Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2026 <under Japanese GAAP>

May 11, 2026

Company name: PALTAC CORPORATION
(URL: https://www.paltac.co.jp/)
Listing: Tokyo Stock Exchange (Code number: 8283)
Representative: Representative Director, President
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Contact: Director, Senior Managing Executive Officer, General Manager of Management Planning Headquarters
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Scheduled date to hold annual general meeting of shareholders: June 19, 2026
Scheduled date to commence dividend payments: June 1, 2026
Scheduled date to submit the Securities Report: June 19, 2026
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: No

(Figures are rounded down to the nearest million yen)

1. Financial Results for the Fiscal Year Ended March 31, 2026 (From April 1, 2025 to March 31, 2026)

(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, 2026	1,237,846	4.2	26,430	(5.6)	29,807	(5.9)	22,031	(3.6)
March 31, 2025	1,188,097	3.1	28,008	3.1	31,684	3.7	22,864	10.8

	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, 2026	358.99	–	7.5	5.7	2.1
March 31, 2025	366.46	–	8.1	6.3	2.4

Reference: Equity in earnings of affiliates: Fiscal year ended March 31, 2026 ¥– million
Fiscal year ended March 31, 2025 ¥– million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2026	532,171	301,738	56.7	4,963.27
March 31, 2025	507,048	287,669	56.7	4,664.19

Reference: Equity As of March 31, 2026: ¥301,738 million As of March 31, 2025: ¥287,669 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, 2026	24,929	(402)	(11,160)	83,282
March 31, 2025	20,675	(428)	(11,324)	69,916

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, 2025	–	50.00	–	55.00	105.00	6,517	28.7	2.3
Fiscal year ended March 31, 2026	–	57.00	–	63.00	120.00	7,333	33.4	2.5
Fiscal year ending March 31, 2027 (Forecasts)	–	0.00	–	0.00	0.00		—	

As announced today (May 11, 2026) in "Notice Concerning Expression of Opinion in Support of, and Recommendation of Tendering in, the Tender Offer for the Company Shares by MEDIPAL HOLDINGS CORPORATION, the Company's Parent Company" and "Notice Concerning Dividends of Surplus (No Dividend)," the Company has resolved not to pay interim and year-end dividends for the fiscal year ending March 31, 2027. This decision reflects the fact that, following the tender offer for the Company's common stock ("the Company's shares") by MEDIPAL HOLDINGS CORPORATION and a series of subsequent procedures, the Company's shares are expected to be delisted.

3. Forecasts of Financial Results for the Fiscal Year Ending March 31, 2027 (From April 1, 2026 to March 31, 2027)

As announced today (May 11, 2026) in "Notice Concerning Expression of Opinion in Support of, and Recommendation of Tendering in, the Tender Offer for the Company Shares by MEDIPAL HOLDINGS CORPORATION, the Company's Parent Company," the Company has not disclosed its earnings forecasts for the fiscal year ending March 31, 2027, in view of the fact that, following the tender offer for the Company's shares by MEDIPAL HOLDINGS CORPORATION and a series of subsequent procedures, the Company's shares are expected to be delisted.

* 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 shares)

As of March 31, 2026	62,000,000 shares
As of March 31, 2025	63,000,000 shares

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

As of March 31, 2026	1,205,776 shares
As of March 31, 2025	1,323,911 shares

3) Average number of outstanding shares during the period

For the fiscal year ended March 31, 2026	61,372,460 shares
For the fiscal year ended March 31, 2025	62,392,761 shares

(Notes)

(1) Based on a decision by the Board of Directors on August 4, 2025, the Company purchased 881,800 treasury shares.

(2) On August 20, 2025, the Company retired treasury shares. As a result, the number of issued shares and of treasury shares decreased by 1,000,000 shares respectively.

* 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)
As announced today (May 11, 2026) in "Notice Concerning Expression of Opinion in Support of, and Recommendation of Tendering in, the Tender Offer for the Company Shares by MEDIPAL HOLDINGS CORPORATION, the Company's Parent Company," the Company has not disclosed its earnings forecasts for the fiscal year ending March 31, 2027, in view of the fact that, following the tender offer for the Company's shares by MEDIPAL HOLDINGS CORPORATION and a series of subsequent procedures, the Company's shares are expected to be delisted.

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

Attached Material

Contents

1. Summary of Operating Results etc.

(1) Analysis of Operating Results

〔Business conditions〕

In the fiscal year ended March 31, 2026, the business environment remained challenging overall. While some improvements were seen, such as improvements in the employment and income situation and the number of inbound tourists increased, concerns remained over the domestic economic outlook due to factors such as continued consumer thrift in response to rising prices, the impact of U.S. trade policies, and geopolitical tensions in the Middle East toward the end of the fiscal year. As a result, personal consumption continued to lack strength. In addition, labor shortages and higher prices led to a continuous rise in business operation costs, including logistics expenses.

〔Net sales〕

Net sales increased by ¥49,749 million (up 4.2%) year on year to ¥1,237,846 million.

- Despite the impact of rising prices prompting greater consumer thrift, the Company expanded its designated wholesaler portfolio and conducted sales activities utilizing purchasing data to accurately capture changes in consumer behavior, such as growing health consciousness and increased demand for going out. Furthermore, the Company expanded its lineup of high value-added products, particularly cosmetics. As a result of these efforts, sales volume remained on par with the previous year, and the increase in unit prices led to net sales exceeding the level of the previous year.

〔Operating profit〕

Operating profit decreased by ¥1,577 million (down 5.6%) year on year to ¥26,430 million.

- Although gross profit increased in line with the expansion of net sales, SG&A expenses increased due to higher personnel and logistics costs. As a result, the increase in SG&A expenses exceeded the growth in gross profit, and operating profit declined from the previous fiscal year.

