

Fiscal Year Ended February 28, 2023 PAL GROUP HOLDINGS

Materials for Financial Results Briefing

April 19, 2023

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

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Financial Report

Review of Financial Results
for the Fiscal Year Ended February 28, 2023
Financial Results Forecast
for the Fiscal Year Ending February 29, 2024



Review on the previous fiscal year

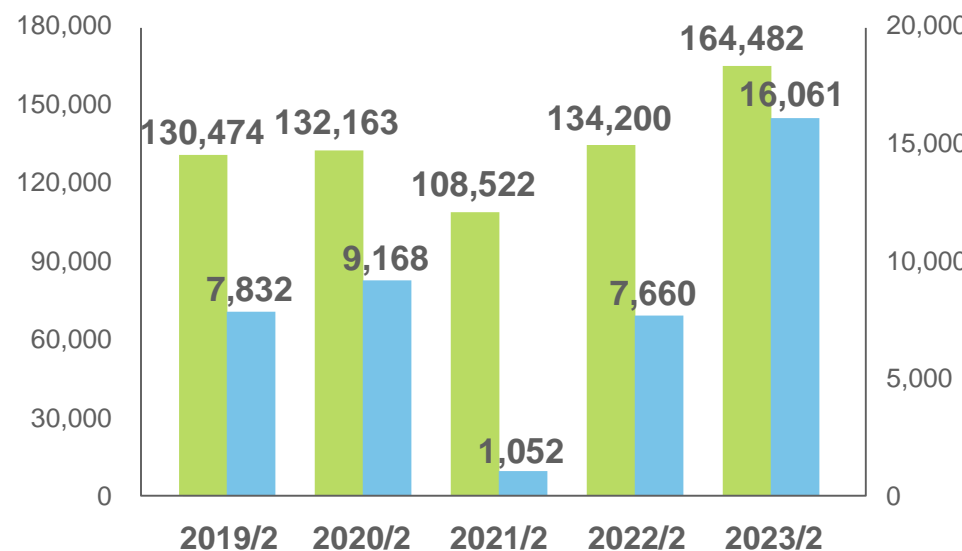
In the fiscal year under review, the recovery of personal consumption in the COVID-19 containment phase was greater than expected, and we revised the financial results forecast upward twice. Store sales in the apparel business, which had faced harsh business conditions during the COVID-19 crisis, made a rapid recovery. Combined with the increase in E-commerce (EC) sales, this resulted in record high net sales that surpassed pre-COVID levels. In the miscellaneous goods/accessories business, the "3COINS" business continued to achieve growth with a net increase of over ¥11 billion, and this momentum is continuing into the current fiscal year.

In terms of profits, the lifting of behavioral restrictions boosted regular sales at stores and on EC platforms in the apparel business, resulting in record high profits being reported in all categories. However, the effects of the sharp yen depreciation and higher costs pushed down profit in the apparel business. The level of yen depreciation has been corrected considerably, and in the current fiscal year we expect to see a recovery toward the second half.

Consolidated

■ Net Sales ■ Ordinary Profit

(Millions of yen)

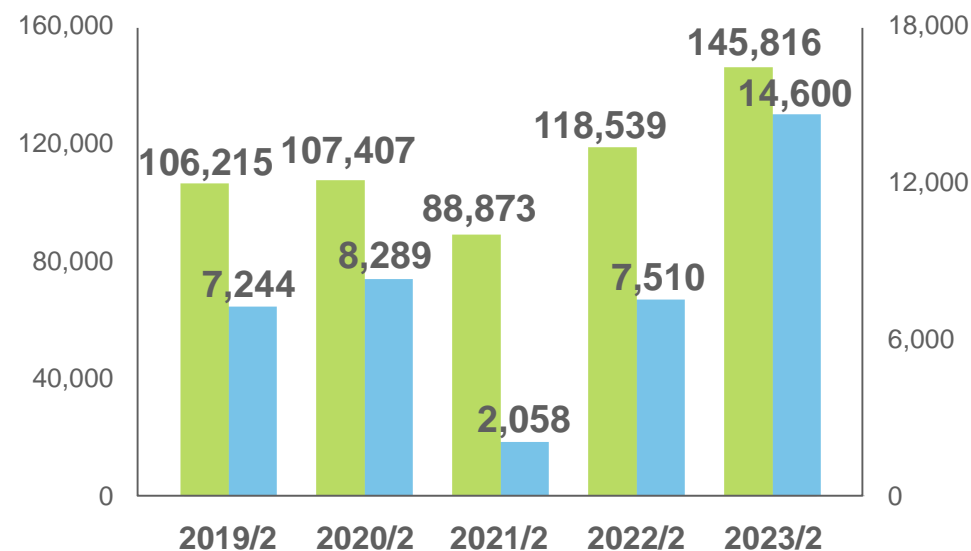


Non-consolidated

(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 28, 2023

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023			
			Forecast	Actual results	Changes from the previous corresponding period	Compared to forecast
Net sales	132,163	134,200	160,000	164,482	122.6%	102.8%
Gross profit	74,386	74,314	88,000	90,221	121.4%	102.5%
(% of net sales)	56.3%	55.4%	55.0%	54.9%	-0.5%	-0.1%
Operating profit	9,067	7,520	13,700	15,822	210.4%	115.5%
(% of net sales)	6.9%	5.6%	8.6%	9.6%	4.0%	1.0%
Ordinary profit	9,168	7,660	13,950	16,061	209.7%	115.1%
(% of net sales)	6.9%	5.7%	8.7%	9.8%	4.1%	1.1%
Profit attributable to owners of parent	7,028	4,001	8,650	9,955	248.8%	115.1%
(% of net sales)	5.3%	3.0%	5.4%	6.1%	3.1%	0.7%

- PAL CO., LTD. and NICE CLAUP Co., LTD. achieved record high net sales and profits, and NOLLEY'S co., ltd. also made a rapid recovery. As a result, the Company reported a profit level in excess of ¥10 billion for the first time.
- The implementation of a short MD cycle of 4 weeks has improved the accuracy of demand forecasts and led to the company-wide dissemination of the management policy to not create or keep unnecessary inventory. This is a "PAL-style" sustainable business model.

Non-consolidated Statements of Income of PAL GROUP Holdings CO., LTD. and PAL CO., LTD. for the Fiscal Year Ended February 28, 2023

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023			
			Forecast	Actual results	Changes from the previous corresponding period	Compared to forecast
Net sales	107,407	118,539	138,500	145,816	123.0%	105.3%
Gross profit	61,310	66,229	78,700	80,383	121.4%	102.1%
(% of net sales)	57.1%	55.9%	56.8%	55.1%	-0.8%	-1.7%
Operating profit	8,321	7,296	12,700	14,529	199.1%	114.4%
(% of net sales)	7.8%	6.2%	9.2%	10.0%	3.8%	0.8%
Ordinary profit	8,289	7,510	12,660	14,600	194.4%	115.3%
(% of net sales)	7.7%	6.3%	9.1%	10.0%	3.7%	0.9%
Profit	7,000	4,230	7,850	9,316	220.2%	118.7%
(% of net sales)	6.5%	3.6%	5.7%	6.4%	2.8%	0.7%

- Almost all of the nearly 50 brands in PAL CO., LTD.'s apparel business reported net sales significantly exceeding the previous year's. Compared with pre-COVID fiscal 2019, sales of casual brands exceeded those at the start of the previous fiscal year. Furthermore, we confirmed that sales of our town brands (dress-up brands), which struggled the most during the COVID-19 crisis, have bottomed out as a result of the relaxation of behavioral restrictions since October 2022.
- The "3COINS" business, which has been performing strongly since last year, continued to receive inquiries about openings of new large-scale stores "3COINS+plus," and sales at existing stores also grew significantly. We anticipate that the favorable turnaround in the exchange rate environment will have a positive impact on the profit environment from this fiscal year onwards.

