PPIH

Pan Pacific International Holdings

Integrated Report 2022

The PPIH Group's Steadfast Guidelines for Behavior

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 Source Management"

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.

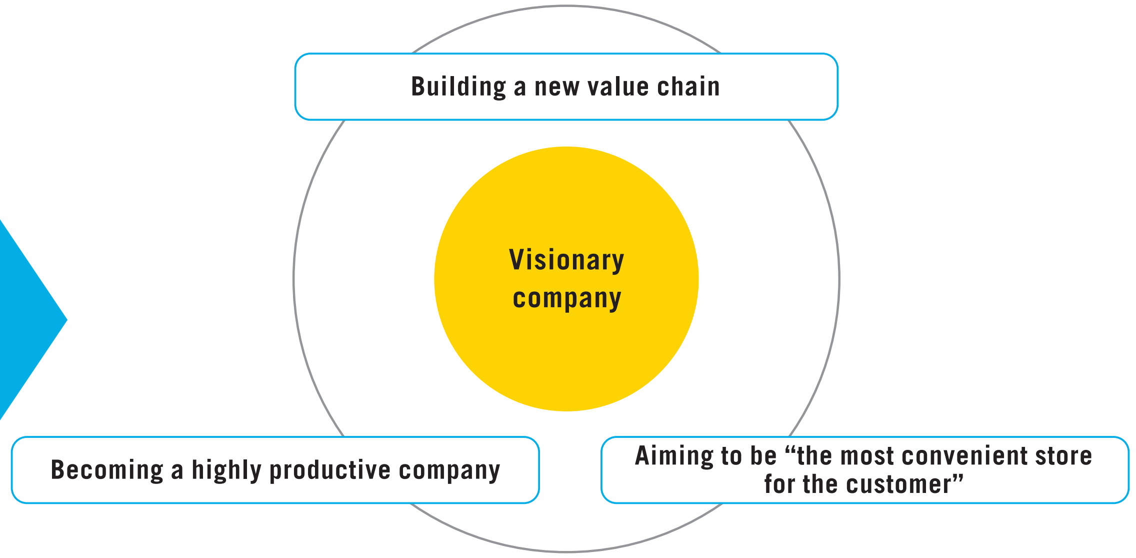
Precept 6
Undistracted by easy profits, we hone to perfection the strengths that form our core business.

Takao Yasuda
Founding Chairman and Supreme Advisor

The PPIH Group in the Future

Based on the principle "The Customer Matters Most," the PPIH will continue to serve changing customers and society

- A company that adheres to the PPIH corporate principle "The Customer Matters Most" first in every corner of the organization
- A company that responds to change and takes on challenges boldly
- A company that constantly grows and continues to set bold goals
- A company that targets innovation to take its core values to the next level
- A management team that is ambitious for the growth of PPIH as a company, not for personal goals, and that can pass the baton of management and continuous growth to the next generation in a timely manner



- ☑ Creating long-term sustainable social and economic value
- ☑ Simultaneously contributing to stakeholders and increasing the PPIH Group's corporate value

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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. In order to realize a visionary company that will survive and thrive in the post-COVID-19 new normal, our policy is to uphold our principle of "The Customer Matters Most" and strengthen sustainability initiatives to support sustainable growth and corporate value enhancement. 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, 2021 – June 30, 2022
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.

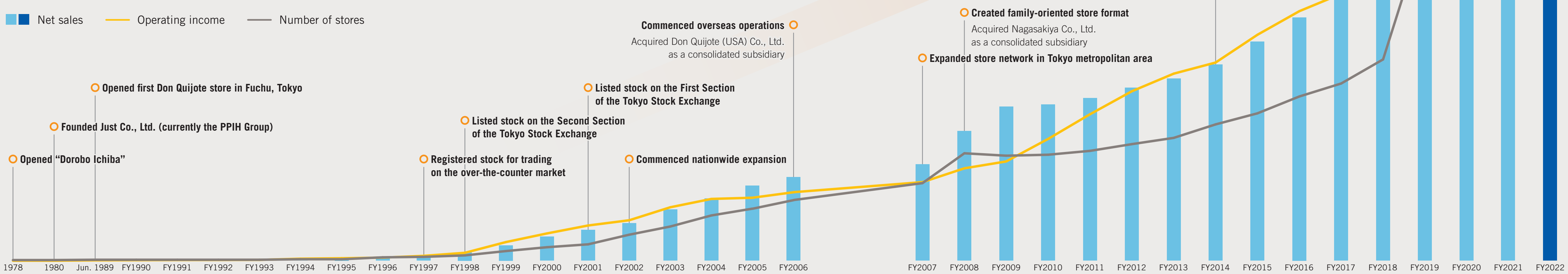
Page links have been provided for the sections where more detailed information is available online. Click on this symbol to go to the linked webpages.

The History of Creating Corporate Value

Continual reform of "the future" 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 33 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
¥1.83 trillion

Operating Income
¥88.7 billion

Number of Stores
699 stores
* As of June 30, 2022

Delegation of authority and the ability to adapt our enduring strengths born from pursing the principle of "The Customer Matters Most"

Our roots

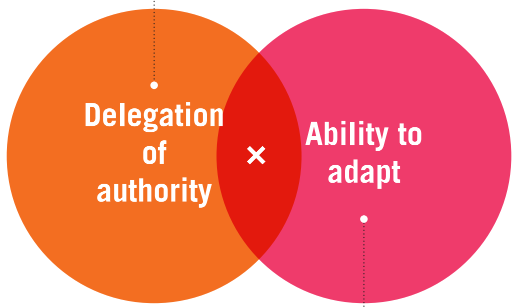
In 1978, founder Takao Yasuda opened the miscellaneous goods store Dorobo Ichiba, the predecessor of the PPIH Group. Despite starting this business without any retail experience, he passionately exhibited a commitment to "The Customer Matters Most." While convenience stores closed by 11 pm at that time,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

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.



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.

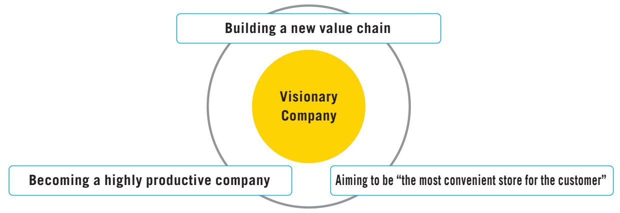
Further refining our ability to adapt to changes so as to achieve rapid progress in an era of distribution revolution

The evolution of profit management in response to changes in the operating environment

In light of the rapid changes in the market environment in Japan, we are promoting "evolution of domestic profit management" through self-reform for both our Discount Store (DS) and GMS businesses, in order to uphold our principle of "The Customer Matters Most" in the post-COVID-19 new normal. With our digital data strategy, we are building a business promotion structure with the finance business as a new pillar, aiming to realize business growth through our customer base consisting of credit card and app members. Moreover, we are working to deepen customer understanding and provide new customer experiences by setting up seamless channels between our physical and online stores. Overseas, we are strengthening our portfolio by opening Japan-brand specialty stores in both North America and Asia. With regard to sustainability activities, we are promoting and strengthening diversity and other ESG initiatives, with efforts led by our committees.

Aiming to be a visionary company that is essential for consumers and a society that have been transformed

Soon after the announcement of Passion 2030, the business environment changed significantly due to the COVID-19 pandemic. Two-and-a-half years have passed since then, and we have revised our future growth strategy and numerical targets to reflect these changes and announced the new Visionary 2025/2030. The PPIH Group aims to be a visionary company that embodies our 2030 ideal of being "a company that adheres to the principle 'The Customer Matters Most,'" "a company that responds to change and boldly takes on daunting challenges," and "a company that constantly grows and continues to set bold goals." We will be a company that improves profitability in our domestic business, expands our business scale, improves profitability in our overseas business, and works to realize a sustainable society and company through our ESG activities.



☑ Creating long-term sustainable social and economic value
☑ Simultaneously contributing to stakeholders and increasing the PPIH Group's corporate value

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 are evolving into an international corporate group with sales exceeding approximately 1.8 trillion yen.

Business portfolio

Domestic Discount Store Business

In addition to Don Quijote, we are rolling out specialized stores such as Okashi Donki (specializing in confectionery) and Kirakira Donki, as well as PB/OEM products that offer convenience, discounts and amusement (CV+D+A) and fit their stores' image. By doing so, we are creating shop floors that are constantly changing and where customers can always find something new.

Domestic GMS Business

We are increasing the number of Apita, Piago, and U-Store comprehensive retailers. By further promoting individual store management, we aim to create stores that receive the highest levels of support from their communities and where customers can enjoy shopping and feel comfortable.

Overseas Business

We have increased the number of our stores in Hawaii and California in the United States, as well as in Singapore, Thailand, Hong Kong, and elsewhere in Asia. While striving to earn the support of customers with Japanese and other products, we are also actively developing new business formats (such as the restaurant and retail business).

Finance Business

We have positioned the Finance Business as a new pillar and are building a system for promoting the business that is linked to our Group's e-money app "majica." We aim to achieve business growth by enhancing the app's functions and convenience, and further increasing the number of members, among other initiatives.

Store network

Japan
604 stores

Domestic Discount Store Business

Don Quijote	237
MEGA Don Quijote*1	140
MEGA Don Quijote UNY*1	59
Picasso, etc.*1	32

Domestic GMS Business

Apita, Piago*1	136

*1 "MEGA Don Quijote" includes NEW MEGA Don Quijote, "MEGA Don Quijote UNY" includes Don Quijote UNY, "Picasso, etc." includes Picasso, Essence, Kyoyasudo, Ekidonki, Soradonki, Jonetz Shokunin, Nagasakiya, etc., "Apita, Piago" includes U-STORE, Piago Power, Power Super Piago, etc.

Number of Group stores 699 stores
*Number of stores: as of June 30, 2022

Honk Kong 9 stores
DON DON DONKI 9

Thailand 4 stores
DON DON DONKI 4

Malaysia 2 stores
DON DON DONKI 2

Singapore 12 stores
DON DON DONKI 12

Taiwan 2 stores
DON DON DONKI 2

Macau 1 store
DON DON DONKI 1

California 37 stores

MARUKAI	4
TOKYO CENTRAL	6
Gelson's	27

Hawaii 28 stores

Don Quijote	3
MARUKAI	1
Times*2	24

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

Performance

Business size

Consolidated net sales: ¥1,831.3 billion (7.2% increase year-on-year)

Number of Group employees: 16,912

Shop floor area: 2,525,720㎡ (3.1% increase year-on-year)

Number of purchasing customers: 664 million

Earning power

Operating income: ¥88.7 billion

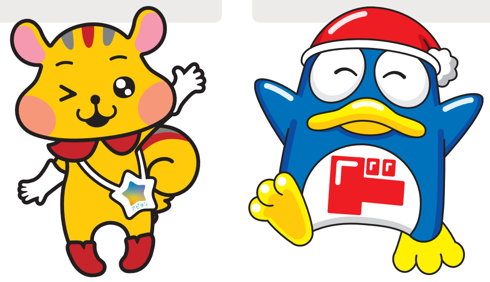
ESP: ¥102.64

ROE: 15.3%

Capital strength

Total assets: ¥1,383.7 billion

Total net assets: ¥399.2 billion



Top Message

Under our principle of “The Customer Matters Most,” we will refine our strengths and continue our profit growth to achieve operating profit of 200 billion yen in 2030

Naoki Yoshida

President, Representative Director and CEO

Shifting gears from the COVID-19 era to the post-COVID-19 era
Reflecting on fiscal 2020-2022

First, I would like to express my deepest gratitude for the constant and generous support of all our Group’s stakeholders.

The PPIH Group announced its previous medium-term management plan, Passion 2030, in February 2020. However, the world plunged into the COVID-19 pandemic shortly after that. Our domestic business has continued to face a difficult business environment, including a major decline in sales as inbound tourist sales disappeared after March 2020. Despite this, the PPIH Group was able to achieve its 33rd consecutive fiscal year of sales and profit growth in the fiscal year ended June 30, 2022.

Having experienced rapid and unexpected changes to the business environment, this fiscal year, we shifted gears from prioritizing sales to a business strategy and policy focused on profits, in order to change our business model to one suited for the post-COVID-19 era. We feel that we have produced a level of tangible results in our preparations for the post-COVID-19 era.

Our medium-to-long term management plan for becoming a visionary company
From Passion 2030 to Visionary 2025/2030

Two-and-a-half years have passed since the announcement of Passion 2030. The PPIH Group has revised its future growth strategy and numerical targets to reflect the changes in the post-COVID-19 business environment, and newly announced Visionary 2025/2030. Even as we face a changing business environment, we aim to be a visionary company that is essential for consumers and society that have been transformed, based on our principle of “The Customer Matters Most.”

The term “visionary” was inspired by the book *Built to Last: Successful Habits of Visionary Companies* by Jim Collins. In the book, Collins writes, “Keep in mind that all products, services, and great ideas, no matter how visionary, eventually become obsolete. ... But a visionary company does not necessarily become obsolete, not if it has the organizational ability to continually change and evolve beyond existing product life cycles.”

We understand that a visionary company is one that can continue to grow over a long period of time. We have incorporated this into the name of our Group’s medium-to-long term management plan, which calls for continued insatiable pursuit of profit and the promotion of ESG.

Our people are our greatest core value for becoming a visionary company

We believe that PPIH’s core values for becoming a visionary company are our name (branding), stores, products, and human resources.

Our Don Quijote and DON DON DONKI store names hold major value for our Group. The mere mention of them conjures up powerful images in our customers’ minds. Our stores and products constitute the brand. We have a wide variety of business formats, products, and services, but the fact that our brand, stores (for which we use the term “shop floors”), and products have a consistent image among customers is a great source of strength for us.

Within that, our greatest core value, our greatest source of strength, so to speak, is our human resources.

Our Group’s human resources are characterized by their independence and strong commitment to achieving goals. The overwhelming majority of our employees contribute to enhancing our corporate value by implementing our principle of putting the customer first with a frontline perspective. Furthermore, our Group’s management is founded on the “delegation of authority.” For people who are not proactive, this can be painful, but our human resources crave it and take on challenges with ingenuity. To implement our various measures, we need to have the unity and ability to get things done that they provide on the frontlines. When it comes to our medium-to-long term management plan as well, there is no doubt that maintaining the motivation of our employees, who are the engine of our business, is critical to determining its success or failure.

Initiatives to achieve operating profit of 200 billion yen in 2030

In Visionary 2025/2030, we removed the long-term sales target that we had previously set, and instead set numerical targets of 120 billion yen in operating profit (2 trillion yen in sales) for the fiscal year ending June 30, 2025, and 200 billion yen in operating profit for the fiscal year ending June 30, 2030. The plan for the fiscal year ending June 30, 2025 does not take into account inbound tourism sales. In addition, we set a goal of achieving operating profit of 200 billion yen in the fiscal year ending June 30, 2030 by continuing to grow profits at an average annual rate of more than 10% while responding to possible future changes to the business environment.

Visionary 2025/2030 sets forth three basic policies for achieving our targets: “Building a new value chain,” “Adhering to the principle of ‘The Customer Matters Most,’” and “Becoming a highly productive company.” We will implement various measures during each period of the plan. (→ P. 11 “Growth strategy of Visionary 2025/2030”)

Particularly with regard to productivity, we will make further improvements to enable active investment in our people. To achieve the targets of the another extremely important factor is improving the skills of our employees, who are one of our core values.

In addition, after implementing measures to control SG&A expenses and improve efficiency through IT and DX, we will focus our limited number of human resources on “areas where manpower is needed,” in order to offer convenience, discounts, and amusement (CV+D+A), which is our Group’s unique value. In particular, we will work on store creation, product lineups, and PB development that offer our customers amusement, which will result in increased profits.

Improving profit margins over the next three years with measures in Japan and overseas

For our domestic business, we aim to improve our profit margin and achieve operating profit of 93 billion yen in the fiscal year ending June 30, 2025 by implementing measures to adapt to market contraction and changes in the competitive environment. (→ P. 12 “Growth targets for Domestic Business”)

The first measure for our domestic business is to accelerate the shift to PB/OEM, which we refer to as promotion of SPA. We believe that, while securing gross profit by increasing the PB/OEM ratio, we can also continue to create appealing shop floors where customers can always find “something new” based on the perspective of “The Customer Matters Most.” We will strive to improve our know-how in planning, development, pricing, and other areas, and create a system that reflects customer feedback, to raise the PB/OEM ratio to 25% and the merchandise gross profit margin to 27.5% in three years.

Secondly, we will work on our digital CRM measures. We will intensively strengthen the functions of our majica app, then, mainly through the app, we will expand our offering of CV+D+A, the source of our Group’s competitive advantage, beyond our stores and provide people with new shopping experiences.

For our overseas business, we aim to achieve higher profitability and realize operating profit of 27 billion yen in the fiscal year ending June 30, 2025 by expanding the scale of operations through continued store openings and building a global value chain. (→ P. 14 “Growth targets for Overseas Business”)

We will increase our stores in Asia and North America, not only for the DON DON DONKI business format, but also by developing, deepening, and expanding spin-off business formats such as SEN SEN SUSHI. We will also take on the challenge of building a new global value chain centered on PPIC. We will contribute to achieving Japan’s goal of five trillion yen in agricultural and marine product exports, and challenge ourselves to expand into more regions.

Solving environmental and social issues and realizing a sustainable society by adhering to the principle of “The Customer Matters Most”

The PPIH Group will work to solve environmental and social issues and contribute to realizing a sustainable society through our core business of general retail and based on our unchanging corporate principle of “The Customer Matters Most.” Centered on the Sustainability Committee, we have established a framework for promoting each ESG area, and are advancing initiatives to resolve the priority issues (materiality) we have identified. In terms of our major initiatives this fiscal year, we declared support the Task Force on Climate-Related Financial Disclosures (TCFD), conducted scenario analysis and disclosure based on the TCFD recommendations, and set the “PPIH Group decarbonization targets” to reduce CO_2 emissions from our stores by 50% from the fiscal 2013 level by 2030 and to achieve net-zero emissions by 2050. In addition, we established the PPIH Group Sustainable Procurement Policy and PPIH Group Supply Chain Code of Conduct to promote product procurement that addresses human rights and environmental issues in the supply chain. Moreover, we set goals to promote women’s participation and career advancement, including increasing the number of female store managers and improving the retention rate of female employees. Our project aimed at producing 100 female store managers has yielded results, with the number of female store managers doubling compared to the end of the previous fiscal year.

In recent years, global social and environmental issues have become more serious, and society is demanding that companies further promote sustainable initiatives. With more than half of our customers being women, promoting diversity is an urgent issue for the PPIH Group, both from the perspective of prioritizing customers and in terms of addressing chronic labor shortages and acquiring talented human resources. Our managers position diversity management as an important management strategy. We will take the responsibility to establish a diversity-oriented organization that respects and accepts the diverse values and individuality of all people involved in our corporate activities.

To our stakeholders

Our Group will achieve the Visionary 2025/2030 medium-to-long term management plan and maximize our corporate value by adhering to our principle of “The Customer Matters Most,” flexibly adapting our business model, and insatiably pursuing profit. We humbly request your continued kind support and encouragement.

Medium-to-Long Term Management Plan

Achievements to date under Passion 2030

Before implementation of Passion 2030

- We achieved Vision 2020 one year ahead of schedule, but the scale of our business grew so large that it began to be difficult to ensure everything was operating in synch.
- We majorly shifted our plan from quantity to quality, and focused on refining existing stores.
- We accelerated store digitalization through AI-based pricing and other efforts.

FY2019 Sales **1.3** trillion yen OP **63.1** billion yen

Passion 2030

Under Passion 2030, the PPIH Group sought to achieve three overlapping aims: 1) promote business passionately, 2) become the world leader, and 3) harness business to become a driving force.

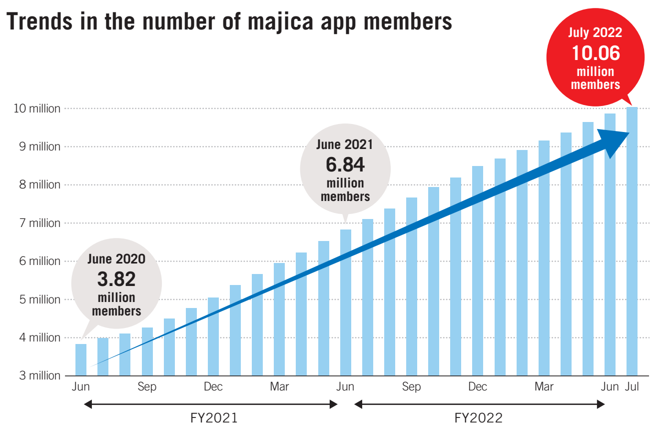
FY2022 Sales **1.8** trillion yen OP **88.7** billion yen

	Measures	Results
Domestic Business	Continued growth in DS business	• Opening new stores+creation of business format such as UDR • Expansion of PB ratio
Domestic Business	Profitability improvement in GMS business	• Operating income increased by approximately 14 billion yen (vs FY2019) Shift to individual store management has progressed
Domestic Business	Promotion of digital strategies	• **10 million registered app users (July 2022); preparations underway to enhance functionality.**
Domestic Business	Strengthen Finance Business	• Aim to achieve operating income of 10 billion yen in FY2026
Overseas Business	Expansion of overseas business	• **Asia business has grown to 30 stores with sales of 69 billion yen and OP of 1.7 billion yen.** • **North America business has grown to 65 stores with sales of 198.2 billion yen and OP of 10.4 billion yen.** • **Sushi and other restaurant and retail food business format has launched.**
Overseas Business	Promote SPA of food	• Acceleration of PPIC activities, PB sales to 6.5% of total

*Gelson's operation income is calculated after deducting amortization of goodwill (approx. 0.7 billion yen in FY2021 and approx.3 billion yen in FY2022).

The app will be overhauled to enhance its functions and convenience, and utilized as a core tool to provide new CV+D+A.

Trends in the number of majica app members



Opened a new business format sushi store (restaurant and retail) in Hong Kong. It serves approximately 90 kinds of seasonal ingredients, as well as Japanese brand rice that is locally milled. It also features performances such as a fish filleting show and a grilling show.

From Passion 2030 to Visionary 2025/2030

Immediately after the announcement of Passion 2030 in February 2020, there were major changes in the environment, mainly due to COVID-19, and the environment surrounding the retail industry and our company.

Major environmental changes

☑ Changes in consumer lifestyles/purchasing behavior due to COVID-19 ☑ Cost inflation ☑ Growing social demand for ESG

We have revised our future growth strategies and numerical targets to reflect these changes in the environment, and are now announcing them as Visionary 2025/2030

Visionary 2025/2030

Vision

Based on "The Customer Matters Most," PPIH will continue to serve changing customers and society.

What we consider to be a visionary company

☑ A company that adheres to the PPIH corporate principle of "The Customer Matters Most" in every corner of the organization.
☑ A company that responds to change and takes on challenges boldly.
☑ A company that constantly grows and continues to set bold goals.
☑ A company that targets innovation to take its core values (name = branding, stores, products and human resources) to the next level.
☑ A management team that is ambitious for the growth of PPIH as a company, not for personal goals, and that can pass the baton of management and continuous growth to the next generation in a timely manner.

Numerical targets

FY2025 Sales **2** trillion yen OP **120** billion yen (OPM 6.0%)

FY2030 OP **200** billion yen

Measures

Domestic Business

Improvement of profitability

- Expand business value chain (SPA reform, Finance business)
- Offer new CV+D+A through DX
- Promote organizational integration and productivity improvement
- Continuous business format creation

Overseas Business

Expand business scale and improve profitability

- Expand business scale by new store openings (Retail, as well as restaurant and retail)
- Improve profitability by establishing a global value chain

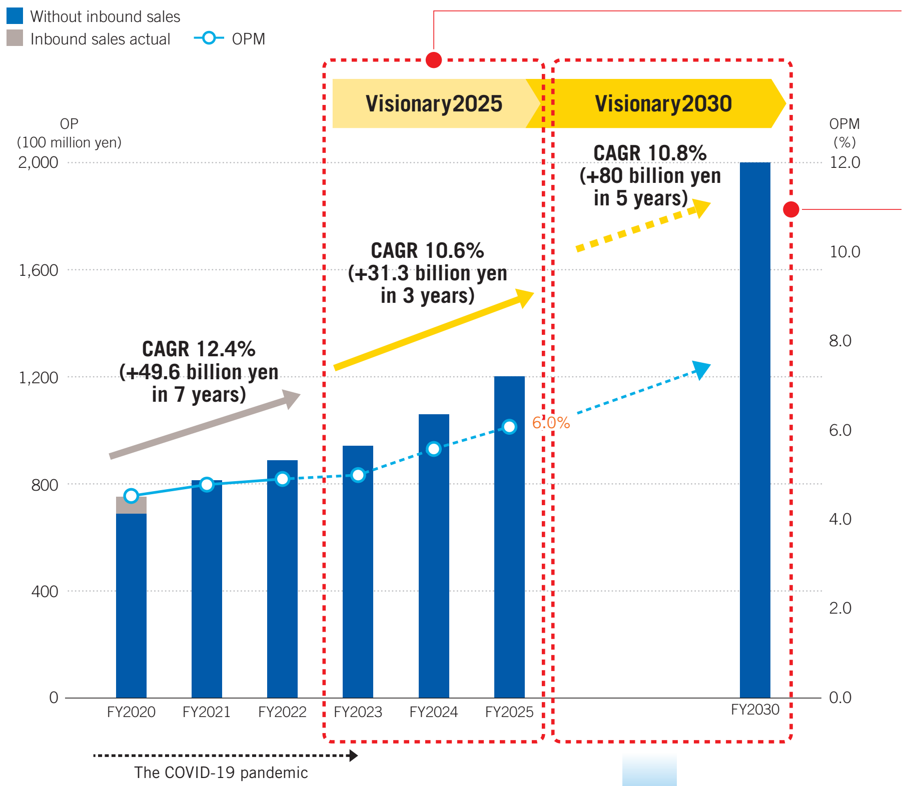
ESG Activities

- Realization of a sustainable society and corporation

Medium-to-Long Term Management Plan

Growth strategy of Visionary 2025/2030

Continued annual growth of more than 10% toward operating income of 200 billion yen in FY2030



Numerical targets are sales of 2 trillion yen and operating income of 120 billion yen.

Building a new value chain

- In the upstream of the value chain, aim for PPIH-style SPA. In the downstream, consider financial services including payment.
- To secure OP by focusing on improving gross margin, increasing productivity, and controlling SG&A expenses.

Revisiting the PPIH Group's corporate principle of "The Customer Matters Most," and aiming to be "the most convenient store for the customer."

Becoming a highly productive company

- By incorporating the labor distribution ratio as a management indicator, we will aggressively invest in "people."

Way to increase operating income

Expand/restructure the business value chain

Focus on "revenue per customer," which has been unattainable until now, and use the enhanced majica app as a core tool to achieve this goal.

