
Financial Results 2Q FY2024/3



October 30 , 2023

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Both sales and profits exceeded the plan

¥ billion (Ratio of net sales : %)	2Q FY2024/3 Plan	2Q FY2024/3 Results	Difference	Difference rate	Main factors
Net Sales	577.0	583.4	+6.4	+1.1%	<ul style="list-style-type: none"> • Sales of cosmetics and OTC pharmaceuticals expanded due to increased outings • Strong demand for summer-seasonal products • Expansion of consumption due to increase of tourists to Japan
Gross Profit	43.1	43.3	+0.2	+0.5%	<ul style="list-style-type: none"> • Gross profit increased due to sales expansion
	(7.47)	(7.43)	(-0.04)		<ul style="list-style-type: none"> • Gross profit margin fell short of the plan due to factors such as an increased in center fees
SG&A Expenses	30.2	29.5	-0.6	-2.1%	<ul style="list-style-type: none"> • Absorption of fixed expenses due to sales expansion
	(5.23)	(5.07)	(-0.16)		<ul style="list-style-type: none"> • Improved productivity • Lower-than-expected electricity and other expenses
Operating Profit	12.9	13.7	+0.8	+6.7%	
	(2.24)	(2.36)	(+0.12)		
Ordinary Profit	14.4	15.6	+1.2	+8.4%	<ul style="list-style-type: none"> • Each profit exceeded the plan due to the above factors
	(2.50)	(2.68)	(+0.18)		
Profit	9.9	10.8	+0.9	+10.0%	
	(1.72)	(1.87)	(+0.15)		

Both sales and profits exceeded those of the previous fiscal year
Profits benefited also from the reaction to one-time expenses, which were recorded in the previous fiscal year, associated with the newly established distribution center

¥ billion (Ratio of net sales : %)	2Q FY2023/3 Results	2Q FY2024/3 Results	Amount (YoY)	Rate(YoY)
Net Sales	554.8	583.4	+28.5	+5.1%
Gross profit	41.0	43.3	+2.2	+5.6%
	(7.39)	(7.43)	(+0.04)	
SG&A Expenses	29.0	29.5	+0.4	+1.7%
	(5.24)	(5.07)	(-0.17)	
Operating Profit	11.9	13.7	+1.8	+15.1%
	(2.16)	(2.36)	(+0.20)	
Ordinary Profit	13.4	15.6	+2.1	+15.9%
	(2.43)	(2.68)	(+0.25)	
Profit	9.2	10.8	+1.5	+17.2%
	(1.67)	(1.87)	(+0.20)	

Although the gross profit margin decreased, operating profit exceeded that of the previous fiscal year due to an increase in gross profit from sales expansion and the improvement of the SG&A expenses ratio

¥ billion (Ratio of net sales : %)	2Q FY2023/3 Results	2Q FY2024/3 Results	Amount (YoY)	Rate(YoY)
Net Sales	554.8	583.4	+28.5	+5.1%
Gross Profit	41.5	43.3	+1.7	+4.3%
	(7.49)	(7.43)	(-0.06)	
SG&A Expenses	28.8	29.5	+0.7	+2.5%
	(5.20)	(5.07)	(-0.13)	
Operating Profit	12.7	13.7	+1.0	+8.3%
	(2.29)	(2.36)	(+0.07)	

(The impact of the newly established Tochigi distribution center in the previous fiscal year YoY (Apr. - Sep.) Gross Profit : + ¥ 0.5 bn / SG&A Expenses : - ¥ 0.2 bn / Operating Profit : + ¥ 0.7 bn)

Analysis of Profit and Loss (YoY Apr. - Sep.)



Net Sales

¥ 583.4 bn

YoY change

+ ¥ 28.5 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, strong demand for products related to outings due to the increase in people's outings (make-up, quasi drug energy drink, etc.)
- Expanded demand for seasonal cosmetics and health drinks due to increased people's outing as well as intense heat
- Expanded demand for products related to inbound spending due to an increase of tourists to Japan
- Increase in product handling volume due to operation of Tochigi distribution center

Gross Profit

¥ 43.3 bn

^{GPM}
7.43 %

YoY change

+ ¥ 2.2 bn

(GPM : + 0.04 %)

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
- Increase in center fee (increased sales for customers that required to pay that, soaring fuel costs, etc.)
- Impact of one-time expenses associated with the establishment of Tochigi distribution center recorded in the previous fiscal year (+ ¥ 0.5 bn)
- Increase in acquired rebates due to sales expansion

