
Financial Results 1Q FY2024/3



July 31, 2023

Financial Results 1Q FY2024/3

Net sales and profits increased due to the measures on sales expansion and efforts to improve SG&A expenses

¥ billion (ratio of net sales: %)	1Q FY2023/3	1Q FY2024/3	Amount(YoY)	Rate(YoY)
Net Sales	276.2	293.5	+17.2	+6.3%
Gross Profit	20.7	21.7	+0.9	+4.3%
	(7.53)	(7.39)	(-0.14)	
SG&A Expenses	14.2	14.7	+0.4	+3.1%
	(5.17)	(5.02)	(-0.15)	
Operating Profit	6.5	6.9	+0.4	+7.0%
	(2.36)	(2.38)	(+0.02)	
Ordinary Profit	7.3	7.8	+0.5	+6.9%
	(2.66)	(2.67)	(+0.01)	
Profit	5.0	5.5	+0.4	+9.2%
	(1.83)	(1.88)	(+0.05)	

Consumer spending is recovering as accelerating the movement toward post COVID-19 Era

Keeping an eye on changes in consumer sentiment due to price hikes

- ✓ **Strong demand for make-up, quasi drug energy drinks, sunscreens, health drinks, and other products related to outings due to increased people's outings thanks to the post COVID-19 Era**
- ✓ **Demand for infection-related to products such as masks and disinfectants declined due to the reclassification of COVID-19 status to Class 5 infection**
- ✓ **Continuing the budget-minded consumer spending, on the other hand, sales of high value-added products were strong
Consumption is becoming polarized(into low-priced products and high value-added products)**
- ✓ **Gradual increase in demand for products related to inbound tourists
(cosmetics and OTC pharmaceuticals)**

Analysis of Profit and Loss YoY (1Q Apr. - Jun.)



Net Sales

¥ 293.5 bn

YoY change

+ ¥ 17.2 bn

Rate

+ 6.3 %

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, strong demand for products related to outings due to the increase in people's outings (make-up, quasi drug energy drink, etc.)
- Sales of Insecticides struggled due to unseasonable weather, on the other hand, seasonal cosmetics and health drinks performed well against backdrop of driving by increase in people's outings
- Gradual increase in demand for products related to inbound tourists (cosmetics and OTC pharmaceuticals)

Gross Profit

¥ 21.7 bn $\left[\begin{array}{c} \text{GPM} \\ 7.39 \% \end{array} \right]$

YoY change

+ ¥ 0.9 bn (GPM : - 0.14 %)

Despite the impact of soaring raw material prices and changes in the product sales mix, gross profit increased due to sales expansion

- Impact of declining demand for masks and other products with relatively high gross profit margin
- Decrease in sales promotion expenses of manufacturers due to soaring raw material prices
- Increase in center fee (increased sales for customers that required to pay that. soaring fuel costs, etc.)

Analysis of Profit and Loss YoY (1Q Apr. - Jun.)



SG&A Expenses

¥ 14.7 bn $\left[\begin{array}{c} \text{SG\&A ratio} \\ \mathbf{5.02\%} \end{array} \right]$

YoY change

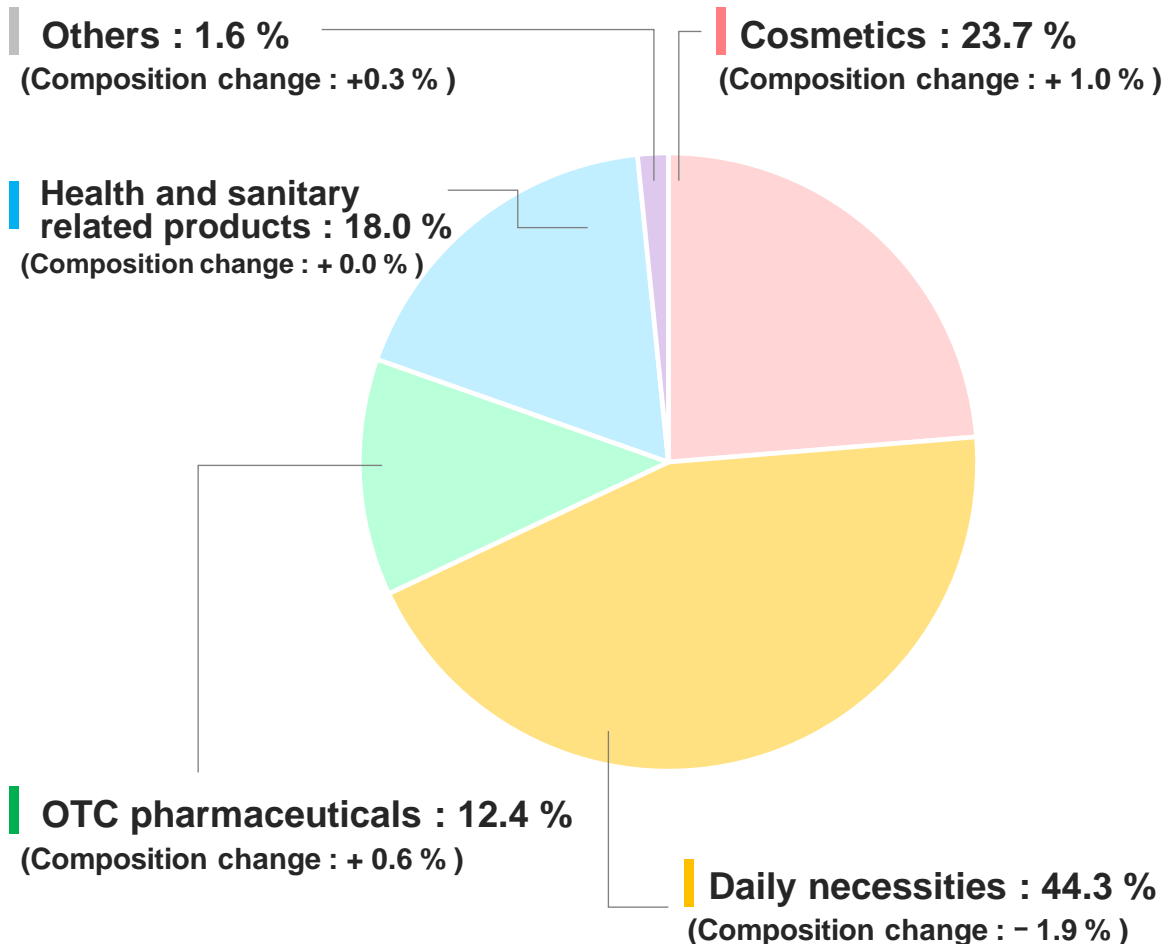
+ ¥ 0.4 bn (SG&A ratio : **- 0.15 %**)