Financial Situation of NICE CLAUP Co., LTD. for the Fiscal Year Ended February 28, 2023

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 29, 2020 Actual results	Fiscal year ended February 28, 2022 Actual results	Fiscal year ended February 28, 2023 Actual results	Changes from the previous fiscal year
Net sales	15,862	12,843	15,460	120.3%
Operating profit	815	227	742	326.9%
Ordinary profit	835	255	756	296.5%
Profit	654	(155)	497	-----

- In the fiscal year ended February 28, 2023, net sales significantly exceeded those for the fiscal year ended February 28, 2022, which declined due to COVID-19, and came close to reaching the record high sales reported in the fiscal year ended February 29, 2020. Our core brand, one after another NICE CLAUP, posted a 1.7% increase in net sales at existing stores compared with the fiscal year ended February 29, 2020.
- In the next fiscal year, we will continue to strive to increase the store sizes and strengthen individual SNS accounts as our most important issues. The total number of followers of individual SNS accounts exceeded 860,000 as of February 28, 2023. In the fiscal year ending February 29, 2024, we will aim to achieve 2 million followers by enforcing our efforts.
- In the fiscal year ended February 28, 2023, we discontinued the brand OUVRAGE CLASSE, which had continued to make a loss, and launched LARUTA, a new brand for adults.
- In terms of sustainability, we will actively work on reducing samples by using 3DCG, and providing academic support utilizing Indian organic cotton.

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

PAL GROUP HOLDINGS

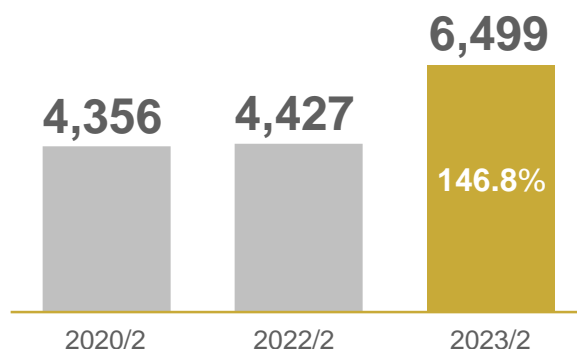
(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Changes from the previous fiscal year
Apparel				
Net sales	97,102	87,109	105,781	121.4%
Composition %	73.5%	64.9%	64.3%	-0.6%
Operating profit	6,701	3,354	12,516	373.2%
Operating profit %	6.9%	3.9%	11.8%	7.9%
Miscellaneous Goods/Accessories				
Net sales	34,968	46,997	58,559	124.6%
Composition %	26.5%	35.0%	35.6%	0.6%
Operating profit	2,329	4,176	3,285	-21.3%
Operating profit %	6.7%	8.9%	5.6%	-3.3%
Other				
Net sales	92	93	141	151.6%
	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Changes from the previous fiscal year
E-commerce net sales				
ZOZO TOWN	11,340	17,424	22,280	127.9%
PAL CLOSET (Our online store)	4,168	11,554	15,631	135.3%
Other	2,082	3,911	4,405	112.6%
Total	17,591	32,889	42,316	128.7%
Ratio to apparel net sales	18.1%	37.8%	40.0%	2.2P

- The apparel business was the driving force, and we achieved a significant recovery 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 ¥50 billion and app membership of 10 million.

Main Brands

Net sales (Millions of yen)



Kastane

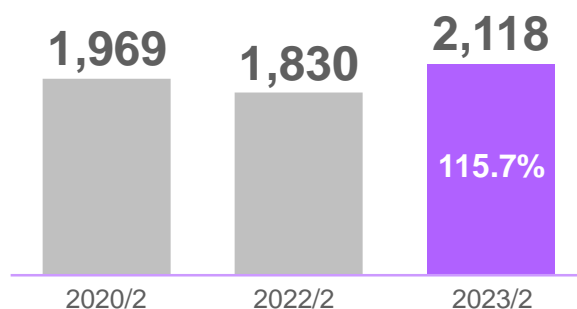
Based on the American classic, we offer authentic styles beyond generations and genders. Express yourself as you find your own style.

Kastane

26 stores



Net sales (Millions of yen)



Lui's

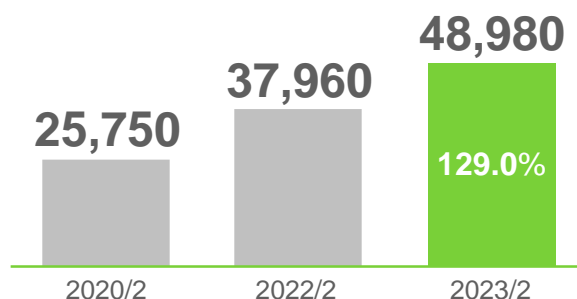
Based on the concept "wardrobe for popular man," we propose a mixed coordinate between mode and street styles. We select products with a high regard for comfort, fabric cutting and materials and introduce them to both domestic and overseas markets.

Lui's

12 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

268 stores



Selling, General and Administrative Expenses

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Changes from the previous fiscal year
Non-consolidated PAL GROUP Holdings CO., LTD. + PAL CO., LTD.	52,989	58,933	65,853	111.7%
Consolidated	65,319	66,793	74,399	111.4%
SG&A ratio (consolidated)	49.4%	49.8%	45.2%	-4.6P
Personnel expenses ratio	18.5%	17.6%	16.4%	-1.2P
Rent expenses ratio	15.1%	13.0%	12.0%	-1.0P
Advertising expenses ratio	1.3%	2.5%	0.9%	-1.6P