SG&A Expenses

¥ 29.5 bn

SG&A ratio
5.07 %

YoY change

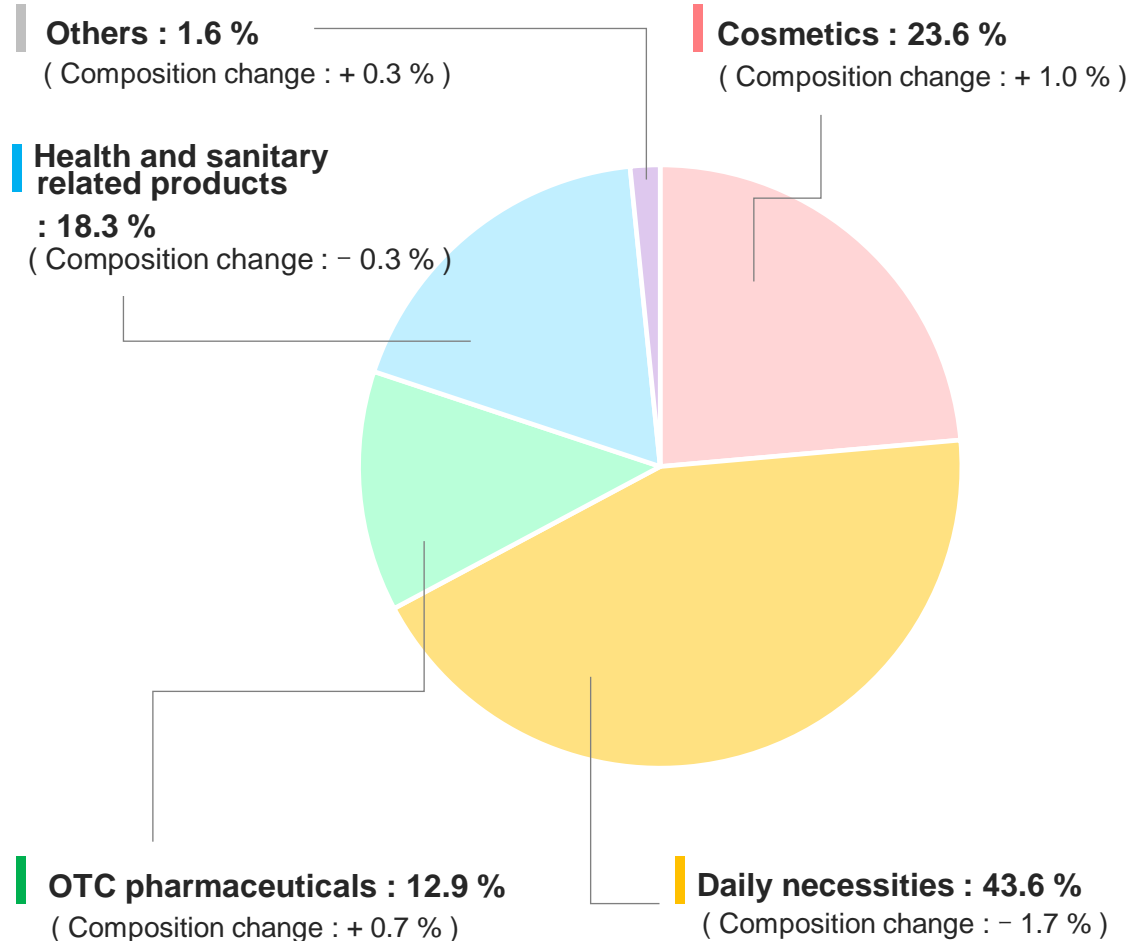
+ ¥ 0.4 bn (SG&A ratio : - 0.17 %)

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** **+ ¥ 0.5 bn (- 0.03 %)**
 - ⇒ 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 by an increase in the unit price of part-time employees
- **Promoted delivery efficiency improvements (priority issues in the medium-term management plan)** **- ¥ 0.1 bn (- 0.09 %)**
 - ⇒ 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 one-time expenses related to the launch of Tochigi distribution center recorded in the previous fiscal year** **- ¥ 0.2 bn (- 0.04 %)**

