

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd.	Listing: Tokyo Stock Exchange, Prime Market
Stock code: 3341	URL: <a href="https://www.nicho.co.jp">https://www.nicho.co.jp</a>
Representative: Yosuke Mitsuhara, President & CEO	
Contact: Masahiro Tojo, Executive Officer and General Manager of Corporate Planning Department	Tel: +81-(0) 3-6810-0800
Scheduled date of Annual General Meeting of Shareholders:	June 23, 2022
Scheduled date of filing of Annual Securities Report:	June 24, 2022
Scheduled date of payment of dividend:	June 24, 2022
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 28, 2022 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, 2022 (April 1, 2021 – March 31, 2022)

#### (1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2022	299,392	7.3	14,974	(8.1)	6,589	(18.7)	6,767	(19.5)	3,705	4.7
Fiscal year ended Mar. 31, 2021	278,951	3.9	16,286	5.1	8,106	6.8	8,409	13.6	3,538	(47.2)

Note: Comprehensive income (million yen) FY3/22: 3,758 (up 6.0%) FY3/21: 3,545 (down 47.5%)

	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, 2022	123.56	—	7.2	3.7	2.2
Fiscal year ended Mar. 31, 2021	118.01	—	7.3	4.5	2.9

Reference: Equity in income (losses) of affiliates (million yen) FY3/22: — FY3/21: —

Note: EBITDA = Operating profit + depreciation + goodwill amortization

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	178,753	52,876	29.6	1,763.34
As of Mar. 31, 2021	186,262	49,868	26.8	1,663.01

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 52,876 As of Mar. 31, 2021: 49,868

#### (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, 2022	19,411	(9,313)	(17,448)	25,543
Fiscal year ended Mar. 31, 2021	11,213	(7,767)	(2,806)	32,893

### 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, 2021	—	12.50	—	12.50	25.00	749	21.2	1.5
Fiscal year ended Mar. 31, 2022	—	12.50	—	12.50	25.00	749	20.2	1.5
Fiscal year ending Mar. 31, 2023 (forecasts)	—	12.50	—	12.50	25.00		17.0	

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Percentages represent year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	156,000	6.7	6,900	6.5	2,600	7.6	2,500	(1.1)	1,000	(25.4)	33.35
Full year	321,400	7.4	17,600	17.5	8,500	29.0	8,400	24.1	4,400	18.7	146.73

**\* 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: Yes

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, 2022: 32,048,000 shares As of Mar. 31, 2021: 32,048,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2022: 2,061,175 shares As of Mar. 31, 2021: 2,061,074 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2022: 29,986,857 shares Fiscal year ended Mar. 31, 2021: 29,987,040 shares

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

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)**

(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, 2022	259,171	10.9	5,945	11.6	6,614	(5.7)	2,316	(33.8)
Fiscal year ended Mar. 31, 2021	233,619	4.4	5,326	15.7	7,018	32.9	3,499	(25.1)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2022	77.25	—
Fiscal year ended Mar. 31, 2021	116.69	—

(2) Non-consolidated financial position

	Total assets		Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	140,086	39,224	39,224	28.0	1,308.05
As of Mar. 31, 2021	145,540	37,657	37,657	25.9	1,255.80

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 39,224 As of Mar. 31, 2021: 37,657

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.

**Contents of Attachments**

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	4
(3) Cash Flows	4
(4) Outlook	5
2. Basic Approach to the Selection of Accounting Standards	6
3. Consolidated Financial Statements and Notes	7
(1) Consolidated Balance Sheet	7
(2) Consolidated Statements of Income and Comprehensive Income	9
(3) Consolidated Statement of Changes in Equity	11
(4) Consolidated Statement of Cash Flows	13
(5) Notes to Consolidated Financial Statements	15
(Going-concern Assumption)	15
(Change in Accounting Policy)	15
(Segment and Other Information)	16
(Per Share Information)	20
(Subsequent Events)	20

## 1. Overview of Results of Operations

### (1) Results of Operations

In the fiscal year ended March 2022 (April 1, 2021–March 31, 2022), the Japanese economy continued to suffer from factors including restrictions on socioeconomic activity imposed by the reinstatement of the state of emergency and implementation of priority measures to prevent the spread of COVID-19 amid a resurgence of the pandemic. Economic conditions were exacerbated by intensifying international tensions, and the outlook going forward remains uncertain.

