Pan Pacific International Holdings

Integrated Report 2023

The PPIH Group's Steadfast Guidelines for Behavior

The PPIH Group's core value — "The Source"

"The Source" is a book on corporate ideals that clarifies the ideas and thoughts of founder Takao Yasuda.
It presents guidelines for behavior that all employees and directors of the PPIH Group should follow. It defines our pride and reason for existence.

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

"The Source Management"

Our Corporate Principle

The Customer Matters Most

Approach that the PPIH Group should pursue

"The Customer Matters Most." This is a corporate principle that underpins all activities and guides all decisions within the PPIH Group. Every one of our stores exists for the customers who come inside and continues to operate because of customer loyalty. In addition, we believe each store has a role and a responsibility to support the lifestyle infrastructure of the community of which it is a part. "The Customer Matters Most" is not so much an aspired-to philosophy as it is an enduring principle, one that infuses everything from corporate management to store operation.

The Six Precepts of Our Management Philosophy

Precept 1
We commit ourselves to doing business in a manner that is unselfish, 100% honest, and grounded in a strong sense of morality and purpose.

Precept 2
In every age, we create shop floors that evoke the anticipation and excitement of finding astonishingly cheap goods.

Precept 3
Boldly granting authority to those at the center of things, we are always ready to move people around, to make sure they are in the best possible position.

Precept 4
We are committed to creative destruction and the ability to adapt; we reject pre-established harmony and the hesitancy to do anything that might rock the boat.

Precept 5
We are unhesitant in the face of daunting challenges, and unafraid to beat a rapid retreat when a cold, hard look at reality tells us this is the best course.

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

Takao Yasuda
Founding Chairman and Supreme Advisor

The PPIH Group in the Future

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

Building a new value chain

Visionary company

Becoming a highly productive company

Aiming to be "the most convenient store for the customer"

Creating long-term sustainable social and economic value

Simultaneously contributing to stakeholders and increasing the PPIH Group's corporate value

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

Editorial policy
The PPIH Group is an international group of companies that will continue to grow through self-reform based on "The Source" and firm adherence to the principle of "The Customer Matters Most," no matter what circumstances it faces. In order to realize a visionary company that will survive and thrive in the post-COVID-19 new normal, our policy is to uphold our principle of "The Customer Matters Most" and strengthen sustainability initiatives to support sustainable growth and corporate value enhancement. Compared to past integrated reports, this year, we have placed greater emphasis on the "narrative" of our business, so as to convey our strategy, as well as the sustainability and vision of our business model, in accordance with the disclosure framework of the International Integrated Reporting Council (IIRC). Furthermore, we edited the report to place greater focus on priority areas and make it easier to understand.

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

Applicable period
July 1, 2022 – June 30, 2023
Some more recent activities have also been included.

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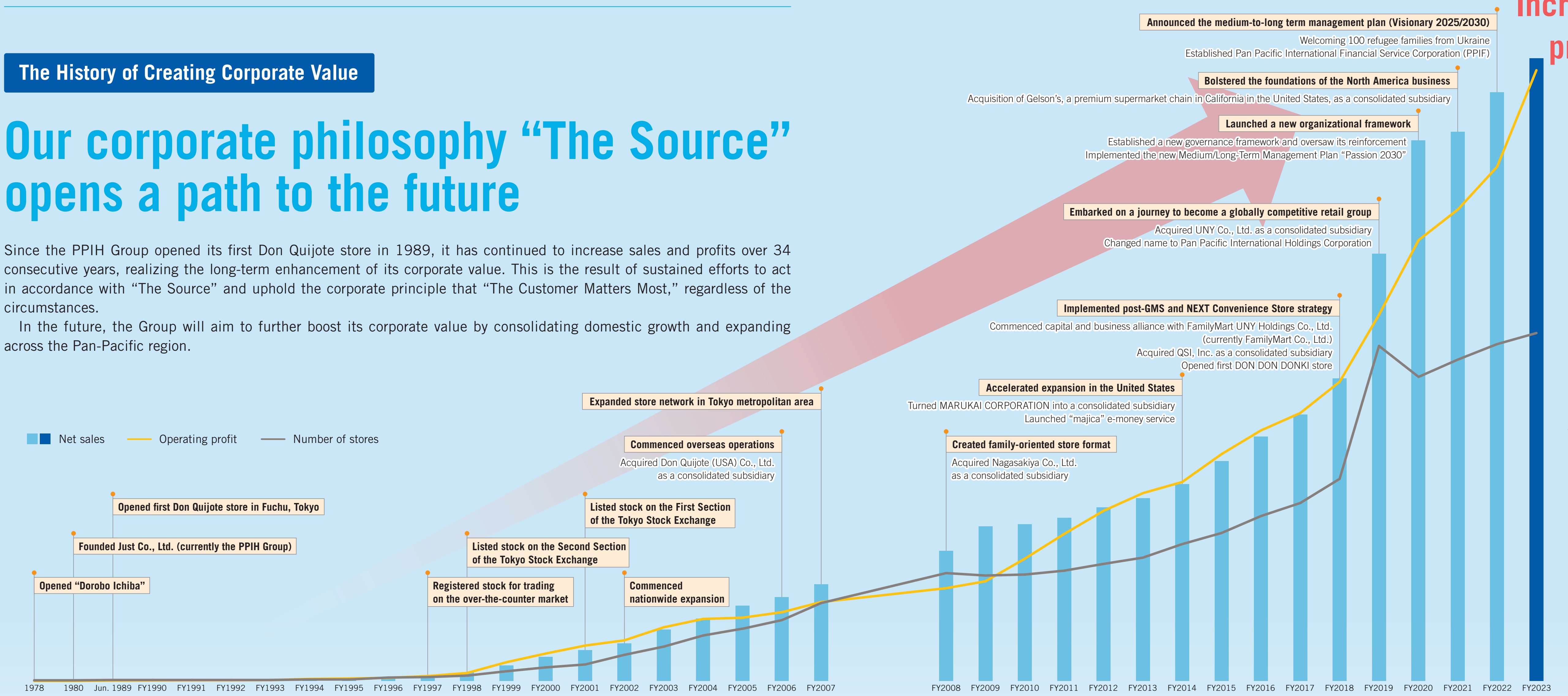
Disclaimer regarding forward-looking statements
This report includes forecast or expected information about the future plans, strategies and business results of the PPIH Group and affiliated companies. This information is not based on past facts, but on forecast assumptions and beliefs ascertained from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

The History of Creating Corporate Value

Our corporate philosophy “The Source” opens a path to the future

Since the PPIH Group opened its first Don Quijote store in 1989, it has continued to increase sales and profits over 34 consecutive years, realizing the long-term enhancement of its corporate value. This is the result of sustained efforts to act in accordance with “The Source” and uphold the corporate principle that “The Customer Matters Most,” regardless of the circumstances.

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



Increasing sales and profits over 34 consecutive years

Demonstrating our “earning power”

Net Sales
¥1.94 trillion

Operating Profit
¥105.3 billion

Number of Stores
718 stores
* As of June 30, 2023

Visionary 2025/2030

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

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

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

Starting point of “The Customer Matters Most”: Founding of the company

In 1978, Founding Chairman Takao Yasuda opened the 18 tsubo (about 60 square meter) general merchandise store Dorobo Ichiba, the predecessor of our Group, in Suginami-ku, Tokyo with no experience in the retail business. With convenience stores open only until 11 pm, this small general merchandise store that resembled an upturned toy box and was open until midnight quickly gained popularity, earning annual sales of 200 million yen. Subsequently, the opening of the first Don Quijote store in March 1989 marked the beginning of a greater expansion of the group. The DNA of breeding innovation with unprecedented ideas that go against standard industry practices dates back to our founding and continues to live on in the PPIH Group today.

Discovery of unmet nighttime demand	Catalyst to begin nighttime operations
Creation of distinct shop floors	Starting point of value creation through provision of “stores as a place to spend time”
Start of delegation of authority founded on trust	Source of strength

Delegation of authority

Store employees have full discretion in everything from product procurement and pricing to displays and sales.

Ability to adapt

All store staff, or those who interact directly with our customers, are given flexibility when making decisions regarding store operations. This approach enables stores to swiftly adapt to changes in customer needs and the operating environment.

Individual store operation

Achieved through delegation of authority and adaptation, and would not be possible through uniform store development based on typical franchising theories.

Our Group’s unique values cultivated over our history

CV＋D＋A

(ConVenience · Discount · Amusement)

ConVenience (usefulness)
Wide-ranging product lineups encompassing everything from foods and miscellaneous household goods to electrical appliances and brand-name products, as well as operating stores in diverse locations and for extended hours

Discount (low prices)
Amazing discounts that bring smiles to customers with competitive prices that rival those of competitors

Amusement (enjoyment)
Enjoyable shopping experiences provided by compression displays, handwritten POP advertisement cards, and other space production techniques that stimulate the senses

The evolution of profit management

March 2014	Launched “majica” e-money service
July 2015	Launch of the majica app
September 2021	Established Pan Pacific International Financial Service Corporation (PPIF)

In addition to our discount store, GMS, and overseas businesses, we have positioned our finance business as our fourth pillar and established PPIF to handle financial services. This contributes to the growth of the entire Group by utilizing purchasing data.

Domestic Discount Store Business

Overseas Business

Domestic GMS Business

Finance Business

Overview

We have continued expanding our business by building unique stores based on our corporate principle that "The Customer Matters Most," and delegating authority to individual stores so that they can respond quickly to the needs of local customers and changes among our competitors. Today, we are evolving into an international corporate group with sales exceeding approximately 1.9 trillion yen.

Domestic Discount Store Business

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

Overseas Business

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

Domestic GMS Business

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

Finance Business

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

Store network

Number of Group stores 718 stores

*Number of stores: as of June 30, 2023

Japan 617 stores

Domestic Discount Store Business

Don Quijote	250
MEGA Don Quijote*1	140
MEGA Don Quijote UNY*1	63
Picasso, etc.*1	33

Domestic GMS Business

Apita, Piago*1	131

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

Hong Kong 9 stores

DON DON DONKI 9

Thailand 6 stores

DON DON DONKI 6

Malaysia 3 stores

DON DON DONKI 3

Singapore 15 stores

DON DON DONKI 15

Taiwan 2 stores

DON DON DONKI 2

Macau 1 store

DON DON DONKI 1

California 37 stores

MARUKAI	4
TOKYO CENTRAL	6
Gelson's	27

Hawaii 28 stores

Don Quijote	3
MARUKAI	1
Times*2	24

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

The PPIH Group in numbers

Business size

Consolidated net sales

¥1,936.8 billion (5.8% increase year-on-year)

Number of Group employees

17,107

Shop floor area

2,567,268㎡

Number of purchasing customers

664 million

Earning power

Operating profit

¥105.3 billion (18.7% increase year-on-year)

The PPIH Group exceeded 100 billion yen for the first time ever

ESP

¥110.94

ROE

15.7%

Capital strength

Total assets

¥1,481.1 billion

Total net assets

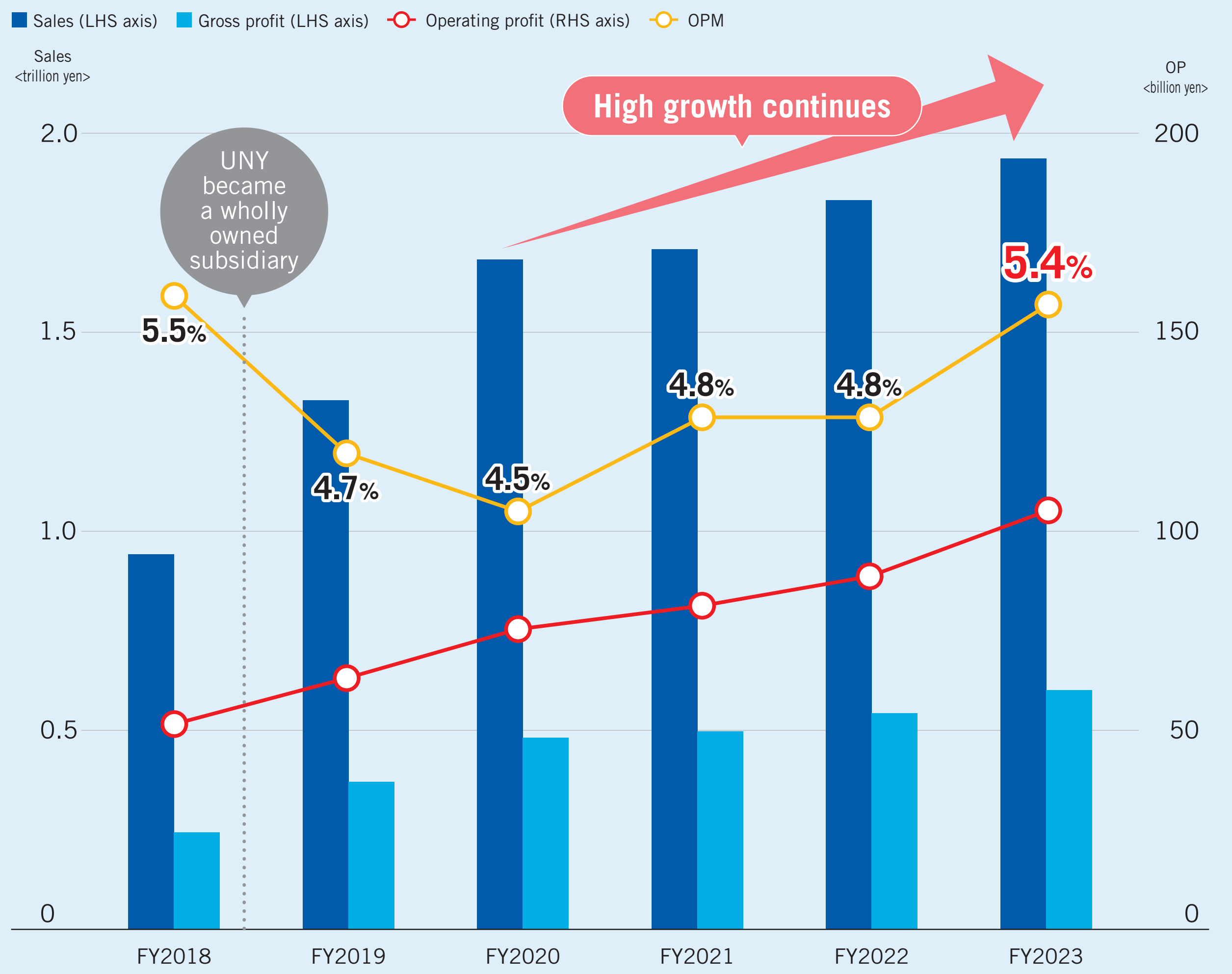
¥463.5 billion

Performance in FY2023 and the Direction the PPIH Group Aims to Take

Performance in FY2023

Net sales	Operating profit	OPM
1,936.8 bil. yen (5.8% increase YoY)	105.3 bil. yen (18.7% increase YoY)	5.4% (over 5% for the first time since FY2018)

Performance trends since FY2018



Operating profit exceeded 100 billion yen for the first time!

Evolving into a profitable retail company through management reforms

In terms of our performance for the fiscal year ended June 30, 2023, we achieved increases in both sales and operating profit, with net sales of 1.9368 trillion yen (up 105.5 billion yen/+5.8% year on year), operating profit of 105.3 billion yen (up 16.6 billion yen/+18.7% year on year), and net income of 66.2 billion yen (up 4.2 billion yen/+6.8% year on year). Since the opening of the first Don Quijote store in 1989, our company has recorded 34 consecutive years of sales and operating profit growth. Particularly in the past two years, we have strengthened our "earning power" in the form of even greater profit growth than sales growth. As shown in our performance trends, we have continued to achieve high growth in sales and profits over the past several years, and have reformed our profit structure even in an environment of rising prices, achieving an operating profit margin of over 5% for the first time in five fiscal years.

- Continuous growth in sales and profit.
- Especially in the past two years, we have strengthed our "earning profit" by growing profit more than sales.

	Growth of past 4 years (FY2019 → FY2023)	Past 2 years (FY2021 → FY2023)
Sales	+607.9 bil.yen (CAGR +9.9%)	+228.1 bil.yen (CAGR +6.5%)
Gross profit	+229.9 bil.yen (CAGR +12.8%)	+103.1 bil.yen (CAGR +9.9%)
Operating profit	+42.1 bil.yen (CAGR +13.6%)	+24 bil.yen (CAGR +13.8%)

In light of the external environment, namely various cost increases, we achieved an operating profit margin of over 5% at a new composition ratio by improving gross profit margin, productivity and SG&A control (= reform of the profit structure is achieved).

	FY2018		FY2023
GPM	25.9%	→	31.0%
SG&A ratio	20.4%	→	25.6%
OPM	5.5%	→	5.4%

Top Message

We will continue to grow as a "profitable" retail company that is not only "deflation-proof" but also "inflation-proof."

President, Representative Director and CEO

Naoki Yoshida

Results for the fiscal year ended June 2023

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

In FY2023, we recorded 1.9368 trillion yen in net sales (a 5.8% increase year on year), 105.3 billion yen in operating profit (an 18.7% increase year on year), and net income of 66.2 billion yen (a 6.8% increase year on year), thus achieving our 34th consecutive fiscal year of sales and operating profit growth. This is also the first time that the PPIH Group has surpassed 100 billion yen in operating profit.

Domestically, we benefited from changes in the business environment, such as the recovery of inbound tourism demand and changes in consumer behavior in the post-COVID-19 era. At the same time, however, our analysis indicates that, in these inflationary times, our strategy, centered on a diverse merchandizing portfolio that does not focus solely on discounts, was able to provide customers with amazement and amusement, and simultaneously ensure both sales and profit.

As for our overseas business, we had to deal with a difficult business environment and challenges and ended the fiscal year with a decline in profits. Going forward, we intend to implement an achievable level of investment across our entire portfolio in both the Asia and North America businesses, while taking measures to ameliorate short-term issues, in order to set ourselves up for future growth.

If I could share an overall observation, I think the biggest change we have experienced over the past two years is that we have firmly built up our "earning power."

The golden ratio under our existing profit structure was to keep our gross profit margin above 25%, limit our selling, general, and administrative (SG&A) ratio to 20%, and, as a result, achieve an operating profit margin of over 5%. However, contrary to our expectation that as we scaled our business, we would enjoy greater economies of scale and therefore a lower SG&A ratio, our SG&A expenses have actually increased, particularly as a result of making UNY a wholly-owned subsidiary. Furthermore, due to recent inflationary pressures, our SG&A expenses are increasing in absolute terms as well. This means that our golden earnings ratio is no longer viable. Moreover, SG&A expenses include many aspects that are beyond our control, such as rents, utility costs and per capita labor costs. Under such circumstances, our efforts, over the past few years, to improve our profit structure, including raising our gross profit margin, increasing our productivity, and reducing our SG&A expenses, have borne fruit. They have enhanced our "earning power" in the form of even greater profit growth than sales growth, despite major external changes, particularly rising procurement costs and increased SG&A expenses, and produced an operating profit margin in the 5% range for the first time in 5 years.

As we work towards our target of 120 billion yen in operating profit in FY2025, we will continue to grow as a "profitable" retail company that is not only "deflation-proof" but also "inflation-proof."

In FY2024, the second year of Visionary 2025, we are poised to reach 2 trillion yen in net sales for the first time ever. We have set business targets of 2.0621 trillion yen in net sales and 111 billion yen in operating profit, and we will aim to maintain our operating profit margin at over 5% and achieve a 35th consecutive fiscal year of sales and operating profit growth. In addition, we will focus on investments for growth and human resources development and strive to grow even further.

Creating leaps that are crucial for sustainable growth

In order to achieve the target of 200 billion yen in operating profit by FY2030, as set out in Visionary 2030, and to ensure sustainable growth beyond that, I believe we need to come up with additional innovations.

Looking back at the growth of our company from the time of its founding, we see countless successful leaps, such as the conception of the Don Quijote format and the nationwide expansion of our discount store business, the inclusion of fresh foods in our operations and store creation leading eventually to the acquisition of UNY, and the creation of the new DON DON DONKI business model and its expansion into Asia. To continue to grow, companies must constantly make successive leaps. I recognize that one of my important responsibilities is to come up with mechanisms that will produce the leaps that are essential for sustainable growth. I will provide novel training and development opportunities for potential leaders of the future and strive to foster a corporate culture where leaps are commonplace and generated on an everyday basis.

Sustainability initiatives

The PPIH Group will work to solve environmental and social issues and contribute to realizing a sustainable society through our core business of general retail and based on our unchanging corporate principle of "The Customer Matters Most."

In FY2023, our main initiatives have been enhanced efforts to address human rights issues in the supply chain, as well as efforts to strengthen our governance, namely disclosure of the policy and system for determining directors' remuneration, and the formulation of the PPIH Group Anti-Corruption Policy and implementation of related training for directors. In addition, we have made continuous efforts to promote women's participation and career advancement, including increasing the number of female store managers by 18 compared to the end of FY2021 as part of our project aimed at producing 100 female store managers.

As part of Visionary 2025/2030, which we announced in August 2022, we included quantitative targets for our ESG activities, including "reduce 50% of CO_2 emissions from stores" and "increase the number of female store managers to 100," as our vision for 2030, and we are taking measures to achieve those goals.

In our efforts to accomplish both business growth and sustainability, and achieve our business targets as well as the aforementioned sustainability targets, by 2030, we will need many innovative and unconventional ideas. The important resource for our starting point is opinions and ideas not only from management, but also from the people on the frontlines.

We will identify the right sustainability initiatives, while engaging in regular dialog with our stakeholders, and strive to make them a success through the collective efforts of our human resources, which are the PPIH Group's greatest core value.

To our stakeholders

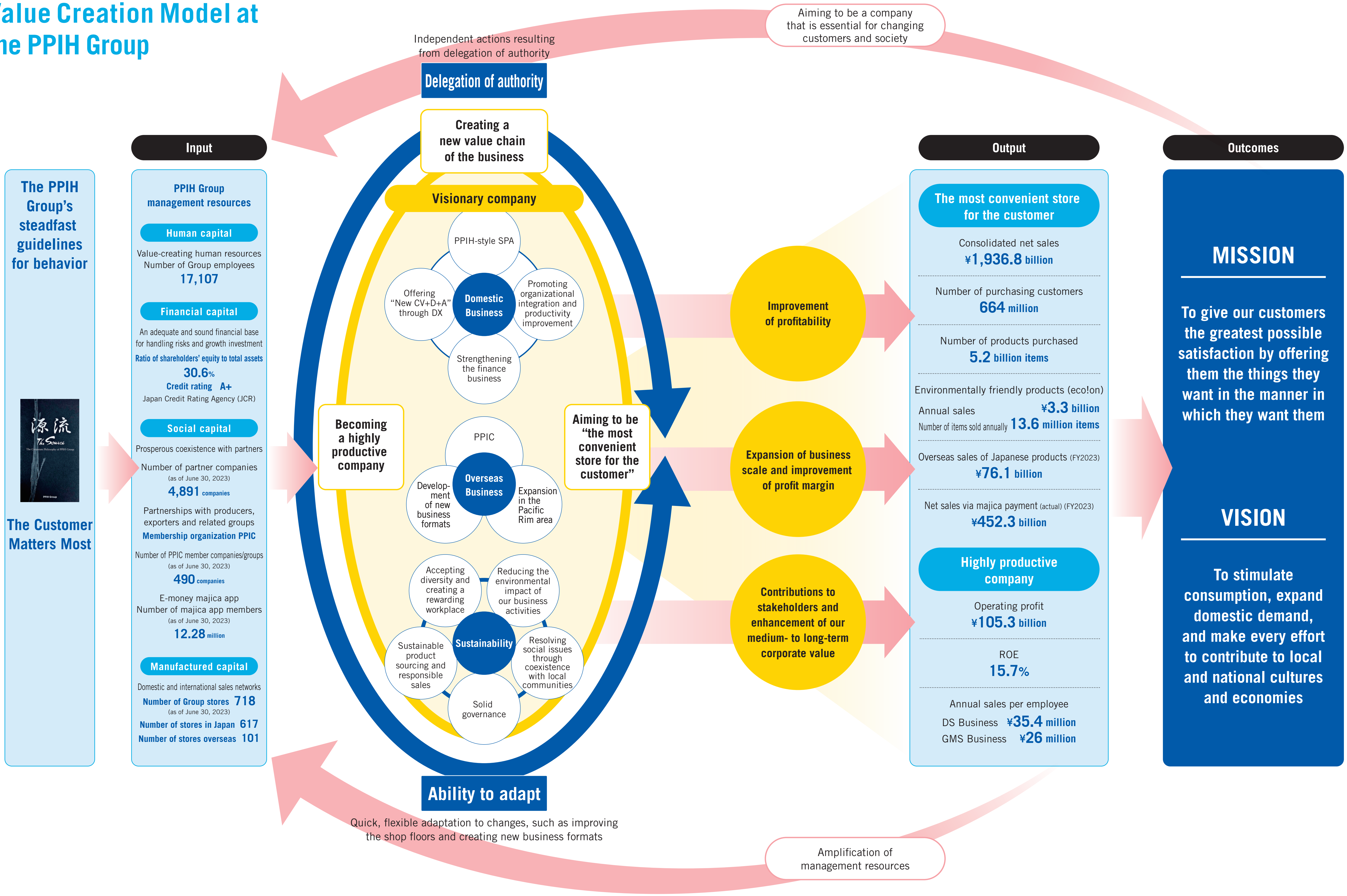
In the face of the major changes posed by the COVID-19 pandemic, the PPIH Group was able to achieve major growth and transformation because we made the absolute most of our strengths as a company that has the ability to adapt. What I felt most strongly during the pandemic was that all our employees worked as one to tackle these changes head on. They then adapted admirably to these major changes. That is what it all comes down to.

