

Pan Pacific International Holdings Corporation

Q3 Results for FY 2020

Earnings Results
July 1, 2019 – March 31, 2020

May 8, 2020



Q3 results at a glance

PPIH delivered the highest Q3 sales and profits !

Sales Growth

37.7% increase

Pursuing PPIH mission
as a social infrastructure

Operating Profit

60.4 billion yen

Record high OP
for the first nine months

R O E

15.0%

ROE over 15.0%
(Annualized)

Stable Domestic Sales

0.5% Increase

Solid domestic sales
excluding inbound
(SSS at 5 main companies)

Rapid Change in Business Environment

Bipolarization

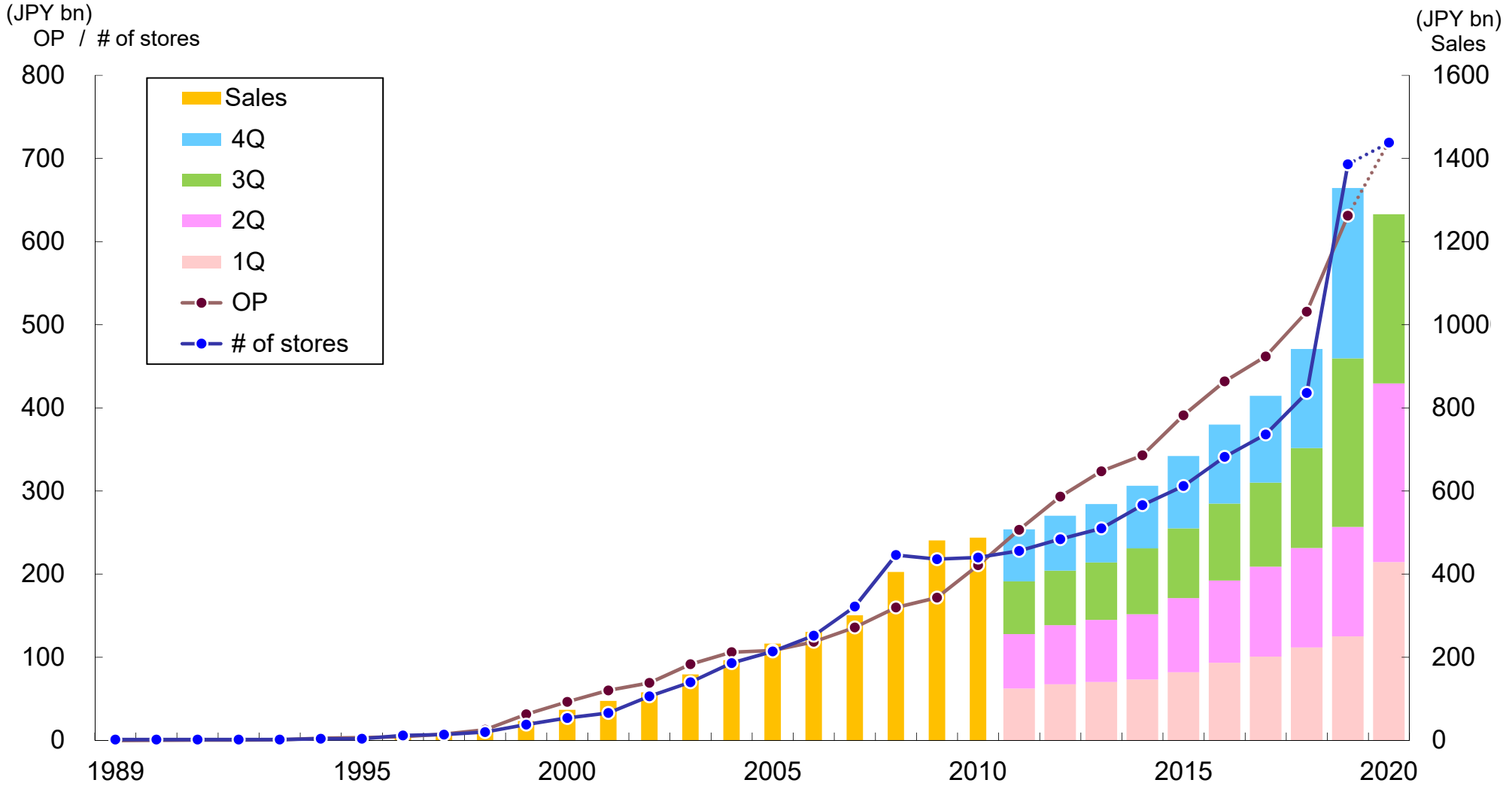
Strong daily necessity sales/
Tax-free sales nosedived

