
Financial Results FY2022/3



May 11 , 2022

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FY2022/3 Results (vs. Plan)



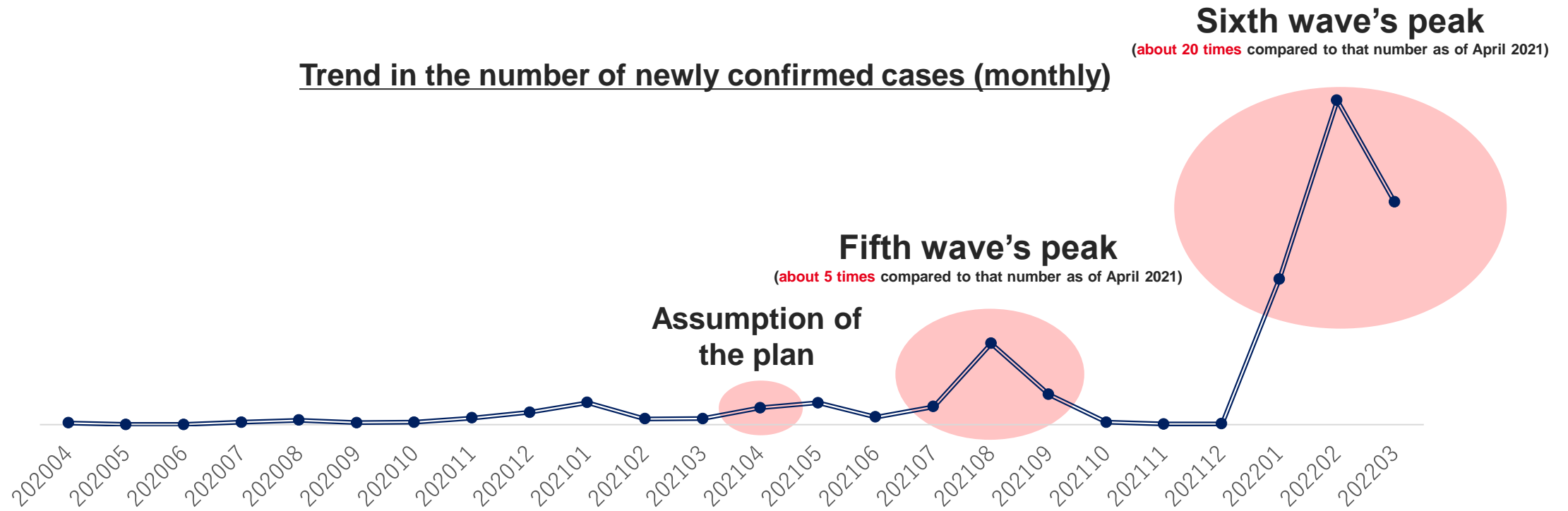
Both sales and profits were below plan

Owing to deteriorating market conditions due to such factor as the spread of infections

¥ billion (ratio of net sales : %)	FY2022/3 Plan	FY2022/3 (After application of “Accounting Standard for Revenue Recognition” , etc.)		
		Results	Difference	Main factors
Net Sales	1,060.0	1,045.7	-14.2	Sales of cosmetics and OTC pharmaceuticals were lower than forecast due to the spread of infections
Gross Profit	83.0 (7.83)	81.7 (7.82)	-1.2 (-0.01)	Demand for hygiene products with high gross profit margin was lower than expectation
SG&A expenses	56.5 (5.33)	55.8 (5.34)	-0.6 (+0.01)	Effect of absorbing fixed costs decreased due to shortfalls in sales
Operating Profit	26.5 (2.50)	25.9 (2.48)	-0.5 (-0.02)	Despite initiatives to improve gross profit and SG&A expenses, all profit items from operating profit onwards were lower than plan due to shortfalls in sales
Ordinary Profit	29.0 (2.74)	28.6 (2.74)	-0.3 (+0.00)	
Profit	20.0 (1.89)	19.6 (1.88)	-0.3 (-0.01)	

The spread of COVID-19 far exceeded the level which the Company used as initial assumption to set the plan in around April 2021
 ⇒ Sales struggled due to slower recovery of demand for cosmetics and OTC pharmaceuticals

Trend in the number of newly confirmed cases (monthly)



Reference data : Ministry of Health, Labour and Welfare HP "Domestic outbreak situation"

Net sales, operating profit and ordinary profit achieved the highest levels

¥ billion (ratio of net sales : %)	FY2021/3	FY2022/3 (After application of “Accounting Standard for Revenue Recognition” , etc.)			FY2022/3 (Application of the accounting standards used in previous period)			Impact of changes
		①	Amount(YoY)	Rate(YoY)	②	Amount(YoY)	Rate(YoY)	①－②
Net Sales	1,033.2	1,045.7	+12.4	+1.2%	1,047.0	+13.7	+1.3%	-1.2
Gross Profit	81.1 (7.85)	81.7 (7.82)	+0.5 (-0.03)	+0.7%	81.7 (7.81)	+0.5 (-0.04)	+0.7%	+0.0
SG&A expenses	55.6 (5.39)	55.8 (5.34)	+0.1 (-0.05)	+0.3%	55.8 (5.33)	+0.1 (-0.06)	+0.3%	-
Operating Profit	25.4 (2.47)	25.9 (2.48)	+0.4 (+0.01)	+1.7%	25.9 (2.47)	+0.4 (+0.00)	+1.6%	+0.0
Ordinary Profit	28.0 (2.71)	28.6 (2.74)	+0.5 (+0.03)	+2.1%	28.6 (2.73)	+0.5 (+0.02)	+2.0%	+0.0
Profit	19.3 (1.87)	19.6 (1.88)	+0.3 (+0.01)	+1.7%	19.6 (1.87)	+0.3 (+0.00)	+1.6%	+0.0

Note : From the beginning of the fiscal year under review, the Company has applied the “Accounting Standard for Revenue Recognition”, etc.

