

Fiscal Year Ended February 29, 2024

Materials for Financial Results Briefing

April 17, 2024

PAL GROUP Holdings CO., LTD.

Securities code: 2726

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Management dedicated to the happiness of all employees and shareholders



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PAL GROUP HOLDINGS

Financial Report

Review of Financial Results

for the Fiscal Year Ended February 29, 2024

Financial Results Forecast

for the Fiscal Year Ending February 28, 2025



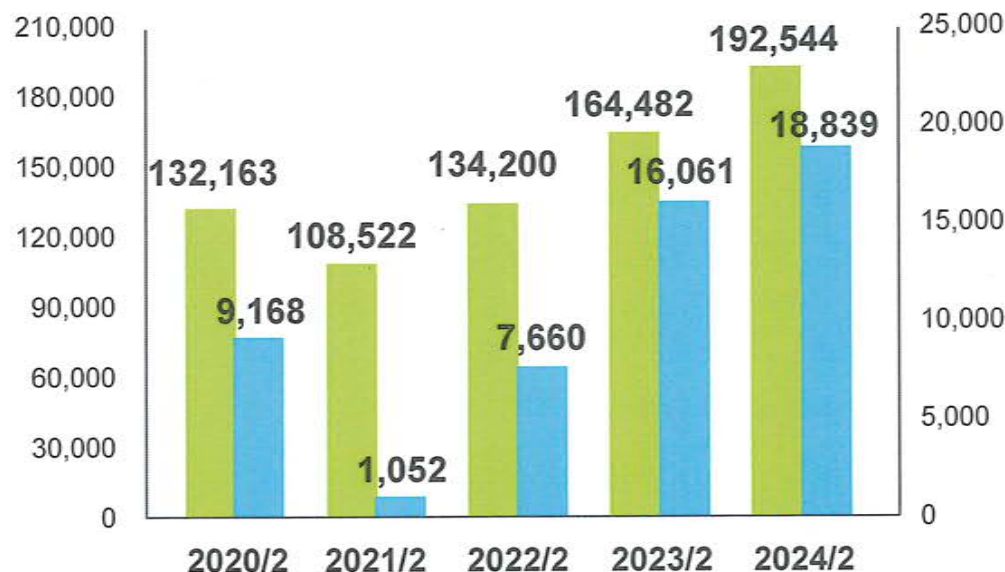
Review on the previous fiscal year

In the previous fiscal year, personal consumption recovered dramatically following the lifting of movement restrictions in May, leading to upward revisions of the financial results forecast made at the end of the first half of the fiscal year. Store sales in the apparel business made a rapid recovery and combined with the increase in E-commerce (EC) sales, resulted in record high net sales. In the miscellaneous goods/accessories business, the "3COINS" business continued to achieve significant growth, and this momentum is continuing into the current fiscal year.

In terms of profits, the increase in regular sales at stores and on EC platforms in the apparel business supported the record high profits reported in all categories. However, the effects of the continued yen depreciation and higher costs pushed down profit in the miscellaneous goods/accessories business, and the situation remained difficult from the second half of the fiscal year. In order to achieve profit recovery, we will endeavor to strengthen the development of products priced above 300 yen and strengthen direct trade on the purchasing side.

Consolidated ■ Net Sales ■ Ordinary Profit

(Millions of yen)

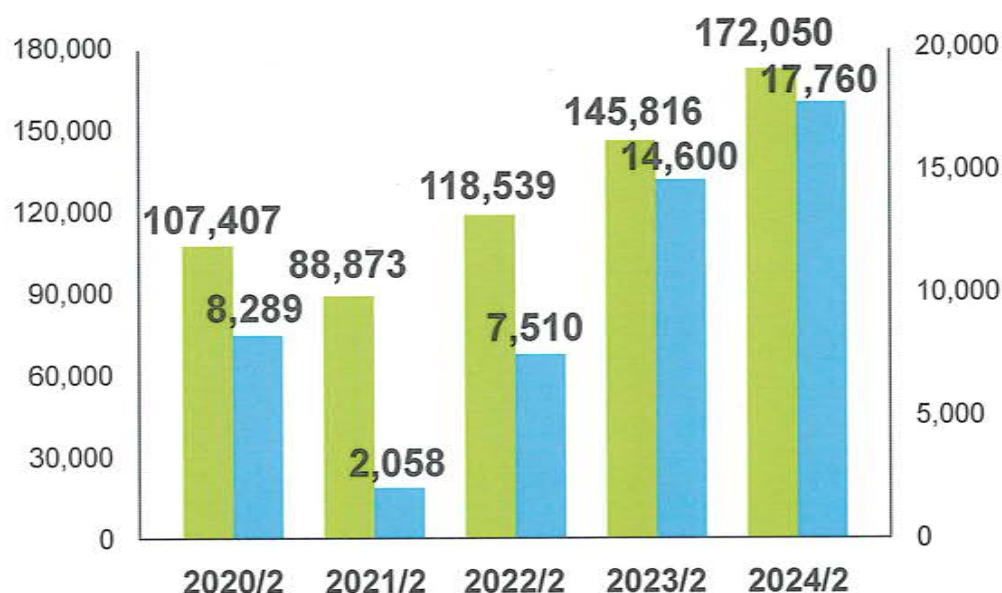


Non-consolidated

(PAL GROUP Holdings CO., LTD. + PAL CO., LTD.)

■ Net Sales ■ Ordinary Profit

(Millions of yen)



Consolidated Statements of Income of PAL GROUP Holdings CO., LTD.
for the Fiscal Year Ended February 29, 2024

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024			
			Forecast	Actual results		
					Changes from the previous corresponding period	Compared to forecast
Net sales	134,200	164,482	184,270	192,544	117.1%	104.5%
Gross profit	74,314	90,221	101,667	106,283	117.8%	104.5%
(% of net sales)	55.4%	54.9%	55.2%	55.2%	0.3%	0.0%
Operating profit	7,520	15,822	18,970	18,605	117.6%	98.1%
(% of net sales)	5.6%	9.6%	10.3%	9.7%	0.1%	-0.6%
Ordinary profit	7,660	16,061	19,140	18,839	117.3%	98.4%
(% of net sales)	5.7%	9.8%	10.4%	9.8%	0.0%	-0.6%
Profit attributable to owners of parent	4,001	9,955	12,450	12,845	129.0%	103.2%
(% of net sales)	3.0%	6.1%	6.8%	6.7%	0.6%	-0.1%

- PAL CO., LTD., NICE CLAUP Co., LTD., and NOLLEY'S co., Ltd. achieved record high net sales and profits, resulting in the significant growth of the apparel business.
- Almost ¥1.1 billion had been allocated as at the end of the fiscal year as provision for retirement benefits for directors (and other officers); therefore, operating profit and ordinary profit were slightly lower than forecasts.

Non-consolidated Statements of Income of PAL GROUP Holdings CO., LTD. PAL GROUP HOLDINGS
and PAL CO., LTD. for the Fiscal Year Ended February 29, 2024

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024			
			Forecast	Actual results		
					Changes from the previous corresponding period	Compared to forecast
Net sales	118,539	145,816	155,421	172,051	118.0%	110.7%
Gross profit	66,229	80,383	85,712	95,038	118.2%	110.9%
(% of net sales)	55.9%	55.1%	55.1%	55.2%	0.1%	0.1%
Operating profit	7,296	14,529	15,273	17,814	122.6%	116.6%
(% of net sales)	6.2%	10.0%	9.8%	10.4%	0.4%	0.6%
Ordinary profit	7,510	14,600	15,056	17,760	121.6%	118.0%
(% of net sales)	6.3%	10.0%	9.7%	10.3%	0.3%	0.6%
Profit	4,230	9,316	9,330	11,826	126.9%	126.8%
(% of net sales)	3.6%	6.4%	6.0%	6.9%	0.5%	0.9%

- Almost all of the nearly 50 brands in the PAL GROUP's apparel business reported net sales exceeding the previous year's. Sales and profits of our town brands (dress-up brands), which struggled the most during the COVID-19 crisis, have shown particularly strong growth. In the current fiscal year, we believe there will be a need to respond to the new post-COVID consumption environment.
- The "3COINS" business continued to receive inquiries about openings of new large-scale stores "3COINS+plus," and sales at existing stores also grew significantly. However, the continued sharp depreciation of the yen is making the profit environment increasingly difficult. Our policy is to respond by strengthening the development of products priced above 300 yen and increasing direct purchasing from PAL (Shanghai).

