Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 <under Japanese GAAP>

May 12, 2020

Company name: PALTAC CORPORATION
(URL: http://www.paltac.co.jp/)
Listing: Tokyo Stock Exchange (Code number: 8283)
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Scheduled date to hold annual general meeting of shareholders: June 23, 2020
Scheduled date to commence dividend payments: June 2, 2020
Scheduled date to submit the Securities Report: June 23, 2020
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: No

(Figures are rounded off to the nearest million yen)

1. Financial Results for the Fiscal Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2020	1,046,412	3.1	24,708	(2.7)	27,316	(4.2)	25,412	28.6
March 31, 2019	1,015,253	5.0	25,399	10.4	28,528	11.9	19,767	13.3

	Earnings per share	Diluted earnings per share	Earnings on equity	Ordinary profit on total assets	Operating profit on net sales
Fiscal year ended	(¥)	(¥)	%	%	%
March 31, 2020	399.90	–	12.2	6.7	2.4
March 31, 2019	311.07	–	10.4	7.3	2.5

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2020 ¥– million
Fiscal year ended March 31, 2019 ¥– million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2020	418,756	218,297	52.1	3,435.20
March 31, 2019	393,603	197,237	50.1	3,103.80

Reference: Equity As of March 31, 2020: ¥218,297 million As of March 31, 2019: ¥197,237 million

(3) Cash Flow Status

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	(¥ million)	(¥ million)	(¥ million)	(¥ million)
March 31, 2020	21,005	(3,788)	(13,001)	22,575
March 31, 2019	23,565	(9,531)	(17,323)	18,359

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, 2019	–	34.00	–	34.00	68.00	4,321	21.9	2.3
Fiscal year ended March 31, 2020	–	35.00	–	35.00	70.00	4,448	17.5	2.1
Fiscal year ending March 31, 2021 (Forecasts)	–	–	–	–	–		–	

(Note) Dividends for the fiscal year ending March 31, 2021 are yet to be determined at this time.

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

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The forecasts for the fiscal year ending March 31, 2021 are yet to be determined at this time because it is difficult to rationally calculate the impact of spread of the novel coronavirus (COVID-19). These will be promptly announced as soon as disclosure of a reasonable forecast becomes possible.

* 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, 2020	63,553,485 shares
As of March 31, 2019	63,553,485 shares

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

As of March 31, 2020	6,287 shares
As of March 31, 2019	6,237 shares

3) Average number of shares during the period

For the fiscal year ended March 31, 2020	63,547,211 shares
For the fiscal year ended March 31, 2019	63,547,256 shares

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

* Information regarding proper use of the forecasts of financial results, and other special instructions
(Cautionary notes to the forward-looking statements)
The forward-looking statements contained in this report, including forecasts of financial results, are based on information currently available and assumptions that management believes to be reasonable. Actual financial and other results may differ substantially due to various factors. Please refer to the section of "1. Summary of Operating Results etc. (1) Analysis of Operating Results (Outlook for the fiscal year ending March 31, 2021)" on page 3 of the attached material to this financial results report for the suppositions that form the assumptions for the forecasts.

* How to access the presentation (presentation material for financial results)
The Company has decided to postpone the holding of financial results presentation meeting for institutional investors, analysts and media due to suppress the spread of the virus infection.
Presentation (Presentation Material for financial results) used in that meeting will be posted on the Company's website (http://www.paltac.co.jp/tomorrow/index.html) after the disclosure of this financial results report.

* 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

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1. Summary of Operating Results etc.

(1) Analysis of Operating Results

(Operating results for the fiscal year ended March 31, 2020)

In the fiscal year ended March 31, 2020, although the income environment and the employment environment were gradually improving, the future outlook for the Japanese economy remained unclear mainly due to the consumption tax hike's impact on consumer sentiment and the global spread of the novel coronavirus (COVID-19).

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, as personnel expenses and logistics costs continue to rise due to labor shortages, the overall results were affected by various factors such as repeated natural disasters including typhoons and heavy rains, change in consumer sentiment due to the consumption tax hike and, from the fourth quarter onward, the impact of the spread of COVID-19. The current trend sees a significant fall in inbound demand, while demand for products related to preventing virus infections has risen sharply. Additionally, there is a temporary and sharp increase in demand for household paper products, which leads to difficulties in making adjustments in supply and demand and delivery. As the products we handle are essential items in daily life, we believe that the importance of our role of maintaining and keeping the supply chain functional, by providing a stable supply of products against this backdrop, will increase further.

Under these circumstances, PALTAC CORPORATION (the "Company") steadily undertook a variety of efforts to carry out the Company's social mission, aiming to optimize and streamline the entire supply chain, in accordance with its position as an intermediate distributor providing a full lineup of health and beauty products essential for daily life under the corporate identity, "maximizing customer satisfaction and minimizing distribution costs." The Company is working to strengthen its sales systems to support effective product lines and sales activities for retailers, and to strengthen its safe-and-secure, high-quality, low-cost distribution capabilities. The Company is making efforts to ensure a low-cost and stable supply of products to retailers, and by extension to its customers, through a system that ensures "stable supply" not only under normal conditions but also in an emergency.

For the fiscal year under review, which is the second year of the medium-term management plan with the vision of "One trillion yen Link with the future: The logistics innovation through aggressive investment," the Company addressed issues in logistics such as the labor shortage caused by the decline in the working population, and strove to increase corporate value focusing on sustained business growth.

Specifically, the Company began operation of "RDC Saitama" (located in Kitakatsushika-gun, Saitama) in November 2019, with the aim of increasing shipping capacity in the Tokyo Metropolitan District and rapidly improving productivity by carrying out a new distribution model that utilizes AI, robots and other cutting-edge technology. In March 2020, the Company sold "RDC Tokyo" (located in Urayasu-shi, Chiba) for the purpose of building an optimal delivery system in the Tokyo Metropolitan District and, by effectively utilizing business resources, increasing the efficiency of assets.

In October 2019, we innovated and strengthened our sales organization. The Company has established the SCM Headquarters to enhance efforts of mutual cooperation between companies and promote "cost-efficiency" with the aim of improving the productivity of the entire supply chain, and also has established the Store Support Headquarters that assumes the responsibility to strengthen efforts focusing on the points of sale where products are handed to consumers and to improve the quality of sales opportunities by utilizing and feeding back the information collected at stores.