From the beginning of the fiscal year ended March 2022,
the Company has applied the “Accounting Standard for Revenue Recognition”, etc.
⇒ Impact on the financial results was immaterial

【 Major change is the method of recognition for sale with a right of return 】

Before the change : Recording returns when the product is returned

After the change : Recording the estimated amount that will be returned in the future every quarter

○ Impact of the application of these standards in the fiscal year

¥ billion					The fiscal year
	1Q	2Q	3Q	4Q	
Net Sales	+3.3	-5.2	+4.0	-3.4	-1.2
Gross Profit	+0.3	-0.4	+0.3	-0.2	+0.0
Operating Profit	+0.3	-0.4	+0.3	-0.2	+0.0
Ordinary Profit	+0.3	-0.4	+0.3	-0.2	+0.0
Profit	+0.2	-0.2	+0.3	-0.2	+0.0

Net Sales

¥ 1,047.0 bn

YoY change : + ¥ 13.7 bn (+ 1.3%)

- Strengthened initiatives and expanded transaction of business through collaboration and cooperation with retailers and manufacturers
- Increase or decrease in demand due to change in the flow of people and change in awareness of COVID-19
- Strengthened procurement of new products to meet consumer needs in New Normal
- Weak demand for summer-seasonal products due to the increase in the number of infections and heavy rain
- Favorable demand for winter-seasonal products (Disposable warmer) as the temperature declined

Achieved sales growth that exceeded the market growth rate through strengthening initiatives with retailers and manufacturers

【 Comparison with market growth rate (April 2021 to March 2022) 】

Drugstore market (Limited only to products handled by the Company) : **+ 0.7 %**

The Company's sales growth (drugstore category) : **+ 1.2 %**

(Reference data : Ministry of Economy, Trade and Industry “Current Survey of Commerce”)

Note : From the beginning of the fiscal year under review, the Company has applied the “Accounting Standard for Revenue Recognition”, etc.

Analysis of Profit and Loss (YoY)



Gross Profit

¥ 81.7 bn (GPM 7.81 %)

YoY change : + ¥ 0.5 bn (GPM - 0.04 %)

- Demand for hygiene-related products with high gross margins declined compared to the same period of the previous fiscal year
- Continued to control and improvement of Gross Profit
- Generated fees from manufacturers through improving logistics efficiency

SG&A expenses

¥ 55.8 bn (SG&A ratio 5.33 %)

YoY change : + ¥ 0.1 bn (SG&A ratio - 0.06 %)

- Promoted warehouse operation improvements **+ ¥ 0.1 billion (+ 0.00 %)**
 - ⇒ Restrained the rise of SG&A-to-sales ratio through continuous improvement, while in the circumstance, including increase in labor costs such as paid leave for part-time employees due to vaccination, etc. and decrease in shipments per unit (shipping amount) due to deterioration in the market environment
- Promoted delivery improvements (Priority Issues in the medium-term management plan) **- ¥ 0.2 billion (- 0.03 %)**
 - ⇒ Reduced the transportation distance through reviewing logistics base
Addressed both issues of rise in delivery costs and White-Logistics-Movements
- Decrease in fixed cost-to-net sales ratio due to the increase in net sales **(- 0.04 %)**

Note : From the beginning of the fiscal year under review, the Company has applied the “Accounting Standard for Revenue Recognition”, etc.

Analysis of Non-operating Profit / Loss (YoY)

¥ billion	FY2021/3	FY2022/3	YoY
Non-operating income	2.67	2.77	+0.10
Research fee income *	1.70	1.75	+0.05
Non-operating expenses	0.10	0.05	-0.04
Real estate leasing expenses	0.04	0.03	-0.01
Interest expenses	0.03	0.00	-0.02

* Research fee income is income obtained by providing sales performance of retailers to some manufacturers based on a contract and tends to fluctuate depending on sales

Analysis of Extraordinary Profit / Loss (YoY)



¥ billion	FY2021/3	FY2022/3	YoY
Extraordinary income	0.51	0.44	-0.07
Insurance claim income *1	-	0.33	+0.33
Gain on sales of investment securities *2	0.50	0.01	-0.49
Extraordinary losses	0.59	0.68	+0.09
Loss on disaster *3	0.50	0.66	+0.16
Loss on retirement of noncurrent assets	0.01	0.02	+0.00

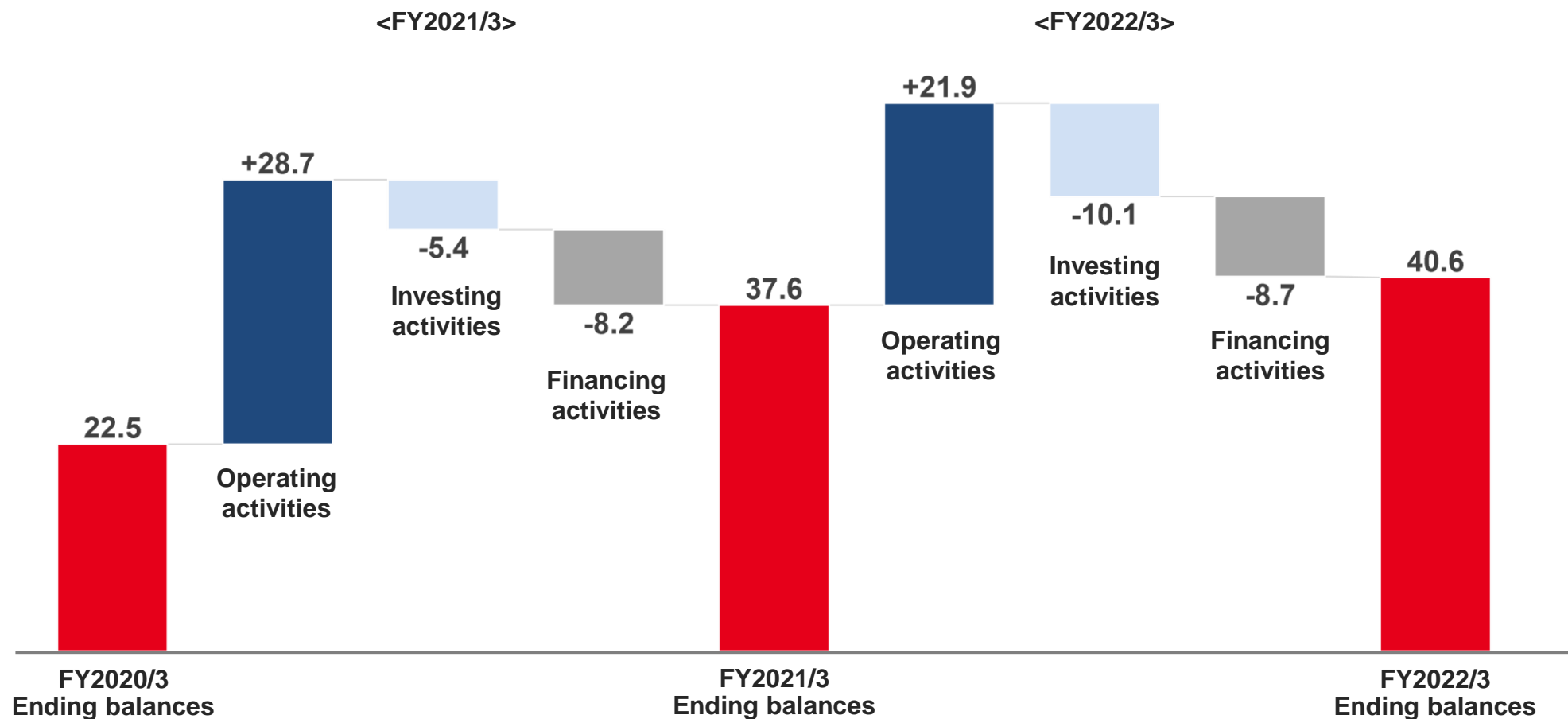
*1 Insurance related to the Fukushima prefecture offshore earthquake that occurred in February 2021

