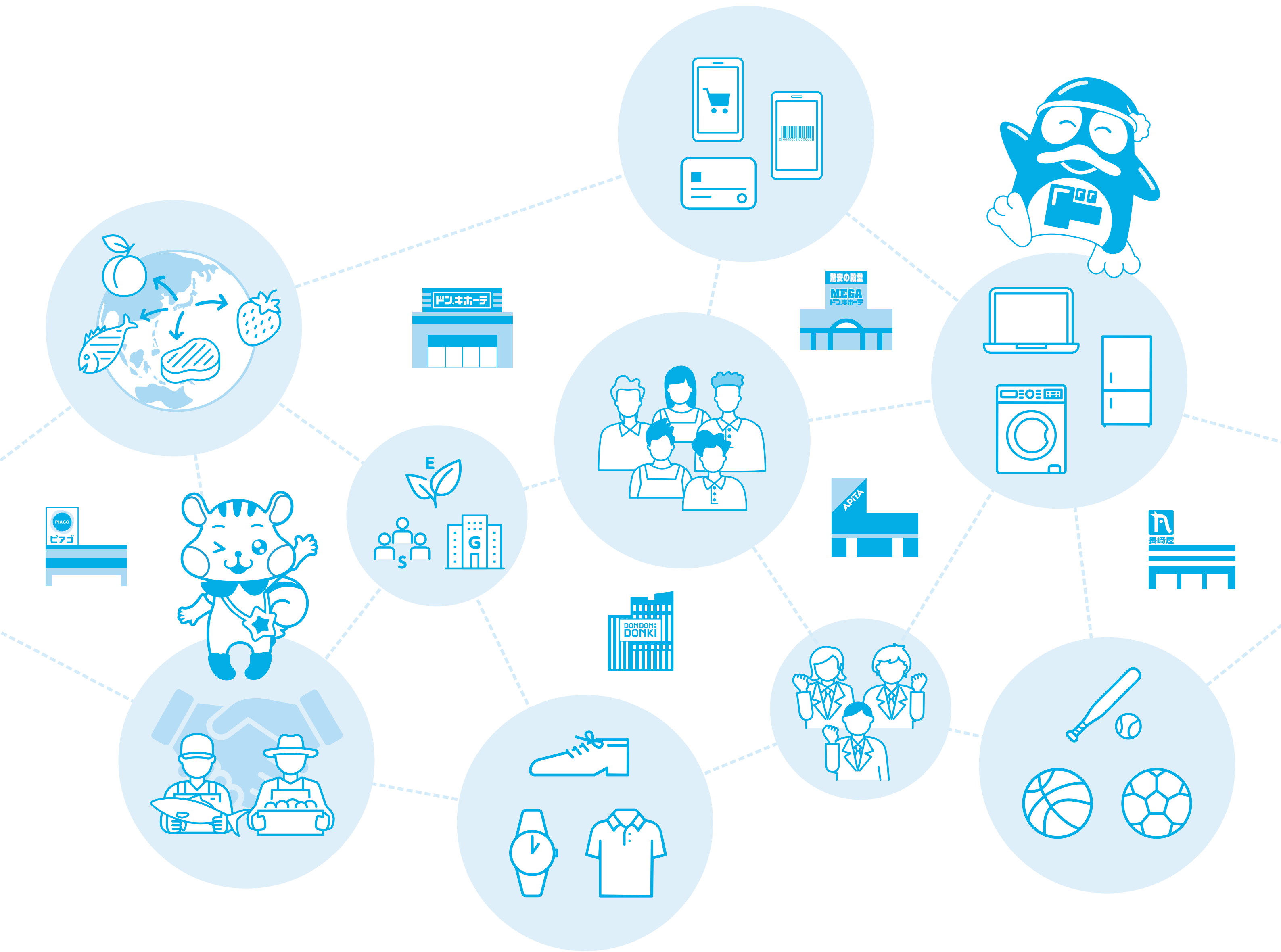
PPIH
Pan Pacific International Holdings

Integrated Report 2021



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.

Pan Pacific International Holdings (PPIH), formerly known as Don Quijote, is an international group of companies that aims, through its engagement in the business of distribution, to leave our customers feeling delighted and inspired, and to make society better.
We strive constantly to give our customers the greatest possible satisfaction by offering them the things they want in the manner in which they want them, thus stimulating consumption and expanding domestic demand, and make every effort to contribute to local and national cultures and economies.
(Referenced from The Source)

The Business Concept "The Source"

Our Corporate Principle

The Customer Matters Most

Approach that the PPIH 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.

Takao Yasuda
Founding Chairman & Supreme Advisor

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PPIH
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Editorial Policy
The PPIH Group is an international group of companies that will continue to grow through self-reform based on "The Source" and firm adherence to the principle of "The Customer Matters Most," no matter what circumstances it faces. The aim of this year's integrated report is to promote understanding among our stakeholders, including investors and stockholders, for the long-term, sustainable enhancement of our corporate value, aimed at the expansion of our Group across the Pan-Pacific region, and the potential this holds. We plan to dramatically evolve our business model through portfolio management to survive and thrive in the post-COVID-19 new normal, and reinforce our foundation to support our sustainable growth and corporate value. Compared to past integrated reports, this year, we have placed greater emphasis on the "narrative" of our business, so as to convey our strategy, as well as the sustainability and vision of our business model, in accordance with the disclosure framework of the International Integrated Reporting Council (IIRC). Furthermore, we edited the report to place greater focus on priority areas and make it easier to understand.

Scope
Every effort was made to provide coverage of all the domestic and overseas PPIH Group companies subject to consolidated accounts. However, the companies covered vary depending on the section of the report.

Applicable Period
July 1, 2020 – June 30, 2021
Some more recent activities have also been included.

Disclaimer Regarding Forward-Looking Statements
This report includes forecast or expected information about the future plans, strategies and business results of the PPIH Group and affiliated companies. This information is not based on past facts, but on forecast assumptions and beliefs ascertained from information that the company is currently able to obtain. This information also contains risks and uncertainties related to economic trends, personal consumption, market demand, tax systems and various other systems. Please be aware that actual business results may therefore differ from the company forecast.

Page Navigation

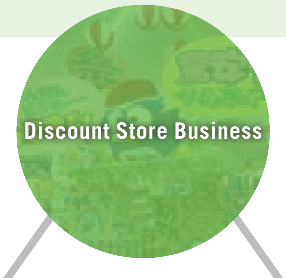
- The above QR code indicates sections for which more detailed information is available on a web page.
- Scan the QR code with your smartphone camera to jump to the relevant web page.

Overview

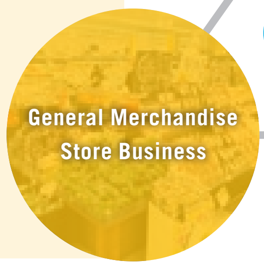
We have continued expanding our business by building unique stores based on our corporate principle that "The Customer Matters Most," and delegating authority to individual stores so that they can respond quickly to the needs of local customers and changes among our competitors. Today, we have grown into an international group of companies boasting 1.7 trillion yen in sales, with 17,000 employees.

Business Portfolio

Led by Don Quijote, the core business of the PPIH Group, we aim to create stores that are favored by the local community by providing a variety of store formats with different targets, shop floor spaces, and product lineups, etc.



To target such demographics as homemakers, families, and seniors and enrich their daily lives, we are deploying a variety of store formats, such as those with a broad customer reach or general supermarkets featuring products and services that closely match the needs of the local community.



We are expanding our stores in Hawaii and California in the United States, and in Southeast Asia, including Singapore, Thailand and Hong Kong. We are also beginning new initiatives to expand into the Pacific Rim area.

Strategies by Business: The Evolving Business Portfolio

P16-17
Structural reform of UNY aimed at becoming a new GMS

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Evolution of domestic portfolio management

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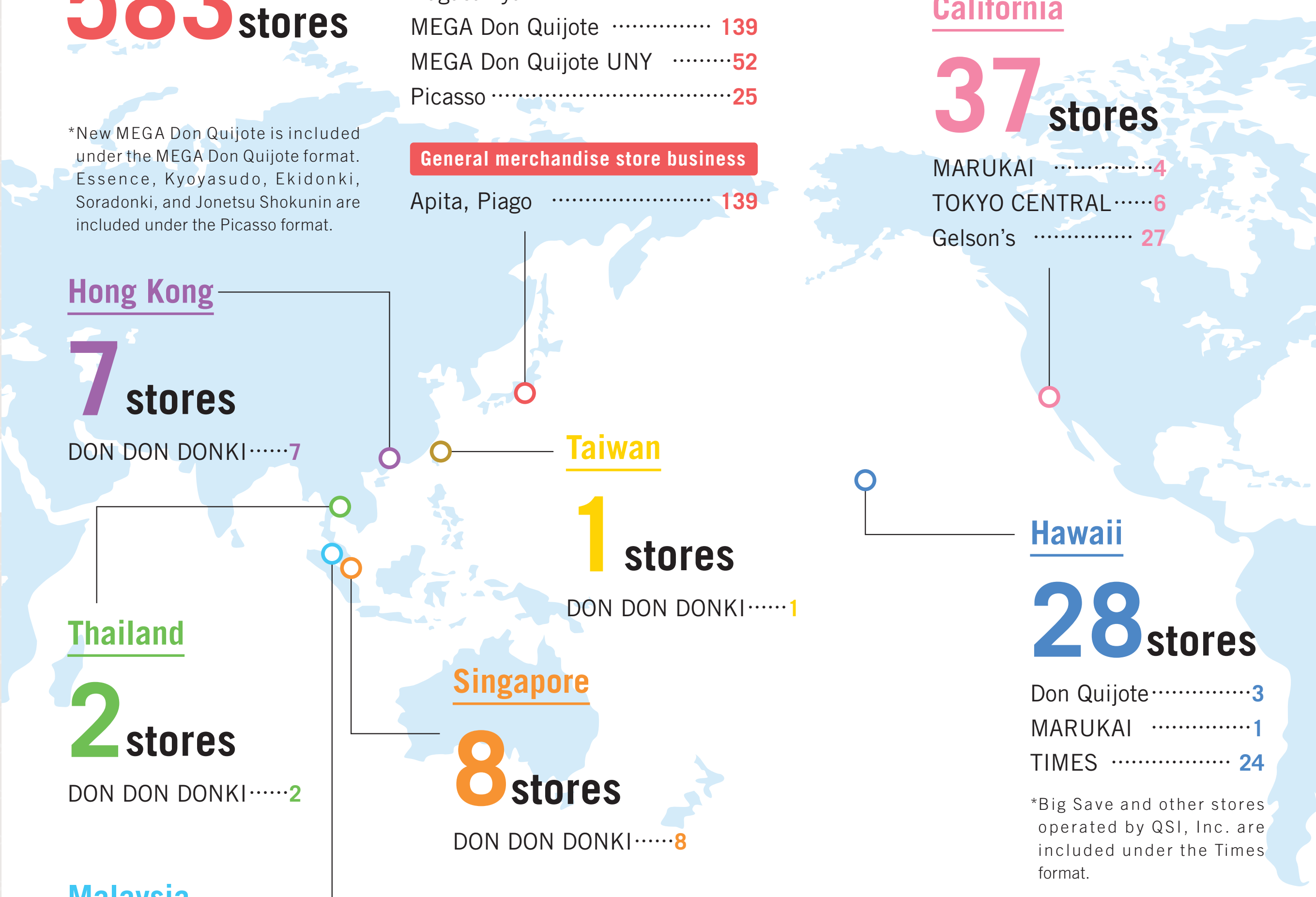
Aiming for 300 billion yen in sales by FY2024

Store Network



Japan

583 stores

Discount store business	
Don Quijote	226
Nagasakiya	2
MEGA Don Quijote	139
MEGA Don Quijote UNY	52
Picasso	25

General merchandise store business	
Apita, Piago	139

*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.

California

37 stores

MARUKAI ······4
TOKYO CENTRAL······6
Gelson's ······27

Hong Kong

7 stores

DON DON DONKI······7

Taiwan

1 stores

DON DON DONKI······1

Hawaii

28 stores

Don Quijote······3
MARUKAI ······1
TIMES ······24

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

Thailand

2 stores

DON DON DONKI······2

Singapore

8 stores

DON DON DONKI······8

Malaysia

1 stores

DON DON DONKI······1

Number of Group Stores 667 stores

*Number of stores: as of June 31, 2021

Performance

Business size

Consolidated Net Sales	Number of Group Employees
¥1,708.6 billion (1.6% increase year-on-year)	16,838

Shop Floor Area	Number of Purchasing Customers
2,448,933㎡ (3.9% increase over end of previous fiscal term)	646.89 million

Earning Power

Operating Income	EPS	ROE
¥81.3 billion	¥84.93	13.6%

Capital Strength

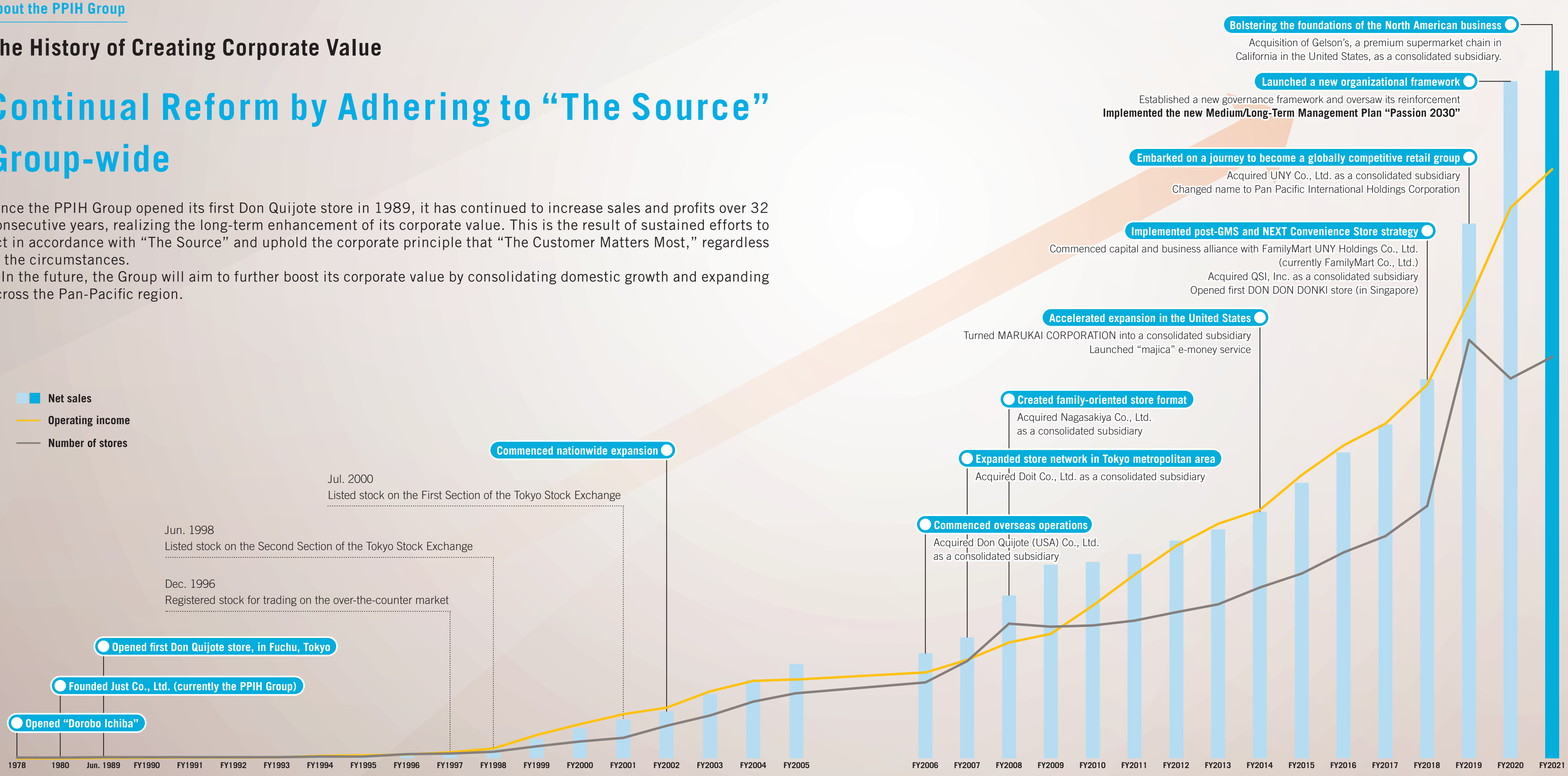
Total Assets	Total Net Assets
¥1,370.3 billion	¥438.3 billion

The History of Creating Corporate Value

Continual Reform by Adhering to "The Source" Group-wide

Since the PPIH Group opened its first Don Quijote store in 1989, it has continued to increase sales and profits over 32 consecutive years, realizing the long-term enhancement of its corporate value. This is the result of sustained efforts to act in accordance with "The Source" and uphold the corporate principle that "The Customer Matters Most," regardless of the circumstances.

In the future, the Group will aim to further boost its corporate value by consolidating domestic growth and expanding across the Pan-Pacific region.



Net Sales
¥1.71 trillion

Operating Income
¥81.3 billion

Number of Stores
667 stores
* As of June 30, 2021

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

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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.

The Evolution of Portfolio Management in Response to Changes in the Operating Environment

The population is declining in Japan, and the retail industry has entered an era of competition for survival across different business formats. In the domestic business, to uphold our principle that "The Customer Matters Most" even in the post-COVID-19 age of the new normal, we have started to evolve our domestic portfolio management through self-reform in both our DS and GMS businesses. In terms of our digital data strategy, we regard KaibaLab as a platform for identifying the future of retailing, and it will connect physical stores to the internet through a seamless channel, thereby deepening our understanding of our customers and enabling us to provide new customer experiences. Overseas, we will accelerate our expansion throughout Asia and bolster our overseas portfolio, with the expansion of PPIC's base. In California in the United States, we acquired Gelson's, a premium supermarket chain, in an effort to acquire a new customer segment. As for sustainability initiatives, we have established a new committee to advance and reinforce ESG initiatives, including the promotion of diversity.

Top Message

Maintaining sustainable growth and enhancing corporate value by upholding the principle of "The Customer Matters Most" and adapting deftly to the changing circumstances

Naoki Yoshida

President and CEO,
Representative Director

Overcoming Difficult Conditions to Record 32 Consecutive Years of Increased Sales and Profits

The PPIH Group is deeply thankful for the constant support of all our stakeholders. Allow me to first express my sincere gratitude on behalf of the Group.

I believe that, in the second year of the pandemic, with the rollout of vaccines in Japan and elsewhere, many people feel that everyday life has gradually been returning to normal. I believe that the PPIH Group and all our employees have greatly benefited from the selfless efforts of a great many people, including healthcare workers, welfare personnel, public health center staff, and local government workers. I really appreciate it. We would not have been able to continue our business without your support. If I may, I would also like to take this opportunity to express my heartfelt thanks and appreciation for all PPIH Group employees for their diligent efforts on the frontlines of our business.

At the same time, our external environment has undergone other major changes as well, and I am keenly aware of the fact that we have entered a new age of drastic changes, including the diversification of consumption and companies' continued digital transformation (DX). Faced with such social challenges, the PPIH Group must respond quickly and adapt through our forms of distribution.

Thanks to all the support we have received, for the fiscal year ended June 30, 2021, we recorded net sales of 1,708.6 billion yen (up 1.6% year on year), operating income of 81.3 billion yen (up 7.8% year on year), and net income attributable to owners of the parent company of 53.9 billion yen (up 7.9% year on year), thereby marking 32 consecutive years of increased sales and profits. This, again, was only possible thanks to the tremendous support of our stakeholders, including our shareholders and investors. I would like to express my sincere gratitude and our renewed commitment to continuing to meet your expectations.

Evolving Our Domestic and International Portfolio Management Approach to Achieve Passion 2030

In February 2022, two years will have passed since we announced our Medium/Long-Term Management Plan "Passion 2030." By the end of this fiscal year, we plan to announce a three-year plan aimed at 2025, the midway point of Passion 2030. I believe our task this fiscal year is to implement a dual strategy of pursuing numerical targets for each fiscal year, while also setting mid-term goals to adapt to the changing circumstances.

Regarding initiatives in our domestic business for this fiscal year, our 42nd, we face very different customer expectations compared to the past, including greater expectations being placed on retail stores due to clear changes in consumption behavior. With that in mind, in our discount store (DS) business, we will continue to identify and respond to the latent needs in each commercial zone, with efforts centered on our Million Star branch presidents,*[1] differentiate ourselves by developing new private brand (PB) products and reinforcing their introduction, and create stores that can gain the support of our customers in this new age.

Responding to changes among our customers, we have implemented the "Create the Next Donki Project" to enhance the revenues and gross profits of Don Quijote, which saw its inbound demand completely disappear. Furthermore, all senior executives have been rejecting past successes in the conventional DS business and are coming up with various new hypotheses aimed at boldly creating new business formats. These include initiatives we have already implemented, such as "Okashi Donki" (specializing in snacks) and "Osake Donki" (specializing in liquor), as well as those that are about to be implemented, such as "Niku Donki" (specializing in meat), a new sales format.

Once these new initiatives get on track, they will surely please our customers and demonstrate that we can thrive even without our inbound revenues.

We will continue to steadily take on such bold challenges in the future as well. In part for that purpose, we will also implement various measures to enhance productivity aimed at generating annual time savings of 3 million hours in the fiscal year ended 2022 and create an environment conducive to implementing new challenges.

We expect that once COVID-19 vaccines have been rolled out all over the world and the pandemic has been brought under control, inbound demand will recover. We will make every preparation to ensure that we do not miss the opportunity of this recovery. (However, for this fiscal year, we have set inbound-related revenue at zero in our budget.)

Meanwhile, in our general merchandise store (GMS) business, we will accelerate the transition to New GMS, building on our success in enhancing pricing at individual stores and developing highly specialized sales floor formats. As for the conversion of stores to the UD Retail format, we will focus on a tenant-in approach, with the opening of Don Quijote stores as Apita tenants.

Turning next to our overseas business, firstly, in Asia, we will leverage the overwhelming popularity and brand recognition of our "Japan-Brand Specialty Stores" and open up around 12 new stores this fiscal year. In North America, we will work diligently to refurbish existing stores and enhance the quality of our delicatessen-type offerings. Furthermore, we will increase the amount of direct trade done by the Pan Pacific International Club (PPIC), which is key to our overseas business, by reinforcing the acquisition of club members and enhancing product lineups.

Digital Data Strategy Shifts into High Gear

With regard to our digital data strategy, consumers inside and outside Japan are rapidly embracing digitalization. In 2019, we launched the Marshmallow Concept and have since established the organizational structure of our digital division and promoted the Group's digital transformation. In order to respond even better to the significant changes in consumers, this fiscal year, our 42nd, we will create the new position of CXO,*[2] in charge of the digital strategy for the entire PPIH Group, rename and revamp the project-based Marshmallow into the PPIH-wide, implementation-oriented KaibaLab,*[3] and shift our digital measures into high gear. We now have over 7.5 million users on our Japanese "majica" app, and we intend to further accelerate the PPIH Group's digital transformation in a way that is visible to customers by launching a new majica app in spring 2022. In parallel, we will implement financial initiatives and take on the challenge of digitalizing payments as well.

Embracing the Values of a Sustainable Society and Becoming a Company where Everyone Can Play an Active Role

We will rigorously reinforce our environmental, social, and governance initiatives, primarily through the following four committees: our longstanding Compliance Committee, the Diversity Management Committee and the Nomination and Compensation Committee, both of which we established last fiscal year, and the Sustainability Committee, which we established this fiscal year to enhance our environmental and supply chain management activities.

Sustainability, the sustainable development goals (SDGs), and ESG are essential for any company's sustainable growth. Moreover, paying attention to those around us, I am very conscious of the fact that, in recent years, more and more people, especially those of the younger generations, want a more sustainable world.

People talk about creating a society that promotes the three Rs of reduce, reuse, and recycle, and our customers in particular, many of whom are young people, have clearly demonstrated that this is what they want. To live up to such expectations among our customers, we must take these issues as seriously as they do.

As stated above, the PPIH Group must be sufficiently responsive to the changes among our customers. For that reason, among others, we will seek to develop a diverse workforce and sales floors with high customer affinity.

In addition, within the ESG framework, we place particular priority on creating an excellent working environment for women. We must reflect the views and ideas of women in the management of our business, and make sure we do not overlook any potential new needs.

Always Staying True to The Source and Upholding the Principle of "The Customer Matters Most"

The PPIH Group believes that, precisely under the current socio-economic circumstances and operating environment, we must stay true to the precepts of "The Source," the collection of our corporate ideals, namely "daunting challenges," "a rapid retreat when a cold, hard look at reality tells us this is the best course," "ability to adapt," and acknowledging individual diversity, and we must embody the principle of "The Customer Matters Most."

I sincerely request your continued kind support and encouragement.

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*1 The Million Star Program consists of domestic commercial zones that each have one million people and its own president, transcending Don Quijote, Nagasakiya, and UD Retail corporate boundaries.

*2 The "X" in "CXO" stands for "experience," and the CXO is expected to tackle the challenges we face from the cross-cutting perspective of managing the overall customer experience, combining several fields including analytics, digitalization, data, and marketing.

*3 The name KaibaLab is derived from the PPIH Group's term for what is normally called the "sales floor" or "uriba" in Japanese but which we call the "shop floor" or "kaiba" in Japanese, i.e. a place where our customers shop for products. To "kaiba," we added the word "lab" because KaibaLab is intended to be a "lab" for experiments and research on the "kaiba." "Kaiba" can also mean "hippocampus," a central part of the brain, and KaibaLab is positioned as such within the PPIH Group.

Operating Environment Outlook

Rapidly Responding to Risks and Maximizing Opportunities by Deepening Our Understanding of Operating Environment Outlook

Global Megatrends

As populations have grown and aged, and the world has become increasingly urbanized, global warming caused by CO_2 emissions has become a growing social issue. Dramatic advances in information and smart technologies throughout society have prompted changes in business models, as well as the diversification of people's values and consumer behavior. In addition, the recent COVID-19 pandemic has led to major changes in our daily lives, such as social distancing measures and the restriction of movement, further complicating and diversifying social issues and values.