Every employee in the PPIH Group faced up to this unprecedented situation, exercised leadership, and took on difficult challenges. The growth of the PPIH Group is driven by the combination of the daily efforts and insight of the people on the frontlines, who go about their work with passion.

Because we have such a talented workforce, I believe our stakeholders can rest assured that the PPIH Group is a company that is supported by excellent employees and that can enjoy sustained growth without being unduly influenced by management.

As my PPIH colleagues and I continue to move forward towards our goals, we humbly request your continued kind support and encouragement.

Value Creation Model at the PPIH Group



Interview on Strategic Management

Leveraging our high ability to adapt in order to achieve 120 billion yen in operating profit for the fiscal year ending June 30, 2025, with the midway milestone of 35 consecutive fiscal years of increased sales and operating profit

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

Hideki Moriya

Management reforms to shift emphasis to profit clearly producing results
Tangible effects of strengthening "earning power"

In the consolidated financial results for the fiscal year ended June 30, 2023, our operating profit exceeded 100 billion yen for the first time and our operating profit margin recovered to over 5% for the first time since the fiscal year ended June 30, 2018. We believe we have made a good start in the first year of our medium-to-long term management plan "Visionary 2025/2030."

I particularly appreciate that the gross profit margin for the full year exceeded 30% for the first time, and that we achieved an operating profit margin of more than 5%, which covered for the rise in SG&A expenses.

Our company's golden ratio under our existing profit structure was to keep our gross profit margin above 25%, limit our SG&A ratio to 20%, and, as a result, achieve an operating profit margin of over 5%. But after UNY became a wholly-owned subsidiary in 2019, we have faced a situation in which our SG&A ratio swung upward from 20% and our operating profit margin remained below 5% with the expansion of our portfolio.

With our traditional profit model no longer viable, we have sought to overcome the challenges and adapt through our shift from a strategy centered on the idea of sales supremacy to one that is profit-oriented. Since then, with the aim of establishing a new business model, we have been working to strengthen our "earning power" (in other words, improve our profit structure) through various measures, such as productivity improvement, strengthening of PBs and OEM, and improvement of our inventory turnover ratio.

In addition, we have recently been facing soaring procurement costs, as well as increases in SG&A expenses, including uncontrollable expenses such as rent, energy costs, and per capita labor costs. Despite these major external changes, we achieved an operating profit margin of over 5% in the fiscal year ended June 30, 2023. Furthermore, for the second consecutive fiscal year since the fiscal year ended June 30, 2022, we have achieved greater operating profit growth than sales growth and an increase in gross profit of more than 100 billion yen. I feel that we are steadily developing "earning power" as a result of the management reforms we have been working on for several years. I can also sense tangible effects setting us up for future growth.

Aiming to achieve 35 consecutive years of increases in sales and operating profit toward achieving 120 billion yen in operating profit after two years

In the fiscal year ending June 30, 2024, based on the performance growth and "earning power" confirmed thus far, we intend to maintain an operating profit margin of over 5% while focusing on investments for growth and human resources development, and to achieve 35 consecutive fiscal years of increased sales and operating profit.

We will open more than 25 new stores in Japan and 12 stores overseas, and in terms of net sales, we will aim to surpass two trillion yen for the first time. We also expect to secure a gross profit margin of 30% or more by increasing the PB/OEM sales composition ratio and improving pricing accuracy. Furthermore, in terms of SG&A expenses, although the absolute amount will increase year on year due to future-oriented growth investments in North America and continued increases in labor costs and utilities costs in Japan, we plan to maintain the SG&A ratio at the same level as the previous fiscal year through cost control. In addition to the effect of this increase in profit, we have firmly developed our "earning power" amid changes such as soaring procurement costs and increased SG&A expenses. As a result, we expect our operating profit to be 111 billion yen (a 5.5% increase year on year) and our profit margin to be 5.4%.

In terms of performance by business segment, we expect the domestic retail business, centered on the discount store business, which grew significantly during the fiscal year ended June 30, 2023, to drive the Group's performance in the fiscal year ending June 30, 2024.

Domestic business

For our discount store business, we plan to achieve increased sales and profits by strengthening sales with existing stores as the core.

In addition to expanding tax-free sales, we will also focus on acquiring more customers. Particularly with regard to tax-free sales, in order to capture sales in the second half of the fiscal year ended June 30, 2023 in response to the rapid increase in demand for tax-free goods immediately after the easing of entry restrictions into Japan, we added more cash registers that can handle tax-free sales, improved the payment environment, and reviewed our personnel allocation, product mix, and store layouts. This resulted in a rapid recovery of tax-free sales to 38.3 billion yen for the fiscal year. Going forward, we aim to achieve further expansion by continuing to review the infrastructure environment as appropriate in response to changes in customer numbers and demand, with the goal of achieving over 80 billion yen in tax-free sales in the fiscal year ending June 30, 2024, surpassing the peak reached before the COVID-19 pandemic. In addition, to further expand our business, we plan to open more than 25 new stores, exceeding the 16 new stores opened in the previous fiscal year.

In the GMS business, based on the progress we have made in strengthening profitability, we expect to increase sales and profits by strengthening sales promotions to expand future sales.

Instead of the unified sales promotions that had been conducted by all stores under the direction of the Headquarters, we are conducting different sales promotions based on business formats and customers, which is a newly-introduced effort, leading to an increase in customer numbers and sales. In addition, we aim to improve the gross profit margin by 0.7 % year on year to 35.1% by strengthening PBs and OEM focusing on non-food merchandising (clothing, household goods), and improving pricing accuracy.

Asia business

Six years have passed since the opening of our first Singapore store in 2017. To date, we have expanded our stores in six areas with a view to achieving a certain scale. I feel now that we have entered a new phase from this expansion phase.

Looking at the positioning of our Asia business in our overall portfolio, its impact on our overall business is limited at the present point. On the other hand, I recognize that our Asia business is, at the same time, an important strategy that will be a source of future growth. For this reason, I feel it is important to firmly rebuild our business model here.

Needless to say, one of our strengths is our individual store operation based on delegation of authority. Since expansion to a certain scale was a very important aspect of our expansion in Asia, there are still areas and stores where the individual store operation concept has not fully penetrated, and there is room for improvement. The improvement in the next phase will be different from that in the previous expansion phase. I think there will be both failures and successes, but what will be most important is to tolerate such failures and take on "bold challenges." I believe that now is the most effective time while we still have a small scale.

North America business

For the North America business, we plan to increase profits based on our existing stores this fiscal year by strengthening deli products, which have high product profit margins, and improving gross profit margins through expansion of PB/OEM direct trade products. At the same time, we plan to make upfront investments to expand the scale of business and improve operations going forward. First, we plan to open new stores in California and Guam in the fiscal year ending June 30, 2024. We also expect to incur preparation and start-up costs in the fiscal year ending June 30, 2024 for new stores that we will open in the fiscal year ending June 30, 2025 and beyond, as well as costs related to the establishment of a central kitchen in California, expansion of warehouses in Hawaii, and personnel hiring at our various headquarters locations. Although operating profit is expected to temporarily fall below the previous year's level due to several such major investments, our plan is to aggressively execute these investments based on the recognition that they are essential for business growth and expansion of operating profit over the medium to long term.

Becoming a visionary company needed by society through PPIH's unique adaptation

What kind of company is PPIH? To put it briefly, I believe that PPIH is a company that grows by adapting. Since its establishment, the Group has shown its approach of making great strides by adapting to changes in the environment, taking on bold challenges, and transforming itself. This is evidenced by the 34 consecutive years of growth in sales and operating profits since the opening of the first Don Quijote store in 1989.

Launched in 2022 with a view to 2030 and beyond, our medium-to-long term management plan "Visionary 2025/2030" declares that we aim to be a visionary company defined as "a company that adheres to the principle 'The Customer Matters Most,'" "a company that responds to change and boldly takes on daunting challenges," and "a company that constantly grows and continues to set bold goals." The plan sets numerical targets of operating profit of 120 billion yen (operating profit margin of 6.0%) for the fiscal year ending June 30, 2025, and 200 billion yen for the fiscal year ending June 30, 2030. All of our employees and executive officers have started FY2024 with high motivation and confidence, recognizing that we are already on track to achieve our target of 120 billion yen in operating profit. We humbly ask for your continued kind support and patronage as we continue to strive to achieve our target.

Message from the Head of PB Business

Establishing a unique position in the market by strengthening PBs and OEM, and contributing to the achievement of the medium-to-long term management plan

Senior Executive Officer
Head of PB Business

Takeshi Moritani

Building PPIH's unique brand by avoiding homogeneity with other companies and mediocrity

Our original product brand JONETZ was launched in 2009 with the concept of "giving shape to customers' voices." But before we knew it, the concept had become a mere formality and we found ourselves mass producing ordinary products that were not unique. Furthermore, challenges became clear, including a recognition survey that revealed that the brand's recognition rate was extremely low at about 25% to 26%, and that the logo was perceived as a "sign of cheap products." We decided that we needed to break away from homogeneity with other companies by revamping the brand with a concept that is unique to our company, and starting a rebranding and overhaul. This was in the summer of 2020.

We set February 2021 as the overhaul period, and began by asking the fundamental question, "What is Don Quijote (PPIH) in the first place?" After 10 months of internal discussions, the answer we finally reached was to return to the origin that is "The Source," our corporate principles. We needed to make JONETZ a brand that embodies "The Customer Matters Most" and the "essence of Don Quijote (PPIH)." In other words, we decided to shift the concept to being a "people's brand," meaning a brand that creates amazing news (Odoroki News) with customers. For this reason, JONETZ incorporates many elements that are unique to Don Quijote (PPIH), which faithfully implements the philosophy of "The Source."

Thoroughly listening to the real voices of customers

Aiming to be a customer-facing brand, we have established the special website "Do-Over Palace" to gather real complaints and requests from customers. We set up monthly feedback meetings, and the do-over requests we receive are actively utilized in product development (including improvement and refinement). We believe this is an effort befitting our company, which embodies the philosophy of "The Customer Matters Most."

In addition, in realizing our philosophy of "The Customer Matters Most," we take customer feedback seriously, not only regarding products, but also regarding prices and the store experience. In order to further embody the concept to "be the most convenient store for customers" that has supported PPIH's growth to this point, we launched the new function "Maji-Voice" as an evolution of "Do-Over Palace" in November 2023. In addition to the implementation of new content, we established an internal "Maji-Voice Realisation Committee" to reflect customer feedback in the improvement of stores and products.

News conferences

In order to break free from the mediocrity that JONETZ had fallen into, and to continue creating appealing shop floors that always have something new, we declared that we would "never create products without surprising news." We use the term "news" to refer to the long product names on packaging, and set up "news conferences" to determine whether products have "news" that will move the hearts of customers. Of course, we also are careful about pricing given the brand name of JONETZ (which means "passionate price" in Japanese), but just being "cheap" is not enough to be newsworthy. Rather, we emphasize the "reasonable prices" created by the gap between the actual sales price and the value conveyed by the "news" written on the packaging.

In addition, in order to ensure that discussions at the "news conferences" are not just conducted by specialists in the products (the people in charge), we have a rule that the conferences must also be attended by a person in charge of a different category. We try to prevent discussions from becoming filled with self-satisfaction and to facilitate the emergence of new ideas.

Delegation of authority to the frontlines

One of the unique features of our PBs is that the authority for pricing and introduction is held by the frontline employees in the stores. In contrast to PB distribution at general supermarkets and mass merchandisers, where the frontlines are instructed to sell products ordered by the head office and product headquarters, our company embodies the philosophy of "The Customer Matters Most" by having employees who are closest to the customers (meaning our frontlines) roll out products after having discussions and making decisions. This "delegation of authority" to the frontlines based on our philosophy of "The Customer Matters Most" is also carried out in product development, with decisions being made together with frontline leaders who are closer to customers based on the idea that authority over PBs is based on customers, not the development side.

"Delegation of authority" has taken root in our organization as part of our corporate culture. Because the frontlines have all the authority, we have created a structure in which those frontlines take responsibility, choose products, and work their hardest to sell them. This is the exact opposite of what is "common sense" in the retail industry, and we believe that here too, we are moving forward on our own unique path based on "The Source."

Results are becoming evident in our branding, where internal promotions are key

With regard to the progress in strengthening our PBs and OEM, the first phase is to focus on the branding and promotion of JONETZ. Because we have detected certain results in terms of branding, we are currently in the second phase of strengthening efforts to further improve quality and reduce costs.

In the beginning, sales of JONETZ were not good, and one-off promotions did not produce results. Because of this, we have shifted our direction to maximizing motivation to make sales among our frontline employees, and have focused on building internal sales momentum through internal promotions such as publication of internal newsletters and social gatherings. The TV commercial broadcast from December 2022 was intended to further raise awareness of JONETZ in the market, but I believe that it ultimately also served as a major catalyst for building internal momentum by making employees think they needed to sell the products because a commercial had been released.

The branding of JONETZ, the accompanying broadcast of the TV commercial, and the TV program that drew attention to the brand have also had a positive effect on the attitude of employees toward JONETZ. Looking back on the first phase, I realize once again the importance of branding.

In addition, our most recent initiative has been to open the new business format DOMISE Shibuya Dogenzaka-dori Dodo Store in Shibuya as the first JONETZ flagship store in August 2023. This store is conveniently located in an urban area and aims to contribute to sales and gross profit as a kind of billboard and base for communicating JONETZ information. We have also begun sales of Henn Ai Meshi (A dish full of devotion), a new brand of bento box meals and side dishes, and aim to use this as an opportunity to capture and expand demand for ready-made meals by strengthening PBs in the deli category (especially deli products produced and packed at another location).

Promotion of in-progress initiatives to improve the supply chain and product quality and expand direct trade transactions

We have begun to improve our infrastructure environment by reviewing our product development process, including factories and raw materials, strengthening and expanding direct trade products, maximizing economies of scale through factory unification, and improving logistics efficiency, and are stepping up efforts to further improve product quality and contain costs. We are working to achieve surprisingly low prices in this era of inflation, while at the same time seeking to earn real profits.

We will continue to aim to expand sales and customers and secure profits by demonstrating the diversity of our merchandizing portfolio based on our philosophy of "The Customer Matters Most." We look forward to your continued support.

Message from the Heads of Inbound Tourism

Executive Officer
Head of Urban Commercial Zones Business
Ikuhiro Yamafuji

Executive Officer
Head of Urban Commercial Zones Business
Yasushi Kawashita

Meeting the expectations of inbound tourists to Japan as a global company that continues to expand its recognition overseas

Returning to "The Source" and getting ready for the next challenge

Kawashita: Before the outbreak of COVID-19, the number of foreign visitors to Japan exceeded 30 million in 2018 and reached a record high of 31.88 million in 2019, continuing a boom in inbound tourism to Japan. Our company also strengthened our approach to inbound tourism and tax-free sales were strong. But the situation changed completely when COVID-19 began to spread in 2020.

Yamafuji: We were in dire straits at the beginning as sales at our station-front stores, which have a high ratio of tax-free sales to foreign tourists, dropped significantly compared to the previous year.

Kawashita: It could be said that this exposed the reality that we were so focused on inbound tourism sales that we were not adequately meeting domestic needs. Also, for the urban commercial zones business (inbound tourism business format), we were confronted with the fundamental question of who were the customers that were the target of our corporate principle of "The Customer Matters Most." In other words, would this only mean inbound tourists to Japan?

At that time, the grounds for this were Precept 10 of the "Ten Precepts Relating to Employee Mindset and Conduct," which states, "Rather than accept the seeming incompatibility of two options, figure out how to make them work together." Inbound tourism and domestic needs were said to be "two incompatible options" at that time, but we took on the challenge of balancing the two based on Precept 10. Now that the spread of COVID-19 has wound down, we have been able to achieve simultaneous growth in tax-free and non-tax-free sales through various bouts of trial and error.

Yamafuji: When our tax-free sales evaporated, I also felt encouraged that this was not the end as stated in Precept 1, "Have the fighting spirit to get back up when you go down, and the presence of mind to learn from the experience." Also, as supported by Precept 4, "Go beyond will-power, skillfully deploying guts and passion to make your floor the winner," I continued to feel that our company would be the quickest to get back on its feet as other companies also faced the same environment and circumstances.

Without forgetting the code of conduct of "The Source," we have been steadily preparing while unifying the awareness of our employees on the frontlines in order to respond to the return of inbound tourism. I feel that this led to our rapid recovery now.

Making a flying start at the optimal timing

Kawashita: You and I took up our posts as the Heads of Urban Commercial Zones Business in October 2022. At that time, entry restrictions had just been eased, so we immediately worked on infrastructure improvements, including increasing the number of cash registers and strengthening personnel placement, in anticipation of an increase in the amounts of customers and sales.

Yamafuji: In our multi-story stores where the ratio of tax-free sales is as high as 40-50%, we boldly proposed changing the layout by placing the tax-free floor on the upper floors.

Kawashita: We have tried to differentiate inbound tourism and domestic needs based on our reflection that Japanese people often felt it was difficult using the stores amidst the commotion of crowds of foreign visitors to Japan before the COVID-19 pandemic.

Also, besides the increase of cash registers, we also successfully reviewed our cash register operations, which led to improvements in the checkout speed and customer flow.

Yamafuji: We were able to improve the payment environment at an early stage largely because we increased opportunities to discuss the store environment due to COVID-19 and continued to consider specific improvement measures. I feel that this time was instrumental in achieving the current rapid recovery.

Kawashita: With regard to the expansion of personnel, we were able to take various measures to secure human resources, who were in short supply, by taking action at an early stage.

Yamafuji: I feel that the company-wide efforts to secure human resources also had a positive effect. For example, in March 2022, we decided to relax the dress code, allowing employees working at Group stores to freely enjoy styling their hair and nails. These advanced initiatives that reflect the needs of frontline employees have increased employee motivation. In fact, the number of applications for part-time jobs is increasing. I think that this is contributing to the acquisition of young human resources.

Kawashita: In addition to improving customer satisfaction, we will promote initiatives with a vision from the perspective of diversity and globalization to create an attractive workplace that makes people want to work for our company.

Increased recognition through expansion of business in Asia also contributes to increased tax-free sales

Kawashita: Another major factor in the recovery of tax-free sales is the acceleration of store openings in Asia. More and more customers are visiting Don Quijote stores in Japan after experiencing DON DON DONKI stores in their local areas, and I feel that this is contributing to our domestic tax-free sales figures.

Yamafuji: I also sensed the sharp recovery in tax-free sales, which made me realize anew that we are a global company.

Kawashita: We can hear more and more inbound tourist customers humming "Miracle Shopping" in our stores in Japan. This song is also played in our overseas stores, so I think overseas customers must be familiar with it as well.

Yamafuji: Even outside Japan, we are seeing a spread of Don Quijote's image of having excellent business hours, locations, and product lineups, as well as "something new." At the same time, I sense that our inbound tourist customers have high expectations for us in domestic stores.

There is clearly an "overseas to Japan" trend of inbound tourist customers visiting our domestic stores after experiencing our overseas stores. But at the same time, there should also be a "Japan to overseas" trend where customers who experience the anticipation and excitement of Don Quijote in Japan visit DON DON DONKI stores after returning to their countries. We will further enhance the synergy of the entire Group.

Responding to expectations by adhering to our principle of "The Customer Matters Most"

Kawashita: During the current fiscal year, we focused our efforts on urban commercial zone stores, which have had significant tax-free sales in the past. For the fiscal year ending June 30, 2024, we are targeting tax-free sales of over 80 billion yen, exceeding the peak of sales before the COVID-19 pandemic. In addition to further expanding the number of target stores, we will further strengthen efforts for increasing the number of employees at flagship stores, layouts to accommodate inbound tourism, securing merchandise, and more.

Yamafuji: Digitalization, including apps and social media, is rapidly progressing in the daily lives of customers, both in Japan and overseas. We are seeing more and more people taking pictures and videos of shopping inside and outside stores and sending out positive, experience-based communication such as "I tried shopping at Don Quijote." I feel that there is a clear shift in the purpose of tourism to Japan from "goods consumption," as exemplified by so-called explosive shopping, to "experiences consumption."

Kawashita: I agree. As inbound tourists become more and more interested in experiences consumption, we will continue our principle of "The Customer Matters Most" by providing not only products but also spaces and services that customers will want to remember.

Yamafuji: The advancement of digitalization is an opportunity for us in the sense that we are now in an environment where we can hear more real voices of our customers. We believe that there is still much room for us to work on including opening new stores and creating new business formats in order to capture the growing inbound tourism demand.

Kawashita: That is right. We will aim to further expand people's recognition of us as a company that is representative of Japan, and increase the number of people who say, "I want to visit Don Quijote if I go to Japan."

Sustainability at the PPIH Group

The PPIH Group's basic sustainability policy

Based on our corporate principle of "The Customer Matters Most," the PPIH Group is committed to resolving important environmental and social issues (materiality) through its core business of general retailing, with a primary focus on supporting the lifestyles of local customers and providing them with the enjoyment of shopping. We aim to achieve both the realization of a sustainable society and medium to long-term enhancement of corporate value through dialogue with our stakeholders.

Materiality

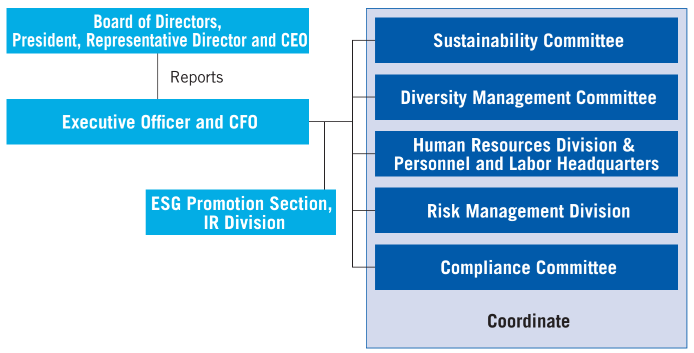
At the time of formulating the Visionary 2025/2030 medium to long-term management plan, we discussed the expectations and significance of the Group to our stakeholders and the social issues that we can contribute to solving by leveraging our strengths, and re-identified the key issues (materiality) for the realization of a sustainable society and company.

Reduce the Environmental Impact of our Business Activities	• Responding to climate change • Reduction of CO_2 emissions • Reduction of plastic usage • Development of environmentally friendly products
Accepting Diversity and Creating a Rewarding Workplace	• Promotion of women's activities • Support active participation of LGBTQ+ • Creating a work environment that fosters employee engagement
Sustainable Product Sourcing and Responsible Sales	• Sustainability in the supply chain • Responsible sales of alcohol • Expand certified products that aim to solve social and environmental issues
Resolving Social Issues through Coexistence with Local Communities	• Donations, fundraising activities, and contributions to local communities • Growth of future generations
Solid Governance	• Ensuring management transparency • Compliance with and oversight of corporate philosophy • Ensuring thorough compliance • Responding to natural disaster risks

Organization and systems

Under the management of the Executive Officer and CFO, who is in charge of ESG promotion, each committee and division in charge of ESG promotion plans and formulates measures, which are reflected in the business activities of Group companies.

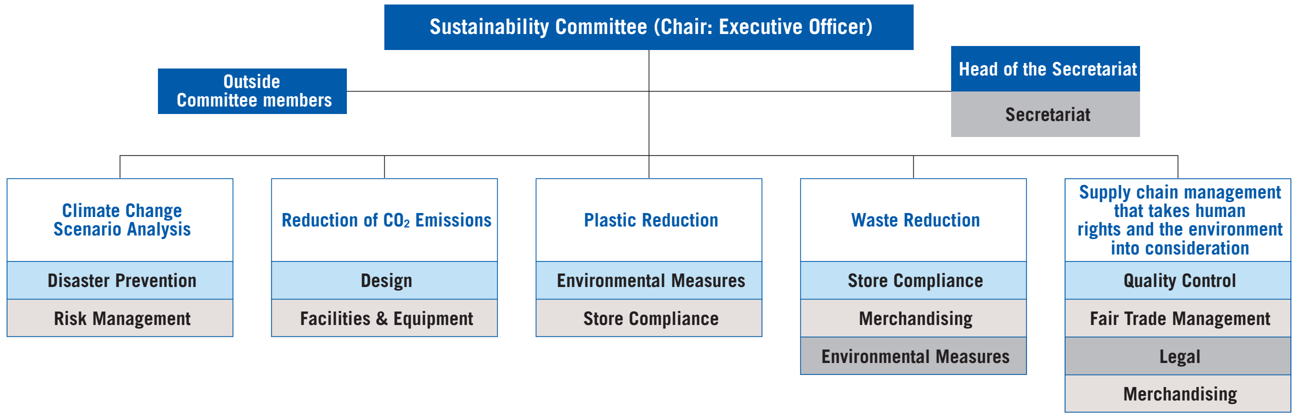
In addition, the chairpersons of each committee meet once a month to discuss the progress of initiatives, share information, and make decisions (promotion meeting), and further report on their activities at regular Board of Directors meetings. Policies and goals are also developed, and important initiatives are discussed and approved by the Board of Directors to be implemented.



Introduction of the major committees

Sustainability Committee

The Sustainability Committee, chaired by the Executive Officer & Head of Risk Management, meets once per month. It addresses issues such as the Task Force on Climate-related Financial Disclosures (TCFD), reduction of CO_2 emissions, development of a supply chain management system that takes human rights and the environment into consideration, and reduction of plastic and waste. The subcommittees have been established for each theme as a subordinate organization of this committee, so that each subcommittee can plan and formulate concrete measures to reflect in our business activities. In addition, regular meetings with outside committee member Hidemi Tomita, who has expertise in sustainability management, are held once a month to discuss specific issues with professional perspectives.



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

It has been almost two years since the Sustainability Committee was established.

The Committee started by gaining an understanding of the current risks and issues and then setting goals. In the fiscal year ended June 30, 2023, specific initiatives based on these goals were gradually started and have begun to take shape. Sustainability awareness is steadily spreading within the Company as well, and employees are coming up with ideas for how to combine social and environmental perspectives with corporate growth, rather than these being a trade-off.

