

Pan Pacific International Holdings Corporation

1H Results for FY 2020

Earnings Results
July 1, 2019 – December 31, 2019

February 5, 2020



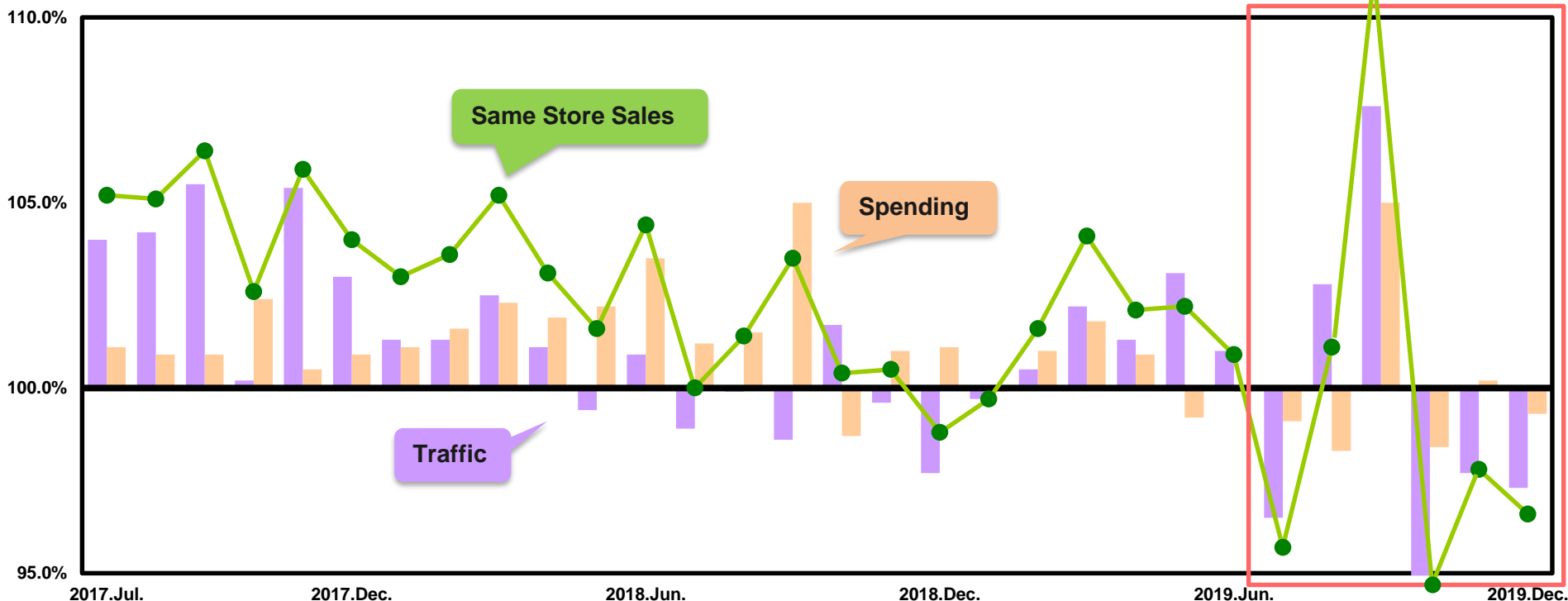
Earnings summary

Consolidated (Millions of yen)	6 months to December 2019			6 months to December 2018	
	Actual	Share	YoY	Actual	Share
Net sales	858,789	100.0%	167.3%	513,416	100.0%
Gross profit	247,793	28.9%	182.7%	135,611	26.4%
SGA	202,680	23.6%	191.9%	105,594	20.6%
Operating profit	45,133	5.3%	150.3%	30,017	5.8%
Recurring profit	45,555	5.3%	128.9%	35,330	6.9%
Profit attributable to owners of parent	28,890	3.4%	122.3%	23,616	4.6%
EPS(Yen) *	45.61	—	122.2%	37.32	—

* Stock split (1:4) was taken place on September 1, 2019. EPS in FY 2018 is recalculated.

