

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 <under Japanese GAAP>

May 13, 2024

Company name: PALTAC CORPORATION

(URL: <https://www.paltac.co.jp/>)

Listing: Tokyo Stock Exchange (Code number: 8283)

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Scheduled date to hold annual general meeting of shareholders: June 21, 2024

Scheduled date to commence dividend payments: May 31, 2024

Scheduled date to submit the Securities Report: June 21, 2024

Preparation of supplementary material on financial results: Yes

Holding of quarterly financial results presentation meeting: Yes (For institutional investors, analysts and media.)

(Figures are rounded off to the nearest million yen)

1. Financial Results for the Fiscal Year Ended March 31, 2024

(From April 1, 2023 to March 31, 2024)

(1) Operating Results (% increase (decrease) figures indicate year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal year ended								
March 31, 2024	1,151,966	4.3	27,172	11.0	30,545	11.3	20,638	7.2
March 31, 2023	1,104,152	5.6	24,472	(5.6)	27,440	(4.2)	19,251	(2.0)

	Earnings per share	Diluted earnings per share	Earnings on equity	Ordinary profit on total assets	Operating profit on net sales
	(¥)	(¥)	%	%	%
Fiscal year ended					
March 31, 2024	328.40	–	7.7	6.3	2.4
March 31, 2023	306.33	–	7.6	5.9	2.2

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2024 ¥– million

Fiscal year ended March 31, 2023 ¥– million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of				
March 31, 2024	495,697	277,962	56.1	4,422.87
March 31, 2023	476,936	259,700	54.5	4,132.28

Reference: Equity As of March 31, 2024: ¥277,962 million As of March 31, 2023: ¥259,700 million

(3) Cash Flow Status

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Fiscal year ended				
March 31, 2024	26,790	(6,268)	(5,520)	60,994
March 31, 2023	16,594	(6,093)	(5,177)	45,993

2. Dividends

(Cut-off date)	Annual dividends per share (¥)					Total dividends paid (Full year) (¥ million)	Payout ratio (%)	Dividends paid on net assets (%)
	1Q	2Q	3Q	Year-end	Full year (Total)			
Fiscal year ended March 31, 2023	–	41.00	–	41.00	82.00	5,153	26.8	2.0
Fiscal year ended March 31, 2024	–	45.00	–	49.00	94.00	5,907	28.6	2.2
Fiscal year ending March 31, 2025 (Forecasts)	–	50.00	–	55.00	105.00		30.0	

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2025

(From April 1, 2024 to March 31, 2025)

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
First six months	604,000	3.5	13,900	1.0	16,100	3.1	11,200	2.8	178.21
Fiscal year	1,190,000	3.3	28,000	3.0	31,700	3.8	22,000	6.6	350.06

* Notes

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements

- 1) Changes in accounting policies due to revisions to accounting standards, and other regulations: No
- 2) Changes in accounting policies due to other reasons: No
- 3) Changes in accounting estimates: No
- 4) Restatements: No

(2) Number of Issued Shares (common stock)

1) Number of issued shares at the end of the period (including treasury stock)

As of March 31, 2024	63,553,485 shares
As of March 31, 2023	63,553,485 shares

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

As of March 31, 2024	706,796 shares
As of March 31, 2023	706,698 shares

3) Average number of shares during the period

For the fiscal year ended March 31, 2024	62,846,717 shares
For the fiscal year ended March 31, 2023	62,846,881 shares

* This financial results report is not subject to the audit procedures by certified public accountants or audit firms.

* Information regarding proper use of the forecasts of financial results, and other special instructions
(Cautionary notes to the forward-looking statements)

The forward-looking statements contained in this report, including forecasts of financial results, are based on information currently available and assumptions that management believes to be reasonable. Actual financial and other results may differ substantially due to various factors. Please refer to the section of “1. Summary of Operating Results etc. (1) Analysis of Operating Results (Outlook for the fiscal year ending March 31, 2025)” on page 4 of the attached material to this financial results report for the suppositions that form the assumptions for the forecasts.

* How to access the presentation (Presentation Material for financial results)

The Company will hold a financial results online briefing for institutional investors, financial analysts and media on Monday, May 20, 2024. The presentation (Presentation Material for financial results) is posted on the Company’s website (<https://www.paltac.co.jp/en/index.html>).

* Information regarding this report (including the attached material)

None of the information in this report constitutes solicitation to purchase or sell the stock of PALTAC CORPORATION. It was not prepared with the intention of providing investment advice about the stock of PALTAC CORPORATION. Furthermore, this report is an English translation of the original, which was prepared in Japanese. In the event of any discrepancies between the Japanese original and the English translation, the Japanese original shall prevail.

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1. Summary of Operating Results etc.

(1) Analysis of Operating Results

(Operating results for the fiscal year ended March 31, 2024)

In the fiscal year ended March 31, 2024, although the impact of price rise arising from soaring raw material price and energy price continued, business conditions moderately improved due to increases in people's outings and in foreign tourists to Japan thanks to the accelerated trend of breaking away from the COVID-19 era.

In terms of sales results, after the reclassification of COVID-19's category to Class 5 infection, although the demand for sanitary related products such as face masks and disinfectant continued to decrease, PALTAC CORPORATION (the "Company") achieved net sales well above the level of the previous fiscal year by steadily implementing measures that met the market changes including increased foot traffic such as leisure and going for work, the partial recovery of inbound demand and growing self-care awareness.

In terms of profits, the gross profit increased mainly due to sales expansion, and the SG&A expenses rate declined from effects such as expenses absorption from higher sales and improvement of logistics efficiency. And there were also one-time expenses recorded in the previous fiscal year for the start of operation of Tochigi distribution center. As a result of these effects, operating profit exceeded the level of the previous fiscal year.

Results highlights for the fiscal year ended March 31, 2024 are as follows:

(Millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Change	
			Amount	Rate (%)
Net sales	1,104,152	1,151,966	47,814	4.3
Gross profit	82,395	86,358	3,963	4.8
[Gross profit margin (%)]	[7.46]	[7.50]	[0.04]	
SG&A expenses	57,923	59,185	1,262	2.2
[SG&A expenses ratio (%)]	[5.25]	[5.14]	[-0.11]	
Operating profit	24,472	27,172	2,700	11.0
[Operating profit ratio (%)]	[2.22]	[2.36]	[0.14]	
Ordinary profit	27,440	30,545	3,105	11.3
[Ordinary profit ratio (%)]	[2.49]	[2.65]	[0.16]	
Profit	19,251	20,638	1,386	7.2
[Profit margin (%)]	[1.74]	[1.79]	[0.05]	

Sales highlights

Sales results for the fiscal year ended March 31, 2024 by product category are as follows:

(Millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Change	
			Amount	Rate (%)
Cosmetics	251,881	271,244	19,363	7.7
Daily necessities	491,080	500,452	9,371	1.9
OTC pharmaceuticals	140,469	150,793	10,324	7.4
Health and sanitary related products	205,337	210,544	5,206	2.5
Others	15,383	18,931	3,547	23.1
Total	1,104,152	1,151,966	47,814	4.3

Sales results for the fiscal year ended March 31, 2024 by customer category are as follows:

(Millions of yen, unless otherwise noted)

Customer category	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Change	
			Amount	Rate (%)
Drugstores (Pharmacies)	691,851	727,889	36,037	5.2
Discount stores	90,552	98,597	8,045	8.9
Convenience stores	81,393	91,231	9,837	12.1
Home centers (DIY stores)	89,809	87,213	-2,595	-2.9
Supermarkets	53,329	52,630	-698	-1.3
General merchandising stores	39,761	39,287	-473	-1.2
Export, EC business and others	57,455	55,116	-2,338	-4.1
Total	1,104,152	1,151,966	47,814	4.3

(Note) From the fiscal year ended March 31, 2024, the Company has changed some of compositions in customer category and has reclassified the figures for the fiscal year ended March 31, 2023 into the classification after this change.

As the Company has one reportable segment, disclosure by segment information has been omitted.

(Outlook for the fiscal year ending March 31, 2025)

As for the next fiscal year ending March 31, 2025, despite the expectation of the expansion of inbound demand and a recovery in personal consumptions supported by the improvement in income situation and, the business condition remains unpredictable due to risks such as a rise in raw material prices and energy prices arising from geopolitical concerns and exchange fluctuation and a sharp rise in distribution costs in keeping with serious labor shortage.

Under such a business condition, the Company has created the ideal image of the Company which to aim for in a long-term corporate vision extending approximately 10 years into the future, and then established the new three-years medium-term management plan, “PALTAC VISION 2027” which concludes in the fiscal year ending March 31, 2027 by using approach from the viewpoints of both current business environment and the long-term vision. This new three-years medium-term management plan, “PALTAC VISION 2027” is positioned as period of “Building the foundation for transformation through structural reform” to achieve the long-term vision. And, under such conditions noted above, the Company will actively tackle four important themes: improving profitability of existing business, launching a strategic move toward creating new value, improving sustainability and carrying out corporate management with a view toward capital efficiency.

In terms of sales, the Company will strive to develop new products which respond to the diversifying needs of consumer and reinforce proposing effective sales promotion, and will enhance to capture the inbound tourist demand.

In terms of profits, despite the impact of soaring logistics cost arising from “2024 problem in logistics,” the Company will put greater focus on streamlining delivery operation through the cooperation of supply chain and enhancing to develop new products with high-added value.

And also, in September 2024, the Company will start 3PL which provides warehousing and distribution service for food items at RDC Miyagi in order to expand business area where the Company can provide the new logistics value. By executing this new business strategy, the Company will develop new revenue opportunities. On the other hand, the one-time initial cost will be expected to arise due to implementing this strategy.

Accordingly, the business results forecasts for the fiscal year ending March 31, 2025 are as follows.

