

# Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2022 <under Japanese GAAP>

July 29, 2021

Company name: PALTAC CORPORATION  
(URL: <http://www.paltac.co.jp/>)  
Listing: Tokyo Stock Exchange (Code number: 8283)  
Representative: Representative Director, President  
Seiichi Kasutani  
Contact: Director, Managing Executive Officer, General Manager of Management Planning Division  
Masaharu Shimada  
Tel: +81-6-4793-1090 (from overseas) E-mail: [ir@paltac.co.jp](mailto:ir@paltac.co.jp)  
Scheduled date to submit the Quarterly Securities Report: August 10, 2021  
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, 2022 (From April 1, 2021 to June 30, 2021)

### (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, 2021	269,689	–	7,005	–	7,752	–	5,439	–
June 30, 2020	260,099	(1.0)	6,089	(2.7)	6,726	(3.4)	4,655	(2.6)

	Earnings per share	Diluted earnings per share
Three months ended	(¥)	(¥)
June 30, 2021	85.60	–
June 30, 2020	73.27	–

Note: From the beginning of the first quarter under review, 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. Operating results for three months ended June 30, 2021 on the assumption that these standards had not been applied are stated in the section “1. Qualitative Information for the Three Months Ended June 30, 2021 (1) Operating Results,” on page 2 of the attached material to this quarterly financial results report.

### (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
June 30, 2021	434,638	237,479	54.6	3,737.06
March 31, 2021	435,501	235,428	54.1	3,704.78

Reference: Equity As of June 30, 2021: ¥237,479 million As of March 31, 2021: ¥235,428 million

Note: From the beginning of the first quarter under review, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., and the above-mentioned figures as of June 30, 2021 are represented after applying these standards.

## 2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2021	–	36.00	–	36.00	72.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		39.00	–	39.00	78.00

Note: Revision to the forecasts most recently announced: No

## 3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2022

(From April 1, 2021 to March 31, 2022)

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

Fiscal year	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
	1,060,000	–	26,500	–	29,000	–	20,000	–	314.73

Note: 1) Revision to the forecasts most recently announced: No

- 2) From the beginning of the first quarter under review, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., and the above-mentioned financial forecasts are represented after applying these standards and do not include year-on-year percentage changes.

**\* 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: Yes
  - 2) Changes in accounting policies due to other reasons: No
  - 3) Changes in accounting estimates: No
  - 4) Restatements: No

Note: For more information, please refer to the section “2. Quarterly Financial Statements and Notes to Quarterly Financial Statements (4) Notes to Quarterly Financial Statements (Changes in Accounting Policies),” on page 9 and 10 of the attached material to this quarterly financial results report.

(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, 2021	63,553,485 shares
As of March 31, 2021	63,553,485 shares

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

As of June 30, 2021	6,387 shares
As of March 31, 2021	6,387 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, 2021	63,547,098 shares
For the three months ended June 30, 2020	63,547,198 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, 2021 (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 (<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

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## 1. Qualitative Information for the Three Months Ended June 30, 2021

### (1) Operating Results

In the three months ended June 30, 2021, due to the global spread of the novel coronavirus disease (COVID-19), the Japanese economy faced difficult conditions as the consumer environment and corporate earnings continued to deteriorate due to requests for businesses to close temporarily and for people to refrain from going outside associated with the Japanese Government's declaration of another state of emergency.

Although the rollout of vaccinations has started and other measures against COVID-19 are proceeding, the end of the spread of infections is not yet in sight and the future outlook remains unclear.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, due to an increase in the number of people's outings compared with the same period of the previous fiscal year, there are signs of a slight recovery trend in demand for sunscreen, makeup products and other cosmetics and health drinks and other pharmaceuticals. However, demand for sanitary related products, such as face masks, hand soap and disinfectant, has been weak compared to the sharp rise in demand in the same period of the previous fiscal year despite consumption becoming more habitual with the improvement of hygiene awareness.

Under these circumstances and based on the belief that protecting the safety of its employees is the key to business continuity, PALTAC CORPORATION (the "Company") continued to maintain the working environment and thoroughly manage hygiene, and strived to supply daily necessities, which is the Company's social mission. In addition, based on the medium-term management plan, with the fiscal year ending March 31, 2022 as the first year of the plan, the Company worked to strengthen the intermediate distributional function and undertook a variety of efforts aiming to optimize and streamline the entire supply chain through alliances and cooperation.

Net sales increased mainly due to development of retail solution functions that can meet a wide range of retailer needs. For situations where traditional merchandising is no longer effective, the Company worked to enhance its product proposals by providing the most current information using real-time information from retail stores, analysis of hot-selling items utilizing big data, etc., as well as handling new products and products from new manufacturers.

