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# Financial Results FY2023/3

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May 11, 2023

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# **Financial Results FY2023/3**

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# FY2023/3 Results vs. Plan (Apr. - Mar.)

**Net sales exceeded the plan due to measures on sales expansion**  
**Profits were almost in line with the plan due to the difficult environment of industry**

¥ billion (ratio of net sales: %)	FY2023/3 Plan	FY2023/3 Results	Difference	Difference rate	Main factors
<b>Net Sales</b>	<b>1,080.0</b>	<b>1,104.1</b>	<b>+24.1</b>	<b>+2.2%</b>	<ul style="list-style-type: none"> <li>• Simultaneous spread of infection and resumption of socioeconomic activity (an increase in people's outings)</li> <li>• Strong demand for cosmetics and OTC pharmaceuticals</li> </ul>
<b>Gross Profit</b>	<b>82.8</b> <b>(7.67)</b>	<b>82.3</b> <b>(7.46)</b>	<b>-0.4</b> <b>(-0.21)</b>	<b>-0.5%</b>	<ul style="list-style-type: none"> <li>• Profits were shrinking throughout our industry</li> <li>• Soaring raw material and energy prices</li> </ul>
<b>SG&amp;A Expenses</b>	<b>58.1</b> <b>(5.38)</b>	<b>57.9</b> <b>(5.25)</b>	<b>-0.1</b> <b>(-0.13)</b>	<b>-0.3%</b>	<ul style="list-style-type: none"> <li>• Absorption of fixed expenses due to sales expansion</li> <li>• Pursuit of productivity improvement</li> </ul>
<b>Operating Profit</b>	<b>24.7</b> <b>(2.29)</b>	<b>24.4</b> <b>(2.22)</b>	<b>-0.2</b> <b>(-0.07)</b>	<b>-0.9%</b>	
<b>Ordinary Profit</b>	<b>27.4</b> <b>(2.54)</b>	<b>27.4</b> <b>(2.49)</b>	<b>+0.0</b> <b>(-0.05)</b>	<b>+0.1%</b>	<ul style="list-style-type: none"> <li>• Impact of lower gross profit margin</li> </ul>
<b>Profit</b>	<b>19.0</b> <b>(1.76)</b>	<b>19.2</b> <b>(1.74)</b>	<b>+0.2</b> <b>(-0.02)</b>	<b>+1.3%</b>	

# FY2023/3 Results YoY (Apr. - Mar.)

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

¥ billion (ratio of net sales: %)	FY2022/3 Results	FY2023/3 Results	Amount(YoY)	Rate(YoY)
<b>Net Sales</b>	<b>1,045.7</b>	<b>1,104.1</b>	<b>+58.4</b>	<b>+5.6%</b>
<b>Gross Profit</b>	<b>81.7</b>	<b>82.3</b>	<b>+0.6</b>	<b>+0.8%</b>
	<b>(7.82)</b>	<b>(7.46)</b>	<b>(-0.36)</b>	
<b>SG&amp;A Expenses</b>	<b>55.8</b>	<b>57.9</b>	<b>+2.0</b>	<b>+3.7%</b>
	<b>(5.34)</b>	<b>(5.25)</b>	<b>(-0.09)</b>	
<b>Operating Profit</b>	<b>25.9</b>	<b>24.4</b>	<b>-1.4</b>	<b>-5.6%</b>
	<b>(2.48)</b>	<b>(2.22)</b>	<b>(-0.26)</b>	
<b>Ordinary Profit</b>	<b>28.6</b>	<b>27.4</b>	<b>-1.1</b>	<b>-4.2%</b>
	<b>(2.74)</b>	<b>(2.49)</b>	<b>(-0.25)</b>	
<b>Profit</b>	<b>19.6</b>	<b>19.2</b>	<b>-0.3</b>	<b>-2.0%</b>
	<b>(1.88)</b>	<b>(1.74)</b>	<b>(-0.14)</b>	

Remained the same level of operating profit as the previous year under difficult conditions, through sales growth and curbing SG&A expenses ratio

¥ billion (ratio of net sales: %)	FY2022/3 Results	FY2023/3 Results	Amount(YoY)	Rate(YoY)
Net Sales	1,045.7	1,103.8	+58.1	+5.6%
Gross Profit	81.7 (7.82)	83.5 (7.57)	+1.8 (-0.25)	+2.2%
SG&A Expenses	55.8 (5.34)	57.6 (5.23)	+1.8 (-0.11)	+3.3%
Operating Profit	25.9 (2.48)	25.8 (2.35)	-0.0 (-0.13)	-0.1%
Ordinary Profit	28.6 (2.74)	28.8 (2.61)	+0.2 (-0.13)	+0.8%
Profit	19.6 (1.88)	20.6 (1.87)	+1.0 (-0.01)	+5.2%

\* Impact of the launch of the Tochigi distribution center (Gross Profit : - ¥ 1.1 bn / SG&A Expenses : + ¥ 0.2 bn / Operating Profit : - ¥ 1.4 bn)

# Analysis of Profit and Loss YoY (Apr. - Mar.)



Net Sales

¥ 1,104.1 bn

YoY change

+ ¥ 58.4 bn

Rate

+ 5.6 %

**Net sales reached record-high due to measures on sales expansion and strong demand for cosmetics and OTC pharmaceuticals due to increase in people's outings**

- Strengthened initiatives through collaboration and cooperation with retailers and manufacturers
- Strengthened procurement of new products to meet diverse consumer needs
- Strong demand for both products related to COVID-19 and to outings, due to increases in people's outings and the spread of infection (Make-up, Health drinks, Cold medicine, Antigen test kit (OTC), etc.)
- Strong demand for both summer seasonal products and winter seasonal products, driven by increase in people's outings and weather conditions

Gross Profit

¥ 82.3 bn

GPM  
7.46 %

YoY change

+ ¥ 0.6 bn

(GPM : - 0.36 %)

**Affected by one time increase in expenses associated with the launch of new distribution center and the severe environment of shrinking profits in our industry**

- 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  
⇒ 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 the Tochigi distribution center (- ¥ 1.1 bn personnel expenses, small assets, etc.)
- Increase in center fee (Increased sales for customers that required to pay that. Soaring fuel costs, etc.)

