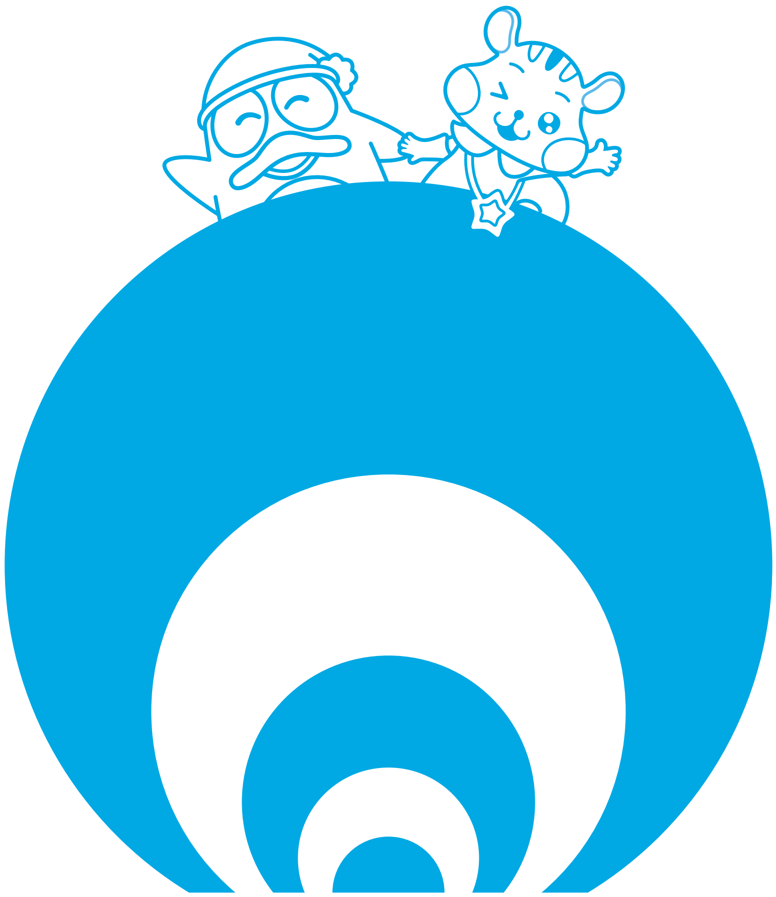
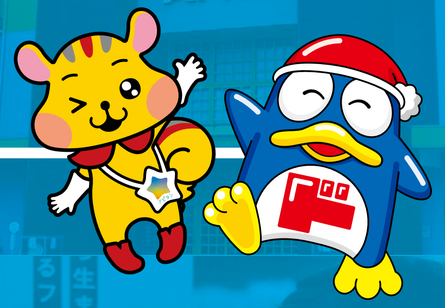


Pan Pacific International Holdings

Integrated Report 2020

感謝

Thanks to your support, the PPIH Group has arrived at its 40th anniversary, it has been 31 years since opening the first Don Quijote store, and UNY has reached its 50th anniversary. This lengthy journey has been a gift from the warm support of customers who visit our stores. We intend to continue offering stores that attract loyal customers with a rigorous commitment to our corporate principle of "The Customer Matters Most."



Consolidated Net Sales

¥ 1,681.9 billion

Operating Income

¥ 76 billion

Number of Purchasing Customers

660.6 million

Return on Equity (ROE)

14.3%

Number of Products Purchased

5,315,271,867 items

Number of Group Stores

631 stores*

Number of Group Employees

14,186

* As of October 31, 2020

(Fiscal year ended June 30, 2020)

Contents

Environment Social Governance
Guidance for Collaborative Value Creation

1. Values
2. Business Model
3. Sustainability / Growth Potential
4. Strategies
5. Success and Key Performance Indicators
6. Corporate Governance

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.

The World Is Entering a "VUCA Era" in Which the Abnormal Is the New Normal

Japan confirmed its first case of COVID-19 infection in January 2020. Who imagined our current conditions at that time? COVID-19 infections subsequently spread rapidly throughout the world, and city lockdowns and restrictions on going outside constrained people's behavior worldwide. Economic activity stalled due to these measures, and the global economy encountered the worst recession since the Second World War. These conditions have heavily affected people's lives.

In Japan, the number of visitors from overseas dropped 93% year on year in March 2020 and then was down by 99.9% year on year for four straight months, from April through July. Due to this trend and the postponement of the Tokyo Olympics, the retail and tourism industries have confronted difficult conditions.

How should people respond to such abnormality becoming the "new normal" and to such unexpected conditions?

Volatility

Advances in technology, such as IoT, fintech, virtual reality (VR), and artificial intelligence (AI), are contributing to a faster pace of change in the world. While society is becoming more prosperous, markets are also moving through the cycle of maturation and obsolescence more rapidly.

Uncertainty

Larger typhoons, including the 2019 Boso Peninsula Typhoon, and torrential rainfall in July 2020 as well as other abnormal weather are occurring more often and causing great damage. Natural disasters and COVID-19 involve many uncertainties, and it is difficult to forecast the future.

Complexity

As a result of advances in economic globalization, protectionist policies continue to garner political support. This impact affects Japanese companies too, and the outlook remains unclear.

Ambiguity

An increase in Internet and social media users is driving circulation of a wide range of information. This is helping to diversify people's mindsets and needs.
Past successes are no longer applying to today's business issues.

Note: VUCA is an acronym for Volatility (V), Uncertainty (U), Complexity (C), and Ambiguity (A) and conveys the notion of an "unforeseeable state."

TOP MESSAGE

Breaking into new growth fields through further delegation of authority under a new organizational structure

Naoki Yoshida
President and CEO, Representative Director

Overcoming Difficult Times Thanks to Group Unity

At the outset, I would like to express my sympathies to all persons who have been affected by the novel coronavirus (COVID-19) and their families and loved ones.

At the same time, in order to ensure the safety of our customers, we remain committed to not only implementing thorough management of our stores and offices, but also to advancing measures that help and assist our employees, who themselves are facing difficult situations in the midst of this global pandemic.

In the fiscal year ended June 30, 2020, we recorded consolidated net sales of ¥1.682 trillion (up 26.6% year on year), operating income of ¥75.9 billion (up 20.4%), and delivered an increase in sales and profits for the 31st consecutive year since the establishment of the first Don Quijote store. I recognize that this is the sum of the efforts of each and every one of our Group employees, who have amply demonstrated their ability to adapt through delegation of authority, even under the most challenging of circumstances.

Looking back on the previous fiscal year, September 2019 saw only lackluster last-minute sales, even though it was the month before the hike in the consumption tax. When the increase in the tax rate hit sales in October, it looked as though in the run-up to the year-end our existing stores would fail to exceed their sales results from the previous year.

As the new year dawned, just as we were starting to see signs of improvement, we found ourselves struck by the tremendous impact of the COVID-19 pandemic.

In order to overcome this critical situation, we held a series of meetings, starting with the first Group Rally on March 5. At these meetings, we proposed policies and strategies unique to our company, with the aim of turning this unprecedented crisis into an opportunity. We then started to implement these one after the other.

I reiterate my analysis that it was as a result of these efforts that the unity of the PPIH Group was further strengthened, and as I noted above, we were able to achieve an increase in sales and profits for the 31st consecutive year.

True Sense of Unity Born Out of the Global Pandemic

Whatever the case, there is no doubt that the global COVID-19 pandemic, which is said to be an unprecedented, once-in-a-century event, has demonstrated our Group's strengths, namely our ability to adapt and our thorough commitment to our corporate principle of "The Customer Matters Most."

Symbolic of these efforts are the whiteboards that employees took the initiative in placing outside many of our Group stores.

The front of these boards detailed the location and quantities available of "emergency necessity" products, such as masks and disinfectants, while the back of the boards was crammed full of handwritten messages of support and gratitude spontaneously written by customers. These messages were spread via social media, and as a result, they attracted many customers.

In short, this extremely "analogue" method of communication—writing by hand on a whiteboard—helped to bring together employees and customers to "mingle" in the setting of our stores. This episode is truly the perfect example of our company's strengths in action.

As for UNY, however, it is necessary to look back in a slightly different context. In October 2019, we launched a full-fledged post-merger integration (PMI) of UNY, but unexpectedly it was perhaps the external changes caused by the COVID-19 pandemic that brought about a true sense of unity between Don Quijote and UNY, including also in an emotional sense.

At the very least, in the midst of the pandemic, where the commercial environment was facing truly critical conditions, UNY leveraged its strengths in the suburban commercial markets, standing firm to provide solid support for our consolidated results.

Of course, Don Quijote also boosted the Group's momentum by fully demonstrating its "ability to adapt," mainly at suburban roadside stores, as demand led by inbound tourism and city center commercial needs evaporated.

To put it another way, the COVID-19 pandemic could be said to have presented us with a good opportunity to engage in friendly competition and hold each other in mutual respect.

Responding to Issues That Need to Be Resolved in the Fiscal Year Ending June 30, 2021

Next, I would like to touch on the issues that have arisen as a result of looking back on the previous fiscal year, and how we intend to respond to them.

Firstly, if we had secured e-commerce and other channels in addition to our existing (real) stores, there is no mistaking that our results would have been greatly improved in the midst of the COVID-19 crisis. We are currently working hard to respond to this issue through the Marshmallow Project.

Secondly, our "individualism," which can be said to be both one of our strengths and also one of our weaknesses, was particularly noticeable this time around in terms of securing products such as masks and also in inventory management.

That is to say, it is possible that the burden on employees could have been reduced considerably if the response to such an abnormal situation had been properly systematized instead of relying on individualism. This is an important issue that needs to be addressed as soon as possible from this fiscal year onwards.

Thirdly, we should have been quicker to bring forward the deployment of our new pricing strategy. We have now reached approximately the halfway point in the rollout of the new system, and plan for it to be fully operational in all stores by the end of the current fiscal year. We will continue to optimize pricing and inventory through repeated trials going forward.

Fourthly, and most importantly for this fiscal year is the challenge to enhance our product strengths, including spot products and private brands.

On September 1, 2020, the Company transitioned to a system of 102 branches. This is a system in which one branch manager is responsible for a trading area that encompasses one million people and transcends the corporate boundaries of Don Quijote, Nagasakiya, and UD Retail. By completely delegating authority to these 102 branch managers, our sales and marketing capabilities will be greatly enhanced.

Next, we will have to make sure that we brush up not only our store-centered approach, but also our product-centered approach.

Our fifth challenge is to make a break from "conventionalism," the definition of which can be said to be looking back and making comparisons with past practices. In a sense, this is the complete opposite of the "creative destruction" that the PPIH Group should be aiming to achieve. From the current fiscal year onwards, we will set out to establish a new path of increasing sales and profits that breaks away from such conventionalism.

Finally, we will move to enhance ESG management. In a fast changing social and business environment, we must establish a platform for ESG management so that we can achieve sustainable growth and increase our corporate value in the medium-to-long term.

It is to this end that our new medium-to-long-term management plan "Passion 2030" sets out basic policies for ESG, important challenges (materiality), and a roadmap for the promotion of ESG. We will endeavor to build a structure capable of more proactively promoting ESG management.

Aiming for Organizational Simplicity under a System of Individual Companies

In order to ensure that we are well positioned to realize the above measures swiftly and surely, from July 1, 2020, we transitioned to a new organizational structure of individual companies, under which our core value of delegating authority is enhanced even further.

Under this "company system," the company presidents and CMOs*1 are delegated broad authority, by which it will be possible to speed up the decision-making process. In the merchandise division (product policy), we plan to announce a new policy soon that brings us in line with the changing needs of our customers.

The single largest feature of the "company system" is that it is centered around the three axes of business (in-house companies), products and holding company functions, and delegates significant authority to each.

In addition, an Executive Committee in accordance with these three axes has also been established. Based on this management policy, the presidents responsible for the business axis and the CMOs tasked with overseeing the products axis will be delegated to actively take on the challenge of drastic business expansion, while the CSO*2 of the holdings axis will provide firm support.

In any event, this broad-ranging delegation of authority through these three axes will open up new fields, realizing the overall optimization of the PPIH Group, rather than the individual optimization of Group companies.

In addition, in order to steadily foster and ensure the permeation of this new organizational structure, we have formed a new Corporate Philosophy Promotion Headquarters, which will act as a pillar of the PPIH Group's action guidelines.

One of the reasons for the establishment of this new headquarters is that in the process of implementing organizational restructuring, I personally once again found enlightenment in the "Rules for Bosses" contained in *Genryu* (The Source), the fourth of which is "Don't rule by fear." This demonstrates that the misuse of human resources' rights threatens our corporate principle of "The Customer Matters Most."

I, as CEO, as well as all directors and executives, must put into practice the principle of "The Customer Matters Most" by ensuring that our management practices are in line with *Genryu*. I pledge that through the restructuring and creation of a new organizational structure based on *Genryu*, we will boldly move forward to further expand the PPIH Group.

December 2020

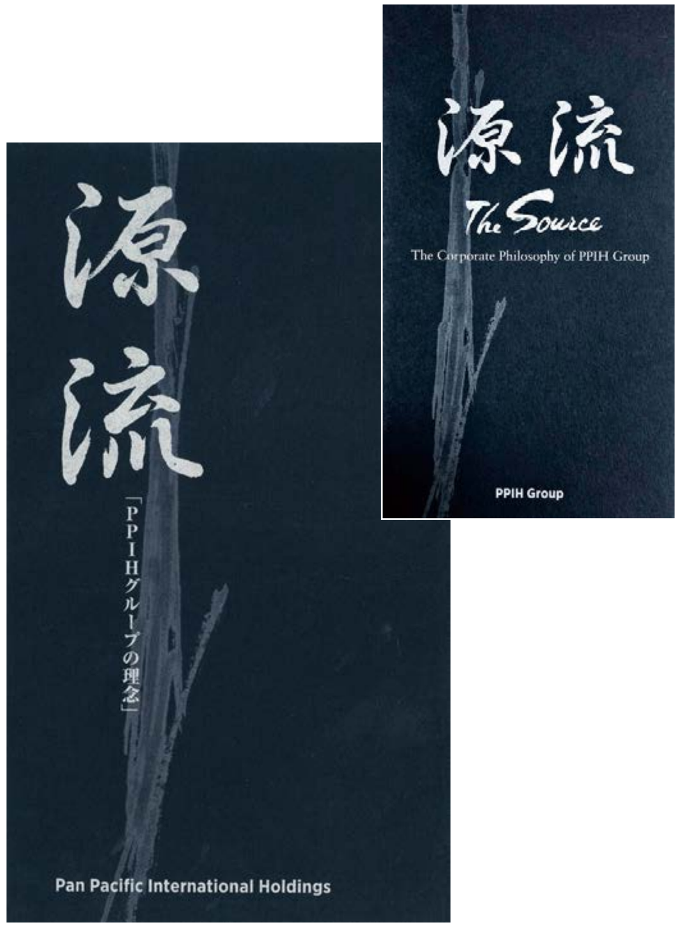
Naoki Yoshida

*1 Chief Merchandising Officer
*2 Chief Strategy Officer

Corporate Principle of the PPIH Group

The PPIH Group's Core Value — "The Source"

"The Source" is a book on corporate ideals that clarifies the ideas and thoughts of founder Takao Yasuda. It presents guidelines for behavior that all employees and directors of the PPIH Group should follow. It defines our pride and reason for existence.



Corporate Principles

"The Customer Matters Most"

Approach that the PPHI Group should pursue

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.

Return to "The Source" in Times of Crisis

Takao Yasuda
Founding Chairman & Supreme Advisor

We must strive to behave and act in accordance with "The Source" in order to fulfill our commitment to "The Customer Matters Most" at all times. This does not change even at times of major global upheaval.

Co-Prosperity with Local Communities

We offered part-time staff opportunities to employees of restaurants who were laid off or lost their jobs due to curtailment of business activities at the height of the COVID-19 outbreak. Our initiative provided support to the livelihoods of these people by giving them jobs that utilize their experience at PPIH Group stores handling fresh foods and prepared foods.

Furthermore, we held discussions with local governments and nearby schools and decided to donate alcohol-based hand gel and other hygiene products and food to struggling households. In these activities, we thought about what should be done to defend the safety and well-being of local people and acted quickly.

Support for Our Employees

We formed the COVID-19 Emergency Measures Headquarters on March 6 to amply support employees working diligently during the COVID-19 outbreak in leveraging their "ability to adapt." We issued notices on infection prevention from the Headquarters to ensure proper preventive measures and actions as a response to suspected cases and took steps to prepare a telework environment for divisions suited to this format and adjust work hours.

We also arranged special holidays for employees to obtain days off in order to care for children attending elementary schools that had temporary closures and formulated provisional welfare benefit measures tied to work results and factors for all employees.

Communication with Our Customers

We fulfilled our role as part of the local lifeline to protect the lives of our customers by thoroughly implementing measures to prevent infections against a backdrop of many stores and facilities that closed during the state of emergency period. Our frontline operations made rapid decisions, such as obtaining mask inventories through a variety of routes, to supply things that customers needed during the COVID-19 outbreak.

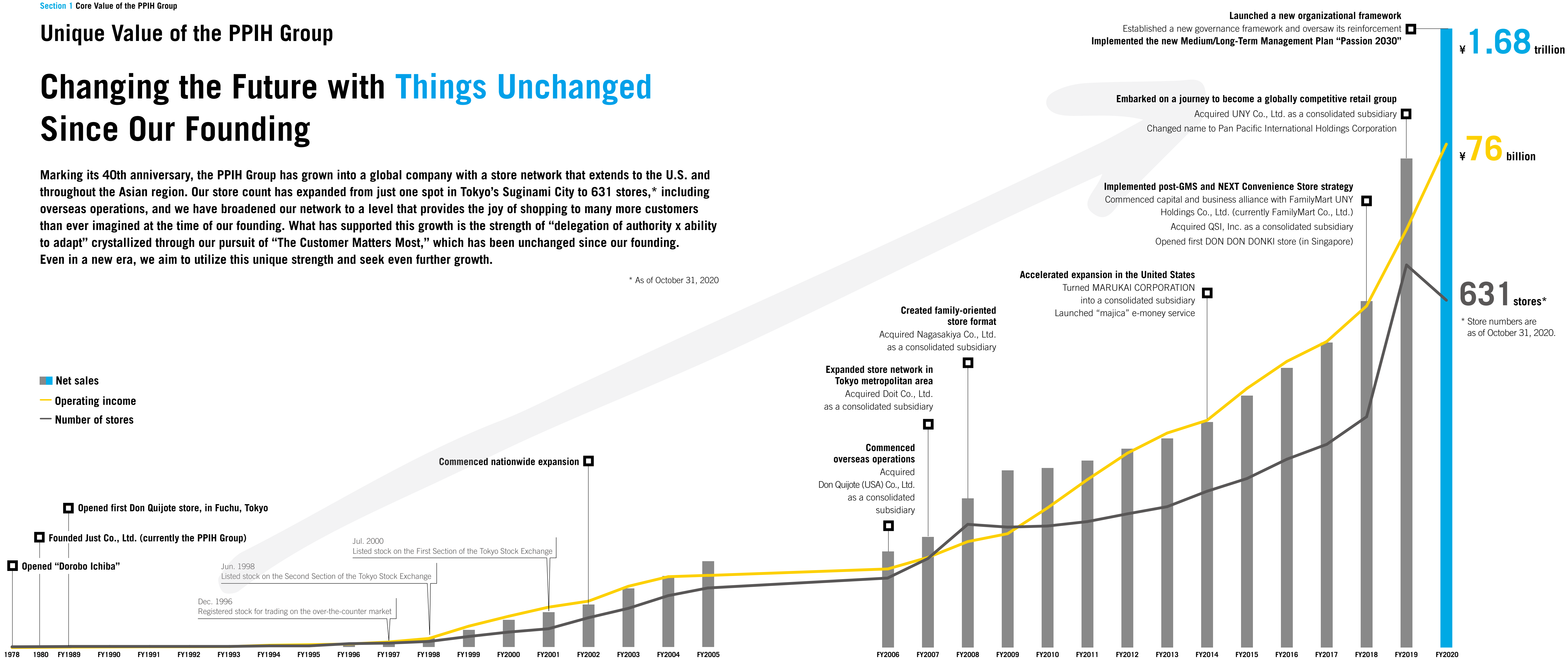
Additionally, at many Don Quijote stores, we utilized whiteboards at stores to give updates on availability of daily essentials and thereby actively engaged in communication with customers.

Unique Value of the PPIH Group

Changing the Future with Things Unchanged Since Our Founding

Marking its 40th anniversary, the PPIH Group has grown into a global company with a store network that extends to the U.S. and throughout the Asian region. Our store count has expanded from just one spot in Tokyo's Suginami City to 631 stores,* including overseas operations, and we have broadened our network to a level that provides the joy of shopping to many more customers than ever imagined at the time of our founding. What has supported this growth is the strength of "delegation of authority x ability to adapt" crystallized through our pursuit of "The Customer Matters Most," which has been unchanged since our founding. Even in a new era, we aim to utilize this unique strength and seek even further growth.

* As of October 31, 2020



Our Roots

In 1978, founder Takao Yasuda opened the miscellaneous goods store Dorobo Ichiba, the predecessor of the PPIH Group. Despite starting this business without any retail experience, he passionately exhibited a commitment to "The Customer Matters Most." While convenience stores closed by 11 pm at that time, many customers reacted favorably to a miscellaneous goods store that stayed open until midnight.

A commitment to "The Customer Matters Most," which has been unchanged since our founding, and a contrarian approach of "never copying other major retailers" are still our fundamentals.

Started with pursuit of "The Customer Matters Most"

Discovery of Unmet Nighttime Demand	Catalyst to begin nighttime operations
Creation of Distinct Shop Floors	Starting point of value creation through provision of "stores as a place to spend time"
Start of Delegation of Authority Founded on Trust	Source of strength

Unchanging Strength Born from the Founding Spirit

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.

Maximizing the Strength of Adapting to the Times

With the arrival of our 40th anniversary, we have built a framework to support further growth. The adoption of a new organization with "internal companies" enables us to achieve far-reaching delegation of authority and thereby accomplish overall optimization. We also promote strategies using AI and digital capabilities, such as the Marshmallow Project, to bolster the ability of frontline operations to adapt. Our "delegation of authority" culture passed along since our early years is truly alive as a strength fashioning a new era.

Environment Facing the PPIH Group

Addressing All Changes, Responding Quickly to Risks, and Maximizing Opportunities

Modern society is undergoing rapid changes, such as advances in globalization in a variety of areas, due to progress in information and communication technologies and open markets. Japan faces many difficult issues in an ultra-aged society, including shrinkage of economic scale and sustainability of social guarantee programs and fiscal finances. Companies must stay abreast of trends in fintech, AI, e-commerce, and other technologies even more than in the past to address these changes, particularly in the wake of the impact from the COVID-19 outbreak.

Outside of Japan, while emerging countries are sustaining strong economic growth and robust population growth rates in these countries are helping to boost economic efficiency, global resource depletion and environmental challenges are worsening and it is vital to actively contribute to the resolution of these issues.

Japan in 2065

Total Population

Decline to **88.08** million people

Productive-age Population (15-64 years old) Ratio

Decline to **51.4**%

Source: Ministry of Health, Labour and Welfare, White Paper 2019

Aging Ratio
(Percentage of people aged 65 or above)

Increase to **38.4**%

IMF's 2019 GDP growth rates in major countries and regions

Japan **0.7**%

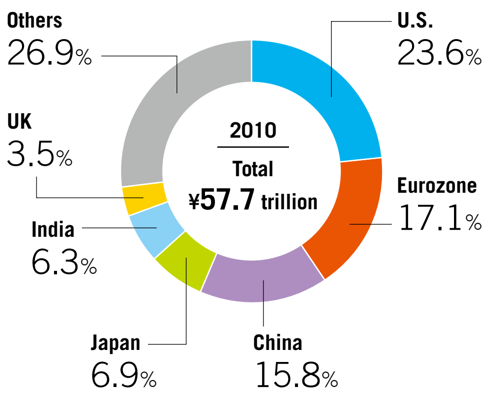
(Developed countries 1.7%, emerging and developing countries 3.7%)

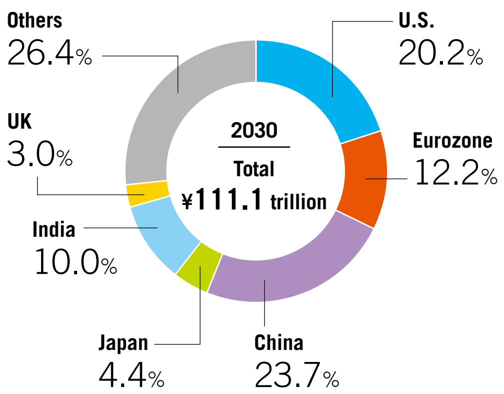
Source: World Economic Outlook, International Monetary Fund, October 2020

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
- COVID-19 outbreak

GDP Shares of the Global Economy for Major Countries (Real 2005 Chained U.S. Dollar Basis)





Note: Eurozone covers 15 countries that are OECD members.
Source: Prepared from OECD (2014) "Economic Outlook No. 95"

With a belief that initiatives to tackle social issues could provide new business opportunities, the PPIH Group continues to build a foundation to support sustainable growth while dealing with anticipated challenges. The Group intends to adapt to changes in the world at an even faster pace than up to now.

To realize sustainable growth, the PPIH Group aims to not only expand its size but also implement structural reforms for delivery of low costs and high profitability.

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
- Digital transformation
- Augmentation of value creation capabilities through human resource diversity
- Cultivation of financial business

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
- Changes in the management environment caused by COVID-19
- Unexpected changes in policy and legal systems
- Uncertainty of the market environment

The PPIH Group's Response

Business Portfolio Management in Japan

We are making steady progress with business portfolio management in the context of diverse store formats and locations, store sizes, and aspects and announced the New Apita Piago Concept as a new strategy that aims to maximize synergies with UNY and further strengthen the business foundation. We intend to implement rebranding of "Apita" (broad-line supermarkets) and "Piago" (food supermarkets) with the goal of realizing sustainable growth at UNY. Through our efforts, we hope to develop "stores that people want to go to every day," by including feedback from local customers and ideas from store staff.

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Environmental Management with an "Eco-First Promise"

The PPIH Group strives to contribute to building a sustainable society through business activities with an environmental policy of "being an eco-friendly corporate citizen." As a leader in environmental initiatives, UNY submitted an "Eco-First Promise" to Japan's Environment Minister. We are pursuing solutions to environmental issues jointly with customers through the reduction of food waste, recycling, and other actions to help attain the Sustainable Development Goals (SDGs).

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Steadily Advancing Business Model

Entering a New Era of Value Creation, "Ability to Adapt" Value Creation Story

We intend to strengthen our governance framework, a key foundation, and cultivate human resources who truly embody "The Source" spirit in order to ensure thorough commitment to "The Customer Matters Most" philosophy, the core of all business activities at the PPIH Group. Furthermore, we will seek value creation through the "promotion of GMS strategy" and other efforts based on the new Medium/ Long-Term Management Plan "Passion 2030."

We see the current major global turning point as "a new era of value creation" and aim to find solutions to all issues by creating new value by harnessing digital transformation (DX), sales strategy, and other factors.

