Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 <under Japanese GAAP>

May 11, 2023

Company name: PALTAC CORPORATION
(URL: http://www.paltac.co.jp/)
Listing: Tokyo Stock Exchange (Code number: 8283)
Representative: Representative Director, Chairman and President
Kunio Mikita
Contact: Director, Senior Managing Executive Officer, General Manager of Management Planning Headquarters
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Scheduled date to hold annual general meeting of shareholders: June 23, 2023
Scheduled date to commence dividend payments: June 2, 2023
Scheduled date to submit the Securities Report: June 23, 2023
Preparation of supplementary material on financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (For institutional investors, analysts and media.)

(Figures are rounded off to the nearest million yen)

1. Financial Results for the Fiscal Year Ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2023	1,104,152	5.6	24,472	(5.6)	27,440	(4.2)	19,251	(2.0)
March 31, 2022	1,045,735	–	25,921	–	28,637	–	19,639	–

	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, 2023	306.33	–	7.6	5.9	2.2
March 31, 2022	310.34	–	8.2	6.4	2.5

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2023 ¥– million
Fiscal year ended March 31, 2022 ¥– million

Note: From the beginning of the fiscal year ended March 31, 2022, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., and the above-mentioned figures of fiscal year ended March 31, 2022 do not include year-on-year percentage changes.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2023	476,936	259,700	54.5	4,132.28
March 31, 2022	448,877	243,741	54.3	3,878.33

Reference: Equity As of March 31, 2023: ¥259,700 million As of March 31, 2022: ¥243,741 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, 2023	16,594	(6,093)	(5,177)	45,993
March 31, 2022	21,949	(10,170)	(8,731)	40,670

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, 2022	–	39.00	–	39.00	78.00	4,929	25.1	2.1
Fiscal year ended March 31, 2023	–	41.00	–	41.00	82.00	5,153	26.8	2.0
Fiscal year ending March 31, 2024 (Forecasts)	–	45.00	–	45.00	90.00		27.9	

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
First six months	577,000	4.0	12,900	7.9	14,400	6.9	9,900	6.5	157.53
Fiscal year	1,142,000	3.4	26,500	8.3	29,500	7.5	20,300	5.4	323.01

* 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, 2023	63,553,485 shares
As of March 31, 2022	63,553,485 shares

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

As of March 31, 2023	706,698 shares
As of March 31, 2022	706,549 shares

3) Average number of shares during the period

For the fiscal year ended March 31, 2023	62,846,881 shares
For the fiscal year ended March 31, 2022	63,284,254 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, 2024)" on page 3 of the attached material to this financial results report for the suppositions that form the assumptions for the forecasts.

* How to access the presentation (Presentation Material for financial results)
The Company will hold a financial results online briefing for institutional investors, financial analysts and media on Friday, May 19, 2023. The presentation (Presentation Material for financial results) is posted on the Company's website (http://www.paltac.co.jp/en/index.html).

* Information regarding this report (including the attached material)
None of the information in this report constitutes solicitation to purchase or sell the stock of PALTAC CORPORATION. It was not prepared with the intention of providing investment advice about the stock of PALTAC CORPORATION. Furthermore, this report is an English translation of the original, which was prepared in Japanese. In the event of any discrepancies between the Japanese original and the English translation, the Japanese original shall prevail.

Attached Material
Contents

1. Summary of Operating Results etc.

(1) Analysis of Operating Results

(Operating results for the fiscal year ended March 31, 2023)

In the fiscal year ended March 31, 2023, despite the continuing impact of the novel coronavirus disease (COVID-19), the Japanese economy showed signs of gradually picking up as normalization of socioeconomic activities progressed accompanying the easing of restrictions on movement and other measures for living with COVID-19. However, due to the impact of inflation, resulting from cost-push inflation due to rising raw material prices and energy prices, on personal consumption, and other factors, the future outlook is still unclear.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, although demand related to COVID-19 is falling as the number of infections decreases, sales of makeup products, facial cleansers and other cosmetics, and health drinks, gastrointestinal medicine and other pharmaceuticals were strong, accompanying the increase in opportunities for consumers to go outside. In addition, temperatures have remained higher than in the previous year, and sales of antiperspirants, insecticides, pollen-related products and other spring and summer items were also strong.

Under these circumstances, based on the medium-term management plan, with the fiscal year ended March 31, 2023 as the second year of the plan, the Company undertook a variety of efforts aiming to optimize and streamline the entire supply chain. These initiatives include “strengthening selling systems” through collaboration and cooperation with our business partners, implementing “improvements in logistics” in consideration of our response to the impending “2024 problem” in logistics (possible shortage of truck drivers due to a reduction in the maximum overtime work limit to 960 hours per year from April 2024) and the White-Logistics-Movement, “using digital technology” that supports all of the initiatives that have been systematically strengthened, and “actively recruiting human resources” capable of taking charge in achieving medium- to long-term growth.

Regarding net sales, the Company focused on enhancing retail solution functions that can meet a wide range of retailer needs and actively utilizing these functions through collaboration and cooperation. In particular, the Company worked to increase sales and expand its in-store share by reinvigorating retail stores. Specifically, the Company worked to take quick and effective response to demand fluctuations using real-time information from retail stores and the largest collection of retail information in the industry, and propose new product lineups that anticipate changes in the market environment, including for products new to the Company from its known manufacturers.

With regard to SG&A expenses, amid the progress being made in securing human resources for medium- to long-term growth, the Company continued to improve the productivity of warehouse operations and worked to implement other measures, such as improving logistics efficiency in response to both rising shipping costs and the White-Logistics-Movement, although there was an impact mainly from rising electricity prices.

Accompanying the new Tochigi distribution center, which was established to expand the scale of shipping operations and improve productivity in the largest market, the Kanto region, the one-time increase in costs pushed down operating profit by ¥1,400 million.

As a result of the above, net sales for the fiscal year ended March 31, 2023 were ¥1,104,152 million (up 5.6% year on year), operating profit was ¥24,472 million (down 5.6%), ordinary profit was ¥27,440 million (down 4.2%), and profit was ¥19,251 million (down 2.0%).

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

(Outlook for the fiscal year ending March 31, 2024)

Looking ahead to the next fiscal year, a trend towards the normalization of socioeconomic activities is expected due to the change of consumer sentiment and behavior accompanying the transition to “With COVID-19” and various policies. Although the future outlook remains unclear due to the economic impact such as the change of consumer mind against the price hikes, positive signs for economy including a growth of the wage-hike trend at large corporations and an increase of consumptions of tourists in Japan are shown.

In the distribution industry that the Company operates, labor shortage has been becoming more serious in many companies, and in particular “2024 problem” in the logistics industry, which causes the transportation capacity to deteriorate, are approaching. Quick response to these diversified and complex challenges is required and the role of intermediate distributor is expected to become even more important.

Considering such circumstances, as an intermediate distribution platform, the Company will work to strengthen retail solution systems and logistics solution systems in accordance with the current medium-term management plan “PALTAC VISION 2024” which ends the next fiscal year, aiming for realization of a sustainable society and contributing to rich and comfortable daily life. To achieve maximum performance of its intermediate distributional function, the Company will promote digitization and strengthen the cooperation with the entire supply chain. Through these measures, the Company will effort to create a new value across the industry and to solve the diversified and complex challenges and aim to sustained business growth with the whole stakeholders including customers, society and environment.

