

Summary Report of Consolidated Financial Results For the Third Quarter Ended March 31, 2021

(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 third quarter of fiscal 2021 (From July 1, 2020 to March 31, 2021)

(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 (%)
Nine Months Ended March 31, 2021	1,268,196	0.2	66,888	12.6	67,547	14.7	45,234	20.0
Nine Months Ended March 31, 2020	1,265,759	37.7	59,415	—	58,914	—	37,711	—

(Note) Comprehensive income: 44,669 million yen [17.6%] (FY 2021.6 3Q), 37,986 million yen [—%] (FY 2020.6 3Q)

	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Nine Months Ended March 31, 2021	71.34	71.15
Nine Months Ended March 31, 2020	59.52	59.36

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

The year-on-year percentage change in the third quarter of the fiscal year ended 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 March 31, 2021	1,323,312	425,459	30.7
June 30, 2020	1,297,231	388,999	28.7

(Reference) Equity: 405,845 million yen (as of March 31, 2021), 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	—	3.00	—		
Year Ending June 30, 2021 (Forecast)				13.00	16.00

(Note) Revision to the dividend forecast in the third 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)
Year Ending June 30, 2021	1,700,000	1.1	80,000	6.1	79,000	5.9	53,000	6.2	83.58

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

(Note) The year-on-year percentage change for the whole financial year 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)	March 31, 2021	634,197,040 shares
	June 30, 2020	633,929,040 shares
② Number of treasury share	March 31, 2021	18,924 shares
	June 30, 2020	18,924 shares
③ Average number of outstanding shares during the period	March 31, 2021	634,054,371 shares
	March 31, 2020	633,574,015 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 May 11, 2021. 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 March 31, 2021
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥179,785	¥202,487
Notes and accounts receivables-trade	18,378	21,450
Accounts receivables - installment	68,293	66,913
Operating loans	8,076	7,565
Merchandise and finished goods	187,775	195,583
Prepaid expenses	6,772	6,530
Deposits paid	4,377	4,646
Other	21,572	16,474
Allowance for doubtful accounts	(890)	(1,083)
Total current assets	494,138	520,565
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	264,035	264,126
Tools, furniture and fixtures, net	29,898	30,468
Lands	325,499	323,337
Other, net	3,278	5,705
Total property, plant and equipment	622,710	623,635
Intangible assets		
Goodwill	15,935	14,571
Other	20,948	21,799
Total intangible assets	36,883	36,370
Investments and other assets		
Investment securities	17,515	23,319
Long-term loan receivables	1,269	2,010
Long-term prepaid expenses	5,729	5,319
Retirement benefit assets	16,236	16,445
Deferred tax assets	23,150	20,089
Lease and guarantee deposits	78,624	74,527
Other	3,178	3,152
Allowance for doubtful accounts	(2,201)	(2,121)
Total investments and other assets	143,500	142,741
Total non-current assets	803,093	802,747
Total assets	¥1,297,231	¥1,323,312

	As of June 30, 2020 Amount	(Millions of yen) As of March 31, 2021 Amount
Liabilities		
Current liabilities		
Notes and accounts payables - trade	¥148,226	¥148,778
Short-term loan payables	—	1,500
Current portion of long-term loan payables	13,201	33,646
Current portion of bonds	11,916	2,566
Payables under securitization of lease receivables	4,512	632
Accounts payables – other	53,481	47,622
Accrued expenses	22,588	21,250
Deposits received	16,806	15,962
Income taxes payables	10,969	8,944
Provision for point card certificates	6,924	5,735
Other	23,604	24,924
Total current liabilities	312,227	311,559
Non-current liabilities		
Bond payables	226,542	223,976
Long-term loan payables	276,191	268,380
Long-term payables under securitization of lease receivables	191	—
Asset retirement obligations	23,300	23,893
Negative goodwill	94	29
Other	69,687	70,015
Total non-current liabilities	596,005	586,294
Total liabilities	908,232	897,853
Net assets		
Shareholders' equity		
Share capital	23,008	23,133
Capital surplus	16,977	17,102
Retained earnings	332,263	367,988
Treasury shares	(15)	(15)
Total shareholders' equity	372,233	408,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	529	951
Foreign currency translation adjustment	(865)	(3,330)
Remeasurements of defined benefit plans	(58)	16
Total accumulated other comprehensive income	(394)	(2,363)
Share acquisition rights	218	216
Non-controlling interests	16,942	19,398
Total net assets	388,999	425,459
Total liabilities and net assets	¥1,297,231	¥1,323,312

Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Nine months ended March 31, 2020	Nine months ended March 31, 2021
	Amount	Amount
Net sales	¥1,265,759	¥1,268,196
Cost of sales	902,120	898,252
Gross profit	363,639	369,944
Selling, general and administrative expenses	304,224	303,056
Operating income	59,415	66,888
Non-operating income		
Interest and dividend income	491	423
Amortization of negative goodwill	65	65
Share of profit of entities accounted for using equity method	235	196
Other	3,244	4,161
Total non-operating income	4,035	4,845
Non-operating expenses		
Interest expenses paid on loans and bonds	3,855	3,767
Cost of claim's liquidation	132	46
Other	549	374
Total non-operating expenses	4,536	4,186
Ordinary income	58,914	67,547
Extraordinary income		
Gain on sales of non-current assets	667	96
Gain on bargain purchase	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	220	0
Gain on insurance claims	—	1,227
Other	428	75
Total extraordinary income	2,318	1,398
Extraordinary losses		
Impairment loss	1,533	—
Loss on retirement of non-current assets	2,869	649
Loss on closing of stores	1,085	370
Loss on disaster	192	48
Other	278	63
Total extraordinary losses	5,957	1,129
Profit before income taxes	55,275	67,815
Income taxes - current	15,477	16,596
Income taxes – deferred	1,813	4,799
Total income taxes	17,290	21,395
Profit	37,985	46,420
Profit attributable to non-controlling interests	274	1,186
Profit attributable to owners of parent	¥37,711	¥45,234

