Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 <under Japanese GAAP>

May 8, 2018

Company name: PALTAC CORPORATION
(URL: http://www.paltac.co.jp/)
Listing: Tokyo Stock Exchange (Code number: 8283)
Representative: Representative Director, President
Kunio Ninomiya
Contact: Managing Executive Officer, General Manager of Management Planning Division
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Scheduled date to hold annual general meeting of shareholders: June 22, 2018
Scheduled date to commence dividend payments: June 1, 2018
Scheduled date to submit the Securities Report: June 22, 2018
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, 2018 (From April 1, 2017 to March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2018	966,684	4.8	23,006	20.3	25,498	18.2	17,453	19.5
March 31, 2017	922,095	7.2	19,129	18.8	21,573	16.3	14,605	22.4

	Earnings per share	Diluted earnings per share	Earnings on equity	Ordinary profit on total assets	Operating profit on net sales
Fiscal year ended	(¥)	(¥)	%	%	%
March 31, 2018	274.65	–	10.0	6.8	2.4
March 31, 2017	229.84	–	9.1	6.0	2.1

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2018 ¥– million
Fiscal year ended March 31, 2017 ¥– million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2018	388,629	183,435	47.2	2,886.59
March 31, 2017	361,363	166,921	46.2	2,626.72

Reference: Equity: As of March 31, 2018: ¥183,435 million As of March 31, 2017: ¥166,921 million

(3) Cash Flow Status

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	(¥ million)	(¥ million)	(¥ million)	(¥ million)
March 31, 2018	24,107	(15,830)	(5,142)	21,648
March 31, 2017	24,721	(6,413)	(17,876)	18,513

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, 2017	–	28.00	–	28.00	56.00	3,558	24.4	2.2
Fiscal year ended March 31, 2018	–	31.00	–	33.00	64.00	4,067	23.3	2.3
Fiscal year ending March 31, 2019 (Forecasts)	–	33.00	–	33.00	66.00		22.7	

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Frist six months	512,000	3.5	12,800	2.8	14,000	2.6	9,500	1.5	149.49
Fiscal year	1,000,000	3.4	24,500	6.5	27,500	7.8	18,500	6.0	291.12

Effective from the fiscal year ending March 2019, the Company has changed its accounting policy of the depreciation method for property, plant and equipment. The above forecasts reflect this change. For more information, please refer to the section “1 Summary of Operating Results etc. (1) Analysis of Operating Results” on page 2 of the attached material to this financial results report.

* Notes

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

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

(2) Number of Issued Shares (common stock)

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

As of March 31, 2018	63,553,485 shares
As of March 31, 2017	63,553,485 shares

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

As of March 31, 2018	6,158 shares
As of March 31, 2017	5,958 shares

3) Average number of shares during the period

For the fiscal year ended March 31, 2018	63,547,439 shares
For the fiscal year ended March 31, 2017	63,547,594 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, 2019)" 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, 2018)

In the fiscal year under review, the Japanese economy continued to follow a moderate recovery track, on the back of continuous improvements in the income environment and 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 and also increased inbound demand.

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 final 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 focused 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 strove to increase corporate value through sustained business growth. As a result, the Company achieved the targets of its medium-term management plan, which were revised upward, and the Company's net sales and profits were at their highest levels since the Company's founding.

Furthermore, the Company established "FDC Hiroshima" (located in Saeki-ku, Hiroshima) for the purpose of improving logistics efficiency in the Chugoku area and started dispatches in May 2017. The Company also completed the expansion of "RDC Okinawa" (located in Uruma-shi, Okinawa), aiming to enhance shipping capacity, and started dispatches in November 2017. Regarding the replacement of "RDC Niigata" (located in Mitsuke-shi, Niigata), which is planned to start dispatches in August 2018, the Company, keenly aware of the labor shortage caused by a decrease in working population, is moving forward with capital investment to strengthen the operating base for the purpose of operating a new logistics model that will enable distributive processing to be performed by fewer people.

As a result of the above, net sales for the fiscal year under review were ¥966,684 million (up 4.8% year on year), operating profit was ¥23,006 million (up 20.3%), ordinary profit was ¥25,498 million (up 18.2%), and profit was ¥17,453 million (up 19.5%).

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

(Outlook for the fiscal year ending March 31, 2019)

Looking ahead to the next fiscal year, although uncertainties in overseas economies and the impact of fluctuations in financial and capital markets need to be kept in mind, the Company expects 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. At the same time, in the logistics industry that the Company operates in and other industries such as the transportation industry, labor shortages caused by a decrease in the working population are expected to become even more severe.

Considering such circumstances, the Company has formulated a three-year medium-term management plan for the fiscal year ending March, 2019 to the fiscal year ending March, 2021. The underlying vision of this plan is "One trillion yen Link with the future: The logistics innovation through aggressive investment." By re-investing the profit gained through the Company's operations into, for example, logistics centers, and as an enterprise that operates social infrastructure geared to delivering daily necessities, the Company will continue to increase shipment capacity and further increase logistics efficiency, and strive for reinforcement of the operating base that contributes to sustained business growth. Amidst these efforts, the Company will respond to the labor shortages caused by a decrease in the working population by integrating the latest technology, including AI and robot technology, with the Company's logistics know-how, and by striving for the practical application of the new logistics model that will significantly improve productivity.