Merchandising	Promote store visits by ads	Sales	Payment
Expand to upstream Improve gross margin by promoting PPIH-style SPA + enhance differentiation by original products + reflect customer's voices through the app	**Generate revenue using the majica app as an advertising medium** + CRM measures to enhance the purchasing experience	**Strengthened through DX** = new CV+D+A offerings for changing customer needs	**Expand to downstream** financial revenue from capturing "payment" + control outflow of costs to outside parties

majica

Growth targets for Domestic Business

Target Increase the profitability

Measures

Reference page: P.13

- Promote PPIH-style SPA
- Offer "New CV+D+A" through DX
- Organizational integration and promote efficiency improvement
- Continuous creation of business formats
- Strengthen Finance Business

<Quantitative targets>

Operating profit

	FY2022	FY2025
Domestic total	76.6 bil. yen	93 bil. yen (+16.4 bil. yen/+21.4%)
DS	36.3 bil. yen	45 bil. yen +8.7 bil. +23.8%
GMS	25.5 bil. yen	30 bil. yen +4.5 bil. +17.5%
Finance	0.6 bil. yen	6 bil. yen +5.4 bil. +906.7%
Others	14.1 bil. yen	12 bil. yen -2.1 bil. -14.9%

<Reference>

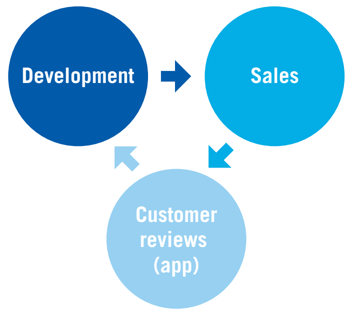
	FY2022			FY2025		
	DS	GMS	Finance	DS	GMS	Finance
OPM (Domestic total)	4.9%			5.7%		
OPM	3.3%	5.4%	3.1%	3.9%	6.4%	15.4%
ROIC	6.2%	4.8%	8.4%	7.1%	5.6%	55.0%

Measure

PPIH-style SPA

	PB/OEM ratio FY2022	PB/OEM ratio FY2025	Gross margin ratio (directly managed stores) FY2022	Gross margin ratio (directly managed stores) FY2025
Domestic total	15.3%	25.0%	25.5%	27.5%
DS Business	14.2%	25.0%	25.2%	27.5%
GMS Business	17.9%	25.0%	26.1%	27.5%

+ Including the effect of improved GPM of PB/OEM and NB products



Dev. Promote product development that can demonstrate "CV+D+A" that matches the image of our stores as a source of competitive advantage. Reorganization of MD/PB (strengthening of product development staff, start of SPA reform PJ, etc.)

Sales Narrowing down standard SKUs. Strengthening PB/OEM by shelf allocations and shop floors creation. Strengthen attractive and strategic items. By further strengthening the inventory turnover ratio, realize shop floors with "Something New" whenever customers come in.

Customer reviews (app) Create a mechanism to engage customers by utilizing customer data linked to majica member information and the review function (current "Do-Over Palace") of the majica app.

Medium-to-Long Term Management Plan

Growth targets for Domestic Business

Measure

Offer "New CV+D+A" through DX

Expand "CV+D+A" to outside of the store with the majica app as a core, further enhance the shopping experience, and realize a "new CV+D+A" with less or no stress.

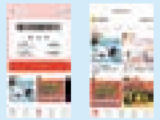
Before visit (=outside the store)	During visit (=inside the store)	After visit (=outside the store)
Recognition, interest and comparison	Experience and purchase	Share and spread

Until now

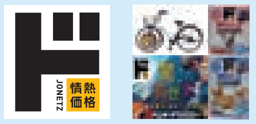
- **CV (Convenience)**
  - Store has everything you need
  - Open anytime
- **D (Discount)**
  - Low price
  - Make prices seem lower (display and presentation)
- **A (Amusement)**
  - Interesting discovery
  - The magical feeling of searching for products

From now on

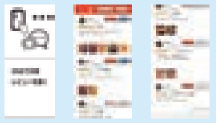
Further enhance the shopping experience through advanced app functions



[CV] CRM
Provide timely and appropriate information for each individual customer (coupons, discount information, etc.)
[CV] Product information search
Capable of grasping product information and searching inventory from outside the store



[D] Coupon・points
Consolidate sales promotion to majica
[CV] Service
Various services are even more convenient with the app



[A] Review posting
Review and posting functions for purchased products allow the real voices of customers to be shared (enabling customer-participatory product development)

Measure

Promote organizational integration and productivity improvement

Improve company-wide cost efficiency by further promoting organizational integration

- Since the DS and GMS businesses differ only in customer base, establish a more efficient and robust operational structure while maintaining the business format
- Improving the efficiency of operations through consolidation of MD HQ, and further enhancing individual store management

Improve efficiency and manpower-saving in store operations through DX

■ Areas where manpower is needed

- Store management (spot purchasing, creating shop floors, etc.)
- Activities to provide feedback to HQ on PB/OEM product development and purchasing areas through gathering customer insights

■ Areas where efficiency improvement is needed

- improve operational efficiency through automation and mechanization

Measure

Expansion of financial revenue by capturing "payment"

■ In-house payment ratio

FY 2022 39.0% → FY2025 50%+α

■ Operating income target for Finance Business

6 billion yen in FY2025

(1) Reduce outflow of payment costs (0.5~1 billion yen)

- Increase in-house payment ratio = Reduce payment costs by reducing other companies' payment ratios (reflected in P/L of retail business)
- In-house production of payment fees and cost reduction through the start of the merchant services (from June 2022)

➡ **Total cost reduction of about 1.3 billion yen in FY2023**

(2) New financial revenue (5~5.5 billion yen)

- Expand earnings by offering revolving/deferred payment
- Earning revenue through use of majica outside the group (Will be able to use more than 100 million VISA member stores worldwide)
- Providing additional services such as mutual funds and insurance products

(3) Contribute to the upstream of the value chain through data utilization

- Boost P/L of retail business by utilizing purchasing data for product development and generating advertising revenue.

Growth targets for Overseas Business

Target	Business scale expansion and profit margin improvement
Measures	• Scale expansion by opening new stores (enhance efforts in the new business format (restaurant and retail, etc.)) • Improve profitability by establishing a global value chain

<Quantitative targets>

	FY2022		FY2025	
Operating profit	Overseas total 12.1 bil. yen		Overseas total 27 bil. yen (+14.9 bil. yen/+123.1%)	
	North America	Asia	North America	Asia
	10.4 bil. yen	1.7 bil. yen	15.8 bil. yen (+5.4 bil. yen/+51.9%)	11.2 bil. yen (+9.5 bil. yen/+558.8%)
<Reference>				
Number of stores (retail)	65	30	78 (+13)	64 (+34)
OPM	5.3%	2.5%	6.8%	8.2%
ROIC	10.9%		16.3%	

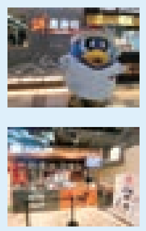
Measure

Expanding business scale by continuing to open new stores

- In the retail business, the Company will expand store openings in both Asia and North America. In particular, efforts will be made to open "Japan Brand Specialty Stores" in North America to expand business potential.
- Put efforts to expand the new formats (restaurant and retail, etc.) in Asia and North America, led by "SEN SEN SUSHI."

	The end of FY2022	The end of FY2025
Asia Sales FY2022 69 bil. yen FY2025 136 bil. yen	30 stores	64 stores
	+34 stores (14 stores confirmed, 8 stores under negotiation) *Breakdown by area SG 7 stores, TH 8 stores, HK 6 stores, TW 5 stores, MY 7 stores, MO 1 store	
North America Sales FY2022 198.2 bil. yen FY2025 234 bil. yen	65 stores	78 stores
	+13 stores (6 stores confirmed, 2 stores under negotiation) North America 8 stores, Hawaii 2 stores, Guam 1 store, Gelson's 2 stores	

Expand the new formats (restaurant and retail, etc)



Measure

Improving profitability by establishing a global value chain

Become a company that plays a central role in the "5 trillion yen export of Japanese agricultural and marine products," with PPIC at the center, and promote business not only in retail stores but also in a variety of business formats/sales channels.

Producer → Distribution → Sales

Strengthen overseas PB

Sales composition
6.5% → over 20%

- Plans to expand PB products by focusing on perishable products that are gaining support overseas

Strengthen procurement network of primary products

Export amount
About 6 bil. yen
→ over 10 bil. yen

- Securing producer's profits to ensure sustainable trade
- Reducing procurement costs by trading at upstream

Supply chain management

Direct exports from the place of origin (Made in Japan)

- Export directly from production areas to create the fastest supply chain, bringing the freshness and taste of Japan to abroad

Interview on Strategic Management

Accelerating efforts to build a business model for the new normal based on Visionary 2025/2030

Hideki Moriya

Director, Managing Executive Officer and CSO
General Manager of Corporation Management and Strategic Headquarters

33 consecutive years of increasing sales and operating profit, achieved with PPIH's unique strength in human resources

Despite dramatic changes to the business environment due to the COVID-19 pandemic, the PPIH Group has achieved 33 consecutive years of increasing sales and operating profit by boldly implementing a variety of new measures. This could not have been achieved without the ability of our frontline employees to take on numerous challenges with a sense of speed, and I am reminded once again that the greatest strength of our Group lies in our human resources.

Our Group's human resource strategy is centered on the question of which stage and role would allow each person to achieve their optimal performance. We have promoted employee satisfaction and motivation through unique measures such as establishing a fair and competitive environment that is open to all regardless of their past job history or position, as well as affording everyone substantial discretion through the delegation of authority. Such practices to develop human resources and shape our organization have been passed down through our history and have taken root as part of our corporate culture, and we believe they are one of the factors behind our continued growth and our edge over other companies.

Adapting to changes in the environment and starting to review our value chain

At the same time as we are adapting to changes in the environment, from a post-COVID-19 perspective, consumer behavior is undergoing a major transformation due to factors such as restrictions on people's movement imposed during the pandemic. Customers are now coming to stores after having first learned about certain products at home, for example via the internet or on social media. This has led to people going shopping less often and for less time. In addition, competition around products and prices has intensified among retailers as a result of these changes, and we must now create stores and product mixes with greater differentiation than ever before.

Even after the pandemic ends, the changed consumer behavior is not expected to return to what it once was. It is essential for companies to quickly adapt to these changes in order to continue to meet the rapidly transforming market needs of the so-called "new normal." These are the kinds of challenges we face, and we are engaged in self-reform to overcome them. The overall direction of such efforts has been to advance numerous measures to shift from a strategy centered on the idea of sales supremacy to one that is profit-oriented.

We have completed preparations, with these measures having already produced a certain level of results. We have also revised our medium-term management plan, Passion 2030, to reflect the changes to the business environment since its announcement in February 2020, and announced our new medium-to-long term management plan, Visionary 2025/2030.

Becoming a corporate group that continues to grow profitably while adapting to the new normal

In our medium-to-long term management plan, Visionary 2025/2030, we have removed sales for FY2030 from the numerical targets.

The first reason for this was to reflect changes in the Group's business structure and to ensure a degree of freedom of management. In the previous business model premised on a single DS business, sales were an important management indicator. However, in recent years, we have started developing multiple businesses, including our GMS, financial, and overseas businesses, and we no longer have a structure in which simply increasing sales will increase profits.

The second reason was to promote a shift from sales to profit on the frontlines. Until now, frontline work has been oriented towards three indicators: sales, gross profit (profit margin), and turnover ratio. Going forward, however, in order to increase operating profit, we will place particular emphasis on "gross profit margin/amount" and "turnover ratio," and promote operations based on these two indicators. We have set numerical targets of 120 billion yen in operating profit for FY2025, and 200 billion yen for FY2030.

For our domestic business, we aim to achieve operating profit of 93 billion yen in FY2025 by promoting PPIH-style SPA, providing "new CV+D+A" through digital transformation, promoting organizational integration and productivity improvement, and strengthening our Finance Business.

For the promotion of PPIH-style SPA, we have set a quantitative target of 25.0% of PB/OEM sales ratio after three years. Besides strengthening our development and sales systems, we will also directly reflect customer feedback in product development, utilizing reviews on the majica app and other means, and steadily build a cycle entailing "development → sales → customer evaluation."

For DX, we will concentrate on enhancing the functions of the majica app in order to provide "CV+D+A" not only in stores, which had been the case until now, but also outside stores. We will integrate multiple services, such as payment, reviews and other customer engagement functions, promotions, and the addition of search functions, into one app to further enhance users' shopping experience and provide "new CV+D+A" with less (or no) stress.

As for organizational integration, because our DS and GMS businesses only differ in terms of customer base, we will maintain their respective business formats but integrate the MD headquarters that support them, in order to improve operational efficiency and further strengthen individual store management.

In terms of productivity improvement, we will focus on areas where manpower is needed to improve the quality of store operations and profit margins in the face of labor shortages and rising labor costs. For example, in our DS business, labor costs are expected to increase by more than 3% annually, and we will maintain the labor cost ratio by improving productivity in response to this increase.

In addition, we aim to grow our Finance Business as a new pillar by expanding earnings through means such as enabling the use of our app-based payment service externally.

For our overseas business, we will expand store openings in Asia and North America with the aim of achieving operating profit of 27 billion yen by 2025. We feel that we have made tangible progress in expanding our overseas customer base, as shown by the success of DON DON DONKI as a Japan-brand specialty store in Asia. In the future, we plan to expand the supply of such products to North America, where we have had almost no new store openings, as well as places such as Guam and Hawaii, by, for example, considering opening experimental stores similar to the DON DON DONKI model, with the aim of establishing and spreading the "Japan brand" locally. Besides expanding our network of stores, we will seek to grow our new "restaurant and retail" business format in Asia and North America, focusing on SEN SEN SUSHI stores, and work to generate new business opportunities.

In addition, as the number of stores increases, so too does the volume of products supplied by PPIC, as well as the number of cooperating partners, including members, producers, governments, and logistics companies. We believe that a major factor in our success to date has been our ability to create a unique flow whereby store expansion generates further supply. We intend to promote our business by playing a major role in helping Japan achieve its goal of exporting five-trillion-yen worth of agricultural and marine products, with PPIC central to those efforts.

To our stakeholders

As a Group, we have been further enhancing our ability to adapt to change by leveraging our greatest strength, which is our human resources, and have built a robust sales structure that will ensure profitability even as the COVID-19 pandemic persists. We are already prepared for the post-COVID-19 era. Going forward, based on Visionary 2025/2030, we will achieve sustainable growth and our numerical targets in the rapidly changing market, while continuing to evolve the new business structure we have built to date. We humbly ask for your continued kind support and patronage.

Interview with the CFO

Announcement of the medium-term targets through FY2025 Continuing to achieve high profit growth while improving the efficiency of invested capital

Keita Shimizu

Director, Executive Officer and CFO

Reflecting on FY2022

In the fiscal year ended June 2022, net sales were 1.8313 trillion yen and operating profit was 88.7 billion yen, which exceeded our initial target of 85.0 billion yen. As a result, our net sales and operating profit both reached record highs, and we have achieved sales and profit growth for 33 consecutive fiscal years.

Although the first quarter did not go as planned due to external factors such as the spread of COVID-19 and bad weather, we achieved increased profits from the second quarter onward. This was thanks to the steady effects of strategic measures such as strengthening PB/OEM products, enhancing pricing accuracy, and improving the inventory turnover ratio, especially in the domestic DS business. For our overseas business, we have also launched future-focused challenges by opening new locations and creating further demand for Japanese products through new business formats such as sales of sushi and milled rice.

In summary, I believe that we were able to demonstrate our corporate strengths of overcoming difficult situations through Group-wide efforts and achieving results. I would like to express my deep appreciation for the efforts of our stores as well as the support of our customers and other stakeholders.

Management strategies aimed at 3 and 10 years from now

In August 2022, we announced Visionary 2025/2030 as our new medium-to-long term management plan. The numerical targets are net sales of 2 trillion yen and operating profit of 120 billion yen for the fiscal year ending June 30, 2025, and operating profit of 200 billion yen for the fiscal year ending June 30, 2030.

Particularly in the three years leading up to and including 2025, we will take into account the changes to the post-COVID-19 business environment and speedily adapt to these external changes by enhancing profitability through the establishment of a new value chain, including further PB/OEM strengthening and the enhanced functionality of the majica app.

In addition, we believe that these efforts to strengthen profitability will lead to an improved rate of return on invested capital (ROIC) from a financial perspective as well.

While our business growth to date has been achieved by expanding our invested capital and borrowings with a focus on new store openings, going forward, our profit growth will be achieved by increasing the profitability of each of our stores, the number of which we have been firmly expanding. We expect to improve our ROIC and other such indicators each year as we achieve profit growth without capital investment.

From a cash flow perspective, investment cash flow will be restrained, while operating cash flow will be expanded. This will result in increased free cash flow and an accompanying improvement in our financial health, which we believe will further increase the capacity for shareholder returns over the medium to long term.

ESG-related initiatives

In the current fiscal year, we have strengthened our ESG Promotion Framework by again identifying key issues (materiality) for our Group, establishing a Sustainability Committee, and other initiatives. As a result, we have made progress in several areas, as I will introduce below.

Firstly, with regard to our response to climate change, we announced our endorsement of the Task Force on Climate-Related Financial Disclosures (TCFD) in February 2022, conducted scenario analysis based on the TCFD recommendations, and identified and disclosed risks and opportunities. We have also set CO_2 emission reduction targets.

Secondly, with regard to our supply chain, we established the PPIH Group Sustainable Procurement Policy in January 2022 so as to ensure we account for human rights and environmental issues when procuring products. Because the understanding and cooperation of our suppliers are essential to achieving this, we have established the PPIH Group Supply Chain Code of Conduct and ask for their understanding and compliance with the PPIH Group Sustainable Procurement Policy. In July 2022, we started a self-check survey questionnaire on human rights, the environment, and other such issues for our PB product partners. We will analyze the results and continue to cooperate with our partners to detect various risks.

In terms of diversity promotion, we established the Diversity Management Committee (DM Committee) in the fiscal year ending June 30, 2021 to promote women's participation and career advancement. The DM Committee has been working for more than a year to analyze and discuss the effects of various measures and data, and has set new goals for women's participation and career advancement that are suitable for our Group, such as "improving the retention rate of female employees" and "increasing the number of female managers to 100." We will plan and implement various measures to achieve the targets for 2026 and 2030. (See page 27.)

We will reflect these ESG initiatives in our business activities, continue to fulfill our social responsibility through our business as a retailer, and contribute to the realization of a sustainable society.

Policy on shareholder returns

In January 2022, we decided to introduce our new shareholder benefit program. The purpose of this program is to live up to the constant support we receive from our shareholders, to encourage more people, including our customers, to hold our shares over the medium to long term, and to further deepen their understanding of our Group through purchases at our Group stores. We hope that everyone will experience the appeal of our Group's products and exciting shop floors by shopping at our stores.

With regard to dividends, we will continue to return profits to shareholders based on our progressive dividend policy, with a dividend payout ratio of 20% or more over the medium term, while maintaining a balance with investments for growth. We will also consider share buybacks on a case-by-case basis as necessary, based on a comprehensive consideration of multiple factors, including our dividend capacity, financial health, future investment prospects, and stock price conditions.

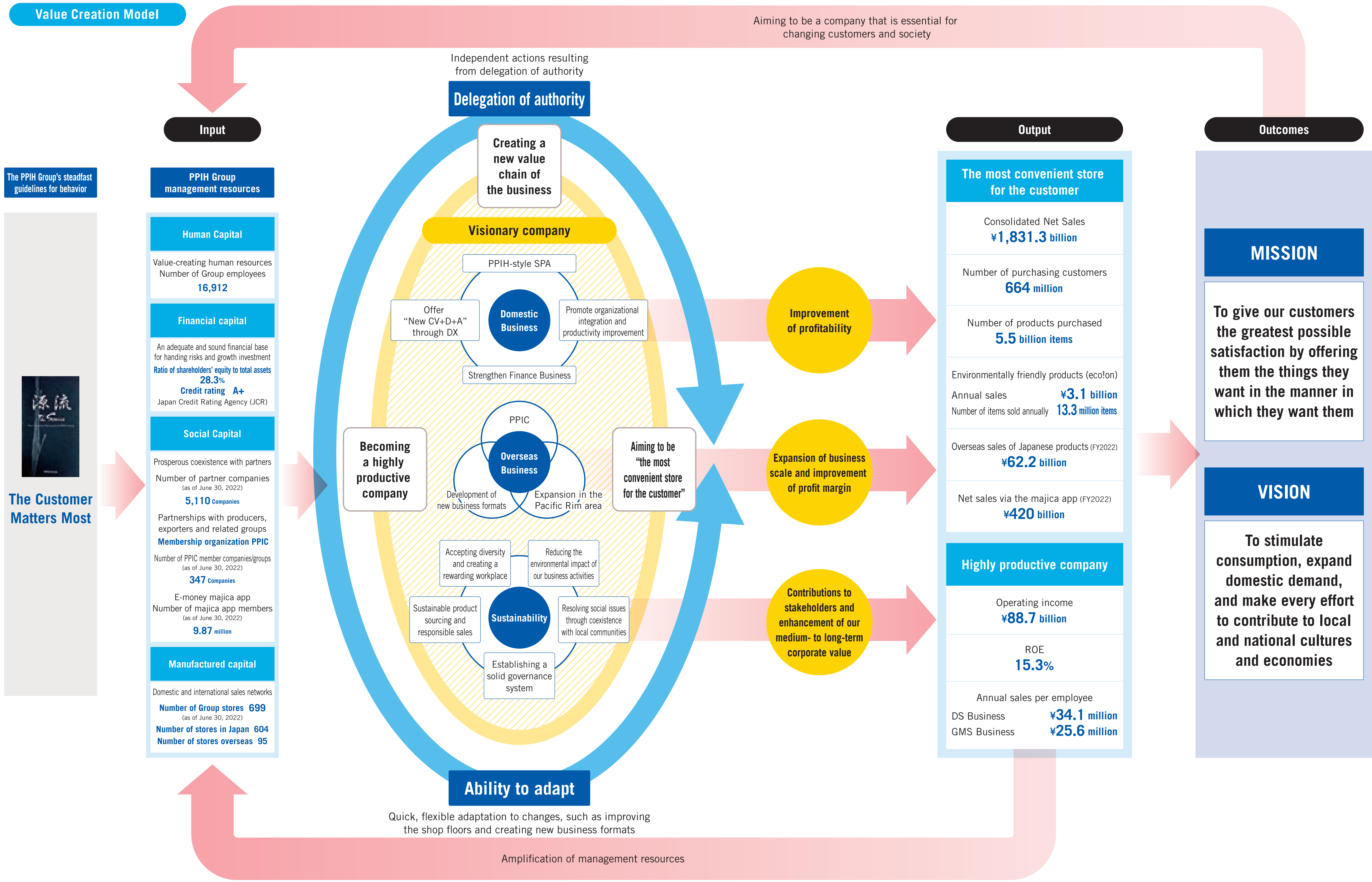
To our stakeholders

The importance of ESG is growing worldwide. As various global issues become more serious, society is making ever stronger demands for companies to solve these social problems. As a retailer with global operations, the PPIH Group recognizes that we have an important mission to contribute to resolving social issues and realizing a sustainable society, centered on the corporate ideals raised in *Genryu* ("The Source"). To achieve this, it is essential for us to sincerely listen to the voices of many different people in society and to strive to accurately understand their needs.

By continuing to actively exchange opinions with our customers, shareholders, investors, and other stakeholders, the PPIH Group will build strong trusting relationships that will lead to the co-creation of the new value demanded by society. We hope that this integrated report will help deepen understanding of our Group.

We will continue to actively develop our business, enhance our corporate value, and live up to your expectations. Please kindly extend us your continued support.

Value Creation Model



Disclosure in Line with the TCFD Recommendations

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Task Force on Climate-Related Financial Disclosure (TCFD)

We recognize that addressing the issue of climate change is an important issue for the sustainable development of the PPIH Group and the enhancement of corporate value over the medium and long term. To accelerate and ensure these efforts, in February 2022, we declared support for the Task Force on Climate-Related Financial Disclosure (TCFD) and conducted scenario analysis and disclosure based on the TCFD recommendations.

Activities in FY2022 and future plans

- ☑ Identification of climate change risks and opportunities in 2030 based on scenario analysis for domestic retail business and the food sector in FY2022
- ☑ Expand the scope of our scenario analysis to include categories other than food products and overseas business to identify risks and opportunities.
- ☑ Work with business partners to build an environmentally conscious supply chain, leading to reduction of Scope 3 CO_2 emissions

Governance

The Sustainability Committee, chaired by the Executive Officer and Head of Risk Management, is taking the lead in addressing climate change. The Committee promotes initiatives to conduct scenario analysis based on the TCFD recommendations, consider measures to address identified risks and opportunities, reduce CO_2 emissions, reduce waste, and other matters.

Board of Directors / President, Representative Director and CEO

Director, Executive Officer and CFO

ESG Promotion Section, IR Division

Sustainability Committee

Chair: Executive Officer
Head of Risk Management
Outside Committee member:
Hidemi Tomita
(Institute for Sustainability Management)

Themes of subcommittees:

- Climate change scenario analysis (TCFD)
- Reduction of CO_2 emissions
- Plastic reduction
- Waste reduction and promotion of recycling
- Supply chain management
- Initiatives to address environmental issues in overseas operations

Risk management

In response to risks related to climate change, if a large-scale disaster occurs, our frontlines (stores) flexibly assess the situation and swiftly respond based on our business continuity plan (BCP) and through "delegation of authority," our management philosophy. In the future, we will incorporate climate-related risks into our company-wide risk management, for example, the Sustainability Committee will identify, evaluate and manage climate-related risks, and we will establish a system to share issues with the Risk Management Headquarters.

→ Related page: P.38

Strategy

Identification of significant risks / opportunities

PPIH has identified risks and opportunities based on changes in the social environment in 2030 for the 1.5°C scenario, which assumes that strict policies and regulations will be implemented to move toward a decarbonized society, and the 4°C scenario, which is an extension of current policies. In the future, we will consider countermeasures in order to ensure business continuity under either scenario.

Strategy: scope of analysis (1.5°C and 4°C scenarios)

1.5°C scenario, as of 2030

Risk categories	Risk items	Risks	Opportunities for the business
Transition Risks Policy and Legal Risks	Greenhouse gas (GHG) emission reduction requests	• Higher store operating costs due to carbon dioxide emission regulations • Higher costs due to stricter regulations on food disposal • Higher equipment costs due to replacement with natural refrigerant equipment	—
	Introduction and increase of a carbon price	• Higher store operating costs due to carbon price burden • Increase in procurement costs for products (beef, dairy products)	• Demonstrating superiority by building a resilient supply chain through individual store management • Expanding customer base of discounters due to growing preference for lower prices
	Introduction of plastic-free regulations (one-way plastic regulations)	• Cost increase due to replacement of plastic containers, packaging, and promotional materials with renewable resources	• Enjoying cost advantages by creating a system for recycling plastic products and services in cooperation with POP lamination suppliers • Reduce costs and increase sales by developing products with slimmer containers and packaging that take advantage of the discount business model
Transition Risks Technology Risk	Increase in demand for renewable energy and expansion of the amount created through the establishment of technologies	• Soaring electricity prices, rising costs due to power certificate purchases	• Enjoying incentives through early replacement of electricity derived from renewable energy sources
Transition Risks Market and Reputation Risks	Change in reputation among stakeholders (investors, business partners, local communities, etc.)	• Reputational damage due to delayed disclosure of information. Negative impact on fundraising, branding, recruitment, and product handling	• Expand fan base by enhancing sustainable products targeting young people in stores with high affinity for young people

4°C scenario, as of 2030

Risk categories	Risk items	Risks	Opportunities for the business
Physical Risks Acute Risk	Storm and flood disasters	• Increase in damage to facilities due to wind and flood damage, and damage to profits due to business stoppage	• Ensure resilience against disasters by delegating authority to each store, and increase reliability as a lifestyle infrastructure
		• Business shutdown due to supply chain damage	—
	Insurance premium burden	• Increase in property insurance premiums	—
Physical Risks Chronic Risk	Rising temperatures and high tides	• Increase in store operating costs (cooling costs, etc.) • Increase in flooding damage	—
	Decline in agricultural productivity	• Increase in procurement cost of food materials	• Sales expansion due to increased demand for water and beverages

Metrics and targets

In order to address the risks related to CO_2 emissions identified this time, the PPIH Group has set the following decarbonization targets.