At times, we believe that it is necessary for us to implement initiatives that lead to changes in our customers' environmental and social awareness, as we are the most familiar presence to customers as a retailer. We will persistently continue to implement dramatic initiatives unique to our company while engaging in dialogue with various stakeholders.

Diversity Management Committee

The Diversity Management Committee is chaired by the Director & Executive Officer in charge of diversity management and meets once a month. The Committee plans, drafts, and implements a variety of measures to promote the active participation of diverse human resources, including female and LGBTQ+ employees, through cross-sectional cooperation among several related divisions, such as the Personnel System Planning Division, Labor Management Division, and Recruiting Management Division.

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

PPIH Group stores serve over 600 million customers annually. One of the PPIH Group's strengths for satisfying customers with diverse values and continuing to operate the stores they choose is that many employees with diverse values, personalities, and backgrounds work at our stores, including not only women but also non-Japanese people, seniors, LGBTQ+ people, and people with disabilities.

The Diversity Management Committee will continue to develop an even greater variety of systems and structures to create an environment in which all employees, including the aforementioned people, can work and thrive in their own way with peace of mind.

Materiality 1

Reduce the Environmental Impact of our Business Activities

The PPIH Group recognizes that addressing climate change is an important issue for the sustainable development of our business and the enhancement of our corporate value over the medium to long term. Toward our goal of reducing CO_2 emissions from our stores to net zero by 2050, we are implementing CO_2 reduction initiatives while advancing the scenario analysis recommended by the TCFD.

Goal and progress

Medium-term target	Progress (FY2023)
Reduce 50% of CO_2 emissions from stores compared to the FY2013 level (by 2030)	Reduction of CO_2 emission: approx. 17% reduction (emissions intensity per million yen of sales)
Calculate CO_2 emissions of the each category of Scope 3 and set reduction targets	Calculated and disclosed data on emissions in each Scope 3 category
Reduce plastic usage in customer service by 70% by 2030 (compared to FY2019)	—*

*Progress is not applicable as this indicator and goal were set in the consolidated fiscal year ended June 30, 2023.

Reduction of CO_2 emissions

The PPIH Group's main initiatives to achieve its decarbonization goals

① Improvement of energy use efficiency and reduction of the energy amount used in store operations

* Installing control equipment for air conditioning and refrigerated/frozen cases and dimming equipment for lighting, ensuring appropriate temperature settings and lighting hours, etc.

② Creation of renewable energy sources including solar power generation

③ Replacement with renewable energy through the use of non-fossil certificate transactions

Progress

- Number of stores with energy-saving equipment installed: i) Air conditioning equipment: 351 stores; ii) Refrigerated and freezer cases: 17 stores
- Number of ISO14001-certified stores: 131 stores *ISO14001-certified corporation: UNY Co., Ltd.
- Number of stores using renewable energy: 17 stores (as of November 2023)
- Amount of solar power generated: 1,426,384kWh (April 2022 - March 2023)

Reduction of Plastic Usage

We consider it our social responsibility as a retailer to address global warming and marine plastic litter problems caused by single-use plastic, and set a goal for reducing plastic usage in the fiscal year ended June 30, 2023.

We will promote initiatives to reduce the amount of plastic used in customer services, such as laminated film for POP advertisement cards used in store displays, cutlery (spoons and straws), plastic shopping bags, plastic food bags, and umbrella bags, while also contributing to changing consumer awareness.

Reducing plastic by making thinner POP advertisement cards for store displays

POP advertisement cards play an important role in the displays at our Group stores. In May 2023, we began reducing the thickness of the plastic film used for these cards. This has enabled us to reduce the amount of plastic used by an average of 20% compared to before. We will consider changing the material and further thinning the film in order to continue to reduce the amount of plastic used.

Reducing plastic in PB products

We are also developing environmentally-friendly products for our Group's PB "JONETZ." An example is the development and sale of PB products that reduce the amount of plastic used, such as switching some packaging materials from plastic to paper and using lighter bottles that use less plastic than the usual ones.

Climate Change (Information Disclosure Based on TCFD Recommendations)

The PPIH Group declared support for the TCFD in February 2022 and disclosed the amount of financial impact based on items with high financial impact for the fiscal year ended June 30, 2023. We will continue to identify risks and opportunities by expanding the scope of scenario analysis to include non-food categories and overseas business.

Governance

- The Sustainability Committee, under the leadership of the Executive Officer & CFO, plans and formulates initiatives to reduce the environmental impact of business activities and reflects them in our business activities.
- The Sustainability Committee regularly reports to the Board of Directors on measures and activities to address climate change issues, and important initiatives are discussed and approved by the Board of Directors before being formulated and implemented.

Strategy

PPIH has identified risks and opportunities based on changes in the social environment in 2030 for the 1.5°C scenario, which assumes that strict policies and regulations will be implemented to move toward a decarbonized society, and the 4°C scenario, which is an extension of current policies.

1.5°C scenario, as of 2030 *Only items with the highest financial impact are shown

Risk items	Risks/opportunities for the business	Impact of risks
Greenhouse gas (GHG) emission reduction requests (Introduction and increase of a carbon tax)	Risks: ● Higher store operating costs due to carbon price burden ● Higher costs due to stricter regulations on food disposal ● Higher equipment costs due to replacement with natural refrigerant equipment ● Increase in procurement costs for products (beef, dairy products) Opportunities: ● Demonstrating superiority by building a resilient supply chain ● Expanding customer base of discounters due to growing preference for lower prices	**Total financial impact due to the introduction of carbon tax*** 2030: 3.93 billion yen 2050: 5.621 billion yen *Calculated based on estimate of carbon tax prices of $100/t in 2030 and $144/t in 2050, and Scope 2 CO_2 emission factor for electricity that is 51% lower than the current level

4°C scenario, as of 2030 *Only items with the highest financial impact are shown

Risk items	Risks/opportunities for the business	Impact of risks
Frequent occurrence of abnormal weather	Risks: ● Increase in damage to facilities due to wind and flood damage, and damage to profits due to business stoppage ● Business shutdown due to supply chain damage ● Increase in property insurance premiums Opportunities: ● Ensure resilience against disasters by delegating authority to each store, and increase reliability as a lifestyle infrastructure	**Maximum business impact per store*** GMS stores: 2.44 billion yen DS stores: 1.66 billion yen Small stores: 202 million yen *Calculated based on assumption that the greatest risk is the increase in natural disasters such as large typhoons and floods due to the frequency of abnormal weather

Risk management

- The Risk Management Headquarters takes the lead in collecting information on risk cases that may occur at stores and locations, and makes decisions on risk responses and countermeasures.
- The stores and locations carry out countermeasures based on the aforementioned instructions, and the Risk Management Headquarters monitors progress and reports to the Board of Directors as necessary.
- In response to risks related to climate change, in the event of a large-scale disaster, we have a business continuity plan (BCP) as a basic principle, and in accordance with our management philosophy of "delegation of authority," our stores are able to flexibly assess the situation and respond quickly.

In the future, we will incorporate climate-related risks into our company-wide risk management. For example, the Sustainability Committee will identify, evaluate and manage climate-related risks, and we will establish a system to share issues with the Risk Management Headquarters.

Indicators and goals

PPIH Group decarbonization targets

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

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

Scope: Domestic business, including offices and a logistics center

Materiality 2

Accepting Diversity and Creating a Rewarding Workplace

Amid changes in the business environment that are difficult to predict as well as diversification of customers' sense of values, we believe it is essential to build a diversity-oriented organization where diverse human resources can work together and play active roles equally in order to continue to be chosen by our customers.

Human resources are indispensable assets for the Company's growth. In order for them to create new value from various perspectives and for the Company itself to evolve flexibly, we are providing opportunities for our human resources to take on challenges and play active roles, providing education that leads to the growth of each employee, and developing an internal environment that enables us to leverage human resources.

Goal and progress

Medium-term target	Progress (FY2023)
Increase the number of female Store Managers to 100 (by FY2030)	Number of female store manager: 31 (18 increased from FY2021)
Improve the retention rate of female employees: reduce turnover rate to 5.0% (by FY2030)	Improve the retention rate of female employees: turnover rate 9.7% (1.9% improvement from FY2021)
Promote the operation of next-generation executive development program	Next-generation executive development: conducted training for executives and executive candidates, with 120 participants

Approach for women's participation and advancement

Given that more than half of our customers are women, we believe that the participation and advancement of female employees is essential in order to incorporate ideas from a woman's perspective into store operations and management. To this end, we believe it is indispensable to have the understanding and cooperation of all related layers and staff at each stage from recruitment to promotion to management positions and employee growth. The Group as a whole is planning a variety of measures that will lead to (1) training of female managers, (2) in-house awareness-raising activities, and (3) creation of a comfortable working environment.

Implementation of a training program that aims to produce female store managers

In February 2023, we launched the third phase of the "RISE!100" training program, which began in 2021 and aims to produce female store managers. In the training that occurs up to 20 times over half a year, the program includes learning figures-based management, compliance, and other know-how necessary for store operations, as well as interaction with current female store managers and branch presidents. This helps female employees build an internal network, eliminate anxiety about the store manager position, and form an impression of the career development of female employees.

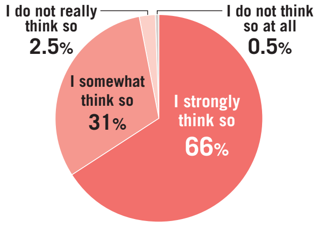
Training will continue to be provided with regular follow-up for those who have completed the training with the aim of further enhancing the program.

Holding of seminars for the development of female managers

To develop female managers, we held a total of eight career development seminars (90 minutes each) with themes related to skill development for female employees of the PPIH Group, which were conducted by outside instructors with the aim of helping these employees improve their skills and acquire new knowledge.

The themes, for example, communication, logical thinking, management, and leadership, promoted individual growth by strengthening skills and mindsets at work. A total of 200 female employees freely attended whichever seminars they were interested in.

Will the seminars lead to career and skill development? (n=200)



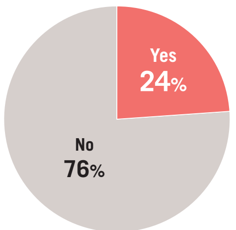
97% answered that the seminars will lead to career and skill development

Introduction of "low-dosage pill cost assistance"

An internal survey revealed that as many as 20% of female employees have taken time off work due to menstrual pain. As part of our efforts to create a comfortable working environment for women, we have introduced a benefit program in March 2023 in which the Group subsidizes the cost of low-dose birth control pills.

Low-dose birth control pills are said to be effective not only as a contraceptive but also for improving menstrual pain and PMS. By subsidizing the cost of taking the pills, we support female employees in maintaining their mental and physical health and contribute to creating a workplace where they can further demonstrate their abilities. We plan to analyze the relationship between taking birth control pills and productivity going forward.

Has missed work due to menstrual cramps



Creating a work environment that fosters employee engagement

Providing internal systems and educational opportunities that maximize a sense of fulfillment and job satisfaction

We aim to create a highly productive organization in which the right people have the right jobs by providing reskilling programs to develop human resources with a high ability to adapt, and by building an environment and systems that enable career plans and career paths that respect independence and maximize fulfillment in accordance with positions, responsibilities, and affiliations.

Major human resource development programs and systems currently being implemented

- "Kizuki Skill Up Seminars" (self-growth seminars) are held for all employees to help them acquire new knowledge and skills.
- Activation of "Koubo.com" (internal recruitment system) for the purpose of career development and broadening experience
- Promotion of the "Million Star Program" (next-generation executive development program)

Relaxation of dress code rules

From February 2023, we have relaxed our dress code in order to create a workplace where each employee's style is respected and they can work in their own way.

We relaxed the dress code allowing employees to freely enjoy hair coloring and nail designing and have heard employees saying they were "more motivated" and "happy to be able to work with their own hair style." Some stores even saw an increase in the number of part-time job applicants.

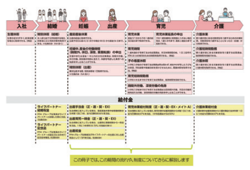
Creating a comfortable working environment for employees who give birth and raise children

In order to support employees balance their work with childbirth and raising children, we have established various systems and are working to create an environment that makes it easy to take childcare leave.

Initiatives and systems currently being implemented

- Distribution of a support book for taking maternity/childcare leave (women's version/men's version)
- Support for babysitter and housekeeping services as part of employee benefits
- Establishment of "Don Kids" onsite daycare center, etc.

Maternity/paternity and childcare leave support book (Women's Edition/Men's Edition)



Maternity/paternity and childcare leave support book publication page (excerpt)

As I shouldered the responsibilities of being a general manager, I initially felt various emotions about taking childcare leave, including hesitancy, courage, and determination. But my supervisor and co-workers encouraged me to take the leave. As a result, I realized the importance of spending time with my family and the enormous amount of work my wife was doing. It also changed the way I approach my work. I pay more attention now about whether I can improve my efficiency and performance, and achieve good work-life balance. I have become aware that I must set an example for my colleagues who are considering maternity/paternity or childcare leave to follow in my footsteps, so that they can take their leave without hesitation and balance work with raising children with peace of mind afterwards. I will do my utmost to convey how wonderful it is for a company to have a culture in which it is the norm for men to take childcare leave, and encourage a mindset in which those eligible find it easy to take leave.

DQ Kyushu and Okinawa Branch 5
General Manager
Shinya Takeshita

Frameworks and systems for maintaining both mental and physical health

In order for all employees to be able to work with peace of mind, it is above all necessary to provide an appropriate internal environment that enables them to maintain their mental and physical health. The PPIH Group is working to make improvements by establishing internal and external consultation services and conducting individual interviews to identify problems faced by individuals as well as problems in the working environment of the Group as a whole. We are striving to create an organization with high employee engagement that balances ease of working and job satisfaction by building an internal consultation system that allows each employee to feel comfortable voicing their views, and by promoting identification of problems and improvement measures that "flips the subject" to employees.

Materiality 3 Sustainable Product Sourcing and Responsible Sales

Based on our corporate principle of “The Customer Matters Most,” the PPIH Group is above all committed to delivering safe and secure products to its customers. To this end, we promote procurement that leads to consideration for human rights and the environment, as well as harmony with local communities.

Sustainability in the supply chain

Our Group believes that addressing issues related to human rights, working environment, health, and safety for all people involved in our business is one of the key challenges for the Group as a retailer, and that fulfilling our social responsibility in the supply chain will contribute to the realization of a sustainable society and lead to the growth of our suppliers and the Group itself. In order to promote responsible procurement throughout our supply chain based on strong partnerships between our Group and suppliers, we are making efforts based on the Guidelines for Respecting Human Rights in Responsible Supply Chain announced by the Ministry of Economy, Trade and Industry (METI).

Our response toward responsible procurement

2021	2022	2023
Provide information about our initiatives to our suppliers and hold briefing sessions	Conduct a self-assessment questionnaire survey	Revision of the PPIH Group Supply Chain Code of Conduct

Conducting self-assessment questionnaire survey and monitoring

Self-assessment questionnaire → Analysis and evaluation → Request for improvement → Confirmation of improvement

- **Self-assessment questionnaire**: Conduct self-assessment questionnaire by business partners.
- **Analysis and evaluation**: Assess risks based on the collected questionnaires.
- **Request for improvement**: Deal with serious risk factors promptly, and request others to be corrected after a hearing.
- **Confirmation of improvement**: Review feedback on the status of improvement, and in some cases, conduct actual inspection and audit. Collaborate for improvement.

PPIH Group Supply Chain Code of Conduct

Since 2022, we have requested about 700 contract manufacturing suppliers of PB/OEM products to submit a written pledge that they endorse the PPIH Group Sustainable Procurement Policy and will comply with the PPIH Group Supply Chain Code of Conduct.

In addition to holding briefing sessions on the implementation of this matter, we have translated the original Japanese Code of Conduct into English, Chinese, Thai, and Korean for global dissemination, and have asked our suppliers to comply with the PPIH Group Supply Chain Code of Conduct.

Revision of the Supply Chain Code of Conduct

In November 2023, we revised the PPIH Group Supply Chain Code of Conduct. We reflected international guidelines on human rights and the environment in the supply chain, consultations with external organizations, and advice from experts, identified the necessary points for revision, and implemented this with the approval of the Board of Directors.

PPIH Group Supply Chain Code of Conduct

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

- Efforts to prevent and reduce overtime work
- Efforts to procure sustainable energy, use resources such as water efficiently, and prevent pollution

The two items above were added.
In the fiscal year ending June 30, 2024, we plan to implement SAQs based on this content.

Evaluation by self-assessment questionnaire

In order to identify and improve risks in the supply chain, we are conducting self-assessment questionnaire (SAQ) surveys to check compliance with the PPIH Group Supply Chain Code of Conduct at approximately 2,200 factories that are contracted to manufacture PB/OEM products.

Responses to the SAQs are comprehensively evaluated based on the status of compliance with each item and the severity of risk. As of the end of the fiscal year ended June 30, 2023, 99.6% of the SAQs had been collected, and we confirmed that there were no major risks or incidents by checking serious risk responses related to human rights, labor, and health and safety. Based on the submitted SAQs and evaluation results, we will proceed with analysis to identify risks in the supply chain.

Self-assessment questionnaire survey categories and major items	(1) Human rights and labor	Prevention of child and forced labor, discrimination, harassment
	(2) Health and safety	Appropriate measures against hazardous chemicals, industrial accidents, etc.
	(3) Fair trade and ethics	Prevention of bribery, illegal contributions, abuse of a superior bargaining position, etc.
	(4) Environment	Legal compliance for wastewater, sludge, waste disposal, etc., formulation of waste reduction targets
	(5) Quality and safety	Development and operation of a quality management system
	(6) Information security	Appropriate management and protection of personal and confidential information
	(7) Contribution to society	Implementation of activities that contribute to the development of the international and local communities
	(8) Other (co-existence and co-prosperity)	Responsible procurement of raw materials with serious human rights and environmental risks, etc.

Implementation of third-party audits

At the PPIH Group, third-party audits have also been implemented for contracted factories that manufacture PB products in Japan and overseas.

The results of the audits are shared with the target factories, and meetings are held to correct the issues pointed out. After this, we continue to monitor the status of improvement by checking on the corrective actions as necessary.

Capacity building for suppliers

We conduct follow-up for risk assessments and monitoring with contracted factories that manufacture PB/OEM products where SAQs identified minor issues and we would like efforts to be strengthened to minimize risks.

In the fiscal year ended June 30, 2023, we held a total of 12 online meetings with participation by people in charge of factories in Japan and overseas. Based on the Guidelines for Respecting Human Rights in Responsible Supply Chain formulated by METI and other such guidelines, we explain the responses required of companies and provide advice on specific initiatives, including human rights due diligence practices.

We will continue to provide follow-up and other support to promote capacity building initiatives.

Establishment of a hotline for business partners

In order to maintain a moderate and sound relationship with our business partners, we have established a hotline for them so that they are able to report any concerns they may have about the actions of our Group’s account managers. We take the opinions of our business partners seriously and work to promptly make improvements, ensure fair transactions, and build stronger relationships of trust. These hotlines are operated in accordance with internal regulations, and the contents of reports are discussed by the Compliance Committee and reported to the Board of Directors and the Audit and Supervisory Committee as appropriate.

PPIH Group Stakeholder Engagement

The PPIH Group believes that its ultimate goal is to contribute to the realization of a sustainable society by recognizing issues through communication with its stakeholders, building relationships of trust and collaboration, and fulfilling its social responsibilities while continuing to produce greater results. To this end, we emphasize active “stakeholder engagement” and reflect the interests, expectations, and requests we ascertain through this process in our management and business activities.

Our stakeholders	How we engage
Customer	-Daily sales activities and customer services -Customer service centers -Customer satisfaction surveys through PPIH Group e-money app -In-store customer interactions -Communication through corporate and brand websites, advertisement, social media and mailing service
Suppliers	-Partner conference -WEB Business Negotiation System -Supplier surveys -Suppliers hotline
Shareholders, investors	-Annual General Meeting of Shareholders -Earnings announcements -Active engagement with investors -Corporate website for investors, Integrated Report and ESG Databook -Responding to ESG research surveys
Employee	-Employee engagement surveys -Employee education and training -Fair performance evaluations and individual consultations -Internal portal and newsletters for employees -Employee hotline
Local/global community, society, government	-Participation in local activities -Comprehensive cooperation agreements with local governments -Support for refugees -Emergency Disaster Relief -Social contribution activities and volunteer activities -Participating in Government initiatives -Environmental education classes for children at elementary schools

Examples of stakeholder engagement conducted by the PPIH Group

Dialogue with shareholders and investors

The PPIH Group actively engages in dialogue with shareholders and investors to perceive social changes and needs, identify risks, and resolve issues. We conduct IR activities for shareholders and investors under the basic concepts of being fair, active, and quick (appropriate timing). We are working to improve management transparency and build a good relationship with the capital market through activities such as one-on-one meetings as well as store tours and large and small meetings.

[Results for the fiscal year ended June 30, 2023]

- **70 small meetings**
- **4 large meetings**
- **330 one-on-one meetings**

Employee and director dialogues

Since 2021, we have been holding regular dialogues between female employees who are active within the Company and the director in charge of diversity management, with the aim of increasing the motivation of female employees and developing their careers. The content of these dialogues is published in the company newsletter so that all employees can read it.

Through these dialogues that were published, we introduce women with various work styles and values, and help female employees design their careers. In addition, for male employees, these dialogues help to strengthen their awareness of the need for everyone to work to create an environment in which women can demonstrate their abilities and play active roles.

Solid Governance

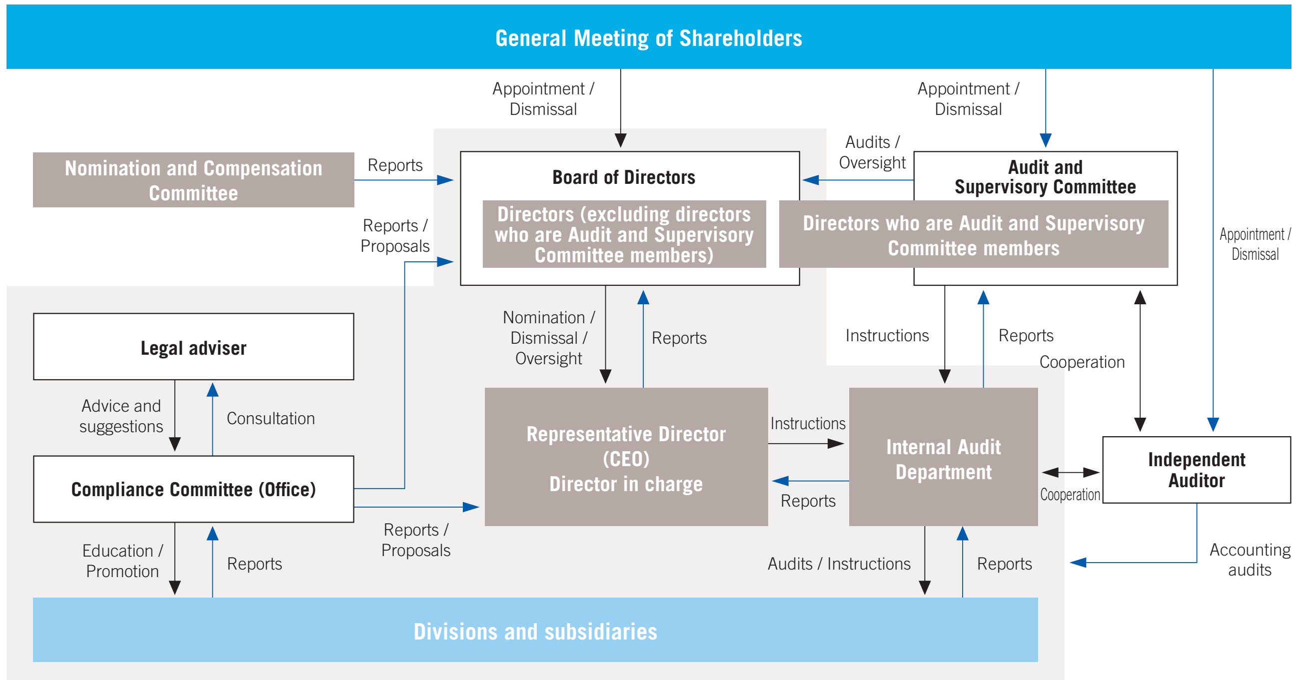
Corporate Governance

Basic philosophy behind corporate governance

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

Our corporate governance structure at a glance

Institutional design	A group with an Audit and Supervisory Committee
Number of directors (number of independent outside directors in parentheses)	10 (4)
Number of Audit and Supervisory Committee members (number of independent outside directors in parentheses)	3 (3)
Term of office of directors	1 year (2 years for Audit and Supervisory Committee members)
Remuneration structure for directors	(1) Basic remuneration (2) Performance-based monetary remuneration (3) Share-based compensation stock options (excluding directors who are Audit and Supervisory Committee members)
Number of meetings held by the Board of Directors (average number attended by directors)	13 (95.7%)
Independent auditor	UHY Tokyo & Co.



Board of Directors

	Overview	Members
Board of Directors	● The highest decision-making body within the Company with regard to the execution of operations is the Board of Directors, which is chaired by the representative director and meets at least once a month to discuss and determine important issues concerning business activities. ● All four outside directors are appointed as independent officers, which enables incorporation of a wide range of insight into important matters concerning company operations, including the formulation of company-wide management strategies, from an independent perspective with no risk of conflict of interest with general shareholders. This creates a system that enables appropriate management decisions to be made.	Listed on p. 39-42

Delegation of authority from the Board of Directors to management

In conjunction with the transition to the Company with Audit and Supervisory Committee structure, the Board of Directors resolved to partially or entirely transfer authority for certain important operational execution decisions to directors. At the PPIH Group, a great deal of authority is delegated to frontline operations in order to facilitate swift and flexible responses to the ever-changing operating environment. However, the Group has also established regulations regarding the limits of authority that clearly stipulate the matters for which authority should be delegated to directors, other managers, and members of senior management based on materiality, transaction amounts, and other factors. Other measures are also implemented to enhance governance of business operations.

