Financial Results Q1 FY2025

(Three months ended June 30, 2024)

July 29, 2024

PALTAC CORPORATION

(TSE Code:8283)

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Financial Results Q1 FY2025 (Apr - Jun)

Net Sales

¥ 302.9bn

Change in YoY Q1 (Apr - Jun)

+ ¥ 9.3bn (+ 3.2%)

Operating Profit

¥ 7.4bn

Change in YoY Q1 (Apr - Jun)

+ ¥ 0.4bn (+ 6.5%)

[YoY] Both Sales and Operating profit exceeded the previous year's level

- Strong demand for cosmetics and OTC pharmaceuticals reflecting a further increase in opportunities to go out
  Successful sales expansion measures including strengthening sales of new products
- Growth in the inbound demand reflecting increases in the number of foreign visitors to Japan
- Increase in gross profit from sales expansion and SG&A expenses to sales ratio declined due to the control of variable expenses and effects of fixed expenses absorption

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YoY Q1 FY2025 (Apr - Jun)

- **Sales and profits increased as a result of measures to increase sales and to improve profits**

¥ billion (ratio of net sales: %)	Q1 FY2024	Q1 FY2025	Difference	Difference rate
Net Sales	293.5	**302.9**	+9.3	+3.2%
Gross Profit	21.7	**22.3**	+0.6	+3.0%
	(7.39)	**(7.38)**	(−0.01)	
SG&A Expenses	14.7	**14.9**	+0.1	+1.3%
	(5.02)	**(4.93)**	(−0.09)	
Operating Profit	6.9	**7.4**	+0.4	+6.5%
	(2.38)	**(2.45)**	(+0.07)	
Ordinary Profit	7.8	**8.3**	+0.4	+5.9%
	(2.67)	**(2.74)**	(+0.07)	
Profit	5.5	**6.0**	+0.5	+10.0%
	(1.88)	**(2.01)**	(+0.13)	

Net Sales

- Growth of demand for products used when people going out
- Growth in inbound tourism consumption
- Driving strong sales of summer seasonal products due to high temperatures

Gross Profit

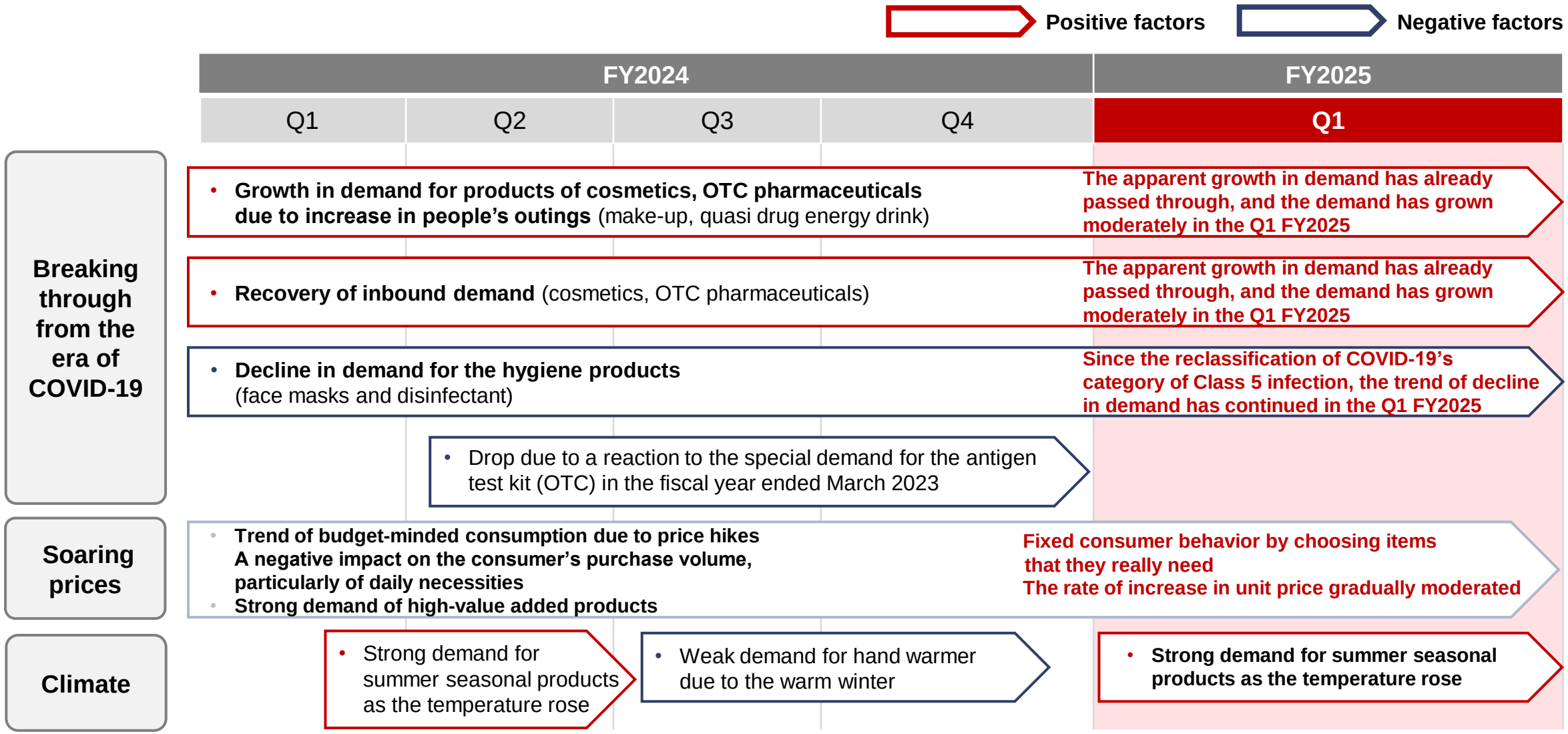
- Realized practical improvement of gross profit margin thanks to measures for gross profit improvement
- Initial expenses accompanying the start of food logistics (- ¥ 0.11 bn / - 0.04 %)

