

# Summary Report of Consolidated Financial Results For the Six Months Ended December 31, 2018

(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  
 Address: 2-19-10 Aobadai, Meguro-ku, Tokyo  
 Representative: Kohji Ohara, President and CEO  
 Contact: Mitsuo Takahashi, Senior Managing Director (Phone: +81-3-5725-7588)  
 URL: <http://www.donki-hd.co.jp>

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

## 1. Overview of Business Results and Financial Position for the second quarter of fiscal 2019 (From July 1, 2018 to December 31, 2018)

### (1) Results of Business Operations

(Millions of yen, except per-share data)

|                                    | Net Sales | Change (%) | Operating Income | Change (%) | Ordinary Income | Change (%) |
|------------------------------------|-----------|------------|------------------|------------|-----------------|------------|
| Six Months Ended December 31, 2018 | 513,416   | 10.9       | 30,017           | 2.6        | 35,330          | 13.8       |
| Six Months Ended December 31, 2017 | 462,830   | 10.8       | 29,247           | 11.0       | 31,058          | 15.3       |

(Note) Comprehensive income: 27,090 million yen [29.9%] (FY 2019.6 2Q), 20,851 million yen [10.2%] (FY 2018.6 2Q)

|                                    | Profit Attributable to Owners of Parent | Change (%) | Net Income Per Share (Yen) | Net Income Per Share-fully diluted (Yen) |
|------------------------------------|---|------------|----------------------------|--|
| Six Months Ended December 31, 2018 | 23,616                                  | 26.4       | 149.27                     | 148.89                                   |
| Six Months Ended December 31, 2017 | 18,678                                  | 13.5       | 118.08                     | 117.93                                   |

### (2) Financial Position

(Millions of yen, except per-share data)

|                         | Total Assets | Net assets | Ratio of Shareholders' Equity to Total Assets (%) |
|-------------------------|--------------|------------|---|
| As of December 31, 2018 | 1,039,902    | 326,798    | 29.5  |
| June 30, 2018           | 806,778      | 312,495    | 36.0  |

(Reference) Equity: 306,948 million yen (as of December 31, 2018), 290,363 million yen (as of June 30, 2018)

(Note) Starting with the beginning of the first quarter of fiscal 2019, we are applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018).

Prior-year figures have been adjusted retroactively to conform with this accounting standard.

## 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, 2018             | —                               | 5.00                         | —                          | 27.00              | 32.00 |
| Year Ending June 30, 2019            | —                               | 10.00                        |                            |                    |       |
| Year Ending June 30, 2019 (Forecast) |                                 |                              | —                          | 28.00              | 38.00 |

(Note) Revision to the dividend forecast in the second quarter of fiscal 2019: Yes

The Breakdown of dividends for the Six Months Ended December 31, 2018: Ordinary dividend 5.00 Yen, Commemorative dividend 5.00 Yen

### 3. Consolidated Business Forecast : For the year ending June 30, 2019 (From July 1, 2018 to June 30, 2019)

(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, 2019 | 1,370,000 | 45.5       | 63,000           | 22.2       | 65,000          | 13.6       | 48,000                                  | 31.9       | 303.31                     |

(Note) Revision to the business forecast in the second quarter of fiscal 2019: Yes

### 4. Others

(1) Significant changes in the scope of consolidation: Yes

Newly consolidated: one company (PAN PACIFIC STRATEGY INSTITUTE PTE. LTD.) 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: None

③ Changes in accounting estimates: None

④ Restatement: None

(4) Number of outstanding shares (Common stock)

|  |                   |                    |
|--|-------------------|--------------------|
| ① Number of outstanding shares (Treasury stock included) | December 31, 2018 | 158,259,560 shares |
|  | June 30, 2018     | 158,193,160 shares |
| ② Number of treasury stock                               | December 31, 2018 | 4,633 shares       |
|  | June 30, 2018     | 4,633 shares       |
| ③ Average number of outstanding shares during the period | December 31, 2018 | 158,203,004 shares |
|  | December 31, 2017 | 158,183,447 shares |

※This financial summary is not subject to quarterly reviews.

