

# Consolidated Financial Results for the Nine Months Ended November 30, 2020 [Japanese GAAP]

January 13, 2021

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 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, 2020 (March 1, 2020 to November 30, 2020)

### (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, 2020	77,059	(22.7)	1,450	(81.9)	1,226	(84.7)	592	(90.8)
Nine months ended November 30, 2019	99,672	2.2	8,010	17.6	8,020	19.4	6,559	64.7

(Note) Comprehensive income: Nine months ended November 30, 2020: ¥591 million [(90.9%)]

Nine months ended November 30, 2019: ¥6,501 million [61.6%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended November 30, 2020	13.49	—
Nine months ended November 30, 2019	149.09	—

The Company conducted a stock split as of March 1, 2020, at a ratio of 2 shares for each common share.

Therefore, basic earnings per share is calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of November 30, 2020	103,294	44,935	43.5
As of February 29, 2020	94,954	46,627	49.1

(Reference) Equity: As of November 30, 2020: ¥44,935 million

As of February 29, 2020: ¥46,627 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 29, 2020	—	0.00	—	100.00	100.00
Fiscal year ending February 28, 2021	—	0.00	—		
Fiscal year ending February 28, 2021 (Forecast)				—	—

(Note) Revision of dividend forecast: No

The Company conducted a stock split as of March 1, 2020, at a ratio of 2 shares for each common share.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2021 (March 1, 2020 to February 28, 2021)

(% 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	104,780	(20.7)	(610)	—	(940)	—	(1,220)	—	(27.77)	

(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, 2020	46,272,000 shares
As of February 29, 2020	46,272,000 shares

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

As of November 30, 2020	2,346,114 shares
As of February 29, 2020	2,274,644 shares

3) Average number of shares during the period:

Nine months ended November 30, 2020	43,929,975 shares
Nine months ended November 30, 2019	43,997,454 shares

The Company conducted a stock split as of March 1, 2020, at a ratio of 2 shares for each common share.

Therefore, the total number of issued shares at the end of the period, the total number of treasury shares at the end of the period, and the average number of shares during the period are calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

\* 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.

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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, 2020 (March 1, 2020 to November 30, 2020), the Japanese economy deteriorated rapidly with significant decline in consumption and production due to the spread of the coronavirus disease (COVID-19) infection. As it was difficult to tell when COVID-19 would be contained, the outlook remained uncertain.

Most of the Company's stores, which operate nationwide, had to be temporarily closed for an extended period of time in April and May due to the stay-home requests made by the government and local municipalities and the state of emergency declared by the government on April 7. As a result of the temporary closure, customer traffic fell significantly. All of the Company's stores then resumed business operations on June 3 with the lifting of the state of emergency declaration on May 25. Customer traffic is gradually increasing, but it has not recovered to the level of the previous year.

Under such a business environment, the Company made every effort to expand EC sales by focusing on introducing its products in various digital media such as Instagram and taking measures including awarding extra points and offering limited time sales. As a result, EC sales increased by more than 30% year on year. However, the impact of the temporary closure and reduced operating hours of the stores was extremely large. Consequently, in the Apparel Business, net sales were ¥54,414 million, or 74.7% of the previous year's level, and in the Miscellaneous Goods/Accessories Business, net sales were ¥22,593 million, or 84.6% of the previous year's level.

As a result of the above, net sales for the nine months ended November 30, 2020 decreased by 22.7% year on year to ¥77,059 million. In terms of profit, the gross profit margin decreased by 1.7 percentage points year on year to 55.8%. Operating profit decreased by ¥6,560 million year on year to ¥1,450 million, ordinary profit decreased by ¥6,793 million year on year to ¥1,226 million, and profit attributable to owners of parent decreased by ¥5,967 million year on year to ¥592 million.

### (2) Explanation of Financial Position

#### (Assets)

Current assets increased by ¥7,946 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥2,903 million, merchandise and finished goods by ¥2,274 million and notes and accounts receivable - trade by ¥1,828 million.

Non-current assets increased by ¥393 million compared with the end of the previous fiscal year, due primarily to an increase in buildings and structures by ¥537 million, despite a decrease in investment securities by ¥195 million.

#### (Liabilities)

Current liabilities increased by ¥9,303 million compared with the end of the previous fiscal year, due mainly to an increase in short-term borrowings by ¥13,206 million, despite decreases in notes and accounts payable - trade by ¥1,493 million, accrued consumption taxes by ¥1,207 million and provision for bonuses by ¥917 million.

