Financial Performance

Consolidated Balance Sheets

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
As of June 30, 2021 and 2022

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

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

See accompanying notes to consolidated financial statements.

Financial Performance

Consolidated Statements of Profit and Loss

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

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

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
2021	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	¥23,008	¥16,977	¥332,263	¥(15)	¥372,233	¥ 529	¥ (865)	¥ (58)	¥ (394)	¥218	¥16,942	¥388,999
Changes of items during period												
Issuance of new shares	144	144			289							289
Dividends of surplus			(9,509)		(9,509)							(9,509)
Profit attributable to owners of parent			53,734		53,734							53,734
Change in scope of consolidation			(336)		(336)						(73)	(409)
Net changes of items other than shareholders' equity						636	1,614	257	2,507	(2)	3,019	5,524
Total changes of items during period	144	144	43,889	–	44,178	636	1,614	257	2,507	(2)	2,946	49,629
Balance at end of current period	¥23,153	¥17,121	¥376,152	¥(15)	¥416,411	¥1,165	¥ 749	¥199	¥2,113	¥216	¥19,888	¥438,628

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
2022	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	¥23,153	¥17,121	¥376,152	¥ (15)	¥416,411	¥1,165	¥ 749	¥199	¥2,113	¥216	¥ 19,888	¥438,628
Changes of items during period												
Issuance of new shares	65	65			129							129
Dividends of surplus			(10,034)		(10,034)							(10,034)
Profit attributable to owners of parent			61,928		61,928							61,928
Purchase of treasury shares				(80,941)	(80,941)							(80,941)
Change in scope of consolidation			(2)		(2)							(2)
Purchase of shares of consolidated subsidiaries		189			189							189
Net changes of items other than shareholders' equity						(644)	2,783	288	2,427	55	(13,133)	(10,651)
Total changes of items during period	65	254	51,892	(80,941)	(28,730)	(644)	2,783	288	2,427	55	(13,133)	(39,381)
Balance at end of current period	¥23,217	¥17,376	¥428,044	¥(80,956)	¥387,681	¥ 520	¥3,532	¥487	¥4,539	¥271	¥ 6,755	¥399,247

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
2022	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	$169	$125	$2,752	$ (0)	$3,047	$ 9	$ 5	$1	$15	$2	$146	$3,209
Changes of items during period												
Issuance of new shares	0	0			1							1
Dividends of surplus			(73)		(73)							(73)
Profit attributable to owners of parent			453		453							453
Purchase of treasury shares				(592)	(592)							(592)
Change in scope of consolidation			(0)		(0)							(0)
Purchase of shares of consolidated subsidiaries		1			1							1
Net changes of items other than shareholders' equity						(5)	20	2	18	0	(96)	(78)
Total changes of items during period	0	2	380	(592)	(210)	(5)	20	2	18	0	(96)	(288)
Balance at end of current period	$170	$127	$3,132	$(592)	$2,836	$ 4	$26	$4	$33	$2	$ 49	$2,921

See accompanying notes to consolidated financial statements.

Financial Performance

Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2021 and 2022

(Basis of Presenting Consolidated Financial Statements)

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

Each amount in the accompanying consolidated financial statements is rounded off to the nearest million yen. The U.S. dollar amounts are included solely for the convenience of readers outside Japan and are stated at the exchange rate of ¥136.68 to U.S.$1, the rate prevailing on June 30, 2022. These translations should not be construed as representations that Japanese yen amounts actually represent or have been or could be converted into U.S. dollars at that or any other rate.

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

(Significant Matters for the Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 77

Names of consolidated subsidiaries

- Don Quijote Co., Ltd.
- UNY Co., Ltd.
- Nagasakiya Co., Ltd.
- UD Retail Co., Ltd.
- Japan Asset Marketing Co., Ltd.
- Pan Pacific International Financial Service Corporation
- UCS Co., Ltd.
- Japan Commercial Establishment Co., Ltd.
- Pan Pacific Retail Management (Singapore) Pte. Ltd.
- Pan Pacific Retail Management (Hong Kong) Co., Ltd.
- Don Quijote (USA) Co., Ltd.
- Gelson's Markets
- MARUKAI CORPORATION
- QSI, Inc.
- And 63 other companies

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

During the fiscal year ended June 30, 2022, five companies were excluded from the scope of consolidation: four companies due to extinguishment through absorption-type mergers and one company due to the completion of liquidation.

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

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

2. Application of the equity method

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

Names of affiliates accounted for under the equity method

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

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

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

3. Fiscal year-ends of consolidated subsidiaries

Of the consolidated subsidiaries, Don Quijote (USA) Co., Ltd. and 22 other companies have fiscal year-ends that differ from the consolidated fiscal year-end, but as the gap among the respective closing dates is not more than three months, the financial statements of these subsidiaries are used in the preparation of the consolidated financial statements.

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

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

Of the consolidated subsidiaries, Japan Asset Marketing Co., Ltd. and 15 other companies have fiscal year-ends that differ from the consolidated fiscal year-end. Consequently, financial statements based on a provisional settlement of accounts on the consolidated closing date are used in the preparation of the consolidated financial statements, as this would provide more appropriate management information.