Results highlights for the fiscal year ended March 31, 2026 are as follows:

(Millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	Change	
			Amount	Rate (%)
Net sales	1,188,097	1,237,846	49,749	4.2
Gross profit [Gross profit margin (%)]	88,982 [7.49]	92,321 [7.46]	3,338 [-0.03]	3.8
SG&A expenses [SG&A expenses ratio (%)]	60,973 [5.13]	65,890 [5.32]	4,916 [0.19]	8.1
Operating profit [Operating profit ratio (%)]	28,008 [2.36]	26,430 [2.14]	-1,577 [-0.22]	-5.6
Ordinary profit [Ordinary profit ratio (%)]	31,684 [2.67]	29,807 [2.41]	-1,876 [-0.26]	-5.9
Profit [Profit margin (%)]	22,864 [1.92]	22,031 [1.78]	-832 [-0.14]	-3.6

Sales highlights

Sales results for the fiscal year ended March 31, 2026 by product category are as follows:

(Millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	Change	
			Amount	Rate (%)
Cosmetics	281,852	294,682	12,829	4.6
Daily necessities	525,533	556,457	30,924	5.9
OTC pharmaceuticals	148,152	144,567	-3,584	-2.4
Health and sanitary related products	212,329	220,901	8,571	4.0
Others	20,229	21,237	1,008	5.0
Total	1,188,097	1,237,846	49,749	4.2

Sales results for the fiscal year ended March 31, 2026 by customer category are as follows:

(Millions of yen, unless otherwise noted)

Customer category	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	Change	
			Amount	Rate (%)
Drugstores (Pharmacies)	763,785	803,973	40,187	5.3
Discount stores	109,336	116,220	6,884	6.3
Convenience stores	95,214	102,851	7,636	8.0
Home centers (DIY stores)	84,787	85,105	318	0.4
Supermarkets	53,131	53,221	89	0.2
General merchandising stores	40,895	44,234	3,339	8.2
Export, EC business and others	40,947	32,240	-8,706	-21.3
Total	1,188,097	1,237,846	49,749	4.2

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

(Outlook for the fiscal year ending March 31, 2027)

As announced today (May 11, 2026) in “Notice Concerning Expression of Opinion in Support of, and Recommendation of Tendering in, the Tender Offer for the Company Shares by MEDIPAL HOLDINGS CORPORATION, the Company’s Parent Company,” the Company has not disclosed its earnings forecasts for the fiscal year ending March 31, 2027, in view of the fact that, following the tender offer for the Company’s shares by MEDIPAL HOLDINGS CORPORATION and a series of subsequent procedures, the Company’s shares are expected to be delisted.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026	Change in amount
Total assets	507,048	532,171	25,123
Total liabilities	219,379	230,433	11,054
Net assets	287,669	301,738	14,068

(Assets)

Total assets as of the end of the fiscal year were ¥532,171 million, an increase of ¥25,123 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 ¥230,433 million, an increase of ¥11,054 million from the end of the previous fiscal year. This was primarily the result of increases in accounts payable-trade and in accounts payable - other.

(Net assets)

Net assets as of the end of the fiscal year were ¥301,738 million, an increase of ¥14,068 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, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities	20,675	24,929
Cash flows from investing activities	(428)	(402)
Cash flows from financing activities	(11,324)	(11,160)

(Cash flows from operating activities)

Net cash provided by operating activities was ¥24,929 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 ¥402 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 ¥11,160 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 ¥83,282 million, an increase of ¥13,366 million from the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Equity ratio (%)	54.3	54.5	56.1	56.7	56.7
Market value-based equity ratio (%)	63.7	66.1	52.2	48.4	55.0
Interest-bearing debt to cash flow ratio (years)	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	3,461.1	2,885.4	7,493.4	2,327.3	3,390.8

Equity ratio: Equity / Total assets

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

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

Interest coverage ratio: Cash flow / Paid interest

Notes: 1. Total market capitalization is calculated based on the number of issued shares excluding treasury shares.
2. The figure used for "Cash flow" is cash flow from operating activities.
3. Interest-bearing debt: Short-term loans payable + Current portion of long-term loans payable + Long-term loans payable+ Long-term deposits received (excluding non-interest portion). Excluding lease obligations.
4. For the paid interest, the Company uses "Interest expenses paid" on the statements of cash flows.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2026 and the Fiscal Year Ending March 31, 2027

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.

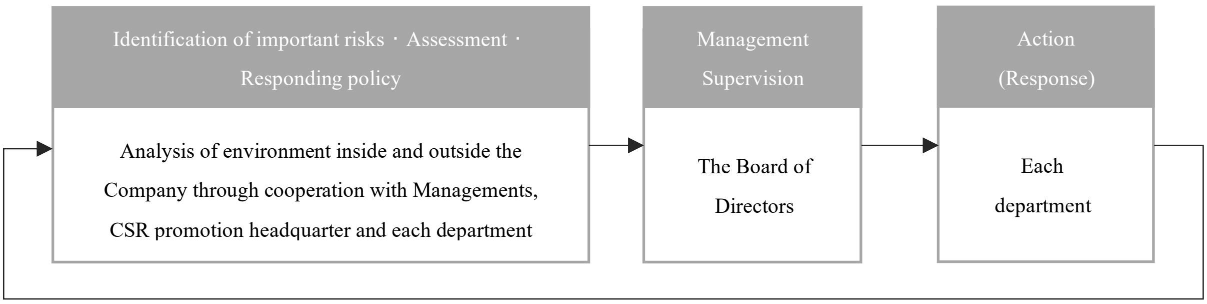
In the fiscal year under review, based on this underlying policy, the Company has set its fiscal year-end dividend at ¥63 per share, an increase of ¥8 from the previous fiscal year's ¥55 per share. As a result, including the interim dividend of ¥57 per share already paid, the annual dividend is ¥120 per share, an increase of ¥15 from the previous fiscal year.