SG&A Expenses

- The effect of fixed expenses absorption reflecting the sales expansion
- SG&A expenses ratio reduced year on year under the environment of increases in personnel and delivery expenses

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Market Environment Q1 FY2025 (Apr - Jun)



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Net Sales YoY Q1 FY2025 (Apr - Jun)

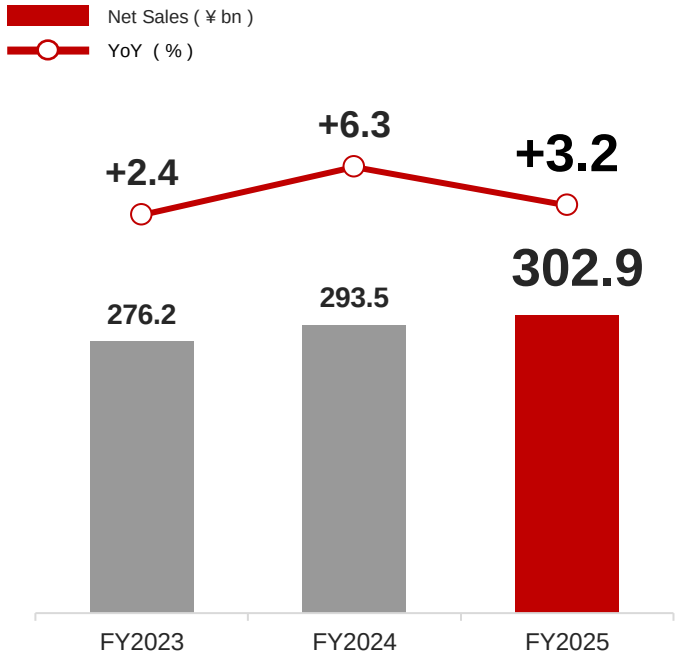
- **Achieved year on year growth in sales through successful sales expansion measures that captured the environmental changes, including a further increase in consumer going out, the diversified consumer needs and growth in the inbound demand reflecting increases in the number of foreign visitors to Japan** (YoY + ¥ 9.3 bn / + 3.2 %)

(Main factors)

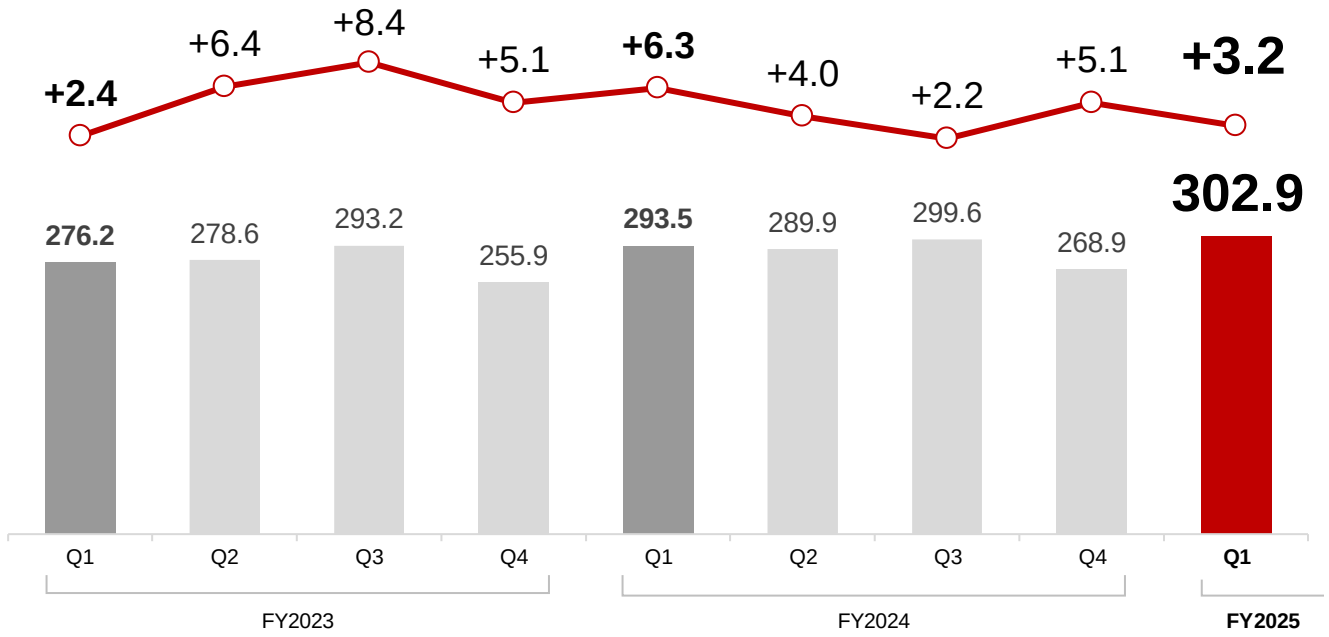
Factors in YoY growth in net sales : Strengthening procurement of the new products / Growth in demand for products related to consumers to going out / Increase in inbound tourism consumption / Strong demand for summer seasonal products as the temperature rose / Increase in the handling volume with the start of operation at Tochigi distribution center / Increase in the selling prices of products due to price hike and growth in sales of high value-added products

A factor in YoY decline in net sales : Decline in demand for products related to COVID-19