4. Accounting policies
(1) Basis and method of valuation of significant assets
(a) Securities
Shares of subsidiaries and affiliates
Cost method by determining the cost using the moving average method
Available-for-sale securities
Securities other than stocks that do not have quoted market prices
Fair value method (The amounts of unrealized gains or losses from such securities, after accounting for tax effects, are presented in net assets. Costs of securities sold are calculated using the moving average method.)
Stocks that do not have quoted market prices
Cost method by determining the cost using the moving average method

(b) Derivatives
Fair value method

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

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

(2) Depreciation method for significant depreciable assets
(a) Property, plant and equipment (excluding lease assets and right-of-use assets)
The declining-balance method is used for calculation of depreciation.

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

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

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

(b) Intangible assets (excluding lease assets)
Straight-line method

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

(c) Lease assets and right-of-use assets
Lease assets and right-of-use assets are depreciated using the straight-line method over the lease term with no residual value.

(d) Long-term prepaid expenses
Straight-line method

(3) Accounting treatment for deferred assets
(a) Common stock issuance cost
Expense as incurred

(b) Bond issuance cost
Expense as incurred

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

(b) Provision for point card certificates
Provision for point card certificates is provided for the use of points given to members of credit cards, etc. at the amount expected to be used. The amount is estimated based on historical redemption experience and other factors.

(5) Accounting treatment for retirement benefits
(a) Allocation method of attributing expected benefits to period
In calculating retirement benefit obligations, the benefit formula method is used to allocate expected retirement payments to the period up to the current fiscal year-end.

(b) Treatment for actuarial differences and past service costs
Past service cost is amortized by the straight-line method over a period of 10 years which is shorter than the average remaining years of service of the eligible employees.

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

As of June 30, 2022 since the amount of pension assets exceeds the amount of retirement benefit obligations, the excess amount is recognized as a retirement benefit asset and presented on the consolidated balance sheets under investments and other assets.

(6) Significant revenue and expense recognition standards
The details of the main performance obligations in the major businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries and the timing at which these performance obligations are typically satisfied (when revenue is typically recognized) are as follows:
(a) Discount store business and general merchandise store business
Revenue is mainly from sale of products and recognized when products are transferred to a customer.

Revenue from sale of products in which the Company and its consolidated subsidiaries are deemed to be an agent is recognized at the net amount of the amount received in exchange for the products provided by the other party less the amount to be paid to the other party concerned.

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

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

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

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

(8) Method and period of amortizing goodwill
Goodwill is amortized using the straight-line method over the reasonably estimated period in which investment effects will be revealed.

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

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

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

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

(2) Information on the details of significant accounting estimates of identified item
(i) Method of calculating the amount of loss on valuation of inventories
If the net selling value of inventories is lower than their book value, the difference is recognized as a loss on valuation of inventories. The Company writes down the book value of inventories on a systematic basis that have been unsold and no longer part of the normal operating cycle process, and records a loss on valuation.
(ii) Major assumptions used in significant accounting estimates
In calculating a loss on valuation of inventories that have been unsold and no longer part of the normal operating cycle process, the Company identifies products whose turnover ratio becomes lower than a certain ratio, and writes down the book value of the identified products on a systematic basis by a depreciation rate that is determined based on such factors as the previous sales record of the product group to which the identified products belong, the quantity of inventories, and future sales plans.
(iii) Impacts on the consolidated financial statements for the following fiscal year
The aforementioned estimates and assumptions involve a high degree of uncertainty because they are affected by deterioration of market environments, changes in consumer preferences and lifestyles, and other factors. Therefore, depending on the future circumstances, an additional loss on valuation of inventories may arise in the following fiscal year.

2. Impairment of non-current assets
(1) Amount presented on the consolidated financial statements for the fiscal year ended June 30, 2022

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

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

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

The Groups determines that its assets have an indication of impairment when a store's profitability declines due to seriously deteriorating operating environment and other factors; a store continuously generates losses from its operating activities; a property or store whose market price significantly declines; and a store that has been newly opened or is scheduled to be newly opened generates losses from its operating activities that exceed initial expectations, and is expected to continue to generate losses from its operating activities.

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

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

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

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

3. Recoverability of deferred tax assets

(1) Amount presented on the consolidated balance sheet for the fiscal year ended June 30, 2022

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

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

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

(ii) Major assumptions used in significant accounting estimates
The Group calculates the future taxable income considering the impacts of such factors as individual sales initiatives and changes in customer trends based on the past sales results of each Group company. The Group calculates the future taxable income assuming that it will remain difficult to forecast the future spread of COVID-19 and the timing of containment as entry restrictions on foreign tourists are likely to be extended, and lower sales due to eliminated inbound tourism demand resulting from the impact of COVID-19 will continue for a considerable period of time.