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

Sales Composition

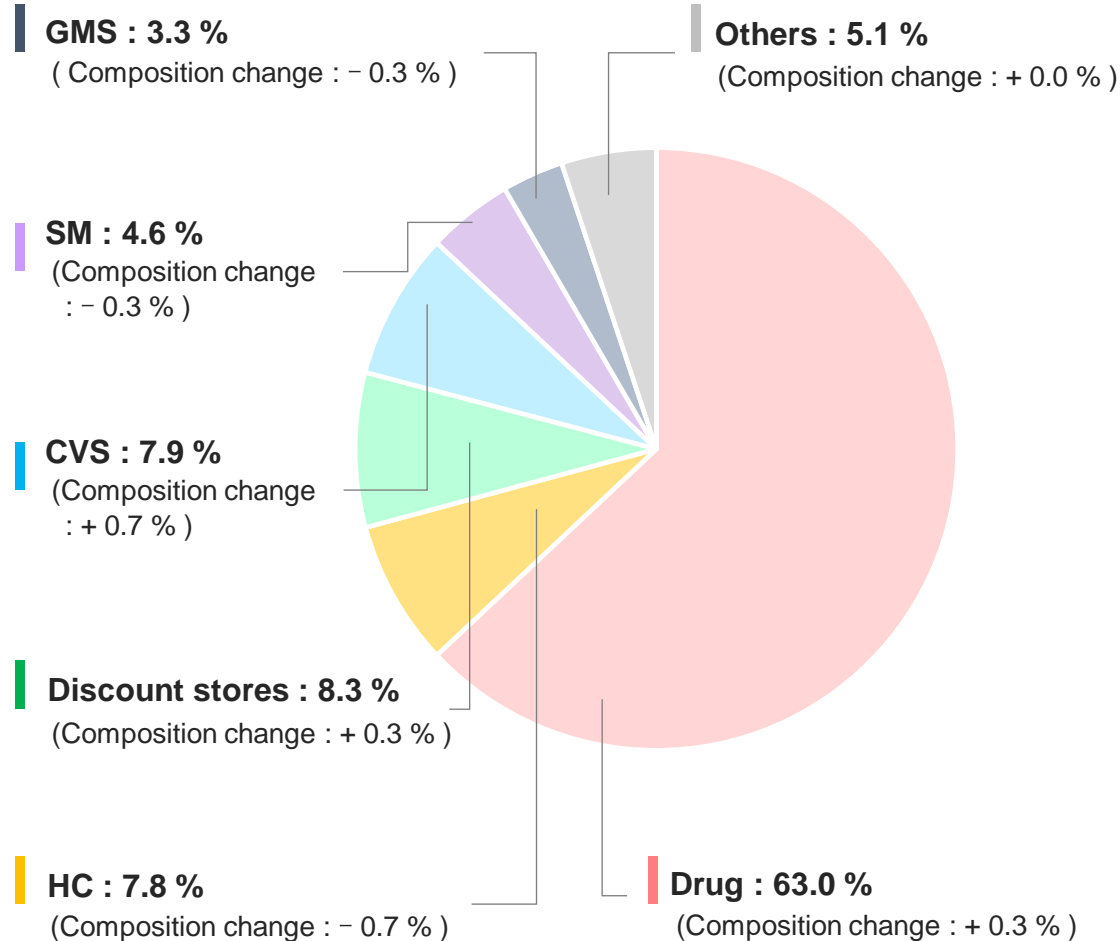


¥ billion	2Q FY2023/3	2Q FY2024/3	YoY	
			Amount	Rate
Net Sales	554.8	583.4	+28.5	+5.1%
Cosmetics	125.5	137.9	+12.3	+9.9%
Daily necessities	250.8	253.9	+3.0	+1.2%
OTC pharmaceuticals	67.8	75.1	+7.2	+10.7%
Health and sanitary related products	103.3	107.0	+3.6	+3.5%
Others	7.1	9.2	+2.0	+29.2%

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



Sales Composition



¥ billion	2Q FY2023/3	2Q FY2024/3	YoY	
			Amount	Rate
Net Sales	554.8	583.4	+28.5	+5.1%
Drug	348.2	366.8	+18.5	+5.3%
HC	47.1	45.3	-1.7	-3.8%
Discount stores	44.2	48.4	+4.1	+9.4%
CVS	40.1	46.1	+5.9	+14.8%
SM	27.0	27.0	+0.0	+0.1%
GMS	19.9	19.5	-0.4	-2.0%
Others	28.0	30.0	+2.0	+7.2%

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



¥ billion	2Q FY2023/3	2Q FY2024/3	YoY
Non-operating income	1.53	1.87	+0.33
Dividend income	0.20	0.25	+0.04
Research fee income *	0.93	0.94	+0.01
Others	0.39	0.66	+0.26
Non-operating Expenses	0.02	0.02	+0.00
Interest expense	0.00	0.00	-0.00
Real estate leasing expenses	0.01	0.01	+0.00
Others	0.00	0.00	+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. - Sep.)

