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

January 31, 2017

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, Manager of Management Planning Headquarters
Masaharu Shimada
Tel: +81-6-4793-1090 (from overseas) E-mail: ir@paltac.co.jp

Scheduled date to submit the Quarterly Securities Report: February 10, 2017
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, 2017 (From April 1, 2016 to December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit	
Nine months ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
December 31, 2016	708,324	8.6	15,870	25.0	17,672	23.8	11,995	27.9
December 31, 2015	652,163	7.6	12,691	14.9	14,279	15.4	9,381	20.6

	Earnings per share	Diluted earnings per share
Nine months ended	(¥)	(¥)
December 31, 2016	188.77	–
December 31, 2015	147.63	–

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
December 31, 2016	379,951	164,045	43.2	2,581.46
March 31, 2016	351,880	154,976	44.0	2,438.74

Reference: Equity As of December 31, 2016: ¥164,045 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	–	28.00	–		
Fiscal year ending March 31, 2017 (Forecast)				28.00	56.00

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)	%	(¥)
Fiscal year	915,000	6.4	19,000	18.0	21,000	13.2	14,500	21.5	228.18

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 pages 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 December 31, 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 December 31, 2016	5,958 shares
As of March 31, 2016	5,858 shares

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

For the nine months ended December 31, 2016	63,547,616 shares
For the nine months ended December 31, 2015	63,547,655 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, 2016

(1) Operating Results

In the nine months ended December 31, 2016, the Japanese economy continued to follow a moderate recovery track, on the back of continuous 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, and it was necessary to keep in mind the uncertainty in overseas economies and the impact of fluctuations in financial and capital markets.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, the market environment was firm mainly due to a pick-up in personal consumption, reflecting improved consumption sentiment on the back of such factors as improvement in the employment situation.

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 beginning construction of "(provisional name) FDC Hiroshima," located in Saeki-ku, Hiroshima, and "(provisional name) FDC Shiraoka," located in Shiraoka-shi, Saitama and acquiring land for the expansion of "RDC Okinawa," located in Uruma-shi, Okinawa.

In addition, the Company is working to strengthen its operations in the Kanto area, which is our largest market, enhance the services function and improve management efficiency. To realize these objectives, in November 2016, the Company merged its Tokyo Branch Office and Kanto Branch Office, and commenced new operations based in Kita-ku, Tokyo.

As a result of the above, net sales for the nine months ended December 31, 2016 were ¥708,324 million (up 8.6% year on year), operating income was ¥15,870 million (up 25.0%), ordinary income was ¥17,672 million (up 23.8%), and profit was ¥11,995 million (up 27.9%).

(Notes) 1. RDCs (Regional Distribution Centers) are large-scale logistics centers.
2. FDCs (Front Distribution Centers) are logistics centers where frequently ordered case products are held. They support the RDCs.

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 third quarter were ¥379,951 million, an increase of ¥28,070 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts receivable-trade of ¥12,760 million, merchandise and finished goods of ¥12,676 million and land of ¥2,968 million.

(Liabilities)

Total liabilities as of the end of the third quarter were ¥215,905 million, an increase of ¥19,001 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts payable-trade of ¥17,549 million, current portion of long-term loans payable of ¥2,754 million and long-term loans payable of ¥5,427 million and a decrease in short-term loans payable of ¥5,000 million.

(Net assets)

Total net assets as of the end of the third quarter were ¥164,045 million, an increase of ¥9,069 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings of ¥8,564 million and valuation difference on available-for-sale securities of ¥422 million.

2) Cash flows

Cash and cash equivalents ("cash") as of the end of the third quarter were ¥20,932 million, an increase of ¥2,849 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 ¥8,718 million (compared with net cash of ¥5,058 million used in the same period of the previous fiscal year). Main factors were ¥17,522 million of income before income taxes, ¥3,670 million of depreciation and amortization, ¥12,760 million of increase in notes and accounts receivable-trade, ¥12,676 million of increase in inventories, ¥18,130 million of increase in notes and accounts payable-trade and ¥6,476 million of income taxes paid.

(Cash flow from investing activities)

Net cash used in investing activities was ¥5,552 million (down ¥13,732 million year on year). Main factors were ¥5,805 million of purchase of property.

(Cash flow from financing activities)

Net cash provided by financing activities was ¥316 million (compared with net cash of ¥23,312 million provided by the same period of the previous fiscal year). Main factors were ¥5,000 million of net decrease in short-term loans payable, ¥14,000 million of proceeds from long-term loans payable, ¥5,819 million of repayments of long-term loans payable and ¥3,426 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 October 28, 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 ended June 30, 2016, 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 third quarter under review is immaterial.

