Non-consolidated Financial Results
for the Fiscal Year Ended March 31, 2017
<under Japanese GAAP>

May 12, 2017

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, Manager of Management Planning Headquarters
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Scheduled date to hold annual general meeting of shareholders: June 23, 2017
Scheduled date to commence dividend payments: June 2, 2017
Scheduled date to submit the Securities Report: June 23, 2017
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, 2017 (From April 1, 2016 to March 31, 2017)

(1) Operating Results (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Profit	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2017	922,095	7.2	19,129	18.8	21,573	16.3	14,605	22.4
March 31, 2016	860,350	8.3	16,101	13.6	18,556	13.7	11,929	16.2

	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, 2017	229.84	–	9.1	6.0	2.1
March 31, 2016	187.73	–	8.0	5.5	1.9

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2017 ¥– million
Fiscal year ended March 31, 2016 ¥– million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2017	361,363	166,921	46.2	2,626.72
March 31, 2016	351,880	154,976	44.0	2,438.74

Reference: Equity: As of March 31, 2017: ¥166,921 million As of March 31, 2016: ¥154,976 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, 2017	24,721	(6,413)	(17,876)	18,513
March 31, 2016	5,226	(19,327)	10,675	18,082

2. Dividends

(Cut-off date)	Annual dividends per share (¥) 1Q	2Q	3Q	Year-end	Full year (Total)	Total dividends paid (Full year) (¥ million)	Payout ratio (%)	Dividends paid on net assets (%)
Fiscal year ended March 31, 2016	–	24.00	–	26.00	50.00	3,177	26.6	2.1
Fiscal year ended March 31, 2017	–	28.00	–	28.00	56.00	3,558	24.4	2.2
Fiscal year ending March 31, 2018 (Forecasts)	–	30.00	–	30.00	60.00		24.6	

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Frist six months	490,000	3.1	11,000	2.9	12,000	0.7	8,200	0.9	129.04
Fiscal year	960,000	4.1	20,500	7.2	23,000	6.6	15,500	6.1	243.91

* 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

* Please refer to the section “5. Non-consolidated Financial Statements and Notes to Non-consolidated Financial Statement (5) Notes to Non-consolidated Financial Statements (Changes in accounting policies)” on pages 25 of the attached material to this financial results report.

(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, 2017	63,553,485 shares
As of March 31, 2016	63,553,485 shares

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

As of March 31, 2017	5,958 shares
As of March 31, 2016	5,858 shares

3) Average number of shares during the period

For the fiscal year ended March 31, 2017	63,547,594 shares
For the fiscal year ended March 31, 2016	63,547,649 shares

* Explanation regarding execution of Audit procedures
This financial results report is not subject to the audit procedures.

* Information regarding proper use of the forecasts of financial results, and other special instructions
(Cautionary notes to the forward-looking statements)
The forward-looking statements contained in this report, including forecasts of financial results, are based on information currently available and assumptions that management believes to be reasonable. Actual financial and other results may differ substantially due to various factors. Please refer to the section of “1. Summary of Operating Results etc. (1) Analysis of Operating Results (Outlook for the fiscal year ending March 31, 2018)” on page 3 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. Summary of Operating Results etc.

(1) Analysis of Operating Results

(Operating results for the fiscal year ended March 31, 2017)

In the fiscal year under review, the Japanese economy continued to follow a moderate recovery track, on the back of continuous improvement in the employment environment, reflecting such positive developments as the effects of various measures instituted by the Japanese government.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, the market environment was steady mainly due to a pick-up in personal consumption, reflecting improved consumption sentiment on the back of such factors as improvement in the employment environment.

Under these circumstances, PALTAC CORPORATION (the “Company”) undertook a variety of efforts, aiming to optimize and streamline the entire supply chain, in accordance with its position as an intermediate distributor providing a full lineup of health and beauty products essential for daily life under the corporate identity, “maximizing customer satisfaction and minimizing distribution costs.” The Company is working to strengthen its sales systems to support effective product lines and sales activities for retailers, and to strengthen its safe-and-secure, high-quality, low-cost distribution capabilities. Aiming for more than just a system that provides stable supply under normal conditions, the Company is making efforts to ensure a low-cost and stable supply of products to retailers, and by extension to its customers, even in an emergency through the “non-stop logistics” system.

For the fiscal year under review, the second year of the Company’s medium-term management plan that has the vision of “Initiative to be an intermediate distributor essential to society,” the Company will focus efforts on “enhanced information systems” in order to contribute to sophisticated information provision, a key strategy, and “develop human resources” who can pursue sophisticating and streamlining operations. By doing so, the Company “further boosted productivity” not only in-house, but also across the entire supply chain by cooperating with retailers and manufacturers, and accelerated efforts to “strengthen functions” performed by the Company as an intermediate distributor handling sales, distribution and other operations on the basis of its commitment to safety and security. By carrying out these initiatives, the Company strives to increase corporate value through sustained business growth.

In addition, in the Kanto area, which is our largest market, accounting for one third of the total market in Japan, the Company strengthened and improved its operations from the perspectives of “logistics, sales and management.” With respect to logistics, in order to boost productivity and increase shipment capacity, in March 2017 the Company started dispatches from “FDC Shiraoka” in Shiraoka-shi, Saitama. This center is located in Kanto’s strategic transport hub and is next to “RDC Kanto.” In sales and management, the Company established an office building in Kita-ku, Tokyo to be the control center for the Kanto area, as part of efforts to integrate business sites and reinforce the procurement department.

Furthermore, aiming to strengthening the operating base in accordance with the management plan, the Company proceeded with capital investment, such as construction of “(provisional name) FDC Hiroshima” located in Saeki-ku, Hiroshima, and expansion of “RDC Okinawa” located in Uruma-shi, Okinawa.

As a result of the above, net sales for the fiscal year under review were ¥922,095 million (up 7.2% year on year), operating income was ¥19,129 million (up 18.8%), ordinary income was ¥21,573 million (up 16.3%), and profit was ¥14,605 million (up 22.4%).

(Notes) 1. RDCs (Regional Distribution Centers) are large-scale logistics centers.
2. FDCs (Front Distribution Centers) are logistics centers where frequently ordered case products are held. They support the RDCs.

