

# Consolidated Financial Statements for the Fiscal Year Ended March 31, 2024

May 14, 2024

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

## MEDIPAL HOLDINGS CORPORATION

Code number: 7459

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Annual General Meeting of Shareholders (scheduled): June 25, 2024

Start of distribution of dividends (scheduled): June 4, 2024

Filing of Securities Report (Yuka Shoken Hokokusho) (scheduled): June 25, 2024

Preparation of Supplementary Materials for Financial Results: Yes

Presentation Meeting for Financial Results: Yes (for institutional investors and securities analysts)

Stock exchange listing: Tokyo

URL: <https://www.medipal.co.jp/english/>

(All amounts are rounded down to the nearest million yen.)

## 1. Consolidated Results for Fiscal 2024 (April 1, 2023 - March 31, 2024)

(1) Sales and Income (Percentages represent change compared to the previous fiscal year.)

	Net sales (¥ million)	Year-on- year change (%)	Operating profit (¥ million)	Year-on- year change (%)	Ordinary profit (¥ million)	Year-on- year change (%)
Year ended March 31, 2024	3,558,732	5.9	47,330	(3.4)	64,570	(0.8)
Year ended March 31, 2023	3,360,008	2.1	48,972	7.3	65,122	5.0

(Note) Comprehensive income: Year ended March 31, 2024: ¥64,684 million(26.6%)

Year ended March 31, 2023: ¥51,084 million (102.0%)

	Profit attributable to owners of the parent (¥ million)	Year-on- year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary profit/total assets (%)	Operating profit/net sales (%)
Year ended March 31, 2024	41,474	6.9	195.83	—	7.1	3.7	1.3
Year ended March 31, 2023	38,806	31.9	184.82	179.12	7.1	3.8	1.5

(Reference) Share of profit of entities accounted for using equity method: Year ended March 31, 2024: ¥3,584 million;

Year ended March 31, 2023: ¥3,590 million

## (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
As of March 31, 2024	1,799,127	736,612	33.4	2,858.57
As of March 31, 2023	1,709,658	688,055	32.8	2,673.62

(Reference) Net worth: As of March 31, 2024: ¥600,349 million; As of March 31, 2023: ¥561,357 million

Note: In the fiscal year ended March 31, 2023, the Company provisionally carried out accounting treatment (allocation of acquisition costs) related to business combination. This accounting treatment was finalized in the first quarter of the fiscal year ended March 31, 2024, and as a result, provisional values have been updated in this Summary of Consolidated Financial Statements to reflect finalized values for the consolidated financial position as of March 31, 2023.

## (3) Consolidated Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Year ended March 31, 2024	61,843	(7,817)	(25,248)	228,084
Year ended March 31, 2023	16,146	(39,494)	(43,541)	193,561

## 2. Cash Dividends

	Dividends per share (¥)					Total dividends paid (full year) (¥ million)	Payout ratio (consolidated) (%)	Dividends/net assets (consolidated) (%)
	1st quarter	2nd quarter	3rd quarter	Year- end	Full year			
Year ended March 31, 2023	—	23.00	—	23.00	46.00	9,658	24.9	1.8
Year ended March 31, 2024	—	30.00	—	30.00	60.00	12,651	30.6	2.2
Year ending March 31, 2025 (est.)	—	30.00	—	30.00	60.00		37.3	

### 3. Forecast of Consolidated Results for Fiscal 2025 (April 1, 2024 - March 31, 2025)

(Percentages represent change compared to the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Full term	3,660,000	2.8	50,000	5.6	66,000	2.2	33,500	(19.2)	160.87

Note: At the Board of Directors meeting held on May 14, 2024, the Company resolved to undertake a share buyback. “Earnings per share” in the forecast of consolidated results for the fiscal year ending March 31, 2025 takes into consideration the impact of this share buyback. For details on the share buyback, please refer to page 24 of the attached materials.

#### Notes

(1) Changes in accounting policies and changes in/restatements of accounting estimates

(a) Changes in accounting policies due to revisions of accounting standards: None

(b) Changes in accounting policies other than (a) above: None

(c) Changes in accounting estimates: None

(d) Restatements: None

(2) Number of shares issued and outstanding (common stock)

(a) Number of shares issued at the end of the period (including treasury stock)	Year ended March 31, 2024	221,291,342	Year ended March 31, 2023	225,463,242
(b) Number of treasury shares at the end of the period	Year ended March 31, 2024	11,274,274	Year ended March 31, 2023	15,501,487
(c) Average number of shares outstanding during the period	Year ended March 31, 2024	211,784,677	Year ended March 31, 2023	209,962,069

(Reference) Summary of Unconsolidated Results

#### 1. Unconsolidated Results for Fiscal 2024 (April 1, 2023 - March 31, 2024)

(1) Sales and Income (Percentages represent change compared to the previous fiscal year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating profit (¥ million)	Year-on-year change (%)	Ordinary profit (¥ million)	Year-on-year change (%)
Year ended March 31, 2024	30,306	(8.2)	12,859	(21.3)	14,078	(22.7)
Year ended March 31, 2023	33,008	24.0	16,345	2.5	18,211	(3.7)

	Profit (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Year ended March 31, 2024	21,083	(1.6)	99.55	—
Year ended March 31, 2023	21,430	67.4	102.07	98.81

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
As of March 31, 2024	368,181	345,731	93.9	1,646.21
As of March 31, 2023	355,375	333,618	93.9	1,588.95

(Reference) Net worth: As of March 31, 2024: ¥345,731 million; As of March 31, 2023: ¥333,618 million

\* This summary of consolidated results is exempt from audits by certified public accountants or audit corporations.

#### \* Cautionary Remarks Regarding Proper Use of Projected Results and Other Items

The projected results are based on information at the time of this announcement. Actual results may differ from the figures in the projection owing to a wide range of factors. See page 9 of the attached materials for information regarding projected results.

(How to Access Supplemental Materials for Financial Results)

The materials will be posted in “IR Library” on the MEDIPAL HOLDINGS CORPORATION (“MEDIPAL”) website.

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## 1. Overview of Results of Operations, Etc.

### (1) Overview of Results of Operations

#### (i) Business Overview

The MEDIPAL Group is “Contributing to people’s health and the advancement of society through creation of value in distribution.” Based on this management philosophy, we are developing our business in the Pharmaceuticals, Health, and Beauty fields across three segments: Prescription Pharmaceutical Wholesale Business; Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business; and Animal Health Products and Food Processing Raw Materials Wholesale and Related Business. We handle prescription pharmaceuticals, medical equipment, clinical diagnostic reagents, daily necessities, cosmetics, food processing raw materials, and other essential products which each support healthy living and the lives of people. We therefore recognize that building logistics and a distribution network capable of uninterrupted delivery during normal times and in emergencies is an important obligation of the MEDIPAL Group as a company that is responsible for social infrastructure. The MEDIPAL Group formulates a business continuity plan (BCP), based on this commitment. When the Noto Peninsula earthquake occurred on January 1, 2024, we worked to provide stable supply of products needed to the affected area.

To achieve our management philosophy, the MEDIPAL Group formulated the **2027 MEDIPAL Medium-Term Vision “Change the Oroshi Forever – Constant Innovation”** (hereinafter referred to as the “Medium-Term Vision”) extending through fiscal year ending March 31, 2027. Recognizing human resource and financial strategies as the basis of future growth, the Medium-Term Vision targets re-prioritization of the business portfolio and sustainable growth of the Group through collaboration with our partners, and is advancing the following five growth strategies: Expansion of Overseas Business, Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business, Enhancement of the Business with and in Digital, Building Sustainable Logistics, and Value Co-creation in Community Healthcare.

In the fiscal year ended March 31, 2024, we made Toshichi Inc. (Sasebo-shi, Nagasaki; “Toshichi”) and MP Gokyo Food & Chemical Co., Ltd. (Kita-ku, Osaka; “MP Gokyo Food & Chemical”) consolidated subsidiaries, in line with these strategies. A basic agreement on the integration of MP Gokyo Food & Chemical and MEDIPAL FOODS CORPORATION (Chuo-ku, Sapporo; “MEDIPAL FOODS”) was also concluded in November 2023.

In September 2023, MEDIPAL HOLDINGS CORPORATION (Chuo-ku, Tokyo; “MEDIPAL”) and JCR Pharmaceuticals Co., Ltd. (Ashiya-shi, Hyogo; “JCR”) concluded a licensing agreement for overseas commercialization and an agreement for the joint development and commercialization in Japan of JR-446, which JCR is developing as a therapeutic drug for mucopolysaccharidosis type IIIB, a type of lysosomal storage disease (LSD). This is part of its initiatives in global new drug development in the area of ultra-rare diseases. The two companies are currently proceeding with development of an innovative therapeutic drug for mucopolysaccharidosis type IIIB, for which there is no established standard treatment. Aiming to expand its earnings base and maximize corporate value, MEDIPAL also invests in startups in Japan through the MEDIPAL Innovation Fund, thereby contributing to the realization of a sustainable economy and society.