- Comparison of Q1 Results -



- Quarterly Results -



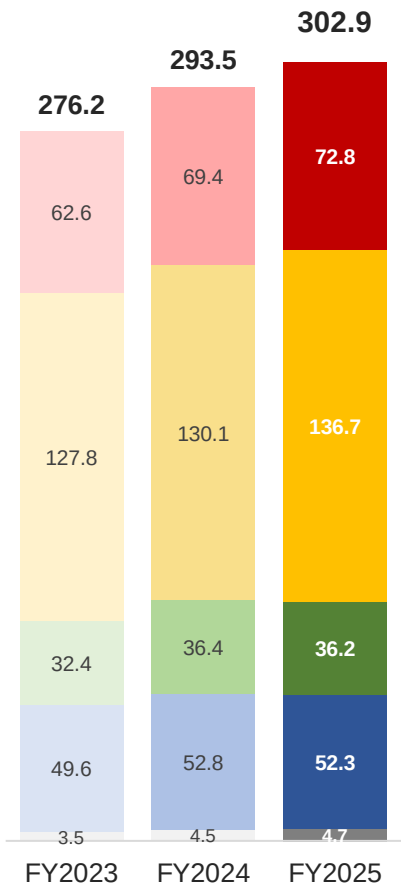
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Sales Composition by Product Category YoY Q1 FY2025 (Apr - Jun)

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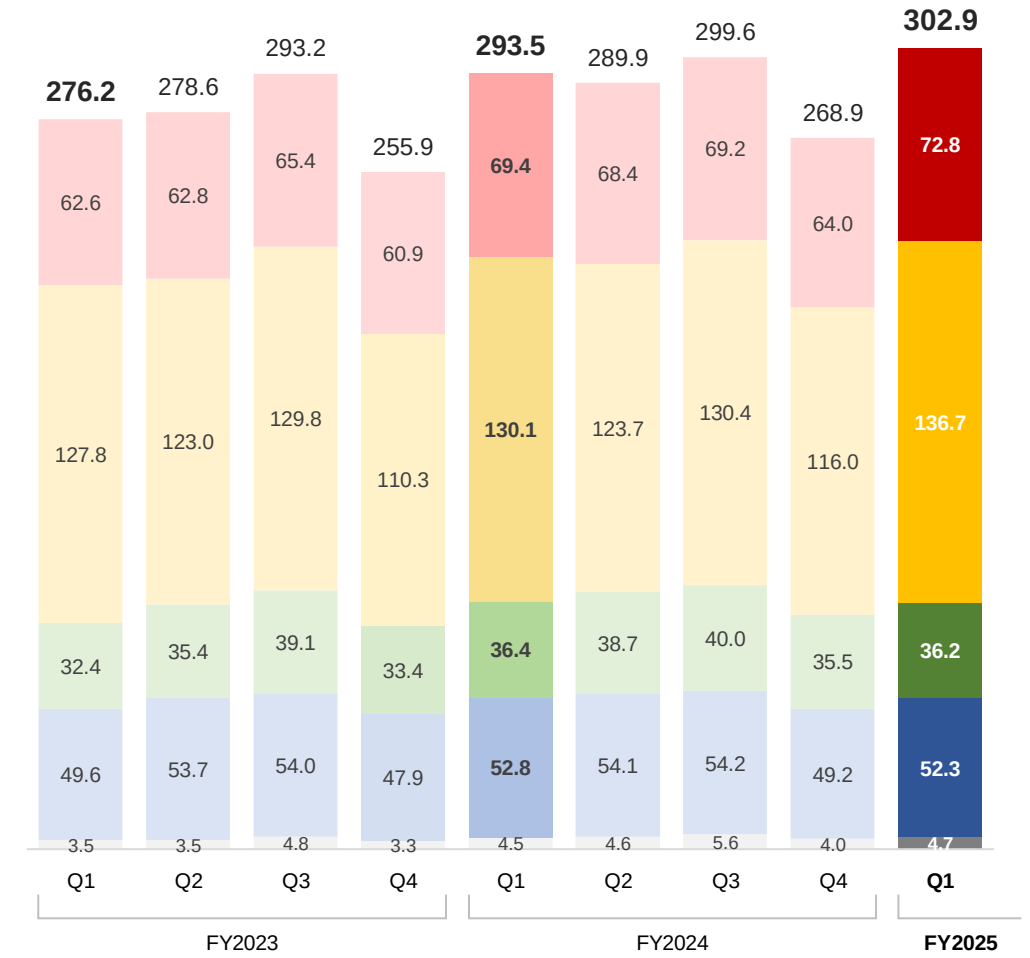
- Comparison of Q1 Results -

(¥ bn)



- Quarterly Results -

(¥ bn)



YoY Q1 (Apr - Jun)

Cosmetics
+ ¥ 3.4 bn / + 4.9 %
Composition ratio : 24.0 % (+ 0.3 %)

Daily necessities
+ ¥ 6.6 bn / + 5.1 %
Composition ratio : 45.2 % (+ 0.9 %)

OTC pharmaceuticals
- ¥ 0.2 bn / - 0.6 %
Composition ratio : 12.0 % (- 0.4 %)

Health and sanitary related products
- ¥ 0.5 bn / - 1.0 %
Composition ratio : 17.3 % (- 0.7 %)

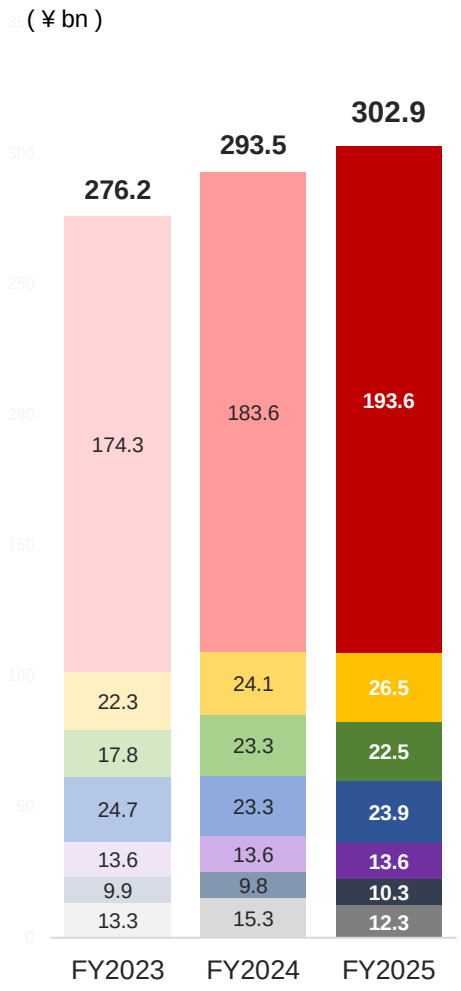
Others
+ ¥ 0.1 bn / + 2.5 %
Composition ratio : 1.5 % (- 0.1 %)

