

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

January 31, 2014

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(URL: <http://www.paltac.co.jp/>)  
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Scheduled date to submit the Quarterly Securities Report: February 13, 2014  
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 Nine Months of the Fiscal Year Ending March 31, 2014 (From April 1, 2013 to December 31, 2013)

### (1) Operating Results (cumulative)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Nine months ended								
December 31, 2013	626,977	3.6	7,902	4.0	12,195	4.1	7,124	(0.4)
December 31, 2012	605,238	2.5	7,600	1.2	11,710	3.3	7,154	60.5

	Earnings per share	Diluted earnings per share
	(¥)	(¥)
Nine months ended		
December 31, 2013	112.10	–
December 31, 2012	126.90	–

### (2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of				
December 31, 2013	329,620	130,405	39.6	2,052.04
March 31, 2013	302,851	125,756	41.5	1,978.85

Reference: Equity As of December 31, 2013: ¥130,405 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 December 31, 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 December 31, 2013	4,358 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 nine months ended December 31, 2013	63,549,704 shares
For the nine months ended December 31, 2012	56,384,767 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 Nine Months Ended December 31, 2013

### (1) Operating Results

In the nine months ended December 31, 2013, the Japanese economy stayed on a moderate recovery trend on the back of improved corporate earnings and a pick-up in personal consumption, 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, continuing 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, the Company opened two state-of-the-art regional distribution centers: "RDC Miyagi" in Shiroishi-shi, Miyagi in August 2013, and "RDC Hokuriku" in Nomi-shi, Ishikawa in October 2013.

As a result of the above, net sales for the nine months ended December 31, 2013 were ¥626,977 million (up 3.6% year on year), operating income was ¥7,902 million (up 4.0%), ordinary income was ¥12,195 million (up 4.1%), and net income was ¥7,124 million (down 0.4%).

Operating results for the nine months ended December 31, 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 ¥617,493 million (up 3.6% year on year), while operating income amounted to ¥8,475 million (up 1.6%).

#### 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 ¥9,483 million (up 5.9% year on year), while operating income amounted to ¥1,087 million (up 6.5%).

\* 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 third quarter were ¥329,620 million, an increase of ¥26,769 million from the end of the previous fiscal year. The increase was mainly due to increases in notes and accounts receivable-trade of ¥13,470 million, merchandise and finished goods of ¥10,455 million, and land of ¥3,448 million despite a decrease in cash and deposits of ¥3,272 million.

#### (Liabilities)

Total liabilities as of the end of the third quarter were ¥199,215 million, an increase of ¥22,120 million from the end of the previous fiscal year. The increase was mainly due to an increase in notes and accounts payable-trade of ¥19,299 million despite decreases in income taxes payable of ¥2,999 million and provision for bonuses of ¥915 million.

#### (Net assets)

Net assets as of the end of the third quarter were ¥130,405 million, an increase of ¥4,648 million from the end of the previous fiscal year. The increase was mainly due to an increase in retained earnings of ¥4,391 million.

### 2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the third quarter were ¥17,284 million, a decrease of ¥3,272 million from the end of the previous fiscal year.

Status of each cash flow during the nine months ended December 31, 2013 and main factors thereof are as follows:

#### (Cash flow from operating activities)

Net cash provided by operating activities was ¥4,790 million (up ¥231 million year on year). Main factors were ¥11,456 million of income before income taxes, ¥3,734 million of depreciation and amortization, ¥13,470 million of increase in notes and accounts receivable-trade, ¥10,455 million of increase in inventories and ¥19,743 million of increase in notes and accounts payable-trade.

#### (Cash flow from investing activities)

Net cash used in investing activities was ¥10,993 million (up ¥3,797 million year on year). Main factors were ¥11,292 million of purchase of property, plant and equipment and ¥314 million of proceeds from sales of property, plant and equipment.

#### (Cash flow from financing activities)

Net cash provided by financing activities was ¥2,930 million (compared with net cash of ¥1,853 million used in the same period of the previous fiscal year). Main factors were ¥4,899 million of net increase in short-term loans payable, ¥4,000 million of proceeds from long-term loans payable, ¥3,157 million of repayment of long-term loans payable and ¥2,738 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 December 31, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	20,556	17,284
Notes and accounts receivable-trade	136,633	150,104
Merchandise and finished goods	37,209	47,664
Other	16,998	15,860
Allowance for doubtful accounts	(31)	(19)
Total current assets	211,367	230,894
Non-current assets		
Property, plant and equipment		
Land	35,786	39,235
Other	43,284	46,886
Total property, plant and equipment	79,070	86,121
Intangible assets	770	692
Investments and other assets		
Investments and other assets	11,702	11,974
Allowance for doubtful accounts	(60)	(62)
Total investments and other assets	11,642	11,912
Total non-current assets	91,484	98,726
Total assets	302,851	329,620
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	116,824	136,124
Short-term loans payable	21,100	26,000
Current portion of long-term loans payable	3,902	5,604
Income taxes payable	4,485	1,486
Provision for bonuses	1,703	787
Provision for sales returns	287	335
Other	12,716	13,686
Total current liabilities	161,019	184,024
Non-current liabilities		
Long-term loans payable	10,728	9,869
Provision for employee retirement benefits	1,994	2,032
Other	3,352	3,288
Total non-current liabilities	16,075	15,190
Total liabilities	177,094	199,215