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

(Changes in Accounting Policies)

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

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

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

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

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

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

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

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

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

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

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

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

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

(Changes in Presentation)

(Consolidated Statements of Profit and Loss)

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

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

(Consolidated Statements of Cash Flows)

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

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

(Changes in Accounting Estimates)

(Changes in Estimates of Asset Retirement Obligations)

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

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

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

Financial Performance

(Notes to Consolidated Balance Sheets)

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

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

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

Note 3 Assets pledged as collateral and liabilities corresponding to assets pledged as collateral

Assets pledged as collateral are as follows:

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

Liabilities corresponding to assets pledged as collateral are as follows:

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

Note 4 Guarantee obligations

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Guarantee on debts for new construction project (payment for construction contractors)	¥2,106	¥2,106	$15

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

Note 5 Retroactive obligations due to securitization of receivables

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

Note 6 The Company and its consolidated subsidiaries entered into bank overdraft agreements with 42 banks to ensure the procurement of efficient funds as working capital. The balance of unused funds based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Total credit line for bank overdraft	¥61,190	¥58,610	$429
Bank loans arranged	1,500	–	–
Unused balance	¥59,690	¥58,610	$429

Note 7 The Company and its consolidated subsidiaries have entered into loan commitment agreements with four banks as of June 30, 2021 and three banks as of June 30, 2022, respectively, to ensure the procurement of efficient funds as working capital. The balance of unused funds based on these agreements is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Total amount of loan commitment	¥30,052	¥30,000	$219
Bank loans arranged	–	–	–
Unused balance	¥30,052	¥30,000	$219

Note 8 UCS Co., Ltd., a consolidated subsidiary of the Company, engages in the credit card cash advance service business. The unused amount of credit lines given is as follows:

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

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

Note 9 As of June 30, 2021 and 2022, the Company signed syndicated loan agreements with 70 financial institutions totaling ¥87,500 million and 39 financial institutions totaling ¥50,000 million ($366 million), respectively. These agreements include financial covenants based on certain indices calculated from net assets on the consolidated balance sheets.

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Balance of loan payables based on syndicated loan agreements	¥61,600	¥50,000	$366

Note 10 Payables under fluidity lease receivables at Japan Asset Marketing Co., Ltd., a consolidated subsidiary of the Company, are liabilities arising through the securitization of anticipated receivables to be booked by the company.

The balance of payables under fluidity lease receivables is as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Payables under fluidity lease receivables	¥191	¥–	$–

(Notes to Consolidated Statements of Profit and Loss)

Note 1 Revenue from contracts with customers

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

Note 2 The balance of inventories at the fiscal year-end shows the amount after writing down the book value due to a decline in profitability. The following amount of loss on valuation of inventories is included in cost of sales.

Millions of yen		Millions of U.S. dollars
Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
¥5,173	¥3,872	$28

Note 3 Of selling, general and administrative expenses, major items and their amounts are as follows:

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

Note 4 The breakdown of gain on sale of non-current assets is as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Buildings and structures	¥ –	¥1,649	$12
Furniture and fixtures	–	(8)	(0)
Land	93	(717)	(5)
Other	1	–	–
Total	¥94	¥ 924	$ 7

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

Financial Performance

Note 5 Impairment loss

The Group recognized impairment loss on the following asset groups:

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

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

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

In the fiscal year ended June 30, 2021, the Group reduced the book value of assets to their recoverable amounts for stores whose profitability declined significantly or stores that continuously generated losses from their operating activities. The amounts of these reductions were recorded as an impairment loss (¥7,856 million for buildings and structures, ¥754 million for tools, furniture and fixtures, ¥8,011 million for land, and ¥90 million for intangible assets (other) under extraordinary losses). The recoverable amounts of these asset groups were determined to be the higher of their net selling value or value in use. The net selling value was based on the appraisal value by a real estate appraiser, whereas the value in use is calculated by discounting the estimated future cash flows by 3.0%. If the value in use based on estimated future cash flows was negative, the Group recognized the recoverable amounts as zero.

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

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

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

In the fiscal year ended June 30, 2022, the Group reduced the book value of assets to their recoverable amounts for stores whose profitability declined significantly or stores that continuously generated losses from their operating activities. The amounts of these reductions were recorded as an impairment loss (¥2,701 million ($20 million) for buildings and structures, ¥712 million ($5 million) for tools, furniture and fixtures, ¥1,122 million ($8 million) for land, ¥177 million ($1 million) for construction in progress, ¥867 million ($6 million) for right-of-use assets, and ¥141 million ($1 million) for intangible assets (other) under extraordinary losses). The recoverable amounts of these asset groups were determined to be the higher of their net selling value or value in use. The net selling value was based on the appraisal value by a real estate appraiser, whereas the value in use is calculated by discounting the estimated future cash flows by 3.0%. If the value in use based on estimated future cash flows was negative, the Group recognized the recoverable amounts as zero.

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

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

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

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

(Notes to Consolidated Statements of Comprehensive Income)

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

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

(Notes to Consolidated Statements of Changes in Net Assets)

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

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

Thousands of shares

	Number of shares as of July 1, 2020	Increase	Decrease	Number of shares as of June 30, 2021
Outstanding shares				
Common stock (Note)	633,929	310	–	634,239
Total	633,929	310	–	634,239
Treasury shares				
Common stock	19	–	–	19
Total	19	–	–	19

(Note) The increase of 310 thousand shares of common stock issued and outstanding is due to the exercise of stock options (310 thousand shares).