As a result of the above, an overview of results in the fiscal year ended March 31, 2020, is provided below.

Net sales	¥1,046,412 million (up 3.1% year on year)
Operating profit	¥24,708 million (down 2.7%)
Ordinary profit	¥27,316 million (down 4.2%)
Profit	¥25,412 million (up 28.6%).

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

(Notes) 1. RDCs (Regional Distribution Centers) are large-scale logistics centers.
2. SCM (Supply Chain Management) is management to optimize and streamline the flow of goods and information across the entire supply chain starting from the raw components all the way to delivering the final product to the consumer.

(Outlook for the fiscal year ending March 31, 2021)

Currently, the spread of COVID-19 causes the changes in consumer sentiment and in lifestyle, including consumers' restraints from going outside. Going forward, it is very difficult for the Company to predict the trend of these changes and the termination of the spread of COVID-19. Even in the extremely difficult conditions, the Company will make efforts to ensure a low-cost and stable supply of products, in accordance with its position as an intermediate distributor providing products essential for daily life, by taking preventive measures steadily to avoid the risk of virus infection for customers and employees. And thus the Company will contribute to the realization of consumers' rich and comfortable daily life.

In addition, looking ahead to the next fiscal year, which will be the final year of the current three-year medium-term management plan, the Company will strive for reinforcement of the operating base that contributes to sustained business growth through initiatives such as enhancing alliances with retailers and manufacturers in the entire supply chain and ensuring the operational stability of the new RDC to address the issues of logistics, including labor shortage.

Forecasts of financial results for the fiscal year ending March 31, 2021 are yet to be determined because it is difficult to rationally calculate the impact of spread of COVID-19 at this time. The Company will promptly announce as soon as disclosure of a reasonable forecasts become possible.

(2) Analysis of Financial Position

(1) Assets, liabilities and net assets

(Assets)

Current assets increased by ¥15,935 million from the end of the previous fiscal year. This was primarily the result of increases in cash and deposits of ¥4,216 million and in accounts receivable-trade of ¥10,637 million. Non-current assets increased by ¥9,217 million from the end of the previous fiscal year. This was primarily the result of increases in buildings of ¥5,000 million and in machinery and equipment of ¥7,215 and a decrease in construction in progress of ¥3,391 million.

As a result, total assets were ¥418,756 million, an increase of ¥25,153 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities increased by ¥5,327 million from the end of the previous fiscal year. This was primarily the result of increases in accounts payable-trade of ¥7,019 million and in accounts payable-other of ¥2,378 and decreases in short-term loans payable of ¥2,500 and in current portion of long-term loans payable of ¥2,392 million.

Non-current liabilities decreased by ¥1,234 million from the end of the previous fiscal year. This was primarily the result of a decrease in long-term loans payable of ¥3,558 million and an increase in deferred tax liabilities of ¥2,514 million.

As a result, total liabilities were ¥200,459 million, an increase of ¥4,093 million from the end of the previous fiscal year.

(Net assets)

Net assets increased by ¥21,059 million from the end of the previous fiscal year. This was primarily the result of an increase in retained earnings of ¥21,028.

As a result, total net assets were ¥218,297 million.

(2) Cash flows

Cash and cash equivalents ("cash") as of the end of the fiscal year under review were ¥22,575 million, an increase of ¥4,216 million from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥21,005 million (down ¥2,559 million year on year). Main factors were ¥36,825 million of income before income taxes, ¥10,777 million of increase in notes and accounts receivable-trade, ¥7,852 million of increase in notes and accounts payable-trade and ¥8,918 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,788 million (down ¥5,742 million year on year). Main factor was ¥17,431 million of purchase of property, plant and equipment and ¥13,298 million of proceeds from sales of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥13,001 million (down ¥4,321 million year on year). Main factors were ¥2,500 million of net decrease in short-term loans payable, ¥5,950 million of repayments of long-term loans payable and ¥4,385 million of cash dividends paid.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Equity ratio (%)	44.0	46.2	47.4	50.1	52.1
Market value-based equity ratio (%)	36.0	54.5	93.5	97.2	81.8
Interest-bearing debt to cash flow ratio (years)	8.0	1.1	1.1	0.6	0.2
Interest coverage ratio (times)	23.9	127.2	171.8	199.7	247.2

Equity ratio: Equity / Total assets

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

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

Interest coverage ratio: Cash flow / Paid interest

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

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

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

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

5. From the beginning the fiscal year ended March 31, 2019, the Company has applied the "Partial Amendment to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. The figures as of March 31, 2018 have been adjusted retrospectively to apply these accounting standards.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2020 and the Fiscal Year Ending March 31, 2021

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

In the fiscal year under review, based on this underlying policy, the Company has set its fiscal year-end dividend at ¥35 per share. As a result, including the interim dividend of ¥35 per share already paid, the planned annual dividend has also been increased by ¥2 to ¥70 per share.

For the dividends for the next fiscal year, while the Company will not change the above basic policy, dividends for the fiscal year ending March 31, 2021 are yet to be determined at this time because it is difficult to rationally calculate its earnings forecasts. The Company will announce promptly as soon as disclosure of a reasonable forecasts become possible.

(4) Business Risks

The Company efforts to identify business risks through making discussion about various risks surrounding the Company at the management-level. And the Company specifies the risks that may have a significant impact on its management as "Major Risks" in consideration with the scale of risks and possibility of actual occurrence.

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, 2020.

(Risk related to decline in the working population)

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

(Risk related to the business environment)

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

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

The Company relies on computer systems and networks in its business operations. This includes the use of a proprietary distribution system incorporating complex programming for the operation and management of RDCs, the Company's important business and distribution facilities. In order to address natural disasters, etc. the Company's core computer equipment is located in a data center equipped with seismic isolation devices and a private electric generator. In addition, the Company regularly implements Dual-Center system to various servers and backs up data. The Company is pursuing efforts to ensure business continuity by establishing a system that can switch operations to alternative data center located at a remote area in a situation where it is difficult to continue business activities. Nevertheless, if the Company’s computer systems stop functioning due to a large-scale natural disaster, this may significantly obstruct the Company’s sales and distribution activities.