In the next fiscal year, as the first step toward implementing the new logistics model, the Company will steadily carry out the replacement of "RDC Niigata" (located in Mitsuke-shi, Niigata), and strive to accumulate useful know-how. Also, to increase shipment capacity and improve productivity in the Kanto area, the Company is planning to expand the facilities of "RDC Yokohama" (located in Zama-shi, Kanagawa).

In light of the above, for the next fiscal year, the Company forecasts net sales of ¥1,000,000 million (up 3.4% year on year), operating profit of ¥24,500 million (up 6.5%), ordinary profit of ¥27,500 million (up 7.8%), and profit of ¥18,500 million (up 6.0%).
Previously, the Company has used the declining balance method for depreciating property, plant and equipment. However, from the fiscal year ended March 31, 2019, this has been changed to the straight line method.
As a result of this change, the depreciation and amortization for the fiscal year ended March 31, 2019, is expected to decrease approx. ¥800 million compared to when the previous method was used. As such, the aforementioned forecast has been calculated incorporating said change.

(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.

(2) Analysis of Financial Position

(1) Assets, liabilities and net assets

(Assets)

Current assets increased by ¥15,953 million from the end of the previous fiscal year. This was primarily the result of increases in Cash and deposits of ¥3,134 million, in accounts receivable-trade of ¥9,012 million and in merchandise and finished goods of ¥3,546 million.

Non-current assets increased by ¥11,312 million from the end of the previous fiscal year. This was primarily the result of increases in land of ¥3,255 million, in construction in progress of ¥3,350 and in investment securities of ¥4,254 million.

As a result, total assets were ¥388,629 million, an increase of ¥27,265 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities increased by ¥15,455 million from the end of the previous fiscal year. This was primarily the result of increases in accounts payable- trade of ¥12,026 and in short-term loans payable of ¥6,000 million and decreases in current portion of long-term loans payable of ¥1,092 million and in accounts payable-other of ¥1,580 million.

Non-current liabilities decreased by ¥4,703 million from the end of the previous fiscal year. This was primarily the result of a decrease in long-term loans payable of ¥6,196 million and an increase in deferred tax liabilities of ¥1,365million.

As a result, total liabilities were ¥205,194 million, an increase of ¥10,752 million from the end of the previous fiscal year.

(Net assets)

Net assets increased by ¥16,513 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings of ¥13,703 and in total valuation and translation adjustments of ¥2,810 million.

As a result, total net assets were ¥183,435 million.

(2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the fiscal year under review were ¥21,648 million, an increase of ¥3,134 million from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥24,107 million (down ¥613 million year on year). Main factors were ¥25,131 million of income before income taxes, ¥4,830 million of depreciation and amortization, ¥9,027 million of increase in notes and accounts receivable-trade, ¥3,546 million of increase in inventories, ¥12,628 million of increase in notes and accounts payable-trade and ¥7,082 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥15,830 million (up ¥9,417 million year on year). Main factor was ¥16,243 million of purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥5,142 million (down ¥12,734 million year on year). Main factors were ¥6,000 million of net increase in short-term loans payable, ¥1,000 million of proceeds from long-term loans payable, ¥8,288 million of repayments of long-term loans payable and ¥3,749 million of cash dividends paid.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Equity ratio (%)	40.7	45.1	44.0	46.2	47.2
Market value-based equity ratio (%)	23.0	33.7	36.0	54.5	93.2
Interest-bearing debt to cash flow ratio (years)	12.2	1.2	8.0	1.1	1.1
Interest coverage ratio (times)	12.8	109.6	23.9	127.2	171.8

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, 2018 and the Fiscal Year Ending March 31, 2019

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 ¥33 per share. As a result, including the interim dividend of ¥31 per share already paid, the planned annual dividend has also been increased by ¥8 to ¥64 per share.

For the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥66 per share, comprised of an interim dividend of ¥33 and a year-end dividend of ¥33 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, 2018.

(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. Profit also tends to decline in that quarter reflecting the impact of the fluctuation in net sales.

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

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

An overview of results by quarter in the fiscal year ended March 31, 2018, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2018				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales [Composition %]	242,836 [25.1]	252,001 [26.1]	243,552 [25.2]	228,293 [23.6]	966,684 [100.0]
Operating profit [Composition %]	5,882 [25.6]	6,568 [28.5]	6,375 [27.7]	4,180 [18.2]	23,006 [100.0]
Ordinary profit [Composition %]	6,505 [25.5]	7,139 [28.0]	6,992 [27.4]	4,860 [19.1]	25,498 [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 seismic isolation devices and a private electric generator. In addition, the Company regularly implements Dual-Center system to various servers, backs up data 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, 2018, is as follows.

