

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd.	Listing: Tokyo Stock Exchange, Prime Market
Stock code: 3341	URL: https://www.nicho.co.jp
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Scheduled date of Annual General Meeting of Shareholders:	June 23, 2023
Scheduled date of filing of Annual Securities Report:	June 26, 2023
Scheduled date of payment of dividend:	June 26, 2023
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, 2023 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, 2023 (April 1, 2022 – March 31, 2023)

(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, 2023	313,318	4.7	16,337	9.1	7,586	15.1	7,682	13.5	4,458	20.3
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

Note: Comprehensive income (million yen) FY3/23: 4,456 (18.6%) FY3/22: 3,758 (6.0%)

	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, 2023	148.92	—	8.2	4.2	2.4
Fiscal year ended Mar. 31, 2022	123.56	—	7.2	3.7	2.2

Reference: Equity in income (losses) of affiliates (million yen) FY3/23: — FY3/22: —

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, 2023	185,297	56,483	30.5	1,888.17
As of Mar. 31, 2022	178,753	52,876	29.6	1,763.34

Reference: Shareholders' equity (million yen) As of Mar. 31, 2023: 56,483 As of Mar. 31, 2022: 52,876

(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, 2023	7,532	(10,018)	713	23,770
Fiscal year ended Mar. 31, 2022	19,411	(9,313)	(17,448)	25,543

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, 2022	—	12.50	—	12.50	25.00	749	20.2	1.5
Fiscal year ended Mar. 31, 2023	—	12.50	—	12.50	25.00	749	16.8	1.4
Fiscal year ending Mar. 31, 2024 (forecasts)	—	12.50	—	12.50	25.00		23.4	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	164,100	7.7	5,700	(19.5)	1,400	(50.2)	1,400	(50.9)	400	(75.1)	13.37
Full year	334,400	6.7	15,300	(6.3)	6,400	(15.6)	6,300	(18.0)	3,200	(28.2)	106.97

*** 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, 2023: 32,048,000 shares As of Mar. 31, 2022: 32,048,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2023: 2,133,695 shares As of Mar. 31, 2022: 2,061,175 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2023: 29,940,392 shares Fiscal year ended Mar. 31, 2022: 29,986,857 shares

Note:

The number of shares of the Company held in the Directors' Remuneration BIP Trust (March 31, 2023: 72,200 shares; March 31, 2022: 0 shares) was included in the total number of treasury share at the end of the period. The Directors' Remuneration BIP Trust was included in the number of treasury share, which was to be deducted from the calculation of the average number of shares outstanding during the period.

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(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, 2023	275,304	6.2	7,919	33.2	8,630	30.5	3,154	36.2
Fiscal year ended Mar. 31, 2022	259,171	10.9	5,945	11.6	6,614	(5.7)	2,316	(33.8)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2023	105.35	—
Fiscal year ended Mar. 31, 2022	77.25	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2023	148,273	41,528	28.0	1,388.25
As of Mar. 31, 2022	140,086	39,224	28.0	1,308.05

Reference: Shareholders' equity (million yen) As of Mar. 31, 2023: 41,528 As of Mar. 31, 2022: 39,224

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. As for matters concerning the financial results forecast, please see "1. Overview of Results of Operations (4)Outlook" on page 5 of the attachments.

(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	3
(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
(Segment and Other Information)	15
(Per Share Information)	19
(Subsequent Events)	19

1. Overview of Results of Operations

(1) Results of Operations

In the consolidated fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023), the Japanese economy showed signs of recovery despite the prolonged impact of the COVID-19 pandemic, as various travel and activity restrictions imposed to prevent the spread of the virus were relaxed. However, the outlook remained clouded due to factors including the deterioration of the global economy and rising prices that warranted close monitoring.

Under these economic conditions, the Nihon Chouzai Group, a healthcare company with the mission “To give people the closest possible support,” strove to provide quality healthcare services and pharmaceutical products while taking thorough measures to prevent infections. At the same time, the Group as a whole continued working to curb costs.