In the next fiscal year, severe management environment is expected to continue, however for flexibly responding to the rapid social environmental changes, the Company will enhance the human capital and start developing corporate transformation, and proceed to undertake a variety of efforts aiming to optimize and streamline the entire supply chain. And also, with regard to Tochigi distribution center which started to operate from February 2023, contribution to operating profit is expected to gain full momentum in the next fiscal year due to the operation of that center throughout the year and a rise in the volume of handling.

Accordingly, the business results forecasts for the fiscal year ending March 31, 2024 are as follows.

Net sales	¥1,142,000 million
Operating profit	¥26,500 million
Ordinary profit	¥29,500 million
Profit	¥20,300 million

(2) Analysis of Financial Position

(1) Assets, liabilities and net assets

(Assets)

Current assets increased by ¥20,852 million from the end of the previous fiscal year. This was primarily the result of increases in cash and deposits of ¥5,322 million, in accounts receivable-trade of ¥10,541 million and in merchandise and finished goods of ¥3,287 million.
Non-current assets increased by ¥7,207 million from the end of the previous fiscal year. This was primarily the result of increases in buildings of ¥6,545 million, in machinery and equipment of ¥8,418 million and in investment securities of ¥2,563 million and a decrease in construction in progress of ¥10,679 million.

As a result, total assets were ¥476,936 million, an increase of ¥28,059 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities increased by ¥11,158 million from the end of the previous fiscal year. This was primarily the result of increases in electronically recorded obligations – operating of ¥1,973 million, in accounts payable-trade of ¥4,308 million and accounts payable-other of ¥5,350 million.
Non-current liabilities increased by ¥940 million from the end of the previous fiscal year. This was primarily the result of an increase in deferred tax liabilities of ¥848 million.

As a result, total liabilities were ¥217,235 million, an increase of ¥12,099 million from the end of the previous fiscal year.

(Net assets)

Net assets increased by ¥15,959 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings of ¥14,224 million and in valuation difference on available-for-sale securities of ¥1,739 million.

As a result, total net assets were ¥259,700 million.

(2) Cash flows

Cash and cash equivalents (“cash”) as of the end of the fiscal year under review were ¥45,993 million, an increase of ¥5,322 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 ¥16,594 million (down ¥5,355 million year on year). Main factors were ¥27,846 million of profit before income taxes, ¥5,750 million of depreciation and amortization, ¥10,761 million of increase in notes and accounts receivable-trade, ¥3,287 million of increase in inventories, ¥6,281 million of increase in notes and accounts payable-trade and ¥8,388 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥6,093 million (down ¥4,076 million year on year). Main factor was ¥5,550 million of purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥5,177 million (down ¥3,553 million year on year). Main factor was ¥5,027 million of cash dividends paid.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	50.1	52.1	54.1	54.3	54.5
Market value-based equity ratio (%)	97.2	81.8	87.4	63.7	66.1
Interest-bearing debt to cash flow ratio (years)	0.6	0.2	0.0	0.0	0.0
Interest coverage ratio (times)	199.7	247.2	898.7	3,461.1	2,885.4

Equity ratio: Equity / Total assets

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

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

Interest coverage ratio: Cash flow / Paid interest

Notes: 1. Total market capitalization is calculated based on the number of issued shares excluding treasury stock.
2. The figure used for “Cash flow” is cash flow from operating activities.
3. Interest-bearing debt: Short-term loans payable + Current portion of long-term loans payable + Long-term loans payable+ Long-term deposits received (excluding non-interest portion). Excluding lease obligations.
4. For the paid interest, the Company uses “Interest expenses paid” on the statements of cash flows.
5. From the beginning of the fiscal year ended March 31, 2022, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2023 and the Fiscal Year Ending March 31, 2024

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. The Company recently sets a target of a total return ratio of 30% through dividend payments and treasury share buy-back and shall work to enhance shareholder returns in keeping with improvement of business performance.

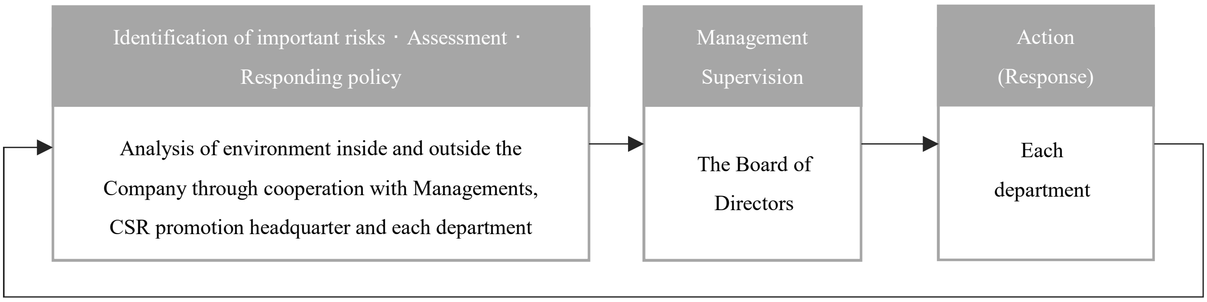
In the fiscal year under review, based on this underlying policy, the Company has set its fiscal year-end dividend at ¥41 per share. As a result, including the interim dividend of ¥41 per share already paid, the planned annual dividend has also been increased by ¥4 to ¥82 per share.

For the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥90 per share (an increase of ¥8 per share), comprised of an interim dividend of ¥45 and a year-end dividend of ¥45 per share.

(4) Business Risks

Toward the achievement of the management goals, the Company has established “Basic Policies for Risk Management” to appropriately respond to risks factors which can exist on its business execution and to fulfill its corporate social responsibility. As for its risk management structure, designating CSR Promotion Headquarters as the controlling department and making it work with management and each department, the Company identifies and categorizes risks may have material impact on its business operations and evaluates the importance and designs the response policy in consideration of impacts and probability of occurrence. Identified risks through these processes are reported periodically to its Board of Directors. The Company takes risk management into account in strategy of the medium-term management plan and work to address in accordance with the control and supervision of the Board of Directors.

■ Risk Management Process



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, 2023.

(Risk related to decline in the working population)

The Company is supported by many employees. A decline in the working population has caused difficulty in securing human resources and rising of labor costs. Consequently, the Company undertakes a variety of initiatives such as serving comfortable workplace environment, developing personnel affairs measures, continuously training to improve their skills, aggressively recruiting mid-career employment, improving productivities of the existing RDC through improving activities and applying new logistics model realizing significant productivity improvements. Nevertheless, if the Company is unable to sufficiently secure human resources with its plan, or if there is a significant rising of labor costs, these may have a negative impact on the Company’s business activities and results

(Risk related to delivery operation)

The Company distributes merchandises to retailers starting from its distribution centers and outsources operation of transportation to the outside companies. Currently, the Company constructs favorable relationships with these outside companies and takes actions such as improvement of delivery responding for the impending “2024 problem” in logistics. Nevertheless, if labor shortage at these outside companies becomes more serious this may lead to increase delivery costs that the Company will have to pay and to cause interference with stable supply, and have a negative impact on the Company’s business activities and results.