SG&A expenses 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 expenses while controlling the rise in variable expenses

- **Increase in personnel expenses** **+ ¥ 0.18** bn (**- 0.08 %**)
 - ⇒ Investment in human capital for mid-to long-term growth (securing human capital, raising wages, etc.)
 - ⇒ Restrained the rise in the SG&A expenses ratio, due to efforts to improve overall activities in the warehouse even though operation efficiency declined by a decrease in shipments per unit (shipping amount) and an increase in the hiring of new part-time employees
- **Promoted delivery efficiency improvements** **- ¥ 0.05** bn (**- 0.08 %**)
(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
- **Increase in electricity expenses due to soaring the fuel cost** **+ ¥ 0.03** bn (**+ 0.01 %**)

Sales Composition by Product Category (YoY Apr. - Jun.)

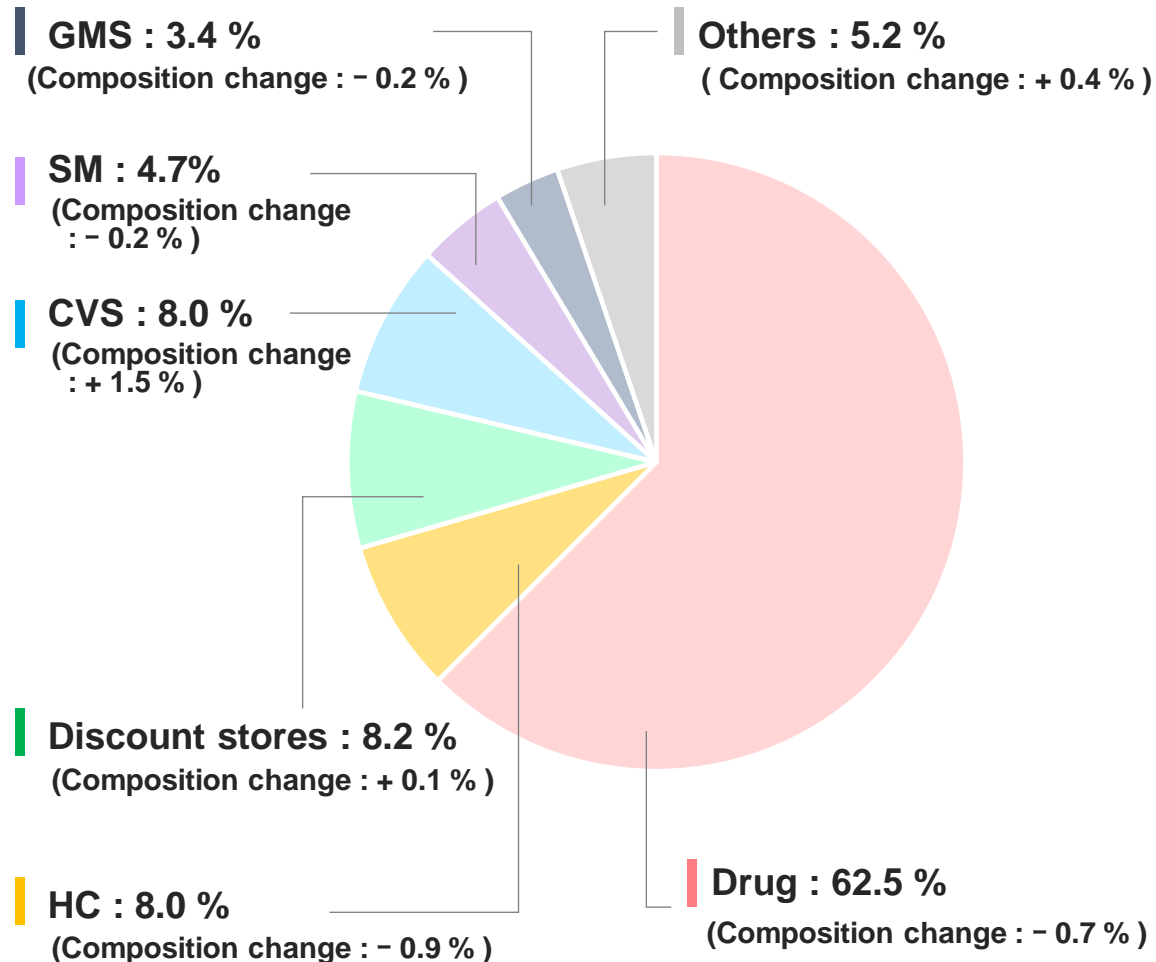
Sales Composition



¥ billion (ratio of net sales : %)	1Q FY2023/3	1Q FY2024/3	YoY	
			Amount	Rate
Net Sales	276.2	293.5	+17.2	+6.3%
Cosmetics	62.6	69.4	+6.7	+10.7%
Daily necessities	127.8	130.1	+2.3	+1.8%
OTC pharmaceuticals	32.4	36.4	+3.9	+12.2%
Health and sanitary related products	49.6	52.8	+3.2	+6.6%
Others	3.5	4.5	+1.0	+28.0%

Sales Composition by Customer Category (YoY Apr. - Jun.)

Sales Composition



	¥ billion (ratio of net sales : %)	1Q FY2023/3	1Q FY2024/3	YoY	
				Amount	Rate
Net Sales		276.2	293.5	+17.2	+6.3%
Drug		174.3	183.6	+9.2	+5.3%
HC		24.7	23.3	-1.3	-5.4%
Discount stores		22.3	24.1	+1.7	+8.1%
CVS		17.8	23.3	+5.5	+30.8%
SM		13.6	13.6	+0.0	+0.6%
GMS		9.9	9.8	-0.0	-0.5%
Others		13.3	15.3	+1.9	+14.8%

Strengthening overseas business with a view to new growth Decided to expand into Indonesia

Policy for strengthening new growth

Aiming to expand the scale of business, moving for localization from trade based on Japan

- Localization will enhance our ability to solve business issues faced by Japanese customers entering overseas markets and contribute to the expansion of distribution of high-quality Japanese products in cooperation with our customers (Management of license/Securing of sales channels/Enhancement of marketing)
- Aiming to expand the business in a phased manner through steadily accumulating the experience and know-how as a wholesaler overseas markets

Phase 1 : In September 2022

