
Financial Results 3Q FY2023/3



January 31, 2023

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Net sales reached record-high due to measures on sales expanding
Profits decreased due to temporary upfront investment associated with
the launch of Tochigi distribution center

¥ billion (Ratio of net sales : %)	3Q FY2022/3	3Q FY2023/3	YoY	
			Amount	Rate
Net Sales	802.1	848.1	+ 46.0	+ 5.7%
Gross Profit	62.3 (7.78)	63.0 (7.43)	+ 0.6 (- 0.35)	+ 1.0%
SG&A expenses	42.1 (5.26)	43.8 (5.17)	+ 1.7 (- 0.09)	+ 4.1%
Operating Profit	20.2 (2.52)	19.1 (2.25)	- 1.1 (- 0.27)	- 5.5%
Ordinary Profit	22.3 (2.78)	21.4 (2.52)	- 0.9 (- 0.26)	- 4.1%
Profit	15.7 (1.96)	14.7 (1.74)	- 0.9 (- 0.22)	- 6.2%

Sales growth drove each profit under difficult conditions,
the profits-to-sales ratio decreased, but profits in value basis increased

¥ billion (Ratio of net sales : %)	3Q FY2022/3	3Q FY2023/3	YoY	
			Amount	Rate
Net Sales	802.1	848.1	+ 46.0	+ 5.7%
Gross Profit	62.3 (7.78)	63.9 (7.54)	+ 1.5 (- 0.24)	+ 2.5%
SG&A expenses	42.1 (5.26)	43.6 (5.15)	+ 1.4 (- 0.11)	+ 3.5%
Operating Profit	20.2 (2.52)	20.3 (2.40)	+ 0.0 (- 0.12)	+ 0.4%
Ordinary Profit	22.3 (2.78)	22.6 (2.67)	+ 0.2 (- 0.11)	+ 1.3%
Profit	15.7 (1.96)	15.9 (1.88)	+ 0.2 (- 0.08)	+ 1.5%

* Expenses associated with the launch of Tochigi distribution center (3Q Apr. - Dec.) Cost of sales: ¥ 0.95 bn / SG&A expenses: ¥ 0.25 bn

Net Sales **¥ 848.1 bn**

YoY change : + ¥46.0 bn (+ 5.7 %)

- Strengthened initiatives through collaboration and cooperation with retailers and manufacturers
- Strengthened procurement of new products to meet consumer needs under New Normal
- Strong demand for products both related to COVID-19 and to outings, due to increases in the number of people's outings even under the spread of infection (Coolants, Cold medicine, Make-up, Health drinks, etc.)
- Seasonal products
(Summer) Sluggish sales of insecticides
(Winter) Strong sales of body warmers and other products due to lower temperatures

Gross Profit **¥ 63.0 bn** $\left[\begin{array}{c} \text{GPM} \\ 7.43 \% \end{array} \right]$

YoY change : + ¥ 0.6 bn(GPM – 0.35 %)

- The growing preference for low-price due to rising consumer's budget-minded and tending to refrain from buying against a backdrop of price hikes, including for food products
⇒ Unexpected increase in frequency of bargain sales and flyers by retailers (A cause of decrease in gross profit)
- Decrease in sales promotion expenses of manufacturers due to soaring raw material prices, etc.
- Expenses associated with the launch of Tochigi distribution center
(– ¥ 0.9 bn personnel expenses, small assets, etc.)
- Increase in center fee (Increased sales for customers that required to pay that. Soaring fuel costs, etc.)

SG&A expenses ¥ 43.8 bn SG&A ratio
5.17 % YoY change : + ¥ 1.7 bn (SG&A ratio – 0.09 %)

- **Increase in personnel expenses** **+ ¥ 0.6 bn (– 0.05 %)**
 - ⇒ Securing of human capital for medium- to long-term growth
 - ⇒ Even though operation efficiency declined due to a decrease in shipments per unit (shipping amount), restrained the rise of SG&A ratio through improving warehouse activities

- **Promoted delivery efficiency improvements** **+ ¥ 0.1 bn (– 0.04 %)**
(Priority issues in the medium-term management plan)
 - ⇒ In an environment where the unit price of delivery costs was rising, worked on improvements such as shortening delivery distances by reviewing logistics base and promoting white-logistics-movements

- **Expenses associated with the launch of Tochigi distribution center** **+ ¥ 0.2 bn (+ 0.03 %)**
(Real estate acquisition tax)

