

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

January 28, 2021

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(URL: <http://www.paltac.co.jp/>)  
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Scheduled date to submit the Quarterly Securities Report: February 10, 2021  
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 Nine Months of the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to December 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Nine months ended December 31, 2020	792,543	(0.7)	19,944	2.8	21,872	2.0	15,402	2.9
December 31, 2019	798,396	2.4	19,409	(5.2)	21,448	(6.5)	14,974	(5.3)

	Earnings per share	Diluted earnings per share
	(¥)	(¥)
Nine months ended December 31, 2020	242.38	—
December 31, 2019	235.64	—

## (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2020	443,957	231,870	52.2	3,648.80
March 31, 2020	418,756	218,297	52.1	3,435.20

Reference: Equity As of December 31, 2020: ¥231,870 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) figures indicate 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 December 31, 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 December 31, 2020	6,337 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 nine months ended December 31, 2020	63,547,183 shares
For the nine months ended December 31, 2019	63,547,216 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 Nine Months Ended December 31, 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))

Presentation (Presentation Material for this financial results) is posted on the Company’s website  
(<http://www.paltac.co.jp/en/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 Nine Months Ended December 31, 2020

### (1) Operating Results

In the nine months ended December 31, 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 gradually resumed after the lifting of the state of emergency, the recent resurgence of COVID-19 is becoming serious and the future outlook is 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 people refrain from going out for leisure, etc. In addition, demand for inbound products, such as facial masks that are very popular among foreign tourists, continues to be significantly low and it is still not known when travel will be reopened for foreign tourists.

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, amid the 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 according to the medium-term management plan, which is in its final year.

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 the previous fiscal year, 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 nine months ended December 31, 2020 were ¥792,543 million (down 0.7% year on year), operating profit was ¥19,944 million (up 2.8%), ordinary profit was ¥21,872 million (up 2.0%), and profit was ¥15,402 million (up 2.9%).

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 third quarter were ¥443,957 million, an increase of ¥25,200 million from the end of the previous fiscal year. This was primarily the result of increases in cash and deposits of ¥1,778 million, in notes and accounts receivable-trade of ¥7,645 million and in merchandise and finished goods of ¥11,016 million.

#### (Liabilities)

Total liabilities as of the end of the third quarter were ¥212,086 million, an increase of ¥11,626 million from the end of the previous fiscal year. This was primarily the result of an increase in notes and accounts payable-trade of ¥16,630 million and decreases in income taxes payable of ¥2,316 million and in provision for bonuses of ¥791 million.

#### (Net assets)

Total net assets as of the end of the third quarter were ¥231,870 million, an increase of ¥13,573 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings of ¥10,890 million and in valuation difference on available-for-sale securities of ¥2,696 million.

### 2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the third quarter were ¥24,353 million, an increase of ¥1,778 million from the end of the previous fiscal year.

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

#### (Cash flow from operating activities)

Net cash provided by operating activities was ¥14,256 million (down ¥1,458 million year on year). Main factors were ¥22,324 million of profit before income taxes, ¥4,236 million of depreciation and amortization, ¥7,645 million of increase in notes and accounts receivable-trade, ¥11,016 million of increase in inventories, ¥17,223 million of increase in notes and accounts payable-trade, and ¥8,572 million of income taxes paid.

#### (Cash flow from investing activities)

Net cash used in investing activities was ¥4,943 million (down ¥8,622 million year on year). Main factor was ¥5,774 million of purchase of property, plant and equipment.

#### (Cash flow from financing activities)

Net cash provided by financing activities was ¥7,535 million (up ¥5,440 million year on year). Main factors were ¥2,914 million of repayments of long-term loans payable and ¥4,504 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 December 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	22,575	24,353
Notes and accounts receivable-trade	197,229	204,874
Merchandise and finished goods	43,398	54,415
Other	16,787	17,517
Allowance for doubtful accounts	(7)	(8)
Total current assets	279,982	301,153
Non-current assets		
Property, plant and equipment		
Land	47,401	47,054
Other	67,577	68,120
Total property, plant and equipment	114,979	115,175
Intangible assets	911	766
Investments and other assets		
Investments and other assets	22,888	26,867
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	22,883	26,862
Total non-current assets	138,774	142,804
Total assets	418,756	443,957
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	159,694	176,325
Income taxes payable	5,046	2,729
Provision for bonuses	1,601	809
Provision for sales returns	178	210
Other	24,412	21,193
Total current liabilities	190,932	201,268
Non-current liabilities		
Provision for retirement benefits	2,548	2,632
Other	6,977	8,185
Total non-current liabilities	9,526	10,817
Total liabilities	200,459	212,086

