

Consolidated Financial Results
for the Nine Months Ended November 30, 2022
[Japanese GAAP]

January 11, 2023

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 12, 2023

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, 2022 (March 1, 2022 to November 30, 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	%
Nine months ended November 30, 2022	120,672	—	12,387	119.9	12,596	120.2	7,993	117.2
Nine months ended November 30, 2021	98,512	27.8	5,633	288.4	5,720	366.3	3,680	521.2

(Note) Comprehensive income: Nine months ended November 30, 2022: ¥7,973 million [116.2%]

Nine months ended November 30, 2021: ¥3,688 million [523.6%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended November 30, 2022	181.98	—
Nine months ended November 30, 2021	83.80	—

(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 Nine months ended November 30, 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 November 30, 2022	114,548	53,165	46.4
As of February 28, 2022	93,728	47,389	50.5

(Reference) Equity: As of November 30, 2022: ¥53,145 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)				75.00	75.00

(Note) Revision of dividend forecast: Yes

(Note) Breakdown of year-end dividend forecast for the fiscal year ending February 28, 2023:

Ordinary dividend: ¥60.00

Commemorative dividend to mark the Company's 50th anniversary: ¥15.00

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	160,000	—	13,700	82.2	13,950	82.1	8,650	116.2	196.92

(Note) Revision of consolidated financial results forecast: Yes

(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 November 30, 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 November 30, 2022	2,346,854 shares
As of February 28, 2022	2,346,244 shares

3) Average number of shares during the period:

Nine months ended November 30, 2022	43,925,475 shares
Nine months ended November 30, 2021	43,925,771 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, 2022 (March 1, 2022 to November 30, 2022), economic activities in Japan showed signs of a recovery as priority preventative measures for COVID-19 were lifted completely in late March, followed by the relaxation of behavioral restrictions and overseas travel restrictions. However, the economic outlook is likely to remain uncertain primarily owing to the surge in prices of energy resources and raw material caused by prolonged 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. The easing of self-restraint restrictions has led to an increase in foot traffic and a turnaround in commercial facilities attracting customers. As a result, net sales in the Apparel Business increased by ¥14,709 million year on year to ¥77,694 million and net sales in the Miscellaneous Goods/Accessories Business increased by ¥7,420 million year on year to ¥42,877 million.

As a result of the above, net sales for the nine months ended November 30, 2022 increased by ¥22,159 million year on year to ¥120,672 million. In terms of profit, operating profit increased by ¥6,754 million year on year to ¥12,387 million, ordinary profit increased by ¥6,875 million year on year to ¥12,596 million, and profit attributable to owners of parent increased by ¥4,312 million year on year to ¥7,993 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 nine months ended November 30, 2022 were lower than they would have been using the previous accounting method by ¥2,665 million (¥2,441 million for the Apparel Business and ¥224 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 ¥18,926 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥7,678 million, notes and accounts receivable - trade by ¥5,284 million, and merchandise and finished goods by ¥5,654 million.

Non-current assets increased by ¥1,893 million compared with the end of the previous fiscal year, due primarily to increases in buildings and structures by ¥1,372 million and other non-current assets by ¥332 million.

(Liabilities)

Current liabilities increased by ¥13,700 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥9,218 million, income taxes payable by ¥1,249 million, and other current liabilities by ¥4,085 million.

Non-current liabilities increased by ¥1,342 million compared with the end of the previous fiscal year, due primarily to increases in long-term borrowings by ¥598 million, asset retirement obligations by ¥494 million, and other non-current liabilities by ¥159 million.

(Net assets)

Net assets increased by ¥5,776 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥5,797 million.

(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 financial results forecasts announced on July 12, 2022 in the “Notice Concerning Revision of Financial Results Forecast for the Six Months Ending August 31, 2022 and Full-year Financial Results Forecast (available in the original Japanese version only).” For details, please refer to “Notice Concerning Upward Revision of Full-year Financial Results Forecast and Dividend Forecasts for the Fiscal Year Ending February 28, 2023 (available in the original Japanese version only)” released today.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	52,250	59,928
Notes and accounts receivable - trade	6,342	11,626
Merchandise and finished goods	10,736	16,391
Other	530	840
Total current assets	69,859	88,786
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,823	6,196
Other, net	1,784	2,116
Total property, plant and equipment	6,608	8,313
Intangible assets	467	388
Investments and other assets		
Guarantee deposits	12,064	12,035
Other	4,993	5,078
Allowance for doubtful accounts	(265)	(54)
Total investments and other assets	16,792	17,059
Total non-current assets	23,868	25,761
Total assets	93,728	114,548
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,366	29,585
Short-term borrowings	250	250
Current portion of long-term borrowings	5,382	5,076
Income taxes payable	1,940	3,190
Provision for bonuses	1,777	1,599
Provision for point card certificates	681	173
Provisions	204	344
Other	5,729	9,815
Total current liabilities	36,334	50,035
Non-current liabilities		
Long-term borrowings	5,794	6,393
Retirement benefit liability	1,312	1,399
Provisions	130	134
Asset retirement obligations	1,753	2,248
Other	1,012	1,172
Total non-current liabilities	10,004	11,347
Total liabilities	46,339	61,382

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Net assets		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,478	4,478
Retained earnings	41,943	47,741
Treasury shares	(2,173)	(2,174)
Total shareholders' equity	47,430	53,226
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)	(72)
Total accumulated other comprehensive income	(101)	(80)
Non-controlling interests	60	19
Total net assets	47,389	53,165
Total liabilities and net assets	93,728	114,548

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Net sales	98,512	120,672
Cost of sales	43,483	53,065
Gross profit	55,029	67,606
Selling, general and administrative expenses	49,396	55,219
Operating profit	5,633	12,387
Non-operating income		
Interest income	1	1
Share of profit of entities accounted for using equity method	–	138
Royalty income	12	12
Rental income	6	–
Foreign exchange gains	3	–
Subsidy income related to COVID	236	45
Other	31	91
Total non-operating income	290	289
Non-operating expenses		
Interest expenses	80	62
Share of loss of entities accounted for using equity method	99	–
Other	21	17
Total non-operating expenses	202	79
Ordinary profit	5,720	12,596
Extraordinary income		
Gain on sale of non-current assets	270	–
Gain on sale of golf membership	1	–
Total extraordinary income	272	–
Extraordinary losses		
Loss on retirement of non-current assets	98	28
Impairment losses	457	480
Total extraordinary losses	555	509
Profit before income taxes	5,437	12,087
Income taxes - current	1,340	4,225
Income taxes - deferred	430	(90)
Total income taxes	1,770	4,134
Profit	3,667	7,952
Loss attributable to non-controlling interests	(13)	(41)
Profit attributable to owners of parent	3,680	7,993

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Profit	3,667	7,952
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	12	9
Share of other comprehensive income of entities accounted for using equity method	5	3
Total other comprehensive income	20	21
Comprehensive income	3,688	7,973
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,701	8,014
Comprehensive income attributable to non-controlling interests	(13)	(41)

3. Additional Information

(1) Sales Results by Segment (Consolidated)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
	million yen	million yen
Apparel Business	62,984	77,694
Miscellaneous Goods/ Accessories Business	35,456	42,877
Other	71	100
Total	98,512	120,672

(Note) 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 ¥2,441 million and ¥224 million, respectively, while the Other segment sales remained the same.

(2) Status of Stores (Consolidated)

	Nine months ended November 30, 2022
Number of stores as of February 28, 2022	902 stores
Number of new stores	85 stores
Number of closed stores	33 stores
Number of stores as of November 30, 2022	954 stores