With regard to SG&A expenses, the Company continued to improve the productivity of warehouse operations and worked to improve logistics efficiency from a variety of perspectives 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, 2021 were ¥269,689 million, operating profit was ¥7,005 million, ordinary profit was ¥7,752 million, and profit was ¥5,439 million.

If the "Accounting Standard for Revenue Recognition," etc. had not been applied, net sales for the same period would have been ¥266,386 million (up 2.4% year on year), operating profit would have been ¥6,694 million (up 9.9%), ordinary profit would have been ¥7,442 million (up 10.6%) and profit would have been ¥5,224 million (up 12.2%).

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 ¥434,638 million, a decrease of ¥862 million from the end of the previous fiscal year. This was primarily the result of a decrease in cash and deposits of ¥14,743 million and increases in notes and accounts receivable-trade of ¥10,709 million and in merchandise and finished goods of ¥867 million.

#### (Liabilities)

Total liabilities as of the end of the first quarter were ¥197,158 million, a decrease of ¥2,913 million from the end of the previous fiscal year. This was primarily the result of decreases in notes and accounts payable-trade of ¥2,842 million and in income taxes payable of ¥2,927 million and an increase in provision for bonuses ¥808 million.

#### (Net assets)

Net assets as of the end of the first quarter were ¥237,479 million, an increase of ¥2,051 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥2,980 million and a decrease in valuation difference on available-for-sale securities of ¥926 million.

### 2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the first quarter were ¥22,880 million, a decrease of ¥14,743 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 ¥11,044 million (up ¥10,365 million year on year). Main factors were ¥7,853 million of profit before income taxes, ¥1,362 million of depreciation and amortization, ¥10,709 million of increase in notes and accounts receivable-trade, ¥2,368 million of decrease in notes and accounts payable-trade and ¥4,926 million of income taxes paid.

#### (Cash flows from investing activities)

Net cash used in investing activities was ¥1,204 million (up ¥386 million year on year). Main factor was ¥1,161 million of purchase of property, plant and equipment.

#### (Cash flows from financing activities)

Net cash used in financing activities was ¥2,494 million (compared with net cash of ¥4,452 million provided in the same period of the previous fiscal year). Main factor was ¥2,283 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, 2022 and dividend forecast, which were announced on May 12, 2021.



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

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	37,623	22,880
Notes and accounts receivable-trade	193,536	204,245
Merchandise and finished goods	45,759	46,626
Other	17,268	19,569
Allowance for doubtful accounts	(6)	(8)
Total current assets	294,180	293,312
Non-current assets		
Property, plant and equipment		
Land	47,054	47,054
Other	67,369	68,663
Total property, plant and equipment	114,423	115,717
Intangible assets	744	777
Investments and other assets		
Investments and other assets	26,156	24,834
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	26,151	24,830
Total non-current assets	141,320	141,325
Total assets	435,501	434,638
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	161,182	158,339
Income taxes payable	5,341	2,413
Provision for bonuses	1,784	2,592
Provision for sales returns	187	-
Provision for loss on disaster	363	134
Other	21,303	23,990
Total current liabilities	190,162	187,470
Non-current liabilities		
Provision for retirement benefits	2,672	2,700
Other	7,237	6,988
Total non-current liabilities	9,910	9,688
Total liabilities	200,072	197,158

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	179,575	182,555
Treasury shares	(9)	(9)
Total shareholders' equity	223,262	226,242
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,161	11,234
Deferred gains or losses on hedges	4	1
Total valuation and translation adjustments	12,165	11,236
Total net assets	235,428	237,479
Total liabilities and net assets	435,501	434,638

## (2) Quarterly Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	260,099	269,689
Cost of sales	239,986	248,703
Gross profit	20,113	20,985
Selling, general and administrative expenses	14,023	13,980
Operating profit	6,089	7,005
Non-operating income		
Dividend income	112	137
Research fee income	438	447
Real estate rent	31	38
Other	77	136
Total non-operating income	660	759
Non-operating expenses		
Interest expenses	12	1
Rent cost of real estate	8	8
Other	2	1
Total non-operating expenses	23	12
Ordinary profit	6,726	7,752
Extraordinary income		
Gain on sales of non-current assets	9	-
Gain on sales of investment securities	22	6
Gain on reversal of provision for loss on disaster	-	94
Total extraordinary income	31	101
Extraordinary losses		
Loss on retirement of non-current assets	4	0
Total extraordinary losses	4	0
Profit before income taxes	6,752	7,853
Income taxes-current	2,105	2,203
Income taxes-deferred	(8)	211
Total income taxes	2,096	2,414
Profit	4,655	5,439

