

Consolidated Financial Results
for the Six Months Ended August 31, 2021
[Japanese GAAP]

October 12, 2021

Company name: PAL GROUP Holdings CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2726

URL: <http://www.palgroup.holdings/>

Representative: Ryuta Inoue, President and Representative Director

Contact: Toshio Fujii, Executive Officer and General Manager of Finance and Accounting Department

Phone: +81-6-6227-0308

Scheduled date of filing quarterly securities report: October 13, 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: 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, 2021 (March 1, 2021 to August 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	%
Six months ended August 31, 2021	63,195	39.9	2,838	—	2,793	—	1,444	—
Six months ended August 31, 2020	45,165	(32.5)	(1,761)	—	(1,983)	—	(1,518)	—

(Note) Comprehensive income: Six months ended August 31, 2021: ¥1,460 million [-%]

Six months ended August 31, 2020: ¥(1,567) million [-%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2021	32.89	—
Six months ended August 31, 2020	(34.57)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of August 31, 2021	86,596	44,713	51.6
As of February 28, 2021	108,186	44,351	41.0

(Reference) Equity: As of August 31, 2021: ¥44,713 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	—	0.00			
Fiscal year ending February 28, 2022 (Forecast)			—	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
Full year	million yen	%	million yen	%	million yen	%	million yen	%	yen
	131,000	20.7	7,400	434.8	7,100	574.3	3,900	1,340.4	88.79

(Note) Revision of consolidated financial results forecast: Yes

*** 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, 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 August 31, 2021	2,346,244 shares
As of February 28, 2021	2,346,134 shares

- 3) Average number of shares during the period:

Six months ended August 31, 2021	43,925,778 shares
Six months ended August 31, 2020	43,931,996 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 3 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, 2021 (March 1, 2021 to August 31, 2021), the Japanese economy suffered from the declaration of a state of emergency across several prefectures and the implementation of priority preventative measures, which had a significant impact on personal consumption. Regarding the outlook for the future, the continuing downward trend in new cases of COVID-19 since mid-August and the lifting of the state of emergency and all priority preventative measures on September 30 have raised expectations of a recovery. However, it is anticipated that each prefecture will implement only a phased loosening of restrictions. Under these conditions, it remains necessary to monitor the trend in personal consumption.

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. As a result, net sales in the Apparel Business increased by 24.2% year on year to ¥39,824 million, and net sales in the Miscellaneous Goods/Accessories Business increased by 78.3% year on year to ¥23,325 million. In addition, EC sales increased by 39.1% year on year. In particular, sales of PAL CLOSET, our own e-commerce website, increased by 58.1% year on year.

As a result of the above, as for operating results for the six months ended August 31, 2021, the Company recorded net sales of ¥63,195 million (39.9% increase year on year), operating profit of ¥2,838 million (operating loss of ¥1,761 million for the previous corresponding period), ordinary profit of ¥2,793 million (ordinary loss of ¥1,983 million for the previous corresponding period), and profit attributable to owners of parent of ¥1,444 million (loss attributable to owners of parent of ¥1,518 million for the previous corresponding period).

(2) Explanation of Financial Position

(Assets)

Current assets decreased by ¥20,302 million compared with the end of the previous fiscal year, due mainly to decreases in cash and deposits by ¥18,352 million and notes and accounts receivable - trade by ¥839 million. Non-current assets decreased by ¥1,287 million compared with the end of the previous fiscal year, due primarily to decreases in guarantee deposits by ¥647 million, buildings and structures, net by ¥269 million and investment securities by ¥124 million.

(Liabilities)

Current liabilities decreased by ¥21,527 million compared with the end of the previous fiscal year, due mainly to decreases in short-term borrowings by ¥15,000 million and notes and accounts payable - trade by ¥6,959 million, despite an increase in income taxes payable by ¥681 million.

Non-current liabilities decreased by ¥424 million compared with the end of the previous fiscal year, due primarily to a decrease in long-term borrowings by ¥576 million, despite an increase in retirement benefit liability by ¥69 million.

(Net assets)

Net assets increased by ¥362 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥346 million.

