Financial Performance

Consolidated Balance Sheets

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

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

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

See accompanying notes to consolidated financial statements.

Financial Performance

Consolidated Statements of Profit and Loss

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

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

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
2019	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehen-sive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	¥22,436	¥19,975	¥248,940	¥(14)	¥291,337	¥244	¥(1,218)	¥ –	¥ (974)	¥345	¥21,787	¥312,495
Changes of items during period												
Issuance of new shares	239	239			478							478
Dividends of surplus			(5,854)		(5,854)							(5,854)
Profit attributable to owners of parent			47,066		47,066							47,066
Purchase of treasury shares				(0)	(0)							(0)
Change in scope of consolidation			(118)		(118)							(118)
Capital increase of consolidated subsidiaries Non-controlling interests		736			736							736
Purchase of shares of consolidated subsidiaries		(5,536)			(5,536)							(5,536)
Net changes of items other than shareholders' equity						(71)	1,772	(477)	1,224	379	1,430	3,033
Total changes of items during period	239	(4,561)	41,094	(0)	36,772	(71)	1,772	(477)	1,224	379	1,430	39,805
Balance at end of current period	¥22,675	¥15,414	¥290,034	¥(14)	¥328,109	¥173	¥ 554	¥(477)	¥ 250	¥724	¥23,217	¥352,300

Millions of yen

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

Millions of U.S. dollars

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

See accompanying notes to consolidated financial statements.

Financial Performance

Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2019 and 2020

(Basis of Presenting Consolidated Financial Statements)

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

Each amount in the accompanying consolidated financial statements is rounded off to the nearest million yen. The U.S. dollar amounts are included solely for the convenience of readers outside Japan and are stated at the exchange rate of ¥107.74 to U.S.$1, the rate prevailing on June 30, 2020. These translations should not be construed as representations that Japanese yen amounts actually represent or have been or could be converted into U.S. dollars at that or any other rate.

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

(Significant Matters for the Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 76

Names of consolidated subsidiaries

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

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

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

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

2. Application of the equity method

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

Names of affiliates accounted for under the equity method

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

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

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

3. Fiscal year-ends of consolidated subsidiaries

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

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

Financial Performance

Of the consolidated subsidiaries, Daishin Corporation and eight other companies have fiscal year-ends that differ from the consolidated fiscal year-end by more than three months. Consequently, financial statements based on a provisional settlement of accounts on the consolidated closing date are used in the preparation of the consolidated financial statements. UNY Co., Ltd. and its six subsidiaries and UD Retail Co., Ltd., whose financial statements based on a provisional settlement of accounts were previously used, have changed their fiscal year-ends from the end of February to the end of June, the same date as the consolidated closing date.

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

4. Accounting policies

(1) Basis and method of valuation of significant assets

(a) Securities

Shares of subsidiaries and affiliates

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

Available-for-sale securities

Securities with quoted market prices

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

Securities without quoted market prices

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

(b) Derivatives

Fair value method

(c) Inventories

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

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

(2) Depreciation method for significant depreciable assets

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

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

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

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

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

(b) Intangible assets (excluding lease assets)

Straight-line method

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

(c) Lease assets

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

(d) Long-term prepaid expenses

Straight-line method

(3) Accounting treatment for deferred assets

(a) Common stock issuance cost

Expense as incurred

(b) Bond issuance cost

Expense as incurred

(4) Basis for significant provision and allowance

(a) Allowance for doubtful accounts

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

(b) Provision for point card certificates

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

(5) Accounting treatment for retirement benefits

(a) Allocation method of attributing expected benefits to period

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

(b) Treatment for actuarial differences and past service costs

Past service cost is amortized by the straight-line method over a period of 10 years which is shorter than the average remaining years of service of the eligible employees. Actuarial differences are amortized commencing in the following years after the differences are recognized by the straight-line method over a period of 10 years which are shorter than the average remaining years of service of the eligible employees. As of June 30, 2020, since the amount of pension assets exceeds the amount of retirement benefit obligations, the excess amount is recognized as a retirement benefit asset and presented on the consolidated balance sheets under investments and other assets.

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

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the prevailing rates of exchange at the consolidated balance sheet date except for shareholders' equity, which is translated at the historical rate. Exchange gains or losses resulting from translation of assets and liabilities are recognized in income or expenses.

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

(7) Method and period of amortizing goodwill

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

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

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

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

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

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

(Accounting Standards Issued But Not Yet Applied)

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

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

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

(2) Scheduled date of application

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

(3) Effect of application of the new accounting standard

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

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

(1) Overview

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

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

(2) Scheduled date of application

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

(3) Effect of application of the new accounting standard

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

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

Financial Performance

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

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

(Changes in Presentation)
(Consolidated Statements of Profit and Loss)
For the fiscal year ended June 30, 2020, the account "Gain on reversal of share acquisition rights," which was previously included in "Other" under "Extraordinary income," is shown as a separate line item since the amount became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2019.

