

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd.	Listing: Tokyo Stock Exchange, First Section
Stock code: 3341	URL: <a href="https://www.nicho.co.jp">https://www.nicho.co.jp</a>
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Scheduled date of Annual General Meeting of Shareholders:	June 24, 2021
Scheduled date of filing of Annual Securities Report:	June 25, 2021
Scheduled date of payment of dividend:	June 25, 2021
Preparation of supplementary materials for financial results:	Yes
Holding of financial results meeting:	Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on April 30, 2021 at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

#### (1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2021	278,951	3.9	8,106	6.8	8,409	13.6	3,538	(47.2)
Fiscal year ended Mar. 31, 2020	268,520	9.3	7,593	12.8	7,405	21.8	6,697	76.7

Note: Comprehensive income (million yen) FY3/21: 3,545 (down 47.5%) FY3/20: 6,756 (up 77.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2021	118.01	—	7.3	4.5	2.9
Fiscal year ended Mar. 31, 2020	223.33	—	15.2	4.1	2.8

Reference: Equity in income (losses) of affiliates (million yen) FY3/21: — FY3/20: —

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net income per share and Diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	186,262	49,868	26.8	1,663.01
As of Mar. 31, 2020	185,551	47,072	25.4	1,569.77

Reference: Shareholders' equity (million yen) As of Mar. 31, 2021: 49,868 As of Mar. 31, 2020: 47,072

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net assets per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2021	11,213	(7,767)	(2,806)	32,893
Fiscal year ended Mar. 31, 2020	13,192	(2,731)	(7,955)	32,254

### 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2020	—	25.00	—	25.00	50.00	749	11.2	1.7
Fiscal year ended Mar. 31, 2021	—	12.50	—	12.50	25.00	749	21.2	1.5
Fiscal year ending Mar. 31, 2022 (forecasts)	—	12.50	—	12.50	25.00		14.5	

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. For the fiscal year ended March 31, 2020, the actual amounts of dividends prior to the stock split are presented.

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	142,200	4.6	3,000	8.1	3,000	12.6	1,400	(10.0)	46.69
Full year	293,400	5.2	9,200	13.5	9,100	8.2	5,100	44.1	170.07

Note: The impact of the spread of COVID-19 has taken into account some of the impact on sales that can be assumed at this time, but may fluctuate significantly depending on future trends.

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common stock shares)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Mar. 31, 2021: 32,048,000 shares As of Mar. 31, 2020: 32,048,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2021: 2,061,074 shares As of Mar. 31, 2020: 2,060,834 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2021: 29,987,040 shares Fiscal year ended Mar. 31, 2020: 29,987,382 shares

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Number of shares outstanding at the end of the period, Number of treasury shares at the end of the period and Average number of shares outstanding during the period have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

**(For reference) Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)**

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2021	233,619	4.4	5,326	15.7	7,018	32.9	3,499	(25.1)
Fiscal year ended Mar. 31, 2020	223,775	9.9	4,603	33.4	5,280	23.8	4,672	93.3

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2021	116.69	—
Fiscal year ended Mar. 31, 2020	155.83	—

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net income per share and Diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	145,540	37,657	25.9	1,255.80
As of Mar. 31, 2020	144,864	34,908	24.1	1,164.12

Reference: Shareholders' equity (million yen) As of Mar. 31, 2021: 37,657 As of Mar. 31, 2020: 34,908

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net assets per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Note 1: This financial report is not subject to audit by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

(1) Note concerning forward-looking statements

Forecasts and other forward-looking statements in this document incorporate risks and uncertainties because these statements are based on Nihon Chouzai's judgments and assumptions using information that is currently available. These materials are not promises by Nihon Chouzai regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

(2) How to view supplementary materials for financial results

The supplementary materials for financial results will be disclosed on TDNet, and will be posted on the Company's website.

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## 1. Overview of Results of Operations

### (1) Results of Operations

During the fiscal year ended March 31, 2021, Japan's economy remained unpredictable. COVID-19 continued to affect the economy, with no indication of when the spread of the virus might be contained, as illustrated by the repeated state of emergency declarations.

Under these economic circumstances, our Group took exhaustive infection prevention measures in each of our dispensing pharmacies while continuing to offer high-quality medical care, maintaining a firm commitment to our mission as a medical institution responsible for local medical care. We have also implemented cost-cutting measures throughout the Group.