*2 Selling aggressively according to Corporate Governance Code

*3 Loss on disaster was immaterial

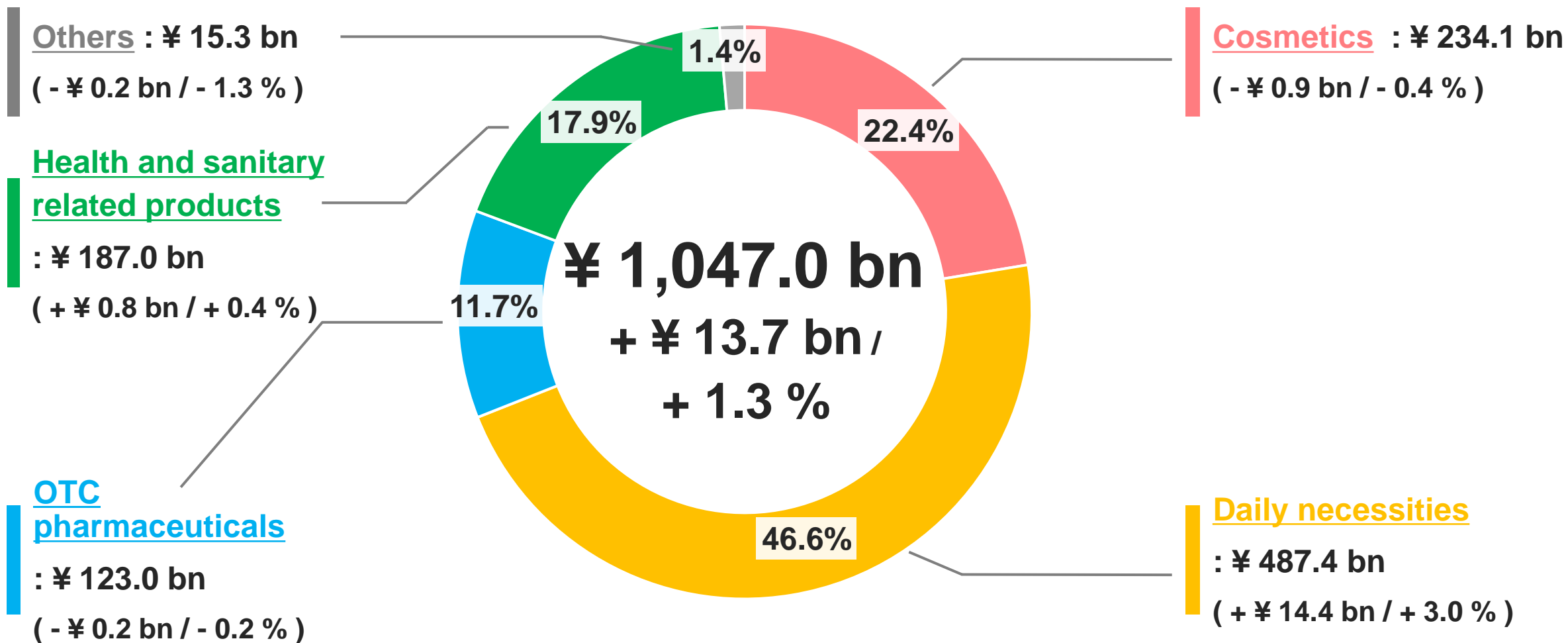
Steadily executed prior investment for sustainable growth and provided a return to shareholders

(¥ billion)



Sales Composition by Product Category

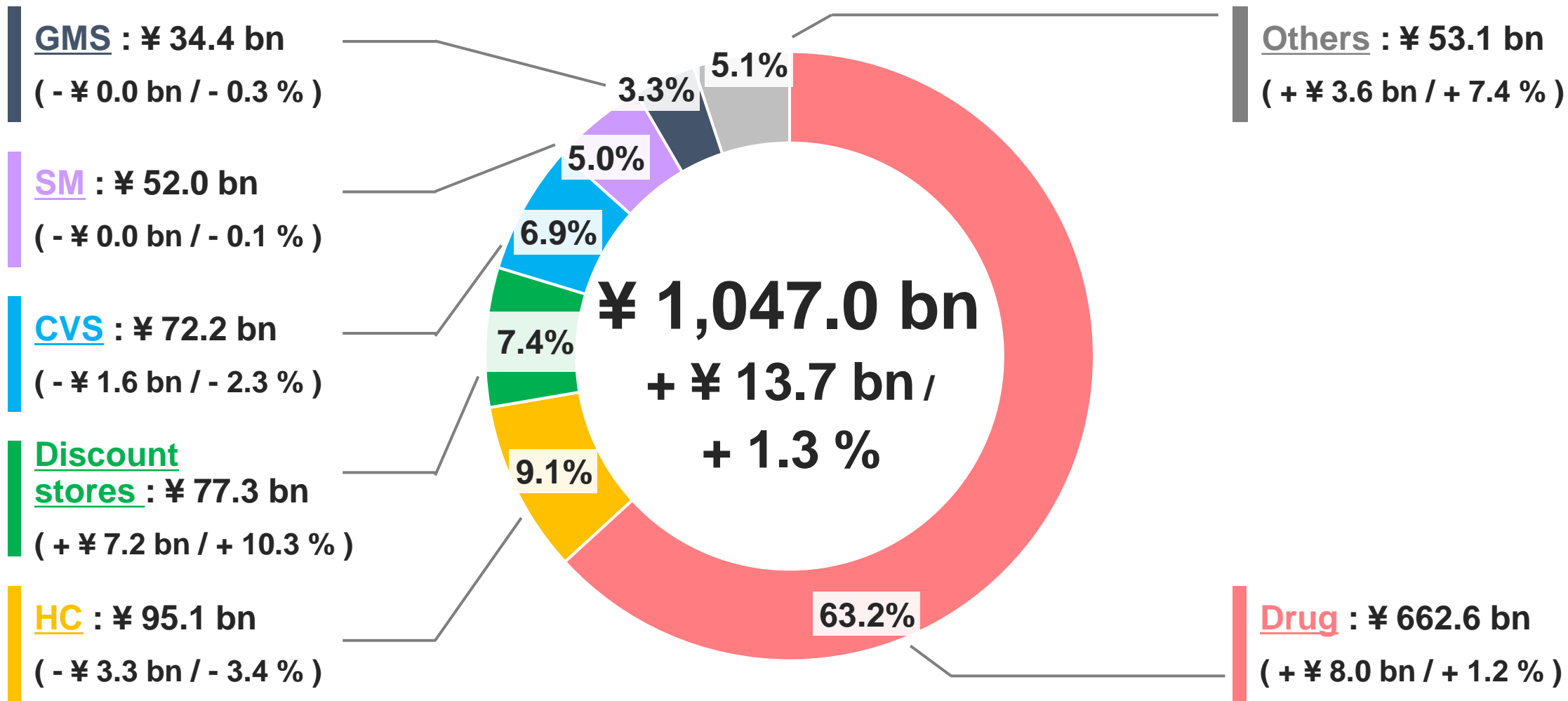
(YoY Change Amount / Rate)



