Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2014 <under Japanese GAAP>

May 9, 2014

Company name: Paltac Corporation
(URL: http://www.paltac.co.jp/)
Listing: Tokyo Stock Exchange (Code number: 8283)
Representative: Representative Director, President
Kiyotaka Kimura
Contact: Executive Officer, General Manager of Corporate Planning Division
Masaharu Shimada
Tel: +81-6-4793-1090 (from overseas) E-mail: ir@paltac.co.jp

Scheduled date to hold annual general meeting of shareholders: June 24, 2014
Scheduled date to commence dividend payments: June 9, 2014
Scheduled date to submit the Securities Report: June 24, 2014
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors, analysts, etc.)

(Figures are rounded off to the nearest million yen)

1. Financial Results for the Fiscal Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(1) Operating Results

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2014	831,899	5.9	10,216	11.0	15,779	6.0	9,185	9.4
March 31, 2013	785,833	2.6	9,201	4.3	14,880	6.2	8,397	36.3

	Earnings per share	Diluted earnings per share	Earnings on equity	Ordinary income on total assets	Operating income on net sales
Fiscal year ended	(¥)	(¥)	%	%	%
March 31, 2014	144.54	–	7.1	5.0	1.2
March 31, 2013	144.41	–	7.1	5.0	1.2

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2014 ¥– million
Fiscal year ended March 31, 2013 ¥– million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2014	325,189	132,427	40.7	2,083.86
March 31, 2013	302,851	125,756	41.5	1,978.85

Reference: Equity: As of March 31, 2014: ¥132,427 million As of March 31, 2013: ¥125,756 million

(3) Cash Flow Status

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	(¥ million)	(¥ million)	(¥ million)	(¥ million)
March 31, 2014	3,340	(11,686)	1,191	13,402
March 31, 2013	11,792	(9,982)	(2,705)	20,556

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, 2013	–	20.00	–	22.00	42.00	2,515	29.1	2.1
Fiscal year ended March 31, 2014	–	21.00	–	22.00	43.00	2,732	29.7	2.1
Fiscal year ending March 31, 2015 (Forecasts)	–	22.00	–	22.00	44.00		28.0	

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Frist six months	423,000	1.3	5,300	(3.3)	8,000	(3.1)	5,000	2.8	78.68
Fiscal year	840,000	1.0	10,400	1.8	16,000	1.4	10,000	8.9	157.36

* 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, 2014	63,553,485 shares
As of March 31, 2013	63,553,485 shares

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

As of March 31, 2014	4,408 shares
As of March 31, 2013	3,208 shares

3) Average number of shares during the period

For the fiscal year ended December 31, 2014	63,549,560 shares
For the fiscal year ended December 31, 2013	58,151,712 shares

* Explanation regarding execution of Audit procedures

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

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

(Cautionary notes to the forward-looking statements)

The forward-looking statements contained in this report, including forecasts of financial results, are based on information currently available and assumptions that management believes to be reasonable. Actual financial and other results may differ substantially due to various factors. Please refer to the section of "(1) Operating Results" on page 3 of the attached material to this financial results report for the suppositions that form the assumptions for the forecasts.

* Information regarding this report (including the attached material)

None of the information in this report constitutes solicitation to purchase or sell the stock of Paltac Corporation. It was not prepared with the intention of providing investment advice about the stock of Paltac Corporation.
Furthermore, this report is an English translation of the original, which was prepared in Japanese.
In the event of any discrepancies between the Japanese original and the English translation, the Japanese original shall prevail.

Attached Material

Contents

1. Analysis of Operating Results and Financial Position 2
(1) Operating Results 2
(2) Financial Position 3
(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Ended March 31, 2014 and the Fiscal Year Ending March 31, 2015 5
(4) Business Risks 5
2. Status of Group 9
3. Management Policy 11
(1) The Company's Basic Management Policy 11
(2) Targeted Management Benchmarks 11
(3) Medium- and Long-Term Management Strategy 11
(4) Issues to Be Addressed 11
4. Non-consolidated Financial Statements 13
(1) Balance Sheets 13
(2) Statements of Income 16
Supplementary Schedules of Cost of Sales 18
(3) Statements of Changes in Equity 19
(4) Statements of Cash Flows 23
(5) Notes to Non-consolidated Financial Statements 24
(Notes on premise of going concern) 24
(Significant accounting policies) 24
(New accounting standards issued but not applied) 25
(Changes in presentation) 26
(Balance sheets) 27
(Statements of income) 27
(Statements of changes in equity) 30
(Statements of cash flows) 32
(Lease transaction) 32
(Financial instruments) 33
(Securities) 38
(Derivative transactions) 41
(Retirement benefits) 42
(Income taxes) 46
(Equity methods) 47
(Asset retirement obligations) 47
(Estate leases) 47
(Segment information) 48
(Related-party transactions) 53
(Per share information) 53
(Significant subsequent event) 53
5. Other 54
(1) Directors Changes 54
(2) Sales Status 54

1. Analysis of Operating Results and Financial Position

(1) Operating Results

(Operating results for the fiscal year ended March 31, 2014)

In the fiscal year under review, the Japanese economy stayed on a moderate recovery trend on the back of improved corporate earnings and a pick-up in personal consumption, reflecting depreciation in the yen and rising stock prices due to the Japanese government's fiscal policies and the Bank of Japan's large-scale monetary easing. Nevertheless, the outlook remained uncertain, partly because of concerns that economic stagnation overseas could have a detrimental effect on the Japanese economy.

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, the business environment continued to be harsh, despite temporary rush demand ahead of the consumption tax hike in April 2014, mainly reflecting intense competition among companies, continuing budget mindedness among consumers and higher raw material costs due to yen depreciation.

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

The fiscal year under review was the first year of the Company's medium-term management plan for fiscal 2014 to fiscal 2016. Under the plan, the Company aims to increase corporate value by strengthening its operating base and achieving steady growth. The Company's efforts to achieve this include working to increase productivity further with the aim of a selling, general and administrative expense ratio at the 8% level, strengthening its capabilities through capital investment and strengthening of supply chain logistics business, and increasing in-store share by strengthening initiatives with business partners. As part of such efforts, the Company opened two state-of-the-art regional distribution centers: "RDC Miyagi" in Shiroishi-shi, Miyagi in August 2013, and "RDC Hokuriku" in Nomi-shi, Ishikawa in October 2013. Both locations operate as hybrid centers that combine the functions of general-purpose centers in the wholesale business with the functions of customer centers in the supply chain logistics business. In this way, the Company worked not only to properly meet the diversifying needs of customers but also to enhance productivity and investment efficiency by streamlining distribution operations.

As a result of the above, net sales for the fiscal year under review were ¥831,899 million (up 5.9% year on year), operating income was ¥10,216 million (up 11.0%), ordinary income was ¥15,779 million (up 6.0%), and net income was ¥9,185 million (up 9.4%).

Operating results for the fiscal year under review by segment are shown below. Operating income for each segment is in conformity with segment income for each segment (please refer to the section of "(5) Notes to Non-consolidated Financial Statements (Segment Information)" in "4. Non-consolidated Financial Statements."

Wholesale Business

Net sales in the wholesale business were strong. This mainly reflected progress in increasing in-store share as a result of strengthening of initiatives with business partners and rush demand for all daily necessities ahead of the consumption tax increase in April 2014.

As a result of above, net sales in the wholesale business amounted to ¥819,219 million (up 5.8% year on year), while operating income amounted to ¥11,229 million (up 8.6%).

Supply Chain Logistics Business

In the supply chain logistics business, net sales were strong thanks to stable business development at clients and an increase in the volume of products handled for new clients for which the Company started providing services in the previous fiscal year.