Net sales	¥1,190,000 million
Operating profit	¥28,000 million
Ordinary profit	¥31,700 million
Profit	¥22,000 million

(Note) RDC (Regional Distribution Center) is large-scale logistics center.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024	Change in amount
Total assets	476,936	495,697	18,761
Total liabilities	217,235	217,734	499
Net assets	259,700	277,962	18,261

(Assets)

Total assets as of the end of the fiscal year were ¥495,697 million, an increase of ¥18,761 million from the end of the previous fiscal year. This was primarily the result of increases in cash and deposits and in accounts receivable-trade.

(Liabilities)

Total liabilities as of the end of the fiscal year were ¥217,734 million, an increase of ¥499 million from the end of the previous fiscal year. This was primarily the result of an increase in accrued consumption taxes.

(Net assets)

Net assets as of the end of the fiscal year were ¥277,962 million, an increase of ¥18,261 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings.

2) Cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities	16,594	26,790
Cash flows from investing activities	(6,093)	(6,268)
Cash flows from financing activities	(5,177)	(5,520)

(Cash flows from operating activities)

Net cash provided by operating activities was ¥26,790 million. Main factors were an increase in notes and accounts receivable-trade and a decrease in notes and accounts payable-trade.

(Cash flows from investing activities)

Net cash used in investing activities was ¥6,268 million. Main factor was purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥5,520 million. Main factor was cash dividends paid.

Cash and cash equivalents as of the end of the fiscal year were ¥60,994 million, an increase of ¥15,001 million from the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio (%)	52.1	54.1	54.3	54.5	56.1
Market value-based equity ratio (%)	81.8	87.4	63.7	66.1	52.2
Interest-bearing debt to cash flow ratio (years)	0.2	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	247.2	898.7	3,461.1	2,885.4	7,493.4

Equity ratio: Equity / Total assets

Market value-based equity ratio: Total market capitalization / Total assets

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

Interest coverage ratio: Cash flow / Paid interest

- Notes:
1. Total market capitalization is calculated based on the number of issued shares excluding treasury stock.
 2. The figure used for “Cash flow” is cash flow from operating activities.
 3. Interest-bearing debt: Short-term loans payable + Current portion of long-term loans payable + Long-term loans payable+ Long-term deposits received (excluding non-interest portion). Excluding lease obligations.
 4. For the paid interest, the Company uses “Interest expenses paid” on the statements of cash flows.
 5. From the beginning of the fiscal year ended March 31, 2022, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2024 and the Fiscal Year Ending March 31, 2025

The Company considers the distribution of profits to shareholders and its sustainable revenue growth to be its top management priorities. The Company’s basic policy on profit distribution is to continuously carry out the stable payment of dividends while also maintaining robust internal reserves necessary to strengthen the financial base and achieve vigorous business growth.

In the fiscal year under review, in accordance with the above mentioned basic policy and financial results of fiscal year ended March 31, 2024 (increases in net sales and profits), the Company has revised its fiscal year-end dividend to ¥49 per share from the previous forecast ¥45 per share. As a result, including the interim dividend of ¥45 per share already paid, the annual dividend has been increased by ¥12 to ¥94 per share.

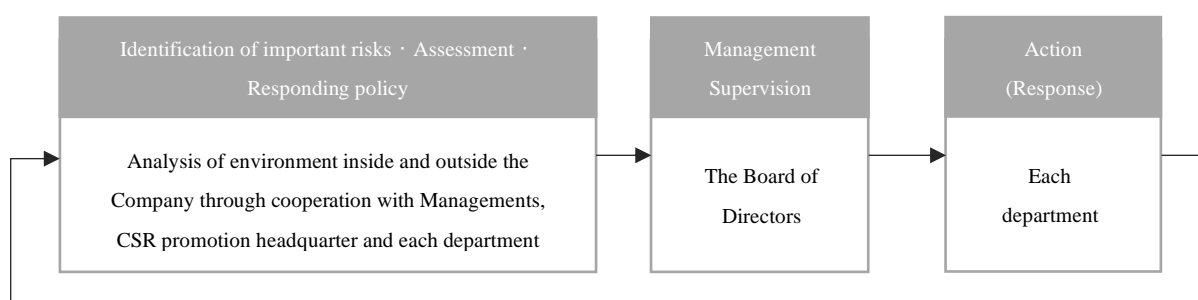
As to a capital policy for the next and subsequent fiscal years, the Company has established the long-term corporate vision and the medium-term management plan, and at the same time, aiming for improvement of capital profitability, the Company has set a policy of enhancement of shareholder returns and reinvestment in businesses towards achieving further growth by using profits which the Company generate.

As for shareholder returns, its basic policies are to maintain an increasing trend of dividends exceeding the profit growth rate, sets target for dividend payout ratio at 35% or more and conduct agile shares buy back. For the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥105 per share (an increase of ¥11 per share), comprised of an interim dividend of ¥50 and a year-end dividend of ¥55 per share.

(4) Business Risks

Toward the achievement of the management goals, the Company has established “Basic Policies for Risk Management” to appropriately respond to risks factors which can exist on its business execution and to fulfill its corporate social responsibility. As for its risk management structure, designating CSR Promotion Headquarters as the controlling department and making it work with management and each department, the Company identifies and categorizes risks may have material impact on its business operations and evaluates the importance and designs the response policy in consideration of impacts and probability of occurrence. Identified risks through these processes are reported periodically to the Board of Directors. The Company takes risk management into account in strategy of the medium-term management plan and work to address in accordance with the control and supervision of the Board of Directors.

■ Risk Management Process



The business risks that may have a significant impact on the decisions of investors are as follows. The future potentialities contained in these items are envisioned as of March 31, 2024.

(Risk related to decline in the working population)

The Company is supported by many employees. The recent decline in the working population is considered as one of the important environmental changes to be addressed in order to realize a sustainable growth. The decline in the working population has caused rise of labor costs and difficulty in securing human resources. This decline has significant impacts not only on the Company but also on the industry wide. Consequently, the Company undertakes a variety of initiatives such as serving comfortable workplace environment, developing personnel affairs measures, continuously training to improve their skills, aggressively recruiting mid-career employment, improving productivities of the existing RDC through improving activities and applying new logistics model realizing significant productivity improvements. Nevertheless, if the Company is unable to sufficiently secure human resources with its plan, or if there is a significant rising of labor costs, these may have a negative impact on the Company’s business activities and results

(Risk related to delivery operation)

The Company distributes merchandises to retailers starting from its distribution centers and outsources operation of transportation to the outside companies. From April 1, 2024, new overtime regulations for truck drivers have been enforced. Amid concerns about a shortage of truck drivers, the Company is promoting improvement of delivery operations and efficiency through initiatives such as collaboration and cooperation with other companies. Nevertheless, if labor shortage at these outside companies becomes more serious this may lead to increase delivery costs that the Company will have to pay and to cause interference with stable supply, and have a negative impact on the Company’s business activities and results.

(Risk related to the business environment)

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, the business scale is continuing to expand by intensifying competition across business types and categories and M&A, etc. Given these circumstances, the Company accurately identifies the customers' needs and creates an organization that is able to respond swiftly to changes in the business environment. Nevertheless, if part of retailer's and manufacturer's business policies or transaction terms are changed caused by escalating competition or business reorganization, these may have a negative impact on the Company's results.

(Risks related to the information system intrusion and information security)

The Company relies on computer systems and networks in its business operations. This includes the use of a proprietary distribution system incorporating complex programming for the operation and management of RDCs, the Company's important business and distribution facilities. In order to address natural disasters, etc. the Company efforts to ensure business continuity through establishing system which provides quick restoration of normal operations in the event of disaster, utilizing distributed storage by moving its IT enterprise system into the cloud and a data center equipped with seismic isolation devices and a private electric generator. And also the Company has established the CSIRT in order to enables the timely and appropriate response and to minimize the impact to business activities in the event of an information security incident. Nevertheless, if the Company's computer systems stop functioning due to a large-scale natural disaster, this may significantly obstruct the Company's sales and distribution activities.

Additionally, to prevent any computer virus infection, the Company takes measures such as implementing antivirus software or introduction of system monitoring functions. Nevertheless, if confidential information is leaked, or if system failure is caused by cyberattacks greater in degree than anticipated, these may have a negative impact on the Company's business activities and results.

(Note) CSIRT (Computer Security Incident Response Team) is a security team composed principally of cybersecurity experts and qualified personnel and can handle the rapid detection and the containment of cybersecurity incident in cooperation with the Information Management Committee and other department.

(Risks related to the occurrence of a large-scale natural disaster or infectious diseases)

The Company operates at a number of places of business and distribution centers across Japan. To minimize the losses from a natural disaster or the infection spread, the Company is working to develop and enhance its Business Continuity Plan (BCP). The measures in that plan include a system under which, even if the distribution capabilities at some distribution centers can no longer be deployed safely, other distribution centers can take over these capabilities as their backup. Nevertheless, the Company may be subject to unexpected events such as the fragmentation of lifelines and transport networks due to occurrence of a large scale natural disaster or spread of the infectious diseases including new strains of influenza. These events may have a negative impact on the Company's results by obstructing its provision of distribution services or other operations.

(Risks related to the climate change)

In the daily necessities distribution industry where the Company operates, it is recognized that climate change is extremely important issue to be addressed by the whole of industry. The Company has identified climate change as one of the key issues to be solved for its sustainable growth and has taken proactive measures which are incorporated into its medium-term management plan. Nevertheless, due to physical damages such as the disruption of the supply chain and the adverse impacts such as higher procurement costs in keeping with soaring raw material price caused by frequent natural disasters associated with the climate change and to the additional costs such as implementation of carbon tax brought by transition to a carbon-neutral society, the Company's operating results may be affected.

(Risk related to impairment of non-current assets)

The business environment surrounding the Company is changing dramatically, with intensifying competition with other wholesalers, expanding business areas and utilizing cutting-edge technologies continue to evolve. Under these circumstances, the Company has continuously invested on capital expenses with the aim of refining its logistics function and optimizing its information system for sustainable growth. When making a decision on the material capital investment, the Company analyzes the business profitability and the cost effectiveness and decides whether to make such investments through on discussion in the Board of Directors and other meetings. Nevertheless, if the Company recognize an impairment loss on its non-current assets due to significant changes in the business environment or deterioration in earnings environment, this may have a negative impact on the Company's results.