1) Capital relationships

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

2) Personal relationships

[Interlocking directorate]

Kunio Ninomiya, Representative Director, President 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.

3) Business relationships

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

(Millions of yen)

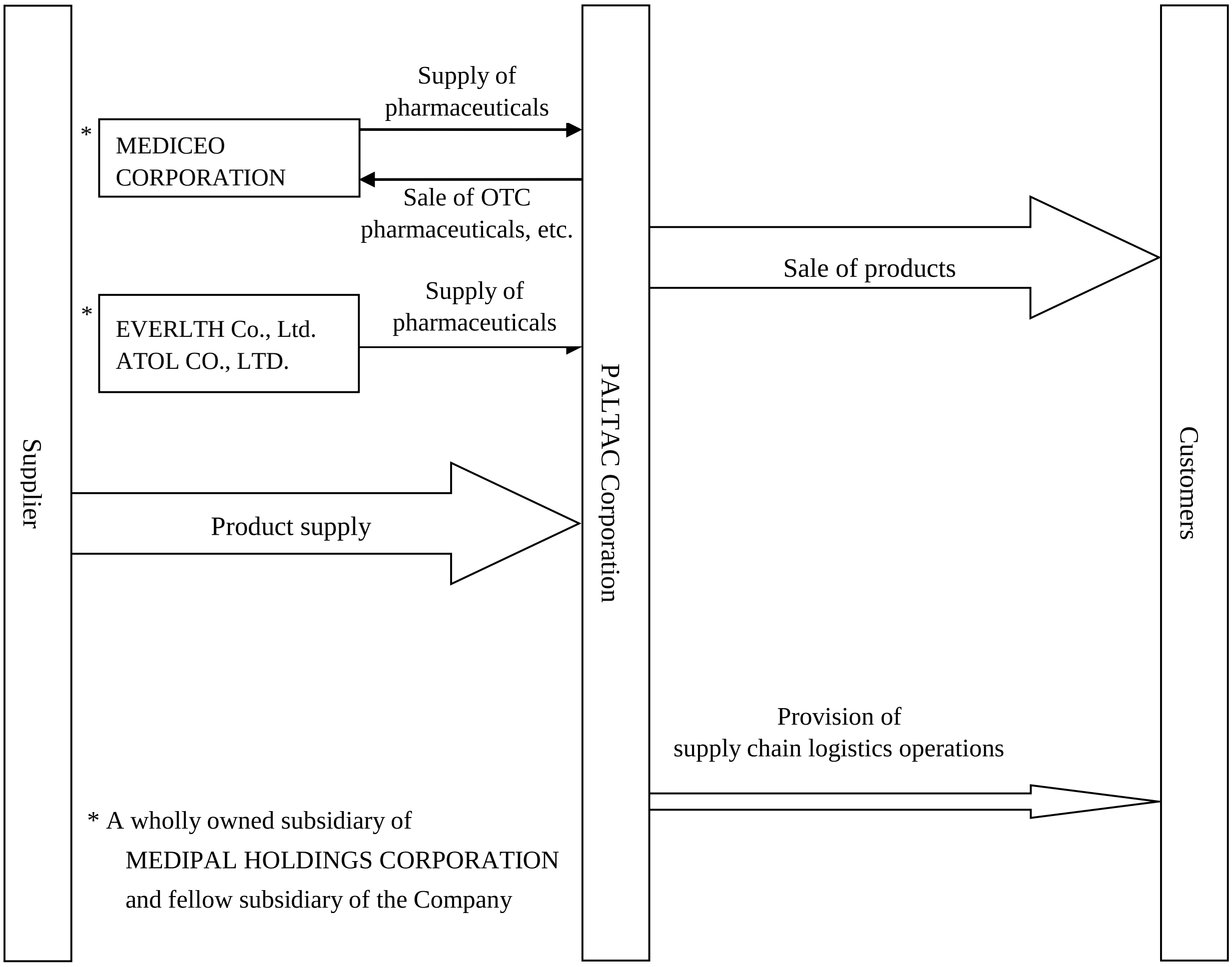
Company name	Transaction details	Transaction amount Fiscal year ended March 31, 2017	Transaction amount Fiscal year ended March 31, 2018	Transaction conditions, etc.
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	12	12	The parent company's whole group is entered together into group insurance, which is managed accordingly, and the Company pays a contribution.
	Receipt of insurance proceeds, etc.	10	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.	704	513	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	37	32	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	0	0	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) ATOL CO., LTD.	Purchase of products	6	5	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Trim Co., Ltd.	Payment of insurance premium	237	279	Carried out as the Company's insurance agent under the same transaction conditions as with a third party.

Note: The above figures do not include consumption taxes.

2. Status of Group

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

The Group's operational chart is as follows.



3. Management Policy

(1) The Company's Basic Management Policy

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

(2) Targeted Management Benchmarks

The Company attaches great importance on net sales, operating profit and ordinary profit, which show the results of its business operations and on SG&A expenses ratio indicates its productivity. For the fiscal year ending March 31, 2019, the Company set the following targets.