Operational execution by directors

To ensure the appropriateness of operational execution by the directors, the Group continues to appoint outside directors to its Board of Directors and strives to enhance the supervision of operational execution by the directors. In addition, the Audit and Supervisory Committee, which has the participation of outside directors, conducts thorough audits that ensure impartiality and transparency from a position independent of the influence of directors (excluding those who are Audit and Supervisory Committee members).

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

Policy and procedures for appointment of directors

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

Director training policy

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

Evaluation of the effectiveness of the Board of Directors

The Board of Directors shall evaluate the effectiveness of the Board of Directors at least once a year. In the fiscal year ended June 30, 2023, the Company assessed the effectiveness of the Board of Directors through the following process. The results showed the members of the Board of Directors play an effective role in improving corporate value over the medium and long term by making appropriate and prompt decisions through active discussions based on the management philosophy, and by exercising strict supervisory functions including monitoring of the internal control system. In addition, the strength of the company's ability to promote initiatives when it decides to address new issues such as gender and diversity was well evaluated. At the same time, further enhancement of discussions on specific themes is required.

In the preparation, collection, and partial analysis of the questionnaire, we used an external organization to increase the transparency of the evaluation and ensure its effectiveness.

Evaluation process

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

Our Board of Directors' strengths and pressing issues based on its meetings in the fiscal year ended June 2023

Strengths of the Board of Directors	Pressing issues for the Board of Directors
● Promotion of the company's corporate philosophy "The Source" and operation of the Board of Directors with an awareness of this philosophy ● Gender and diversity initiatives ● Supervisory function of the Board of Directors by taking advantage of the expertise and experience of outside directors	● Further enhancement of discussions on overseas business ● Further enhancement of discussions on the medium- to long-term vision of the Company ● Further enhancement of discussions on securing and developing human resources

Specific matters considered by our Board of Directors during the fiscal year ended June 30, 2023

- Management strategies: Medium- to long-term management plan, matters related to the reorganization of Group companies, and matters related to financing
- Sales policies: Matters related to store openings, store closings, etc., matters related to sales results by business
- Financial results: Matters related to financial results, earnings forecasts, and dividends
- Governance: Matters related to internal fraud, internal control, and sustainability
- Human resources: Matters related to the appointment of directors and executive officers, establishment and transfer of important positions, and training of executive officers
- Other matters stipulated in the Companies Act, etc.

Outside directors

The Company has four outside directors. The outside directors are appointed on the expectation that the individuals will offer opinions and point out issues helpful to management from an external perspective, based on specialized knowledge and experience in corporate management, and thereby contribute to enhanced management soundness and transparency. All four directors were designated as independent directors in accordance with rules set by the Tokyo Stock Exchange, to which notifications were submitted.

The Company has no clear-cut criteria or policies regarding the independence of individuals appointed as outside directors. However, in appointing outside directors, the Company ensures that they can provide opinions and suggestions regarding management from an outside perspective based on their expertise and experience in management, thereby improving the soundness and transparency of the Company's management. The Company's judgment is based on the premise that the appointment of an outside director is sufficiently independent of the Company's management team to enable them to perform their duties as an outside director.

Supporting system for outside directors

Four of the Company's ten directors are outside directors, and three outside directors are Audit and Supervisory Committee members. The Board of Directors' Secretariat and the Audit and Supervisory Committee Secretariat assist outside directors in performing their duties as requested.

Director remuneration system

Basic Policy

The Company's basic policy is to set compensation for directors in consideration of shareholder interests so that the compensation system functions as an incentive to increase corporate value continuously, and to set the compensation of individual directors at an appropriate level based on the responsibilities of their positions.

Structure of the compensation system for the Company's directors

The compensation system for the Company's directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) consists of the following: the base remuneration as monthly fixed monetary compensation, performance-linked monetary remuneration as short-term incentive (annual bonus), and share-based stock options (non-monetary compensation) for the purpose of sharing shareholder interests. In light of their roles, the Company's outside directors receive only base remuneration. The compensation system for directors who are members of the Audit and Supervisory Committee of the Company also consists of base remuneration only, in consideration of their roles.

The base remuneration is a monthly fixed monetary compensation and is determined based on the position and responsibilities of each director, taking into consideration the level of compensation for directors at other companies of the same size as the Company, as well as the level of employee salaries, and a comprehensive range of factors.

The performance-linked cash remuneration (annual bonus) as a short-term incentive shall be linked to the Company's performance for a single fiscal year, and in the Company, the performance-linked (KPI) shall be "consolidated operating income" from the perspective of improving earnings in the core business. The target amount of "consolidated operating income", which is the KPI, for the fiscal year ending June 30, 2023, is ¥94 billion, and the actual amount is ¥105.2 billion.

The amount to be paid shall be determined based on the degree of achievement of that budget and shall vary in a ratio of 0% to 150% depending on the degree of achievement of the budget.

Since the Company determines the necessity of granting share-based compensation on a case-by-case basis, taking into consideration the past results of stock option grants, etc., the Company does not clearly stipulate the ratio of share-based stock options or the timing of their payment. However, the Company will continue to consider the frequency of granting share-based stock options in the future in the context of an appropriate executive compensation system.

At the Board of Directors meeting held on July 13, 2023, the Company issued share-based stock options to directors above a certain rank. The purpose of this type of compensation is to be in line with shareholders' viewpoint and to serve governance functions to increase corporate value during the period between the grant of stock acquisition rights and the retirement of the Company.

As for the ratio of the Company's compensation structure, it shall be designed based on 80% fixed remuneration as basic compensation and 20% performance-linked remuneration (annual bonus) as a short-term incentive.

Regarding the timing of payment of compensation, etc., fixed remuneration, which is basic remuneration, shall be paid monthly, and performance-linked monetary remuneration (annual bonus), which is a short-term incentive, shall be paid after the Company's performance is determined and after the annual shareholders' meeting.

Policy on determination of individual compensation

The Company consults its Nomination and Compensation Committee regarding the determination of individual director compensation, etc., and the Board of Directors adopts a resolution based on the Nomination and Compensation Committee's report.

However, with respect to base remuneration, the Company delegates to the President and Representative Director the authority to determine the final amount of such remuneration, taking into consideration the roles and responsibilities of each individual director, under the maximum and minimum amounts to be separately determined by the Board of Directors. To ensure that the delegated authority is properly exercised, the Company shall also fully consult with the independent outside directors through the Nomination and Compensation Committee.

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Number of applicable directors
		Fixed remuneration	Performance-based bonuses	Retirement benefits	Non-monetary rewards as part of the remuneration shown on left	
Directors (excluding Audit and Supervisory Committee members and outside directors)	227	188	39	—	—	7
Directors who are Audit and Supervisory Committee members (excluding outside directors)	3	3	—	—	—	1
Outside Directors	30	30	—	—	—	6
Total	260	221	39	—	—	14

Policy for constructive dialogue with shareholders

As part of its efforts to realize sustainable growth and improved corporate value over the medium to long term, the Company engages in constructive dialogue with shareholders and other investors through investor relations activities to ensure that its management policies and performance are accurately understood.

(1) The CFO has been designated as the officer responsible for investor relations. In addition, the Investor Relations Division has been placed under the direct jurisdiction of the CFO and designated as the division responsible for investor relations.

(2) In order for the IR Officer and the person responsible for handling information reported to the TSE to be aware of important information within the company, a structure will be established to consolidate information in a coordinated manner with the said officer. The IR division works with Legal, Finance, Accounting, Sales, Property Development and other divisions as necessary to ensure appropriate disclosure of information.

(3) The officer and division responsible for investor relations respond appropriately to requests for meetings from analysts and institutional investors and hold quarterly financial results briefings. The president and CEO also take part in the financial results briefings. Furthermore, the investor relations section of the Company's corporate website (https://ppih.co.jp/en/ir/) provides timely disclosure information, financial information, and other reference materials (financial summaries, annual securities reports, annual integrated reports, PPIH reports, monthly sales reports, etc.). The Company strives to support the investment decisions of shareholders and other investors (some information is only available in Japanese).

(4) The valuable input received from shareholders and other investors is shared with the Board of Directors and management as necessary to reflect this input in the management of the Company.

(5) The Company observes a set quiet period prior to the announcement of financial results during which it will not respond to any questions related to financial results. In addition, the Company complies with laws and regulations pertaining to undisclosed information (insider information), defines internal regulations for preventing insider trading, and practices rigorous management of this information.

Status of each committee

	Overview	Members
Audit and Supervisory Committee	● The Audit and Supervisory Committee is composed of three outside directors and audits the execution of duties carried out by directors. The Audit and Supervisory Committee will work with the independent auditor to facilitate the execution of audits when necessary.	Yasunori Yoshimura (Chairman, Independent Outside Director) Jumpei Nishitani (Independent Outside Director) Masaharu Kamo (Independent Outside Director)
Nomination and Compensation Committee	● The Nomination and Compensation Committee is established as a voluntary advisory body to the Board of Directors, with a majority of its members being outside directors, in order to strengthen fairness, objectivity, and transparency in the evaluation and decision-making process regarding nomination and compensation of directors and to further enhance the corporate governance system. ● The role of the Nomination and Compensation Committee is to act as an advisory body to the Board of Directors, and is responsible for matters related to the election and dismissal of directors, the selection and dismissal of representative directors, and matters related to the compensation of directors.	Jumpei Nishitani (Chairman, Independent Outside Director) Yasunori Yoshimura (Independent Outside Director) Naoki Yoshida (Representative Director)
Compliance Committee	● The Compliance Committee is responsible for planning fraud prevention, planning inspections and investigations, verifying the results of inspections and investigations, and sharing and verifying cases of fraud at other companies.	Executive Officer in charge of Legal Affairs and Compliance (Chairman) Hideki Moriya (Director) Isao Kubo (Independent Outside Director) 3 other executive officers and employees
Internal Audit Division	● Independent of business execution divisions ● Based on the audit plan, the Internal Audit Division audits the legality, effectiveness and efficiency of the operations of each department and the Group's subsidiaries, and evaluates the internal control over financial reporting. ● The Company has established regular information-sharing opportunities with the accounting auditors with regard to the maintenance and assessment of the operational status of internal control over financial reporting, in order to ensure accurate and efficient internal control audits.	5 employees

Initiatives to enhance risk management

Status of establishment of risk management system

As part of the Group's risk management system, a Compliance Officer is appointed to oversee matters related to compliance and internal control. The Compliance Officer, in cooperation with the Compliance Committee and outside experts such as lawyers, analyzes and evaluates compliance risks across the organization, including those of our Group companies, and provides education on compliance-related matters. In addition, our Compliance Hotline system has been established to enable employees and business partners of the Group to report directly to external organizations and specialized internal departments any suspicious activities related to laws, regulations, and internal rules. The Compliance Committee deliberates on reports received through this system and reports the contents of such reports to the Company's directors and Audit & Supervisory Committee in a timely and appropriate manner. Moreover, accounting matters are regularly audited by an independent auditor, and advice and guidance are provided in a timely manner by lawyers for legal matters and tax accountants for tax matters.

Business risks (summary)

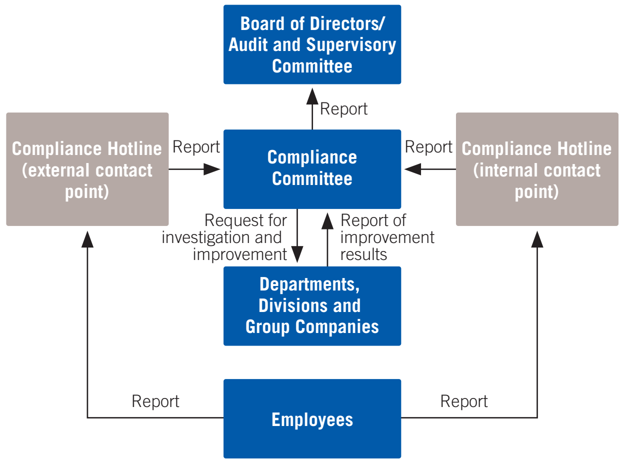
Main risks	Assumed effects associated with the risks
Expansion of stores and acquisition of human resources	Inability to acquire and foster necessary human resources may lower the quality of services and lower business performance
Imports, logistics and delivery	Possibility of delays in logistics and delivery due to political or economic conditions within the exporting country, or the state of management of external contractors
Marketing	Business performance may be lowered by inability to acquire and foster staff capable of executing appropriate marketing, or inability to maintain an organizational management system
Legal regulations	Possibility of the financial state and operating results of the Group being impacted by increased management costs as the result of revision to or stricter interpretation of laws and regulations
Act on Protection of Personal Information	Possibility of a significant impact on our business performance, including issues of social credibility and individual compensation, in the event of personal information leakage
Impairment of fixed assets	Possibility of an adverse effect on the Group's business as a result of the recognition and measurement of impairment losses with prediction of impairment loss on fixed assets
Business expansion via M&A	Possibility of an adverse effect on the Group's financial state and results of operations in the event of incurring contingent liabilities or discovering unknown debts after an M&A has taken place
Loss from closing stores	Possibility of negative impact on the Group's results in the event of losses associated with the closure of one or more stores
Exchange rate risks	General market risk from fluctuations in forex markets without assurance of being able to completely avoid exchange rate risk
Natural disasters	Possibility of effects on the Group's financial state and operating results due to costs arising from restoring store facilities, temporarily closing stores, disruption in logistics and delivery of products, etc., in the event of a natural disaster, such as a large-scale earthquake or typhoon
Inventory risks	Possibility of effects on the Company's financial state and operating results through inventory disposal and inventory write-down
Response to climate change	Risk of higher-than-expected energy and countermeasure costs in the event of a sudden increase in social demands, such as a significant tightening of laws and regulations related to climate change
Risk of spread of infectious diseases	Possibility of effects on the Group's financial state and operating results due to store closures, reduced operating hours, or a decrease in the number of visitors due to a decline in the number of inbound tourists visiting Japan

Whistle-blower system

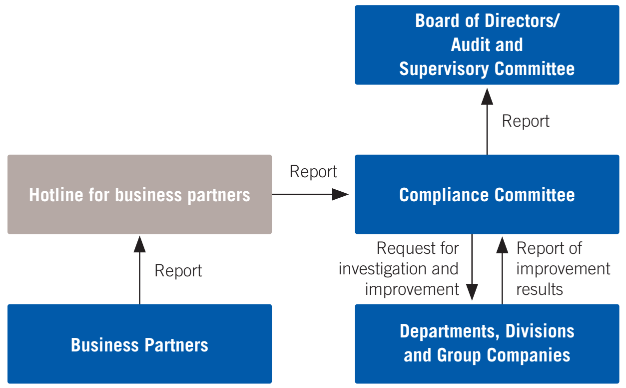
As part of strengthening compliance, the PPIH Group has a "Compliance Hotline" for employees to report violations of laws, regulations, and internal rules and regulations. The "Compliance Hotline" has two contact points, one with an external law firm and the other with an internal contact point, from which employees can choose to make a report. In addition, in order to maintain a moderate and sound relationship with our business partners, we have established a hotline for them so that they are able to report any concerns they may have about the actions of our Group's account managers. We take the opinions of our business partners seriously and work to promptly make improvements, ensure fair transactions, and build stronger relationships of trust. These hotlines are operated in accordance with internal regulations, and the contents of reports are discussed by the Compliance Committee and reported to the Board of Directors and the Audit and Supervisory Committee as appropriate.

The contents of reports made to these hotlines are treated with the strictest confidentiality, and anonymous reporting is also possible, with e-mails being accepted 24 hours a day. Whistleblowers are thoroughly protected by the company regulations, which state that whistleblowers shall not be subject to any disadvantageous actions such as retaliation or worsening of the work environment because of their reporting. In addition, we actively introduce the "Compliance Hotline" in our company newsletter, monthly compliance training sessions, and internal posters in order to create an environment in which employees can use the hotline when necessary.

The establishment of a consultation service



Framework of reporting from business partners



Compliance training for employees

Full-time and contract employees* receive e-learning compliance training sessions each month.

Compliance training is designed to improve each employee's understanding and awareness of each of the themes that are related to the business risks or the Group's sustainability key issues (Materiality), as well as to inform and promote the use of the Group's compliance system, including the whistle-blower system, in order to ensure the corporate compliance of the PPIH Group.

* UNY Co., Ltd. and UCS Co., Ltd. conduct compliance training for full-time employees

Participation in compliance training for FY2023

Monthly average number of participants: 9,642
Monthly average attendance rate: 85.8%

Anti-corruption initiatives

In order to practice sound and fair business activities, we are thoroughly implementing group-wide anti-corruption initiatives in accordance with our corporate philosophy and code of conduct "The Source," and the "PPIH Group Anti-Corruption Policy," which was established with the approval of the Board of Directors.

As part of efforts to improve understanding and awareness of anti-corruption, in addition to compliance training for employees, training for executive officers on bribery was conducted in November 2022 by an outside lecturer. All executive officers participated in the training, which included lectures on domestic and international laws and regulations related to bribery and examples of compliance violations, as well as discussions on issues to be addressed by the Company. We also ask our business partners who are contract manufacturers of our private brand (PB) products to thoroughly prevent corruption through the "PPIH Group Supply Chain Code of Conduct" and a questionnaire survey to self-check their compliance with the code of conduct.

Tax compliance initiatives

The PPIH Group has established the "PPIH Group Tax Compliance Policy" with the approval of the Board of Directors in order to fulfill its proper tax obligations in each of the regions in which the Group operates. In accordance with this policy, the PPIH Group will disclose its tax status appropriately. We do not use tax havens for the purpose of tax avoidance.

Tax status by region (FY2023)

Unit: millions of yen

	Japan	North America	Asia	Total
Net sales*	1,620,851	233,590	82,343	1,936,783
Income before income taxes	94,768	6,417	▲445	100,739
Arising tax amount	34,333	2,606	428	37,367

* Net sales are based on the location of customers and are classified into countries or regions

Domestic Discount Store Business

Main points of our strategy

- Increase existing store sales by capturing tax-free sales and actively introducing products that attract customers
- Plan to open more than 25 new stores towards expanding business scale
- Maintain operating profit margin by controlling SG&A expenses while expecting increases in labor and utilities costs

Reflecting on FY2023

Overview

The discount business achieved a significant increase in both sales and profit, with net sales of 1.1775 trillion yen (a 76.7 billion yen increase year on year) and operating profit of 55.6 billion yen (a 19.3 billion yen increase year on year). In the fiscal year ended June 30, 2023, expectations for a recovery in inbound tourism demand increased after the relaxation of border control measures for foreign visitors to Japan in October 2022. On the other hand, consumers became thriftier in Japan due to the ongoing depreciation of the yen as well as high commodity prices associated with surging raw material and energy prices which led to price hikes for a variety of products, including food and daily necessities. Despite this environment, the discount business drove overall consolidated performance due to factors including the increased PB/OEM sales composition ratio and the rapid recovery in tax-free sales.

The existing stores transitioned to strong performance with net sales up 5.2% year on year thanks to increased demand for going out, continued recovery in tax-free sales, and growth in seasonal products. In addition, the existing store gross profit margin improved to 26.0% (a 1.5% increase year on year) due to success in terms of the increased PB/OEM ratio, enhanced merchandise procurement capabilities, and reduction in accumulated inventory by using our company's unique indicator "interest expiration date." Furthermore, although various costs such as utility and labor expenses rose, productivity improvements and cost controls in conjunction with sales growth resulted in a 0.6% improvement year on year in the SG&A ratio of existing stores, contributing to growth in operating profit.

Progress of various initiatives

(1) Strengthening of PBs/OEM

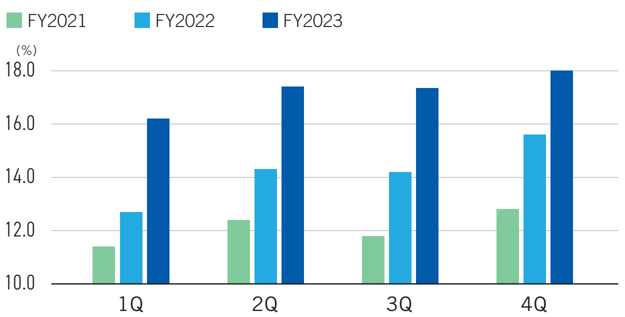
With regard to strengthening of PB/OEM products, one of the key measures in our medium-to-long term management plan "Visionary 2025/2030," we increased the PB/OEM sales composition ratio to 17.3% (a 3.1% increase year on year), which exceeded the target set at the beginning of the fiscal year, by improving brand recognition and developing and selling products that meet demand.

In addition to strengthening our development system to capture customer demand by enhancing our ability to respond to trends and speeding up development, we aired a TV commercial for our PB JONETZ in December 2022 to improve its brand recognition, which was the first-ever TV commercial for our PB, and also significantly reinforced our social media communications and media exposure. These efforts have attracted public attention and rapidly increased brand recognition of JONETZ. Together with our active product development in stores, this has contributed significantly to sales and profits.

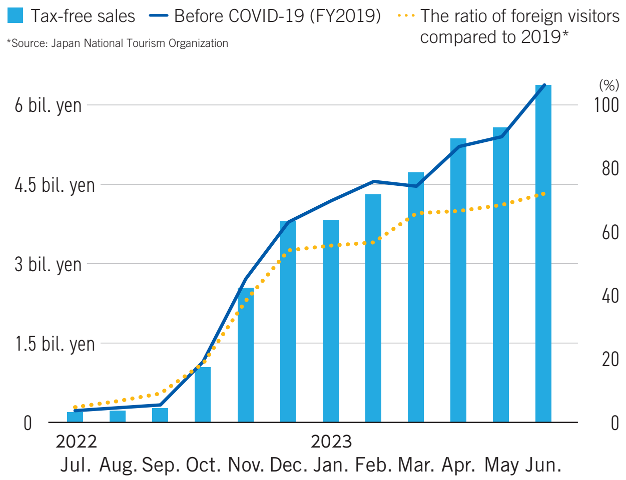
(2) Recovery of tax-free sales

Tax-free sales exceeded our forecast during the fiscal year, and rapidly recovered to 38.3 billion yen for the full fiscal year. Even before the full-fledged recovery of inbound tourism demand, we had been proactively working on infrastructure improvements, such as strengthening personnel allocation and increasing the number of cash registers, and changing store layouts oriented toward inbound tourism demand, mainly at our tax-free flagship stores in front of train stations. In addition, we are creating a synergistic effect throughout the Group. For example, the expansion of the scale of our Asia business has increased awareness of our company in the six regions we have entered, and strengthening of PB products at local stores has led to strong performance of PB products among inbound tourists to Japan. As a result of these efforts, our tax-free net sales have already exceeded the level before the COVID-19 pandemic, while there is a just over 70% overall recovery rate in inbound tourists to Japan compared to 2019 before the pandemic (as of June 30, 2023).

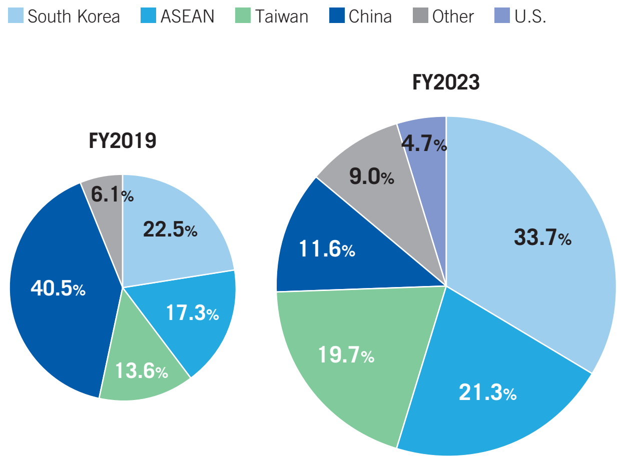
Domestic Discount Store Business: PB/OEM composition



Domestic Discount Store Business tax-free sales



Tax-free sales by country/region



Future strategy

Strengthening inbound tourism business

With the increase in inbound tourism demand, tax-free sales are becoming a major source of strength for achieving the goals of our medium-to-long term management plan "Visionary 2025/2030." We will view inbound tourism-related sales as one of our businesses, and will build a structure for its future business growth by improving customer satisfaction through further enhancement of operations and securing products so that our stores are definitely chosen by customers visiting Japan.

In the fiscal year ending June 2024, we aim to achieve sales of over 80 billion yen, exceeding the peak of tax-free sales before the COVID-19 pandemic, by continuing to review the infrastructure environment as appropriate and actively introducing products that attract customers.

Strengthening of PBs/OEM

We will strengthen our efforts to further improve quality and suppress costs by beginning to improve infrastructure, including reviewing our product development process such as factories and raw materials, and streamlining direct trade logistics. We expect the PB/OEM sales composition ratio to be 21.1% in the fiscal year ending June 30, 2024 (a 3.8% increase year on year), aiming for this to further contribute to gross profit margin.

Control of SG&A expenses

Although we assume there will be higher investment in labor costs due to the revision of the new personnel system effective from April 2023 and continued increases in utility costs, we plan to maintain the SG&A ratio at the same level as in the fiscal year ended June 2023 by continuing to control SG&A expenses.

Opening new stores

In the fiscal year ending June 2024, we plan to open more than 25 new stores, a significant increase over the previous fiscal year. We will expand the scale of our business by stepping up store openings.