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Nine months ended	Nine months ended
	March 31, 2020	March 31, 2021
	Amount	Amount
Profit	¥37,985	¥46,420
Other comprehensive income		
Valuation difference on available-for-sale securities	328	624
Foreign currency translation adjustment	(333)	(2,469)
Remeasurements of defined benefit plans, net of tax	36	4
Share of other comprehensive income of entities accounted for using equity method	(30)	90
Total other comprehensive income	1	(1,752)
Comprehensive income	¥37,986	¥44,669
Comprehensive income attributable to:		
Owners of parent	¥37,550	¥43,266
Non-controlling interests	436	1,403

Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Nine months ended March 31, 2020	Nine months ended March 31, 2021
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥55,275	¥67,815
Depreciation and amortization	21,491	22,373
Impairment loss	1,533	—
Amortization of negative goodwill	(65)	(65)
Gain on bargain purchase	(241)	—
Decrease in provisions	(5,198)	(4,341)
Interest and dividend income	(491)	(423)
Interest expenses paid on loans and bonds	3,855	3,767
Share of profit of entities accounted for using equity method	(235)	(196)
Loss on sales and retirement of property, plant and equipment	2,314	552
Gain on insurance claims	—	(1,227)
Gain on sale of businesses	(494)	—
Loss on store closings	1,085	370
Increase in notes and accounts receivables – trade	(1,926)	(2,698)
Increase in inventories	(3,811)	(8,107)
Increase (decrease) in notes and accounts payables – trade	(12,119)	845
Decrease in accounts receivables – installment	67	1,328
Increase (decrease) in accounts payables – other	575	(2,223)
Decrease in deposits received	(3,242)	(846)
Other, net	6,836	6,112
Subtotal	65,209	83,038
Interest and dividend income received	166	162
Interest expenses paid	(3,527)	(3,416)
Income taxes paid	(15,142)	(19,303)
Income taxes refund	4,875	1,127
Proceeds from insurance benefits	—	1,691
Payments for loss on disaster	(298)	(89)
Dividends received from entities accounted for using equity method	78	—
Net cash provided by operating activities	51,361	63,209
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(23,456)	(27,377)
Proceeds from sales of property, plant and equipment	2,597	2,518
Payments for purchase of intangible assets	(2,476)	(2,483)
Proceeds from sale of businesses	5,978	—
Purchase of investment securities	(157)	(4,082)
Purchase of shares of subsidiaries and affiliates	(79)	(790)
Payments for leasehold and guarantee deposits	(2,301)	(777)
Proceeds from collection of leasehold and guarantee deposits	1,011	3,400
Payments for store opening in progress	(570)	(189)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,723)	—
Loan advances	(4)	(802)
Other, net	(27)	118
Net cash used in investing activities	¥(23,207)	¥(30,463)

	(Millions of yen)	
	Nine months ended March 31, 2020	Nine months ended March 31, 2021
	Amount	Amount
Cash flows from financing activities:		
Net increase (decrease) in short-term loan payables	¥(1,892)	¥1,500
Proceeds from long-term loan payables	2,500	24,846
Repayments of long-term loan payables	(19,772)	(12,296)
Proceeds from issuance of bonds	98	—
Redemption of bonds	(22,916)	(11,916)
Repayments of payables under securitization of lease receivables	(5,583)	(4,105)
Proceeds from issuance of common shares	299	248
Cash dividends paid	(6,651)	(9,509)
Proceeds from share issuance to non-controlling shareholders	627	1,052
Purchase of treasury shares of subsidiaries	(8,049)	—
Other, net	(27)	(35)
Net cash used in financing activities	(61,366)	(10,214)
Effect of foreign exchange rate change on cash and cash equivalents	120	0
Net increase (decrease) in cash and cash equivalents	(33,092)	22,532
Cash and cash equivalents at the beginning of period	185,136	183,602
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	1,163	—
Cash and cash equivalents at end of period	¥153,207	¥206,133

Segment Information

For the third quarter ended March 31, 2021

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	¥868,670	¥342,393	¥46,483	¥1,257,546	¥10,649	¥1,268,196	¥—	¥1,268,196
Intersegment sales	5,473	6,240	873	12,586	3,382	15,968	(15,968)	—
Total	874,143	348,633	47,356	1,270,133	14,031	1,284,164	(15,968)	1,268,196
Segment income (loss)	¥45,238	¥14,015	¥10,498	¥69,752	¥(3,138)	¥66,613	¥275	¥66,888

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 ¥275 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 third quarter of the previous fiscal year has decreased by 1,004 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 third quarter ended 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 (loss)	¥35,886	¥13,123	¥10,506	¥59,515	¥(811)	¥58,704	¥711	¥59,415

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.

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