- ☐ 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

Socioeconomic changes in Japan leading up to 2050

Declining birthrate

Annual births dropped below 1 million for the first time in 2016. **This declining trend is expected to continue.**

Arrival of the era of 100-year lifespans

By around 2050, **there are expected to be over 500,000 people aged 100 and above.**

Increase in single-person households

By 2040, single-person households will become the largest household category, **increasing to 39.3% of the total.**

Fourth industrial revolution

Advances in technologies such as IoT and AI are expected to produce an impact significant enough to be called "**the fourth industrial revolution.**"

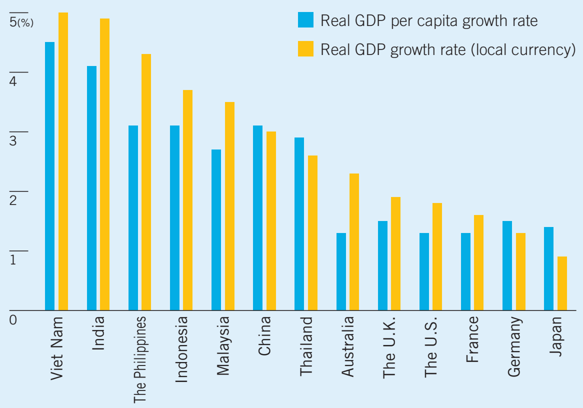
Source: Prepared from the Ministry of Economy, Trade and Industry's "Changes in Japan's Socioeconomic Structure by 2050 and Related Policy Challenges"

Japan in 2065

Declining birthrate	Decline to 88.08 million people
Aging ratio (Percentage of people aged 65 or above)	Increase to 38.4%
Productive-age population (15–64 years old) ratio	Decline to 51.4%

Source: Prepared based on the Cabinet Office's "Trends in Ageing Population and Projection for the Future"

Average real GDP growth rate from 2016 to 2050



Source: Prepared from PwC's "Long-term Global Economic Outlook for 2050: How will the world economic order change by 2050?"

Opportunities and Risks

Internal Environment — Strengths / Weaknesses; **External Environment** — Opportunities / Risks → Our response

Opportunities — Strengths

Response to Expanding Overseas Market

Our response: **Accelerated opening of stores in countries throughout Asia centered on PPIC. Acquisition of premium supermarket chain in North America**

- DON DON DONKI stores, deployed in countries throughout Asia, have earned great popularity and recognition as Japan-brand specialty stores. We will continue to expand operations in the future through the accelerated opening of stores in malls and so on.
- We will also continue to expand the scale of PPIC (see p. 24), our partnership organization for directly procuring primary products for sale overseas.
- We have also expanded operations in North America with the acquisition of Gelson's, a premium supermarket chain.

Opportunities — Weaknesses

Heightened Demand for and Interest in ESG Initiatives

Our response: **Aiming for sustainable management in pursuit of ESG sustainability**

- Given the heightened importance of ESG, we must reinforce group-wide initiatives to promote environmental measures and D&I (Diversity and Inclusion) which until now were implemented only by individual divisions.

→New group-wide organizations have been established, including the Sustainability Committee and Diversity Management Committee, to address ESG issues. The entire group will work as one to implement ESG initiatives under this new system.

Risks — Strengths

Domestic Market: Changes in Consumer Behavior

Our response: **Aiming for the next Don Quijote**

- Evolving our discount store business in response to the rapid changes in consumer behavior brought about by the COVID-19 pandemic, including redefining the three shared concepts of convenience, discounts and amusement, has become a pressing issue.

→Accelerate the development of new business models or MD in accordance with current trends, including specialty store formats and an expanded lineup of PB products.

- In the GMS business, we will attract more customers by building attractive stores based on the New GMS Concept.

Risks — Weaknesses

The Expanding E-commerce Market

Our response: **Expanding points of contact with customers through majica**

- In response to the rapid digitalization of consumer activity both internationally and domestically, PPIH too, will accelerate its digital transformation.

→We will restructure our organization, including the establishment of the Digital & Data Management Headquarters, and launch a full-scale digital data strategy.

→We are currently developing a new service by enhancing the functions of majica, the group's electronic money app, and aim to release the new majica in May 2022.

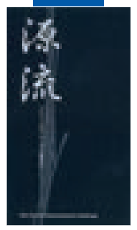
Value Creation Process

Achieving Long-Term, Sustainable Value Creation through Portfolio Management to Survive and Thrive in the Post-COVID-19 New Normal

Unchanging Strength Born from the Founding Spirit

Inside Cover

The Source



Delegation of Authority

Ability to Adapt

P8-9

Opportunities and Risks (Operating Environment Outlook)

Reinforcing Our Competitive Edge

P14-15

Responding to Environmental Changes through Portfolio Management

P16-17

Reforms of UNY aimed at becoming a new GMS

P18-21

Evolving domestic portfolio management

P22-25

Overseas Businesses Aiming for 300 billion yen in sales by FY2024

Precious resources in value creation

Human capital	Financial capital	Social capital	Natural capital	Manufactured capital
Value-creating human resources Number of Group employees 16,838	An adequate and sound financial base for handling risks and growth investment Total assets ¥1,370.3 billion Credit rating A+ Japan Credit Rating Agency (JCR)	Prosperous coexistence with partners Members of Kyoei-kai 1,800 companies Membership organization PPIC Partnerships with producers, exporters and related groups	Store management aimed at reducing our environmental impact and establishing a circular society	Domestic and international sales networks Number of Group stores 667

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Reduce environmental burden caused by business activities

P32-33

Enhance acceptance of diversity and create a more rewarding working environment

P34-35

Develop stores and products that embody "The Customer Matters Most"

PPIH Group Sustainability

P28-29

Greater Sustainability and Resilience

P12-13

Promotion of the Medium-to-Long-Term Management Plan

Economic value

Consolidated Net Sales	¥1,708.6 billion
Operating Income	¥81.3 billion
ROE	13.6%
Annual sales per employee	DS business: ¥29.5 million
	GMS business: ¥39.7 million
Number of Purchasing Customers	646.89 million
Number of Products Purchased	5,374,520,000 items

Discount Store Business

Wholesaling

Advertising and Promotions

General Merchandise Store Business

Making society better by leaving customers feeling delighted and inspired through our retailing business

Overseas Retail Business

Real Estate

Digital

Financial Services

Social Value

ISO14001 certified stores and offices		137 stores
Environmentally friendly products (eco!on)	Annual sales	¥2.13598 billion
	Number of items sold annually	904 items
Pride indicator 2021		(4 consecutive years) Gold award
Number of PPIC member companies (as of October 20, 2021)		268 companies
Annual donation to train and promote guide dogs		¥16.71 million

MISSION

To give our customers the greatest possible satisfaction by offering them the things they want in the manner in which they want them

To stimulate consumption, expand domestic demand, and make every effort to contribute to local and national cultures and economies

VISION

Medium/Long-Term Management Plan Passion 2030

Steadily Advancing Business Model

In FY2021, the PPIH Group made maximum use of its unchanging strengths of delegating authority and adapting to changes to increase revenues and operating profits for the 32nd consecutive year. This was achieved through portfolio management based on the operating environment outlook.

However, to adapt to accelerating changes in consumer behavior and ensure continued growth, we must transform our business from new perspectives, such as digital transformation (DX) and sustainability transformation (SX). We hope to begin by creating a three-year plan that positions 2025 as an important milestone, through which we will gauge the scenarios for realizing "Passion 2030."

While pursuing short-term results, we must also create a system for evolving the PPIH Group's business model to achieve sustainable, long-term growth. We will promote such efforts as concrete measures (see p. 13) for realizing "Passion 2030."

Passion 2030

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

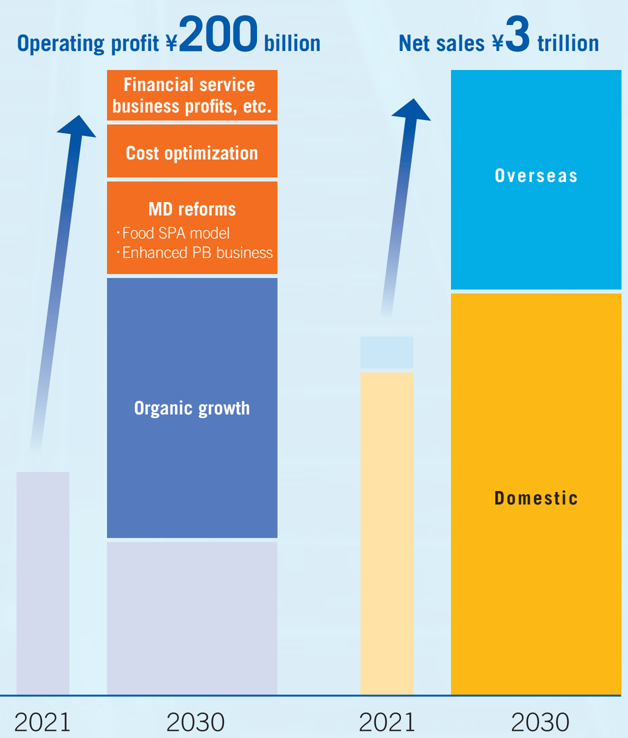
In Passion 2030, our medium- to long-term management plan starting from the fiscal year ending June 30, 2020, we aim to attain 200 billion yen in operating profit by executing the principle of "The Customer Matters Most," and to achieve 3 trillion yen in sales with 1.2 billion domestic and overseas customers by 2030.

To achieve this, we will work toward achieving these three goals:

1. Offering fun, extraordinary experiences
2. Understanding and adapting to customers
3. Taking on daunting challenges

We hope to generate roughly 150 billion yen on an organic basis that applies our current operating profit margin while adding another approximately 50 billion yen in profit improvement through MD reforms and reinforcement of private-brand (PB) development, etc., as well as cost optimization and acquisition of financial businesses through digitalization.

We want to establish a solid 2 trillion yen operation as a unique retailer in Japan and pursue 1 trillion yen in overseas sales by building and expanding our business in overseas markets as a Japan-brand specialty store.



Specific Measures Aimed at Realizing "Passion 2030"

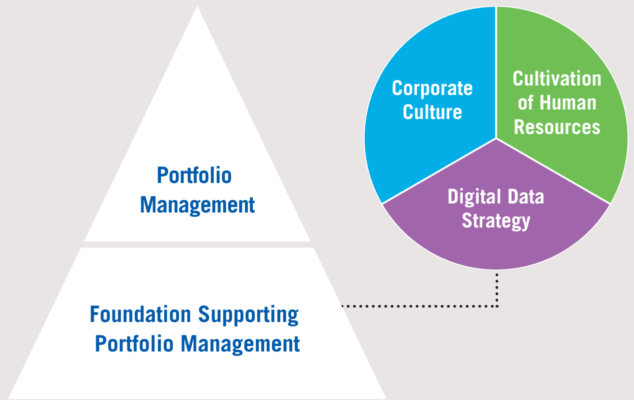
System for Realizing Sustainable Long-Term Growth P14-15

Portfolio Management that Embodies Adaptability

- Maintaining Profitability through Adaptable Operations that Diversify Risks
- Uphold our principle that "The Customer Matters Most" even in the post-COVID-19 age of the new normal

Business foundation that supports our unique portfolio management

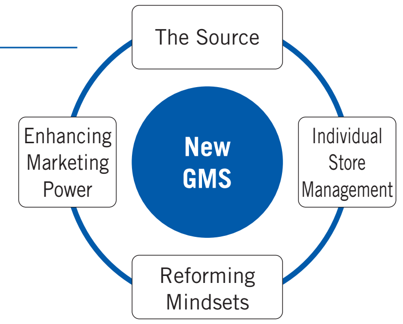
- Supporting human resources who take on challenges with our corporate culture of acknowledging failures
- Cultivation of human resources with the ability to grow on their own by learning from practical experience
- DX strategy that enables accurate understanding of customer needs and rapid evolution of the business



New GMS concept P16-17

Structural reforms of UNY aimed at becoming a new GMS

- Proposing the New GMS format whereby each store has its own unique product lineup and salesfloor based on local needs.
- Revitalizing UNY stores and aiming for them to become the best stores in their areas through transition to New GMS.
- Launching a general manager system to give outstanding store managers the opportunity to operate multiple stores and enhance our marketing power.



Domestic Business Strategy P18-21

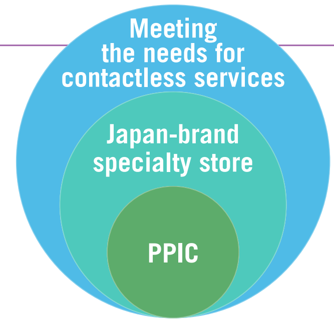
Evolution of domestic portfolio management

- Beginning self-reform in the DS and GMS businesses in response to the rapid diversification of consumer needs.
- Shifting our digital strategy into high gear in response to new needs arising from consumers increasingly embracing digitalization.
- Reinforcing the principle of "The Customer Matters Most" by expanding online and offline points of contact with customers and quickly identifying their needs.

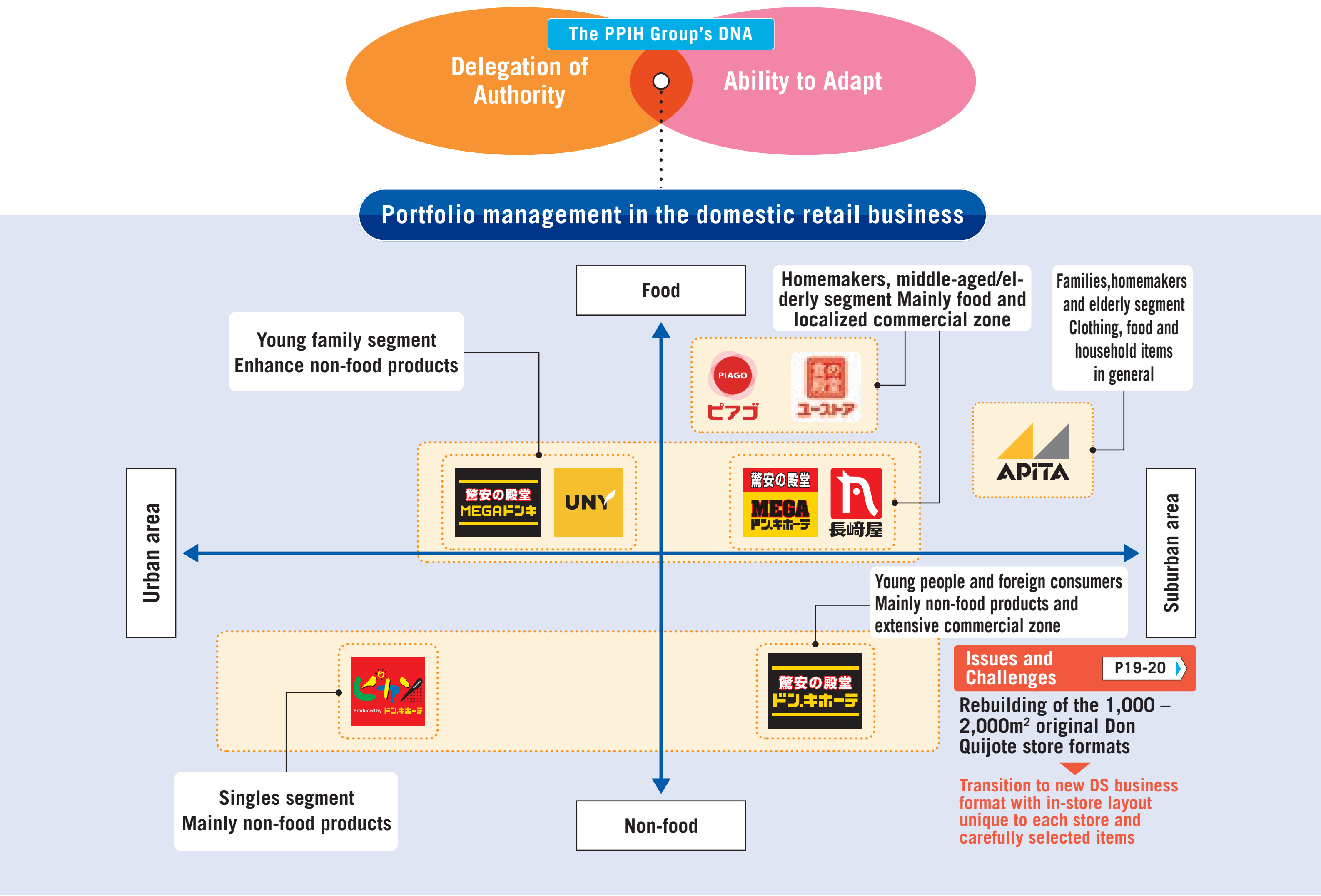
Overseas Business Strategy P22-25

Aiming for 300 Billion Yen in Sales by FY2024

- Growing the popularity and name recognition of our Japan-brand specialty stores.
- Developing a sophisticated value chain through PPIC and partnership with producers, aimed at increasing exports of Japanese agricultural, livestock, and marine products.
- Aiming to gain new customers by expanding omni-channel services, recognizing post-COVID-19 needs for delivery and other contactless services.



Portfolio Management
–Maintaining Profitability through Adaptable Operations that Diversify Risk–



Story 1 P16-17 Structural reforms of UNY

Aiming to Become a New GMS

A Summary

- UNY stores were built in ideal locations and had great human resources potential, but faced difficulty. This was due to the "fundamentals of the business" and the lack of "a suitable human resources and organizational system."
- They were able to evolve as GMSs through the delegation of authority based on PPIH's individual store management system.
- Individual store management is dependent on the willingness of the Head Office to fully trust store staff. This is a strength of the PPIH Group, which cannot be acquired overnight.

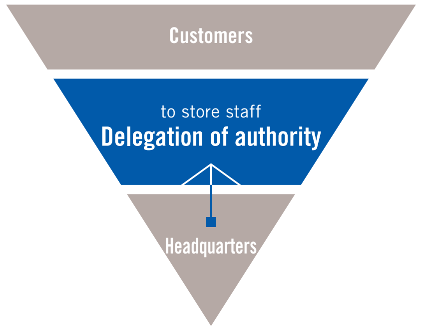
Story 2

The Contributions of the GMS Business and Overseas Businesses under the COVID-19 Pandemic

A Summary

- Domestic discount stores located near stations faced great difficulty due to the restriction of people's movement under the COVID-19 pandemic
- Their losses were covered for by suburban stores, the GMS business and overseas businesses
- The GMS business was buoyed by demand for alternatives to dining out under the COVID-19 pandemic. Existing stores achieved positive results.
- As for overseas businesses, Japan-brand specialty stores won popularity and recognition. They boosted profitability by directly exporting primary products from Japan.

Foundation Supporting Portfolio Management



The PPIH Group's DNA
Delegation of Authority to Implement "The Customer Matters Most" Philosophy

We delegate authority to store staff who are directly familiar with customers' changing behavior, assigning them to a certain product or space and letting them arrange it accordingly.

We created a "night market" in the era prior to 24-hour convenience stores and we intend to fulfill our mission as social infrastructure supporting local communities with lineups of products that customers want, while keeping pace with ever-changing customer sentiments.

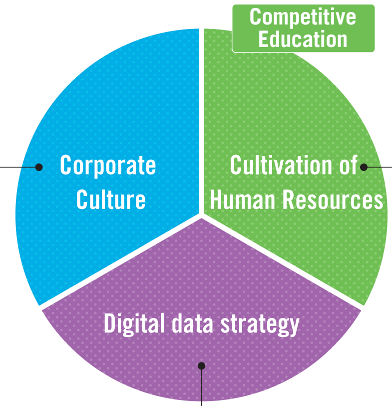
Constantly Taking on Challenges and Acknowledging Failures

People who are capable of taking on challenges on behalf of customers are those who are capable of succeeding. The PPIH Group has a rigorous commitment to rewarding performance, and employees are capable of obtaining positions and good evaluations based on results. Furthermore, we have a deep-rooted corporate culture of accepting failure. It is important for employees to be able to overcome failure, and turn it into a driving force to create innovation.

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.

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



A Platform for Pursing the Future of Retailing in Coordination with the Overall PPIH Digital Data Strategy

PPIH Pan Pacific International Holdings — Coordination aimed at solving business issues → KaibaLab

← Experiments and proposals aimed at strengthening business

Improving points of contact with customers
▶ Provide seamless channel

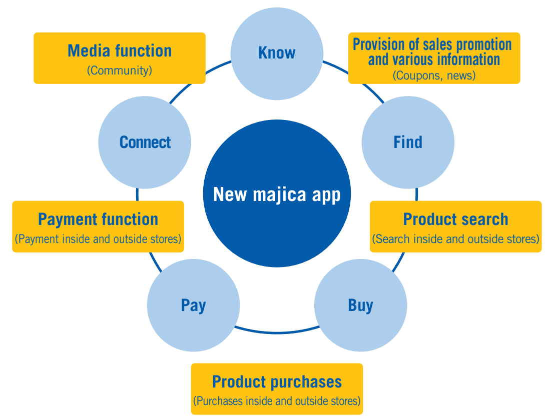
Improving the understanding of customers
▶ Data integration for multifaceted analysis

Improving the customer experience
▶ Provide optimal service for each customer

Experiments for the Future
▶ Proof-of-Concept / external collaboration

Enhancing majica app functions

We will enhance the majica app's functions to expand digital touchpoints, which are vital for driving business by meeting the needs of customers. We will improve points of contact with customers to boost convenience in everyday shopping.



Message from Head of GMS Business

Becoming the Number One Store in Local Communities through Structural Reforms Aimed at New GMS for UNY Stores and the Implementation of PPIH's Individual Store Management Approach

Kenji Sekiguchi

Head of GMS Business
Director & Senior Managing Executive Officer

Despite still operating under an atypical business environment, with the COVID-19 pandemic continuing into this fiscal year (ended June 2021), UNY was able to contribute to the PPIH Group's achievement of 32 consecutive years of profit and sales growth, thanks to support from local customers and the hard work of store managers and other staff. We were also able to grow into being a core part of the PPIH Group's business portfolio.

Shifting from Chain Store to Individual Store Management

I instituted structural reforms soon after becoming President and Representative Director of UNY Co., Ltd. This specifically involved the switch from chain store management to individual store management.

I have experience leading reforms at Nagasakiya Co., Ltd., after it joined the PPIH Group. Those reforms involved overhauling traditional Nagasakiya stores into the new MEGA Don Quijote format, which was visibly different even from the outside. To this day, I believe that was the best decision for the business.

UNY's situation, however, is different from Nagasakiya's. Prior to becoming President, I visited some UNY stores and noted that even though the stores had both prime location and human resources with great potential, they did not meet the needs of their local communities. I was certain that the reason for UNY's sluggish business performance was its Head Office-led chain store management, and that we could turn the business around if we switched to the individual store management style used by Don Quijote.

Unlike chain store management, in which the Head Office centrally manages multiple stores, individual store management gives store staff, who are the closest to our customers, discretion over store operations and a strong sense of ownership. This enables staff to promptly address customer needs and can also enhance staff motivation, which ultimately leads to the revitalization of stores.

Revised HR Evaluation System and Organizational Reforms to Change Frontline Employees' Mindsets

After becoming President, I first implemented a drastic revision of the human resources evaluation system and organizational reforms to the Head Office.

For the evaluation of human resources, we switched from the conventional relative evaluation system to an absolute evaluation system, by redefining the job description of each position, such as store manager and deputy manager, and evaluating whether employees have fulfilled their defined roles. For example, a store manager is kind of like a player-coach. Their job is not to simply give directions, but rather inspire their staff and work with them to create an intelligent organization. We also added an evaluation criteria that assesses how employees contribute to the company and store, which we apply to both part-timers and full-time employees. Along with these reforms, we have started everyone over on a clean slate regardless of their past performance. We also made management fast-tracking possible, which resulted in an employee being selected as a store manager at the young age of 28.

In the organizational reform of the Head Office, we aimed to create an open workplace by flattening the organization and changing personnel assignments. The chain store management approach was led by the Head Office and the Product Headquarters. It was also built on a stagnant, seniority-based personnel structure, where veteran employees had a strong say, while the frontline store staff felt they would not be listened to, leading to a sense of helplessness among them. To change this, we regrouped the Product Headquarters, Sales Development Headquarters, and Sales Development Planning Headquarters of the Head Office and placed them all under the umbrella of the Sales Development Headquarters. This both flattened the organization and reduced personnel by one third. It also created a more open atmosphere that encourages younger employees to share their opinions, and for veteran employees to go out in the field, hear the voices of the customers firsthand, and really remind themselves of the essence of “The Customer Matters Most.”

Becoming the Number One Store in Local Communities by Strengthening Sales and Profitability

After we implemented various reforms to give individual stores more authority, stores are now capable of controlling their own gross profit with the decision-making authority over procurement, sales prices, displays, POP advertising, and clearance items. There's no denying that store staff initially faced some difficulties from taking on new duties that they were inexperienced in, but I believe that being in charge of their own gross profit would also motivate them to reduce their stores' SG&A expenses. With individual stores taking over the management of their own gross profit, the advertising costs from using flyers was reduced by about 60% compared to when I first took over, which I believe demonstrates the effectiveness of individual store management.

During this fiscal year, we have mostly established the infrastructure we need, including the organizational and personnel system, merchandising mechanism, sales planning, and store development. Next, we will focus on enhancing sales and profitability.

At the end of last year, we introduced the general manager system, in which an outstanding store manager gets to manage multiple stores, as a part of strengthening our sales capability. There are currently 23 general managers. With one manager in charge of multiple stores, those stores are then more likely to interact with each other, and it is already clear that they feel a sense of both camaraderie and competitiveness with one another as a result.

Just like with a new store opening, when renovating our stores, we start from scratch by researching the local commercial area. The only way to entice existing as well as new customers to our store and make the renovation a success is to devise a logical plan based on a wide range of information, including demographics and the presence of competitors in the area. First, each store will take a unique approach and aim to be the best in the area. Through that process, we will aim to create a new business format known as New GMS.

Commitment to Individual Store Management by Placing Trust on Frontline Staff

The combined market for domestic GMS and drug stores is worth 20 trillion yen, so we can expect more competitors to emerge and seek to gain market share going forward. That being said, I believe it is hard for any competitor to implement individual store management and achieve growth like we have. This is because, for individual store management to succeed, not only do frontline staff need to change their mindsets, but the Head Office must also place its full trust on those staff.

My job, as a manager, is to always believe in our frontline staff and provide continuous support for them. I believe this is the key to the success of PPIH's unique individual store management approach.

Domestic Business Strategy

Evolution of the Domestic Portfolio Management of the PPIH Group

Performance Review of Domestic Businesses

In FY2021, the PPIH Group grew steadily and set new records in sales, operating profits and net income despite the COVID-19 pandemic thanks to portfolio management (see p. 14). We will strive to further evolve our domestic portfolio management, revitalize our original Don Quijote stores in central Tokyo that have faced difficulties, and make dedicated efforts to implement survival strategies for our GMS business format in the face of fierce competition.

