Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 <under Japanese GAAP>

May 12, 2021

Company name: PALTAC CORPORATION
(URL: http://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 24, 2021
Scheduled date to commence dividend payments: June 3, 2021
Scheduled date to submit the Securities Report: June 24, 2021
Preparation of supplementary material on financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (online briefing 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, 2021 (From April 1, 2020 to March 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2021	1,033,275	(1.3)	25,487	3.2	28,053	2.7	19,317	(24.0)
March 31, 2020	1,046,412	3.1	24,708	(2.7)	27,316	(4.2)	25,412	28.6

	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, 2021	303.98	–	8.5	6.6	2.5
March 31, 2020	399.90	–	12.2	6.7	2.4

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2021 ¥– million
Fiscal year ended March 31, 2020 ¥– million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2021	435,501	235,428	54.1	3,704.78
March 31, 2020	418,756	218,297	52.1	3,435.20

Reference: Equity As of March 31, 2021: ¥235,428 million As of March 31, 2020: ¥218,297 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
Fiscal year ended	(¥ million)	(¥ million)	(¥ million)	(¥ million)
March 31, 2021	28,745	(5,471)	(8,225)	37,623
March 31, 2020	21,005	(3,788)	(13,001)	22,575

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, 2020	–	35.00	–	35.00	70.00	4,448	17.5	2.1
Fiscal year ended March 31, 2021	–	36.00	–	36.00	72.00	4,575	23.7	2.0
Fiscal year ending March 31, 2022 (Forecasts)	–	39.00	–	39.00	78.00		24.8	

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Fiscal year	1,060,000	–	26,500	–	29,000	–	20,000	–	314.73

The Company has decided to adopt Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. from the beginning of the fiscal year ending March 31, 2022. The above mentioned financial forecasts are represented after adopting these standards and do not include year-on-year percentage changes comparing to the corresponding period of the previous fiscal year.

(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, 2021	63,553,485 shares
As of March 31, 2020	63,553,485 shares

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

As of March 31, 2021	6,387 shares
As of March 31, 2020	6,287 shares

3) Average number of shares during the period

For the fiscal year ended March 31, 2021	63,547,167 shares
For the fiscal year ended March 31, 2020	63,547,211 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, 2022)" on page 3 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 May 21, 2021. The presentation (Presentation Material for financial results) is posted on the Company's website (http://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.

Attached Material

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1. Summary of Operating Results etc.

(1) Analysis of Operating Results

(Operating results for the fiscal year ended March 31, 2021)

In the fiscal year ended March 31, 2021, due to the global spread of the novel coronavirus disease (COVID-19), the Japanese economy has deteriorated sharply as business activities have diminished due to requests for businesses to close temporarily and for people to refrain from going outside associated with the Japanese Government's declaration of a state of emergency. Although business activities gradually resumed after the lifting of the state of emergency, another state of emergency was declared in January 2021 due to a resurgence of COVID-19, and the outlook for a subsequent economic recovery as socioeconomic activities are restored remains unclear.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, while demand for sanitary related products such as face masks, hand soap and disinfectant has increased with the improvement of hygiene awareness, demand for cosmetics such as makeup products and hairdressing has declined as people refrain from going out for leisure, etc. In addition, demand for inbound products, such as facial masks that are very popular among foreign tourists, continues to be significantly low and it is still not known when travel will be reopened for foreign tourists.

Under these circumstances, PALTAC CORPORATION (the "Company") believes that protecting the safety of its employees is the key to business continuity, and is therefore striving to maintain the working environment and to thoroughly manage hygiene, and has continued to supply daily necessities stably, which is the Company's social mission. Moreover, amid the further increasing social needs for improvement of productivity of the entire logistics due to the labor shortage caused by the decline in the working population over the medium- to long-term and the spread of COVID-19, the Company has actively promoted initiatives, aiming to optimize and streamline the entire supply chain according to the medium-term management plan, which is in its final year.

In the fiscal year ended March 31, 2021, the Company worked to accumulate expertise for efficient operation of RDCs that utilize the new logistics model, and was able to achieve stable operation and a doubling of the productivity of personnel in the second half of the fiscal year. In addition, we worked to establish sales systems focused on medium- to long-term growth, such as by steadily building up a series of examples of success centered on the specialized departments established in the previous fiscal year, to increase the "cost-efficiency" through mutual cooperation between companies, and to "create selling systems" aimed at improving the success rate of business negotiation contents by focusing on retail stores where products are handed to consumers, and improving the quality of business negotiations by utilizing and feeding back the information collected at retail stores.

In conjunction with the further expansion of the EC business by the retail industry, manufacturers, etc. during the COVID-19 pandemic, the Company also launched the EC Business Division in January 2021 and is working to strengthen solutions specific to the EC business.

As a result of the above, an overview of results in the fiscal year ended March 31, 2021, is provided below.

Net sales	¥1,033,275 million (down 1.3% year on year)
Operating profit	¥25,487 million (up 3.2% year on year)
Ordinary profit	¥28,053 million (up 2.7% year on year)
Profit	¥19,317 million (down 24.0% year on year)

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

(Note) RDCs (Regional Distribution Centers) are large-scale logistics centers.

(Outlook for the fiscal year ending March 31, 2022)

Looking ahead to the next fiscal year, the distribution industry that the Company operates has been confronted with diversified and complex challenges, such as labor shortages caused by a decrease in the working population and a new normal and economic environment brought by the COVID-19 pandemic. To cope with these challenges, the industry is required to address quickly and effectively.

Considering such circumstances, the Company has formulated a three-year medium-term management plan from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024. The underlying vision of this plan is “For a Bright Future: Moving Forward with the supply chain.” In accordance with its position as an intermediate distributor, the Company will work to strengthen retail solution systems, logistics solution systems, etc. To achieve maximum performance of its intermediate distributional function, the Company will promote digitization and strengthen not only internal collaboration but also the cooperation with the entire supply chain. Through these measures, the Company will respond to diversified and complex challenges and aim to sustained business growth with the whole stakeholders including customers, society and environment.

In light of the above, for the next fiscal year, while carefully observing trends of COVID-19, under the new medium-term management plan, the Company will continue to ensure the stable supply of daily necessities and undertake a variety of efforts aiming to optimize and streamline the entire supply chain.

Accordingly, the business results forecasts for the fiscal year ending March 31, 2022 are as follows

Net sales	¥1,060,000 million
Operating profit	¥26,500 million
Ordinary profit	¥29,000 million
Profit	¥20,000 million.

