

**Consolidated Financial Results**  
**for the Three Months Ended May 31, 2022**  
**[Japanese GAAP]**

July 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: July 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: Not scheduled

(Amounts of less than one million yen are rounded down.)

**1. Consolidated Financial Results for the Three Months Ended May 31, 2022 (March 1, 2022 to May 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	%
Three months ended May 31, 2022	39,183	—	4,423	146.6	4,561	159.5	3,069	198.0
Three months ended May 31, 2021	31,210	97.1	1,793	—	1,757	—	1,030	—

(Note) Comprehensive income: Three months ended May 31, 2022: ¥3,062 million [194.1%]

Three months ended May 31, 2021: ¥1,041 million [—%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Three months ended May 31, 2022	69.88	—
Three months ended May 31, 2021	23.45	—

(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 three months ended May 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 May 31, 2022	99,563	48,255	48.4
As of February 28, 2022	93,728	47,389	50.5

(Reference) Equity: As of May 31, 2022: ¥48,211 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	—				
Fiscal year ending February 28, 2023 (Forecast)		0.00	—	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
First half	76,000	—	6,500	129.0	6,600	136.2	4,100	183.8	93.34
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: 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 May 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 May 31, 2022	2,346,288 shares
As of February 28, 2022	2,346,244 shares

3) Average number of shares during the period:

Three months ended May 31, 2022	43,925,749 shares
Three months ended May 31, 2021	43,925,796 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 three months ended May 31, 2022 (March 1, 2022 to May 31, 2022), the Japanese economy saw personal consumption improving gradually, as the number of new COVID-19 cases declined and priority preventative measures were lifted completely in late March. Still, the economic outlook remained uncertain primarily owing to the surge in raw material prices 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, while at the same time working toward becoming a “proposal-based lifestyle business for discerning customers.” As a result of these measures, net sales in the Apparel Business increased by ¥5,267 million year on year to ¥25,228 million and net sales in the Miscellaneous Goods/Accessories Business increased by ¥2,701 million year on year to ¥13,925 million.

As a result of the above, net sales for the three months ended May 31, 2022 increased by ¥7,973 million year on year to ¥39,183 million. In terms of profit, operating profit increased by ¥2,629 million year on year to ¥4,423 million, ordinary profit increased by ¥2,803 million year on year to ¥4,561 million, and profit attributable to owners of parent increased by ¥2,039 million year on year to ¥3,069 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 period under review, with the result that net sales for the period were lower than they would have been using the previous accounting method by ¥878 million (¥823 million for the Apparel Business and ¥54 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 ¥4,393 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts receivable - trade by ¥4,108 million and merchandise and finished goods by ¥783 million, respectively, despite a decrease in cash and deposits by ¥906 million.

Non-current assets increased by ¥1,441 million compared with the end of the previous fiscal year, due primarily to an increase in buildings and structures by ¥1,097 million.

#### (Liabilities)

Current liabilities increased by ¥4,380 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥1,672 million, current portion of long-term borrowings by ¥210 million, provision for bonuses by ¥1,235 million, and other current liabilities by ¥2,034 million, despite a decrease in provision for point card certificates by ¥545 million.

Non-current liabilities increased by ¥588 million compared with the end of the previous fiscal year, due primarily to increases in long-term borrowings by ¥333 million and asset retirement obligations by ¥365 million, despite a decrease in long-term lease obligations by ¥130 million.

(Net assets)

Net assets increased by ¥865 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings ¥873 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 April 12, 2022 in the Consolidated Financial Results for the Fiscal Year Ended February 28, 2022. For details, please refer to “Notice Concerning Revision of Financial Results Forecast for the Six Months Ending August 31, 2022 and Full-year Financial Results Forecast” released today.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	52,250	51,344
Notes and accounts receivable - trade	6,342	10,451
Merchandise and finished goods	10,736	11,519
Other	530	938
<b>Total current assets</b>	<b>69,859</b>	<b>74,253</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,823	5,921
Other, net	1,784	1,923
<b>Total property, plant and equipment</b>	<b>6,608</b>	<b>7,845</b>
Intangible assets	467	476
Investments and other assets		
Guarantee deposits	12,064	11,774
Other	4,993	5,477
Allowance for doubtful accounts	(265)	(265)
<b>Total investments and other assets</b>	<b>16,792</b>	<b>16,987</b>
<b>Total non-current assets</b>	<b>23,868</b>	<b>25,309</b>
<b>Total assets</b>	<b>93,728</b>	<b>99,563</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	20,366	22,039
Short-term borrowings	250	250
Current portion of long-term borrowings	5,382	5,593
Income taxes payable	1,940	1,815
Provision for bonuses	1,777	3,013
Provision for point card certificates	681	136
Provisions	204	102
Other	5,729	7,764
<b>Total current liabilities</b>	<b>36,334</b>	<b>40,715</b>
Non-current liabilities		
Long-term borrowings	5,794	6,128
Retirement benefit liability	1,312	1,339
Provisions	130	131
Asset retirement obligations	1,753	2,118
Other	1,012	874
<b>Total non-current liabilities</b>	<b>10,004</b>	<b>10,592</b>
<b>Total liabilities</b>	<b>46,339</b>	<b>51,308</b>

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
Net assets		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,478	4,478
Retained earnings	41,943	42,817
Treasury shares	(2,173)	(2,173)
Total shareholders' equity	47,430	48,303
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(16)	(12)
Remeasurements of defined benefit plans	(85)	(81)
Total accumulated other comprehensive income	(101)	(93)
Non-controlling interests	60	45
Total net assets	47,389	48,255
Total liabilities and net assets	93,728	99,563



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

## Consolidated Statements of Income

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Net sales	31,210	39,183
Cost of sales	13,115	16,585
Gross profit	18,094	22,598
Selling, general and administrative expenses	16,300	18,175
Operating profit	1,793	4,423
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	–	79
Royalty income	7	7
Foreign exchange gains	2	–
Subsidy income related to COVID	–	43
Other	12	37
Total non-operating income	23	167
Non-operating expenses		
Interest expenses	30	23
Provision of allowance for doubtful accounts	14	–
Share of loss of entities accounted for using equity method	5	–
Other	9	6
Total non-operating expenses	59	29
Ordinary profit	1,757	4,561
Extraordinary losses		
Loss on retirement of non-current assets	40	0
Impairment loss	63	17
Total extraordinary losses	103	18
Profit before income taxes	1,654	4,543
Income taxes - current	586	1,824
Income taxes - deferred	37	(335)
Total income taxes	624	1,488
Profit	1,030	3,054
Loss attributable to non-controlling interests	–	(15)
Profit attributable to owners of parent	1,030	3,069

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Profit	1,030	3,054
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Foreign currency translation adjustment	2	3
Remeasurements of defined benefit plans, net of tax	6	3
Share of other comprehensive income of entities accounted for using equity method	1	1
Total other comprehensive income	10	7
Comprehensive income	1,041	3,062
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,041	3,077
Comprehensive income attributable to non-controlling interests	-	(15)

### 3. Additional Information

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

	Three months ended May 31, 2021	Three months ended May 31, 2022
	million yen	million yen
Apparel Business	19,961	25,228
Miscellaneous Goods/ Accessories Business	11,224	13,925
Other	24	29
Total	31,210	39,183

(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 period under review 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 ¥823 million and ¥54 million, respectively, while the Other segment sales remained the same.

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

	Three months ended May 31, 2022
Number of stores as of February 28, 2022	902 stores
Number of new stores	39 stores
Number of closed stores	8 stores
Number of stores as of May 31, 2022	933 stores