

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

January 31, 2022

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

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

	Net sales		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Nine months ended								
December 31, 2021	802,102	–	20,232	–	22,336	–	15,735	–
December 31, 2020	792,543	(0.7)	19,944	2.8	21,872	2.0	15,402	2.9

	Earnings per share	Diluted earnings per share
	(¥)	(¥)
Nine months ended		
December 31, 2021	248.09	–
December 31, 2020	242.38	–

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 nine months ended December 31, 2021 do not include year-on-year percentage changes. Operating results for the nine months ended December 31, 2021 on the assumption that these standards had not been applied are stated in the section “1. Qualitative Information for the Nine Months Ended December 31, 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				
December 31, 2021	454,693	240,286	52.8	3,823.35
March 31, 2021	435,501	235,428	54.1	3,704.78

Reference: Equity As of December 31, 2021: ¥240,286 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 December 31, 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	–	316.03

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.

3) The Company bought back 700,000 shares of treasury stock based on a resolution at a meeting of the Board of Directors held on October 28, 2021. And the “Earnings per share” in the forecasts of financial results for the fiscal year ending March 31, 2022 reflects the impact of purchase of treasury stock.

*** 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 December 31, 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 December 31, 2021	706,472 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 nine months ended December 31, 2021	63,427,359 shares
For the nine months ended December 31, 2020	63,547,183 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, 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))

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 Nine Months Ended December 31, 2021

(1) Operating Results

In the nine months ended December 31, 2021, although the Japanese economy had been expected to pick up as restrictions, such as the state of emergency declared and strict infection control measures taken throughout Japan in response to the spread of the novel coronavirus disease (COVID-19), were lifted, etc., the pace of the recovery has been slow. In addition, due to the emergence of new variants recently and other factors, concerns about COVID-19 spreading again cannot be eliminated and the economic outlook remains unclear.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, although demand for makeup products, health drinks and other products, which had fallen due to the fifth wave of infections, showed signs of recovering as the number of infections subsided, the increase in demand has been gradual and has not reached a full-fledged recovery. 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 by undertaking a variety of efforts through collaboration and cooperation aiming for optimization and streamlining from the perspective of the entire supply chain, including newly engaging in the value-added network (VAN) business for placing and receiving orders.

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 by starting to do business with new manufacturers for product groups the Company has not handled before, handling new environmentally friendly products, etc.

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 nine months ended December 31, 2021 were ¥802,102 million, operating profit was ¥20,232 million, ordinary profit was ¥22,336 million, and profit was ¥15,735 million.

If the “Accounting Standard for Revenue Recognition,” etc. had not been applied, net sales for the same period would have been ¥799,976 million (up 0.9% year on year), operating profit would have been ¥19,959 million (up 0.1%), ordinary profit would have been ¥22,063 million (up 0.9%) and profit would have been ¥15,471 million (up 0.5%).

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 third quarter were ¥454,693 million, an increase of ¥19,192 million from the end of the previous fiscal year. This was primarily the result of a decrease in cash and deposits of ¥4,426 million and increases in notes and accounts receivable-trade of ¥9,848 million and in merchandise and finished goods of ¥9,455 million.

(Liabilities)

Total liabilities as of the end of the third quarter were ¥214,406 million, an increase of ¥14,333 million from the end of the previous fiscal year. This was primarily the result of an increase in notes and accounts payable-trade of ¥18,523 million and a decrease in income taxes payable of ¥3,326 million.

(Net assets)

Net assets as of the end of the third quarter were ¥240,286 million, an increase of ¥4,858 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings of ¥10,798 million and in treasury shares of ¥3,479 million and a decrease in valuation difference on available-for-sale securities of ¥2,459 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the third quarter were ¥33,196 million, a decrease of ¥4,426 million from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥12,671 million (down ¥1,584 million year on year). Main factors were ¥22,760 million of profit before income taxes, ¥4,096 million of depreciation and amortization, ¥9,848 million of increase in notes and accounts receivable-trade, ¥9,455 million of increase in inventories, ¥19,272 million of increase in notes and accounts payable-trade and ¥9,352 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥8,472 million (up ¥3,528 million year on year). Main factor was ¥8,100 million of purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥8,626 million (up ¥1,091 million year on year). Main factors were ¥3,479 million of purchase of treasury shares and ¥4,763 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 December 31, 2021
Assets		
Current assets		
Cash and deposits	37,623	33,196
Notes and accounts receivable-trade	193,536	203,384
Merchandise and finished goods	45,759	55,214
Other	17,268	20,572
Allowance for doubtful accounts	(6)	(7)
Total current assets	294,180	312,360
Non-current assets		
Property, plant and equipment		
Land	47,054	47,054
Other	67,369	71,805
Total property, plant and equipment	114,423	118,859
Intangible assets	744	834
Investments and other assets		
Investments and other assets	26,156	22,643
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	26,151	22,638
Total non-current assets	141,320	142,333
Total assets	435,501	454,693
Liabilities		
Current liabilities		
Notes and accounts payable-trade	161,182	179,705
Income taxes payable	5,341	2,015
Provision for bonuses	1,784	809
Provision for sales returns	187	-
Provision for loss on disaster	363	-
Other	21,303	22,233
Total current liabilities	190,162	204,763
Non-current liabilities		
Provision for retirement benefits	2,672	2,726
Other	7,237	6,916
Total non-current liabilities	9,910	9,643
Total liabilities	200,072	214,406

