

# Summary Report of Consolidated Financial Results For the Nine Months Ended March 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  
 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.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 third quarter of fiscal 2019 (From July 1, 2018 to March 31, 2019)

### (1) Results of Business Operations

(Millions of yen, except per-share data)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)
Nine Months Ended March 31, 2019	918,990	30.7	46,332	15.7	51,758	19.1
Nine Months Ended March 31, 2018	703,156	13.4	40,060	7.9	43,441	20.6

(Note) Comprehensive income: 39,994 million yen [33.4%] (FY 2019.6 3Q), 29,984 million yen [ $\Delta$ 10.8%] (FY 2018.6 3Q)

	Profit Attributable to Owners of Parent	Change (%)	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Nine Months Ended March 31, 2019	37,052	36.4	234.17	233.53
Nine Months Ended March 31, 2018	27,163	0.7	171.71	171.43

### (2) Financial Position

(Millions of yen, except per-share data)

	Total Assets	Net assets	Ratio of Shareholders' Equity to Total Assets (%)
As of March 31, 2019	1,286,058	340,391	24.9
June 30, 2018	806,778	312,495	36.0

(Reference) Equity: 320,086 million yen (as of March 31, 2019), 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 third quarter of fiscal 2019: None

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	1,330,000	41.3	63,000	22.2	67,000	17.1	48,000	31.9	303.25

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

### 4. Others

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

Newly consolidated: two companies (PAN PACIFIC STRATEGY INSTITUTE PTE. LTD., UNY Co., 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)	March 31, 2019	158,288,760 shares
	June 30, 2018	158,193,160 shares
② Number of treasury stock	March 31, 2019	4,659 shares
	June 30, 2018	4,633 shares
③ Average number of outstanding shares during the period	March 31, 2019	158,224,575 shares
	March 31, 2018	158,185,115 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 May 8, 2019. Presentation materials will be available on the Company's website.

## Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of June 30, 2018	As of March 31, 2019
	Amount	Amount
<b>Assets</b>		
Current assets		
Cash and deposits	¥71,973	¥177,048
Notes and Accounts receivable-trade	12,848	20,429
Accounts receivable - installment	-	66,109
Merchandise	135,781	181,578
Other	16,015	50,501
Allowance for doubtful accounts	(4)	(685)
Total current assets	236,613	494,980
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	133,415	264,590
Tools, furniture and fixtures, net	19,718	24,810
Land	188,866	317,547
Other, net	5,914	4,407
Total property, plant and equipment	347,913	611,354
Intangible assets		
Goodwill	17,600	17,457
Other	10,647	19,763
Total intangible assets	28,247	37,220
Investments and other assets		
Investment securities	31,606	8,822
Long-term loans receivable	95,815	17,425
Deferred tax assets	15,389	20,457
Lease and guarantee deposits	46,494	80,853
Other	6,379	17,388
Allowance for doubtful accounts	(1,678)	(2,441)
Total investments and other assets	194,005	142,504
Total non-current assets	570,165	791,078
Total assets	¥806,778	¥1,286,058

	(Millions of yen)	
	As of June 30, 2018	As of March 31, 2019
	Amount	Amount
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	¥93,030	¥156,172
Current portion of long-term loans payable	17,788	19,719
Current portion of bonds	3,616	23,416
Payables under fluidity lease receivables	7,262	7,276
Income taxes payable	8,821	7,250
Provision for point card certificates	1,892	4,391
Other	39,477	125,174
<b>Total current liabilities</b>	<b>171,886</b>	<b>343,398</b>
Non-current liabilities		
Bonds payable	91,274	238,458
Long-term loans payable	200,668	271,101
Long-term payables under fluidity lease receivables	12,104	6,539
Asset retirement obligations	6,538	23,344
Negative goodwill	267	202
Other	11,546	62,625
<b>Total non-current liabilities</b>	<b>322,397</b>	<b>602,269</b>
<b>Total liabilities</b>	<b>494,283</b>	<b>945,667</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	22,436	22,614
Capital surplus	19,975	14,617
Retained earnings	248,940	282,290
Treasury shares	(14)	(14)
<b>Total shareholders' equity</b>	<b>291,337</b>	<b>319,507</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	244	202
Foreign currency translation adjustment	(1,218)	377
<b>Total accumulated other comprehensive income</b>	<b>(974)</b>	<b>579</b>
Subscription rights to shares	345	343
Non-controlling interests	21,787	19,962
<b>Total net assets</b>	<b>312,495</b>	<b>340,391</b>
<b>Total liabilities and net assets</b>	<b>¥806,778</b>	<b>¥1,286,058</b>

## Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Nine months ended March 31, 2018	Nine months ended March 31, 2019
	Amount	Amount
Net sales	¥703,156	¥918,990
Cost of sales	522,541	666,873
Gross profit	180,615	252,117
Selling, general and administrative expenses	140,555	205,785
Operating income	40,060	46,332
Non-operating income		
Interest and dividend income	1,091	1,410
Amortization of negative goodwill	65	65
Equity in earnings of affiliates	3,110	5,897
Other	2,605	3,581
Total non-operating income	6,871	10,953
Non-operating expenses		
Interest expenses	2,148	3,301
Bond issuance cost	90	1,253
Cost of claim's liquidation	297	216
Commission fee	300	500
Other	655	257
Total non-operating expenses	3,490	5,527
Ordinary income	43,441	51,758
Extraordinary income		
Gain on sales of non-current assets	93	518
Gain on step acquisitions	—	1,424
Gain on bargain purchase	—	9,082
Other	23	36
Total extraordinary income	116	11,060
Extraordinary losses		
Impairment loss	—	10,206
Loss on retirement of non-current assets	128	251
Loss on closing of stores	126	1,721
Loss on disaster	2	335
Other	11	270
Total extraordinary losses	267	12,783
Profit before income taxes	43,290	50,035
Income taxes - Current	14,100	14,248
Income taxes - Deferred	126	(2,654)
Total income taxes	14,226	11,594
Profit	29,064	38,441
Profit attributable to non-controlling interests	1,901	1,389
Profit attributable to owners of parent	¥27,163	¥37,052

## Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Nine months ended March 31, 2018	Nine months ended March 31, 2019
	Amount	Amount
Profit	¥29,064	<b>¥38,441</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(22)	<b>(37)</b>
Foreign currency translation adjustment	940	<b>1,595</b>
Share of other comprehensive income of affiliates accounted for using equity method	2	<b>(5)</b>
Total other comprehensive income	920	<b>1,553</b>
Comprehensive income	¥29,984	<b>¥39,994</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	¥28,083	<b>¥38,605</b>
Comprehensive income attributable to non-controlling interests	1,901	<b>1,389</b>

## Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Nine months ended March 31, 2018	Nine months ended March 31, 2019
	Amount	Amount
<b>Cash flows from operating activities:</b>		
Profit before income taxes	¥43,290	¥50,035
Depreciation	12,552	16,485
Impairment loss	—	10,206
Amortization of negative goodwill	(65)	(65)
Gain on bargain purchase	—	(9,082)
Increase (decrease) in provision	147	(1,157)
Interest and dividend income	(1,091)	(1,410)
Interest expenses	2,148	3,301
Gain on sales of non-current assets	(93)	(284)
Equity in earnings of affiliates	(3,110)	(5,897)
Gain on step acquisitions	—	(1,424)
Loss on store closings	126	1,721
Decrease (increase) in notes and accounts receivable - trade	(5,379)	1,539
Increase in inventories	(10,265)	(7,590)
Increase in notes and accounts payable - trade	4,494	870
Decrease in accounts receivable - installment	—	61,008
Increase in prepaid expenses	(314)	(1,126)
Other, net	2,902	111
Subtotal	45,342	117,241
Interest and dividend income received	668	1,249
Interest expenses paid	(1,766)	(3,384)
Income taxes paid	(18,383)	(23,233)
Income taxes refund	30	1,515
Payments for loss on disaster	—	(301)
Net cash provided by operating activities	25,891	93,087
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(32,875)	(32,348)
Proceeds from sales of property, plant and equipment	1,063	1,654
Purchase of intangible assets	(455)	(1,434)
Payments for lease and guarantee deposits	(1,668)	(1,928)
Proceeds from collection of lease and guarantee deposits	77	618
Payment for store opening in progress	(282)	(897)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(16,283)	(5,423)
Purchase of shares of subsidiaries and affiliates	(19,976)	—
Payments of loans receivable	(77,650)	(3)
Collection of loans receivable	3,001	3,843
Other, net	332	(74)
Net cash used in investing activities	(144,716)	(35,992)