# Analysis of Profit and Loss YoY (Apr. - Mar.)



**SG&A Expenses**

**¥ 57.9 bn**

SG&A ratio  
**5.25 %**

**YoY change**

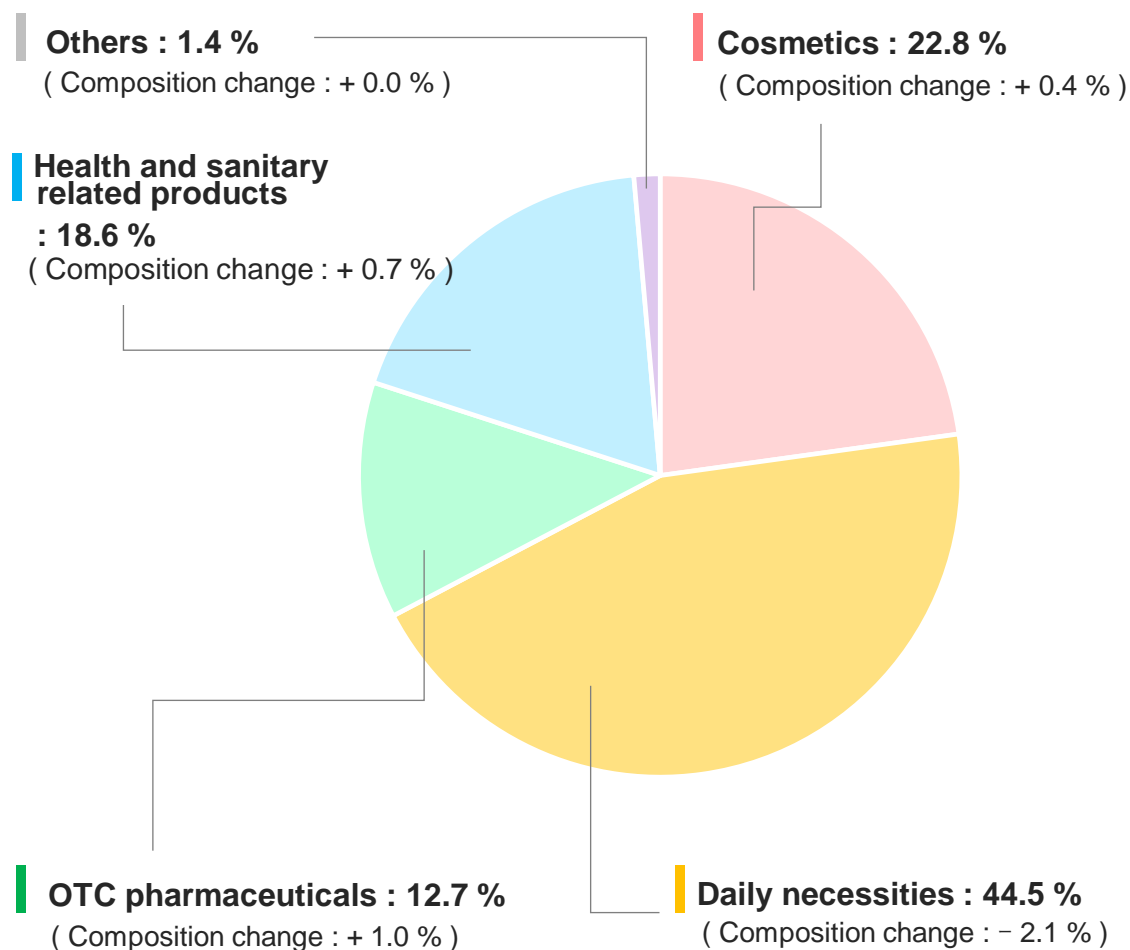
**+ ¥ 2.0 bn ( SG&A ratio : - 0.09 % )**

**SG&A expenses ratio improved significantly due to sales expansion by taking advantage of low-cost logistics and measures to improve SG&A expenses**

- **Increase in personnel expenses** **+ ¥ 0.7 bn ( - 0.07 % )**
  - ⇒ Securing 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 the SG&A expenses ratio through improving warehouse activities
- **Promoted delivery efficiency improvements (Priority issues in the medium-term management plan)** **+ ¥ 0.0 bn ( - 0.06 % )**
  - ⇒ 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
- **Impact of the launch of Tochigi distribution center** **+ ¥ 0.2 bn ( + 0.02 % )**
- **Increase in electricity expenses due to soaring the fuel cost** **+ ¥ 0.2 bn ( + 0.02 % )**

# Sales Composition by Product Category (YoY Apr. - Mar.)

Sales Composition

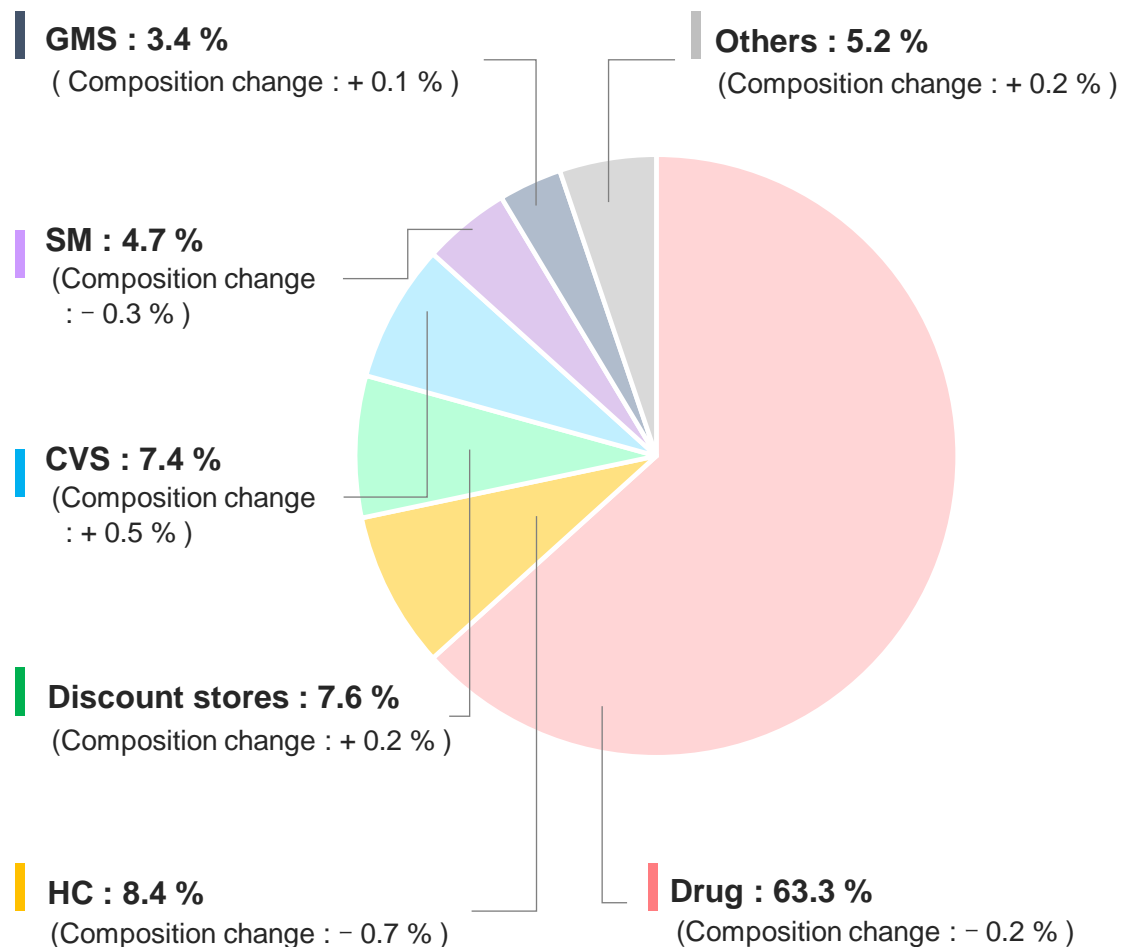


¥ billion	FY2022/3	FY2023/3	YoY	
			Amount	Rate
<b>Net Sales</b>	<b>1,045.7</b>	<b>1,104.1</b>	<b>+58.4</b>	<b>+5.6%</b>
<b>Cosmetics</b>	<b>233.3</b>	<b>251.8</b>	<b>+18.4</b>	<b>+7.9%</b>
<b>Daily necessities</b>	<b>487.2</b>	<b>491.0</b>	<b>+3.7</b>	<b>+0.8%</b>
<b>OTC pharmaceuticals</b>	<b>122.8</b>	<b>140.4</b>	<b>+17.6</b>	<b>+14.4%</b>
<b>Health and sanitary related products</b>	<b>186.9</b>	<b>205.3</b>	<b>+18.4</b>	<b>+9.9%</b>
<b>Others</b>	<b>15.3</b>	<b>15.3</b>	<b>+0.0</b>	<b>+0.3%</b>