Domestic GMS Business

Main points of our strategy

- Continuing to improve gross profit margin through PBs/OEM strengthening and other means
- Strengthening sales promotions throughout our entire buildings, including tenants, to increase sales and customer numbers
- Continuing to control SG&A expenses, centered on labor costs, as a measure to improve operating profit

Reflecting on FY2023

Our GMS business achieved net sales of 461.9 billion yen (a 10.8 billion yen decrease year on year) and operating profit of 28.1 billion yen (a 2.5 billion yen increase year on year).

Although sales at existing stores declined because of the impact of customers' reluctance to make purchases due to rising prices, operating profit increased significantly as we changed direction on sales promotion policy to refrain from excessive price reductions, which secured gross profit throughout the year. Moreover, in addition to the promotion of pricing and sales promotion methods that emphasize added value, the PB/OEM sales composition ratio expanded to 20.9% (a 3.0% increase year on year), which also contributed to the operating profit increase. SG&A expenses were successfully reduced by 2.9 billion yen from the previous fiscal year at existing stores by reviewing personnel allocation and continuing control of SG&A expenses, even in the face of rising utility costs. The SG&A ratio for existing stores also decreased by 0.3% year on year, contributing to the increase in operating profit.

Future strategy

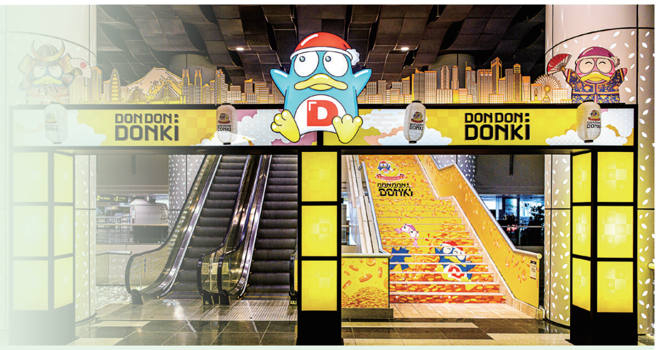
In the GMS business, since UNY became our subsidiary in 2019, we have been gradually promoting a shift away from traditional Headquarters-led store management to individual store operation, where merchandise procurement, pricing, displays, and more are based on judgments by frontline employees in a way that leverages local characteristics and locations.

We particularly focused on strengthening merchandising in the fiscal year ended June 30, 2023, and all stores have implemented measures to improve pricing accuracy as part of these efforts. As a result, we have seen the effect of improved gross profit margins since the first quarter of the current fiscal year.

In addition, in October 2022, the merchandising integration of the discount business and GMS business was implemented in the form of consolidating the deli products division of the domestic retail business in Inazawa and all other divisions in Tokyo. Along with the promotion of merchandising strengthening, we expect synergistic effects through the optimization of procurement that leverages economies of scale and the development of PB products.

In the fiscal year ending June 30, 2024, based on the progress made in improving the profitability of the GMS business through initiatives thus far, we will continue to develop community-rooted stores through individual store operation, and further improve gross profit margin by enhancing pricing accuracy, strengthening merchandising focused on non-food products, and expanding PB/OEM products. Additionally, we will strengthen sales promotions centered on the majica app and UCS card members to uncover loyal customers, which will lead to improved sales and customer numbers. We will continue to control SG&A expenses by improving profitability via optimization of personnel to contribute to operating profit growth.

Overseas Business



Main points of our strategy

- Continue measures to improve gross profit margin at existing stores while expanding business through new store openings
- Work on improvement in each area and each store for future growth in the Asia business
- Implement upfront investments for future growth in the North America business

Reflecting on FY2023

Our Asian business had net sales of 82.5 billion yen (a 13.4 billion yen increase year on year) and operating profit of 1.6 billion yen (a 0.1 billion yen decrease year on year).

Despite the negative impact of high commodity prices and increased demand for eating out, we continued to expand the scale of our business by actively opening eight new stores in four areas. In terms of profit, as a result of our efforts to improve gross profit margins in the countries we have entered, the operating profit margins at existing stores in Singapore and Hong Kong remained above 10%, and our Taiwan stores also achieved profitability.

On the other hand, our North America business saw net sales of 233.4 billion yen (a 35.2 billion yen increase year on year) and operating profit of 8.2 billion yen (a 2.2 billion yen decrease year on year). Although net sales increased due to the weaker yen, SG&A expenses increased due to higher labor costs and various energy costs, which ultimately caused a decrease in operating profit.

* The rise and fall difference of operating profit in the North America business is calculated after deducting Gelson's amortization of goodwill (approx. 3 billion yen in FY2022 and approx. 3.41 billion yen in FY2023)

Future strategy

In our Asia business, we have been able to expand to a certain scale through actively opening new stores; therefore, we will make improvements in each area and store for future growth.

Due to declining demand for eating at home and increasing opportunities related to eating out, we will expand non-food products by deep-diving into our categories and strengthening products that meet the tax-free demand of tourists, as well as PB/OEM products and direct trade products.

To improve sales, we will expand the support system and reinforce personnel both in Japan and internationally. Furthermore, we will control SG&A expenses by improving productivity through measures such as optimizing personnel allocation.

In addition, under the new management structure from January 2023, we are currently working on the horizontal spread of best practices in each country we have entered in order to raise the profitability of the Asia business as a whole. Furthermore, we will start streamlining SG&A expenses by integrating the functions of headquarters located in each country, among other efforts.

In our North America business, we aim to increase profits on an existing store basis by improving sales through strengthening the handling of deli products and improving gross profit margins through expansion of PB/OEM products and direct trade products. We will also make upfront investments to expand the scale of our business and improve operations in the future. In the fiscal year ending June 2024, we plan to open a large store in Guam, which will be the largest in our Group, and a new Gelson's store in California. In addition, we assume an increase in costs of approximately two billion yen to prepare for new stores in the fiscal year ending June 30, 2025 and beyond. We also assume there will be a decrease in full-year operating profit due to expenses for the establishment of the central kitchen in California, warehouse expansion in Hawaii, and hiring of human resources at each headquarters location.

Although operating profit for the fiscal year ending June 30, 2024 will temporarily be lower than the previous fiscal year due to several upfront investments, we will continue to actively promote initiatives to grow our business and strengthen profitability for the fiscal year ending June 30, 2025 and beyond.

Board of Directors

Naoki Yoshida

President, Representative Director and CEO
Born in 1964

Mar. 1988	Graduated from College of Liberal Arts, International Christian University
Dec. 1995	Graduated from INSEAD (MBA) Joined McKinsey & Company Inc. Japan
Mar. 1997	Joined Union Bancaire Privée
Aug. 2002	Established Alter Ego Consulting Co., Ltd. President and Representative Director
Feb. 2003	President and Representative Director of T-ZONE HOLDINGS, INC.
Jul. 2007	Joined the Company Head of Overseas Business Headquarters President of Don Quijote (USA) Co., Ltd.
Sep. 2012	Director of the Company
Nov. 2013	Senior Managing Director of the Company
Dec. 2013	Director of Don Quijote Co., Ltd. Director of Nagasakiya Co., Ltd. (current position)
Jul. 2015	Senior Managing Director and CCO of the Company
Jan. 2018	Senior Managing Director and CAO (Representative Director) of the Company
Jan. 2019	Director of UNY Co., Ltd. (current position)
Sep. 2019	President, Representative Director and CEO of the Company (current position)

Kazuhiro Matsumoto

Director, Senior Managing Executive Officer
and CMO (Global)
Head of Overseas Business and North America Business
Born in 1973

Mar. 1995	Graduated from Nihon Kogakuin College
Jan. 1996	Joined the Company
Dec. 2013	Executive Officer of Don Quijote Co., Ltd.
Jul. 2015	Director of Don Quijote Holdings Retail Management Co., Ltd.
Apr. 2017	General Manager of Food and Liquor Merchandising Development Headquarters of Don Quijote Co., Ltd.
Jan. 2018	Executive Officer of the Company
Feb. 2019	General Manager of Food and Liquor Merchandising Development Headquarters and Overseas Business Support Headquarters of Don Quijote Co., Ltd.
Jun. 2019	Director of Kanemi Co., Ltd.
Sep. 2019	Director, Managing Executive Officer and CMO (Global) of the Company
Jul. 2020	Vice President and COO of Pan Pacific Retail Management (Asia) Pte. Ltd. (current position)
Jul. 2021	Director, Senior Managing Executive Officer and CMO (Global), Head of Overseas Business of the Company Director of Don Quijote Co., Ltd. (current position)
Nov. 2021	President & CEO/Director of Pan Pacific Retail Management (USA) Co. (current position)
Oct. 2022	Director, Senior Managing Executive Officer and CMO (Global), Head of Overseas Business and North America Business of the Company (current position)

Hideki Moriya

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

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

Yuji Ishii

Director, Managing Executive Officer and CAO
Head of Financial Accounting and Accounting
Born in 1972

Mar. 1995	Graduated from the College of Humanities and Social Sciences, Ibaraki University
Sep. 2008	Joined the Company
Jan. 2013	Manager of Financial Accounting Division, Administration Headquarters of Don Quijote Shared Services Co., Ltd.
Jul. 2015	Deputy General Manager of Administration Headquarters of Don Quijote Shared Services Co., Ltd. Director of Don Quijote Holdings Retail Management Co., Ltd.
Jul. 2016	General Manager of Administration Headquarters of Don Quijote Shared Services Co., Ltd.
Sep. 2017	Director of the Company Director of Don Quijote Shared Services Co., Ltd.
Oct. 2017	General Manager of General Accounting Headquarters of Don Quijote Shared Services Co., Ltd.
Feb. 2018	Representative Director of Don Quijote Shared Services Co., Ltd.
May 2019	President and Representative Director of Pan Pacific Shared Service Co., Ltd.
Sep. 2019	Director and Executive Officer of the Company
Jul. 2021	Director, Managing Executive Officer and CAO of the Company (current position) Audit and Supervisory Board Member of Don Quijote Co., Ltd.

Hitomi Ninomiya

Director and Executive Officer
Head of the Diversity Management Committee
and Head of Design
Born in 1983

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

Yasunori Yoshimura

Outside Director
(Audit and Supervisory Committee Member)
Born in 1949

Mar. 1975	Graduated from Keio University School of Medicine
Nov. 1995	Professor of Keio University (Department of Obstetrics and Gynecology, School of Medicine)
Nov. 2010	President of Japan Society for Reproductive Medicine
Jun. 2011	Outside Director of ASKA Pharmaceutical Co., Ltd.
Aug. 2011	President of Japan Society of Gynecologic and Obstetric Endoscopy and Minimally Invasive Therapy
Oct. 2012	Chairman of YOSHIMURA BIOETHIC INSTITUTE (current position)
Mar. 2013	Special Advisor to the Cabinet (in charge of measures to counter the declining birthrate and support for child-raising)
Nov. 2013	Outside Audit and Supervisory Board Member of the Company
Apr. 2014	Professor Emeritus of Keio University (Department of Obstetrics and Gynecology) (current position) Honorary Director of SHINYURIGAOKA General Hospital (current position)
Sep. 2015	Outside Director of the Company
Sep. 2016	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)
May 2019	Representative Director of Childbirth/Child-Raising Comprehensive Support Promotion Organization
Dec. 2019	Chairman of the Board of “1 more Baby ohendan” Foundation
Apr. 2021	Outside Director of ASKA Pharmaceutical Holdings Co., Ltd. (current position)

Jumpei Nishitani

Outside Director
(Audit and Supervisory Committee Member)
Born in 1971

Mar. 1995	Graduated from the Faculty of Economics, The University of Tokyo
Mar. 1997	Earned a master's degree from the Faculty of Economics, The University of Tokyo
Mar. 2000	Obtained scores for doctorate degree and resigned from Graduate School of Economics, The University of Tokyo
Apr. 2000	Assistant Professor, Faculty of Management and Economics, Aomori Public University
Apr. 2005	Assistant Professor, College of Business Administration, Ritsumeikan University
Aug. 2009	Visiting Fellow, The University of British Columbia
Apr. 2015	Professor, College of Business Administration, Ritsumeikan University (current position)
Sep. 2017	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)

Masaharu Kamo

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

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

Isao Kubo

Outside Director
Born in 1958

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

Takao Yasuda

Director (non-standing)
Founding Chairman and Supreme Advisor
Born in 1949

Mar. 1973	Graduated from the Faculty of Law, Keio University
Sep. 1980	Established Just Co., Ltd. (currently Pan Pacific International Holdings Corporation) President and Representative Director
Sep. 2005	Chairman, Representative Director and CEO of the Company
Dec. 2005	Chairman of Yasuda Scholarship Foundation (current position)
Apr. 2013	Chairman, President, Representative Director and CEO of the Company
Aug. 2013	President, Representative Director of Don Quijote Preparatory Co., Ltd. (currently Don Quijote Co., Ltd.)
Dec. 2013	Chairman and Representative Director of Don Quijote Co., Ltd.
Jul. 2014	Chairman, Representative Director and CEO of the Company
Jul. 2015	Founding Chairman and Supreme Advisor of the Company (current position) Director (Chairman, President and CEO) of Pan Pacific International Holdings Pte. Ltd. (currently Pan Pacific Retail Management (Singapore) Pte. Ltd.)
Dec. 2018	President of Pan Pacific Strategy Institute Pte. Ltd. (current position)
Jan. 2019	Director (non-standing) of the Company (current position)
Apr. 2019	President of Pan Pacific Retail Management (Asia) Pte. Ltd.
Jul. 2020	Director, Chairman and CEO of Pan Pacific Retail Management (Singapore) Pte. Ltd.
Mar. 2023	Chairman of Pan Pacific Retail Management (Asia) Pte. Ltd. (current position)

Skill Matrix (executive officers)

Name	Position	Experience, etc. (reason for appointment)	Skill matrix						
			Management	Sales/ Merchandise/ Marketing	Legal affairs/ Compliance/ Risk management	Treasury/ Accounting/ Finance	Global experience	Human resource management	ESG/Diversity
Naoki Yoshida	President, Representative Director and CEO	He has a performance record of playing a key role in supporting many aspects of the PPIH Group, such as the divisions responsible for compliance and governance including the Group's legal affairs and labor affairs, the divisions in charge of finance, accounting and tax affairs, and the Group's strategic planning division both in Japan and overseas. As President, CEO and Representative Director, he is promoting a series of new strategies, including management integration, and organizational reforms to facilitate the delegation of authority and the development of the next generation of leaders. In addition, he possesses abundant experience and broad insight in relation to corporate management based on his successive service as president at various companies.	●	●	●	●	●	●	●
Kazuhiro Matsumoto	Director, Senior Managing Executive Officer and CMO (Global)	He possesses abundant experience and a performance record primarily in relation to merchandise strategies and store operation both in Japan and overseas, gained in the Group's retail division.	●	●			●	●	●
Hideki Moriya	Director, Managing Executive Officer and CSO	He possesses abundant experience and a performance record in the Group's retail division, notably his store operational experience, and, subsequently, in various top positions related to back office operations, including logistics, sales promotion and trade management. He is currently in charge of constructing and promoting management strategies for the Group as a whole.	●	●	●	●		●	
Yuji Ishii	Director, Managing Executive Officer and CAO	He possesses abundant experience and broad insight in relation to accounting, tax practices and corporate planning gained primarily by overseeing the accounting and general affairs division, while working for the Group.	●		●	●		●	
Hitomi Ninomiya	Director and Executive Officer	She possesses abundant experience, having managed a broad range of design-related operations ranging from the exteriors and interiors of stores to merchandise at companies in the Group. At the same time, she serves as the Head of the Diversity Management Committee, which primarily promotes women's participation and advancement in the workplace, and works on initiatives such as support for LGBTQ+, promotion of seniors' and non-Japanese people's participation and advancement in the workplace, and promotion of the employment of people with disabilities.	●	●				●	●
Isao Kubo	Outside Director	He possesses abundant insight related to corporate management, having engaged in corporate planning and audit-related services for many years at ITOCHU Corporation, and has held important posts such as Managing Executive Officer and General Manager of Internal Audit Division at that same company and Chief Strategy Officer and General Manager of the Corporate Planning Division of FamilyMart Co., Ltd.	●	●	●	●	●	●	
Takao Yasuda	Director (non-standing)	He is the founder of our company, created a new business format as a discounter, and has driven the development of the Group. Currently, he is leading the company's overseas business.	●	●	●	●	●	●	●
Yasunori Yoshimura	Outside Director (Audit and Supervisory Committee Member)	He possesses experience that includes serving in such important positions as a Special Advisor to the Cabinet, Professor at a university, and President of various learned societies.	●				●	●	●
Jumpei Nishitani	Outside Director (Audit and Supervisory Committee Member)	As a professor of business administration at a university, he has a high degree of expertise and extensive experience in accounting and economics.	●		●	●	●	●	●
Masaharu Kamo	Outside Director (Audit and Supervisory Committee Member)	He has served in important positions at a consulting company and at an operating company, and possesses abundant experience and broad insight related to corporate planning, etc., as a result of being involved in corporate management for many years.	●	●	●	●	●	●	

Messages from the Outside Directors

Human resources are the source of our ability to adapt: Achieving meaningful communication with investors through human capital disclosures

Outside Director (Audit and Supervisory Committee Member)
Jumpei Nishitani

High evaluation of the rise in our "earning power" amid the COVID-19 pandemic

Our operating profit of 105.3 billion yen and operating profit margin of 5.4% for the fiscal year ended June 30, 2023 demonstrate our Group's overall strength in the sense that we have maintained growth throughout the approximately three years of the COVID-19 pandemic by leveraging our innate "ability to adapt." I perceive this as an important point from the perspective of sustainable growth over the medium to long term. In particular, the driving force behind the improvement in our operating profit margin, or "earning power," was first the improvement in the profitability of our GMS business, and then the improvement in gross profit margins, centered on PB products, through the promotion of SPA reform in our discount business. I cannot help but feel amazed that both of these were achieved in the midst of the pandemic.

Going forward, we will continue to promote our PPIH-style SPA reform in our GMS business, following on from our discount business. In this regard, the results of the management reforms undertaken during the pandemic will not fully blossom until the fiscal year ending June 30, 2024. I hope that all of you stakeholders can expect even greater profitability in the future.

Expectations for the Sustainability Committee's Group-wide activities

Amid the current situation, we are still taking the preliminary steps for establishing an integrated sustainability management system for the entire PPIH Group. Under these circumstances, the Group's sustainability response must include on-site oriented efforts, such as sharing good practices in each market and sustainability-conscious products within the Group. In this regard, I have high expectations for the role of the Sustainability Committee, which operates as a cross-Group organization that transcends the boundaries of divisions and areas.

With regard to ESG (environmental, social, and governance), I highly appreciate the fact that PPIH is moving steadily forward based on the evaluations from various rating agencies and making solid progress. I have high expectations for the future promotion of PPIH-style ESG, and hope that the high evaluation of these activities will lead to further expansion of ESG investment in our company.

Going forward, our Group will continue to expand the scale of our overseas business, and its ratio within our Group's overall business will continue to rise. PPIH's overseas business is not only an expansion of our business domain, but also has a social significance in that it is an expansion of excellent Japanese commercial products into overseas markets. On the other hand, the significance of such business development is not easy to incorporate into ESG discussions. I hope that investors will gain a broad, deep understanding of our business and support our business development in pursuit of expanding social value.

Securing human resources and improving our system for supply chain management

With regard to supply chain management, we must take responsibility as a manufacturer, moving one step beyond the retail industry, in part because we have engaged in SPA reform since 2021. This matter has been pointed out by the Board of Directors from the outset. The PPIH Group Supply Chain Code of Conduct has been established to take this into account, and capacity-building initiatives have been implemented after conducting risk assessments.

In addition to the social aspect of ESG (such as human rights issues), the environmental aspect (environmental issues, as exemplified by COP3) is expected to become a more full-fledged issue in the future. Because companies will be required to take even greater care with their supply chains, I believe it is necessary for us to urgently secure expert human resources and establish a proper system.

Improving human capital disclosures for meaningful dialogue with stakeholders

With increasing uncertainty in international affairs, no one knows what changes will occur in Japan's economic environment in the future. However, as was the case with the COVID-19 pandemic, I expect that our "ability to adapt" will be especially demonstrated in the future uncertain environment.

The source of this ability is the human resources at PPIH. Although we began our human capital disclosures from the fiscal year ended June 30, 2023, my impression is that we have not fully communicated the excellence of our company, which offers a workplace where people can work and thrive through the thorough delegation of authority. I hope that future improvements will make dialogues with stakeholders even more meaningful.

Achieve sustainable growth by maintaining the strengths that have been cultivated since our company's founding and voraciously incorporating outside wisdom

Outside Director (Audit and Supervisory Committee Member)
Masaharu Kamo

Making "The Customer Matters Most," "delegation of authority," and "individual store operation" our greatest weapons

I became an Outside Director in 2022 and have been observing the Group from an objective perspective from the inside. I now realize anew that PPIH is a one-of-a-kind retailer whose greatest characteristics are its philosophy of "The Customer Matters Most," delegation of authority, and the resulting "individual store operation," and that these characteristics are its greatest weapons for adapting to changes in the market. As people on both the front and end lines, all the personnel in the stores continue to work hard together in friendly competition as they must put all their efforts into dealing with customers. This friendly competition leads to each member's growth, which in turn builds PPIH's strengths and achievements as a company. The backbone that supports these activities is our corporate philosophy compilation "The Source," and I feel that each member is able to move forward precisely because of this backbone.

Using my experience to help the executive divisions to enhance corporate value

As an Outside Director, I recognize that my responsibilities are to monitor and supervise management, as well as to provide advice on organizational management and business reform based on my experience in corporate management in various industries, including the retail industry, and to help the executive divisions to enhance corporate value over the medium to long term.

The Board of Directors is generally considered to be effective, with the four Outside Directors freely expressing their opinions about the company based on their different backgrounds and appropriately stimulating discussion. Furthermore, I believe that the Board of Directors will become even more effective in the future by deepening discussions on themes such as the future direction of the company and inherent risks, beyond just the supervision of day-to-day operations.

Voraciously incorporating outside wisdom and linking it to the creation of new business formats

By my evaluation, the profit targets in the medium-to-long term management plan "Visionary 2025/2030" are not reckless compared to our growth potential to date. They are at a well-balanced level as they are moderately feasible and moderately difficult.

In order to achieve the 2030 targets, it will be necessary to adapt to the changes of the times and voraciously incorporate existing business in order to append added value unique to PPIH and create new business formats. Naturally, the use of M&A should also be considered. However, in doing so, what is required is not simply acquiring sales, profits, or assets, but rather a management approach of bringing new businesses into the Group, nurturing them, and expanding them.

In particular, overseas business is not straightforward, and we expect to face many challenges, including the acquisition of new human resources, organizational management specific to each region, and the creation of peripheral ecosystems. If we continue to directly tackle these challenges, I am confident that we will overcome them.

Focus on human resources development and acquisition of human resources from external sources for sustainable growth

One of my expectations for the company is to strengthen human resources development and acquisition of human resources from external sources (including non-Japanese human resources). For sustainable growth in the future, in addition to adhering to the PPIH vision symbolized by "The Source" and checking its permeation on a daily basis, we must further strengthen internal and external stimuli so that we can gain new insight and create new added value without simply resting on our laurels.

The PPIH Group is now growing to be a global group with sales of more than 2 trillion yen, and with the expansion of our scale, the content of our business is also changing significantly. We are working to deepen our supply chain by strengthening our PB products and foods, including fresh food ingredients (which we purchase directly from the production areas). In the process, we must simultaneously strengthen our "vertical line" and "horizontal line" by incorporating an internal system with division of labor and roles while at the same time preserving our unique strengths in delegation of authority and individual store operation.

I feel that we are now at the most critical point in our history in terms of whether we can overcome the challenges we face, upgrade the system that has been in place since the company's founding, and achieve mature growth as an organization. As a member of our company working to the best of my ability, I will make every effort to ensure that PPIH continues to be a one-of-a-kind company.

