

Consolidated Financial Results for the Six Months Ended August 31, 2019 [Japanese GAAP]

October 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: October 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: Scheduled (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended August 31, 2019 (March 1, 2019 to August 31, 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	%
Six months ended August 31, 2019	66,958	3.7	5,524	41.7	5,488	43.1	3,468	57.5
Six months ended August 31, 2018	64,562	7.2	3,897	6.7	3,834	5.7	2,201	12.4

(Note) Comprehensive income: Six months ended August 31, 2019: ¥3,440 million [57.3%]

Six months ended August 31, 2018: ¥2,186 million [9.9%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2019	157.69	—
Six months ended August 31, 2018	100.09	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of August 31, 2019	98,030	43,209	44.1
As of February 28, 2019	87,726	41,639	47.5

(Reference) Equity: As of August 31, 2019: ¥43,209 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 August 31, 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 August 31, 2019	1,137,278 shares
As of February 28, 2019	1,137,257 shares
 - 3) Average number of shares during the period:

Six months ended August 31, 2019	21,988,734 shares
Six months ended August 31, 2018	21,998,868 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 six months ended August 31, 2019 (March 1, 2019 to August 31, 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 4.7% year on year to ¥48,714 million. In the Miscellaneous Goods/Accessories Business, net sales increased by 1.2% year on year to ¥18,194 million.

As a result of the above, net sales for the six months ended August 31, 2019 increased by 3.7% year on year to ¥66,958 million.

In terms of profit, the gross profit margin increased by 1.1 percentage point year on year to 57.1%. Operating profit increased by ¥1,626 million year on year to ¥5,524 million, ordinary profit increased by ¥1,653 million year on year to ¥5,488 million, and profit attributable to owners of parent increased by ¥1,267 million year on year to ¥3,468 million.

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥9,017 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥7,169 million and notes and accounts receivable - trade by ¥2,284 million.

Non-current assets increased by ¥1,287 million compared with the end of the previous fiscal year, due primarily to an increase in investment securities by ¥1,820 million, despite decreases in guarantee deposits by ¥309 million and leased assets by ¥205 million.

(Liabilities)

Current liabilities increased by ¥8,537 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥5,659 million and short-term loans payable by ¥2,094 million.

Non-current liabilities increased by ¥196 million compared with the end of the previous fiscal year, due primarily to an increase in long-term loans payable by ¥614 million.

(Net assets)

Net assets increased by ¥1,570 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥1,599 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 August 31, 2019
Assets		
Current assets		
Cash and deposits	45,633	52,802
Notes and accounts receivable - trade	5,623	7,907
Merchandise and finished goods	10,412	9,617
Other	898	1,430
Allowance for doubtful accounts	(0)	(174)
Total current assets	62,566	71,583
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,234	6,242
Other, net	1,919	1,775
Total property, plant and equipment	8,153	8,017
Intangible assets	808	743
Investments and other assets		
Guarantee deposits	13,088	12,779
Other	3,182	4,962
Allowance for doubtful accounts	(73)	(56)
Total investments and other assets	16,197	17,685
Total non-current assets	25,159	26,446
Total assets	87,726	98,030

(Millions of yen)

	As of February 28, 2019	As of August 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,867	22,526
Short-term loans payable	3,650	5,744
Current portion of long-term loans payable	3,945	3,964
Income taxes payable	1,592	1,500
Provision for bonuses	1,807	1,735
Provision for point card certificates	75	201
Provision	326	198
Other	5,094	6,026
Total current liabilities	33,358	41,895
Non-current liabilities		
Long-term loans payable	8,685	9,300
Net defined benefit liability	901	938
Provision	305	132
Asset retirement obligations	1,690	1,703
Other	1,145	850
Total non-current liabilities	12,728	12,925
Total liabilities	46,087	54,820
Net assets		
Shareholders' equity		
Capital stock	3,181	3,181
Capital surplus	4,469	4,469
Retained earnings	35,811	37,410
Treasury shares	(2,088)	(2,088)
Total shareholders' equity	41,373	42,972
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	308	281
Foreign currency translation adjustment	(19)	(22)
Remeasurements of defined benefit plans	(23)	(21)
Total accumulated other comprehensive income	265	237
Total net assets	41,639	43,209
Total liabilities and net assets	87,726	98,030

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Six months ended August 31, 2018	Six months ended August 31, 2019
Net sales	64,562	66,958
Cost of sales	28,392	28,748
Gross profit	36,170	38,209
Selling, general and administrative expenses	32,272	32,685
Operating profit	3,897	5,524
Non-operating income		
Interest income	0	0
Rent income	6	6
Foreign exchange gains	—	10
Other	46	29
Total non-operating income	53	46
Non-operating expenses		
Interest expenses	62	57
Share of loss of entities accounted for using equity method	11	19
Provision for loss on guarantees	10	—
Other	32	5
Total non-operating expenses	116	82
Ordinary profit	3,834	5,488
Extraordinary income		
Gain on sales of non-current assets	310	—
Total extraordinary income	310	—
Extraordinary losses		
Loss on retirement of non-current assets	99	72
Impairment loss	278	80
Total extraordinary losses	377	152
Profit before income taxes	3,767	5,336
Income taxes - current	1,595	1,920
Income taxes - deferred	(30)	(52)
Total income taxes	1,565	1,867
Profit	2,201	3,468
Profit attributable to owners of parent	2,201	3,468

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2018	Six months ended August 31, 2019
Profit	2,201	3,468
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(26)
Remeasurements of defined benefit plans, net of tax	2	1
Foreign currency translation adjustment	(5)	(1)
Share of other comprehensive income of entities accounted for using equity method	(3)	(1)
Total other comprehensive income	(15)	(28)
Comprehensive income	2,186	3,440
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,186	3,440
Comprehensive income attributable to non-controlling interests	—	—

3. Additional Information

(1) Sales Results by Segment (Consolidated)

	Six months ended August 31, 2018	Six months ended August 31, 2019	Changes from the previous corresponding period
	million yen	million yen	%
Apparel Business	46,539	48,714	104.7
Miscellaneous Goods/ Accessories Business	17,971	18,194	101.2
Other	51	49	95.0
Total	64,562	66,958	103.7

(2) Status of Stores (Consolidated)

	Six months ended August 31, 2019
Number of stores as of February 28, 2019	926 stores
Number of new stores	23 stores
Number of closed stores	26 stores
Number of stores as of August 31, 2019	923 stores