

Consolidated Financial Results
for the Nine Months Ended November 30, 2019
[Japanese GAAP]

January 14, 2020

Company name: PAL GROUP Holdings CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2726

URL: <http://www.palgroup.holdings/>

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Scheduled date of filing quarterly securities report: January 14, 2020

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended November 30, 2019 (March 1, 2019 to November 30, 2019)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended November 30, 2019	99,672	2.2	8,010	17.6	8,020	19.4	6,559	64.7
Nine months ended November 30, 2018	97,547	6.7	6,812	9.5	6,715	9.3	3,982	20.3

(Note) Comprehensive income: Nine months ended November 30, 2019: ¥6,501 million [61.6%]

Nine months ended November 30, 2018: ¥4,024 million [18.3%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended November 30, 2019	298.18	—
Nine months ended November 30, 2018	181.05	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of November 30, 2019	102,903	46,271	45.0
As of February 28, 2019	87,726	41,639	47.5

(Reference) Equity: As of November 30, 2019: ¥46,271 million

As of February 28, 2019: ¥41,639 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended February 28, 2019	—	0.00	—	85.00	85.00
Fiscal year ending February 29, 2020	—	0.00	—		
Fiscal year ending February 29, 2020 (Forecast)				85.00	85.00

(Note) Revision of dividend forecast: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2020 (March 1, 2019 to February 29, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	137,700	5.5	9,190	15.8	9,000	14.9	7,050	48.1	320.47

(Note) Revision of consolidated financial results forecast: No

* Notes

(1) Changes in significant subsidiaries during the period under review: No

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statement: No

(3) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies due to the revision of accounting standards: No

2) Any changes other than 1) above: No

3) Changes in accounting estimates: No

4) Corrections of errors: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

As of November 30, 2019	23,136,000 shares
As of February 28, 2019	23,136,000 shares

2) Total number of treasury shares at the end of the period:

As of November 30, 2019	1,137,289 shares
As of February 28, 2019	1,137,257 shares

3) Average number of shares during the period:

Nine months ended November 30, 2019	21,998,727 shares
Nine months ended November 30, 2018	21,998,834 shares

* These quarterly consolidated financial results are not covered by the quarterly review conducted by certified public accountants or audit corporations.

* Explanation of the proper use of financial results forecast and other notes

The statements regarding financial results forecast in this report are based on the information that is available, as well as estimates, assumptions and projections that are believed to be reasonable at the time of publication, and do not guarantee the achievement of the projections. Therefore, there might be cases in which actual results differ from forecast values. For the premises of financial results forecast and the notes concerning the use of financial results forecast, please refer to “Explanation of Consolidated Financial Results Forecast and Other Future Projections” on page 2 of the Appendix to this report.

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1. Qualitative Information on Consolidated Financial Results for the Period under Review

(1) Explanation of Operating Results

During the nine months ended November 30, 2019 (March 1, 2019 to November 30, 2019), the Japanese economy remained on a gradual recovery trend driven mainly by improved corporate profit and the employment environment. However, the outlook remained uncertain due to factors such as intensifying trade friction between the U.S. and China, and economic slowdown in China.

Under such a business environment, the Corporate Group made every effort to expand its operations and improve management efficiency by proactively establishing its business mode and promoting the opening of new stores, while at the same time revitalizing existing stores by switching businesses and withdrawing unprofitable stores.

In the Apparel Business, the Group conducted proactive brand promotions while further pressing ahead with the reform of merchandising (MD) and improving the freshness of merchandise through flexible introduction of items in stores. As a result, net sales increased by 2.2% year on year to ¥72,891 million. In the Miscellaneous Goods/Accessories Business, net sales increased by 2.2% year on year to ¥26,703 million. As a result of the above, net sales for the nine months ended November 30, 2019 increased by 2.2% year on year to ¥99,672 million.

In terms of profit, the gross profit margin increased by 0.7 percentage point year on year to 57.5%. Operating profit increased by ¥1,197 million year on year to ¥8,010 million, ordinary profit increased by ¥1,305 million year on year to ¥8,020 million, and profit attributable to owners of parent increased by ¥2,576 million year on year to ¥6,559 million.

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥13,232 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥7,161 million, notes and accounts receivable - trade by ¥4,062 million and merchandise and finished goods by ¥1,440 million.

Non-current assets increased by ¥1,944 million compared with the end of the previous fiscal year, due primarily to increases in investment securities by ¥1,828 million and deferred tax assets by ¥613 million, despite decreases in intangible assets by ¥108 million and guarantee deposits by ¥251 million.