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

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

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

(Risk related to impairment of non-current assets)

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

(Risk related to compliance)

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

(Matters relating to specific legal restraints, etc.)

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

(Risk related to collectability of accounts receivables)

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

(Risk related to product inventories)

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

(Fluctuations in results)

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

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

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

An overview of results by quarter in the fiscal year ended March 31, 2020, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2020				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales	262,633	282,352	253,409	248,016	1,046,412
[Composition %]	[25.1]	[27.0]	[24.2]	[23.7]	[100.0]
Operating profit	6,259	7,535	5,615	5,298	24,708
[Composition %]	[25.3]	[30.5]	[22.7]	[21.5]	[100.0]
Ordinary profit	6,964	8,162	6,321	5,868	27,316
[Composition %]	[25.5]	[29.9]	[23.1]	[21.5]	[100.0]

Note: Above figures are exclusive of consumption taxes.

(Relationship with the parent company's group)

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

The Company's relationship with the parent company's group as of March 31, 2019, is as follows.

1) Capital relationships

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

2) Personal relationships

[Interlocking directorate]

The Company does not accept a director from parent company. On the other hand, Seiichi Kasutani, Representative Director, President of the Company, serves as a director of parent company from the perspective of effective group governance.

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, 2019	Fiscal year ended March 31, 2020	
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	11	11	The parent company's whole group is entered together into group insurance, which is managed accordingly, and the Company pays a contribution.
	Receipt of insurance proceeds, etc.	10	9	The Company receives insurance proceeds, etc. based on an insurance contract.
(Fellow subsidiary) MEDICEO CORPORATION	Payment of trust fees for defined contribution pension plan	2	2	The plan is managed for the parent company's whole group together, and the Company pays a contribution.
	Sale of products, etc.	486	421	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	23	20	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) ATOL CO., LTD.	Purchase of products	4	3	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Trim Co., Ltd.	Payment of insurance premium	271	458	Carried out as the Company's insurance agent under the same transaction conditions as with a third party.

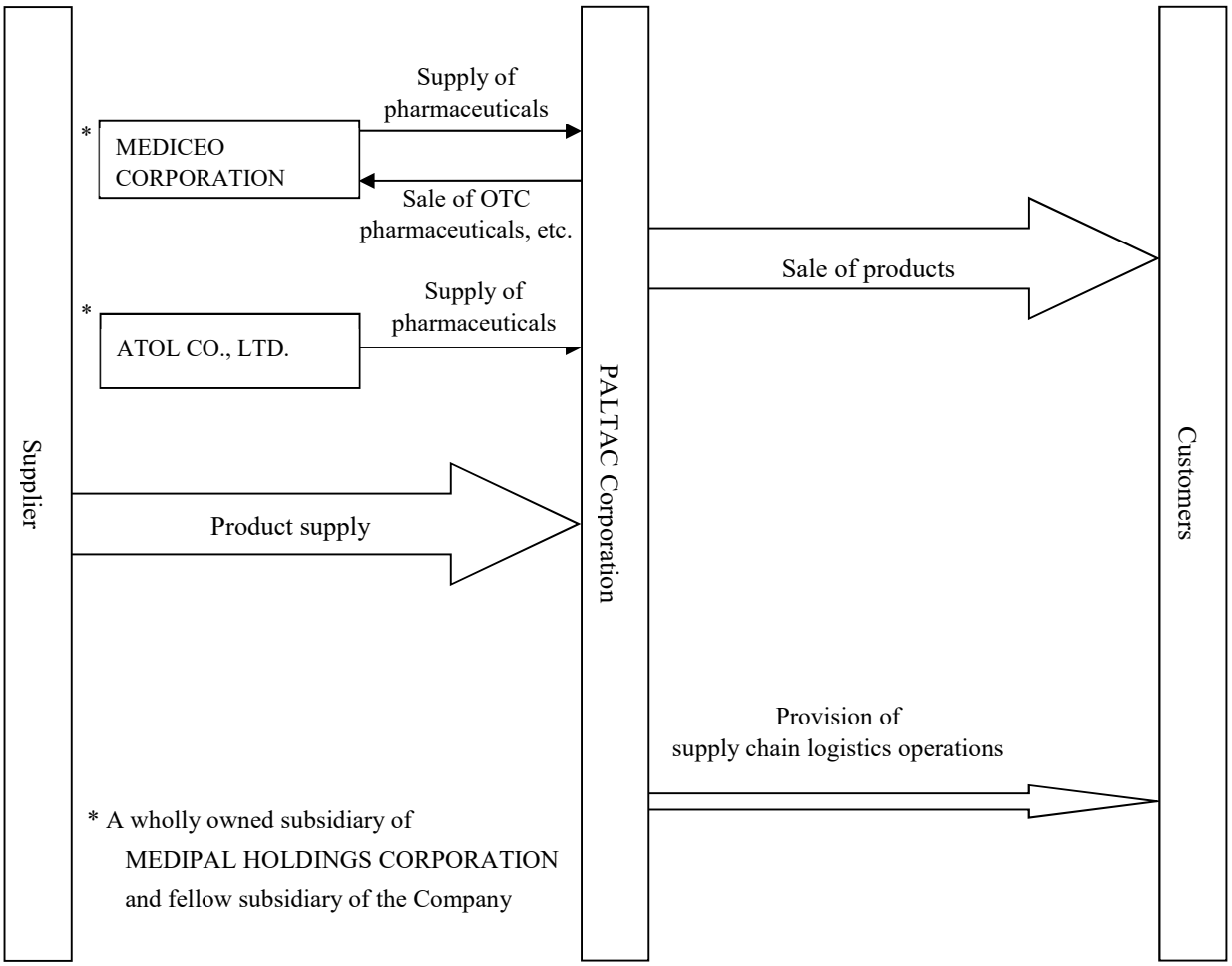
Note: 1. The above figures do not include consumption taxes.

2. As of April 1, 2020, the company name was changed to Medipal Insurance Service Co., Ltd., from Trim Co., Ltd. previously.

2. Status of Group

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

The Group's operational chart is as follows.



