

Non-consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2024 <under Japanese GAAP>

January 31, 2024

Company name: PALTAC CORPORATION
(URL: <https://www.paltac.co.jp/>)
Listing: Tokyo Stock Exchange (Code number: 8283)
Representative: Representative Director, President
Takuya Yoshida
Contact: Director, Senior Managing Executive Officer, General Manager of Management Planning
Headquarters
Masaharu Shimada
Tel: +81-6-4793-1090 (from overseas) E-mail: ir@paltac.co.jp
Scheduled date to submit the Quarterly Securities Report: February 13, 2024
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 Nine Months of the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to December 31, 2023)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-------------------|-------------|-----|------------------|-------|-----------------|-------|-------------|-------|
| | (¥ million) | % | (¥ million) | % | (¥ million) | % | (¥ million) | % |
| Nine months ended | | | | | | | | |
| December 31, 2023 | 883,042 | 4.1 | 21,968 | 15.0 | 24,659 | 15.2 | 17,144 | 16.2 |
| December 31, 2022 | 848,195 | 5.7 | 19,110 | (5.5) | 21,413 | (4.1) | 14,756 | (6.2) |

| | Earnings per share | Diluted earnings per share |
|-------------------|--------------------|----------------------------|
| Nine months ended | (¥) | (¥) |
| December 31, 2023 | 272.80 | – |
| December 31, 2022 | 234.80 | – |

(2) Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------|--------------|-------------|--------------|----------------------|
| As of | (¥ million) | (¥ million) | % | (¥) |
| December 31, 2023 | 504,443 | 271,735 | 53.9 | 4,323.78 |
| March 31, 2023 | 476,936 | 259,700 | 54.5 | 4,132.28 |

Reference: Equity As of December 31, 2023: ¥271,735 million As of March 31, 2023: ¥259,700 million

2. Dividends

| | Annual dividends per share | | | | |
|--|----------------------------|----------------|---------------|----------|-------|
| | First quarter | Second quarter | Third quarter | Year-end | Total |
| | (¥) | (¥) | (¥) | (¥) | (¥) |
| Fiscal year ended March 31, 2023 | – | 41.00 | – | 41.00 | 82.00 |
| Fiscal year ending March 31, 2024 | – | 45.00 | – | | |
| Fiscal year ending March 31, 2024 (Forecast) | | | | 45.00 | 90.00 |

Note: Revision to the forecasts most recently announced: No

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2024

(From April 1, 2023 to March 31, 2024)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit | | Earnings per share |
|-------------|-------------|-----|------------------|-----|-----------------|-----|-------------|-----|-----------------------|
| | (¥ million) | % | (¥ million) | % | (¥ million) | % | (¥ million) | % | (¥) |
| Fiscal year | 1,142,000 | 3.4 | 26,500 | 8.3 | 29,500 | 7.5 | 20,300 | 5.4 | 323.01 |

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 December 31, 2023 | 63,553,485 shares |
| As of March 31, 2023 | 63,553,485 shares |

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

| | |
|-------------------------|----------------|
| As of December 31, 2023 | 706,796 shares |
| As of March 31, 2023 | 706,698 shares |

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

| | |
|---|-------------------|
| For the nine months ended December 31, 2023 | 62,846,726 shares |
| For the nine months ended December 31, 2022 | 62,846,902 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 Nine Months Ended December 31, 2023 (3) Forecasts and Other Projections” on page 4 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 (<https://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

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1. Qualitative Information for the Nine Months Ended December 31, 2023

(1) Operating Results

Results highlights

In the nine months ended December 31, 2023, although the impact of price rise arising from soaring raw material prices and energy prices continued, business conditions moderately improved due to increases in people's outings and in foreign tourists to Japan thanks to the accelerated trend of breaking away from the COVID-19 era.

In terms of sales results, after the reclassification of COVID-19's category to a Class 5 infection, although the demand for sanitary related products such as face masks and disinfectant continued to decrease, PALTAC CORPORATION (the "Company") achieved net sales well above the same period of the previous fiscal year in the nine months under review, by steadily implementing measures that met the market changes, including increased foot traffic from activities such as leisure and return to office, recovery of inbound demand, and growing self-care awareness.

