

Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2024 <under Japanese GAAP>

July 31, 2023

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(URL: <https://www.paltac.co.jp/>)
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Scheduled date to submit the Quarterly Securities Report: August 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 Three Months of the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Three months ended								
June 30, 2023	293,519	6.3	6,972	7.0	7,840	6.9	5,525	9.2
June 30, 2022	276,247	2.4	6,514	(7.0)	7,335	(5.4)	5,060	(7.0)

	Earnings per share	Diluted earnings per share
Three months ended	(¥)	(¥)
June 30, 2023	87.92	–
June 30, 2022	80.53	–

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
June 30, 2023	478,157	263,923	55.2	4,199.48
March 31, 2023	476,936	259,700	54.5	4,132.28

Reference: Equity As of June 30, 2023: ¥263,923 million As of March 31, 2023: ¥259,700 million

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2023	–	41.00	–	41.00	82.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		45.00	–	45.00	90.00

Note: Revision to the forecasts most recently announced: No

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2024

(From April 1, 2023 to March 31, 2024)

(% increase figures indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
First six months	577,000	4.0	12,900	7.9	14,400	6.9	9,900	6.5	157.53
Fiscal year	1,142,000	3.4	26,500	8.3	29,500	7.5	20,300	5.4	323.01

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 June 30, 2023	63,553,485 shares
As of March 31, 2023	63,553,485 shares

2) Number of treasury shares at the end of the period

As of June 30, 2023	706,748 shares
As of March 31, 2023	706,698 shares

3) Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

For the three months ended June 30, 2023	62,846,766 shares
For the three months ended June 30, 2022	62,846,936 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 Three Months Ended June 30, 2023 (3) Forecasts and Other Projections” on page 4 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 (<https://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 Three Months Ended June 30, 2023

(1) Operating Results

Results highlights

In the three months ended June 30, 2023, despite the continuing impact from rising raw material prices and energy prices, business condition slightly improved due to acceleration of the trend in breaking away from COVID-19.

In terms of sales results, reflecting the reclassification of COVID-19's category to Class 5 infection, the demand for sanitary related products such as face masks and disinfectant moderately decreased, but on the other hand, accurately grasping market environments including increase of demand for makeup products and pharmaceuticals thanks to increased foot traffic such as leisure and going for work and recovery of inbound demand, PALTAC CORPORATION (the "Company") achieved net sales in the first quarter under review well above the same period of the prior fiscal year.

In terms of profits, although the gross profit margin declined as industrywide profits decrease on the back of rising prices and SG&A expenses increased due to active investment in human resources and soaring electricity expenses, operating profit exceeded that of the same period of the previous fiscal year due to a decline in SG&A expenses rate with effects such as expenses absorption from higher sales and review of logistics base.

Results highlights for the three months ended June 30, 2023 are as follows:

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	
			Amount	Rate (%)
Net sales	276,247	293,519	17,272	6.3
Gross profit	20,799	21,702	903	4.3
[Gross profit margin (%)]	[7.53]	[7.39]	[-0.14]	
SG&A expenses	14,285	14,730	444	3.1
[SG&A expenses ratio (%)]	[5.17]	[5.02]	[-0.15]	
Operating profit	6,514	6,972	458	7.0
[Operating profit ratio (%)]	[2.36]	[2.38]	[0.02]	
Ordinary profit	7,335	7,840	504	6.9
[Ordinary profit ratio (%)]	[2.66]	[2.67]	[0.01]	
Profit	5,060	5,525	464	9.2
[Profit margin (%)]	[1.83]	[1.88]	[0.05]	

Sales highlights

Sales results for the three months ended June 30, 2023 by product category are as follows:

(Millions of yen)

Product category	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	
			Amount	Rate (%)
Cosmetics	62,696	69,435	6,739	10.7
Daily necessities	127,870	130,180	2,309	1.8
OTC pharmaceuticals	32,484	36,451	3,967	12.2
Health and sanitary related products	49,606	52,857	3,251	6.6
Others	3,590	4,594	1,004	28.0
Total	276,247	293,519	17,272	6.3

Sales results for the three months ended June 30, 2023 by customer category are as follows:

(Millions of yen)

Customer category	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	
			Amount	Rate (%)
Drugstores (Pharmacies)	174,399	183,687	9,287	5.3
Home centers (DIY stores)	24,720	23,391	-1,328	-5.4
Discount stores	22,313	24,113	1,799	8.1
Convenience stores	17,887	23,391	5,503	30.8
Supermarkets	13,604	13,689	85	0.6
General merchandising stores	9,937	9,886	-51	-0.5
Export, EC business and others	13,383	15,360	1,976	14.8
Total	276,247	293,519	17,272	6.3

(Note) From the first quarter of the fiscal year under review, the Company has changed some of composition in customer category and has reclassified the figures for the same period of the previous fiscal year into the classification after this change.

As the Company has one reportable segment, disclosure by segment information has been omitted.

(2) Financial Position

1) Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023	Change in amount
Total assets	476,936	478,157	1,221
Total liabilities	217,235	214,234	-3,001
Net assets	259,700	263,923	4,222

(Assets)

Total assets as of the end of the first quarter were ¥478,157 million, an increase of ¥1,221 million from the end of the previous fiscal year. This was primarily the result of a decrease in cash and deposits and increases in notes and accounts receivable-trade and in merchandise and finished goods.

