PPIH Group is currently faced with the need to unite with its newest member, the UNY Group, so that they can grow together and accomplish their shared mission. However, the employees of the UNY Group are no doubt filled with concern and confusion with regard to their future. To address these concerns, newly appointed President Sekiguchi held a series of 66 small meetings with UNY's roughly 4,200 employees beginning in April 2019. In October of this year, several of UNY's mates* were assembled at a meeting to take part in a frank discussion on the prospects of united Group management.

Kenji Sekiguchi

Director and Managing Executive Officer, Pan Pacific International Holdings Corporation

President and Representative Director, UNY Co., Ltd.

* Part-time employees are referred to as "mates" as an expression of comradery.

Excerpts from Meeting with Mates (Held on October 9, 2019)

Sekiguchi Greetings, everyone. My name is Kenji Sekiguchi, and I became president of UNY in April 2019. I assume that the questions on most of your minds are "What will happen to UNY in the future?" and "Will Apita and Piago be made into Don Quijote stores?" To succinctly answer these questions, let me say that my job is to get Apita and Piago to a stage of growth.

As for how UNY will change, the main adjustment will be from management as a chain to management on an individual-store basis.

Put simply, management on an individual-store basis means that the employees of each store will be given responsibility for deciding how their stores will be run. The competition faced and customers served differ between business areas, and it is the people working on the front lines who are most capable of sensing these differences. The corporate function that issued orders and directions under the chain store management model will also change under the model of management on an individual-store basis. The role of the corporate function in this model will be to support stores and to support you in doing what you want to do with your store. Of course, this change will not be implemented immediately. We do, however, expect that the next two to three years will be a period of massive transformation. We will complete this transformation, even if it takes five years. To do so, I want to hear your opinions. I am still not that well versed on Apita and Piago. For this reason, I hope to learn about these stores from you, the employees who are working on the front lines of operations.

Mate A The shift to management on an individual-store basis has made us a lot busier as we are now responsible for everything, from business negotiations and ordering to store operations and shelf stocking. Meanwhile, there are full-time employees who do not have an area of responsibility or who only stock shelves. Such employees still get paid more than mates, a fact that is demoralizing.

Sekiguchi I understand completely. We are currently in the process of revising personnel systems for both mates and full-time employees. The plan at the moment is to pay the current bonuses on top of hourly wages while introducing a new bonus system. This approach is based on our desire to create new compensation systems for employees who stand up and declare the areas in which they are able to generate revenues. Personnel expenses may go up, for which we must secure a budget, but we see that as an investment. I think the area in greatest need of funding is the salary of our mates.

Mate B It was stated that if we work hard, it will be reflected in our pay. Who will be evaluating our performance? Under the current evaluation systems, I am unsure whether my efforts are being evaluated accurately.

Sekiguchi Under the current systems, personnel evaluations are the responsibility of the deputy store manager, who is a full-time employee. This individual evaluates mates based on reports from employees in lower management positions. I believe that organizations with multilayered hierarchies do not function effectively. What we need is a flat organization where there is a store manager and everyone else—whether full-time, part-time, or dispatch—is treated the same. In this organization, it will be important to incorporate evaluation items that look at who holds what skills and what contributions are being made to the store. These items should be something that the store manager looks at. We are considering such factors as we develop the new personnel evaluation systems.

Mate C My store is going to close in January 2020 to be reopened as a MEGA Don Quijote UNY store in March. I am scheduled to be interviewed by the new store manager in October 2019, but I am worried that my employment will not be continued due to my age.

Sekiguchi There are currently around 20 MEGA Don Quijote UNY stores and the employment conditions of all mates at these stores have been continued under their prior terms. However, as there are not many mates who wish to work late-night hours, we expect to hire several new employees to fill those slots. As the conversion entails an increase in employees, personnel expenses tend to rise by about 50%, but there have been no cases of the Company or of stores asking employees to quit. I do not think that there is an age limit to one's ability to work, and we intend to continue to employ anyone with a desire to work.

Mate D My store does not have enough employees. On top of that, our wages are too low, meaning that no one will apply even if we try to recruit.

Sekiguchi I understand that employee shortage is a serious problem. We are in an era in which one would be wrong to think that employees can be attracted under the minimum wage. Using an agriculture analogy, management on an individual-store basis is akin to removing pests by hand, such as when growing organic vegetables, rather than dusting with agrichemicals; it requires significant labor. That labor is handled by employees, who are predominantly mates. What I mean to say is, it is imperative to have a sufficient number of mates.

In mates, we look for people who go beyond just performing tasks to actively generate revenues. This is why we do not hesitate to invest in this area.

After the Meeting

Sekiguchi There were people who voiced their questions from a place of concern, but there were also many that offered input on the courses of action they wanted from us. Perhaps the most noteworthy comment in this vein was a criticism of the personnel systems, specifically about how little mates get paid, despite how much they work. There was a lot of promise in several of the opinions, and I therefore realize the importance of incorporating this input into our personnel systems in order to ensure that mates are accepting of them. I also liked how dedicated everyone was. I suspect that they had diligently followed the directions of their company up until now. They are a bit nervous given the change of policy, but I am confident that they will keep working diligently going forward.

Cultivation of Organizational Structure Supporting Ongoing Innovation

Many Japanese companies place great emphasis on seniority, which makes it difficult for them to empower employees to the extent that we do. At the PPIH Group, we do not focus on bringing people's actions in line with manuals and rules, but rather emphasize the ability of employees to continue generating innovation. For this reason, we have introduced systems for drawing out the individuality and talents of every employee in order to cultivate a corporate culture that supports ongoing innovation.

Furthermore, we have established the Corporate Philosophy Promotion Headquarters for the purpose of disseminating *Genryu*, a collection of our corporate principles, with the aim of further entrenching the PPIH Group's unique DNA and creating an organizational structure that cannot be mimicked by our rivals. Another focus is the development of workplace environments that enable diverse human resources to continue working under this framework over the long term.

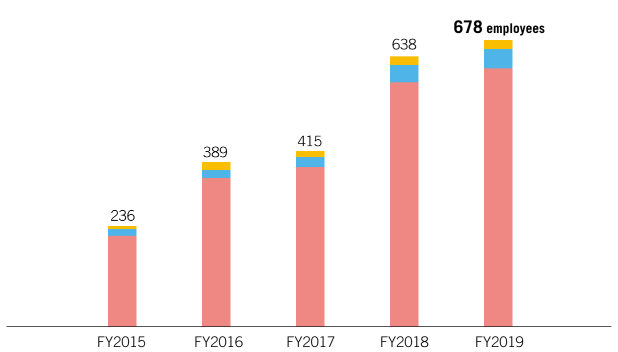
- **Delegation of authority** contributing to swift decision-making
- **Localization** enabling stores to connect with communities
- **Store discretion** allowing frontline employees to lead shop floor development
- **Performance-linked compensation system** increasing employee motivation by rewarding results
- **Complete meritocracy** blind to seniority
- **Optimal placement** drawing out the potential of all employees

Empowerment of Employees through Work-Style Reforms

The PPIH Group is developing workplace environments that allow all employees to feel highly motivated in their work. For example, we offer shorter shifts for women, senior citizens, and other employees who face limitations in the numbers of hours or times of day that they are able to work, in order to help every employee choose from among a diverse range of work styles the one that is most suited to them.

In addition, we actively promote part-time employees to full-time positions (both new graduates and mid-career hires). The recruitment of highly motivated individuals who understand our corporate culture helps new hires begin making contributions immediately after joining, while increasing productivity and reducing turnover rates. In the fiscal year ended June 30, 2019, 25.7% of the full-time employees we recruited were previously part-time employees.

Number of Employees Taking Maternity Leave, Childcare Leave, or Nursing Care Leave, or Those Working Short Hours for Childcare Reasons (Including part-time employees)



Number of employees taking maternity leave or childcare leave
Number of employees on short work hours for childcare
Number of employees taking nursing care leave
Scope: Major domestic Group companies excluding UNY Co., Ltd.

Promotion of Individuality of Diverse Employees

The PPIH Group believes that delegating a wide range of authority to employees with varied values and individuality and cultivating employees who can think and act autonomously will help foster a corporate culture that continuously generates innovation. For this reason, a dedicated organization has been established to promote diversity with the aim of cultivating such a corporate culture through the combination of the individuality and values of all employees, regardless of gender, age, nationality, physical or mental characteristics, sexual preference, or gender identity.

Particular effort will be devoted to the cultivation of non-Japanese employees going forward to accommodate our overseas expansion and to cater to the growing inbound demand. To this end, we will seek to entrench understanding of *Genryu* (The Source) among non-Japanese employees to instill in them our fundamental founding spirit and DNA that have lived on since our founding.

Significant authority is delegated to all employees equally, regardless of their nationality, in order to empower them and promote mutual growth.

Organizational Reforms to Support the Dedicated Practice of "*Genryu* Management"

In February 2019, massive organizational reforms were implemented for ensuring that our actions and sales strategies are congruent with *Genryu* and for promoting thorough localization. Sales departments were reorganized to form the Sales Support Headquarters, while the new Corporate Philosophy Promotion Headquarters was established. The latter was created to play a central role in promoting the dedicated practice of "*Genryu* Management" in order to further entrench the PPIH Group's unique DNA.

Meanwhile, fostering unity with UNY, the newest member of the Group, is a pressing task. We believe that spreading understanding of the spirit of *Genryu* will make it possible for all Group members to grow toward the fulfillment of the same mission.

Genryu Missionaries Communicating Corporate Principles to New Employees

The PPIH Group works to deepen understanding of *Genryu*. Efforts to this end include annual standard *Genryu* tests for all employees as well as biannual *Genryu* missionary certification tests. *Genryu* missionaries are employees expected to understand and practice the teachings of *Genryu* and to communicate these principles to mates and other employees. Only the employees who have passed the extraordinarily difficult certification test are allowed to become missionaries, and these individuals thus have a central role to play in the dedicated practice of "*Genryu* Management."

In addition, *Genryu* reading sessions are held for UNY Group employees twice a week, and in-store implementation training is conducted on an ongoing basis. We anticipate that fostering a true understanding of *Genryu* among UNY Group employees will help raise awareness of the fact that we are all members of the same group and thereby contribute to increased solidarity.

Genryu Missionaries	Pass Rate for May 2019 *Genryu* Missionary Certification Test
564	22.7%

Employees taking *Genryu* missionary certification test

Genryu training for UNY employees

Message from *Genryu* Training Participant

When the *Genryu* missionary was explaining *Genryu*, I could see how passionate they were about educating us members of UNY about *Genryu*. The sense of speed with regard to one's work differs between Don Quijote and UNY. At Don Quijote, if an approach is found to be ineffective, the next approach is decided and implemented immediately. Reading *Genryu* made me realize that the speed of Don Quijote's PDCA (plan-do-check-act) cycle and its decisiveness were things that I could incorporate into my current work. *Genryu* is a much more prolific document than we had originally thought. I now recognize the need for us UNY employees to change as well.

Yoshiki Hara
MEGA Don Quijote UNY Denpoji
UD Retail Co., Ltd.
(Seconded from UNY Co., Ltd.)

Special Feature

Model Example for Ultimate Delegation of Authority

The Don Quijote Akita store was opened in September 2009 through the renovation of a former Nagasakiya location. At 35.6%,*1 the ratio of the population above 65 in Akita Prefecture greatly exceeds the national average of 27.7%. Moreover, the population of Akita City has continued to fall since peaking at 333,000 in 2005, dropping to 308,000 in 2018.*2 The depopulation trend accompanying population aging and decline is expected to continue going forward.

Regardless of this challenging business area, sales at the Akita store have been showing ongoing growth. Examining the reasons for this growth provides hints at the strength of the ultimate delegation of authority.

*1 Source: *Annual Report on the Ageing Society*: 2018, Cabinet Office
*2 Source: Information and Statistics Section, Akita City

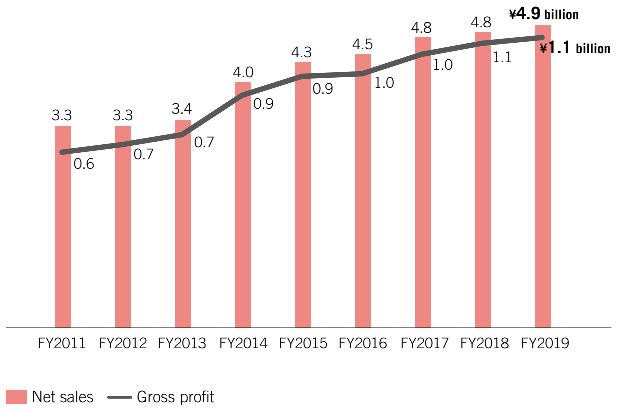
Don Quijote Akita store serving as a model example for the delegation of authority

"*Genryu* Management" as Source of Startling Growth

The Don Quijote Akita store is large, with a directly operated floor space of nearly 8,000 m^2. Sales at this store have continued to grow since the fiscal year ended June 30, 2012, when sales totaled ¥3,335.1 million. In fact, sales of ¥4,993.4 million were achieved in the fiscal year ended June 30, 2019. One possible reason for this startling growth may be *Genryu*.

Yoichi Kozai, presently a regional manager at UD Retail Co., Ltd., became deputy store manager of the Akita store in 2011, later serving as its store manager over the period from 2013 to 2015. He was involved in the conversion of this store and is thus well versed in its inner workings. We reached out to Kozai for an analysis of the reasons for this store's success at the time.

Sales of Don Quijote Akita Store



Three Reasons for Success Recounted by Store Manager at Time of Conversion

From the view of the head office, the Don Quijote Akita store is an isolated store in a remote location. This made it difficult for the head office to guide improvements or issue instructions, but at the same time, the store was more conducive to operation based on an individual-store emphasis.

I played the role of liaison between head office representatives and mates and created frameworks that made it possible to share product information at any time. I then assigned the mates who were previously allocated by the merchandise division to pinpoint targeted positions throughout divisions and Group organizations. These mates were entrusted with responsibility for everything from product displays to selling prices and other numerical factors. Matters that were decided by a merchandise division representative under conventional store operation approaches were entrusted to mates, making for a very focused yet extensive delegation of authority that empowered mates with the feeling of starting up their own business.

Furthermore, I sought to link compensation to results. Six months after assuming the position of store manager, I started by appointing independent mate chiefs at the level at which employees were assigned responsibility for specific tasks and by raising their hourly wages. By setting clear targets and compensation, I was able to contribute to motivation while also encouraging autonomy and fostering a sense of responsibility for shop floors, products, and performance figures. This change thus created a virtuous cycle that also led to improvements in conservative measures and inventory management.

Yoichi Kozai
Manager, Fourth Regional Block
Sales Department
UD Retail Co., Ltd.
(Current position)

Comments from Veteran Mates Working since before Conversion

Mami Daimon
Shoes

Back when the store was a Nagasakiya store, we would receive shipments of products from the head office and arrange shop floors based on instructions therefrom. As such, the days after the conversion to a Don Quijote store were filled with confusion. However, as we did our best to adopt the Don Quijote work style, the shop floor increasingly came to feel like "our store" as opposed to "our workplace." I am in charge of shoes. The Don Quijote work style enabled me to make decisions on my own, for example, by replacing sandals with other items in product displays on cold days. This change also raised our motivation as we knew that by exercising responsibility and working hard, our pay may go up.

Shop floor arranged based on policy of selling every last pair

Uiko Kaneko
Cosmetics

One of the major changes from the conversion is the joy that I am now able to find in negotiations with business partners (suppliers). I am personally able to ask for discounts in order to offer products at the selling price I desire. I greatly enjoy seeing the purchases of those products. Not only that, I am also able to get information from business partners, which has changed how I view shop floors. I still remember when former store manager Kozai told me that this shop floor was mine, and that I could do with it what I please. Those words lifted a great weight off my shoulders.

Organic shop floor differentiating the store from its competition

Reasons for Success of Don Quijote Akita Store and Lessons to Be Learned

The reasons why the Don Quijote Akita store was able to achieve such impressive growth include the environment that lent itself to an individual-store emphasis, the focused yet extensive delegation of authority, and the linkage of results and compensation. The individual-store emphasis took root due to the delegation of authority, evolving mates into well-rounded business people. In fact, several mates were awoken to a new propensity for business after being entrusted with responsibilities.

It is said that then store manager Kozai requested that, should a mate find the time to help another shop floor in the same merchandise division, they refrain from doing so and use that time to improve their own shop floor instead. Viewing one's shop floor as their own store is the fundamental essence of management on an individual-store basis. Delegation of authority is imperative to the cultivation of emphasis on individual stores.

The Akita store is not blessed with a particularly prosperous business area, but it has still been able to establish a solid presence for itself. This is because of exceptional management on an individual-store basis supported by the ultimate delegation of authority.

Three Reasons behind Growth of Don Quijote Akita store

- Environment lending itself to individual-store emphasis
- Focused yet extensive delegation of authority
- Linkage of results and compensation

Contributions to the Realization of a Sustainable Society

Awareness regarding climate change is rising on a global basis. If nothing is done to curb global warming, we will face heightened physical risks to our assets due to increased frequencies of extreme weather events. To guide efforts to address this threat, the Paris Agreement was adopted at the 2015 United Nations Climate Change Conference held in Paris, France. This agreement puts forth the shared long-term global goals of sufficiently keeping the average global temperature 2°C below pre-industrial levels and working to prevent rises higher than 1.5°C above pre-industrial levels.

Faced with the pressing need to combat climate change, the PPIH Group is aggressively working to lower environmental impacts through its core business in order to contribute to the realization of a sustainable society. Specific efforts with this regard include the development of eco-friendly private brand products and the use of plastic bags made from plant-derived materials.

The PPIH Environmental Policy

With the growing severity of global-scale environmental issues such as climate change and oceanic pollution today, the PPIH Group contributes to the building of a sustainable society which realizes low carbon emissions, recycling of resources, and coexistence with nature through its corporate activities.

1. As a general retail group which opens both foreign and domestic stores, we work to promote developing stores and providing products and services which are safe and reliable, with a low environmental impact.
2. All of our employees make efforts to consider environmental issues from their individual points of view based on this environmental policy, and take action with an awareness of their own personal role.
3. We make efforts to reduce the environmental impact associated with our business activities.
   - To realize a low carbon society, we aim to reduce CO_2 emissions through efforts such as introducing energy conservation and renewable energy in store operations.
   - To realize a recycling-based society, we work to promote waste reduction and recycling.
   - In addition to promoting the reduction and recycling of packaging materials, we aim to transition to packaging materials with a low environmental impact, such as recyclables and biomaterials.
4. We reduce the environmental impact of products we design in-house.
   - By reflecting the views of our customers in our product development and engaging in manufacturing to meet customer needs, we work to avoid producing unnecessary items which will become waste and engage in environmentally conscious product development.
   - With due consideration toward biodiversity, we encourage procuring sustainable raw materials.
5. In addition to compliance with environmental regulations, we will implement and maintain this environmental policy, make it widely available to the public, and promote global environmental conservation activities together with our customers.

Reduction of Product Waste at the Source

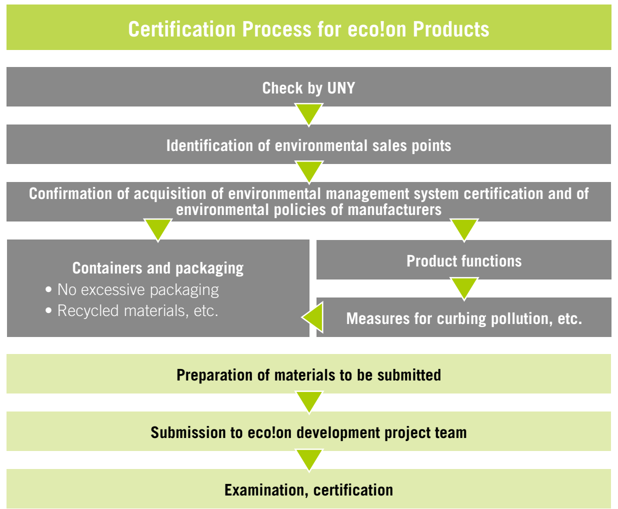
Waste from apparel products in Japan amounts to roughly 1 million tons per year,*1 around 70% of which is incinerated, meaning that only a few of these products are reused or recycled. The Don Quijote Group seeks to address this issue through the development of unique private brand products. One success of these efforts is the slide-on replacements for worn-out heels introduced on Jonetsu Kakaku PREMIUM private brand shoes in March 2017. Using a patent-pending technology, these products enable the heels of business shoes to be replaced easily with no tools needed. With these products, we hope to encourage customers to wear their shoes longer and thereby reduce the number of shoes that are thrown away and lower CO_2 emissions from incineration at the source.

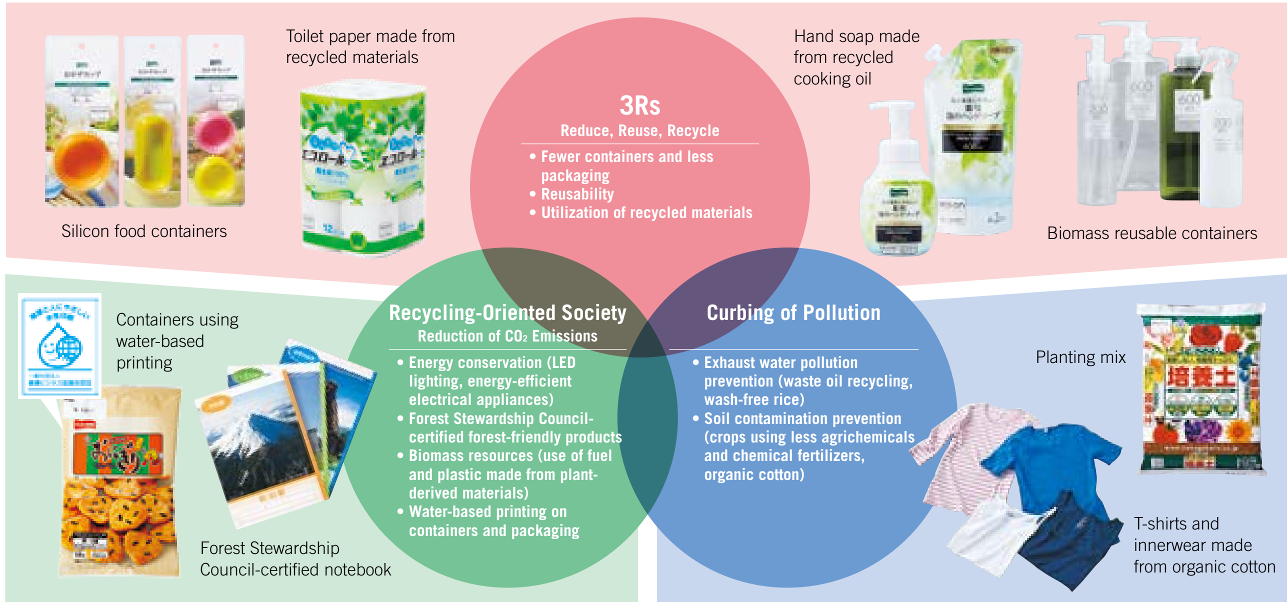
*1 Source: Survey by the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN

Jonetsu Kakaku PREMIUM private brand shoes have been proven safe and durable through four-month test periods and 100,000 weight endurance tests by third-party testing institutions.

Eco-Friendly eco!on Products

The PPIH Group believes that contributions to the realization of a sustainable society can be made by adopting more eco-friendly lifestyles through means such as the conservation of energy and resources. Planned and developed by UNY, eco!on eco-friendly private brand products are designed to reduce environmental impacts across the supply chain connecting producers, sellers, purchasing customers, and recycling companies in the areas of raw materials, manufacturing, containers and packaging, sales, use, and disposal. We thereby aim to encourage customers to choose products from the perspective of environmental friendliness when shopping so that we can preserve the environment and build a sustainable society together.





Reduction of Food Waste and Creation of Food Recycling Frameworks

In Japan, it is estimated that 6.4 million tons of food that could still be consumed goes to waste each year,*2 and food waste is becoming a serious problem around the world. To address this issue, the PPIH Group is forming partnerships between stores that produce food waste (vegetable and fish scraps), recycling companies that produce feed and fertilizer, and livestock producers to create food recycling frameworks. The resulting cyclical community livestock frameworks are anticipated to help reduce waste. In the fiscal year ended June 30, 2019, the PPIH Group's food recycling rate was 85.1%, substantially higher than the retail industry's target of 55%. Going forward, the Group will continue to reduce food waste and recycle food products.

*2 Source: *Food Waste Volumes (FY2016 Estimates)*, Ministry of Agriculture, Forestry and Fisheries (as of April 12, 2019)

Food Recycling Framework Being Developed with Chubu Organic Recycling Co., Ltd.

Contributions to a Recycling-Oriented Society

UNY is a specially designated business operator. In this capacity, this company works to recycle materials and reuse them in products. As one facet of these efforts, it endeavors to reduce the use of containers, packaging, and plastic bags, which collectively account for approximately 60% of household garbage. Specifically, UNY seeks to promote the 3Rs (reduce, reuse, recycle) together with customers to reduce environmental impacts. Initiatives to this end include selling products that minimize the use of containers and packaging and using containers and packaging made of sustainable materials so that these articles do not go to waste after use.

At stores, UNY collects food trays, milk cartons, aluminum cans, plastic bottles, bottle caps, and other used containers and packaging to be recycled as resources in order to help cut back on household garbage and promote recycling. The amount of these items collected increases each year, and this recycling of containers and packaging contributes to the effective utilization of resources and to the reduction of CO_2 emissions. Going forward, we will continue our efforts to reduce and recycle containers and packaging together with customers.

UNY stopped providing free plastic bags in 2007 and has since been selling bioplastic containers, which comprise 25% plant-derived biopolyethylene, in their stead.

