

Summary Report of Consolidated Financial Results For the Nine Months Ended March 31, 2020

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Pan Pacific International Holdings Corporation

Securities Code No.: 7532
 Shares Listed: Tokyo Stock Exchange
 Address: 2-19-10 Aobadai, Meguro-ku, Tokyo
 Representative: Naoki Yoshida, President and CEO
 Contact: Mitsuo Takahashi, Senior Managing Executive Officer and CFO (Phone: +81-3-5725-7588)
 URL: <https://ppi-hd.co.jp/>

(Amounts in million yen are rounded off to the nearest million)

1. Overview of Business Results and Financial Position for the third quarter of fiscal 2020 (From July 1, 2019 to March 31, 2020)

(1) Results of Business Operations

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)
Nine Months Ended March 31, 2020	1,265,759	37.7	60,419	30.2	59,918	15.6
Nine Months Ended March 31, 2019	918,990	30.7	46,412	15.9	51,838	19.3

(Note) Comprehensive income: 38,643 million yen [(5.7)%] (FY 2020.6 3Q), 40,971 million yen [36.6%] (FY 2019.6 3Q)

	Profit Attributable to Owners of Parent	Change (%)	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Nine Months Ended March 31, 2020	38,368	0.9	60.56	60.40
Nine Months Ended March 31, 2019	38,029	40.0	60.09	59.92

(Note) For the second quarter of the fiscal year ended June 30, 2020, provisional accounting treatments for business integrations was finalized. As a result, the figures for the third quarter of the fiscal year ended June 30, 2019 reflect the finalization of the provisional accounting treatments.

(Note) On September 1, 2019, we conducted a 4-for-1 common share split. Net Income Per Share and Net Income Per Share-fully diluted have been calculated on the presumption that the share split was conducted at the beginning of the previous fiscal year.

(2) Financial Position

(Millions of yen, except per-share data)

	Total Assets	Net assets	Ratio of Shareholders' Equity to Total Assets (%)
As of March 31, 2020	1,252,877	376,732	28.9
June 30, 2019	1,282,100	352,300	25.6

(Reference) Equity: 361,578 million yen (as of March 31, 2020), 328,359 million yen (as of June 30, 2019)

(Note) For the second quarter of the fiscal year ended June 30, 2020, provisional accounting treatments for business integrations was finalized. As a result, the figures for the fiscal year ended June 30, 2019 reflect the finalization of the provisional accounting treatments.

2. Dividends

	Yen				
	Three Months Ended September 30	Six Months Ended December 31	Nine Months Ended March 31	Year Ended June 30	Total
Year Ended June 30, 2019	—	10.00	—	30.00	40.00
Year Ending June 30, 2020	—	3.00	—		
Year Ending June 30, 2020 (Forecast)				8.50	11.50

(Note) Revision to the dividend forecast in the third quarter of fiscal 2020: None

(Note) On September 1, 2019, we conducted a 4-for-1 common share split. For the fiscal year ended June 30, 2019, the actual amount of dividends before the said share split is presented.

3. Consolidated Business Forecast : For the year ending June 30, 2020 (From July 1, 2019 to June 30, 2020)

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)	Profit Attributable to Owners of Parent	Change (%)	Net Income per Share (Yen)
Year Ending June 30, 2020	1,650,000	24.2	71,000	12.5	71,000	4.0	46,000	(2.3)	72.58

(Note) Revision to the business forecast in the third quarter of fiscal 2020: Yes

(Note) The Company finalized provisional accounting treatments for business integrations, which is reflected in the relevant figures for the fiscal year ended June 2019.

(Note) On September 1, 2019, we conducted a 4-for-1 common share split. Net Income per Share in the Consolidated Business Forecast for the fiscal year ending June 30, 2020 takes into account the impact of the share split.

4. Others

(1) Significant changes in the scope of consolidation: None

Newly consolidated: — , Excluded:—

(2) Simplified accounting methods and special accounting methods for preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies concerning preparation of quarterly consolidated financial statements

① Changes in line with revision to accounting standards: None

② Other changes: None

③ Changes in accounting estimates: None

④ Restatement: None

(4) Number of outstanding shares (Common share)

① Number of outstanding shares (Treasury share included)	March 31, 2020	633,841,840 shares
	June 30, 2019	633,287,040 shares
② Number of treasury share	March 31, 2020	18,924 shares
	June 30, 2019	18,720 shares
③ Average number of outstanding shares during the period	March 31, 2020	633,574,015 shares
	March 31, 2019	632,898,299 shares

(Note) On September 1, 2019, we conducted a 4-for-1 common share split. Number of outstanding shares, Number of treasury share and Average number of outstanding shares during the period have been calculated on the presumption that the share split was conducted at the beginning of the previous fiscal year.