Under these conditions, the Nihon Chouzai Group, keenly aware of its role as a healthcare company tasked with supporting community healthcare, continued endeavoring to provide quality healthcare services while thoroughly implementing infection prevention measures at all its pharmacies. The Group also kept up efforts to reduce costs across the organization.

While maintaining the spirit of its founding philosophy, “Achieving the True Separation of Drug Prescribing and Dispensing Services,” the Group has redefined its responsibilities to better align with the changing times and formulated a new corporate philosophy to pursue the realization of a sustainable society. The Group has set its mission as “To give people the closest possible support,” with the vision for 2030 of becoming “The most trusted partner in healthcare.” Based on this corporate philosophy— mission and vision for 2030, the Group will pursue sustainability through resolving social issues in its business endeavors centered on healthcare and contribute to the wellbeing of all people.

With an eye toward the transition to the Prime Market of the Tokyo Stock Exchange in April 2022, the Group introduced an executive officer system to fulfill the following: to separate management’s decision-making and supervisory functions from the business execution function; to further clarify the authority and responsibilities involved in business execution; to expedite decision-making; to enhance management agility; to strengthen corporate governance; to flexibly respond to changes in the operating environment; and to enhance enterprise value. Further, the Group views its employees as valuable management resources and hence considers creating a workplace where employees can work safely and in healthy conditions an important management theme. In light of this, the Group declared its commitment to health management and has pushed forward with efforts to strengthen health management through its health management promotion system led by the President & CEO of the Group as Chief Health Manager. As a result of these initiatives, on March 9, 2022, the Group was certified as an Outstanding Health & Productivity Management Organization 2022 (in large enterprise category) under the Certified Health & Productivity Management Outstanding Organization Recognition Program of the Ministry of Economy, Trade and Industry.

In the Dispensing Pharmacy Business, on March 1, 2022, the Group launched an official website for Nihon Chouzai Online Pharmacy Service NiCOMS. A new logo was designed for NiCOMS using the color orange to highlight the website’s goal of facilitating sincere, heartfelt communication with patients online, and the design and color scheme for the website’s reservation and call pages were also updated. The Group plans to further enhance the usability of the online pharmacy service, offering patients an easy-to-access communication tool to closely support them in drug therapy. We also plan to make NiCOMS compatible with the prescription refill system introduced in April 2022 and the electronic prescribing system expected to be utilized in full-scale going forward.

Further, the number of registered users of Okusuri Techo Plus, an electronic medication notebook developed in-house in 2014 that can be used at Nihon Chouzai Group pharmacies nationwide, exceeded one million as of February 2022. In addition to features common to conventional medication notebooks, Okusuri Techo Plus has a range of functions that support patients’ health management, including the electronic prescription transfer function which helps shorten waiting time at pharmacies and the Tsunagaru function through which patients can consult pharmacists regarding their medications. Thanks to these functions, Okusuri Techo Plus is being utilized by many patients even amid the pandemic.

In the Pharmaceutical Manufacturing and Sales Business, Nihon Generic Co., Ltd.—a member of the Nihon Chouzai Group which promotes ESG management to preserve the environment through reduction or efficient use of electricity, gas, water, and other types of resources—has begun using carbon neutral city gas and joined the Carbon Neutral LNG Buyers Alliance. Nihon Generic became the first company in the generic drug industry to use carbon neutral city gas supplied by Tokyo Gas Co., Ltd., and the subsidiary expects this to result in an annual reduction in CO2 emissions of about 4,000 tons across its three business offices.