In the Dispensing Pharmacy Business, when the rules were changed in September 2020 to allow online medication guidance across the country, the Group immediately seized on that opportunity by launching the Nihon Chouzai Online Pharmacy Service, our independently developed online medication guidance system. By teaming up with major online healthcare service providers, we assembled a seamless package of online healthcare and online medication guidance. In addition, we took ambitious steps to provide new medical services to meet patient needs. Such new initiatives included experiments with the use of drones to fly in medicine deliveries to remote islands, delivery of prescriptions using home delivery lockers, and trial operation of same-day medicine delivery using motorcycle couriers.

We sprang to action on online insurance coverage confirmation as well. Starting in March 2021, people in Japan are able to use their "My Number" social security and taxation identification cards as an alternative to health insurance cards, which allows hospitals to confirm patients' eligibility for insurance coverage. We responded right away by leveraging the centralized information base of our independently developed dispensing system to expand pre-launch operations throughout the country. In addition to improving user-friendliness for patients, this also contributes to fine-tuned medication guidance through means such as centralized and continuous management of medication information, which is the duty of each patient's regular pharmacist. By promoting the use of information and communication technologies (ICT) in medical information, we are working to provide higher quality medical care.

We are also engaged in activities to contribute to local communities through healthcare. Our Health Check Stations provide support for the health of local residents, and we begin offering the "SocRTes" social PCR testing at select Health Check Station locations to help contain the spread of COVID-19 and stimulate economic activity. We have also obtained Certified Nutrition Care Station certification from the Japan Dietetic Association, and prepared to pour our resources into advancing the health of local residents.

In the Pharmaceutical Manufacturing and Sales Business, even as the pharmaceuticals market overall has been shrinking due to the impacts of COVID-19, we expanded our catalog of in-house manufactured product offerings through aggressive R&D, and saw particularly robust sales in newly NHI listed items brought to market since December 2019. The business consequently provided a major boost to Group earnings.

In the Medical Professional Staffing and Placement Business, we expanded our business with our November 2020 acquisition of Workers Doctors Inc., a company that provides industrial physician services, largely in the Tokyo metropolitan area. Industrial physicians are growing in importance as corporations push for "healthy business administration," and we will work to generate new synergies by leveraging Workers Doctors' expertise in industrial physician services and our Group's nationwide sales force and record of successful doctor placements.

For the fiscal year ended March 31, 2021, we posted net sales of 278,951 million yen (+3.9% YoY), operating profit of 8,106 million yen (+6.8% YoY), ordinary profit of 8,409 million yen (+13.6% YoY), and profit attributable to owners of parent of 3,538 million yen (-47.2% YoY).

Our Group remains committed to maintaining our prime medical care provision structure while continuing to implement infection prevention measures.

Segment-specific earnings are as indicated below.

### 1) Dispensing Pharmacy Business

In the fiscal year under review, the Dispensing Pharmacy Business reported net sales of 244,072 million yen (+5.7% YoY) and operating profit of 10,585 million yen (+8.2% YoY).

The total number of pharmacies at the end of March 2021 came to 670 (including one merchandise store) as a result of 29 openings and 9 closures during the fiscal year.

Sales and profits, though hit by the ongoing pandemic-driven decrease in prescriptions, both rose thanks to the effect of store openings in the previous fiscal year, higher prescription unit prices with the increase in long-term prescriptions, and cost-cutting efforts throughout the Group.

Generic drugs represented 89.3% of the Company's total pharmaceutical usage in volume terms as of the end of March, 2021 (the Japanese government had targeted the generic drug ratio of 80% by the end of September 2020). Pharmacies providing at-home medical care service came to a favorable 90.8% at the Company (ratio of pharmacies providing 12 or more at-home care visits per year).

### 2) Pharmaceutical Manufacturing and Sales Business

In the fiscal year under review, the Pharmaceutical Manufacturing and Sales Business reported net sales of 45,699 million yen (+6.1% YoY) and operating profit of 2,350 million yen (+80.6% YoY).

Despite cuts in existing product prices due to NHI pricing revisions in April 2020, net sales increased thanks to robust sales of products newly listed in December 2019, June 2020 and December 2020. Operating profit was buoyed by cost-cutting undertakings as well as a sales stance focused on profitability, and higher margins from expanded sales of in-house manufactured products, including new listed drugs.

