

Summary Report of Consolidated Financial Results For the Second Quarter Ended December 31, 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 second quarter of fiscal 2021 (From July 1, 2020 to December 31, 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 (%) |
|------------------------------------|-----------|------------|------------------|------------|-----------------|------------|---|------------|
| Six Months Ended December 31, 2020 | 852,861 | (0.7) | 49,329 | 11.3 | 48,192 | 7.7 | 32,638 | 15.1 |
| Six Months Ended December 31, 2019 | 858,789 | 67.3 | 44,309 | — | 44,751 | — | 28,363 | — |

(Note) Comprehensive income: 33,070 million yen [20.5%] (FY 2021.6 2Q), 27,450 million yen [—%] (FY 2020.6 2Q)

| | Net Income Per Share (Yen) | Net Income Per Share-fully diluted (Yen) |
|------------------------------------|----------------------------|--|
| Six Months Ended December 31, 2020 | 51.48 | 51.34 |
| Six Months Ended December 31, 2019 | 44.77 | 44.65 |

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

The year-on-year percentage change in the second 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 December 31, 2020 | 1,362,035 | 415,678 | 29.1 |
| June 30, 2020 | 1,297,231 | 388,999 | 28.7 |

(Reference) Equity: 396,639 million yen (as of December 31, 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 | — | 3.00 | | | |
| Year Ending June 30, 2021 (Forecast) | | | — | 13.00 | 16.00 |

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

Consolidated Quarterly Balance Sheets

(Millions of yen)

| | As of June 30, 2020 | As of December 31, 2020 |
|--|------------------------|----------------------------|
| | Amount | Amount |
| Assets | | |
| Current assets | | |
| Cash and deposits | ¥179,785 | ¥206,979 |
| Notes and accounts receivables-trade | 18,378 | 27,297 |
| Accounts receivables - installment | 68,293 | 74,791 |
| Operating loans | 8,076 | 7,501 |
| Merchandise and finished goods | 187,775 | 204,477 |
| Prepaid expenses | 6,772 | 7,295 |
| Deposits paid | 4,377 | 16,022 |
| Other | 21,572 | 21,812 |
| Allowance for doubtful accounts | (890) | (1,000) |
| Total current assets | 494,138 | 565,174 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 264,035 | 263,169 |
| Tools, furniture and fixtures, net | 29,898 | 29,806 |
| Lands | 325,499 | 323,146 |
| Other, net | 3,278 | 4,929 |
| Total property, plant and equipment | 622,710 | 621,050 |
| Intangible assets | | |
| Goodwill | 15,935 | 15,080 |
| Other | 20,948 | 21,808 |
| Total intangible assets | 36,883 | 36,888 |
| Investments and other assets | | |
| Investment securities | 17,515 | 18,678 |
| Long-term loan receivables | 1,269 | 2,029 |
| Long-term prepaid expenses | 5,729 | 5,459 |
| Retirement benefit assets | 16,236 | 16,375 |
| Deferred tax assets | 23,150 | 20,076 |
| Lease and guarantee deposits | 78,624 | 75,246 |
| Other | 3,178 | 3,169 |
| Allowance for doubtful accounts | (2,201) | (2,109) |
| Total investments and other assets | 143,500 | 138,923 |
| Total non-current assets | 803,093 | 796,861 |
| Total assets | ¥1,297,231 | ¥1,362,035 |

| | As of June 30, 2020 | (Millions of yen) As of December 31, 2020 |
|--|------------------------|---|
| | Amount | Amount |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payables - trade | ¥148,226 | ¥194,923 |
| Short-term loan payables | — | 1,000 |
| Current portion of long-term loan payables | 13,201 | 18,455 |
| Current portion of bonds | 11,916 | 12,636 |
| Payables under securitization of lease receivables | 4,512 | 1,378 |
| Accounts payables – other | 53,481 | 53,748 |
| Accrued expenses | 22,588 | 18,931 |
| Deposits received | 16,806 | 21,750 |
| Income taxes payables | 10,969 | 10,483 |
| Provision for point card certificates | 6,924 | 7,497 |
| Other | 23,604 | 23,243 |
| Total current liabilities | 312,227 | 364,046 |
| Non-current liabilities | | |
| Bond payables | 226,542 | 224,714 |
| Long-term loan payables | 276,191 | 264,517 |
| Long-term payables under securitization of lease receivables | 191 | — |
| Asset retirement obligations | 23,300 | 23,448 |
| Negative goodwill | 94 | 50 |
| Other | 69,687 | 69,582 |
| Total non-current liabilities | 596,005 | 582,311 |
| Total liabilities | 908,232 | 946,357 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 23,008 | 23,090 |
| Capital surplus | 16,977 | 17,059 |
| Retained earnings | 332,263 | 357,294 |
| Treasury shares | (15) | (15) |
| Total shareholders' equity | 372,233 | 397,429 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 529 | 743 |
| Foreign currency translation adjustment | (865) | (1,480) |
| Remeasurements of defined benefit plans | (58) | (53) |
| Total accumulated other comprehensive income | (394) | (790) |
| Share acquisition rights | 218 | 217 |
| Non-controlling interests | 16,942 | 18,822 |
| Total net assets | 388,999 | 415,678 |
| Total liabilities and net assets | ¥1,297,231 | ¥1,362,035 |

