

**Summary of Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending March 31, 2021
(Three Months Ended June 30, 2020)**

[Japanese GAAP]

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 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on July 31, 2020 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021
(April 1, 2020 – June 30, 2020)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2020	68,306	6.2	429	(75.7)	337	(80.3)	356	(57.3)
Three months ended Jun. 30, 2019	64,316	8.5	1,770	253.1	1,710	329.7	833	—

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2020: 361 (down 57.0%)

Three months ended Jun. 30, 2019: 841 (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2020	11.88	—
Three months ended Jun. 30, 2019	27.81	—

Note: Nihon Chouzai conducted a 2-for-1 stock split effective on April 1, 2020. Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2020	199,280	47,059	23.6
As of Mar. 31, 2020	185,551	47,072	25.4

Reference: Shareholders' equity (million yen) As of Jun. 30, 2020: 47,059 As of Mar. 31, 2020: 47,072

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	—	25.00	—	25.00	50.00
Fiscal year ending Mar. 31, 2021	—	—	—	—	—
Fiscal year ending Mar. 31, 2021 (forecasts)	—	12.50	—	12.50	25.00

Note: Revisions to the most recently announced dividend forecast: None

Nihon Chouzai conducted a 2-for-1 stock split effective on April 1, 2020. For the fiscal year ended March 31, 2020, the amount of dividend per share before the stock split is shown. The dividend forecast for the fiscal year ending March 31, 2021 takes into account the impact of this stock split.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	138,895	6.6	361	(91.1)	249	(93.8)	(51)	—	(1.70)
Full year	291,813	8.7	6,504	(14.3)	6,266	(15.4)	3,122	(53.4)	104.14

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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

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

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

As of Jun. 30, 2020:	32,048,000 shares	As of Mar. 31, 2020:	32,048,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2020:	2,060,874 shares	As of Mar. 31, 2020:	2,060,834 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2020:	29,987,132 shares	Three months ended Jun. 30, 2019:	29,987,597 shares
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* Nihon Chouzai conducted a 2-for-1 stock split effective on April 1, 2020. The number of shares issued and outstanding at the end of the fiscal year, the number of shares of treasury stock at the end of the fiscal year, and the average number of shares during the fiscal year are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

Note 1: The quarterly financial report is not subject to quarterly review 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

Supplementary materials for quarterly financial results will be disclosed at the Timely Disclosure network (TDnet) as appropriate, and also will be available on the Nihon Chouzai website.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first three months (April to June) of the fiscal year ending on March 31, 2021, revisions were made to the prescription dispensing fees and the NHI drug prices in April 2020. In the revision to the prescription dispensing fees, the roles expected of pharmacies in the future were further clarified with respect to the evaluation of family pharmacy functions, the structural shift from services that do not involve direct contact with customers to people-to-people services, the promotion of at-home medical care, the utilization of ICT, the promotion of the use of generic drugs, and the control of leftover drugs.

The Act for Partial Amendment to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (Revised Pharmaceuticals and Medical Devices Act) is scheduled to start coming into force in stages, beginning from September 2020, and we expect to see the obligations of pharmacists to continuously monitor the status of drug use and provide medication guidance be written in law, along with the introduction of medication guidance via videophone etc.

During the period under review, a state of emergency was declared in response to the spread of COVID-19 infection. The number of prescriptions accepted at pharmacies declined as many medical institutions moved to curtail consultations. Now that the state of emergency has been lifted, a gradual recovery in the number of prescriptions can be observed.

In response to these rapid and dramatic changes taking place in the medical care and pharmaceutical sectors, the entire Nihon Chouzai Group is steadily taking many actions aimed at holding down growth in health care expenses and providing high-quality medical services.

As a result, earnings for the period under review increased year on year. Net sales increased 6.2% year on year to 68,306 million yen. Operating profit decreased 75.7% to 429 million yen, ordinary profit decreased 80.3% to 337 million yen and profit attributable to owners of parent rose 57.3% to 356 million yen. Going forward, while continuing to take preventive measures to protect patients and our various stakeholders, including employees, against COVID-19, we will work to maintain systems for providing medical care.

1) Dispensing Pharmacy Business

In this segment, sales increased 6.2% year on year to 58,200 million yen and operating profit decreased 74.8% to 464 million yen in the first three months of the current fiscal year. During the first three months, Nihon Chouzai opened nine pharmacies and closed one. Consequently, there were 658 pharmacies (including one pharmacy specializing in the sale of general merchandise) at the end of June 2020. Sales increased year on year due to a significant rise in the unit prices of prescriptions, due to the increase in long-term prescriptions, and the opening of 65 stores in the previous fiscal year, despite a decline in the number of prescriptions due to the impact of COVID-19. Meanwhile, operating profit declined due to a decrease of gross profit resulting from reduction in the number of prescriptions and securing sufficient drug inventories for the long-term prescriptions and the accompanying increase in consumption taxes, etc.

With regard to the volume-based share of generic drugs, the generic drug utilization rate at Nihon Chouzai pharmacies, which averaged at 89% as of June 30, is consistently remaining higher than the national average of 80.3% (Ministry of Health, Labour and Welfare: Trends in Medical Expenditures for Dispensing Services February 2020). Moreover, the percentage of pharmacies offering at-home medical care services was 87% (this rate based on number of pharmacies providing at least 12 services in a year, including new pharmacies), which is on track with Nihon Chouzai's plans.