※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 exchange rates.

※The Company plans to hold financial results briefing for securities analysts and institutional investors on February 5, 2019. Presentation materials will be available on the Company's website.

## Consolidated Quarterly Balance Sheets

|                                     | (Millions of yen)      |                            |
|-------------------------------------|------------------------|----------------------------|
|                                     | As of June 30,<br>2018 | As of December 31,<br>2018 |
|                                     | Amount                 | Amount                     |
| <b>Assets</b>                       |                        |                            |
| Current assets                      |                        |                            |
| Cash and deposits                   | ¥71,973                | <b>¥258,494</b>            |
| Notes and Accounts receivable-trade | 12,848                 | <b>16,056</b>              |
| Merchandise                         | 135,781                | <b>153,150</b>             |
| Other                               | 16,015                 | <b>25,278</b>              |
| Allowance for doubtful accounts     | (4)                    | <b>(22)</b>                |
| Total current assets                | <u>236,613</u>         | <u><b>452,956</b></u>      |
| Non-current assets                  |                        |                            |
| Property, plant and equipment       |                        |                            |
| Buildings and structures, net       | 133,415                | <b>148,432</b>             |
| Tools, furniture and fixtures, net  | 19,718                 | <b>20,578</b>              |
| Land                                | 188,866                | <b>194,200</b>             |
| Other, net                          | 5,914                  | <b>2,465</b>               |
| Total property, plant and equipment | <u>347,913</u>         | <u><b>365,675</b></u>      |
| Intangible assets                   |                        |                            |
| Goodwill                            | 17,600                 | <b>18,065</b>              |
| Other                               | 10,647                 | <b>11,115</b>              |
| Total intangible assets             | <u>28,247</u>          | <u><b>29,180</b></u>       |
| Investments and other assets        |                        |                            |
| Investment securities               | 31,606                 | <b>37,111</b>              |
| Long-term loans receivable          | 95,815                 | <b>86,902</b>              |
| Deferred tax assets                 | 15,389                 | <b>14,570</b>              |
| Lease and guarantee deposits        | 46,494                 | <b>48,220</b>              |
| Other                               | 6,379                  | <b>6,985</b>               |
| Allowance for doubtful accounts     | (1,678)                | <b>(1,697)</b>             |
| Total investments and other assets  | <u>194,005</u>         | <u><b>192,091</b></u>      |
| Total non-current assets            | <u>570,165</u>         | <u><b>586,946</b></u>      |
| Total assets                        | <u>¥806,778</u>        | <u><b>¥1,039,902</b></u>   |

|   | (Millions of yen)      |                            |
|---|------------------------|----------------------------|
|   | As of June 30,<br>2018 | As of December 31,<br>2018 |
|   | Amount                 | Amount                     |
| <b>Liabilities</b>                                    |                        |                            |
| Current liabilities                                   |                        |                            |
| Accounts payable-trade                                | ¥93,030                | ¥119,600                   |
| Current portion of long-term loans payable            | 17,788                 | 28,102                     |
| Current portion of bonds                              | 3,616                  | 3,416                      |
| Payables under fluidity lease receivables             | 7,262                  | 7,249                      |
| Income taxes payable                                  | 8,821                  | 8,714                      |
| Provision for point card certificates                 | 1,892                  | 2,017                      |
| Other   | 39,477                 | 33,470                     |
| Total current liabilities                             | 171,886                | 202,568                    |
| Non-current liabilities                               |                        |                            |
| Bonds payable   | 91,274                 | 229,566                    |
| Long-term loans payable                               | 200,668                | 252,506                    |
| Long-term payables under fluidity lease receivables   | 12,104                 | 8,369                      |
| Asset retirement obligations                          | 6,538                  | 6,927                      |
| Negative goodwill                                     | 267                    | 223                        |
| Other   | 11,546                 | 12,945                     |
| Total non-current liabilities                         | 322,397                | 510,536                    |
| Total liabilities                                     | 494,283                | 713,104                    |
| <b>Net assets</b>                                     |                        |                            |
| Shareholders' equity                                  |                        |                            |
| Capital stock   | 22,436                 | 22,560                     |
| Capital surplus                                       | 19,975                 | 14,563                     |
| Retained earnings                                     | 248,940                | 268,273                    |
| Treasury shares                                       | (14)                   | (14)                       |
| Total shareholders' equity                            | 291,337                | 305,382                    |
| Accumulated other comprehensive income                |                        |                            |
| Valuation difference on available-for-sale securities | 244                    | 105                        |
| Foreign currency translation adjustment               | (1,218)                | 1,461                      |
| Total accumulated other comprehensive income          | (974)                  | 1,566                      |
| Subscription rights to shares                         | 345                    | 344                        |
| Non-controlling interests                             | 21,787                 | 19,506                     |
| Total net assets                                      | 312,495                | 326,798                    |
| Total liabilities and net assets                      | ¥806,778               | ¥1,039,902                 |