The Group considers “creating a vibrant workplace where employees can work safely and in good health” as one of its key management themes, and has promoted activities aimed at improving the health of employees and the organization as a whole. In March 2023, the Group’s such efforts were recognized, and Nihon Chouzai Co., Ltd., was certified as a Health & Productivity Management Outstanding Organization (large enterprises category) for the year, for the second year in a row, by the Ministry of Economy, Trade and Industry. Our Group companies, Medical Resources Co., Ltd. and Japan Medical Research Institute Co., Ltd., were also certified as 2023 Health & Productivity Management Outstanding Organizations.

In the Dispensing Pharmacy Business, we strove to provide online medication guidance to an even greater number of patients through partnerships with other companies, and worked to further spread the adoption of telehealth. In January 2023, we partnered with LINE Healthcare Corp., and began providing online medication guidance on the LINE Doctor online medical consultation service. This enabled patients to complete the entire medical examination process, from medical consultation to medication guidance and delivery of prescription drugs, within the LINE app. We also began providing online medication guidance through video conferencing using TV as part of the J:COM Online Medical Consultation service provided by JCOM Co., Ltd. This allowed patients to receive a full line of healthcare services, from medical consultation to medication guidance and having their prescription drugs delivered, at home using TV. Further, we have partnered with Tsukui Corp., which operates over 500 adult daycare facilities nationwide and from March 2023, began providing online medication guidance using our NiCOMS online pharmacy service at some of Tsukui’s adult daycare facilities.

In the Pharmaceutical Manufacturing and Sales Business, while placing top priority on ensuring the quality and stable supply of generic drugs, we strove to expand the lineup of in-house manufactured products, including those newly added to the NHI drug price list, and increase their profitability through investments in R&D. We had to adjust shipment volumes and schedule for many of our products due to industry-wide supply disruptions and the 2021 fire at the West Japan distribution center, but resumed normal shipments as soon as stable supply systems were put in place. As of March 31, 2023, 164 items were still subject to limited shipments, and we are working to resolve these shipment restrictions to continue fulfilling our responsibility as a generic drug supplier.

In the Medical Professional Staffing and Placement Business, while physician placement demand stemming from COVID-19 vaccination programs has wound down, the mainstay pharmacist staffing and placement business, which suffered a decline in demand due to the pandemic, continued to recover. Demand for occupational physicians is also growing, and we intend to capture this demand to further contribute to the health management of companies.

For the fiscal year ended March 31, 2023, we posted net sales of 313,318 million yen (+4.7% YoY), operating profit of 7,586 million yen (+15.1% YoY), ordinary profit of 7,682 million yen (+13.5% YoY), and profit attributable to owners of parent of 4,458 million yen (+20.3% YoY).

The Group will continue to make every effort to 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 280,164 million yen (+5.5% YoY) and operating profit of 14,666million yen (+12.7% YoY).

As of March 31, 2023, the Group had a total of 718 stores, reflecting 38 new store openings and 17 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 2023, 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 97.2% at the end of March 2023.

2) Pharmaceutical Manufacturing and Sales Business

In the fiscal year under review, the Pharmaceutical Manufacturing and Sales Business reported net sales of 38,575 million yen (-14.0% YoY) and operating loss of 1,392 million yen (operating loss of 53 million yen same period a year ago).

While sales of products newly added to the NHI drug price list in 2019 and later continued to be brisk, this could not cover the downturn caused by a drop in the prices of existing products following the drug price revision of April 2022, costs incurred for measures to secure stable supply of products undergoing limited shipment due to the 2021 fire at a contract logistics center in western Japan, and the increase of R&D expenses. Net sales and operating profit declined as a result.

As of the end of the fiscal year under review, Nihon Chouzai provided 584 products (including two over-the-counter drugs), reflecting the review of existing products (mainly those provided by Choseido Pharmaceutical) and the launch of eight products newly added to the NHI drug price list in June and December 2022.

3) Medical Professional Staffing and Placement Business

In the fiscal year under review, the Medical Professional Staffing and Placement Business generated net sales of 8,063 million yen (+15.3% YoY) and operating profit of 758 million yen (+31.5% YoY).

Sales related to COVID-19 vaccination programs (mainly in the physician business) declined, but sales in the pharmacist staffing and placement business, which had been hurt by the spread of COVID-19, increased year-on-year. Net sales and operating profit grew as a result.

