

**Consolidated Financial Results**  
**for the Nine Months Ended November 30, 2023**  
**[Japanese GAAP]**

January 10, 2024

Company name: PAL GROUP Holdings CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2726

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Scheduled date of filing quarterly securities report: January 15, 2024

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, 2023 (March 1, 2023 to November 30, 2023)**

(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, 2023	142,545	18.1	15,548	25.5	15,761	25.1	10,353	29.5
Nine months ended November 30, 2022	120,672	—	12,387	119.9	12,596	120.2	7,993	117.2

(Note) Comprehensive income: Nine months ended November 30, 2023: ¥10,360 million [29.9%]

Nine months ended November 30, 2022: ¥7,973 million [116.2%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended November 30, 2023	118.55	—
Nine months ended November 30, 2022	90.99	—

(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, the change in net sales for the nine months ended November 30, 2022 from the previous corresponding period is not presented.

(Note) The Company conducted a stock split on September 1, 2023 at a ratio of two shares for one share of common stock. Accordingly, basic earnings per share are calculated assuming that the stock split took place at the beginning of the fiscal year ended February 28, 2023.

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of November 30, 2023	128,926	60,760	47.1
As of February 28, 2023	112,510	55,191	49.0

(Reference) Equity: As of November 30, 2023: ¥60,760 million

As of February 28, 2023: ¥55,182 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, 2023	—	0.00	—	75.00	75.00
Fiscal year ending February 29, 2024	—	0.00	—		
Fiscal year ending February 29, 2024 (Forecast)				50.00	50.00

(Note) Revision of dividend forecast: Yes

(Note) The Company conducted a stock split on September 1, 2023 at a ratio of two shares for one share of common stock. The actual dividend amount before the stock split is stated for the fiscal year ended February 28, 2023. The year-end dividend forecast for the fiscal year ending February 29, 2024 reflects the stock split.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 to February 29, 2024)

(% 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	184,270	12.0	18,970	19.9	19,140	19.2	12,450	25.1	142.76

(Note) Revision of consolidated financial results forecast: No

(Note) The Company conducted a stock split on September 1, 2023 at a ratio of two shares for one share of common stock. Accordingly, the forecast of basic earnings per share for the fiscal year ending February 29, 2024 is stated taking into account the impact of the stock split.

**\* 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, 2023	92,544,000 shares
As of February 28, 2023	92,544,000 shares

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

As of November 30, 2023	5,720,704 shares
As of February 28, 2023	4,693,828 shares

3) Average number of shares during the period:

Nine months ended November 30, 2023	87,336,658 shares
Nine months ended November 30, 2022	87,850,951 shares

(Note) The Company conducted a stock split on September 1, 2023 at a ratio of two shares for one share of common stock. Accordingly, “total number of issued shares at the end of the period,” “total number of treasury shares at the end of the period,” and “average number of shares during the period” are calculated assuming that the stock split took place at the beginning of the fiscal year ended February 28, 2023.

\* 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, 2023 (March 1, 2023 to November 30, 2023), the Japanese economy showed a gradual pickup as there were signs of recovery in areas such as personal consumption and the employment situation due to the relaxation of various regulations including the reclassification of COVID-19 from Class 2 to Class 5 under the Infectious Diseases Control Law. However, the impact of soaring utility costs and raw material prices caused by prolonged Russia's invasion of Ukraine and higher prices due to the depreciation of the Japanese yen is still continuing. In addition, the rising temperatures have resulted in a shorter autumn, causing the apparel industry to miss opportunities to sell autumn and winter gear. Furthermore, wage costs and delivery costs are rising resulting from labor shortages, creating a difficult operating environment for retailers that operate stores.

Under such a business environment, the Company has continued its efforts to strengthen EC sales and online promotions ever since COVID-19 began spreading. We focus on providing services as well as creating points of contact and strengthening connections with customers by employing tools such as the official app, social networking services (SNS), and e-mail newsletters, aiming for long-term interchangeable utilization of online and offline channels. The number of our official app members has exceeded 9.1 million, with 10 million in sight. As influencers, employees of the Company proactively approach target customers through SNS, attracting more customers to the Company's EC sites and stores. The number of followers of individual staff accounts of SNS has surpassed 13.4 million. The flexible utilization of EC, making full use of not only the Company's own EC platform PAL CLOSET, but also ZOZOTOWN, has contributed to boosting sales.

Both the number of customers visiting and sales at physical stores are rising, as the easing of self-restraint regulations led to an increase in foot traffic and a turnaround in commercial facilities attracting customers. We have accelerated new store openings and expanded the size of existing stores with a focus on 3COINS, which will celebrate the 30th anniversary in April 2024.

In addition, we continued to implement our priority measures that have been in place, including optimizing inventory and improving gross profit margins through the enforcement of the 4-week merchandizing, and optimizing personnel costs and streamlining store operations through efficient shift scheduling.

Through these measures, net sales in the Apparel Business increased by ¥10,802 million year on year to ¥88,496 million and net sales in the Miscellaneous Goods/Accessories Business increased by ¥11,026 million year on year to ¥53,904 million.

As a result of the above, net sales for the nine months ended November 30, 2023 increased by ¥21,872 million year on year to ¥142,545 million. In terms of profit, operating profit increased by ¥3,161 million year on year to ¥15,548 million, ordinary profit increased by ¥3,164 million year on year to ¥15,761 million, and profit attributable to owners of parent increased by ¥2,360 million year on year to ¥10,353 million.

