

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2025 <under Japanese GAAP>

May 12, 2025

Company name: PALTAC CORPORATION

(URL: <https://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 20, 2025

Scheduled date to commence dividend payments: June 2, 2025

Scheduled date to submit the Securities Report: June 20, 2025

Preparation of supplementary material on financial results: Yes

Holding of quarterly financial results presentation meeting: Yes (For institutional investors, analysts and media.)

(Figures are rounded off to the nearest million yen)

1. Financial Results for the Fiscal Year Ended March 31, 2025

(From April 1, 2024 to March 31, 2025)

(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, 2025 | 1,188,097 | 3.1 | 28,008 | 3.1 | 31,684 | 3.7 | 22,864 | 10.8 |
| March 31, 2024 | 1,151,966 | 4.3 | 27,172 | 11.0 | 30,545 | 11.3 | 20,638 | 7.2 |

| | 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, 2025 | 366.46 | — | 8.1 | 6.3 | 2.4 |
| March 31, 2024 | 328.40 | — | 7.7 | 6.3 | 2.4 |

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2025 ¥— million

Fiscal year ended March 31, 2024 ¥— million

(2) Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------|--------------|-------------|--------------|----------------------|
| As of | (¥ million) | (¥ million) | % | (¥) |
| March 31, 2025 | 507,048 | 287,669 | 56.7 | 4,664.19 |
| March 31, 2024 | 495,697 | 277,962 | 56.1 | 4,422.87 |

Reference: Equity As of March 31, 2025: ¥287,669 million As of March 31, 2024: ¥277,962 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, 2025 | 20,675 | (428) | (11,324) | 69,916 |
| March 31, 2024 | 26,790 | (6,268) | (5,520) | 60,994 |

2. Dividends

| | 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, 2024 | — | 45.00 | — | 49.00 | 94.00 | 5,907 | 28.6 | 2.2 |
| Fiscal year ended March 31, 2025 | — | 50.00 | — | 55.00 | 105.00 | 6,517 | 28.7 | 2.3 |
| Fiscal year ending March 31, 2026 (Forecasts) | — | 57.00 | — | 63.00 | 120.00 | | 33.6 | |

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2026

(From April 1, 2025 to March 31, 2026)

(% indicates year-on-year change)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | | Earnings per share |
|-------------|-------------|-----|------------------|-----|-----------------|-----|-------------|-------|--------------------|
| | (¥ million) | % | (¥ million) | % | (¥ million) | % | (¥ million) | % | (¥) |
| First half | 622,000 | 3.6 | 14,600 | 4.5 | 16,200 | 0.1 | 11,100 | (6.7) | 179.97 |
| Fiscal year | 1,230,000 | 3.5 | 29,000 | 3.5 | 32,200 | 1.6 | 22,000 | (3.8) | 356.70 |

* 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, 2025 | 63,000,000 shares |
| As of March 31, 2024 | 63,553,485 shares |

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

| | |
|----------------------|------------------|
| As of March 31, 2025 | 1,323,911 shares |
| As of March 31, 2024 | 706,796 shares |

3) Average number of shares during the period

| | |
|--|-------------------|
| For the fiscal year ended March 31, 2025 | 62,392,761 shares |
| For the fiscal year ended March 31, 2024 | 62,846,717 shares |

(Notes)

- (1) On June 3, 2024, the Company retired treasury stock. As a result, the number of issued shares and of treasury shares decreased by 553,485 shares respectively.
- (2) Based on a decision by the Board of Directors on July 29, 2024, the Company purchased treasury stock of 1,170,600 shares during the period from July 30, 2024 to February 17, 2025.

* 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, 2026)” on page 4 of the attached material to this financial results report for the suppositions that form the assumptions for the forecasts.

* How to access the presentation (Presentation Material for financial results)

The Company will hold a financial results online briefing for institutional investors, financial analysts and media on Monday, May 19, 2025. The presentation (Presentation Material for financial results) is posted on the Company’s website (<https://www.paltac.co.jp/en/ir/>).

* 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 has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated report and the Japanese original, the original shall prevail.

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1. Summary of Operating Results etc.

(1) Analysis of Operating Results

(Operating results for the fiscal year ended March 31, 2025)

In the fiscal year ended March 31, 2025, business conditions remained difficult due to the increasing trend in budget-consciousness of consumers and the soaring logistics costs, despite a certain level of growth of demand reflecting a pick-up in people's movement and an increase in foreign tourists to Japan.

In terms of sales results, PALTAC CORPORATION (the "Company") was seeing the market conditions of declining demand for the COVID-19-related products, budget-consciousness of consumers and restrained purchasing certain products such as supplements. Amid these conditions, the Company has achieved year-on-year growth of net sales by successfully responding to the market changes arising from a pick-up in people's movement, an increase in inbound demand, pandemic of infectious disease and more through data analysis, and steadily carrying out effective sales activities including launching attractive new products.

In terms of profits, despite an increase in the SG&A expenses due to soaring logistics costs and active investment in human resources, operating profit was up year on year due to an increase in gross profit accompanying sales expansion and decline in the SG&A expenses rate due to effects from fixed expenses absorption.

Results highlights for the fiscal year ended March 31, 2025 are as follows:

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 | (Millions of yen, unless otherwise noted) Change | |
|------------------------------|-------------------------------------|-------------------------------------|---|----------|
| | | | Amount | Rate (%) |
| Net sales | 1,151,966 | 1,188,097 | 36,131 | 3.1 |
| Gross profit | 86,358 | 88,982 | 2,624 | 3.0 |
| [Gross profit margin (%)] | [7.50] | [7.49] | [-0.01] | |
| SG&A expenses | 59,185 | 60,973 | 1,788 | 3.0 |
| [SG&A expenses ratio (%)] | [5.14] | [5.13] | [-0.01] | |
| Operating profit | 27,172 | 28,008 | 836 | 3.1 |
| [Operating profit ratio (%)] | [2.36] | [2.36] | [0.00] | |
| Ordinary profit | 30,545 | 31,684 | 1,139 | 3.7 |
| [Ordinary profit ratio (%)] | [2.65] | [2.67] | [0.02] | |
| Profit | 20,638 | 22,864 | 2,225 | 10.8 |
| [Profit margin (%)] | [1.79] | [1.92] | [0.13] | |

Sales highlights

Sales results for the fiscal year ended March 31, 2025 by product category are as follows:

(Millions of yen, unless otherwise noted)

| Product category | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 | Change | |
|--------------------------------------|-------------------------------------|-------------------------------------|--------|----------|
| | | | Amount | Rate (%) |
| Cosmetics | 271,244 | 281,852 | 10,608 | 3.9 |
| Daily necessities | 500,452 | 525,533 | 25,081 | 5.0 |
| OTC pharmaceuticals | 150,793 | 148,152 | -2,641 | -1.8 |
| Health and sanitary related products | 210,544 | 212,329 | 1,785 | 0.8 |
| Others | 18,931 | 20,229 | 1,297 | 6.9 |
| Total | 1,151,966 | 1,188,097 | 36,131 | 3.1 |

Sales results for the fiscal year ended March 31, 2025 by customer category are as follows:

(Millions of yen, unless otherwise noted)

| Customer category | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 | Change | |
|--------------------------------|-------------------------------------|-------------------------------------|---------|----------|
| | | | Amount | Rate (%) |
| Drugstores (Pharmacies) | 727,889 | 763,785 | 35,896 | 4.9 |
| Discount stores | 98,597 | 109,336 | 10,739 | 10.9 |
| Convenience stores | 91,231 | 95,214 | 3,983 | 4.4 |
| Home centers (DIY stores) | 87,213 | 84,787 | -2,425 | -2.8 |
| Supermarkets | 52,630 | 53,131 | 500 | 1.0 |
| General merchandising stores | 39,287 | 40,895 | 1,607 | 4.1 |
| Export, EC business and others | 55,116 | 40,947 | -14,169 | -25.7 |
| Total | 1,151,966 | 1,188,097 | 36,131 | 3.1 |

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

(Outlook for the fiscal year ending March 31, 2026)

As for the next fiscal year ending March 31, 2026, despite the expectation of an increase in inbound demand, and a recovery in personal consumption due to the continuous improvement in the income situation, the Company expects the business situation to remain unpredictable due to risks such as an increase in logistics costs in line with the severe labor shortage, and the increasing trend of consumers' budget consciousness due to price hikes, and an economic downturn caused by changes in trade policies in various countries.

Under such business conditions, in order to realize its long-term vision of "Creating the future of people and society through the power of connection," the Company will strive to improve the profitability of existing businesses, take on challenges to create new value, improve sustainability, and undertake management to enhance capital efficiency, in line with the three-year medium-term management plan "PALTAC VISION 2027," which ends in March 2027.

In terms of sales, the Company will develop new product handling that accurately captures the diverse needs of consumers through the active use of data, while also strengthening efforts to capture inbound demand and promote effective sales promotions.

In terms of profits, despite the impact of rising logistics costs due to labor shortages, the Company will place greater emphasis on streamlining delivery operations through collaboration across the supply chain and on enhancing the development of new high-value-added product handling.

Accordingly, the business results forecasts for the fiscal year ending March 31, 2026 are as follows.

| | |
|------------------|--------------------|
| Net sales | ¥1,230,000 million |
| Operating profit | ¥29,000 million |
| Ordinary profit | ¥32,200 million |
| Profit | ¥22,000 million |

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

(Millions of yen)

| | As of March 31, 2024 | As of March 31, 2025 | Change in amount |
|-------------------|----------------------|----------------------|------------------|
| Total assets | 495,697 | 507,048 | 11,351 |
| Total liabilities | 217,734 | 219,379 | 1,644 |
| Net assets | 277,962 | 287,669 | 9,706 |

(Assets)

Total assets as of the end of the fiscal year were ¥507,048 million, an increase of ¥11,351 million from the end of the previous fiscal year. This was primarily the result of increases in cash and deposits notes and in accounts receivable-trade.

