

# Consolidated Financial Results for the Six Months Ended August 31, 2023 [Japanese GAAP]

October 11, 2023

Company name: PAL GROUP Holdings CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2726

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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, 2023 (March 1, 2023 to August 31, 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	%
Six months ended August 31, 2023	94,145	20.4	10,299	35.8	10,384	34.7	7,001	45.6
Six months ended August 31, 2022	78,193	—	7,582	167.1	7,710	176.0	4,808	232.8

(Note) Comprehensive income: Six months ended August 31, 2023: ¥7,004 million [46.0%]

Six months ended August 31, 2022: ¥4,796 million [228.5%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2023	79.93	—
Six months ended August 31, 2022	54.73	—

(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 six months ended August 31, 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 August 31, 2023	117,748	57,404	48.8
As of February 28, 2023	112,510	55,191	49.0

(Reference) Equity: As of August 31, 2023: ¥57,404 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)			—	30.00	30.00

(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: Yes

(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 August 31, 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 August 31, 2023	5,720,704 shares
As of February 28, 2023	4,693,828 shares

3) Average number of shares during the period:

Six months ended August 31, 2023	87,593,338 shares
Six months ended August 31, 2022	87,851,262 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 six months ended August 31, 2023 (March 1, 2023 to August 31, 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 operating environment remains difficult for retailers that operate stores, due to the continuing 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, compounded by rising wage costs and delivery costs resulting from labor shortages.

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 8.6 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 11.7 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.

The Company, which is marking its 50th anniversary this year, held its first joint preorder exhibition of its brands in August, where a variety of events including trying on new products and talk shows were organized over two days. To commemorate Disney's 100th anniversary, 22 brands, ranging from apparel to miscellaneous goods, have been offering a diverse lineup of Disney character designs under the theme of "Disney100" since July.

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 next year the 30th anniversary of opening its first store in Chayamachi, Kita-ku, Osaka in April 1994.

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 ¥7,803 million year on year to ¥57,673 million and net sales in the Miscellaneous Goods/Accessories Business increased by ¥8,113 million year on year to ¥36,375 million.

As a result of the above, net sales for the six months ended August 31, 2023 increased by ¥15,951 million year on year to ¥94,145 million. In terms of profit, operating profit increased by ¥2,717 million year on year to ¥10,299 million, ordinary profit increased by ¥2,673 million year on year to ¥10,384 million, and profit attributable to owners of parent increased by ¥2,193 million year on year to ¥7,001 million.

## (2) Explanation of Financial Position

### (Assets)

Current assets increased by ¥3,603 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts receivable - trade by ¥1,773 million and merchandise and finished goods by ¥1,970 million, despite a decrease in cash and deposits by ¥1,941 million.

Non-current assets increased by ¥1,633 million compared with the end of the previous fiscal year, due primarily to an increase in buildings and structures by ¥1,031 million.

### (Liabilities)

Current liabilities decreased by ¥530 million compared with the end of the previous fiscal year, due mainly to decreases in current portion of long-term borrowings by ¥3,064 million and income taxes payable by ¥1,377 million, despite an increase in notes and accounts payable - trade by ¥3,796 million.

Non-current liabilities increased by ¥3,555 million compared with the end of the previous fiscal year, due primarily to increases in long-term borrowings by ¥3,066 million and asset retirement obligations by ¥323 million.

### (Net assets)

Net assets increased by ¥2,212 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥3,707 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 financial results and dividend forecasts announced on April 11, 2023 in the “Consolidated Financial Results for the Fiscal Year Ended February 28, 2023.” For details, please refer to “Notice Concerning Revision of Financial Results and Dividend Forecasts (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 August 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	63,845	61,903
Notes and accounts receivable - trade	8,554	10,328
Merchandise and finished goods	12,518	14,489
Other	577	2,378
<b>Total current assets</b>	<b>85,496</b>	<b>89,099</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,940	7,972
Other, net	2,179	2,458
<b>Total property, plant and equipment</b>	<b>9,120</b>	<b>10,430</b>
Intangible assets	333	337
Investments and other assets		
Guarantee deposits	11,774	11,886
Other	5,840	6,047
Allowance for doubtful accounts	(54)	(54)
<b>Total investments and other assets</b>	<b>17,560</b>	<b>17,879</b>
<b>Total non-current assets</b>	<b>27,014</b>	<b>28,648</b>
<b>Total assets</b>	<b>112,510</b>	<b>117,748</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	24,335	28,132
Short-term borrowings	250	250
Current portion of long-term borrowings	3,064	-
Income taxes payable	4,828	3,451
Provision for bonuses	2,602	2,772
Provision for point card certificates	178	199
Provisions	546	331
Other	7,431	7,569
<b>Total current liabilities</b>	<b>43,237</b>	<b>42,706</b>
Non-current liabilities		
Long-term borrowings	8,118	11,184
Retirement benefit liability	1,337	1,388
Provisions	135	136
Asset retirement obligations	3,402	3,725
Other	1,088	1,202
<b>Total non-current liabilities</b>	<b>14,082</b>	<b>17,637</b>
<b>Total liabilities</b>	<b>57,319</b>	<b>60,344</b>

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Net assets		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,478	4,478
Retained earnings	49,703	53,410
Treasury shares	(2,174)	(3,672)
Total shareholders' equity	55,187	57,397
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	2
Foreign currency translation adjustment	(13)	(2)
Remeasurements of defined benefit plans	6	6
Total accumulated other comprehensive income	(5)	6
Non-controlling interests	8	–
Total net assets	55,191	57,404
Total liabilities and net assets	112,510	117,748



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

## Consolidated Statements of Income

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Net sales	78,193	94,145
Cost of sales	34,523	41,817
Gross profit	43,669	52,327
Selling, general and administrative expenses	36,087	42,027
Operating profit	7,582	10,299
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	61	128
Royalty income	10	6
Foreign exchange gains	3	6
Subsidy income related to COVID	45	–
Other	70	42
Total non-operating income	191	185
Non-operating expenses		
Interest expenses	47	43
Commission for purchase of treasury shares	–	30
Other	15	26
Total non-operating expenses	63	100
Ordinary profit	7,710	10,384
Extraordinary losses		
Loss on retirement of non-current assets	13	90
Impairment losses	446	143
Total extraordinary losses	459	233
Profit before income taxes	7,251	10,150
Income taxes - current	2,804	3,204
Income taxes - deferred	(332)	(46)
Total income taxes	2,471	3,157
Profit	4,780	6,992
Loss attributable to non-controlling interests	(28)	(8)
Profit attributable to owners of parent	4,808	7,001

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Profit	4,780	6,992
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	8	10
Remeasurements of defined benefit plans, net of tax	6	(0)
Share of other comprehensive income of entities accounted for using equity method	2	1
Total other comprehensive income	16	12
Comprehensive income	4,796	7,004
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,825	7,013
Comprehensive income attributable to non-controlling interests	(28)	(8)

### 3. Additional Information

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

	Six months ended August 31, 2022	Six months ended August 31, 2023	Percent change year-on-year
	million yen	million yen	%
Apparel Business	49,869	57,673	115.6
Miscellaneous Goods/ Accessories Business	28,261	36,375	128.7
Other	135	170	125.5
Total	78,266	94,218	120.4

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

	Six months ended August 31, 2023
Number of stores as of February 28, 2023	927 stores
Number of new stores	48 stores
Number of closed stores	28 stores
Number of stores as of August 31, 2023	947 stores