PPIH Group decarbonization targets

50% reduction of CO_2 emissions from stores by 2030 (compared to FY2013)

Reduce the total amount of CO_2 emissions from stores to zero by 2050

Subject: Domestic, including offices and logistics center

Reduce the Environmental Impact of our Business Activities

Responding to climate change and realizing a decarbonized society

Disclosure in line with the TCFD recommendations

→ Reference pages: P.21-22

PPIH Group decarbonization targets

50% reduction of CO_2 emissions from stores by 2030 (compared to FY2013)

Reduce the total amount of CO_2 emissions from stores to zero by 2050 Subject: Domestic, including offices and logistics center

Joined the "Japan Climate Leaders' Partnership (JCLP)"

We joined the Japan Climate Leaders Partnership (hereinafter referred to as JCLP) as a supporting member.

JCLP is a unique coalition of Japanese companies that work together to achieve a decarbonized society. It also serves as the point of contact for RE100 membership in Japan in partnership with The Climate Group, an international non-profit organization.

Through our membership in the JCLP, we will promote decarbonization in collaboration with participating environmentally advanced companies, steadily achieve the PPIH Group decarbonization targets, and continue to work towards the realization of a sustainable society.

Major initiatives to achieve the targets

Installation of energy-saving equipment

The PPIH Group is working to reduce CO_2 emissions and lower the environmental impact of store operations by installing energy-efficient equipment that enables efficient operation of store air conditioning systems and refrigeration/freezer cases, and by ensuring appropriate operation of equipment systems.

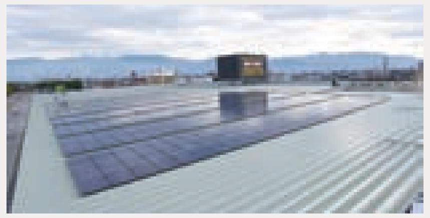
The number of stores with energy-saving equipment installed	Stores with equipment: Don Quijote, UNY, Nagasakiya, UD Retail (as of June 2022) Air conditioning equipment: 334 stores Refrigerated and freezer cases: 17 stores

Encouraging energy and electricity conservation in stores

Implementing renewable energy

In order to reduce the amount of CO_2 emitted from our business activities, the PPIH Group will introduce solar power at some stores and promote the generation of renewable energy.

The number of stores with implementation	Don Quijote - 4 stores, UNY - 10 stores, UD Retail - 2 stores (as of March 2022)
Amount of solar power generated	600,560 kwh (April 2021 ～ March 2022)


Solar panels at the MEGA Don Quijote Kofu store


Solar panels at the Don Quijote (USA) Kaheka store in Hawaii

Overseas initiatives to reduce the environmental impact

In order to advance efforts to also reduce the environmental impact of our expanding overseas business, we have established a subcommittee under the Sustainability Committee with the theme of "Initiatives to address environmental issues in overseas operations," and stores in each country and region are working together to promote a variety of initiatives.

Singapore

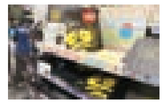
- Reduction of waste oil by introducing oil filters

Thailand

- Reduction of food loss by donating food needy households

Taiwan

- Reduction of waste through the effective use of waste plastic raw materials
- Introduction of uniforms made of pure cotton

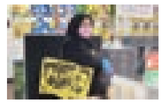


Hong Kong

- De-plasticization by promoting the use of recycled trays

Malaysia

- Initiatives toward zero plastic waste through the sale of non-woven bags



Macau

- Environmental protection by discontinuing plastic shopping bags

Reduction of CO_2 emissions in logistics processes

In order to reduce environmental impact, SENKO Co., Ltd., our partner in PPIH Group's logistics center, and the PPIH Group have switched part of the truck transportation to rail transportation (modal shift) in Kanto base (Saitama City, Saitama Prefecture) and Kansai base (Izumiotsu City, Osaka Prefecture). This modal shift has resulted in significant reductions in both CO_2 emissions and driver operating time. There were issues such as waiting time during loading/unloading and longer cargo handling time due to bulk transportation, but we achieved modal shift by devising ways to adjust the time and material volume.

Based on annual transportation results	Before conversion	After conversion	Impact
CO_2 emissions (t-CO_2)	121	34	△87 (△72%)
Operating hours (hour)	1,680	300	△1,380 (△82%)

*CO_2 emissions are calculated using the revised ton-kilometer method.

Waste reduction and bolstering recycling

Recycling stations to recover waste paper

The PPIH Group strives to reduce waste and promote recycling in order to realize a recycling-oriented society.

At some MEGA Don Quijote and Don Quijote stores, recycling stations are set up in-store to collect used paper such as cardboard and magazines for use by local customers. Recycled paper brought in will be redeemed at 1kg = 1 majica point, which can be used for purchases at PPIH Group stores. As a service that reduces household waste and makes effective use of resources, as well as a value-added service that allows customers to earn points, it has gained the support of customers, leading them to return to the store.

Through these services, the PPIH Group is working together with its customers to realize a recycling-oriented society.

Reduction of waste associated with promotional materials

It is customary for manufacturers to send promotional materials to retail stores by courier service, and cardboard boxes for individual packaging are consumed and disposed of, resulting in waste that is not utilized by stores and ends up in disposal.

In order to reduce waste and improve operational efficiency, manufacturer (ROHTO Pharmaceutical Co., Ltd.), wholesaler (PALTAC CORPORATION), and our Group's Don Quijote stores are working together to carefully select the necessary quantity of promotional materials and the stores where they will be installed, as well as to use paper materials with low environmental impact and to establish a system for batch delivery to the bases. We have also established a system for the use of paper materials with low environmental impact and batch delivery of materials to bases.

We will continue to work with our partners to optimize and streamline the entire supply chain and reduce waste.

Sustainable Product Sourcing and Responsible Sales

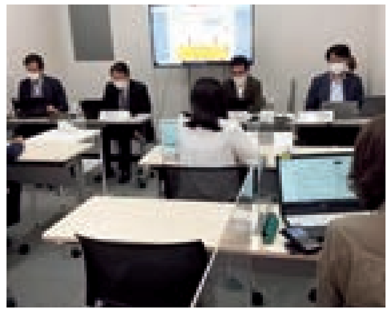
Supply chain management that accounts for human rights and the environment

The PPIH Group believes that addressing human rights issues for all people involved in its business, as well as environmental issues such as climate change and environmental pollution is one of the key challenges for the Group as a retailer, and considers these to be priority issues.

Therefore, in January of 2022, the PPIH Group established the "PPIH Group Sustainable Procurement Policy" in order to procure products with consideration for human rights and environmental issues.

Since the understanding and cooperation of our suppliers are essential to achieving this policy, we have also established the "PPIH Group Supply Chain Code of Conduct" and ask for their understanding of and compliance with the "PPIH Group Sustainable Procurement Policy."

We encourage our suppliers to follow this Code of Conduct, and we aim to realize a sustainable society based on a strong partnership between the PPIH Group and our suppliers.



PPIH Group Sustainable Procurement Policy

1. **Supplying Safe and Reliable Products.**
2. **Thorough Compliance.**
3. **Fair and Equitable Transactions.**
4. **Coexistence with the Local Community.**
5. **Human Rights Considerations.**
6. **Environmental Considerations.**
7. **Collaboration with Business Partners.**
8. **Management of Confidential Information.**

PPIH Group Supply Chain Code of Conduct

1. **Respect for Human Rights**
2. **Management of Working Environment, Safety and Health**
3. **Fair and Transparent Business Activities**
4. **Environmental Protection**
5. **Quality Control**
6. **Information Security**
7. **Contributing to the Local Community**
8. **Efforts to Put into Practice**

Conducting briefings on the "PPIH Group Supply Chain Code of Conduct" for suppliers and questionnaire surveys

In the development of private brands (PB), we will work together with our suppliers to promote responsible procurement throughout the supply chain.

In May and June of 2022, we held briefing sessions for approximately 700 suppliers to obtain their support and cooperation for the PPIH Group Supply Chain Code of Conduct.

In July 2022, we started a questionnaire survey for all suppliers to whom we outsource PB manufacturing, asking suppliers to self-check their compliance with the "PPIH Group Supply Chain Code of Conduct." This survey is designed to assess each item in the areas of human rights, health and safety, and the environment, as well as to conduct risk assessment.

After the risk assessment is conducted, we will monitor the situation, and if there are any serious risk factors, we will request improvement, and in some cases, we will confirm the current situation at the site and work together with our suppliers to make improvements.

2021	2022
Provide information about our initiatives to our suppliers and hold briefing sessions	Conduct a self-check questionnaire survey

Conducting self-check questionnaire survey and monitoring

Self-check questionnaire	Analysis and evaluation	Request for improvement	Confirmation of improvement
Conducting self-check questionnaires by business partners.	Assessing risks based on the collected questionnaires.	Serious risk factors are dealt with promptly, and others are requested to be corrected after a hearing.	Review feedback on the status of improvement, and in some cases, actual inspection and audit. Collaborate for improvement.

Private brand products and original services that aim to solve social and environmental issues

Development of sustainable products as private brand products, "JONETZ"

"JONETZ" is Don Quijote's private brand product based on the concept of "People Brand," which means to create together with customers. "JONETZ" also focuses on developing environmentally friendly products. It ensures effective use of resources, including recycled materials, and meets the needs of customers who want products with low impact on the Earth.

"JONETZ" tea leaves

The packaging material for "JONETZ" tea leaves has been overhauled, with some of the plastic being replaced with paper and biomass ink being used, to make these products eco-friendly. Products with this new packaging went on sale in June 2022. Because tea is sensitive to moisture and light, it cannot be packaged only in paper, and a certain amount of plastic must be used. We went through a trial and error process to reduce plastic as much as possible while maintaining the quality of the tea leaves. As a result, we reduced plastic in the packaging by about 48%. This was a pioneering initiative, as not many tea leaf products use packaging marked with a paper symbol for recycling.

JONETZ Kakegawa tea from Shizuoka Prefecture 150g | JONETZ Shizuoka tea with Kyoto matcha 150g | JONETZ Genmaicha tea with Uji matcha 200g | JONETZ Hojicha tea 180g

Environmentally conscious original products to be incorporated into customers' lifestyles

One of the PB products developed by UNY, a core company of the PPIH Group, is "eco!on," an environmentally conscious original product created together with customers. The eco!on brand products are developed from the perspective of "3R (Reduce, Reuse, Recycle)" in the concept of product development, with a view to not polluting the earth by planning products that address energy conservation and the use of biomass resources to achieve a decarbonized society.

【Eco-roll series】

The "Eco-Roll" series is toilet paper from our eco-friendly private brand "eco!on." It is sold at Apita and Piago stores, as well as elsewhere. Both "Eco-Roll (Regular)" and the "Double-roll type of the Eco-Roll series" are eco-friendly toilet paper made from 100% recycled paper.

【Regular type of Eco-Roll series】

The regular type of Eco-Roll series uses milk cartons collected at UNY stores as part of its raw materials. The polyethylene used to coat the milk cartons is reused as thermal energy in the plant.

【Double-roll type of the Eco-Roll series】

This double-roll type is even more eco-friendly. The recycled paper used as the raw material for those products is an FSC-certified recycled material. By doubling the rolls of the regular type and keeping the fluffy feel of the leaf embossing, the amount of core and packaging film used and the amount of waste derived from the product have been cut down, while the amount of CO_2 emitted during transportation has been reduced by approximately 50%. This product is made using renewable plant-derived biomass ink. The rolls of paper are long, which reduces the frequency of roll replacement and saves space.

Accepting Diversity and Creating a Rewarding Workplace

Diversity Management

→ Related page: P.29-32

The PPIH Group advocates for a "corporate culture that recognizes diversity" in the collection of our corporate philosophies. The establishment of the Diversity Management Committee (hereinafter referred to as "DM Committee") is aimed at strengthening this corporate culture, and will strongly promote the creation of an environment in which women can play an active role in various positions, including executive positions. In addition, the DM Committee actively plans and implements measures to promote diversity in a wide range of areas, including support for LGBTQ+ people, promotion of senior and non-Japanese employees, and promotion of employment of people with disabilities. Through our diversity management initiatives, we will strive to further enhance our corporate value as a global company operating in many countries.

Progress to date in promoting diversity

2009	Idobata Committee established
2015	cocoro Project launched to improve the rate of maternity leave utilization
2016	Set up a women's consultation counter in each store area In-house daycare center "Donkids" opens
2017	Launched the LGBTQ+ Project Establishment of Diversity Promotion Office (integration of LGBTQ+ project)
2018	Life Partner Program Launched
2019	Selected for Bloomberg Gender Equality Index (GEI)
2020	Diversity Management Committee established
2021	Launched "RISE! 100," a training program focused on producing female Store Managers Launced the "PPIH DIVERSITY" website for external use

"Diversity Management Committee" logo

Promotion Structure

The DM Committee is chaired by the Executive Officer (Director) in charge of diversity management and consists of multiple related departments working together in a cross-sectional manner. The DM Committee meets once a month to plan, formulate, and implement various measures to promote diversity. Important initiatives and policies are discussed and decided by the Board of Directors, and the DM Committee monitors the progress and reports to the Board.

Activities for the Diversity Management Committee

Promotion of women's participation and advancement | **Targets**

Increase the number of female Store Managers to 100

Numerical targets:
50 employees by FY2026,
100 employees by FY2030

Improve the retention rate of female employees

Numerical targets (turnover rate):
8.8 % by FY 2026,
5 % by FY2030

Approach for women's participation and advancement

The DM Committee considers all stages of the promotion of women's participation and career advancement to be connected. The Committee uses a "cyclical plan" that addresses the issues across all stages simultaneously.

Initiatives

- "RISE!100," a training program that aims to produce 100 female Store Managers
- The "DM Certification Test," a measure to promote understanding of diversity
- In-house educational activities
  Training on "ESG's and the promotion of women's activities" aimed at managers
  Women's health seminar for executives, managers, and female employees
  Introduction of female employees who are active in the company
  Distribution of the Women's Activity Report
  Career Seminar for female employees by external speakers

Support for LGBTQ+ people

Initiatives

- Conduct LGBTQ+ training
- Participate in events and sell related goods

Outside evaluation

For the fifth year in a row, we received the highest rating of "Gold" in the PRIDE Index 2022, an evaluation index for initiatives concerning sexual minorities in the workplace formulated by the voluntary organization "work with Pride."

The creation of a working environment which supports diverse forms of work

Efforts to become a corporate group that provides both "ease of working" and "job satisfaction"

In order to ensure that all employees of the PPIH Group can work with peace of mind and to the best of their ability, we have established a "Working Environment Improvement Team" and are working to improve the working environment by identifying problems faced by individuals and the entire group through questionnaires and individual interviews. We are striving to create an organization that is both comfortable and rewarding to work for, by building a working environment where each individual can speak up with confidence, and by organizing and improving problems based on our "employees' voices."

Conducting "Job Satisfaction Surveys"

In July 2020, we started a simple once-a-month survey. We highlight the problems that each employee faces, as well as the issues of the entire group, and take corrective actions.

Setting up "HR Career Call"

Operations began in February of 2020. We provide consultation on personnel evaluation and career development.

The establishment of an on-site day care center, known as "Donkids"

As a part of creating a working environment where employees with young children can work with peace of mind, the PPIH Group has established an on-site day care center known as "Donkids*."

The creation of "Donkids" affects our staff positively, by reducing the amount of time needed for day care drop off and pick up, resulting in a working environment where our staff are able to work effectively with peace of mind. Additionally, by giving female employees who, due to waiting list issues, would usually be unable to work/advance their careers, the opportunity to return to work as early as possible, we are creating a working environment in which all employees are able to work equally.

* Donkids is a facility that utilizes the "Company-led childcare business program," a Cabinet Office policy.

Comment from an expert on materiality

Further promoting and strengthening sustainability as part of our management strategy to become a visionary company

The PPIH Group is striving to promote and strengthen sustainability activities under its management strategy to become a visionary company. As part of those efforts, they have established several unique and effective case studies that I highly evaluate. These include the development of a cyclical model that views the promotion of women's participation and career advancement as leading to corporate growth, combined with the appointment of women executives that exemplifies that thinking, as well as the development of environmentally friendly products that run counter to their image of having super cheap products.

PPIH's sustainability initiatives cannot be said to have made an early start. Nevertheless, as was mentioned in the sustainability dialog, PPIH is not, in the first place, the kind of company that takes an early lead and then outpaces the field. Rather, PPIH is all about their driving force and sense of speed after making a start. In an era that some refer to as a sustainability revolution, I look forward to seeing how they can use that driving force to embody their corporate principle of "creative destruction and the ability to adapt" going forward.

The strength at PPIH is their total commitment to the frontlines, and in their efforts to promote sustainability as well, it will be important for the respective people and stores on the frontlines to each be aware of the priority issues in their work and to take the lead in finding solutions. In other words, they will need initiatives that are focused on the frontlines. I believe that, as a result, they will see the formulation of policies that are unique to PPIH, such as creative ideas emerging from the frontlines about how to address risks and opportunities in relation to, for example, adapting to climate change, or the establishment of new model DE&I cases in which frontline employees experience the efforts to promote diversity first-hand.

You can count on PPIH to launch many more astonishing initiatives in the future as well, and to continue to evolve as a company that is needed by society.

Hidemi Tomita
Sustainability Committee
Outside Committee member
Managing Director,
Institute for Sustainability Management

Sustainability Dialogue

Sustainability at PPIH: Careful preparation and optimal timing

Keiji Hayakawa
Executive Officer
Chairman of Sustainability Committee
Head of Risk Management
Deputy Head of Tenant Leasing Business

Hitomi Ninomiya
Director and Executive Officer
Head of Diversity Management
Head of Design

A “cyclical plan” that thinks about women’s empowerment as a “line”

Ninomiya: Firstly, I would like to explain the activities of the Diversity Management Committee (hereinafter DM Committee) to date.

When I took charge of diversity promotion in November 2020, I first reviewed our past efforts. This was because although the PPIH Group had undertaken many projects to promote diversity for some time, the reality was that all of them had limited effects and were then simply disbanded. The review gave me the sense that many of PPIH’s past activities could be described as being singular “points.” That is to say they pinpointed and responded to a specific issue, without involving quantitative or qualitative surveys from the perspective of promoting women’s participation and career advancement, nor strategic goal-setting based on the survey results.

Based on the results of the review, the DM Committee conducted a fact-finding survey to get an overall picture of the situation. We first quantified and visualized the gender ratio of managers, the distribution of men and women across different positions and their length of service, and other such matters. Then, having identified the issues from these results, we focused on setting specific goals for our activities and specific strategies, in discussion with the relevant departments. We call our strategy a “cyclical plan” and set out five stages for it: recruitment ➡ retention ➡ appointment to managerial positions ➡ appointment to executive positions ➡ corporate growth. Our premise is that promoting women’s participation and career advancement will create a cycle that leads to corporate growth. Furthermore, by tackling each stage simultaneously, we aim to achieve a comprehensive degree of gender balance, including gender ratio across management positions, average years of service, wages, and other indicators.

Two years have passed since the establishment of the DM Committee. We conducted the survey in the first half of the first year, and implemented trials of various measures in the second half. In the second year, we have continued to fine-tune the efforts that have proven effective, such as “RISE! 100,” a training program aimed at producing 100 female store managers. If some of our efforts produce more limited effects than we expected, we will improve them and try again.

Hayakawa: This was the PPIH Group’s first attempt at this kind of large-scale survey. I’m sure you encountered various difficulties …

Ninomiya: Previously, the PPIH Group had not looked at the data from the perspective of women’s participation and career advancement, nor thought about the issues in terms of a continuous “line” rather than singular “points.” Because of this, although we wanted to get numbers from each department and link them together to understand the overall situation, actually identifying what kind of data we needed and acquiring the data itself was quite time-consuming and challenging. The survey revealed that while 70% of our mate employees (part-time workers) are female, only about 20% of our full-time employees are female, which is a smaller number than expected. We take this to be quite an adverse situation in terms of women’s participation and career advancement.

Hayakawa: With regard to diversity, before the DM Committee, there was the Corporate Philosophy Promotion Headquarters’ Diversity Promotion Section, which was mainly responsible for promoting diversity and which I was in charge of. At that time, although we were also aware of the problem of the massive gap in the number of male and female employees, this did not lead to any drastic reforms. My impression is that, immediately following the establishment of the DM Committee in December 2020 and Ninomiya-san’s appointment as its head, various initiatives were launched and all of them started to make good headway.

There should not be a trade-off between childbirth and work

Ninomiya: As the PPIH Group works to promote diversity, I believe it is a great strength that everyone here is naturally inclined to “appreciate diversity” based on “The Source,” our corporate principles.

Hayakawa: “The Source” says to “state your views clearly,” so everyone actively expresses their own thoughts at the PPIH Group without thinking, “I’m a woman and women should not speak their mind.”

Ninomiya: This year, we conducted a survey of female employees on their views toward women’s participation. The results showed that while other companies reported their female employees’ desire for career advancement as being around 20%, PPIH’s figure was over 70%, highlighting the fact that the women in our Group are highly motivated and strongly engaged in company activities. We would like to help those women achieve their goals. On the other hand, looking at how men and women are distributed across different positions in the Group, there is a difference in where the largest segment of men and women are, including a sharp decrease in the number of women from the head chief position, which is the first stage of management, onwards. This makes me think there is likely some kind of barrier that is discouraging women.

Hayakawa: Is this due to life events that were once only associated with women, such as childbirth and raising children?

Ninomiya: I think that is one of the reasons. This is also an issue for Japanese society as a whole, but I feel that there should not be a trade-off between childbirth and work. Looking back on my own experience, childbirth and raising children have greatly improved my management skills, including self-management. They have also positively affected my understanding of others and “flip the subject,” which is part of our corporate philosophy. I feel that there is a mutually beneficial impact between childbirth and raising children on the one hand and work on the other, and that the former can lead to skill development from a career perspective. As someone who is in the minority at the company, I would like to continue to show, through my own experience of working here for 17 years, and going through pregnancy, childbirth, and maternity and childcare leave while at the company, that childbirth and raising children can lead to the further development of your skills.

Hayakawa: Come to think of it, Ninomiya-san, you have a young child and work shortened hours, don’t you?

Ninomiya: I work shortened hours and sometimes take time off to care for my child, so I was a bit nervous as I expected an unfavorable evaluation in the 360-degree review. However, I remember being very moved by the comments I received from junior colleagues, such as “Keep doing your best,” “I hope you will pave the way for others,” and “I hope you will be an example for others.”

I am now working shorter hours and I make it a point to leave the office at 5 p.m. Of course, this doesn’t mean that I can’t be contacted at all, and I sometimes give instructions from my computer or smartphone. Nevertheless, I believe that unless I draw a line between work and life, and intentionally show it, other employees who are raising children or women who want to have children in the future will give up on career advancement.

We need to radically change people’s mindsets, including about having personal lives

Ninomiya: Diversity is not limited to women’s participation and career advancement, and I think it will still take some time before the PPIH Group reaches an adequate level of understanding. That said, PPIH is a merit-based workplace, and our basic premise is that we all have the opportunity to demonstrate our abilities in our fields of expertise regardless of gender, age, or nationality. On the other hand, we have assumed that that is of course actually happening and do not see the situation as it really is. We need to radically change people’s mindsets, rather than just dealing with diversity because the company has asked us to.

For example, in the case of men, I think they need to make radical changes in their home lives, so that it becomes the norm for them to have a fair division of household responsibilities with their partners. As a first step, I think the company needs to establish some kind of system, such as for childcare leave for men.

Hayakawa: I agree. That is the direction we should be moving in. Taking frontline sales, for example, I think that supervisors and others are warming up to the idea of men taking childcare leave and treating it as the norm. More male employees are taking childcare leave than before.

Considering medium- and long-term risks and growing interest in sustainability led Hayakawa-san to his current position

Ninomiya: Hayakawa-san, could you reflect on how things stand since the establishment of the Sustainability Committee in July?
Hayakawa: It has been a year and a half since I was appointed to my current position, and I am still educating myself about sustainability. Rather than taking a more systematic approach, I am first starting with the essential issues that immediately confront us, such as setting CO_2 emission reduction targets, handling matters related to the Task Force on Climate-related Financial Disclosures (TCFD), and addressing human rights in our supply chains. There are many, many issues and therefore many, many things I need to study up on.
Ninomiya: In the area of supply chain management, you have formulated a sustainable procurement policy and a supply chain code of conduct.
Hayakawa: We are now in the process of holding briefings with our partners to ensure their understanding. Getting our many partner companies to understand and be aware of PPIH's priorities and the need to address various social issues that are important to society is quite a difficult task. Our approach is to start with action, beginning with those issues that need improvement.
Ninomiya: You are both the chair of the Sustainability Committee and, at the same time, the head of the Risk Management Headquarters. Was there anything in particular that prompted you to become the chair?
Hayakawa: About two and a half years ago, I was transferred to the Risk Management Headquarters after previously working in sales-related departments, such as the Sales Headquarters and Merchandising Development Headquarters. At first, I was under the impression that the Risk Management Headquarters was more of a "risk response" department that dealt with immediate issues rather than "risk management." However, through ESG executive training, I learned about medium- and long-term climate change risks and other issues, and I began to think deeply about what, fundamentally, risk management should be. It was during this time that the company was establishing the Sustainability Committee and I was approached about serving as its chair. I jumped at the chance, responding that I definitely wanted that responsibility.

Through the activities of the Sustainability Committee, my thinking about sustainability has changed dramatically. This has even majorly affected my personal life. For example, I am conscious of food loss when I shop and considered CO_2 emissions when buying a new car.

Changing the mindset of the frontlines is the key

Hayakawa: At PPIH, "delegation of authority" ensures that the frontlines play the leading role and the back office provides support. Even if the support side makes a request, the frontlines will not act on it unless they are convinced of its merit. The same is true in the area of sustainability, as top-down instructions from headquarters alone will not get the frontlines to take action. The reality is that the frontlines are focused on the customers in front of them, so even if we call for action in areas such as CO_2 reduction, for example, they will rebuff us by questioning the significance of such efforts based on "The Customer Matters Most." In our organization, the frontlines can move with overwhelming speed if something makes sense to them, so our first priority is to provide consistent and coherent explanations that will convince the frontlines and change their mindset.

In addition, there are some examples of stores achieving positive results, such as electricity expense savings, which is directly linked to CO_2 reduction, by implementing initiatives with a frontline perspective. I believe that one very effective method is to collect these successful experiences and share them horizontally. That will give people the sense that if other stores can be successful, they can too.