Consolidated Quarterly Statements of Income

| | (Millions of yen) | |
|---|-------------------|-------------------|
| | Six months ended | Six months ended |
| | December 31, 2019 | December 31, 2020 |
| | Amount | Amount |
| Net sales | ¥858,789 | ¥852,861 |
| Cost of sales | 611,800 | 601,667 |
| Gross profit | 246,989 | 251,194 |
| Selling, general and administrative expenses | 202,680 | 201,865 |
| Operating income | 44,309 | 49,329 |
| Non-operating income | | |
| Interest and dividend income | 320 | 297 |
| Amortization of negative goodwill | 43 | 43 |
| Share of profit of entities accounted for using equity method | 167 | 148 |
| Other | 2,673 | 2,610 |
| Total non-operating income | 3,203 | 3,098 |
| Non-operating expenses | | |
| Interest expenses paid on loans and bonds | 2,543 | 2,505 |
| Foreign exchange loss | — | 1,493 |
| Cost of claim's liquidation | 94 | 38 |
| Other | 124 | 200 |
| Total non-operating expenses | 2,761 | 4,236 |
| Ordinary income | 44,751 | 48,192 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 103 | 96 |
| Gain on reversal of provision for loss on store closings | 268 | — |
| Gain on reversal of share acquisition rights | 220 | 0 |
| Gain on insurance claims | — | 822 |
| Other | 421 | 75 |
| Total extraordinary income | 1,012 | 993 |
| Extraordinary losses | | |
| Impairment loss | 1,533 | — |
| Loss on retirement of non-current assets | 2,442 | 379 |
| Loss on closing of stores | 323 | 214 |
| Loss on disaster | 151 | 9 |
| Other | 143 | 47 |
| Total extraordinary losses | 4,592 | 649 |
| Profit before income taxes | 41,171 | 48,536 |
| Income taxes - current | 10,671 | 10,805 |
| Income taxes – deferred | 1,868 | 4,297 |
| Total income taxes | 12,539 | 15,102 |
| Profit | 28,632 | 33,434 |
| Profit attributable to non-controlling interests | 269 | 795 |
| Profit attributable to owners of parent | ¥28,363 | ¥32,638 |

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

| | Six months ended December 31, 2019 | Six months ended December 31, 2020 |
|--|---------------------------------------|---------------------------------------|
| | Amount | Amount |
| Profit | ¥28,632 | ¥33,434 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 719 | 204 |
| Foreign currency translation adjustment | (1,928) | (583) |
| Remeasurements of defined benefit plans, net of tax | 24 | 3 |
| Share of other comprehensive income of entities accounted for using equity method | 3 | 12 |
| Total other comprehensive income | (1,182) | (364) |
| Comprehensive income | ¥27,450 | ¥33,070 |
| Comprehensive income attributable to: | | |
| Owners of parent | ¥27,124 | ¥32,243 |
| Non-controlling interests | 326 | 827 |