The Company had launched 21 newly listed items during the fiscal year under review, bringing the total number of listed products to 677 at fiscal year-end (including 2 OTC drugs).

### 3) Medical Professional Staffing and Placement Business

In the fiscal year under review, the Medical Professional Staffing and Placement Business generated net sales of 8,393 million yen (-34.0% YoY) and operating profit of 712 million yen (-61.5% YoY).

We continued our shift from pharmacist temporary staffing to permanent placement to reflect changing demand in personnel markets due to the start of the family pharmacist system, but net sales declined due to the ongoing impact of increased pandemic-related constraints on staff dispatchment. Lower sales from the pharmacist dispatchment business led to a sharp decline in operating profit despite the robust performance in the placement business for both physicians and pharmacists.

**(2) Financial Position**

Total assets as of the end of March 2021 were 186,262 million yen, up 711 million yen (+0.4%), compared to 185,551 million yen at the end of the previous consolidated fiscal year. This is mainly due to increases in Raw materials and supplies and Construction in progress.

Total liabilities were 136,394 million yen, down 2,084 million yen (-1.5%) compared to 138,478 million yen at the end of the previous consolidated fiscal year. This is mainly due to increased current liabilities such as accounts payable and decreased Income taxes payable.

Total net assets were 49,868 million yen, up 2,795 million yen (+5.9%) compared to 47,072 million yen at the end of the previous consolidated fiscal year. As a result, our equity ratio is 26.8%

**(3) Cash Flows**

There was a net increase of 639 million yen in cash and cash equivalents from the end of March 2020 to 32,893 million yen at the end of March 2021.

Net cash provided by operating activities was 11,213 million yen, a decrease of 1,979 million yen from one year earlier. Major income factors include income of 6,483 million yen from profit before income taxes. Conversely, major expenditure factors include expenditures of 6,716 million yen in income tax paid.

Net cash used in investing activities 7,767 million yen, an increase of 5,035 million yen. Major expenditure factors include expenditures of 5,955 million yen for the purchase of property, plant and equipment. This is mainly comprised of investments for new store opening in the dispensing pharmacy business and capital investments in the pharmaceutical manufacturing and sales business.

Net cash used in financing activities 2,806 million yen, a decrease of 5,149 million yen. Major income factors include income of 8,000 million yen from long-term loans payable. Conversely, major expenditure factors include expenditures of 9,406 million yen in repayments of long-term loans payable.

## Trends in cash flow indicators

	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Shareholders' equity ratio (%)	20.4	22.2	23.0	25.4	26.8
Shareholders' equity ratio based on market prices (%)	33.9	28.7	31.5	26.7	28.7
Cash flows to debt ratio (years)	—	3.8	6.0	5.6	6.5
Interest coverage ratio (times)	—	37.1	25.8	34.9	35.1

Note: The above figures are calculated as follows.

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Cash flows to debt ratio: Interest-bearing debts / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

- All indices are calculated based on consolidated figures.
- Market capitalization is calculated by multiplying the listed share price at the end of period by the number of shares outstanding (net of treasury shares) at the end of period.
- Operating cash flows are calculated using the figures for "Net cash provided by (used in) operating activities" in the consolidated statement of cash flows. Interest-bearing debts include all debts on the consolidated balance sheet that incur interest. Interest payments are calculated using the figures for "Interest expenses paid" in the consolidated statement of cash flows. Cash flows to debt ratio and interest coverage ratio for FY3/17 are not presented because operating cash flows were negative.

#### **(4) Outlook**

For the fiscal year ending on March 31, 2022, Nihon Chouzai forecasts consolidated net sales of 293,400 million yen (+5.2% YoY), operating profit of 9,200 million yen (+13.5% YoY), ordinary profit of 9,100 million yen (+8.2% YoY), and profit attributable to owners of parent of 5,100 million yen (+44.1% YoY).

The dispensing pharmacy and pharmaceutical industries are facing a tougher business environment. With the promulgation of the Act for Partial Amendment to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (Revised Pharmaceutical and Medical Devices Act), August 2021 will see the start of prefectural governor certification of pharmacies with specialized functions to enable patients to select pharmacies that best match their needs. Under this system, the dispensing pharmacies will be classified as “regional cooperation pharmacies” (those capable of partnering with other medical institutions on medication information, including at-home medical care and hospitalization/discharge), “specialized medical institutions cooperation pharmacies” (which requires the ability to handle high-level pharmacological management and advanced expertise in oncology and other areas), and other pharmacies that only perform simple dispensing. The system will therefore require the kind of pharmacies that are capable of meeting patients’ needs to a much higher degree. In addition, from April 2021, NHI drug pricing revisions switched from every other year to annual revision.