Financial Performance

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

			Shares				Millions of yen
			Number of shares subject to share acquisition rights				
Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares as of July 1, 2020	Increase	Decrease	Number of shares as of June 30, 2021	As of June 30, 2021
The Company	Share-based compensation stock options	–	–	–	–	–	¥205
The Company	Paid-in stock options	–	–	–	–	–	12
Total		–	–	–	–	–	¥216

3. Matters regarding dividends

(1) Dividend payment

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

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

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

4. Significant changes in net assets

Not applicable.

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

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

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

(Notes) 1. The increase of 139 thousand shares of common stock issued and outstanding is due to the exercise of stock options (139 thousand shares).
2. The increase of 38,054 thousand shares of common stock in treasury is due to the purchase of treasury shares based on the resolution of the Board of Directors at a meeting held on September 6, 2021 (38,054 thousand shares).

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

			Shares				Millions of yen	Millions of U.S. dollars
			Number of shares subject to share acquisition rights					
Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares as of July 1, 2021	Increase	Decrease	Number of shares as of June 30, 2022	As of June 30, 2022	
The Company	Share-based compensation stock options	–	–	–	–	–	¥260	$2
The Company	Paid-in stock options	–	–	–	–	–	11	0
Total		–	–	–	–	–	¥271	$2

3. Matters regarding dividends

(1) Dividend payment

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

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

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

4. Significant changes in net assets

At the Board of Directors' meeting held on September 6, 2021, the Company resolved the repurchase of treasury shares in accordance with the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165-3 of the same act, and repurchased 38,054,300 treasury shares. As a result, treasury shares increased by ¥80,941 million ($592 million) in the fiscal year ended June 30, 2022, amounting to ¥80,956 million ($592 million) as of June 30, 2022.

(Notes to Consolidated Statements of Cash Flows)

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

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

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

For the fiscal year ended June 30, 2021

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

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

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

For the fiscal year ended June 30, 2022

The disclosure is omitted due to its insignificance.

Financial Performance

(Lease Transactions)

(As a lessee)

1. Finance lease transactions

Finance leases that do not transfer ownership

(a) Description of lease assets

Property, plant and equipment

Mainly store equipment and office equipment

(b) Depreciation method for lease assets

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

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases:

		Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Due within one year	¥ 9,292	¥10,939	$ 80
Due after one year	37,603	35,261	258
Total	¥46,895	¥46,200	$338

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

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

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

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

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

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

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

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

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

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

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

(3) Supplementary information on fair value of financial instruments

Since the valuation techniques for the fair values of financial instruments incorporate various assumptions, estimates may change depending on the different assumptions.

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

2. Fair value of financial instruments

Carrying amounts on the consolidated balance sheets, fair values, and respective differences are presented below. Note that "Cash and deposits," "Notes and accounts receivables–trade," "Deposits paid," "Notes and accounts payables–trade," "Short-term loan payables," "Accounts payables–other," "Accrued expenses," "Deposits received," and "Income taxes payables" are omitted, because they are cash, and their carrying amounts approximate their fair value as they are settled in a short period of time.

As of June 30, 2021

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

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

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

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

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

Financial Performance

As of June 30, 2022

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

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

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

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

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

As of June 30, 2021

Millions of yen

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

As of June 30, 2022

Millions of yen

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

Millions of U.S. dollars

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

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

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

As of June 30, 2021

Millions of yen

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

As of June 30, 2022

Millions of yen

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

Millions of U.S. dollars

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

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

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

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

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

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

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

(1) Financial instruments measured at fair value

As of June 30, 2022

Millions of yen

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

Millions of U.S. dollars

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

Financial Performance

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

As of June 30, 2022

Millions of yen

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

Millions of U.S. dollars

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

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

Investment securities

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

Derivative transactions

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

Accounts receivables–installment and operating loans

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

Long-term loan receivables

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

Leasehold and guarantee deposits

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

Bond payables (including current portion)

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

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

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

(Securities)

1. Available-for-sale securities

As of June 30, 2021

Millions of yen

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

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

As of June 30, 2022

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

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

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

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

Millions of yen

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

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

Not applicable.

3. Impaired securities

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

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

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

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

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

Financial Performance

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

As of June 30, 2021

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Foreign exchange forward contract Buy USD	¥1,954	¥–	¥25	¥25

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

As of June 30, 2022

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Foreign exchange forward contract Buy USD	¥1,660	¥–	¥110	¥110

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Foreign exchange forward contract Buy USD	$12	$–	$1	$1

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

(2) Interest rate related

As of June 30, 2021

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable / Pay fixed	¥54,330	¥50,210	¥(212)	¥(212)

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

As of June 30, 2022

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable / Pay fixed	¥50,210	¥50,000	¥(32)	¥(32)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate swaps Receive variable / Pay fixed	$367	$366	$(0)	$(0)

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

(3) Interest rate and currency related

As of June 30, 2021

Millions of yen

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

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

As of June 30, 2022

Millions of yen

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency transaction Receive fixed / Pay fixed Pay USD Receive JPY	¥5,707	¥5,707	¥(825)	¥(825)

Millions of U.S. dollars

Category	Type of transaction	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
OTC transaction	Interest rate and currency transaction Receive fixed / Pay fixed Pay USD Receive JPY	$42	$42	$(6)	$(6)

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

(Retirement Benefits)

1. Overview of retirement benefit plans

The Company and some of its consolidated subsidiaries maintain defined contribution pension plans.