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

For the fiscal year ended June 30, 2020, the account "Loss on disaster," which was previously included in "Other" under "Extraordinary losses," is shown as a separate line item since the amount became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2019.

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

(Consolidated Statements of Cash Flows)
For the fiscal year ended June 30, 2020, the account "Increase in retirement benefit asset," which was previously included in "Other, net" under "Cash flows from operating activities," is shown as a separate line item since the amount became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2019.

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

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

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

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

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

(Notes to Consolidated Balance Sheets)

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2019	As of June 30, 2020	As of June 30, 2020
Investment securities (stocks)	¥13,126	¥13,327	$124

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

Assets pledged as collateral are as follows:

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

Liabilities corresponding to assets pledged as collateral are as follows:

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

Note 3 Guarantee obligations

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

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

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

Note 4 Retroactive obligations due to securitization of receivables

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

Note 5 The Company and its consolidated subsidiaries have entered into bank overdraft agreements with 48 banks to ensure the procurement of efficient funds as working capital. The balance of unused funds based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2019	As of June 30, 2020	As of June 30, 2020
Total credit line for bank overdraft	¥49,600	¥63,100	$586
Bank loans arranged	–	–	–
Unused balance	¥49,600	¥63,100	$586

Note 6 The Company and its consolidated subsidiaries have entered into loan commitment agreements with two banks as of June 30, 2019 and four banks as of June 30, 2020, respectively, to ensure the procurement of efficient funds as working capital. The balance of unused funds based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2019	As of June 30, 2020	As of June 30, 2020
Total amount of loan commitment	¥591	¥30,653	$285
Bank loans arranged	–	–	–
Unused balance	¥591	¥30,653	$285

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

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

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

Financial Performance

Note 8 As of June 30, 2019 and 2020, the Company signed syndicated loan agreements with 72 financial institutions totaling ¥87,500 million. These agreements include financial covenants based on certain indices calculated from net assets on the consolidated balance sheets.

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2019	As of June 30, 2020	As of June 30, 2020
Balance of loan payables based on syndicated loan agreements	¥74,200	¥65,400	$607

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

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

(Notes to Consolidated Statements of Profit and Loss)

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

Millions of yen		Millions of U.S. dollars
Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
¥7,201	¥11,724	$109

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

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

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

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

Note 4 Compensation income for expropriation

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

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

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

Not applicable.

Note 5 Impairment loss

The Group reported impairment loss on the following asset groups:

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Performance

(Notes to Consolidated Statements of Comprehensive Income)

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

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

(Notes to Consolidated Statements of Changes in Net Assets)

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

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

Thousands of shares

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

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

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

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

3. Matters regarding dividends

(1) Dividend payment

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

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

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

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

4. Significant changes in net assets

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

Thousands of shares

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

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

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

Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares subject to share acquisition rights (Shares): Number of shares as of July 1, 2019	Increase	Decrease	Number of shares as of June 30, 2020	Millions of yen: As of June 30, 2020	Millions of U.S. dollars: As of June 30, 2020
The Company	Share-based compensation stock options	–	–	–	–	–	¥205	$2
The Company	Paid-in stock options	–	–	–	–	–	13	0
Total		–	–	–	–	–	¥218	$2

6. Matters regarding dividends

(1) Dividend payment

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

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

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

7. Significant changes in net assets

Not applicable.

(Notes to Consolidated Statements of Cash Flows)

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

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

Financial Performance

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

For the fiscal year ended June 30, 2019

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

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

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

For the fiscal year ended June 30, 2020

The disclosure is omitted due to its insignificance.

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

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

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

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

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

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

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

(Lease Transactions)

(As a lessee)

1. Finance lease transactions

Finance leases that do not transfer ownership

(a) Description of lease assets

Mainly store equipment and office equipment

(b) Depreciation method for lease assets

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

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Due within one year	¥ 8,034	¥ 8,668	$ 80
Due after one year	37,772	34,337	319
Total	¥45,806	¥43,005	$399

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

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

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

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

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

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

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

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

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

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

(3) Supplementary information on fair value of financial instruments

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

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

2. Fair value of financial instruments

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

Financial Performance

As of June 30, 2019

Millions of yen

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

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

As of June 30, 2020

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

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

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

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

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

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

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

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

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

(2) Short-term loan payables, (3) Current portion of long-term loan payables, (4) Current portion of bonds, (5) Payables under fluidity lease receivables, (10) Bond payables, (11) Long-term loan payables, and (12) Long-term payables under fluidity lease receivables
The fair values of these accounts are based on the present value of total principal and interests, which are discounted by an interest rate to be applied if similar new loans were entered into.