Full-year Forecast

Revised

Aiming for sales and OP growth
for 31 consecutive years

Annual performance trends



*PPIH has been renewing sales and operating profit growth record over the past 30 consecutive years since FY1989, when the very first DQ store started its business in March 1989.
(Consecutive growth record continued 23 years on a consolidated basis, since the start of consolidated accounting in FY1996.)

Earnings summary

Consolidated (Millions of yen)	9 months to March 2020			9 months to March 2019	
	Actual	Share	YoY	Actual	Share
Net sales	1,265,759	100.0%	137.7%	918,990	100.0%
Gross profit	364,643	28.8%	144.6%	252,117	27.4%
SG&A	304,224	24.0%	147.9%	205,705	22.4%
Salary allowance	108,160	8.5%	143.2%	75,506	8.2%
Rent	40,500	3.2%	141.6%	28,596	3.1%
Commission paid	45,805	3.6%	161.6%	28,344	3.1%
Depreciation and amortization	17,889	1.4%	129.6%	13,802	1.5%
Others	91,870	7.3%	154.5%	59,457	6.5%
Operating profit	60,419	4.8%	130.2%	46,412	5.1%
Recurring profit	59,918	4.7%	115.6%	51,838	5.6%
Profit attributable to owners of parent	38,368	3.0%	100.9%	38,029	4.1%
EPS (Yen) *	60.56	—	100.8%	60.09	—

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

Earnings summary (comment)

PPIH committed to “Customer matters the most” principle to execute business strategies by localizing store operations to differentiate from peers.

- Consumption environment drastically changed. Daily necessities delivered stable growth, however, various situations bipolarized. PPIH gained the market share in each commercial area by further discounting and enhancing added-value with quick action.
- 18 UNY stores were converted to MEGA Don Quijote UNY format. Conversion stores totaled 34. Conversion stores enjoy high uplifts in performance compare to pre-conversion. Those stores are gaining more market share.
- Tax-free sales from overseas tourist nosedived in February associated with COVID-19 outbreak. Stores located in popular sightseeing destination changed in-store layout and merchandizing mix flexibly.
- PPIH successfully executed portfolio management by controlling various store formats, locations and sizes. Sourcing network and product mix were flexibly changed to minimize the negative external factors.
- Results for the first nine months for FY 2020 were as follows:
Sales amounted to 1.27 trillion yen (up 37.7% YoY, 75.8% progress against full year guidance), OP 60.4 billion yen (up 30.2%, progress 83.9%), recurring profit 59.9 billion yen (up 15.6%, prog. 83.2%) and profit attributable to owners of parent was 38.4 billion yen (up 0.9%, prog. 83.4%). Q3 results hit an all time high.
- Full-year guidance for FY 2020; expecting 31 consecutive years of growth in sales and OP.
Sales were revised by 20 billion yen from the previous announcement (revised from 1.67 billion to 1.65 billion yen) due to drastic change in business environment triggered by Covid-19. Profit guidance was revised as follows;
OP: 71 billion yen (up 12.5% YoY) and RP: 71 billion yen (up 4.0%). No change for NP (46 billion yen, down 2.3% YoY).