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	164,770	175,660
Treasury shares	(9)	(9)
Total shareholders' equity	208,457	219,347
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,831	12,527
Deferred gains or losses on hedges	8	(4)
Total valuation and translation adjustments	9,839	12,523
Total net assets	218,297	231,870
Total liabilities and net assets	418,756	443,957



## (2) Quarterly Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	798,396	792,543
Cost of sales	736,663	730,788
Gross profit	61,733	61,754
Selling, general and administrative expenses	42,323	41,809
Operating profit	19,409	19,944
Non-operating income		
Dividend income	278	276
Research fee income	1,360	1,319
Real estate rent	99	72
Other	409	319
Total non-operating income	2,148	1,988
Non-operating expenses		
Interest expenses	69	26
Rent cost of real estate	27	26
Other	12	6
Total non-operating expenses	109	60
Ordinary profit	21,448	21,872
Extraordinary income		
Gain on sales of non-current assets	—	9
Gain on sales of investment securities	343	448
Total extraordinary income	343	457
Extraordinary losses		
Loss on retirement of non-current assets	5	6
Impairment loss	18	—
Other	12	—
Total extraordinary losses	35	6
Profit before income taxes	21,755	22,324
Income taxes-current	6,263	6,468
Income taxes-deferred	518	453
Total income taxes	6,781	6,921
Profit	14,974	15,402

## (3) Quarterly Statements of Cash Flows

	(Millions of yen)	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash flows from operating activities		
Profit before income taxes	21,755	22,324
Depreciation and amortization	3,658	4,236
Impairment loss	18	—
Increase (decrease) in allowance for doubtful accounts	4	0
Increase (decrease) in provision for bonuses	(907)	(791)
Increase (decrease) in provision for sales returns	17	32
Increase (decrease) in provision for retirement benefits	91	145
Interest and dividend income	(279)	(276)
Interest expenses	69	26
Loss (gain) on sales of investment securities	(337)	(448)
Decrease (increase) in notes and accounts receivable-trade	(9,724)	(7,645)
Decrease (increase) in inventories	(12,501)	(11,016)
Increase (decrease) in notes and accounts payable-trade	24,398	17,223
Decrease (increase) in consumption taxes refund receivable	(260)	—
Increase (decrease) in accrued consumption taxes	(285)	621
Other, net	(1,297)	(1,855)
Subtotal	24,419	22,574
Interest and dividend income received	279	276
Interest expenses paid	(64)	(21)
Income taxes paid	(8,918)	(8,572)
Net cash provided by (used in) operating activities	15,715	14,256
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,408)	(5,774)
Proceeds from sales of property, plant and equipment	1,442	396
Purchase of intangible assets	(157)	(69)
Purchase of investment securities	(192)	(85)
Proceeds from sales of investment securities	805	610
Other, net	(54)	(20)
Net cash provided by (used in) investing activities	(13,565)	(4,943)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	7,000	—
Repayments of long-term loans payable	(4,587)	(2,914)
Repayments of lease obligations	(123)	(116)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(4,383)	(4,504)
Net cash provided by (used in) financing activities	(2,094)	(7,535)
Net increase (decrease) in cash and cash equivalents	55	1,778
Cash and cash equivalents at beginning of period	18,359	22,575
Cash and cash equivalents at end of period	18,414	24,353

(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 nine months ended December 31, 2020 by product category are as follows:

Product classification	Nine months ended December 31, 2020	Year-on-year change (%) increase/(decrease)
	Amount (Millions of yen)	
Cosmetics	177,659	(13.2)
Daily necessities	364,929	5.2
OTC pharmaceuticals	94,368	(11.6)
Health and sanitary related products	143,209	12.3
Others	12,377	(1.3)
Total	792,543	(0.7)

Note: Above figures are exclusive of consumption taxes.

2) Sales results for the nine months ended December 31, 2020 by customer category are as follows:

Customer category		Nine months ended December 31, 2020	Year-on-year change (%) increase/(decrease)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	499,601	(1.1)
HC	Home centers (DIY stores)	77,271	4.7
DS	Discount stores	53,090	(9.0)
CVS	Convenience stores	57,895	0.0
SM	Supermarkets	39,914	2.2
GMS	General merchandising stores	26,583	(8.5)
Others	Export and others	38,186	8.6
Total		792,543	(0.7)

Note: Above figures are exclusive of consumption taxes.