3. Management Policy

(1) The Company's Basic Management Policy

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

(2) Business environment and issues to Be Addressed

In the market of cosmetics and daily necessities and the market of over-the-counter (OTC) pharmaceuticals, labor shortage has an increasing impact in various aspects of business, with rising personnel expenses and logistics costs. The company believes that this impact will become larger for the future. This has become an issue not only for the Company but also for the whole supply chain and thus the role and mission of the Company, which is located in the middle of the supply chain from manufacturers to retailers, are becoming increasingly important. Given these circumstances, the Company recognizes that working population decline, which may have a material impact on business operations, is the most important issue to be addressed. To address this issue, the Company is focusing on priority items and pursuing efforts within a current medium-term management plan.

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

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

And also, the Company attaches great importance on net sales, operating profit and ordinary profit, which show the results of its business operations and on SG&A expenses ratio indicates its productivity. For the fiscal year ending March 31, 2021, which is the final year of the current three-year medium-term management plan, above numerical targets are yet to be calculated at this time due to difficulty to predict the impact of COVID-19.

1) Re-investment of the Profit

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

2) A Breakthrough Logistics Model

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

3) High-quality and High-productivity

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

4) Developing Talent and Organization

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

5) ESG Initiative

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

(Notes) 1. SDGs (Sustainable Development Goals) are international development goals which was adopted by the UN Sustainable Development Summit held in September 2015. The SDGs are consisting of 17 goals and 169 targets in order to eradicate poverty and realize a sustainable world.

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4. Basic Approach to Selection of Accounting Standards

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

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

(1) Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	18,359	22,575
Notes receivable-trade	* 5,026	5,166
Accounts receivable-trade	181,424	192,062
Merchandise and finished goods	43,286	43,398
Advance payments-trade	557	592
Prepaid expenses	641	622
Accounts receivable-other	14,474	15,200
Other	360	372
Allowance for doubtful accounts	(84)	(7)
Total current assets	264,047	279,982
Non-current assets		
Property, plant and equipment		
Buildings	61,505	67,636
Accumulated depreciation	(20,542)	(21,672)
Buildings, net	40,963	45,963
Structures	4,869	4,931
Accumulated depreciation	(3,126)	(3,125)
Structures, net	1,742	1,805
Machinery and equipment	36,911	44,990
Accumulated depreciation	(25,268)	(26,132)
Machinery and equipment, net	11,642	18,857
Vehicles	1,296	1,297
Accumulated depreciation	(1,187)	(1,195)
Vehicles, net	108	102
Tools, furniture and fixtures	1,953	2,028
Accumulated depreciation	(1,453)	(1,523)
Tools, furniture and fixtures, net	499	504
Land	46,417	47,401
Leased assets	632	612
Accumulated depreciation	(251)	(319)
Leased assets, net	380	293
Construction in progress	3,441	49
Total property, plant and equipment	105,195	114,979
Intangible assets		
Goodwill	206	68
Patent right	248	218
Software	397	473
Software in progress	79	48
Telephone subscription right	84	84
Other	12	17
Total intangible assets	1,029	911

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Investments and other assets		
Investment securities	22,422	22,085
Shares of subsidiaries and associates	20	20
Investments in capital	0	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	0
Long-term prepaid expenses	155	64
Prepaid pension cost	540	514
Guarantee deposits	139	141
Other	57	62
Allowance for doubtful accounts	(5)	(4)
Total investments and other assets	23,331	22,883
Total non-current assets	129,556	138,774
Total assets	393,603	418,756
Liabilities		
Current liabilities		
Electronically recorded obligations – operating	* 6,820	7,689
Accounts payable-trade	144,985	152,005
Short-term loans payable	2,500	—
Current portion of long-term loans payable	5,950	3,558
Lease obligations	157	150
Accounts payable-other	17,331	19,710
Accrued expenses	271	255
Income taxes payable	5,103	5,046
Advances received	43	36
Deposits received	110	116
Provision for bonuses	1,713	1,601
Provision for sales returns	181	178
Asset retirement obligations	—	1
Other	434	583
Total current liabilities	185,604	190,932
* Non-current liabilities		
Long-term loans payable	3,908	350
Lease obligations	252	166
Deferred tax liabilities	3,047	5,562
Provision for retirement benefits	2,451	2,548
Asset retirement obligations	75	74
Long-term deposits received	779	578
Other	246	246
Total non-current liabilities	10,761	9,526
Total liabilities	196,366	200,459

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Net assets		
Shareholders' equity		
Capital stock	15,869	15,869
Capital surplus		
16,597	16,597	16,597
11,229	11,229	11,229
Total capital surplus	27,827	27,827
Retained earnings		
Legal retained earnings	665	665
Other retained earnings		
Reserve for advanced depreciation of non-current assets	2,277	7,839
General reserve	118,244	132,244
Retained earnings brought forward	22,554	24,020
Total retained earnings	143,742	164,770
Treasury shares	(8)	(9)
Total shareholders' equity	187,429	208,457
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,803	9,831
Deferred gains or losses on hedges	4	8
Total valuation and translation adjustments	9,807	9,839
Total net assets	197,237	218,297
Total liabilities and net assets	393,603	418,756

(2) Statements of Income

(Millions of Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales		
Net sales of goods	1,002,168	1,032,844
Net sales on other business	13,085	13,568
Total net sales	1,015,253	1,046,412
Cost of sales		
Cost of goods sold		
Beginning goods	43,897	43,286
Cost of purchased goods	924,958	954,543
Subtotal	968,856	997,830
Goods transfer to other account	14	—
Ending goods	43,286	43,398
Net	925,555	954,431
Reversal of provision for sales returns	186	181
Provision for sales returns	181	178
Net	(5)	(3)
Cost of goods sold	925,550	954,427
Cost of sales on other business	10,057	10,457
Total cost of sales	935,607	964,885
Gross profit	79,645	81,527
Selling, general and administrative expenses	*1 54,246	*1, *2 56,818
Operating profit	25,399	24,708
Non-operating income		
Dividend income	328	334
Research fee income	1,725	1,752
Real estate rent	141	131
Other	1,093	533
Total non-operating income	3,288	2,752
Non-operating expenses		
Interest expenses	117	84
Rent expenses on real estates	38	36
Other	3	22
Total non-operating expenses	159	144
Ordinary profit	28,528	27,316