Domestic Discount Store Business

Net Sales	Operating Income
¥1,051.1 billion	¥22.0 billion

- Sales were affected by the disappearance of foreign tourists and the downturn in business at stores near stations due to restrictions of movement. However, overall sales at discount stores exceeded last year's results thanks to the opening of new stores and business format changes.
- Gross profits and operating profits decreased due to a decline in sales at our mainstay Don Quijote stores. Meanwhile, operating profits at UD Retail will go into the black thanks to steady progress made in converting its business format, and an increase in sales of 102.6 % year-on-year at existing stores.


GMS Business

Net Sales	Operating Income
¥492.6 billion	¥28.9 billion

- Sales declined with the reduction in store numbers due to business format conversion, but existing stores performed well buoyed by the need for an alternative to dining out, and sales also increased alongside the execution of the new GMS strategy.
- The gross margin ratio increased due to the integrated balancing of accounts, while the integration of headquarters decreased indirect costs. Together, they made up for decreased sales resulting in increased operating profits.

Domestic Business Strategy Highlights

Evolving the Domestic Discount Store Business

The spread of COVID-19 triggered social changes and the diversification of customer needs. We reinforced our hypothesis verification cycle with the "100-Day Project," aiming to evolve our businesses in response to changes in the operating environment, including by redefining our store concepts.

→ **Very positive response to specialized stores such as Osake Donki & Okashi Donki that were opened to create an image of NEXT Donki and respond to changing consumer behavior**

P19

Promoting Differentiation by Reinforcing PB (private/people brand)

Optimizing the gross margin mix by differentiating ourselves from competitors, promoting increased foot traffic and carefully selecting items

→ **Transform into a people brand capable of developing products in collaboration with customers in pursuit of fun, deliciousness, stylishness and convenience that exceeds customer expectations**

P20

New Domestic Organizational Framework and Work-Style Reforms to Support PPIH

We enhanced the Million Star Program further by, for example, opening the ANSWER MAN Headquarters to support our 125 branch presidents. An explanation of this program in terms of its contribution to sales and operating profits is provided.

P21

* Source for the figures above: Materials from the FY2021 Fourth Quarter Financial Results Briefing

Message from the Head of Management Strategy Headquarters

Striving for Uniqueness in the New Normal by Creating a Robust Business Model through Relentless Self-Reform

Hideki Moriya

Head of Management Strategy Headquarters
Director General of Executive Committee
Director & Managing Executive Officer

In the domestic business, the new Million Star Program introduced for the domestic discount store business has enabled flexible operation for each commercial zone. This helped to achieve good results this fiscal year (FY2021), particularly among suburban stores. We also began a hypothesis verification initiative for developing new businesses for the post-COVID-19 era. Meanwhile, UNY, at the core of our GMS business, grew dramatically compared to other companies and contributed to the business results of the entire Group. The effects of COVID-19 varied depending on the business format and location, but at the end of the day, I believe we were able to make effective use of the strengths of our domestic portfolio.

Reinforcing the Hypothesis Verification Cycle with the "100-Day Project," Aiming to Evolve Our Domestic Discount Store Businesses

Our portfolio served its purpose in our domestic businesses. However, the spread of COVID-19 led to simultaneous and rapid changes such as changing consumer behavior, the disappearance of demand from foreign tourists, and the continued restraint shown by people and businesses in terms of going out and holding events, which significantly impacted our store operations.

To deal with such changes in the future as well, we must evolve our businesses, including redefining our store concepts, especially in our discount store business.

Don Quijote has continued growing based on a store concept of offering convenience, discounts and amusement (CV+D+A), and building unique stores that are "convenient because you can find anything," offer "discounts that are absolutely superior to other stores," and are "amusing like a labyrinthine treasure hunt." Going forward, however, we must come up with MD or new business formats to keep up with the times. We will do so based on a redefined "CV+D+A" whereby our stores are "convenient because you can find what you really want," offer "great discounts compared to the value that you feel the products provide," and provide "more amusement than just treasure hunting and a labyrinthine adventure," etc.

The first step is to work out how best to create new stores. To do that, we have launched the 100-Day Project and tested various hypotheses through experiments and monitoring. In light of the results of this project, we have launched initiatives based mainly on the following strategies.

Deepening and Enhancing Categories that Maximize Our Strengths

As an example, Don Quijote accounts for a significant share of the color contact lens market in Japan. Likewise, we want customers to think of Don Quijote as the place to go for other products as well and we aim to create stores specializing in particular product categories, which then acts as a hook for attracting customers. To that end, we have opened experimental specialized stores such as Meat Donki, Cosme Donki, Okashi Donki and Osake Donki. Creating specialty stores will allow us to move into malls, which was difficult to do with our general discount store format, and we believe this will contribute to sales and profits.

Promoting Differentiation by Reinforcing PB (Private Brand)

We will develop differentiated products and renew our staple products centered on food, everyday consumables, household electrical appliances and clothes, under our Jonetsu Kakaku private brand. This will promote differentiation from our competitors and attract customers

Domestic Business Strategy

Message from the Head of Management Strategy Headquarters

to our stores. Based on the results of the 100-Day Project, we have set 250 billion yen as our PB/OEM sales target for FY2022, which will lead to an increased medium-to-long-term profit ratio.

■ Store Staff-led Reforms Aimed at Becoming Leading Stores in Local Communities

We will promote store staff-led improvements and reforms customized to local conditions, such as responding more closely to customers' needs and bolstering price competitiveness. To do this, we launched the Million Star Program in which one branch president is placed in charge of all stores across various business formats within a commercial zone of one million people. We will delegate authority to branch presidents over all matters transcending Don Quijote, Nagasakiya, and UD Retail corporate boundaries. Each store will enhance its competitiveness and aim to become No. 1 in the local community, contributing to the growth of our overall business.

Accelerating the Growth of the GMS Business Contributing to Increased Earnings by Creating Diversified Stores

In the GMS business, we will implement a new strategy, the New GMS Concept (see p. 16), and revamp the operations of existing UNY stores to accelerate their transformation into New GMS, rather than converting them to the UD Retail business format.

Under the New GMS Concept, we will shift away from the current across-the-board MD strategy. Instead, each store will have product lineups that are focused on particular categories, similar to specialty stores. This will encourage customers to visit stores in person and help to maximize earnings for entire stores. We have also begun experiments to introduce new Don Quijote business formats as tenant stores within New GMS, as part of a strategy to further enhance specialization. We plan to expand this initiative upon verifying its effectiveness.

In the next stage, we will pursue further growth of the GMS business through such renewal or introducing tenants.

Our Digital Data Strategy Enters the Implementation Phase
Striving to Understand Customers Better for the Sustainable Growth of the Business

Our digital data strategy is based on knowhow we have gained through experimental initiatives, and we are now at the stage of implementing it in our businesses. We will create or restructure specialty organizations with the aim of improving points of contact with customers, the customer experience and our understanding of customers.

Specifically, we will provide seamless channels allowing customers inside and outside our stores to search for, buy and pay for products online and offline.

We are currently working to establish infrastructure to integrate the management of information on products and customers. We plan to launch a new service, New majica, in May 2022.

This will improve points of contact with customers, which in turn will enable us to gather and analyze their purchasing history and other information, leading to a better understanding of customers and improvement of the customer experience.

This will also enhance value (convenience) and provide PPIH the perfect opportunity to gain a better understanding of customers, and it will ultimately contribute to the sustained growth of the Group business.

A New Domestic Organizational Framework and Work-Style Reforms to Support PPIH

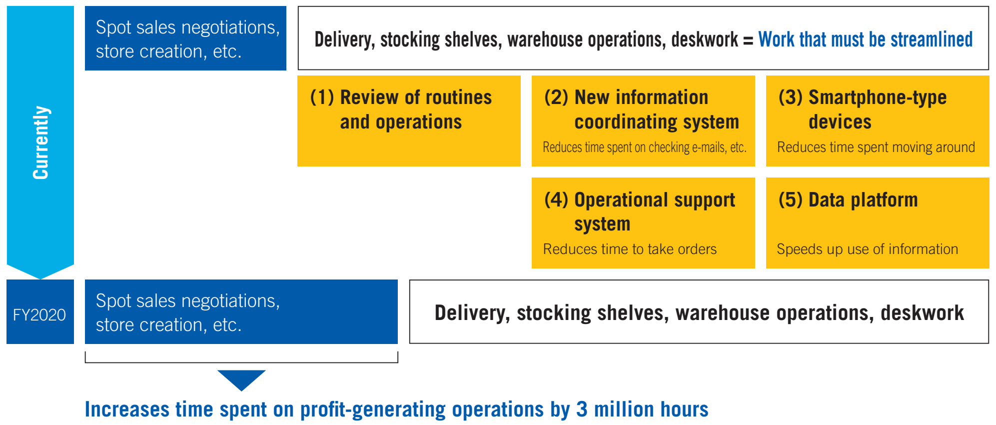
Domestic Organizational Framework　Commercial Zone of One Million People × 125 Branch Presidents × ANSWER MAN Headquarters

In September 2020, the PPIH Group launched the Million Star Program in which each commercial zone of one million people will be managed by one branch president. We will delegate authority to these Million Star branch presidents over all matters transcending Don Quijote, Nagasakiya, and UD Retail corporate boundaries and place them in charge of two to five stores within a single zone. Compared to the previous system in which branch presidents oversaw around 30 stores each, the new program allows them to better understand the characteristics of the commercial zone they are in charge of and respond more quickly to changes in consumer behavior. 125 Million Star branch presidents are now working hard on the frontlines. Because there is effectively no one supervising them, we decided to establish the ANSWER MAN Headquarters in February 2021 to support them. Specifically, the Headquarters provides them with assistance and encouragement in relation to business activities and store management, as well as psychological support.

Streamlining Operations through Work-Style Reforms to Create Attractive Stores

The PPIH Group has streamlined store operations through the five main measures shown in the diagram below, in order to build further on our corporate principle that "The Customer Matters Most" even during times of great upheaval in the market. More time has been allocated to spot sales negotiations, surveys of competitors, pricing, store creation, etc., to create more attractive stores.

Five Measures for Boosting Productivity



Overseas Business Strategy

Aiming for 300 Billion Yen in Sales by FY2024

Review of Overseas Business Performance

In FY2021, overseas growth was accelerated thanks to the opening of stores in Asia and M&A in North America. Overseas retail sales increased 1.8 times, and operating profits went into the black in Asia with a 3.8 times increase. In the next fiscal year, we will open 12 more stores in Asia to continue our proactive expansion. We will also reinforce initiatives related to PPIC, which is at the core of our business model, including by expanding the supply of products to include not only Asia but also North America.

Asia Business

Net Sales	Operating Income
¥50.1 billion	¥3.4 billion

- A total of eight stores were opened, including our first stores in Taiwan and Malaysia, and five stores in Hong Kong, where business is booming. Our stores have won popularity and recognition as Japan-brand specialty stores.
- In addition to increased sales of 29.3 billion yen year-on-year, we also achieved a significant 3.9 billion yen increase in operating profits due, in part, to PPIC, which supports the supply of Japanese primary products and contributed to high profitability.

North America Business

Net Sales	Operating Income
¥119.8 billion	¥8.1 billion

- Sales and operating profits increased with the need for an alternative to dining out during the COVID-19 pandemic, which in turn contributed to increased sales and profits for the entire Group.
- Stores in California successfully expanded their customer segment by meeting customer needs for an alternative to dining out during the COVID-19 pandemic. Exports of masks and other related products from Japan also contributed to sales and gross profits.
- Sales decreased at stores in Hawaii due to fewer tourists, but the local supermarket format made up for this decrease and kept sales up. In addition, operating profits increased greatly due to the curbing of selling and administration costs.

Overseas Business Strategy Highlights

We will aim to export 300 billion yen of agricultural, livestock, and marine products by 2030 through cooperation with producers and related organizations.

We will create a value chain that helps us expand our lineup of products and our scale of procurement, so that we can offer products at reasonable prices.

P23

We will accelerate the opening of stores in Asia to establish a solid business foundation by 2024

The COVID-19 pandemic created greater demand not only for ready-made dishes, but also vegetables, meat and other food ingredients. Moving forward, we will focus more on ready-to-cook meals. We are also collaborating with delivery service companies to meet the demand for e-commerce delivery services.

P25

* Source for the figures above: Materials from the FY2021 Fourth Quarter Financial Results Briefing

Message from the Overseas Strategy CMO

Aiming to Achieve ¥300 billion in Overseas Net Sales by 2024, and Ultimately ¥1 trillion in 2030

Kazuhiro Matsumoto

Director & Senior Managing Executive Officer
Chief Merchandising Officer (Global)
Head of Overseas Business

This fiscal year (year ended June 30, 2021), our overseas business recorded its best performance to date in terms of both sales and profit growth. In Asia, we increased sales by actively opening new stores and improved profitability by directly exporting primary products from Japan. In North America, we expanded our customer base by capturing alternative demand to eating out during the COVID-19 pandemic. Overall, net sales totaled ¥169.9 billion and operating income ¥11.5 billion. It has been 15 years since we first made inroads into overseas markets. Since then, the PPIH Group has been steadily developing a foundation for building its global business portfolio and achieving sustainable growth.

Overseas Business Launched through M&A in Hawaii

The PPIH Group's overseas business was launched in 2006 when the Group acquired Daiei stores in Hawaii and turned them into a consolidated subsidiary under Don Quijote USA. Since then, we have acquired supermarkets deployed mainly in Hawaii and California. As we took over the infrastructure of stores acquired under Don Quijote USA, we continued to renovate stores and expand our product lineup as necessary to ensure our stores are supported by local customers and deeply rooted in their communities today.

We launched our Asia business in 2017 with the establishment of the first DON DON DONKI store in Singapore based on the concept of a "Japan-brand specialty store" that carries made-in-Japan and made-for-Japan products. Since then, we have accelerated our DON DON DONKI store openings in Asian countries, Hong Kong, and Taiwan. These stores have earned a stellar reputation among local customers thanks to their lineup of Japanese foods, including agricultural produce such as sweet potatoes, peaches and strawberries, livestock products such as Japanese beef, and seafood products such as tuna, sea urchin and scallops.

Launched Partnership Organization with Japanese Producers Aimed at Expanding Exports

The PPIH Group has announced a target in its medium-term management plan to reach overseas net sales of ¥300 billion in 2024. As a new initiative in the overseas business aimed at achieving this target, we launched the Pan Pacific International Club (PPIC), a partnership organization with Japanese producers in October 2020 aimed at expanding exports of Japanese agricultural, livestock and marine products.

At DON DON DONKI in Asian countries, which is positioned as an indispensable growth driver for the Group, foods make up the main products, including four types of fresh produce (fruits and vegetables, fresh fish, meat, and delicatessen). Together, they account for over 80% of sales, with Japanese foods being a major factor for gaining fans among local consumers. For this reason, ensuring the stable supply of Japanese foods and food ingredients, which have earned a strong reputation for their high

Overseas Business Strategy

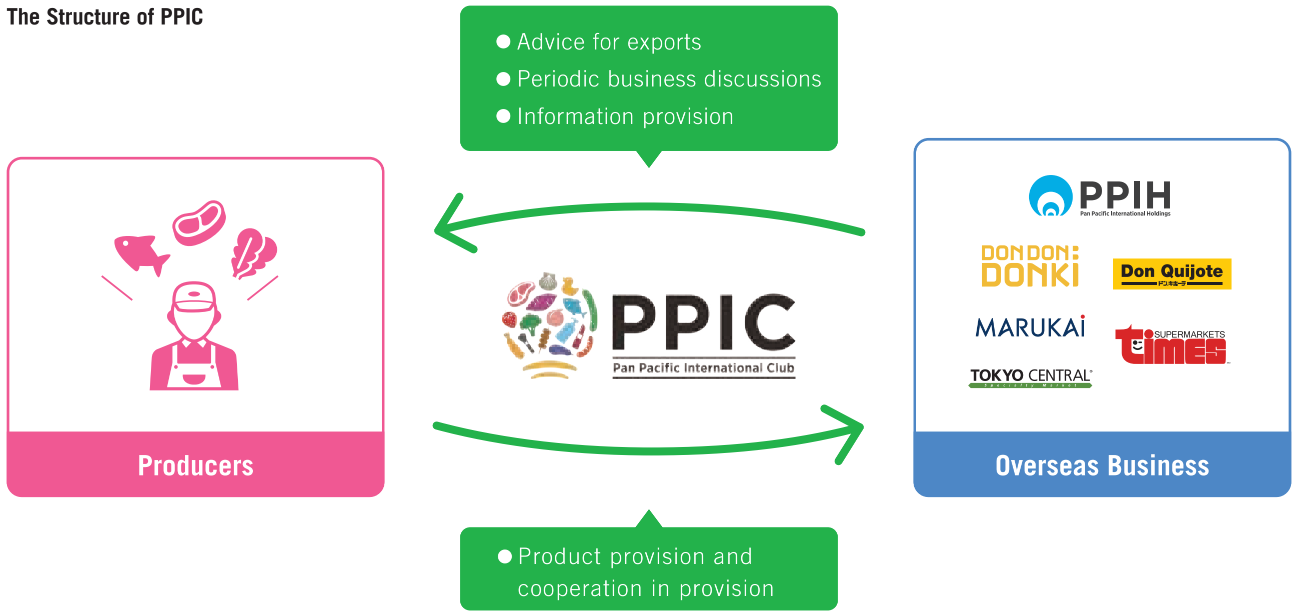
Message from the Overseas Strategy CMO

quality, is an urgent issue for the Group to address as it expands its business.

PPIC is a membership-based organization comprised of producers and related organizations that seek to export to the overseas stores of the PPIH Group. Its growing membership benefits the PPIH Group by ensuring the stable supply of products. Simultaneously, PPIC provides members with stable buying through direct trading with the PPIH Group. Furthermore, it benefits producers by providing them with additional information on overseas markets, thereby helping them plan their planting and production.

The PPIH Group targets overseas export value of ¥300 billion in agricultural, livestock and marine products by 2030. We will achieve this by supporting the expanded export of agricultural, livestock and marine products through collaboration with producers and related organizations, as well as expanding product lineups and increasing procurement scale. We will establish an integrated value chain from upstream to downstream and develop an environment that enables the provision of appealing products overseas at an affordable price. In addition, we plan to expand exports of processed goods and non-food products in the future.

The Structure of PPIC



Achieved Increased Sales and Profits in Asia and North America in FY2021

In FY2021, we increased both sales and profits in our Asia and North America businesses by adapting to the COVID-19 pandemic.

In the Asia business, we are establishing a model of increasing profitability through direct export of primary products from Japan through PPIC. The Asia business turned a profit for the first time this fiscal year as the sales of Japanese foods has contributed to increased profits. The opening of eight new stores, including five stores in Hong Kong, and our first stores in Taiwan and Malaysia, demonstrates the increased popularity and brand recognition of our stores as a Japan-brand specialty store.

As for the North America business, in April 2021, we acquired GRCY Holdings, the holding company that owns Gelson's, a long-standing supermarket chain with 27 store locations in California. With the consolidation of Gelson's, sales grew significantly in the fourth quarter.

Moreover, from December 2020, we launched home delivery services at stores in Asia and the United States through collaboration with delivery service providers including Shopee, Grab, Deliveroo and Instacart. As is the case in Japan, demand for contactless shopping is also growing overseas. We are therefore working to make this available for more areas and stores, while also launching a curbside pickup service for online orders, with the aim of obtaining new customers through omni-channel services.

Enhancing Our Presence Overseas and Contributing to Our Growth as a Global Company

In FY2022, which is already underway, in the Asia business, we plan to open a total of 12 new stores. This will include increased store openings in countries with existing stores, such as Singapore and Malaysia, and our first store in Macau. In addition, to further promote and popularize Japanese culinary culture, we plan to develop rice balls made with Japanese grown rice and premium white breads.

In terms of the North America business, while we do not plan to open new stores, we will aim to further increase sales by renovating existing stores. Our acquisition of Gelson's, a premium supermarket brand positioned above Whole Foods and Trader Joe's, which are well-known even in Japan, is aimed at capturing the wealthy Caucasian demographic. We have established a Review Team to discuss future synergies with existing businesses and business format transformation, and will spend adequate time ensuring a successful post-merger integration over time. As our existing customer base continues to get older, the challenge is to acquire new customers. Millennials and Generation Z consumers will be especially key. As for PPIC, we will reinforce our efforts, for example by expanding product provision from Asia currently, to also include North America.

In the overseas business, we are striving to meet our milestone of reaching net sales of ¥300 billion by 2024, towards achieving our medium- to long-term goal of ¥1 trillion by 2030. We will promote store openings in the Asia and the Pan-Pacific region over the long-term, the creation of unique business formats focused on Japanese brands, and "Food SPA," which vertically integrates the management of planning, manufacturing, distribution, and sales. The overseas business will contribute to PPIH Group's sustainable growth as a global company with a worldwide reach.

Financial Strategy

Message from the Financial Strategy CFO

Succeeding in the New Normal and Maximizing Corporate Value through Improved Capital Efficiency

Keita Shimizu

Chief Financial Officer (CFO)
Director, Executive Officer

I became Executive Officer and CFO in April 2021 and was appointed Director the same September. As the person responsible for developing and implementing financial strategies, I will strive to fulfill my two missions of business expansion and capital efficiency improvement through flexible investment, thereby contributing to the Group's sustainable growth and enhanced corporate value.

Steady Growth through Portfolio Management—Sales and Profit Growth for 32 Consecutive Fiscal Years

In the fiscal year ended June 2021, the PPIH Group achieved its 32nd consecutive year of profit and sales growth, achieving record highs in net sales, operating profit and profit attributable to owners of parent. Although PPIH's mainstay discount store business were greatly affected by the COVID-19 pandemic, these results were driven by the overseas business and the GMS business, which has been undergoing post-acquisition management reforms. In that sense, I believe the portfolio management we have pursued over the last year has succeeded. This could be a turning point for how our Group is viewed, as we have been mostly known solely for Don Quijote. Also, going forward, in external communications, I would like to draw more attention to the entire Group and our portfolio as a whole.

Achieving Passion 2030 with Capital Efficiency-conscious Management

After achieving net sales of one trillion yen in the fiscal year ended June 2019, one year ahead of schedule, the PPIH Group announced its medium- to long-term management plan called Passion 2030 in February 2020. In order to achieve the aggressive targets of increasing net sales to three trillion yen, and operating income to 200 billion yen, we must of course further expand and develop the aforementioned portfolio management.

At the same time, since we do not have unlimited funds, capital efficiency will have to play an even more important role. This includes determining which businesses to invest our capital in and how to address invested capital that is not being utilized efficiently. Because Japan's revised Corporate Governance Code strongly calls on companies to pay attention to capital efficiency, we are holding in-depth internal discussions on medium-term asset allocation, which we hope to realize in the next medium-term plan (lasting around three years).

Marketing Our Potential through Proactive IR Activities—In Addition to Institutional Investors, Capitalize on New Trends such as Individual Investors and ESG

As CFO, I am committed to further improving corporate value by actively and comprehensively communicating our growth potential. Specifically, I hope to enhance dialog with our main stakeholders, or institutional investors, and, as new initiatives, increase engagement with individual investors and disseminate PPIH-related environmental, social, and governance (ESG) information, a subject of growing societal interest, in various settings.

With regard to enhancing dialog with institutional investors, I intend to improve and deepen their understanding of our business by organizing opportunities to share information that provides more than just a broad and generalized overview. For example, I would like to place greater focus on the story of our medium- to long-term growth, such as the results of our domestic GMS reform and the opening of Japan-brand specialty stores overseas.

Furthermore, our ratio of individual shareholders is 1.6%, which is much lower than the rest of the industry. Individual investors are the customers with whom we have daily contact in the retail industry. Boosting the ratio of individual shareholders would benefit PPIH from the perspective of increasing shareholders who are our fans and increasing the number of stable shareholders.

In light of the prospect of growing ESG investment, PPIH will also need to set out a management policy that gives consideration to ESG. For this reason, we will proactively enhance measures and expand information disclosures to address important issues (materiality) linked to our management strategy, and provide greater information on ESG, which is based on socially responsible investment.

Swiftly Enhancing Efforts through Dedicated Committees

As mentioned earlier, the promotion of sustainability has become an important management task at PPIH. Consequently, we have identified six ESG materialities in the medium- to long-term management plan announced in 2020. We have also enhanced measures by establishing the following committees: Diversity Management Committee to handle diversity and inclusion in November 2020, Nomination and Compensation Committee in January 2021, and Sustainability Committee to implement environmental measures and supply chain management activities in July 2021. With these committees in place, we now have a satisfactory implementation structure. We therefore hosted a company-wide discussion across these committees this fiscal year. We are also conducting Group-wide initiatives such as ESG workshops for all directors. I hope our stakeholders are excited about the progress we can make.

Expanding Capital Investment to Achieve Our Long-term Goal 10 Years from Now—Striving to Accelerate Growth Post-COVID-19

The operating environment in the fiscal year ending June 2022 is likely to remain uncertain as a result of the COVID-19 pandemic. Nevertheless, since we only invested a small amount of capital in the fiscal year ended June 2020, we plan to invest 75 billion yen for the launch of new stores and the renovation of existing ones in Japan and abroad, as well as for the promotion of DX. Through this increased investment, we hope to capture future business opportunities and ensure accelerated growth.

The PPIH Group's Sustainability Structure

As a global group, all managers and employees are to fulfill their roles based on our enduring corporate principle that "The Customer Matters Most" as stated in The Source, our collection of corporate ideals. They are to realize sustained growth and enhance medium-to-long-term corporate value through close communication with stakeholders. This will be achieved through our core business in comprehensive retailing based on our management philosophy to "commit ourselves to doing business in a manner that is unselfish, 100% honest, and grounded in a strong sense of morality and purpose."

Purpose

Promotion Framework

Decision-Making Process

Important Matters

Information Disclosure

The Source

The Source (Genryu) is a collection of our corporate ideals, and it clarifies our corporate principles, management philosophy, employee mindset and conduct that all managers and employees are required to strictly adhere to. The Source also embraces diversity, and forbids any form of discrimination whether it be based on race, nationality, ethnicity, gender, age, etc.

Table 2

Value Creation Cycle

- Responding to environmental and social issues stemming from business operations and maximizing opportunities from a business perspective
- Simultaneous realization of economic and social value through business activities
- Ensuring the sustainability of the environment, society and the economy spanning generations

Enhancement of Corporate Value

Stakeholder Engagement

The PPIH Group emphasizes dialog with a variety of stakeholders, including customers, employees and clients. The group will aim to enhance corporate activities by making improvements and responding quickly to the opinions of stakeholders.