**Cash flows from financing activities:**

Proceeds from long-term loans payable	134,689	90,000
Repayment of long-term loans payable	(5,627)	(182,369)
Proceeds from issuance of bonds	19,903	168,647
Redemption of bonds	(18,516)	(3,016)
Repayments of payables under fluidity lease receivables	(5,635)	(5,751)
Proceeds from issuance of common shares	23	356
Cash dividends paid	(4,113)	(5,854)
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	(340)	(407)
<b>Net cash provided by financing activities</b>	<b>119,596</b>	<b>56,476</b>
Effect of exchange rate change on cash and cash equivalents	(396)	511
<b>Net increase in cash and cash equivalents</b>	<b>375</b>	<b>114,082</b>
Cash and cash equivalents at beginning of period	78,094	75,883
Increase in cash and cash equivalents from newly consolidated subsidiary	—	4
<b>Cash and cash equivalents at end of period</b>	<b>¥78,469</b>	<b>¥189,969</b>

**Segment Information**

For the third quarter ended March 31, 2019 ( From July 1, 2018 to March 31, 2019)

**1. Information concerning sales and income (loss) 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	¥756,449	¥133,953	¥24,156	¥914,558	¥4,432	¥918,990	¥—	¥918,990
Intersegment sales	2,304	214	1,086	3,604	1,337	4,941	(4,941)	—
<b>Total</b>	<b>758,753</b>	<b>134,167</b>	<b>25,242</b>	<b>918,162</b>	<b>5,769</b>	<b>923,931</b>	<b>(4,941)</b>	<b>918,990</b>
Segment income (loss)	¥39,355	¥3,141	¥4,495	¥46,991	¥(768)	¥46,223	¥109	¥46,332

## Notes

- “Others” includes the service related to the operation of the Company (Holdings Company) and Credit Card business and so on, which does not belong to the Reporting segment.
- The ¥ 109 million adjustment to segment income is an intersegment elimination.
- Segment income (loss) 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 reviewed the classification method, in the third quarter ended March 31, 2019. The two Reporting segments “Retail business” and “Rent business” have been reconciled 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 reconciled into the “Discount Store business” since the nature of the business has been related “Discount Store business”.

Segment information for the third quarter of the previous fiscal year is presented after reclassification that incorporates this reconcile.



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

(Significant impairment losses on non-current assets)

Impairment losses on store facilities and land were recorded in the Discount Store business segment and Rent business segment. Impairment losses of ¥9,751 million in the Discount Store business segment and ¥455 million in the Rent business segment were recorded for the third quarter ended March 31, 2019.

(Significant changes in goodwill)

Not applicable

(Significant gain on bargain purchase)

In the GMS business segment, acquired additional shares of UNY Co., Ltd., by including in the scope of consolidation, the Company recorded a gain on bargain purchase ¥9,082 million for the third quarter ended March 31, 2019.

The purchase price allocations for UNY Co., Ltd. currently remain incomplete pending. It is therefore possible that the amount of gain on bargain purchase will be changed made in the allocation of the purchase prices to the individual assets and liabilities.

### For the third quarter ended March 31, 2018 ( From July 1, 2017 to March 31, 2018)

#### 1. Information concerning sales and income (loss) 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	¥689,393	—	¥12,984	¥702,377	¥779	¥703,156	¥—	¥703,156
Intersegment sales	1,901	—	1,025	2,926	—	2,926	(2,926)	—
Total	691,294	—	14,009	705,303	779	706,082	(2,926)	703,156
Segment income (loss)	¥39,906	—	¥2,067	¥41,973	¥(1,916)	¥40,057	¥3	¥40,060

Notes

1. "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 ¥3 million adjustment to segment income is an intersegment elimination.
3. Segment income (loss) 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)

In the Discount Store business segment, the increase of goodwill resulting from the acquisition of all shares of QSI, Inc. was ¥13,794 million during the first quarter of the current fiscal year.

(Significant gain on bargain purchase)

Not applicable