# Sales Composition by Customer Category (YoY Apr. - Mar.)

Sales Composition



¥ billion	FY2022/3	FY2023/3	YoY	
			Amount	Rate
<b>Net Sales</b>	<b>1,045.7</b>	<b>1,104.1</b>	<b>+58.4</b>	<b>+5.6%</b>
<b>Drug</b>	<b>662.5</b>	<b>697.9</b>	<b>+35.3</b>	<b>+5.3%</b>
<b>HC</b>	<b>95.1</b>	<b>93.1</b>	<b>-1.9</b>	<b>-2.1%</b>
<b>Discount stores</b>	<b>77.3</b>	<b>83.9</b>	<b>+6.5</b>	<b>+8.5%</b>
<b>CVS</b>	<b>72.2</b>	<b>81.3</b>	<b>+9.1</b>	<b>+12.6%</b>
<b>SM</b>	<b>52.0</b>	<b>52.3</b>	<b>+0.2</b>	<b>+0.6%</b>
<b>GMS</b>	<b>34.4</b>	<b>37.9</b>	<b>+3.4</b>	<b>+9.9%</b>
<b>Others</b>	<b>51.8</b>	<b>57.4</b>	<b>+5.6</b>	<b>+10.9%</b>

# Analysis of Non-operating Profit and Loss (YoY Apr. - Mar.)

¥ billion	FY2022/3	FY2023/3	YoY
<b>Non-operating Income</b>	<b>2.77</b>	<b>3.01</b>	<b>+0.23</b>
Research fee income *	1.75	1.83	+0.07
Subsidy income	0.05	0.09	+0.04
<b>Non-operating Expenses</b>	<b>0.05</b>	<b>0.04</b>	<b>△0.01</b>
Real estate leasing expenses	0.03	0.03	△0.00

\* Research fee income is income obtained by providing sales performance of retailers to some manufacturers based on a contract and tends to fluctuate depending on sales

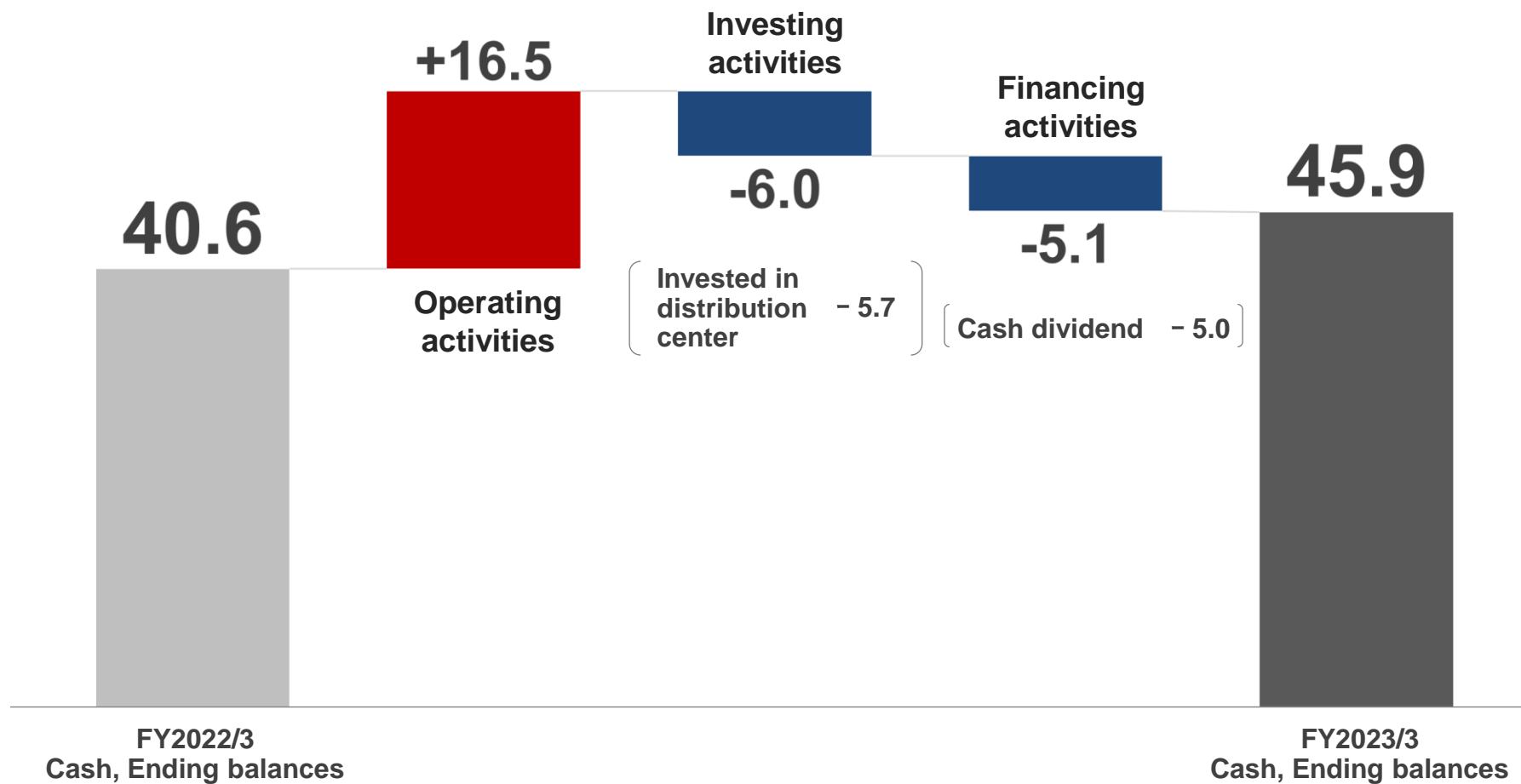
# Analysis of Extraordinary Profit and Loss (YoY Apr. - Mar.)

¥ billion	FY2022/3	FY2023/3	YoY
<b>Extraordinary Income</b>	<b>0.44</b>	<b>0.50</b>	<b>+0.06</b>
Insurance claims income *	0.33	0.49	+0.16
Gain on reversal of provision for loss on disaster	0.09	0.00	△0.08
<b>Extraordinary Losses</b>	<b>0.68</b>	<b>0.10</b>	<b>△0.58</b>
Loss on disaster	0.66	0.02	△0.64
Loss on retirement of noncurrent assets	0.02	0.06	+0.03

\* Received insurance proceeds related to disasters which occurred in February 2021 and March 2022 were booked as extraordinary income

## Steadily implemented upfront investment for future growth and measures of shareholder return

( ¥ billion )



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# **Status in the 4Q (Jan. – Mar.)**

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# Status in the 4Q (Jan. – Mar.)

