Non-consolidated Financial Results
for the Fiscal Year Ended March 31, 2019
<under Japanese GAAP>

May 8, 2019

Company name: PALTAC CORPORATION
(URL: http://www.paltac.co.jp/)
Listing: Tokyo Stock Exchange (Code number: 8283)
Representative: Representative Director, President
Seiichi Kasutani
Contact: Managing Executive Officer, General Manager of Management Planning Division
Masaharu Shimada
Tel: +81-6-4793-1090 (from overseas) E-mail: ir@paltac.co.jp
Scheduled date to hold annual general meeting of shareholders: June 21, 2019
Scheduled date to commence dividend payments: May 31, 2019
Scheduled date to submit the Securities Report: June 21, 2019
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, 2019
(From April 1, 2018 to March 31, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2019	1,015,253	5.0	25,399	10.4	28,528	11.9	19,767	13.3
March 31, 2018	966,684	4.8	23,006	20.3	25,498	18.2	17,453	19.5

	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, 2019	311.07	–	10.4	7.3	2.5
March 31, 2018	274.65	–	10.0	6.8	2.4

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2019 ¥– million
Fiscal year ended March 31, 2018 ¥– million

Note: From the beginning of the fiscal year ended March 31, 2019, the Company has applied the “Partial Amendment to Accounting Standards for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. The figures as of March 31, 2018 have been adjusted retrospectively to apply these accounting standards. For more information, please refer to the section “5. Non-consolidated Financial Statements (5) Notes to Non-consolidated Financial Statements (Changes in presentation)” on pages 26 of the attached material to this financial results report.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2019	393,603	197,237	50.1	3,103.80
March 31, 2018	387,399	183,435	47.4	2,886.59

Reference: Equity As of March 31, 2019: ¥197,237 million As of March 31, 2018: ¥183,435 million

Note: From the beginning of the fiscal year ended March 31, 2019, the Company has applied the “Partial Amendment to Accounting Standards for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. The figures as of March 31, 2018 have been adjusted retrospectively to apply these accounting standards. For more information, please refer to the section “5. Non-consolidated Financial Statements (5) Notes to Non-consolidated Financial Statements (Changes in presentation)” on pages 26 of the attached material to this financial results report.

(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, 2019	23,565	(9,531)	(17,323)	18,359
March 31, 2018	24,107	(15,830)	(5,142)	21,648

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, 2018	–	31.00	–	33.00	64.00	4,067	23.3	2.3
Fiscal year ended March 31, 2019	–	34.00	–	34.00	68.00	4,321	21.9	2.3
Fiscal year ending March 31, 2020 (Forecasts)	–	35.00	–	35.00	70.00		23.4	

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Frist six months	540,000	3.5	14,000	1.8	15,300	1.9	10,500	2.4	165.23
Fiscal year	1,050,000	3.4	25,000	(1.6)	27,500	(3.6)	19,000	(3.9)	298.99

* 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: Yes
3) Changes in accounting estimates: Yes
4) Restatements: No

Note: For more information, please refer to the section “5. Non-consolidated Financial Statements (5) Notes to Non-consolidated Financial Statements (Changes in accounting policies)” on pages 26 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, 2019	63,553,485 shares
As of March 31, 2018	63,553,485 shares

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

As of March 31, 2019	6,237 shares
As of March 31, 2018	6,158 shares

3) Average number of shares during the period

For the fiscal year ended March 31, 2019	63,547,256 shares
For the fiscal year ended March 31, 2018	63,547,439 shares

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

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

(Cautionary notes to the forward-looking statements)

The forward-looking statements contained in this report, including forecasts of financial results, are based on information currently available and assumptions that management believes to be reasonable. Actual financial and other results may differ substantially due to various factors. Please refer to the section of "1. Summary of Operating Results etc. (1) Analysis of Operating Results (Outlook for the fiscal year ending March 31, 2020)" 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, 2019)

In the fiscal year ended March 31, 2019, although the future outlook remains unclear mainly due to uncertainties in overseas economies including economic the outlook in China and concern over the political situation within the EU, the Japanese economy continued to follow a moderate recovery track, on the back of improvements in the income environment and the employment environment and 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 mostly steady mainly due to favorable factors, such as the strong sales of value-added products that match changes to the social environment like women advancing in society, despite weaker than expected sales due to natural disasters and weather related factors and changes to the business environment arising from a softening within inbound consumption of the *daigou* business, in which individuals purchase goods in Japan for resale in China, following the enforcement of China's e-commerce law. On the other hand, labor shortage, which is hindering growth of the industry overall, is having an increasing impact in various aspects of business, particularly in logistics and sales.

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, keenly focus on measures for responding to the labor shortage caused by the decline in the working population, the Company launched a new three-year medium-term management plan with the vision of "One trillion yen Link with the future: The logistics innovation through aggressive investment." The Company made efforts to increase corporate value through sustained business growth. As a result, the Company brought net sales above the major benchmark of one trillion yen level according to plan and achieved the highest levels since the Company's founding for not only net sales but also profit.