Financial Situation of NICE CLAUP Co., LTD.
for the Fiscal Year Ended February 29, 2024

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 28, 2022 Actual results	Fiscal year ended February 28, 2023 Actual results	Fiscal year ended February 29, 2024 Actual results	Changes from the previous fiscal year
Net sales	12,843	15,460	16,638	107.6%
Operating profit	227	742	1,422	191.6%
Ordinary profit	255	756	1,427	188.7%
Profit	(155)	497	1,040	209.2%

- Although sales were sluggish in September and October 2023 due to our failure to predict temperatures, we achieved record net sales for the year. We will continue to strengthen our current sales strategy in the fiscal year ending February 28, 2025.
- EC sales amounted to ¥6.47 billion, accounting for 38% share and representing 116% year-on-year increase, or a double-digit increase. The total number of SNS followers exceeds 1.54 million, an increase of 700,000 followers from the previous fiscal year. Some of our staff have over 120,000 followers of their personal SNS accounts. This is unquestionably linked to both EC sales and store sales
- We increased the size of 6 stores in the fiscal year ended February 29, 2024, and plan to increase the size of 7 stores in the fiscal year ending February 28, 2025. Our plan to convert 20% of the total number of stores to large-sized stores by the end of the fiscal year ending February 28, 2025 is making steady progress.
- In the fiscal year ended February 29, 2024, our new brand launches included "F&B," a sustainable brand, "LARUTA," aimed at adults, and "LIMMSE," a brand offering matching outfits for couples, in efforts to expand the number of brands. All of these brands are steadily gaining fans.

Overview of Sales Results and E-commerce Net Sales by Segment

PAL GROUP HOLDINGS

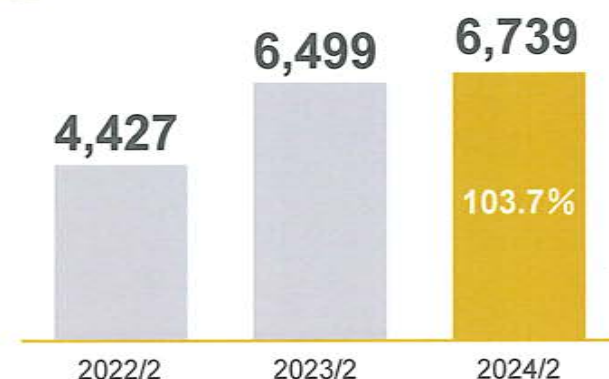
(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	Changes from the previous fiscal year
Apparel				
Net sales	87,109	105,781	119,767	113.2%
Composition %	64.9%	64.3%	62.2%	-2.1%
Operating profit	3,354	12,516	16,609	132.7%
Operating profit %	3.9%	11.8%	13.9%	2.1%
Miscellaneous Goods/Accessories				
Net sales	46,997	58,559	72,577	123.9%
Composition %	35.0%	35.6%	37.7%	2.1%
Operating profit	4,176	3,285	1,978	60.2%
Operating profit %	8.9%	5.6%	2.7%	-2.9%
Other				
Net sales	93	141	198	140.4%
	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	Changes from the previous fiscal year
E-commerce net sales				
ZOZO TOWN	17,424	20,789	24,715	118.9%
PAL CLOSET (Our online store)	11,554	15,373	19,277	125.4%
Other	3,911	3,421	4,405	128.8%
Total	32,889	39,583	48,397	122.3%
Ratio to apparel net sales	37.8%	37.4%	40.4%	3.0P

- The apparel business was the driving force, and we achieved significant growth in both net sales and profits.
- EC sales continued to perform well. In the current fiscal year, we aim to achieve net sales of over ¥60 billion and app membership of 12 million.

Main Brands

Net sales (Millions of yen)



Kastane

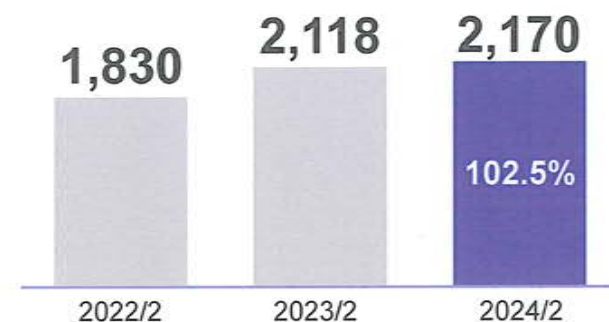
Based on the American classic, we offer authentic styles beyond generations and genders. Express yourself as you find your own style.

Kastane

28 stores



Net sales (Millions of yen)



Lui's

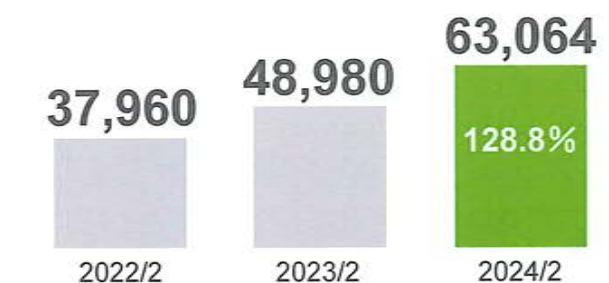
Based on the concept "wardrobe for popular man," we propose a mixed coordinate between mode and street styles. We select products with a high regard for comfort, fabric cutting and materials and introduce them to both domestic and overseas markets.

Lui's

11 stores



Net sales (Millions of yen)



3COINS

We have a wide range of products from basic lifestyle goods to goods for interior space design and products with intriguing designs. 3COINS, a miscellaneous goods store where there are always new discoveries whenever you visit, promises to bring you a spark of excitement every time. We offer a wide variety of 300-yen goods, everything from lifestyle goods to interior goods, fashion accessories, mobile items, kids' items and more.

3COINS

306 stores



Selling, General and Administrative Expenses

PAL GROUP HOLDINGS

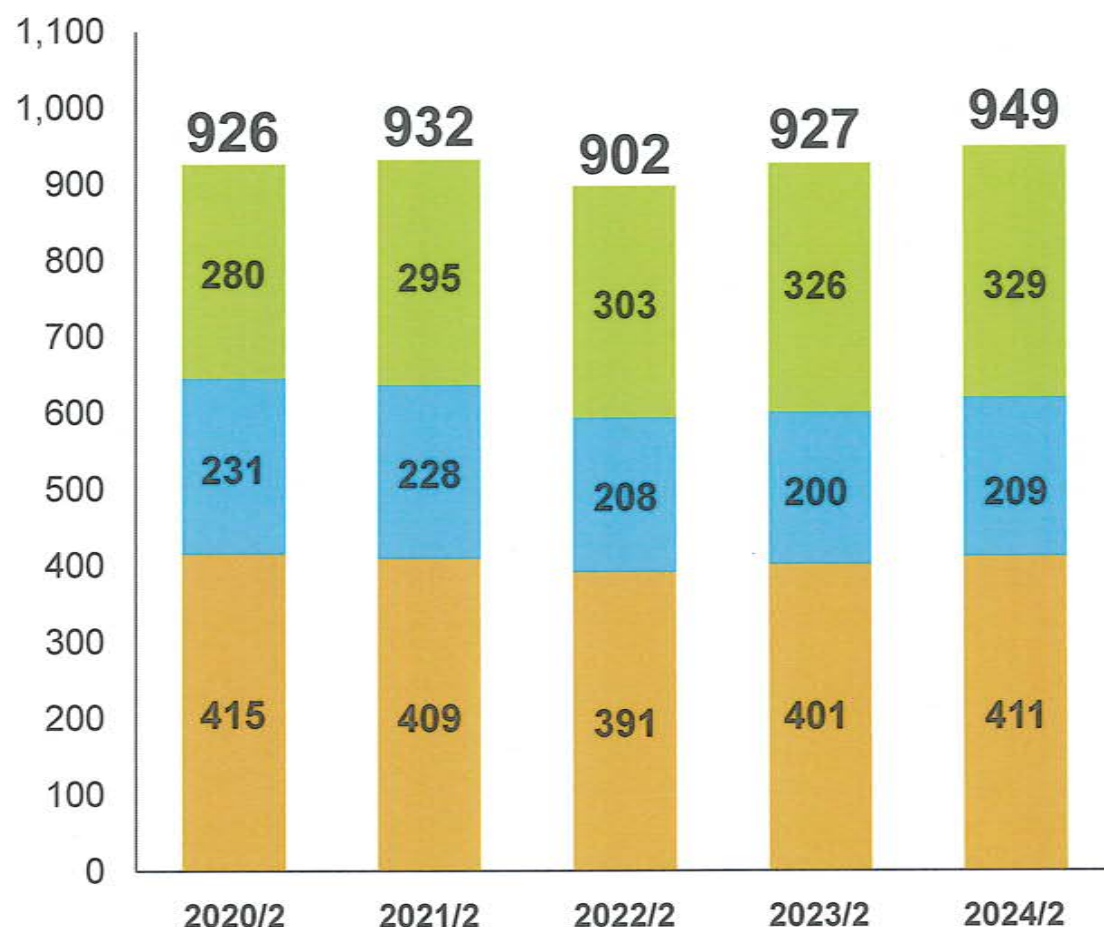
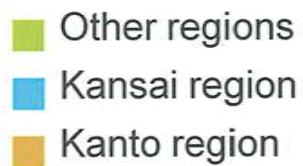
(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	Changes from the previous fiscal year
Non-consolidated PAL GROUP Holdings CO., LTD. + PAL CO., LTD.	58,933	65,853	77,224	117.3%
Consolidated	66,793	74,399	87,677	117.8%
SG&A ratio (consolidated)	49.8%	45.2%	45.5%	0.3P
Personnel expenses ratio	17.6%	16.4%	17.0%	0.6P
Rent expenses ratio	13.0%	12.0%	11.4%	-0.6P
Advertising expenses ratio	2.5%	0.9%	0.9%	—