The main initiatives in each segment are as follows.

#### Prescription Pharmaceutical Wholesale Business

In October 2023, MEDICEO CORPORATION (Chuo-ku, Tokyo; “MEDICEO”) began operation of the Hanshin ALC<sup>1</sup> (Nishinomiya-shi, Hyogo), as the MEDIPAL Group’s 13th area logistics center (ALC). In 2009, MEDICEO opened the Kanagawa ALC (Totsuka-ku, Yokohama-shi) as a resilient logistics center that seamlessly connects manufacturers with medical institutions and is equipped to handle disasters. Since then, MEDICEO has been strengthening functions and expanding these operations nationwide. Commencement of operations at the Hanshin ALC completes the logistics service network, which provides uniform coverage across Japan. MEDISKET CORPORATION (Misato-shi, Saitama; “MEDISKET”), a joint venture of MEDIPAL and H.U. Group Holdings, Inc. (Minato-ku, Tokyo), will create new profit opportunities through logistics contracts with external companies, in addition to improving efficiency by consolidating the logistics of both companies. MEDISKET aims to build the largest healthcare logistics platform in Japan to support “Pharmaceuticals, Health, and Beauty,” and is currently preparing the infrastructure for sharing logistics.

### Definition of Terms:

1. ALC (Area Logistics Center): A state-of-art distribution center that supplies prescription pharmaceuticals, medical supplies and other items primarily to dispensing pharmacies, hospitals and clinics.

### Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

In August 2023, PALTAC CORPORATION (Osaka-shi, Osaka; “PALTAC”) began full operation of an efficient product receipt process with the introduction of advanced shipping notices (ASN) using the logistics electronic data interchange (EDI) provided by PLANET, INC. (Minato-ku, Tokyo). The purpose of this process is to resolve the “2024 problem” and other issues in logistics. Ascertaining incoming shipment information in advance improves the efficiency of shipment receipt work and reduces driver waiting time. The company also began providing an automated ordering service that uses AI to predict demand from January 2024 to reduce food disposal losses of retailers. In addition to improvement the efficiency of the retailer ordering process, this is contributing to the resolution of social issues such as reducing food disposal losses.

### Animal Health Products and Food Processing Raw Materials Wholesale and Related Business

MP Gokyo Food & Chemical and MEDIPAL FOODS, which concluded a basic agreement concerning integration in November 2023, are working to effectively utilize our management resources and solidify our nationwide customer base. This is to address the shift in the Japanese food industry’s landscape, marked by changes in customer and consumer preferences, including an increasing demand for health-conscious foods and foods with functional claims, and further develop our Food Processing Raw Materials Wholesale and Related Business. The companies plan to complete this integration on October 1, 2024.

### (ii) Results of Operations for the Fiscal Year Ended March 31, 2024

Consolidated results for the fiscal year ended March 31, 2024 are as follows.

	(Millions of yen, rounded down to the nearest million)			
	Year ended March 31, 2023	Year ended March 31, 2024	Difference	YoY change (%)
Net sales	3,360,008	3,558,732	+198,724	+5.9
Gross profit	224,304	246,654	+22,350	+10.0
[Percentage of sales]	[6.68%]	[6.93%]	[+0.26 pts]	
Selling, general and administrative expenses	175,331	199,324	+23,992	+13.7
[Percentage of sales]	[5.22%]	[5.60%]	[+0.38 pts]	
Selling, general and administrative expenses (excluding (i) and (ii) below)	171,156	191,494	+20,338	+11.9
(i) Business investment expenses	4,175	5,772	+1,597	+38.3
(ii) Amortization of goodwill and intangible assets*	—	2,056	+2,056	—
Operating profit	48,972	47,330	(1,642)	(3.4)
[Percentage of sales]	[1.46%]	[1.33%]	[(0.13 pts)]	
Operating profit excluding (i) and (ii) above	53,147	55,159	+2,011	+3.8
Ordinary profit	65,122	64,570	(551)	(0.8)
Extraordinary income	4,939	10,170	+5,231	+105.9
Profit before income taxes	70,061	74,741	+4,679	+6.7
Profit attributable to owners of the parent	38,806	41,474	+2,668	+6.9

\* Amortization of goodwill and intangible assets associated with growth investments set forth in the 2027 MEDIPAL Medium-Term Vision

### Net sales

Net sales rose by ¥198,724 million (5.9%) year on year to ¥3,558,732 million.

- Sales increased in the Prescription Pharmaceutical Wholesale Business by ¥106,127 million (4.8%); in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, by ¥47,814 million (4.3%); and in the Animal Health Products and Food Processing Raw Materials Wholesale and Related Business, by ¥40,068 million (54.2%), resulting in sales growth across all business segments compared to the previous fiscal year.
- In addition to the above results, other factors which contributed to the growth in sales in the fiscal year ended March 31, 2024 were adding MP Gokyo Food & Chemical and Toshichi to the scope of consolidation and commencement of full-scale operation of the business MEDISKET launched in December 2022.

## **Operating profit**

Operating profit decreased by ¥1,642 million (3.4%) year on year to ¥47,330 million.

- Gross profit increased by ¥22,350 million (10.0%) as the ratio of gross profit to sales increased from the previous fiscal year (6.68%) to 6.93% on top of the growth in sales improved from the previous fiscal year, due to the impact of a decrease in the one-time sales and profit associated with COVID-19 vaccines recorded last fiscal year and to improvement in the profit margin from including MP Gokyo Food & Chemical in the scope of consolidation.
- Selling, general and administrative expenses (SG&A) increased by ¥23,992 million (13.7%), mainly from the impact of including MP Gokyo Food & Chemical and Toshichi in the scope of consolidation and an increase in business investment and other expenses from the previous fiscal year. In addition, amortization of goodwill and intangible assets following the consolidation of MP Gokyo Food & Chemical has been recorded in SG&A.
- As a result, operating profit decreased, but this was due to recording the business investment expenses that were necessary as a source of future business growth and incurring the above-mentioned amortization expenses from the fiscal year ended March 31, 2024. Excluding these factors, operating profit increased by ¥2,011 million (3.8%) from the previous fiscal year.

## **Ordinary profit**

Ordinary profit decreased by ¥551 million (0.8%) year on year to ¥64,570 million.

- Ordinary profit decreased because the improvement in non-operating income, mainly from the increase in research fee income, was not sufficient to absorb the decline in operating profit.

## **Profit attributable to owners of the parent**

Profit attributable to owners of parent rose by ¥2,668 million (6.9%) year on year to ¥41,474 million.

- Extraordinary income amounted to ¥10,170 million, up ¥5,231 million. This increase resulted mainly from a loss on the valuation of investment securities posted in the previous fiscal year, and compensation income associated with the relocation of the Head Office and a gain on step acquisition related to the consolidation of Toshichi in the fiscal year under review, despite a decrease in the gain on sale of strategic shareholdings from the previous fiscal year.

## **Prescription Pharmaceutical Wholesale Business**

The Prescription Pharmaceutical Wholesale Business grew as opportunities for medical appointments at medical institutions increased due to the return of economic activities to normal levels after the reclassification of COVID-19 as a Class 5 infectious disease.

Amid this environment, MEDICEO and other companies in the pharmaceutical business aimed to create new value as regional medical coordinators by expanding activities to connect medical institutions, dispensing pharmacies, and municipalities. Women's Coordinators<sup>2</sup> who specialize the area of obstetrics and gynecology, rare disease medical representatives (RD-MR)<sup>3</sup> who specialize in area of rare diseases, and assistant representatives (AR)<sup>4</sup> who are Company marketing specialists, which possess agility and have specialized knowledge of pharmaceuticals, worked to resolve regional healthcare issues, mainly by delivering comprehensive information on disease prevention, diagnosis, and treatment; implementing disease awareness activities; identifying potential patients; and serving as a bridge to specialists.

Toshichi became a consolidated subsidiary and MEDISKET commenced full-scale business operations during the fiscal year under review.

### *Definition of Terms:*

2. Women's Coordinator: An internal designation given to ARs and others who have specialized knowledge in the area of obstetrics and gynecology.
3. Rare Disease MR (RD-MR): An internal designation given to ARs and others who focus on the area of rare diseases.
4. Assistant Representatives (AR): An internal designation given to Marketing Specialists (salespeople for the Prescription Pharmaceutical Wholesale Business), pharmacists, and others who have passed the Medical Representative (MR) qualification exam.