UNY Co., Ltd. and UCS Co., Ltd. concurrently maintain defined benefit plans. Those defined benefit plans are closed funded defined benefit plans consisting solely of beneficiaries and those waiting to receive benefits.

2. Defined benefit plans

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

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

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

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

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

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

(4) Retirement benefit expenses and their breakdown

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

(5) Retirement benefit adjustment

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Actuarial differences	¥276	¥420	$3
Total	¥276	¥420	$3

(6) Remeasurements of defined benefit plans

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2022
Unrecognized actuarial differences	¥208	¥628	$5
Total	¥208	¥628	$5

(7) Matters regarding pension assets

(a) The major breakdown of pension assets

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

	As of June 30, 2021	As of June 30, 2022
Life insurance general accounts	100%	100%
Alternatives	0	0
Total	100%	100%

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

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

(8) Assumptions for actuarial calculation

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

	As of June 30, 2021	As of June 30, 2022
Discount rate	0.3%	0.6%
Long-term expected rate of return	1.0	1.0

3. Defined contribution plans

The Company and some of its consolidated subsidiaries maintain defined contribution plans. The necessary contributions to such plans were, in total, ¥2,060 million for the fiscal year ended June 30, 2021 and ¥2,124 million ($16 million) for the fiscal year ended June 30, 2022.

(Stock Options)

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

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

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Gain on reversal of share acquisition rights	¥0	¥0	$0

3. Details and number of stock options

(1) Details of stock options

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

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

	The 6th Share-based Compensation Stock Options
Eligible grantees	1 director
Class and number of stock options (Note 1)	Common stock 25,000 shares
Grant date	November 2, 2021
Condition for vesting	None
Required service period	None
Exercise period	From November 2, 2021 to November 1, 2051
Condition for exercise	(Note 2)

(Notes)

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

(2) Number and changes in number of stock options

Stock options as of the beginning of the fiscal year ended June 30, 2022 are stated below. The number of stock options presents the number of shares to be issued.

(i) Number of stock options

Shares

	The 1st Share-based Compensation Stock Options	The 2nd Share-based Compensation Stock Options	The 1st Paid-in Stock Options
Grant date	June 26, 2015	December 28, 2015	September 23, 2016
Before vesting			
Balance as of June 30, 2021	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2022	–	–	–
After vesting			
Balance as of June 30, 2021	2,400	2,400	2,345,600
Vested	–	–	–
Exercised	–	–	139,200
Forfeited	–	–	6,000
Balance as of June 30, 2022	2,400	2,400	2,200,400

Shares

	The 3rd Share-based Compensation Stock Options	The 4th Share-based Compensation Stock Options	The 5th Share-based Compensation Stock Options
Grant date	June 1, 2017	June 29, 2018	April 10, 2019
Before vesting			
Balance as of June 30, 2021	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2022	–	–	–
After vesting			
Balance as of June 30, 2021	20,000	40,000	80,000
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Balance as of June 30, 2022	20,000	40,000	80,000

Shares

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

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

(ii) Stock option price information

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

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

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

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

4. Methods used to estimate fair value of stock options

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

The 6th Share-based Compensation Stock Options

(i) Valuation technique Black-Scholes model

(ii) Main basic numerical values and estimation method

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

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

5. Methods used to estimate number of stock options vested

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

(Additional information)

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

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

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

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

2. Overview of accounting treatment applied

(Accounting treatment before the vesting date)

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

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

(Accounting treatment after the vesting date)

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

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

Financial Performance

(Income Taxes)

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

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

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

As of June 30, 2021

Millions of yen

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Net operating loss carryforward(*1)	¥ 280	¥ 164	¥ 321	¥ 372	¥ 299	¥ 3,009	¥ 4,446
Valuation allowance	(176)	(164)	(321)	(372)	(299)	(1,618)	(2,951)
Deferred tax assets	104	–	–	–	–	1,392	(*2) 1,496

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

As of June 30, 2022

Millions of yen

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Net operating loss carryforward (*1)	¥ 55	¥ 148	¥ 214	¥ 148	¥ 615	¥ 2,550	¥ 3,729
Valuation allowance	(55)	(148)	(214)	(148)	(615)	(1,529)	(2,709)
Deferred tax assets	–	–	–	–	–	1,020	(*2) 1,020

Millions of U.S. dollars

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Net operating loss carryforward (*1)	$ 0	$ 1	$ 2	$ 1	$ 4	$ 19	$ 27
Valuation allowance	(0)	(1)	(2)	(1)	(4)	(11)	(20)
Deferred tax assets	–	–	–	–	–	7	(*2) 7

(*1) The amounts of net operating loss carryforward are calculated by using a statutory tax rate.
(*2) For the net operating loss carryforward of ¥3,729 million ($27 million), calculated by using a statutory tax rate, deferred tax assets of ¥1,020 million ($7 million) is recognized. The Company does not recognize valuation allowance for the net operating loss carryforward expected to offset the future taxable income.

