Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2018 <under Japanese GAAP>

July 28, 2017

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 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 down to the nearest million yen)

1. Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to June 30, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Three months ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
June 30, 2017	242,836	3.5	5,882	24.7	6,505	22.1	4,461	23.1
June 30, 2016	234,677	11.8	4,717	23.9	5,328	22.6	3,623	25.8

	Earnings per share	Diluted earnings per share
Three months ended	(¥)	(¥)
June 30, 2017	70.21	–
June 30, 2016	57.02	–

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
June 30, 2017	381,973	170,715	44.7	2,686.42
March 31, 2017	361,363	166,921	46.2	2,626.72

Reference: Equity As of June 30, 2017: ¥170,715 million As of March 31, 2017: ¥166,921 million

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2017	–	28.00	–	28.00	56.00
Fiscal year ending March 31, 2018	–				
Fiscal year ending March 31, 2018 (Forecast)		30.00	–	30.00	60.00

Note: Revision to the forecasts most recently announced: No

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Six months	490,000	3.1	11,000	2.9	12,000	0.7	8,200	0.9	129.04
Fiscal year	960,000	4.1	20,500	7.2	23,000	6.6	15,500	6.1	243.91

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: 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, 2017	63,553,485 shares
As of March 31, 2017	63,553,485 shares

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

As of June 30, 2017	6,008 shares
As of March 31, 2017	5,958 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, 2017	63,547,511 shares
For the three months ended June 30, 2016	63,547,627 shares

* Explanation regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures.

* 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, 2017 (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, 2017

(1) Operating Results

In the three months ended June 30, 2017, 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 mainly due to a pick-up in personal consumption on the back of improved consumption sentiment.

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." In addition, 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 final year of the Company's medium-term management plan that has the vision of "Initiative to be an intermediate distributor essential to society," with the aim of achieving the targets set out in the plan, 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.

Also, the Company is working to improve logistics efficiency in the Chugoku area by promoting cooperation between "FDC Hiroshima" (located in Saeki-ku, Hiroshima), from which dispatches started in May 2017, and the existing "RDC Chugoku" (located in Asaminami-ku, Hiroshima). Furthermore, aiming to strengthen the future operating base in accordance with the management plan, the Company proceeded with capital investment, such as expansion of "RDC Okinawa" (located in Uruma-shi, Okinawa) and the replacement of "RDC Niigata" (located in Mitsuke-shi, Niigata). These efforts are expected to result in an enhancement of shipping capacity.

As a result of the above, net sales for the three months ended June 30, 2017 were ¥242,836 million (up 3.5% year on year), operating profit was ¥5,882 million (up 24.7%), ordinary profit was ¥6,505 million (up 22.1%), and profit was ¥4,461 million (up 23.1%).

(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 first quarter were ¥381,973 million, an increase of ¥20,609 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts receivable-trade of ¥13,368 million and in merchandise and finished goods of ¥3,918 million.

(Liabilities)

Total liabilities as of the end of the first quarter were ¥211,258 million, an increase of ¥16,815 million from the end of the previous fiscal year. This was primarily the result of increases in notes and accounts payable-trade of ¥7,847 million and in short-term loans payable of ¥13,000 million and decreases in income taxes payable of ¥2,252 million and in long-term loans payable of ¥991 million.

(Net assets)

Net assets as of the end of the first quarter were ¥170,715 million, an increase of ¥3,793 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings of ¥2,682 million and in valuation difference on available-for-sale securities of ¥1,117 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the first quarter were ¥17,904 million, a decrease of ¥608 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 ¥5,665 million (up ¥2,209 million year on year). Main factors were ¥6,509 million of profit before income taxes, ¥1,165 million of depreciation and amortization, ¥13,368 million of increase in notes and accounts receivable-trade, ¥3,918 million of increase in inventories, ¥8,427 million of increase in notes and accounts payable-trade and ¥3,711 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥5,215 million (up ¥543 million year on year). Main factor was ¥6,259 million of purchase of property, plant and equipment and ¥1,069 million of proceeds from sales of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥10,271 million (up ¥2,353 million year on year). Main factors were ¥13,000 million of net increase in short-term loans payable, ¥1,000 million of proceeds from long-term loans payable, ¥1,933 million of repayments of long term loans payable and ¥1,775 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, 2018, which was announced on May 12, 2017.