Social Changes

New Changes

- Decline in personal consumption
- Expansion of "service" consumption
- Restrictions on movement
- Accelerated digital shift
- Advent of AI
- Heightened awareness of environmental problems
- Widening wealth disparity

- Population aging and birthrate decline
- Shrinking workforces
- Emergence of a new consumption generation
- Climate change
- Resource depletion

"The Customer Matters Most"

Driving force for all of our business activities

Promotion of Value Creation

New Medium/Long-Term Management Plan

"Passion 2030"

P.14

Business Activities Drawing on Our Competitive Edge

Overseas Retail Division

Digital Field Division

Advertising and Promotion Division

Real Estate Division

Domestic Distribution and Retail Division

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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VISION

Entering a New Era of Value Creation

Achieving innovation while demonstrating our "ability to adapt" to a new vision of society and societal values

Five Challenges

- New Medium/Long-Term Management Plan "Passion 2030" P.14
- Refinement of existing stores and maximization of customer income P.18
- Digital strategy underpinning "The Customer Matters Most" P.22
- Confirmation of further growth in overseas business P.20
- Aiming for a sustainable society P.28

MISSION

Supporting diverse lifestyles and providing anticipation and excitement

Creation of Value

Promotion of the GMS Strategy

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. UNY has been sustaining healthy earnings, even with the COVID-19 outbreak, due to its product lineup that mainly covers items that are essential to daily life, such as perishable foods and daily goods. We intend to steadily convert business formats for existing Apita and Piago stores operated by UNY based on our plan.

We are therefore working to establish a unique post-GMS model that is distinctly different from the Japanese-style GMS models of competitors.

Rollout of Stores in Japan and Other Countries

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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.

New Medium/Long-Term Management Plan "Passion 2030"

Start of the New Medium/Long-Term Management Plan "Passion 2030"

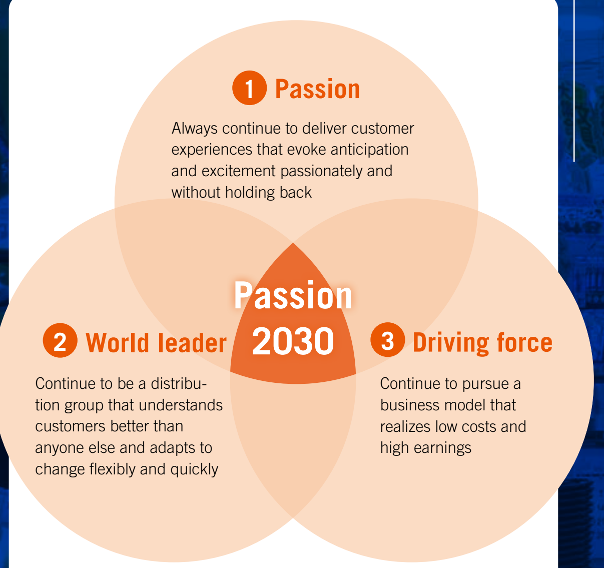
The PPIH Group fully attained its goals from the previous Medium-Term Management Plan "Vision 2020" of ¥1 trillion in net sales, 500 stores, and 15% ROE one year ahead of time, in 2019, and commenced the new Medium/Long-Term Management Plan "Passion 2030" in February 2020.

In fiscal year 2020, even with the COVID-19 outbreak, we achieved the 31st straight year of higher sales and profits by leveraging our "ability to adapt," an important strength. Meanwhile, we think it is vital to transition to a new growth strategy that is not just an extension of past activities to continue growth in the future amid major changes in the business environment.

We believe changes in people's behavior and customer consumption values triggered by the COVID-19 outbreak are irreversible. The PPIH Group approaches changes in society as growth opportunities and plans to continue engaging passionately in internal and external competition while deepening its understanding of customers and making timely adjustments to reflect these changes.

Passion 2030

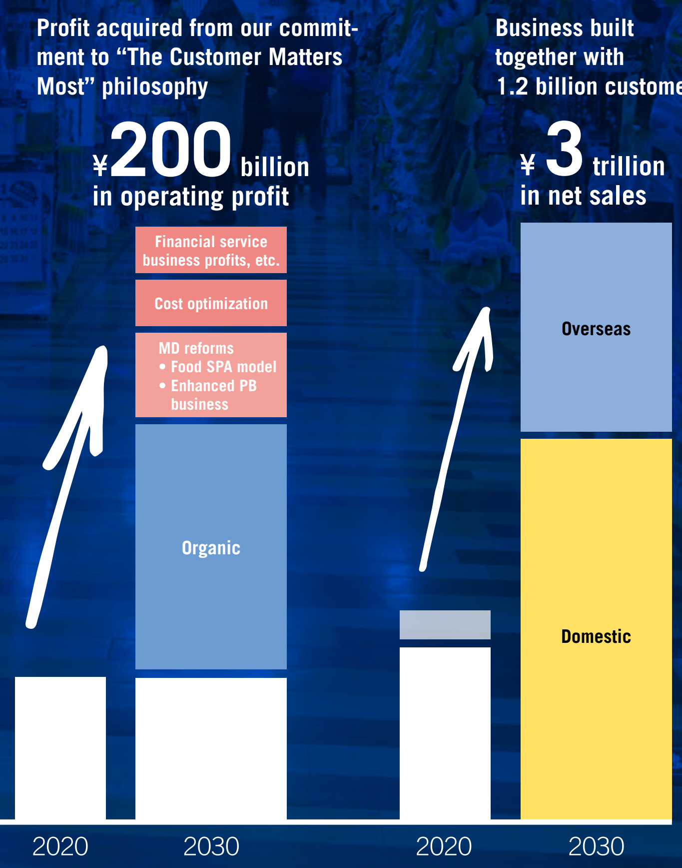
Enhancing corporate value by deepening our understanding of customers and thoroughly implementing our philosophy of "The Customer Matters Most"



In the new Medium/Long-Term Management Plan "Passion 2030" with the fiscal year ending June 30, 2030, as the final fiscal year, the PPIH Group pursues and seeks realization of three overlapping aims: 1 promote business passionately, 2 become the world leader, and 3 harness business to become a driving force.

We hope to generate roughly ¥150 billion on an organic basis that applies our existing operating margin while adding about ¥50 billion in profit improvement from MD reforms, reinforcement of private-brand (PB) development, and other activities, digitalization and other cost optimization savings, and acquisition of profits in financial service business.

We want to establish a solid ¥2 trillion operation as an "only one retailer" in Japan and pursue ¥1 trillion in overseas sales by building and expanding as a "Japanese brand specialty store" in overseas markets.



Domestic — Establishing a Solid ¥2 Trillion Operation

Profitability Enhancement as an "Only One Retailer"

We implemented a growth strategy driven by opening more stores up to now, but we aim to transition from "quantity" to "quality" in our future policy and pursue refinement of existing stores and maximization of customer income.

- **Portfolio management and maximization of Group synergies**
- **GMS business revival and income reforms**
- **Promotion of digitalization strategy**
- **Expansion of financial service business and achieving profitability**
- **Optimization of the cost structure to improve competitiveness**

Overseas — Seeking an Aspirational ¥1 Trillion Operation

Building and Expanding as a "Japanese Brand Specialty Store"

We intend to build global SPA operations and seek growth by establishing an attractive unique format and expanding the store network in the Pan-Pacific region.

- **Creation and establishment of a new format focused on Japanese brands**
- **Promotion of food SPA**
- **Business expansion in Asia**
- **Building a foundation and creation of a new format in North America**
- **Construction of global shared service operations**

Promotion of Further Growth in Japan and Abroad

We intend to provide our utmost assistance as a holding company to rapidly implement strategies in Japan and abroad, including pursuit of edited-style MD that stays ahead of others and digitalization that supports and strengthens the overwhelming frontline fighting spirit, the most important strength of our Group.

- **Utilization of economies of scale and promotion of MD policies and SPA suited to the business format**

We intend to bolster our prepared foods (mobile food delicatessen) business that understands customer needs and expand the value chain through collaborative PB with manufacturers and other initiatives.

- **Promotion of the Marshmallow Concept**

We aim to craft measures for a new era that co-exist with delegation of authority and other Group strengths utilizing IT and AI and collaborating with external companies.

Please refer to the following URL for details.
https://marshmallow.inc/

- **Organization and system to foster "managerial human resources" and "merchants" who underpin our philosophy of "The Customer Matters Most"**

We aim to foster and spread managerial awareness by switching to an internal company system, improve the visualization of human resources utilizing data, and support cultivation of global merchants.

- **Promotion of desired societal value creation (ESG)**

We aim to promote ESG activities and achieve sustainable growth through business activities as a comprehensive retailer.

- **Promotion of financial strategy integrated with business strategy**

We want to conduct efficient fundraising and capital investments and optimize our balance sheet.

Domestic Business

Overview of Domestic Business

Demonstrating Our "Ability to Adapt" During COVID-19

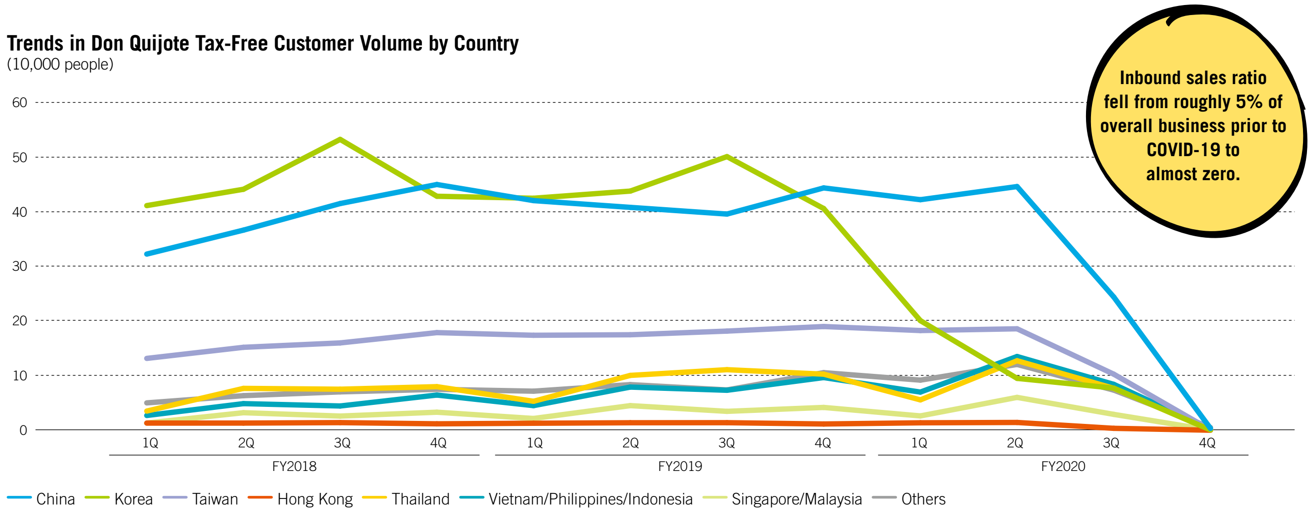
Resilience under Difficult Conditions

The COVID-19 outbreak eliminated inbound demand, and customer traffic in central Tokyo dropped sharply during the state of emergency. Despite the headwinds, we continued our commitment to "The Customer Matters Most" philosophy and leveraged our "ability to adapt" strength.

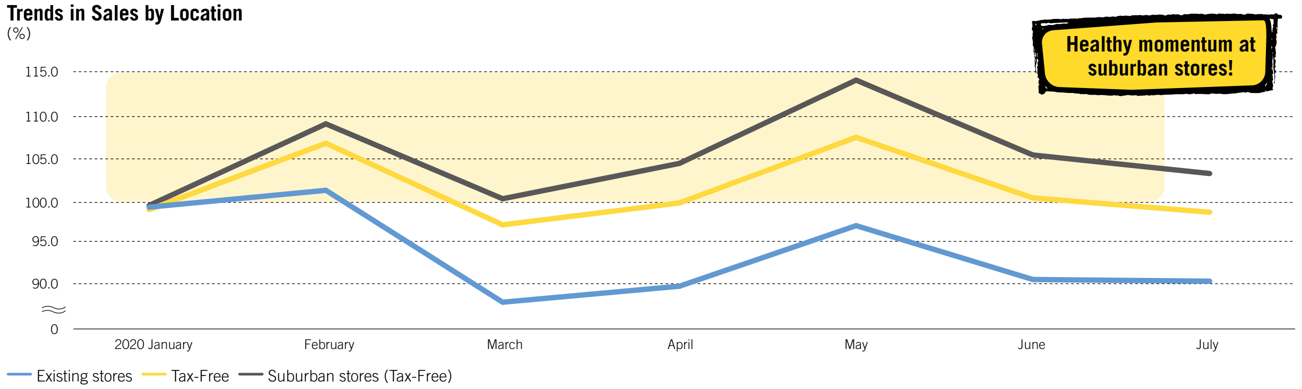
Our stores gathered products from all business partners, and product headquarters at UNY and Don Quijote jointly put their full efforts into securing items needed to continue operations. Thanks to these activities, we were able to offer masks, sanitizers, toilet paper, and products at our stores, even during the peak of the COVID-19 outbreak. The continuation of business to protect the well-being of our customers and our ongoing procurement and sales of products not available at other stores were well received by customers, and this information was widely conveyed through word-of-mouth on social and other media, leading to an increase in customer traffic.

We continued operations to protect people's well-being in an abnormal situation encountered for the first time and fulfilled our role as a local lifeline. We also took various initiatives at stores to deal with changes in customer demand. The result was a healthy recovery.

Trends in Don Quijote Tax-Free Customer Volume by Country
(10,000 people)



Trends in Sales by Location
(%)



"Unexpected" Situation Offers a Growth Opportunity

UNY, which has a strong presence in suburban areas, supported Group results amid crisis conditions in the commercial environment. Don Quijote, meanwhile, managed to offset a nearly complete loss of inbound and central Tokyo commercial business with adaptation mainly at suburban roadside stores. The "unexpected" crisis highlighted resilience of positive aspects in the two businesses and served as an opportunity to reconfirm mutual strengths.

Furthermore, amid major changes in general society due to the impact of COVID-19, we recorded upbeat sales of telework-related goods that were quickly sold out and products that enhance time spent at home, such as hair clippers, board games, jigsaw puzzles, *takoyaki* pans, and yoga and training goods. There were also many cases of demand upturns for unexpected products, such as button batteries that reflected demand from remote controllers used to operate electric appliances and fireworks. We intend to continue enhancing the "PPIH uniqueness" of stores through provision of products that drive anticipation and excitement utilizing our "ability to adapt" strength of meeting customer needs via trial-and-error efforts.

Ability to Adapt at Stores During the COVID-19 Outbreak

Switching from higher-priced products to number of items purchased, meeting single-person needs
(Don Quijote's Dotonbori Store)

We newly created an item-selling corner that breaks up set products into individual items, including Ziploc bags, sponges, and food wrap, to meet the needs of single-person customers.

Importance of customers currently visiting stores
(MEGA Don Quijote Shibuya Store)

We newly established a disaster measures corner at stores to address bulk buying demand.

Communication with customers using whiteboards
(Don Quijote Nakameguro Main Store)

We update the state of product shipments using a whiteboard. This has been a tool for communication between employees and customers, and we have received messages of gratitude from customers, saying "it's helpful to be able to understand the situation at a glance."

The PPIH Group's Ability to Adapt During the COVID-19 Outbreak

The COVID-19 infection prevented many passengers and crew members from leaving the *Diamond Princess* cruise ship. We formed a project team that cut across divisions to help out with the situation and provided goods as well as support with sold items on four separate occasions, starting February 14. The Logistics Division, MD Development Headquarters, PB Business Strategy Headquarters, and other related divisions collaborated promptly to enable provision and sales of bath towels, masks, clothing, and other assistance items, totaling 18 tons. We also arranged to provide goods in tote bags that contained items packaged in small amounts and thereby could be passed directly to boat passengers as supplies. We received a letter of gratitude from the *Diamond Princess*' managing company for this level of care and speedy response.

Arranging for the provision of assistance goods

Tote bag containing products packaged in small amounts

Domestic Business

Initiatives in Domestic Business

Shift from Growth Driven by Store Expansion to “Existing Store Refinement” × “Maximization of Customer Income”

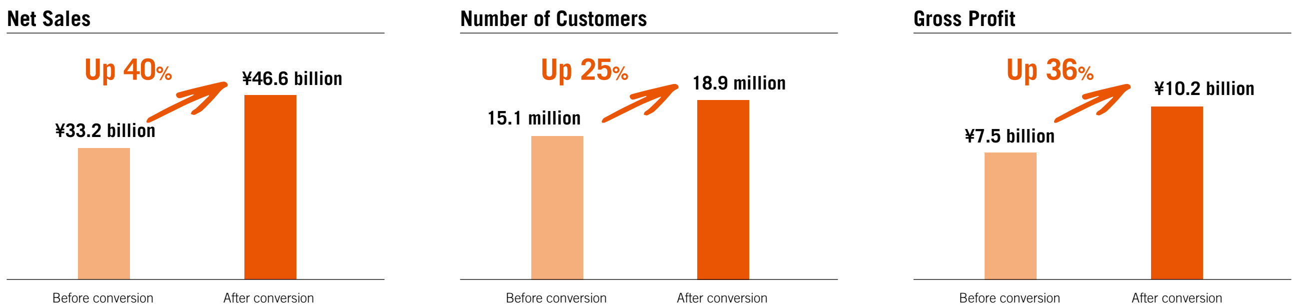
Upbeat Trends in Format and Work Reforms

In domestic business, we are promoting business portfolio management with diverse formats, store locations, and store sizes and bolstering profitability. By creating Group synergies and maximizing economies of scale with segmentation of various formats, we aim to build a powerful business foundation.

We are making steady progress with the plan to convert some Apita and Piago stores operated by UNY to MEGA Don Quijote UNY stores and had a total of 41 stores in this category at the end of June 2020. With customer selection of these stores for their lineups and pricing, we have enhanced our position in commercial zones and achieved strong growth.

Progress with Format-Converted Stores (Stores Operating Less Than a Year)

Twenty-five double-name format-converted stores (Stores operating less than a year)



We have a total of 41 MEGA Don Quijote UNY format-converted stores. With customer selection of these stores, which mainly handle daily essentials, for their lineups and pricing, we have enhanced our position in commercial zones and achieved strong growth.

Before conversion: July 2018 to June 2019; After conversion: July 2019 to June 2020 (from the conversion date through June for each store)
Directly operated sales floors excluding tenants and consignment

New Piago Vital to Renewed Growth in UNY Business

PIAGO Plus Myokoji reopened as the first New Piago store with full-fledged individual store management rooted in “delegation of authority.” At its 50th anniversary, UNY started the rebranding of existing stores aimed at supporting business in the next 50 years. It plans to relaunch roughly 10 stores as experimental renovated sites during fiscal year 2021.

“Advanced GMS” with Category Specialization by Floor Concept

UNY revamped its composition to separating categories by floor with the purpose of reliably sustaining the senior segment that is its main customer base at this point and recruiting the family segment that Don Quijote has struggled to attract up until now. It also introduced a “floor store manager” assigned to each floor, a first for UNY, and is developing sales floors “from the customer perspective” led by mates who are the closest to customers. This format harnesses things learned from UD Retail and applies methods not used by UNY in the past.

The store has demonstrated a healthy start versus the sales plan goal since opening on June 27, 2020.

Changes in Myokoji Store Floor Composition

	Before conversion	After conversion
Third floor	Daily necessities	DAILY DRUG
Second floor	Apparel and accessories	APITA CLOTHING
First floor	Fresh foods and other foods	PIAGOプラス

MD and PB Initiatives

Promoting edited-style MD with the aim of increasing No. 1 categories from a longer-term perspective

Ken Sakakibara
Director & Managing Executive Officer
CMO (Non-Food)

Pursuit of Edited-style MD and PB Initiatives

Edited-style MD builds the best lineup from staple products and spot products procured from existing business partners.

Since all PPIH Group stores apply a concept of “an enjoyable experience,” they steadily adopt lineups that outperform others so that customers can enjoy visiting the store. In recent years, family-segment customers have risen, and this has resulted in increasing product lineups to accommodate shopping by families and a shift away from past emphasis on younger customers. Meanwhile, it is also necessary to move beyond overly extensive product lineups and thus carefully select among products in the same category and boldly take on challenges with items that have future needs.

PB business addresses latent needs that could not be covered in past procurement and spot products. We expect growing PB demand in consumer electronics, apparel, household miscellaneous goods, and other categories. It is important to distinguish between products suited to edited-style MD and others that should be handled under PB business. We think PB development has a major role to follow up in categories that cannot supply all stores using edited-style MD. Our top priority is building strong categories that lead to customers saying “Don Quijote's the place to buy XX.” Leveraging edited-style MD and PB, we aim to increase the volume of No. 1 categories in product capabilities, lineups, pricing, and other aspects over the longer term.

Product Reorganization

Product reorganization is a major issue in store operation. It is ideal to offer products that avoid waste through accurate selection at suitable pricing. This also serves as the consolidation standard. Products placed on shelves must have their own value and significance.

One of our recent initiatives is the formation of a “Product and Inventory Revitalization Division.” With this move, what had been a management department at headquarters is now the MD Headquarters under sales. The new division aims to be a proactive “defense” department by issuing alerts for products with low turnover, including procurement by headquarters and stores, and collaborating with the Product Division if it finds products with “signs” of potential for improved results. Use of the “Product and Inventory Revitalization Division” name, rather than Product and Inventory Management Division, conveys that this is not just a “defense” department for thinning out products that are not selling; it also has an “offense” role of identifying products with high turnover rates and emptying shelves and procuring new products. We intend to act in a timely manner with product reorganization by highlighting products in inventories through such thinning out.

Acquisition of Economies of Scale and Removal of Disadvantages

The PPIH Group aims to further utilize economies of scale that expand business size and broaden format scope. In procurement, Don Quijote's strong areas have been favorably affecting UNY, including reduction of unit costs for UNY's processed foods and daily consumables. We are also realizing synergies that are not just procurement prices in the fresh food business with Don Quijote's use of UNY's process center and other infrastructure.

Economies of scale present a challenge for individual store management through delegation of authority and overall optimization. Due to risk of pursuit of overall optimization suppressing unique regional and store characteristics and delays in adapting to changes, we are constantly thinking about balance between individual stores and overall operations.

Furthermore, as the number of overseas stores rises and sales increase, we expect realization of even larger economies of scale from the combination of domestic and overseas operations.

Overseas Business

Review of Overseas Business and Future Initiatives

Overseas Business Offers Major Opportunities

Only-one Growth Possibilities

Our overseas business is implementing only-one MD with direct imports of mainly Japanese foods as a "Japanese brand specialty store." It is actively growing the store network under the "U.S. business" and the "Asian business" rolling out DON DON DONKI stores. The U.S. business started with the acquisition of Don Quijote (USA) Co., Ltd. as a consolidated subsidiary aimed at operating stores in Hawaii in 2006, and it currently has 28 stores in Hawaii and 10 stores in California. The Asian business began with the DON DON DONKI Orchard Central Store as the first location in Singapore, in 2017. It now operates four stores in Hong Kong, two stores in Thailand, and eight stores in Singapore (as of October 31, 2020).

Don Quijote has achieved significant growth in Japan as an only-one retail format that does not have rivals. Overseas DON DON DONKI similarly is an only-one format without direct rival formats in countries that we have entered. The PPIH Group has positioned the rollout of overseas business as its next growth driver, targeting growth in the next 5–10 years.

Robust Overseas Business! Hong Kong Operations Are Doing Extremely Well!

While our results have been robust in Asia and the U.S., our Hong Kong business is doing extremely well. The first Hong Kong store, opened in July 2019, is located on the basement floor of a multi-functional building with a hotel and other stores. It supplies products with an emphasis on food items based on the concept of a "Japanese brand specialty store" that carries Japanese products and goods developed for Japan. Even direct-import foods from Japan are 20%–50% cheaper than local prices. We strive to curtail prices as much as possible by leveraging economies of scale. Through the merger of UNY, PPIH has enjoyed economies of scale in terms of procurement (lower unit prices and self-managed imports through direct requests to a logistics partner). While the stores handle fewer non-food products than Don Quijote stores in Japan, we intend to adjust product composition shares based on feedback from customers and our assessments of strong-selling products and other factors.

The DON DON DONKI OP Mall Main Store, our second store in Hong Kong that opened at the OP Mall retail facility in December 2019, is in the largest class of our Asian stores at roughly double the floor space of the first Hong Kong store. It features a "Japanese festival" theme with lanterns, paper fans, and other decorations that create a Japanese atmosphere as well as a Don Quijote-style liveliness.

We opened our first store on Hong Kong island with the DON DON DONKI Pearl City Store in July 2020. This store carries an extensive lineup of Japanese foods that are highly popular abroad, and it also has strengthened its handling of popular snacks and cosmetics as gifts.

Kazuhiro Matsumoto

Director & Managing Executive Officer
CMO (Global) Vice President of Asia Company

Strawberries were very popular at the first Hong Kong store, and Japanese fruits are a major attraction (DON DON DONKI OP Mall Store)

Highly popular fresh fish and sushi lineup, direct delivery of high-end eel from Japan (DON DON DONKI Pearl City Store)

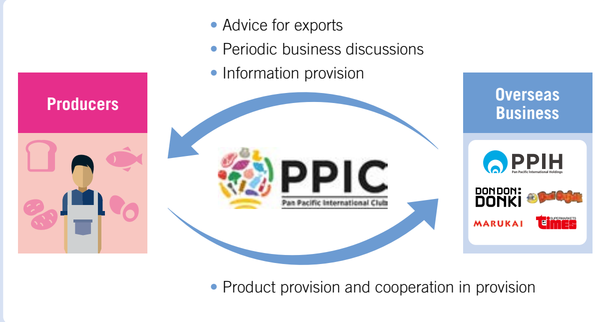
Launch of Pan Pacific International Club (PPIC), Seeking a Distribution Revolution for Japanese Products Worldwide

PPIC, launched in October 2020, is a partnership organization between Japanese producers of agricultural, livestock, and marine products aimed at expanding exports and the PPIH Group. It offers benefits to the PPIH Group in the ability to procure products with stable quality, volume, and pricing throughout the year and helps producers by "securing a stable customer" and "realizing shipment prices that are not affected by fluctuations in market pricing and weather." Club members are able to participate in business talks and arrange continuous and steady product shipments and receive support in planting and production plans.

Overseas stores based on the "Japanese brand specialty store" concept run by the PPIH Group rely on Japanese foods as an important source of local enthusiast acquisition. We aim to create a virtuous cycle that benefits all stakeholders through establishment of an environment that is capable of supplying Japanese products with a reputation of high quality at affordable pricing even abroad and achievement of a distribution revolution in Japanese products worldwide. We have a goal of ¥300 billion in exports of agricultural, livestock, and marine products in 2030.