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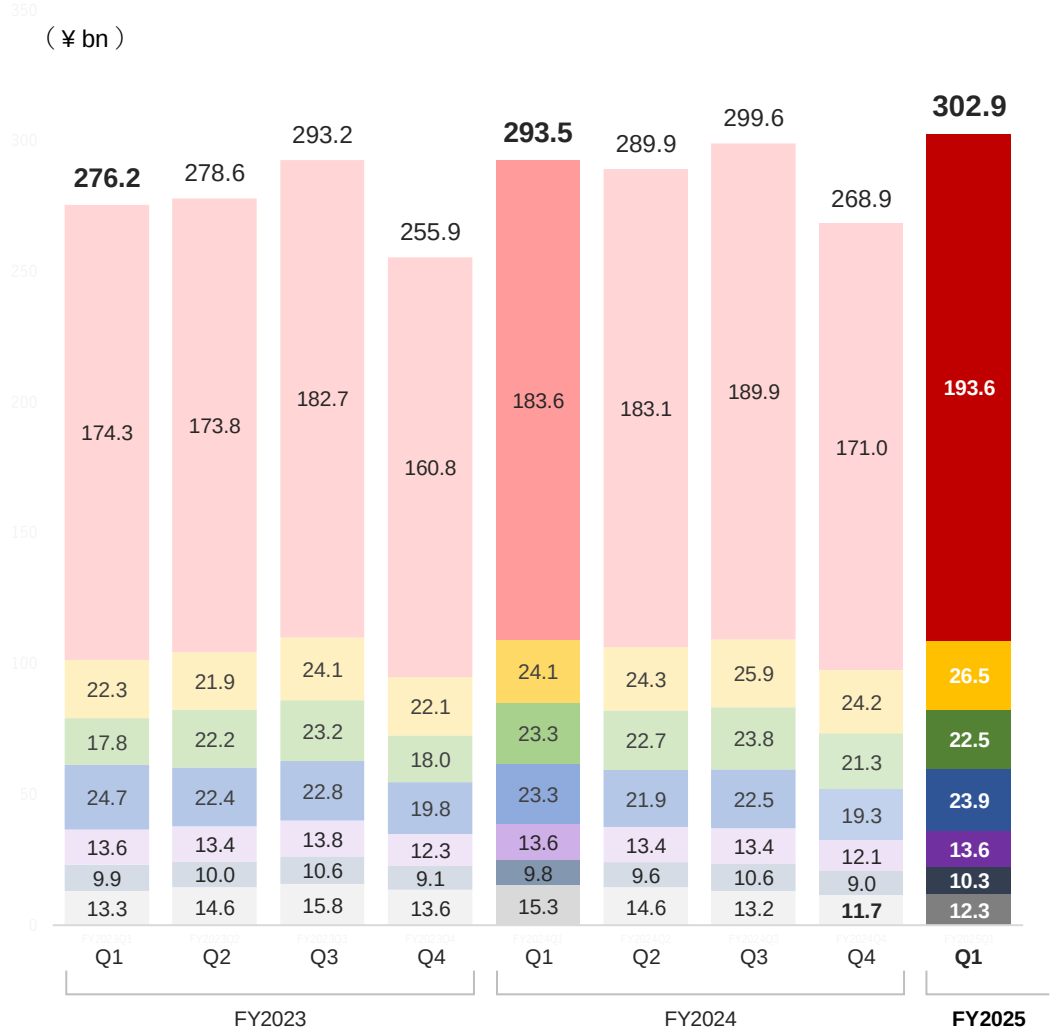
Sales Composition by Customer Category YoY Q1 FY2025 (Apr - Jun)

PALTAC

- Comparison of Q1 Results -



- Quarterly Results -



YoY Q1 (Apr - Jun)

Drugstores
+ ¥ 9.9 bn / + 5.4 %
Composition ratio : 63.9 % (+ 1.4 %)

Discount Stores
+ ¥ 2.3 bn / + 9.9 %
Composition ratio : 8.8 % (+ 0.6 %)

Convenience Stores
- ¥ 0.8 bn / - 3.7%
Composition ratio : 7.4 % (- 0.6 %)

Home Center
+ ¥ 0.5 bn / + 2.3 %
Composition ratio : 7.9 % (- 0.1 %)

Super Market
- ¥ 0.0 bn / - 0.2 %
Composition ratio : 4.5 % (- 0.2 %)

GMS*
+ ¥ 0.4 bn / + 4.9 %
Composition ratio : 3.4 % (0.0 %)

Others
- ¥ 3.0 bn / - 19.8 %
Composition ratio : 4.1 % (- 1.1 %)

* GMS stands for General Merchandising Store

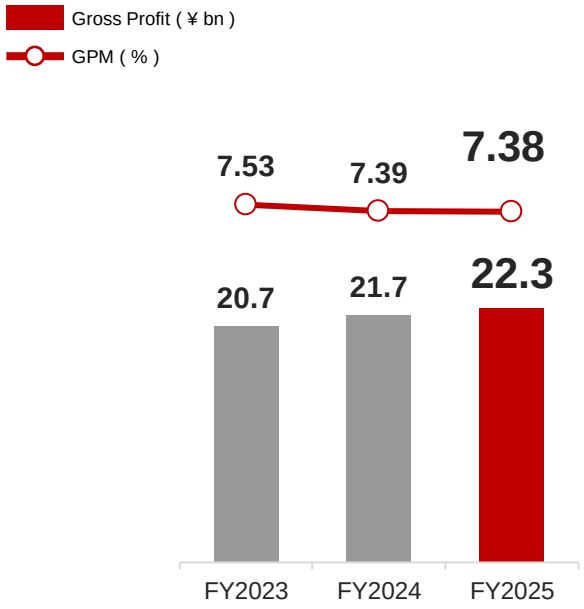
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Gross Profit YoY Q1 FY2025 (Apr - Jun)