(2) Financial Position

Total assets as of the end of March 2023 were 185,297 million yen, up 6,543 million yen (+3.7%), compared to 178,753 million yen at the end of the previous consolidated fiscal year. This is mainly due to increase in Merchandise and finished goods.

Total liabilities were 128,814 million yen, up 2,937 million yen (+2.3%) compared to 125,876 million yen at the end of the previous consolidated fiscal year. This is mainly due to increased Short-term loans payable and Long-term loans payable.

Total net assets were 56,483 million yen, up 3,606 million yen (+6.8%) compared to 52,876 million yen at the end of the previous consolidated fiscal year. As a result, our equity ratio is 30.5%

(3) Cash Flows

There was a net a decrease of 1,772 million yen in cash and cash equivalents from the end of March 2022 to 23,770 million yen at the end of March 2023.

Net cash provided by operating activities was 7,532 million yen, a decrease of 11,878 million yen from one year earlier. Major income factors include 7,843 million yen from profit before income taxes and 6,740 million yen of depreciation. Conversely, major expenditure factors include 5,016 million yen decrease from inventories and 3,286 million yen in income tax paid.

Net cash used in investing activities 10,018 million yen, an increase of 704 million yen. Major expenditure factors include expenditures of 5,761 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 713 million yen, an increase of 18,162 million yen. Major income factors include 13,500 million yen from long-term loans payable. Conversely, major expenditure factors include 12,366 million yen in repayments of long-term loans payable.

Trends in cash flow indicators

	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23
Shareholders' equity ratio (%)	23.0	25.4	26.8	29.6	30.5
Shareholders' equity ratio based on market prices (%)	31.5	26.7	28.7	22.3	18.7
Cash flows to debt ratio (years)	6.0	5.6	6.5	2.9	7.7
Interest coverage ratio (times)	25.8	34.9	35.1	64.8	28.2

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

In the dispensing pharmacy industry, in which the Nihon Chouzai Group mainly operates, companies were compelled to demonstrate their ability to respond to drastic changes in the external environment, including medical treatment fee revisions that emphasized the evaluation of interpersonal customer service, increased efforts to digitalize the healthcare industry, the easing of regulations surrounding telehealth, and the launch of the prescription refill and electronic prescription systems.

The Group strove to establish a framework for centrally managing patients' medication information using its electronic medication notebook, Okusuri Techo Plus, and actively provided services focused on interpersonal interactions, including patient-specific medication guidance, collaboration with medical institutions, and thorough consultation and follow-up after dispensing medications. Also, using our in-house developed online pharmacy service NiCOMS, we promptly rolled out measures to promote the utilization of telehealth and adopt the electronic prescription system. Moreover, to provide higher-quality healthcare services to patients, we obtained specialized medical institutions cooperation pharmacy and regional cooperation pharmacy certifications for many of our pharmacies ahead of industry peers. With these certifications, we intend to focus on building pharmacies that serve as hubs for collaborating with medical institutions within a community and providing advanced healthcare, and on nurturing highly specialized pharmacists.

We view the drastic changes in the business environment as providing growth opportunities, and will aggressively invest in areas where we anticipate growth in demand, including telehealth, home medical care, and specialty drugs for cancer and rare diseases. We have already established a system for providing online healthcare services supported by our in-house developed electronic medication notebook Okusuri Techo Plus and the online pharmacy service NiCOMS; expanded At-Home Medical Care Support Centers that are primarily focused on providing home medical care; and opened pharmacies near and on the premises of hospitals specializing in advanced care. In the fiscal year ending March 31, 2024, we plan to work for promotion of online healthcare, and open 38 pharmacies that will serve as the basis for providing home medical care as well as advanced medical care involving the handling of specialty drugs. Due to an expected increase in upfront expenditures with an eye to medium- to long-term growth, we forecast higher net sales but lower profit for the Dispensing Pharmacy Business.