The Company has decided to adopt Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. from the beginning of the fiscal year ending March 31, 2022. Therefore, the above forecasts are represented after adopting these standards

(2) Analysis of Financial Position

(1) Assets, liabilities and net assets

(Assets)

Current assets increased by ¥14,198 million from the end of the previous fiscal year. This was primarily the result of an increase in cash and deposits of ¥15,048 million and a decrease in accounts receivable-trade of ¥3,095 million.
Non-current assets increased by ¥2,545 million from the end of the previous fiscal year. This was primarily the result of increases in construction in progress of ¥4,927 million and in investment securities of ¥3,160 million and decreases in buildings of ¥2,329 million and in machinery and equipment of ¥2,369 million.

As a result, total assets were ¥435,501 million, an increase of ¥16,744 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities decreased by ¥770 million from the end of the previous fiscal year. This was primarily the result of a decrease in current portion of long-term loans payable of ¥3,208 and an increase in electronically recorded obligations – operating of ¥1,847 million.

Non-current liabilities increased by ¥383 million from the end of the previous fiscal year. This was primarily the result of an increase in deferred tax liabilities of ¥746 million and a decrease in long-term loans payable of ¥350 million.

As a result, total liabilities were ¥200,072 million, a decrease of ¥386 million from the end of the previous fiscal year.

(Net assets)

Net assets increased by ¥17,130 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥14,805 million.

As a result, total net assets were ¥235,428 million.

(2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the fiscal year under review were ¥37,623 million, an increase of ¥15,048 million from the end of the previous fiscal year.

Status of each cash flow during the fiscal year under review and main factors thereof are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥28,745 million (up ¥7,739 million year on year). Main factors were ¥27,968 million of profit before income taxes, ¥5,650 million of depreciation and amortization, ¥3,692 million of decrease in notes and accounts receivable-trade and ¥8,572 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥5,471 million (up ¥1,683 million year on year). Main factor was ¥6,366 million of purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥8,225 million (down ¥4,775 million year on year). Main factors were ¥3,558 million of repayments of long-term loans payable and ¥4,512 million of cash dividends paid.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Equity ratio (%)	46.2	47.4	50.1	52.1	54.1
Market value-based equity ratio (%)	54.5	93.5	97.2	81.8	87.4
Interest-bearing debt to cash flow ratio (years)	1.1	1.1	0.6	0.2	0.0
Interest coverage ratio (times)	127.2	171.8	199.7	247.2	898.7

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 the fiscal year ended March 31, 2019, the Company has applied the “Partial Amendment to Accounting Standards for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. The figures as of March 31, 2018 have been adjusted retrospectively to apply these accounting standards.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2021 and the Fiscal Year Ending March 31, 2022

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, based on this underlying policy, the Company has set its fiscal year-end dividend at ¥36 per share. As a result, including the interim dividend of ¥36 per share already paid, the planned annual dividend has also been increased by ¥2 to ¥72 per share.

In the next fiscal year and later, the above dividend policy will remain unchanged, and with preparing a new medium-term management plan, the Company will target a total return ratio of 30%, and will work to provide stable dividends and increase dividends in line with growth in earnings.

For the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥78 per share (an increase of ¥6 per share), comprised of an interim dividend of ¥39 and a year-end dividend of ¥39 per share.

(4) Business Risks

The Company efforts to identify business risks through making discussion about various risks surrounding the Company at the management-level. And the Company specifies the risks that may have a significant impact on its management as “Major Risks” in consideration with the scale of risks and possibility of actual occurrence.

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, 2021.

(Risk related to decline in the working population)

The Company is supported by many employees. A decline in the working population has caused difficulty in securing human resources and rising of labor costs. Consequently, the Company undertakes a variety of initiatives such as serving comfortable workplace environment, developing personnel affairs measures, 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. Currently, the Company constructs favorable relationships with these outside companies. Nevertheless, if labor shortage at these outside companies become more serious this may lead to increase labor costs 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’s core computer equipment is located in a data center equipped with seismic isolation devices and a private electric generator. In addition, the Company regularly implements Dual-Center system to various servers and backs up data. The Company is pursuing efforts to ensure business continuity by establishing a system that can switch operations to alternative data center located at a remote area in a situation where it is difficult to continue business activities. 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.

(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.

(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. 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, 2021, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2021				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales [Composition %]	260,099 [25.2]	265,496 [25.7]	266,947 [25.8]	240,732 [23.3]	1,033,275 [100.0]
Operating profit [Composition %]	6,089 [23.9]	6,955 [27.3]	6,899 [27.1]	5,543 [21.7]	25,487 [100.0]
Ordinary profit [Composition %]	6,726 [24.0]	7,586 [27.0]	7,559 [27.0]	6,180 [22.0]	28,053 [100.0]

Note: Above figures are exclusive of consumption taxes.

(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 and also the Company carries out its own sales activities without any restriction. And, 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. 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, 2021, is as follows.

1) Capital relationships

The percentage of the shares of the Company held by its parent company, MEDIPAL HOLDINGS CORPORATION, is 50.13%.

2) Personal relationships

[Interlocking directorate]

The Company does not accept a director from parent company. On the other hand, Seiichi Kasutani, Representative Director, President of the Company, serves as a director of parent company from the perspective of effective group governance.

3) Business relationships

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

(Millions of yen)

