Consolidated Balance Sheets

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

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Profit and Loss

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

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

Millions of yen

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

Millions of yen

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

Millions of U.S. dollars

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2018 and 2019

(Basis of Presenting Consolidated Financial Statements)

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

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

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

(Significant Matters for the Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 72

Names of consolidated subsidiaries

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

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

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

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

2. Application of the equity method

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

Names of affiliates accounted for under the equity method

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

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

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

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

3. Fiscal year-ends of consolidated subsidiaries

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

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

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

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

4. Accounting policies

(1) Basis and method of valuation of significant assets

(a) Securities

Shares of subsidiaries and affiliates

Cost method by determining the cost using the moving-average method

Available-for-sale securities

Securities with quoted market prices

Fair value based on the market prices at the fiscal year-end (The amounts of unrealized gains or losses from such securities, after accounting for tax effects, are presented in net assets. Costs of securities sold are calculated using the moving-average method.)

Securities without quoted market prices

Cost method by determining the cost using the moving-average method

(b) Derivatives

Fair value method

(c) Inventories

Cost method by determining the cost using the retail method (The amounts on the consolidated balance sheets are calculated using a method of writing down the book value due to decline in profitability.)

For fresh food, cost method by determining the cost using the last purchased price method

(2) Depreciation method for significant depreciable assets

(a) Property, plant and equipment (excluding lease assets)

The declining-balance method is used for calculation of depreciation.

However, the Company and domestic consolidated subsidiaries use the straight-line method for buildings (excluding fixtures) acquired on or after April 1, 1998 and fixtures and structures acquired on or after April 1, 2016.

UNY Co., Ltd. and eight other consolidated companies and foreign consolidated subsidiaries use the straight-line method.

The useful life and residual value are determined in accordance with the Corporation Tax Act of Japan.

(b) Intangible assets (excluding lease assets)

Straight-line method

Software for internal use is amortized using the straight-line method over an estimated internal useful life of five years.

(c) Lease assets

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

(d) Long-term prepaid expenses

Straight-line method

(3) Accounting treatment for deferred assets

(a) Common stock issuance cost

Expense as incurred

(b) Bond issuance cost

Expense as incurred

(4) Basis for significant provision and allowance

(a) Allowance for doubtful accounts

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

(b) Provision for point card certificates

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

(5) Accounting treatment for retirement benefits

(a) Allocation method of attributing expected benefits to period

In calculating retirement benefit obligations, the benefit formula method is used to allocate expected retirement payments to the period up to the current fiscal year-end.

(b) Treatment for actuarial differences and past service costs

Past service cost is amortized by the straight-line method over a period of 10 years which is shorter than the average remaining years of service of the eligible employees.

Actuarial differences are amortized commencing in the following years after the differences are recognized by the straight-line method over a period of 10 years which are shorter than the average remaining years of service of the eligible employees.

As of June 30, 2019, since the amount of pension assets exceeds the amount of retirement benefit obligations, the excess amount is recognized as retirement benefit asset and presented in the consolidated balance sheets under investments and other assets.

(6) Basis for foreign currency translation of significant assets and liabilities denominated in foreign currencies

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the prevailing rates of exchange at the consolidated balance sheet date. Exchange gains or losses resulting from translation of assets and liabilities are recognized in income or expenses.

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

(7) Method and period of amortizing goodwill

Goodwill is mainly amortized using the straight-line method over 20 years.

Negative goodwill incurred by business combinations on or before March 31, 2010 is amortized using the straight-line method upon determining the amortization period based on the individually estimated period in which investment effects will be revealed.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows

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

(9) Other significant matters for preparation of the consolidated financial statements

Japanese consumption taxes withheld and consumption tax paid are not included in the accompanying consolidated statements of profit and loss. Accrued consumption tax is included in other current liabilities.

(Accounting Standards Issued But Not Yet Applied)

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

Conducting a joint project to clarify the comprehensive principles for recognizing revenues, the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in the United States issued "Revenues from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. IFRS 15 shall be effective from a fiscal period beginning on or after January 1, 2018 and Topic 606 shall be effective from a fiscal period beginning on or after December 15, 2017. Under these circumstances, the ASBJ also developed a comprehensive accounting standard for revenue recognition and issued a new standard together with its implementation guidance.