- **Achieved year on year growth in gross profit thanks to sales expansion measures and profit boosting management, despite the impacts of intensified price competition among wholesale industries, price hike and the change of sales composition of products (YoY + ¥ 0.6 bn / GPM - 0.01 %)**
- **Initial expenses accompanying the start of food logistics at the RDC Miyagi (- ¥ 0.11 bn)**
  Excluding initial expenses accompanying the start of food logistics (YoY + ¥ 0.7 bn / GPM + 0.03 %)

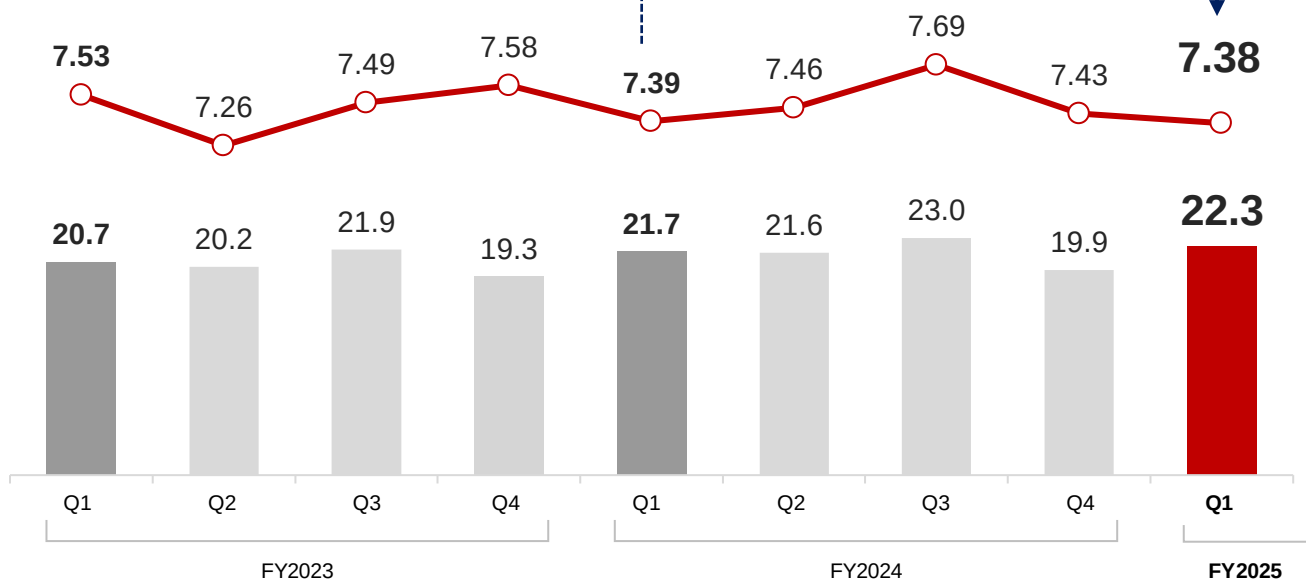
(Main factors) Factors in YoY growth in gross profit : Secured appropriate profits led by sales expansion / Increase in the rebates earned
Factors in YoY decline in gross profit : Decline in sales of the hygiene products with relatively high gross profit margin / Increase in center fees (expanded sales for customers that required to pay center fees and soaring fuel price)

- Comparison of Q1 Results -



- Quarterly Results -

YoY + ¥ 0.6 bn (GPM - 0.01 %)
Excluding initial expenses accompanying the start of food logistics (YoY + ¥ 0.7 bn / GPM + 0.03 %)



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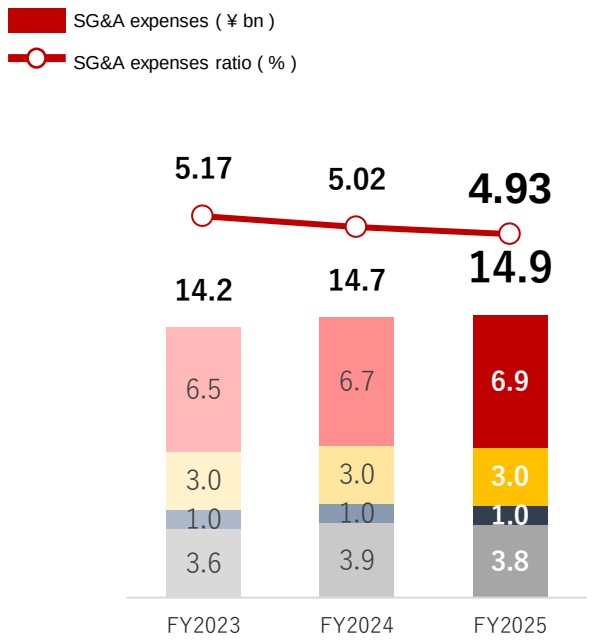
SG&A Expenses YoY Q1 FY2025 (Apr - Jun)

- **Improved SG&A expenses ratio thanks to improving activities and fixed-expenses absorption effect, despite increase in SG&A expenses due to an increase of investment in human capitals (YoY + ¥ 0.1 bn / SG&A expenses ratio - 0.09 %)**