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2023	Year ended March 31, 2024	Difference	YoY change (%)
Net sales	2,189,667	2,295,795	+106,127	+4.8
Gross profit	132,247	144,123	+11,876	+9.0
[Percentage of sales]	[6.04%]	[6.28%]	[+0.24 pts]	
Selling, general and administrative expenses	110,328	126,651	+16,322	+14.8
[Percentage of sales]	[5.04%]	[5.52%]	[+0.48 pts]	
Selling, general and administrative expenses (excluding the following)	106,153	120,878	+14,724	+13.9
Business investment expenses	4,175	5,772	+1,597	+38.3
Operating profit	21,918	17,471	(4,446)	(20.3)
[Percentage of sales]	[1.00%]	[0.76%]	[(0.24 pts)]	
Operating profit excluding above business investment expenses	26,093	23,244	(2,848)	(10.9)

### Net sales

Net sales rose by ¥106,127 million (4.8%) year on year to ¥2,295,795 million.

- The growth in sales resulted from Toshichi becoming a consolidated subsidiary, MEDISKET commencing full-scale business operations, and an increase in sales of therapeutic drugs used to treat COVID-19 infections and sales of antiviral drugs to treat influenza.

### Operating profit

Operating profit decreased by ¥4,446 million (20.3%) year on year to ¥17,471 million.

- Gross profit increased by ¥11,876 million (9.0%) year on year, as a result of Toshichi becoming a consolidated subsidiary and MEDISKET commencing full-scale business operations. The ratio of gross profit to sales increased from the previous fiscal year (6.04%) to 6.28%. The increase resulted from MEDISKET commencing full-scale business operations.
- SG&A increased by ¥16,322 million (14.8%), mainly due to the impact of MEDISKET commencing full-scale business operations and an increase in investment expenses.
- As a result, operating profit decreased by ¥4,446 million (20.3%) year on year. The decrease resulted from the one-time sales and profit related to COVID-19 vaccines recorded in the previous fiscal year and the termination of a royalty agreement in a new business during the fiscal year under review, in addition to the impact from increased investment in growth proposed in the Medium-Term Vision.

### Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

Despite the persistent rise in raw material and energy prices and the accompanying surge in the price of goods, the business environment for the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business is showing signs of a gradual rebound as Japan moves beyond COVID-19, thereby increasing opportunities for going out and increasing the number of foreign tourists visiting Japan.

On the sales front, demand for hygiene-related products such as masks and disinfectants continued to decrease due to the reclassification of COVID-19 as a Class 5 infectious disease. However, demand for cosmetics and OTC drugs rose from increased outings for leisure activities and a return to office settings, rising demand of inbound tourism indicating signs of recovery, and other changes in the market such as greater awareness of self-care.

We accurately identified changes in the market, procured new products to meet the needs of consumers, and proposed timely approaches to merchandising, amid such changes.

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2023	Year ended March 31, 2024	Difference	YoY change (%)
Net sales	1,104,152	1,151,966	+47,814	+4.3
Gross profit	82,395	86,358	+3,963	+4.8
[Percentage of sales]	[7.46%]	[7.50%]	[+0.03 pts]	
Selling, general and administrative expenses	57,923	59,185	+1,262	+2.2
[Percentage of sales]	[5.25%]	[5.14%]	[(0.11 pts)]	
Operating profit	24,472	27,172	+2,700	+11.0
[Percentage of sales]	[2.22%]	[2.36%]	[+0.14 pts]	

## Net sales

Net sales rose by ¥47,814 million (4.3%) year on year to ¥1,151,966 million.

The main factors contributing to the increase in net sales are as follows.

- Due to the reclassification of COVID-19 as a Class 5 infectious disease, demand for hygiene-related products such as masks and disinfectants continued to decrease. However, there were increased outings for leisure activities and a return to office settings, rising demand of inbound tourism indicating signs of recovery, and other changes in the market such as greater awareness of self-care. Accurately addressing these developments led to an increase in sales from the previous fiscal year.

## Operating profit

Operating profit increased by ¥2,700 million (11.0%) year on year to ¥27,172 million yen.

- Gross profit rose by ¥3,963 million (4.8%) as the ratio of gross profit increased from the previous fiscal year (7.46%) to 7.50%, due mainly to the expansion of sales and the impact of a decrease in one-time expenses associated with the operation of the Tochigi Distribution Center, which had been recorded in the previous fiscal year.
- SG&A increased by ¥1,262 million due to the expansion of sales, while SG&A as a percentage of sales improved by 0.11 points to 5.14% as the expansion of sales had the effect of absorbing fixed costs and greater efficiency was achieved in distribution.

## Animal Health Products and Food Processing Raw Materials Wholesale and Related Business

The Animal Health Products Wholesale Business saw a rebound in the poultry markets while the business environment remained severe due to an increase in production costs for feed, utilities, etc. The companion animal market also saw growth. We strengthened sales from the introduction of new vaccines and companion animal health products, amid these conditions.

In the Food Processing Raw Materials Wholesale and Related Business, rising market prices were passed through to sales prices and the business saw a rebound in demand following the reclassification of COVID-19 as a Class 5 infectious disease. We conducted sales that leverage the strength of the nationwide MEDIPAL network, engaged in procurement and proposal of products, promoted the planning and development of new products that increase added value, and provided customers with a full range of support from product planning to distribution, amid this environment.

## Definition of Terms:

5. Companion animal: An animal that has a companion-like presence and a close relationship with humans in daily life.

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2023	Year ended March 31, 2024	Difference	YoY change (%)
Net sales	73,954	114,023	+40,068	+54.2
Gross profit	9,738	16,259	+6,520	+67.0
[Percentage of sales]	[13.17%]	[14.26%]	[+1.09 pts]	
Selling, general and administrative expenses	7,213	13,531	+6,318	+87.6
[Percentage of sales]	[9.75%]	[11.87%]	[+2.11 pts]	
Selling, general and administrative expenses (excluding the following)	7,213	11,475	+4,261	+59.1
Amortization of goodwill and intangible assets*	—	2,056	+2,056	—
Operating profit	2,525	2,727	+202	+8.0
[Percentage of sales]	[3.41%]	[2.39%]	[(1.02 pts)]	
Operating profit excluding the above amortization	2,525	4,783	+2,258	+89.4

\* Amortization of goodwill and intangible assets associated with growth investments set forth in the 2027 MEDIPAL Medium-Term Vision

## Net sales

Net sales rose by ¥40,068 million (54.2%) year on year to ¥114,023 million.

- The inclusion of MP Gokyo Food & Chemical in the scope of consolidation from the fiscal year under review led to a significant increase in sales.
- Sales of animal health products were boosted by an increase in new vaccine use and transactions with major customers, despite the continued severe market environment due to an increase in production costs for feed, utilities, etc. in the fisheries and livestock markets. Animal health products for the companion animal market



also recorded firm sales owing to an increase in sales of therapeutic drugs to treat skin conditions and anthelmintics.

- Sales of food processing raw materials increased as MP Gokyo Food & Chemical was included in the scope of consolidation, rising market prices were passed through to sales prices, and the market saw a rebound in demand and growth in new transactions following the reclassification of COVID-19 as a Class 5 infectious disease.

### **Operating profit**

Operating profit increased by ¥202 million (8.0%) year on year to ¥2,727 million.

- Gross profit increased significantly by ¥6,520 million (67.0%) year on year as the ratio of gross profit increased from the previous fiscal year (13.17%) to 14.26% on top of the growth in sales. The ratio of gross profit improved from the previous fiscal year, largely due to the inclusion of MP Gokyo Food & Chemical in the scope of consolidation, which has a relatively high ratio of gross profit.
- SG&A rose by ¥6,318 million (87.6%) due to including MG Gokyo Food & Chemical in the scope of consolidation and the amortization of goodwill and intangible assets following the consolidation as a subsidiary.
- The growth in operating profit resulted from an increase gross profit, which absorbed the increase in SG&A expenses from the amortization of goodwill and intangible assets mentioned above. Excluding the expenses from the amortization of goodwill and intangible assets, operating profit increased by ¥2,258 million (89.4%) from the previous fiscal year.

Note: Segment sales include inter-segment transactions.

## **(2) Overview of Financial Position**

### **Assets**

Total assets were ¥1,799,127 million, an increase of ¥89,468 million from the end of the previous fiscal year.

Current assets rose by ¥64,909 million from the end of the previous fiscal year to ¥1,244,190 million. This was mainly due to an increase of ¥35,123 million in cash and deposits and ¥28,742 million in notes and accounts receivable.

Non-current assets increased by ¥24,559 million from the end of the previous fiscal year to ¥554,937 million. This was mainly due to an increase of ¥2,589 million in property, plant and equipment, including the Hanshin ALC, and an increase of ¥18,241 million in investment securities because of a revaluation of listed stocks after share prices rose.

### **Liabilities**

Liabilities totaled ¥1,062,515 million, increased by ¥40,911 million from the end of the previous fiscal year.

Current liabilities increased by ¥36,200 million from the previous fiscal year to ¥1,007,719 million. This was mainly due to an increase of ¥33,331 million in notes and accounts payable–trade.

Non-current liabilities increased by ¥4,711 million from the end of the previous fiscal year to ¥54,796 million. This was mainly due to an increase of ¥4,899 million in deferred tax liabilities because of a revaluation of listed stocks after share prices rose.

