

Summary Report of Consolidated Financial Results For the First Quarter Ended September 30, 2022

(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 first quarter of fiscal 2023 (From July 1, 2022 to September 30, 2022)

(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 (%)
Three Months Ended September 30, 2022	473,694	6.3	23,870	48.4	28,685	74.2	18,449	48.8
Three Months Ended September 30, 2021	445,474	6.5	16,090	(30.7)	16,462	(27.8)	12,397	(24.7)

(Note) Comprehensive income: 24,702 million yen [105.1%] (FY 2023.6 1Q), 12,046 million yen [(29.0)%] (FY 2022.6 1Q)

	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Three Months Ended September 30, 2022	30.94	30.86
Three Months Ended September 30, 2021	19.84	19.80

(Note) During the consolidated accounting period for the second quarter of the fiscal year ended June 30, 2022, provisional accounting treatment for business combinations has been finalized. The figures for the first quarter of the fiscal year ended June 30, 2022 reflect the content of the provisional accounting treatment.

(2) Financial Position

	Total Assets	Net assets	Ratio of Shareholder's Equity to Total Assets(%)
As of September 30, 2022	1,387,919	413,151	29.4
June 30, 2022	1,383,678	399,247	28.3

(Reference) Equity: 407,953 million yen (as of September 30, 2022), 392,220 million yen (as of June 30, 2022)

2. Dividends

	Annual Dividends per share				
	Three Months End of September 30	Six Months End of December 31	Nine Months End of March 31	Year End of June 30	Total
Year Ended June 30, 2022	—	3.00	—	14.00	17.00
Year Ending June 30, 2023	—				
Year Ending June 30, 2023 (Forecast)		4.00	—	14.00	18.00

(Note) Revision to the dividend forecast in the first quarter of fiscal 2023: None

3. Consolidated Business Forecast : For the year ending June 30, 2023 (From July 1, 2022 to June 30, 2023)

(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)
Six Months Ending December 31, 2022	958,300	4.4	53,700	23.0	47,800	7.4	33,000	9.5	55.34
Year Ending June 30, 2023	1,890,000	3.2	94,000	6.0	82,500	(17.9)	56,900	(8.1)	95.42

(Note) Revision to the business forecast in the first quarter of fiscal 2023: None

4. Others

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

Newly consolidated: — , Excluded: 1 company (B'CAUSE Pte. Ltd.)

(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 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 shares)

① Number of outstanding shares (Treasury shares included)	September 30, 2022	634,451,040 shares
	June 30, 2022	634,378,640 shares
② Number of treasury shares	September 30, 2022	38,073,224 shares
	June 30, 2022	38,073,224 shares
③ Average number of outstanding shares during the period	September 30, 2022	596,333,503 shares
	September 30, 2021	624,732,012 shares

※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 security analysts and institutional investors on November 8, 2022. Presentation materials for the briefing will be available on the Company's website.

Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of June 30, 2022	As of September 30, 2022
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥176,777	¥156,780
Notes and accounts receivables-trade	12,728	13,820
Accounts receivables - installment	52,122	54,100
Operating loans	8,115	8,216
Merchandise and finished goods	205,893	199,930
Prepaid expenses	7,904	8,959
Deposits paid	4,768	4,616
Other	20,052	23,268
Allowance for doubtful accounts	(1,828)	(2,035)
Total current assets	486,531	467,655
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	268,358	269,971
Tools, furniture and fixtures, net	35,022	36,063
Land	314,711	319,085
Construction in progress	19,649	24,588
Right of use assets, net	25,913	29,825
Other, net	1,412	1,374
Total property, plant and equipment	665,065	680,906
Intangible assets		
Goodwill	61,759	64,839
Other	24,458	25,929
Total intangible assets	86,217	90,768
Investments and other assets		
Investment securities	27,226	31,819
Long-term loan receivables	966	953
Long-term prepaid expenses	4,859	4,662
Retirement benefit asset	17,455	17,518
Deferred tax assets	20,840	18,669
Lease and guarantee deposits	73,225	73,430
Other	3,422	3,659
Allowance for doubtful accounts	(2,129)	(2,121)
Total investments and other assets	145,864	148,590
Total non-current assets	897,146	920,264
Total assets	¥1,383,678	¥1,387,919