In the Medical Professional Staffing and Placement Business, demand for pharmacist staffing and placement continued to fall due to the ongoing impact of the pandemic, but the Group’s track record of physician placement, including for COVID-19 vaccination programs, expanded. On March 31, 2022, the Group renewed its Outstanding Staffing Business Operator certification awarded by the Ministry of Health, Labour and Welfare (MHLW).

For the fiscal year ended March 31, 2022, we posted net sales of 299,392 million yen (+7.3% YoY), operating profit of 6,589 million yen (-18.7% YoY), ordinary profit of 6,767 million yen (-19.5% YoY), and profit attributable to owners of parent of 3,705 million yen (+4.7% YoY).

The Group will continue to make every effort to prevent the spread of COVID-19 and provide high-quality medical care to ensure that patients and customers can use our services with peace of mind.

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 265,624 million yen (+8.8% YoY) and operating profit of 13,009 million yen (+22.9% YoY).

As of March 31, 2022, the Group had a total of 697 stores (including one merchandise store), reflecting 40 new store openings and 13 closures during the fiscal year under review.

Net sales and operating profit increased despite ongoing impact of the COVID-19 pandemic, owing to contributions from stores opened in the previous fiscal year and an increase in the number of prescriptions filled. The Japanese government targets to increase the generic drug usage ratio (on a volume basis) to 80% or above in all prefectures by the end of FY2023. The Group reached the government's generic drug usage target of 80% at its pharmacies in all prefectures by the end of March 2022, with an all-pharmacy average of 89.3%. Further, the percentage of the Group's pharmacies that provide at-home medical care (those that make 12 or more home visits annually) steadily increased, reaching 93.1% at the end of March 2022.

### **2) Pharmaceutical Manufacturing and Sales Business**

In the fiscal year under review, the Pharmaceutical Manufacturing and Sales Business reported net sales of 44,836 million yen (-1.9% YoY) and operating loss of 53 million yen (operating profit 2,350 million yen same period a year ago).

Net sales decreased mainly due to a decline in sales prices of existing products following the NHI price revision of April 2021, while sales of new NHI-listed products in 2019 and beyond were strong. Operating profit fell, despite efforts to reduce costs, a sales policy focused on profitability, and ongoing sales expansion of in-house manufactured products, including those newly listed on the NHI drug price list, due mainly to a temporary loss from the disposal of non-performing assets caused by a quality problem at Choseido Pharmaceutical Co., Ltd. Operations at Choseido Pharmaceutical Co., Ltd. steadily improved in line with the disclosed business improvement plan. The Company had launched 15 newly listed items during the fiscal year under review, bringing the total number of listed products to 642 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 6,991 million yen (-16.7% YoY) and operating profit of 576 million yen (-19.1% YoY).

Net sales declined as temporary pharmacist staffing demand fell due to the COVID-19 pandemic. Operating profit was also down as a result of diminished earnings from temporary pharmacist staffing and placement, but earnings from the physician placement business, including for COVID-19 vaccination programs, expanded.

**(2) Financial Position**

Total assets as of the end of March 2022 were 178,753 million yen, down 7,509 million yen (-4.0%), compared to 186,262 million yen at the end of the previous consolidated fiscal year. This is mainly due to decrease in Cash and deposits.

Total liabilities were 125,876 million yen, down 10,517 million yen (-7.7%) compared to 136,394 million yen at the end of the previous consolidated fiscal year. This is mainly due to decreased Long-term loans payable.

Total net assets were 52,876 million yen, up 3,008 million yen (+6.0%) compared to 49,868 million yen at the end of the previous consolidated fiscal year. As a result, our equity ratio is 29.6%

**(3) Cash Flows**

There was a net a decrease of 7,350 million yen in cash and cash equivalents from the end of March 2021 to 25,543 million yen at the end of March 2022.

Net cash provided by operating activities was 19,411 million yen, an increase of 8,197 million yen from one year earlier. Major income factors include 6,217 million yen from profit before income taxes and 6,569 million yen of depreciation. Conversely, major expenditure factors include 2,189 million yen in income tax paid.