Net sales were above a previous year

Operating profit decreased due to the impact of the launch of distribution center

¥ billion (ratio of net sales: %)	1Q			2Q			3Q			4Q		
	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY
Net Sales	269.6	276.2	+6.5 [+2.4%]	261.8	278.6	+16.7 [+6.4%]	270.5	293.2	+22.7 [+8.4%]	243.6	255.9	+12.3 [+5.1%]
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)	19.3 (7.95)	19.3 (7.58)	+0.0 (-0.37)
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)	13.6 (5.61)	14.0 (5.48)	+0.3 (-0.13)
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)	5.6 (2.34)	5.3 (2.09)	-0.3 (-0.25)
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)	6.3 (2.59)	6.0 (2.35)	-0.2 (-0.24)
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)	3.9 (1.60)	4.4 (1.76)	+0.5 (+0.16)

# Status in the 4Q (Jan. – Mar.)

After excluding the impact of  
the launch of Tochigi distribution center \*



Operating profit was maintained at the same level as the previous year due to measures on sales expansion and improvement in the SG&A expenses ratio

¥ billion (ratio of net sales: %)	1Q			2Q			3Q			4Q		
	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY	FY2022/3	FY2023/3	YoY
Net Sales	269.6	276.2	+6.5 [+2.4%]	261.8	278.6	+16.7 [+6.4%]	270.5	293.2	+22.7 [+8.4%]	243.6	255.6	+12.0 [+4.9%]
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)	19.3 (7.95)	19.6 (7.67)	+0.2 (-0.28)
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)	13.6 (5.61)	14.0 (5.50)	+0.3 (-0.11)
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)	5.6 (2.34)	5.5 (2.18)	-0.1 (-0.16)
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)	6.3 (2.59)	6.2 (2.44)	-0.0 (-0.15)
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)	3.9 (1.60)	4.7 (1.84)	+0.7 (+0.24)

\* Impact of the launch of Tochigi distribution center(4Q Jan. - Mar.) Gross Profit : - ¥ 0.2 bn / SG&A Expenses : - ¥ 0.02 bn / Operating Profit : - ¥ 0.2 bn

## **Towards the post COVID-19 Era, demand expansion has grown as increase in people's outings**

On the other hand, affected by changes in consumption trends due to the calmness of COVID-19 situation and price hikes

- ✓ **Strong demand for products related to outings such as makeup, health drink due to increase in people's outings by easing movement restrictions**
- ✓ **Demand for infection-related products such as masks and disinfectant solutions declined due to the calmness of the COVID-19 situation**
- ✓ **Progressing the growing consumer's preference for low-price and the refrain from buying against a backdrop of price hikes including food products**
- ✓ **Weak demand for winter seasonal products such as disposable warmer, on the other hand, strong performance of summer seasonal products such as insecticides and deodorant due to higher temperatures than the previous year**
- ✓ **Strong demand for products related to pollen such as eye drops and sinus medicine due to the higher amounts of airborne pollen**



# Analysis of Profit and Loss YoY (4Q Jan. - Mar.)



Net Sales

¥ 255.9 bn

YoY change

+ ¥ 12.3 bn

Rate

+ 5.1 %

**Demand for products related to COVID-19 declined, but measures on sales expanding were effective against the backdrop of driving by increase in people's outings**

- Strengthened initiatives through collaboration and cooperation with retailers and manufacturers
- Strengthened procurement of new products to meet diverse consumer needs
- Despite a decrease in demand for products related to COVID-19 due to the calmness of COVID-19 situation, strong demand for products related to outings such as cosmetics with the increase in people's outings
- Progressing the growing consumer's preference for low-price  
(Including the impact of a reactionary decline due to hoarding demand before the price hikes)
- Weak demand for winter seasonal products, on the other hand, strong performance of summer seasonal products such as insecticides and deodorant due to higher temperatures than the previous year

Gross Profit

¥ 19.3 bn

GPM  
7.58 %

YoY change

+ ¥ 0.0 bn ( GPM : - 0.37 % )

**Decrease in sales promotion expenses of manufacturers due to soaring raw material prices, etc.**

- Decrease in sales promotion expenses of manufacturers due to soaring raw material prices, etc.
- Impact of the launch of Tochigi distribution center (- ¥ 0.2 bn personnel expenses, etc.)
- Increase in center fee (Increased sales for customers that required to pay that. Soaring fuel costs, etc.)
- Decrease in demand for products with high gross profit margins such as masks
- Decrease in distribution function fees (affected by shrinking inventory of old products due to spring and summer products renewal)

**SG&A Expenses** **¥ 14.0 bn** <sup>SG&A ratio</sup> **5.48 %** **YoY change** **+ ¥ 0.3 bn ( SG&A ratio : - 0.13 % )**

## SG&A expenses ratio improved due to sales expansion by taking advantage of low-cost logistics and measures to improve SG&A expenses

- **Increase in personnel expenses** **+ ¥ 0.0 bn ( - 0.10 % )**
  - ⇒ Securing human capital for medium-to long-term growth
  - ⇒ Restrained the rise in the SG&A expenses ratio through absorbing fixed expenses, although a decline in operational efficiency due to strengthened hiring of new part-time employees and increased temporary staff in response to increased shipping volume
- **Promoted delivery efficiency improvements (Priority issues in the medium-term management plan)** **- ¥ 0.0 bn ( - 0.08 % )**
  - ⇒ 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
- **Increase in electricity expenses due to soaring the fuel cost** **+ ¥ 0.0 bn ( + 0.02 % )**

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# **FY2024/3 Forecasts**

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## Aiming to achieve our plan, steadily executing initiatives in view of the change of the business environment

	Market environment	Our initiatives
Net Sales	<ul style="list-style-type: none"> <li>● Continuing growth in demand for products related to outings, etc.</li> <li>● Strong expectations for expansion of inbound consumptions</li> <li>● Diversification of consumer needs</li> <li>● Gradual decrease in demand for products related to COVID-19</li> </ul>	<p><b>Seeking to expand sales through seizing opportunities in a changing environment</b></p> <ul style="list-style-type: none"> <li>● Strengthening prompt and effective sales promotion utilizing our capabilities</li> <li>● Strengthening transaction of new manufacturers and procurement of new products ⇒ <u>Maximizing sales of products for which demand is expected to increase</u></li> <li>● For products for which demand is expected to soften, consolidating those products to hot selling items and effort to appeal another way to use</li> </ul>
Gross Profit	<ul style="list-style-type: none"> <li>● Continuing impact of soaring prices</li> <li>● Bipolarization of consumption ⇒ Progressing the consumer's preference for low-price, on the other hand, high-value-added products are clearly accepted</li> </ul>	<p><b>Securing gross profit by sales expansion, under difficult environment</b></p> <ul style="list-style-type: none"> <li>● Strengthening sales of products with high gross profit margin and high-value-added</li> <li>● Securing fees through sales expansion and logistics efficiency improvement</li> <li>● Thoroughly managing gross profit per products</li> </ul>
SG&A Expenses	<ul style="list-style-type: none"> <li>● Assumed that electricity expenses would remain high</li> <li>● Continuing the labor shortage</li> </ul>	<p><b>Absorbing expenses, increase through continuous improvement activities</b></p> <ul style="list-style-type: none"> <li>● Pursuing productivity improvement in warehouse operations</li> <li>● Promoting delivery efficiency through internal and external collaboration and cooperation</li> </ul>

# FY2024/3 Forecasts (Final year of the Medium-term Management Plan)



Expecting increases in sales and profits, partly due to the disappearance of one-time expenses associated with the launch of the new distribution center, which were recorded in the previous fiscal year