Three Major Principles of the PPIC Charter

1. PPIC shall work closely with producers in Japan and deliver producers' goods and ideas to customers around the world
2. PPIC shall deliver the enjoyment and emotional impact of shopping to customers around the world with Japanese products
3. PPIC shall contribute to increased sales and wider acceptance of Japanese products and provide reassurance to producers

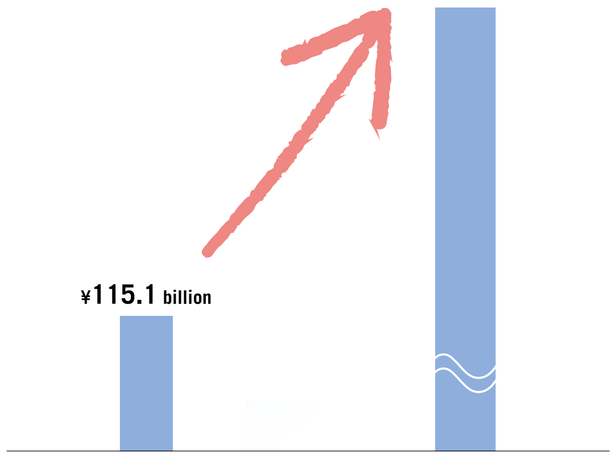


Future Overseas Strategy

In overseas business, we intend to actively develop stores mainly in the U.S. and the Asian region and provide the appeal of Japanese products at affordable prices and create stores that are perpetually enjoyed by local people. We approach the COVID-19 crisis as an opportunity to develop stores and plan to steadily roll out DON DON DONKI stores and move forward with a multi-store business model in Southeast Asia and East Asia while also localizing stores to the destination country. We want to build a stable procurement scheme and logistics network for Japanese products and pursue further expansion.

In fiscal year 2021, we target an increase in the overseas sales ratio from about 6.8% currently to at least 8% and also a much larger percentage of operating profit than the current level of about 4.0%. We intend to aggressively expand overseas business in pursuit of our longer-term goal of ¥1 trillion in overseas sales.

Overseas Sales Goal



Digitalization Strategy

Promoting DX through Collaboration with External Companies

Utilizing Digital Technologies in Response to a New Era in Retail Business

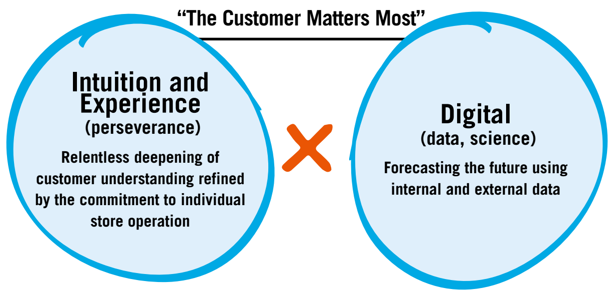
The PPIH Group is bolstering its initiatives with digital technologies in order to achieve further evolution of its corporate philosophy of "The Customer Matters Most" in a rapidly changing market environment. We have introduced the Marshmallow Concept* as a different methodology than what was used in past years that combines entertainment-style store operations and product measures, an important strength of the PPIH Group, and joint efforts with external companies that have a variety of experiences and knowledge. This is an initiative that responds to the new era of retail, offers an even better store experience, and deepens our understanding of customers.

Marshmallow Co., Ltd., a wholly owned subsidiary of the Group, promotes open innovation as an integration bridge between the PPIH Group and the latest digital technologies. We intend to utilize all types of external resources to build operations that adapt to an era in which pricing optimization, analysis of consumer needs, new financial services, and other activities make maximum use of PPIH Group strengths.

With the aim of realizing further growth in an environment of growing uncertainty, we hope to carry out our corporate culture of "conducted repeated hypothesis and verification" and "taking on many challenges" jointly with external companies and construct measures that respond to a new era.

* This name adopts the image of a soft, white marshmallow in reference to the concept of the PPIH Group pursuing new initiatives that accept new values with an open mind, not colored by the Group's own distinctive style, and thereby delivering enjoyment to consumers.

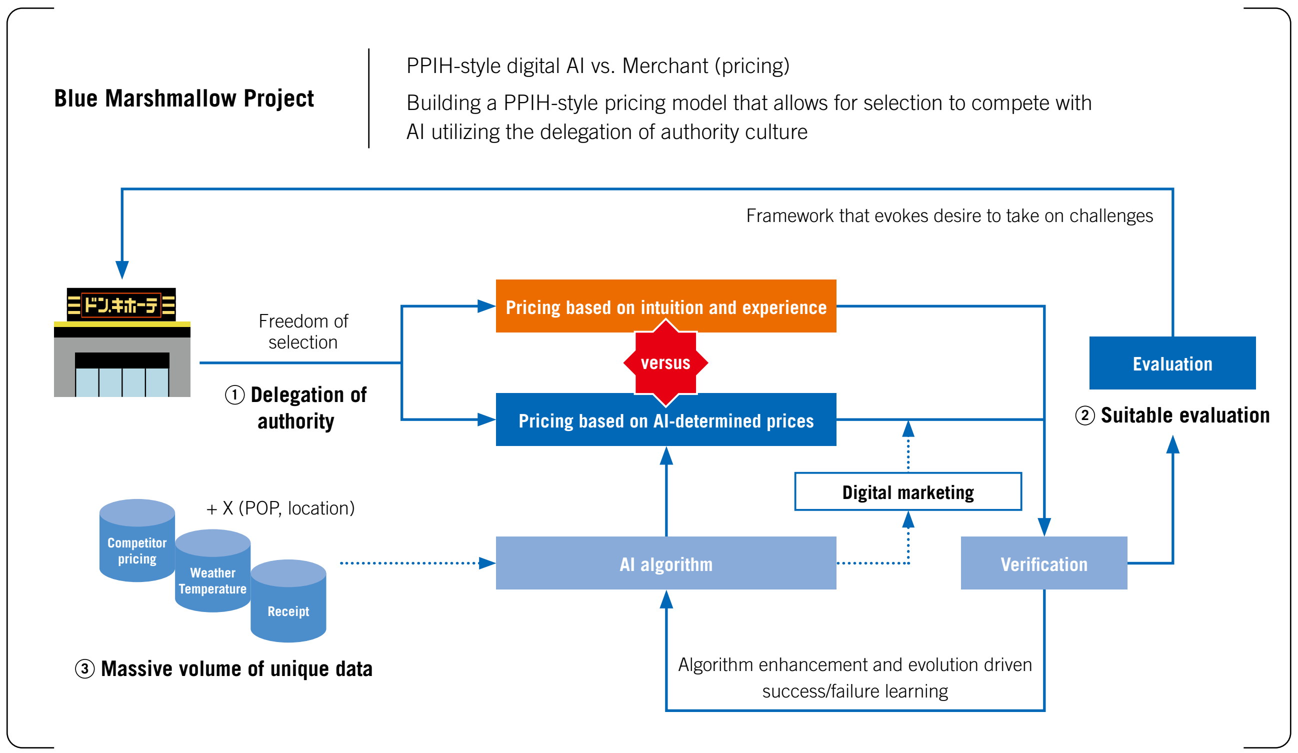
Positioning and Significance of "Digital" to the PPIH Group



Utilization of "digitalization" as a tool to further enhance the level of "intuition and experience"

Overview of the Marshmallow Concept

To achieve future growth, we think it is essential to collaborate with parties, internally and externally, that have a variety of value systems and ideas, and therefore we have adopted a new "color" to express respect for diversity.



Message from the CMIO

Intend to change personal thinking and actively pursue DX amid major changes at PPIH

Tetsuya Karube

Chief Marketing & Integration Officer (CMIO) and Executive Officer

After continuous involvement in sales since joining Don Quijote in 1999, I assumed a position as director at Marshmallow in 2020 and have been addressing digital as a new area as CMIO, with responsibilities for marketing and business integration since July 2020. My mission is deployment of digitalization initiatives at frontline stores in an easily understood way amid joint promotion of digital transformation (DX) with Mr. Tsukuda. The PPIH Group positions DX as a tool to achieve even deeper understanding of customers and provide frontline assistance with goals of contributing to improved productivity for increased sales and store staff and higher profits. Through digitalization, it is important to build frontline operation (order placement timing) and other related systems that support development of more robust capabilities by using free time to interact with customers, attend to product shelves, engage in dialogue with mates, and implement price surveys of other companies. We intend to expand dynamic pricing and raise competitiveness in primary commercial zones in fiscal year 2021. Furthermore, we aim to increase "majica" app members, promote use and boost the retention rate, and lift customer lifetime value (LTV).

As CMIO, I've experienced difficulty in winning over frontline teams to digitalization initiatives because they do not immediately yield results in daily numbers. This point is a dilemma due to my past involvement in sales, but the strength of our Group is its ability to adapt. I intend to harness capabilities cultivated to date and change my personal thinking for the process of aggressively promoting DX.

Message from the CDO

Hope to be part of adaptation in the digital world and contribute to realizing PPIH-style DX

Shinichiro Tsukuda

Chief Digital Officer (CDO) and Executive Officer

I joined the PPIH Group as the representative director and president of Marshmallow in March 2020. My strength lies in my past experience in the ramp-up and expansion of retail and web (digital) businesses. Using this experience, I hope to realize DX truly suited to the PPIH Group by understanding the Group's strengths, positive features, and culture that have supported its success in the retail industry up until now in the ramp-up of DX.

The PPIH Group's DX consists of many activities, including database construction, data analysis, digital marketing, app development, e-commerce ramp-up, and work enhancement supported by systems. Since none of these were core initiatives at the PPIH Group until now, the biggest issue in promoting DX at this point is the overwhelming shortage of organizations to promote these activities and related human resources. I believe the timely reinforcement of human resources via internal recruitment campaigns, hiring from outside the company, and other methods is essential to the success of DX.

I'm greatly honored to participate at this juncture in major reform with the challenge of implementing DX at the PPIH Group that includes Don Quijote, a retailer that I admired and pursued in past years when undertaking DX initiatives at retailers. We are currently in a trial-and-error process of finding solutions amid a mix of anticipation and uncertainty. I'm determined to have a role in the PPIH Group's adaptation to the digital world by fully utilizing my past experience and taking on new challenges without fear of failing.

Organizational Framework for Implementing Strategy

Establishment of the "Three Axis" Structure — Business Axis, Product Axis, and Holdings Axis

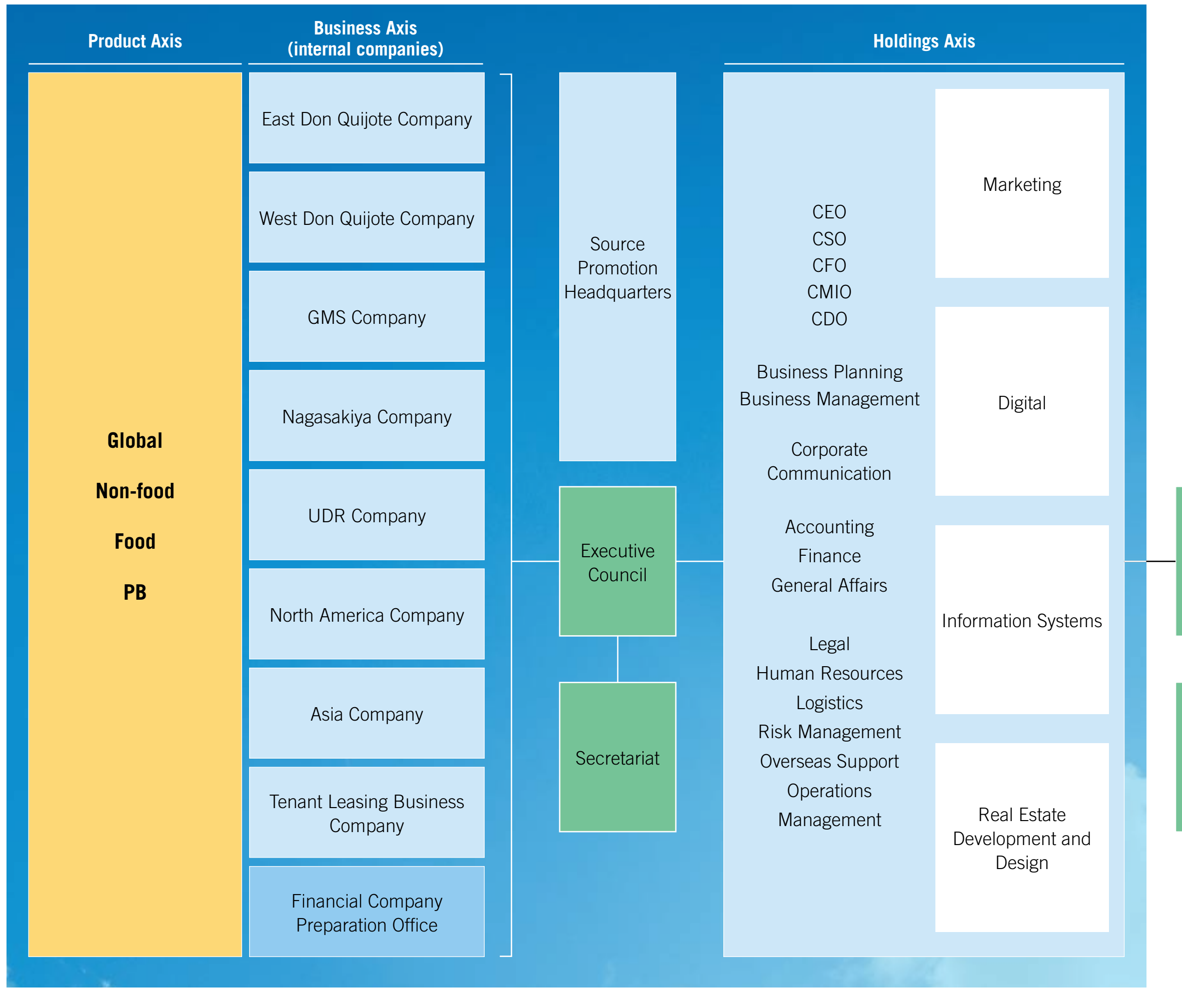
Reinforcing "Ability to Adapt" with Organizational Changes

In the new organizational framework launched on July 1, 2020, the PPIH Group targeted overall optimization as a Group, rather than separate optimization of Group companies, by putting top emphasis on the content of individual businesses without being constrained by past corporate identities.

Key points of the Group's reorganization are the establishment of the "three axis" structure (business axis [internal companies], product axis, and holdings axis) and significant delegation of authority as well as formation of an Executive Council of executive officers in charge of the three axes. We assign the president and business executives to the business axis and the CMO to the product axis and hope to accelerate decision-making by having these people fulfill the role of top sales executives, respectively. The holdings axis has Companywide horizontal functions and governance functions, conducts business strategy development, business resource allocation, budget formulation and progress management, mainly by the CSO, and implements Groupwide strategies, such as marketing and digital, mainly by the CMIO and CDO. We think enhancement of corporate functions under the three axis structure and improved governance with the formation of an Executive Council should contribute to faster decision-making and reinforcement of next-generation executives by incorporating free thinking and vibrant opinions from executive officers. Furthermore, we intend to steadily delegate authority to frontline operations, not only executives, and promote talented leaders, regardless of age or experience.

Additionally, we newly formed the Source Promotion Headquarters as an independent organization operated by eight executive officers for the purpose of ensuring that "The Source" behavior principles unique to our Group continue as a cornerstone of the Group. We aim to reinforce the Group's "ability to adapt" for an era of dramatic changes by building a new organizational framework.

CMO Chief Merchandising Officer
CSO Chief Strategy Officer
CMIO Chief Marketing & Integration Officer
CDO Chief Digital Officer



As of November 2020

Further Evolution of "Delegation of Authority" with the Million Star Program to Restore Our Founding Spirit

While deployment of the internal company framework simplified the corporate structure, we started the Million Star Program to proceed with further reforms. This measure aims to get the Group back to basics and restore our founding spirit.

This program introduces a sales management structure for 102 commercial zones with one million people, each of which has a branch president and transcends Don Quijote, Nagasakiya, and UD Retail corporate boundaries. By placing 102 branch presidents directly underneath executive officers, we aim to realize full delegation of authority and raise area profits. Since the previous scheme with 20 branches put roughly 25 stores under the jurisdiction of each branch president and hence made it difficult to closely assess operations and management at all of the stores, our revised format assigns 3–6 stores to individual jurisdictions. New branch presidents do not have a boss of their own and are given full authority as area president in commercial zones with one million people and ¥10 billion in annual sales. This is also a drastic scheme with an "up or out" framework in which top profit contributors obtain high compensation while the bottom 20% is replaced annually. While it is effective in "visualizing" numbers, we intend to prepare an oversight function and follow-up operation to avoid violations of the law and "The Source" guidelines, driven by an emphasis on outcomes.

Actual operation of this program might encounter a variety of issues and problems. However, our executive team led by the CEO intends to put its full efforts into this revolutionary program and support the ability to harness capabilities of branch presidents.

With the launch of the Million Star Program, Don Quijote appointed a young woman who is just 27 years old as a branch president, the company's first female branch president. This is a major step for the overall Group in promoting diversity. Through this program, we want to build a system that generates a virtuous cycle of effectively leveraging our talented human resources.

Million Star Program—Kickoff event for new branch presidents

Cultivation of Human Resources by the PPIH Group

The PPIH Group's DNA

Delegation of authority to implement "The Customer Matters Most" philosophy

Retailers must constantly update sales floors in order to attract customers who are always changing with the times. To accomplish this, we delegate authority to frontline store staff who are directly familiar with such changes, assigning them to a certain product or space and letting them arrange accordingly. These employees decide on their own what products to offer and what prices to set. We enable them to freely define sales floors to meet customer needs for that period.

We created a "night market" in the era prior to 24-hour convenience stores and transformed sales floors into an entertainment space with "concentrated shelving" and "POP flooding." We intend to fulfill our mission as social infrastructure supporting local areas with lineups of products that customers want while also keeping pace with ever-changing customer sentiment.

Corporate Culture of Constantly Taking on Challenges and Acknowledging Failures

The PPIH Group has a healthy competitive atmosphere because it is a workplace where everyone is constantly pursuing challenges. People who are capable of taking on challenges on behalf of customers are those who are capable of succeeding. With a rigorous commitment to rewarding performance, employees are capable of obtaining positions and evaluation based on results.

Furthermore, the PPIH Group has a deep-rooted corporate culture of accepting failure. It is those employees capable of overcoming failure, turning that failure into a driving force, who are able to create innovation. We do not dwell on blame if a sales floor area developed by an employee assigned to a store after joining the Company incurs losses. We see the losses from such failures as our form of training costs.

The Group's employees, who steadily accumulate success experiences, while also having failures, in this environment will mature as human resources with "grit"* who are capable of making reforms on behalf of customers.

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

People Are Not Cultivated, but Rather Grow on Their Own

Our human resources education values three concepts—conventional education, mutual education, and competitive education. Employees mature through real-world experiences after learning fundamental knowledge and rules required for work. They also broaden their perspective by working with other employees who have different personalities and values and hone their skills through competition in a personnel evaluation system based entirely on actual performance.

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

UNY's Human Resource Initiatives

UNY aims to change employee attitudes, not only revise store formats, by incorporating the PPIH Group's business concept "The Source" while still utilizing human resource education know-how it has cultivated to date.

Main Initiatives (FY2020)
- Classroom training to broaden understanding of "The Source" (convening about 60 times), store training (roughly 900 participants)
- Employee and mate evaluation program reforms (implemented in 1H 2020)
- Introduction of welcome-back hiring
- Arrangement of interaction meetings between the president and mates as a way of directly responding to requests from the front line
- Emergency hiring of people who had job offers canceled by other companies

Broaden Understanding of "The Source" to Enhance Unity within the Group

"The Source" explains corporate principles and business concepts that should be followed by all employees and executives of the Group. It describes the "Donki-ism" and DNA of the Group since its founding, including a behavior model for Group employees and development of suitable relationships with partners.

A pressing issue for the Group is integration with UNY employees who have been newly added and pursuit of growth on the same mission. We created the Source Promotion Headquarters in February 2019 and are continuously holding seminars that aim to broaden understanding of "The Source." True understanding of "The Source" enhances awareness and cohesiveness as employees of the same Group.

Reforms to the Mate Evaluation Program

UNY revamped its employee and mate* evaluation programs in 2020 to adjust to the conversion from past chain-store management to an individual store approach. The new evaluation program fundamentally alters the concept and adopts the performance-based format used at Don Quijote and Nagasakiya. Regarding bonuses, while UNY previously had not paid bonuses to mates with short working hours, it switched to paying bonuses to human resources with a certain level of success unrelated to their age or contract duration. The PPIH Group needs the efforts of mates who are active on the front line of business in order to sustain its philosophy of "The Customer Matters Most." It plans to continue making adjustments for improved conditions in order to offer an environment where it is easier to work and to utilize personal capabilities.

* Part-time employees

Welcome-back Hiring

Welcome-back hiring is a personnel program for people who selected a new path (graduates) because of unavoidable circumstances, such as marriage, childbirth, or child-rearing, or a career step, such as a new job or overseas education, to work again at the PPIH Group utilizing their cultivated knowledge, experience, and skills.

We also started this practice at Group company UNY in December 2019.

I left because of having a negative view of anticipated future changes from the capital and business alliance based on a perception of very different corporate cultures at Don Quijote and UNY.

I switched to a large specialty trading company that handles daily goods. While I interacted with GMS and SM buyers as a salesperson, this experience made me realize that I enjoyed working at a place closest to the consumer. My job change reconfirmed "UNY's appeal," and I returned by utilizing the welcome-back hiring program. UNY is promoting delegation of authority and individual store management too and applying the concept of devising sales floors by individual stores. It has also retained the core strength of being closely tied to the local community. In a positive way, my initial image of Don Quijote was wrong. I enjoy my job even more than before. (Manages fruits and vegetables at Piago)

ESG Initiatives of the PPIH Group

Approach to Promoting Sustainability

For the PPIH Group to realize sustainable growth, it is important to deepen trust with all stakeholders and promote management with commitments to ESG and sustainability that have attracted growing attention in recent years. From this perspective, we have ramped up ESG promotion efforts since May 2019 and arranged a framework to collect and organize ESG activity information and compile and disclose non-financial information for the entire Group.

ESG Promotion Framework (as of October 2020)

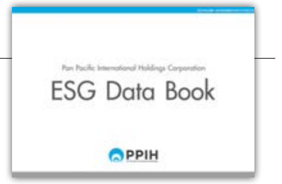
- General Meeting of Shareholders
- Board of Directors
- President and CEO, Representative Director
- Executive Council
- Senior Managing Executive Officer, CSO, and CFO
  - IR Division
  - ESG Promotion Section

The PPIH Group plans and drafts measures to promote ESG in the ESG Promotion Section and reflects them in business activities in accordance with a decision by the relevant director while coordinating with various departments. The Executive Council and other bodies conduct discussions and reach decisions regarding policy formulation and important projects.

Furthermore, the Group engages in periodic dialogue with stakeholders to ascertain their expectations and requests and utilize this feedback in ESG promotion efforts.

PPIH Group Stakeholders

Stakeholders	Important Dialogue Methods
Customers	Store sales and events Information provision via corporate website, official social media, or dedicated app Customer questionnaires, main inquiry contact
Partners (Suppliers)	General assembly of partners Dialogue through a web-based business discussion system Partner exclusive hotline
Shareholders and Investors	Shareholder general assembly, IR briefings, IR meetings Information site for investors PPIH Report, Integrated Report, ESG Data Book
Local Communities	Local resident briefings, communication with local government entities Social contribution activities, volunteer activities
Employees	Information provision via the internal portal site or internal newsletters Whistleblower contact, work satisfaction questionnaire Salary interview, communication interview “The Source” training, seminars



ESG Data Book

PPIH Group Materiality

In formulation of the new medium-to-long-term management plan, we extensively discussed “importance to our valued stakeholders” and “what activities utilized our Group strengths” as the basis for identifying key ESG issues. Additionally, ESG initiatives in our main business overlap in many aspects with the Sustainable Development Goals (SDGs) promoted by the United Nations. We defined our ESG fundamental policy and materiality, including consideration of these points.

E Environment

Reduce environmental burden caused by business activities

Lower CO_2 emission volume

Reduce containers and packaging and make effective use of resources

Reduce food waste and strengthen recycling

Collect recycled products at stores (UNY)


Separate garbage by type in separate containers

S Society

Reinforce human resources and human rights management

Foster a comfortable and rewarding workplace environment

Promote diversity

Strengthen dialogue with the local community

Promote local contribution activities


Contribute hygiene products to elementary schools in the local area where the store operates

Participate in the Sapporo Rainbow Pride 2020 Parade

G Governance

Bolster the corporate governance framework

Improve management transparency

Cultivate the next-generation CEO and next-generation executives

Strengthen risk management

Ensure thorough compliance

Reinforce information security

Strengthen response to natural disaster risk


Disinfect shopping baskets and carts for customer safety


Ensure prevention of droplet infection at checkout counters

ESG Initiatives of the PPIH Group

Initiatives for the Environment

Eco-First Promise

As a leader in environmental initiatives, UNY submitted an Eco-First Promise to the Environment Minister. To realize the promise, UNY is striving for "eco-friendly shopping," along with customers, by formulating an environmental plan, promoting food recycling, implementing environmental education, and selling PB products that are friendly to the environment.