(Liabilities)

Total liabilities as of the end of the first quarter were ¥214,234 million, a decrease of ¥3,001 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts payable-trade and in provision for bonuses and a decrease in income taxes payable.

(Net assets)

Net assets as of the end of the first quarter were ¥263,923 million, an increase of ¥4,222 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings.

2) Cash flows

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities	(9,114)	(1,934)
Cash flows from investing activities	(148)	(4,311)
Cash flows from financing activities	(2,485)	(2,600)

(Cash flows from operating activities)

Net cash used in operating activities was ¥1,934 million. Main factors were an increase in notes and accounts receivable-trade and income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥4,311 million. Main factor was purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,600 million. Main factor was cash dividends paid.

Cash and cash equivalents as of the end of the first quarter were ¥37,146 million, a decrease of ¥8,846 million from the end of the previous fiscal year.

(3) Forecasts and Other Projections

There is no revision to the forecasts of financial results for the fiscal year ending March 31, 2024 and dividend forecast, which were announced on May 11, 2023.

2. Quarterly Financial Statements and Notes to Quarterly Financial Statements

(1) Quarterly Balance Sheets

	(Millions of yen)	
	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	45,993	37,146
Notes and accounts receivable-trade	207,081	218,509
Merchandise and finished goods	51,273	53,427
Other	23,447	19,670
Allowance for doubtful accounts	(7)	(8)
Total current assets	327,788	328,745
Non-current assets		
Property, plant and equipment		
Buildings, net	47,946	47,279
Land	47,446	47,446
Other	27,619	26,863
Total property, plant and equipment	123,013	121,589
Intangible assets	821	788
Investments and other assets		
Investments and other assets	25,317	27,038
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	25,312	27,033
Total non-current assets	149,147	149,412
Total assets	476,936	478,157
Liabilities		
Current liabilities		
Notes and accounts payable-trade	170,723	174,555
Income taxes payable	4,582	2,532
Provision for bonuses	1,514	2,309
Other	30,696	24,622
Total current liabilities	207,517	204,019
Non-current liabilities		
Provision for retirement benefits	2,870	2,892
Other	6,847	7,321
Total non-current liabilities	9,718	10,214
Total liabilities	217,235	214,234

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	208,501	211,450
Treasury shares	(3,490)	(3,490)
Total shareholders' equity	248,707	251,656
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,985	12,259
Deferred gains or losses on hedges	6	7
Total valuation and translation adjustments	10,992	12,267
Total net assets	259,700	263,923
Total liabilities and net assets	476,936	478,157

(2) Quarterly Statements of Income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	276,247	293,519
Cost of sales	255,447	271,816
Gross profit	20,799	21,702
Selling, general and administrative expenses	14,285	14,730
Operating profit	6,514	6,972
Non-operating income		
Dividend income	132	154
Research fee income	468	486
Real estate rent	38	39
Other	194	199
Total non-operating income	833	880
Non-operating expenses		
Interest expenses	1	1
Rent cost of real estate	8	8
Other	2	3
Total non-operating expenses	11	13
Ordinary profit	7,335	7,840
Extraordinary income		
Gain on sales of investment securities	–	140
Total extraordinary income	–	140
Extraordinary losses		
Loss on retirement of non-current assets	1	0
Loss on disaster	20	–
Total extraordinary losses	22	0
Profit before income taxes	7,313	7,980
Income taxes-current	2,148	2,313
Income taxes-deferred	104	141
Total income taxes	2,252	2,454
Profit	5,060	5,525

(3) Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	7,313	7,980
Depreciation and amortization	1,327	1,638
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in provision for bonuses	811	794
Increase (decrease) in provision for loss on disaster	(210)	–
Increase (decrease) in provision for retirement benefits	37	11
Interest and dividend income	(132)	(154)
Interest expenses	1	1
Loss (gain) on sales of investment securities	–	(140)
Loss on disaster	20	–
Decrease (increase) in notes and accounts receivable-trade	(11,744)	(11,427)
Decrease (increase) in inventories	832	(2,154)
Increase (decrease) in notes and accounts payable-trade	(3,328)	3,832
Decrease (increase) in consumption taxes refund receivable	–	1,484
Increase (decrease) in accrued consumption taxes	1,297	1,294
Other, net	(983)	(1,069)
Subtotal	(4,757)	2,092
Interest and dividend income received	132	154
Interest expenses paid	(0)	–
Payments for loss on disaster	(371)	–
Income taxes paid	(4,117)	(4,181)
Net cash provided by (used in) operating activities	(9,114)	(1,934)
Cash flows from investing activities		
Purchase of property, plant and equipment	(44)	(4,516)
Purchase of intangible assets	(89)	(26)
Purchase of investment securities	(27)	(27)
Proceeds from sales of investment securities	–	260
Other, net	12	0
Net cash provided by (used in) investing activities	(148)	(4,311)
Cash flows from financing activities		
Repayments of lease obligations	(38)	(27)
Cash dividends paid	(2,446)	(2,571)
Purchase of treasury shares	–	(0)
Net cash provided by (used in) financing activities	(2,485)	(2,600)
Net increase (decrease) in cash and cash equivalents	(11,747)	(8,846)
Cash and cash equivalents at beginning of period	40,670	45,993
Cash and cash equivalents at end of period	28,922	37,146

(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