

Consolidated Financial Results
for the Three Months Ended May 31, 2021
[Japanese GAAP]

July 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 filing quarterly securities report: July 14, 2021

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 Three Months Ended May 31, 2021 (March 1, 2021 to May 31, 2021)

(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 | % |
| Three months ended May 31, 2021 | 31,210 | 97.1 | 1,793 | — | 1,757 | — | 1,030 | — |
| Three months ended May 31, 2020 | 15,834 | (53.6) | (3,088) | — | (3,224) | — | (2,200) | — |

(Note) Comprehensive income: Three months ended May 31, 2021: ¥1,041 million [—%]

Three months ended May 31, 2020: ¥(2,260) million [—%]

| | Basic earnings per share | Diluted earnings per share |
|---------------------------------|--------------------------|----------------------------|
| | yen | yen |
| Three months ended May 31, 2021 | 23.45 | — |
| Three months ended May 31, 2020 | (50.08) | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | million yen | million yen | % |
| As of May 31, 2021 | 103,552 | 44,294 | 42.8 |
| As of February 28, 2021 | 108,186 | 44,351 | 41.0 |

(Reference) Equity: As of May 31, 2021: ¥44,294 million

As of February 28, 2021: ¥44,351 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, 2021 | — | 0.00 | — | 25.00 | 25.00 |
| Fiscal year ending February 28, 2022 | — | | | | |
| Fiscal year ending February 28, 2022 (Forecast) | | 0.00 | — | 50.00 | 50.00 |

(Note) Revision of dividend forecast: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 to February 28, 2022)

(% 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 |
| First half | 63,000 | 39.5 | 1,850 | — | 1,700 | — | 800 | — | 18.21 |
| Full year | 134,000 | 23.5 | 7,400 | 434.8 | 7,100 | 574.3 | 3,900 | 1,340.4 | 88.79 |

(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 May 31, 2021 | 46,272,000 shares |
| As of February 28, 2021 | 46,272,000 shares |

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

| | |
|-------------------------|------------------|
| As of May 31, 2021 | 2,346,236 shares |
| As of February 28, 2021 | 2,346,134 shares |

3) Average number of shares during the period:

| | |
|---------------------------------|-------------------|
| Three months ended May 31, 2021 | 43,925,796 shares |
| Three months ended May 31, 2020 | 43,937,939 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.

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

(1) Explanation of Operating Results

During the three months ended May 31, 2021 (March 1, 2021 to May 31, 2021), in Japan, although the second state of emergency declaration was lifted in March, the third state of emergency was declared in April. As it was difficult to tell when COVID-19 would be contained, the outlook also remained uncertain.

Under such a business environment, the Company made every effort to strengthen EC sales to make up for the decline in customer traffic, while securing the health and safety of its employees. The Company also focused on the lifestyle miscellaneous goods/accessories brand centered on 3COINS to respond to stay-at-home demand.

During the first quarter ended May 31, 2020, after the declaration of a state of emergency on April 7, the rate of closure of our stores was nearly 70% by the end of the first quarter. During the first quarter ended May 31, 2021, however, the rate of store closure decreased to as low as 25% after the declaration of a state of emergency on April 24. As a result, net sales in the Apparel Business increased by 69.4% year on year to ¥19,961 million, and net sales in the Miscellaneous Goods/Accessories Business increased by 177.9% year on year to ¥11,224 million. In addition, EC sales on which we made every effort increased by more than 40% year on year. In particular, sales of PAL CLOSET, our own e-commerce website, increased by nearly 55% year on year.

As a result of the above, as for operating results for the three months ended May 31, 2021, the Company recorded net sales of ¥31,210 million (97.1% increase year on year), operating profit of ¥1,793 million (operating loss of ¥3,088 million for the previous corresponding period), ordinary profit of ¥1,757 million (ordinary loss of ¥3,224 million for the previous corresponding period), and profit attributable to owners of parent of ¥1,030 million (loss attributable to owners of parent of ¥2,200 million for the previous corresponding period).

(2) Explanation of Financial Position

(Assets)

Current assets decreased by ¥4,324 million compared with the end of the previous fiscal year, due mainly to decreases in cash and deposits by ¥5,386 million and income taxes receivable by ¥446 million, despite an increase in merchandise and finished goods by ¥1,912 million.

Non-current assets decreased by ¥310 million compared with the end of the previous fiscal year, due primarily to a decrease in guarantee deposits by ¥428 million, despite an increase in leased assets by ¥164 million.

(Liabilities)

Current liabilities decreased by ¥4,652 million compared with the end of the previous fiscal year, due mainly to a decrease in notes and accounts payable - trade by ¥5,512 million, despite an increase in provision for bonuses by ¥783 million.

Non-current liabilities increased by ¥75 million compared with the end of the previous fiscal year, due primarily to an increase in long-term lease obligations by ¥144 million.

(Net assets)

Net assets decreased by ¥57 million compared with the end of the previous fiscal year, due mainly to a decrease in retained earnings by ¥67 million resulting from paying the year-end dividend of ¥1,098 million for the previous fiscal year, despite profit of ¥1,030 million.

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

There is no change to the financial results forecast for the fiscal year ending February 28, 2022, which was announced on April 13, 2021, in the “Consolidated Financial Results for the Fiscal Year Ended February 28, 2021.”