(Liabilities)

Total liabilities as of the end of the fiscal year were ¥219,379 million, an increase of ¥1,644 million from the end of the previous fiscal year. This was primarily the result of an increase in accounts payable-trade and a decrease in accrued consumption taxes.

(Net assets)

Net assets as of the end of the fiscal year were ¥287,669 million, an increase of ¥9,706 million from the end of the previous fiscal year. This was primarily the result of increases in retained earnings and in treasury shares.

2) Cash flows

(Millions of yen)

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--------------------------------------|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | 26,790 | 20,675 |
| Cash flows from investing activities | (6,268) | (428) |
| Cash flows from financing activities | (5,520) | (11,324) |

(Cash flows from operating activities)

Net cash provided by operating activities was ¥20,675 million. Main factors were increases in notes and accounts receivable-trade and in notes and accounts payable-trade.

(Cash flows from investing activities)

Net cash used in investing activities was ¥428 million. Main factors were purchase of property, plant and equipment and sales of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was ¥11,324 million. Main factors were cash dividends paid and purchase of treasury shares.

Cash and cash equivalents as of the end of the fiscal year were ¥69,916 million, an increase of ¥8,922 million from the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Equity ratio (%) | 54.1 | 54.3 | 54.5 | 56.1 | 56.7 |
| Market value-based equity ratio (%) | 87.4 | 63.7 | 66.1 | 52.2 | 48.4 |
| Interest-bearing debt to cash flow ratio (years) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest coverage ratio (times) | 898.7 | 3,461.1 | 2,885.4 | 7,493.4 | 2,327.3 |

Equity ratio: Equity / Total assets

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

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

Interest coverage ratio: Cash flow / Paid interest

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

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2025 and the Fiscal Year Ending March 31, 2026

The Company aims to enhance corporate value through sustainable growth by reinvesting profits generated from its business into strengthening its future business base and increasing shareholder returns, while maintaining a stable financial base. In terms of shareholder returns, the Company has set a target dividend payout ratio of 35% or more in its three-year medium-term management plan ending in March 2027, and planned to maintain dividend increases that exceed profit growth rate while implementing flexible share buybacks.

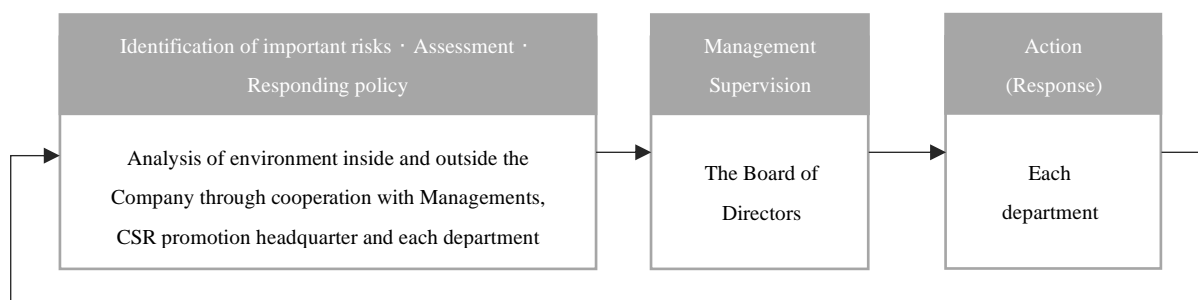
In the fiscal year under review, based on this underlying policy, the Company has set its fiscal year-end dividend at ¥55 per share, an increase of ¥6 from the previous fiscal year’s ¥49 per share. As a result, including the interim dividend of ¥50 per share already paid, the annual dividend is ¥105 per share, an increase of ¥11 from the previous fiscal year.

For the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥120 per share (an increase of ¥15 per share), comprised of an interim dividend of ¥57 and a year-end dividend of ¥63 per share.

(4) Business Risks

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

■ Risk Management Process



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

The future potentialities contained in these items are envisioned as of March 31, 2025.

(Risk related to decline in the working population)

The Company is supported by many employees. The recent decline in the working population is considered as one of the important environmental changes to be addressed in order to realize a sustainable growth. The decline in the working population has caused rise of labor costs and difficulty in securing human resources. This decline has significant impacts not only on the Company but also on the industry wide. Consequently, the Company undertakes a variety of initiatives such as serving comfortable workplace environment, developing personnel affairs measures, continuously training to improve their skills, aggressively recruiting mid-career employment, improving productivities of the existing RDC through improving activities and applying new logistics model realizing significant productivity improvements. Nevertheless, if the Company is unable to sufficiently secure human resources with its plan, or if there is a significant rising of labor costs, these may have a negative impact on the Company's business activities and results.

(Note) RDC (Regional Distribution Center) is large-scale logistics center.

(Risk related to delivery operation)

The Company delivers products to retailers from its distribution centers. Although the Company outsources its deliveries to external delivery companies, it is improving and streamlining its delivery processes through collaboration and cooperation with delivery companies, retailers, and other partner companies to maintain a steady supply of products amid concerns about driver shortages due to a declining working population. Nevertheless, if the labor shortage among delivery companies worsens due to new legal revisions or other factors, this may impact the Company's business activities and performance, leading to increased delivery costs and disruptions to the stable supply of products.

(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 for the operation and management of RDCs, the Company's important business and distribution facilities. In order to address natural disasters, etc. the Company efforts to ensure business continuity through establishing system which provides quick restoration of normal operations in the event of disaster, utilizing distributed storage by moving its IT enterprise system into the cloud and a data center equipped with seismic isolation devices and a private electric generator. Also, the Company has been working to build an emergency response system, centered on CSIRT under normal circumstances, to enable timely and appropriate responses and minimize the impact on business activities even in the event of an information security incident. Nevertheless, if the Company's computer systems stop functioning due to a large-scale natural disaster, this may significantly obstruct the Company's sales and distribution activities.

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

(Note) CSIRT (Computer Security Incident Response Team) is a security team composed principally of cybersecurity experts and qualified personnel and can handle the rapid detection and the containment of cybersecurity incident in cooperation with the Information Management Committee and other department.

(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 a lockdown due to the spread of infectious diseases. These events may have a negative impact on the Company's results by obstructing its provision of distribution services or other operations.

(Risks related to the climate change)

In the daily necessities distribution industry where the Company operates, it is recognized that climate change is extremely important issue to be addressed by the whole of industry. The Company has identified climate change as one of the key issues to be solved for its sustainable growth and has taken proactive measures which are incorporated into its medium-term management plan. Nevertheless, due to physical damages such as the disruption of the supply chains and the adverse impacts such as higher procurement costs in keeping with soaring raw material price caused by frequent natural disasters associated with the climate change and to the additional costs such as implementation of carbon tax brought by transition to a carbon-neutral society, the Company's operating results may be affected.

(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. When making a decision on the material capital investment, the Company analyzes the business profitability and the cost effectiveness and decides whether to make such investments through on discussion in the Board of Directors and other meetings. 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, 2025, is provided below.

(Millions of yen)

| | Fiscal year ended March 31, 2025 | | | | |
|------------------|----------------------------------|----------------|---------------|----------------|-----------|
| | First quarter | Second quarter | Third quarter | Fourth quarter | Full year |
| Net sales | 302,914 | 297,513 | 310,636 | 277,033 | 1,188,097 |
| [Composition %] | [25.5] | [25.0] | [26.2] | [23.3] | [100.0] |
| Operating profit | 7,428 | 6,548 | 8,462 | 5,569 | 28,008 |
| [Composition %] | [26.5] | [23.4] | [30.2] | [19.9] | [100.0] |
| Ordinary profit | 8,305 | 7,874 | 9,237 | 6,267 | 31,684 |
| [Composition %] | [26.2] | [24.9] | [29.1] | [19.8] | [100.0] |

(Relationship with the parent company's group)

Aiming for contribution to the society, the parent company's group operates mainly in three business areas: Prescription Pharmaceutical Wholesale Business, Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business and Animal Health Products and Food Processing Raw Materials Wholesale and Related Business. In these business areas, the Company operates Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business. And because of the differences in the merchandise categories and in the distributional channels comparing to the other two businesses areas, there is not competition with the parent company's group (excluding the Company). Therefore, the Company carries out its own sales activities without any restriction. And, from the viewpoint of corporate governance, the Company makes all decisions on matters such as business strategy and personnel policy on the basis of independent and autonomous discussions at the Company and the management decision made by the Board of Directors of the Company is the final decision within the parent company's group.

Also, as a listed company with a parent company, the Company actively promotes the appointment of independent outside directors to establish an appropriate governance system. At the meeting of the Board of Directors held on March 5, 2025, the Company resolved to increase the number of outside directors (provisional appointment), and this resolution will be submitted to the ordinary general meeting of shareholders scheduled to be held on June 20, 2025. If this resolution is approved, the Board of Directors will consist of 13 members, with seven being independent outside directors, constituting a majority. Furthermore, in order to avoid the appearance of conflicts of interest between the parent company and the minority shareholders, and thus to enhance corporate governance, through implementing appropriate oversight and supervision of the Company's transactions with the controlling shareholder, the Company has established an independent committee as an advisory body to the Board of Directors. This committee is composed exclusively of independent outside directors and outside auditors.