(Liabilities)

Current liabilities increased by ¥10,564 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥7,297 million, short-term loans payable by ¥2,094 million and accrued expenses by ¥2,359 million, despite a decrease in income taxes payable by ¥1,419 million.

Non-current liabilities decreased by ¥18 million compared with the end of the previous fiscal year, due primarily to decreases in provision by ¥171 million and lease obligations by ¥300 million, despite an increase in long-term loans payable by ¥381 million.

(Net assets)

Net assets increased by ¥4,631 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥4,689 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Future Projections

There is no change to the consolidated financial results forecast announced on July 9, 2019.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	45,633	52,795
Notes and accounts receivable - trade	5,623	9,685
Merchandise and finished goods	10,412	11,853
Other	898	1,652
Allowance for doubtful accounts	(0)	(188)
Total current assets	62,566	75,799
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,234	6,366
Other, net	1,919	1,692
Total property, plant and equipment	8,153	8,059
Intangible assets	808	699
Investments and other assets		
Guarantee deposits	13,088	12,837
Other	3,182	5,566
Allowance for doubtful accounts	(73)	(58)
Total investments and other assets	16,197	18,344
Total non-current assets	25,159	27,104
Total assets	87,726	102,903

(Millions of yen)

	As of February 28, 2019	As of November 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,867	24,164
Short-term loans payable	3,650	5,744
Current portion of long-term loans payable	3,945	4,175
Income taxes payable	1,592	173
Provision for bonuses	1,807	1,123
Provision for point card certificates	75	272
Provision	326	384
Other	5,094	7,884
Total current liabilities	33,358	43,922
Non-current liabilities		
Long-term loans payable	8,685	9,067
Net defined benefit liability	901	952
Provision	305	133
Asset retirement obligations	1,690	1,776
Other	1,145	779
Total non-current liabilities	12,728	12,709
Total liabilities	46,087	56,632
Net assets		
Shareholders' equity		
Capital stock	3,181	3,181
Capital surplus	4,469	4,469
Retained earnings	35,811	40,501
Treasury shares	(2,088)	(2,088)
Total shareholders' equity	41,373	46,063
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	308	253
Foreign currency translation adjustment	(19)	(25)
Remeasurements of defined benefit plans	(23)	(20)
Total accumulated other comprehensive income	265	207
Total net assets	41,639	46,271
Total liabilities and net assets	87,726	102,903

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Net sales	97,547	99,672
Cost of sales	42,110	42,338
Gross profit	55,436	57,334
Selling, general and administrative expenses	48,623	49,323
Operating profit	6,812	8,010
Non-operating income		
Interest income	0	1
Rent income	9	10
Share of profit of entities accounted for using equity method	—	60
Other	64	51
Total non-operating income	75	124
Non-operating expenses		
Interest expenses	94	86
Provision of allowance for doubtful accounts	—	14
Provision for loss on guarantees	10	—
Other	68	14
Total non-operating expenses	173	114
Ordinary profit	6,715	8,020
Extraordinary income		
Gain on sales of non-current assets	310	—
Compensation income	198	—
Total extraordinary income	509	—
Extraordinary losses		
Loss on retirement of non-current assets	101	106
Impairment loss	312	116
Loss on disaster	136	—
Total extraordinary losses	550	223
Profit before income taxes	6,674	7,797
Income taxes - current	2,470	1,849
Income taxes - deferred	221	(612)
Total income taxes	2,691	1,237
Profit	3,982	6,559
Profit attributable to owners of parent	3,982	6,559

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Profit	3,982	6,559
Other comprehensive income		
Valuation difference on available-for-sale securities	47	(54)
Remeasurements of defined benefit plans, net of tax	4	2
Foreign currency translation adjustment	(6)	(2)
Share of other comprehensive income of entities accounted for using equity method	(3)	(3)
Total other comprehensive income	41	(57)
Comprehensive income	4,024	6,501
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,024	6,501
Comprehensive income attributable to non-controlling interests	—	—

3. Additional Information

(1) Sales Results by Segment (Consolidated)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019	Changes from the previous corresponding period
	million yen	million yen	%
Apparel Business	71,333	72,891	102.2
Miscellaneous Goods/ Accessories Business	26,129	26,703	102.2
Other	84	78	92.4
Total	97,547	99,672	102.2

(2) Status of Stores (Consolidated)

	Nine months ended November 30, 2019
Number of stores as of February 28, 2019	926 stores
Number of new stores	46 stores
Number of closed stores	32 stores
Number of stores as of November 30, 2019	940 stores