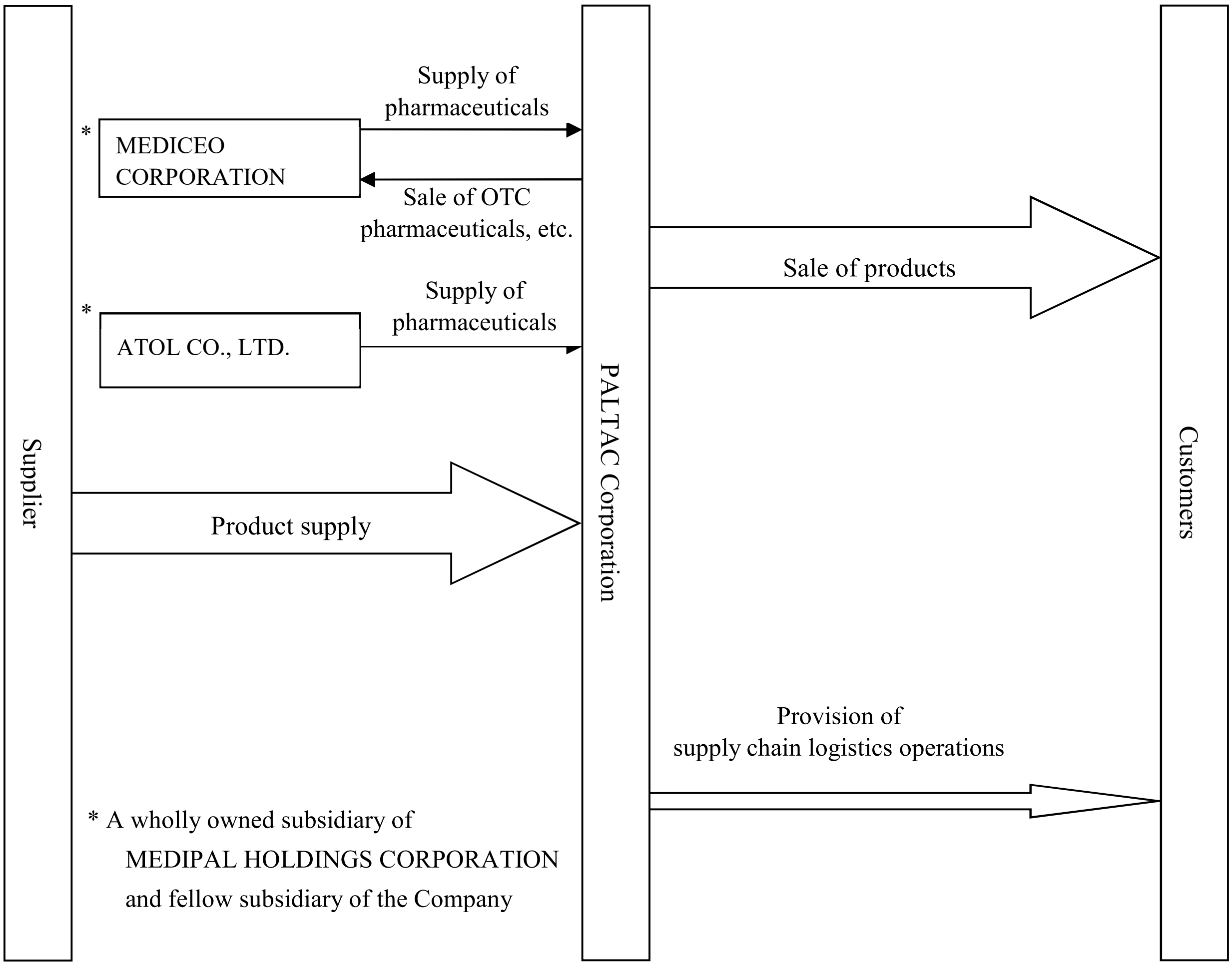
Company name	Transaction details	Transaction amount Fiscal year ended March 31, 2020	Transaction amount Fiscal year ended March 31, 2021	Transaction conditions, etc.
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	11	11	The parent company's whole group is entered together into group insurance, which is managed accordingly, and the Company pays a contribution.
	Receipt of insurance proceeds, etc.	9	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.	421	348	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	20	17	Determined based on negotiations between both parties in consideration of distribution costs, etc.
	Lease of real estate	56	28	Determined based on price assessments by third-party institutions.
(Fellow subsidiary) ATOL CO., LTD.	Purchase of products	3	2	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Medipal Insurance Service Co., Ltd.	Payment of insurance premium	458	425	Carried out as the Company's insurance agent under the same transaction conditions as with a third party.

Note: The above figures do not include consumption taxes.

2. Status of Group

The Group consists of the Company and one non-consolidated subsidiary. 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 the document are based on the judgments of the Company's management as of the end of the fiscal year under review.

(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 market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, labor shortage has an increasing impact in various aspects of business, with rising personnel expenses and logistics costs. The company considers that this impact will become larger for the future. Moreover, the operating environment surrounding the Company is becoming more diversified and complex including needs for response to a new normal brought by the COVID-19 pandemic and moves toward realizing sustainable business and society.

Under these environments, as quick and effective response become more important, the Company recognizes the following issues to be addressed with priority and will execute critical strategies in the new medium-term management plan to cope with these issues.

--Material issues--
1) Issues that the Company should address leveraging its strengths
*Supporting the usual daily life. *Developing sustainable distribution *Harmonizing the environment.
2) Issues that the Company should exercise its competitiveness
*Establishing partnership (alliance/cooperation). *Innovation leveraged by digital.
*Developing human resources and organization.

(3) Medium-and Long-Term Management Strategy and Targeted Management Benchmarks

Under any environments in which people's life is threatened by climate change, natural disasters, the spread of the COVID-19 and so on, the industry of cosmetics, daily necessities and over-the-counter (OTC) pharmaceutical that the Company operates is essential for support of usual daily life. And, with annual sales of over ¥1 trillion, as a responsible enterprise which delivers 3.5 billion of daily necessities to consumers per year, the Company recognizes that its role and duty to society become even more important.

Accordingly, the Company will work to achieve sustained business growth through strengthening its operating base enable to serve the safe-and-secure and highly-efficient distribution platform and flexibly responding to the needs of society by further enhancing mutual cooperation with the retailers, the manufacturers and the business partners.

Specifically, under the three-year medium-term management plan from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024 based on its vision of "for a bright future: Moving forward with the supply chain," the Company will execute the following critical strategies.

And the Company attaches great importance on net sales and operating profit which show the results of its business operations and on SG&A expenses ratio indicates its productivity. For the fiscal year ending March 31, 2022, the Company set the following targets.

1) Net sales	¥1,060 billion
2) Operating profit	¥26,500 million
3) SG&A expenses ratio	5.33 %

1) “Strengthening retail solution capabilities” responding to the drastic change of economic environments

Drastic changes called “New normal” has significantly impacted on the distribution industries. The Company will focus on the fiscal retail store where the merchandise is directly served to consumers and will strengthen retail solution capabilities such as merchandising and improving productivity to address various challenges of entire supply chain by enhancing internal relationship between the Sales Headquarter and each divisions including the Store Support Headquarters, the SCM Headquarters and the EC division that were established under previous medium-term management plan.

2) “Strengthening logistics solution capabilities” pursuing the safe-and-secure and highly-efficient distribution

The Company will strengthen highly-efficient distribution capabilities based on safe-and-secure The Company will increase shipping capacity through constantly seeking to improve initiatives in the existing RDC and constructing new RDC carrying out a new distribution model that utilizes AI, robots and other cutting-edge technology. Additionally, in order to resolve the challenges in the logistics, the Company will undertake a variety of efforts including the mission of the White-Logistics-Movement.