¥ billion (ratio of net sales: %)	FY2023/3 Results	FY2024/3 Plan *	Amount(YoY)	Rate(YoY)
<b>Net Sales</b>	<b>1,104.1</b>	<b>1,142.0</b>	<b>+37.8</b>	<b>+3.4%</b>
<b>Gross Profit</b>	<b>82.3</b>	<b>86.5</b>	<b>+4.1</b>	<b>+5.0%</b>
	<b>(7.46)</b>	<b>(7.57)</b>	<b>(+0.11)</b>	
<b>SG&amp;A Expenses</b>	<b>57.9</b>	<b>60.0</b>	<b>+2.0</b>	<b>+3.6%</b>
	<b>(5.25)</b>	<b>(5.25)</b>	<b>(+0.00)</b>	
<b>Operating Profit</b>	<b>24.4</b>	<b>26.5</b>	<b>+2.0</b>	<b>+8.3%</b>
	<b>(2.22)</b>	<b>(2.32)</b>	<b>(+0.10)</b>	
<b>Ordinary Profit</b>	<b>27.4</b>	<b>29.5</b>	<b>+2.0</b>	<b>+7.5%</b>
	<b>(2.49)</b>	<b>(2.58)</b>	<b>(+0.10)</b>	
<b>Profit</b>	<b>19.2</b>	<b>20.3</b>	<b>+1.0</b>	<b>+5.4%</b>
	<b>(1.74)</b>	<b>(1.78)</b>	<b>(+0.03)</b>	
<b>Earnings per share (¥)</b>	<b>306.33</b>	<b>323.01</b>	<b>+16.68</b>	<b>+5.4%</b>

\* Revised from the numerical targets in the medium-term management plan, disclosed on May 12, 2021

## Revision of the numerical targets in light of market environment differs from at that time of formulating the plan

¥ billion (ratio of net sales: %)	FY2021/3 Results	FY2024/3 Initial Plan *	FY2024/3 Plan	Difference from initial plan	Main factors
Net Sales	1,033.2	1,125.0	1,142.0	+17.0	<ul style="list-style-type: none"> <li>• Strengthening initiatives with customers</li> <li>• Strengthening procurement of new products</li> </ul>
Gross Profit	81.1	88.5	86.5	-2.0	<ul style="list-style-type: none"> <li>• Soaring raw material price and energy price</li> <li>• Responding to the consumer's preference for low-price due to soaring prices</li> </ul>
	(7.85)	(7.87)	(7.57)	(-0.30)	
SG&A Expenses	55.6	59.5	60.0	+0.5	<ul style="list-style-type: none"> <li>• Soaring electricity and other expenses</li> <li>• Investment for human capital</li> <li>• SG&amp;A expenses ratio declined due to absorption of fixed expenses</li> </ul>
	(5.39)	(5.29)	(5.25)	(-0.04)	
Operating Profit	25.4	29.0	26.5	-2.5	<ul style="list-style-type: none"> <li>• Impact of the decline in gross profit margin and increase in SG&amp;A expenses</li> </ul>
	(2.47)	(2.58)	(2.32)	(-0.26)	

\* Disclosed on May 12, 2021

## Revised numerical targets, but no change in basic policies for initiatives

### PALTAC VISION 2024 Basic policy

**“For a bright future”**

～ Moving forward with the supply chain ～

With our position as an intermediate distribution platform actively showing our values by **collaboration and cooperation, and reinforcement of systems**

Aiming for sustainable growth with whole stakeholders through optimizing and streamlining the entire supply chain

### Key four initiatives

Addressing the unprecedented changes in business environments

**“Strengthening retail solution capabilities”**

Pursuing “secure and safety” and “high-efficiency”

**“Strengthening logistics solution capabilities”**

Ensuring provision of added corporate values

**“Enhancing IT system and Promoting digitization”**

As a foundation for our sustainable growth

**“Developing talent and organization”**

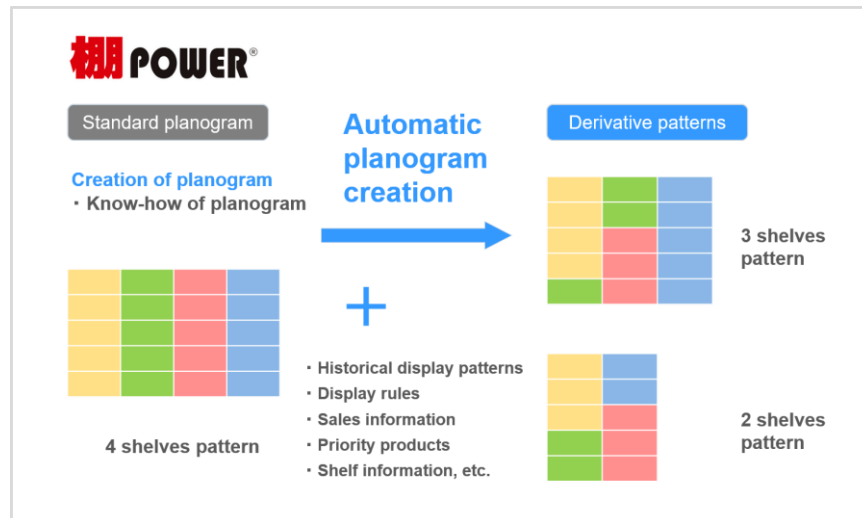
## Taking on the challenge of automatic planogram creation in the retail stores

Developed “automatic planogram creation system” in collaboration and cooperation with CYBERLINKS CO., LTD.

**Contributes to productivity improvement of manufacturers, distribution and retailers**  
by automating planogram creation process with high burden

### Image of automatic planogram creation

Manually creating the standard of planogram, and then, utilizing this system and automatically creating derivative patterns of planogram with a different number of shelves based on sales information, priority products, etc.



Planogram creation time (per year)

Aiming to reduction of **18,000** hours

- ✓ Allocate resources generated from streamlining to business negotiations and sales promotion activity to strengthening efficient and attractive “sales floor developing”
- ✓ Improving work-life balance of employees

\* For details of the initiative, please refer to the press release “Notice of collaboration and cooperation for development of automatic planogram creation system” posted on our Japanese website (February 1, 2023)



“Tochigi distribution center” Starting operation from February 2023  
Contribute to profit from FY2024/3

## Expanding highly efficient shipping capacity by introducing a new logistics model

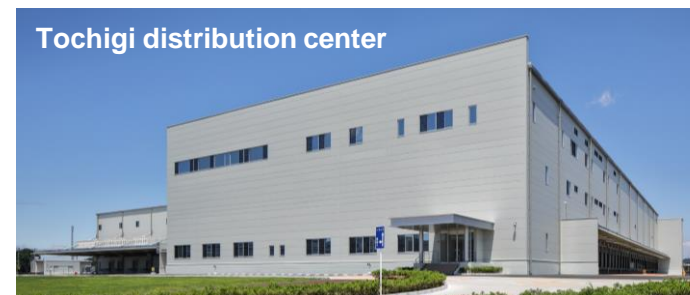
- ✓ Expanding transactions with customers and improving delivery efficiency in the Kanto area, the largest market, through cooperation with neighboring distribution centers
- ✓ Start-up phase is almost complete
- ✓ Shipment volume will be increased in the future while finding a balance with stable operation

### FY2024/3 Impact on operating profit

YoY change **+ ¥ 1.8 bn**

(Previous fiscal year : - ¥ 1.4 bn / Current fiscal year : + ¥ 0.4 bn)

Disappearance of one-time expenses recorded in the previous fiscal year



Shipping capacity(per year) : ¥ 120.0 bn Investment : ¥ 21.6 bn

Taking on the challenge of **the new improvement measures** through **collaboration and cooperation among companies** in order to address the worsening driver shortages including “2024 problem” in logistics

## Started cooperation with Sagawa Express Co.,Ltd.

Seeking measures to optimize distribution by leveraging the logistics know-how of both companies

\* For details of the initiative, please refer to the press release "Notice concerning the conclusion of the collaboration agreement of sustainable logistics" posted on our Japanese website. (March 31, 2023)

## Further streamlining of procurement logistics

- Collaboration with manufacturers
- Expanding viewpoints beyond conventional improvement measures (e.g., utilization of sea routes, etc.)