1) Net sales	¥1,000 billion
2) Operating profit	¥24,500 million
3) Ordinary profit	¥27,500 million
4) SG&A expenses ratio	5.4%

(3) Medium- and Long-Term Management Strategy

(Numerical Targets)

(¥ billion)	Fiscal year ended March 31, 2018 Results	Fiscal year ending March 31, 2021 Targets
Net sales	966.6	1,070.0
Operating profit	23.0	27.5
Ordinary profit	25.4	30.0
SG&A expenses ratio	5.49%	5.19%

The Company has formulated a three-year medium-term management plan for fiscal 2019 to fiscal 2021. In view of the circumstances in deepening labor shortage due to working population decline, the role and mission of the Company, which is located in the middle of the supply chain, including the stages of production, distribution and retail, are becoming increasingly important. Under these circumstances, the Company has established the vision of taking “1 trillion yen, Link with the future The logistics innovation through aggressive investment”, and to make this a reality is pursuing efforts with respect to the four-fold challenges of: “Re-investment of the profit”, “Establishment of a breakthrough logistics model”, “High-quality and high-productivity”, and “Developing talent and organization”. The Company will undertake a variety of efforts, aiming to optimize and streamline the entire supply chain. By carrying out these initiatives, the Company will strive to increase corporate value through sustained business growth.

(4) Issues to Be Addressed

The Company will vigorously work to increase its corporate value by dismissing preconceived notions in responding to the dizzying changes in the business environment and achieving sustained business growth.
In particular, labor shortages caused by a decrease in the working population are expected to become even more severe. 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 Company, which is located in the middle of the supply chain, are becoming increasingly important.

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

1) Re-investment of the Profit

Towards achieving sustained growth, the Company will continue to make investments its profits back into the business in order to strengthen its operating base. In particular, the Company will make investments to establish "more efficient RDC" contributing to improvement of the productivity that meet the secure shipping capacity, working population decline and (conduct) "Workstyle reform". Through these investments, as an enterprise that is responsible for social infrastructure, the Company will make efforts to streamline the whole supply chain.

2) A Breakthrough Logistics Model

The company will aim to establish "A Breakthrough Logistics Model" based on a technological integration of its accumulated technologies with the latest technology going beyond the wholesale industry, such as AI, Robotics and the like. The company will achieve a doubling of the productivity of personnel by introducing of automations and robotics. In those way, the Company will realize "The Tender Logistics Capabilities" for ensuring not only to reduce the burden on worker, but also to avoid the hazardous work.

3) High-quality and High-productivity

From 1998, the Company has introduced initiatives to build a high-quality and low-cost logistics model. Furthermore, in the future, the Company will work to steadily increase its distributive productivity by constantly seeking to improve initiatives in the existing RDC, promoting the consolidation of operations personnel assignments. Doing so, the Company will strive to build its business foundation to proactively respond to changes in the operating environment.

4) Developing Talent and Organization

The Company will cultivate the talents who think and act by themselves based on corporate philosophy as a foundation for its sustainable growth, and will provide an enterprise organization that enables them to maximize their potential and cooperate with each other. By promoting these initiatives, the Company will work to accelerate business performance by addressing distributional issues leveraging its comprehensive network of the retailers, the manufacturers and the business partners.

5) ESG Initiative

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

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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	18,513	21,648
Notes receivable-trade	4,880	* 4,895
Accounts receivable-trade	165,413	174,426
Merchandise and finished goods	40,351	43,897
Advance payments-trade	637	617
Prepaid expenses	374	422
Deferred tax assets	1,145	1,230
Accounts receivable-other	14,307	14,424
Other	277	297
Allowance for doubtful accounts	(77)	(81)
Total current assets	245,825	261,778
Non-current assets		
Property, plant and equipment		
Buildings	55,580	57,441
Accumulated depreciation	(17,523)	(18,827)
Buildings, net	38,057	38,613
Structures	4,190	4,567
Accumulated depreciation	(2,761)	(2,927)
Structures, net	1,428	1,639
Machinery and equipment	31,789	33,326
Accumulated depreciation	(22,244)	(23,981)
Machinery and equipment, net	9,544	9,344
Vehicles	1,297	1,290
Accumulated depreciation	(1,236)	(1,204)
Vehicles, net	61	85
Tools, furniture and fixtures	2,293	1,832
Accumulated depreciation	(1,930)	(1,361)
Tools, furniture and fixtures, net	363	470
Land	42,443	45,699
Leased assets	359	321
Accumulated depreciation	(183)	(142)
Leased assets, net	176	178
Construction in progress	391	3,741
Total property, plant and equipment	92,466	99,773
Intangible assets		
Goodwill	482	344
Software	205	226
Software in progress	106	212
Telephone subscription right	84	84
Other	16	15
Total intangible assets	895	883

