

**Consolidated Financial Results**  
**for the Fiscal Year Ended February 28, 2022**  
**[Japanese GAAP]**

April 12, 2022

Company name: PAL GROUP Holdings CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2726

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Scheduled date of ordinary general meeting of shareholders: May 25, 2022

Scheduled date of commencing dividend payments: May 26, 2022

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Availability of supplementary briefing material on financial results: Not available

Schedule of 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 Fiscal Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)**

(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	%
Fiscal year ended February 28, 2022	134,200	23.7	7,520	443.5	7,660	627.5	4,001	—
Fiscal year ended February 28, 2021	108,522	(17.9)	1,383	(84.7)	1,052	(88.5)	270	(96.1)

(Note) Comprehensive income: Fiscal year ended February 28, 2022: ¥4,038 million [—%]

Fiscal year ended February 28, 2021: ¥7 million [(99.9)%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
	yen	yen	%	%	%
Fiscal year ended February 28, 2022	91.10	—	8.7	7.6	5.6
Fiscal year ended February 28, 2021	6.16	—	0.6	1.0	1.3

(Reference) Equity in earnings of affiliates: Fiscal year ended February 28, 2022: ¥(146) million

Fiscal year ended February 28, 2021: ¥(287) million

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of February 28, 2022	93,728	47,389	50.5	1,077.47
As of February 28, 2021	108,186	44,351	41.0	1,009.69

(Reference) Equity: As of February 28, 2022: ¥47,328 million

As of February 28, 2021: ¥44,351 million

## (3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended February 28, 2022	7,970	(679)	(18,128)	52,250
Fiscal year ended February 28, 2021	1,450	(1,188)	10,098	63,088

## 2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter -end	2nd quarter -end	3rd quarter -end	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended February 28, 2021	—	0.00	—	25.00	25.00	1,098	405.8	2.4
Fiscal year ended February 28, 2022	—	0.00	—	50.00	50.00	2,196	54.9	4.8
Fiscal year ending February 28, 2023 (Forecast)	—	0.00	—	50.00	50.00		47.7	

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 to February 28, 2023)

(% 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	70,000	10.8	3,200	12.7	3,000	7.4	1,600	10.8	36.43
Full year	150,000	11.8	8,700	15.7	8,300	8.3	4,600	15.0	104.72

**\* Notes**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) 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

(3) Total number of issued shares (common shares)

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

As of February 28, 2022	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 February 28, 2022	2,346,244 shares
As of February 28, 2021	2,346,134 shares

3) Average number of shares during the period:

Fiscal year ended February 28, 2022	43,925,767 shares
Fiscal year ended February 28, 2021	43,928,952 shares

\* These consolidated financial results are not covered by the audit procedure conducted by a certified public accountant or audit corporation.

\* 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. Overview of Consolidated Operating Results

### (1) Overview of Consolidated Operating Results for the Period under Review

#### 1) Overview for the Fiscal Year Ended February 28, 2022

During the fiscal year ended February 28, 2022 (March 1, 2021 to February 28, 2022), the Japanese economy suffered from the declaration of a state of emergency across many prefectures and the implementation of priority preventative measures due to the ongoing spread of COVID-19 from the year before last, which had a significant impact on personal consumption activities. Personal consumption was on a recovery trend after the end of September when the restrictions were lifted, encouraged by a low level of COVID-19 cases, but the economic outlook became uncertain as a result of the subsequent emergence of new variants, rising raw material prices, and other factors.

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 15.3% year on year to ¥87,109 million, and net sales in the Miscellaneous Goods/Accessories Business increased by 42.8% year on year to ¥46,997 million. In addition, EC sales increased by 38.4% year on year. In particular, sales of PAL CLOSET, our own e-commerce website, increased by 55.2% year on year.

As a result of the above, net sales for the fiscal year ended February 28, 2022 increased by 23.7% year on year to ¥134,200 million. In terms of profit, the gross profit margin increased by 0.8 percentage point year on year to 55.4%. Operating profit increased by ¥6,136 million year on year to ¥7,520 million, ordinary profit increased by ¥6,607 million year on year to ¥7,660 million, and profit attributable to owners of parent increased by ¥3,730 million year on year to ¥4,001 million.