In addition, the Company has been taking measures to strengthen its operating base according to plan. In August 2018, the Company started dispatches from "RDC Niigata" (located in Mitsuke-shi, Niigata) as part of the medium-term management plan's initiatives, with the aim of rapidly improving productivity and increasing shipping capacity in the Shinetsu area by using a new distribution model that utilizes AI, robots and other cutting-edge technology. The Company is also steadily proceeding with construction of "RDC Saitama" (located in Kitakatsushika-gun, Saitama; scheduled to begin operation in November 2019) in order to increase shipping capacity and carry out a new distribution model in the Tokyo Metropolitan District.

As a result of the above, net sales for the fiscal year under review were ¥1,015,253 million (up 5.0% year on year), operating profit was ¥25,399 million (up 10.4%), ordinary profit was ¥28,528 million (up 11.9%), and profit was ¥19,767 million (up 13.3%).

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

(Outlook for the fiscal year ending March 31, 2020)

Looking ahead to the next fiscal year, the Company expects the Japanese 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 Company needs to pay attention to the economic conditions such as uncertainties in overseas economies, fluctuations in financial and capital markets, and the impact to consumer sentiment following consumption tax hike. At the same time, in the industry that the Company operates, caution is required regarding with sales to inbound tourist in Japan, and also labor shortages caused by a decrease in the working population are expected to become even more severe.

Considering such circumstances, under the three-year medium-term management plan, the Company will continue to strive for reinforcement of the operating base that contributes to sustained business growth through initiatives such as capital investment in the distribution center that will achieve for increasing shipment capacity and further improving logistics efficiency responding to the labor shortage.

In the next fiscal year, to increase shipment capacity and improve productivity in the Tokyo Metropolitan District, the Company is planning to newly establish “RDC Saitama”. Although costs will rise temporarily with which investment expenditure, this center is its largest distribution center utilizing and further developing knowhow of the new next-generation distribution system that the Company accumulated in “RDC Niigata”.

In light of the above, for the next fiscal year, the Company forecasts net sales of ¥1,050,000 million (up 3.4% year on year), operating profit of ¥25,000 million (down 1.6%), ordinary profit of ¥27,500 million (down 3.6%), and profit of ¥19,000 million (down 3.9%).

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

(2) Analysis of Financial Position

(1) Assets, liabilities and net assets

(Assets)

Current assets increased by ¥3,498 million from the end of the previous fiscal year. This was primarily the result of an increase in accounts receivable-trade of ¥6,997 million and a decrease in cash and deposits of ¥3,289 million.

Non-current assets increased by ¥2,705 million from the end of the previous fiscal year. This was primarily the result of increases in buildings of ¥2,349 million and in machinery and equipment of ¥2,298 and a decrease in investment securities of ¥2,506 million.

As a result, total assets were ¥393,603 million, an increase of ¥6,204 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities decreased by ¥1,744 million from the end of the previous fiscal year. This was primarily the result of a decrease in short-term loans payable of ¥6,500 and an increase in accounts payable-trade of ¥4,458 million.

Non-current liabilities decreased by ¥5,854 million from the end of the previous fiscal year. This was primarily the result of a decrease in long-term loans payable of ¥5,340 million.

As a result, total liabilities were ¥196,366 million, a decrease of ¥7,598 million from the end of the previous fiscal year.

(Net assets)

Net assets increased by ¥13,802 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥15,510 and a decrease in total valuation and translation adjustments of ¥1,706 million.

As a result, total net assets were ¥197,237 million.

(2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the fiscal year under review were ¥18,359 million, a decrease of ¥3,289 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 ¥23,565 million (down ¥542 million year on year). Main factors were ¥28,555 million of income before income taxes, ¥4,493 million of depreciation and amortization, ¥7,128 million of increase in notes and accounts receivable-trade, ¥5,105 million of increase in notes and accounts payable-trade and ¥8,012 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥9,531 million (down ¥6,299 million year on year). Main factor was ¥9,898 million of purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥17,323 million (up ¥12,180 million year on year). Main factors were ¥6,500 million of net decrease in short-term loans payable, ¥1,000 million of proceeds from long-term loans payable, ¥7,430 million of repayments of long-term loans payable and ¥4,259 million of cash dividends paid.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Equity ratio (%)	45.1	44.0	46.2	47.4	50.1
Market value-based equity ratio (%)	33.7	36.0	54.5	93.5	97.2
Interest-bearing debt to cash flow ratio (years)	1.2	8.0	1.1	1.1	0.6
Interest coverage ratio (times)	109.6	23.9	127.2	171.8	199.7