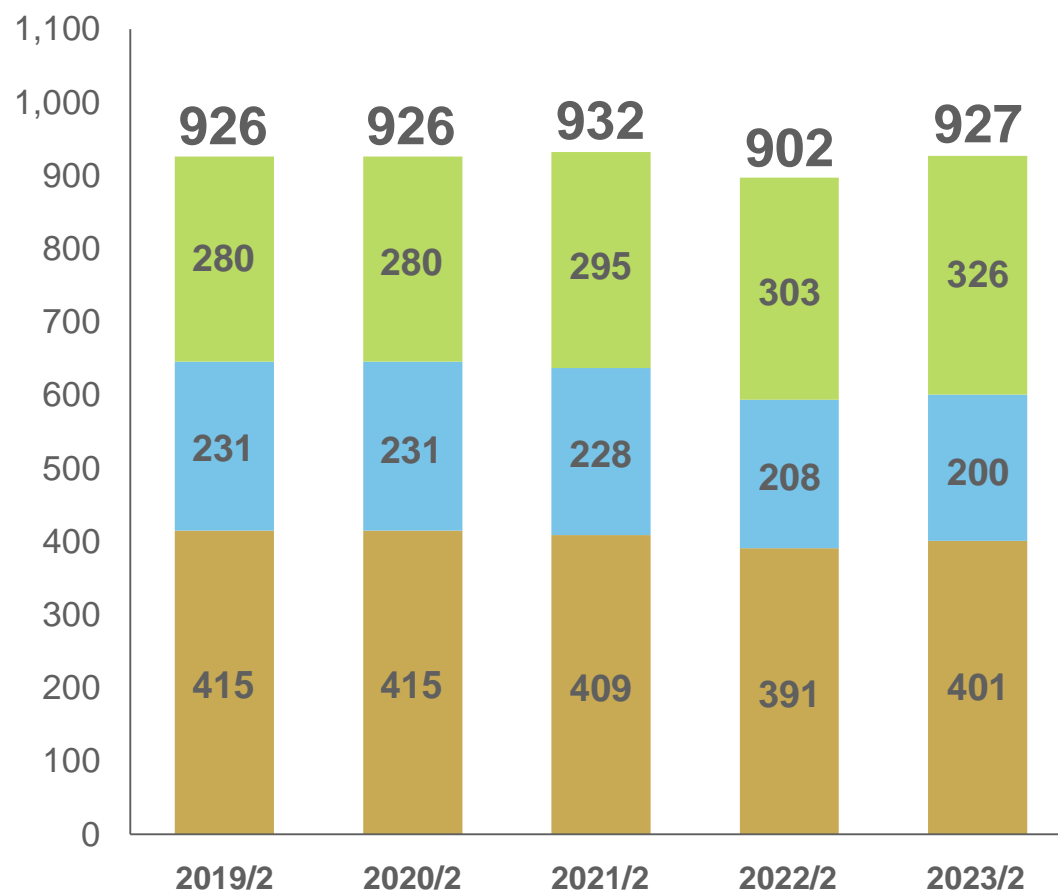
- The SG&A ratio has fallen significantly due to the growth of net sales and cost reductions in major items. Personnel expenses have decreased due to major reductions in temporary staffing and overtime work. Rents have also declined, driven by the strong performance of 3COINS, and prudent management has led to a reduction in advertising expenses.

Number of Stores

PAL GROUP HOLDINGS

Number of stores
as of February 28, 2023: 927
(+25 compared to the end of the previous fiscal year)

Other regions
Kansai region
Kanto region



● Status of opening/closing stores

The number of stores increased by 25 from the end of the previous fiscal year as a result of opening 92 new stores and closing 67 stores.

In the apparel business, we opened 37 new stores and closed 60 stores, resulting in a net decrease of 23 stores.

By brand, we reduced the number of Discoat stores by 8. The Company is in the process of promoting larger store sizes and closing existing small-scale stores of Discoat. In addition, we withdrew from a total of 8 stores due to the scrapping of 3 brands.

However, in the miscellaneous goods/accessories business, the number of stores increased by 48 as a result of opening 55 new stores and closing 7 stores.

3COINS has grown particularly strongly, with an increase of 38 stores.

Extraordinary Income or Losses

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
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	162	202	30
Loss on cancellation of leases	3	—	—
Impairment losses	387	1,659	801
Loss on sales of shares of subsidiaries and associates	10	—	—
Total extraordinary losses	564	1,862	831

- Having analysing the impact of the COVID-19 crisis, 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 impairment losses of ¥801 million.

Consolidated Balance Sheets

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Changes from the previous fiscal year	Remarks
Current assets	67,842	69,859	85,496	15,637	
Cash and deposits	52,727	52,250	63,845	11,595	
Accounts receivable -trade	6,435	6,342	8,554	2,212	
Inventories	7,847	10,766	12,542	1,776	
Other	830	500	554	54	
Non-current assets	27,112	23,868	27,014	3,147	
Property, plant and equipment	7,780	6,608	9,120	2,512	
Intangible assets	690	467	333	(134)	
Investments and other assets	18,641	16,792	17,561	769	
Total assets	94,954	93,728	112,510	18,782	
Current liabilities	36,004	36,334	43,237	6,903	
Non-current liabilities	12,323	10,004	14,082	4,078	
Total liabilities	48,327	46,339	57,319	10,980	
Total net assets	46,627	47,389	55,191	7,803	Equity ratio 49.0%
Total liabilities and net assets	94,954	93,728	112,510	18,782	

Consolidated Statements of Cash Flows

PAL GROUP HOLDINGS

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities	14,705	7,970	17,029
Cash flows from investing activities	(3,543)	(679)	(2,599)
Cash flows from financing activities	(4,068)	(18,128)	(2,835)
Net increase (decrease) in cash and cash equivalents	7,094	(10,838)	11,595
Cash and cash equivalents at beginning of period	45,633	63,088	52,250
Cash and cash equivalents at end of period	52,727	52,250	63,845

- Cash flows from operating activities increased greatly due to strong net sales. Cash flows from financing activities also improved significantly due to the repayment in full in the previous fiscal year of short-term borrowings, etc. arranged as an emergency response to the COVID-19 crisis. As a result, the balance of cash and cash equivalents at the end of the fiscal year increased by more than ¥10 billion.

Consolidated and Non-consolidated Full-year Financial Results Forecast of PAL GROUP Holdings CO., LTD. + PAL CO., LTD. for the Fiscal Year Ending February 29, 2024

PAL GROUP HOLDINGS

(Millions of yen)

1. Consolidated

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	First half ending August 31, 2023	Second half ending February 29, 2024	Fiscal year ending February 29, 2024	Changes from the previous fiscal year
Net sales	132,163	134,200	164,482	87,090	90,130	177,220	107.7%
Gross profit	74,386	74,314	90,221	47,780	49,340	97,120	107.6%
SG&A expenses	65,319	66,793	74,399	39,830	40,670	80,500	108.2%
Operating profit	9,067	7,520	15,822	7,950	8,670	16,620	105.0%
Ordinary profit	9,168	7,660	16,061	7,960	8,760	16,720	104.1%
Extraordinary income or losses	(564)	(1,590)	(831)	(400)	(400)	(800)	—
Profit attributable to owners of parent	7,028	4,001	9,955	4,930	5,450	10,380	104.3%
Gross profit ratio	56.3%	55.4%	54.9%	54.9%	54.7%	54.8%	-0.1P

2. Non-consolidated

(PAL GROUP Holdings CO., LTD. + PAL CO., LTD.)	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ending February 29, 2024	Changes from the previous fiscal year
Net sales	107,407	118,539	145,816	155,421	106.6%
Gross profit	61,310	66,229	80,383	85,712	106.6%
SG&A expenses	52,989	58,933	65,853	70,439	107.0%
Operating profit	8,321	7,296	14,529	15,273	105.1%
Ordinary profit	8,289	7,510	14,600	15,056	103.1%
Extraordinary income or losses	(193)	(1,647)	(826)	(700)	—
Profit	7,000	4,230	9,316	9,330	100.2%
Gross profit ratio	57.1%	55.9%	55.1%	55.1%	—

- Net sales are expected to increase steadily, driven by the recovery of town brands in the apparel business and the strong performance of the 3COINS business. In terms of profits, we expect the miscellaneous goods/accessories business to return to a recovery trend as the rapid depreciation of the yen is corrected.