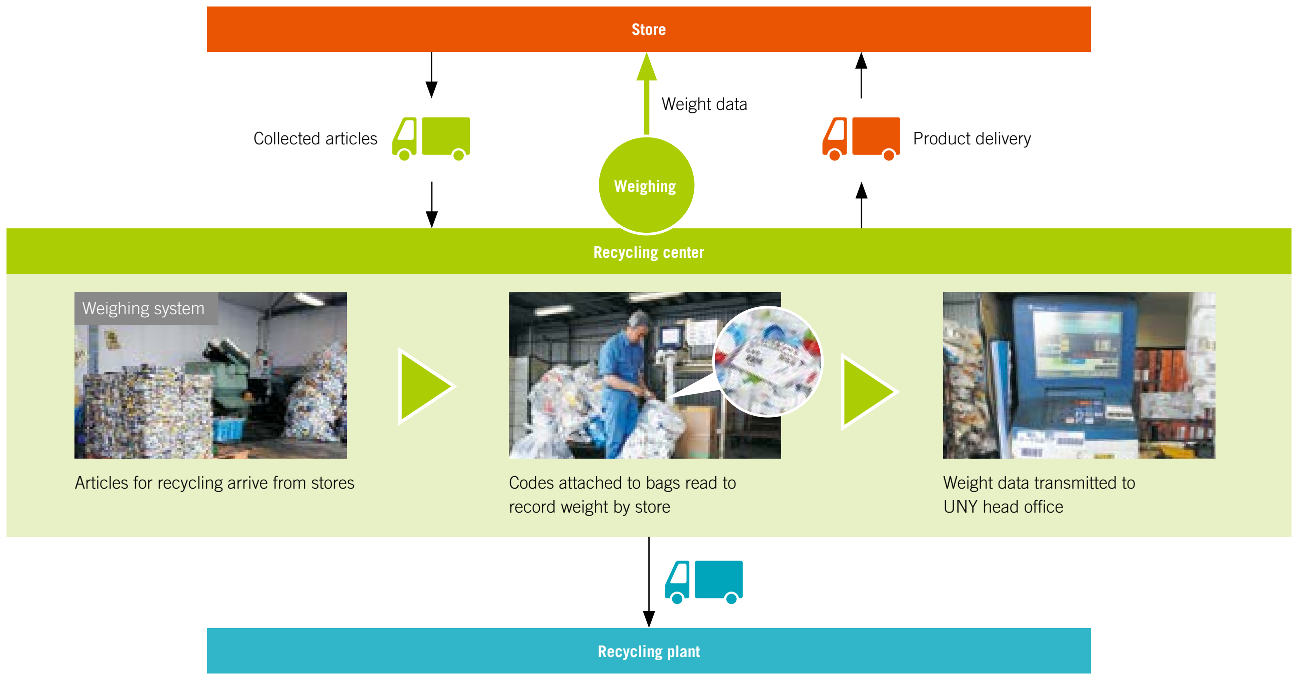
Used containers collected at stores are sent to recycling centers, where they are recycled for use as raw materials for products or other applications. The raw materials processed in this manner are utilized to manufacture eco-friendly private brand products.

Recycling Framework for Collected Containers

Used containers collected at stores are sent to one of three recycling centers located throughout Japan. These recycling centers weigh the containers collected at each store and then compress them for easy and efficient transportation before sending the containers to the respective recycling plants. Containers are transported from stores to recycling centers by product delivery vehicles on their return trips in order to prevent unnecessary fuel consumption and CO_2 emissions from transportation of collected articles.

Recycling center at Yatomi Distribution Center

Container and Packaging Recycling Framework



Reduction of Plastic Bag Use through Original Reusable Shopping Bags

The majority of plastic bags used in Japan are not recycled, and are instead thrown away as garbage. As a supplier of products, the PPIH Group feels an obligation to reduce the amount of waste. We have therefore been working together with customers to cut back on the consumption of packaging materials. As one facet of these efforts, in July 2018 we commenced a service in which customers can receive two “majica” points for using an original reusable shopping bag at a Don Quijote, MEGA Don Quijote, MEGA Don Quijote UNY, or Picasso store across Japan (excluding certain stores). By reducing the use of plastic bags, we hope to decrease waste and help preserve the environment.

Furthermore, UNY began charging for plastic bags in 2007, and stopped providing them free of charge at all stores in 2014. In 2019, 85.8% of customers at all stores declined the use of plastic bags. In this manner, our efforts have contributed to a large decrease in the use of plastic bags.

Reinforcement of Environmental Management

UNY employs ISO 14001-certified environmental management systems to assess and reduce the environmental impact of its stores and offices. ISO 14001 certification was first acquired by the UNY head office in January 2004, and certification had been obtained by all stores as of July 2019. The certifying body had praise for UNY, stating that its success in waste reduction, recycling, and energy conservation activities was contributing to product sales and to improved corporate value.

Meanwhile, we continue to conduct training for employees in order to promote understanding of our environmental policies and targets and facilitate environmental initiatives. As of February 28, 2019, the number of employees with internal environmental management auditor qualifications was 418.

Intensive internal environmental management auditor training seminar

Environmental Targets for Stores Under ISO 14001

1	Reduction of electricity use
2	Recycling and reduction of waste
3	Conformity with water emissions standards
4	Compliance with environmental regulations
5	Community outreach activities integrated into sales activities

Employees addressing issues requiring emphasis from an environmental perspective proposed by other employees

Group ISO 14001 Training

Group ISO 14001 training is held twice a year for all employees. This training is aimed at instilling in employees the capacity to identify issues in the procedures of their division or store requiring emphasis from an environmental perspective, such as the effectiveness of environmental management or compliance with environmental regulations; set environmental action plans; and achieve their targets.

Group ISO 14001 training

Stakeholder Engagement

Guided by its corporate principle of “the customer matters most,” the PPIH Group is contributing to the development of society, and consequently the realization of a sustainable society, through its business activities. These efforts are supported by stakeholder engagement, through which we seek to gain an understanding of social changes, issues, and needs in order to help resolve these issues through quick action.

Furthermore, we respect the basic human rights of all stakeholders and aspire to grow together with society as a highly ethical and well-meaning company. The PPIH Group develops its operations around the world. Contributing to local communities through our business activities is thus one of our corporate responsibilities. We are therefore engaged in a variety of activities focused on building good relationships with local communities.

Contributions to Building Local Communities and Resolving Health Issues of Senior Citizens

Depopulation and population aging are draining the life from regional communities. Seeking to address this issue by helping invigorate such communities, we have held a Meguro River cherry blossom viewing event on the roof of our head office in Naka-Meguro, Tokyo each year since 2010. In 2019, this event took place over a 14-day period spanning from late March to early April, during which approximately 4,200 individuals—including guests from local senior citizen facilities, neighborhood associations, and business partners (suppliers)—visited to enjoy the cherry blossoms from the head office balcony.

In addition, UNY conducts a dementia café program (Orange Café) to provide opportunities for individuals suffering from dementia, members of their families, local community members, and others concerned about dementia to casually gather to make acquaintances and share information. Taking place at four stores, this program is conducted jointly with municipal government agencies and local community support centers to assist individuals diagnosed with dementia and members of their families in addressing issues regarding the initial steps for receiving care, such as knowing who to consult.

Meguro River cherry blossom viewing event

Dementia café program held at Apita Chiyoda-Bashi store

Establishment of “Donkids” In-Store Daycare Centers

The number of people hoping to place their children in daycare centers is rising as work styles grow more diverse and women increasingly take part in the workforce. However, the number of daycare centers in Japan is insufficient for meeting this demand, causing issues in the form of long waiting lists for daycare entry. Government measures and new systems are resulting in gradual improvements to these issues, but there are still an estimated 17,000 children awaiting entry into daycare across Japan (as of April 1, 2019).*

To address this issue, we have established “Donkids” in-store daycare centers for employees at five MEGA Don Quijote locations. Going forward, we will continue to work toward the elimination of children waiting for daycare slots and help create a child-raising environment that integrates communities, daycare centers, and stores.

* Source: Report on the status related to day-care centers, etc., Ministry of Health, Labour and Welfare

Venue for Providing Sustainability Education to the Children Who Will Shape the Future

Aspiring to help children acquire greater insight into what it means to have a job and associated responsibilities, the Shoiku® Project—an in-store learning opportunity that enables children to experience the joy of working and to gain a sense of responsibility through retail—is being implemented at all domestic PPIH Group stores. In the fiscal year ended June 30, 2019, stores welcomed 1,937 children, mostly elementary and junior high school students, from 230 schools.

UNY, meanwhile, dispatches employees to schools to conduct original classes that provide a fun, hands-on opportunity for children to learn about the United Nations Sustainable Development Goals and environmental issues and how they relate to them. Based on the theme of “eco-friendly shopping and the Sustainable Development Goals,” these classes help foster the children who will shape the future through education on recycling initiatives as well as craft projects using recycled materials to help children understand how shopping at their local supermarket can be made friendlier to the environment. In 2019, these classes were held for around 900 students at 16 elementary and other schools.

Children making original, handwritten POP cards

Dispatch class conducted by UNY employee

Coordination with Local Communities in Times of Disaster

The PPIH Group engages in proactive disaster-relief activities. In addition, we have utilized our nationwide store network to form agreements with local communities, based on which we are stepping up coordination to ensure swift and smooth response measures should a disaster strike. At present, UNY has formed comprehensive agreements with six prefectures: Aichi Prefecture, Gifu Prefecture, Mie Prefecture, Ishikawa Prefecture, Chiba Prefecture, and Kanagawa Prefecture. In addition, Don Quijote stores have arranged agreements with Yachiyo City, Chiba Prefecture; Hadano City, Kanagawa Prefecture; Kofu City, Yamanashi Prefecture; and Hasuda City, Saitama Prefecture.

Agreement with Hadano City, Kanagawa Prefecture to Procure and Supply Relief Items and Support Individuals Who Are Forced to Walk Home in the Event of a Disaster

The PPIH Group has concluded an agreement with Hadano City, Kanagawa Prefecture for the procurement and supply of relief items for use by residents in the event of a disaster. In addition, the agreement contains provisions of smooth and swift support for individuals who are forced to walk home due to disruptions to public transportation or other reasons.

1 Supply of Relief Items

Stores located within Hadano City shall supply food, daily necessities, and other basic living items as well as any items necessary for response measures at times of disaster.

2 Support for Individuals Who Are Forced to Walk Home

Stores located within Hadano City shall provide access to rest spaces, restrooms, and drinking water as well as information via television, radio, or other forms of media to individuals who are forced to walk home.

Heat Illness Prevention Awareness Project

Since 2015, we have been involved in a heat illness prevention awareness project, organized by public- and private-sector entities in conjunction with the Ministry of the Environment, to provide greater comfort, peace of mind, and enjoyment to customers on shopping excursions. Specific examples of our involvement in this project include displaying heat stress index figures provided through the Ministry of the Environment’s heat illness prevention information website on in-store monitors and other efforts to raise awareness among customers.

In 2019, the fifth year of our involvement in this project, we extended our initiatives to the Apita, Piago, and MEGA Don Quijote UNY stores operated by UNY and UD Retail. We are using in-store announcements, POP cards, posters, and various other approaches to highlight the importance of preventing heat illness at all applicable stores.

Mitsuo Takahashi
Senior Managing Executive Officer, CFO

The PPIH Group will improve corporate value through an aggressive management approach with an emphasis on the ratio of ROIC to WACC.

Review of the Fiscal Year Ended June 30, 2019

The PPIH Group's Vision 2020 medium-term management plan puts forth the targets of ¥1 trillion in net sales, a store network of 500 locations, and ROE of 15% for its final year, all of which were accomplished a year ahead of schedule in the fiscal year ended June 30, 2019. Furthermore, the consolidation of UNY Co., Ltd., in January 2019 helped us raise the levels of net sales, total assets, and market capitalization above ¥1.0 trillion.

Also, the fiscal year ended June 30, 2019 marked two important milestones: the 30th anniversary of the opening of the first Don Quijote store in 1989 and the impressive accomplishment of 30 consecutive years of higher net sales and operating income. At the same time, a total of 529 million customers, our greatest asset, enjoyed shopping at PPIH Group stores during this year.

Outlook for Retail Industry Operating Environment

The retail industry continues to face a challenging operating environment, and consumer confidence has been low since fall 2018. Meanwhile, increases in non-consumption spending, including taxes and social security payments, have been cutting into disposable income, sparking an unavoidable rise in price sensitivity when it comes to the consumption of goods. Consumers are thus becoming increasingly price-conscious in their purchasing decisions. In this manner, the principal consumption trends are being characterized by thriftiness and selective consumption.

The Consumer Confidence Index disclosed by the Cabinet Office shows an ongoing deterioration in consumer confidence, which remains low. It can only be expected that consumer confidence will drop even further as a result of the consumption tax hike instituted in Japan in October 2019.

In other words, the difference between successful and unsuccessful stores will be exceptionally polarizing. This environment will be beneficial to the ongoing growth of the PPIH Group.

Aggressive Management and Financial Strategies

The PPIH Group will continue to focus on domestic operations up until the mid-2020s. We will therefore concentrate management resources on these operations. At the same time, we will steadily march forward with the development of stores overseas while conducting experiments and verifying their results.

Our greatest growth driver for the foreseeable future in domestic operations will be the brand conversion of the approximately 100 UNY stores. However, we will also need to open new stores while achieving robust growth in existing stores.

Our proactive investments in business expansion and growth are projected to total around ¥40.0 billion a year, of which roughly 75% will be directed toward retail operations. The remaining 25% will be used for IT investments and maintenance expenses at existing stores.

The procurement of funds for growth investments will be conducted as appropriate while exercising leverage. During this process, we intend to keep the net debt-to-equity ratio below 1.0 times.

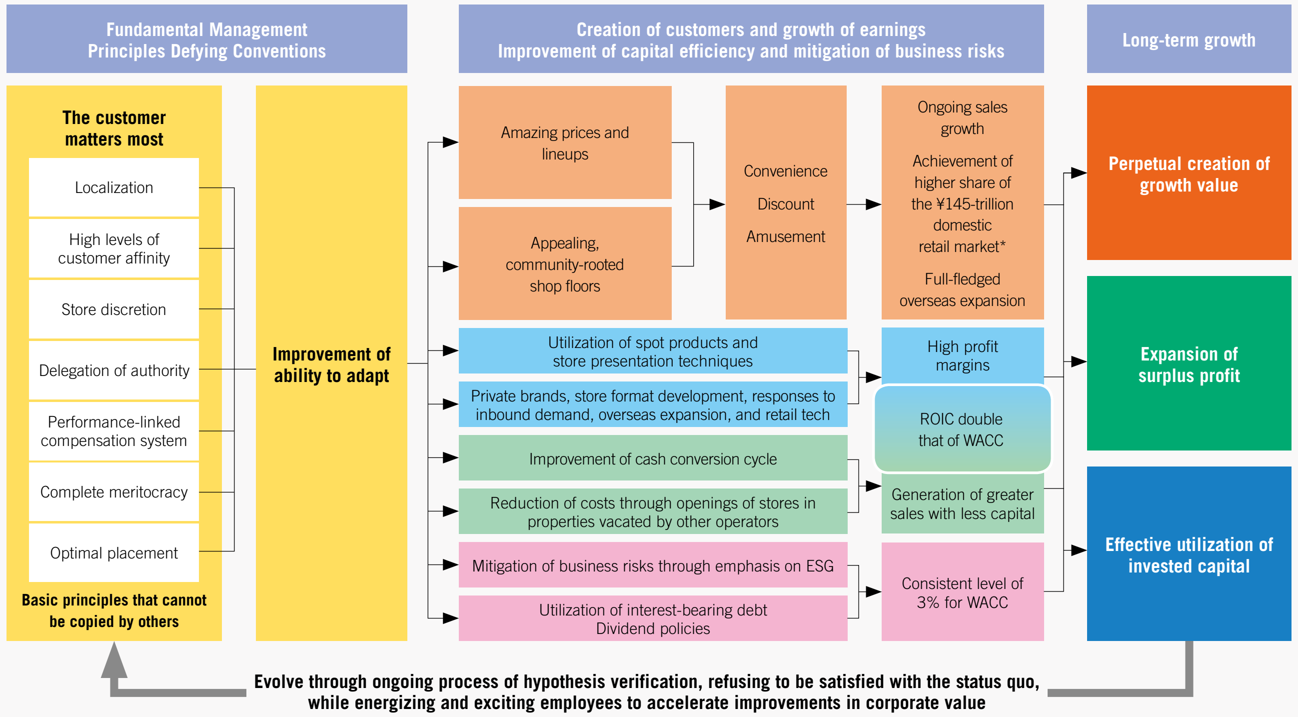
As for our inflated balance sheet, we look to bring assets and liabilities to an appropriate level by increasing asset efficiency and boosting our ability to generate cash flows.

Capital Measures and ESG

The PPIH Group recognizes the importance of achieving ROE that exceeds cost of capital in the implementation of strategies oriented toward improved capital efficiency and the ongoing creation of corporate value.

Looking ahead, we intend to run various simulations to plan our approach toward growth over the long term. We will emphasize the ratio of return on invested capital (ROIC) to weighted average cost of capital (WACC) in this undertaking, and return on investment will be used as the common yardstick for communication with stakeholders.

In addition, we realize that the disclosure of ESG matters is an important form of communication for mitigating future risks and lowering the cost of capital, and accordingly, we will look to enhance such disclosure in the future. We have also defined material issues needing to be addressed and are taking steps in response to these issues. By operating its stores in an eco-friendly manner and contributing to society as a retailer while reinforcing its corporate governance systems, the PPIH Group aims to increase its presence as a responsible corporate citizen.



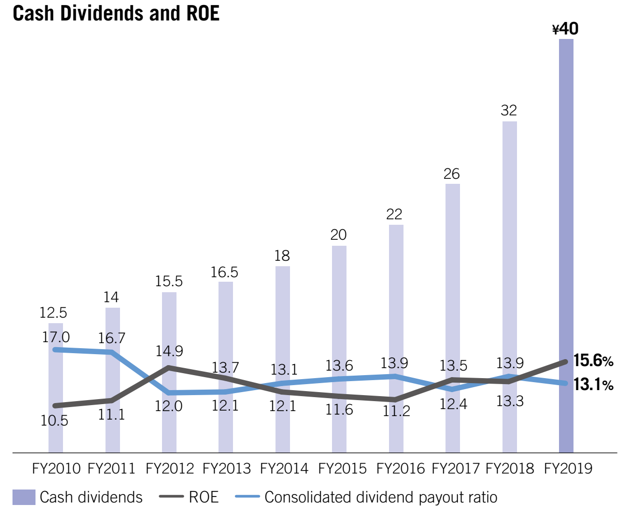
* Source: Commercial industry statistics, Ministry of Economy, Trade and Industry

Shareholder Return Policy

Our basic policy on shareholder returns consists of conducting high-return investments in our core business and issuing progressive dividends. In the fiscal year ended June 30, 2019, ROE came to 15.6%, and we decided to issue an annual dividend of ¥40 per share, a 25% year-on-year increase. This made for our 17th consecutive year of higher dividends and a dividend payout ratio of 13.1%. A payout ratio of more than 20.0% will be targeted over the medium term.

Going forward, our corporate principle of "the customer matters most" will continue to guide us as we pursue the expansion of corporate value. At the same time, we will boost shareholder returns by increasing dividends in line with long-term growth in earnings per share.

Cash Dividends and ROE



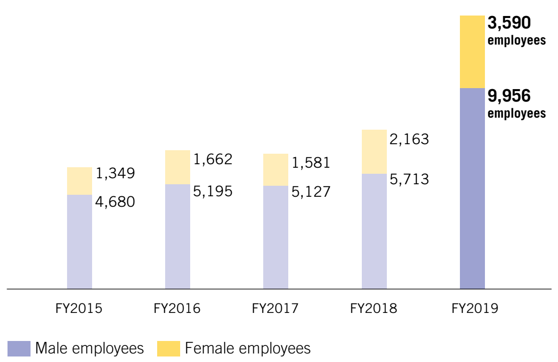
Financial and Non-Financial Highlights

Millions of yen

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Net sales	487,571	507,661	540,255	568,377	612,424	683,981	759,592	828,798	941,508	1,328,874
Cost of sales	364,065	378,587	400,712	418,570	451,406	502,240	557,699	610,218	697,517	958,347
Selling, general and administrative expenses	102,439	103,738	110,223	117,438	126,726	142,638	158,708	172,395	192,423	307,417
Operating income	21,067	25,336	29,320	32,369	34,292	39,103	43,185	46,185	51,568	63,110
Ordinary income	21,109	25,138	29,283	33,201	35,487	40,160	43,797	45,523	57,218	68,240
Profit before income taxes	16,845	21,147	30,395	33,382	34,225	39,157	42,113	55,325	56,373	67,471
Profit attributable to owners of parent	10,238	12,663	19,845	21,141	21,471	23,148	24,938	33,082	36,405	48,253
Total assets	302,029	341,300	362,651	386,622	432,135	505,666	560,568	642,868	806,778	1,278,567
Total net assets	106,760	125,242	145,735	170,178	193,164	221,367	244,547	279,930	312,495	353,487
Basic earnings per share (yen)*1	73.68	83.91	128.74	136.74	137.34	147.09	157.76	209.18	230.14	304.93
Diluted earnings per share (yen)*1	68.82	82.17	128.45	136.17	136.56	146.63	157.65	209.04	229.66	304.00
Cash dividends per share (yen)*1	12.50	14.00	15.50	16.50	18.00	20.00	22.00	26.00	32.00	40.0
Consolidated dividend payout ratio (%)	17.0	16.7	12.0	12.1	13.1	13.6	13.9	12.4	13.9	13.1
Return on assets (ROA) (%)	3.4	3.9	5.6	5.6	5.2	4.9	4.7	5.5	5.0	5.8
Return on equity (ROE) (%)	10.5	11.1	14.9	13.7	12.1	11.6	11.2	13.5	13.3	15.6
Number of purchasing customers	–	–	232,969,021	244,658,461	260,191,080	283,039,023	304,899,600	333,215,467	370,829,179	528,888,368
Number of purchased items	–	–	–	1,388,295,164	1,586,622,869	1,824,446,232	2,039,829,666	2,313,489,393	2,662,827,579	4,108,663,303
Number of Group employees	4,061	4,164	4,517	4,511	5,282	6,029	6,857	6,708	7,876	13,546
CO_2 emissions (t-CO_2)*2	–	–	–	224,605	258,365	235,595	270,623	249,804	251,026	361,032
Energy consumption (GJ)*3	–	–	–	4,378,119	4,818,336	4,466,378	5,141,716	5,083,574	5,312,474	7,436,193

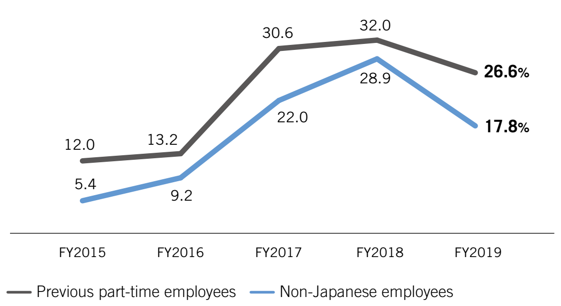
*1 Per share amounts were calculated based on the assumption that the stock split conducted on July 1, 2015 took place on July 1, 2009.
*2 Scope: Major domestic Group companies
Figures are the aggregate of emissions applicable under Scope 1 and Scope 2.
*3 Scope: Major domestic Group companies

Number of Full-Time Group Employees by Gender



In the fiscal year ended June 30, 2019, the number of female employees increased 1,427 year on year, to 3,590, and the number of male employees rose 4,243, to 9,956. In addition, the ratio of management positions held by female employees was 7.4%.

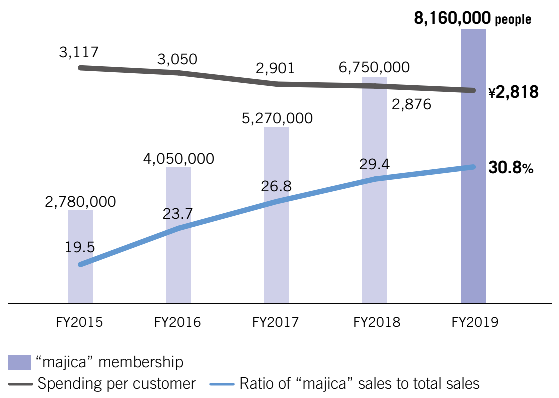
Ratio of Previous Part-Time Employees and Non-Japanese Employees*4 to Total Newly Graduated Recruits



In the fiscal year ended June 30, 2019, 26.6% of full-time employees from among newly graduated recruits were previously part-time employees. In addition, non-Japanese employees represented 17.8% of newly graduated recruits as we stepped up recruitment and development of non-Japanese employees in preparation for overseas expansion and growth in inbound demand.

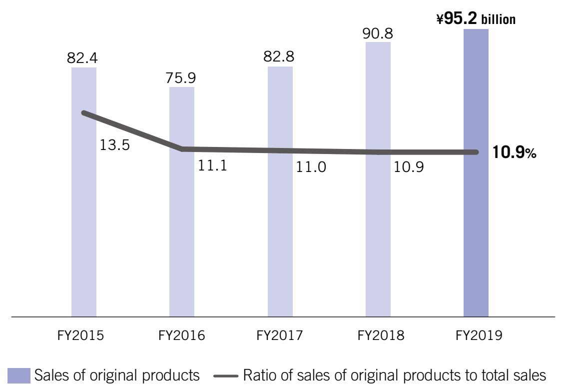
*4 Scope: Major domestic Group companies

"majica" Membership / Spending per Customer / Ratio of "majica" Sales to Total Sales



On June 30, 2019, the number of members for our "majica" e-money service stood at 8,160,000. Sales through this service accounted for 30.8% of total sales, and spending per customer via "majica" was ¥2,818, higher than the average for all customers. In this manner, "majica" is contributing to increases in repeat customers and earnings.

Sales of Original Products*5 / Ratio of Sales of Original Products to Total Sales



Sales of original products amounted to ¥95.2 billion in the fiscal year ended June 30, 2019, an increase of 4.8% year on year, and accounted for 10.9% of total sales. Sales of these products were driven by contributions from the foods categories, which garnered customer support by offering a sense of a bargain.