## Consolidated Quarterly Statements of Income

|  | (Millions of yen)                     |                                       |
|--|---------------------------------------|---------------------------------------|
|  | Six months ended<br>December 31, 2017 | Six months ended<br>December 31, 2018 |
|  | Amount                                | Amount                                |
| Net sales  | ¥462,830                              | <b>¥513,416</b>                       |
| Cost of sales                                    | 342,654                               | <b>377,805</b>                        |
| Gross profit                                     | 120,176                               | <b>135,611</b>                        |
| Selling, general and administrative expenses     | 90,929                                | <b>105,594</b>                        |
| Operating income                                 | 29,247                                | <b>30,017</b>                         |
| Non-operating income                             |                                       |                                       |
| Interest and dividend income                     | 607                                   | <b>994</b>                            |
| Amortization of negative goodwill                | 43                                    | <b>43</b>                             |
| Equity in earnings of affiliates                 | 1,698                                 | <b>5,728</b>                          |
| Other  | 1,528                                 | <b>1,893</b>                          |
| Total non-operating income                       | 3,876                                 | <b>8,658</b>                          |
| Non-operating expenses                           |                                       |                                       |
| Interest expenses                                | 1,417                                 | <b>1,760</b>                          |
| Bond issuance cost                               | —                                     | <b>1,126</b>                          |
| Cost of claim's liquidation                      | 204                                   | <b>151</b>                            |
| Other  | 444                                   | <b>308</b>                            |
| Total non-operating expenses                     | 2,065                                 | <b>3,345</b>                          |
| Ordinary income                                  | 31,058                                | <b>35,330</b>                         |
| Extraordinary income                             |                                       |                                       |
| Gain on sales of non-current assets              | 88                                    | <b>465</b>                            |
| Other  | 22                                    | <b>0</b>                              |
| Total extraordinary income                       | 110                                   | <b>465</b>                            |
| Extraordinary losses                             |                                       |                                       |
| Impairment loss                                  | —                                     | <b>417</b>                            |
| Loss on retirement of non-current assets         | 94                                    | <b>36</b>                             |
| Loss on closing of stores                        | 116                                   | <b>75</b>                             |
| Loss on disaster                                 | 2                                     | <b>307</b>                            |
| Other  | 12                                    | <b>9</b>                              |
| Total extraordinary losses                       | 224                                   | <b>844</b>                            |
| Profit before income taxes                       | 30,944                                | <b>34,951</b>                         |
| Income taxes - Current                           | 10,906                                | <b>9,500</b>                          |
| Income taxes - Deferred                          | 123                                   | <b>901</b>                            |
| Total income taxes                               | 11,029                                | <b>10,401</b>                         |
| Profit   | 19,915                                | <b>24,550</b>                         |
| Profit attributable to non-controlling interests | 1,237                                 | <b>934</b>                            |
| Profit attributable to owners of parent          | ¥18,678                               | <b>¥23,616</b>                        |

## Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

|  | Six months ended<br>December 31, 2017 | Six months ended<br>December 31, 2018 |
|--|---------------------------------------|---------------------------------------|
|  | Amount                                | Amount                                |
| Profit   | ¥19,915                               | <b>¥24,550</b>                        |
| Other comprehensive income   |                                       |                                       |
| Valuation difference on available-for-sale securities                                  | 212                                   | <b>(133)</b>                          |
| Foreign currency translation adjustment  | 722                                   | <b>2,679</b>                          |
| Share of other comprehensive income of affiliates<br>accounted for using equity method | 2                                     | <b>(6)</b>                            |
| Total other comprehensive income   | 936                                   | <b>2,540</b>                          |
| Comprehensive income   | ¥20,851                               | <b>¥27,090</b>                        |
| Comprehensive income attributable to   |                                       |                                       |
| Comprehensive income attributable to owners of parent                                  | ¥19,614                               | <b>¥26,156</b>                        |
| Comprehensive income attributable<br>to non-controlling interests                      | 1,237                                 | <b>934</b>                            |

## Consolidated Quarterly Statements of Cash Flows

|   | (Millions of yen)                     |                                       |
|---|---------------------------------------|---------------------------------------|
|   | Six months ended<br>December 31, 2017 | Six months ended<br>December 31, 2018 |
|   | Amount                                | Amount                                |
| <b>Cash flows from operating activities:</b>  |                                       |                                       |
| Profit before income taxes  | ¥30,944                               | ¥34,951                               |
| Depreciation  | 7,801                                 | 9,226                                 |
| Amortization of negative goodwill   | (43)                                  | (43)                                  |
| Increase in provision   | 31                                    | 193                                   |
| Interest and dividend income  | (607)                                 | (994)                                 |
| Interest expenses   | 1,417                                 | 1,760                                 |
| Equity in earnings of affiliates  | (1,698)                               | (5,728)                               |
| Gain on sales of property, plant and equipment                                      | (78)                                  | (465)                                 |
| Increase in notes and accounts receivable - trade                                   | (4,206)                               | (3,180)                               |
| Increase in inventories   | (18,248)                              | (16,982)                              |
| Increase in notes and accounts payable - trade                                      | 28,108                                | 26,242                                |
| Increase in prepaid expenses  | (823)                                 | (955)                                 |
| Other, net  | 1,039                                 | (16)                                  |
| Subtotal  | 43,637                                | 44,009                                |
| Interest and dividend income received   | 343                                   | 856                                   |
| Interest expenses paid  | (942)                                 | (1,595)                               |
| Income taxes paid   | (11,310)                              | (11,331)                              |
| Income taxes refund   | 30                                    | 1,515                                 |
| Payments for loss on disaster   | —                                     | (216)                                 |
| Net cash provided by operating activities   | 31,758                                | 33,238                                |
| <b>Cash flows from investing activities:</b>  |                                       |                                       |
| Purchase of property, plant and equipment   | (18,426)                              | (24,805)                              |
| Proceeds from sales of property, plant and equipment                                | 315                                   | 1,126                                 |
| Purchase of intangible assets   | (338)                                 | (754)                                 |
| Payments for lease and guarantee deposits   | (1,616)                               | (3,404)                               |
| Proceeds from collection of lease and guarantee deposits                            | 54                                    | 247                                   |
| Payment for store opening in progress   | (346)                                 | (731)                                 |
| Purchase of shares of subsidiaries resulting in change<br>in scope of consolidation | (16,283)                              | —                                     |
| Purchase of shares of subsidiaries and affiliates                                   | (19,976)                              | —                                     |
| Payments of loans receivable  | (77,650)                              | —                                     |
| Collection of loans receivable  | 1                                     | 3,836                                 |
| Other, net  | 333                                   | 4                                     |
| Net cash used in investing activities   | (133,932)                             | (24,481)                              |
| <b>Cash flows from financing activities:</b>  |                                       |                                       |
| Net increase in short-term loans payable  | 8,000                                 | —                                     |
| Proceeds from long-term loans payable   | 105,000                               | 65,000                                |
| Repayment of long-term loans payable  | (3,137)                               | (3,672)                               |
| Proceeds from issuance of bonds   | —                                     | 138,784                               |
| Redemption of bonds   | (17,408)                              | (1,908)                               |
| Repayments of payables under fluidity lease receivables                             | (3,757)                               | (3,890)                               |