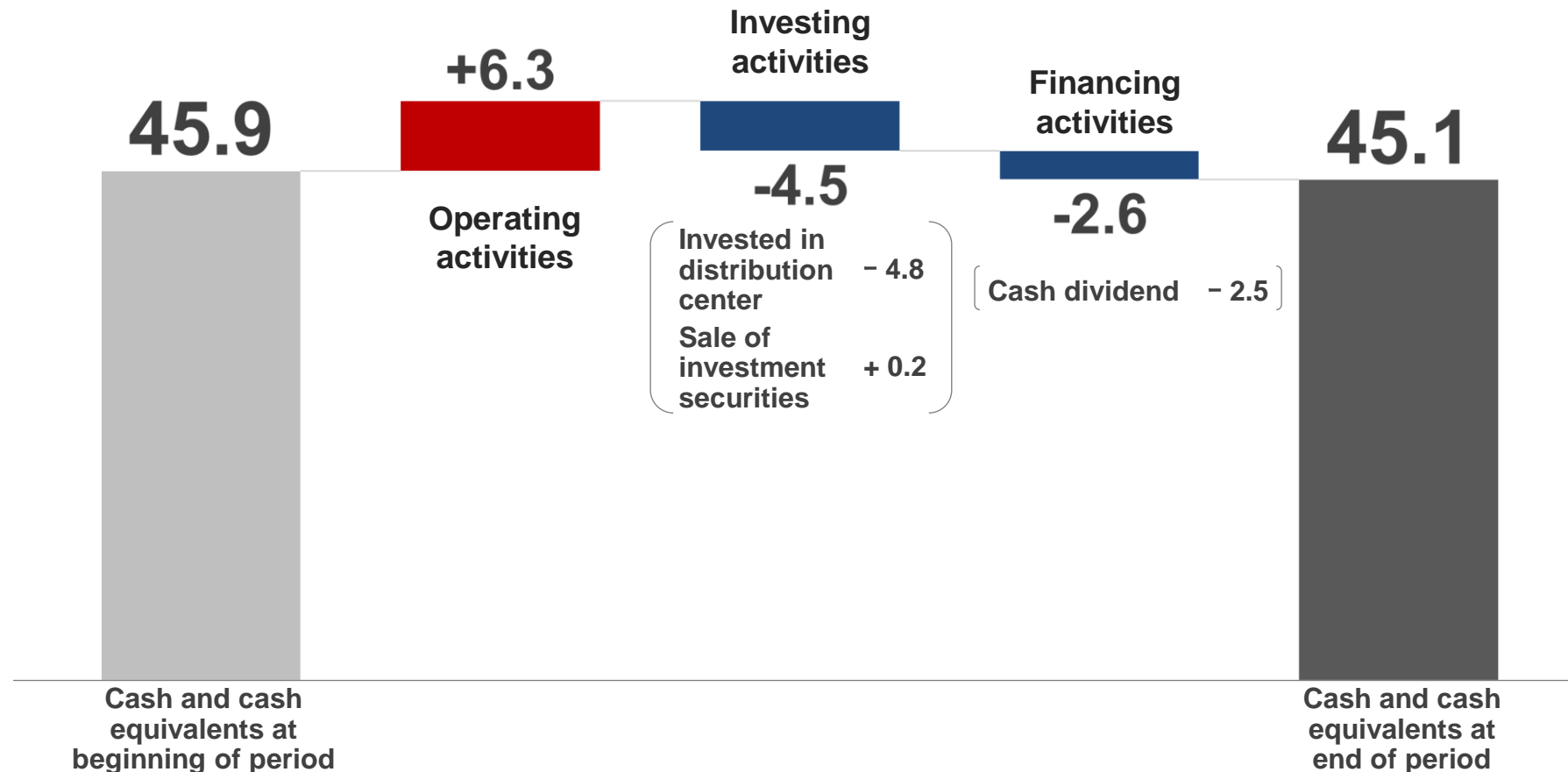
¥ billion	2Q FY2023/3	2Q FY2024/3	YoY
Extraordinary income	—	0.14	+0.14
Gain on sale of investment securities	—	0.14	+0.14
Extraordinary losses	0.02	0.00	-0.01
Loss on disaster *	0.02	—	-0.02
Loss on retirement of noncurrent assets	0.00	0.00	+0.00

* Expenses related to the Fukushima Prefecture Offshore Earthquake that occurred in March 2022

Cash Flow Status (YoY Apr. - Sep.)

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

(¥ billion)



Status in the 2Q (Jul. – Sep.)

Both sales and profits exceeded those of the previous fiscal year

Improvement of SG&A expenses ratio and reaction to the one-time expenses which were recorded in the previous fiscal year, associated with newly established Tochigi distribution center

¥ billion (Ratio of net sales : %)	1Q			2Q		
	2023/3	2024/3	YoY	2023/3	2024/3	YoY
Net Sales	276.2	293.5	+17.2 [+6.3%]	278.6	289.9	+11.2 [+4.0%]
Gross Profit	20.7 (7.53)	21.7 (7.39)	+0.9 (-0.14)	20.2 (7.26)	21.6 (7.46)	+1.3 (+0.20)
SG&A Expenses	14.2 (5.17)	14.7 (5.02)	+0.4 (-0.15)	14.7 (5.31)	14.8 (5.12)	+0.0 (-0.19)
Operating Profit	6.5 (2.36)	6.9 (2.38)	+0.4 (+0.02)	5.4 (1.95)	6.7 (2.34)	+1.3 (+0.39)
Ordinary Profit	7.3 (2.66)	7.8 (2.67)	+0.5 (+0.01)	6.1 (2.20)	7.7 (2.68)	+1.6 (+0.48)
Profit	5.0 (1.83)	5.5 (1.88)	+0.4 (+0.05)	4.2 (1.52)	5.3 (1.85)	+1.1 (+0.33)

Operating profit exceeded that of the previous fiscal year due to the improvement of gross profit margin and SG&A expenses ratio