(Millions of yen)

	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
Extraordinary income				
Gain on sales of non-current assets		—	*3	9,403
Gain on sales of investment securities		186		343
Insurance income		145		—
Total extraordinary income		332		9,746
Extraordinary losses				
Loss on sales of non-current assets	*4	8	*4	1
Loss on retirement of non-current assets	*5	47	*5	87
Impairment loss		—	*6	18
Loss on valuation of investment securities		—		117
Loss on disaster		249		—
Other		0		12
Total extraordinary losses		305		237
Income before income taxes		28,555		36,825
Income taxes-current		8,529		8,912
Income taxes-deferred		258		2,500
Total income taxes		8,787		11,412
Profit		19,767		25,412

Supplementary Schedules of Cost of Sales

Cost of sales on other business

	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	3,960	39.4	4,151	39.7
Packing and shipping costs	3,873	38.5	4,101	39.2
Depreciation and amortization	1,115	11.1	1,223	11.7
Others	1,108	11.0	981	9.4
Total	10,057	100.0	10,457	100.0

(3) Statements of Changes in Equity

Fiscal year ended March 31, 2019

(Millions of yen)

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

Fiscal year ended March 31, 2019

(Millions of yen)

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

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning if current period	15,869	16,597	11,229	27,827	665	2,277	118,244	22,554	143,742
Changes of items during period									
Dividends of surplus				–				(4,384)	(4,384)
Profit				–				25,412	25,412
Provision of reserve for tax purpose reduction entry of non-current assets				–		5,679		(5,679)	–
Reversal of reserve for advanced depreciation of non-current assets				–		(118)		118	–
Provision of general reserve				–			14,000	(14,000)	–
Purchase of treasury shares				–					–
Net changes of items other than shareholders' equity				–					–
Total changes of items during period	–	–	–	–	–	5,561	14,000	1,466	21,028
Balance at end of current period	15,869	16,597	11,229	27,827	665	7,839	132,244	24,020	164,770

Fiscal year ended March 31, 2020

(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	(8)	187,429	9,803	4	9,807	197,237
Changes of items during period						
Dividend of surplus		(4,384)			–	(4,384)
Profit		25,412			–	25,412
Provision of reserve for tax purpose reduction entry of non-current assets		–			–	–
Reversal of reserve for advanced depreciation of non-current assets		–			–	–
Provision of general reserve		–			–	–
Purchase of treasury shares	(0)	(0)			–	(0)
Net changes of items other than shareholders' equity		–	28	3	32	32
Total changes of items during period	(0)	21,027	28	3	32	21,059
Balance at end of current period	(9)	208,457	9,831	8	9,839	218,297

(4) Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	28,555	36,825
Depreciation and amortization	4,493	5,059
Impairment loss	―	18
Increase (decrease) in allowance for doubtful accounts	2	(76)
Increase (decrease) in provision for bonuses	(322)	(112)
Increase (decrease) in provision for sales returns	(5)	(3)
Increase (decrease) in provision for retirement benefits	236	123
Interest and dividend income	(328)	(335)
Interest expenses	117	84
Loss (gain) on sales of non-current assets	8	(9,401)
Loss (gain) on sales of investment securities	(185)	(337)
Decrease (increase) in notes and accounts receivable-trade	(7,128)	(10,777)
Decrease (increase) in inventories	596	(112)
Increase (decrease) in notes and accounts payable-trade	5,105	7,852
Increase (decrease) in accrued consumption taxes	(64)	148
Other, net	287	716
Subtotal	31,366	29,674
Interest and dividend income received	328	335
Interest expenses paid	(118)	(84)
Income taxes paid	(8,012)	(8,918)
Net cash provided by (used in) operating activities	23,565	21,005
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,898)	(17,431)
Proceeds from sales of property, plant and equipment	560	13,298
Purchase of intangible assets	(399)	(188)
Purchase of investment securities	(112)	(207)
Proceeds from sales of investment securities	310	805
Other, net	7	(64)
Net cash provided by (used in) investing activities	(9,531)	(3,788)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,500)	(2,500)
Proceeds from long-term loans payable	1,000	―
Repayments of long-term loans payable	(7,430)	(5,950)
Repayments of lease obligations	(133)	(165)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(4,259)	(4,385)
Net cash provided by (used in) financing activities	(17,323)	(13,001)
Net increase (decrease) in cash and cash equivalents	(3,289)	4,216
Cash and cash equivalents at beginning of period	21,648	18,359
Cash and cash equivalents at end of period	* 18,359	* 22,575

(5) Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Significant accounting policies)

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

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

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

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

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

(2) Provision for bonuses

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

(3) Provision for sales returns

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

(4) Provision for retirement benefits

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

1) Periodic allocation methodology for the expected retirement benefit payments
The projected retirement benefit obligation is calculated by allocating the expected retirement benefit payments until the end of the current fiscal year on the benefit formula basis.

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

6. Method of hedge accounting

(1) Method of hedge accounting

Accounted for with deferred hedge accounting.
Certain foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment.

(2) Hedging instruments and hedged items

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

(3) Hedging policy

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

(4) Method of assessing hedge effectiveness

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

7. Amortization of goodwill

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

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

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

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

Accounting for consumption taxes

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

(Changes in Presentation)

Change in presentation regarding statements of income

"Subsidy income" which was separately listed under "Non-operating income " in the previous fiscal year, is included in "Other ,net" under "Non-operating expenses" in the fiscal year under review due to a decrease in its materiality. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.
Consequently, ¥659 million in "Subsidy income" under "Non-operating income" in the previous fiscal year, has been reclassified in "Other, net."

Change in presentation regarding statements of cash flows

"Loss (gain) on sales of non-current assets" which were included in "Other, net" under "Net cash provided by (used in) operating activities" in the previous fiscal year, are listed as a separate item in the fiscal year under review due to increases in their materiality. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.
Consequently, ¥295 million listed as "Other, net" under "Net cash provided by (used in) operating activities" in the previous fiscal year has been reclassified as ¥8 million in "Loss (gain) on sales of non-current assets" and ¥287 million in "Other, net."