(Risk related to compliance)

In order to realize sustainable corporate growth while taking to earn the trust of stakeholders, the Company believes that every officers and employee of the Company must hold the highest ethical philosophy, including not only complying with laws and regulations but also taking part in the manners and rules. The Company provides training and learning programs for its officers and employees for raising awareness regarding the importance of compliance. Nevertheless, it is difficult to completely eliminate risk related to compliance. If any violations of or conflicts with the laws and regulations occur, the Company's social reputation is damaged or the Company is required to pay damage compensation. These aforementioned events may have a negative impact on the Company's business activities and results.

(Matters relating to specific legal restraints, etc.)

The Company handles over-the-counter (OTC) pharmaceuticals and related products. Consequently, the Company is subject to restraints under related laws and regulations, primarily the Pharmaceutical and Medical Device Act. It is necessary for the Company's places of business to obtain the necessary permissions, registrations, designations and licenses from the prefectural governor of the jurisdiction, or for the Company to make the necessary submissions to the competent authorities, before carrying out sales activities. In addition, the company works to establish a structure in which the CSR Promotion Headquarters takes a major role in obtaining licenses and approvals and maintaining the compliance status. Nevertheless, if the Company's licenses and approvals are rescinded due to violation of laws and regulations or other such reasons, or if the Company is unable to obtain licenses and approvals, this may have a negative impact on the Company's business activities and results by limiting the merchandise which accounts for 10% of its sales can sell.

(Risk related to collectability of accounts receivables)

The Company takes measures to mitigate the risk of doubtful accounts occurring with respect to accounts receivables by strengthening its system for close coordination with customers, thoroughly carrying out management of accounts receivables at the Company, entering into trade credit insurance, and other means. Nevertheless, if a customer defaults due to bankruptcy, civil rehabilitation or otherwise, this may have a negative impact on the Company's results.

(Risk related to product inventories)

It is possible to avoid risk from product inventories because most of the product inventories owned by the Company and product returns from customers can be returned to the supplier. Nevertheless, if a supplier undergoes a bankruptcy, civil rehabilitation or otherwise, this may have a negative impact on the Company's results by causing a reduction in the price of product inventories and preventing the Company from returning products.

(Fluctuations in results)

In the Company's results for the fourth quarter, net sales tend to fall in comparison with the other quarters. Profit also tends to decline in that quarter reflecting the impact of the fluctuation in net sales.

This downward trend mainly reflects the impact of seasonal factors in January and February. Sales in January are affected by consumer demand in December driven by bulk buying of daily necessities in the run up to the end of the year. In February, net sales are down in comparison to other months due to the lower number of business days.

As a result of these factors, results in the first nine months of the fiscal year may not indicate the overall trend of the Company's results for the full year.

An overview of results by quarter in the fiscal year ended March 31, 2024, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2024				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales	293,519	289,901	299,621	268,923	1,151,966
[Composition %]	[25.5]	[25.2]	[26.0]	[23.3]	[100.0]
Operating profit	6,972	6,796	8,199	5,203	27,172
[Composition %]	[25.7]	[25.0]	[30.1]	[19.2]	[100.0]
Ordinary profit	7,840	7,773	9,046	5,885	30,545
[Composition %]	[25.7]	[25.5]	[29.5]	[19.3]	[100.0]

(Relationship with the parent company's group)

Aiming for contribution to the society, the parent company's group operates mainly in three business areas: Prescription Pharmaceutical Wholesale Business, Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business and Animal Health Products and Food Processing Raw Materials Wholesale Business. In these business areas, the Company operates Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business. And because of the differences in the merchandise categories and in the distributional channels comparing to the other two businesses areas, there is not competition with the parent company's group (excluding the Company). Therefore, the Company carries out its own sales activities without any restriction. And, from the viewpoint of corporate governance, the Company makes all decisions on matters such as business strategy and personnel policy on the basis of independent and autonomous discussions at the Company and the management decision made by the Board of Directors of the Company is the final decision within the parent company's group. The Company actively nominates independent outside directors. And one Director of the parent company act as a director of the Company and one director of the Company acts as a director of the parent company from the viewpoint of its independence and ensuring appropriateness of group governance. Furthermore, in order to protect minority shareholders and avoid the appearance of conflicts of interest between the parent company and the minority shareholders, and thus to enhance corporate governance, through implementing appropriate oversight and supervision of the Company's transactions with the controlling shareholder, the Company has established an independent committee as an advisory body to the Board of Directors. This committee is composed exclusively of independent outside directors and outside auditors are independent from the controlling shareholder.

At the same time, the parent company respects the Company's independency and protect of minority shareholders of the Company. Based on the "Group Company Management Regulations," the parent company believes it's desirable, from the perspective of group management, for the Company to improve its corporate value through actively pursuing business development by autonomous funding and quick decision-making. Furthermore, the regulations state that the Company's Board of Directors is final decision-making organ. Currently, no significant changes are expected to occur in the Company's relationship with the rest of the parent company's group. Nevertheless, if there is a change in management policy in the rest of the parent company's group in the future, for example if another company in the group enters into one of the Company's business sectors and comes into competition with the Company, this may have an impact on the Company's results.

The Company's relationship with the parent company's group as of March 31, 2024, is as follows.

1) Capital relationships

The percentage of the shares of the Company held by its parent company, MEDIPAL HOLDINGS CORPORATION, is 50.68%.

2) Personal relationships

[Interlocking directorate]

Mr. Takuya Yoshida, Representative Director, President of the Company, has served as a director of the parent company from the perspective of effective group governance. And, the Company, believing that it becomes more important than ever to optimize the balance between its independence as a listed company and the group governance, has appointed Mr. Yuji Sakon, Managing Director of the parent company, as the director of the Company.

3) Business relationships

Related party transactions associated with the parent company's group are as follows.

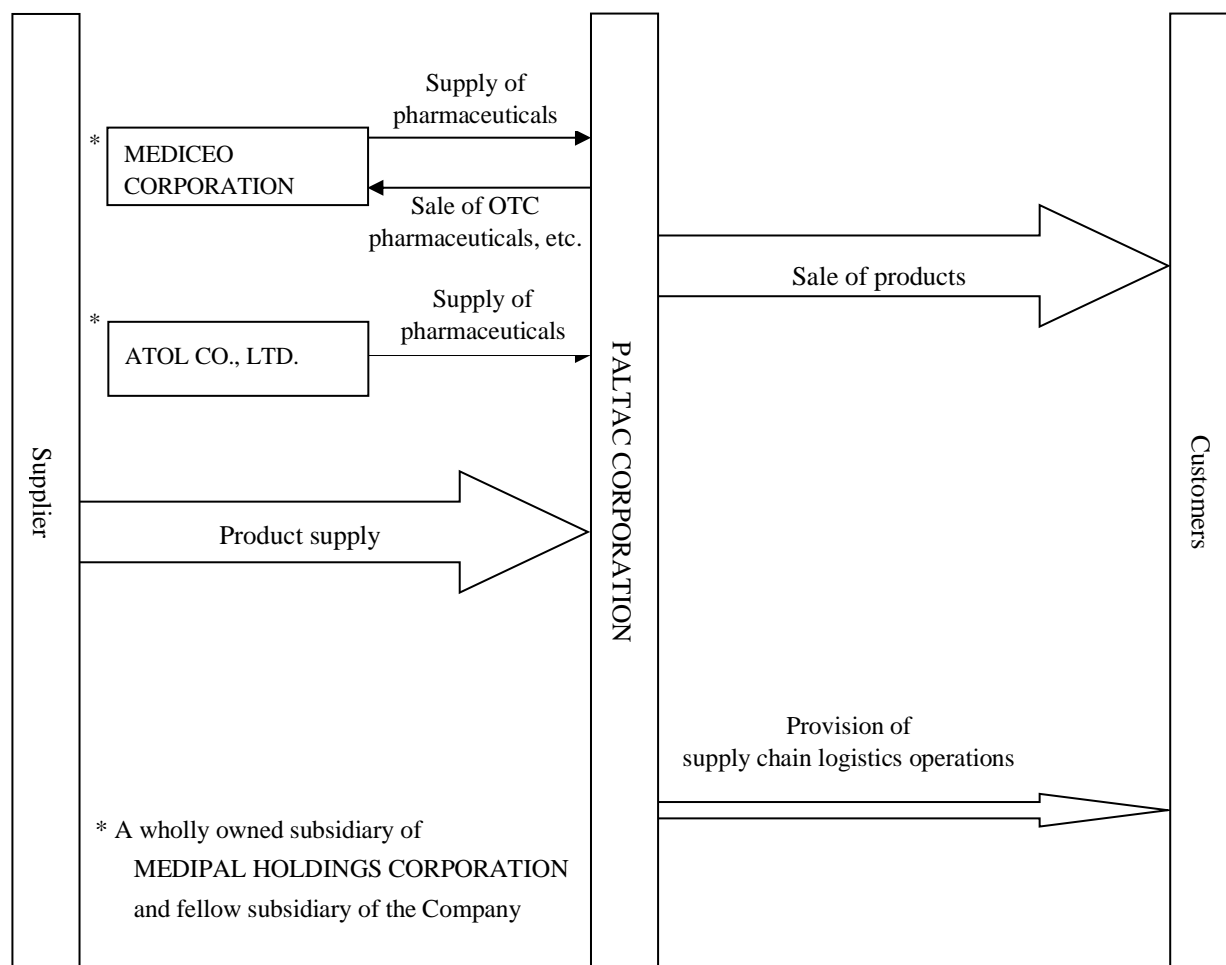
(Millions of yen)

Company name	Transaction details	Transaction amount	Transaction amount	Transaction conditions, etc.
		Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	14	14	The parent company's whole group is entered together into group insurance, which is managed accordingly, and the Company pays a contribution.
	Receipt of insurance proceeds, etc.	6	11	The Company receives insurance proceeds, etc. based on an insurance contract.
(Fellow subsidiary) MEDICEO CORPORATION	Payment of trust fees for defined contribution pension plan	2	2	The plan is managed for the parent company's whole group together, and the Company pays a contribution.
	Sale of products, etc.	319	298	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	4,089	(603)	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) ATOL CO., LTD.	Purchase of products	7	1	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Medipal Insurance Service Co., Ltd.	Payment of insurance premium	488	547	Carried out as the Company's insurance agent under the same transaction conditions as with a third party.

