

Consolidated Financial Results
for the Six Months Ended August 31, 2022
[Japanese GAAP]

October 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: October 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: 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, 2022 (March 1, 2022 to August 31, 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	%
Six months ended August 31, 2022	78,193	—	7,582	167.1	7,710	176.0	4,808	232.8
Six months ended August 31, 2021	63,195	39.9	2,838	—	2,793	—	1,444	—

(Note) Comprehensive income: Six months ended August 31, 2022: ¥4,796 million [228.5%]

Six months ended August 31, 2021: ¥1,460 million [—%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2022	109.47	—
Six months ended August 31, 2021	32.89	—

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the three months ended May 31, 2022.

Therefore, changes in the net sales for the six months ended August 31, 2022 from the previous corresponding period are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of August 31, 2022	102,512	49,988	48.7
As of February 28, 2022	93,728	47,389	50.5

(Reference) Equity: As of August 31, 2022: ¥49,956 million

As of February 28, 2022: ¥47,328 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, 2022	—	0.00	—	50.00	50.00
Fiscal year ending February 28, 2023	—	0.00			
Fiscal year ending February 28, 2023 (Forecast)			—	50.00	50.00

(Note) Revision of dividend forecast: No

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
Full year	154,000	—	10,800	43.6	11,000	43.6	6,600	64.9	150.25

(Note) Revision of consolidated financial results forecast: No

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the three months ended May 31, 2022. Therefore, changes in the net sales from the consolidated financial results for the fiscal year ended February 28, 2022, before the said accounting standard and other standards have been applied, are not presented.

*** 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: Yes
 - 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, 2022	46,272,000 shares
As of February 28, 2022	46,272,000 shares

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

As of August 31, 2022	2,346,792 shares
As of February 28, 2022	2,346,244 shares

3) Average number of shares during the period:

Six months ended August 31, 2022	43,925,631 shares
Six months ended August 31, 2021	43,925,778 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 six months ended August 31, 2022 (March 1, 2022 to August 31, 2022), economic activities in Japan showed signs of a recovery as priority preventative measures for COVID-19 were lifted completely in late March. However, the spread of infections due to the seventh wave of COVID-19 is still affecting society, the overall economy, and personal consumption. Furthermore, the economic outlook is likely to remain uncertain primarily owing to the surge in raw material prices caused by Russia's invasion of Ukraine and the rapid depreciation of the Japanese yen.

Under such a business environment, the Company has made continued efforts to strengthen EC sales ever since COVID-19 began spreading. Aiming to become a "proposal-based lifestyle business for discerning customers," the Company has also expanded store sizes through new store openings and the increased floor space of existing stores, with a particular focus on 3COINS. As a result of these measures, net sales in the Apparel Business increased by ¥10,045 million year on year to ¥49,869 million and net sales in the Miscellaneous Goods/Accessories Business increased by ¥4,935 million year on year to ¥28,261 million.

As a result of the above, net sales for the six months ended August 31, 2022 increased by ¥14,998 million year on year to ¥78,193 million. In terms of profit, operating profit increased by ¥4,743 million year on year to ¥7,582 million, ordinary profit increased by ¥4,917 million year on year to ¥7,710 million, and profit attributable to owners of parent increased by ¥3,363 million year on year to ¥4,808 million.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the three months ended May 31, 2022, with the result that net sales for the six months ended August 31, 2022 were lower than they would have been using the previous accounting method by ¥1,659 million (¥1,529 million for the Apparel Business and ¥130 million for the Miscellaneous Goods/Accessories Business), but that operating profit, ordinary profit, profit before income taxes, and profit attributable to owners of parent remained the same. For details, please refer to "2. Consolidated Financial Statements, (3) Notes to Consolidated Financial Statements (Changes in Accounting Policies) (available in the original Japanese version only)" and "3. Additional Information, (1) Sales Results by Segment."

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥7,353 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥3,748 million, notes and accounts receivable - trade by ¥2,364 million, and merchandise and finished goods by ¥1,197 million.

Non-current assets increased by ¥1,431 million compared with the end of the previous fiscal year, due primarily to increases in buildings and structures by ¥766 million and other investments by ¥447 million.

(Liabilities)

Current liabilities increased by ¥4,864 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥3,488 million, provision for bonuses by ¥605 million, and income taxes payable by ¥568 million.

Non-current liabilities increased by ¥1,321 million compared with the end of the previous fiscal year, due primarily to increases in long-term borrowings by ¥775 million, asset retirement obligations by ¥360 million, and other non-current liabilities by ¥122 million.