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

	As of June 30, 2021	As of June 30, 2022
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Inhabitant tax per capita levy	2.0	1.4
Change in valuation allowance	(19.8)	(0.6)
Amortization of goodwill and other consolidation adjustments	0.9	1.3
Tax deduction	(0.1)	–
Difference in tax rate from consolidated subsidiaries	0.2	0.4
Other	0.9	(0.1)
Effective income tax rate after tax-effect accounting	14.7	32.9

(Business Combination)

Finalization of the provisional accounting treatment for business combinations

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

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

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

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

(Asset Retirement Obligations)

Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of asset retirement obligations

Asset retirement obligations recognized are mainly obligations to restore sites according to lease contracts for real estate used for stores.

(2) Calculation method for asset retirement obligations

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

(3) Changes in asset retirement obligations

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

(4) Changes in estimates of asset retirement obligations

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

(Investment and Rental Property)

The Company and some of its consolidated subsidiaries own commercial properties and facilities (including land) for lease in Tokyo and other areas. For the fiscal year ended June 30, 2021, rental income related to such properties and facilities was ¥8,111 million. (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses.) For the fiscal year ended June 30, 2022, rental income related to such properties and facilities was ¥5,865 million ($43 million). (Rental income was recorded in net sales and significant rental expenses were recorded in cost of sales and selling, general and administrative expenses.) Gain on sale of such properties was ¥910 million ($7 million), which was recorded in extraordinary income.

Financial Performance

The carrying amounts on the consolidated balance sheets and the changes in and fair values of these assets for the fiscal years ended June 30, 2021 and 2022 are as follows:

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

(Notes) 1. The carrying amount on the consolidated balance sheets is the acquisition cost minus accumulated depreciation and accumulated impairment loss.
2. Net change for the fiscal year ended June 30, 2021 consisted of major increases of ¥861 million from the acquisition of real estate and ¥1,270 million from a change in rentable ratios, and a major decrease of ¥3,419 million from impairment loss. Net change for the fiscal year ended June 30, 2022 consisted of major increases of ¥970 million ($7 million) from the acquisition of real estate and ¥519 million ($4 million) from a change in rentable ratios, and a major decrease of ¥4,839 million ($35 million) from the sale of real estate and ¥2,053 million ($15 million) from impairment loss.
3. Fair value is primarily an amount calculated by the Company based on Japanese Real Estate Appraisal Standards, including adjustments made using certain financial indicators.

(Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

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

Millions of yen

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

Millions of U.S. dollars

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

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

2. Useful information in understanding revenue from contracts with customers

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

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

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

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

Millions of yen

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

Millions of U.S. dollars

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

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

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

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

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

(ii) Transaction price allocated to the remaining performance obligations

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

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

(Segment Information)

Segment information

1. Overview of reportable segments

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

The Company consists of segments categorized by how goods and services are provided to customers, and "Discount store business," "General merchandise store ("GMS") business," and "Rent business" are the Company's three reportable segments.

The "Discount store business" includes stores such as "Don Quijote," large-scale convenience and discount stores; and "MEGA Don Quijote" and "MEGA Don Quijote UNY," general discount stores for families.

The "GMS business" includes stores such as "APITA," general supermarkets, and "PIAGO," small-scale super- markets.

The "Rent business" recruits tenants of retail properties, and rents and manages such properties.

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

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

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

Intersegment sales are mainly based on quoted market prices.

Financial Performance

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

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

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales								
Sales to third parties	¥1,183,526	¥449,989	¥ 60,927	¥1,694,442	¥ 14,193	¥1,708,635	¥ –	¥1,708,635
Intersegment sales and transfer	7,026	8,966	1,190	17,183	4,493	21,676	(21,676)	–
Total	1,190,553	458,955	62,117	1,711,625	18,686	1,730,311	(21,676)	1,708,635
Segment profit (loss)	55,261	16,599	13,362	85,221	(4,453)	80,769	464	81,232
Segment assets	703,489	233,120	236,786	1,173,395	181,463	1,354,858	15,257	1,370,115
Other items (Note 4)								
Depreciation and amortization	20,290	4,510	5,687	30,487	907	31,394	151	31,545
Increase in property, plant and equipment and intangible assets	30,258	5,205	7,469	42,932	1,557	44,488	1,319	45,807

(Notes) 1. "Other," which is not a reportable segment, includes card business and administrative expenses for the management of the Company (holding company).
2. The ¥464 million adjustment to segment profit is an intersegment elimination.
The ¥15,257 million adjustment to segment assets includes surplus funds of ¥109,631 million of the Company and its consolidated subsidiaries, which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥(94,374) million.
3. Segment profit is adjusted to operating income in the consolidated statements of profit and loss.
4. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

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

Millions of yen

	Reportable segment							
	Discount store business	GMS business	Rent business	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales								
Sales to third parties	¥1,327,451	¥429,598	¥ 59,558	¥1,816,607	¥ 14,673	¥1,831,280	¥ –	¥1,831,280
Intersegment sales and transfer	7,886	11,717	1,256	20,859	4,173	25,032	(25,032)	–
Total	1,335,338	441,314	60,814	1,837,465	18,846	1,856,312	(25,032)	1,831,280
Segment profit (loss)	72,230	14,579	10,366	97,175	(8,627)	88,547	140	88,688
Segment assets	724,568	233,291	240,390	1,198,249	180,717	1,378,966	4,712	1,383,678
Other items (Note 4)								
Depreciation and amortization	26,226	4,990	5,888	37,105	1,113	38,217	12	38,229
Increase in property, plant and equipment and intangible assets	32,527	7,312	8,486	48,324	2,662	50,986	159	51,145