Net cash used in investing activities 9,313 million yen, an increase of 1,545 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 17,448 million yen, an increase of 14,641 million yen. Major income factors include 10,900 million yen from long-term loans payable. Conversely, major expenditure factors include 27,966 million yen in repayments of long-term loans payable.

## Trends in cash flow indicators

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22
Shareholders' equity ratio (%)	22.2	23.0	25.4	26.8	29.6
Shareholders' equity ratio based on market prices (%)	28.7	31.5	26.7	28.7	22.3
Cash flows to debt ratio (years)	3.8	6.0	5.6	6.5	2.9
Interest coverage ratio (times)	37.1	25.8	34.9	35.1	64.8

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.

#### (4) Outlook

For the fiscal year ending on March 31, 2022, Nihon Chouzai forecasts consolidated net sales of 321,400 million yen (+7.4% YoY), operating profit of 8,500 million yen (+29.0% YoY), ordinary profit of 8,400 million yen (+24.1% YoY), and profit attributable to owners of parent of 4,400 million yen (+18.7% YoY).

In the operating environment surrounding dispensing pharmacies, in August 2021, a pharmacy certification system was introduced under which pharmacies are certified by prefectural governors as having specific functions to enable patients to choose pharmacies that best suit their needs. Under the system, pharmacies are certified regional cooperation pharmacies and specialized medical institution cooperation pharmacies. Regional cooperation pharmacies share patients' medication information with other medical institutions, including for patients receiving at-home medical care and at the time of hospital admission and discharge, while specialized medical institution cooperation pharmacies serve patients with cancer and other diseases that require advanced pharmaceutical management and a high level of specialization. As such, the system calls for creating pharmacies that can better meet patients' needs. Moreover, the medical fee revision of April 2022 further relaxed regulations relating to online medical consultations and online medication guidance with the aims of enhancing the quality of medical care and increasing convenience for patients.

The business environment in the dispensing pharmacy and pharmaceuticals industry, where the Pharmaceutical Manufacturing and Sales Business operates, became even harsher as the MHLW decided to implement drug price revisions, which had been implemented biennially, annually from April 2021. Amid such an environment, due to a series of quality issues at generic drug manufacturers and supply disruptions, industry-wide initiatives to improve quality and ensure stable supply are urgently needed.

In the Medical Professional Staffing and Placement Business, the Group is under pressure to respond to substantial changes in the operating environment, including the shrinking market for temporary pharmacist staffing business due to the impact of the pandemic. For the physician placement business as well, which has been growing recently, efforts to further expand performance are also required as demand related to the new corona vaccination has slowed down.

Under these operating environments, the Group, in the mainstay Dispensing Pharmacy Business, has pursued the Japanese government's vision of ideal pharmacies, obtaining regional cooperation or specialized medical institution cooperation pharmacy certifications for many of its pharmacies ahead of industry peers to this end. To further enhance the quality of healthcare services it provides, the Group will focus on increasing convenience of its pharmacies, nurturing pharmacists with high levels of specialization. Further, the Group intends to fully devote itself to the digitalization of healthcare services, and through expanded use of online medication guidance and electronic medication notebook Okusuri Techo Plus, it will strive to provide more convenient, higher-quality, and higher-value-added services to patients.

In the Pharmaceutical Manufacturing and Sales Business, the Group will place top management priority on quality management and stable supply and do its utmost to ensure stable supply of quality generic drugs. Utilizing synergies within the Group, one of its strengths, and R&D investments, the Group will focus on expanding sales of in-house manufactured products, including those newly listed in the NHI drug price list, and increasing profitability.

In the Medical Professional Staffing and Placement Business, it aims to further strengthen the placement business for healthcare professionals, especially for pharmacists and physicians, and move forward with growing the physician business through nationwide development of industrial physician placement services.