Sales breakdown by product category

Consolidated (Millions of yen)	9 months to March 2020			9 months to March 2019	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	64,208	5.1%	103.8%	61,886	6.7%
Miscellaneous household goods	181,996	14.4%	105.7%	172,163	18.7%
Foods	308,024	24.3%	119.6%	257,625	28.0%
Watches & fashion merchandise	120,555	9.5%	98.9%	121,893	13.3%
Sporting goods & leisure goods	43,757	3.5%	102.8%	42,570	4.6%
DIY goods	8,632	0.7%	74.8%	11,542	1.3%
Overseas	81,449	6.4%	112.7%	72,268	7.9%
Other products	23,063	1.8%	139.8%	16,502	1.8%
Total discount store business (Former Don Quijote HD stores)	831,684	65.7%	109.9%	756,449	82.3%
Clothings	48,658	3.8%	278.9%	17,445	1.9%
Household goods	57,961	4.6%	299.2%	19,370	2.1%
Foods	258,033	20.4%	279.0%	92,500	10.1%
Other products	13,614	1.1%	293.5%	4,638	0.5%
Total GMS business (Former UNY group stores)	378,266	29.9%	282.4%	133,953	14.6%
Tenant leasing business	44,530	3.5%	184.3%	24,156	2.6%
Other business	11,279	0.9%	254.4%	4,432	0.5%
Total sales	1,265,759	100.0%	137.7%	918,990	100.0%

Sales breakdown by product category

Home electrical appliances	POSA cards took the lead. Household appliance such as air purifiers as well as batteries and light bulbs were good.
Miscellaneous household goods	Daily necessities such as detergents and bath products contributed to sales. Consumer needs toward papers and sanitary goods grew considerably.
Foods	There was strong popularity for processed food (e.g. instant noodle and instant rice), rice and beverages. Dairy products such as yogurt also contributed to sales growth.
Watches & fashion merchandise	Unseasonable weather affected the sales in clothing. Rain goods were solid whereas leather products and luxury goods including watches struggled.
Sporting goods & leisure goods	Despite the slump in car products, sports related products such as yoga mat and toys like board game posted high growth.
DIY goods	Outdoor related products suffered due to unstable weather.
Overseas	Processed food (e.g. instant food and seasoning) was solid. Frozen, ready-made food and paper products grew.
Total discount store business (Former Don Quijote HD stores)	Strong customer needs for daily necessity while unstable weather affected seasonal products. Tax-free sales from overseas tourists nosedived.
Clothing	Seasonal wear suffered from out-of-season temperature, whereas casual wear such as clothes for wearing at home were strong.
Household goods	Consumer needs went up for seasonal home appliance (e.g. humidifier and air purifier) and daily necessity goods (e.g. bath products and sanitary goods).
Foods	Preservable food (e.g. canned or frozen food), rice and noodles took the lead. Dairies and bread were also popular.
Total GMS business (Former UNY group stores)	Household goods were strong by adding new lineups such as home appliance and cosmetics. Customer loyalty went up due to the high needs for food.

Balance sheet

(Millions of yen)

Consolidated	As of March 31, 2020	Change from June 30, 2019
Total current assets	464,871	(31,534)
Cash and deposits	149,895	(22,778)
Installment account receivable	67,350	(67)
Merchandise	190,305	1,795
Total non-current assets	788,006	2,311
Total property, plan and equipment	619,960	5,547
Buildings	263,277	322
Land	323,912	5,332
Total intangible assets	36,334	(1,268)
Goodwill	16,274	(942)
Total investments and other assets	131,712	(1,968)
Lease and guarantee deposits	78,498	(1,945)
Total assets	1,252,877	(29,223)

(Millions of yen)

Consolidated	As of March 31, 2020	Change from June 30, 2019
Total current liabilities	311,406	(30,368)
Accounts payable	147,228	(11,836)
Short-term liabilities*	24,453	(18,207)
Total noncurrent liabilities	564,739	(23,287)
Long-term bonds	247,691	(9,086)
Long-term borrowings	247,691	(9,086)
Long-term payables under fluidity lease receivables	632	(4,071)
Total liabilities	876,145	(53,655)
Net assets	376,732	24,432
Total shareholders' equity	376,732	24,432
Non-controlling interests	14,936	(8,281)
Liabilities and net assets	1,252,877	(29,223)