(Accounting Standards Issued but not yet Effective)

"Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)"
"Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30)"
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2019))"

(Outline of these standards)
In Japan, there is no comprehensive accounting standard concerning revenue recognitions. But the Corporate Accounting Principle stipulated that "Sales shall be realized only by the sale of goods or rendering of services in accordance with realization basis" In consideration of above-mentioned background and international trends, The Accounting Standards Board of Japan (ASBJ) issued the new accounting standard and implementation guidance for revenue recognition.

Under new accounting standard, etc. the company recognizes revenue based on the following five-steps.
Step 1: Identify the contract(s) with customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(Scheduled date of applying the new guidance)
The Company plans to adopt the accounting standards, etc. from the beginning of the fiscal year ending March 31, 2022.

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

“Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30)”
“Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 (revised 2019))”
“Accounting Standard for Financial Instruments (ASBJ Statement No. 10 (revised 2019))”
“Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31)
“Implementation Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14 (revised 2019))”
“Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2019))”

(Outline of these standards)
The International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) developed detailed guidance with almost same contents for fair value measurement and issued ‘Fair value measurement’ (IFRS No.13 in IASB, Topic 820 in FASB). Given these circumstances, The Accounting Standards Board of Japan (ASBJ) issued the “Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30)”, etc. in order to ensure the consistency with international accounting standards with regards to guidance and disclosures of fair value of financial instruments.
The fundamental policy for developing these accounting standards by the ASBJ was that these accounting standards would basically incorporate all provisions of IFRS 13 from the perspective of improving the international comparability of financial statements. On the other hand, by taking into consideration the Japanese accounting practice, the ASBJ determined that separate accounting treatment for specific items would be adopted within a range that would not be impair the comparability of financial statements

(Scheduled date of applying the new guidance)
The Company plans to adopt the accounting standards, etc. from the beginning of the fiscal year ending March 31, 2022.

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

“Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31)”

(Outline of this standard)
The Paragraph 125 of IAS 1 "Presentation of Financial Statements" (issued by IASB in 2003; hereinafter "IAS1.125") requires disclosure of information about the "assumptions the entity makes about the future, and other major sources of estimation uncertainty". In this Regard, there has been a request that the major sources of estimation uncertainty should be disclosed as the notes to financial statements under Japan GAAP in terms of providing useful information to users of financial statements. By responding to this request, the Accounting Standards Board of Japan (ASBJ) developed and issued "Accounting Standard for Disclosure of Accounting Estimates (the ASBJ Statement No. 31)".
The fundamental policy for developing this accounting standard by the ASBJ was that entity would first identify the purpose for disclosure and decide specific details of the notes in light of its purpose of the disclosure, rather than expansion of disclosure of each notes. ASBJ used IAS1.125 as a reference in developing this standard.

(Scheduled date of applying the new guidance)
The Company plans to adopt the accounting standards, etc. from the end of the fiscal year ending March 31, 2021.

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No.24 (revised 2020))”

(Outline of this standard)
Standards Advisory Council of ASBJ recommended that ASBJ would consider improvement of disclosure for the notes to "The accounting policies and methods which has been adopted in the cases where the relevant accounting standards were not clear". By responding to the recommends, The Accounting Standards Board of Japan (ASBJ) issued the revised "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24(revised 2020)".
In addition, this standard provides that when the entity improves the disclosure of notes for "The accounting policies and methods which has been adopted in the cases where the relevant accounting standards were not clear" it should refer to "No.1.2 of annotations on the corporate accounting principles" in order not to effect on accounting practices in the cases where the relevant accounting standards are clear.

(Scheduled date of applying the new guidance)
The Company plans to adopt the accounting standards, etc. from the end of the fiscal year ending March 31, 2021.

(Balance sheets)

* Notes with maturity date as of the end of the fiscal year
  In the accounting treatment of notes with maturity date as of the end of the fiscal year, although the end of the fiscal year ended March 31, 2019 was a holiday for financial institutions, the notes were treated assuming that settlement occurred on the day of maturity. The amounts of notes with maturity date as of the end of the fiscal year ended March 31, 2019 are as follows.

	As of March 31, 2019	As of March 31, 2020
Notes receivable - trade	894 million yen	― million yen
Electronically recorded obligations – operating	2,394	―

(Statements of income)

*1 The approximate percentages of selling expenses were 32.8% in the fiscal year ended March 31, 2019, and 34.3% in the fiscal year ended March 31, 2020. The approximate percentages of general and administrative expenses were 67.2% and 65.7%, respectively.
Major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Distribution expenses	11,062 million yen	12,458 million yen
Provision of allowance for doubtful accounts	2	(76)
Depreciation and amortization	3,355	3,810
Salaries and allowances	17,051	17,246
Provision for bonuses	1,713	1,601
Retirement benefit expenses	1,253	1,099

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Research and development expenses	― million yen	118 million yen

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Vehicles	― million yen	1 million yen
Land	―	9,401
Total	―	9,403

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Buildings	7 million yen	1 million yen
Land	0	0
Total	8	1

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Buildings	― million yen	0 million yen
Structures	0	0
Machinery and equipment	13	72
Vehicles	0	0
Tools, furniture and fixtures	0	1
Leased assets (tangible)	0	2
Software	0	―
Long-term prepaid expenses	0	0
Demolition or removal expenses	32	9
Total	47	87

*6 Impairment loss

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

Fiscal year ended March 31, 2019

Not applicable.

Fiscal year ended March 31, 2020 (Millions of yen)

Location	Use	Type	Impairment loss
Wakayama-shi, Wakayama Pref.	Rent assets	Land	18

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

Of the assets held by the Company, for those for which profit and loss from business activities has continuously been negative and those that is not expected to be used in the future, book values have been written down to their recoverable value. These reductions have been recorded as impairment loss (¥18 million) under extraordinary losses. The breakdown of the assets is ¥18 million in land.

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

(Statements of changes in equity)

Fiscal year ended March 31, 2019

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

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

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

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

Not applicable.