For the fiscal year ending March 31, 2027, as announced on May 11, 2026 in the "Notice Concerning Expression of Opinion in Support of, and Recommendation of Tendering in, the Tender Offer for the Company Shares by MEDIPAL HOLDINGS CORPORATION, the Company's Parent Company," and "Notice Concerning Dividends of Surplus (No Dividend)," the Company has resolved not to pay interim or year-end dividends. This decision reflects the fact that, following the tender offer for the Company's shares by MEDIPAL HOLDINGS CORPORATION and a series of subsequent procedures, the Company's shares are expected to be delisted.

(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, 2026.

(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 a 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. In addition, amid the recent increase in global geopolitical risks, the Company's business activities and financial performance could be affected by rises in energy and raw material prices, as well as potential disruptions to supply chains.

(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, 2026, is provided below.

(Millions of yen)

	Fiscal year ended March 31, 2026				
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Net sales [Composition %]	316,047 [25.5]	309,088 [25.0]	325,500 [26.3]	287,210 [23.2]	1,237,846 [100.0]
Operating profit [Composition %]	7,623 [28.8]	6,271 [23.7]	8,053 [30.5]	4,482 [17.0]	26,430 [100.0]
Ordinary profit [Composition %]	8,519 [28.6]	7,085 [23.8]	8,942 [30.0]	5,259 [17.6]	29,807 [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 is actively promoting the appointment of independent outside directors to establish an appropriate governance system. Independent outside directors constitute a majority of the Board of Directors, accounting for seven of its 13 members. 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.
The Company's relationship with the parent company's group as of March 31, 2026, is as follows.

1) Capital relationships

The percentage of the shares of the Company held by its parent company, MEDIPAL HOLDINGS CORPORATION, is 52.40%.

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, 2025	Fiscal year ended March 31, 2026	
(Parent company) MEDIPAL HOLDINGS CORPORATION	Payment of insurance premium	15	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.	10	3	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.	345	283	Determined in consideration of usual transaction conditions between wholesalers.
	Purchase of products	8	5	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) ATOL CO., LTD.	Purchase of products	2	1	Determined based on negotiations between both parties in consideration of distribution costs, etc.
(Fellow subsidiary) Medipal Insurance Service Co., Ltd.	Payment of insurance premium	166	12	Carried out as the Company's insurance agent under the same transaction conditions as with a third party.

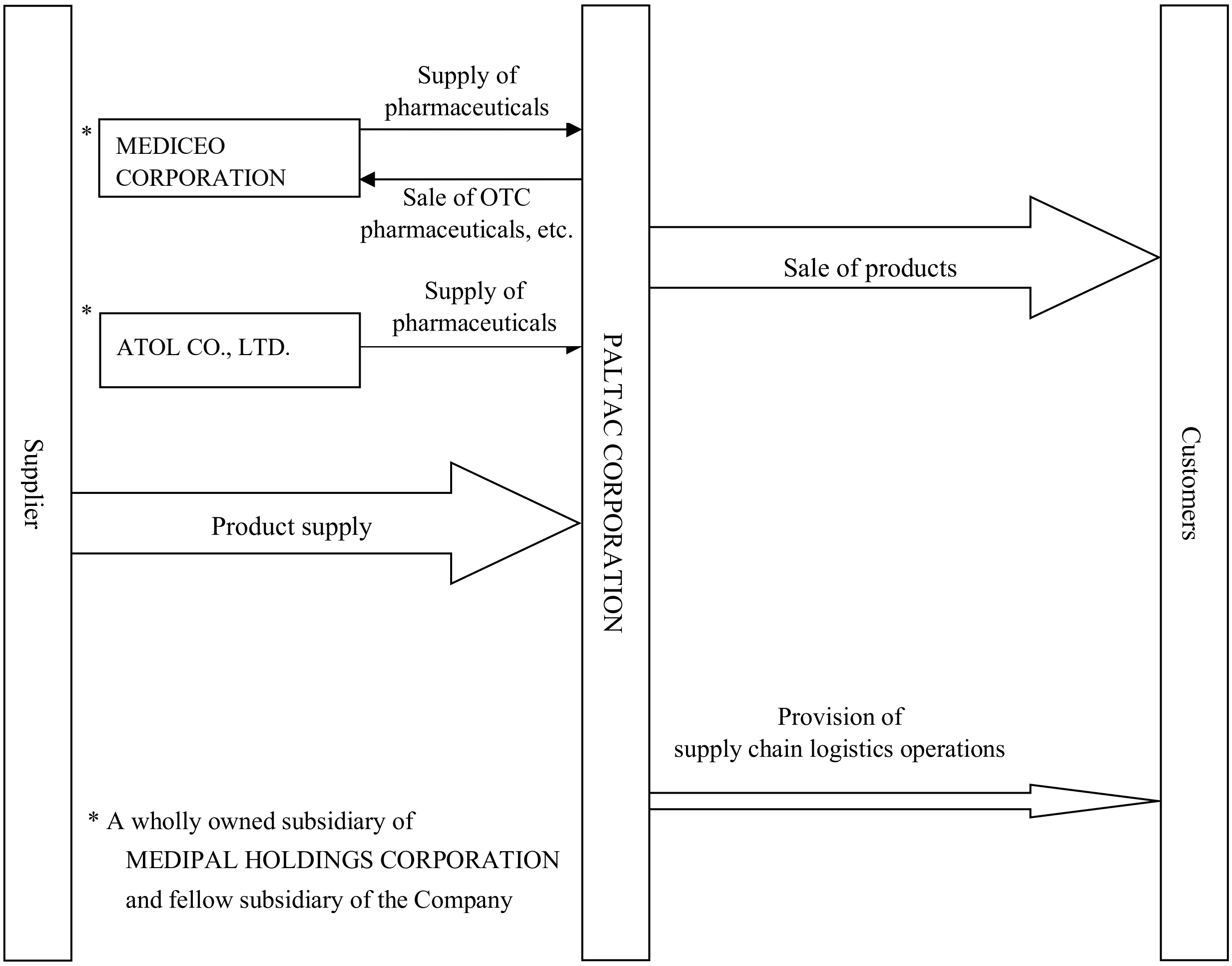
As announced on May 11, 2026 in the "Notice Concerning Expression of Opinion in Support of, and Recommendation of Tendering in, the Tender Offer for the Company Shares by MEDIPAL HOLDINGS CORPORATION, the Company's Parent Company," the Company's shares are expected to be delisted, and the Company is expected to become a wholly owned subsidiary of MEDIPAL HOLDINGS CORPORATION following the tender offer for the Company's shares by MEDIPAL HOLDINGS CORPORATION and a series of subsequent procedures.