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

(Outlook for the fiscal year ending March 31, 2018)

Looking ahead to the next fiscal year, we expect the economy to recover moderately on the back of improvements in the income environment and the employment environment, reflecting such positive developments as the effects of various government measures. Meanwhile, the outlook remains uncertain due to factors such as uncertainties in overseas economies and the impact of fluctuations in financial and capital markets, which need to be kept in mind, as well as tight labor market conditions in the distribution, food service and other sectors.

Considering such circumstances, in the final year of the current three-year medium-term management plan, the Company will target sustained business growth by enhancing information systems, developing human resources, and further strengthening alliances with manufacturers and retailers in order to strengthen function and increase productivity across all areas of distribution.

In conjunction with those efforts, the Company will carry out capital investment to increase shipment capacity and further increase logistics efficiency, reinforcing its position in both “sales and logistics” in order to build a robust management foundation for achieving the targets of the medium-term management plan and addressing future changes in the environment.
In light of the above, for the next fiscal year, we forecast net sales of ¥960,000 million (up 4.1% year on year), operating income of ¥20,500 million (up 7.2%), ordinary income of ¥23,000 million (up 6.6%), and profit of ¥15,500 million (up 6.1%).

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

(Assets)

Current assets increased by ¥4,645 million from the end of the previous fiscal year. This was primarily the result of increases in accounts receivable-trade of ¥5,537 million and merchandise and finished goods of ¥1,134 million and a decrease in notes receivable-trade of ¥724 million.

Non-current assets increased by ¥4,838 million from the end of the previous fiscal year. This was primarily the result of increases in buildings of ¥2,454 million, land of ¥3,549 million and investment securities of ¥1,024 and a decrease in machinery and equipment of ¥1,732 million.

As a result, total assets were ¥361,363 million, an increase of ¥9,483 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities decreased by ¥6,199 million from the end of the previous fiscal year. This was primarily the result of a decrease in short-term loans payable of ¥20,400 million and increases in accounts payable-trade of ¥6,643 million, current portion of long-term loans payable of ¥2,754 million and Accounts payable-other of ¥3,166 million.

Non-current liabilities increased by ¥3,737 million from the end of the previous fiscal year. This was primarily the result of an increase in long-term loans payable of ¥3,294 million.

As a result, total liabilities were ¥194,442 million, a decrease of ¥2,461 million from the end of the previous fiscal year.

(Net assets)

Net assets increased by ¥11,945 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥11,174 million.

As a result, total net assets were ¥166,921 million.

2) Cash flows

Cash and cash equivalents ("cash") as of the end of the fiscal year under review were ¥18,513 million, an increase of ¥431 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 ¥24,721 million (up ¥19,495 million year on year). Main factors were ¥21,386 million of income before income taxes, ¥4,931 million of depreciation and amortization, ¥4,812 million of increase in notes and accounts receivable-trade, ¥1,134 million of increase in inventories, ¥6,477 million of increase in notes and accounts payable-trade, ¥1,580 million of decrease in consumption taxes refund receivable, ¥1,215 million of increase in accrued consumption taxes and ¥6,476 million of income taxes paid.

(Cash flow from investing activities)

Net cash used in investing activities was ¥6,413 million (down ¥12,913 million year on year). Main factor was ¥6,658 million of purchase of property, plant and equipment.

(Cash flow from financing activities)

Net cash used in financing activities was ¥17,876 million (compared with net cash of ¥10,675 million provided by in the previous fiscal year). Main factors were ¥20,400 million of net decrease in short-term loans payable, ¥14,000 million of proceeds from long-term loans payable, ¥7,952 million of repayments of long-term loans payable and ¥3,433 million of cash dividends paid.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity ratio (%)	41.5	40.7	45.1	44.0	46.2
Market value-based equity ratio (%)	25.5	23.0	33.7	36.0	54.5
Interest-bearing debt to cash flow ratio (years)	3.1	12.2	1.2	8.0	1.1
Interest coverage ratio (times)	36.5	12.8	109.6	23.9	127.2

Equity ratio: Equity / Total assets

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

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

Interest coverage ratio: Cash flow / Paid interest

Notes:
1. Total market capitalization is calculated based on the number of issued shares excluding treasury stock.
2. The figure used for "Cash flow" is cash flow from operating activities.
3. Interest-bearing debt: Short-term loans payable + Current portion of long-term loans payable + Long-term loans payable + Long-term deposits received (excluding non-interest portion). Excluding lease obligations.
4. For the paid interest, the Company uses "Interest expenses paid" on the statements of cash flows.
5. Effective from the fiscal year ended March 31, 2016, the Company has partially changed its accounting policies, and retrospectively applied the change to all financial data for the fiscal year ended March 31, 2015.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2017 and the Fiscal Year Ending March 31, 2018

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, based on this underlying policy, the Company has set its fiscal year-end dividend at ¥28 per share. As a result, including the interim dividend of ¥28 per share already paid, the planned annual dividend has also been increased by ¥6 to ¥56 per share.

For the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥60 per share, comprised of an interim dividend of ¥30 and a year-end dividend of ¥30 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, 2017.

(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.

(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, 2017, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2017				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales [Composition %]	234,677 [25.4]	240,403 [26.1]	233,243 [25.3]	213,770 [23.2]	922,095 [100.0]
Operating income [Composition %]	4,717 [24.7]	5,978 [31.3]	5,174 [27.0]	3,259 [17.0]	19,129 [100.0]
Ordinary income [Composition %]	5,328 [24.7]	6,595 [30.6]	5,748 [26.6]	3,900 [18.1]	21,573 [100.0]

Note: Above figures are exclusive of consumption taxes.

(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, 2017, 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]

Kunio Ninomiya, Director, Vice President and Executive Officer 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. Ninomiya 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. Ninomiya became Representative Director, Vice President and Executive Officer of the Company on April 1, 2017.