(Risk related to the business environment)

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, the business scale is continuing to expand by intensifying competition across business types and categories and M&A, etc. Given these circumstances, the Company accurately identifies the customers’ needs and creates an organization that is able to respond swiftly to changes in the business environment. Nevertheless, if part of retailer’s and manufacturer’s business policies or transaction terms are changed caused by escalating competition or business reorganization, these may have a negative impact on the Company’s results.

(Risks related to the information system intrusion and Information Security)

The Company relies on computer systems and networks in its business operations. This includes the use of a proprietary distribution system incorporating complex programming for the operation and management of RDCs, the Company's important business and distribution facilities. In order to address natural disasters, etc. the Company efforts to ensure business continuity through establishing system which provides quick restoration of normal operations in the event of disaster, utilizing distributed storage by moving its IT enterprise system into the cloud and a data center equipped with seismic isolation devices and a private electric generator. Nevertheless, if the Company's computer systems stop functioning due to a large-scale natural disaster, this may significantly obstruct the Company's sales and distribution activities.

Additionally, to prevent any computer virus infection, the Company takes measures such as implementing antivirus software or introduction of system monitoring functions. Nevertheless, if confidential information is leaked, or if system failure is caused by cyberattacks greater in degree than anticipated, these may have a negative impact on the Company's business activities and results.

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

(Risks related to the occurrence of a large-scale natural disaster or infectious diseases)

The Company operates at a number of places of business and distribution centers across Japan. To minimize the losses from a natural disaster or the infection spread, the Company is working to develop and enhance its Business Continuity Plan (BCP). The measures in that plan include a system under which, even if the distribution capabilities at some distribution centers can no longer be deployed safely, other distribution centers can take over these capabilities as their backup. Nevertheless, the Company may be subject to unexpected events such as the fragmentation of lifelines and transport networks due to occurrence of a large scale natural disaster or spread of the infectious diseases including new strains of influenza. These events may have a negative impact on the Company's results by obstructing its provision of distribution services or other operations.

(Risks related to the climate change)

In the daily necessities distribution industry where the Company operates, it is recognized that climate change is extremely important issue to be addressed by the whole of industry. The Company has identified climate change as one of the key issues to be solved for its sustainable growth and has taken proactive measures which are incorporated into its medium-term management plan. Nevertheless, due to accelerated climate change, frequent natural disasters can cause serious physical damages, including disruption of supply chains and the rose of raw material price arising from soaring raw material price, and the additional costs such as implementation of carbon tax brought by transition to a carbon-neutral society. These events may have a negative impact on the Company's results.

(Risk related to impairment of non-current assets)

The business environment surrounding the Company is changing dramatically, with intensifying competition with other wholesalers, expanding business areas and utilizing cutting-edge technologies continue to evolve. Under these circumstances, the Company has continuously invested on capital expenses with the aim of refining its logistics function and optimizing its information system for sustainable growth. Nevertheless, if the Company recognize an impairment loss on its non-current assets due to significant changes in the business environment or deterioration in earnings environment, this may have a negative impact on the Company's results.

(Risk related to compliance)

In order to realize sustainable corporate growth while taking to earn the trust of stakeholders, the Company believes that every officers and employee of the Company must hold the highest ethical philosophy, including not only complying with laws and regulations but also taking part in the manners and rules. The Company provides training and learning programs for its officers and employees for raising awareness regarding the importance of compliance. Nevertheless, it is difficult to completely eliminate risk related to compliance. If any violations of or conflicts with the laws and regulations occur, the Company's social reputation is damaged or the Company is required to pay damage compensation. These aforementioned events may have a negative impact on the Company's business activities and results.

(Matters relating to specific legal restraints, etc.)

The Company handles over-the-counter (OTC) pharmaceuticals and related products. Consequently, the Company is subject to restraints under related laws and regulations, primarily the Pharmaceutical and Medical Device Act. It is necessary for the Company's places of business to obtain the necessary permissions, registrations, designations and licenses from the prefectural governor of the jurisdiction, or for the Company to make the necessary submissions to the competent authorities, before carrying out sales activities. In addition, the company works to establish a structure in which the CSR Promotion Headquarters takes a major role in obtaining licenses and approvals and maintaining the compliance status. Nevertheless, if the Company's licenses and approvals are rescinded due to violation of laws and regulations or other such reasons, or if the Company is unable to obtain licenses and approvals, this may have a negative impact on the Company's business activities and results by limiting the merchandise which accounts for 10% of its sales can sell.

(Risk related to collectability of accounts receivables)

The Company takes measures to mitigate the risk of doubtful accounts occurring with respect to accounts receivables by strengthening its system for close coordination with customers, thoroughly carrying out management of accounts receivables at the Company, entering into trade credit insurance, and other means. Nevertheless, if a customer defaults due to bankruptcy, civil rehabilitation or otherwise, this may have a negative impact on the Company's results.

(Risk related to product inventories)

It is possible to avoid risk from product inventories because most of the product inventories owned by the Company and product returns from customers can be returned to the supplier. Nevertheless, if a supplier undergoes a bankruptcy, civil rehabilitation or otherwise, this may have a negative impact on the Company's results by causing a reduction in the price of product inventories and preventing the Company from returning products.

(Fluctuations in results)

In the Company’s results for the fourth quarter, net sales tend to fall in comparison with the other quarters. Profit also tends to decline in that quarter reflecting the impact of the fluctuation in net sales.

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

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

An overview of results by quarter in the fiscal year ended March 31, 2023, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2023				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales [Composition %]	276,247 [25.0]	278,651 [25.2]	293,297 [26.6]	255,956 [23.2]	1,104,152 [100.0]
Operating profit [Composition %]	6,514 [26.6]	5,445 [22.3]	7,151 [29.2]	5,361 [21.9]	24,472 [100.0]
Ordinary profit [Composition %]	7,335 [26.7]	6,134 [22.4]	7,943 [28.9]	6,026 [22.0]	27,440 [100.0]

(Relationship with the parent company's group)

Aiming for contribution to the society, the parent company's group operates mainly in three business areas: Prescription Pharmaceutical Wholesale Business, Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business and Animal Health Products and Food Processing Raw Materials Wholesale Business.
In these business areas, the Company operates Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business. And because of the differences in the merchandise categories and in the distributional channels comparing to the other two businesses areas, there is not competition with the parent company's group excluding the Company and also the Company carries out its own sales activities without any restriction. And, from the view point of corporate governance, 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 and the management decision made by the Board of Directors of the Company is the final decision within the parent company's group. And, the Company does not accept director from the parent company and its group companies. The majority of members on the Board of Directors are independent outside directors through actively nominating independent outside directors. At the same time, the parent company respects the Company's independency and protect of minority shareholders of the Company. Based on the "Group Company Management Regulations", the parent company believes it's desirable, from the perspective of group management, for the Company to improve its corporate value through actively pursuing business development by autonomous funding and quick decision-making. Furthermore, the regulations state that the Company's Board of Directors is final decision-making organ. Currently, no significant changes are expected to occur in the Company's relationship with the rest of the parent company's group. Nevertheless, if there is a change in management policy in the rest of the parent company's group in the future, for example if another company in the group enters into one of the Company's business sectors and comes into competition with the Company, this may have an impact on the Company's results.