### **Net assets**

Net assets were ¥736,612 million, an increase of ¥48,557 million from the end of the previous fiscal year.

Shareholders' equity increased by ¥27,835 million from the end of the previous fiscal year to ¥540,265 million. This was mainly due to an increase of ¥24,592 million in retained earnings and a decrease of ¥5,033 million in treasury shares.

Accumulated other comprehensive income increased by ¥11,155 million from the end of the previous fiscal year to ¥60,083 million. This was mainly due to an increase of ¥8,908 million in valuation difference on available-for-sale securities because of a revaluation of listed stocks after share prices rose.

Non-controlling interests increased ¥9,565 million from the end of the previous fiscal year to ¥136,263 million, mainly due to an increase in net assets at PALTAC.

Note: In the first three-month period ended June 30, 2023, the Company finalized the provisional accounting treatment in the fiscal year ended March 31, 2023 regarding business combination with Sumitomo Pharma Food & Chemical Co., Ltd. (now MP Gokyo Food & Chemical Co., Ltd.). As a result, a significant adjustment to the initial allocation of acquisition costs is reflected in the comparative information included in

(1) Consolidated Balance Sheets in 5. Consolidated Financial Statements. Therefore, changes from the previous fiscal year are presented as a comparison with the amounts reflecting these revisions.

### (3) Overview of Cash Flows

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities	16,146	61,843
Cash flows from investing activities	(39,494)	(7,817)
Cash flows from financing activities	(43,541)	(25,248)
Effect of exchange rate changes on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(66,889)	28,778
Cash and cash equivalents at beginning of period	260,450	193,561
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	5,744
Cash and cash equivalents at end of period	193,561	228,084

In the fiscal year ended March 31, 2024, on a consolidated basis, cash and cash equivalents (hereafter, “net cash”) at the end of the year increased ¥28,778 million from the end of the previous fiscal year and this, combined with the ¥5,744 million brought in at the start of the year with the inclusion of Toshichi Inc. in the scope of consolidation from the first quarter, meant that net cash at the end of the year was ¥228,084 million.

#### *Cash flows from operating activities*

Net cash provided by operating activities was ¥61,843 million (an increase in cash inflow of ¥45,697 million year on year). Main factors were cash inflows of profit before income taxes of ¥74,741 million, depreciation of ¥16,931 million, ¥25,269 million of increase in trade payables, and ¥23,053 million of increase in trade receivables while recording cash outflows of ¥779 million of increase in inventories and ¥24,298 million of income taxes paid.

#### *Cash flows from investing activities*

Net cash used in investing activities was ¥7,817 million (a decrease in cash outflow of ¥31,677 million year on year). This was mainly due to ¥10,556 million of proceeds from sale of investment securities and ¥15,560 million of purchase of property, plant and equipment, including the Hanshin ALC.

#### *Cash flows from financing activities*

Net cash used in financing activities was ¥25,248 million (a decrease in cash outflow of ¥18,293 million year on year). This was mainly due to ¥10,090 million of purchase of treasury shares and ¥13,844 million of dividends paid.

Reference: Trends of Cash Flow Indicators

	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023:	Year ended March 31, 2024:
Net worth ratio (%)	30.4	31.1	31.0	32.8	33.4
Net worth ratio on a market value basis (%)	25.8	26.5	24.7	22.2	27.1
Cash flow to interest-bearing debt ratio (%)	80.1	117.5	64.4	49.4	3.3
Interest coverage ratio (times)	414.3	684.8	3,647.5	461.8	10,550.1

Notes:

Net worth ratio: Net worth/Total assets

Net worth ratio on a market value basis: Total market value of stock/Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flows from operating activities/Interest expense

1. All indicators are calculated based on consolidated financial figures.

2. Total market value of stock is calculated based on the number of shares issued and outstanding (excluding treasury shares).

3. Cash flow is cash flows from operating activities.

4. Interest-bearing debt comprises all liabilities stated on the consolidated balance sheets on which the Company pays interest. It also includes interest-free convertible-bond-type bonds with share acquisition rights.

#### (4) Outlook for the Fiscal Year Ending March 31, 2025

In each business, the MEDIPAL Group is now conducting initiatives in line with the **2027 MEDIPAL Medium-Term Vision**, which runs until March 31, 2027 and takes as its basic policy “**Change the Orosi Forever: Constant Innovation**” and our Sustainability Policy.

The forecast of consolidated results for the fiscal year ending March 31, 2025 is as follows.

(Millions of yen, rounded down to the nearest million)

	Year ending March 31, 2024 Results	Year ending March 31, 2025 Forecast	YoY difference	YoY change (%)
Net sales	3,558,732	3,660,000	+101,267	+2.8
Gross profit [Percentage of sales]	246,654 [6.93%]	254,100 (6.94%)	+7,445 [+0.01 pts]	+3.0
Selling, general and administrative expenses [Percentage of sales]	199,324 [5.60%]	204,100 [5.58%]	+4,775 [(0.02 pts)]	+2.4
Operating profit [Percentage of sales]	47,330 [1.33%]	50,000 [1.37%]	+2,669 [+0.04 pts]	+5.6
Ordinary profit	64,570	66,000	+1,429	+2.2
Extraordinary income	10,170	(421)	(10,592)	—
Profit before income taxes	74,741	65,578	(9,162)	(12.3)
Profit attributable to owners of parent	41,474	33,500	(7,974)	(19.2)

In the Prescription Pharmaceutical Wholesale Business, there is an increasing focus on strict quality control and rapid, stable supply of pharmaceuticals accompanying advances in medical care. This environment makes it necessary for pharmaceutical wholesalers to build distribution networks that optimize the whole supply chain and step up efforts to gather and provide information. It is also important to create businesses such as providing new services and products that meet the changing needs of customers, in light of the fact that NHI drug price revisions are now taking place every year and substantial growth cannot be anticipated in the prescription pharmaceuticals market in Japan.

Amid these conditions, the MEDIPAL Group will utilize our unique ALCs and AR functions to provide new distribution value for a new era in fiscal year ending March 31, 2025.

After opening an ALC in Kanagawa in 2009, we expanded across Japan and opened the Hanshin ALC last year as our 13th ALC, thereby enabling the provision of advanced logistics services to medical institutions nationwide. The MEDIPAL Group will continue to provide a stable supply of prescription pharmaceuticals while also providing high-quality logistics services that comply with GDP guidelines<sup>6</sup>, in addition to optimizing the supply of pharmaceuticals, testing materials, etc., and collection of specimens for clinical trials, research, etc., through outsourcing to our consolidated subsidiary, MEDISKET. MEDISKET is also endeavoring to create new profit opportunities through logistics contracts with outside companies in the future.

In regard to ARs, we have started our initiatives since 2010. Roughly 2,000 employees who have passed the MR qualification exam have been developing activities to provide comprehensive information to medical professionals and marketing activities targeted at resolving regional healthcare issues. The demands and

expectations for these functions are currently rising and we will continue to endeavor to strengthen our earnings base by intensifying our pursuit of initiatives that utilize these “2 A’s” (ALCs and ARs).

In the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, we expect a pick up in consumer spending due to improvement in the income environment from the promotion and continuation of wage increases and forecast growth in inbound demand from the increasing number of foreign tourists visiting Japan, in addition to continuing product price increases amid the rising price of goods. Expansion of transactions with retailers as sales functions evolve and commencement of logistics contracts for food in September 2024 will lead to securing new revenue sources in fiscal year ending March 31, 2025, amid these conditions.

We are planning for deterioration in the ratio of gross profit to sales due to the initial costs involved in beginning contract logistics for food and an increase in SG&A expenses from the impact of rising transport costs and increased cost of investment in personnel due to the “2024 problem” in logistics. However, an increase in gross profit from an increase in net sales will absorb these fixed costs and we expect this to contribute to operating profit.

Moreover, PALTAC, which is the driving force of our business, has formulated a new three-year medium-term management plan, which runs until March 31, 2027. These three years are positioned as the period during which PALTAC will implement reforms to build the foundation for creating new value to achieve sustainable growth, and it will pursue improvement in the profitability of existing businesses and will take on challenges aimed at creating new value. It will strive to expand areas of value creation and improve profitability by using the foundation it has built in existing business areas to take on the challenge of creating new value.

In the Animal Health Products and Food Processing Raw Materials Wholesale and Related Business, we expect the price of feed and production materials to remain high. Meanwhile we expect poultry production to recover from the influenza outbreak in 2023, and the companion animal market to see longer lifespans for dogs and cats due to therapeutic advances. We will continue to strengthen sales of highly profitable products in the fisheries and livestock markets, and to expand antibody drugs and new products carried to boost sales in the companion animal market by continued activities to cultivate new transactions from existing customers.

