

Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2023 <under Japanese GAAP>

July 28, 2022

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(URL: <http://www.paltac.co.jp/>)
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Scheduled date to submit the Quarterly Securities Report: August 10, 2022
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: No

(Figures are rounded down to the nearest million yen)

1. Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to June 30, 2022)

(1) Operating Results (% increase/(decrease) figures indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Three months ended								
June 30, 2022	276,247	2.4	6,514	(7.0)	7,335	(5.4)	5,060	(7.0)
June 30, 2021	269,689	–	7,005	–	7,752	–	5,439	–

	Earnings per share	Diluted earnings per share
	(¥)	(¥)
Three months ended		
June 30, 2022	80.53	–
June 30, 2021	85.60	–

Note: From the beginning of the first quarter of the fiscal year ended March 31, 2022, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., and the above-mentioned figures of three months ended June 30, 2021 do not include year-on-year percentage changes.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
June 30, 2022	445,207	246,422	55.4	3,920.99
March 31, 2022	448,877	243,741	54.3	3,878.33

Reference: Equity As of June 30, 2022: ¥246,422 million As of March 31, 2022: ¥243,741 million

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2022	–	39.00	–	39.00	78.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		41.00	–	41.00	82.00

Note: Revision to the forecasts most recently announced: No

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2023

(From April 1, 2022 to March 31, 2023)

(% increase/(decrease) figures indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
First six months	548,000	3.1	12,500	(6.3)	13,900	(5.6)	9,600	(8.4)	152.75
Fiscal year	1,080,000	3.3	24,700	(4.7)	27,400	(4.3)	19,000	(3.3)	302.32

Note: Revision to the forecasts most recently announced: No

*** Notes**

(1) Adoption of Accounting Treatments Specific to Preparation of Quarterly Financial Statements: No

(2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements

- 1) Changes in accounting policies due to revisions to accounting standards, and other regulations: No
- 2) Changes in accounting policies due to other reasons: No
- 3) Changes in accounting estimates: No
- 4) Restatements: No

(3) Number of Issued Shares (common stock)

1) Number of issued shares at the end of the period (including treasury stock)

As of June 30, 2022	63,553,485 shares
As of March 31, 2022	63,553,485 shares

2) Number of treasury shares at the end of the period

As of June 30, 2022	706,549 shares
As of March 31, 2022	706,549 shares

3) Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

For the three months ended June 30, 2022	62,846,936 shares
For the three months ended June 30, 2021	63,547,098 shares

* This quarterly financial results report is not subject to the quarterly review procedures by certified public accountants or audit firms.

* Information regarding proper use of the forecasts of financial results, and other special instructions
(Cautionary notes to the forward-looking statements)

The forward-looking statements contained in this report, including forecasts of financial results, are based on information currently available and assumptions that management believes to be reasonable. Actual financial and other results may differ substantially due to various factors. Please refer to the section “1. Qualitative Information for the Three Months Ended June 30, 2022 (3) Forecasts and Other Projections” on page 3 of the attached material to this quarterly financial results report for the suppositions that form the assumptions for the forecasts and cautions concerning the use thereof.

* How to access the presentation (Presentation Material for this quarterly financial results)

Presentation (Presentation Material for this financial results) is posted on the Company’s website (<http://www.paltac.co.jp/tomorrow/index.html>).

* Information regarding this report (including the attached material)

None of the information in this report constitutes solicitation to purchase or sell the stock of PALTAC CORPORATION. It was not prepared with the intention of providing investment advice about the stock of PALTAC CORPORATION.

Furthermore, this report is an English translation of the original, which was prepared in Japanese.

In the event of any discrepancies between the Japanese original and the English translation, the Japanese original shall prevail.

Attached Material

Contents

1. Qualitative Information for the Three Months Ended June 30, 2022.....	2
(1) Operating Results	2
(2) Financial Position	3
(3) Forecasts and Other Projections	3
2. Quarterly Financial Statements and Notes to Quarterly Financial Statements.....	4
(1) Quarterly Balance Sheets	4
(2) Quarterly Statements of Income.....	6
(3) Quarterly Statements of Cash Flows	7
(4) Notes to Quarterly Financial Statements.....	8
(Notes on premise of going concern)	8
(Notes on significant changes in the amount of shareholders' equity).....	8
3. Supplementary Information.....	9
(1) Sales Status.....	9

1. Qualitative Information for the Three Months Ended June 30, 2022

(1) Operating Results

In the three months ended June 30, 2022, despite signs of the Japanese economy picking up and progressing toward normalization as restrictions on movement due to the novel coronavirus disease (COVID-19) were eased, the economic outlook remains unclear mainly due to rising raw material prices and energy prices as a result of a prolonged unstable international situation and the rapid weakening of the yen.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, due to the increase in opportunities for consumers to go outside, there were signs of a recovery for makeup products, sunscreen, health drinks and other products used when going outside. However, demand for sanitary related products such as hand soap and disinfectant, which had been extremely high at the beginning of the COVID-19 pandemic, continued on a downward trend. In addition, because the typically large seasonal increase in temperatures occurred from the middle of June onward, sales of summer items were lower than expected overall.