2. Status of Group

The Group consists of the Company and three non-consolidated subsidiaries. In addition, MEDIPAL HOLDINGS CORPORATION is a parent company of the Company. Its main business is to procure mainly cosmetics, daily necessities and OTC pharmaceuticals and other such products from the manufactures and to sell them to retailers nationwide. The Company, operating as an intermediary between the manufactures and the retailers, provides such as logistics, stock, information and finance functions, which are essential during the distribution stage.

The Group's operational chart is as follows.



3. Management Policy

Forward-looking statements in this document are based on the judgments of the Company’s management as of the end of the fiscal year ended March 31, 2024.

(1) The Company’s Basic Management Policy

The Company’s basic policy is to be an intermediate distributor that helps to optimize and streamline the whole supply chain from manufacturers to retailers as an enterprise that stably supplies a full lineup of daily essentials for health and beauty, through the delivery of both high-quality, low-cost distribution capabilities and sales capabilities that contribute to profitable operations in the retail sector.

(2) Business Environment and Issues to be Addressed with Priority

In the conduct of business operation for the sustainable growth, the Company recognizes that the decline in working population, low birthrate and longevity, diversification of values, climate change and issue to the provision of natural resources are material changes. With these changes, while recognizing that risks including fewer revenue itself due to shrinking domestic market and decline in profitability due to soaring operational costs could increase, against the backdrop of increase of needs for high-efficient distribution and penetration of logistics solution using date, the Company believe that new revenue opportunities could be created by providing its new value and solutions. In order to appropriately grasp and respond to these changes and achieve sustainable growth, based on the long-term corporate vision in which the Company has put up a slogan, “Creating the future of people and society through the power of connections,” the Company recognizes the following four matters as material issues (materiality) to be urgently addressed from the standpoint of its existence, capture of new revenue opportunities and risk reduction.

Slogan and material issues of the long-term vision

Creating the future of people and society through the power of connections		
Creating “the future” in which sustainable well-being of people and society can be realized by diverse connection of supply chain from innovation		
Materiality		
Securing new revenue opportunities	Creating new value through developing borderless supply chain network	<ul style="list-style-type: none"> ■ Eliminating unreasonable, wasteful acts and unevenness factors through digitalizing distribution process ■ Connecting people, things and information with the digital network and creating colorful and rich daily lives
	Developing distribution network beyond the conventional approach through far and away the highest productivity	<ul style="list-style-type: none"> ■ Developing high-efficient distribution network, which has far and away the highest productivity ■ Developing sustainable distribution network through cooperation beyond the industries and the conventional business practices
Reduction of risk	Coexisting and co-creation with the environment and society	<ul style="list-style-type: none"> ■ Contributing to the realization of sustainable environment and society by developing supply chain that does not incur burdens
	Cultivating a corporate culture that emphasizes autonomy and spontaneity and realizing a state where individual employees' growth leads to the growth of our company and society	<ul style="list-style-type: none"> ■ Cultivating a corporate culture that emphasizes autonomy and spontaneity and building an environment where diverse human capital can exercise their full potential ■ Establishing governance that supports the sustainable growth of individual employees, our company and society

(3) Management Strategies

In order to solve the issues that should be addressed with priority, the Company has established the new three-years medium-term management plan, “PALTAC VISION 2027” which concludes in fiscal year ending March 31, 2027 by using approach from the viewpoints of both current business environment and a long-term its corporate vision. This new three-years medium-term management plan, “PALTAC VISION 2027” is positioned as period of “Building the foundation for transformation through structural reform” to achieve the long-term vision. And the Company actively will tackle four important themes: improving profitability of existing business, launching a strategic move toward creating new value, improving sustainability and carrying out corporate management with a view towards capital efficiency.

And, as primary key performance indicators that can evaluate the achievement status of its initiatives, the Company has set the following financial targets for resulting from business activities and non-financial targets regarding the sustainability and social responsibility impact resulting from its activities.

The Company has set the following financial and non-financial targets for the fiscal year ending March 31, 2027, which is the final fiscal year of new medium-term management plan.

With regard to specific initiatives of medium-term management plan, please refer to “Notice regarding medium-term management plan” announced on May 13, 2024.

Targets		FY2027/3	Vs. FY2024/3 Amount	Vs. FY2024/3 Rate
Financial	Net Sales	¥ 1,270.0 bn	+ ¥ 118.0 bn	+ 10.2%
	Operating Profit	¥ 30.0 bn	+ ¥ 2.8 bn	+ 10.4%
	ROE	Maintaining the level that exceeds the cost of capital	–	–
	Payout Ratio	Aiming for the level of 35% or more	–	–
Non-Financial	Ratio of CO2 emissions reduction *1	Reduction of 28%	+ 16%	–
	Diversity	Percentage of female employees in management positions : 8.4%	+ 1.7%	–
		Percentage of male employees taking childcare leave : 60%	+ 30%	–
	Engagement Score *2	55.0	+ 6.9	–

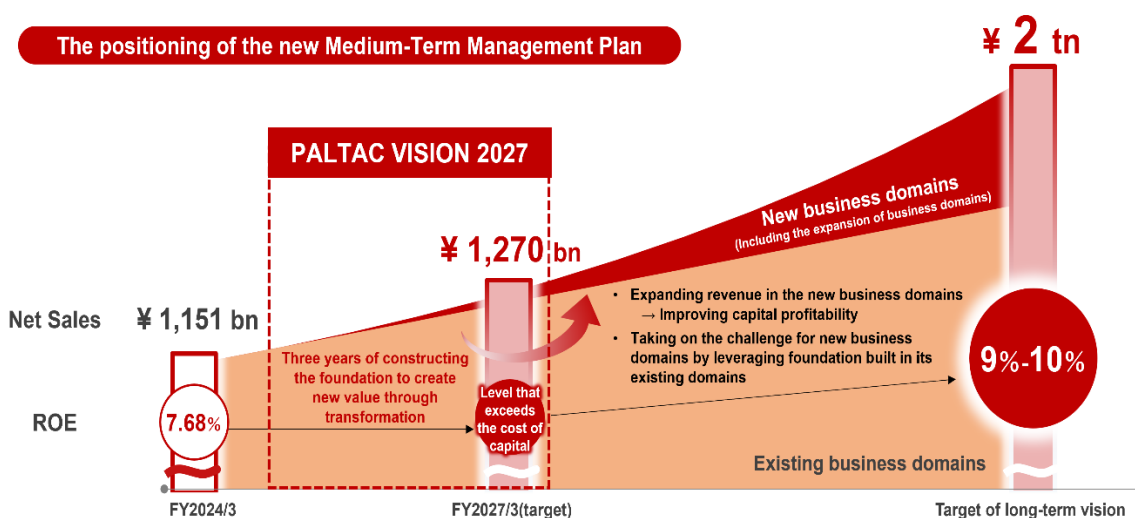
*1 Ratio of CO2 emissions reduction : Scope 1+2 (Vs. FY2021/3)

*2 Engagement score: Measured by “Motivation Cloud” service of Link and Motivation Inc.

The positioning of the medium-term management plan, “PALTAC VISION 2027”

PALTAC VISION 2027

Constructing the foundation for transformation through structural reform



The essence of building the foundation for transformation

Towards the realization of our long-term vision

Connect / be Connected	Securing “adequate capitals”	Expanding sales and profits of existing businesses
	Gaining “competitive edge”	Enhancing our functions of distribution, sales and digital Promoting new value creation (cultivating the seeds of new business) Enhancing and building connection with our partners Accumulating valuable information
	Acquiring “practical abilities”	Increasing capacity of organization (through business structural reforms) Securing and developing human capital Improving work environment Strengthening governance system Improving utilization of digital and information
	Obtaining “cooperation”	Promoting cooperation with multi-stakeholders (contribution to environment and society, the appropriate distribution of profits to employees and shareholders, etc.)

4. Basic Approach to Selection of Accounting Standards

To ensure the comparability of its financial statement with domestic companies in the same industry, the Company has applied Japanese accounting standards.

With respect to application of International Financial Reporting Standards (IFRS), our policy is to respond appropriately based on consideration of various domestic and overseas circumstances.