* 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 notes and account receivables (+1.8 bil yen), merchandise (+1.8 billion yen), non-current asset (+2.3 bil yen). Cash and deposits decreased by 22.8 billion yen.
- **Liabilities** : Decreased items; Accounts payables – trade (-11.8 bil yen), Accrued expenses (-3.2 bil yen), deposits received (-3.2 bil yen), interest bearing debt (-39.1 bil yen) and payables under fluidity lease receivables (-5.5 bil yen). Interest bearing debt stood at 498.8 billion yen with 39.8% dependency rate. Net D/E ratio: 0.97 times. Net asset was 376.7 bil yen.

Cash flows and capital expenditure

(Millions of yen)

Consolidated Cash Flows	9 months to March 2020	9 months to March 2019	Change
Cash and equivalents at beginning of period	185,136	75,883	109,253
Cash flows from operating activities	51,361	93,087	(42,620)
Cash flows from investing activities	(23,207)	(35,992)	6,201
Cash flows from financing activities	(61,366)	56,476	(110,417)
Net increase (decrease) in cash and equivalents	(31,929)	114,086	(146,015)
Cash and equivalents at end of period	153,207	189,969	(36,762)

(Millions of yen)

Consolidated Capital Expenditures	9 months to March 2020	9 months to March 2019	Change
Capital expenditures	28,370	37,200	(8,830)
Cash flows*	55,562	56,359	(3,198)
Net increase (decrease)	27,192	27,989	5,632

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

- Cash flow from operating activities was 51.4 billion yen positive. Increase items : 56.3 billion yen of income before income taxes, 21.5 billion yen of depreciation. Decrease items : 5.2 billion yen of allowance for doubtful accounts, 12.1 billion yen of accounts payable, 15.1 billion yen of income taxes paid.
- Cash flow from financing activities was 61.4 billion yen negative. 19.8 billion yen of long-term loans payables repayments, 22.9 billion yen of bonds redemption, 5.6 billion yen of payables under fluidity lease receivables repayments and 6.7 billion yen of cash dividends paid were major factors.
- Capex was 28.4 billion yen (DQ:8.6 bil, Nagasakiya:2.8 bil, UDR:7.4 bil, UNY:2.3 bil, JAM:1.2 bil, HD:3.1 bil.).
- Free cash flow was 28 billion yen positive.

Sales and profit by business

Sales, profit and loss by segment from Jul.1, 2019, to Mar.31, 2020

(Millions of yen)

Consolidated	Discount store	GMS	Tenant leasing	Others	Total	Adjusted	Consolidated
Sales to external customers	831,684	378,266	44,530	11,279	1,265,759	-	1,265,759
Internal sales or transfers between segments	3,926	4,240	2,543	4,803	15,512	(15,512)	-
Total	835,610	382,506	47,073	16,082	1,281,271	(15,512)	1,265,759
Segment profit	36,890	13,123	10,506	(811)	59,708	711	60,419

Sales, profit and loss by segment from Jul.1, 2018, to Mar.31, 2019

(Millions of yen)

Consolidated	Discount store	GMS	Tenant leasing	Others	Total	Adjusted	Consolidated
Sales to external customers	756,449	133,953	24,156	4,432	918,990	-	918,990
Internal sales or transfers between segments	2,304	214	1,086	1,337	4,941	(4,941)	-
Total	758,753	134,167	25,242	5,769	923,931	(4,941)	918,990
Segment profit	39,355	3,221	4,495	(768)	46,223	109	46,412

- Segment profit : 36.9 billion yen from discount store business, 13.1 billion yen from GMS business and 10.5 billion yen from tenant leasing business.