|   |          |          |
|---|----------|----------|
| Proceeds from issuance of common shares   | 23       | 247      |
| Cash dividends paid   | (3,322)  | (4,271)  |
| Cash dividends paid to non-controlling interests  | (788)    | (808)    |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | —        | (4,322)  |
| Other, net  | (31)     | (93)     |
| Net cash provided by financing activities   | 84,580   | 185,067  |
| Effect of exchange rate change on cash and cash equivalents   | 535      | 864      |
| Net increase (decrease) in cash and cash equivalents  | (17,059) | 194,688  |
| Cash and cash equivalents at beginning of period  | 78,094   | 75,883   |
| Increase in cash and cash equivalents<br>from newly consolidated subsidiary   | —        | 4        |
| Cash and cash equivalents at end of period  | ¥61,035  | ¥270,575 |

## Segment Information

For the second quarter ended December 31, 2018

### 1. Information concerning sales and income by reporting segment

(Millions of yen)

|                        | Reporting segment  |                  |           | Others<br>(Note 1) | Total    | Adjustment<br>(Note 2) | Consolidated<br>(Note 3) |
|------------------------|--------------------|------------------|-----------|--------------------|----------|------------------------|--------------------------|
|                        | Retail<br>business | Rent<br>business | Sub Total |                    |          |                        |                          |
| Sales, Segment income  |                    |                  |           |                    |          |                        |                          |
| Sales                  |                    |                  |           |                    |          |                        |                          |
| Sales to third parties | ¥498,150           | ¥11,357          | ¥509,507  | ¥3,909             | ¥513,416 | ¥—                     | ¥513,416                 |
| Intersegment sales     | 340                | 11,660           | 12,000    | 4,584              | 16,584   | (16,584)               | —                        |
| Total                  | 498,490            | 23,017           | 521,507   | 8,493              | 530,000  | (16,584)               | 513,416                  |
| Segment income         | ¥16,959            | ¥9,166           | ¥26,125   | ¥3,715             | ¥29,840  | ¥177                   | ¥30,017                  |

#### Notes

- The other businesses segment includes the services of real estate business and marketing business that are not included in other reporting segments.
- The ¥ 177 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 were recorded in the Retail business segment and Rent business segment. Impairment losses of ¥276 million in the Retail business segment and ¥141 million in the Rent business segment were recorded for the second quarter ended December 31, 2018.

(Significant changes in goodwill)

Not applicable

(Significant gain on negative goodwill)

Not applicable



For the second quarter ended December 31, 2017

1. Information concerning sales and income by reporting segment

(Millions of yen)

|                        | Reporting segment  |                  |           | Others<br>(Note 1) | Total    | Adjustment<br>(Note 2) | Consolidated<br>(Note 3) |
|------------------------|--------------------|------------------|-----------|--------------------|----------|------------------------|--------------------------|
|                        | Retail<br>business | Rent<br>business | Sub Total |                    |          |                        |                          |
| Sales, Segment income  |                    |                  |           |                    |          |                        |                          |
| Sales                  |                    |                  |           |                    |          |                        |                          |
| Sales to third parties | ¥448,791           | ¥10,686          | ¥459,477  | ¥3,353             | ¥462,830 | ¥—                     | ¥462,830                 |
| Intersegment sales     | 427                | 10,637           | 11,064    | 4,522              | 15,586   | (15,586)               | —                        |
| Total                  | 449,218            | 21,323           | 470,541   | 7,875              | 478,416  | (15,586)               | 462,830                  |
| Segment income         | ¥17,495            | ¥8,834           | ¥26,329   | ¥2,858             | ¥29,187  | ¥60                    | ¥29,247                  |

Notes

1. The other businesses segment includes the services of real estate business and marketing business that are not included in other reporting segments.
2. The ¥ 60 million adjustment to segment income is an intersegment elimination.
3. 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)

Not applicable

(Significant changes in goodwill)

As a result of acquisition of all the shares of QSI, Inc., goodwill in the Retail business segment has increased by ¥13,794 million for the first quarter ended September 30, 2017.

(Significant gain on negative goodwill)

Not applicable