*5 Original products: Jonetsu Kakaku private brand products and OEM products
Scope: Don Quijote Co., Ltd. and Nagasakiya Co., Ltd.

Consolidated Balance Sheets

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
As of June 30, 2018 and 2019

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Assets			
Current assets			
Cash and deposits (Note 2)	¥ 71,973	¥ 172,673	$ 1,602
Notes and accounts receivables–trade	12,848	18,744	174
Accounts receivables–installment	–	67,417	625
Operating loans	–	8,966	83
Merchandise and finished goods (Note 2)	135,781	188,510	1,749
Prepaid expenses	3,749	7,036	65
Deposits paid	4,347	12,986	120
Other	7,919	20,790	194
Allowance for doubtful accounts	(4)	(717)	(7)
Total current assets	236,613	496,405	4,605
Non-current assets			
Property, plant and equipment			
Buildings and structures (Note 2)	230,570	379,222	3,518
Accumulated depreciation	(90,932)	(104,165)	(966)
Accumulated impairment loss	(6,223)	(12,102)	(112)
Buildings and structures, net	133,415	262,955	2,440
Tools, furniture and fixtures	68,276	79,294	736
Accumulated depreciation	(48,162)	(52,117)	(484)
Accumulated impairment loss	(396)	(1,706)	(16)
Tools, furniture and fixtures, net	19,718	25,471	236
Other	422	1,976	18
Accumulated depreciation	(202)	(377)	(3)
Accumulated impairment loss	(7)	(6)	(0)
Other, net	213	1,593	15
Land (Note 2)	188,866	315,047	2,922
Construction in progress	5,701	5,814	54
Total property, plant and equipment	347,913	610,880	5,667
Intangible assets			
Goodwill	17,600	17,216	160
Other	10,647	20,386	189
Total intangible assets	28,247	37,602	349
Investments and other assets			
Investment securities (Note 1)	31,606	16,681	155
Long-term loan receivables	95,815	2,962	27
Long-term prepaid expenses	3,531	6,105	57
Retirement benefit asset	–	6,362	59
Deferred tax assets	15,389	19,668	182
Lease and guarantee deposits (Note 2)	46,494	80,443	746
Other (Note 2)	2,848	3,965	37
Allowance for doubtful accounts	(1,678)	(2,506)	(23)
Total investments and other assets	194,005	133,680	1,240
Total non-current assets	570,165	782,162	7,256
Total assets	¥806,778	¥1,278,567	$11,861

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Liabilities			
Current liabilities			
Notes and accounts payables–trade	¥ 93,030	¥ 159,064	$ 1,476
Short-term loan payables	–	123	1
Current portion of long-term loan payables (Notes 2 and 8)	17,788	19,721	183
Current portion of bonds	3,616	22,816	212
Payables under fluidity lease receivables (Note 9)	7,262	7,304	68
Accounts payables–other	16,590	49,580	460
Accrued expenses	13,242	22,684	210
Deposits received	3,740	19,407	180
Income taxes payables	8,821	9,841	91
Provision for point card certificates	1,892	5,227	48
Other (Note 2)	5,905	22,218	206
Total current liabilities	171,886	337,985	3,135
Non-current liabilities			
Bond payables	91,274	238,458	2,212
Long-term loan payables (Notes 2 and 8)	200,668	256,777	2,382
Long-term payables under fluidity lease receivables (Note 9)	12,104	4,703	44
Asset retirement obligations	6,538	23,083	214
Negative goodwill	267	180	2
Other (Note 2)	11,546	63,894	593
Total non-current liabilities	322,397	587,095	5,447
Total liabilities	494,283	925,080	8,582
Net assets			
Shareholders' equity			
Capital stock	22,436	22,675	210
Capital surplus	19,975	15,414	143
Retained earnings	248,940	291,221	2,702
Treasury shares	(14)	(14)	(0)
Total shareholders' equity	291,337	329,296	3,055
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	244	173	1
Foreign currency translation adjustment	(1,218)	554	5
Remeasurements of defined benefit plans	–	(477)	(4)
Total accumulated other comprehensive income	(974)	250	2
Share acquisition rights	345	724	7
Non-controlling interests	21,787	23,217	215
Total net assets	312,495	353,487	3,279
Total liabilities and net assets	¥806,778	¥1,278,567	$11,861

See accompanying notes to consolidated financial statements.

Consolidated Statements of Profit and Loss

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
For the fiscal years ended June 30, 2018 and 2019

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Net sales	¥941,508	¥1,328,874	$12,328
Cost of sales (Note 1)	697,517	958,347	8,891
Gross profit	243,991	370,527	3,437
Selling, general and administrative expenses (Note 2)	192,423	307,417	2,852
Operating income	51,568	63,110	585
Non-operating income			
Interest and dividend income	1,604	1,777	16
Amortization of negative goodwill	86	86	1
Share of profit of entities accounted for using equity method	4,579	5,957	55
Commission fee	457	403	4
Other	2,915	4,665	44
Total non-operating income	9,641	12,888	120
Non-operating expenses			
Interest expenses paid on loans and bonds	2,912	4,780	44
Bond issuance cost	90	1,253	12
Cost of claim’s liquidation	382	274	3
Commission fee	300	500	5
Other	307	951	8
Total non-operating expenses	3,991	7,758	72
Ordinary income	57,218	68,240	633
Extraordinary income			
Gain on sales of non-current assets (Note 3)	93	2,085	19
Gain on step acquisitions	–	1,424	13
Gain on bargain purchase	–	9,315	86
Compensation income for expropriation (Note 4)	457	11	0
Other	100	123	2
Total extraordinary income	650	12,958	120
Extraordinary losses			
Impairment loss (Note 5)	1,007	10,305	96
Loss on retirement of non-current assets (Note 6)	172	509	5
Loss on closing of stores (Note 7)	189	1,698	16
Other	127	1,215	10
Total extraordinary losses	1,495	13,727	127
Profit before income taxes	56,373	67,471	626
Income taxes–current	16,986	19,292	179
Income taxes–deferred	543	(1,740)	(16)
Total income taxes	17,529	17,552	163
Profit	38,844	49,919	463
Profit attributable to non-controlling interests	2,439	1,666	15
Profit attributable to owners of parent	¥ 36,405	¥ 48,253	$ 448

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
For the fiscal years ended June 30, 2018 and 2019

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Profit	¥38,844	¥49,919	$463
Other comprehensive income			
Valuation difference on available-for-sale securities	(86)	(66)	(1)
Foreign currency translation adjustment	(1,663)	1,743	16
Remeasurements of defined benefit plans, net of tax	–	(477)	(4)
Share of other comprehensive income of affiliates accounted for using equity method	3	(5)	(0)
Total other comprehensive income (Note 1)	(1,746)	1,195	11
Comprehensive income	¥37,098	¥51,114	$474
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥34,659	¥49,476	$459
Comprehensive income attributable to non-controlling interests	2,439	1,638	15

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
For the fiscal years ended June 30, 2018 and 2019

Millions of yen

	Shareholders’ equity					Accumulated other comprehensive income						
2018	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders’ equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	¥22,425	¥19,425	¥216,446	¥(14)	¥258,282	¥326	¥ 445	¥–	¥ 771	¥ 98	¥20,779	¥279,930
Changes of items during period												
Issuance of new shares	11	11			22							22
Dividends of surplus			(4,113)		(4,113)							(4,113)
Profit attributable to owners of parent			36,405		36,405							36,405
Capital increase of consolidated subsidiaries		539			539							539
Other			202		202							202
Net changes of items other than shareholders’ equity						(82)	(1,663)	–	(1,745)	247	1,008	(490)
Total changes of items during period	11	550	32,494	–	33,055	(82)	(1,663)	–	(1,745)	247	1,008	32,565
Balance at end of current period	¥22,436	¥19,975	¥248,940	¥(14)	¥291,337	¥244	¥(1,218)	¥–	¥ (974)	¥345	¥21,787	¥312,495

Millions of yen

	Shareholders’ equity					Accumulated other comprehensive income						
2019	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders’ equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	¥22,436	¥19,975	¥248,940	¥(14)	¥291,337	¥244	¥(1,218)	¥ –	¥ (974)	¥345	¥21,787	¥312,495
Changes of items during period												
Issuance of new shares	239	239			478							478
Dividends of surplus			(5,854)		(5,854)							(5,854)
Profit attributable to owners of parent			48,253		48,253							48,253
Purchase of treasury shares				0	0							0
Change in scope of consolidation			(118)		(118)							(118)
Increase of consolidated subsidiaries non-controlling interests		736			736							736
Purchase of shares of consolidated subsidiaries		(5,536)			(5,536)							(5,536)
Net changes of items other than shareholders’ equity						(71)	1,772	(477)	1,224	379	1,430	3,033
Total changes of items during period	239	(4,561)	42,281	0	37,959	(71)	1,772	(477)	1,224	379	1,430	40,992
Balance at end of current period	¥22,675	¥15,414	¥291,221	¥(14)	¥329,296	¥173	¥ 554	¥(477)	¥ 250	¥724	¥23,217	¥353,487

Millions of U.S. dollars

	Shareholders’ equity					Accumulated other comprehensive income						
2019	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders’ equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	$208	$185	$2,309	$(0)	$2,702	$ 2	$(11)	$ –	$ (9)	$3	$202	$2,898
Changes of items during period												
Issuance of new shares	2	2			4							4
Dividends of surplus			(54)		(54)							(54)
Profit attributable to owners of parent			448		448							448
Purchase of treasury shares				0	0							0
Change in scope of consolidation			(1)		(1)							(1)
Increase of consolidated subsidiaries non-controlling interests		7			7							7
Purchase of shares of consolidated subsidiaries		(51)			(51)							(51)
Net changes of items other than shareholders’ equity						(1)	16	(4)	11	4	13	28
Total changes of items during period	2	(42)	393		353	(1)	16	(4)	11	4	13	381
Balance at end of current period	$210	$143	$2,702	$(0)	$3,055	$ 1	$ 5	$(4)	$ 2	$7	$215	$3,279

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
For the fiscal years ended June 30, 2018 and 2019

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Cash flows from operating activities			
Profit before income taxes	¥ 56,373	¥ 67,471	$ 626
Depreciation and amortization	17,378	23,722	220
Impairment loss	1,007	10,305	96
Amortization of negative goodwill	(86)	(86)	(1)
Gain on bargain purchase	–	(9,315)	(86)
Increase (decrease) in allowance for doubtful accounts	(36)	147	1
Interest and dividend income	(1,604)	(1,777)	(16)
Interest expenses paid on loans and bonds	2,912	4,780	44
Share of profit of entities accounted for using equity method	(4,579)	(5,957)	(55)
Gain on step acquisitions	–	(1,424)	(13)
Loss (gain) on sales and retirement of property, plant and equipment	119	(1,342)	(12)
Loss on store closings	189	1,698	16
Compensation income for expropriation	(457)	(11)	(0)
Offset payments for house rental fee with lease and guarantee deposits	1,777	2,775	26
Decrease (increase) in notes and accounts receivables–trade	(3,816)	3,258	30
Increase in inventories	(9,235)	(14,489)	(135)
Increase in notes and accounts payables–trade	4,638	3,924	36
Decrease in accounts receivables–installment	–	59,700	554
Decrease in accounts payables–other	(585)	(10,343)	(96)
Increase (decrease) in deposits received	1,015	(5,583)	(52)
(Decrease) increase in other current liabilities	(509)	1,508	14
Increase in other non-current liabilities	308	490	5
Other, net	327	(202)	(3)
Subtotal	65,136	129,249	1,199
Interest and dividend income received	1,102	1,521	14
Interest expenses paid	(2,274)	(4,555)	(42)
Income taxes paid	(19,152)	(27,462)	(256)
Income taxes refund	637	3,520	33
Proceeds from compensation for expropriation	582	11	0
Proceeds from dividend income from entities accounted for using equity method	50	56	1
Payments for loss on disaster	–	(362)	(3)
Net cash provided by operating activities	46,081	101,978	946
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(53,341)	(43,835)	(407)
Proceeds from sales of property, plant and equipment	1,225	7,579	70
Payments for purchase of intangible assets	(695)	(2,298)	(21)
Payments for leasehold and guarantee deposits	(2,123)	(3,394)	(31)
Proceeds from collection of leasehold and guarantee deposits	153	1,163	11
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 2)	(16,283)	(5,423)	(50)
Payments for purchase of shares of subsidiaries and associates	(19,976)	(7,936)	(74)
Payments of loan receivables	(77,979)	(1,613)	(15)
Proceeds from collections of loan receivables	4,601	19,125	177
Other, net	(25)	(481)	(4)
Net cash used in investing activities	(164,443)	(37,113)	(344)
Cash flows from financing activities			
Net decrease in short-term loan payables	(281)	–	–
Proceeds from long-term loan payables	134,689	90,000	835
Repayments of long-term loan payables	(6,057)	(196,594)	(1,824)
Proceeds from issuance of bonds	19,903	168,647	1,565
Redemption of bonds	(19,316)	(3,616)	(34)
Repayments of payables under fluidity lease receivables	(7,514)	(7,612)	(71)
Proceeds from issuance of common shares	23	478	4
Cash dividends paid	(4,113)	(5,854)	(54)
Dividends paid to non-controlling interests	(892)	(808)	(7)
Payments for purchase of shares of subsidiaries that do not result in change in scope of consolidation	–	(4,322)	(40)
Proceeds from share issuance to non-controlling shareholders	–	3,569	33
Other, net	(359)	(432)	(4)
Net cash provided by financing activities	116,083	43,456	403
Effect of exchange rate change on cash and cash equivalents	68	318	3
Net (decrease) increase in cash and cash equivalents	(2,211)	108,639	1,008
Cash and cash equivalents at beginning of period	78,094	75,883	704
Increase in cash and cash equivalents from newly consolidated subsidiaries	–	614	6
Cash and cash equivalents at end of period (Note 1)	¥ 75,883	¥ 185,136	$ 1,718

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2018 and 2019

(Basis of Presenting Consolidated Financial Statements)

The accompanying consolidated financial statements of Pan Pacific International Holdings Corporation (“the Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards (“IFRSs”). Foreign subsidiaries maintain their records of account in conformity with the accounting and relevant legal requirements in the respective countries, and there are no significant differences from the accounting standards adopted by the Company.

Each amount in the accompanying consolidated financial statements is rounded off to the nearest million yen. The U.S. dollar amounts are included solely for the convenience of readers outside Japan and are stated at the exchange rate of ¥107.79 to U.S.$1, the rate prevailing on June 30, 2019. These translations should not be construed as representations that Japanese yen amounts actually represent or have been or could be converted into U.S. dollars at that or any other rate.

The consolidated financial statements are not intended to present the financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(Significant Matters for the Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 72

Names of consolidated subsidiaries

Don Quijote Co., Ltd.
UNY Co., Ltd.
Nagasakiya Co., Ltd.
UD Retail Co., Ltd.
Doit Co., Ltd.
Japan Asset Marketing Co., Ltd.
UCS Co., Ltd.
Japan Commercial Establishment Co., Ltd.
REALIT Co., Ltd.
Pan Pacific Shared Services Co., Ltd.
(formerly Don Quijote Shared Services Co., Ltd.)
Pan Pacific Retail Management (Singapore) Pte. Ltd.
(formerly Pan Pacific International Holdings Pte. Ltd.)
Don Quijote (USA) Co., Ltd.
MARUKAI CORPORATION
QSI, Inc.
And 58 other companies

During the fiscal year ended June 30, 2019, the Company newly included UNY Co., Ltd. and its eight consolidated subsidiaries in the scope of consolidation as a result of the Company acquiring all outstanding shares of UNY Co., Ltd., which used to be an affiliate accounted for under the equity method. In addition, during the fiscal year ended June 30, 2019, the following companies were included in the scope of consolidation: Five companies due to new establishment, two companies due to share acquisition, and five companies due to increase in materiality. Further, one company was excluded from the scope of consolidation due to its liquidation during the fiscal year ended June 30, 2019.

(2) Names, etc., of major non-consolidated subsidiaries

Twelve non-consolidated subsidiaries are excluded from the scope of consolidation due to the scale of their business, and total assets, net sales, profit or loss (amount corresponding to equity), and retained earnings (amount corresponding to equity) not having a material effect on the consolidated financial statements.

2. Application of the equity method

(1) Number of affiliates accounted for under the equity method 2

Names of affiliates accounted for under the equity method

Accretive Co., Ltd.
Kanemi Co., Ltd.

During the fiscal year ended June 30, 2019, the Company acquired 26.6% of outstanding shares of Kanemi Co., Ltd. and newly included it in the scope of application of the equity method. UNY Co., Ltd. was excluded from the scope of application of the equity method since it became a consolidated subsidiary of the Company due to the acquisition of all outstanding shares.

(2) Non-consolidated subsidiaries and affiliates not accounted for under the equity method

Twelve non-consolidated subsidiaries and eight affiliates are not accounted for under the equity method because they are, individually or in aggregate, immaterial to the Group’s financial position and results of operation based on their profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity).

3. Fiscal year-ends of consolidated subsidiaries

Of the consolidated subsidiaries, Don Quijote (USA) Co., Ltd. and 13 other companies have fiscal year-ends that differ from the consolidated fiscal year-end, but the gap is less than three months so the financial statements of these subsidiaries are used in the preparation of the consolidated financial statements.

However, adjustments are made for the effects of significant transactions that occur during the gap between the fiscal year-ends of these subsidiaries and the consolidated fiscal year-end on June 30.

Of the consolidated subsidiaries, UNY Co., Ltd. and 15 other companies have fiscal year-ends that differ from the consolidated fiscal year-end by more than three months. Consequently, financial statements based on a provisional settlement of accounts on the consolidated closing date are used in the preparation of the consolidated financial statements.

Of the consolidated subsidiaries, Japan Asset Marketing Co., Ltd. and five other companies have fiscal year-ends that differ from the consolidated fiscal year-end. Consequently, financial statements based on a provisional settlement of accounts on the consolidated closing date are used in the preparation of the consolidated financial statements, as this would provide more appropriate management information.

4. Accounting policies
(1) Basis and method of valuation of significant assets
(a) Securities
Shares of subsidiaries and affiliates
Cost method by determining the cost using the moving-average method
Available-for-sale securities
Securities with quoted market prices
Fair value based on the market prices at the fiscal year-end (The amounts of unrealized gains or losses from such securities, after accounting for tax effects, are presented in net assets. Costs of securities sold are calculated using the moving-average method.)
Securities without quoted market prices
Cost method by determining the cost using the moving-average method

(b) Derivatives
Fair value method

(c) Inventories
Cost method by determining the cost using the retail method (The amounts on the consolidated balance sheets are calculated using a method of writing down the book value due to decline in profitability.)
For fresh food, cost method by determining the cost using the last purchased price method

(2) Depreciation method for significant depreciable assets
(a) Property, plant and equipment (excluding lease assets)
The declining-balance method is used for calculation of depreciation.
However, the Company and domestic consolidated subsidiaries use the straight-line method for buildings (excluding fixtures) acquired on or after April 1, 1998 and fixtures and structures acquired on or after April 1, 2016.
UNY Co., Ltd. and eight other consolidated companies and foreign consolidated subsidiaries use the straight-line method.
The useful life and residual value are determined in accordance with the Corporation Tax Act of Japan.

(b) Intangible assets (excluding lease assets)
Straight-line method
Software for internal use is amortized using the straight-line method over an estimated internal useful life of five years.

(c) Lease assets
Lease assets are depreciated using the straight-line method over the lease term with no residual value.

(d) Long-term prepaid expenses
Straight-line method

(3) Accounting treatment for deferred assets
(a) Common stock issuance cost
Expense as incurred

(b) Bond issuance cost
Expense as incurred

(4) Basis for significant provision and allowance
(a) Allowance for doubtful accounts
Allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and the amount calculated using actual historical rate of losses and certain method based on actual historical rate of losses. For foreign consolidated subsidiaries, the estimated uncollectible amount is provided mainly with respect to certain receivables.

(b) Provision for point card certificates
Provision for point card certificates is provided for the use of points given to customers at the amount expected to be used. The amount is based on historical redemption experience and other.

(5) Accounting treatment for retirement benefits
(a) Allocation method of attributing expected benefits to period
In calculating retirement benefit obligations, the benefit formula method is used to allocate expected retirement payments to the period up to the current fiscal year-end.
(b) Treatment for actuarial differences and past service costs
Past service cost is amortized by the straight-line method over a period of 10 years which is shorter than the average remaining years of service of the eligible employees.
Actuarial differences are amortized commencing in the following years after the differences are recognized by the straight-line method over a period of 10 years which are shorter than the average remaining years of service of the eligible employees.
As of June 30, 2019, since the amount of pension assets exceeds the amount of retirement benefit obligations, the excess amount is recognized as retirement benefit asset and presented in the consolidated balance sheets under investments and other assets.

(6) Basis for foreign currency translation of significant assets and liabilities denominated in foreign currencies
All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the prevailing rates of exchange at the consolidated balance sheet date. Exchange gains or losses resulting from translation of assets and liabilities are recognized in income or expenses.
The assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the prevailing rates of exchange at the balance sheet date. Income and expense items are translated at the average exchange rate prevailing during the fiscal year. Exchange gains or losses resulting from translation of financial statements are recognized as foreign currency translation adjustment in net assets.

(7) Method and period of amortizing goodwill
Goodwill is mainly amortized using the straight-line method over 20 years.
Negative goodwill incurred by business combinations on or before March 31, 2010 is amortized using the straight-line method upon determining the amortization period based on the individually estimated period in which investment effects will be revealed.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows
Funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash in hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less from the time of purchase, which bear only low risks from fluctuations in value.

(9) Other significant matters for preparation of the consolidated financial statements
Japanese consumption taxes withheld and consumption tax paid are not included in the accompanying consolidated statements of profit and loss. Accrued consumption tax is included in other current liabilities.

(Accounting Standards Issued But Not Yet Applied)
- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview
Conducting a joint project to clarify the comprehensive principles for recognizing revenues, the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in the United States issued "Revenues from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. IFRS 15 shall be effective from a fiscal period beginning on or after January 1, 2018 and Topic 606 shall be effective from a fiscal period beginning on or after December 15, 2017. Under these circumstances, the ASBJ also developed a comprehensive accounting standard for revenue recognition and issued a new standard together with its implementation guidance.
As a basic policy for the development of the new standard, the ASBJ determined to adopt the core principles of IFRS 15 in order to enhance comparability of financial statements, which is one of the benefits of aligning with IFRS 15. In addition, for any practical issue to be considered in Japan, alternative treatment shall be added to the extent that comparability is not impaired.

(2) Scheduled date of application
The Company will apply the aforementioned standard and guidance from the beginning of the fiscal year ending June 30, 2022.

(3) Effect of application of the new accounting standard
The effect of application of the aforementioned standards on the Company's consolidated financial statements is currently under evaluation.

(Changes in Presentation)
(Consolidated Balance Sheets)
For the fiscal year ended June 30, 2019, the account "Deposits paid," which was previously included in "Other" under "Current assets," is shown as a separate line item since the amount became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2018.
As a result, the amount of ¥12,266 million presented as "Other" under "Current assets" was reclassified to ¥4,347 million of "Deposits paid" and ¥7,919 million of "Other" in the consolidated balance sheet for the fiscal year ended June 30, 2018.

For the fiscal year ended June 30, 2019, the accounts "Accounts payables–other" and "Deposits received," which were previously included in "Other" under "Current liabilities," are shown as separate line items since each of the amounts became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2018.
As a result, the amount of ¥26,235 million presented as "Other" under "Current liabilities" was reclassified to ¥16,590 million of "Accounts payables–other," ¥3,740 million of "Deposits received," and ¥5,905 million of "Other" in the consolidated balance sheet for the fiscal year ended June 30, 2018.

(Consolidated Statements of Cash Flows)
For the fiscal year ended June 30, 2019, the accounts "Decrease in accounts payables–other" and "Increase (decrease) in deposits received," which were previously included in "(Decrease) increase in other current liabilities" under "Cash flows from operating activities," are shown as separate line items since each of the amounts became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2018.
As a result, the amount of ¥(79) million presented as "(Decrease) increase in other current liabilities" under "Cash flows from operating activities" was reclassified to ¥(585) million of "Decrease in accounts payables–other," ¥1,015 million of "Increase (decrease) in deposits received," and ¥(509) million of "(Decrease) increase in other current liabilities" in the consolidated statement of cash flows for the fiscal year ended June 30, 2018.

(Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting")
The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended June 30, 2019. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities. Note to income taxes is also amended.
As a result, ¥7,512 million of "Deferred tax assets" under "Current assets" in the previously disclosed consolidated balance sheet as of June 30, 2018 is included in ¥15,389 million of "Deferred tax assets" under "Investments and other assets" in the consolidated balance sheet for the fiscal year ended June 30, 2018.

Total assets decreased by ¥279 million due to netting of deferred tax assets against deferred tax liabilities since they relate to income taxes levied by the same tax authority.

The Company added disclosures in the accompanying note to income taxes in accordance with Note 8 (except for total amount of valuation allowance) and Note 9 of "Accounting Standard for Tax Effect Accounting" as stipulated in Paragraph 3, 4, and 5 of ASBJ Statement No. 28.

However, the Company omitted the detailed disclosures for the fiscal year ended June 30, 2018 in accordance with the transitional treatment as stipulated in Paragraph 7 of ASBJ Statement No. 28.