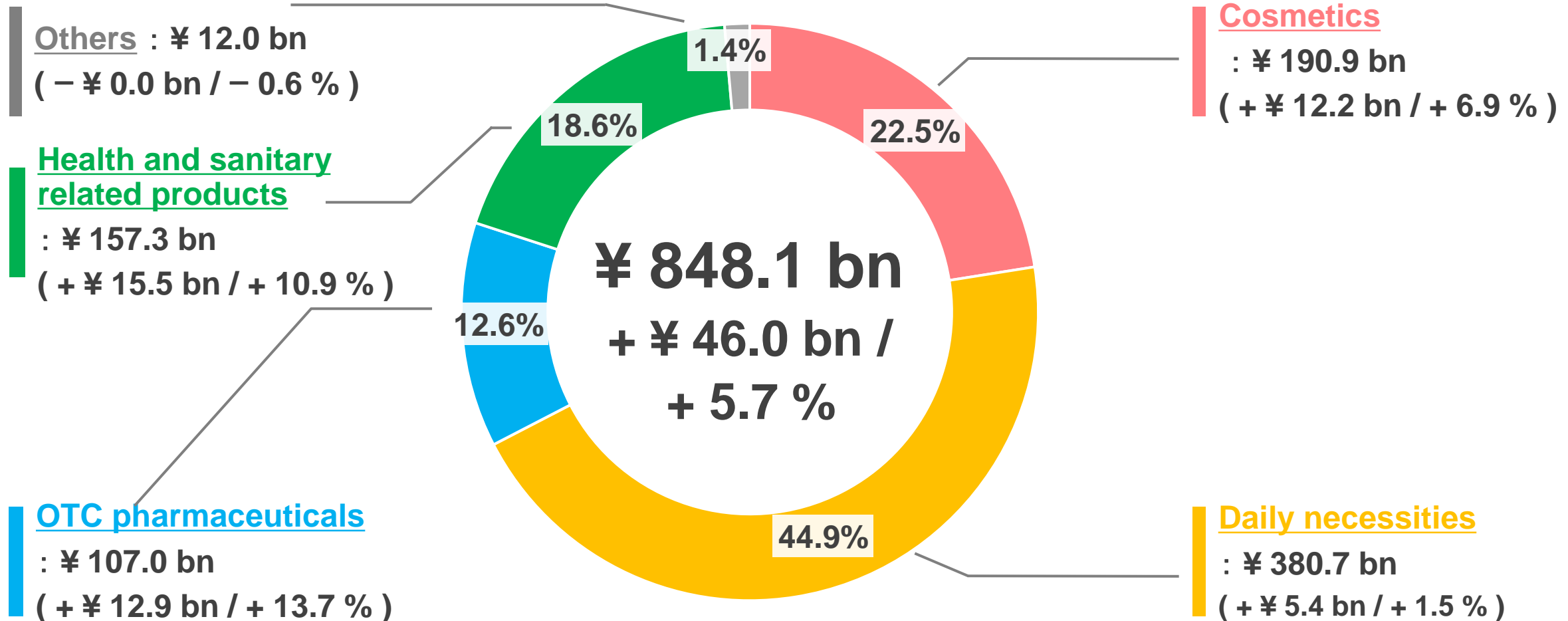
- **Increase in electricity expenses due to soaring the fuel cost** **+ ¥ 0.1 bn (+ 0.02 %)**

Sales Composition by Product Category YoY(3Q Apr. - Dec.)



Increased sales in almost all categories

(YoY Change : Amount / Rate)