Based on the DX (Digital Transformation) strategy announced in August 2021, the Group will promote a growth strategy that fully leverages its strengths in DX by transforming its core businesses and operational processes, such as the spread of online medication guidance and online insurance eligibility verification system utilizing its solid DX promotion platform, and improving convenience and pharmacy functions through the electronic medication notebook "Okusuri Techo Plus". We will also promote growth strategies that fully leverage our DX strengths, such as focusing on the creation of new businesses.

In addition, based on our new group philosophy, our mission, "To give people the closest possible support," we will strengthen our sustainability management and contribute to the development of a sustainable society by resolving social issues.

For the earnings forecast for the fiscal year ending March 2023, the Group has assumed that the COVID-19 pandemic will continue having an impact on its earnings for the full year. If revisions to the forecast become necessary due to significant changes in the operating environment, the Group will promptly disclose that matter.

## **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)	
	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	32,893	25,543
Notes receivable-trade	80	27
Accounts receivable-trade	21,050	—
Accounts receivable-trade and contract assets	—	20,458
Electronically recorded monetary claims-operating	831	422
Merchandise and finished goods	23,139	23,024
Work in process	1,413	1,799
Raw materials and supplies	6,174	6,262
Other	3,668	4,121
Allowance for doubtful accounts	(6)	(8)
Total current assets	89,246	81,651
Non-current assets		
Property, plant and equipment		
Buildings and structures	53,669	55,883
Accumulated depreciation	(24,102)	(26,324)
Buildings and structures, net	29,566	29,559
Machinery, equipment and vehicles	20,960	21,700
Accumulated depreciation	(6,927)	(7,956)
Machinery, equipment and vehicles, net	14,033	13,743
Land	14,198	14,155
Leased assets	2,789	2,803
Accumulated depreciation	(1,592)	(1,708)
Leased assets, net	1,196	1,095
Construction in progress	1,649	1,226
Other	19,595	21,091
Accumulated depreciation	(15,455)	(16,847)
Other, net	4,140	4,244
Total property, plant and equipment	64,785	64,025
Intangible assets		
Goodwill	16,508	15,220
Other	2,443	3,749
Total intangible assets	18,952	18,969
Investments and other assets		
Investment securities	16	16
Long-term loans receivable	635	554
Leasehold and guarantee deposits	8,288	8,797
Deferred tax assets	3,368	3,842
Other	967	896
Total investments and other assets	13,277	14,107
Total non-current assets	97,015	97,102
Total assets	186,262	178,753

	(Millions of yen)	
	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	44,044	48,513
Electronically recorded obligations-operating	2,742	2,862
Short-term loans payable	—	1,000
Current portion of long-term loans payable	27,966	12,366
Lease obligations	139	148
Income taxes payable	884	1,800
Provision for bonuses	3,602	3,861
Provision for bonuses for directors (and other officers)	46	45
Asset retirement obligations	80	4
Other	8,214	8,330
Total current liabilities	87,720	78,931
Non-current liabilities		
Long-term loans payable	42,997	41,531
Lease obligations	1,229	1,127
Long-term accounts payable-installment purchase	424	—
Provision for retirement benefits for directors (and other officers)	199	71
Retirement benefit liability	2,153	2,276
Asset retirement obligations	1,336	1,422
Other	332	514
Total non-current liabilities	48,673	46,944
Total liabilities	136,394	125,876
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	38,551	41,507
Treasury shares	(3,500)	(3,500)
Total shareholders' equity	49,931	52,887
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(63)	(10)
Total accumulated other comprehensive income	(63)	(10)
Total net assets	49,868	52,876
Total liabilities and net assets	186,262	178,753