Premises for Full-year Financial Results Forecast for the Fiscal Year Ending February 29, 2024

PAL GROUP HOLDINGS

1. Number of stores

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ending February 29, 2024 (those fixed as of today)
Number of new stores	48	47	92	59
Number of closed stores	48	77	67	17
Net increase in number of stores	0	(30)	25	42
Number of stores at the end of the period	926	902	927	969

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

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2022	First half ended August 31, 2022 Actual results	Second half ended February 28, 2023 Actual results	Fiscal year ended February 28, 2023 Actual results	Fiscal year ending February 29, 2024 Forecast
Sales at existing stores	100.1	136.0	121.6	118.2	120.0	105.0
Of which, sales at existing retail stores	98.2	164.3	117.7	115.3	116.5	101.0
Of which, sales at existing stores via internet	114.0	132.5	130.1	127.4	128.8	120.0

	March 2020	March 2022	April	May	June	July	August	September	October	November	December	January 2023	February
Sales at existing stores	69.1	111.1	121.9	140.8	117.2	114.9	127.0	118.7	118.7	113.1	110.4	122.8	125.7
Of which, sales at existing retail stores	66.1	104.0	121.3	134.8	112.4	106.3	122.9	115.6	114.1	105.7	107.1	123.2	125.9
Of which, sales at existing stores via internet	101.9	139.9	123.2	116.5	127.9	139.4	137.1	128.9	133.8	136.7	120.3	122.0	125.4

3. Sales at all stores

	March 2020	March 2022	April	May	June	July	August	September	October	November	December	January 2023	February	Full year
Sales at all stores	71.7	113.7	125.5	151.6	123.3	119.5	132.2	123.8	124.4	121.1	116.9	131.8	137.7	126.4
Of which, E- commerce	98.8	142.6	125.8	118.8	127.7	138.9	136.5	129.0	131.0	131.6	118.7	121.3	126.2	128.9

4. Number of customers and average spending per customer

	Average spending per customer compared to the fiscal year ended February 29, 2021	Number of customers compared to the fiscal year ended February 29, 2021
Apparel Business	106.4%	113.7%
Miscellaneous Goods/ Accessories Business	104.2%	120.2%

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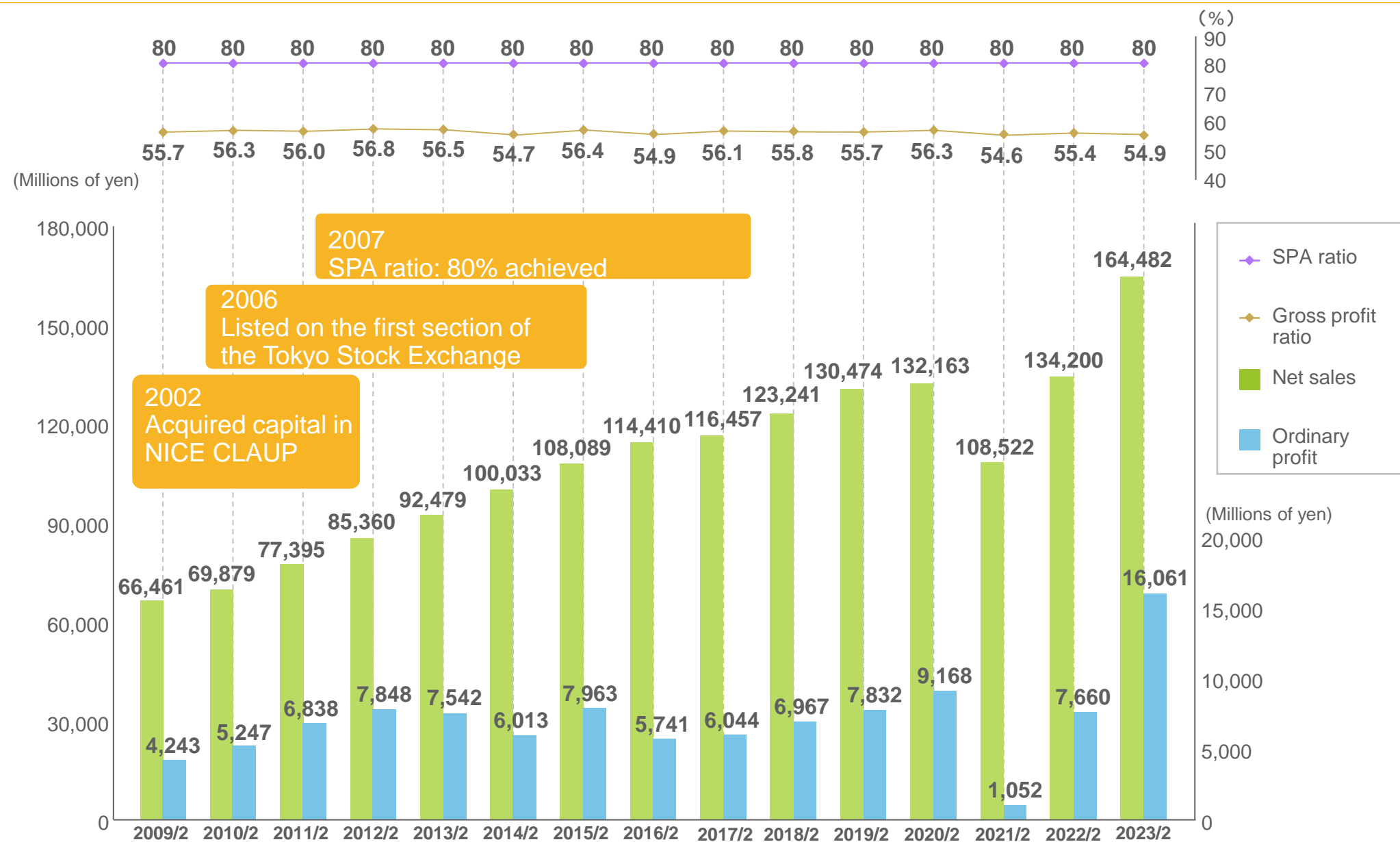
Management Vision

