

# Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2019 <under Japanese GAAP>

July 27, 2018

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Scheduled date to submit the Quarterly Securities Report: August 10, 2018  
Scheduled date to commence dividend payments: –  
Preparation of supplementary material on quarterly financial results: No  
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, 2019 (From April 1, 2018 to June 30, 2018)

### (1) Operating Results

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Three months ended June 30, 2018	260,511	7.3	6,912	17.5	7,609	17.0	5,239	17.4
June 30, 2017	242,836	3.5	5,882	24.7	6,505	22.1	4,461	23.1

	Earnings per share	Diluted earnings per share
	(¥)	(¥)
Three months ended June 30, 2018	82.46	–
June 30, 2017	70.21	–

### (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of June 30, 2018	407,403	187,639	46.1	2,952.76
March 31, 2018	387,399	183,435	47.4	2,886.59

Reference: Equity As of June 30, 2018: ¥187,639 million As of March 31, 2018: ¥183,435 million

Note: From the beginning of the first quarter under review, the Company has applied "Partial Amendment to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. The figures as of March 31, 2018 have been adjusted retrospectively to apply these accounting standards.

## 2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2018	–	31.00	–	33.00	64.00
Fiscal year ending March 31, 2019	–				
Fiscal year ending March 31, 2019 (Forecast)		33.00	–	33.00	66.00

Note: Revision to the forecasts most recently announced: No

### 3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Six months	512,000	3.5	12,800	2.8	14,000	2.6	9,500	1.5	149.49
Fiscal year	1,000,000	3.4	24,500	6.5	27,500	7.8	18,500	6.0	291.12

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: Yes
- 3) Changes in accounting estimates: Yes
- 4) Restatements: No

Note: For more information, please refer to the section “2. Summary Information (Notes) (1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements” on page 4 of the attached material to this quarterly financial results report.

(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, 2018	63,553,485 shares
As of March 31, 2018	63,553,485 shares

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

As of June 30, 2018	6,237 shares
As of March 31, 2018	6,158 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, 2018	63,547,283 shares
For the three months ended June 30, 2017	63,547,511 shares

\* Explanation regarding execution of quarterly review procedures

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, 2018 (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.

\* 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, 2018

### (1) Operating Results

In the three months ended June 30, 2018, the Japanese economy continued to follow a moderate recovery track, on the back of continuous improvements in the income environment and the employment environment, reflecting such positive developments as the effects of various measures instituted by the Japanese government.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, the market environment was steady due to a pick-up in personal consumption reflecting improved consumer sentiment and strong inbound demand.

Under these circumstances, PALTAC CORPORATION (the “Company”) undertook a variety of efforts, aiming to optimize and streamline the entire supply chain, in accordance with its position as an intermediate distributor providing a full lineup of health and beauty products essential for daily life under the corporate identity, “maximizing customer satisfaction and minimizing distribution costs.” The Company is working to strengthen its sales systems to support effective product lines and sales activities for retailers, and to strengthen its safe-and-secure, high-quality, low-cost distribution capabilities. Aiming for more than just a system that provides stable supply under normal conditions, the Company is making efforts to ensure a low-cost and stable supply of products to retailers, and by extension to its customers, even in an emergency through the “non-stop logistics” system.

For the fiscal year under review, keenly aware of the labor shortage caused by the decline in the working population, the Company launched a new three-year medium-term management plan with the vision of “One trillion yen Link with the future: The logistics innovation through aggressive investment.” The Company strives to increase corporate value through sustained business growth. In the aforementioned plan, the Company established four important challenges: “re-investment of the profit” to streamline the whole supply chain, “establishment of a breakthrough logistics model” that integrates the latest technologies such as AI and robots with the Company’s know-how, “high-quality and high-productivity” that refines high-productivity, one of the Company’s strengths, and “developing talent and organization,” which contributes to addressing issues through collaboration with retailers, manufacturers and business partners.

Also, as part of the medium-term management plan’s initiatives, the Company is moving forward according to plan with capital investment that contributes to strengthening its operating base. The Company’s capital investment includes the construction of “RDC Niigata” (located in Mitsuke-shi, Niigata), which utilizes a new next-generation distribution system that the Company developed in house. The goal of constructing RDC Niigata is to rapidly improve productivity and increase shipping capacity in the Shinetsu area. The Company’s capital investment also includes the expansion of “RDC Yokohama” (located in Zama-shi, Kanagawa), which is being carried out with the goal of increasing shipping capacity and improving productivity in the Kanto area.

