

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

October 31, 2013

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: November 13, 2013  
Scheduled date to commence dividend payments: December 2, 2013  
Preparation of supplementary material on quarterly financial results: Yes  
Holding of quarterly financial results presentation meeting: Yes (for institutional investors, analysts, etc.)

(Figures are rounded off to the nearest million yen)

## 1. Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2014 (From April 1, 2013 to September 30, 2013)

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

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended September 30, 2013	417,395	3.8	5,479	(2.5)	8,259	0.9	4,862	(4.5)
September 30, 2012	402,226	1.6	5,618	10.0	8,186	9.0	5,089	92.5

	Earnings per share	Diluted earnings per share
	(¥)	(¥)
Six months ended September 30, 2013	76.51	—
September 30, 2012	91.12	—

## (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of September 30, 2013	315,396	129,314	41.0	2,034.87
March 31, 2013	302,851	125,756	41.5	1,978.85

Reference: Equity As of September 30, 2013: ¥129,314 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	—	21.00	/	/	/
Fiscal year ending March 31, 2014 (Forecast)	/	/	—	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)

Fiscal year	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
	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 September 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 September 30, 2013	3,908 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 six months ended September 30, 2013	63,549,845 shares
For the six months ended September 30, 2012	55,851,433 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 Six Months Ended September 30, 2013

### (1) Operating Results

In the six months ended September 30, 2013, the Japanese economy stayed on a moderate recovery trend 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 high quality 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 part of such efforts, in August 2013, the Company opened the state-of-the-art regional distribution center "RDC Miyagi" in Shiroishi-shi, Miyagi.

As a result of the above, net sales for the six months ended September 30, 2013 were ¥417,395 million (up 3.8% year on year), operating income was ¥5,479 million (down 2.5%), ordinary income was ¥8,259 million (up 0.9%), and net income was ¥4,862 million (down 4.5%).

Operating results for the six months ended September 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 a result of above, net sales in the wholesale business amounted to ¥411,198 million (up 3.7% year on year), while operating income amounted to ¥5,825 million (down 5.1%).

#### 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 ¥6,197 million (up 6.3% year on year), while operating income amounted to ¥737 million (up 14.3%).

\* 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 second quarter were ¥315,396 million, an increase of ¥12,544 million from the end of the previous fiscal year. The increase was primarily the result of increases in notes and accounts receivable-trade of ¥11,674 million and buildings of ¥3,609 million despite decreases in cash and deposits of ¥686 million and merchandise and finished goods of ¥1,772 million.

#### (Liabilities)

Total liabilities as of the end of the second quarter were ¥186,081 million, an increase of ¥8,986 million from the end of the previous fiscal year. The increase was mainly due to an increase in notes and accounts payable-trade of ¥9,069 million despite decreases in income taxes payable of ¥1,391 million and long-term loans payable of ¥1,586 million.

#### (Net assets)

Net assets as of the end of the second quarter were ¥129,314 million, an increase of ¥3,558 million from the end of the previous fiscal year. The increase was primarily due to an increase in retained earnings of ¥3,464 million.

### 2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the second quarter were ¥19,870 million, a decrease of ¥686 million from the end of the previous fiscal year.

Status of each cash flow during the six months ended September 30, 2013 and main factors thereof are as follows:

#### (Cash flow from operating activities)

Net cash provided by operating activities was ¥5,537 million (down ¥433 million year on year). Main factors were ¥7,770 million of income before income taxes, ¥2,393 million of depreciation and amortization, ¥11,674 million of increase in notes and accounts receivable-trade, ¥1,772 million of decrease in inventories and ¥9,512 million of increase in notes and accounts payable-trade.

#### (Cash flow from investing activities)

Net cash used in investing activities was ¥2,527 million (down ¥385 million year on year). Main factor was ¥2,736 million of purchase of property, plant and equipment.

#### (Cash flow from financing activities)

Net cash used in financing activities was ¥3,695 million (down ¥2,927 million year on year). Main factors were ¥2,138 million of repayment of long-term loans payable and ¥1,405 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 September 30, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	20,556	19,870
Notes and accounts receivable-trade	136,633	148,307
Merchandise and finished goods	37,209	35,437
Other	16,998	17,395
Allowance for doubtful accounts	(31)	(31)
Total current assets	211,367	220,980
Non-current assets		
Property, plant and equipment		
Buildings	29,529	33,139
Land	35,786	35,555
Other	13,755	13,294
Total property, plant and equipment	79,070	81,988
Intangible assets	770	721
Investments and other assets		
Investments and other assets	11,702	11,768
Allowance for doubtful accounts	(60)	(62)
Total investments and other assets	11,642	11,705
Total non-current assets	91,484	94,415
Total assets	302,851	315,396
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	116,824	125,893
Short-term loans payable	21,100	21,000
Current portion of long-term loans payable	3,902	3,350
Income taxes payable	4,485	3,093
Provision for bonuses	1,703	1,602
Provision for sales returns	287	264
Other	12,716	16,355
Total current liabilities	161,019	171,559
Non-current liabilities		
Long-term loans payable	10,728	9,142
Provision for employee retirement benefits	1,994	2,071
Other	3,352	3,307
Total non-current liabilities	16,075	14,521
Total liabilities	177,094	186,081