※This financial summary is not subject to audit conducted by certified public accountants or an audit corporation.

※Explanation regarding the appropriate use of forecasts of business results

The financial forecasts of business results are based on judgments and estimates that have been made using currently available information. By nature, such financial forecasts are subject to uncertainties and risks. Therefore, actual results might be significantly different from the aforementioned forecasts for a variety of reasons, including changes in economic environments related to our business, market trends and foreign currency exchange rates.

※The Company plans to hold a financial result briefing for securities analysts and institutional investors on May 8, 2020. Presentation materials for the briefing will be available on the Company's website.

Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of June 30, 2019	As of March 31, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥172,673	¥149,895
Notes and accounts receivables-trade	18,744	20,563
Accounts receivables - installment	67,417	67,350
Operating loans	8,966	8,711
Merchandise and finished goods	188,510	190,305
Prepaid expenses	7,036	6,451
Deposits paid	12,986	3,901
Other	20,790	18,577
Allowance for doubtful accounts	(717)	(882)
Total current assets	496,405	464,871
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	262,955	263,277
Tools, furniture and fixtures, net	25,471	29,345
Lands	318,580	323,912
Other, net	7,407	3,426
Total property, plant and equipment	614,413	619,960
Intangible assets		
Goodwill	17,216	16,274
Other	20,386	20,060
Total intangible assets	37,602	36,334
Investments and other assets		
Investment securities	16,681	17,503
Long-term loan receivables	2,962	1,287
Long-term prepaid expenses	6,105	5,828
Retirement benefit assets	6,362	6,996
Deferred tax assets	19,668	20,066
Lease and guarantee deposits	80,443	78,498
Other	3,965	3,731
Allowance for doubtful accounts	(2,506)	(2,197)
Total investments and other assets	133,680	131,712
Total non-current assets	785,695	788,006
Total assets	¥1,282,100	¥1,252,877

	As of June 30, 2019	(Millions of yen) As of March 31, 2020
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payables - trade	¥159,064	¥147,228
Short-term loan payables	123	—
Current portion of long-term loan payables	19,721	12,537
Current portion of bonds	22,816	11,916
Payables under fluidity lease receivables	7,304	5,908
Accounts payables - other	53,303	53,586
Accrued expenses	22,684	19,481
Deposits received	19,407	16,171
Income taxes payables	9,841	11,591
Provision for point card certificates	5,227	5,122
Other	22,284	27,866
Total current liabilities	341,774	311,406
Non-current liabilities		
Bond payables	238,458	226,617
Long-term loan payables	256,777	247,691
Long-term payables under fluidity lease receivables	4,703	632
Asset retirement obligations	23,083	23,506
Negative goodwill	180	115
Other	64,825	66,178
Total non-current liabilities	588,026	564,739
Total liabilities	929,800	876,145
Net assets		
Shareholders' equity		
Share capital	22,675	22,968
Capital surplus	15,414	16,937
Retained earnings	290,034	321,599
Treasury shares	(14)	(15)
Total shareholders' equity	328,109	361,489
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	173	482
Foreign currency translation adjustment	554	60
Remeasurements of defined benefit plans	(477)	(453)
Total accumulated other comprehensive income	250	89
Share acquisition rights	724	218
Non-controlling interests	23,217	14,936
Total net assets	352,300	376,732
Total liabilities and net assets	¥1,282,100	¥1,252,877

Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Nine months ended March 31, 2019	Nine months ended March 31, 2020
	Amount	Amount
Net sales	¥918,990	¥1,265,759
Cost of sales	666,873	901,116
Gross profit	252,117	364,643
Selling, general and administrative expenses	205,705	304,224
Operating income	46,412	60,419
Non-operating income		
Interest and dividend income	1,410	491
Amortization of negative goodwill	65	65
Share of profit of entities accounted for using equity method	5,897	235
Other	3,581	3,244
Total non-operating income	10,953	4,035
Non-operating expenses		
Interest expenses paid on loans and bonds	3,301	3,855
Bond issuance cost	1,253	2
Fluidity lease expenses	216	132
Cost of claim's liquidation	500	101
Other	257	446
Total non-operating expenses	5,527	4,536
Ordinary income	51,838	59,918
Extraordinary income		
Gain on sales of non-current assets	518	667
Gain on step acquisitions	3,906	—
Gain on bargain purchase	5,646	241
Gain on sale of businesses	—	494
Gain on reversal of provision for loss on store closings	—	268
Gain on reversal of share acquisition rights	0	220
Other	36	428
Total extraordinary income	10,107	2,318
Extraordinary losses		
Impairment loss	10,206	1,533
Loss on retirement of non-current assets	251	2,869
Loss on closing of stores	1,721	1,085
Loss on disaster	335	192
Other	270	278
Total extraordinary losses	12,783	5,957
Profit before income taxes	49,162	56,279
Income taxes - current	14,248	15,477
Income taxes - deferred	(4,504)	2,160
Total income taxes	9,744	17,637
Profit	39,418	38,642
Profit attributable to non-controlling interests	1,389	274
Profit attributable to owners of parent	¥38,029	¥38,368

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Nine months ended March 31, 2019	Nine months ended March 31, 2020
	Amount	Amount
Profit	¥39,418	¥38,642
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	328
Foreign currency translation adjustment	1,595	(333)
Remeasurements of defined benefit plans, net of tax	—	36
Share of other comprehensive income of affiliates accounted for using equity method	(5)	(30)
Total other comprehensive income	1,553	1
Comprehensive income	¥40,971	¥38,643
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	¥39,582	¥38,207
Comprehensive income attributable to non-controlling interests	1,389	436

Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Nine months ended March 31, 2019	Nine months ended March 31, 2020
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥49,162	¥56,279
Depreciation and amortization	16,485	21,491
Impairment loss	10,206	1,533
Amortization of negative goodwill	(65)	(65)
Gain on bargain purchase	(5,646)	(241)
Decrease in allowance for doubtful accounts	(1,157)	(5,198)
Interest and dividend income	(1,410)	(491)
Interest expenses paid on loans and bonds	3,301	3,855
Loss (gain) on sales and retirement of property, plant and equipment	(32)	2,314
Share of profit of entities accounted for using equity method	(5,897)	(235)
Gain on step acquisitions	(3,906)	—
Gain on sale of businesses	—	(494)
Loss on store closings	1,721	1,085
Decrease (increase) in notes and accounts receivables - trade	1,539	(1,926)
Increase in inventories	(7,590)	(4,815)
Increase (decrease) in notes and accounts payables - trade	870	(12,119)
Decrease in accounts receivables - installment	61,008	67
Decrease (increase) in prepaid expenses	(1,126)	651
Increase (decrease) in accounts payables - other	(7,261)	575
Increase (decrease) in deposits received	4,321	(3,242)
Other, net	2,718	6,185
Subtotal	117,241	65,209
Interest and dividend income received	1,249	166
Interest expenses paid	(3,384)	(3,527)
Income taxes paid	(23,233)	(15,142)
Income taxes refund	1,515	4,875
Payments for loss on disaster	(301)	(298)
Proceeds from dividend income received from entities accounted for using equity method	—	78
Net cash provided by operating activities	93,087	51,361
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(32,348)	(23,456)
Proceeds from sales of property, plant and equipment	1,654	2,597
Payments for purchase of intangible assets	(1,434)	(2,476)
Proceeds from sale of businesses	—	5,978
Payments for leasehold and guarantee deposits	(1,928)	(2,301)
Proceeds from collection of leasehold and guarantee deposits	618	1,011
Payments for store opening in progress	(897)	(570)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,423)	(3,723)
Proceeds from collection of loan receivables	3,843	21
Other, net	(77)	(288)
Net cash used in investing activities	¥(35,992)	¥(23,207)

	(Millions of yen)	
	Nine months ended March 31, 2019	Nine months ended March 31, 2020
	Amount	Amount
Cash flows from financing activities:		
Net decrease in short-term loan payables	¥—	¥(1,892)
Proceeds from long-term loan payables	90,000	2,500
Repayments of long-term loan payables	(182,369)	(19,772)
Proceeds from issuance of bonds	168,647	98
Redemption of bonds	(3,016)	(22,916)
Repayments of payables under fluidity lease receivables	(5,751)	(5,583)
Proceeds from issuance of common shares	356	299
Cash dividends paid	(5,854)	(6,651)
Cash dividends paid to non-controlling interests	(808)	—
Payments for purchase of shares of subsidiaries that do not result in change in scope of consolidation	(4,322)	—
Proceeds from share issuance to non-controlling shareholders	—	627
Payments for purchase of treasury shares of subsidiaries	—	(8,049)
Other, net	(407)	(27)
Net cash provided by (used in) financing activities	56,476	(61,366)
Effect of exchange rate change on cash and cash equivalents	511	120
Net increase (decrease) in cash and cash equivalents	114,082	(33,092)
Cash and cash equivalents at beginning of period	75,883	185,136
Increase in cash and cash equivalents from newly consolidated subsidiaries	4	1,163
Cash and cash equivalents at end of period	¥189,969	¥153,207

