

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

January 31, 2023

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
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 10, 2023
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, 2023 (From April 1, 2022 to December 31, 2022)

(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, 2022	848,195	5.7	19,110	(5.5)	21,413	(4.1)	14,756	(6.2)
December 31, 2021	802,102	–	20,232	–	22,336	–	15,735	–

	Earnings per share	Diluted earnings per share
Nine months ended	(¥)	(¥)
December 31, 2022	234.80	–
December 31, 2021	248.09	–

Note: From the beginning of the first quarter of the fiscal year ended March 31, 2022, PALTAC (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.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
December 31, 2022	485,926	255,174	52.5	4,060.27
March 31, 2022	448,877	243,741	54.3	3,878.33

Reference: Equity As of December 31, 2022: ¥255,174 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	–	41.00	–		
Fiscal year ending March 31, 2023 (Forecast)				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)

Fiscal year	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
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 December 31, 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 December 31, 2022	706,649 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 nine months ended December 31, 2022	62,846,902 shares
For the nine months ended December 31, 2021	63,427,359 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, 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

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1. Qualitative Information for the Nine Months Ended December 31, 2022

(1) Operating Results

In the nine months ended December 31, 2022, despite the continuing impact of the novel coronavirus disease (COVID-19), the Japanese economy showed signs of gradually picking up as restrictions on movement were eased and normalization of socioeconomic activities progressed. However, due to concerns over the impact on personal consumption from cost-push inflation resulting from the weakening of the yen and rising raw material prices and energy prices, and other factors, the future outlook remains unclear.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, due to the increase in the number of COVID-19 infections, there was an increase in demand for cold medicines and antipyretic analgesics to relieve the various symptoms, antigen test kits, and other products. In addition, due to the increase in opportunities for consumers to go outside, even amid the spread of COVID-19, sales of makeup products and other cosmetics and health drinks and other pharmaceuticals were strong. Moreover, due to winter conditions where temperatures have dropped lower than in typical years, sales of disposable warmers and other winter items were also strong.

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 taking 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, "using digital technology" that supports all of the initiatives that have been systematically strengthened, and "actively recruiting human resources" capable of taking charge in achieving medium- to long-term growth.

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 particular, the Company worked to increase sales and expand its in-store share by reinvigorating retail stores. Specifically, the Company worked to take quick and effective response to demand fluctuations using real-time information from retail stores and the largest collection of retail information in the industry, and propose new product lineups that anticipate changes in the market environment, including for products the Company has not handled before from manufacturers the Company has already done business with.

With regard to SG&A expenses, while there were a decrease in order volume on a per-unit basis due to changes in the market environment, increases in electricity prices and other negative factors, 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.

Accompanying the new Tochigi Distribution Center, which was established to expand the scale of shipping operations and improve productivity in the largest market, the Kanto region, the one-time increase in costs pushed down operating profit by ¥1,200 million.

As a result of the above, net sales for the nine months ended December 31, 2022 were ¥848,195 million (up 5.7 % year on year), operating profit was ¥19,110 million (down 5.5%), ordinary profit was ¥21,413 million (down 4.1%), and profit was ¥14,756 million (down 6.2%).

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 third quarter were ¥485,926 million, an increase of ¥37,049 million from the end of the previous fiscal year. This was primarily the result of a decrease in cash and deposits of ¥12,662 million and increases in notes and accounts receivable-trade of ¥27,833 million, in merchandise and finished goods of ¥16,173 million and in buildings, net of ¥7,224 million.

(Liabilities)

Total liabilities as of the end of the third quarter were ¥230,751 million, an increase of ¥25,615 million from the end of the previous fiscal year. This was primarily the result of an increase in notes and accounts payable-trade of ¥28,951 million and a decrease in income taxes payable of ¥2,543 million.

(Net assets)

Net assets as of the end of the third quarter were ¥255,174 million, an increase of ¥11,433 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings of ¥9,728 million and in valuation difference on available-for-sale securities of ¥1,739 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the third quarter were ¥28,008 million, a decrease of ¥12,662 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 used in operating activities was ¥1,707 million (compared with net cash of ¥12,671 million provided in the same period of the previous fiscal year). Main factors were ¥21,352 million of profit before income taxes, ¥4,222 million of depreciation and amortization, ¥27,833 million of increase in notes and accounts receivable-trade, ¥16,173 million of increase in inventories, ¥28,951 million of increase in notes and accounts payable-trade and ¥8,388 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥5,816 million (down ¥2,655 million year on year). Main factor was ¥5,350 million of purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥5,138 million (down ¥3,488 million year on year). Main factor was ¥5,025 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	40,670	28,008
Notes and accounts receivable-trade	196,320	224,154
Merchandise and finished goods	47,986	64,160
Other	21,967	23,583
Allowance for doubtful accounts	(8)	(9)
Total current assets	306,936	339,897
Non-current assets		
Property, plant and equipment		
Buildings, net	41,401	48,625
Other	76,968	71,200
Total property, plant and equipment	118,369	119,825
Intangible assets	880	865
Investments and other assets		
Investments and other assets	22,695	25,342
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	22,690	25,337
Total non-current assets	141,940	146,029
Total assets	448,877	485,926
Liabilities		
Current liabilities		
Notes and accounts payable-trade	164,442	193,393
Income taxes payable	4,515	1,971
Provision for bonuses	1,580	820
Provision for loss on disaster	497	27
Other	25,322	24,385
Total current liabilities	196,358	220,598
Non-current liabilities		
Provision for retirement benefits	2,732	2,846
Other	6,044	7,307
Total non-current liabilities	8,777	10,153
Total liabilities	205,135	230,751