(2) Supplementary Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the first quarter ended June 30, 2016, 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 December 31, 2016
Assets		
Current assets		
Cash and deposits	18,082	20,932
Notes and accounts receivable-trade	165,482	178,242
Merchandise and finished goods	39,217	51,894
Other	18,420	16,122
Allowance for doubtful accounts	(22)	(23)
Total current assets	241,180	267,168
Non-current assets		
Property, plant and equipment		
Land	38,894	41,862
Other	49,067	47,985
Total property, plant and equipment	87,962	89,848
Intangible assets	1,087	938
Investments and other assets		
Investments and other assets	21,899	22,042
Allowance for doubtful accounts	(248)	(46)
Total investments and other assets	21,650	21,996
Total non-current assets	110,700	112,783
Total assets	351,880	379,951
Liabilities		
Current liabilities		
Notes and accounts payable-trade	127,618	145,168
Short-term loans payable	23,400	18,400
Current portion of long-term loans payable	5,378	8,132
Income taxes payable	3,672	2,222
Provision for bonuses	2,029	776
Provision for sales returns	216	209
Other	15,777	16,482
Total current liabilities	178,092	191,391
Non-current liabilities		
Long-term loans payable	12,150	17,577
Provision for retirement benefits	2,036	2,147
Other	4,625	4,789
Total non-current liabilities	18,812	24,514
Total liabilities	196,904	215,905

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	103,354	111,918
Treasury shares	(7)	(7)
Total shareholders' equity	147,043	155,607
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,970	8,392
Deferred gains or losses on hedges	(37)	45
Total valuation and translation adjustments	7,932	8,437
Total net assets	154,976	164,045
Total liabilities and net assets	351,880	379,951

(2) Quarterly Statements of Income

(cumulative from the beginning of the fiscal year)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	652,163	708,324
Cost of sales	601,708	653,611
Gross profit	50,455	54,712
Selling, general and administrative expenses	37,763	38,842
Operating income	12,691	15,870
Non-operating income		
Dividend income	222	228
Research fee income	1,057	1,279
Real estate rent	183	103
Other	394	403
Total non-operating income	1,858	2,014
Non-operating expenses		
Interest expenses	155	154
Rent cost of real estate	103	35
Other	11	21
Total non-operating expenses	270	212
Ordinary income	14,279	17,672
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	32	5
Total extraordinary income	33	5
Extraordinary losses		
Loss on sales of non-current assets	–	0
Loss on retirement of non-current assets	63	22
Impairment loss	88	116
Other	2	16
Total extraordinary losses	154	155
Income before income taxes	14,158	17,522
Income taxes-current	4,326	4,932
Income taxes-deferred	451	594
Total income taxes	4,777	5,526
Profit	9,381	11,995

(3) Quarterly Statements of Cash Flows

(cumulative from the beginning of the fiscal year)

(Millions of yen)

	Nine months ended December 31 2015	Nine months ended December 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	14,158	17,522
Depreciation and amortization	3,623	3,670
Impairment loss	88	116
Increase (decrease) in allowance for doubtful accounts	(0)	(200)
Increase (decrease) in provision for bonuses	(1,216)	(1,252)
Increase (decrease) in provision for sales returns	50	(6)
Increase (decrease) in provision for retirement benefits	229	291
Interest and dividend income	(223)	(228)
Interest expenses	155	154
Loss (gain) on sales of investment securities	(30)	8
Decrease (increase) in notes and accounts receivable-trade	(16,251)	(12,760)
Decrease (increase) in inventories	(14,932)	(12,676)
Increase (decrease) in notes and accounts payable-trade	18,596	18,130
Decrease (increase) in consumption taxes refund receivable	(1,849)	1,580
Increase (decrease) in accrued consumption taxes	(2,686)	453
Other, net	1,462	310
Subtotal	1,174	15,112
Interest and dividend income received	223	228
Interest expenses paid	(143)	(145)
Income taxes paid	(6,313)	(6,476)
Net cash provided by (used in) operating activities	(5,058)	8,718
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(15,322)	(5,805)
Proceeds from sales of property, plant and equipment	197	411
Purchase of intangible assets	(66)	(92)
Purchase of investment securities	(125)	(122)
Proceeds from sales of investment securities	71	147
Payments for merger	(4,040)	–
Other, net	1	(90)
Net cash provided by (used in) investing activities	(19,285)	(5,552)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	17,000	(5,000)
Proceeds from long-term loans payable	14,500	14,000
Repayments of long-term loans payable	(5,140)	(5,819)
Repayments of lease obligations	(61)	(70)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(2,985)	(3,426)
Net cash provided by (used in) financing activities	23,312	(316)
Net increase (decrease) in cash and cash equivalents	(1,031)	2,849
Cash and cash equivalents at beginning of period	21,507	18,082
Cash and cash equivalents at end of period	20,476	20,932

(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, 2016 by product category are as follows:

Product classification	Nine months ended December 31, 2016	Year-on-year change (%)
	Amount (Millions of yen)	
Cosmetics	179,393	111.4
Daily necessities	306,816	109.8
OTC pharmaceuticals	102,063	104.1
Health and sanitary related products	109,717	106.4
Others	10,333	98.3
Total	708,324	108.6

Note: Above figures are exclusive of consumption taxes.

2) Sales results for the nine months ended December 31, 2016 by customer category are as follows:

Customer category		Nine months ended December 31, 2016	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	439,972	111.0
HC	Home centers (DIY stores)	70,328	101.6
CVS	Convenience stores	53,590	116.2
SM	Supermarkets	43,744	102.6
DS	Discount stores	40,649	111.3
GMS	General merchandising stores	33,898	92.1
Others	Export and others	26,141	106.0
Total		708,324	108.6

Note: Above figures are exclusive of consumption taxes.