#### 2) Sales Results by Segment for the Fiscal Year Ended February 28, 2022

Segment	Amount (million yen)	Changes from the previous fiscal year (%)
Apparel Business	87,109	115.3
Miscellaneous Goods/Accessories Business	46,997	142.8
Other	93	121.7
Total	134,200	123.7

#### 3) Status of Stores for the Fiscal Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

Number of stores as of February 28, 2021	932 stores
Number of new stores	47 stores
Number of closed stores	77 stores
Number of stores as of February 28, 2022	902 stores

### (2) Overview of Consolidated Financial Position for the Period under Review

#### (Assets)

Current assets decreased by ¥12,106 million compared with the end of the previous fiscal year, due mainly to decreases in cash and deposits by ¥10,838 million and notes and accounts receivable - trade by ¥968 million, despite an increase in merchandise and finished goods by ¥1,027 million. Non-current assets decreased by

¥2,352 million compared with the end of the previous fiscal year, due primarily to decreases in buildings and structures by ¥1,254 million, guarantee deposits by ¥861 million, and deferred tax assets by ¥198 million, despite an increase in leased assets by ¥339 million.

(Liabilities)

Current liabilities decreased by ¥15,847 million compared with the end of the previous fiscal year, due mainly to decreases in short-term borrowings by ¥14,750 million and notes and accounts payable - trade by ¥4,321 million, despite an increase in income taxes payable by ¥1,852 million. Non-current liabilities decreased by ¥1,648 million compared with the end of the previous fiscal year, due primarily to a decrease in long-term borrowings by ¥1,971 million, despite an increase in lease obligations by ¥306 million.

(Net assets)

Net assets increased by ¥3,037 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥2,903 million.

### (3) Overview of Consolidated Cash Flows for the Period under Review

Cash and cash equivalents (hereinafter “cash”) at the end of the fiscal year ended February 28, 2022 decreased by ¥10,838 million compared with the end of the previous fiscal year to ¥52,250 million, due mainly to cash used in financing activities in the amount of ¥18,128 million, despite cash provided by operating activities in the amount of ¥7,970 million. Cash flows for the fiscal year ended February 28, 2022 are as follows.

(Net cash provided by (used in) operating activities)

While cash provided by operating activities was ¥1,450 million for the previous fiscal year, cash provided by operating activities amounted to ¥7,970 million for the fiscal year ended February 28, 2022, due mainly to an increase in profit before income taxes by ¥5,565 million to ¥6,070 million after recording impairment losses of ¥1,659 million.

(Net cash provided by (used in) investing activities)

While cash used in investing activities was ¥1,188 million for the previous fiscal year, cash used in investing activities amounted to ¥679 million for the fiscal year ended February 28, 2022, due mainly to proceeds from sale of property, plant and equipment of ¥453 million, purchase of property, plant and equipment of ¥1,478 million, proceeds from refund of guarantee deposits of ¥1,687 million, payments of guarantee deposits of ¥832 million, and payments for asset retirement obligations of ¥348 million.

(Net cash provided by (used in) financing activities)

While cash provided by financing activities was ¥10,098 million for the previous fiscal year, cash used in financing activities amounted to ¥18,128 million for the fiscal year ended February 28, 2022, due mainly to dividends paid of ¥1,098 million, a net decrease in short-term borrowings of ¥14,750 million, and repayments of long-term borrowings of ¥1,811 million.

(Reference) Cash flow-related indicators

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Equity ratio (%)	46.4	47.5	49.1	41.0	50.5
Equity ratio based on market value (%)	84.3	83.2	70.6	69.4	78.8
Interest-bearing debt to cash flows ratio (%)	382.2	175.7	111.2	2,004.3	162.5
Interest-coverage ratio (times)	43.1	83.1	129.1	12.2	75.9

Equity ratio: Equity / Total assets

Equity ratio based on market value: Market capitalization of shares / Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt / Operating cash flows

Interest-coverage ratio: Operating cash flows / Interest payments

(4) Outlook for Fiscal 2023

While rising raw material prices have started affecting the economy, contributing to worsening consumer sentiment, all of priority preventative measures implemented in several prefectures were lifted in late March, and the impact on economic activities caused by COVID-19 is diminishing. Furthermore, it is expected that the government will introduce measures to normalize the economy, and it is assumed that personal consumption will recover gradually. Accordingly, for the fiscal year ending February 28, 2023, we forecast net sales to increase by 11.8% year on year to ¥150,000 million, operating profit to increase by 15.7% to ¥8,700 million, ordinary profit to increase by 8.3% to ¥8,300 million, and profit attributable to owners of parent to increase by 15.0% to ¥4,600 million.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	63,088	52,250
Notes and accounts receivable - trade	7,310	6,342
Merchandise and finished goods	9,709	10,736
Raw materials and supplies	31	30
Other	1,826	500
Allowance for doubtful accounts	(0)	—
<b>Total current assets</b>	<b>81,966</b>	<b>69,859</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,078	4,823
Machinery, equipment and vehicles, net	2	2
Land	546	397
Leased assets, net	843	1,183
Other, net	206	202
<b>Total property, plant and equipment</b>	<b>7,677</b>	<b>6,608</b>
Intangible assets	549	467
Investments and other assets		
Investment securities	1,728	1,594
Guarantee deposits	12,925	12,064
Deferred tax assets	2,813	2,615
Other	804	783
Allowance for doubtful accounts	(279)	(265)
<b>Total investments and other assets</b>	<b>17,992</b>	<b>16,792</b>
<b>Total non-current assets</b>	<b>26,220</b>	<b>23,868</b>
<b>Total assets</b>	<b>108,186</b>	<b>93,728</b>