- The SG&A ratio increased by 0.6 point due to personnel expenses, including provision for retirement benefits of approximately ¥1.1 billion, as well as base increases and increases in executive allowances. The reduction in rents is continuing, driven by the strong performance of 3COINS, and advertising expenses remain largely unchanged due to strong controls.

Number of Stores

Number of stores
as of February 29, 2024: 949
(+22 compared to the end of the previous fiscal year)



● Status of opening/closing stores

The number of stores increased by 22 from the end of the previous fiscal year as a result of opening 80 stores and closing 58 stores.

In the apparel business, we opened 39 new stores and closed 45 stores, resulting in a net decrease of 6 stores. The Company is in the process of creating larger store sizes, and opened 3 Discoat stores while closing 2 small-scale stores. We also closed 3 OLIVE des OLIVE stores due to outlet integration.

In the miscellaneous goods/accessories business, we opened 41 3COINS stores and closed 12 Salut! stores, resulting in a net increase of 28 stores due to adjustments to overlapping price ranges.

Extraordinary Income or Losses

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Gain on sale of non-current assets	270	—	—
Gain on sale of golf membership	1	—	—
Total extraordinary income	272	—	—
Loss on retirement of non-current assets	202	30	120
Impairment losses	1,659	801	480
Total extraordinary losses	1,862	831	600

- Having analyzed the impact of the COVID-19 crisis by the previous fiscal year, we accelerated the scrapping of brands through brand reductions and reorganized existing small-scale stores in brands for which the Company is promoting larger store sizes. These efforts to achieve an appropriate store composition led to a sharp reduction in impairment losses to ¥600 million.

Consolidated Balance Sheets

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	Changes from the previous fiscal year	Remarks
Current assets	69,859	85,496	96,692	11,196	
Cash and deposits	52,250	63,845	67,228	3,383	
Accounts receivable - trade	6,342	8,554	10,374	1,820	
Inventories	10,766	12,542	16,523	3,981	
Other	500	554	2,565	2,011	
Non-current assets	23,868	27,014	30,230	3,216	
Property, plant and equipment	6,608	9,120	10,905	1,785	
Intangible assets	467	333	393	60	
Investments and other assets	16,792	17,561	18,931	1,370	
Total assets	93,728	112,510	126,922	14,412	
Current liabilities	36,334	43,237	45,023	1,786	
Non-current liabilities	10,004	14,082	18,453	4,371	
Total liabilities	46,339	57,319	63,477	6,158	
Total net assets	47,389	55,191	63,444	8,253	Equity ratio 50.0%
Total liabilities and net assets	93,728	112,510	126,922	14,412	

Consolidated Statements of Cash Flows

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cash flows from operating activities	7,970	17,029	13,460
Cash flows from investing activities	(679)	(2,599)	(4,404)
Cash flows from financing activities	(18,128)	(2,835)	(5,672)
Net increase (decrease) in cash and cash equivalents	(10,838)	11,595	3,383
Cash and cash equivalents at beginning of period	63,088	52,250	63,845
Cash and cash equivalents at end of period	52,250	63,845	67,228

- While sales have increased significantly, operating cash flows continue to steadily expand, and cash and cash equivalents at the end of the period increased by ¥3,383 million.

Consolidated and Non-consolidated Full-year Financial Results Forecast of PAL GROUP Holdings CO., LTD. + PAL CO., LTD. for the Fiscal Year Ending February 28, 2025

PAL GROUP HOLDINGS

(Millions of yen)

1. Consolidated

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	First half ending August 31, 2024	Second half ending February 28, 2025	Fiscal year ending February 28, 2025	Changes from the previous fiscal year
Net sales	134,200	164,482	192,544	99,217	104,287	203,500	105.7%
Gross profit	74,314	90,221	106,283	54,740	57,663	112,400	105.8%
SG&A expenses	66,793	74,399	87,677	45,560	46,714	92,280	105.2%
Operating profit	7,520	15,822	18,605	9,180	10,948	20,120	108.1%
Ordinary profit	7,660	16,061	18,839	9,275	11,099	20,370	108.1%
Extraordinary income or losses	(1,590)	(831)	(600)	(300)	(300)	(600)	0.0%
Profit attributable to owners of parent	4,001	9,955	12,845	5,888	7,082	12,940	100.7%
Gross profit ratio	55.4%	54.9%	55.2%	55.2%	55.3%	55.2%	0.0P

2. Non-consolidated

(PAL GROUP Holdings CO., LTD. + PAL CO., LTD.)	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025	Changes from the previous fiscal year
Net sales	118,539	145,816	172,050	180,300	104.8%
Gross profit	66,229	80,383	95,038	98,470	103.6%
SG&A expenses	58,933	65,853	77,224	81,170	105.1%
Operating profit	7,296	14,529	17,813	17,300	97.1%
Ordinary profit	7,510	14,600	17,760	17,110	96.3%
Extraordinary income or losses	(1,647)	(826)	(464)	(600)	129.3%
Profit	4,230	9,316	11,826	10,640	90.0%
Gross profit ratio	55.9%	55.1%	55.2%	54.6%	(0.6%)

- In the apparel business, we expect steady growth in both net sales and profits. However, the extreme yen depreciation continues to delay profit recovery in the miscellaneous goods/accessories business, and although we are in the process of responding to the situation, we believe we must remain patient for the time being.

Premises for Full-year Financial Results Forecast for the Fiscal Year Ending February 28, 2025

PAL GROUP HOLDINGS

1. Number of stores

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	Fiscal year ending February 28, 2025 (those fixed as of today)
Number of new stores	47	92	80	60
Number of closed stores	77	67	58	20
Net increase in number of stores	(30)	25	22	40
Number of stores at the end of the period	902	927	949	989

2. Sales at existing stores (Total for the PAL Group companies)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	First half ended August 31, 2023 Actual results	Second half ended February 29, 2024 Actual results	Fiscal year ended February 29, 2024 Actual results	Fiscal year ending February 28, 2025 Forecast
Sales at existing stores	136.0	120.0	113.1	109.2	111.1	103.0
Of which, sales at existing retail stores	164.3	116.5	109.1	103.9	106.6	101.0
Of which, sales at existing stores via internet	132.5	128.8	124.1	125.0	124.6	121.0

	March 2022	March 2023	April	May	June	July	August	September	October	November	December	January 2024	February
Sales at existing stores	111.1	110.9	117.6	108.7	110.3	119.1	112.3	110.2	109.0	109.7	107.7	108.0	111.4
Of which, sales at existing retail stores	104.0	108.5	109.1	105.2	107.5	117.4	109.8	105.1	103.3	105.3	101.6	102.1	106.6
Of which, sales at existing stores via internet	139.9	114.2	134.9	136.7	118.0	123.1	119.4	128.0	127.0	121.6	124.5	123.6	126.8

3. Sales at all stores

	March 2022	March 2023	April	May	June	July	August	September	October	November	December	January 2023	February	Full year
Sales at all stores	113.7	118.4	125.7	118.0	113.2	128.3	120.2	117.0	113.8	115.2	112.7	113.1	119.9	118.0
Of which, E- commerce	142.6	111.6	132.6	133.6	116.6	121.4	117.7	123.7	124.7	119.0	122.8	121.1	124.6	122.3

