

Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2014 <under Japanese GAAP>

July 31, 2013

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(URL: <http://www.paltac.co.jp/>)
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Scheduled date to submit the Quarterly Securities Report: August 9, 2013
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 Three Months of the Fiscal Year Ending March 31, 2014 (From April 1, 2013 to June 30, 2013)

(1) Operating Results

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Three months ended June 30, 2013	204,149	2.9	2,236	(3.2)	3,684	1.5	2,280	(3.4)
June 30, 2012	198,423	1.0	2,311	18.9	3,628	14.2	2,359	23.5

	Earnings per share	Diluted earnings per share
	(¥)	(¥)
Three months ended June 30, 2013	35.89	–
June 30, 2012	42.25	–

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of June 30, 2013	312,762	126,652	40.5	1,992.97
March 31, 2013	302,851	125,756	41.5	1,978.85

Reference: Equity

As of June 30, 2013: ¥126,652 million

As of March 31, 2013: ¥125,756 million

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2013	–	20.00	–	22.00	42.00
Fiscal year ending March 31, 2014	–	/	/	/	/
Fiscal year ending March 31, 2014 (Forecast)	/	21.00	–	21.00	42.00

Note: Revision to the forecasts most recently announced: No

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2014

(From April 1, 2013 to March 31, 2014)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Six months	413,000	2.7	5,500	(2.1)	8,100	(1.1)	4,900	(3.7)	77.10
Fiscal year	805,000	2.4	9,200	(0.0)	14,500	(2.6)	8,700	3.6	136.90

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, 2013	63,553,485 shares
As of March 31, 2013	63,553,485 shares

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

As of June 30, 2013	3,708 shares
As of March 31, 2013	3,208 shares

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

For the three months ended June 30, 2013	63,550,030 shares
For the three months ended June 30, 2012	55,851,519 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

Contents

1. Qualitative Information for the Three Months Ended June 30, 2013.....	2
(1) Operating Results.....	2
(2) Financial Position.....	3
(3) Forecasts and Other Projections.....	3
2. Quarterly Financial Statements.....	4
(1) Quarterly Balance Sheets.....	4
(2) Quarterly Statements of Income.....	6
(3) Quarterly Statements of Cash Flows.....	7
(4) Notes to Quarterly Financial Statements.....	8
(Notes on premise of going concern).....	8
(Notes on significant changes in the amount of shareholders' equity).....	8
3. Supplementary Information.....	8
(1) Sales Status.....	8

1. Qualitative Information for the Three Months Ended June 30, 2013

(1) Operating Results

In the three months ended June 30, 2013, the Japanese economy showed signs of recovery on the back of improved corporate earnings, particularly in the manufacturing sector, reflecting depreciation in the yen and rising stock prices due to the Japanese government's fiscal policies and the Bank of Japan's large-scale monetary easing. Nevertheless, the outlook remained uncertain, partly because of concerns that economic stagnation overseas could have a detrimental effect on the Japanese economy.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, the business environment continued to be harsh, mainly reflecting intense competition among companies, budget mindedness among consumers and higher raw material costs due to yen depreciation.

Under these circumstances, Paltac Corporation (the "Company") undertook a variety of efforts in accordance with its position as an intermediate distributor handling a full lineup of health and beauty products essential for daily life under the corporate identity, "maximizing customer satisfaction and minimizing distribution costs." Specifically, by strengthening the Company's sophisticated and low-cost distribution capabilities as well as its sales capabilities to support effective product lineups and sales activities at business partners based on the sales venue-oriented thinking of the retail sector, the Company worked to optimize and streamline the entire supply chain from manufacturing to retailing.

The Company has entered the first year of its medium-term management plan for fiscal 2014 to fiscal 2016. Under the plan, the Company aims to increase corporate value by strengthening its operating base and achieving steady growth. The Company's efforts to achieve this include working to increase productivity further with the aim of a selling, general and administrative expense ratio at the 8% level, strengthening its capabilities through capital investment and strengthening of supply chain logistics business*, and increasing in-store share by strengthening initiatives with business partners.

As a result of the above, net sales for the three months ended June 30, 2013 were ¥204,149 million (up 2.9% year on year), operating income was ¥2,236 million (down 3.2%), ordinary income was ¥3,684 million (up 1.5%), and net income was ¥2,280 million (down 3.4%).