As a result of above, net sales in the supply chain logistics business amounted to ¥12,679 million (up 7.9% year on year), while operating income amounted to ¥1,324 million (up 1.0%).

(Outlook for the fiscal year ending March 31, 2015)

Looking ahead to the next fiscal year, we expect the economy to continue along a recovery track characterized by increases in household income and investment on the back of an upturn in exports and the effects of various economic measures. Nevertheless, we forecast a difficult environment. This mainly reflects concerns about downward pressure on Japan's economy from economic slowdown overseas and concerns about a decrease in demand and a slowdown in personal consumption following the rush in demand ahead of the April 2014 consumption tax hike.

Amid this environment, the Company will further strengthen logistics capabilities and store solution capabilities to contribute to optimization and streamlining of the entire supply chain, and construct a business base for continuous growth. At present, construction of a distribution center in Shiraoka-shi, Saitama (provisional name: "RDC Saitama") is underway in the Kanto area, our largest market. This center will be the Company's largest distribution center. Constructing a distribution center in a location that will provide greater transport convenience when the Metropolitan Inter-City Expressway (the Ken-O Expressway) is opened will enable the Company to strengthen its delivery capabilities and further enhance its distribution productivity.

In light of the above, for the next fiscal year, we forecast net sales of ¥840,000 million (up 1.0% year on year), operating income of ¥10,400 million (up 1.8%), ordinary income of ¥16,000 million (up 1.4%), and net income of ¥10,000 million (up 8.9%).

(2) Financial Position

1) Assets, liabilities and net assets

(Assets)

Current assets increased by ¥15,836 million from the end of the previous fiscal year. This was primarily the result of an increase in accounts receivable-trade of ¥22,178 million and a decrease in cash and deposits of ¥7,154 million.

Non-current assets increased by ¥6,501 million from the end of the previous fiscal year. This was primarily the result of increases in buildings of ¥2,518 million, machinery and equipment of ¥898 million, and land of ¥3,448 million.

As a result, total assets were ¥325,189 million, an increase of ¥22,337 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities increased by ¥17,581 million from the end of the previous fiscal year. This was primarily the result of increases in accounts payable-trade of ¥10,677 million and short-term loans payable of ¥4,399 million, and a decrease in income taxes payable of ¥1,599 million.

Non-current liabilities decreased by ¥1,915 million from the end of the previous fiscal year. This was primarily the result of a decrease in long-term loans payable of ¥1,896 million.

As a result, total liabilities were ¥192,761 million, an increase of ¥15,666 million from the end of the previous fiscal year.

(Net assets)

Net assets increased by ¥6,671 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥6,452 million.

As a result, total net assets were ¥132,427 million.

2) Cash flows

Cash and cash equivalents ("cash") as of the end of the fiscal year under review were ¥13,402 million, a decrease of ¥7,154 million from the end of the previous fiscal year.

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

(Cash flow from operating activities)

Net cash provided by operating activities was ¥3,340 million (down ¥8,451 million year on year). Main factors were ¥15,049 million of income before income taxes, ¥5,180 million of depreciation and amortization, ¥22,264 million of increase in notes and accounts receivable-trade, ¥10,764 million of increase in notes and accounts payable-trade, and ¥6,909 million of income taxes paid.

(Cash flow from investing activities)

Net cash used in investing activities was ¥11,686 million (up ¥1,703 million year on year). Main factors were ¥11,991 million of purchase of property, plant and equipment and ¥348 million of proceeds from sales of property, plant and equipment.

(Cash flow from financing activities)

Net cash provided by financing activities was ¥1,191 million (compared with net cash of ¥2,705 million used in the previous fiscal year). Main factors were ¥4,399 million of net increase in short-term loans payable, ¥4,000 million of proceeds from long-term loans payable, ¥4,372 million of repayments of long-term loans payable and ¥2,741 million of cash dividends paid.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Equity ratio (%)	36.6	35.6	38.0	41.5	40.7
Market value-based equity ratio (%)	24.7	16.9	22.6	25.5	23.0
Interest-bearing debt to cash flow ratio (years)	4.0	5.9	6.5	3.1	12.2
Interest coverage ratio (times)	21.9	16.9	17.7	36.5	12.8

Equity ratio: Equity / Total assets

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

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

Interest coverage ratio: Cash flow / Paid interest

Notes: 1. Total market capitalization is calculated based on the number of issued shares excluding treasury stock.

2. The figure used for "Cash flow" is cash flow from operating activities.

3. Interest-bearing debt: Short-term loans payable + Current portion of long-term loans payable + Long-term loans payable + Long-term deposits received (excluding non-interest portion). Excluding lease obligations.

4. For the paid interest, the Company uses "Interest expenses paid" on the statements of cash flows.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Ended March 31, 2014 and the Fiscal Year Ending March 31, 2015

The Company considers the distribution of profits to shareholders and its sustainable revenue growth to be its top management priorities. The Company's basic policy on profit distribution is to continuously carry out the stable payment of dividends while also maintaining robust internal reserves necessary to strengthen the financial base and achieve vigorous business growth. In the near term the Company is targeting a payout ratio of 25% or more, and in the medium- to long- term the Company will work to increase dividends in line with growth in earnings.

In the fiscal year under review, the Company's net sales and profits were both at their highest levels since the Company's foundation, following on from record highs hit in the previous fiscal year. Accordingly, the Company has set its fiscal year-end dividend at ¥22 per share, an increase of ¥1 from the most recent dividend forecast (announced on May 9, 2013). As a result, including the interim dividend of ¥21 per share already paid, the planned annual dividend has also been increased by ¥1 to ¥43 per share.

For the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥44 per share, comprised of an interim dividend of ¥22 and a year-end dividend of ¥22 per share.

(4) Business Risks

The business risks that may have a significant impact on the decisions of investors are as follows.

The future potentialities contained in these items are envisioned as of March 31, 2014.

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

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

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

(Risk related to collectability of accounts receivables)

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

(Risk related to product inventories)

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

(Risk related to purchase discounts)

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

(Matters relating to specific legal restraints, etc.)

The Company handles over-the-counter (OTC) pharmaceuticals and related products. Consequently, the Company is subject to restraints under related laws and regulations, primarily the Pharmaceutical Affairs Act. It is necessary for the Company's places of business to obtain the necessary permissions, registrations, designations and licenses from the prefectural governor of the jurisdiction, or for the Company to make the necessary submissions to the competent authorities, before carrying out sales activities. Therefore, if the Company's licenses and approvals are rescinded due to violation of laws and regulations or other such reasons, or if the Company is unable to obtain licenses and approvals, this may have a negative impact on the Company's business activities and results by limiting the products it can sell.

(Fluctuations in results)

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

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

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

An overview of results by quarter in the fiscal year ended March 31, 2014, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2014				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales	204,149	213,246	209,581	204,921	831,899
[Composition %]	[24.5]	[25.6]	[25.2]	[24.6]	[100.0]
Operating income	2,236	3,243	2,423	2,313	10,216
[Composition %]	[21.9]	[31.7]	[23.7]	[22.7]	[100.0]
Ordinary income	3,684	4,575	3,936	3,583	15,779
[Composition %]	[23.4]	[29.0]	[24.9]	[22.7]	[100.0]

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

2. The pattern of results in the fiscal year under review was different to those of previous fiscal years, as there was an increase in net sales in the fourth quarter caused by rush demand ahead of the April 2014 consumption tax hike.

(Occurrence of natural disasters, etc.)

The Company operates at a number of places of business and distribution centers across Japan. To minimize losses from a natural disaster or similar event, the Company is working to develop and enhance its Business Continuity Plan (BCP). The measures in the plan include a system under which, even if the distribution capabilities at some distribution centers can no longer be deployed safely, other distribution centers can take over these capabilities as their backup. Nevertheless, if a massive natural disaster occurs as the result of a large-scale earthquake or similar contingency, the Company's product procurement and backup systems may be rendered unusable due to the fragmentation of lifelines and transport networks. This may have a negative impact on the Company's results by obstructing its provision of distribution services or other operations.