The Company's relationship with the parent company's group as of March 31, 2023, is as follows.

1) Capital relationships

The percentage of the shares of the Company held by its parent company, MEDIPAL HOLDINGS CORPORATION, is 50.68%.

2) Personal relationships

[Interlocking directorate]

As of the end of the fiscal year under review, the Company did not accept any directors from the parent company and its group companies. On the other hand, Mr. Seiichi Kasutani, Representative Director, President of the Company, served as a director of the parent company from the perspective of effective group governance.
And, Mr. Seiichi Kasutani will resign as of the closing of the general shareholders' meeting of the parent company scheduled for June 27, 2023 as his term expired and Mr. Takuya Yoshida, Vice President, Executive Officer of the Company, who will assume Representative Director, President of the Company following approval by the general shareholders' meeting of the Company scheduled for June 23, 2023 and at the meeting of the board of directors to be held thereafter, will be elected as a parent company's director at the same general shareholders' meeting of the parent company.
In addition, the Company, believing that it becomes more important than ever to optimize the balance between the maintenance of a degree of its independence as a listed company and the group governance, has passed a resolution that a proposal for appointing director would be submitted for Mr. Yuji Sakon, Managing Director of the parent company, as candidate for director of the Company to the general shareholders meeting of the Company scheduled for June 23, 2023.

3) Business relationships

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

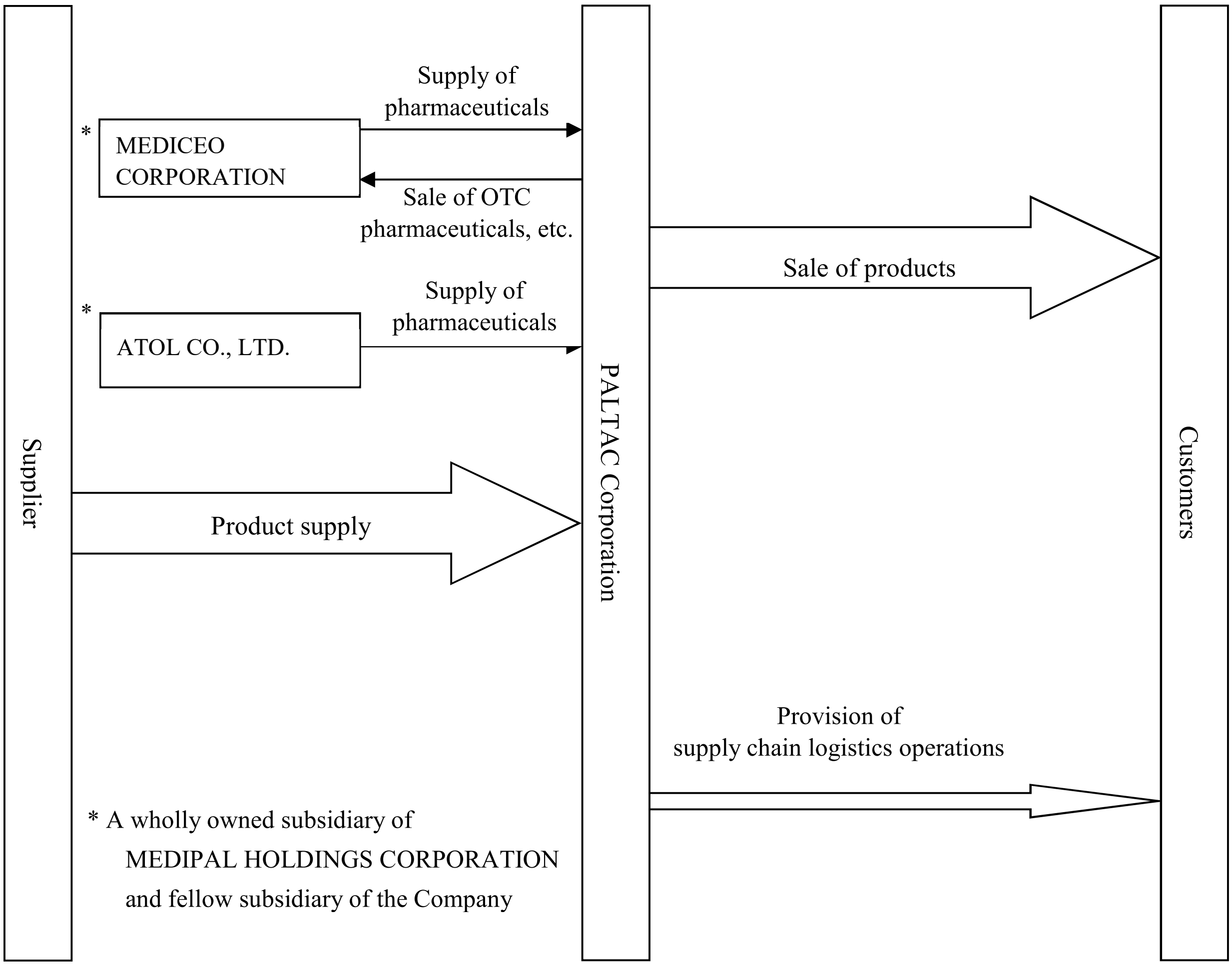
(Millions of yen)

Company name	Transaction details	Transaction amount Fiscal year ended March 31, 2022	Transaction amount Fiscal year ended March 31, 2023	Transaction conditions, etc.
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	13	14	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.	4	6	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.	349	319	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	14	4,089	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) ATOL CO., LTD.	Purchase of products	2	7	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Medipal Insurance Service Co., Ltd.	Payment of insurance premium	430	488	Carried out as the Company's insurance agent under the same transaction conditions as with a third party.

2. Status of Group

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

The Group's operational chart is as follows.



3. Management Policy

Forward-looking statements in the document are based on the judgments of the Company's management as of the end of the fiscal year under review.

(1) The Company's Basic Management Policy

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

(2) Business Environment and Issues to be Addressed with Priority

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5) Initiative for ESG and SDGs

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

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

The Company announced "Notice Regarding the Revisions of the Business Results Forecast for the fiscal year ending March 31, 2024 in its Medium-term Management Plan" on May 11, 2023. The details of the revisions are as follows.

(i) Forecasts of Financial Results in the Medium-term Management Plan

	For the fiscal year ending March 31,2024			(For Reference)
	Previous Forecast (A)	Revised Forecast (B)	Variance (B-A)	Results for the fiscal year ended March 31, 2023
Net Sales	¥1,125 billion	¥1,142 billion	+¥17 billion	¥1,104 billion
Operating Profit	¥29,000 million	¥26,500 million	-¥2,500 million	¥24,472 million
SG&A Expenses Ratio	5.29%	5.25%	-0.04%	5.25%

(ii) Reasons for the revisions

The Company has started its medium-term management plan from fiscal year ended March 31, 2022. Under its plan, as an intermediate distribution platform, the Company works to carry out initiatives aiming for realization of a sustainable society and contributing to rich and comfortable daily life.