Sales and profit by company

Sales, profit and loss by segment from Jul.1, 2019, to Mar.31, 2020

(Millions of yen)

Consolidated	DQ	Nagasakiya	UD retail	UNY	Overseas	JAM	UCS	Consolidated
Sales	534,866	144,060	71,169	397,652	82,211	17,001	15,359	1,265,759
Operating profit	20,567	4,185	(4,367)	21,432	1,550	6,437	1,633	60,419
Total asset	288,340	84,708	48,403	381,975	62,003	169,406	104,234	1,252,877
Net asset	148,599	55,528	901	82,113	30,711	109,158	9,948	376,732

Sales, profit and loss by segment from Jul.1, 2018, to Mar.31, 2019

(Millions of yen)

Consolidated	DQ	Nagasakiya	UD retail	UNY	Overseas	JAM	UCS	Consolidated
Sales	528,363	140,028	7,566	139,405	72,305	16,493	4,853	918,990
Operating profit	18,612	4,349	▲157	5,512	2,079	6,642	639	46,412
Total asset	288,326	80,929	18,211	401,976	81,808	179,583	108,062	1,289,591
Net asset	136,593	53,122	4,389	60,813	53,088	109,974	8,468	339,204

- Each company are surely gaining the market share under difficult environment.

The number of stores

Breakdown by format

(stores)

	FY2018	FY2019	FY2020-1Q	FY2020-2Q	FY2020-3Q
Don Quijote	209	212	213	215	219
MEGA	43	44	44	44	44
New MEGA	80	88	89	89	89
MEGA DQ UNY (Conversion Store)	—	16	22	29	34
Apita / Piago	—	176	169	162	157
Picasso	23	21	22	22	22
Kyo-yasu-do	4	4	4	4	4
mini Piago	—	73	73	73	73
Doit*1	18	15	15	15	0
Nagasakiya	2	2	2	2	3
Total stores in Japan	379	651	653	655	645
Overseas	39	42	43	45	47
Global Total	418	693	696	700	692
Domestic opening	55	292	3	3	6
Domestic closure	5	20	1	1	16
Net increase	50	272	2	2	-10

*1. PPIH divested Doit on February 1, 2020.

The number of stores

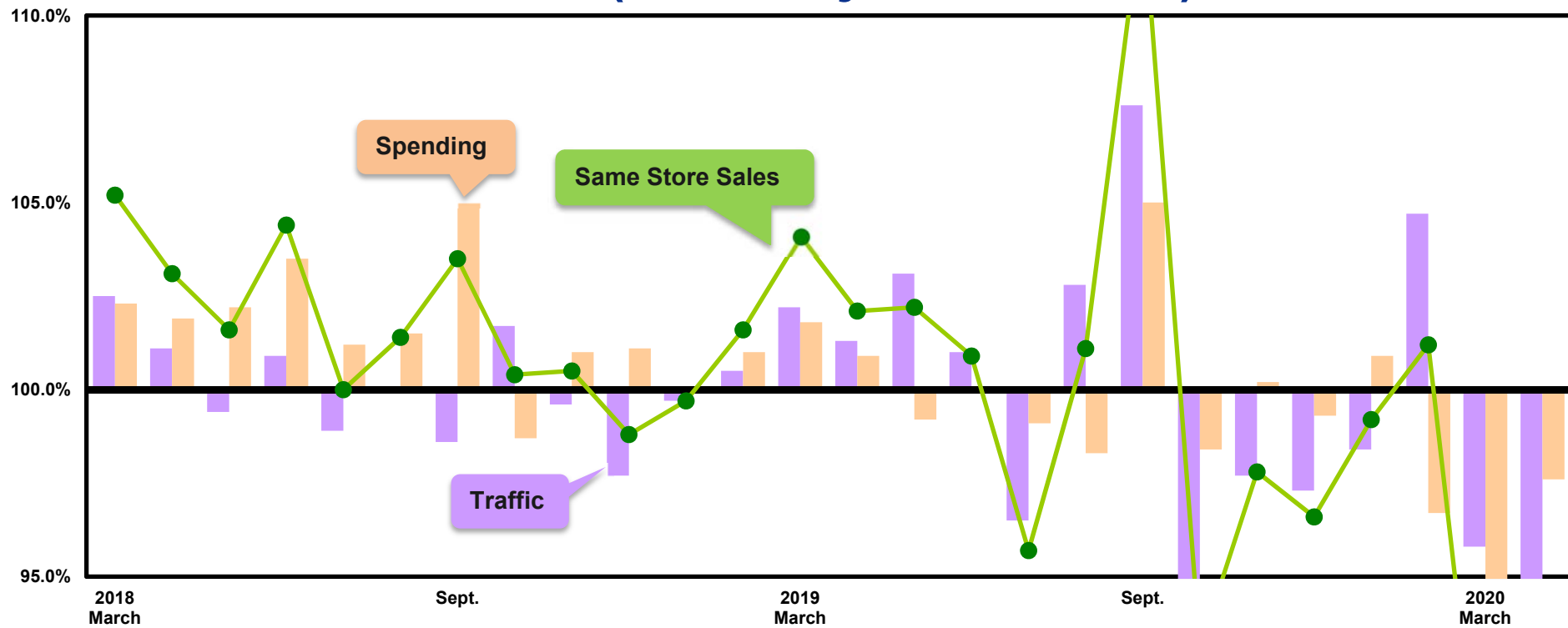
(stores)

