

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2015 <under Japanese GAAP>

May 12, 2015

Company name: Paltac Corporation
(URL: <http://www.paltac.co.jp/>)
Listing: Tokyo Stock Exchange (Code number: 8283)
Representative: Representative Director, President
Kiyotaka Kimura
Contact: Executive Officer, General Manager of Corporate Planning Division
Masaharu Shimada
Tel: +81-6-4793-1090 (from overseas) E-mail: ir@paltac.co.jp
Scheduled date to hold annual general meeting of shareholders: June 23, 2015
Scheduled date to commence dividend payments: June 5, 2015
Scheduled date to submit the Securities Report: June 23, 2015
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors, analysts, etc.)

(Figures are rounded off to the nearest million yen)

1. Financial Results for the Fiscal Year Ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(1) Operating Results

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2015	821,074	(1.3)	10,420	2.0	16,332	3.5	10,268	11.8
March 31, 2014	831,899	5.9	10,216	11.0	15,779	6.0	9,185	9.4

	Earnings per share	Diluted earnings per share	Earnings on equity	Ordinary income on total assets	Operating income on net sales
Fiscal year ended	(¥)	(¥)	%	%	%
March 31, 2015	161.59	—	7.4	5.1	1.3
March 31, 2014	144.54	—	7.1	5.0	1.2

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2015 ¥— million

Fiscal year ended March 31, 2014 ¥— million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2015	318,128	143,395	45.1	2,256.50
March 31, 2014	325,189	132,427	40.7	2,083.86

Reference: Equity: As of March 31, 2015: ¥143,395 million As of March 31, 2014: ¥132,427 million

(3) Cash Flow Status

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	(¥ million)	(¥ million)	(¥ million)	(¥ million)
March 31, 2015	23,204	365	(15,464)	21,507
March 31, 2014	3,340	(11,686)	1,191	13,402

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, 2014	–	21.00	–	22.00	43.00	2,732	29.7	2.1
Fiscal year ended March 31, 2015	–	22.00	–	23.00	45.00	2,859	27.8	2.1
Fiscal year ending March 31, 2016 (Forecasts)	–	23.00	–	23.00	46.00		28.9	

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2016

(From April 1, 2015 to March 31, 2016)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Frist six months	428,000	3.2	4,200	(20.1)	7,000	(12.6)	4,600	(7.8)	72.39
Fiscal year	850,000	3.5	9,300	(10.8)	15,400	(5.7)	10,100	(1.6)	158.94

* Notes

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

- | | |
|--|-----|
| 1) Changes in accounting policies due to revisions to accounting standards, and other regulations: | Yes |
| 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, 2015	63,553,485 shares
As of March 31, 2014	63,553,485 shares

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

As of March 31, 2015	5,758 shares
As of March 31, 2014	4,408 shares

3) Average number of shares during the period

For the fiscal year ended March 31, 2015	63,548,847 shares
For the fiscal year ended March 31, 2014	63,549,560 shares

* Explanation regarding execution of Audit procedures

This financial results report is not subject to the Audit procedures in accordance with the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this financial results report, the Audit procedures for the financial statements in accordance with the Financial Instruments and Exchange Act of Japan have not been completed.

* Information regarding proper use of the forecasts of financial results, and other special instructions

(Cautionary notes to the forward-looking statements)

The forward-looking statements contained in this report, including forecasts of financial results, are based on information currently available and assumptions that management believes to be reasonable. Actual financial and other results may differ substantially due to various factors. Please refer to the section of “(1) Operating Results” on page 2 of the attached material to this financial results report for the suppositions that form the assumptions for the forecasts.

* 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 Contents

1.	Analysis of Operating Results and Financial Position	2
(1)	Operating Results	2
(2)	Financial Position	3
(3)	Basic Policy on Profit Distribution and Dividends for the Fiscal Ended March 31, 2015 and the Fiscal Year Ending March 31, 2016	5
(4)	Business Risks.....	5
2.	Status of Group.....	9
3.	Management Policy.....	11
(1)	The Company's Basic Management Policy	11
(2)	Targeted Management Benchmarks	11
(3)	Medium- and Long-Term Management Strategy	11
(4)	Issues to Be Addressed.....	11
4.	Basic Approach to Selection of Accounting Standards.....	12
5.	Non-consolidated Financial Statements	13
(1)	Balance Sheets.....	13
(2)	Statements of Income	16
	Supplementary Schedules of Cost of Sales	18
(3)	Statements of Changes in Equity.....	19
(4)	Statements of Cash Flows	23
(5)	Notes to Non-consolidated Financial Statements	24
	(Notes on premise of going concern)	24
	(Significant accounting policies).....	24
	(Changes in accounting policies).....	26
	(Changes in presentations)	27
	(Balance sheets).....	28
	(Statements of income).....	28
	(Statements of changes in equity).....	31
	(Statements of cash flows)	33
	(Lease transaction)	33
	(Financial instruments).....	34
	(Securities)	38
	(Derivative transactions)	41
	(Retirement benefits).....	42
	(Income taxes)	45
	(Equity methods)	46
	(Asset retirement obligations)	46
	(Estate leases).....	46
	(Segment information)	47
	(Related-party transactions)	52
	(Per share information).....	52
	(Significant subsequent event)	52
6.	Other.....	53
(1)	Directors Changes	53
(2)	Sales Status.....	53

1. Analysis of Operating Results and Financial Position

(1) Operating Results

(Operating results for the fiscal year ended March 31, 2015)

In the fiscal year under review, the Japanese economy continued to follow a moderate recovery track, mainly on the back of an ongoing trend of improvement in the employment and income environment, reflecting such positive developments as the effects of various measures taken by the government and the Bank of Japan. Nevertheless, the outlook remained uncertain, partly because of concerns that economic stagnation overseas could have a detrimental effect on the Japanese economy.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, there was a difficult market environment in the first half of the fiscal year owing to a pull-back that occurred following a rush in demand ahead of a consumption tax hike implemented in April 2014 and unseasonable weather in the summer. However in the second half of the fiscal year, the market environment followed a trend of improvement compared with the first half of the fiscal year, due to factors such as the effect of the pull-back that occurred following the consumption tax hike gradually coming to an end, and inbound consumption by visitors to Japan, albeit limited to certain areas.

Under these circumstances, Paltac Corporation (the “Company”) undertook a variety of efforts in accordance with its position as an intermediate distributor handling a full lineup of health and beauty products essential for daily life under the corporate identity, “maximizing customer satisfaction and minimizing distribution costs.” Specifically, by strengthening the Company’s high quality and low-cost distribution capabilities as well as its sales capabilities to support effective product lineups and sales activities based on the sales venue-oriented thinking of the retail sector, the Company worked to optimize and streamline the entire supply chain from manufacturing to retailing.

The Company has entered the second year of its medium-term management plan for fiscal 2014 to fiscal 2016 and has focused on not only fully exploiting the sales capabilities and distribution capabilities it possesses as an intermediate distributor, but also implementing effective initiatives through cooperation with retailers and manufacturers. Specifically, the Company strived to sustainably increase corporate value by further boosting efficiency across all processes from the ordering and receipt of products to their dispatch and delivery to retailers, and by enhancing productivity within the Company and increasing personnel skills in all operations. As a result of these efforts, the Company recorded its highest profits since the Company’s foundation from operating income to net income, and achieved its targets under its medium-term management plan a year ahead of schedule.

Furthermore, the Company has proceeded on schedule with construction of one of its largest distribution centers “RDC Kanto,” which is located in Shiraoka-shi, Saitama, and expected to open in July 2015.

In addition, as part of securing a broad spectrum of personnel while responding to changes in society as a progressive member of the wholesale industry, the Company introduced the “System for Continuous Employment of Older Persons,” which allows employees to work until the age of 70.

