Non-consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2025 <under Japanese GAAP>

October 28, 2024

Company name: PALTAC CORPORATION
(URL: https://www.paltac.co.jp/)
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Scheduled date to submit the Interim Securities Report: November 13, 2024
Scheduled date to commence dividend payments: December 2, 2024
Preparation of supplementary material on interim financial results: Yes
Holding of interim financial results presentation meeting: Yes (for institutional investors, analysts and media)

(Figures are rounded down to the nearest million yen)

1. Financial Results for the First Half of the Fiscal Year Ending March 31, 2025 (From April 1, 2024 to September 30, 2024)

(1) Operating Results (% increase figures indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
First half ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
September 30, 2024	600,427	2.9	13,977	1.5	16,180	3.6	11,896	9.2
September 30, 2023	583,420	5.1	13,769	15.1	15,613	15.9	10,892	17.2

	Earnings per share	Diluted earnings per share
First half ended	(¥)	(¥)
September 30, 2024	189.50	–
September 30, 2023	173.32	–

(2) Financial Position

	Total assets	Net assets	Equity ratio
As of	(¥ million)	(¥ million)	%
September 30, 2024	510,094	285,474	56.0
March 31, 2024	495,697	277,962	56.1

Reference: Equity As of September 30, 2024: ¥285,474 million As of March 31, 2024: ¥277,962 million

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2024	–	45.00	–	49.00	94.00
Fiscal year ending March 31, 2025	–	50.00			
Fiscal year ending March 31, 2025 (Forecast)			–	55.00	105.00

Note: Revision to the forecasts most recently announced: No

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

(% increase figures indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Fiscal year	1,190,000	3.3	28,000	3.0	31,700	3.8	22,000	6.6	350.06

Note: Revision to the forecasts most recently announced: No

*** Notes**

(1) Adoption of Accounting Treatments Specific to Preparation of the Interim 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 September 30, 2024	63,000,000 shares
As of March 31, 2024	63,553,485 shares

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

As of September 30, 2024	500,611 shares
As of March 31, 2024	706,796 shares

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

For the first half ended September 30, 2024	62,778,999 shares
For the first half ended September 30, 2023	62,846,745 shares

(Note)

(1) On June 3, 2024, the Company retired treasury stock. As a result, the number of issued shares and of treasury shares decreased by 553,485 sharers respectively.

(2) Based on a decision by the Board of Directors on July 29, 2024, the Company purchased treasury stock of 347,300 shares during the first half.

* This interim financial results report is not subject to the review procedures by certified public accountants or audit firms.

* 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. Financial Results Information for the First Half Ended September 30, 2024 (3) Forecasts and Other Projections" on page 4 of the attached material to this interim financial results report for the suppositions that form the assumptions for the forecasts and cautions concerning the use thereof.

* How to access the presentation (Presentation Material for this interim financial results)

The Company will hold financial results online briefing for institutional investors, financial analysts and media on November 11, 2024. Presentation (Presentation Material for this financial results) is posted on the Company's website (https://www.paltac.co.jp/tomorrow/index.html).

* 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. Financial Results Information for the First Half Ended September 30, 2024

(1) Operating Results

Results highlights

In the first half of fiscal year ending March 31, 2025, business conditions remained difficult due to the consistent trend in budget-consciousness of consumers and the soaring logistics costs, despite a certain level of growth of demand reflecting a pick-up in people's movement and an increase in foreign tourists to Japan.

In terms of sales results, PALTAC CORPORATION (the "Company") was seeing the market conditions of consistently declining demand for the COVID-19-related products, budget-consciousness of consumers and restrained purchasing certain products such as supplements. Amid these conditions, the Company has achieved year-on-year growth of net sales by steadily carrying out such as data-driven sales activities against the market changes including a pick-up in people's movement, an increase in inbound demand and heightened awareness of disaster prevention.

In terms of profits, despite an increase in the SG&A expenses due to soaring logistics costs and active investment in human resources, operating profit was up year on year due to an increase in gross profit accompanying sales expansion and decline in the SG&A expenses ratio from the effects of fixed expenses absorption.