¥ billion (Ratio of net sales : %)	1Q			2Q		
	2023/3	2024/3	YoY	2023/3	2024/3	YoY
Net Sales	276.2	293.5	+17.2	278.6	289.9	+11.2
			[+6.3%]			[+4.0%]
Gross Profit	20.8	21.7	+0.8	20.7	21.6	+0.9
	(7.55)	(7.39)	(-0.16)	(7.43)	(7.46)	(+0.03)
SG&A Expenses	14.2	14.7	+0.4	14.5	14.8	+0.2
	(5.17)	(5.02)	(-0.15)	(5.23)	(5.12)	(-0.11)
Operating Profit	6.5	6.9	+0.4	6.1	6.7	+0.6
	(2.38)	(2.38)	(+0.00)	(2.20)	(2.34)	(+0.14)

(The impact of the newly established Tochigi distribution center in the previous fiscal year YoY (Apr. - Jun.) Gross Profit : + ¥ 0.05 bn / SG&A Expenses : - ¥ 0.002 bn / Operating Profit : + ¥ 0.05 bn
YoY (Jul. - Sep.) Gross Profit : + ¥ 0.4 bn / SG&A Expenses : - ¥ 0.2 bn / Operating Profit : + ¥ 0.6 bn)

Demand continued to expand as a result of increased people's outings thanks to the post COVID-19 Era

Demand for infection prevention products dropped sharply
Continuing budget-minded consumer spending

- ✓ **Strong demand for products related to outings due to the increase in people's outings (make-up, quasi drug energy drink, etc.)**
- ✓ **A decrease in demand for infection-related to products such as masks and disinfectants is widening**
- ✓ **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)**
- ✓ **Strong demand for summer-seasonal products due to higher temperatures than the previous year (insecticides, deodorant, etc.)**
- ✓ **Gradual increase in demand for products related to inbound tourists (cosmetics and OTC pharmaceuticals)**

Analysis of Profit and Loss (YoY Jul. - Sep.)



Net Sales

¥ 289.9 bn

YoY change

+ ¥ 11.2 bn

Rate

+ 4.0 %

Despite a decrease in demand for infection prevention products is widening, strong demand for products related to outings due to the increase in people's outings as well as the summer-seasonal products

- 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 infection-related to products is widening, but strong demand for products related to outings due to the increase in people's outings (cosmetics, OTC pharmaceuticals)
- Increased demand for summer-seasonal products such as insecticides and deodorant due to an increase in outings and intense heat
- Expansion of demand for products related to inbound tourists
- Increase in product handling volume due to operation of Tochigi distribution center

Gross Profit

¥ 21.6 bn

GPM
7.46 %

YoY change

+ ¥ 1.3 bn (GPM : + 0.20 %)

Although affected by changes in the sales composition of products, the reaction to one-time expenses incurred in the previous fiscal year and the successful improvement in gross profit centered on sales expansion

- Impact of declining demand for masks and other products with relatively high gross profit margin
- Increase in center fee (increased sales for customers that required to pay that, soaring fuel costs, etc.)
- Reaction to the one-time expenses, which were recorded in the previous fiscal year, associated with newly established Tochigi distribution center
- Increase in acquired rebates due to sales expansion

SG&A Expenses

¥ 14.8 bn

SG&A ratio
5.12 %

YoY change

+ ¥ 0.0 bn (SG&A ratio : - 0.19 %)

Although personnel expenses increased due to investment in human capital, the SG&A expenses ratio improved due to sales expansion and efforts to improve activities
Reaction to the one-time expenses, which were recorded in the previous fiscal year, associated with newly established Tochigi distribution center

- **Increase in personnel expenses**

+ ¥ 0.3 bn (+ 0.03 %)

⇒ 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 by an increase in the unit price of part-time employees

- **Promoted delivery efficiency improvements
(priority issues in the medium-term management plan)**

- ¥ 0.1 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

- **Impact of one-time expenses related to the launch of the Tochigi distribution center recorded in the previous fiscal year**

- ¥ 0.2 bn (- 0.08 %)

FY2024/3 Forecasts

No revision most recently announced Trend of consumer mind remains uncertain

¥ 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%

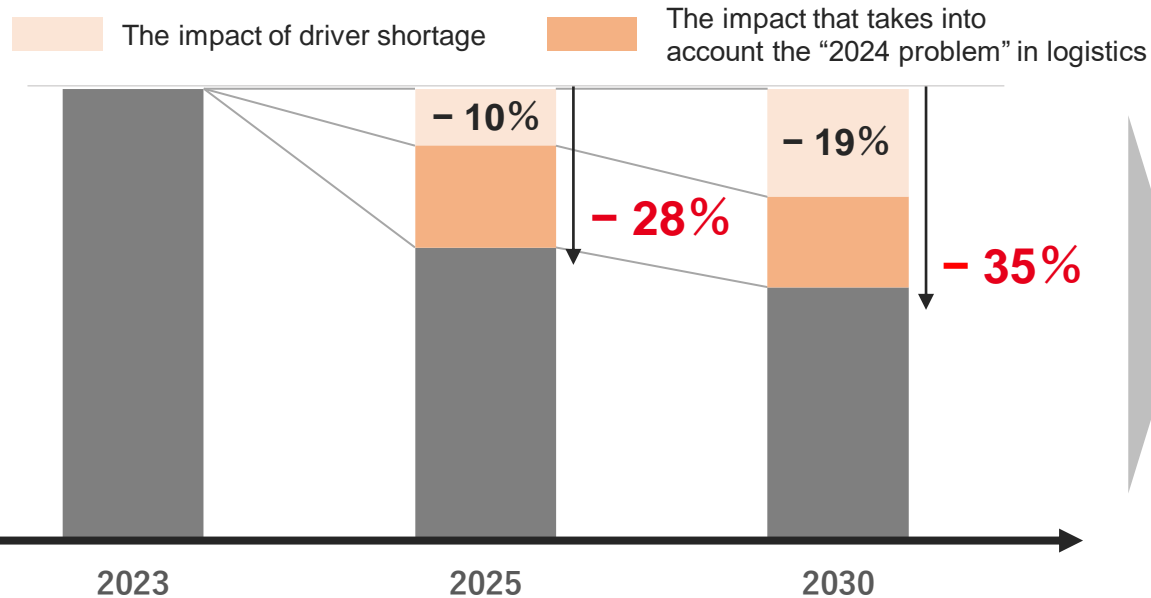
* Revised from the numerical targets in the medium-term management plan, disclosed on May 12, 2021

