

# Non-consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021 <under Japanese GAAP>

October 29, 2020

Company name: PALTAC CORPORATION  
(URL: <http://www.paltac.co.jp/>)  
Listing: Tokyo Stock Exchange (Code number: 8283)  
Representative: Representative Director, President  
Seiichi Kasutani  
Contact: Director, Managing Executive Officer, General Manager of Management Planning Division  
Masaharu Shimada  
Tel: +81-6-4793-1090 (from overseas) E-mail: [ir@paltac.co.jp](mailto:ir@paltac.co.jp)  
Scheduled date to submit the Quarterly Securities Report: November 12, 2020  
Scheduled date to commence dividend payments: December 1, 2020  
Preparation of supplementary material on quarterly financial results: Yes  
Holding of quarterly financial results presentation meeting: Yes (online briefing for institutional investors, analysts and media.)

(Figures are rounded down to the nearest million yen)

## 1. Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to September 30, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended September 30, 2020	525,595	(3.6)	13,045	(5.4)	14,313	(5.4)	9,907	(4.7)
September 30, 2019	544,986	4.4	13,794	0.3	15,126	0.7	10,399	1.4

	Earnings per share	Diluted earnings per share
	(¥)	(¥)
Six months ended September 30, 2020	155.91	—
September 30, 2019	163.65	—

## (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of September 30, 2020	433,209	228,459	52.7	3,595.12
March 31, 2020	418,756	218,297	52.1	3,435.20

Reference: Equity As of September 30, 2020: ¥228,459 million As of March 31, 2020: ¥218,297 million

## 2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2020	—	35.00	—	35.00	70.00
Fiscal year ending March 31, 2021	—	36.00			
Fiscal year ending March 31, 2021 (Forecast)			—	36.00	72.00

Note: Revision to the forecasts most recently announced: No

### 3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2021

(From April 1, 2020 to March 31, 2021)

(% increase/(decrease) indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Fiscal year	1,047,000	0.1	25,000	1.2	27,500	0.7	19,000	(25.2)	298.99

Note: Revision to the forecast 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 September 30, 2020	63,553,485 shares
As of March 31, 2020	63,553,485 shares

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

As of September 30, 2020	6,287 shares
As of March 31, 2020	6,287 shares

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

For the six months ended September 30, 2020	63,547,198 shares
For the six months ended September 30, 2019	63,547,225 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 Six Months Ended September 30, 2020 (3) Forecasts and Other Projections” on page 3 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))

The Company will hold a financial results online briefing for institutional investors, financial analysts and media on November 10, 2020. The presentation (Presentation Material for this quarterly financial results) is posted on the Company’s website (<http://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

### Contents

1. Qualitative Information for the Six Months Ended September 30, 2020.....	2
(1) Operating Results .....	2
(2) Financial Position.....	3
(3) Forecasts and Other Projections.....	3
2. Quarterly Financial Statements and Notes to Quarterly Financial Statements.....	4
(1) Quarterly Balance Sheets .....	4
(2) Quarterly Statements of Income.....	6
(3) Quarterly Statements of Cash Flows .....	7
(4) Notes to Quarterly Financial Statements.....	8
(Notes on premise of going concern) .....	8
(Notes on significant changes in the amount of shareholders' equity).....	8
3. Supplementary Information.....	8
(1) Sales Status .....	8

## 1. Qualitative Information for the Six Months Ended September 30, 2020

### (1) Operating Results

In the six months ended September 30, 2020, due to the global spread of the novel coronavirus disease (COVID-19), the Japanese economy has deteriorated sharply as business activities have diminished due to requests for businesses to close temporarily and for people to refrain from going outside associated with the Japanese Government's declaration of a state of emergency. Although business activities are gradually resuming after the lifting of the state of emergency, concerns persist about COVID-19 spreading again and the future outlook remains extremely unclear.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, while demand for sanitary related products such as face masks, hand soap and disinfectant has continued to increase with the improvement of hygiene awareness, demand for cosmetics such as makeup products and hairdressing has declined as going out for leisure, etc. has not yet completely resumed due to concerns about COVID-19 spreading again. In addition, because there is currently no prospect of reopening travel for foreign tourists, demand for all inbound products, such as facial masks that are very popular among foreign tourists, continues to be significantly lower.

Under these circumstances, PALTAC CORPORATION (the "Company") believes that protecting the safety of its employees is the key to business continuity, and is therefore striving to maintain the working environment and to thoroughly manage hygiene, and is continuing to supply daily necessities, which is the Company's social mission.