Equity ratio: Equity / Total assets

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

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

Interest coverage ratio: Cash flow / Paid interest

Notes: 1. Total market capitalization is calculated based on the number of issued shares excluding treasury stock.
2. The figure used for “Cash flow” is cash flow from operating activities.
3. Interest-bearing debt: Short-term loans payable + Current portion of long-term loans payable + Long-term loans payable + Long-term deposits received (excluding non-interest portion). Excluding lease obligations.
4. For the paid interest, the Company uses “Interest expenses paid” on the statements of cash flows.
5. 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.
6. From the beginning the fiscal year ended March 31, 2019, the Company has applied the “Partial Amendment to Accounting Standards for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. The figures as of March 31, 2018 have been adjusted retrospectively to apply these accounting standards.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2019 and the Fiscal Year Ending March 31, 2020

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 ¥34 per share. As a result, including the interim dividend of ¥34 per share already paid, the planned annual dividend has also been increased by ¥4 to ¥68 per share.

For the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥70 per share, comprised of an interim dividend of ¥35 and a year-end dividend of ¥35 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, 2019.

(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, 2019, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2019				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales [Composition %]	260,511 [25.7]	261,292 [25.7]	257,787 [25.4]	235,661 [23.2]	1,015,253 [100.0]
Operating profit [Composition %]	6,912 [27.2]	6,837 [26.9]	6,734 [26.5]	4,914 [19.4]	25,399 [100.0]
Ordinary profit [Composition %]	7,609 [26.7]	7,409 [25.9]	7,923 [27.8]	5,585 [19.6]	28,528 [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, 2019, 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, Director, Senior Advisor 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.

Mr. Ninomiya will retire from director of the parent company after approval to the parent company's annual general meeting of shareholders on June 26, 2019.

Also, Seiichi Kasutani, Representative Director, President of the Company will become director of the parent company after approval at the parent company's annual general meeting of shareholders on June 26, 2019.

3) Business relationships

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

(Millions of yen)

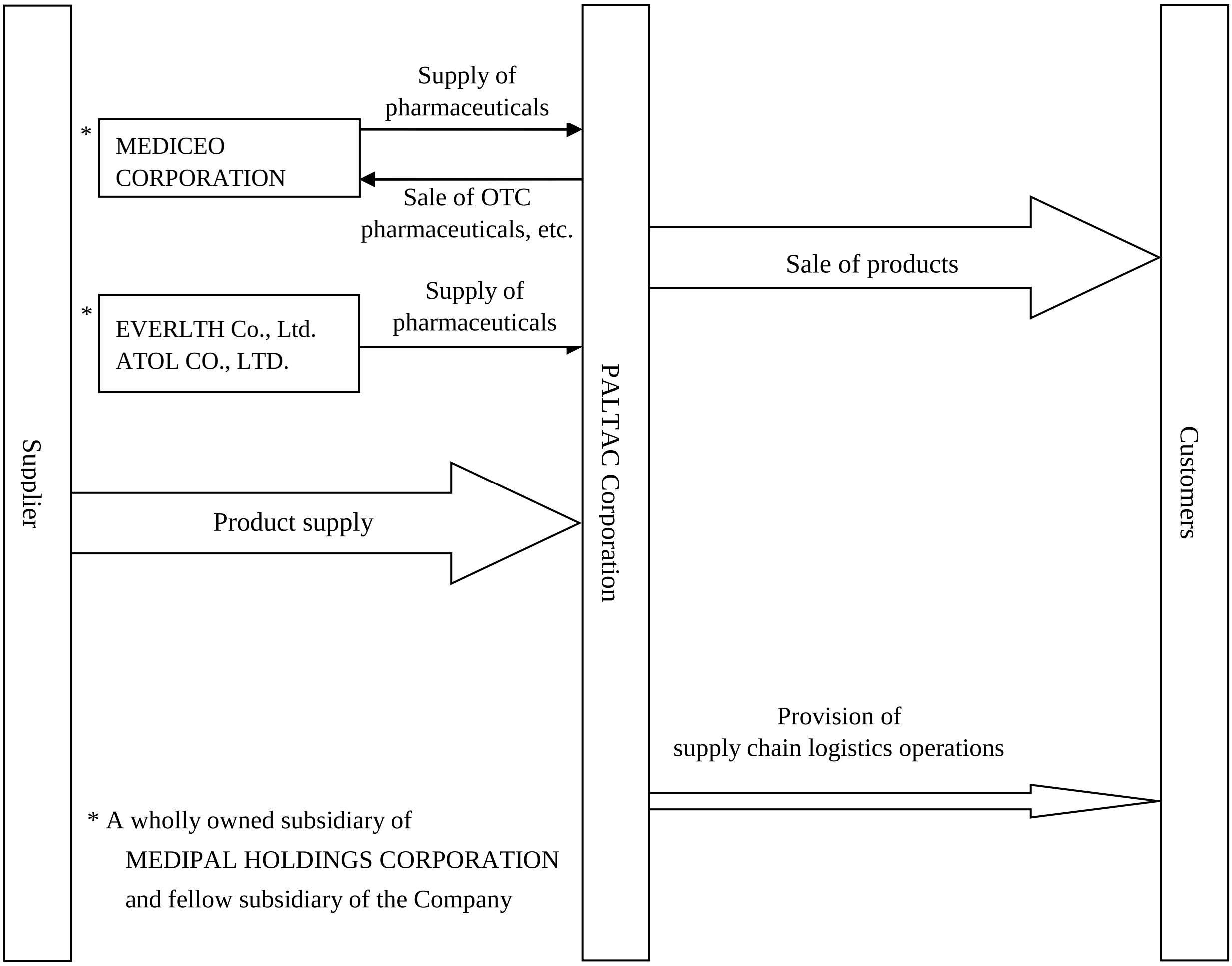
Company name	Transaction details	Transaction amount Fiscal year ended March 31, 2018	Transaction amount Fiscal year ended March 31, 2019	Transaction conditions, etc.
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	12	11	The parent company's whole group is entered together into group insurance, which is managed accordingly, and the Company pays a contribution.
	Receipt of insurance proceeds, etc.	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.	513	486	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	32	23	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	—	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) ATOL CO., LTD.	Purchase of products	5	4	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Trim Co., Ltd.	Payment of insurance premium	279	271	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, 2020, the Company set the following targets.

