

Summary Report of Consolidated Financial Results

For the First Quarter Ended September 30, 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
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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 2021 (From July 1, 2020 to September 30, 2020)

(1) Results of Business Operations

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)	Profit Attributable to Owners of Parent	Change (%)
Three Months Ended September 30, 2020	418,474	△2.4	23,204	10.3	22,806	12.0	16,470	31.3
Three Months Ended September 30, 2019	428,736	71.4	21,041	—	20,358	—	12,544	—

(Note) Comprehensive income: 16,962 million yen [42.1%] (FY 2021.6 1Q), 11,935 million yen [—%] (FY 2020.6 1Q)

	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Three Months Ended September 30, 2020	25.98	25.91
Three Months Ended September 30, 2019	19.81	19.75

(Note) The accounting policy has been changed since the first quarter of the fiscal year ending June 2021, and the figures for the first quarter of the fiscal year ended June 2020 are the figures after the retroactive adjustment.

The year-on-year percentage change in the first quarter of the fiscal year ending June 2020 is not stated because it was retroactively revised due to changes in accounting policy.

(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, 2020	1,278,190	398,468	29.8
June 30, 2020	1,297,231	388,999	28.7

(Reference) Equity: 380,893 million yen (as of September 30, 2020), 371,839 million yen (as of June 30, 2020)

(Note) The accounting policy has been changed since the first quarter of the fiscal year ending June 2021, and the figures for the fiscal year ended June 2020 are the figures after the retroactive adjustment.

2. Dividends

	Yen				Total
	Three Months End of September 30	Six Months End of December 31	Nine Months End of March 31	Year End of June 30	
Year Ended June 30, 2020	—	3.00	—	12.00	15.00
Year Ending June 30, 2021	—				
Year Ending June 30, 2021 (Forecast)		3.00	—	13.00	16.00

(Note) Revision to the dividend forecast in the first quarter of fiscal 2021: None

3. Consolidated Business Forecast : For the year ending June 30, 2021 (From July 1, 2020 to June 30, 2021)

(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)
Six Months Ending December 31, 2020	846,000	(1.5)	40,000	(9.7)	39,500	(11.7)	26,500	(6.6)	41.80
Year Ending June 30, 2021	1,700,000	1.1	77,000	2.1	76,000	1.9	51,000	2.1	80.45

(Note) Revision to the business forecast in the first quarter of fiscal 2021: None

(Note) The year-on-year percentage change for the whole financial year and the year-on-year percentage change for the six month period have been revised retroactively due to changes in accounting policy, so they are shown in comparison with the figures for the previous year after the retroactive adjustment.

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: Yes

③ Changes in accounting estimates: None

④ Restatement: None

(4) Number of outstanding shares (Common share)

① Number of outstanding shares (Treasury share included)	September 30, 2020	634,051,040 shares
	June 30, 2020	633,929,040 shares
② Number of treasury share	September 30, 2020	18,924 shares
	June 30, 2019	18,924 shares
③ Average number of outstanding shares during the period	September 30, 2020	633,968,473 shares
	September 30, 2019	633,313,339 shares

※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 security analysts and institutional investors on November 10, 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, 2020	As of September 30, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥179,785	¥170,321
Notes and accounts receivables-trade	18,378	19,018
Accounts receivables - installment	68,293	63,637
Operating loans	8,076	7,616
Merchandise and finished goods	187,775	188,159
Prepaid expenses	6,772	6,720
Deposits paid	4,377	4,199
Other	21,572	22,026
Allowance for doubtful accounts	(890)	(926)
Total current assets	494,138	480,770
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	264,035	261,186
Tools, furniture and fixtures, net	29,898	29,042
Lands	325,499	323,208
Other, net	3,278	4,457
Total property, plant and equipment	622,710	617,893
Intangible assets		
Goodwill	15,935	15,555
Other	20,948	21,213
Total intangible assets	36,883	36,768
Investments and other assets		
Investment securities	17,515	18,654
Long-term loan receivables	1,269	1,249
Long-term prepaid expenses	5,729	5,564
Retirement benefit assets	16,236	16,306
Deferred tax assets	23,150	21,527
Lease and guarantee deposits	78,624	78,462
Other	3,178	3,203
Allowance for doubtful accounts	(2,201)	(2,206)
Total investments and other assets	143,500	142,759
Total non-current assets	803,093	797,420
Total assets	¥1,297,231	¥1,278,190

	(Millions of yen)	
	As of June 30, 2020	As of September 30, 2020
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payables - trade	¥148,226	¥141,503
Short-term loan payables	—	5,000
Current portion of long-term loan payables	13,201	18,480
Current portion of bonds	11,916	12,636
Payables under fluidity lease receivables	4,512	2,859
Accounts payables - other	53,481	43,003
Accrued expenses	22,588	21,131
Deposits received	16,806	16,042
Income taxes payables	10,969	5,881
Provision for point card certificates	6,924	7,563
Other	23,604	22,543
Total current liabilities	312,227	296,641
Non-current liabilities		
Bond payables	226,542	224,714
Long-term loan payables	276,191	265,460
Long-term payables under fluidity lease receivables	191	—
Asset retirement obligations	23,300	23,483
Negative goodwill	94	72
Other	69,687	69,352
Total non-current liabilities	596,005	583,081
Total liabilities	908,232	879,722
Net assets		
Shareholders' equity		
Share capital	23,008	23,065
Capital surplus	16,977	17,034
Retained earnings	332,263	341,125
Treasury shares	(15)	(15)
Total shareholders' equity	372,233	381,209
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	529	769
Foreign currency translation adjustment	(865)	(1,030)
Remeasurements of defined benefit plans	(58)	(55)
Total accumulated other comprehensive income	(394)	(316)
Share acquisition rights	218	217
Non-controlling interests	16,942	17,358
Total net assets	388,999	398,468
Total liabilities and net assets	¥1,297,231	¥1,278,190

Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Three months ended September 30, 2019	Three months ended September 30, 2020
	Amount	Amount
Net sales	¥428,736	¥418,474
Cost of sales	306,207	295,019
Gross profit	122,529	123,455
Selling, general and administrative expenses	101,488	100,251
Operating income	21,041	23,204
Non-operating income		
Interest and dividend income	180	165
Amortization of negative goodwill	22	22
Share of profit of entities accounted for using equity method	120	111
Other	1,044	1,387
Total non-operating income	1,366	1,685
Non-operating expenses		
Interest expenses paid on loans and bonds	1,379	1,277
Foreign exchange losses	575	671
Cost of claim's liquidation	51	23
Other	44	112
Total non-operating expenses	2,049	2,083
Ordinary income	20,358	22,806
Extraordinary income		
Gain on sales of non-current assets	14	94
Gain on reversal of provision for loss on store closings	268	—
Gain on insurance claims	—	822
Other	1	53
Total extraordinary income	283	969
Extraordinary losses		
Loss on retirement of non-current assets	847	129
Loss on closing of stores	70	202
Loss on disaster	161	8
Other	34	47
Total extraordinary losses	1,112	386
Profit before income taxes	19,529	23,389
Income taxes - current	6,317	4,568
Income taxes - deferred	515	1,966
Total income taxes	6,832	6,534
Profit	12,697	16,855
Profit attributable to non-controlling interests	153	385
Profit attributable to owners of parent	¥12,544	¥16,470

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Three months ended September 30, 2019	Three months ended September 30, 2020
	Amount	Amount
Profit	¥12,697	¥16,855
Other comprehensive income		
Valuation difference on available-for-sale securities	246	241
Foreign currency translation adjustment	(1,011)	(135)
Remeasurements of defined benefit plans, net of tax	12	1
Share of other comprehensive income of affiliates accounted for using equity method	(9)	0
Total other comprehensive income	(762)	107
Comprehensive income	¥11,935	¥16,962
Comprehensive income attributable to:		
Owners of parent	¥11,679	¥16,547
Non-controlling interests	256	415

Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Three months ended September 30, 2019	Three months ended September 30, 2020
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥19,529	¥23,389
Depreciation and amortization	7,094	7,374
Amortization of negative goodwill	(22)	(22)
Decrease in allowance for doubtful accounts	(1,222)	(1,948)
Interest and dividend income	(180)	(165)
Interest expenses paid on loans and bonds	1,379	1,277
Share of profit of entities accounted for using equity method	(120)	(111)
Loss on sales and retirement of property, plant and equipment	866	35
Gain on insurance claims	—	(822)
Increase in notes and accounts receivables - trade	(4,161)	(501)
Decrease (increase) in inventories	6,466	(418)
Decrease in notes and accounts payables - trade	(10,195)	(6,744)
Decrease (increase) in accounts receivables - installment	(5,928)	4,625
Increase (decrease) in accounts payables - other	2,713	(3,138)
Other, net	1,487	(1,163)
Subtotal	17,706	21,668
Interest and dividend income received	48	82
Interest expenses paid	(977)	(915)
Income taxes paid	(5,825)	(9,441)
Income taxes refund	12	4
Proceeds from insurance benefits	—	1,286
Payments for loss on disaster	(85)	(8)
Net cash provided by operating activities	10,879	12,676
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(8,592)	(11,335)
Proceeds from sales of property, plant and equipment	119	2,516
Payments for purchase of intangible assets	(1,111)	(726)
Purchase of shares of subsidiaries and affiliates	—	(756)
Payments for leasehold and guarantee deposits	(493)	(419)
Proceeds from collection n of leasehold and guarantee deposits	221	109
Payment for store opening in progress	(116)	(165)
Other, net	63	42
Net cash used in investing activities	(9,909)	(10,734)
Cash flows from financing activities:		
Net increase in short-term loan payables	—	5,000
Repayments of long-term loan payables	(10,012)	(5,392)
Redemption of bonds	(1,108)	(1,108)
Repayments of payables under fluidity lease receivables	(1,861)	(1,861)
Proceeds from issuance of common shares	69	113
Cash dividends paid	(4,750)	(7,607)
Other, net	(20)	(12)
Net cash used in financing activities	(17,682)	(10,867)
Effect of foreign exchange rate change on cash and cash equivalents	(522)	(794)
Net decrease in cash and cash equivalents	(17,234)	(9,719)
Cash and cash equivalents at the beginning of period	185,136	183,602
Cash and cash equivalents at the end of period	¥167,902	¥173,883

Segment Information

For the first quarter ended September 30, 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	¥286,195	¥112,372	¥16,413	¥414,980	¥3,494	¥418,474	¥—	¥418,474
Intersegment sales	1,874	2,618	280	4,772	1,059	5,831	(5,831)	—
Total	288,069	114,990	16,693	419,752	4,553	424,305	(5,831)	418,474
Segment income (loss)	¥16,065	¥3,657	¥3,957	¥23,679	¥(955)	¥22,724	¥480	¥23,204

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 ¥480 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

The valuation method for inventories (merchandise and finished goods) has changed since the first quarter of the current consolidated fiscal year. This change has been applied retroactively, and segment income for the first quarter of the previous fiscal year has decreased by 91 million yen in the “discount store business” compared to the case where the conventional method was used.

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

Not applicable

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	¥14,872	¥2,864	¥3,159	¥20,895	¥12	¥20,907	¥134	¥21,041

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 impairment loss of fixed assets or goodwill by reporting segment

Not applicable