Business Results Trend
Medium- to Long-term Vision



Business Results Trend

PAL GROUP HOLDINGS

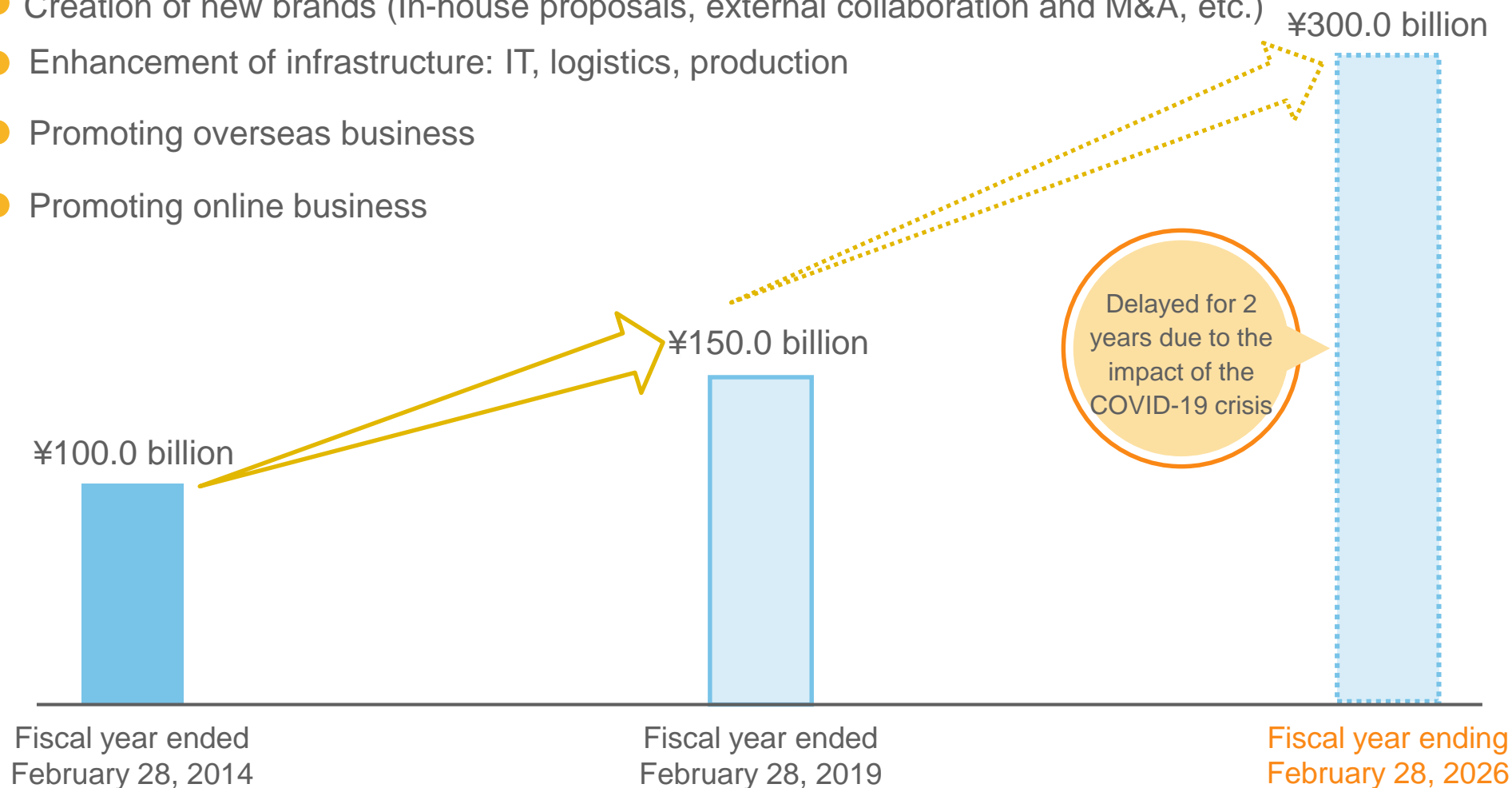


Medium- to Long-term Vision

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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.)
- Enhancement of infrastructure: IT, logistics, production
- Promoting overseas business
- Promoting online business



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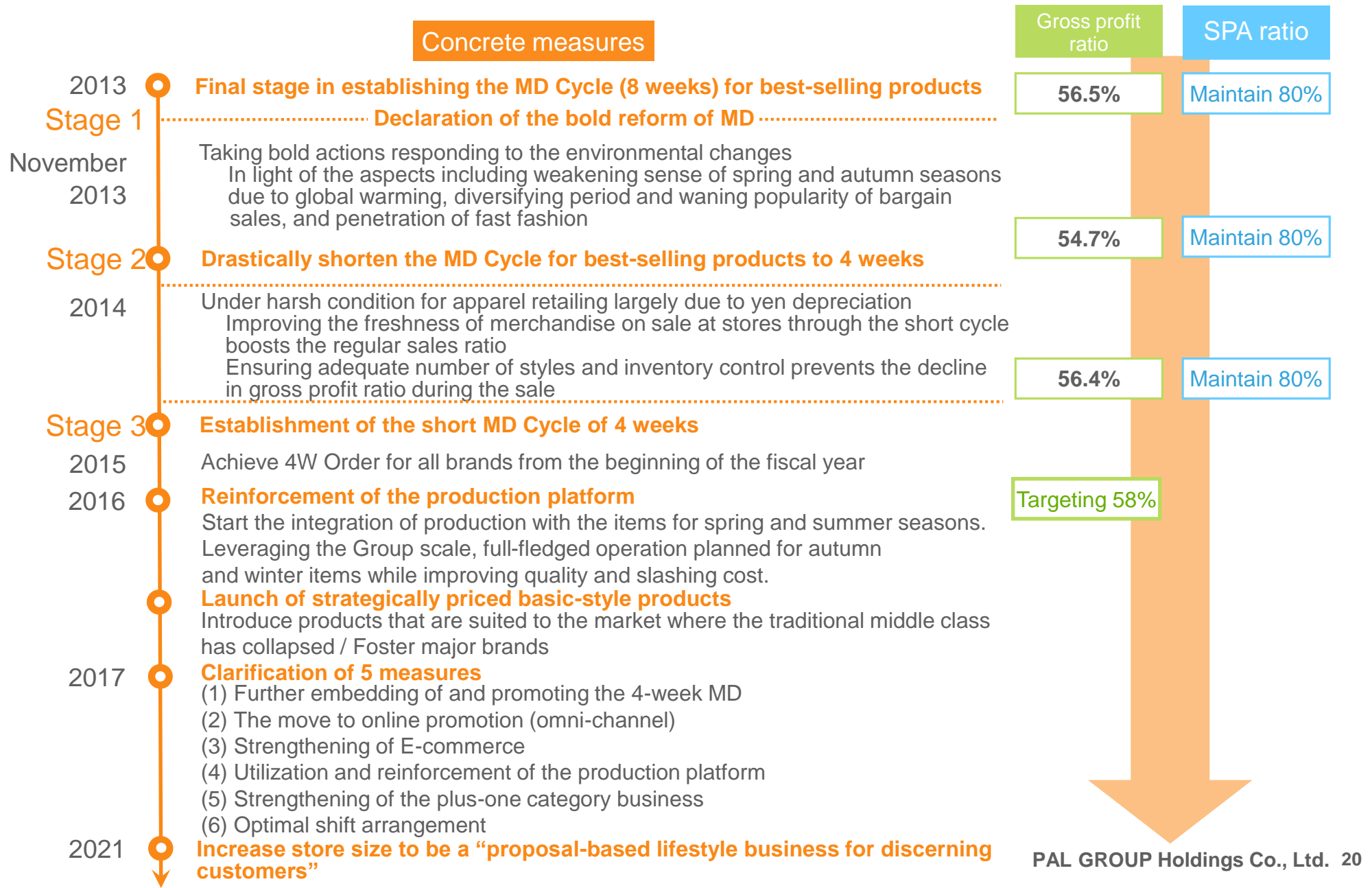
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Topics

1. Progress of the Reform of MD
2. Enhancement of E-commerce Sales
 - 2-1). Trend in EC net sales
 - 2-2). Trend in PAL App membership
3. Initiatives for Sustainability
 - 3-1). Publication of Sustainability Report 2023/
Definition of the value creation process
 - 3-2). Response to climate change/
Establishment of a human rights policy
4. Business Development of 3COINS
Opening of the first “Poke Uni” shop in Harajuku,
Tokyo
5. A corporate message created and the corporate
logo renewed to commemorate the 50th anniversary