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Investments and other assets		
Investment securities	20,674	24,929
Shares of subsidiaries and associates	20	20
Investments in capital	0	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	0
Long-term prepaid expenses	177	305
Prepaid pension cost	937	667
Guarantee deposits	253	218
Other	117	57
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	22,176	26,194
Total non-current assets	115,538	126,851
Total assets	361,363	388,629
Liabilities		
Current liabilities		
Electronically recorded obligations – operating	5,651	* 6,233
Accounts payable-trade	128,501	140,527
Short-term loans payable	3,000	9,000
Current portion of long-term loans payable	8,132	7,040
Lease obligations	77	73
Accounts payable-other	18,232	16,651
Accrued expenses	294	295
Income taxes payable	4,231	4,631
Advances received	27	35
Deposits received	110	110
Provision for bonuses	2,026	2,035
Provision for sales returns	192	186
Other	1,415	527
Total current liabilities	171,892	187,348
* Non-current liabilities		
Long-term loans payable	15,444	9,248
Lease obligations	112	119
Deferred tax liabilities	3,406	4,771
Provision for retirement benefits	2,183	2,341
Asset retirement obligations	75	75
Long-term deposits received	1,057	1,018
Other	270	270
Total non-current liabilities	22,549	17,845
Total liabilities	194,442	205,194

(Millions of Yen)

	As of March 31, 2017	As of March 31, 2018
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	2,161	2,067
General reserve	95,244	105,244
Retained earnings brought forward	16,457	20,254
Total retained earnings	114,528	128,232
Treasury shares	(7)	(8)
Total shareholders' equity	158,217	171,920
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,692	11,534
Deferred gains or losses on hedges	11	(19)
Total valuation and translation adjustments	8,704	11,514
Total net assets	166,921	183,435
Total liabilities and net assets	361,363	388,629

(2) Statements of Income

(Millions of Yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales		
Net sales of goods	911,176	954,924
Net sales on other business	10,918	11,759
Total net sales	922,095	966,684
Cost of sales		
Cost of goods sold		
Beginning goods	39,217	40,351
Cost of purchased goods	842,917	885,121
Subtotal	882,134	925,472
Ending goods	40,351	43,897
Net	841,783	881,574
Reversal of provision for sales returns	216	192
Provision for sales returns	192	186
Net	(23)	(6)
Cost of goods sold	841,759	881,568
Cost of sales on other business	8,987	9,064
Total cost of sales	850,746	890,632
Gross profit	71,348	76,051
Selling, general and administrative expenses	*1 52,218	*1 53,045
Operating profit	19,129	23,006
Non-operating income		
Dividend income	268	286
Research fee income	1,646	1,700
Real estate rent	135	137
Subsidy income	300	183
Other	409	377
Total non-operating income	2,760	2,685
Non-operating expenses		
Interest expenses	194	140
Rent expenses on real estates	45	39
Loss on cancellation of business consignment	54	—
Other	22	13
Total non-operating expenses	317	193
Ordinary profit	21,573	25,498

(Millions of yen)

	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
Extraordinary income				
Gain on sales of non-current assets	*2	0	*2	0
Gain on sales of investment securities		10		9
Total extraordinary income		10		9
Extraordinary losses				
Loss on sales of non-current assets	*3	0	*3	4
Loss on retirement of non-current assets	*4	64	*4	118
Impairment loss	*5	116	*5	248
Other		17		4
Total extraordinary losses		197		376
Income before income taxes		21,386		25,131
Income taxes-current		6,807		7,637
Income taxes-deferred		(26)		41
Total income taxes		6,780		7,678
Profit		14,605		17,453

Supplementary Schedules of Cost of Sales

Cost of sales on other business

	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	2,988	33.2	3,568	39.4
Packing and shipping costs	3,845	42.8	3,393	37.4
Depreciation and amortization	1,256	14.0	1,165	12.9
Others	897	10.0	936	10.3
Total	8,987	100.0	9,064	100.0

(3) Statements of Changes in Equity

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 of 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
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			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	(7)	147,043	7,970	(37)	7,932	154,976
Changes of items during period						
Dividends of surplus		(3,431)			–	(3,431)
Profit		14,605			–	14,605
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

Fiscal year ended March 31, 2018

(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	2,161	95,244	16,457	114,528
Changes of items during period									
Dividends of surplus				–				(3,749)	(3,749)
Profit				–				17,453	17,453
Reversal of reserve for advanced depreciation of non-current assets				–		(93)		93	–
Provision of general reserve				–			10,000	(10,000)	–
Purchase of treasury shares				–					–
Net changes of items other than shareholders' equity				–					–
Total changes of items during period	–	–	–	–	–	(93)	10,000	3,797	13,703
Balance at end of current period	15,869	16,597	11,229	27,827	665	2,067	105,244	20,254	128,232

Fiscal year ended March 31, 2018

(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)	158,217	8,692	11	8,704	166,921
Changes of items during period						
Dividend of surplus		(3,749)			–	(3,749)
Profit		17,453			–	17,453
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		–	2,841	(31)	2,810	2,810
Total changes of items during period	(0)	13,702	2,841	(31)	2,810	16,513
Balance at end of current period	(8)	171,920	11,534	(19)	11,514	183,435