Ninomiya: In terms of diversity, I strongly feel the need to raise awareness on the frontlines regarding correcting the issue of unconscious bias among the direct supervisors who conduct evaluations. As a means of raising awareness, the DM Committee has been publishing examples of women's participation and career advancement in the corporate newsletter and holding seminars for managers, among other efforts. Is the Sustainability Committee similarly making efforts to engage the frontlines?
Hayakawa: Firstly, I believe we need to make it clear which departments are involved in various sustainability initiatives within our internal organization, clarify the roles of those departments and how they can contribute, and then continue to advocate for their cooperation.

Since the frontlines need to produce results in the short term, it is naturally not easy to convince them of the significance of sustainability, where results are considered from a mid- to long-term perspective. It will be essential to strike a balance between the two so as not to hamper the driving force produced by the frontlines through the delegation of authority, which is one of our strengths. In fact, the frontlines have led a variety of excellent actions, such as responses in the aftermath of the Great East Japan Earthquake, and I don't think we should consider the delegation of authority to be a trade-off from the standpoint of risk management. It is frustrating that the headquarters cannot strongly promote sustainability through its own initiative, but we are gradually changing people's mindsets, and I feel that changes are occurring slowly but surely.
Ninomiya: It's difficult to strike a balance between sustainability and frontline efforts relating to customer service and cost. I believe that the economic rationality of sustainability and ESG is an issue that we should constantly pursue going forward. The reality is that we live in an era in which unexpected events, such as Russia's invasion of Ukraine, occur. I would like employees to realize that the kinds of risks that ESG is concerned with, such as energy depletion, are real problems.
Hayakawa: As you might expect, commitment at the top levels of management has a great impact in terms of promoting a change in mindset on the frontlines. In that sense, I expect that CEO Yoshida's incorporation of ESG into the Visionary 2025/2030 medium-to-long term management plan will positively affect our group-wide efforts to make progress on these issues. He has also made it clear that women's participation and career advancement is a must, so we will have to accelerate those efforts as well.
Ninomiya: I believe that, of the various ESG issues, diversity is a theme that is relatively easy for the Board of Directors to understand. However, I feel that there is not yet a widespread sense of urgency among the Board members regarding the current status of women's participation and career advancement within the Group...
Hayakawa: I think there are differences in the level of ownership and urgency with which different individuals perceive any particular issue. Personally, I believe it is necessary to continue training and education for Board members and focus on specific themes, so as to enhance their understanding of sustainability.
Ninomiya: I also want to change the fact that we only have one female Board member. According to international guidelines and the standard proposed by the Ministry of Health, Labor and Welfare, diversity is not considered to be secured unless the ratio of female leaders is 30%. We would like to increase the ratio of women on the Board and in senior positions in order to promote various forms of change in terms of our organization.

Exercise caution when applying advanced sustainability-related case studies from overseas to Japan

Ninomiya: Turning the focus to overseas locations, I hear that in some countries, all the store managers are women. I feel that there is a big gap between them and Japan, where despite working under the same corporate principles, women enjoy less participation and career advancement. This is probably due to the influence of Japanese culture and ideas about the division of roles between men and women, which eclipses our corporate principles. I feel that information from overseas almost certainly has some impact on Japan, where the old-fashioned culture and traditional ideas about gender roles still remain. During this fiscal year, I would like to gather quantitative information on the status of diversity and initiatives at overseas locations and use it for domestic initiatives. Furthermore, I would like to collect and curate case studies from Japan and overseas, use them as a reference not only in Japan but also the rest of the world, and hopefully link them to the growth of the entire Group.
Hayakawa: For sustainability as well, we have just started gathering information on overseas operations. We are gradually gaining an understanding of the local situations, and we will consider ways to make information gathering more efficient and systematic.

Going forward, I believe we need to accelerate the promotion of sustainability in Japan by researching and studying case studies from regions with advanced sustainability practices and incorporating them into domestic initiatives. At the same time, if we try to apply advanced overseas initiatives directly to Japan, the local market may not yet be ready to accept them. I believe that applying overseas initiatives to Japan requires caution, balance, and careful timing.

Making steady preparations for achieving even greater results

Hayakawa: Given the growing social demand for sustainability, the PPIH Group naturally wants to lead the industry with initiatives that surpass those of our competitors, and I think it is strategically feasible to do so. However, PPIH is not a company that seeks to be "the best at everything at any cost." Instead, we gather information, make careful preparations in advance, and ascertain the optimal timing based on a multifaceted consideration of sustainability, rather than focusing on just one aspect. Then we charge at full speed all together. This kind of driving force is a feature and strength of our company. For the promotion of sustainability as well, we will choose a strategy that lets us leverage this sense of speed.

In terms of diversity promotion too, even though the PPIH Group made a late start, Ninomiya-san, you collected data, set and declared our goals as a company, and achieved them in a little over a year. That's a sense of speed that other companies don't have.
Ninomiya: It's true that PPIH is unique in that it makes all the necessary preparations and then charges forward when the time is right. I was probably able to make it this far because I put that into practice.
Hayakawa: With regard to climate change, the Sustainability Committee was established in July 2021, and we endorsed the TCFD and conducted the scenario analysis and disclosure by February 2022, less than six months later. PPIH may have been a latecomer to sustainability initiatives compared to other companies, but since getting started, our focus has been second to none. We will continue to leverage our corporate strengths to simultaneously contribute to building a sustainable society and grow as a company.

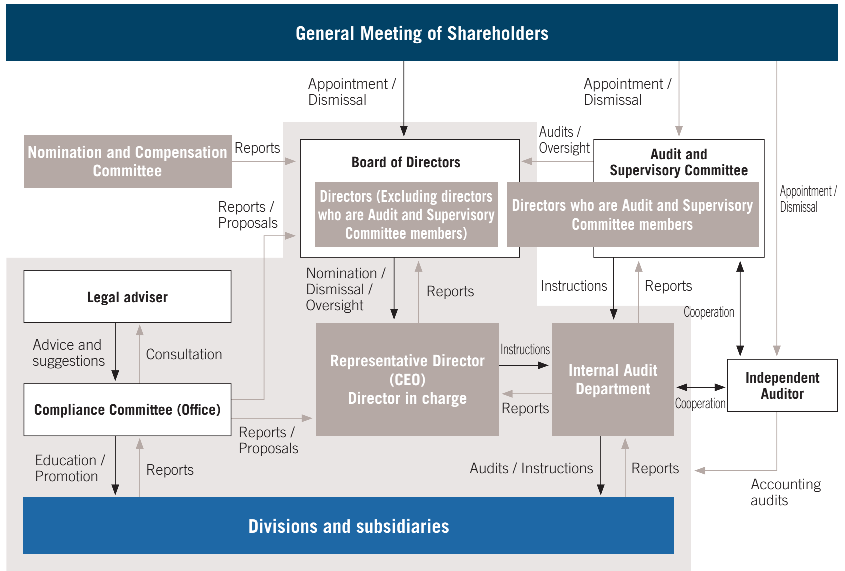
Establishing a Solid Governance System

Corporate Governance

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 structure



Our corporate governance structure at a glance

Institutional design	A group with an Audit and Supervisory Committee
Number of directors (number of independent outside directors in parentheses)	12 (4)
Number of Audit and Supervisory Committee members (number of independent outside directors in parentheses)	3 (3)
Term of office of directors	1 year (2 years for Audit and Supervisory Committee members)
Remuneration structure for directors	(1) Basic remuneration (2) Performance-based monetary remuneration (3) Share-based compensation stock options (excluding directors who are Audit and Supervisory Committee members)
Number of meetings held by the Board of Directors (average number attended by directors)	13 (96%)
Independent auditor	UHY Tokyo & Co.

Overview of the Board of Directors and Audit and Supervisory Committee

Name	Overview	Members
Board of Directors and Audit and Supervisory Committee	● The Board of Directors, which is chaired by the President and Representative Director, meets at least once a month to discuss and decide important management matters as the highest decision-making body on business management. ● The Audit and Supervisory Committee consists of three of the outside directors. It audits the execution of duties by directors and other such matters, and cooperates with the independent auditor as necessary. ● All four outside directors are appointed as independent officers, which enables incorporation of a wide range of insight into important matters concerning company operations, including the formulation of company-wide management strategies, from an independent perspective with no risk of conflict of interest with general shareholders. This creates a system that enables appropriate management decisions to be made.	Listed on P.43-46

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 and 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 and 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

Policy and procedures for appointment of directors

In order to promote the PPIH Group's continued growth and the enhancement of our corporate value, and to ensure prompt and rational decision-making by the Board of Directors, the Board consults with the general meeting of shareholders and appoints an appropriate number of director candidates who are not only of excellent character, but also have extensive knowledge, experience, and abilities in various businesses, including the retail business which is our core business. Furthermore, to ensure fair and neutral oversight over our management, we appoint an appropriate number of outside directors selected from among people who have held high-level posts, managers, and a variety of experts.

Overview of each committee and the Internal Audit Department

Name	Overview	Members
Compliance Committee	With the legal and compliance executive officer 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.	Chairman: Executive Officer in charge of Legal and Compliance Members: Director, Managing Executive Officer Hideki Moriya Outside Director Isao Kubo Three others (executive officer, division head, etc.)
Nomination and Compensation Committee	The Nomination and Compensation Committee deliberates and reports on various matters as requested by the Board of Directors, including those relating to the appointment and dismissal of directors, the selection and dismissal of representative directors and others, and directors' remuneration.	Chairman: Director (Audit and Supervisory Board Member) Jumpei Nishitani Members: Representative Director Naoki Yoshida Director (Audit and Supervisory Board Member) Yasunori Yoshimura
Internal Audit Department	● The Internal Audit Department conducts audits of the legality and appropriateness of the operations of each department and our Group subsidiaries based on the audit plan, in cooperation with the independent auditor and the Audit and Supervisory Committee as necessary. ● From the perspective of internal control, the Department monitors the major business processes of each department, each store, the Group subsidiaries, and others.	10 employees

Initiatives to Achieve Effective Corporate Governance

Evaluation of the effectiveness of the Board of Directors

The Board of Directors has decided that evaluations of its effectiveness will be carried out at least once a year. In the fiscal year ended June 2022, the evaluation of the Board of Directors was implemented through the following process. The evaluation results were that the Board of Directors' members made appropriate and timely decisions based on vibrant discussions that sufficiently considered management philosophy. The evaluation also confirmed the effective role played by the Board of Directors in boosting medium-to long-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. In addition, the evaluation confirmed appropriate reports and discussions in Board of Directors' meetings regarding sustainability-related topics, which were raised as an issue in the analysis and evaluation last year. Meanwhile, the evaluation called for further enhancement of nomination and compensation functions as well as further strengthening of operations to facilitate sustainable growth and improve medium- to long-term enterprise value. Furthermore, it has been decided to use an outside organization for the preparation and collection of survey forms and some analyses in order to increase the transparency of the evaluation and ensure its effectiveness.

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 and determination of the Board's effectiveness

Our Board of Directors' strengths and pressing issues based on its meetings in the fiscal year ended June 2022

Strengths of the Board of Directors	Pressing issues for the Board of Directors
● Board of Directors management fully based on our management philosophy, including "The Source" ● Ability to respond to and implement new themes such as ESG and sustainability. Provision of and learning opportunities for directors	● Need to reconsider the allocation of time between discussions on recent business performance vs. discussion on medium- to long-term management strategies and other such matters ● Need for greater transparency around processes related to succession planning, nomination, and compensation

Director training policy

The Board of Directors appoints directors who are knowledgeable and experienced in various aspects, including laws and regulations, finance, and accounting, and who are capable of fulfilling their roles and responsibilities. We have established a system to appropriately report and provide various types of information to directors after they take up their posts. Furthermore, we provide opportunities for directors to be briefed directly by experts such as lawyers and accountants, as well as ESG consultants, and also hold training sessions for them as necessary.

Bolster governance to raise 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.

Name	Reasons for selection	Attendance records: Board of Directors	Attendance records: Audit and Supervisory Committee
Isao Kubo	Mr. Kubo possesses abundant insight related to corporate management, having engaged in corporate planning and audit-related services for many years at ITOCHU Corporation, and Chief Strategy Officer and General Manager of Corporate Planning Division of FamilyMart Co., Ltd.	12/13	—
Yasunori Yoshimura	Mr. Yoshimura possesses experience that includes serving in such important positions as a Special Advisor to the Cabinet, Professor at a university, and President of various learned societies.	12/13	13/14
Jumpei Nishitani	Mr. Nishitani has considerable knowledge of finance and accounting from his research and teaching on economics and management studies at universities and other locations.	13/13	14/14
Masaharu Kamo	Mr. Kamo has served in important positions at a consulting company and at an operating company, and possesses abundant experience and broad insight related to corporate planning, etc. as a result of being involved in corporate management for many years.	—	—

Director remuneration system

Policy for determining the remuneration (fiscal year ending in June 2023)

The compensation system for the Company's directors (excluding those that are Audit and Supervisory Committee members) consists of basic compensation as monthly fixed monetary compensation and performance-based monetary compensation (annual bonus) as short-term incentive compensation, and stock compensation-type stock options (non-monetary compensation) for the purpose of sharing shareholder interests. In consideration of their roles, the Company's compensation system for outside directors who are members of the Audit and Supervisory Committee is limited to base compensation only.

The basic compensation for the directors is fixed monthly monetary compensation, and the Company considers the level of compensation for directors at other companies of the same scale, the Company's business performance, and the salary level of employees, in accordance with the position and responsibilities of each director. The performance-linked monetary compensation (annual bonus) as short-term incentive compensation is linked to the Company's performance for a single fiscal year. From the viewpoint of improving profits in the core business, the Company sets "consolidated operating profit" as a performance indicator (KPI). The amount to be paid shall be determined based on the degree of achievement of the budget and shall fluctuate in the ratio of 0% to 150% depending on the degree of achievement of the budget. The Company does not stipulate the ratio of stock compensation-type stock options or the timing of their payment, as the Company determines the necessity of granting stock options on a case-by-case basis, taking into consideration the past results of stock option grants, etc. The Company will continue to consider the frequency of granting stock options for stock-linked compensation as part of an appropriate compensation system for directors.

The Company's compensation structure is designed with 80% fixed compensation as basic compensation and 20% performance-linked monetary compensation (annual bonus) as short-term incentive compensation. The fixed compensation, which is the basic compensation, is paid monthly, and the performance-linked monetary compensation (annual bonus) as short-term incentive compensation will be paid after the Company's performance is determined and after the Annual General Meeting of Shareholders.

Policy on determining the content of individual remuneration for directors

The Company's Nomination and Compensation Committee is consulted regarding the determination of the content of individual director compensation, etc., and a resolution is adopted by the Board of Directors upon receipt of the Nomination and Compensation Committee's report. Regarding the basic compensation, the Board of Directors shall determine the range of it and has delegated to the President and Representative Director the authority to determine the final amount of basic compensation in consideration of the size of each director's role and responsibility. To ensure that the delegated authority is properly exercised, the President and Representative Director must also fully consult with the independent outside directors through the Nomination and Compensation Committee.

Remuneration of directors in the fiscal year ended June 30, 2022

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen): Fixed remuneration	Performance-based bonuses	Retirement benefits	Non-monetary rewards as part of the remuneration shown on left	Number of applicable directors
Directors (excluding Audit and Supervisory Committee members and outside directors)	302	246	—	—	56	11
Directors who are Audit and Supervisory Committee members (excluding outside directors)	13	13	—	—	—	1
Outside Directors	37	37	—	—	—	6
Total	352	296	—	—	56	18

Initiatives to enhance risk management

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 and Supervisory Committee members), and receives advice from an outside legal advisor.

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.

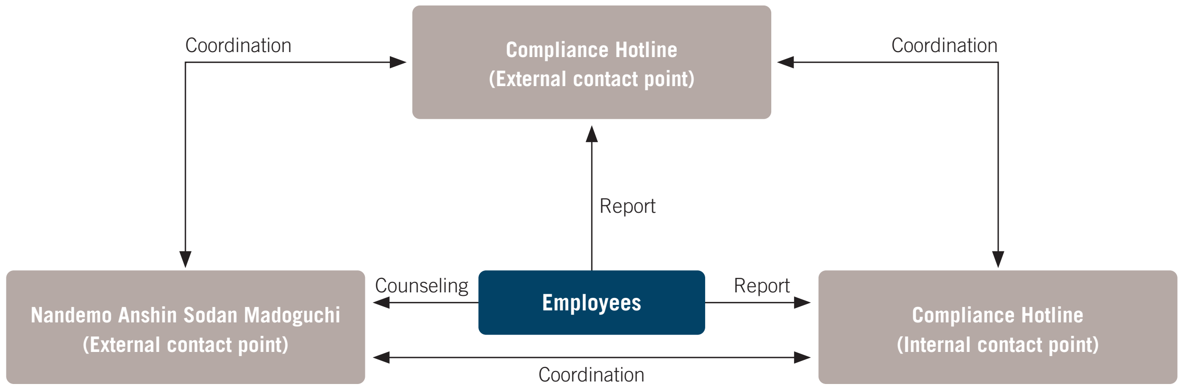
Whistle-blower system

As part of strengthening compliance, the PPIH Group created a Compliance Hotline as a whistleblower contact point regarding violations of law and internal rules and provisions. In addition, in order to maintain moderate and sound relations with our business partners, we have established the "Partner Exclusive Hotline" so that our business partners can report concerns about the employees of the Group. We take the opinions of our business partners seriously and work to promptly make improvements, ensure fair transactions, and build stronger relationships of trust.

The content of reports made to these hotlines is discussed by the Compliance Committee, and the content is reported to the directors and the Audit and Supervisory Committee in a timely and appropriate manner. 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.

Reports made to these hotlines are treated confidentially and can be made anonymously.

Framework of whistle-blower system



Conducting compliance training

The PPIH Group is strengthening its compliance efforts in order to ensure that each employee is committed to selfless and honest business practices, backed by high aspirations and morals. We have begun regular compliance training via e-learning for all Group employees (regular, and contracted employees)*. By conducting this training, we are striving to raise awareness of corporate compliance throughout the organization.

*UNY Co., Ltd. conducted it for regular full-time employees.

PPIH Group Anti-Corruption Policy

The PPIH Group conducts its business activities based on the management philosophy of "We commit ourselves to doing business in a manner that is unselfish, 100% honest, and grounded in a strong sense of morality and purpose." In order to practice sound and fair business activities, we have established PPIH Group Anti-Corruption Policy to ensure the prevention of bribery and acts complicit in bribery throughout the Group and to fulfill our corporate social responsibility.

PPIH Group Anti-Corruption Policy

PPIH Group Tax Compliance Policy

The PPIH Group is an international corporate group whose purpose is to bring joy and excitement to customers and to contribute to society through the distribution business. Based on this corporate philosophy, in order to contribute to the economic development of each country and region, we have established the "PPIH Group Tax Compliance Policy" and will pay appropriate taxes in accordance with the tax systems of each country and region.

PPIH Group Tax Compliance Policy

Risk management

The Risk Management Headquarters conducts risk management at the PPIH Group. The Headquarters gathers information on cases of risks that may occur at stores and offices, and determines risk responses and countermeasures. The stores and offices then implement the countermeasures in accordance with the instructions. Progress is monitored by the Risk Management Headquarters and reported to the Board of Directors as necessary.

As for our response to climate change-related risks, in the event of a large-scale disaster, we will respond promptly by having the frontlines (stores) make flexible judgments based on the Business Continuity Plan (BCP) and our management philosophy of "delegation of authority."

→ **Reference pages: P.21-22**

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 those 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 28, 2022) for FY2022.

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 delays 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

Progress on Business

Domestic Discount Store Business

Main points of our strategy

- Promote “PPIH-style SPA” to expand and strengthen PB/OEM products and improve pricing accuracy
- Rigorously manage inventory using our proprietary indicators of interest expiration date (exit) and low-turnover product order control (entry)
- Improve productivity by leveraging DX

Reflecting on FY2022

During this fiscal year, the domestic discount store business recovered quarter by quarter from the harsh external environment of the first quarter to achieve increased sales and profits for the full year. Net sales increased 45.6 billion yen from the previous year to 1.0975 trillion yen, mainly due to steady new store openings, despite the ongoing COVID-19 pandemic, and higher sales at existing stores. Gross profit margin at existing stores increased by 0.5% year-on-year, thanks to the success of strategic measures to strengthen PB/OEM and efforts to improve pricing accuracy. SG&A expenses were also kept under control and within the budget throughout the year.

In addition, faced with upward pressure on costs due to sharp increases in raw material prices and global inflationary trends, the PPIH Group has adopted a strategic policy of expanding our range of PB/OEM products in order to be able to offer customers attractive prices, while at the same time still securing profits. Since the third quarter, we have also been further strengthening inventory management to improve inventory turnover. These measures have been successful, and operating profit increased significantly, by 61.0% year-on-year to 36.2 billion yen.

Future strategy

The domestic market is continuing to shrink due to the declining birthrate and aging population, while the growth of e-commerce is accelerating due to the COVID-19 pandemic. To respond to these changes in the business environment and ensure that our stores continue to win the support of customers as physical retail stores, we have positioned 2022 as the “year of SPA reform” and will focus on promoting “PPIH-style SPA” over the next three years. Specifically, we will strengthen development of PB/OEM products that offer the kind of convenience, discounts and amusement (CV+D+A) that is only available at our stores, increase their sales composition ratio from the current 14.2% to 25.0% in the fiscal year ending June 2025, and increase their product gross margin ratio from the current 25.2% to 27.5%.

Since the overhaul of our PB “JONETZ” in February 2021, we have been actively accepting customer requests for its improvement through a special website called “Do-Over Palace.” In the future, we will promote even greater DX and provide a service that allows majica app members to view both positive and negative reviews from customers regarding PB/OEM products in real time in our stores. Through such efforts, we will not only develop original hit products and make them feel like even more of a bargain, but also use the majica app as a marketing tool both inside and outside stores to raise the profile of our PB/OEM products and further strengthen them. In terms of OEM products, we will aim for “cooperative SPA” whereby manufacturers, wholesalers, and retailers engage in manufacturing in an equal partnership with shared stakes. We will also expand our lineup of OEM products that lack name recognition but offer high quality and are available at reasonable prices in order to secure a solid gross profit margin.

For inventory control, we will continue to rigorously manage inventory on an item-by-item basis by their “interest expiration dates” and to make thorough use of automatic ordering based on demand forecasts. We will also leverage DX to improve productivity by enhancing efficiency and reducing manpower in store operations.

Through these combined efforts, we aim to achieve operating profit of 45 billion yen for the fiscal year ending June 2025, an increase of 23.8% from the fiscal year ended June 2022.

Domestic GMS Business

Main points of our strategy

- Integrate the merchandise development headquarter of the domestic discount store business and GMS to promote “PPIH-style SPA” centered on improving operational efficiency and strengthening PB/OEM products
- Aim to have the best stores in the regions by evolving individual store management
- Improve productivity by leveraging DX

Reflecting on FY2022

In the first half of the fiscal year, the domestic GMS business struggled due to the external environment, including bad weather and the COVID-19 pandemic. However, from the second half, measures to improve sales and gross profit margins, including optimizing pricing by individual stores, strengthening sales of PB/OEM products, and reviewing sales planning, were successful. In addition to an improvement of the SG&A ratio, there was growth in high gross margin seasonal products, particularly in the fourth quarter, and operating profit exceeded the target set at the beginning of the fiscal year.

Part of the decrease in net sales in this business is due to the decrease in the number of stores resulting from the conversion of some stores to the UD Retail format. This is reflected as an increase in net sales in the domestic discount business. In the aggregate, net sales increased by 10.3 billion yen for the two businesses combined.

During this fiscal year, we sought to achieve growth by promoting structural reforms, shifting to individual store management, and promoting functional integration. We will continue to implement these reforms and work to generate profits by further improving gross profit margins and cost efficiency beyond this fiscal year.

Future strategy

Three years have passed since UNY joined the Group. Our aim going forward is to realize unique product offerings and initiatives that only UNY can provide. To this end, we will further promote individual store management initiatives that delegate a great deal of authority to individual stores. For their part, individual stores will strive to become the best stores in their regions through unique approaches based on information such as household conditions in each store’s business area and the presence of competitors’ stores, and will strengthen their ability to generate profits through improved gross profit margins and cost efficiency.

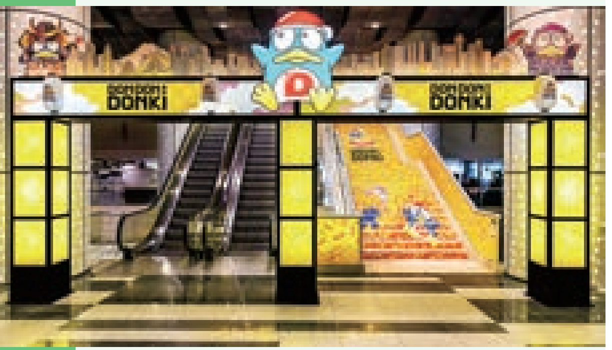
The domestic GMS business differs from the domestic discount store business only in its customer base. We will maintain this business format and aim to establish a more efficient and robust operating structure.

In concrete terms, for PPIH’s domestic retail business as a whole, we will further build on the post-merger integration of UNY by implementing large-scale organizational reforms of the merchandise departments and promoting the integration of the merchandise departments of the domestic discount store and domestic GMS businesses. Furthermore, we will focus on promoting “PPIH-style SPA” and strive to improve our know-how in planning, development, pricing, product cycles, creating in-depth customer engagement mechanisms, and promotions, with a focus on strengthening PB/OEM products. By strengthening our PB/OEM products, we aim to increase their sales composition ratio in the domestic GMS business from the current 17.9% to 25.0% in the fiscal year ending June 2025, and to improve the merchandise gross profit margin from the current 26.1% to 27.5%.

In addition, as in the domestic discount business, we will strive to keep SG&A expenses under control, increase earnings per employee, and improve productivity by establishing a more efficient and robust operating structure through DX. In cooperation with the domestic discount business, we will also continuously create new business formats based on our understanding of the needs and characteristics of each region.

Through these efforts, we aim to achieve operating profit of 30 billion yen in the fiscal year ending June 2025, a 17.5% increase from the fiscal year ended June 2022.

Overseas Business



Main points of our strategy

- Accelerate business scale expansion by continuing to actively open new stores in both North America and Asia
- Horizontally expand new business formats (such as the restaurant and retail business) including SEN SEN SUSHI, Seimai, and Wagyu Kushi
- Build a global value chain for food centered on PPIC
- Ensure the good performance of Gelson's and steadily contribute to sales and profit

Overall overseas business results and outlook

In the current fiscal year, we newly included the performance of Gelson's, the premium supermarket chain in California that we acquired in April 2021, in the consolidated results. We also opened a total of 11 new stores, including four in Singapore, two in Hong Kong, two in Thailand, and one each in Taiwan, Malaysia, and Macau. Net sales substantially increased 57.3% year-on-year to 267.3 billion yen, and operating profit increased 13.1% to 12.1 billion yen. Looking ahead to FY2025, we will further expand our business scale and improve profit margins by building a global value chain, with the aim of significantly growing operating profit to 27.0 billion yen,* an increase of 123.1% from FY2022.

Asia Business

Reflecting on FY2022

For the Asia business, we are developing the Japan-brand specialty store DON DON DONKI with the mission of introducing and spreading the excellence and appeal of Japanese food around the world. We have been actively opening new stores, including opening our first DON DON DONKI store in Macau in September 2021. Although some existing stores were negatively affected by COVID-19 and competition with other stores in our Group, the operating profit margin of existing stores continued to exceed 10%.

