
Financial Results 3Q FY2024/3



January 31 , 2024

Financial Results 3Q FY2024/3

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 : %)	3Q FY2023/3 Results	3Q FY2024/3 Results	Amount (YoY)	Rate(YoY)
Net Sales	848.1	883.0	+34.8	+4.1%
Gross profit	63.0	66.3	+3.3	+5.4%
	(7.43)	(7.52)	(+0.09)	
SG&A Expenses	43.8	44.4	+0.5	+1.2%
	(5.17)	(5.03)	(-0.14)	
Operating Profit	19.1	21.9	+2.8	+15.0%
	(2.25)	(2.49)	(+0.24)	
Ordinary Profit	21.4	24.6	+3.2	+15.2%
	(2.52)	(2.79)	(+0.27)	
Profit	14.7	17.1	+2.3	+16.2%
	(1.74)	(1.94)	(+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 : %)	3Q FY2023/3 Results	3Q FY2024/3 Results	Amount (YoY)	Rate(YoY)
Net Sales	848.1	883.0	+34.8	+4.1%
Gross Profit	63.9	66.3	+2.4	+3.8%
	(7.54)	(7.52)	(-0.02)	
SG&A Expenses	43.6	44.4	+0.7	+1.8%
	(5.15)	(5.03)	(-0.12)	
Operating Profit	20.3	21.9	+1.6	+8.1%
	(2.40)	(2.49)	(+0.09)	

(The impact of the newly established Tochigi distribution center in the previous fiscal year YoY (Apr. - Dec.) Gross Profit : + ¥ 0.9 bn / SG&A Expenses : - ¥ 0.2 bn / Operating Profit : + ¥ 1.2 bn)

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



Net Sales

¥ 883.0 bn

YoY change

+ ¥ 34.8 bn

Rate

+ 4.1 %

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
- Increase in the selling unit price in line with price hikes and sales expansion of high-value added products
- 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 and the lingering summer 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

¥ 66.3 bn

GPM

7.52 %

YoY change

+ ¥ 3.3 bn

(GPM : + 0.09 %)

Despite the impact of price hikes and the changes in the product sales mix, gross profit increased centering 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 (+ ¥ 0.9 bn)
- Increase in acquired rebates due to sales expansion

SG&A Expenses

¥ 44.4 bn

SG&A ratio

5.03 %

YoY change

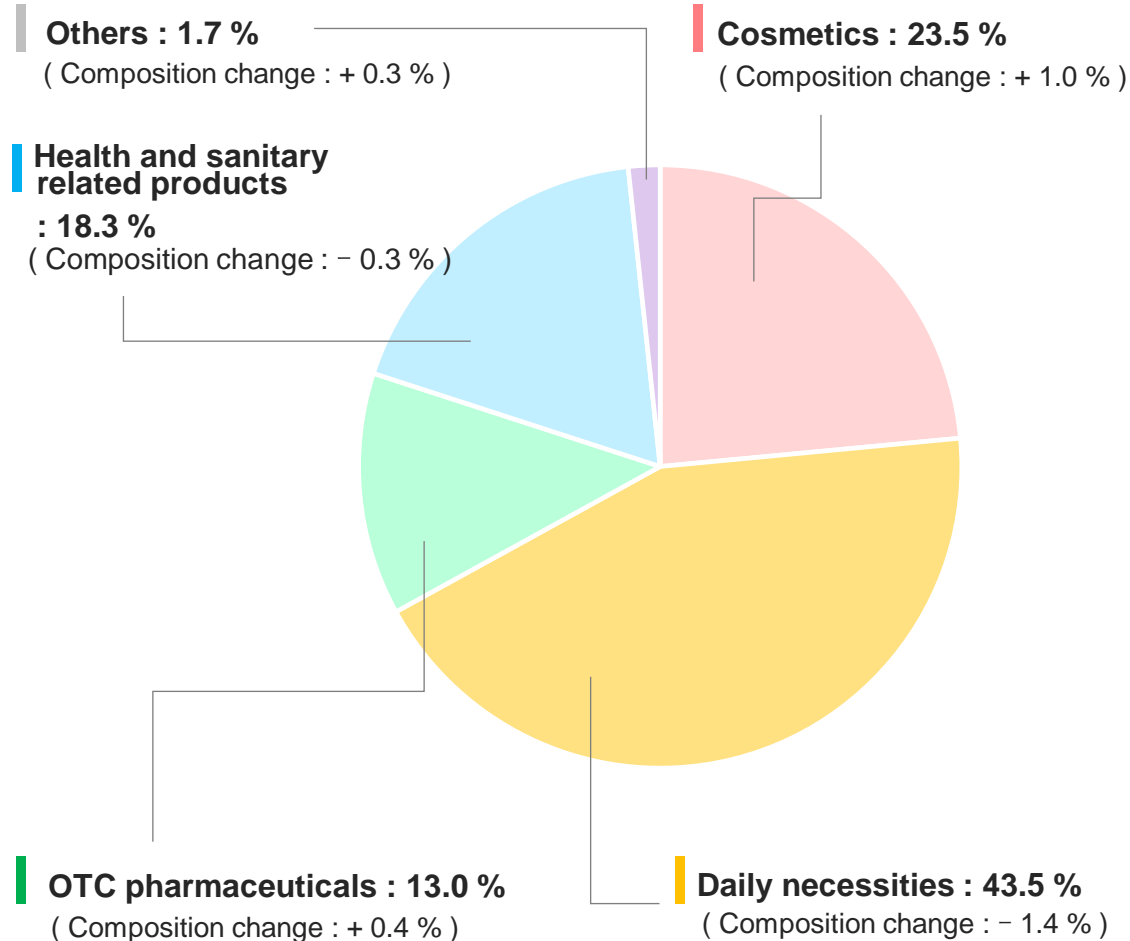
+ ¥ 0.5 bn (SG&A ratio : - 0.14 %)