(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	24,688	20,366
Short-term borrowings	15,000	250
Current portion of long-term borrowings	5,198	5,382
Accrued expenses	2,482	2,198
Income taxes payable	88	1,940
Provision for bonuses	1,642	1,777
Provision for bonuses for directors (and other officers)	14	204
Provision for sales returns	0	0
Provision for point card certificates	468	681
Other	2,599	3,531
<b>Total current liabilities</b>	<b>52,181</b>	<b>36,334</b>
<b>Non-current liabilities</b>		
Long-term borrowings	7,766	5,794
Retirement benefit liability	1,250	1,312
Provision for retirement benefits for directors (and other officers)	126	130
Long-term accounts payable - other	29	15
Lease obligations	667	974
Asset retirement obligations	1,795	1,753
Deferred tax liabilities	2	1
Other	13	21
<b>Total non-current liabilities</b>	<b>11,652</b>	<b>10,004</b>
<b>Total liabilities</b>	<b>63,834</b>	<b>46,339</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	3,181	3,181
Capital surplus	4,469	4,478
Retained earnings	39,040	41,943
Treasury shares	(2,172)	(2,173)
<b>Total shareholders' equity</b>	<b>44,518</b>	<b>47,430</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(21)	(16)
Remeasurements of defined benefit plans	(144)	(85)
<b>Total accumulated other comprehensive income</b>	<b>(166)</b>	<b>(101)</b>
<b>Non-controlling interests</b>	<b>—</b>	<b>60</b>
<b>Total net assets</b>	<b>44,351</b>	<b>47,389</b>
<b>Total liabilities and net assets</b>	<b>108,186</b>	<b>93,728</b>

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

## Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Net sales	108,522	134,200
Cost of sales	49,284	59,886
Gross profit	59,237	74,314
Provision for sales returns	(0)	(0)
Gross profit - net	59,237	74,314
Selling, general and administrative expenses		
Advertising and promotion expenses	3,537	4,827
Provision for point card certificates	153	213
Transportation and storage costs	4,302	5,925
Provision of allowance for doubtful accounts	0	—
Salaries, allowances and bonuses	15,982	17,953
Provision for bonuses	1,642	1,777
Provision for bonuses for directors (and other officers)	14	204
Retirement benefit expenses	161	191
Provision for retirement benefits for directors (and other officers)	4	3
Welfare expenses	3,345	3,507
Rent expenses	15,841	17,414
Lease expenses	123	127
Other	12,745	14,645
Total selling, general and administrative expenses	57,853	66,793
Operating profit	1,383	7,520
Non-operating income		
Interest income	1	1
Royalty income	25	13
Rental income	12	6
Foreign exchange gains	—	4
Subsidy income related to COVID	33	327
Other	61	63
Total non-operating income	135	416
Non-operating expenses		
Interest expenses	117	106
Provision of allowance for doubtful accounts	32	—
Share of loss of entities accounted for using equity method	287	146
Other	28	23
Total non-operating expenses	465	276
Ordinary profit	1,052	7,660
Extraordinary income		
Gain on sale of non-current assets	—	270
Gain on sale of golf membership	—	1
Gain on sale of investment securities	333	—
Total extraordinary income	333	272

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Extraordinary losses		
Loss on retirement of non-current assets	87	202
Impairment losses	793	1,659
Other	1	—
Total extraordinary losses	882	1,862
Profit before income taxes	504	6,070
Income taxes - current	682	1,927
Income taxes - deferred	(448)	170
Total income taxes	233	2,097
Profit	270	3,973
Profit attributable to non-controlling interests	—	(28)
Profit attributable to owners of parent	270	4,001

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Profit	270	3,973
Other comprehensive income		
Valuation difference on available-for-sale securities	(184)	0
Foreign currency translation adjustment	0	5
Remeasurements of defined benefit plans, net of tax	(59)	56
Share of other comprehensive income of entities accounted for using equity method	(19)	2
Total other comprehensive income	(262)	65
Comprehensive income	7	4,038
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7	4,066
Comprehensive income attributable to non-controlling interests	—	(28)

