Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2017 <under Japanese GAAP>

July 29, 2016

Company name: PALTAC CORPORATION
(URL: http://www.paltac.co.jp/)
Listing: Tokyo Stock Exchange (Code number: 8283)
Representative: Representative Director, President
Kiyotaka Kimura
Contact: Executive Officer, General Manager of Corporate Planning Division
Masaharu Shimada
Tel: +81-6-4793-1090 (from overseas) E-mail: ir@paltac.co.jp

Scheduled date to submit the Quarterly Securities Report: August 10, 2016
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, 2017 (From April 1, 2016 to June 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit	
Three months ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
June 30, 2016	234,677	11.8	4,717	23.9	5,328	22.6	3,623	25.8
June 30, 2015	209,958	8.4	3,806	36.0	4,345	34.4	2,879	63.6

	Earnings per share	Diluted earnings per share
Three months ended	(¥)	(¥)
June 30, 2016	57.02	–
June 30, 2015	45.31	–

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
June 30, 2016	366,338	156,915	42.8	2,469.25
March 31, 2016	351,880	154,976	44.0	2,438.74

Reference: Equity As of June 30, 2016: ¥156,915 million As of March 31, 2016: ¥154,976 million

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2016	–	24.00	–	26.00	50.00
Fiscal year ending March 31, 2017	–				
Fiscal year ending March 31, 2017 (Forecast)		27.00	–	27.00	54.00

Note: Revision to the forecasts most recently announced: No

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Six months	460,000	8.1	9,200	9.1	10,200	8.5	6,900	10.9	108.58
Fiscal year	900,000	4.6	17,500	8.7	19,500	5.1	13,200	10.6	207.72

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 "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, 2016	63,553,485 shares
As of March 31, 2016	63,553,485 shares

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

As of June 30, 2016	5,858 shares
As of March 31, 2016	5,858 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, 2016	63,547,627 shares
For the three months ended June 30, 2015	63,547,713 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 "1. Qualitative Information for the Three Months Ended June 30, 2016 (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

Contents

1. Qualitative Information for the Three Months Ended June 30, 2016 2
(1) Operating Results 2
(2) Financial Position 3
(3) Forecasts and Other Projections 3

2. Summary Information (Notes) 4
(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements 4
(2) Supplementary Information 4

3. Quarterly Financial Statements 5
(1) Quarterly Balance Sheets 5
(2) Quarterly Statements of Income 7
(3) Quarterly Statements of Cash Flows 8
(4) Notes to Quarterly Financial Statements 9
(Notes on premise of going concern) 9
(Notes on significant changes in the amount of shareholders' equity) 9

4. Supplementary Information 9
(1) Sales Status 9

1. Qualitative Information for the Three Months Ended June 30, 2016

(1) Operating Results

In the three months ended June 30, 2016, the Japanese economy followed a moderate recovery track, mainly on the back of improvement in the employment environment, reflecting such positive developments as the effects of various measures instituted by the Japanese government. Nevertheless, the outlook for the economy remained uncertain, partly because of the sharp rise in the yen due to the effect of the issue of the UK leaving the EU and also concerns that economic underperformances overseas, including emerging countries in Asia, such as China, could have a detrimentally effect on the Japanese economy.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, the market environment followed a trend of improvement, with a firm underlying support from inbound consumption, despite signs that consumption sentiment had mostly stalled.

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, the second year of the Company's medium-term management plan that has the vision of "Initiative to be an intermediate distributor essential to society," the Company will focus efforts on "enhanced information systems" in order to contribute to sophisticated information provision, a key strategy, and "develop human resources" who can pursue sophisticating and streamlining operations. By doing so, the Company "further boosted productivity" not only in-house, but also across the entire supply chain by cooperating with retailers and manufacturers, and accelerated efforts to "strengthen functions" performed by the Company as an intermediate distributor handling sales, distribution and other operations on the basis of its commitment to safety and security. By carrying out these initiatives, the Company strives to increase corporate value through sustained business growth.