SG&A expenses ratio improved significantly due to sales expansion by taking advantage of low-cost logistics and measures to improve SG&A expenses. Reaction to the one-time expenses, which were recorded in the previous fiscal years, associated with newly established Tochigi distribution center

- **Increase in personnel expenses** **+ ¥ 0.8 bn (+ 0.00 %)**
 - ⇒ 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)** **- ¥ 0.2 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 Tochigi distribution center recorded in the previous fiscal year** **- ¥ 0.2 bn (- 0.03 %)**

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

Sales Composition

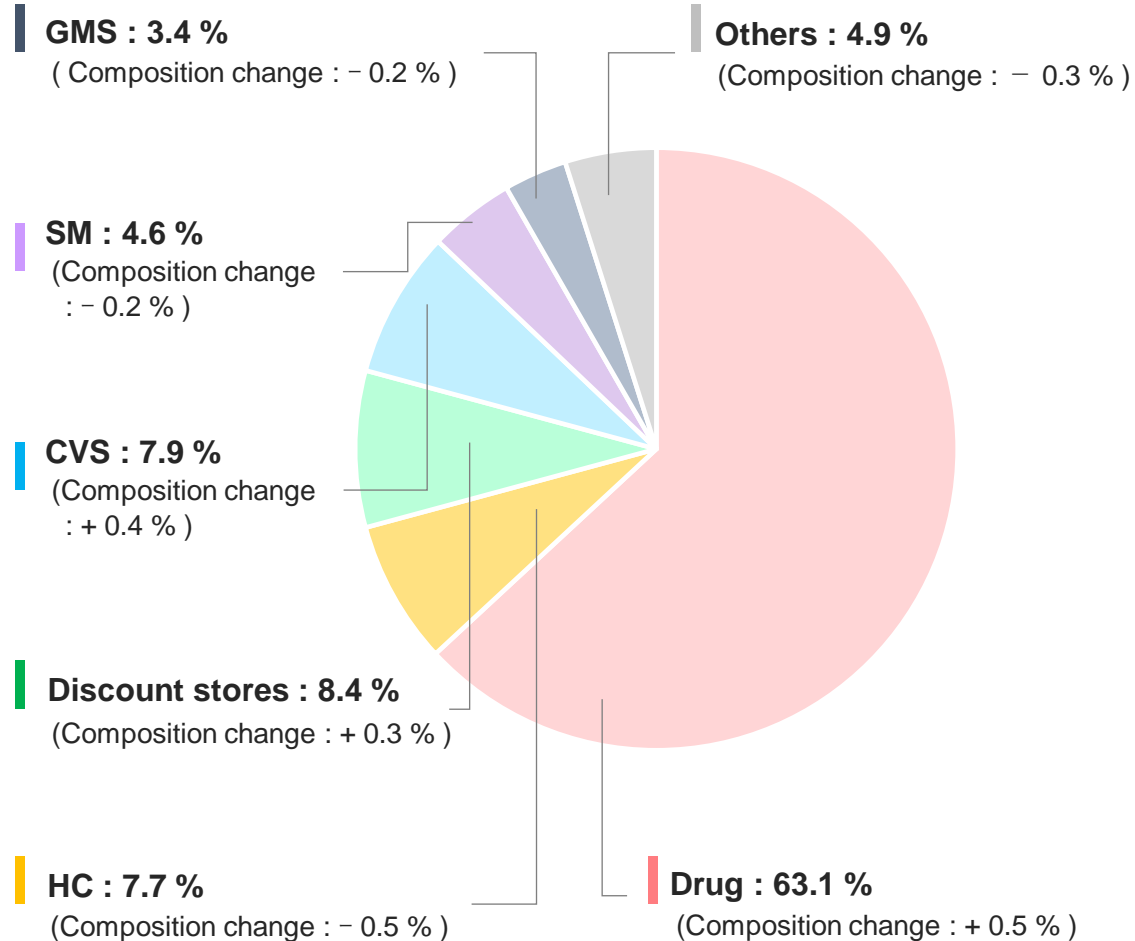


¥ billion	3Q FY2023/3	3Q FY2024/3	YoY	
			Amount	Rate
Net Sales	848.1	883.0	+34.8	+4.1%
Cosmetics	190.9	207.2	+16.2	+8.5%
Daily necessities	380.7	384.3	+3.6	+1.0%
OTC pharmaceuticals	107.0	115.2	+8.1	+7.6%
Health and sanitary related products	157.3	161.2	+3.8	+2.5%
Others	12.0	14.9	+2.8	+24.0%

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



Sales Composition



¥ billion	3Q FY2023/3	3Q FY2024/3	YoY	
			Amount	Rate
Net Sales	848.1	883.0	+34.8	+4.1%
Drug	531.0	556.8	+25.8	+4.9%
HC	69.9	67.8	-2.1	-3.0%
Discount stores	68.4	74.3	+5.9	+8.7%
CVS	63.3	69.9	+6.5	+10.3%
SM	40.9	40.5	-0.4	-1.1%
GMS	30.6	30.2	-0.4	-1.3%
Others	43.8	43.3	-0.5	-1.2%

Status in the 3Q (Oct. – Dec.)