Non-current liabilities increased by ¥729 million compared with the end of the previous fiscal year, due primarily to increases in long-term borrowings by ¥508 million and asset retirement obligations by ¥170 million.

(Net assets)

Net assets decreased by ¥1,692 million compared with the end of the previous fiscal year, due mainly to a decrease in retained earnings by ¥1,607 million.

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

There is no change to the consolidated financial results forecast announced on October 13, 2020.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of November 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	52,727	55,630
Notes and accounts receivable - trade	6,435	8,264
Merchandise and finished goods	7,829	10,103
Other	849	1,789
Total current assets	67,842	75,788
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,022	6,559
Other, net	1,757	1,970
Total property, plant and equipment	7,780	8,530
Intangible assets	690	537
Investments and other assets		
Guarantee deposits	13,017	12,938
Other	5,872	5,766
Allowance for doubtful accounts	(247)	(267)
Total investments and other assets	18,641	18,437
Total non-current assets	27,112	27,505
Total assets	94,954	103,294

(Millions of yen)

	As of February 29, 2020	As of November 30, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	20,814	19,320
Short-term borrowings	1,794	15,000
Current portion of long-term borrowings	4,698	4,422
Income taxes payable	276	183
Provision for bonuses	1,737	819
Provision for point card certificates	314	445
Provisions	427	0
Other	5,941	5,115
Total current liabilities	36,004	45,307
Non-current liabilities		
Long-term borrowings	8,515	9,023
Retirement benefit liability	1,046	1,123
Provisions	134	124
Asset retirement obligations	1,743	1,914
Other	882	865
Total non-current liabilities	12,323	13,052
Total liabilities	48,327	58,359
<b>Net assets</b>		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,469	4,469
Retained earnings	40,969	39,362
Treasury shares	(2,088)	(2,172)
Total shareholders' equity	46,531	44,840
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	183	188
Foreign currency translation adjustment	(22)	(22)
Remeasurements of defined benefit plans	(65)	(70)
Total accumulated other comprehensive income	96	94
Total net assets	46,627	44,935
<b>Total liabilities and net assets</b>	<b>94,954</b>	<b>103,294</b>



## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statements of Income

(Millions of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Net sales	99,672	77,059
Cost of sales	42,338	34,054
Gross profit	57,334	43,005
Selling, general and administrative expenses	49,323	41,555
Operating profit	8,010	1,450
Non-operating income		
Interest income	1	1
Royalty income	5	23
Rental income	10	9
Foreign exchange gains	9	6
Share of profit of entities accounted for using equity method	60	—
Other	36	68
Total non-operating income	124	109
Non-operating expenses		
Interest expenses	86	86
Provision of allowance for doubtful accounts	14	19
Share of loss of entities accounted for using equity method	—	215
Other	14	11
Total non-operating expenses	114	332
Ordinary profit	8,020	1,226
Extraordinary losses		
Loss on retirement of non-current assets	106	46
Impairment loss	116	293
Total extraordinary losses	223	340
Profit before income taxes	7,797	886
Income taxes - current	1,849	399
Income taxes - deferred	(612)	(105)
Total income taxes	1,237	293
Profit	6,559	592
Profit attributable to owners of parent	6,559	592

# Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Profit	6,559	592
Other comprehensive income		
Valuation difference on available-for-sale securities	(54)	4
Remeasurements of defined benefit plans, net of tax	2	7
Foreign currency translation adjustment	(2)	(0)
Share of other comprehensive income of entities accounted for using equity method	(3)	(13)
Total other comprehensive income	(57)	(1)
Comprehensive income	6,501	591
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,501	591
Comprehensive income attributable to non-controlling interests	—	—

### 3. Additional Information

#### (1) Sales Results by Segment (Consolidated)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020	Changes from the previous corresponding period
	million yen	million yen	%
Apparel Business	72,891	54,414	74.7
Miscellaneous Goods/ Accessories Business	26,703	22,593	84.6
Other	78	51	66.5
Total	99,672	77,059	77.3

#### (2) Status of Stores (Consolidated)

	Nine months ended November 30, 2020
Number of stores as of February 29, 2020	926 stores
Number of new stores	66 stores
Number of closed stores	28 stores
Number of stores as of November 30, 2020	964 stores