Given such business conditions, in our core Dispensing Pharmacies Business, our Group will work to develop highly user-friendly pharmacies and cultivate pharmacists with advanced expertise so as to provide the kind of pharmacies the Japanese government seeks, and deliver high-quality medical care services to patients through our certified specialized medical institutions cooperation pharmacies and regional cooperation pharmacies. In our Pharmaceutical Manufacturing and Sales Business, we will utilize synergies with other group businesses, which is a key strength of the Nihon Chouzai Group, as well as invest in R&D to expand our catalog of in-house manufactured product offerings, including newly listed drugs, and improve profitability. In our Medical Professional Staffing and Placement Business, we will work to further fortify the business of placing pharmacists, physicians, and other medical professionals, as well as operate nationwide industrial physician services, primarily through Workers Doctors Inc., and thereby further expand our physicians business.

In addition, we will take the lead on measures to enhance user friendliness and pharmacy functions with online medication guidance and online insurance coverage confirmation, as well as conduct Group business administration by making full use of our acumen in next-generation dispensing systems development and other information and communication technologies (ICT).

Regarding the impact of COVID-19 on earnings for the fiscal year ending on March 31, 2022, our current earnings forecasts are premised on the assumption that the business environment in second half of the fiscal year ended March 31, 2021, will persist throughout the year, but should circumstances change substantially, we will disclose any necessary revisions to earnings forecasts as soon as possible.

#### **2. Basic Approach to the Selection of Accounting Standards**

The Nihon Chouzai Group will continue to prepare consolidated financial statements using Japanese accounting standards for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

## 3. Consolidated Financial Statements and Notes

## (1) Consolidated Balance Sheet

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	FY3/21 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	32,254	32,893
Notes receivable-trade	181	80
Accounts receivable-trade	20,587	21,050
Electronically recorded monetary claims-operating	1,080	831
Merchandise and finished goods	22,988	23,139
Work in process	1,541	1,413
Raw materials and supplies	5,431	6,174
Other	3,354	3,668
Allowance for doubtful accounts	(6)	(6)
Total current assets	87,414	89,246
Non-current assets		
Property, plant and equipment		
Buildings and structures	53,112	53,669
Accumulated depreciation	(22,189)	(24,102)
Buildings and structures, net	30,922	29,566
Machinery, equipment and vehicles	20,944	20,960
Accumulated depreciation	(5,860)	(6,927)
Machinery, equipment and vehicles, net	15,084	14,033
Land	14,653	14,198
Leased assets	2,883	2,789
Accumulated depreciation	(2,228)	(1,592)
Leased assets, net	655	1,196
Construction in progress	967	1,649
Other	17,947	19,595
Accumulated depreciation	(14,148)	(15,455)
Other, net	3,798	4,140
Total property, plant and equipment	66,082	64,785
Intangible assets		
Goodwill	16,994	16,508
Other	2,431	2,443
Total intangible assets	19,425	18,952
Investments and other assets		
Investment securities	16	16
Long-term loans receivable	703	635
Leasehold and guarantee deposits	7,765	8,288
Deferred tax assets	3,090	3,368
Other	1,052	967
Total investments and other assets	12,628	13,277
Total non-current assets	98,137	97,015
Total assets	185,551	186,262