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			3Q		
	2023/3	2024/3	YoY	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%]	293.2	299.6	+6.3 [+2.2%]
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)	21.9 (7.49)	23.0 (7.69)	+1.0 (+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)	14.8 (5.05)	14.8 (4.96)	+0.0 (-0.09)
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)	7.1 (2.44)	8.1 (2.74)	+1.0 (+0.30)
Ordinary Peofit	7.3 (2.66)	7.8 (2.67)	+0.5 (+0.01)	6.1 (2.20)	7.7 (2.68)	+1.6 (+0.48)	7.9 (2.71)	9.0 (3.02)	+1.1 (+0.31)
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)	5.4 (1.86)	6.2 (2.09)	+0.7 (+0.23)

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

¥ billion (Ratio of net sales : %)	1Q			2Q			3Q		
	2023/3	2024/3	YoY	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%]	293.2	299.6	+6.3 [+2.2%]
Gross Profit	20.8 (7.55)	21.7 (7.39)	+0.8 (-0.16)	20.7 (7.43)	21.6 (7.46)	+0.9 (+0.03)	22.3 (7.64)	23.0 (7.69)	+0.6 (+0.05)
SG&A Expenses	14.2 (5.17)	14.7 (5.02)	+0.4 (-0.15)	14.5 (5.23)	14.8 (5.12)	+0.2 (-0.11)	14.7 (5.04)	14.8 (4.96)	+0.0 (-0.08)
Operating Profit	6.5 (2.38)	6.9 (2.38)	+0.4 (+0.00)	6.1 (2.20)	6.7 (2.34)	+0.6 (+0.14)	7.6 (2.60)	8.1 (2.74)	+0.5 (+0.14)

(The impact of the newly established Tochigi distribution center in the previous fiscal year YoY (Oct. - Dec.) Gross Profit : + ¥ 0.4 bn / SG&A Expenses : - ¥ 0.02 bn / Operating Profit : + ¥ 0.4 bn)