4. Number of customers and average spending per customer

	Average spending per customer compared to the fiscal year ended February 28, 2023	Number of customers compared to the fiscal year ended February 28, 2023
Apparel Business	107.5%	102.0%
Miscellaneous Goods/ Accessories Business	102.9%	121.7%

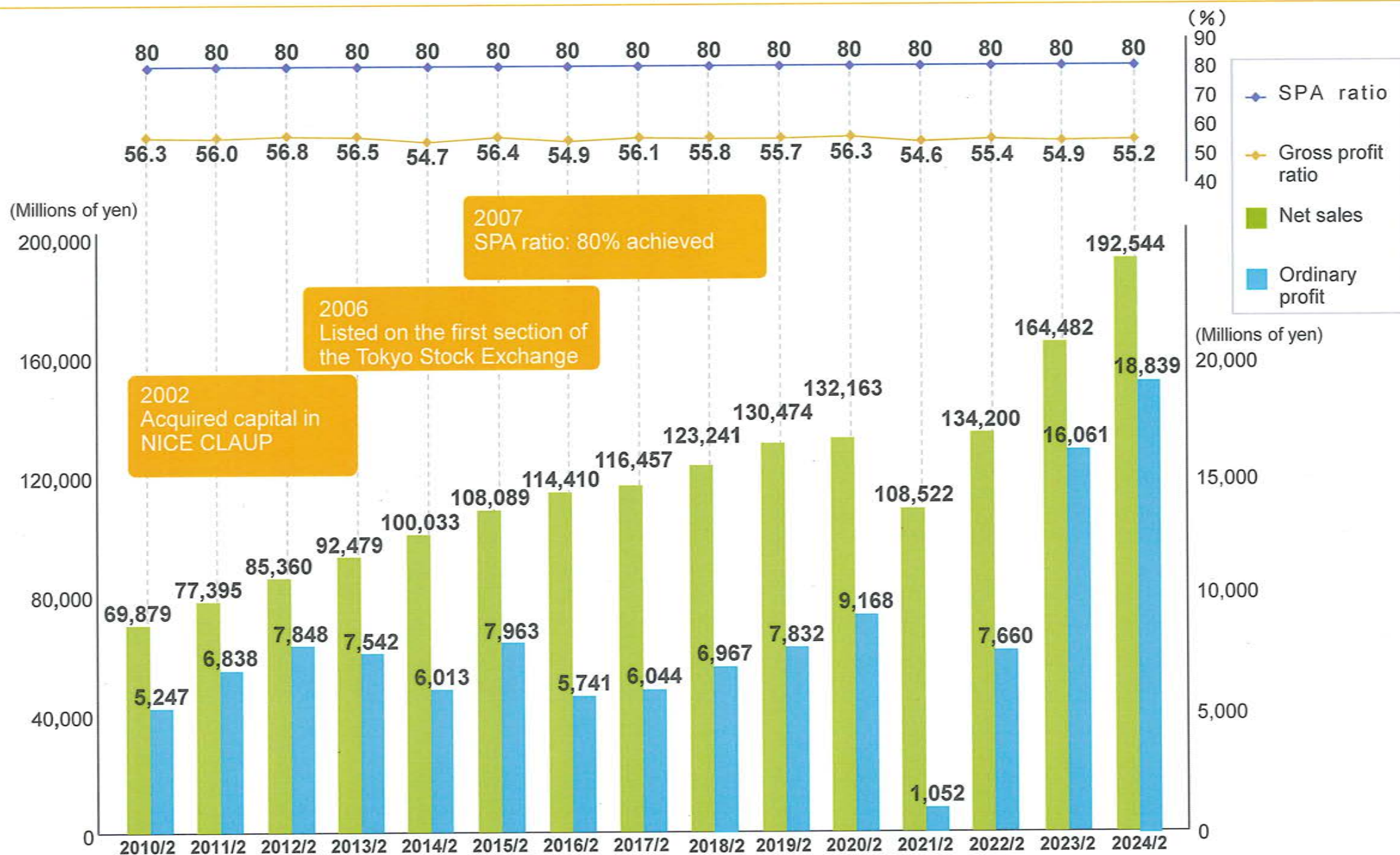
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Management Vision

Business Results Trend
Medium- to Long-term Vision

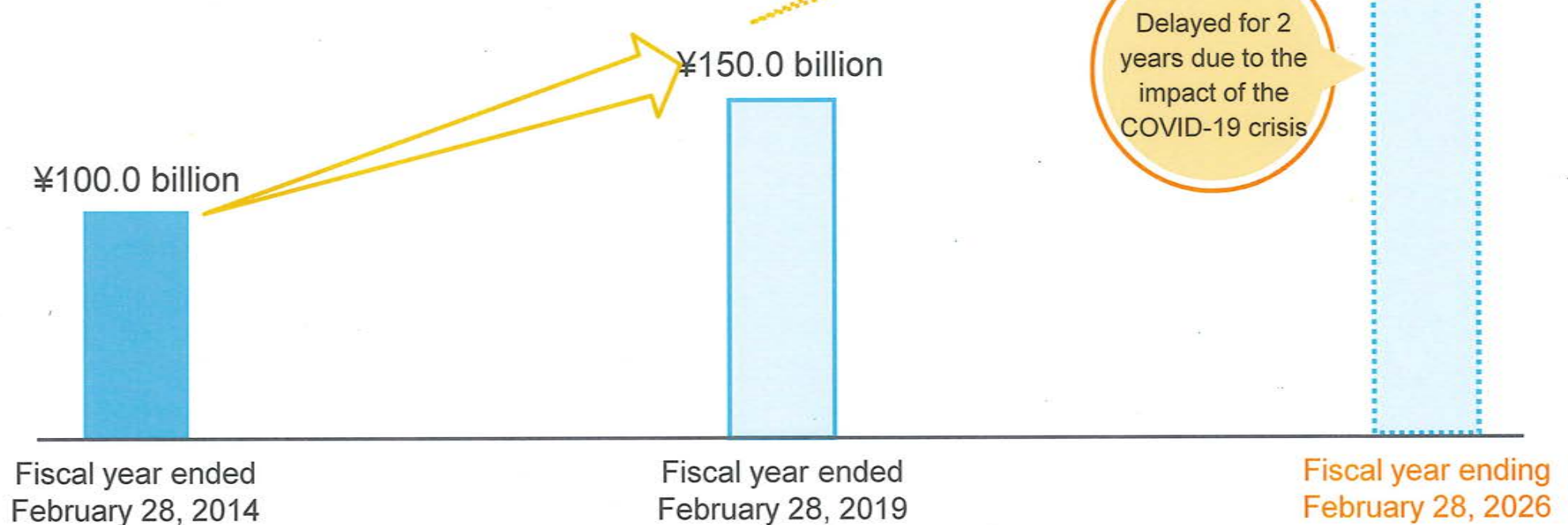


Business Results Trend



Business strategies

- Further penetration of “PAL-style” management to Group companies: transition to a holding company structure
- Creation of new brands (In-house proposals, external collaboration and M&A, etc.) ¥300.0 billion
- Enhancement of infrastructure: IT, logistics, production
- Promoting overseas business
- Promoting online business



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Topics

1. Change of Representative Director
 - 1-1). Hidetaka Inoue, founder and Chairman, becomes Advisor
 - 1-2). Message from the Founder (The Future we Entrust to the Next Generation)
2. Progress of the Reform of MD
3. Enhancement of E-Commerce Sales
 - 3-1). Trend in EC net sales
 - 3-2). Trend in PAL App membership
4. Initiative for Sustainability
 - 4-1). Sustainability Report 2024
 - 4-2). Supplier Code of Conduct/Local Revitalization Activities
5. Business Transfer from Ray Cassin Co., Ltd.



1-1). Hidetaka Inoue, founder and Chairman, becomes Advisor

It has been announced that Chairman Hidetaka Inoue and President Ryuta Inoue, members of the founding family, have relinquished their representative rights, and Vice President Isamu Matsuo has been appointed Chairman, Representative Director and CEO.

Chairman Hidetaka Inoue, who has driven the expansion of the Company's business for over half a century since the founding of the Company in 1962 and PAL CO., LTD. in 1973, retired as Chairman and Representative Director in the fiscal year ended February 29, 2024, and stepped away from the frontline of management. At the press conference announcing his retirement, Chairman Inoue gave the following three reasons for his retirement.