Established a local subsidiary in Vietnam



Horizontal expansion

Steady progress in “obtaining permits and approvals”

⇒ Increased distribution of products of manufacturers transacting business with us

The number of manufacturers that had started trading, increased beyond our initial assumption

Phase 2 : In February 2024

Establishment of a local subsidiary in Indonesia



Taking on a challenge for developing the Indonesia’s market, with similar issues and opportunities through leveraging the experience and know-how gained in Vietnam

⇒ Aiming to expand the distribution of Japanese products

《Our awareness of Indonesia’s market environments》

- A market with growth potential due to a growing population and demographic composition with large portion of youth
- Compared to Vietnam’s markets, many manufacturers have not yet entered Indonesia’s market due to the significant issues in entering the market

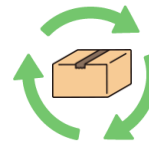
Received the “Excellence Award” of the Supply Chain Innovation Awards 2023



Issued Integrated Report “WHAT’S PALTAC 2023”

Improving contents and enhancing information disclosure based on dialogue with shareholders and investors

Established a sustainable resource-recycling cycle that recycles cardboard waste efficiently



- ✓ **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
- ✓ **Expansion of the handling of cardboard wastes**
 - Donating a portion of income to the “Green Fund”
 - / Promoting greening and environmental preservation

Major updates (additional contents)

WHAT’S PALTAC



統合報告書2023
株式会社PALTAC

- ✓ Progress of initiatives based on the medium-term management plan
- ✓ New initiatives for sustainable growth
- ✓ Enhancement of sustainability information

※ English version will be published at the end of September

Supplementary material

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)
Net Sales	1,104.1	1,142.0	+37.8	+3.4%
Gross Profit	82.3	86.5	+4.1	+5.0%
	(7.46)	(7.57)	(+0.11)	
SG&A Expenses	57.9	60.0	+2.0	+3.6%
	(5.25)	(5.25)	(+0.00)	
Operating Profit	24.4	26.5	+2.0	+8.3%
	(2.22)	(2.32)	(+0.10)	
Ordinary Profit	27.4	29.5	+2.0	+7.5%
	(2.49)	(2.58)	(+0.10)	
Profit	19.2	20.3	+1.0	+5.4%
	(1.74)	(1.78)	(+0.03)	
Earnings per share (¥)	306.33	323.01	+16.68	+5.4%

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.