

Consolidated Financial Results for the Nine Months Ended November 30, 2018 [Japanese GAAP]

January 8, 2019

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 11, 2019

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, 2018 (March 1, 2018 to November 30, 2018)

(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, 2018	97,547	6.7	6,812	9.5	6,715	9.3	3,982	20.3
Nine months ended November 30, 2017	91,459	5.4	6,224	23.3	6,144	24.0	3,310	20.2

(Note) Comprehensive income: Nine months ended November 30, 2018: ¥4,024 million [18.3%]

Nine months ended November 30, 2017: ¥3,402 million [24.9%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended November 30, 2018	181.05	—
Nine months ended November 30, 2017	150.49	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of November 30, 2018	91,485	40,847	44.6
As of February 28, 2018	82,890	38,475	46.4

(Reference) Equity: As of November 30, 2018: ¥40,847 million

As of February 28, 2018: ¥38,475 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, 2018	—	0.00	—	75.00	75.00
Fiscal year ending February 28, 2019	—	0.00	—		
Fiscal year ending February 28, 2019 (Forecast)				75.00	75.00

(Note) Revision of dividend forecast: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2019 (March 1, 2018 to February 28, 2019)

(% 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	133,510	8.3	8,990	27.7	8,720	25.2	4,930	98.1

(Note) Revision of consolidated financial results forecast: No

* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): 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: Yes

3) Changes in accounting estimates: No

4) Corrections of errors: No

For details, please refer to “2. Consolidated Financial Statements and Primary Notes (3) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” on page 8 of the Appendix to this report.

(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, 2018	23,136,000 shares
As of February 28, 2018	23,136,000 shares

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

As of November 30, 2018	1,137,257 shares
As of February 28, 2018	1,137,119 shares

3) Average number of shares during the period:

Nine months ended November 30, 2018	21,998,834 shares
Nine months ended November 30, 2017	21,999,043 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, 2018 (March 1, 2018 to November 30, 2018), the Japanese economy remained on a gradual recovery trend driven mainly by improved corporate profit and the employment environment.

Under such a business environment, the Corporate Group made every effort to expand its operations and improve management efficiency by proactively keeping its business conditions entrenched 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 agile introduction of items in stores. As a result, net sales increased by 8.4% year on year to ¥71,333 million. In the Miscellaneous Goods/Accessories Business, we opened 27 new stores in response to robust demand for opening stores reflecting our rising popularity. As a result, net sales increased by 2.1% year on year to ¥26,129 million. As a result of the above, net sales for the nine months ended November 30, 2018 increased by 6.7% year on year to ¥97,547 million.

In terms of profit, the gross profit margin decreased by 0.2 points year on year to 56.8%. Operating profit increased by ¥588 million year on year to ¥6,812million, ordinary profit increased by ¥570 million year on year to ¥6,715 million, and profit attributable to owners of parent increased by ¥672 million year on year to ¥3,982 million.

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥8,668 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥2,754 million, notes and accounts receivable - trade by ¥3,272 million and merchandise and finished goods by ¥3,337 million.

Non-current assets decreased by ¥73 million compared with the end of the previous fiscal year, due primarily to a decrease in guarantee deposits by ¥449 million, despite an increase in property, plant and equipment by ¥286 million.

(Liabilities)

Current liabilities increased by ¥6,975 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥5,481 million, current portion of long-term loans payable by ¥762 million and accrued expenses by ¥1,944 million, despite a decrease in short-term loans payable by ¥982 million.

Non-current liabilities decreased by ¥751 million compared with the end of the previous fiscal year, due primarily to a decrease in long-term accounts payable - other by ¥568 million.

(Net assets)

Net assets increased by ¥2,372 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥2,330 million.

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

There is no change to the consolidated financial results forecast announced on April 17, 2018.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	40,728	43,482
Notes and accounts receivable - trade	5,194	8,467
Merchandise and finished goods	9,920	13,257
Other	2,347	1,651
Allowance for doubtful accounts	(0)	(0)
Total current assets	58,190	66,859
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,264	6,636
Other, net	1,969	1,883
Total property, plant and equipment	8,233	8,519
Intangible assets	637	857
Investments and other assets		
Guarantee deposits	13,505	13,055
Other	2,397	2,265
Allowance for doubtful accounts	(73)	(73)
Total investments and other assets	15,828	15,248
Total non-current assets	24,699	24,626
Total assets	82,890	91,485

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,673	20,155
Short-term loans payable	4,632	3,650
Current portion of long-term loans payable	3,040	3,803
Income taxes payable	395	966
Provision for bonuses	1,522	1,004
Provision	120	367
Other	5,706	7,120
Total current liabilities	30,091	37,066
Non-current liabilities		
Long-term loans payable	9,860	9,445
Net defined benefit liability	843	904
Provision	286	304
Asset retirement obligations	1,735	1,748
Other	1,598	1,169
Total non-current liabilities	14,323	13,571
Total liabilities	44,415	50,638
Net assets		
Shareholders' equity		
Capital stock	3,181	3,181
Capital surplus	4,469	4,469
Retained earnings	32,700	35,031
Treasury shares	(2,088)	(2,088)
Total shareholders' equity	38,263	40,593
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	267	315
Foreign currency translation adjustment	(5)	(15)
Remeasurements of defined benefit plans	(50)	(46)
Total accumulated other comprehensive income	211	253
Total net assets	38,475	40,847
Total liabilities and net assets	82,890	91,485

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Net sales	91,459	97,547
Cost of sales	39,297	42,110
Gross profit	52,162	55,436
Selling, general and administrative expenses	45,938	48,623
Operating profit	6,224	6,812
Non-operating income		
Interest income	1	0
Rent income	9	9
Other	45	64
Total non-operating income	56	75
Non-operating expenses		
Interest expenses	88	94
Provision for loss on guarantees	17	10
Other	30	68
Total non-operating expenses	135	173
Ordinary profit	6,144	6,715
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	162	101
Impairment loss	434	312
Loss on disaster	-	136
Total extraordinary losses	596	550
Profit before income taxes	5,547	6,674
Income taxes - current	2,093	2,470
Income taxes - deferred	143	221
Total income taxes	2,236	2,691
Profit	3,310	3,982
Profit attributable to owners of parent	3,310	3,982

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Profit	3,310	3,982
Other comprehensive income		
Valuation difference on available-for-sale securities	93	47
Remeasurements of defined benefit plans, net of tax	(2)	4
Foreign currency translation adjustment	0	(6)
Share of other comprehensive income of entities accounted for using equity method	0	(3)
Total other comprehensive income	91	41
Comprehensive income	3,402	4,024
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,402	4,024
Comprehensive income attributable to non-controlling interests	—	—

3. Additional Information

(1) Sales Results by Segment (Consolidated)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018	Changes from the previous corresponding period
	million yen	million yen	%
Apparel Business	65,789	71,333	108.4
Miscellaneous Goods/ Accessories Business	25,591	26,129	102.1
Other	77	84	108.3
Total	91,459	97,547	106.7

(2) Status of Stores (Consolidated)

	Nine months ended November 30, 2018
Number of stores as of February 28, 2018	935 stores
Number of new stores	56 stores
Number of closed stores	38 stores
Number of stores as of November 30, 2018	953 stores