Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2015 <under Japanese GAAP>

July 31, 2014

Company name: Paltac Corporation
(URL: http://www.paltac.co.jp/)
Listing: Tokyo Stock Exchange (Code number: 8283)
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Scheduled date to submit the Quarterly Securities Report: August 12, 2014
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 off to the nearest million yen)

1. Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to June 30, 2014)

(1) Operating Results (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
Three months ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
June 30, 2014	200,255	(1.9)	1,855	(17.1)	3,271	(11.2)	1,784	(21.8)
June 30, 2013	204,149	2.9	2,236	(3.2)	3,684	1.5	2,280	(3.4)

	Earnings per share	Diluted earnings per share
Three months ended	(¥)	(¥)
June 30, 2014	28.08	–
June 30, 2013	35.89	–

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
June 30, 2014	319,731	133,902	41.9	2,107.07
March 31, 2014	325,189	132,427	40.7	2,083.86

Reference: Equity As of June 30, 2014: ¥133,902 million As of March 31, 2014: ¥132,427 million

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2014	–	21.00	–	22.00	43.00
Fiscal year ending March 31, 2015	–				
Fiscal year ending March 31, 2015 (Forecast)		22.00	–	22.00	44.00

Note: Revision to the forecasts most recently announced: No

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Six months	423,000	1.3	5,300	(3.3)	8,000	(3.1)	5,000	2.8	78.68
Fiscal year	840,000	1.0	10,400	1.8	16,000	1.4	10,000	8.9	157.36

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: Yes
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 June 30, 2014	63,553,485 shares
As of March 31, 2014	63,553,485 shares

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

As of June 30, 2014	4,408 shares
As of March 31, 2014	4,408 shares

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

For the three months ended June 30, 2014	63,549,077 shares
For the three months ended June 30, 2013	63,550,030 shares

* Explanation regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this quarterly financial results report, the review procedures for the quarterly financial statements in accordance with the Financial Instruments and Exchange Act of Japan have not been completed.

* 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 of "(3) Forecasts and Other Projections" on page 3 of the attached material to the 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, 2014

(1) Operating Results

In the three months ended June 30, 2014, the Japanese economy continued to follow a moderate recovery track, mainly on the back of improvements in corporate earnings and the employment environment, reflecting such positive developments as the effects of various measures taken by the government and the Bank of Japan. Nevertheless, the outlook remained uncertain, partly because of concerns that economic stagnation overseas could have a detrimental effect on the Japanese economy.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, the business environment remained unconducive for growth in sales, reflecting not only continuing budget mindedness among consumers but also a pull-back following the rush in demand ahead of the April 2014 consumption tax hike.

Under these circumstances, Paltac Corporation (the "Company") undertook a variety of efforts in accordance with its position as an intermediate distributor handling a full lineup of health and beauty products essential for daily life under the corporate identity, "maximizing customer satisfaction and minimizing distribution costs." Specifically, by strengthening the Company's high quality and low-cost distribution capabilities as well as its sales capabilities to support effective product lineups and sales activities at business partners based on the sales venue-oriented thinking of the retail sector, the Company worked to optimize and streamline the entire supply chain from manufacturing to retailing.

The Company has entered the second year of its medium-term management plan for fiscal 2014 to fiscal 2016. With a view to achieving the targets of the plan a year ahead of schedule, the Company is working to enhance productivity across the industry overall, not only by fully exploiting the sales capabilities and distribution capabilities it possesses as an intermediate distributor, but also by implementing effective initiatives through cooperation with retailers and manufacturers. In addition, the Company is striving to sustainably increase corporate value by further boosting efficiency across all processes from the ordering and receipt of products to their dispatch and delivery to retailers, and by enhancing productivity within the Company and increasing personnel skills in all operations.

Furthermore, in April 2014, the Company made a start on construction of a distribution center in Shiraoka-shi, Saitama (provisional name: "RDC Saitama") with the aim of strengthening its delivery capabilities and enhancing distribution productivity in the Kanto area, our largest market.

As a result of the above, net sales for the three months ended June 30, 2014 were ¥200,255 million (down 1.9% year on year), operating income was ¥1,855 million (down 17.1%), ordinary income was ¥3,271 million (down 11.2%), and net income was ¥1,784 million (down 21.8%).

Operating results for the three months ended June 30, 2014 by segment are shown below.

Wholesale Business

In the wholesale business, net sales were steady because of an in-store share increase as a result of strengthening of initiatives with business partners as well as strong sales of seasonal summer merchandise, despite such factors as a pull-back following the rush in demand ahead of the April 2014 consumption tax hike.