Four Priority Issues		Specific Initiatives	Relevant SDGs
P30-31	Reduce environmental burden caused by business activities	Initiatives aimed at realizing a decarbonized society Initiatives aimed at realizing a recycling society	7, 12, 13, 14, 15
P32-33	Enhance acceptance of diversity and create a more rewarding working environment	Promote diversity Reinforce human resources	3, 4, 5, 8, 10
P34-35	Develop stores and products that embody "The Customer Matters Most"	Enhancing communication with local communities Developing and selling ethical products Sustainable procurement and responsibility in sales	9, 10, 11, 12
P36-47	Bolster the corporate governance framework	Bolster the corporate governance framework Initiatives to bolster risk management	9, 13, 17

- General Meeting of Shareholders
- Board of Directors
- President and CEO, Representative Director
- CFO, Executive Officer
  - ESG Promotion Section
  - Environment: Sustainability Committee
  - Social: Diversity Management Committee; Human Resources Division (Workplace Reform)
  - Governance: Risk Management Division; Nomination and Compensation Committee; Compliance Committee

☑ In the Group, each committee plans and formulates measures for ESG promotion, and under the decision of the director in charge, the measures are reflected in business activities in cooperation with each department.

☑ The Sustainability Committee (see p.30), which was newly established on July 1, 2021, will work on environmental measures and supply chain management.

Reduce environmental burden caused by business activities

Management Approach

Reason for emphasis	Risks	Opportunities	PPIH's actions
The PPIH Group recognizes that protecting the global environment, preserving biodiversity, and addressing climate change are important issues for the sustainable development of the company, as well as the enhancement of corporate value over the medium and long term. We are also considering how to respond to various risks. Furthermore, we will contribute to the realization of a circular economy based on our belief in the importance of providing eco-friendly products and services, and promoting environmentally conscious store development, and thereby achieve sustainable growth.	● Increased costs as a result of the necessity to comply with increased regulations on waste and environmental issues ● Physical damage to stores and logistics networks due to extreme weather conditions (typhoons, droughts, heat waves, cold waves, heavy rains, heavy snowfall) as a result of climate change. ● Increasing difficulty in purchasing raw materials due to the depletion of natural resources such as fisheries resources.	● Energy saving and waste reduction, efficient use of resources through the food recycling cycle, and improved corporate image. ● Promoting ethical consumption through the sale of environmentally friendly products.	○ **Reduction of electrical consumption through the introduction of clean energy** ○ **Establishment of recycle stations** ○ **Reduction of general waste through the strengthening of office waste segregation** ○ **Sale of our original PB product, "eco!on"** ○ **Protection of natural resources and securing of a stable product supply and price by purchasing farmed fish** ○ **Off-price business**

FOCUS

Original Environmentally Friendly "eco!on" Products

eco!on
eco on your life
いつもの暮らしにエコ!

The PPIH Group is acutely aware of the impact products can have on the environment, and strives to improve the reliability and safety of products, as well as their quality in terms of environmental friendliness.

The PB products of the PPIH Group, "eco!on," have been developed based on the concept of the 3Rs (reduce, reuse and recycle). The decarbonization of society was kept in mind when planning the products and using resources to make them. These products have been developed to protect the global environment and the habitats of all life on Earth. The PPIH Group will promote sales of ethical products by offering environmentally friendly shopping for customers who choose to use these products.

FY2021

Annual sales
2.13598 billion yen

Number sold annually
9.04 million items

Introducing some of our eco!on products

- Environmentally friendly toilet paper made from 100 % recycled paper.
- A part of the raw materials used includes milk cartons collected at our stores.
- The polyethylene coating on milk cartons are reused to generate heat inside plants.

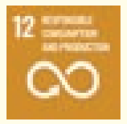
Sustainability insight

Reduces CO_2 emissions by 63% per roll compared to using virgin pulp (used to make paper from wood chips)

Pick Up Participation in Ogaki SDGs Street 2021

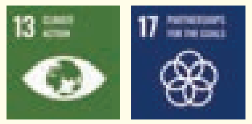
Apita Ogaki (Gifu Prefecture) took part in Ogaki SDGs Street 2021 organized by the Ogaki City Environment Citizen Meeting to introduce UNY's original environmentally friendly products, "eco!on." A large panel was placed on display for the numerous people who use the Ogaki Station north-south passage (Suito Bridge), while on weekends, an event space was set up inside our Aqua Walk Ogaki to show photo videos and display panels of our environmental activities. This was done to raise awareness for the SDGs and promote efforts to attain them in the daily lives of our customers. Apita Ogaki will continue engaging in activities with customers and the local community to contribute to the realization of the SDGs.

SDGs that We Can Contribute to



12.5
By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.

Related SDGs



Policy on Activities

Materiality	Approach	Specific measures: Types of measures	Specific measures: Outline
Initiatives aimed at realizing a decarbonized society	Reduce CO_2 emission	Energy-saving equipment	● Deployment of energy-saving equipment to ensure efficient operation of air conditioners, and refrigeration and freezer cases inside stores
		Initiatives to stop plastic use	● Recover and recycle used plastic containers and packaging ● Start charging for plastic bags to reduce waste and promote the use of reusable bags
		Utilization of renewable energy	● Introduce solar power in some stores
Initiatives aimed at realizing a recycling society	Reduce packaging material, use resources efficiently, reduce food waste, bolster recycling	Establish food recycling loop	● Recycle waste as resources ● Connect producers to consumers through local circulation and local production for local consumption, and provide safe, secure agricultural and livestock products
		Reduction of waste and promotion of recycling	● Set up recycling stations to recover waste paper

FOCUS

Utilization of Renewable Energy

The PPIH Group aims to realize a decarbonized society, and the entire Group is striving to make steady progress in reducing emissions of global warming gases.

Specifically, we have deployed solar power at some of our stores to reduce the emission of CO_2 through our business activities. We are testing the feasibility of using renewable energy in the future to promote environmentally friendly business activities.

Deployed at (as of September 2021):

3 Don Quijote stores, **7** UNY stores, **2** UD Retail stores

MEGA Don Quijote Kofu

Main Environmental Data

Environmental issue	Types of data	2020	2021
Climate change	CO_2 emissions (t-CO_2)	559,467	**534,307**
	CO_2 emission intensity (per one million yen in sales)	0.356	**0.347**

Enhancing Efforts Further

In July 1, 2021, we established a new Sustainability Committee to enhance environmental measures and supply chain management, and implemented initiatives through various subcommittees. The Subcommittee on Environmental Measures has been striving to further mitigate any environmental impact from our business activities, including identifying serious risks and analyzing various scenarios to create opportunities for action aimed at the mitigation of climate change, as well as discussing measures and plans to cut CO_2 emissions.

Enhance acceptance of diversity and create a more rewarding working environment

Management Approach

Reinforce human resources and human rights management

Reason for emphasis	Risks	Opportunities	PPIH's actions
As a member of society, the PPIH Group recognizes the importance of respecting human rights and fulfilling our responsibilities in respecting the basic human rights of our stakeholders. Furthermore, we will strive to establish healthy workplaces based on our philosophy that providing employees with an environment that empowers them to reach their full potential is necessary for the long-term sustainable growth of the Group.	● A shortage in manpower due to a declining workforce and business expansion ● Difference in ability due to on-the-job training	● Increased employee satisfaction through the strengthening of work-life balance ● Increased employee motivation through completely merit-based evaluations ● Supporting growth and securing human resources through Mate Employee (part-time staff) education programs	○ Establishment of the Work Style Reform Project Team ○ Establishment of employment satisfaction survey and employee counseling services ○ Visionary system ○ Competitive education system that transforms "Work" into a "Game."

FOCUS

Becoming a Corporate Group with a Comfortable and Rewarding Work Environment

The PPIH Group is working to establish an environment where all employees can feel at ease and give their all in their work. We try to ascertain the issues faced by individual workers through questionnaires. We also establish counseling services for employees to discuss anything, and strive to improve the work environment.

Main Initiatives

Employment satisfaction survey

We began simple monthly surveys in July 2020. We identify the problems faced by individual employees and the issues faced by the overall Group and make improvements.

Promote diversity

Reason for emphasis

Based on the belief that the power of individual employees is at the root of our corporate value, the PPIH Group recognizes the importance of establishing an environment in which diverse human resources all have the chance to succeed, regardless of their age or sex, and continue creating new value.

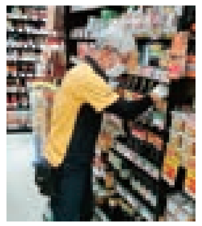
Risks	Opportunities
● Disengagement and poor social evaluation as a result of discrimination	● Acquisition of talented human resources
● Disengagement and poor social evaluation as a result of harassment	● Improved customer service for all

PPIH's actions

○ Establishment of a Diversity Management Committee

○ Awards and Penalties Committee

○ Promotion of corporate culture that embraces diversity



Main Data

Social issues	Types of data	2019	2020	2021
Diversity & Inclusion	Ratio of female employees	26.5	29.8	32.2
	Ratio of new female recruits	38.4	38.8	39.4
	Ratio of employees with disabilities	3.10	3.30	3.24
	Ratio of female managers	7.4	7.3	9.9

Interview

Message from the Director in charge of Diversity Promotion

Strategic Promotion of Diversity Based on Design Thinking

My name is Ninomiya. I was promoted to Director in September. I worked in the Creative Division for 17 years after joining the Group, specializing in design. I am also a mother of one.

My mission is to find creative solutions for issues hindering the promotion of diversity, while making use of my experience in design, and my perspective as a woman and a mother. I want to establish an environment in which diverse human resources all have the chance to succeed.

Hitomi Ninomiya
Head of Diversity Management Committee
Head of Creative Headquarters
Director & Executive Officer

Promoting Diversity at PPIH

To Be Chosen by Diverse Customers

The ratio of female managers within the PPIH Group in FY2021 was around 10 %, so, in terms of diversity, I believe there is still room for greater empowerment of women.

The establishment of a corporate culture that embraces diversity is essential for our stores to continue being chosen by customers with diverse values around the world, and the promotion of diversity within the Group is an urgent management issue.

The Source, which is a collection of our corporate ideals, states that the PPIH Group should embrace all types of diversity. We have so far engaged in numerous projects to promote diversity and enjoyed a degree of success. However, I believe that, now, we must further enhance our efforts so that we achieve sustained results. I analyzed past initiatives, and proposed the establishment of the Diversity Management (DM) Committee based on my belief that more strategic and organized project management is necessary to enhance the effectiveness of diversity promotion and grow the Group.

Promotion Measures (Management System and Specific Measures)

Promotion of Diversity under the Direct Supervision of the CEO

The DM Committee is an organization made up of manager-level members with decision-making and execution authority under the direct supervision of the CEO. We have set five stages for the promotion of diversity: Recruitment ➡ Settling in ➡ Appointment to managerial positions ➡ Appointment to director positions ➡ Corporate growth. We have planned initiatives for each stage, and progress is shared among and managed by all members of the committee. For example, for "appointment to managerial positions" stage, we launched "RISE! 100," a project aiming to produce 100 female store managers. The project cultivated a sense of solidarity among the participants and achieved remarkable results, such as boosted motivation. The project has already produced numerous new female store managers.

Future Issues and Challenges

Importance of Sharing Information to Sustain Activities

We have made steady progress overall in projects to promote diversity. Nevertheless, even with the active engagement of the committee, we cannot expect to achieve satisfactory results unless every employee is made aware of the details of our activities and their progress. That is why we have been bolstering efforts to share information internally and raise awareness of our projects.

The goal of the PPIH Group is to create an environment in which anyone can reach their full potential regardless of gender, age or nationality. In the future, we will support the success of women, while also implementing extensive initiatives to promote understanding for LGBTQ+, support the success of elderly and foreign employees, recruit people with disabilities, etc.

Diversity Management Committee's Logo

DIVERSITY

The logo was designed based on the concept of a colorfully shining diamond, with the idea that each and every employee is a diamond in the rough, and that the company should be a place where all employees can shine in their own way. By creating an icon to symbolize the promotion of diversity at PPIH, we aim to share and expand awareness of our vision within the company and make all employees aware of the importance of taking an interest in proactively promoting diversity.

Develop stores and products that embody "The Customer Matters Most"

Management Approach

Reason for emphasis	Risks	Opportunities	PPIH's actions
Based on the enduring corporate principle that "The Customer Matters Most" as stated in The Source, our collection of corporate ideals, the PPIH Group strives to offer stores that will be chosen and appreciated by customers at all times. It is also an important duty of the Group to make use of this characteristic to actively contribute to society as a member of the community.	● Accidents at stores or involving products, loss of trust and increased difficulty in opening stores as a result of in-store and product accidents, as well as social impacts (traffic congestion, noise, etc.) ● Suspension of business activities due to natural disasters	● Strengthening of community-based store creation ● Enhanced business image through community service activities ● Contribution to the revitalization of the local economy through the creation of job opportunities ● New business developments for local businesses and producers ● Contribution to the establishment of sustainable industrial infrastructure by providing a stable market for products ● Contribution to the community by continuing and resuming sales activities in the event of a disaster	○ Million Star Program ○ Enhanced quality control through HACCP operations ○ Signing of disaster prevention agreements with each municipality ○ Social contribution activities through work experience and school visits

FOCUS

Fostering Human Resources who Continue to Promote Reform and Grow through the Million Star Program

The PPIH Group believes that individuals' ability to continue to promote reform will drive the evolution of our business models and sustained growth. The Group has deployed a system that enables every employee to leverage their individuality and capabilities, and enhanced efforts to develop stores closely tied to local communities.

Specifically, we have launched the Million Star Program (see p. 21) which delegates considerable authority to managers and provides outstanding employees the chance to reach their full potential. This program allows them to further hone their skills and experience through friendly rivalry. It will foster human resources capable of leading teams that continue to promote reform and grow. It will also lead to the discovery and cultivation of the next generation of corporate managers, contributing to the long-term sustainable growth of the PPIH Group.

SDGs that We Can Contribute to

9.2
Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.

Pick Up **Initiatives Aimed at Developing Stores Closely Tied to Local Communities: Supporting Local Companies**

The PPIH Group strives daily to meet our customers' different needs. We contribute actively to local economies by providing stores that are indispensable to daily life, with close ties to the community. We collaborated with local companies (restaurants) that had been hit hard by the COVID-19 pandemic and manufacturers that had ended up with surplus stock, offering them opportunities to sell their products inside PPIH Group stores. We have made use of our close ties with local communities to cooperate with local companies and contribute to vitalizing various regions.

Initiatives implemented to vitalize regions during the COVID-19 pandemic

Stores	Outline of initiatives
Ise Ueji Store	Sale of products made at a facility for the disabled
Kuroiso Store	Sale of local companies' products (Nikko souvenirs)
Hasuda Store	Sale of box lunches prepared by local restaurants

Policy on Activities

Materiality	Approach	Specific measures: Types of measures	Specific measures: Outline
Developing stores and products that embody "The Customer Matters Most"	Enhancing communication with local communities	PPIC's initiatives	● Contribute to sustainable and stable shipment of products by providing a place for negotiating shipments to overseas stores ● Contribute to reduction of costs and CO_2 emissions by using the fastest delivery routes through partnership agreements with local governments
	Developing and selling ethical products	The Group's original products and services	● Buy products directly from domestic and overseas manufacturers, and sell them at below-market prices, while contributing to ethical product sales by not wasting surplus stock
	Sustainable procurement and responsibility in sales	Supply chain management	● Sell farmed fish to prevent overharvesting of natural resources, while ensuring stable supplies at reasonable prices that are unaffected by natural disasters

FOCUS

Social Background and Demand (Social Issues)

Japanese exports of agricultural, forest and fishery products and food were 922.2 billion yen in 2020 (1.1 % increase year-on-year). Sales did not increase much due partly to COVID-19. Meanwhile, the Japanese government has set a target of five trillion yen by 2030, and private companies are being asked to contribute to attaining this goal.

The PPIH Group's Actions (PPIC)

We established PPIC, a partnership organization with exporters. It enables members to enter into business talks with the PPIH Group to secure long-term sales channels and stable shipments to overseas stores. It also offers the added advantage of enabling members to plan planting and production based on POS data from overseas markets.

PPIC's Goals and Challenges

Goals
(1) FY2024 — **Number of overseas stores: 126** / **Sales at overseas stores: ¥300 billion**
(2) By 2030 — **Amount in exports: ¥300 billion** / **Sales at overseas stores: ¥1 trillion**

Challenges
We will ensure a steady supply of products, expand our lineup and develop products that meet the requirements of various overseas import regulations. We will also work to establish export systems and optimize sales channels and logistics.

Direct connections formed between the retailer PPIH Group and producers enable the stabilization of stores and prices for producers.
→**Expanded exports of Japanese agricultural, livestock, and marine products contribute to the sustainable growth of stakeholders**

SDGs that We Can Contribute to

17.17
Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Bolster the corporate governance framework

Message from the Outside Director

Supporting the Realization of the Group Vision from the Side, Using Specialized Knowledge

Jumpei Nishitani
Outside Director (Audit and Supervisory Committee Member)

Appeals and Strengths Unique to PPIH that Enabled Its Rapid Growth

I have served two terms, or four years, in my current position. During this time, the PPIH Group achieved its goal of 1 trillion yen in sales, and 2 trillion yen is near at hand. This has made me realize just how much the group has evolved.

If I were to talk about the appeals and strengths of PPIH as an outside director, the first thing that comes to mind is the corporate philosophy of The Source. Second is the business model, which extends beyond the framework of retailing. Last but not least is the flexible human resources system.

First, The Source does more than just state the corporate principles and management philosophy. It is an effective standard that props up the organization. Seen from an outside perspective, it is full of surprises and very appealing. Furthermore, although PPIH is categorized as a retailer, the business is actually more flexible, revolving around meeting the needs of the market (customers), using its people as resources. The Group also offers a completely merit-based system, giving everyone the chance to take on challenges and succeed, which is rare among Japanese companies. This is a vital asset to PPIH and the secret to its rapid growth.

Initiatives where Business Activities Contribute to Solving Social Issues

The Board of Directors is delegated authority by stakeholders via shareholders, so it is the Board's duty to respond to the stakeholders' demands. In recent years, there have been growing calls from stakeholders to not only maximize profits, but also engage in business activities that do not harm environmental or social sustainability. Many companies have responded to these demands by accelerating ESG and SDG initiatives. PPIH too, has been promoting such initiatives, including the establishment of the Sustainability Committee. In the future, we will implement effective initiatives in each of the ESG fields, and I look forward to seeing reports on their progress.

While it is of course important to make improvements in these fields, I am personally focused more on PPIC's development through a bigger framework, whereby our businesses contribute directly to solving social issues. PPIC's efforts to achieve the vitalization of domestic primary industries or build win-win relationships between domestic producers and overseas consumers are just such solutions. I am convinced that we can promote these sustainable business models unique to PPIH throughout the world.

To realize the sustainable growth of the Group, we must produce both social and economic value, just like we are doing with PPIC, and foster a mindset within the Group of trying to connect ESG initiatives to business opportunities. I would like corporate managers to actively promote awareness-raising activities and establish mechanisms to that end, such as holding contests for coming up with business ideas, thereby encouraging each and every employee to feel a sense of ownership for promoting ESG while engaging in their work.

Continuing to Earn the Trust of Society

I specialize in financial accounting, but I also design systems for organizations, and engage in research on analyzing models of, e.g., moral hazards. I believe my job as Outside Director is to make use of the knowledge I gain through such research and point out organizational and human resources problems. PPIH grew quickly, leading to the rapid expansion of the organization and increasingly complex business activities. I want the corporate managers to be accountable to employees, who are important stakeholders, and strive to bring the entire organization together to work towards a common goal.

In aiming for sustainable growth and the enhancement of corporate value in the future, I believe the PPIH Group should not only expand sales and profits, but also aim to continue to earn the love and trust of society. I will continue to provide supervision and monitoring to ensure the Group can strive for the sustained enhancement of corporate value, while meeting the needs of society. I believe our stakeholders can look forward to the further growth of PPIH.

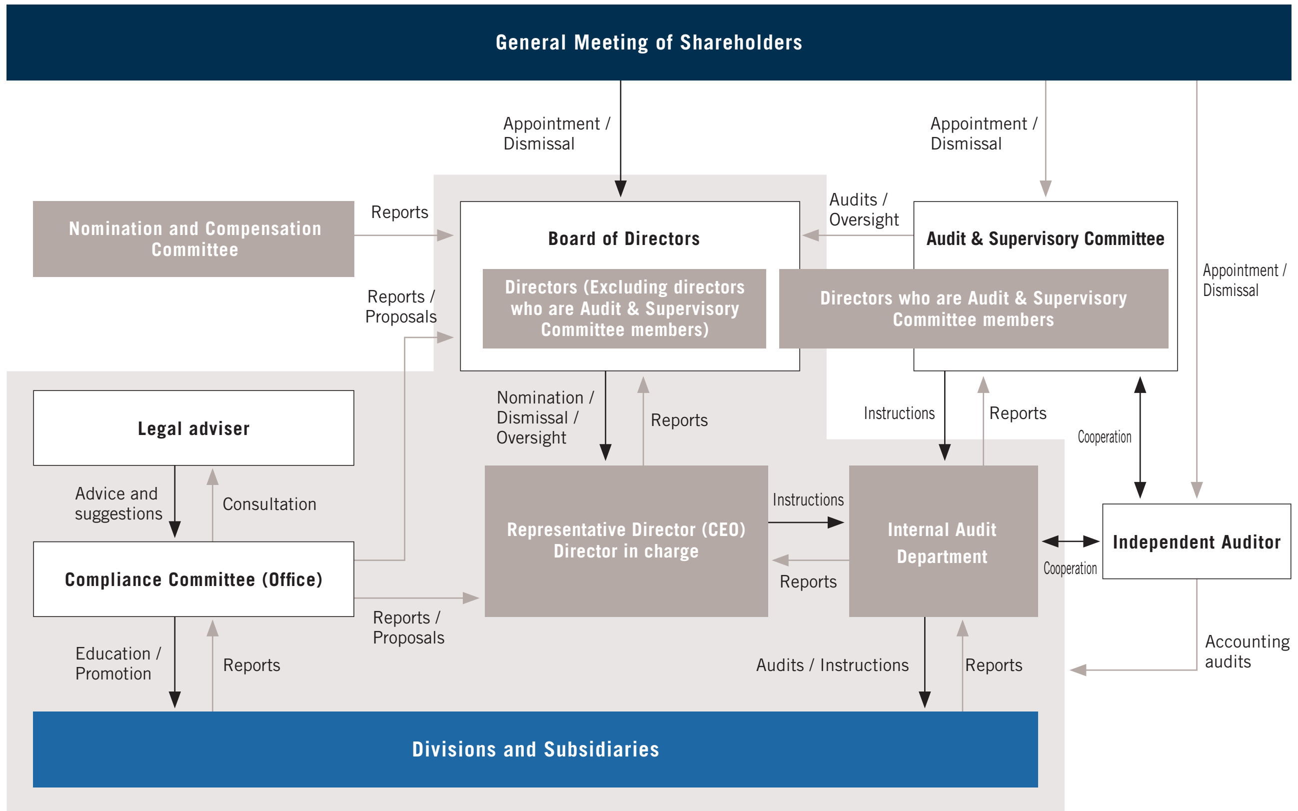
Basic Philosophy behind Corporate Governance

The Group ensures thorough adherence to our corporate principle that "The Customer Matters Most," and strives to bolster corporate governance and compliance. The Group also engages in active disclosure of information in our effort to coexist with society by deepening understanding for the Group, which we believe is an important management issue for boosting our corporate value. Our philosophy is that business activities based on a strong sense of ethics are the key to our continued existence. The Group has established a system of responding quickly and ensuring compliance in our corporate governance system and operations, with advice from external experts.

Corporate Governance System (As of October 1, 2021)

The Group has an Audit & Supervisory Committee, and members of this committee are Directors and are given voting rights at Board of Directors meetings. This is done with the aim of enhancing the auditing and supervisory functions of the Board of Directors, as well as our corporate governance and corporate value.

Corporate Governance Structure



Our Corporate Governance Structure at a Glance

Institutional design	Group with an Audit and Supervisory Committee
Number of directors (number of independent outside directors in parentheses)	15 (5)
Number of Audit & Supervisory Committee members (number of independent outside directors in parentheses)	5 (4)
Term of office of directors	1 year (2 years for Audit & Supervisory Committee members)
Remuneration structure for directors	(1) Basic remuneration (2) Share-based compensation stock options
Number of meetings held by the Board of Directors (average number attended by directors)	13
Independent Auditor	UHY Tokyo & Co.

Bolster the corporate governance framework

Board of Directors

The Board of Directors 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 15 members, of whom five are independent outside directors (including four Audit & Supervisory Committee members) to incorporate wide-ranging insight and perspectives that share the independent standpoint of shareholders.

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 Group 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 the directors, the Group continues to appoint outside directors to its Board of Directors and strives to enhance the supervision of operational execution by the 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 the influence of directors (excluding those who are Audit & Supervisory Committee members).

- The division of duties and authority of directors will be clarified, and regulations regarding the organizational structure are revised and established in a timely manner as necessary
- Organizational structure and business operating systems revised in response to changes in the management environment
- Minutes of the General Meeting of Shareholders, Board of Directors' meetings, and other important meetings stored for a period of 10 years and made accessible whenever necessary

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 2021, the Board of Directors' members made appropriate and timely decisions based on vibrant discussions that sufficiently considered management ideals. Furthermore, the evaluation was able to confirm the effective role played by the Board of Directors in boosting longer-term corporate value through the Group's strict supervisory function, such as monitoring of internal management operations, and recognized the efficacy of the Board of Directors.

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

Evaluation Process

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

Strengths of the Board of Directors	Pressing issues for the Board of Directors
Existence and effectiveness of The Source, which sets clear standards for judgment, combined with speedy and robust management	Incorporation of ESG factors in the management strategy
Existence of independent outside directors with diverse backgrounds and knowledge in legal, financial and accounting matters	Further deepening of discussions in the Nomination and Compensation Committee
Operation and supervision of the whistleblower system	

In light of the results of the assessment described above, the PPIH Group will strive to address the issues raised, boost the effectiveness of the Board of Directors, and bolster the corporate governance framework.

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 Group's operating results and financial position as well as the economic environment. Meanwhile the President and Representative Director, who is designated by the Board of Directors, determines the evaluation-based allocation of the amount of basic remuneration while reporting to and consulting with the Nomination and Compensation Committee.