Breakdown by company

	FY2018	FY2019	FY2020-1Q	FY2020-2Q	FY2020-3Q
Don Quijote Co., Ltd. (DQ, New MEGA and small format)	313	322	325	327	331
Nagasakiya Co., Ltd. (MEGA)	43	44	44	44	44
UD Retail Co., Ltd. (MEGA UNY; conversion store from UNY)	—	16	22	29	34
UNY Co., Ltd. (Apita, Piago)	—	176	169	162	157
Lirack Co., Ltd. (Kyo-yasu-do)	4	4	4	4	4
99 Ichiba Co., Ltd. (mini-piago)	—	73	73	73	73
Doit Co., Ltd. (Doit) ^{*1}	18	15	15	15	0
Daishin Co., Ltd. (MEGA Omori sanno)	1	1	1	1	2
Domestic Total	379	651	653	655	645
DQ USA (Stores in Hawaii)	4	4	4	4	4
MARUKAI (California)	9	10	10	10	10
QSI (Hawaii)	24	24	24	24	24
PPRM (Singapore)	2	3	4	5	6
PPRM (Hong Kong)	—	—	—	1	2
DONKI Thonglor (Thailand)	—	1	1	1	1
Overseas Total	39	42	43	45	47
Global Total	418	693	696	700	692

*1. PPIH divested Doit on February 1, 2020.