エコ・ファーストの約束
～環境先進企業として持続可能な社会構築の取り組み～
環境大臣 原田 義昭 殿
2019年6月18日
ユニー株式会社 代表取締役社長
「未来の子ども達に美しい自然を残したい」
ユニー株式会社は、SDGs（持続可能な開発目標）の達成に向けて、環境マネジメントシステムを用いて小売業としての社会的責任を踏まえ、持続可能な社会構築を目指し、「お買い物」を通して消費者と一緒に地域に根ざした環境活動を推進します。
1 循環型社会構築を推進し、廃棄物の発生抑制と資源循環を推進します。
2 持続可能な社会（脱炭素社会・循環型社会・自然共生社会）構築のために、環境教育を実施します。

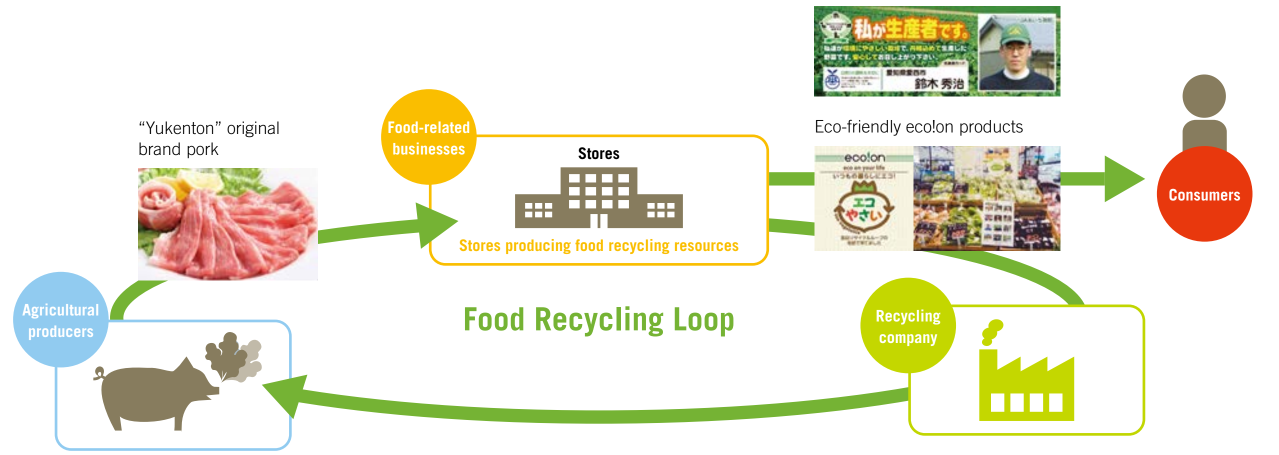
UNY's Environmental Plan (Partial)

	FY2019 Results	FY2020 Targets
Operation of an environmental management system	• Inclusion of the Eco-First Promise in the ISO 14001 implementation plan and related activities	• Inclusion of the Eco-First Promise in the ISO 14001 implementation plan and related activities
	• Implementation of Eco-First Promise target management	• Promotion of initiatives to attain the Eco-First Promise
Reduction of environmental burden	• Lowered CO_2 emissions by 8.3% per business area and business hour versus the FY2018 level	• Lowered CO_2 emissions by 3% per business area and business hour versus the FY2019 level through energy-saving initiatives
	• Implemented energy-saving education at all stores monthly through the environmental management system	• Continue and bolster energy-saving education through the environmental management system
	• Reduced electricity usage volume by 15.6% versus the FY2018 level to 643,938kWh • Reduced gas usage volume by 17.0% versus the FY2018 level to 16,003,000m³ • Reduced oil usage volume by 34.5% versus the FY2018 level to 3,365,000ℓ	• Reduce usage of various energy types by 5% versus FY2019 levels
	• Reduced transport distance by 6.1% versus the FY2018 level to 19.33 million kilometers Reduced energy usage volume on an oil-converted basis by 10.0% versus the FY2018 level to 3,692,000ℓ	• Seek reduction in environmental burden with logistics streamlining
	• Reduced packaging material weight by 11.3% versus the FY2018 level, lowered PB product container and packaging material weight by 18.0% versus the FY2018 level	• Reduce packaging material weight by 3% versus the FY2019 level, seek less use of PB product container and packaging material
	• Checkout bag refusal rate 86.1%	• Checkout bag refusal rate 88%
Promotion of suitable waste processing and recycling	• Reduced gross waste volume by 10.0%	• Reduction of gross waste volume by 5% versus FY2019
	• Continued food recycling loop initiatives at all stores • Reuse, etc., implementation rate 84.8% • Waste occurrence curtailment 28.2kg per ¥1 million in sales	• Continuation of food recycling loop initiatives at all stores • Reuse, etc., implementation rate 86% • Waste occurrence curtailment 28.0kg per ¥1 million in sales
	• Decline in milk pack recovery volume by 11.5% versus the FY2018 level to 432t, increase in food tray recovery volume by 16.4% versus the FY2018 level to 305t • Decline in aluminum can recovery volume by 5.1% versus the FY2018 level to 618t, decline in PET bottle recovery volume by 7.2% versus the FY2018 level to 2,297t • Decline in recycled box recovery volume by 5.8% (vs. 101.2% on a same-store basis)	• Recovery of four items at all stores • Increase in recycling recovery volume
	• Continued use of biomass plastic in checkout bags and vegetable/fruit transparent cases (containers and packaging)	• Promote use of biomass containers and packaging
Environmental information disclosure and environmental conservation activities	• Introduced eco!on eco-friendly PB products on the company website and expanded sales	• Expand sales of eco!on eco-friendly PB products
	• Implemented environmental education at all stores as part of ISO understanding activities	• Continue to strengthen environmental education for employees
	• Children environmental learning held at 10 stores with 118 participants • Classroom visits (elementary schools, etc.) held 17 times with 921 participants • Elementary/middle school tours held 87 times with 6,129 participants	• Continue holding children environmental learning and visit classes (elementary schools, etc.)
	• Eco learning event held 10 times with 25,567 participants • Agricultural experience and eco tour held nine times with 288 participants • Messe Nagoya held over four days with 752 participants	• Periodically arrange eco learning events
Prevention of environmental pollution	• Implemented wastewater quality tests at all stores, legal compliance within standard values • Suitably managed low-concentration PCBs	• Implement wastewater quality monitoring at all stores • Suitably manage low-concentration PCBs
	• Legal compliance in responses to the Act on Rational Use and Proper Management of Fluorocarbons as an ISO target • Issued an electronic manifest and conducted storage management as responses to the Act on Preventing Environmental Pollution of Mercury	• Implement responses to the Act on Rational Use and Proper Management of Fluorocarbons • Implement suitable responses to the Waste Management and Public Cleansing Act

Reducing Food Waste and Strengthening Recycling

Curtail Waste Occurrence and Promote Recycling of Resources

As a comprehensive retailer, UNY is taking steps to resolve environmental issues itself and pursuing attainment of a sustainable society through shopping that connects producers and consumers. With the aim of reducing food waste, a global issue, it strives to curtail food loss by conducting appropriate order placement on a regular basis and lowering prices for products approaching deadlines at the right timing. Its food recycling loop initiative promotes use of food leftovers from various stores as compost and feed for local recycling agriculture. UNY sells vegetables and other produce as part of the food recycling loop at UNY stores. It intends to continue the food recycling loop at all stores in an effort to attain a 90% implementation rate for food recycling by 2023 in fulfillment of the Eco-First Promise.



Reducing CO_2 Emissions

Deployment of Renewable Energy

We are deploying solar power and wind power at some stores and verifying the efficacy of renewable energy as a future energy source.

Number of outfitted stores (as of October 2020)

Don Quijote 2 **stores** **UNY** 9 **stores** **UD Retail** 2 **stores**

Reinforcing Environmental Management

Reduction of Environmental Risk Utilizing an Environmental Management System

To reach the overarching goal of a sustainable society, UNY seeks to make improvements by assessing the impact of stores and offices on the environment utilizing an ISO 14001 environmental management system. It acquired certification of offices in various regions starting with the headquarters office in January 2004. It subsequently obtained certification of all stores in July 2019 on the basis of the importance of operating an environmental management system at stores as well as to encourage employees and others to think about environmental issues. Stores hold monthly ISO promotion committee meetings to assess, check, and update values in the environmental implementation plan.

ESG Initiatives of the PPIH Group

Initiatives for Society

Providing a Workplace Environment That Is Rewarding

Becoming a Corporate Group with a Comfortable and Rewarding Work Environment

We formed a "work environment improvement team" to help employees confidently put in their full efforts and strive to identify issues facing the Group as a whole and individuals and improve the work environment using questionnaires, individual discussions, and other methods. We are developing new mechanisms, such as changing assignment sites in cases of lengthy commutes and constructing an "internal job change program" to realize diverse career formation for cases in which people are interested in changing their career. We have also identified issues including revisions to assignments away from families, the use of paid vacation, and workstyles for women, and are addressing improvements and measures in each area with a separate project team. We aim to be a company with a comfortable and rewarding work environment in which individual employees can voice their opinions freely knowing that their feedback will be reflected in future improvement measures.

Main Initiatives Addressing "Workplace Questionnaire" Responses

- Create a human resources and career consultation contact point, "Human Resources Career Call"
- Conduct monthly questionnaires on work satisfaction for all employees
- Engage in individual discussions with employees who have low work satisfaction
- Change assignment sites for people with lengthy commutes
- Propose improvement ideas to related departments with the aim of resolving issues

Cultivating Human Resources

Supporting Motivation of Students with "Don Battle"

Don Quijote offers an environment in which mates (part-time employees) make decisions on procurement, sales prices, and sales floor arrangement and can realize what they want to achieve.

As part of its support, in 2020 Don Quijote started holding "Don Battle" events for student mates to encourage fresh and youthful ideas and also to boost their skills. This is good-hearted competition conducted between student mates at different stores with a game mentality to address issues, such as designing a display. By awarding the winners, we hope to support the growth of "young passion and strength" that will contribute to the sustainability of the PPIH Group.

Our strength is the ability to foster a work environment with competitiveness that delegates authority to mates and employees. We plan to continue efforts to acquire and cultivate human resources using these measures suited to Don Quijote.

- **Event results:** Held **twice**
- **Total number of entrants:** **1,083**
- **Number of MVP recipients:** **52**

Promoting Diversity

Aiming for Stores That Respect Diverse Personal Characteristics and Support Enjoyable Shopping

The PPIH Group promotes diversity with stores that respect diverse personal characteristics and support enjoyable shopping and a comfortable workplace for employees.

We launched the LGBTQ Project in June 2016 that aims to improve employee understanding of sexual minorities and started full-fledged activities with the formation of the Diversity Promotion Office in 2017. We implement diversity training at our various sites and stores. By raising employee awareness and promoting acceptance of diversity within the Company, we develop stores that can be enjoyed by all types of customers. These efforts enabled us to receive the Gold award, the highest level, for the Pride indicator that assesses LGBTQ initiatives at companies for three consecutive years, since 2018.

We also aim to foster a workplace environment in which all employees accept diversity and mutually trust and respect each other. Our efforts include offering a "follow-up program for pregnancy, childbirth, working mothers (shorter hours), and other life events" jointly with the "work environment improvement team" and panel discussions with veteran employees for personnel with foreign citizenship.

Strengthening Dialogue with the Local Community

Educational Assistance Leveraging Our Position as a Retailer with Numerous Contact Points with Customers

We conduct Shoiku® learning opportunities for children at our Group stores nationwide, which provide an enjoyable experience and a sense of responsibility by allowing children to work in commerce at Don Quijote. This experience also contributes to the cultivation of children's perceptions of jobs and careers. In fiscal year 2020, we received 1,661 children from 208 schools (mainly elementary and middle school students).

Furthermore, UNY organizes "visit courses" for the purpose of communication with the local community, mainly in the Tokai region. UNY plans to support education related to the environment, including a course on the topic of "eco-friendly shopping."

Message from the CSO and CFO

We will promote financial strategies that are integrated with management strategies to achieve sustainable improvement in corporate value.

Seiji Shintani

Chief Strategy Officer (CSO) & Chief Financial Officer (CFO)
Head of Financial Company Preparation Office
Director & Senior Managing Executive Officer

Optimal Resource Allocation toward Strategic Advancement

I was appointed CSO and CFO, and Head of Financial Company Preparation Office of the Company in 2020. After beginning my career in the banking and consultancy sectors, I have been involved in corporate planning and new business development in the entertainment industry and at food and beverage-related companies. Drawing on such experience, I will strive to increase our corporate value by formulating management strategies and optimally allocating financial and non-financial capital to ensure the successful implementation of those strategies.

The fiscal year ended June 30, 2020 turned out to be a challenging business environment, with weak consumer spending due to the consumption tax rate hike in October 2019 compounded by record rainfall and other extreme weather conditions, and further exacerbated by the global spread of COVID-19. It was against this backdrop that we experienced unexpected changes in our business environment, such as the evaporation of duty-free sales due to inbound travel restrictions. However, as a result of committing ourselves fully to our corporate principle of "The Customer Matters Most," such as utilizing our product procurement capabilities to capture demand for essential goods, we were able to deliver an increase in sales and profits for the 31st consecutive year. Although the outlook for the fiscal year ending June 30, 2021 is expected to remain uncertain, we aim to achieve 32 consecutive years of increased sales and profits.

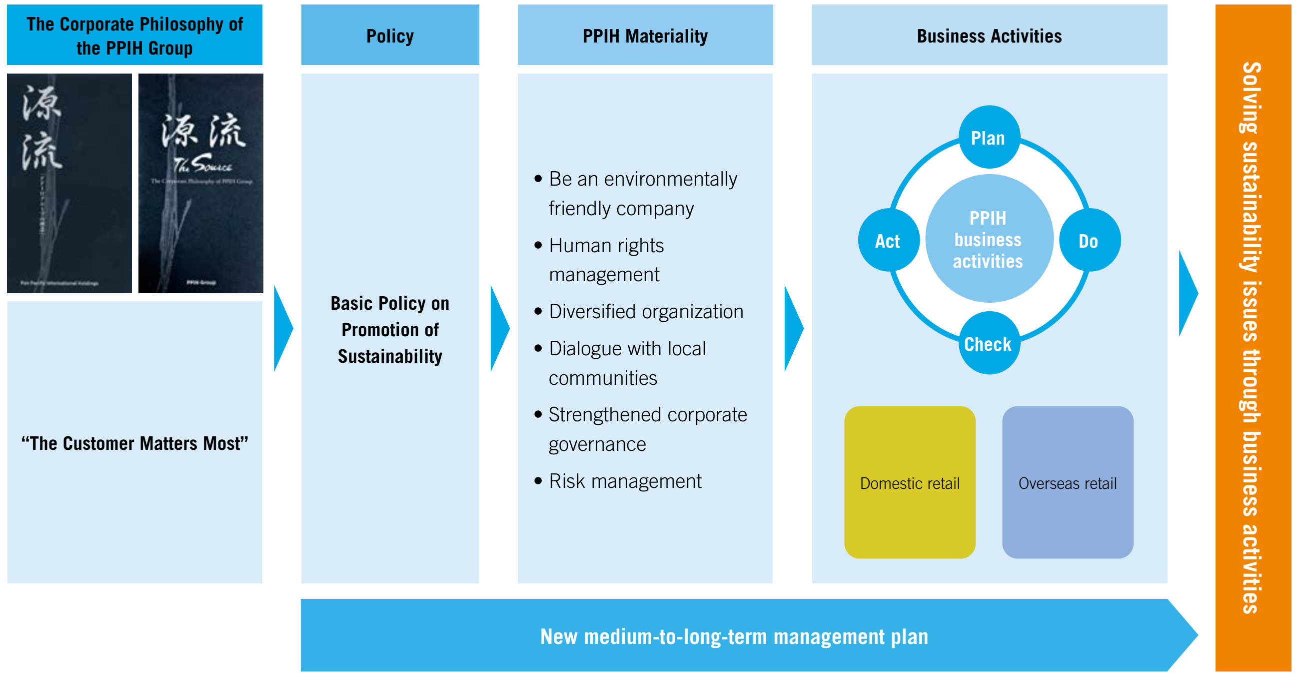
Enhancing Corporate Value by Promoting ESG Programs

In Passion 2030, our new medium-to-long-term management plan that was announced in February 2020, we have identified six priority challenges, referred to as materiality, which can impact the future value of the Company in terms of ESG (Environment, Society, and Governance). In specific terms, under Environment these are: (1) Reducing the environmental impact of the PPIH Group's business activities; under Society: (2) Strengthening of human capital and human rights management, (3) Promoting acceptance of diversity, and (4) Enhancing dialogue with local communities; and under Governance: (5) Strengthening corporate governance structures to enhance management transparency, and (6) Strengthening risk management. In addition to collating and disclosing information on these Groupwide ESG-related activities, we have divided ESG activities into three distinct phases. These are the platform building phase, in which we promote ESG understanding to employees; the innovation phase, in which we formulate and set the next KPI in accordance with business results; and the brush-up phase, in which we analyze the results of our initiatives and plan the next approach, further deepening ESG activities with a view to becoming an ESG leading company. We will continue to steadily incorporate these efforts into our strategy, creating social value while also increasing our corporate value.

Thorough ROE Management

In Passion 2030, which concludes in the fiscal year ending June 30, 2030, we have set the targets of thoroughly implementing our corporate principle of "The Customer Matters Most" and expanding our consolidated sales of approximately ¥1.68 trillion in the fiscal year ended June 30, 2020, to a total of ¥3 trillion, comprising a solid base of ¥2 trillion in domestic sales, with ¥1 trillion in international sales. Our policy is to expand operating income from approximately ¥76 billion in the fiscal year ended June 30, 2020 to ¥200 billion by 2030, not only through organic growth but also merchandise division reform, cost optimization, and the development of new businesses such as the financial business. Toward these targets, as CSO and CFO I will promote financial strategies that are integrated with management strategies. In addition, as our balance sheet has inflated rapidly due to consolidation with the UNY Group, we will move to improve our asset efficiency and cash flow generation to an appropriate level. In particular, we recognize that improving capital efficiency is an important management issue, and while our ROE for the fiscal year ended June 30, 2020 was 14.3%, we will continue to aim for sustainable improvements in our corporate value by achieving a high ROE that exceeds the cost of capital.

PPIH Group Sustainability



In terms of future business investment, we plan to continue to invest about ¥50 billion annually in store format restructuring, including UNY Group stores, as well as in new store openings of our mainstay Don Quijote stores, new business development, and digitalization. About 75% will be invested in the expansion of the retail business and about 25% will be targeted for IT investments. We intend to allocate resources optimally through portfolio management with a high sales growth rate and capital profitability in mind. At the same time, we will not neglect to strengthen the earning power of stores by improving the cash conversion cycle, and strengthen store profitability by optimizing cost structures, among other measures.

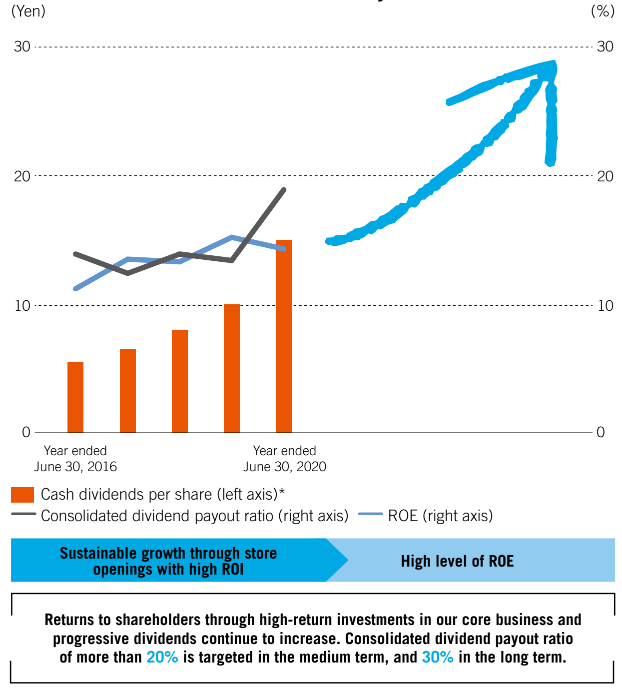
Optimizing the Balance Sheet

In addition to these efficiency-conscious investments, our policy is to optimize our balance sheet with a view to improving capital efficiency, and our basic policy is to maintain a net debt-to-equity ratio of less than 1:1 and to maintain financial discipline.

Our basic policy on shareholder returns continues to be to conduct high-return investments in our core business and issue progressive dividends that continue to increase. In the fiscal year ended June 30, 2020, we issued an annual dividend of ¥15 per share, a 50% year-on-year increase. This made for our 17th consecutive year of higher dividends and a dividend payout ratio of 18.9%. A payout ratio of more than 20.0% will be targeted over the medium term, with the aim to increase this further to 30.0% in the long 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 / Consolidated Dividend Payout Ratio / ROE



* The 4-for-1 stock split of September 1, 2019 is calculated based on the assumption that the stock split took place on July 1, 2015.

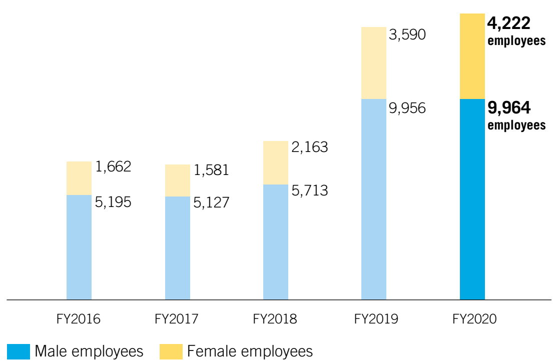
Financial and Non-Financial Highlights

Millions of yen

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019*4	FY2020
Net sales	507,661	540,255	568,377	612,424	683,981	759,592	828,798	941,508	1,328,874	1,681,947
Cost of sales	378,587	400,712	418,570	451,406	502,240	557,699	610,218	697,517	958,347	1,200,258
Selling, general and administrative expenses	103,738	110,223	117,438	126,726	142,638	158,708	172,395	192,423	307,417	405,692
Operating income	25,336	29,320	32,369	34,292	39,103	43,185	46,185	51,568	63,110	75,997
Ordinary income	25,138	29,283	33,201	35,487	40,160	43,797	45,523	57,218	68,240	75,173
Profit before income taxes	21,147	30,395	33,382	34,225	39,157	42,113	55,325	56,373	66,284	73,161
Profit attributable to owners of parent	12,663	19,845	21,141	21,471	23,148	24,938	33,082	36,405	47,066	50,303
Total assets	341,300	362,651	386,622	432,135	505,666	560,568	642,868	806,778	1,282,100	1,298,948
Total net assets	125,242	145,735	170,178	193,164	221,367	244,547	279,930	312,495	352,300	390,716
Basic earnings per share (yen)*1	20.97	32.18	34.18	34.33	36.77	39.44	52.29	57.53	74.36	79.39
Diluted earnings per share (yen)*1	20.54	32.11	34.04	34.14	36.65	39.41	52.26	57.41	74.13	79.18
Cash dividends per share (yen)*1	3.50	3.87	4.12	4.50	5.00	5.50	6.50	8.00	10.00	15.00
Consolidated dividend payout ratio (%)	16.7	12.0	12.1	13.1	13.6	13.9	12.4	13.9	13.1	18.9
Return on assets (ROA) (%)	3.9	5.6	5.6	5.2	4.9	4.7	5.5	5.0	4.5	3.9
Return on equity (ROE) (%)	11.1	14.9	13.7	12.1	11.6	11.2	13.5	13.3	15.2	14.3
Number of purchasing customers	–	232,969,021	244,658,461	260,191,080	283,039,023	304,899,600	333,215,267	370,829,179	528,888,368	660,601,089
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	5,315,271,867
Number of Group employees	4,164	4,517	4,511	5,282	6,029	6,857	6,708	7,876	13,546	14,186
Percentage of women in managerial positions (%)	–	–	–	–	6.0	7.8	7.2	7.0	7.4	7.3
Percentage of employees with disabilities (%)	–	–	–	2.28	2.21	2.38	2.60	3.14	3.10	3.30
CO_2 emissions (t-CO_2)*2	–	–	224,605	258,365	235,595	270,469	269,062	279,413	364,800	559,467
Energy consumption (GJ)*3	–	–	4,378,119	4,818,336	4,466,378	5,141,716	5,083,574	5,312,474	7,477,392	11,399,603

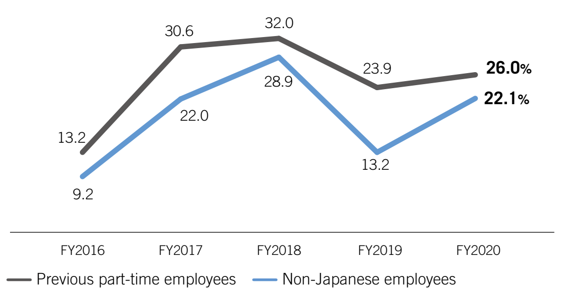
*1 Calculated information per share assuming that the share split (2-for-1) conducted on July 1, 2015 and share split (4-for-1) conducted on September 1, 2019 took place at the start of FY2011
*2 Scope: Major domestic Group companies
Listed values combine Scope 1 and Scope 2. Reflected UNY results from January 2019 due to consolidation of UNY
*3 Scope: Major domestic Group companies (reported values under the Energy Savings Act)
*4 Regarding the corporate integration with UNY, values related to FY2019 utilize confirmed content following confirmation in FY2020 statements of provisional accounting measures used in FY2019

Number of Full-Time Group Employees by Gender



In the fiscal year ended June 30, 2020, the number of female employees increased 632 year on year, to 4,222, and the number of male employees rose 8, to 9,964. In addition, the ratio of management positions held by female employees was 7.3%.

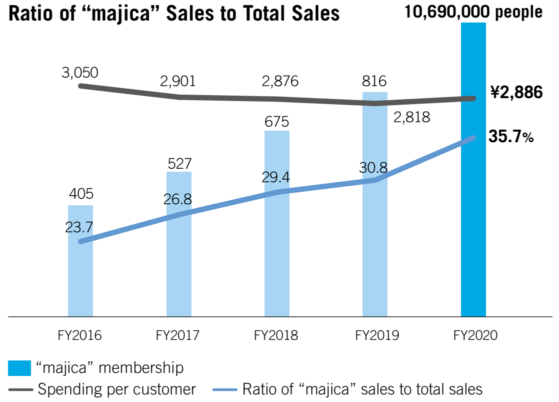
Ratio of Previous Part-Time Employees and Non-Japanese Employees*5 to Total Newly Graduated Recruits



In the fiscal year ended June 30, 2020, 26.0% of full-time employees from among newly graduated recruits were previously part-time employees. In addition, non-Japanese employees represented 22.1% of newly graduated recruits as we stepped up recruitment and development of non-Japanese employees in preparation for overseas expansion.

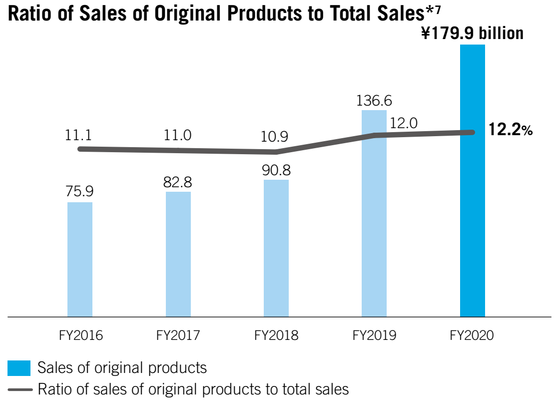
*5 Scope: Major domestic Group companies (includes UNY and UNY-related companies from FY2019)

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



On June 30, 2020, the number of members for our "majica" e-money service stood at 10,690,000. Sales through this service accounted for 35.7% of total sales, and spending per customer via "majica" was ¥2,886, higher than the average for all customers. In this way, "majica" is contributing to increases in repeat customers and earnings.

Sales of Original Products*6 / Ratio of Sales of Original Products to Total Sales*7



Sales of original products amounted to ¥179.9 billion in the fiscal year ended June 30, 2020, an increase of 31.7% year on year, and accounted for 12.2% of total sales. Sales of these products were driven by contributions from the food categories, which garnered customer support by offering a sense of a bargain.