Moreover, with further increasing social needs for improvement of productivity of the entire logistics due to the spread of COVID-19, the Company is actively promoting initiatives, aiming to optimize and streamline the entire supply chain in the final year of the medium-term management plan.

The investment in the new logistics model was almost completed by the end of the previous fiscal year, and the Company is working to accumulate expertise for efficient operation of RDCs in the fiscal year under review. At the same time, we are proceeding with efforts lead by the specialized departments established in October 2019, to increase the "cost-efficiency" through mutual cooperation between companies, and to "create selling systems" aimed at improving the success rate of business negotiation contents by focusing on retail stores where products are handed to consumers, and improving the quality of business negotiations by utilizing and feeding back the information collected at retail stores.

In particular, the Company's efforts to "create selling systems" allow the Company to perceive market changes through a faster cycle that links business negotiations and retail store information, and the Company is working hard so that we can offer effective product proposals even for situations, such as new lifestyles and inclement weather, where traditional merchandising is difficult to use.

As a result of the above, net sales for the six months ended September 30, 2020 were ¥525,595 million (down 3.6% year on year), operating profit was ¥13,045 million (down 5.4%), ordinary profit was ¥14,313 million (down 5.4%), and profit was ¥9,907 million (down 4.7%).

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

(Note) RDCs (Regional Distribution Centers) are large-scale logistics centers.

(2) Financial Position

1) Assets, liabilities and net assets

(Assets)

Total assets as of the end of the second quarter were ¥433,209 million, an increase of ¥14,452 million from the end of the previous fiscal year. This was primarily the result of increases in cash and deposits of ¥7,055 million, notes and accounts receivable-trade of ¥2,782 million and merchandise and finished goods of ¥3,043 million.

(Liabilities)

Total liabilities as of the end of the second quarter were ¥204,749 million, an increase of ¥4,289 million from the end of the previous fiscal year. This was primarily the result of an increase in notes and accounts payable-trade of ¥7,291 million and a decrease in income taxes payable of ¥404 million.

(Net assets)

Net assets as of the end of the second quarter were ¥228,459 million, an increase of ¥10,162 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings of ¥7,683 million and valuation difference on available-for-sale securities of ¥2,487 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the second quarter were ¥29,630 million, an increase of ¥7,055 million from the end of the previous fiscal year.

Status of each cash flow during the six months under review and main factors thereof are as follows:

(Cash flow from operating activities)

Net cash provided by operating activities was ¥13,519 million (compared with net cash of ¥2,254 million used in the same period of the previous fiscal year). Main factors were ¥14,372 million of profit before income taxes, ¥2,823 million of depreciation and amortization, ¥2,782 million of increase in notes and accounts receivable-trade, ¥3,043 million of increase in inventories, ¥7,883 million of increase in notes and accounts payable-trade and ¥4,620 million of income taxes paid.

(Cash flow from investing activities)

Net cash used in investing activities was ¥1,886 million (down ¥456 million year on year). Main factors were ¥2,326 million of purchase of property, plant and equipment and ¥396 million of proceeds from sales of property, plant and equipment

(Cash flow from financing activities)

Net cash used in financing activities was ¥4,578 million (compared with net cash of ¥4,583 million provided in the same period of the previous fiscal year). Main factors were ¥2,276 million of repayments of long-term loans payable and ¥2,224 million of cash dividends paid.

(3) Forecasts and Other Projections

There is no revision to the forecasts of financial results for the fiscal year ending March 31, 2021, which was announced on July 29, 2020.

## 2. Quarterly Financial Statements and Notes to Quarterly Financial Statements

### (1) Quarterly Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	22,575	29,630
Notes and accounts receivable-trade	197,229	200,011
Merchandise and finished goods	43,398	46,441
Other	16,787	16,655
Allowance for doubtful accounts	(7)	(7)
Total current assets	279,982	292,731
Non-current assets		
Property, plant and equipment		
Buildings	45,963	44,728
Land	47,401	47,054
Other	21,614	21,262
Total property, plant and equipment	114,979	113,045
Intangible assets	911	788
Investments and other assets		
Investments and other assets	22,888	26,647
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	22,883	26,643
Total non-current assets	138,774	140,477
Total assets	418,756	433,209
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	159,694	166,985
Income taxes payable	5,046	4,641
Provision for bonuses	1,601	1,476
Provision for sales returns	178	170
Other	24,412	20,916
Total current liabilities	190,932	194,190
Non-current liabilities		
Provision for retirement benefits	2,548	2,596
Other	6,977	7,961
Total non-current liabilities	9,526	10,558
Total liabilities	200,459	204,749