Furthermore, aiming to strengthening the operating base for the future in accordance with the management plan, the Company proceeded with capital investment, such as acquiring land for the construction of "(provisional name) FDC Hiroshima," located in Saeki-ku, Hiroshima, begin construction of "(provisional name) FDC Siraoka," located in Shiraoka-shi, Saitama and establish a new office in Kita-ku, Tokyo to strengthen the operation in the Kanto area, which is the largest market.

As a result of the above, net sales for the three months ended June 30, 2016 were ¥234,677 million (up 11.8% year on year), operating income was ¥4,717 million (up 23.9%), ordinary income was ¥5,328 million (up 22.6%), and profit was ¥3,623 million (up 25.8%).

(Notes) FDCs (Front Distribution Centers) are logistics centers where frequently ordered case products are held. They support the RDCs (Regional Distribution Centers), which are the Company's primary large-scale logistics centers.

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

(2) Financial Position

1) Assets, liabilities and net assets

(Assets)

Total assets as of the end of the first quarter were ¥366,338 million, an increase of ¥14,458 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts receivable-trade of ¥11,216 million, in merchandise and finished goods of ¥2,566 million and in Land of ¥2,767 million.

(Liabilities)

Total liabilities as of the end of the first quarter were ¥209,423 million, an increase of ¥12,518 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts payable-trade of ¥3,344 million, in short-term loans payable of ¥1,000 million, in current portion of long-term loans payable of ¥1,765 million, and in long-term loans payable of ¥6,821 million and a decrease in income taxes payable of ¥1,826 million.

(Net assets)

Net assets as of the end of the first quarter were ¥156,915 million, an increase of ¥1,939 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥1,971 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the first quarter were ¥17,872 million, a decrease of ¥209 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 used in operating activities was ¥3,455 million (down ¥6,756 million year on year). Main factors were ¥5,295 million of income before income taxes, ¥1,209 million of depreciation and amortization, ¥11,216 million of increase in notes and accounts receivable-trade, ¥2,566 million of increase in inventories, ¥3,925 million of increase in notes and accounts payable-trade, ¥1,580 million of decrease in consumption taxes refund receivable and ¥3,421 million of income taxes paid.

(Cash flow from investing activities)

Net cash used in investing activities was ¥4,672 million (up ¥182 million year on year). Main factor was ¥4,660 million of purchase of property, plant and equipment.

(Cash flow from financing activities)

Net cash provided by financing activities was ¥7,918 million (up ¥1,350 million year on year). Main factors were ¥1,000 million of net increase in short-term loans payable, ¥10,000 million of proceeds from long-term loans payable, ¥1,414 million of repayments of long term loans payable and ¥1,647 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, 2017, which was announced on May 12, 2016.

2. Summary Information (Notes)

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

Changes in accounting policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Effective from the first quarter under review, the Company has applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016"(PTIF No.32, June 17, 2016) in relation to a change in the Corporation Tax Act. Under this application, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has changed from the declining balance method to the straight line method. The effect of this change on the profit and loss for the first quarter under review is immaterial.

(2) Supplementary Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the first quarter under review, the Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets"(ASBJ Guidance No.26, March 28, 2016).

3. Quarterly Financial Statements

(1) Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	18,082	17,872
Notes and accounts receivable-trade	165,482	176,699
Merchandise and finished goods	39,217	41,783
Other	18,420	15,949
Allowance for doubtful accounts	(22)	(24)
Total current assets	241,180	252,280
Non-current assets		
Property, plant and equipment		
Land	38,894	41,661
Other	49,067	49,763
Total property, plant and equipment	87,962	91,425
Intangible assets	1,087	1,036
Investments and other assets		
Investments and other assets	21,899	21,646
Allowance for doubtful accounts	(248)	(50)
Total investments and other assets	21,650	21,596
Total non-current assets	110,700	114,057
Total assets	351,880	366,338
Liabilities		
Current liabilities		
Notes and accounts payable-trade	127,618	130,962
Short-term loans payable	23,400	24,400
Current portion of long-term loans payable	5,378	7,143
Income taxes payable	3,672	1,846
Provision for bonuses	2,029	2,694
Provision for sales returns	216	212
Other	15,777	16,506
Total current liabilities	178,092	183,765
Non-current liabilities		
Long-term loans payable	12,150	18,971
Provision for retirement benefits	2,036	2,075
Other	4,625	4,611
Total non-current liabilities	18,812	25,657
Total liabilities	196,904	209,423