Note : Figures for the fiscal year under review use the same standards as the previous fiscal year to exclude the impact of the change in accounting standards.

Sales Composition by Customer Category

(YoY Change Amount / Rate)



Note : Figures for the fiscal year under review use the same standards as the previous fiscal year to exclude the impact of the change in accounting standards.

Status in the 4Q (Jan. – Mar.)

YoY (4Q Jan. - Mar.)

¥ billion (ratio of net sales: %)	1Q			2Q			3Q			4Q		
	FY2021.3	FY2022.3	YoY	FY2021.3	FY2022.3	YoY	FY2021.3	FY2022.3	YoY	FY2021.3	FY2022.3	YoY
Net Sales [Rate (YoY)]	260.0	266.3	+6.2 [+2.4%]	265.4	267.0	+1.5 [+0.6%]	266.9	266.5	-0.4 [-0.2%]	240.7	247.0	+6.3 [+2.6%]
Gross Profit	20.1 (7.73)	20.6 (7.76)	+0.5 (+0.03)	20.7 (7.80)	20.8 (7.79)	+0.1 (-0.01)	20.9 (7.84)	20.6 (7.74)	-0.3 (-0.10)	19.4 (8.06)	19.6 (7.94)	+0.2 (-0.12)
SG&A expenses	14.0 (5.39)	13.9 (5.25)	-0.0 (-0.14)	13.7 (5.18)	14.0 (5.26)	+0.3 (+0.08)	14.0 (5.26)	14.1 (5.30)	+0.0 (+0.04)	13.8 (5.76)	13.6 (5.54)	-0.1 (-0.22)
Operating Profit	6.0 (2.34)	6.6 (2.51)	+0.6 (+0.17)	6.9 (2.62)	6.7 (2.53)	-0.2 (-0.09)	6.8 (2.58)	6.5 (2.44)	-0.3 (-0.14)	5.5 (2.30)	5.9 (2.41)	+0.4 (+0.11)
Ordinary Profit	6.7 (2.59)	7.4 (2.79)	+0.7 (+0.20)	7.5 (2.86)	7.3 (2.76)	-0.2 (-0.10)	7.5 (2.83)	7.2 (2.72)	-0.3 (-0.11)	6.1 (2.57)	6.5 (2.66)	+0.3 (+0.09)
Profit	4.6 (1.79)	5.2 (1.96)	+0.5 (+0.17)	5.2 (1.98)	5.3 (2.00)	+0.0 (+0.02)	5.4 (2.06)	4.9 (1.84)	-0.5 (-0.22)	3.9 (1.63)	4.1 (1.68)	+0.2 (+0.05)

Note : Figures for the fiscal year under review use the same standards as the previous fiscal year to exclude the impact of the change in accounting standards.

**From February onward affected by the rapid spread of infections
Consumption sentiment gradually deteriorated due to soaring raw material prices, etc.**

- ⇒ **The impact of a reactionary decline against the previous fiscal year's special demand for hygiene-related products such as mask and disinfectant shrank
Strong performance of advanced feature masks to meet consumer needs**
- ⇒ **Increased in demand for antipyretic analgesics and cooling gel sheets, etc.
due to measures against side reactions by vaccination and an increase in the number of infections**
- ⇒ **Despite an increase in the flow of people, the recovery in demand for cosmetics and OTC pharmaceuticals related to going outside is limited due to the rapid spread of infections
(Makeup · Health drinks, etc.)**
- ⇒ **Favorable demand for winter-seasonal products as the temperature declined (Disposable warmer, etc.)
On the other hand, weak demand for summer-seasonal products**

Analysis of Profit and Loss YoY (4Q Jan. - Mar.)



Net Sales **¥ 247.0 bn** YoY change : + ¥ 6.3 bn (+ 2.6 %)

- Strengthened initiatives and expanded transaction of business through collaboration and cooperation with retailers and manufacturers
- Increase or decrease in demand due to change in the flow of people and change in awareness of COVID-19
- Strengthened procurement of new products to meet consumer needs in New Normal
- Favorable demand for winter-seasonal products as the temperature declined (Disposable warmer, etc.)
On the other hand, weak demand for summer-seasonal products

Gross Profit **¥ 19.6 bn** $\left(\begin{array}{c} \text{GPM} \\ 7.94 \% \end{array} \right)$ YoY change : + ¥ 0.2 bn (GPM - 0.12 %)

- Demand for hygiene-related products with high gross margins declined compared to the same period of the previous fiscal year
- Strategic decline in gross margin to expand transaction of business
- Continued to control and improvement of Gross Profit
- Generated fees from manufacturers through improving logistics efficiency

Note : Figures for the fiscal year under review use the same standards as the previous fiscal year to exclude the impact of the change in accounting standards.

SG&A expenses **¥ 13.6 bn** ^(SG&A ratio)
5.54 % YoY change : - ¥ 0.1 bn (SG&A ratio - 0.22 %)

- **Decreased in personnel expenses** **- ¥ 0.2 billion (- 0.16 %)**
 - ⇒ Decreased in fixed cost-to-net sales ratio due to the increased in net sales
 - ⇒ Temporary decreased in retirement benefits etc.

- **Promoted delivery improvements (Priority Issues in the medium-term management plan)** **- ¥ 0.0 billion (- 0.05 %)**
 - ⇒ Reduced the transportation distance through reviewing logistics base
 - Addressed both issues of rise in delivery costs and White-Logistics-Movements

Note : Figures for the fiscal year under review use the same standards as the previous fiscal year to exclude the impact of the change in accounting standards.

