

# Summary Report of Consolidated Financial Results For the Six Months Ended December 31, 2019

(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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 Representative: Naoki Yoshida, President and CEO  
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 URL: <https://ppi-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 2020 (From July 1, 2019 to December 31, 2019)

#### (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, 2019	858,789	67.3	45,113	50.3	45,555	28.9
Six Months Ended December 31, 2018	513,416	10.9	30,017	2.6	35,330	13.8

(Note) Comprehensive income: 27,977 million yen [3.3%] (FY 2020.6 2Q), 27,090 million yen [29.9%] (FY 2019.6 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, 2019	28,890	22.3	45.61	45.48
Six Months Ended December 31, 2018	23,616	26.4	37.32	37.22

(Note) On September 1, 2019, we conducted a 4-for-1 common share split. Net Income Per Share and Net Income Per Share-fully diluted have been calculated on the presumption that the share split was conducted at the beginning of the previous fiscal year.

#### (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, 2019	1,328,172	375,278	26.5
June 30, 2019	1,282,100	352,300	25.6

(Reference) Equity: 351,584 million yen (as of December 31, 2019), 328,359 million yen (as of June 30, 2019)

(Note) For the second quarter of the fiscal year ended June 30, 2020, provisional accounting treatments for business integrations was finalized. As a result, the figures for the fiscal year ended June 30, 2019 reflect the finalization of the provisional accounting treatments.

### 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, 2019	—	10.00	—	30.00	40.00
Year Ending June 30, 2020	—	3.00			
Year Ending June 30, 2020 (Forecast)			—	8.50	11.50

(Note) Revision to the dividend forecast in the second quarter of fiscal 2020: Yes

(Note) On September 1, 2019, we conducted a 4-for-1 common share split. For the fiscal year ended June 30, 2019, the actual amount of dividends before the said share split is presented.

### 3. Consolidated Business Forecast : For the year ending June 30, 2020 (From July 1, 2019 to June 30, 2020)

(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, 2020	1,670,000	25.7	72,000	14.1	72,000	5.5	46,000	△2.3	72.59

(Note) Revision to the business forecast in the second quarter of fiscal 2020: Yes

(Note) The Company finalized provisional accounting treatments for business integrations, which is reflected in the relevant figures for the fiscal year ended June 2019.

(Note) On September 1, 2019, we conducted a 4-for-1 common share split. Net Income per Share in the Consolidated Business Forecast for the fiscal year ending June 30, 2020 takes into account the impact of the share split.

### 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: None

③ Changes in accounting estimates: None

④ Restatement: None

(4) Number of outstanding shares (Common share)

① Number of outstanding shares (Treasury share included)      December 31, 2019      633,721,440 shares  
June 30, 2019      633,287,040 shares

② Number of treasury share      December 31, 2019      18,924 shares  
June 30, 2019      18,720 shares

③ Average number of outstanding shares during the period      December 31, 2019      633,477,295 shares  
December 31, 2018      632,812,016 shares

(Note) On September 1, 2019, we conducted a 4-for-1 common share split. Number of outstanding shares, Number of treasury share and Average number of outstanding shares during the period have been calculated on the presumption that the share split was conducted at the beginning of the previous fiscal year.

※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 securities analysts and institutional investors on February 5, 2020. Presentation materials for the briefing will be available on the Company's website.

## Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of June 30, 2019	As of December 31, 2019
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	¥172,673	¥188,768
Notes and accounts receivables-trade	18,744	25,047
Accounts receivables - installment	67,417	79,282
Operating loans	8,966	8,697
Merchandise and finished goods	188,510	200,778
Prepaid expenses	7,036	6,988
Deposits paid	12,986	15,068
Other	20,790	18,700
Allowance for doubtful accounts	(717)	(821)
<b>Total current assets</b>	<b>496,405</b>	<b>542,507</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	262,955	260,669
Tools, furniture and fixtures, net	25,471	27,612
Lands	318,580	317,989
Other, net	7,407	8,762
<b>Total property, plant and equipment</b>	<b>614,413</b>	<b>615,032</b>
Intangible assets		
Goodwill	17,216	16,328
Other	20,386	20,093
<b>Total intangible assets</b>	<b>37,602</b>	<b>36,421</b>
Investments and other assets		
Investment securities	16,681	17,885
Long-term loan receivables	2,962	1,308
Long-term prepaid expenses	6,105	6,026
Retirement benefit assets	6,362	6,791
Deferred tax assets	19,668	20,131
Lease and guarantee deposits	80,443	80,540
Other	3,965	4,015
Allowance for doubtful accounts	(2,506)	(2,484)
<b>Total investments and other assets</b>	<b>133,680</b>	<b>134,212</b>
<b>Total non-current assets</b>	<b>785,695</b>	<b>785,665</b>
<b>Total assets</b>	<b>¥1,282,100</b>	<b>¥1,328,172</b>