	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	FY3/21 (As of Mar. 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	42,659	44,044
Electronically recorded obligations-operating	3,131	2,742
Short-term loans payable	100	—
Current portion of long-term loans payable	9,406	27,966
Lease obligations	82	139
Income taxes payable	4,132	884
Provision for bonuses	3,318	3,602
Provision for bonuses for directors (and other officers)	76	46
Asset retirement obligations	9	80
Other	7,191	8,214
<b>Total current liabilities</b>	<b>70,107</b>	<b>87,720</b>
<b>Non-current liabilities</b>		
Long-term loans payable	62,963	42,997
Lease obligations	479	1,229
Long-term accounts payable-installment purchase	886	424
Provision for retirement benefits for directors (and other officers)	474	199
Retirement benefit liability	1,957	2,153
Asset retirement obligations	1,289	1,336
Other	318	332
<b>Total non-current liabilities</b>	<b>68,370</b>	<b>48,673</b>
<b>Total liabilities</b>	<b>138,478</b>	<b>136,394</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	35,762	38,551
Treasury shares	(3,499)	(3,500)
<b>Total shareholders' equity</b>	<b>47,143</b>	<b>49,931</b>
<b>Accumulated other comprehensive income</b>		
Remeasurements of defined benefit plans	(70)	(63)
<b>Total accumulated other comprehensive income</b>	<b>(70)</b>	<b>(63)</b>
<b>Total net assets</b>	<b>47,072</b>	<b>49,868</b>
<b>Total liabilities and net assets</b>	<b>185,551</b>	<b>186,262</b>

**(2) Consolidated Statements of Income and Comprehensive Income****(Consolidated Statement of Income)**

(Millions of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net sales	268,520	278,951
Cost of sales	222,147	229,577
Gross profit	46,372	49,374
Selling, general and administrative expenses	38,779	41,267
Operating profit	7,593	8,106
Non-operating income		
Interest income	0	0
Commission income	41	36
Rent income	426	446
Compensation income	80	51
Insurance claim income	88	34
Subsidy income	75	655
Other	165	183
Total non-operating income	878	1,408
Non-operating expenses		
Interest expenses	364	314
Commission expenses	20	10
Rent expenses	336	331
Loss on retirement of non-current assets	98	261
Other	246	188
Total non-operating expenses	1,066	1,105
Ordinary profit	7,405	8,409
Extraordinary income		
Gain on sales of non-current assets	6,662	398
Gain on sale of businesses	34	—
Reversal of provision for retirement benefits for directors (and other officers)	634	—
Total extraordinary income	7,332	398
Extraordinary losses		
Loss on abandonment of non-current assets	187	375
Loss on sales of non-current assets	1	1
Impairment loss	2,663	1,920
Loss on sales of investment securities	0	—
Loss on disaster	—	27
Total extraordinary losses	2,852	2,324
Profit before income taxes	11,885	6,483
Income taxes-current	5,544	3,218
Income taxes-deferred	(357)	(273)
Total income taxes	5,186	2,945
Profit	6,698	3,538
Profit attributable to non-controlling interests	1	—
Profit attributable to owners of parent	6,697	3,538

**(Consolidated Statement of Comprehensive Income)**

(Millions of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Profit	6,698	3,538
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	—
Remeasurements of defined benefit plans, net of tax	57	6
Total other comprehensive income	57	6
Comprehensive income	6,756	3,545
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,754	3,545
Comprehensive income attributable to non-controlling interests	1	—

**(3) Consolidated Statement of Changes in Equity**

FY3/19 (Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,953	10,926	29,815	(3,498)	41,196
Changes of items during period					
Dividends of surplus			(749)		(749)
Profit attributable to owners of parent			6,697		6,697
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	5,947	(0)	5,946
Balance at end of current period	3,953	10,926	35,762	(3,499)	47,143

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	0	(127)	(127)	4	41,073
Changes of items during period					
Dividends of surplus					(749)
Profit attributable to owners of parent					6,697
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	(0)	57	57	(4)	52
Total changes of items during period	(0)	57	57	(4)	5,999
Balance at end of current period	—	(70)	(70)	—	47,072

FY3/20 (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,953	10,926	35,762	(3,499)	47,143
Changes of items during period					
Dividends of surplus			(749)		(749)
Profit attributable to owners of parent			3,538		3,538
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,789	(0)	2,788
Balance at end of current period	3,953	10,926	38,551	(3,500)	49,931

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	—	(70)	(70)	—	47,072
Changes of items during period					
Dividends of surplus					(749)
Profit attributable to owners of parent					3,538
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity		6	6		6
Total changes of items during period	—	6	6	—	2,795
Balance at end of current period	—	(63)	(63)	—	49,868