At the same time, the parent company respects the Company's independency and protect of minority shareholders of the Company. Based on the "Group Company Management Regulations," the parent company believes it's desirable, from the perspective of group management, for the Company to improve its corporate value through actively pursuing business development by autonomous funding and quick decision-making. Furthermore, the regulations state that the Company's Board of Directors is final decision-making organ. Currently, no significant changes are expected to occur in the Company's relationship with the rest of the parent company's group. Nevertheless, if there is a change in management policy in the rest of the parent company's group in the future, for example if another company in the group enters into one of the Company's business sectors and comes into competition with the Company, this may have an impact on the Company's results.

The Company's relationship with the parent company's group as of March 31, 2025, is as follows.

1) Capital relationships

The percentage of the shares of the Company held by its parent company, MEDIPAL HOLDINGS CORPORATION, is 51.65%.

2) Personal relationships

[Interlocking directorate]

In order to optimize the balance between independence as a listed company and group governance, Mr. Takuya Yoshida, Representative Director, President of the Company, has served as a director of the parent company. In addition, the Company has also appointed Mr. Yuji Sakon, Managing Director of the parent company, as a director of the Company.

3) Business relationships

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

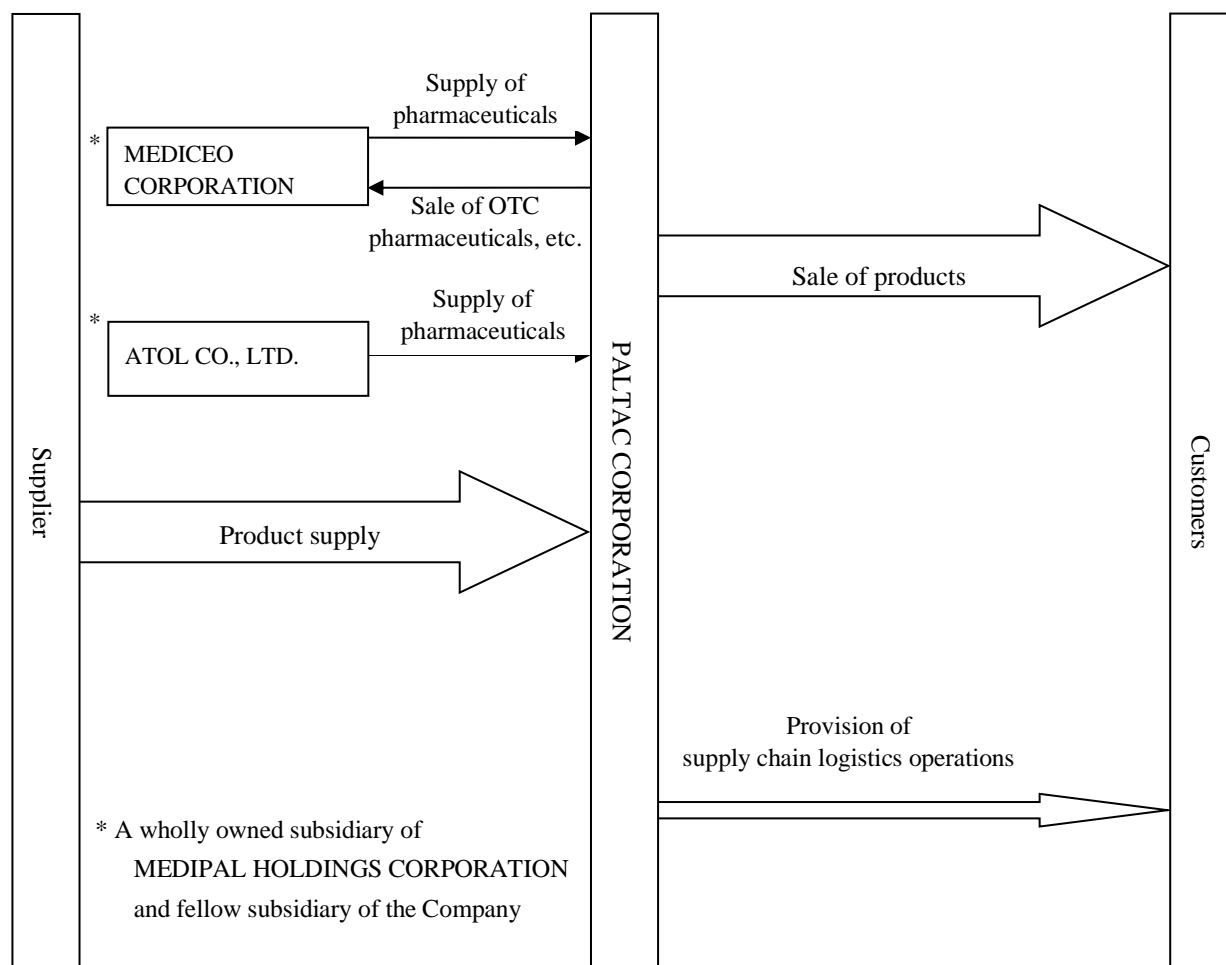
(Millions of yen)

| Company name | Transaction details | Transaction amount | Transaction amount | Transaction conditions, etc. |
|--|---|----------------------------------|----------------------------------|---|
| | | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 | |
| (Parent company) MEDIPAL HOLDINGS CORPORATION | Payment of insurance premium | 14 | 15 | 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. | 11 | 10 | The Company receives insurance proceeds, etc. based on an insurance contract. |
| (Fellow subsidiary) MEDICEO CORPORATION | Payment of trust fees for defined contribution pension plan | 2 | 2 | The plan is managed for the parent company's whole group together, and the Company pays a contribution. |
| | Sale of products, etc. | 298 | 345 | Determined in consideration of usual transaction conditions between wholesalers. |
| | Purchase of products | (603) | 8 | Determined based on negotiations between both parties in consideration of distribution costs, etc. |
| (Fellow subsidiary) ATOL CO., LTD. | Purchase of products | 1 | 2 | Determined based on negotiations between both parties in consideration of distribution costs, etc. |
| (Fellow subsidiary) Medipal Insurance Service Co., Ltd. | Payment of insurance premium | 547 | 166 | Carried out as the Company's insurance agent under the same transaction conditions as with a third party. |

2. Status of Group

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

The Group's operational chart is as follows.



3. Management Policy

Forward-looking statements in this document are based on the judgments of the Company's management as of the end of the fiscal year ended March 31, 2025.

(1) The Company's Basic Management Policy

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

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

In the conduct of business operation for the sustainable growth, the Company recognizes that the decline in working population, low birthrate and longevity, diversification of values, climate change and issue to the provision of natural resources are material changes. With these changes, while recognizing that risks including fewer revenue itself due to shrinking domestic market and decline in profitability due to soaring operational costs could increase, against the backdrop of increase of needs for high-efficient distribution and penetration of logistics solution using date, the Company believes that new revenue opportunities could be created by providing its new value and solutions. In order to appropriately grasp and respond to these changes and achieve sustainable growth, based on the long-term corporate vision in which the Company has put up a slogan, "Creating the future of people and society through capability of connecting," the Company recognizes that the following four issues to be urgently addressed from the standpoint of its existence, capture of new revenue opportunities and risk reduction.

Slogan and material issues of the long-term vision

Creating the future of people and society through the power of connections

Creating "the future" in which sustainable well-being of people and society can be realized by diverse connection of supply chain from innovation

| Materiality | | |
|------------------------------------|--|---|
| Securing new revenue opportunities | Creating new value through developing borderless supply chain network | <ul style="list-style-type: none"> ■ Eliminating unreasonable, wasteful acts and unevenness factors through digitalizing distribution process ■ Connecting people, things and information with the digital network and creating colorful and rich daily lives |
| | Developing distribution network beyond the conventional approach through far and away the highest productivity | <ul style="list-style-type: none"> ■ Developing high-efficient distribution network, which has far and away the highest productivity ■ Developing sustainable distribution network through cooperation beyond the industries and the conventional business practices |
| Reduction of risk | Coexisting and co-creation with the environment and society | <ul style="list-style-type: none"> ■ Contributing to the realization of sustainable environment and society by developing supply chain that does not incur burdens |
| | Cultivating a corporate culture that emphasizes autonomy and spontaneity and realizing a state where individual employees' growth leads to the growth of our company and society | <ul style="list-style-type: none"> ■ Cultivating a corporate culture that emphasizes autonomy and spontaneity and building an environment where diverse human capital can exercise their full potential ■ Establishing governance that supports the sustainable growth of individual employees, our company and society |

(3) Management Strategies

In order to solve the issues that should be addressed with priority, the Company has established the new three-years medium-term management plan, “PALTAC VISION 2027” which concludes in fiscal year ending March 31, 2027 by using approach from the viewpoints of both current business environment and a long-term its corporate vision. This new three-years medium-term management plan, “PALTAC VISION 2027” is positioned as period of “Constructing the foundation for transformation through restructuring” to achieve the long-term vision. And the Company actively will tackle four important themes: improving profitability of existing business, taking on the challenges to create new value, improving sustainability and undertaking management to enhance capital efficiency.

And, as primary key performance indicators that can evaluate the achievement status of its initiatives, the Company has set the following financial targets for resulting from business activities and non-financial targets regarding the sustainability and social responsibility impact resulting from its activities.

