

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

October 28, 2021

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Scheduled date to submit the Quarterly Securities Report: November 11, 2021  
Scheduled date to commence dividend payments: December 1, 2021  
Preparation of supplementary material on quarterly financial results: Yes  
Holding of quarterly financial results presentation meeting: Yes (for institutional investors, analysts and media)

(Figures are rounded down to the nearest million yen)

## 1. Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to September 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended								
September 30, 2021	531,555	–	13,341	–	14,718	–	10,482	–
September 30, 2020	525,595	(3.6)	13,045	(5.4)	14,313	(5.4)	9,907	(4.7)

	Earnings per share	Diluted earnings per share
	(¥)	(¥)
Six months ended		
September 30, 2021	164.96	–
September 30, 2020	155.91	–

Note: From the beginning of the first quarter of the fiscal year ending March 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 six months ended September 30, 2021 do not include year-on-year percentage changes. Operating results for the six months ended September 30, 2021 on the assumption that these standards had not been applied are stated in the section “1. Qualitative Information for the Six Months Ended September 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
	(¥ million)	(¥ million)	%	(¥)
As of				
September 30, 2021	451,114	242,886	53.8	3,822.15
March 31, 2021	435,501	235,428	54.1	3,704.78

Reference: Equity As of September 30, 2021: ¥242,886 million As of March 31, 2021: ¥235,428 million

Note: From the beginning of the first quarter of the fiscal year ending March 2022, 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 September 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	–	39.00			
Fiscal year ending March 31, 2022 (Forecast)			–	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 of the fiscal year ending March 2022, 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 pages 8 and 9 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 September 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 September 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 six months ended September 30, 2021	63,547,098 shares
For the six months ended September 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 Six Months Ended September 30, 2021 (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)

The Company will hold a financial results briefing for institutional investors, financial analysts and media on November 9, 2021. 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 Six Months Ended September 30, 2021

### (1) Operating Results

In the six months ended September 30, 2021, amid an environment in which the novel coronavirus disease (COVID-19) spread further, the pace of recovery of the Japanese economy has been slow due to requests for businesses to close temporarily and for people to refrain from going outside associated with the Japanese Government's repeated declarations of a state of emergency, despite continuing signs of picking up. In addition, although the number of vaccinations is increasing, it remains difficult to predict when the spread of infections will end and the economic outlook remains unclear.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, demand for makeup products, health drinks and other products, which had temporarily shown signs of a recovery associated with the increase in the number of people's outings, showed signs of falling especially due to the resurgence of infections, inclement weather, etc. in the second quarter. In addition, demand for sanitary related products, such as face masks and disinfectant, has been weak compared to the sharp rise in demand in the previous 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 collaboration and cooperation.

Net sales increased mainly due to enhancing retail solution functions that can meet a wide range of retailer needs and actively utilizing these functions through collaboration and cooperation. 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 six months ended September 30, 2021 were ¥531,555 million, operating profit was ¥13,341 million, ordinary profit was ¥14,718 million, and profit was ¥10,482 million.

If the "Accounting Standard for Revenue Recognition," etc. had not been applied, net sales for the same period would have been ¥533,471 million (up 1.5% year on year), operating profit would have been ¥13,447 million (up 3.1%), ordinary profit would have been ¥14,825 million (up 3.6%) and profit would have been ¥10,560 million (up 6.6%).

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 second quarter were ¥451,114 million, an increase of ¥15,613 million from the end of the previous fiscal year. This was primarily the result of a decrease in cash and deposits of ¥5,092 million and increases in notes and accounts receivable-trade of ¥10,221 million and in merchandise and finished goods of ¥1,374 million.

#### (Liabilities)

Total liabilities as of the end of the second quarter were ¥208,228 million, an increase of ¥8,155 million from the end of the previous fiscal year. This was primarily the result of an increase in notes and accounts payable-trade of ¥4,364 million and a decrease in income taxes payable of ¥449 million.

#### (Net assets)

Net assets as of the end of the second quarter were ¥242,886 million, an increase of ¥7,458 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥8,023 million and a decrease in valuation difference on available-for-sale securities of ¥564 million.

### 2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the second quarter were ¥32,530 million, a decrease of ¥5,092 million from the end of the previous fiscal year.

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

#### (Cash flows from operating activities)

Net cash provided by operating activities was ¥3,614 million (down ¥9,904 million year on year). Main factors were ¥15,154 million of profit before income taxes, ¥2,728 million of depreciation and amortization, ¥10,221 million of increase in notes and accounts receivable-trade, ¥1,374 million of increase in inventories, ¥5,113 million of increase 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 ¥6,126 million (up ¥4,240 million year on year). Main factor was ¥5,822 million of purchase of property, plant and equipment.