In addition, in countries that we have already entered, we are using DON DON DONKI as an incubator and have opened a series of stores in new business formats (such as the restaurant and retail business) to generate additional business opportunities. The SEN SEN SUSHI OP Mall store, which opened in Hong Kong in October 2021, serves sushi that is made with very fresh ingredients shipped directly from Japan, which has become very popular. Therefore, we opened the second store (overhaul of another store) and the third store at an accelerated pace. In November of the same year, we opened Tomita Seimai in Singapore, which offers Japan brand rice milled at the store and freshly-cooked rice balls. In light of its popularity, we are expanding this horizontally into other regions such as Taiwan and Hong Kong under the name Yasuda Seimai. Moreover, we opened a Kiwami Nama Shokupan store in Thailand. This new business format, which was based on an idea developed by the local team, combines a bakery and central kitchen and has been well received by customers. In addition, we have also opened Wagyu Kushi stores, which allow customers to enjoy authentic Japanese beef at an affordable price, in Taiwan and Malaysia.

Future strategies

In the Asia business, we will continue our plan to actively open new stores. At the same time, we will continue to evolve and explore the aforementioned new business formats (such as the restaurant and retail business) to expand the scale of our overall business. By FY2025, we will open a total of 34 new stores, comprising seven in Singapore, eight in Thailand, six in Hong Kong, five in Taiwan, seven in Malaysia, and one in Macau. This will bring our total to 64 stores. We will expand sales from 69 billion yen in FY2022 to 136 billion yen by FY2025. In addition, we aim to significantly increase operating profit from the current 1.7 billion yen to 11.2 billion yen.

As we open new stores, we will also work to build a global value chain centered on the Pan Pacific International Club (PPIC), our partnership organization with producers, and ensure this leads to improved profit margins, with the aim of establishing a "global SPA for food" system. PPIC is steadily increasing the number of new members, and our product variations are expanding in this regard. While we are facing some regulatory issues, we will overcome them by strengthening our procurement network for primary products and constructing a supply chain for direct delivery from producers. We will continue to build a global value chain that creates products, delivers products, and communicates information on those delivered products to customers.

North America Business

Reflecting on FY2022

For our North America business, the impact of COVID-19 lasted longer than expected at the beginning of the fiscal year, which resulted in the recovery of tourism demand being delayed in Hawaii. On the other hand, we have continued to capture demand for alternatives to eating out in California. Amid such circumstances, in December 2021, we announced the opening of a large store in Kapolei, Oahu's second largest city, which will be our first store in the state of Hawaii to be developed in-house and not through M&A.

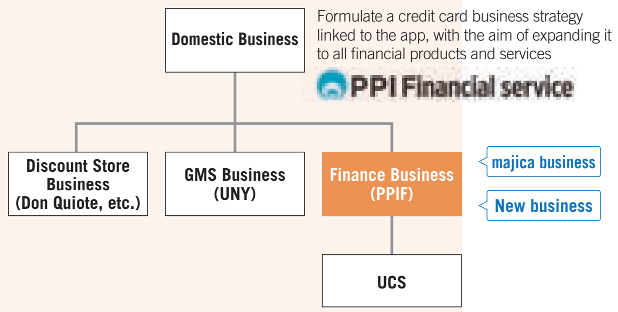
In our North America business, including Gelson's, which we acquired in the previous fiscal year, we leveraged the advantages of portfolio management to integrate and streamline headquarters functions at each of our operating companies. In California, we proceeded with the launch of various collaborative projects to create synergies with Gelson's, which operates 27 premium supermarkets.

Future strategies

We will focus on opening Japan-brand specialty stores and expand their business potential. We will also work to expand new business formats (such as the restaurant and retail business format) including SEN SEN SUSHI. By FY2025, we plan to open eight stores in North America, two stores in Hawaii, and our first store in Guam, as well as two Gelson's stores. This will bring our total number of stores in North America as a whole to 78, an increase of 13 stores from the current 65. Through these efforts, we aim to expand net sales from 198.2 billion yen in FY2022 to 234.0 billion yen in FY2025, and achieve a 51.9% increase in operating profit to 15.8 billion yen.*

*The difference of operation income is calculated after deducting Gelson's amortization of goodwill (approx. 0.7 billion yen in FY2021 and approx. 3 billion yen in FY2022)

Finance Business



Main points of our strategy

- Greatly evolve the majica app's payment function and increase the ratio of payments made through our service
- Promote use of the majica app within and outside the Group and provide financial services to generate new financial revenue
- Utilize purchase data to contribute to the growth of the entire Group

Reflecting on FY2022

In order to strengthen the Finance Business as a new business pillar, we established Pan Pacific International Financial Service Corporation (PPIF) in September 2021 and transferred UCS Co., Ltd., the operating company of the credit card business with approximately 3 million members, under its umbrella.

PPIF will develop highly convenient and appealing services for customers by significantly evolving the majica app's payment function, making it available for use outside our Group as well, and enabling immediate issuance of credit cards and top-ups via the app from anywhere.

The number of majica app members has been increasing every year, reaching about 9.87 million as of the end of FY2022 and 10 million as of July.

In June 2022, we also launched the merchant services as a new business format. This is generating cost reduction effects through the insourcing of payment handling and the reduction of associated fees, among other means.

Future strategy

We will further upgrade the majica app as a core tool to provide "new CV+D+A." In the Finance Business, we aim to increase revenue by significantly evolving the payment function and promoting payment made using majica. To this end, we will expand the number of our Group members (majica app and credit card members) from the current 13 million to 16 million by the end of June 2025, and increase the ratio of payments made through our service from the current 39% to over 50% by FY2025.

For our retail business, this will have the effect of increasing sales made through our Group members, thereby boosting overall sales, and increasing the ratio of payments made through our service, thereby curbing the outflow of funds such as for costs from processing other companies' credit cards.

In the Finance Business, we will increase financial revenue by acquiring new revenue from non-Group use of the majica app, earning financial revenue through the evolution of revolving payments and cash advances and the provision of deferred payment services, and enhancing financial products such as insurance and investment trusts. Furthermore, we will utilize customer purchase data from the majica app for product development and to generate advertising revenue, contributing to the growth of the entire Group.

In FY2025, we will increase operating profit from our Finance Business to 6 billion yen, about 10 times the amount in FY2022.

Board of Directors

Naoki Yoshida

President, Representative Director and CEO
Born in 1964

Mar. 1988	Graduated from College of Liberal Arts, International Christian University
Dec. 1995	Graduated from INSEAD (MBA) Joined McKinsey & Company Inc. Japan
Mar. 1997	Joined Union Bancaire Privée
Aug. 2002	Established Alter Ego Consulting Co., Ltd. President and Representative Director
Feb. 2003	President and Representative Director of T-ZONE HOLDINGS, INC.
Jul. 2007	Joined the Company Head of Overseas Business Headquarters 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
Jan. 2018	Senior Managing Director and CAO (Representative Director) of the Company
Jan. 2019	Director of UNY Co., Ltd. (current position)
Sep. 2019	President, Representative Director and CEO of the Company (current position)

Kazuhiro Matsumoto

Director, Senior Managing Executive Officer
and CMO (Global)
Head of Overseas Business and North America Business
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.)
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	General Manager of Overseas Business Support Headquarters of Don Quijote Co., Ltd. Director of Kanemi Co., Ltd.
Aug. 2019	Managing Director of Pan Pacific Retail Management (Singapore) Pte. Ltd.
Sep. 2019	Director, Managing Executive Officer and CMO (Global) of the Company Director of Pan Pacific Retail Management (Asia) Pte. Ltd.
Jul. 2020	Vice President of Asia Company of the Company Vice President and COO of Pan Pacific Retail Management (Asia) Pte. Ltd. (current position)
Jul. 2021	Director, Senior Managing Executive Officer and CMO (Global), Head of Overseas Business, and Vice President of Asia Company of the Company Director of Don Quijote Co., Ltd. (current position)
Oct. 2021	Director, Senior Managing Executive Officer and CMO (Global), Head of Overseas Business of the Company
Nov. 2021	President & CEO/Director of Pan Pacific Retail Management (USA) Co. (current position)
Oct. 2022	Director, Senior Managing Executive Officer and CMO (Global), Head of Overseas Business and North America Business of the Company (current position)

Kenji Sekiguchi

Director and Senior Managing Executive Officer
Head of GMS Business
President and Representative Director of UNY Co., Ltd
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 Corporate 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 and Managing Executive Officer of the Company
Jul. 2020	President of GMS Company of the Company
Jul. 2021	Director, Senior Managing Executive Officer, Head of GMS Business and President of GMS Company of the Company
Oct. 2021	Director, Senior Managing Executive Officer and Head of GMS Business of the Company (current position)

Hideki Moriya

Director, Managing Executive Officer and CSO
General Manager of Corporation Management and
Strategic Headquarters
Born in 1977

Mar. 2000	Graduated from the Faculty of Commerce, Chuo University Joined the Company
Jul. 2007	General Manager of Chiba Branch, Sales Headquarters of the Company
Aug. 2009	Head of Logistics Division of the Company
Jul. 2010	Head of Promotion Strategy Division of the Company
Dec. 2010	Head of Fair Trade Division of the Compan
Sep. 2019	Executive Officer of the Company Director of Pan Pacific Data Services Co., Ltd.
Nov. 2019	General Manager of Operation Management Headquarters of the Company (current position) General Manager of Risk Management Headquarters of the Company
Jul. 2020	Managing Executive Officer, General Manager of Corporation Management and Strategic Headquarters and Head of Executive Committee of the Company General Manager of IT Support Headquarters of the Company
Sep. 2020	Director, Managing Executive Officer, General Manager of Corporation Management and Strategic Headquarters and Head of Executive Committee of the Company
Jul. 2021	Director of Don Quijote Co., Ltd. (current position)
Oct. 2022	Director, Managing Executive Officer and CSO, General Manager of Corporation Management and Strategic Headquarters and Head of Executive Committee of the Company (current position)

Yuji Ishii

Director, Managing Executive Officer and CAO
Head of Financial Accounting,
Accounting and General Affairs
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 Director of Don Quijote Shared Services Co., Ltd.
Oct. 2017	General Manager of General Accounting Headquarters of Don Quijote Shared Services Co., Ltd.
Feb. 2018	Representative Director of Don Quijote Shared Services Co., Ltd.
May 2019	President and Representative Director of Pan Pacific Shared Service Co., Ltd.
Sep. 2019	Director and Executive Officer of the Company
Jul. 2021	Director, Managing Executive Officer and CAO of the Company (current position) Audit and Supervisory Board Member of Don Quijote Co., Ltd.

Keita Shimizu

Director, Executive Officer and CFO
Head of Finance and IR
Born in 1978

Mar. 2001	Graduated from the Faculty of Economics, Hitotsubashi University
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.
Sep. 2021	Director, Executive Officer and CFO of the Company (current position)

Hitomi Ninomiya

Director and Executive Officer
Head of Diversity Management
Head of Design
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 of the Company
Sep. 2021	Director and Executive Officer, Head of Design and Chairman of Diversity Management Committee of the Company
Nov. 2021	Director and Executive Officer, Chairman of Diversity Management Committee, General Manager of Corporate Philosophy Promotion Headquarters and Head of Design of the Company
Oct. 2022	Director and Executive Officer, Chairman of Diversity Management Committee and Head of Design of the Company (current position)

Yasunori Yoshimura

Ouside Director
(Audit and 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	Chairman of YOSHIMURA BIOETHIC 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 and Supervisory Board Member of the Company
Apr. 2014	Professor Emeritus of Keio University (Department of Obstetrics and Gynecology) (current position) Honorary Director of SHINYURIGAOKA General Hospital (current position)
Sep. 2015	Outside Director of the Company
Sep. 2016	Ouside Director (Audit and Supervisory Committee Member) of the Company (current position)
May 2019	Representative Director of Childbirth/Child-Raising Comprehensive Support Promotion Organization
Dec. 2019	Chairman of the Board of “1 more Baby ohendan” Foundation
Apr. 2021	Outside Director of ASKA Pharmaceutical Holdings Co., Ltd. (current position)

Jumpei Nishitani

Ouside Director
(Audit and 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	Ouside Director (Audit and Supervisory Committee Member) of the Company (current position)

Masaharu Kamo

Outside Director
(Audit and Supervisory Committee Member)
Born in 1967

Apr. 1992	Joined McKinsey & Company
Jun. 1996	Director, Executive Vice President of Nikkodo Co., Ltd.
Nov. 2000	Director, Executive Vice President of USEN CORPORATION
Jun. 2010	Executive Managing Officer of Lawson, Inc.
Mar. 2014	Senior Executive Managing Officer of Lawson, Inc.
Nov. 2016	Representative Director of Office Kamo Co., Ltd. (current position)
Dec. 2016	Senior Advisor of Deloitte Tohmatsu Financial Advisory LLC
Jul. 2017	Partner of McKinsey & Company
Apr. 2020	Executive Officer, Corporate Senior Vice President of Toshiba Corporation
Sep. 2022	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)

Isao Kubo

Outside Director
Born in 1958

Apr. 1982	Joined ITOCHU Corporation
Apr. 2005	General Manager of Brand Marketing Department 3 of ITOCHU Corporation
Apr. 2008	General Manager of Planning & Coordinating Department, Textile Company of ITOCHU Corporation
Apr. 2011	Chief Administrative Officer of ITOCHU International Inc. and President & CEO of ITOCHU Canada Ltd.
Apr. 2013	Executive Officer and General Manager of Corporate Planning & Administration Division of ITOCHU Corporation
Apr. 2016	Managing Executive Officer and General Manager of Internal Audit Division of ITOCHU Corporation
Apr. 2017	Director, Managing Executive Officer, General Manager of Management Division, Chairman of Risk Management & Compliance Committee, Chairman of Corporate Social Responsibility Committee and Assistant General Manager of Corporate Planning Division of former FamilyMart Co., Ltd.
May 2017	Managing Executive Officer and Assistant General Manager of General Affairs and Human Resources Division of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.)
Sep. 2017	Managing Executive Officer and General Manager of Corporate Planning Division of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.)
Mar. 2018	Senior Managing Executive Officer and General Manager of Corporate Planning Division of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.) Director, Senior Managing Executive Officer, General Manager of Corporate Planning Division and General Manager of International Business Division of former FamilyMart Co., Ltd.
May 2018	Director, Senior Managing Executive Officer and General Manager of Corporate Planning Division of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.)
May 2019	Director, Senior Managing Executive Officer, Chief Strategy Officer and General Manager of Corporate Planning Division of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.)
Sep. 2020	Outside Director of the Company (current position)
Apr. 2021	Advisor of FamilyMart Co., Ltd.
Jun. 2021	Standing Audit and Supervisory Board Member (outside) of ITOCHU ENEX CO., LTD. (current position)

Takao Yasuda

Director (non-standing)
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, 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	President of Pan Pacific Strategy Institute Pte. Ltd. (current position)
Jan. 2019	Director (non-standing) of the Company (current position)
Apr. 2019	President of Pan Pacific Retail Management (Asia) Pte. Ltd. (current position)
Jul. 2020	Director, Chairman and CEO of Pan Pacific Retail Management (Singapore) Pte. Ltd.

Messages from the Outside Directors

The PPIH Group should focus on the “S” in its ESG initiatives

Yasunori Yoshimura
Outside Director
(Audit and Supervisory Committee member)

Continuing growth by responding to the dramatically changing external environment

To date, our development as a growth company has been through continuous efforts to build and strengthen a system of effective corporate governance that serves as the foundation for sustainable growth and corporate value enhancement.

However, as society continues to undergo rapid change, we must respond to the needs of the times and further promote ESG initiatives, which are strongly demanded by society, as we pursue strong business performance. To ensure we have the ability to adapt to change as an organization, it is essential that our employees can collaborate with one another while respecting each other’s differences. We must ensure our organization’s diversity and link this to value creation. To do this, we must recruit talented human resources from both inside and outside the company, regardless of age or other attributes.

The medium-to-long term management plan requires a paradigm shift from growth to maturity

I believe that human resources are the driving force that propels corporate activities, and that it is essential for companies to put in place working environments that allow all employees to work with peace of mind. At the PPIH Group, employees are our most important management capital as we aim to become a visionary company, and our Board of Directors has repeatedly discussed this matter in the formulation of the medium-to-long term management plan.

Our initiatives to promote the good mental and physical health of employees are expected to invigorate our organization by, for example, increasing motivation and productivity in the workplace, which should in turn enhance corporate value. It will be necessary to view employee health from a managerial perspective, and strategically implement health and safety initiatives along with health management.

Our transformation into a company that celebrates diversity starts with the promotion of women’s empowerment

For the PPIH Group to achieve sustainable growth over the medium- to long-term, besides the aforementioned improvement of the workplace environment and efforts to manage employee health, we should also emphasize the “S” (society) of ESG perspectives, including promoting diversity, and actively work on these matters as investment for our growth strategy.

While the promotion of diversity is an essential effort from the “S” perspective, I feel that consideration of women’s empowerment is somewhat inadequate in our growth strategy, despite the fact that the majority of our employees are women. We must recognize that women’s empowerment is a part of promoting diversity, which leads to the creation of innovation, improvement of productivity through work style reform, and reduction of risks. We must also actively work to achieve the target for the ratio of women in management positions, implement diverse and flexible work styles, and present concrete measures to enhance work-life balance.

Furthermore, consideration for human rights is another important issue under the “S” in ESG. We must ensure transparency in our supply chain by paying sufficient attention to potential issues such as harsh labor, child labor, and poor working conditions occurring in our supply chain. In our overseas business, we must respect the spirit of the Universal Declaration of Human Rights and take responsibility for its realization, and we must keep a close eye on the human rights situations in local communities.

Creating new value through co-creation with stakeholders

As global capitalism is transforming from financial capitalism to public-interest capitalism, companies that have focused primarily on the pursuit of profit are now expected to contribute to the public good. From a public philosophy perspective as well, the desired nature and behavior of companies are also being questioned.

We are seeing the end of the era in which companies simply provide products to consumers, and their relationship ends once the products are sold. Under the new concept of “co-creation,” in which stakeholders with diverse views work together to create something that contributes to a better future, information will be shared among the companies and consumers in a particular region through close and continuous connections, and various forms of innovation, such as new product development and improvement of existing services, will be generated. We are confident that co-creation between the PPIH Group and our stakeholders will lead to the creation of new value.

Be aggressive in tackling ESG challenges to grow up to a world-class leading company

Jumpei Nishitani
Outside Director
(Audit and Supervisory Committee member)

Enhancement of global governance is the next challenge to go forward

In terms of group governance, the PPIH Group has made progress in consolidating its organizational structure and functionalizing its management organization over the past several years. As one of the most significant accomplishments this year, we converted the listed subsidiary into a wholly-owned one to eliminate the parent-subsidiary listing status. Now that we see our local governance in Japan evolved to a high enough level, stepping forward to tackle global governance is emerging as the next challenge. That is because our medium-to-long term management plan assumes that overseas business will account for a substantial portion of the Group sales. However, we are facing different challenges in governance over the east and the west sides of the Pacific; the rapid development of stores across many countries with different legal systems and business practices in Asia, and those companies acting relatively with independence after mergers in the U.S. Therefore, as well as corporate management, internal control and internal audits, integration of corporate identities and philosophies in the PPIH Group to set the common view of our future as a growing multinational company would be of paramount importance for our governance. Also, securing and fostering excellent human resources who will be engaged in global governance at the executive officer level should be counted as one of the most important issues to urgently address.

Incorporating ESG perspectives into management to achieve sustainable growth

The PPIH Group has addressed ESG issues promptly and appropriately with those numerical scores and evaluations set by rating agencies as the performance targets. While our efforts on this have been made locally in Japan so far, we should expand them overseas swiftly and systematically. Ideally, we should incorporate ESG perspectives into our Group philosophy of business to realize them globally in our daily work in the long run, despite all the possible difficulties on the way which we should address as the management. Furthermore, as one of the companies listed in the Prime Market of the Tokyo Stock Exchange, the PPIH Group will be required to meet Scope 3 in the near future, which covers the entire supply chain, not only within the Group. This newly introduced regulation could be a complex challenge for us because we enjoy a wider variety of procurement channels all over the world than other companies in the same industry, which also could expose us to another risk, for example, in terms of human rights issues. We should be aware that we bear more possible risks concerning our supply chain.

It is true that we have a full agenda for ESG, but on the way to its solution, it could create opportunities for all the employees at all levels to reframe their own business agendas from the perspective of ESG, which could lead to refinements of business strategy and product development resulting in our sustainable corporate growth. In this regard, the role of the Board of Directors will be very important if it could take the initiative in amplifying its ESG agenda to go beyond the walls of the departments, rather than leaving it as an issue of an individual department in charge of ESG.

Contributing to the PPIH Group’s sustainable growth by capitalizing on my expertise and experience

I am an economist specializing in accounting. Although accounting is often associated with bookkeeping, academic accounting is actually a field of economics with interdisciplinary applications, such as, contract theory, game theory, finance theory, or even psychology. Through my research and educational activities, I have addressed wide-ranging themes that include the relationship between ESG disclosure and capital cost, and the relationship between women’s participation in management and corporate governance, and accumulated multifaceted knowledge about corporations. I intend to contribute to the PPIH Group’s sustainable growth by leveraging this experience and bringing my insights and questions to the Board of Directors as a management expert.

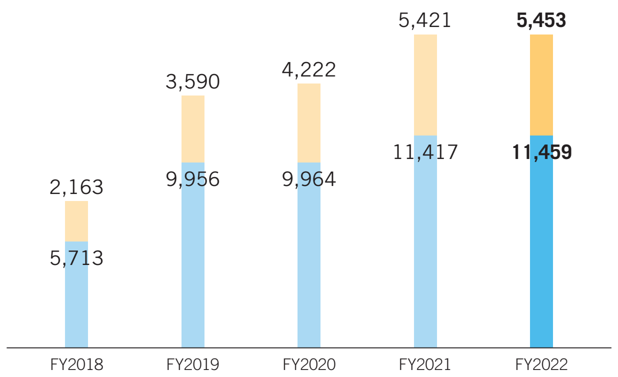
Financial and Non-Financial Highlights

Millions of yen

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019*3	FY2020*4	FY2021*5	FY2022*6
Net sales	568,377	612,424	683,981	759,592	828,798	941,508	1,328,874	1,681,947	1,708,635	1,831,280
Cost of sales	418,570	451,406	502,240	557,699	610,218	697,517	958,347	1,200,831	1,211,400	1,287,892
Selling, general and administrative expenses	117,438	126,726	142,638	158,708	172,395	192,423	307,417	405,692	416,003	454,701
Operating income	32,369	34,292	39,103	43,185	46,185	51,568	63,110	75,424	81,232	88,688
Ordinary income	33,201	35,487	40,160	43,797	45,523	57,218	68,240	74,600	81,452	100,442
Profit before income taxes	33,382	34,225	39,157	42,113	55,325	56,373	66,284	72,588	64,191	92,028
Profit attributable to owners of parent	21,141	21,471	23,148	24,938	33,082	36,405	47,066	49,927	53,734	61,928
Total assets	386,622	432,135	505,666	560,568	642,868	806,778	1,282,100	1,297,231	1,370,115	1,383,678
Total net assets	170,178	193,164	221,367	244,547	279,930	312,495	352,300	388,999	438,628	399,247
Basic earnings per share (yen)*1	34.18	34.33	36.77	39.44	52.30	57.53	74.36	78.79	84.74	102.64
Diluted earnings per share (yen)*1	34.04	34.14	36.65	39.41	52.26	57.41	74.13	78.58	84.52	102.41
Cash dividends per share (yen)*1	4.12	4.50	5.00	5.50	6.50	8.00	10.00	15.00	16.00	17.00
Consolidated dividend payout ratio (%)	12.1	13.1	13.6	13.9	12.4	13.9	13.4	19.0	18.9	16.6
Return on assets (ROA) (%)	5.6	5.2	4.9	4.7	5.5	5.0	4.5	3.8	4.0	4.5
Return on equity (ROE) (%)	13.7	12.1	11.6	11.2	13.5	13.3	15.2	14.3	13.6	15.3
Number of purchasing customers	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	663,998,892
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	5,457,684,270
Number of Group employees	4,511	5,282	6,029	6,857	6,708	7,876	13,546	14,186	16,838	16,912
Number of female store managers in Japan	–	–	–	–	–	–	–	–	13	26
Number of new graduate hires in Japan	–	–	–	–	–	225	385	378	280	469
% of female employees in new graduate hires in Japan	–	–	–	–	–	46.7	38.4	38.6	39.3	44.6
CO_2 emissions (t-CO_2)*2	–	–	–	–	–	268,880	381,608	567,357	534,349	522,868

*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 FY2013.
*2 Scope of data aggregation: Major domestic Group companies UNY Co., Ltd. was added from January 2019. Data aggregation period: April of the previous year to March of the current year
Scope 2 emission factors: Adjusted emission factor for each electric power company
*3 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.
*4 In FY2021, the Group changed its accounting method for inventories. This change has been retroactively applied to the figures for FY2020.
*5 Regarding the corporate integration with GRCY Holdings, Inc., the figures for FY2021 are final figures taken from FY2022 statements that confirm and finalize the provisional accounting measures used in FY2021.
*6 From the beginning of the fiscal year ended June 2022, the PPIH Group has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others.

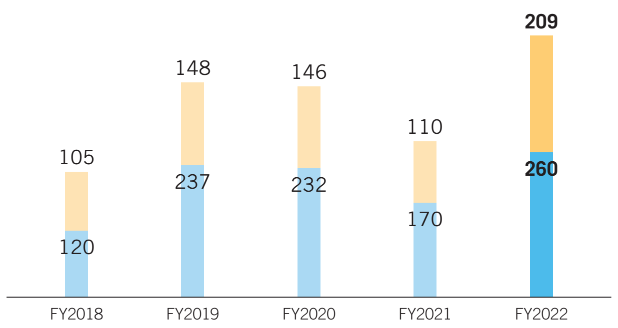
Number of Group employees by gender



Number of male employees Number of female employees

In the fiscal year ended June 30, 2022, the number of female employees increased by 32 year on year to 5,453, and the number of male employees rose by 42 to 11,459. In addition, the number of female store managers in Japan for the fiscal year ended June 30, 2022 doubled to 26 from 13 in the previous fiscal year.

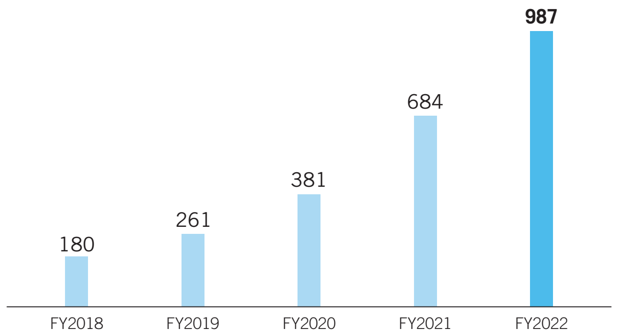
Number of new graduate hires by gender in Japan



Number of male graduates Number of new female graduates

In the fiscal year ended June 30, 2022, the number of new graduate hires increased by 189 year on year to 469. This included an increase of 90 men to a total of 260, and an increase of 99 women to a total of 209.