The description of the relationship with the parent company group in this section reflects the situation as of the end of the fiscal year under review.

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, 2026.

(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.

<u>Slogan and material issues of the long-term vision</u>

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

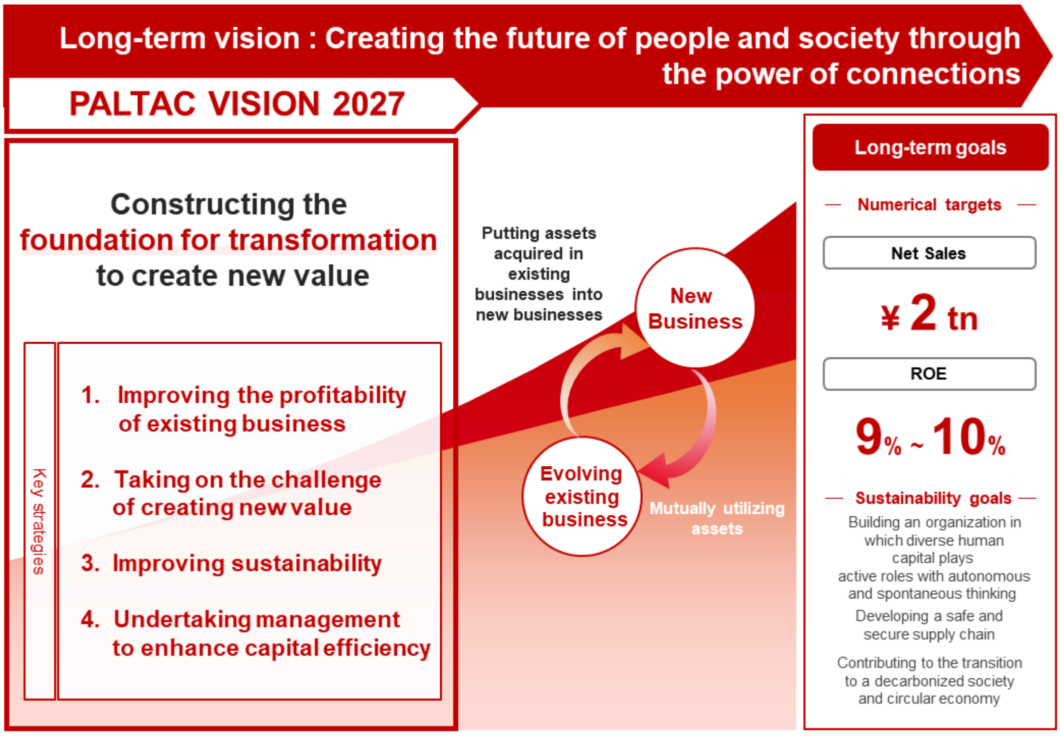
Creating "the future" in which sustainable well-being of people and society can be realized by diverse connection of supply chain from innovation

Materiality		
Securing new revenue opportunities	Creating new value through developing borderless supply chain network	■ 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	■ 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	■ 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	■ 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 challenge of creating new value, improving sustainability and undertaking management to enhance capital efficiency.

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



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.)

As announced on May 11, 2026 in the “Notice Concerning Expression of Opinion in Support of, and Recommendation of Tendering in, the Tender Offer for the Company Shares by MEDIPAL HOLDINGS CORPORATION, the Company’s Parent Company,” the Company’s shares are expected to be delisted following the tender offer for the Company’s shares by MEDIPAL HOLDINGS CORPORATION and a series of subsequent procedures. Accordingly, no target indicators are presented for the fiscal year ending March 31, 2027, which is the final year of the Medium-Term 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, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	69,916	83,282
Notes receivable - trade	21	—
Electronically recorded monetary claims - operating	5,549	3,350
Accounts receivable - trade	212,549	225,765
Merchandise and finished goods	54,705	54,179
Prepaid expenses	642	693
Accounts receivable - other	16,284	16,902
Other	6,070	6,208
Allowance for doubtful accounts	(3)	(3)
Total current assets	365,735	390,379
Non-current assets		
Property, plant and equipment		
Buildings	79,755	80,072
Accumulated depreciation	(34,430)	(37,224)
Buildings, net	45,325	42,848
Structures	5,920	5,922
Accumulated depreciation	(4,382)	(4,613)
Structures, net	1,538	1,309
Machinery and equipment	56,831	58,101
Accumulated depreciation	(38,430)	(41,027)
Machinery and equipment, net	18,401	17,073
Vehicles	1,342	1,376
Accumulated depreciation	(1,204)	(1,204)
Vehicles, net	137	171
Tools, furniture and fixtures	2,379	2,449
Accumulated depreciation	(1,934)	(1,855)
Tools, furniture and fixtures, net	445	593
Land	46,748	46,748
Leased assets	597	687
Accumulated depreciation	(278)	(254)
Leased assets, net	318	432
Construction in progress	18	97
Total property, plant and equipment	112,933	109,275
Intangible assets		
Patent right	60	28
Software	483	562
Software in progress	79	44
Telephone subscription right	84	84
Other	16	14
Total intangible assets	724	734