Financial and non-financial targets for the fiscal year ending March 31, 2027, which is the final fiscal year of new medium-term management plan.

| Targets | | FY2027/3 | Vs. FY2024/3 Amount | Vs. FY2024/3 Rate |
|---------------|-------------------------------------|--|------------------------|----------------------|
| Financial | Net Sales | ¥ 1,270.0 bn | + ¥ 118.0 bn | + 10.2% |
| | Operating Profit | ¥ 30.0 bn | + ¥ 2.8 bn | + 10.4% |
| | ROE | Maintaining the level that exceeds the cost of capital | — | — |
| | Payout Ratio | Aiming for the level of 35% or more | — | — |
| Non-Financial | Ratio of CO2 emissions reduction *1 | Reduction of 28% | + 16% | — |
| | Diversity | Percentage of female employees in management positions : 8.4% Percentage of male employees taking childcare leave : 60% | + 1.7% + 30% | — |
| | Engagement Score *2 | 55.0 | + 6.9 | — |

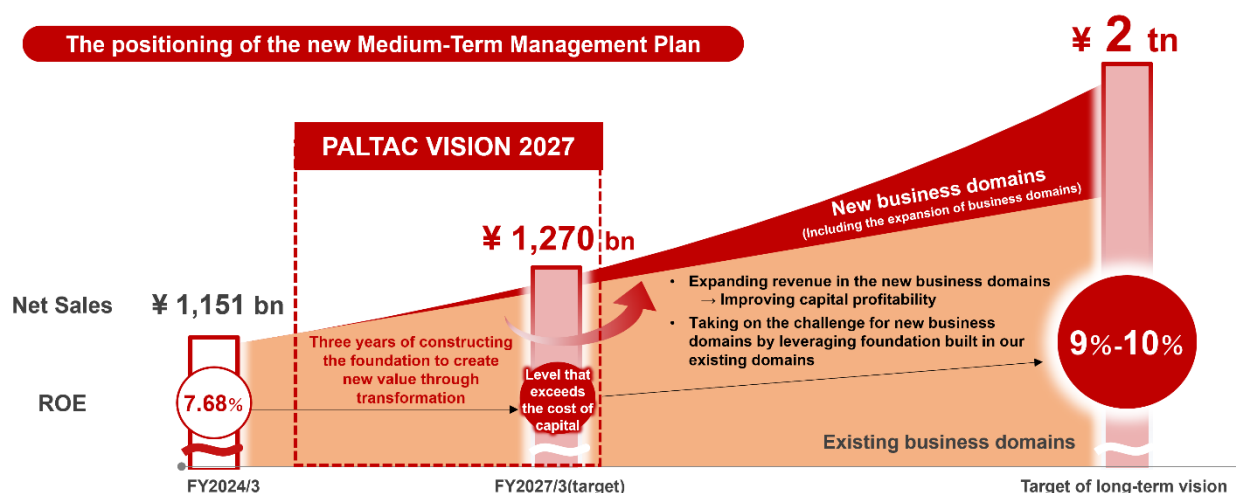
*1 Ratio of CO2 emissions reduction : Scope 1+2 (Vs. FY2021/3)

*2 Engagement score: Measured by “Motivation Cloud” service of Link and Motivation Inc.

The positioning of the medium-term management plan, “PALTAC VISION 2027”

PALTAC VISION 2027

Constructing the foundation for transformation through structural reform



The essence of constructing the foundation for transformation

Towards the realization of the long-term vision

| | | |
|------------------------|--|---|
| Connect / be Connected | Securing “adequate capitals” | Expanding sales and profits of existing businesses |
| | Gaining “competitive edge” | Enhancing our functions of distribution, sales and digital Promoting new value creation (cultivating the seeds of new business) Enhancing and building connection with our partners Accumulating valuable information |
| | Acquiring “practical abilities” | Increasing capacity of organization (through business structural reforms) Securing and developing human capital Improving work environment Strengthening governance system Improving utilization of digital and information |
| | Obtaining “cooperation” | Promoting cooperation with multi-stakeholders (contribution to environment and society, the appropriate distribution of profits to employees and shareholders, etc.) |

With regard to specific initiatives of medium-term management plan, please refer to “Notice regarding medium-term management plan” announced on May 13, 2024, or “Long-term Vision / Medium-term Management Plan” on the Company’s website.

(Long-term Vision / Medium-term Management Plan) <https://www.paltac.co.jp/en/ir/management/plan/>

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, 2024 | As of March 31, 2025 |
|-------------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 60,994 | 69,916 |
| Notes receivable - trade | + 5,026 | 5,570 |
| Accounts receivable - trade | 208,137 | 212,549 |
| Merchandise and finished goods | 51,352 | 54,705 |
| Prepaid expenses | 759 | 642 |
| Accounts receivable - other | 14,812 | 16,284 |
| Other | 6,080 | 6,070 |
| Allowance for doubtful accounts | (3) | (3) |
| Total current assets | 347,158 | 365,735 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 79,651 | 79,755 |
| Accumulated depreciation | (31,783) | (34,430) |
| Buildings, net | 47,867 | 45,325 |
| Structures | 5,921 | 5,920 |
| Accumulated depreciation | (4,111) | (4,382) |
| Structures, net | 1,810 | 1,538 |
| Machinery and equipment | 55,737 | 56,831 |
| Accumulated depreciation | (35,840) | (38,430) |
| Machinery and equipment, net | 19,896 | 18,401 |
| Vehicles | 1,319 | 1,342 |
| Accumulated depreciation | (1,191) | (1,204) |
| Vehicles, net | 128 | 137 |
| Tools, furniture and fixtures | 2,283 | 2,379 |
| Accumulated depreciation | (1,874) | (1,934) |
| Tools, furniture and fixtures, net | 408 | 445 |
| Land | 46,827 | 46,748 |
| Leased assets | 496 | 597 |
| Accumulated depreciation | (267) | (278) |
| Leased assets, net | 228 | 318 |
| Construction in progress | 419 | 18 |
| Total property, plant and equipment | 117,588 | 112,933 |
| Intangible assets | | |
| Patent right | 91 | 60 |
| Software | 474 | 483 |
| Software in progress | 60 | 79 |
| Telephone subscription right | 84 | 84 |
| Other | 19 | 16 |
| Total intangible assets | 731 | 724 |

(Millions of yen)

| | As of March 31, 2024 | As of March 31, 2025 |
|---|----------------------|----------------------|
| Investments and other assets | | |
| Investment securities | 28,455 | 25,600 |
| Shares of subsidiaries and associates | 159 | 159 |
| Investments in capital | 0 | 0 |
| Investments in capital of subsidiaries and associates | 111 | 126 |
| Distressed receivables | 0 | 0 |
| Long-term prepaid expenses | 759 | 659 |
| Prepaid pension costs | 509 | 691 |
| Guarantee deposits | 172 | 366 |
| Other | 51 | 51 |
| Allowance for doubtful accounts | (3) | (3) |
| Total investments and other assets | 30,218 | 27,654 |
| Total non-current assets | 148,538 | 141,312 |
| Total assets | 495,697 | 507,048 |
| Liabilities | | |
| Current liabilities | | |
| Electronically recorded obligations - operating | * 10,735 | 10,778 |
| Accounts payable - trade | 158,908 | 161,836 |
| Lease obligations | 114 | 117 |
| Accounts payable - other | 20,257 | 20,926 |
| Accrued expenses | 308 | 276 |
| Income taxes payable | 5,415 | 5,252 |
| Accrued consumption taxes | 2,900 | 380 |
| Advances received | 39 | 27 |
| Deposits received | 118 | 119 |
| Provision for bonuses | 1,923 | 1,740 |
| Provision for loss on disaster | 403 | — |
| Other | 6,187 | 7,571 |
| Total current liabilities | 207,313 | 209,028 |
| Non-current liabilities | | |
| Lease obligations | 138 | 232 |
| Deferred tax liabilities | 6,739 | 6,459 |
| Provision for retirement benefits | 3,012 | 3,123 |
| Asset retirement obligations | 79 | 80 |
| Long-term deposits received | 451 | 455 |
| Total non-current liabilities | 10,421 | 10,351 |
| Total liabilities | 217,734 | 219,379 |

(Millions of yen)

| | As of March 31, 2024 | As of March 31, 2025 |
|---|----------------------|----------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 15,869 | 15,869 |
| Capital surplus | | |
| Legal capital surplus | 16,597 | 16,597 |
| Other capital surplus | 11,229 | 8,495 |
| Total capital surplus | 27,827 | 25,093 |
| Retained earnings | | |
| Legal retained earnings | 665 | 665 |
| Other retained earnings | | |
| Reserve for advanced depreciation of non-current assets | 7,467 | 7,511 |
| General reserve | 192,244 | 207,244 |
| Retained earnings brought forward | 23,357 | 24,974 |
| Total retained earnings | 223,735 | 240,395 |
| Treasury shares | (3,490) | (5,757) |
| Total shareholders' equity | 263,941 | 275,601 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 14,001 | 12,082 |
| Deferred gains or losses on hedges | 19 | (14) |
| Total valuation and translation adjustments | 14,021 | 12,067 |
| Total net assets | 277,962 | 287,669 |
| Total liabilities and net assets | 495,697 | 507,048 |

(2) Statements of Income

(Millions of yen)

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--|-------------------------------------|-------------------------------------|
| Net sales | | |
| Net sales of goods | 1,135,309 | 1,170,135 |
| Net sales on other business | 16,656 | 17,962 |
| Total net sales | * ₁ 1,151,966 | * ₁ 1,188,097 |
| Cost of sales | | |
| Cost of goods sold | | |
| Beginning goods | 51,273 | 51,352 |
| Cost of purchased goods | 1,052,039 | 1,087,295 |
| Subtotal | 1,103,313 | 1,138,647 |
| Goods transfer to other account | * ₂ 35 | — |
| Ending goods | 51,352 | 54,705 |
| Cost of goods sold | 1,051,925 | 1,083,941 |
| Cost of sales on other business | 13,681 | 15,173 |
| Total cost of sales | 1,065,607 | 1,099,114 |
| Gross profit | 86,358 | 88,982 |
| Selling, general and administrative expenses | * _{3,*4} 59,185 | * _{3,*4} 60,973 |
| Operating profit | 27,172 | 28,008 |
| Non-operating income | | |
| Dividend income | 449 | 516 |
| Research fee income | 1,874 | 1,868 |
| Real estate rent | 160 | 166 |
| Subsidy income | 56 | 576 |
| Other | 891 | 716 |
| Total non-operating income | 3,431 | 3,844 |
| Non-operating expenses | | |
| Interest expenses | 5 | 6 |
| Rental expenses on real estate | 32 | 115 |
| Commission for purchase of treasury shares | — | 34 |
| Other | 20 | 11 |
| Total non-operating expenses | 59 | 168 |
| Ordinary profit | 30,545 | 31,684 |