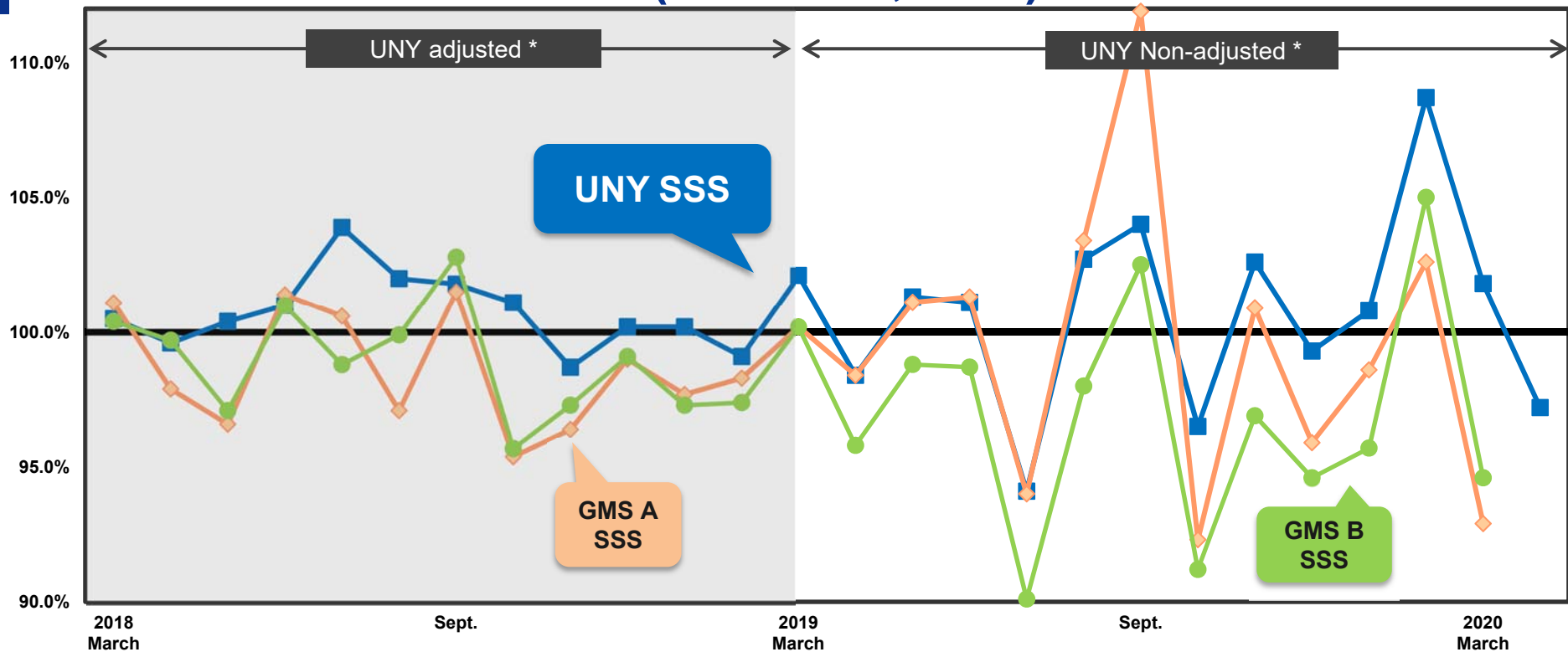
Same-store sales (Don Quijote Co., Ltd.)



Existing stores	2019 Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	2020 Jan.	Feb.	Mar.	Apr.
Sales (%)	99.7	101.6	104.1	102.1	102.2	100.9	95.7	101.1%	113.0	93.1	97.8	96.6	99.2	101.2	87.9	89.8
Customer traffic (%)	99.7	100.5	102.2	101.3	103.1	101.0	96.5	102.8%	107.6	94.5	97.7	97.3	98.4	104.7	95.8	92.0
Customer spending (%)	99.9	101.0	101.8	100.9	99.2	99.9	99.1	98.3%	105.0	98.4	100.2	99.3	100.9	96.7	91.8	97.6
Existing store count	301	301	301	295	296	297	297	302	296	307	309	310	313	314	315	314

- DQ SSS went down 1.4% (increase from domestic (0.4pt) and decrease from tax-free (1.8pt)) .Traffic and spending went down 0.7% respectively.
- The consumption environment has changed dramatically due to unstable weather, consumption tax hike and Covid-19.
- Domestic sales kept in the positive territory excluding tax-free sales.

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



Existing stores	2019 Jan.	Feb.	Mar.	Apr.	May.	Jun.	2019 Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	2020 Jan.	Feb.	Mar.	Apr.
Sales (%)	100.2	99.1	102.1	98.4	101.3	101.1	94.1	102.7	104.0	96.5	102.6	99.3	100.8	108.7	101.8	97.2
Customer traffic (%)	99.6	99.5	100.9	98.0	100.3	99.8	94.5	101.1	102.0	96.7	101.2	99.4	100.6	107.3	97.8	91.1
Customer spending (%)	99.8	99.5	101.1	100.5	101.0	101.3	99.5	101.6	102.0	99.8	101.4	100.0	100.1	101.3	104.1	106.7
Existing store count	181	178	177	173	173	169	168	166	161	160	158	157	153	149	148	147

* 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 up 0.9%, with traffic went down 0.1% and spending went up 1.0%.
- UNY demonstrated its store management capability. Food segment made promotion to stable customer base. Non-food segment broadened its market share gradually.