**(4) Consolidated Statement of Cash Flows**

(Millions of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	11,885	6,483
Depreciation	6,316	6,416
Amortization of long-term prepaid expenses	169	154
Impairment loss	2,663	1,920
Loss on disaster	—	27
Amortization of goodwill	1,581	1,763
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for bonuses	283	282
Increase (decrease) in provision for bonuses for directors (and other officers)	(10)	(30)
Increase (decrease) in retirement benefit liability	122	193
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(726)	(275)
Interest and dividend income	(0)	(1)
Interest expenses	364	314
Loss (gain) on sales of non-current assets	(6,661)	(396)
Loss (gain) on sales of investment securities	0	—
Loss (gain) on sale of businesses	(34)	—
Decrease (increase) in notes and accounts receivable- trade	(2,902)	(20)
Decrease (increase) in inventories	74	(694)
Increase (decrease) in notes and accounts payable-trade	3,486	1,250
Decrease (increase) in prepaid expenses	(149)	128
Increase (decrease) in accrued expenses	(51)	(248)
Decrease (increase) in accounts receivable-other	422	(456)
Increase (decrease) in accounts payable-other	(225)	718
Other, net	6	717
Subtotal	16,615	18,246
Interest and dividend income received	0	1
Interest expenses paid	(377)	(319)
Income taxes paid	(3,046)	(6,716)
Net cash provided by (used in) operating activities	13,192	11,213
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,624)	(5,955)
Proceeds from sales of property, plant and equipment	9,644	1,124
Purchase of intangible assets	(606)	(573)
Proceeds from sales of investment securities	0	—
Increase in long-term prepaid expenses	(92)	(116)
Payments for acquisition of businesses	(771)	(907)
Proceeds from sale of businesses	52	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,057)	(823)
Payment of loans receivable	(76)	(18)
Collection of loans receivable	85	88
Payments of leasehold and guarantee deposits	(626)	(769)
Proceeds from refund of leasehold and guarantee deposits	302	203
Other, net	37	(20)
Net cash provided by (used in) investing activities	(2,731)	(7,767)

	(Millions of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	100	(100)
Proceeds from long-term loans payable	9,900	8,000
Repayments of long-term loans payable	(16,261)	(9,406)
Repayments of lease obligations	(266)	(87)
Repayments of installment payables	(677)	(462)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(749)	(749)
Net cash provided by (used in) financing activities	(7,955)	(2,806)
Net increase (decrease) in cash and cash equivalents	2,505	639
Cash and cash equivalents at beginning of period	29,749	32,254
Cash and cash equivalents at end of period	32,254	32,893

## **(5) Notes to Consolidated Financial Statements**

### **Going-concern Assumption**

Not applicable.

### **Segment and Other Information**

#### **Segment information**

##### 1. Overview of reportable segments

Segments used for financial reporting are the Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group consists of three business units: the dispensing pharmacy business, the pharmaceutical manufacturing and sales business, and the medical professional staffing and placement business. Each business unit determines its own comprehensive strategies and conducts its own business activities. Consequently, the Group has three reportable business segments: the dispensing pharmacy business, the pharmaceutical manufacturing and sales business, and the medical professional staffing and placement business.

The dispensing pharmacy business segment involves the operation of dispensing pharmacies. The pharmaceutical manufacturing and sales business segment involves manufacturing and sales activities that specialize mainly in generic drugs and other pharmaceuticals. The medical professional staffing and placement business segment involves the provision of a temporary staffing and placement services for pharmacists, physicians, nurses and other medical professionals.

##### 2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as those listed in "Basis of the Preparation of Consolidated Financial Statements."

Earnings for reportable segments are operating profit.

Inter-segment sales and transfers are based on market prices.



3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment  
FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	230,989	24,899	12,631	268,520	—	268,520
(2) Inter-segment sales and transfers	12	18,172	90	18,275	(18,275)	—
Total	231,001	43,072	12,721	286,795	(18,275)	268,520
Segment profit (loss)	9,785	1,301	1,851	12,938	(5,345)	7,593
Segment assets	103,010	75,334	4,373	182,718	2,832	185,551
Other items						
Depreciation	2,267	3,639	74	5,981	335	6,316
Amortization of goodwill	1,483	97	—	1,581	—	1,581
Impairment loss	2,390	272	—	2,663	—	2,663
Increase in property, plant and equipment and intangible assets	8,997	2,069	84	11,151	873	12,025

Notes: 1. The above adjustments include the following items.