Millions of U.S. dollars

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

(Notes) 1. "Other," which is not a reportable segment, includes card business and administrative expenses for the management of the Company (holding company).
2. The ¥140 million ($1 million) adjustment to segment profit is an intersegment elimination.
The ¥4,712 million ($34 million) adjustment to segment assets includes surplus funds of ¥125,831 million ($921 million) of the Company and its consolidated subsidiaries, which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥(121,119) million ($(886) million).
3. Segment profit is adjusted to operating income in the consolidated statements of profit and loss.
4. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.
5. Segment information for the fiscal year ended June 30, 2021 is based on the amounts that resulted from reflecting a significant revision in the initial allocation amounts of acquisition costs due to the finalization of the provisional accounting treatment as presented in "Notes (Business Combination)."

2. Changes in reportable segments

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

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

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

(Significant changes in the amount of goodwill)

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

Related information

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

1. Information by product and service

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

2. Information by region

(1) Net sales

Millions of yen

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

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

(2) Property, plant and equipment

Millions of yen

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

3. Information by major customer

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

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

1. Information by product and service

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

2. Information by region

(1) Net sales

Millions of yen

Japan	Asia	North America	Total
¥1,563,391	¥68,931	¥198,958	¥1,831,280

Millions of U.S. dollars

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

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

(2) Property, plant and equipment

Millions of yen

Japan	Asia	North America	Total
¥585,179	¥14,012	¥65,874	¥665,065

Millions of U.S. dollars

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

Financial Performance

3. Information by major customer

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

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

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

Millions of yen

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

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

Millions of yen

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

Millions of U.S. dollars

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

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

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

Millions of yen

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

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

Millions of yen

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

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

Millions of yen

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

Millions of U.S. dollars

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

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

Millions of yen

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

Millions of U.S. dollars

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

Information on gain on bargain purchase by reportable segment

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

Not applicable.

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

Not applicable.

(Information on related parties)

Transactions with related parties

Transactions between the Company and related parties

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

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

No significant matter to be disclosed.

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

Category	Name	Location	Capital stock (Millions of yen)	Capital stock (Millions of U.S. dollars)	Type of business	% of voting rights (owned)	Business relationship	Description of transactions	Transaction amount (Millions of yen)	Transaction amount (Millions of U.S. dollars)	Account	Balance at year-end (Millions of yen)	Balance at year-end (Millions of U.S. dollars)
Major shareholder	FamilyMart Co., Ltd.	Minato-ku, Tokyo	¥16,659	$122	Convenience store business operated through franchise system	(Own) Direct 5.54 Indirect –	–	Repurchase of treasury shares	¥77,382	$566	–	¥–	$–

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

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

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

No significant matter to be disclosed.

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

No significant matter to be disclosed.

Financial Performance

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

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

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

(Note) The terms and conditions of transactions and their decisions are as follows:
1. Mr. Hiroshi Abe retired as Director at the conclusion of the 40th Ordinary General Meeting of Shareholders held on September 29, 2020 due to the expiration of the term of his office. The above shows the transactions with him during the term of his office.
2. It is the stock options exercised for the fiscal year ended June 30, 2021, which were originally granted upon the resolutions of the Board of Directors' meetings held on June 30, 2016 and September 1, 2016. The amount is calculated by multiplying the number of stock options exercised by the amount paid to exercise the stock options.

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

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

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

(Per Share Information)

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

(Notes) 1. The amounts of profit per share and diluted profit per share for the fiscal year ended June 30, 2021 are calculated based on the amounts that resulted from reflecting a significant revision in the initial allocation amounts of acquisition costs due to the finalization of the provisional accounting treatment as presented in "Notes (Business Combination)."
2. The basis for calculating profit per share and diluted profit per share is as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022
Profit per share			
Profit attributable to owners of parent (millions of yen)	¥ 53,734	¥ 61,928	$453
Profit not attributable to common stock owners (millions of yen)	–	–	–
Profit attributable to common stock owners of parent (millions of yen)	53,734	61,928	453
Weighted-average number of shares of common stock (shares)	634,086,639	603,329,167	
Diluted profit per share			
Adjustment of profit attributable to owners of parent (millions of yen)			
Increase in number of shares of common stock (shares)	–	–	
(Of which, share acquisition rights)	1,670,409	1,400,325	
Descriptions of potentially dilutive common shares not included in the calculation of diluted profit per share due to the absence of their dilutive effect	(1,670,409)	(1,400,325)	
	–	–	

(Subsequent Events)

Not applicable.

Supplemental information

Corporate bonds

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

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

Millions of yen

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

Millions of U.S. dollars

Due in one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
$84	$80	$5	$151	$295

Financial Performance

Loan payables, etc.