3) Business relationships

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

(Millions of yen)

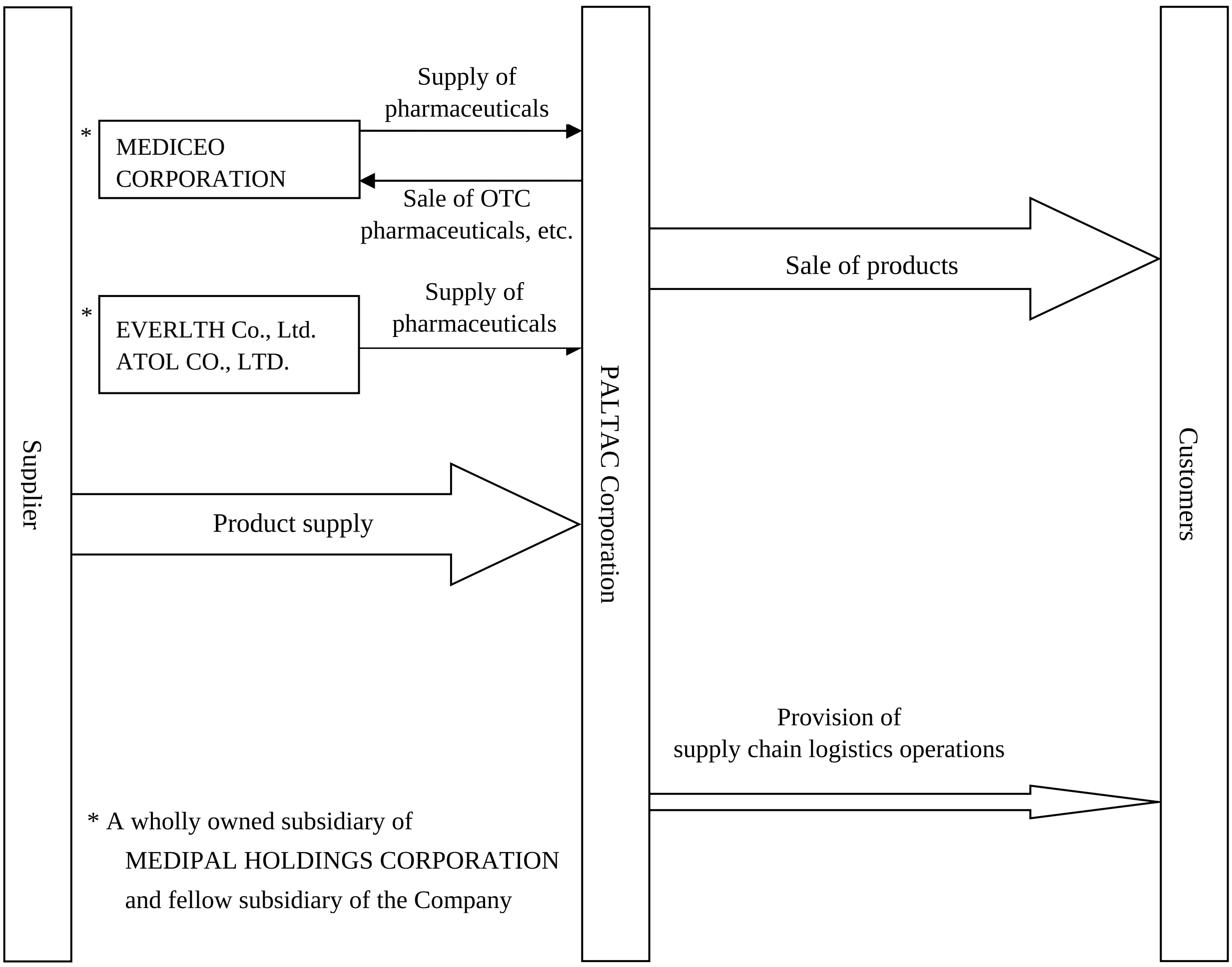
Company name	Transaction details	Transaction amount Fiscal year ended March 31, 2016	Transaction amount Fiscal year ended March 31, 2017	Transaction conditions, etc.
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	12	12	The parent company's whole group is entered together into group insurance, which is managed accordingly, and the Company pays a contribution.
	Receipt of insurance proceeds, etc.	9	10	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.	645	704	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	45	37	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	1	0	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) ATOL CO., LTD.	Purchase of products	6	6	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Trim Co., Ltd.	Payment of insurance premium	229	237	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 other such products 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 safe-and-secure, 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.

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, 2018, the Company set the following targets.

1) Net sales	¥960,000	million
2) Operating income	¥20,500	million
3) Ordinary income	¥23,000	million

(3) Medium- and Long-Term Management Strategy

The Company has formulated a three-year medium-term management plan for fiscal 2016 to fiscal 2018 with the aim of realizing sustained business growth and boosting medium- and long-term corporate value. As an enterprise that operates social infrastructure geared to delivering daily necessities, the Company has established the vision of taking "initiative to be an intermediate distributor essential to society," and to make this a reality is pursuing efforts with respect to the four-fold challenges of: enhancing information systems, boosting productivity further, strengthening functions, and developing human resources.

(4) Issues to Be Addressed

In the business environment surrounding the Company, change is poised to continue at a dizzying pace. In part this involves a shifting social structure marked by trends such as aging of the population and a declining birth rate, along with human resource shortages as the population decreases. This also involves a shifting market structure marked by trends such as intensifying price competition, an accelerating pace of business restructuring in the retail industry that are likely to include initiatives where entities form corporate groups or carry out company integrations, and where firms form 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. As such, the Company will vigorously work to increase its corporate value by dismissing preconceived notions in responding to changes in the business environment and achieving sustained business growth.

The Company recognizes the following issues to be addressed and is pursuing efforts such as a medium-term management plan.

1) Enhancing information systems that help strengthen business functions

The Company aims to better leverage its strengths in handling a full line of cosmetics, daily necessities and OTC pharmaceuticals. To that end, the Company will forge ahead in developing a framework that enables it to enhance its strengths for providing information and proposing varied solutions in the course of pursuing business activities by upgrading and improving its core and other existing systems in response to a society where information is becoming increasingly sophisticated. In addition, the Company will accelerate efforts geared to optimizing and streamlining the entire supply chain through initiatives that include making it possible to visually monitor numerical data with respect to the Company's massive volume of information unparalleled in the industry.

2) Further boosting productivity to withstand changes in the business environment

The Company will endeavor to boost productivity by continually promoting initiatives to overhaul all operations extending from merchandise orders in-house to product delivery. In the Kanto area which is the largest market in Japan, this will involve taking steps to boosting productivity across the entire area by enhancing shipping capacity and through cooperation with existing distribution centers, and then subsequently ensuring that the know-how developed from such efforts is reflected in operations of respective distribution centers throughout Japan. At the same time, the Company will integrate business operations and otherwise overhaul the organizational framework in the course of building a highly efficient operating base that is not susceptible to future changes in the business environment.