1. Progress of the Reform of MD



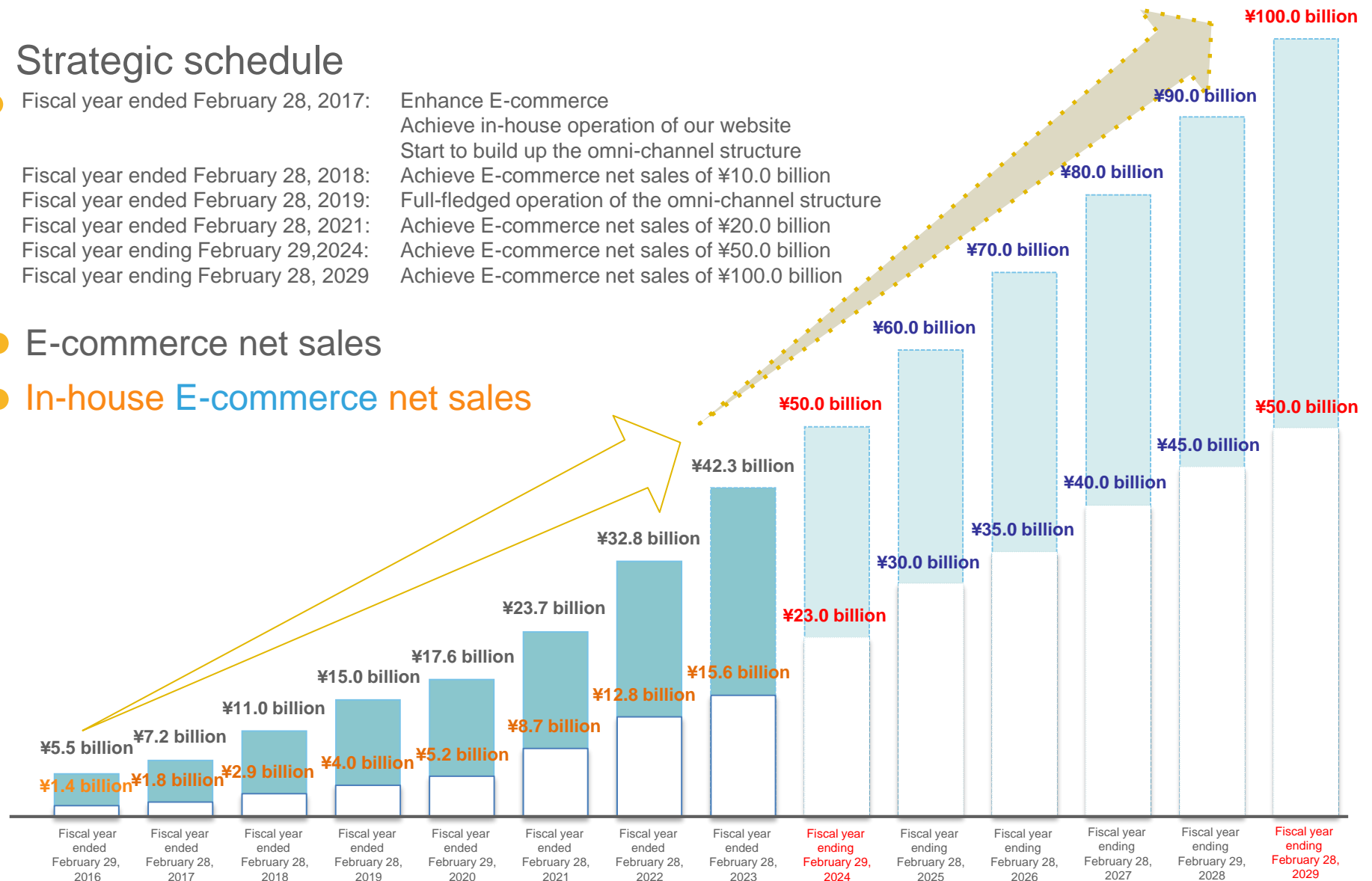
2-1). Trend in EC net sales

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 29, 2024: Achieve E-commerce net sales of ¥50.0 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

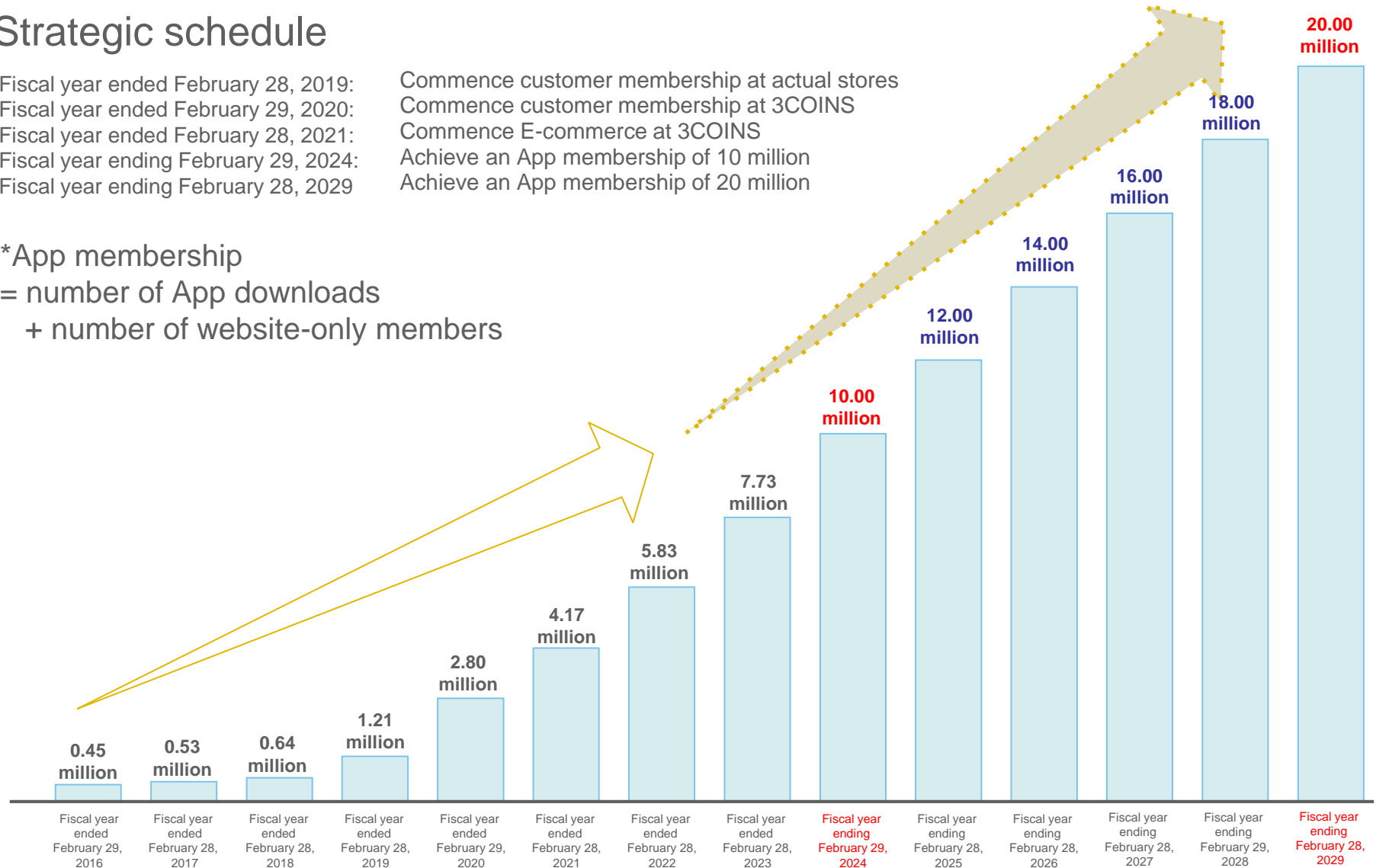


2-2). Trend in PAL App membership

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 29, 2024: Achieve an App membership of 10 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



3-1). Publication of Sustainability Report 2023/ Definition of the value creation process

Publication of Sustainability Report 2023

We published the 2023 Sustainability Report on March 14. The report provides our customers, business partners, employees, and investors with information such as the PAL GROUP’s approach to sustainability management and specific activities.