In the Food Processing Raw Materials Wholesale and Related Business, we expect the severe business environment to persist, mainly due to a declining and aging domestic population and soaring raw material prices. On the other hand, the business environment is constantly changing as consumer needs diversify with increasing awareness about food safety and health, leading to technological innovation advances and new demands. Amid this, our new consolidated subsidiary, MP Gokyo Food & Chemical is endeavoring to expand profits by strengthening sales of its mainstay polysaccharides<sup>7</sup> in Japan and overseas, and strengthen customer service through electronic material development for the semiconductor market and other products in the chemicals area.

Due to the above factors, our forecast for consolidated fiscal year ending March 31, 2025 is net sales of ¥3,660,000 million (up 2.8% year on year), operating profit of ¥50,000 million (up 5.6%), ordinary profit of ¥66,000 million (up 2.2%), and profit attributable to owners of parent of ¥33,500 million (down 19.2%).

#### *Definition of Terms:*

6. GDP (Good Distribution Practice) Guidelines set out appropriate procedures for ensuring the proper management of distribution (purchase, storage, and supply), maintaining the integrity of pharmaceuticals, and preventing the entry of counterfeit drugs into regular distribution channels.

7. Polysaccharide is a generic term for a long connected monosaccharide, such as glucose and mannose, and in a broad sense, it refers to carbohydrates that are composed of 10 or more monosaccharides bound together. Its functions include imparting a unique texture to, and maintaining the freshness of, processed foods such as sauces, dips, dressings, *tsukudani*, jelly, pudding, and ice cream, and it is also used in foods for people who have difficulty swallowing. In recent years, polysaccharides have also been used in non-food products such as cosmetics.

## **2. Basic Capital Policy and Dividends for the Fiscal Year Ended March 31, 2024 and the Fiscal Year Ending March 31, 2025**

### **(1) Basic Capital Policy**

We have decided a basic capital policy of striving for sustainable corporate growth and maximization of corporate value through business and financial activities founded on the dual focus of increasing return on equity and reducing the cost of capital. This Basic Policy on Capital Policy was announced on May 12, 2023. In order to generate profits that exceed the cost of capital, we will regularly monitor and verify these costs and pursue the optimal capital structure for the Company while ensuring financial soundness. In addition, based on the above policy, we have also revised our basic policies on strategic shareholdings and profit distribution.

See the link provided for more information: <https://ssl4.eir-parts.net/doc/7459/announcement7/88579/00.pdf>

(2) Dividends for the Fiscal Year Ended March 31, 2024 and the Fiscal Year Ending March 31, 2025

We believe that providing returns to shareholders is one of our important tasks in corporate management.

For distribution of profits, in principle, we have decided to maintain or increase the dividend payout ratio on earnings before amortization of goodwill and amortization of intangible assets arising from the growth investments set forth in the Medium-Term Vision. Simultaneously, we will comprehensively assess demand for funding and flexibly implement share buybacks and cancellations of shares as appropriate for the purpose of improving capital efficiency and further returning profits to shareholders. Our basic policy is to declare dividends of surplus twice a year as interim and year-end dividends.

Annual dividends per share for fiscal year ended March 31, 2024: ¥60

We plan to declare a year-end dividend of ¥30 per share for the fiscal year ended March 31, 2024.

Combined with the interim dividend of ¥30 per share, this will bring the annual dividends to ¥60 per share.

Annual dividends per share for fiscal year ended March 31, 2025 (forecast): ¥60

### 3. Management Policy

#### (1) Basic Management Policy

The MEDIPAL Group conducts its business activities based on its management philosophy of “Contributing to people’s health and the advancement of society through creation of value in distribution.”

Our “ideal situation” is to “expand, support, and connect ‘Pharmaceuticals, Health, and Beauty.’” We aim to realize a society in which everyone can live with physical and mental well-being and to enhance our corporate value by expanding businesses in the areas of pharmaceuticals, health, and beauty that create social value and customer value, supporting them with robust distribution infrastructure, and connecting the value that our partners possess in various sectors.

#### (2) Promoting Sustainability Management

To both help realize a sustainable society and improve our corporate value, the MEDIPAL Group is pursuing sustainability management based on our sustainability policy, “Connecting to the Future with ‘Energy and Brightness.’” We analyzed the relationship between social issues such as SDGs, our business activities and Medium-Term Vision, and identified materiality in six categories that will support our goal of solving social issues and achieving sustainable growth for the MEDIPAL Group: Sustainable Distribution in the “Pharmaceuticals, Health, and Beauty” Fields; Enhancement of Profitability through New Value Creation; Development of Future-Oriented Human Resources; Promotion of Diversity and Inclusion; Initiatives for Decarbonization; and Sound and Transparent Corporate Management. Targets have been established for each category and we are steadily working toward achieving them. We are working to strengthen Group compliance and further enhance corporate governance for sound and transparent corporate management.

#### (3) Overview of the 2027 MEDIPAL Medium-Term Vision

To put our management philosophy into practice, the MEDIPAL Group is implementing initiatives in line with the **2027 MEDIPAL Medium-Term Vision**, which takes as its basic policy “**Change the Oroschi Forever: Constant Innovation.**”

We will carry out the five growth strategies through business portfolio prioritization and collaboration with partners. Recognizing our human resources and financial strategies as the foundation of our growth strategies. We will create social and customer value through execution of our strategies to achieve the sustainable growth of the MEDIPAL Group.

See the link provided for more information: <https://ssl4.eir-parts.net/doc/7459/announcement7/83383/00.pdf>

#### **4. Basic Rationale for Selection of Accounting Standards**

To ensure the comparability of financial statements with other companies and between fiscal years, the MEDIPAL Group prepares its consolidated financial statements based on the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), excluding chapters 7 and 8.

With respect to application of International Financial Reporting Standards (IFRS), we intend to respond appropriately after considering the circumstances in Japan and overseas.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2023	As of March 31, 2024
<b>ASSETS</b>		
Current assets		
Cash and deposits	195,031	230,154
Notes receivable – trade	14,511	15,432
Accounts receivable – trade	714,829	742,652
Securities	—	316
Merchandise and finished goods	169,562	172,030
Accounts receivable – other	67,865	66,516
Other	17,506	17,218
Allowance for doubtful accounts	(26)	(129)
Total current assets	1,179,280	1,244,190
Non-current assets		
Property, plant and equipment:		
Buildings and structures, net	103,478	108,911
Machinery, equipment and vehicles, net	28,296	34,824
Land	121,157	117,324
Construction in progress	7,090	6,717
Other, net	8,340	3,174
Total property, plant and equipment	268,363	270,953
Intangible assets		
Goodwill	11,903	11,625
Customer-related intangible assets	18,914	17,653
Software	7,723	8,042
Other	1,463	1,693
Total intangible assets	40,004	39,014
Investments and other assets		
Investment securities	192,623	210,865
Long-term loans receivable	111	110
Deferred tax assets	5,057	5,431
Retirement benefit asset	6,717	9,749
Other	18,187	19,457
Allowance for doubtful accounts	(687)	(645)
Total investments and other assets	222,010	244,969
Total non-current assets	530,378	554,937
Total assets	1,709,658	1,799,127

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2023	As of March 31, 2024
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable – trade	890,966	924,297
Income taxes payable	12,152	13,630
Provision for bonuses	7,820	8,035
Provision for loss on disaster	—	453
Provision for loss on Anti-Monopoly Act	5,704	5,704
Other	54,875	55,596
Total current liabilities	971,519	1,007,719
Non-current liabilities		
Deferred tax liabilities	29,156	34,056
Deferred tax liabilities for land revaluation	933	825
Retirement benefit liability	16,909	16,583
Other	3,085	3,330
Total non-current liabilities	50,084	54,796
Total liabilities	1,021,603	1,062,515
<b>NET ASSETS</b>		
Shareholders' equity		
Share capital	22,398	22,398
Capital surplus	101,597	99,807
Retained earnings	414,723	439,315
Treasury shares	(26,288)	(21,254)
Total shareholders' equity	512,430	540,265
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,439	70,347
Deferred gains or losses on hedges	5	(3)
Revaluation reserve for land	(13,700)	(13,415)
Foreign currency translation adjustment	1,547	1,908
Remeasurements of defined benefit plans	(364)	1,246
Total accumulated other comprehensive income	48,927	60,083
Non-controlling interests	126,697	136,263
Total net assets	688,055	736,612
Total liabilities and net assets	1,709,658	1,799,127



## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

## Consolidated Statements of Income

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	3,360,008	3,558,732
Cost of sales	3,135,703	3,312,077
Gross profit	224,304	246,654
Selling, general and administrative expenses		
Salaries and allowances	70,859	79,510
Welfare expenses	12,698	14,453
Provision for bonuses	7,378	7,968
Retirement benefit expenses	3,269	3,187
Distribution expenses	18,805	20,474
Rent expenses on land and buildings	4,197	4,839
Depreciation	12,188	13,647
Other	45,934	55,242
Total selling, general and administrative expenses	175,331	199,324
Operating profit	48,972	47,330
Non-operating income		
Interest income	101	29
Dividend income	2,534	2,761
Research fee income	8,092	8,360
Rental income from real estate	2,098	2,300
Share of profit of entities accounted for using equity method	3,590	3,584
Other	1,172	2,377
Total non-operating income	17,590	19,414
Non-operating expenses		
Interest expenses	34	8
Rental expenses on real estate	1,090	1,293
Loss on investments in investment partnerships	110	573
Other	204	298
Total non-operating expenses	1,440	2,174
Ordinary profit	65,122	64,570
Extraordinary income		
Gain on sale of non-current assets	48	4
Gain on step acquisitions	—	1,253
Gain on sale of investment securities	13,044	8,736
Compensation income	—	1,944
Other	1,030	24
Total extraordinary income	14,123	11,963
Extraordinary losses		
Loss on sale and retirement of non-current assets	195	145
Impairment losses	266	707
Loss on valuation of investment securities	6,189	225
Loss on disaster	20	259
Provision for loss on disaster	—	453
Provision for loss on Anti-Monopoly Act	2,225	—
Other	286	1
Total extraordinary losses	9,184	1,793
Profit before income taxes	70,061	74,741
Income taxes – current	23,994	24,693
Income taxes – deferred	(2,256)	(1,720)
Total income taxes	21,738	22,973
Profit	48,323	51,768
Profit attributable to non-controlling interests	9,517	10,293
Profit attributable to owners of the parent	38,806	41,474

Consolidated Statements of Comprehensive Income

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2023	Year ended March 31, 2024
Profit	48,323	51,768
Other comprehensive income		
Valuation difference on available-for-sale securities	3,211	9,895
Deferred gains or losses on hedges	(3)	(2)
Revaluation reserve for land	—	107
Remeasurements of defined benefit plans, net of tax	(888)	2,006
Share of other comprehensive income of entities accounted for using equity method	441	908
Total other comprehensive income	2,760	12,916
Comprehensive income	51,084	64,684
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	40,711	52,453
Comprehensive income attributable to non-controlling interests	10,372	12,231

(3) Consolidated Statements of Changes in Net Assets  
Year ended March 31, 2023

(Millions of yen, rounded down to the nearest million)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	22,398	133,922	385,611	(58,612)	483,320
Changes during period					
Dividends of surplus			(9,658)		(9,658)
Profit attributable to owners of the parent			38,806		38,806
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		0	0
Cancellation of treasury shares		(32,325)		32,325	—
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Reversal of revaluation reserve for land			(36)		(36)
Net changes in items other than shareholders' equity					
Total changes during period	—	(32,325)	29,111	32,324	29,109
Balance at end of period	22,398	101,597	414,723	(26,288)	512,430

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	58,956	5	(13,737)	1,178	580	46,984	118,784	649,089
Changes during period								
Dividends of surplus								(9,658)
Profit attributable to owners of the parent								38,806
Purchase of treasury shares								(1)
Disposal of treasury shares								0
Cancellation of treasury shares								—
Change in ownership interest of parent due to transactions with non-controlling interests								(0)
Reversal of revaluation reserve for land								(36)
Net changes in items other than shareholders' equity	2,482	(0)	36	368	(944)	1,942	7,913	9,855
Total changes during period	2,482	(0)	36	368	(944)	1,942	7,913	38,965
Balance at end of period	61,439	5	(13,700)	1,547	(364)	48,927	126,697	688,055

Year ended March 31, 2024

(Millions of yen, rounded down to the nearest million)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	22,398	101,597	414,723	(26,288)	512,430
Changes during period					
Dividends of surplus			(11,179)		(11,179)
Profit attributable to owners of the parent			41,474		41,474
Purchase of treasury shares				(10,002)	(10,002)
Cancellation of treasury shares		(7,865)		7,865	—
Transfer from retained earnings to capital surplus		5,525	(5,525)		—
Increase by share exchanges		550		7,170	7,720
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Reversal of revaluation reserve for land			(177)		(177)
Net changes in items other than shareholders' equity					
Total changes during period	—	(1,790)	24,592	5,033	27,835
Balance at end of period	22,398	99,807	439,315	(21,254)	540,265

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	61,439	5	(13,700)	1,547	(364)	48,927	126,697	688,055
Changes during period								
Dividends of surplus								(11,179)
Profit attributable to owners of the parent								41,474
Purchase of treasury shares								(10,002)
Cancellation of treasury shares								—
Transfer from retained earnings to capital surplus								—
Increase by share exchanges								7,720
Change in ownership interest of parent due to transactions with non-controlling interests								(0)
Reversal of revaluation reserve for land								(177)
Net changes in items other than shareholders' equity	8,908	(9)	285	361	1,610	11,155	9,565	20,721
Total changes during period	8,908	(9)	285	361	1,610	11,155	9,565	48,557
Balance at end of period	70,347	(3)	(13,415)	1,908	1,246	60,083	136,263	736,612

## (4) Consolidated Statements of Cash Flows

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	70,061	74,741
Depreciation	14,393	16,931
Impairment losses	266	707
Amortization of goodwill	255	1,051
Increase (decrease) in provision for bonuses	712	143
Increase (decrease) in allowance for doubtful accounts	(1,553)	(26)
Increase (decrease) in provision for loss on disaster	(497)	453
Increase (decrease) in provision for loss on Anti-Monopoly Act	2,225	—
Increase (decrease) in retirement benefit liability	(136)	(435)
Interest and dividend income	(2,636)	(2,791)
Interest expenses	34	8
Share of loss (profit) of entities accounted for using equity method	(3,590)	(3,584)
Loss (gain) on sale and retirement of non-current assets	147	141
Loss (gain) on step acquisitions	—	(1,253)
Loss (gain) on sale of short-term and long-term investment securities	(13,044)	(8,736)
Loss (gain) on valuation of short-term and long-term investment securities	6,189	225
Insurance claim income	(497)	—
Compensation income	—	(1,944)
Loss on disaster	20	259
Decrease (increase) in trade receivables	(5,364)	(23,053)
Decrease (increase) in inventories	(2,274)	(779)
Decrease (increase) in retirement benefit asset	734	(3,031)
Increase (decrease) in trade payables	(23,341)	25,269
Increase (decrease) in accrued consumption taxes	(2,346)	2,497
Other, net	(3,557)	3,943
Subtotal	36,201	80,737
Interest and dividends received	4,850	5,978
Interest paid	(34)	(5)
Proceeds from insurance income	497	—
Proceeds from compensation	—	2,768
Payments associated with disaster loss	(657)	(249)
Payments for deposit money	—	(3,085)
Income taxes paid	(24,709)	(24,298)
Net cash provided by (used in) operating activities	16,146	61,843
Cash flows from investing activities		
Payments into time deposits	(1,470)	(2,070)
Proceeds from withdrawal of time deposits	1,470	2,070
Purchase of property, plant and equipment	(10,483)	(15,560)
Proceeds from sale of property, plant and equipment	213	44
Purchase of intangible assets	(3,021)	(3,835)
Purchase of investment securities	(799)	(1,085)
Proceeds from sale and redemption of investment securities	17,832	10,556
Purchase of shares of subsidiaries and associates	—	(518)
Proceeds from sale of shares of subsidiaries and associates	1,000	—
Purchase of other securities of subsidiaries and associates	(1,925)	(340)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(39,172)	—
Payments for investments in silent partnerships	(4,322)	(610)
Loan advances	(0)	(0)
Proceeds from collection of loans receivable	3	2
Other, net	1,181	3,531
Net cash provided by (used in) investing activities	(39,494)	(7,817)
Cash flows from financing activities		
Repayments of lease obligations	(1,422)	(1,312)
Proceeds from share issuance to non-controlling shareholders	20	—
Redemption of convertible-bond-type bonds with share acquisition rights	(30,000)	—
Proceeds from sale of treasury shares	0	—
Purchase of treasury shares	(1)	(10,090)
Dividends paid	(9,658)	(11,179)
Dividends paid to non-controlling-interest shareholder	(2,479)	(2,664)
Net cash provided by (used in) financing activities	(43,541)	(25,248)
Effect of exchange rate changes on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(66,889)	28,778
Cash and cash equivalents at beginning of period	260,450	193,561
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	5,744
Cash and cash equivalents at end of period	193,561	228,084

(5) Notes to the Consolidated Financial Statements  
(Notes Regarding Assumptions of Going Concern)  
None applicable

(Business Combination)

1. Finalization of provisional accounting treatment related to business combination

The Company carried out provisional accounting treatment in the fiscal year ended March 31, 2023 regarding business combination with Sumitomo Pharma Food & Chemical Co., Ltd. (now MP Gokyo Food & Chemical Co., Ltd.) conducted on March 31, 2023, and this treatment was finalized in the first quarter of the fiscal year ended March 31, 2024.