In terms of profits, the gross profit increased mainly due to sales expansion, and the SG&A expenses rate declined from effects such as expenses absorption from higher sales and improvement of logistics efficiency. There were also one-time expenses recorded in the same period of the previous fiscal year for the start of operation of Tochigi distribution center. As a result of these effects, operating profit exceeded that of the same period of the previous fiscal year.

Results highlights for the nine months ended December 31, 2023 are as follows:

(Millions of yen, unless otherwise noted)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 | Change | |
|--|--|--|-----------------|----------|
| | | | Amount | Rate (%) |
| Net sales | 848,195 | 883,042 | 34,846 | 4.1 |
| Gross profit [Gross profit margin (%)] | 63,001 [7.43] | 66,382 [7.52] | 3,381 [0.09] | 5.4 |
| SG&A expenses [SG&A expenses ratio (%)] | 43,890 [5.17] | 44,414 [5.03] | 523 [-0.14] | 1.2 |
| Operating profit [Operating profit ratio (%)] | 19,110 [2.25] | 21,968 [2.49] | 2,857 [0.24] | 15.0 |
| Ordinary profit [Ordinary profit ratio (%)] | 21,413 [2.52] | 24,659 [2.79] | 3,246 [0.27] | 15.2 |
| Profit [Profit margin (%)] | 14,756 [1.74] | 17,144 [1.94] | 2,388 [0.20] | 16.2 |

Sales highlights

Sales results for the nine months ended December 31, 2023 by product category are as follows:

(Millions of yen, unless otherwise noted)

| Product category | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 | Change | |
|--------------------------------------|--|--|--------|----------|
| | | | Amount | Rate (%) |
| Cosmetics | 190,958 | 207,219 | 16,261 | 8.5 |
| Daily necessities | 380,742 | 384,399 | 3,657 | 1.0 |
| OTC pharmaceuticals | 107,063 | 115,222 | 8,158 | 7.6 |
| Health and sanitary related products | 157,390 | 161,274 | 3,883 | 2.5 |
| Others | 12,041 | 14,927 | 2,885 | 24.0 |
| Total | 848,195 | 883,042 | 34,846 | 4.1 |

Sales results for the nine months ended December 31, 2023 by customer category are as follows:

(Millions of yen, unless otherwise noted)

| Customer category | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 | Change | |
|--------------------------------|--|--|--------|----------|
| | | | Amount | Rate (%) |
| Drugstores (Pharmacies) | 531,017 | 556,844 | 25,827 | 4.9 |
| Home centers (DIY stores) | 69,949 | 67,848 | -2,101 | -3.0 |
| Discount stores | 68,427 | 74,379 | 5,952 | 8.7 |
| Convenience stores | 63,361 | 69,907 | 6,546 | 10.3 |
| Supermarkets | 40,957 | 40,506 | -450 | -1.1 |
| General merchandising stores | 30,641 | 30,232 | -409 | -1.3 |
| Export, EC business and others | 43,840 | 43,322 | -518 | -1.2 |
| Total | 848,195 | 883,042 | 34,846 | 4.1 |

(Note) From the first quarter of the fiscal year under review, the Company has changed some of compositions in customer category and has reclassified the figures for the nine months ended December 31, 2022 into the classification after this change.

Furthermore, segment information has been omitted because the Company has no segment except the wholesale business.

(2) Financial Position

1) Assets, liabilities and net assets

(Millions of yen)

| | As of March 31, 2023 | As of December 31, 2023 | Change in amount |
|-------------------|----------------------|-------------------------|------------------|
| Total assets | 476,936 | 504,443 | 27,506 |
| Total liabilities | 217,235 | 232,707 | 15,472 |
| Net assets | 259,700 | 271,735 | 12,034 |

(Assets)

Total assets as of the end of the third quarter were ¥504,443 million, an increase of ¥27,506 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts receivable-trade and in merchandise and finished goods.