As a result of the above, net sales for the fiscal year under review were ¥821,074 million (down 1.3% year on year), operating income was ¥10,420 million (up 2.0%), ordinary income was ¥16,332 million (up 3.5%), and net income was ¥10,268 million (up 11.8%).

Operating results for the fiscal year under review by segment are shown below. Operating income for each segment is in conformity with segment income for each segment (please refer to the section of “(5) Notes to Non-consolidated Financial Statements (Segment Information)” in “5. Non-consolidated Financial Statements.”

Wholesale Business

In the wholesale business, the company focused on securing net sales by increasing in-store-shares as a result of strengthening of initiatives with retailers and manufacturers, despite stagnation in some merchandise reflecting the pull-back following the rush in demand ahead of the consumption tax hike and the unseasonable weather.

As a result of above, net sales in the wholesale business amounted to ¥808,008 million (down 1.4% year on year), while operating income amounted to ¥11,424 million (up 1.7%).

Supply Chain Logistics Business

In the supply chain logistics business, net sales were steady thanks to an increase in the volume of products handled for some clients.

As a result of above, net sales in the supply chain logistics business amounted to ¥13,065 million (up 3.0% year on year), while operating income amounted to ¥1,370 million (up 3.5%).

(Outlook for the fiscal year ending March 31, 2016)

Looking ahead to the next fiscal year, we expect the trend of personal consumption to continue to be uncertain due to concerns of a slowdown in the overseas economy and price rises on raw materials due to yen depreciation. On the other hand, there are positive signs such as a trend of further economic recovery on the back of improvements in the export environment and the effects of various economic measures, as well as expectations for inbound consumption due to an increase in visitors to Japan.

In order to strengthen the business base for future growth in the next fiscal year, the Company is planning important investments. We aim to newly establish “RDC Kanto,” which is located in Shiraoka-shi, Saitama, to strengthen shipments and improve productivity in the Kanto area, our largest market; to expand the facilities of “RDC Tohoku,” which is located in Hanamaki-shi, Iwate, aiming to realize business expansion and logistics and productivity improvement in the Northern Tohoku area; and to newly establish two FDC in Aomori Prefecture. As a result of these investments, the Company expects to incur temporary expenses.

In light of the above, for the next fiscal year, we forecast net sales of ¥850,000 million (up 3.5% year on year), operating income of ¥9,300 million (down 10.8%), ordinary income of ¥15,400 million (down 5.7%), and net income of ¥10,100 million (down 1.6%).

Note that as a result of having achieved the income targets of the three-year medium-term management plan that started in the fiscal year ended March 31, 2014 a year ahead of schedule, the Company plans on announcing a new medium-term management plan at about the same time as the announcement of the financial results for the first three months of the fiscal year ending March 31, 2016.

(Notes) 1. RDC (Regional Distribution Center) is a large-scale logistics center.

2. FDC (Front Distribution Center) is a sorting center that supports the RDC.

(2) Financial Position

1) Assets, liabilities and net assets

(Assets)

Current assets decreased by ¥6,249 million from the end of the previous fiscal year. This was primarily the result of decreases in accounts receivable-trade of ¥9,325 million and merchandise and finished goods of ¥5,204 million, and an increase in cash and deposits of ¥8,105 million.

Non-current assets decreased by ¥811 million from the end of the previous fiscal year. This was primarily the result of decreases in buildings of ¥2,775 million and machinery and equipment of ¥2,202 million and an increase in investment securities of ¥5,305 million.

As a result, total assets were ¥318,128 million, a decrease of ¥7,060 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities decreased by ¥15,221 million from the end of the previous fiscal year. This was primarily the result of decreases in accounts payable-trade of ¥7,427 million and short-term loans payable of ¥8,100 million.

Non-current liabilities decreased by ¥2,806 million from the end of the previous fiscal year. This was primarily the result of a decrease in long-term loans payable of ¥3,904 million and an increase in deferred tax liabilities of ¥1,294 million.

As a result, total liabilities were ¥174,733 million, a decrease of ¥18,028 million from the end of the previous fiscal year.

(Net assets)

Net assets increased by ¥10,967 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥8,270 million.

As a result, total net assets were ¥143,395 million.

2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the fiscal year under review were ¥21,507 million, an increase of ¥8,105 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 flow from operating activities)

Net cash provided by operating activities was ¥23,204 million (up ¥19,863 million year on year). Main factors were ¥16,003 million of income before income taxes, ¥4,861 million of depreciation and amortization, ¥7,191 million of decrease in notes and accounts receivable-trade, ¥5,204 million of decrease in inventories, ¥8,427 million of decrease in notes and accounts payable-trade, and ¥5,229 million of income taxes paid.

(Cash flow from investing activities)

Net cash provided by investing activities was ¥365 million (compared with net cash of ¥11,686 million used in the previous fiscal year). Main factors were ¥2,740 million of proceeds from sales of property, plant and equipment and ¥1,989 million of purchase of investment securities.

(Cash flow from financing activities)

Net cash used in financing activities was ¥15,464 million (compared with net cash of ¥1,191 million provided by the previous fiscal year). Main factors were ¥8,100 million of net decrease in short-term loans payable, ¥5,476 million of repayments of long-term loans payable and ¥2,798 million of cash dividends paid.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Equity ratio (%)	35.6	38.0	41.5	40.7	45.1
Market value-based equity ratio (%)	16.9	22.6	25.5	23.0	33.7
Interest-bearing debt to cash flow ratio (years)	5.9	6.5	3.1	12.2	1.2
Interest coverage ratio (times)	16.9	17.7	36.5	12.8	109.6

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.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Ended March 31, 2015 and the Fiscal Year Ending March 31, 2016

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 near term the Company is targeting a payout ratio of 25% or more, and in the medium- to long- term the Company will work to increase dividends in line with growth in earnings.

In the fiscal year under review, the Company's operating income, ordinary income and net profits were at their highest levels since the Company's foundation, following on from record highs hit in the previous fiscal year. Accordingly, the Company has set its fiscal year-end dividend at ¥23 per share, an increase of ¥1 from the most recent dividend forecast (announced on May 9, 2014). As a result, including the interim dividend of ¥22 per share already paid, the planned annual dividend has also been increased by ¥1 to ¥45 per share.

For the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥46 per share, comprised of an interim dividend of ¥23 and a year-end dividend of ¥23 per share.

(4) Business Risks

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, 2015.

(Risk from investment cost increases and price competition due to competition)

Competition with other operators is growing and the business fields of the Company are widening. Consequently, it may become necessary for the Company to carry out capital expenditure to enhance and expand distribution and information system capabilities to respond to such developments. In these cases, the Company's results may be affected by an increase in depreciation and amortization and increases in personnel expenses and other sundry expenses associated with the operation and management of facilities.

Furthermore, if the Company is unable to secure its targeted level of profitability due to intensification of selling price competition, this may have a negative impact on the Company's results.

(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.

(Risk related to purchase discounts)

In the cosmetics and daily necessities wholesale market, in which the Company operates, the use of purchase discounts is an industry-specific business practice that is operated as a cash discount system. The Company records such discounts as non-operating income in its statements of income, which has an impact on ordinary income. If a supplier changes the conditions associated with a purchase discount in future, this may have a negative impact on the Company's 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. Therefore, 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 products it can sell.

(Fluctuations in results)

In the Company's results for the fourth quarter, net sales tend to fall in comparison with the other quarters. Income 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, 2015, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2015				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales	200,255	214,666	211,944	194,207	821,074
[Composition %]	[24.4]	[26.1]	[25.8]	[23.7]	[100.0]
Operating income	1,855	3,404	2,865	2,295	10,420
[Composition %]	[17.8]	[32.7]	[27.5]	[22.0]	[100.0]
Ordinary income	3,271	4,734	4,395	3,931	16,332
[Composition %]	[20.0]	[29.0]	[26.9]	[24.1]	[100.0]

Notes: 1 Figures for net sales do not include consumption taxes.