As a result of the finalization of this provisional accounting treatment, a significant adjustment to the initial allocation of acquisition costs has been made in the comparative information included in the consolidated financial statements for the fiscal year ended March 31, 2024. The provisional amount of ¥24,677 million for goodwill calculated in the consolidated balance sheets at the end of the fiscal year ended March 31, 2023 has decreased by ¥13,126 million due to the finalization of the accounting treatment, resulting in a revised amount of ¥11,551 million. The decrease in the amount of goodwill can be attributed to the increase of ¥18,914 million in customer-related intangible assets under intangible assets and the increase of ¥5,787 million in deferred tax liabilities.

Note that customer-related intangible assets allocated to goodwill and intangible assets other than goodwill are being amortized in equal amounts over the effective period of 15 years.

2. Business combination through acquisition

(1) Summary of the business combination

(i) Name of the company acquired and business description

Name: Toshichi Inc.

Business description: Prescription pharmaceutical wholesale business

(ii) Reasons for the business combination

The Company mainly operates wholesale business in the “Pharmaceuticals, Health, and Beauty” field. The Prescription Pharmaceutical Wholesale Business, which is the Company’s core business, is experiencing a rapidly changing business environment affected by policies to reduce healthcare costs due to rising social security costs, personnel shortages in the logistics industry, and other factors. In these circumstances, we decided to conduct the Share Exchange with Toshichi to further strengthen and enhance our business foundations in Nagasaki and Saga prefectures, where Toshichi has built close relationships of trust with business partners as a pharmaceutical wholesaler since its founding in 1906. By making Toshichi, which was previously a Group Company, a fully owned subsidiary, we will develop closer collaboration and a cooperative framework to reinforce our distribution infrastructure in the Kyushu region, aiming to contribute to the realization of a healthy society and enhance our corporate value.

(iii) Date of the business combination

April 3, 2023

(iv) Legal form of the business combination

Simplified share exchange in which the Company became the parent company and Toshichi became the wholly owned subsidiary.

(v) Changes in company names after the business combination

None

(vi) Ratio of voting rights acquired

Voting rights ratio held before the combination: 18.4%

Voting rights ratio additionally obtained on the date of the business combination: 81.6%

Voting rights ratio after the acquisition: 100%

(vii) Main grounds for determining the acquiring company

The Company acquired 100% of the voting rights of Toshichi by share exchange, making it a wholly owned subsidiary.

(2) Period of operating results of acquired company included in the fiscal year ended March 31, 2024

From April 3, 2023 to March 31, 2024

(3) Acquisition cost of the acquired company and the breakdown by type of consideration

(Millions of yen, rounded down to the nearest million)

Consideration for acquisition:	Market value of Toshichi immediately prior to the Share Exchange on the day of the business combination.	1,747
	Market value of common stock of Toshichi delivered on the day of the business combination	7,720
Acquisition cost		9,468

(4) Exchange ratio by class of shares, calculation method, and number of shares delivered

(i) Exchange ratio by class of shares

580 shares of the Company's common stock were delivered by allotment for each 1 share of common stock of Toshichi. However, no shares were allotted under this share exchange for shares of common stock of Toshichi held by the Company as of February 1, 2023, or acquired before that date.

(ii) Number of shares delivered

Shares of common stock of the Company: 4,228,200

(iii) Calculation method of share exchange ratio

To ensure fairness and appropriateness in the determining of the share exchange ratio, the Company appointed Deloitte Tohmatsu Financial Advisory LLC ("Deloitte Tohmatsu") as an independent third-party calculation agency to calculate the share exchange ratio. After engaging in careful deliberation and giving comprehensive consideration to factors such as the financial position of both companies, their future outlook and stock trends, as well as the results of the share exchange calculation provided by Deloitte Tohmatsu, it was determined that the share exchange ratio was fair and would not harm the interests of either companies' shareholders. Therefore, to conduct the Share Exchange with the share exchange ratio, both companies entered the Share Exchange Agreement based on a resolution passed by MEDIPAL's Board of Directors on February 1, 2023, and a resolution passed by Toshichi's Board of Directors on January 30, 2023.

(5) Description and amount of major acquisition-related expenses

Advisory fees, etc. ¥141 million

(6) Difference between the acquisition cost of the acquired company and the total cost of transactions leading to the acquisition

¥1,253 million

(7) Amount of goodwill, reason for the goodwill, and method and period of amortization

(i) Amount of goodwill

¥395 million

(ii) Cause of accrual

Goodwill was recognized in association with future excess earning capacity expected to be generated through future business expansion.

(iii) Amortization method and period

Amortized in equal amounts over the effective period (four years)

(8) The amounts of assets and liabilities taken over from the acquired company on the day of the business combination and the main breakdown thereof

Current assets	¥13,738 million
Non-current assets	¥5,309 million
Total assets	¥19,048 million
Current liabilities	¥8,528 million
Non-current liabilities	¥1,446 million
Total liabilities	¥9,975 million

(Segment Information)

1. General Information about Reportable Segments

The Company's reportable segments are components of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors in order to determine allocation of resources to segments and assess segment performance.

The Company is aiming to create a new, customer-oriented business model, and therefore has three reportable segments by customer: Prescription Pharmaceutical Wholesale Business; Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business; and Animal Health Products and Food Processing Raw Materials Wholesale and Related Business.

The Prescription Pharmaceutical Wholesale Business conducts wholesale business for hospitals, clinics, dispensing pharmacies and other customers. The Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business conducts wholesale business for drugstores, home centers, convenience stores, supermarkets and other customers. The Animal Health Products and Food Processing Raw Materials Wholesale and Related Business conducts wholesale business for animal hospitals, livestock and fish producers, processed food manufacturers and other customers.

2. Basis of Measurement for Reported Segment Net Sales, Segment Income or Loss, Segment Assets, Segment Liabilities and Other Material Items

The accounting methods for the reported business segments are generally the same as those in Preparation of the Consolidated Financial Statements above.

Segment income is based on operating income.

Intersegment sales and transfer prices are based on market prices.

3. Information on Net Sales, Income or Loss, Assets, Liabilities and Other Items by Reportable Segment  
Year ended March 31, 2023

(Millions of yen, rounded down to the nearest million)

	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale and Related Business	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales						
Sales to outside customers	2,182,226	1,103,830	73,951	3,360,008	—	3,360,008
Intersegment sales and transfers	7,441	321	2	7,766	(7,766)	—
Total	2,189,667	1,104,152	73,954	3,367,774	(7,766)	3,360,008
Segment profit	21,918	24,472	2,525	48,916	56	48,972
Segment assets	1,132,905	472,879	87,202	1,692,987	16,671	1,709,658
Other						
Depreciation	8,211	5,729	181	14,121	110	14,232
Amortization of goodwill	255	—	—	255	—	255
Investments in affiliated companies accounted for by the equity method	59,937	—	—	59,937	—	59,937
Increase in property, plant and equipment and intangible assets	6,407	10,215	121	16,744	690	17,434

Notes: 1. Adjustments are as follows:

- (1) The net sales adjustment of ¥(7,766) million represents elimination of intersegment transactions.
- (2) The segment income adjustment of ¥56 million represents elimination of intersegment transactions of ¥2,851 million, less Group-wide expenses of ¥(2,794) million that are not allocated to reportable segments.
- (3) The segment assets adjustment of ¥16,671 million represents elimination of intersegment transactions of ¥(14,723) million, plus Group-wide assets of ¥31,395 million that are not allocated to reportable segments.
- (4) The depreciation adjustment of ¥110 million represents Group-wide depreciation expenses that are not allocated to reportable segments.
- (5) The increase in property, plant and equipment and intangible assets adjustment of ¥690 million represents Group-wide assets that are not allocated to reportable segments.

2. Segment income is adjusted to operating profit as reported in the consolidated statements of income.



Year ended March 31, 2024

(Millions of yen, rounded down to the nearest million)

	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale and Related Business	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales						
Sales to outside customers	2,293,052	1,151,659	114,020	3,558,732	—	3,558,732
Intersegment sales and transfers	2,742	306	2	3,051	(3,051)	—
Total	2,295,795	1,151,966	114,023	3,561,784	(3,051)	3,558,732
Segment profit	17,471	27,172	2,727	47,371	(41)	47,330
Segment assets	1,194,910	492,476	87,289	1,774,677	24,450	1,799,127
Other						
Depreciation	8,473	6,532	1,629	16,635	114	16,749
Amortization of goodwill	254	—	797	1,051	—	1,051
Investments in affiliated companies accounted for by the equity method	62,642	—	—	62,642	—	62,642
Increase in property, plant and equipment and intangible assets	18,191	1,563	472	20,226	153	20,380

Notes: 1. Adjustments are as follows:

- (1) The net sales adjustment of ¥(3,051) million represents elimination of intersegment transactions.
  - (2) The segment income adjustment of ¥(41) million represents elimination of intersegment transactions of ¥2,819 million, less Group-wide expenses of ¥(2,860) million that are not allocated to reportable segments.
  - (3) The segment assets adjustment of ¥24,450 million represents elimination of intersegment transactions of ¥(13,096) million, plus Group-wide assets of ¥37,546 million that are not allocated to reportable segments.
  - (4) The depreciation adjustment of ¥114 million represents Group-wide depreciation expenses that are not allocated to reportable segments.
  - (5) The increase in property, plant and equipment and intangible assets adjustment of ¥153 million represents Group-wide assets that are not allocated to reportable segments.
2. Segment income is adjusted to operating profit as reported in the consolidated statements of income.