3) “Enhancing It systems and Promoting digitization” supporting its business scheme

Enhancing IT systems, supporting to provide its value of solution, is essential key to be able to realize improvement of productivity and quick response. The Company will set up a firm “defensive” IT structure, while introduce an “offensive” IT strategy through not only enhancing security in order to prevent increasing cyber risks but also replacing ERP（Enterprise Resource Planning）system and bolstering the recruitment and development of IT talent. Furthermore, toward digital transformation, the Company will further strengthen its business structure such as improving operational efficiency and enhancing provision of added values

4) Developing Talent and Organization as a foundation for its sustainable growth

While making use of diverse talents, the Company will strive to promote understanding of its corporate philosophy and will improve organizational capability to steadily carry out its business strategies.
With respect to human resources, the Company will undertake various measures to draw upon strength of its employees through supporting and encouraging them who refine individual expertise in respective workplace and position and also maintain spirit of challenges and GRIT (Guts, Resilience, Initiative and Tenacity). With respect to organization, the Company will efforts to strengthen integrated management of each division using digital technologies and so on and to establish the structure formulated to enable the Company to demonstrate comprehensive strength.

5) Initiative for ESG and SDGs

The Company is an intermediate distributor handling daily essentials, for example, cosmetics, daily necessities and OTC pharmaceuticals, and will aim for contributing to achieving the SDGs toward realization of a sustainable society and “contributing to rich and comfortable daily life (or society)” through its business operations. In its view, pursuing further boosting productivity with eliminates various waste at each stage of the distribution, the Company will contribute to constantly offering the social value and reducing the environmental burden. On that ground, the Company will strive to establish an efficient, fair and appropriate internal organizational governance structure, and to realize sustained growth as an enterprise responsible for social infrastructure.

(Notes) 1. SCM (Supply Chain Management) is management to optimize and streamline the flow of goods and information across the entire supply chain starting from the raw components all the way to delivering the final product to the consumer.

2. SDGs (Sustainable Development Goals) are international development goals which was adopted by the UN Sustainable Development Summit held in September 2015. The SDGs are consisting of 17 goals and 169 targets in order to eradicate poverty and realize a sustainable world.

Numerical targets

(¥ billion)	Fiscal year ended March 31, 2021 Results	Fiscal year ending March 31, 2024 Targets
Net sales	1,033.2	1,125.0
Operating profit	25.4	29.0
SG&A expenses ratio	5.39%	5.29%

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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	22,575	37,623
Notes receivable-trade	5,166	4,569
Accounts receivable-trade	192,062	188,966
Merchandise and finished goods	43,398	45,759
Advance payments-trade	592	749
Prepaid expenses	622	659
Accounts receivable-other	15,200	15,419
Other	372	440
Allowance for doubtful accounts	(7)	(6)
Total current assets	279,982	294,180
Non-current assets		
Property, plant and equipment		
Buildings	67,636	67,656
Accumulated depreciation	(21,672)	(24,022)
Buildings, net	45,963	43,634
Structures	4,931	4,931
Accumulated depreciation	(3,125)	(3,353)
Structures, net	1,805	1,577
Machinery and equipment	44,990	45,069
Accumulated depreciation	(26,132)	(28,581)
Machinery and equipment, net	18,857	16,488
Vehicles	1,297	1,256
Accumulated depreciation	(1,195)	(1,187)
Vehicles, net	102	68
Tools, furniture and fixtures	2,028	2,032
Accumulated depreciation	(1,523)	(1,606)
Tools, furniture and fixtures, net	504	425
Land	47,401	47,054
Leased assets	612	600
Accumulated depreciation	(319)	(402)
Leased assets, net	293	197
Construction in progress	49	4,977
Total property, plant and equipment	114,979	114,423
Intangible assets		
Goodwill	68	-
Patent right	218	186
Software	473	435
Software in progress	48	22
Telephone subscription right	84	84
Other	17	15
Total intangible assets	911	744

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Investments and other assets		
Investment securities	22,085	25,245
Shares of subsidiaries and associates	20	20
Investments in capital	0	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	0
Long-term prepaid expenses	64	268
Prepaid pension cost	514	428
Guarantee deposits	141	130
Other	62	62
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	22,883	26,151
Total non-current assets	138,774	141,320
Total assets	418,756	435,501
Liabilities		
Current liabilities		
Electronically recorded obligations – operating	7,689	9,536
Accounts payable-trade	152,005	151,645
Current portion of long-term loans payable	3,558	350
Lease obligations	150	101
Accounts payable-other	19,710	18,261
Accrued expenses	255	284
Income taxes payable	5,046	5,341
Advances received	36	40
Deposits received	116	109
Provision for bonuses	1,601	1,784
Provision for sales returns	178	187
Provision for loss on disaster	-	363
Asset retirement obligations	1	-
Other	583	2,154
Total current liabilities	190,932	190,162
Non-current liabilities		
Long-term loans payable	350	-
Lease obligations	166	112
Deferred tax liabilities	5,562	6,308
Provision for retirement benefits	2,548	2,672
Asset retirement obligations	74	74
Long-term deposits received	578	495
Other	246	246
Total non-current liabilities	9,526	9,910
Total liabilities	200,459	200,072

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
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	7,839	7,738
General reserve	132,244	132,244
Retained earnings brought forward	24,020	38,926
Total retained earnings	164,770	179,575
Treasury shares	(9)	(9)
Total shareholders' equity	208,457	223,262
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,831	12,161
Deferred gains or losses on hedges	8	4
Total valuation and translation adjustments	9,839	12,165
Total net assets	218,297	235,428
Total liabilities and net assets	418,756	435,501

(2) Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales		
Net sales of goods	1,032,844	1,020,200
Net sales on other business	13,568	13,074
Total net sales	1,046,412	1,033,275
Cost of sales		
Cost of goods sold		
Beginning goods	43,286	43,398
Cost of purchased goods	954,543	944,421
Subtotal	997,830	987,820
Ending goods	43,398	45,759
Net	954,431	942,061
Reversal of provision for sales returns	181	178
Provision for sales returns	178	187
Net	(3)	9
Cost of goods sold	954,427	942,071
Cost of sales on other business	10,457	10,041
Total cost of sales	964,885	952,113
Gross profit	81,527	81,162
Selling, general and administrative expenses	*1, *2 56,818	*1, *2 55,674
Operating profit	24,708	25,487
Non–operating income		
Dividend income	334	337
Research fee income	1,752	1,700
Real estate rent	131	87
Other	533	546
Total non–operating income	2,752	2,671
Non–operating expenses		
Interest expenses	84	31
Rent expenses on real estates	36	46
Other	22	27
Total non–operating expenses	144	106
Ordinary profit	27,316	28,053