New challenges to strengthen the intermediate distribution platform

The industry's first Started "comprehensive support for promotional items"

~ Comprehensive support in the entire process from planning and production, delivery, installation, to effect measurement of promotional items ~

Knowing and Fixing store and volume required to install ahead of time through business consultation
Capable of providing 100% full installation utilizing the Flexibility of its store support department

Recognition of issues

30% of promotional items is unused and discarded



Solving issues through collaboration between manufacturing, distribution, and retail

① Producing **only the necessary** amount

② Providing **100%** full installation of promotional items

⇒ **Sales expansion of manufacturing, distribution, and retail**

Strengthening "Schemes of Sales Expansion" of entire supply chain

- ◆ Effective use of promotional materials without waste
- ◆ Improving accuracy of effect verification such as POS analysis

Contributing to SDGs through environmentally-friendly sales promotion activities

- ◆ Reducing unnecessary waste through producing only the necessary amount
- ◆ Using eco-friendly materials
- ◆ Reducing CO2 emissions through bulk delivery

For expanding ethical consumption, Collaborative development of environmentally-friendly products

『使えば使うほど世界のプラごみを減らせるゴミ袋』
(Garbage bag that the more using it, the more reducing
the amount of plastic waste around the world)



- Collaborative development with TBM Co., Ltd.
(TBM is the Company engaged in environmentally friendly material development and businesses that promote resource recycling.)
- Containing more than 50% of recycled materials
(Material recycled from waste plastic)

『サステナブレラ』
(Non-disposable plastic umbrella)



- Collaborative development with TBM Co., Ltd and Ca et la Co., Ltd
(Ca et la is the Company aims to expand ethical consumption through the development and sale of recyclable plastic umbrellas.)
- Use of recycled materials
(Material recycled from waste plastic)
- Wind-resistant, rust-resistant
Long-lasting umbrella (All made of plastic)

Strengthening high-efficient logistics networks Starting “Tochigi distribution center”

“Tochigi distribution center (Contract logistics business)”

Yearly shipment capacity : ¥120.0 bn

Amount Investment : about ¥23.3 bn

Location : Nogi-machi, Shimotsuga-gun,
Tochigi

Start of shipment(plan) : January 2023



**Aiming for business expansion and optimization of
distribution in the Kanto area, our largest market**

**Expanding management know-how of new logistics
model to contract logistics center**

Taking on the challenge of collectively-managed logistics both Non-Foods and Foods products

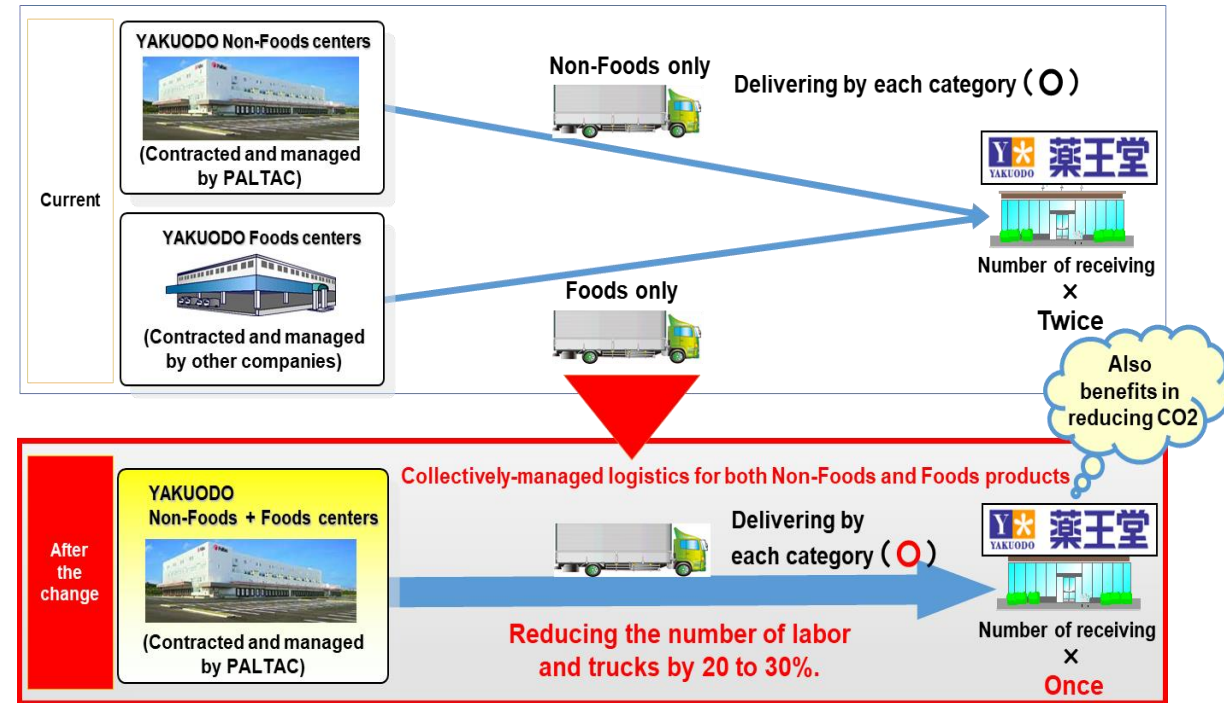
Expanding our distribution know-how cultivated in Non-Foods logistics to Foods logistics

Starting collaboration with YAKUODO Co., Ltd.

Expansion of RDC Miyagi Shipping Capacity

- Yearly shipment capacity : ¥35.0bn → ¥55.0bn
- Amount Investment : about ¥4.0 bn
- Targeted logistics : Southern Tohoku region
Room-temperature foods (Beverages, confectionery, etc.)
- Start (plan) : September 2024

< Overview of the initiative >



Aiming for further optimization and streamline of the entire supply chain through collaborative initiatives such as improving delivery efficiency and expanding deliveries by each category

Taking on the challenge of providing new innovative value utilizing digital

Started “VAN services”

Providing new value through one-stop services

- Not only distribution and sales but also data exchange can be completed within the industry through providing VAN service by PALTAC which is involved in distribution business