Operating results for the three months ended June 30, 2013 by segment are shown below.

Wholesale Business

In the wholesale business, net sales were steady because of an in-store share increase as a result of strengthening of initiatives with business partners as well as strong sales of seasonal summer merchandise.

As a result of above, net sales in the wholesale business amounted to ¥201,048 million (up 2.8% year on year), while operating income amounted to ¥2,308 million (down 8.8%).

Supply Chain Logistics Business

In the supply chain logistics business, net sales were steady thanks to stable business development at clients and an increase in the volume of products handled for new clients for which the Company started providing services in the previous fiscal year.

As a result of above, net sales in the supply chain logistics business amounted to ¥3,101 million (up 5.8% year on year), while operating income amounted to ¥480 million (up 13.8%).

* The supply chain logistics business is a third-party logistics business in which the Company carries out the integrated operation and management of retail companies' logistic centers on their behalf.

(2) Financial Position

1) Assets, liabilities and net assets

(Assets)

Total assets as of the end of the first quarter were ¥312,762 million, an increase of ¥9,911 million from the end of the previous fiscal year. The increase was primarily the result of increases in cash and deposits of ¥913 million, notes and accounts receivable-trade of ¥8,452 million and merchandise and finished goods of ¥3,065 million.

(Liabilities)

Total liabilities as of the end of the first quarter were ¥186,109 million, an increase of ¥9,015 million from the end of the previous fiscal year. The increase was mainly due to an increase in notes and accounts payable-trade of ¥11,701 million despite decreases in income tax payable of ¥2,969 million and long-term loans payable of ¥782 million.

(Net assets)

Net assets as of the end of the first quarter were ¥126,652 million, an increase of ¥896 million from the end of the previous fiscal year. The increase was primarily due to an increase in retained earnings of ¥882 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the first quarter were ¥21,470 million, an increased of ¥913 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 provided by operating activities was ¥3,440 million (up ¥1,603 million year on year). Main factors were ¥3,574 million of income before income taxes, ¥1,163 million of depreciation and amortization, ¥8,452 million of increase in notes and accounts receivable-trade, ¥3,065 million of increase in inventories and ¥12,145 million of increase in notes and accounts payable-trade.

(Cash flow from investing activities)

Net cash used in investing activities was ¥135 million (down ¥499 million year on year). Main factor was ¥145 million of purchase of property, plant and equipment.

(Cash flow from financing activities)

Net cash used in financing activities was ¥2,392 million (down ¥1,358 million year on year). Main factors were ¥969 million of repayment of long-term loans payable and ¥1,377 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, 2014, which was announced on May 9, 2013.

2. Quarterly Financial Statements**(1) Quarterly Balance Sheets**

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
Assets		
Current assets		
Cash and deposits	20,556	21,470
Notes and accounts receivable-trade	136,633	145,085
Merchandise and finished goods	37,209	40,275
Other	16,998	15,684
Allowance for doubtful accounts	(31)	(37)
Total current assets	<u>211,367</u>	<u>222,478</u>
Non-current assets		
Property, plant and equipment		
Land	35,786	35,671
Other	43,284	42,270
Total property, plant and equipment	<u>79,070</u>	<u>77,941</u>
Intangible assets	770	748
Investments and other assets		
Investments and other assets	11,702	11,652
Allowance for doubtful accounts	(60)	(57)
Total investments and other assets	<u>11,642</u>	<u>11,594</u>
Total non-current assets	<u>91,484</u>	<u>90,284</u>
Total assets	<u>302,851</u>	<u>312,762</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	116,824	128,526
Short-term loans payable	21,100	21,080
Current portion of long-term loans payable	3,902	3,715
Income taxes payable	4,485	1,515
Provision for bonuses	1,703	2,418
Provision for sales returns	287	333
Other	12,716	13,369
Total current liabilities	<u>161,019</u>	<u>170,959</u>
Non-current liabilities		
Long-term loans payable	10,728	9,946
Provision for employee retirement benefits	1,994	2,038
Other	3,352	3,166
Total non-current liabilities	<u>16,075</u>	<u>15,150</u>
Total liabilities	<u>177,094</u>	<u>186,109</u>