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 ¥600 million is set for the basic remuneration of directors excluding those who are Audit & Supervisory Committee members. There is a ceiling of ¥400 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 Group 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 Group 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, 2021

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Number of applicable directors
		Fixed remuneration	Performance-based bonuses	Retirement benefits	Non-monetary rewards as part of the remuneration shown on left	
Directors (excluding Audit & Supervisory Committee members and outside directors)	220	220	—	—	—	11
Directors who are Audit & Supervisory Committee members (excluding outside directors)	10	10	—	—	—	1
Outside directors	38	38	—	—	—	6
Total	268	268	—	—	—	18

Audit & Supervisory Committee

The Audit & Supervisory Committee consists of five directors (of which four are outside directors), and it strives to audit the manner in which directors conduct their work and to implement an effective audit in collaboration with the accounting firm as necessary. Additionally, since all four outside directors on the Audit & Supervisory Committee have been selected as independent directors, they are able to bring to bear independent wide-ranging views, without concern about conflict of interest with general shareholders, on important matters in corporate operations, such as formulating an 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 based on the candidate's ability to have sufficient autonomy to carry out the role of outside director from a position that is independent from the Group's executive team.

Bolster the corporate governance framework

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.	12/13	13/14
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.	12/13	14/14
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.	13/13	14/14
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.	13/13	14/14

Compliance Committee

With the legal and compliance director as a central figure, the Compliance Committee formulates misconduct prevention measures, drafts investigation and survey plans, examines the results of such investigations and surveys, and shares and verifies information on misconduct cases that have occurred at other companies. It consists of directors, executive officers and outside directors (Audit & Supervisory Committee members), and receives advice from outside lawyers.

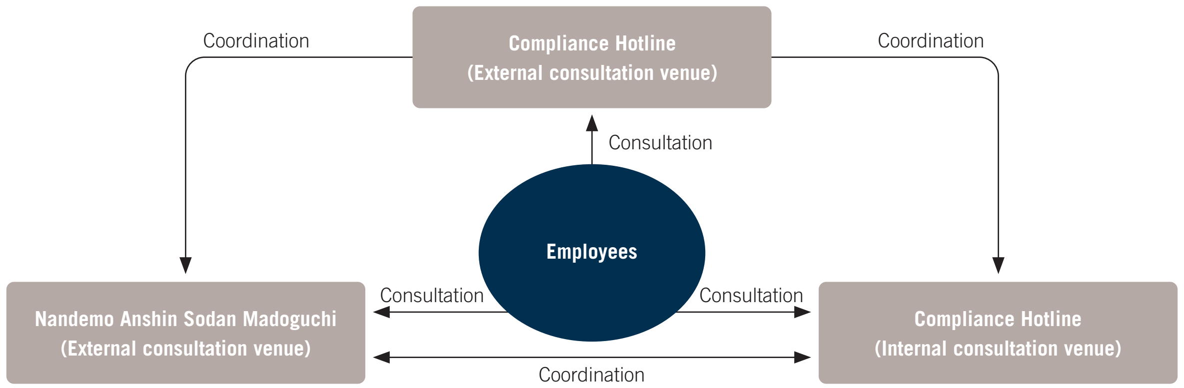
To ensure the appropriateness of operations, the Group manages matters regarding compliance and internal control, guarantees a strong sense of ethics in business activities, and strives to ensure the legal compliance and implementation of the Group's corporate governance structure. Furthermore, responses to compliance risks are optimized by performing cross-organizational, Groupwide assessments and evaluations of these risks.

Ensuring Thorough Compliance

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 lives of employees and their families. These hotlines are operated in accordance with internal regulations, and information obtained through these hotlines is utilized to ensure fair transactions and the provision of safe and secure products and services.

Whistleblower System



Implementing Compliance Training

To commit ourselves to doing business in a manner that is unselfish, 100% honest, and grounded in a strong sense of morality and purpose, each and every employee of the PPIH Group strives to bolster compliance. An outside trainer was invited to hold "workshops on insider trading" for Group executives in November 2020. Regular compliance training were also held through e-learning for all Group employees (full-time and contract employees)* in 2021 to try and raise awareness for compliance throughout the entire organization.

* In the case of UNY Co., Ltd., full-time employees only


Workshops held for executives by outside trainer

Initiatives to Enhance Risk Management

Internal Control System

The PPIH Group has established, operates and evaluates an internal control system to ensure the appropriateness and efficiency of operations, and the reliability of financial reports, and strives to boost its corporate value. Moreover, the entire Group has bolstered its system for controlling business operations based on an awareness of the risks. As a group of companies emphasizing compliance management, we have established a variety of systems conforming to laws and regulations.

Business Risks (Summary)

The following are the main business-related and other risks faced by our Group. The Group is aware of the possibility of these risks becoming reality, strives to avoid them, and deals with them whenever they do indeed manifest themselves. Risks related to the future are based on management decisions and forecasts made by the Group according to information currently available through the financial statement report submitted (on September 29, 2021) for FY2021.

Bolster the corporate governance framework

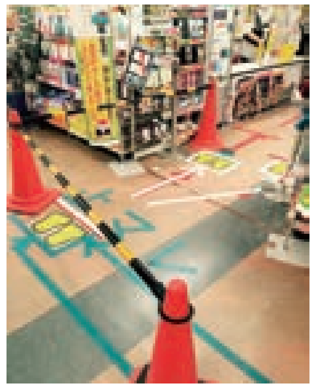
Main Risks		Assumed Effects Associated with the Risks
Impact of COVID-19	➡	Decreased inbound sales due to travel restrictions
Expansion of stores and acquisition of human resources	➡	Inability to acquire and foster necessary human resources may lower the quality of services and lower business performance
Imports, logistics and delivery	➡	Possibility of breakdown in logistics and delivery due to political or economic conditions within the exporting country, or the state of management of external contractors
Marketing	➡	Business performance may be lowered by inability to acquire and foster staff capable of executing appropriate marketing, or inability to maintain an organizational management system
Legal regulations	➡	Possibility of the financial state and operating results of the Group being impacted by increased management costs as the result of revision to or stricter interpretation of laws and regulations
Act on Protection of Personal Information	➡	Loss of social trust, compensation for individuals, etc., in the case of personal information leakage
Impairment of fixed assets	➡	Possibility of recording impairment loss for fixed assets as the result of recognition and measurement of losses
Business expansion via M&A	➡	Possibility of discovering contingent liabilities or unknown debts
Loss from closing stores	➡	Possibility of loss due to closing stores
Exchange rate risks	➡	Risks from changes in the gross profit margin due to fluctuating exchange rates
Natural disasters	➡	Possibility of problems occurring due to costs arising from restoring store facilities, having to temporary close stores, logistics and delivery of products, etc.
Inventory risks	➡	Possibility of retained stock due to unavoidable circumstances, such as skewed demand caused by abnormal weather or seasonal fluctuations in demand

Initiatives Aimed at Dealing with Risks

<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, prepared the work environment and developed rules. In stores, we have implemented infection prevention 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 working environment that offers peace of mind.

Bagging area droplet prevention measures



Signs on the floor to ensure social distancing while lining up

Break room partitions with small windows

<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 by reinforcing the stability of the Group's mission-critical work.

Furthermore, REALIT, a Group company that handles important stakeholder information via services utilizing IT, has acquired ISO 27001 certification, an international standard related to information security management systems (ISMSs). The company defined "10 principles of information security" and assesses compliance against them at least four times a year. The company is also continuously striving to follow information security rules, including the annual implementation of web tests related to information management.

<Building Quality Control Operations>

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 the workload of store employees, raising the precision of form records, and boosting headquarter assistance work efficiency, and thereby established a tablet-based management information system.

<Response to the Risks of Natural Disasters>

■ Buildup of Store Facilities

We strive to minimize damage from flooding during heavy rain or typhoons, by setting up water gates and drainage equipment at stores in regions that suffered inundation in the past.

■ Start of Training to Set Up Disaster Response Headquarters

We engage in training to set up disaster response headquarters with the aim of boosting our ability to respond to emergencies in the event of natural disasters that cause extensive damage, such as earthquakes, typhoons, and the outbreak of infectious diseases.

Setting up water gates

Training to set up disaster response headquarters

Bolster the corporate governance framework

Board of Directors (As of October 31, 2021)

Naoki Yoshida

President and CEO,
Representative Director
Born in 1964

Mar. 1988 Graduated from College of Liberal Arts, International Christian University
Dec. 1995 Graduated from INSEAD
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.
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
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)

Kazuhiro Matsumoto

Chief Merchandising Officer (Global)
Head of Overseas Business
Director & Senior Managing Executive Officer
Born in 1973

Mar. 1995 Graduated from Nihon Kogakuin College
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.
Director of Justneo Co., Ltd. (currently Pan Pacific International Trading Co., Ltd.) (current position)
Apr. 2017 General Manager of Food and Liquor Merchandising Development Headquarters of Don Quijote Co., Ltd.
Jan. 2018 Executive Officer of the Company
Feb. 2019 General Manager of Food and Liquor Merchandising Development Headquarters and Overseas Business Support Headquarters of Don Quijote Co., Ltd.
Jun. 2019 Director of Kanemi Co., Ltd.
Aug. 2019 Managing Director of Pan Pacific Retail Management (Singapore) Pte. Ltd. (current position)
Sep. 2019 Director of Pan Pacific Retail Management (Asia) Pte. Ltd.
Director, Managing Executive Officer, and CMO (Global) of the Company
Jul. 2020 Asia Company Vice President of the Company (current position)
Vice President and COO of Pan Pacific Retail Management (Asia) Pte. Ltd. (current position)
Jul. 2021 Chief Merchandising Officer (Global)
Head of Overseas Business
Director & Senior Managing Executive Officer
Vice President of Asia Company of the Company
Director of Don Quijote Co., Ltd. (current position)
Oct. 2021 Chief Merchandising Officer (Global) (current position)
Head of Overseas Business (current position)
Director & Senior Managing Executive Officer (current position)

Kenji Sekiguchi

Head of GMS Business
Director & Senior Managing Executive Officer
Born in 1964

Mar. 1987 Graduated from College of Economics, Rikkyo University
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 President of GMS Company of the Company (current position)
Jul. 2021 Head of GMS Business
Director & Senior Managing Executive Officer
GMS Company of the Company
Oct. 2021 Head of GMS Business (current position)
Director & Senior Managing Executive Officer (current position)

Seiji Shintani

Chief Strategy Officer(CSO)
Director & Senior Managing Executive Officer
Born in 1964

Mar. 1987 Graduated from School of Political Science and Economics, Waseda University
Apr. 1987 Joined the Long-Term Credit Bank of Japan (currently Shinsei Bank, Limited)
Jun. 1993 Graduated from Stanford Graduate School of Business
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
Jul. 2020 Senior Managing Executive Officer, CSO, and Head of Financial Company Preparation Office of the Company
Representative Director of UCS Co., Ltd.
Sep. 2020 Director & Senior Managing Executive Officer, CSO & CFO, and Head of Financial Company Preparation Office of the Company
Apr. 2021 Director, Senior Managing Executive Officer and CSO of the Company (current position)
Jul. 2021 Audit and Supervisory Board Member 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 Graduated from the Faculty of Commerce, Chuo University
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
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
Sep. 2020 Director & Managing Executive Officer, Head of Management Strategy Headquarters and Director General of Executive Committee of the Company (current position)
Jul. 2021 Director of Don Quijote Co., Ltd. (current position)

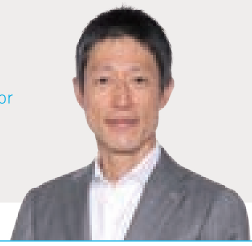
Yuji Ishii

Chief Administrative Officer
Responsible for Financial and General Accounting
Director & Managing Executive Officer
Born in 1972

Mar. 1995 Graduated from the College of Humanities and Social Sciences, Ibaraki University
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)
Jul. 2021 Director, Managing Executive Officer, and Chief Administrative Officer of the Company (current position)
Audit and Supervisory Board Member of Don Quijote Co., Ltd. (current position)

Keita Shimizu

Director, Executive Officer and CFO
Responsible for Finance and Investor Relations
Born in 1978



Mar. 2001 Graduated from Hitotsubashi University Faculty of Economics
Apr. 2001 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Jul. 2006 Joined Dream Incubator Inc.
Jul.2012 Joined AKINDO SUSHIRO CO., LTD.
Jul. 2013 Corporate Officer and General Manager of Corporate Planning Division of AKINDO SUSHIRO CO., LTD.
Jul. 2015 Director, Corporate Officer, Manager of President's Office, and in charge of Information System of AKINDO SUSHIRO CO., LTD
Feb. 2016 Corporate Officer in charge of Corporate Strategy of Sushiro Global Holdings Co., Ltd. (currently FOOD & LIFE COMPANIES LTD.)
Jun. 2017 Corporate Officer in charge of Finance & Accounting of Sushiro Global Holdings Co., Ltd. (currently FOOD & LIFE COMPANIES LTD.)
Oct. 2019 Senior Corporate Officer responsible for Finance & Accounting and Investment Business of Sushiro Global Holdings Co., Ltd. (currently FOOD & LIFE COMPANIES LTD.)
Apr. 2021 Executive Officer and CFO of the Company
Jul. 2021 Audit and Supervisory Board Member of Don Quijote Co., Ltd. (current position)
Sep. 2021 Director and Executive Officer and CFO of the Company (current position)

Hitomi Ninomiya

Head of Diversity Management Committee
Head of Creative Headquarters
Director & Executive Officer
Born in 1983

Mar. 2005 Graduated from the Faculty of Engineering, Chiba University
Joined the Company
Apr. 2014 General Manager of Space Creation Division of Don Quijote Co., Ltd.
Jul. 2018 General Manager of Store Solution Management Division of Don Quijote Co., Ltd.
Nov. 2019 Manager of Space Design Division of the Company
Nov. 2020 Executive Officer, Head of Design and Chairman of Diversity Management Committee
Sep. 2021 Director and Executive Officer, Head of Design and Chairman of Diversity Management Committee (current position)
Nov. 2021 Director and Executive Officer, Head of Creative Headquarters, Head of Diversity Management Committee, Head of Corporate Philosophy Promotion Headquarters (current position)

Bolster the corporate governance framework

Board of Directors (As of October 31, 2021)

Akio Ariga
Director (Standing Audit & Supervisory Committee Member)
Born in 1958

Mar. 1981	Graduated from the Faculty of Social Sciences, Hosei University
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)

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)

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. 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)

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)
Apr. 2021	Advisor of FamilyMart Co., Ltd.
Jun. 2021	Standing Audit & Supervisory Board Member (outside) of ITOCHU ENEX CO., LTD. (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.
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
Apr. 2021	Outside Director of ASKA Pharmaceutical Holdings Co., Ltd. (current position)

Takao Yasuda
Founding Chairman and Supreme Advisor
Born in 1949

Mar. 1973	Graduated from the Faculty of Law, Keio University
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)

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
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 Chairman and Representative Director of GOYO INTEX., 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)
Oct. 2021	Honorary President of Japan Wrestling Federation (current position)

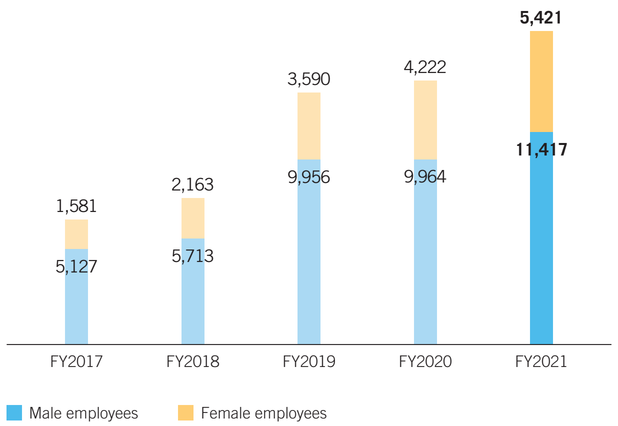
Financial and Non-Financial Highlights

Millions of yen

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 *4	FY2020 *5	FY2021
Net sales	540,255	568,377	612,424	683,981	759,592	828,798	941,508	1,328,874	1,681,947	1,708,635
Cost of sales	400,712	418,570	451,406	502,240	557,699	610,218	697,517	958,347	1,200,831	1,211,311
Selling, general and administrative expenses	110,223	117,438	126,726	142,638	158,708	172,395	192,423	307,417	405,692	416,018
Operating income	29,320	32,369	34,292	39,103	43,185	46,185	51,568	63,110	75,424	81,306
Ordinary income	29,283	33,201	35,487	40,160	43,797	45,523	57,218	68,240	74,600	81,526
Profit before income taxes	30,395	33,382	34,225	39,157	42,113	55,325	56,373	66,284	72,588	64,265
Profit attributable to owners of parent	19,845	21,141	21,471	23,148	24,938	33,082	36,405	47,066	49,927	53,851
Total assets	362,651	386,622	432,135	505,666	560,568	642,868	806,778	1,282,100	1,297,231	1,370,252
Total net assets	145,735	170,178	193,164	221,367	244,547	279,930	312,495	352,300	388,999	438,765
Basic earnings per share (yen)*1	32.18	34.18	34.33	36.77	39.44	52.30	57.53	74.36	78.79	84.93
Diluted earnings per share (yen)*1	32.11	34.04	34.14	36.65	39.41	52.26	57.41	74.13	78.58	84.70
Cash dividends per share (yen)*1	3.87	4.12	4.50	5.00	5.50	6.50	8.00	10.00	15.00	16.00
Consolidated dividend payout ratio (%)	12.0	12.1	13.1	13.6	13.9	12.4	13.9	13.1	19.0	18.8
Return on assets (ROA) (%)	5.6	5.6	5.2	4.9	4.7	5.5	5.0	4.5	3.8	3.9
Return on equity (ROE) (%)	14.9	13.7	12.1	11.6	11.2	13.5	13.3	15.2	14.3	13.6
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	646,894,352
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	5,374,521,949
Number of Group employees	4,517	4,511	5,282	6,029	6,857	6,708	7,876	13,546	14,186	16,838
Percentage of women in managerial positions (%)	–	–	–	6.0	7.8	7.2	7.0	7.4	7.3	9.9
Percentage of employees with disabilities (%)	–	–	2.28	2.21	2.38	2.60	3.14	3.10	3.30	3.24
CO_2 emissions (t-CO_2)*2	–	224,605	258,365	235,595	270,469	269,062	279,413	364,800	559,467	534,307
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	11,502,109

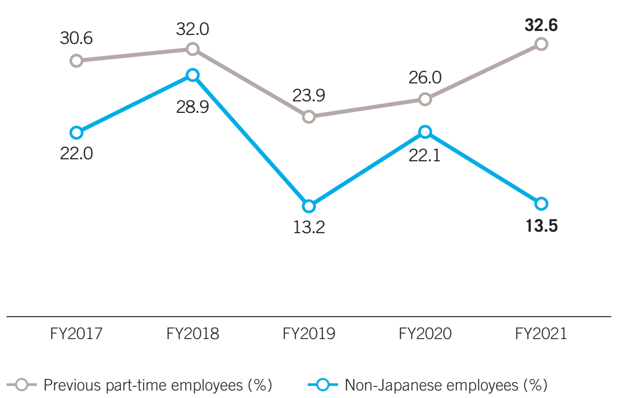
*1 Calculated information per share assuming that the share split (2-for-1) conducted on July 1, 2015 and share split (4-for-1) conducted on September 1, 2019 took place at the start of FY2012
*2 Scope: Major domestic Group companies Listed values combine Scope 1 and Scope 2. Reflected UNY results from 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
*5 In FY2021, the Group changed its accounting method for inventories. This change has been retroactively applied to the figures for FY2020.

Number of Full-Time Group Employees by Gender



In the fiscal year ended June 30, 2021, the number of female employees increased by 1,199 year on year to 5,421, and the number of male employees rose by 1,453 to 11,417. In addition, the ratio of management positions held by female employees was 9.9%.

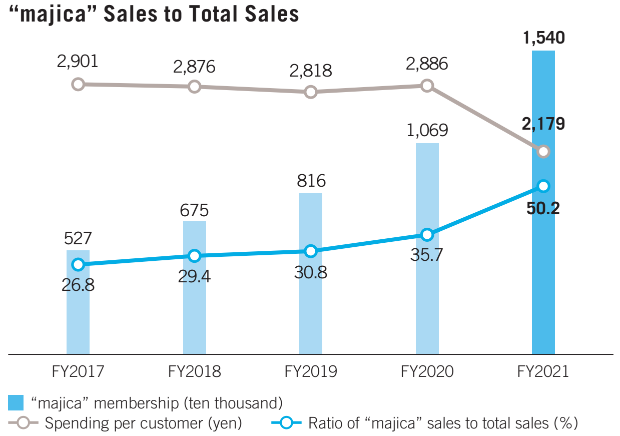
Ratio of Previous Part-Time Employees and Non-Japanese Employees*6 to Total Newly Graduated Recruits



In the fiscal year ended June 30,2021,32.6% of full-time employees from among newly graduated recruits were previously part-time employees. In addition, non-Japanese employees represented 13.5% of newly graduated recruits.

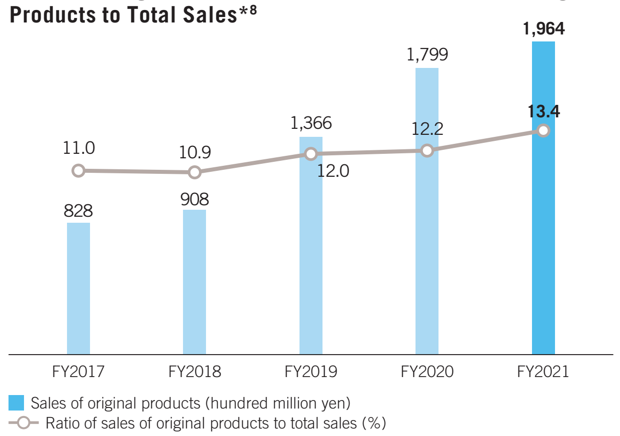
*6 Scope: Major domestic Group companies (includes UNY and UNY-related companies from FY2019)

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



On June 30, 2021, the number of members for our "majica" e-money service stood at 15,400,000. Sales through this service accounted for 50.2% of total sales, and spending per customer via "majica" was ¥2,179. In this way, "majica" is contributing to increases in repeat customers and earnings.

Sales of Original Products*7 / Ratio of Sales of Original Products to Total Sales*8



Sales of original products amounted to ¥196.4 billion in the fiscal year ended June 30, 2021, an increase of 9.2% year on year, and accounted for 13.4% of total sales.

*7 Original products: Jonetsu Kakaku private brand products and OEM products
Scope: Don Quijote Co., Ltd. and Nagasakiya Co., Ltd.
*8 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, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Assets			
Current assets			
Cash and deposits (Note 2)	¥ 179,785	¥ 157,522	$ 1,425
Notes and accounts receivables–trade	18,378	21,074	191
Accounts receivables–installment	68,293	65,491	592
Operating loans	8,076	7,658	69
Merchandise and finished goods (Note 2)	187,775	203,416	1,840
Prepaid expenses	6,772	7,671	69
Deposits paid	4,377	4,364	39
Other	21,572	29,577	267
Allowance for doubtful accounts	(890)	(1,276)	(12)
Total current assets	494,138	495,496	4,481
Non-current assets			
Property, plant and equipment			
Buildings and structures (Note 2)	398,189	420,385	3,802
Accumulated depreciation	(119,596)	(137,317)	(1,242)
Accumulated impairment loss	(14,558)	(21,587)	(195)
Buildings and structures, net	264,035	261,481	2,365
Tools, furniture and fixtures	88,004	98,074	887
Accumulated depreciation	(55,804)	(62,262)	(563)
Accumulated impairment loss	(2,302)	(2,964)	(27)
Tools, furniture and fixtures, net	29,898	32,848	297
Other	2,276	2,588	23
Accumulated depreciation	(700)	(1,069)	(10)
Accumulated impairment loss	(4)	(2)	(0)
Other, net	1,572	1,517	14
Land (Note 2)	325,499	317,402	2,870
Construction in progress	1,706	7,830	71
Right-of-use assets	–	23,138	209
Accumulated depreciation	–	(466)	(4)
Right-of-use assets, net	–	22,672	205
Total property, plant and equipment	622,710	643,750	5,822
Intangible assets			
Goodwill	15,935	56,304	509
Other	20,948	23,255	210
Total intangible assets	36,883	79,559	719
Investments and other assets			
Investment securities (Note 1)	17,515	29,082	263
Long-term loan receivables	1,269	1,192	11
Long-term prepaid expenses	5,729	5,140	46
Retirement benefit asset	16,236	16,756	152
Deferred tax assets	23,150	23,713	214
Leasehold and guarantee deposits	78,624	73,882	668
Other (Note 2)	3,178	3,802	34
Allowance for doubtful accounts	(2,201)	(2,120)	(19)
Total investments and other assets	143,500	151,447	1,370
Total non-current assets	803,093	874,756	7,911
Total assets	¥1,297,231	¥1,370,252	$12,391

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Liabilities			
Current liabilities			
Notes and accounts payables–trade	¥ 148,226	¥ 149,984	$ 1,356
Short-term loan payables (Note 5)	–	1,500	14
Current portion of long-term loan payables (Notes 2 and 8)	13,201	33,613	304
Current portion of bonds	11,916	22,566	204
Payables under fluidity lease receivables (Note 9)	4,512	191	2
Accounts payables–other	53,481	46,508	421
Lease obligations	46	1,380	12
Accrued expenses	22,588	25,550	231
Deposits received	16,806	28,000	253
Income taxes payables	10,969	11,299	102
Provision for point card certificates	6,924	5,747	52
Other (Note 2)	23,558	27,211	246
Total current liabilities	312,227	353,550	3,197
Non-current liabilities			
Bond payables	226,542	203,976	1,845
Long-term loan payables (Note 8)	276,191	271,507	2,455
Long-term payables under fluidity lease receivables (Note 9)	191	–	–
Lease obligations	99	21,087	191
Asset retirement obligations	23,300	24,165	219
Negative goodwill	94	7	0
Other (Note 2)	69,588	57,195	517
Total non-current liabilities	596,005	577,937	5,226
Total liabilities	908,232	931,487	8,424
Net assets			
Shareholders' equity			
Capital stock	23,008	23,153	209
Capital surplus	16,977	17,121	155
Retained earnings	332,263	376,268	3,403
Treasury shares	(15)	(15)	(0)
Total shareholders' equity	372,233	416,527	3,767
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	529	1,165	11
Foreign currency translation adjustment	(865)	770	7
Remeasurements of defined benefit plans	(58)	199	2
Total accumulated other comprehensive income	(394)	2,133	19
Share acquisition rights	218	216	2
Non-controlling interests	16,942	19,888	180
Total net assets	388,999	438,765	3,968
Total liabilities and net assets	¥1,297,231	¥1,370,252	$12,391