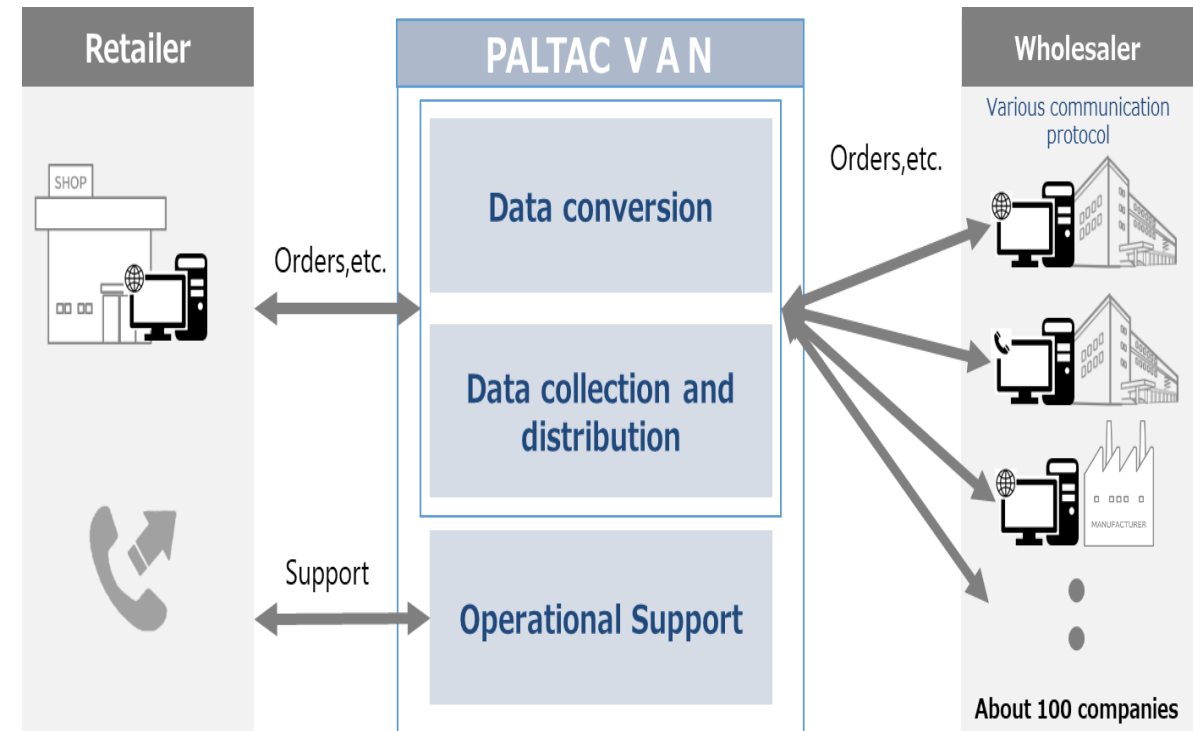
⇒ Reducing cost throughout industry

⇒ Contributing to the retailer’s promotion for DX

Established “DX Promotion Preparation Department” (April 1, 2022)

⇒ Accelerating initiatives by establish an organizational structure

< Overview of the initiative (VAN services) >



Aiming for DX that realizes optimization of the entire supply chain through internal and external collaboration and cooperation

Strengthening corporate governance and enhancing information disclosure

New directors structure which is made up of a majority of independent outside directors

Integrated Report 2021 “WHAT’S PALTAC” Selected as GPIF “Highly Improved Integrated Report” for 2 consecutive years

Built corporate governance structure with diversity and high transparency

Continue to enhance information disclosure to improve its value as a communication tool with stakeholders



Current	Percentage of Outside directors	44.4%
	(9 Directors 4 Independent outside directors)	
New structure	Percentage of Outside directors	54.5%
	(11 Directors 6 Independent outside directors)	

(After approval of the proposal for appointment of directors to be proposed at the Ordinary General Meeting of Shareholders scheduled to be held on June 22, 2022)

Dialogues ⇒ Feedback to management ⇒ Dialogues
Aiming to continuously increase corporate value through constructive dialogues

Aiming for sustainable growth through contributing to the development of entire supply chain and the achievement of SDGs by various new challenges

Medium-term Management Plan VISION 2024 (FY2022/3 ~ FY2024/3)

PALTAC VISION 2024

“For a bright future”

~ Moving forward with the supply chain ~

With our position as an intermediate distribution platform actively showing our values by **collaboration and cooperation**, and **reinforcement of systems**

【Key Initiatives】

Addressing the unprecedented changes in business environments

“Strengthening retail solution capabilities”

Pursuing “secure and safety” and “high-efficiency”

“Strengthening logistics solution capabilities”

Ensuring provision of added corporate values

“Enhancing IT system and Promoting digitization”

As a foundation for our sustainable growth

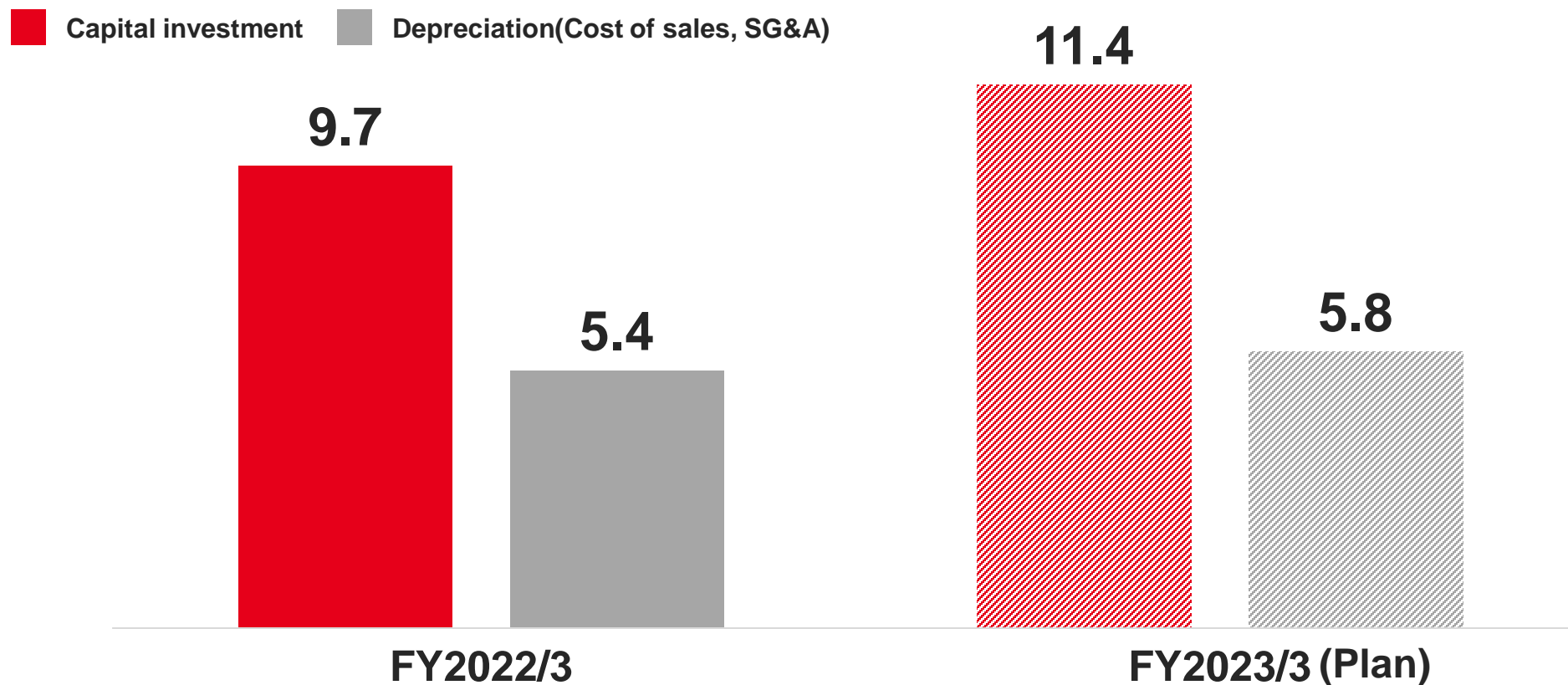
“Developing talent and organization”

Enhancement of ESG / Contribution to achieving SDGs

FY2023/3 Forecasts

Investment aiming to sustainable growth, Enhancing high-efficient shipping capacity, etc.

