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Consolidated Financial Results for the Three Months Ended May 31, 2025 [Japanese GAAP]

July 8, 2025

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 commencing dividend payments: —

Availability of supplementary briefing material on financial results: Not available

Schedule of 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, 2025 (March 1, 2025 to May 31, 2025)

(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, 2025	58,727	14.2	7,854	24.6	7,857	22.3	5,234	24.7
Three months ended May 31, 2024	51,441	9.5	6,306	10.5	6,422	10.1	4,198	3.7

(Note) Comprehensive income: Three months ended May 31, 2025: ¥5,292 million [25.8%]

Three months ended May 31, 2024: ¥4,206 million [3.9%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Three months ended May 31, 2025	60.29	—
Three months ended May 31, 2024	48.36	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of May 31, 2025	162,068	73,436	43.7
As of February 28, 2025	147,929	73,353	47.9

(Reference) Equity: As of May 31, 2025: ¥70,891 million

As of February 28, 2025: ¥70,893 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, 2025	—	0.00	—	60.00	60.00
Fiscal year ending February 28, 2026	—				
Fiscal year ending February 28, 2026 (Forecast)		0.00	—	30.00	30.00

(Notes) 1. Revision of dividend forecast: Yes

2. The Company will conduct a 2-for-1 stock split of common stock with a record date of August 31, 2025 and an effective date of September 1, 2025. The forecast for the annual dividends per share, on a pre-stock-split basis, is 60 yen for the year-end dividend and 60 yen for the total dividends.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2026 (March 1, 2025 to February 28, 2026)

(% 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	113,500	12.1	12,700	7.6	12,700	6.2	8,130	6.0	46.81
Full year	231,000	11.2	26,400	11.6	26,400	10.3	16,850	42.2	97.03

(Notes) 1. Revision of consolidated financial results forecast: No

2. The Company will conduct a 2-for-1 stock split of common stock with a record date of August 31, 2025 and an effective date of September 1, 2025. Basic earnings per share in the consolidated financial results forecast reflect the impact of the stock split. Basic earnings per share, on a pre-stock-split basis, are 93.63 yen for the first half and 194.07 yen for the full year.

*** Notes**

- (1) Significant changes in the scope of consolidation 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, 2025	92,544,000 shares
As of February 28, 2025	92,544,000 shares

2) Total number of treasury shares at the end of the period:

As of May 31, 2025	5,720,867 shares
As of February 28, 2025	5,720,867 shares

3) Average number of shares during the period:

Three months ended May 31, 2025	86,823,133 shares
Three months ended May 31, 2024	86,823,296 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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, 2025 (March 1, 2025 to May 31, 2025), the Japanese economy experienced a succession of price hikes centering on foods and eating out amid the continued increase in the price of rice, and the economic outlook remains uncertain due to stagnant personal consumption attributable to negative real wage growth and the expectation of decelerated overseas demand.

The global economy was at the mercy of tariff policies introduced by the second Trump administration, and uncertainty about the outlook for international trade has increased. As a result, companies, centering on those engaged in exports to the U.S., are expected to make production adjustments and refrain from capital investment. The Chinese and European economies are also expected to show a trend of slowdown. In the foreign exchange market, growing weariness over uncertainty about U.S. policies led to a depreciation of the U.S. dollar, with the yen's exchange rate against the U.S. dollar remaining mostly around the level of 140 yen.

Under such a business environment, with the strength, where influencers, who are our employees, have established strong connections with customers through their social networking services accounts, the Group has developed products based on the concept of “market in” (developing products by understanding customers' needs and requests through listening to their voices) and directly proposed products with high customer satisfaction through social networking services to customers. With these initiatives, we have been working on improving gross profit by increasing sales without discounting and reducing unsold inventory. As a result, gross profit for the three months ended May 31, 2025 improved by 2.1% year on year to 59.0%.

In addition, gross profit in the Miscellaneous Goods/Accessories Business significantly improved with our aggressive introduction of products priced over 300 yen and pricing that reflects the added value of products. As a result, operating profit in the Miscellaneous Goods/Accessories division increased by 1.8 times year on year to ¥2,138 million. We will continue to make efforts to actively open new stores and increase store sizes as well and, with the expansion of our customer base by venturing into new product categories as a growth driver, we will further expand the business.

Through these measures, net sales in the Apparel Business increased by ¥5,509 million year on year to ¥36,226 million and net sales in the Miscellaneous Goods/Accessories Business increased by ¥1,729 million year on year to ¥22,395 million.

As a result of the above, net sales for the three months ended May 31, 2025 increased by 14.2% year on year to ¥58,727 million. In terms of profit, operating profit increased by 24.6% year on year to ¥7,854 million, ordinary profit increased by 22.3% year on year to ¥7,857 million, and profit attributable to owners of parent increased by 24.7% year on year to ¥5,234 million.

