

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Pan Pacific International Holdings Corporation (security code: 7532) (former Don Quijote Holdings Co., Ltd.)

<Assignment>

Shelf Registration: Preliminary A+

<Affirmation>

Long-term Issuer Rating: A+
Outlook: Stable
Bonds: A+
Bonds (Dated subordinated bonds): A-
Subordinated Loan: A-
CP: J-1

Rationale

- (1) Pan Pacific International Holdings Corporation (the "Company") is a holding company, which has its umbrella companies such as Don Quijote Co., Ltd. ("Don Quijote") operating discount stores and UNY CO., LTD. ("UNY") operating general merchandise stores. In January 2019, the Company acquired 60% shares in UNY from FamilyMart UNY Holdings Co., Ltd. ("UFHD," security code: 8028) and made it a wholly-owned subsidiary. It plans to expand stores that are converted in store format from renovated UNY stores. It has been also working on overseas business development and entered into Singapore and Thailand as well as U.S. As the Company has strong unity with group companies in terms of sales, financials and human affairs, JCR reflects the overall Group's creditworthiness in the Company's rating.
- (2) The Company has been increasing revenue and profit. The earnings power of discount stores centering on Don Quijote will remain solid. The wide variety of daily necessities that can meet customers' needs and flexible pricing based on competition among rival stores are generating good results. JCR also considers that stores converted in store format from renovated UNY stores will contribute to boosting the business performance. Although its debt burden is increasing due to business expansion with the conversion of UNY into its wholly-owned subsidiary, JCR sees that the expected worsening of financial structure will be limited in light of the equity content of the subordinated bonds issued for the financing. It will continue to make store related investments, but JCR assumes that its financial structure will improve through an increase of cash flow generating ability and an increase of equity capital following income accumulation. Taking the above into consideration, JCR affirmed the ratings for the Company with Stable outlook.
- (3) The 6 stores opened through conversion of the store formats during February to March 2018 have been enjoying good sales, gross profit and the number of customers. It plans to convert the UNY stores about 100 stores by 2023, which JCR considers will lead to the improvement of earnings capacity. In addition to the expansion of converted stores, JCR will confirm the earnings trend of UNY stores, for which conversion of store format will not be made. JCR will also pay attention to the movements for strengthening relations with UFHD. Given the rapidly expanding business, JCR sees that manpower training and securing human resources will be an important issue going forward for the Company.
- (4) The Company expects its net sales to increase 45.5% year-on-year to 1,370 billion yen and operating income to increase 22.2% year-on-year to 63 billion yen for the fiscal year ending June 2019, partly supported by consolidation of UNY and steady movement of discount stores. The Company will keep the increasing trend for both revenue and profit in the fiscal year ending June 2020 where expansion of the converted stores in store format and continued new store opening are expected to contribute to the business performance. The total investment amount will increase in the fiscal year ending June 2019 due to conversion of UNY into its wholly-owned subsidiary in addition to the new store opening. The Company issued subordinated bonds amounting 140 billion yen (equity content: "medium" or "50" against 100 of a stock) for these increasing investments, and thus it has already taken financial measures for the increase. JCR sees that the Company will

implement capital investments including opening of new stores and conversion of UNY store in store formats in consideration of financials going forward.

Akio Kamimura, Hiroyoshi Otsuka

Rating

Issuer: Pan Pacific International Holdings Corporation

<Assignment>

Shelf Registration: Preliminary A+

Maximum: JPY 200 billion

Valid: two years effective from October 19, 2018

<Affirmation>

Long-term Issuer Rating: A+ Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
bonds no.8	JPY 20	Mar. 12, 2015	Mar. 12, 2020	0.55%	A+
bonds no.9	JPY 10	Mar. 12, 2015	Mar. 11, 2022	0.80%	A+
bonds no.10	JPY 10	Mar. 10, 2016	Mar. 10, 2021	0.33%	A+
bonds no.11	JPY 10	Mar. 10, 2016	Mar. 10, 2026	0.73%	A+
bonds no.12	JPY 10	Mar. 21, 2017	Mar. 21, 2024	0.39%	A+
bonds no.13	JPY 10	Mar. 8, 2018	Mar. 8, 2023	0.21%	A+
bonds no.14	JPY 10	Mar. 8, 2018	Mar. 8, 2028	0.48%	A+

1st Series Deferrable Interest and Callable Unsecured Subordinated Bonds

Amount (bn)	Issue Date	Due Date	Coupon	Rating
JPY 140	Nov. 29, 2018	Nov. 28, 2053	(Note)	A-

Note: 1.49% from Nov. 30, 2018 until and including Nov. 29, 2023. It will switch to 6M Euroyen LIBOR + 2.40% after that date.

Issue	Amount (bn)	Execution Date	Repayment Date	Int. Rate	Rating
Subordinated Loan	JPY 100	July 3, 2017	July 3, 2067	(Note)	A-

Note: 3M JPY TIBOR + initial spread for the interest periods from the loan execution to the interest payment date (exclusive) in July 2027. 3M JPY TIBOR + initial spread + 1.00% step-up interest rate for the interest periods beginning on and after the said interest payment date.