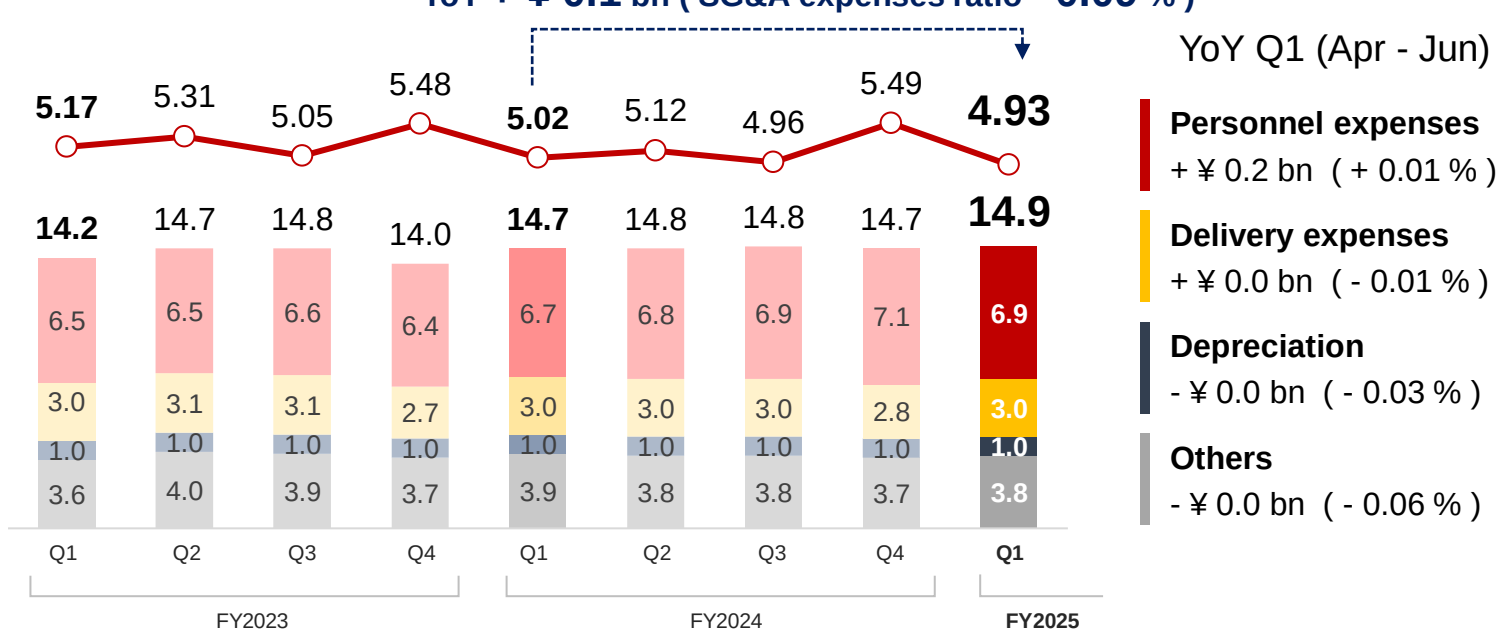
(Main factors) A factor in YoY increase in SG&A expenses : Investment in human capitals (Securing human capitals, wage hikes)

A factor in YoY improvement of the SG&A expenses ratio : Fixed-expenses absorption effect due to the sales expansion / Improvement of delivery expenses to sales ratio due to improvement in delivery activities