2. The pattern of results in the fiscal year under review was different to those of previous fiscal years, as there was a decrease in net sales in the first quarter caused by the pull-back following the rush in demand ahead of the April 2014 consumption tax hike.

(Occurrence of natural disasters, etc.)

The Company operates at a number of places of business and distribution centers across Japan. To minimize losses from a natural disaster or similar event, the Company is working to develop and enhance its Business Continuity Plan (BCP). The measures in the 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, if a massive natural disaster occurs as the result of a large-scale earthquake or similar contingency, the Company's product procurement and backup systems may be rendered unusable due to the fragmentation of lifelines and transport networks. This may have a negative impact on the Company's results by obstructing its provision of distribution services or other operations.

(System trouble)

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.

Consequently, the Company's core computer equipment is located in a data center equipped with earthquake-resistant facilities and a private electric generator. In addition, the Company regularly backs up data with the use of separate media (disks and magnetic tapes) and takes measures to prevent infection by computer viruses. Nevertheless, if the Company's computer systems stop functioning due to a large-scale natural disaster, an accident or infection by a computer virus, this may significantly obstruct the Company's sales and distribution activities.

(Relationship with the parent company's group)

Because the Company operates in the cosmetics, daily necessities and OTC pharmaceutical wholesale business while the rest of the parent company's group mainly operates in the prescription pharmaceutical wholesale business, there are differences between them, primarily in terms of the product categories they handle and the distribution channels they use. At present, the Company is not in competition with the rest of the parent company's group, and no elements of the relationship have an impact on the freedom of the Company's business activities or operational decisions. Furthermore, 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. 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, 2015, is as follows.

1) Capital relationships

The percentage of the shares of the Company held by its parent company, MEDIPAL HOLDINGS CORPORATION, is 50.12%.

2) Personal relationships

[Interlocking directorate]

Kohji Orime, Representative Director and Vice Chairman of the Company, is the representative of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business segment of the parent company's group. In that capacity, Mr. Orime not only reports on matters such as the Company's results and industry trends, but also appropriately asserts the Company's point of view to the parent company. Thus, the purpose of his interlocking directorate at the parent company is to secure the Company's independence from the parent company.

Also, Mr. Orime became Director and Vice Chairman of the Company on April 1, 2015.

3) Business relationships

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

(Millions of yen)

Company name	Transaction details	Transaction amount	Transaction amount	Transaction conditions, etc.
		Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	12	12	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.	15	15	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.	704	627	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	95	62	Determined based on negotiations between both parties in consideration of distribution costs, etc.
	Lease of real estate	56	56	Determined based on price assessments by third-party institutions.
(Fellow subsidiary) EVERLTH Co., Ltd.	Purchase of products	5	3	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) ATOL CO., LTD.	Purchase of products	11	8	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Trim Co., Ltd.	Payment of insurance premium	259	217	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 MEDIPAL HOLDINGS CORPORATION as the parent company, the Company, and one non-consolidated subsidiary. Its primary business operations are in the wholesale business for cosmetics, daily necessities and OTC pharmaceuticals, and the supply chain logistics business.

The details of each segment are as follows.

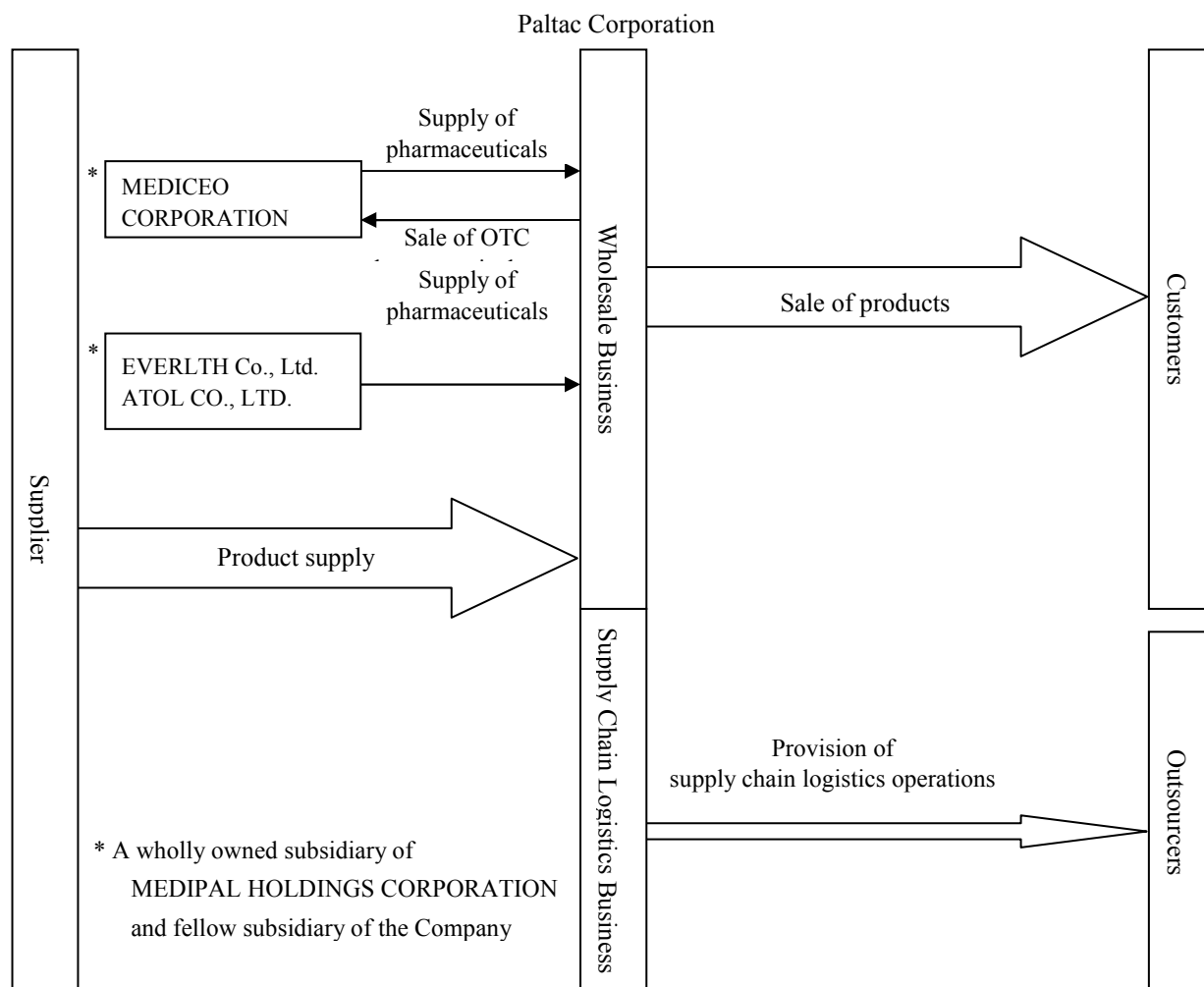
Wholesale Business

The Company is mainly engaged in the sale of cosmetics, daily necessities and OTC pharmaceuticals to drugstores, home centers, convenience stores, supermarkets and others nationwide. As an intermediate distributor that stably supplies a full lineup of daily essentials for health and beauty, the Company provides high-quality, low-cost logistics capabilities that help to optimize and streamline the entire supply chain, from production to retailing and recycling, and store solution capabilities that help to stimulate customer demand and boost the efficiency and effectiveness of product display operations in stores. In the area of distribution, which constitutes the Company's operating base, the Company has established RDCs covering broad areas nationwide, and has a high-quality, low-cost system in place, from products entering the warehouse to product dispatching, in which it makes full use of the Company's independently developed distribution equipment.