CP: J-1

Maximum: JPY 30 billion

Rating Assignment Date: February 25, 2019

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "JCR's Rating Methodology" (November 7, 2014), "Retail" (July 13, 2011), "Rating Methodology for a Holding Company" (January 26, 2015), "Rating Viewpoints on Pure Holding Companies (Domestic Industrial Corporations)" (July 1, 2003), and "Ratings of Hybrid Securities" (September 10, 2012) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Glossary:

A preliminary rating is a credit rating assigned as a preliminary evaluation while material terms for issue to be rated are not yet finalized. When the issuing terms are finalized, JCR will confirm them and will assign a credit rating anew. The rating level of the final rating may be different from that of the preliminary rating, depending on the final content of the terms, etc.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Pan Pacific International Holdings Corporation
Rating Publication Date:	February 28, 2019

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders
- C) Documentation of the rated financial product presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset

quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the order of seniority in repayment of interests and principal. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches if the issuer's financial structure differs so much and thereby the balance between debts shifted so greatly. Rating change is also possible in case of the financial products for which non-payment of interest/ principal is contractually permissible, if and when the assumptions made at the time of its determination turns out to be inaccurate. The change of the credit rating is assumed to be by a notch but often as much as a few notches.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Pan Pacific International Holdings Corporation	Issuer(Long-term)	July 27, 2001	BBB	
Pan Pacific International Holdings Corporation	Issuer(Long-term)	October 4, 2002	BBB	
Pan Pacific International Holdings Corporation	Issuer(Long-term)	December 12, 2003	BBB	
Pan Pacific International Holdings Corporation	Issuer(Long-term)	November 24, 2004	BBB	
Pan Pacific International Holdings Corporation	Issuer(Long-term)	November 18, 2005	BBB	Positive
Pan Pacific International Holdings Corporation	Issuer(Long-term)	November 21, 2006	BBB+	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	November 26, 2007	A-	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	December 12, 2008	A-	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	November 27, 2009	A-	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	December 15, 2010	A	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	January 16, 2012	A	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	November 9, 2012	A	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	December 2, 2013	A	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	December 29, 2014	A+	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	January 13, 2016	A+	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	January 17, 2017	A+	Stable
Pan Pacific International Holdings Corporation	Issuer(Long-term)	January 24, 2018	A+	Stable
Pan Pacific International Holdings Corporation	CP	October 4, 2002	J-2	
Pan Pacific International Holdings Corporation	CP	December 12, 2003	J-2	
Pan Pacific International Holdings Corporation	CP	November 24, 2004	J-2	
Pan Pacific International Holdings Corporation	CP	November 18, 2005	J-2	
Pan Pacific International Holdings Corporation	CP	November 21, 2006	J-2	
Pan Pacific International Holdings Corporation	CP	November 26, 2007	J-1	
Pan Pacific International Holdings Corporation	CP	December 12, 2008	J-1	
Pan Pacific International Holdings Corporation	CP	November 27, 2009	J-1	
Pan Pacific International Holdings Corporation	CP	December 15, 2010	J-1	
Pan Pacific International Holdings Corporation	CP	January 16, 2012	J-1	
Pan Pacific International Holdings Corporation	CP	November 9, 2012	J-1	
Pan Pacific International Holdings Corporation	CP	December 2, 2013	J-1	
Pan Pacific International Holdings Corporation	CP	December 29, 2014	J-1	

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Pan Pacific International Holdings Corporation	CP	January 13, 2016	J-1	
Pan Pacific International Holdings Corporation	CP	January 17, 2017	J-1	
Pan Pacific International Holdings Corporation	CP	January 24, 2018	J-1	
Pan Pacific International Holdings Corporation	Bonds no.8	March 6, 2015	A+	
Pan Pacific International Holdings Corporation	Bonds no.8	January 13, 2016	A+	
Pan Pacific International Holdings Corporation	Bonds no.8	January 17, 2017	A+	
Pan Pacific International Holdings Corporation	Bonds no.8	January 24, 2018	A+	
Pan Pacific International Holdings Corporation	Bonds no.9	March 6, 2015	A+	
Pan Pacific International Holdings Corporation	Bonds no.9	January 13, 2016	A+	
Pan Pacific International Holdings Corporation	Bonds no.9	January 17, 2017	A+	
Pan Pacific International Holdings Corporation	Bonds no.9	January 24, 2018	A+	
Pan Pacific International Holdings Corporation	Bonds no.10	March 4, 2016	A+	
Pan Pacific International Holdings Corporation	Bonds no.10	January 17, 2017	A+	
Pan Pacific International Holdings Corporation	Bonds no.10	January 24, 2018	A+	
Pan Pacific International Holdings Corporation	Bonds no.11	March 4, 2016	A+	
Pan Pacific International Holdings Corporation	Bonds no.11	January 17, 2017	A+	
Pan Pacific International Holdings Corporation	Bonds no.11	January 24, 2018	A+	
Pan Pacific International Holdings Corporation	Bonds no.12	March 14, 2017	A+	
Pan Pacific International Holdings Corporation	Bonds no.12	January 24, 2018	A+	
Pan Pacific International Holdings Corporation	Bonds no.13	March 2, 2018	A+	
Pan Pacific International Holdings Corporation	Bonds no.14	March 2, 2018	A+	
Pan Pacific International Holdings Corporation	Bonds no.1(subordinated)	November 22, 2018	A-	
Pan Pacific International Holdings Corporation	Loan(subordinated)	March 7, 2017	A-	
Pan Pacific International Holdings Corporation	Loan(subordinated)	January 24, 2018	A-	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Hiroyuki Chikusa, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

千種裕之

Hiroyuki Chikusa

General Manager of Corporate Rating Department II

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