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Investments and other assets		
Investment securities	25,600	29,353
Shares of subsidiaries and associates	159	226
Investments in capital	0	0
Investments in capital of subsidiaries and associates	126	126
Distressed receivables	0	—
Long-term prepaid expenses	659	555
Prepaid pension costs	691	846
Guarantee deposits	366	624
Other	51	51
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	27,654	31,782
Total non-current assets	141,312	141,792
Total assets	507,048	532,171
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	10,778	10,422
Accounts payable - trade	161,836	168,404
Lease liabilities	117	169
Accounts payable - other	20,926	23,426
Accrued expenses	276	425
Income taxes payable	5,252	5,493
Accrued consumption taxes	380	814
Advances received	27	23
Deposits received	119	151
Provision for bonuses	1,740	1,626
Asset retirement obligations	—	2
Other	7,571	7,533
Total current liabilities	209,028	218,493
Non-current liabilities		
Lease liabilities	232	306
Deferred tax liabilities	6,459	7,777
Provision for retirement benefits	3,123	3,208
Asset retirement obligations	80	139
Long-term deposits received	455	507
Total non-current liabilities	10,351	11,940
Total liabilities	219,379	230,433

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Net assets		
Shareholders' equity		
Share capital	15,869	15,869
Capital surplus		
Legal capital surplus	16,597	16,597
Other capital surplus	8,495	4,144
Total capital surplus	25,093	20,741
Retained earnings		
Legal retained earnings	665	665
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	7,511	7,419
General reserve	207,244	222,244
Retained earnings brought forward	24,974	25,202
Total retained earnings	240,395	255,531
Treasury shares	(5,757)	(5,527)
Total shareholders' equity	275,601	286,615
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,082	15,103
Deferred gains or losses on hedges	(14)	18
Total valuation and translation adjustments	12,067	15,122
Total net assets	287,669	301,738
Total liabilities and net assets	507,048	532,171

(2) Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales		
Net sales of goods	1,170,135	1,218,708
Net sales on other business	17,962	19,138
Total net sales	*1 1,188,097	*1 1,237,846
Cost of sales		
Cost of goods sold		
Beginning merchandise inventory	51,352	54,705
Cost of purchased goods	1,087,295	1,129,270
Subtotal	1,138,647	1,183,976
Ending merchandise inventory	54,705	54,179
Cost of goods sold	1,083,941	1,129,796
Cost of sales on other business	15,173	15,728
Total cost of sales	1,099,114	1,145,525
Gross profit	88,982	92,321
Selling, general and administrative expenses	*2,*3 60,973	*2,*3 65,890
Operating profit	28,008	26,430
Non-operating income		
Dividend income	516	568
Research fee income	1,868	1,912
Rental income from real estate	166	166
Other	1,293	794
Total non-operating income	3,844	3,442
Non-operating expenses		
Interest expenses	6	7
Rental expenses on real estate	115	32
Commission for purchase of treasury shares	34	12
Other	11	13
Total non-operating expenses	168	65
Ordinary profit	31,684	29,807

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Extraordinary income		
Gain on sale of non-current assets	*4 5	—
Gain on sale of investment securities	1,010	1,905
Reversal of provision for loss on disaster	7	—
Insurance claim income	—	478
Total extraordinary income	1,023	2,384
Extraordinary losses		
Loss on sale of non-current assets	*5 7	—
Loss on retirement of non-current assets	*6 11	*6 20
Impairment losses	—	*7 104
Loss on valuation of investment securities	—	210
Loss on valuation of shares of subsidiaries and associates	—	97
Total extraordinary losses	19	433
Profit before income taxes	32,689	31,758
Income taxes - current	9,472	9,813
Income taxes - deferred	352	(85)
Total income taxes	9,824	9,727
Profit	22,864	22,031

Supplementary Schedules of Cost of Sales

Cost of sales on other business

	Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026	
Composition of costs	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)
Payroll costs	6,003	39.6	6,254	39.8
Packing and shipping costs	5,036	33.2	5,526	35.1
Depreciation and amortization	2,401	15.8	2,302	14.6
Others	1,730	11.4	1,645	10.5
Total	15,173	100.0	15,728	100.0

(3) Statements of Changes in Equity

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
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 tax purpose reduction entry of non-current assets				–		225		(225)	–
Reversal of reserve for tax purpose reduction entry 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 tax purpose reduction entry of non-current assets		–			–	–
Reversal of reserve for tax purpose reduction entry 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

Fiscal year ended March 31, 2026

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	15,869	16,597	8,495	25,093	665	7,511	207,244	24,974	240,395
Changes during period									
Dividends of surplus				–				(6,895)	(6,895)
Profit				–				22,031	22,031
Adjustment to reserve due to change in tax rate				–					–
Provision of reserve for tax purpose reduction entry of non-current assets				–					–
Reversal of reserve for tax purpose reduction entry of non-current assets				–		(92)		92	–
Provision of general reserve				–			15,000	(15,000)	–
Purchase of treasury shares				–					–
Cancellation of treasury shares			(4,351)	(4,351)					–
Net changes in items other than shareholders' equity				–					
Total changes during period	–	–	(4,351)	(4,351)	–	(92)	15,000	228	15,136
Balance at end of period	15,869	16,597	4,144	20,741	665	7,419	222,244	25,202	255,531

	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	(5,757)	275,601	12,082	(14)	12,067	287,669
Changes during period						
Dividends of surplus		(6,895)			–	(6,895)
Profit		22,031			–	22,031
Adjustment to reserve due to change in tax rate		–			–	–
Provision of reserve for tax purpose reduction entry of non-current assets		–			–	–
Reversal of reserve for tax purpose reduction entry of non-current assets		–			–	–
Provision of general reserve		–			–	–
Purchase of treasury shares	(4,121)	(4,121)			–	(4,121)
Cancellation of treasury shares	4,351	–			–	–
Net changes in items other than shareholders' equity		–	3,021	33	3,054	3,054
Total changes during period	229	11,014	3,021	33	3,054	14,068
Balance at end of period	(5,527)	286,615	15,103	18	15,122	301,738

