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)

			Millions of yen
Location	Use	Category	Impairment loss
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)

Location	Use	Category	Impairment loss (Millions of yen)	Impairment loss (Millions of U.S. dollars)
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: Fiscal year ended June 30, 2022	Millions of yen: Fiscal year ended June 30, 2023	Millions of U.S. dollars: 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: Fiscal year ended June 30, 2022	Millions of yen: Fiscal year ended June 30, 2023	Millions of U.S. dollars: 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: Fiscal year ended June 30, 2022	Millions of yen: Fiscal year ended June 30, 2023	Millions of U.S. dollars: 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

Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Shares: 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	Millions of yen: 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

Resolution	Class of stock	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on September 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
			Number of shares subject to share acquisition rights					
Category	Scheme of share acquisition rights	Class of stock subject to share acquisition rights	Number of shares as of July 1, 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.

Financial Performance

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

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

	Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
		Millions of yen			Millions of U.S. dollars		
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.

Financial Performance

(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.