

**Consolidated Financial Results**  
**for the Six Months Ended August 31, 2018**  
**[Japanese GAAP]**

October 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: October 15, 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: Scheduled (for analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

**1. Consolidated Financial Results for the Six Months Ended August 31, 2018 (March 1, 2018 to August 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	%
Six months ended August 31, 2018	64,562	7.2	3,897	6.7	3,834	5.7	2,201	12.4
Six months ended August 31, 2017	60,228	5.4	3,654	39.6	3,627	41.7	1,959	48.3

(Note) Comprehensive income: Six months ended August 31, 2018: ¥2,186 million [9.9%]

Six months ended August 31, 2017: ¥1,990 million [61.0%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2018	100.09	—
Six months ended August 31, 2017	89.07	—

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of August 31, 2018	86,634	39,011	45.0
As of February 28, 2018	82,890	38,475	46.4

(Reference) Equity: As of August 31, 2018: ¥39,011 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	—	0.00			
Fiscal year ending February 28, 2019 (Forecast)			—	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
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 (changes in specified subsidiaries resulting in changes in scope of consolidation): 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 August 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 August 31, 2018	1,137,199 shares
As of February 28, 2018	1,137,119 shares

3) Average number of shares during the period:

Six months ended August 31, 2018	21,998,868 shares
Six months ended August 31, 2017	21,999,069 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 six months ended August 31, 2018 (March 1, 2018 to August 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 8.2% year on year to ¥46,539 million. In the Miscellaneous Goods/Accessories Business, we opened 18 new stores in response to robust demand for opening stores reflecting our rising popularity. As a result, net sales increased by 4.7 % year on year to ¥17,971 million.

As a result of the above, net sales for the six months ended August 31, 2018 increased by 7.1% year on year to ¥64,562 million.

In terms of profit, the gross profit margin decreased by 0.7 points year on year to 56.0%. Operating profit increased by ¥243 million year on year to ¥3,897 million, ordinary profit increased by ¥207 million year on year to ¥3,834 million, and profit attributable to owners of parent increased by ¥243 million year on year to ¥2,201 million.

### (2) Explanation of Financial Position

#### (Assets)

Current assets increased by ¥4,098 million compared with the end of the previous fiscal year, due mainly to increases in cash and deposits by ¥2,306 million, notes and accounts receivable - trade by ¥1,296 million and merchandise and finished goods by ¥995 million.

Non-current assets decreased by ¥354 million compared with the end of the previous fiscal year, due primarily to decreases in property, plant and equipment by ¥72 million and guarantee deposits by ¥435 million.

#### (Liabilities)

Current liabilities increased by ¥3,873 million compared with the end of the previous fiscal year, due mainly to increases in notes and accounts payable - trade by ¥3,108 million and income taxes payable by ¥880 million.

Non-current liabilities decreased by ¥665 million compared with the end of the previous fiscal year, due primarily to a decrease in long-term accounts payable - other by ¥487 million.

#### (Net assets)

Net assets increased by ¥536 million compared with the end of the previous fiscal year, due mainly to an increase in retained earnings by ¥551 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 August 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	40,728	43,034
Notes and accounts receivable - trade	5,194	6,490
Merchandise and finished goods	9,920	10,916
Other	2,347	1,848
Allowance for doubtful accounts	(0)	(0)
Total current assets	58,190	62,289
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,264	6,466
Other, net	1,969	1,694
Total property, plant and equipment	8,233	8,160
Intangible assets	637	898
Investments and other assets		
Guarantee deposits	13,505	13,070
Other	2,397	2,288
Allowance for doubtful accounts	(73)	(73)
Total investments and other assets	15,828	15,285
Total non-current assets	24,699	24,344
Total assets	82,890	86,634

(Millions of yen)

	As of February 28, 2018	As of August 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	14,673	17,782
Short-term loans payable	4,632	4,650
Current portion of long-term loans payable	3,040	2,742
Income taxes payable	395	1,276
Provision for bonuses	1,522	1,698
Provision	120	228
Other	5,706	5,586
<b>Total current liabilities</b>	<b>30,091</b>	<b>33,964</b>
<b>Non-current liabilities</b>		
Long-term loans payable	9,860	9,605
Net defined benefit liability	843	886
Provision	286	298
Asset retirement obligations	1,735	1,752
Other	1,598	1,115
<b>Total non-current liabilities</b>	<b>14,323</b>	<b>13,658</b>
<b>Total liabilities</b>	<b>44,415</b>	<b>47,622</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	33,252
Treasury shares	(2,088)	(2,088)
<b>Total shareholders' equity</b>	<b>38,263</b>	<b>38,815</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	267	259
Foreign currency translation adjustment	(5)	(15)
Remeasurements of defined benefit plans	(50)	(48)
<b>Total accumulated other comprehensive income</b>	<b>211</b>	<b>196</b>
<b>Total net assets</b>	<b>38,475</b>	<b>39,011</b>
<b>Total liabilities and net assets</b>	<b>82,890</b>	<b>86,634</b>

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Net sales	60,228	64,562
Cost of sales	26,070	28,392
Gross profit	34,158	36,170
Selling, general and administrative expenses	30,503	32,272
Operating profit	3,654	3,897
Non-operating income		
Interest income	0	0
Rent income	6	6
Other	43	46
Total non-operating income	50	53
Non-operating expenses		
Interest expenses	59	62
Provision for loss on guarantees	5	10
Other	14	44
Total non-operating expenses	78	116
Ordinary profit	3,627	3,834

(Millions of yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Extraordinary income		
Gain on sales of non-current assets	—	310
Total extraordinary income	—	310
Extraordinary losses		
Loss on retirement of non-current assets	153	99
Impairment loss	347	278
Total extraordinary losses	501	377
Profit before income taxes	3,125	3,767
Income taxes - current	1,229	1,595
Income taxes - deferred	(62)	(30)
Total income taxes	1,166	1,565
Profit	1,959	2,201
Profit attributable to owners of parent	1,959	2,201

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Profit	1,959	2,201
Other comprehensive income		
Valuation difference on available-for-sale securities	34	(8)
Remeasurements of defined benefit plans, net of tax	(1)	2
Foreign currency translation adjustment	(0)	(5)
Share of other comprehensive income of entities accounted for using equity method	(1)	(3)
Total other comprehensive income	30	(15)
Comprehensive income	1,990	2,186
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,990	2,186
Comprehensive income attributable to non-controlling interests	—	—

(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)

	Six months ended August 31, 2017	Six months ended August 31, 2018	Changes from the previous corresponding period
	million yen	million yen	%
Apparel Business	43,007	46,539	108.2
Miscellaneous Goods/ Accessories Business	17,169	17,971	104.7
Other	52	51	99.6
Total	60,228	64,562	107.2

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

	Six months ended August 31, 2018
Number of stores as of February 28, 2018	935 stores
Number of new stores	40 stores
Number of closed stores	28 stores
Number of stores as of August 31, 2018	947 stores