As a basic policy for the development of the new standard, the ASBJ determined to adopt the core principles of IFRS 15 in order to enhance comparability of financial statements, which is one of the benefits of aligning with IFRS 15. In addition, for any practical issue to be considered in Japan, alternative treatment shall be added to the extent that comparability is not impaired.

(2) Scheduled date of application

The Company will apply the aforementioned standard and guidance from the beginning of the fiscal year ending June 30, 2022.

(3) Effect of application of the new accounting standard

The effect of application of the aforementioned standards on the Company's consolidated financial statements is currently under evaluation.

(Changes in Presentation)

(Consolidated Balance Sheets)

For the fiscal year ended June 30, 2019, the account "Deposits paid," which was previously included in "Other" under "Current assets," is shown as a separate line item since the amount became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2018.

As a result, the amount of ¥12,266 million presented as "Other" under "Current assets" was reclassified to ¥4,347 million of "Deposits paid" and ¥7,919 million of "Other" in the consolidated balance sheet for the fiscal year ended June 30, 2018.

For the fiscal year ended June 30, 2019, the accounts "Accounts payables–other" and "Deposits received," which were previously included in "Other" under "Current liabilities," are shown as separate line items since each of the amounts became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2018.

As a result, the amount of ¥26,235 million presented as "Other" under "Current liabilities" was reclassified to ¥16,590 million of "Accounts payables–other," ¥3,740 million of "Deposits received," and ¥5,905 million of "Other" in the consolidated balance sheet for the fiscal year ended June 30, 2018.

(Consolidated Statements of Cash Flows)

For the fiscal year ended June 30, 2019, the accounts "Decrease in accounts payables–other" and "Increase (decrease) in deposits received," which were previously included in "(Decrease) increase in other current liabilities" under "Cash flows from operating activities," are shown as separate line items since each of the amounts became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2018.

As a result, the amount of ¥(79) million presented as "(Decrease) increase in other current liabilities" under "Cash flows from operating activities" was reclassified to ¥(585) million of "Decrease in accounts payables–other," ¥1,015 million of "Increase (decrease) in deposits received," and ¥(509) million of "(Decrease) increase in other current liabilities" in the consolidated statement of cash flows for the fiscal year ended June 30, 2018.

(Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended June 30, 2019. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities. Note to income taxes is also amended.

As a result, ¥7,512 million of "Deferred tax assets" under "Current assets" in the previously disclosed consolidated balance sheet as of June 30, 2018 is included in ¥15,389 million of "Deferred tax assets" under "Investments and other assets" in the consolidated balance sheet for the fiscal year ended June 30, 2018.

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

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

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

(Notes to Consolidated Balance Sheets)

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

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

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

Assets pledged as collateral are as follows:

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

Liabilities corresponding to assets pledged as collateral are as follows:

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

Note 3 Guarantee obligations

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

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

Note 4 Retroactive obligations due to securitization of receivables

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

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

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

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

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

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

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

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

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

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

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

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

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

(Notes to Consolidated Statements of Profit and Loss)

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

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

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

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

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

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

Note 4 Compensation income for expropriation

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

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

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

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

Note 5 Impairment loss

The Group reported impairment loss on the following asset groups:

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

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

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

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

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

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

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

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

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

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

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

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

(Notes to Consolidated Statements of Comprehensive Income)

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

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

(Notes to Consolidated Statements of Changes in Net Assets)

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

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

Thousands of shares

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

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

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

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

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

3. Matters regarding dividends

(1) Dividend payment

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

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

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

4. Significant changes in net assets

Not applicable

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

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

Thousands of shares

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

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

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

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

3. Matters regarding dividends

(1) Dividend payment

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

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

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

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

4. Significant changes in net assets

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

(Notes to Consolidated Statements of Cash Flows)

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

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

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

For the fiscal year ended June 30, 2018

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

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

For the fiscal year ended June 30, 2019

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

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

(Lease Transactions)