*6 Original products: Jonetsu Kakaku private brand products and OEM products
Scope: Don Quijote Co., Ltd. and Nagasakiya Co., Ltd.
*7 Reflects UNY results from 3Q FY2019 due to consolidation of UNY

Financial Performance

Consolidated Balance Sheets

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
As of June 30, 2019 and 2020

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
Assets			
Current assets			
Cash and deposits (Note 2)	¥ 172,673	¥ 179,785	$ 1,669
Notes and accounts receivables–trade	18,744	18,378	171
Accounts receivables–installment	67,417	68,293	634
Operating loans	8,966	8,076	75
Merchandise and finished goods (Note 2)	188,510	190,397	1,767
Prepaid expenses	7,036	6,772	63
Deposits paid	12,986	4,377	41
Other	20,790	21,572	199
Allowance for doubtful accounts	(717)	(890)	(8)
Total current assets	496,405	496,760	4,611
Non-current assets			
Property, plant and equipment			
Buildings and structures (Note 2)	379,222	398,189	3,696
Accumulated depreciation	(104,165)	(119,596)	(1,110)
Accumulated impairment loss	(12,102)	(14,558)	(135)
Buildings and structures, net	262,955	264,035	2,451
Tools, furniture and fixtures	79,294	88,004	817
Accumulated depreciation	(52,117)	(55,804)	(518)
Accumulated impairment loss	(1,706)	(2,302)	(21)
Tools, furniture and fixtures, net	25,471	29,898	278
Other	1,976	2,276	21
Accumulated depreciation	(377)	(700)	(6)
Accumulated impairment loss	(6)	(4)	(0)
Other, net	1,593	1,572	15
Land (Note 2)	318,580	325,499	3,020
Construction in progress	5,814	1,706	16
Total property, plant and equipment	614,413	622,710	5,780
Intangible assets			
Goodwill	17,216	15,935	148
Other	20,386	20,948	194
Total intangible assets	37,602	36,883	342
Investments and other assets			
Investment securities (Note 1)	16,681	17,515	163
Long-term loan receivables	2,962	1,269	12
Long-term prepaid expenses	6,105	5,729	53
Retirement benefit asset	6,362	16,236	151
Deferred tax assets	19,668	22,245	206
Lease and guarantee deposits	80,443	78,624	730
Other (Note 2)	3,965	3,178	29
Allowance for doubtful accounts	(2,506)	(2,201)	(20)
Total investments and other assets	133,680	142,595	1,324
Total non-current assets	785,695	802,188	7,446
Total assets	¥1,282,100	¥1,298,948	$12,057

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
Liabilities			
Current liabilities			
Notes and accounts payables–trade	¥ 159,064	¥ 148,226	$ 1,376
Short-term loan payables	123	–	–
Current portion of long-term loan payables (Notes 2 and 8)	19,721	13,201	123
Current portion of bonds	22,816	11,916	111
Payables under fluidity lease receivables (Note 9)	7,304	4,512	42
Accounts payables–other	53,303	53,481	496
Accrued expenses	22,684	22,588	210
Deposits received	19,407	16,806	156
Income taxes payables	9,841	10,969	102
Provision for point card certificates	5,227	6,924	64
Other (Note 2)	22,284	23,604	218
Total current liabilities	341,774	312,227	2,898
Non-current liabilities			
Bond payables	238,458	226,542	2,103
Long-term loan payables (Notes 2 and 8)	256,777	276,191	2,563
Long-term payables under fluidity lease receivables (Note 9)	4,703	191	2
Asset retirement obligations	23,083	23,300	216
Negative goodwill	180	94	1
Other (Note 2)	64,825	69,687	647
Total non-current liabilities	588,026	596,005	5,532
Total liabilities	929,800	908,232	8,430
Net assets			
Shareholders' equity			
Capital stock	22,675	23,008	214
Capital surplus	15,414	16,977	158
Retained earnings	290,034	333,980	3,100
Treasury shares	(14)	(15)	(0)
Total shareholders' equity	328,109	373,950	3,472
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	173	529	5
Foreign currency translation adjustment	554	(865)	(8)
Remeasurements of defined benefit plans	(477)	(58)	(1)
Total accumulated other comprehensive income	250	(394)	(4)
Share acquisition rights	724	218	2
Non-controlling interests	23,217	16,942	157
Total net assets	352,300	390,716	3,627
Total liabilities and net assets	¥1,282,100	¥1,298,948	$12,057

See accompanying notes to consolidated financial statements.

Financial Performance

Consolidated Statements of Profit and Loss

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
For the fiscal years ended June 30, 2019 and 2020

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
Net sales	¥1,328,874	¥1,681,947	$15,611
Cost of sales (Note 1)	958,347	1,200,258	11,140
Gross profit	370,527	481,689	4,471
Selling, general and administrative expenses (Note 2)	307,417	405,692	3,765
Operating income	63,110	75,997	706
Non-operating income			
Interest and dividend income	1,777	705	7
Amortization of negative goodwill	86	86	1
Share of profit of entities accounted for using equity method	5,957	84	1
Commission fee	403	354	3
Other	4,665	4,093	37
Total non-operating income	12,888	5,322	49
Non-operating expenses			
Interest expenses paid on loans and bonds	4,780	5,175	48
Bond issuance cost	1,253	2	0
Cost of claim's liquidation	274	162	2
Commission fee	500	111	1
Other	951	696	6
Total non-operating expenses	7,758	6,146	57
Ordinary income	68,240	75,173	698
Extraordinary income			
Gain on sales of non-current assets (Note 3)	2,085	801	7
Gain on step acquisitions	3,906	–	–
Gain on bargain purchase	5,646	241	2
Gain on sale of businesses	–	494	5
Reversal of provision for loss on closing of stores	–	268	2
Gain on revision of retirement benefit plan	–	5,111	47
Gain on reversal of share acquisition rights	0	220	2
Compensation income for expropriation (Note 4)	11	–	–
Other	123	425	5
Total extraordinary income	11,771	7,560	70
Extraordinary losses			
Impairment loss (Note 5)	10,305	4,195	39
Loss on retirement of non-current assets (Note 6)	509	3,513	33
Loss on sales of shares of subsidiaries and affiliates	–	145	1
Loss on closing of stores (Note 7)	1,698	1,046	10
Loss on disaster	342	220	2
Other	873	453	4
Total extraordinary losses	13,727	9,572	89
Profit before income taxes	66,284	73,161	679
Income taxes–current	19,292	20,637	192
Income taxes–deferred	(1,740)	1,668	15
Total income taxes	17,552	22,305	207
Profit	48,732	50,856	472
Profit attributable to non-controlling interests	1,666	553	5
Profit attributable to owners of parent	¥ 47,066	¥ 50,303	$ 467

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, 2019 and 2020

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
Profit	¥48,732	¥50,856	$472
Other comprehensive income			
Valuation difference on available-for-sale securities	(66)	379	4
Foreign currency translation adjustment	1,743	(1,423)	(14)
Remeasurements of defined benefit plans, net of tax	(477)	430	4
Share of other comprehensive income of affiliates accounted for using equity method	(5)	(33)	(0)
Total other comprehensive income (Note 1)	1,195	(647)	(6)
Comprehensive income	¥49,927	¥50,209	$466
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥48,289	¥49,659	$461
Comprehensive income attributable to non-controlling interests	1,638	550	5

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, 2019 and 2020

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 comprehen-sive 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			47,066		47,066							47,066
Purchase of treasury shares				(0)	(0)							(0)
Change in scope of consolidation			(118)		(118)							(118)
Capital 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)	41,094	(0)	36,772	(71)	1,772	(477)	1,224	379	1,430	39,805
Balance at end of current period	¥22,675	¥15,414	¥290,034	¥(14)	¥328,109	¥173	¥ 554	¥(477)	¥ 250	¥724	¥23,217	¥352,300

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
2020	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 comprehen-sive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	¥22,675	¥15,414	¥290,034	¥(14)	¥328,109	¥173	¥ 554	¥(477)	¥ 250	¥ 724	¥23,217	¥352,300
Changes of items during period												
Issuance of new shares	333	333			666							666
Dividends of surplus			(6,651)		(6,651)							(6,651)
Profit attributable to owners of parent			50,303		50,303							50,303
Purchase of treasury shares				(1)	(1)							(1)
Change in scope of consolidation			294		294							294
Capital increase of consolidated subsidiaries		43			43							43
Sales of shares of consolidated subsidiaries		3			3							3
Purchase of shares of consolidated subsidiaries		1,184			1,184							1,184
Net changes of items other than shareholders' equity						356	(1,419)	419	(644)	(506)	(6,275)	(7,425)
Total changes of items during period	333	1,563	43,946	(1)	45,841	356	(1,419)	419	(644)	(506)	(6,275)	38,416
Balance at end of current period	¥23,008	¥16,977	¥333,980	¥(15)	¥373,950	¥529	¥ (865)	¥ (58)	¥(394)	¥ 218	¥16,942	¥390,716

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
2020	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 comprehen-sive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	$211	$143	$2,692	$(0)	$3,046	$2	$ 5	$(5)	$ 2	$ 7	$215	$3,270
Changes of items during period												
Issuance of new shares	3	3			6							6
Dividends of surplus			(62)		(62)							(62)
Profit attributable to owners of parent			467		467							467
Purchase of treasury shares				(0)	(0)							(0)
Change in scope of consolidation			3		3							3
Capital increase of consolidated subsidiaries		0			0							0
Sales of shares of consolidated subsidiaries		0			0							0
Purchase of shares of consolidated subsidiaries		12			12							12
Net changes of items other than shareholders' equity						3	(13)	4	(6)	(5)	(58)	(69)
Total changes of items during period	3	15	408	(0)	426	3	(13)	4	(6)	(5)	(58)	357
Balance at end of current period	$214	$158	$3,100	$(0)	$3,472	$5	$ (8)	$(1)	$(4)	$ 2	$157	$3,627

See accompanying notes to consolidated financial statements.

Financial Performance

Consolidated Statements of Cash Flows

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
For the fiscal years ended June 30, 2019 and 2020

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
Cash flows from operating activities			
Profit before income taxes	¥ 66,284	¥ 73,161	$ 679
Depreciation and amortization	23,722	29,391	273
Impairment loss	10,305	4,195	39
Amortization of negative goodwill	(86)	(86)	(1)
Gain on bargain purchase	(5,646)	(241)	(2)
Increase (decrease) in allowance for doubtful accounts	147	(131)	(1)
Interest and dividend income	(1,777)	(705)	(7)
Interest expenses paid on loans and bonds	4,780	5,175	48
Share of profit of affiliates accounted for using equity method	(5,957)	(84)	(1)
Gain on step acquisitions	(3,906)	–	–
(Gain) loss on sales and retirement of non-current assets	(1,342)	2,826	26
Gain on sale of businesses	–	(494)	(5)
Loss on closing of stores	1,698	1,046	10
Gain on revision of retirement benefit plan	–	(5,111)	(47)
Compensation income for expropriation	(11)	–	–
Offset payments for house rental fee with leasehold and guarantee deposits	2,775	4,045	38
Decrease (increase) in notes and accounts receivables–trade	3,258	(38)	(0)
Increase in inventories	(14,489)	(5,375)	(50)
Increase (decrease) in notes and accounts payables–trade	3,924	(10,082)	(94)
Decrease (increase) in accounts receivables–installment	59,700	(991)	(9)
Increase in retirement benefit asset	(532)	(4,145)	(38)
Decrease in accounts payables–other	(10,343)	(1,261)	(12)
Decrease in deposits received	(5,583)	(2,960)	(27)
Increase (decrease) in other current liabilities	1,508	(137)	(1)
Increase (decrease) in other non-current liabilities	490	(314)	(3)
Other, net	330	(1,624)	(16)
Subtotal	129,249	86,060	799
Interest and dividend income received	1,521	303	3
Interest expenses paid	(4,555)	(5,171)	(48)
Income taxes paid	(27,462)	(20,806)	(193)
Income taxes refund	3,520	4,889	45
Proceeds from compensation for expropriation	11	–	–
Proceeds from dividend income from affiliates accounted for using equity method	56	207	2
Payments for loss on disaster	(362)	(347)	(3)
Net cash provided by operating activities	101,978	65,135	605
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(43,835)	(31,562)	(293)
Proceeds from sales of property, plant and equipment	7,579	2,598	24
Payments for purchase of intangible assets	(2,298)	(3,949)	(37)
Proceeds from sale of businesses (Note 3)	–	5,978	55
Payments for leasehold and guarantee deposits	(3,394)	(3,541)	(33)
Proceeds from collection of leasehold and guarantee deposits	1,163	1,121	10
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 2)	(5,423)	(3,723)	(35)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 4)	–	(52)	(0)
Payments for purchase of shares of subsidiaries and affiliates	(7,936)	(102)	(1)
Payments of loan receivables	(1,613)	(6)	(0)
Proceeds from collections of loan receivables	19,125	24	0
Other, net	(481)	(238)	(2)
Net cash used in investing activities	(37,113)	(33,452)	(312)
Cash flows from financing activities			
Net decrease in short-term loan payables	–	(1,891)	(18)
Proceeds from long-term loan payables	90,000	32,500	302
Repayments of long-term loan payables	(196,594)	(20,570)	(191)
Proceeds from issuance of bonds	168,647	98	1
Redemption of bonds	(3,616)	(22,991)	(213)
Repayments of payables under fluidity lease receivables	(7,612)	(7,445)	(69)
Proceeds from issuance of common shares	478	380	4
Cash dividends paid	(5,854)	(6,651)	(62)
Dividends paid to non-controlling interests	(808)	–	–
Payments for purchase of shares of subsidiaries that do not result in change in scope of consolidation	(4,322)	–	–
Proceeds from share issuance to non-controlling shareholders	3,569	627	6
Purchase of treasury shares of subsidiaries	–	(8,049)	(75)
Other, net	(432)	(38)	(0)
Net cash provided by (used in) financing activities	43,456	(34,030)	(315)
Effect of exchange rate change on cash and cash equivalents	318	(350)	(3)
Net (decrease) increase in cash and cash equivalents	108,639	(2,697)	(25)
Cash and cash equivalents at beginning of period	75,883	185,136	1,718
Increase in cash and cash equivalents from newly consolidated subsidiaries	614	1,163	11
Cash and cash equivalents at end of period (Note 1)	¥185,136	¥183,602	$1,704

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2019 and 2020

(Basis of Presenting Consolidated Financial Statements)

The accompanying consolidated financial statements of Pan Pacific International Holdings Corporation ("the Company") and its consolidated subsidiaries (collectively, "the Group") 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 ¥107.74 to U.S.$1, the rate prevailing on June 30, 2020. 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 76

Names of consolidated subsidiaries

Don Quijote Co., Ltd.
UNY Co., Ltd.
Nagasakiya Co., Ltd.
UD Retail Co., Ltd.
Japan Asset Marketing Co., Ltd.
UCS Co., Ltd.
Japan Commercial Establishment Co., Ltd.
REALIT Co., Ltd.
Pan Pacific Retail Management (Singapore) Pte. Ltd.
Pan Pacific Retail Management (Hong Kong) Co., Ltd.
Don Quijote (USA) Co., Ltd.
MARUKAI CORPORATION
QSI, Inc.
And 63 other companies

During the fiscal year ended June 30, 2020, the Company newly included Tachibana Holdings Co., Ltd. and its subsidiary, Tachibana Departmentstore Co., Ltd., in the scope of consolidation as a result of the Company acquiring all outstanding shares of Tachibana Holdings Co., Ltd. In addition, Pan Pacific Retail Management (Hong Kong) Co., Ltd. was newly included in the scope of consolidation due to an increase in materiality. Further, during the fiscal year ended June 30, 2020, the following companies were included in the scope of consolidation: three companies due to new establishment and three companies due to share acquisition. The following companies were excluded from the scope of consolidation: one company due to business succession through an absorption-type split, one company due to sales of its shares, and three companies due to their liquidation during the fiscal year ended June 30, 2020.

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

Eleven 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 interest), and retained earnings (amount corresponding to equity interest) 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.

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

Eleven non-consolidated subsidiaries and nine 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 with respect to their profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest).

3. Fiscal year-ends of consolidated subsidiaries

Of the consolidated subsidiaries, Don Quijote (USA) Co., Ltd. and 18 other companies have fiscal year-ends that differ from the consolidated fiscal year-end, but as the gap among the respective closing dates is less than three months, the financial statements of these subsidiaries are used in the preparation of the consolidated financial statements.

However, necessary 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.

Financial Performance

Of the consolidated subsidiaries, Daishin Corporation and eight 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. UNY Co., Ltd. and its six subsidiaries and UD Retail Co., Ltd., whose financial statements based on a provisional settlement of accounts were previously used, have changed their fiscal year-ends from the end of February to the end of June, the same date as the consolidated closing date.

Of the consolidated subsidiaries, Japan Asset Marketing Co., Ltd. and four 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 a 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 its 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 seven 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 the actual historical rate of losses and certain method based on the 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 estimated based on historical redemption experience and other factors.

(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, 2020, since the amount of pension assets exceeds the amount of retirement benefit obligations, the excess amount is recognized as a retirement benefit asset and presented on 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 except for shareholders' equity, which is translated at the historical rate. 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 respective 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 and non-controlling interests under a separate component of 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 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(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 standard and guidance on the Company's consolidated financial statements is currently under evaluation.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The IASB and the FASB in the United States provide detailed guidance on fair value measurements that is almost identical (IFRS 13 by IASB and Topic 820 by FASB). Under the circumstances, the ASBJ issued the "Accounting Standard for Fair Value Measurement" and other standards and guidance in efforts to harmonize Japanese GAAP with international accounting standards mainly with respect to the guidance and disclosure of the fair value of financial instruments.

As a basic policy in developing the standards, the ASBJ adopted the provisions of IFRS 13 in order to improve the comparability of financial statements between domestic and foreign entities by using a uniform measurement method. In addition, in consideration of the practices that have been conducted in Japan, other treatments for individual items shall be prescribed to the extent that the comparability between financial statements is not significantly impaired.

(2) Scheduled date of application

The Company will apply the aforementioned standards 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 standard and guidance on the Company's consolidated financial statements is currently under evaluation.

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

Financial Performance

(1) Overview
The ASBJ issued this accounting standard in response to requests to develop an accounting standard which requires a footnote disclosure similar to the disclosure requirement as to "key sources of estimation uncertainty" prescribed in Paragraph 125 of the International Accounting Standard ("IAS") 1 "Presentation of Financial Statements," since it is very useful information for users of financial statements. The basic policy of the ASBJ in developing this accounting standard is not to expand the number of individual notes, but to set out the disclosure principles. Thus, the entity shall judge the specific content of disclosure details based on the purpose of disclosure. In developing this standard, the ASBJ referred to the provisions of Paragraph 125 of the IAS 1.

(2) Scheduled date of application
The Company will apply the aforementioned standard from the end of the fiscal year ending June 30, 2021.

(Changes in Presentation)
(Consolidated Statements of Profit and Loss)
For the fiscal year ended June 30, 2020, the account "Gain on reversal of share acquisition rights," which was previously included in "Other" under "Extraordinary income," 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, 2019.

As a result, the amount of ¥123 million presented as "Other" under "Extraordinary income" was reclassified to ¥0 million of "Gain on reversal of share acquisition rights" and ¥123 million of "Other" in the consolidated statement of profit and loss for the fiscal year ended June 30, 2019.

For the fiscal year ended June 30, 2020, the account "Loss on disaster," which was previously included in "Other" under "Extraordinary losses," 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, 2019.

As a result, the amount of ¥1,215 million presented as "Other" under "Extraordinary losses" was reclassified to ¥342 million of "Loss on disaster" and ¥873 million of "Other" in the consolidated statement of profit and loss for the fiscal year ended June 30, 2019.

(Consolidated Statements of Cash Flows)
For the fiscal year ended June 30, 2020, the account "Increase in retirement benefit asset," which was previously included in "Other, net" under "Cash flows from operating activities," 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, 2019.

As a result, the amount of ¥(202) million presented as "Other, net" under "Cash flows from operating activities" was reclassified to ¥(532) million of "Increase in retirement benefit asset" and ¥330 million of "Other, net" in the consolidated statement of cash flows for the fiscal year ended June 30, 2019.

(Additional Information)
Accounting estimate with regard to the COVID-19 pandemic
It is very difficult to predict with certainty how COVID-19 will spread and when it will end. It is expected that corporate activities will be affected in various ways in the future.

The Group makes accounting estimates for the impairment loss and the recoverability of deferred tax assets based on the assumption that the impact on sales, such as the disappearance of inbound demand and the cancellation of events, will continue for a considerable period of time. However, this assumption is highly uncertain and the amount of loss could increase or decrease if the status of the COVID-19 pandemic or its impact on the economy changes.

(Transfer of Retirement Benefit Plans)
UNY Co., Ltd., a consolidated subsidiary of the Company, and its two subsidiaries (collectively, "UNY") transferred a certain portion of their funded defined benefit plan to the defined contribution pension plan effective March 1, 2020. For the accounting treatment of the transfer, "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (Practical Issue Task Force ("PITF") No. 2, February 7, 2007) were applied, and the portion transferred was accounted for as the partial termination of the funded defined benefit plan.

As a result, the Company recognized gain on revision of retirement benefit plan of ¥5,111 million ($47 million) under extraordinary income for the fiscal year ended June 30, 2020.

(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, 2019	As of June 30, 2020	As of June 30, 2020
Investment securities (stocks)	¥13,126	¥13,327	$124

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, 2019	As of June 30, 2020	As of June 30, 2020
Cash and deposits	¥ 605	¥ 754	$ 7
Merchandise and finished goods	415	302	3
Buildings and structures	1,508	2,024	19
Land	2,451	2,426	22
Other	43	66	1
Total	¥5,022	¥5,572	$52

Liabilities corresponding to assets pledged as collateral are as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2019	As of June 30, 2020	As of June 30, 2020
Current portion of long-term loan payables	¥ 41	¥ 221	$ 2
Long-term loan payables	320	–	–
Current liabilities "Other"	131	109	1
Non-current liabilities "Other"	1,434	1,368	13
Total	¥1,926	¥1,698	$16

Note 3 Guarantee obligations

The Company is liable for guarantees on debts of external third parties other than consolidated subsidiaries.

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2019	As of June 30, 2020	As of June 30, 2020
Guarantee on debts for new construction project (payment for construction contractors)	¥–	¥2,106	$20

The Company assumes a joint liability for obligations owed by project partners in the construction contract of Shibuya-ku Dogenzaka 2-chome Development Project (tentative name).

Note 4 Retroactive obligations due to securitization of receivables

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2019	As of June 30, 2020	As of June 30, 2020
Retroactive obligations due to securitization of receivables	¥3,750	¥3,750	$35

Note 5 The Company and its consolidated subsidiaries have entered into bank overdraft agreements with 48 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, 2019	As of June 30, 2020	As of June 30, 2020
Total credit line for bank overdraft	¥49,600	¥63,100	$586
Bank loans arranged	–	–	–
Unused balance	¥49,600	¥63,100	$586

Note 6 The Company and its consolidated subsidiaries have entered into loan commitment agreements with two banks as of June 30, 2019 and four banks as of June 30, 2020, 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, 2019	As of June 30, 2020	As of June 30, 2020
Total amount of loan commitment	¥591	¥30,653	$285
Bank loans arranged	–	–	–
Unused balance	¥591	¥30,653	$285

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2019	As of June 30, 2020	As of June 30, 2020
Total amount of credit lines given	¥512,423	¥505,598	$4,693
Loan receivables from cash advances	8,792	7,993	74
Unused balance	¥503,631	¥497,605	$4,619

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.

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Note 8 As of June 30, 2019 and 2020, the Company signed syndicated loan agreements with 72 financial institutions totaling ¥87,500 million. 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, 2019	As of June 30, 2020	As of June 30, 2020
Balance of loan payables based on syndicated loan agreements	¥74,200	¥65,400	$607

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, 2019	As of June 30, 2020	As of June 30, 2020
Payables under fluidity lease receivables	¥ 7,304	¥4,512	$42
Long-term payables under fluidity lease receivables	4,703	191	2
Total	¥12,007	¥4,703	$44

(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 a 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, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
¥7,201	¥11,724	$109

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, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Employees' compensation and benefits	¥111,485	¥144,791	$1,344
Occupancies and rentals	42,131	53,895	500
Commissions	43,772	61,240	568
Depreciation and amortization	20,012	24,595	228
Provision for point card certificates	7,352	13,484	125
Amortization of goodwill	1,019	1,004	9
Retirement benefit costs	849	1,692	16

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, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Buildings and structures	¥ 443	¥138	$1
Land	1,699	647	6
Selling expenses	(59)	–	–
Other	2	16	0
Total	¥2,085	¥801	$7

Note 4 Compensation income for expropriation

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.

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

Not applicable.

Note 5 Impairment loss

The Group reported impairment loss on the following asset groups:

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

			Millions of yen
Location	Use	Category	Impairment loss
Kanto	Store facilities	Buildings and structures, Land, Tools, furniture and fixtures, and Other	¥ 7,861
Chubu	Store facilities	Buildings and structures, and Tools, furniture and fixtures	780
Kinki	Store facilities	Buildings and structures, Land, and Tools, furniture and fixtures	1,552
Overseas	Store facilities	Buildings and structures, and Tools, furniture and fixtures	112
Total			¥10,305

The Group categorizes its assets by store and operating division, which are the minimum cash-generating 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 significantly or stores that continuously generated losses from their operating activities. The amounts of these reductions were recorded as an impairment loss (¥5,975 million for buildings and structures, ¥3,004 million for land, ¥1,325 million for tools, furniture and fixtures, and ¥1 million for other under extraordinary losses). The recoverable amounts of these asset groups were determined to be the higher of their net selling value or value in use. The net selling value was based on the appraisal value by a real estate appraiser, whereas the value in use was calculated by discounting the estimated future cash flows by 3.5%. If the value in use based on estimated future cash flows was negative, the Group recognized the recoverable amounts as zero.

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

			Millions of yen	Millions of U.S. dollars
Location	Use	Category	Impairment loss	
Hokkaido	Store facilities	Buildings and structures, and Tools, furniture and fixtures	¥ 140	$ 1
Kanto	Store facilities	Buildings and structures, and Tools, furniture and fixtures	791	7
Chubu	Store facilities	Buildings and structures, and Tools, furniture and fixtures	170	2
Kinki	Store facilities	Buildings and structures, and Tools, furniture and fixtures	1,205	12
Kinki	Idle assets	Buildings and structures, and Land	728	7
Chugoku	Store facilities	Buildings and structures, and Tools, furniture and fixtures	148	1
Kyushu	Store facilities	Buildings and structures, and Tools, furniture and fixtures	910	8
Overseas	Store facilities	Buildings and structures, and Tools, furniture and fixtures	103	1
Total			¥4,195	$39

The Group categorizes its assets by store and operating division, which are the minimum cash-generating units. For rental properties and idle assets, each property is regarded as a minimum cash-generating unit.

In the fiscal year ended June 30, 2020, the Group reduced the book value of assets to their recoverable amounts for stores whose profitability declined significantly or stores that continuously generated losses from their operating activities. The amounts of these reductions were recorded as an impairment loss (¥2,711 million ($25 million) for buildings and structures, and ¥756 million ($7 million) for tools, furniture and fixtures under extraordinary losses). The recoverable amounts of these asset groups were determined to be the higher of their net selling value or value in use. The net selling value was 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 2.7%. If the value in use based on estimated future cash flows was negative, the Group recognized the recoverable amounts as zero.

In addition, the Group reduced the book value of idle assets to their recoverable amounts. The amounts of these reductions were recorded as an impairment loss (¥472 million ($4 million) for buildings and structures and ¥256 million ($2 million) for land). The recoverable amounts of these asset groups were measured at their net selling value. The net selling value was based on the appraisal value by a real estate appraiser, when the recoverable amounts were measured at the net selling value.