(4) Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	21,386	25,131
Depreciation and amortization	4,931	4,830
Impairment loss	116	248
Increase (decrease) in allowance for doubtful accounts	(188)	4
Increase (decrease) in provision for bonuses	(2)	9
Increase (decrease) in provision for sales returns	(23)	(6)
Increase (decrease) in provision for retirement benefits	388	428
Interest and dividend income	(268)	(286)
Interest expenses	194	140
Loss (gain) on sales of investment securities	2	(9)
Decrease (increase) in notes and accounts receivable-trade	(4,812)	(9,027)
Decrease (increase) in inventories	(1,134)	(3,546)
Increase (decrease) in notes and accounts payable-trade	6,477	12,628
Decrease (increase) in consumption taxes refund receivable	1,580	—
Increase (decrease) in accrued consumption taxes	1,215	(865)
Other, net	1,259	1,364
Subtotal	31,123	31,043
Interest and dividend income received	268	286
Interest expenses paid	(194)	(140)
Income taxes paid	(6,476)	(7,082)
Net cash provided by (used in) operating activities	24,721	24,107
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,658)	(16,243)
Proceeds from sales of property, plant and equipment	411	1,079
Purchase of intangible assets	(114)	(244)
Purchase of investment securities	(146)	(329)
Proceeds from sales of investment securities	160	178
Other, net	(65)	(271)
Net cash provided by (used in) investing activities	(6,413)	(15,830)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(20,400)	6,000
Proceeds from long-term loans payable	14,000	1,000
Repayments of long-term loans payable	(7,952)	(8,288)
Repayments of lease obligations	(91)	(104)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(3,433)	(3,749)
Net cash provided by (used in) financing activities	(17,876)	(5,142)
Net increase (decrease) in cash and cash equivalents	431	3,134
Cash and cash equivalents at beginning of period	18,082	18,513
Cash and cash equivalents at end of period	* 18,513	* 21,648

(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.

(Accounting Standards Issued but not yet Effective)

1. “Guidance on Tax Effect Accounting (ASBJ Guidance No. 28)”and “Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 (revised 2018))”

(Outline of these guidance)
Along with the transfer the guidance on tax effect accounting from Japanese Institute of Certified Public Accountants (JICPA) to Accounting Standards Board of Japan (ASBJ), any matters like the following were modified based on the previous basic contents.
Accounting treatment for temporary differences arising on investments in subsidiaries and associates for Non-con-consolidated Financial Statement
Accounting treatment for the recoverability of deferred tax assets with regard to the enterprise being applicable to “Classification 1”

(Scheduled date of applying the new guidance)
The Company expects to apply the new guidance effective from fiscal year ending March 2019.

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

2. “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)” and “Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30)”

(Outline of these guidance)
In Japan, there is no comprehensive accounting standard concerning revenue recognitions. But the Corporate Accounting Principle stipulated that “Sales shall be realized only by the sale of goods or rendering of services in accordance with realization basis”
In consideration of above-mentioned background and international trends, The Accounting Standards Board of Japan (ASBJ) issued the new accounting standard and implementation guidance for revenue recognition.
Under new accounting standard, etc. the company recognizes revenue based on the following five-steps.
Step 1: Identify the contract(s) with customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(Scheduled date of applying the new guidance)
The Company is under consideration the application of the new guidance, etc.

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

(Balance sheets)

* Notes with maturity date as of the end of the fiscal year
In the accounting treatment of notes with maturity date as of the end of the fiscal year, although the end of the fiscal year ended March 31, 2018 was a holiday for financial institutions, the notes were treated assuming that settlement occurred on the day of maturity. The amounts of notes with maturity date as of the end of the fiscal year are as follows.

	As of March 31, 2017	As of March 31, 2018
Notes receivable - trade	– million yen	872 million yen
Electronically recorded obligations – operating	–	2,439

(Statements of income)

*1 The approximate percentages of selling expenses were 30.8% in the fiscal year ended March 31, 2017, and 31.0% in the fiscal year ended March 31, 2018. The approximate percentages of general and administrative expenses were 69.2% and 69.0%, respectively.
Major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Distribution expenses	10,172 million yen	10,210 million yen
Provision of allowance for doubtful accounts	23	4
Depreciation and amortization	3,650	3,641
Salaries and allowances	17,080	17,019
Provision for bonuses	2,026	2,035
Retirement benefit expenses	1,703	1,452

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

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Buildings	0 million yen	― million yen
Vehicles	―	0
Total	0	0

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

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Land	0 million yen	4 million yen
Total	0	4

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

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Buildings	11 million yen	0 million yen
Structures	0	46
Machinery and equipment	7	16
Vehicles	0	0
Tools, furniture and fixtures	1	7
Leased assets (tangible)	9	15
Software	0	−
Long-term prepaid expenses	0	14
Demolition or removal expenses	33	17
Total	64	118

*5 Impairment loss

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

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 structures, ¥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.