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	103,354	105,325
Treasury shares	(7)	(7)
Total shareholders' equity	147,043	149,014
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,970	7,964
Deferred gains or losses on hedges	(37)	(64)
Total valuation and translation adjustments	7,932	7,900
Total net assets	154,976	156,915
Total liabilities and net assets	351,880	366,338

(2) Quarterly Statements of Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	209,958	234,677
Cost of sales	194,081	217,059
Gross profit	15,877	17,617
Selling, general and administrative expenses	12,070	12,900
Operating income	3,806	4,717
Non-operating income		
Dividend income	99	94
Research fee income	339	423
Real estate rent	61	37
Other	117	125
Total non-operating income	617	681
Non-operating expenses		
Interest expenses	43	51
Rent cost of real estate	34	14
Other	1	3
Total non-operating expenses	78	69
Ordinary income	4,345	5,328
Extraordinary income		
Gain on sales of investment securities	0	–
Total extraordinary income	0	–
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	–	33
Loss on sales of investment securities	2	–
Total extraordinary losses	3	33
Income before income taxes	4,342	5,295
Income taxes-current	1,563	1,664
Income taxes-deferred	(99)	8
Total income taxes	1,463	1,672
Profit	2,879	3,623

(3) Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	4,342	5,295
Depreciation and amortization	1,096	1,209
Impairment loss	–	33
Increase (decrease) in allowance for doubtful accounts	0	(196)
Increase (decrease) in provision for bonuses	681	665
Increase (decrease) in provision for sales returns	45	(3)
Increase (decrease) in provision for retirement benefits	83	98
Interest and dividend income	(99)	(94)
Interest expenses	43	51
Loss (gain) on sales of investment securities	2	–
Decrease (increase) in notes and accounts receivable-trade	(10,926)	(11,216)
Decrease (increase) in inventories	(2,732)	(2,566)
Increase (decrease) in notes and accounts payable-trade	1,754	3,925
Decrease (increase) in consumption taxes refund receivable	–	1,580
Increase (decrease) in accrued consumption taxes	(2,324)	631
Other, net	976	504
Subtotal	(7,057)	(81)
Interest and dividend income received	99	94
Interest expenses paid	(37)	(46)
Income taxes paid	(3,217)	(3,421)
Net cash provided by (used in) operating activities	(10,211)	(3,455)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(4,661)	(4,660)
Proceeds from sales of property, plant and equipment	193	94
Purchase of intangible assets	(15)	(40)
Purchase of investment securities	(44)	(45)
Proceeds from sales of investment securities	23	–
Other, net	14	(19)
Net cash provided by (used in) investing activities	(4,489)	(4,672)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,000	1,000
Proceeds from long-term loans payable	6,500	10,000
Repayments of long-term loans payable	(2,462)	(1,414)
Repayments of lease obligations	(20)	(20)
Purchase of treasury shares	(0)	–
Cash dividends paid	(1,450)	(1,647)
Net cash provided by (used in) financing activities	6,567	7,918
Net increase (decrease) in cash and cash equivalents	(8,134)	(209)
Cash and cash equivalents at beginning of period	21,507	18,082
Cash and cash equivalents at end of period	13,373	17,872

(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, 2016 by product category are as follows:

Product classification	Three months ended June 30, 2016	Year-on-year change (%)
	Amount (Millions of yen)	
Cosmetics	59,178	117.1
Daily necessities	104,561	113.3
OTC pharmaceuticals	32,607	107.4
Health and sanitary related products	35,276	105.6
Others	3,053	89.3
Total	234,677	111.8

Notes: Above figures are exclusive of consumption taxes.

2) Sales results for the three months ended June 30, 2016 by customer category are as follows:

Customer category		Three months ended June 30, 2016	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	145,691	115.3
HC	Home centers (DIY stores)	24,658	104.7
CVS	Convenience stores	15,802	111.9
SM	Supermarkets	14,706	104.0
DS	Discount stores	13,261	111.1
GMS	General merchandising stores	11,979	100.7
Others	Export and others	8,577	107.6
Total		234,677	111.8

Notes: Above figures are exclusive of consumption taxes.