(Notes to Consolidated Balance Sheets)

Note 1 The item relating to non-consolidated subsidiaries and affiliates is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Investment securities (stocks)	¥28,818	¥13,126	$122

Note 2 Assets pledged as collateral and liabilities corresponding to assets pledged as collateral

Assets pledged as collateral are as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Cash and deposits	¥1,480	¥ 605	$ 6
Merchandise and finished goods	1,559	415	4
Buildings and structures	1,131	1,508	14
Land	1,206	2,451	23
Lease and guarantee deposits	38	–	–
Investments and other assets "Other"	518	43	0
Total	¥5,932	¥5,022	$47

Liabilities corresponding to assets pledged as collateral are as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Current portion of long-term loan payables	¥ 69	¥ 41	$ 0
Long-term loan payables	343	320	3
Current liabilities "Other"	98	131	1
Non-current liabilities "Other"	–	1,434	14
Total	¥510	¥1,926	$18

Note 3 Guarantee obligations

The Company is liable for guarantees on debts of the following companies other than consolidated subsidiaries.

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
UCS Co., Ltd.	¥20,000	¥–	$–

Note 4 Retroactive obligations due to securitization of receivables

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Retroactive obligations due to securitization of receivables	¥–	¥3,750	$35

Note 5 For the fiscal years ended June 30, 2018 and 2019, the Company and consolidated subsidiaries have entered into bank overdraft agreements with 33 banks and 48 banks, respectively, to ensure the procurement of efficient funds as working capital. The balance of unused funds based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Total credit line for bank overdraft	¥38,000	¥49,600	$460
Bank loans arranged	–	–	–
Unused balance	¥38,000	¥49,600	$460

Note 6 Consolidated subsidiaries have entered into loan commitment agreements with two banks to ensure the procurement of efficient funds as working capital. The balance of unused funds based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Total amount of loan commitment	¥594	¥591	$5
Bank loans arranged	–	–	–
Unused balance	¥594	¥591	$5

Note 7 UCS Co., Ltd., a consolidated subsidiary of the Company, engages in the credit card cash advance service. The unused amount of credit lines given is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Total amount of credit lines given	¥ –	¥512,423	$4,754
Loan receivables from cash advances	–	8,792	82
Unused balance	¥594	¥ 591	$ 5

As the credit lines are mostly given to credit card holders of UCS Co., Ltd. for cash advances of credit cards, the amount of all unused balance is not always executed as loan receivables.

Note 8 As of June 30, 2018 and 2019, the Company signed syndicated loan agreements with 52 financial institutions totaling ¥37,500 million and 72 financial institutions totaling ¥87,500 million ($812 million), respectively. These agreements include financial covenants based on certain indices calculated from net assets on the consolidated balance sheets.

The balance of loan payables based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Balance of loan payables based on syndicated loan agreements	¥28,000	¥74,200	$688

Note 9 Payables under fluidity lease receivables at Japan Asset Marketing Co., Ltd., a consolidated subsidiary of the Company, are liabilities arising through the securitization of anticipated receivables to be booked by the company. The balance of payables under fluidity lease receivables is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Payables under fluidity lease receivables	¥ 7,262	¥ 7,304	$ 68
Long-term payables under fluidity lease receivables	12,104	4,703	44
Total	¥19,366	¥12,007	$112

(Notes to Consolidated Statements of Profit and Loss)

Note 1 The balance of inventories at the fiscal year-end shows the amount after writing down the book value due to decline in profitability. The following amount of loss on revaluation of inventories is included in cost of sales.

Millions of yen		Millions of U.S. dollars
Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
¥7,005	¥7,201	$67

Note 2 Of selling, general and administrative expenses, major items and their amounts are as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Employees' compensation and benefits	¥71,941	¥111,485	$1,034
Occupancy and rental	28,330	42,131	391
Commission	22,957	43,772	406
Depreciation and amortization	14,815	20,012	186
Provision for point card certificates	3,580	7,352	68
Amortization of goodwill	676	1,019	9
Retirement benefit costs	128	849	8

Note 3 The breakdown of gain on sales of non-current assets is as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Buildings and structures	¥ 5	¥ 443	$ 4
Land	140	1,699	16
Cost to sell	(53)	(59)	(1)
Other	1	2	0
Total	¥ 93	¥2,085	$19

Note 4 Compensation income for expropriation

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Compensation income related to the expropriation of stores of Don Quijote Co., Ltd., a consolidated subsidiary of the Company

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

Compensation income related to the expropriation of parking lots of Nagasakiya Co., Ltd., a consolidated subsidiary of the Company

Note 5 Impairment loss

The Group reported impairment loss on the following asset groups:

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Location	Use	Category	Impairment loss (Millions of yen)
Kanto	Store facilities	Buildings and structures	¥ 699
Kinki	Store facilities	Buildings and structures	221
Kyushu	Store facilities	Buildings and structures	41
Overseas	Store facilities	Buildings and structures	46
Total			¥1,007

The Group categorizes assets based on individual stores and operating divisions as basic units. For rental properties and idle assets, each property is regarded as a minimum cash-generating unit.

In the fiscal year ended June 30, 2018, the Group reduced the book value of assets to their recoverable amounts for stores whose profitability declined or stores that continuously generated losses from their operating activities. The amounts of these reductions were recorded as impairment loss (¥1,007 million for buildings and structures). The recoverable amounts of these asset groups are determined to be the higher of their net selling value or value in use. The net selling value is based on the appraisal value by a real estate appraiser, whereas the value in use is calculated by discounting the estimated future cash flows by 3.4%. If the value in use based on estimated future cash flows is negative, the Group recognizes the recoverable amounts as zero.

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

Location	Use	Category	Impairment loss (Millions of yen)	Impairment loss (Millions of U.S. dollars)
Kanto	Store facilities	Buildings and structures, Land, Tools, furniture and fixtures, and Other	¥ 7,861	$73
Chubu	Store facilities	Buildings and structures, and Tools, furniture and fixtures	780	7
Kinki	Store facilities	Buildings and structures, Land, and Tools, furniture and fixtures	1,552	15
Overseas	Store facilities	Buildings and structures, and Tools, furniture and fixtures	112	1
Total			¥10,305	$96

The Group categorizes assets based on individual stores and operating divisions as basic units. For rental properties and idle assets, each property is regarded as a minimum cash-generating unit.

In the fiscal year ended June 30, 2019, the Group reduced the book value of assets to their recoverable amounts for stores whose profitability declined or stores that continuously generated losses from their operating activities. The amounts of these reductions were recorded as impairment loss (¥5,975 million ($55 million) for buildings and structures, ¥3,004 million ($28 million) for land, ¥1,325 million ($12 million) for tools, furniture and fixtures, and ¥1 million ($0 million) for other). The recoverable amounts of these asset groups are determined to be the higher of their net selling value or value in use. The net selling value is based on the appraisal value by a real estate appraiser, whereas the value in use is calculated by discounting the estimated future cash flows by 3.5%. If the value in use based on estimated future cash flows is negative, the Group recognizes the recoverable amounts as zero.

Note 6 The breakdown of loss on retirement of non-current assets is as follows:

	Fiscal year ended June 30, 2018 (Millions of yen)	Fiscal year ended June 30, 2019 (Millions of yen)	Fiscal year ended June 30, 2019 (Millions of U.S. dollars)
Buildings and structures	¥ 45	¥ 73	$1
Furniture and fixtures	58	231	2
Removal expenses	58	63	1
Other	11	142	1
Total	¥172	¥509	$5

Note 7 The breakdown of loss on closing of stores is as follows:

	Fiscal year ended June 30, 2018 (Millions of yen)	Fiscal year ended June 30, 2019 (Millions of yen)	Fiscal year ended June 30, 2019 (Millions of U.S. dollars)
Buildings and structures	¥ 79	¥1,198	$11
Furniture and fixtures	69	49	0
Removal expenses	31	271	3
Other	10	180	2
Total	¥189	¥1,698	$16

(Notes to Consolidated Statements of Comprehensive Income)

Note 1 The reclassification adjustments and tax effects allocated to each component of other comprehensive income is as follows:

	Fiscal year ended June 30, 2018 (Millions of yen)	Fiscal year ended June 30, 2019 (Millions of yen)	Fiscal year ended June 30, 2019 (Millions of U.S. dollars)
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥ (123)	¥ (70)	$ (1)
Reclassification adjustment to profit (loss)	–	(25)	(0)
Amount before tax effect	(123)	(95)	(1)
Tax effect	37	29	0
Valuation difference on available-for-sale securities	(86)	(66)	(1)
Foreign currency translation adjustment:			
Amount arising during the fiscal year	(1,663)	1,743	16
Reclassification adjustment to profit (loss)	–	–	–
Amount before tax effect	(1,663)	1,743	16
Tax effect	–	–	–
Foreign currency translation adjustment	(1,663)	1,743	16
Retirement benefit adjustment:			
Amount arising during the fiscal year	–	(685)	(6)
Reclassification adjustment to profit (loss)	–	–	–
Amount before tax effect	–	(685)	(6)
Tax effect	–	208	2
Retirement benefit adjustment	–	(477)	(4)
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the fiscal year	3	(5)	(0)
Total other comprehensive income	¥(1,746)	¥1,195	$11

(Notes to Consolidated Statements of Changes in Net Assets)

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

1. Matters regarding class and total number of outstanding shares, and class and number of treasury shares

Thousands of shares

	Number of shares as of July 1, 2017	Increase	Decrease	Number of shares as of June 30, 2018
Outstanding shares				
Common stock (Note)	158,179	14	–	158,193
Total	158,179	14	–	158,193
Treasury shares				
Common stock	5	–	–	5
Total	5	–	–	5

(Note) The increase of 14 thousand shares of common stock issued and outstanding is due to the exercise of stock options.

2. Matters regarding share acquisition rights and treasury share acquisition rights

Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares subject to share acquisition rights (Shares): Number of shares as of July 1, 2017	Increase	Decrease	Number of shares as of June 30, 2018	As of June 30, 2018 (Millions of yen)
The Company	Share-based compensation stock options	–	–	–	–	–	¥327
The Company	Paid-in stock options (Note)	–	–	–	–	–	18
Total		–	–	–	–	–	¥345

(Note) The exercise period of share acquisition rights under paid-in stock options has not yet commenced.

3. Matters regarding dividends

(1) Dividend payment

Resolution	Class of stock	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 28, 2016	Common stock	¥3,322	¥21.0	June 30, 2017	September 28, 2017
Board of Directors' meeting held on February 6, 2017	Common stock	791	5.0	December 31, 2017	March 23, 2018

(2) Dividends with a record date during the fiscal year ended June 30, 2018, but with an effective date subsequent to the fiscal year ended June 30, 2018

			Millions of yen	Yen		
Resolution	Class of stock	Source	Total amount of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 26, 2018	Common stock	Retained earnings	¥4,271	¥27.0	June 30, 2018	September 27, 2018

4. Significant changes in net assets

Not applicable

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

1. Matters regarding class and total number of outstanding shares, and class and number of treasury shares

Thousands of shares

	Number of shares as of July 1, 2018	Increase	Decrease	Number of shares as of June 30, 2019
Outstanding shares				
Common stock (Note 1)	158,193	129	–	158,322
Total	158,193	129	–	158,322
Treasury shares				
Common stock (Note 2)	5	0	–	5
Total	5	0	–	5

(Note 1) The increase of 129 thousand shares of common stock issued and outstanding is due to the exercise of stock options.
(Note 2) The increase of 0 thousand shares of common stock in treasury is due to purchase of odd-lot shares.

2. Matters regarding share acquisition rights and treasury share acquisition rights

			Shares				Millions of yen	Millions of U.S. dollars
			Number of shares subject to share acquisition rights					
Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares as of July 1, 2018	Increase	Decrease	Number of shares as of June 30, 2019	As of June 30, 2019	
The Company	Share-based compensation stock options	–	–	–	–	–	¥709	$7
The Company	Paid-in stock options (Note)	–	–	–	–	–	15	0
Total		–	–	–	–	–	¥724	$7

3. Matters regarding dividends

(1) Dividend payment

		Millions of yen	Millions of U.S. dollars	Yen	U.S. dollars		
Resolution	Class of stock	Total amount of dividends		Dividends per share		Record date	Effective date
Ordinary General Meeting of Shareholders held on September 26, 2018	Common stock	¥4,271	$39	¥27.0	$0.25	June 30, 2018	September 27, 2018
Board of Directors' meeting held on February 5, 2019	Common stock	1,583	15	10.0	0.09	December 31, 2018	March 25, 2019

(Note) Dividends resolved at the Board of Directors' meeting held on February 5, 2019 include ¥5 per share of commemorative dividend for the 30-year anniversary of the Group's first store opening.

(2) Dividends with a record date during the fiscal year ended June 30, 2019, but with an effective date subsequent to the fiscal year ended June 30, 2019

			Millions of yen	Millions of U.S. dollars	Yen	U.S. dollars		
Resolution	Class of stock	Source	Total amount of dividends		Dividends per share		Record date	Effective date
Ordinary General Meeting of Shareholders held on September 25, 2019	Common stock	Retained earnings	¥4,750	$44	¥30.0	$0.28	June 30, 2019	September 26, 2019

4. Significant changes in net assets

For the fiscal year ended June 30, 2019, capital surplus decreased ¥5,536 million ($51 million) as the Company acquired additional shares of REALIT Co., Ltd., a consolidated subsidiary of the Company, and another company.

(Notes to Consolidated Statements of Cash Flows)

Note 1 The relationship between the fiscal year-end balances of cash and cash equivalents and the amounts of accounts on the consolidated balance sheets is as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Cash and deposits	¥71,973	¥172,673	$1,602
Cash equivalents included in deposits paid	3,960	12,513	116
Pledged time deposits	(50)	(50)	(0)
Cash and cash equivalents	¥75,883	¥185,136	$1,718

Note 2 Breakdown of major assets and liabilities of a company which became a consolidated subsidiary due to acquisition of shares

For the fiscal year ended June 30, 2018

A breakdown of assets and liabilities at the beginning of consolidation of QSI, Inc. due to the acquisition of its shares, and the share acquisition price and net proceeds given for the acquisition are as follows:

	Millions of yen
Current assets	¥ 4,340
Non-current assets	3,189
Goodwill	13,794
Current liabilities	(3,717)
Non-current liabilities	(2,911)
Foreign currency translation adjustment	(328)
Acquisition cost of shares	14,367
Cash and cash equivalents	(913)
Payment for undertaking borrowings	2,829
Less: Payment for acquisition	¥16,283

For the fiscal year ended June 30, 2019

A breakdown of assets and liabilities at the beginning of consolidation of UNY Co., Ltd. and its consolidated subsidiaries due to the acquisition of its shares, and the share acquisition price and net proceeds given for the acquisition are as follows:

	Millions of yen	Millions of U.S. dollars
Current assets	¥234,802	$ 2,178
Non-current assets	335,890	3,116
Current liabilities	(214,084)	(1,986)
Non-current liabilities	(248,953)	(2,310)
Non-controlling interests	(19,800)	(184)
Gain on bargain purchase	(9,315)	(86)
Equity method value until acquisition	(29,116)	(270)
Gain on step acquisitions	(1,424)	(13)
Cost to acquire additional shares	48,000	445
Cash and cash equivalents of new consolidated subsidiaries	(42,577)	(395)
Less: Payment for acquisition	¥ 5,423	$ 50

(Lease Transactions)

(As a lessee)

1. Finance lease transactions

Finance leases that do not transfer ownership

(a) Description of lease assets

Mainly store equipment and office equipment

(b) Depreciation method for lease assets

Stated in "4. Accounting policies, (2) Depreciation method for significant depreciable assets" in Significant Matters for the Preparation of Consolidated Financial Statements

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Due within one year	¥ 5,124	¥ 8,034	$ 75
Due after one year	23,225	37,772	350
Total	¥28,349	¥45,806	$425

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

The Group's basic policy for management of surplus funds is to give priority to low risk financial assets, investing only in short-term financial instruments. For fund procurement, the Group raises funds mainly through bank loans. The Group uses derivative instruments to minimize exposure to fluctuations in foreign currency exchange and interest rates.

(2) Financial instruments, associated risks, and risk management systems

Notes and accounts receivables–trade are mainly due from credit companies. They are exposed to credit risk, although the Group believes that the credit risk related to these credit companies is minimal. For operating receivables other than those due from credit companies, the Group monitors due dates and outstanding balances, respectively.

Accounts receivables–installment and operating loans are exposed to credit risk arising from customer default. The Group manages such risk by establishing the credit management system including credit approvals, credit limit setting, and credit information monitoring.

Securities are exposed mostly to market fluctuation risk, credit risk, and liquidity risk. The Group manages and controls exposures to the risks within acceptable limits in accordance with its internal rules for managing securities. Significant transactions of securities require prior consultation with the Investment Committee and approval of the Board of Directors.

Long-term loan payables, bond payables, and payables under fluidity lease receivables provide funds primarily for capital investment and for working capital. For some long-term loan payables, derivatives (interest rate swaps) are utilized for individual contracts to avoid interest rate risk and fix interest rates. Some long-term loan payables denominated in foreign currencies are exposed to foreign exchange risk. In order to avoid any losses arising from the fluctuation of foreign currencies, derivatives (interest rate currency swaps) are utilized for individual contracts as hedging instruments.

The Group manages derivative transactions in accordance with policies and procedures for the risk management of derivative transactions. Significant transactions of derivative instruments require prior consultation with the Investment Committee and approval of the Board of Directors. The Group believes that the credit risk is limited since the only counterparties to such derivative transactions are financial institutions with a high credit rating.

Trade payables and loans are exposed to liquidity risk. The Group manages liquidity risk through such measures as monthly planning of cash flows.

Lease and guarantee deposits are mainly related to leasing properties for stores. They are exposed to the credit risk of lessors. The Group performs credit checks before lease agreements and monitors creditworthiness of their counterparts regularly to limit the credit risk.

(3) Supplementary information on fair value of financial instruments

The fair values of financial instruments are measured by quoted market prices if available. If a quoted market price is not available, fair value is estimated by using a reasonable valuation technique. Since the valuation techniques incorporate various assumptions, fair value estimates may change depending on the different assumptions.

The contract amounts stated in matters regarding fair values in note "Derivatives" indicate the nominal amounts of contracts or notional amounts for calculation purposes. Such amounts do not indicate the extent of market risk exposure of derivative transactions.

2. Fair value of financial instruments

Carrying amounts on the consolidated balance sheets, fair values, and respective differences are presented below. Note that the following tables do not include financial instruments for which fair values are extremely difficult to determine. (Please refer to Note 2 below.)

As of June 30, 2018

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 71,973	¥ 71,973	¥ –
(2) Notes and accounts receivables–trade	12,848	–	
Allowance for doubtful accounts(*1)	(4)	–	
	12,844	12,844	–
(6) Investment securities			
(i) Available-for-sale securities	2,720	2,720	–
(ii) Investments in securities and capital to subsidiaries and affiliates	3,733	3,138	(595)
(7) Long-term loan receivables	95,471	–	–
Allowance for doubtful accounts(*2)	(5)	–	–
	95,466	95,466	(0)
(8) Lease and guarantee deposits	13,451	14,520	1,069
Total assets	200,187	200,661	474
(1) Accounts payables–trade	93,030	93,030	–
(2) Short-term loan payables	–	–	–
(3) Current portion of long-term loan payables	17,788	17,791	3
(4) Current portion of bonds	3,616	3,612	(4)
(5) Payables under fluidity lease receivables	7,262	7,274	12
(7) Accrued expenses	13,242	13,242	–
(9) Income taxes payables	8,821	8,821	–
(10) Bond payables	91,274	89,353	(1,921)
(11) Long-term loan payables	200,668	201,453	785
(12) Long-term payables under fluidity lease receivables	12,104	12,181	77
Total liabilities	447,805	446,757	(1,048)
Derivative transactions(*3)	[546]	[546]	–

(*1) Not including allowance for doubtful accounts booked separately under notes and accounts receivables–trade.
(*2) Not including allowance for doubtful accounts booked separately under long-term loan receivables.
(*3) Net credit (obligation) arising from derivative transactions is shown as a net amount. If the total is a net obligation, the figures are shown within brackets.

As of June 30, 2019

	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥172,673	¥172,673	¥ –	$1,602	$1,602	$ –
(2) Notes and accounts receivables–trade	18,744		–	174		
Allowance for doubtful accounts(*1)	(52)		–	(1)		
	18,692	18,692	–	173	173	–
(3) Accounts receivables–installment	67,417			625		
Allowance for doubtful accounts(*2)	(519)			(5)		
Deferred installment income	(105)			(1)		
	66,793	71,832	5,039	619	666	47
(4) Operating loans	8,966			83		
Allowance for doubtful accounts(*3)	(146)			(1)		
	8,820	10,533	1,713	82	98	16
(5) Deposits paid	12,986	12,986	–	120	120	–
(6) Investment securities						
(i) Available-for-sale securities	2,663	2,663	–	25	25	–
(ii) Investments in securities and capital to subsidiaries and affiliates	7,922	8,120	198	73	75	2
(7) Long-term loan receivables	2,581			24		
Allowance for doubtful accounts(*4)	(0)			(0)		
	2,581	2,581	–	24	24	–
(8) Lease and guarantee deposits	22,259	23,708	1,449	207	220	13
Total assets	315,389	323,788	8,399	2,925	3,003	78
(1) Notes and accounts payables–trade	159,064	159,064	–	1,476	1,476	–
(2) Short-term loan payables	123	123	(0)	1	1	(0)
(3) Current portion of long-term loan payables	19,721	19,713	(8)	183	183	(0)
(4) Current portion of bonds	22,816	22,753	(63)	212	211	(1)
(5) Payables under fluidity lease receivables	7,304	7,308	4	68	68	0
(6) Accounts payables–other	49,580	49,580	–	460	460	–
(7) Accrued expenses	22,684	22,684	–	210	210	–
(8) Deposits received	19,407	19,407	–	180	180	–
(9) Income taxes payables	9,841	9,841	–	91	91	–
(10) Bond payables	238,458	236,519	(1,939)	2,212	2,194	(18)
(11) Long-term loan payables	256,777	256,157	(620)	2,382	2,377	(5)
(12) Long-term payables under fluidity lease receivables	4,703	4,734	31	44	44	0
Total liabilities	810,478	807,883	(2,595)	7,519	7,495	(24)
Derivative transactions(*5)	[835]	[835]	–	[8]	[8]	–

(*1) Not including allowance for doubtful accounts booked separately under notes and accounts receivables–trade.
(*2) Not including allowance for doubtful accounts booked separately under accounts receivables–installment.
(*3) Not including allowance for doubtful accounts booked separately under operating loans.
(*4) Not including allowance for doubtful accounts booked separately under long-term loan receivables.
(*5) Net credit (obligation) arising from derivative transactions is shown as a net amount. If the total is a net obligation, the figures are shown within brackets.

Notes:

1. Method to measure fair value of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivables–trade, and (5) Deposits paid

These are stated at book value, since the book values approximate fair value due to the short-term nature of these instruments.

(3) Accounts receivables–installment and (4) Operating loans

The fair values are stated at their present values, calculated by discounting estimated future cash flows of collectible principles and interests using market rates adjusted by costs to collect receivables and loans.

Doubtful receivables and loans are stated at the book values after deducting allowance, since such amounts are assumed to approximate fair value.

(6) Investment securities

For stocks, the fair values are the quoted market prices. For bonds, the fair values are the quoted market prices or the prices obtained from financial institutions. For stocks of affiliates with quoted market prices, the carrying amounts on the consolidated balance sheets are the amounts after application of the equity method. Refer to "Securities" for further information.

(7) Long-term loan receivables

The fair values are calculated by discounting total principal and interest by the interest rate that would be applied to similar new loans.

(8) Lease and guarantee deposits

The fair values of lease and guarantee deposits are stated at their present value, calculated by discounting the future cash flows using the interest rate based on the risk-free rate, such as the yields on government bonds, plus credit risk premium.

Liabilities

(1) Notes and accounts payables–trade, (6) Accounts payables–other, (7) Accrued expenses, (8) Deposits received, and (9) Income taxes payables

These are stated at book value, since the book values approximate fair value due to the short-term nature of these instruments.

(2) Short-term loan payables, (3) Current portion of long-term loan payables, (4) Current portion of bonds, (5) Payables under fluidity lease receivables, (10) Bond payables, (11) Long-term loan payables, and (12) Long-term payables under fluidity lease receivables

The fair values are calculated by discounting the total principals and interest payment as well as the redemption total by the interest rate that would be applied to similar new fund procurement.

Derivative transactions

Please refer to "Derivatives."

2. Financial instruments for which fair values are extremely difficult to determine

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Securities and investment securities	¥ 68	¥ 892	$ 8
Investments in securities and capital to subsidiaries and affiliates	25,085	5,204	48
Long-term loan receivables	344	381	4
Allowance for doubtful accounts(*1)	(163)	(161)	(2)
	181	220	2
Lease and guarantee deposits	33,043	58,184	540
Allowance for doubtful accounts(*2)	(1,458)	(2,078)	(19)
	31,585	56,106	521

(*1) Not including allowance for doubtful accounts booked separately under long-term loan receivables.

(*2) Not including allowance for doubtful accounts booked separately under lease and guarantee deposits.

The figures above are not included in "investment securities," "long-term loan receivables," or "lease and guarantee deposits" because these financial instruments do not have quoted market prices and thus it is not possible to estimate future cash flows to determine their fair values.

3. Maturity analysis for monetary claims and securities with contractual maturities

As of June 30, 2018

Millions of yen

	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash and deposits	¥71,973	¥ –	¥ –	¥ –
Notes and accounts receivables–trade	12,848	–	–	–
Long-term loan receivables	–	22,429	12	73,030
Lease and guarantee deposits	1,236	3,954	3,809	4,452
Total	¥86,057	¥26,383	¥3,821	¥77,482

As of June 30, 2019

Millions of yen

	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash and deposits	¥172,673	¥ –	¥ –	¥ –
Notes and accounts receivables–trade	18,744	–	–	–
Accounts receivables–installment	51,933	11,500	2,076	–
Operating loans	4,788	4,105	73	–
Deposits paid	12,986	–	–	–
Long-term loan receivables	–	2,581	–	–
Lease and guarantee deposits	3,123	7,495	6,278	5,363
Total	¥264,247	¥25,681	¥8,427	¥5,363

Millions of U.S. dollars

	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash and deposits	$1,602	$ –	$ –	$ –
Notes and accounts receivables–trade	174	–	–	–
Accounts receivables–installment	482	107	19	–
Operating loans	44	38	1	–
Deposits paid	120	–	–	–
Long-term loan receivables	–	24	–	–
Lease and guarantee deposits	29	69	58	50
Total	$2,451	$238	$78	$50

(Note) The tables above do not include the amounts of accounts receivables–installment and operating loans whose collections on maturity dates cannot be assumed.