3. Dividends

(1) Dividends paid

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

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

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 8, 2019	Common stock	2,160	Retained earnings	34	March 31, 2019	May 31, 2019

Fiscal year ended March 31, 2020

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

	As of April 1, 2019	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2020
Issued shares				
Common stock	63,553,485	–	–	63,553,485
Total	63,553,485	–	–	63,553,485
Treasury stock				
Common stock	6,237	50	–	6,287
Total	6,237	50	–	6,287

Note: The 50 increase in the number of treasury shares is the result of a buyback of shares less than one unit.

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

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 8, 2019	Common stock	2,160	34	March 31, 2019	May 31, 2019
Board of Directors meeting held on October 29, 2019	Common stock	2,224	35	September 30, 2019	December 2, 2019

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

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 12, 2020	Common stock	2,224	Retained earnings	35	March 31, 2020	June 2, 2020

(Statements of cash flows)

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash and deposits	18,359 million yen	22,575 million yen
Time deposits with a deposit period of over three months	–	–
Cash and cash equivalents	18,359	22,575

(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, 2019	As of March 31, 2020
Within one year	161	138
Over one year	282	214
Total	443	352

(Financial instruments)

1. Matters relating to status of financial instruments

(1) Policy for handling financial instruments

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

(2) Details of financial instruments and associated risks

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

(3) Management system for risks associated with financial instruments

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

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

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

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

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

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

(4) Supplementary explanation regarding fair values of financial instruments

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

2. Matters relating to fair values of financial instruments

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

As of March 31, 2019 (Millions of yen)

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

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

As of March 31, 2020 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
(1) Cash and deposits	22,575	22,575	–
(2) Notes receivable - trade	5,166	5,166	–
(3) Accounts receivable – trade	192,062	192,062	–
(4) Accounts receivable – other	15,200	15,200	–
(5) Investment securities	21,103	21,103	–
Total assets	256,107	256,107	–
Liabilities			
(1) Electronically recorded obligations - operating	7,689	7,689	–
(2) Accounts payable – trade	152,005	152,005	–
(3) Short-term loans payable	–	–	–
(4) Current portion of long-term loans payable	3,558	3,557	(0)
(5) Accounts payable - other	19,710	19,710	–
(6) Long-term loans payable	350	348	(1)
Total liabilities	183,313	183,311	(1)
Derivative transactions (*)	11	11	–

(*) 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, 2019	As of March 31, 2020
Unlisted shares (*1)	882	982
Shares of subsidiaries and associates (*2)	20	20

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

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

3. Maturity analysis for financial assets

As of March 31, 2019 (Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	18,359	–	–	–
Notes receivable-trade	5,026	–	–	–
Accounts receivable-trade	181,424	–	–	–
Accounts receivable-other	14,474	–	–	–
Total	219,284	–	–	–

As of March 31, 2020 (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	22,575	–	–	–
Notes receivable-trade	5,166	–	–	–
Accounts receivable-trade	192,062	–	–	–
Accounts receivable-other	15,200	–	–	–
Total	235,004	–	–	–

4. Maturity analysis for loans

As of March 31, 2019 (Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	2,500	–	–	–	–	–
Current portion of long-term loans payable	5,950	–	–	–	–	–
Long-term loans payable	–	3,558	350	–	–	–
Total	8,450	3,558	350	–	–	–

As of March 31, 2020 (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	–	–	–	–	–	–
Current portion of long-term loans payable	3,558	–	–	–	–	–
Long-term loans payable	–	350	–	–	–	–
Total	3,558	350	–	–	–	–

(Securities)

1. Shares of subsidiaries and affiliates
Shares of subsidiaries (amounts on balance sheets: ¥20 million in the fiscal year ended March 31, 2020 and ¥20 million in the fiscal year ended March 31, 2019) 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, 2019 (Millions of yen)

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

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

As of March 31, 2020 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	20,752	6,569	14,182
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	20,752	6,569	14,182
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	351	364	(13)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	351	364	(13)
Total		21,103	6,934	14,169

Note: Unlisted stocks (amount on balance sheet: ¥982 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, 2019 (Millions of yen)

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

Fiscal year ended March 31, 2020 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	805	343	6
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	805	343	6

4. Impaired marketable security

The Company had recognized impairment loss and declared loss on valuation of investment securities for 117 million yen in the fiscal year ended March 31, 2020.

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

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

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

(Derivative transactions)

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

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

As of March 31, 2019 (Millions of yen)

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Of contracts, those with period of over one year	Fair value
Appropriation treatment on forward exchange contract	Forward exchange contracts Bought U.S. dollar	Accounts payable - trade	1,140	–	6
Total			1,140	–	6

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

As of March 31, 2020 (Millions of yen)

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Of contracts, those with period of over one year	Fair value
Appropriation treatment on forward exchange contract	Forward exchange contracts Bought U.S. dollar	Accounts payable - trade	1,766	–	11
Total			1,766	–	11

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

(Retirement benefits)

1. Overview of retirement benefits plans

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

2. Defined benefit plans

(1) Overall funding position of plans

	(As of March 31, 2018)	(As of March 31, 2019)
(Tokyo Pharmaceutical Corporate Pension Fund Association)		
Fair value of plan assets	531,843 million yen	157,063 million yen
Total Amount of actuarial liabilities and minimum actuarial reserve (Note)	512,770	151,840
Net balance	19,073	5,223

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

	(As of March 31, 2019)	(As of March 31, 2020)
(Tokyo Pharmaceutical Corporate Pension Fund Association)	4.3%	4.4%

(3) Supplementary explanation

(As of March 31, 2018)

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

(As of March 31, 2019)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥13,593 million and surplus in the fiscal year ended March 31, 2019 of ¥18,816 million. The amortization method used for prior service costs in the pension plan is principal and interest equal amortization, and the remaining amortization term is 5 years and 5 month.