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, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Net sales	¥1,681,947	¥1,708,635	$15,452
Cost of sales (Note 1)	1,200,831	1,211,311	10,954
Gross profit	481,116	497,325	4,497
Selling, general and administrative expenses (Note 2)	405,692	416,018	3,762
Operating income	75,424	81,306	735
Non-operating income			
Interest and dividend income	705	617	6
Amortization of negative goodwill	86	86	1
Share of profit of entities accounted for using equity method	84	237	2
Foreign exchange gains	224	1,580	14
Other	4,222	4,426	40
Total non-operating income	5,322	6,945	63
Non-operating expenses			
Interest expenses paid on loans and bonds	5,175	5,704	52
Cost of claim's liquidation	162	49	0
Commission fee	111	61	1
Other	698	911	8
Total non-operating expenses	6,146	6,725	61
Ordinary income	74,600	81,526	737
Extraordinary income			
Gain on sale of non-current assets (Note 3)	801	94	1
Gain on bargain purchase	241	–	–
Gain on sale of businesses	494	–	–
Reversal of provision for loss on closing of stores	268	–	–
Gain on revision of retirement benefit plan	5,111	–	–
Gain on reversal of share acquisition rights	220	0	0
Gain on insurance claims	–	1,269	11
Other	425	75	1
Total extraordinary income	7,560	1,437	13
Extraordinary losses			
Impairment loss (Note 4)	4,195	16,711	151
Loss on retirement of non-current assets (Note 5)	3,513	1,024	9
Loss on sale of shares of subsidiaries and affiliates	145	–	–
Loss on closing of stores (Note 6)	1,046	630	6
Loss on disaster	220	76	1
Other	453	257	2
Total extraordinary losses	9,572	18,698	169
Profit before income taxes	72,588	64,265	581
Income taxes–current	20,637	19,408	176
Income taxes–deferred	1,471	(10,019)	(91)
Total income taxes	22,108	9,388	85
Profit	50,480	54,877	496
Profit attributable to non-controlling interests	553	1,026	9
Profit attributable to owners of parent	¥ 49,927	¥ 53,851	$ 487

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, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Profit	¥50,480	¥54,877	$496
Other comprehensive income			
Valuation difference on available-for-sale securities	379	1,181	11
Foreign currency translation adjustment	(1,423)	2,006	18
Remeasurements of defined benefit plans, net of tax	430	192	2
Share of other comprehensive income of affiliates accounted for using equity method	(33)	88	1
Total other comprehensive income (Note 1)	(647)	3,467	31
Comprehensive income	¥49,833	¥58,344	$528
Comprehensive income attributable to:			
Owners of parent	¥49,283	¥56,378	$510
Non-controlling interests	550	1,966	18

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, 2020 and 2021

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 comprehensive 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
Cumulative effects of changes in accounting policies			(1,341)		(1,341)							(1,341)
Restated balance	22,675	15,414	288,693	(14)	326,768	173	554	(477)	250	724	23,217	350,959
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			49,927		49,927							49,927
Purchase of treasury shares				(1)	(1)							(1)
Change in scope of consolidation			294		294							294
Capital increase of consolidated subsidiaries		43			43							43
Sale 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	43,570	(1)	45,465	356	(1,419)	419	(644)	(506)	(6,275)	38,040
Balance at end of current period	¥23,008	¥16,977	¥332,263	¥(15)	¥372,233	¥529	¥ (865)	¥ (58)	¥ (394)	¥ 218	¥16,942	¥388,999

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
2021	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	¥23,008	¥16,977	¥332,263	¥(15)	¥372,233	¥ 529	¥ (865)	¥ (58)	¥ (394)	¥218	¥16,942	¥388,999
Changes of items during period												
Issuance of new shares	144	144			289							289
Dividends of surplus			(9,509)		(9,509)							(9,509)
Profit attributable to owners of parent			53,851		53,851							53,851
Change in scope of consolidation			(336)		(336)						(73)	(409)
Net changes of items other than shareholders' equity						636	1,635	257	2,528	(2)	3,019	5,545
Total changes of items during period	144	144	44,005	–	44,294	636	1,635	257	2,528	(2)	2,946	49,766
Balance at end of current period	¥23,153	¥17,121	¥376,268	¥(15)	¥416,527	¥1,165	¥ 770	¥199	¥2,133	¥216	¥19,888	¥438,765

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
2021	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	$208	$154	$3,005	$(0)	$3,366	$ 5	$(8)	$(1)	$ (4)	$ 2	$153	$3,518
Changes of items during period												
Issuance of new shares	1	1			3							3
Dividends of surplus			(86)		(86)							(86)
Profit attributable to owners of parent			487		487							487
Change in scope of consolidation			(3)		(3)						(1)	(4)
Net changes of items other than shareholders' equity						6	15	2	23	(0)	27	50
Total changes of items during period	1	1	398	–	401	6	15	2	23	(0)	27	450
Balance at end of current period	$209	$155	$3,403	$(0)	$3,767	$11	$ 7	$ 2	$19	$ 2	$180	$3,968

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
For the fiscal years ended June 30, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Cash flows from operating activities			
Profit before income taxes	¥ 72,588	¥ 64,265	$ 581
Depreciation and amortization	29,391	31,545	285
Impairment loss	4,195	16,711	151
Amortization of negative goodwill	(86)	(86)	(1)
Gain on bargain purchase	(241)	–	–
Increase (decrease) in allowance for doubtful accounts	(131)	235	2
Interest and dividend income	(705)	(617)	(6)
Interest expenses paid on loans and bonds	5,175	5,704	52
Share of profit of affiliates accounted for using equity method	(84)	(237)	(2)
Loss on sale and retirement of non-current assets	2,826	964	9
Gain on sale of businesses	(494)	–	–
Loss on closing of stores	1,046	630	6
Gain on insurance claims	–	(1,269)	(11)
Gain on revision of retirement benefit plan	(5,111)	–	–
Offset payments for house rental fee with leasehold and guarantee deposits	4,045	2,656	24
Increase in notes and accounts receivables–trade	(38)	(1,254)	(11)
Increase in inventories	(4,802)	(11,261)	(102)
Decrease in notes and accounts payables–trade	(10,082)	(2,373)	(21)
Decrease (increase) in accounts receivables–installment	(991)	2,727	25
Increase in retirement benefit asset	(4,145)	(513)	(5)
Decrease in accounts payables–other	(1,261)	(4,027)	(36)
Decrease in deposits received	(2,960)	(3,445)	(31)
Increase (decrease) in other current liabilities	(137)	982	9
Decrease in other non-current liabilities	(314)	(2,915)	(26)
Other, net	(1,624)	2,865	26
Subtotal	86,060	101,287	916
Interest and dividend income received	303	298	3
Interest expenses paid	(5,171)	(5,659)	(51)
Income taxes paid	(20,806)	(19,642)	(178)
Income taxes refund	4,889	1,127	10
Proceeds from insurance benefits	–	1,733	16
Proceeds from dividend income from affiliates accounted for using equity method	207	52	0
Payments for loss on disaster	(347)	(143)	(1)
Net cash provided by operating activities	65,135	79,054	715
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(31,562)	(40,445)	(366)
Proceeds from sale of property, plant and equipment	2,598	2,548	23
Payments for purchase of intangible assets	(3,949)	(4,529)	(41)
Payments for purchase of investment securities	(157)	(10,006)	(90)
Proceeds from sale of businesses (Note 3)	5,978	–	–
Payments for leasehold and guarantee deposits	(3,541)	(1,033)	(9)
Proceeds from collection of leasehold and guarantee deposits	1,121	3,732	34
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 2)	(3,723)	(26,442)	(239)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation (Note 4)	(52)	–	–
Payments for purchase of shares of subsidiaries and affiliates	(102)	(802)	(7)
Payments of loan receivables	(6)	(803)	(7)
Other, net	(57)	(259)	(2)
Net cash used in investing activities	(33,452)	(78,042)	(706)
Cash flows from financing activities			
Net decrease in short-term loan payables	(1,891)	(13,075)	(118)
Proceeds from long-term loan payables	32,500	28,864	261
Repayments of long-term loan payables	(20,570)	(19,756)	(179)
Proceeds from issuance of bonds	98	–	–
Redemption of bonds	(22,991)	(11,916)	(108)
Repayments of payables under fluidity lease receivables	(7,445)	(4,547)	(41)
Proceeds from issuance of common shares	380	287	3
Cash dividends paid	(6,651)	(9,509)	(86)
Proceeds from share issuance to non-controlling shareholders	627	1,052	10
Purchase of treasury shares of subsidiaries	(8,049)	–	–
Other, net	(38)	(355)	(3)
Net cash used in financing activities	(34,030)	(28,954)	(262)
Effect of exchange rate change on cash and cash equivalents	(350)	4,009	36
Net decrease in cash and cash equivalents	(2,697)	(23,933)	(216)
Cash and cash equivalents at beginning of period	185,136	183,602	1,660
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,163	1,207	11
Cash and cash equivalents at end of period (Note 1)	¥183,602	¥160,875	$1,455

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2020 and 2021

(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 ¥110.58 to U.S.$1, the rate prevailing on June 30, 2021. 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 78

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.
Pan Pacific Retail Management (Singapore) Pte. Ltd.
Pan Pacific Retail Management (Hong Kong) Co., Ltd.
Don Quijote (USA) Co., Ltd.
Gelson's Markets
MARUKAI CORPORATION
QSI, Inc.
And 65 other companies

During the fiscal year ended June 30, 2021, the Company newly included GRCY Holdings, Inc. and its nine subsidiaries in the scope of consolidation as a result of the Company acquiring all outstanding shares of GRCY Holdings, Inc. In addition, Taiwan Pan Pacific Retail Management Co., Ltd. and other two companies were newly included in the scope of consolidation due to an increase in materiality. Further, during the fiscal year ended June 30, 2021, five companies were newly included in the scope of consolidation due to new establishment.

During the fiscal year ended June 30, 2021, 16 companies were excluded from the scope of consolidation: 15 companies due to extinguishment through absorption-type mergers and one company due to the completion of liquidation.

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

Eight 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

Eight non-consolidated subsidiaries and six 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 23 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.

Of the consolidated subsidiaries, Gelson's Markets and 16 other companies have fiscal year-ends that differ from the consolidated fiscal year-end by more than three months. Consequently, financial statements based on a provisional settlement of accounts on the consolidated closing date are used in the preparation of the consolidated financial statements.

Of the consolidated subsidiaries, Japan Asset Marketing Co., Ltd. and three 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 moving average 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 and right-of-use 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 five 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 and right-of-use assets

Lease assets and right-of-use 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, 2021, 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 amortized using the straight-line method over the reasonably estimated period in which investment effects will be revealed.

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.

(Significant Accounting Estimates)

1. Loss on valuation of inventories

(1) Amount presented on the consolidated statement of profit and loss for the fiscal year ended June 30, 2021

	Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Loss on valuation of inventories included in cost of sales	¥5,173	$47

The book value of merchandise and finished goods on the consolidated balance sheet is ¥203,416 million ($1,840 million).

(2) Information on the details of significant accounting estimates of identified item

(i) Method of calculating the amount of loss on valuation of inventories

If the net selling value is lower than the book value, the difference is recognized as a loss on valuation of inventories. The Company writes down the book value of inventories on a systematic basis that have been unsold and no longer part of the normal operating cycle process, and records a loss on valuation.

(ii) Major assumptions used in significant accounting estimates

In calculating a loss on valuation of inventories that have been unsold and no longer part of the normal operating cycle process, the Company identifies products whose turnover ratio becomes lower than a certain ratio, and writes down the book value of the identified products on a systematic basis by a depreciation rate that is determined based on such factors as the previous sales record of the product group to which the identified products belong, the quantity of inventories, and future sales plans.

(iii) Impacts on the consolidated financial statements for the following fiscal year

The aforementioned estimates and assumptions involve a high degree of uncertainty because they are affected by deterioration of market environments, changes in consumer preferences and lifestyles, and other factors. Therefore, depending on the future circumstances, an additional loss on valuation of inventories may arise in the following fiscal year.

2. Impairment of non-current assets

(1) Amount presented on the consolidated statement of profit and loss for the fiscal year ended June 30, 2021

	Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Impairment loss	¥16,711	$151

The book values of property, plant and equipment and intangible assets presented on the consolidated balance sheet are ¥643,750 million ($5,822 million) and ¥79,559 million ($719 million), respectively.

(2) Information on the details of significant accounting estimates of identified item

(i) Method of calculating the amount of impairment loss

The Group categorizes its assets by store and operating division as the smallest group of assets that generates cash flows. The Group determines whether or not there is any indication of impairment of rental properties and idle assets on an individual property basis. If any such indication exists, the Group determines whether or not it needs to recognize an impairment loss. As a result of such determination, if the Group needs to recognize an impairment loss, it reduces the book value of the asset to its recoverable amount, and recognizes the reduction as an impairment loss.

The Groups determines that its assets have an indication of impairment when a store's profitability declines due to seriously deteriorating operating environment and other factors; a store continuously generates losses from its operating activities; a property or store whose market price significantly declines; and a newly opened store generates losses from its operating activities more than the initially expected and is expected to continuously generate losses from its operating activities.

The Group determines that it needs to recognize an impairment loss of a property or store that has any indication of impairment when the total amount of undiscounted future cash flows is lower than the book value of the property or store.

The recoverable amount of each asset is determined to be the higher of either its net selling value or value in use. The net selling value is calculated based on factors such as the appraisal value by a real estate appraiser.

(ii) Major assumptions used in significant accounting estimates
Based on its past sales results, the Group takes into account changes in commercial zones, influences by competitors' stores, the operating environment, and other factors, forecasts future net sales and operating income and expenses by store, and calculates future cash flows. Regarding the impact of COVID-19, as it is difficult to forecast future spread and the timing of containment, the Group calculates future cash flows assuming that lower sales due to eliminated inbound tourism demand will continue for a considerable period of time.

(iii) Impacts on the consolidated financial statements for the following fiscal year
The aforementioned estimates and assumptions involve a high degree of uncertainty because they are affected by the future operating environment and changes in market trends. Therefore, depending on the future circumstances, an additional impairment loss may arise in the following fiscal year.

3. Recoverability of deferred tax assets

(1) Amount presented on the consolidated balance sheet for the fiscal year ended June 30, 2021

	Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Deferred tax assets	¥23,713	$214

(2) Information on the details of significant accounting estimates of identified item

(i) Method of calculating the amount of deferred tax assets
According to standards such as the "Accounting Standard for Tax Effect Accounting" and the "Implementation Guidance on Recoverability of Deferred Tax Assets," the Group assesses and calculates the recoverability of deferred tax assets for future deductible temporary differences and net operating loss carryforward, based on the estimates of the future taxable income predicted on a Group company basis.

(ii) Major assumptions used in significant accounting estimates
The Group calculates the future taxable income considering the impacts of such factors as individual sales initiatives and changes in customer trends based on the past sales results of each Group company. The Group calculates the future taxable income assuming that lower sales due to eliminated inbound tourism demand resulting from the impact of COVID-19 will continue for a considerable period of time.

(iii) Impacts on the consolidated financial statements for the following fiscal year
The aforementioned estimates and assumptions involve a high degree of uncertainty because they are affected by the future operating environment and changes in market trends. Therefore, depending on the future circumstances, deferred tax assets may decrease and income taxes–deferred may be recorded in the following fiscal year.

(Changes in Accounting Policies)

(Change in valuation Method of Inventories)

As a primary method to revaluate merchandise and finished goods, the Group previously adopted the 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). However, in the fiscal year ended June 30, 2021, the Group changed the method to the cost method by determining the cost using the moving average 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). The purposes of this change are to swiftly understand the value of inventories and make appropriate periodic profit and loss calculations.

This change in accounting policies has been applied retrospectively to the consolidated financial statements for the fiscal year ended June 30, 2020. As a result, merchandise and finished goods and retained earnings presented on the consolidated balance sheet for the fiscal year ended June 30, 2020 decreased by ¥2,622 million and ¥1,717 million, respectively, while deferred tax assets increased by ¥905 million, compared with the amounts prior to retrospective application.

In the consolidated statement of profit and loss for the fiscal year ended June 30, 2020, cost of sales increased ¥573 million. Accordingly, operating income, ordinary income, and profit before income taxes decreased by the same amount, respectively. Profit and profit attributable to owners of parent decreased by ¥376 million, respectively.

In the consolidated statement of cash flows for the fiscal year ended June 30, 2020, profit before income taxes decreased by ¥573 million, while inventories increased by ¥573 million.

The cumulative effect on the beginning balance of net assets for the fiscal year ended June 30, 2020 was to decrease the beginning balance of retained earnings by ¥1,341 million in the consolidated statement of changes in net assets, reflecting the retrospective application.

Effect on per share information is stated in the relevant section.

For the method to revaluate merchandise and finished goods of UNY Co., Ltd. that became its consolidated subsidiary in January 2019, the Company has applied the cost method by determining the cost using the moving average 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) to future periods starting from the beginning of the fiscal year ended June 30, 2021, using the book value of merchandise and finished goods at the end of the fiscal year ended June 30, 2020 as the beginning balance of the fiscal year ended June 30, 2021. The reason is that it was impracticable for the Company to determine the cumulative effect as of the beginning of the fiscal year ended June 30, 2020 when it retrospectively applied the cost method by determining the cost using the moving average 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) because necessary inventory data records of the subsidiary were not available due to difference of core systems used.

(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 26, 2021)
- "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, June 17, 2021)
- "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.

The Company will apply "Implementation Guidance on Accounting Standard for Fair Value Measurement" (revised 2021) from the beginning of the fiscal year ending June 30, 2023.

(3) Effect of application of the new accounting standard
The effect of application of the "Accounting Standard for Fair Value Measurement" and other standards and guidance on the Company's consolidated financial statements is currently under evaluation.

(Changes in Presentation)

(Application of the "Accounting Standard for Disclosure of Accounting Estimates")

The Company has applied the ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates" (March 31, 2020) starting from the consolidated financial statements for the fiscal year ended June 30, 2021, and stated notes on significant accounting estimates in the consolidated financial statements. However, these notes do not provide matters regarding the fiscal year ended June 30, 2020 in accordance with the transitional treatment provided for in the proviso of Paragraph 11 of this Accounting Standard.

(Consolidated Balance Sheets)

For the fiscal year ended June 30, 2021, the account "Lease obligations," which was previously included in "Other" under "Current liabilities," 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, 2020.

As a result, the amount of ¥23,604 million presented as "Other" under "Current liabilities" was reclassified to ¥46 million of "Lease obligations" and ¥23,558 million of "Other" in the consolidated balance sheet for the fiscal year ended June 30, 2020.

Financial Performance

For the fiscal year ended June 30, 2021, the account "Lease obligations," which was previously included in "Other" under "Non-current liabilities," is shown as a separate line item since the amount exceeded 1% of the total balance of liabilities and net assets. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2020.

As a result, the amount of ¥69,687 million presented as "Other" under "Non-current liabilities" was reclassified to ¥99 million of "Lease obligations" and ¥69,588 million of "Other" in the consolidated balance sheet for the fiscal year ended June 30, 2020.

(Consolidated Statements of Profit and Loss)
For the fiscal year ended June 30, 2021, the account "Foreign exchange gains," which was previously included in "Other" under "Non-operating income," is shown as a separate line item since the amount exceeded 10% of the total amount of non-operating income. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2020.

As a result, the amount of ¥4,093 million presented as "Other" under "Non-operating income" was reclassified to ¥224 million of "Foreign exchange gains" and ¥3,869 million of "Other" in the consolidated statement of profit and loss for the fiscal year ended June 30, 2020.

For the fiscal year ended June 30, 2021, the account "Commission fee" under "Non-operating income," which was previously shown as a separate line item, is included and presented as "Other" since the amount became immaterial. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2020.

As a result, the amount of ¥354 million presented as "Commission fee" under "Non-operating income" was reclassified to "Other" in the consolidated statement of profit and loss for the fiscal year ended June 30, 2020.

For the fiscal year ended June 30, 2021, the account "Bond issuance cost" under "Non-operating expenses," which was previously shown as a separate line item, is included and presented as "Other" since the amount became immaterial. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2020.

As a result, the amount of ¥2 million presented as "Bond issuance cost" under "Non-operating expenses" was reclassified to "Other" in the consolidated statement of profit and loss for the fiscal year ended June 30, 2020.

(Consolidated Statements of Cash Flows)
For the fiscal year ended June 30, 2021, the account "Payments for purchase of investment securities," which was previously included in "Other, net" under "Cash flows from investing 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, 2020.

As a result, the amount of ¥(238) million presented as "Other, net" under "Cash flows from investing activities" was reclassified to ¥(157) million of "Payments for purchase of investment securities" and ¥(81) million of "Other, net" in the consolidated statement of cash flows for the fiscal year ended June 30, 2020.

For the fiscal year ended June 30, 2021, the account "Proceeds from collections of loan receivables" under "Cash flows from investing activities," which was previously shown as a separate line item, is included and presented as "Other, net" since the amount became immaterial. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2020.

As a result, the amount of ¥24 million presented as "Proceeds from collections of loan receivables" under "Cash flows from investing activities" was reclassified to "Other, net" in the consolidated statement of cash flows 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, 2020	As of June 30, 2021	As of June 30, 2021
Investment securities (stocks)	¥13,327	¥13,331	$121

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, 2020	As of June 30, 2021	As of June 30, 2021
Cash and deposits	¥ 754	¥ 791	$ 7
Merchandise and finished goods	302	329	3
Buildings and structures	2,024	769	7
Land	2,426	1,931	17
Other	66	272	2
Total	¥5,572	¥4,092	$37

Liabilities corresponding to assets pledged as collateral are as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2020	As of June 30, 2021	As of June 30, 2021
Current portion of long-term loan payables	¥ 221	¥ –	$ –
Current liabilities "Other"	109	169	2
Non-current liabilities "Other"	1,368	1,301	12
Total	¥1,698	¥1,470	$13

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, 2020	As of June 30, 2021	As of June 30, 2021
Guarantee on debts for new construction project (payment for construction contractors)	¥2,106	¥2,106	$19

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, 2020	As of June 30, 2021	As of June 30, 2021
Retroactive obligations due to securitization of receivables	¥3,750	¥3,750	$34

Note 5 The Company and its consolidated subsidiaries entered into bank overdraft agreements with 48 banks as of June 30, 2020 and 42 banks as of June 30, 2021, 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, 2020	As of June 30, 2021	As of June 30, 2021
Total credit line for bank overdraft	¥63,100	¥61,190	$553
Bank loans arranged	–	1,500	14
Unused balance	¥63,100	¥59,690	$540

Note 6 The Company and its consolidated subsidiaries have entered into loan commitment agreements with four 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, 2020	As of June 30, 2021	As of June 30, 2021
Total amount of loan commitment	¥30,653	¥30,052	$272
Bank loans arranged	–	–	–
Unused balance	¥30,653	¥30,052	$272

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, 2020	As of June 30, 2021	As of June 30, 2021
Total amount of credit lines given	¥505,598	¥533,731	$4,827
Loan receivables from cash advances	7,993	7,537	68
Unused balance	¥497,605	¥526,194	$4,758

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

Note 8 As of June 30, 2020 and 2021, the Company signed syndicated loan agreements with 72 financial institutions totaling ¥87,500 million and 70 financial institutions totaling ¥87,500 million ($791 million), respectively. These agreements include financial covenants based on certain indices calculated from net assets on the consolidated balance sheets.

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2020	As of June 30, 2021	As of June 30, 2021
Balance of loan payables based on syndicated loan agreements	¥65,400	¥61,600	$557

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, 2020	As of June 30, 2021	As of June 30, 2021
Payables under fluidity lease receivables	¥4,512	¥191	$2
Long-term payables under fluidity lease receivables	191	–	–
Total	¥4,703	¥191	$2

(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 valuation of inventories is included in cost of sales.

Millions of yen		Millions of U.S. dollars
Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
¥11,724	¥5,173	$47

Note: As stated in "(Changes in Accounting Policies)," the Company has made a change in accounting policies for the valuation method of inventories. Since it was impracticable for the Company to determine a loss on valuation of inventories for the fiscal year ended June 30, 2020 because a part of necessary inventory data records was not available, the above amount for the fiscal year ended June 30, 2020 is before the retrospective application.

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, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Employees' compensation and benefits	¥144,791	¥157,372	$1,423
Occupancies and rentals	53,895	53,141	481
Commissions	61,240	58,844	532
Depreciation and amortization	24,595	26,472	239
Provision for point card certificates	13,484	12,008	109
Amortization of goodwill	1,004	1,675	15
Retirement benefit costs	1,692	1,797	16

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Buildings and structures	¥138	¥ –	$–
Land	647	93	1
Other	16	1	0
Total	¥801	¥94	$1

Note 4 Impairment loss

The Group reported impairment loss on the following asset groups:

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

Location	Use	Category	Millions of yen Impairment loss
Hokkaido	Store facilities	Buildings and structures, and Tools, furniture and fixtures	¥ 140
Kanto	Store facilities	Buildings and structures, and Tools, furniture and fixtures	791
Chubu	Store facilities	Buildings and structures, and Tools, furniture and fixtures	170
Kinki	Store facilities	Buildings and structures, and Tools, furniture and fixtures	1,205
Kinki	Idle assets	Buildings and structures, and Land	728
Chugoku	Store facilities	Buildings and structures, and Tools, furniture and fixtures	148
Kyushu	Store facilities	Buildings and structures, and Tools, furniture and fixtures	910
North America	Store facilities	Buildings and structures, and Tools, furniture and fixtures	103
Total			¥4,195

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) for buildings and structures, and ¥756 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 for buildings and structures and ¥256 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.

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

Location	Use	Category	Millions of yen Impairment loss	Millions of U.S. dollars Impairment loss
Hokkaido	Store facilities	Buildings and structures, Tools, furniture and fixtures, and Land	¥ 2,559	$ 23
Kanto	Store facilities	Buildings and structures, Tools, furniture and fixtures, Land, and Intangible assets (other)	3,919	35
Chubu	Store facilities	Buildings and structures, and Tools, furniture and fixtures	173	2
Kinki	Store facilities	Buildings and structures, Tools, furniture and fixtures, and Land	6,554	59
Kyushu	Store facilities	Buildings and structures, Tools, furniture and fixtures, and Land	3,136	28
Asia	Store facilities	Buildings and structures, and Tools, furniture and fixtures	370	3
Total			¥16,711	$151

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, 2021, 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 (¥7,856 million ($71 million) for buildings and structures, ¥754 million ($7 million) for tools, furniture and fixtures, ¥8,011 million ($72 million) for land, and ¥90 million ($1 million) for intangible assets (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 is calculated by discounting the estimated future cash flows by 3.0%. If the value in use based on estimated future cash flows was negative, the Group recognized the recoverable amounts as zero.