With regard to net sales, the Company has decided to increase its initial target. The reasons for the revision are the positive results, including expansion of transaction with existing customers and strengthening of procurement of new products, were shown as a result of efforts from a perspective of medium-to-long growth, and anticipated expansion of demand for cosmetics and OTC pharmaceuticals which are its strengths due to an increase of foot traffic arising from calmness of COVID-19.

With regard to operating profit, the Company has decided to decrease its initial target. The reason for the revision is anticipation of severe economic environments particularly the growing preference for low-price due to rising consumer's consciousness on defending livelihoods against a backdrop of price hikes arising from soaring prices of raw material and energy and rises in personnel expenses against a backdrop of soaring electricity costs and labor shortage.

With regard to SG&A expenses ratio, the Company has decided to decrease its initial target. The reasons for the revision are considerations including ongoing improvement activities such as promoting delivery efficiency pursuing of productivity improvement in warehouse operations and effect of absorbing fixed expenses thanks to growth of sales expansion.

Basic policy and initiatives on its medium-term management plan have not changed.

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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	40,670	45,993
Notes receivable-trade	5,078	5,297
Accounts receivable-trade	191,242	201,783
Merchandise and finished goods	47,986	51,273
Prepaid expenses	690	735
Accounts receivable-other	15,467	15,359
Consumption taxes receivable	-	1,484
Other	5,809	5,867
Allowance for doubtful accounts	(8)	(7)
Total current assets	306,936	327,788
Non-current assets		
Property, plant and equipment		
Buildings	67,752	76,966
Accumulated depreciation	(26,351)	(29,020)
Buildings, net	41,401	47,946
Structures	5,192	5,798
Accumulated depreciation	(3,582)	(3,850)
Structures, net	1,610	1,947
Machinery and equipment	45,128	55,639
Accumulated depreciation	(30,861)	(32,954)
Machinery and equipment, net	14,266	22,685
Vehicles	1,239	1,289
Accumulated depreciation	(1,172)	(1,186)
Vehicles, net	66	102
Tools, furniture and fixtures	2,086	2,222
Accumulated depreciation	(1,694)	(1,780)
Tools, furniture and fixtures, net	391	442
Land	47,446	47,446
Leased assets	611	460
Accumulated depreciation	(323)	(236)
Leased assets, net	288	223
Construction in progress	12,898	2,218
Total property, plant and equipment	118,369	123,013
Intangible assets		
Patent right	155	123
Software	478	572
Software in progress	148	19
Telephone subscription right	84	84
Other	12	22
Total intangible assets	880	821

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Investments and other assets		
Investment securities	21,089	23,653
Shares of subsidiaries and associates	20	20
Investments in capital	0	0
Investments in capital of subsidiaries and associates	-	111
Long-term prepaid expenses	988	833
Prepaid pension cost	416	466
Guarantee deposits	122	175
Other	57	54
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	22,690	25,312
Total non-current assets	141,940	149,147
Total assets	448,877	476,936
Liabilities		
Current liabilities		
Electronically recorded obligations – operating	10,360	12,333
Accounts payable-trade	154,081	158,389
Lease obligations	143	113
Accounts payable-other	18,787	24,138
Accrued expenses	251	243
Income taxes payable	4,515	4,582
Advances received	34	50
Deposits received	112	112
Provision for bonuses	1,580	1,514
Provision for loss on disaster	497	-
Other	5,993	6,038
Total current liabilities	196,358	207,517
Non-current liabilities		
Lease obligations	172	131
Deferred tax liabilities	5,097	5,946
Provision for retirement benefits	2,732	2,870
Asset retirement obligations	60	79
Long-term deposits received	467	443
Other	246	246
Total non-current liabilities	8,777	9,718
Total liabilities	205,135	217,235

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus		
Legal capital surplus	16,597	16,597
Other capital surplus	11,229	11,229
Total capital surplus	27,827	27,827
Retained earnings		
Legal retained earnings	665	665
Other retained earnings		
Reserve for advanced depreciation of non-current assets	7,638	7,552
General reserve	157,244	177,244
Retained earnings brought forward	28,729	23,038
Total retained earnings	194,277	208,501
Treasury shares	(3,489)	(3,490)
Total shareholders' equity	234,484	248,707
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,246	10,985
Deferred gains or losses on hedges	10	6
Total valuation and translation adjustments	9,256	10,992
Total net assets	243,741	259,700
Total liabilities and net assets	448,877	476,936

(2) Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales		
Net sales of goods	1,032,948	1,091,396
Net sales on other business	12,786	12,755
Total net sales	*1 1,045,735	*1 1,104,152
Cost of sales		
Cost of goods sold		
Beginning goods	45,759	47,986
Cost of purchased goods	956,170	1,013,627
Subtotal	1,001,929	1,061,614
Ending goods	47,986	51,273
Cost of goods sold	953,942	1,010,340
Cost of sales on other business	10,032	11,415
Total cost of sales	963,975	1,021,756
Gross profit	81,759	82,395
Selling, general and administrative expenses	*2, *3 55,838	*2, *3 57,923
Operating profit	25,921	24,472
Non-operating income		
Dividend income	378	384
Research fee income	1,756	1,835
Real estate rent	152	154
Other	488	639
Total non-operating income	2,774	3,014
Non-operating expenses		
Interest expenses	6	5
Rent expenses on real estates	33	31
Commission for purchase of treasury shares	10	-
Other	8	9
Total non–operating expenses	58	46
Ordinary profit	28,637	27,440

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Extraordinary income		
Gain on sales of investment securities	11	-
Gain on reversal of provision for loss on disaster	95	9
Insurance claim income	333	497
Total extraordinary income	440	507
Extraordinary losses		
Loss on retirement of non-current assets	*4 22	*4 60
Loss on cancellation of leases	-	0
Loss on valuation of investment securities	-	19
Loss on disaster	167	20
Provision for loss on disaster	497	-
Total extraordinary losses	687	100
Income before income taxes	28,390	27,846
Income taxes-current	8,603	8,512
Income taxes-deferred	147	82
Total income taxes	8,750	8,594
Profit	19,639	19,251

Supplementary Schedules of Cost of Sales

Cost of sales on other business

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	3,960	39.5	4,562	40.0
Packing and shipping costs	4,039	40.3	3,844	33.7
Depreciation and amortization	1,059	10.5	1,351	11.8
Others	972	9.7	1,657	14.5
Total	10,032	100.0	11,415	100.0

(3) Statements of Changes in Equity

Fiscal year ended March 31, 2022

(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	7,738	132,244	38,926	179,575
Cumulative effects of changes in accounting policies								(171)	(171)
Restated balance	15,869	16,597	11,229	27,827	665	7,738	132,244	38,755	179,404
Changes of items during period									
Dividends of surplus				–				(4,766)	(4,766)
Profit				–				19,639	19,639
Reversal of reserve for advanced depreciation of non-current assets				–		(100)		100	–
Provision of general reserve				–			25,000	(25,000)	–
Purchase of treasury shares				–					–
Net changes of items other than shareholders' equity				–					–
Total changes of items during period	–	–	–	–	–	(100)	25,000	(10,026)	14,873
Balance at end of current period	15,869	16,597	11,229	27,827	665	7,638	157,244	28,729	194,277