Earnings summary for Q3

Consolidated (Millions of yen)	3 months to March 2020			3 months to March 2019	
	Actual	Share	YoY	Actual	Share
Net sales	406,970	100.0%	100.3%	405,575	100.0%
Gross profit	116,850	28.7%	100.3%	116,506	28.7%
SGA	101,544	25.0%	101.4%	100,111	24.7%
Salary allowance	36,401	8.9%	101.4%	35,901	8.9%
Rent	13,545	3.3%	100.7%	13,453	3.3%
Commission paid	14,947	3.7%	96.0%	15,565	3.8%
Depreciation and amortization	5,925	1.5%	95.7%	6,193	1.5%
Others	30,727	7.6%	106.0%	28,999	7.2%
Operating profit	15,307	3.8%	93.4%	16,396	4.0%
Recurring profit	14,363	3.5%	87.0%	16,508	4.1%
Profit attributable to owners of parent	9,478	2.3%	65.8%	14,413	3.6%
EPS(Yen) *	14.95	-	65.7%	22.77	-

* 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 Q3

Consolidated (Millions of yen)	3 months to December 2020			3 months to December 2019	
	Actual	Share	YoY	Actual	Share
Home electrical appliances	20,597	5.1%	100.0%	20,597	5.1%
Miscellaneous household goods	58,188	14.3%	101.7%	57,201	14.1%
Foods	105,806	26.0%	118.0%	89,682	22.1%
Watches & fashion merchandise	35,288	8.7%	92.9%	37,987	9.4%
Sporting goods & leisure goods	12,466	3.1%	106.6%	11,700	2.9%
DIY goods	936	0.2%	25.7%	3,646	0.9%
Overseas	29,662	7.3%	109.8%	27,013	6.7%
Other products	7,790	1.9%	74.4%	10,473	2.6%
Total discount store business (Former Don Quijote HD stores)	270,732	66.5%	104.8%	258,299	63.7%
Clothings	13,677	3.4%	78.4%	17,445	4.3%
Household goods	16,996	4.2%	87.7%	19,370	4.8%
Foods	82,950	20.4%	89.7%	92,500	22.8%
Other products	4,079	1.0%	87.9%	4,638	1.1%
Total GMS business (Former UNY group stores)	117,702	28.9%	87.9%	133,953	33.0%
Tenant leasing business	14,824	3.6%	115.8%	12,799	3.2%
Other business	3,712	0.9%	708.4%	524	0.1%
Total sales	406,970	100.0%	100.3%	405,575	100.0%

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	1,650,000	100.0%	124.2%	1,670,000	100.0%
Gross profit	476,000	28.8%	128.5%	478,000	28.6%
SGA	405,000	24.5%	131.7%	406,000	24.3%
Operating profit	71,000	4.3%	112.5%	72,000	4.3%
Recurring profit	71,000	4.3%	104.0%	72,000	4.3%
Net profit	46,000	2.8%	97.7%	46,000	2.8%
EPS (Yen) * ²	72.59	-	97.6%	72.59	-
Depreciation	24,000	1.5%	119.9%	24,000	1.4%

*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.

- Full-year guidance for FY 2020; expecting 31 consecutive years of growth in sales and OP. Sales were revised by 20 billion yen from the previous announcement. (revised from 1.67 billion to 1.65 billion yen) due to Covid-19. Profit guidance was revised as follows; OP: 71 billion yen (up 12.5% YoY) and RP: 71 billion yen (up 4.0%). No change for NP (46 billion yen, down 2.3% YoY).
- SSS forecasts for Don Quijote is 3.6% negative and flat for UNY.
- Capex is expected to be 40 billion yen with opening 19 domestic and 7 international stores and 25 UNY conversion stores.



PPIH
Pan Pacific International Holdings