5. Non-consolidated Financial Statements and Notes to Non-consolidated Financial Statements**(1) Balance Sheets**

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	45,993	60,994
Notes receivable-trade	5,297	* 5,026
Accounts receivable-trade	201,783	208,137
Merchandise and finished goods	51,273	51,352
Prepaid expenses	735	759
Accounts receivable-other	15,359	14,812
Consumption taxes receivable	1,484	-
Other	5,867	6,080
Allowance for doubtful accounts	(7)	(3)
Total current assets	327,788	347,158
Non-current assets		
Property, plant and equipment		
Buildings	76,966	79,651
Accumulated depreciation	(29,020)	(31,783)
Buildings, net	47,946	47,867
Structures	5,798	5,921
Accumulated depreciation	(3,850)	(4,111)
Structures, net	1,947	1,810
Machinery and equipment	55,639	55,737
Accumulated depreciation	(32,954)	(35,840)
Machinery and equipment, net	22,685	19,896
Vehicles	1,289	1,319
Accumulated depreciation	(1,186)	(1,191)
Vehicles, net	102	128
Tools, furniture and fixtures	2,222	2,283
Accumulated depreciation	(1,780)	(1,874)
Tools, furniture and fixtures, net	442	408
Land	47,446	46,827
Leased assets	460	496
Accumulated depreciation	(236)	(267)
Leased assets, net	223	228
Construction in progress	2,218	419
Total property, plant and equipment	123,013	117,588
Intangible assets		
Patent right	123	91
Software	572	474
Software in progress	19	60
Telephone subscription right	84	84
Other	22	19
Total intangible assets	821	731

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Investments and other assets		
Investment securities	23,653	28,455
Shares of subsidiaries and associates	20	159
Investments in capital	0	0
Investments in capital of subsidiaries and associates	111	111
Distressed receivables	–	0
Long-term prepaid expenses	833	759
Prepaid pension cost	466	509
Guarantee deposits	175	172
Other	54	51
Allowance for doubtful accounts	(4)	(3)
Total investments and other assets	<u>25,312</u>	<u>30,218</u>
Total non-current assets	<u>149,147</u>	<u>148,538</u>
Total assets	<u>476,936</u>	<u>495,697</u>
Liabilities		
Current liabilities		
Electronically recorded obligations – operating	12,333	* 10,735
Accounts payable-trade	158,389	158,908
Lease obligations	113	114
Accounts payable-other	24,138	20,257
Accrued expenses	243	308
Income taxes payable	4,582	5,415
Accrued consumption taxes	–	2,900
Advances received	50	39
Deposits received	112	118
Provision for bonuses	1,514	1,923
Provision for loss on disaster	–	403
Other	6,038	6,187
Total current liabilities	<u>207,517</u>	<u>207,313</u>
Non-current liabilities		
Lease obligations	131	138
Deferred tax liabilities	5,946	6,739
Provision for retirement benefits	2,870	3,012
Asset retirement obligations	79	79
Long-term deposits received	443	451
Other	246	–
Total non-current liabilities	<u>9,718</u>	<u>10,421</u>
Total liabilities	<u>217,235</u>	<u>217,734</u>

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus		
Legal capital surplus	16,597	16,597
Other capital surplus	11,229	11,229
Total capital surplus	27,827	27,827
Retained earnings		
Legal retained earnings	665	665
Other retained earnings		
Reserve for advanced depreciation of non-current assets	7,552	7,467
General reserve	177,244	192,244
Retained earnings brought forward	23,038	23,357
Total retained earnings	208,501	223,735
Treasury shares	(3,490)	(3,490)
Total shareholders' equity	248,707	263,941
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,985	14,001
Deferred gains or losses on hedges	6	19
Total valuation and translation adjustments	10,992	14,021
Total net assets	259,700	277,962
Total liabilities and net assets	476,936	495,697

(2) Statements of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales		
Net sales of goods	1,091,396	1,135,309
Net sales on other business	12,755	16,656
Total net sales	*1 1,104,152	*1 1,151,966
Cost of sales		
Cost of goods sold		
Beginning goods	47,986	51,273
Cost of purchased goods	1,013,627	1,052,039
Subtotal	1,061,614	1,103,313
Goods transfer to other account	–	*2 35
Ending goods	51,273	51,352
Cost of goods sold	1,010,340	1,051,925
Cost of sales on other business	11,415	13,681
Total cost of sales	1,021,756	1,065,607
Gross profit	82,395	86,358
Selling, general and administrative expenses	*3, *4 57,923	*3, *4 59,185
Operating profit	24,472	27,172
Non-operating income		
Dividend income	384	449
Research fee income	1,835	1,874
Real estate rent	154	160
Other	639	947
Total non-operating income	3,014	3,431
Non-operating expenses		
Interest expenses	5	5
Rent expenses on real estates	31	32
Other	9	20
Total non-operating expenses	46	59
Ordinary profit	27,440	30,545

(Millions of yen)

	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
Extraordinary income				
Gain on sale of non-current assets		–	*5	0
Gain on sales of investment securities		–		140
Gain on reversal of provision for loss on disaster		9		–
Insurance claim income		497		–
Total extraordinary income		507		140
Extraordinary losses				
Loss on retirement of non-current assets	*6	60	*6	3
Impairment losses		–	*7	639
Loss on cancellation of leases		0		–
Loss on valuation of investment securities		19		–
Loss on disaster		20		241
Provision for loss on disaster		–		403
Total extraordinary losses		100		1,289
Income before income taxes		27,846		29,396
Income taxes-current		8,512		9,300
Income taxes-deferred		82		(541)
Total income taxes		8,594		8,758
Profit		19,251		20,638

Supplementary Schedules of Cost of Sales

Cost of sales on other business

Composition of costs	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	4,562	40.0	5,570	40.7
Packing and shipping costs	3,844	33.7	4,487	32.8
Depreciation and amortization	1,351	11.8	2,268	16.6
Others	1,657	14.5	1,355	9.9
Total	11,415	100.0	13,681	100.0

(3) Statements of Changes in Equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	15,869	16,597	11,229	27,827	665	7,638	157,244	28,729	194,277
Changes of items during period									
Dividends of surplus				–				(5,027)	(5,027)
Profit				–				19,251	19,251
Reversal of reserve for advanced depreciation of non-current assets				–		(85)		85	–
Provision of general reserve				–			20,000	(20,000)	–
Purchase of treasury shares				–					–
Net changes of items other than shareholders' equity				–					–
Total changes of items during period	–	–	–	–	–	(85)	20,000	(5,690)	14,224
Balance at end of current period	15,869	16,597	11,229	27,827	665	7,552	177,244	23,038	208,501

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(3,489)	234,484	9,246	10	9,256	243,741
Changes of items during period						
Dividends of surplus		(5,027)			–	(5,027)
Profit		19,251			–	19,251
Reversal of reserve for advanced depreciation of non-current assets		–			–	–
Provision of general reserve		–			–	–
Purchase of treasury shares	(0)	(0)			–	(0)
Net changes of items other than shareholders' equity		–	1,739	(3)	1,736	1,736
Total changes of items during period	(0)	14,223	1,739	(3)	1,736	15,959
Balance at end of current period	(3,490)	248,707	10,985	6	10,992	259,700

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	15,869	16,597	11,229	27,827	665	7,552	177,244	23,038	208,501
Changes of items during period									
Dividends of surplus				–				(5,404)	(5,404)
Profit				–				20,638	20,638
Reversal of reserve for advanced depreciation of non-current assets				–		(85)		85	–
Provision of general reserve				–			15,000	(15,000)	–
Purchase of treasury shares				–					–
Net changes of items other than shareholders' equity				–					–
Total changes of items during period	–	–	–	–	–	(85)	15,000	318	15,233
Balance at end of current period	15,869	16,597	11,229	27,827	665	7,467	192,244	23,357	223,735

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(3,490)	248,707	10,985	6	10,992	259,700
Changes of items during period						
Dividends of surplus		(5,404)			–	(5,404)
Profit		20,638			–	20,638
Reversal of reserve for advanced depreciation of non-current assets		–			–	–
Provision of general reserve		–			–	–
Purchase of treasury shares	(0)	(0)			–	(0)
Net changes of items other than shareholders' equity		–	3,015	12	3,028	3,028
Total changes of items during period	(0)	15,233	3,015	12	3,028	18,261
Balance at end of current period	(3,490)	263,941	14,001	19	14,021	277,962

(4) Statements of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	27,846	29,396
Depreciation and amortization	5,750	6,553
Impairment losses	–	639
Increase (decrease) in allowance for doubtful accounts	(0)	(5)
Increase (decrease) in provision for bonuses	(65)	408
Increase (decrease) in provision for loss on disaster	(497)	403
Increase (decrease) in provision for retirement benefits	87	98
Interest and dividend income	(385)	(449)
Interest expenses	5	5
Loss (gain) on sales of investment securities	–	(140)
Insurance claim income	(497)	–
Loss on disaster	20	241
Decrease (increase) in notes and accounts receivable-trade	(10,761)	(6,082)
Decrease (increase) in inventories	(3,287)	(78)
Increase (decrease) in notes and accounts payable-trade	6,281	(1,079)
Decrease (increase) in consumption taxes refund receivable	(1,484)	1,484
Increase (decrease) in accrued consumption taxes	(190)	2,900
Other, net	1,940	686
Subtotal	<u>24,762</u>	<u>34,984</u>
Interest and dividend income received	385	449
Interest expenses paid	(5)	(3)
Payments associated with disaster loss	(657)	(236)
Proceeds from insurance income	497	–
Income taxes paid	<u>(8,388)</u>	<u>(8,404)</u>
Net cash provided by (used in) operating activities	<u>16,594</u>	<u>26,790</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,550)	(5,666)
Proceeds from sale of property, plant and equipment	–	0
Purchase of intangible assets	(223)	(138)
Purchase of investment securities	(76)	(576)
Proceeds from sales of investment securities	–	260
Purchase of shares of subsidiaries	–	(139)
Payments for investments in capital of subsidiaries and associates	(111)	–
Other, net	(130)	(8)
Net cash provided by (used in) investing activities	<u>(6,093)</u>	<u>(6,268)</u>
Cash flows from financing activities		
Repayments of lease obligations	(149)	(116)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	<u>(5,027)</u>	<u>(5,404)</u>
Net cash provided by (used in) financing activities	<u>(5,177)</u>	<u>(5,520)</u>
Net increase (decrease) in cash and cash equivalents	<u>5,322</u>	<u>15,001</u>
Cash and cash equivalents at beginning of period	<u>40,670</u>	<u>45,993</u>
Cash and cash equivalents at end of period	<u>* 45,993</u>	<u>* 60,994</u>

(5) Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Stock of subsidiaries, affiliates and investments in capital of subsidiaries and associates

Stated at cost using the moving-average method.

(2) Available-for-sale securities

Securities with available fair market values:

Stated at fair value based on the market price or the like at the balance sheet date (valuation difference is reported in a separate component of net assets, and cost of securities sold is determined based on the moving-average method).

Securities without available fair market values:

Stated at cost using the moving-average method.

2. Valuation standards and methods of derivatives

Stated at fair value.

3. Valuation standards and methods of inventories

Stated at cost using the moving-average method (carrying amounts in the balance sheet are determined based on the method of writing down the book value in accordance with the declining in profitability of assets).