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Buildings and structures	¥ 73	¥ 459	$ 4
Furniture and fixtures	231	552	5
Intangible assets (other)	–	1,199	11
Removal expenses	63	1,163	11
Other	142	140	2
Total	¥509	¥3,513	$33

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Buildings and structures	¥1,198	¥ 473	$ 5
Furniture and fixtures	49	157	1
Removal expenses	271	416	4
Other	180	0	0
Total	¥1,698	¥1,046	$10

Financial Performance

(Notes to Consolidated Statements of Comprehensive Income)

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥ (70)	¥ 544	$ 5
Reclassification adjustment to profit (loss)	(25)	–	–
Amount before tax effect	(95)	544	5
Tax effect	29	(165)	(1)
Valuation difference on available-for-sale securities	(66)	379	4
Foreign currency translation adjustment:			
Amount arising during the fiscal year	1,743	(1,423)	(14)
Reclassification adjustment to profit (loss)	–	–	–
Amount before tax effect	1,743	(1,423)	(14)
Tax effect	–	–	–
Foreign currency translation adjustment	1,743	(1,423)	(14)
Retirement benefit adjustment:			
Amount arising during the fiscal year	(685)	2,180	20
Reclassification adjustment to profit (loss)	–	(1,562)	(14)
Amount before tax effect	(685)	618	6
Tax effect	208	(188)	(2)
Retirement benefit adjustment	(477)	430	4
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the fiscal year	(5)	(33)	(0)
Total other comprehensive income	¥1,195	¥ (647)	$ (6)

(Notes to Consolidated Statements of Changes in Net Assets)

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 shares is due to the purchase of odd-lot shares.

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, 2018	Increase	Decrease	Number of shares as of June 30, 2019	Millions of yen: As of June 30, 2019
The Company	Share-based compensation stock options	–	–	–	–	–	¥709
The Company	Paid-in stock options	–	–	–	–	–	15
Total		–	–	–	–	–	¥724

3. Matters regarding dividends

(1) Dividend payment

Resolution	Class of stock	Millions of yen: Total amount of dividends	Yen: Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 26, 2018	Common stock	¥4,271	¥27.0	June 30, 2018	September 27, 2018
Board of Directors' meeting held on February 5, 2019	Common stock	1,583	10.0	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

Resolution	Class of stock	Source	Millions of yen: Total amount of dividends	Yen: Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 25, 2019	Common stock	Retained earnings	¥4,750	¥30.0	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 as the Company acquired additional shares of REALIT Co., Ltd., a consolidated subsidiary of the Company, and another company.

Thousands of shares

	Number of shares as of July 1, 2019	Increase	Decrease	Number of shares as of June 30, 2020
Outstanding shares				
Common stock (Note 1)	158,322	475,607	–	633,929
Total	158,322	475,607	–	633,929
Treasury shares				
Common stock (Note 2)	5	14	–	19
Total	5	14	–	19

(Note 1) The increase of 475,607 thousand shares of common stock issued and outstanding is due to the stock split (475,004 thousand shares) and the exercise of stock options (603 thousand shares).
(Note 2) The increase of 14 thousand shares of common stock in treasury is due to the stock split (14 thousand shares) and purchase of odd-lot shares (0 thousand shares).
(Note 3) The Company executed a 4-for-1 stock split effective September 1, 2019.

5. 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, 2019	Increase	Decrease	Number of shares as of June 30, 2020	Millions of yen: As of June 30, 2020	Millions of U.S. dollars: As of June 30, 2020
The Company	Share-based compensation stock options	–	–	–	–	–	¥205	$2
The Company	Paid-in stock options	–	–	–	–	–	13	0
Total		–	–	–	–	–	¥218	$2

6. Matters regarding dividends

(1) Dividend payment

Resolution	Class of stock	Millions of yen: Total amount of dividends	Millions of U.S. dollars: Total amount of dividends	Yen: Dividends per share	U.S. dollars: Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 25, 2019	Common stock	¥4,750	$44	¥30.0	$0.28	June 30, 2019	September 26, 2019
Board of Directors' meeting held on February 5, 2020	Common stock	1,901	18	3.0	0.03	December 31, 2019	March 24, 2020

(2) Dividends with a record date during the fiscal year ended June 30, 2020, but with an effective date subsequent to the fiscal year ended June 30, 2020

Resolution	Class of stock	Source	Millions of yen: Total amount of dividends	Millions of U.S. dollars: Total amount of dividends	Yen: Dividends per share	U.S. dollars: Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 29, 2020	Common stock	Retained earnings	¥7,607	$71	¥12.0	$0.11	June 30, 2020	September 30, 2020

7. Significant changes in net assets

Not applicable.

(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, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Cash and deposits	¥172,673	¥179,785	$1,669
Cash equivalents included in deposits paid	12,513	3,817	35
Pledged time deposits	(50)	–	–
Cash and cash equivalents	¥185,136	¥183,602	$1,704

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

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
Current assets	¥ 234,802
Non-current assets	339,423
Current liabilities	(214,150)
Non-current liabilities	(249,884)
Non-controlling interests	(19,800)
Gain on bargain purchase	(5,646)
Equity method value until acquisition	(29,116)
Gain on step acquisitions	(3,906)
Cost to acquire additional shares	51,723
Accounts payables–other arising from share acquisition	(3,723)
Cash and cash equivalents of newly consolidated subsidiaries	(42,577)
Less: Payments for acquisition	¥ 5,423

The amounts shown are restated after significant adjustments to the preliminary acquisition cost allocation due to finalization of accounting treatment temporarily applied for the business combination.

For the fiscal year ended June 30, 2020

The disclosure is omitted due to its insignificance.

For the fiscal year ended June 30, 2020, "Purchase of shares of subsidiaries resulting in change in scope of consolidation" of ¥3,723 million ($35 million) represents the payment for accounts payables–other arising from additional share acquisition of UNY Co., Ltd. and its subsidiaries, which became consolidated subsidiaries due to the acquisition of shares for the fiscal year ended June 30, 2019.

Note 3 Breakdown of major assets and liabilities transferred due to business succession through a company split (an absorption-type split) for the fiscal year ended June 30, 2020

Doit Co., Ltd., a consolidated subsidiary, which changed its business name to Sky Green Co., Ltd. effective February 1, 2020, allowed KOHNAN SHOJI CO., LTD. to take over some of its businesses through a company split (an absorption-type split). A breakdown of assets and liabilities transferred due to the business succession through the company split, the selling price of the businesses, and the proceeds from the sale of the businesses are as follows:

	Millions of yen	Millions of U.S. dollars
Current assets	¥3,326	$30
Non-current assets	2,279	21
Current liabilities	(6)	(0)
Non-current liabilities	(113)	(1)
Gain on sale of businesses	494	5
Selling price of businesses	5,981	55
Cash and cash equivalents	(3)	(0)
Less: Proceeds from sale of businesses	¥5,978	$55

Note 4 Breakdown of major assets and liabilities of a company that is no longer a consolidated subsidiary due to the sale of shares for the fiscal year ended June 30, 2020

A breakdown of assets and liabilities of 99ICHIBA Co., Ltd. at the exclusion from consolidation due to the sale of its shares, the selling price of the shares, and the payments for the sale are as follows:

	Millions of yen	Millions of U.S. dollars
Current assets	¥ 1,598	$ 15
Non-current assets	573	5
Current liabilities	(1,196)	(11)
Non-current liabilities	(321)	(3)
Increase in retained earnings due to exclusion from consolidation	445	4
Investments after sale of shares	(200)	(2)
Loss on sale of shares of subsidiaries and affiliates	(145)	(1)
Payments for sale of shares of subsidiaries and affiliates	754	7
Cash and cash equivalents	(806)	(7)
Less: Payments for sale	¥ (52)	$ (0)

(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, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Due within one year	¥ 8,034	¥ 8,668	$ 80
Due after one year	37,772	34,337	319
Total	¥45,806	¥43,005	$399

(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 its 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.

Leasehold 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 concluding 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 the 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.)

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As of June 30, 2019

	Carrying amount	Fair value	Difference
			Millions of yen
(1) Cash and deposits	¥172,673	¥172,673	¥ –
(2) Notes and accounts receivables–trade	18,744		
Allowance for doubtful accounts(*1)	(52)		
	18,692	18,692	–
(3) Accounts receivables–installment	67,417		
Allowance for doubtful accounts(*2)	(519)		
Deferred installment income	(105)		
	66,793	71,832	5,039
(4) Operating loans	8,966		
Allowance for doubtful accounts(*3)	(146)		
	8,820	10,533	1,713
(5) Deposits paid	12,986	12,986	–
(6) Investment securities			
(i) Available-for-sale securities	2,663	2,663	–
(ii) Shares of subsidiaries and affiliates	7,922	8,120	198
(7) Long-term loan receivables	2,581		
Allowance for doubtful accounts(*4)	(0)		
	2,581	2,581	–
(8) Leasehold and guarantee deposits	22,259	23,708	1,449
Total assets	315,389	323,788	8,399
(1) Notes and accounts payables–trade	159,064	159,064	–
(2) Short-term loan payables	123	123	(0)
(3) Current portion of long-term loan payables	19,721	19,713	(8)
(4) Current portion of bonds	22,816	22,753	(63)
(5) Payables under fluidity lease receivables	7,304	7,308	4
(6) Accounts payables–other	53,303	53,303	–
(7) Accrued expenses	22,684	22,684	–
(8) Deposits received	19,407	19,407	–
(9) Income taxes payables	9,841	9,841	–
(10) Bond payables	238,458	236,519	(1,939)
(11) Long-term loan payables	256,777	256,157	(620)
(12) Long-term payables under fluidity lease receivables	4,703	4,734	31
Total liabilities	814,201	811,606	(2,595)
Derivative transactions(*5)	[835]	[835]	–

(*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 in brackets.

As of June 30, 2020

	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥179,785	¥179,785	¥ –	$1,669	$1,669	$ –
(2) Notes and accounts receivables–trade	18,378			171		
Allowance for doubtful accounts(*1)	(225)			(3)		
	18,153	18,153	–	168	168	–
(3) Accounts receivables–installment	68,293			634		
Allowance for doubtful accounts(*2)	(519)			(5)		
Deferred installment income	(105)			(1)		
	67,669	75,008	7,339	628	696	68
(4) Operating loans	8,076			75		
Allowance for doubtful accounts(*3)	(146)			(1)		
	7,930	9,438	1,508	74	88	14
(5) Deposits paid	4,377	4,377	–	41	41	–
(6) Investment securities						
(i) Available-for-sale securities	3,207	3,207	–	30	30	–
(ii) Shares of subsidiaries and affiliates	7,620	8,277	657	71	77	6
(7) Long-term loan receivables	904			8		
Allowance for doubtful accounts(*4)	(0)			(0)		
	904	904	–	8	8	–
(8) Lease and guarantee deposits	20,669	22,220	1,551	192	206	14
Total assets	310,314	321,369	11,055	2,881	2,983	102
(1) Notes and accounts payables–trade	148,226	148,226	–	1,376	1,376	–
(2) Short-term loan payables	–	–	–	–	–	–
(3) Current portion of long-term loan payables	13,201	13,197	(4)	123	122	(1)
(4) Current portion of bonds	11,916	11,870	(46)	111	110	(1)
(5) Payables under fluidity lease receivables	4,512	4,516	4	42	42	0
(6) Accounts payables–other	53,481	53,481	–	496	496	–
(7) Accrued expenses	22,588	22,588	–	210	210	–
(8) Deposits received	16,806	16,806	–	156	156	–
(9) Income taxes payables	10,969	10,969	–	102	102	–
(10) Bond payables	226,542	224,282	(2,260)	2,103	2,082	(21)
(11) Long-term loan payables	276,191	272,971	(3,220)	2,563	2,534	(29)
(12) Long-term payables under fluidity lease receivables	191	193	2	2	2	0
Total liabilities	784,623	779,099	(5,524)	7,284	7,232	(52)
Derivative transactions(*5)	[816]	[816]	–	[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 in 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 principal and interest using market rates adjusted by expenses of collecting 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 on the stock exchange. For bonds, the fair values are the quoted market prices or the prices obtained from financial institutions. For affiliates' shares 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) Leasehold and guarantee deposits
The fair values of leasehold 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 values, 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 of these accounts are based on the present value of total principal and interests, which are discounted by an interest rate to be applied if similar new loans were entered into.

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, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Securities and investment securities	¥ 892	¥ 981	$ 9
Shares of subsidiaries and affiliates	5,204	5,707	53
Long-term loan receivables	381	365	3
Allowance for doubtful accounts(*1)	(161)	(161)	(1)
	220	204	2
Leasehold and guarantee deposits	58,184	57,955	538
Allowance for doubtful accounts(*2)	(2,078)	(1,772)	(17)
	56,106	56,183	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 leasehold and guarantee deposits.
The figures above are not included in "investment securities," "long-term loan receivables," or "leasehold and guarantee deposits" because these financial instruments do not have quoted market prices available 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, 2019

	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
				Millions of yen
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	–	–
Leasehold and guarantee deposits	3,123	7,495	6,278	5,363
Total	¥264,247	¥25,681	¥8,427	¥5,363

As of June 30, 2020

	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
				Millions of yen
Cash and deposits	¥179,785	¥ –	¥ –	¥ –
Notes and accounts receivables–trade	18,378	–	–	–
Accounts receivables–installment	51,558	12,003	2,528	–
Operating loans	4,324	3,693	59	–
Deposits paid	4,377	–	–	–
Long-term loan receivables	–	904	–	–
Leasehold and guarantee deposits	2,260	7,323	5,832	5,254
Total	¥260,682	¥23,923	¥8,419	¥5,254

	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
				Millions of U.S. dollars
Cash and deposits	$1,669	$ –	$ –	$ –
Notes and accounts receivables–trade	171	–	–	–
Accounts receivables–installment	479	111	23	–
Operating loans	40	34	1	–
Deposits paid	41	–	–	–
Long-term loan receivables	–	8	–	–
Leasehold and guarantee deposits	21	68	54	49
Total	$2,421	$221	$78	$49

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

4. Redemption schedule for bonds and long-term loan payables
As of June 30, 2019

	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
						Millions of yen
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

As of June 30, 2020

	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
						Millions of yen
Bond payables	¥11,916	¥22,566	¥11,421	¥10,930	¥ 650	¥180,975
Long-term loan payables	13,201	29,103	19,845	25,745	18,494	183,004
Total	¥25,117	¥51,669	¥31,266	¥36,675	¥19,144	¥363,979

	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
						Millions of U.S. dollars
Bond payables	$111	$209	$106	$101	$6	$1,680
Long-term loan payables	123	270	184	239	172	1,699
Total	$234	$479	$290	$340	$178	$3,379

Financial Performance

(Securities)

1. Available-for-sale securities

As of June 30, 2019

Millions of yen

	Type	Carrying amount	Acquisition cost	Difference
Carrying amount exceeds acquisition cost	(1) Equity securities	¥2,478	¥2,285	¥193
	(2) Debt securities			
	(i) JGBs/muni bonds	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	150	78	72
	Subtotal	2,628	2,363	265
Carrying amount does not exceed acquisition cost	(1) Equity securities	35	38	(3)
	(2) Debt securities			
	(i) JGBs/muni bonds	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	35	38	(3)
Total		¥2,663	¥2,401	¥262

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥892 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, 2020

		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	¥3,027	¥2,251	¥776	$28	$21	$ 7
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	102	50	52	1	0	1
	Subtotal	3,129	2,301	828	29	21	8
Carrying amount does not exceed acquisition cost	(1) Equity securities	55	72	(17)	1	1	(0)
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	23	28	(5)	0	0	(0)
	Subtotal	78	100	(22)	1	1	(0)
Total		¥3,207	¥2,401	¥806	$30	$22	$ 8

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥981 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 available and thus it is extremely difficult to determine their fair values.

2. Sales amounts and gain (loss) on sales of available-for-sale securities

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

Millions of yen

Type	Proceeds from sales	Gain on sales	Loss on sales
(1) Equity securities	¥138	¥25	¥–
(2) Debt securities			
(i) JGBs/muni bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	¥138	¥25	¥–

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

	Millions of yen			Millions of U.S. dollars		
Type	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
(1) Equity securities	¥38	¥–	¥30	$0	$–	$0
(2) Debt securities						
(i) JGBs/muni bonds	–	–	–	–	–	–
(ii) Corporate bonds	–	–	–	–	–	–
(iii) Other	–	–	–	–	–	–
(3) Other	–	–	–	–	–	–
Total	¥38	¥–	¥30	$0	$–	$0

3. Impaired securities

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

Not applicable.

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

Not applicable.

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

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)

As of June 30, 2020

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	¥1,388	¥–	¥(16)	¥(16)

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	$13	$–	$(0)	$(0)

(Note) As to fair value measurement, the Company uses the prices obtained from financial institutions that are counterparties to the transactions.

(2) Interest rate related

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)

As of June 30, 2020

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	¥58,150	¥54,330	¥(375)	¥(375)

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	$540	$504	$(3)	$(3)

(Note) As to fair value measurement, the Company uses the prices obtained from financial institutions that are counterparties to the transactions.

(3) Interest rate and currency related

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	¥2,834	¥2,834	¥(130)	¥(130)
	Interest rate and currency transaction Receive variable/ Pay fixed Pay USD Receive JPY	6,359	6,359	(23)	(23)

Financial Performance

As of June 30, 2020

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	¥2,834	¥–	¥(132)	¥(132)
	Interest rate and currency transaction Receive fixed Pay fixed Pay USD Receive JPY	5,707	5,707	(293)	(293)

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	$26	$–	$(1)	$(1)
	Interest rate and currency transaction Receive fixed/ Pay fixed Pay USD Receive JPY	53	53	(3)	(3)

(Note) As to fair value measurement, the Company uses the prices obtained from financial institutions that are counterparties to the transactions.

(Retirement Benefits)

1. Overview of retirement benefit plans

The Company and some of its consolidated subsidiaries maintain defined contribution pension plans. The UNY and its two subsidiaries maintain the funded defined benefit plan. Effective March 1, 2020, the UNY and its two subsidiaries transferred a certain portion of their funded defined benefit plan to the defined contribution pension plan, and "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (PITF No. 2, February 7, 2007) are applied. As a result, the Company recognized gain on revision of retirement benefit plan of ¥5,111 million ($47 million) under extraordinary income for the fiscal year ended June 30, 2020.

2. Defined benefit plans

(1) Reconciliation between the beginning balance and ending balance of retirement benefit obligations

	Fiscal year ended June 30, 2019 (Millions of yen)	Fiscal year ended June 30, 2020 (Millions of yen)	Fiscal year ended June 30, 2020 (Millions of U.S. dollars)
Beginning balance of retirement benefit obligations	¥ –	¥ 62,372	$ 579
Amount increased due to new consolidation	63,742	–	–
Past service costs	990	1,308	12
Interest costs	159	69	1
Increase/decrease in actuarial differences	580	(1,855)	(17)
Retirement benefit payments	(3,099)	(6,567)	(61)
Amount decreased due to transfer to defined contribution pension plan	–	(41,007)	(381)
Ending balance of retirement benefit obligations	¥62,372	¥ 14,320	$ 133

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

	Fiscal year ended June 30, 2019 (Millions of yen)	Fiscal year ended June 30, 2020 (Millions of yen)	Fiscal year ended June 30, 2020 (Millions of U.S. dollars)
Beginning balance of pension assets	¥ –	¥ 68,734	$ 638
Amount increased due to new consolidation	70,070	–	–
Expected return on assets	532	687	6
Increase/decrease in actuarial differences	(106)	325	3
Employer's contributions	1,339	1,324	13
Retirement benefit payments	(3,099)	(6,567)	(61)
Amount decreased due to transfer to defined contribution pension plan	–	(33,947)	(315)
Ending balance of pension assets	¥68,734	¥ 30,556	$ 284

(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

	As of June 30, 2019 (Millions of yen)	As of June 30, 2020 (Millions of yen)	As of June 30, 2020 (Millions of U.S. dollars)
Retirement benefit obligations (Funded plan)	¥ 62,372	¥ 14,320	$ 133
Pension assets	(68,734)	(30,556)	(284)
Retirement benefit asset	(6,362)	(16,236)	(151)
Net of retirement benefit asset and retirement benefit liability on the consolidated balance sheet	¥ (6,362)	¥(16,236)	$(151)

(4) Retirement benefit expenses and their breakdown

	Fiscal year ended June 30, 2019 (Millions of yen)	Fiscal year ended June 30, 2020 (Millions of yen)	Fiscal year ended June 30, 2020 (Millions of U.S. dollars)
Past service costs	¥990	¥1,308	$12
Interest costs	159	69	1
Expected return on assets	(532)	(687)	(6)
Amortization of actuarial differences	–	(64)	(1)
Retirement benefit expense on retirement benefit plan	¥617	¥ 626	$ 6

(5) Retirement benefit adjustment

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

	Fiscal year ended June 30, 2019 (Millions of yen)	Fiscal year ended June 30, 2020 (Millions of yen)	Fiscal year ended June 30, 2020 (Millions of U.S. dollars)
Actuarial differences	¥(685)	¥618	$6
Total	¥(685)	¥618	$6

(6) Remeasurements of defined benefit plans

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

	As of June 30, 2019 (Millions of yen)	As of June 30, 2020 (Millions of yen)	As of June 30, 2020 (Millions of U.S. dollars)
Unrecognized actuarial differences	¥(685)	¥(68)	$(1)
Total	¥(685)	¥(68)	$(1)

(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	As of June 30, 2020
Bonds	73%	–%
Stocks	11	–
Life insurance general accounts	–	99
Alternatives	15	1
Cash and deposits	1	–
Total	100%	100%

(Note) The alternatives present multiple investments including hedge funds for the purpose 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 into account 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	As of June 30, 2020
Discount rate	0.2%	0.4%
Long-term expected rate of return	1.5	1.0
Salary increase rate	3.1	3.1

(9) Other matters regarding retirement benefit

The following table summarizes the impact arising from the transfer of a certain portion of the funded defined benefit plan to the defined contribution pension plan for the fiscal year ended June 30, 2020.

	For the fiscal year ended June 30, 2020 (Millions of yen)	For the fiscal year ended June 30, 2020 (Millions of U.S. dollars)
Decrease in retirement benefit obligations	¥(41,007)	$(381)
Assets transferred to the defined contribution pension plan	33,947	315
Subtotal	(7,060)	(66)
Amortization of actuarial differences	1,949	19
Total	¥ (5,111)	$ (47)

The account "Other" under non-current liabilities includes ¥2,899 million ($27 million) of the amount not yet transferred as of June 30, 2020.

Financial Performance

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, ¥160 million for the fiscal year ended June 30, 2019 and ¥728 million ($7 million) for the fiscal year ended June 30, 2020.

(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, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Selling, general and administrative expenses	¥382	¥–	$–

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, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Gain on reversal of share acquisition rights	¥0	¥220	$2

3. Details and number of stock options

(1) Details of stock options

	The 1st Share-based Compensation Stock Options	The 2nd Share-based Compensation Stock Options	The 1st 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 10,400 shares	Common stock 10,000 shares	Common stock 3,878,800 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)

	The 3rd Share-based Compensation Stock Options	The 4th Share-based Compensation Stock Options	The 5th Share-based Compensation Stock Options
Eligible grantees	3 directors	3 directors	3 directors
Class and number of stock options (Note 1)	Common stock 56,000 shares	Common stock 200,000 shares	Common stock 236,000 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. The Company executed a 2-for-1 stock split on July 1, 2015, and a 4-for-1 stock split on September 1, 2019. The number of shares for stock options reflects the effect of said stock splits.
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 10 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, 2020 are stated below. The number of stock options presents the number of shares to be issued.

(i) Number of stock options

Shares

	The 1st Share-based Compensation Stock Options	The 2nd Share-based Compensation Stock Options	The 1st Paid-in Stock Options
Grant date	June 26, 2015	December 28, 2015	September 23, 2016
Before vesting			
Balance as of June 30, 2019	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2020	–	–	–
After vesting			
Balance as of June 30, 2019	10,400	10,000	3,106,400
Vested	–	–	–
Exercised	8,000	7,600	410,400
Forfeited	–	–	28,800
Balance as of June 30, 2020	2,400	2,400	2,667,200

Shares

	The 3rd Share-based Compensation Stock Options	The 4th Share-based Compensation Stock Options	The 5th Share-based Compensation Stock Options
Grant date	June 1, 2017	June 29, 2018	April 10, 2019
Before vesting			
Balance as of June 30, 2019	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2020	–	–	–
After vesting			
Balance as of June 30, 2019	56,000	200,000	236,000
Vested	–	–	–
Exercised	36,000	160,000	20,000
Forfeited	–	–	136,000
Balance as of June 30, 2020	20,000	40,000	80,000

(Note) The number of stock options presents the number of shares to be issued. The Company executed a 2-for-1 stock split on July 1, 2015, and a 4-for-1 stock split on September 1, 2019. The number of shares for stock options reflects the effect of said stock splits.

(ii) Stock option price information

	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
	The 1st Share-based Compensation Stock Options		The 2nd Share-based Compensation Stock Options		The 1st Paid-in Stock Options	
Grant date	June 26, 2015		December 28, 2015		September 23, 2016	
Exercise price	¥1	$0.01	¥1	$0.01	¥925	$8.59
Average stock price at time of exercise	1,780	16.52	1,779	16.51	1,877	17.42
Fair value at grant date	1,242.00	11.53	1,007.50	9.35	–	–

	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
	The 3rd Share-based Compensation Stock Options		The 4th Share-based Compensation Stock Options		The 5th Share-based Compensation Stock Options	
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	1,773	16.46	1,793	16.64	1,752	16.26
Fair value at grant date	1,011.50	9.39	1,235.75	11.47	1,618.75	15.02

(Note) The Company executed a 2-for-1 stock split on July 1, 2015, and a 4-for-1 stock split on September 1, 2019. The exercise price for stock options reflects the effect of said stock splits.

Financial Performance

4. Methods used to estimate fair value of stock options
Not applicable.

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 options), 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 Issue 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, 2019	As of June 30, 2020	As of June 30, 2020
Deferred tax assets			
Accrued enterprise taxes not deductible for tax purposes	¥ 824	¥ 933	$ 9
Inventories	3,237	4,732	44
Accrued bonus	1,862	2,336	22
Excess depreciation and amortization over tax purposes	25,068	23,946	222
Impairment loss	13,932	12,932	120
Loss on closing of stores	1,059	199	2
Net operating loss carryforward (Note 3)	7,649	5,725	53
Loss on valuation of investment securities not deductible for tax purposes	702	177	2
Long-term accounts payable	1,898	2,447	23
Excess allowance for doubtful accounts over tax purposes	1,472	1,045	10
Asset retirement obligations	4,267	4,121	38
Provision for point card certificates	1,713	2,034	19
Provision for loss on interest repayment	1,277	1,138	11
Valuation difference of consolidated subsidiaries	22,204	21,256	197
Other	3,882	4,558	41
Deferred tax assets total	91,046	87,579	813
Valuation allowance for net operating loss carryforward (Note 3)	(4,671)	(3,451)	(32)
Valuation allowance for future deductible temporary differences	(53,015)	(50,178)	(466)
Valuation allowance subtotal (Note 1)	(57,686)	(53,629)	(498)
Deferred tax assets total	33,360	33,950	315
Deferred tax liabilities			
Valuation of assets and liabilities of subsidiaries at market value for the purpose of consolidation	(16,475)	(15,543)	(144)
Retirement benefit asset	(1,041)	(4,938)	(46)
Reserve for advanced depreciation of non-current assets	(2,007)	(1,928)	(18)
Valuation difference on available-for-sale securities	(292)	(440)	(4)
Other	(325)	(332)	(3)
Deferred tax liabilities total	(20,140)	(23,181)	(215)
Net deferred tax assets	¥ 13,220	¥ 10,769	$ 100

(Notes) 1. As of June 30, 2020, the valuation allowance decreased by ¥4,057 million ($38 million) compared to June 30, 2019. This is mainly attributable to decrease in valuation allowance for net operating loss carryforward and decrease in the future deductible temporary differences that are unable to be scheduled.
2. For the fiscal year ended June 30, 2020, the Company finalized the accounting treatment temporarily applied for the business combination in the prior fiscal year. The amounts as of June 30, 2019 are restated after significant adjustments to the preliminary acquisition cost allocation due to finalization of accounting treatment temporarily applied for the business combination.
3. 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	¥1,345	¥ 749	¥ 605	¥ 201	¥ 2,614	¥ 7,649
Valuation allowance	(1,200)	(286)	(487)	(355)	(152)	(2,191)	(4,671)
Deferred tax assets	935	1,059	262	250	49	423	(*2) 2,978

(*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, calculated by using a statutory tax rate, deferred tax assets of ¥2,978 million is recognized. The Company does not recognize valuation allowance for the net operating loss carryforward expected to offset the future taxable income.