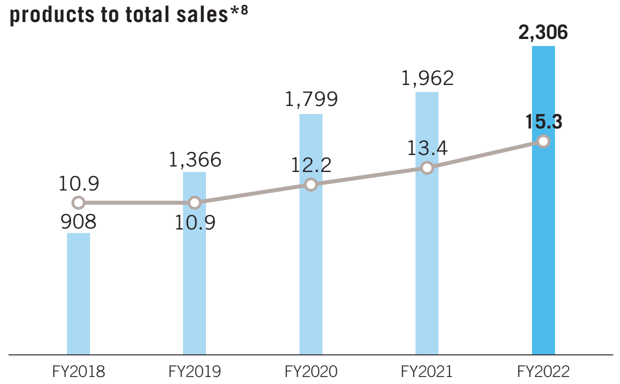
Number of majica app members



Number of majica app members (ten thousand)

The e-money majica, developed by the PPIH Group, was launched in March 2014. The majica app, which was launched in July of the following year, saw a rapid increase in members as a result of various campaigns, with the number surpassing 5 million in December 2020. This has contributed to an increase in repeat customers and growth in profits.

Sales of original products*7 / Ratio of sales of original products to total sales*8



Sales of original products (hundred million yen)
Ratio of sales of original products to total sales (%)

Sales of original products amounted to ¥230.6 billion in the fiscal year ended June 30, 2022, an increase of 17.4% year on year, and accounted for 15.3% of total sales.

*7 Original products: private brand products and OEM products
Scope: Domestic Discount Store Business and Domestic GMS Business
*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, 2021 and 2022

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Assets			
Current assets			
Cash and deposits (Note 3)	¥ 157,522	¥ 176,777	$ 1,293
Notes and accounts receivables–trade (Note 1)	21,074	12,728	93
Accounts receivables–installment	65,491	52,122	381
Operating loans	7,658	8,115	59
Merchandise and finished goods (Note 3)	203,416	205,893	1,506
Prepaid expenses	7,671	7,904	58
Deposits paid	4,364	4,768	35
Other	29,488	20,052	147
Allowance for doubtful accounts	(1,276)	(1,828)	(13)
Total current assets	495,406	486,531	3,560
Non-current assets			
Property, plant and equipment			
Buildings and structures (Note 3)	420,385	448,210	3,279
Accumulated depreciation	(137,317)	(156,440)	(1,145)
Accumulated impairment loss	(21,587)	(23,412)	(171)
Buildings and structures, net	261,481	268,358	1,963
Tools, furniture and fixtures	98,074	107,719	788
Accumulated depreciation	(62,262)	(69,044)	(505)
Accumulated impairment loss	(2,964)	(3,653)	(27)
Tools, furniture and fixtures, net	32,848	35,022	256
Other	2,588	2,835	21
Accumulated depreciation	(1,069)	(1,422)	(10)
Accumulated impairment loss	(2)	(0)	(0)
Other, net	1,517	1,412	10
Land (Note 3)	317,402	314,711	2,303
Construction in progress	7,830	19,649	144
Right-of-use assets	23,138	29,574	216
Accumulated depreciation	(466)	(2,661)	(19)
Accumulated impairment loss	–	(1,000)	(7)
Right-of-use assets, net	22,672	25,913	190
Total property, plant and equipment	643,750	665,065	4,866
Intangible assets			
Goodwill	55,411	61,759	452
Other	23,255	24,458	179
Total intangible assets	78,667	86,217	631
Investments and other assets			
Investment securities (Note 2)	29,082	27,226	199
Long-term loan receivables	1,192	966	7
Long-term prepaid expenses	5,140	4,859	36
Retirement benefit asset	16,756	17,455	128
Deferred tax assets	24,558	20,840	152
Leasehold and guarantee deposits	73,882	73,225	536
Other (Note 3)	3,802	3,422	25
Allowance for doubtful accounts	(2,120)	(2,129)	(16)
Total investments and other assets	152,292	145,864	1,067
Total non-current assets	874,709	897,146	6,564
Total assets	¥1,370,115	¥1,383,678	$10,123

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Liabilities			
Current liabilities			
Notes and accounts payables–trade	¥ 149,984	¥ 152,885	$ 1,119
Short-term loan payables (Note 6)	1,500	–	–
Current portion of long-term loan payables (Note 9)	33,613	26,918	197
Current portion of bonds	22,566	11,421	84
Payables under fluidity lease receivables (Note 10)	191	–	–
Accounts payables–other	46,508	49,128	359
Lease obligations	1,380	1,804	13
Accrued expenses	25,550	25,182	184
Deposits received	28,000	13,485	99
Income taxes payables	11,299	13,492	99
Provision for point card certificates	5,747	1,935	14
Contract liabilities	–	11,361	83
Other (Note 3)	27,211	18,765	137
Total current liabilities	353,550	326,378	2,388
Non-current liabilities			
Bond payables	203,976	272,555	1,994
Long-term loan payables (Note 9)	271,507	276,201	2,021
Lease obligations	21,087	25,471	186
Asset retirement obligations	24,165	30,338	222
Negative goodwill	7	–	–
Other (Note 3)	57,195	53,488	391
Total non-current liabilities	577,937	658,053	4,815
Total liabilities	931,487	984,431	7,202
Net assets			
Shareholders' equity			
Capital stock	23,153	23,217	170
Capital surplus	17,121	17,376	127
Retained earnings	376,152	428,044	3,132
Treasury shares	(15)	(80,956)	(592)
Total shareholders' equity	416,411	387,681	2,836
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,165	520	4
Foreign currency translation adjustment	749	3,532	26
Remeasurements of defined benefit plans	199	487	4
Total accumulated other comprehensive income	2,113	4,539	33
Share acquisition rights	216	271	2
Non-controlling interests	19,888	6,755	49
Total net assets	438,628	399,247	2,921
Total liabilities and net assets	¥1,370,115	¥1,383,678	$10,123

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, 2021 and 2022

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Net sales (Note 1)	¥1,708,635	¥1,831,280	$13,398
Cost of sales (Note 2)	1,211,400	1,287,892	9,423
Gross profit	497,236	543,388	3,976
Selling, general and administrative expenses (Note 3)	416,003	454,701	3,327
Operating income	81,232	88,688	649
Non-operating income			
Interest and dividend income	617	855	6
Amortization of negative goodwill	86	7	0
Share of profit of entities accounted for using equity method	237	498	4
Foreign exchange gains	1,580	15,468	113
Other	4,426	4,145	30
Total non-operating income	6,945	20,973	153
Non-operating expenses			
Interest expenses paid on loans and bonds	5,704	7,509	55
Cost of claim's liquidation	49	1	0
Commission fee	61	450	3
Other	911	1,260	9
Total non-operating expenses	6,725	9,219	67
Ordinary income	81,452	100,442	735
Extraordinary income			
Gain on sale of non-current assets (Note 4)	94	924	7
Gain on insurance claims	1,269	–	–
Reversal of provision for environmental measures	1	85	1
Other	74	95	1
Total extraordinary income	1,437	1,105	8
Extraordinary losses			
Impairment loss (Note 5)	16,711	5,720	42
Loss on retirement of non-current assets (Note 6)	1,024	1,433	10
Loss on closing of stores (Note 7)	630	952	7
Loss on disaster	76	174	1
Loss on litigation	–	548	4
Other	257	692	5
Total extraordinary losses	18,698	9,519	70
Profit before income taxes	64,191	92,028	673
Income taxes–current	19,408	26,812	196
Income taxes–deferred	(9,977)	3,469	25
Total income taxes	9,430	30,281	222
Profit	54,761	61,747	452
Profit (loss) attributable to non-controlling interests	1,026	(182)	(1)
Profit attributable to owners of parent	¥ 53,734	¥ 61,928	$ 453

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, 2021 and 2022

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Profit	¥54,761	¥61,747	$452
Other comprehensive income			
Valuation difference on available-for-sale securities	1,181	(1,289)	(9)
Foreign currency translation adjustment	1,985	3,335	24
Remeasurements of defined benefit plans, net of tax	192	284	2
Share of other comprehensive income of affiliates accounted for using equity method	88	5	0
Total other comprehensive income (Note)	3,447	2,334	17
Comprehensive income	¥58,207	¥64,081	$469
Comprehensive income attributable to:			
Owners of parent	¥56,242	¥64,148	$469
Non-controlling interests	1,966	(67)	(0)

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, 2021 and 2022

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			53,734		53,734							53,734
Change in scope of consolidation			(336)		(336)						(73)	(409)
Net changes of items other than shareholders' equity						636	1,614	257	2,507	(2)	3,019	5,524
Total changes of items during period	144	144	43,889	–	44,178	636	1,614	257	2,507	(2)	2,946	49,629
Balance at end of current period	¥23,153	¥17,121	¥376,152	¥(15)	¥416,411	¥1,165	¥ 749	¥199	¥2,113	¥216	¥19,888	¥438,628

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
2022	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	¥23,153	¥17,121	¥376,152	¥ (15)	¥416,411	¥1,165	¥ 749	¥199	¥2,113	¥216	¥ 19,888	¥438,628
Changes of items during period												
Issuance of new shares	65	65			129							129
Dividends of surplus			(10,034)		(10,034)							(10,034)
Profit attributable to owners of parent			61,928		61,928							61,928
Purchase of treasury shares				(80,941)	(80,941)							(80,941)
Change in scope of consolidation			(2)		(2)							(2)
Purchase of shares of consolidated subsidiaries		189			189							189
Net changes of items other than shareholders' equity						(644)	2,783	288	2,427	55	(13,133)	(10,651)
Total changes of items during period	65	254	51,892	(80,941)	(28,730)	(644)	2,783	288	2,427	55	(13,133)	(39,381)
Balance at end of current period	¥23,217	¥17,376	¥428,044	¥(80,956)	¥387,681	¥ 520	¥3,532	¥487	¥4,539	¥271	¥ 6,755	¥399,247

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
2022	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	$169	$125	$2,752	$ (0)	$3,047	$ 9	$ 5	$1	$15	$2	$146	$3,209
Changes of items during period												
Issuance of new shares	0	0			1							1
Dividends of surplus			(73)		(73)							(73)
Profit attributable to owners of parent			453		453							453
Purchase of treasury shares				(592)	(592)							(592)
Change in scope of consolidation			(0)		(0)							(0)
Purchase of shares of consolidated subsidiaries		1			1							1
Net changes of items other than shareholders' equity						(5)	20	2	18	0	(96)	(78)
Total changes of items during period	0	2	380	(592)	(210)	(5)	20	2	18	0	(96)	(288)
Balance at end of current period	$170	$127	$3,132	$(592)	$2,836	$ 4	$26	$4	$33	$2	$ 49	$2,921

See accompanying notes to consolidated financial statements.

Financial Performance

Consolidated Statements of Cash Flows

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
For the fiscal years ended June 30, 2021 and 2022

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Cash flows from operating activities			
Profit before income taxes	¥ 64,191	¥ 92,028	$ 673
Depreciation and amortization	31,530	38,229	280
Impairment loss	16,711	5,720	42
Amortization of negative goodwill	(86)	(7)	(0)
Increase in allowance for doubtful accounts	235	523	4
Interest and dividend income	(617)	(855)	(6)
Interest expenses paid on loans and bonds	5,704	7,509	55
Foreign exchange gains	(1,580)	(15,468)	(113)
Share of profit of affiliates accounted for using equity method	(237)	(498)	(4)
Loss on sale and retirement of non-current assets	964	729	5
Loss on closing of stores	630	952	7
Gain on insurance claims	(1,269)	–	–
Offset payments for house rental fee with leasehold and guarantee deposits	2,656	2,289	17
Decrease (increase) in notes and accounts receivables–trade	(1,254)	8,274	61
Decrease (increase) in inventories	(11,172)	109	1
Increase (decrease) in notes and accounts payables–trade	(2,373)	595	4
Decrease in accounts receivables–installment	2,727	13,265	97
Increase in retirement benefit asset	(513)	(279)	(2)
Decrease in accounts payables–other	(4,027)	394	3
Decrease in deposits received	(3,445)	(268)	(2)
Increase (decrease) in other current liabilities	982	(14,499)	(106)
Decrease in other non-current liabilities	(2,915)	(1,932)	(14)
Other, net	4,534	(11,126)	(81)
Subtotal	101,376	125,682	920
Interest and dividend income received	298	532	4
Interest expenses paid	(5,659)	(7,803)	(57)
Income taxes paid	(19,642)	(39,111)	(286)
Income taxes refund	1,127	15,424	113
Proceeds from insurance benefits	1,733	1,051	8
Proceeds from dividend income from affiliates accounted for using equity method	52	82	1
Payments for loss on disaster	(143)	(722)	(5)
Net cash provided by operating activities	79,143	95,136	696
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(40,445)	(46,577)	(341)
Proceeds from sale of property, plant and equipment	2,548	6,125	45
Payments for purchase of intangible assets	(4,529)	(4,139)	(30)
Payments for purchase of investment securities	(10,006)	(10)	(0)
Payments for leasehold and guarantee deposits	(1,033)	(825)	(6)
Proceeds from collection of leasehold and guarantee deposits	3,732	1,062	8
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 2)	(26,531)	(145)	(1)
Payments for purchase of shares of subsidiaries and affiliates	(802)	–	–
Payments of loan receivables	(803)	(601)	(4)
Other, net	(259)	354	3
Net cash used in investing activities	(78,131)	(44,756)	(327)
Cash flows from financing activities			
Net decrease in short-term loan payables	(13,075)	(1,500)	(11)
Proceeds from long-term loan payables	28,864	30,000	219
Repayments of long-term loan payables	(19,756)	(36,394)	(266)
Proceeds from issuance of bonds	–	79,619	583
Redemption of bonds	(11,916)	(22,566)	(165)
Repayments of payables under fluidity lease receivables	(4,547)	(192)	(1)
Proceeds from issuance of common shares	287	129	1
Cash dividends paid	(9,509)	(10,034)	(73)
Proceeds from share issuance to non-controlling shareholders	1,052	–	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(10,646)	(78)
Purchase of treasury shares of subsidiaries	–	(80,941)	(592)
Other, net	(355)	(1,328)	(10)
Net cash used in financing activities	(28,954)	(53,854)	(394)
Effect of exchange rate change on cash and cash equivalents	4,009	22,849	167
Net increase (decrease) in cash and cash equivalents	(23,933)	19,376	142
Cash and cash equivalents at beginning of period	183,602	160,875	1,177
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,207	166	1
Cash and cash equivalents at end of period (Note 1)	¥160,875	¥180,418	$1,320

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2021 and 2022

(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 ¥136.68 to U.S.$1, the rate prevailing on June 30, 2022. 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 77

Names of consolidated subsidiaries

Don Quijote Co., Ltd.
UNY Co., Ltd.
Nagasakiya Co., Ltd.
UD Retail Co., Ltd.
Japan Asset Marketing Co., Ltd.
Pan Pacific International Financial Service Corporation
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 63 other companies

During the fiscal year ended June 30, 2022, the Company established Pan Pacific International Financial Service Corporation and included it in the scope of consolidation. In addition, two companies were newly included in the scope of consolidation due to stock acquisition and one company was newly included due to an increase in materiality. Pan Pacific International Financial Service Corporation is a specified subsidiary.

During the fiscal year ended June 30, 2022, five companies were excluded from the scope of consolidation: four 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

Seven 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

Seven non-consolidated subsidiaries and five 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 22 other companies have fiscal year-ends that differ from the consolidated fiscal year-end, but as the gap among the respective closing dates is not more 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, six 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 15 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 other than stocks that do not have quoted market prices
Fair value method (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.)
Stocks that do not have 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 mainly 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 members of credit cards, etc. 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, 2022 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) Significant revenue and expense recognition standards
The details of the main performance obligations in the major businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries and the timing at which these performance obligations are typically satisfied (when revenue is typically recognized) are as follows:
(a) Discount store business and general merchandise store business
Revenue is mainly from sale of products and recognized when products are transferred to a customer.
Revenue from sale of products in which the Company and its consolidated subsidiaries are deemed to be an agent is recognized at the net amount of the amount received in exchange for the products provided by the other party less the amount to be paid to the other party concerned.

(b) Rent business
The Company rents floor space in shopping malls and stores to tenants, and revenue is recognized from rental transactions in accordance with the ASBJ Statement No. 13 “Accounting Standard for Lease Transactions,” and other standards.

(c) Other businesses
This business mainly consists of credit fees and commissions from finance businesses, and revenue is recognized in accordance with the ASBJ Statement No. 10 “Accounting Standards for Financial Instruments” and other standards.

(7) 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.

(8) 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.

(9) 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.

(Significant Accounting Estimates)
1. Loss on valuation of inventories
(1) Amount presented on the consolidated financial statements for the fiscal year ended June 30, 2022

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Merchandise and finished goods	¥203,416	¥205,893	$1,506
Loss on valuation of inventories included in cost of sales	¥5,173	¥3,872	$28

(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 of inventories is lower than their 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 financial statements for the fiscal year ended June 30, 2022

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Property, plant and equipment	¥643,750	¥665,065	$4,866
Intangible assets	¥79,559	¥86,217	$631
Impairment loss	¥16,711	¥5,720	$42

Financial Performance

(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 store that has been newly opened or is scheduled to be newly opened generates losses from its operating activities that exceed initial expectations, and is expected to continue to 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 entry restrictions on foreign tourists will be extended and 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, 2022

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Deferred tax assets	¥23,713	¥20,840	$152

(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 it will remain difficult to forecast the future spread of COVID-19 and the timing of containment as entry restrictions on foreign tourists are likely to be extended, and 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 fluctuate and impact income taxes–deferred in the following fiscal year.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the fiscal year ended June 30, 2022. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes resulting from the application of the Revenue Recognition Standard and other standards are as follows:

1) The Group's point system

The Group has introduced its own point program in which points are given to customers based on the amount of their purchase when products, etc. are sold.

In the past, in order to prepare for the use of points given to customers, the Group recorded a provision for point card certificates at the amount expected to be used as selling, general and administrative expenses. This amount was estimated based on historical redemption experience and other factors. However, the Company changed the method for processing points by identifying points given to customers as performance obligations and recognizing revenue after subtracting the amount expected to be used in the future by customers from the transaction price.

2) Discount coupons

The Group previously processed sales that involve the use of discount coupons distributed to customers when products, etc. are sold by recognizing the total amount as revenue and recording the amount of discount coupons used as selling, general and administrative expenses. However, the Company changed to a method that involves recognizing revenue at the net amount.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year ended June 30, 2022, with the new accounting policies applied from the beginning balance.

As a result, in the consolidated statement of profit and loss for the fiscal year ended June 30, 2022, net sales and selling, general and administrative expenses decreased by ¥8,059 million ($59 million) each, while there was no impact on operating income, ordinary income, and profit before income taxes. In addition, this does not affect the balance of retained earnings at the beginning of the current period.

Due to the application of the Revenue Recognition Standard, etc., a portion of "Provision for point card certificates," which was included in "Current liabilities" in the consolidated balance sheet for the fiscal year ended June 30, 2021, is included in "Contract liabilities" from the fiscal year ended June 30, 2022, and a portion of "Advances received," which was included in "Other" under "Current liabilities" in the fiscal year ended June 30, 2021, is also included in "Contract liabilities" in the fiscal year ended June 30, 2022. Additionally, in accordance with the transitional treatment provided for in Paragraph 89-2 of the Revenue Recognition Standard, figures for the fiscal year ended June 30, 2021 have not been reclassified based on the new presentation method.

Furthermore, in accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Standard, notes pertaining to "Revenue Recognition" for the fiscal year ended June 30, 2021 are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the fiscal year ended June 30, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

In addition, the Company will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the fiscal year ended June 30, 2021 are not presented.

(Changes in Presentation)

(Consolidated Statements of Profit and Loss)

For the fiscal year ended June 30, 2021 the account "Reversal of provision for environmental measures," which was previously included in "Other" under "Extraordinary income," is shown as a separate line item since the amount became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2021.

As a result, the amount of ¥75 million presented as "Other" under "Extraordinary income" was reclassified to ¥1 million of "Reversal of provision for environmental measures" and ¥74 million of "Other" in the consolidated statement of profit and loss for the fiscal year ended June 30, 2021.

(Consolidated Statements of Cash Flows)

For the fiscal year ended June 30, 2021 the account "Foreign exchange losses (gains)," which was previously included in "Other, net" under "Cash flows from operating activities," is shown as a separate line item since the amount became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2021.

As a result, the amount of ¥2,954 million presented as "Other, net" under "Cash flows from operating activities" was reclassified to ¥(1,580) million of "Foreign exchange losses (gains)" and ¥4,534 million of "Other, net" in the consolidated statement of cash flows for the fiscal year ended June 30, 2021.

(Changes in Accounting Estimates)

(Changes in Estimates of Asset Retirement Obligations)

In the fiscal year ended June 30, 2022, the Company changed its estimate regarding the restoration costs required when vacating store premises based on new information that became available.

An increase of ¥5,018 million ($37 million) resulting from the change in estimates was added to the balance of asset retirement obligations from before the change.

This change in estimates does not have a material effect on profit and loss for the fiscal year ended June 30, 2022.

(Notes to Consolidated Balance Sheets)

Note 1 Of notes and accounts receivables–trade, the amount of receivables from contracts with customers is presented in "Notes (Revenue recognition), 3. Useful information in understanding the amount of revenue for the fiscal year ended June 30, 2022 and beyond, (i) Balance of receivables from contracts with customers and contract liabilities" in the consolidated financial statements.

Note 2 The item relating to non-consolidated subsidiaries and affiliates is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Investment securities (stocks)	¥13,331	¥13,387	$98

Note 3 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, 2021	As of June 30, 2022	As of June 30, 2022
Cash and deposits	¥ 791	¥1,005	$ 7
Merchandise and finished goods	329	380	3
Buildings and structures	769	739	5
Land	1,931	2,009	15
Other	272	167	1
Total	¥4,092	¥4,300	$31

Liabilities corresponding to assets pledged as collateral are as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Current liabilities "Other"	¥ 169	¥ 228	$ 2
Non-current liabilities "Other"	1,301	1,237	9
Total	¥1,470	¥1,465	$11

Note 4 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, 2021	As of June 30, 2022	As of June 30, 2022
Guarantee on debts for new construction project (payment for construction contractors)	¥2,106	¥2,106	$15

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

Note 5 Retroactive obligations due to securitization of receivables

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Retroactive obligations due to securitization of receivables	¥3,750	¥5,250	$38

Note 6 The Company and its consolidated subsidiaries entered into bank overdraft agreements with 42 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, 2021	As of June 30, 2022	As of June 30, 2022
Total credit line for bank overdraft	¥61,190	¥58,610	$429
Bank loans arranged	1,500	–	–
Unused balance	¥59,690	¥58,610	$429

Note 7 The Company and its consolidated subsidiaries have entered into loan commitment agreements with four banks as of June 30, 2021 and three banks as of June 30, 2022, 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, 2021	As of June 30, 2022	As of June 30, 2022
Total amount of loan commitment	¥30,052	¥30,000	$219
Bank loans arranged	–	–	–
Unused balance	¥30,052	¥30,000	$219

Note 8 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, 2021	As of June 30, 2022	As of June 30, 2022
Total amount of credit lines given	¥533,731	¥544,945	$3,987
Loan receivables from cash advances	7,537	7,998	59
Unused balance	¥526,194	¥536,947	$3,928

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 9 As of June 30, 2021 and 2022, the Company signed syndicated loan agreements with 70 financial institutions totaling ¥87,500 million and 39 financial institutions totaling ¥50,000 million ($366 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, 2021	As of June 30, 2022	As of June 30, 2022
Balance of loan payables based on syndicated loan agreements	¥61,600	¥50,000	$366

Note 10 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, 2021	As of June 30, 2022	As of June 30, 2022
Payables under fluidity lease receivables	¥191	¥–	$–

(Notes to Consolidated Statements of Profit and Loss)

Note 1 Revenue from contracts with customers

The Company does not disaggregate revenues from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in "Notes (Revenue Recognition), 1. Disaggregation of revenue from contracts with customers" in the consolidated financial statements.

Note 2 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, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
¥5,173	¥3,872	$28

Note 3 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, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Employees' compensation and benefits	¥157,372	¥175,377	$1,283
Occupancies and rentals	53,141	54,972	402
Commissions	58,844	59,582	436
Depreciation and amortization	26,472	31,260	229
Provision for point card certificates	12,008	4,991	37
Amortization of goodwill	1,660	4,034	30
Retirement benefit costs	¥ 1,797	¥ 1,881	$ 14

Note 4 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, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Buildings and structures	¥ –	¥1,649	$12
Furniture and fixtures	–	(8)	(0)
Land	93	(717)	(5)
Other	1	–	–
Total	¥94	¥ 924	$ 7

Note: Gains on sale of non-current assets arising from the sale of properties are offset by losses on sale of non-current assets arising from the sale of the same properties and presented as a gain on sale of non-current assets in the consolidated statement of profit and loss.

Financial Performance

Note 5 Impairment loss

The Group recognized impairment loss on the following asset groups:

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

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

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 for buildings and structures, ¥754 million for tools, furniture and fixtures, ¥8,011 million for land, and ¥90 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.

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

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	¥ 858	$ 6
Kanto	Store facilities	Buildings and structures, Tools, furniture and fixtures, Land, and Intangible assets (other)	1,231	9
Chubu	Store facilities	Buildings and structures, Tools, furniture and fixtures, Land, and Intangible assets (other)	2,331	17
Kinki	Store facilities	Buildings and structures, and Tools, furniture and fixtures	66	0
Kyushu	Store facilities	Buildings and structures, and Tools, furniture and fixtures	186	1
Asia	Store facilities	Construction in progress	177	1
North America	Store facilities	Tools, furniture and fixtures, and Right-of-use assets	871	6
Total			¥5,720	$42

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, 2022, 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 (¥2,701 million ($20 million) for buildings and structures, ¥712 million ($5 million) for tools, furniture and fixtures, ¥1,122 million ($8 million) for land, ¥177 million ($1 million) for construction in progress, ¥867 million ($6 million) for right-of-use assets, and ¥141 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 6 The breakdown of loss on retirement of non-current assets is as follows:

	Millions of yen Fiscal year ended June 30, 2021	Millions of yen Fiscal year ended June 30, 2022	Millions of U.S. dollars Fiscal year ended June 30, 2022
Buildings and structures	¥ 146	¥ 197	$ 1
Furniture and fixtures	76	129	1
Property, plant and equipment (other)	–	0	0
Intangible assets (other)	68	82	1
Removal expenses	734	1,024	7
Total	¥1,024	¥1,433	$10

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

	Millions of yen Fiscal year ended June 30, 2021	Millions of yen Fiscal year ended June 30, 2022	Millions of U.S. dollars Fiscal year ended June 30, 2022
Buildings and structures	¥ 56	¥ –	$–
Furniture and fixtures	65	2	0
Removal expenses, etc.	509	950	7
Total	¥630	¥952	$7

(Notes to Consolidated Statements of Comprehensive Income)

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

	Millions of yen Fiscal year ended June 30, 2021	Millions of yen Fiscal year ended June 30, 2022	Millions of U.S. dollars Fiscal year ended June 30, 2022
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥1,848	¥(1,910)	$(14)
Reclassification adjustment to profit (loss)	(46)	19	0
Amount before tax effect	1,802	(1,892)	(14)
Tax effect	(621)	602	4
Valuation difference on available-for-sale securities	1,181	(1,289)	(9)
Foreign currency translation adjustment:			
Amount arising during the fiscal year	1,985	3,335	24
Reclassification adjustment to profit (loss)	–	–	–
Amount before tax effect	1,985	3,335	24
Tax effect	–	–	–
Foreign currency translation adjustment	1,985	3,335	24
Retirement benefit adjustment:			
Amount arising during the fiscal year	267	438	3
Reclassification adjustment to profit (loss)	9	(18)	(0)
Amount before tax effect	276	420	3
Tax effect	(84)	(136)	(1)
Retirement benefit adjustment	192	284	2
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the fiscal year	88	5	0
Total other comprehensive income	¥3,447	¥ 2,334	$ 17

(Notes to Consolidated Statements of Changes in Net Assets)

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).