4. Depreciation and amortization of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Depreciated using the straight-line method.

The estimated useful lives of major items are as follows.

Buildings: 8 to 50 years

Machinery and equipment: 8 to 12 years

(2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the internally expected useful life (5 years).

(3) Leased assets

Leased assets in finance lease transactions that do not transfer ownership

Depreciated using the straight-line method assuming that lease periods are useful lives and residual values are zero.

(4) Long-term prepaid expenses

Amortized in equal portions.

5. Allowances and provisions

(1) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided at the amount estimated by using the historical rate of credit loss for ordinary receivables, and based on individual consideration of collectability for receivables at risk of doubtful and receivables from customers in bankruptcy.

(2) Provision for bonuses

To prepare for payment of bonuses to employees, of the estimated future bonus payment, an amount to be borne during the fiscal year under review is provided.

(3) Provision for loss on disaster

To prepare for payment estimated to be incurred during or after the next fiscal year in order to undertake the restoration of assets damaged due to the disaster.

(4) Provision for retirement benefits

To prepare for payment of retirement benefits to employees, an amount deemed accrued as of the end of the fiscal year under review, based on the projected retirement benefit obligation and the fair value of plan assets as of the end of the fiscal year under review is provided.

1) Periodic allocation methodology for the expected retirement benefit payments

The projected retirement benefit obligation is calculated by allocating the expected retirement benefit payments until the end of the current fiscal year on the benefit formula basis.

2) Amortization of net actual gains/losses

Net actual gains or losses are primarily amortized from the following year on a straight-line basis over 10-year period, which is shorter than the average remaining years of service of the eligible employees.

6. Standards for recording key revenue and expenses

With respect to revenue from contracts with customer, the details of the main performance obligation in the Company's key businesses and the usual times for recognizing revenue are as described below.

The Company mainly sells cosmetics, daily necessities and OTC pharmaceuticals and other such products, and has a performance obligation to deliver products under sales contracts with customer. The Company judges that the performance obligation has been satisfied at the time of delivery of the relevant product and recognizes revenue because usually the customer gains control of the relevant product at the time of product delivery. In case of the domestic sales of products, if there is a usual length of time between shipment of products and transferring control to the customer, the Company recognizes revenue at the point when these products are shipped.

When the Company determines a nature of performance obligation in the sales transaction as an agent, it recognizes revenue in the net amount of consideration that it retains after paying the suppliers the consideration received in exchange for products to be provided by that party. And also, net sales are measured net of the consideration agreed in the contract with the customer any sales return, discounts and rebates.

7. Method of hedge accounting

(1) Method of hedge accounting

Accounted for with deferred hedge accounting.

Certain foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment.

(2) Hedging instruments and hedged items

Hedging instruments: Derivative transactions (forward exchange contracts)

Hedged items: Payables denominated in foreign currencies and forecasted foreign currency transactions

(3) Hedging policy

Hedging is conducted to reduce risk from fluctuations in foreign exchange rates and the like associated with business activities, and with the aim of fixing cash flows. The Company does not enter into contracts for speculative purposes.

(4) Method of assessing hedge effectiveness

The Company assesses the effectiveness of forward exchange contracts, in principle, from the start of the contract to the point at which effectiveness is assessed by comparing the cumulative changes in the foreign exchange rate of the hedged item with the cumulative changes in the fair value of the hedging instrument, and making the assessment primarily on the basis of both change amounts. However, in the event that critical terms are the same for the hedging instrument and the hedged assets and liabilities, it is assumed that the hedge is 100% effective, and the assessment of effectiveness is not performed.

8. Definition of cash and cash equivalents in the statements of cash flows

Cash and cash equivalents in the statements of cash flows consist of cash on hands, at-call deposits with banks, and short-term investments having maturities within three months from acquisition which are readily convertible to cash and involve only an insignificant risk of changes in value.

9. Other significant matters forming the basis of preparing the financial statements

Not applicable.

(Significant accounting estimates)

There are not accounting estimates that could have significant impact on the financial statement of the fiscal year ending March 31, 2025.

(Balance sheets)

* Notes with maturity date as of the end of the fiscal year

In the accounting treatment of notes with maturity date as of the end of the fiscal year, although the end of the fiscal year ended March 31, 2024 was a holiday for financial institutions, the notes were treated assuming that settlement occurred on the day of maturity. The amounts of notes with maturity date as of the end of the fiscal year are as follows.

	As of March 31, 2023	As of March 31, 2024
Notes receivable - trade	– million yen	762 million yen
Electronically recorded obligations – operating	–	4,186

(Statements of income)

*1 With regard to net sales, revenue from contracts with customers and revenue from other contracts are not presented separately. Amount of revenue from contracts with customer is presented in (Revenue recognition), (1) “The disaggregation of revenue from contracts with customers.”

*2 Breakdown of goods transfer to other account is as follows

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Transfer to extraordinary losses	– million yen	35 million yen
Total	–	35

*3 The approximate percentages of selling expenses were 33.6% in the fiscal year ended March 31, 2023, and 32.2% in the fiscal year ended March 31, 2024. The approximate percentages of general and administrative expenses were 66.4% and 67.8%, respectively.

Major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Distribution expenses	12,181 million yen	11,899 million yen
Provision of allowance for doubtful accounts	(0)	(3)
Depreciation and amortization	4,361	4,249
Salaries and allowances	17,504	18,413
Provision for bonuses	1,514	1,923
Retirement benefit expenses	1,075	958

*4 Total amount of research and development expenses including of administrative expenses is as follows.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Research and development expenses	103 million yen	88 million yen

*5 Breakdown of gain on sale of non-current assets is as follows.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Vehicles	– million yen	0 million yen
Total	–	0

*6 Breakdown of loss on retirement of non-current assets is as follows.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Buildings	0 million yen	0 million yen
Structures	0	0
Machinery and equipment	0	0
Vehicles	0	0
Tools, furniture and fixtures	5	0
Leased assets (tangible)	4	–
Software	1	2
Long-term prepaid expenses	34	0
Demolition or removal expenses	13	–
Total	60	3

*7 Impairment loss

The Company recorded impairment loss of the following assets or asset groups.

Fiscal year ended March 31, 2023

Not applicable.

Fiscal year ended March 31, 2024

(Millions of yen)

Location	Use	Type	Impairment loss
Aira-shi, Kagoshima Pref.	Idle assets	Land, etc.	639

In principle, the Company groups assets for business according to branch or distribution center and groups assets for rent and idle assets according to each individual item.

For the fiscal year ended March 31, 2024, of the assets held by the Company, for those that is not expected to be used in the future, book values have been written down to their recoverable value. These reductions have been recorded as impairment loss (¥639 million) under extraordinary losses. The breakdown of the assets is ¥619 million in land and ¥20 million in construction in progress.

Recoverable value of the company groups assets is measured at their net realizable values. And, the recoverable amount on land is measured at real estate appraisal values.

(Statements of changes in equity)

Fiscal year ended March 31, 2023

(Shares)

1. Class and total number of issued shares and treasury shares

	As of April 1, 2022	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2023
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock (Note)	706,549	149	–	706,698
Total	706,549	149	–	706,698

Note: The increase of 149 in the number of common stocks is due to the buyback of 149 shares constituting less than one unit.

2. Subscription rights to shares and treasury subscription rights to shares

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 11, 2022	Common stock	2,451	39	March 31, 2022	June 1, 2022
Board of Directors meeting held on October 28, 2022	Common stock	2,576	41	September 30, 2022	December 1, 2022

(2) Dividends whose record date is in the fiscal year under review and the effective date is in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 11, 2023	Common stock	2,576	Retained earnings	41	March 31, 2023	June 2, 2023

Fiscal year ended March 31, 2024

1. Class and total number of issued shares and treasury shares (Shares)

	As of April 1, 2023	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2024
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock (Note)	706,698	98	–	706,796
Total	706,698	98	–	706,796

Note: The increase of 98 in the number of common stocks is due to the buyback of 98 shares constituting less than one unit.

 2. Subscription rights to shares and treasury subscription rights to shares
 Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 11, 2023	Common stock	2,576	41	March 31, 2023	June 2, 2023
Board of Directors meeting held on October 30, 2023	Common stock	2,828	45	September 30, 2023	December 1, 2023

(2) Dividends whose record date is in the fiscal year under review and the effective date is in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 13, 2024	Common stock	3,079	Retained earnings	49	March 31, 2024	May 31, 2024

(Statements of cash flows)

* Reconciliation of cash and cash equivalents to those in the balance sheets

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash and deposits	45,993 million yen	60,994 million yen
Time deposits with a deposit period of over three months	—	—
Cash and cash equivalents	45,993	60,994

(Lease transaction)

1. Finance lease transaction

(1) Finance lease transactions that do not transfer ownership

1) Details of leased assets

Property, plant and equipment

Mainly information equipment associated with the personal computers and personal computer peripherals (tools, furniture and fixtures).

2) Method of depreciation of leased assets

As described in “Significant accounting policies, 4. Depreciation and amortization of non-current assets.”

2. Operating lease transaction

Future lease commitments related to irrevocable operating leases

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Within one year	114	137
Over one year	189	275
Total	304	413

(Financial instruments)

1. Matters relating to status of financial instruments

(1) Policy for handling financial instruments

The Company procures necessary funds (mainly bank loans) in consideration of its capital investment plans primarily for operating its cosmetics and daily necessities and over-the-counter (OTC) pharmaceuticals wholesale businesses. Temporary surplus funds are managed through highly secure financial assets and short-term working funds are procured through bank loans. Derivative transactions are used to hedge the various risks as described in detail below, and the Company does not enter into derivatives transactions for trading or speculative purposes.

(2) Details of financial instruments and associated risks

Notes receivable - trade, accounts receivable - trade and accounts receivable - other that are operating receivables are subject to credit risk from customers.

Shares that are investment securities are subject to market price fluctuation risk.

Electronically recorded obligations - operating, accounts payable - trade and accounts payable - other that are operating payables have payment dates due within one year.