Since our establishment in October 1973, we have correctly grasped the trends toward sophistication of fashion sensibility and toward the accompanying diversification and differentiation in fashion market. As a result of our repeated proposals in response to such trends, we have established an unshakable position in the fashion industry as a company that meets consumer needs with the ability to offer multiple concepts, and the year 2023 marked our 50th anniversary. We will continue to make further proposals to a new fashion life and contribute to society through the development of clothing culture.

## (2) Explanation of Financial Position

### (Assets)

Current assets increased by ¥14,076 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥324 million, notes and accounts receivable - trade by ¥4,687 million, and merchandise and finished goods by ¥6,989 million.

Non-current assets increased by ¥2,338 million compared with the end of the previous fiscal year, due primarily to increases in buildings and structures by ¥1,708 million, other property, plant and equipment by ¥154 million, and guarantee deposits by ¥221 million.

### (Liabilities)

Current liabilities increased by ¥7,530 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥10,016 million and other current liabilities by ¥3,553 million, despite decreases in income taxes payable by ¥2,210 million and provision for bonuses by ¥792 million.

Non-current liabilities increased by ¥3,316 million compared with the end of the previous fiscal year, due primarily to increases in long-term borrowings by ¥2,844 million and asset retirement obligations by ¥493 million.

### (Net assets)

Net assets increased by ¥5,568 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥7,059 million, offset by ¥1,497 million purchase of treasury shares.

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

Given the financial results for the period under review, the Company has revised its earlier dividend forecast announced on October 11, 2023 in the “Consolidated Financial Results for the Six Months Ended August 31, 2023.” For details, please refer to the “Notice Concerning Revision of Dividend Forecast (available in the original Japanese version only)” released today.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2023	As of November 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	63,845	64,169
Notes and accounts receivable - trade	8,554	13,241
Merchandise and finished goods	12,518	19,508
Other	577	2,653
<b>Total current assets</b>	<b>85,496</b>	<b>99,573</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,940	8,649
Other, net	2,179	2,333
<b>Total property, plant and equipment</b>	<b>9,120</b>	<b>10,983</b>
Intangible assets	333	346
Investments and other assets		
Guarantee deposits	11,774	11,996
Other	5,840	6,081
Allowance for doubtful accounts	(54)	(54)
<b>Total investments and other assets</b>	<b>17,560</b>	<b>18,023</b>
<b>Total non-current assets</b>	<b>27,014</b>	<b>29,353</b>
<b>Total assets</b>	<b>112,510</b>	<b>128,926</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	24,335	34,351
Short-term borrowings	250	250
Current portion of long-term borrowings	3,064	-
Income taxes payable	4,828	2,618
Provision for bonuses	2,602	1,809
Provision for point card certificates	178	211
Provisions	546	540
Other	7,431	10,985
<b>Total current liabilities</b>	<b>43,237</b>	<b>50,767</b>
Non-current liabilities		
Long-term borrowings	8,118	10,962
Retirement benefit liability	1,337	1,415
Provisions	135	137
Asset retirement obligations	3,402	3,896
Other	1,088	987
<b>Total non-current liabilities</b>	<b>14,082</b>	<b>17,399</b>
<b>Total liabilities</b>	<b>57,319</b>	<b>68,166</b>

(Millions of yen)

	As of February 28, 2023	As of November 30, 2023
Net assets		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,478	4,478
Retained earnings	49,703	56,762
Treasury shares	(2,174)	(3,672)
Total shareholders' equity	55,187	60,749
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	3
Foreign currency translation adjustment	(13)	0
Remeasurements of defined benefit plans	6	7
Total accumulated other comprehensive income	(5)	10
Non-controlling interests	8	–
Total net assets	55,191	60,760
Total liabilities and net assets	112,510	128,926



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

## Consolidated Statements of Income

(Millions of yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Net sales	120,672	142,545
Cost of sales	53,065	62,818
Gross profit	67,606	79,726
Selling, general and administrative expenses	55,219	64,177
Operating profit	12,387	15,548
Non-operating income		
Interest income	1	0
Share of profit of entities accounted for using equity method	138	264
Royalty income	12	8
Foreign exchange gains	–	3
Subsidy income related to COVID	45	–
Other	91	65
Total non-operating income	289	342
Non-operating expenses		
Interest expenses	62	64
Commission for purchase of treasury shares	–	30
Other	17	35
Total non-operating expenses	79	129
Ordinary profit	12,596	15,761
Extraordinary losses		
Loss on retirement of non-current assets	28	118
Impairment losses	480	239
Total extraordinary losses	509	358
Profit before income taxes	12,087	15,403
Income taxes - current	4,225	4,962
Income taxes - deferred	(90)	95
Total income taxes	4,134	5,058
Profit	7,952	10,344
Loss attributable to non-controlling interests	(41)	(8)
Profit attributable to owners of parent	7,993	10,353

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Profit	7,952	10,344
Other comprehensive income		
Valuation difference on available-for-sale securities	0	1
Foreign currency translation adjustment	8	13
Remeasurements of defined benefit plans, net of tax	9	(0)
Share of other comprehensive income of entities accounted for using equity method	3	1
Total other comprehensive income	21	16
Comprehensive income	7,973	10,360
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,014	10,369
Comprehensive income attributable to non-controlling interests	(41)	(8)

### 3. Additional Information

#### (1) Sales Results by Segment (Consolidated)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023	Percent change year-on-year
	million yen	million yen	%
Apparel Business	77,694	88,496	113.9
Miscellaneous Goods/ Accessories Business	42,877	53,904	125.7
Other	100	144	143.3
Total	120,672	142,545	118.1

#### (2) Status of Stores (Consolidated)

	Nine months ended November 30, 2023
Number of stores as of February 28, 2023	927 stores
Number of new stores	75 stores
Number of closed stores	36 stores
Number of stores as of November 30, 2023	966 stores