

Consolidated Financial Results for the Three Months Ended May 31, 2024 [Japanese GAAP]

July 30, 2024

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: August 14, 2024

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, 2024 (March 1, 2024 to May 31, 2024)

(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, 2024	51,441	9.5	6,306	10.5	6,422	10.1	4,198	3.7
Three months ended May 31, 2023	46,991	19.9	5,707	29.0	5,833	27.9	4,049	31.9

(Note) Comprehensive income: Three months ended May 31, 2024: ¥4,206 million [3.9%]

Three months ended May 31, 2023: ¥4,048 million [32.2%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Three months ended May 31, 2024	48.36	—
Three months ended May 31, 2023	46.10	—

(Note) The Company conducted a stock split on September 1, 2023 at a ratio of two shares for one share of common stock. Accordingly, basic earnings per share are calculated assuming that the stock split took place at the beginning of the fiscal year ended February 29, 2024.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of May 31, 2024	131,399	63,310	48.2
As of February 29, 2024	126,922	63,444	50.0

(Reference) Equity: As of May 31, 2024: ¥63,310 million

As of February 29, 2024: ¥63,444 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 29, 2024	—	0.00	—	50.00	50.00
Fiscal year ending February 28, 2025	—				
Fiscal year ending February 28, 2025 (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, 2025 (March 1, 2024 to February 28, 2025)

(% 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	99,210	5.4	9,180	(10.9)	9,280	(10.6)	5,880	(16.0)	67.72
Full year	203,500	5.7	20,120	8.1	20,370	8.1	12,940	0.7	149.04

(Note) Revision of consolidated financial results forecast: No

*** Notes**

- (1) Changes in significant subsidiaries during the period under review: No
- (2) Adoption of special accounting methods for preparing quarterly consolidated financial statement: No
- (3) Changes in accounting policies, changes in accounting estimates and corrections of errors
- 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Any changes other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Corrections of errors: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

As of May 31, 2024	92,544,000 shares
As of February 29, 2024	92,544,000 shares

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

As of May 31, 2024	5,720,704 shares
As of February 29, 2024	5,720,704 shares

3) Average number of shares during the period:

Three months ended May 31, 2024	86,823,296 shares
Three months ended May 31, 2023	87,850,071 shares

(Note) The Company conducted a stock split on September 1, 2023 at a ratio of two shares for one share of common stock. Accordingly, “total number of issued shares at the end of the period,” “total number of treasury shares at the end of the period,” and “average number of shares during the period” are calculated assuming that the stock split took place at the beginning of the fiscal year ended February 29, 2024.

* 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, 2024 (March 1, 2024 to May 31, 2024), the Japanese economy showed a gradual recovery trend as socioeconomic activities progressed toward normalization, and corporate earnings, employment, and the income environment improved. However, the economic outlook remains uncertain due to downside risks from price increases caused by the depreciation of the Japanese yen and other factors, as well as fluctuations in financial and capital markets.

Under such a business environment, the Company has made continued efforts to strengthen EC sales and online promotions ever since COVID-19 began spreading, and advanced the acceleration of new store openings and the expansion of the size of existing stores in response to an increase in foot traffic and a turnaround in commercial facilities attracting customers.

Through these measures, net sales in the Apparel Business increased by ¥1,510 million year on year to ¥30,717 million and net sales in the Miscellaneous Goods/Accessories Business increased by ¥2,937 million year on year to ¥20,666 million.

As a result of the above, net sales for the three months ended May 31, 2024 increased by 9.5% year on year to ¥51,441 million. In terms of profit, operating profit increased by 10.5% year on year to ¥6,306 million, ordinary profit increased by 10.1% year on year to ¥6,422 million, and profit attributable to owners of parent increased by 3.7% year on year to ¥4,198 million.

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥3,066 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts receivable - trade by ¥2,829 million and merchandise and finished goods by ¥1,552 million, despite a decrease in cash and deposits by ¥1,443 million.

Non-current assets increased by ¥1,410 million compared with the end of the previous fiscal year, due primarily to an increase in buildings and structures by ¥936 million.

(Liabilities)

Current liabilities increased by ¥3,781 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥1,867 million and provision for bonuses by ¥1,089 million.