The business environment surrounding pharmacies and the pharmaceutical industry, to which the Group's Pharmaceutical Manufacturing and Sales Business belongs, became even harsher with the implementation of annual NHI drug price revisions from April 2021 (previously, biennial revisions). The generic drug industry is making concerted efforts to ensure the quality and stable supply of drugs toward resolving the supply issues caused mainly by quality defects at some generic drug manufacturers. We have also placed topmost priority on ensuring the quality and stable supply of generic drugs, and are doing our very best to provide a stable supply of quality generic drugs. In the fiscal year ending March 31, 2024, we will continue striving to resolve the issue of limited shipments for some of our products. In addition, by taking advantage of synergies among Group companies, which are one of our strengths, and by investing in R&D, we will work to expand the number and profitability of in-house manufactured products, including those newly added to the NHI drug price list.

In the Medical Professional Staffing and Placement Business, demand for pharmacist staffing and placement services, which had been sluggish due to the COVID-19 pandemic, is picking up again, and we intend to expand these services to meet demand from medical institutions nationwide. Also, we plan to introduce measures to further improve performance of the physician placement business, whose earnings have increased recently, despite a falloff in COVID-19 vaccination-related demand. We also intend to cultivate the occupational physician placement business nationwide.

As a result of the above, for the fiscal year ending March 31, 2024, we forecast net sales of 334,400 million yen (+6.7% YoY), operating profit of 6,400 million yen (-15.6% YoY), ordinary profit of 6,300 million yen (-18.0% YoY), and profit attributable to owners of parent of 3,200 million yen (-28.2% YoY).

In 2018, the Group unveiled its long-term vision, "On the Road to 2030," and since then, has worked to realize that vision. However, in light of drastic changes in the business environment since the time we drafted the vision, and in order to meet stakeholders' expectations in terms of reinforcing corporate governance and promoting sustainability management, we have decided to revise management strategies and formulate a new long-term vision. Based on the new corporate philosophy released in April 2022, we aim to formulate and announce a new long-term vision that takes into consideration a range of management issues, including growth strategies appropriate for the business environment surrounding the Group, corporate governance suitable for a company listed on the Prime Market, and financial strategies befitting of the times. To achieve the new long-term vision, we will also release medium-term management plans to illustrate the Group's direction and management strategies to achieve the goals.

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)	
	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	25,543	23,770
Notes receivable-trade	27	70
Accounts receivable-trade and contract assets	20,458	21,246
Electronically recorded monetary claims-operating	422	437
Merchandise and finished goods	23,024	28,416
Work in process	1,799	1,742
Raw materials and supplies	6,262	6,021
Other	4,121	4,022
Allowance for doubtful accounts	(8)	(6)
Total current assets	81,651	85,720
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,883	56,756
Accumulated depreciation	(26,324)	(28,395)
Buildings and structures, net	29,559	28,361
Machinery, equipment and vehicles	21,700	22,561
Accumulated depreciation	(7,956)	(9,256)
Machinery, equipment and vehicles, net	13,743	13,305
Land	14,155	13,377
Leased assets	2,799	1,509
Accumulated depreciation	(1,704)	(601)
Leased assets, net	1,095	907
Construction in progress	1,226	1,828
Other	21,091	22,001
Accumulated depreciation	(16,847)	(18,346)
Other, net	4,244	3,655
Total property, plant and equipment	64,025	61,435
Intangible assets		
Goodwill	15,220	14,195
Other	3,749	5,377
Total intangible assets	18,969	19,573
Investments and other assets		
Investment securities	16	16
Long-term loans receivable	554	3,786
Leasehold and guarantee deposits	8,797	9,160
Deferred tax assets	3,842	4,402
Other	896	1,202
Total investments and other assets	14,107	18,568
Total non-current assets	97,102	99,576
Total assets	178,753	185,297

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	48,513	47,916
Electronically recorded obligations-operating	2,862	1,476
Short-term loans payable	1,000	2,000
Current portion of long-term loans payable	12,366	10,390
Lease obligations	148	143
Income taxes payable	1,800	2,640
Provision for bonuses	3,861	3,892
Provision for bonuses for directors (and other officers)	45	68
Asset retirement obligations	4	20
Other	8,330	8,502
Total current liabilities	78,931	77,050
Non-current liabilities		
Long-term loans payable	41,531	44,640
Lease obligations	1,127	953
Provision for retirement benefits for directors (and other officers)	71	79
Retirement benefit liability	2,276	2,464
Asset retirement obligations	1,422	1,485
Other	514	2,140
Total non-current liabilities	46,944	51,763
Total liabilities	125,876	128,814
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	41,507	45,216
Treasury shares	(3,500)	(3,600)
Total shareholders' equity	52,887	56,495
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(10)	(12)
Total accumulated other comprehensive income	(10)	(12)
Total net assets	52,876	56,483
Total liabilities and net assets	178,753	185,297