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
<hr/>		
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	194,277	204,005
Treasury shares	(3,489)	(3,490)
Total shareholders' equity	<hr/> 234,484	<hr/> 244,212
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,246	10,986
Deferred gains or losses on hedges	10	(23)
Total valuation and translation adjustments	<hr/> 9,256	<hr/> 10,962
Total net assets	<hr/> 243,741	<hr/> 255,174
Total liabilities and net assets	<hr/> 448,877	<hr/> 485,926

(2) Quarterly Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	802,102	848,195
Cost of sales	739,707	785,194
Gross profit	62,395	63,001
Selling, general and administrative expenses	42,162	43,890
Operating profit	20,232	19,110
Non-operating income		
Dividend income	308	308
Research fee income	1,353	1,428
Rental income from real estate	114	115
Other	376	485
Total non-operating income	2,152	2,337
Non-operating expenses		
Interest expenses	4	4
Rental expenses on real estate	25	23
Commission for purchase of treasury shares	10	-
Other	6	6
Total non-operating expenses	47	34
Ordinary profit	22,336	21,413
Extraordinary income		
Gain on sales of investment securities	8	-
Gain on reversal of provision for loss on disaster	95	-
Insurance claim income	333	-
Total extraordinary income	437	-
Extraordinary losses		
Loss on retirement of non-current assets	14	40
Loss on disaster	-	20
Total extraordinary losses	14	61
Profit before income taxes	22,760	21,352
Income taxes-current	6,228	6,042
Income taxes-deferred	796	554
Total income taxes	7,024	6,596
Profit	15,735	14,756

(3) Quarterly Statements of Cash Flows

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	22,760	21,352
Depreciation and amortization	4,096	4,222
Increase (decrease) in allowance for doubtful accounts	1	0
Increase (decrease) in provision for bonuses	(974)	(759)
Increase (decrease) in provision for loss on disaster	(363)	(470)
Increase (decrease) in provision for retirement benefits	62	74
Interest and dividend income	(308)	(308)
Interest expenses	4	4
Loss (gain) on sales of investment securities	(8)	-
Loss on disaster	-	20
Insurance claim income	(333)	-
Decrease (increase) in notes and accounts receivable-trade	(9,848)	(27,833)
Decrease (increase) in inventories	(9,455)	(16,173)
Increase (decrease) in notes and accounts payable-trade	19,272	28,951
Decrease (increase) in consumption taxes refund receivable	-	(1,384)
Increase (decrease) in accrued consumption taxes	(1,884)	(190)
Other, net	(1,264)	(482)
Subtotal	21,756	7,022
Interest and dividends received	308	308
Interest paid	(0)	(0)
Payments associated with disaster loss	(374)	(650)
Proceeds from insurance income	333	-
Income taxes paid	(9,352)	(8,388)
Net cash provided by (used in) operating activities	12,671	(1,707)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,100)	(5,350)
Purchase of intangible assets	(211)	(177)
Purchase of investment securities	(197)	(67)
Proceeds from sales of investment securities	86	-
Payments for investments in capital of subsidiaries and associates	-	(111)
Other, net	(48)	(109)
Net cash provided by (used in) investing activities	(8,472)	(5,816)
Cash flows from financing activities		
Repayments of long-term loans payable	(286)	-
Repayments of lease obligations	(97)	(111)
Purchase of treasury shares	(3,479)	(0)
Cash dividends paid	(4,763)	(5,025)
Net cash provided by (used in) financing activities	(8,626)	(5,138)
Net increase (decrease) in cash and cash equivalents	(4,426)	(12,662)
Cash and cash equivalents at beginning of period	37,623	40,670
Cash and cash equivalents at end of period	33,196	28,008

(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 nine months ended December 31, 2022 by product category are as follows:

Product classification	Nine months ended December 31, 2022	Year-on-year change increase/(decrease) (%)
	Amount (Millions of yen)	
Cosmetics	190,958	6.9
Daily necessities	380,742	1.5
OTC pharmaceuticals	107,063	13.7
Health and sanitary related products	157,390	10.9
Others	12,041	(0.6)
Total	848,195	5.7

2) Sales results for the nine months ended December 31, 2022 by customer category are as follows:

Customer category	Nine months ended December 31, 2022	Year-on-year change increase/(decrease) (%)
	Amount (Millions of yen)	
Drugstores (Pharmacies)	535,424	5.4
Home centers (DIY stores)	72,444	(1.6)
Discount stores	63,354	9.1
Convenience stores	63,361	11.3
Supermarkets	40,624	2.6
General merchandising stores	29,144	11.0
Export, EC business and others	43,840	10.5
Total	848,195	5.7