3) Strengthening functions performed as an intermediate distributor

The Company will heighten its value in the entire supply chain as an intermediate distributor through initiatives that involve enhancing alliances with retailers and manufacturers and devising effective mechanisms that enable the Company, retailers and manufacturers to ensure profits, while leveraging its marketing and distribution strengths based on safe and secure practices of the Company. Moreover, the Company will develop a framework that enables it to accurately address various needs of retailers and manufacturers such that include realizing earnings and cost improvements, and 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. At the same time, the Company will strengthen its “non-stop logistics” system which is designed to function even during times of natural disaster and other such crises, in its efforts to ensure that the Company, in handling daily necessities, functions as an enterprise with social infrastructure that is essential to retailers, and by extension to its customers.

4) Developing human resources that make sustained growth possible

The Company is well aware that employees are the greatest business resource of an intermediate distributor that does not manufacture goods. As such, the Company will secure personnel who pursue sophisticating and streamlining operations, and to that end the Company will engage in initiatives geared to training the next generation and improving the skills and knowledge of each individual, while also developing a workplace environment where such competent professionals are able to maximize their potential.

5) Strengthening of internal management 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 internal management system, as it aims to establish a robust corporate structure with high productivity.

4. Basic Approach to Selection of Accounting Standards

To ensure the comparability of its financial statement with domestic companies in the same industry, the Company has applied Japanese accounting standards.
With respect to application of International Financial Reporting Standards (IFRS), our policy is to respond appropriately based on consideration of various domestic and overseas circumstances.

5. Non-consolidated Financial Statements and Notes to Non-consolidated Financial Statements

(1) Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	18,082	18,513
Notes receivable-trade	5,605	4,880
Accounts receivable-trade	159,876	165,413
Merchandise and finished goods	39,217	40,351
Advance payments-trade	580	637
Prepaid expenses	385	374
Deferred tax assets	1,125	1,145
Accounts receivable-other	14,495	14,307
Other	1,832	277
Allowance for doubtful accounts	(22)	(77)
Total current assets	241,180	245,825
Non-current assets		
Property, plant and equipment		
Buildings	51,754	55,580
Accumulated depreciation	(16,152)	(17,523)
Buildings, net	35,602	38,057
Structures	4,317	4,190
Accumulated depreciation	(2,717)	(2,761)
Structures, net	1,599	1,428
Machinery and equipment	31,520	31,789
Accumulated depreciation	(20,243)	(22,244)
Machinery and equipment, net	11,277	9,544
Vehicles	1,305	1,297
Accumulated depreciation	(1,229)	(1,236)
Vehicles, net	76	61
Tools, furniture and fixtures	2,263	2,293
Accumulated depreciation	(1,941)	(1,930)
Tools, furniture and fixtures, net	322	363
Land	38,894	42,443
Leased assets	361	359
Accumulated depreciation	(172)	(183)
Leased assets, net	189	176
Construction in progress	–	391
Total property, plant and equipment	87,962	92,466
Intangible assets		
Goodwill	620	482
Software	264	205
Software in progress	99	106
Telephone subscription right	84	84
Other	18	16
Total intangible assets	1,087	895

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Investments and other assets		
Investment securities	19,650	20,674
Shares of subsidiaries and associates	20	20
Investments in capital	3	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	237	0
Long-term prepaid expenses	257	177
Prepaid pension cost	1,178	937
Guarantee deposits	308	253
Other	244	117
Allowance for doubtful accounts	(248)	(5)
Total investments and other assets	21,650	22,176
Total non-current assets	110,700	115,538
Total assets	351,880	361,363
Liabilities		
Current liabilities		
Electronically recorded obligations – operating	5,760	5,651
Accounts payable-trade	121,857	128,501
Short-term loans payable	23,400	3,000
Current portion of long-term loans payable	5,378	8,132
Lease obligations	76	77
Accounts payable-other	15,065	18,232
Accrued expenses	285	294
Income taxes payable	3,672	4,231
Advances received	23	27
Deposits received	109	110
Provision for bonuses	2,029	2,026
Provision for sales returns	216	192
Asset retirement obligations	25	–
Other	192	1,415
Total current liabilities	178,092	171,892
* Non-current liabilities		
Long-term loans payable	12,150	15,444
Lease obligations	126	112
Deferred tax liabilities	3,072	3,406
Provision for retirement benefits	2,036	2,183
Asset retirement obligations	77	75
Long-term deposits received	1,078	1,057
Other	270	270
Total non-current liabilities	18,812	22,549
Total liabilities	196,904	194,442

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
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	2,265	2,161
General reserve	87,244	95,244
Retained earnings brought forward	13,179	16,457
Total retained earnings	103,354	114,528
Treasury shares	(7)	(7)
Total shareholders' equity	147,043	158,217
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,970	8,692
Deferred gains or losses on hedges	(37)	11
Total valuation and translation adjustments	7,932	8,704
Total net assets	154,976	166,921
Total liabilities and net assets	351,880	361,363

(2) Statements of Income

(Millions of Yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales		
Net sales of goods	849,091	911,176
Net sales on other business	11,259	10,918
Total net sales	860,350	922,095
Cost of sales		
Cost of goods sold		
Beginning goods	32,339	39,217
Transfer of goods by merger	2,820	–
Cost of purchased goods	787,452	842,917
Subtotal	822,613	882,134
Ending goods	*1 39,217	*1 40,351
Net	783,395	841,783
Reversal of provision for sales returns	195	216
Provision for sales returns	216	192
Net	20	(23)
Cost of goods sold	783,416	841,759
Cost of sales on other business	9,829	8,987
Total cost of sales	793,245	850,746
Gross profit	67,104	71,348
Selling, general and administrative expenses	*2 51,003	*2 52,218
Operating income	16,101	19,129
Non-operating income		
Dividend income	252	268
Research fee income	1,411	1,646
Real estate rent	224	135
Subsidy income	616	300
Other	330	409
Total non-operating income	2,835	2,760
Non-operating expenses		
Interest expenses	218	194
Rent expenses on real estates	121	45
Loss on cancellation of business consignment	–	54
Other	39	22
Total non-operating expenses	380	317
Ordinary income	18,556	21,573

(Millions of yen)

		Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017
Extraordinary income				
Gain on sales of non-current assets	*3	1	*3	0
Gain on sales of investment securities		87		10
Total extraordinary income		89		10
Extraordinary losses				
Loss on sales of non-current assets		–	*4	0
Loss on retirement of non-current assets	*5	142	*5	64
Impairment loss	*6	1,143	*6	116
Other		4		17
Total extraordinary losses		1,290		197
Income before income taxes		17,355		21,386
Income taxes-current		6,139		6,807
Income taxes-deferred		(713)		(26)
Total income taxes		5,425		6,780
Profit		11,929		14,605

Supplementary Schedules of Cost of Sales

Cost of sales on other business

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	3,014	30.7	2,988	33.2
Packing and shipping costs	4,547	46.2	3,845	42.8
Depreciation and amortization	1,230	12.5	1,256	14.0
Others	1,037	10.6	897	10.0
Total	9,829	100.0	8,987	100.0

(3) Statements of Changes in Equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	15,869	16,597	11,229	27,827	665	2,025	80,244	11,475	94,411
Changes of items during period									
Dividends of surplus								(2,986)	(2,986)
Profit								11,929	11,929
Provision of reserve for advanced depreciation of non-current assets						341		(341)	
Reversal of reserve for advanced depreciation of non-current assets						(102)		102	
Provision of general reserve							7,000	(7,000)	
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	239	7,000	1,703	8,942
Balance at end of current period	15,869	16,597	11,229	27,827	665	2,265	87,244	13,179	103,354

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at beginning of current period	(7)	138,100	5,420	14	5,434	143,535
Changes of items during period						
Dividends of surplus		(2,986)				(2,986)
Profit		11,929				11,929
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	(0)	(0)				(0)
Net changes of items other than shareholders' equity			2,550	(52)	2,497	2,497
Total changes of items during period	(0)	8,942	2,550	(52)	2,497	11,440
Balance at end of current period	(7)	147,043	7,970	(37)	7,932	154,976

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning if current period	15,869	16,597	11,229	27,827	665	2,265	87,244	13,179	103,354
Changes of items during period									
Dividends of surplus								(3,431)	(3,431)
Profit								14,605	14,605
Provision of reserve for advanced depreciation of non-current assets									
Reversal of reserve for advanced depreciation of non-current assets						(104)		104	
Provision of general reserve							8,000	(8,000)	
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	(104)	8,000	3,278	11,174
Balance at end of current period	15,869	16,597	11,229	27,827	665	2,161	95,244	16,457	114,528

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at beginning of current period	(7)	147,043	7,970	(37)	7,932	154,976
Changes of items during period						
Dividend of surplus		(3,431)				(3,431)
Profit		14,605				14,605
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	(0)	(0)				(0)
Net changes of items other than shareholders' equity			722	49	771	771
Total changes of items during period	(0)	11,173	722	49	771	11,945
Balance at end of current period	(7)	158,217	8,692	11	8,704	166,921

(4) Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	17,355	21,386
Depreciation and amortization	4,985	4,931
Impairment loss	1,143	116
Increase (decrease) in allowance for doubtful accounts	(1)	(188)
Increase (decrease) in provision for bonuses	31	(2)
Increase (decrease) in provision for sales returns	20	(23)
Increase (decrease) in provision for retirement benefits	286	388
Interest and dividend income	(252)	(268)
Interest expenses	218	194
Loss (gain) on sales of investment securities	(82)	2
Decrease (increase) in notes and accounts receivable-trade	(9,694)	(4,812)
Decrease (increase) in inventories	(4,056)	(1,134)
Increase (decrease) in notes and accounts payable-trade	5,341	6,477
Decrease (increase) in consumption taxes refund receivable	(1,532)	1,580
Increase (decrease) in accrued consumption taxes	(2,686)	1,215
Other, net	428	1,259
Subtotal	11,505	31,123
Interest and dividend income received	252	268
Interest expenses paid	(218)	(194)
Income taxes paid	(6,313)	(6,476)
Net cash provided by (used in) operating activities	5,226	24,721
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,556)	(6,658)
Proceeds from sales of property, plant and equipment	198	411
Purchase of intangible assets	(90)	(114)
Purchase of investment securities	(151)	(146)
Proceeds from sales of investment securities	187	160
Payments for merger	(4,040)	—
Other, net	125	(65)
Net cash provided by (used in) investing activities	(19,327)	(6,413)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,000	20,400
Proceeds from long-term loans payable	14,500	14,000
Repayments of long-term loans payable	(6,754)	(7,952)
Repayments of lease obligations	(82)	(91)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(2,987)	(3,433)
Net cash provided by (used in) financing activities	10,675	(17,876)
Net increase (decrease) in cash and cash equivalents	(3,425)	431
Cash and cash equivalents at beginning of period	21,507	18,082
Cash and cash equivalents at end of period	* 18,082	* 18,513

(5) Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Significant accounting policies)

1. Valuation standards and methods for securities
   (1) Stock of subsidiaries and affiliates
   Stated at cost using the moving-average method.
   (2) Available-for-sale securities
   Securities with available fair market values:
   Stated at fair value based on the market price or the like at the balance sheet date (valuation difference is reported in a separate component of net assets, and cost of securities sold is determined based on the moving-average method).
   Securities without available fair market values:
   Stated at cost using the moving-average method.

2. Valuation standards and methods of derivatives
   Stated at fair value.

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

4. Depreciation and amortization of non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   Depreciated using the declining-balance method. (Buildings (excluding building attachments) acquired on or after April 1, 1998 and Building attachments and Structures acquired on or after April 1, 2016 are depreciated using the straight-line method.)
   The estimated useful lives of major items are as follows.

Buildings:	8 to 50 years
Machinery and equipment:	8 to 12 years

   (2) Intangible assets (excluding leased assets)
   Amortized using the straight-line method.
   Software for internal use is amortized using the straight-line method over the internally expected useful life (5 years).
   (3) Leased assets
   Leased assets in finance lease transactions that do not transfer ownership
   Depreciated using the straight-line method assuming that lease periods are useful lives and residual values are zero.
   (4) Long-term prepaid expenses
   Amortized in equal portions.

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

(2) Provision for bonuses

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

(3) Provision for sales returns

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

(4) Provision for retirement benefits

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

1) Periodic allocation methodology for the expected retirement benefit payments

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

2) Amortization of net actual gains/losses

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

6. Method of hedge accounting

(1) Method of hedge accounting

Accounted for with deferred hedge accounting.