Derivative transactions
Please refer to "Derivatives."

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Securities and investment securities	¥ 892	¥ 981	$ 9
Shares of subsidiaries and affiliates	5,204	5,707	53
Long-term loan receivables	381	365	3
Allowance for doubtful accounts(*1)	(161)	(161)	(1)
	220	204	2
Leasehold and guarantee deposits	58,184	57,955	538
Allowance for doubtful accounts(*2)	(2,078)	(1,772)	(17)
	56,106	56,183	521

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

3. Maturity analysis for monetary claims and securities with contractual maturities
As of June 30, 2019

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	–	–
Leasehold and guarantee deposits	3,123	7,495	6,278	5,363
Total	¥264,247	¥25,681	¥8,427	¥5,363

As of June 30, 2020

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	¥179,785	¥ –	¥ –	¥ –
Notes and accounts receivables–trade	18,378	–	–	–
Accounts receivables–installment	51,558	12,003	2,528	–
Operating loans	4,324	3,693	59	–
Deposits paid	4,377	–	–	–
Long-term loan receivables	–	904	–	–
Leasehold and guarantee deposits	2,260	7,323	5,832	5,254
Total	¥260,682	¥23,923	¥8,419	¥5,254

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	$1,669	$ –	$ –	$ –
Notes and accounts receivables–trade	171	–	–	–
Accounts receivables–installment	479	111	23	–
Operating loans	40	34	1	–
Deposits paid	41	–	–	–
Long-term loan receivables	–	8	–	–
Leasehold and guarantee deposits	21	68	54	49
Total	$2,421	$221	$78	$49

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

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

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

As of June 30, 2020

Millions of yen

	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Bond payables	¥11,916	¥22,566	¥11,421	¥10,930	¥ 650	¥180,975
Long-term loan payables	13,201	29,103	19,845	25,745	18,494	183,004
Total	¥25,117	¥51,669	¥31,266	¥36,675	¥19,144	¥363,979

Millions of U.S. dollars

	Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Bond payables	$111	$209	$106	$101	$6	$1,680
Long-term loan payables	123	270	184	239	172	1,699
Total	$234	$479	$290	$340	$178	$3,379

Financial Performance

(Securities)

1. Available-for-sale securities

As of June 30, 2019

Millions of yen

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

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

As of June 30, 2020

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

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥981 million) and other items (carrying amount on the consolidated balance sheet: ¥0 million) are not included in the above table, since they do not have quoted market prices available and thus it is extremely difficult to determine their fair values.

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

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

Millions of yen

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

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

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

3. Impaired securities

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

Not applicable.

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

Not applicable.

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

As of June 30, 2019

Millions of yen

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

As of June 30, 2020

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Foreign exchange forward contract Buy USD	¥1,388	¥–	¥(16)	¥(16)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Foreign exchange forward contract Buy USD	$13	$–	$(0)	$(0)

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

(2) Interest rate related

As of June 30, 2019

Millions of yen

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

As of June 30, 2020

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable/ Pay fixed	¥58,150	¥54,330	¥(375)	¥(375)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable/ Pay fixed	$540	$504	$(3)	$(3)

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

(3) Interest rate and currency related

As of June 30, 2019

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency swaps Receive variable/ Pay fixed Pay JPY Receive USD	¥2,834	¥2,834	¥(130)	¥(130)
	Interest rate and currency transaction Receive variable/ Pay fixed Pay USD Receive JPY	6,359	6,359	(23)	(23)

Financial Performance

As of June 30, 2020

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency swaps Receive variable/ Pay fixed Pay JPY Receive USD	¥2,834	¥–	¥(132)	¥(132)
	Interest rate and currency transaction Receive fixed Pay fixed Pay USD Receive JPY	5,707	5,707	(293)	(293)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency swaps Receive variable/ Pay fixed Pay JPY Receive USD	$26	$–	$(1)	$(1)
	Interest rate and currency transaction Receive fixed/ Pay fixed Pay USD Receive JPY	53	53	(3)	(3)

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

(Retirement Benefits)

1. Overview of retirement benefit plans

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

2. Defined benefit plans

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

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

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

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

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

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

(4) Retirement benefit expenses and their breakdown

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

(5) Retirement benefit adjustment

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

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

(6) Remeasurements of defined benefit plans

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

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

(7) Matters regarding pension assets

(a) The major breakdown of pension assets

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

	As of June 30, 2019	As of June 30, 2020
Bonds	73%	–%
Stocks	11	–
Life insurance general accounts	–	99
Alternatives	15	1
Cash and deposits	1	–
Total	100%	100%