(Per Share Information)

	Year ended March 31, 2023	Year ended March 31, 2024
Net assets per share:	¥2,673.62	¥2,858.57
Earnings per share	¥184.82	¥195.83
Diluted earnings per share:	¥179.12	¥—

Notes: 1. Diluted earnings per share in the fiscal year ended March 31, 2024 are not shown because there are no dilutive shares.

2. The basis for calculation of net assets per share is as follows:

	As of March 31, 2023	As of March 31, 2024
Total of net assets section (million yen)	688,055	736,612
Amount excluded from net assets section (million yen)	126,697	136,263
[Non-controlling interests] (million yen)	[126,697]	[136,263]
Net assets at end of period related to common stock (million yen)	561,357	600,349
Number of shares of common stock at end of period used in calculation of net assets per share (thousand shares)	209,961	210,017

3. The basis for calculation of earnings per share is as follows.

	Year ended March 31, 2023	Year ended March 31, 2024
Profit attributable to owners of the parent (million yen)	38,806	41,474
Amount not available to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	38,806	41,474
Average number of common shares outstanding during the period (thousand shares)	209,962	211,784

4. The basis of calculation of diluted earnings per share is as follows.

	Year ended March 31, 2023	Year ended March 31, 2024
Adjustments to profit attributable to owners of parent (million yen)	(54)	—
[Interest received (net of tax)] (million yen)	[(54)]	—
Increase in shares of common stock (thousand shares)	6,384	—
[Convertible bonds (thousand shares)]	[6,384]	—
Summary of dilutive shares that were not included in diluted earnings per share because they had no dilutive effect	—	—

Note: Euro-yen denominated convertible-bond-type bonds with share acquisition rights due 2022 were redeemed at maturity on October 7, 2022.

### (Significant Subsequent Events)

#### 1. Business combination through acquisition

At a Board of Directors meeting held on April 30, 2024, MEDIPAL HOLDINGS CORPORATION resolved to acquire all shares in PreMedica Inc. and make the company a subsidiary, and the share transfer agreement was concluded on the same day.

##### Summary of the business combination

##### (1) Name of the company acquired and business description

Name: PreMedica Inc.

Business: Preventive medicine business and advanced medical technology R&D business

##### (2) Reasons for the business combination

Expansion of the prevention and pre-disease business is one of the growth strategies in the Medium-Term Vision “Change the Oroshi Forever — Constant Innovation” that ends in the fiscal year ending March 2027. MEDIPAL is investing business resources in this area and expanding its product portfolio, including state-of-the-art medical testing equipment and reagents.

This growth strategy at MEDIPAL is compatible with PreMedica’s business and there is potential for substantial business synergies, so MEDIPAL decided this would be an investment in the medium- and long-term growth of the MEDIPAL Group and entered into the share transfer agreement.

##### (3) Date of the business combination

May 31, 2024 (scheduled)

##### (4) Number of shares to be acquired and shareholding ratio after acquisition

Number of shares to be acquired: 1,376,800

Shareholding ratio after acquisition: 100%

#### 2. Acquisition of treasury stock and cancellation of treasury stock

At the Board of Directors meeting held on May 14, 2024, the Company resolved matters related to the acquisition of treasury stock in accordance with the provisions of the Articles of Incorporation pursuant to Article 459 Section 1 of the Companies Act. It also resolved on the cancellation of treasury stock as provided for in Article 178 of the Act.

##### (1) Reason for the acquisition of treasury stock and cancellation of treasury stock

To improve capital efficiency through shareholder returns.

##### (2) Details of matters related to the acquisition

1) Class of stock to be acquired: Common stock

2) Total number of shares to be acquired: 2,500,000 shares (maximum)

3) Total acquisition cost: ¥5.0 billion (maximum)

- 4) Period of acquisition: May 15, 2024 to August 30, 2024
- 5) Method of acquisition : Market buying on the Tokyo Stock Exchange

(3) Details of matters related to the cancellation

- 1) Class of stock to be cancelled: Common stock
- 2) Total number of shares to be cancelled: All acquired treasury shares stated in 2. (2) above
- 3) Scheduled date of cancellation: Following the acquisition of shares stated in 2. (2) above and by September 30, 2024

## 6. Unconsolidated Financial Statements

### (1) Unconsolidated Balance Sheets

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2023	As of March 31, 2024
<b>ASSETS</b>		
Current assets		
Cash and deposits	18,641	21,009
Accounts receivable – trade	1,489	1,008
Securities	—	316
Accounts receivable – other	2,573	879
Income taxes refund receivable	—	1,291
Other	9,587	11,501
Total current assets	<u>32,292</u>	<u>36,006</u>
Non-current assets		
Property, plant and equipment:		
Buildings	1,722	361
Land	3,932	—
Construction in progress	—	5,300
Other	265	215
Total property, plant and equipment	<u>5,919</u>	<u>5,877</u>
Intangible assets		
Software	6,763	6,168
Other	513	786
Total intangible assets	<u>7,276</u>	<u>6,955</u>
Investments and other assets		
Investment securities	98,227	102,282
Shares of subsidiaries and associates	200,032	204,784
Investments in other securities of subsidiaries and associates	2,624	2,386
	3,032	3,032
Investments in capital of subsidiaries and associates	4,322	4,733
Investments in silent partnerships	1,648	2,123
Other	—	—
Total investments and other assets	<u>309,887</u>	<u>319,342</u>
Total non-current assets	<u>323,083</u>	<u>332,175</u>
Total assets	<u>355,375</u>	<u>368,181</u>

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2023	As of March 31, 2024
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable – trade	943	581
Accounts payable – other	943	1,179
Income taxes payable	2,111	–
Provision for bonuses	175	188
Other	103	448
Total current liabilities	4,277	2,398
Non-current liabilities		
Deferred tax liabilities	17,329	19,572
Asset retirement obligations	102	102
Other	48	376
Total non-current liabilities	17,479	20,051
Total liabilities	21,757	22,449
<b>NET ASSETS</b>		
Shareholders' equity		
Share capital	22,398	22,398
Capital surplus		
Legal capital surplus	133,372	133,372
Other capital surplus	1,789	–
Total capital surplus	135,162	133,372
Retained earnings		
Legal retained earnings	1,795	1,795
Other retained earnings		
Retained earnings brought forward	151,791	156,170
Total retained earnings	153,587	157,966
Treasury shares	(26,288)	(21,254)
Total shareholders' equity	284,859	292,481
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	52,481	56,972
Revaluation reserve for land	(3,722)	(3,722)
Total valuation and translation adjustments	48,759	53,249
Total net assets	333,618	345,731
Total liabilities and net assets	355,375	368,181

## (2) Unconsolidated Statements of Income

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2023	Year ended March 31, 2024
Operating revenue		
Business investment revenue	5,628	3,412
Management fee income	9,032	9,197
Dividends from subsidiaries and associates	17,911	17,431
Real estate lease revenue	435	264
Total operating revenue	33,008	30,306
Operating expenses		
Cost of business investment	3,855	2,553
Cost of real estate lease revenue	192	278
Selling, general and administrative expenses		
Salaries and allowances	1,723	1,825
Provision for bonuses	175	188
System related expenses	2,253	2,837
Depreciation	2,180	2,047
Research and development expenses	—	225
Business investment expenses	4,175	5,547
Other	2,105	1,941
Total selling, general and administrative expenses	12,614	14,614
Total operating expenses	16,662	17,446
Operating profit	16,345	12,859
Non-operating income		
Interest income	79	37
Dividend income	1,927	1,829
Other	82	99
Total non-operating income	2,089	1,966
Non-operating expenses		
Interest expenses	43	18
Foreign exchange losses	25	—
Loss on investments in investment partnerships	110	573
Commission for purchase of treasury shares	—	88
Other	44	66
Total non-operating expenses	223	747
Ordinary profit	18,211	14,078
Extraordinary income		
Gain on sale of investment securities	13,044	8,252
Compensation income	66	1,786
Total extraordinary income	13,111	10,038
Extraordinary losses		
Loss on valuation of investment securities	6,147	224
Loss on sale of shares of subsidiaries and associates	1,168	—
Loss on valuation of shares of subsidiaries and associates	330	515
Other	127	—
Total extraordinary losses	7,773	739
Profit before income taxes	23,549	23,377
Income taxes – current	5,419	1,919
Income taxes – deferred	(3,300)	374
Total income taxes	2,118	2,293
Profit	21,430	21,083

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