(System trouble)

The Company relies on computer systems and networks in its business operations. This includes the use of a proprietary distribution system incorporating complex programming for the operation and management of RDCs, the Company's important business and distribution facilities.

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

(Relationship with the parent company's group)

Because the Company operates in the cosmetics, daily necessities and OTC pharmaceutical wholesale business while the rest of the parent company's group mainly operates in the prescription pharmaceutical wholesale business, there are differences between them, primarily in terms of the product categories they handle and the distribution channels they use. At present, the Company is not in competition with the rest of the parent company's group, and no elements of the relationship have an impact on the freedom of the Company's business activities or operational decisions. Furthermore, the Company makes all decisions on matters such as business strategy and personnel policy on the basis of independent and autonomous discussions at the Company. Currently, no significant changes are expected to occur in the Company's relationship with the rest of the parent company's group. Nevertheless, if there is a change in management policy in the rest of the parent company's group in the future, for example if another company in the group enters into one of the Company's business sectors and comes into competition with the Company, this may have an impact on the Company's results.

The Company's relationship with the parent company's group as of March 31, 2014, is as follows.

1) Capital relationships

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

2) Personal relationships

[Interlocking directorate]

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

Also, Mr. Orime became Representative Director and Vice Chairman of the Company on April 1, 2014.

3) Business relationships

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

(Millions of yen)

Company name	Transaction details	Transaction amount	Transaction amount	Transaction conditions, etc.
		Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	12	12	The parent company's whole group is entered together into group insurance, which is managed accordingly, and the Company pays a contribution.
	Receipt of insurance proceeds, etc.	5	15	The Company receives insurance proceeds, etc. based on an insurance contract.
(Fellow subsidiary) MEDICEO CORPORATION	Payment of trust fees for defined contribution pension plan	3	2	The plan is managed for the parent company's whole group together, and the Company pays a contribution.
	Sale of products, etc.	847	704	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	120	95	Determined based on negotiations between both parties in consideration of distribution costs, etc.
	Lease of real estate	56	56	Determined based on price assessments by third-party institutions.
(Fellow subsidiary) EVERLTH Co., Ltd.	Purchase of products	7	5	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) ATOL CO., LTD.	Purchase of products	10	11	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Trim Co., Ltd.	Payment of insurance premium	205	259	Carried out as the Company's insurance agent under the same transaction conditions as with a third party.

Note: The above figures do not include consumption taxes.

2. Status of Group

The Group consists of MEDIPAL HOLDINGS CORPORATION as the parent company, the Company, and one non-consolidated subsidiary. Its primary business operations are in the wholesale business for cosmetics, daily necessities and OTC pharmaceuticals, and the supply chain logistics business.
The details of each segment are as follows.

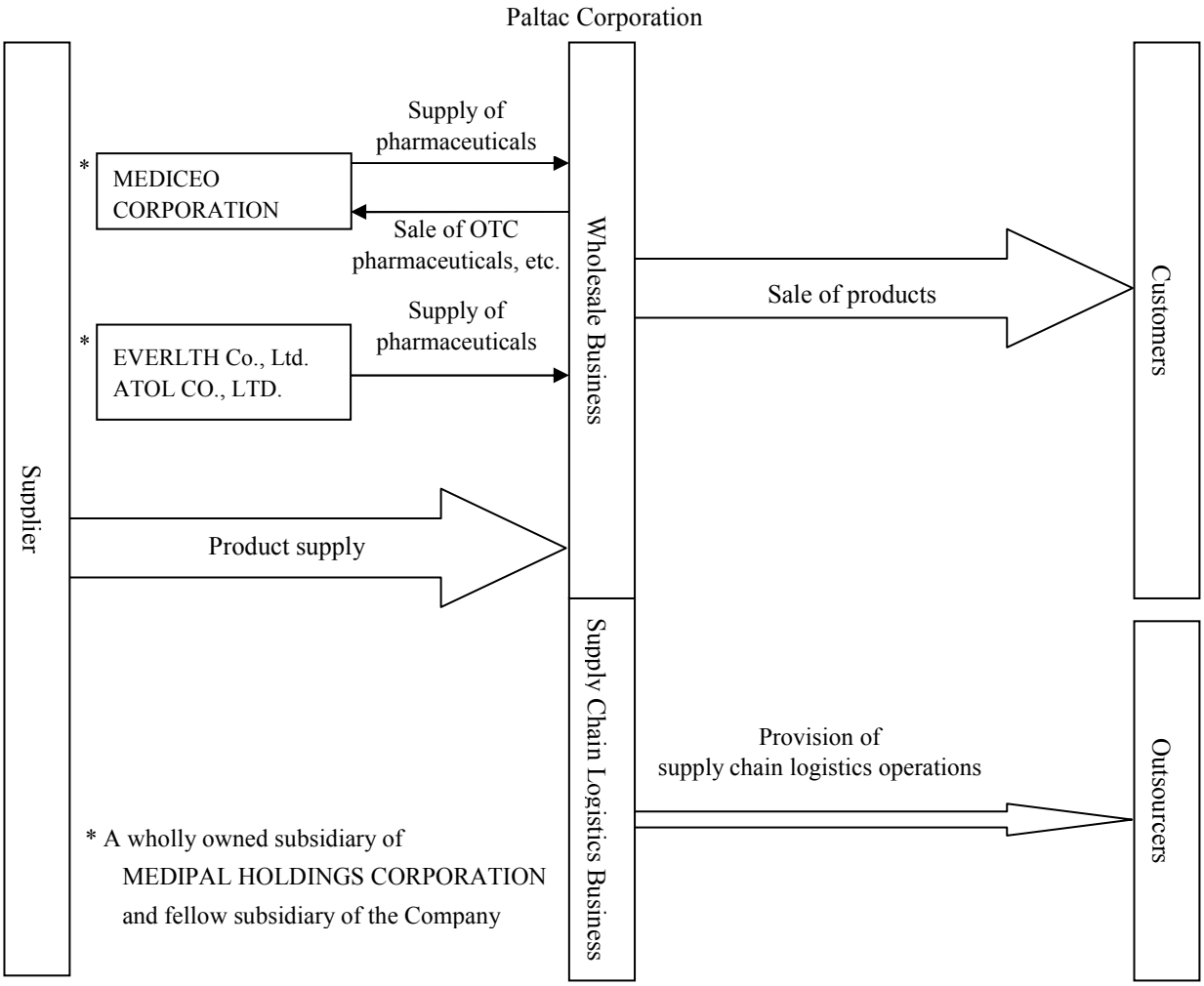
Wholesale Business

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

Supply Chain Logistics Business

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

The Group's operational chart is as follows.



3. Management Policy

(1) The Company's Basic Management Policy

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

(2) Targeted Management Benchmarks

The Company attaches great importance on net sales, operating income and ordinary income, which show the results of its business operations. For the fiscal year ending March 31, 2015, the Company set the following targets.

1) Net sales	¥840,000 million
2) Operating income	¥10,400 million
3) Ordinary income	¥16,000 million

(3) Medium- and Long-Term Management Strategy

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

The Company focuses on "increasing in-store-shares", "strengthening of supply chain logistics business", "an aggressive investment in growth businesses" and "financial soundness and shareholder returns". For the Company's medium- and long-term management strategy, please refer to "Notification Regarding Medium-Term Management Plan for Fiscal 2014 to Fiscal 2016," which was announced on May 9, 2013.