Supply Chain Logistics Business

The supply chain logistics business is a third-party logistics business in which the Company carries out the integrated operation and management of retail companies' logistic centers on their behalf. The Company operates this business with the aim of helping to boost efficiency in distribution operations from suppliers to the store networks of customers using the distribution knowhow accumulated through the wholesale business. Specifically, the Company carries out all operations itself in an integrated manner, from ordering and supplying to products entering the warehouse and dispatching, inventory control, and delivery. In this way, the Company provides services in which it gives consideration to optimal logistics in all operational aspects including the product mix of customers, the appropriateness of inventories, sales volume forecasts, standardization of store operations, and dealing with product returns, damaged packing, and furniture and fixtures. In view of ever increasing needs for reducing distribution costs amid an intensifying competitive environment, the Company is developing this business as a field in which it can fully exploit the logistics capabilities and store solution capabilities it has accumulated through the wholesale business.

The Group's operational chart is as follows.



3. Management Policy

(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 a wholesaler 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) Targeted Management Benchmarks

The Company attaches great importance on net sales, operating income and ordinary income, which show the results of its business operations. For the fiscal year ending March 31, 2016, the Company set the following targets.

1) Net sales	¥850,000 million
2) Operating income	¥9,300 million
3) Ordinary income	¥15,400 million

(3) Medium- and Long-Term Management Strategy

The Company has formulated a three-year medium-term management plan for fiscal 2014 to fiscal 2016.

The Company has focused on “increasing in-store-shares,” “strengthening of supply chain logistics business,” “an aggressive investment in growth businesses” and “financial soundness and shareholder returns.” In the fiscal year under review, as a result of having achieved the income targets of the three-year medium-term management plan a year ahead of schedule, the Company plans on announcing a new medium-term management plan at about the same time as the announcement of the financial results for the first three months of the fiscal year ending March 31, 2016.

(4) Issues to Be Addressed

The environment surrounding the Company still appears to be difficult, characterized by further aging of the population and decline in the birth rate, human resource shortages due to population decline, intensified price competition, the acceleration of business restructuring by forming corporate groups or carrying out company integrations, and the forming of alliances with companies of other sectors. In view of this environment, there is a strong need for improved productivity across the whole supply chain, including the stages of production, distribution and retail. As a result, the role and mission of the wholesale sector, which is located in the middle of the supply chain, are becoming increasingly important. The Company will vigorously work to increase its corporate value by striving to enhance our operating results through further strengthening of its wholesale capabilities so that we can continue to respond to change in the remarkably changing environment without any preconceived notions.

The Company recognizes the following issues to be addressed.

1) Strengthening of solution capabilities

In order to accurately meet the various needs of retailers and manufacturers to realize earnings and cost improvements, etc., the Company will strengthen team sales systems by giving attention not only to a sales department but also to the cooperation from departments such as the logistics department and system department. In addition, the Company will utilize our strength as a company with the unique capability of being able to handle the industry's largest information volume, and the full line of cosmetics, daily necessities and OTC pharmaceuticals to promote proposals to retailers for the revitalization of sales venue, and efforts with manufacturers to streamline purchasing operations. Through such efforts, the Company shall strengthen the trading base with each company and effectively fulfill intermediate distribution functions in the overall supply chain.

2) Development of safe-and-secure, high-quality, low-cost distribution system

Aiming for more than just a system that provides stable supply under normal conditions, the Company will strive for the safe and secure supply of products to retailers, and by extension to our customers, even in an emergency such as natural disasters by strengthening the “non-stop logistics” system. In addition, to ensure these efforts are carried out at low cost, we will establish RDCs in each area of Japan and construct mechanisms for highly productive operations.

3) Investment in growth businesses

The overall industry in which the Company operates is maturing. In order to realize sustained growth in the future amid this environment, it is imperative for the Company to expand its business areas by investing in new business fields while expanding in-store share by strengthening functions of an intermediate distributor. In addition to expanding the handling of products and imported goods for which distribution is limited to the Company in Japan, we are working to expand business fields by strengthening sales of Japanese products overseas in various countries, particularly in Asia.

4) Strengthening and boosting efficiency of internal systems

The Company recognizes that CSR (corporate social responsibilities) is an important issue that is key to the growth and survival of an enterprise. In this respect, the Company will secure transparent and sound management by working to further strengthen its corporate governance and risk management systems. In addition, the Company will strive to establish a strong and efficient internal organizational structure, and a robust corporate structure with high productivity as it aims to realize sustained growth of the Company and boost medium- and long-term corporate value.

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

(1) Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	13,402	21,507
Notes receivable-trade	3,481	5,615
Accounts receivable-trade	155,416	146,090
Merchandise and finished goods	37,683	32,478
Advance payments-trade	470	467
Prepaid expenses	297	355
Deferred tax assets	1,426	1,224
Accounts receivable-other	14,776	12,966
Other	270	267
Allowance for doubtful accounts	(22)	(20)
Total current assets	227,203	220,954
Non-current assets		
Property, plant and equipment		
Buildings	47,778	44,315
Accumulated depreciation	(15,730)	(15,043)
Buildings, net	* 32,047	29,272
Structures	4,083	3,888
Accumulated depreciation	(2,374)	(2,486)
Structures, net	1,708	1,401
Machinery and equipment	28,686	27,838
Accumulated depreciation	(16,810)	(18,164)
Machinery and equipment, net	11,875	9,673
Vehicles	1,397	1,289
Accumulated depreciation	(1,284)	(1,221)
Vehicles, net	113	67
Tools, furniture and fixtures	2,538	2,320
Accumulated depreciation	(2,147)	(2,012)
Tools, furniture and fixtures, net	391	307
Land	39,235	37,599
Leased assets	398	376
Accumulated depreciation	(188)	(198)
Leased assets, net	210	177
Construction in progress	6	6
Total property, plant and equipment	85,588	78,506
Intangible assets		
Software	529	393
Software in progress	21	39
Telephone subscription right	83	83
Other	20	19
Total intangible assets	655	536

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Investments and other assets		
Investment securities	10,423	15,729
Shares of subsidiaries and associates	20	20
Investments in capital	3	3
Claims provable in bankruptcy, claims provable in rehabilitation and other	47	356
Long-term prepaid expenses	239	356
Prepaid pension cost	551	1,286
Guarantee deposits	471	406
Other	45	223
Allowance for doubtful accounts	(62)	(251)
Total investments and other assets	11,741	18,130
Total non-current assets	97,985	97,174
Total assets	325,189	318,128
Liabilities		
Current liabilities		
Electronically recorded obligations – operating	6,542	5,538
Accounts payable-trade	121,074	113,647
Short-term loans payable	25,500	17,400
Current portion of long-term loans payable	5,426	4,854
Lease obligations	83	73
Accounts payable-other	13,869	13,040
Accrued expenses	279	274
Income taxes payable	2,885	3,342
Advances received	32	33
Deposits received	101	101
Provision for bonuses	2,020	1,972
Provision for sales returns	300	278
Asset retirement obligations	0	–
Other	483	2,822
Total current liabilities	178,601	163,379
Non-current liabilities		
Long-term loans payable	8,832	4,928
Lease obligations	137	114
Deferred tax liabilities	1,645	2,940
Provision for retirement benefits	2,025	1,857
Asset retirement obligations	112	105
Long-term deposits received	1,132	1,135
Other	274	270
Total non-current liabilities	14,160	11,353
Total liabilities	192,761	174,733

(Millions of Yen)

	As of March 31, 2014	As of March 31, 2015
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	1,818	2,025
General reserve	73,744	80,244
Retained earnings brought forward	9,772	11,335
Total retained earnings	86,000	94,270
Treasury shares	(4)	(7)
Total shareholders' equity	129,692	137,960
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,734	5,420
Deferred gains or losses on hedges	1	14
Total valuation and translation adjustments	2,735	5,434
Total net assets	132,427	143,395
Total liabilities and net assets	325,189	318,128