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

(2) Hedging instruments and hedged items

Hedging instruments:	Derivative transactions (forward exchange contracts)
Hedged items:	Payables denominated in foreign currencies and forecasted foreign currency transactions

(3) Hedging policy

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

(4) Method of assessing hedge effectiveness

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

7. Amortization of goodwill

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

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

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

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

Accounting for consumption taxes

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

(Changes in accounting policies)

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Effective from the fiscal under review, the Company has applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016"(PTIF No.32, June 17, 2016) in relation to a change in the Corporation Tax Act. Under this application, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has changed from the declining balance method to the straight line method. The effect of this change on the profit and loss for the fiscal year under review is immaterial.

(Changes in presentation)

Change in presentation regarding statements of income

“Depreciation of inactive non-current assets” which was separately listed under “Non-operating expenses ” in the previous fiscal year, is included in “Other ,net” under “Non-operating expenses” 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, ¥0 million in “Depreciation of inactive non-current assets” under “Non-operating expenses” in the previous fiscal year, has been reclassified in “Other, net.”

(Supplementary information)

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year under review, the Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets"(ASBJ Guidance No.26, March 28, 2016).

(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, 2016	Fiscal year ended March 31, 2017
(0) million yen	－ million yen

*2 The approximate percentages of selling expenses were 31.4% in the fiscal year ended March 31, 2016, and 30.8% in the fiscal year ended March 31, 2017. The approximate percentages of general and administrative expenses were 68.6% and 69.2%, respectively.
Major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Distribution expenses	10,430 million yen	10,172 million yen
Provision of allowance for doubtful accounts	1	23
Depreciation and amortization	3,728	3,650
Salaries and allowances	17,162	17,080
Provision for bonuses	2,029	2,026
Retirement benefit expenses	1,603	1,703

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

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Buildings	– million yen	0 million yen
Vehicles	1	－
Total	1	0

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

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Land	– million yen	0 million yen
Total	–	0

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

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Buildings	20 million yen	11 million yen
Structures	17	0
Machinery and equipment	77	7
Vehicles	0	0
Tools, furniture and fixtures	2	1
Leased assets (tangible)	–	9
Software	3	0
Long-term prepaid expenses	1	0
Demolition or removal expenses	19	33
Total	142	64

*6 Impairment loss

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

Fiscal year ended March 31, 2016 (Millions of yen)

Location	Use	Type	Impairment loss
Tatebayashi-shi, Gunma Pref.	Business assets	Land, etc.	972
Miyoshi-shi, Aichi Pref.	Lease assets	Land and Buildings	87
Kasukabe-shi, Saitama Pref.	Idle assets	Land and Buildings, etc.	84

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

Of the assets held by the Company, for those for which profit and loss from business activities has continuously been negative and those that 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 (¥1,143 million) under extraordinary losses. The breakdown of the assets is ¥28 million in buildings, ¥1,068 million in land and ¥46 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, 2017 (Millions of yen)

Location	Use	Type	Impairment loss
Zama-shi, Kanagawa Pref.	Business assets	Structures	82
Kasukabe-shi, Saitama Pref.	Idle assets	Land	26
Chuo-ku, Tokyo.	Business assets	Buildings, etc.	6
Ichikawa-shi, Chiba Pref.	Business assets	Tools, furniture and fixtures	0
Kadoma-shi, Osaka.	Business assets	Tools, furniture and fixtures	0

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

Of the assets held by the Company, for those for which profit and loss from business activities has continuously been negative and those that 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 (¥116 million) under extraordinary losses. The breakdown of the assets is ¥5 million in buildings, ¥82 million in structure, ¥2 million in tools, furniture and fixtures and ¥26 million in land.

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

(Statements of changes in equity)

Fiscal year ended March 31, 2016

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

	As of April 1, 2015	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2016
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock (Note)	5,758	100	–	5,858
Total	5,758	100	–	5,858

Note: The 100 increase in the number of treasury shares is the result of a buyback of shares less than one unit.

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

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 12, 2015	Common stock	1,461	23	March 31, 2015	June 5, 2015
Board of Directors meeting held on October 29, 2015	Common stock	1,525	24	September 30, 2015	December 1, 2015

(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, 2016	Common stock	1,652	Retained earnings	26	March 31, 2016	June 6, 2016

Fiscal year ended March 31, 2017

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

	As of April 1, 2016	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2017
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock	5,858	100	–	5,958
Total	5,858	100	–	5,958

Note: The 100 increase in the number of treasury shares is the result of a buyback of shares less than one unit.

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

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 12, 2016	Common stock	1,652	26	March 31, 2016	June 6, 2016
Board of Directors meeting held on October 28, 2016	Common stock	1,779	28	September 30, 2016	December 2, 2016

(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, 2017	Common stock	1,779	Retained earnings	28	March 31, 2017	June 2, 2017

(Statements of cash flows)

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

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash and deposits	18, 082 million yen	18,513 million yen
Time deposits with a deposit period of over three months	–	–
Cash and cash equivalents	18,082	18,513

(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, 2016	As of March 31, 2017
Within one year	171	168
Over one year	319	256
Total	490	425

(Financial instruments)

1. Matters relating to status of financial instruments

(1) Policy for handling financial instruments

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

(2) Details of financial instruments and associated risks

Notes receivable - trade, accounts receivable - trade and accounts receivable - other that are operating receivables are subject to credit risk from customers.
Shares that are investment securities are subject to market price fluctuation risk.
Electronically recorded obligations - operating, accounts payable - trade and accounts payable - other that are operating payables have payment dates due within one year.
Short-term loans payable primarily consist of procurement of funds related to business transactions.
Long-term loans payable are primarily for procurement of necessary funds for capital investment. Their repayment dates are within five years of the balance sheet date.
Derivative transactions are forward exchange contracts to hedge against foreign exchange fluctuation risks from operating payables denominated in foreign currencies.
For hedging instruments and hedged items, hedging policy, method of assessing hedge effectiveness and other aspects of hedge accounting, please refer to “6. Method of hedge accounting” in “Significant accounting policies” on a previous page of this report.