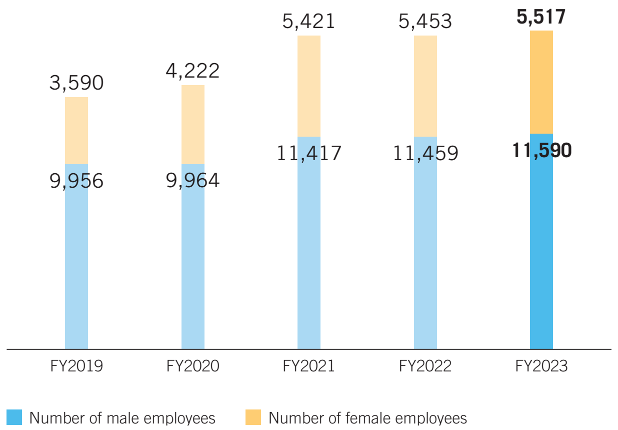
Financial and Non-Financial Highlights

Millions of yen

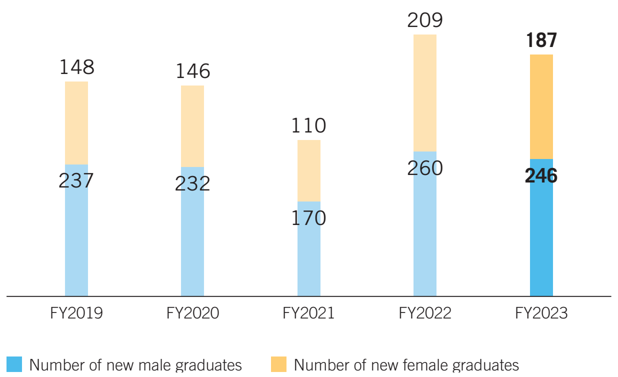
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019*3	FY2020*4	FY2021*5	FY2022*6	FY2023
Net sales	612,424	683,981	759,592	828,798	941,508	1,328,874	1,681,947	1,708,635	1,831,280	1,936,783
Cost of sales	451,406	502,240	557,699	610,218	697,517	958,347	1,200,831	1,211,400	1,287,892	1,336,393
Selling, general and administrative expenses	126,726	142,638	158,708	172,395	192,423	307,417	405,692	416,003	454,701	495,131
Operating income	34,292	39,103	43,185	46,185	51,568	63,110	75,424	81,232	88,688	105,259
Ordinary income	35,487	40,160	43,797	45,523	57,218	68,240	74,600	81,452	100,442	110,994
Profit before income taxes	34,225	39,157	42,113	55,325	56,373	66,284	72,588	64,191	92,028	100,739
Profit attributable to owners of parent	21,471	23,148	24,938	33,082	36,405	47,066	49,927	53,734	61,928	66,167
Total assets	432,135	505,666	560,568	642,868	806,778	1,282,100	1,297,231	1,370,115	1,383,678	1,481,058
Total net assets	193,164	221,367	244,547	279,930	312,495	352,300	388,999	438,628	399,247	463,539
Basic earnings per share (yen)*1	34.33	36.77	39.44	52.30	57.53	74.36	78.79	84.74	102.64	110.94
Diluted earnings per share (yen)*1	34.14	36.65	39.41	52.26	57.41	74.13	78.58	84.52	102.41	110.67
Cash dividends per share (yen)*1	4.50	5.00	5.50	6.50	8.00	10.00	15.00	16.00	17.00	20.00
Consolidated dividend payout ratio (%)	13.1	13.6	13.9	12.4	13.9	13.4	19.0	18.9	16.6	18.0
Return on assets (ROA) (%)	5.2	4.9	4.7	5.5	5.0	4.5	3.8	4.0	4.5	4.6
Return on equity (ROE) (%)	12.1	11.6	11.2	13.5	13.3	15.2	14.3	13.6	15.3	15.7
Number of purchasing customers	260,191,080	283,039,023	304,899,600	333,215,267	370,829,179	528,888,368	660,601,089	646,894,352	663,998,892	663,919,818
Number of purchased items	1,586,622,869	1,824,446,232	2,039,829,666	2,313,489,393	2,662,827,579	4,108,663,303	5,315,271,867	5,374,521,949	5,457,684,270	5,242,121,439
Number of Group employees	5,282	6,029	6,857	6,708	7,876	13,546	14,186	16,838	16,912	17,107
Number of female store managers in Japan	–	–	–	–	–	–	–	13	26	31
Number of new graduate hires in Japan	–	–	–	–	225	385	378	280	469	433
% of female employees in new graduate hires in Japan	–	–	–	–	46.7	38.4	38.6	39.3	44.6	43.2
CO_2 emissions (t-CO_2)*2	–	–	–	–	268,880	381,608	567,357	534,349	522,868	541,244

*1 Calculated information per share assuming that the share split (2-for-1) conducted on July 1, 2015 and share split (4-for-1) conducted on September 1, 2019 took place at the start of FY2014.
*2 Total for Scopes 1 and 2; Extent of data aggregation: major domestic Group companies; UNY Co., Ltd. was added from January 2019; Data aggregation period: April of the previous year to March of the current year; Scope 2 emission factors: adjusted emission factor for each electric power company
*3 Regarding the corporate integration with UNY, values related to FY2019 utilize confirmed content following confirmation in FY2020 statements of provisional accounting measures used in FY2019.
*4 In FY2021, the Group changed its accounting method for inventories. This change has been retroactively applied to the figures for FY2020.
*5 Regarding the corporate integration with GRCY Holdings, Inc., the figures for FY2021 are final figures taken from FY2022 statements that confirm and finalize the provisional accounting measures used in FY2021.
*6 From the beginning of the fiscal year ended June 2022, the PPIH Group has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others.

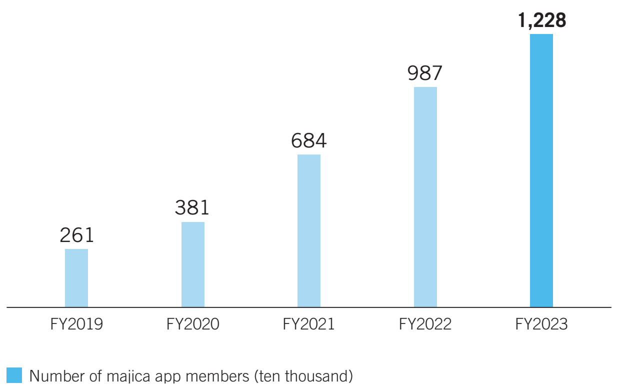
Number of Group employees by gender



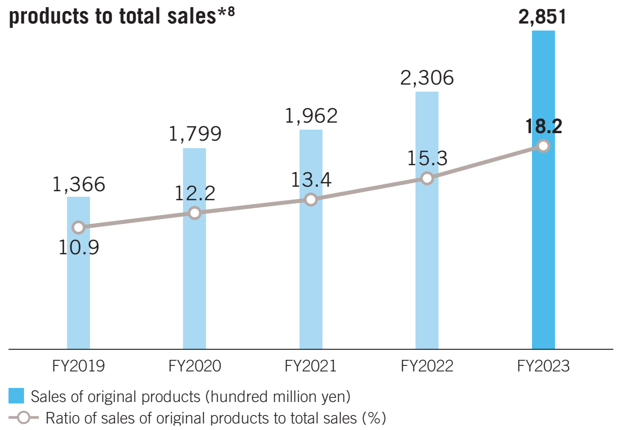
Number of new graduate hires by gender in Japan



Number of majica app members



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



*7 Original products: private brand products and OEM products
Scope: domestic discount store business and domestic GMS business
*8 Reflects UNY results from 3Q FY2019 due to consolidation of UNY

Financial Performance

Consolidated Balance Sheets

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
As of June 30, 2022 and 2023

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Assets			
Current assets			
Cash and deposits (Note 3)	¥ 176,777	¥ 242,088	$ 1,670
Notes and accounts receivables–trade (Note 1)	12,728	13,782	95
Accounts receivables–installment	52,122	55,350	382
Operating loans	8,115	9,047	62
Merchandise and finished goods (Note 3)	205,893	194,537	1,342
Prepaid expenses	7,904	8,629	60
Deposits paid	4,768	5,357	37
Other	20,052	25,541	176
Allowance for doubtful accounts	(1,828)	(2,496)	(17)
Total current assets	486,531	551,836	3,806
Non-current assets			
Property, plant and equipment			
Buildings and structures (Note 3)	448,210	490,423	3,382
Accumulated depreciation	(156,440)	(177,171)	(1,222)
Accumulated impairment loss	(23,412)	(25,278)	(174)
Buildings and structures, net	268,358	287,975	1,986
Tools, furniture and fixtures	107,719	118,405	817
Accumulated depreciation	(69,044)	(78,928)	(544)
Accumulated impairment loss	(3,653)	(4,451)	(31)
Tools, furniture and fixtures, net	35,022	35,027	242
Other	2,835	2,868	20
Accumulated depreciation	(1,422)	(1,475)	(10)
Accumulated impairment loss	(0)	(0)	(0)
Other, net	1,412	1,393	10
Land (Note 3)	314,711	318,721	2,198
Construction in progress	19,649	15,532	107
Right-of-use assets	29,574	37,306	257
Accumulated depreciation	(2,661)	(4,919)	(34)
Accumulated impairment loss	(1,000)	(1,825)	(13)
Right-of-use assets, net	25,913	30,561	211
Total property, plant and equipment	665,065	689,209	4,753
Intangible assets			
Goodwill	61,759	61,002	421
Other	24,458	27,528	190
Total intangible assets	86,217	88,530	611
Investments and other assets			
Investment securities (Note 2)	27,226	34,643	239
Long-term loan receivables	966	9	0
Long-term prepaid expenses	4,859	4,370	30
Retirement benefit asset	17,455	17,806	123
Deferred tax assets	20,840	20,686	143
Leasehold and guarantee deposits	73,225	71,845	496
Other (Note 3)	3,422	3,467	24
Allowance for doubtful accounts	(2,129)	(1,342)	(9)
Total investments and other assets	145,864	151,484	1,045
Total non-current assets	897,146	929,222	6,409
Total assets	¥1,383,678	¥1,481,058	$10,215

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Liabilities			
Current liabilities			
Notes and accounts payables–trade	¥ 152,885	¥ 168,661	$ 1,163
Current portion of long-term loan payables (Note 9)	26,918	34,364	237
Current portion of bonds	11,421	10,930	75
Accounts payables–other	49,128	49,475	341
Lease obligations	1,804	2,263	16
Accrued expenses	25,182	26,991	186
Deposits received	13,485	14,012	97
Income taxes payables	13,492	23,169	160
Provision for point card certificates	1,935	1,962	14
Contract liabilities	11,361	20,838	144
Other (Note 3)	18,765	15,756	109
Total current liabilities	326,378	368,422	2,541
Non-current liabilities			
Bond payables	272,555	261,625	1,804
Long-term loan payables (Note 9)	276,201	272,499	1,879
Lease obligations	25,471	31,036	214
Asset retirement obligations	30,338	30,835	213
Other (Note 3)	53,488	53,101	366
Total non-current liabilities	658,053	649,097	4,477
Total liabilities	984,431	1,017,519	7,018
Net assets			
Shareholders' equity			
Capital stock	23,217	23,351	161
Capital surplus	17,376	17,509	121
Retained earnings	428,044	483,366	3,334
Treasury shares	(80,956)	(80,956)	(558)
Total shareholders' equity	387,681	443,270	3,057
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	520	1,690	12
Foreign currency translation adjustment	3,532	7,797	54
Remeasurements of defined benefit plans	487	503	3
Total accumulated other comprehensive income	4,539	9,991	69
Share acquisition rights	271	771	5
Non-controlling interests	6,755	9,507	66
Total net assets	399,247	463,539	3,197
Total liabilities and net assets	¥1,383,678	¥1,481,058	$10,215

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, 2022 and 2023

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net sales (Note 1)	¥1,831,280	¥1,936,783	$13,358
Cost of sales (Note 2)	1,287,892	1,336,393	9,217
Gross profit	543,388	600,390	4,141
Selling, general and administrative expenses (Note 3)	454,701	495,131	3,415
Operating income	88,688	105,259	726
Non-operating income			
Interest and dividend income	855	893	6
Amortization of negative goodwill	7	–	–
Share of profit of affiliates accounted for using equity method	498	679	5
Foreign exchange gains	15,468	6,420	44
Other	4,145	6,269	43
Total non-operating income	20,973	14,261	98
Non-operating expenses			
Interest expenses paid on loans and bonds	7,509	7,703	53
Cost of claim's liquidation	1	–	–
Commission fee	450	94	1
Other	1,260	729	5
Total non-operating expenses	9,219	8,526	59
Ordinary income	100,442	110,994	766
Extraordinary income			
Gain on sale of non-current assets (Note 4)	924	19	0
Reversal of provision for environmental measures	85	4	0
Other	95	32	0
Total extraordinary income	1,105	54	0
Extraordinary losses			
Impairment loss (Note 5)	5,720	5,983	41
Loss on retirement of non-current assets (Note 6)	1,433	1,565	11
Loss on closing of stores (Note 7)	952	2,392	16
Loss on disaster	174	71	0
Loss on litigation	548	226	2
Other	692	72	0
Total extraordinary losses	9,519	10,309	71
Profit before income taxes	92,028	100,739	695
Income taxes–current	26,812	37,367	258
Income taxes–deferred	3,469	(2,399)	(17)
Total income taxes	30,281	34,967	241
Profit	61,747	65,772	454
Loss attributable to non-controlling interests	(182)	(396)	(3)
Profit attributable to owners of parent	¥ 61,928	¥ 66,167	$ 456

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, 2022 and 2023

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Profit	¥61,747	¥65,772	$454
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,289)	1,628	11
Foreign currency translation adjustment	3,335	4,359	30
Remeasurements of defined benefit plans, net of tax	284	42	0
Share of other comprehensive income of affiliates accounted for using equity method	5	(26)	(0)
Total other comprehensive income (Note)	2,334	6,003	41
Comprehensive income	¥64,081	¥71,775	$495
Comprehensive income attributable to:			
Owners of parent	¥64,148	¥71,619	$494
Non-controlling interests	(67)	156	1

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, 2022 and 2023

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 yen

	Shareholders' equity					Accumulated other comprehensive income						
2023	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	¥23,217	¥17,376	¥428,044	¥ (80,956)	¥387,681	¥ 520	¥3,532	¥487	¥4,539	¥271	¥6,755	¥399,247
Changes of items during period												
Issuance of new shares	134	134			267							267
Dividends of surplus			(10,734)		(10,734)							(10,734)
Profit attributable to owners of parent			66,167		66,167							66,167
Change in scope of consolidation			(112)		(112)							(112)
Net changes of items other than shareholders' equity						1,170	4,265	16	5,452	500	2,752	8,703
Total changes of items during period	134	134	55,322	–	55,589	1,170	4,265	16	5,452	500	2,752	64,292
Balance at end of current period	¥23,351	¥17,509	¥483,366	¥ (80,956)	¥443,270	¥1,690	¥7,797	¥503	¥9,991	¥771	¥9,507	¥463,539

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
2023	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	$160	$120	$2,952	$(558)	$2,674	$ 4	$24	$3	$31	$2	$47	$2,754
Changes of items during period												
Issuance of new shares	1	1			2							2
Dividends of surplus			(74)		(74)							(74)
Profit attributable to owners of parent			456		456							456
Change in scope of consolidation			(1)		(1)							(1)
Net changes of items other than shareholders' equity						8	29	0	38	3	19	60
Total changes of items during period	1	1	382	–	383	8	29	0	38	3	19	443
Balance at end of current period	$161	$121	$3,334	$(558)	$3,057	$12	$54	$3	$69	$5	$66	$3,197

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Pan Pacific International Holdings Corporation and Consolidated Subsidiaries
For the fiscal years ended June 30, 2022 and 2023

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Cash flows from operating activities			
Profit before income taxes	¥ 92,028	¥100,739	$ 695
Depreciation and amortization	38,229	42,261	291
Impairment loss	5,720	5,983	41
Increase (decrease) in allowance for doubtful accounts	523	(136)	(1)
Interest and dividend income	(855)	(893)	(6)
Interest expenses paid on loans and bonds	7,509	7,703	53
Foreign exchange gains	(15,468)	(6,420)	(44)
Share of profit of affiliates accounted for using equity method	(498)	(679)	(5)
Loss on sale and retirement of non-current assets	729	1,555	11
Loss on closing of stores	952	2,392	16
Offset payments for house rental fee with leasehold and guarantee deposits	2,289	2,229	15
Decrease in notes and accounts receivables–trade	8,274	(912)	(6)
Decrease in inventories	109	13,154	91
Increase in notes and accounts payables–trade	595	14,345	99
Decrease in accounts receivables–installment	13,265	(3,345)	(23)
Increase in retirement benefit asset	(279)	(287)	(2)
Increase (decrease) in accounts payables–other	394	(1,915)	(13)
Increase (decrease) in deposits received	(268)	507	3
Increase (decrease) in other current liabilities	(14,499)	4,804	33
Decrease in other non-current liabilities	(1,932)	(244)	(2)
Other, net	(11,134)	(4,635)	(32)
Subtotal	125,682	176,208	1,215
Interest and dividend income received	532	768	5
Interest expenses paid	(7,803)	(7,737)	(53)
Income taxes paid	(39,111)	(31,940)	(220)
Income taxes refund	15,424	585	4
Proceeds from insurance benefits	1,051	–	–
Proceeds from dividend income from affiliates accounted for using equity method	82	170	1
Payments for loss on disaster	(722)	(99)	(1)
Net cash provided by operating activities	95,136	137,955	951
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(46,577)	(51,678)	(356)
Proceeds from sale of property, plant and equipment	6,125	958	7
Payments for purchase of intangible assets	(4,139)	(7,884)	(54)
Payments for leasehold and guarantee deposits	(825)	(1,782)	(12)
Proceeds from collection of leasehold and guarantee deposits	1,062	2,122	15
Payments for store opening in progress	(656)	(611)	(4)
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 2)	(145)	–	–
Payments for purchase of shares of subsidiaries and affiliates	–	(3,386)	(23)
Payments of loan receivables	(601)	(3)	(0)
Other, net	1,000	267	2
Net cash used in investing activities	(44,756)	(61,997)	(428)
Cash flows from financing activities			
Net decrease in short-term loan payables	(1,500)	–	–
Proceeds from long-term loan payables	30,000	30,000	207
Payments of long-term loan payables	(36,394)	(27,171)	(187)
Proceeds from issuance of bonds	79,619	–	–
Redemption of bonds	(22,566)	(11,421)	(79)
Proceeds from issuance of common shares	129	380	3
Cash dividends paid	(10,034)	(10,734)	(74)
Proceeds from share issuance to non-controlling interests	–	5,000	34
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(10,646)	(2,239)	(15)
Purchase of treasury shares of subsidiaries	(80,941)	–	–
Other, net	(1,520)	(2,032)	(14)
Net cash used in financing activities	(53,854)	(18,217)	(126)
Effect of foreign exchange rate change on cash and cash equivalents	22,849	9,784	67
Net increase in cash and cash equivalents	19,376	67,525	466
Cash and cash equivalents at beginning of period	160,875	180,418	1,244
Increase in cash and cash equivalents from newly consolidated subsidiaries	166	–	–
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(1,852)	(13)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	104	1
Cash and cash equivalents at end of period (Note 1)	¥180,418	¥246,195	$1,698

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2022 and 2023

(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 ¥144.99 to U.S.$1, the rate prevailing on June 30, 2023. 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 74

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 60 other companies

During the fiscal year ended June 30, 2023, the Company established three new companies and included them in the scope of consolidation. In addition, the specified subsidiary B'CAUSE Pte. Ltd. and one of its consolidated subsidiaries were excluded from the scope of consolidation due to a decrease in the Company's stake in the said companies as a result of a capital increase through third-party allotment. Moreover, four companies were excluded from the scope of consolidation: three 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

Five 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

Five 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, 7 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, 2023 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) Sale of products

Revenue from sale of products in the Domestic business, North America business, and Asia business is 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

In the Domestic business, North America business, and Asia 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) Financial income

Financial income in the Domestic business consists of credit fees and commissions from finance services, 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.

(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, 2023

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Merchandise and finished goods	¥205,893	¥194,537	$1,342
Loss on valuation of inventories included in cost of sales	¥3,872	¥3,276	$23

(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, 2023

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Property, plant and equipment	¥665,065	¥689,209	$4,753
Intangible assets	¥86,217	¥88,530	$611
Impairment loss	¥5,720	¥5,983	$41

(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

Financial Performance

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 COVID-19, the Group composes estimates based on the assumption that the resulting impact will be limited, since the status of the disease under the Infectious Disease Act was reduced to Class 5 and socioeconomic activities are moving toward normalization.

(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, 2023

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Deferred tax assets	¥20,840	¥20,686	$143

(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. Regarding COVID-19, the Group composes estimates based on the assumption that the resulting impact will be limited, since the status of the disease under the Infectious Disease Act was reduced to Class 5 and socioeconomic activities are moving toward normalization.

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)
The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Implementation Guidance on Fair Value Measurement Standard") from the beginning of the fiscal year ended June 30, 2023, and will prospectively apply the new accounting policies stipulated by the Implementation Guidance on Fair Value Measurement Standard in accordance with the transitional treatment provided for in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Standard. This does not affect the consolidated financial statements.

(Accounting Standards, etc. not yet Applied)

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview
In February 2018, ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. (hereinafter "ASBJ Statement No. 28, etc.") was announced and the transfer of the Japanese Institute of Certified Public Accountants' practical guidelines on tax effect accounting to the Accounting Standards Board of Japan was completed. However, in the course of its deliberations, the following two issues, which were to be examined again after the release of ASBJ Statement No. 28, etc., were deliberated and announced.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on sale of shares of subsidiaries and other securities (shares of subsidiaries or affiliates) when the corporate group tax system is applied

(2) Scheduled date of application
The standards will be applied from the beginning of the fiscal year ending June 30, 2025.

(3) Impact of application of accounting standards, etc.
The impact of the application of the "Accounting Standard for Current Income Taxes," etc. on the consolidated financial statements is currently being assessed.

(Changes in Presentation)

(Consolidated Statements of Cash Flows)
For the fiscal year ended June 30, 2022, the account "Amortization of negative goodwill" under "Cash flows from operating activities," which was previously shown as a separate line item, is included in "Other, net" since the amount became immaterial. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2022.

As a result, the amount of ¥(7) million presented as "Amortization of negative goodwill" under "Cash flows from operating activities" was reclassified to "Other, net" in the consolidated statement of cash flows for the fiscal year ended June 30, 2022.

For the fiscal year ended June 30, 2022, the account "Payment for store opening in progress," which was previously included in "Other, net" under "Cash flows from investing activities," is shown as a separate line item since the amount became material. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2022.

As a result, the amount of ¥354 million presented as "Other, net" under "Cash flows from investing activities" was reclassified to ¥(656) million of "Payment for store opening in progress" and ¥1,010 million of "Other, net" in the consolidated statement of cash flows for the fiscal year ended June 30, 2022.

For the fiscal year ended June 30, 2022, the account "Payments for purchase of investment securities" under "Cash flows from investing activities," which was previously shown as a separate line item, is included in "Other, net" since the amount became immaterial. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2022.

As a result, the amount of ¥(10) million presented as "Payments for purchase of investment securities" under "Cash flows from investing activities" was reclassified to "Other, net" in the consolidated statement of cash flows for the fiscal year ended June 30, 2022.

For the fiscal year ended June 30, 2022, the account "Repayments of payables under fluidity lease receivables" under "Cash flows from financing activities," which was previously shown as a separate line item, is included in "Other, net" since the amount became immaterial. To reflect this change in presentation, certain reclassification was made to the consolidated financial statements for the fiscal year ended June 30, 2022.

As a result, the amount of ¥(192) million presented as "Repayments of payables under fluidity lease receivables" under "Cash flows from financing activities" was reclassified to "Other, net" in the consolidated statement of cash flows 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, 2023 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, 2022	As of June 30, 2023	As of June 30, 2023
Investment securities (stocks)	¥13,387	¥17,253	$119

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, 2022	As of June 30, 2023	As of June 30, 2023
Cash and deposits	¥1,005	¥1,234	$ 9
Merchandise and finished goods	380	493	3
Buildings and structures	739	790	5
Land	2,009	2,083	14
Other	167	171	1
Total	¥4,300	¥4,771	$33

Liabilities corresponding to assets pledged as collateral are as follows:

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2022	As of June 30, 2023	As of June 30, 2023
Current liabilities "Other"	¥ 228	¥ 172	$1
Non-current liabilities "Other"	1,237	1,167	8
Total	¥1,465	¥1,339	$9

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, 2022	As of June 30, 2023	As of June 30, 2023
Guarantee on debts for new construction project (payment for construction contractors)	¥2,106	¥–	$–

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, 2022	As of June 30, 2023	As of June 30, 2023
Retroactive obligations due to securitization of receivables	¥5,250	¥5,325	$37

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, 2022	As of June 30, 2023	As of June 30, 2023
Total credit line for bank overdraft	¥58,610	¥58,110	$401
Bank loans arranged	–	–	–
Unused balance	¥58,610	¥58,110	$401

Note 7 The Company and its consolidated subsidiaries have entered into loan commitment agreements with three banks as of June 30, 2022 and four banks as of June 30, 2023, 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, 2022	As of June 30, 2023	As of June 30, 2023
Total amount of loan commitment	¥30,000	¥32,175	$222
Bank loans arranged	–	–	–
Unused balance	¥30,000	¥32,175	$222

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, 2022	As of June 30, 2023	As of June 30, 2023
Total amount of credit lines given	¥544,945	¥553,193	$3,815
Loan receivables from cash advances	7,998	8,898	61
Unused balance	¥536,947	¥544,295	$3,754

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 The Company signed syndicated loan agreements with 39 financial institutions totaling ¥50,000 million ($345 million). These agreements include financial covenants based on certain indices calculated from net assets on the consolidated balance sheets.

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2022	As of June 30, 2023	As of June 30, 2023
Balance of loan payables based on syndicated loan agreements	¥50,000	¥50,000	$345

(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, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
¥3,872	¥3,276	$23

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, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Employees' compensation and benefits	¥175,377	¥185,450	$1,279
Occupancies and rentals	54,972	59,461	410
Commissions	59,582	61,454	424
Depreciation and amortization	31,260	34,375	237
Provision for point card certificates	4,991	4,984	34
Amortization of goodwill	4,034	4,604	32
Retirement benefit costs	¥ 1,881	¥ 1,939	$ 13

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, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Buildings and structures	¥1,649	¥(215)	$(1)
Furniture and fixtures	(8)	1	0
Land	(717)	238	2
Other	–	(5)	(0)
Total	¥ 924	¥ 19	$ 0

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.