(Millions of yen)

	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
Extraordinary income				
Gain on sales of non-current assets	*3	9,403	*3	9
Gain on sales of investment securities		343		502
Total extraordinary income		9,746		511
Extraordinary losses				
Loss on sales of non-current assets	*4	1		-
Loss on retirement of non-current assets	*5	87	*5	14
Impairment loss	*6	18		-
Loss on valuation of investment securities		117		80
Loss on disaster		-		136
Provision for loss on disaster		-		363
Other		12		-
Total extraordinary losses		237		595
Income before income taxes		36,825		27,968
Income taxes-current		8,912		8,931
Income taxes-deferred		2,500		(279)
Total income taxes		11,412		8,651
Profit		25,412		19,317

Supplementary Schedules of Cost of Sales

Cost of sales on other business

	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	4,151	39.7	3,866	38.5
Packing and shipping costs	4,101	39.2	4,049	40.3
Depreciation and amortization	1,223	11.7	1,168	11.6
Others	981	9.4	957	9.6
Total	10,457	100.0	10,041	100.0

(3) Statements of Changes in Equity

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	15,869	16,597	11,229	27,827	665	2,277	118,244	22,554	143,742
Changes of items during period									
Dividends of surplus				–				(4,384)	(4,384)
Profit				–				25,412	25,412
Provision of reserve for tax purpose reduction entry of non–current assets				–		5,679		(5,679)	–
Reversal of reserve for advanced depreciation of non-current assets				–		(118)		118	–
Provision of general reserve				–			14,000	(14,000)	–
Purchase of treasury shares				–					–
Net changes of items other than shareholders' equity				–					–
Total changes of items during period	–	–	–	–	–	5,561	14,000	1,466	21,028
Balance at end of current period	15,869	16,597	11,229	27,827	665	7,839	132,244	24,020	164,770

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at beginning of current period	(8)	187,429	9,803	4	9,807	197,237
Changes of items during period						
Dividends of surplus		(4,384)			–	(4,384)
Profit		25,412			–	25,412
Provision of reserve for tax purpose reduction entry of non-current assets		–			–	–
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		–	28	3	32	32
Total changes of items during period	(0)	21,027	28	3	32	21,059
Balance at end of current period	(9)	208,457	9,831	8	9,839	218,297

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning if current period	15,869	16,597	11,229	27,827	665	7,839	132,244	24,020	164,770
Changes of items during period									
Dividends of surplus				–				(4,511)	(4,511)
Profit				–				19,317	19,317
Provision of reserve for tax purpose reduction entry of non-current assets				–					–
Reversal of reserve for advanced depreciation of non-current assets				–		(100)		100	–
Provision of general reserve				–					–
Purchase of treasury shares				–					–
Net changes of items other than shareholders' equity				–					–
Total changes of items during period	–	–	–	–	–	(100)	–	14,906	14,805
Balance at end of current period	15,869	16,597	11,229	27,827	665	7,738	132,244	38,926	179,575

Fiscal year ended March 31, 2021

(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	(9)	208,457	9,831	8	9,839	218,297
Changes of items during period						
Dividend of surplus		(4,511)			–	(4,511)
Profit		19,317			–	19,317
Provision of reserve for tax purpose reduction entry of non-current assets		–			–	–
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		–	2,329	(3)	2,325	2,325
Total changes of items during period	(0)	14,804	2,329	(3)	2,325	17,130
Balance at end of current period	(9)	223,262	12,161	4	12,165	235,428

(4) Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	36,825	27,968
Depreciation and amortization	5,059	5,650
Impairment loss	18	–
Increase (decrease) in allowance for doubtful accounts	(76)	(1)
Increase (decrease) in provision for bonuses	(112)	183
Increase (decrease) in provision for sales returns	(3)	9
Increase (decrease) in provision for loss on disaster	–	363
Increase (decrease) in provision for retirement benefits	123	208
Interest and dividend income	(335)	(338)
Interest expenses	84	31
Loss (gain) on sales of non–current assets	(9,401)	(9)
Loss (gain) on sales of investment securities	(337)	(502)
Loss on disaster	–	136
Decrease (increase) in notes and accounts receivable-trade	(10,777)	3,692
Decrease (increase) in inventories	(112)	(2,360)
Increase (decrease) in notes and accounts payable-trade	7,852	1,330
Increase (decrease) in accrued consumption taxes	148	1,555
Other, net	716	(909)
Subtotal	29,674	37,012
Interest and dividend income received	335	338
Interest expenses paid	(84)	(31)
Income taxes paid	(8,918)	(8,572)
Net cash provided by (used in) operating activities	21,005	28,745
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,431)	(6,366)
Proceeds from sales of property, plant and equipment	13,298	396
Purchase of intangible assets	(188)	(105)
Purchase of investment securities	(207)	(97)
Proceeds from sales of investment securities	805	713
Other, net	(64)	(12)
Net cash provided by (used in) investing activities	(3,788)	(5,471)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,500)	–
Repayments of long-term loans payable	(5,950)	(3,558)
Repayments of lease obligations	(165)	(155)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(4,385)	(4,512)
Net cash provided by (used in) financing activities	(13,001)	(8,225)
Net increase (decrease) in cash and cash equivalents	4,216	15,048
Cash and cash equivalents at beginning of period	18,359	22,575
Cash and cash equivalents at end of period	* 22,575	* 37,623

(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 and affiliates
   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 sales returns

To prepare for future loss from product sales returns, an amount equivalent to the limit to credit reserve in accordance with the Corporation Tax Act is provided.

(4) 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.

(5) 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. 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.

7. Amortization of goodwill

Amortization of goodwill is determined on a case by case basis and is generally amortized using the straight-line method over a period not exceeding 5 years.

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
   Accounting for consumption taxes
   Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Significant Accounting Estimates)

There are not accounting estimates that could have significant impact on the financial statement of the fiscal year ending March 31, 2022.

In addition, the Company estimates the impact from COVID-19 based on the reasonable information available at the end of fiscal year ended March 31, 2021 and believes that there is little likelihood of incurring substantial increase and decrease in demand during the recent pandemic because of merchandises handled by the Company are dairy necessities for the consumer.