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of February 28, 2021 | As of May 31, 2021 |
|---------------------------------------|-------------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 63,088 | 57,701 |
| Notes and accounts receivable - trade | 7,310 | 7,574 |
| Merchandise and finished goods | 9,709 | 11,621 |
| Other | 1,858 | 745 |
| Allowance for doubtful accounts | (0) | (0) |
| Total current assets | 81,966 | 77,642 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,078 | 6,140 |
| Other, net | 1,599 | 1,705 |
| Total property, plant and equipment | 7,677 | 7,845 |
| Intangible assets | 549 | 538 |
| Investments and other assets | | |
| Guarantee deposits | 12,925 | 12,496 |
| Other | 5,347 | 5,322 |
| Allowance for doubtful accounts | (279) | (293) |
| Total investments and other assets | 17,992 | 17,525 |
| Total non-current assets | 26,220 | 25,910 |
| Total assets | 108,186 | 103,552 |

(Millions of yen)

| | As of February 28, 2021 | As of May 31, 2021 |
|---|-------------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 24,688 | 19,175 |
| Short-term borrowings | 15,000 | 15,000 |
| Current portion of long-term borrowings | 5,198 | 5,157 |
| Income taxes payable | 88 | 96 |
| Provision for bonuses | 1,642 | 2,426 |
| Provision for point card certificates | 468 | 572 |
| Provisions | 14 | 70 |
| Other | 5,081 | 5,030 |
| Total current liabilities | 52,181 | 47,529 |
| Non-current liabilities | | |
| Long-term borrowings | 7,766 | 7,591 |
| Retirement benefit liability | 1,250 | 1,281 |
| Provisions | 126 | 127 |
| Asset retirement obligations | 1,795 | 1,874 |
| Other | 713 | 853 |
| Total non-current liabilities | 11,652 | 11,728 |
| Total liabilities | 63,834 | 59,257 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,181 | 3,181 |
| Capital surplus | 4,469 | 4,469 |
| Retained earnings | 39,040 | 38,972 |
| Treasury shares | (2,172) | (2,173) |
| Total shareholders' equity | 44,518 | 44,450 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (0) | (0) |
| Foreign currency translation adjustment | (21) | (18) |
| Remeasurements of defined benefit plans | (144) | (137) |
| Total accumulated other comprehensive income | (166) | (155) |
| Total net assets | 44,351 | 44,294 |
| Total liabilities and net assets | 108,186 | 103,552 |

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

| | Three months ended May 31, 2020 | Three months ended May 31, 2021 |
|---|------------------------------------|------------------------------------|
| Net sales | 15,834 | 31,210 |
| Cost of sales | 6,968 | 13,115 |
| Gross profit | 8,866 | 18,094 |
| Selling, general and administrative expenses | 11,954 | 16,300 |
| Operating profit (loss) | (3,088) | 1,793 |
| Non-operating income | | |
| Interest income | 0 | 0 |
| Royalty income | 14 | 7 |
| Foreign exchange gains | 3 | 2 |
| Other | 21 | 12 |
| Total non-operating income | 40 | 23 |
| Non-operating expenses | | |
| Interest expenses | 24 | 30 |
| Provision of allowance for doubtful accounts | 19 | 14 |
| Share of loss of entities accounted for using equity method | 128 | 5 |
| Other | 5 | 9 |
| Total non-operating expenses | 177 | 59 |
| Ordinary profit (loss) | (3,224) | 1,757 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 5 | 40 |
| Impairment loss | 9 | 63 |
| Total extraordinary losses | 15 | 103 |
| Profit (loss) before income taxes | (3,240) | 1,654 |
| Income taxes - current | 32 | 586 |
| Income taxes - deferred | (1,071) | 37 |
| Total income taxes | (1,039) | 624 |
| Profit (loss) | (2,200) | 1,030 |
| Profit (loss) attributable to owners of parent | (2,200) | 1,030 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Three months ended May 31, 2020 | Three months ended May 31, 2021 |
|---|------------------------------------|------------------------------------|
| Profit (loss) | (2,200) | 1,030 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (60) | 0 |
| Foreign currency translation adjustment | (0) | 2 |
| Remeasurements of defined benefit plans, net of tax | 2 | 6 |
| Share of other comprehensive income of entities accounted for using equity method | (0) | 1 |
| Total other comprehensive income | (60) | 10 |
| Comprehensive income | (2,260) | 1,041 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (2,260) | 1,041 |

3. Additional Information

(1) Sales Results by Segment (Consolidated)

| | Three months ended May 31, 2020 | Three months ended May 31, 2021 | Changes from the previous corresponding period |
|--|------------------------------------|------------------------------------|---|
| | million yen | million yen | % |
| Apparel Business | 11,783 | 19,961 | 169.4 |
| Miscellaneous Goods/ Accessories Business | 4,038 | 11,224 | 277.9 |
| Other | 12 | 24 | 191.9 |
| Total | 15,834 | 31,210 | 197.1 |

(2) Status of Stores (Consolidated)

| | Three months ended May 31, 2021 |
|--|------------------------------------|
| Number of stores as of February 28, 2021 | 932 stores |
| Number of new stores | 17 stores |
| Number of closed stores | 20 stores |
| Number of stores as of May 31, 2021 | 929 stores |