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

	(Millions of yen)	
	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	278,951	299,392
Cost of sales	229,577	246,969
Gross profit	49,374	52,422
Selling, general and administrative expenses	41,267	45,833
Operating profit	8,106	6,589
Non-operating income		
Commission income	36	38
Rent income	446	511
Compensation income	51	40
Insurance income	34	144
Subsidy income	655	218
Other	183	258
Total non-operating income	1,408	1,212
Non-operating expenses		
Interest expenses	314	295
Commission expenses	10	0
Rent expenses	331	381
Loss on retirement of non-current assets	261	107
Other	188	249
Total non-operating expenses	1,105	1,034
Ordinary profit	8,409	6,767
Extraordinary income		
Gain on sales of non-current assets	398	6
Reversal of provision for retirement benefits for directors (and other officers)	—	46
Insurance income	—	3,909
Gain on transfer from business divestitures	—	67
Total extraordinary income	398	4,030
Extraordinary losses		
Loss on abandonment of non-current assets	375	—
Loss on sales of non-current assets	1	—
Impairment loss	1,920	669
Loss on disaster	27	3,910
Total extraordinary losses	2,324	4,580
Profit before income taxes	6,483	6,217
Income taxes-current	3,218	2,984
Income taxes-deferred	(273)	(473)
Total income taxes	2,945	2,511
Profit	3,538	3,705
Profit attributable to owners of parent	3,538	3,705

**(Consolidated Statement of Comprehensive Income)**

(Millions of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Profit	3,538	3,705
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	6	53
Total other comprehensive income	6	53
Comprehensive income	3,545	3,758
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,545	3,758

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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
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		Total net assets
	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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	3,953	10,926	38,551	(3,500)	49,931
Changes of items during period					
Dividends of surplus			(749)		(749)
Profit attributable to owners of parent			3,705		3,705
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,955	(0)	2,955
Balance at end of current period	3,953	10,926	41,507	(3,500)	52,887

	Accumulated other comprehensive income		Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	(63)	(63)	49,868
Changes of items during period			
Dividends of surplus			(749)
Profit attributable to owners of parent			3,705
Purchase of treasury shares			(0)
Net changes of items other than shareholders' equity	53	53	53
Total changes of items during period	53	53	3,008
Balance at end of current period	(10)	(10)	52,876

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

(Millions of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	6,483	6,217
Depreciation	6,416	6,569
Amortization of long-term prepaid expenses	154	157
Impairment loss	1,920	669
Loss on disaster	27	3,910
Insurance income	—	(3,909)
Amortization of goodwill	1,763	1,814
Increase (decrease) in allowance for doubtful accounts	0	1
Increase (decrease) in provision for bonuses	282	258
Increase (decrease) in provision for bonuses for directors (and other officers)	(30)	(1)
Increase (decrease) in retirement benefit liability	193	120
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(275)	(127)
Interest and dividend income	(1)	(2)
Interest expenses	314	295
Loss (gain) on sales of non-current assets	(396)	(6)
Decrease (increase) in notes and accounts receivable- trade	(20)	1,185
Decrease (increase) in inventories	(694)	(4,147)
Increase (decrease) in notes and accounts payable-trade	1,250	4,363
Decrease (increase) in prepaid expenses	128	(75)
Increase (decrease) in accrued expenses	(248)	57
Decrease (increase) in accounts receivable-other	(456)	(224)
Increase (decrease) in accounts payable-other	718	378
Other, net	717	481
Subtotal	18,246	17,989
Interest and dividend income received	1	2
Interest expenses paid	(319)	(299)
Income taxes paid	(6,716)	(2,189)
Proceeds from insurance income	—	3,909
Net cash provided by (used in) operating activities	11,213	19,411
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,955)	(5,956)
Proceeds from sales of property, plant and equipment	1,124	73
Purchase of intangible assets	(573)	(1,753)
Increase in long-term prepaid expenses	(116)	(133)
Payments for acquisition of businesses	(907)	(348)
Proceeds from sale of businesses	—	75
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(823)	(597)
Payment of loans receivable	(18)	—
Collection of loans receivable	88	84
Payments of leasehold and guarantee deposits	(769)	(935)
Proceeds from refund of leasehold and guarantee deposits	203	194
Other, net	(20)	(18)
Net cash provided by (used in) investing activities	(7,767)	(9,313)

