Consolidated Financial Results for the Nine Months Ended November 30, 2013 [Japanese GAAP]

January 7, 2014

Company name: PAL CO., LTD.
Stock exchange listing: Tokyo Stock Exchange
Code number: 2726
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Scheduled date of filing quarterly securities report: January 14, 2014
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, 2013 (March 1, 2013 to November 30, 2013)

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

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended November 30, 2013	72,879	8.9	4,560	(19.1)	4,588	(18.9)	2,365	(28.0)
Nine months ended November 30, 2012	66,916	9.4	5,640	7.1	5,659	7.1	3,285	49.4

(Note) Comprehensive income: Nine months ended November 30, 2013: ¥2,369 million [(27.1)%]
Nine months ended November 30, 2012: ¥3,249 million [56.8%]

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended November 30, 2013	107.54	—
Nine months ended November 30, 2012	149.37	—

The Company split its common stock from one share into two shares, effective on March 1, 2013. Accordingly, the amount of net income per share has been calculated assuming the stock split to have occurred 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, 2013	72,556	32,844	42.5
As of February 28, 2013	63,435	31,624	46.3

(Reference) Equity: As of November 30, 2013: ¥30,807 million
As of February 28, 2013: ¥29,371 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, 2013	—	0.00	—	100.00	100.00
Fiscal year ending February 28, 2014	—	0.00	—		
Fiscal year ending February 28, 2014 (Forecast)				50.00	50.00

(Note) Revision of dividend forecasts: No

The Company split its common stock from one share into two shares, effective on March 1, 2013. As the stock split became effective on March 1, 2013, the amount stated for the year-end dividend for the fiscal year ending February 28, 2014 (forecast) takes into account the impact of the stock split.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2014 (March 1, 2013 to February 28, 2014)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	101,000	9.2	7,760	2.8	7,740	2.6	4,050	(7.9)	184.12

(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 statements: 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: Yes
2) Any changes other than 1) above: No
3) Changes in accounting estimates: Yes
4) Corrections of errors: No

Depreciation method has been changed from the three months ended May 31, 2013, which falls under the case where changes in accounting policies are difficult to distinguish from changes in accounting estimates. For details, please refer to "2. Matters Related to Summary Information (Notes) (3) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors" on page 3 of the Appendix to this report.

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

As of November 30, 2013	23,136,000 shares
As of February 28, 2013	23,136,000 shares

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

As of November 30, 2013	1,139,838 shares
As of February 28, 2013	1,139,322 shares

3) Average number of shares during the period:

Nine months ended November 30, 2013	21,996,373 shares
Nine months ended November 30, 2012	21,996,812 shares

The Company split its common stock from one share into two shares, effective on March 1, 2013. Accordingly, the total number of issued shares and treasury stock at the end of the period and the average number of shares during the period have been calculated assuming the stock split to have occurred at the beginning of the previous fiscal year.

* Presentation regarding the implementation status of the quarterly review process

These consolidated financial results for the nine months ended November 30, 2013 are not covered by the quarterly review procedure stipulated in the Financial Instruments and Exchange Act. At the time of the publication of these financial results, the review procedure for quarterly consolidated financial statements is in progress.

* 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 mean that the Company promises the achievement of these figures. 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 "Qualitative Information on Consolidated Financial Results Forecast" on page 3 of the Appendix to this report.

(Reference)

1. Non-consolidated Financial Results for the Nine Months Ended November 30, 2013 (March 1, 2013 to November 30, 2013)

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding periods.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended November 30, 2013	59,942	11.0	4,834	(15.2)	4,929	(14.3)	2,699	(11.3)
Nine months ended November 30, 2012	53,979	12.0	5,704	6.3	5,751	6.2	3,043	15.9

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2014 (March 1, 2013 to February 28, 2014)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	yen
Full year	82,330	10.1	7,700	(1.7)	4,170	9.0	189.58

(Note) Revision of non-consolidated financial results forecast: No

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

(1) Qualitative Information on Consolidated Operating Results

During the nine months ended November 30, 2013 (March 1, 2013 to November 30, 2013), the Japanese economy made a gradual recovery as stock prices rose and corporate performance improved steadily, primarily as a result of the government's economic policies.

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, despite challenging conditions due to unseasonable weather in the autumn, the Group conducted proactive brand promotions while refining 52-week merchandising (MD) and improving the freshness of merchandise through agile introduction of items in stores, as well as the opening of 79 new stores. As a result, net sales rose by 7.0% year on year to ¥57,105 million. Additionally, in the Miscellaneous Goods/Accessories Business, we opened 29 new stores in response to robust demand for opening stores reflecting our rising visibility. As a result, net sales increased by 16.8% year on year to ¥15,645 million.

As a result of the above, net sales for the nine months ended November 30, 2013 increased by 8.9% year on year to ¥72,879 million.

In terms of profit, the gross profit margin decreased by 2.1 points year on year to 55.8% due primarily to an increase in costs stemming from the depreciation of the yen and the poor performance of some brands, despite inventory control promoted by refining 52-week MD. Operating income decreased by ¥1,079 million year on year to ¥4,560 million, and ordinary income decreased by ¥1,071 million year on year to ¥4,588 million. In addition, as extraordinary loss including loss on retirement of noncurrent assets of ¥435 million was recorded, income before income taxes and minority interests decreased by ¥1,284 million year on year to ¥4,152 million, and net income decreased by ¥919 million year on year to ¥2,365 million.

