

Summary Report of Consolidated Financial Results For the Second Quarter Ended December 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
 Address: 2-19-10 Aobadai, Meguro-ku, Tokyo
 Representative: Naoki Yoshida, President and CEO
 Contact: Keita Shimizu, Executive Officer and CFO (Phone:+81-3-5725-7588)
 URL: <https://ppih.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 2023 (From July 1, 2022 to December 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 (%)
Six Months Ended December 31, 2022	978,449	6.6	57,456	31.6	57,226	28.5	36,777	22.0
Six Months Ended December 31, 2021	917,680	7.6	43,644	(11.5)	44,523	(7.6)	30,148	(7.6)

(Note) Comprehensive income: 48,059 million yen [61.0%] (FY 2023.6 2Q), 29,854 million yen [(9.7)%] (FY 2022.6 2Q)

	Net Income Per Share (Yen)	Net Income Per Share-fully diluted (Yen)
Six Months Ended December 31, 2022	61.67	61.52
Six Months Ended December 31, 2021	49.40	49.28

(2) Financial Position

	Total Assets	Net assets	Ratio of Shareholder's Equity to Total Assets(%)
As of December 31, 2022	1,476,908	436,710	29.2
June 30, 2022	1,383,678	399,247	28.3

(Reference) Equity: 431,086 million yen (as of December 31, 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	—	4.00			
Year Ending June 30, 2023 (Forecast)			—	14.00	18.00

(Note) Revision to the dividend forecast in the Second 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)
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 Second 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)	December 31, 2022	634,518,640 shares
	June 30, 2022	634,378,640 shares
② Number of treasury shares	December 31, 2022	38,073,224 shares
	June 30, 2022	38,073,224 shares
③ Average number of outstanding shares during the period	December 31, 2022	596,372,007 shares
	December 31, 2021	610,276,423 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 February 8, 2023. 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 December 31, 2022
	Amount	Amount
Assets		
Current assets		
Cash and deposits	¥176,777	¥208,854
Notes and accounts receivables-trade	12,728	18,434
Accounts receivables - installment	52,122	60,464
Operating loans	8,115	8,345
Merchandise and finished goods	205,893	210,087
Prepaid expenses	7,904	9,533
Deposits paid	4,768	16,416
Other	20,052	28,739
Allowance for doubtful accounts	(1,828)	(2,152)
Total current assets	486,531	558,720
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	268,358	269,297
Tools, furniture and fixtures, net	35,022	35,713
Land	314,711	319,626
Construction in progress	19,649	29,811
Right of use assets, net	25,913	26,640
Other, net	1,412	1,359
Total property, plant and equipment	665,065	682,447
Intangible assets		
Goodwill	61,759	60,520
Other	24,458	27,079
Total intangible assets	86,217	87,599
Investments and other assets		
Investment securities	27,226	32,336
Long-term loan receivables	966	351
Long-term prepaid expenses	4,859	4,553
Retirement benefit asset	17,455	17,527
Deferred tax assets	20,840	18,650
Lease and guarantee deposits	73,225	73,265
Other	3,422	3,595
Allowance for doubtful accounts	(2,129)	(2,133)
Total investments and other assets	145,864	148,143
Total non-current assets	897,146	918,188
Total assets	¥1,383,678	¥1,476,908

(Millions of yen)

	As of June 30, 2022	As of December 31, 2022
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payables - trade	¥152,885	¥211,633
Short-term loan payables	—	929
Current portion of long-term loan payables	26,918	41,409
Current portion of bonds	11,421	11,250
Accounts payables – other	49,128	49,973
Lease obligations	1,804	1,844
Accrued expenses	25,182	21,025
Deposits received	13,485	20,948
Income taxes payables	13,492	15,123
Provision for point card certificates	1,935	2,543
Contract liabilities	11,361	12,740
Other	18,765	19,961
Total current liabilities	326,378	409,379
Non-current liabilities		
Bond payables	272,555	271,950
Long-term loan payables	276,201	248,392
Lease obligations	25,471	26,473
Asset retirement obligations	30,338	30,841
Other	53,488	53,164
Total non-current liabilities	658,053	630,819
Total liabilities	984,431	1,040,198
Net assets		
Shareholders' equity		
Capital stock	23,217	23,283
Capital surplus	17,376	17,441
Retained earnings	428,044	456,361
Treasury shares	(80,956)	(80,956)
Total shareholders' equity	387,681	416,128
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	520	604
Foreign currency translation adjustment	3,532	13,906
Remeasurements of defined benefit plans	487	447
Total accumulated other comprehensive income	4,539	14,957
Share acquisition rights	271	410
Non-controlling interests	6,755	5,215
Total net assets	399,247	436,710
Total liabilities and net assets	¥1,383,678	¥1,476,908