Initiatives for Sustainable Growth

Initiatives for sustainable growth responding to the “logistics crisis”

Environmental awareness regarding delivery issues

Predictions of changes in transportation capacity by truck



The graph was independently created by our company, based on the document “The way of transportation and delivery in the era of truck driver shortage” by Nomura Research Institute, Ltd.

After 7 years, the transportation capacity for products will be two-thirds, due to the continuing driver shortage in the mid-to long-term and the “2024 problem” in logistics (Regulation of working hours for drivers)

- Instability on products supply
- Rising delivery costs per unit

Across the entire supply chain, required initiatives from a mid-to long-term perspective including an address to the “2024 problem” in logistics that is just around the corner (improving loading efficiency / reducing driver working hours by improving efficiency, etc.)

Toward the development of sustainable distribution, taking the “2024 problem” in logistics as an opportunity and taking on the challenge of implementing various improvement measures across the entire supply chain

Accelerating the utilization of digital technology and collaboration and cooperation with customers

Streamlining the products transportation associated with procurement from manufacturers

- ✓ Expanding the number of manufacturers collaboratively working to improvement efforts such as bulk procurement
- ✓ Improving efficiency of receiving operations through palletization

Streamlining the products transportation associated with sales for retailers

- ✓ Improving efficiency of delivery by shortening delivery distances through collaboration with delivery companies
- ✓ Strengthening the proposal for improving efficiency of delivery by taking the sales floor as the starting point
 - ⇒ Contributing to improve operational efficiency in stores by leveraging our SCM function

Initiatives for sustainable growth responding to the “logistics crisis”



Improvement of productivity industrywide through the utilization of digital technology Started full-scale operation of product receiving work using ASN (Advanced Shipping Notice)

Overview of the receiving operations using ASN

By receiving products information before arrival, making it possible to simplify receiving work (such as inspection) and reduce the work hours

In the view of “2024 problem” in logistics, we have been studying the standardization of the receiving operations using ASN with our customers since around 2020

Work hours associated with receiving operations 20% reduction

- Reducing input work after scanning products
- Reducing the storage, transfer and input operations using delivery slips

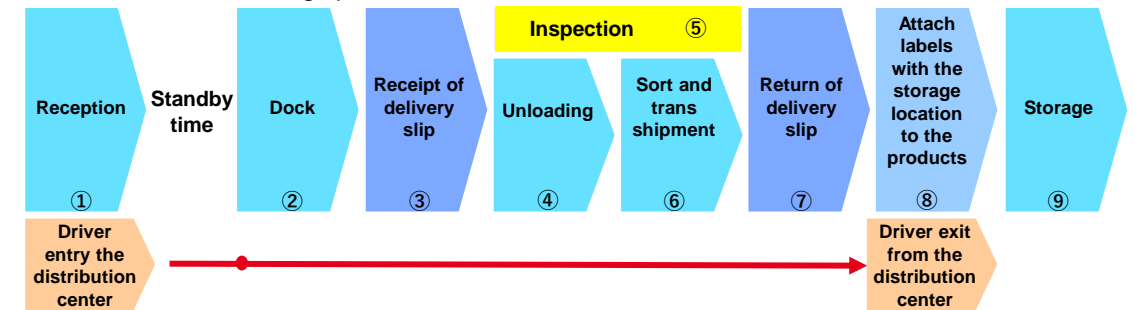
Contributing to reducing of driver’s working hours