Note 5 Impairment loss

The Group recognized impairment loss on the following asset groups:

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

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

Financial Performance

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 for buildings and structures, ¥712 million for tools, furniture and fixtures, ¥1,122 million for land, ¥177 million for construction in progress, ¥867 million for right-of-use assets, and ¥141 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, 2023 (From July 1, 2022 to June 30, 2023)

			Millions of yen	Millions of U.S. dollars
Location	Use	Category	Impairment loss	
Kanto	Store facilities	Buildings and structures, Tools, furniture and fixtures, and Intangible assets (other)	¥1,611	$11
Chubu	Store facilities	Buildings and structures, Tools, furniture and fixtures, and Intangible assets (other)	1,717	12
Kinki	Store facilities	Buildings and structures, Tools, furniture and fixtures, and Intangible assets (other)	172	1
Asia	Store facilities	Buildings and structures, Tools, furniture and fixtures, and Intangible assets (other)	1,474	10
North America	Store facilities	Buildings and structures, Tools, furniture and fixtures, and Right-of-use assets	1,009	7
Total			¥5,983	$41

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, 2023, 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 (¥2,508 million ($17 million) for buildings and structures, ¥943 million ($7 million) for tools, furniture and fixtures, ¥728 million ($5 million) for right-of-use assets, and ¥1,805 million ($12 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		Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Buildings and structures	¥ 197	¥ 441	$ 3
Furniture and fixtures	129	195	1
Property, plant and equipment (other)	0	371	3
Intangible assets (other)	82	1	0
Removal expenses	1,024	556	4
Total	¥1,433	¥1,565	$11

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

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Buildings and structures	¥ –	¥ 607	$ 4
Furniture and fixtures	2	470	3
Removal expenses, etc.	950	1,315	9
Total	¥952	¥2,392	$16

(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		Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥(1,910)	¥2,348	$16
Reclassification adjustment to profit (loss)	19	–	–
Amount before tax effect	(1,892)	2,348	16
Tax effect	602	(720)	(5)
Valuation difference on available-for-sale securities	(1,289)	1,628	11
Foreign currency translation adjustment:			
Amount arising during the fiscal year	3,335	4,866	34
Reclassification adjustment to profit (loss)	–	(507)	(3)
Amount before tax effect	3,335	4,359	30
Tax effect	–	–	–
Foreign currency translation adjustment	3,335	4,359	30
Retirement benefit adjustment:			
Amount arising during the fiscal year	438	126	1
Reclassification adjustment to profit (loss)	(18)	(62)	(0)
Amount before tax effect	420	64	0
Tax effect	(136)	(22)	(0)
Retirement benefit adjustment	284	42	0
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the fiscal year	5	(26)	(0)
Total other comprehensive income	¥ 2,334	¥6,003	$41

(Notes to Consolidated Statements of Changes in Net Assets)

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.
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.

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

			Shares				Millions of yen
Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares 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
The Company	Paid-in stock options	–	–	–	–	–	11
Total		–	–	–	–	–	¥271

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, 2021	Common stock	¥8,245	¥13.0	June 30, 2021	September 30, 2021
Board of Directors' meeting held on February 10, 2022	Common stock	1,789	3.0	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	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 28, 2022	Common stock	Retained earnings	¥8,348	¥14.0	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 in the fiscal year ended June 30, 2022, amounting to ¥80,956 million as of June 30, 2022.

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

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, 2022	Increase	Decrease	Number of shares as of June 30, 2023
Outstanding shares				
Common stock (Note)	634,379	288	–	634,666
Total	634,379	288	–	634,666
Treasury shares				
Common stock	38,073	–	–	38,073
Total	38,073	–	–	38,073

(Note) The increase of 288 thousand shares of common stock issued and outstanding is due to the exercise of stock options.

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

			Shares				Millions of yen	Millions of U.S. dollars
Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares subject to share acquisition rights: Number of shares as of July 1, 2022	Increase	Decrease	Number of shares as of June 30, 2023	As of June 30, 2023	
The Company	Share-based compensation stock options	–	–	–	–	–	¥260	$2
The Company	Paid-in stock options	–	–	–	–	–	511	4
Total		–	–	–	–	–	¥771	$5

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 28, 2022	Common stock	¥8,348	$58	¥14.0	$0.10	June 30, 2022	September 29, 2022
Board of Directors' meeting held on February 8, 2023	Common stock	2,386	16	4.0	0.03	December 31, 2022	March 24, 2023

(2) Dividends with a record date during the fiscal year ended June 30, 2023, but with an effective date subsequent to the fiscal year ended June 30, 2023

			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 27, 2023	Common stock	Retained earnings	¥9,545	$66	¥16.0	$0.11	June 30, 2023	September 28, 2023

4. Significant changes in net assets

Not applicable.

(Notes to Consolidated Statements of Cash Flows)

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

		Millions of yen	Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Cash and deposits	¥176,777	¥242,088	$1,670
Cash equivalents included in deposits paid	3,641	4,106	28
Cash and cash equivalents	¥180,418	¥246,195	$1,698

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, 2022

The disclosure is omitted due to its insignificance.

(Lease Transactions)

(As a lessee)

1. Finance lease transactions

Finance leases that do not transfer ownership

(a) Description of lease assets

Property, plant and equipment

Mainly store equipment and office equipment

(b) Depreciation method for lease assets

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

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases:

		Millions of yen	Millions of U.S. dollars
	As of June 30, 2022	As of June 30, 2023	As of June 30, 2023
Due within one year	¥10,939	¥12,167	$ 84
Due after one year	35,261	32,277	223
Total	¥46,200	¥44,443	$307

(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. 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," "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, 2022

Millions of yen

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

(*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.

As of June 30, 2023

	Millions of yen			Millions of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Accounts receivables–installment	55,350			382		
Allowance for doubtful accounts(*1)	(2,001)			(14)		
Deferred installment income(*2)	(183)			(1)		
	53,165	61,568	8,402	367	425	58
(2) Operating loans	9,047			62		
Allowance for doubtful accounts(*1)	(204)			(1)		
	8,843	10,661	1,818	61	74	13
(3) Investment securities						
(i) Available-for-sale securities	15,175	15,175	–	105	105	–
(ii) Shares of subsidiaries and affiliates	11,733	11,181	(552)	81	77	(4)
(4) Long-term loan receivables	9			0		
Allowance for doubtful accounts(*1)	(0)			(0)		
	9	9	–	0	0	–
(5) Leasehold and guarantee deposits	71,845			496		
Allowance for doubtful accounts(*1)	(974)			(7)		
	70,871	71,230	360	489	491	2
Total assets	159,796	169,824	10,028	1,102	1,171	69
(1) Current portion of long-term loan payables	34,364	34,365	1	237	237	0
(2) Current portion of bonds	10,930	10,881	(49)	75	75	(0)
(3) Lease obligations (Current liabilities)	2,263	2,252	(11)	16	16	(0)
(4) Bond payable	261,625	257,950	(3,675)	1,804	1,779	(25)
(5) Long-term loan payables	272,499	274,177	1,678	1,879	1,891	12
(6) Lease obligations (Non-current liabilities)	31,036	30,854	(182)	214	213	(1)
Total liabilities	612,718	610,479	(2,239)	4,226	4,210	(15)
Derivative transactions(*3)	[594]	[594]	–	[4]	[4]	–

(*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
	As of June 30, 2022	As of June 30, 2023	As of June 30, 2023
Investment securities			
Unlisted equity securities	¥1,013	¥2,215	$15
Shares of non-consolidated subsidiaries and affiliates	¥5,393	¥5,520	$38

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

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

As of June 30, 2023

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	¥242,088	¥ –	¥ –	¥ –
Notes and accounts receivables–trade	13,782	–	–	–
Accounts receivables–installment(*1)	31,592	14,863	4,071	–
Operating loans	4,757	4,246	43	–
Deposits paid	5,357	–	–	–
Long-term loan receivables(*2)	–	–	–	–
Leasehold and guarantee deposits(*2)	1,985	6,459	4,617	4,204
Total	¥299,561	¥25,568	¥8,731	¥4,204

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	$1,670	$ –	$ –	$ –
Notes and accounts receivables–trade	95	–	–	–
Accounts receivables–installment(*1)	218	103	28	–
Operating loans	33	29	0	–
Deposits paid	37	–	–	–
Long-term loan receivables(*2)	–	–	–	–
Leasehold and guarantee deposits(*2)	14	45	32	29
Total	$2,066	$176	$60	$29

(*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, 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

As of June 30, 2023

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	¥10,930	¥ 650	¥20,650	¥40,325	¥10,000	¥190,000
Long-term loan payables	34,364	31,829	54,670	31,286	8,196	146,518
Lease obligations	2,263	2,408	2,082	2,130	1,909	22,507
Total	¥47,558	¥34,888	¥77,402	¥73,740	¥20,106	¥359,024

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	$ 75	$ 4	$142	$278	$ 69	$1,310
Long-term loan payables	237	220	377	216	57	1,011
Lease obligations	16	17	14	15	13	155
Total	$328	$241	$534	$509	$139	$2,476

Financial Performance

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

As of June 30, 2023

Millions of yen

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥15,175	¥–	¥–	¥15,175
Derivative transactions				
Currency related	–	217	–	217
Total assets	15,175	217	–	15,391
Derivative transactions				
Interest rate and currency related	–	811	–	811
Total liabilities	¥ –	¥811	¥–	¥ 811

Millions of U.S. dollars

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	$105	$–	$–	$105
Derivative transactions				
Currency related	–	1	–	1
Total assets	105	1	–	106
Derivative transactions				
Interest rate and currency related	–	6	–	6
Total liabilities	$ –	$6	$–	$ 6

(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

As of June 30, 2023

Millions of yen

	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivables–installment	¥ –	¥ 61,568	¥–	¥ 61,568
Operating loans	–	10,661	–	10,661
Investment securities				
Shares of subsidiaries and affiliates				
Equity securities	11,181	–	–	11,181
Long-term loan receivables	–	9	–	9
Leasehold and guarantee deposits	–	71,230	–	71,230
Total assets	11,181	143,468	–	154,650
Current portion of long-term loan payables	–	34,365	–	34,365
Current portion of bonds	–	10,881	–	10,881
Lease obligations (Current liabilities)	–	2,252	–	2,252
Bond payables	–	257,950	–	257,950
Long-term loan payables	–	274,177	–	274,177
Lease obligations (Non-current liabilities)	–	30,854	–	30,854
Total liabilities	¥ –	¥610,479	¥–	¥610,479

Millions of U.S. dollars

	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivables–installment	$ –	$ 425	$–	$ 425
Operating loans	–	74	–	74
Investment securities				
Shares of subsidiaries and affiliates				
Equity securities	77	–	–	77
Long-term loan receivables	–	0	–	0
Leasehold and guarantee deposits	–	491	–	491
Total assets	77	990	–	1,067
Current portion of long-term loan payables	–	237	–	237
Current portion of bonds	–	75	–	75
Lease obligations (Current liabilities)	–	16	–	16
Bond payables	–	1,779	–	1,779
Long-term loan payables	–	1,891	–	1,891
Lease obligations (Non-current liabilities)	–	213	–	213
Total liabilities	$ –	$4,210	$–	$4,210

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.

Financial Performance

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, 2022

Millions of yen

	Type	Carrying amount	Acquisition cost	Difference
Carrying amount exceeds acquisition cost	(1) Equity securities	¥ 3,148	¥ 2,276	¥ 872
	(2) Debt securities			
	(i) JGBs/muni bonds	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	3,148	2,276	872
Carrying amount does not exceed acquisition cost	(1) Equity securities	9,678	9,834	(156)
	(2) Debt securities			
	(i) JGBs/muni bonds	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	9,678	9,834	(156)
Total		¥12,826	¥12,110	¥ 716

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

As of June 30, 2023

		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	¥15,150	¥12,083	¥3,067	$104	$83	$21
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	Subtotal	15,150	12,083	3,067	104	83	21
Carrying amount does not exceed acquisition cost	(1) Equity securities	25	28	(3)	0	0	(0)
	(2) Debt securities						
	(i) JGBs/muni bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	Subtotal	25	28	(3)	0	0	(0)
Total		¥15,175	¥12,110	¥3,064	$105	$84	$21

(Note) Unlisted equity securities (carrying amount on the consolidated balance sheet: ¥2,214 million ($15 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, 2022 (From July 1, 2021 to June 30, 2022)

Not applicable.

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

Not applicable.

3. Impaired 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 for securities (¥19 million for securities other than stocks that do not have quoted market prices and ¥12 million for stocks without quoted market prices).

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

Not applicable.

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

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

As of June 30, 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

(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, 2023

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	¥1,948	¥–	¥217	¥217

Millions of U.S. dollars

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

(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, 2023

Not applicable.

Financial Performance

(3) Interest rate and currency related

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)

(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, 2023

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	¥(811)	¥(811)

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	$39	$39	$(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. concurrently maintains a defined benefit plan. The defined benefit plan is a closed funded defined benefit plan 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, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Beginning balance of retirement benefit obligations	¥13,196	¥11,793	$81
Interest costs	39	68	0
Increase/decrease in actuarial differences	(459)	(189)	(1)
Retirement benefit payments	(983)	(1,010)	(7)
Ending balance of retirement benefit obligations	¥11,793	¥10,661	$74

(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, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Beginning balance of pension assets	¥29,952	¥29,247	$202
Expected return on assets	300	293	2
Increase/decrease in actuarial differences	(21)	(63)	(0)
Retirement benefit payments	(983)	(1,010)	(7)
Ending balance of pension assets	¥29,247	¥28,467	$196

(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, 2022	As of June 30, 2023	As of June 30, 2023
Retirement benefit obligations (Funded plan)	¥ 11,793	¥ 10,661	$ 74
Pension assets	(29,247)	(28,467)	(196)
Retirement benefit asset	(17,455)	(17,806)	(123)
Net of retirement benefit asset and retirement benefit liability on the consolidated balance sheet	¥(17,455)	¥(17,806)	$(123)

(4) Retirement benefit expenses and their breakdown

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Interest costs	¥ 39	¥ 68	$ 0
Expected return on assets	(300)	(293)	(2)
Amortization of actuarial differences	18	62	0
Retirement benefit expense on retirement benefit plan	¥(243)	¥(163)	$(1)

(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, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Actuarial differences	¥420	¥64	$0
Total	¥420	¥64	$0

(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, 2022	As of June 30, 2023	As of June 30, 2023
Unrecognized actuarial differences	¥628	¥691	$5
Total	¥628	¥691	$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, 2022	As of June 30, 2023
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, 2022	As of June 30, 2023
Discount rate	0.6%	0.8%
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, ¥2,124 million for the fiscal year ended June 30, 2022 and ¥2,102 million ($14 million) for the fiscal year ended June 30, 2023.

(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, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Selling, general and administrative expenses	¥56	¥388	$3

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, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Gain on reversal of share acquisition rights	¥0	¥1	$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	The 2nd Paid-in Stock Options
Eligible grantees	1 director	2,189 persons including directors and employees of the Company and its subsidiaries
Class and number of stock options (Note 1)	Common stock 25,000 shares	Common stock 3,705,300 shares
Grant date	November 2, 2021	December 1, 2022
Condition for vesting	None	(Note 4)
Required service period	None	None
Exercise period	From November 2, 2021 to November 1, 2051	From October 1, 2025 to November 30, 2029
Condition for exercise	(Note 2)	(Note 4)

(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) Share acquisition rights holder may exercise all of their share acquisition rights at once during the exercise period only within 10 days from the day following the day they lose their position as a director of the Company.
   (2) In cases where 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) Share acquisition rights holder may exercise their 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.
4. Conditions for vesting and exercise are as follows:
   (1) Share acquisition rights holder may exercise his/her share acquisition rights, if the amount of operating income in the consolidated statements of profit and loss stated in the annual securities report for the fiscal year ending June 30, 2025, which will be submitted by the Company pursuant to the Financial Instruments and Exchange Act, exceeds ¥120,000 million. However, in cases where a significant event, such as the major acquisition of a business, which has a significant impact on operating income on a consolidated basis, occurs until the aforementioned period (the fiscal year ending June 30, 2025) ends 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, 2023 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, 2022	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2023	–	–	–
After vesting			
Balance as of June 30, 2022	2,400	2,400	2,200,400
Vested	–	–	–
Exercised	–	–	287,600
Forfeited	–	–	9,600
Balance as of June 30, 2023	2,400	2,400	1,903,200

Shares

	The 3rd Share-based Compensation Stock Options	The 4th Share-based Compensation Stock Options	The 5th Share-based Compensation Stock Options
Grant date	June 1, 2017	June 29, 2018	April 10, 2019
Before vesting			
Balance as of June 30, 2022	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Balance as of June 30, 2023	–	–	–
After vesting			
Balance as of June 30, 2022	20,000	40,000	80,000
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Balance as of June 30, 2023	20,000	40,000	80,000

Shares

	The 6th Share-based Compensation Stock Options	The 2nd Paid-in Stock Options
Grant date	November 2, 2021	December 1, 2022
Before vesting		
Balance as of June 30, 2022	–	–
Granted	–	3,705,300
Forfeited	–	261,800
Vested	–	–
Balance as of June 30, 2023	–	3,443,500
After vesting		
Balance as of June 30, 2022	25,000	–
Vested	–	–
Exercised	–	–
Forfeited	–	–
Balance as of June 30, 2023	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		The 2nd Share-based Compensation Stock Options		The 1st Paid-in Stock Options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Grant date	June 26, 2015		December 28, 2015		September 23, 2016	
Exercise price	¥1	$0.01	¥1	$0.01	¥925	$6.38
Average stock price at time of exercise	–	–	–	–	2,473	17.06
Fair value at grant date	1,242.00	8.57	1,007.50	6.95	–	–

	The 3rd Share-based Compensation Stock Options		The 4th Share-based Compensation Stock Options		The 5th Share-based Compensation Stock Options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Grant date	June 1, 2017		June 29, 2018		April 10, 2019	
Exercise price	¥1	$0.01	¥1	$0.01	¥1	$0.01
Average stock price at time of exercise	–	–	–	–	–	–
Fair value at grant date	1,011.50	6.98	1,235.75	8.52	1,618.75	11.16

	The 6th Share-based Compensation Stock Options		The 2nd Paid-in Stock Options	
	Yen	U.S. dollars	Yen	U.S. dollars
Grant date	November 2, 2021		December 1, 2022	
Exercise price	¥1	$0.01	¥2,560	$17.66
Average stock price at time of exercise	–	–	–	–
Fair value at grant date	2,230.00	15.38	–	–

(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, 2023 are as follows:

The 2nd Paid-in Stock Options

(i) Valuation technique Monte Carlo simulation

(ii) Main basic numerical values and estimation method

	The 2nd Paid-in Stock Options
Stock price (Note 1)	¥2,560 ($17.66)
Stock price volatility (Note 2)	30.39%
Dividend yield (Note 3)	0.66%
Risk-free interest rate (Note 4)	0.207%

(Notes) 1. The stock price is listed at the closing price on the Tokyo Stock Exchange on September 30, 2022.
2. Stock price volatility is calculated based on recent stock prices over the seven-year period until the contractual maturity.
3. The dividend yield is based on the dividend for the fiscal year ended June 30, 2022.
4. The risk-free interest rate is government bond yields for the period until the contractual maturity.

5. Methods used to estimate number of stock options vested

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

(Additional information)

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

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

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

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

2. Overview of accounting treatment applied

(Accounting treatment before the vesting date)

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

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

(Accounting treatment after the vesting date)

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

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

(Income Taxes)

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

	Millions of yen		Millions of U.S. dollars
	As of June 30, 2022	As of June 30, 2023	As of June 30, 2023
Deferred tax assets			
Accrued enterprise taxes not deductible for tax purposes	¥ 1,176	¥ 2,034	$ 14
Inventories	3,543	2,861	20
Accrued bonus	1,626	2,007	14
Excess depreciation and amortization over tax purposes	21,837	21,432	148
Impairment loss	15,183	15,032	104
Loss on closing of stores	29	580	4
Net operating loss carryforward (Note)	3,729	3,617	25
Loss on valuation of investment securities not deductible for tax purposes	103	97	1
Long-term accounts payable	2,179	1,935	13
Excess allowance for doubtful accounts over tax purposes	1,104	1,046	7
Asset retirement obligations	4,870	5,381	37
Provision for point card certificates	441	543	4
Provision for loss on interest repayment	737	636	4
Valuation difference of consolidated subsidiaries	21,262	20,925	144
Other	6,559	8,318	57
Deferred tax assets total	84,377	86,443	596
Valuation allowance for net operating loss carryforward (Note)	(2,709)	(3,417)	(24)
Valuation allowance for future deductible temporary differences	(37,721)	(38,556)	(266)
Valuation allowance subtotal	(40,430)	(41,973)	(289)
Deferred tax assets total	43,947	44,470	307
Deferred tax liabilities			
Valuation of assets and liabilities of subsidiaries at market value for the purpose of consolidation	(15,683)	(15,736)	(109)
Retirement benefit asset	(5,950)	(6,049)	(42)
Reserve for advanced depreciation of non-current assets	(2,059)	(2,048)	(14)
Valuation difference on available-for-sale securities	(459)	(1,252)	(9)
Other	(251)	(252)	(2)
Deferred tax liabilities total	(24,402)	(25,337)	(175)
Net deferred tax assets	¥ 19,545	¥19,133	$ 132

Financial Performance

(Note) Amounts of net operating loss carryforward and its corresponding deferred tax assets by carryover period

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

(*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, calculated by using a statutory tax rate, deferred tax assets of ¥1,020 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, 2023

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)	¥ 147	¥ 209	¥ 222	¥ 617	¥ 181	¥ 2,240	¥ 3,617
Valuation allowance	(147)	(209)	(222)	(617)	(181)	(2,040)	(3,417)
Deferred tax assets	–	–	–	–	–	200	(*2) 200

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)	$ 1	$ 1	$ 2	$ 4	$ 1	$ 15	$ 25
Valuation allowance	(1)	(1)	(2)	(4)	(1)	(14)	(24)
Deferred tax assets	–	–	–	–	–	1	(*2) 1

(*1) The amounts of net operating loss carryforward are calculated by using a statutory tax rate.
(*2) For the net operating loss carryforward of ¥3,617 million ($25 million), calculated by using a statutory tax rate, deferred tax assets of ¥200 million ($1 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, 2022	As of June 30, 2023
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Inhabitant tax per capita levy	1.4	1.2
Change in valuation allowance	(0.6)	1.1
Amortization of goodwill and other consolidation adjustments	1.3	1.3
Tax deduction	–	(0.2)
Difference in tax rate from consolidated subsidiaries	0.4	3.1
Other	(0.1)	(2.4)
Effective income tax rate after tax-effect accounting	32.9	34.7

(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%–2.43%.

(3) Changes in asset retirement obligations

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Beginning of the year	¥24,168	¥30,355	$209
Increase due to acquisition of property, plant and equipment	930	461	3
Adjustments over time	222	279	2
Increase due to changes in estimates	5,018	–	–
Decrease due to performance of asset retirement obligations	(1)	(82)	(1)
Decrease due to settlement of asset retirement obligations	(2)	(225)	(2)
Other increase	19	78	1
End of the year	¥30,355	¥30,866	$213

(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, 2022, rental income related to such properties and facilities was ¥5,865 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, 2023, rental income related to such properties and facilities was ¥5,643 million ($39 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 ¥17 million ($0 million), which was recorded in extraordinary income.

The carrying amounts on the consolidated balance sheets and the changes in and fair values of these assets for the fiscal years ended June 30, 2022 and 2023 are as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Carrying amount			
Beginning of the year	¥156,396	¥150,993	$1,041
Net change	(5,403)	20,933	144
End of the year	150,993	171,926	1,186
Fair value	174,630	197,533	1,362

(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, 2022 consisted of major increases of ¥970 million from the acquisition of real estate and ¥519 million from a change in rentable ratios, and major decreases of ¥4,839 million from the sale of real estate and ¥2,053 million from impairment loss. Net change for the fiscal year ended June 30, 2023 consisted of a major increase of ¥23,449 million ($162 million) from the acquisition of real estate, and major decreases of ¥1,590 million ($11 million) from a change in rentable ratios and ¥926 million ($6 million) from the sale of real estate.
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			
	Domestic business	North America business	Asia business	Total
(Discount store business)				
Household electrical appliances	¥ 85,157	¥ –	¥ –	¥ 85,157
Daily consumables	263,053	–	–	263,053
Food	487,746	–	–	487,746
Watches & fashion merchandise	141,200	–	–	141,200
Sporting good &, leisure equipment	64,745	–	–	64,745
Other	18,459	–	–	18,459
(General merchandise store business)				
Clothes	50,012	–	–	50,012
Household goods	65,812	–	–	65,812
Food	311,333	–	–	311,333
Other	2,441	–	–	2,441
(Overseas business)				
North America	–	198,211	–	198,211
Asia	–	–	68,880	68,880
Revenue from contracts with customers	1,489,958	198,211	68,880	1,757,048
Revenue from other sources (Note)	72,028	1,857	347	74,231
Sales to third parties	1,561,986	200,068	69,226	1,831,280

(Note) "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."

Financial Performance

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

Millions of yen

	Reportable segment			
	Domestic business	North America business	Asia business	Total
(Discount store business)				
Household electrical appliances	¥ 82,406	¥ –	¥ –	¥ 82,406
Daily consumables	300,846	–	–	300,846
Food	520,476	–	–	520,476
Watches & fashion merchandise	150,175	–	–	150,175
Sporting good &, leisure equipment	62,583	–	–	62,583
Other	16,790	–	–	16,790
(General merchandise store business)				
Clothes	48,676	–	–	48,676
Household goods	74,287	–	–	74,287
Food	292,401	–	–	292,401
Other	2,319	–	–	2,319
(Overseas business)				
North America	–	231,545	–	231,545
Asia	–	–	82,006	82,006
Revenue from contracts with customers	1,550,959	231,545	82,006	1,864,510
Revenue from other sources (Note 1)	69,892	2,044	337	72,273
Sales to third parties	1,620,851	233,590	82,343	1,936,783

Millions of U.S. dollars

	Reportable segment			
	Domestic business	North America business	Asia business	Total
(Discount store business)				
Household electrical appliances	$ 568	$ –	$ –	$ 568
Daily consumables	2,075	–	–	2,075
Food	3,590	–	–	3,590
Watches & fashion merchandise	1,036	–	–	1,036
Sporting good &, leisure equipment	432	–	–	432
Other	116	–	–	116
(General merchandise store business)				
Clothes	336	–	–	336
Household goods	512	–	–	512
Food	2,017	–	–	2,017
Other	16	–	–	16
(Overseas business)				
North America	–	1,597	–	1,597
Asia	–	–	566	566
Revenue from contracts with customers	10,697	1,597	566	12,860
Revenue from other sources (Note 1)	482	14	2	498
Sales to third parties	11,179	1,611	568	13,358

(Notes) 1. "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. The Company changed its reportable segments effective from the fiscal year ended June 30, 2023, and the segment information for the fiscal year ended June 30, 2022 is disclosed based on the reporting segment classification after the change.