(Liabilities)

Total liabilities as of the end of the third quarter were ¥232,707 million, an increase of ¥15,472 million from the end of the previous fiscal year. This was primarily the result of an increase in notes and accounts payable-trade.

(Net assets)

Net assets as of the end of the third quarter were ¥271,735 million, an increase of ¥12,034 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings.

2) Cash flows

(Millions of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
|--------------------------------------|--|--|
| Cash flows from operating activities | (1,707) | 14,137 |
| Cash flows from investing activities | (5,816) | (5,028) |
| Cash flows from financing activities | (5,138) | (5,493) |

(Cash flows from operating activities)

Net cash provided by operating activities was ¥14,137 million. Main factors were an increase in notes and accounts receivable-trade and an increase in notes and accounts payable-trade.

(Cash flows from investing activities)

Net cash used in investing activities was ¥5,028 million. Main factor was purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥5,493 million. Main factor was cash dividends paid.

Cash and cash equivalents as of the end of the third quarter were ¥49,608 million, an increase of ¥3,615 million from the end of the previous fiscal year.

(3) Forecasts and Other Projections

There is no revision to the forecasts of financial results for the fiscal year ending March 31, 2024, which were announced on May 11, 2023.

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

(Millions of yen)

| | As of March 31, 2023 | As of December 31, 2023 |
|-------------------------------------|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 45,993 | 49,608 |
| Notes and accounts receivable-trade | 207,081 | 222,627 |
| Merchandise and finished goods | 51,273 | 65,327 |
| Other | 23,447 | 21,207 |
| Allowance for doubtful accounts | (7) | (8) |
| Total current assets | <u>327,788</u> | <u>358,762</u> |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 47,946 | 46,171 |
| Land | 47,446 | 47,446 |
| Other | 27,619 | 25,389 |
| Total property, plant and equipment | <u>123,013</u> | <u>119,007</u> |
| Intangible assets | 821 | 756 |
| Investments and other assets | | |
| Investments and other assets | 25,317 | 25,919 |
| Allowance for doubtful accounts | (4) | (3) |
| Total investments and other assets | <u>25,312</u> | <u>25,916</u> |
| Total non-current assets | <u>149,147</u> | <u>145,680</u> |
| Total assets | <u>476,936</u> | <u>504,443</u> |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 170,723 | 192,920 |
| Income taxes payable | 4,582 | 3,244 |
| Provision for bonuses | 1,514 | 869 |
| Other | 30,696 | 25,527 |
| Total current liabilities | <u>207,517</u> | <u>222,562</u> |
| Non-current liabilities | | |
| Provision for retirement benefits | 2,870 | 2,985 |
| Other | 6,847 | 7,159 |
| Total non-current liabilities | <u>9,718</u> | <u>10,145</u> |
| Total liabilities | <u>217,235</u> | <u>232,707</u> |

(Millions of yen)

| | As of March 31, 2023 | As of December 31, 2023 |
|---|----------------------|-------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 15,869 | 15,869 |
| Capital surplus | 27,827 | 27,827 |
| Retained earnings | 208,501 | 220,241 |
| Treasury shares | (3,490) | (3,490) |
| Total shareholders' equity | 248,707 | 260,447 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 10,985 | 11,304 |
| Deferred gains or losses on hedges | 6 | (16) |
| Total valuation and translation adjustments | 10,992 | 11,288 |
| Total net assets | 259,700 | 271,735 |
| Total liabilities and net assets | 476,936 | 504,443 |