## (3) Consolidated Statements of Changes in Net Assets

Fiscal year ended February 28, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,181	4,469	40,969	(2,088)	46,531
Changes during period					
Dividends of surplus			(2,199)		(2,199)
Profit attributable to owners of parent			270		270
Purchase of treasury shares				(83)	(83)
Capital increase of consolidated subsidiaries					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(1,929)	(83)	(2,013)
Balance at end of period	3,181	4,469	39,040	(2,172)	44,518

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	183	(22)	(65)	96	—	46,627
Changes during period						
Dividends of surplus						(2,199)
Profit attributable to owners of parent						270
Purchase of treasury shares						(83)
Capital increase of consolidated subsidiaries						—
Net changes in items other than shareholders' equity	(184)	1	(79)	(262)	—	(262)
Total changes during period	(184)	1	(79)	(262)	—	(2,276)
Balance at end of period	(0)	(21)	(144)	(166)	—	44,351

Fiscal year ended February 28, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,181	4,469	39,040	(2,172)	44,518
Changes during period					
Dividends of surplus			(1,098)		(1,098)
Profit attributable to owners of parent			4,001		4,001
Purchase of treasury shares				(0)	(0)
Capital increase of consolidated subsidiaries		8			8
Net changes in items other than shareholders' equity					
Total changes during period	—	8	2,903	(0)	2,911
Balance at end of period	3,181	4,478	41,943	(2,173)	47,430

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(0)	(21)	(144)	(166)	—	44,351
Changes during period						
Dividends of surplus						(1,098)
Profit attributable to owners of parent						4,001
Purchase of treasury shares						(0)
Capital increase of consolidated subsidiaries					89	97
Net changes in items other than shareholders' equity	0	5	59	65	(28)	36
Total changes during period	0	5	59	65	60	3,037
Balance at end of period	(0)	(16)	(85)	(101)	60	47,389

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	504	6,070
Depreciation	1,896	1,756
Impairment losses	793	1,659
Increase (decrease) in allowance for doubtful accounts	32	(14)
Interest and dividend income	(10)	(1)
Interest expenses	117	106
Subsidies for employment adjustment, etc.	(1,021)	(618)
Share of loss (profit) of entities accounted for using equity method	287	146
Decrease (increase) in trade receivables	(875)	968
Decrease (increase) in inventories	(1,892)	(1,025)
Increase (decrease) in trade payables	3,947	(4,327)
Increase (decrease) in provision for bonuses	(94)	134
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4	3
Increase (decrease) in provision for bonuses for directors (and other officers)	(413)	190
Increase (decrease) in retirement benefit liability	123	145
Increase (decrease) in provision for sales returns	(0)	(0)
Increase (decrease) in provision for point card certificates	153	213
Loss on retirement of property, plant and equipment	88	202
Loss (gain) on sale of investment securities	(333)	–
Loss (gain) on sale of property, plant and equipment	–	(270)
Increase (decrease) in consumption taxes receivable payable	(1,728)	1,728
Other, net	147	(31)
Subtotal	1,726	7,037
Interest and dividends received	10	1
Interest paid	(118)	(105)
Proceeds from subsidies for employment adjustment, etc.	1,021	618
Payments of retirement benefits for directors (and other officers)	(12)	–
Income taxes refund (paid)	(1,176)	417
Net cash provided by (used in) operating activities	1,450	7,970

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,747)	(1,478)
Proceeds from sale of property, plant and equipment	–	453
Proceeds from sale of investment securities	830	–
Loan advances	(50)	–
Purchase of intangible assets	(84)	(161)
Payments of guarantee deposits	(674)	(832)
Proceeds from refund of guarantee deposits	741	1,687
Payments for asset retirement obligations	(204)	(348)
Net cash provided by (used in) investing activities	(1,188)	(679)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	13,206	(14,750)
Proceeds from long-term borrowings	1,052	23
Repayments of long-term borrowings	(1,301)	(1,811)
Purchase of treasury shares	(83)	(0)
Dividends paid	(2,199)	(1,098)
Proceeds from share issuance to non-controlling shareholders	–	97
Repayments of installment payables	(79)	(14)
Repayments of finance lease obligations	(495)	(576)
Net cash provided by (used in) financing activities	10,098	(18,128)
Net increase (decrease) in cash and cash equivalents	10,360	(10,838)
Cash and cash equivalents at beginning of period	52,727	63,088
Cash and cash equivalents at end of period	63,088	52,250