2. Basic information in understanding revenue from contracts with customers

Basic 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. Basic information in understanding the amount of revenue for the fiscal year ended June 30, 2023 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:

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

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

Contract liabilities include points given to customers when products, etc. are sold and advances received, etc. 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.

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

Millions of yen

	Fiscal year ended June 30, 2023	
	Beginning balance	Ending balance
Receivables from contracts with customers		
Accounts receivables–trade	¥12,550	¥13,513
Contract liabilities	¥11,361	¥20,838

Millions of U.S. dollars

	Fiscal year ended June 30, 2023	
	Beginning balance	Ending balance
Receivables from contracts with customers		
Accounts receivables–trade	$87	$93
Contract liabilities	$78	$144

Contract liabilities include points given to customers when products, etc. are sold and advances received, etc. 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, 2023 that was included in the contract liability balance at the beginning of the year was ¥11,361 million ($78 million). Contract liabilities increased by ¥9,477 million ($65 million) in the fiscal year ended June 30, 2023 mainly due to increases of ¥4,263 million ($29 million) in payments into the e-money service and ¥2,961 million ($20 million) in provision for point card certificates as a result of the My Number Points system and other factors.

(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 is mainly engaged in merchandise sales and has three reportable segments: "Domestic business," "North America business," and "Asia business."

The Domestic business segment mainly operates the big discount convenience store "Don Quijote," the general discount store for families "MEGA Don Quijote," "MEGA Don Quijote UNY," and the general supermarket stores such as "APITA" and "PIAGO."

The "North America business" is a segment operates discount stores and supermarkets in the states of Hawaii and California in the United States.

The "Asia business" segment operates "DON DON DONKI" stores based on the concept of Japan brand specialty stores in the Asian region.

(Changes in reportable segments)

The Company's growth strategy for the future in domestic markets is to strive toward achieving profitability through (1) expanding the business value chain in Japan, (2) providing new CV (Convenience) + D (Discount) + A (Amusement) through DX, (3) promoting organizational integration and productivity improvement, and (4) continuously creating new business formats. In overseas markets, the Company aims to expand its scale by continuing to open new stores in Asia and North America. The Company has formulated a new medium- to long-term management plan, "Visionary 2025/2030," which aims to improve profitability by establishing a global value chain. As a result, the Company changed its reportable segments from "Discount store business," "General merchandise store ("GMS") business," and "Rent business" to "Domestic business," "North America business," and "Asia business" effective from the fiscal year ended June 30, 2023.

The segment information for the fiscal year ended June 30, 2022 is disclosed based on the reporting segment classification after the change.

Financial Performance

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.

Profit in the reportable segments is operating income, and intersegment sales are mainly based on quoted market prices.

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

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

Millions of yen

	Reportable segment				Adjustments (Note 1)	Consolidated (Note 2)
	Domestic business	North America business	Asia business	Total		
Sales						
Sales to third parties	¥1,561,986	¥200,068	¥69,226	¥1,831,280	¥ –	¥1,831,280
Intersegment sales and transfer	11,406	–	–	11,406	(11,406)	–
Total	1,573,392	200,068	69,226	1,842,686	(11,406)	1,831,280
Segment profit	77,724	9,661	1,303	88,688	–	88,688
Segment assets	1,081,021	164,009	33,130	1,278,160	105,517	1,383,678
Other items (Note 3)						
Depreciation and amortization	28,130	8,042	2,057	38,229	–	38,229
Increase in property, plant and equipment and intangible assets	40,033	5,118	5,994	51,145	–	51,145

(Notes) 1. The ¥105,517 million adjustment to segment assets includes surplus funds of ¥111,301 million of the Company, which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥(5,784) million.
2. Segment profit is the same as operating income in the consolidated statements of profit and loss.
3. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

Millions of yen

	Reportable segment				Adjustments (Note 1)	Consolidated (Note 2)
	Domestic business	North America business	Asia business	Total		
Sales						
Sales to third parties	¥1,620,851	¥233,590	¥82,343	¥1,936,783	¥ –	¥1,936,783
Intersegment sales and transfer	10,822	–	133	10,955	(10,955)	–
Total	1,631,672	233,590	82,476	1,947,738	(10,955)	1,936,783
Segment profit	96,404	7,225	1,630	105,259	–	105,259
Segment assets	1,097,126	176,433	29,680	1,303,239	177,819	1,481,058
Other items (Note 3)						
Depreciation and amortization	29,007	9,943	3,311	42,261	–	42,261
Increase in property, plant and equipment and intangible assets	47,053	8,466	4,744	60,263	–	60,263

Millions of U.S. dollars

	Reportable segment				Adjustments (Note 1)	Consolidated (Note 2)
	Domestic business	North America business	Asia business	Total		
Sales						
Sales to third parties	$11,179	$1,611	$568	$13,358	$ –	$13,358
Intersegment sales and transfer	75	–	1	76	(76)	–
Total	11,254	1,611	569	13,434	(76)	13,358
Segment profit	665	50	11	726	–	726
Segment assets	7,567	1,217	205	8,988	1,226	10,215
Other items (Note 3)						
Depreciation and amortization	200	69	23	291	–	291
Increase in property, plant and equipment and intangible assets	325	58	33	416	–	416

(Notes) 1. The ¥177,819 million ($1,226 million) adjustment to segment assets includes surplus funds of ¥183,244 million ($1,264 million) of the Company, which are Companywide assets (cash and deposits and investment securities), and elimination of receivables between reportable segments of ¥(5,425) million ($(37) million).
2. Segment profit is the same as operating income in the consolidated statements of profit and loss.
3. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

Related information

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

1. Information by product and service

Description is omitted because the same information is stated in "Notes (Revenue Recognition), 1. Disaggregation of revenue from contracts with customers" in the consolidated financial statements.

2. Information by region

(1) Net sales

Millions of yen

Japan	North America	Asia	Total
¥1,561,986	¥200,068	¥69,226	¥1,831,280

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

(2) Property, plant and equipment

Millions of yen

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

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, 2023 (From July 1, 2022 to June 30, 2023)

1. Information by product and service

Description is omitted because the same information is stated in "Notes (Revenue Recognition), 1. Disaggregation of revenue from contracts with customers" in the consolidated financial statements.

2. Information by region

(1) Net sales

Millions of yen

Japan	North America	Asia	Total
¥1,620,851	¥233,590	¥82,343	¥1,936,783

Millions of U.S. dollars

Japan	North America	Asia	Total
$11,179	$1,611	$568	$13,358

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

(2) Property, plant and equipment

Millions of yen

Japan	North America	Asia	Total
¥597,289	¥79,174	¥12,745	¥689,209

Millions of U.S. dollars

Japan	North America	Asia	Total
$4,120	$546	$88	$4,753

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

Millions of yen

	Reportable segment				Adjustments	Consolidated
	Domestic business	North America business	Asia business	Total		
Impairment loss	¥4,672	¥871	¥177	¥5,720	¥–	¥5,720

Financial Performance

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

Millions of yen

	Reportable segment					
	Domestic business	North America business	Asia business	Total	Adjustments	Consolidated
Impairment loss	¥3,500	¥1,009	¥1,474	¥5,983	¥–	¥5,983

Millions of U.S. dollars

	Reportable segment					
	Domestic business	North America business	Asia business	Total	Adjustments	Consolidated
Impairment loss	$24	$7	$10	$41	$–	$41

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

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

Millions of yen

	Reportable segment					
	Domestic business	North America business	Asia business	Total	Adjustments	Consolidated
Amortization for the year	¥ 228	¥ 3,806	¥–	¥ 4,034	¥–	¥ 4,034
Balance at year-end	2,357	59,402	–	61,759	–	61,759

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					
	Domestic business	North America business	Asia business	Total	Adjustments	Consolidated
Amortization for the year	¥–	¥7	¥–	¥7	¥–	¥7
Balance at year-end	–	–	–	–	–	–

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

Millions of yen

	Reportable segment					
	Domestic business	North America business	Asia business	Total	Adjustments	Consolidated
Amortization for the year	¥ 228	¥ 4,376	¥–	¥ 4,604	¥–	¥ 4,604
Balance at year-end	2,129	58,873	–	61,002	–	61,002

Millions of U.S. dollars

	Reportable segment					
	Domestic business	North America business	Asia business	Total	Adjustments	Consolidated
Amortization for the year	$ 2	$ 30	$–	$ 32	$–	$ 32
Balance at year-end	15	406	–	421	–	421

There is no amortization of negative goodwill nor unamortized balance of negative goodwill incurred by business combinations conducted before April 1, 2010.

Information on gain on bargain purchase by reportable segment

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

Not applicable.

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

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

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

(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.

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

No significant matter to be disclosed.

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

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

No significant matter to be disclosed.

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

No significant matter to be disclosed.

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

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

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)
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	–	¥–

(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.

For the fiscal year ended June 30, 2023 (From July 1, 2022 to June 30, 2023)

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: 2	Compensation received for seconded employees (Note 2)	¥19	$0	–	¥–	$–
Company at which the majority of voting rights are held by a director and/or his/her close relatives	Anryu Shoji Co., Ltd.	Chiyoda-ku, Tokyo	¥100	$1	Real estate business	(Own) Direct 5.55 Indirect –	Directors holding concurrent positions: 1	Total amount of lease transactions (Note 3)	¥23	$0	Property, plant and equipment (other)	¥18	$0
								Proceeds from lease payments received (Note 3)	¥3	$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.
3. The terms and conditions of transactions are determined in the same manner as those for regular business partners.

Financial Performance

(Per Share Information)

Fiscal year ended June 30, 2022		Fiscal year ended June 30, 2023		
Net assets per share	¥657.75	Net assets per share	¥759.75	$5.24
Profit per share	102.64	Profit per share	110.94	0.77
Diluted profit per share	102.41	Diluted profit per share	110.67	0.76

(Note) 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, 2022	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Profit per share			
Profit attributable to owners of parent (millions of yen)	¥ 61,928	¥ 66,167	$456
Profit not attributable to common stock owners (millions of yen)	–	–	–
Profit attributable to common stock owners of parent (millions of yen)	61,928	66,167	456
Weighted-average number of shares of common stock (shares)	603,329,167	596,450,914	
Diluted profit per share			
Adjustment of profit attributable to owners of parent (millions of yen)	–	–	–
Increase in number of shares of common stock (shares)	1,400,325	1,430,356	
(Of which, share acquisition rights)	(1,400,325)	(1,430,356)	
Descriptions of potentially dilutive common shares not included in the calculation of diluted profit per share due to the absence of their dilutive effect	–	–	

(Subsequent Events)

(Partial refinancing of unsecured corporate bonds)

At the Board of Directors' meeting held on September 25, 2023, the Company resolved to redeem the domestic unsecured subordinated corporate bond issued on November 29, 2018 for the full amount prior to reaching maturity and to refinance a portion of the redemption price with a domestic unsecured straight corporate bond.

1. Terms and conditions for comprehensive resolution on unsecured corporate bonds

(1) Type of bond	Domestic unsecured straight corporate bond
(2) Issue price	¥100 ($0.69) for each bond with a value of ¥100 ($0.69)
(3) Total amount of issue	¥70,000 million ($483 million)
(4) Average interest rate of each bond for subscription	Within 0.96% per annum
(5) Redemption method	Redemption in full at maturity (however, bond may include option to be repurchased and retired.)
(6) Maturity	Within 10 years from the issue date
(7) Issue period	November 9, 2023 (scheduled)
(8) Collateral/guarantee	Unsecured
(9) Other	Decisions on the issue amount, interest rate, maturity, issue period, and other necessary matters related to issuance are entrusted to the Executive Officer and CFO.

2. Terms and conditions for current portion of domestic unsecured subordinated corporate bonds

(1) Type of bond	The 1st domestic unsecured corporate bond with interest-deferral and early-redemption options (with subordination agreement)
(2) Early redemption price	¥100 ($0.69) per face value of ¥100 ($0.69)
(3) Total amount of early redemption	¥140,000 million ($966 million)
(4) Issue date	November 29, 2018
(5) Maturity	November 28, 2053
(6) Early redemption date	November 29, 2023 (initial redemption date)

(Note) Restrictions on redemption of bonds and refinancing on repurchase and retirement
In the event that the Company acquires the bond by early redemption or repurchase (hereinafter "Early Redemption, etc."), the Company intends to procure funds through an appropriate method for which the Company has gained approval from a credit rating agency as providing equity that ranks pari passu with the bonds for 12 months prior to the date of performing Early Redemption, etc.
However, in the event that the Company performs Early Redemption, etc. of the bond, in the calculation based on financial data presented in the most recent consolidated balance sheets or consolidated quarterly balance sheets included in the annual securities reports, quarterly reports, financial summaries, and quarterly financial summaries disclosed by the Company, it is possible that the aforementioned fund procurement for providing equity will be omitted in the case that either of the following conditions are fulfilled:
• Total shareholders' equity on the consolidated balance sheet exceeds ¥431.3 billion ($2,975 million);
• Consolidated net debt to equity ratio is below 1.1.

Supplemental information

Corporate bonds

Issuer	Type of issue	Issue date	Balance at July 1, 2022 (Millions of yen)	Balance at June 30, 2023 (Millions of yen)	Balance at June 30, 2023 (Millions of U.S. dollars)	Interest rate (%)	Collateral	Redemption date
The Company	The 11th unsecured corporate bond	March 10, 2016	10,000 (–)	10,000 (–)	69 [–]	0.73	N/A	March 10, 2026
The Company	The 12th unsecured corporate bond	March 21, 2017	10,000 (–)	10,000 (10,000)	69 [69]	0.39	N/A	March 21, 2024
The Company	The 13th unsecured corporate bond	March 8, 2018	10,000 (10,000)	–	–	0.21	N/A	March 8, 2023
The Company	The 14th unsecured corporate bond	March 8, 2018	10,000 (–)	10,000 (–)	69 [–]	0.48	N/A	March 8, 2028
The Company	The 16th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	69 [–]	0.35	N/A	March 6, 2026
The Company	The 17th unsecured corporate bond	March 7, 2019	10,000 (–)	10,000 (–)	69 [–]	0.45	N/A	March 7, 2029
The Company	The 18th unsecured corporate bond	October 21, 2021	40,000 (–)	40,000 (–)	276 [–]	0.13	N/A	October 21, 2026
The Company	The 19th unsecured corporate bond	October 21, 2021	10,000 (–)	10,000 (–)	69 [–]	0.25	N/A	October 20, 2028
The Company	The 20th unsecured corporate bond	October 21, 2021	30,000 (–)	30,000 (–)	207 [–]	0.40	N/A	October 21, 2031
The Company	The 1st unsecured corporate bond (with subordination agreement)	November 29, 2018	140,000 (–)	140,000 (–)	966 [–]	(Note 2)	N/A	November 28, 2053
Japan Asset Marketing Co., Ltd.	The 3rd unsecured corporate bond	September 25, 2015	171 (171)	–	–	0.63	N/A	September 22, 2022
Japan Asset Marketing Co., Ltd.	The 5th unsecured corporate bond	March 25, 2016	320 (320)	–	–	0.33	N/A	March 24, 2023
Japan Asset Marketing Co., Ltd.	The 6th unsecured corporate bond	September 21, 2016	1,125 (250)	875 (250)	6 [2]	0.18	N/A	September 18, 2026
Japan Asset Marketing Co., Ltd.	The 7th unsecured corporate bond	September 26, 2016	1,800 (400)	1,400 (400)	10 [3]	0.22	N/A	September 25, 2026
Japan Asset Marketing Co., Ltd.	The 8th unsecured corporate bond	September 26, 2016	460 (280)	180 (180)	1 [1]	0.37	N/A	September 26, 2023
Other	–	–	100 (–)	100 (100)	1 [1]	–	–	–
Total	–	–	¥283,976 (¥11,421)	¥272,555 (¥10,930)	$1,880 [75]	–	–	–

(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 the day following November 29, 2018 to 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
¥10,930	¥650	¥20,650	¥40,325	¥10,000

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
$75	$4	$142	$278	$69

Financial Performance

Loan payables, etc.

Classification	Balance at July 1, 2022 (Millions of yen)	Balance at June 30, 2023		Average interest rate (%)	Redemption date
		(Millions of yen)	(Millions of U.S. dollars)		
Current portion of long-term loan payables	¥ 26,918	¥ 34,364	$ 237	0.53	–
Current portion of lease obligations	1,804	2,263	16	–	–
Long-term loan payables excluding current portion	276,201	272,499	1,879	0.84	From March 2025 to July 2067
Lease obligations excluding current portion	25,471	31,036	214	–	From December 2024 to August 2041
Other interest-bearing debt	–	–	–	–	–
Total	¥330,394	¥340,163	$2,346	–	–

(Notes) 1. Average interest rate represents the weighted-average interest rate of loans as of June 30, 2023
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	¥31,829	¥54,670	¥31,286	¥8,196
Lease obligations	2,408	2,082	2,130	1,909

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	$220	$377	$216	$57
Lease obligations	17	14	15	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, 2023

Cumulative balance	1st quarter	2nd quarter	3rd quarter	Year total
Net sales (millions of yen)	¥473,694	¥978,449	¥1,457,204	¥1,936,783
Profit before income taxes (millions of yen)	28,477	56,073	79,067	100,739
Profit attributable to owners of parent (millions of yen)	18,499	36,777	51,489	66,167
Profit per share (yen)	30.94	61.67	86.33	110.94

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share (yen)	¥30.94	¥30.73	¥24.66	¥24.60

Cumulative balance	1st quarter	2nd quarter	3rd quarter	Year total
Net sales (millions of U.S. dollars)	$3,267	$6,748	$10,050	$13,358
Profit before income taxes (millions of U.S. dollars)	196	387	545	695
Profit attributable to owners of parent (millions of U.S. dollars)	128	254	355	456
Profit per share (U.S. dollars)	0.21	0.43	0.60	0.77

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share (U.S. dollars)	$0.21	$0.21	$0.17	$0.17

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, 2023, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Emphasis of matter

As stated in "Subsequent Events", the Company resolved to redeem the unsecured corporate bond for the full amount prior to reaching maturity and to refinance a portion of the redemption price with a unsecured corporate bond at the Board of Directors' meeting held on September 25, 2023.

This matter does not affect our opinion.

Key Audit Matter

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

Valuation of Inventories in The Domestic Business	
Description of Key Audit Matter	Auditor's Response
The Group recorded 194,537 million yen of merchandise and finished goods in the consolidated balance sheet, accounting for 13.1% 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 3,276 million yen. 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 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 domestic business involves uncertainties and requires the judgment of management, the Group identified "valuation of inventories in the domestic store business" as a key audit matter.	The primary audit procedures we performed to assess the valuation of inventories in the domestic 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.

Impairment Loss on Non-current Assets	
Description of Key Audit Matter	Auditor's Response
Property, plant and equipment amounted to 689,209 million yen and intangible assets amounted to 88,530 million yen in the company's consolidated balance sheet, accounting for 52.5% of total assets. In addition, as stated in the note "(Significant accounting estimate) Impairment of non-current assets", an impairment loss of 5,983 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, regarding COVID-19,the Group composes estimates based on the assumption that the resulting impact will be limited, since socioeconomic activities are moving toward normalization. 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 impact 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 27, 2023

Convenience Translation

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

STATEMENT ON ACCOUNTING PRINCIPLES AND AUDITING STANDARDS

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

Corporate and Stock Information (As of June 30, 2023)

Major companies and business domains

PPIH Pan Pacific International Holdings

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

PPRM: Pan Pacific Retail Management

PRRM: Pacific Rim Retail Management

Store Network

Number of Group stores 718 stores

Domestic

Japan: 617 stores	
Don Quijote	250
MEGA Don Quijote*1	140
MEGA Don Quijote UNY*1	63
Apita, Piago*1	131
Picasso, etc.*1	33

Overseas

Hong Kong: 9 stores	
DON DON DONKI	9
Thailand: 6 stores	
DON DON DONKI	6
Singapore: 15 stores	
DON DON DONKI	15
Malaysia: 3 stores	
DON DON DONKI	3
Taiwan: 2 stores	
DON DON DONKI	2

Macau: 1 store	
DON DON DONKI	1
Hawaii: 28 stores	
Don Quijote	3
MARUKAI	1
Times*2	24
California: 37 stores	
MARUKAI	4
TOKYO CENTRAL	6
Gelson's	27

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

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

Corporate data

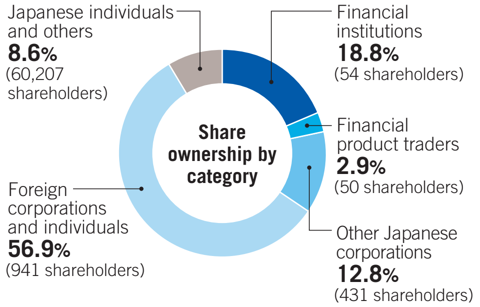
Company name	Pan Pacific International Holdings Corporation
Business activities	Corporate planning for and management of Group companies through the holding of shares in such companies, contracted administrative operation of subsidiaries, and real estate management
Head office	2-19-10 Aobadai, Meguro-ku, Tokyo 153-0042, Japan Phone: +81-3-5725-7532 Fax: +81-3-5725-7322
Date of establishment	September 5, 1980
Paid-in capital	¥23,351 million
Fiscal year-end	June 30
Number of employees	Non-consolidated: 2,860 Consolidated: 17,107

Stock and shareholder information

Stock information

Shares authorized	1,872,000,000
Shares issued	634,666,240
Treasury stock	38,073,224
Number of shareholders	61,683

* The number of shareholders increased by 13,846 from June 30, 2022.



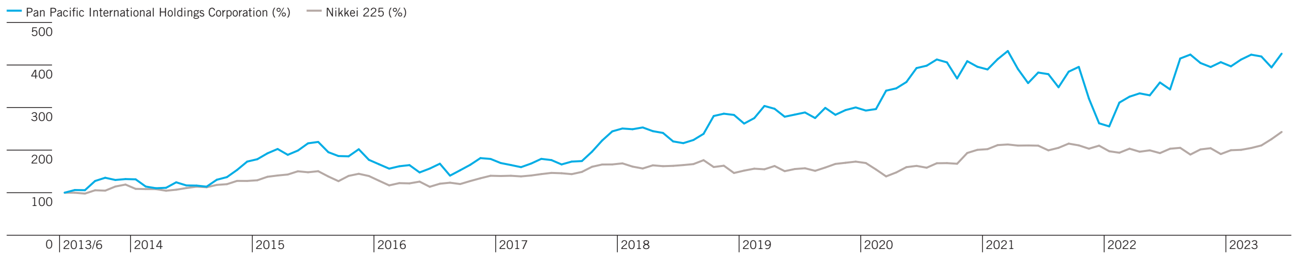
* Shares held by Japanese individuals and others include treasury stock (38,073,224 shares).

Principal shareholders

Name	Number of shares held	Percentage of total shares in issue (%)
CREDIT SUISSE AG HONG KONG TRUST A/C CLIENTS FOR DQ WINDMOLEN B. V.	134,028,000	22.47
The Master Trust Bank of Japan, Ltd. (Trust Account) *	68,810,800	11.53
Pan Pacific International Holdings Corporation	38,073,224	–
Custody Bank of Japan, Ltd. (Trust Account) *	34,807,700	5.83
Anryu Shoji Co., Ltd.	33,120,000	5.55
FamilyMart Co., Ltd.	33,057,384	5.54
JP MORGAN CHASE BANK 385632	21,474,386	3.60
GIC PRIVATE LIMITED - C	15,999,100	2.68
Yasuda Scholarship Foundation	14,400,000	2.41
STATE STREET BANK WEST CLIENT - TREATY 505234	8,444,536	1.42

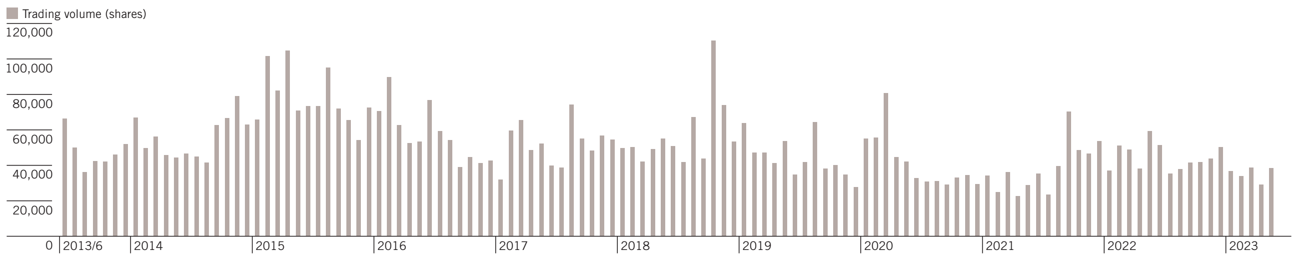
Note: Percentage of total shares does not include treasury stock (38,073,224 shares).
The number of shares held by shareholders with a * symbol includes the number of shares related to the trust business.
The numbers of shares held by shareholders whose actual shareholdings can be confirmed by our company are shown in the status of principal shareholders above.

Trends in stock price



* The 100 value is based on the closing price on June 30, 2013.

Trends in trading volume



Note: Share prices have been adjusted to reflect a 2-for-1 stock split conducted on July 1, 2015 and a 4-for-1 stock split conducted on September 1, 2019.

PPIH
Pan Pacific International Holdings

Pan Pacific International Holdings Corporation

2-19-10 Aobadai, Meguro-ku, Tokyo
153-0042 Japan
Phone: +81-3-5725-7532 Fax: +81-3-5725-7322

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

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