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

January 30, 2015

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: February 12, 2015
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 Nine Months of the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to December 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
Nine months ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
December 31, 2014	626,866	(0.0)	8,125	2.8	12,401	1.7	7,797	9.4
December 31, 2013	626,977	3.6	7,902	4.0	12,195	4.1	7,124	(0.4)

	Earnings per share	Diluted earnings per share
Nine months ended	(¥)	(¥)
December 31, 2014	122.69	–
December 31, 2013	112.10	–

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
December 31, 2014	330,035	139,117	42.2	2,189.15
March 31, 2014	325,189	132,427	40.7	2,083.86

Reference: Equity As of December 31, 2014: ¥139,117 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	–	22.00	–		
Fiscal year ending March 31, 2015 (Forecast)				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)	%	(¥)
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

Note: For more information, please refer to the section "(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements" on page 4 of the attached material.

(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, 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 December 31, 2014	4,708 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 Nine months ended December 31, 2014	63,548,970 shares
For the Nine months ended December 31, 2013	63,549,704 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 Nine Months Ended December 31, 2014

(1) Operating Results

In the nine months ended December 31, the Japanese economy continued to follow a moderate recovery track, mainly on the back of an ongoing trend of improvement in the employment and income 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, a pull-back that occurred following a rush in demand ahead of a consumption tax hike implemented in April 2014 is gradually coming to an end. The business environment, however, remained unconducive for growth in sales due to budget mindedness among consumers and unseasonable weather in the summer.

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, the Company has proceeded on schedule with construction of one of its largest distribution centers "RDC Kanto," which is located in Shiraoka-shi, Saitama, and expected to open in July 2015.

In addition, as part of securing a broad spectrum of personnel while responding to changes in society as a progressive member of the wholesale industry, the Company introduced the "System for Continuous Employment of Older Persons," which allows employees to work until the age of 70.

As a result of the above, net sales for the nine months ended December 31, 2014 were ¥626,866 million (down 0.0 % year on year), operating income was ¥8,125 million (up 2.8%), ordinary income was ¥12,401 million (up 1.7%), and net income was ¥7,797 million (up 9.4%).

Operating results for the nine months ended December 31, 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, despite stagnation in some merchandise reflecting the pull-back following the rush in demand ahead of the consumption tax hike and the unseasonable weather.

As a result of above, net sales in the wholesale business amounted to ¥616,735 million (down 0.1% year on year), while operating income amounted to ¥8,591 million (up 1.4%).

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 ¥10,131 million (up 6.8% year on year), while operating income amounted to ¥1,228 million (up 13.0%).

* 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 third quarter were ¥330,035 million, an increase of ¥4,846 million from the end of the previous fiscal year. This was primarily the result of increases in cash and deposits of ¥4,004 million and in merchandise and finished goods of ¥6,033 million and a decrease in land of ¥1,558 million.

(Liabilities)

Total liabilities as of the end of the third quarter were ¥190,918 million, a decrease of ¥1,843 million from the end of the previous fiscal year. This was primarily the result of an increase in notes and accounts payable-trade of ¥6,691 million and decreases in short-term loans payable of ¥4,000 million, in income taxes payable of ¥1,485 million and in long-term loans payable of ¥3,015 million.

(Net assets)

Total net assets as of the end of the third quarter were ¥139,117 million, an increase of ¥6,690 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥5,798 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the third quarter were ¥17,407 million, an increase of ¥4,004 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 ¥13,835 million (up ¥9,045 million year on year). Main factors were ¥12,152 million of income before income taxes, ¥3,651 million of depreciation and amortization, ¥6,033 million of increase in inventories and ¥7,162 million of increase in notes and accounts payable-trade.

(Cash flow from investing activities)

Net cash provided by investing activities was ¥420 million (compared with net cash of ¥10,993 million used in the same period of the previous fiscal year). Main factors were ¥2,731 million of proceeds from sales of property, plant and equipment and ¥1,961 million of purchase of investment securities.

(Cash flow from financing activities)

Net cash used in financing activities was ¥10,250 million (compared with net cash of ¥2,930 million provided by the same period of the previous fiscal year). Main factors were ¥4,000 million of net decrease in short-term loans payable, ¥4,389 million of repayments of long-term loans payable and ¥2,795 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 ended June 30, 2014, 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 nine months under review.

As a result, as of the beginning of the nine months 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 December 31, 2014
Assets		
Current assets		
Cash and deposits	13,402	17,407
Notes and accounts receivable-trade	158,898	158,943
Merchandise and finished goods	37,683	43,716
Other	17,242	14,086
Allowance for doubtful accounts	(22)	(21)
Total current assets	227,203	234,131
Non-current assets		
Property, plant and equipment		
Land	39,235	37,676
Other	46,353	42,010
Total property, plant and equipment	85,588	79,687
Intangible assets	655	555
Investments and other assets		
Investments and other assets	11,804	15,872
Allowance for doubtful accounts	(62)	(211)
Total investments and other assets	11,741	15,661
Total non-current assets	97,985	95,903
Total assets	325,189	330,035
Liabilities		
Current liabilities		
Notes and accounts payable-trade	127,616	134,308
Short-term loans payable	25,500	21,500
Current portion of long-term loans payable	5,426	5,052
Income taxes payable	2,885	1,400
Provision for bonuses	2,020	779
Provision for sales returns	300	321
Other	14,851	15,854
Total current liabilities	178,601	179,216
Non-current liabilities		
Long-term loans payable	8,832	5,817
Provision for retirement benefits	2,025	1,807
Other	3,302	4,077
Total non-current liabilities	14,160	11,701
Total liabilities	192,761	190,918