(2) Statements of Income

	(Millions of Yen)	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales		
Net sales of goods	818,994	807,780
Net sales on other business		
Sales on physical distribution service	12,679	13,065
Rent income of real estate	224	228
Other sales	12,904	13,293
Total net sales	831,899	821,074
Cost of sales		
Cost of goods sold		
Beginning goods	37,209	37,683
Cost of purchased goods	735,032	719,695
Subtotal	772,241	757,378
Ending goods	*1 37,683	*1 32,478
Net	734,558	724,899
Reversal of provision for sales returns	287	300
Provision for sales returns	300	278
Net	13	(22)
Cost of goods sold	734,572	724,877
Cost of sales on other business		
Cost of physical distribution service	10,748	11,204
Cost of real estate rent	138	138
Cost of sales on other business	10,886	11,342
Total cost of sales	745,458	736,220
Gross profit	86,440	84,854
Selling, general and administrative expenses	*2 76,223	*2 74,433
Operating income	10,216	10,420
Non-operating income		
Dividend income	192	216
Purchase discounts	3,891	3,856
Research fee income	1,270	1,270
Reversal of allowance for doubtful accounts	8	—
Other	568	850
Total non-operating income	5,932	6,194
Non-operating expenses		
Interest expenses	262	216
Depreciation of inactive non-current assets	59	49
Loss on cancellation of consignment contract	40	—
Other	6	15
Total non-operating expenses	369	282
Ordinary income	15,779	16,332

(Millions of yen)

	Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2015	
Extraordinary income				
Gain on sales of non-current assets	*3	3	*3	71
Gain on sales of investment securities		64		364
Total extraordinary income		68		436
Extraordinary losses				
Loss on sales of non-current assets	*4	20	*4	33
Loss on retirement of non-current assets	*5	10	*5	49
Impairment loss	*6	394	*6	343
Loss on valuation of investment securities		0		331
Additional expenses for optional retirement	*7	369		—
Other		2		6
Total extraordinary losses		798		765
Income before income taxes		15,049		16,003
Income taxes-current		5,342		5,714
Income taxes-deferred		522		20
Total income taxes		5,864		5,734
Net income		9,185		10,268

Supplementary Schedules of Cost of Sales

1. The supply chain logistics business

	Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2015	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	3,547	33.0	3,792	33.9
Packing and shipping costs	4,843	45.1	5,129	45.8
Depreciation and amortization	1,168	10.9	1,246	11.1
Others	1,188	11.0	1,035	9.2
Total	10,748	100.0	11,204	100.0

2. Rent of real estate

	Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2015	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Rent costs	86	62.6	86	62.5
Taxes and dues	17	12.5	18	13.5
Depreciation	28	21.0	30	22.2
Others	5	3.9	2	1.8
Total	138	100.0	138	100.0

(3) Statements of Changes in Equity

Fiscal year ended March 31, 2014

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	15,869	16,597	11,229	27,827	665	1,923	68,244	8,714	79,548
Cumulative effects of changes in accounting policies									
Restated balance	15,869	16,597	11,229	27,827	665	1,923	68,244	8,714	79,548
Changes of items during period									
Dividends of surplus								(2,732)	(2,732)
Net income								9,185	9,185
Provision of reserve for advanced depreciation of non-current assets						3		(3)	
Reversal of reserve for advanced depreciation of non-current assets						(108)		108	
Provision of general reserve							5,500	(5,500)	
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	(105)	5,500	1,057	6,452
Balance at end of current period	15,869	16,597	11,229	27,827	665	1,818	73,744	9,772	86,000

Fiscal year ended March 31, 2014

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(3)	123,241	2,512	2	2,515	125,756
Cumulative effects of changes in accounting policies						
Restated balance	(3)	123,241	2,512	2	2,515	125,756
Changes of items during period						
Dividends of surplus		(2,732)				(2,732)
Net income		9,185				9,185
Provision of reserve for advanced depreciation of non-current assets						
Reversal of reserve for advanced depreciation of non-current assets						
Provision of general reserve						
Purchase of treasury shares	(1)	(1)				(1)
Net changes of items other than shareholders' equity			221	(1)	220	220
Total changes of items during period	(1)	6,450	221	(1)	220	6,671
Balance at end of current period	(4)	129,692	2,734	1	2,735	132,427

Fiscal year ended March 31, 2015

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning if current period	15,869	16,597	11,229	27,827	665	1,818	73,744	9,772	86,000
Cumulative effects of changes in accounting policies								797	797
Restated balance	15,869	16,597	11,229	27,827	665	1,818	73,744	10,569	86,798
Changes of items during period									
Dividends of surplus								(2,796)	(2,796)
Net income								10,268	10,268
Provision of reserve for advanced depreciation of non-current assets						314		(314)	
Reversal of reserve for advanced depreciation of non-current assets						(107)		107	
Provision of general reserve							6,500	(6,500)	
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	207	6,500	765	7,472
Balance at end of current period	15,869	16,597	11,229	27,827	665	2,025	80,244	11,335	94,270

Fiscal year ended March 31, 2015

(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	(4)	129,692	2,734	1	2,735	132,427
Cumulative effects of changes in accounting policies		797				797
Restated balance	(4)	130,489	2,734	1	2,735	133,225
Changes of items during period						
Dividend of surplus		(2,796)				(2,796)
Net income		10,268				10,268
Provision of reserve for advanced depreciation of non-current assets						
Reversal of reserve for advanced depreciation of non-current assets						
Provision of general reserve						
Purchase of treasury shares	(2)	(2)				(2)
Net changes of items other than shareholders' equity			2,686	13	2,699	2,699
Total changes of items during period	(2)	7,470	2,686	13	2,699	10,170
Balance at end of current period	(7)	137,960	5,420	14	5,434	143,395

(4) Statements of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net cash provided by (used in) operating activities		
Income before income taxes	15,049	16,003
Depreciation and amortization	5,180	4,861
Impairment loss	394	343
Increase (decrease) in allowance for doubtful accounts	(6)	187
Increase (decrease) in provision for bonuses	317	(47)
Increase (decrease) in provision for sales returns	13	(22)
Increase (decrease) in provision for retirement benefits	162	335
Interest and dividend income	(192)	(216)
Interest expenses	262	216
Loss (gain) on sales of investment securities	(64)	(364)
Loss (gain) on valuation of investment securities	0	331
Additional expenses for optional retirement	369	—
Decrease (increase) in notes and accounts receivable-trade	(22,264)	7,191
Decrease (increase) in inventories	(473)	5,204
Increase (decrease) in notes and accounts payable-trade	10,764	(8,427)
Decrease (increase) in consumption taxes refund receivable	343	—
Increase (decrease) in accrued consumption taxes	175	2,498
Other, net	650	334
Subtotal	10,684	28,429
Interest and dividend income received	192	216
Interest expenses paid	(260)	(211)
Income taxes paid	(6,909)	(5,229)
Additional expenses for optional retirement paid	(366)	—
Net cash provided by (used in) operating activities	3,340	23,204
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(11,991)	(642)
Proceeds from sales of property, plant and equipment	348	2,740
Purchase of intangible assets	(78)	(51)
Purchase of investment securities	(154)	(1,989)
Proceeds from sales of investment securities	202	432
Other, net	(13)	(125)
Net cash provided by (used in) investing activities	(11,686)	365
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,399	(8,100)
Proceeds from long-term loans payable	4,000	1,000
Repayments of long-term loans payable	(4,372)	(5,476)
Repayments of lease obligations	(92)	(88)
Purchase of treasury shares	(1)	(2)
Cash dividends paid	(2,741)	(2,798)
Net cash provided by (used in) financing activities	1,191	(15,464)
Net increase (decrease) in cash and cash equivalents	(7,154)	8,105
Cash and cash equivalents at beginning of period	20,556	13,402
Cash and cash equivalents at end of period	* 13,402	* 21,507

(5) Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

No items to report.

(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 declining-balance method. (Buildings (excluding building attachments) acquired on or after April 1, 1998 are depreciated using the straight-line method.)

The estimated useful lives of major items are as follows.

Buildings: 3 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 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. 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.
8. 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.