Financial Performance

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
The Company	Share-based compensation stock options	–	–	–	–	–	¥205
The Company	Paid-in stock options	–	–	–	–	–	12
Total		–	–	–	–	–	¥216

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 29, 2020	Common stock	¥7,607	¥12.0	June 30, 2020	September 30, 2020
Board of Directors' meeting held on February 10, 2021	Common stock	1,902	3.0	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	Millions of yen: Total amount of dividends	Yen: Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 29, 2021	Common stock	Retained earnings	¥8,245	¥13.0	June 30, 2021	September 30, 2021

4. Significant changes in net assets

Not applicable.

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

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, 2021	Increase	Decrease	Number of shares as of June 30, 2022
Outstanding shares				
Common stock (Note 1)	634,239	139	–	634,379
Total	634,239	139	–	634,379
Treasury shares				
Common stock (Note 2)	19	38,054	–	38,073
Total	19	38,054	–	38,073

(Notes) 1. The increase of 139 thousand shares of common stock issued and outstanding is due to the exercise of stock options (139 thousand shares).
2. The increase of 38,054 thousand shares of common stock in treasury is due to the purchase of treasury shares based on the resolution of the Board of Directors at a meeting held on September 6, 2021 (38,054 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, 2021	Increase	Decrease	Number of shares as of June 30, 2022	Millions of yen: As of June 30, 2022	Millions of U.S. dollars: As of June 30, 2022
The Company	Share-based compensation stock options	–	–	–	–	–	¥260	$2
The Company	Paid-in stock options	–	–	–	–	–	11	0
Total		–	–	–	–	–	¥271	$2

3. Matters regarding dividends

(1) Dividend payment

Resolution	Class of stock	Millions of yen: Total amount of dividends	Millions of U.S. dollars: Total amount of dividends	Yen: Dividends per share	U.S. dollars: Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 29, 2021	Common stock	¥8,245	$60	¥13.0	$0.10	June 30, 2021	September 30, 2021
Board of Directors' meeting held on February 10, 2022	Common stock	1,789	13	3.0	0.02	December 31, 2021	March 25, 2022

(2) Dividends with a record date during the fiscal year ended June 30, 2022, but with an effective date subsequent to the fiscal year ended June 30, 2022

Resolution	Class of stock	Source	Millions of yen: Total amount of dividends	Millions of U.S. dollars: Total amount of dividends	Yen: Dividends per share	U.S. dollars: Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 28, 2022	Common stock	Retained earnings	¥8,348	$61	¥14.0	$0.10	June 30, 2022	September 29, 2022

4. Significant changes in net assets

At the Board of Directors' meeting held on September 6, 2021, the Company resolved the repurchase of treasury shares 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 38,054,300 treasury shares. As a result, treasury shares increased by ¥80,941 million ($592 million) in the fiscal year ended June 30, 2022, amounting to ¥80,956 million ($592 million) as of June 30, 2022.

(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: Fiscal year ended June 30, 2021	Millions of yen: Fiscal year ended June 30, 2022	Millions of U.S. dollars: Fiscal year ended June 30, 2022
Cash and deposits	¥157,522	¥176,777	$1,293
Cash equivalents included in deposits paid	3,353	3,641	27
Cash and cash equivalents	¥160,875	¥180,418	$1,320

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, 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
Current assets	¥ 8,520
Non-current assets	30,287
Goodwill	40,011
Current liabilities	(22,815)
Non-current liabilities	(27,577)
Cost to acquire shares	28,426
Cash and cash equivalents	(1,895)
Less: Payments for acquisition	¥ 26,531

The acquisition cost is based on the amount that resulted from reflecting a significant revision in the initial allocation amounts of acquisition costs due to the finalization of the provisional accounting treatment for business combinations.

For the fiscal year ended June 30, 2022

The disclosure is omitted due to its insignificance.

(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, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Due within one year	¥ 9,292	¥10,939	$ 80
Due after one year	37,603	35,261	258
Total	¥46,895	¥46,200	$338

(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 and bond payables 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

Since the valuation techniques for the fair values of financial instruments incorporate various assumptions, 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 "Cash and deposits," "Notes and accounts receivables–trade," "Deposits paid," "Notes and accounts payables–trade," "Short-term loan payables," "Accounts payables–other," "Accrued expenses," "Deposits received," and "Income taxes payables" are omitted, because they are cash, and their carrying amounts approximate their fair value as they are settled in a short period of time.

As of June 30, 2021

			Millions of yen
	Carrying amount	Fair value	Difference
(1) Accounts receivables–installment	65,491		
Allowance for doubtful accounts(*1)	(519)		
Deferred installment income(*2)	(105)		
	64,866	69,672	4,806
(2) Operating loans	7,658		
Allowance for doubtful accounts(*1)	(146)		
	7,512	8,874	1,361
(3) Investment securities			
(i) Available-for-sale securities	14,737	14,737	–
(ii) Shares of subsidiaries and affiliates	7,768	7,911	143
(4) Long-term loan receivables	832		
Allowance for doubtful accounts(*1)	(0)		
	832	832	–
(5) Leasehold and guarantee deposits	18,435	19,971	1,536
Total assets	114,150	121,997	7,847
(1) Current portion of long-term loan payables	33,613	33,606	(7)
(2) Current portion of bonds	22,566	22,473	(93)
(3) Payables under fluidity lease receivables	191	191	0
(4) Lease obligations (Current liabilities)	1,380	1,386	5
(5) Bond payables	203,976	202,235	(1,741)
(6) Long-term loan payables	271,507	269,632	(1,875)
(7) Lease obligations (Non-current liabilities)	21,087	22,065	978
Total liabilities	554,320	551,588	(2,733)
Derivative transactions(*3)	[494]	[494]	–

(*1) Not including allowance for doubtful accounts corresponding to each item.
(*2) Not including deferred installment income (liabilities account) related to accounts receivables–installment.
(*3) Net credit (obligation) arising from derivative transactions is shown as a net amount. If the total is a net obligation, the figures are shown in brackets.

Note: The following financial instruments are not included in "(3) Investment securities, (4) Long-term loan receivables, and (5) Leasehold and guarantee deposits," since they do not have quoted market prices, and thus it is extremely difficult to determine their fair values. The carrying amount of these financial instruments on the consolidated balance sheet are as follows:

	Millions of yen
	Fiscal year ended June 30, 2021
Securities and investment securities	¥ 1,015
Shares of subsidiaries and affiliates	5,563
Long-term loan receivables	359
Allowance for doubtful accounts(*1)	(162)
	197
Leasehold and guarantee deposits	55,447
Allowance for doubtful accounts(*2)	(1,563)
	53,884

(*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.

As of June 30, 2022

	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Accounts receivables–installment	52,122			381		
Allowance for doubtful accounts(*1)	(1,341)			(10)		
Deferred installment income(*2)	(156)			(1)		
	50,625	57,406	6,781	370	420	50
(2) Operating loans	8,115			59		
Allowance for doubtful accounts(*1)	(250)			(2)		
	7,865	9,957	2,093	58	73	15
(3) Investment securities						
(i) Available-for-sale securities	12,826	12,826	–	94	94	–
(ii) Shares of subsidiaries and affiliates	7,994	7,244	(750)	58	53	(5)
(4) Long-term loan receivables	966			7		
Allowance for doubtful accounts(*1)	(343)			(3)		
	624	624	–	5	5	–
(5) Leasehold and guarantee deposits	73,225			536		
Allowance for doubtful accounts(*1)	(1,446)			(11)		
	71,780	72,448	668	525	530	5
Total assets	151,713	160,505	8,792	1,110	1,174	64
(1) Current portion of long-term loan payables	26,918	26,918	0	197	197	0
(2) Current portion of bonds	11,421	11,371	(50)	84	83	(0)
(3) Lease obligations (Current liabilities)	1,804	1,816	12	13	13	0
(4) Bond payable	272,555	267,810	(4,745)	1,994	1,959	(35)
(5) Long-term loan payables	276,201	276,058	(142)	2,021	2,020	(1)
(6) Lease obligations (Non-current liabilities)	25,471	26,873	1,402	186	197	10
Total liabilities	614,370	610,847	(3,523)	4,495	4,469	(26)
Derivative transactions(*3)	[747]	[747]	–	[5]	[5]	–

(*1) Not including allowance for doubtful accounts corresponding to each item.
(*2) Not including deferred installment income (liabilities account) related to accounts receivables–installment.
(*3) Net credit (obligation) arising from derivative transactions is shown as a net amount. If the total is a net obligation, the figures are shown in brackets.

Note: Stocks that do not have quoted market prices are not included in "(3) Investment securities." The carrying amount of those financial instruments on the consolidated balance sheet are as follows:

	Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Investment securities		
Unlisted equity securities	¥1,013	$ 7
Shares of non-consolidated subsidiaries and affiliates	¥5,393	$39

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

As of June 30, 2021

Millions of yen

	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash and deposits	¥157,522	¥ –	¥ –	¥ –
Notes and accounts receivables–trade	21,074	–	–	–
Accounts receivables–installment(*1)	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

As of June 30, 2022

Millions of yen

	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash and deposits	¥176,777	¥ –	¥ –	¥ –
Notes and accounts receivables–trade	12,728	–	–	–
Accounts receivables–installment(*1)	31,799	13,333	3,355	–
Operating loans	4,340	3,730	45	–
Deposits paid	4,768	–	–	–
Long-term loan receivables(*2)	–	612	–	–
Leasehold and guarantee deposits(*2)	2,027	6,947	5,207	4,943
Total	¥232,439	¥24,622	¥8,606	¥4,943

Millions of U.S. dollars

	Due in one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash and deposits	$1,293	$ –	$ –	$ –
Notes and accounts receivables–trade	93	–	–	–
Accounts receivables–installment(*1)	233	98	25	–
Operating loans	32	27	0	–
Deposits paid	35	–	–	–
Long-term loan receivables(*2)	–	4	–	–
Leasehold and guarantee deposits(*2)	15	51	38	36
Total	$1,701	$180	$63	$36

(*1) The tables above do not include the amounts of accounts receivables–installment whose collections on maturity dates cannot be reasonably determined.
(*2) Of long-term loan receivables and leasehold and guarantee deposits, only those confirmed to be collected are presented. Entries without a determined date for collection are not included in the amount to be collected.

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

As of June 30, 2021

Millions of yen

	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term loan payables	¥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

As of June 30, 2022

Millions of yen

	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Bond payables	¥11,421	¥10,930	¥ 650	¥20,650	¥40,325	¥200,000
Long-term loan payables	26,918	37,564	25,567	53,123	26,696	133,250
Lease obligations	1,804	1,934	2,053	1,714	1,725	18,045
Total	¥40,144	¥50,428	¥28,270	¥75,487	¥68,746	¥351,295

Millions of U.S. dollars

	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Bond payables	$ 84	$ 80	$ 5	$151	$295	$1,463
Long-term loan payables	197	275	187	389	195	975
Lease obligations	13	14	15	13	13	132
Total	$294	$369	$207	$552	$503	$2,570

5. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

As of June 30, 2022

Millions of yen

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥12,826	¥ –	¥–	¥12,826
Derivative transactions				
Currency related	–	110	–	110
Total assets	12,826	110	–	12,936
Derivative transactions				
Interest rate related	–	32	–	32
Interest rate and currency related	–	825	–	825
Total liabilities	¥ –	¥856	¥–	¥ 856

Millions of U.S. dollars

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	$94	$–	$–	$94
Derivative transactions				
Currency related	–	1	–	1
Total assets	94	1	–	95
Derivative transactions				
Interest rate related	–	0	–	0
Interest rate and currency related	–	6	–	6
Total liabilities	$ –	$6	$–	$ 6

Financial Performance

(2) Financial instruments other than those measured at fair value

As of June 30, 2022

Millions of yen

	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivables–installment	¥ –	¥ 57,406	¥–	¥ 57,406
Operating loans	–	9,957	–	9,957
Investment securities				
Shares of subsidiaries and affiliates				
Equity securities	7,244	–	–	7,244
Long-term loan receivables	–	624	–	624
Leasehold and guarantee deposits	–	72,448	–	72,448
Total assets	7,244	140,435	–	147,678
Current portion of long-term loan payables	–	26,918	–	26,918
Current portion of bonds	–	11,371	–	11,371
Lease obligations (Current liabilities)	–	1,816	–	1,816
Bond payables	–	267,810	–	267,810
Long-term loan payables	–	276,058	–	276,058
Lease obligations (Non-current liabilities)	–	26,873	–	26,873
Total liabilities	¥ –	¥610,847	¥–	¥610,847

Millions of U.S. dollars

	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivables–installment	$ –	$ 420	$–	$ 420
Operating loans	–	73	–	73
Investment securities				
Shares of subsidiaries and affiliates				
Equity securities	53	–	–	53
Long-term loan receivables	–	5	–	5
Leasehold and guarantee deposits	–	530	–	530
Total assets	53	1,027	–	1,080
Current portion of long-term loan payables	–	197	–	197
Current portion of bonds	–	83	–	83
Lease obligations (Current liabilities)	–	13	–	13
Bond payables	–	1,959	–	1,959
Long-term loan payables	–	2,020	–	2,020
Lease obligations (Non-current liabilities)	–	197	–	197
Total liabilities	$ –	$4,469	$–	$4,469

Note: A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

The fair value of interest rate swaps and forward exchange contracts is calculated based on prices obtained from financial institutions and is classified as Level 2.

Accounts receivables–installment and operating loans

The fair value of these items is measured using the discounted cash flow method based on estimated future cash flows of collectible principal and interest using market rates adjusted by an interest rate for expenses of collecting receivables and is classified as Level 2. Doubtful receivables are stated at the book values after deducting allowance, since such amounts are assumed to approximate fair value.

Long-term loan receivables

The fair value of long-term loan receivables is categorized by a specified period and measured using the discounted cash flow method based on future cash flows and an interest rate obtained by adding the credit spread to government bond yields and other appropriate indicators, for each type of credit risk categorized for credit management purposes, and is classified as Level 2.

Leasehold and guarantee deposits

The fair value of leasehold and guarantee deposits is measured using the discounted cash flow method reflecting future cash flows based on an interest rate of government bond yields, etc., and is classified as Level 2.

Bond payables (including current portion)

The fair value of bond payables issued by the Company is measured using the discounted cash flow method based on the sum of principal and interest, remaining bond payables and an interest rate reflecting credit risk and is classified as Level 2.

Long-term loan payables (including current portion) and lease obligations

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk and is classified as Level 2.

(Securities)

1. Available-for-sale securities

As of June 30, 2021

Millions of yen

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

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥1,014 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, 2022

		Millions of yen			Millions of U.S. dollars		
	Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Carrying amount exceeds acquisition cost	(1) Equity securities	¥ 3,148	¥ 2,276	¥ 872	$23	$17	$ 6
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	Subtotal	3,148	2,276	872	23	17	6
Carrying amount does not exceed acquisition cost	(1) Equity securities	9,678	9,834	(156)	71	72	(1)
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	Subtotal	9,678	9,834	(156)	71	72	(1)
Total		¥12,826	¥12,110	¥ 716	$94	$89	$ 5

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥1,013 million ($7 million)) and other items (carrying amount on the consolidated balance sheet: ¥0 million ($0 million)) are not included in the above table, since they are stocks that do not have quoted market prices.

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

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

Millions of yen

Type	Proceeds from sales	Gain on sales	Loss on sales
(1) Equity securities	¥ 0	¥ –	¥(0)
(2) Debt securities			
(i) JGBs/muni bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	124	52	(6)
Total	¥124	¥52	¥(6)

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

Not applicable.

3. Impaired securities

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

The Company recognized an impairment loss of ¥167 million for securities (¥167 million for shares without quoted market prices of available-for-sale securities).

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

The Company recognized an impairment loss of ¥30 million ($0 million) for securities (¥19 million ($0 million) for securities other than stocks that do not have quoted market prices and ¥12 million ($0 million) for stocks without quoted market prices).

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.

Financial Performance

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

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

(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, 2022

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	¥1,660	¥–	¥110	¥110

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	$12	$–	$1	$1

(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, 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)

(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, 2022

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	¥50,210	¥50,000	¥(32)	¥(32)

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	$367	$366	$(0)	$(0)

(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, 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)

(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, 2022

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	¥(825)	¥(825)

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	$42	$42	$(6)	$(6)

(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. concurrently maintain defined benefit plans. Those defined benefit plans are closed funded defined benefit plans consisting solely of beneficiaries and those waiting to receive benefits.

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, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Beginning balance of retirement benefit obligations	¥14,320	¥13,196	$97
Interest costs	53	39	0
Increase/decrease in actuarial differences	92	(459)	(3)
Retirement benefit payments	(1,269)	(983)	(7)
Ending balance of retirement benefit obligations	¥13,196	¥11,793	$86

(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, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Beginning balance of pension assets	¥30,556	¥29,952	$219
Expected return on assets	306	300	2
Increase/decrease in actuarial differences	359	(21)	(0)
Retirement benefit payments	(1,269)	(983)	(7)
Ending balance of pension assets	¥29,952	¥29,247	$214

(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, 2021	As of June 30, 2022	As of June 30, 2022
Retirement benefit obligations (Funded plan)	¥ 13,196	¥ 11,793	$ 86
Pension assets	(29,952)	(29,247)	(214)
Retirement benefit asset	(16,756)	(17,455)	(128)
Net of retirement benefit asset and retirement benefit liability on the consolidated balance sheet	¥(16,756)	¥(17,455)	$(128)

(4) Retirement benefit expenses and their breakdown

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Interest costs	¥ 53	¥ 39	$ 0
Expected return on assets	(306)	(300)	(2)
Amortization of actuarial differences	(9)	18	0
Retirement benefit expense on retirement benefit plan	¥(261)	¥(243)	$(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, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Actuarial differences	¥276	¥420	$3
Total	¥276	¥420	$3

(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, 2021	As of June 30, 2022	As of June 30, 2022
Unrecognized actuarial differences	¥208	¥628	$5
Total	¥208	¥628	$5

(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, 2021	As of June 30, 2022
Life insurance general accounts	100%	100%
Alternatives	0	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, 2021	As of June 30, 2022
Discount rate	0.3%	0.6%
Long-term expected rate of return	1.0	1.0

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, ¥2,060 million for the fiscal year ended June 30, 2021 and ¥2,124 million ($16 million) for the fiscal year ended June 30, 2022.

(Stock Options)

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Selling, general and administrative expenses	¥–	¥56	$0

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, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Gain on reversal of share acquisition rights	¥0	¥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)

	The 6th Share-based Compensation Stock Options
Eligible grantees	1 director
Class and number of stock options (Note 1)	Common stock 25,000 shares
Grant date	November 2, 2021
Condition for vesting	None
Required service period	None
Exercise period	From November 2, 2021 to November 1, 2051
Condition for exercise	(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, 2022 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, 2021	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2022	–	–	–
After vesting			
Balance as of June 30, 2021	2,400	2,400	2,345,600
Vested	–	–	–
Exercised	–	–	139,200
Forfeited	–	–	6,000
Balance as of June 30, 2022	2,400	2,400	2,200,400

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, 2021	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2022	–	–	–
After vesting			
Balance as of June 30, 2021	20,000	40,000	80,000
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Balance as of June 30, 2022	20,000	40,000	80,000

Shares

	The 6th Share-based Compensation Stock Options
Grant date	November 2, 2021
Before vesting	
Balance as of June 30, 2021	–
Granted	25,000
Forfeited	–
Vested	25,000
Balance as of June 30, 2022	–
After vesting	
Balance as of June 30, 2021	–
Vested	25,000
Exercised	–
Forfeited	–
Balance as of June 30, 2022	25,000

(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

	The 1st Share-based Compensation Stock Options (Yen)	(U.S. dollars)	The 2nd Share-based Compensation Stock Options (Yen)	(U.S. dollars)	The 1st Paid-in Stock Options (Yen)	(U.S. dollars)
Grant date	June 26, 2015		December 28, 2015		September 23, 2016	
Exercise price	¥1	$0.01	¥1	$0.01	¥925	$6.77
Average stock price at time of exercise	–	–	–	–	2,072	15.16
Fair value at grant date	1,242.00	9.09	1,007.50	7.37	–	–

	The 3rd Share-based Compensation Stock Options (Yen)	(U.S. dollars)	The 4th Share-based Compensation Stock Options (Yen)	(U.S. dollars)	The 5th Share-based Compensation Stock Options (Yen)	(U.S. dollars)
Grant date	June 1, 2017		June 29, 2018		April 10, 2019	
Exercise price	¥1	$0.01	¥1	$0.01	¥1	$0.01
Average stock price at time of exercise	–	–	–	–	–	–
Fair value at grant date	1,011.50	7.40	1,235.75	9.04	1,618.75	11.84

	The 6th Share-based Compensation Stock Options (Yen)	(U.S. dollars)
Grant date	November 2, 2021	
Exercise price	¥1	$0.01
Average stock price at time of exercise	–	–
Fair value at grant date	2,230.00	16.32

(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

The methods used to estimate the fair value of stock options granted in the fiscal year ended June 30, 2022 are as follows:

The 6th Share-based Compensation Stock Options

(i) Valuation technique Black-Scholes model

(ii) Main basic numerical values and estimation method

	The 6th Share-based Compensation Stock Options
Stock price volatility (Note 1)	31.36%
Expected remaining period (Note 2)	15 years
Expected dividend (Note 3)	¥16 ($0.12) per share
Risk-free interest rate (Note 4)	0.289%

(Notes)
1. Stock price volatility is calculated based on stock prices over the 15-year period (November 2006 to November 2021).
2. The expected remaining period is difficult to reasonably estimate due to the lack of sufficient accumulated data; thus, the Company has provided this estimate based on the presumption that rights will be exercised at the midway point of the exercise period.
3. The expected dividend is based on the dividend for the fiscal year ended June 30, 2021.
4. The risk-free interest rate is government bond yields for the period corresponding to the expected remaining period.

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.

Financial Performance

(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, 2021	As of June 30, 2022	As of June 30, 2022
Deferred tax assets			
Accrued enterprise taxes not deductible for tax purposes	¥ 734	¥ 1,176	$ 9
Inventories	3,739	3,543	26
Accrued bonus	1,760	1,626	12
Excess depreciation and amortization over tax purposes	21,698	21,837	160
Impairment loss	14,707	15,183	111
Loss on closing of stores	81	29	0
Net operating loss carryforward (Note 2)	4,446	3,729	27
Loss on valuation of investment securities not deductible for tax purposes	223	103	1
Long-term accounts payable	2,189	2,179	16
Excess allowance for doubtful accounts over tax purposes	846	1,104	8
Asset retirement obligations	4,190	4,870	36
Provision for point card certificates	464	441	3
Provision for loss on interest repayment	855	737	5
Valuation difference of consolidated subsidiaries	20,479	21,262	156
Other	6,974	6,559	48
Deferred tax assets total	83,383	84,377	617
Valuation allowance for net operating loss carryforward (Note 2)	(2,951)	(2,709)	(20)
Valuation allowance for future deductible temporary differences	(35,343)	(37,721)	(276)
Valuation allowance subtotal	(38,294)	(40,430)	(296)
Deferred tax assets total	45,090	43,947	322
Deferred tax liabilities			
Valuation of assets and liabilities of subsidiaries at market value for the purpose of consolidation	(15,013)	(15,683)	(115)
Retirement benefit asset	(5,096)	(5,950)	(44)
Reserve for advanced depreciation of non-current assets	(1,865)	(2,059)	(15)
Valuation difference on available-for-sale securities	(1,071)	(459)	(3)
Other	(236)	(251)	(2)
Deferred tax liabilities total	(23,281)	(24,402)	(179)
Net deferred tax assets	¥ 21,809	¥ 19,545	$ 143

(Notes) 1. The Company has finalized the provisional accounting treatment for business combinations in the fiscal year ended June 30, 2022. Accordingly, the above amount for the fiscal year ended June 30, 2021 is based on the amount that resulted from reflecting a significant revision in the initial allocation amounts of acquisition costs due to the finalization of the provisional accounting treatment.
2. Amounts of net operating loss carryforward and its corresponding deferred tax assets by carryover period

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

(*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, calculated by using a statutory tax rate, deferred tax assets of ¥1,496 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, 2022

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)	¥ 55	¥ 148	¥ 214	¥ 148	¥ 615	¥ 2,550	¥ 3,729
Valuation allowance	(55)	(148)	(214)	(148)	(615)	(1,529)	(2,709)
Deferred tax assets	–	–	–	–	–	1,020	(*2) 1,020

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)	$ 0	$ 1	$ 2	$ 1	$ 4	$ 19	$ 27
Valuation allowance	(0)	(1)	(2)	(1)	(4)	(11)	(20)
Deferred tax assets	–	–	–	–	–	7	(*2) 7

(*1) The amounts of net operating loss carryforward are calculated by using a statutory tax rate.
(*2) For the net operating loss carryforward of ¥3,729 million ($27 million), calculated by using a statutory tax rate, deferred tax assets of ¥1,020 million ($7 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, 2021	As of June 30, 2022
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Inhabitant tax per capita levy	2.0	1.4
Change in valuation allowance	(19.8)	(0.6)
Amortization of goodwill and other consolidation adjustments	0.9	1.3
Tax deduction	(0.1)	–
Difference in tax rate from consolidated subsidiaries	0.2	0.4
Other	0.9	(0.1)
Effective income tax rate after tax-effect accounting	14.7	32.9

(Business Combination)

Finalization of the provisional accounting treatment for business combinations

The Company had applied a provisional accounting treatment in the fiscal year ended June 30, 2021 for the April 21, 2021 business combination with GRCY Holdings, Inc. The accounting treatment was finalized in the fiscal year ended June 30, 2022.

In line with the finalization of the provisional accounting treatment, a significant revision has been reflected in the initial allocation amounts of acquisition costs included in comparison information of the consolidated financial statements for the fiscal year ended June 30, 2022.

As a result, the amount of provisionally calculated goodwill of ¥40,898 million ($299 million) decreased by ¥887 million ($6 million) to ¥40,011 million ($293 million) due to the finalization of the accounting treatment. Furthermore, deferred tax assets increased by ¥845 million ($6 million), while other current assets, goodwill, retained earnings, and foreign currency translation adjustment decreased by ¥89 million ($1 million), ¥893 million ($7 million), ¥116 million ($1 million), and ¥21 million ($0 million), respectively, as of June 30, 2021.

In the consolidated statement of profit and loss for the fiscal year ended June 30, 2021, gross profit decreased by ¥89 million. Accordingly, operating income, ordinary income, and profit before income taxes decreased by ¥74 million each. Profit and profit attributable to owners of parent decreased by ¥116 million each.

(Asset Retirement Obligations)

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 according to lease contracts for real estate used for stores.

(2) Calculation method for asset retirement obligations

Asset retirement obligations are calculated on the basis of estimated period of use of 1 to 42 years and discount rates of 0.00%–4.08%.