Fiscal year ended March 31, 2022

(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	(9)	223,262	12,161	4	12,165	235,428
Cumulative effects of changes in accounting policies		(171)				(171)
Restated balance	(9)	223,090	12,161	4	12,165	235,256
Changes of items during period						
Dividends of surplus		(4,766)			–	(4,766)
Profit		19,639			–	19,639
Reversal of reserve for advanced depreciation of non-current assets		–			–	–
Provision of general reserve		–			–	–
Purchase of treasury shares	(3,479)	(3,479)			–	(3,479)
Net changes of items other than shareholders' equity		–	(2,914)	5	(2,909)	(2,909)
Total changes of items during period	(3,479)	11,393	(2,914)	5	(2,909)	8,484
Balance at end of current period	(3,489)	234,484	9,246	10	9,256	243,741

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning if current period	15,869	16,597	11,229	27,827	665	7,638	157,244	28,729	194,277
Changes of items during period									
Dividends of surplus				–				(5,027)	(5,027)
Profit				–				19,251	19,251
Reversal of reserve for advanced depreciation of non-current assets				–		(85)		85	–
Provision of general reserve				–			20,000	(20,000)	–
Purchase of treasury shares				–					–
Net changes of items other than shareholders' equity				–					–
Total changes of items during period	–	–	–	–	–	(85)	20,000	(5,690)	14,224
Balance at end of current period	15,869	16,597	11,229	27,827	665	7,552	177,244	23,038	208,501

Fiscal year ended March 31, 2023

(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	(3,489)	234,484	9,246	10	9,256	243,741
Changes of items during period						
Dividend of surplus		(5,027)			–	(5,027)
Profit		19,251			–	19,251
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		–	1,739	(3)	1,736	1,736
Total changes of items during period	(0)	14,223	1,739	(3)	1,736	15,959
Balance at end of current period	(3,490)	248,707	10,985	6	10,992	259,700

(4) Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	28,390	27,846
Depreciation and amortization	5,486	5,750
Increase (decrease) in allowance for doubtful accounts	1	(0)
Increase (decrease) in provision for bonuses	(203)	(65)
Increase (decrease) in provision for loss on disaster	134	(497)
Increase (decrease) in provision for retirement benefits	72	87
Interest and dividend income	(378)	(385)
Interest expenses	6	5
Loss (gain) on sales of investment securities	(11)	-
Insurance claim income	(333)	(497)
Loss on disaster	167	20
Decrease (increase) in notes and accounts receivable-trade	(2,784)	(10,761)
Decrease (increase) in inventories	(2,227)	(3,287)
Increase (decrease) in notes and accounts payable-trade	4,009	6,281
Decrease (increase) in consumption taxes refund receivable	-	(1,484)
Increase (decrease) in accrued consumption taxes	(1,799)	(190)
Other, net	443	1,940
Subtotal	30,971	24,762
Interest and dividend income received	378	385
Interest expenses paid	(6)	(5)
Payments associated with disaster loss	(376)	(657)
Proceeds from insurance income	333	497
Income taxes paid	(9,352)	(8,388)
Net cash provided by (used in) operating activities	21,949	16,594
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,125)	(5,550)
Purchase of intangible assets	(288)	(223)
Purchase of investment securities	(206)	(76)
Proceeds from sales of investment securities	173	-
Payments for investments in capital of subsidiaries and associates	-	(111)
Other, net	(723)	(130)
Net cash provided by (used in) investing activities	(10,170)	(6,093)
Cash flows from financing activities		
Repayments of long-term loans payable	(350)	-
Repayments of lease obligations	(135)	(149)
Purchase of treasury shares	(3,479)	(0)
Cash dividends paid	(4,766)	(5,027)
Net cash provided by (used in) financing activities	(8,731)	(5,177)
Net increase (decrease) in cash and cash equivalents	3,047	5,322
Cash and cash equivalents at beginning of period	37,623	40,670
Cash and cash equivalents at end of period	* 40,670	* 45,993

(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, affiliates and investments in capital of subsidiaries and associates
   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 loss on disaster

To prepare for payment estimated to be incurred during or after the next fiscal year in order to undertake the restoration of assets damaged due to the disaster.

(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. Standards for recording key revenue and expenses

With respect to revenue from contracts with customer, the details of the main performance obligation in the Company’s key businesses and the usual times for recognizing revenue are as described below.

The Company mainly sells cosmetics, daily necessities and OTC pharmaceuticals and other such products, and has a performance obligation to deliver products under sales contracts with customer. The Company judges that the performance obligation has been satisfied at the time of delivery of the relevant product and recognizes revenue because usually the customer gains control of the relevant product at the time of product delivery. In case of the domestic sales of products, if there is a usual length of time between shipment of products and transferring control to the customer, the Company recognizes revenue at the point when these products are shipped.

When the Company determines a nature of performance obligation in the sales transaction as an agent, it recognizes revenue in the net amount of consideration that it retains after paying the suppliers the consideration received in exchange for products to be provided by that party. And also, net sales are measured net of the consideration agreed in the contract with the customer any sales return, discounts and rebates.

7. 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:	Receivables and 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.

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

Not applicable.

(Significant accounting estimates)

There are not accounting estimates that could have significant impact on the financial statement of the fiscal year ending March 31, 2024.

(Statements of income)

*1 With regard to net sales, revenue from contracts with customers and revenue from other contracts are not presented separately. Amount of revenue from contracts with customer is presented in (Revenue recognition), (1) “The disaggregation of revenue from contracts with customers”.

*2 The approximate percentages of selling expenses were 33.9% in the fiscal year ended March 31, 2022, and 33.6% in the fiscal year ended March 31, 2023. The approximate percentages of general and administrative expenses were 66.1% and 66.4%, respectively.
Major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Distribution expenses	12,096 million yen	12,181 million yen
Provision of allowance for doubtful accounts	1	(0)
Depreciation and amortization	4,395	4,361
Salaries and allowances	17,310	17,504
Provision for bonuses	1,580	1,514
Retirement benefit expenses	1,074	1,075

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Research and development expenses	108 million yen	103 million yen

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Buildings	12 million yen	0 million yen
Structures	-	0
Machinery and equipment	1	0
Vehicles	0	0
Tools, furniture and fixtures	1	5
Leased assets (tangible)	0	4
Software	-	1
Software in progress	0	-
Long-term prepaid expenses	0	34
Demolition or removal expenses	5	13
Total	22	60

(Statements of changes in equity)

Fiscal year ended March 31, 2022

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

	As of April 1, 2021	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2022
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock (Note)	6,387	700,162	–	706,549
Total	6,387	700,162	–	706,549

Note: The increase of 700,162 in the number of common stocks is due to the buyback of 162 shares constituting less than one unit and due to the buyback of 700,000 shares as treasury stock pursuant to a resolution of the Board of Directors.