Under these circumstances, based on the medium-term management plan, with the fiscal year ending March 31, 2023 as the second year of the plan, the Company is steadily promoting initiatives for optimizing and streamlining the entire supply chain through collaboration and cooperation with the Company's stakeholders. These initiatives include strengthening "selling systems" through collaboration and cooperation with our business partners, implementing improvements in logistics in consideration of our response to the impending "2024 problem" in logistics (possible shortage of truck drivers due to a reduction in the maximum overtime work limit to 960 hours per year from April 2024) and the White-Logistics-Movement, and actively recruiting human resources capable of taking charge in achieving medium- to long-term growth. As the use of digital technology is common to all of these initiatives, the Company established the DX Promotion Department in April, and is working to create a system for accelerating DX initiatives aimed at groundbreaking improvement of productivity of the entire supply chain, launch a project team for promoting companywide initiatives, and ensure the contents of initiatives.

Regarding net sales, the Company focused on enhancing retail solution functions that can meet a wide range of retailer needs and actively utilizing these functions through collaboration and cooperation. In addition, the Company worked to increase sales at retail stores and expand its in-store share by providing the most current information using real-time information from retail stores and the largest collection of retail information in the industry, and by enhancing its product proposals that reinvigorate retail stores, such as new environmentally friendly products.

With regard to SG&A expenses, while there were a decrease in order volume on a per-unit basis and other negative factors due to changes in the market environment, the Company continued to improve the productivity of warehouse operations and worked to implement other measures, such as improving logistics efficiency in response to both rising shipping costs and the White-Logistics-Movement.

As a result of the above, net sales for the three months ended June 30, 2022 were ¥276,247 million (up 2.4% year on year), operating profit was ¥6,514 million (down 7.0%), ordinary profit was ¥7,335 million (down 5.4%), and profit was ¥5,060 million (down 7.0%).

As the Company has one reportable segment, disclosure by segment information has been omitted.

(2) Financial Position

1) Assets, liabilities and net assets

(Assets)

Total assets as of the end of the first quarter were ¥445,207 million, a decrease of ¥3,669 million from the end of the previous fiscal year. This was primarily the result of decreases in cash and deposits of ¥11,747 million and in merchandise and finished goods of ¥832 million and an increase in notes and accounts receivable-trade of ¥11,744 million.

(Liabilities)

Total liabilities as of the end of the first quarter were ¥198,784 million, a decrease of ¥6,351 million from the end of the previous fiscal year. This was primarily the result of decreases in notes and accounts payable-trade of ¥3,328 million and in income taxes payable of ¥2,161 million and an increase in provision for bonuses ¥811 million.

(Net assets)

Net assets as of the end of the first quarter were ¥246,422 million, an increase of ¥2,681 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥2,609 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the first quarter were ¥28,922 million, a decrease of ¥11,747 million from the end of the previous fiscal year.

Status of each cash flow during the three months under review and main factors thereof are as follows:

(Cash flows from operating activities)

Net cash used in operating activities was ¥9,114 million (down ¥1,930 million year on year). Main factors were ¥7,313 million of profit before income taxes, ¥1,327 million of depreciation and amortization, ¥11,744 million of increase in notes and accounts receivable-trade, ¥3,328 million of decrease in notes and accounts payable-trade, ¥1,297 million of increase in accrued consumption taxes and ¥4,117 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥148 million (down ¥1,055 million year on year). Main factor was ¥89 million of purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,485 million (down ¥9 million year on year). Main factor was ¥2,446 million of cash dividends paid.

(3) Forecasts and Other Projections

There is no revision to the forecasts of financial results for the fiscal year ending March 31, 2023 and dividend forecast, which were announced on May 11, 2022.

2. Quarterly Financial Statements and Notes to Quarterly Financial Statements**(1) Quarterly Balance Sheets**

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	40,670	28,922
Notes and accounts receivable-trade	196,320	208,064
Merchandise and finished goods	47,986	47,154
Other	21,967	20,091
Allowance for doubtful accounts	(8)	(8)
Total current assets	<u>306,936</u>	<u>304,225</u>
Non-current assets		
Property, plant and equipment		
Land	47,446	47,446
Other	70,922	69,917
Total property, plant and equipment	<u>118,369</u>	<u>117,363</u>
Intangible assets	880	864
Investments and other assets		
Investments and other assets	22,695	22,757
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	<u>22,690</u>	<u>22,752</u>
Total non-current assets	<u>141,940</u>	<u>140,981</u>
Total assets	<u>448,877</u>	<u>445,207</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	164,442	161,113
Income taxes payable	4,515	2,353
Provision for bonuses	1,580	2,391
Provision for loss on disaster	497	286
Other	25,322	23,703
Total current liabilities	<u>196,358</u>	<u>189,849</u>
Non-current liabilities		
Provision for retirement benefits	2,732	2,783
Other	6,044	6,151
Total non-current liabilities	<u>8,777</u>	<u>8,935</u>
Total liabilities	<u>205,135</u>	<u>198,784</u>