As of June 30, 2020

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)	¥ 957	¥ 447	¥ 457	¥ 260	¥ 452	¥ 3,152	¥ 5,725
Valuation allowance	(209)	(196)	(268)	(211)	(452)	(2,115)	(3,451)
Deferred tax assets	748	251	189	49	0	1,037	(*2) 2,274

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)	$ 9	$ 4	$ 4	$ 2	$ 4	$ 30	$ 53
Valuation allowance	(2)	(2)	(2)	(2)	(4)	(20)	(32)
Deferred tax assets	7	2	2	0	0	10	(*2)21

(*1) The amounts of net operating loss carryforward are calculated by using a statutory tax rate.
(*2) For the net operating loss carryforward of ¥5,725 million ($53 million), calculated by using a statutory tax rate, deferred tax assets of ¥2,274 million ($21 million) is recognized. The Company does not recognize valuation allowance for the net operating loss carryforward expected to offset the future taxable income.

Financial Performance

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

	As of June 30, 2019	As of June 30, 2020
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Inhabitant tax per capita levy	1.1	1.5
Change in valuation allowance	(0.6)	(2.0)
Share of profit of affiliates accounted for using the equity method	(2.7)	(0.0)
Gain on bargain purchase	(2.6)	(0.1)
Gain on step acquisitions	(1.8)	–
Amortization of goodwill and other consolidation adjustments	0.5	0.3
Tax deduction	(0.0)	(0.8)
Difference in tax rate from consolidated subsidiaries	1.8	1.6
Other	0.1	(0.6)
Effective income tax rate after tax-effect accounting	26.4	30.5

(Business Combination)

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

Finalization of the accounting treatment temporarily applied for the business combination

For the fiscal year ended June 30, 2020, the Company finalized the accounting treatment temporarily applied for the fiscal year ended June 30, 2019, with regard to the acquisition of UNY Co., Ltd. on January 4, 2019, by finalizing the acquisition cost and making significant adjustments to the preliminary cost allocation made as of the first date of the acquisition.

Accordingly, gain on step acquisitions, which were provisionally recognized for the fiscal year ended June 30, 2019, increased by ¥2,482 million to ¥3,906 million; similarly, gain on bargain purchase decreased by ¥3,669 million to ¥5,646 million.

As a result, the balances as of June 30, 2019 were changed as follows: increases in land by ¥3,533 million, accounts payables–other by ¥3,723 million, other under current liabilities by ¥66 million and other under non-current liabilities by ¥931 million, and decrease in retained earnings by ¥1,187 million.

Business succession through an absorption-type split

At the Board of Directors' meeting held on November 29, 2019, Doit Co., Ltd. (the "Doit"), a consolidated subsidiary of the Company, decided to allowed KOHNAN SHOJI CO., LTD. (the "KOHNAN") to take over the Doit's operation of home centers and renovation business (collectively, the "Business") through a company split (an absorption-type split), and entered into a business succession agreement. Further, on December 6, 2019, the Doit entered into an absorption-type split agreement with the KOHNAN and completed the business succession on February 1, 2020. After the absorption-type split, the Doit changed its business name to Sky Green Co., Ltd.

1. Overview of the business divestiture

(1) Name of the successor company

KOHNAN SHOJI CO., LTD.

(2) Description of business divested

Operation of home centers and renovation business

(3) Major reason for the business divestiture

The Group has continued to grow through business expansion including entering into the general retail business. To flexibly and appropriately respond to the ever-changing retail industry in its efforts to meet the needs of its customers, the Group determines that it is essential to select and concentrate management resources within the Group to realize further growth. Under such circumstances, the Group reached the conclusion that the aforementioned efforts would be the best way for a company engaged in the operation of home centers to take over and operate the Business. The Group judged the KOHNAN to be the most suitable successor since it has a wide range of highly profitable private label products and extensive operational expertise in the professional customer segment, which is the Doit's area of focus.

(4) Date of the business divestiture

February 1, 2020

(5) Legal form of the business divestiture

Business succession through an absorption-type split with cash, etc., as the only consideration received

2. Overview of the accounting treatment applied

(1) Amount of gain or loss

Gain on sale of businesses ¥494 million ($5 million)

(2) Fair book value of assets and liabilities transferred and its major breakdown

	Millions of yen	Millions of U.S. dollars
Current assets	¥3,326	$31
Non-current assets	2,279	21
Total assets	5,605	52
Current liabilities	6	0
Non-current liabilities	113	1
Total liabilities	¥ 119	$ 1

(3) Accounting treatment

The Company treated the investments in the Business transferred as if they had been liquidated, and recognized gain on transfer in the amount of the difference between the fair value of assets received as consideration and the amount equivalent to the shareholders' equity in connection with the Business transferred.

3. Reportable segment previously included the Business divested

Discount store business

4. In connection with the Business divested, approximate amount of gain or loss recognized in the consolidated statement of profit and loss for the fiscal year ended June 30, 2020

	Millions of yen	Millions of U.S. dollars
Net sales	¥8,714	$81
Operating loss	74	1

Partial sale of subsidiary's shares

1. Overview of the business divestiture

(1) Name of the successor company

G-7HOLDINGS Inc.

(2) Description of business divested

99ICHIBA Co., Ltd. (operation of small supermarkets, such as "mini Piago")

(3) Major reason for the business divestiture

In February 2020, the Company announced its new medium- to long-term management plan "Passion 2030." To achieve the goal of Passion 2030, it is essential to select and concentrate management resources within the Group to realize further growth. Under such circumstances, the Company decided that the best way to facilitate this strategy is to have a third party take over and operate such small supermarket stores.

(4) Date of business divestiture

April 1, 2020

(5) Legal form of the business divestiture

Share transfer with cash as the only consideration received

2. Overview of the accounting treatment applied

(1) Amount of gain or loss

Loss on sales of shares of subsidiaries and affiliates ¥145 million ($1 million)

(2) Fair book value of assets and liabilities transferred and its major breakdown

	Millions of yen	Millions of U.S. dollars
Current assets	¥1,598	$15
Non-current assets	573	5
Total assets	2,171	20
Current liabilities	1,196	11
Non-current liabilities	321	3
Total liabilities	¥1,517	$14

(3) Accounting treatment

The Company recognized the difference between the book value and the selling price of shares transferred as loss on sales of shares of subsidiaries and affiliates.

3. Reportable segment previously included the business divested

GMS business

4. In connection with the business divested, the approximate amount of gain or loss recognized in the consolidated statement of profit and loss for the fiscal year ended June 30, 2020

	Millions of yen	Millions of U.S. dollars
Net sales	¥10,111	$94
Operating loss	174	2

(Asset Retirement Obligations)

1. Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of asset retirement obligations

Asset retirement obligations recognized are mainly obligations to restore sites used for stores according to fixed-term leaseholds for commercial use of land and buildings 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, 2019	As of June 30, 2020	As of June 30, 2020
Beginning of the year	¥ 6,595	¥24,007	$223
Increase due to newly consolidated subsidiaries	16,283	–	–
Increase due to acquisition of property, plant and equipment	642	656	6
Increase due to change in estimate	506	–	–
Adjustments over time	148	232	2
Decrease due to performance of asset retirement obligations	–	(829)	(8)
Decrease due to settlement of asset retirement obligations	(167)	(156)	(1)
Decrease due to sale of consolidated subsidiaries	–	(306)	(3)
Decrease due to business succession through an absorption-type split	–	(16)	(0)
End of the year	¥24,007	¥23,588	$219

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 the change in estimate, in the amount of ¥506 million, was added to the amount of asset retirement obligations before the change.

Financial Performance

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

For real estate lease contracts other than fixed-term leaseholds 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, 2019, rental income related to such properties and facilities was ¥3,577 million. (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses.) For the fiscal year ended June 30, 2020, rental income related to such properties and facilities was ¥6,367 million ($59 million). (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses.) Gain on sale of such properties was ¥9 million ($0 million), which was recorded in extraordinary income.

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, 2019 and 2020 are as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Carrying amount			
Beginning of the year	¥ 78,245	¥148,170	$1,375
Net change	69,925	9,514	89
End of the year	148,170	157,684	1,464
Fair value	170,047	184,692	1,714

(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, 2019 consisted of major increases of ¥59,883 million from new consolidation, ¥1,028 million from the acquisition of real estate, ¥7,873 million from transfer to idle assets, and ¥1,141 million from a change in rentable ratios. Net change for the fiscal year ended June 30, 2020 consisted of major increases of ¥11,662 million ($108 million) from the acquisition of real estate, and major decreases of ¥41 million ($0 million) from the sale of real estate and ¥2,107 million ($20 million) from a change in rentable ratios.
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 subject to regular review by the Board of Directors for the purpose of determining the allocation of management resources and assessment of business results.

The Company consists of segments categorized by how goods and services are provided to customers, 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.

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, 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	236,345	233,104	1,102,642	123,967	1,226,609	55,491	1,282,100
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

(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 adjustment to segment profit is an intersegment elimination. The ¥55,491 million adjustment to segment assets includes surplus funds of ¥135,311 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.
3. Segment profit is adjusted to operating income in 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, 2020 (From July 1, 2019 to June 30, 2020)

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	¥1,117,507	¥491,621	¥ 58,229	¥1,667,357	¥ 14,590	¥1,681,947	¥ –	¥1,681,947
Intersegment sales and transfer	5,184	6,721	2,994	14,899	6,248	21,147	(21,147)	–
Total	1,122,691	498,342	61,223	1,682,256	20,838	1,703,094	(21,147)	1,681,947
Segment profit (loss)	47,311	16,992	13,579	77,882	(2,373)	75,509	488	75,997
Segment assets	619,727	235,061	227,557	1,082,345	183,310	1,265,655	33,293	1,298,948
Other items (Note 4)								
Depreciation and amortization	18,474	4,662	5,182	28,318	1,004	29,322	69	29,391
Increase in property, plant and equipment and intangible assets	27,914	2,465	4,117	34,496	1,242	35,738	678	36,416

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	$10,373	$4,563	$ 540	$15,476	$ 135	$15,611	$ –	$15,611
Intersegment sales and transfer	48	62	28	138	58	196	(196)	–
Total	10,421	4,625	568	15,614	193	15,807	(196)	15,611
Segment profit (loss)	439	158	126	723	(22)	701	5	706
Segment assets	5,752	2,182	2,112	10,046	1,702	11,748	309	12,057
Other items (Note 4)								
Depreciation and amortization	172	43	48	263	9	272	1	273
Increase in property, plant and equipment and intangible assets	259	23	38	320	12	332	6	338

(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 ¥488 million ($5 million) adjustment to segment profit is an intersegment elimination. The ¥33,293 million ($309 million) adjustment to segment assets includes surplus funds of ¥136,744 million ($1,269 million) of the Company, Don Quijote Co., Ltd., Nagasakiya Co., Ltd., and UNY Co., Ltd., which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥(103,451) million ($(960) million).
3. Segment profit is adjusted to operating income in 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.
5. Segment information for the fiscal year ended June 30, 2019 is restated after significant adjustments to the preliminary acquisition cost allocation due to finalization of accounting treatment temporarily applied, as described in "Business Combination" in "Notes to Consolidated Financial Statements."

Financial Performance

Related information

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 of the products and services 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 external third parties exceed 90% of net sales in 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 there are no third-party customer accounts with 10% or more of net sales in the consolidated statements of profit and loss.

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

1. Information by product and service

Description is omitted because the classification of the products and services 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 external third parties exceed 90% of net sales in 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 there are no third-party customer accounts with 10% or more of net sales in the consolidated statements of profit and loss.

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

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	Consolidated
Impairment loss	¥9,845	¥–	¥460	¥10,305	¥–	¥10,305	¥–	¥10,305

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Impairment loss	¥3,296	¥–	¥171	¥3,467	¥–	¥3,467	¥728	¥4,195

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Impairment loss	$30	$–	$2	$32	$–	$32	$7	$39

(Note) Adjustments represent the amount of idle assets which are classified as Companywide assets.

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

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	Consolidated
Amortization for the year	¥ 1,019	¥–	¥–	¥ 1,019	¥–	¥ 1,019	¥–	¥ 1,019
Balance at year-end	17,216	–	–	17,216	–	17,216	–	17,216

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

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥ 86	¥–	¥–	¥ 86	¥–	¥ 86	¥–	¥ 86
Balance at year-end	180	–	–	180	–	180	–	180

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥ 1,004	¥–	¥–	¥ 1,004	¥–	¥ 1,004	¥–	¥ 1,004
Balance at year-end	15,935	–	–	15,935	–	15,935	–	15,935

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	$ 9	$–	$–	$ 9	$–	$ 9	$–	$ 9
Balance at year-end	148	–	–	148	–	148	–	148

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

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥86	¥–	¥–	¥86	¥–	¥86	¥–	¥86
Balance at year-end	94	–	–	94	–	94	–	94

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	$1	$–	$–	$1	$–	$1	$–	$1
Balance at year-end	1	–	–	1	–	1	–	1

Information on gain on bargain purchase by reportable segment

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. With this move, gain on bargain purchase of ¥5,646 million was reported under the "GMS business" segment.

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

No significant matter to be disclosed.

(Note) Information on gain on bargain purchase by reportable segment for the fiscal year ended June 30, 2019 is restated after significant adjustments to the preliminary acquisition cost allocation due to finalization of accounting treatment were temporarily applied, as described in "Business Combination" in Notes to Consolidated Financial Statements.

Financial Performance

Information on related parties

1. Transactions with related parties

Transactions between the Company and related parties

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

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

No significant matter to be disclosed.

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

No significant matter to be disclosed.

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

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

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)
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	–	¥–
Director and his/her close relatives	Spouse of Takao Yasuda, Director of the Company	–	–	–	None	–	Acquisition of affiliate's shares (Note 3)	4,980	–	–
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	Asset management	(Own) Direct – Indirect 19.78	Joint establishment Undertaking capital increase	Undertaking capital (Note 5)	3,434	–	–

(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 the 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.

For the fiscal year ended June 30, 2020 (From July 1, 2019 to June 30, 2020)

No significant matter to be disclosed.

(Per Share Information)

Fiscal year ended June 30, 2019		Fiscal year ended June 30, 2020		
Net assets per share	¥518.51	Net assets per share	¥589.29	$5.47
Profit per share	74.36	Profit per share	79.39	0.74
Diluted profit per share	74.13	Diluted profit per share	79.18	0.73

(Notes) 1. The Company 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, 2019.
2. Profit per share and diluted profit per share for the fiscal year ended June 30, 2019 are restated after significant adjustments to the preliminary acquisition cost allocation due to finalization of accounting treatment temporarily applied, as described in "Business Combination" in "Notes to Consolidated Financial Statements."
3. The basis for calculating profit per share and diluted profit per share is as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Profit per share			
Profit attributable to owners of parent (millions of yen)	¥ 47,066	¥ 50,303	$467
Profit not attributable to common stock owners (millions of yen)	–	–	–
Profit attributable to common stock owners of parent (millions of yen)	47,066	50,303	467
Weighted-average number of shares of common stock (shares)	632,971,111	633,643,173	
Diluted profit per share			
Adjustment of profit attributable to owners of parent (millions of yen)	–	–	–
Increase in number of shares of common stock (shares)	1,941,336	1,685,239	
(Of which, share acquisition rights)	(1,941,336)	(1,685,239)	
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)

Not applicable.

Supplemental information

Corporate bonds

Issuer	Type of issue	Issue date	Balance at July 1, 2019 (Millions of yen)	Balance at June 30, 2020 (Millions of yen)	Balance at June 30, 2020 (Millions of U.S. dollars)	Interest rate (%)	Collateral	Redemption date
The Company	The 58th unsecured corporate bond	November 29, 2014	¥600 (¥600)	¥–	$–	6-month TIBOR	N/A	November 29, 2019
The Company	The 8th unsecured corporate bond	March 12, 2015	20,000 (20,000)	–	–	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 (10,000)	93 (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 (–)	10,000 (–)	93 (–)	0.11	N/A	March 7, 2022
The Company	The 16th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	93 (–)	0.35	N/A	March 6, 2026
The Company	The 17th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	93 (–)	0.45	N/A	March 7, 2029
The Company	The 1st unsecured corporate bond (with subordination agreement)	November 28, 2018	140,000 (–)	140,000 (–)	1,298 (–)	(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	370 (140)	230 (140)	2 (1)	0.68	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 3rd unsecured corporate bond	September 25, 2015	969 (266)	703 (266)	7 (2)	0.63	N/A	September 22, 2022
Japan Asset Marketing Co., Ltd.	The 4th unsecured corporate bond	September 30, 2015	900 (600)	300 (300)	3 (3)	0.32	N/A	September 30, 2020
Japan Asset Marketing Co., Ltd.	The 5th unsecured corporate bond	March 25, 2016	1,160 (280)	880 (280)	8 (3)	0.33	N/A	March 24, 2023
Japan Asset Marketing Co., Ltd.	The 6th unsecured corporate bond	September 21, 2016	1,875 (250)	1,625 (250)	15 (2)	0.18	N/A	September 18, 2026
Japan Asset Marketing Co., Ltd.	The 7th unsecured corporate bond	September 26, 2016	3,000 (400)	2,600 (400)	24 (4)	0.22	N/A	September 25, 2026
Japan Asset Marketing Co., Ltd.	The 8th unsecured corporate bond	September 26, 2016	1,300 (280)	1,020 (280)	9 (3)	0.37	N/A	September 26, 2023
Other	–	–	100 (–)	100 (–)	1 (–)	–	–	–
Total	–	–	¥261,274 (¥22,816)	¥238,458 (¥11,916)	$2,213 ($111)	–	–	–

(Notes) 1. Figures in parentheses represent the current portion.
2. The interest rate of the Company's 1st unsecured corporate bond (with subordination agreement) is 1.49% per annum from November 29, 2018 to November 29, 2023, and 6-month Japanese yen LIBOR+2.40% from the day following 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
¥11,916	¥22,566	¥11,421	¥10,930	¥650

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
$111	$209	$106	$101	$6

Financial Performance

Loan payables, etc.

Classification	Balance at July 1, 2019 (Millions of yen)	Balance at June 30, 2020		Average interest rate (%)	Redemption date
		(Millions of yen)	(Millions of U.S. dollars)		
Short-term loan payables	¥ 123	¥ –	$ –	–	–
Current portion of long-term loan payables	19,721	13,201	123	0.39	–
Current portion of lease obligations	53	46	0	1.01	–
Long-term loan payables excluding current portion	256,777	276,191	2,563	0.76	From July 2021 to July 2067
Lease obligations excluding current portion	137	99	1	1.03	From January 2022 to August 2024
Other interest-bearing debt	–	–	–	–	–
Total	¥276,811	¥289,537	$2,687	–	–

(Notes) 1. Average interest rate represents the weighted-average interest rate of loans as of June 30, 2020.
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	¥29,103	¥19,845	¥25,745	¥18,494
Lease obligations	43	38	18	0

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	$270	$184	$239	$172
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

The Board of Directors
Pan Pacific International Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Pan Pacific International Holdings Corporation and its consolidated subsidiaries ("the Group"), which comprise the consolidated balance sheet as at June 30, 2020, and the consolidated statement of profit and loss and comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Committee 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

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 the consolidated financial statements.

UHY Tokyo & Co.
Tokyo, Japan
September 29, 2020

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 Independent Auditor's Report is translated into English from the statutory Japanese-language consolidated financial statements.

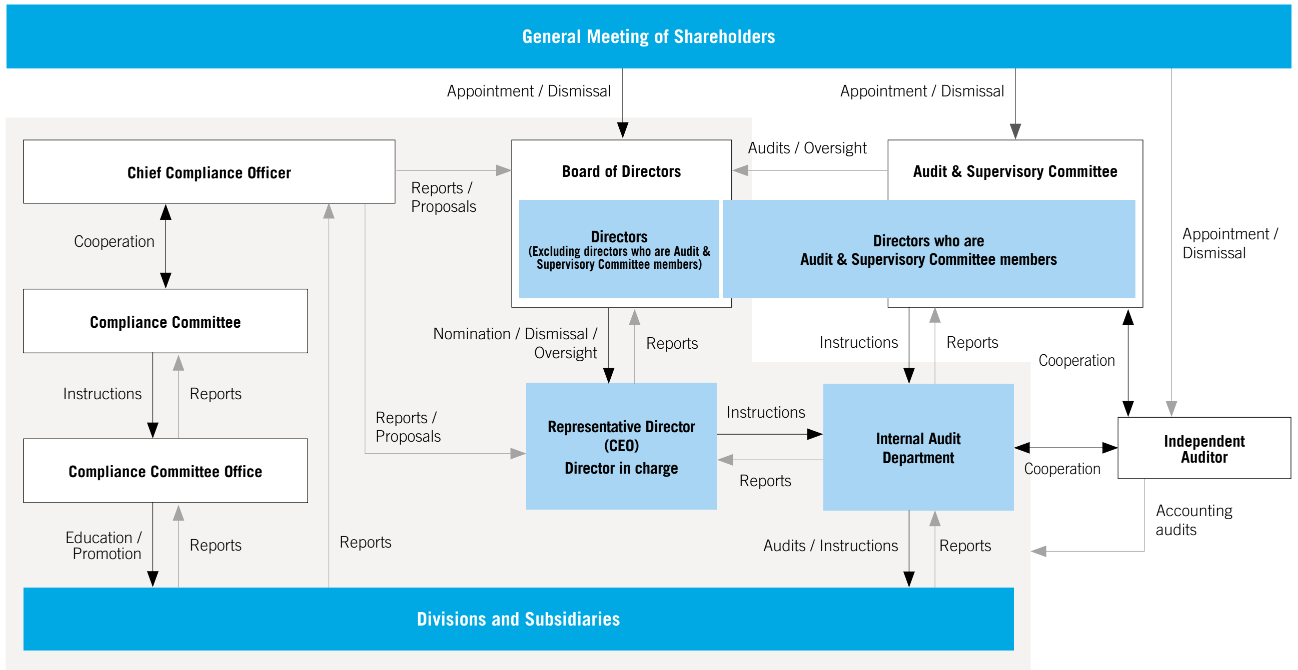
Corporate Governance

Strengthening Governance to Improve 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.

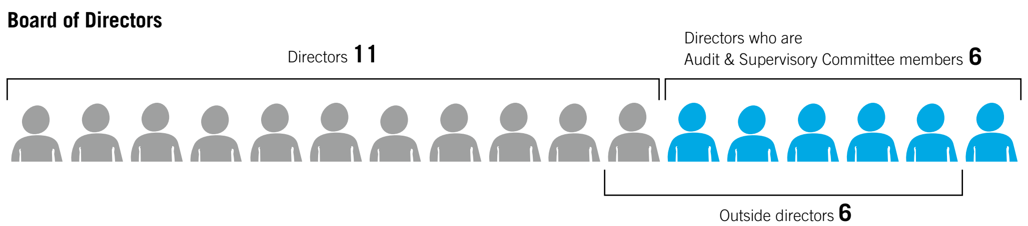
In regard to compliance, we are evolving organizational systems and advancing corporate activities while thoroughly implementing and expanding upon initiatives for improving compliance awareness and enhancing the accounting, internal audit, monitoring, and auditing departments.

Corporate Governance Structure (As of October 12, 2020)



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 17 members, of whom six are outside directors (including five Audit & Supervisory Committee members) to incorporate wide-ranging insight and perspectives that share the independent standpoint of shareholders.



Audit & Supervisory Committee

The Audit & Supervisory Committee consists of six members, including five who are outside directors, and is capable of auditing the manner in which directors are conducting their work and implementing an effective audit in collaboration with the accounting firm as necessary. Additionally, since all five outside directors on the Audit & Supervisory Committee have been selected as independent directors, they are able to bring independent wide-ranging views without concern about conflict of interest with general shareholders to bear on important items in corporate operations, such as formulating overall management strategy. This format supports appropriate management decisions.

Strengthening Governance to Improve Management Transparency

Outside directors provide opinions and suggestions on management from an outside perspective based on their specialized knowledge and experience related to management. We select them with the anticipation of enhancing management health and transparency. Despite the absence of clearly stipulated standards and policies on independence in selecting outside directors, we make decisions regarding selection premised on the ability to have sufficient autonomy to carry out the role of outside director from a position that is independent from the Company’s executive team.

Reasons for selection of outside (independent) directors on the Audit & Supervisory Committee and attendance records (Board of Directors/Audit & Supervisory Committee)

Name	Reasons for selection	Attendance records	
		Board of Directors	Audit & Supervisory Committee
Yukihiko Inoue	Mr. Inoue has served as Metropolitan Police Superintendent-General and held other important posts and leverages those experiences in suitably carrying out duties from an objective standpoint.	100%	100%
Yasunori Yoshimura	Mr. Yoshimura has served as a Special Advisor to the Cabinet, worked as a university professor, and held other important posts, such as director of various academic associations, and leverages those experiences in suitably carrying out duties from an objective standpoint.	92%	93%
Tomiaki Fukuda	Mr. Fukuda has served as Chairman of the Japan Wrestling Federation and held other important posts and leverages those experiences in suitably carrying out duties from an objective standpoint.	100%	100%
Jumpei Nishitani	Mr. Nishitani possesses expert knowledge related to accounting and economics as a university business school professor, among other experience, and leverages those capabilities in suitably carrying out duties.	100%	100%
Masaki Yoshino	Mr. Yoshino is well-versed in corporate law and other areas as a lawyer and possesses expert knowledge and leverages those capabilities in suitably carrying out duties.	100%	100%

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.