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

(Notes) 1. Average interest rate represents the weighted-average interest rate of loans as of June 30, 2022
2. The average interest rate of lease obligations is not provided because the amount of lease obligations before deducting the interest amount included in the total amount of lease payments is presented on the consolidated balance sheet.
3. The annual repayment schedule for long-term loan payables and lease obligations excluding current portion for five years is as follows:

Millions of yen

	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
Long-term loan payables	¥37,564	¥25,567	¥53,123	¥26,696
Lease obligations	1,934	2,053	1,714	1,725

Millions of U.S. dollars

	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
Long-term loan payables	$275	$187	$389	$195
Lease obligations	14	15	13	13

Details of asset retirement obligations

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

(2) Others

Quarterly Information for the fiscal year ended June 30, 2022

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

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

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

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

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

Independent Auditor's Report

To the Board of Directors
Pan Pacific International Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Pan Pacific International Holdings Corporation and its consolidated subsidiaries ("the Group"), which comprise the consolidated balance sheet as at June 30, 2022, and the consolidated statement of profit and loss and comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matter

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

<table>
<tr><th colspan="2">Valuation of Inventories in The Discount Store Business</th></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>The Group recorded 205,893 million yen of merchandise and finished goods in the consolidated balance sheet, accounting for 14.9% of total assets. In addition, as stated in the note "(Significant accounting estimate) Loss on valuation of inventories", cost of sales includes a loss on valuation of inventories of ¥ 3,872 million.
Matters concerning accounting policy are disclosed in note 4.Basis and method of valuation of significant assets are disclosed in note (1)(c). the value of inventories in the consolidated balance sheet is calculated by the moving average method (writing down method based on decline in profitability).
The Group recorded the difference as a loss on valuation of inventories according to the general rule if the net selling value was lower than the book value. The Group writes down the book value of inventories on a systematic basis that have been unsold and no longer part of the normal operating cycle process and records a loss on valuation.
Inventories that have been unsold were basically generated from the discount store business. And inventories whose turnover ratio becomes lower than a certain ratio was extracted. Furthermore, the Group evaluated them by regularly writing down with the defined depreciation rate based on past sales results, the quantity of inventories, and future sales plans in the inventory group.
Since the valuation of inventories in the discount store business involves uncertainties and requires the judgment of management, the Group identified "valuation of inventories in the discount store business" as a key audit matter.</td><td>The primary audit procedures we performed to assess the valuation of inventories in the discount store business include following, among others:
• We evaluated the effectiveness of the design and operational status of internal controls over the valuation of inventories.
• We considered the validity of inventories that have been unsold when calculating a loss on valuation regarding inventories that have been unsold. And based on this, we examined whether they were extracted from the core system without omission, and considered appropriateness of the population in the calculation of a loss on valuation.
• As for the depreciation rate used to calculate a loss on valuation of inventories that have been unsold calculating the consuming rate for the inventories writing down at the end of the previous fiscal year, and we evaluated the depreciation rate system at the end of the previous fiscal year. In addition, the rationality of the depreciation rate for the current fiscal year was examined by comparing it with the person in charge of the inventory management department, queries to the management, sales results during the current fiscal year, and future sales measures.</td></tr>
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Financial Performance

Impairment Loss on Non-current Assets	
Description of Key Audit Matter	Auditor's Response
Property, plant and equipment amounted to 665,065 million yen and intangible assets amounted to 86,217 million yen in the company's consolidated balance sheet, accounting for 54.3% of total assets. In addition, as stated in the note "(Significant accounting estimate) Impairment of non-current assets", an impairment loss of 5,720 million yen was recorded from non-current assets. The Group determines the indications of impairment for each store, business or rental property unit. And if there are the indications of impairment, the Group determines whether it is necessary or not to recognize an impairment loss, and the assets subject to impairment are to reduce to the recoverable amount, and record an impairment loss. The recoverable amount uses the higher of either its net selling value or value in use, and the net selling value is calculated based on factors such as the appraisal value by a real estate appraiser. The group calculates future cash flow by considering changes in the commercial zones, the influences of competitors' stores, the operating environment and forecasting future net sales and operating income and expenses by store. Furthermore, as it is difficult to forecast the timing of containment of COVID-19, the group calculates it based on the assumption that lower sales will continue for considerable time due to drastically decreased inbound tourism demand. When considering the impairment loss on non-current assets, the above key assumptions involve uncertainties and require the judgment of the management. Therefore, the company identified "the impairment loss on non-current assets" as a key audit matter.	The primary audit procedures we performed to assess the impairment loss on non-current assets include following, among others: • We evaluated the effectiveness of the development and operation status of internal controls over the impairment of non-current assets. • We compared the future cash flow estimation with the remaining economic useful life of major assets. • We examined the consistency of future cash flows with the budget approved through an appropriate process. • We considered the calculating future cash flows and inquired the person in charge of the sales department regarding changes in the commercial zones, the influences of competitors' stores, the operating environment, and the timing of containment of COVID-19, and other factors, taken into consideration calculating future cash flows, and examined the rationality of the process. • We obtained a real estate appraisal report and examined the validity of the real estate appraisal results. • We compared prior year's budgets with subsequent year's results to assess the effectiveness of management's estimation process.

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

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

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

UHY Tokyo & Co
Tokyo, Japan
September 28, 2022

Convenience Translation

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

STATEMENT ON ACCOUNTING PRINCIPLES AND AUDITING STANDARDS

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