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

	(Fiscal year ended March 31, 2019)		(Fiscal year ended March 31, 2020)	
Retirement benefit obligation at beginning of period	6,874	million yen	7,095	million yen
Service costs	494		487	
Interest expenses	13		14	
Actuarial differences	119		(115)	
Retirement benefits paid	(406)		(487)	
Retirement benefit obligation at end of period	7,095		6,993	

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

	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
Plan assets at beginning of period	4,653	million yen	4,737	million yen
Expected return on plan assets	9		9	
Actuarial differences	41		(151)	
Contribution by employer	255		249	
Retirement benefits paid	(222)		(289)	
Plan assets at end of period	4,737		4,555	

(6) Retirement benefit obligation and plan assets at end of period and reconciliations with provision for retirement benefits and prepaid pension recorded in the balance sheet

	As of March 31, 2019		As of March 31, 2020	
Retirement benefit obligation from funded plans	4,217	million yen	4,158	million yen
Fair value of plan assets	(4,737)		(4,555)	
Net balance	(519)		(397)	
Retirement benefit obligation on non-funded plans	2,877		2,835	
Unfunded retirement benefit obligation	2,358		2,437	
Unrecognized actuarial differences	(447)		(402)	
Net amount of liability and asset recorded in balance sheet	1,910		2,034	
Provision for retirement benefits	2,451		2,548	
Prepaid pension	(540)		(514)	
Net amount of liability and asset recorded in balance sheet	1,910		2,034	

(7) Retirement benefit expenses and amounts of components

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Service costs	494 million yen	487 million yen
Interest expenses	13	14
Expected return on plan assets	(9)	(9)
Amortization of actuarial differences	176	80
Other	460	380
Retirement benefit expenses on defined benefit plans	1,135	952

Note: "Other" mainly consists of payments into the employees' pension fund plan.
The required contribution amounts to the employees' pension fund under the multi-employer pension plan treated using the same accounting as for a defined contribution plan were ¥310 million for the previous fiscal year and ¥269 million for the fiscal year under review.

(8) Plan assets

1) Main components of plan assets

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

	(As of March 31, 2019)	(As of March 31, 2020)
Bonds	57 %	60 %
Stocks	24	21
Life insurance company general accounts	10	11
Other	9	8
Total	100	100

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

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

(9) Calculation basis for actuarial differences

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

	(As of March 31, 2019)	(As of March 31, 2020)
Discount rate:	0.2 %	0.2 %
Long-term expected rate of return on plan assets	0.2 %	0.2 %

3. Defined contribution plan

The Company's required contribution amount for its defined contribution plan is ¥159 million of previous fiscal year and ¥192 million of the fiscal year under review.

(Income taxes)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Differed tax assets:		
Accrued enterprise tax	295	291
Provision for bonuses	524	489
Allowance for doubtful accounts	27	3
Accrued expenses	267	318
Provision for retirement benefits	750	779
Loss on valuation on investment securities	364	376
Accrued directors' retirement benefits	82	75
Taxable assets adjustment	77	25
Other	70	33
Total deferred tax assets	2,461	2,394
deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	(1,004)	(3,456)
Valuation difference on available-for-sale securities	(4,322)	(4,335)
Prepaid pension cost	(165)	(157)
Others	(16)	(7)
Total deferred tax liabilities	(5,508)	(7,956)
Net deferred tax assets	(3,047)	(5,562)

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

(%)

	As of March 31, 2019	As of March 31, 2020
Statutory tax rate	30.6	30.6
(Adjustments)		
Non-deductible items such as entertainment expense	0.4	0.2
Inhabitant taxes per capital	0.4	0.3
Other	(0.6)	(0.1)
Effective tax rate	30.8	31.0

(Equity methods)

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Not applicable.

(Asset retirement obligations)

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
No significant items to be reported.

(Estate leases)

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
No significant items to be reported.

(Segment information)

a. Segment Information

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
"Information on "a. Segment Information" was omitted since the Company's reportable segment is single segment of the "wholesale business".

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
"Information on "a. Segment Information" was omitted since the Company's reportable segment is single segment of the "wholesale business".

b. Related information

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

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

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

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

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

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

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

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

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

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

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

Fiscal Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Information regarding impairment loss on non-current assets by reporting segment was omitted since the Company's reportable segment is single segment of the "wholesale business".

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

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Information on amortization and outstanding balance of goodwill by reporting segment was omitted since the Company's reportable segment is single segment of the "wholesale business".

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Information on amortization and outstanding balance of goodwill by reporting segment was omitted since the Company's reportable segment is single segment of the "wholesale business".

e. Information regarding gain on negative goodwill by reporting segment

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Not applicable.

(Related-party transactions)

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

1. Significant transactions between the Company and related-parties

Not applicable.

2. Notes of parent company and significant affiliated companies

(1) Information of parent

MEDIPAL HOLDINGS CORPORATION (Listed on Tokyo Stock Exchange)

(2) Summary financial statement of significant affiliated companies

Not applicable.

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

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, 2019	Fiscal year ended March 31, 2020
Net assets per share	3,103.80	3,435.20
Earnings per share	311.07	399.90

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, 2019	Fiscal year ended March 31, 2020
Profit	19,767	25,412
Amount not attributable to common stock	–	–
Profit attributable to common stock	19,767	25,412
Average number of shares during the period (thousands of shares)	63,547	63,547

(Significant subsequent event)

Not applicable.

6. Other

(1) Directors Changes

Please see “Notification concerning Changes of organization and directors, officers, etc.” announced on February 6, 2020

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(2) Sales Status

(Sales results)

1) Sales results for the fiscal year ended March 31, 2020 by product category are as follows:

Product classification	Fiscal year ended March 31, 2020 Amount (Millions of yen)	Year-on-year change (%)
Cosmetics	265,950	100.2
Daily necessities	454,452	104.4
OTC pharmaceuticals	137,817	99.2
Health and sanitary related products	172,256	107.4
Others	15,935	103.2
Total sales	1,046,412	103.1

Notes: Above figures are exclusive of consumption taxes.

2) Sales results for the fiscal year ended March 31, 2020 by customer category are as follows:

Customer category		Fiscal year ended March 31, 2020 Amount (Millions of yen)	Year-on-year change (%)
Drug	Drugstores (Pharmacies)	663,366	103.8
HC	Home centers (DIY stores)	95,622	102.4
DS	Discount stores	76,272	109.1
CVS	Convenience stores	75,146	100.1
SM	Supermarkets	51,496	94.4
GMS	General merchandising stores	37,778	100.8
Others	Export and others	46,729	101.7
Total sales		1,046,412	103.1

Notes: Above figures are exclusive of consumption taxes.