Consolidated Quarterly Statements of Cash Flows

| | (Millions of yen) | |
|---|---------------------------------------|---------------------------------------|
| | Six months ended December 31, 2019 | Six months ended December 31, 2020 |
| | Amount | Amount |
| Cash flows from operating activities: | | |
| Profit before income taxes | ¥41,171 | ¥48,536 |
| Depreciation and amortization | 14,149 | 14,877 |
| Impairment loss | 1,533 | — |
| Amortization of negative goodwill | (43) | (43) |
| Decrease in provisions | (4,612) | (3,535) |
| Interest and dividend income | (320) | (297) |
| Interest expenses paid on loans and bonds | 2,543 | 2,505 |
| Share of profit of entities accounted for using equity method | (166) | (148) |
| Loss on sales and retirement of property, plant and equipment | 2,452 | 283 |
| Gain on insurance claims | — | (822) |
| Increase in notes and accounts receivables – trade | (6,400) | (8,741) |
| Increase in inventories | (11,502) | (16,865) |
| Increase in notes and accounts payables – trade | 28,618 | 46,869 |
| Increase in accounts receivables – installment | (11,866) | (6,525) |
| Increase in accounts payables – other | 5,213 | 4,219 |
| Increase in deposits received | 5,033 | 4,947 |
| Other, net | (22) | 1,112 |
| Subtotal | 65,781 | 86,372 |
| Interest and dividend income received | 110 | 134 |
| Interest expenses paid | (2,483) | (2,524) |
| Income taxes paid | (9,222) | 12,711 |
| Income taxes refund | 4,875 | 1,127 |
| Proceeds from insurance benefits | — | 1,286 |
| Payments for loss on disaster | (169) | (49) |
| Dividends received from entities accounted for using equity method | 78 | — |
| Net cash provided by operating activities | 58,970 | 73,635 |
| Cash flows from investing activities: | | |
| Payments for purchase of property, plant and equipment | (15,310) | (18,756) |
| Proceeds from sales of property, plant and equipment | 389 | 2,519 |
| Payments for purchase of intangible assets | (2,043) | (1,557) |
| Purchase of shares of subsidiaries and affiliates | — | (784) |
| Payments for leasehold and guarantee deposits | (2,368) | (858) |
| Proceeds from collection of leasehold and guarantee deposits | 876 | 3,300 |
| Payments for store opening in progress | (500) | (261) |
| Loan advances | (2) | (801) |
| Other, net | (224) | 46 |
| Net cash used in investing activities | (19,182) | (17,153) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term loan payables | (123) | 1,000 |
| Repayments of long-term loan payables | (12,925) | (6,289) |
| Redemption of bonds | (1,708) | (1,108) |
| Repayments of payables under securitization of lease receivables | (3,722) | (3,353) |
| Proceeds from issuance of common shares | 188 | 163 |
| Cash dividends paid | (4,750) | (7,607) |
| Proceeds from share issuance to non-controlling shareholders | — | 1,052 |
| Other, net | (31) | (23) |
| Net cash used in financing activities | (23,071) | (16,165) |
| Effect of foreign exchange rate change on cash and cash equivalents | 313 | (2,184) |
| Net increase in cash and cash equivalents | 17,030 | 38,133 |
| 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 the end of period | ¥203,329 | ¥221,734 |

Segment Information

For the second quarter ended December 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 | ¥579,345 | ¥234,539 | ¥31,834 | ¥845,719 | ¥7,142 | ¥852,861 | ¥- | ¥852,861 |
| Intersegment sales | 3,825 | 4,207 | 563 | 8,595 | 2,282 | 10,877 | (10,877) | - |
| Total | 583,170 | 238,746 | 32,398 | 854,314 | 9,425 | 863,738 | (10,877) | 852,861 |
| Segment income (loss) | ¥32,254 | ¥11,317 | ¥7,489 | ¥51,060 | ¥(1,875) | ¥49,185 | ¥144 | ¥49,329 |

Notes

1. "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.
2. The ¥144 million adjustment to segment income is an intersegment elimination.
3. 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 second quarter of the previous fiscal year has decreased by 804 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 second quarter ended December 31, 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 | ¥560,953 | ¥260,564 | ¥29,705 | ¥851,222 | ¥7,567 | ¥858,789 | ¥- | ¥858,789 |
| Intersegment sales | 2,847 | 2,179 | 2,037 | 7,063 | 3,373 | 10,436 | (10,436) | - |
| Total | 563,800 | 262,743 | 31,742 | 858,285 | 10,940 | 869,225 | (10,436) | 858,789 |
| Segment income | ¥27,306 | ¥10,005 | ¥6,741 | ¥44,052 | ¥43 | ¥44,095 | ¥214 | ¥44,309 |

Notes

1. "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.
2. The ¥214 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

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 second quarter ended December 31, 2019.