- In addition to the newly appointed Chairman Matsuo, five colleagues have been trained as managers and I have no reservations about entrusting them with management.

- The fiscal year ended February 29, 2024 saw our best financial results ever.

- Going forward, the founding family will be in a position to monitor management as a major shareholder.

Isamu Matsuo (Note), the new Chairman, Representative Director and CEO who will take over management, joined the Company when it was known as Scotch Yofukuten K.K. He is a manager who has supported PAL's management for over 50 years as the founder's right-hand man, and in whom the founder has full confidence. Together with the five colleagues, he will further develop the PAL Group.



(Note) Scheduled to be formally appointed as Representative Director following a resolution at the 52nd Ordinary General Meeting of Shareholders to be held on May 29, 2024 and a resolution at the Board of Directors' meeting to be held on the same day.

1-2). Message from the Founder (The Future we Entrust to the Next Generation)

PAL GROUP HOLDINGS

Founder's Message

The Future we Entrust to the Next Generation

Chairman and Representative Director
PAL GROUP Holdings CO., LTD

Hidetaka Inoue

I founded a men's clothing store in Osaka 65 years ago, and it has already been 51 years since I subsequently established a jeans store, which was the forerunner of today's PAL Group. The PAL Group has since grown to a size that exceeds ¥184 billion in sales for the fiscal year ended February 29, 2024 (estimate as of November 2023). The Company's management philosophy, "happiness for everyone," expresses my personal values of valuing people. We have diligently built a corporate structure that to us is obvious; ensuring that all workers work hard every day with a sense of purpose and use their wisdom to make every effort in their work so that the fruits of their labor are recognized and reflected in their compensation. Officers, employees, and staff who have grown as a result of those efforts support the PAL Group today. The COVID-19 crisis that suddenly emerged several years ago has since abated, and the Company's financial structure is currently robust and our business performance continues to be strong. If now is the right time, I can confidently entrust the organization we have built over the past 51 years to the next generation of employees that we have trained.

Looking back, my job as a manager was to think about how I could reward the many people involved through the business. The aim of creating a business structure that would generate stable revenue was to pay as much salary as possible to the relevant employees on a regular basis.

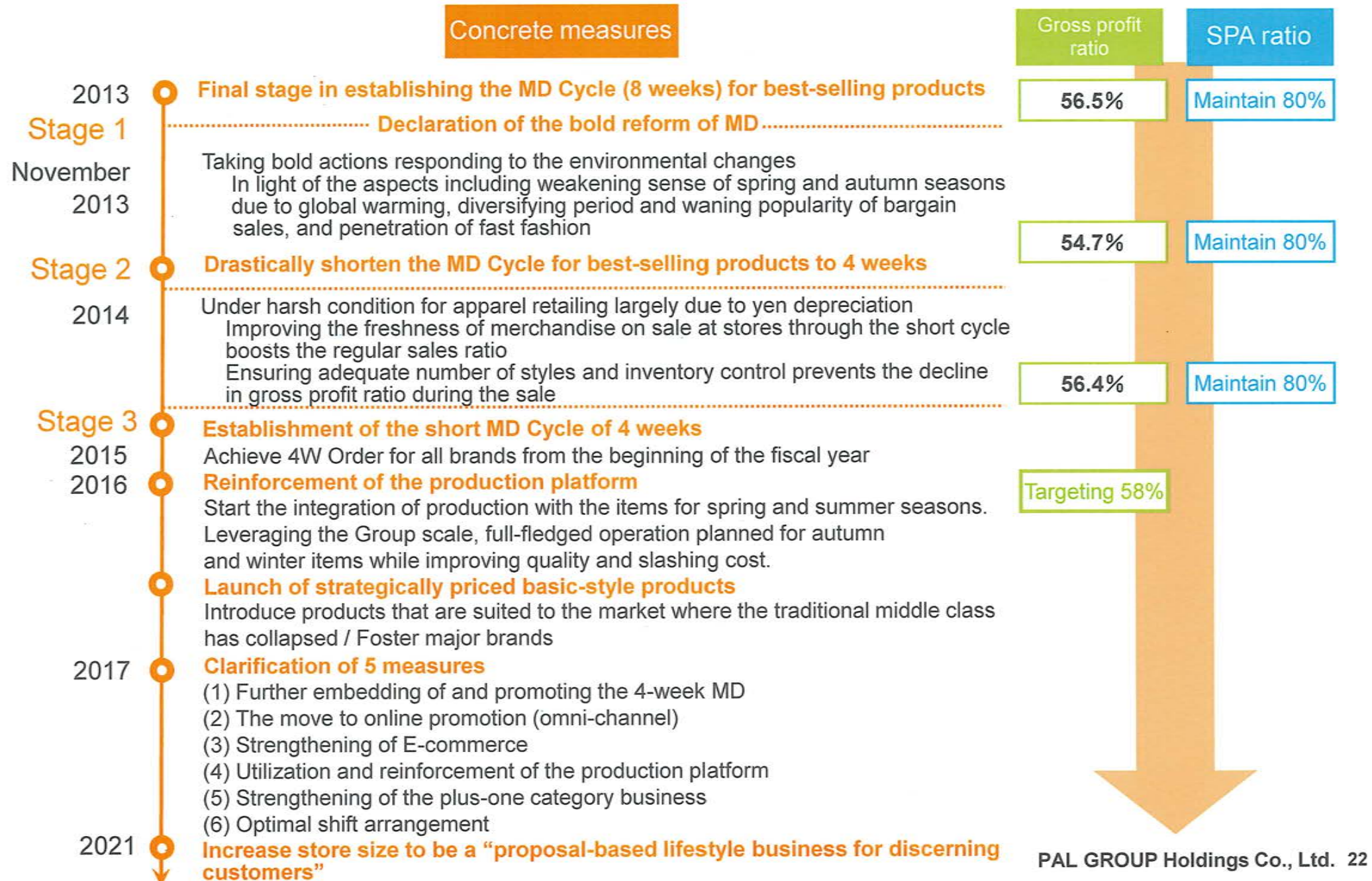
As the salaries of people everywhere increase, personal consumption will expand to create a society with a smooth economic cycle, thereby enriching local communities and the country. In fact, the period of high economic growth during the Showa era was a period when everyone was busy but filled with dreams. I hope that future generations will continue to have the same passion for moving forward that I had back then.

I was once a struggling student who graduated from school with a scholarship and a part-time job. After that, I entered the workforce and started a business, but I had to prioritize repaying my scholarship and when my company went through a difficult time, it meant that my wife and family also faced hardships. For this reason, 10 years ago, I established the PAL Inoue Scholarship Foundation to support struggling students. It was my wife's idea. In view of our own experience, the scholarship does not need to be repaid. This activity, which started out as a way to support determined students, has provided scholarships to more than 500 recipients as of this year. I have high hopes for these students in their future activities.

In the 65 years since founding a business, I have experienced both good times and bad, but I have always pushed ahead with a steadfast belief in valuing people. The future that we entrust to the next generation will undoubtedly be a time of equality for all and filled with possibilities. I sincerely hope that this beautiful planet, which is home to us all, will continue to exist for a long time in a state of peace.