2. Quarterly Financial Statements and Notes to Quarterly Financial Statements

(1) Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	18,513	17,904
Notes and accounts receivable-trade	170,294	183,663
Merchandise and finished goods	40,351	44,269
Other	16,742	17,283
Allowance for doubtful accounts	(77)	(85)
Total current assets	245,825	263,035
Non-current assets		
Property, plant and equipment		
Buildings	38,057	38,681
Land	42,443	41,858
Other	11,965	13,858
Total property, plant and equipment	92,466	94,398
Intangible assets	895	853
Investments and other assets		
Investments and other assets	22,181	23,691
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	22,176	23,686
Total non-current assets	115,538	118,937
Total assets	361,363	381,973
Liabilities		
Current liabilities		
Notes and accounts payable-trade	134,152	141,999
Short-term loans payable	3,000	16,000
Current portion of long-term loans payable	8,132	8,190
Income taxes payable	4,231	1,979
Provision for bonuses	2,026	2,650
Provision for sales returns	192	197
Other	20,157	17,858
Total current liabilities	171,892	188,876
Non-current liabilities		
Long-term loans payable	15,444	14,453
Provision for retirement benefits	2,183	2,235
Other	4,922	5,693
Total non-current liabilities	22,549	22,381
Total liabilities	194,442	211,258

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	114,528	117,210
Treasury shares	(7)	(7)
Total shareholders' equity	158,217	160,899
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,692	9,810
Deferred gains or losses on hedges	11	5
Total valuation and translation adjustments	8,704	9,815
Total net assets	166,921	170,715
Total liabilities and net assets	361,363	381,973

(2) Quarterly Statements of Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	234,677	242,836
Cost of sales	217,059	223,972
Gross profit	17,617	18,863
Selling, general and administrative expenses	12,900	12,981
Operating profit	4,717	5,882
Non-operating income		
Dividend income	94	92
Research fee income	423	432
Real estate rent	37	34
Other	125	111
Total non-operating income	681	669
Non-operating expenses		
Interest expenses	51	31
Rent cost of real estate	14	9
Other	3	5
Total non-operating expenses	69	46
Ordinary profit	5,328	6,505
Extraordinary income		
Gain on sales of investment securities	–	6
Total extraordinary income	–	6
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Impairment loss	33	–
Total extraordinary losses	33	3
Profit before income taxes	5,295	6,509
Income taxes-current	1,664	1,792
Income taxes-deferred	8	255
Total income taxes	1,672	2,047
Profit	3,623	4,461

(3) Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	5,295	6,509
Depreciation and amortization	1,209	1,165
Impairment loss	33	–
Increase (decrease) in allowance for doubtful accounts	(196)	7
Increase (decrease) in provision for bonuses	665	623
Increase (decrease) in provision for sales returns	(3)	5
Increase (decrease) in provision for retirement benefits	98	118
Interest and dividend income	(94)	(92)
Interest expenses	51	31
Loss (gain) on sales of investment securities	–	(6)
Decrease (increase) in notes and accounts receivable-trade	(11,216)	(13,368)
Decrease (increase) in inventories	(2,566)	(3,918)
Increase (decrease) in notes and accounts payable-trade	3,925	8,427
Decrease (increase) in consumption taxes refund receivable	1,580	–
Increase (decrease) in accrued consumption taxes	631	(590)
Other, net	504	(932)
Subtotal	(81)	(2,018)
Interest and dividend income received	94	92
Interest expenses paid	(46)	(27)
Income taxes paid	(3,421)	(3,711)
Net cash provided by (used in) operating activities	(3,455)	(5,665)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,660)	(6,259)
Proceeds from sales of property, plant and equipment	94	1,069
Purchase of intangible assets	(40)	(44)
Purchase of investment securities	(45)	(43)
Proceeds from sales of investment securities	–	59
Other, net	(19)	1
Net cash provided by (used in) investing activities	(4,672)	(5,215)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,000	13,000
Proceeds from long-term loans payable	10,000	1,000
Repayments of long-term loans payable	(1,414)	(1,933)
Repayments of lease obligations	(20)	(19)
Purchase of treasury shares	–	(0)
Cash dividends paid	(1,647)	(1,775)
Net cash provided by (used in) financing activities	7,918	10,271
Net increase (decrease) in cash and cash equivalents	(209)	(608)
Cash and cash equivalents at beginning of period	18,082	18,513
Cash and cash equivalents at end of period	17,872	17,904

(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

3. Supplementary Information

(1) Sales Status

(Sales results)

1) Sales results for the three months ended June 30, 2017 by product category are as follows:

Product classification	Three months ended June 30, 2017	Year-on-year change (%)
	Amount (Millions of yen)	
Cosmetics	62,112	105.0
Daily necessities	107,318	102.6
OTC pharmaceuticals	34,079	104.5
Health and sanitary related products	36,218	102.7
Others	3,107	101.8
Total	242,836	103.5

Notes: Above figures are exclusive of consumption taxes.

2) Sales results for the three months ended June 30, 2017 by customer category are as follows:

Customer category		Three months ended June 30, 2017	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	152,918	105.0
HC	Home centers (DIY stores)	24,566	99.6
CVS	Convenience stores	17,309	109.5
SM	Supermarkets	14,633	99.5
DS	Discount stores	14,609	110.2
GMS	General merchandising stores	9,305	77.7
Others	Export and others	9,492	110.7
Total		242,836	103.5

Notes: Above figures are exclusive of consumption taxes.