## (3) Quarterly Statements of Cash Flows

	(Millions of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	6,752	7,853
Depreciation and amortization	1,410	1,362
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in provision for bonuses	799	808
Increase (decrease) in provision for sales returns	47	–
Increase (decrease) in provision for loss on disaster	–	(229)
Increase (decrease) in provision for retirement benefits	42	29
Interest and dividend income	(112)	(137)
Interest expenses	12	1
Loss (gain) on sales of investment securities	(22)	(6)
Decrease (increase) in notes and accounts receivable-trade	(1,354)	(10,709)
Decrease (increase) in inventories	(696)	(867)
Increase (decrease) in notes and accounts payable-trade	(3,024)	(2,368)
Increase (decrease) in accrued consumption taxes	911	(691)
Other, net	(924)	(1,079)
Subtotal	3,842	(6,032)
Interest and dividend income received	112	137
Interest expenses paid	(10)	(0)
Payments for loss on disaster	–	(223)
Income taxes paid	(4,623)	(4,926)
Net cash provided by (used in) operating activities	(679)	(11,044)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,205)	(1,161)
Proceeds from sales of property, plant and equipment	396	–
Purchase of intangible assets	(28)	(17)
Purchase of investment securities	(32)	(27)
Proceeds from sales of investment securities	64	21
Other, net	(12)	(17)
Net cash provided by (used in) investing activities	(817)	(1,204)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	8,000	–
Repayments of long-term loans payable	(1,288)	(182)
Repayments of lease obligations	(38)	(29)
Cash dividends paid	(2,220)	(2,283)
Net cash provided by (used in) financing activities	4,452	(2,494)
Net increase (decrease) in cash and cash equivalents	2,955	(14,743)
Cash and cash equivalents at beginning of period	22,575	37,623
Cash and cash equivalents at end of period	25,530	22,880

(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

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition)

From the beginning of the first quarter under review, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., and has recognized revenue for goods or services in the amount of consideration to which it is entitled in exchange for promised goods or services at the point when control is transferred to the customer.

Also, the Company has applied alternative treatment prescribed in Article 98 of the Accounting Standard for Revenue Recognition. In case of the domestic sales of merchandise and fished goods, if there is a usual length of time between shipment of merchandise and fished goods and transferring control to the customer, the Company recognizes revenue at the point when the merchandise and fished goods are shipped.

The main points of changes arising from the application these standards are as follows

(1) Revenue recognition for agent transactions

In the past, the Company recognized revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified merchandises transferred. However, when the Company determines a nature of performance obligation in the sales transaction for an agent, it recognizes revenue in the net amount of consideration that it retains after paying the suppliers the consideration received in exchange for merchandises to be provided by that party.

(2) Revenue recognition for sale with a right of return

In the past, to prepare for future loss from sales returns, an amount equivalent to the limit to credit reserve in accordance with the Corporation Tax Act was accrued as "provision for sales returns" under current liabilities. However, the Company changed the method that it does not recognize revenue when the merchandises expected to be returned. And the Company provides amounts expected to be refunded as refund liabilities included in "Other" under "Current liabilities" and its right to recover merchandises from customers on settling the refund liability as refund assets included in "Other" under "Current assets."

For the application of the Accounting Standard for Revenue Recognition, etc., the Company has complied with the transitional provision prescribed in Article 84 of the Accounting Standard for Revenue Recognition. And the Company has recognized the cumulative effect of retroactively adopting the new policy prior to the beginning of the first quarter under review as an adjustment to the opening balance of retained earnings of the first quarter under review and has applied to the balance at the beginning of the first quarter under review.

As a result, for the first quarter under review, net sales increased by ¥3,302 million, cost of sales increased by ¥2,992 million, operating profit, ordinary profit and profit increased by ¥310 million. Also, retained earnings at the beginning of the first quarter under review decreased by ¥171 million.

(Application of the Accounting Standard for Fair Value Measurement)

From the beginning of the first quarter under review, the Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019). The Company has prospectively applied new accounting policies based on the Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the “Accounting Standard for Financial Instruments,” (ASBJ Statement No. 10, July 4, 2019). There is no effect on the non-consolidated financial statements of the first quarter under review.

### 3. Supplementary Information

#### (1) Sales Status

(Sales results)

1) Sales results for the three months ended June 30, 2021 by product category are as follows:

Product classification	Three months ended June 30, 2021	Year-on-year change increase/(decrease) (%)
	Amount (Millions of yen)	
Cosmetics	60,563	–
Daily necessities	127,942	–
OTC pharmaceuticals	31,070	–
Health and sanitary related products	46,511	–
Others	3,601	–
Total	269,689	–

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

2) Sales results for the three months ended June 30, 2021 by customer category are as follows:

Customer category		Three months ended June 30, 2021	Year-on-year change increase/(decrease) (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	171,288	–
HC	Home centers (DIY stores)	26,090	–
CVS	Convenience stores	18,406	–
DS	Discount stores	19,145	–
SM	Supermarkets	13,110	–
GMS	General merchandising stores	8,692	–
Others	Export and others	12,955	–
Total		269,689	–

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