1) Net sales	¥1,050	billion
2) Operating profit	¥25,000	million
3) Ordinary profit	¥27,500	million
4) SG&A expenses ratio	5.46	%

(3) Medium- and Long-Term Management Strategy

The Company has formulated a three-year medium-term management plan starting in the fiscal year ended March, 2019. 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, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	21,648	18,359
Notes receivable-trade	* 4,895	* 5,026
Accounts receivable-trade	174,426	181,424
Merchandise and finished goods	43,897	43,286
Advance payments-trade	617	557
Prepaid expenses	422	641
Accounts receivable-other	14,424	14,474
Other	297	360
Allowance for doubtful accounts	(81)	(84)
Total current assets	260,548	264,047
Non-current assets		
Property, plant and equipment		
Buildings	57,441	61,505
Accumulated depreciation	(18,827)	(20,542)
Buildings, net	38,613	40,963
Structures	4,567	4,869
Accumulated depreciation	(2,927)	(3,126)
Structures, net	1,639	1,742
Machinery and equipment	33,326	36,911
Accumulated depreciation	(23,981)	(25,268)
Machinery and equipment, net	9,344	11,642
Vehicles	1,290	1,296
Accumulated depreciation	(1,204)	(1,187)
Vehicles, net	85	108
Tools, furniture and fixtures	1,832	1,953
Accumulated depreciation	(1,361)	(1,453)
Tools, furniture and fixtures, net	470	499
Land	45,699	46,417
Leased assets	321	632
Accumulated depreciation	(142)	(251)
Leased assets, net	178	380
Construction in progress	3,741	3,441
Total property, plant and equipment	99,773	105,195
Intangible assets		
Goodwill	344	206
Patent right	—	248
Software	226	397
Software in progress	212	79
Telephone subscription right	84	84
Other	15	12
Total intangible assets	883	1,029

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Investments and other assets		
Investment securities	24,929	22,422
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	305	155
Prepaid pension cost	667	540
Guarantee deposits	218	139
Other	57	57
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	26,194	23,331
Total non-current assets	126,851	129,556
Total assets	387,399	393,603
Liabilities		
Current liabilities		
Electronically recorded obligations – operating	* 6,233	* 6,820
Accounts payable-trade	140,527	144,985
Short-term loans payable	9,000	2,500
Current portion of long-term loans payable	7,040	5,950
Lease obligations	73	157
Accounts payable-other	16,651	17,331
Accrued expenses	295	271
Income taxes payable	4,631	5,103
Advances received	35	43
Deposits received	110	110
Provision for bonuses	2,035	1,713
Provision for sales returns	186	181
Other	527	434
Total current liabilities	187,348	185,604
Non-current liabilities		
Long-term loans payable	9,248	3,908
Lease obligations	119	252
Deferred tax liabilities	3,541	3,047
Provision for retirement benefits	2,341	2,451
Asset retirement obligations	75	75
Long-term deposits received	1,018	779
Other	270	246
Total non-current liabilities	16,615	10,761
Total liabilities	203,964	196,366

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
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	2,067	2,277
General reserve	105,244	118,244
Retained earnings brought forward	20,254	22,554
Total retained earnings	128,232	143,742
Treasury shares	(8)	(8)
Total shareholders’ equity	171,920	187,429
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,534	9,803
Deferred gains or losses on hedges	(19)	4
Total valuation and translation adjustments	11,514	9,807
Total net assets	183,435	197,237
Total liabilities and net assets	387,399	393,603