Demand continued to grow due to the increase in people's outings thanks to the accelerated trend of breaking away from the COVID-19 era

The decrease in demand for infection prevention products was slowing down,
the budget-minded consumer spending continued

- ✓ **Strong demand for products related to outings due to the increase in people's outings (make-up, quasi drug energy drink, etc.)**
- ✓ **Decline in demand for infection-related products(masks, disinfectants) was slowing down due to the effect of a spread of the influenza and more**
- ✓ **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)**
- ✓ **In winter seasonal products, demand for disposable warmers declined due to the warm winter, but demand for cosmetics (lip balms, hand creams, etc.) increased due to an increase in outings**
- ✓ **Gradual increase in demand for products related to inbound tourists (cosmetics and OTC pharmaceuticals)**

Analysis of Profit and Loss (YoY Oct. - Dec.)

Net Sales

¥ 299.6 bn

YoY change

+ ¥ 6.3 bn

Rate

+ 2.2 %

Despite a decrease in demand for products related to COVID-19, demand continued to expand for products related to outings due to the increase in people's outings

- Strengthened initiatives through collaboration and cooperation with retailers and manufacturers
- Increase in the selling unit price in line with price hikes and sales expansion of high-value added products
- Strengthened procurement of new products to meet diverse consumer needs
- Demand for products related to COVID-19 declined, particularly for antigen test kit (OTC), which saw a significant increase in demand in the previous fiscal year
- Strong demand for products related to outings due to the increase in people's outings (cosmetics, OTC pharmaceuticals)
- In winter seasonal products, demand for disposable warmers declined due to the warm winter, but demand for cosmetics (lip balms, hand creams, etc.) increased due to an increase in outings
- Expansion of demand for products related to inbound tourists
- Increase in product handling volume due to operation of Tochigi distribution center

Gross Profit

¥ 23.0 bn

GPM
7.69 %

YoY change

+ ¥ 1.0 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 antigen test kit (OTC) 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 (+ ¥ 0.4 bn)
- Increase in acquired rebates due to sales expansion

SG&A Expenses

¥ 14.8 bn

SG&A ratio
4.96 %

YoY change

+ ¥ 0.0 bn (SG&A ratio : - 0.09 %)

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** **+ ¥ 0.2 bn (+ 0.04 %)**
 - ⇒ 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 (- 0.07 %)**
 - ⇒ 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** **- ¥ 0.0 bn (- 0.01 %)**

Initiatives for Sustainable Growth

Optimizing transportation through cooperation among consignor companies

FY2023 Jointly received the Minister of Land, Infrastructure, Transport and Tourism Award, the highest award in the Green Logistics Excellent Business Awards

Details of initiatives

(Collaborative initiatives with Unilever Japan K.K. and Suzuyo & Co., Ltd.)

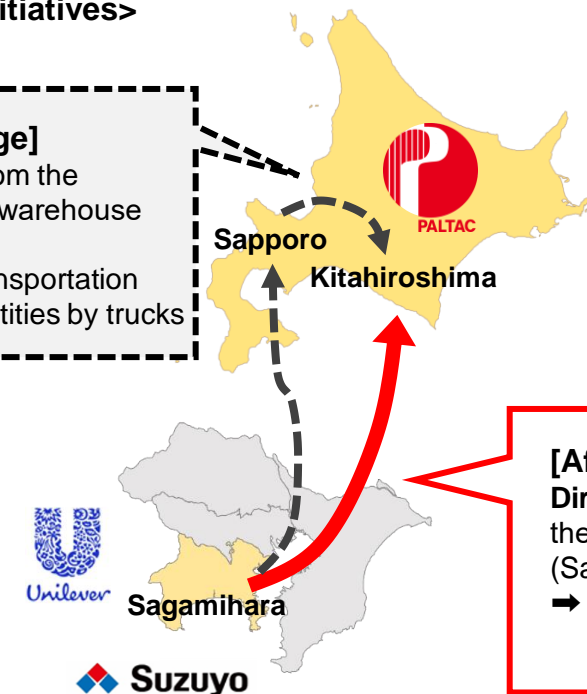
Realization of the switch to **direct procurement** from manufacturer’s plants and **bulk transportation by trailer trucks through controlling orders** using the order adjustment system

Achieved a **reduction in the number of trucks** and in **reloading operations, shortening transportation distance**