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	164,770	172,453
Treasury shares	(9)	(9)
Total shareholders' equity	208,457	216,141
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,831	12,319
Deferred gains or losses on hedges	8	(0)
Total valuation and translation adjustments	9,839	12,318
Total net assets	218,297	228,459
Total liabilities and net assets	418,756	433,209



(2) Quarterly Statements of Income

	(Millions of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	544,986	525,595
Cost of sales	503,181	484,777
Gross profit	41,804	40,817
Selling, general and administrative expenses	28,009	27,772
Operating profit	13,794	13,045
Non-operating income		
Dividend income	177	183
Research fee income	917	859
Real estate rent	67	58
Other	240	212
Total non-operating income	1,403	1,313
Non-operating expenses		
Interest expenses	48	23
Rent cost of real estate	18	16
Other	3	4
Total non-operating expenses	71	45
Ordinary profit	15,126	14,313
Extraordinary income		
Gain on sales of non-current assets	—	9
Gain on sales of investment securities	2	54
Total extraordinary income	2	64
Extraordinary losses		
Loss on retirement of non-current assets	1	5
Impairment loss	18	—
Loss on sales of investment securities	6	—
Loss on valuation of golf club membership	2	—
Total extraordinary losses	28	5
Profit before income taxes	15,100	14,372
Income taxes-current	4,436	4,229
Income taxes-deferred	264	235
Total income taxes	4,700	4,464
Profit	10,399	9,907

## (3) Quarterly Statements of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	15,100	14,372
Depreciation and amortization	2,379	2,823
Impairment loss	18	—
Increase (decrease) in allowance for doubtful accounts	13	(0)
Increase (decrease) in provision for bonuses	(235)	(124)
Increase (decrease) in provision for sales returns	(5)	(7)
Increase (decrease) in provision for retirement benefits	55	89
Interest and dividend income	(177)	(183)
Interest expenses	48	23
Loss (gain) on sales of investment securities	4	(54)
Decrease (increase) in notes and accounts receivable-trade	(29,911)	(2,782)
Decrease (increase) in inventories	434	(3,043)
Increase (decrease) in notes and accounts payable-trade	15,088	7,883
Increase (decrease) in accrued consumption taxes	921	901
Other, net	(1,441)	(1,919)
Subtotal	2,292	17,977
Interest and dividend income received	177	183
Interest expenses paid	(45)	(20)
Income taxes paid	(4,679)	(4,620)
Net cash provided by (used in) operating activities	(2,254)	13,519
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,755)	(2,326)
Proceeds from sales of property, plant and equipment	1,442	396
Purchase of intangible assets	(101)	(42)
Purchase of investment securities	(54)	(50)
Proceeds from sales of investment securities	177	156
Other, net	(50)	(18)
Net cash provided by (used in) investing activities	(2,342)	(1,886)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,000	—
Repayments of long-term loans payable	(3,174)	(2,276)
Repayments of lease obligations	(81)	(77)
Purchase of treasury shares	(0)	—
Cash dividends paid	(2,160)	(2,224)
Net cash provided by (used in) financing activities	4,583	(4,578)
Net increase (decrease) in cash and cash equivalents	(13)	7,055
Cash and cash equivalents at beginning of period	18,359	22,575
Cash and cash equivalents at end of period	18,345	29,630

(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

### 3. Supplementary Information

(1) Sales Status

(Sales results)

1) Sales results for the six months ended September 30, 2020 by product category are as follows:

Product classification	Six months ended September 30, 2020	Year-on-year change (%) increase/(decrease)
	Amount (Millions of yen)	
Cosmetics	117,901	(15.8)
Daily necessities	244,053	1.8
OTC pharmaceuticals	62,878	(12.9)
Health and sanitary related products	93,389	9.4
Others	7,372	(2.5)
Total	525,595	(3.6)

Note: Above figures are exclusive of consumption taxes.

2) Sales results for the six months ended September 30, 2020 by customer category are as follows:

Customer category		Six months ended September 30, 2020	Year-on-year change (%) increase/(decrease)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	331,087	(3.6)
HC	Home centers (DIY stores)	52,937	1.4
DS	Discount stores	35,052	(13.1)
CVS	Convenience stores	37,570	(1.8)
SM	Supermarkets	26,777	(1.4)
GMS	General merchandising stores	17,526	(13.6)
Others	Export and others	24,643	5.5
Total		525,595	(3.6)

Note: Above figures are exclusive of consumption taxes.