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	194,277	196,887
Treasury shares	(3,489)	(3,489)
Total shareholders' equity	234,484	237,094
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,246	9,317
Deferred gains or losses on hedges	10	10
Total valuation and translation adjustments	9,256	9,327
Total net assets	243,741	246,422
Total liabilities and net assets	448,877	445,207

(2) Quarterly Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	269,689	276,247
Cost of sales	248,703	255,447
Gross profit	20,985	20,799
Selling, general and administrative expenses	13,980	14,285
Operating profit	7,005	6,514
Non-operating income		
Dividend income	137	132
Research fee income	447	468
Real estate rent	38	38
Other	136	194
Total non-operating income	759	833
Non-operating expenses		
Interest expenses	1	1
Rent cost of real estate	8	8
Other	1	2
Total non-operating expenses	12	11
Ordinary profit	7,752	7,335
Extraordinary income		
Gain on sales of investment securities	6	-
Gain on reversal of provision for loss on disaster	94	-
Total extraordinary income	101	-
Extraordinary losses		
Loss on retirement of non-current assets	0	1
Loss on disaster	-	20
Total extraordinary losses	0	22
Profit before income taxes	7,853	7,313
Income taxes-current	2,203	2,148
Income taxes-deferred	211	104
Total income taxes	2,414	2,252
Profit	5,439	5,060

(3) Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	7,853	7,313
Depreciation and amortization	1,362	1,327
Increase (decrease) in allowance for doubtful accounts	1	(0)
Increase (decrease) in provision for bonuses	808	811
Increase (decrease) in provision for loss on disaster	(229)	(210)
Increase (decrease) in provision for retirement benefits	29	37
Interest and dividend income	(137)	(132)
Interest expenses	1	1
Loss (gain) on sales of investment securities	(6)	–
Loss on disaster	–	20
Decrease (increase) in notes and accounts receivable-trade	(10,709)	(11,744)
Decrease (increase) in inventories	(867)	832
Increase (decrease) in notes and accounts payable-trade	(2,368)	(3,328)
Increase (decrease) in accrued consumption taxes	(691)	1,297
Other, net	(1,079)	(983)
Subtotal	(6,032)	(4,757)
Interest and dividend income received	137	132
Interest expenses paid	(0)	(0)
Payments for loss on disaster	(223)	(371)
Income taxes paid	(4,926)	(4,117)
Net cash provided by (used in) operating activities	(11,044)	(9,114)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,161)	(44)
Purchase of intangible assets	(17)	(89)
Purchase of investment securities	(27)	(27)
Proceeds from sales of investment securities	21	–
Other, net	(17)	12
Net cash provided by (used in) investing activities	(1,204)	(148)
Cash flows from financing activities		
Repayments of long-term loans payable	(182)	–
Repayments of lease obligations	(29)	(38)
Cash dividends paid	(2,283)	(2,446)
Net cash provided by (used in) financing activities	(2,494)	(2,485)
Net increase (decrease) in cash and cash equivalents	(14,743)	(11,747)
Cash and cash equivalents at beginning of period	37,623	40,670
Cash and cash equivalents at end of period	22,880	28,922

(4) Notes to Quarterly Financial Statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

No items to report

3. Supplementary Information

(1) Sales Status

(Sales results)

1) Sales results for the three months ended June 30, 2022 by product category are as follows:

Product classification	Three months ended June 30, 2022	Year-on-year change increase/(decrease) (%)
	Amount (Millions of yen)	
Cosmetics	62,696	3.5
Daily necessities	127,870	(0.1)
OTC pharmaceuticals	32,484	4.5
Health and sanitary related products	49,606	6.7
Others	3,590	(0.3)
Total	276,247	2.4

2) Sales results for the three months ended June 30, 2022 by customer category are as follows:

Customer category	Three months ended June 30, 2022	Year-on-year change increase/(decrease) (%)
	Amount (Millions of yen)	
Drugstores (Pharmacies)	175,742	2.6
Home centers (DIY stores)	25,552	(2.1)
Discount stores	20,890	9.1
Convenience stores	17,887	(2.8)
Supermarkets	13,362	1.9
General merchandising stores	9,427	8.4
Export, EC business and others	13,383	3.3
Total	276,247	2.4