(4) Issues to Be Addressed

The environment surrounding the Company still appears to be difficult, characterized by further aging of the population and decline in the birth rate, population decline, intensified price competition, and business restructuring by drugstores, home centers and others by forming corporate groups or carrying out company integrations. In view of this environment, there is a strong need for greater efficiency across the whole supply chain, including the stages of production, distribution and retail. As a result, the role and mission of the wholesale sector, which is located in the middle of the supply chain, are becoming increasingly important. The Company will vigorously work to increase its corporate value by striving to enhance its results through further strengthening of its wholesale capabilities.

The Company recognizes the following issues to be addressed.

1) Strengthening of solution capabilities

In order to address the issues faced by business partners in such areas as profitability and cost improvements, the Company will strengthen its capabilities to deliver solutions that can accurately meet diversifying business partner needs. To this end, the Company will promote sales operations as a team that includes not only a sales department but also departments covering distribution, systems, and other operations. Furthermore, the Company will work to strengthen its business relationship with its customers by helping to invigorate their sales spaces through the use of the Company's unique capabilities to provide information and make proposals based on its full product lineups in the areas of health and beauty.

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

The Company will further strengthen its distribution capabilities that help to boost efficiency in the whole supply chain, from production to retailing and recycling, and fulfil its role and mission in contributing to efficient distribution as a wholesaler. In addition, the Company will further strengthen its high-quality, low-cost distribution services by pushing ahead with further establishment of RDCs that cover broad areas.

3) Investment in growth businesses

The overall industry in which the Company operates is maturing. In view of this trend, it is imperative for the Company to expand its business areas by investing in new business fields in order to continue growing and developing in the future. The Company will strengthen its supply chain logistics business and overseas operations as fields in which it can utilize the knowhow it has gained in the wholesale business to make the most of its competitive edge. In particular, in the supply chain logistics business, retailers' needs for enhanced distribution services are growing year by year as they increasingly spread their geographical coverage and form corporate groups. In response, the Company will strive for further business expansion and growth by providing distribution services that can accurately cater to such needs. The Company's efforts in this area will include constructing hybrid distribution centers in accordance with the scales and needs of an increasingly diverse base of clients.

4) Strengthening and boosting efficiency of internal systems

The Company recognizes that CSR is an important issue that is key to the growth and survival of an enterprise. In this respect, the Company will secure transparent and sound management by working to further strengthen its corporate governance and risk management systems. In addition, the Company will strive to establish a robust corporate structure by strengthening its internal control system, and work to boost efficiency in its internal administrative operations in order to realize low-cost business management.

4. Non-consolidated Financial Statements

(1) Balance Sheets

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	20,556	13,402
Notes receivable-trade	*2 3,395	3,481
Accounts receivable-trade	133,237	155,416
Merchandise and finished goods	37,209	37,683
Advance payments-trade	443	470
Prepaid expenses	342	297
Deferred tax assets	2,208	1,426
Accounts receivable-other	13,303	14,776
Other	700	270
Allowance for doubtful accounts	(31)	(22)
Total current assets	211,367	277,203
Non-current assets		
Property, plant and equipment		
Buildings	43,699	47,778
Accumulated depreciation	(14,170)	(15,730)
Buildings, net	*1 29,529	*1 32,047
Structures	3,772	4,083
Accumulated depreciation	(2,059)	(2,374)
Structures, net	1,712	1,708
Machinery and equipment	25,804	28,686
Accumulated depreciation	(14,826)	(16,810)
Machinery and equipment, net	10,977	11,875
Vehicles	1,415	1,397
Accumulated depreciation	(1,323)	(1,284)
Vehicles, net	92	113
Tools, furniture and fixtures	2,493	2,538
Accumulated depreciation	(2,075)	(2,147)
Tools, furniture and fixtures, net	418	391
Land	35,786	39,235
Leased assets	468	398
Accumulated depreciation	(298)	(188)
Leased assets, net	169	210
Construction in progress	385	6
Total property, plant and equipment	79,070	85,588
Intangible assets		
Software	638	529
Software in progress	23	21
Leased assets	2	–
Telephone subscription right	83	83
Other	22	20
Total intangible assets	770	655

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Investments and other assets		
Investment securities	10,095	10,423
Shares of subsidiaries and associates	20	20
Investments in capital	3	3
Long-term loans receivable	0	–
Claims provable in bankruptcy, claims provable in rehabilitation and other	69	47
Long-term prepaid expenses	280	239
Prepaid pension cost	683	551
Guarantee deposits	502	471
Other	46	45
Allowance for doubtful accounts	(60)	(62)
Total investments and other assets	11,642	11,741
Total non-current assets	91,484	97,985
Total assets	302,851	325,189
Liabilities		
Current liabilities		
Notes payable-trade	*2 6,428	–
Electronically recorded obligations – operating	–	6,542
Accounts payable-trade	110,396	121,074
Short-term loans payable	21,100	25,500
Current portion of long-term loans payable	3,902	5,426
Lease obligations	84	83
Accounts payable-other	12,126	13,869
Accrued expenses	228	279
Income taxes payable	4,485	2,885
Advances received	27	32
Deposits received	100	101
Provision for bonuses	1,703	2,020
Provision for sales returns	287	300
Asset retirement obligations	0	0
Other	147	483
Total current liabilities	161,019	178,601
Non-current liabilities		
Long-term loans payable	10,728	8,832
Lease obligations	96	137
Deferred tax liabilities	1,815	1,645
Provision for retirement benefits	1,994	2,025
Asset retirement obligations	107	112
Long-term deposits received	1,058	1,132
Other	274	274
Total non-current liabilities	16,075	14,160
Total liabilities	177,094	192,761

(Millions of Yen)

	As of March 31, 2013	As of March 31, 2014
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus		
Legal capital surplus	16,597	16,597
Other capital surplus	11,229	11,229
Total capital surplus	27,827	27,827
Retained earnings		
Legal retained earnings	665	665
Other retained earnings		
Reserve for advanced depreciation of non-current assets	1,923	1,818
General reserve	68,244	73,744
Retained earnings brought forward	8,714	9,772
Total retained earnings	79,548	86,000
Treasury shares	(3)	(4)
Total shareholders' equity	123,241	129,692
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,512	2,734
Deferred gains or losses on hedges	2	1
Total valuation and translation adjustments	2,515	2,735
Total net assets	125,756	132,427
Total liabilities and net assets	302,851	325,189

(2) Statements of Income

(Millions of Yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net sales		
Net sales of goods	773,864	818,994
Net sales on other business		
Sales on physical distribution service	11,748	12,679
Rent income of real estate	220	224
Other sales	11,968	12,904
Total net sales	785,833	831,899
Cost of sales		
Cost of goods sold		
Beginning goods	37,114	37,209
Cost of purchased goods	693,233	735,032
Subtotal	730,348	772,241
Ending goods	*1 37,209	*1 37,683
Net	693,138	734,558
Reversal of provision for sales returns	262	287
Provision for sales returns	287	300
Net	25	13
Cost of goods sold	693,163	734,572
Cost of sales on other business		
Cost of physical distribution service	9,928	10,748
Cost of real estate rent	141	138
Cost of sales on other business	10,069	10,886
Total cost of sales	703,233	745,458
Gross profit	82,599	86,440
Selling, general and administrative expenses	*2 73,398	*2 76,223
Operating income	9,201	10,216
Non-operating income		
Dividend income	188	192
Purchase discounts	3,794	3,891
Research fee income	1,208	1,270
Reversal of allowance for doubtful accounts	25	8
Other	877	568
Total non-operating income	6,094	5,932
Non-operating expenses		
Interest expenses	329	262
Share issuance cost	43	–
Depreciation of inactive non-current assets	–	59
Loss on cancellation of consignment contract	–	40
Other	42	6
Total non-operating expenses	416	369
Ordinary income	14,880	15,779