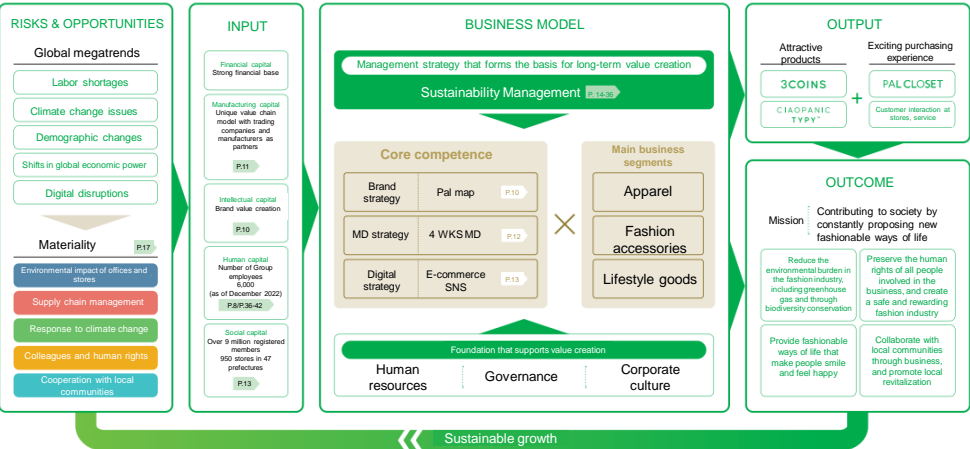
In particular, this year’s report, which commemorates the 50th anniversary of the Company, looks back at the past 50 years, with comments from our founder and Chairman, and clarifies our policy for strengthening future sustainability management issues.



The Report can be downloaded from <http://www.palgroup.holdings/sustainability/>

Definition of the value creation process

The PAL GROUP recognizes that sustainability management is a management strategy that forms the basis for the creation of long-term corporate value. We have combined our unparalleled human and intellectual capital with our strong financial and manufacturing capital to define the value creation process that maximizes our core competencies as a story by creating an easy-to-understand diagram.



3-2). Response to climate change/ Establishment of a human rights policy

Response to climate change

We recognize climate-related risks and opportunities as one of the risks that have a great impact on management. Therefore, we integrate those risks and opportunities into the company-wide risk management process to manage them.

In addition to greenhouse gas (GHG) emissions in Scope 1 and Scope 2, which we have been calculating since the fiscal year ended February 28, 2021, we started calculating emissions in Scope 3 from the fiscal year ended February 28, 2022 and posted the results.

			2020 2019/3 – 2020/2	2021 2020/3 – 2021/2	2022 2021/3 – 2022/2	Composition %
Scope 1			1,154	475	599	0.3%
Scope 2			27,311	19,638	20,777	8.1%
Scope 3			–	175,845	225,932	91.6%
Upstream	Category 1	Purchased products and services	–	122,726	155,007	68.6%
	Category 2	Capital goods	–	5,562	4,796	2.1%
	Category 3	Fuel- and energy-related activities not included in Scope 1 and Scope 2	–	3,117	3,299	1.5%
	Category 4	Mailing, delivery (upstream)	–	15,012	24,207	10.7%
	Category 5	Waste generated from business activities	–	678	812	0.4%
	Category 6	Business trips	–	583	529	0.2%
	Category 7	Employer commutes	–	4,281	4,917	2.2%
	Category 8	Leased assets (upstream)	–	Excluded from calculation	Excluded from calculation	
Downstream	Category 9	Transportation, delivery (downstream)	–	Excluded from calculation	Excluded from calculation	
	Category 10	Processing of sold products	–	Excluded from calculation	Excluded from calculation	
	Category 11	Use of sold products	–	Excluded from calculation	Excluded from calculation	
	Category 12	Disposal of sold products	–	23,885	32,365	14.3%
	Category 13	Leased assets (downstream)	–	Excluded from calculation	Excluded from calculation	
	Category 14	Franchise	–	Excluded from calculation	Excluded from calculation	
	Category 15	Investment	–	Excluded from calculation	Excluded from calculation	
Total				195,958	246,609	100%

* Calculations based on GHG protocols

(1) Scope and coverage: 100% of PAL GROUP Holdings CO., LTD. and its consolidated companies in Japan

(2) Organizational boundaries: Investment ratio standard (Operators calculate GHG emissions from target businesses according to their investment ratios in the business)

(3) Emission factor (electricity) Emission factor alternative value for each electric power company

(4) Scope 2 calculation method: Fiscal year ended February 28, 2021: estimate energy consumption based on a sampling survey of the performance of some stores; from the fiscal year ended February 28, 2022 onwards: estimate energy consumption on a monetary basis based on the performance of all stores

Unit: t-(CO₂e-)

Establishment of a human rights policy

The PAL GROUP has established the PAL GROUP Human Rights Policy, which complies with the United Nations Guiding Principles on Business and Human Rights. As stated in the policy, we will contribute to the realization of a sustainable society by working on human rights due diligence, engaging in dialogue with stakeholders, and striving to raise awareness of human rights among officers and employees.

PAL GROUP Human Rights Policy

1. Basic approach to human rights

The PAL GROUP's company motto is "Contributing to society by constantly proposing new fashionable ways of life," and its management philosophy is "Management dedicated to the happiness of all employees and shareholders." Our social mission is to increase the value of all stakeholders related to the Company, including employees, customers, business partners, creditors, and local communities. Among "clothing, food, and housing," which are the basics of human life, the PAL GROUP has adopted "clothing" (apparel) as its main business. In order to continue to have a useful existence, not simply as an economic entity that pursues profit through fair competition, but also extensively for people's daily lives, we recognize that our business activities must be based on the premise of respect for human rights, and we have established the PAL GROUP Human Rights Policy based on the United Nations Guiding Principles on Business and Human Rights.

2. Scope of application

The policy applies to all officers and employees of the PAL GROUP. In addition, the PAL GROUP will require business partners associated with the Group's products to also comply with the policy.

3. Fulfilling our duty to respect human rights

The PAL GROUP understands that its business activities may directly or indirectly affect human rights. In the event that such business activities are found to have a negative impact on human rights, we will take appropriate correctional measures.

4. Compliance with applicable laws and regulations

The PAL GROUP complies with the laws and regulations in each country and region where it conducts business activities. In addition, in the event of a contradiction between the laws and regulations of each country and internationally recognized human rights, we will pursue the laws and regulations that respect international human rights' principles to the greatest extent possible.

5. Human rights' due diligence

The PAL GROUP will take the initiative in collaborating with all business partners and working to create a framework for human rights' due diligence in the supply chain.

6. Dialogue/Consultation

In the process of implementing the policy, the PAL GROUP will engage in sincere dialogue and consultation with stakeholders, utilizing external expertise on human rights where necessary.