	As of June 30, 2022 Amount	(Millions of yen) As of September 30, 2022 Amount
Liabilities		
Current liabilities		
Notes and accounts payables - trade	¥152,885	¥157,841
Short-term loan payables	—	1,014
Current portion of long-term loan payables	26,918	31,893
Current portion of bonds	11,421	11,150
Accounts payables – other	49,128	41,821
Lease obligations	1,804	1,843
Accrued expenses	25,182	22,190
Deposits received	13,485	18,992
Income taxes payables	13,492	7,681
Provision for point card certificates	1,935	2,408
Contract liabilities	11,361	11,951
Other	18,765	19,513
Total current liabilities	326,378	328,296
Non-current liabilities		
Bond payables	272,555	272,050
Long-term loan payables	276,201	260,879
Lease obligations	25,471	29,574
Asset retirement obligations	30,338	30,588
Other	53,488	53,380
Total non-current liabilities	658,053	646,472
Total liabilities	984,431	974,768
Net assets		
Shareholders' equity		
Capital stock	23,217	23,251
Capital surplus	17,376	17,409
Retained earnings	428,044	438,033
Treasury shares	(80,956)	(80,956)
Total shareholders' equity	387,681	397,737
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	520	412
Foreign currency translation adjustment	3,532	9,336
Remeasurements of defined benefit plans	487	467
Total accumulated other comprehensive income	4,539	10,215
Share acquisition rights	271	271
Non-controlling interests	6,755	4,928
Total net assets	399,247	413,151
Total liabilities and net assets	¥1,383,678	¥1,387,919

Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Three months ended September 30, 2021	Three months ended September 30, 2022
	Amount	Amount
Net sales	¥445,474	¥473,694
Cost of sales	317,997	329,417
Gross profit	127,477	144,277
Selling, general and administrative expenses	111,387	120,407
Operating income	16,090	23,870
Non-operating income		
Interest and dividend income	514	340
Amortization of negative goodwill	7	—
Share of profit of entities accounted for using equity method	175	150
Foreign exchange gains	615	5,594
Other	1,140	857
Total non-operating income	2,451	6,940
Non-operating expenses		
Interest expenses paid on loans and bonds	1,937	1,952
Cost of claim's liquidation	1	—
Other	141	173
Total non-operating expenses	2,079	2,125
Ordinary income	16,462	28,685
Extraordinary income		
Gain on sales of non-current assets	2	4
Reversal of provision for environmental measures	—	3
Other	—	3
Total extraordinary income	2	10
Extraordinary losses		
Loss on retirement of non-current assets	142	196
Loss on closing of stores	20	—
Loss on disaster	6	21
Other	11	1
Total extraordinary losses	178	218
Profit before income taxes	16,286	28,477
Income taxes - current	3,239	7,157
Income taxes – deferred	433	2,346
Total income taxes	3,672	9,503
Profit	12,613	18,973
Profit attributable to non-controlling interests	216	525
Profit attributable to owners of parent	¥12,397	¥18,449

Consolidated Quarterly Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended September 30, 2021	Three months ended September 30, 2022
	Amount	Amount
Profit	¥12,613	¥18,973
Other comprehensive income		
Valuation difference on available-for-sale securities	249	(120)
Foreign currency translation adjustment	(810)	5,862
Remeasurements of defined benefit plans, net of tax	(3)	(10)
Share of other comprehensive income of affiliates accounted for using equity method	(3)	(4)
Total other comprehensive income	<u>(567)</u>	<u>5,728</u>
Comprehensive income	<u>¥12,046</u>	<u>¥24,702</u>
Comprehensive income attributable to:		
Owners of parent	¥11,730	¥24,125
Non-controlling interests	316	577

Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended September 30, 2021	Three months ended September 30, 2022
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥16,286	¥28,477
Depreciation and amortization	9,052	10,170
Decrease in provisions	(5,187)	(1,776)
Interest and dividend income	(514)	(340)
Interest expenses paid on loans and bonds	1,937	1,952
Foreign exchange gains	(615)	(5,594)
Share of profit of affiliates accounted for using equity method	(175)	(150)
Loss on sales and retirement of non-current assets	141	192
Increase in notes and accounts receivables – trade	(1,132)	(991)
Decrease (increase) in inventories	(9)	8,045
Increase in notes and accounts payables – trade	3,498	3,158
Decrease (increase) in accounts receivables – installment	2,646	(2,004)
Decrease in accounts payables – other	(2,684)	(2,465)
Other, net	(3,167)	(5,793)
Subtotal	20,077	32,882
Interest and dividend income received	364	437
Interest expenses paid	(1,630)	(1,578)
Income taxes paid	(22,545)	(12,023)
Income taxes refund	3	–
Payments for loss on disaster	(13)	(41)
Net cash provided by (used in) operating activities	(3,744)	19,677
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(10,272)	(18,921)
Payments for purchase of intangible assets	(918)	(2,367)
Payments for purchase of shares of subsidiaries and affiliates	–	(3,386)
Payments for leasehold and guarantee deposits	(245)	(369)
Proceeds from collection of leasehold and guarantee deposits	319	40
Payment for store opening in progress	(176)	(258)
Other, net	(7)	(16)
Net cash used in investing activities	(11,301)	(25,276)
Cash flows from financing activities:		
Net increase in short-term loan payables	68,500	976
Repayments of long-term loan payables	(14,947)	(11,484)
Redemption of bonds	(1,828)	(776)
Repayments of payables under fluidity lease receivables	(192)	–
Cash dividends paid	(8,245)	(8,348)
Proceeds from issuance of common shares	48	67
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(2,239)
Purchase of treasury shares	(80,941)	–
Other, net	(340)	(463)
Net cash used in financing activities	(37,946)	(22,268)
Effect of foreign exchange rate change on cash and cash equivalents	85	9,547
Net decrease in cash and cash equivalents	(52,905)	(18,320)
Cash and cash equivalents at the beginning of period	160,875	180,418
Decrease in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	(1,852)
Cash and cash equivalents at the end of period	¥107,970	¥160,246

Segment Information

For the First Quarter Ended September 30, 2022

1. Information concerning sales and income by reporting segment

(Millions of yen)

	Reporting segment				Adjustment	Consolidated
	Domestic Business	North America business	Asia business	Total		
Sales, Segment income						
Sales						
Sales to third parties	¥398,294	¥55,665	¥19,735	¥473,694	¥-	¥473,694
Intersegment sales	2,429	-	18	2,447	(2,447)	-
Total	400,723	55,665	19,752	476,141	(2,447)	473,694
Segment income	¥21,563	¥1,741	¥565	¥23,870	¥-	¥23,870

Notes

1. Segment income is adjusted to the quarterly consolidated operating income.
2. Segment information for the first quarter Ended September 30, 2021 is disclosed based on the amount after reflecting a significant revision of the initial allocation of acquisition costs due to the finalization of provisional accounting treatment.

2. Information concerning changes in reporting segments

The group will strive to improve profitability in domestic business by (1) expanding business value chain, (2) providing new CV (Convenience) + D (Discount) + A (Amusement) through DX, (3) promoting organizational integration and productivity improvement, and (4) systematically creating new business categories, while overseas, also aims to expand its scale by continuing to open new stores in both Asia and North America.

In addition, we have formulated a new medium- to long-term management plan, "Visionary 2025/2030," which aims to improve profitability through the establishment of a global value chain.

Therefore, we added business segment and reviewed the classification method, in the first quarter ended September 30, 2022. The three reporting segments "Discount Store business", "GMS business" and "Rent business" have been reconciled into three "Domestic Business", "North America business" and "Asia business".

Segment information for the previous fiscal year is disclosed based on this reclassifications.

3. Information concerning impairment loss of fixed assets or goodwill by reporting segment

Not applicable

For the First Quarter Ended September 30, 2021

1. Information concerning sales and income by reporting segment

(Millions of yen)

	Reporting segment				Adjustment	Consolidated
	Domestic Business	North America business	Asia business	Total		
Sales, Segment income						
Sales						
Sales to third parties	¥384,675	¥46,340	¥14,460	¥445,474	¥-	¥445,474
Intersegment sales	3,002	-	-	3,002	(3,002)	-
Total	387,677	46,340	14,460	448,476	(3,002)	445,474
Segment income	¥13,888	¥2,060	¥142	¥16,090	¥-	¥16,090

Note

Segment income is adjusted to the quarterly consolidated operating income.

2. Information concerning impairment loss of fixed assets or goodwill by reporting segment

Not applicable