- 1H profits largely beat the guidance by executing aggressive strategy to select and concentrate group's management resources.
- Consumption environment was difficult as there was a series of devastating natural disasters. Consumption tax hike in October gave a negative impact on general consumption.
- PPIH focused on conversion of UNY stores and improve profitability. Further optimization was taken place in existing business.
- SSS for Don Quijote went down by 0.7%, 0.2% negative for UNY. Tax-free sales went down 2.7% due largely to the drop in sales from South Korea. We welcomed overseas tourists from 189 countries. Traffic from Taiwan, ASEAN and the west is sharply rising.
- GPM was up 2.4 pts as we dealt with price conscious consumer sentiment by offering daily necessities at competitive price.
- SGA went up 3.0 pts due to UNY consolidation. Post-merger integration is working out.
- Operating profit and net profit went up 50.3% and 22.3% respectively. Guidance for FY 2020 made an upward revision with this strong results.

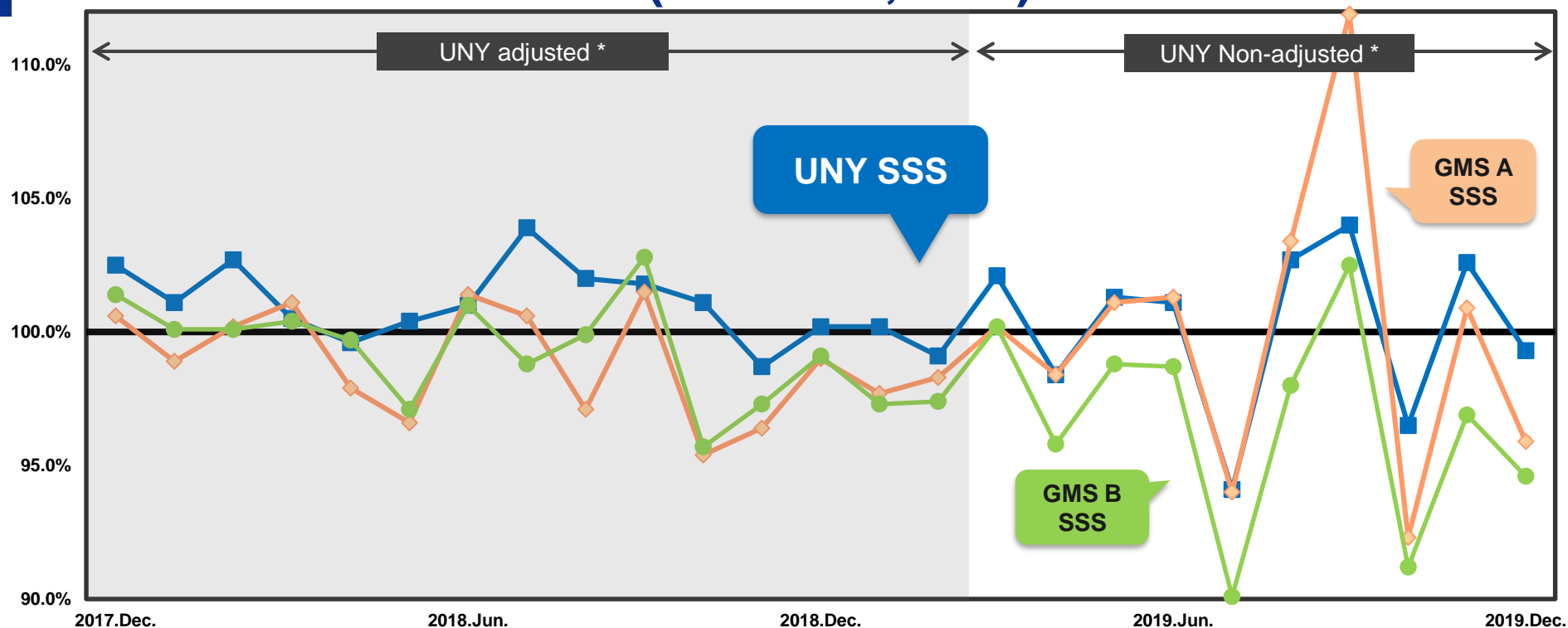
Same-store sales (Don Quijote Co., Ltd.)