(2) Statements of Income

(Millions of Yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales		
Net sales of goods	954,924	1,002,168
Net sales on other business	11,759	13,085
Total net sales	966,684	1,015,253
Cost of sales		
Cost of goods sold		
Beginning goods	40,351	43,897
Cost of purchased goods	885,121	924,958
Subtotal	925,472	968,856
Goods transfer to other account	―	14
Ending goods	43,897	43,286
Net	881,574	925,555
Reversal of provision for sales returns	192	186
Provision for sales returns	186	181
Net	(6)	(5)
Cost of goods sold	881,568	925,550
Cost of sales on other business	9,064	10,057
Total cost of sales	890,632	935,607
Gross profit	76,051	79,645
Selling, general and administrative expenses	*1 53,045	*1 54,246
Operating profit	23,006	25,399
Non-operating income		
Dividend income	286	328
Research fee income	1,700	1,725
Real estate rent	137	141
Subsidy income	183	659
Other	377	434
Total non-operating income	2,685	3,288
Non-operating expenses		
Interest expenses	140	117
Rent expenses on real estates	39	38
Other	13	3
Total non-operating expenses	193	159
Ordinary profit	25,498	28,528

(Millions of yen)

		Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019
Extraordinary income				
Gain on sales of non-current assets	*2	0		—
Gain on sales of investment securities		9		186
Insurance income		—		145
Total extraordinary income		9		332
Extraordinary losses				
Loss on sales of non-current assets	*3	4	*3	8
Loss on retirement of non-current assets	*4	118	*4	47
Impairment loss	*5	248		—
Loss on disaster		—		249
Other		4		0
Total extraordinary losses		376		305
Income before income taxes		25,131		28,555
Income taxes-current		7,637		8,529
Income taxes-deferred		41		258
Total income taxes		7,678		8,787
Profit		17,453		19,767

Supplementary Schedules of Cost of Sales

Cost of sales on other business

	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	3,568	39.4	3,960	39.4
Packing and shipping costs	3,393	37.4	3,873	38.5
Depreciation and amortization	1,165	12.9	1,115	11.1
Others	936	10.3	1,108	11.0
Total	9,064	100.0	10,057	100.0

(3) Statements of Changes in Equity

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 of 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
Provision of reserve for tax purpose reduction entry of non-current assets				–					–
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			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)	158,217	8,692	11	8,704	166,921
Changes of items during period						
Dividends of surplus		(3,749)			–	(3,749)
Profit		17,453			–	17,453
Provision of reserve for tax purpose reduction entry of non-current assets		–			–	–
Reversal of reserve for advanced depreciation of non-current assets		–			–	–
Provision of general reserve		–			–	–
Purchase of treasury shares	(0)	(0)			–	(0)
Net changes of items other than shareholders' equity		–	2,841	(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

Fiscal year ended March 31, 2019

(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	2,067	105,244	20,254	128,232
Changes of items during period									
Dividends of surplus				–				(4,257)	(4,257)
Profit				–				19,767	19,767
Provision of reserve for tax purpose reduction entry of non-current assets				–		319		(319)	–
Reversal of reserve for advanced depreciation of non-current assets				–		(108)		108	–
Provision of general reserve				–			13,000	(13,000)	–
Purchase of treasury shares				–					–
Net changes of items other than shareholders' equity				–					–
Total changes of items during period	–	–	–	–	–	210	13,000	2,299	15,510
Balance at end of current period	15,869	16,597	11,229	27,827	665	2,277	118,244	22,554	143,742

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at beginning of current period	(8)	171,920	11,534	(19)	11,514	183,435
Changes of items during period						
Dividend of surplus		(4,257)			–	(4,257)
Profit		19,767			–	19,767
Provision of reserve for tax purpose reduction entry of non-current assets		–			–	–
Reversal of reserve for advanced depreciation of non-current assets		–			–	–
Provision of general reserve		–			–	–
Purchase of treasury shares	(0)	(0)			–	(0)
Net changes of items other than shareholders' equity		–	(1,731)	24	(1,706)	(1,706)
Total changes of items during period	(0)	15,509	(1,731)	24	(1,706)	13,802
Balance at end of current period	(8)	187,429	9,803	4	9,807	197,237