(Millions of yen)

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--|-------------------------------------|-------------------------------------|
| Extraordinary income | | |
| Gain on sale of non-current assets | * ₅ 0 | * ₅ 5 |
| Gain on sale of investment securities | 140 | 1,010 |
| Gain on reversal of provision for loss on disaster | — | 7 |
| Total extraordinary income | 140 | 1,023 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | — | * ₆ 7 |
| Loss on retirement of non-current assets | * ₇ 3 | * ₇ 11 |
| Impairment losses | * ₈ 639 | — |
| Loss on disaster | 241 | — |
| Provision for loss on disaster | 403 | — |
| Total extraordinary losses | 1,289 | 19 |
| Income before income taxes | 29,396 | 32,689 |
| Income taxes - current | 9,300 | 9,472 |
| Income taxes - deferred | (541) | 352 |
| Total income taxes | 8,758 | 9,824 |
| Profit | 20,638 | 22,864 |

Supplementary Schedules of Cost of Sales

Cost of sales on other business

| | Fiscal year ended March 31, 2024 | | Fiscal year ended March 31, 2025 | |
|----------------------------------|-------------------------------------|-----------------------------|-------------------------------------|-----------------------------|
| Composition of costs | Amount (¥ million) | Composition ratio (%) | Amount (¥ million) | Composition ratio (%) |
| Payroll costs | 5,570 | 40.7 | 6,003 | 39.6 |
| Packing and shipping costs | 4,487 | 32.8 | 5,036 | 33.2 |
| Depreciation and amortization | 2,268 | 16.6 | 2,401 | 15.8 |
| Others | 1,355 | 9.9 | 1,730 | 11.4 |
| Total | 13,681 | 100.0 | 15,173 | 100.0 |

(3) Statements of Changes in Equity

Fiscal year ended March 31, 2024

(Millions of yen)

| | Shareholders' equity | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|---|-----------------|-----------------------------------|-------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | | | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | | Total retained earnings |
| | | | | | | Reserve for advanced depreciation of non-current assets | General reserve | Retained earnings brought forward | |
| Balance at beginning of period | 15,869 | 16,597 | 11,229 | 27,827 | 665 | 7,552 | 177,244 | 23,038 | 208,501 |
| Changes during period | | | | | | | | | |
| Dividends of surplus | | | | — | | | | (5,404) | (5,404) |
| Profit | | | | — | | | | 20,638 | 20,638 |
| Adjustment to reserve due to change in tax rate | | | | — | | | | | — |
| Provision of reserve for advanced depreciation of non-current assets | | | | — | | | | | — |
| Reversal of reserve for advanced depreciation of non-current assets | | | | — | | (85) | | 85 | — |
| Provision of general reserve | | | | — | | | 15,000 | (15,000) | — |
| Purchase of treasury shares | | | | — | | | | | — |
| Cancellation of treasury shares | | | | — | | | | | — |
| Net changes in items other than shareholders' equity | | | | — | | | | | — |
| Total changes during period | — | — | — | — | — | (85) | 15,000 | 318 | 15,233 |
| Balance at end of period | 15,869 | 16,597 | 11,229 | 27,827 | 665 | 7,467 | 192,244 | 23,357 | 223,735 |

| | 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 period | (3,490) | 248,707 | 10,985 | 6 | 10,992 | 259,700 |
| Changes during period | | | | | | |
| Dividends of surplus | | (5,404) | | | — | (5,404) |
| Profit | | 20,638 | | | — | 20,638 |
| Adjustment to reserve due to change in tax rate | | — | | | — | — |
| Provision of reserve for advanced depreciation of non-current assets | | — | | | — | — |
| Reversal of reserve for advanced depreciation of non-current assets | | — | | | — | — |
| Provision of general reserve | | — | | | — | — |
| Purchase of treasury shares | (0) | (0) | | | — | (0) |
| Cancellation of treasury shares | | — | | | — | — |
| Net changes in items other than shareholders' equity | | — | 3,015 | 12 | 3,028 | 3,028 |
| Total changes during period | (0) | 15,233 | 3,015 | 12 | 3,028 | 18,261 |
| Balance at end of period | (3,490) | 263,941 | 14,001 | 19 | 14,021 | 277,962 |

Fiscal year ended March 31, 2025

(Millions of yen)

| | Shareholders' equity | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|---|-----------------|-----------------------------------|-------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | | | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | | Total retained earnings |
| | | | | | | Reserve for advanced depreciation of non-current assets | General reserve | Retained earnings brought forward | |
| Balance at beginning of period | 15,869 | 16,597 | 11,229 | 27,827 | 665 | 7,467 | 192,244 | 23,357 | 223,735 |
| Changes during period | | | | | | | | | |
| Dividends of surplus | | | | — | | | | (6,204) | (6,204) |
| Profit | | | | — | | | | 22,864 | 22,864 |
| Adjustment to reserve due to change in tax rate | | | | — | | (97) | | 97 | — |
| Provision of reserve for advanced depreciation of non-current assets | | | | — | | 225 | | (225) | — |
| Reversal of reserve for advanced depreciation of non-current assets | | | | — | | (84) | | 84 | — |
| Provision of general reserve | | | | — | | | 15,000 | (15,000) | — |
| Purchase of treasury shares | | | | — | | | | | — |
| Cancellation of treasury shares | | | (2,733) | (2,733) | | | | | — |
| Net changes in items other than shareholders' equity | | | | — | | | | | — |
| Total changes during period | — | — | (2,733) | (2,733) | — | 43 | 15,000 | 1,616 | 16,660 |
| Balance at end of period | 15,869 | 16,597 | 8,495 | 25,093 | 665 | 7,511 | 207,244 | 24,974 | 240,395 |

| | 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 period | (3,490) | 263,941 | 14,001 | 19 | 14,021 | 277,962 |
| Changes during period | | | | | | |
| Dividends of surplus | | (6,204) | | | — | (6,204) |
| Profit | | 22,864 | | | — | 22,864 |
| Adjustment to reserve due to change in tax rate | | — | | | — | — |
| Provision of reserve for advanced depreciation of non-current assets | | — | | | — | — |
| Reversal of reserve for advanced depreciation of non-current assets | | — | | | — | — |
| Provision of general reserve | | — | | | — | — |
| Purchase of treasury shares | (4,999) | (4,999) | | | — | (4,999) |
| Cancellation of treasury shares | 2,733 | — | | | — | — |
| Net changes in items other than shareholders' equity | | — | (1,919) | (34) | (1,953) | (1,953) |
| Total changes during period | (2,266) | 11,660 | (1,919) | (34) | (1,953) | 9,706 |
| Balance at end of period | (5,757) | 275,601 | 12,082 | (14) | 12,067 | 287,669 |

(4) Statements of Cash Flows

(Millions of yen)

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 29,396 | 32,689 |
| Depreciation and amortization | 6,553 | 6,495 |
| Impairment losses | 639 | — |
| Increase (decrease) in allowance for doubtful accounts | (5) | 0 |
| Increase (decrease) in provision for bonuses | 408 | (183) |
| Increase (decrease) in provision for loss on disaster | 403 | (403) |
| Increase (decrease) in provision for retirement benefits | 98 | (71) |
| Interest and dividend income | (449) | (516) |
| Interest expenses | 5 | 6 |
| Loss (gain) on sale of investment securities | (140) | (1,010) |
| Loss on disaster | 241 | — |
| Decrease (increase) in notes and accounts receivable-trade | (6,082) | (4,956) |
| Decrease (increase) in inventories | (78) | (3,353) |
| Increase (decrease) in notes and accounts payable-trade | (1,079) | 2,971 |
| Decrease (increase) in consumption taxes refund receivable | 1,484 | — |
| Increase (decrease) in accrued consumption taxes | 2,900 | (2,519) |
| Other, net | 686 | 978 |
| Subtotal | 34,984 | 30,126 |
| Interest and dividends income received | 449 | 516 |
| Interest expenses paid | (3) | (8) |
| Payments associated with disaster loss | (236) | (401) |
| Income taxes paid | (8,404) | (9,558) |
| Net cash provided by (used in) operating activities | 26,790 | 20,675 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (5,666) | (1,406) |
| Proceeds from sale of property, plant and equipment | 0 | 83 |
| Purchase of intangible assets | (138) | (216) |
| Purchase of investment securities | (576) | (86) |
| Proceeds from sale of investment securities | 260 | 1,415 |
| Purchase of shares of subsidiaries | (139) | — |
| Payments for investments in capital of subsidiaries and associates | — | (14) |
| Other, net | (8) | (202) |
| Net cash provided by (used in) investing activities | (6,268) | (428) |
| Cash flows from financing activities | | |
| Repayments of lease obligations | (116) | (120) |
| Purchase of treasury shares | (0) | (4,999) |
| Cash dividends paid | (5,404) | (6,204) |
| Net cash provided by (used in) financing activities | (5,520) | (11,324) |
| Net increase (decrease) in cash and cash equivalents | 15,001 | 8,922 |
| Cash and cash equivalents at beginning of period | 45,993 | 60,994 |
| Cash and cash equivalents at end of period | * 60,994 | * 69,916 |

(5) Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Stock of subsidiaries, affiliates and investments in capital of subsidiaries and associates

Stated at cost using the moving-average method.