As a result of the above, net sales for the three months ended June 30, 2018 were ¥260,511 million (up 7.3% year on year), operating profit was ¥6,912 million (up 17.5%), ordinary profit was ¥7,609 million (up 17.0%), and profit was ¥5,239 million (up 17.4%).

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 first quarter were ¥407,403 million, an increase of ¥20,003 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts receivable-trade of ¥17,168 million and in buildings of ¥4,285 million.

#### (Liabilities)

Total liabilities as of the end of the first quarter were ¥219,763 million, an increase of ¥15,799 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts payable-trade of ¥3,037 million and in short-term loans payable of ¥12,000 million and decreases in income taxes payable of ¥2,044 million and in long-term loans payable of ¥1,151 million.

#### (Net assets)

Net assets as of the end of the first quarter were ¥187,639 million, an increase of ¥4,204 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings of ¥3,142 million and in valuation difference on available-for-sale securities of ¥1,030 million.

### 2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the first quarter were ¥17,888 million, a decrease of ¥3,759 million from the end of the previous fiscal year.

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

#### (Cash flows from operating activities)

Net cash used in operating activities was ¥9,696 million (up ¥4,031 million year on year). Main factors were ¥7,602 million of profit before income taxes, ¥1,044 million of depreciation and amortization, ¥17,168 million of increase in notes and accounts receivable-trade, ¥3,532 million of increase in notes and accounts payable-trade and ¥4,215 million of income taxes paid.

#### (Cash flows from investing activities)

Net cash used in investing activities was ¥3,116 million (down ¥2,098 million year on year). Main factor was ¥3,069 million of purchase of property, plant and equipment.

#### (Cash flows from financing activities)

Net cash provided by financing activities was ¥9,053 million (down ¥1,218 million year on year). Main factors were ¥12,000 million of net increase in short-term loans payable, ¥1,000 million of proceeds from long-term loans payable, ¥1,835 million of repayments of long-term loans payable and ¥2,093 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, 2019, which was announced on May 8, 2018.

## 2. Summary Information (Notes)

### (1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

#### *Change in depreciation method of property, plant and equipment*

The Company has changed the depreciation method for property, plant and equipment from the declining balance method to the straight-line method since the beginning of the first quarter under review.

In the formulation of the project of construction of the new RDCs, the Company reviewed the use of property, plant and equipment. As the result, the Company expects stable operations of property, plant and equipment for the long term and determined that adopting the use of the straight-line method to allocate depreciation expense evenly over the useful lives of such property, plant and equipment would more appropriately reflect its actual condition.

As the result of the above, compared to the previous method, for the three months ended June 30, 2018, operating profit increased by ¥140 million and ordinary profit and profit before income taxes each increased by ¥140 million.

(Supplementary information)

#### *Application of "Partial Amendment to Accounting Standards for Tax Effect Accounting"*

From the beginning of the first quarter under review, the Company has applied "Partial Amendment to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. As a result of this partial amendment, deferred tax assets are now listed under investment and other assets and deferred tax liabilities are listed under non-current liabilities.

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

#### (1) Quarterly Balance Sheets

	(Millions of yen)	
	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	21,648	17,888
Notes and accounts receivable-trade	179,322	196,490
Merchandise and finished goods	43,897	44,462
Other	15,761	16,640
Allowance for doubtful accounts	(81)	(90)
Total current assets	260,548	275,390
Non-current assets		
Property, plant and equipment		
Buildings	38,613	42,899
Land	45,699	45,786
Other	15,460	14,817
Total property, plant and equipment	99,773	103,503
Intangible assets	883	866
Investments and other assets		
Investments and other assets	26,200	27,648
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	26,194	27,642
Total non-current assets	126,851	132,012
Total assets	387,399	407,403
Liabilities		
Current liabilities		
Notes and accounts payable-trade	146,761	149,799
Short-term loans payable	9,000	21,000
Current portion of long-term loans payable	7,040	7,356
Income taxes payable	4,631	2,587
Provision for bonuses	2,035	2,646
Provision for sales returns	186	227
Other	17,693	20,180
Total current liabilities	187,348	203,797
Non-current liabilities		
Long-term loans payable	9,248	8,097
Provision for retirement benefits	2,341	2,380
Other	5,025	5,488
Total non-current liabilities	16,615	15,966
Total liabilities	203,964	219,763