(Changes in Presentation)

Adoption of Accounting Standard for Disclosure of Accounting Estimates

The Company has adopted Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31) from the fiscal year ended March 31, 2021, and represented statements as significant accounting estimates in the notes concerning of financial statements.

However, as this notes, based on the specific transitional provisions provided for in Article 11 of this Accounting Standard, the Company did not represent statement of the previous fiscal year.

(Accounting Standards Issued but not yet Effective)

"Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)"
"Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30)"
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2019))"

1) Outline of these standards
In Japan, there is no comprehensive accounting standard concerning revenue recognitions. But the Corporate Accounting Principle stipulated that "Sales shall be realized only by the sale of goods or rendering of services in accordance with realization basis" In consideration of above-mentioned background and international trends, The Accounting Standards Board of Japan (ASBJ) issued the new accounting standard and implementation guidance for revenue recognition.

Under new accounting standard, etc. the company recognizes revenue based on the following five‐steps.
Step 1: Identify the contract(s) with customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

2) Scheduled date of applying the new guidance
The Company has decided to adopt the accounting standards, etc. from the beginning of the fiscal year ending March 31, 2022.

3) The impact of the adoption of these standard
With the adoption of these accounting standards, the Company estimates that assets and liabilities increase by ¥5,244 million and by ¥5,415 million and retained earnings decreases by ¥171 million at the beginning of the fiscal year ending March 31, 2022, In addition, and evaluates the impact for earnings. In addition, the Company decides to adopt a method whereby cumulative effects that are allowed as transitional measures are recognized as an adjustment to the opening balance of retained earnings at the date of the initial application

(The effects that application of the new guidance, etc.)
The Company is in the process of measuring the effects that application of the new guidance, etc.

"Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30)"
"Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 (revised 2019))"
"Accounting Standard for Financial Instruments (ASBJ Statement No. 10 (revised 2019))"
"Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31)
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2019))"

1) Outline of these standards
The International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) developed detailed guidance with almost same contents for fair value measurement and issued 'Fair value measurement' (IFRS No.13 in IASB, Topic 820 in FASB). Given these circumstances, The Accounting Standards Board of Japan (ASBJ) issued the "Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30)", etc. in order to ensure the consistency with international accounting standards with regards to guidance and disclosures of fair value of financial instruments.
The fundamental policy for developing these accounting standards by the ASBJ was that these accounting standards would basically incorporate all provisions of IFRS 13 from the perspective of improving the international comparability of financial statements. On the other hand, by taking into consideration the Japanese

accounting practice, the ASBJ determined that separate accounting treatment for specific items would be adopted within a range that would not be impair the comparability of financial statements

2) Scheduled date of applying the new guidance
The Company has decided to adopt the accounting standards, etc. from the beginning of the fiscal year ending March 31, 2022.

3) The effects that application of the new guidance, etc.
The Company is in the process of measuring the effects that application of the new guidance, etc.

(Statements of income)

*1 The approximate percentages of selling expenses were 34.3% in the fiscal year ended March 31, 2020, and 34.2% in the fiscal year ended March 31, 2021. The approximate percentages of general and administrative expenses were 65.7% and 65.8%, respectively.
Major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Distribution expenses	12,458 million yen	12,305 million yen
Provision of allowance for doubtful accounts	(76)	(1)
Depreciation and amortization	3,810	4,454
Salaries and allowances	17,246	16,909
Provision for bonuses	1,601	1,784
Retirement benefit expenses	1,099	1,115

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Research and development expenses	118 million yen	106 million yen

*3 Breakdown of gain on sales of non-current assets is as follows.

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Vehicles	1 million yen	－ million yen
Land	9,401	9
Total	9,403	9

*4 Breakdown of loss on sales of non-current assets is as follows.

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Buildings	1 million yen	－ million yen
Land	0	－
Total	1	－

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Buildings	0 million yen	1 million yen
Structures	0	-
Machinery and equipment	72	0
Vehicles	0	0
Tools, furniture and fixtures	1	2
Leased assets (tangible)	2	0
Software	-	0
Software in progress	-	7
Long-term prepaid expenses	0	0
Demolition or removal expenses	9	1
Total	87	14

*6 Impairment loss

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

Fiscal year ended March 31, 2020 (Millions of yen)

Location	Use	Type	Impairment loss
Wakayama-shi, Wakayama Pref.	Rent assets	Land	18

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.

Of the assets held by the Company, for those for which profit and loss from business activities has continuously been negative and 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 (¥18 million) under extraordinary losses. The breakdown of the assets is ¥18 million in land.

Recoverable value of these asset groups is measured at their net realizable values. Net realizable values are amounts calculated on the basis of real estate appraisal value stated by a real estate appraiser (in the case of assets planned to be sold, the planned sale price) or property tax valuation.

Fiscal year ended March 31, 2021

Not applicable.

(Statements of changes in equity)

Fiscal year ended March 31, 2020

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

	As of April 1, 2019	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2020
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock (Note)	6,237	50	–	6,287
Total	6,237	50	–	6,287

Note: The 50 increase in the number of treasury shares is the result of a buyback of shares 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 8, 2019	Common stock	2,160	34	March 31, 2019	May 31, 2019
Board of Directors meeting held on October 29, 2019	Common stock	2,224	35	September 30, 2019	December 2, 2019

(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 12, 2020	Common stock	2,224	Retained earnings	35	March 31, 2020	June 2, 2020

Fiscal year ended March 31, 2021

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

	As of April 1, 2020	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2021
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock	6,287	100	–	6,387
Total	6,287	100	–	6,387

Note: The 100 increase in the number of treasury shares is the result of a buyback of shares 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 12, 2020	Common stock	2,224	35	March 31, 2020	June 2, 2020
Board of Directors meeting held on October 29, 2020	Common stock	2,287	36	September 30, 2020	December 1, 2020

(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 12, 2021	Common stock	2,287	Retained earnings	36	March 31, 2021	June 3, 2021

(Statements of cash flows)

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash and deposits	22,575 million yen	37,623 million yen
Time deposits with a deposit period of over three months	–	–
Cash and cash equivalents	22,575	37,623

(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 core system (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, 2020	As of March 31, 2021
Within one year	138	128
Over one year	214	203
Total	352	332

(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.

Short-term loans payable primarily consist of procurement of funds related to business transactions.

Long-term loans payable are primarily for procurement of necessary funds for capital investment. Their repayment dates are within five years of the balance sheet date.

