Company name:	PAL CO., LTD.	
Representative:	Ryuta Inoue, President and Representative Director	
Contact:	(Code number: 2726, First Section of the Tokyo	
	Stock Exchange)	
	Yukio Utsunomiya, Managing Officer and General	
	Manager of Administrative Department	
	(Phone: +81-6-6227-0308)	

Transition to a Holding Company Structure through Company Split and Establishment of a Subsidiary (Split Preparation Company)

PAL CO., LTD. (the "Company") hereby announces that, at the Board of Directors meeting held today, it has resolved to transition to a holding company structure through company split effective September 1, 2016 (scheduled), and to establish a wholly-owned subsidiary as a split preparation company (hereinafter "Split Preparation Company") in early April 2016 (scheduled).

The Company will also change its trade name to PAL HOLDINGS CO., LTD. (tentative) on September 1, 2016 and plans to maintain its listing status as a holding company. The abovementioned transition to a holding company structure through company split and trade name change will be executed subject to the approval at the Company's ordinary general meeting of shareholders to be held in later May 2016 and authorization from competent authorities, as necessary.

1. Purpose and background of the transition to a holding company structure

The recent Japanese economy, although showing a continued moderate recovery trend due to factors including economic measures implemented by the government, personal consumption continues to be weak. The environment surrounding the apparel industry in which we serve has been facing a series of extremely severe challenges that includes the loss of sense of seasons due to global warming; poor sales during the summer and winter sales season; the shift in the major purchasing group from younger customers to adult customers; significant increase in manufacturing costs as a result of rise in labor costs in Asian countries such as China and rapid depreciation of the yen.

Amid these condition, in order to achieve further growth, the Company resolved to transition to a holding company structure, based on the judgment that it be appropriate to further accelerate the operational speed, and establish a group operational structure that enables agile and flexible decision-making.

Further, the Company will proactively allocate the Group's management resources to new growth fields including mergers and acquisitions, in order to nurture management personnel of the next generation and further enhance the corporate value of the Group, by assigning promising personnel for the management of each business company.

- 2. Overview of the transition to a holding company structure
 - (1) Transition method

The businesses to be split from the Company are scheduled to be transferred to a wholly-owned subsidiary of the Company (Split Preparation Company) by means of company split (absorption-type split) in which the Company is the splitting company (hereinafter the "Split").

Further, the Company plans to maintain its listing status after the Split in its transformed trade name.

(2) Schedule of the company split

The Board of Directors meeting to approve the establishment of Split Preparation Company	March 29, 2016
Establishment of Split Preparation Company	Early April 2016 (scheduled)
The Board of Directors meeting to approve the absorption-type company split agreement	April 12, 2016 (scheduled)
Execution of the absorption-type company split agreement	April 12, 2016 (scheduled)
Ordinary general meeting of shareholders to approve the absorption- type company split agreement	May 25, 2016 (scheduled)
Effective date of the absorption-type company split	September 1, 2016 (scheduled)

3. Overview of the Split Preparation Company to be established in line with the transition to a holding company structure

(1) Name	PAL Split Preparation Company CO., LTD.		
(2) Location	3-5-29 Kitahama, Chuo-ku, Osaka City, Osaka		
(3) Position and name of the representative	Ryuta Inoue, President and Representative Director		
(4) Business description	Business related to apparel, miscellaneous goods and accessories		
(5) Capital	10 million yen		
(6) Establishment date	Early April 2016 (scheduled)		
(7) Number of issued shares	200 shares		
(8) Fiscal year-end	End of February		
(9) Major shareholder and its shareholding ratio	PAL CO., LTD. 100%		
(10) Relationship between the parties concerned	Capital relationship	Planned to be established as a wholly-owned subsidiary of the Company.	
	Personnel relationship	Directors and Audit & Supervisory Board Members of the Company are to be assigned.	
	Business relationship	No business relationships with the Company since operation has not commenced.	

4. Others

The details of the Split, detailed matters after the transition to a holding company structure, and future outlook will be separately announced once it has been decided.