

Summary Report of Consolidated Financial Results For the First Quarter Ended September 30, 2019

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

1. Overview of Business Results and Financial Position for the first quarter of fiscal 2020 (From July 1, 2019 to September 30, 2019)

(1) Results of Business Operations

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)
Three Months Ended September 30, 2019	428,736	71.4	21,132	45.7	20,449	14.1
Three Months Ended September 30, 2018	250,080	11.9	14,503	1.4	17,917	25.3

(Note) Comprehensive income: 11,995 million yen [Δ 12.0%] (FY 2020.6 1Q), 13,637 million yen [38.2%] (FY 2019.6 1Q)

	Profit Attributable to Owners of Parent	Change (%)	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Three Months Ended September 30, 2019	12,604	8.2	19.90	19.84
Three Months Ended September 30, 2018	11,646	37.6	18.40	18.36

(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 September 30, 2019	1,267,021	360,801	26.6
June 30, 2019	1,278,567	353,487	25.8

(Reference) Equity: 336,804 million yen (as of September 30, 2019), 329,546 million yen (as of June 30, 2019)

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	—				
Year Ending June 30, 2020 (Forecast)		2.50	—	8.50	11.00

(Note) Revision to the dividend forecast in the first 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.

Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of June 30, 2019	As of September 30, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥172,673	¥160,742
Notes and Accounts receivables-trade	18,744	22,835
Accounts receivables - installment	67,417	73,345
Operating loans	8,966	8,922
Merchandise and finished goods	188,510	181,939
Prepaid expenses	7,036	6,782
Deposits paid	12,986	7,633
Other	20,790	21,869
Allowance for doubtful accounts	(717)	(801)
Total current assets	496,405	483,266
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	262,955	262,744
Tools, furniture and fixtures, net	25,471	26,100
Lands	315,047	314,750
Other, net	7,407	7,625
Total property, plant and equipment	610,880	611,219
Intangible assets		
Goodwill	17,216	16,551
Other	20,386	20,883
Total intangible assets	37,602	37,434
Investments and other assets		
Investment securities	16,681	17,148
Long-term loan receivables	2,962	2,889
Long-term prepaid expenses	6,105	6,122
Retirement benefit assets	6,362	6,679
Deferred tax assets	19,668	20,451
Lease and guarantee deposits	80,443	80,414
Other	3,965	3,883
Allowance for doubtful accounts	(2,506)	(2,484)
Total investments and other assets	133,680	135,102
Total non-current assets	782,162	783,755
Total assets	¥1,278,567	¥1,267,021

	(Millions of yen)	
	As of June 30, 2019	As of September 30, 2019
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payables - trade	¥159,064	¥148,773
Short-term loan payables	123	123
Current portions of long-term loan payables	19,721	14,839
Current portions of bonds	22,816	22,916
Payables under fluidity lease receivables	7,304	7,332
Accounts payables - other	49,580	51,583
Accrued expenses	22,684	19,848
Deposits received	19,407	20,247
Income taxes payables	9,841	10,591
Provisions for point card certificates	5,227	5,938
Other	22,218	24,329
Total current liabilities	337,985	326,519
Non-current liabilities		
Bond payables	238,458	237,250
Long-term loan payables	256,777	251,578
Long-term payables under fluidity lease receivables	4,703	2,859
Asset retirement obligations	23,083	23,254
Negative goodwill	180	159
Other	63,894	64,601
Total non-current liabilities	587,095	579,701
Total liabilities	925,080	906,220
Net assets		
Shareholders' equity		
Share capital	22,675	22,810
Capital surplus	15,414	15,548
Retained earnings	291,221	299,075
Treasury shares	(14)	(14)
Total shareholders' equity	329,296	337,419
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	173	410
Foreign currency translation adjustment	554	(560)
Remeasurements of defined benefit plans	(477)	(465)
Total accumulated other comprehensive income	250	(615)
Subscription rights to shares	724	524
Non-controlling interests	23,217	23,473
Total net assets	353,487	360,801
Total liabilities and net assets	¥1,278,567	¥1,267,021

Consolidated Quarterly Statements of Income

(Millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
	Amount	Amount
Net sales	¥250,080	¥428,736
Cost of sales	183,348	306,116
Gross profit	66,732	122,620
Selling, general and administrative expenses	52,229	101,488
Operating income	14,503	21,132
Non-operating income		
Interest and dividend income	487	180
Amortization of negative goodwill	22	22
Equity in earnings of affiliates	2,513	120
Other	1,353	1,044
Total non-operating income	4,375	1,366
Non-operating expenses		
Interest expenses paid on loans and bonds	823	1,379
Foreign exchange losses	—	575
Cost of claim's liquidation	79	51
Other	59	44
Total non-operating expenses	961	2,049
Ordinary income	17,917	20,449
Extraordinary income		
Gain on sales of non-current assets	0	14
Reversal of provision for loss on store closings	—	268
Other	0	1
Total extraordinary income	0	283
Extraordinary losses		
Loss on retirement of non-current assets	6	847
Loss on closing of stores	32	70
Loss on disaster	232	161
Other	9	34
Total extraordinary losses	279	1,112
Profit before income taxes	17,638	19,620
Income taxes - Current	5,352	6,317
Income taxes - Deferred	2	546
Total income taxes	5,354	6,863
Profit	12,284	12,757
Profit attributable to non-controlling interests	638	153
Profit attributable to owners of parent	¥11,646	¥12,604