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

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

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

(8) Assumptions for actuarial calculation

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

	As of June 30, 2019	As of June 30, 2020
Discount rate	0.2%	0.4%
Long-term expected rate of return	1.5	1.0
Salary increase rate	3.1	3.1

(9) Other matters regarding retirement benefit

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

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

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

Financial Performance

3. Defined contribution plans

The Company and some of its consolidated subsidiaries maintain defined contribution plans. The necessary contributions to such plans were, in total, ¥160 million for the fiscal year ended June 30, 2019 and ¥728 million ($7 million) for the fiscal year ended June 30, 2020.

(Stock Options)

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Selling, general and administrative expenses	¥382	¥–	$–

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2020
Gain on reversal of share acquisition rights	¥0	¥220	$2

3. Details and number of stock options

(1) Details of stock options

	The 1st Share-based Compensation Stock Options	The 2nd Share-based Compensation Stock Options	The 1st Paid-in Stock Options
Eligible grantees	3 directors	3 directors	1,633 persons including directors, audit & supervisory board members, and employees of the Company and its subsidiaries
Class and number of stock options (Note 1)	Common stock 10,400 shares	Common stock 10,000 shares	Common stock 3,878,800 shares
Grant date	June 26, 2015	December 28, 2015	September 23, 2016
Condition for vesting	None	None	(Note 3)
Required service period	None	None	None
Exercise period	From June 26, 2015 to June 25, 2045	From December 28, 2015 to December 27, 2045	From October 1, 2018 to September 30, 2026
Condition for exercise	(Note 2)	(Note 2)	(Note 3)

	The 3rd Share-based Compensation Stock Options	The 4th Share-based Compensation Stock Options	The 5th Share-based Compensation Stock Options
Eligible grantees	3 directors	3 directors	3 directors
Class and number of stock options (Note 1)	Common stock 56,000 shares	Common stock 200,000 shares	Common stock 236,000 shares
Grant date	June 1, 2017	June 29, 2018	April 10, 2019
Condition for vesting	None	None	None
Required service period	None	None	None
Exercise period	From June 1, 2017 to May 31, 2047	From June 29, 2018 to June 28, 2048	From April 10, 2019 to April 9, 2049
Condition for exercise	(Note 2)	(Note 2)	(Note 2)

(Notes)
1. The number of stock options presents the number of shares to be issued. The Company executed a 2-for-1 stock split on July 1, 2015, and a 4-for-1 stock split on September 1, 2019. The number of shares for stock options reflects the effect of said stock splits.
2. Conditions for exercise are as follows:
   (1) A share acquisition rights holder may exercise all of his/her share acquisition rights at once during the exercise period only within 10 days from the day following the day he/she loses his/her position as a director of the Company.
   (2) In cases where a share acquisition rights holder deceases, an heir may exercise the share acquisition rights. In this case, notwithstanding (1) above, the heir may exercise the share acquisition rights all at once during the exercise period only within one year from the day following the day the rights are inherited.
3. Conditions for vesting and exercise are as follows:
   (1) A share acquisition rights holder may exercise his/her share acquisition rights, if and only when the amounts of net sales and operating income in the consolidated statements of profit and loss stated in the annual securities report, which had been submitted by the Company pursuant to the Financial Instruments and Exchange Act, satisfy all of the conditions stated in each of the items below:
      (a) Net sales exceed ¥820,000 million and operating income exceeds ¥45,000 million for the fiscal year ended June 30, 2017; and
      (b) Net sales exceed ¥880,000 million and operating income exceeds ¥48,000 million for the fiscal year ended June 30, 2018.
   However, in cases where a significant event, such as the major acquisition of a business, which has a significant impact on net sales and operating income on a consolidated basis, occurs during the aforementioned period (July 2016 to June 2018) and the Board of Directors of the Company determines that it is not appropriate to use the actual results stated in the annual securities report, the Company may make adjustments to the actual results used for the conditions for vesting and exercise by reducing the impact of the event to the extent deemed reasonable.
   (2) The share acquisition rights holder must be a director, audit & supervisory board member, or employee of the Company or its subsidiaries and affiliates at the time the share acquisition rights are exercised. However, this condition shall not necessarily apply in the case of retirement due to the expiry of the term of office, compulsory retirement, or any other reason deemed valid by the Board of Directors.
   (3) An heir of the share acquisition rights holder is not allowed to exercise the share acquisition rights.
   (4) Share acquisition rights may not be exercised in the case where the total number of shares issued after the exercise of the share acquisition rights exceeds the authorized shares as of the date of exercise.
   (5) Acquisition rights of less than one unit may not be exercised.