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	79,548	80,430
Treasury stock	(3)	(3)
Total shareholders' equity	123,241	124,123
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,512	2,534
Deferred gains or losses on hedges	2	(5)
Total valuation and translation adjustments	2,515	2,529
Total net assets	125,756	126,652
Total liabilities and net assets	302,851	312,762

(2) Quarterly Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Net sales	198,423	204,149
Cost of sales	177,935	183,376
Gross profit	20,487	20,772
Selling, general and administrative expenses	18,176	18,536
Operating income	2,311	2,236
Non-operating income		
Dividends income	89	85
Purchase discounts	959	967
Research fee income	302	317
Other	60	163
Total non-operating income	1,412	1,533
Non-operating expenses		
Interest expenses	92	65
Other	2	20
Total non-operating expenses	95	85
Ordinary income	3,628	3,684
Extraordinary gain		
Gain on sales of non-current assets	280	-
Total extraordinary gain	280	-
Extraordinary loss		
Loss on sales of non-current assets	1	20
Loss on retirement of non-current assets	67	3
Loss on impairment	-	84
Other	13	0
Total extraordinary losses	82	109
Income before income taxes	3,826	3,574
Income taxes-current	1,454	1,441
Income taxes-deferred	13	(147)
Total income taxes	1,467	1,293
Net income	2,359	2,280

(3) Quarterly Statements of Cash Flows

	(Millions of yen)	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes	3,826	3,574
Depreciation and amortization	1,118	1,163
Loss on impairment	–	84
Increase (decrease) in allowance for doubtful accounts	26	4
Increase (decrease) in provision for bonuses	685	715
Increase (decrease) in provision for sales returns	34	46
Increase (decrease) in provision for employee retirement benefits	45	82
Interest and dividends income	(89)	(85)
Interest expenses	92	65
Loss (gain) on sales of non-current assets	(279)	20
Loss on retirement of non-current assets	67	3
Decrease (increase) in notes and accounts receivable-trade	(9,611)	(8,452)
Decrease (increase) in inventories	(2,994)	(3,065)
Increase (decrease) in notes and accounts payable-trade	8,513	12,145
Decrease (increase) in consumption taxes refund receivable	–	343
Increase (decrease) in accrued consumption taxes	(1,054)	393
Other, net	1,683	716
Subtotal	2,064	7,754
Interest and dividends income received	89	85
Interest expenses paid	(87)	(61)
Income taxes paid	(230)	(4,337)
Net cash provided by (used in) operating activities	1,836	3,440
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,326)	(145)
Proceeds from sales of property, plant and equipment	910	71
Purchase of intangible assets	(157)	(39)
Purchase of investment securities	(46)	(44)
Proceeds from sales of investment securities	38	–
Proceeds from collection of lease and guarantee deposits	12	11
Other, net	(65)	11
Net cash provided by (used in) investing activities	(635)	(135)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,683)	(19)
Repayment of long-term loans payable	(943)	(969)
Repayments of lease obligations	(26)	(25)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,097)	(1,377)
Net cash provided by (used in) financing activities	(3,750)	(2,392)
Net increase (decrease) in cash and cash equivalents	(2,549)	913
Cash and cash equivalents at beginning of period	21,452	20,556
Cash and cash equivalents at end of period	18,903	21,470

(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, 2013 by reportable segment are as follows:

Reportable segment	Product classification	Three months ended June 30, 2013	Year-on-year change (%)
		Amount (Millions of yen)	
Wholesale business	Cosmetics	49,164	102.1
	Daily necessities	89,096	104.3
	OTC pharmaceuticals	31,294	100.2
	Health and sanitary related products	31,200	103.5
	Others	292	58.6
	Total sales in wholesale business	201,048	102.8
Supply chain logistics business	Net sales in supply chain logistics business	3,101	105.8
Total		204,149	102.9

Note: Above figures are exclusive of consumption taxes.

2) Sales results of wholesale business for the three months ended June 30, 2013 by customer category are as follows:

Customer category		Three months ended June 30, 2013	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	120,138	101.7
HC	Home centers (DIY stores)	23,783	99.4
CVS	Convenience stores	14,962	105.8
SM	Supermarkets	14,262	102.1
GMS	General merchandising stores	13,242	98.5
DS	Discount stores	8,521	129.0
Others	Export and others	6,138	117.5
Total sales in wholesale business		201,048	102.8

Note: Above figures are exclusive of consumption taxes.