Consolidated Quarterly Statements of Income

	(Millions of yen)	
	Six months ended December 31, 2021	Six months ended December 31, 2022
	Amount	Amount
Net sales	¥917,680	¥978,449
Cost of sales	649,814	676,029
Gross profit	267,866	302,420
Selling, general and administrative expenses	224,222	244,964
Operating income	43,644	57,456
Non-operating income		
Interest and dividend income	604	489
Amortization of negative goodwill	7	—
Share of profit of entities accounted for using equity method	239	283
Foreign exchange gains	2,523	625
Other	2,027	2,319
Total non-operating income	5,401	3,717
Non-operating expenses		
Interest expenses paid on loans and bonds	3,695	3,833
Cost of claim's liquidation	1	—
Other	826	114
Total non-operating expenses	4,522	3,947
Ordinary income	44,523	57,226
Extraordinary income		
Gain on sales of non-current assets	6	9
Reversal of provision for environmental measures	73	3
Other	0	22
Total extraordinary income	79	33
Extraordinary losses		
Loss on retirement of non-current assets	656	558
Loss on closing of stores	49	490
Loss on disaster	15	34
Other	256	104
Total extraordinary losses	976	1,186
Profit before income taxes	43,626	56,073
Income taxes – current	9,852	16,844
Income taxes – deferred	3,272	1,946
Total income taxes	13,125	18,790
Profit	30,501	37,283
Profit attributable to non-controlling interests	353	505
Profit attributable to owners of parent	¥30,148	¥36,777

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
	Amount	Amount
Profit	¥30,501	¥37,283
Other comprehensive income		
Valuation difference on available-for-sale securities	184	187
Foreign currency translation adjustment	(812)	10,624
Remeasurements of defined benefit plans, net of tax	(6)	(20)
Share of other comprehensive income of affiliates accounted for using equity method	(12)	(14)
Total other comprehensive income	(647)	10,776
Comprehensive income	¥29,854	¥48,059
Comprehensive income attributable to:		
Owners of parent	¥29,427	¥47,195
Non-controlling interests	427	864

Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Six months ended December 31, 2021	Six months ended December 31, 2022
	Amount	Amount
Cash flows from operating activities:		
Profit before income taxes	¥43,626	¥56,073
Depreciation and amortization	18,453	20,734
Decrease in provisions	(6,201)	(1,554)
Interest and dividend income	(604)	(489)
Interest expenses paid on loans and bonds	3,695	3,833
Foreign exchange gains	(2,523)	(625)
Share of profit of affiliates accounted for using equity method	(239)	(283)
Loss on sales and retirement of non-current assets	713	550
Increase in notes and accounts receivables – trade	(9,808)	(5,626)
Increase in inventories	(14,686)	(1,953)
Increase in notes and accounts payables – trade	55,750	56,874
Increase in accounts receivables – installment	(15,534)	(8,404)
Increase in accounts payables – other	9,578	4,360
Increase in deposits received	6,868	7,464
Other, net	(7,131)	(6,198)
Subtotal	81,956	124,756
Interest and dividend income received	419	515
Interest expenses paid	(3,747)	(3,855)
Income taxes paid	(28,143)	(18,735)
Income taxes refund	15,421	526
Payments for loss on disaster	(69)	(86)
Dividends received from affiliates accounted for using equity method	21	53
Net cash provided by operating activities	65,857	103,174
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(21,707)	(29,114)
Payments for purchase of intangible assets	(1,808)	(4,360)
Payments for purchase of shares of subsidiaries and affiliates	–	(3,386)
Payments for leasehold and guarantee deposits	(338)	(754)
Proceeds from collection of leasehold and guarantee deposits	766	327
Payment for store opening in progress	(546)	(293)
Other, net	311	(7)
Net cash used in investing activities	¥ (23,321)	¥ (37,586)

	(Millions of yen)	
	Six months ended December 31, 2021	Six months ended December 31, 2022
	Amount	Amount
Cash flows from financing activities:		
Net increase (decrease) in short-term loan payables	¥(826)	¥978
Repayments of long-term loan payables	(15,919)	(12,759)
Proceeds from issuance of bonds	79,619	—
Redemption of bonds	(1,828)	(776)
Cash dividends paid	(8,245)	(8,348)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(2,239)
Purchase of treasury shares	(80,941)	—
Other, net	(967)	(808)
Net cash used in financing activities	(29,108)	(23,952)
Effect of foreign exchange rate change on cash and cash equivalents	2,965	3,465
Net increase in cash and cash equivalents	16,393	45,101
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)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	104
Cash and cash equivalents at the end of period	¥177,268	¥223,770

Segment Information

For the Second Quarter Ended December 31, 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	¥821,242	¥116,978	¥40,229	¥978,449	¥-	¥978,449
Intersegment sales	5,784	-	63	5,847	(5,847)	-
Total	827,025	116,978	40,292	984,295	(5,847)	978,449
Segment income	¥52,672	¥3,591	¥1,193	¥57,456	¥-	¥57,456

Note

Segment income is adjusted to the quarterly consolidated operating income.

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 Second Quarter Ended December 31, 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	¥790,706	¥96,519	¥30,455	¥917,680	¥-	¥917,680
Intersegment sales	6,113	-	-	6,113	(6,113)	-
Total	796,819	96,519	30,455	923,793	(6,113)	917,680
Segment income	¥37,850	¥5,103	¥691	¥43,644	¥-	¥43,644

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