(4) Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	25,131	28, 555
Depreciation and amortization	4,830	4,493
Impairment loss	248	—
Increase (decrease) in allowance for doubtful accounts	4	2
Increase (decrease) in provision for bonuses	9	(322)
Increase (decrease) in provision for sales returns	(6)	(5)
Increase (decrease) in provision for retirement benefits	428	236
Interest and dividend income	(286)	(328)
Interest expenses	140	117
Loss (gain) on sales of investment securities	(9)	(185)
Decrease (increase) in notes and accounts receivable-trade	(9,027)	(7,128)
Decrease (increase) in inventories	(3,546)	596
Increase (decrease) in notes and accounts payable-trade	12,628	5,105
Increase (decrease) in accrued consumption taxes	(865)	(64)
Other, net	1,364	295
Subtotal	31,043	31,366
Interest and dividend income received	286	328
Interest expenses paid	(140)	(118)
Income taxes paid	(7,082)	(8,012)
Net cash provided by (used in) operating activities	24,107	23,565
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,243)	(9,898)
Proceeds from sales of property, plant and equipment	1,079	560
Purchase of intangible assets	(244)	(399)
Purchase of investment securities	(329)	(112)
Proceeds from sales of investment securities	178	310
Other, net	(271)	7
Net cash provided by (used in) investing activities	(15,830)	(9,531)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,000	(6,500)
Proceeds from long-term loans payable	1,000	1,000
Repayments of long-term loans payable	(8,288)	(7,430)
Repayments of lease obligations	(104)	(133)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(3,749)	(4,259)
Net cash provided by (used in) financing activities	(5,142)	(17,323)
Net increase (decrease) in cash and cash equivalents	3,134	(3,289)
Cash and cash equivalents at beginning of period	18,513	21,648
Cash and cash equivalents at end of period	* 21,648	* 18,359

(5) Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Significant accounting policies)

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

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

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

4. Depreciation and amortization of non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   Depreciated using the straight-line method.
   The estimated useful lives of major items are as follows.
   Buildings: 8 to 50 years
   Machinery and equipment: 8 to 12 years
   (2) Intangible assets (excluding leased assets)
   Amortized using the straight-line method.
   Software for internal use is amortized using the straight-line method over the internally expected useful life (5 years).
   (3) Leased assets
   Leased assets in finance lease transactions that do not transfer ownership
   Depreciated using the straight-line method assuming that lease periods are useful lives and residual values are zero.
   (4) Long-term prepaid expenses
   Amortized in equal portions.

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

(2) Provision for bonuses

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

(3) Provision for sales returns

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

(4) Provision for 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)

Changes in accounting policies which are difficult to distinguish from changes in accounting estimates

Change in depreciation method of property, plant and equipment

The Company has changed the depreciation method for property, plant and equipment from the declining balance method to the straight-line method since the beginning of the fiscal year ended March 31, 2019.

In the formulation of the project of construction of the new RDCs, the Company reviewed the use of property, plant and equipment. As the result, the Company expects stable operations of property, plant and equipment for the long term and determined that adopting the use of the straight-line method to allocate depreciation expense evenly over the useful lives of such property, plant and equipment would more appropriately reflect its actual condition.

As the result of the above, compared to the previous method, for the fiscal year ended March 31, 2019, operating profit increased by ¥734 million and ordinary profit and profit before income taxes each increased by ¥735 million.

(Changes in Presentation)

Application of “Partial Amendment to Accounting Standards for Tax Effect Accounting”

From the beginning the fiscal year ended March 31, 2019, the Company has applied the “Partial Amendment to Accounting Standards for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. As a result of this partial amendment, deferred tax assets are now listed under investment and other assets and deferred tax liabilities are listed under non-current liabilities.

Consequently, ¥1,230 million listed as “deferred tax assets” under “current assets” reported in the balance sheet for the fiscal year ended March 31, 2018 was offset against ¥4,771 million as “deferred tax liabilities” under “non-current liabilities”, and reclassified as ¥3,541 million in “deferred tax liabilities” under “non-current liabilities”

Since the deferred tax assets and deferred tax liabilities of the same taxable entity were offset, total assets as of March 31, 2018 decreased by ¥1,230 million compared with the amount before the change.

(Accounting Standards Issued but not yet Effective)

"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, 2019 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, 2018	As of March 31, 2019
Notes receivable - trade	872 million yen	894 million yen
Electronically recorded obligations – operating	2,439	2,394

(Statements of income)

*1 The approximate percentages of selling expenses were 31.0% in the fiscal year ended March 31, 2018, and 32.8% in the fiscal year ended March 31, 2019. The approximate percentages of general and administrative expenses were 69.0% and 67.2%, respectively.
Major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Distribution expenses	10,210 million yen	11,062 million yen
Provision of allowance for doubtful accounts	4	2
Depreciation and amortization	3,641	3,355
Salaries and allowances	17,019	17,051
Provision for bonuses	2,035	1,713
Retirement benefit expenses	1,452	1,253

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Vehicles	0 million yen	－ million yen
Total	0	－

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Buildings	– million yen	7 million yen
Land	4	0
Total	4	8

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Buildings	0 million yen	－ million yen
Structures	46	0
Machinery and equipment	16	13
Vehicles	0	0
Tools, furniture and fixtures	7	0
Leased assets (tangible)	15	0
Software	－	0
Long-term prepaid expenses	14	0
Demolition or removal expenses	17	32
Total	118	47

*5 Impairment loss

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

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.

Fiscal year ended March 31, 2019

Not applicable.