4. Redemption schedule for bonds and long-term loan payables

As of June 30, 2018

Millions of yen

	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Bond payables	¥ 3,616	¥22,916	¥11,916	¥12,566	¥11,421	¥ 32,455
Long-term loan payables	17,788	17,917	10,732	40,212	12,419	119,388
Total	¥21,404	¥40,833	¥22,648	¥52,778	¥23,840	¥151,843

As of June 30, 2019

Millions of yen

	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term loan payables	¥ 123	¥ –	¥ –	¥ –	¥ –	¥ –
Bond payables	22,816	12,016	22,566	11,421	10,830	181,625
Long-term loan payables	19,721	12,534	28,411	19,131	25,031	171,670
Total	¥42,660	¥24,550	¥50,977	¥30,552	¥35,861	¥353,295

Millions of U.S. dollars

	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term loan payables	$ 1	$ –	$ –	$ –	$ –	$ –
Bond payables	212	112	209	106	101	1,685
Long-term loan payables	183	116	264	177	232	1,593
Total	$396	$228	$473	$283	$333	$3,278

(Securities)

1. Available-for-sale securities

As of June 30, 2018

Millions of yen

	Type	Carrying amount	Acquisition cost	Difference
Carrying amount exceeds acquisition cost	(1) Equity securities	¥2,587	¥2,285	¥302
	(2) Debt securities			
	(i) JGBs/muni bonds	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	107	50	57
	Subtotal	2,694	2,335	359
Carrying amount does not exceed acquisition cost	(1) Equity securities	0	0	(0)
	(2) Debt securities			
	(i) JGBs/muni bonds	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	26	28	(2)
	Subtotal	26	28	(2)
Total		¥2,720	¥2,363	¥357

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥68 million) and other items (carrying amount on the consolidated balance sheet: ¥0 million) are not included in the above table, since they do not have quoted market prices and thus it is extremely difficult to determine their fair values.

As of June 30, 2019

		Millions of yen			Millions of U.S. dollars		
	Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Carrying amount exceeds acquisition cost	(1) Equity securities	¥2,478	¥2,285	¥193	$23	$21	$2
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	150	78	72	2	2	0
	Subtotal	2,628	2,363	265	25	23	2
Carrying amount does not exceed acquisition cost	(1) Equity securities	35	38	(3)	0	0	(0)
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	Subtotal	35	38	(3)	0	0	(0)
Total		¥2,663	¥2,401	¥262	$25	$23	$2

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥892 million ($8 million)) and other items (carrying amount on the consolidated balance sheet: ¥0 million ($0 million)) are not included in the above table, since they do not have quoted market prices and thus it is extremely difficult to determine their fair values.

2. Sales amounts and gains (losses) on sales of available-for-sale securities

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Millions of yen

Type	Proceeds from sales	Gains on sales	Losses on sales
(1) Equity securities	¥64	¥63	¥–
(2) Debt securities			
(i) JGBs/muni bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	¥64	¥63	¥–

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

	Millions of yen			Millions of U.S. dollars		
Type	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
(1) Equity securities	¥138	¥25	¥–	$1	$0	$–
(2) Debt securities						
(i) JGBs/muni bonds	–	–	–	–	–	–
(ii) Corporate bonds	–	–	–	–	–	–
(iii) Other	–	–	–	–	–	–
(3) Other	–	–	–	–	–	–
Total	¥138	¥25	¥–	$1	$0	$–

3. Impaired securities
For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)
Not applicable

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)
Not applicable

(Derivatives)
1. Derivative transactions to which hedge accounting is not applied
(1) Currency related
As of June 30, 2018
Not applicable

As of June 30, 2019

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Foreign exchange forward contract Buy USD	¥1,635	¥–	¥(21)	¥(21)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Foreign exchange forward contract Buy USD	$15	$–	$(0)	$(0)

(Note) As to fair value measurement, the Company uses the price obtained from a financial institution or brokerage firm that is a counterparty to the transaction.

(2) Interest rate related
As of June 30, 2018

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable/ Pay fixed	¥68,996	¥65,161	¥(529)	¥(529)

As of June 30, 2019

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable/ Pay fixed	¥65,161	¥58,150	¥(661)	¥(661)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable/ Pay fixed	$605	$539	$(6)	$(6)

(Note) As to fair value measurement, the Company uses the price obtained from a financial institution or brokerage firm that is a counterparty to the transaction.

(3) Interest rate and currency related
As of June 30, 2018

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency swaps Receive variable/ Pay fixed Pay JPY Receive USD	¥9,193	¥9,193	¥(17)	¥(17)

As of June 30, 2019

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency swaps Receive variable/ Pay fixed Pay JPY Receive USD	¥9,193	¥9,193	¥(153)	¥(153)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency swaps Receive variable/ Pay fixed Pay JPY Receive USD	$85	$85	$(2)	$(2)

(Note) As to fair value measurement, the Company uses the price obtained from a financial institution or brokerage firm that is a counterparty to the transaction.

(Retirement Benefits)
1. Overview of retirement benefit plans
The Company and some of its consolidated subsidiaries maintain defined contribution pension plans. UNY Co., Ltd., which became a wholly owned subsidiary of the Company on January 4, 2019 due to the Company's additional 60% share acquisition, and its two consolidated subsidiaries maintain funded defined benefit plan. The defined benefit plan is the contract-type defined benefit corporate pension plan. The disclosure for the fiscal year ended June 30, 2018 is omitted since the Company had not adopted the defined benefit plan.

2. Defined benefit plans
(1) Reconciliation between the beginning balance and ending balance of retirement benefit obligations

	Millions of yen Fiscal year ended June 30, 2019	Millions of U.S. dollars Fiscal year ended June 30, 2019
Amount increased due to new consolidation	¥63,742	$592
Past service costs	990	9
Interest costs	159	2
Increase/decrease in actuarial differences	580	5
Retirement benefit payments	(3,099)	(29)
Ending balance of retirement benefit obligations	¥62,372	$579

(2) Reconciliation between the beginning balance and ending balance of pension assets

	Millions of yen Fiscal year ended June 30, 2019	Millions of U.S. dollars Fiscal year ended June 30, 2019
Amount increased due to new consolidation	¥70,070	$650
Expected return on assets	532	5
Increase/decrease in actuarial differences	(106)	(1)
Employer's contributions	1,339	13
Retirement benefit payments	(3,099)	(29)
Ending balance of pension assets	¥68,734	$638

(3) Reconciliation between (i) the ending balance of retirement benefit obligations and pension assets and (ii) retirement benefit asset and retirement benefit liability on the consolidated balance sheet

	Millions of yen Fiscal year ended June 30, 2019	Millions of U.S. dollars Fiscal year ended June 30, 2019
Retirement benefit obligations (Funded plan)	¥ 62,372	$ 579
Pension assets	(68,734)	(638)
Retirement benefit asset	(6,362)	(59)
Net of retirement benefit asset and retirement benefit liability on the consolidated balance sheet	¥ (6,362)	$ (59)

(4) Retirement benefit expenses and its breakdown

	Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Past service costs	¥ 990	$ 9
Interest costs	159	2
Expected return on assets	(532)	(5)
Retirement benefit expense on retirement benefit plan	¥ 617	$ 6

(5) Retirement benefit adjustment

The breakdown of retirement benefit adjustment (before tax effect) is as follows:

	Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Actuarial differences	¥(685)	$(6)
Total	¥(685)	$(6)

(6) Remeasurements of defined benefit plans

The breakdown of remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Unrecognized actuarial differences	¥(685)	$(6)
Total	¥(685)	$(6)

(7) Matters regarding pension assets

(a) The major breakdown of pension assets

The following summarizes the ratio of assets by major category to total pension assets.

	As of June 30, 2019
Bonds	73%
Stocks	11
Alternatives	15
Cash and deposits	1
Total	100%

(Note) The alternatives present multiple investments including hedge funds for the purposes of diversifying risks.

(b) Method to determine the long-term expected rate of return

The Company determines the long-term expected rate of return on pension assets by taking the current and future allocation of pension assets and the current and future long-term rate of return expected from various assets that compose the pension assets.

(8) Assumptions for actuarial calculation

Major assumptions for the actuarial calculation are as follows (weighted-average):

	As of June 30, 2019
Discount rate	0.2%
Long-term expected rate of return	1.5
Salary increase rate	3.1

3. Defined contribution plans

The Company and some of its consolidated subsidiaries maintain defined contribution plans. The necessary contributions to such plans were, in total, ¥128 million for the fiscal year ended June 30, 2018 and ¥160 million ($1 million) for the fiscal year ended June 30, 2019.

(Stock Options)

1. Amount of expenses recorded and name of account in connection with stock options

		Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Selling, general and administrative expenses	¥247	¥382	$4

2. Amount recorded as income due to forfeitures resulting from the non-exercise of stock options

		Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Gain on reversal of share acquisition rights	¥0	¥0	$0

(Note) Gain on reversal of share acquisition rights is included in "Other" under "Extraordinary income" in the consolidated statements of profit and loss.

3. Details and number of stock options

(1) Details of stock options

	First Share-based Compensation Stock Options	Second Share-based Compensation Stock Options	First Paid-in Stock Options
Eligible grantees	3 directors	3 directors	1,633 persons including directors, audit & supervisory board members, and employees of the Company and its subsidiaries
Class and number of stock options (Note 1)	Common stock 2,600 shares	Common stock 2,500 shares	Common stock 969,700 shares
Grant date	June 26, 2015	December 28, 2015	September 23, 2016
Condition for vesting	None	None	(Note 3)
Required service period	None	None	None
Exercise period	From June 26, 2015 to June 25, 2045	From December 28, 2015 to December 27, 2045	From October 1, 2018 to September 30, 2026
Condition for exercise	(Note 2)	(Note 2)	(Note 3)

	Third Share-based Compensation Stock Options	Fourth Share-based Compensation Stock Options	Fifth Share-based Compensation Stock Options
Eligible grantees	3 directors	3 directors	3 directors
Class and number of stock options (Note 1)	Common stock 14,000 shares	Common stock 50,000 shares	Common stock 59,000 shares
Grant date	June 1, 2017	June 29, 2018	April 10, 2019
Condition for vesting	None	None	None
Required service period	None	None	None
Exercise period	From June 1, 2017 to May 31, 2047	From June 29, 2018 to June 28, 2048	From April 10, 2019 to April 9, 2049
Condition for exercise	(Note 2)	(Note 2)	(Note 2)

(Notes)

1. The number of stock options presents the number of shares to be issued. On July 1, 2015, the Company executed a 2-for-1 stock split. The number of shares for stock options reflects the effect of said stock split.
2. Conditions for exercise are as follows:
   (1) A share acquisition rights holder may exercise all of his/her share acquisition rights at once during the exercise period only within ten days from the day following the day he/she loses his/her position as a director of the Company.
   (2) In cases where a share acquisition rights holder deceases, an heir may exercise the share acquisition rights. In this case, notwithstanding (1) above, the heir may exercise the share acquisition rights all at once during the exercise period only within one year from the day following the day the rights are inherited.
3. Conditions for vesting and exercise are as follows:
   (1) A share acquisition rights holder may exercise his/her share acquisition rights, if and only when the amounts of net sales and operating income in the consolidated statements of profit and loss stated in the annual securities report, which had been submitted by the Company pursuant to the Financial Instruments and Exchange Act, satisfy all of the conditions stated in each of the items below:
      (a) Net sales exceed ¥820,000 million and operating income exceeds ¥45,000 million for the fiscal year ended June 30, 2017; and
      (b) Net sales exceed ¥880,000 million and operating income exceeds ¥48,000 million for the fiscal year ended June 30, 2018.
   However, in cases where a significant event, such as the major acquisition of a business, which has a significant impact on net sales and operating income on a consolidated basis, occurs during the aforementioned period (July 2016 to June 2018) and the Board of Directors of the Company determines that it is not appropriate to use the actual results stated in the annual securities report, the Company may make adjustments to the actual results used for the conditions for vesting and exercise by reducing the impact of the event to the extent deemed reasonable.
   (2) The share acquisition rights holder must be a director, audit & supervisory board member, or employee of the Company or its subsidiaries and affiliates at the time the share acquisition rights are exercised. However, this condition shall not necessarily apply in the case of retirement due to the expiry of the term of office, compulsory retirement, or any other reason deemed valid by the Board of Directors.
   (3) An heir of the share acquisition rights holder is not allowed to exercise the share acquisition rights.
   (4) Share acquisition rights may not be exercised in the case where the total number of shares issued after the exercise of the share acquisition rights exceeds the authorized shares as of the date of exercise.
   (5) Acquisition rights of less than one unit may not be exercised.

(2) Number and changes in number of stock options

Stock options as of the beginning of the fiscal year ended June 30, 2019 are stated below. The number of stock options presents the number of shares to be issued.

(i) Number of stock options

Shares

	First Share-based Compensation Stock Options	Second Share-based Compensation Stock Options	First Paid-in Stock Options
Grant date	June 26, 2015	December 28, 2015	September 23, 2016
Before vesting			
Balance as of June 30, 2018	–	–	911,300
Granted	–	–	–
Forfeited	–	–	2,000
Vested	–	–	909,300
Balance as of June 30, 2019	–	–	–
After vesting			
Balance as of June 30, 2018	2,600	2,500	–
Vested	–	–	909,300
Exercised	–	–	128,600
Forfeited	–	–	4,100
Balance as of June 30, 2019	2,600	2,500	776,600

Shares

	Third Share-based Compensation Stock Options	Fourth Share-based Compensation Stock Options	Fifth Share-based Compensation Stock Options
Grant date	June 1, 2017	June 29, 2018	April 10, 2019
Before vesting			
Balance as of June 30, 2018	–	–	–
Granted	–	–	59,000
Forfeited	–	–	–
Vested	–	–	59,000
Balance as of June 30, 2019	–	–	–
After vesting			
Balance as of June 30, 2018	14,000	50,000	–
Vested	–	–	59,000
Exercised	–	–	–
Forfeited	–	–	–
Balance as of June 30, 2019	14,000	50,000	59,000

(Note) The number of stock options presents the number of shares to be issued. On July 1, 2015, the Company executed a 2-for-1 stock split. The number of shares for stock options reflects the effect of said stock split.

(ii) Stock option price information

	First Share-based Compensation Stock Options (Yen)	(U.S. dollars)	Second Share-based Compensation Stock Options (Yen)	(U.S. dollars)	First Paid-in Stock Options (Yen)	(U.S. dollars)
Grant date	June 26, 2015		December 28, 2015		September 23, 2016	
Exercise price	¥1	$0.01	¥1	$0.01	¥3,700	$34.33
Average stock price at time of exercise	–	–	–	–	6,922	64.22
Fair value at grant date	4,968	46.09	4,030	37.39	–	–

	Third Share-based Compensation Stock Options (Yen)	(U.S. dollars)	Fourth Share-based Compensation Stock Options (Yen)	(U.S. dollars)	Fifth Share-based Compensation Stock Options (Yen)	(U.S. dollars)
Grant date	June 1, 2017		June 29, 2018		April 10, 2019	
Exercise price	¥1	$0.01	¥1	$0.01	¥1	$0.01
Average stock price at time of exercise	–	–	–	–	–	–
Fair value at grant date	4,046	37.54	4,943	45.86	6,475	60.07

(Note) On July 1, 2015, the Company executed a 2-for-1 stock split. The exercise price for stock options reflects the effect of said stock split.

4. Methods used to estimate fair value of stock options

The methods used to estimate the fair value of stock options granted in the fiscal year ended June 30, 2019 are as follows:

Fifth Share-based Compensation Stock Options

(1) Valuation model Black-Scholes

(2) Basic assumption and estimation method

	Fifth Share-based Compensation Stock Options
Volatility (Note 1)	31.95%
Expected life of option grants (Note 2)	15 years
Expected dividend (Note 3)	¥32 ($0.30) per share
Risk-free interest rate (Note 4)	0.172%

(Notes)
1. The volatility is calculated based on historical price data for 15 years (from April 2004 to April 2019).
2. Due to the difficulty in making reliable estimates owing to insufficient historical data, the expected life of option grants was calculated based on the assumption that the rights were exercised in the middle of the exercise period.
3. Figures reflect annual dividends per share for the fiscal year ended June 30, 2018.
4. The risk-free interest rate is the yield on JGBs corresponding to the expected life of option grants.

5. Methods used to estimate number of stock options vested

In general, it is difficult to reasonably estimate the forfeited number of stock options for future periods; thus, only the number of actually forfeited stock options in the past is reflected.

(Additional information)

Application of the Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.

For the stock acquisition rights (share acquisition rights/stock option), which involve considerations, with vesting conditions granted to employees before the date of application of the “Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.” (Practical Issues Task Force (“PITF”) No. 36, January 12, 2018, hereinafter “PITF No. 36”), the Company continues to apply the previous accounting treatment in accordance with PITF No. 36, 10-(3).

1. Overview of the stock acquisition rights, which involve considerations, with vesting conditions

The disclosure is omitted since the same information is stated in “3. Details and number of stock options” above.

2. Overview of accounting treatment applied

(Accounting treatment before the vesting date)

(1) The amounts received from employees for the granted stock acquisition rights, which involve considerations, with vesting conditions are recognized as share acquisition rights under net assets.

(2) Of the amounts recognized as share acquisition rights, the amounts corresponding to the unvested and forfeited portion are recognized as income.

(Accounting treatment after the vesting date)

(3) When the stock acquisition rights, which involve considerations, with vesting conditions are exercised and new shares are issued, the amounts corresponding to the exercised portion, of the amounts recognized as share acquisition rights, are transferred to capital stock.

(4) When unvested and forfeited, of the amounts recognized as share acquisition rights, the amounts corresponding to the unvested and forfeited portion are recognized as income. This treatment is made for the fiscal period when the rights are forfeited.

(Income Taxes)

1. Significant components of deferred tax assets and deferred tax liabilities

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Deferred tax assets			
Accrued enterprise taxes not deductible for tax purposes	¥ 756	¥ 824	$ 8
Inventories	2,915	3,237	30
Bonus payable	448	1,862	17
Excess depreciation and amortization	3,573	25,068	232
Impairment loss	2,178	13,932	129
Loss on closing of stores	71	1,059	10
Net operating loss carryforward (Note 2)	7,663	7,649	71
Loss on valuation of investment securities not deductible for tax purposes	74	702	7
Long-term accounts payable	220	1,898	18
Excess allowance for doubtful accounts	605	1,472	14
Asset retirement obligations	1,243	4,267	40
Provision for point card certificates	692	1,713	16
Provision for loss on interest repayment	–	1,277	12
Valuation difference of consolidated subsidiaries	–	22,204	205
Other	1,373	3,882	36
Deferred tax assets subtotal	21,811	91,046	845
Valuation allowance for net operating loss carryforward (Note 2)	–	(4,671)	(43)
Valuation allowance for future deductible temporary differences	–	(53,015)	(492)
Valuation allowance subtotal (Note 1)	(4,943)	(57,686)	(535)
Deferred tax assets total	16,868	33,360	310
Deferred tax liabilities			
Valuation of assets and liabilities of subsidiaries at market value for the purpose of consolidation	(2,258)	(15,545)	(144)
Retirement benefit asset	–	(1,041)	(10)
Reserve for advanced depreciation of non-current assets	–	(2,007)	(19)
Valuation difference on available-for-sale securities	(112)	(292)	(3)
Other	(686)	(325)	(3)
Deferred tax liabilities total	(3,056)	(19,210)	(179)
Net deferred tax assets	¥13,812	¥ 14,150	$ 131

(Notes) 1. As of June 30, 2019, the valuation allowance increased significantly since UNY Co., Ltd. and its eight consolidated subsidiaries newly became consolidated subsidiaries of the Company due to the acquisition of additional shares of UNY Co., Ltd.
2. Amounts of net operating loss carryforward and its corresponding deferred tax assets by carryover period

As of June 30, 2019

Millions of yen

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Net operating loss carryforward (*1)	¥ 2,135	¥1345	¥ 749	¥ 605	¥ 201	¥ 2,614	¥ 7,649
Valuation allowance	(1,200)	(286)	(487)	(355)	(152)	(2,191)	(4,671)
Deferred tax assets	1,100	1,138	685	54	–	–	(*2) 2,978

Millions of U.S. dollars

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Net operating loss carryforward (*1)	$ 20	$12	$ 7	$ 6	$ 2	$ 24	$71
Valuation allowance	(11)	(3)	(5)	(3)	(1)	(20)	(43)
Deferred tax assets	10	11	6	1	–	–	(*2) 28

(*1) The amounts of net operating loss carryforward are calculated by using a statutory tax rate.
(*2) For the net operating loss carryforward of ¥7,649 million ($71 million), calculated by using a statutory tax rate, deferred tax assets of ¥2,978 million ($28 million) is recognized. The Company does not recognize valuation allowance for the net operating loss carryforward expected to offset the future taxable income.

2. Reconciliation of significant difference between statutory tax rate and effective tax rate

	As of June 30, 2018	As of June 30, 2019
Statutory tax rate	30.9 %	30.6 %
(Adjustments)		
Inhabitant tax per capita levy	1.2	1.1
Change in valuation allowance	(1.1)	(0.6)
Equity in earnings of affiliates	(2.5)	(2.7)
Gain on bargain purchase	–	(4.2)
Gain on step acquisitions	–	(0.6)
Amortization of goodwill and other consolidation adjustments	0.4	0.5
Tax deduction	(1.5)	(0.0)
Difference in tax rate from consolidated subsidiaries	4.2	1.8
Other	(0.5)	0.0
Effective income tax rate after tax-effect accounting	31.1	25.9

(Business Combination)

Business combination by acquisition

1. Overview of the business combination

(1) Name and description of business of the acquired company

Name of acquired company: UNY Co., Ltd. (hereinafter "UNY")

Business description: Chain general merchandise store handling food, clothing, shelter, and leisure

(2) Major reason for the business combination

UNY has long-supportive customers in the Chukyo area. Leveraging strong, trust-based relationship with such customers, the Company and UNY could work in unison and speedily create new stores with unique amusement elements, and thus the stores of both companies shall improve competitiveness in the market. Hence, the Company determined the acquisition of UNY could contribute to further improvement in the Company's corporate value.

(3) Date of the business combination

January 4, 2019 (the deemed acquisition date: January 1, 2019)

(4) Legal form of the business combination

Share acquisition in exchange for cash

(5) Name of entity after the business combination

There will be no change to the name.

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination 40%

Percentage of voting rights additionally acquired on the day of the business combination 60%

Percentage of voting rights held after the business combination 100%

(7) Major basis for determining the acquiring company

Acquisition of shares in exchange for cash

2. The period of operations of the acquired company included in the consolidated financial statements

From January 1, 2019 (the deemed acquisition date) to June 30, 2019

3. The breakdown of the acquisition cost and the type of consideration given to acquire the acquired company

	Millions of yen	Millions of U.S. dollars
Market value of UNY's shares on the date of business combination, which were held immediately before the additional acquisition	¥20,066	$186
Market value of UNY's shares additionally acquired on the date of the business combination	30,098	279
Acquisition cost	¥50,164	$465

4. The difference between the cost to acquire the acquired company and the total amount of costs of transactions resulted in acquisition

Gain on step acquisitions ¥1,424 million ($13 million)

5. The description and amount of major acquisition-related cost

Advisory fee, etc. ¥413 million ($4 million)

6. The amount of gain on bargain purchase and the reason for the gain on bargain purchase

(1) Amount of gain on bargain purchase

¥9,315 million ($86 million)

As of June 30, 2019, the acquisition cost has not yet been determined and the allocation of the acquisition cost has not yet been completed. Thus, the amount of gain on bargain purchase is calculated based on a temporary estimate.

(2) Reason for the gain on bargain purchase

Since the acquisition cost was less than the net amount allocated to assets obtained and liabilities assumed, the difference was recognized as gain on bargain purchase.

7. The amounts and breakdown of assets obtained and liabilities assumed on the date of the business combination

	Millions of yen	Millions of U.S. dollars
Current assets	¥234,802	$2,178
Non-current assets	335,890	3,116
Total assets	570,692	5,294
Current liabilities	214,084	1,986
Non-current liabilities	248,953	2,310
Total liabilities	¥463,037	$4,296

8. The approximate amounts and calculation method of the impact of the business combination on the consolidated statements of profit and loss for the fiscal year ended June 30, 2019, assuming that the acquisition was completed on the first day of the fiscal year ended June 30, 2019

	Millions of yen	Millions of U.S. dollars
Net sales	¥662,069	$6,142
Operating income	28,723	266
Ordinary income	26,406	245
Profit before income taxes	27,880	259
Profit attributable to owners of parent	19,568	182

	Yen	U.S. dollars
Profit per share	¥30.91	$0.29

(Calculation method)

The Company deems the approximate amounts of the impact are the amounts of net sales and other profit and loss under the assumption that the acquisition was completed on the first day of the fiscal year ended June 30, 2019. The amounts do not include gain on step acquisitions and gain on bargain purchase. In addition, the Company has executed a 4-for-1 stock split effective September 1, 2019; the calculation was made under the assumption that the stock split was executed on the first day of the fiscal year ended June 30, 2019.

This information is beyond the scope of the Company's independent auditor.

(Asset Retirement Obligations)

1. Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of asset retirement obligations

It relates to restoration obligations for land and buildings used for stores according to fixed-term leasehold for commercial use and fixed-term lease contracts for buildings.

(2) Calculation method for asset retirement obligations

Asset retirement obligations are calculated on the basis of estimated period of use of 1 to 58 years and discount rates of 0.00%–2.20%.