	(Millions of yen)	
	FY3/21	FY3/22
	(Apr. 1, 2020 – Mar. 31, 2021)	(Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	1,000
Proceeds from long-term loans payable	8,000	10,900
Repayments of long-term loans payable	(9,406)	(27,966)
Repayments of lease obligations	(87)	(140)
Repayments of installment payables	(462)	(462)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(749)	(749)
Other, net	—	(28)
Net cash provided by (used in) financing activities	(2,806)	(17,448)
Net increase (decrease) in cash and cash equivalents	639	(7,350)
Cash and cash equivalents at beginning of period	32,254	32,893
Cash and cash equivalents at end of period	32,893	25,543



**(5) Notes to Consolidated Financial Statements****Going-concern Assumption**

Not applicable.

**Change in Accounting Policy**

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020; hereinafter referred to as the “Accounting Standard for Revenue Recognition”) and other standards with effect from April 1, 2021, and recognizes revenue when the control of the promised goods or services is transferred to the customer at the amount that the Company expects to receive in exchange for such goods or services. As a result, there is no impact on profit and loss for the third quarter of the current fiscal year. There is also no effect on the balance of retained earnings at the beginning of the period.

With the application of the Accounting Standard for Revenue Recognition, etc., “Accounts receivable-trade” presented under “Current assets” in the consolidated balance sheet for the fiscal year ended March 31, 2021 is included in and presented as part of “Accounts receivable-trade and contract assets” with effect from the first quarter ended June 30, 2021. In accordance with the transitional treatment stipulated in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the amounts reported in the fiscal year ended March 31, 2021 are not reclassified using the new presentation method.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereinafter, “Fair Value Accounting Standards”) and others from April 1, 2021. In accordance with the transitional treatment set forth in Article 19 of Fair Value Accounting Standards and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), the Company has applied prospectively a new accounting policy prescribed by Fair Value Accounting Standards and others. This has no effect on the quarterly consolidated financial statement.

## 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 FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

	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 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.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(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	265,624	26,789	6,979	299,392	—	299,392
(2) Inter-segment sales and transfers	—	18,047	11	18,058	(18,058)	—
Total	265,624	44,836	6,991	317,451	(18,058)	299,392
Segment profit (loss)	13,009	(53)	576	13,532	(6,943)	6,589
Segment assets	100,741	69,720	4,163	174,625	4,128	178,753
Other items						
Depreciation	2,619	3,478	100	6,198	371	6,569
Amortization of goodwill	1,698	97	17	1,814	—	1,814
Impairment loss	669	—	—	669	—	669
Increase in property, plant and equipment and intangible assets	4,885	1,493	249	6,629	1,733	8,362

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

- (1) The negative adjustment of 6,943 million yen to segment profit or loss includes a profit elimination of 36 million yen for inter-segment transactions and corporate expenses of minus 6,980 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
  - (2) The 4,128 million yen adjustment to segment assets includes a 2 million yen elimination for receivables associated with inter-segment transactions, a 182 million yen elimination for unrealized profit in inventories and a 4,312 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 371 million yen adjustment of depreciation and the 1,733 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**

FY3/21 (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.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

Omitted because the same information is presented in segment information.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

Omitted because the same information is presented in segment information.

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

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.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(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	14,920	142	156	15,220

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**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

Not applicable.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

Not applicable.

**Per Share Information**

(Yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net assets per share	1,663.01	1,763.34
Net income per share	118.01	123.56

Notes: 1. Diluted net income per share is not presented since Nihon Chouzai has no outstanding dilutive securities.

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

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Total net assets (Millions of yen)	49,868	52,876
Deduction on total net assets (Millions of yen)	—	—
Net assets applicable to common stock shares (Millions of yen)	49,868	52,876
Number of common stock shares at end of period used in calculation of net assets per share (Thousand shares)	29,986	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.

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

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Profit attributable to owners of parent (Millions of yen)	3,538	3,705
Amounts not available to common stock shareholders (Millions of yen)	—	—
Profit attributable to owners of parent available to common stock shares (Millions of yen)	3,538	3,705
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.*