(As a lessee)

1. Finance lease transactions

Finance leases that do not transfer ownership

(a) Description of lease assets

Mainly store equipment and office equipment

(b) Depreciation method for lease assets

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

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases:

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

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

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

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

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

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

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

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

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

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

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

(3) Supplementary information on fair value of financial instruments

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

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

2. Fair value of financial instruments

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

As of June 30, 2018

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

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

As of June 30, 2019

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

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

Notes:

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

Assets

(1) Cash and deposits, (2) Notes and accounts receivables–trade, and (5) Deposits paid
These are stated at book value, since the book values approximate fair value due to the short-term nature of these instruments.

(3) Accounts receivables–installment and (4) Operating loans
The fair values are stated at their present values, calculated by discounting estimated future cash flows of collectible principles and interests using market rates adjusted by costs to collect receivables and loans.
Doubtful receivables and loans are stated at the book values after deducting allowance, since such amounts are assumed to approximate fair value.

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

(7) Long-term loan receivables
The fair values are calculated by discounting total principal and interest by the interest rate that would be applied to similar new loans.

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

Liabilities

(1) Notes and accounts payables–trade, (6) Accounts payables–other, (7) Accrued expenses, (8) Deposits received, and (9) Income taxes payables
These are stated at book values, since the book values approximate fair value due to the short-term nature of these instruments.

(2) Short-term loan payables, (3) Current portion of long-term loan payables, (4) Current portion of bonds, (5) Payables under fluidity lease receivables, (10) Bond payables, (11) Long-term loan payables, and (12) Long-term payables under fluidity lease receivables
The fair values are calculated by discounting the total principals and interest payment as well as the redemption total by the interest rate that would be applied to similar new fund procurement.

Derivative transactions

Please refer to "Derivatives."

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

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

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

(*2) Not including allowance for doubtful accounts booked separately under lease and guarantee deposits.
The figures above are not included in "investment securities," "long-term loan receivables," or "lease and guarantee deposits" because these financial instruments do not have quoted market prices and thus it is not possible to estimate future cash flows to determine their fair values.

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

As of June 30, 2018

Millions of yen

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

As of June 30, 2019

Millions of yen

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

Millions of U.S. dollars

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

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

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

As of June 30, 2018

Millions of yen

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

As of June 30, 2019

Millions of yen

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

Millions of U.S. dollars

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

(Securities)

1. Available-for-sale securities

As of June 30, 2018

Millions of yen

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

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

As of June 30, 2019

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

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

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

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

Millions of yen

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

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

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

3. Impaired securities

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

Not applicable

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

Not applicable

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

As of June 30, 2018

Not applicable

As of June 30, 2019

Millions of yen

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

Millions of U.S. dollars

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

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

(2) Interest rate related

As of June 30, 2018

Millions of yen

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

As of June 30, 2019

Millions of yen

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

Millions of U.S. dollars

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

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

(3) Interest rate and currency related

As of June 30, 2018

Millions of yen

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

As of June 30, 2019

Millions of yen

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

Millions of U.S. dollars

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

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

(Retirement Benefits)

1. Overview of retirement benefit plans

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

2. Defined benefit plans

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

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

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

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

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

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

(4) Retirement benefit expenses and its breakdown

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

(5) Retirement benefit adjustment

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

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

(6) Remeasurements of defined benefit plans

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

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

(7) Matters regarding pension assets

(a) The major breakdown of pension assets

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

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

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

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

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

(8) Assumptions for actuarial calculation

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

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

3. Defined contribution plans

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

(Stock Options)

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

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

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

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

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

3. Details and number of stock options

(1) Details of stock options

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

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

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

(2) Number and changes in number of stock options

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

(i) Number of stock options

Shares

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

Shares

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

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

(ii) Stock option price information

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

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

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

4. Methods used to estimate fair value of stock options

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

Fifth Share-based Compensation Stock Options

(1) Valuation model Black-Scholes

(2) Basic assumption and estimation method

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

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

5. Methods used to estimate number of stock options vested

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

(Additional information)

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

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

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

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

2. Overview of accounting treatment applied

(Accounting treatment before the vesting date)

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

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

(Accounting treatment after the vesting date)

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

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

(Income Taxes)

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

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

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

As of June 30, 2019

Millions of yen

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

Millions of U.S. dollars

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

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

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

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

(Business Combination)

Business combination by acquisition

1. Overview of the business combination

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

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

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

(2) Major reason for the business combination

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

(3) Date of the business combination

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

(4) Legal form of the business combination

Share acquisition in exchange for cash

(5) Name of entity after the business combination

There will be no change to the name.

