

Consolidated Financial Results
for the Nine Months Ended November 30, 2021
[Japanese GAAP]

January 12, 2022

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: January 13, 2022

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, 2021 (March 1, 2021 to November 30, 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	%
Nine months ended November 30, 2021	98,512	27.8	5,633	288.4	5,720	366.3	3,680	521.2
Nine months ended November 30, 2020	77,059	(22.7)	1,450	(81.9)	1,226	(84.7)	592	(90.8)

(Note) Comprehensive income: Nine months ended November 30, 2021: ¥3,688 million [523.6%]

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

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended November 30, 2021	83.80	—
Nine months ended November 30, 2020	13.49	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of November 30, 2021	95,940	47,038	49.0
As of February 28, 2021	108,186	44,351	41.0

(Reference) Equity: As of November 30, 2021: ¥46,963 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
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	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: 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, 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 November 30, 2021	2,346,244 shares
As of February 28, 2021	2,346,134 shares

3) Average number of shares during the period:

Nine months ended November 30, 2021	43,925,771 shares
Nine months ended November 30, 2020	43,929,975 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 nine months ended November 30, 2021 (March 1, 2021 to November 30, 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. The lifting of the state of emergency and all priority preventative measures on September 30 has increased customer traffic in stores, and conditions are on their way to recovery. However, the outlook remains uncertain, with an increase in COVID-19 cases due to the emergence of new variants.

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. At the same time, the Company focused on the lifestyle miscellaneous goods/accessories brand centered on 3COINS to respond to stay-at-home demand. As a result of these measures, net sales in the Apparel Business increased by 15.8% year on year to ¥62,984 million, and net sales in the Miscellaneous Goods/Accessories Business increased by 56.9% year on year to ¥35,456 million. In addition, EC sales increased by 41.2% year on year. In particular, sales of PAL CLOSET, our own e-commerce website, increased by 62.2% year on year.

As a result of the above, net sales for the nine months ended November 30, 2021 increased by 27.8% year on year to ¥98,512 million. In terms of profit, the gross profit margin increased by 0.1 percentage point year on year to 55.9%. Operating profit increased by ¥4,182 million year on year to ¥5,633 million, ordinary profit increased by ¥4,494 million year on year to ¥5,720 million, and profit attributable to owners of parent increased by ¥3,088 million year on year to ¥3,680 million.

(2) Explanation of Financial Position

(Assets)

Current assets decreased by ¥10,979 million compared with the end of the previous fiscal year, due mainly to a decrease in cash and deposits by ¥14,412 million, despite increases in notes and accounts receivable - trade by ¥2,503 million and merchandise and finished goods by ¥2,094 million.

Non-current assets decreased by ¥1,266 million compared with the end of the previous fiscal year, due primarily to decreases in guarantee deposits by ¥797 million, deferred tax assets by ¥431 million, and land by ¥149 million, despite an increase in leased assets by ¥349 million.

(Liabilities)

Current liabilities decreased by ¥14,485 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 ¥2,784 million, despite increases in accrued expenses by ¥2,012 million and income taxes payable by ¥1,254 million.

Non-current liabilities decreased by ¥447 million compared with the end of the previous fiscal year, due primarily to a decrease in long-term borrowings by ¥827 million, despite an increase in long-term lease obligations by ¥310 million.

(Net assets)

Net assets increased by ¥2,687 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥2,582 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 12, 2021.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2021	As of November 30, 2021
Assets		
Current assets		
Cash and deposits	63,088	48,675
Notes and accounts receivable - trade	7,310	9,814
Merchandise and finished goods	9,709	11,804
Other	1,858	692
Allowance for doubtful accounts	(0)	(0)
Total current assets	81,966	70,986
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,078	6,000
Other, net	1,599	1,794
Total property, plant and equipment	7,677	7,795
Intangible assets	549	459
Investments and other assets		
Guarantee deposits	12,925	12,127
Other	5,347	4,842
Allowance for doubtful accounts	(279)	(271)
Total investments and other assets	17,992	16,698
Total non-current assets	26,220	24,954
Total assets	108,186	95,940

(Millions of yen)

	As of February 28, 2021	As of November 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,688	21,904
Short-term borrowings	15,000	—
Current portion of long-term borrowings	5,198	5,149
Income taxes payable	88	1,342
Provision for bonuses	1,642	973
Provision for point card certificates	468	659
Provisions	14	161
Other	5,081	7,505
Total current liabilities	52,181	37,696
Non-current liabilities		
Long-term borrowings	7,766	6,939
Retirement benefit liability	1,250	1,349
Provisions	126	129
Asset retirement obligations	1,795	1,777
Other	713	1,009
Total non-current liabilities	11,652	11,205
Total liabilities	63,834	48,901
Net assets		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,469	4,478
Retained earnings	39,040	41,623
Treasury shares	(2,172)	(2,173)
Total shareholders' equity	44,518	47,109
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(21)	(15)
Remeasurements of defined benefit plans	(144)	(129)
Total accumulated other comprehensive income	(166)	(146)
Non-controlling interests	—	75
Total net assets	44,351	47,038
Total liabilities and net assets	108,186	95,940

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Nine months ended November 30, 2020	Nine months ended November 30, 2021
Net sales	77,059	98,512
Cost of sales	34,054	43,483
Gross profit	43,005	55,029
Selling, general and administrative expenses	41,555	49,396
Operating profit	1,450	5,633
Non-operating income		
Interest income	1	1
Royalty income	23	12
Rental income	9	6
Foreign exchange gains	6	3
Subsidy income related to COVID	22	236
Other	46	31
Total non-operating income	109	290
Non-operating expenses		
Interest expenses	86	80
Provision of allowance for doubtful accounts	19	—
Share of loss of entities accounted for using equity method	215	99
Other	11	21
Total non-operating expenses	332	202
Ordinary profit	1,226	5,720
Extraordinary income		
Gain on sales of non-current assets	—	270
Gain on sales of golf memberships	—	1
Total extraordinary income	—	272
Extraordinary losses		
Loss on retirement of non-current assets	46	98
Impairment loss	293	457
Total extraordinary losses	340	555
Profit before income taxes	886	5,437
Income taxes - current	399	1,340
Income taxes - deferred	(105)	430
Total income taxes	293	1,770
Profit	592	3,667
Loss attributable to non-controlling interests	—	(13)
Profit attributable to owners of parent	592	3,680

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2020	Nine months ended November 30, 2021
Profit	592	3,667
Other comprehensive income		
Valuation difference on available-for-sale securities	4	(0)
Foreign currency translation adjustment	(0)	3
Remeasurements of defined benefit plans, net of tax	7	12
Share of other comprehensive income of entities accounted for using equity method	(13)	5
Total other comprehensive income	(1)	20
Comprehensive income	591	3,688
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	591	3,701
Comprehensive income attributable to non-controlling interests	—	(13)

3. Additional Information

(1) Sales Results by Segment (Consolidated)

	Nine months ended November 30, 2020	Nine months ended November 30, 2021	Changes from the previous corresponding period
	million yen	million yen	%
Apparel Business	54,414	62,984	115.8
Miscellaneous Goods/ Accessories Business	22,593	35,456	156.9
Other	51	71	137.1
Total	77,059	98,512	127.8

(2) Status of Stores (Consolidated)

	Nine months ended November 30, 2021
Number of stores as of February 28, 2021	932 stores
Number of new stores	43 stores
Number of closed stores	43 stores
Number of stores as of November 30, 2021	932 stores