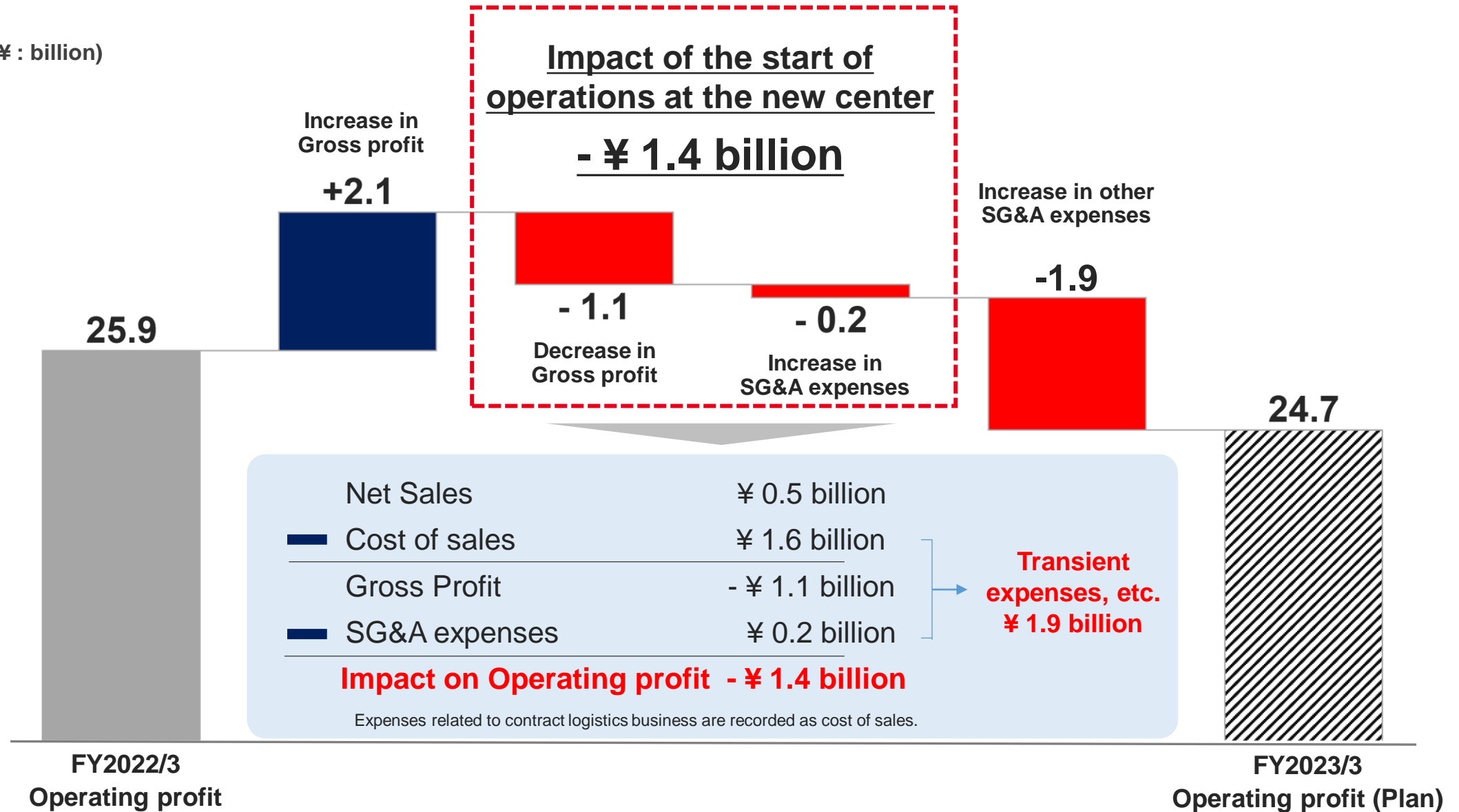
(¥ : billion)



FY2023/3 Operating profit forecast (Impact on operating profit from the start of operations at the new center)

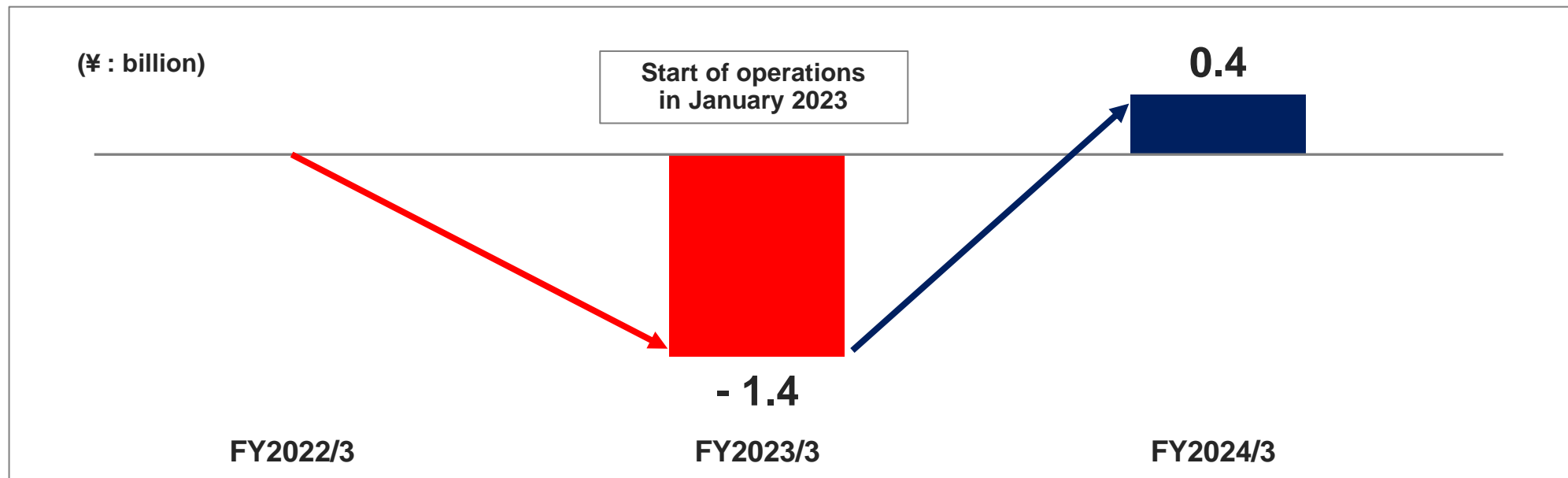


(¥ : billion)