Note 5 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, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Buildings and structures	¥ 459	¥ 146	$1
Furniture and fixtures	552	76	1
Intangible assets (other)	1,199	68	1
Removal expenses	1,163	734	7
Other	140	–	–
Total	¥3,513	¥1,024	$9

Note 6 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, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Buildings and structures	¥ 473	¥ 56	$1
Furniture and fixtures	157	65	1
Removal expenses	416	509	5
Other	0	–	–
Total	¥1,046	¥630	$6

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, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥ 544	¥1,848	$17
Reclassification adjustment to profit (loss)	–	(46)	(0)
Amount before tax effect	544	1,802	16
Tax effect	(165)	(621)	(6)
Valuation difference on available-for-sale securities	379	1,181	11
Foreign currency translation adjustment:			
Amount arising during the fiscal year	(1,423)	2,006	18
Reclassification adjustment to profit (loss)	–	–	–
Amount before tax effect	(1,423)	2,006	18
Tax effect	–	–	–
Foreign currency translation adjustment	(1,423)	2,006	18
Retirement benefit adjustment:			
Amount arising during the fiscal year	2,180	267	2
Reclassification adjustment to profit (loss)	(1,562)	9	0
Amount before tax effect	618	276	2
Tax effect	(188)	(84)	(1)
Retirement benefit adjustment	430	192	2
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the fiscal year	(33)	88	1
Total other comprehensive income	¥ (647)	¥3,467	$31

(Notes to Consolidated Statements of Changes in Net Assets)

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

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, 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

(Notes) 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).
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).
3. The Company executed a 4-for-1 stock split effective September 1, 2019.

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, 2019	Increase	Decrease	Number of shares as of June 30, 2020	Millions of yen: As of June 30, 2020
The Company	Share-based compensation stock options	–	–	–	–	–	¥205
The Company	Paid-in stock options	–	–	–	–	–	13
Total		–	–	–	–	–	¥218

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 25, 2019	Common stock	¥4,750	¥30.0	June 30, 2019	September 26, 2019
Board of Directors' meeting held on February 5, 2020	Common stock	1,901	3.0	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	Yen: Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 29, 2020	Common stock	Retained earnings	¥7,607	¥12.0	June 30, 2020	September 30, 2020

4. Significant changes in net assets

Not applicable.

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

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, 2020	Increase	Decrease	Number of shares as of June 30, 2021
Outstanding shares				
Common stock (Note)	633,929	310	–	634,239
Total	633,929	310	–	634,239
Treasury shares				
Common stock	19	–	–	19
Total	19	–	–	19

(Note) The increase of 310 thousand shares of common stock issued and outstanding is due to the exercise of stock options (310 thousand 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, 2020	Increase	Decrease	Number of shares as of June 30, 2021	Millions of yen: As of June 30, 2021	Millions of U.S. dollars: As of June 30, 2021
The Company	Share-based compensation stock options	–	–	–	–	–	¥205	$2
The Company	Paid-in stock options	–	–	–	–	–	12	0
Total		–	–	–	–	–	¥216	$2

3. Matters regarding dividends

(1) Dividend payment

Resolution	Class of stock	Total amount of dividends: Millions of yen	Total amount of dividends: Millions of U.S. dollars	Dividends per share: Yen	Dividends per share: U.S. dollars	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 29, 2020	Common stock	¥7,607	$69	¥12.0	$0.11	June 30, 2020	September 30, 2020
Board of Directors' meeting held on February 10, 2021	Common stock	1,902	17	3.0	0.03	December 31, 2020	March 26, 2021

(2) Dividends with a record date during the fiscal year ended June 30, 2021, but with an effective date subsequent to the fiscal year ended June 30, 2021

Resolution	Class of stock	Source	Total amount of dividends: Millions of yen	Total amount of dividends: Millions of U.S. dollars	Dividends per share: Yen	Dividends per share: U.S. dollars	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 29, 2021	Common stock	Retained earnings	¥8,245	$75	¥13.0	$0.12	June 30, 2021	September 30, 2021

4. 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, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Cash and deposits	¥179,785	¥157,522	$1,425
Cash equivalents included in deposits paid	3,817	3,353	30
Cash and cash equivalents	¥183,602	¥160,875	$1,455

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, 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 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 in January 2019.

For the fiscal year ended June 30, 2021
A breakdown of assets and liabilities at the beginning of consolidation of GRCY Holdings, Inc. and its consolidated subsidiaries due to the acquisition of its shares, and the share acquisition price and net proceeds given for the acquisition are as follows:

	Millions of yen	Millions of U.S. dollars
Current assets	¥ 8,431	$ 76
Non-current assets	29,400	266
Goodwill	40,898	370
Current liabilities	(22,815)	(206)
Non-current liabilities	¥(27,577)	(249)
Cost to acquire shares	28,336	256
Cash and cash equivalents	(1,895)	(17)
Less: Payments for acquisition	¥ 26,442	$ 239

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
Current assets	¥3,326
Non-current assets	2,279
Current liabilities	(6)
Non-current liabilities	(113)
Gain on sale of businesses	494
Selling price of businesses	5,981
Cash and cash equivalents	(3)
Less: Proceeds from sale of businesses	¥5,978

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
Current assets	¥ 1,598
Non-current assets	573
Current liabilities	(1,196)
Non-current liabilities	(321)
Increase in retained earnings due to exclusion from consolidation	445
Investments after sale of shares	(200)
Loss on sale of shares of subsidiaries and affiliates	(145)
Payments for sale of shares of subsidiaries and affiliates	754
Cash and cash equivalents	(806)
Less: Payments for sale	¥ (52)

(Lease Transactions)
(As a lessee)
1. Finance lease transactions
Finance leases that do not transfer ownership
(a) Description of lease assets
Property, plant and equipment
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, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Due within one year	¥ 8,668	¥ 9,292	$ 84
Due after one year	34,337	37,603	340
Total	¥43,005	¥46,895	$424

(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.

Lease obligations are for the purchase of right-of-use assets and exposed to liquidity risk.

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.)

Financial Performance

As of June 30, 2020

	Carrying amount	Fair value	Difference
			Millions of yen
(1) Cash and deposits	¥179,785	¥179,785	¥ –
(2) Notes and accounts receivables–trade	18,378		
Allowance for doubtful accounts(*1)	(225)		
	18,153	18,153	–
(3) Accounts receivables–installment	68,293		
Allowance for doubtful accounts(*2)	(519)		
Deferred installment income	(105)		
	67,669	75,008	7,339
(4) Operating loans	8,076		
Allowance for doubtful accounts(*3)	(146)		
	7,930	9,438	1,508
(5) Deposits paid	4,377	4,377	–
(6) Investment securities			
(i) Available-for-sale securities	3,207	3,207	–
(ii) Shares of subsidiaries and affiliates	7,620	8,277	657
(7) Long-term loan receivables	904		
Allowance for doubtful accounts(*4)	(0)		
	904	904	–
(8) Leasehold and guarantee deposits	20,669	22,220	1,551
Total assets	310,314	321,369	11,055
(1) Notes and accounts payables–trade	148,226	148,226	–
(2) Short-term loan payables	–	–	–
(3) Current portion of long-term loan payables	13,201	13,197	(4)
(4) Current portion of bonds	11,916	11,870	(46)
(5) Payables under fluidity lease receivables	4,512	4,516	4
(6) Accounts payables–other	53,481	53,481	–
(7) Accrued expenses	22,588	22,588	–
(8) Deposits received	16,806	16,806	–
(9) Income taxes payables	10,969	10,969	–
(10) Bond payables	226,542	224,282	(2,260)
(11) Long-term loan payables	276,191	272,971	(3,220)
(12) Long-term payables under fluidity lease receivables	191	193	2
Total liabilities	784,623	779,099	(5,524)
Derivative transactions(*5)	[816]	[816]	–

(*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, 2021

	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
			Millions of yen			Millions of U.S. dollars
(1) Cash and deposits	¥157,522	¥157,522	¥ –	$1,425	$1,425	$ –
(2) Notes and accounts receivables–trade	21,074			191		
Allowance for doubtful accounts(*1)	(611)			(6)		
	20,462	20,462	–	185	185	–
(3) Accounts receivables–installment	65,491			592		
Allowance for doubtful accounts(*2)	(519)			(5)		
Deferred installment income	(105)			(1)		
	64,866	69,672	4,806	587	630	43
(4) Operating loans	7,658			69		
Allowance for doubtful accounts(*3)	(146)			(1)		
	7,512	8,874	1,361	68	80	12
(5) Deposits paid	4,364	4,364	–	39	39	–
(6) Investment securities						
(i) Available-for-sale securities	14,737	14,737	–	133	133	–
(ii) Shares of subsidiaries and affiliates	7,768	7,911	143	70	72	1
(7) Long-term loan receivables	832			8		
Allowance for doubtful accounts(*4)	(0)			(0)		
	832	832	–	8	8	–
(8) Leasehold and guarantee deposits	18,435	19,971	1,536	167	181	14
Total assets	296,498	304,345	7,847	2,681	2,752	71
(1) Notes and accounts payables–trade	149,984	149,984	–	1,356	1,356	–
(2) Short-term loan payables	1,500	1,500	–	14	14	–
(3) Current portion of long-term loan payables	33,613	33,606	(7)	304	304	(0)
(4) Current portion of bonds	22,566	22,473	(93)	204	203	(1)
(5) Payables under fluidity lease receivables	191	191	0	2	2	0
(6) Accounts payables–other	46,508	46,508	–	421	421	–
(7) Lease obligations (Current liabilities)	1,380	1,386	5	12	13	0
(8) Accrued expenses	25,550	25,550	–	231	231	–
(9) Deposits received	28,000	28,000	–	253	253	–
(10) Income taxes payables	11,299	11,299	–	102	102	–
(11) Bond payables	203,976	202,235	(1,741)	1,845	1,829	(16)
(12) Long-term loan payables	271,507	269,632	(1,875)	2,455	2,438	(17)
(13) Lease obligations (Non-current liabilities)	21,087	22,065	978	191	200	9
Total liabilities	817,162	814,429	(2,733)	7,390	7,365	(25)
Derivative transactions(*5)	[494]	[494]	–	[4]	[4]	–

(*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 values, 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, (8) Accrued expenses, (9) Deposits received, and (10) 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, (11) Bond payables, and (12) Long-term loan payables
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.

(7) Lease obligations (Current liabilities) and (13) Lease obligations (Non-current liabilities)
The fair values of lease obligations are calculated by discounting total principal and interest by the interest rate that would be applied to similar new lease transactions.

Derivative transactions
Please refer to "Derivatives."

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

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
		Millions of yen	Millions of U.S. dollars
Securities and investment securities	¥ 981	¥ 1,015	$ 9
Shares of subsidiaries and affiliates	5,707	5,563	50
Long-term loan receivables	365	359	3
Allowance for doubtful accounts(*1)	(161)	(162)	(1)
	204	197	2
Leasehold and guarantee deposits	57,955	55,447	501
Allowance for doubtful accounts(*2)	(1,772)	(1,563)	(14)
	56,183	53,884	487

(*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, 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

As of June 30, 2021

	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	¥157,522	¥ –	¥ –	¥ –
Notes and accounts receivables–trade	21,074	–	–	–
Accounts receivables–installment	47,962	12,024	2,739	–
Operating loans	4,119	3,490	49	–
Deposits paid	4,364	–	–	–
Long-term loan receivables	–	832	–	–
Leasehold and guarantee deposits	1,927	6,826	5,158	4,524
Total	¥236,967	¥23,173	¥7,946	¥4,524

	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	$1,425	$ –	$ –	$ –
Notes and accounts receivables–trade	191	–	–	–
Accounts receivables–installment	434	109	25	–
Operating loans	37	32	0	–
Deposits paid	39	–	–	–
Long-term loan receivables	–	8	–	–
Leasehold and guarantee deposits	17	62	47	41
Total	$2,143	$210	$72	$41

(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, long-term loan payables, and lease obligations
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

As of June 30, 2021

	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	¥ 1,500	¥ –	¥ –	¥ –	¥ –	¥ –
Bond payables	22,566	11,421	10,930	650	20,650	160,325
Long-term loan payables	33,613	30,990	30,170	42,919	50,779	116,649
Lease obligations	1,380	1,495	1,464	1,463	1,182	15,483
Total	¥59,060	¥43,906	¥42,563	¥45,032	¥72,611	¥292,457

	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
Short-term loan payables	$ 14	$ –	$ –	$ –	$ –	$ –
Bond payables	204	103	99	6	187	1,450
Long-term loan payables	304	280	273	388	459	1,055
Lease obligations	12	14	13	13	11	140
Total	$534	$397	$385	$407	$657	$2,645

(Securities)

1. Available-for-sale securities

As of June 30, 2020

Millions of yen

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

(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 and thus it is extremely difficult to determine their fair values.

As of June 30, 2021

		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	¥14,706	¥12,083	¥2,623	$133	$109	$24
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	Subtotal	14,706	12,083	2,623	133	109	24
Carrying amount does not exceed acquisition cost	(1) Equity securities	31	46	(16)	0	0	(0)
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	Subtotal	31	46	(16)	0	0	(0)
Total		¥14,737	¥12,129	¥2,607	$133	$110	$24

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥1,014 million ($9 million)) and other items (carrying amount on the consolidated balance sheet: ¥0 million ($0 million)) are not included in the above table, since they do not have quoted market prices and thus it is extremely difficult to determine their fair values.

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

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

Millions of yen

Type	Proceeds from sales	Gain on sales	Loss on sales
(1) Equity securities	¥38	¥–	¥30
(2) Debt securities			
(i) JGBs/muni bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	¥38	¥–	¥30

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

	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	¥ 0	¥ –	¥0	$0	$–	$0
(2) Debt securities						
(i) JGBs/muni bonds	–	–	–	–	–	–
(ii) Corporate bonds	–	–	–	–	–	–
(iii) Other	–	–	–	–	–	–
(3) Other	124	52	6	1	0	0
Total	¥124	¥52	¥6	$1	$0	$0

3. Impaired securities

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

Not applicable.

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

For the fiscal year ended June 30, 2021, the Company recognized an impairment loss of ¥167 million ($2 million) for securities (¥167 million ($2 million) for shares without quoted market prices of available-for-sale securities).

If the fair value of a security at the end of the fiscal year declined by approximately 50% from its acquisition cost, the Company reduced the acquisition cost to the fair value and recognized an impairment loss.

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

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)

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

As of June 30, 2021

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	¥1,954	¥–	¥25	¥25

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	$18	$–	$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, 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)

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

As of June 30, 2021

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	¥54,330	¥50,210	¥(212)	¥(212)

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	$491	$454	$(2)	$(2)

(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, 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)

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

Financial Performance

As of June 30, 2021

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency transaction Receive fixed / Pay fixed Pay USD Receive JPY	¥5,707	¥5,707	¥(307)	¥(307)

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 transaction Receive fixed / Pay fixed Pay USD Receive JPY	$52	$52	$(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. UNY Co., Ltd. and UCS Co., Ltd. maintain the funded defined benefit plan. Effective March 1, 2020, UNY Co., Ltd. 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 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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Beginning balance of retirement benefit obligations	¥ 62,372	¥14,320	$129
Past service costs	1,308	–	–
Interest costs	69	53	0
Increase/decrease in actuarial differences	(1,855)	92	1
Retirement benefit payments	(6,567)	(1,269)	(11)
Amount decreased due to transfer to defined contribution pension plan	(41,007)	–	–
Ending balance of retirement benefit obligations	¥ 14,320	¥13,196	$119

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Beginning balance of pension assets	¥ 68,734	¥30,556	$276
Expected return on assets	687	306	3
Increase/decrease in actuarial differences	325	359	3
Employer’s contributions	1,324	–	–
Retirement benefit payments	(6,567)	(1,269)	(11)
Amount decreased due to transfer to defined contribution pension plan	(33,947)	–	–
Ending balance of pension assets	¥ 30,556	¥29,952	$271

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2020	As of June 30, 2021	As of June 30, 2021
Retirement benefit obligations (Funded plan)	¥ 14,320	¥ 13,196	$ 119
Pension assets	(30,556)	(29,952)	(271)
Retirement benefit asset	(16,236)	(16,756)	(152)
Net of retirement benefit asset and retirement benefit liability on the consolidated balance sheet	¥(16,236)	¥(16,756)	$(152)

(4) Retirement benefit expenses and their breakdown

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Past service costs	¥1,308	¥ –	$ –
Interest costs	69	53	0
Expected return on assets	(687)	(306)	(3)
Amortization of actuarial differences	(64)	(9)	(0)
Retirement benefit expense on retirement benefit plan	¥ 626	¥(261)	$(2)

(5) Retirement benefit adjustment

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Actuarial differences	¥618	¥276	$2
Total	¥618	¥276	$2

(6) Remeasurements of defined benefit plans

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2020	As of June 30, 2021	As of June 30, 2021
Unrecognized actuarial differences	¥(68)	¥208	$2
Total	¥(68)	¥208	$2

(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, 2020	As of June 30, 2021
Life insurance general accounts	99%	100%
Alternatives	1	0
Total	100%	100%

(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, 2020	As of June 30, 2021
Discount rate	0.4%	0.3%
Long-term expected rate of return	1.0	1.0
Salary increase rate	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.

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

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, ¥728 million for the fiscal year ended June 30, 2020 and ¥2,060 million ($19 million) for the fiscal year ended June 30, 2021.

(Stock Options)

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

Not applicable.

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, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Gain on reversal of share acquisition rights	¥220	¥0	$0

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, 2021 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, 2020	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2021	–	–	–
After vesting			
Balance as of June 30, 2020	2,400	2,400	2,667,200
Vested	–	–	–
Exercised	–	–	310,400
Forfeited	–	–	11,200
Balance as of June 30, 2021	2,400	2,400	2,345,600

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, 2020	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2021	–	–	–
After vesting			
Balance as of June 30, 2020	20,000	40,000	80,000
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Balance as of June 30, 2021	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	$8.36
Average stock price at time of exercise	–	–	–	–	2,468	22.32
Fair value at grant date	1,242.00	11.23	1,007.50	9.11	–	–

	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	–	–	–	–	–	–
Fair value at grant date	1,011.50	9.15	1,235.75	11.18	1,618.75	14.64

(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.

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, 2020	As of June 30, 2021	As of June 30, 2021
Deferred tax assets			
Accrued enterprise taxes not deductible for tax purposes	¥ 933	¥ 734	$ 7
Inventories	5,637	3,739	34
Accrued bonus	2,336	1,760	16
Excess depreciation and amortization over tax purposes	23,946	21,698	196
Impairment loss	12,932	14,707	133
Loss on closing of stores	199	81	1
Net operating loss carryforward (Note 3)	5,725	4,446	40
Loss on valuation of investment securities not deductible for tax purposes	177	223	2
Long-term accounts payable	2,447	2,189	20
Excess allowance for doubtful accounts over tax purposes	1,045	846	8
Asset retirement obligations	4,121	4,190	38
Provision for point card certificates	2,034	464	4
Provision for loss on interest repayment	1,138	855	8
Valuation difference of consolidated subsidiaries	21,256	19,634	178
Other	4,558	6,974	63
Deferred tax assets total	88,484	82,538	746
Valuation allowance for net operating loss carryforward (Note 3)	(3,451)	(2,951)	(27)
Valuation allowance for future deductible temporary differences	(50,178)	(35,343)	(320)
Valuation allowance subtotal (Note 1)	(53,629)	(38,294)	(346)
Deferred tax assets total	34,855	44,244	400
Deferred tax liabilities			
Valuation of assets and liabilities of subsidiaries at market value for the purpose of consolidation	(15,543)	(15,013)	(136)
Retirement benefit asset	(4,938)	(5,096)	(46)
Reserve for advanced depreciation of non-current assets	(1,928)	(1,865)	(17)
Valuation difference on available-for-sale securities	(440)	(1,071)	(10)
Other	(332)	(236)	(2)
Deferred tax liabilities total	(23,181)	(23,281)	(211)
Net deferred tax assets	¥ 11,674	¥ 20,964	$ 190

(Notes) 1. As of June 30, 2021, the valuation allowance decreased by ¥15,335 million ($139 million) compared to June 30, 2020. This is mainly attributable to the derecognition of part of valuation allowance in UNY Co., Ltd., a consolidated subsidiary of the Company, as a result of reviewing the classification of businesses pursuant to paragraph 15 of "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).
2. As stated in "(Changes in Accounting Policies)," the Company has made a change in accounting policies for the valuation method of inventories in the fiscal year ended June 30, 2021. Accordingly, the above amount for the fiscal year ended June 30, 2020 is the retrospectively adjusted figure reflecting the change in accounting policies.
3. Amounts of net operating loss carryforward and its corresponding deferred tax assets by carryover period

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

(*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, calculated by using a statutory tax rate, deferred tax assets of ¥2,274 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, 2021

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)	¥ 280	¥ 164	¥ 321	¥ 372	¥ 299	¥ 3,009	¥ 4,446
Valuation allowance	(176)	(164)	(321)	(372)	(299)	(1,618)	(2,951)
Deferred tax assets	104	–	–	–	–	1,392	(*2) 1,496

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)	$ 3	$ 1	$ 3	$ 3	$ 3	$ 27	$ 40
Valuation allowance	(2)	(1)	(3)	(3)	(3)	(15)	(27)
Deferred tax assets	1	–	–	–	–	13	14

(*1) The amounts of net operating loss carryforward are calculated by using a statutory tax rate.
(*2) For the net operating loss carryforward of ¥4,446 million ($40 million), calculated by using a statutory tax rate, deferred tax assets of ¥1,496 million ($14 million) is recognized. The Company does not recognize valuation allowance for the net operating loss carryforward expected to offset the future taxable income.

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

	As of June 30, 2020	As of June 30, 2021
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Inhabitant tax per capita levy	1.5	2.0
Change in valuation allowance	(2.0)	(19.8)
Amortization of goodwill and other consolidation adjustments	0.3	1.0
Tax deduction	(0.8)	(0.1)
Difference in tax rate from consolidated subsidiaries	1.6	0.2
Other	(0.7)	0.8
Effective income tax rate after tax-effect accounting	30.5	14.6

(Business Combination)

Business combination through acquisition

1. Overview

(1) Name and business of the acquiree

Name: GRCY Holdings, Inc.

Business: Premium supermarket operation

(2) Major purpose of business combination

We anticipate synergies with the Group's operations in North America to be achieved by improvements in management efficiency and by allowing for economies of scale with regard to the purchasing and procurement of materials and other articles. The addition of GRCY Holdings, Inc., which benefits from strong brand recognition of Gelson's, a loyal customer base, and an experienced management team well versed in its market, will be a powerful asset to us to strengthen management foundations, develop new store formats, and expand store networks. We therefore determined that these benefits will enable further improvements in the Company's corporate value.

(3) Date of business combination

April 21, 2021 (deemed date of acquisition: April 1, 2021)

(4) Legal form of business combination

Stock acquisition in exchange for cash

(5) Company name after business combination

No change.

(6) Percentage of voting rights acquired

Percentage of voting rights owned prior to business combination	–%
Percentage of voting rights acquired on business combination date	100%
Percentage of voting rights acquired after business combination	100%

(7) Background of determining the acquiree

The Company acquired all shares of the acquiree in exchange for cash.

2. Period of the acquiree's business results included in the consolidated financial statements

From the deemed date of acquisition on April 1, 2021 to June 30, 2021

3. Acquisition cost of the acquiree and breakdown by type of consideration

		Millions of yen	Millions of U.S. dollars
Consideration paid:	Cash	¥28,336	$256
Acquisition cost		¥28,336	$256

4. Details and amount of major acquisition-related costs

Advisory expenses and others: ¥909 million ($8 million)

5. Amount of goodwill incurred, source, and method and period of amortization

(1) Amount of goodwill incurred: ¥40,898 million ($370 million)

The amount of goodwill was provisionally calculated because the acquisition cost has not been determined yet and the allocation of the acquisition cost has not been completed yet as of June 30, 2021.

(2) Source

Since the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the excess amount was accounted for as goodwill.

(3) Method and period of amortization

Goodwill will be amortized using the straight-line method over the period in which investment effects will be revealed.

6. Amounts and details of assets acquired and liabilities assumed on the business combination date

	Millions of yen	Millions of U.S. dollars
Current assets	¥ 8,431	$ 76
Non-current assets	29,400	266
Total assets	37,831	342
Current liabilities	22,815	206
Non-current liabilities	27,577	249
Total liabilities	¥50,392	$456

7. Estimated impact on the consolidated statement of profit and loss for the fiscal year ended June 30, 2021, assuming that the business combination was completed as of July 1, 2020, and the calculation method thereof

	Millions of yen	Millions of U.S. dollars
Net sales	¥70,001	$633
Operating income	5,694	51
Ordinary income	4,145	37
Profit before income taxes	4,152	38
Profit attributable to owners of parent	3,481	31
Profit per share	5.49 yen	0.05 dollar

Calculation method of the estimated impact

The estimated impact is the difference between (i) net sales and profit and loss information calculated assuming that the business combination was completed as of July 1, 2020 and (ii) net sales and profit and loss information in the consolidated statement of profit and loss of the acquiree. Amortization of goodwill recognized upon business combination is not included in the calculation.

This note has not received audit certification.

(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, 2020	As of June 30, 2021	As of June 30, 2021
Beginning of the year	¥24,007	¥23,588	$213
Increase due to acquisition of property, plant and equipment	656	647	6
Adjustments over time	232	223	2
Decrease due to performance of asset retirement obligations	(829)	(287)	(3)
Decrease due to settlement of asset retirement obligations	(156)	(21)	(0)
Decrease due to sale of consolidated subsidiaries	(306)	–	–
Decrease due to business succession through an absorption-type split	(16)	–	–
Other increase	–	18	0
End of the year	¥23,588	¥24,168	$219

2. 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, 2020, rental income related to such properties and facilities was ¥6,367 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, which was recorded in extraordinary income. For the fiscal year ended June 30, 2021, rental income related to such properties and facilities was ¥8,111 million ($73 million). (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses.)

The carrying amounts on the consolidated balance sheets and the changes in and fair values of these assets for the fiscal years ended June 30, 2020 and 2021 are as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Carrying amount			
Beginning of the year	¥148,170	¥157,684	$1,426
Net change	9,514	(1,288)	(12)
End of the year	157,684	156,396	1,414
Fair value	184,692	178,945	1,618

(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, 2020 consisted of a major increase of ¥11,662 million from the acquisition of real estate, and major decreases of ¥41 million from the sale of real estate and ¥2,107 million from a change in rentable ratios. Net change for the fiscal year ended June 30, 2021 consisted of major increases of ¥861 million ($8 million) from the acquisition of real estate and ¥1,270 million ($11 million) from a change in rentable ratios, and a major decrease of ¥3,419 million ($31 million) from impairment loss.
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 super- markets.

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.