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	179,575	190,373
Treasury shares	(9)	(3,489)
Total shareholders' equity	223,262	230,581
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,161	9,701
Deferred gains or losses on hedges	4	4
Total valuation and translation adjustments	12,165	9,705
Total net assets	235,428	240,286
Total liabilities and net assets	435,501	454,693

(2) Quarterly Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	792,543	802,102
Cost of sales	730,788	739,707
Gross profit	61,754	62,395
Selling, general and administrative expenses	41,809	42,162
Operating profit	19,944	20,232
Non-operating income		
Dividend income	276	308
Research fee income	1,319	1,353
Rental income from real estate	72	114
Other	319	376
Total non-operating income	1,988	2,152
Non-operating expenses		
Interest expenses	26	4
Rental expenses on real estate	26	25
Commission for purchase of treasury shares	–	10
Other	6	6
Total non-operating expenses	60	47
Ordinary profit	21,872	22,336
Extraordinary income		
Gain on sales of non-current assets	9	–
Gain on sales of investment securities	448	8
Gain on reversal of provision for loss on disaster	–	95
Insurance claim income	–	333
Total extraordinary income	457	437
Extraordinary losses		
Loss on retirement of non-current assets	6	14
Total extraordinary losses	6	14
Profit before income taxes	22,324	22,760
Income taxes-current	6,468	6,228
Income taxes-deferred	453	796
Total income taxes	6,921	7,024
Profit	15,402	15,735

(3) Quarterly Statements of Cash Flows

	(Millions of yen)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	22,324	22,760
Depreciation and amortization	4,236	4,096
Increase (decrease) in allowance for doubtful accounts	0	1
Increase (decrease) in provision for bonuses	(791)	(974)
Increase (decrease) in provision for sales returns	32	–
Increase (decrease) in provision for loss on disaster	–	(363)
Increase (decrease) in provision for retirement benefits	145	62
Interest and dividend income	(276)	(308)
Interest expenses	26	4
Loss (gain) on sales of investment securities	(448)	(8)
Insurance claim income	–	(333)
Decrease (increase) in notes and accounts receivable-trade	(7,645)	(9,848)
Decrease (increase) in inventories	(11,016)	(9,455)
Increase (decrease) in notes and accounts payable-trade	17,223	19,272
Increase (decrease) in accrued consumption taxes	621	(1,884)
Other, net	(1,855)	(1,264)
Subtotal	22,574	21,756
Interest and dividends received	276	308
Interest paid	(21)	(0)
Payments associated with disaster loss	–	(374)
Proceeds from insurance income	–	333
Income taxes paid	(8,572)	(9,352)
Net cash provided by (used in) operating activities	14,256	12,671
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,774)	(8,100)
Proceeds from sales of property, plant and equipment	396	–
Purchase of intangible assets	(69)	(211)
Purchase of investment securities	(85)	(197)
Proceeds from sales of investment securities	610	86
Other, net	(20)	(48)
Net cash provided by (used in) investing activities	(4,943)	(8,472)
Cash flows from financing activities		
Repayments of long-term loans payable	(2,914)	(286)
Repayments of lease obligations	(116)	(97)
Purchase of treasury shares	(0)	(3,479)
Cash dividends paid	(4,504)	(4,763)
Net cash provided by (used in) financing activities	(7,535)	(8,626)
Net increase (decrease) in cash and cash equivalents	1,778	(4,426)
Cash and cash equivalents at beginning of period	22,575	37,623
Cash and cash equivalents at end of period	24,353	33,196

(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)

The Company bought back 700,000 shares of treasury stock based on a resolution at a meeting of the Board of Directors held on October 28, 2021. As a result, treasury shares in the current third quarter increased ¥3,479 million and the balance of treasury shares was ¥3,489 million as of December 31, 2021.

(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 nine months ended December 31, 2021, net sales increased by ¥2,125 million, cost of sales increased by ¥1,853 million and operating profit, ordinary profit and profit increased by ¥272 million. And, retained earnings at the beginning of the period 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 this financial statements for nine months ended December 31, 2021.

3. Supplementary Information

(1) Sales Status

(Sales results)

1) Sales results for the nine months ended December 31, 2021 by product category are as follows:

Product classification	Nine months ended December 31, 2021	Year-on-year change increase/(decrease) (%)
	Amount (Millions of yen)	
Cosmetics	178,675	–
Daily necessities	375,273	–
OTC pharmaceuticals	94,159	–
Health and sanitary related products	141,882	–
Others	12,112	–
Total	802,102	–

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 nine months ended December 31, 2021 do not include year-on-year percentage changes comparing to the corresponding period of the previous fiscal year.

2) Sales results for the nine months ended December 31, 2021 by customer category are as follows:

Customer category		Nine months ended December 31, 2021	Year-on-year change increase/(decrease) (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	507,904	–
HC	Home centers (DIY stores)	73,659	–
CVS	Convenience stores	56,941	–
DS	Discount stores	58,070	–
SM	Supermarkets	39,594	–
GMS	General merchandising stores	26,250	–
Others	Export, EC business and others	39,681	–
Total		802,102	–

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 nine months ended December 31, 2021 do not include year-on-year percentage changes comparing to the corresponding period of the previous fiscal year.