(3) Management system for risks associated with financial instruments

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

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

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

For investment securities, the Company regularly ascertains information such as fair values and the financial conditions of issuers (business partner companies, etc.), and regularly reviews its securities holdings in light of its relationships with business partner companies, etc.
The Company executes derivative transactions in accordance with its “Rules on Operational Authority.” Transactions executed are limited to foreign currency-denominated monetary payables handled by the Overseas Business Division. Every month the Company receives notification from financial institutions regarding the balance of derivative transactions executed and confirms the data by matching them with a list of actual results. In addition, the Audit Department at the Company conducts audits of the execution and management of these transactions.

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

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

(4) Supplementary explanation regarding fair values of financial instruments

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

2. Matters relating to fair values of financial instruments

Amounts on balance sheet, fair values, and differences between them are as follows. Financial instruments whose fair values are deemed to be extremely difficult to determine are not included in the following table. (Refer to Note 2.)

As of March 31, 2016 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			–
(1) Cash and deposits	18,082	18,082	–
(2) Notes receivable - trade	5,605	5,605	–
(3) Accounts receivable - trade	159,876	159,876	–
(4) Accounts receivable - other	14,495	14,495	–
(5) Investment securities	18,932	18,932	–
Total assets	216,993	216,993	–
Liabilities			–
(1) Electronically recorded obligations - operating	5,760	5,760	–
(2) Accounts payable - trade	121,857	121,857	–
(3) Short-term loans payable	23,400	23,400	–
(4) Current portion of long-term loans payable	5,378	5,432	54
(5) Accounts payable - other	15,065	15,065	–
(6) Long-term loans payable	12,150	12,081	(68)
Total liabilities	183,612	183,598	(13)
Derivative transactions (*)	(54)	(54)	–

(*) 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, 2017 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
(1) Cash and deposits	18,513	18,513	–
(2) Notes receivable - trade	4,880	4,880	–
(3) Accounts receivable – trade	165,413	165,413	–
(4) Accounts receivable – other	14,307	14,307	–
(5) Investment securities	19,957	19,957	–
Total assets	223,073	223,073	–
(1) Electronically recorded obligations - operating	5,651	5,651	–
(2) Accounts payable – trade	128,501	128,501	–
(3) Short-term loans payable	3,000	3,000	–
(4) Current portion of long-term loans payable	8,132	8,179	47
(5) Accounts payable - other	18,232	18,232	–
(6) Long-term loans payable	15,444	15,335	(108)
Total liabilities	178,960	178,899	(61)
Derivative transactions (*)	16	16	–

(*) 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, 2016	As of March 31, 2017
Unlisted shares (*1)	717	717
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, 2016 (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	18,082	–	–	–
Notes receivable-trade	5,605	–	–	–
Accounts receivable-trade	159,876	–	–	–
Accounts receivable-other	14,495	–	–	–
Total	198,060	–	–	–

As of March 31, 2017 (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	18,513	–	–	–
Notes receivable-trade	4,880	–	–	–
Accounts receivable-trade	165,413	–	–	–
Accounts receivable-other	14,307	–	–	–
Total	203,116	–	–	–

4. Maturity analysis for loans

As of March 31, 2016 (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	23,400	–	–	–	–	–
Current portion of long-term loans payable	5,378	–	–	–	–	–
Long-term loans payable	–	4,700	3,400	3,050	1,000	–
Total	28,778	4,700	3,400	3,050	1,000	–

As of March 31, 2017 (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	3,000	–	–	–	–	–
Current portion of long-term loans payable	8,132	–	–	–	–	–
Long-term loans payable	–	6,832	5,502	3,110	–	–
Total	11,132	6,832	5,502	3,110	–	–

(Securities)

1. Shares of subsidiaries and affiliates
   Shares of subsidiaries (amounts on balance sheets: ¥20 million in the fiscal year ended March 31, 2017 and ¥20 million in the fiscal year ended March 31, 2016) 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, 2016 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	18,478	6,938	11,540
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	18,478	6,938	11,540
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	453	507	(53)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	453	507	(53)
Total		18,932	7,446	11,486

Note: Unlisted stocks (amount on balance sheet: ¥717 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, 2017 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	19,939	7,411	12,527
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	19,939	7,411	12,527
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	17	17	(0)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	17	17	(0)
Total		19,957	7,429	12,527

Note: Unlisted stocks (amount on balance sheet: ¥717 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, 2016 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	187	87	4
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	187	87	4

Fiscal year ended March 31, 2017 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	160	10	13
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	160	10	13

(Derivative transactions)

1. Derivative transactions not qualifying for hedge accounting
   Not applicable.

2. Derivative transactions qualifying for hedge accounting
   Currency-related transactions

As of March 31, 2016 (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	1,106	–	(54)
Total			1,106	–	(54)

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, 2017 (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	1,151	–	16
Total			1,151	–	16

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. Tokyo Pharmaceutical Welfare Pension Fund Association has received an approval for exemption from payments of benefits to future employee services with respect to the substitutional portion of the employees' pension fund from the Minister of Health, Labour and Welfare on January 1, 2017.

2. Defined benefit plans

(1) Overall funding position of plans

	(As of March 31, 2015)	(As of March 31, 2016)
(Tokyo Pharmaceutical Welfare Pension Fund Association)		
Fair value of plan assets	571,380 million yen	531,916 million yen
Total Amount of actuarial liabilities and minimum actuarial reserve (Note)	561,736	538,160
Net balance	9,644	(6,243)

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

	(As of March 31, 2015)	(As of March 31, 2016)
(Tokyo Pharmaceutical Welfare Pension Fund Association)	4.0%	4.9%

(3) Supplementary explanation

(As of March 31, 2015)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥40,107 million and surplus in the fiscal year ended March 31, 2015 of ¥49,751 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 7 years and 0 month

(As of March 31, 2016)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥34,540 million and surplus in the fiscal year ended March 31, 2016 of ¥28,296 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 6 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, 2015)	(Fiscal year ended March 31, 2016)
Retirement benefit obligation at beginning of period	5,632 million yen	6,446 million yen
Service costs	445	499
Interest expenses	61	12
Actuarial differences	548	(21)
Retirement benefits paid	(242)	(307)
Retirement benefit obligation at end of period	6,446	6,628

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

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
Plan assets at beginning of period	4,176	million yen	4,238	million yen
Expected return on plan assets	45		8	
Actuarial differences	(101)		81	
Contribution by employer	265		267	
Retirement benefits paid	(147)		(167)	
Plan assets at end of period	4,238		4,429	