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

The Company has revised the consolidated financial results forecast for the fiscal year ending February 28, 2022 announced on April 13, 2021. For details, please see “Notice Concerning Differences between Financial Results Forecast and Actual Results for the Six Months Ended August 31, 2021, and Revision of Financial Results Forecast for the Fiscal Year Ending February 28, 2022” announced today.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	63,088	44,735
Notes and accounts receivable - trade	7,310	6,470
Merchandise and finished goods	9,709	9,759
Other	1,858	697
Allowance for doubtful accounts	(0)	(0)
Total current assets	81,966	61,663
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,078	5,809
Other, net	1,599	1,593
Total property, plant and equipment	7,677	7,402
Intangible assets	549	494
Investments and other assets		
Guarantee deposits	12,925	12,277
Other	5,347	5,032
Allowance for doubtful accounts	(279)	(273)
Total investments and other assets	17,992	17,036
Total non-current assets	26,220	24,932
Total assets	108,186	86,596

(Millions of yen)

	As of February 28, 2021	As of August 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,688	17,729
Short-term borrowings	15,000	—
Current portion of long-term borrowings	5,198	5,270
Income taxes payable	88	769
Provision for bonuses	1,642	1,381
Provision for point card certificates	468	572
Provisions	14	36
Other	5,081	4,894
Total current liabilities	52,181	30,654
Non-current liabilities		
Long-term borrowings	7,766	7,190
Retirement benefit liability	1,250	1,320
Provisions	126	128
Asset retirement obligations	1,795	1,828
Other	713	761
Total non-current liabilities	11,652	11,228
Total liabilities	63,834	41,882
Net assets		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,469	4,469
Retained earnings	39,040	39,386
Treasury shares	(2,172)	(2,173)
Total shareholders' equity	44,518	44,864
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(21)	(17)
Remeasurements of defined benefit plans	(144)	(133)
Total accumulated other comprehensive income	(166)	(151)
Total net assets	44,351	44,713
Total liabilities and net assets	108,186	86,596

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Net sales	45,165	63,195
Cost of sales	20,973	28,386
Gross profit	24,191	34,809
Selling, general and administrative expenses	25,953	31,970
Operating profit (loss)	(1,761)	2,838
Non-operating income		
Interest income	0	0
Royalty income	18	10
Foreign exchange gains	5	4
Subsidy income related to COVID	16	117
Other	40	30
Total non-operating income	81	163
Non-operating expenses		
Interest expenses	55	62
Provision of allowance for doubtful accounts	31	—
Share of loss of entities accounted for using equity method	209	131
Other	7	14
Total non-operating expenses	303	208
Ordinary profit (loss)	(1,983)	2,793
Extraordinary income		
Gain on sales of non-current assets	—	1
Gain on sales of golf memberships	—	1
Total extraordinary income	—	2
Extraordinary losses		
Loss on retirement of non-current assets	49	83
Impairment loss	209	381
Total extraordinary losses	258	465
Profit (loss) before income taxes	(2,242)	2,330
Income taxes - current	177	704
Income taxes - deferred	(901)	181
Total income taxes	(724)	886
Profit (loss)	(1,518)	1,444
Profit (loss) attributable to owners of parent	(1,518)	1,444

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Profit (loss)	(1,518)	1,444
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	0
Foreign currency translation adjustment	(0)	3
Remeasurements of defined benefit plans, net of tax	4	9
Share of other comprehensive income of entities accounted for using equity method	(14)	3
Total other comprehensive income	(48)	15
Comprehensive income	(1,567)	1,460
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,567)	1,460
Comprehensive income attributable to non-controlling interests	—	—

3. Additional Information

(1) Sales Results by Segment (Consolidated)

	Six months ended August 31, 2019	Six months ended August 31, 2020	Changes from the previous corresponding period
	million yen	million yen	%
Apparel Business	48,714	32,061	65.8
Miscellaneous Goods/ Accessories Business	18,194	13,080	71.9
Other	49	23	47.4
Total	66,958	45,165	67.5

(2) Status of Stores (Consolidated)

	Six months ended August 31, 2020
Number of stores as of February 29, 2020	926 stores
Number of new stores	38 stores
Number of closed stores	24 stores
Number of stores as of August 31, 2020	940 stores