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥12,335 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥1,882 million, notes and accounts receivable - trade by ¥6,091 million, and merchandise and finished goods by ¥4,371 million.

Non-current assets increased by ¥1,803 million compared with the end of the previous fiscal year, due primarily to an increase in buildings and structures by ¥898 million.

(Liabilities)

Current liabilities increased by ¥18,360 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥12,362 million and provision for bonuses by ¥1,438 million.

Non-current liabilities decreased by ¥4,304 million compared with the end of the previous fiscal year, due primarily to decreases in long-term borrowings by ¥462 million and provision for retirement benefits for directors (and other officers) by ¥3,730 million.

(Net assets)

Net assets increased by ¥83 million compared with the end of the previous fiscal year, due mainly to an increase in non-controlling interests by ¥84 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Future Projections

There is no change to the consolidated financial results forecast for the fiscal year ending February 28, 2026 from the financial results forecasts announced on April 8, 2025 in the “Consolidated Financial Results for the Fiscal Year Ended February 28, 2025.”

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2025	As of May 31, 2025
Assets		
Current assets		
Cash and deposits	85,715	87,598
Notes and accounts receivable - trade	10,473	16,565
Merchandise and finished goods	16,731	21,103
Other	1,371	1,361
Allowance for doubtful accounts	(5)	(6)
Total current assets	114,287	126,622
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,189	11,087
Other, net	2,775	2,984
Total property, plant and equipment	12,965	14,071
Intangible assets	816	777
Investments and other assets		
Guarantee deposits	13,817	13,948
Other	6,098	6,702
Allowance for doubtful accounts	(54)	(54)
Total investments and other assets	19,861	20,597
Total non-current assets	33,642	35,446
Total assets	147,929	162,068
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,252	41,615
Short-term borrowings	800	973
Current portion of long-term borrowings	246	234
Income taxes payable	5,918	3,057
Provision for bonuses	3,767	5,206
Provision for point card certificates	249	243
Provisions	1,080	576
Other	9,271	17,038
Total current liabilities	50,586	68,946
Non-current liabilities		
Long-term borrowings	12,184	11,721
Retirement benefit liability	1,813	1,847
Provision for retirement benefits for directors (and other officers)	4,245	515
Asset retirement obligations	4,728	4,961
Other	1,017	639
Total non-current liabilities	23,989	19,685
Total liabilities	74,576	88,632

(Millions of yen)

	As of February 28, 2025	As of May 31, 2025
Net assets		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,478	4,478
Retained earnings	66,761	66,786
Treasury shares	(3,672)	(3,672)
Total shareholders' equity	70,748	70,773
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	7
Foreign currency translation adjustment	18	0
Remeasurements of defined benefit plans	117	109
Total accumulated other comprehensive income	144	117
Non-controlling interests	2,460	2,545
Total net assets	73,353	73,436
Total liabilities and net assets	147,929	162,068

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended May 31

(Millions of yen)

	Three months ended May 31, 2024	Three months ended May 31, 2025
Net sales	51,441	58,727
Cost of sales	22,172	24,083
Gross profit	29,269	34,644
Selling, general and administrative expenses	22,963	26,789
Operating profit	6,306	7,854
Non-operating income		
Interest income	0	2
Share of profit of entities accounted for using equity method	120	—
Royalty income	4	2
Foreign exchange gains	2	22
Other	22	31
Total non-operating income	150	58
Non-operating expenses		
Interest expenses	24	39
Other	9	15
Total non-operating expenses	34	55
Ordinary profit	6,422	7,857
Extraordinary losses		
Loss on retirement of non-current assets	26	0
Impairment losses	79	37
Total extraordinary losses	105	37
Profit before income taxes	6,316	7,819
Income taxes - current	2,306	2,888
Income taxes - deferred	(188)	(387)
Total income taxes	2,118	2,500
Profit	4,198	5,318
Profit attributable to non-controlling interests	—	84
Profit attributable to owners of parent	4,198	5,234

Quarterly Consolidated Statements of Comprehensive Income
Three months ended May 31

	(Millions of yen)	
	Three months ended May 31, 2024	Three months ended May 31, 2025
Profit	4,198	5,318
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(0)
Foreign currency translation adjustment	12	(17)
Remeasurements of defined benefit plans, net of tax	(6)	(8)
Share of other comprehensive income of entities accounted for using equity method	(1)	–
Total other comprehensive income	7	(26)
Comprehensive income	4,206	5,292
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,206	5,207
Comprehensive income attributable to non-controlling interests	–	84