#### (Cash flows from financing activities)

Net cash used in financing activities was ¥2,580 million (down ¥1,997 million year on year). Main factor was ¥2,287 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 September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	37,623	32,530
Notes and accounts receivable-trade	193,536	203,757
Merchandise and finished goods	45,759	47,133
Other	17,268	23,622
Allowance for doubtful accounts	(6)	(7)
Total current assets	294,180	307,037
Non-current assets		
Property, plant and equipment		
Land	47,054	47,054
Other	67,369	70,796
Total property, plant and equipment	114,423	117,850
Intangible assets	744	786
Investments and other assets		
Investments and other assets	26,156	25,445
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	26,151	25,440
Total non-current assets	141,320	144,077
Total assets	435,501	451,114
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	161,182	165,546
Income taxes payable	5,341	4,891
Provision for bonuses	1,784	1,614
Provision for sales returns	187	-
Provision for loss on disaster	363	-
Other	21,303	26,273
Total current liabilities	190,162	198,326
Non-current liabilities		
Provision for retirement benefits	2,672	2,710
Other	7,237	7,191
Total non-current liabilities	9,910	9,901
Total liabilities	200,072	208,228



(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	179,575	187,599
Treasury shares	(9)	(9)
Total shareholders' equity	223,262	231,286
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,161	11,596
Deferred gains or losses on hedges	4	3
Total valuation and translation adjustments	12,165	11,600
Total net assets	235,428	242,886
Total liabilities and net assets	435,501	451,114

## (2) Quarterly Statements of Income

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	525,595	531,555
Cost of sales	484,777	490,173
Gross profit	40,817	41,382
Selling, general and administrative expenses	27,772	28,041
Operating profit	13,045	13,341
Non-operating income		
Dividend income	183	215
Research fee income	859	872
Rental income from real estate	58	76
Other	212	238
Total non-operating income	1,313	1,402
Non-operating expenses		
Interest expenses	23	3
Rental expenses on real estate	16	17
Other	4	5
Total non-operating expenses	45	25
Ordinary profit	14,313	14,718
Extraordinary income		
Gain on sales of non-current assets	9	–
Gain on sales of investment securities	54	6
Gain on reversal of provision for loss on disaster	–	95
Insurance claim income	–	333
Total extraordinary income	64	436
Extraordinary losses		
Loss on retirement of non-current assets	5	0
Total extraordinary losses	5	0
Profit before income taxes	14,372	15,154
Income taxes-current	4,229	4,469
Income taxes-deferred	235	202
Total income taxes	4,464	4,671
Profit	9,907	10,482

## (3) Quarterly Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	14,372	15,154
Depreciation and amortization	2,823	2,728
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in provision for bonuses	(124)	(169)
Increase (decrease) in provision for sales returns	(7)	–
Increase (decrease) in provision for loss on disaster	–	(363)
Increase (decrease) in provision for retirement benefits	89	43
Interest and dividend income	(183)	(215)
Interest expenses	23	3
Loss (gain) on sales of investment securities	(54)	(6)
Insurance claim income	–	(333)
Decrease (increase) in notes and accounts receivable-trade	(2,782)	(10,221)
Decrease (increase) in inventories	(3,043)	(1,374)
Increase (decrease) in notes and accounts payable-trade	7,883	5,113
Increase (decrease) in accrued consumption taxes	901	(1,139)
Other, net	(1,919)	(859)
Subtotal	17,977	8,360
Interest and dividends received	183	215
Interest paid	(20)	(0)
Payments associated with disaster loss	–	(368)
Proceeds from insurance income	–	333
Income taxes paid	(4,620)	(4,926)
Net cash provided by (used in) operating activities	13,519	3,614
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,326)	(5,822)
Proceeds from sales of property, plant and equipment	396	–
Purchase of intangible assets	(42)	(121)
Purchase of investment securities	(50)	(169)
Proceeds from sales of investment securities	156	21
Other, net	(18)	(34)
Net cash provided by (used in) investing activities	(1,886)	(6,126)
Cash flows from financing activities		
Repayments of long-term loans payable	(2,276)	(234)
Repayments of lease obligations	(77)	(58)
Cash dividends paid	(2,224)	(2,287)
Net cash provided by (used in) financing activities	(4,578)	(2,580)
Net increase (decrease) in cash and cash equivalents	7,055	(5,092)
Cash and cash equivalents at beginning of period	22,575	37,623
Cash and cash equivalents at end of period	29,630	32,530

(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 of the fiscal year ending March 2022, 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 of the fiscal year ending March 2022 as an adjustment to the opening balance of retained earnings of the first quarter of the fiscal year ending March 2022 and has applied to the balance at the beginning of the first quarter of the fiscal year ending March 2022.

As a result, for the first half of fiscal year ending March 2022 under review, net sales decreased by ¥1,915 million, cost of sales decreased by ¥1,809 million, operating profit, ordinary profit and profit decreased by ¥106 million. And 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 of the fiscal year ending March 2022, 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 half under review.

### 3. Supplementary Information

#### (1) Sales Status

(Sales results)

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

Product classification	Six months ended September 30, 2021	Year-on-year change increase/(decrease) (%)
	Amount (Millions of yen)	
Cosmetics	118,074	–
Daily necessities	249,158	–
OTC pharmaceuticals	63,418	–
Health and sanitary related products	93,684	–
Others	7,219	–
Total	531,555	–

Note: From the beginning of the first quarter of the fiscal year ending March 2022, 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 six months ended September 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 six months ended September 30, 2021 by customer category are as follows:

Customer category		Six months ended September 30, 2021	Year-on-year change increase/(decrease) (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	337,724	–
HC	Home centers (DIY stores)	50,010	–
CVS	Convenience stores	37,014	–
DS	Discount stores	38,372	–
SM	Supermarkets	26,227	–
GMS	General merchandising stores	16,967	–
Others	Export and others	25,238	–
Total		531,555	–

Note: From the beginning of the first quarter of the fiscal year ending March 2022, 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 six months ended September 30, 2021 do not include year-on-year percentage changes comparing to the corresponding period of the previous fiscal year.