(2) Number and changes in number of stock options

Stock options as of the beginning of the fiscal year ended June 30, 2020 are stated below. The number of stock options presents the number of shares to be issued.

(i) Number of stock options

Shares

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

Shares

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

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

(ii) Stock option price information

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

	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
	The 3rd Share-based Compensation Stock Options		The 4th Share-based Compensation Stock Options		The 5th Share-based Compensation Stock Options	
Grant date	June 1, 2017		June 29, 2018		April 10, 2019	
Exercise price	¥1	$0.01	¥1	$0.01	¥1	$0.01
Average stock price at time of exercise	1,773	16.46	1,793	16.64	1,752	16.26
Fair value at grant date	1,011.50	9.39	1,235.75	11.47	1,618.75	15.02

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

Financial Performance

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

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

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

1. Overview of the stock acquisition rights, which involve considerations, with vesting conditions
The disclosure is omitted since the same information is stated in "3. Details and number of stock options" above.

2. Overview of accounting treatment applied
(Accounting treatment before the vesting date)
(1) The amounts received from employees for the granted stock acquisition rights, which involve considerations, with vesting conditions are recognized as share acquisition rights under net assets.
(2) Of the amounts recognized as share acquisition rights, the amounts corresponding to the unvested and forfeited portion are recognized as income.
(Accounting treatment after the vesting date)
(3) When the stock acquisition rights, which involve considerations, with vesting conditions are exercised and new shares are issued, the amounts corresponding to the exercised portion, of the amounts recognized as share acquisition rights, are transferred to capital stock.
(4) When unvested and forfeited, of the amounts recognized as share acquisition rights, the amounts corresponding to the unvested and forfeited portion are recognized as income. This treatment is made for the fiscal period when the rights are forfeited.

(Income Taxes)

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

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

(Notes) 1. As of June 30, 2020, the valuation allowance decreased by ¥4,057 million ($38 million) compared to June 30, 2019. This is mainly attributable to decrease in valuation allowance for net operating loss carryforward and decrease in the future deductible temporary differences that are unable to be scheduled.
2. For the fiscal year ended June 30, 2020, the Company finalized the accounting treatment temporarily applied for the business combination in the prior fiscal year. The amounts as of June 30, 2019 are restated after significant adjustments to the preliminary acquisition cost allocation due to finalization of accounting treatment temporarily applied for the business combination.
3. Amounts of net operating loss carryforward and its corresponding deferred tax assets by carryover period

As of June 30, 2019

Millions of yen

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Net operating loss carryforward (*1)	¥ 2,135	¥1,345	¥ 749	¥ 605	¥ 201	¥ 2,614	¥ 7,649
Valuation allowance	(1,200)	(286)	(487)	(355)	(152)	(2,191)	(4,671)
Deferred tax assets	935	1,059	262	250	49	423	(*2) 2,978

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

As of June 30, 2020

Millions of yen

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Net operating loss carryforward (*1)	¥ 957	¥ 447	¥ 457	¥ 260	¥ 452	¥ 3,152	¥ 5,725
Valuation allowance	(209)	(196)	(268)	(211)	(452)	(2,115)	(3,451)
Deferred tax assets	748	251	189	49	0	1,037	(*2) 2,274

Millions of U.S. dollars

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Net operating loss carryforward (*1)	$ 9	$ 4	$ 4	$ 2	$ 4	$ 30	$ 53
Valuation allowance	(2)	(2)	(2)	(2)	(4)	(20)	(32)
Deferred tax assets	7	2	2	0	0	10	(*2)21

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

Financial Performance

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

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

(Business Combination)

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

Finalization of the accounting treatment temporarily applied for the business combination

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

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

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

Business succession through an absorption-type split

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

1. Overview of the business divestiture

(1) Name of the successor company

KOHNAN SHOJI CO., LTD.

(2) Description of business divested

Operation of home centers and renovation business

(3) Major reason for the business divestiture

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

(4) Date of the business divestiture

February 1, 2020

(5) Legal form of the business divestiture

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

2. Overview of the accounting treatment applied

(1) Amount of gain or loss

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

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

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

(3) Accounting treatment

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

3. Reportable segment previously included the Business divested

Discount store business

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

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

Partial sale of subsidiary's shares

1. Overview of the business divestiture

(1) Name of the successor company

G-7HOLDINGS Inc.