(Millions of yen)

	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014	
Extraordinary income				
Gain on sales of non-current assets	*3	282	*3	3
Gain on sales of investment securities		24		64
Total extraordinary income		306		68
Extraordinary losses				
Loss on sales of non-current assets	*4	3	*4	20
Loss on retirement of non-current assets	*5	85	*5	10
Impairment loss	*6	682	*6	394
Additional expenses for optional retirement		–	*7	369
Loss on obstructions removal		149		–
Other		32		3
Total extraordinary losses		953		798
Income before income taxes		14,233		15,049
Income taxes-current		5,559		5,342
Income taxes-deferred		276		522
Total income taxes		5,835		5,864
Net income		8,397		9,185

Supplementary Schedules of Cost of Sales

1. The supply chain logistics business

	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	3,389	34.1	3,547	33.0
Packing and shipping costs	4,243	42.7	4,843	45.1
Depreciation and amortization	1,079	10.9	1,168	10.9
Others	1,216	12.3	1,188	11.0
Total	9,928	100.0	10,748	100.0

2. Rent of real estate

	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Rent costs	86	61.5	86	62.6
Taxes and dues	16	12.0	17	12.5
Depreciation	32	23.1	28	21.0
Others	4	3.4	5	3.9
Total	141	100.0	138	100.0

(3) Statements of Changes in Equity

Fiscal year ended March, 31 2013

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	12,482	13,210	11,229	24,440	665	1,640	64,244	6,833	73,384
Changes of items during period									
Issuance of new shares	3,386	3,386		3,386					
Dividends of surplus								(2,234)	(2,234)
Net income								8,397	8,397
Provision of reserve for advanced depreciation of non-current assets						371		(371)	
Reversal of reserve for advanced depreciation of non-current assets						(87)		87	
Provision of general reserve							4,000	(4,000)	
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	3,386	3,386	–	3,386	–	283	4,000	1,880	6,163
Balance at end of current period	15,869	16,597	11,229	27,827	665	1,923	68,244	8,714	79,548

Fiscal year ended March, 31 2013

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(1)	110,305	1,115	0	1,116	111,421
Changes of items during period						
Issuance of new shares		6,773				6,773
Dividends of surplus		(2,234)				(2,234)
Net income		8,397				8,397
Provision of reserve for advanced depreciation of non-current assets						
Reversal of reserve for advanced depreciation of non-current assets						
Provision of general reserve						
Purchase of treasury shares	(1)	(1)				(1)
Net changes of items other than shareholders' equity			1,396	2	1,398	1,398
Total changes of items during period	(1)	12,936	1,396	2	1,398	14,334
Balance at end of current period	(3)	123,241	2,512	2	2,515	125,756

Fiscal year ended March, 31 2014

(Millions of yen)

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

Fiscal year ended March, 31 2014

(Millions of yen)

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

(4) Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	14,233	15,049
Depreciation and amortization	4,860	5,180
Impairment loss	682	394
Increase (decrease) in allowance for doubtful accounts	(6)	(6)
Increase (decrease) in provision for bonuses	0	317
Increase (decrease) in provision for sales returns	25	13
Increase (decrease) in provision for retirement benefits	292	162
Interest and dividend income	(189)	(192)
Interest expenses	329	262
Share issuance cost	43	–
Decrease (increase) in notes and accounts receivable-trade	(4,578)	(22,264)
Decrease (increase) in inventories	(95)	(473)
Increase (decrease) in notes and accounts payable-trade	(1,434)	10,764
Decrease (increase) in consumption taxes refund receivable	(343)	343
Increase (decrease) in accrued consumption taxes	(1,375)	175
Additional expenses for optional retirement	–	369
Other, net	866	586
Subtotal	13,313	10,684
Interest and dividend income received	189	192
Interest expenses paid	(322)	(260)
Income taxes paid	(1,386)	(6,909)
Additional expenses for optional retirement paid	–	(366)
Net cash provided by (used in) operating activities	11,792	3,340
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(10,749)	(11,991)
Proceeds from sales of property, plant and equipment	1,576	348
Purchase of intangible assets	(409)	(78)
Purchase of investment securities	(512)	(154)
Proceeds from sales of investment securities	115	202
Proceeds from collection of lease and guarantee deposits	142	41
Other, net	(145)	(55)
Net cash provided by (used in) investing activities	(9,982)	(11,686)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(8,699)	4,399
Proceeds from long-term loans payable	5,000	4,000
Repayments of long-term loans payable	(3,400)	(4,372)
Repayments of lease obligations	(102)	(92)
Proceeds from issuance of common shares	6,730	–
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(2,231)	(2,741)
Net cash provided by (used in) financing activities	(2,705)	1,191
Net increase (decrease) in cash and cash equivalents	(895)	(7,154)
Cash and cash equivalents at beginning of period	21,452	20,556
Cash and cash equivalents at end of period	* 20,556	* 13,402

(5) Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

No items to report.

(Significant accounting policies)

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

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

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

4. Depreciation and amortization of non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   Depreciated using the declining-balance method. (Buildings (excluding building attachments) acquired on or after April 1, 1998 are depreciated using the straight-line method.)
   The estimated useful lives of major items are as follows.
   Buildings: 3 to 50 years
   Machinery and equipment: 8 to 12 years
   (2) Intangible assets (excluding leased assets)
   Amortized using the straight-line method.
   Goodwill is regularly amortized using the straight-line method over the period of benefit within 20 years.
   However, if the amount of goodwill is immaterial it is recognized as an expense for the fiscal year in which it occurs.
   Software for internal use is amortized using the straight-line method over the internally expected useful life (5 years).
   (3) Leased assets
   Leased assets in finance lease transactions that do not transfer ownership
   Depreciated using the straight-line method assuming that lease periods are useful lives and residual values are zero.
   (4) Long-term prepaid expenses
   Amortized in equal portions.

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

(2) Provision for bonuses

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

(3) Provision for sales returns

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

(4) Provision for retirement benefits

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

Actuarial differences are amortized using the straight-line method over a fixed number of years (10 years), which is within the average remaining years of service of the employees as incurred, from the fiscal year following the fiscal year in which such gains or losses are incurred.

6. Method of hedge accounting

(1) Method of hedge accounting

Accounted for with deferred hedge accounting.

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

(2) Hedging instruments and hedged items

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

(3) Hedging policy

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

(4) Method of assessing hedge effectiveness

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

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

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

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

Accounting for consumption taxes

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

(New accounting standards issued but not applied)

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

From the perspective of improving financial reporting and in light of global trends, the Accounting Standard and the Guidance have been revised with a focus on the accounting treatment for unrecognized actuarial differences and unrecognized prior service costs, the calculation method for retirement benefit obligations and service costs, and the enhancement of disclosure.

(2) Application schedule

The company plans to apply the accounting standard regarding the revision of the determination of projected benefit obligations and current service costs from the fiscal year beginning April 1, 2014.

(3) Impact of application of accounting standards

The impact of the application of this Accounting Standard and Guidance on the financial statements is currently begun is expected to result in ¥797 million increase in total retained earnings.

The impact of amendment of the calculation method for the current service costs on the non-consolidated statement of income for the fiscal year ending March 31, 2015 is immaterial.

(Changes in presentation)

In the non-consolidated statement of cash flows, “Loss on retirement of non-current assets” which was separately listed under “Net cash provided by (used in) operating activities” in the previous fiscal year, is included in “Other, net” under “Net cash provided by (used in) operating activities” in the fiscal year under review due to a decrease in its materiality. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

Consequently, “Loss on retirement of non-current assets” which was listed as a cash inflow of ¥85 million within “Operating activities” in the statement of cash flows in the previous fiscal year, has been reclassified as “Other, net.”