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, 2021	Common stock	2,287	36	March 31, 2021	June 3, 2021
Board of Directors meeting held on October 28, 2021	Common stock	2,478	39	September 30, 2021	December 1, 2021

(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 11, 2022	Common stock	2,451	Retained earnings	39	March 31, 2022	June 1, 2022

Fiscal year ended March 31, 2023

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

	As of April 1, 2022	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2023
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock	706,549	149	–	706,698
Total	706,549	149	–	706,698

Note: The increase of 149 in the number of common stocks is due to the buyback of 149 shares constituting 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 11, 2022	Common stock	2,451	39	March 31, 2022	June 1, 2022
Board of Directors meeting held on October 28, 2022	Common stock	2,576	41	September 30, 2022	December 1, 2022

(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 11, 2023	Common stock	2,576	Retained earnings	41	March 31, 2023	June 2, 2023

(Statements of cash flows)

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash and deposits	40,670 million yen	45,993 million yen
Time deposits with a deposit period of over three months	–	–
Cash and cash equivalents	40,670	45,993

(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, 2022	As of March 31, 2023
Within one year	128	114
Over one year	188	189
Total	317	304

(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.

Derivative transactions are forward exchange contracts to hedge against foreign exchange fluctuation risks from operating receivables and 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 “7. 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 receivables and 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.

As of March 31, 2022 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets Investment securities (*2)	20,188	20,188	–
Total assets	20,188	20,188	–
Total liabilities	–	–	–
Derivative transactions (*3)	14	14	–

As of March 31, 2023 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets Investment securities (*2)	22,770	22,770	–
Total assets	22,770	22,770	–
Total liabilities	–	–	–
Derivative transactions (*3)	10	10	–

*1. "Cash and deposits", "Notes receivable – trade", "Accounts receivable – trade", "Accounts receivable – other", Electronically recorded obligations – operating", "Accounts payable – trade", "Accounts payable – other" have been omitted because these are settled within a short period of time and their fair values approximate book values.

*2. Securities without available fair market values have not been included in "Investment securities". Book values of these financial instruments presented in the non-consolidated balance sheets are set for in the tables below.

Category	As of March 31, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)
Unlisted shares	901	882
Shares of subsidiaries and associates	20	20
Investments in capital of subsidiaries and associates	–	111

*3. Amounts of claims and obligations accrued from derivative transactions are indicated on a net basis, whereas net obligations in total are indicated in parentheses.

Note. Redemption schedules after balance sheet dates for monetary receivables

As of March 31, 2022 (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	40,670	–	–	–
Notes receivable-trade	5,078	–	–	–
Accounts receivable-trade	191,242	–	–	–
Accounts receivable-other	15,467	–	–	–
Total	252,458	–	–	–

As of March 31, 2023 (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	45,993	–	–	–
Notes receivable-trade	5,297	–	–	–
Accounts receivable-trade	201,783	–	–	–
Accounts receivable-other	15,359	–	–	–
Total	268,434	–	–	–

3. The details related to each level of fair value of financial instruments

“Accounting Standard for Fair Value Measurement” establishes the fair value hierarchy to prioritize the inputs used in valuation techniques. There are three levels to the fair value hierarchy (Level 1 is the highest priority and Level 3 is the lowest priority) based on the observability and materiality.

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly

Level 3: Unobservable inputs

In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. In this case, the Company was required that the asset or liability was categorized in its entirety on the lowest level of a significant input.

The information by level for assets and liabilities which were measured at fair value on a recurring basis

As of March 31, 2022 (Millions of yen)

	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	20,188	–	–	20,188
Derivative transactions				
Currency-related transactions	–	14	–	14
Total assets	20,188	14	–	20,202
Total liabilities	–	–	–	–

As of March 31, 2023 (Millions of yen)

	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	22,770	–	–	22,770
Derivative transactions				
Currency-related transactions	–	10	–	10
Total assets	22,770	10	–	22,780
Total liabilities	–	–	–	–

Note: Techniques and input for measuring at fair value

Investment securities

Securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active market in which transactions occur with sufficient frequency are available, they are classified as Level 1.

Derivative transactions

Forward exchange that are measured using commonly used fair value pricing models based upon observable inputs only, are classified as Level 2.

(Securities)

1. Shares of subsidiaries and affiliates and investments in capital of subsidiaries and associates
   The amounts recorded in the non-consolidated balance sheets for shares of subsidiaries and associate whose fair values are deemed to be extremely difficult to determine

Category	As of March 31, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)
Shares of subsidiaries and associates	20	20
Investments in capital of subsidiaries and associates	–	111

2. Available-for-sale securities
   As of March 31, 2022 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	20,188	6,863	13,324
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	20,188	6,863	13,324
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		20,188	6,863	13,324

Note: Unlisted stocks (amount on balance sheet: ¥901 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, 2023 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	22,566	6,715	15,851
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	22,566	6,715	15,851
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	203	225	(21)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	203	225	(21)
Total		22,770	6,940	15,830

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, 2022 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	173	11	–
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	173	11	–

Fiscal year ended March 31, 2023

Not applicable.

4. Impaired marketable security

The Company had recognized impairment loss and declared loss on valuation of investment securities for ¥19 million in the fiscal year ended March 31, 2023.

The Company has established a policy for the recognition of impairment loss under the following conditions:

1) For marketable securities whose fair value has declined by 30% or more.

2) For non-marketable securities whose fair value is not readily determinable, of which net assets per share has declined by 50% or more, the Company recognizes impairment loss expect in cases where the decline in fair value is expected to be recoverable.

(Derivative transactions)

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

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

As of March 31, 2022 (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 Buying U.S. dollar	Accounts payable - trade	268	–	14
Total			268	–	14

As of March 31, 2023 (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 Selling U.S. dollar	Accounts receivable - trade	0	–	0
	Buying U.S. dollar	Accounts payable - trade	499	–	10
Total			499	–	10

(Retirement benefits)

1. Overview of retirement benefits plans

The Company has defined benefit plans and a defined contribution plan. For the former the Company has a multi-employer corporate pension fund plan, a contract-type corporate pension fund plan and a lump-sum retirement payment plan, and for the latter the Company has a defined contribution pension fund plan.

The Company has enrolled in multi-employer pension plans. Since the portion of the pension plan assets could not be reasonably calculated, the required contribution amount was recognized as retirement benefit expenses.

2. Defined benefit plans

(1) Overall funding position of plans

	(As of March 31, 2021)	(As of March 31, 2022)
(Tokyo Pharmaceutical Corporate Pension Fund Association)		
Fair value of plan assets	166,870 million yen	182,141 million yen
Total Amount of actuarial liabilities and minimum actuarial reserve (Note)	150,293	151,351
Net balance	16,577	30,789

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

	(As of March 31, 2022)	(As of March 31, 2023)
(Tokyo Pharmaceutical Corporate Pension Fund Association)	4.5%	4.8%

(3) Supplementary explanation

(As of March 31, 2021)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥8,572 million and surplus in the fiscal year ended March 31, 2021 of ¥25,149 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 3 years and 5 months.

(As of March 31, 2022)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥6,169 million and surplus in the fiscal year ended March 31, 2022 of ¥36,958 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 2 years and 5 months.