(2) Description of business divested

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

(3) Major reason for the business divestiture

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

(4) Date of business divestiture

April 1, 2020

(5) Legal form of the business divestiture

Share transfer with cash as the only consideration received

2. Overview of the accounting treatment applied

(1) Amount of gain or loss

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

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

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

(3) Accounting treatment

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

3. Reportable segment previously included the business divested

GMS business

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

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

(Asset Retirement Obligations)

1. Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of asset retirement obligations

Asset retirement obligations recognized are mainly obligations to restore sites used for stores according to fixed-term leaseholds for commercial use of land and buildings and fixed-term lease contracts for buildings.

(2) Calculation method for asset retirement obligations

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

(3) Changes in asset retirement obligations

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2019	As of June 30, 2020	As of June 30, 2020
Beginning of the year	¥ 6,595	¥24,007	$223
Increase due to newly consolidated subsidiaries	16,283	–	–
Increase due to acquisition of property, plant and equipment	642	656	6
Increase due to change in estimate	506	–	–
Adjustments over time	148	232	2
Decrease due to performance of asset retirement obligations	–	(829)	(8)
Decrease due to settlement of asset retirement obligations	(167)	(156)	(1)
Decrease due to sale of consolidated subsidiaries	–	(306)	(3)
Decrease due to business succession through an absorption-type split	–	(16)	(0)
End of the year	¥24,007	¥23,588	$219

2. Change in estimate of asset retirement obligations

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

Financial Performance

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

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

(Investment and Rental Property)

The Company and some of its consolidated subsidiaries own commercial properties and facilities (including land) for lease in Tokyo and other areas. For the fiscal year ended June 30, 2019, rental income related to such properties and facilities was ¥3,577 million. (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses.) For the fiscal year ended June 30, 2020, rental income related to such properties and facilities was ¥6,367 million ($59 million). (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses.) Gain on sale of such properties was ¥9 million ($0 million), which was recorded in extraordinary income.

The carrying amounts on the consolidated balance sheets and the changes in and fair values of these assets for the fiscal years ended June 30, 2019 and 2020 are as follows:

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

(Notes)
1. The carrying amount on the consolidated balance sheets is the acquisition cost minus accumulated depreciation and accumulated impairment loss.
2. Net change for the fiscal year ended June 30, 2019 consisted of major increases of ¥59,883 million from new consolidation, ¥1,028 million from the acquisition of real estate, ¥7,873 million from transfer to idle assets, and ¥1,141 million from a change in rentable ratios. Net change for the fiscal year ended June 30, 2020 consisted of major increases of ¥11,662 million ($108 million) from the acquisition of real estate, and major decreases of ¥41 million ($0 million) from the sale of real estate and ¥2,107 million ($20 million) from a change in rentable ratios.
3. Fair value is primarily an amount calculated by the Company based on Japanese Real Estate Appraisal Standards, including adjustments made using certain financial indicators.

(Segment Information)

Segment information

1. Overview of reportable segments

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

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

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

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

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

Intersegment sales are mainly based on quoted market prices.

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

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

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales								
Sales to third parties	¥1,015,924	¥266,058	¥ 39,132	¥1,321,114	¥ 7,760	¥1,328,874	¥ –	¥1,328,874
Intersegment sales and transfer	3,567	551	1,762	5,880	3,153	9,033	(9,033)	–
Total	1,019,491	266,609	40,894	1,326,994	10,913	1,337,907	(9,033)	1,328,874
Segment profit (loss)	49,589	7,039	7,795	64,423	(1,240)	63,183	(73)	63,110
Segment assets	633,193	236,345	233,104	1,102,642	123,967	1,226,609	55,491	1,282,100
Other items (Note 4)								
Depreciation and amortization	18,186	2,390	3,095	23,671	32	23,703	19	23,722
Increase in property, plant and equipment and intangible assets	39,461	1,105	4,886	45,452	1,287	46,739	246	46,985

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

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

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales								
Sales to third parties	¥1,117,507	¥491,621	¥ 58,229	¥1,667,357	¥ 14,590	¥1,681,947	¥ –	¥1,681,947
Intersegment sales and transfer	5,184	6,721	2,994	14,899	6,248	21,147	(21,147)	–
Total	1,122,691	498,342	61,223	1,682,256	20,838	1,703,094	(21,147)	1,681,947
Segment profit (loss)	47,311	16,992	13,579	77,882	(2,373)	75,509	488	75,997
Segment assets	619,727	235,061	227,557	1,082,345	183,310	1,265,655	33,293	1,298,948
Other items (Note 4)								
Depreciation and amortization	18,474	4,662	5,182	28,318	1,004	29,322	69	29,391
Increase in property, plant and equipment and intangible assets	27,914	2,465	4,117	34,496	1,242	35,738	678	36,416