(4) Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit before income taxes	32,689	31,758
Depreciation	6,495	6,364
Impairment losses	―	104
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in provision for bonuses	(183)	(114)
Increase (decrease) in provision for loss on disaster	(403)	―
Increase (decrease) in provision for retirement benefits	(71)	(69)
Interest and dividend income	(516)	(569)
Interest expenses	6	7
Loss (gain) on sale of investment securities	(1,010)	(1,905)
Insurance claim income	―	(478)
Loss on valuation of shares of subsidiaries and associates	―	97
Decrease (increase) in trade receivables	(4,956)	(10,996)
Decrease (increase) in inventories	(3,353)	526
Increase (decrease) in trade payables	2,971	6,211
Increase (decrease) in accrued consumption taxes	(2,519)	434
Other, net	978	2,027
Subtotal	30,126	33,399
Interest and dividends received	516	569
Interest paid	(8)	(7)
Payments associated with disaster loss	(401)	―
Proceeds from insurance income	―	478
Income taxes paid	(9,558)	(9,511)
Net cash provided by (used in) operating activities	20,675	24,929
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,406)	(2,078)
Proceeds from sale of property, plant and equipment	83	―
Purchase of intangible assets	(216)	(242)
Purchase of investment securities	(86)	(391)
Proceeds from sale of investment securities	1,415	2,744
Purchase of shares of subsidiaries and associates	―	(164)
Payments for investments in capital of subsidiaries and associates	(14)	―
Other, net	(202)	(269)
Net cash provided by (used in) investing activities	(428)	(402)
Cash flows from financing activities		
Repayments of lease liabilities	(120)	(143)
Purchase of treasury shares	(4,999)	(4,121)
Dividends paid	(6,204)	(6,895)
Net cash provided by (used in) financing activities	(11,324)	(11,160)
Net increase (decrease) in cash and cash equivalents	8,922	13,366
Cash and cash equivalents at beginning of period	60,994	69,916
Cash and cash equivalents at end of period	※ 69,916	※ 83,282

(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, 2027.

(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)

(Balance sheets)
“Electronically recorded monetary claims-operating,” which had been included in “Notes receivable-trade” through the previous fiscal year, are presented separately as “Electronically recorded monetary claims-operating” from the current fiscal year, as there was no balance of Notes receivable-trade in the current fiscal year.
As a result, in the balance sheet for the previous fiscal year, the amount of ¥5,570 million that had been presented under “Notes receivable-trade” has been reclassified into ¥21 million under “Notes receivable-trade” and ¥5,549 million under “Electronically recorded monetary claims-operating.”

(Statements of income)
“Subsidy income” which was separately listed under “Non-operating income ” in the previous fiscal year, is included in “Other” under “Non-operating expenses” in the fiscal year under review due to a decrease in its materiality. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.
Consequently, ¥576 million in “Subsidy income” under “Non-operating income” in the previous fiscal year, has been reclassified in “Other.”

(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 recognized from contracts with customers.”

*2 The approximate percentages of selling expenses were 32.6% in the fiscal year ended March 31, 2025, and 33.4% in the fiscal year ended March 31, 2026. The approximate percentages of general and administrative expenses were 67.4% and 66.6%, respectively.
Major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Distribution expenses	12,558 million yen	13,890 million yen
Provision of allowance for doubtful accounts	0	(0)
Depreciation and amortization	4,062	4,036
Salaries and allowances	19,122	20,308
Provision for bonuses	1,740	1,474
Retirement benefit expenses	777	749

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Research and development expenses	69 million yen	21 million yen

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Vehicles	5 million yen	－ million yen
Total	5	－

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Land	7 million yen	－ million yen
Total	7	－

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Buildings	2 million yen	1 million yen
Structures	0	0
Machinery and equipment	4	6
Vehicles	0	0
Tools, furniture and fixtures	1	1
Leased assets (tangible)	0	0
Software	1	–
Software in progress	–	0
Long-term prepaid expenses	1	0
Demolition or removal expenses	1	9
Total	11	20

*7 Impairment loss

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

Fiscal year ended March 31, 2025

Not applicable.

Fiscal year ended March 31, 2026 (Millions of yen)

Location	Use	Type	Impairment loss
Sugito-machi, Kitakatsushika-gun, Saitama Pref.	Idle assets	Machinery and equipment	104

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, 2026, of the assets held by the Company, for those that are not expected to be used in the future, book values have been written down to their recoverable values. These reductions have been recorded as impairment losses (¥104 million) under extraordinary losses.

Recoverable values of the Company’s asset groups are measured at their net realizable values.

(Statements of changes in equity)

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 shares				
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 issued shares of common stock 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 shares in the number of treasury shares of common stock is due to the cancellation of treasury shares held.

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

Fiscal year ended March 31, 2026

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

	As of April 1, 2025	Increase in shares during fiscal year	Decrease in shares during fiscal year	As of March 31, 2026
Issued shares				
Common stock (Note 1)	63,000,000	–	1,000,000	62,000,000
Total	63,000,000	–	1,000,000	62,000,000
Treasury shares				
Common stock (Note 2)	1,323,911	881,865	1,000,000	1,205,776
Total	1,323,911	881,865	1,000,000	1,205,776

Notes: 1 The decrease of 1,000,000 in the total number of issued shares of common stock is due to the cancellation of treasury shares.

2 The increase of 881,865 in the number of treasury shares of common stock is due to the buyback of 65 shares constituting less than one unit and due to the acquisition of 881,800 shares as treasury shares based on a resolution of the Board of Directors.

The decrease of 1,000,000 shares in the number of treasury shares of common stock is due to the cancellation of treasury shares held.