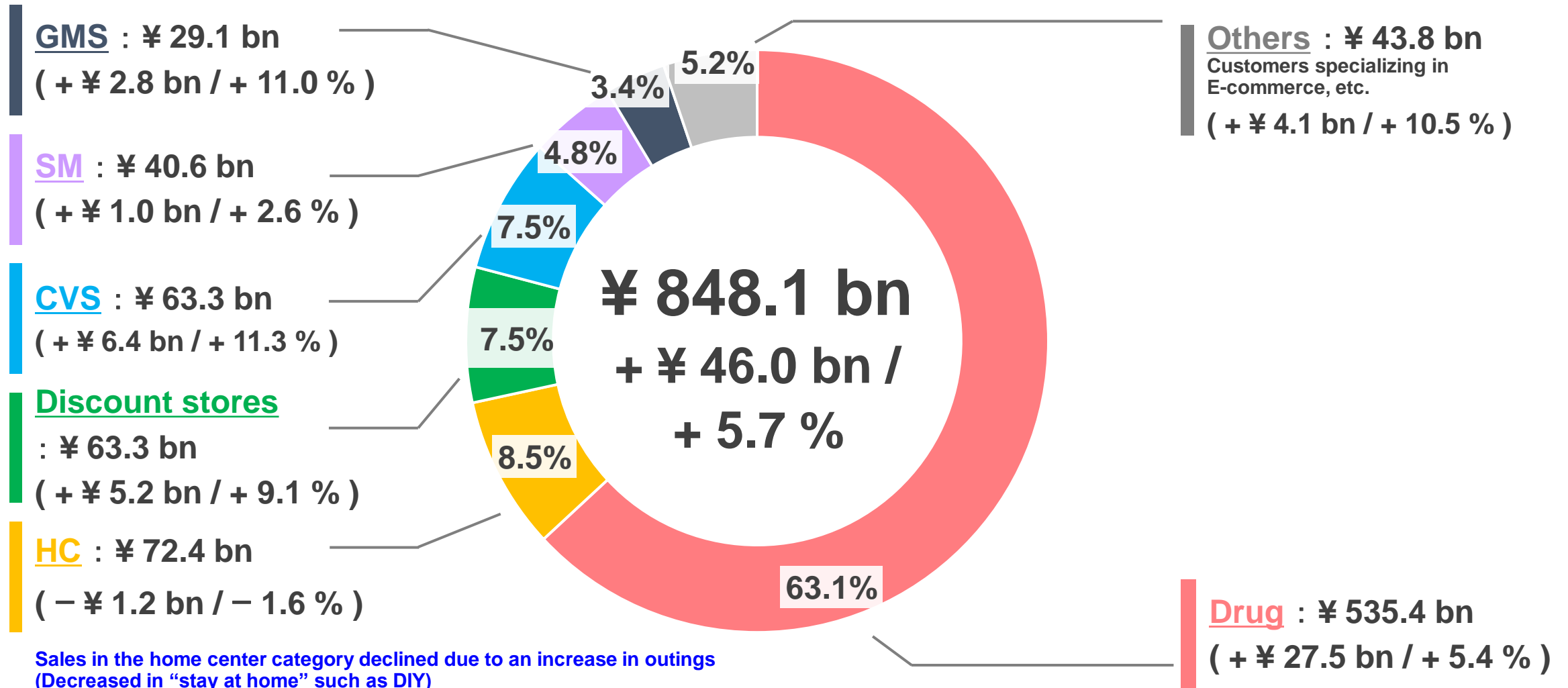


Sales Composition by Customer Category YoY(3Q Apr. - Dec.)



Increased sales in all customer categories except for home centers

(YoY Change : Amount / Rate)



Status in the 3Q (Oct. – Dec.)

Measures on sales expanding have been gradually bringing the effects
Generated a positive impact on each profit and SG&A expenses
and secured increased profits

¥ billion (Ratio of net sales:%)	1Q			2Q			3Q		
	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY
Net Sales [Rate (YoY)]	269.6	276.2	+ 6.5 [+ 2.4%]	261.8	278.6	+ 16.7 [+ 6.4%]	270.5	293.2	+ 22.7 [+ 8.4%]
Gross Profit	20.9 (7.78)	20.7 (7.53)	- 0.1 (- 0.25)	20.3 (7.79)	20.2 (7.26)	- 0.1 (- 0.53)	21.0 (7.77)	21.9 (7.49)	+ 0.9 (- 0.28)
SG&A expenses	13.9 (5.18)	14.2 (5.17)	+ 0.3 (- 0.01)	14.0 (5.37)	14.7 (5.31)	+ 0.7 (- 0.06)	14.1 (5.22)	14.8 (5.05)	+ 0.6 (- 0.17)
Operating Profit	7.0 (2.60)	6.5 (2.36)	- 0.4 (- 0.24)	6.3 (2.42)	5.4 (1.95)	- 0.8 (- 0.47)	6.8 (2.55)	7.1 (2.44)	+ 0.2 (- 0.11)
Ordinary Profit	7.7 (2.87)	7.3 (2.66)	- 0.4 (- 0.21)	6.9 (2.66)	6.1 (2.20)	- 0.8 (- 0.46)	7.6 (2.82)	7.9 (2.71)	+ 0.3 (- 0.11)
Profit	5.4 (2.02)	5.0 (1.83)	- 0.3 (- 0.19)	5.0 (1.93)	4.2 (1.52)	- 0.8 (- 0.41)	5.2 (1.94)	5.4 (1.86)	+ 0.2 (- 0.08)

Profit maximization measures centered on sales expansion provided positive effect

Operating profit increased significantly in the 3Q
(both amount and rate exceeded those of the previous year)