Fiscal year ended March 31, 2018 (Millions of yen)

Location	Use	Type	Impairment loss
Mitsuke-shi, Niigata Pref.	Business assets	Land, Buildings, etc.	248

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

Of the assets held by the Company, for those for which profit and loss from business activities has continuously been negative and those that is not expected to be used in the future, book values have been written down to their recoverable value. These reductions have been recorded as impairment loss (¥248 million) under extraordinary losses. The breakdown of the assets is ¥32 million in buildings, ¥0 million in structures, ¥17 million in machinery and equipment and ¥198 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, 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 (Note)	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

Fiscal year ended March 31, 2018

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

	As of April 1, 2017	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2018
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock	5,958	200	–	6,158
Total	5,958	200	–	6,158

Note: The 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

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, 2017	Common stock	1,779	28	March 31, 2017	June 2, 2017
Board of Directors meeting held on October 27, 2017	Common stock	1,969	31	September 30, 2017	December 4, 2017

(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 8, 2018	Common stock	2,097	Retained earnings	33	March 31, 2018	June 1, 2018

(Statements of cash flows)

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

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash and deposits	18, 513 million yen	21,648 million yen
Time deposits with a deposit period of over three months	–	–
Cash and cash equivalents	18,513	21,648

(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, 2017	As of March 31, 2018
Within one year	168	153
Over one year	256	234
Total	425	387

(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, 2017 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
(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	–
Liabilities			
(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.

As of March 31, 2018 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
(1) Cash and deposits	21,648	21,648	–
(2) Notes receivable - trade	4,895	4,895	–
(3) Accounts receivable – trade	174,426	174,426	–
(4) Accounts receivable – other	14,424	14,424	–
(5) Investment securities	24,029	24,029	–
Total assets	239,424	239,424	–
Liabilities			
(1) Electronically recorded obligations - operating	6,233	6,233	–
(2) Accounts payable – trade	140,527	140,527	–
(3) Short-term loans payable	9,000	9,000	–
(4) Current portion of long-term loans payable	7,040	7,065	25
(5) Accounts payable - other	16,651	16,651	–
(6) Long-term loans payable	9,248	9,186	(61)
Total liabilities	188,700	188,664	(35)
Derivative transactions (*)	(28)	(28)	–

(*) 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, 2017	As of March 31, 2018
Unlisted shares (*1)	717	899
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, 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	–	–	–

As of March 31, 2018 (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	21,648	–	–	–
Notes receivable-trade	4,895	–	–	–
Accounts receivable-trade	174,426	–	–	–
Accounts receivable-other	14,424	–	–	–
Total	215,394	–	–	–

4. Maturity analysis for loans

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	–	–

As of March 31, 2018 (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	9,000	–	–	–	–	–
Current portion of long-term loans payable	7,040	–	–	–	–	–
Long-term loans payable	–	5,710	3,318	220	–	–
Total	16,040	5,710	3,318	220	–	–

(Securities)

1. Shares of subsidiaries and affiliates
   Shares of subsidiaries (amounts on balance sheets: ¥20 million in the fiscal year ended March 31, 2018 and ¥20 million in the fiscal year ended March 31, 2017) 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, 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.

As of March 31, 2018 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	23,806	7,175	16,630
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	23,806	7,175	16,630
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	223	231	(7)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	223	231	(7)
Total		24,029	7,407	16,622

Note: Unlisted stocks (amount on balance sheet: ¥899 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, 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

Fiscal year ended March 31, 2018 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	178	9	0
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	178	9	0

(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, 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
Appropriation treatment on forward exchange contract	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.

As of March 31, 2018 (Millions of yen)

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Of contracts, those with period of over one year	Fair value
Appropriation treatment on forward exchange contract	Forward exchange contracts Bought U.S. dollar	Accounts payable - trade	1,160	–	(28)
Total			1,160	–	(28)

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, 2016)	(As of March 31, 2017)
(Tokyo Pharmaceutical Welfare Pension Fund Association)		
Fair value of plan assets	531,916 million yen	549,912 million yen
Total Amount of actuarial liabilities and minimum actuarial reserve (Note)	538,160	547,838
Net balance	(6,243)	2,074

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

	(As of March 31, 2016)	(As of March 31, 2017)
(Tokyo Pharmaceutical Welfare Pension Fund Association)	4.9%	5.0%

(3) Supplementary explanation

(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

(As of March 31, 2017)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥28,872 million and surplus in the fiscal year ended March 31, 2017 of ¥30,947 million. The amortization method used for prior service costs in the pension plan is principal and interest equal amortization, and the remaining amortization term is 5 years and 0 month

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

	(Fiscal year ended March 31, 2017)	(Fiscal year ended March 31, 2018)
Retirement benefit obligation at beginning of period	6,446 million yen	6,628 million yen
Service costs	499	487
Interest expenses	12	13
Actuarial differences	(21)	71
Retirement benefits paid	(307)	(326)
Retirement benefit obligation at end of period	6,628	6,874