⇒ **Contribute to reducing the burden on drivers and CO2 emissions**

<Images of initiatives>

[Before change]
Procurement from the manufacturer’s warehouse (Sapporo)
→ Frequent transportation of small quantities by trucks



Changes in transportation routes

[Before change]



[After change]



[After change]
Direct procurement from the manufacturer’s plant (Sagamihara)
→ Bulk transportation by trailer trucks

Promoting the development of the sustainable logistics network to address the “2024 problem” in logistics

Challenging the reduction of food waste in the retailers

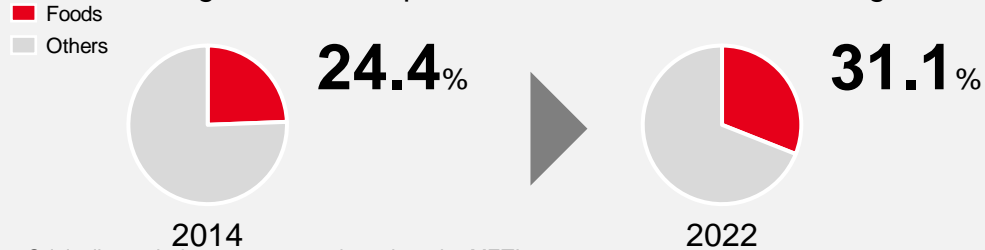
~ Starting to offer the “AI-driven automated ordering system” for stores ~

Awareness of issues

Expanding the volume of food products handled by drugstores, account for approximately 60% of our sales

At the same time, urgent issue to reduce food waste has arisen

Changes in the composition ratio of food sales in Drugstores



Originally made by our company based on the METI
“Preliminary Report on the Current Survey of Commerce”, “Drugstore sales value by goods(January 2024)”

Details of initiatives

AI analyzes sales volume fluctuations that vary by product, in conjunction with the retailer’s enterprise system
Derive optimal order quantities and place orders automatically

Reduced the burden of the store operations and reduced the amount of food waste by 10%

Taking efforts to improve accuracy of order and aiming to solve the social issues of reducing food waste

Impact of the 2024 Noto Peninsula Earthquake

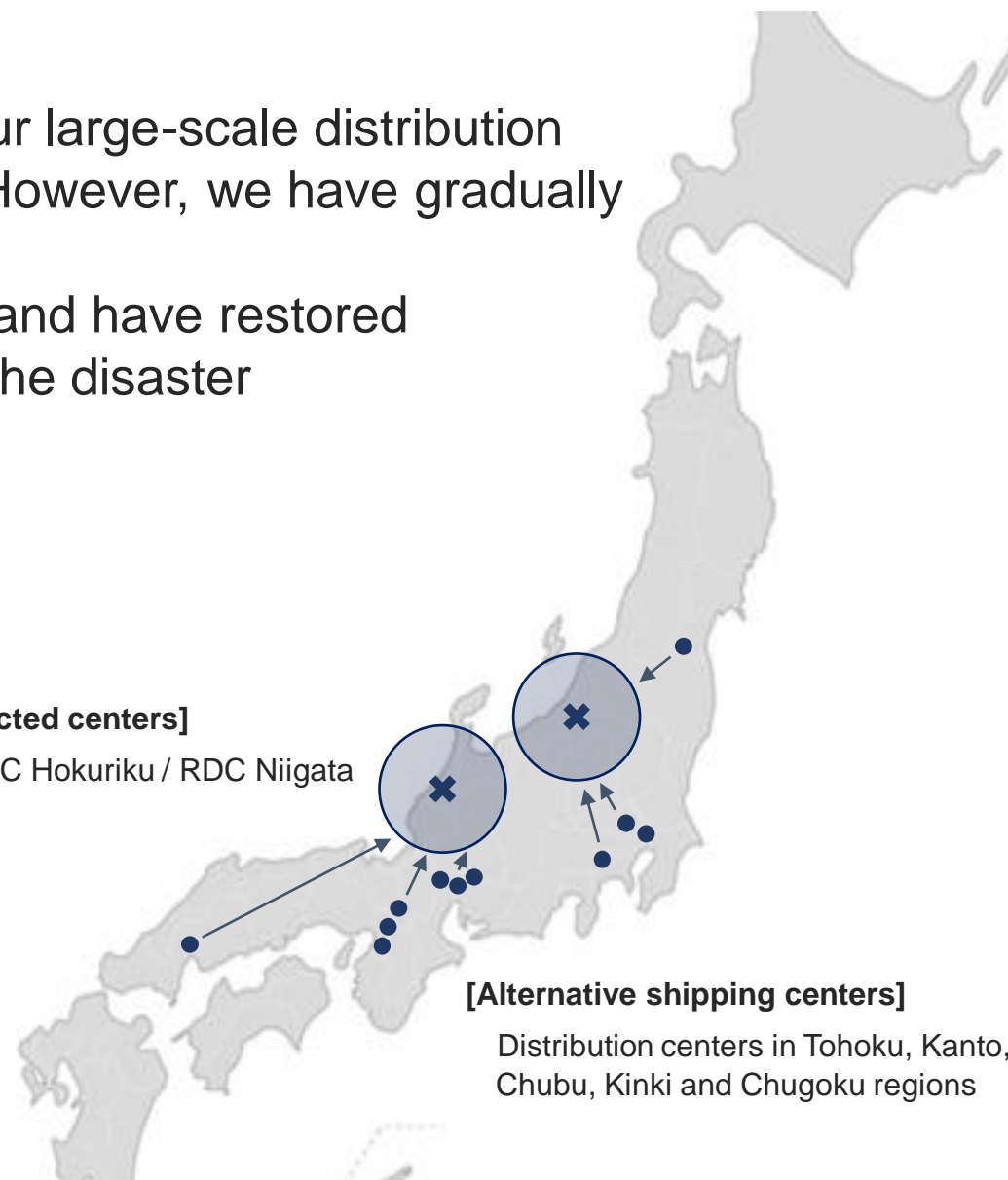
Due to the “2024 Noto Peninsula Earthquake”, two of our large-scale distribution centers were damaged and temporarily unable to ship. However, we have gradually resumed shipping from January 15, while ensuring the safety of our buildings and facilities, and have restored our normal shipping operations on January 26, prior to the disaster.