(Statements of changes in equity)

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 (Note)	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

Fiscal year ended March 31, 2019

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

	As of April 1, 2018	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2019
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock	6,158	79	–	6,237
Total	6,158	79	–	6,237

Note: The 79 increase in the number of treasury shares is the result of a buyback of shares less than one unit.

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

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 8, 2018	Common stock	2,097	33	March 31, 2018	June 1, 2018
Board of Directors meeting held on October 26, 2018	Common stock	2,160	34	September 30, 2018	December 3, 2018

(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, 2019	Common stock	2,160	Retained earnings	34	March 31, 2019	May 31, 2019

(Statements of cash flows)

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash and deposits	21,648 million yen	18,359 million yen
Time deposits with a deposit period of over three months	–	–
Cash and cash equivalents	21,648	18,359

(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, 2018	As of March 31, 2019
Within one year	153	161
Over one year	234	282
Total	387	443

(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, 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.

As of March 31, 2019 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
(1) Cash and deposits	18,359	18,359	–
(2) Notes receivable - trade	5,026	5,026	–
(3) Accounts receivable – trade	181,424	181,424	–
(4) Accounts receivable – other	14,474	14,474	–
(5) Investment securities	21,540	21,540	–
Total assets	240,825	240,825	–
Liabilities			
(1) Electronically recorded obligations - operating	6,820	6,820	–
(2) Accounts payable – trade	144,985	144,985	–
(3) Short-term loans payable	2,500	2,500	–
(4) Current portion of long-term loans payable	5,950	5,962	12
(5) Accounts payable - other	17,331	17,331	–
(6) Long-term loans payable	3,908	3,891	(16)
Total liabilities	181,496	181,492	(4)
Derivative transactions (*)	6	6	–

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

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

Assets

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

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

(5) Investment securities

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

Liabilities

(1) Electronically recorded obligations - operating, (2) Accounts payable - trade, (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, 2018	As of March 31, 2019
Unlisted shares (*1)	899	882
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, 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	–	–	–

As of March 31, 2019 (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	18,359	–	–	–
Notes receivable-trade	5,026	–	–	–
Accounts receivable-trade	181,424	–	–	–
Accounts receivable-other	14,474	–	–	–
Total	219,284	–	–	–

4. Maturity analysis for loans

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	–	–

As of March 31, 2019 (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	2,500	–	–	–	–	–
Current portion of long-term loans payable	5,950	–	–	–	–	–
Long-term loans payable	–	3,558	350	–	–	–
Total	8,450	3,558	350	–	–	–

(Securities)

1. Shares of subsidiaries and affiliates
   Shares of subsidiaries (amounts on balance sheets: ¥20 million in the fiscal year ended March 31, 2019 and ¥20 million in the fiscal year ended March 31, 2018) 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, 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.

As of March 31, 2019 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	21,291	7,157	14,134
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	21,291	7,157	14,134
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	248	255	(6)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	248	255	(6)
Total		21,540	7,412	14,127

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

3. Available-for-sale securities sold

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

Fiscal year ended March 31, 2019 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	310	186	0
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	310	186	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, 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.

As of March 31, 2019 (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	1,140	–	6
Total			1,140	–	6

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

(Retirement benefits)

1. Overview of retirement benefits plans

The Company has defined benefit plans and a defined contribution plan. For the former the Company has a multi-employer corporate pension fund plan, a contract-type corporate pension fund plan and a lump-sum retirement payment plan, and for the latter the Company has a defined contribution pension fund plan.
The Company has enrolled in multi-employer pension plans. Since the portion of the pension plan assets could not be reasonably calculated, the required contribution amount was recognized as retirement benefit expenses.
Tokyo Pharmaceutical Corporate Pension Fund Association has received an approval for exemption from payments of benefits to past employee services with respect to the substitutional portion of the employees' pension fund from the Minister of Health, Labour and Welfare on April 1, 2018.

2. Defined benefit plans

(1) Overall funding position of plans

	(As of March 31, 2017)	(As of March 31, 2018)
(Tokyo Pharmaceutical Corporate Pension Fund Association)		
Fair value of plan assets	549,912 million yen	531,843 million yen
Total Amount of actuarial liabilities and minimum actuarial reserve (Note)	547,838	512,770
Net balance	2,074	19,073

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

	(As of March 31, 2018)	(As of March 31, 2019)
(Tokyo Pharmaceutical Corporate Pension Fund Association)	5.0%	4.3%

(3) Supplementary explanation

(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.

(As of March 31, 2018)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥23,254 million and surplus in the fiscal year ended March 31, 2018 of ¥42,328 million. The amortization method used for prior service costs in the pension plan is principal and interest equal amortization, and the remaining amortization term is 4 years and 0 month.