(Changes in accounting policies)

(Application of the Accounting Standard for Retirement Benefits, etc.)

The Company has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015), effective from the fiscal year ended March 31, 2015. In accordance with this application, The Company has revisited its calculation method for projected retirement benefit obligations and current service costs, and changed its method used in allocation of expected retirement benefits payments to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to the average remaining years of service of employees, to one that uses a single weighted average discount rate reflecting the estimated timing and amount of retirement benefits.

Application of the Accounting Standard for Retirement Benefits, etc. is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for projected benefit obligations and current service costs has been added to or deducted from retained earnings as of the beginning of the fiscal year under review.

As a result, as of the beginning of the fiscal year under review, provision for retirement benefits decreased by ¥371 million, prepaid pension cost increased by ¥867 million and retained earnings increased by ¥797 million. In addition, the effect of this change on profit and loss is immaterial.

(Changes in presentations)

(Statements of Income)

“Loss on valuation of investment securities” which was included in “Other” under “Extraordinary losses” in the previous fiscal year, is listed as a separate item in the fiscal year under review due to an increase in its materiality. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

Consequently, ¥3 million listed as “Other” under “Extraordinary losses” in the previous fiscal year, has been reclassified as ¥0 million in “Loss on valuation of investment securities” and ¥2 million in “Other.”

(Statements of Cash Flows)

“Loss (gain) on sales of investment securities” and “Loss (gain) on valuation of investment securities” which were included in “Other, net” under “Net cash provided by (used in) operating activities” in the previous fiscal year, are listed as a separate item in the fiscal year under review due to increases in their materiality. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

Consequently, ¥586 million listed as “Other, net” under “Net cash provided by (used in) operating activities” in the previous fiscal year has been reclassified as (¥64) million in “Loss (gain) on sales of investment securities,” ¥0 million in “Loss (gain) on valuation of investment securities,” and ¥650 million in “Other, net.”

“Proceeds from collection of lease and guarantee deposits” which was separately listed under “Net cash provided by (used in) investing activities” in the previous fiscal year, is included in “Other, net” under “Net cash provided by (used in) investing activities” in the fiscal year under review due to a decrease in its materiality. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

Consequently, ¥41 million in “Proceeds from collection of lease and guarantee deposits” under “Net cash provided by (used in) investing activities” in the previous fiscal year, has been reclassified as (¥125) million in “Other, net.”

(Retirement benefits)

In according with application of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015), the Company changed in presentation of notes to non-consolidated financial statements. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation

For information on this change, please refer to “(Retirement benefits)” on page 42 in notes to the non-consolidated financial statements.

(Balance sheets)

*As of March 31, 2014

Of the property, plant and equipment (buildings) acquired by March 31, 2014, there was a reduction entry of ¥17 million from a government subsidy and others. The amount on the balance sheet is net of this reduction entry.

(Statements of income)

*1 Amounts for ending goods are written down due to decreased profitability. The following loss on valuation on inventories is included in cost of sales.

The amounts indicated are those after offsetting gain on reversal of loss on valuation against loss on valuation.

Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
(21) million yen	(33) million yen

*2 The approximate percentages of selling expenses were 55.1% in the fiscal year ended March 31, 2014, and 56.0% in the fiscal year ended March 31, 2015. The approximate percentages of general and administrative expenses were 44.9% and 44.0%, respectively.

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

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Distribution expenses	37,254 million yen	36,948 million yen
Provision of allowance for doubtful accounts	2	194
Depreciation and amortization	3,923	3,534
Salaries and allowances	16,869	16,235
Provision for bonuses	2,020	1,972
Retirement benefit expenses	1,617	1,681

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

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Buildings	0 million yen	4 million yen
Vehicles	3	—
Land	—	66
Total	3	71

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

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Buildings	13 million yen	— million yen
Vehicles	0	—
Land	6	33
Total	20	33

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

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Buildings	2 million yen	0 million yen
Structures	0	0
Machinery and equipment	3	39
Vehicles	0	1
Tools, furniture and fixtures	3	5
Leased assets (tangible)	0	1
Software	0	0
Long-term prepaid expenses	1	1
Demolition or removal expenses	0	0
Total	10	49

*6 Impairment loss

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

Fiscal year ended March 31, 2014			(Millions of yen)
Location	Use	Type	Impairment loss
Hikone-shi, Shiga Pref.	Idle assets	Land, buildings, etc.	309
Wanouchi-cho, Anpachi-gun, Gifu Pref.	Idle assets	Land	84

In principle, the Company groups assets in the wholesale business according to branch, in the supply chain logistics business according to 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 are idle and 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 (¥394 million) under extraordinary losses. The breakdown of the assets is ¥123 million in buildings, ¥264 million in land, and ¥6 million in other.

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, 2015

(Millions of yen)

Location	Use	Type	Impairment loss
Nissin-shi, Aichi Pref.	Idle assets	Land	264
Kanuma-shi, Tochigi Pref.	Idle assets	Land	76
Nagakute-shi, Aichi Pref.	Lease assets	Buildings,etc	2

In principle, the Company groups assets in the wholesale business according to branch, in the supply chain logistics business according to 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 are idle and 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 (¥343 million) under extraordinary losses. The breakdown of the assets is ¥0 million in buildings, ¥341 million in land, and ¥2 million in other.

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.

*7 Additional expenses for optional retirement

Fiscal year ended March 31, 2014

These are temporary expenses resulting from expansion in the availability of optional retirement system.

(Statements of changes in equity)

Fiscal year ended March 31, 2014

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

	As of April 1, 2013	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2014
Issued shares				
Common stock	63,553,485	—	—	63,553,485
Total	63,553,485	—	—	63,553,485
Treasury stock				
Common stock (Note)	3,208	1,200	—	4,408
Total	3,208	1,200	—	4,408

Note: The 1,200 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

No items to report.

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 9, 2013	Common stock	1,398	22	March 31, 2013	June 7, 2013
Board of Directors meeting held on October 31, 2013	Common stock	1,334	21	September 30, 2013	December 2, 2013

(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 9, 2014	Common stock	1,398	Retained earnings	22	March 31, 2014	June 9, 2014

Fiscal year ended March 31, 2015

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

	As of April 1, 2014	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2015
Issued shares				
Common stock	63,553,485	—	—	63,553,485
Total	63,553,485	—	—	63,553,485
Treasury stock				
Common stock	4,408	1,350	—	5,758
Total	4,408	1,350	—	5,758

Note: The 1,350 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

No items to report.

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 9, 2014	Common stock	1,398	22	March 31, 2014	June 9, 2014
Board of Directors meeting held on October 31, 2014	Common stock	1,398	22	September 30, 2014	December 1, 2014

(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, 2015	Common stock	1,461	Retained earnings	23	March 31, 2015	June 5, 2015

(Statements of cash flows)

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

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash and deposits	13,402 million yen	21,507 million yen
Time deposits with a deposit period of over three months	—	—
Cash and cash equivalents	13,402	21,507

(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, 2014	As of March 31, 2015
Within one year	248	231
Over one year	371	275
Total	619	506

(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 and its supply chain logistics business. 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, 2014

(Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
(1) Cash and deposits	13,402	13,402	—
(2) Notes receivable - trade	3,481	3,481	—
(3) Accounts receivable - trade	155,416	155,416	—
(4) Accounts receivable - other	14,776	14,776	—
(5) Investment securities	9,398	9,398	—
Total assets	196,475	196,475	—
Liabilities			
(1) Electronically recorded obligations - operating	6,542	6,542	—
(2) Accounts payable - trade	121,074	121,074	—
(3) Short-term loans payable	25,500	25,500	—
(4) Current portion of long-term loans payable	5,426	5,478	52
(5) Accounts payable - other	13,869	13,869	—
(6) Long-term loans payable	8,832	8,758	(73)
Total liabilities	181,244	181,223	(21)
Derivative transactions (*)	1	1	—

(*) 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, 2015

(Millions of yen)

	Amount on balance sheet	Fair value	Difference
(1) Cash and deposits	21,507	21,507	—
(2) Notes receivable - trade	5,615	5,615	—
(3) Accounts receivable – trade	146,090	146,090	—
(4) Accounts receivable – other	12,966	12,966	—
(5) Investment securities	15,034	15,034	—
Total assets	201,215	201,215	—
(1) Electronically recorded obligations - operating	5,538	5,538	—
(2) Accounts payable – trade	113,647	113,647	—
(3) Short-term loans payable	17,400	17,400	—
(4) Current portion of long-term loans payable	4,854	4,878	24
(5) Accounts payable - other	13,040	13,040	—
(6) Long-term loans payable	4,928	4,892	(35)
Total liabilities	159,408	159,397	(11)
Derivative transactions (*)	21	21	—

(*) 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, (3) Short-term loans payable, (5) 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.