¥ billion (Ratio of net sales:%)	1Q			2Q			3Q		
	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY
Net Sales [Rate (YoY)]	269.6	276.2	+ 6.5 [+ 2.4%]	261.8	278.6	+ 16.7 [+ 6.4%]	270.5	293.2	+ 22.7 [+ 8.4%]
Gross Profit	20.9 (7.78)	20.8 (7.55)	- 0.1 (- 0.23)	20.3 (7.79)	20.7 (7.43)	+ 0.3 (- 0.36)	21.0 (7.77)	22.3 (7.64)	+ 1.3 (- 0.13)
SG&A expenses	13.9 (5.18)	14.2 (5.17)	+ 0.3 (- 0.01)	14.0 (5.37)	14.5 (5.23)	+ 0.5 (- 0.14)	14.1 (5.22)	14.7 (5.04)	+ 0.6 (- 0.18)
Operating Profit	7.0 (2.60)	6.5 (2.38)	- 0.4 (- 0.22)	6.3 (2.42)	6.1 (2.20)	- 0.1 (- 0.22)	6.8 (2.55)	7.6 (2.60)	+ 0.7 (+ 0.05)
Ordinary Profit	7.7 (2.87)	7.3 (2.68)	- 0.3 (- 0.19)	6.9 (2.66)	6.8 (2.45)	- 0.1 (- 0.21)	7.6 (2.82)	8.4 (2.87)	+ 0.7 (+ 0.05)
Profit	5.4 (2.02)	5.1 (1.85)	- 0.3 (- 0.17)	5.0 (1.93)	4.9 (1.77)	- 0.1 (- 0.16)	5.2 (1.94)	5.9 (2.02)	+ 0.6 (+ 0.08)

* Expenses associated with the launch of Tochigi distribution center(3Q Oct. - Dec.) Cost of sales: ¥ 0.43 bn / SG&A expenses: ¥ 0.02 bn

**Firm expansion of demand for a wide range of products due to an increasing trend in the number of people's outings even amid the spread of COVID-19
Carefully observing the change in consumer sentiment against rising prices**

⇒ The growing preference for low-price due to rising consumer's budget-minded and tending to refrain from buying against a backdrop of price hikes, including for food products
Increase in frequency of bargain sales and flyers by retailers (A cause of decrease in gross profit)

⇒ Strong demand for products related to outings such as makeup, health drink due to increase in the number of people's outings by easing movement restrictions

⇒ Strong demand for cold medicine and antipyretic analgesics to alleviate symptoms associated with the spread of COVID-19, and expansion of demand for the antigen test kit (OTC), approved for sales to ordinary consumers

⇒ Demand for winter seasonal products increased due to lower temperatures (body warmers, etc.)

Net Sales **¥ 293.2 bn** YoY change : + ¥ 22.7 bn (+ 8.4%)

Achieved record quarterly net sales due to measures on sales expansion even in a difficult environment

- Strengthened initiatives through collaboration and cooperation with retailers and manufacturers
- Strengthened procurement of new products to meet consumer needs under New Normal
- Strong demand for both products related to COVID-19 and products related to outings, due to increases in the number of people's outings even amid the spread of infection
(Make-up, Health drinks, Cold medicine, the antigen test kit(OTC), etc.)

Gross Profit **¥ 21.9 bn** $\left(\begin{array}{c} \text{GPM} \\ 7.49 \% \end{array} \right)$ YoY change : + ¥ 0.9 bn (GPM – 0.28 %)

Despite the continued difficult environment, the deterioration in the profit-to-sales ratio decreased from that of the 2Q due to the success of multifaceted measures to improve profit

- The growing preference for low-price due to rising consumer's budget-minded and tending to refrain from buying against a backdrop of price hikes including for food products
⇒ Increase in frequency of bargain sales and flyers by retailers (A cause of decrease in gross profit)
- Decrease in sales promotion expenses of manufacturers due to soaring raw material prices, etc.
- Expenses associated with the launch of Tochigi distribution center
(– ¥ 0.4 bn personnel expenses, small assets, etc.)
- Increase in center fee (Increased sales for customers that required to pay that. Soaring fuel costs, etc.)

SG&A expenses ¥ 14.8 bn (SG&A ratio 5.05 %) YoY change : + ¥ 0.6 bn (SG&A ratio – 0.17 %)

SG&A-to-sales ratio improved significantly due to sales expansion by taking advantage of low-cost logistics and measures to improve SG&A expenses, which led to absorption of fixed costs while controlling the rise in variable costs

- Increase in personnel expenses **+ ¥ 0.2 bn (– 0.08 %)**
 - ⇒ Securing of human capital for medium- to long-term growth
 - ⇒ Even though operation efficiency declined due to a decrease in shipments per unit (shipping amount), restrained the rise of SG&A ratio through improving warehouse activities
- Promoted delivery efficiency improvements **+ ¥ 0.0 bn (– 0.05 %)**
 - ⇒ In an environment where the unit price of delivery costs was rising, worked on improvements such as shortening delivery distances by reviewing logistics base and promoting white-logistics-movements
- Expenses associated with the launch of Tochigi distribution center **+ ¥ 0.0 bn (+ 0.01 %)**
- Increase in electricity expenses due to soaring the fuel cost **+ ¥ 0.0 bn (+ 0.02 %)**