Derivative transactions are forward exchange contracts to hedge against foreign exchange fluctuation risks from 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 “6. 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. Financial instruments whose fair values are deemed to be extremely difficult to determine are not included in the following table. (Refer to Note 2.)

As of March 31, 2020 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
(1) Cash and deposits	22,575	22,575	–
(2) Notes receivable - trade	5,166	5,166	–
(3) Accounts receivable - trade	192,062	192,062	–
(4) Accounts receivable - other	15,200	15,200	–
(5) Investment securities	21,103	21,103	–
Total assets	256,107	256,107	–
Liabilities			
(1) Electronically recorded obligations - operating	7,689	7,689	–
(2) Accounts payable - trade	152,005	152,005	–
(3) Current portion of long-term loans payable	3,558	3,557	(0)
(4) Accounts payable - other	19,710	19,710	–
(5) Long-term loans payable	350	348	(1)
Total liabilities	183,313	183,311	(1)
Derivative transactions (*)	11	11	–

(*) Net claims/obligations that arise from derivative transactions are indicated as net amounts, and the amounts of items for which net liabilities are recognized in total are indicated in parentheses.

As of March 31, 2021 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
(1) Cash and deposits	37,623	37,623	–
(2) Notes receivable - trade	4,569	4,569	–
(3) Accounts receivable – trade	188,966	188,966	–
(4) Accounts receivable – other	15,419	15,419	–
(5) Investment securities	24,344	24,344	–
Total assets	270,924	270,924	–
Liabilities			
(1) Electronically recorded obligations - operating	9,536	9,536	–
(2) Accounts payable – trade	151,645	151,645	–
(3) Current portion of long-term loans payable	350	349	(0)
(4) Accounts payable - other	18,261	18,261	–
Total liabilities	179,793	179,793	(0)
Derivative transactions (*)	6	6	–

(*) Net claims/obligations that arise from derivative transactions are indicated as net amounts, and the amounts of items for which net liabilities are recognized in total are indicated in parentheses.

Notes: 1. Methods of fair value measurement of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes receivable - trade, (3) Accounts receivable - trade, (4) Accounts receivable - other

Because these are settled in a short period of time and their fair values approximate book values, the Company deems their book values to be the fair values.

(5) Investment securities

Fair values of shares are based on the prices on exchanges. In addition, the Company holds securities as available-for-sale securities. For information on this, please refer to "(Securities)" in the Notes.

Liabilities

(1) Electronically recorded obligations - operating, (2) Accounts payable - trade, (4) Accounts payable - other

Because these are settled in a short period of time and their fair values approximate book values, the Company deems their book values to be the fair values.

(3) Current portion of long-term loans payable, (5) Long-term loans payable

The Company determines the fair values of long-term loans payable by discounting the total amount of the principal and interest of the relevant long-term loans payable by the interest rates considered to be applicable to similar new loans.

Derivative transactions

For information on derivative transactions, please refer to "(Derivative transactions)" in the Notes.

2. Financial instruments whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

Category	As of March 31, 2020	As of March 31, 2021
Unlisted shares (*1)	982	900
Shares of subsidiaries and associates (*2)	20	20

(*1) The Company does not include unlisted shares in "(5) Investment securities" because they have no market prices and their fair values are deemed to be extremely difficult to determine.

(*2) The Company does not include shares of subsidiaries and associates in the above table because they have no market prices and their fair values are deemed to be extremely difficult to determine.

3. Maturity analysis for financial assets

As of March 31, 2020 (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	22,575	–	–	–
Notes receivable-trade	5,166	–	–	–
Accounts receivable-trade	192,062	–	–	–
Accounts receivable-other	15,200	–	–	–
Total	235,004	–	–	–

As of March 31, 2021 (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	37,623	–	–	–
Notes receivable-trade	4,569	–	–	–
Accounts receivable-trade	188,966	–	–	–
Accounts receivable-other	15,419	–	–	–
Total	246,579	–	–	–

4. Maturity analysis for loans

As of March 31, 2020 (Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Current portion of long-term loans payable	3,558	–	–	–	–	–
Long-term loans payable	–	350	–	–	–	–
Total	3,558	350	–	–	–	–

As of March 31, 2021 (Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Current portion of long-term loans payable	350	–	–	–	–	–
Total	350	–	–	–	–	–

(Securities)

1. Shares of subsidiaries and affiliates

   Shares of subsidiaries (amounts on balance sheets: ¥20 million in the fiscal year ended March 31, 2021 and ¥20 million in the fiscal year ended March 31, 2020) are not presented because they have no market prices and their fair values are deemed to be extremely difficult to determine.

2. Available-for-sale securities

   As of March 31, 2020 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	20,752	6,569	14,182
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	20,752	6,569	14,182
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	351	364	(13)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	351	364	(13)
Total		21,103	6,934	14,169

Note: Unlisted stocks (amount on balance sheet: ¥982 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, 2021 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	24,344	6,819	17,525
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	24,344	6,819	17,525
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		24,344	6,819	17,525

Note: Unlisted stocks (amount on balance sheet: ¥900 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

Fiscal year ended March 31, 2020 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	805	343	6
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	805	343	6

Fiscal year ended March 31, 2021 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	697	485	–
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	697	485	–

4. Impaired marketable security

The Company had recognized impairment loss and declared loss on valuation of investment securities for ¥117 million in the fiscal year ended March 31, 2020.

The Company had recognized impairment loss and declared loss on valuation of investment securities for ¥80 million in the fiscal year ended March 31, 2021.

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, 2020 (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 Bought U.S. dollar	Accounts payable - trade	1,766	–	11
Total			1,766	–	11

Note: Method of fair value measurement
Fair values are measured based on prices presented by financial institutions with which the Company does business.

As of March 31, 2021 (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 Bought U.S. dollar	Accounts payable - trade	156	–	6
Total			156	–	6

Note: Method of fair value measurement
Fair values are measured based on prices presented by financial institutions with which the Company does business.

(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, 2019)	(As of March 31, 2020)
(Tokyo Pharmaceutical Corporate Pension Fund Association)		
Fair value of plan assets	157,063 million yen	151,134 million yen
Total Amount of actuarial liabilities and minimum actuarial reserve (Note)	151,840	150,361
Net balance	5,223	773

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

	(As of March 31, 2020)	(As of March 31, 2021)
(Tokyo Pharmaceutical Corporate Pension Fund Association)	4.4%	4.5%

(3) Supplementary explanation

(As of March 31, 2019)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥13,593 million and surplus in the fiscal year ended March 31, 2019 of ¥18,816 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 5 months.