## Aiming to build a sustainable distribution network

- ✓ Continuing stable supply of products
- ✓ Strengthening BCP measures
- ✓ Reducing CO2 emissions

## Participation in a demonstration experiment of joint delivery, assuming a large-scale disaster

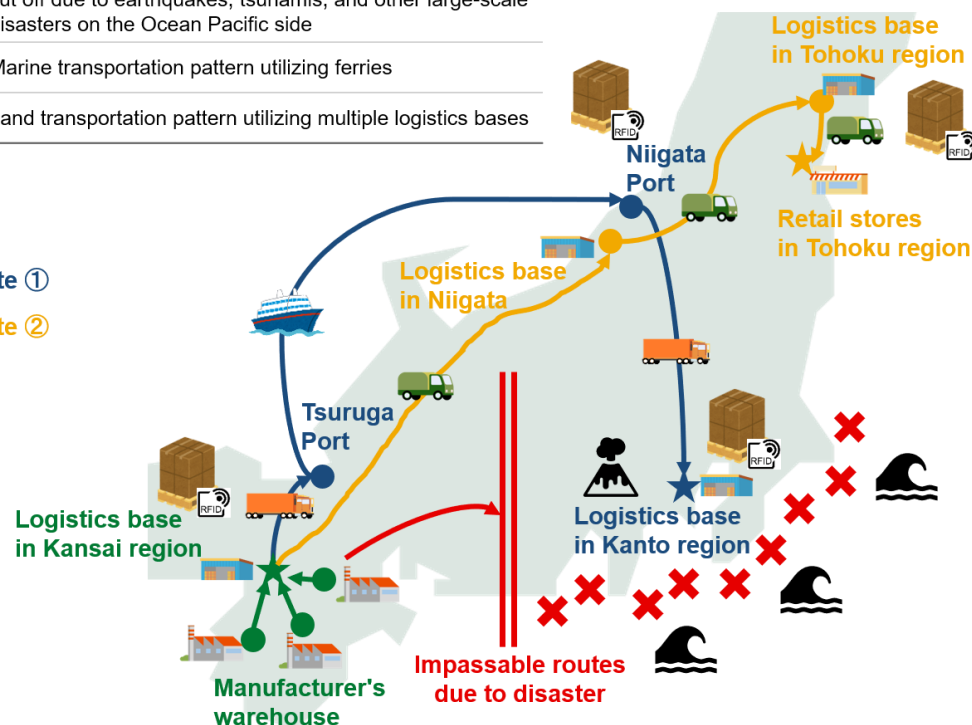
**Eleven manufacturers, distribution and retailers, including delivery companies, cooperated to verify the effectiveness of joint delivery using electronic tags (RFID tags)**

(Ministry of Economy, Trade and Industry commissioned project : Commissioned by Mitsubishi UFJ Research and Consulting Co., Ltd.)

Assumed disaster and damage	Supply routes to the Kanto region and Tohoku region were cut off due to earthquakes, tsunamis, and other large-scale disasters on the Ocean Pacific side
BCP Route ①	Marine transportation pattern utilizing ferries
BCP Route ②	Land transportation pattern utilizing multiple logistics bases

(legend)

- ➔ BCP Route ①
- ➔ BCP Route ②



## Confirmed the measures to supply products in the occurrence of disaster

- ✓ Immediate confirmation where and when products are to be transported through the utilize of electronic tag
- ✓ Confirmation of detour routes in case of road disruptions (marine transportation route / land transportation route)

\* For details of the initiative, please refer to the press release "Notice concerning joint delivery demonstration experiment in the event of a large-scale disaster" posted on our Japanese website (March 6, 2023)

## Realized efficient recycling of cardboard wastes utilizing existing distribution system

**A round trip of trucks + RDC function (automatic consolidation and compression function) = Realize of business**



## Improving economic and environmental value

### ✓ Expansion of the handling of cardboard wastes

Handling volume of cardboard wastes during FY2023/3 increased by 3 times  
(Compared to FY2021/3)

- Donate a portion of income to the “Green Fund”
- Promoting environmental preservation

### ✓ Reduction of CO2 emissions from transportation

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

## A system of automatic consolidation and compression of cardboard wastes is equipped as our RDC's function

Consolidated in one place via conveyors



Compressed into cubes



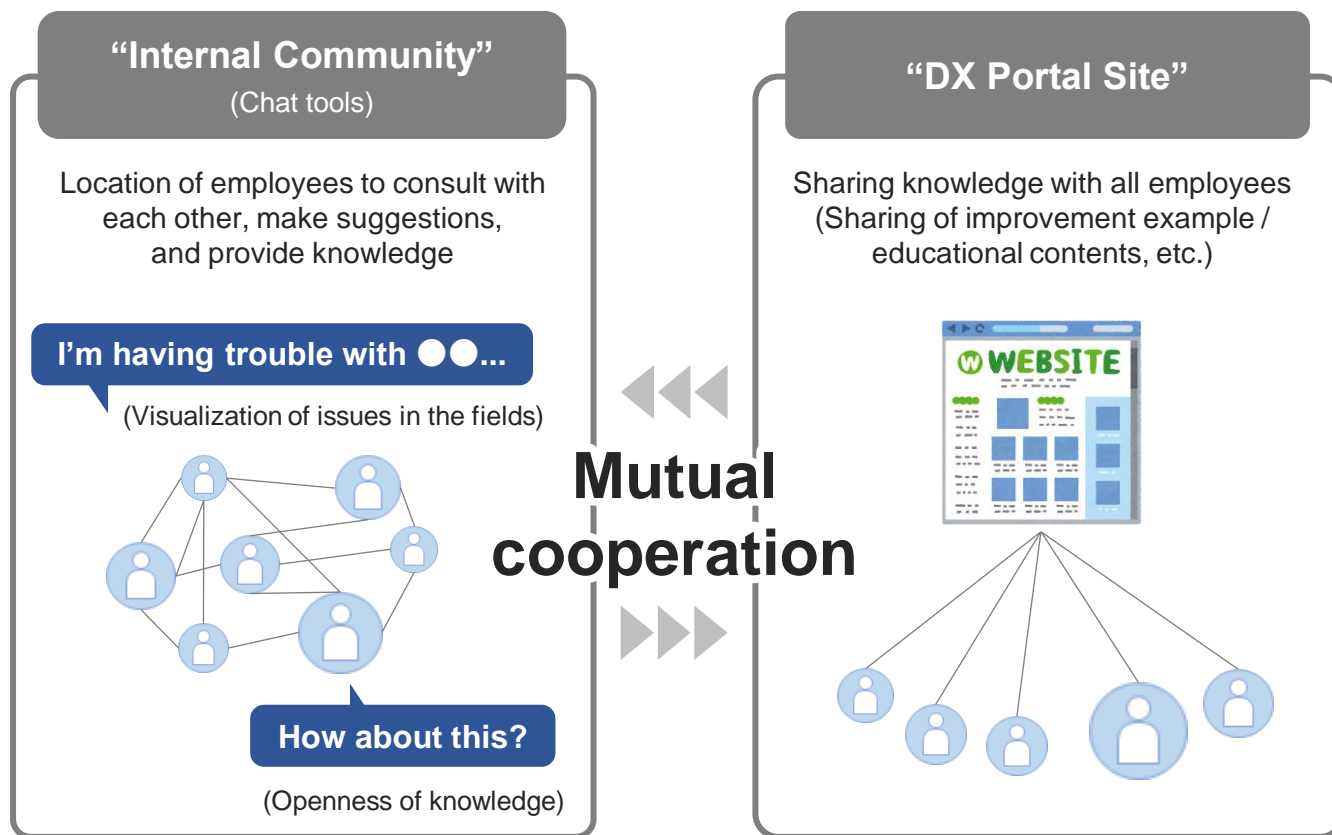
Cardboard wastes generated in our distribution center are consolidated in one place via conveyors