(Balance sheets)

*1 As of March 31, 2013
Of the property, plant and equipment (buildings) acquired by March 31, 2013, there was a reduction entry of ¥17 million from a government subsidy and others. The amount on the balance sheet is net of this reduction entry.

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

*2 Notes with maturity date as of the end of the fiscal year
In the accounting treatment of notes with maturity date as of the end of the fiscal year, although the end of the fiscal year ended March 31, 2013 was a holiday for financial institutions, the notes were treated assuming that settlement occurred on the day of maturity. The amounts of notes with maturity date as of the end of the fiscal year are as follows.

	As of March 31, 2013	As of March 31, 2014
Notes receivable - trade	149 million yen	– million yen
Notes payable - trade	2,497	–

(Statements of income)

*1 Amounts for ending goods are written down due to decreased profitability. The following loss on valuation on inventories is included in cost of sales.
The amounts indicated are those after offsetting gain on reversal of loss on valuation against loss on valuation.

Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
(438) million yen	(21) million yen

*2 The approximate percentages of selling expenses were 54.3% in the fiscal year ended March 31, 2013, and 55.1% in the fiscal year ended March 31, 2014. The approximate percentages of general and administrative expenses were 45.7% and 44.9%, respectively.
Major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Distribution expenses	35,239 million yen	37,254 million yen
Depreciation and amortization	3,749	3,923
Salaries and allowances	17,002	16,869
Provision for bonuses	1,703	2,020
Retirement benefit expenses	1,490	1,617

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

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Buildings	– million yen	0 million yen
Vehicles	1	3
Land	280	–
Total	282	3

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

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Buildings	0 million yen	13 million yen
Machinery and equipment	0	–
Vehicles	–	0
Land	2	6
Total	3	20

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

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Buildings	60 million yen	2 million yen
Structures	1	0
Machinery and equipment	4	3
Vehicles	0	0
Tools, furniture and fixtures	7	3
Leased assets (tangible)	0	0
Software	2	0
Long-term prepaid expenses	2	1
Demolition or removal expenses	5	0
Total	85	10

*6 Impairment loss

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

Fiscal year ended March 31, 2013 (Millions of yen)

Location	Use	Type	Impairment loss
Nisshin-shi, Aichi Pref.	Idle assets	Land, etc.	423
Wanouchi-cho, Anpachi-gun, Gifu Pref.	Idle assets	Land, etc.	236
Ogi-shi, Saga Pref.	Idle assets	Land, etc.	22

In principle, the Company groups assets in the wholesale business according to branch, in the supply chain logistics business according to distribution center, and groups assets for rent and idle assets according to each individual item.

Of the assets held by the Company, for those for which profit and loss from business activities has continuously been negative and those that are idle and not expected to be used in the future, book values have been written down to their recoverable value. These reductions have been recorded as impairment loss (¥682 million) under extraordinary losses. The breakdown of the assets is ¥4 million in buildings, ¥65 million in machinery and equipment, ¥600 million in land, and ¥10 million in other.

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

Fiscal year ended March 31, 2014 (Millions of yen)

Location	Use	Type	Impairment loss
Hikone-shi, Shiga Pref.	Idle assets	Land, buildings, etc.	309
Wanouchi-cho, Anpachi-gun, Gifu Pref.	Idle assets	Land	84

In principle, the Company groups assets in the wholesale business according to branch, in the supply chain logistics business according to distribution center, and groups assets for rent and idle assets according to each individual item.

Of the assets held by the Company, for those for which profit and loss from business activities has continuously been negative and those that are idle and not expected to be used in the future, book values have been written down to their recoverable value. These reductions have been recorded as impairment loss (¥394 million) under extraordinary losses. The breakdown of the assets is ¥123 million in buildings, ¥264 million in land, and ¥6 million in other.

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

*7 Additional expenses for optional retirement

Fiscal year ended March 31, 2014

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

(Statements of changes in equity)

Fiscal year ended March 31, 2013

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

	As of April 1, 2012	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2013
Issued shares				
Common stock (Note 1)	55,853,485	7,700,000	–	63,553,485
Total	55,853,485	7,700,000	–	63,553,485
Treasury stock				
Common stock (Note 2)	1,908	1,300	–	3,208
Total	1,908	1,300	–	3,208

Notes: 1. The 7,700,000 increase in the total number of issued shares is comprised of a 6,700,000 increase due to issuance of new shares through public offering, and a 1,000,000 increase due to issuance of new shares through third-party allotment.
2. The 1,300 increase in the number of treasury shares is the result of a buyback of shares less than one unit.

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

No items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 11, 2012	Common stock	1,117	20	March 31, 2012	June 7, 2012
Board of Directors meeting held on October 31, 2012	Common stock	1,117	20	September 30, 2012	December 3, 2012

(2) Dividends whose record date is in the fiscal year under review and the effective date is in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 9, 2013	Common stock	1,398	Retained earnings	22	March 31, 2013	June 7, 2013

Fiscal year ended March 31, 2014

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

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

Note: The 1,200 increase in the number of treasury shares is the result of a buyback of shares less than one unit.

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

No items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 9, 2013	Common stock	1,398	22	March 31, 2013	June 7, 2013
Board of Directors meeting held on October 31, 2013	Common stock	1,334	21	September 30, 2013	December 2, 2013

(2) Dividends whose record date is in the fiscal year under review and the effective date is in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 9, 2014	Common stock	1,398	Retained earnings	22	March 31, 2014	June 9, 2014

(Statements of cash flows)

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

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash and deposits	20,556 million yen	13,402 million yen
Time deposits with a deposit period of over three months	–	–
Cash and cash equivalents	20,556	13,402

(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, 2013	As of March 31, 2014
Within one year	246	248
Over one year	430	371
Total	676	619

(Financial instruments)

1. Matters relating to status of financial instruments

(1) Policy for handling financial instruments

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

(2) Details of financial instruments and associated risks

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

(3) Management system for risks associated with financial instruments

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

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

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

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

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

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

(4) Supplementary explanation regarding fair values of financial instruments

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

2. Matters relating to fair values of financial instruments

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

As of March 31, 2013 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
(1) Cash and deposits	20,556	20,556	–
(2) Notes receivable - trade	3,395	3,395	–
(3) Accounts receivable - trade	133,237	133,237	–
(4) Accounts receivable - other	13,303	13,303	–
(5) Investment securities	9,063	9,063	–
Total assets	179,557	179,557	–
Liabilities			
(1) Notes payable - trade	6,428	6,428	–
(2) Accounts payable - trade	110,396	110,396	–
(3) Short-term loans payable	21,100	21,100	–
(4) Current portion of long-term loans payable	3,902	3,988	86
(5) Accounts payable - other	12,126	12,126	–
(6) Long-term loans payable	10,728	10,651	(76)
Total liabilities	164,681	164,692	10
Derivative transactions (*)	4	4	–

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

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

Assets

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

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

(5) Investment securities

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

Liabilities

(1) Notes payable - trade, (2) Accounts payable - trade, (3) Short-term loans payable, (5) Accounts payable - other

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

(4) Current portion of long-term loans payable, (6) Long-term loans payable

The Company determines the fair values of long-term loans payable by discounting the total amount of the principal and interest of the relevant long-term loans payable by the interest rates considered to be applicable to similar new loans.

Derivative transactions

For information on derivative transactions, please refer to “(Derivative transactions)” in the Notes.

2. Financial instruments whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

Category	As of March 31, 2013
Unlisted shares (*1)	1,032
Shares of subsidiaries and associates (*2)	20

(*1) The Company does not include unlisted shares in "(5) Investment securities" because they have no market prices and their fair values are deemed to be extremely difficult to determine.