Derivative transactions are forward exchange contracts to hedge against foreign exchange fluctuation risks from operating receivables and operating payables denominated in foreign currencies.

For hedging instruments and hedged items, hedging policy, method of assessing hedge effectiveness and other aspects of hedge accounting, please refer to “7. Method of hedge accounting” in “Significant accounting policies” on a previous page of this report.

(3) Management system for risks associated with financial instruments

1) Management of credit risk (such as risk associated with nonfulfillment of contracts by business partners)

The Company works to reduce the risk of doubtful accounts occurring with respect to receivables in the course of ongoing business transactions with business partners by thoroughly applying its system for close coordination with such business partners and its management of receivables at the Company, entering into trade credit insurance, and other means.

2) Management of market risk (fluctuation risk from foreign exchange, interest and others)

For investment securities, the Company regularly ascertains information such as fair values and the financial conditions of issuers (business partner companies, etc.), and regularly reviews its securities holdings in light of its relationships with business partner companies, etc.

The Company executes derivative transactions in accordance with its “Rules on Operational Authority.” Transactions executed are limited to foreign currency-denominated monetary payables handled by the Overseas Business Division. Every month the Company receives notification from financial institutions regarding the balance of derivative transactions executed and confirms the data by matching them with a list of actual results. In addition, the Audit Department at the Company conducts audits of the execution and management of these transactions.

3) Management of liquidity risk associated with procurement of funds (risk of becoming unable to repay funds on payment date)

The Company manages liquidity risk by having the Finance Department prepare and renew cash flow management plans in a timely manner based on reports from each department.

(4) Supplementary explanation regarding fair values of financial instruments

In addition to values based on market prices, fair values of financial instruments include theoretical values that are reasonably calculated when no market prices are available. Because these calculations based on certain assumptions, applying different assumptions may result in different fair values.

2. Matters relating to fair values of financial instruments

Amounts on balance sheet, fair values, and differences between them are as follows.

As of March 31, 2023

(Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
Investment securities (*2)	22,770	22,770	–
Total assets	22,770	22,770	–
Total liabilities	–	–	–
Derivative transactions (*3)	10	10	–

As of March 31, 2024

(Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
Investment securities (*2)	28,055	28,055	–
Total assets	28,055	28,055	–
Total liabilities	–	–	–
Derivative transactions (*3)	27	27	–

*1. “Cash and deposits,” “Notes receivable – trade,” “Accounts receivable – trade,” “Accounts receivable – other,” “Electronically recorded obligations – operating,” “Accounts payable – trade,” “Accounts payable – other” have been omitted because these are settled within a short period of time and their fair values approximate book values.

*2. Securities without available fair market values have not been included in “Investment securities.” Book values of these financial instruments presented in the non-consolidated balance sheets are set for in the tables below.

Category	As of March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)
Unlisted shares	882	400
Shares of subsidiaries and associates	20	159
Investments in capital of subsidiaries and associates	111	111

*3. Amounts of claims and obligations accrued from derivative transactions are indicated on a net basis, whereas net obligations in total are indicated in parentheses.

Note. Redemption schedules after balance sheet dates for monetary receivables

As of March 31, 2023

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	45,993	–	–	–
Notes receivable-trade	5,297	–	–	–
Accounts receivable-trade	201,783	–	–	–
Accounts receivable-other	15,359	–	–	–
Total	268,434	–	–	–

As of March 31, 2024

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	60,994	–	–	–
Notes receivable-trade	5,026	–	–	–
Accounts receivable-trade	208,137	–	–	–
Accounts receivable-other	14,812	–	–	–
Total	288,970	–	–	–

3. The details related to each level of fair value of financial instruments

“Accounting Standard for Fair Value Measurement” establishes the fair value hierarchy to prioritize the inputs used in valuation techniques. There are three levels to the fair value hierarchy (Level 1 is the highest priority and Level 3 is the lowest priority) based on the observability and materiality.

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly

Level 3: Unobservable inputs

In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. In this case, the Company was required that the asset or liability was categorized in its entirety on the lowest level of a significant input.

The information by level for assets and liabilities which were measured at fair value on a recurring basis

As of March 31, 2023 (Millions of yen)

	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	22,770	–	–	22,770
Derivative transactions				
Currency-related transactions	–	10	–	10
Total assets	22,770	10	–	22,780
Total liabilities	–	–	–	–

As of March 31, 2024

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	28,055	–	–	28,055
Derivative transactions				
Currency-related transactions	–	27	–	27
Total assets	28,055	27	–	28,083
Total liabilities	–	–	–	–

Note: Techniques and input for measuring at fair value

Investment securities

Securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active market in which transactions occur with sufficient frequency are available, they are classified as Level 1.

Derivative transactions

Forward exchange that are measured using commonly used fair value pricing models based upon observable inputs only, are classified as Level 2.

(Securities)

1. Shares of subsidiaries and affiliates and investments in capital of subsidiaries and associates

The amounts recorded in the non-consolidated balance sheets for shares of subsidiaries and associate whose fair values are deemed to be extremely difficult to determine

Category	As of March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)
Shares of subsidiaries and associates	20	159
Investments in capital of subsidiaries and associates	111	111

2. Available-for-sale securities

As of March 31, 2023

(Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	22,566	6,715	15,851
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	22,566	6,715	15,851
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	203	225	(21)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	203	225	(21)
Total		22,770	6,940	15,830

Note: Unlisted stocks (amount on balance sheet: ¥882 million) are not included in “Available-for-sale securities” in the table above because they have no market prices and their fair values are deemed to be extremely difficult to determine.

As of March 31, 2024

(Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	27,832	7,653	20,179
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	27,832	7,653	20,179
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	222	227	(5)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	222	227	(5)
Total		28,055	7,880	20,174

Note: Unlisted stocks (amount on balance sheet: ¥400 million) are not included in “Available-for-sale securities” in the table above because they have no market prices and their fair values are deemed to be extremely difficult to determine.

3. Available-for-sale securities sold

Not applicable.

4. Impaired marketable security

The Company had recognized impairment loss and declared loss on valuation of investment securities for ¥19 million in the fiscal year ended March 31, 2023.

The Company has established a policy for the recognition of impairment loss under the following conditions:

- 1) For marketable securities whose fair value has declined by 30% or more.
- 2) For non-marketable securities whose fair value is not readily determinable, of which net assets per share has declined by 50% or more, the Company recognizes impairment loss expect in cases where the decline in fair value is expected to be recoverable.

(Derivative transactions)

1. Derivative transactions not qualifying for hedge accounting

Not applicable.

2. Derivative transactions qualifying for hedge accounting

Currency-related transactions

As of March 31, 2023

(Millions of yen)

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Of contracts, those with period of over one year	Fair value
Appropriation treatment on forward exchange contract	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable - trade	0	–	(0)
	Buying				
	U.S. dollar	Accounts payable - trade	499	–	10
Total			499	–	10

As of March 31, 2024

(Millions of yen)

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Of contracts, those with period of over one year	Fair value
Appropriation treatment on forward exchange contract	Forward exchange contracts				
	Buying				
	U.S. dollar	Accounts payable - trade	689	–	27
Total			689	–	27

(Retirement benefits)

1. Overview of retirement benefits plans

The Company has defined benefit plans and a defined contribution plan. For the former the Company has a multi-employer corporate pension fund plan, a contract-type corporate pension fund plan and a lump-sum retirement payment plan, and for the latter the Company has a defined contribution pension fund plan.

The Company has enrolled in multi-employer pension plans. Since the portion of the pension plan assets could not be reasonably calculated, the required contribution amount was recognized as retirement benefit expenses.

2. Defined benefit plans

(1) Overall funding position of plans

	(As of March 31, 2022)	(As of March 31, 2023)
(Tokyo Pharmaceutical Corporate Pension Fund Association)		
Fair value of plan assets	182,141 million yen	178,035 million yen
Total Amount of actuarial liabilities and minimum actuarial reserve	151,351	153,464
Net balance	30,789	24,570

(2) Percentage of overall plan funding contributed by the Company

	(As of March 31, 2023)	(As of March 31, 2024)
(Tokyo Pharmaceutical Corporate Pension Fund Association)	4.8%	4.9%

(3) Supplementary explanation

(As of March 31, 2022)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥6,169 million and surplus in the fiscal year ended March 31, 2022 of ¥36,958 million. The amortization method used for prior service costs in the pension plan is principal and interest equal amortization, and the remaining amortization term is 2 years and 5 months.

(As of March 31, 2023)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥6,167 million and surplus in the fiscal year ended March 31, 2023 of ¥30,738 million. The amortization method used for prior service costs in the pension plan is principal and interest equal amortization, and the remaining amortization term is 5 years and 10 months.

(4) Retirement benefit obligation at beginning of period and reconciliation with balance at end of period

	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
Retirement benefit obligation at beginning of period	7,077	million yen	7,198	million yen
Service costs	447		447	
Interest expenses	14		14	
Actuarial differences	(102)		(840)	
Retirement benefits paid	(238)		(211)	
Retirement benefit obligation at end of period	7,198		6,608	

(5) Plan assets at beginning of period and reconciliation with balance at end of period

	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
Plan assets at beginning of period	5,098	million yen	5,127	million yen
Expected return on plan assets	10		10	
Actuarial differences	(80)		479	
Contribution by employer	236		242	
Retirement benefits paid	(136)		(123)	
Plan assets at end of period	5,127		5,736	

(6) Retirement benefit obligation and plan assets at end of period and reconciliations with provision for retirement benefits and prepaid pension recorded in the balance sheet

	As of March 31, 2023		As of March 31, 2024	
Retirement benefit obligation from funded plans	4,281	million yen	4,010	million yen
Fair value of plan assets	(5,127)		(5,736)	
Net balance	(846)		(1,725)	
Retirement benefit obligation on non-funded plans	2,917		2,597	
Unfunded retirement benefit obligation	2,070		871	
Unrecognized actuarial differences	332		1,630	
Net amount of liability and asset recorded in balance sheet	2,403		2,502	
Provision for retirement benefits	2,870		3,012	
Prepaid pension cost	(466)		(509)	
Net amount of liability and asset recorded in balance sheet	2,403		2,502	

(7) Retirement benefit expenses and amounts of components

	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
Service costs	447	million yen	447	million yen
Interest expenses	14		14	
Expected return on plan assets	(10)		(10)	
Amortization of actuarial differences	(24)		(22)	
Other	513		397	
Retirement benefit expenses on defined benefit plans	939		826	

Note: "Other" mainly consists of payments into the employees' pension fund plan.