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

	(Fiscal year ended March 31, 2018)	(Fiscal year ended March 31, 2019)
Retirement benefit obligation at beginning of period	6,628 million yen	6,874 million yen
Service costs	487	494
Interest expenses	13	13
Actuarial differences	71	119
Retirement benefits paid	(326)	(406)
Retirement benefit obligation at end of period	6,874	7,095

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Plan assets at beginning of period	4,429 million yen	4,653 million yen
Expected return on plan assets	8	9
Actuarial differences	145	41
Contribution by employer	263	255
Retirement benefits paid	(193)	(222)
Plan assets at end of period	4,653	4,737

(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, 2018	As of March 31, 2019
Retirement benefit obligation from funded plans	4,087 million yen	4,217 million yen
Fair value of plan assets	(4,653)	(4,737)
Net balance	(566)	(519)
Retirement benefit obligation on non-funded plans	2,786	2,877
Unfunded retirement benefit obligation	2,220	2,358
Unrecognized actuarial differences	(545)	(447)
Net amount of liability and asset recorded in balance sheet	1,674	1,910
Provision for retirement benefits	2,341	2,451
Prepaid pension	(667)	(540)
Net amount of liability and asset recorded in balance sheet	1,674	1,910

(7) Retirement benefit expenses and amounts of components

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Service costs	487 million yen	494 million yen
Interest expenses	13	13
Expected return on plan assets	(8)	(9)
Amortization of actuarial differences	333	176
Other	507	460
Retirement benefit expenses on defined benefit plans	1,332	1,135

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 ¥360 million for the previous fiscal year and ¥310 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, 2018)	(As of March 31, 2019)
Bonds	56 %	57 %
Stocks	24	24
Life insurance company general accounts	10	10
Other	10	9
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, 2018)	(As of March 31, 2019)
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 ¥161 million of previous fiscal year and ¥159 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, 2018	As of March 31, 2019
Differed tax assets:		
Accrued enterprise tax	284	295
Provision for bonuses	623	524
Allowance for doubtful accounts	26	27
Accrued expenses	288	267
Provision for retirement benefits	716	750
Loss on valuation on investment securities	378	364
Accrued directors’ retirement benefits	82	82
Impairment loss	76	—
Taxable assets adjustment	129	77
Other	69	70
Total deferred tax assets	2,674	2,461
deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	(911)	(1,004)
Valuation difference on available-for-sale securities	(5,085)	(4,322)
Prepaid pension cost	(204)	(165)
Others	(14)	(16)
Total deferred tax liabilities	(6,216)	(5,508)
Net deferred tax assets	(3,541)	(3,047)

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

(%)

	As of March 31, 2018	As of March 31, 2019
Statutory tax rate	30.8	30.6
(Adjustments)		
Non-deductible items such as entertainment expense	0.4	0.4
Inhabitant taxes per capital	0.4	0.4
Other	(1.0)	(0.6)
Effective tax rate	30.6	30.8

(Equity methods)

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

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Not applicable.

(Asset retirement obligations)

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

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
No significant items to be reported.

(Estate leases)

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

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
No significant items to be reported.

(Segment information)

a. Segment Information

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".

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
"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, 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.

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

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, 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".

Fiscal Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Not applicable.

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

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".

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
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, 2018 (From April 1, 2017 to March 31, 2018)
Not applicable.

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Not applicable.

(Related-party transactions)

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.

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

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, 2018	Fiscal year ended March 31, 2019
Net assets per share	2,886.59	3,103.08
Earnings per share	274.65	311.07

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, 2018	Fiscal year ended March 31, 2019
Profit	17,453	19,767
Amount not attributable to common stock	–	–
Profit attributable to common stock	17,453	19,767
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 a Change representative director” and “Notification concerning Changes directors and officers, etc.” announced on February 7, 2019 and “Notification concerning Changes representative director and director” announced on April 26, 2019.

(2) Sales Status

(Sales results)

1) Sales results for the fiscal year ended March 31, 2019 by product category are as follows:

Product classification	Fiscal year ended March 31, 2019 Amount (Millions of yen)	Year-on-year change (%)
Cosmetics	265,341	104.2
Daily necessities	435,135	105.6
OTC pharmaceuticals	138,973	102.4
Health and sanitary related products	160,359	106.4
Others	15,443	112.9
Total sales	1,015,253	105.0

Notes: Above figures are exclusive of consumption taxes.

2) Sales results for the fiscal year ended March 31, 2019 by customer category are as follows:

Customer category		Fiscal year ended March 31, 2019 Amount (Millions of yen)	Year-on-year change (%)
Drug	Drugstores (Pharmacies)	638,883	105.1
HC	Home centers (DIY stores)	93,409	100.3
CVS	Convenience stores	75,064	104.4
DS	Discount stores	69,908	118.4
SM	Supermarkets	54,538	96.6
GMS	General merchandising stores	37,482	102.1
Others	Export and others	45,966	110.2
Total sales		1,015,253	105.0

Notes: Above figures are exclusive of consumption taxes.