(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, 2016		As of March 31, 2017	
Retirement benefit obligation from funded plans	3,852	million yen	3,947	million yen
Fair value of plan assets	(4,238)		(4,429)	
Net balance	(386)		(481)	
Retirement benefit obligation on non-funded plans	2,594		2,681	
Unfunded retirement benefit obligation	2,207		2,199	
Unrecognized actuarial differences	(1,349)		(953)	
Net amount of liability and asset recorded in balance sheet	857		1,246	
Provision for retirement benefits	2,036		2,183	
Prepaid pension	(1,178)		(937)	
Net amount of liability and asset recorded in balance sheet	857		1,246	

(7) Retirement benefit expenses and amounts of components

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
Service costs	445	million yen	499	million yen
Interest expenses	61		12	
Expected return on plan assets	(45)		(8)	
Amortization of actuarial differences	185		292	
Other	832		781	
Retirement benefit expenses on defined benefit plans	1,479		1,577	

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 ¥687 million for the previous fiscal year and ¥610 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, 2016)	(As of March 31, 2017)
Bonds	54 %	56 %
Stocks	26	25
Life insurance company general accounts	11	11
Other	9	8
Total	100	100

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

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

(9) Calculation basis for actuarial differences

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

	(As of March 31, 2016)	(As of March 31, 2017)
Discount rate:	0.2 %	0.2 %
Long-term expected rate of return on plan assets	1.1 %	0.2 %

3. Defined contribution plan

The Company’s required contribution amount for its defined contribution plan is ¥161 million of previous fiscal year and ¥162 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, 2016	As of March 31, 2017
Differed tax assets:		
Accrued enterprise tax	254	236
Provision for bonuses	625	624
Allowance for doubtful accounts	83	25
Accrued expenses	213	264
Provision for retirement benefits	623	668
Loss on valuation on investment securities	179	389
Accrued directors' retirement benefits	82	82
Impairment loss	354	299
Taxable assets adjustment	232	180
Other	86	61
Total deferred tax assets	2,735	2,834
deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	(999)	(953)
Valuation difference on available-for-sale securities	(3,303)	(3,832)
Prepaid pension cost	(362)	(287)
Removal expenses related to asset retirement obligations	(7)	(6)
Others	(9)	(14)
Total deferred tax liabilities	(4,682)	(5,094)
Net deferred tax assets	(1,946)	(2,260)

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

(%)

	As of March 31, 2016	As of March 31, 2017
Statutory tax rate	33.0	30.8
(Adjustments)		
Non-deductible items such as entertainment expense	0.7	0.5
Inhabitant taxes per capital	0.6	0.5
Increase (decrease) in valuation allowance	(2.1)	—
Effect of revised corporate tax rate	0.4	—
Other	(1.3)	(0.1)
Effective tax rate	31.3	31.7

(Equity methods)

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Not applicable.

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Not applicable.

(Asset retirement obligations)

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
No significant items to be reported.

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
No significant items to be reported.

(Estate leases)

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
No significant items to be reported.

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
No significant items to be reported.

(Segment information)

a. Segment Information

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
"Information on "a. Segment Information" was omitted since the Company's reportable segment is single segment of the "wholesale business".

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
"Information on "a. Segment Information" was omitted since the Company's reportable segment is single segment of the "wholesale business".

b. Related information

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

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

2. Information by geographic area
(1) Sales
Sales information by geographic segment was omitted since sales in Japan accounted for over 90% of operating revenue on the non-consolidated statement of income.

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

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

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

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

2. Information by geographic area
(1) Sales
Sales information by geographic segment was omitted since sales in Japan accounted for over 90% of operating revenue on the non-consolidated statement of income.

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

3. Information by major clients

(Millions of yen)

Name of Major client	Net sales
Matsumoto Kiyoshi Holdings Co., Ltd	92,242

Note: Information on "Related segmentation" was omitted since the Company's reportable segment is single segment of the "wholesale business".

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

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Information regarding impairment loss on non-current assets by reporting segment was omitted since the Company's reportable segment is single segment of the "wholesale business".

Fiscal Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Information regarding impairment loss on non-current assets by reporting segment was omitted since the Company's reportable segment is single segment of the "wholesale business".

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

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Information on amortization and outstanding balance of goodwill by reporting segment was omitted since the Company's reportable segment is single segment of the "wholesale business".

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Information on amortization and outstanding balance of goodwill by reporting segment was omitted since the Company's reportable segment is single segment of the "wholesale business".

e. Information regarding gain on negative goodwill by reporting segment

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Not applicable.

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Not applicable.

(Related-party transactions)

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

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, 2017 (From April 1, 2016 to March 31, 2017)

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, 2016	Fiscal year ended March 31, 2017
Net assets per share	2,438.74	2,626.72
Earnings per share	187.73	229.84

Notes: Diluted earnings per share is not presented because there is no dilutive shares.

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	11,929	14,605
Amount not attributable to common stock	–	–
Profit attributable to common stock	11,929	14,605
Average number of shares during the period (thousands of shares)	63,547	63,547

(Significant subsequent event)

Not applicable.

6. Other

(1) Directors Changes

Please see "Notification concerning Changes of organization and directors, officers, etc." announced on February 8, 2017.

(2) Sales Status

(Sales results)

1) Sales results for the fiscal year ended March 31, 2017 by product category are as follows:

Product classification	Fiscal year ended March 31, 2017	Year-on-year change (%)
	Amount (Millions of yen)	
Cosmetics	237,685	109.5
Daily necessities	394,913	107.9
OTC pharmaceuticals	132,589	103.9
Health and sanitary related products	143,764	105.1
Others	13,141	100.9
Total sales	922,095	107.2

Notes: Above figures are exclusive of consumption taxes.

2) Sales results for the fiscal year ended March 31, 2017 by customer category are as follows:

Customer category		Fiscal year ended March 31, 2017	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	576,085	109.5
HC	Home centers (DIY stores)	88,846	100.8
CVS	Convenience stores	69,082	113.6
SM	Supermarkets	56,821	102.5
DS	Discount stores	53,161	109.7
GMS	General merchandising stores	42,730	88.5
Others	Export and others	35,365	107.6
Total sales		922,095	107.2

Notes: Above figures are exclusive of consumption taxes.