	(Millions of yen)	
	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	128,232	131,374
Treasury shares	(8)	(8)
Total shareholders' equity	171,920	175,062
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,534	12,565
Deferred gains or losses on hedges	(19)	11
Total valuation and translation adjustments	11,514	12,577
Total net assets	183,435	187,639
Total liabilities and net assets	387,399	407,403

## (2) Quarterly Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	242,836	260,511
Cost of sales	223,972	240,144
Gross profit	18,863	20,367
Selling, general and administrative expenses	12,981	13,455
Operating profit	5,882	6,912
Non-operating income		
Dividend income	92	121
Research fee income	432	452
Real estate rent	34	34
Other	111	128
Total non-operating income	669	738
Non-operating expenses		
Interest expenses	31	30
Rent cost of real estate	9	10
Other	5	0
Total non-operating expenses	46	41
Ordinary profit	6,505	7,609
Extraordinary income		
Gain on sales of investment securities	6	3
Total extraordinary income	6	3
Extraordinary losses		
Loss on retirement of non-current assets	3	10
Total extraordinary losses	3	10
Profit before income taxes	6,509	7,602
Income taxes-current	1,792	2,370
Income taxes-deferred	255	(7)
Total income taxes	2,047	2,362
Profit	4,461	5,239

## (3) Quarterly Statements of Cash Flows

	(Millions of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	6,509	7,602
Depreciation and amortization	1,165	1,044
Increase (decrease) in allowance for doubtful accounts	7	8
Increase (decrease) in provision for bonuses	623	610
Increase (decrease) in provision for sales returns	5	41
Increase (decrease) in provision for retirement benefits	118	67
Interest and dividend income	(92)	(122)
Interest expenses	31	30
Loss (gain) on sales of investment securities	(6)	(3)
Decrease (increase) in notes and accounts receivable-trade	(13,368)	(17,168)
Decrease (increase) in inventories	(3,918)	(564)
Increase (decrease) in notes and accounts payable-trade	8,427	3,532
Increase (decrease) in accrued consumption taxes	(590)	261
Other, net	(932)	(916)
Subtotal	(2,018)	(5,575)
Interest and dividend income received	92	122
Interest expenses paid	(27)	(27)
Income taxes paid	(3,711)	(4,215)
Net cash provided by (used in) operating activities	(5,665)	(9,696)
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,259)	(3,069)
Proceeds from sales of property, plant and equipment	1,069	50
Purchase of intangible assets	(44)	(44)
Purchase of investment securities	(43)	(37)
Proceeds from sales of investment securities	59	5
Other, net	1	(21)
Net cash provided by (used in) investing activities	(5,215)	(3,116)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	13,000	12,000
Proceeds from long-term loans payable	1,000	1,000
Repayments of long-term loans payable	(1,933)	(1,835)
Repayments of lease obligations	(19)	(17)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,775)	(2,093)
Net cash provided by (used in) financing activities	10,271	9,053
Net increase (decrease) in cash and cash equivalents	(608)	(3,759)
Cash and cash equivalents at beginning of period	18,513	21,648
Cash and cash equivalents at end of period	17,904	17,888

(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

#### 4. Supplementary Information

(1) Sales Status

(Sales results)

1) Sales results for the three months ended June 30, 2018 by product category are as follows:

Product classification	Three months ended June 30, 2018	Year-on-year change (%)
	Amount (Millions of yen)	
Cosmetics	68,046	109.6
Daily necessities	115,463	107.6
OTC pharmaceuticals	34,890	102.4
Health and sanitary related products	38,605	106.6
Others	3,506	112.8
Total	260,511	107.3

Notes: Above figures are exclusive of consumption taxes.

2) Sales results for the three months ended June 30, 2018 by customer category are as follows:

Customer category		Three months ended June 30, 2018	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	164,464	107.6
HC	Home centers (DIY stores)	26,452	107.7
CVS	Convenience stores	17,821	103.0
DS	Discount stores	16,268	111.4
SM	Supermarkets	14,232	97.3
GMS	General merchandising stores	9,369	100.7
Others	Export and others	11,902	125.4
Total		260,511	107.3

Notes: Above figures are exclusive of consumption taxes.