(Change in valuation Method of Inventories)

As stated in "(Changes in Accounting Policies)," the Company changed the valuation method of inventories (merchandise and finished goods) in the fiscal year ended June 30, 2021. This change has been applied retrospectively to reportable segment results of the fiscal year ended June 30, 2020. As a result, segment profit and segment assets of the "Discount store business" decreased by ¥573 million and ¥1,717 million, respectively, compared with the amounts calculated by the previous method.

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

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)	46,738	16,992	13,579	77,309	(2,373)	74,936	488	75,424
Segment assets	618,010	235,061	227,557	1,080,628	183,310	1,263,938	33,293	1,297,231
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

(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 adjustment to segment profit is an intersegment elimination.
The ¥33,293 million adjustment to segment assets includes surplus funds of ¥136,744 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).
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, 2021 (From July 1, 2020 to June 30, 2021)

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	¥1,183,526	¥449,989	¥ 60,927	¥1,694,442	¥14,193	¥1,708,635	¥ –	¥1,708,635
Intersegment sales and transfer	7,026	8,966	1,190	17,183	4,493	21,676	(21,676)	–
Total	1,190,553	458,955	62,117	1,711,625	18,686	1,730,311	(21,676)	1,708,635
Segment profit (loss)	55,335	16,599	13,362	85,296	(4,453)	80,843	464	81,306
Segment assets	703,537	233,120	236,786	1,173,442	181,552	1,354,995	15,257	1,370,252
Other items (Note 4)								
Depreciation and amortization	20,290	4,510	5,687	30,487	907	31,394	151	31,545
Increase in property, plant and equipment and intangible assets	30,258	5,205	7,469	42,932	1,557	44,488	1,319	45,807

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	$10,703	$4,069	$ 551	$15,323	$ 128	$15,452	$ –	$15,452
Intersegment sales and transfer	64	81	11	155	41	196	(196)	–
Total	10,766	4,150	562	15,479	169	15,648	(196)	15,452
Segment profit (loss)	500	150	121	771	(40)	731	4	735
Segment assets	6,362	2,108	2,141	10,612	1,642	12,254	138	12,391
Other items (Note 4)								
Depreciation and amortization	183	41	51	276	8	284	1	285
Increase in property, plant and equipment and intangible assets	274	47	68	388	14	402	12	414

(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 ¥464 million ($4 million) adjustment to segment profit is an intersegment elimination.
The ¥15,257 million ($138 million) adjustment to segment assets includes surplus funds of ¥109,631 million ($991 million) of the Company and its consolidated subsidiaries, which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥(94,374) million ($(853) 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.

Related information

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.

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

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

Millions of yen

Japan	Asia	North America	Total
¥1,537,698	¥50,422	¥120,516	¥1,708,635

Millions of U.S. dollars

Japan	Asia	North America	Total
$13,906	$456	$1,090	$15,452

(Note) Net sales are classified by country or region based on the customer's location.

(2) Property, plant and equipment

Millions of yen

Japan	Asia	North America	Total
¥579,220	¥9,233	¥55,297	¥643,750

Millions of U.S. dollars

Japan	Asia	North America	Total
$5,238	$83	$500	$5,822

Financial Performance

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, 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

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

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Impairment loss	¥15,131	¥–	¥1,580	¥16,711	¥–	¥16,711	¥–	¥16,711

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Impairment loss	$137	$–	14	151	$–	151	$–	151

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

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

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

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥ 1,675	¥–	¥–	¥ 1,675	¥–	¥ 1,675	¥–	¥ 1,675
Balance at year-end	56,304	–	–	56,304	–	56,304	–	56,304

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other	Total	Adjustments	Consolidated
Amortization for the year	$ 15	$–	$–	$ 15	$–	$ 15	$–	$ 15
Balance at year-end	509	–	–	509	–	509	–	509

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	7	–	–	7	–	7	–	7

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	0	–	–	0	–	0	–	0

Information on gain on bargain purchase by reportable segment

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

No significant matter to be disclosed.

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

Not applicable.

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, 2020 (From July 1, 2019 to June 30, 2020)

No significant matter to be disclosed.

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

No significant matter to be disclosed.

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

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

No significant matter to be disclosed.

For the fiscal year ended June 30, 2021 (From July 1, 2020 to June 30, 2021)

Category	Name	Location	Capital stock (Millions of yen)	Capital stock (Millions of U.S. dollars)	Type of business	% of voting rights (owned)	Business relationship	Description of transactions	Transaction amount (Millions of yen)	Transaction amount (Millions of U.S. dollars)	Account	Balance at year-end (Millions of yen)	Balance at year-end (Millions of U.S. dollars)
Director	Hiroshi Abe (Note 1)	–	¥–	$–	Director of the Company	(Own) Direct 0.00 Indirect –	–	Exercise of stock options (Note 2)	¥11	$0	–	¥–	$–

(Note) The terms and conditions of transactions and their decisions are as follows:
1. Mr. Hiroshi Abe retired as Director at the conclusion of the 40th Ordinary General Meeting of Shareholders held on September 29, 2020 due to the expiration of the term of his office. The above shows the transactions with him during the term of his office.
2. It is the stock options exercised for the fiscal year ended June 30, 2021, 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.

(Per Share Information)

Fiscal year ended June 30, 2020		Fiscal year ended June 30, 2021		
Net assets per share	¥586.58	Net assets per share	¥660.12	$5.97
Profit per share	78.79	Profit per share	84.93	0.77
Diluted profit per share	78.58	Diluted profit per share	84.70	0.77

(Notes) 1. The Company executed a 4-for-1 stock split on September 1, 2019. The amounts of 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, 2020.
2. As stated in "(Changes in Accounting Policies)," the change in accounting policies made during the fiscal year ended June 30, 2021 has been applied retrospectively to per share information for the fiscal year ended June 30, 2020. As a result, net assets per share for the fiscal year ended June 30, 2020 decreased by ¥2.71, and profit per share and diluted profit per share decreased by ¥0.59, respectively, compared with the amounts prior to retrospective application.
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, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021
Profit per share			
Profit attributable to owners of parent (millions of yen)	¥ 49,927	¥ 53,851	$487
Profit not attributable to common stock owners (millions of yen)	–	–	–
Profit attributable to common stock owners of parent (millions of yen)	49,927	53,851	487
Weighted-average number of shares of common stock (shares)	633,643,173	634,086,639	
Diluted profit per share			
Adjustment of profit attributable to owners of parent (millions of yen)	–	–	
Increase in number of shares of common stock (shares)	1,685,239	1,670,409	
(Of which, share acquisition rights)	(1,685,239)	(1,670,409)	
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)

(Repurchase of Treasury Shares)

At the Board of Directors' meeting held on September 6, 2021, the Company resolved the repurchase of treasury shares and the specific method thereof in accordance with the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165-3 of the same act, and repurchased treasury shares as follows:

(1) Reason for repurchase

The Company and FamilyMart Co., Ltd. with which the Company has engaged in a business alliance have validated the progress of the business relationship and the outcome of efforts that have been made by both parties, and held discussions again about the way the relationship should be in the future, leading to both parties agreeing to continue strengthening their alliance. Meanwhile, FamilyMart Co., Ltd. decided to divest the Company's shares with a certain percentage of equity stake held in the Company because a relationship of trust between both parties has already been established.

In response to the sale of shares by FamilyMart Co., Ltd., the Company has carefully examined how to deal with it from various perspectives including the impacts on supply and demand in the stock market, financial performance, return to shareholders, stock value per share, and capital efficiency. As a result, the Company determined that the most appropriate way is to repurchase treasury shares in response to the divestment of the Company's shares by FamilyMart Co., Ltd.

(2) Repurchase method

Repurchase of treasury shares through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading (ToSTNeT-3)

(3) Details of repurchase

(i) Class of shares repurchased	Common stock of the Company
(ii) Total number of shares repurchased	Up to 38,054,300 shares
(iii) Total amount of repurchase	Up to ¥80,941 million ($732 million)
(iv) Date of repurchase	September 7, 2021

(4) Result of repurchasing treasury shares

As a result of the repurchase through the Off-Auction Own Share Repurchase Trading (ToSTNeT-3) based on the resolution above, the Company completed the repurchase of 38,054,300 shares of common stock of the Company (the total amount of repurchase was ¥80,941 million ($732 million) pursuant to the resolution above.

(Issuance of Unsecured Corporate Bonds)

At the Board of Directors' meeting held on September 6, 2021, the Company adopted a comprehensive resolution to issue unsecured corporate bonds. Overview is as follows:

(1) Type of corporate bonds	Domestic unsecured straight corporate bonds
(2) Issue price	The bonds shall be issued at ¥100 ($0.9) per face value of ¥100 ($0.9).
(3) Total issue amount	¥85,000 million ($769 million) or less (The bonds shall be issued multiple times within this maximum amount.)
(4) Interest rate	0.75% or less per annum
(5) Redemption method	Lump-sum repayments at maturity (However, the bonds may be cancelled by purchase before the redemption date.)
(6) Redemption date	Within 10 years from the issue date
(7) Issue timing	Scheduled for October 21, 2021
(8) Collateral	Unsecured
(9) Use of funds	Capital investments, repayments of loan payables, and funds for investments and loans
(10) Other	The issue price, interest rate, term to maturity, issue timing, and other necessary matters associated with this issuance shall be determined at the discretion of CFO and Executive Officer within the scope of the resolution at the Board of Directors' meeting.

Supplemental information

Corporate bonds

Issuer	Type of issue	Issue date	Balance at July 1, 2020 (Millions of yen)	Balance at June 30, 2021 (Millions of yen)	Balance at June 30, 2021 (Millions of U.S. dollars)	Interest rate (%)	Collateral	Redemption date
The Company	The 9th unsecured corporate bond	March 12, 2015	¥10,000 (¥–)	¥10,000 (¥10,000)	$90 [$90]	0.80	N/A	March 11, 2022
The Company	The 10th unsecured corporate bond	March 10, 2016	10,000 (10,000)	–	–	0.33	N/A	March 10, 2021
The Company	The 11th unsecured corporate bond	March 10, 2016	10,000 (–)	10,000 (–)	90 [–]	0.73	N/A	March 10, 2026
The Company	The 12th unsecured corporate bond	March 21, 2017	10,000 (–)	10,000 (–)	90 [–]	0.39	N/A	March 21, 2024
The Company	The 13th unsecured corporate bond	March 8, 2018	10,000 (–)	10,000 (–)	90 [–]	0.21	N/A	March 8, 2023
The Company	The 14th unsecured corporate bond	March 8, 2018	10,000 (–)	10,000 (–)	90 [–]	0.48	N/A	March 8, 2028
The Company	The 15th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (10,000)	90 [90]	0.11	N/A	March 7, 2022
The Company	The 16th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	90 [–]	0.35	N/A	March 6, 2026
The Company	The 17th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	90 [–]	0.45	N/A	March 7, 2029
The Company	The 1st unsecured corporate bond (with subordination agreement)	November 29, 2018	140,000 (–)	140,000 (–)	1,266 [–]	(Note 2)	N/A	November 28, 2053
Japan Asset Marketing Co., Ltd.	The 1st unsecured corporate bond	September 25, 2014	1,000 (–)	1,000 (1,000)	9 [9]	0.79	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 2nd unsecured corporate bond	September 25, 2014	230 (140)	90 (90)	1 [1]	0.68	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 3rd unsecured corporate bond	September 25, 2015	703 (266)	437 (266)	4 [2]	0.63	N/A	September 22, 2022
Japan Asset Marketing Co., Ltd.	The 4th unsecured corporate bond	September 30, 2015	300 (300)	–	–	0.32	N/A	September 30, 2020
Japan Asset Marketing Co., Ltd.	The 5th unsecured corporate bond	March 25, 2016	880 (280)	600 (280)	5 [3]	0.33	N/A	March 24, 2023
Japan Asset Marketing Co., Ltd.	The 6th unsecured corporate bond	September 21, 2016	1,625 (250)	1,375 (250)	12 [2]	0.18	N/A	September 18, 2026
Japan Asset Marketing Co., Ltd.	The 7th unsecured corporate bond	September 26, 2016	2,600 (400)	2,200 (400)	20 [4]	0.22	N/A	September 25, 2026
Japan Asset Marketing Co., Ltd.	The 8th unsecured corporate bond	September 26, 2016	1,020 (280)	740 (280)	7 [3]	0.37	N/A	September 26, 2023
Other	–	–	100 (–)	100 (–)	1 [–]	–	–	–
Total	–	–	¥238,458 (¥11,916)	¥226,542 (¥22,566)	$2,049 [204]	–	–	–

(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
¥22,566	¥11,421	¥10,930	¥650	¥20,650

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
$204	$103	$99	$6	$187

Financial Performance

Loan payables, etc.

Classification	Balance at July 1, 2020 (Millions of yen)	Balance at June 30, 2021 (Millions of yen)	(Millions of U.S. dollars)	Average interest rate (%)	Redemption date
Short-term loan payables	¥ –	¥ 1,500	$ 14	–	–
Current portion of long-term loan payables	13,201	33,613	304	0.70	–
Current portion of lease obligations	46	1,380	12	–	–
Long-term loan payables excluding current portion	276,191	271,507	2,455	0.84	From September 2022 to July 2067
Lease obligations excluding current portion	99	21,087	191	–	From December 2022 to August 2041
Other interest-bearing debt	–	–	–	–	–
Total	¥289,537	¥329,087	$2,976	–	–

(Notes) 1. Average interest rate represents the weighted-average interest rate of loans as of June 30, 2021.
2. The average interest rate of lease obligations is not provided because the amount of lease obligations before deducting the interest amount included in the total amount of lease payments is presented on the consolidated balance sheet.
3. 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	¥30,990	¥30,170	¥42,919	¥50,779
Lease obligations	1,495	1,464	1,463	1,182

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	$280	$273	$388	$459
Lease obligations	14	13	13	11

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.

(2) Others

Quarterly Information for the fiscal year ended June 30, 2021

Cumulative balance	1st quarter	2nd quarter	3rd quarter	Year total
Net sales (millions of yen)	¥418,474	¥852,861	¥1,268,196	¥1,708,635
Profit before income taxes (millions of yen)	23,389	48,536	67,815	64,265
Profit attributable to owners of parent (millions of yen)	16,470	32,638	45,234	53,851
Profit per share (yen)	25.98	51.48	71.34	84.93

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share (yen)	¥25.98	¥25.50	¥19.86	¥13.59

Cumulative balance	1st quarter	2nd quarter	3rd quarter	Year total
Net sales (millions of U.S. dollars)	$3,784	$7,713	$11,469	$15,452
Profit before income taxes (millions of U.S. dollars)	212	439	613	581
Profit attributable to owners of parent (millions of U.S. dollars)	149	295	409	487
Profit per share (U.S. dollars)	0.23	0.47	0.65	0.77

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share (U.S. dollars)	$0.23	$0.23	$0.18	$0.12

Independent Auditor's Report

To 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, 2021, 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, 2021, 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 provisions of the Code of Ethics in Japan, and we have fulfilled our other responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

1. As stated in "Changes in Accounting policies", the Group previously adopted the cost method by determining the cost using the retail method as a primary method to evaluate merchandise and finished goods. However, in the fiscal year ended June 30, 2021, the Group changed the method to the cost method by determining the cost using the moving average method.
2. As stated in "Subsequent Events", the Group resolved the repurchase of treasury shares at the Board of Directors' meeting held on September 6, 2021, and the Group acquired the treasury shares on September 7, 2021.
3. As stated in "Subsequent Events", the Group adopted a comprehensive resolution to issue unsecured corporate bonds at the Board of Directors' meeting held on September 6, 2021.

These matters do not affect our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Inventories in The Discount Store Business	
Description of Key Audit Matter	Auditor's Response
The Group recorded 203,416 million yen of merchandise and finished goods in the consolidated balance sheet, accounting for 14.8% of total assets. In addition, as stated in the note "(Significant accounting estimate) Loss on valuation of inventories", cost of sales includes a loss on valuation of inventories of ¥ 5,173 million. Matters concerning accounting policy are disclosed in note 4.Basis and method of valuation of significant assets are disclosed in note (1)(c). the value of inventories in the consolidated balance sheet is calculated by the moving average method (writing down method based on decline in profitability). The Group recorded the difference as a loss on valuation of inventories according to the general rule if the net selling value was lower than the book value. The Group writes down the book value of inventories on a systematic basis that have been unsold and no longer part of the normal operating cycle process and records a loss on valuation. Inventories that have been unsold were basically generated from the discount store business. And inventories whose turnover ratio becomes lower than a certain ratio was extracted. Furthermore, the Group evaluated them by regularly writing down with the defined depreciation rate based on past sales results, the quantity of inventories, and future sales plans in the inventory group. Since the valuation of inventories in the discount store business involves uncertainties and requires the judgment of management, the Group identified "valuation of inventories in the discount store business" as a key audit matter.	The primary audit procedures we performed to assess the valuation of inventories in the discount store business include following, among others: • We evaluated the effectiveness of the design and operational status of internal controls over the valuation of inventories. • We considered the validity of inventories that have been unsold when calculating a loss on valuation regarding inventories that have been unsold. And based on this, we examined whether they were extracted from the core system without omission, and considered appropriateness of the population in the calculation of a loss on valuation. • As for the depreciation rate used to calculate a loss on valuation of inventories that have been unsold calculating the consuming rate for the inventories writing down at the end of the previous fiscal year, and we evaluated the depreciation rate system at the end of the previous fiscal year. In addition, the rationality of the depreciation rate for the current fiscal year was examined by comparing it with the person in charge of the inventory management department, queries to the management, sales results during the current fiscal year, and future sales measures.

Financial Performance

Impairment Loss on Non-current Assets	
Description of Key Audit Matter	Auditor's Response
Property, plant and equipment amounted to 643,750 million yen and intangible assets amounted to 79,559 million yen in the company's consolidated balance sheet, accounting for 52.8% of total assets. In addition, as stated in the note "(Significant accounting estimate) Impairment of non-current assets", an impairment loss of 16,711 million yen was recorded from non-current assets. The Group determines the indications of impairment for each store, business or rental property unit. And if there are the indications of impairment, the Group determines whether it is necessary or not to recognize an impairment loss, and the assets subject to impairment are to reduce to the recoverable amount, and record an impairment loss. The recoverable amount uses the higher of either its net selling value or value in use, and the net selling value is calculated based on factors such as the appraisal value by a real estate appraiser. The group calculates future cash flow by considering changes in the commercial zones, the influences of competitors' stores, the operating environment and forecasting future net sales and operating income and expenses by store. Furthermore, as it is difficult to forecast the timing of containment of COVID-19, the group calculates it based on the assumption that lower sales will continue for considerable time due to drastically decreased inbound tourism demand. When considering the impairment loss on non-current assets, the above key assumptions involve uncertainties and require the judgment of the management. Therefore, the company identified "Impairment loss on non-current assets" as a key audit matter.	The primary audit procedures we performed to assess the impairment loss on non-current assets include following, among others: • We evaluated the effectiveness of the development and operation status of internal controls over the impairment of non-current assets. • We compared the future cash flow estimation with the remaining economic useful life of major assets. • We examined the consistency of future cash flows with the budget approved through an appropriate process. • We considered the calculating future cash flows and inquired the person in charge of the sales department regarding changes in the commercial zones, the influences of competitors' stores, the operating environment, and the timing of containment of COVID-19, and other factors, taken into consideration calculating future cash flows, and examined the rationality of the process. • We obtained a real estate appraisal report and examined the validity of the real estate appraisal results. • We compared prior year's budgets with subsequent year's results to assess the effectiveness of management's estimation process.

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 the design, implementation and maintenance of internal control deemed necessary by management for the preparation and fair presentation 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.
From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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

UHY Tokyo & Co
Tokyo, Japan
September 29, 2021

Convenience Translation

The accompanying consolidated financial statements expressed in Japanese yen have been translated into U.S. dollars on the basis set forth in notes to consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

STATEMENT ON ACCOUNTING PRINCIPLES AND AUDITING STANDARDS

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

Corporate Information (As of June 30, 2021)

Major Companies and Business Domains of the PPIH Group (As of September 30, 2021)

PPIH (Pan Pacific International Holdings)

- **Domestic Distribution and Retail Division, etc.**
  - Don Quijote Co., Ltd.
    - UD Retail
    - Nagasakiya
    - Tachibana Department Store
      - Airline Hotel
    - Fujiya Shoji
    - MY SUPPORT
  - UNY Co., Ltd.
    - Sun Sougou Maintenance
  - Pan Pacific International Trading Co., Ltd.
- **Overseas Retail Division**
  - Pan Pacific Strategy Institute
    - PPRM (Asia)
      - PPRM (Singapore)
      - PPRM (Hong Kong)
      - PPRM (Malaysia)
      - Macau PRRM
      - DONKI (Thailand)
    - Taiwan PPRM
    - PPRM (USA)
      - Don Quijote USA
      - Gelson's Markets
      - MARUKAI HAWAII
      - QSI
      - MARUKAI CORPORATION
- **Digital Area Division**
  - KaibaLAB
- **Real Estate Division, etc.**
  - Japan Commercial Establishment Co., Ltd.
    - Sun Reform
    - Asset Property Management
  - Japan Asset Marketing Co., Ltd.
- **Advertising and Promotion Division**
  - REALIT Co., Ltd.
- **Financial Services**
  - Pan Pacific International Financial Service Corporation
    - UCS

PPRM: Pan Pacific Retail Management

PRRM: Pan Rim Retail Management

Store Network (As of June 30, 2021)

Number of Group Stores 667 stores

Domestic

Japan: 583 stores

Don Quijote	226
MEGA Don Quijote*1	139
MEGA Don Quijote UNY*1	52
Apita / Piago	139
Nagasakiya	2
Picasso*1	25

Overseas

Hong Kong: 7stores

DON DON DONKI	7

Thailand: 2stores

DON DON DONKI	2

Singapore: 8stores

DON DON DONKI	8

Malaysia: 1store

DON DON DONKI	1

Taiwan: 1store

DON DON DONKI	1

Hawaii: 28stores

DON Quijote	3
MARUKAI	1
Times*2	24

California: 37stores

MARUKAI	4
TOKYO CENTRAL	6
Gelson's	27

*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

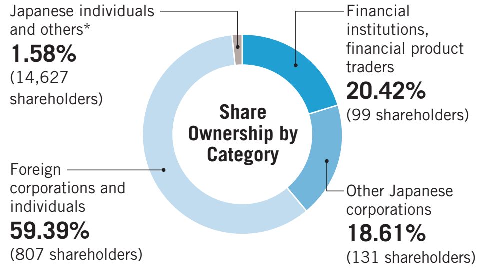
Company Name	Pan Pacific International Holdings Corporation
Business Activities	Corporate planning for and management of Group companies through the holding of shares in such companies, contracted administrative operation of subsidiaries, and real estate management
Head Office	2-19-10 Aobadai, Meguro-ku, Tokyo 153-0042, Japan Phone: +81-3-5725-7532 Fax: +81-3-5725-7322
Date of Establishment	September 5, 1980
Paid-in Capital	¥23,153 million
Fiscal Year-End	June 30
Number of Employees	Non-consolidated: 2,057 Consolidated: 16,838

Share and Shareholder Information

Share Information

Shares authorized	1,872,000,000
Shares issued	634,239,440
Treasury stock	18,924
Number of shareholders	15,664

Notes: 1. The number of shares issued increased by 310,400 due to the exercising of stock options.
2. The number of shareholders increased by 5,718 from June 30, 2020.
3. The Company conducted a 4-for-1 stock split on September 1, 2019.



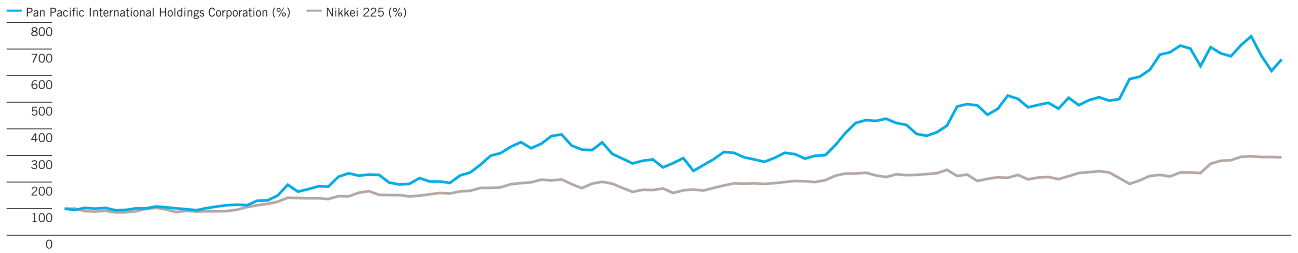
* Shares held by Japanese individuals and others include treasury stock (18,924 shares).

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	21.13
FamilyMart Co., Ltd.	69,438,284	10.95
The Master Trust Bank of Japan, Ltd. (Trust Account)*	39,513,700	6.23
Anryu Shoji Co., Ltd.	33,120,000	5.22
Custody Bank of Japan, Ltd. (Trust Account)*	26,847,700	4.23
Yasuda Scholarship Foundation	14,400,000	2.27
JP MORGAN CHASE BANK 385632	10,874,437	1.71
GIC PRIVATE LIMITED - C	7,739,200	1.22
STATE STREET BANK WEST CLIENT - TREATY 505234	7,567,536	1.19
GOVERNMENT OF NORWAY	7,074,295	1.12

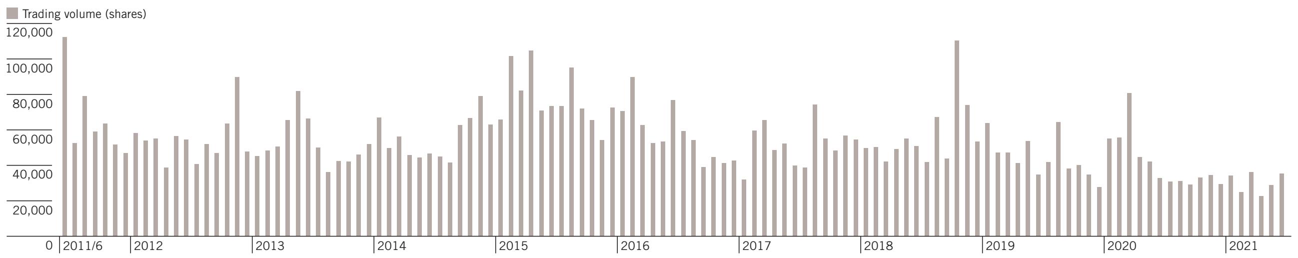
* The number of shares held by trust accounts include shares in trust.
Note: Treasury stock (18,924) has been deducted from the calculation of the shareholding ratio.

Trends in Stock Price



* The 100 value is based on the closing price on June 30, 2011.

Trends in Trading Volume



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.

PPIH
Pan Pacific International Holdings

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