2. Progress of the Reform of MD



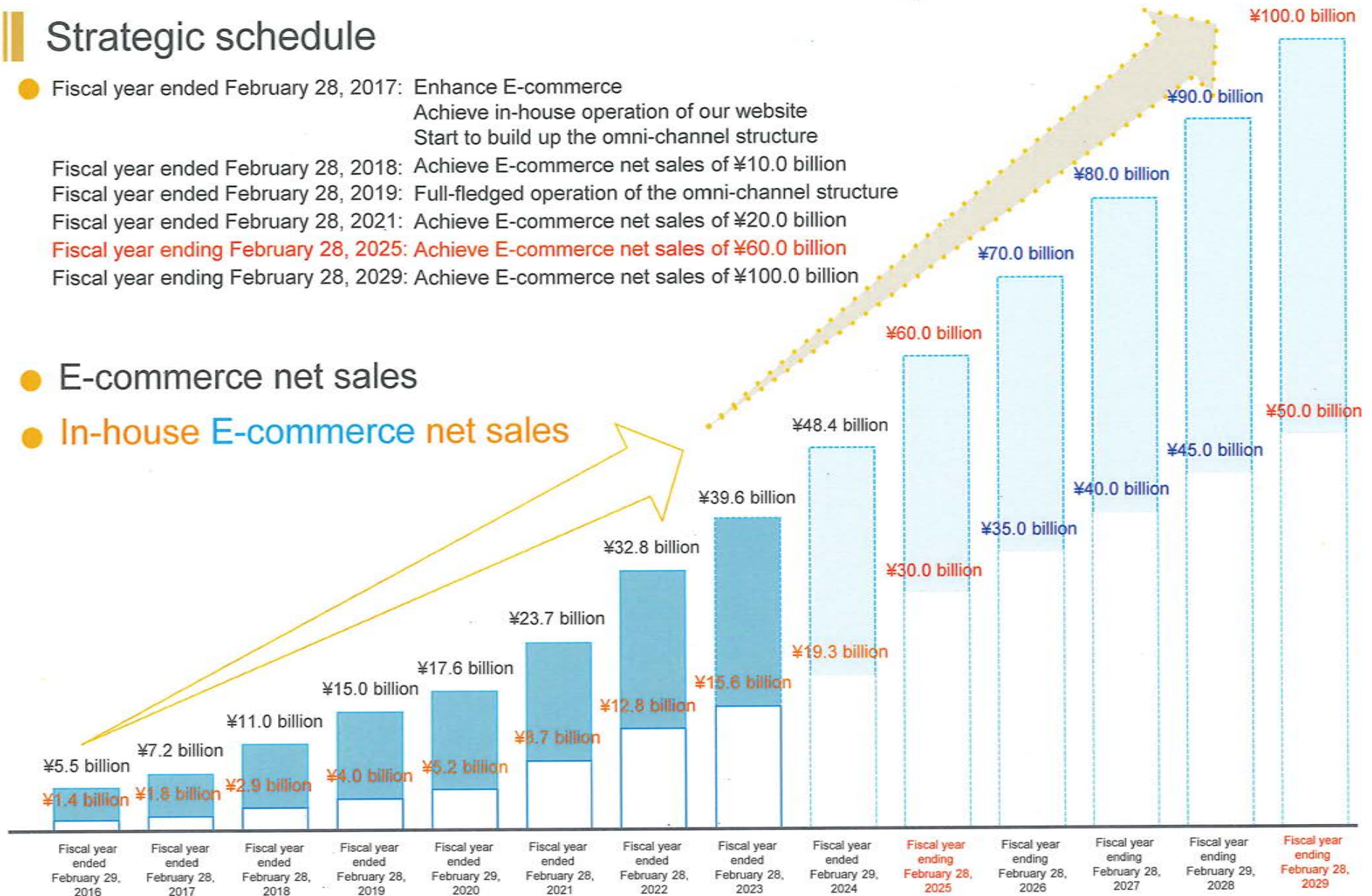
* Figures for the fiscal year ended February 28, 2023 and beyond reflect the application of the "Accounting Standard for Revenue Recognition"

3-1). Trend in EC net sales

Strategic schedule

- Fiscal year ended February 28, 2017: Enhance E-commerce
Achieve in-house operation of our website
Start to build up the omni-channel structure
- Fiscal year ended February 28, 2018: Achieve E-commerce net sales of ¥10.0 billion
- Fiscal year ended February 28, 2019: Full-fledged operation of the omni-channel structure
- Fiscal year ended February 28, 2021: Achieve E-commerce net sales of ¥20.0 billion
- Fiscal year ending February 28, 2025: Achieve E-commerce net sales of ¥60.0 billion**
- Fiscal year ending February 28, 2029: Achieve E-commerce net sales of ¥100.0 billion

- E-commerce net sales
- In-house E-commerce net sales

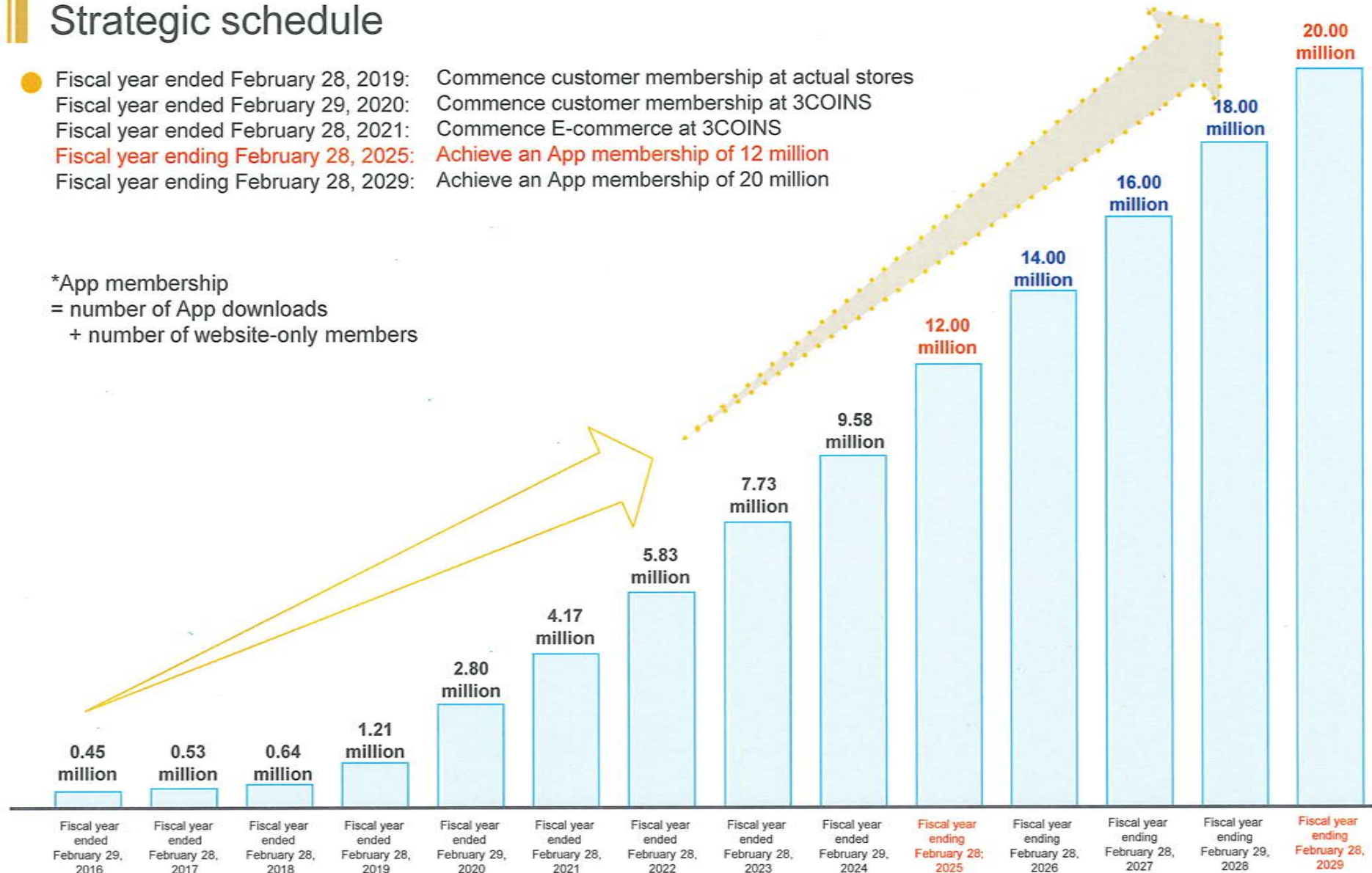


3-2). Trend in PAL App membership

Strategic schedule

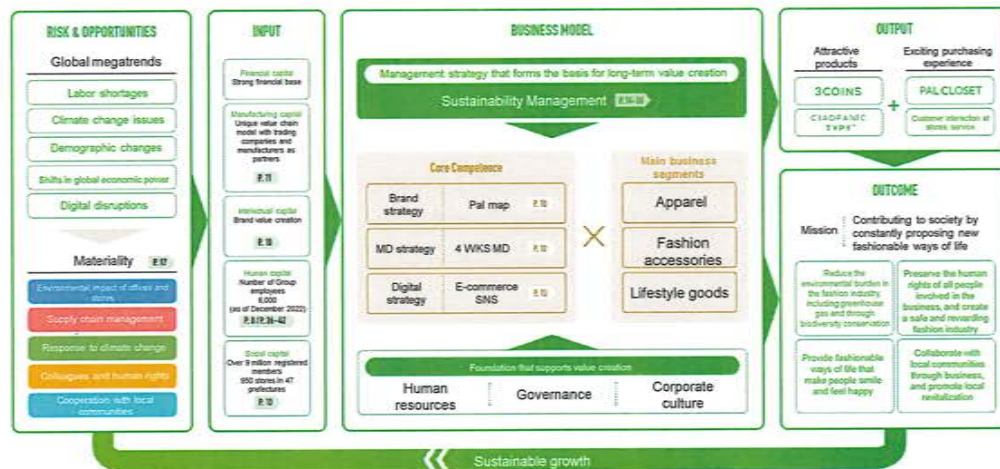
- Fiscal year ended February 28, 2019: Commence customer membership at actual stores
- Fiscal year ended February 29, 2020: Commence customer membership at 3COINS
- Fiscal year ended February 28, 2021: Commence E-commerce at 3COINS
- Fiscal year ending February 28, 2025: Achieve an App membership of 12 million**
- Fiscal year ending February 28, 2029: Achieve an App membership of 20 million