7. Education/Training

The PAL GROUP will work to raise awareness of human rights among officers and employees in order for the policy to be incorporated into all business activities and be implemented effectively.

8. Corrections/Remedies

The PAL GROUP promotes the establishment of a reporting system to understand the negative impact on human rights. In the event that our business activities cause a negative impact on human rights, or if our involvement through business partners and other parties becomes apparent, we will work to remedy the situation through the appropriate procedures.

9. Reporting/Information disclosure

The PAL GROUP will disclose information, including the progress and results of initiatives for the respect of human rights, through sustainable reports and other means.

February 14, 2023
Ryuta Inoue
President and Representative Director
PAL GROUP Holdings CO., LTD.

井上 隆太

4. Opening of the first “Poke Uni Harajuku” store

PAL GROUP HOLDINGS

The world's first flagship store launched

We exclusively roll out “Poke Uni/Pocket Universal,” a new multi-character brand created by NBCUniversal Entertainment Japan LLC, on a worldwide basis. “Poke Uni Harajuku,” the world's first flagship store, opened on March 24, 2023. The store rolls out an extensive variety of main items, including toys and fashion goods. The store will also hold events that can only be experienced at “Poke Uni Harajuku” and provide photo spots typical of Harajuku, the birthplace of trendy culture, that are perfect for SNS. We will roll out stores designed to impress a wide range of generations. “Poke Uni Abeno” will open in Osaka on Friday, April 21. Sales started on “PAL CLOSET,” our official online store, on Thursday, April 6.



5. Renewed PAL CO., LTD.'s corporate logo on the 50th anniversary

The new logo expresses diversity and vitality valued by PAL

This year marks the Company's 50th anniversary. Based on the corporate values that PAL has built up over the years, we have renewed our corporate logo to incorporate the meaning of taking on the challenges of the next half century, and established a corporate message of "PASSION & LOVE."

The new logo represents PAL's diversity with ○△□. The lively shade of orange that we have chosen as our new corporate color represents the energy of diverse human resources to create diverse brands and businesses.

By adopting this new logo as an icon for the website and app of "PAL CLOSET," our official online store, we will strengthen the bonds between customers and PAL, and work even harder to achieve popularity with many people.



Corporate message: "PASSION & LOVE"

The corporate message, "PASSION & LOVE," was selected as the core value of PAL following more than a year of internal discussions.

Based on the concepts of "Each and every one of us will continue to take on the challenge of creating new fashionable ways of life with PASSION & LOVE!" and "We want to be a company that exists together with people who value PASSION & LOVE!," we will position the message as a common code of conduct for our highly individualistic and diverse brands, business, and employees.



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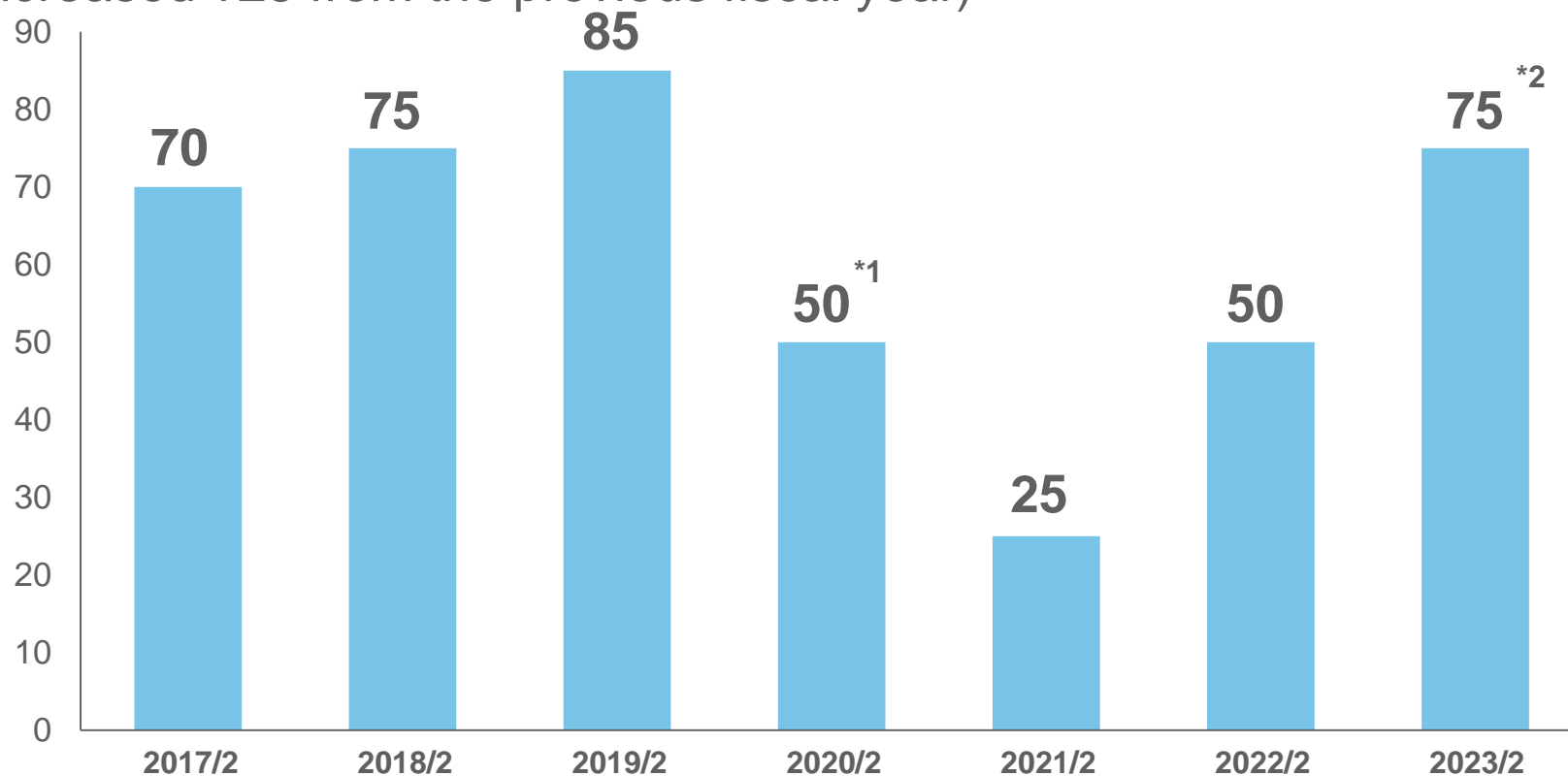
Response to Shareholders

-
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 28, 2023 is ¥75 (increased ¥25 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 for our 50th anniversary of ¥15.

2. Shareholder Benefit Program

“Decided to enhance the shareholder benefit program, aiming to increase the attractiveness of investing in the Company’s shares”

We have enhanced the shareholder benefit program as below for the purpose of expanding the number of new individual investors by increasing the attractiveness of investing in the Company’s shares and promoting the ownership of the Company’s shares over the medium to long term.

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 “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 (Discount available from June 1, 2023)

● 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 been operating the hotel “Freigate Shirahama” for the purpose of employing people with disabilities. PAL purchased the neighboring accommodation facilities to expand operations and opened “Hamayu Kuroshio,” a traditional Japanese inn offering Japanese cuisine.

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.



Hamayu Kuroshio

▶ www.hamayu-kuroshio.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.



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	927

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.