As a result of above, net sales in the wholesale business amounted to ¥197,046 million (down 2.0% year on year), while operating income amounted to ¥2,115 million (down 8.4%).

Supply Chain Logistics Business*

In the supply chain logistics business, net sales were steady thanks to an increase in the volume of products handled for some clients.

As a result of above, net sales in the supply chain logistics business amounted to ¥3,208 million (up 3.5% year on year), while operating income amounted to ¥356 million (down 25.8%).

* The supply chain logistics business is a third-party logistics business in which the Company carries out the integrated operation and management of retail companies' logistic centers on their behalf.

(2) Financial Position

1) Assets, liabilities and net assets

(Assets)

Total assets as of the end of the first quarter were ¥319,731 million, a decrease of ¥5,457 million from the end of the previous fiscal year. This was primarily the result of an increase in cash and deposits of ¥6,548 million and a decrease in notes and accounts receivable-trade of ¥9,066 million.

(Liabilities)

Total liabilities as of the end of the first quarter were ¥185,828 million, a decrease of ¥6,932 million from the end of the previous fiscal year. This was primarily the result of decreases in notes and accounts payable-trade of ¥2,027 million, in short-term loans payable of ¥3,000 million, and in long-term loans payable of ¥2,337 million.

(Net assets)

Net assets as of the end of the first quarter were ¥133,902 million, an increase of ¥1,475 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥1,183 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the first quarter were ¥19,950 million, an increase of ¥6,548 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 flow from operating activities)

Net cash provided by operating activities was ¥11,652 million (up ¥8,211 million year on year). Main factors were ¥2,990 million of income before income taxes, ¥1,222 million of depreciation and amortization, ¥9,066 million of decrease in notes and accounts receivable-trade and ¥1,596 million of decrease in notes and accounts payable-trade.

(Cash flow from investing activities)

Net cash provided by investing activities was ¥318 million (compared with net cash of ¥135 million used in the same period of the previous fiscal year). Main factors were ¥615 million of proceeds from sales of property, plant and equipment and ¥242 million of purchase of investment securities.

(Cash flow from financing activities)

Net cash used in financing activities was ¥5,422 million (up ¥3,030 million year on year). Main factors were ¥3,000 million of net decrease in short-term loans payable, ¥1,015 million of repayments of long-term loans payable and ¥1,383 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, 2015, which was announced on May 9, 2014.

2. Summary Information (Notes)

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

Changes in accounting policies

(Application of the Accounting Standard for Retirement Benefits, etc.)

Regarding the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), effective from the first quarter under review, the Company has applied the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of Guidance on Accounting Standard for Retirement Benefits, reviewed its calculation method for projected retirement benefit obligations and current service costs, and changed its method used in allocation of estimated retirement benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to the average remaining years of service of employees, to one that uses a single weighted average discount rate reflecting the estimated timing and amount of retirement benefits.

Application of the Accounting Standard for Retirement Benefits, etc. is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for projected benefit obligations and current service costs has been added to or deducted from retained earnings as of the beginning of the first quarter under review.

As a result, as of the beginning of the first quarter under review, provision for retirement benefits decreased by ¥371 million, prepaid pension cost increased by ¥867 million and retained earnings increased by ¥797 million. In addition, the effect of this change on profit and loss is immaterial.

3. Quarterly Financial Statements

(1) Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	13,402	19,950
Notes and accounts receivable-trade	158,898	149,831
Merchandise and finished goods	37,683	37,715
Other	17,242	14,659
Allowance for doubtful accounts	(22)	(21)
Total current assets	227,203	222,135
Non-current assets		
Property, plant and equipment		
Land	39,235	38,674
Other	46,353	45,195
Total property, plant and equipment	85,588	83,869
Intangible assets	655	618
Investments and other assets		
Investments and other assets	11,804	13,323
Allowance for doubtful accounts	(62)	(215)
Total investments and other assets	11,741	13,108
Total non-current assets	97,985	97,595
Total assets	325,189	319,731
Liabilities		
Current liabilities		
Notes and accounts payable-trade	127,616	125,589
Short-term loans payable	25,500	22,500
Current portion of long-term loans payable	5,426	6,748
Income taxes payable	2,885	1,308
Provision for bonuses	2,020	2,675
Provision for sales returns	300	327
Other	14,851	14,600
Total current liabilities	178,601	173,749
Non-current liabilities		
Long-term loans payable	8,832	6,495
Provision for retirement benefits	2,025	1,718
Other	3,302	3,865
Total non-current liabilities	14,160	12,079
Total liabilities	192,761	185,828