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 Japanese website (December 19, 2022)

## For DX promotion, improving digital literacy of all employees

### Created “Internal Community (Chat tool)” and “DX Portal Site”



**Accumulating knowledge and know-how of digital utilization as an organization (from individual to organize)**

- ✓ Openness of individual knowledge and know-how
- Mutual learning among employees

**“Visualization” of issues in the fields and faster resolution**

- ✓ Aiming to improve digital literacy and respond to issues in the fields at the same time

## Promoting sustainability and improving information disclosure

### Reducing CO2 emissions

- ✓ Taking concrete measures centered on renewable energy procurement to halve CO2 emissions in FY2030
- ✓ Transitioned into the company that participated in the GX League (GX: green transformation) in order to gain knowledge and deepen initiatives

### Continuing to invest in human capital

- ✓ Aiming to be an organization where diverse human capitals work energetically and can fully demonstrate their abilities
  - Expanding training opportunities
  - Strengthening career recruitment
  - Flexible personnel system
  - Rising of salary levels, etc. (childcare · nursing care support / work from home, etc.)

Integrated Report 2022 “WHAT’S PALTAC” was selected as GPIF “Highly Improved Integrated Report”

for **3** consecutive years

- ✓ Aiming to improve corporate value through constructive dialogue with stakeholders
- ✓ Creating a virtuous cycle of improving information disclosure and improving initiatives