Impact on operating profit from the start of operations at the new center

In the fiscal year ending March 2023, One-time increase in costs and prior expenses immediately after start of operation in January 2023
 ⇒ Contributions to profits are expected to gain full momentum in the fiscal year ending March 2024



FY2023/3

Net Sales	¥ 0.5 billion
Cost of sales	¥ 1.6 billion
Gross Profit	- ¥ 1.1 billion
SG&A expenses	¥ 0.2 billion

Impact on Operating profit - ¥ 1.4 billion

Equivalent to approximately 1.3 months of sales
 (After start of operation, gradually increase shipment volume)
Transient expenses, etc. ¥ 1.9 billion

FY2024/3

Impact on Operating profit + ¥ 0.4 billion (expected)

A temporary decline in profits is expected due to start of operation at the new distribution center

¥ billion (ratio of net sales : %)	FY2022/03	FY2023/03	YoY(Amount)	YoY(Rate)
Net sales	1,045.7	1,080.0	+34.2	+3.3%
Gross Profit	81.7 (7.82)	82.8 (7.67)	+1.0 (-0.15)	+1.3%
SG&A expenses	55.8 (5.34)	58.1 (5.38)	+2.2 (+0.04)	+4.1%
Operating Profit	25.9 (2.48)	24.7 (2.29)	-1.2 (-0.19)	-4.7%
Ordinary Profit	28.6 (2.74)	27.4 (2.54)	-1.2 (-0.20)	-4.3%
Profit	19.6 (1.88)	19.0 (1.76)	-0.6 (-0.12)	-3.3%
Earnings per share (¥)	310.34	302.32	-8.02	-2.6%

Aiming to enhance shareholder returns based on the medium-term management plan

FY2022/3

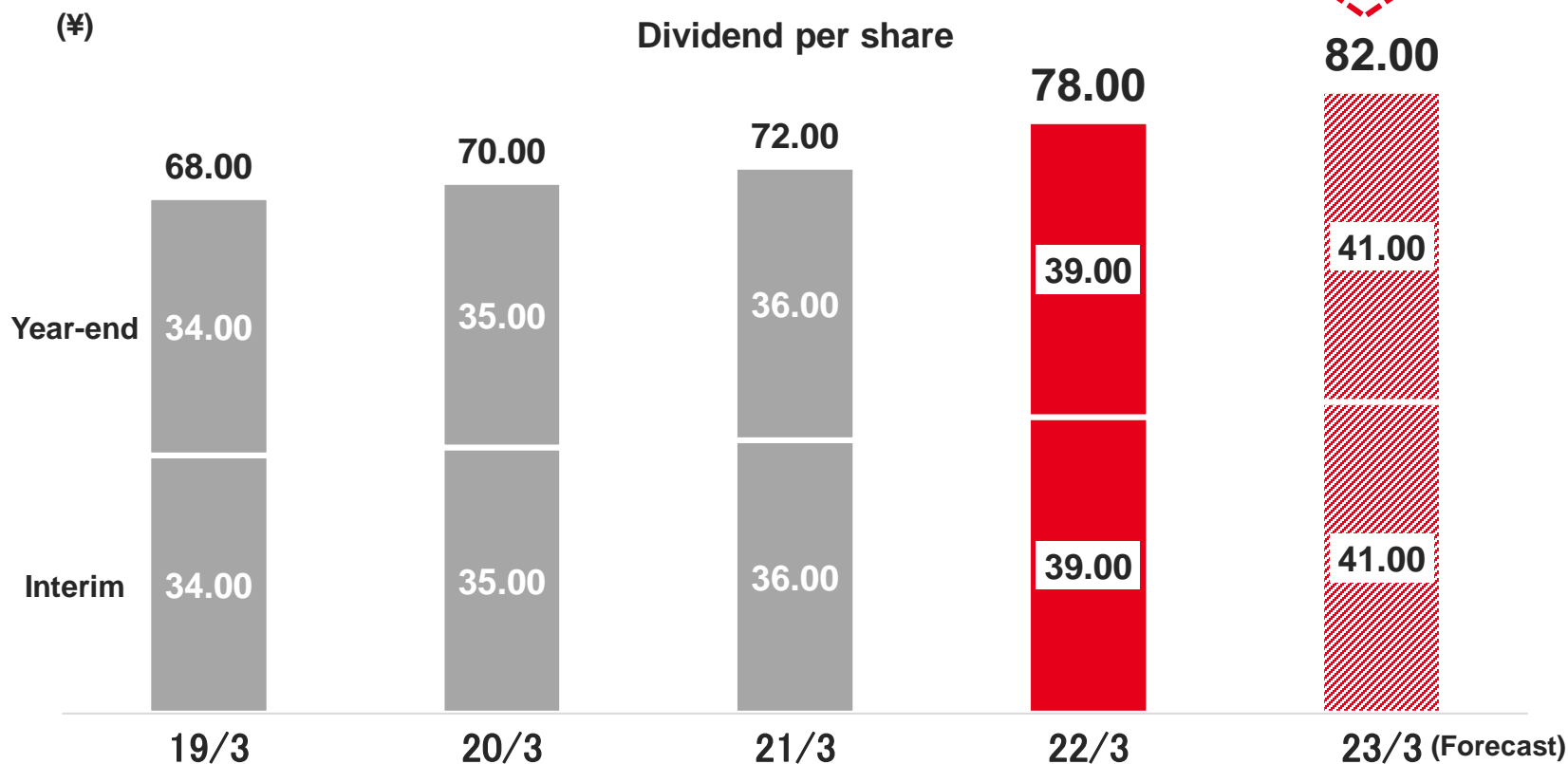
- Annual dividend ¥ 6 increase
(Interim : ¥ 3 / Year-end : ¥ 3)

- Share buyback
for the first time
(October 29, 2021 – December 23, 2021)

[Total return ratio]

42.8 %

**Increased in dividend for 13th consecutive years
since listing (Including expected)**



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 dose not have a policy of updating this document and information to the most recent.