- Reducing the time from truck entry to exit by 40%

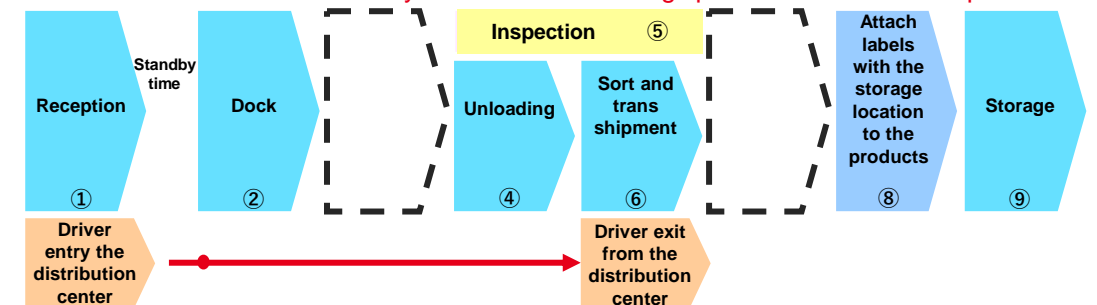
Optimization of warehouse operations

- Ensuring the appropriate allocation of employees and securing storage areas

■ Conventional receiving operation flow



■ Warehouse dock reservation system + ASN receiving operation model with inspection-flow-less