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

	(Fiscal year ended March 31, 2022)	(Fiscal year ended March 31, 2023)
Retirement benefit obligation at beginning of period	7,067 million yen	7,077 million yen
Service costs	462	447
Interest expenses	14	14
Actuarial differences	15	(102)
Retirement benefits paid	(481)	(238)
Retirement benefit obligation at end of period	7,077	7,198

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

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
Plan assets at beginning of period	5,031	million yen	5,098	million yen
Expected return on plan assets	10		10	
Actuarial differences	87		(80)	
Contribution by employer	237		236	
Retirement benefits paid	(268)		(136)	
Plan assets at end of period	5,098		5,127	

(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, 2022		As of March 31, 2023	
Retirement benefit obligation from funded plans	4,224	million yen	4,281	million yen
Fair value of plan assets	(5,098)		(5,127)	
Net balance	(873)		(846)	
Retirement benefit obligation on non-funded plans	2,852		2,917	
Unfunded retirement benefit obligation	1,979		2,070	
Unrecognized actuarial differences	336		332	
Net amount of liability and asset recorded in balance sheet	2,315		2,403	
Provision for retirement benefits	2,732		2,870	
Prepaid pension cost	(416)		(466)	
Net amount of liability and asset recorded in balance sheet	2,315		2,403	

(7) Retirement benefit expenses and amounts of components

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
Service costs	462	million yen	447	million yen
Interest expenses	14		14	
Expected return on plan assets	(10)		(10)	
Amortization of actuarial differences	56		(24)	
Other	408		513	
Retirement benefit expenses on defined benefit plans	931		939	

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 ¥272 million for the previous fiscal year and ¥283 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, 2022)	(As of March 31, 2023)
Bonds	56 %	57 %
Stocks	25	24
Life insurance company general accounts	10	10
Other	9	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 are as follows (shown as weighted averages).

	(As of March 31, 2022)	(As of March 31, 2023)
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 ¥187 million of previous fiscal year and ¥187 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, 2022	As of March 31, 2023
Differed tax assets:		
Accrued enterprise tax	270	270
Provision for bonuses	483	463
Allowance for doubtful accounts	3	3
Accrued expenses	252	267
Refund liabilities	1,676	1,754
Provision for retirement benefits	836	878
Loss on valuation of investment securities	298	304
Accrued directors’ retirement benefits	75	75
Provision for loss on disaster	152	-
Other	30	31
Total deferred tax assets	4,079	4,049
Deferred tax liabilities:		
Refund assets	(1,598)	(1,667)
Reserve for advanced depreciation of non-current assets	(3,367)	(3,330)
Valuation difference on available-for-sale securities	(4,076)	(4,843)
Prepaid pension cost	(127)	(142)
Others	(6)	(10)
Total deferred tax liabilities	(9,177)	(9,995)
Net deferred tax assets	(5,097)	(5,946)

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

(%)

	As of March 31, 2022	As of March 31, 2023
Statutory tax rate	30.6	30.6
(Adjustments)		
Non-deductible items such as entertainment expense	0.1	0.1
Inhabitant taxes per capital	0.4	0.4
Other	(0.3)	(0.2)
Effective tax rate	30.8	30.9

(Equity methods)

Not applicable.

(Asset retirement obligations)

No significant items to be reported.

(Estate leases)

No significant items to be reported.

(Revenue recognition)

1. The disaggregation of revenue recognized from contracts with customers

Sales results by product category are as follows:

Product classification	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Amount (Millions of yen)	Amount (Millions of yen)
Cosmetics	233,385	251,881
Daily necessities	487,287	491,080
OTC pharmaceuticals	122,820	140,469
Health and sanitary related products	186,906	205,337
Others	15,334	15,383
Total sales	1,045,735	1,104,152

Sales results by customer category are as follows:

Customer category	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Amount (Millions of yen)	Amount (Millions of yen)
Drugstores (Pharmacies)	662,583	697,933
Home centers (DIY stores)	95,155	93,175
Discount stores	77,347	83,927
Convenience stores	72,272	81,393
Supermarkets	52,059	52,351
General merchandising stores	34,496	37,915
Export, EC-business and others	51,821	57,455
Total sales	1,045,735	1,104,152

Note: There is no Revenue resulting from other resources of revenue

2. A basic information for understanding revenue from contracts with customers

The Company sells cosmetics, daily necessities and over-the-counter (OTC) pharmaceuticals to domestic and overseas retailers which are its main customers. Its performance obligation is to deliver products based on the sales contract with customer. And the Company judges that the performance obligation has been satisfied at the time of delivery of the relevant products and recognizes revenue because usually the customer gains control of the relevant product at the time of products delivery to the customer. In the case of domestic sales, if there is a usual length of time between shipment of products and transferring control to the customer, the Company recognizes revenue at the point when these products are shipped.
The amount of consideration, to which the Company expects to be entitled in exchange for satisfying the performance obligation does not contain a significant financial component because that consideration is collected within approximately three months
In identifying performance obligation, if the nature of the promise is a performance obligation to arrange for products to be provided by other parties, the Company is an agent and the commission and revenue is recognized in the net amount of consideration which the Company retains after paying the suppliers the consideration received in exchange for products to be provided by that party. In the case where the Company has performance obligation to respond product return from customers, The Company calculates amounts expected to be refund considering historical experience and recognizes revenue with the amount of consideration deducted a liability from revenue for expected returns. And the Company provides amounts expected to be refunded as refund liabilities included in “Other” under “Current liabilities” and its right to recover merchandises from customers on settling the refund liability as refund assets included in “Other” under “Current assets”.
In the case of sales transaction that revenue is measured at an amount of the consideration promised in a contract with a customer less returns, discounts, rebates, and other similar items.

3. Information needed to understand amounts of revenues for the fiscal year under review and the following fiscal year

This information is omitted since it is immaterial.

(Segment information)

a. Segment Information

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
"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, 2023 (From April 1, 2022 to March 31, 2023)
"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, 2022 (From April 1, 2021 to March 31, 2022)

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
The Company sells products to the MatsukiyoCocokara & Co. and its group company.
For the fiscal year ended March 31, 2022, the amount of net sales for this client was ¥108,102 million.
Also, Information on a segment name was omitted since the Company's reportable segment is single segment of the "wholesale business".

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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
The Company sells products to the MatsukiyoCocokara & Co. and its group company.
For the fiscal year ended March 31, 2023, the amount of net sales for this client was ¥126,912 million.
Also, Information on a segment name was omitted since the Company's reportable segment is single segment of the "wholesale business".

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

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Not applicable.

Fiscal Year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Not applicable.

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

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Not applicable.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Not applicable.

e. Information regarding gain on negative goodwill by reporting segment

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Not applicable.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Not applicable.

(Related–party transactions)

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

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, 2023 (From April 1, 2022 to March 31, 2023)

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, 2022	Fiscal year ended March 31, 2023
Net assets per share	3,878.33	4,132.28
Earnings per share	310.34	306.33

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, 2022	Fiscal year ended March 31, 2023
Profit	19,639	19,251
Amount not attributable to common stock	–	–
Profit attributable to common stock	19,639	19,251
Average number of shares during the period (thousands of shares)	63,284	62,846

(Significant subsequent event)

Not applicable.

6. Other

(1) Directors Changes

Please see “Notification concerning changes of representative directors” and “Notification concerning change of organization and personnel” announced on February 6, 2023 and “Notification concerning changes of representative directors” and “Notification concerning changes of directors” announced on April 26, 2023.

(2) Sales Status

“Sales status” has been omitted since it has been presented in “5. Non-consolidated Financial Statements and Notes to Non-consolidated Financial Statements (5) Notes to Non-consolidated Financial Statements (Revenue recognition) (1) The disaggregation of revenue recognized from contracts with customers”.