(3) Changes in asset retirement obligations

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Beginning of the year	¥23,588	¥24,168	$177
Increase due to acquisition of property, plant and equipment	647	930	7
Adjustments over time	223	222	2
Increase due to changes in estimates	(3)	5,018	37
Decrease due to performance of asset retirement obligations	(287)	(1)	(0)
Decrease due to settlement of asset retirement obligations	(21)	(2)	(0)
Other increase	21	19	0
End of the year	¥24,168	¥30,355	$222

(4) Changes in estimates of asset retirement obligations

This description is omitted because the same information is presented in "Notes (Changes in Accounting Estimates) (Changes in Estimates of Asset Retirement Obligations)."

(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, 2021, rental income related to such properties and facilities was ¥8,111 million. (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses.) For the fiscal year ended June 30, 2022, rental income related to such properties and facilities was ¥5,865 million ($43 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 ¥910 million ($7 million), which was recorded in extraordinary income.

Financial Performance

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, 2021 and 2022 are as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Carrying amount			
Beginning of the year	¥157,684	¥156,396	$1,144
Net change	(1,288)	(5,403)	(40)
End of the year	156,396	150,993	1,105
Fair value	178,945	174,630	1,278

(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, 2021 consisted of major increases of ¥861 million from the acquisition of real estate and ¥1,270 million from a change in rentable ratios, and a major decrease of ¥3,419 million from impairment loss. Net change for the fiscal year ended June 30, 2022 consisted of major increases of ¥970 million ($7 million) from the acquisition of real estate and ¥519 million ($4 million) from a change in rentable ratios, and a major decrease of ¥4,839 million ($35 million) from the sale of real estate and ¥2,053 million ($15 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.

(Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

Millions of yen

	Reportable segment					
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total
Household electrical appliances	¥ 85,157	¥ –	¥ –	¥ 85,157	¥ –	¥ 85,157
Daily consumables	263,053	–	–	263,053	–	263,053
Food	487,746	311,333	–	799,079	–	799,079
Watches & fashion merchandise	141,200	–	–	141,200	–	141,200
Sporting good &, leisure equipment	64,745	–	–	64,745	–	64,745
Clothes	–	50,012	–	50,012	–	50,012
Household goods	–	65,812	–	65,812	–	65,812
North America	198,211	–	–	198,211	–	198,211
Asia	68,880	–	–	68,880	–	68,880
Other	18,459	2,441	–	20,900	–	20,900
Revenue from contracts with customers	1,327,451	429,598	–	1,757,048	–	1,757,048
Revenue from other sources (Note 2)	–	–	59,558	59,558	14,673	74,231
Sales to third parties	1,327,451	429,598	59,558	1,816,606	14,673	1,831,280

Millions of U.S. dollars

	Reportable segment					
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total
Household electrical appliances	$ 623	$ –	$ –	$ 623	$ –	$ 623
Daily consumables	1,925	–	–	1,925	–	1,925
Food	3,569	2,278	–	5,846	–	5,846
Watches & fashion merchandise	1,033	–	–	1,033	–	1,033
Sporting good &, leisure equipment	474	–	–	474	–	474
Clothes	–	366	–	366	–	366
Household goods	–	482	–	482	–	482
North America	1,450	–	–	1,450	–	1,450
Asia	504	–	–	504	–	504
Other	135	18	–	153	–	153
Revenue from contracts with customers	9,712	3,143	–	12,855	–	12,855
Revenue from other sources (Note 2)	–	–	436	436	107	543
Sales to third parties	9,712	3,143	436	13,291	107	13,398

(Notes) 1. "Other," which is not a reportable segment, includes card business.
2. "Revenue from other sources" includes revenue based on the ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" and the ASBJ Statement No. 10 "Accounting Standards for Financial Instruments."

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in "(Significant Matters for the Preparation of Consolidated Financial Statements), 4. Accounting policies, (6) Significant revenue and expense recognition standards" in the Notes to Consolidated Financial Statements.

3. Useful information in understanding the amount of revenue for the fiscal year ended June 30, 2022 and beyond

(i) Balance of receivables from contracts with customers and contract liabilities

Balance of receivables from contracts with customers and contract liabilities are as follows:

Millions of yen

	Fiscal year ended June 30, 2022	
	Beginning balance	Ending balance
Receivables from contracts with customers		
Accounts receivables–trade	¥20,877	¥12,550
Contract liabilities	¥10,505	¥11,361

Millions of U.S. dollars

	Fiscal year ended June 30, 2022	
	Beginning balance	Ending balance
Receivables from contracts with customers		
Accounts receivables–trade	$153	$92
Contract liabilities	$77	$83

Contract liabilities include points given to customers when products, etc. are sold and advances received from payments into the Group's e-money service. These are balances for which the performance obligations have not been satisfied as of the fiscal year-end.

For points, contract liabilities are recognized when points are given to customers, and reversed when the performance obligation is satisfied upon their use or expiration.

For e-money, contract liabilities are recognized when payments into the service are made, and reversed when the performance obligation is satisfied upon products being transferred to a customer.

Revenue recognized in the fiscal year ended June 30, 2022 that was included in the contract liability balance at the beginning of the year was ¥10,505 million ($77 million).

(ii) Transaction price allocated to the remaining performance obligations

The description is omitted because the Group has applied the practical expedient as there are no significant transactions with an original expected contract duration of more than one year.

There are no material amounts of compensation from contracts with customers that are not included in the transaction price.

(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.

Financial Performance

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

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)	55,261	16,599	13,362	85,221	(4,453)	80,769	464	81,232
Segment assets	703,489	233,120	236,786	1,173,395	181,463	1,354,858	15,257	1,370,115
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

(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 adjustment to segment profit is an intersegment elimination.
The ¥15,257 million adjustment to segment assets includes surplus funds of ¥109,631 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.
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, 2022 (From July 1, 2021 to June 30, 2022)

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	¥1,327,451	¥429,598	¥ 59,558	¥1,816,607	¥ 14,673	¥1,831,280	¥ –	¥1,831,280
Intersegment sales and transfer	7,886	11,717	1,256	20,859	4,173	25,032	(25,032)	–
Total	1,335,338	441,314	60,814	1,837,465	18,846	1,856,312	(25,032)	1,831,280
Segment profit (loss)	72,230	14,579	10,366	97,175	(8,627)	88,547	140	88,688
Segment assets	724,568	233,291	240,390	1,198,249	180,717	1,378,966	4,712	1,383,678
Other items (Note 4)								
Depreciation and amortization	26,226	4,990	5,888	37,105	1,113	38,217	12	38,229
Increase in property, plant and equipment and intangible assets	32,527	7,312	8,486	48,324	2,662	50,986	159	51,145

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales								
Sales to third parties	$9,712	$3,143	$ 436	$13,291	$ 107	$13,398	$ –	$13,398
Intersegment sales and transfer	58	86	9	153	31	183	(183)	–
Total	9,770	3,229	445	13,444	138	13,581	(183)	13,398
Segment profit (loss)	528	107	76	711	(63)	648	1	649
Segment assets	5,301	1,707	1,759	8,767	1,322	10,089	34	10,123
Other items (Note 4)								
Depreciation and amortization	192	37	43	271	8	280	0	280
Increase in property, plant and equipment and intangible assets	238	53	62	354	19	373	1	374

(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 ¥140 million ($1 million) adjustment to segment profit is an intersegment elimination.
The ¥4,712 million ($34 million) adjustment to segment assets includes surplus funds of ¥125,831 million ($921 million) of the Company and its consolidated subsidiaries, which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥(121,119) million ($(886) million).
3. Segment profit is adjusted to operating income in the consolidated statements of profit and loss.
4. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.
5. Segment information for the fiscal year ended June 30, 2021 is based on the amounts that resulted from reflecting a significant revision in the initial allocation amounts of acquisition costs due to the finalization of the provisional accounting treatment as presented in "Notes (Business Combination)."

2. Changes in reportable segments

As stated in Changes in Accounting Policies, the Company applied the Revenue Recognition Standard, etc. from the beginning of the fiscal year ended June 30, 2022 and changed the accounting treatment method for revenue recognition.

As a result of the change, compared with the previous method, sales decreased by ¥6,422 million ($47 million) and ¥1,637 million ($12 million) in the "Discount store business" and the "GMS business," respectively, for the fiscal year ended June 30, 2022.

3. Information on the impairment loss of non-current assets and goodwill by reportable segment

(Significant changes in the amount of goodwill)

Since the allocation of acquisition costs had not been completed for the April 21, 2021 business combination with GRCY Holdings, Inc., the amount of goodwill had been provisionally calculated. However, as the allocation of acquisition costs was completed and the provisional accounting treatment was finalized in the fiscal year ended June 30, 2022, the amount of goodwill in the discount store business has been adjusted.

Related information

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

(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

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, 2022 (From July 1, 2021 to June 30, 2022)

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
¥1,563,391	¥68,931	¥198,958	¥1,831,280

Millions of U.S. dollars

Japan	Asia	North America	Total
$11,438	$504	$1,456	$13,398

(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
¥585,179	¥14,012	¥65,874	¥665,065

Millions of U.S. dollars

Japan	Asia	North America	Total
$4,281	$103	$482	$4,866

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, 2021 (From July 1, 2020 to June 30, 2021)

Millions of yen

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

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

Millions of yen

	Reportable segment: Discount store business	Reportable segment: GMS business	Reportable segment: Rent business	Reportable segment: Total	Other	Total	Adjustments	Consolidated
Impairment loss	¥3,713	¥490	¥1,518	¥5,720	¥–	¥5,720	¥–	¥5,720

Millions of U.S. dollars

	Reportable segment: Discount store business	Reportable segment: GMS business	Reportable segment: Rent business	Reportable segment: Total	Other	Total	Adjustments	Consolidated
Impairment loss	$27	$4	$11	$42	$–	$42	$–	$42

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

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

Millions of yen

	Reportable segment: Discount store business	Reportable segment: GMS business	Reportable segment: Rent business	Reportable segment: Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥ 1,660	¥–	¥–	¥ 1,660	¥–	¥ 1,660	¥–	¥ 1,660
Balance at year-end	55,411	–	–	55,411	–	55,411	–	55,411

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	Reportable segment: GMS business	Reportable segment: Rent business	Reportable segment: Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥86	¥–	¥–	¥86	¥–	¥86	¥–	¥86
Balance at year-end	7	–	–	7	–	7	–	7

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

Millions of yen

	Reportable segment: Discount store business	Reportable segment: GMS business	Reportable segment: Rent business	Reportable segment: Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥ 4,034	¥–	¥–	¥ 4,034	¥–	¥ 4,034	¥–	¥ 4,034
Balance at year-end	61,759	–	–	61,759	–	61,759	–	61,759

Millions of U.S. dollars

	Reportable segment: Discount store business	Reportable segment: GMS business	Reportable segment: Rent business	Reportable segment: Total	Other	Total	Adjustments	Consolidated
Amortization for the year	$ 30	$–	$–	$ 30	$–	$ 30	$–	$30
Balance at year-end	452	–	–	452	–	452	–	452

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	Reportable segment: GMS business	Reportable segment: Rent business	Reportable segment: Total	Other	Total	Adjustments	Consolidated
Amortization for the year	¥7	¥–	¥–	¥7	¥–	¥7	¥–	¥7
Balance at year-end	–	–	–	–	–	–	–	–

Millions of U.S. dollars

	Reportable segment: Discount store business	Reportable segment: GMS business	Reportable segment: Rent business	Reportable segment: Total	Other	Total	Adjustments	Consolidated
Amortization for the year	$0	$–	$–	$0	$–	$0	$–	$0
Balance at year-end	–	–	–	–	–	–	–	–

Information on gain on bargain purchase by reportable segment

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

Not applicable.

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

Not applicable.

(Information on related parties)

Transactions with related parties

Transactions between the Company and related parties

(1) The Company's parent and major shareholders (corporations)

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

No significant matter to be disclosed.

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

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)
Major shareholder	FamilyMart Co., Ltd.	Minato-ku, Tokyo	¥16,659	$122	Convenience store business operated through franchise system	(Own) Direct 5.54 Indirect –	–	Repurchase of treasury shares	¥77,382	$566	–	¥–	$–

(Note) The terms and conditions of transactions and their decisions are as follows:
The Company repurchased treasury shares through Off-Auction Own Share Repurchase Trading (ToSTNeT-3) at the closing price of ¥2,127 on September 6, 2021, upon the resolution of the Board of Directors' meeting held on September 6, 2021.
As a result of the transaction, FamilyMart Co., Ltd. was excluded from consideration as a major shareholder of the Company and is no longer regarded as a related party.

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

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

No significant matter to be disclosed.

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

No significant matter to be disclosed.

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

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

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

(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.

For the fiscal year ended June 30, 2022 (From July 1, 2021 to June 30, 2022)

Category	Name	Location	Capital stock		Type of business	% of voting rights (owned)	Business relationship	Description of transactions	Transaction amount		Account	Balance at year-end	
			(Millions of yen)	(Millions of U.S. dollars)					(Millions of yen)	(Millions of U.S. dollars)		(Millions of yen)	(Millions of U.S. dollars)
Foundation at which a director serves as chairman	Yasuda Scholarship Foundation	Meguro-ku, Tokyo	¥–	$–	(Note 1)	(Own) Direct 2.41 Indirect –	Directors holding concurrent positions: 3	Compensation received for seconded employees (Note 2)	¥14	$0	–	¥–	$–

(Note) The terms and conditions of transactions and their decisions are as follows:
1. The purpose of the foundation's activities is to provide scholarships to international exchange students who have difficulty attending school in Japan for financial reasons, operating under the goals of fostering valuable human resources, contributing to improving the caliber of exchange students, and promoting friendship and goodwill between the students' home country and Japan.
2. The secondment fee for the dispatch of seconded employees is determined by agreement through mutual consultation based on the salary of the seconded employee.

(Per Share Information)

Fiscal year ended June 30, 2021		Fiscal year ended June 30, 2022		
Net assets per share	¥659.90	Net assets per share	¥657.75	$4.81
Profit per share	84.74	Profit per share	102.64	0.75
Diluted profit per share	84.52	Diluted profit per share	102.41	0.75

(Notes) 1. The amounts of profit per share and diluted profit per share for the fiscal year ended June 30, 2021 are calculated based on the amounts that resulted from reflecting a significant revision in the initial allocation amounts of acquisition costs due to the finalization of the provisional accounting treatment as presented in "Notes (Business Combination)."
2. 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, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Profit per share			
Profit attributable to owners of parent (millions of yen)	¥ 53,734	¥ 61,928	$453
Profit not attributable to common stock owners (millions of yen)	–	–	–
Profit attributable to common stock owners of parent (millions of yen)	53,734	61,928	453
Weighted-average number of shares of common stock (shares)	634,086,639	603,329,167	
Diluted profit per share			
Adjustment of profit attributable to owners of parent (millions of yen)			
Increase in number of shares of common stock (shares)	–	–	
(Of which, share acquisition rights)	1,670,409	1,400,325	
Descriptions of potentially dilutive common shares not included in the calculation of diluted profit per share due to the absence of their dilutive effect	(1,670,409)	(1,400,325)	
	–	–	

(Subsequent Events)

Not applicable.

Supplemental information

Corporate bonds

Issuer	Type of issue	Issue date	Balance at July 1, 2021 (Millions of yen)	Balance at June 30, 2022 (Millions of yen)	Balance at June 30, 2022 (Millions of U.S. dollars)	Interest rate (%)	Collateral	Redemption date
The Company	The 9th unsecured corporate bond	March 12, 2015	¥10,000 (¥10,000)	–	–	0.80	N/A	March 11, 2022
The Company	The 11th unsecured corporate bond	March 10, 2016	10,000 (–)	10,000 (–)	73 [–]	0.73	N/A	March 10, 2026
The Company	The 12th unsecured corporate bond	March 21, 2017	10,000 (–)	10,000 (–)	73 [–]	0.39	N/A	March 21, 2024
The Company	The 13th unsecured corporate bond	March 8, 2018	10,000 (–)	10,000 (10,000)	73 [73]	0.21	N/A	March 8, 2023
The Company	The 14th unsecured corporate bond	March 8, 2018	10,000 (–)	10,000 (–)	73 [–]	0.48	N/A	March 8, 2028
The Company	The 15th unsecured corporate bond	March 7, 2019	10,000 (10,000)	–	–	0.11	N/A	March 7, 2022
The Company	The 16th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	73 [–]	0.35	N/A	March 6, 2026
The Company	The 17th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	73 [–]	0.45	N/A	March 7, 2029
The Company	The 18th unsecured corporate bond	October 21, 2021	–	40,000 (–)	293 [–]	0.13	N/A	October 21, 2026
The Company	The 19th unsecured corporate bond	October 21, 2021	–	10,000 (–)	73 [–]	0.25	N/A	October 20, 2028
The Company	The 20th unsecured corporate bond	October 21, 2021	–	30,000 (–)	219 [–]	0.40	N/A	October 21, 2031
The Company	The 1st unsecured corporate bond (with subordination agreement)	November 29, 2018	140,000 (–)	140,000 (–)	1,024 [–]	(Note 2)	N/A	November 28, 2053
Japan Asset Marketing Co., Ltd.	The 1st unsecured corporate bond	September 25, 2014	1,000 (1,000)	–	–	0.79	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 2nd unsecured corporate bond	September 25, 2014	90 (90)	–	–	0.68	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 3rd unsecured corporate bond	September 25, 2015	437 (266)	171 (171)	1 [1]	0.63	N/A	September 22, 2022
Japan Asset Marketing Co., Ltd.	The 5th unsecured corporate bond	March 25, 2016	600 (280)	320 (320)	2 [2]	0.33	N/A	March 24, 2023
Japan Asset Marketing Co., Ltd.	The 6th unsecured corporate bond	September 21, 2016	1,375 (250)	1,125 (250)	8 [2]	0.18	N/A	September 18, 2026
Japan Asset Marketing Co., Ltd.	The 7th unsecured corporate bond	September 26, 2016	2,200 (400)	1,800 (400)	13 [3]	0.22	N/A	September 25, 2026
Japan Asset Marketing Co., Ltd.	The 8th unsecured corporate bond	September 26, 2016	740 (280)	460 (280)	3 [2]	0.37	N/A	September 26, 2023
Other	–	–	100 (–)	100 (–)	1 [–]	–	–	–
Total	–	–	¥226,542 (¥22,566)	¥283,976 (¥11,421)	$2,078 [84]	–	–	–

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

Millions of yen

Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
¥11,421	¥10,930	¥650	¥20,650	¥40,325

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
$84	$80	$5	$151	$295

Financial Performance

Loan payables, etc.

Classification	Balance at July 1, 2021 (Millions of yen)	Balance at June 30, 2022 (Millions of yen)	Balance at June 30, 2022 (Millions of U.S. dollars)	Average interest rate (%)	Redemption date
Short-term loan payables	¥ 1,500	¥ –	$ –	–	–
Current portion of long-term loan payables	33,613	26,918	197	0.48	–
Current portion of lease obligations	1,380	1,804	13	–	–
Long-term loan payables excluding current portion	271,507	276,201	2,021	0.83	From September 2023 to July 2067
Lease obligations excluding current portion	21,087	25,471	186	–	From July 2023 to August 2041
Other interest-bearing debt	–	–	–	–	–
Total	¥329,087	¥330,394	$2,417	–	–

(Notes) 1. Average interest rate represents the weighted-average interest rate of loans as of June 30, 2022
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	¥37,564	¥25,567	¥53,123	¥26,696
Lease obligations	1,934	2,053	1,714	1,725

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	$275	$187	$389	$195
Lease obligations	14	15	13	13

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, 2022

Cumulative balance	1st quarter	2nd quarter	3rd quarter	Year total
Net sales (millions of yen)	¥445,474	¥917,680	¥1,370,479	¥1,831,280
Profit before income taxes (millions of yen)	16,286	43,626	66,826	92,028
Profit attributable to owners of parent (millions of yen)	12,398	30,148	45,984	61,928
Profit per share (yen)	19.84	49.40	75.92	102.64

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share (yen)	¥19.84	¥29.77	¥26.56	¥26.74

Cumulative balance	1st quarter	2nd quarter	3rd quarter	Year total
Net sales (millions of U.S. dollars)	$3,259	$6,714	$10,027	$13,398
Profit before income taxes (millions of U.S. dollars)	119	319	489	673
Profit attributable to owners of parent (millions of U.S. dollars)	91	221	336	453
Profit per share (U.S. dollars)	0.15	0.36	0.56	0.75

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share (U.S. dollars)	$0.15	$0.22	$0.19	$0.20

(Note) In the second quarter of the fiscal year ended June 30, 2022, the Company finalized the provisional accounting treatment for business combinations. The quarterly information provided for items related to the first quarter are the figures reflecting a significant revision in the initial allocation amounts of acquisition costs due to the finalization of the provisional accounting treatment for business combinations.

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, 2022, 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, 2022, 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.

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.

<table>
<tr><th colspan="2">Valuation of Inventories in The Discount Store Business</th></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>The Group recorded 205,893 million yen of merchandise and finished goods in the consolidated balance sheet, accounting for 14.9% 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 ¥ 3,872 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.</td><td>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.</td></tr>
</table>

Financial Performance

Impairment Loss on Non-current Assets	
Description of Key Audit Matter	Auditor's Response
Property, plant and equipment amounted to 665,065 million yen and intangible assets amounted to 86,217 million yen in the company's consolidated balance sheet, accounting for 54.3% of total assets. In addition, as stated in the note "(Significant accounting estimate) Impairment of non-current assets", an impairment loss of 5,720 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 "the 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.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 28, 2022

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 and Stock Information (As of June 30, 2022)

Major companies and business domains

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: Pacific Rim Retail Management

Store Network

Number of Group stores 699 stores

Domestic

Japan: 604 stores	
Don Quijote	237
MEGA Don Quijote*1	140
MEGA Don Quijote UNY*1	59
Apita, Piago*1	136
Picasso, etc.*1	32

Overseas

Hong Kong: 9 stores	
DON DON DONKI	9
Thailand: 4 stores	
DON DON DONKI	4
Singapore: 12 stores	
DON DON DONKI	12
Malaysia: 2 stores	
DON DON DONKI	2
Taiwan: 2 stores	
DON DON DONKI	2
Macao: 1 store	
DON DON DONKI	1
Hawaii: 28 stores	
DON Quijote	3
MARUKAI	1
Times*2	24
California: 37 stores	
MARUKAI	4
TOKYO CENTRAL	6
Gelson's	27

*1 "MEGA Don Quijote" includes NEW MEGA Don Quijote, "MEGA Don Quijote UNY" includes Don Quijote UNY, "Picasso, etc." includes Picasso, Essence, Kyoyasudo, Ekidonki, Soradonki, Jonetz Shokunin, Nagasakiya, etc., "Apita, Piago" includes U-STORE, Piago Power, Power Super Piago, etc.

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

Corporate data

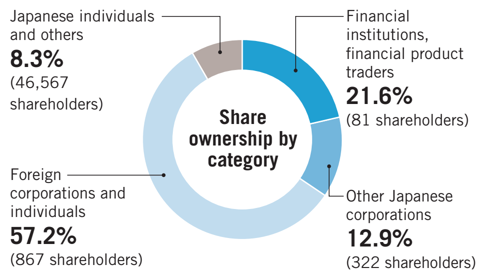
Company name	Pan Pacific International Holdings Corporation
Business activities	Corporate planning for and management of Group companies through the holding of shares in such companies, contracted administrative operation of subsidiaries, and real estate management
Head Office	2-19-10 Aobadai, Meguro-ku, Tokyo 153-0042, Japan Phone: +81-3-5725-7532 Fax: +81-3-5725-7322
Date of establishment	September 5, 1980
Paid-in capital	¥23,217 million
Fiscal year-end	June 30
Number of employees	Non-consolidated: 2,343 Consolidated: 16,912

Stock and shareholder information

Stock information

Shares authorized	1,872,000,000
Shares issued	634,378,640
Treasury stock	38,073,224
Number of shareholders	47,837

* The number of shares issued increased by 139,200 due to the exercising of stock options.
* The number of shareholders increased by 32,173 from June 30, 2021.



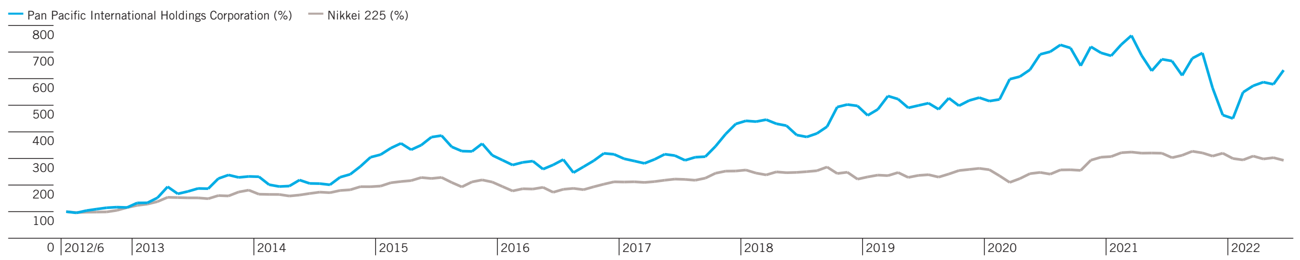
* Shares held by Japanese individuals and others include treasury stock (38,073,224 shares).

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	22.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	71,392,500	11.97
Anryu Shoji Co., Ltd.	33,120,000	5.55
FamilyMart Co., Ltd.	33,057,384	5.54
Custody Bank of Japan, Ltd. (Trust Account)	29,383,700	4.93
JP MORGAN CHASE BANK 385632	23,934,241	4.01
GIC PRIVATE LIMITED - C	17,705,793	2.97
Yasuda Scholarship Foundation	14,400,000	2.41
STATE STREET BANK WEST CLIENT - TREATY 505234	7,683,636	1.29
DEUTSCHE BANK TRUST COMPANY AMERICAS	6,554,252	1.10

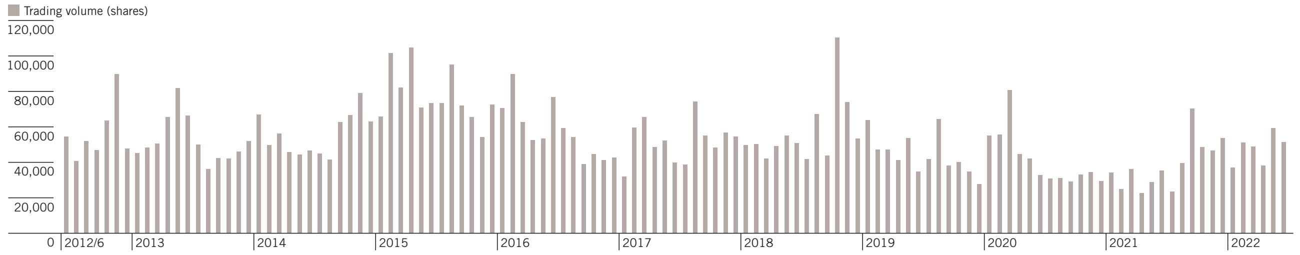
* Treasury stock (38,073,224) has been deducted from the calculation of the shareholding ratio.

Trends in stock price



* The 100 value is based on the closing price on June 30, 2012.

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

Pan Pacific International Holdings Corporation

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https://ppih.co.jp/en/

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