- Comparison of Q1 Results -



- Quarterly Results -

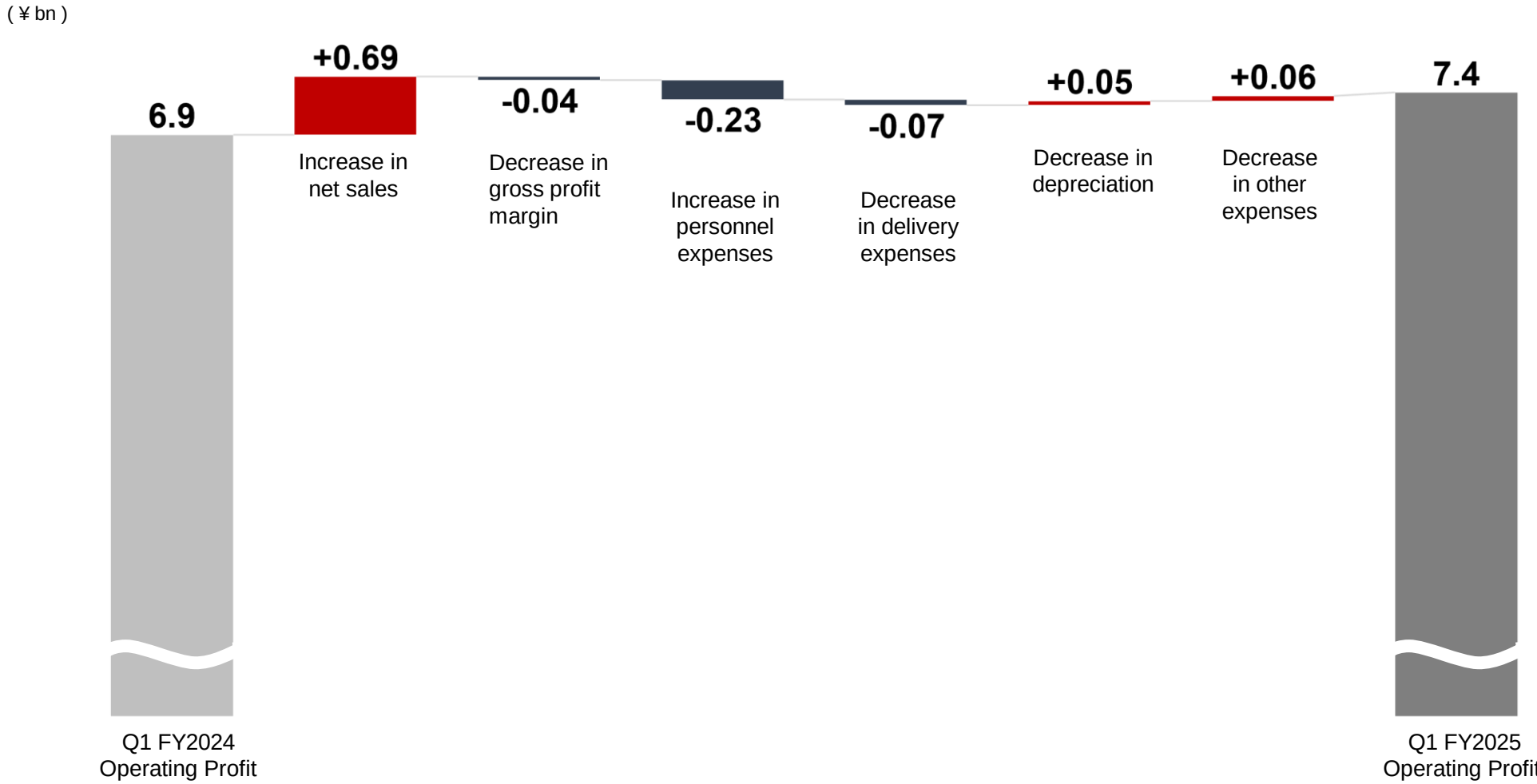


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Operating Profit YoY Q1 FY2025 (Apr - Jun)

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- Q1 (Apr - Jun) -

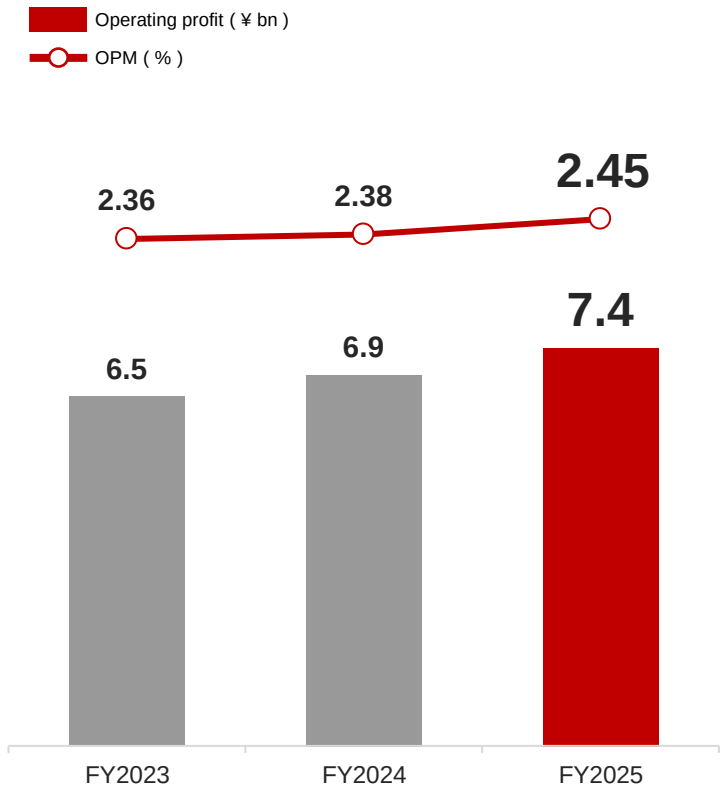


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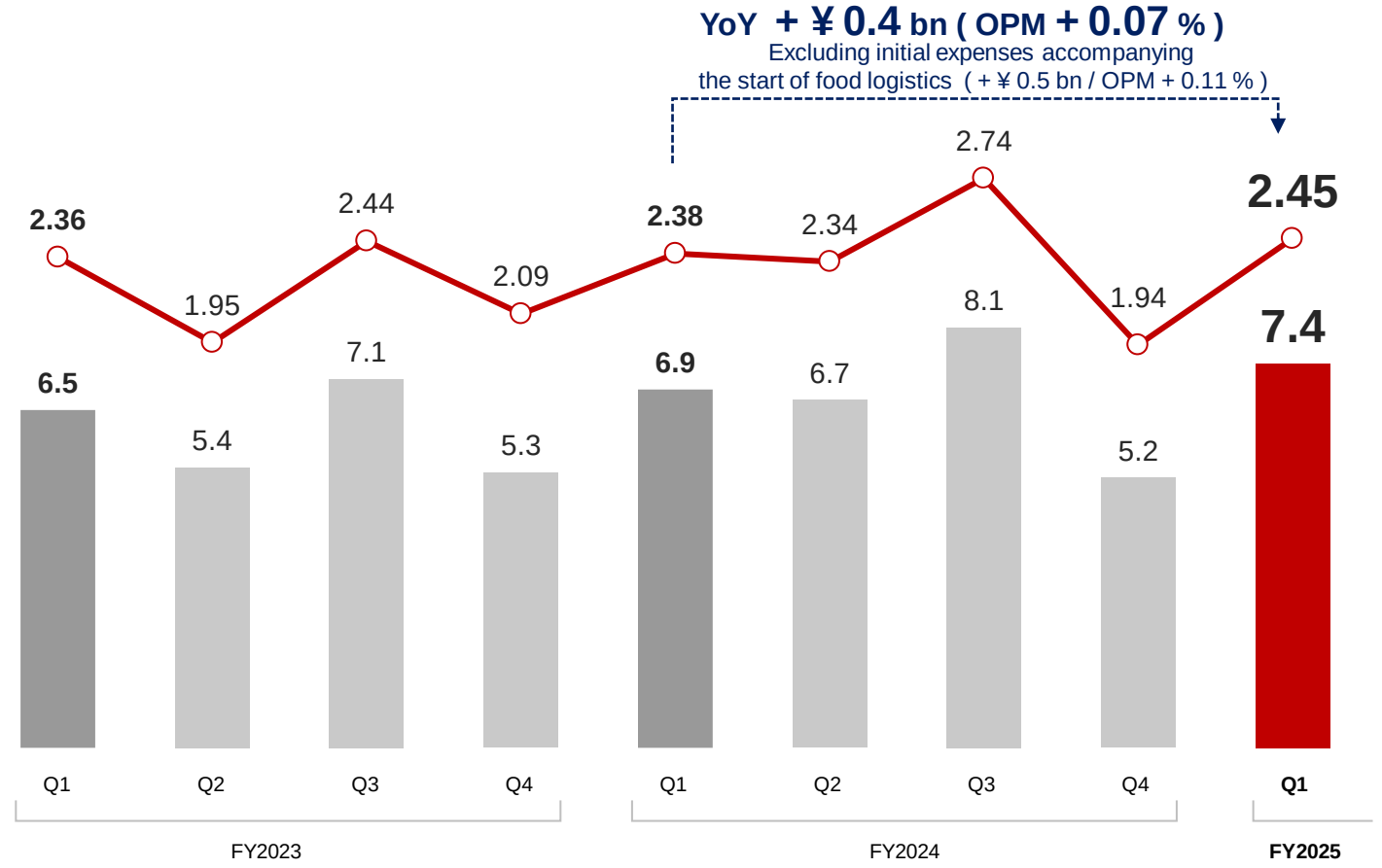
Operating Profit YoY Q1 FY2025 (Apr - Jun)