(2) Available-for-sale securities

Securities with available fair market values:

Stated at fair value based on the market price or the like at the balance sheet date (valuation difference is reported in a separate component of net assets, and cost of securities sold is determined based on the moving-average method).

Securities without available fair market values:

Stated at cost using the moving-average method.

2. Valuation standards and methods of derivatives

Stated at fair value.

3. Valuation standards and methods of inventories

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

4. Depreciation and amortization of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Depreciated using the straight-line method.

The estimated useful lives of major items are as follows.

Buildings: 8 to 50 years

Machinery and equipment: 8 to 12 years

(2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the internally expected useful life (5 years).

(3) Leased assets

Leased assets in finance lease transactions that do not transfer ownership

Depreciated using the straight-line method assuming that lease periods are useful lives and residual values are zero.

(4) Long-term prepaid expenses

Amortized in equal portions.

5. Allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for loss on disaster

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

(4) Provision for retirement benefits

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

1) Periodic allocation methodology for the expected retirement benefit payments

The projected retirement benefit obligation is calculated by allocating the expected retirement benefit payments until the end of the current fiscal year on the benefit formula basis.

2) Amortization of net actual gains/losses

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

6. Standards for recording key revenue and expenses

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

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

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

7. Method of hedge accounting

(1) Method of hedge accounting

Accounted for with deferred hedge accounting.

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

(2) Hedging instruments and hedged items

Hedging instruments: Derivative transactions (forward exchange contracts)

Hedged items: Payables denominated in foreign currencies and forecasted foreign currency transactions

(3) Hedging policy

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

(4) Method of assessing hedge effectiveness

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

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

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

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

Not applicable.

(Significant accounting estimates)

There are not accounting estimates that could have significant impact on the financial statement of the fiscal year ending March 31, 2026.

(Unapplied accounting standards, etc.)

- Accounting Standard for Leases (ASBJ Statement No. 34, issued by Accounting Standards Board of Japan on September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, issued by Accounting Standards Board of Japan on September 13, 2024)

(1) Overview

The Accounting Standards Board of Japan (ASBJ) released new accounting standards and implementation guidance as part of efforts to align Japanese standards with international practices. In developing these standards, the ASBJ examined international accounting standards with a focus on creating a lease accounting standard that would require lessees to recognize all leases as assets and liabilities. The new standards adopt a single accounting model based on IFRS 16 Leases.

However, rather than fully incorporating IFRS 16 Leases, the ASBJ included only key provisions to create a simpler, more practical standard that allows companies to apply the provisions of this guideline in non-consolidated financial statements with minimal adjustments. For lessee accounting, the new standards apply a single accounting model for leases, consistent with IFRS 16 Leases.

Under this model, lessees must recognize depreciation and amortization of right-of-use assets and interest on lease liabilities for all leases, regardless of whether they are classified as finance or operating leases.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of new accounting standards

The impact of adopting the lease accounting standards on the financial statements is currently under evaluation.

(Changes in presentation)

(Statements of income)

“Subsidy income,” which was included in “Other” under “Non-operating income” in the previous fiscal year, is listed separately because it exceeded 10% of the total non-operating income. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

Consequently, ¥947 million listed as “Other” under “Non-operating income” in the previous fiscal year has been reclassified as ¥56 million in “Subsidy income” and ¥891 million in “Other.”

(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, 2024 was a holiday for financial institutions, the notes were treated assuming that settlement occurred on the day of maturity. The amounts of notes with maturity date as of the end of the fiscal year are as follows.

| | As of March 31, 2024 | As of March 31, 2025 |
|--|-------------------------|-------------------------|
| Notes receivable - trade | 762 million yen | — million yen |
| Electronically recorded obligations – operating | 4,186 | — |

(Statements of income)

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

*2 Breakdown of goods transfer to other account is as follows

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|----------------------------------|-------------------------------------|-------------------------------------|
| Transfer to extraordinary losses | 35 million yen | — million yen |
| Total | 35 | — |

*3 The approximate percentages of selling expenses were 32.2% in the fiscal year ended March 31, 2024, and 32.6% in the fiscal year ended March 31, 2025. The approximate percentages of general and administrative expenses were 67.8% and 67.4%, respectively.

Major items and amounts of selling, general and administrative expenses are as follows.

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|---|-------------------------------------|-------------------------------------|
| Distribution expenses | 11,899 million yen | 12,558 million yen |
| Provision of allowance for doubtful accounts | (3) | 0 |
| Depreciation and amortization | 4,249 | 4,062 |
| Salaries and allowances | 18,413 | 19,122 |
| Provision for bonuses | 1,923 | 1,740 |
| Retirement benefit expenses | 958 | 777 |

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

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Research and development expenses | 88 million yen | 69 million yen |

*5 Breakdown of gain on sale of non-current assets is as follows.

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|----------|-------------------------------------|-------------------------------------|
| Vehicles | 0 million yen | 5 million yen |
| Total | 0 | 5 |

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

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|-------|-------------------------------------|-------------------------------------|
| Land | — million yen | 7 million yen |
| Total | — | 7 |

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

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--------------------------------|-------------------------------------|-------------------------------------|
| Buildings | 0 million yen | 2 million yen |
| Structures | 0 | 0 |
| Machinery and equipment | 0 | 4 |
| Vehicles | 0 | 0 |
| Tools, furniture and fixtures | 0 | 1 |
| Leased assets (tangible) | — | 0 |
| Software | 2 | 1 |
| Long-term prepaid expenses | 0 | 1 |
| Demolition or removal expenses | — | 1 |
| Total | 3 | 11 |

*8 Impairment loss

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

Fiscal year ended March 31, 2024

(Millions of yen)

| Location | Use | Type | Impairment loss |
|---------------------------|-------------|------------|-----------------|
| Aira-shi, Kagoshima Pref. | Idle assets | Land, etc. | 639 |

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.

For the fiscal year ended March 31, 2024, of the assets held by the Company, for 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 (¥639 million) under extraordinary losses. The breakdown of the assets is ¥619 million in land and ¥20 million in construction in progress.

Recoverable value of the company groups assets is measured at their net realizable values. And, the recoverable amount on land is measured at real estate appraisal values.

Fiscal year ended March 31, 2025

Not applicable.

(Statements of changes in equity)

Fiscal year ended March 31, 2024

(Shares)

1. Class and total number of issued shares and treasury shares

| | As of April 1, 2023 | Increase in shares during fiscal year | Decrease in shares during fiscal year | As of March 31, 2024 |
|------------------------|------------------------|--|--|-------------------------|
| Issued shares | | | | |
| Common stock | 63,553,485 | — | — | 63,553,485 |
| Total | 63,553,485 | — | — | 63,553,485 |
| Treasury stock | | | | |
| Common stock (Note) | 706,698 | 98 | — | 706,796 |
| Total | 706,698 | 98 | — | 706,796 |

Note: The increase of 98 in the number of treasury shares of common stock is due to the buyback of 98 shares constituting less than one unit.

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

Not applicable.

3. Dividends

(1) Dividends paid

| Resolution | Class of shares | Total dividend amount (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|-----------------|--|-----------------------------|--------------------|------------------|
| Board of Directors meeting held on May 11, 2023 | Common stock | 2,576 | 41 | March 31, 2023 | June 2, 2023 |
| Board of Directors meeting held on October 30, 2023 | Common stock | 2,828 | 45 | September 30, 2023 | December 1, 2023 |

(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 13, 2024 | Common stock | 3,079 | Retained earnings | 49 | March 31, 2024 | May 31, 2024 |

Fiscal year ended March 31, 2025

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

| | As of April 1, 2024 | Increase in shares during fiscal year | Decrease in shares during fiscal year | As of March 31, 2025 |
|--------------------------|------------------------|--|--|-------------------------|
| Issued shares | | | | |
| Common stock (Note 1) | 63,553,485 | — | 553,485 | 63,000,000 |
| Total | 63,553,485 | — | 553,485 | 63,000,000 |
| Treasury stock | | | | |
| Common stock (Note 2) | 706,796 | 1,170,600 | 553,485 | 1,323,911 |
| Total | 706,796 | 1,170,600 | 553,485 | 1,323,911 |

Notes: 1 The decrease of 553,485 in the total number of common stocks issued is due to the cancellation of treasury shares.

2 The increase of 1,170,600 in the number of treasury shares of common stock is due to the acquisition of treasury shares based on a resolution of the Board of Directors.

The decrease of 553,485 in the number of treasury shares of common stock is due to the cancellation of treasury shares.

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 13, 2024 | Common stock | 3,079 | 49 | March 31, 2024 | May 31, 2024 |
| Board of Directors meeting held on October 28, 2024 | Common stock | 3,124 | 50 | September 30, 2024 | December 2, 2024 |

(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, 2025 | Common stock | 3,392 | Retained earnings | 55 | March 31, 2025 | June 2, 2025 |

(Statements of cash flows)

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

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|---|-------------------------------------|-------------------------------------|
| Cash and deposits | 60,994 million yen | 69,916 million yen |
| Time deposits with a deposit period of over three months | — | — |
| Cash and cash equivalents | 60,994 | 69,916 |

(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 personal computers and personal computer peripherals (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, 2024 | As of March 31, 2025 |
|-----------------|----------------------|----------------------|
| Within one year | 137 | 136 |
| Over one year | 275 | 231 |
| Total | 413 | 367 |

(Financial instruments)

1. Matters relating to status of financial instruments

(1) Policy for handling financial instruments

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

(2) Details of financial instruments and associated risks

Notes receivable - trade, accounts receivable - trade and accounts receivable - other that are operating receivables are subject to credit risk from customers.

Shares that are investment securities are subject to market price fluctuation risk.