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

(Millions of yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	299,392	313,318
Cost of sales	246,969	259,674
Gross profit	52,422	53,643
Selling, general and administrative expenses	45,833	46,057
Operating profit	6,589	7,586
Non-operating income		
Commission income	38	41
Rent income	511	593
Compensation income	40	114
Insurance income	144	64
Subsidy income	218	81
Other	258	235
Total non-operating income	1,212	1,130
Non-operating expenses		
Interest expenses	295	266
Commission expenses	0	—
Rent expenses	381	442
Loss on retirement of non-current assets	107	80
Other	249	244
Total non-operating expenses	1,034	1,033
Ordinary profit	6,767	7,682
Extraordinary income		
Gain on sales of non-current assets	6	1,214
Compensation income	—	1,573
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	4,030	2,787
Extraordinary losses		
Loss on sales of non-current assets	—	52
Impairment loss	669	2,574
Loss on disaster	3,910	—
Total extraordinary losses	4,580	2,627
Profit before income taxes	6,217	7,843
Income taxes-current	2,984	3,992
Income taxes-deferred	(473)	(608)
Total income taxes	2,511	3,384
Profit	3,705	4,458
Profit attributable to owners of parent	3,705	4,458

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Profit	3,705	4,458
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	53	(2)
Total other comprehensive income	53	(2)
Comprehensive income	3,758	4,456
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,758	4,456

(3) Consolidated Statement of Changes in Equity

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(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	41,507	(3,500)	52,887
Changes of items during period					
Dividends of surplus	—	—	(749)	—	(749)
Profit attributable to owners of parent	—	—	4,458	—	4,458
Purchase of treasury shares	—	—	—	(100)	(100)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	3,709	(100)	3,608
Balance at end of current period	3,953	10,926	45,216	(3,600)	56,495

	Accumulated other comprehensive income		Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	(10)	(10)	52,876
Changes of items during period			
Dividends of surplus	—	—	(749)
Profit attributable to owners of parent	—	—	4,458
Purchase of treasury shares	—	—	(100)
Net changes of items other than shareholders' equity	(2)	(2)	(2)
Total changes of items during period	(2)	(2)	3,606
Balance at end of current period	(12)	(12)	56,483

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	6,217	7,843
Depreciation	6,569	6,740
Amortization of long-term prepaid expenses	157	126
Impairment loss	669	2,574
Loss on disaster	3,910	—
Insurance income	(3,909)	—
Compensation income	—	(1,573)
Amortization of goodwill	1,814	1,952
Increase (decrease) in allowance for doubtful accounts	1	(1)
Increase (decrease) in provision for bonuses	258	27
Increase (decrease) in provision for bonuses for directors (and other officers)	(1)	23
Increase (decrease) in retirement benefit liability	120	185
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(127)	(49)
Interest and dividend income	(2)	(1)
Interest expenses	295	266
Loss (gain) on sales of non-current assets	(6)	(1,161)
Decrease (increase) in notes and accounts receivable- trade	1,185	(701)
Decrease (increase) in inventories	(4,147)	(5,016)
Increase (decrease) in notes and accounts payable-trade	4,363	(2,018)
Decrease (increase) in prepaid expenses	(75)	(76)
Increase (decrease) in accrued expenses	57	109
Decrease (increase) in accounts receivable-other	(224)	375
Increase (decrease) in accounts payable-other	378	(1,177)
Other, net	481	1,064
Subtotal	17,989	9,511
Interest and dividend income received	2	1
Interest expenses paid	(299)	(267)
Income taxes paid	(2,189)	(3,286)
Proceeds from insurance income	3,909	—
Proceeds from compensation income	—	1,573
Net cash provided by (used in) operating activities	19,411	7,532
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,956)	(5,761)
Proceeds from sales of property, plant and equipment	73	2,183
Purchase of intangible assets	(1,753)	(1,994)
Increase in long-term prepaid expenses	(133)	(59)
Payments for acquisition of businesses	(348)	(367)
Proceeds from sale of businesses	75	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(597)	(1,433)
Payment of loans receivable	—	(2,096)
Collection of loans receivable	84	89
Payments of leasehold and guarantee deposits	(935)	(779)
Proceeds from refund of leasehold and guarantee deposits	194	219
Other, net	(18)	(18)
Net cash provided by (used in) investing activities	(9,313)	(10,018)

