

Summary Report of Consolidated Financial Results

For the Third Quarter Ended March 31, 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 third quarter of fiscal 2022 (From July 1, 2021 to March 31, 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 (%)
Nine Months Ended March 31, 2022	1,370,479	8.1	63,080	(5.7)	67,707	0.2	45,984	1.7
Nine Months Ended March 31, 2021	1,268,196	0.2	66,888	12.6	67,547	14.7	45,234	20.0

(Note) Comprehensive income: 45,769 million yen [2.5%] (FY 2022.6 3Q), 44,669 million yen [17.6%] (FY 2021.6 3Q)

	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Nine Months Ended March 31, 2022	75.92	75.74
Nine Months Ended March 31, 2021	71.34	71.15

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter under review, and each figure for the third quarter of the fiscal year ending June 30, 2022, is the figure after applying the accounting standard and relevant ASBJ regulations.

(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, 2022	1,352,800	380,839	27.6
June 30, 2021	1,370,115	438,628	30.5

(Reference) Equity: 373,521 million yen (as of March 31, 2022), 418,524 million yen (as of June 30, 2021)

(Note) During the consolidated accounting period for the second quarter of the fiscal year ending June 2022, provisional accounting treatment for business combinations has been finalized. The figures for the fiscal year ended June 2021 reflect the content of the provisional accounting treatment.

2. Dividends

	Annual Dividends per share				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, 2021	—	3.00	—	13.00	16.00
Year Ending June 30, 2022	—	3.00	—		
Year Ending June 30, 2022 (Forecast)				13.50	16.50

(Note) Revision to the dividend forecast in the third quarter of fiscal 2022: None

3. Consolidated Business Forecast : For the year ending June 30, 2022 (From July 1, 2021 to June 30, 2022)

(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, 2022	1,870,000	9.4	85,000	4.6	83,000	1.9	57,600	7.2	95.46

(Note) Revision to the business forecast in the third quarter of fiscal 2022: None

4. Others

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

Newly consolidated: 1 company (Pan Pacific International Financial Service Corporation) , 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: Yes
- 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)	March 31, 2022	634,333,040 shares
	June 30, 2021	634,239,440 shares
② Number of treasury shares	March 31, 2022	38,073,224 shares
	June 30, 2021	18,924 shares
③ Average number of outstanding shares during the period	March 31, 2022	605,670,375 shares
	March 31, 2021	634,054,371 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 May 10, 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, 2021	As of March 31, 2022
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥157,522	¥147,762
Notes and accounts receivables-trade	21,074	25,212
Accounts receivables - installment	65,491	53,424
Operating loans	7,658	7,831
Merchandise and finished goods	203,416	206,239
Prepaid expenses	7,671	7,992
Deposits paid	4,364	4,609
Other	29,488	17,844
Allowance for doubtful accounts	(1,276)	(1,671)
Total current assets	495,406	469,242
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	261,481	263,617
Tools, furniture and fixtures, net	32,848	35,246
Lands	317,402	315,494
Right of use assets, net	22,672	23,871
Other, net	9,347	17,262
Total property, plant and equipment	643,750	655,490
Intangible assets		
Goodwill	55,411	57,223
Other	23,255	23,914
Total intangible assets	78,667	81,137
Investments and other assets		
Investment securities	29,082	27,837
Long-term loan receivables	1,192	1,133
Long-term prepaid expenses	5,140	5,089
Retirement benefit assets	16,756	16,965
Deferred tax assets	24,558	21,429
Lease and guarantee deposits	73,882	73,114
Other	3,802	3,515
Allowance for doubtful accounts	(2,120)	(2,150)
Total investments and other assets	152,292	146,931
Total non-current assets	874,709	883,558
Total assets	¥1,370,115	¥1,352,800