Millions of U.S. dollars

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales								
Sales to third parties	$10,373	$4,563	$ 540	$15,476	$ 135	$15,611	$ –	$15,611
Intersegment sales and transfer	48	62	28	138	58	196	(196)	–
Total	10,421	4,625	568	15,614	193	15,807	(196)	15,611
Segment profit (loss)	439	158	126	723	(22)	701	5	706
Segment assets	5,752	2,182	2,112	10,046	1,702	11,748	309	12,057
Other items (Note 4)								
Depreciation and amortization	172	43	48	263	9	272	1	273
Increase in property, plant and equipment and intangible assets	259	23	38	320	12	332	6	338

(Notes)
1. "Other," which is not a reportable segment, includes card business and administrative expenses for the management of the Company (holding company).
2. The ¥488 million ($5 million) adjustment to segment profit is an intersegment elimination. The ¥33,293 million ($309 million) adjustment to segment assets includes surplus funds of ¥136,744 million ($1,269 million) of the Company, Don Quijote Co., Ltd., Nagasakiya Co., Ltd., and UNY Co., Ltd., which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥(103,451) million ($(960) million).
3. Segment profit is adjusted to operating income in the consolidated statements of profit and loss.
4. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.
5. Segment information for the fiscal year ended June 30, 2019 is restated after significant adjustments to the preliminary acquisition cost allocation due to finalization of accounting treatment temporarily applied, as described in "Business Combination" in "Notes to Consolidated Financial Statements."

Financial Performance

Related information

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

1. Information by product and service

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

2. Information by region

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

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

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

1. Information by product and service

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

2. Information by region

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

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

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

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

Millions of yen

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

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

Millions of yen

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

Millions of U.S. dollars

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

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

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

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

Millions of yen

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

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

Millions of yen

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

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

Millions of yen

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

Millions of U.S. dollars

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

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

Millions of yen

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

Millions of U.S. dollars

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

Information on gain on bargain purchase by reportable segment

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

For the fiscal year ended June 30, 2019, the Company acquired additional shares of UNY Co., Ltd. and included it in the scope of consolidation. With this move, gain on bargain purchase of ¥5,646 million was reported under the "GMS business" segment.

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

No significant matter to be disclosed.

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

Financial Performance

Information on related parties

1. Transactions with related parties

Transactions between the Company and related parties

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

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

No significant matter to be disclosed.

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

No significant matter to be disclosed.

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

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

Category	Name	Location	Capital stock (Millions of yen)	Type of business	% of voting rights (owned)	Business relationship	Description of transactions	Transaction amount (Millions of yen)	Account	Balance at year-end (Millions of yen)
Director and his/her close relatives	Naoki Yoshida (Note 1)	–	¥–	Representative Director, Senior Managing Director and CAO of the Company	(Own) Direct 0.01 Indirect –	–	Exercise of stock options (Note 2)	¥ 37	–	¥–
Director and his/her close relatives	Spouse of Takao Yasuda, Director of the Company	–	–	–	None	–	Acquisition of affiliate's shares (Note 3)	4,980	–	–
Company whose majority of voting rights are held by director or his/her close relatives	Pan Pacific Partnership Pte. Ltd. (Note 4)	Singapore	1.4 million Singapore dollars	Asset management	(Own) Direct – Indirect 19.78	Joint establishment Undertaking capital increase	Undertaking capital (Note 5)	3,434	–	–

(Note) The terms and conditions of transactions and their decisions are as follows:

(1) Naoki Yoshida was inaugurated as President and CEO, Representative Director on September 25, 2019.

(2) It is the stock options exercised for the fiscal year ended June 30, 2019, which were originally granted upon the resolutions of the Board of Directors' meetings held on June 30, 2016 and September 1, 2016. The amount is calculated by multiplying the number of stock options exercised by the amount paid to exercise the stock options.

(3) In order to acquire shares of REALIT Co., Ltd. (hereinafter, "REALIT") and one other company, the Company acquired shares of a company which holds REALIT's shares. Taking into account the net asset value of the target company as a basis, the purchase price of shares was determined by the negotiations and discussions.

(4) It is a company established by a close relative of Takao Yasuda.

(5) At the establishment of Pan Pacific Retail Management (Asia) Pte. Ltd., the Company and Pan Pacific Strategy Institute Pte. Ltd., a consolidated subsidiary of the Company, jointly made investments.

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

No significant matter to be disclosed.

(Per Share Information)

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

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

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

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

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

(Subsequent Events)

Not applicable.