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

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 12, 2025	Common stock	3,392	55	March 31, 2025	June 2, 2025
Board of Directors meeting held on November 4, 2025	Common stock	3,503	57	September 30, 2025	December 1, 2025

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

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 11, 2026	Common stock	3,830	Retained earnings	63	March 31, 2026	June 1, 2026

(Statements of cash flows)

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash and deposits	69,916 million yen	83,282 million yen
Time deposits with a deposit period of over three months	–	–
Cash and cash equivalents	69,916	83,282

(Lease transaction)

(Lessee)

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, 2025	As of March 31, 2026
Within one year	758	1,663
Over one year	2,436	9,438
Total	3,195	11,102

(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

Electronically recorded monetary claims - operating, 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, 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)	–

As of March 31, 2026 (Millions of yen)

	Amount on balance sheet	Fair value	Difference
Assets			
Investment securities (*2)	28,863	28,863	–
Total assets	28,863	28,863	–
Total liabilities	–	–	–
Derivative transactions (*3)	27	27	–

*1. “Cash and deposits,” “Electronically recorded monetary claims - operating,” “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, 2025 (Millions of yen)	As of March 31, 2026 (Millions of yen)
Unlisted shares	400	489
Shares of subsidiaries and associates	159	226
Investments in capital of subsidiaries and associates	126	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, 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	21	–	–	–
Electronically recorded monetary claims - operating	5,549	–	–	–
Accounts receivable-trade	212,549	–	–	–
Accounts receivable-other	16,284	–	–	–
Total	304,321	–	–	–

As of March 31, 2026 (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	83,282	–	–	–
Notes receivable-trade	–	–	–	–
Electronically recorded monetary claims - operating	3,350	–	–	–
Accounts receivable-trade	225,765	–	–	–
Accounts receivable-other	16,902	–	–	–
Total	329,301	–	–	–

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, 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

As of March 31, 2026 (Millions of yen)

	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	28,863	–	–	28,863
Derivative transactions				
Currency-related transactions	–	27	–	27
Total assets	28,863	27	–	28,891
Derivative transactions				
Currency-related transactions	–	–	–	–
Total liabilities	–	–	–	–

Note: Techniques and input for measuring at fair value

Investment securities

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

Derivative transactions

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

(Securities)

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

Category	As of March 31, 2025 (Millions of yen)	As of March 31, 2026 (Millions of yen)
Stock of subsidiaries	159	166
Stock of affiliates	—	60
Investments in capital of subsidiaries and associates	126	126

2. Available-for-sale securities
   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.

As of March 31, 2026 (Millions of yen)

	Type	Amount on balance sheet	Acquisition cost	Difference
Securities for which amount on balance sheet exceeds acquisition cost	(1) Stocks	28,771	6,724	22,047
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	28,771	6,724	22,047
Securities for which amount on balance sheet does not exceed acquisition cost	(1) Stocks	92	92	(0)
	(2) Bonds			
	1) National government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	92	92	(0)
Total		28,863	6,816	22,047

Note: Unlisted stocks (amount on balance sheet: ¥489 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, 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	–

Fiscal year ended March 31, 2026 (Millions of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Stocks	2,743	1,905	–
(2) Bonds			
1) National government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	2,743	1,905	–

(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, 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)

As of March 31, 2026 (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	823	–	27
Total			823	–	27

(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, 2024)	(As of March 31, 2025)
(Tokyo Pharmaceutical Corporate Pension Fund Association)		
Fair value of plan assets	186,018 million yen	183,749 million yen
Total Amount of actuarial liabilities and minimum actuarial reserve	156,459	156,539
Net balance	29,559	27,209

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

	(As of March 31, 2025)	(As of March 31, 2026)
(Tokyo Pharmaceutical Corporate Pension Fund Association)	5.2%	5.4%

(3) Supplementary explanation

(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.

(As of March 31, 2025)

The main components of the net balance in table (1) above are: balance of prior service costs in the calculation of pension funding of ¥4,213 million and surplus in the fiscal year ended March 31, 2025 of ¥31,423 million. The amortization method used for prior service costs in the pension plan is principal and interest equal amortization, and the remaining amortization term is 3 years and 10 months.

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Retirement benefit obligation at beginning of period	6,608 million yen	6,778 million yen
Service costs	384	379
Interest expenses	79	81
Actuarial differences	(125)	(654)
Retirement benefits paid	(167)	(217)
Retirement benefit obligation at end of period	6,778	6,368

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Plan assets at beginning of period	5,736 million yen	5,804 million yen
Expected return on plan assets	68	69
Actuarial differences	(143)	306
Contribution by employer	248	256
Retirement benefits paid	(105)	(142)
Plan assets at end of period	5,804	6,294

(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, 2025	As of March 31, 2026
Retirement benefit obligation from funded plans	4,188 million yen	4,007 million yen
Fair value of plan assets	(5,804)	(6,294)
Net balance	(1,616)	(2,287)
Retirement benefit obligation on non-funded plans	2,590	2,360
Unfunded retirement benefit obligation	974	73
Unrecognized actuarial differences	1,457	2,288
Net amount of liability and asset recorded in balance sheet	2,431	2,362
Provision for retirement benefits	3,123	3,208
Prepaid pension cost	(691)	(846)
Net amount of liability and asset recorded in balance sheet	2,431	2,362

(7) Retirement benefit expenses and amounts of components

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Service costs	384 million yen	379 million yen
Interest expenses	79	81
Expected return on plan assets	(68)	(69)
Amortization of actuarial differences	(155)	(129)
Other	403	350
Retirement benefit expenses on defined benefit plans	642	612

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 ¥235 million for the previous fiscal year and ¥249 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, 2025	As of March 31, 2026
Bonds	55 %	55 %
Stocks	26	25
Life insurance company general accounts	10	10
Other	9	10
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, 2025	As of March 31, 2026
Discount rate	1.2 %	2.0 %
Long-term expected rate of return on plan assets	1.2 %	2.0 %

Note: The discount rate applied at the beginning of the fiscal year under review was 1.2%, however, as a result of the review made at the end of fiscal year under review, the Company changed the discount rate to 2.0% based on the judgment that the amount of the retirement benefit obligation is significantly affected by the change of discount rate.