	As of June 30, 2021 Amount	(Millions of yen) As of March 31, 2022 Amount
Liabilities		
Current liabilities		
Notes and accounts payables - trade	¥149,984	¥156,280
Short-term loan payables	1,500	—
Current portion of long-term loan payables	33,613	26,347
Current portion of bonds	22,566	11,421
Payables under fluidity lease receivables	191	—
Accounts payables - other	46,508	50,643
Lease obligations	1,380	1,607
Accrued expenses	25,550	22,235
Deposits received	28,000	15,547
Income taxes payables	11,299	8,494
Provision for point card certificates	5,747	1,487
Contract liabilities	—	11,221
Other	27,211	17,227
Total current liabilities	353,550	322,508
Non-current liabilities		
Bond payables	203,976	272,555
Long-term loan payables	271,507	275,762
Lease obligations	21,087	22,420
Asset retirement obligations	24,165	24,935
Negative goodwill	7	—
Other	57,195	53,780
Total non-current liabilities	577,937	649,453
Total liabilities	931,487	971,961
Net assets		
Shareholders' equity		
Share capital	23,153	23,196
Capital surplus	17,121	17,354
Retained earnings	376,152	412,101
Treasury shares	(15)	(80,956)
Total shareholders' equity	416,411	371,696
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,165	703
Foreign currency translation adjustment	749	922
Remeasurements of defined benefit plans	199	200
Total accumulated other comprehensive income	2,113	1,825
Share acquisition rights	216	272
Non-controlling interests	19,888	7,046
Total net assets	438,628	380,839
Total liabilities and net assets	¥1,370,115	¥1,352,800

Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Nine months ended March 31, 2021	Nine months ended March 31, 2022
	Amount	Amount
Net sales	¥1,268,196	¥1,370,479
Cost of sales	898,252	970,161
Gross profit	369,944	400,318
Selling, general and administrative expenses	303,056	337,238
Operating income	66,888	63,080
Non-operating income		
Interest and dividend income	423	714
Amortization of negative goodwill	65	7
Share of profit of entities accounted for using equity method	196	387
Foreign exchange gains	724	7,211
Other	3,437	2,956
Total non-operating income	4,845	11,276
Non-operating expenses		
Interest expenses paid on loans and bonds	3,767	5,505
Cost of claim's liquidation	46	1
Other	374	1,144
Total non-operating expenses	4,186	6,649
Ordinary income	67,547	67,707
Extraordinary income		
Gain on sales of non-current assets	96	923
Gain on insurance claims	1,227	—
Reversal of provision for environmental measures	1	85
Other	74	46
Total extraordinary income	1,398	1,055
Extraordinary losses		
Loss on retirement of non-current assets	649	877
Loss on closing of stores	370	84
Loss on disaster	48	195
Loss on litigation	—	542
Other	63	237
Total extraordinary losses	1,129	1,936
Profit before income taxes	67,815	66,826
Income taxes - current	16,596	17,849
Income taxes - deferred	4,799	2,445
Total income taxes	21,395	20,294
Profit	46,420	46,532
Profit attributable to non-controlling interests	1,186	548
Profit attributable to owners of parent	¥45,234	¥45,984

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Nine months ended March 31, 2021	Nine months ended March 31, 2022
	Amount	Amount
Profit	¥46,420	¥46,532
Other comprehensive income		
Valuation difference on available-for-sale securities	624	(1,117)
Foreign currency translation adjustment	(2,469)	344
Remeasurements of defined benefit plans, net of tax	4	(9)
Share of other comprehensive income of entities accounted for using equity method	90	20
Total other comprehensive income	(1,752)	(762)
Comprehensive income	¥44,669	¥45,769
Comprehensive income attributable to:		
Owners of parent	¥43,266	¥45,546
Non-controlling interests	1,403	224

Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Nine months ended March 31, 2021	Nine months ended March 31, 2022
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥67,815	¥66,826
Depreciation	22,373	28,210
Amortization of negative goodwill	(65)	(7)
Decrease in provisions	(4,341)	(6,301)
Interest and dividend income	(423)	(714)
Interest expenses paid on loans and bonds	3,767	5,505
Foreign exchange gains	(724)	(7,211)
Share of profit of entities accounted for using equity method	(196)	(387)
Loss on sale and retirement of property, plant and equipment	552	23
Gain on insurance claims	(1,227)	—
Loss on closings of stores	370	84
Increase in notes and accounts receivables – trade	(2,698)	(4,376)
Increase in inventories	(8,107)	(1,764)
Increase in notes and accounts payables – trade	845	5,322
Decrease in accounts receivable - installment	1,328	11,992
Increase (decrease) in accounts payable - other	(2,223)	1,919
Increase (decrease) in deposits received	(846)	1,819
Other, net	6,837	(10,293)
Subtotal	83,038	90,645
Interest and dividends received	162	469
Interest expenses paid	(3,416)	(5,253)
Income taxes paid	(19,303)	(36,046)
Income taxes refund	1,127	15,421
Proceeds from insurance income	1,691	—
Payments associated with disaster loss	(89)	(655)
Dividends received from entities accounted for using equity method	—	21
Net cash provided by operating activities	63,209	64,602
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(27,377)	(33,771)
Proceeds from sale of property, plant and equipment	2,518	4,944
Purchase of intangible assets	(2,483)	(2,961)
Purchase of investment securities	(4,082)	(10)
Purchase of shares of subsidiaries and associates	(790)	—
Payments of leasehold and guarantee deposits	(777)	(477)
Proceeds from collection of leasehold and guarantee deposits	3,400	993
Payment for store opening in progress	(189)	(666)
Payments of loan receivables	(802)	(1)
Other, net	118	(220)
Net cash used in investing activities	(30,463)	(32,167)
Cash flows from financing activities:		
Net increase (decrease) in short-term loan payables	1,500	(1,500)
Proceeds from long-term loan payables	24,846	30,000
Repayments of long-term loan payables	(12,296)	(35,119)
Proceeds from issuance of bonds	—	79,619
Redemption of bonds	(11,916)	(22,566)
Repayments of payables under fluidity of lease receivables	(4,105)	(192)
Proceeds from issuance of common shares	248	87
Cash dividends paid	(9,509)	(10,034)
Proceeds from share issuance to non-controlling interests	1,052	—
Purchase of treasury shares	—	(80,941)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(10,361)
Other, net	(35)	(1,032)
Net cash used in financing activities	(10,214)	(52,039)
Effect of foreign exchange rate change on cash and cash equivalents	0	9,981
Net increase (decrease) in cash and cash equivalents	22,532	(9,624)
Cash and cash equivalents at the beginning of period	183,602	160,875
Cash and cash equivalents at the end of period	¥206,133	¥151,252

Segment Information

For the third quarter ended March 31, 2022

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	¥988,481	¥326,663	¥44,520	¥1,359,663	¥10,816	¥1,370,479	¥—	¥1,370,479
Intersegment sales	5,724	8,755	938	15,417	3,154	18,571	(18,571)	—
Total	994,205	335,418	45,457	1,375,081	13,969	1,389,050	(18,571)	1,370,479
Segment income (loss)	¥51,922	¥8,753	¥7,794	¥68,469	¥(5,505)	¥62,965	¥115	¥63,080

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 ¥115 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

The Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter under review, and changed the accounting method for revenue recognition. Accordingly, the Company has also changed the method of measuring profit or loss of reporting segments.

As a result of this change, sales of the “Discount Store business” for the third quarter of the current consolidated cumulative period decreased by ¥5,071 million and sales of the “GMS business” decreased by ¥1,235 million compared to the conventional method.

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

Significant change in goodwill

At the time of the business combination with GRCY Holdings, Inc. on April 21, 2021, the amount of goodwill was determined on a provisional basis as the allocation process of the acquisition cost was not completed. With completion of the allocation process in the second quarter of the fiscal year ending June 30, 2022, the Company adjusted the amount of goodwill in the Discount Store Business segment that had been accounted for on a provisional basis.

For the third quarter ended March 31, 2021

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	¥868,670	¥342,393	¥46,483	¥1,257,546	¥10,649	¥1,268,196	¥—	¥1,268,196
Intersegment sales	5,473	6,240	873	12,586	3,382	15,968	(15,968)	—
Total	874,143	348,633	47,356	1,270,133	14,031	1,284,164	(15,968)	1,268,196
Segment income (loss)	¥45,238	¥14,015	¥10,498	¥69,752	¥(3,138)	¥66,613	¥275	¥66,888

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 ¥275 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

Not applicable