(3) Changes in asset retirement obligations

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2019
Beginning of the year	¥6,024	¥ 6,595	$ 61
Increase due to newly consolidated subsidiaires	–	16,283	152
Increase due to acquisition of property, plant and equipment	527	642	6
Increase due to change in estimate	–	506	5
Adjustments over time	79	148	1
Decrease due to settlement of asset retirement obligations	(35)	(167)	(2)
End of the year	¥6,595	¥24,007	$223

2. Change in estimate of asset retirement obligations

The Company obtained new information as to asset retirement obligations in connection with real estate leasing contracts of UNY's properties and changed its estimate as of June 30, 2019. The increase due to change in estimate, in the amount of ¥506 million ($5 million), was added to the amount of asset retirement obligations before the change.

3. Asset retirement obligations not recorded on the consolidated balance sheets

For real estate lease contracts other than fixed-term leasehold for commercial use and fixed-term lease contracts for buildings, the Company and its consolidated subsidiaries have restoration obligations when vacating premises, but it is impossible to reasonably estimate asset retirement obligations because the period of use of the leased properties related to such obligations is not clear, and there is no current plan to vacate the premises in the future. Therefore, the asset retirement obligations that correspond to these obligations are not recorded.

(Investment and Rental Property)

The Company and some of its consolidated subsidiaries own commercial properties and facilities (including land) for lease in Tokyo and other areas. For the fiscal year ended June 30, 2018, rental income related to such properties and facilities was ¥2,929 million and gain on sales was ¥50 million. (Rental income was recorded in net sales, significant rental expenses were recorded in cost of sales and selling, general and administrative expenses, and gain on sales was recorded in extraordinary income.) For the fiscal year ended June 30, 2019, rental income related to such properties and facilities was ¥4,789 million ($44 million). (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses.)

The carrying amounts on the consolidated balance sheets and the changes in and fair values of these assets for the fiscal years ended June 30, 2018 and 2019 are as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2019
Carrying amount			
Beginning of the year	¥58,166	¥ 78,245	$ 726
Net change	20,079	69,925	649
End of the year	78,245	148,170	1,375
Fair value	90,168	170,047	1,578

(Notes)
1. The carrying amount on the consolidated balance sheets is the acquisition cost minus accumulated depreciation and accumulated impairment loss.
2. Net change for the fiscal year ended June 30, 2018 consisted of major increases of ¥18,915 million from the acquisition of real estate and ¥1,650 million from a change in the proportion of leases, as well as a major decrease of ¥486 million from the sale of real estate. Net change for the fiscal year ended June 30, 2019 consisted of major increases of ¥59,883 million ($556 million) from new consolidation, ¥1,028 million ($10 million) from the acquisition of real estate, and ¥7,873 million ($73 million) from transfer to idle assets, and ¥1,141 million ($11 million) from a change in the proportion of leases.
3. Fair value is primarily an amount calculated by the Company based on Japanese Real Estate Appraisal Standards, including adjustments made using certain financial indicators.

(Segment Information)

Segment information

1. Overview of reportable segments

Reportable segments of the Company are components of the Company whose segregated financial information is available and that are under regular review by the Board of Directors for determining the allocation of management resources and assessment of financial results.

The Company consists of segments categorized by how goods and services are provided, and "Discount store business," "General merchandise store ("GMS") business," and "Rent business" are the Company's three reportable segments. The "Discount store business" includes stores such as "Don Quijote," large-scale convenience and discount stores; and "MEGA Don Quijote" and "MEGA Don Quijote UNY," general discount stores for families. The "GMS business" includes stores such as "APITA," general supermarkets, and "PIAGO," small-scale supermarkets. The "Rent business" recruits tenants of retail properties, and rents and manages such properties.

(Matters regarding changes in reportable segments)

On January 4, 2019, the Company acquired additional shares of UNY and made it a wholly owned subsidiary. Accordingly, the Company reviewed the classification of reportable segments from the fiscal year ended June 30, 2019, and changed from the previous two reportable segments: "Retail business" and "Tenant leasing business," to the three reportable segments: "Discount store business," "GMS business," and "Rent business."

In addition, Japan Asset Marketing Co., Ltd., previously included in the "Tenant leasing business," and REALIT Co., Ltd., previously included in "Other," are now included in the "Discount store business" since their business is incidental to the discount store business.

The segment information for the fiscal year ended June 30, 2018 is reclassified in accordance with the segment classification after the changes.

2. Method of calculating sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting procedures of reportable operating segments are as described in Significant Matters for the Preparation of Consolidated Financial Statements.

The total of profit in the reportable segments and other operating segments is operating income.

Intersegment sales are mainly based on quoted market prices.

3. Information on amounts of sales, profit or loss, assets, liabilities, and other items by reportable segment

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales								
Sales to third parties	¥923,042	¥–	¥17,420	¥940,462	¥ 1,046	¥941,508	¥ –	¥941,508
Intersegment sales and transfer	2,581	–	1,874	4,455	–	4,455	(4,455)	–
Total	925,623	–	19,294	944,917	1,046	945,963	(4,455)	941,508
Segment profit	51,508	–	2,768	54,276	(2,691)	51,585	(17)	51,568
Segment assets	600,270	–	58,622	658,892	71,986	730,878	75,900	806,778
Other items (Note 4)								
Depreciation and amortization	15,989	–	1,358	17,347	28	17,375	3	17,378
Increase in property, plant and equipment and intangible assets	50,778	–	3,746	54,524	145	54,669	28	54,697

(Notes)
1. "Other," which is not a reportable segment, includes administrative expenses for the management of the Company (holding company).
2. The ¥(17) million adjustment to segment profit is an intersegment elimination. The ¥75,900 million adjustment to segment assets includes surplus funds of ¥53,822 million of the Company, Don Quijote Co., Ltd., and Nagasakiya Co., Ltd., which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥22,078 million.
3. Segment profit is adjusted to operating income on the consolidated statements of profit and loss.
4. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales								
Sales to third parties	¥1,015,924	¥266,058	¥ 39,132	¥1,321,114	¥ 7,760	¥1,328,874	¥ –	¥1,328,874
Intersegment sales and transfer	3,567	551	1,762	5,880	3,153	9,033	(9,033)	–
Total	1,019,491	266,609	40,894	1,326,994	10,913	1,337,907	(9,033)	1,328,874
Segment profit (loss)	49,589	7,039	7,795	64,423	(1,240)	63,183	(73)	63,110
Segment assets	633,193	233,372	232,544	1,099,109	123,967	1,223,076	55,491	1,278,567
Other items (Note 4)								
Depreciation and amortization	18,186	2,390	3,095	23,671	32	23,703	19	23,722
Increase in property, plant and equipment and intangible assets	39,461	1,105	4,886	45,452	1,287	46,739	246	46,985

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales								
Sales to third parties	$9,425	$2,468	$ 363	$12,256	$ 72	$12,328	$ –	$12,328
Intersegment sales and transfer	33	5	16	55	29	84	(84)	–
Total	9,458	2,473	379	12,311	101	12,412	(84)	12,328
Segment profit (loss)	460	65	72	598	(12)	586	(1)	585
Segment assets	5,874	2,165	2,157	10,196	1,150	11,346	515	11,861
Other items (Note 4)								
Depreciation and amortization	169	22	29	220	0	220	0	220
Increase in property, plant and equipment and intangible assets	366	10	45	422	12	434	2	436

(Notes)
1. "Other," which is not a reportable segment, includes card business and administrative expenses for the management of the Company (holding company).
2. The ¥(73) million ($(1) million) adjustment to segment profit is an intersegment elimination. The ¥55,491 million ($515 million) adjustment to segment assets includes surplus funds of ¥135,311 million ($1,255 million) of the Company, Don Quijote Co., Ltd., Nagasakiya Co., Ltd., and UNY Co., Ltd., which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥(79,820) million ($(741) million).
3. Segment profit is adjusted to operating income on the consolidated statements of profit and loss.
4. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

Related information

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

1. Information by product and service

Description is omitted because the classification is the same as that of reportable segments.

2. Information by region

(1) Net sales

Description is omitted because the Company's domestic sales to third parties exceed 90% of net sales on the consolidated statements of profit and loss.

(2) Property, plant and equipment

Description is omitted because property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

Description is omitted because no third-party customer accounts for 10% or more of net sales on the consolidated statements of profit and loss.

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

1. Information by product and service

Description is omitted because the classification is the same as that of reportable segments.

2. Information by region

(1) Net sales

Description is omitted because the Company's domestic sales to third parties exceed 90% of net sales on the consolidated statements of profit and loss.

(2) Property, plant and equipment

Description is omitted because property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

Description is omitted because no third-party customer accounts for 10% or more of net sales on the consolidated statements of profit and loss.

Information on impairment loss of non-current assets by reportable segment

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments (Note 2)	Consolidated (Note 3)
Impairment loss	¥987	¥–	¥20	¥1,007	¥–	¥1,007	¥–	¥1,007

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments (Note 2)	Consolidated (Note 3)
Impairment loss	¥9,845	¥–	¥460	¥10,305	¥–	¥10,305	¥–	¥10,305

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments (Note 2)	Consolidated (Note 3)
Impairment loss	$92	$–	$4	$96	$–	$96	$–	$96

Information on amortization of goodwill and unamortized balance of goodwill by reportable segment

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments (Note 2)	Consolidated (Note 3)
Amortization for the year	¥ 676	¥–	¥–	¥ 676	¥–	¥ 676	¥–	¥ 676
Balance at year-end	17,600	–	–	17,600	–	17,600	–	17,600

Amortization of negative goodwill and unamortized balance of negative goodwill incurred by business combinations conducted before April 1, 2010 were as follows:

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments (Note 2)	Consolidated (Note 3)
Amortization for the year	¥ 86	¥–	¥–	¥ 86	¥–	¥ 86	¥–	¥ 86
Balance at year-end	267	–	–	267	–	267	–	267

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments (Note 2)	Consolidated (Note 3)
Amortization for the year	¥ 1,019	¥–	¥–	¥ 1,019	¥–	¥ 1,019	¥–	¥ 1,019
Balance at year-end	17,216	–	–	17,216	–	17,216	–	17,216

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments (Note 2)	Consolidated (Note 3)
Amortization for the year	$ 9	$–	$–	$ 9	$–	$ 9	$–	$ 9
Balance at year-end	160	–	–	160	–	160	–	160

Amortization of negative goodwill and unamortized balance of negative goodwill incurred by business combinations conducted before April 1, 2010 were as follows:

Millions of yen

	Reportable segment: Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments (Note 2)	Consolidated (Note 3)
Amortization for the year	¥ 86	¥–	¥–	¥ 86	¥–	¥ 86	¥–	¥ 86
Balance at year-end	180	–	–	180	–	180	–	180

Millions of U.S. dollars

	Reportable segment: Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments (Note 2)	Consolidated (Note 3)
Amortization for the year	$1	$–	$–	$1	$–	$1	$–	$1
Balance at year-end	2	–	–	2	–	2	–	2

Information on gain on bargain purchase by reportable segment

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Not applicable

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

For the fiscal year ended June 30, 2019, the Company acquired additional shares of UNY Co., Ltd. and included it in the scope of consolidation. In this connection, gain on bargain purchase of ¥9,315 million ($86 million) was reported under the "GMS business" segment.

As of June 30, 2019, the acquisition cost has not yet been determined and the allocation of the acquisition cost has not yet been completed. Thus, the amount of gain on bargain purchase is calculated based on a temporary estimate.

Information on related parties

1. Transactions with related parties

Transactions between the Company and its related parties

(1) The Company's non-consolidated subsidiaries and affiliates

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

Category	Name	Location	Capital stock (Millions of yen)	Type of business	% of voting rights (owned)	Business relationship	Description of transactions	Transaction amount (Millions of yen)	Account	Balance at year-end (Millions of yen)
Affiliate	UNY Co., Ltd.	Inazawa, Aichi	¥10,000	General retail business	(Own) Direct 40.0	Fund support/ concurrently serving directors	Granting of loans (Note)	¥77,630	Long-term loan receivables	¥73,030
							Collection of funds	4,600		
Subsidiary of affiliate	UCS Co., Ltd.	Inazawa, Aichi	1,610	Credit card business	N/A	Guarantee	Guarantee (Note)	20,000	–	–

(Note) The terms and conditions of transactions and their decisions are as follows:
(1) Rates of loans are reasonably determined considering market interest rates.
(2) The Company guarantees 40% of its loan payables and other obligations.

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

No significant matter to be disclosed

(2) The Company's directors and major shareholders (individuals)

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)

No significant matter to be disclosed

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)

Category	Name	Location	Capital stock (Millions of yen)	Capital stock (Millions of U.S. dollars)	Type of business	% of voting rights (owned)	Business relationship	Description of transactions	Transaction amount (Millions of yen)	Transaction amount (Millions of U.S. dollars)	Account	Balance at year-end (Millions of yen)	Balance at year-end (Millions of U.S. dollars)
Director and his/her close relatives	Naoki Yoshida (Note 1)	–	¥–	$–	Representative Director, Senior Managing Director and CAO of the Company	(Own) Direct 0.01 Indirect	–	Exercise of stock options (Note 2)	¥ 37	$ 0	–	¥–	$–
Director and his/her close relatives	Ma Ya Ping	–	–	–	Spouse of Takao Yasuda, Director of the Company	None	–	Acquisition of affiliate's shares	4,980	46	–	–	–
Company whose majority of voting rights are held by director or his/her close relatives	Pan Pacific Partnership Pte. Ltd. (Note 4)	Singapore	1.4 million Singapore dollars	1	Asset management	(Own) Direct– Indirect 19.78	Joint establishment Undertaking capital increase	Undertaking capital	3,434	32	–	–	–

(Note) The terms and conditions of transactions and their decisions are as follows:
(1) Naoki Yoshida was inaugurated as President and CEO, Representative Director on September 25, 2019.
(2) It is the stock options exercised for the fiscal year ended June 30. 2019, which were originally granted upon the resolutions of Board of Directors' meetings held on June 30, 2016 and September 1, 2016. The amount is calculated by multiplying the number of stock options exercised by the amount paid to exercise the stock options.
(3) In order to acquire shares of REALIT Co., Ltd. (hereinafter "REALIT") and one other company, the Company acquired shares of a company which holds REALIT's shares. Taking into account the net asset value of the target company as a basis, the purchase price of shares was determined by the negotiations and discussions.
(4) It is a company established by a close relative of Takao Yasuda.
(5) At the establishment of Pan Pacific Retail Management (Asia) Pte. Ltd., the company and Pan Pacific Strategy Institute Pte. Ltd., a consolidated subsidiary of the Company, jointly made investments.

(Profit per Share)

Fiscal year ended June 30, 2018		Fiscal year ended June 30, 2019		
Net assets per share	¥458.89	Net assets per share	¥520.39	$4.83
Profit per share	57.53	Profit per share	76.23	0.71
Diluted profit per share	57.41	Diluted profit per share	76.00	0.71

(Note) The Company has executed a 4-for-1 stock split on September 1, 2019. The amounts of net assets per share, profit per share, and diluted profit per share are calculated by assuming that the stock split was conducted at the beginning of the fiscal year ended June 30, 2018.

2. The basis for calculating profit per share and diluted profit per share is as follows:

	Millions of yen: Fiscal year ended June 30, 2018	Millions of yen: Fiscal year ended June 30, 2019	Millions of U.S. dollars: Fiscal year ended June 30, 2019
Profit per share			
Profit attributable to owners of parent (millions of yen)	¥ 36,405	¥ 48,253	$448
Profit not attributable to common stock owners (millions of yen)	–	–	–
Profit attributable to common stock owners of parent (millions of yen)	36,405	48,253	448
Weighted-average number of shares of common stock (shares)	158,185,966	158,242,778	
Diluted profit per share			
Adjustment of profit attributable to owners of parent (millions of yen)	–	–	–
Increase in number of shares of common stock (shares)	329,934	485,334	4,503
(Of which, share acquisition rights)	(329,934)	(485,334)	(4,503)
Descriptions of potentially dilutive common shares not included in the calculation of diluted profit per share due to the absence of their dilutive effect	–	–	–

(Subsequent Events)

At the Board of Directors' meeting held on July 12, 2019, the Company resolved to amend a part of the Articles of Incorporation in connection with a stock split and to execute a stock split.

1. Purpose of the stock split

To improve the liquidity of the Company's shares and broaden its investor base, by lowering the monetary amount per investment unit.

2. Overview of the stock split

(1) Method to split

The shares held by shareholders recorded on the Shareholders Registry at the end of the record date of August 31, 2019 (virtually August 30, 2019) shall be split in the ratio of 4-for-1.

(2) The number of shares increased from the stock split

The number of shares issued and outstanding before the stock split	158,334,660 shares
The number of shares increased due to the stock split	475,003,980 shares
The number of shares issued and outstanding after the stock split	633,338,640 shares
The number of authorized shares after the stock split	1,872,000,000 shares

(3) Schedule

Public notice of the record date	August 16, 2019
Record date	August 31, 2019 (virtually August 30, 2019)
Effective date	September 1, 2019

(4) Effect on the profit per share

The disclosure is made in "Profit per Share" above.

3. Partial amendment in the Articles of Incorporation in connection with the stock split

(1) Reason for the amendment

In connection with the stock split, at the Board of Directors' meeting held on July 12, 2019, the Company decided to amend the number of authorized shares stated in Article 6 of the Company's Articles of Incorporation effective September 1, 2019.

(2) Description of the amendment

The description of the amendment is as follows:

(Amendments are underlined.)

Before the amendment	After the amendment
(Number of authorized shares) Article 6 The number of authorized shares shall be 468,000,000 shares.	(Number of authorized shares) Article 6 The number of authorized shares shall be 1,872,000,000 shares.

(3) Schedule for the amendment

Effective date September 1, 2019

4. Other

(1) Change in the amount of capital stock

The amount of capital stock has not changed due to the stock split.

(2) Adjustment to the exercise price of stock options

Due to this stock split, the exercise price of stock options on or after September 1, 2019 is adjusted as follows:

	Date of resolution at the Board of Directors' meeting	Exercise price before the adjustment		Exercise price after the adjustment	
		(Millions of yen)	(Millions of U.S. dollars)	(Millions of yen)	(Millions of U.S. dollars)
First Paid-in Stock Options	June 30, 2016	¥3,700	$34	¥925	$9

(Note) The Company has several share-based compensation stock options other than above. However, there is no adjustment to the exercise price due to the stock split since the exercise price of every stock option is ¥1 per share and the Company did not determine as to the adjustment at the resolution for issuance.

Supplemental information

Corporate bonds

Issuer	Type of issue	Issue date	Balance at July 1, 2018 (Millions of yen)	Balance at June 30, 2019 (Millions of yen)	(Millions of U.S. dollars)	Interest rate (%)	Collateral	Redemption date
The Company	The 57th unsecured corporate bond	November 29, 2013	¥200 (¥200)	¥–	$–	6-month TIBOR	N/A	November 30, 2018
The Company	The 58th unsecured corporate bond	November 29, 2014	1,800 (1,200)	600 (600)	6 (6)	6-month TIBOR	N/A	November 29, 2019
The Company	The 8th unsecured corporate bond	March 12, 2015	20,000 (–)	20,000 (20,000)	186 (186)	0.55	N/A	March 12, 2020
The Company	The 9th unsecured corporate bond	March 12, 2015	10,000 (–)	10,000 (–)	93 (–)	0.80	N/A	March 11, 2022
The Company	The 10th unsecured corporate bond	March 10, 2016	10,000 (–)	10,000 (–)	93 (–)	0.33	N/A	March 10, 2021
The Company	The 11th unsecured corporate bond	March 10, 2016	10,000 (–)	10,000 (–)	93 (–)	0.73	N/A	March 10, 2026
The Company	The 12th unsecured corporate bond	March 21, 2017	10,000 (–)	10,000 (–)	93 (–)	0.39	N/A	March 21, 2024
The Company	The 13th unsecured corporate bond	March 8, 2018	10,000 (–)	10,000 (–)	93 (–)	0.21	N/A	March 8, 2023
The Company	The 14th unsecured corporate bond	March 8, 2018	10,000 (–)	10,000 (–)	93 (–)	0.48	N/A	March 8, 2028
The Company	The 15th unsecured corporate bond	March 7, 2019	–	10,000 (–)	93 (–)	0.11	N/A	March 7, 2022
The Company	The 16th unsecured corporate bond	March 7, 2019	–	10,000 (–)	93 (–)	0.35	N/A	March 6, 2026
The Company	The 17th unsecured corporate bond	March 7, 2019	–	10,000 (–)	93 (–)	0.45	N/A	March 7, 2029
The Company	The 1st unsecured corporate bond (with subordina-tion agreement)	November 28, 2018	–	140,000 (–)	1,299 (–)	(Note 2)	N/A	November 28, 2053
Japan Asset Marketing Co., Ltd.	The 1st unsecured corporate bond	September 25, 2014	1,000 (–)	1,000 (–)	9 (–)	0.79	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 2nd unsecured corporate bond	September 25, 2014	510 (140)	370 (140)	3 (1)	0.68	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 3rd unsecured corporate bond	September 25, 2015	1,235 (266)	969 (266)	9 (2)	0.63	N/A	September 22, 2022
Japan Asset Marketing Co., Ltd.	The 4th unsecured corporate bond	September 30, 2015	1,500 (600)	900 (600)	8 (6)	0.32	N/A	September 30, 2020
Japan Asset Marketing Co., Ltd.	The 5th unsecured corporate bond	March 25, 2016	1,440 (280)	1,160 (280)	11 (3)	0.33	N/A	March 24, 2023
Japan Asset Marketing Co., Ltd.	The 6th unsecured corporate bond	September 21, 2016	2,125 (250)	1,875 (250)	17 (2)	0.18	N/A	September 18, 2026
Japan Asset Marketing Co., Ltd.	The 7th unsecured corporate bond	September 26, 2016	3,400 (400)	3,000 (400)	28 (3)	0.22	N/A	September 25, 2026
Japan Asset Marketing Co., Ltd.	The 8th unsecured corporate bond	September 26, 2016	1,580 (280)	1,300 (280)	12 (3)	0.37	N/A	September 26, 2023
Other	–	–	100 (–)	100 (–)	1 (–)	–	–	–
Total	–	–	¥94,890 (¥3,616)	¥261,274 (¥22,816)	$2,424 ($212)	–	–	–

(Notes) 1. Figures in parentheses represent the current portion.
2. The interest rate of the Company's 1st unsecured corporate bond is 1.49% per annum from November 29, 2018 to November 29, 2023, and 6-month Japanese Yen LIBOR+2.40% from the following day of November 29, 2023.
3. The annual redemption schedule for five years is as follows:

Millions of yen

Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
¥22,816	¥12,016	¥22,566	¥11,421	¥10,830

Millions of U.S. dollars

Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
$212	$111	$209	$106	$100

Loan payables, etc.

Classification	Balance at July 1, 2018 (Millions of yen)	Balance at June 30, 2019		Average interest rate (%)	Redemption date
		(Millions of yen)	(Millions of U.S. dollars)		
Short-term loan payables	¥ –	¥ 123	$ 1	–	–
Current portion of long-term loan payables	17,788	19,721	183	0.53	–
Current portion of lease obligations	46	53	0	1.04	–
Long-term loan payables excluding current portion	200,668	256,777	2,382	0.81	From September 2020 to July 2067
Lease obligations excluding current portion	39	137	1	1.02	From January 2022 to May 2024
Other interest-bearing debt	–	–	–	–	–
Total	¥218,541	¥276,811	$2,568	–	–

(Notes) 1. Average interest rate represents the weighted-average interest rate of loans as of June 30, 2019.
2. The annual repayment schedule for long-term loan payables and lease obligations excluding current portion for five years is as follows:

Millions of yen

	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
Long-term loan payables	¥12,534	¥28,411	¥19,131	¥25,031
Lease obligations	45	41	36	15

Millions of U.S. dollars

	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
Long-term loan payables	$116	$264	$177	$232
Lease obligations	0	0	0	0

Details of asset retirement obligations

The details of asset retirement obligations are omitted since the information is included in the notes to the accompanying financial statements as prescribed in Article 15-23 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Independent Auditor's Report

To the Board of Directors of Pan Pacific International Holdings Corporation

We have audited the accompanying consolidated balance sheets of Pan Pacific International Holdings Corporation and its consolidated subsidiaries as of June 30, 2019 and 2018, and the related consolidated statements of profit and loss, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pan Pacific International Holdings Corporation and its consolidated subsidiaries as of June 30, 2019 and 2018, and their consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The accompanying consolidated financial statements expressed in Japanese yen have been translated into U.S. dollars on the basis set forth in notes to consolidated financial statements.