Supplemental information

Corporate bonds

Issuer	Type of issue	Issue date	Balance at July 1, 2019 (Millions of yen)	Balance at June 30, 2020 (Millions of yen)	Balance at June 30, 2020 (Millions of U.S. dollars)	Interest rate (%)	Collateral	Redemption date
The Company	The 58th unsecured corporate bond	November 29, 2014	¥600 (¥600)	¥–	$–	6-month TIBOR	N/A	November 29, 2019
The Company	The 8th unsecured corporate bond	March 12, 2015	20,000 (20,000)	–	–	0.55	N/A	March 12, 2020
The Company	The 9th unsecured corporate bond	March 12, 2015	10,000 (–)	10,000 (–)	93 (–)	0.80	N/A	March 11, 2022
The Company	The 10th unsecured corporate bond	March 10, 2016	10,000 (–)	10,000 (10,000)	93 (93)	0.33	N/A	March 10, 2021
The Company	The 11th unsecured corporate bond	March 10, 2016	10,000 (–)	10,000 (–)	93 (–)	0.73	N/A	March 10, 2026
The Company	The 12th unsecured corporate bond	March 21, 2017	10,000 (–)	10,000 (–)	93 (–)	0.39	N/A	March 21, 2024
The Company	The 13th unsecured corporate bond	March 8, 2018	10,000 (–)	10,000 (–)	93 (–)	0.21	N/A	March 8, 2023
The Company	The 14th unsecured corporate bond	March 8, 2018	10,000 (–)	10,000 (–)	93 (–)	0.48	N/A	March 8, 2028
The Company	The 15th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	93 (–)	0.11	N/A	March 7, 2022
The Company	The 16th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	93 (–)	0.35	N/A	March 6, 2026
The Company	The 17th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	93 (–)	0.45	N/A	March 7, 2029
The Company	The 1st unsecured corporate bond (with subordination agreement)	November 28, 2018	140,000 (–)	140,000 (–)	1,298 (–)	(Note 2)	N/A	November 28, 2053
Japan Asset Marketing Co., Ltd.	The 1st unsecured corporate bond	September 25, 2014	1,000 (–)	1,000 (–)	9 (–)	0.79	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 2nd unsecured corporate bond	September 25, 2014	370 (140)	230 (140)	2 (1)	0.68	N/A	September 24, 2021
Japan Asset Marketing Co., Ltd.	The 3rd unsecured corporate bond	September 25, 2015	969 (266)	703 (266)	7 (2)	0.63	N/A	September 22, 2022
Japan Asset Marketing Co., Ltd.	The 4th unsecured corporate bond	September 30, 2015	900 (600)	300 (300)	3 (3)	0.32	N/A	September 30, 2020
Japan Asset Marketing Co., Ltd.	The 5th unsecured corporate bond	March 25, 2016	1,160 (280)	880 (280)	8 (3)	0.33	N/A	March 24, 2023
Japan Asset Marketing Co., Ltd.	The 6th unsecured corporate bond	September 21, 2016	1,875 (250)	1,625 (250)	15 (2)	0.18	N/A	September 18, 2026
Japan Asset Marketing Co., Ltd.	The 7th unsecured corporate bond	September 26, 2016	3,000 (400)	2,600 (400)	24 (4)	0.22	N/A	September 25, 2026
Japan Asset Marketing Co., Ltd.	The 8th unsecured corporate bond	September 26, 2016	1,300 (280)	1,020 (280)	9 (3)	0.37	N/A	September 26, 2023
Other	–	–	100 (–)	100 (–)	1 (–)	–	–	–
Total	–	–	¥261,274 (¥22,816)	¥238,458 (¥11,916)	$2,213 ($111)	–	–	–

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

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

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

Millions of yen

Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
¥11,916	¥22,566	¥11,421	¥10,930	¥650

Millions of U.S. dollars

Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
$111	$209	$106	$101	$6

Financial Performance

Loan payables, etc.

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

(Notes) 1. Average interest rate represents the weighted-average interest rate of loans as of June 30, 2020.
2. The annual repayment schedule for long-term loan payables and lease obligations excluding current portion for five years is as follows:

Millions of yen

	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
Long-term loan payables	¥29,103	¥19,845	¥25,745	¥18,494
Lease obligations	43	38	18	0

Millions of U.S. dollars

	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
Long-term loan payables	$270	$184	$239	$172
Lease obligations	0	0	0	0

Details of asset retirement obligations

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

Independent Auditor's Report

The Board of Directors
Pan Pacific International Holdings Corporation

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

Convenience Translation

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

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

STATEMENT ON ACCOUNTING PRINCIPLES AND AUDITING STANDARDS

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