(*2) The Company does not include shares of subsidiaries and associates in the above table because they have no market prices and their fair values are deemed to be extremely difficult to determine.

3. Maturity analysis for financial assets

(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	20,556	–	–	–
Notes receivable-trade	3,395	–	–	–
Accounts receivable-trade	133,237	–	–	–
Accounts receivable-other	13,303	–	–	–
Total	170,493	–	–	–

4. Maturity analysis for loans

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	21,100	–	–	–	–	–
Current portion of long-term loans payable	3,902	–	–	–	–	–
Long-term loans payable	–	4,494	3,722	1,512	1,000	–
Total	25,002	4,494	3,722	1,512	1,000	–

As of March 31, 2014 (Millions of yen)

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

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

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

Assets

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

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

(5) Investment securities

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

Liabilities

(1) Electronically recorded obligations - operating, (2) Accounts payable - trade, (3) Short-term loans payable, (5) Accounts payable - other

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

(4) Current portion of long-term loans payable, (6) Long-term loans payable

The Company determines the fair values of long-term loans payable by discounting the total amount of the principal and interest of the relevant long-term loans payable by the interest rates considered to be applicable to similar new loans.

Derivative transactions

For information on derivative transactions, please refer to "(Derivative transactions)" in the Notes.

2. Financial instruments whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

Category	As of March 31, 2014
Unlisted shares (*1)	1,024
Shares of subsidiaries and associates (*2)	20

(*1) The Company does not include unlisted shares in "(5) Investment securities" because they have no market prices and their fair values are deemed to be extremely difficult to determine.

(*2) The Company does not include shares of subsidiaries and associates in the above table because they have no market prices and their fair values are deemed to be extremely difficult to determine.

3. Maturity analysis for financial assets

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	13,402	–	–	–
Notes receivable-trade	3,481	–	–	–
Accounts receivable-trade	155,416	–	–	–
Accounts receivable-other	14,776	–	–	–
Total	187,076	–	–	–

4. Maturity analysis for loans

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	25,500	–	–	–	–	–
Current portion of long-term loans payable	5,426	–	–	–	–	–
Long-term loans payable	–	4,654	2,278	1,600	300	–
Total	30,926	4,654	2,278	1,600	300	–

(Securities)

1. Shares of subsidiaries and affiliates
Shares of subsidiaries (amounts on balance sheets: ¥20 million in the fiscal year ended March 31, 2014 and ¥20 million in the fiscal year ended March 31, 2013) are not presented because they have no market prices and their fair values are deemed to be extremely difficult to determine.

2. Available-for-sale securities
As of March 31, 2013 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	7,395	3,611	3,784
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	7,395	3,611	3,784
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	1,667	1,767	(99)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	1,667	1,767	(99)
Total		9,063	5,378	3,684

Note: Unlisted stocks (amount on balance sheet: ¥1,032 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, 2014 (Millions of yen)

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

Note: Unlisted stocks (amount on balance sheet: ¥1,024 million) are not included in "Available-for-sale securities" in the table above because they have no market prices and their fair values are deemed to be extremely difficult to determine.

3. Available-for-sale securities sold

Fiscal year ended March 31, 2013 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	115	24	22
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	115	24	22

Fiscal year ended March 31, 2014 (Millions of yen)

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

4. Securities subject to the recognition of impairment loss

In the fiscal year ended March 31, 2013 impairment was carried out resulting in the recording of ¥9 million in loss on valuation on investment securities under extraordinary losses.

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

(Derivative transactions)

1. Derivative transactions not qualifying for hedge accounting
No items to report.

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

As of March 31, 2013 (Millions of yen)

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Of contracts, those with period of over one year	Fair value
Deferred hedge accounting	Forward exchange contracts Bought U.S. dollar	Accounts payable - trade	244	–	4
Total			244	–	4

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

As of March 31, 2014 (Millions of yen)

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

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

(Retirement benefits)

Fiscal year ended March 31, 2013

1. Overview of retirement benefits plans

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

(1) Overall funding position of plans

	(As of March 31, 2012)
(Tokyo Pharmaceutical Welfare Pension Fund Association)	
Fair value of plan assets	414,218 million yen
Amount of pension benefit obligation	459,016
Net balance	(44,797)

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

	(As of March 31, 2012)
(Tokyo Pharmaceutical Welfare Pension Fund Association)	4.1%

(3) Supplementary explanation

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥38,602 million in addition to shortage carried forward from the fiscal year ended March 31, 2011 of ¥3,215 million and shortage in the fiscal year ended March 31, 2012 of ¥2,979 million. The amortization method used for prior service costs in the pension plan is principal and interest equal amortization, and the remaining amortization term is 6 years and 10 months.

The percentage indicated in table (2) above does not correspond to the percentages of the Company's actual obligation.

2. Retirement benefit obligation

(1)	Projected retirement benefit obligation	(6,279)	million yen
(2)	Fair value of plan assets	3,423	
(3)	Unfunded projected benefit obligation (1)+(2)	(2,856)	
(4)	Unrecognized actuarial differences	1,545	
(5)	Unrecognized prior service costs (decrease of the amount of obligations)	–	
(6)	Net balance recognized in the balance sheet (3)+(4)+(5)	(1,311)	
(7)	Prepaid pension	683	
(8)	Provision for retirement benefits (6)-(7)	(1,994)	

3. Retirement benefit expenses

(1)	Service costs	360	million yen
(2)	Interest expenses	64	
(3)	Expected return on plan assets (deduction)	(33)	
(4)	Amortization of actuarial differences	222	
(5)	Retirement benefit expenses	614	
(6)	Other	901	
	Total	1,516	

Note: "(6) Other" mainly consists of payments into the defined contribution pension plan and payments into the employees' pension fund plan.

4. Assumptions used in calculation of retirement benefit obligation

(1) Method used in allocation of estimated retirement benefits
Allocated using the straight-line method.

(2) Discount rate
1.1%

(3) Expected rate of return on plan assets
1.1%

(4) Duration for amortization of actuarial differences
10 years (amortized using the straight-line method over a fixed number of years no more than the average remaining years of service of employees as incurred in each fiscal year, from the fiscal year following the fiscal year in which the gains or losses are recognized).

Fiscal year ended March 31, 2014

1. Overview of retirement benefits plans

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

2. Defined benefit plans

(1) Overall funding position of plans

	(As of March 31, 2013)
(Tokyo Pharmaceutical Welfare Pension Fund Association)	
Fair value of plan assets	465,229 million yen
Amount of pension benefit obligation	497,125
Net balance	(31,895)

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

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

(3) Supplementary explanation

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥49,513 million and surplus in the fiscal year ended March 31, 2013 of ¥17,618 million. The amortization method used for prior service costs in the pension plan is principal and interest equal amortization, and the remaining amortization term is 9 years and 0 month.

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

Retirement benefit obligation at beginning of period	6,279	million yen
Service costs	366	
Interest expenses	69	
Actuarial differences	197	
Retirement benefits paid	(425)	
Retirement benefit obligation at end of period	6,487	

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

Plan assets at beginning of period	3,423	million yen
Expected return on plan assets	37	
Actuarial differences	183	
Contribution by employer	265	
Retirement benefits paid	(236)	
Plan assets at end of period	3,673	

(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

Retirement benefit obligation from funded plans	4,007	million yen
Fair value of plan assets	(3,673)	
Net balance	333	
Retirement benefit obligation on non-funded plans	2,480	
Unfunded retirement benefit obligation	2,814	
Unrecognized actuarial differences	(1,340)	
Net amount of liability and asset recorded in balance sheet	1,474	
Provision for retirement benefits	2,025	
Prepaid pension	(551)	
Net amount of liability and asset recorded in balance sheet	1,474	

(7) Retirement benefit expenses and amounts of components

Service costs	366	million yen
Interest expenses	69	
Expected return on plan assets	(37)	
Amortization of actuarial differences	218	
Other	865	
Retirement benefit expenses on defined benefit plans	1,482	

Note: “Other” mainly consists of payments into the employees’ pension fund plan.