	(Millions of yen)	
	As of June 30, 2019	As of December 31, 2019
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payables - trade	¥159,064	¥187,715
Short-term loan payables	123	—
Current portion of long-term loan payables	19,721	12,493
Current portion of bonds	22,816	22,316
Payables under fluidity lease receivables	7,304	6,991
Accounts payables - other	53,303	58,854
Accrued expenses	22,684	16,388
Deposits received	19,407	24,440
Income taxes payables	9,841	12,842
Provision for point card certificates	5,227	6,467
Other	22,284	24,684
<b>Total current liabilities</b>	<b>341,774</b>	<b>373,190</b>
<b>Non-current liabilities</b>		
Bond payables	238,458	237,250
Long-term loan payables	256,777	251,080
Long-term payables under fluidity lease receivables	4,703	1,378
Asset retirement obligations	23,083	23,384
Negative goodwill	180	137
Other	64,825	66,475
<b>Total non-current liabilities</b>	<b>588,026</b>	<b>579,704</b>
<b>Total liabilities</b>	<b>929,800</b>	<b>952,894</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	22,675	22,912
Capital surplus	15,414	15,653
Retained earnings	290,034	314,023
Treasury shares	(14)	(14)
<b>Total shareholders' equity</b>	<b>328,109</b>	<b>352,574</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	173	894
Foreign currency translation adjustment	554	(1,430)
Remeasurements of defined benefit plans	(477)	(454)
<b>Total accumulated other comprehensive income</b>	<b>250</b>	<b>(990)</b>
Share acquisition rights	724	219
Non-controlling interests	23,217	23,475
<b>Total net assets</b>	<b>352,300</b>	<b>375,278</b>
<b>Total liabilities and net assets</b>	<b>¥1,282,100</b>	<b>¥1,328,172</b>

## Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Six months ended December 31, 2018	Six months ended December 31, 2019
	Amount	Amount
Net sales	¥513,416	<b>¥858,789</b>
Cost of sales	377,805	<b>610,996</b>
Gross profit	135,611	<b>247,793</b>
Selling, general and administrative expenses	105,594	<b>202,680</b>
Operating income	30,017	<b>45,113</b>
Non-operating income		
Interest and dividend income	994	<b>320</b>
Amortization of negative goodwill	43	<b>43</b>
Share of profit of entities accounted for using equity method	5,728	<b>167</b>
Other	1,893	<b>2,673</b>
Total non-operating income	8,658	<b>3,203</b>
Non-operating expenses		
Interest expenses paid on loans and bonds	1,760	<b>2,543</b>
Bond issuance cost	1,126	—
Cost of claim's liquidation	151	<b>94</b>
Other	308	<b>124</b>
Total non-operating expenses	3,345	<b>2,761</b>
Ordinary income	35,330	<b>45,555</b>
Extraordinary income		
Gain on sales of non-current assets	465	<b>103</b>
Gain on reversal of provision for loss on store closings	—	<b>268</b>
Gain on reversal of share acquisition rights	0	<b>220</b>
Other	—	<b>421</b>
Total extraordinary income	465	<b>1,012</b>
Extraordinary losses		
Impairment loss	417	<b>1,533</b>
Loss on retirement of non-current assets	36	<b>2,442</b>
Loss on closing of stores	75	<b>323</b>
Loss on disaster	307	<b>151</b>
Other	9	<b>143</b>
Total extraordinary losses	844	<b>4,592</b>
Profit before income taxes	34,951	<b>41,975</b>
Income taxes - current	9,500	<b>10,671</b>
Income taxes - deferred	901	<b>2,145</b>
Total income taxes	10,401	<b>12,816</b>
Profit	24,550	<b>29,159</b>
Profit attributable to non-controlling interests	934	<b>269</b>
Profit attributable to owners of parent	¥23,616	<b>¥28,890</b>

## Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Six months ended December 31, 2018	Six months ended December 31, 2019
	Amount	Amount
Profit	¥24,550	¥29,159
Other comprehensive income		
Valuation difference on available-for-sale securities	(133)	719
Foreign currency translation adjustment	2,679	(1,928)
Remeasurements of defined benefit plans, net of tax	—	24
Share of other comprehensive income of affiliates accounted for using equity method	(6)	3
Total other comprehensive income	2,540	(1,182)
Comprehensive income	¥27,090	¥27,977
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	¥26,156	¥27,651
Comprehensive income attributable to non-controlling interests	934	326

## Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Six months ended December 31, 2018	Six months ended December 31, 2019
	Amount	Amount
<b>Cash flows from operating activities:</b>		
Profit before income taxes	¥34,951	¥41,975
Depreciation and amortization	9,226	14,149
Impairment loss	417	1,533
Amortization of negative goodwill	(43)	(43)
Increase (decrease) in allowance for doubtful accounts	193	(4,612)
Interest and dividend income	(994)	(320)
Interest expenses paid on loans and bonds	1,760	2,543
Share of profit of entities accounted for using equity method	(5,728)	(166)
Loss (gain) on sales and retirement of property, plant and equipment	(429)	2,452
Increase in notes and accounts receivables - trade	(3,180)	(6,400)
Increase in inventories	(16,982)	(12,306)
Increase in notes and accounts payables - trade	26,242	28,618
Increase in accounts receivables - installment	-	(11,866)
Decrease (increase) in prepaid expenses	(955)	184
Increase in accounts payables - other	557	5,213
Increase (decrease) in deposits received	(48)	5,033
Other, net	(978)	(206)
Subtotal	44,009	65,781
Interest and dividend income received	856	110
Interest expenses paid	(1,595)	(2,483)
Income taxes paid	(11,331)	(9,222)
Income taxes refund	1,515	4,875
Payments for loss on disaster	(216)	(169)
Proceeds from dividend income received from entities accounted for using equity method	-	78
Net cash provided by operating activities	33,238	58,970
<b>Cash flows from investing activities:</b>		
Payments for purchase of property, plant and equipment	(24,805)	(15,310)
Proceeds from sales of property, plant and equipment	1,126	389
Payments for purchase of intangible assets	(754)	(2,043)
Payments for leasehold and guarantee deposits	(3,404)	(2,368)
Proceeds from collection of leasehold and guarantee deposits	247	876
Payments for store opening in progress	(731)	(500)
Proceeds from collection of loan receivables	3,836	17
Other, net	4	(243)
Net cash used in investing activities	(24,481)	(19,182)
<b>Cash flows from financing activities:</b>		
Net decrease in short-term loan payables	-	(123)
Proceeds from long-term loan payables	65,000	-
Repayments of long-term loan payables	(3,672)	(12,925)
Proceeds from issuance of bonds	138,784	-
Redemption of bonds	(1,908)	(1,708)
Repayments of payables under fluidity lease receivables	(3,890)	(3,722)
Proceeds from issuance of common shares	247	188
Cash dividends paid	(4,271)	(4,750)
Cash dividends paid to non-controlling interests	(808)	-
Payments for purchase of shares of subsidiaries that do not result in change in scope of consolidation	(4,322)	-
Other, net	(93)	(31)
Net cash provided by (used in) financing activities	185,067	(23,071)
Effect of exchange rate change on cash and cash equivalents	864	313
Net increase in cash and cash equivalents	194,688	17,030
Cash and cash equivalents at beginning of period	75,883	185,136
Increase in cash and cash equivalents from newly consolidated subsidiaries	4	1,163
Cash and cash equivalents at end of period	¥270,575	¥203,329

## Segment Information

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	28,110	10,005	6,741	44,856	43	44,899	214	45,113

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 ¥214 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

UNY Co., Ltd. became a wholly owned subsidiary of the Company since we acquired additional shares on January 4, 2019. Therefore, we added a business segment and revised the classification method, in the previous third quarter ended March 31, 2019. The two Reporting segments “Retail business” and “Rent business” have been reclassified into three Reporting segments “Discount Store business”, “GMS business” and “Rent business”.

In addition, Japan Asset Marketing Co., Ltd., which was formerly included in the “Rent business”, and Realit Co., Ltd., which was formerly included in the “Others” were reclassified into the “Discount Store business” since the nature of the business has been related to “Discount Store business”.

Segment information for the second quarter ended December 31, 2018 is presented after reclassification that incorporates this reclassifications.

### 3. 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.

For the second quarter ended December 31, 2018

### 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	¥503,343	¥—	¥9,393	¥512,736	¥680	¥513,416	¥—	¥513,416
Intersegment sales	1,461	—	949	2,410	—	2,410	(2,410)	—
Total	504,804	—	10,342	515,146	680	515,826	(2,410)	513,416
Segment income	¥29,494	¥—	¥1,375	¥30,869	¥(870)	¥29,999	¥18	¥30,017

Notes

- “Others” includes the service related to the operation of the Company (Holdings Company) and so on, which does not belong to the Reporting segment.



2. The ¥ 18 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)

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