(Net assets)

Net assets increased by ¥2,599 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥2,612 million.

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

There is no change to the consolidated financial results forecast announced on July 12, 2022.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	52,250	55,998
Notes and accounts receivable - trade	6,342	8,707
Merchandise and finished goods	10,736	11,933
Other	530	573
Total current assets	69,859	77,213
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,823	5,590
Other, net	1,784	2,255
Total property, plant and equipment	6,608	7,845
Intangible assets	467	425
Investments and other assets		
Guarantee deposits	12,064	11,852
Other	4,993	5,441
Allowance for doubtful accounts	(265)	(265)
Total investments and other assets	16,792	17,028
Total non-current assets	23,868	25,299
Total assets	93,728	102,512
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,366	23,855
Short-term borrowings	250	250
Current portion of long-term borrowings	5,382	5,012
Income taxes payable	1,940	2,509
Provision for bonuses	1,777	2,383
Provision for point card certificates	681	144
Provisions	204	214
Other	5,729	6,828
Total current liabilities	36,334	41,198
Non-current liabilities		
Long-term borrowings	5,794	6,570
Retirement benefit liability	1,312	1,372
Provisions	130	132
Asset retirement obligations	1,753	2,114
Other	1,012	1,135
Total non-current liabilities	10,004	11,325
Total liabilities	46,339	52,524

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Net assets		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,478	4,478
Retained earnings	41,943	44,555
Treasury shares	(2,173)	(2,174)
Total shareholders' equity	47,430	50,041
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(16)	(7)
Remeasurements of defined benefit plans	(85)	(77)
Total accumulated other comprehensive income	(101)	(85)
Non-controlling interests	60	32
Total net assets	47,389	49,988
Total liabilities and net assets	93,728	102,512

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Net sales	63,195	78,193
Cost of sales	28,386	34,523
Gross profit	34,809	43,669
Selling, general and administrative expenses	31,970	36,087
Operating profit	2,838	7,582
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	—	61
Royalty income	10	10
Foreign exchange gains	4	3
Subsidy income related to COVID	117	45
Other	30	70
Total non-operating income	163	191
Non-operating expenses		
Interest expenses	62	47
Share of loss of entities accounted for using equity method	131	—
Other	14	15
Total non-operating expenses	208	63
Ordinary profit	2,793	7,710
Extraordinary income		
Gain on sales of non-current assets	1	—
Gain on sales of golf membership	1	—
Total extraordinary income	2	—
Extraordinary losses		
Loss on retirement of non-current assets	83	13
Impairment losses	381	446
Total extraordinary losses	465	459
Profit before income taxes	2,330	7,251
Income taxes - current	704	2,804
Income taxes - deferred	181	(332)
Total income taxes	886	2,471
Profit	1,444	4,780
Loss attributable to non-controlling interests	—	(28)
Profit attributable to owners of parent	1,444	4,808

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit	1,444	4,780
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	3	8
Remeasurements of defined benefit plans, net of tax	9	6
Share of other comprehensive income of entities accounted for using equity method	3	2
Total other comprehensive income	15	16
Comprehensive income	1,460	4,796
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,460	4,825
Comprehensive income attributable to non-controlling interests	—	(28)

3. Additional Information

(1) Sales Results by Segment (Consolidated)

	Six months ended August 31, 2021	Six months ended August 31, 2022
	million yen	million yen
Apparel Business	39,824	49,869
Miscellaneous Goods/ Accessories Business	23,325	28,261
Other	45	62
Total	63,195	78,193

(Notes) As disclosed in “Changes in Accounting Policies (available in the original Japanese version only)” the Company has applied the Accounting Standard for Revenue Recognition and other standards from the beginning of the three months ended May 31, 2022 and changed the accounting method for revenue recognition. Accordingly, the Company also changed the method for calculating segment earnings. Because of this, percent changes in segment sales between the period under review and the previous corresponding period (before said standards were applied) are not shown above. As a result of this change, compared to the previous accounting method, segment sales for the Apparel Business and the Miscellaneous Goods/Accessories Business decreased by ¥1,529 million and ¥130 million, respectively, while the Other segment sales remained the same.

(2) Status of Stores (Consolidated)

	Six months ended August 31, 2022
Number of stores as of February 28, 2022	902 stores
Number of new stores	52 stores
Number of closed stores	21 stores
Number of stores as of August 31, 2022	933 stores