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	86,000	87,184
Treasury shares	(4)	(4)
Total shareholders' equity	129,692	130,875
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,734	3,029
Deferred gains or losses on hedges	1	(3)
Total valuation and translation adjustments	2,735	3,026
Total net assets	132,427	133,902
Total liabilities and net assets	325,189	319,731

(2) Quarterly Statements of Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	204,149	200,255
Cost of sales	183,376	179,951
Gross profit	20,772	20,304
Selling, general and administrative expenses	18,536	18,449
Operating income	2,236	1,855
Non-operating income		
Dividend income	85	93
Purchase discounts	967	1,001
Research fee income	317	314
Other	163	103
Total non-operating income	1,533	1,511
Non-operating expenses		
Interest expenses	65	62
Depreciation of inactive non-current assets	16	22
Other	4	9
Total non-operating expenses	85	95
Ordinary income	3,684	3,271
Extraordinary income		
Gain on sales of non-current assets	–	66
Other	–	1
Total extraordinary income	–	68
Extraordinary losses		
Loss on sales of non-current assets	20	14
Loss on retirement of non-current assets	3	3
Impairment loss	84	–
Loss on valuation of investment securities	0	331
Other	–	0
Total extraordinary losses	109	348
Income before income taxes	3,574	2,990
Income taxes-current	1,441	1,236
Income taxes-deferred	(147)	(29)
Total income taxes	1,293	1,206
Net income	2,280	1,784

(3) Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	3,574	2,990
Depreciation and amortization	1,163	1,222
Impairment loss	84	–
Increase (decrease) in allowance for doubtful accounts	4	151
Increase (decrease) in provision for bonuses	715	655
Increase (decrease) in provision for sales returns	46	26
Increase (decrease) in provision for retirement benefits	82	96
Interest and dividend income	(85)	(93)
Interest expenses	65	62
Decrease (increase) in notes and accounts receivable-trade	(8,452)	9,066
Decrease (increase) in inventories	(3,065)	(32)
Increase (decrease) in notes and accounts payable-trade	12,145	(1,596)
Decrease (increase) in consumption taxes refund receivable	343	–
Increase (decrease) in accrued consumption taxes	393	844
Other, net	740	975
Subtotal	7,754	14,371
Interest and dividend income received	85	93
Interest expenses paid	(61)	(59)
Income taxes paid	(4,337)	(2,753)
Net cash provided by (used in) operating activities	3,440	11,652
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(145)	(57)
Proceeds from sales of property, plant and equipment	71	615
Purchase of intangible assets	(39)	(10)
Purchase of investment securities	(44)	(242)
Proceeds from sales of investment securities	–	3
Other, net	23	9
Net cash provided by (used in) investing activities	(135)	318
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(19)	(3,000)
Repayments of long-term loans payable	(969)	(1,015)
Repayments of lease obligations	(25)	(23)
Purchase of treasury shares	(0)	–
Cash dividends paid	(1,377)	(1,383)
Net cash provided by (used in) financing activities	(2,392)	(5,422)
Net increase (decrease) in cash and cash equivalents	913	6,548
Cash and cash equivalents at beginning of period	20,556	13,402
Cash and cash equivalents at end of period	21,470	19,950

(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, 2014 by reportable segment are as follows:

Reportable segment	Product classification	Three months ended June 30, 2014	Year-on-year change (%)
		Amount (Millions of yen)	
Wholesale business	Cosmetics	49,951	101.6
	Daily necessities	87,241	97.9
	OTC pharmaceuticals	29,848	95.4
	Health and sanitary related products	29,719	95.3
	Others	286	98.2
	Total sales in wholesale business	197,046	98.0
Supply chain logistics business	Net sales in supply chain logistics business	3,208	103.5
Total		200,255	98.1

Note: Above figures are exclusive of consumption taxes.

2) Sales results of wholesale business for the three months ended June 30, 2014 by customer category are as follows:

Customer category		Three months ended June 30, 2014	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	116,900	97.3
HC	Home centers (DIY stores)	22,510	94.6
CVS	Convenience stores	15,770	105.4
SM	Supermarkets	13,184	92.4
GMS	General merchandising stores	12,166	91.9
DS	Discount stores	10,148	119.1
Others	Export and others	6,366	103.7
Total sales in wholesale business		197,046	98.0

Note: Above figures are exclusive of consumption taxes.