Priority initiatives for sustainable growth

Advancing efforts to achieve the SDGs through business activities

○ Established the eco-system for recycling of cardboard wastes

- ⇒ Reduction of CO2 emissions /
Promotion of global environmental conservation through “Green Fund”
- ⇒ Expansion of sales of recycling cardboard wastes

○ Improving efficiency of long-distance transportation through collaboration and cooperation

- ⇒ Improvement of working environment for drivers / Reduction of CO2 emissions
- ⇒ Improving efficiency of warehouse operation
by leveraging the workload of receiving operation

○ Participation in “Cosme Bank Project” as a partner company

- ⇒ Provide cosmetics to as many people as possible / Reduction of environmental burdens from product disposal

Established the eco-system for recycling of cardboard wastes

Realized efficient recycling of cardboard wastes generated in the distribution process through solutions such as round trip of trucks and our RDC's function (automatic consolidation and compression function)



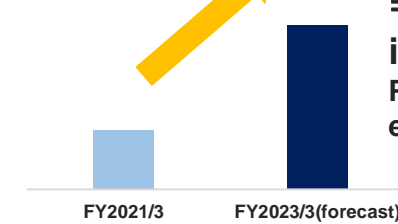
Effects of the initiative

- No need for garbage trucks to collect individual cardboard wastes from retailers
- After being processed at our RDC, they are sent directly to the recycling plant

⇒ Reduction of CO2 emissions from transportation

- Expansion of the handling of cardboard wastes

2.8 times



⇒ Donate a portion of income to the "Green Fund" Promoting greening and global environmental preservation

System of automatic consolidation and compression of cardboard is equipped as part of our RDC's function

Consolidated in one place via conveyors

Compressed into cubes

Cardboard wastes generated in our distribution center are consolidated in one place via conveyors. They, together with the wastes picked up from retail stores, are compressed into cubes (easy to recycle)

* For details of the initiative, please refer to the press release "Notice of Donation to the Green Fund" posted on our website (December 19, 2022).

Promoting reduction of environmental burdens by utilizing efficient system

Improving efficiency of long-distance transportation through collaboration and cooperation

Jointly received the Minister of Land, Infrastructure, Transport and Tourism Award, the highest award in the Green Logistics Excellent Business Awards

Changed long-distance transportation (See chart on the right) by chartered trucks to relay **transportation starting from intermediate bases**