*App membership
= number of App downloads
+ number of website-only members



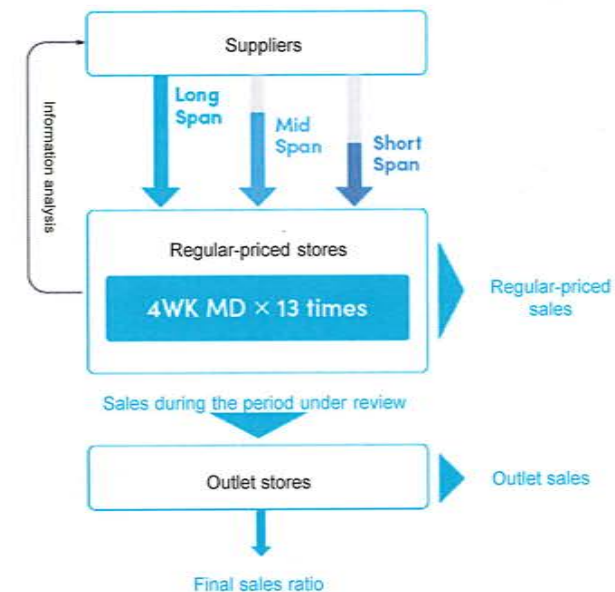
Value creation process

The Group's manufacturing capital is the flexible partnerships that we have created together with hundreds of production partners, and our intellectual capital is the planning, promotion, and sales management technology for our approximately 50 individualistic brands, in order to respond to changing market conditions. Domestic manufacturers and trading companies manage the delivery and quality control of products, and after passing through domestic logistics centers, which have an omni-channel structure, 6,000 motivated sales staff sell the products at physical stores and through EC channels for a period of approximately four weeks. After the sales period ends, sales are immediately shifted to outlet stores, and remaining products are recycled and reused as surplus items.



Minimizing product losses

In a market that changes on a daily basis, we have created an agile ordering system utilizing data that includes promotions, orders, and communication with PAL CLOSET's 12 million member customers, and by conducting OMO marketing through omnichannel sales that virtually combine physical stores and E-commerce stores, implementing a short MD cycle of 4 weeks, and rapidly shifting to outlet sales, we are increasing the regular-priced sales ratio and minimizing product losses on a daily basis, which is resulting in improved gross profit margins and minimized product losses.



Supplier Code of Conduct

Each Tier 1 supplier conducts an audit of its upstream production system based on the content of the Supplier Code of Conduct. Many companies have established their own audit standards that are in line with the Company's standards, but some have ambiguous audit standards or lack audit items. When companies audit their factories, we recommend they use the CSR Factory Audit Sheet that we compiled. The audit standards consist of 44 questions covering the following 9 items.

Points of emphasis in the Supplier Code of Conduct

1 Environmental protection	5 Discrimination/harassment
2 Legal compliance	6 Freedom of association
3 Child labor	7 Health and safety
4 Forced labor	8 Working hours/wages

Local revitalization

In July 2023, we opened "Kuroshio Sou." With regional revitalization and sustainability as important themes, we are targeting collaboration between companies and local communities from the perspective of CSV (Creation of Shared Value) with the aim of bringing benefits to both parties. When we opened the business, we met many people, including those who were perpetuating local traditions, those who moved to the area and started a business, and those who were taking on new business at local companies. We would like to continue to value collaboration with local communities, and contribute to traditional crafts and local industries through our business.



5. Business transfer from Ray Cassin Co. Ltd.

Transfer of some stores and the E-commerce business from Ray Cassin Co., Ltd.

We transferred some "Ray Cassin" brand stores and E-commerce-related business assets, etc. from Ray Cassin Co., Ltd., which filed for civil rehabilitation proceedings and become insolvent in October 2023.

We will work to revitalize the "Ray Cassin" brand as a member of the PAL Group.



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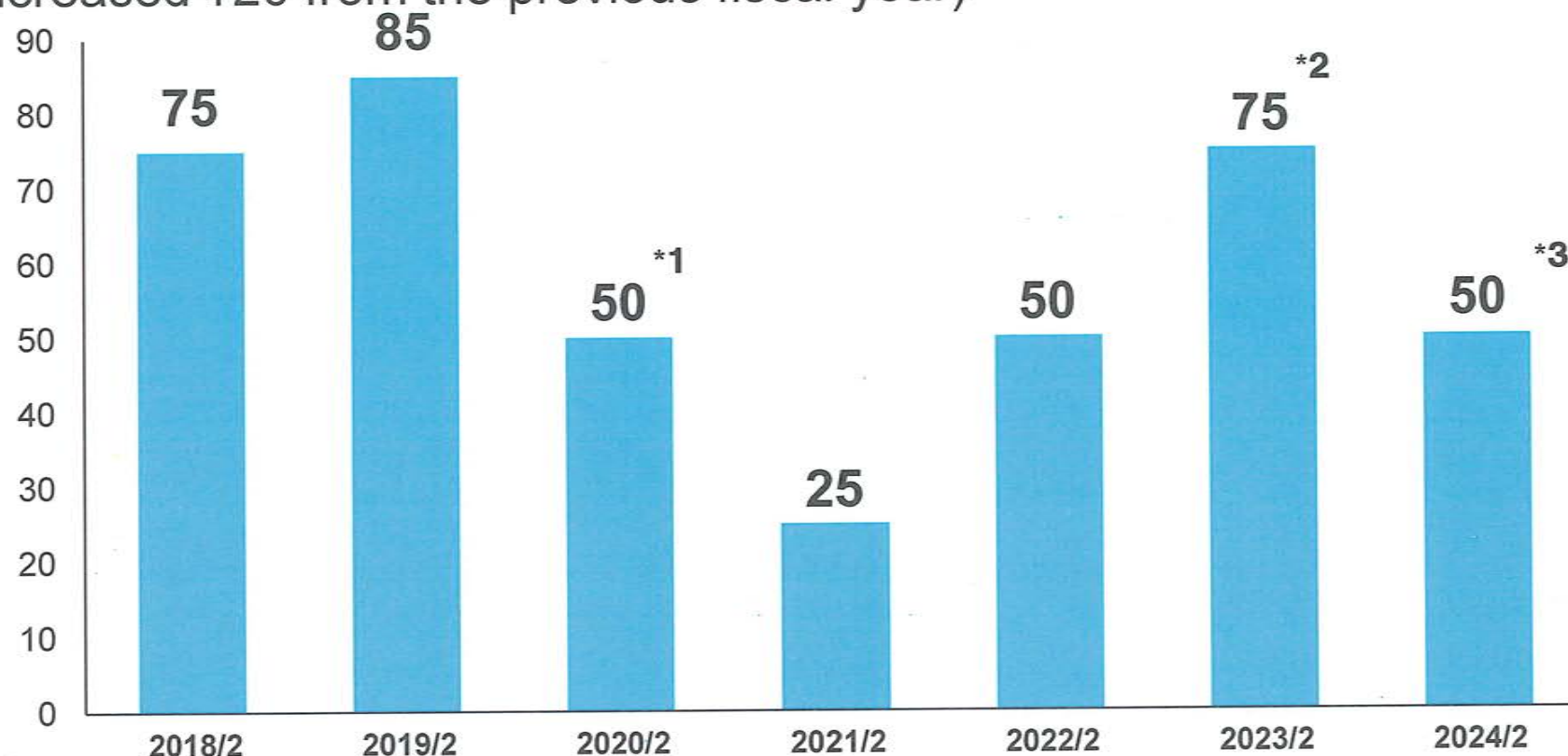


Response to Shareholders

1. Policy for Return to Shareholders
2. Shareholder Benefit Program

1. Policy for Return to Shareholders

- Basic policy for return of profits is to continue providing stable dividends.
- Year-end dividend per share for the fiscal year ended February 29, 2024 is ¥50 (increased ¥20 from the previous fiscal year)



*1 On March 1, 2020, the Company implemented a two-for-one share split. As a result, dividend per share, which was increased to ¥100 per share at the end of the year in February was automatically converted to ¥50.