Electronically recorded obligations - operating, accounts payable - trade and accounts payable - other that are operating payables have payment dates due within one year.

Derivative transactions are forward exchange contracts to hedge against foreign exchange fluctuation risks from operating receivables and operating payables denominated in foreign currencies.

For hedging instruments and hedged items, hedging policy, method of assessing hedge effectiveness and other aspects of hedge accounting, please refer to “7. Method of hedge accounting” in “Significant accounting policies” on a previous page of this report.

(3) Management system for risks associated with financial instruments

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

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

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

For investment securities, the Company regularly ascertains information such as fair values and the financial conditions of issuers (business partner companies, etc.), and regularly reviews its securities holdings in light of its relationships with business partner companies, etc.

The Company executes derivative transactions in accordance with its “Rules on Operational Authority.” Transactions executed are limited to foreign currency-denominated monetary payables handled by the Overseas Business Division. Every month the Company receives notification from financial institutions regarding the balance of derivative transactions executed and confirms the data by matching them with a list of actual results. In addition, the Audit Department at the Company conducts audits of the execution and management of these transactions.

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

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

(4) Supplementary explanation regarding fair values of financial instruments

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

2. Matters relating to fair values of financial instruments

Amounts on balance sheet, fair values, and differences between them are as follows.

As of March 31, 2024

(Millions of yen)

| | Amount on balance sheet | Fair value | Difference |
|------------------------------|----------------------------|------------|------------|
| Assets | | | |
| Investment securities (*2) | 28,055 | 28,055 | — |
| Total assets | 28,055 | 28,055 | — |
| Total liabilities | — | — | — |
| Derivative transactions (*3) | 27 | 27 | — |

As of March 31, 2025

(Millions of yen)

| | Amount on balance sheet | Fair value | Difference |
|------------------------------|----------------------------|------------|------------|
| Assets | | | |
| Investment securities (*2) | 25,200 | 25,200 | — |
| Total assets | 25,200 | 25,200 | — |
| Total liabilities | — | — | — |
| Derivative transactions (*3) | (21) | (21) | — |

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

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

| Category | As of March 31, 2024 (Millions of yen) | As of March 31, 2025 (Millions of yen) |
|---|---|---|
| Unlisted shares | 400 | 400 |
| Shares of subsidiaries and associates | 159 | 159 |
| Investments in capital of subsidiaries and associates | 111 | 126 |

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

Note. Redemption schedules after balance sheet dates for monetary receivables

As of March 31, 2024

(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 | 60,994 | — | — | — |
| Notes receivable-trade | 5,026 | — | — | — |
| Accounts receivable-trade | 208,137 | — | — | — |
| Accounts receivable-other | 14,812 | — | — | — |
| Total | 288,970 | — | — | — |

As of March 31, 2025

(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 | 69,916 | — | — | — |
| Notes receivable-trade | 5,570 | — | — | — |
| Accounts receivable-trade | 212,549 | — | — | — |
| Accounts receivable-other | 16,284 | — | — | — |
| Total | 304,321 | — | — | — |

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

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

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

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

Level 3: Unobservable inputs

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

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

As of March 31, 2024

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------|---------|---------|--------|
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Stocks | 28,055 | — | — | 28,055 |
| Derivative transactions | | | | |
| Currency-related transactions | — | 27 | — | 27 |
| Total assets | 28,055 | 27 | — | 28,083 |
| Derivative transactions | | | | |
| Currency-related transactions | — | — | — | — |
| Total liabilities | — | — | — | — |

As of March 31, 2025

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------|---------|---------|--------|
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Stocks | 25,200 | — | — | 25,200 |
| Derivative transactions | | | | |
| Currency-related transactions | — | — | — | — |
| Total assets | 25,200 | — | — | 25,200 |
| Derivative transactions | | | | |
| Currency-related transactions | — | 21 | — | 21 |
| Total liabilities | — | 21 | — | 21 |

Note: Techniques and input for measuring at fair value

Investment securities

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

Derivative transactions

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

(Securities)

1. Shares of subsidiaries and affiliates and investments in capital of subsidiaries and associates

The amounts recorded in the non-consolidated balance sheets for shares of subsidiaries and associate whose fair values are deemed to be extremely difficult to determine

| Category | As of March 31, 2024 (Millions of yen) | As of March 31, 2025 (Millions of yen) |
|---|---|---|
| Shares of subsidiaries and associates | 159 | 159 |
| Investments in capital of subsidiaries and associates | 111 | 126 |

2. Available-for-sale securities

As of March 31, 2024

(Millions of yen)

| | Type | Amount on balance sheet | Acquisition cost | Difference |
|---|---|-------------------------|------------------|------------|
| Securities for which amount on balance sheet exceeds acquisition cost | (1) Stocks | 27,832 | 7,653 | 20,179 |
| | (2) Bonds | | | |
| | 1) National government bonds and local government bonds, etc. | — | — | — |
| | 2) Corporate bonds | — | — | — |
| | 3) Other | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 27,832 | 7,653 | 20,179 |
| Securities for which amount on balance sheet does not exceed acquisition cost | (1) Stocks | 222 | 227 | (5) |
| | (2) Bonds | | | |
| | 1) National government bonds and local government bonds, etc. | — | — | — |
| | 2) Corporate bonds | — | — | — |
| | 3) Other | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 222 | 227 | (5) |
| Total | | 28,055 | 7,880 | 20,174 |

Note: Unlisted stocks (amount on balance sheet: ¥400 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, 2025

(Millions of yen)

| | Type | Amount on balance sheet | Acquisition cost | Difference |
|---|---|-------------------------|------------------|------------|
| Securities for which amount on balance sheet exceeds acquisition cost | (1) Stocks | 25,112 | 7,474 | 17,637 |
| | (2) Bonds | | | |
| | 1) National government bonds and local government bonds, etc. | — | — | — |
| | 2) Corporate bonds | — | — | — |
| | 3) Other | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 25,112 | 7,474 | 17,637 |
| Securities for which amount on balance sheet does not exceed acquisition cost | (1) Stocks | 88 | 88 | (0) |
| | (2) Bonds | | | |
| | 1) National government bonds and local government bonds, etc. | — | — | — |
| | 2) Corporate bonds | — | — | — |
| | 3) Other | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 88 | 88 | (0) |
| Total | | 25,200 | 7,562 | 17,637 |

Note: Unlisted stocks (amount on balance sheet: ¥400 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, 2024
Not applicable.

Fiscal year ended March 31, 2025

(Millions of yen)

| Type | Amount sold | Total gain on sale | Total loss on sale |
|---|-------------|--------------------|--------------------|
| (1) Stocks | 1,415 | 1,010 | — |
| (2) Bonds | | | |
| 1) National government bonds and local government bonds, etc. | — | — | — |
| 2) Corporate bonds | — | — | — |
| 3) Other | — | — | — |
| (3) Other | — | — | — |
| Total | 1,415 | 1,010 | — |

(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, 2024

(Millions of yen)

| Hedge accounting method | Transaction type | Major hedged item | Contract amount | Of contracts, those with period of over one year | Fair value |
|--|----------------------------|--------------------------|-----------------|--|------------|
| Appropriation treatment on forward exchange contract | Forward exchange contracts | | | | |
| | Buying U.S. dollar | Accounts payable - trade | 689 | — | 27 |
| Total | | | 689 | — | 27 |

As of March 31, 2025

(Millions of yen)

| Hedge accounting method | Transaction type | Major hedged item | Contract amount | Of contracts, those with period of over one year | Fair value |
|--|----------------------------|--------------------------|-----------------|--|------------|
| Appropriation treatment on forward exchange contract | Forward exchange contracts | | | | |
| | Buying U.S. dollar | Accounts payable - trade | 917 | — | (21) |
| Total | | | 917 | — | (21) |

(Retirement benefits)

1. Overview of retirement benefits plans

The Company has defined benefit plans and a defined contribution plan. For the former the Company has a multi-employer corporate pension fund plan, a contract-type corporate pension fund plan and a lump-sum retirement payment plan, and for the latter the Company has a defined contribution pension fund plan. The Company has enrolled in multi-employer pension plans. Since the portion of the pension plan assets could not be reasonably calculated, the required contribution amount was recognized as retirement benefit expenses.

2. Defined benefit plans

(1) Overall funding position of plans

| | (As of March 31, 2023) | (As of March 31, 2024) |
|---|------------------------|------------------------|
| (Tokyo Pharmaceutical Corporate Pension Fund Association) | | |
| Fair value of plan assets | 178,035 million yen | 186,018 million yen |
| Total Amount of actuarial liabilities and minimum actuarial reserve | 153,464 | 156,459 |
| Net balance | 24,570 | 29,559 |

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

| | (As of March 31, 2024) | (As of March 31, 2025) |
|---|------------------------|------------------------|
| (Tokyo Pharmaceutical Corporate Pension Fund Association) | 4.9% | 5.2% |

(3) Supplementary explanation

(As of March 31, 2023)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥6,167 million and surplus in the fiscal year ended March 31, 2023 of ¥30,738 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 10 months.

(As of March 31, 2024)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥5,197 million and surplus in the fiscal year ended March 31, 2024 of ¥34,757 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 10 months.