We continued shipment through alternative shipment by using our other distribution centers during the period of suspension of two centers that were damaged by the earthquake.

We will reflect this experience in further strengthening our Business Continuity Plan (BCP) and strive to ensure a stable supply of daily necessities.

[Affected centers]

RDC Hokuriku / RDC Niigata



[Alternative shipping centers]

Distribution centers in Tohoku, Kanto, Chubu, Kinki and Chugoku regions

FY2024/3 Forecasts

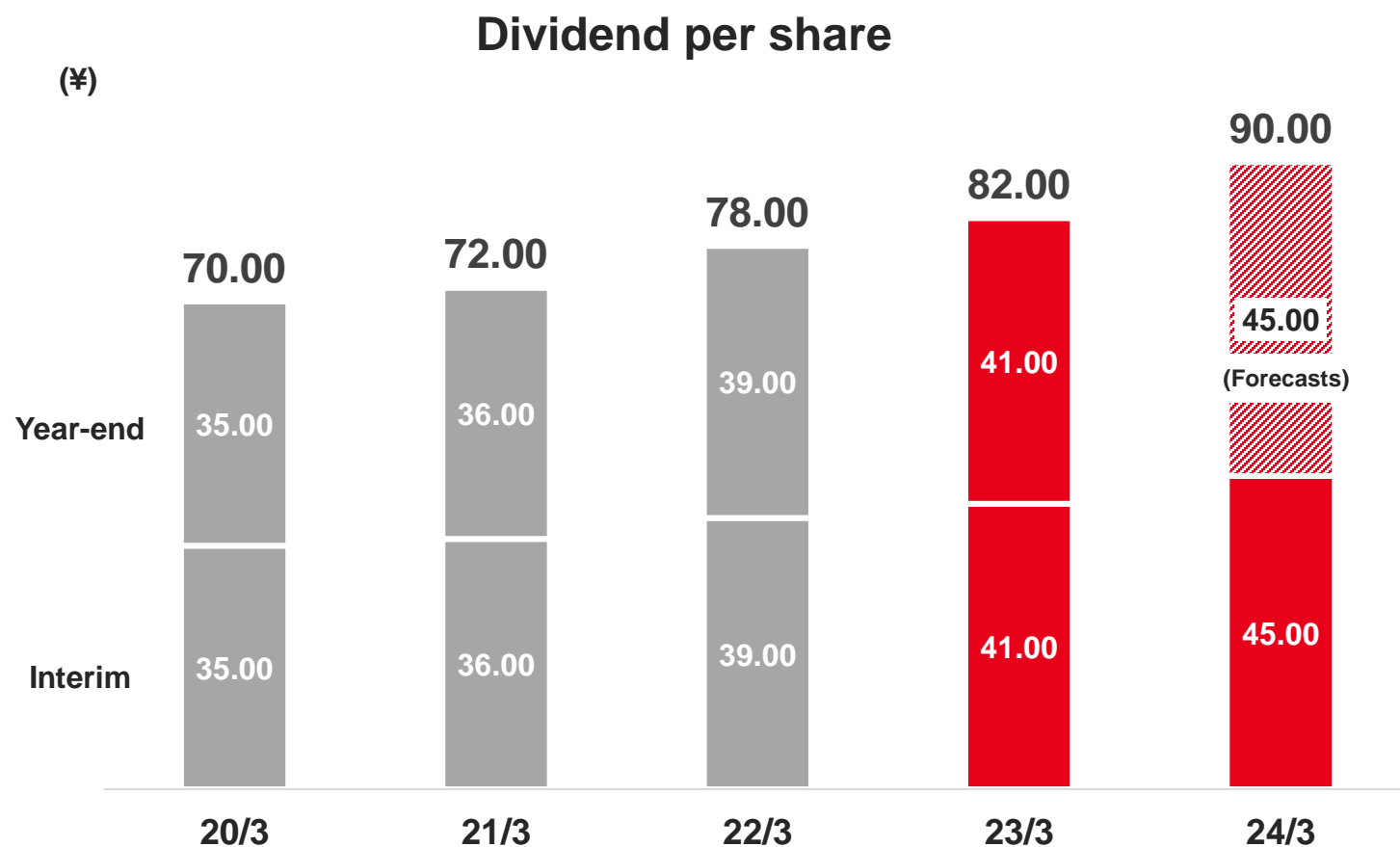
No revision most recently announced

Calculations are currently underway to determine the impact of the 2024 Noto Peninsula earthquake on business performance

¥ 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

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		3Q	
	FY2024/3	YoY	FY2024/3	YoY	FY2024/3	YoY
Net Sales	293.5	+17.2 [+6.3%]	289.9	+11.2 [+4.0%]	299.6	+6.3 [+2.2%]
Cosmetics	69.4	+6.7 [+10.7%]	68.4	+5.6 [+9.0%]	69.2	+3.8 [+5.9%]