- (1) The negative adjustment of 5,345 million yen to segment profit or loss includes a profit elimination of 20 million yen for inter-segment transactions and corporate expenses of minus 5,365 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
  - (2) The 2,832 million yen adjustment to segment assets includes a 28 million yen elimination for receivables associated with inter-segment transactions, a 166 million yen elimination for unrealized profit in inventories and a 3,027 million yen addition to corporate assets. Leasehold and guarantee deposits and land that do not belong to any reportable segment are the primary components of corporate assets.
  - (3) The 335 million yen adjustment of depreciation and the 873 million yen adjustment that is added to the increase in property, plant and equipment and intangible assets are for investments in corporate assets such as buildings.
2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	244,072	26,526	8,352	278,951	—	278,951
(2) Inter-segment sales and transfers	—	19,172	41	19,213	(19,213)	—
Total	244,072	45,699	8,393	298,165	(19,213)	278,951
Segment profit (loss)	10,585	2,350	712	13,648	(5,542)	8,106
Segment assets	106,650	73,576	3,637	183,863	2,399	186,262
Other items						
Depreciation	2,350	3,647	91	6,089	327	6,416
Amortization of goodwill	1,660	97	4	1,763	—	1,763
Impairment loss	807	1,112	—	1,920	—	1,920
Increase in property, plant and equipment and intangible assets	6,289	2,701	98	9,089	402	9,492

Notes: 1. The above adjustments include the following items.

- (1) The negative adjustment of 5,542 million yen to segment profit or loss includes a profit elimination of minus 34 million yen for inter-segment transactions and corporate expenses of minus 5,507 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
  - (2) The 2,399 million yen adjustment to segment assets includes a 12 million yen elimination for receivables associated with inter-segment transactions, a 206 million yen elimination for unrealized profit in inventories and a 2,617 million yen addition to corporate assets. Leasehold and guarantee deposits and land that do not belong to any reportable segment are the primary components of corporate assets.
  - (3) The 327 million yen adjustment of depreciation and the 402 million yen adjustment that is added to the increase in property, plant and equipment and intangible assets are for investments in corporate assets such as buildings.
2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

**Related information**

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

1. Information by product or service

Omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

3. Information about specific customers

Omitted because no single external customer accounts for 10% or more of sales as shown on the consolidated statement of income.

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

1. Information by product or service

Omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there is no property, plant and equipment outside Japan.

3. Information about specific customers

Omitted because no single external customer accounts for 10% or more of sales as shown on the consolidated statement of income.

**Information related to impairment losses on non-current assets for each reportable segment**

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Omitted because the same information is presented in segment information.

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

Omitted because the same information is presented in segment information.

**Information related to goodwill amortization and the unamortized balance for each reportable segment**

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total
Unamortized balance at the end of current period	16,655	338	—	16,994

Note: Goodwill amortization is omitted because the same information is presented in segment information.

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total
Unamortized balance at the end of current period	16,093	240	174	16,508

Note: Goodwill amortization is omitted because the same information is presented in segment information.

**Information related to gain on bargain purchase for each reportable segment**

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

Not applicable.

**Per Share Information**

(Yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net assets per share	1,569.77	1,663.01
Net income per share	223.33	118.01

Notes: 1. On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net assets per share and Net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

2. Diluted net income per share is not presented since Nihon Chouzai has no outstanding dilutive securities.

3. Basis for calculation of net assets per share is as follows.

	FY3/20 (As of Mar. 31, 2020)	FY3/21 (As of Mar. 31, 2021)
Total net assets (Millions of yen)	47,072	49,868
Deduction on total net assets (Millions of yen)	—	—
Net assets applicable to common stock shares (Millions of yen)	47,072	49,868
Number of common stock shares at end of period used in calculation of net assets per share (Thousand shares)	29,987	29,986

Note: The number of common stock shares at the end of period that was used to calculate net assets per share is calculated after deducting treasury shares held in the Nihon Chouzai's account.

4. Basis for calculation of net income per share is as follows.

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Profit attributable to owners of parent (Millions of yen)	6,697	3,538
Amounts not available to common stock shareholders (Millions of yen)	—	—
Profit attributable to owners of parent available to common stock shares (Millions of yen)	6,697	3,538
Average number of common stock shares outstanding during the period (Thousand shares)	29,987	29,987

Note: The average number of shares outstanding during the period that was used to calculate net income per share is calculated after deducting treasury shares held in the Nihon Chouzai's account.

**Subsequent Events**

Not applicable.

*This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*