(8) Plan assets

1) Main components of plan assets

The ratios of components to total plan assets by major category are as follows.

Bonds	52 %
Stocks	30
Other	18
Total	100

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

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

(9) Calculation basis for actuarial differences

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

Discount rate:	1.1 %
Long-term expected rate of return on plan assets	1.1 %

3. Defined contribution plan

The Company's required contribution amount for its defined contribution plan is ¥162 million.

(Income taxes)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31,2013	As of March 31,2014
Differed tax assets:		
Accrued enterprise tax	354	211
Provision for bonuses	647	719
Allowance for doubtful accounts	28	27
Accrued expenses	655	374
Loss on valuation on inventories	21	12
Provision for retirement benefits	713	721
Loss on valuation on investment securities	207	139
Accrued directors' retirement benefits	96	96
Impairment loss	286	304
Other	629	228
Sub-total	3,641	2,834
Less: Valuation allowance	(715)	(564)
Total deferred tax assets	2,926	2,270
deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	(1,075)	(1,005)
Valuation difference on available-for-sale securities	(1,165)	(1,256)
Prepaid pension cost	(259)	(196)
Removal expenses related to asset retirement obligations	(12)	(12)
Others	(20)	(19)
Total deferred tax liabilities	(2,534)	(2,489)
Net deferred tax assets	392	(219)

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

(%)

	As of March 31,2013	As of March 31,2014
Statutory tax rate	38.0	38.0
(Adjustments)		
Non-deductible items such as entertainment expense	0.6	0.7
Inhabitant taxes per capital	0.8	0.7
Increase (decrease) in valuation allowance	1.7	(1.0)
Effect of revised corporate tax rate	0.1	0.6
Other	(0.2)	(0.0)
Effective tax rate	41.0	39.0

3. Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates
March 31, 2014 saw the promulgation of the "Act on partial Revision for the Income Tax Act, etc." (Act No. 10 of 2014). Accordingly, the Special Restoration Tax will be abolished for fiscal years beginning on or after April 1, 2014. In fiscal 2014(April 1, 2014-March 31, 2015), therefore, the temporary difference and other items are expected to be abolished, with the result that the effective legal tax rate, used to calculate deferred tax assets and liabilities, will decline 38.0% to 35.6%.

As result of this change, net deferred tax assets (after deducting deferred tax liabilities) at fiscal year-ended decreased by ¥92 million, while income taxes (deferred) increased by ¥92 million.

(Equity methods)

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Not applicable

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Not applicable

(Asset retirement obligations)

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
No significant items to be reported

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
No significant items to be reported

(Estate leases)

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
No significant items to be reported

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
No significant items to be reported

(Segment information)

a. Segment Information

1. Description of reportable segments

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

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

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

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

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

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

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Wholesale business	Supply chain logistics business	Total
Net sales			
1. Customers	774,084	11,748	785,833
2. Intersegment	–	–	–
Total	774,084	11,748	785,833
Segment income	10,338	1,310	11,649
Segment assets	250,930	16,248	267,178
Other items			
Depreciation and amortization	3,666	1,079	4,745
Amortization of goodwill	55	–	55
Net increase in property, plant and equipment, and intangible assets	9,428	1,125	10,553

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

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

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

(Millions of yen)

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

Notes: 1. Segment income (loss) is reconciled with the operating income in the Non-consolidated Statement of income.
2. Long-term prepaid expenses and amortization of them are included in "Depreciation and amortization" and "Net increase in property, plant and equipment, and tangible assets."

Reconciliation information

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

(Millions of yen)

Income	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Total reportable segments	11,649	12,553
Corporate expenses	(2,447)	(2,337)
Operating income on the financial statements	9,201	10,216

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

(Millions of yen)

Asset	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Total reportable segments	267,178	295,746
Corporate assets	35,672	29,442
Assets on the financial statements	302,851	325,189

Notes: Corporate assets in the above are mainly

(Millions of yen)

Other	Total reportable segments		Adjustments		Non-consolidated total	
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Depreciation and amortization	4,745	5,010	115	169	4,860	5,180
Net increase in property, plant and equipment, and intangible assets	10,553	12,171	640	93	11,194	12,264

b. Related information

Fiscal year ended March 31, 2013

1. Information by product and service

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

2. Information by geographic area

(1) Sales

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

(2) Property, plant and equipment

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

3. Information by major clients

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

Fiscal year ended March 31, 2014

1. Information by product and service

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

2. Information by geographic area

(1) Sales

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

(2) Property, plant and equipment

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

3. Information by major clients

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

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

Fiscal year ended March 31, 2013

(Millions of yen)

	Wholesale business	Supply chain logistics business	Corporate / Elimination	Total
Impairment loss	682	–	–	682

Fiscal Year ended March 31, 2014

(Millions of yen)

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

Information on amortization and outstanding balance of goodwill by reporting segment

Fiscal year ended March 31, 2013

(Millions of yen)

	Wholesale business	Supply chain logistics business	Corporate / Elimination	Total
Amortization	55	–	–	55
Balance at the end of current year	–	–	–	–

Fiscal year ended March 31, 2014

No items to report

Information regarding gain on negative goodwill by reporting segment

Fiscal year ended March 31, 2013

No items to report

Fiscal year ended March 31, 2014

No items to report

(Related-party transactions)

Fiscal year ended March 31, 2013

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, 2014

1. Significant transactions between the Company and related-parties

Not applicable

2. Notes of parent company and significant affiliated companies

(1) Information of parent

MEDIPAL HOLDINGS CORPORATION (Listed on Tokyo Stock Exchange)

(2) Summary financial statement of significant affiliated companies

Not applicable

(Per share information)

(Yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net assets per share	1,978.85	2,083.86
Net income per share	144.41	144.54

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, 2013	Fiscal year ended March 31, 2014
Net income	8,397	9,185
Amount not attributable to common stock	–	–
Net income attributable to common stock	8,397	9,185
Average number of shares during the period (thousands of shares)	58,151	63,549

(Significant subsequent event)

No items to report

5. Other

(1) Directors Changes

Please see "Notification concerning Changes of organization and Appointments of directors, officers, etc." announced on February 28, 2014.

(2) Sales Status

(Sales results)

1) Sales results for the fiscal year ended March 31, 2014 by reportable segment are as follows:

Reportable segment	Product classification	Fiscal year ended March 31, 2014	Year-on-year change (%)
		Amount (Millions of yen)	
Wholesale business	Cosmetics	204,016	106.0
	Daily necessities	351,397	107.6
	OTC pharmaceuticals	131,389	101.6
	Health and sanitary related products	130,376	105.7
	Others	2,038	89.9
	Total sales in wholesale business	819,219	105.8
Supply chain logistics business	Net sales in supply chain logistics business	12,679	107.9
Total		831,899	105.9

Note: Above figures are exclusive of consumption taxes.

2) Sales results of wholesale business for the fiscal year ended March 31, 2014 by customer category are as follows:

Customer category		Fiscal year ended March 31, 2014	Year-on-year change (%)
		Amount (Millions of yen)	
Drug	Drugstores (Pharmacies)	487,739	104.3
HC	Home centers (DIY stores)	93,802	108.3
CVS	Convenience stores	62,372	105.1
SM	Supermarkets	58,545	104.3
GMS	General merchandising stores	55,125	103.0
DS	Discount stores	35,990	128.7
Others	Export and others	25,644	111.9
Total sales in wholesale business		819,219	105.8

Note: Above figures are exclusive of consumption taxes.