(4) Current portion of long-term loans payable, (6) 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, 2014	As of March 31, 2015
Unlisted shares (*1)	1,024	694
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, 2014

(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	13,402	—	—	—
Notes receivable-trade	3,481	—	—	—
Accounts receivable-trade	155,416	—	—	—
Accounts receivable-other	14,776	—	—	—
Total	187,076	—	—	—

As of March 31, 2015

(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	21,507	—	—	—
Notes receivable-trade	5,615	—	—	—
Accounts receivable-trade	146,090	—	—	—
Accounts receivable-other	12,966	—	—	—
Total	186,181	—	—	—

4. Maturity analysis for loans

As of March 31, 2014

(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
Short-term loans payable	25,500	—	—	—	—	—
Current portion of long-term loans payable	5,426	—	—	—	—	—
Long-term loans payable	—	4,654	2,278	1,600	300	—
Total	30,926	4,654	2,278	1,600	300	—

As of March 31, 2015

(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
Short-term loans payable	17,400	—	—	—	—	—
Current portion of long-term loans payable	4,854	—	—	—	—	—
Long-term loans payable	—	2,478	1,800	500	150	—
Total	22,254	2,478	1,800	500	150	—

(Securities)

1. Shares of subsidiaries and affiliates

Shares of subsidiaries (amounts on balance sheets: ¥20 million in the fiscal year ended March 31, 2014 and ¥20 million in the fiscal year ended March 31, 2013) 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, 2014

(Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	8,757	4,615	4,141
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	8,757	4,615	4,141
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	641	790	(148)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	641	790	(148)
Total		9,398	5,405	3,993

Note: Unlisted stocks (amount on balance sheet: ¥1,024 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, 2015

(Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	14,487	6,677	7,810
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	14,487	6,677	7,810
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	547	650	(103)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	547	650	(103)
Total		15,034	7,328	7,706

Note: Unlisted stocks (amount on balance sheet: ¥694 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, 2014

(Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	202	64	0
(2) Bonds			
1) National government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	202	64	0

Fiscal year ended March 31, 2015

(Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	432	364	0
(2) Bonds			
1) National government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	432	364	0

4. Securities subject to the recognition of impairment loss

In the fiscal year under review impairment was carried out resulting in the recording of ¥331 million in loss on valuation on investment securities under extraordinary losses.

The Company carries out impairment if fair value as of the fiscal year-end falls at least 30% in comparison with the acquisition cost. In the case of stocks for which fair value is deemed to be extremely difficult to determine, if net assets per share falls at least 50% in comparison with the acquisition cost, impairment is carried out on the amount judged necessary in consideration of recoverability.

(Derivative transactions)

1. Derivative transactions not qualifying for hedge accounting

No items to report.

2. Derivative transactions qualifying for hedge accounting

Currency-related transactions

As of March 31, 2014

(Millions of yen)

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Of contracts, those with period of over one year	Fair value
Deferred hedge accounting	Forward exchange contracts				
	Bought				
	U.S. dollar	Accounts payable - trade	502	—	1
Total			502	—	1

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, 2015

(Millions of yen)

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Of contracts, those with period of over one year	Fair value
Deferred hedge accounting	Forward exchange contracts				
	Bought				
	U.S. dollar	Accounts payable - trade	1,131	—	21
Total			1,131	—	21

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 employees' 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.

2. Defined benefit plans

(1) Overall funding position of plans

	(As of March 31, 2013)	(As of March 31, 2014)
(Tokyo Pharmaceutical Welfare Pension Fund Association)		
Fair value of plan assets	465,229 million yen	512,488 million yen
Total Amount of actuarial liabilities and minimum actuarial reserve (Note)	497,125	522,289
Net balance	(31,895)	(9,801)

(Note) In the previous fiscal year, listed as "Amount of pension benefit obligation"

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

	(As of March 31, 2013)	(As of March 31, 2014)
(Tokyo Pharmaceutical Welfare Pension Fund Association)	4.0%	4.0%

(3) Supplementary explanation

(As of March 31, 2013)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥49,513 million and surplus in the fiscal year ended March 31, 2013 of ¥17,618 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 9 years and 0 month

(As of March 31, 2014)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥45,242 million and surplus in the fiscal year ended March 31, 2014 of ¥35,440 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 8 years and 0 month

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

	(Fiscal year ended March 31, 2014)	(Fiscal year ended March 31, 2015)
Retirement benefit obligation at beginning of period	6,279 million yen	6,487 million yen
Cumulative effects of changes in accounting policies	—	(1,238)
Restated balance	6,279	5,249
Service costs	366	447
Interest expenses	69	57
Actuarial differences	197	93
Retirement benefits paid	(425)	(216)
Retirement benefit obligation at end of period	6,487	5,632

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

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Plan assets at beginning of period	3,423 million yen	3,673 million yen
Expected return on plan assets	37	40
Actuarial differences	183	339
Contribution by employer	265	265
Retirement benefits paid	(236)	(142)
Plan assets at end of period	3,673	4,176

(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, 2014	As of March 31, 2015
Retirement benefit obligation from funded plans	4,007 million yen	3,376 million yen
Fair value of plan assets	(3,673)	(4,176)
Net balance	333	(799)
Retirement benefit obligation on non-funded plans	2,480	2,256
Unfunded retirement benefit obligation	2,814	1,456
Unrecognized actuarial differences	(1,340)	(885)
Net amount of liability and asset recorded in balance sheet	1,474	571
Provision for retirement benefits	2,025	1,857
Prepaid pension	(551)	(1,286)
Net amount of liability and asset recorded in balance sheet	1,474	571

(7) Retirement benefit expenses and amounts of components

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Service costs	366 million yen	447 million yen
Interest expenses	69	57
Expected return on plan assets	(37)	(40)
Amortization of actuarial differences	218	209
Other	865	879
Retirement benefit expenses on defined benefit plans	1,482	1,553

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 ¥727 million for the previous fiscal year and ¥737 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, 2014)	(As of March 31, 2015)
Bonds	52 %	55 %
Stocks	30	32
Other	18	13
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 under review are as follows (shown as weighted averages).