(6) Percentage of voting rights acquired

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

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

Percentage of voting rights held after the business combination 100%

(7) Major basis for determining the acquiring company

Acquisition of shares in exchange for cash

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

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

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

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

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

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

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

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

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

(1) Amount of gain on bargain purchase

¥9,315 million ($86 million)

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

(2) Reason for the gain on bargain purchase

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

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

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

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

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

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

(Calculation method)

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

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

(Asset Retirement Obligations)

1. Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of asset retirement obligations

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

(2) Calculation method for asset retirement obligations

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

(3) Changes in asset retirement obligations

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

2. Change in estimate of asset retirement obligations

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

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

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

(Investment and Rental Property)

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

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

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

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

(Segment Information)

Segment information

1. Overview of reportable segments

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

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

(Matters regarding changes in reportable segments)

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

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

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

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

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

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

Intersegment sales are mainly based on quoted market prices.

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

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

Millions of yen

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

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

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

Millions of yen

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

Millions of U.S. dollars

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

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

Related information

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

1. Information by product and service

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

2. Information by region

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

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

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

1. Information by product and service

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

2. Information by region

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

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

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

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

Millions of yen

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

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

Millions of yen

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

Millions of U.S. dollars

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

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

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

Millions of yen

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

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

Millions of yen

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

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

Millions of yen

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

Millions of U.S. dollars

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

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

Millions of yen

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

Millions of U.S. dollars

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

Information on gain on bargain purchase by reportable segment
For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)
Not applicable

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)
For the fiscal year ended June 30, 2019, the Company acquired additional shares of UNY Co., Ltd. and included it in the scope of consolidation. In this connection, gain on bargain purchase of ¥9,315 million ($86 million) was reported under the "GMS business" segment.

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

Information on related parties
1. Transactions with related parties
Transactions between the Company and its related parties
(1) The Company's non-consolidated subsidiaries and affiliates

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

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

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

For the fiscal year ended June 30, 2019 (From July 1, 2018 to June 30, 2019)
No significant matter to be disclosed

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

For the fiscal year ended June 30, 2018 (From July 1, 2017 to June 30, 2018)
No significant matter to be disclosed

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

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

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

(Profit per Share)

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

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

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

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

(Subsequent Events)

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

1. Purpose of the stock split

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

2. Overview of the stock split

(1) Method to split

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

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

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

(3) Schedule

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

(4) Effect on the profit per share

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

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

(1) Reason for the amendment

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

(2) Description of the amendment

The description of the amendment is as follows:

(Amendments are underlined.)

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

(3) Schedule for the amendment

Effective date September 1, 2019

4. Other

(1) Change in the amount of capital stock

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

(2) Adjustment to the exercise price of stock options

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

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

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

Supplemental information

Corporate bonds

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

(Notes) 1. Figures in parentheses represent the current portion.

2. The interest rate of the Company's 1st unsecured corporate bond is 1.49% per annum from November 29, 2018 to November 29, 2023, and 6-month Japanese Yen LIBOR+2.40% from the following day of November 29, 2023.

3. The annual redemption schedule for five years is as follows:

Millions of yen

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

Millions of U.S. dollars

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

Loan payables, etc.

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

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

Millions of yen

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

Millions of U.S. dollars

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

Details of asset retirement obligations

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

Independent Auditor's Report

To the Board of Directors of Pan Pacific International Holdings Corporation

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

UHY Tokyo & Co
Tokyo, Japan
September 25, 2019

STATEMENT ON ACCOUNTING PRINCIPLES AND AUDITING STANDARDS

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