3. Defined contribution plan

The Company's required contribution amount for its defined contribution plan is ¥191 million of previous fiscal year and ¥195 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, 2025	As of March 31, 2026
Differed tax assets:		
Accrued enterprise tax	311	328
Provision for bonuses	532	512
Allowance for doubtful accounts	2	2
Accrued expenses	272	261
Refund liabilities	2,234	2,300
Provision for retirement benefits	981	1,010
Loss on valuation of investment securities	305	332
Impairment losses	201	234
Other	40	52
Total deferred tax assets	4,881	5,034
Deferred tax liabilities:		
Refund assets	(1,719)	(1,769)
Reserve for advanced depreciation of non-current assets	(3,452)	(3,411)
Valuation difference on available-for-sale securities	(5,556)	(6,945)
Prepaid pension cost	(217)	(266)
Others	(395)	(418)
Total deferred tax liabilities	(11,341)	(12,812)
Net deferred tax assets	(6,459)	(7,777)

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

(%)

	As of March 31, 2025	As of March 31, 2026
Statutory tax rate	30.6	30.6
(Adjustments)		
Non-deductible items such as entertainment expense	0.0	0.0
Inhabitant taxes per capital	0.3	0.3
Tax deductions associated with increase of employee salaries	(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	30.1	30.6

(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, 2025	Fiscal year ended March 31, 2026
	Amount (Millions of yen)	Amount (Millions of yen)
Cosmetics	281,852	294,682
Daily necessities	525,533	556,457
OTC pharmaceuticals	148,152	144,567
Health and sanitary related products	212,329	220,901
Others	20,229	21,237
Total sales	1,188,097	1,237,846

Sales results by customer category are as follows:

Customer category	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Amount (Millions of yen)	Amount (Millions of yen)
Drugstores (Pharmacies)	763,785	803,973
Discount stores	109,336	116,220
Convenience stores	95,214	102,851
Home centers (DIY stores)	84,787	85,105
Supermarkets	53,131	53,221
General merchandising stores	40,895	44,234
Export, EC-business and others	40,947	32,240
Total sales	1,188,097	1,237,846

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, 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.”

Fiscal year ended March 31, 2026 (From April 1, 2025 to March 31, 2026)
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, 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.”

Fiscal year ended March 31, 2026 (From April 1, 2025 to March 31, 2026)

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
Information regarding property, plant and equipment is omitted as the value of property, plant and equipment in Japan accounts for over 90% of the total value recorded on the non-consolidated balance sheets.

3. Information by major clients
The Company sells products to the MatsukiyoCocokara & Co. and its group company.
For the fiscal year ended March 31, 2026, the amount of net sales for this client was ¥133,361 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, 2025 (From April 1, 2024 to March 31, 2025)
Not applicable.

Fiscal year ended March 31, 2026 (From April 1, 2025 to March 31, 2026)
Not applicable.

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

Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)
Not applicable.

Fiscal year ended March 31, 2026 (From April 1, 2025 to March 31, 2026)
Not applicable.

e. Information regarding gain on negative goodwill by reporting segment

Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)
Not applicable.

Fiscal year ended March 31, 2026 (From April 1, 2025 to March 31, 2026)
Not applicable.

(Related-party transactions)

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.

Fiscal year ended March 31, 2026 (From April 1, 2025 to March 31, 2026)

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, 2025	Fiscal year ended March 31, 2026
Net assets per share	4,664.19	4,963.27
Earnings per share	366.46	358.99

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, 2025	Fiscal year ended March 31, 2026
Profit	22,864	22,031
Amount not attributable to common stock	–	–
Profit attributable to common stock	22,864	22,031
Average number of shares during the period (thousands of shares)	62,392	61,372

(Significant subsequent event)

(Material capital investment)

The Company resolved, at a meeting of its Board of Directors held on April 27, 2026, to construct a new distribution center. The details are described below.

(1) Purpose of the capital investment

As part of its long-term vision initiatives, "Creating the future of people and society through the power of connections," the Company has commenced the development of a next-generation logistics model aimed at achieving overwhelmingly higher productivity compared with conventional operations by further evolving the SPAID model. Through a series of development activities, including the formulation of a logistics concept, technology development, and basic design, the Company has decided to construct a new distribution center based on this new logistics model in Kaizuka City, Osaka Prefecture.

(2) Details of the capital investment

Name	(Provisional) RDC Kaizuka
Location	Kaizuka city, Osaka prefecture
Site area	78,113 m²
Building area / Total floor area	Approximately 25,884 m² / Approximately 49,521 m²
Scheduled commencement of operations	March 2030 (planned)
Total investment (planned)	JPY 34.9 billion
Funding plan	Internal funds

(3) Impact on operating results

As the distribution center is scheduled to commence operations in March 2030, the impact on the Company's operating results for the fiscal year ending March 31, 2027 is expected to be minimal.

(Regarding the tender offer for shares of the Company by MEDIPAL HOLDINGS CORPORATION, the Company's Parent Company)

The Company resolved, at a meeting of its Board of Directors held on May 11, 2026, to express its support for the tender offer for the Company's shares to be conducted by its parent company, MEDIPAL HOLDINGS CORPORATION.

At the same time, the Board resolved to recommend that the Company's shareholders tender their shares in the tender offer.

The above resolution of the Board of Directors was adopted on the premise that MEDIPAL HOLDINGS CORPORATION intends to make the Company its wholly owned subsidiary through the tender offer and a series of subsequent procedures, thereby making the Company a wholly owned subsidiary of MEDIPAL HOLDINGS CORPORATION, and that the Company's shares are expected to be delisted.

For details, please refer to the press release entitled "Notice Concerning Expression of Opinion in Support of, and Recommendation of Tendering in, the Tender Offer for the Company Shares by MEDIPAL HOLDINGS CORPORATION, the Company's Parent Company," which was released today (May 11, 2026).

6. Other

(1) Directors Changes

Not applicable.

(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.