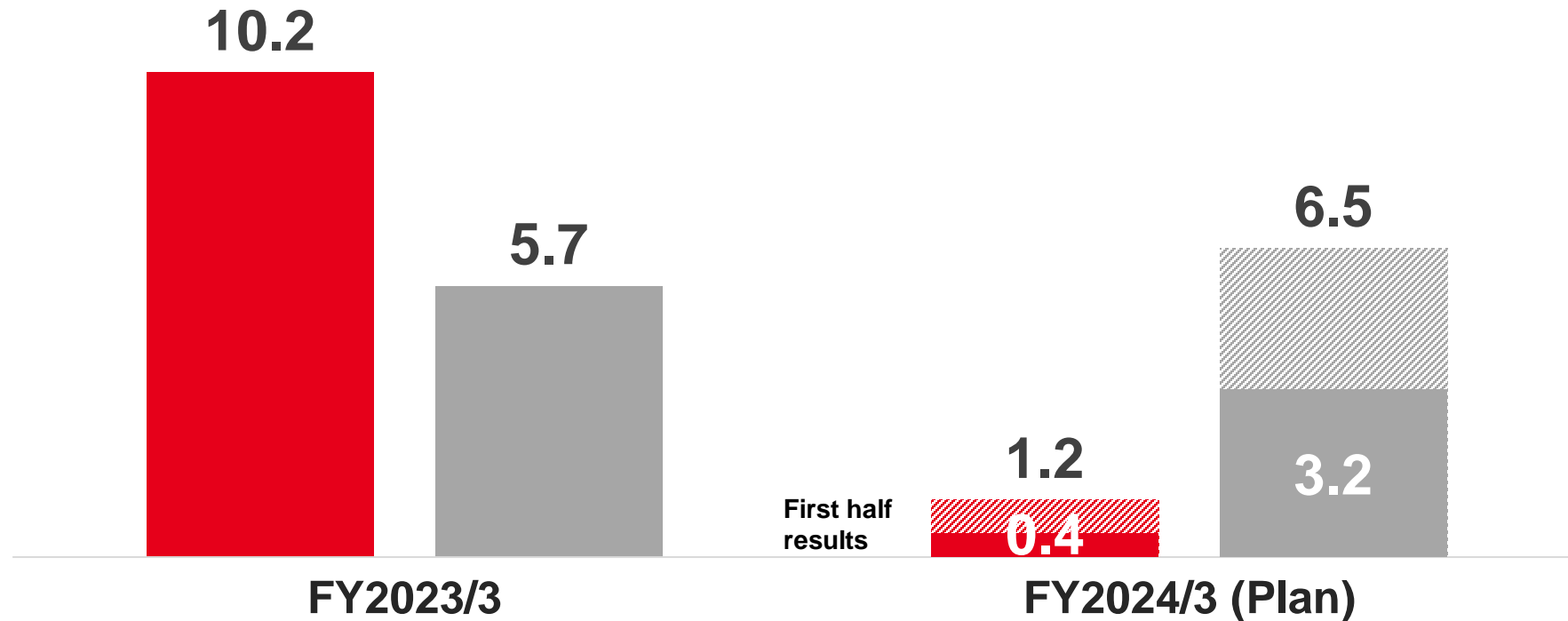


Forecasts of Capital Investment / Depreciation

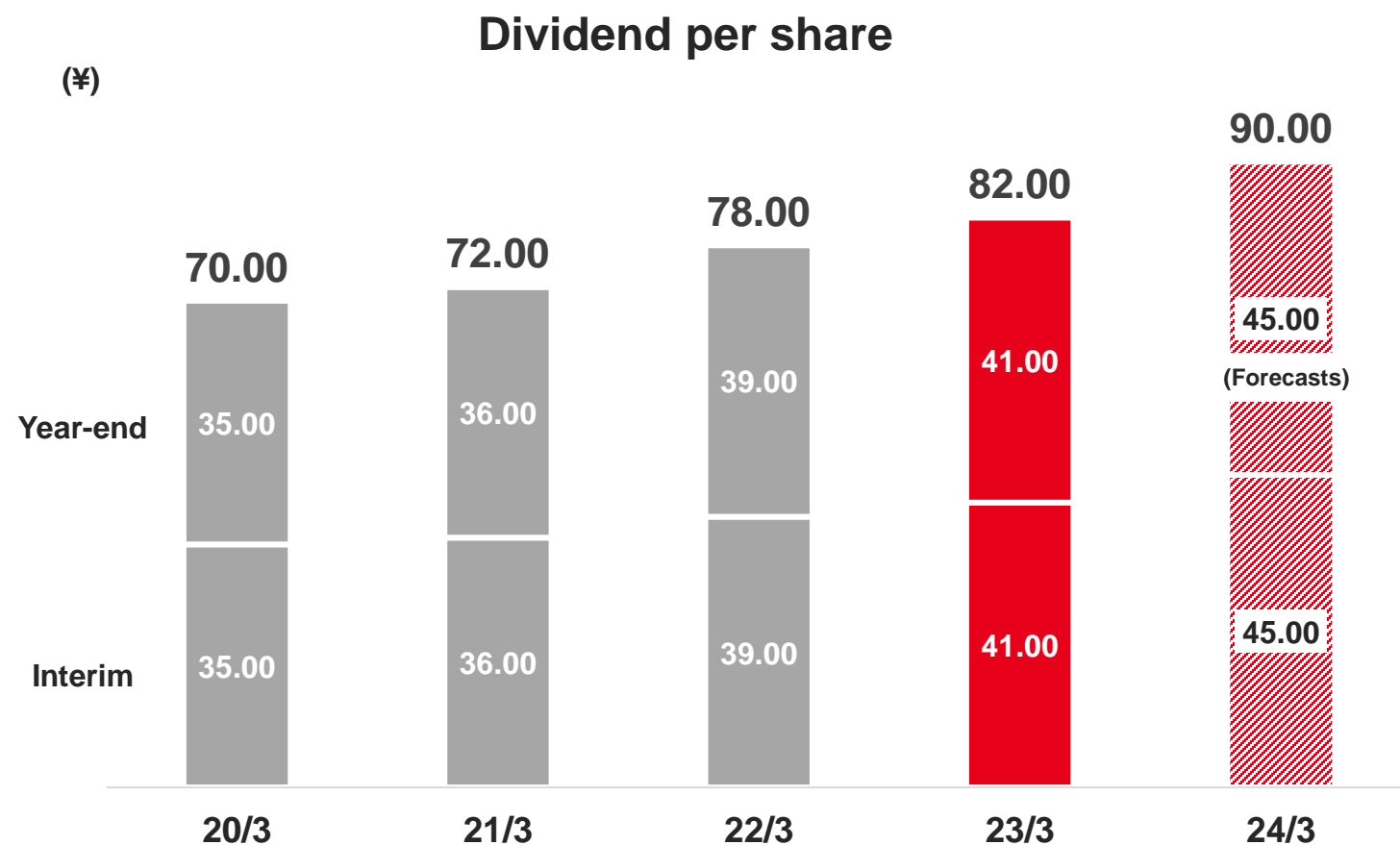
Capital investment in FY2024/3 is expected to be a small amount, but investments in human capital (SG&A expenses) and other growth investments will continue

(¥ : 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%**

Appendix

Sales Composition by Product Category (Quarterly)



¥ billion	1Q		2Q	
	FY2024/3	YoY	FY2024/3	YoY
Net Sales	293.5	+17.2 [+6.3%]	289.9	+11.2 [+4.0%]
Cosmetics	69.4	+6.7 [+10.7%]	68.4	+5.6 [+9.0%]
Daily necessities	130.1	+2.3 [+1.8%]	123.7	+0.7 [+0.6%]
OTC pharmaceuticals	36.4	+3.9 [+12.2%]	38.7	+3.3 [+9.4%]
Health and sanitary related products	52.8	+3.2 [+6.6%]	54.1	+0.4 [+0.8%]
Others	4.5	+1.0 [+28.0%]	4.6	+1.0 [+30.4%]

Sales Composition by Customer Category (Quarterly)



¥ billion	1Q		2Q	
	FY2024/3	YoY	FY2024/3	YoY
Net Sales	293.5	+17.2 [+6.3%]	289.9	+11.2 [+4.0%]
Drug	183.6	+9.2 [+5.3%]	183.1	+9.2 [+5.3%]
HC	23.3	-1.3 [-5.4%]	21.9	-0.4 [-2.0%]
Discount stores	24.1	+1.7 [+8.1%]	24.3	+2.3 [+10.7%]
CVS	23.3	+5.5 [+30.8%]	22.7	+0.4 [+2.0%]
SM	13.6	+0.0 [+0.6%]	13.4	-0.0 [-0.5%]
GMS	9.8	-0.0 [-0.5%]	9.6	-0.3 [-3.5%]
Others	15.3	+1.9 [+14.8%]	14.6	+0.0 [+0.3%]

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 does not have a policy of updating this document and information to the most recent.