Existing stores	2018 Oct.	Nov.	Dec.	2019 Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Sales (%)	100.4	100.5	98.8	99.7	101.6	104.1	102.1	102.2	100.9	95.7	101.1%	113.0	93.1	97.8	96.6
Customer traffic (%)	101.7	99.6	97.7	99.7	100.5	102.2	101.3	103.1	101.0	96.5	102.8%	107.6	94.5	97.7	97.3
Customer spending (%)	98.7	101.0	101.1	99.9	101.0	101.8	100.9	99.2	99.9	99.1	98.3%	105.0	98.4	100.2	99.3
Existing store count	291	294	299	301	301	301	295	296	297	297	302	296	307	309	310

- DQ SSS went down 0.7% (decrease from domestic (0.3pt) and from tax-free (0.4pt)) with traffic went down 0.7% and spending was flat.
- The domestic sales were soft because of natural disasters and consumption tax hike. Sharp drop in Korean traffic impacted tax free sales, Chinese and ASEAN were contributors.

Same-store sales (UNY Co., Ltd.)



Existing stores	2018.Jun.			2018.Dec.						2019.Jun.			2019.Dec.		
	2018 Oct.	Nov.	Dec.	2019 Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Sales (%)	101.1	98.7	100.2	100.2	99.1	102.1	98.4	101.3	101.1	94.1	102.7	104.0	96.5	102.6	99.3
Customer traffic (%)	100.6	98.9	99.6	99.6	99.5	100.9	98.0	100.3	99.8	94.5	101.1	102.0	96.7	101.2	99.4
Customer spending (%)	102.4	99.3	100.6	99.8	99.5	101.1	100.5	101.0	101.3	99.5	101.6	102.0	99.8	101.4	100.0
Existing store count	188	186	187	181	178	177	173	173	169	168	166	161	161	159	158

* In terms of SSS sales of UNY, day of the week has been adjusted until Feb. 2019. From Mar. 2019, the figures are of non-adjusted. For the customer traffic and spending, all the figures are of non-adjusted.

* The fiscal month are from 21th to 20th of next month until the figure of Nov. 2018. From Dec. 2018, the fiscal month has been revised from 1st to the end of the month.

- UNY SSS went down 0.2%, with traffic went down 0.9% and spending went up 0.7%.

Sales breakdown by product category

Consolidated (Millions of yen)	6 months to December 2019			6 months to December 2018	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	43,612	5.1%	105.6%	41,290	8.0%
Miscellaneous household goods	123,807	14.4%	107.7%	114,961	22.4%
Foods	202,219	23.5%	120.4%	167,943	32.7%
Watches & fashion merchandise	85,267	9.9%	101.6%	83,906	16.3%
Sporting goods & leisure goods	31,290	3.6%	101.4%	30,870	6.0%
DIY goods	7,696	0.9%	97.5%	7,896	1.5%
Overseas	51,788	6.0%	114.4%	45,255	8.8%
Other products	15,273	1.8%	136.1%	11,222	2.2%
Total discount store business (Former Don Quijote HD stores)	560,953	65.3%	111.4%	503,343	98.0%
Clothings	34,981	4.1%	—	—	—
Household goods	40,965	4.8%	—	—	—
Foods	175,082	20.4%	—	—	—
Other products	9,535	1.1%	—	—	—
Total GMS business (Former UNY group stores)	260,563	30.3%	—	—	—
Tenant leasing business	29,705	3.5%	316.2%	9,393	1.8%
Other business	7,568	0.9%	1112.9%	680	0.1%
Total sales	858,789	100.0%	167.3%	513,416	100.0%

Sales breakdown by product category

Home electrical appliances	Accessory for smartphones and POSA cards delivered a good sales momentum. Batteries and flash lights grew.
Miscellaneous household goods	Daily necessities such as detergents and oral-care products grew. Kitchen products such as portable stove contributed to sales.
Foods	Strong popularity of processed food (e.g. snacks and preserved food) led to sales growth. The fresh meat and vegetables were strong.
Watches & fashion merchandise	Rain goods and bags were contributors. The luxury goods including branded watch and jewelries showed fluctuation before and after the tax hike.
Sporting goods & leisure goods	Despite the slump in car products and toys, sports related products such as proteins covered.
DIY goods	Gardening goods suffered from a series of natural disasters and poor weather. On the other hand, the goods for preventing such disasters (e.g. sandbags) were strong.
Overseas	Fruits, meat and ready-made meals kept strong. Everyday goods also contributed.
Total discount store business (Former Don Quijote HD stores)	The unseasonable weather put negative impact on seasonal goods. On the other hand, daily necessities including food went even higher.
Clothing	Outer and home wear for ladies recorded high growth rate. Socks and rain goods contributed.
Household goods	Emergency supplies such as batteries and DIY goods were solid. Seasonal electrical appliances (e.g. humidifier) and daily consumable (e.g. bath products) also helped.
Foods	The processed food and dairies took the lead while fresh food and vegetables affected by the low market price. Ready-to-eat fruits were popular.
Total GMS business (Former UNY group stores)	The strong clothing which captured trends was worth a notice. The housing goods grew with the increased number of items including electric appliances and general goods.