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

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--|-------------------------------------|-------------------------------------|
| Retirement benefit obligation at beginning of period | 7,198 million yen | 6,608 million yen |
| Service costs | 447 | 384 |
| Interest expenses | 14 | 79 |
| Actuarial differences | (840) | (125) |
| Retirement benefits paid | (211) | (167) |
| Retirement benefit obligation at end of period | 6,608 | 6,778 |

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

| | Fiscal year ended March 31, 2024 | | Fiscal year ended March 31, 2025 | |
|------------------------------------|-------------------------------------|-------------|-------------------------------------|-------------|
| Plan assets at beginning of period | 5,127 | million yen | 5,736 | million yen |
| Expected return on plan assets | 10 | | 68 | |
| Actuarial differences | 479 | | (143) | |
| Contribution by employer | 242 | | 248 | |
| Retirement benefits paid | (123) | | (105) | |
| Plan assets at end of period | 5,736 | | 5,804 | |

(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, 2024 | | As of March 31, 2025 | |
|---|----------------------|-------------|----------------------|-------------|
| Retirement benefit obligation from funded plans | 4,010 | million yen | 4,118 | million yen |
| Fair value of plan assets | (5,736) | | (5,804) | |
| Net balance | (1,725) | | (1,616) | |
| Retirement benefit obligation on non-funded plans | 2,597 | | 2,590 | |
| Unfunded retirement benefit obligation | 871 | | 974 | |
| Unrecognized actuarial differences | 1,630 | | 1,457 | |
| Net amount of liability and asset recorded in balance sheet | 2,502 | | 2,431 | |
| Provision for retirement benefits | 3,012 | | 3,123 | |
| Prepaid pension cost | (509) | | (691) | |
| Net amount of liability and asset recorded in balance sheet | 2,502 | | 2,431 | |

(7) Retirement benefit expenses and amounts of components

| | Fiscal year ended March 31, 2024 | | Fiscal year ended March 31, 2025 | |
|--|-------------------------------------|-------------|-------------------------------------|-------------|
| Service costs | 447 | million yen | 384 | million yen |
| Interest expenses | 14 | | 79 | |
| Expected return on plan assets | (10) | | (68) | |
| Amortization of actuarial differences | (22) | | (155) | |
| Other | 397 | | 403 | |
| Retirement benefit expenses on defined benefit plans | 826 | | 642 | |

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 ¥225 million for the previous fiscal year and ¥235 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, 2024 | As of March 31, 2025 |
|---|----------------------|----------------------|
| Bonds | 55 % | 55 % |
| Stocks | 26 | 26 |
| Life insurance company general accounts | 9 | 10 |
| Other | 10 | 9 |
| Total | 100 | 100 |

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

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

(9) Calculation basis for actuarial differences

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

| | As of March 31, 2024 | As of March 31, 2025 |
|---|----------------------|----------------------|
| Discount rate | 1.2 % | 1.2 % |
| Long-term expected rate of return on plan assets | 1.2 % | 1.2 % |

3. Defined contribution plan

The Company's required contribution amount for its defined contribution plan is ¥189 million of previous fiscal year and ¥191 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, 2024 | As of March 31, 2025 |
| Differed tax assets: | | |
| Accrued enterprise tax | 326 | 311 |
| Provision for bonuses | 588 | 532 |
| Allowance for doubtful accounts | 2 | 2 |
| Accrued expenses | 305 | 272 |
| Refund liabilities | 1,810 | 2,234 |
| Provision for retirement benefits | 921 | 981 |
| Loss on valuation of investment securities | 304 | 305 |
| Provision for loss on disaster | 123 | — |
| Impairment losses | 195 | 201 |
| Other | 30 | 40 |
| Total deferred tax assets | 4,610 | 4,881 |
| Deferred tax liabilities: | | |
| Refund assets | (1,711) | (1,719) |
| Reserve for advanced depreciation of non-current assets | (3,292) | (3,452) |
| Valuation difference on available-for-sale securities | (6,173) | (5,556) |
| Prepaid pension cost | (155) | (217) |
| Others | (15) | (395) |
| Total deferred tax liabilities | (11,350) | (11,341) |
| Net deferred tax assets | (6,739) | (6,459) |

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

| | As of | |
|--|----------------|----------------|
| | March 31, 2024 | March 31, 2025 |
| Statutory tax rate | 30.6 | 30.6 |
| (Adjustments) | | |
| Non-deductible items such as entertainment expense | 0.0 | 0.0 |
| Inhabitant taxes per capital | 0.4 | 0.3 |
| Tax deductions associated with increase of employee salaries | (0.9) | (0.8) |
| Adjustment of increase in deferred tax liabilities at the end of the fiscal year due to tax rate changes | — | 0.2 |
| Other | (0.3) | (0.3) |
| Effective tax rate | 29.8 | 30.1 |

3. Adjustment of deferred tax assets and liabilities due to the change in the income tax rate

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, and the “Special Defense Corporation Tax” will be imposed from fiscal years beginning on or after April 1, 2026.

As a result, the effective statutory tax rate has been changed from 30.6% to 31.5% for the calculation of deferred tax assets and deferred tax liabilities associated with temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2026.

Consequently, deferred tax liabilities for the current fiscal year (amount after deduction of deferred tax assets) increased by ¥220 million, income taxes-deferred increased by ¥61 million, and valuation difference on available-for-sale securities decreased by ¥158 million.

(Equity methods)

Not applicable.

(Asset retirement obligations)

No significant items to be reported.

(Estate leases)

No significant items to be reported.

(Revenue recognition)

1. The disaggregation of revenue recognized from contracts with customers

Sales results by product category are as follows:

| Product category | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--------------------------------------|-------------------------------------|-------------------------------------|
| | Amount (Millions of yen) | Amount (Millions of yen) |
| Cosmetics | 271,244 | 281,852 |
| Daily necessities | 500,452 | 525,533 |
| OTC pharmaceuticals | 150,793 | 148,152 |
| Health and sanitary related products | 210,544 | 212,329 |
| Others | 18,931 | 20,229 |
| Total sales | 1,151,966 | 1,188,097 |

Sales results by customer category are as follows:

| Customer category | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--------------------------------|-------------------------------------|-------------------------------------|
| | Amount (Millions of yen) | Amount (Millions of yen) |
| Drugstores (Pharmacies) | 727,889 | 763,785 |
| Discount stores | 98,597 | 109,336 |
| Convenience stores | 91,231 | 95,214 |
| Home centers (DIY stores) | 87,213 | 84,787 |
| Supermarkets | 52,630 | 53,131 |
| General merchandising stores | 39,287 | 40,895 |
| Export, EC-business and others | 55,116 | 40,947 |
| Total sales | 1,151,966 | 1,188,097 |

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

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

The Company sells cosmetics, daily necessities and over-the-counter (OTC) pharmaceuticals to domestic and overseas retailers which are its main customers. Its performance obligation is to deliver products based on the sales contract with customer. And the Company judges that the performance obligation has been satisfied at the time of delivery of the relevant products and recognizes revenue because usually the customer gains control of the relevant product at the time of products delivery to the customer. In the case of domestic sales, if there is a usual length of time between shipment of products and transferring control to the customer, the Company recognizes revenue at the point when these products are shipped.

The amount of consideration, to which the Company expects to be entitled in exchange for satisfying the performance obligation does not contain a significant financial component because that consideration is collected within approximately three months.

In identifying performance obligation, if the nature of the promise is a performance obligation to arrange for products to be provided by other parties, the Company is an agent and the commission and revenue is recognized in the net amount of consideration which the Company retains after paying the suppliers the consideration received in exchange for products to be provided by that party. In the case where the Company has performance obligation to respond product return from customers, the Company calculates amounts expected to be refund considering historical experience and recognizes revenue with the amount of consideration deducted a liability from revenue for expected returns. And the Company provides amounts expected to be refunded as refund liabilities included in “Other” under “Current liabilities” and its right to recover merchandises from customers on settling the refund liability as refund assets included in “Other” under “Current assets.”

In the case of sales transaction that revenue is measured at an amount of the consideration promised in a contract with a customer less returns, discounts, rebates, and other similar items.

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

This information is omitted since it is immaterial.

(Segment information)

a. Segment information

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

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, 2025 (From April 1, 2024 to March 31, 2025)

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, 2024 (From April 1, 2023 to March 31, 2024)

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 net sales 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 net sales on the non-consolidated statement of income.

(2) Property, plant and equipment

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

3. Information by major clients

The Company sells products to the MatsukiyoCocokara & Co. and its group company.
For the fiscal year ended March 31, 2024, the amount of net sales for this client was ¥130,503 million.
Also, information on a segment name was omitted since the Company’s reportable segment is single segment of the “wholesale business.”

Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

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 net sales 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 net sales on the non-consolidated statement of income.

(2) Property, plant and equipment

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

3. Information by major clients

The Company sells products to the MatsukiyoCocokara & Co. and its group company.
For the fiscal year ended March 31, 2025, the amount of net sales for this client was ¥132,108 million.
Also, information on a segment name was omitted since the Company’s reportable segment is single segment of the “wholesale business.”

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

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

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, 2025 (From April 1, 2024 to March 31, 2025)

Not applicable.

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

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

Not applicable.

e. Information regarding gain on negative goodwill by reporting segment

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

Not applicable.

(Related-party transactions)

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

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, 2025 (From April 1, 2024 to March 31, 2025)

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, 2024 | Fiscal year ended March 31, 2025 |
|----------------------|--|--|
| Net assets per share | 4,422.87 | 4,664.19 |
| Earnings per share | 328.40 | 366.46 |

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, 2024 | Fiscal year ended March 31, 2025 |
|--|--|--|
| Profit | 20,638 | 22,864 |
| Amount not attributable to common stock | — | — |
| Profit attributable to common stock | 20,638 | 22,864 |
| Average number of shares during the period (thousands of shares) | 62,846 | 62,392 |

(Significant subsequent event)

Not applicable.

6. Other

(1) Directors Changes

Please see “Notification concerning change of organization and personnel” announced on March 5, 2025.

(2) Sales Status

As for sales status, please see the section of “1. Summary of Operating Results etc. (1) Analysis of Operating Results, “Sales highlights”” on page 3 of the attached material.