~ Cooperation with Suzuyo&Co., Ltd, Lion Corporation, and Unilever Japan K.K. ~

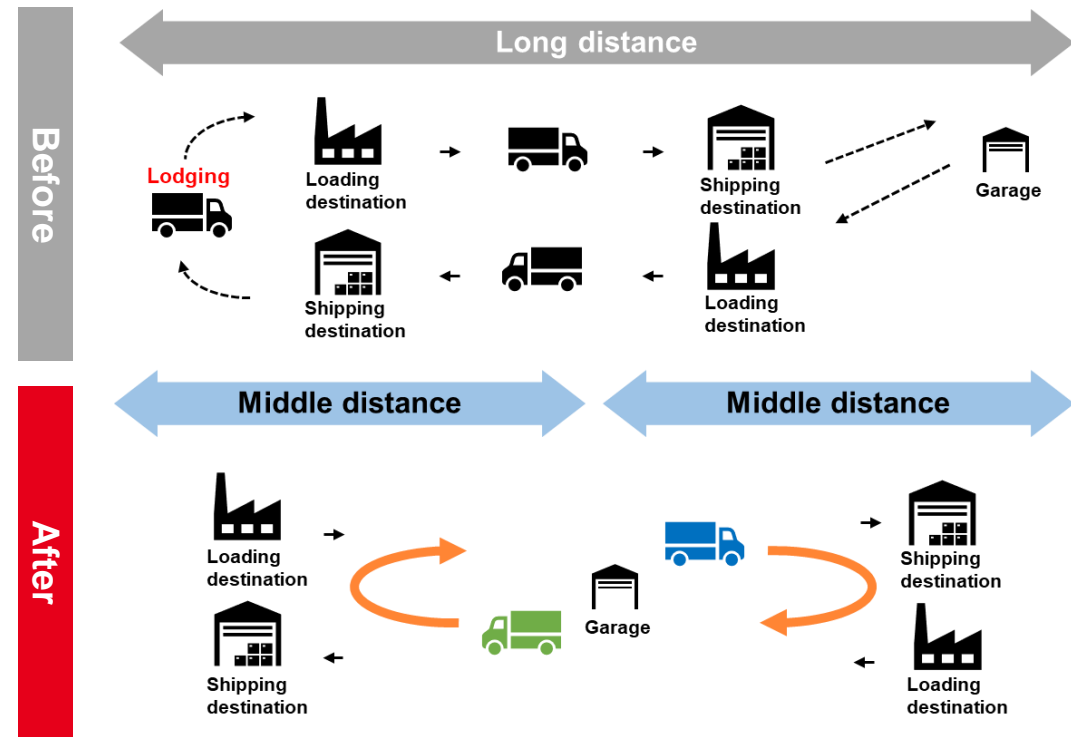
Effects of the initiative

Improved the loading ratio, reduced empty running and shortened the transportation distance

- ⇒ Improved working environment for drivers
- ⇒ Reduced CO2 emissions (approx. 30% reduction)

Leveled the workload of receiving operations

- ⇒ Improved operational efficiency of distribution center



* For details of the initiatives, please refer to the press release "Jointly received the Minister of Land, Infrastructure, Transport and Tourism Award, the highest award in the Green Logistics Excellent Business Awards" posted on our website. (December 23, 2022)

Aiming to build a sustainable distribution in the entire supply chain

Participation in “Cosme Bank Project” as a partner company

Supporting the activities aimed at solving social issues as an intermediate distributor handling daily necessities

Philosophy and Activities of the Project



COSME BANK
PROJECT

“Smiles for Women & the Earth”

With the understanding and cooperation of cosmetics manufacturers, the products which are only disposed as a result of those renewals were distributed to women who are in financial distress at no charge

This also reduces the environmental burdens caused by product disposal

* For details of the initiatives, please refer to the press release “Participation in “Cosme Bank Project” as a Partner Company” posted on our website. (December 19, 2022)

Contributing to realize a sustainable society in which people’s rich and comfortable daily lives can be created

FY2023/3 Forecasts

No revision from the announced at the beginning of the period (May 11, 2022)

¥ billion (Ratio of net sales : %)	FY2022/3 Results	FY2023/3 Plan	YoY(Amount)	YoY(Rate)
Net sales	1,045.7	1,080.0	+34.2	+3.3%
Gross Profit	81.7 (7.82)	82.8 (7.67)	+1.0 (-0.15)	+1.3%
SG&A expenses	55.8 (5.34)	58.1 (5.38)	+2.2 (+0.04)	+4.1%
Operating Profit	25.9 (2.48)	24.7 (2.29)	-1.2 (-0.19)	-4.7%
Ordinary Profit	28.6 (2.74)	27.4 (2.54)	-1.2 (-0.20)	-4.3%
Profit	19.6 (1.88)	19.0 (1.76)	-0.6 (-0.12)	-3.3%
Earnings per share (¥)	310.34	302.32	-8.02	-2.6%

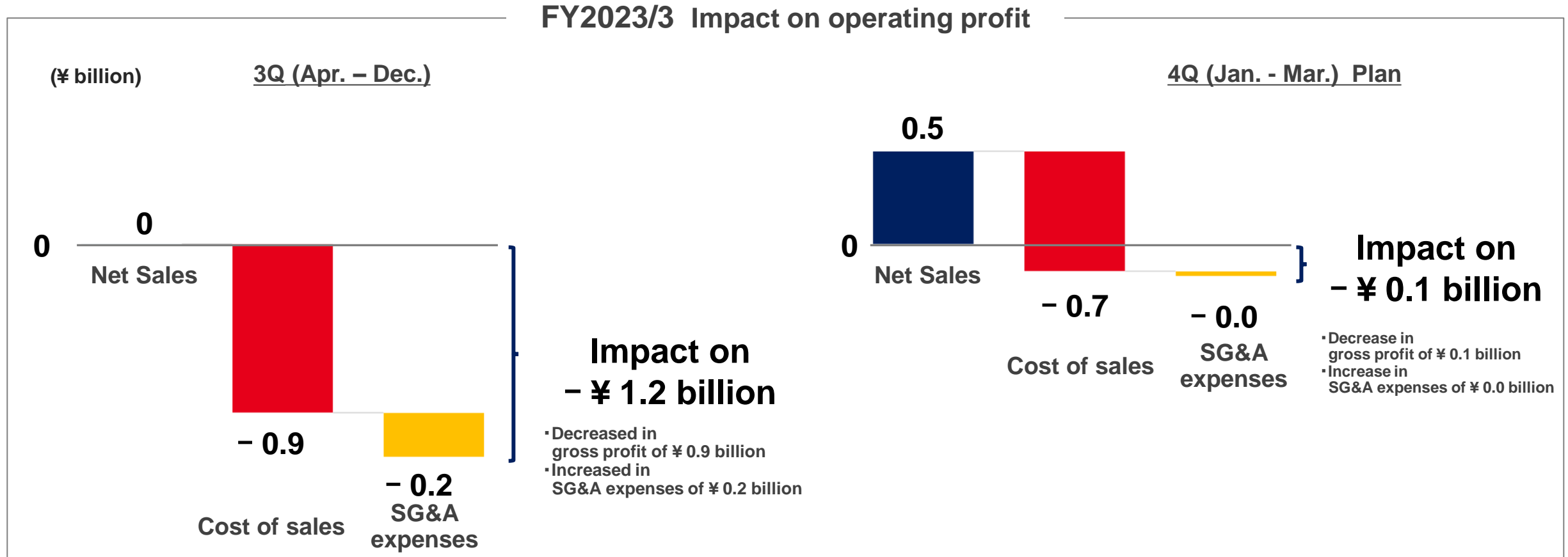
Strategic moves toward sustainable growth through taking advantage of low-cost management despite of a temporary decrease in profit due to start of operation of Tochigi distribution center

