

**Consolidated Financial Results**  
**for the Three Months Ended May 31, 2018**  
**[Japanese GAAP]**

July 10, 2018

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, 2018

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, 2018 (March 1, 2018 to May 31, 2018)**

(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, 2018	32,167	6.0	2,699	4.3	2,668	3.8	1,554	(0.1)
Three months ended May 31, 2017	30,359	6.2	2,589	55.6	2,570	58.2	1,557	86.4

(Note) Comprehensive income: Three months ended May 31, 2018: ¥1,583 million [(0.3)%]

Three months ended May 31, 2017: ¥1,588 million [93.1%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Three months ended May 31, 2018	70.68	—
Three months ended May 31, 2017	70.79	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of May 31, 2018	86,086	38,403	44.6
As of February 28, 2018	82,890	38,475	46.4

(Reference) Equity: As of May 31, 2018: ¥38,403 million

As of February 28, 2018: ¥38,475 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, 2018	—	0.00	—	75.00	75.00
Fiscal year ending February 28, 2019	—				
Fiscal year ending February 28, 2019 (Forecast)		0.00	—	75.00	75.00

(Note) Revision of dividend forecast: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2019 (March 1, 2018 to February 28, 2019)

(% 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	66,340	10.0	3,890	6.5	3,750	3.4	2,130	8.7	96.82
Full year	133,510	8.3	8,990	27.7	8,720	25.2	4,930	98.1	224.10

(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: Yes

3) Changes in accounting estimates: No

4) Corrections of errors: No

For details, please refer to “2. Consolidated Financial Statements and Primary Notes (3) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” on page 8 of the Appendix to this report.

(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, 2018	23,136,000 shares
As of February 28, 2018	23,136,000 shares

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

As of May 31, 2018	1,137,119 shares
As of February 28, 2018	1,137,119 shares

3) Average number of shares during the period:

Three months ended May 31, 2018	21,998,881 shares
Three months ended May 31, 2017	21,999,095 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. For the premises of financial results forecast and the notes concerning the use of financial results forecast, please refer to “Explanation of Consolidated Financial Results Forecast and Other Future Projections” on page 2 of the Appendix to this report.

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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, 2018 (March 1, 2018 to May 31, 2018), the Japanese economy remained on a gradual recovery trend driven mainly by improved corporate profit and the employment environment.

Under such a business environment, the Corporate Group made every effort to expand its operations and improve management efficiency by proactively keeping its business conditions entrenched and promoting the opening of new stores, while at the same time revitalizing existing stores by switching businesses and withdrawing unprofitable stores.

In the Apparel Business, the Group conducted proactive brand promotions while further pressing ahead with the reform of merchandising (MD) and improving the freshness of merchandise through agile introduction of items in stores. As a result, net sales increased by 8.5% year on year to ¥23,856 million. In the Miscellaneous Goods/Accessories Business, net sales decreased by 0.8 % year on year to ¥8,282 million.

As a result of the above, net sales for the three months ended May 31, 2018 increased by 6.0% year on year to ¥32,167 million.

In terms of profit, the gross profit margin decreased by 0.7 points year on year to 58.3%. Operating profit increased by ¥110 million year on year to ¥2,699 million, ordinary profit increased by ¥98 million year on year to ¥2,668 million, and profit attributable to owners of parent decreased by ¥2 million year on year to ¥1,554 million.

### (2) Explanation of Financial Position

#### (Assets)

Current assets increased by ¥2,476 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts receivable - trade by ¥2,429 million and merchandise and finished goods by ¥2,004 million, despite a decrease in cash and deposits by ¥2,338 million.

Non-current assets increased by ¥719 million compared with the end of the previous fiscal year, due primarily to increases in property, plant and equipment by ¥681 million and intangible assets by ¥287 million.

#### (Liabilities)

Current liabilities increased by ¥3,382 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥1,763 million, provision for bonuses by ¥721 million and income taxes payable by ¥522 million.

Non-current liabilities decreased by ¥114 million compared with the end of the previous fiscal year, due primarily to a decrease in other non-current liabilities by ¥277 million, despite an increase in long-term loans payable by ¥109 million.

#### (Net assets)

Net assets decreased by ¥71 million compared with the end of the previous fiscal year, due mainly to a decrease in retained earnings by ¥99 million.