Reasons for Selecting the Current Corporate Governance Structure

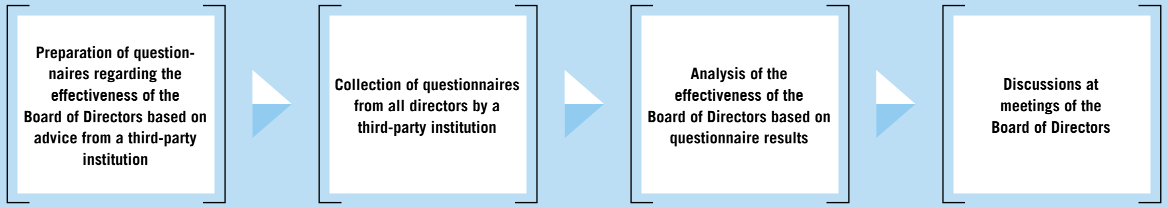
Following passage of a resolution to change the corporate charter at the 36th Shareholder General Assembly held on September 28, 2016, we switched from a company with a board of auditors to a company with an Audit & Supervisory Committee. Through our establishment of an Audit & Supervisory Committee and allocation of Board of Directors’ voting rights to directors who are Audit & Supervisory Committee members, we enhance Board of Directors’ auditing and supervisory capabilities and aim to further bolster corporate governance and raise enterprise value.

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. In fiscal year 2020, Board of Directors' members made appropriate and timely decisions based on vibrant discussions that sufficiently considered management ideals. Furthermore, since it was possible to confirm an effective role in boosting longer-term corporate value through the Company's strict supervisory function, such as monitoring of internal management operations, the evaluation recognized the efficacy of the Board of Directors.

Meanwhile, it called for further enhancement of transparency related to nominating and compensation and strengthening of operations to facilitate sustainable growth and improve longer-term enterprise value, such as ESG responses.

Evaluation Process



Overview of Evaluation Results for Fiscal Year 2020

Strengths of the Company's Board of Directors	Pressing issues for the Company's Board of Directors
• Proceedings based on the corporate principle • Construction of appropriate management operations, such as a whistleblower program, and implementation of supervision • Provision of appropriate opportunities to utilize the experiences of outside directors	• Formulation of management strategy that takes into account capital costs and reinforcement of ESG item initiatives • Further improvement in nominating and compensation transparency • Creation of director training opportunities and content enhancement

Considering the above-mentioned evaluation results, we intend to promote initiatives to solve issues and thereby improve Board of Directors' efficacy and reinforce governance operations.

Director Remuneration System

Remuneration for directors excluding those who 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 who 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 resolutions of the General Meeting of Shareholders, an annual ceiling of ¥6 million is set for the basic remuneration of directors excluding those who are Audit & Supervisory Committee members. There is a ceiling of ¥4 million for additional remuneration in the form of share-based compensation stock options, and an annual ceiling of ¥100 million is set for the basic remuneration of directors who are Audit & Supervisory Committee members.

Share-Based Stock Options

In September 2014, the Company abolished its retirement benefit plan for directors and Audit & 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.

Remuneration of Directors in the Fiscal Year Ended June 30, 2020

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)	199	199	–	–	–	11
Directors who are Audit & Supervisory Committee members (excluding outside directors)	2	2	–	–	–	1
Outside directors	29	29	–	–	–	5
Total	230	230	–	–	–	17

Compliance Committee

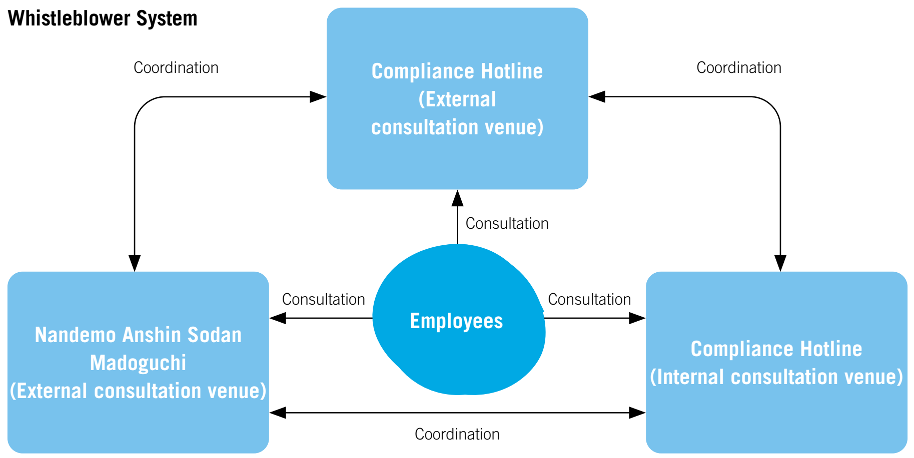
The Compliance Committee is primarily membered by outside experts, including lawyers and outside directors. The duties of these members include formulating misconduct prevention measures, drafting investigation and survey plans, examining the results of such investigations and surveys, and sharing and 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.

Initiatives to Strengthen Compliance

As part of strengthening compliance, we created a Compliance Hotline as a whistleblower contact point for employees, business partners, and others regarding violations of law and internal rules. 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.

Whistleblower System



Risk Management

Response to the COVID-19 Outbreak

We formed the COVID-19 Emergency Measures Headquarters on March 6, 2020 to provide timely responses to the COVID-19 outbreak in Japan and abroad and consolidated information, issued internal communication, and prepared the work environment and developed rules.

In stores, we have implemented infection avoidance measures, such as installing droplet prevention vinyl sheets and sanitizers and sterilizing shopping baskets, and call on customers to wear masks and abide by social distancing at checkout counters. We also installed acrylic panels and vinyl sheets in store offices and break rooms to provide a reliable environment for conducting work.

Bagging area droplet prevention measures

Break room partitions with small windows

POP hand-washing recommendation

Building Quality Control Operations

Daily hygiene management

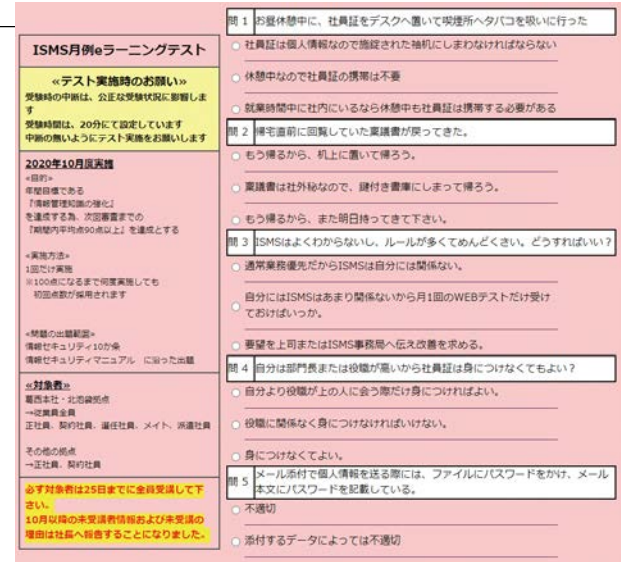
We are preparing quality management operations to ensure the safety of products delivered to customers. Our Quality Management Division was an early adopter of HACCP, an internationally recommended food hygiene control method, for hygiene management at fresh food preparation sites. This approach further enhances the safeness of fresh product items made and sold in stores. Through use of the HACCP Oversight Table, a hygiene management plan, and the "general daily hygiene management program," we conduct hygiene management to prevent food poisoning and contamination prior to entering the processing room and within the processing room.

We distribute an HACCP manual to employees in the fresh food division and conduct knowledge education via web-based tests and classes. In November 2020, we started operating a self-developed "cloud management system for registration form storage" with aims of reducing work of store employees, raising the precision of form records, and boosting headquarter assistance work efficiency, and thereby established a tablet-based management information system.

Information Security Initiatives

PPIH acquired ISO 20000 certification, an international standard for IT services management, in 2013 for operation of a mission-critical system that supports store operations and an information system covering personnel, salaries, accounting, and other areas. We aim to enhance IT services and other internal compliance through further stabilization of Group mission-critical work.

Furthermore, Japanese commercial facilities in our Group have acquired ISO 27001 certification, an international standard related to Information Security Management System (ISMS), as a company handling important stakeholder information mainly via the tenant rental business. We defined "10 principles of information security" and monitor compliance with the "10 principles" four times a year. We are also continuously striving to follow information security rules, including monthly implementation of web tests related to information management.


ISMS月例eラーニングテスト

«テスト実施時のお願い»
受験時の中断は、公正な受験状況に影響します
受験時間は、20分にて設定しています
中断の無いようにテスト実施をお願いします

2020年10月度実施

«対象者»

必ず対象者は25日までに全員受講して下さい。
10月以降の未受講者情報および未受講の理由は社長へ報告することになりました。

問 1 お昼休憩中に、社員証をデスクへ置いて喫煙所へタバコを吸いに行った
○ 社員証は個人情報なので施錠された袖机にしまわなければならない
○ 休憩中なので社員証の携帯は不要
○ 就業時間中に社内にいるなら休憩中も社員証は携帯する必要がある

問 2 帰宅直前に回覧していた稟議書が戻ってきた。
○ もう帰るから、机上に置いて帰ろう。
○ 稟議書は社外秘なので、鍵付き書庫にしまって帰ろう。
○ もう帰るから、また明日持ってきて下さい。

問 3 ISMSはよくわからないし、ルールが多くてめんどくさい。どうすればいい？
○ 通常業務優先だからISMSは自分には関係ない。
○ 自分にはISMSはあまり関係ないから月1回のWEBテストだけ受けておけばいっか。
○ 要望を上司またはISMS事務局へ伝え改善を求める。

問 4 自分は部門長または役職が高いから社員証は身につけなくてもよい？
○ 自分より役職が上の人に会う際だけ身につければよい。
○ 役職に関係なく身につけなければいけない。
○ 身につけなくてよい。

問 5 メール添付で個人情報を送る際には、ファイルにパスワードをかけ、メール本文にパスワードを記載している。
○ 不適切
○ 添付するデータによっては不適切

Web tests related to information management

Business Risk (abridged)

Impact of COVID-19	It is difficult to accurately forecast future spread and settling down timing regarding impact of COVID-19, and further outbreak expansion might affect fiscal conditions and management results. Despite impact through lower inbound sales due to travel restrictions in our Group, we are responding promptly to changes in consumer preferences and flexibly addressing the situation while monitoring impact.
Expansion of the store network and acquisition of human resources	In the store network, we are promoting expansion from metropolitan Tokyo, which is our primary base, to areas around the country and are adding subsidiaries with the aim of widening business scope. We use human resource introduction companies and strive to acquire business with unique activities, such as total elimination of resumes in hiring. However, if we are unable to acquire and educate necessary personnel, our service quality and results might suffer.
Marketing	We promptly and appropriately ascertain product demand and arrange lineups to meet customer needs as much as possible based on this information. These efforts strongly affect results. The PPIH Group conducts employee education by holding regular training events, video seminars, and other activities. If it is unable to acquire and train staff to properly handle marketing or continue organizational management, earnings might suffer.
Business expansion via M&A	The PPIH Group has conducted M&A as a means of broadening business scope in the past. We strive to avoid risk as much as possible through detailed due diligence (assessing investment projects) of the subject company's financial content, contractual relationships, and other matters regardless of whether the subject company is domestic or foreign. After an M&A deal, however, there might be cases of unexpected liability occurrence or discovery of unrecognized liabilities. In such cases, there could be impact on the PPIH Group's financial situation and business results.
Natural disasters	In the case of a major earthquake, typhoon, or other natural disaster, stores and other facilities might require rebuilding costs, business might be halted for a period, and there could be disruptions to product logistics and delivery, and these situations might adversely affect the PPIH Group's fiscal situation and business results. When natural disasters occur, we launch a dedicated headquarters for disaster prevention measures and seek to keep damages at a minimum level.

Items related to the future reflect determinations by the PPIH Group as of end-fiscal year 2020. We intend to avoid occurrence and then take action should something occur based on an awareness of the possibility of these risks occurring.

Please refer to our website for information on other risks.
Business and other risks
https://ppih.co.jp/en/ir/guide/riskfactor/

Board of Directors (As of September 29, 2020)

Naoki Yoshida

President and CEO,
Representative Director

Born in 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)
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)

Seiji Shintani

Chief Strategy Officer (CSO) & Chief Financial Officer (CFO)

Head of Financial Company Preparation Office

Director & Senior Managing Executive Officer

Born in 1964

Apr. 1987 Joined the Long-Term Credit Bank of Japan
Jan. 1996 Joined McKinsey & Company Inc. Japan
Apr. 1999 Director of Intellaset
Apr. 2000 Principal of Crimson Ventures
Jan. 2002 Director of Capital Arts
May 2004 Director of Sammy Networks Co., Ltd.
Jun. 2008 Executive Director and New Business Headquarters Manager of Sega Corporation
Jun. 2011 Executive Director and Group Representative Office Manager of Sega Sammy Holdings Inc.
Apr. 2013 Senior Executive Officer and Corporate Headquarters Manager of Sammy Inc.
Oct. 2014 Executive Officer and Administration Headquarters Manager of Kadokawa Corporation
May 2017 Administration Headquarters Manager of Komeda Holdings Co., Ltd.
Managing Director and Executive Strategy Headquarters Manager of Komeda Co., Ltd.
Mar. 2018 Director and Administration Headquarters Manager of Komeda Holdings Co., Ltd.
May 2020 CSO of the Company
Jun. 2020 Senior Managing Executive Officer, CSO, and Head of Financial Company Preparation Office of the Company
Representative Director of UCS Co., Ltd. (current position)
Sep. 2020 Director & Senior Managing Executive Officer, CSO & CFO, and Head of Financial Company Preparation Office of the Company (current position)

Kazuhiro Matsumoto

Chief Merchandising Officer (Global)

Vice President of Asia Company

Director & Managing Executive Officer

Born in 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 Overseas Business Support Headquarters Manager of the Company
Director of Kanemi Co., Ltd. (current position)
Aug. 2019 Managing Director of Pan Pacific Retail Management (Singapore) Pte. Ltd. (current position)
Sep. 2019 Director, Managing Executive Officer, and CMO (Global) of the Company
Nov. 2019 Director of Pan Pacific Retail Management (Asia) Pte. Ltd. (current position)
Jul. 2020 Director, Managing Executive Officer, and CMO (Global) and Asia Company Vice President of the Company (current position)
Vice President and COO of Pan Pacific Retail Management (Asia) Pte. Ltd. (current position)

Kenji Sekiguchi

President of GMS Company

Director & Managing Executive Officer

Born in 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
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
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 & Managing Executive Officer of the Company
Jul. 2020 Director & Managing Executive Officer and President of GMS Company of the Company (current position)

Takeshi Nishii

President of West Don Quijote Company

Director & Managing Executive Officer

Born in 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)
Apr. 2019 Director and Executive Officer of UNY Co., Ltd.
Jul. 2019 General Manager of Corporate Philosophy Promotion Headquarters of the Company
Sep. 2019 Director, Managing Executive Officer, and COO of the Company
Senior Managing Director of Don Quijote Co., Ltd.
Jul. 2020 Director & Managing Executive Officer and West Don Quijote Company President of the Company (current position)
Senior Managing Director & COO of Don Quijote Co., Ltd. (current position)

Ken Sakakibara

Chief Merchandising Officer (Non-Food)
Director & Managing Executive Officer

Born in 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.) (current position)
Apr. 2017 General Manager of Lifestyle Merchandising Development Headquarters of Don Quijote Co., Ltd.
Jan. 2018 Executive Officer of the Company
Jun. 2019 General Manager of Food and Liquor Merchandising Development Headquarters of Pan Pacific Retail Support Co., Ltd.
Sep. 2019 Director, Managing Executive Officer, and COO of the Company
Senior Managing Director of Don Quijote Co., Ltd.
Director of Nagasakiya Co., Ltd. (current position)
Jul. 2020 Director, Managing Executive Officer, and CMO (Non-Food) of the Company (current position)
Senior Managing Director & COO of Don Quijote Co., Ltd. (current position)

Hideki Moriya

Head of Management Strategy Headquarters

Director General of Executive Committee

Director & Managing Executive Officer

Born in 1977

Mar. 2000 Joined the Company
Jul. 2007 President of the Chiba Branch, Sales Headquarters of the Company
Aug. 2009 Manager of the Logistics Division of the Company (current position)
Jul. 2010 Manager of the Sales Strategy Division of the Company
Dec. 2010 Manager of the Fair Trade Management Division of the Company
Sep. 2019 Executive Office of the Company
Director of Pan Pacific Data Services Co., Ltd.
Nov. 2019 General Manager of the Operation Management Headquarters of the Company (current position)
General Manager of the Risk Management Headquarters of the Company
Jul. 2020 Managing Executive Officer, Head of Management Strategy Headquarters and Director General of Executive Committee of the Company
General Manager of the IT Support Headquarters of the Company (current position)
Sep. 2020 Director & Managing Executive Officer, Head of Management Strategy Headquarters and Director General of Executive Committee of the Company (current position)

Tetsuji Maruyama

Chief Merchandising Officer (Private Brands)

Head of President's Office

Director & Executive Officer

Born in 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.
Feb. 2019 General Manager of the Retail Support Headquarters of the Company
Apr. 2019 Director and Executive Officer of UNY Co., Ltd.
Jul. 2019 President and Representative Director of Pan Pacific Retail Support Co., Ltd.
Sep. 2019 Director, Executive Officer, and Head of President's Office of the Company
Director of Don Quijote Co., Ltd. (current position)
Jul. 2020 Director, Executive Officer, CMO (PB), and Head of President's Office of the Company (current position)

Board of Directors (As of September 29, 2020)

Yuji Ishii

Head of Accounting Headquarters
Director & Executive Officer

Born in 1972

Sep. 2008	Joined the Company
Jan. 2013	Manager of Financial Accounting Division, Administration Headquarters of Don Quijote Shared Services Co., Ltd.
Jul. 2015	Deputy General Manager of Administration Headquarters of Don Quijote 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.
Sep. 2017	Director of the Company (current position) Director of Don Quijote 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.)
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)
Sep. 2019	Director and Executive Officer of the Company (current position)
Nov. 2019	Head of Accounting Headquarters of the Company (current position)

Akio Ariga

Director (Standing Audit & Supervisory Committee Member)

Born in 1958

Apr. 1997	Joined the Company
Sep. 2004	Director of Paw Creation Co., Ltd. (currently Japan Commercial Establishment Co., Ltd.)
May 2006	President and Head of the President's Office and Sales Promotion Office of the Company
Nov. 2012	Director of the Sales Promotion Division under the Sales Headquarters of the Company
Apr. 2016	Director of REALIT Co., Ltd.
May 2019	Director of Storecrews Co., Ltd.
May 2020	Representative Director & President of REALIT Co., Ltd.
Sep. 2020	Director (Standing Audit & Supervisory Committee Member) of the Company (current position)

Yukihiko Inoue

Outside Director (Audit & Supervisory Committee Member)

Born in 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 in 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)
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
Dec. 2019	Director of "1 more Baby ohendan" Foundation (current position)

Tomiaki Fukuda

Outside Director (Audit & Supervisory Committee Member)

Born in 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 Representative Director & Chairman of Goyo Intex Co., Ltd.
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 in 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)
Jan. 2019	Member of the Defense Procurement Council of the Acquisition, Technology, & Logistics Agency (current position)

Masaki Yoshino

Outside Director (Audit & Supervisory Committee Member)

Born in 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 with 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.)
Sep. 2019	Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Isao Kubo

Outside Director

Born in 1958

Apr. 1982	Joined Itochu Corporation
Apr. 2005	General Manager of the Brand Marketing No. 3 Division of Itochu Corporation
Apr. 2008	General Manager of the Management Planning Division of the Textiles Company of Itochu Corporation
Apr. 2011	CAO of Itochu International President of Itochu Canada
Apr. 2013	Executive Director & General Manager of the Administrative Division of Itochu Corporation
Apr. 2016	Managing Executive Director and General Manager of the Auditing Division of Itochu Corporation
Apr. 2017	Director of former FamilyMart Co., Ltd. Managing Executive Director, General Manager of the Management Headquarters, Chairman of the Risk Management & Compliance Committee, Chairman of the Environmental Committee, and Assistant to the General Manager of the Comprehensive Planning Division
May 2017	Managing Executive Director and Assistant to the General Manager of the General Affairs and Human Resources Headquarters of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.)
Sep. 2017	Managing Executive Director and General Manager of the Management Planning Headquarters of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.)
Mar. 2018	Senior Managing Executive Director and General Manager of the Management Planning Headquarters of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.) Director, Senior Managing Executive Director, General Manager of Comprehensive Planning Headquarters, and General Manager of the Overseas Business of former FamilyMart Co., Ltd.
May 2018	Director, Senior Managing Executive Director, and General Manager of the Management Planning Headquarters of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.)
May 2019	Director, Senior Managing Executive Director, CSO, and General Manager of the Management Planning Headquarters of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.) (current position)
Sep. 2020	Outside Director of the Company (current position)

Takao Yasuda

Director
Founding Chairman & Supreme Advisor

Born in 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 (current position) Director (Chairman, President & CEO) of Pan Pacific International Holdings Pte. Ltd. (currently Pan Pacific Retail Management (Singapore) Pte. Ltd.)
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)
Jul. 2020	Director (Chairman, President & CEO) of Pan Pacific Retail Management (Singapore) Pte. Ltd. (current position)

Corporate Information

Major Companies and Business Domains of the PPIH Group (As of December 1, 2020)

PPIH Pan Pacific International Holdings

- **Domestic Distribution and Retail Division, etc.**
  - Don Quijote Co., Ltd.
    - UD Retail
    - Nagasakiya
    - Daishin Corporation
    - Tachibana Department Store
    - Airline Hotel
    - Fujiya Shoji
    - MY SUPPORT
  - UNY Co., Ltd.
    - UCS
    - Sun Sougou Maintenance
  - Pan Pacific International Trading Co., Ltd.
- **Overseas Retail Division**
  - Pan Pacific Strategy Institute Pte. Ltd.
    - PPRM (Asia)
      - PPRM (Singapore)
      - DONKI Thailand
      - PPRM (Hong Kong)
    - PPRM (USA)
      - Don Quijote USA
      - MARUKAI HAWAII
      - QSI
      - MARUKAI CORPORATION
- **Digital Area Division**
  - Marshmallow Co., Ltd.
- **Real Estate Division, etc.**
  - Japan Commercial Establishment Co., Ltd.
    - Sun Reform
    - Asset Property Management
  - D-ONE Co., Ltd.
  - Japan Asset Marketing Co., Ltd.
- **Advertising and Promotion Division**
  - REALIT Co., Ltd.

PPRM: Pan Pacific Retail Management

Store Network (As of October 31, 2020)

Number of Group stores **631** stores

Domestic

Japan: 579 stores

Don Quijote	225
MEGA Don Quijote*1	135
MEGA Don Quijote UNY*1	44
Apita / Piago	147
Nagasakiya	3
Picasso*1	25

Overseas

Hong Kong: 4 stores	
DON DON DONKI	4
Thailand: 2 stores	
DON DON DONKI	2
Singapore: 8 stores	
DON DON DONKI	8
Hawaii: 28 stores	
DON Quijote	3
MARUKAI	1
times*2	24
California: 10 stores	
MARUKAI	4
TOKYO CENTRAL	6

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

Corporate Data (As of June 30, 2020)

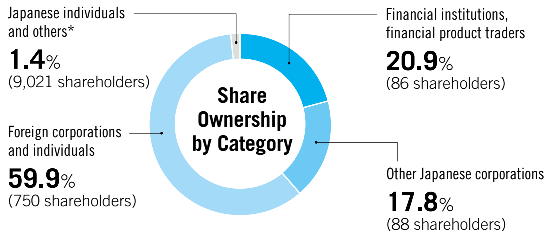
Company Name	Pan Pacific International Holdings Corporation
Business Activities	Corporate planning for and management of Group companies through the holding of shares in such companies, contracted administrative operation of subsidiaries, and real estate management
Head Office	2-19-10 Aobadai, Meguro-ku, Tokyo 153-0042, Japan Phone: +81-3-5725-7532 Fax: +81-3-5725-7322
Date of Establishment	September 5, 1980
Paid-in Capital	¥23,080 million
Fiscal Year-End	June 30
Number of Employees	Non-consolidated: 1,074 Consolidated: 14,186

Share and Shareholder Information

Share Information

Shares authorized	1,872,000,000
Shares issued	633,929,040
Treasury stock	18,924
Number of shareholders	9,946

Notes: 1. The number of shareholders increased 2,218 from June 30, 2019.
2. The Company conducted a 4-for-1 stock split on September 1, 2019.



* Shares held by Japanese individuals and others include treasury stock (18,924 shares).

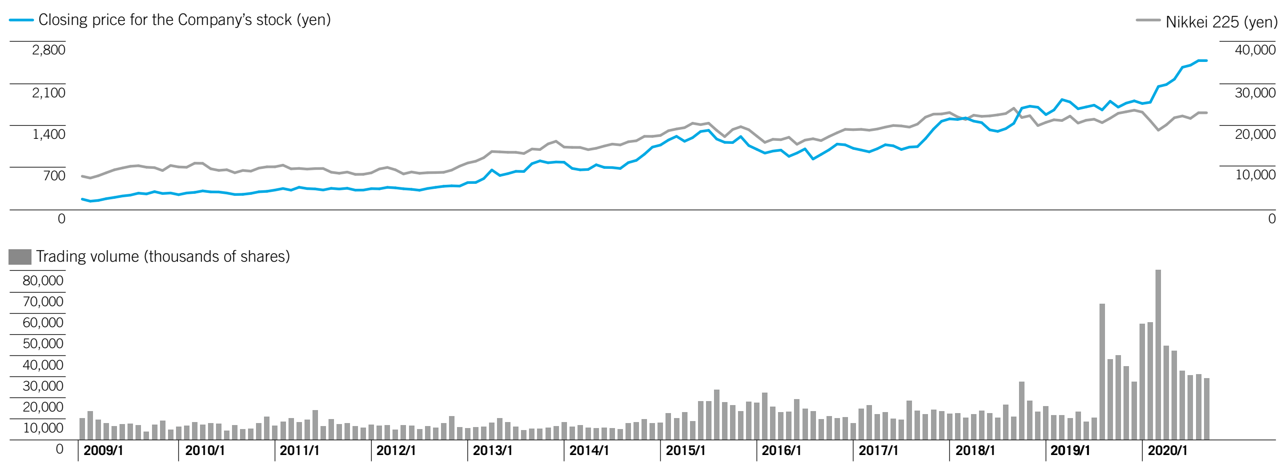
Principal Shareholders

Name	Number of shares held	Percentage of total shares issued (%)
CREDIT SUISSE AG HONG KONG TRUST A/C CLIENTS FOR DQ WINDMOLEN B.V.	134,028,000	21.14
FamilyMart Co., Ltd.	64,023,384	10.10
The Master Trust Bank of Japan, Ltd. (Trust Account)*	38,025,200	6.00
Anryu Shoji Co., Ltd.	33,120,000	5.22
Japan Trustee Services Bank, Ltd. (Trust Account)*	31,171,800	4.92
Yasuda Scholarship Foundation	14,400,000	2.27
JP MORGAN CHASE BANK 385632	11,087,850	1.75
Japan Trustee Services Bank, Ltd. (Trust Account 5)*	8,917,300	1.41
GIC PRIVATE LIMITED – C	8,835,200	1.39
JP MORGAN CHASE BANK 385781	8,751,620	1.38

* The number of shares held by trust accounts include shares in trust.

Stock Price

Data through September 2020



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

Pan Pacific International Holdings

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