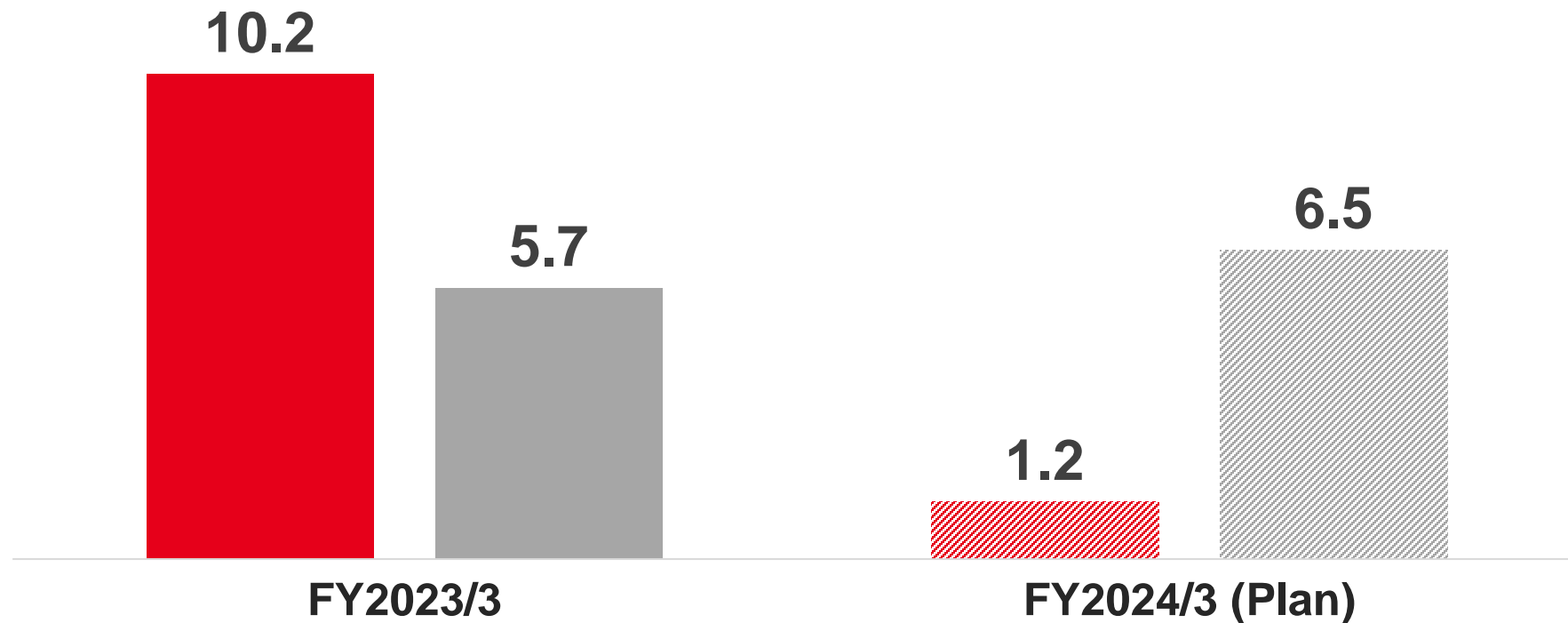


# Forecasts of Capital Investment / Depreciation

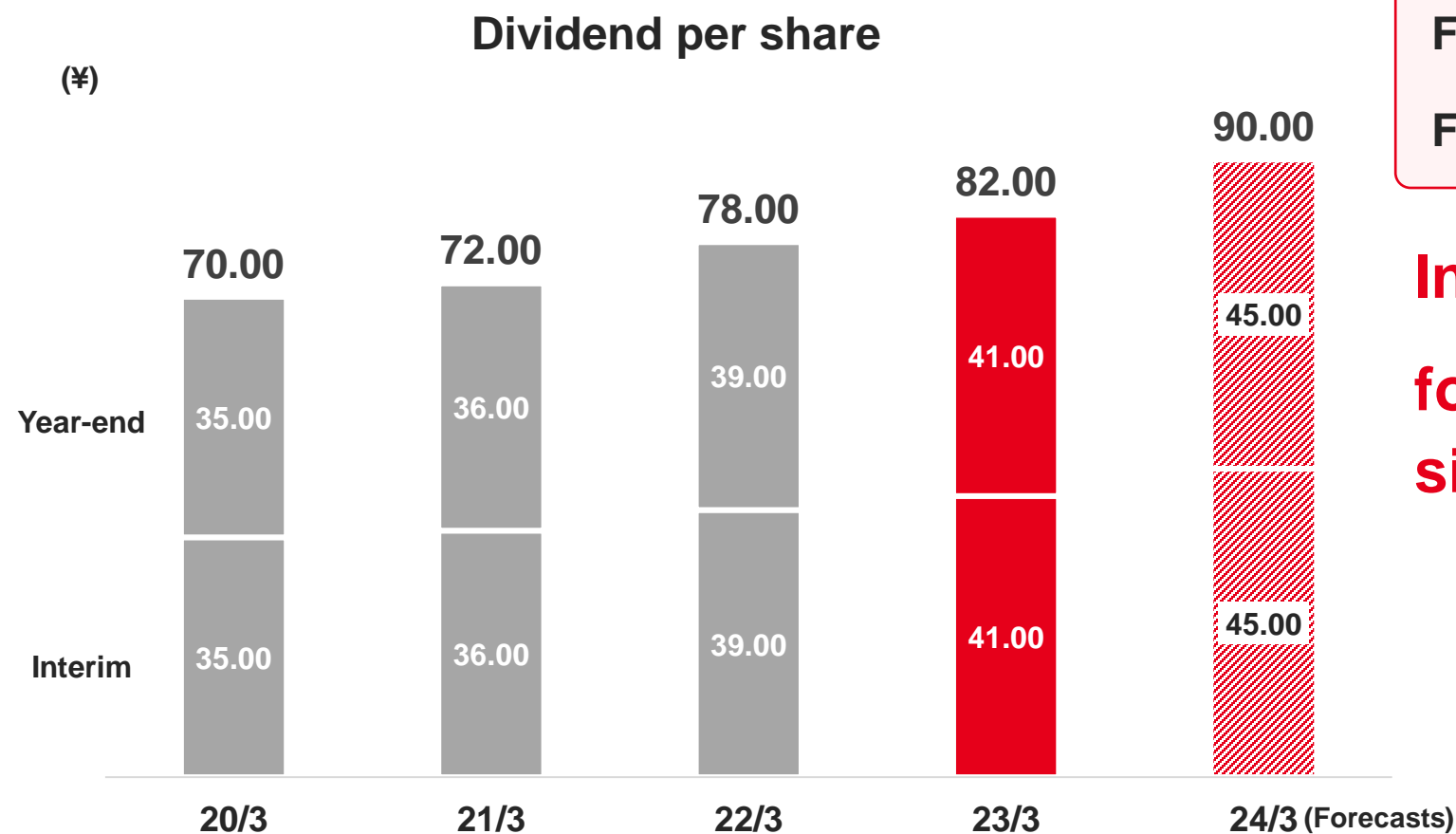
Capital investment in FY2024/3 is expected to small amount, but investments in human capital (SG&A expenses) and other growth investments will continue

(¥ : billion)

■ Capital investment    ■ Depreciation (Cost of sales, SG&A)



## Increasing dividends to improving shareholder returns



FY2023/3 ¥4 dividend increased  
 FY2024/3 ¥8 dividend increased (Plan)

Increased in dividend  
 for **14th consecutive years**  
 since listing (Including expected)

Total return ratio of the Medium-term  
 Management Plan (3years)

: **32.5%**



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# Appendix

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# Sales Composition by Product Category (Quarterly)

¥ billion	1Q		2Q		3Q		4Q	
	FY2023/3	Amount (YoY)	FY2023/3	Amount (YoY)	FY2023/3	Amount (YoY)	FY2023/3	Amount (YoY)
Net Sales	276.2	+6.5 [+2.4%]	278.6	+16.7 [+6.4%]	293.2	+22.7 [+8.4%]	255.9	+12.3 [+5.1%]
Cosmetics	62.6	+2.1 [+3.5%]	62.8	+5.3 [+9.3%]	65.4	+4.8 [+8.0%]	60.9	+6.2 [+11.4%]
Daily necessities	127.8	-0.0 [-0.1%]	123.0	+1.8 [+1.5%]	129.8	+3.7 [+3.0%]	110.3	-1.6 [-1.5%]
OTC pharmaceuticals	32.4	+1.4 [+4.5%]	35.4	+3.0 [+9.5%]	39.1	+8.4 [+27.4%]	33.4	+4.7 [+16.6%]
Health and sanitary related products	49.6	+3.0 [+6.7%]	53.7	+6.6 [+14.0%]	54.0	+5.8 [+12.1%]	47.9	+2.9 [+6.5%]
Others	3.5	-0.0 [-0.3%]	3.5	-0.0 [-0.5%]	4.8	-0.0 [-0.8%]	3.3	+0.1 [+3.7%]

# Sales Composition by Customer Category (Quarterly)

¥ billion	1Q		2Q		3Q		4Q	
	FY2023/3	Amount (YoY)	FY2023/3	Amount (YoY)	FY2023/3	Amount (YoY)	FY2023/3	Amount (YoY)
Net Sales	276.2	+6.5 [+2.4%]	278.6	+16.7 [+6.4%]	293.2	+22.7 [+8.4%]	255.9	+12.3 [+5.1%]
Drug	175.7	+4.4 [+2.6%]	175.1	+8.7 [+5.2%]	184.5	+14.3 [+8.4%]	162.5	+7.8 [+5.1%]
HC	25.5	-0.5 [-2.1%]	23.2	-0.6 [-2.7%]	23.6	-0.0 [-0.1%]	20.7	-0.7 [-3.6%]
Discount stores	20.8	+1.7 [+9.1%]	20.4	+1.2 [+6.3%]	22.0	+2.3 [+11.8%]	20.5	+1.2 [+6.7%]
CVS	17.8	-0.5 [-2.8%]	22.2	+3.6 [+19.6%]	23.2	+3.2 [+16.5%]	18.0	+2.7 [+17.6%]
SM	13.3	+0.2 [+1.9%]	13.3	+0.2 [+2.1%]	13.8	+0.5 [+3.8%]	11.7	-0.7 [-5.9%]
GMS	9.4	+0.7 [+8.4%]	9.4	+1.2 [+14.6%]	10.2	+0.9 [+10.3%]	8.7	+0.5 [+6.4%]
Others	13.3	+0.4 [+3.3%]	14.6	+2.3 [+19.2%]	15.8	+1.3 [+9.5%]	13.6	+1.4 [+12.1%]

# FY2024/3 Forecasts 1st Half / 2nd Half



¥ billion (ratio of net sales: %)	1st Half				2nd Half			
	FY2023/3 Results	FY2024/3 Plan	Amount (YoY)	Rate (YoY)	FY2023/3 Results	FY2024/3 Plan	Amount (YoY)	Rate (YoY)
Net Sales	554.8	577.0	+22.1	+4.0%	549.2	565.0	+15.7	+2.9%
Gross Profit	41.0	43.1	+2.0	+5.0%	41.3	43.4	+2.0	+4.9%
	(7.39)	(7.47)	(+0.08)		(7.53)	(7.68)	(+0.15)	
SG&A Expenses	29.0	30.2	+1.1	+3.9%	28.8	29.8	+0.9	+3.3%
	(5.24)	(5.23)	(-0.01)		(5.25)	(5.27)	(+0.02)	
Operating Profit	11.9	12.9	+0.9	+7.9%	12.5	13.6	+1.0	+8.7%
	(2.16)	(2.24)	(+0.08)		(2.28)	(2.41)	(+0.13)	
Ordinary Profit	13.4	14.4	+0.9	+6.9%	13.9	15.1	+1.1	+8.1%
	(2.43)	(2.50)	(+0.07)		(2.54)	(2.67)	(+0.13)	
Profit	9.2	9.9	+0.6	+6.5%	9.9	10.4	+0.4	+4.4%
	(1.67)	(1.72)	(+0.05)		(1.81)	(1.84)	(+0.03)	

## **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.**