	(Millions of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,000	1,000
Proceeds from long-term loans payable	10,900	13,500
Repayments of long-term loans payable	(27,966)	(12,366)
Repayments of lease obligations	(140)	(145)
Repayments of installment payables	(462)	(424)
Purchase of treasury shares	(0)	(100)
Cash dividends paid	(749)	(749)
Other, net	(28)	—
Net cash provided by (used in) financing activities	(17,448)	713
Net increase (decrease) in cash and cash equivalents	(7,350)	(1,772)
Cash and cash equivalents at beginning of period	32,893	25,543
Cash and cash equivalents at end of period	25,543	23,770

(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
FY3/22 (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	102,857	69,720	4,163	176,741	2,012	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	6,370	1,493	249	8,114	248	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 2,012 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 2,196 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 248 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.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(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	280,161	25,103	8,052	313,318	—	313,318
(2) Inter-segment sales and transfers	3	13,472	10	13,486	(13,486)	—
Total	280,164	38,575	8,063	326,804	(13,486)	313,318
Segment profit (loss)	14,666	(1,392)	758	14,032	(6,445)	7,586
Segment assets	107,392	71,141	3,914	182,448	2,849	185,297
Other items						
Depreciation	2,751	3,492	95	6,340	400	6,740
Amortization of goodwill	1,836	97	17	1,952	—	1,952
Impairment loss	2,463	111	—	2,574	—	2,574
Increase in property, plant and equipment and intangible assets	7,536	2,030	79	9,647	674	10,321

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

- (1) The negative adjustment of 6,445 million yen to segment profit or loss includes a profit elimination of 90 million yen for inter-segment transactions and corporate expenses of minus 6,536 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
- (2) The 2,849 million yen adjustment to segment assets includes a 20 million yen elimination for receivables associated with inter-segment transactions, a 99 million yen elimination for unrealized profit in inventories and a 2,969 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 400 million yen adjustment of depreciation and the 674 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

FY3/22 (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.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

Omitted because the same information is presented in segment information.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

Omitted because the same information is presented in segment information.

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

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.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(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	14,012	44	138	14,195

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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

Not applicable.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

Not applicable.

Per Share Information

(Yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net assets per share	1,763.34	1,888.17
Net income per share	123.56	148.92

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.

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Total net assets (Millions of yen)	52,876	56,483
Deduction on total net assets (Millions of yen)	—	—
Net assets applicable to common stock shares (Millions of yen)	52,876	56,483
Number of common stock shares at end of period used in calculation of net assets per share (Thousand shares)	29,986	29,914

Notes: 1. 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.

2. The Company's shares held by the Directors' Remuneration BIP Trust are included in the number of shares of treasury stock deducted from the total number of shares issued and outstanding at the end of the fiscal year for the purpose of calculating net assets per share. The number of shares of treasury stock held by the Trust as of the end of the period was 72 thousand shares.

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

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Profit attributable to owners of parent (Millions of yen)	3,705	4,458
Amounts not available to common stock shareholders (Millions of yen)	—	—
Profit attributable to owners of parent available to common stock shares (Millions of yen)	3,705	4,458
Average number of common stock shares outstanding during the period (Thousand shares)	29,987	29,940

Note: 1. 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.

2. For the calculation of net income per share, the Company's shares held by the Directors' Remuneration BIP Trust are included in the treasury stock as a deduction in the calculation of the average number of shares outstanding during the fiscal year. The average number of shares of treasury stock held by the Trust during the fiscal year was 46 thousand shares.

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.