(2) Qualitative Information on Consolidated Financial Position

Status of assets, liabilities and net assets

(Assets)

Current assets increased by ¥7,222 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥1,011 million, in notes and accounts receivable-trade by ¥2,756 million and in merchandise by ¥3,617 million.

Noncurrent assets increased by ¥1,898 million compared with the end of the previous fiscal year, due primarily to increases in buildings and structures by ¥948 million and in guarantee deposits by ¥564 million.

(Liabilities)

Current liabilities increased by ¥8,082 million compared with the end of the previous fiscal year, due mainly to an increase in notes and accounts payable-trade by ¥6,466 million, despite a decrease in income taxes payable by ¥1,288 million.

Noncurrent liabilities decreased by ¥181 million compared with the end of the previous fiscal year, due primarily to a decrease in long-term loans payable by ¥930 million, despite an increase in other (long-term accounts payable-other) by ¥496 million.

(Net assets)

Net assets increased by ¥1,220 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings.

(3) Qualitative Information on Consolidated Financial Results Forecast

There was no change to the financial results forecast announced on October 8, 2013.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period under Review

Not applicable.

(2) Adoption of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Following an amendment to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries, from the three months ended May 31, 2013, changed over to the depreciation method based on the amended Act for property, plant and equipment acquired on or after March 1, 2013.

As a result, operating income, ordinary income, and income before income taxes and minority interests for the nine months ended November 30, 2013 have increased by ¥15 million, respectively, from the figures under the previous method.

3. Overview of Significant Events Relating to Going Concern Assumption

Not applicable.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2013	As of November 30, 2013
Assets		
Current assets		
Cash and deposits	32,570	33,582
Notes and accounts receivable-trade	3,997	6,754
Merchandise	5,431	9,048
Other	1,118	953
Allowance for doubtful accounts	(5)	(4)
Total current assets	43,112	50,335
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,379	6,328
Other, net	1,812	1,982
Total property, plant and equipment	7,191	8,310
Intangible assets	72	64
Investments and other assets		
Guarantee deposits	11,070	11,634
Other	2,120	2,343
Allowance for doubtful accounts	(131)	(131)
Total investments and other assets	13,059	13,846
Total noncurrent assets	20,322	22,221
Total assets	63,435	72,556
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,886	17,352
Short-term loans payable	726	790
Current portion of long-term loans payable	1,738	3,291
Income taxes payable	1,537	249
Provision for bonuses	828	613
Provision	298	190
Other	4,208	5,819
Total current liabilities	20,224	28,307
Noncurrent liabilities		
Long-term loans payable	6,650	5,719
Provision	686	725
Asset retirement obligations	1,211	1,300
Other	3,037	3,659
Total noncurrent liabilities	11,586	11,404
Total liabilities	31,811	39,711

(Millions of yen)

	As of February 28, 2013	As of November 30, 2013
Net assets		
Shareholders' equity		
Capital stock	3,181	3,181
Capital surplus	3,379	3,379
Retained earnings	23,760	25,026
Treasury stock	(1,143)	(1,145)
Total shareholders' equity	29,177	30,441
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	149	341
Deferred gains or losses on hedges	42	19
Foreign currency translation adjustment	1	3
Total accumulated other comprehensive income	193	365
Minority interests	2,253	2,037
Total net assets	31,624	32,844
Total liabilities and net assets	63,435	72,556

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Nine months ended November 30, 2012	Nine months ended November 30, 2013
Net sales	66,916	72,879
Cost of sales	28,178	32,201
Gross profit	38,738	40,678
Selling, general and administrative expenses	33,098	36,118
Operating income	5,640	4,560
Non-operating income		
Interest income	6	6
Amortization of negative goodwill	24	24
Rent income	20	13
Foreign exchange gains	3	73
Other	55	35
Total non-operating income	110	154
Non-operating expenses		
Interest expenses	70	79
Equity in losses of affiliates	6	38
Other	14	8
Total non-operating expenses	91	127
Ordinary income	5,659	4,588
Extraordinary loss		
Loss on retirement of noncurrent assets	117	157
Impairment loss	104	247
Loss on valuation of investment securities	—	29
Total extraordinary losses	222	435
Income before income taxes and minority interests	5,437	4,152
Income taxes-current	2,084	1,812
Income taxes-deferred	162	151
Total income taxes	2,247	1,963
Income before minority interests	3,190	2,188
Minority interests in loss	(95)	(176)
Net income	3,285	2,365

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2012	Nine months ended November 30, 2013
Income before minority interests	3,190	2,188
Other comprehensive income		
Valuation difference on available-for-sale securities	48	198
Deferred gains or losses on hedges	10	(22)
Share of other comprehensive income of associates accounted for using equity method	(0)	4
Total other comprehensive income	59	180
Comprehensive income	3,249	2,369
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,344	2,537
Comprehensive income attributable to minority interests	(94)	(168)

(3) Notes on Going Concern Assumption

Not applicable.

(4) Notes in Case of Significant Changes in Shareholders' Equity

Not applicable.

5. Additional Information

(1) Sales Results by Segment (Consolidated)

	Nine months ended November 30, 2012	Nine months ended November 30, 2013	Changes from the previous corresponding period
	million yen	million yen	%
Apparel Business	53,376	57,105	107.0
Miscellaneous Goods/ Accessories Business	13,395	15,645	116.8
Other	144	129	89.5
Total	66,916	72,879	108.9

(2) Status of Stores (Consolidated)

	Nine months ended November 30, 2013
Number of stores as of February 28, 2013	693 stores
Number of new stores	108 stores
Number of closed stores	23 stores
Number of stores as of November 30, 2013	778 stores