Results highlights for the first half ended September 30, 2024 are as follows:

(Millions of yen, unless otherwise noted)

	First half ended September 30, 2023	First half ended September 30, 2024	Change	
			Amount	Rate (%)
Net sales	583,420	600,427	17,007	2.9
Gross profit	43,331	44,181	850	2.0
[Gross profit margin (%)]	[7.43]	[7.36]	[-0.07]	
SG&A expenses	29,561	30,203	641	2.2
[SG&A expenses ratio (%)]	[5.07]	[5.03]	[-0.04]	
Operating profit	13,769	13,977	208	1.5
[Operating profit ratio (%)]	[2.36]	[2.33]	[-0.03]	
Ordinary profit	15,613	16,180	566	3.6
[Ordinary profit ratio (%)]	[2.68]	[2.69]	[0.01]	
Profit	10,892	11,896	1,004	9.2
[Profit margin (%)]	[1.87]	[1.98]	[0.11]	

Sales highlights

Sales results for the first half ended September 30, 2024 by product category are as follows:

(Millions of yen, unless otherwise noted)

Product category	First half ended September 30, 2023	First half ended September 30, 2024	Change	
			Amount	Rate (%)
Cosmetics	137,934	143,923	5,989	4.3
Daily necessities	253,953	266,523	12,570	5.0
OTC pharmaceuticals	75,194	74,223	-970	-1.3
Health and sanitary related products	107,052	106,354	-697	-0.7
Others	9,286	9,402	115	1.2
Total	583,420	600,427	17,007	2.9

Sales results for the first half ended September 30, 2024 by customer category are as follows:

(Millions of yen, unless otherwise noted)

Customer category	First half ended September 30, 2023	First half ended September 30, 2024	Change	
			Amount	Rate (%)
Drugstores (Pharmacies)	366,852	383,108	16,256	4.4
Discount stores	48,433	53,733	5,300	10.9
Convenience stores	46,103	47,402	1,299	2.8
Home centers (DIY stores)	45,346	45,334	-11	-0.0
Supermarkets	27,098	27,190	92	0.3
General merchandising stores	19,543	20,512	968	5.0
Export, EC business and others	30,043	23,145	-6,898	-23.0
Total	583,420	600,427	17,007	2.9

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

(2) Financial Position

1) Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024	Change in amount
Total assets	495,697	510,094	14,396
Total liabilities	217,734	224,620	6,885
Net assets	277,962	285,474	7,511

(Assets)

Total assets as of the end of the first half were ¥510,094 million, an increase of ¥14,396 million from the end of the previous fiscal year. Main factors were increases in notes and accounts receivable-trade and in merchandise and finished goods.

(Liabilities)

Total liabilities as of the end of the first half were ¥224,620 million, an increase of ¥6,885 million from the end of the previous fiscal year. Main factor was an increase in notes and accounts payable-trade.

(Net assets)

Net assets as of the end of the first half were ¥285,474 million, an increase of ¥7,511 million from the end of the previous fiscal year. Main factors were an increase in retained earnings and a purchase of treasury shares.

2) Cash flows

(Millions of yen)

	First half ended September 30, 2023	First half ended September 30, 2024
Cash flows from operating activities	6,359	5,169
Cash flows from investing activities	(4,584)	848
Cash flows from financing activities	(2,637)	(4,641)

(Cash flows from operating activities)

Net cash provided by operating activities was ¥5,169 million. Main factors were an increase in notes and accounts receivable-trade and an increase in notes and accounts payable-trade.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥848 million. Main factor was sales of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,641 million. Main factors were cash dividends paid and purchase of treasury shares.

Cash and cash equivalents as of the end of the first half were ¥62,371 million, an increase of ¥1,377 million from the end of the previous fiscal year.

(3) Forecasts and Other Projections

There is no revision to the forecasts of financial results for the fiscal year ending March 31, 2025 and dividend forecast, which were announced on May 13, 2024.

2. Interim Financial Statements and Notes to Interim Financial Statements

(1) Interim Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	60,994	62,371
Notes and accounts receivable-trade	213,163	223,728
Merchandise and finished goods	51,352	53,784
Other	21,651	24,095
Allowance for doubtful accounts	(3)	(3)
Total current assets	347,158	363,977
Non-current assets		
Property, plant and equipment		
Buildings, net	47,867	46,687
Land	46,827	46,827
Other	22,893	21,646
Total property, plant and equipment	117,588	115,162
Intangible assets	731	709
Investments and other assets		
Investments and other assets	30,222	30,248
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	30,218	30,245
Total non-current assets	148,538	146,117
Total assets	495,697	510,094
Liabilities		
Current liabilities		
Notes and accounts payable-trade	169,643	177,443
Income taxes payable	5,415	5,310
Provision for bonuses	1,923	1,682
Provision for loss on disaster	403	–
Other	29,927	29,119
Total current liabilities	207,313	213,556
Non-current liabilities		
Provision for retirement benefits	3,012	3,073
Other	7,408	7,989
Total non-current liabilities	10,421	11,063
Total liabilities	217,734	224,620