The number of stores

Breakdown by format

(stores)

	FY2018	FY2019	FY2020-1Q	FY2020-2Q
Don Quijote	209	212	213	215
MEGA	43	44	44	44
New MEGA	80	88	89	89
MEGA DQ UNY (Conversion Store)	—	16	22	29
Apita / Piago	—	176	169	162
Picasso	23	21	22	22
Kyo-yasu-do	4	4	4	4
mini Piago	—	73	73	73
Doit	18	15	15	15
Nagasakiya	2	2	2	2
Total stores in Japan	379	651	653	655
Overseas	39	42	43	45
Global Total	418	693	696	700
Domestic opening	55	292	3	3
Domestic closure	5	20	1	1
Net increase	50	272	2	2

* Opening store count includes both organic new store openings and M&A.

The number of stores

Breakdown by company

(stores)

	FY2018	FY2019	FY2020-1Q	FY2020-2Q
Don Quijote Co., Ltd. (DQ,New MEGA and small format)	313	322	325	327
Nagasakiya Co., Ltd. (MEGA)	43	44	44	44
UD Retail Co., Ltd. (MEGA UNY;conversion store from UNY)	—	16	22	29
UNY Co., Ltd. (Apita, Piago)	—	176	169	162
Lirack Co., Ltd. (Kyo-yasu-do)	4	4	4	4
99 Ichiba Co., Ltd. (mini-piago)	—	73	73	73
Doit Co., Ltd. (Doit)	18	15	15	15
Daishin Co., Ltd. (MEGA Omori sanno)	1	1	1	1
Domestic Total	379	651	653	655
DQ USA (Stores in Hawaii)	4	4	4	4
MARUKAI (California)	9	10	10	10
QSI (Hawaii)	24	24	24	24
PPRM (Singapore)	2	3	4	5
PPRM (Hong Kong)	—	—	—	1
DONKI Thonglor (Thailand)	—	1	1	1
Overseas Total	39	42	43	45
Global Total	418	693	696	700

Key components in SG&A

Consolidated (Millions of yen)	6 months to December 2019			6 months to December 2018	
	Actual	Share	YoY	Actual	Share
Net sales	858,789	100.0%	167.3%	513,416	100.0%
Salary allowance	71,759	8.4%	181.2%	39,605	7.7%
Rent	26,956	3.1%	178.0%	15,142	2.9%
Commission paid	30,858	3.6%	241.5%	12,779	2.5%
Depreciation and amortization	11,964	1.4%	157.2%	7,609	1.5%
Others	61,143	7.1%	200.7%	30,458	5.9%
SG&A	202,680	23.6%	191.9%	105,594	20.6%

- The consolidated SG&A increased due to UNY consolidation. Cost is in the process of streamlining after consolidating UNY and it is working well.
- SG&A for former Don Quijote group stood at 26.4% as a percentage of sales, while that of UNY was at 33.1%.

Sales and profit by business

Sales, profit and loss by segment from Jul.1, 2019, to Dec.31, 2019

(Millions of yen)

Consolidated	Discount store	GMS	Tenant leasing	Others	Total	Adjusted	Consolidated
Sales to external customers	560,953	260,564	29,705	7,567	858,789	-	858,789
Internal sales or transfers between segments	2,847	2,179	2,037	3,373	10,436	(10,436)	-
Total	563,800	262,743	31,742	10,940	869,225	(10,436)	858,789
Segment profit	28,110	10,005	6,741	43	44,899	214	45,113

Sales, profit and loss by segment from Jul.1, 2018, to Dec.31, 2018

(Millions of yen)

Consolidated	Discount store	GMS	Tenant leasing	Others	Total	Adjusted	Consolidated
Sales to external customers	503,343	-	9,393	680	513,416	-	513,416
Internal sales or transfers between segments	1,461	-	949	-	2,410	(2,410)	-
Total	504,804	-	10,342	680	515,826	(2,410)	513,416
Segment profit	29,494	-	1,375	(870)	29,999	18	30,017

- Segment profit : 28.1 billion yen for discount store business, 10 billion yen for GMS business and 6.7 billion yen for tenant leasing business.