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
	Amount	Amount
Profit	¥12,284	¥12,757
Other comprehensive income		
Valuation difference on available-for-sale securities	55	246
Foreign currency translation adjustment	1,300	(1,011)
Remeasurements of defined benefit plans, net of tax	—	12
Share of other comprehensive income of affiliates accounted for using equity method	(2)	(9)
Total other comprehensive income	1,353	(762)
Comprehensive income	¥13,637	¥11,995
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	¥12,999	¥11,739
Comprehensive income attributable to non-controlling interests	638	256

Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Three months ended September 30, 2018	Three months ended September 30, 2019
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥17,638	¥19,620
Depreciation and amortization	4,448	7,094
Amortization of negative goodwill	(22)	(22)
Increase (decrease) in provision	94	(1,222)
Interest and dividend income	(487)	(180)
Interest expenses paid on loans and bonds	823	1,379
Equity in earnings of affiliates	(2,513)	(120)
Loss on sales and retirement of property, plant and equipment	6	866
Decrease (increase) in notes and accounts receivables - trade	407	(4,161)
Decrease (increase) in inventories	(1,145)	6,375
Increase (decrease) in notes and accounts payables - trade	4,521	(10,195)
Increase in accounts receivables - installment	—	(5,928)
Increase in accounts payables - other	467	2,713
Other, net	(583)	1,487
Subtotal	23,654	17,706
Interest and dividend income received	430	48
Interest expenses paid	(1,014)	(977)
Payments for loss on disaster	(158)	(85)
Income taxes paid	(8,309)	(5,825)
Income taxes refund	—	12
Net cash provided by operating activities	14,603	10,879
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(13,450)	(8,592)
Proceeds from sales of property, plant and equipment	0	119
Payments for purchase of intangible assets	(490)	(1,111)
Payments for lease and guarantee deposits	(1,212)	(493)
Proceeds from collection of lease and guarantee deposits	235	221
Payment for store opening in progress	(411)	(116)
Proceeds from collections of loan receivables	636	14
Other, net	69	49
Net cash used in investing activities	(14,623)	(9,909)
Cash flows from financing activities:		
Proceeds from long-term loan payables	65,000	—
Repayments of long-term loan payables	(2,970)	(10,012)
Redemption of bonds	(1,108)	(1,108)
Repayments of payables under fluidity lease receivables	(1,878)	(1,861)
Proceeds from issuance of common shares	—	69
Cash dividends paid	(4,271)	(4,750)
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)	—
Other, net	(52)	(20)
Net cash provided by (used in) financing activities	49,591	(17,682)
Effect of exchange rate change on cash and cash equivalents	428	(522)
Net increase (decrease) in cash and cash equivalents	49,999	(17,234)
Cash and cash equivalents at beginning of period	75,883	185,136
Increase in cash and cash equivalents from newly consolidated subsidiary	0	—
Cash and cash equivalents at end of period	¥125,882	¥167,902

Segment Information

For the first quarter ended September 30, 2019

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	¥281,599	¥128,153	¥15,172	¥424,924	¥3,812	¥428,736	¥—	¥428,736
Intersegment sales	1,404	992	1,024	3,420	1,566	4,986	(4,986)	—
Total	283,003	129,145	16,196	428,344	5,378	433,722	(4,986)	428,736
Segment income	¥14,963	¥2,864	¥3,159	¥20,986	¥12	¥20,998	¥134	¥21,132

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 ¥134 million adjustment to segment income is an intersegment elimination.
- Segment income is adjusted to the quarterly consolidated operating income.

2. Information concerning changes in reporting segment

UNY Co., Ltd. became a wholly owned subsidiary of the Company since we acquired additional shares on January 4, 2019. Therefore, we added a business segment and revised the classification method, in the previous third quarter ended March 31, 2019. The two Reporting segments “Retail business” and “Rent business” have been reclassified into three Reporting segments “Discount Store business”, “GMS business” and “Rent business”.

In addition, Japan Asset Marketing Co., Ltd., which was formerly included in the “Rent business”, and Realit Co., Ltd., which was formerly included in the “Others” were reclassified into the “Discount Store business” since the nature of the business has been related to “Discount Store business”.

Segment information for the first quarter ended September 30, 2018 is presented after reclassification that incorporates this reclassifications.

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

Not applicable

For the first quarter ended September 30, 2018

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	¥245,047	¥—	¥4,731	¥249,778	¥302	¥250,080	¥—	¥250,080
Intersegment sales	723	—	476	1,199	—	1,199	(1,199)	—
Total	245,770	—	5,207	250,977	302	251,279	(1,199)	250,080
Segment income (losses)	¥14,188	¥—	¥779	¥14,967	¥(459)	¥14,508	¥(5)	¥14,503

Notes

- “Others” includes the service related to the operation of the Company (Holdings Company) and so on, which does not belong to the Reporting segment.
- The ¥(5) million adjustment to segment income is an intersegment elimination.
- Segment income is adjusted to the quarterly consolidated operating income.

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

Not applicable