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	25,093
Retained earnings	223,735	232,552
Treasury shares	(3,490)	(2,260)
Total shareholders' equity	263,941	271,254
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,001	14,255
Deferred gains or losses on hedges	19	(35)
Total valuation and translation adjustments	14,021	14,219
Total net assets	277,962	285,474
Total liabilities and net assets	495,697	510,094

(2) Interim Statements of Income

(Millions of yen)

	First half ended September 30, 2023	First half ended September 30, 2024
Net sales	583,420	600,427
Cost of sales	540,089	556,246
Gross profit	43,331	44,181
Selling, general and administrative expenses	29,561	30,203
Operating profit	13,769	13,977
Non-operating income		
Dividend income	256	301
Research fee income	949	936
Real estate rent	79	83
Subsidy income	56	576
Other	528	337
Total non-operating income	1,871	2,235
Non-operating expenses		
Interest expenses	2	3
Rent cost on real estate	15	18
Other	7	10
Total non-operating expenses	26	32
Ordinary profit	15,613	16,180
Extraordinary income		
Gain on sales of investment securities	140	1,010
Reversal of provision for loss on disaster	–	7
Total extraordinary income	140	1,017
Extraordinary losses		
Loss on retirement of non-current assets	3	5
Total extraordinary losses	3	5
Profit before income taxes	15,750	17,192
Income taxes-current	4,818	4,859
Income taxes-deferred	40	436
Total income taxes	4,858	5,295
Profit	10,892	11,896

(3) Interim Statements of Cash Flows

(Millions of yen)

	First half ended September 30, 2023	First half ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	15,750	17,192
Depreciation and amortization	3,277	3,227
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for bonuses	180	(241)
Increase (decrease) in provision for loss on disaster	–	(403)
Increase (decrease) in provision for retirement benefits	44	(30)
Interest and dividend income	(257)	(301)
Interest expenses	2	3
Loss (gain) on sales of investment securities	(140)	(1,010)
Decrease (increase) in notes and accounts receivable-trade	(15,631)	(10,564)
Decrease (increase) in inventories	(1,585)	(2,432)
Increase (decrease) in notes and accounts payable-trade	7,279	7,799
Decrease (increase) in consumption taxes refund receivable	1,484	–
Increase (decrease) in accrued consumption taxes	1,839	(1,995)
Other, net	(1,961)	(1,007)
Subtotal	10,284	10,235
Interest and dividend income received	257	301
Interest expenses paid	–	(2)
Payments associated with disaster loss	–	(401)
Income taxes paid	(4,181)	(4,964)
Net cash provided by (used in) operating activities	6,359	5,169
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,749)	(430)
Purchase of intangible assets	(54)	(90)
Purchase of investment securities	(39)	(42)
Proceeds from sales of investment securities	260	1,415
Other, net	(1)	(2)
Net cash provided by (used in) investing activities	(4,584)	848
Cash flows from financing activities		
Repayments of lease obligations	(60)	(58)
Cash dividends paid	(2,576)	(3,079)
Purchase of treasury shares	(0)	(1,503)
Net cash provided by (used in) financing activities	(2,637)	(4,641)
Net increase (decrease) in cash and cash equivalents	(862)	1,377
Cash and cash equivalents at beginning of period	45,993	60,994
Cash and cash equivalents at end of period	45,130	62,371

(4) Notes to Interim Financial Statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

(Cancellation of treasury stock)

Based on a decision by the Board of Directors on May 13, 2024, the Company retired treasury stock of 553,485 shares on June 3, 2024. As a result, capital surplus and treasury shares decreased by ¥2,733 million respectively during the first half under review.

(Acquisition of treasury stock)

Based on a decision by the Board of Directors on July 29, 2024, the Company purchased treasury stock of 347,300 shares. As a result, treasury shares increased by ¥1,503 million during the first half under review.

As results of above facts, capital surplus at the end of the first half under review was ¥25,093 million and treasury shares at the end of the first half under review was ¥2,260 million.