UHY Tokyo & Co
Tokyo, Japan
September 25, 2019

STATEMENT ON ACCOUNTING PRINCIPLES AND AUDITING STANDARDS

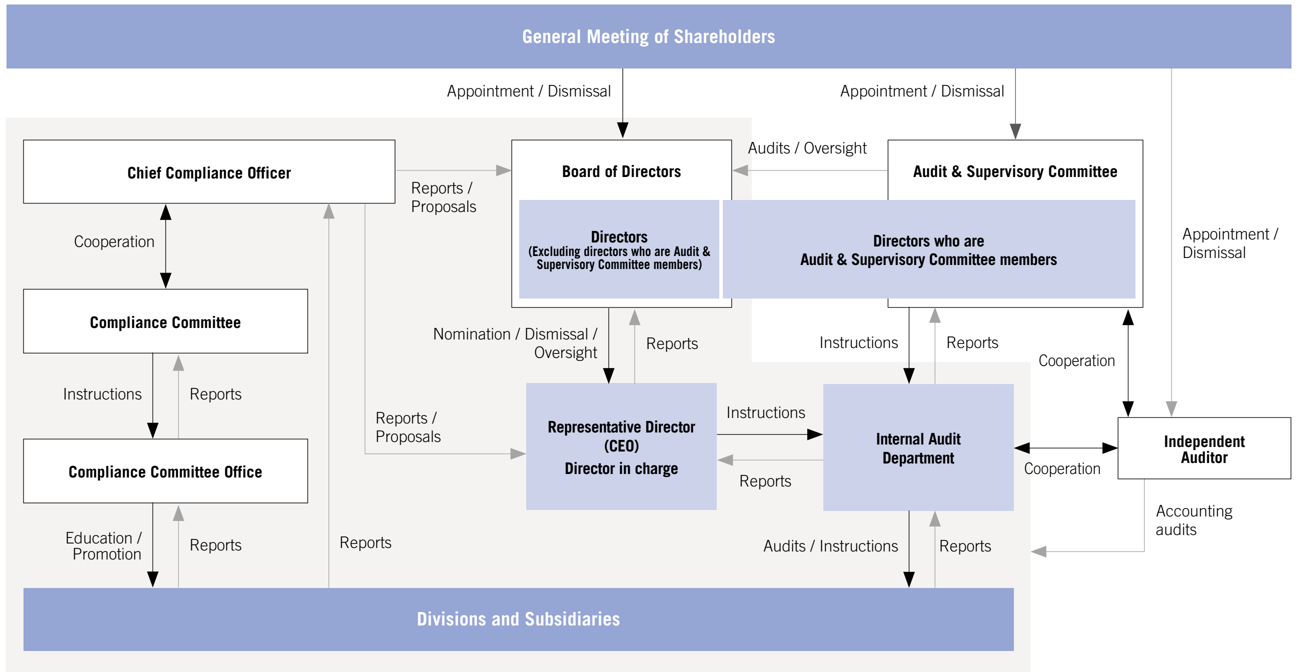
This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying consolidated financial statements are prepared based on accounting principles generally accepted in Japan, and filed with the local finance bureau of the Ministry of Finance (MOF) as required by the Financial Instruments and Exchange Act. The auditing standards and their application in practice are those generally accepted in Japan, and Report of Independent Auditors is translated into English from the statutory Japanese language consolidated financial statements.

Reinforcement of Corporate Governance to Increase Management Transparency

At the PPIH Group, we firmly adhere to the corporate principle of “the customer matters most” and strive to reinforce corporate governance and compliance while actively carrying out disclosure practices and encouraging a deeper understanding of the Company as an entity coexisting with society. This commitment is integral to enhanced corporate value and is thus a top management priority. Moreover, we believe in the principle that a high level of ethics in business activities is crucial to the ongoing survival of a company. Based on this belief, we take steps to ensure legal compliance in our corporate governance systems and in their operation by constructing systems for quickly detecting issues in-house and soliciting advice from external specialists.

In regard to compliance, we are evolving organizational systems and advancing corporate activities while thoroughly implementing and expanding upon initiatives for improving compliance awareness and enhancing the accounting, internal audit, monitoring, and auditing departments.

Corporate Governance Structure (As of September 25, 2019)

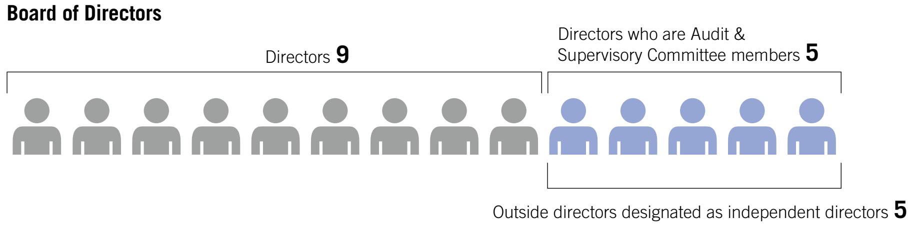


Highest Decision-Making Body—The Board of Directors

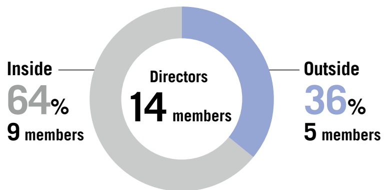
The Board of Directors of the Company meets at least once a month to engage in vigorous discussions on topics such as the formulation of important Group management strategies for improving corporate value. The Board of Directors consists of 14 members, of which five are outside directors who have been designated as independent directors. The appointment of such independent outside directors allows management to incorporate wide-ranging insight and perspectives that share the independent standpoint of shareholders. This system thus guarantees appropriate and highly transparent management.

As the body responsible for making management decisions, the Board of Directors is tasked with making decisions on matters requiring decision by the Board of Directors as stipulated by law or the Company’s Articles of Incorporation as well as on important matters as defined by the regulations for the Board of Directors (establishment of important management policies; establishment, revision, or abolishment of important regulations or management systems; capital investment plans; etc.). In addition, the Board of Directors is also responsible for setting Groupwide management policies in light of the role of the Company as a holding company.

Board of Directors



Ratio of Outside Directors

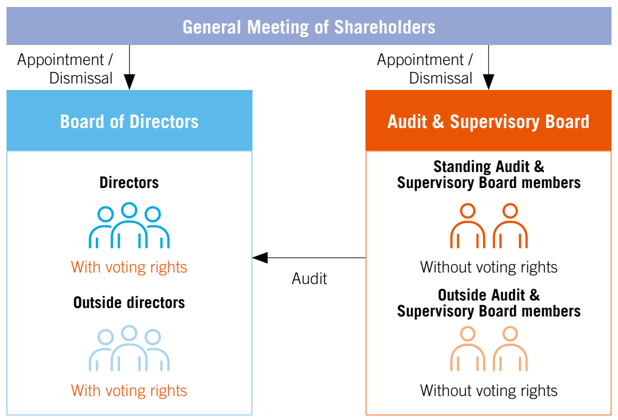


Transition for Reinforcing Corporate Governance Structure

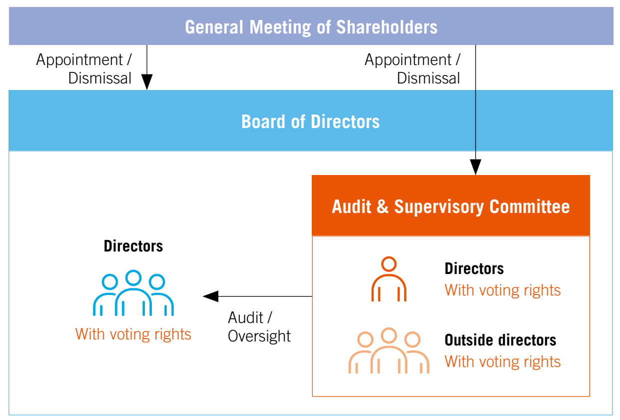
At the 36th Ordinary General Meeting of Shareholders held on September 28, 2016, a resolution was passed to allow for a transition from the Company with Board of Company Auditors’ structure to the Company with Audit and Supervisory Committee structure described in the Companies Act of Japan. In conjunction with the transition, the Audit & Supervisory Committee was established and directors who are Audit & Supervisory Committee members were granted voting rights at meetings of the Board of Directors. The purpose of these changes was to strengthen the monitoring and oversight functions of the Board of Directors in order to facilitate enhancements to corporate governance and improvements to corporate value.

Benefits of the Company with Audit and Supervisory Committee structure include (1) the separation of operational execution and oversight achieved through the appointment of several outside directors who do not have operational execution duties, (2) the strengthening of the monitoring and oversight functions of the Board of Directors by granting of voting rights at meetings of the Board of Directors to directors who are Audit & Supervisory Committee members, and (3) the expedition of decision-making through the delegation of certain important operational execution decision-making authority to directors with operational execution authority.

Before Transition



After Transition



Delegation of Authority from the Board of Directors to Management

In conjunction with the transition to the Company with Audit and Supervisory Committee structure, the Board of Directors resolved to partially or entirely transfer authority for certain important operational execution decisions to directors.
At the PPIH Group, a great deal of authority is delegated to frontline operations in order to facilitate swift and flexible responses to the ever-changing operating environment.

However, the Company has also established regulations regarding the limits of authority that clearly stipulate the matters for which authority should be delegated to directors, other managers, and members of senior management based on materiality, transaction amounts, and other factors. Other measures are also implemented to enhance governance of business operations.

Operational Execution by Directors

To ensure the appropriateness of operational execution by directors, the Company continues to appoint outside directors to its Board of Directors and strives to enhance the supervision of operational execution by directors. In addition, the Audit & Supervisory Committee, which has the participation of outside directors, conducts thorough audits that ensure impartiality and transparency from a position independent of influence of directors (excluding those who are Audit & Supervisory Committee members).

In addition, the division of duties and authority of directors is clearly defined and regulations regarding organizational structures are revised and established in a timely manner as necessary in order to support the efficient execution of duties by directors. Organizational structures and operating procedures are revised flexibly in response to changes in the operating environment.

Records on the execution of duties by directors, including the minutes of the General Meeting of Shareholders, Board of Directors’ meetings, and other important meetings, as well as related materials, are stored and managed by a designated department, which retains these records for a period of 10 years and makes them accessible whenever necessary.

Basic Policy on Corporate Governance
https://ppi-hd.co.jp/en/ir/governance/basic_views/

Evaluation of the Effectiveness of the Board of Directors

A third-party institution is commissioned to evaluate the effectiveness of the Board of Directors at least once a year. Measures are instituted to address any issues identified based on the evaluation results in order to increase the effectiveness of the Board of Directors, enhance the Company's corporate governance structure, and contribute to sustainable growth and improved corporate value over the medium to long term.

Evaluation Process

Preparation of questionnaires regarding the effectiveness of the Board of Directors based on advice from a third-party institution → Collection of questionnaires from all directors by a third-party institution → Analysis of the effectiveness of the Board of Directors based on questionnaire results → Discussions at meetings of the Board of Directors

Results of Evaluation of Effectiveness in the Fiscal Year Ended June 30, 2019

Summary	It was confirmed that the Board of Directors has been making swift and appropriate decisions based on brisk discussion in line with the Company's corporate principle while effectively fulfilling its role of improving medium- to long-term corporate value by exercising rigorous oversight functions. The Company therefore judged that the Board of Directors was effective. Conversely, it was determined that there was a need to further build upon the Company's corporate governance structure, including with regard to Group companies, given the fact that the number of stores is increasing due to the consolidation of UNY Co., Ltd. and the opening of overseas stores.
Strengths of the Company's Board of Directors	1. Proceedings based on the corporate principle 2. Swift decision-making processes enabled by appropriate delegation of operational execution authority 3. Balanced composition of the Board of Directors

Pressing issues for the Company's Board of Directors	Future initiatives
Task 1 Creation of training opportunities for directors	The Company will provide, arrange, and support the utilization of external seminars and other training opportunities for directors. These efforts are aimed at ensuring that directors are able to fulfill their responsibilities and roles effectively based on changes in the structure of the Board of Directors, including the increase in the number of directors instituted in September 2017.
Task 2 Provision of appropriate opportunities for utilizing the experience of outside directors	The Company will clearly define the roles and duties expected of each outside director to enable them to sufficiently exert their supervisory function based on their wealth of experience and specialized insight. Based on these definitions, discussions will be directed in a manner that draws upon the values and insight of outside directors.
Task 3 Building upon the Company's corporate governance structure including with regard to Group companies	As a pure holding company, the Company respects the autonomy of Group companies while also managing and providing guidance to these companies as deemed necessary. By clarifying the roles and authority of Group companies, we are building an appropriate corporate governance system in which the Company focuses on its management oversight function.

Status of Response to Task 1

In the fiscal year ended March 31, 2019, discussions with outside directors possessing specialized expertise and lectures by specialized external institutions and the Board of Directors' secretariat were arranged for new directors as needed. In addition, we offered other training opportunities and support through means such as the utilization of external seminars on themes including ESG and compliance.

Director Remuneration System

Remuneration for directors excluding those that are Audit & Supervisory Committee members is determined by the Board of Directors, within the overall limit of remuneration approved by a resolution of the General Meeting of Shareholders, taking into account the Company's operating results and financial position as well as the economic environment. Remuneration for directors that are Audit & Supervisory Committee members is determined by deliberation among Audit & Supervisory Committee members, within the overall limit of remuneration approved by a resolution of the General Meeting of Shareholders.

Under a resolution of the General Meeting of Shareholders, an annual ceiling of ¥6 million is set for the basic remuneration of directors excluding those that are Audit & Supervisory Committee members and there is a ceiling of ¥4 million for additional remuneration in the form of share-based compensation stock options. In the fiscal year ended June 30, 2019, remuneration decisions were based on factors including each director's responsibilities and contributions and the earnings of the Company.

Remuneration of Directors in the Fiscal Year Ended June 30, 2019

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Number of applicable directors
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Directors (excluding Audit & Supervisory Committee members and outside directors)	619	237	382	–	–	10
Directors who are Audit & Supervisory Committee members (excluding outside directors)	7	7	–	–	–	1
Outside directors	20	20	–	–	–	4
Total	646	264	382	–	–	15

Remuneration of Individual Directors in the Fiscal Year Ended June 30, 2019 (Directors who received total remuneration exceeding ¥100 million)

Name (Position)	Company	Total remuneration (millions of yen)				Total remuneration (millions of yen)
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Koji Ohara (Director)	Pan Pacific International Holdings Corporation	75	220	–	–	311
	Pan Pacific Shared Services Co., Ltd.	16	–	–	–	
Naoki Yoshida (Director)	Pan Pacific International Holdings Corporation	43	130	–	–	185
	Japan Commercial Establishment Co., Ltd.	7	–	–	–	
	Pan Pacific Shared Services Co., Ltd.	4	–	–	–	
	Route Advisory Co., Ltd.	1	–	–	–	

Share-Based Stock Options

In September 2014, the Company abolished its retirement benefits plan for directors and Audit and Supervisory Board members. At the same time, share-based stock options were introduced for directors (excluding those who are Audit & Supervisory Committee members) with an exercise price of ¥1.

This move was aimed at heightening directors' motivation and desire to contribute to improved medium- to long-term performance and corporate value for the Company by having directors share both the benefits of share price increases and the risks of share price decreases with shareholders.

Compliance Committee

The Compliance Committee is primarily membered by outside experts, including lawyers and outside directors. The duties of these members include formulating misconduct prevention measures, drafting investigation and survey plans, examining the results of such investigations and surveys, and sharing and verifying information on misconduct cases that have occurred at other companies. This committee is chaired by an outside director and consists of members including directors, outside directors (Audit & Supervisory Committee members), and outside lawyers.

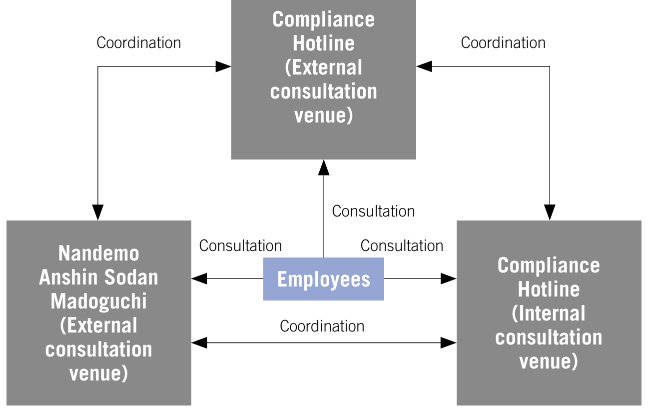
As a measure for ensuring the appropriateness of operations, a chief compliance officer has been appointed to oversee matters regarding compliance and internal control. The chief compliance officer also coordinates with the Compliance Committee, to help guarantee a high level of ethics in business activities and the legal compliance of the Company's corporate governance structure and its implementation. The chief compliance officer and the Compliance Committee furnish optimal responses to compliance risks by performing cross-organizational, Groupwide assessments and evaluations of these risks.

Reinforcement of Compliance

To the PPIH Group, true compliance is about earning the confidence of all stakeholders and fulfilling social responsibilities. With this in mind, we have set up the Compliance Hotline, which functions as a portal for reporting concerns, such as possible legal violations. Reports received through this hotline are reviewed by the Compliance Committee, and the results of these reviews are promptly reported to the Board of Directors and the Audit & Supervisory Committee.

In addition, the Nandemo Anshin Sodan Madoguchi (a consultation help desk for any issue) has been established to help resolve issues relating to the emotional and physical well-being and lifestyles of employees and their families. These hotlines are operated in accordance with internal regulations, and information obtained through these hotlines is utilized to facilitate fair transactions and the provision of safe and secure products and services.

Whistle-Blower System



Dedicated Hotline for Business Partners

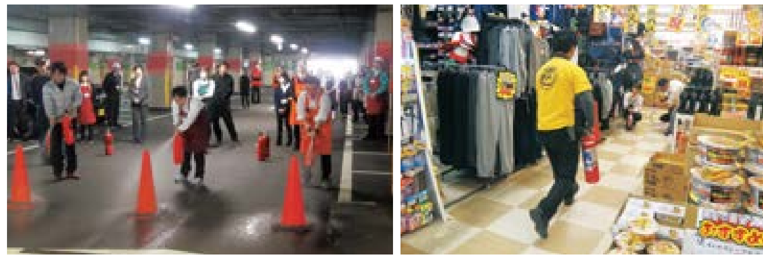
The PPIH Group is committed to maintaining appropriate and healthy relationships with its business partners. For this reason, we have established dedicated internal and external hotlines for business partners to enable them to report on any areas of concern in the behavior of PPIH Group transaction representatives. We endeavor to respond earnestly to feedback from business partners, implementing swift improvements while ensuring fair transactions to build strong, trust-based relationships.

Management Structure for Minimizing Risks

The PPIH Group assigns the risk rank of "store compliance" to the laws and regulations with which stores are required to comply and pursues improvements to compliance structures through e-learning programs for store managers and employees and store self-check sheets. We also have in place systems for monthly checks by Group companies responsible for legal compliance inspections and improvement follow-up systems for ensuring rigorous compliance by stores. Furthermore, area and store managers coordinate with management divisions to reinforce systems for maintaining legal compliance.

Enhancement of Disaster Countermeasures and Improvement of Employee Disaster Preparedness Awareness

At the PPIH Group, disaster countermeasure representatives are appointed at each store. We implement various measures for improving employee disaster preparedness awareness, including regular disaster response drills, construction of manuals containing guidelines for response in times of disaster, and presentation of awards to employees who have contributed to preventing violations of the Fire Service Act. Furthermore, a seismic-insulated building was constructed at UNY's head office in Inazawa City, Aichi Prefecture in 2014. At the same time, with lifelines and communication functions protected by seismic-insulated facilities, we have put systems in place to enable business continuity or the quick restoration of operations even when management functions have been disrupted due to disasters. These initiatives help guarantee calm and accurate responses in times of disaster.



Disaster response drill at Don Quijote store

Disaster response drill at UNY store

Seismic-insulated building at UNY's head office

Responsible Product Procurement

Throughout the planning and manufacturing processes for original products, we exercise responsibility for our supply chain by performing on-site inspections of the overseas factories to which we outsource production. These inspections examine conditions pertaining to labor standards, working environments, and safety and quality management across all production processes. In addition, evaluation sheets detailing standards for approximately 100 items and reports containing internal views of factories are compiled as part of our efforts to ensure appropriate working environments and quality management.

Board of Directors (As of September 25, 2019)

Naoki Yoshida
President and CEO,
Representative Director

Born: December 7, 1964

Dec. 1995	Joined McKinsey & Company Inc. Japan
Mar. 1997	Joined Union Bancaire Privée
Aug. 2002	Established Alter Ego Consulting Co., Ltd.
	President and Representative Director of Alter Ego Consulting Co., Ltd.
Feb. 2003	President and Representative Director of T-ZONE HOLDINGS, INC. (currently MAG NET HOLDINGS, INC.)
Jul. 2007	President of Don Quijote (USA) Co., Ltd.
Sep. 2012	Director of the Company
Nov. 2013	Senior Managing Director of the Company
Dec. 2013	Director of Don Quijote Co., Ltd.
	Director of Nagasakiya Co., Ltd. (current position)
	Director of Doit Co., Ltd. (current position)
Jul. 2015	Senior Managing Director and CCO of the Company
Jun. 2017	Outside Director of Accretive Co., Ltd. (current position)
Nov. 2017	Audit & Supervisory Board Member of UNY Co., Ltd.
Jan. 2018	Senior Managing Director and CAO (Representative Director) of the Company
Jan. 2019	Director of UNY Co., Ltd.
	Representative Director of UCS Co., Ltd.
Apr. 2019	Senior Managing Director of UNY Co., Ltd.
Sep. 2019	President and CEO (Representative Director) of the Company (current position)
	President and Representative Director of Don Quijote Co., Ltd. (current position)
	Director of UNY Co., Ltd. (current position)
	Director of UCS Co., Ltd. (current position)

Kazuhiro Matsumoto
Director, Managing
Executive Officer, and
CMO (Global)

Born: November 15, 1973

Jan. 1996	Joined the Company
Dec. 2013	Executive Officer of Don Quijote Co., Ltd.
Jul. 2015	Director of Don Quijote Holdings Retail Management Co., Ltd.
	Director of Lirack Co., Ltd. (current position)
	Director of Justneo Co., Ltd. (currently Pan Pacific International Trading Co., Ltd.) (current position)
Apr. 2017	General Manager of Food and Liquor Merchandising Development Headquarters of Don Quijote Co., Ltd.
Jan. 2018	Executive Officer of the Company
Feb. 2019	General Manager of Food and Liquor Merchandising Development Headquarters and Overseas Business Support Headquarters of Don Quijote Co., Ltd.
Jun. 2019	Director of Kanemi Co., Ltd. (current position)
Jul. 2019	General Manager of Overseas Business Support Headquarters of Pan Pacific Retail Support Co., Ltd. (current position)
Aug. 2019	Managing Director of Pan Pacific Retail Management (Singapore) Pte. Ltd. (current position)
Sep. 2019	Director of Pan Pacific Retail Management (Asia) Pte. Ltd. (current position)
	Director, Managing Executive Officer, and CMO (Global) of the Company (current position)

Takeshi Nishii
Director, Managing
Executive Officer, and COO

Born: September 11, 1975

Aug. 1998	Joined the Company
Dec. 2013	Executive Officer of Don Quijote Co., Ltd.
Jul. 2015	Director of Don Quijote Holdings Retail Management Co., Ltd.
Apr. 2017	General Manager of Sales Support Headquarters of Don Quijote Co., Ltd.
Sep. 2017	Director of the Company
Nov. 2017	Director of UNY Co., Ltd.
Jun. 2018	Outside Director of Kanemi Co., Ltd. (current position)
Feb. 2019	General Manager of Corporate Philosophy Promotion Headquarters of Don Quijote Co., Ltd.
Apr. 2019	Director and Executive Officer of UNY Co., Ltd. (current position)
Jul. 2019	General Manager of Corporate Philosophy Promotion Headquarters of the Company (current position)
	Director of Pan Pacific Retail Support Co., Ltd. (current position)
	General Manager of Human Resources Strategy Headquarters of Pan Pacific Retail Support Co., Ltd. (current position)
Sep. 2019	Director, Managing Executive Officer, and COO of the Company (current position)
	Senior Managing Director of Don Quijote Co., Ltd. (current position)

Ken Sakakibara
Director, Managing
Executive Officer, and COO

Born: June 6, 1971

Oct. 1997	Joined the Company
Dec. 2013	Executive Officer of Don Quijote Co., Ltd.
Jul. 2015	Director of Don Quijote Holdings Retail Management Co., Ltd.
	Director of Justneo Co., Ltd. (currently Pan Pacific International Trading Co., Ltd.)
Apr. 2017	General Manager of Lifestyle Merchandising Development Headquarters of Don Quijote Co., Ltd.
Jan. 2018	Executive Officer of the Company
Jul. 2019	Director of Pan Pacific Retail Support Co., Ltd. (current position)
	General Manager of Food and Liquor Merchandising Development Headquarters of Pan Pacific Retail Support Co., Ltd. (current position)
Sep. 2019	Director, Managing Executive Officer, and COO of the Company (current position)
	Senior Managing Director of Don Quijote Co., Ltd. (current position)
	Director of Nagasakiya Co., Ltd. (current position)
	Director of Lirack Co., Ltd. (current position)

Kenji Sekiguchi
Director and
Managing Executive Officer

Born: October 20, 1964

May 1997	Joined the Company
Jun. 2006	Department Director of New Business Promotion Department of the Company
Nov. 2007	Senior Vice President and Representative Director of Nagasakiya Co., Ltd.
Apr. 2013	President and Representative Director of Nagasakiya Co., Ltd.
Sep. 2013	President of MARUKAI CORPORATION
Nov. 2013	Director of the Company
Dec. 2014	Resigned from the position of Director of the Company
Jul. 2016	Director of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.)
Nov. 2017	President and Representative Director of Nagasakiya Co., Ltd.
	Director and Managing Executive Officer of UNY Co., Ltd.
	Senior Vice President and Representative Director of UD Retail Co., Ltd.
Jan. 2018	Executive Officer of the Company (current position)
Jan. 2019	President and Representative Director of UD Retail Co., Ltd.
Apr. 2019	President and Representative Director of UNY Co., Ltd. (current position)
	Director of UD Retail Co., Ltd. (current position)
Sep. 2019	Director and Managing Executive Officer of the Company (current position)
	Director of Japan Commercial Establishment Co., Ltd. (current position)

Tetsuji Maruyama
Director and
Executive Officer

Born: April 11, 1973

Oct. 1997	Joined the Company
Dec. 2013	Executive Officer of Don Quijote Co., Ltd.
Jul. 2015	Director of Don Quijote Holdings Retail Management Co., Ltd.
Apr. 2017	General Manager of Store Management Support Headquarters of Don Quijote Co., Ltd.
Sep. 2017	Director of the Company (current position)
Nov. 2017	Audit & Supervisory Board Member of UNY Co., Ltd.
	Audit & Supervisory Board Member of UD Retail Co., Ltd. (current position)
Mar. 2018	General Manager of Human Resources Strategy Headquarters of Don Quijote Co., Ltd.
Apr. 2019	Director and Executive Officer of UNY Co., Ltd. (current position)
Jul. 2019	President and Representative Director of Pan Pacific Retail Support Co., Ltd. (current position)
	General Manager of Retail Support Headquarters of Pan Pacific Retail Support Co., Ltd. (current position)
Sep. 2019	Director and Executive Officer of the Company (current position)
	Director of Don Quijote Co., Ltd. (current position)
	Director of Doit Co., Ltd. (current position)
	Director of Pan Pacific Shared Services Co., Ltd. (current position)