(Millions of yen)

	As of March 31, 2013	As of December 31, 2013
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus	27,827	27,827
Retained earnings	79,548	83,939
Treasury stock	(3)	(4)
Total shareholders' equity	123,241	127,631
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,512	2,765
Deferred gains or losses on hedges	2	8
Total valuation and translation adjustments	2,515	2,773
Total net assets	125,756	130,405
Total liabilities and net assets	302,851	329,620

## (2) Quarterly Statements of Income

(cumulative from the beginning of the fiscal year)

	(Millions of yen)	
	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net sales	605,238	626,977
Cost of sales	542,162	562,194
Gross profit	63,075	64,782
Selling, general and administrative expenses	55,475	56,879
Operating income	7,600	7,902
Non-operating income		
Dividends income	175	177
Purchase discounts	2,950	2,976
Research fee income	910	968
Other	389	433
Total non-operating income	4,425	4,556
Non-operating expenses		
Interest expenses	260	197
Other	54	65
Total non-operating expenses	315	263
Ordinary income	11,710	12,195
Extraordinary gain		
Gain on sales of non-current assets	280	3
Gain on sales of investment securities	24	53
Total extraordinary gain	304	56
Extraordinary loss		
Loss on sales of non-current assets	3	20
Loss on retirement of non-current assets	80	8
Loss on impairment	-	394
Loss on obstructions removal	148	-
Additional expenses for optional retirement	-	369
Other	66	3
Total extraordinary losses	298	795
Income before income taxes	11,716	11,456
Income taxes-current	3,937	3,983
Income taxes-deferred	625	349
Total income taxes	4,562	4,332
Net income	7,154	7,124

## (3) Quarterly Statements of Cash Flows

(cumulative from the beginning of the fiscal year)

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes	11,716	11,456
Depreciation and amortization	3,517	3,734
Loss on impairment	–	394
Increase (decrease) in allowance for doubtful accounts	18	(8)
Increase (decrease) in provision for bonuses	(892)	(886)
Increase (decrease) in provision for sales returns	52	47
Increase (decrease) in provision for employee retirement benefits	210	137
Interest and dividends income	(175)	(177)
Interest expenses	260	197
Loss (gain) on sales of non-current assets	(277)	16
Loss on retirement of non-current assets	80	8
Additional expenses for optional retirement	–	369
Decrease (increase) in notes and accounts receivable-trade	(12,887)	(13,470)
Decrease (increase) in inventories	(11,193)	(10,455)
Increase (decrease) in notes and accounts payable-trade	15,215	19,743
Decrease (increase) in consumption taxes refund receivable	(594)	140
Increase (decrease) in accrued consumption taxes	(1,375)	–
Other, net	2,337	825
Subtotal	6,015	12,072
Interest and dividends income received	175	177
Interest expenses paid	(245)	(184)
Income taxes paid	(1,386)	(6,909)
Additional expenses for optional retirement	–	(365)
Net cash provided by (used in) operating activities	4,558	4,790
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(7,981)	(11,292)
Proceeds from sales of property, plant and equipment	1,574	314
Purchase of intangible assets	(356)	(72)
Purchase of investment securities	(483)	(125)
Proceeds from sales of investment securities	115	126
Proceeds from collection of lease and guarantee deposits	89	34
Other, net	(154)	21
Net cash provided by (used in) investing activities	(7,195)	(10,993)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(3,697)	4,899
Proceeds from long-term loans payable	–	4,000
Repayment of long-term loans payable	(2,581)	(3,157)
Repayments of lease obligations	(76)	(72)
Proceeds from issuance of common stock	6,730	–
Purchase of treasury stock	(0)	(1)
Cash dividends paid	(2,227)	(2,738)
Net cash provided by (used in) financing activities	(1,853)	2,930
Net increase (decrease) in cash and cash equivalents	(4,490)	(3,272)
Cash and cash equivalents at beginning of period	21,452	20,556
Cash and cash equivalents at end of period	16,961	17,284

(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 nine months ended December 31, 2013 by reportable segment are as follows:

Reportable segment	Product classification	Nine months ended December 31, 2013	Year-on-year change (%)
		Amount (Millions of yen)	
Wholesale business	Cosmetics	152,767	104.4
	Daily necessities	265,866	104.6
	OTC pharmaceuticals	99,929	99.8
	Health and sanitary related products	96,931	103.7
	Others	1,999	91.1
	Total sales in wholesale business	617,493	103.6
Supply chain logistics business	Net sales in supply chain logistics business	9,483	105.9
Total		626,977	103.6

Note: Above figures are exclusive of consumption taxes.

2) Sales results of wholesale business for the nine months ended December 31, 2013 by customer category are as follows:

Customer category		Nine months ended December 31, 2013	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	367,182	102.8
HC	Home centers (DIY stores)	71,079	103.2
CVS	Convenience stores	48,736	105.4
SM	Supermarkets	44,317	102.3
GMS	General merchandising stores	41,309	100.0
DS	Discount stores	25,841	118.4
Others	Export and others	19,026	109.5
Total sales in wholesale business		617,493	103.6

Note: Above figures are exclusive of consumption taxes.