- **Achieved year on year growth in both operating profit and operating profit margin due to increases in gross profit and decline in SG&A expenses ratio** (YoY + ¥ 0.4 bn / OPM + 0.07 %)

- Comparison of Q1 Results -



- Quarterly Results -



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Forecasts FY2025 (No revision to the forecasts most recently announced)

- We expect to continue to face challenging business circumstances, including price hikes and sharp rise of logistics costs due to labor shortage
- With the fiscal year ending March 31, 2025 as the first year of its new three-years, medium-term management plan for "Building the foundation for transformation through restructuring" aiming to realize long-term corporate vision
  Taking on the challenge to steadily expand sales and profits in order to secure the adequate capitals for creating new value

¥ billion (ratio of net sales: %)	FY2024 Results	FY2025 Plan	Difference	Difference rate
Net Sales	1,151.9	**1,190.0**	+38.0	+3.3%
Gross Profit	86.3 (7.50)	**88.7** **(7.45)**	+2.3 (-0.05)	+2.7%
SG&A Expenses	59.1 (5.14)	**60.7** **(5.10)**	+1.5 (-0.04)	+2.6%
Operating Profit	27.1 (2.36)	**28.0** **(2.35)**	+0.8 (-0.01)	+3.0%
Ordinary Profit	30.5 (2.65)	**31.7** **(2.66)**	+1.1 (+0.01)	+3.8%
Profit	20.6 (1.79)	**22.0** **(1.85)**	+1.3 (+0.06)	+6.6%
Earnings per share(¥)	328.40	**350.06**	+21.66	+6.6%

Net Sales

- Strengthening the lineup of new products to meet the diversifying consumer needs
- Strengthening prompt and effective proposals of sales promotion by leveraging our various promotion systems

Gross Profit

- Increase in center fees to sales ratio (arising from price hikes, higher logistics costs, etc.) (Impact of soaring prices and rising delivery expenses, etc.)
- Initial expenses accompanying the start of food logistics (Total : ¥ 0.22 bn)

SG&A Expenses

- Effect of fixed expenses absorption with expanding sales
- Investment in human capitals (securing human capital, wage hikes)
- Increase in delivery expenses per unit

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Topics

ESG Share Buyback

Based on the key strategy of medium-term management plan “PALTAC VISION 2027”
Share buyback as a part of the return to shareholders (management with emphasis on capital efficiency)
Share buyback links with funding as ESG initiatives which will lead to improvement of sustainability

⇒ Funds, arising from implementation of share buyback will be allocated to our ESG-related projects
⇒ Funding for ESG projects up to an amount corresponding to the outperformance achieved by share buyback

～ Overview of share buyback ～

Period of buyback	Jul 30, 2024 - Mar 31, 2025
Total Number of buyback	1,500,000 shares (maximum)
Total Amount of buyback	¥ 5.0 bn (maximum)
Method of Acquisition	Market purchase on the Tokyo Stock Exchange, Inc.

～ Details of ESG Investment ～

Appropriate for…

- Installation of solar power generation systems
- Purchasing non-fossil fuel certificate

etc.

【Progress on carbon neutrality initiatives】

Acquired non-fossil fuel certificates (in Japan) for the year ended March 31, 2024
Reduced 3,395t of CO2 emissions

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Topics

Selected as a component of ESG Index

- **Appointed as a constituent of “MSCI Nihonkabu ESG Select Leaders Index”**

  ⇒ MSCI ESG Index series were developed by Morgan Stanley Capital International (MSCI, U.S.) and selects companies with excellent ESG performance of the MSCI Nihonkabu Investable Market Index in each industry

- **Acquired MSCI ESG assesses “AA” rating**

  ⇒ The Company is highly credited for its ESG engagement, particularly in the key issues including carbon footprint and labor management

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

MSCI ESG RATINGS AA

CCC | B | BB | BBB | A | AA | AAA

About the issued Integrated Report

Issued the integrated report “WHAT’S PALTAC 2024”(in Japanese) on August 2, 2024

【Major Changes】

- Contents related to establishment of the new medium-term management plan based on the our long-term visions and specific initiatives
- Contents related to new challenges for achieving sustainable growth
- Contents related to improvements of contents and disclosure of information based on the dialogues with investors
  (improving disclosure of non-financial measures)

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Note Concerning
Forward-Looking Statements

Information in this document presented by PALTAC CORPORATION (the “Company”) contains forward-looking statements regarding to the Company. Other than historical facts, these forecasts and strategies prepared under certain assumptions, and such matters include certain risks and uncertainties. As such, please be forewarned that actual results may not necessarily match these forecasts due to a variety of changes in the business environment and others causes.

Please also note that even in cases where it might be desirable for the forecast information to be updated or revised due to new information, future events or other items. The Company is not obliged and does not have a policy of updating this document and information to the most recent.

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