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

	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
Plan assets at beginning of period	4,238	million yen	4,429	million yen
Expected return on plan assets	8		8	
Actuarial differences	81		145	
Contribution by employer	267		263	
Retirement benefits paid	(167)		(193)	
Plan assets at end of period	4,429		4,653	

(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, 2017		As of March 31, 2018	
Retirement benefit obligation from funded plans	3,947	million yen	4,087	million yen
Fair value of plan assets	(4,429)		(4,653)	
Net balance	(481)		(566)	
Retirement benefit obligation on non-funded plans	2,681		2,786	
Unfunded retirement benefit obligation	2,199		2,220	
Unrecognized actuarial differences	(953)		(545)	
Net amount of liability and asset recorded in balance sheet	1,246		1,674	
Provision for retirement benefits	2,183		2,341	
Prepaid pension	(937)		(667)	
Net amount of liability and asset recorded in balance sheet	1,246		1,674	

(7) Retirement benefit expenses and amounts of components

	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
Service costs	499	million yen	487	million yen
Interest expenses	12		13	
Expected return on plan assets	(8)		(8)	
Amortization of actuarial differences	292		333	
Other	781		507	
Retirement benefit expenses on defined benefit plans	1,577		1,332	

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 ¥610 million for the previous fiscal year and ¥360 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, 2017)	(As of March 31, 2018)
Bonds	56 %	56 %
Stocks	25	24
Life insurance company general accounts	11	10
Other	8	10
Total	100	100

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

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

(9) Calculation basis for actuarial differences

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

	(As of March 31, 2017)	(As of March 31, 2018)
Discount rate:	0.2 %	0.2 %
Long-term expected rate of return on plan assets	0.2 %	0.2 %

3. Defined contribution plan

The Company’s required contribution amount for its defined contribution plan is ¥162 million of previous fiscal year and ¥161 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, 2017	As of March 31, 2018
Differed tax assets:		
Accrued enterprise tax	236	284
Provision for bonuses	624	623
Allowance for doubtful accounts	25	26
Accrued expenses	264	288
Provision for retirement benefits	668	716
Loss on valuation on investment securities	389	378
Accrued directors' retirement benefits	82	82
Impairment loss	299	76
Taxable assets adjustment	180	129
Other	61	69
Total deferred tax assets	2,834	2,674
deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	(953)	(911)
Valuation difference on available-for-sale securities	(3,832)	(5,085)
Prepaid pension cost	(287)	(204)
Others	(20)	(14)
Total deferred tax liabilities	(5,094)	(6,216)
Net deferred tax assets	(2,260)	(3,541)

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

(%)

	As of March 31, 2017	As of March 31, 2018
Statutory tax rate	30.8	30.8
(Adjustments)		
Non-deductible items such as entertainment expense	0.5	0.4
Inhabitant taxes per capital	0.5	0.4
Other	(0.1)	(1.0)
Effective tax rate	31.7	30.6

(Equity methods)

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

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Not applicable.

(Asset retirement obligations)

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

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
No significant items to be reported.

(Estate leases)

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

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
No significant items to be reported.

(Segment information)

a. Segment Information

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".

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

"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, 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".

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

1. Information by product and service

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

2. Information by geographic area

(1) Sales

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

(2) Property, plant and equipment

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

3. Information by major clients

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

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

Fiscal year ended March 31, 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".

Fiscal Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
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, 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".

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
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, 2017 (From April 1, 2016 to March 31, 2017)
Not applicable.

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Not applicable.

(Related-party transactions)

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.

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

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, 2017	Fiscal year ended March 31, 2018
Net assets per share	2,626.72	2,886.59
Earnings per share	229.84	274.65

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, 2017	Fiscal year ended March 31, 2018
Profit	14,605	17,453
Amount not attributable to common stock	–	–
Profit attributable to common stock	14,605	17,453
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, 2018.

(2) Sales Status

(Sales results)

1) Sales results for the fiscal year ended March 31, 2018 by product category are as follows:

Product classification	Fiscal year ended March 31, 2018 Amount (Millions of yen)	Year-on-year change (%)
Cosmetics	254,525	107.1
Daily necessities	412,053	104.3
OTC pharmaceuticals	135,681	102.3
Health and sanitary related products	150,749	104.9
Others	13,674	104.1
Total sales	966,684	104.8

Notes: Above figures are exclusive of consumption taxes.

2) Sales results for the fiscal year ended March 31, 2018 by customer category are as follows:

Customer category		Fiscal year ended March 31, 2018 Amount (Millions of yen)	Year-on-year change (%)
Drug	Drugstores (Pharmacies)	607,722	105.5
HC	Home centers (DIY stores)	93,156	104.9
CVS	Convenience stores	71,880	104.0
DS	Discount stores	59,037	111.1
SM	Supermarkets	56,449	99.3
GMS	General merchandising stores	36,706	85.9
Others	Export and others	41,730	118.0
Total sales		966,684	104.8

Notes: Above figures are exclusive of consumption taxes.