Daily necessities	130.1	+2.3 [+1.8%]	123.7	+0.7 [+0.6%]	130.4	+0.5 [+0.5%]
OTC pharmaceuticals	36.4	+3.9 [+12.2%]	38.7	+3.3 [+9.4%]	40.0	+0.8 [+2.2%]
Health and sanitary related products	52.8	+3.2 [+6.6%]	54.1	+0.4 [+0.8%]	54.2	+0.2 [+0.4%]
Others	4.5	+1.0 [+28.0%]	4.6	+1.0 [+30.4%]	5.6	+0.7 [+16.2%]

Sales Composition by Customer Category (Quarterly)

¥ billion	1Q		2Q		3Q	
	FY2024/3	YoY	FY2024/3	YoY	FY2024/3	YoY
Net Sales	293.5	+17.2 [+6.3%]	289.9	+11.2 [+4.0%]	299.6	+6.3 [+2.2%]
Drug	183.6	+9.2 [+5.3%]	183.1	+9.2 [+5.3%]	189.9	+7.2 [+4.0%]
HC	23.3	-1.3 [-5.4%]	21.9	-0.4 [-2.0%]	22.5	-0.3 [-1.4%]
Discount stores	24.1	+1.7 [+8.1%]	24.3	+2.3 [+10.7%]	25.9	+1.8 [+7.5%]
CVS	23.3	+5.5 [+30.8%]	22.7	+0.4 [+2.0%]	23.8	+0.5 [+2.5%]
SM	13.6	+0.0 [+0.6%]	13.4	-0.0 [-0.5%]	13.4	-0.4 [-3.4%]
GMS	9.8	-0.0 [-0.5%]	9.6	-0.3 [-3.5%]	10.6	-0.0 [-0.0%]
Others	15.3	+1.9 [+14.8%]	14.6	+0.0 [+0.3%]	13.2	-2.5 [-16.0%]

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.