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

There is no change to the consolidated financial results forecast announced on April 17, 2018.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	40,728	38,390
Notes and accounts receivable - trade	5,194	7,623
Merchandise and finished goods	9,920	11,924
Other	2,347	2,728
Allowance for doubtful accounts	(0)	(0)
Total current assets	58,190	60,667
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,264	6,751
Other, net	1,969	2,162
Total property, plant and equipment	8,233	8,914
Intangible assets	637	925
Investments and other assets		
Guarantee deposits	13,505	13,328
Other	2,397	2,324
Allowance for doubtful accounts	(73)	(73)
Total investments and other assets	15,828	15,579
Total non-current assets	24,699	25,419
Total assets	82,890	86,086

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	14,673	16,436
Short-term loans payable	4,632	4,650
Current portion of long-term loans payable	3,040	2,672
Income taxes payable	395	918
Provision for bonuses	1,522	2,244
Provision	120	118
Other	5,706	6,432
<b>Total current liabilities</b>	<b>30,091</b>	<b>33,473</b>
<b>Non-current liabilities</b>		
Long-term loans payable	9,860	9,969
Net defined benefit liability	843	856
Provision	286	287
Asset retirement obligations	1,735	1,774
Other	1,598	1,321
<b>Total non-current liabilities</b>	<b>14,323</b>	<b>14,209</b>
<b>Total liabilities</b>	<b>44,415</b>	<b>47,682</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,181	3,181
Capital surplus	4,469	4,469
Retained earnings	32,700	32,600
Treasury shares	(2,088)	(2,088)
<b>Total shareholders' equity</b>	<b>38,263</b>	<b>38,163</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	267	300
Foreign currency translation adjustment	(5)	(11)
Remeasurements of defined benefit plans	(50)	(49)
<b>Total accumulated other comprehensive income</b>	<b>211</b>	<b>240</b>
<b>Total net assets</b>	<b>38,475</b>	<b>38,403</b>
<b>Total liabilities and net assets</b>	<b>82,890</b>	<b>86,086</b>

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

## Consolidated Statements of Income

(Millions of yen)

	Three months ended May 31, 2017	Three months ended May 31, 2018
Net sales	30,359	32,167
Cost of sales	12,433	13,398
Gross profit	17,926	18,769
Selling, general and administrative expenses	15,336	16,069
Operating profit	2,589	2,699
Non-operating income		
Interest income	0	0
Royalty income	5	5
Other	13	11
Total non-operating income	19	16
Non-operating expenses		
Interest expenses	30	31
Share of loss of entities accounted for using equity method	1	11
Provision for loss on guarantees	5	—
Other	1	5
Total non-operating expenses	38	48
Ordinary profit	2,570	2,668



(Millions of yen)

	Three months ended May 31, 2017	Three months ended May 31, 2018
Extraordinary losses		
Loss on retirement of non-current assets	42	46
Impairment loss	74	29
Total extraordinary losses	117	75
Profit before income taxes	2,453	2,592
Income taxes - current	1,068	1,247
Income taxes - deferred	(172)	(209)
Total income taxes	895	1,037
Profit	1,557	1,554
Profit attributable to owners of parent	1,557	1,554

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended May 31, 2017	Three months ended May 31, 2018
Profit	1,557	1,554
Other comprehensive income		
Valuation difference on available-for-sale securities	36	32
Foreign currency translation adjustment	(2)	(4)
Remeasurements of defined benefit plans, net of tax	(1)	1
Share of other comprehensive income of entities accounted for using equity method	(1)	(1)
Total other comprehensive income	31	28
Comprehensive income	1,588	1,583
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,588	1,583

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Changes in valuation method of inventories)

At the Company and some of its consolidated subsidiaries, merchandise and finished goods had been stated at cost by the specific cost method (method in which book values were written down based on declines in profitability), however, beginning from the first quarter of the current fiscal year, they are stated at cost by the moving average method (method in which book values are written down based on declines in profitability).

The purpose of this change is to enable appropriate periodic accounting of profit and loss, taking advantage of the introduction of a new sales management system.

As the monetary impact of this change is insignificant, it has not been applied retrospectively.

### 3. Additional Information

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

	Three months ended May 31, 2017	Three months ended May 31, 2018	Changes from the previous corresponding period
	million yen	million yen	%
Apparel Business	21,987	23,856	108.5
Miscellaneous Goods/ Accessories Business	8,346	8,282	99.2
Other	25	28	111.1
Total	30,359	32,167	106.0

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

	Three months ended May 31, 2018
Number of stores as of February 28, 2018	935 stores
Number of new stores	30 stores
Number of closed stores	16 stores
Number of stores as of May 31, 2018	949 stores