Balance Sheet

(Millions of yen)

Consolidated	As of December 31, 2019	Change from June 30, 2019
Total current assets	542,507	46,102
Cash and deposits	188,768	16,095
Installment account receivable	79,282	11,865
Merchandise	200,778	12,268
Total noncurrent assets	785,665	(30)
Total property, plan and equipment	615,032	619
Buildings	260,669	(2,286)
Land	317,989	(591)
Total intangible assets	36,421	(1,181)
Goodwill	16,328	(888)
Total investments and other assets	134,212	532
Lease and guarantee deposits	80,540	97
Total assets	1,328,172	46,072

(Millions of yen)

Consolidated	As of December 31, 2019	Change from June 30, 2019
Total current liabilities	373,190	31,416
Accounts payable	187,715	28,651
Short-term liabilities*	34,809	(7,851)
Total noncurrent liabilities	579,704	(8,322)
Long-term bonds	237,250	(1,208)
Long-term borrowings	251,080	(5,697)
Long-term payables under fluidity lease receivables	1,378	(3,325)
Total liabilities	952,894	23,094
Net assets	375,278	22,978
Total shareholders' equity	352,574	24,465
Non-controlling interests	23,475	258
Liabilities and net assets	1,328,172	46,072

* Short-term liabilities = Short-term loans payable + Current portion of long-term loans payable + Current portion of bonds

- **Assets** : Major reasons for increase in assets were cash and deposits (+16.1 bil yen), notes and account receivables (+6.3 bil yen), and installment account receivable (+11.9 bil yen). Merchandise increased by 12.3 billion yen.
- **Liabilities** : Accounts payables – other (+28.7 bil yen) and Deposits received (+5.3 bil yen) increased. Decreased items are accrued expense (-5.0 bil yen), interest bearing debt (-14.8 bil yen: -7.9 bil yen from short-term and -6.9 bil yen from long-term debt) and payables under fluidity lease receivables (-3.6 bil yen).

Cash flows and Capital expenditure

(Millions of yen)

Consolidated Cash Flows	6 months to December 2019	6 months to December 2018	Change
Cash and equivalents at beginning of period	185,136	75,883	109,253
Cash flows from operating activities	58,970	33,238	25,732
Cash flows from investing activities	(19,182)	(24,481)	5,299
Cash flows from financing activities	(23,071)	185,067	(208,138)
Net increase (decrease) in cash and equivalents	18,193	194,692	176,499
Cash and equivalents at end of period	203,329	270,575	(67,246)

(Millions of yen)

Consolidated Capital Expenditures	6 months to December 2019	6 months to December 2018	Change
Capital expenditures	19,151	28,757	(9,606)
Cash flows*	40,697	27,798	12,899
Net increase (decrease)	21,546	(959)	22,505

* Cash flows = Net income + Depreciation and amortization + Extraordinary loss - Dividend

- Cash flow from operating activities was 59 billion yen positive. Positive factors : 42.0 billion yen of income before income taxes, 14.1 billion yen of depreciation and amortization and 28.6 billion yen of increase in accounts payables. Negative factors : 6.4 billion yen of increase in notes and accounts receivables, 12.3 billion yen of inventory and 9.2 billion yen of income taxes paid.
- Cash flow from financing activities was 23.1 billion yen negative. 12.9 billion yen of long-term loans payables repayments, 1.7 billion yen of bonds redemption, 3.7 billion yen of payables under fluidity lease receivables repayments and 4.8 billion yen of cash dividends paid were major factors.
- Capex was 19.2 billion yen (DQ:6.2 bil, Nagasakiya:2.3 bil, UDR:4.8 bil, UNY:1.4 bil, JAM:0.9 bil, HD:1.7 bil.).
- Free cash flow was 21.5 billion yen positive.