FY2023/3 Operating profit forecast (Impact on operating profit from the start of operations at the new center)



The impact on operating profit in the third quarter(Apr. - Dec.) was a decrease of 1.2 billion yen,
 That in the fourth quarter(Jan. - Mar.) is expected to be a decrease of 0.1 billion yen,
 Resulting in a decrease of 1.4 billion yen for the full year

(Expected operating profit of 0.4 billion yen in the fiscal year ending March 2024)

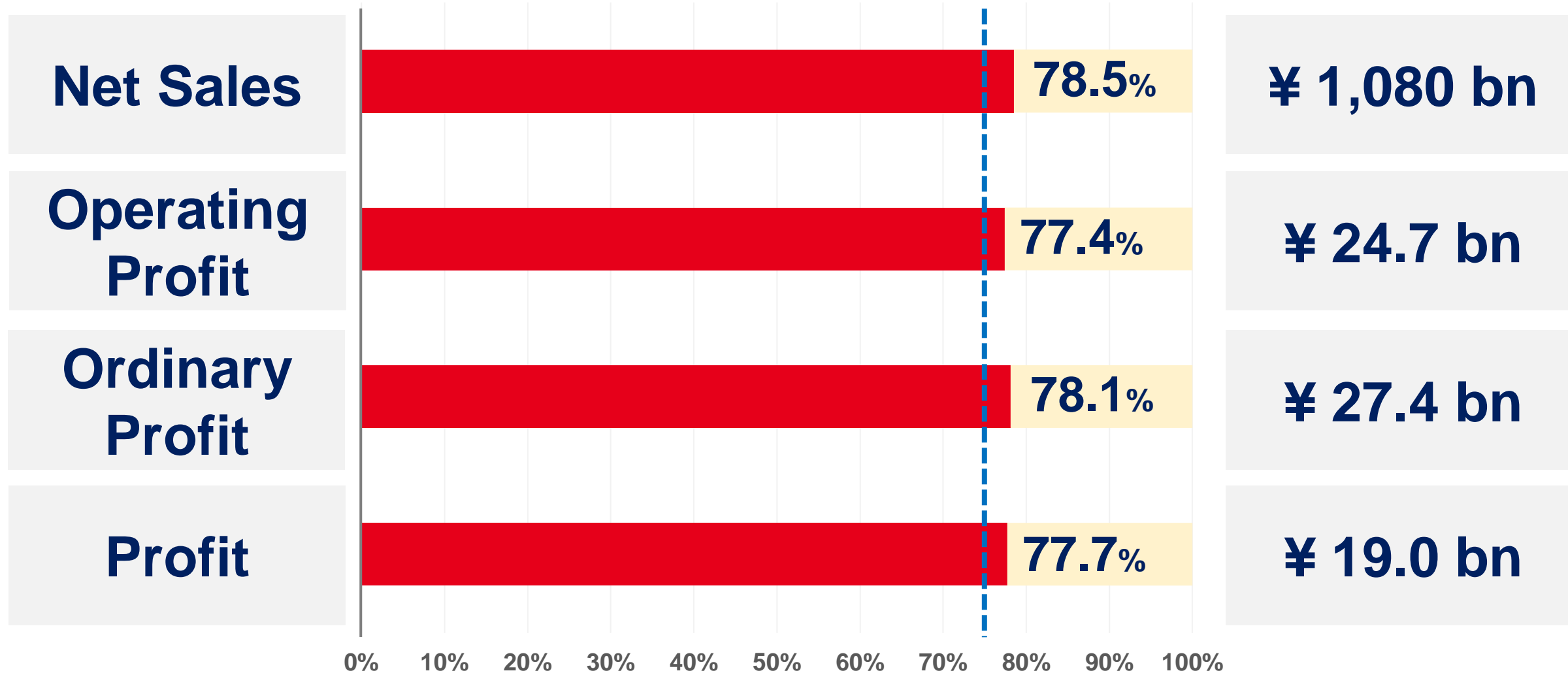


Progress toward forecasts for FY2023/3

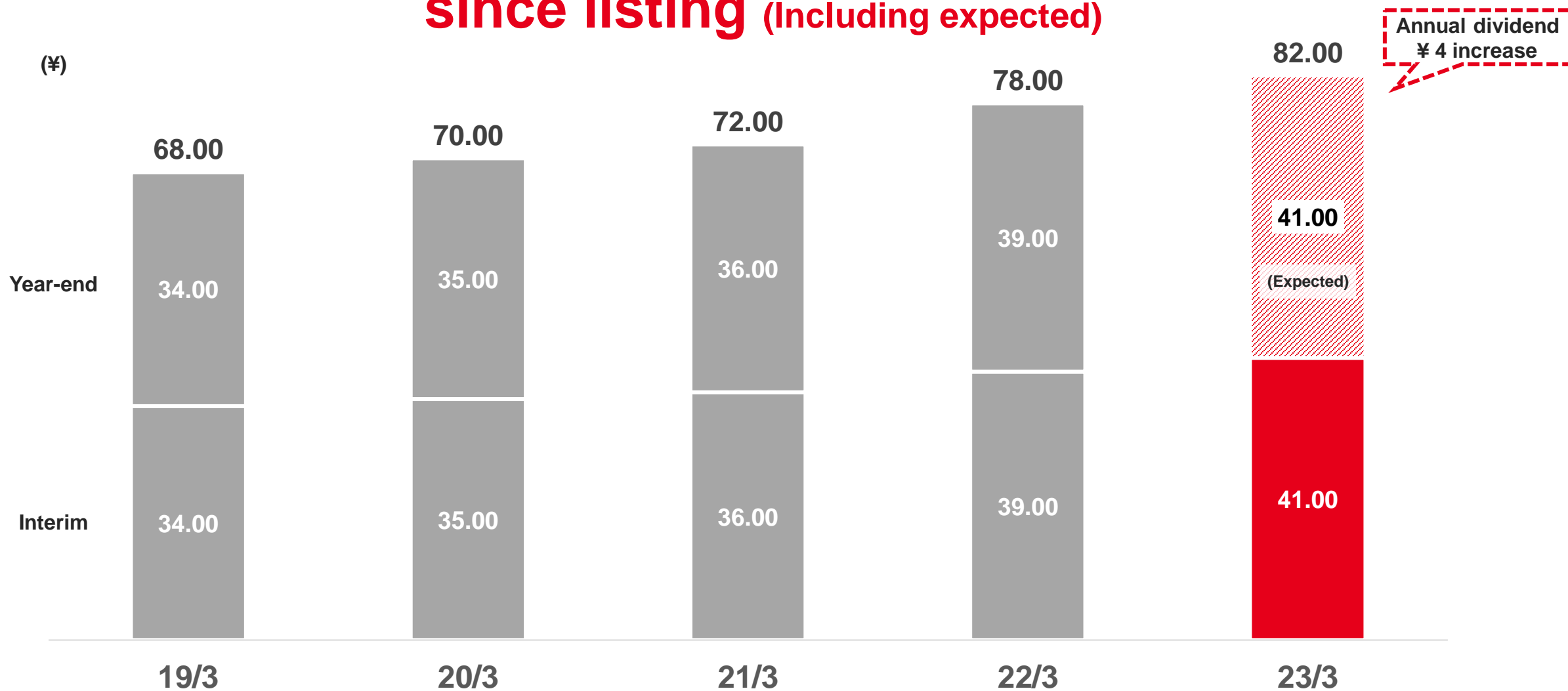


Progress rate(Nine months ended Dec. 31 2022)

FY2023/3 Forecasts



Increase in dividend for 13th consecutive years since listing (Including expected)



Note Concerning **Forward-Looking Statements**

Information in this document presented by PALTAC CORPORATION (the “Company”) contains forward-looking statements regarding to the Company. Other than historical facts, these forecasts and strategies prepared under certain assumptions, and such matters include certain risks and uncertainties. As such, please be forewarned that actual results may not necessarily match these forecasts due to a variety of changes in the business environment and others causes.

Please also note that even in cases where it might be desirable for the forecast information to be updated or revised due to new information, future events or other items. The Company is not obliged and dose not have a policy of updating this document and information to the most recent.