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	79,548	83,012
Treasury stock	(3)	(4)
Total shareholders' equity	123,241	126,704
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,512	2,611
Deferred gains or losses on hedges	2	(1)
Total valuation and translation adjustments	2,515	2,610
Total net assets	125,756	129,314
Total liabilities and net assets	302,851	315,396

## (2) Quarterly Statements of Income

(cumulative from the beginning of the fiscal year)

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	402,226	417,395
Cost of sales	360,179	374,312
Gross profit	42,047	43,083
Selling, general and administrative expenses	36,428	37,604
Operating income	5,618	5,479
Non-operating income		
Dividends income	107	108
Purchase discounts	1,912	1,944
Research fee income	607	625
Other	126	267
Total non-operating income	2,754	2,946
Non-operating expenses		
Interest expenses	179	127
Other	6	38
Total non-operating expenses	186	166
Ordinary income	8,186	8,259
Extraordinary gain		
Gain on sales of non-current assets	280	3
Gain on sales of investment securities	5	20
Total extraordinary gain	285	24
Extraordinary loss		
Loss on sales of non-current assets	2	20
Loss on retirement of non-current assets	75	4
Loss on impairment	–	84
Loss on valuation of investment securities	53	32
Additional expense of optional retirement	–	369
Other	13	2
Total extraordinary losses	145	513
Income before income taxes	8,326	7,770
Income taxes-current	2,737	2,947
Income taxes-deferred	500	(39)
Total income taxes	3,237	2,907
Net income	5,089	4,862

(3) Quarterly Statements of Cash Flows  
(cumulative from the beginning of the fiscal year)

	(Millions of yen)	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes	8,326	7,770
Depreciation and amortization	2,274	2,393
Loss on impairment	–	84
Increase (decrease) in allowance for doubtful accounts	24	2
Increase (decrease) in provision for bonuses	(99)	(100)
Increase (decrease) in provision for sales returns	(17)	(23)
Increase (decrease) in provision for employee retirement benefits	125	144
Interest and dividends income	(107)	(108)
Interest expenses	179	127
Loss (gain) on sales of non-current assets	(277)	16
Loss on retirement of non-current assets	75	4
Loss (gain) on valuation of investment securities	53	32
Additional expense of optional retirement	–	369
Decrease (increase) in notes and accounts receivable-trade	(10,425)	(11,674)
Decrease (increase) in inventories	1,175	1,772
Increase (decrease) in notes and accounts payable-trade	6,290	9,512
Decrease (increase) in consumption taxes refund receivable	–	343
Increase (decrease) in accrued consumption taxes	(1,066)	381
Other, net	(318)	(1,172)
Subtotal	6,212	9,877
Interest and dividends income received	107	108
Interest expenses paid	(169)	(119)
Income taxes paid	(179)	(4,329)
Net cash provided by (used in) operating activities	5,970	5,537
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(4,214)	(2,736)
Proceeds from sales of property, plant and equipment	1,574	276
Purchase of intangible assets	(279)	(57)
Purchase of investment securities	(79)	(78)
Proceeds from sales of investment securities	62	21
Proceeds from collection of lease and guarantee deposits	78	21
Other, net	(55)	24
Net cash provided by (used in) investing activities	(2,913)	(2,527)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(3,694)	(100)
Repayment of long-term loans payable	(1,762)	(2,138)
Repayments of lease obligations	(51)	(51)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,115)	(1,405)
Net cash provided by (used in) financing activities	(6,623)	(3,695)
Net increase (decrease) in cash and cash equivalents	(3,565)	(686)
Cash and cash equivalents at beginning of period	21,452	20,556
Cash and cash equivalents at end of period	17,886	19,870

(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 six months ended September 30, 2013 by reportable segment are as follows:

Reportable segment	Product classification	Six months ended September 30, 2013	Year-on-year change (%)
		Amount (Millions of yen)	
Wholesale business	Cosmetics	103,438	105.3
	Daily necessities	176,651	104.6
	OTC pharmaceuticals	66,859	100.1
	Health and sanitary related products	63,613	103.1
	Others	635	86.9
	Total sales in wholesale business	411,198	103.7
Supply chain logistics business	Net sales in supply chain logistics business	6,197	106.3
Total		417,395	103.8

Note: Above figures are exclusive of consumption taxes.

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

Customer category		Six months ended September 30, 2013	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	246,190	102.9
HC	Home centers (DIY stores)	47,210	101.4
CVS	Convenience stores	31,024	103.6
SM	Supermarkets	29,470	102.6
GMS	General merchandising stores	27,059	100.2
DS	Discount stores	17,658	128.8
Others	Export and others	12,585	113.5
Total sales in wholesale business		411,198	103.7

Note: Above figures are exclusive of consumption taxes.