(As of March 31, 2020)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥11,040 million and surplus in the fiscal year ended March 31, 2020 of ¥11,813 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 4 years and 5 months.

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

	(Fiscal year ended March 31, 2020)	(Fiscal year ended March 31, 2021)
Retirement benefit obligation at beginning of period	7,095 million yen	6,993 million yen
Service costs	487	472
Interest expenses	14	13
Actuarial differences	(115)	(1)
Retirement benefits paid	(487)	(411)
Retirement benefit obligation at end of period	6,993	7,067

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

	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
Plan assets at beginning of period	4,737	million yen	4,555	million yen
Expected return on plan assets	9		9	
Actuarial differences	(151)		482	
Contribution by employer	249		239	
Retirement benefits paid	(289)		(255)	
Plan assets at end of period	4,555		5,031	

(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, 2020		As of March 31, 2021	
Retirement benefit obligation from funded plans	4,158	million yen	4,200	million yen
Fair value of plan assets	(4,555)		(5,031)	
Net balance	(397)		(830)	
Retirement benefit obligation on non-funded plans	2,835		2,867	
Unfunded retirement benefit obligation	2,437		2,036	
Unrecognized actuarial differences	(402)		207	
Net amount of liability and asset recorded in balance sheet	2,034		2,243	
Provision for retirement benefits	2,548		2,672	
Prepaid pension	(514)		(428)	
Net amount of liability and asset recorded in balance sheet	2,034		2,243	

(7) Retirement benefit expenses and amounts of components

	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
Service costs	487	million yen	472	million yen
Interest expenses	14		13	
Expected return on plan assets	(9)		(9)	
Amortization of actuarial differences	80		126	
Other	380		364	
Retirement benefit expenses on defined benefit plans	952		968	

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 ¥269 million for the previous fiscal year and ¥270 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, 2020)	(As of March 31, 2021)
Bonds	60 %	58 %
Stocks	21	24
Life insurance company general accounts	11	10
Other	8	8
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, 2020)	(As of March 31, 2021)
Discount rate:	0.2 %	0.2 %
Long-term expected rate of return on plan assets	0.2 %	0.2 %

3. Defined contribution plan

The Company’s required contribution amount for its defined contribution plan is ¥192 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, 2020	As of March 31, 2021
Differed tax assets:		
Accrued enterprise tax	291	351
Provision for bonuses	489	545
Allowance for doubtful accounts	3	3
Accrued expenses	318	277
Provision for retirement benefits	779	817
Loss on valuation on investment securities	376	386
Accrued directors' retirement benefits	75	75
Taxable assets adjustment	25	-
Provision for loss on disaster	-	111
Other	33	33
Total deferred tax assets	2,394	2,602
deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	(3,456)	(3,412)
Valuation difference on available-for-sale securities	(4,335)	(5,362)
Prepaid pension cost	(157)	(131)
Others	(7)	(5)
Total deferred tax liabilities	(7,956)	(8,910)
Net deferred tax assets	(5,562)	(6,308)

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

(%)

	As of March 31, 2020	As of March 31, 2021
Statutory tax rate	30.6	30.6
(Adjustments)		
Non-deductible items such as entertainment expense	0.2	0.2
Inhabitant taxes per capital	0.3	0.4
Other	(0.1)	(0.3)
Effective tax rate	31.0	30.9

(Equity methods)

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Not applicable.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Not applicable.

(Asset retirement obligations)

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
No significant items to be reported.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
No significant items to be reported.

(Estate leases)

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
No significant items to be reported.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
No significant items to be reported.

(Segment information)

a. Segment Information

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
"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, 2021 (From April 1, 2020 to March 31, 2021)
"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, 2020 (From April 1, 2019 to March 31, 2020)

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 operating revenue 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 operating revenue 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
Information by major clients was omitted since no individual clients accounted for greater than 10% of operating revenue on the non-consolidated statements of income.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

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 operating revenue 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 operating revenue 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
Information by major clients was omitted since no individual clients accounted for greater than 10% of operating revenue on the non-consolidated statements of income.

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Not applicable.

Fiscal Year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Information regarding impairment loss on non-current assets by reporting segment 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, 2020 (From April 1, 2019 to March 31, 2020)
Information on amortization and outstanding balance of goodwill by reporting segment was omitted since the Company's reportable segment is single segment of the "wholesale business".

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Information on amortization and outstanding balance of goodwill by reporting segment was omitted since the Company's reportable segment is single segment of the "wholesale business".

e. Information regarding gain on negative goodwill by reporting segment

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Not applicable.

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Not applicable.

(Related–party transactions)

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

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, 2021 (From April 1, 2020 to March 31, 2021)

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, 2020	Fiscal year ended March 31, 2021
Net assets per share	3,435.20	3,704.78
Earnings per share	399.90	303.98

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, 2020	Fiscal year ended March 31, 2021
Profit	25,412	19,317
Amount not attributable to common stock	–	–
Profit attributable to common stock	25,412	19,317
Average number of shares during the period (thousands of shares)	63,547	63,547

(Significant subsequent event)

Not applicable.

6. Other

(1) Directors Changes

Please see "Notification concerning Changes of directors and officers, etc." announced on February 8, 2021.

(2) Sales Status

(Sales results)

1) Sales results for the fiscal year ended March 31, 2021 by product category are as follows:

Product classification	Fiscal year ended March 31, 2021 Amount (Millions of yen)	Year-on-year change (%)
Cosmetics	235,182	(11.6)
Daily necessities	472,983	4.1
OTC pharmaceuticals	123,301	(10.5)
Health and sanitary related products	186,267	8.1
Others	15,541	(2.5)
Total sales	1,033,275	(1.3)

Notes: Above figures are exclusive of consumption taxes.

2) Sales results for the fiscal year ended March 31, 2021 by customer category are as follows:

Customer category		Fiscal year ended March 31, 2021 Amount (Millions of yen)	Year-on-year change (%)
Drug	Drugstores (Pharmacies)	654,566	(1.3)
HC	Home centers (DIY stores)	98,489	3.0
CVS	Convenience stores	73,917	(1.6)
DS	Discount stores	70,176	(8.0)
SM	Supermarkets	52,075	1.1
GMS	General merchandising stores	34,582	(8.5)
Others	Export and others	49,467	5.9
Total sales		1,033,275	(1.3)

Notes: Above figures are exclusive of consumption taxes.