Non-current liabilities increased by ¥830 million compared with the end of the previous fiscal year, due primarily to increases in long-term borrowings by ¥580 million and asset retirement obligations by ¥259 million.

(Net assets)

Net assets decreased by ¥134 million compared with the end of the previous fiscal year, due mainly to a decrease in retained earnings by ¥142 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, 2025 from the financial results forecasts announced on April 9, 2024 in the “Consolidated Financial Results for the Fiscal Year Ended February 29, 2024.”

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	67,228	65,785
Notes and accounts receivable - trade	10,374	13,203
Merchandise and finished goods	16,505	18,058
Other	2,584	2,711
Total current assets	96,692	99,758
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,387	9,323
Other, net	2,518	2,641
Total property, plant and equipment	10,905	11,964
Intangible assets	393	416
Investments and other assets		
Guarantee deposits	12,315	12,267
Other	6,670	7,047
Allowance for doubtful accounts	(54)	(54)
Total investments and other assets	18,931	19,260
Total non-current assets	30,230	31,641
Total assets	126,922	131,399
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,845	30,713
Short-term borrowings	250	400
Income taxes payable	3,480	2,278
Provision for bonuses	3,315	4,404
Provision for point card certificates	212	214
Provisions	741	319
Other	8,179	10,475
Total current liabilities	45,023	48,805
Non-current liabilities		
Long-term borrowings	10,962	11,542
Retirement benefit liability	1,255	1,276
Provisions	1,208	1,257
Asset retirement obligations	3,877	4,136
Other	1,149	1,070
Total non-current liabilities	18,453	19,284
Total liabilities	63,477	68,089

(Millions of yen)

	As of February 29, 2024	As of May 31, 2024
Net assets		
Shareholders' equity		
Share capital	3,181	3,181
Capital surplus	4,478	4,478
Retained earnings	59,254	59,112
Treasury shares	(3,672)	(3,672)
Total shareholders' equity	63,241	63,099
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	6
Foreign currency translation adjustment	(5)	7
Remeasurements of defined benefit plans	204	196
Total accumulated other comprehensive income	203	211
Total net assets	63,444	63,310
Total liabilities and net assets	126,922	131,399

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Three months ended May 31

(Millions of yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Net sales	46,991	51,441
Cost of sales	20,191	22,172
Gross profit	26,799	29,269
Selling, general and administrative expenses	21,092	22,963
Operating profit	5,707	6,306
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	120	120
Royalty income	4	4
Foreign exchange gains	–	2
Other	34	22
Total non-operating income	160	150
Non-operating expenses		
Interest expenses	21	24
Other	12	9
Total non-operating expenses	34	34
Ordinary profit	5,833	6,422
Extraordinary losses		
Loss on retirement of non-current assets	38	26
Impairment losses	33	79
Total extraordinary losses	72	105
Profit before income taxes	5,761	6,316
Income taxes - current	1,872	2,306
Income taxes - deferred	(152)	(188)
Total income taxes	1,720	2,118
Profit	4,040	4,198
Loss attributable to non-controlling interests	(8)	–
Profit attributable to owners of parent	4,049	4,198

Consolidated Statements of Comprehensive Income
Three months ended May 31

(Millions of yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Profit	4,040	4,198
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	2
Foreign currency translation adjustment	7	12
Remeasurements of defined benefit plans, net of tax	(0)	(6)
Share of other comprehensive income of entities accounted for using equity method	0	(1)
Total other comprehensive income	7	7
Comprehensive income	4,048	4,206
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,057	4,206
Comprehensive income attributable to non-controlling interests	(8)	–

3. Additional Information

(1) Sales Results by Segment (Consolidated)

	Three months ended May 31, 2023	Three months ended May 31, 2024	Percent change year-on-year
	million yen	million yen	%
Apparel Business	29,206	30,717	105.2
Miscellaneous Goods/ Accessories Business	17,729	20,666	116.6
Other	55	57	103.6
Total	46,991	51,441	109.5

(2) Status of Stores (Consolidated)

	Three months ended May 31, 2024
Number of stores as of February 29, 2024	949 stores
Number of new stores	40 stores
Number of closed stores	7 stores
Number of stores as of May 31, 2024	982 stores