Earnings summary for Q2

Consolidated (Millions of yen)	3 months to December 2019			3 months to December 2018	
	Actual	Share	YoY	Actual	Share
Net sales	430,053	100.0%	163.3%	263,336	100.0%
Gross profit	125,173	29.1%	181.7%	68,879	26.2%
SGA	101,192	23.5%	189.6%	53,365	20.3%
Operating profit	23,981	5.6%	154.6%	15,514	5.9%
Recurring profit	25,106	5.8%	144.2%	17,413	6.6%
Profit attributable to owners of parent	16,286	3.8%	136.1%	11,970	4.5%
EPS(Yen) *	25.70	-	135.8%	18.92	-

* EPS (2018) =Supposed that stock split(1:4) effect on September 1,2019 was performed on July 1,2018

Sales breakdown by product category for Q2

Consolidated (Millions of yen)	3 months to December 2019			3 months to December 2018	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	21,916	5.1%	100.1%	21,885	8.5%
Miscellaneous household goods	58,682	13.6%	101.7%	57,729	21.9%
Foods	103,466	24.1%	119.2%	86,800	33.0%
Watches & fashion merchandise	42,304	9.8%	99.7%	42,415	16.1%
Sporting goods & leisure goods	15,091	3.5%	100.3%	15,050	5.7%
DIY goods	3,664	0.9%	87.8%	4,175	1.6%
Overseas	26,065	6.1%	107.3%	24,298	9.2%
Other products	8,166	1.9%	137.4%	5,945	2.3%
Total discount store business (Former Don Quijote HD stores)	279,354	65.0%	108.2%	258,297	98.1%
Clothings	18,130	4.2%	—	—	—
Household goods	21,201	4.9%	—	—	—
Foods	88,303	20.5%	—	—	—
Other products	4,775	1.1%	—	—	—
Total GMS business (Former UNY group stores)	132,409	30.8%	—	—	—
Tenant leasing business	14,534	3.4%	311.8%	4,662	1.8%
Other business	3,755	0.9%	996.0%	377	0.1%
Total sales	430,053	100.0%	163.3%	263,336	100.0%

Key components in SG&A for Q2

Consolidated (Millions of yen)	3 months to December 2019			3 months to December 2018	
	Actual	Share	YoY	Actual	Share
Net sales	430,053	100.0%	163.3%	263,336	100.0%
Salary allowance	36,260	8.4%	179.7%	20,180	7.7%
Rent	13,545	3.1%	176.2%	7,689	2.9%
Commission paid	15,840	3.7%	234.8%	6,746	2.6%
Depreciation and amortization	6,134	1.4%	155.7%	3,940	1.5%
Others	29,413	6.8%	198.6%	14,810	5.6%
SG&A	101,192	23.5%	189.6%	53,365	20.3%

Forecast for FY June 2020

Consolidated (Millions of yen)	FY2020 Full year Revised Forecast			FY2020 Previously Announced Forecast* ¹	
	Plan	Share	YoY	Plan	Share
Net sales	1,670,000	100.0%	125.7%	1,660,000	100.0%
Gross profit	478,000	28.6%	129.0%	470,000	28.3%
SGA	406,000	24.3%	132.1%	402,000	24.2%
Operating profit	72,000	4.3%	114.1%	68,000	4.1%
Recurring profit	72,000	4.3%	105.5%	68,000	4.1%
Net profit	46,000	2.8%	97.7%	45,000	2.7%
EPS (Yen) * ²	72.59	-	97.6%	71.03	-
Depreciation	24,000	1.4%	119.9%	25,000	1.5%

*1. FY2019 1H Original Forecast was announced Aug.13,2019 (The net sales of 1,650 billion yen, operating profit of 66 billion yen and the recurring profit of 66 billion yen)

*2. Stock split (1:4) was taken place on September 1, 2019. EPS in FY 2018 is recalculated.

- Considering the strong results in 1H, full year forecast in FY2020 has been revised upward.
Net sales of 1.67 trillion yen (25.7% YoY increase, original forecast figure was 1.66 trillion yen), operating profit of 72 billion yen (14.1% YoY increase, originally 68 billion yen), recurring profit 72 billion yen (5.5% YoY increase, originally 68 billion yen) and net profit of 46 billion yen (2.3% YoY decrease, originally 45 billion yen).
- SSS forecasts for Don Quijote is 1.8% negative and flat for UNY.
- Capex is expected to be 40 billion yen with opening 20 new domestic and 7 international stores and 25 UNY conversion stores.