The required contribution amounts to the employees' pension fund under the multi-employer pension plan treated using the same accounting as for a defined contribution plan were ¥283 million for the previous fiscal year and ¥225 million for the fiscal year under review.

(8) Plan assets

1) Main components of plan assets

The ratios of components to total plan assets by major category are as follows.

	As of March 31, 2023	As of March 31, 2024
Bonds	57 %	55 %
Stocks	24	26
Life insurance company general accounts	10	9
Other	9	10
Total	100	100

2) Method for establishing long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is established in consideration of current and forecasted allocation of plan assets, as well as the current and expected future long-term rate of return from the assets that constitute the plan assets.

(9) Calculation basis for actuarial differences

The main calculation bases for actuarial differences at the end of the fiscal year are as follows (shown as weighted averages).

	As of March 31, 2023	As of March 31, 2024
Discount rate	0.2 %	1.2 %
Long-term expected rate of Return on plan assets	0.2 %	1.2 %

Note: The discount rate applied at the beginning of the fiscal year under review was 0.2%, however, as a result of the review made at the end of fiscal year under review, the Company changed the discount rate to 1.2% based on the judgment that the amount of the retirement benefit obligation is significantly affected by the change of discount rate.

3. Defined contribution plan

The Company's required contribution amount for its defined contribution plan is ¥187 million of previous fiscal year and ¥189 million of the fiscal year under review.

(Income taxes)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Differed tax assets:		
Accrued enterprise tax	270	326
Provision for bonuses	463	588
Allowance for doubtful accounts	3	2
Accrued expenses	267	305
Refund liabilities	1,754	1,810
Provision for retirement benefits	878	921
Loss on valuation of investment securities	304	304
Accrued directors' retirement benefits	75	–
Provision for loss on disaster	–	123
Impairment losses	–	195
Other	31	30
Total deferred tax assets	<u>4,049</u>	<u>4,610</u>
Deferred tax liabilities:		
Refund assets	(1,667)	(1,711)
Reserve for advanced depreciation of non-current assets	(3,330)	(3,292)
Valuation difference on available-for-sale securities	(4,843)	(6,173)
Prepaid pension cost	(142)	(155)
Others	(10)	(15)
Total deferred tax liabilities	<u>(9,995)</u>	<u>(11,350)</u>
Net deferred tax assets	<u>(5,946)</u>	<u>(6,739)</u>

2. Reconciliations between the statutory tax rate and the effective tax rate

	(%)	
	As of March 31, 2023	As of March 31, 2024
Statutory tax rate	30.6	30.6
(Adjustments)		
Non-deductible items such as entertainment expense	0.1	0.0
Inhabitant taxes per capital	0.4	0.4
Tax deductions associated with increase of employee salaries		(0.9)
Other	(0.2)	(0.3)
Effective tax rate	<u>30.9</u>	<u>29.8</u>

(Equity methods)

Not applicable.

(Asset retirement obligations)

No significant items to be reported.

(Estate leases)

No significant items to be reported.

(Revenue recognition)

1. The disaggregation of revenue recognized from contracts with customers

Sales results by product category are as follows:

Product category	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Amount (Millions of yen)	Amount (Millions of yen)
Cosmetics	251,881	271,244
Daily necessities	491,080	500,452
OTC pharmaceuticals	140,469	150,793
Health and sanitary related products	205,337	210,544
Others	15,383	18,931
Total sales	1,104,152	1,151,966

Sales results by customer category are as follows:

Customer category	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Amount (Millions of yen)	Amount (Millions of yen)
Drugstores (Pharmacies)	691,851	727,889
Discount stores	90,552	98,597
Convenience stores	81,393	91,231
Home centers (DIY stores)	89,809	87,213
Supermarkets	53,329	52,630
General merchandising stores	39,761	39,287
Export, EC-business and others	57,455	55,116
Total sales	1,104,152	1,151,966

Note1: There is no revenue resulting from other resources of revenue.

2: From the fiscal year ended March 31, 2024, the Company has changed some of compositions in customer category and has reclassified the figures for the fiscal year ended March 31, 2023 into the classification after this change.

2. A basic information for understanding revenue from contracts with customers

The Company sells cosmetics, daily necessities and over-the-counter (OTC) pharmaceuticals to domestic and overseas retailers which are its main customers. Its performance obligation is to deliver products based on the sales contract with customer. And the Company judges that the performance obligation has been satisfied at the time of delivery of the relevant products and recognizes revenue because usually the customer gains control of the relevant product at the time of products delivery to the customer. In the case of domestic sales, if there is a usual length of time between shipment of products and transferring control to the customer, the Company recognizes revenue at the point when these products are shipped.

The amount of consideration, to which the Company expects to be entitled in exchange for satisfying the performance obligation does not contain a significant financial component because that consideration is collected within approximately three months.

In identifying performance obligation, if the nature of the promise is a performance obligation to arrange for products to be provided by other parties, the Company is an agent and the commission and revenue is recognized in the net amount of consideration which the Company retains after paying the suppliers the consideration received in exchange for products to be provided by that party. In the case where the Company has performance obligation to respond product return from customers, The Company calculates amounts expected to be refund considering historical experience and recognizes revenue with the amount of consideration deducted a liability from revenue for expected returns. And the Company provides amounts expected to be refunded as refund liabilities included in “Other” under “Current liabilities” and its right to recover merchandises from customers on settling the refund liability as refund assets included in “Other” under “Current assets.”

In the case of sales transaction that revenue is measured at an amount of the consideration promised in a contract with a customer less returns, discounts, rebates, and other similar items.

3. Information needed to understand amounts of revenues for the fiscal year under review and the following fiscal year

This information is omitted since it is immaterial.

(Segment information)

a. Segment information

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

Information on “a. Segment information” was omitted since the Company’s reportable segment is single segment of the “wholesale business.”

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Information on “a. Segment information” was omitted since the Company’s reportable segment is single segment of the “wholesale business.”

b. Related information

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

1. Information by product and service

Information by product and service was omitted since sales by one (or single) product and service accounted for over 90% of net sales on the non-consolidated statement of income.

2. Information by geographic area

(1) Sales

Sales information by geographic segment was omitted since sales in Japan accounted for over 90% of net sales on the non-consolidated statement of income.

(2) Property, plant and equipment

Property, plant and equipment information was omitted since all of property, plant and equipment on the non-consolidated balance sheets was located in Japan.

3. Information by major clients

The Company sells products to the MatsukiyoCocokara & Co. and its group company. For the fiscal year ended March 31, 2023, the amount of net sales for this client was ¥126,912 million. Also, information on a segment name was omitted since the Company’s reportable segment is single segment of the “wholesale business.”

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

1. Information by product and service

Information by product and service was omitted since sales by one (or single) product and service accounted for over 90% of net sales on the non-consolidated statement of income.

2. Information by geographic area

(1) Sales

Sales information by geographic segment was omitted since sales in Japan accounted for over 90% of net sales on the non-consolidated statement of income.

(2) Property, plant and equipment

Property, plant and equipment information was omitted since all of property, plant and equipment on the non-consolidated balance sheets was located in Japan.

3. Information by major clients

The Company sells products to the MatsukiyoCocokara & Co. and its group company. For the fiscal year ended March 31, 2024, the amount of net sales for this client was ¥130,503 million. Also, information on a segment name was omitted since the Company’s reportable segment is single segment of the “wholesale business.”

c. Information regarding impairment loss on non-current assets by reporting segment

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal Year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Information on “a. Segment information” was omitted since the Company’s reportable segment is single segment of the “wholesale business.”

d. Information on amortization and outstanding balance of goodwill by reporting segment

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Not applicable.

e. Information regarding gain on negative goodwill by reporting segment

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Not applicable.

(Related-party transactions)

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

1. Significant transactions between the Company and related-parties

Not applicable.

2. Notes of parent company and significant affiliated companies

(1) Information of parent

MEDIPAL HOLDINGS CORPORATION (Listed on Tokyo Stock Exchange)

(2) Summary financial statement of significant affiliated companies

Not applicable.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

1. Significant transactions between the Company and related-parties

Not applicable.

2. Notes of parent company and significant affiliated companies

(1) Information of parent

MEDIPAL HOLDINGS CORPORATION (Listed on Tokyo Stock Exchange)

(2) Summary financial statement of significant affiliated companies

Not applicable.

(Per share information)

(Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share	4,132.28	4,422.87
Earnings per share	306.33	328.40

Notes:

1. Diluted net income per share is not presented because there no potential shares.
2. The basis for calculation of the net income per share amounts is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	19,251	20,638
Amount not attributable to common stock	–	–
Profit attributable to common stock	19,251	20,638
Average number of shares during the period (thousands of shares)	62,846	62,846

(Significant subsequent event)

The Company's Board of Directors resolved in a meeting on May 13, 2024 to retire treasury shares under Article 178 of the Companies Act of Japan.

1. Share retirement

- (1) Share category : Common Stock
- (2) Number of shares : 553,485 shares (representing 0.87% of issued and outstanding shares)
- (3) Retirement date : June 3, 2024

6. Other

(1) Directors Changes

Please see “Notification concerning changes of representative directors” and “Notification concerning change of organization and personnel” announced on March 11, 2024 and “Notification concerning change of personnel” announced on May 13, 2024.

(2) Sales Status

As for sales status, please see the section of “1. Summary of Operating Results etc. (1) Analysis of Operating Results, “Sales highlights” on page 3 of the attached material.