	(As of March 31, 2014)	(As of March 31, 2015)
Discount rate:	1.1 %	1.1 %
Long-term expected rate of return on plan assets	1.1 %	1.1 %

3. Defined contribution plan

The Company's required contribution amount for its defined contribution plan is ¥162 million of previous fiscal year and ¥160 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, 2014	As of March 31, 2015
Differed tax assets:		
Accrued enterprise tax	211	250
Provision for bonuses	719	650
Allowance for doubtful accounts	27	78
Accrued expenses	374	262
Loss on valuation on inventories	12	0
Provision for retirement benefits	721	598
Loss on valuation on investment securities	139	184
Accrued directors' retirement benefits	96	87
Impairment loss	304	64
Other	228	162
Sub-total	2,834	2,339
Less: Valuation allowance	(564)	(363)
Total deferred tax assets	2,270	1,975
deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	(1,005)	(963)
Valuation difference on available-for-sale securities	(1,256)	(2,285)
Prepaid pension cost	(196)	(417)
Removal expenses related to asset retirement obligations	(12)	(9)
Others	(19)	(16)
Total deferred tax liabilities	(2,489)	(3,692)
Net deferred tax assets	(219)	(1,716)

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

	As of	
	March 31, 2014	March 31, 2015
Statutory tax rate	38.0	35.6
(Adjustments)		
Non-deductible items such as entertainment expense	0.7	0.4
Inhabitant taxes per capital	0.7	0.7
Increase (decrease) in valuation allowance	(1.0)	(1.0)
Effect of revised corporate tax rate	0.6	0.2
Other	(0.0)	0.0
Effective tax rate	39.0	35.8

3. Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates
- March 31, 2015 saw the promulgation of the "Act on partial Revision for the Income Tax Act, etc." (Act No. 9 of 2015). Accordingly, the Special Restoration Tax will be abolished for fiscal years beginning on or after April 1, 2014. In fiscal 2014 (April 1, 2014-March 31, 2015), therefore, the temporary difference and other items are expected to be abolished, with the result that the effective legal tax rate, used to calculate deferred tax assets and liabilities, will decline 35.6% to 33.0% in fiscal 2015 (April 1, 2015-March 31, 2016) and 33.0% to 32.2% in fiscal 2016 (April 1, 2016-March 31, 2017).
- As result of this change, net deferred tax liabilities (after deducting deferred tax assets) at fiscal year-ended decreased by ¥212 million, while income taxes – deferred, valuation difference on available-for-sale securities and deferred gains or losses on hedges respectively increased by ¥29 million, ¥241 million and ¥0 million.

(Equity methods)

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

Not applicable

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

Not applicable

(Asset retirement obligations)

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

No significant items to be reported

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

No significant items to be reported

(Estate leases)

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

No significant items to be reported

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

No significant items to be reported

(Segment information)

a. Segment Information

1. Description of reportable segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from its structure units. Its segments are subject to periodical review for the purpose of making decisions on allocation of managerial resources and evaluating business performance by the Board of Directors.

The company has classified into two segments which are “the wholesale business,” “the supply chain logistics business,” on the basis of transaction type (or business model, nature of transaction)

“The wholesale business” conducts sales of Cosmetics, Daily necessities and OTC pharmaceuticals to Drugstores, Home centers Convenience stores, Supermarkets and others. “The supply chain business” is a third-party logistics business in which the Company carries out the integrated operation and management of retail companies’ logistic centers on their behalf.

2. Calculation methodology for revenues from operations, income or loss, assets and liabilities and other items for each reporting segment

The accounting methods of each reportable segment are the same as those set forth in the “Significant accounting policies.” The amount of segment profit corresponds to that of operating income.

3. Information on revenues from operations, income or loss, assets, liabilities and other monetary items for each reportable segment

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Wholesale business	Supply chain logistics business	Total
Net sales			
1. Customers	819,219	12,679	831,899
2. Intersegment	—	—	—
Total	819,219	12,679	831,899
Segment income	11,229	1,324	12,553
Segment assets	277,173	18,572	295,746
Other items			
Depreciation and amortization	3,842	1,168	5,010
Net increase in property, plant and equipment, and intangible assets	7,415	4,755	12,171

Notes: 1. Segment income (loss) is reconciled with the operating income in the Non-consolidated Statement of Income.

2. Long-term prepaid expenses and amortization of them are included in “Depreciation and amortization” and “Net increase in property, plant and equipment and intangible assets.”

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Wholesale business	Supply chain logistics business	Total
Net sales			
1. Customers	808,008	13,065	821,074
2. Intersegment	—	—	—
Total	808,008	13,065	821,074
Segment income	11,424	1,370	12,794
Segment assets	260,359	17,068	277,427
Other items			
Depreciation and amortization	3,458	1,247	4,705
Net increase in property, plant and equipment, and intangible assets	83	552	635

Notes: 1. Segment income (loss) is reconciled with the operating income in the Non-consolidated Statement of income.

2. Long-term prepaid expenses and amortization of them are included in “Depreciation and amortization” and “Net increase in property, plant and equipment, and tangible assets.”

4. Reconciliation information

Segment income, segment assets and other items reportable segments and those in the non-consolidated financial statements as of and for the years ended March 31, 2014 and 2013 are reconciled as follows

(Millions of yen)

Income	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Total reportable segments	12,553	12,794
Corporate expenses	(2,337)	(2,374)
Operating income on the financial statements	10,216	10,420

Note: Corporate expenses in the above table mainly include general and administrative expenses that cannot be attributed to any reporting segments

(Millions of yen)

Asset	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Total reportable segments	295,746	277,427
Corporate assets	29,442	40,700
Assets on the financial statements	325,189	318,128

Note: Corporate assets in the above are mainly

(Millions of yen)

Other	Total reportable segments		Adjustments		Non-consolidated total	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Depreciation and amortization	5,010	4,705	169	155	5,180	4,861
Net increase in property, plant and equipment, and intangible assets	12,171	635	93	343	12,264	978

b. Related information

Fiscal year ended March 31, 2014

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 property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the non-consolidated balance sheets.

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, 2015

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 property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the non-consolidated balance sheets.

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.

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

Fiscal year ended March 31, 2014

(Millions of yen)

	Wholesale business	Supply chain logistics business	Corporate / Elimination	Total
Impairment loss	52	257	84	394

Fiscal Year ended March 31, 2015

(Millions of yen)

	Wholesale business	Supply chain logistics business	Corporate / Elimination	Total
Impairment loss	2	—	341	343

Information on amortization and outstanding balance of goodwill by reporting segment

Fiscal year ended March 31, 2014

No items to report

Fiscal year ended March 31, 2015

No items to report

Information regarding gain on negative goodwill by reporting segment

Fiscal year ended March 31, 2014

No items to report

Fiscal year ended March 31, 2015

No items to report

(Related-party transactions)

Fiscal year ended March 31, 2014

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, 2015

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, 2014	Fiscal year ended March 31, 2015
Net assets per share	2,083.86	2,256.50
Net income per share	144.54	161.59

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, 2014	Fiscal year ended March 31, 2015
Net income	9,185	10,268
Amount not attributable to common stock	—	—
Net income attributable to common stock	9,185	10,268
Average number of shares during the period (thousands of shares)	63,549	63,548

(Significant subsequent event)

No items to report

6. Other

(1) Directors Changes

Please see “Notification concerning Changes of organization and directors, officers, etc.” announced on February 12, 2015 and “Notification concerning appointment of Candidates for Outside Auditor” announced on May 12, 2015.

(2) Sales Status

(Sales results)

1) Sales results for the fiscal year ended March 31, 2015 by reportable segment are as follows:

Reportable segment	Product classification	Fiscal year ended March 31, 2015	Year-on-year change (%)
		Amount (Millions of yen)	
Wholesale business	Cosmetics	205,107	100.5
	Daily necessities	349,127	99.4
	OTC pharmaceuticals	123,845	94.3
	Health and sanitary related products	127,867	98.1
	Others	2,060	101.1
	Total sales in wholesale business	808,008	98.6
Supply chain logistics business	Net sales in supply chain logistics business	13,065	103.0
Total		821,074	98.7

Note: Above figures are exclusive of consumption taxes.

2) Sales results of wholesale business for the fiscal year ended March 31, 2015 by customer category are as follows:

Customer category		Fiscal year ended March 31, 2015	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	479,180	98.2
HC	Home centers (DIY stores)	86,744	92.5
CVS	Convenience stores	64,656	103.7
SM	Supermarkets	55,018	94.0
GMS	General merchandising stores	49,636	90.0
DS	Discount stores	44,657	124.1
Others	Export and others	28,115	109.6
Total sales in wholesale business		808,008	98.6

Note: Above figures are exclusive of consumption taxes.