Segment Information

For the third quarter ended March 31, 2020 (From July 1, 2019 to March 31, 2020)

1. Information concerning sales and income by reporting segment

(Millions of yen)

	Reporting segment				Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Discount Store business	GMS business	Rent business	Sub Total				
Sales, Segment income								
Sales								
Sales to third parties	¥831,684	¥378,266	¥44,530	¥1,254,480	¥11,279	¥1,265,759	¥-	¥1,265,759
Intersegment sales	3,926	4,240	2,543	10,709	4,803	15,512	(15,512)	-
Total	835,610	382,506	47,073	1,265,189	16,082	1,281,271	(15,512)	1,265,759
Segment income	¥36,890	¥13,123	¥10,506	¥60,519	¥(811)	¥59,708	¥711	¥60,419

Notes

- “Others” includes the service related to the operation of the Company (Holdings Company), Credit card service and so on, which does not belong to the Reporting segment.
- The ¥711 million adjustment to segment income is an intersegment elimination.
- Segment income is adjusted to the quarterly consolidated operating income.
- The segment information for the third quarter of the previous fiscal year is the amount after a significant review of the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment.

2. Information concerning impairment loss of fixed assets or goodwill by reporting segment

(Significant impairment losses on non-current assets)

Impairment losses on store facilities and land were recorded in the Discount Store business segment, Rent business segment and corporate assets not allocated to reportable segments. Impairment losses of ¥894 million in the Discount Store business segment, ¥27 million in the Rent business segment and ¥612 million in the corporate assets not allocated to reportable segments were recorded for the third quarter ended March 31, 2020.

(Significant changes in goodwill)

Not applicable

(Significant gain on bargain purchase)

Not applicable

For the third quarter ended March 31, 2019 (From July 1, 2018 to March 31, 2019)

1. Information concerning sales and income (loss) by reporting segment

(Millions of yen)

	Reporting segment				Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Discount Store Business	GMS business	Rent business	Sub Total				
Sales, Segment income								
Sales								
Sales to third parties	¥756,449	¥133,953	¥24,156	¥914,558	¥4,432	¥918,990	¥-	¥918,990
Intersegment sales	2,304	214	1,086	3,604	1,337	4,941	(4,941)	-
Total	758,753	134,167	25,242	918,162	5,769	923,931	(4,941)	918,990
Segment income (loss)	¥39,355	¥3,221	¥4,495	¥47,071	¥(768)	¥46,303	¥109	¥46,412

Notes

- “Others” includes the service related to the operation of the Company (Holdings Company) and Credit Card business and so on, which does not belong to the Reporting segment.
- The ¥109 million adjustment to segment income is an intersegment elimination.
- Segment income (loss) is adjusted to the quarterly consolidated operating income.

2. Information concerning changes in reporting segment

(Significant increase in assets due to acquisition of subsidiary)

During the third quarter of the consolidated accounting period, additional shares of UNY Co., Ltd. were acquired and the Company included UNY Co., Ltd in the scope of consolidation.

As a result, segment assets in the “GMS business” increased by ¥235,514 million, segment assets in the “Rent business” increased by ¥151,100 million, and segment assets in “Others” increased by ¥108,062 million, compared to the previous consolidated fiscal year end.

3. Information concerning impairment loss of fixed assets or goodwill by reporting segment

(Significant impairment losses on non-current assets)

Impairment losses on store facilities and land were recorded in the Discount Store business segment and Rent business segment. Impairment losses of ¥9,751 million in the Discount Store business segment and ¥455 million in the Rent business segment were recorded for the third quarter ended March 31, 2019.

(Significant changes in goodwill)

Not applicable

(Significant gain on bargain purchase)

In the GMS business segment, acquired additional shares of UNY Co., Ltd., by including in the scope of consolidation, the Company recorded a gain on bargain purchase of ¥5,646 million for the third quarter ended March 31, 2019.