Yuji Ishii
Director and
Executive Officer

Born: August 17, 1972

Sep. 2008	Joined the Company
Jan. 2013	Manager of Financial Accounting Division, Administration Headquarters of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.)
Jul. 2015	Deputy General Manager of Administration Headquarters of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.)
	Director of Don Quijote Holdings Retail Management Co., Ltd.
Jul. 2016	General Manager of Administration Headquarters of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.) (current position)
Sep. 2017	Director of the Company (current position)
	Director of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.)
Oct. 2017	General Manager of General Accounting Headquarters of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.) (current position)
Feb. 2018	Representative Director of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.)
May 2019	President and Representative Director of Pan Pacific Shared Services Co., Ltd. (current position)
Jul. 2019	Audit and Supervisory Board Member of Pan Pacific Retail Support Co., Ltd. (current position)
Sep. 2019	Director and Executive Officer of the Company (current position)

Hiroshi Abe
Director and
Executive Officer

Born: February 22, 1975

Dec. 2003	Joined the Company
Jun. 2009	Manager of Information System Division, Operation Management Headquarters of the Company
Sep. 2011	Director of REALIT Co., Ltd.
Jun. 2012	Senior Vice President and Director of REALIT Co., Ltd.
Jul. 2014	President and Representative Director of REALIT Co., Ltd. (current position)
Jul. 2015	Director of Don Quijote Holdings Retail Management Co., Ltd.
	Director of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.)
	General Manager of Operation Management Headquarters of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.) (current position)
Sep. 2017	Director of the Company (current position)
Nov. 2017	Director of UNY Co., Ltd.
Feb. 2018	Representative Director of Don Quijote Shared Services Co., Ltd. (currently Pan Pacific Shared Services Co., Ltd.)
Jan. 2019	Representative Director of UCS Co., Ltd.
Apr. 2019	Director and Executive Officer of UNY Co., Ltd. (current position)
May 2019	Director of Pan Pacific Shared Services Co., Ltd. (current position)
Sep. 2019	Director and Executive Officer of the Company (current position)
	Director of UCS Co., Ltd. (current position)

Board of Directors (As of September 25, 2019)

Takao Yasuda
Director

Born: May 7, 1949

Sep. 1980 Established Just Co., Ltd. (currently Pan Pacific International Holdings Corporation)
President and Representative Director
Sep. 2005 Chairman, Representative Director, and CEO of the Company
Dec. 2005 Chairman of Yasuda Scholarship Foundation (current position)
Apr. 2013 Chairman, President, Representative Director, and CEO of the Company
Aug. 2013 President and Representative Director of Don Quijote Preparatory Co., Ltd. (currently Don Quijote Co., Ltd.)
Dec. 2013 Chairman and Representative Director of Don Quijote Co., Ltd.
Jul. 2014 Chairman, Representative Director and CEO of the Company
Jul. 2015 Founding Chairman and Supreme Advisor of the Company
Director (Chairman, President & CEO) of Pan Pacific International Holdings Pte. Ltd. (currently Pan Pacific Retail Management (Singapore) Pte. Ltd.) (current position)
Dec. 2018 Director of Pan Pacific Strategy Institute Pte. Ltd. (current position)
Jan. 2019 Director (non-standing) of the Company (current position)
Apr. 2019 Director of Pan Pacific Retail Management (Asia) Pte. Ltd. (current position)

Yukihiko Inoue
Outside Director
(Audit & Supervisory Committee Member)

Born: November 4, 1937

Sep. 1994 Superintendent-General of the Metropolitan Police Department
Sep. 2003 Chairperson of the Board of Directors of Japan Guide Dog Association (current position)
Jun. 2006 Outside Corporate Auditor of TOKO ELECTRICAL CONSTRUCTION CO., LTD. (current position)
Outside Director of ASAHI KOGYOSHA CO., LTD. (current position)
Sep. 2009 Audit & Supervisory Board Member of the Company
Mar. 2011 Chairman of Public Interest Incorporated Foundation, Aikido Yoshinkai (current position)
Jun. 2011 Outside Statutory Auditor of All Nippon Security Co., Ltd. (current position)
Jun. 2012 Standing Audit & Supervisory Board Member of the Company
Sep. 2014 Outside Director of the Company
Sep. 2016 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)
Jun. 2018 Outside Director of Anicom Holdings, Inc. (current position)

Yasunori Yoshimura
Outside Director
(Audit & Supervisory Committee Member)

Born: January 26, 1949

Mar. 1975 Graduated from Keio University School of Medicine
Nov. 1995 Professor of Keio University (Department of Obstetrics and Gynecology, School of Medicine)
Nov. 2010 President of Japan Society for Reproductive Medicine
Jun. 2011 Outside Director of ASKA Pharmaceutical Co., Ltd. (current position)
Aug. 2011 President of Japan Society of Gynecologic and Obstetric Endoscopy and Minimally Invasive Therapy
Oct. 2012 Established Yoshimura Bioethics Institute
Chairman of Yoshimura Bioethics Institute (current position)
Mar. 2013 Special Advisor to the Cabinet (in charge of measures to counter the declining birthrate and support for child-raising) (current position)
Nov. 2013 Outside Audit & Supervisory Board Member of the Company
Apr. 2014 Professor Emeritus of Keio University (Department of Obstetrics and Gynecology) (current position)
Honorary Director of SHIN-YURIGAOKA General Hospital (current position)
Sep. 2015 Outside Director of the Company
Sep. 2016 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)
May 2019 Chairman of Birth / Child Care Comprehensive Support Promotion Organization

Tomiaki Fukuda
Outside Director
(Audit & Supervisory Committee Member)

Born: December 19, 1941

Apr. 1995 President and Representative Director of U.H.I. SYSTEMS K.K.
Nov. 2002 Vice-president of Fédération Internationale des Luttes Associées (currently United World Wrestling)
Apr. 2003 President of Japan Wrestling Federation (current position)
Aug. 2004 General Manager of the Japanese Delegation for Athens Olympic Games
Aug. 2008 Chef de Mission of the Japanese Delegation for Beijing Olympic Games
Apr. 2009 Vice President of Japanese Olympic Committee
Sep. 2010 Standing Audit & Supervisory Board Member of the Company
Jun. 2012 Outside Audit & Supervisory Board Member of the Company
Jun. 2013 Honorary member of Japanese Olympic Committee (current position)
Jan. 2014 Councillor of the Tokyo Organising Committee of the Olympic and Paralympic Games (current position)
Sep. 2014 Honorary Vice-president of Fédération Internationale des Luttes Associées (currently United World Wrestling) (current position)
Sep. 2016 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Jumpei Nishitani
Outside Director
(Audit & Supervisory Committee Member)

Born: December 2, 1971

Mar. 1995 Graduated from the Faculty of Economics, The University of Tokyo
Mar. 1997 Earned a master's degree from the Faculty of Economics, The University of Tokyo
Mar. 2000 Obtained scores for doctorate degree and resigned from Graduate School of Economics, The University of Tokyo
Apr. 2000 Assistant Professor, Faculty of Management and Economics, Aomori Public University
Apr. 2005 Assistant Professor, College of Business Administration, Ritsumeikan University
Aug. 2009 Visiting Fellow, The University of British Columbia
Apr. 2015 Professor, College of Business Administration, Ritsumeikan University (current position)
Sep. 2017 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Masaki Yoshino
Outside Director
(Audit & Supervisory Committee Member)

Born: April 23, 1960

Apr. 1985 Joined Ministry of Foreign Affairs of Japan
Apr. 1995 Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association)
Joined Kajitani Law Offices
Apr. 1996 Joined TMI Associates
Jan. 2002 Registered as an attorney-at-law in New York State Bar Association
Oct. 2004 Joined Takekawa, Oka & Yoshino Law Offices
Partner of Takekawa, Oka & Yoshino Law Offices
Jun. 2007 Company Auditor of SHINKAWA LTD. (currently Yamaha Motor Robotics Holdings Co., Ltd.)
Jul. 2014 Established Yoshino Law Offices, Representative Attorney (current position)
Jun. 2019 Outside Director of Nippon Chemiphar Co., Ltd. (current position)
Outside Director (Audit & Supervisory Committee Member) of SHINKAWA LTD. (currently Yamaha Motor Robotics Holdings Co., Ltd.) (current position)
Sep. 2019 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Reasons for Selection as Outside Director and Status of Activities

Name	Reasons for appointment	Status of activities
Yukihiko Inoue	The Company has judged that through making use of his experience from having served in such important positions as Superintendent-General of the Metropolitan Police Department, Mr. Inoue will appropriately carry out his duties as an Audit & Supervisory Committee Member of the Company from an objective standpoint, and therefore has been appointed as an Outside Director (Audit & Supervisory Committee Member).	Mr. Inoue attended 93% of the Board of Directors' meetings held in the fiscal year ended June 30, 2019. He primarily leveraged his experience working in such important positions as the Superintendent-General of the Metropolitan Police Department to offer advice from an objective standpoint to help the Board of Directors ensure valid and appropriate decision-making. In addition, Mr. Inoue attended 93% of the meetings of the Audit & Supervisory Committee held in the fiscal year ended June 30, 2019. At these meetings, he shared his opinions regarding the results of the Company's audits and participated in discussions on important matters pertaining to the Company's auditing activities in general.
Yasunori Yoshimura	The Company has judged that through making use of his experience from having served in such important positions as Special Advisor to the Cabinet, professor at a university, and president of various learned societies, Mr. Yoshimura will appropriately carry out his duties as an Audit & Supervisory Committee Member of the Company from an objective standpoint, and therefore has been appointed as an Outside Director (Audit & Supervisory Committee Member).	Mr. Yoshimura attended 93% of the Board of Directors' meetings held in the fiscal year ended June 30, 2019. He primarily leveraged his experience working in such important positions as Special Advisor to the Cabinet to offer advice from an objective standpoint to help the Board of Directors ensure valid and appropriate decision-making. In addition, Mr. Yoshimura attended 93% of the meetings of the Audit & Supervisory Committee held in the fiscal year ended June 30, 2019. At these meetings, he shared his opinions regarding the results of the Company's audits and participated in discussions on important matters pertaining to the Company's auditing activities in general.
Tomiaki Fukuda	Tomiaki Fukuda has served in such important positions as President of the Japan Wrestling Federation. The Company has judged that through making use of this experience, Mr. Fukuda will appropriately carry out his duties as an Audit & Supervisory Committee Member of the Company from an objective standpoint, and therefore has been appointed as an Outside Director (Audit & Supervisory Committee Member).	Mr. Fukuda attended 100% of the Board of Directors' meetings held in the fiscal year ended June 30, 2019. He primarily leveraged his experience working in such important positions as President of the Japan Wrestling Federation to offer advice from an objective standpoint to help the Board of Directors ensure valid and appropriate decision-making. In addition, Mr. Fukuda attended 100% of the meetings of the Audit & Supervisory Committee held in the fiscal year ended June 30, 2019. At these meetings, he shared his opinions regarding the results of the Company's audits and participated in discussions on important matters pertaining to the Company's auditing activities in general.
Jumpei Nishitani	While not directly involved in corporate management, Mr. Nishitani possesses a high level of expertise and broad experience in relation to accounting and economics gained as a professor at a university's College of Business Administration. The Company has judged that through making use of such expertise and experience, he will appropriately carry out his duties as an Outside Director (Audit & Supervisory Committee Member) of the Company, and therefore has been renominated as a candidate for Outside Director (Audit & Supervisory Committee Member).	Mr. Nishitani attended 100% of the Board of Directors' meetings held in the fiscal year ended June 30, 2019. He primarily leveraged his expert knowledge and extensive experience in accounting and economics as a business professional to offer advice from an objective standpoint to help the Board of Directors ensure valid and appropriate decision-making. In addition, Mr. Nishitani attended 100% of the meetings of the Audit & Supervisory Committee held in the fiscal year ended June 30, 2019. At these meetings, he shared his opinions regarding the results of the Company's audits and participated in discussions on important matters pertaining to the Company's auditing activities in general.
Masaki Yoshino	While not directly involved in corporate management other than being an outside officer, Mr. Yoshino is well versed in corporate legal affairs as an attorney-at-law and possesses a high level of expertise and broad experience. The Company has judged that through making use of such expertise and experience, he will appropriately carry out his duties as an Outside Director (Audit & Supervisory Committee Member) of the Company, and therefore has been nominated as a candidate for Outside Director (Audit & Supervisory Committee Member).	———————————*

* The status of activities for Masaki Yoshino for the fiscal year ended June 30, 2019 is not provided as a result of his appointment taking place in September 2019.

Fair, Swift, and Proactive IR Activities

Through proactive dialogue with its stakeholders, the PPIH Group strives to ascertain social changes and needs and resolve social issues.
For our shareholders and other investors, we engage in IR activities based on the core concept of being fair, swift, and proactive. In addition to one-on-one meetings, we hold tours of our stores and small and large group meetings. In these ways, we are improving the transparency of our management and building strong relationships with capital markets.

Investor Meetings

Approx. 500 per year

We hold lively discussions with investors. Through these discussions, we keep investors up to date on our business conditions and work to ensure that investors gain an understanding of our fundamental strengths. Furthermore, by holding roadshows in Japan and roadshows overseas in Europe, the Americas, and Asia on a regular basis, we are deepening our communication with both Japanese and overseas investors.

Store Tours for Investors

Approx. 20 per year

Through tours based on specific themes held in locations such as UNY stores with converted formats and stores in Southeast Asia, local store managers provide investors with explanations on store conditions. In this way, investors are able to hear firsthand from our frontline personnel.

Financial Results Briefings

We hold financial results briefings each quarter. These meetings have earned us a high evaluation for our approach to fair disclosure for various reasons, such as sufficient explanations on the occurrence of matters, if any, that are important to the decision-making of investors, the comprehensive nature of our explanatory materials, and the prompt and fair disclosure of the content of briefings on our corporate website.

Discussions with the Leaders of Each Division

We regularly provide opportunities for analysts and institutional investors to hold discussions with the leaders of each Group division. At these discussions, candid opinions are exchanged regarding the future of the Group's business strategies.

Corporate Data (As of June 30, 2019)

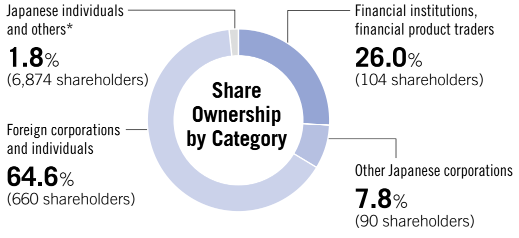
Company Name	Pan Pacific International Holdings Corporation
Business Activities	Corporate planning for and management of Group companies through the holding of shares in such companies, contracted administrative operation of subsidiaries, and real estate management
Head Office	2-19-10 Aobadai, Meguro-ku, Tokyo 153-0042, Japan Phone: +81-3-5725-7532 Fax: +81-3-5725-7322
Date of Establishment	September 5, 1980
Paid-in Capital	¥22,675 million
Fiscal Year-End	June 30
Number of Employees	Non-consolidated: 69 (Consolidated: 13,546)

Share and Shareholder Information (As of June 30, 2019)

Share Information

Shares authorized	468,000,000
Shares issued	158,321,760
Treasury stock	4,680
Number of shareholders	7,728

Notes: The number of shareholders decreased 312 from June 30, 2018.
The Company conducted a 4-for-1 stock split on September 1, 2019. However, the share information on this page is for June 30, 2019, before the split was carried out.



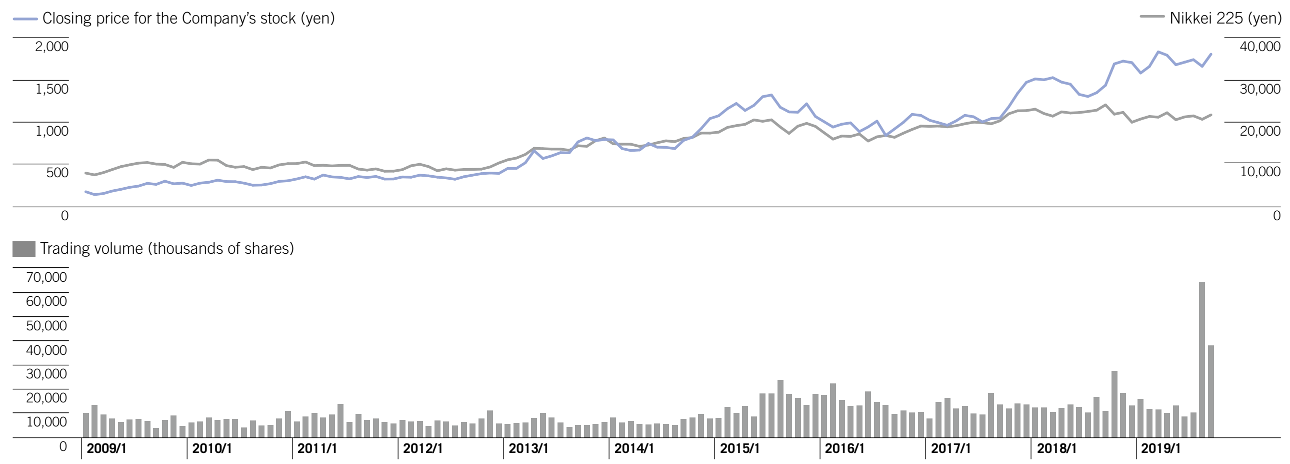
* Shares held by Japanese individuals and others include treasury stock (4,680 shares).

Principal Shareholders

Name	Number of shares held	Percentage of total shares issued (%)
Credit Suisse AG Hong Kong Trust A/C Clients for DQ Windmolen B.V.	31,307,000	19.77
Japan Trustee Services Bank, Ltd. (Trust Account)	8,634,000	5.45
Anryu Shoji Co., Ltd.	8,280,000	5.23
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,888,100	4.98
Mizuho Trust & Banking Co., Ltd. (Trust Account 0700121)	4,495,800	2.84
Yasuda Scholarship Foundation	3,600,000	2.27
JAPAN POST BANK Co., Ltd.	2,692,100	1.70
GIC PRIVATE LIMITED - C	2,588,700	1.64
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,313,400	1.46
Credit Suisse AG Hong Kong Trust A/C Clients for LA MANCHA HOLDINGS PTE LTD	2,200,000	1.39

Note: Percentage of total shares issued does not include treasury stock (4,680 shares). The number of shares held by trust accounts include shares in trust. Where Don Quijote Holdings Co., Ltd. has confirmed the actual number of shares held by the shareholder, the number of actual shares is reflected in the status of shareholding of the principal shareholders listed above.

Stock Price



Note: Share prices have been adjusted to reflect a 2-for-1 stock split conducted in July 2015 and a 4-for-1 stock split conducted on September 1, 2019.

Major Companies and Business Domains of the PPIH Group (As of September 25, 2019)

PPIH

Division	Logo	Company / Business	Group	Companies
Overseas Retail Division	PPSI	**Pan Pacific Strategy Institute Pte. Ltd.** General overseas retail business, development, import and sales of food and life-related products	PPRM (Asia)	PPRM (Singapore)
				DONKI Thonglor
				PPRM (Hong Kong)
			PPRM (USA)	Don Quijote (USA)
				MARUKAI HAWAII
				QSI
				MARUKAI CORPORATION
Domestic Distribution and Retail Division, etc.	ドン.キホーテ	**Don Quijote Co., Ltd.** Operation of Don Quijote and other general discount stores handling a variety of goods		STORECREWS
				Fujiya Shoji
				Lirack
	ユニー	**UNY Co., Ltd.** Operation of Piago, Apita, and other general supermarkets handling food and daily consumables, including clothing and household necessities		99ICHIBA
				UNIFOOD
				UCS
				SUNREFORM
				NEXCOM
				Sun Sougou Maintenance
				MY SUPPORT
	UD Retail	**UD Retail Co., Ltd.** Operation of MEGA Don Quijote UNY and Don Quijote UNY, stores developed through the conversion of Apita and Piago general supermarkets		
	長崎屋	**Nagasakiya Co., Ltd.** Operation of MEGA Don Quijote, a large-scale discount store primarily handling food and daily consumables aimed at families		
	ダイシン百貨店	**Daishin Corporation** Operation of MEGA Don Quijote Omori-Sanno branch		
	Doit	**Doit Co., Ltd.** Operation of Doit home centers, with products ranging from those for professional use by craftsmen and craftswomen to those aimed at DIY types		WITH DOIT
	PPIT	**Pan Pacific International Trading Co., Ltd.** Overseas product planning, production management, and consulting for overseas product procurement		
Real Estate Division, etc.	日本商業施設	**Japan Commercial Establishment Co., Ltd.** Real estate leasing, management, and sales as well as brokerage and parking lot operations and management		Pan Pacific Foods
	D-ONE	**D-ONE Co., Ltd.** Real estate development for PPIH Group stores and other projects		
	Japan Asset Marketing Co., Ltd.	**Japan Asset Marketing Co., Ltd.** Tenant leasing, real estate management, and facility and other maintenance		
Advertising and Promotion Division	REALIT	**REALIT Co., Ltd.** Operation of Internet services, including mobile and coupon related management as well as website operation and management		Pan Pacific Date Services
	J.I.S.	**Japan Inbound Solutions Co., Ltd.** Promotion of tourism and international exchange aimed at creating a country with strong tourist appeal		
Sales Support Division	PPRS	**Pan Pacific Retail Support Co., Ltd.** Provision of Groupwide operational support		
Operation Support Division	PPSS	**Pan Pacific Shared Services Co., Ltd.** Back-office operations such as general affairs, accounting, and legal affairs for the entire PPIH Group		Operation Shared Services

PPRM: Pan Pacific Retail Management

External Recognition and Awards

Outstanding IR Activities

Institutional Investor
2019 ALL-JAPAN EXECUTIVE TEAM
MOST HONORED COMPANY
Pan Pacific International

The All-Japan Executive Team Rankings is a ranking of listed Japanese companies that exhibit excellence in IR activities compiled by world-renowned U.S. financial industry magazine *Institutional Investor* based on votes from institutional investors and securities analysts from around the world. In the 2019 ranking, the PPIH Group was listed among the most honored companies in the retailing sector for two consecutive years.

Outstanding IR Activities

2019 Award for Excellence in Corporate Disclosure – Industries –

The PPIH Group was awarded first place in the retail sector of the 2019 Award for Excellence in Corporate Disclosure, which is held to improve the promotion of corporate information disclosure. Among the 22 companies selected from this sector for the award, the PPIH Group received high evaluations in all criteria, including "management's stance on investor relations," "investor meetings," "fairness in disclosure," "disclosure related to corporate governance," and "voluntary disclosure."

User-Friendly Website

IRサイト総合ランキング 銀賞 2018年
IRサイトランキング 小売業 業種別 第1位 2018年 Gómez
企業ホームページ 優秀サイト 2018 日興アイ・アール 総合ランキング

The Company's IR website received a Silver Prize in the Gomez IR Site Ranking 2018, which was compiled by Morningstar Japan K.K. to evaluate the ease of use and comprehensiveness of corporate websites. Our website was also ranked No. 1 in the retailing sector. In addition, the website was recognized as a superior website in the FY2018 All Japanese Listed Companies' Website Ranking of Nikko Investor Relations Co., Ltd.

A Company with High Appeal for Investors

JPX-NIKKEI 400
2013 - 2019 年度選定

The PPIH Group was selected for inclusion in the JPX-Nikkei Index 400 stock price index for the seventh consecutive year since 2013. This index is composed of companies with high appeal for investors that meet the requirements of global investment standards, such as those pertaining to the efficient use of capital and investor-focused management perspectives.

Easy-to-View Format of Presentation Materials

The PPIH Group won the 6th IR Good Visual Award, an award promoted by the IR Good Visual Award Steering Committee (Japan Investor Relations Association and Value Create Inc.). The award aims to commend companies with IR presentation materials that effectively highlight corporate value (in one slide). It also seeks to broadly share examples of good IR presentation materials. In these ways, the award provides specific guidance to personnel in charge of IR activities.

Nikkei Stock Index 300

The PPIH Group was selected for inclusion in the Nikkei Stock Index 300, a market value weighted index that aims to accurately represent the overall Japanese market using a fewer number of stocks. The index comprises 300 stocks (common domestic stocks) selected from the First Section of the Tokyo Stock Exchange.

Long-Term Issuer Rating of A+

Japan Credit Rating Agency, Ltd., a leading Japanese rating company, awarded the Company a long-term issuer rating of A+ based on its reliability for debt repayment.
In addition, the Company was recognized for having a stable outlook in reflection of its cash flow generation capacity and its accumulation of equity and continuing to maintain its stable financial position going forward.

Efforts to Ensure Gender Equality

2019 Bloomberg Gender-Equality Index

The PPIH Group was chosen for inclusion in the 2019 Bloomberg Gender-Equality Index, which was the first time the Company was included in this index. The Bloomberg Gender-Equality Index evaluates corporations' efforts to ensure gender equality as well as their approach and track record for relevant information disclosure.The index includes 230 companies from 36 countries and regions around the world. There are 14 Japanese companies included in this index, of which the PPIH Group is the only retail sector company in Japan.

Efforts Related to the LGBT Community

work with Pride Gold 2019

The PRIDE Index evaluates the efforts of corporations and other organizations toward the LGBT community. The PPIH Group was awarded the silver rating in the PRIDE Index in 2017, and the top rating of gold in 2018 and 2019. The Company received high praise for enabling employees utilizing its Same-Sex Partnership System to receive monetary gifts for weddings and other employee benefits from July 2018 as well as for other initiatives.

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