(2) Quarterly Statements of Income

| | (Millions of yen) | |
|--|--|--|
| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
| Net sales | 848,195 | 883,042 |
| Cost of sales | 785,194 | 816,659 |
| Gross profit | 63,001 | 66,382 |
| Selling, general and administrative expenses | 43,890 | 44,414 |
| Operating profit | 19,110 | 21,968 |
| Non-operating income | | |
| Dividend income | 308 | 368 |
| Research fee income | 1,428 | 1,457 |
| Real estate rent | 115 | 119 |
| Other | 485 | 785 |
| Total non-operating income | 2,337 | 2,730 |
| Non-operating expenses | | |
| Interest expenses | 4 | 4 |
| Rent cost of real estate | 23 | 23 |
| Other | 6 | 11 |
| Total non-operating expenses | 34 | 39 |
| Ordinary profit | 21,413 | 24,659 |
| Extraordinary income | | |
| Gain on sales of investment securities | – | 140 |
| Total extraordinary income | – | 140 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 40 | 3 |
| Loss on disaster | 20 | – |
| Total extraordinary losses | 61 | 3 |
| Profit before income taxes | 21,352 | 24,796 |
| Income taxes-current | 6,042 | 7,205 |
| Income taxes-deferred | 554 | 446 |
| Total income taxes | 6,596 | 7,651 |
| Profit | 14,756 | 17,144 |

(3) Quarterly Statements of Cash Flows

| | (Millions of yen) | |
|--|--|--|
| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
| Cash flows from operating activities | | |
| Profit before income taxes | 21,352 | 24,796 |
| Depreciation and amortization | 4,222 | 4,910 |
| Increase (decrease) in allowance for doubtful accounts | 0 | (0) |
| Increase (decrease) in provision for bonuses | (759) | (645) |
| Increase (decrease) in provision for loss on disaster | (470) | – |
| Increase (decrease) in provision for retirement benefits | 74 | 82 |
| Interest and dividend income | (308) | (368) |
| Interest expenses | 4 | 4 |
| Loss (gain) on sales of investment securities | – | (140) |
| Loss on disaster | 20 | – |
| Decrease (increase) in notes and accounts receivable-trade | (27,833) | (15,545) |
| Decrease (increase) in inventories | (16,173) | (14,053) |
| Increase (decrease) in notes and accounts payable-trade | 28,951 | 22,197 |
| Decrease (increase) in consumption taxes refund receivable | (1,384) | 1,484 |
| Increase (decrease) in accrued consumption taxes | (190) | 1,464 |
| Other, net | (482) | (2,012) |
| Subtotal | 7,022 | 22,173 |
| Interest and dividend income received | 308 | 368 |
| Interest expenses paid | (0) | – |
| Payments associated with disaster loss | (650) | – |
| Income taxes paid | (8,388) | (8,404) |
| Net cash provided by (used in) operating activities | (1,707) | 14,137 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (5,350) | (5,010) |
| Purchase of intangible assets | (177) | (109) |
| Purchase of investment securities | (67) | (169) |
| Proceeds from sales of investment securities | – | 260 |
| Payments for investments in capital of subsidiaries and associates | (111) | – |
| Other, net | (109) | 0 |
| Net cash provided by (used in) investing activities | (5,816) | (5,028) |
| Cash flows from financing activities | | |
| Repayments of lease obligations | (111) | (91) |
| Cash dividends paid | (5,025) | (5,401) |
| Purchase of treasury shares | (0) | (0) |
| Net cash provided by (used in) financing activities | (5,138) | (5,493) |
| Net increase (decrease) in cash and cash equivalents | (12,662) | 3,615 |
| Cash and cash equivalents at beginning of period | 40,670 | 45,993 |
| Cash and cash equivalents at end of period | 28,008 | 49,608 |

(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

(Significant subsequent event)

(Regarding the impact of “the 2024 (Reiwa 6) Noto Peninsula Earthquake”)

The recent “2024 (Reiwa 6) Noto Peninsula Earthquake” that occurred in January 2024 incurred some damages to the offices, distribution capabilities and inventories at the Company’s two distribution centers (RDC Hokuriku and RDC Niigata). Although the Company implemented alternative shipment by using its other distribution centers, it has restarted to operate two centers that were damaged by the earthquake. The impact on the Company’s business results by the earthquake is currently being reviewed and has not yet been determined.

(Note) RDC (Regional Distribution Center) is large-scale logistics center.