*2 The breakdown of the ¥75 dividend is an ordinary dividend of ¥60 and a commemorative dividend of ¥15 for our 50th anniversary.

*3 On September 1, 2023, the Company implemented a two-for-one share split. As a result, dividend per common share at the end of the year in February was increased by ¥20 from ¥30 per share to ¥50 per share.

2. Shareholder Benefit Program

No changes since the shareholder benefit program enhanced last year

We will implement the current shareholder benefit program, which was enhanced last year, with the same content again this year.

Details of Benefit Program

● Eligible shareholders

Shareholders recorded or registered on the Company's shareholder registry as of the last day of February of each year who hold more than 100 shares (one unit) are eligible.

● Details of Shareholder Benefits

Shareholders will receive common discount coupons which allow them to choose from the following two benefits according to the number of shares they hold. The coupons can be used from June 1 every year to May 31 of the following year.

- 1) 50% discount on accommodation course charges at "Kuroshio Sou" and "ASA VILLAGE" (formerly known as "Hostel no Asa") which are accommodation facilities operated by Freegate Shirahama Co., Ltd., an affiliated subsidiary of the Company, in Shirahama-cho, Nishimuro-gun in Wakayama Prefecture
- 2) 50% discount on accommodation course charges at "Kinugawa Onsen Hotel" and "Kinugawa Kanaya Hotel" owned by Kanaya Hotel Kanko Co., Ltd. in the Nikko and Kinugawa area, in cooperation with the said company

- Number of coupons to be granted: Remains unchanged even after the share split, which substantially doubled the number of coupons

Number of shares held	100 shares or more	200 shares or more	500 shares or more	1,000 shares or more
Number of coupons to be granted	2	4	6	10



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Initiatives for ESG



1. PAL's initiatives for ESG
2. PAL Forest Project (Environment)
- 3-1). Employment of people with disabilities (Social)
- 3-2). Endowed courses at Kwansei Gakuin University (Social)
- 3-3). Initiatives by PAL Inoue Scholarship Foundation (Social)
4. Gender equality and work style reform (Governance)

1. PAL's initiatives for ESG

PAL's initiatives for ESG (Environment, Social, Governance) are to strive for achieving its management philosophy of "Management dedicated to the happiness of all employees and shareholders" and "Management dedicated to society and the globe into the future" through its daily corporate activities, i.e. continuously making profits, paying taxes, and maintaining employment.



2. PAL Forest Project (Environment)

“PAL Forest Project” (Environment)

PAL has been engaged in tree-planting activities at the Yoshino Forest in Nara Prefecture, a World Heritage site, since 2012. Considering the origin of the wrapping materials we use in our daily operations, every year many employees and their families participate in these activities to share valuable experiences that recognize the importance of maintaining the global environment conservation.



Providing full support to Japan's first hotel and Japanese inn “operated by people with disabilities” (Social)

Since June 2011, PAL has acquired “ASA VILLAGE,” a hotel aimed at employing people with disabilities, and neighboring accommodation facilities, which reopened as Kuroshio Sou in July 2023 after extensive renovations.

The majority of employees at both facilities have disabilities. Employing such people in the service sector to work at hotels and Japanese inns is still rare in Japan, but we impart our customer service know-how to employees with disabilities as they think for themselves and complete their duties by themselves.



The interior of the lobby uses a large 100-year-old cedar tree that was found buried in the ground along a local river.

Kuroshio Sou [▶ https://kuroshio-sou.com/](https://kuroshio-sou.com/)

Endowed courses for the School of International Studies, Kwansei Gakuin University (Social)

Following the endowed courses provided at Osaka University for five years from 2013, PAL started a course for the School of International Studies, Kwansei Gakuin University in 2019. In addition to academic knowledge, we offer frontline experiences in management and distribution, aiming to contribute to developing future talents.



Kwansei Gakuin campus with a beautiful clock tower



Human resources development through the “PAL Inoue Scholarship Foundation” (1) (Social)

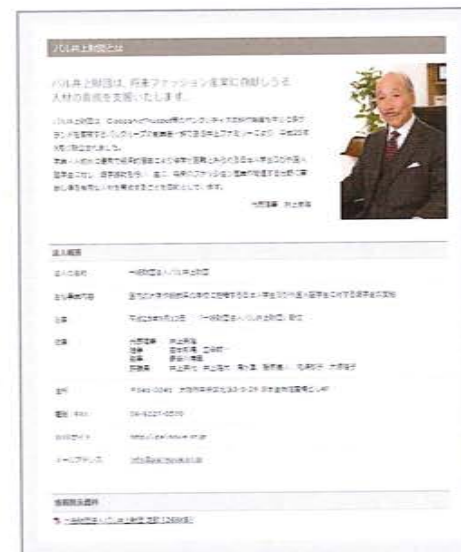
PAL established the “PAL Inoue Scholarship Foundation” together with the Inoue family, the founder of the Company. After its establishment in 2013, it has been approved as a public interest incorporated foundation by the Cabinet Office, and operates public services.

Specifically, the foundation has been set up to offer scholarships to students with excellent academic records and personality who have financial difficulties in attending school, with the aim of developing promising human resources capable of contributing to the fashion industry and related fields in the future.

Currently, we offer scholarships to approximately 50 students at universities, colleges and technical schools studying fashion throughout Japan (including international students).

Website of the “PAL Inoue Scholarship Foundation

Front page



About the PAL Inoue Scholarship Foundation

Human resources development through the “PAL Inoue Scholarship Foundation” (2) (Social)

In addition to the scholarship program, from 2018 PAL Inoue Scholarship Foundation holds a role-playing contest participated by students majoring in distribution courses at fashion schools.

The event named PAL FOUNDATION CUP is a venue for students selected from fashion schools nationwide from Hokkaido to Kyushu, where they demonstrate their extraordinary role-playing performance in their own manner. PAL intends to make this event a goal for the students aiming for fashion business in the future.



4. Gender equality and work style reform (Governance)

Thorough “gender equality” and “work style reform” (Governance)

(1) Gender equality

PAL has a solid “Equal treatment for equal work” guideline for a transparent personnel evaluation system, creating an environment where each and every employee can work with a sense of security while being motivated.

	Sales	Gross profit	Personnel expenses	Inventory	Capital	Stocktaking	Total	Out of 100 points
1 st Division	396	116	84	71	...	...	...	98
2 nd Division	353	78	77	...	...	...	...	86
3 rd Division	310	93	...	...	...	...	...	...
4 th Division	378	...	...	...	...	...	...	...
5 th Division	...	...	...	...	...	...	...	...
6 th Division	...	...	...	...	...	...	...	...
7 th Division	...	...	...	...	...	...	...	...
Development Division	...	...	...	...	...	...	...	...
Corporate total	382	82	66	61	...	...	...	85

(2) Work style reform

PAL is working to foster a vibrant work environment by starting operations that allow flexible working hours not bound by the “8-hour system” and make it easier for the employees to take paid and long-term leaves.



Company motto

“Contributing to society by constantly proposing new fashionable ways of life”



Group management philosophy

“Management dedicated to the happiness of all employees and shareholders”

Company name PAL GROUP Holdings CO., LTD.

Location (Head Office) Keihanshin Midosuji Bldg. 10F, 3-6-1 Doshomachi, Chuo-ku, Osaka-shi, Osaka
(Tokyo Office) Akita Bldg. 4F, 12-22 Jingumae 6-chome, Shibuya-ku, Tokyo

Representative Ryuta Inoue

Capital ¥3,181,200,000

Establishment October 1973

Description of business Planning, manufacturing, and wholesale and retail sale of women's clothing, men's clothing, miscellaneous goods and accessories, etc.

Number of stores 949

Public Affairs Office

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The plans, strategies, predictions, etc., contained in this document which are not matters of historical fact are forecasts related to future business results, etc., and include elements of risk and uncertainty. Please be advised that for various reasons actual results may differ from the results forecast herein.

In addition, this document has been produced for further understanding of the PAL GROUP, not for the purpose of soliciting investment in the Company. Readers are asked to rely on their own judgment when making decisions related to investment.