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	86,000	91,798
Treasury shares	(4)	(5)
Total shareholders' equity	129,692	135,490
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,734	3,595
Deferred gains or losses on hedges	1	31
Total valuation and translation adjustments	2,735	3,627
Total net assets	132,427	139,117
Total liabilities and net assets	325,189	330,035

(2) Quarterly Statements of Income

(cumulative from the beginning of the fiscal year)

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net sales	626,977	626,866
Cost of sales	562,194	562,700
Gross profit	64,782	64,166
Selling, general and administrative expenses	56,879	56,040
Operating income	7,902	8,125
Non-operating income		
Dividend income	177	190
Purchase discounts	2,976	3,006
Research fee income	968	983
Other	433	324
Total non-operating income	4,556	4,505
Non-operating expenses		
Interest expenses	197	169
Depreciation of inactive non-current assets	45	45
Other	20	14
Total non-operating expenses	263	229
Ordinary income	12,195	12,401
Extraordinary income		
Gain on sales of non-current assets	3	71
Gain on sales of investment securities	53	363
Total extraordinary income	56	435
Extraordinary losses		
Loss on sales of non-current assets	20	33
Loss on retirement of non-current assets	8	48
Impairment loss	394	264
Loss on valuation of investment securities	0	331
Additional expenses of optional retirement	369	–
Other	2	6
Total extraordinary losses	795	683
Income before income taxes	11,456	12,152
Income taxes-current	3,983	3,799
Income taxes-deferred	349	556
Total income taxes	4,332	4,355
Net income	7,124	7,797

(3) Quarterly Statements of Cash Flows

(cumulative from the beginning of the fiscal year)

(Millions of yen)

	Nine months ended December 31 2013	Nine months ended December 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	11,456	12,152
Depreciation and amortization	3,734	3,651
Impairment loss	394	264
Increase (decrease) in allowance for doubtful accounts	(8)	147
Increase (decrease) in provision for bonuses	(886)	(1,241)
Increase (decrease) in provision for sales returns	47	20
Increase (decrease) in provision for retirement benefits	137	251
Interest and dividend income	(177)	(190)
Interest expenses	197	169
Loss (gain) on sales of investment securities	(53)	(363)
Loss (gain) on valuation of investment securities	0	331
Additional expenses of optional retirement	369	–
Decrease (increase) in notes and accounts receivable-trade	(13,470)	(45)
Decrease (increase) in inventories	(10,455)	(6,033)
Increase (decrease) in notes and accounts payable-trade	19,743	7,162
Decrease (increase) in consumption taxes refund receivable	140	–
Increase (decrease) in accrued consumption taxes	–	1,310
Other, net	902	1,439
Subtotal	12,072	19,028
Interest and dividend income received	177	190
Interest expenses paid	(184)	(153)
Income taxes paid	(6,909)	(5,229)
Additional expenses for optional retirement	(365)	–
Net cash provided by (used in) operating activities	4,790	13,835
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(11,292)	(608)
Proceeds from sales of property, plant and equipment	314	2,731
Purchase of intangible assets	(72)	(35)
Purchase of investment securities	(125)	(1,961)
Proceeds from sales of investment securities	126	429
Other, net	56	(135)
Net cash provided by (used in) investing activities	(10,993)	420
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,899	(4,000)
Proceeds from long-term loans payable	4,000	1,000
Repayments of long-term loans payable	(3,157)	(4,389)
Repayments of lease obligations	(72)	(66)
Purchase of treasury shares	(1)	(0)
Cash dividends paid	(2,738)	(2,795)
Net cash provided by (used in) financing activities	2,930	(10,250)
Net increase (decrease) in cash and cash equivalents	(3,272)	4,004
Cash and cash equivalents at beginning of period	20,556	13,402
Cash and cash equivalents at end of period	17,284	17,407

(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 nine months ended December 31, 2014 by reportable segment are as follows:

Reportable segment	Product classification	Nine months ended December 31, 2014	Year-on-year change (%)
		Amount (Millions of yen)	
Wholesale business	Cosmetics	154,616	101.2
	Daily necessities	268,568	101.0
	OTC pharmaceuticals	95,238	95.3
	Health and sanitary related products	96,509	99.6
	Others	1,801	90.1
	Total sales in wholesale business	616,735	99.9
Supply chain logistics business	Net sales in supply chain logistics business	10,131	106.8
Total		626,866	100.0

Note: Above figures are exclusive of consumption taxes.

2) Sales results of wholesale business for the nine months ended December 31, 2014 by customer category are as follows:

Customer category		Nine months ended December 31, 2014	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	364,527	99.3
HC	Home centers (DIY stores)	67,866	95.5
CVS	Convenience stores	49,903	102.4
SM	Supermarkets	42,056	94.9
GMS	General merchandising stores	37,703	91.3
DS	Discount stores	33,779	130.7
Others	Export and others	20,898	109.8
Total sales in wholesale business		616,735	99.9

Note: Above figures are exclusive of consumption taxes.