2) Pharmaceutical Manufacturing and Sales Business

In this segment, sales increased 11.0% year on year to 12,073 million yen and operating profit increased 4.4% to 833 million yen. The increase in sales was due to strong sales of new products despite the decline in selling prices of existing products associated with the April 2020 drug price revisions. The significant increase in operating profit was mainly due to a sales policy that places priority on profitability, the strong sales of new product items launched on a large-scale in December 2019 and in June 2020. The number of product items sold increased to 696 including 2 over the counter drugs at the end of first three months due to the launch of 16 new products in June.

3) Medical Professional Staffing and Placement Business

In this segment, sales decreased 18.2% year on year to 2,943 million yen and operating profit decreased 21.9% to 509 million yen. The decrease in sales reflected the effect of a further decline in demand for temporary staffing due to the impact of COVID-19, despite identifying changes of demand in human resources market and shifting away from temporary staffing to placement of pharmacists. Operating profit decreased significantly due to the effect of the decrease in temporary staffing business for pharmacists, despite the steady expansion of the physician placement business.

(2) Explanation of Financial Position

Total assets increased 13,728 million yen, or 7.4%, from 185,551 million yen at the end of March 2020 to 199,280 million yen at the end of June 2020. This was mainly attributable to increases in cash and deposits, merchandise and finished goods.

Total liabilities increased 13,742 million yen, or 9.9%, from 138,478 million yen to 152,220 million yen. This was mainly attributable to an increase in accounts payable-trade and long-term loans payable.

Total net assets decreased 13 million yen, from 47,072 million yen to 47,059 million yen. Consequently, the equity ratio was 23.6%.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

The consolidated earnings forecast for the fiscal year ending March 31, 2021, which was announced on April 30, 2020, remains unchanged.

This forecast is based on the assumption that the impact of curbs on outpatient treatment and longer prescription days due to the spread of COVID-19. We have prepared our earnings forecasts based on the assumption that these effects will continue through June 2020. If the spread of COVID-19 infection is prolonged or becomes more serious, our business performance could be affected. If it is determined that future performance trends and other factors necessitate a revision of the first half and full-year forecasts, we will disclose them promptly.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	32,254	41,900
Notes receivable-trade	181	66
Accounts receivable-trade	20,587	20,077
Electronically recorded monetary claims-operating	1,080	821
Merchandise and finished goods	22,988	28,056
Work in process	1,541	1,431
Raw materials and supplies	5,431	5,718
Other	3,354	3,714
Allowance for doubtful accounts	(6)	(6)
Total current assets	87,414	101,780
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,922	30,245
Land	14,653	14,411
Construction in progress	967	979
Other, net	19,538	19,416
Total property, plant and equipment	66,082	65,052
Intangible assets		
Goodwill	16,994	17,302
Other	2,431	2,352
Total intangible assets	19,425	19,654
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	7,765	7,754
Other	4,846	5,022
Total investments and other assets	12,628	12,793
Total non-current assets	98,137	97,499
Total assets	185,551	199,280

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	42,659	53,062
Electronically recorded obligations-operating	3,131	4,077
Short-term loans payable	100	—
Current portion of long-term loans payable	9,406	6,879
Income taxes payable	4,132	501
Provision for bonuses	3,318	1,800
Provision for bonuses for directors (and other officers)	76	—
Other	7,284	10,748
Total current liabilities	70,107	77,071
Non-current liabilities		
Long-term loans payable	62,963	70,108
Provision for retirement benefits for directors (and other officers)	474	176
Retirement benefit liability	1,957	2,004
Other	2,974	2,861
Total non-current liabilities	68,370	75,149
Total liabilities	138,478	152,220
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	35,762	35,744
Treasury shares	(3,499)	(3,499)
Total shareholders' equity	47,143	47,124
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(70)	(64)
Total accumulated other comprehensive income	(70)	(64)
Total net assets	47,072	47,059
Total liabilities and net assets	185,551	199,280

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Three-month Period)**

(Millions of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Net sales	64,316	68,306
Cost of sales	53,169	57,343
Gross profit	11,147	10,962
Selling, general and administrative expenses	9,377	10,533
Operating profit	1,770	429
Non-operating income		
Commission income	10	8
Rental income	105	110
Compensation income	48	—
Other	39	39
Total non-operating income	203	157
Non-operating expenses		
Interest expenses	103	83
Commission expenses	3	0
Rent expense	93	83
Other	62	82
Total non-operating expenses	263	249
Ordinary profit	1,710	337
Extraordinary income		
Gain on sales of non-current assets	27	373
Total extraordinary income	27	373
Extraordinary losses		
Loss on sales of non-current assets	—	0
Total extraordinary losses	—	0
Profit before income taxes	1,738	709
Income taxes-current	1,324	585
Income taxes-deferred	(420)	(232)
Total income taxes	903	353
Profit	834	356
Profit (loss) attributable to non-controlling interests	0	—
Profit attributable to owners of parent	833	356

(Quarterly Consolidated Statement of Comprehensive Income)**(For the Three-month Period)**

(Millions of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Profit	834	356
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	—
Remeasurements of defined benefit plans, net of tax	6	5
Total other comprehensive income	6	5
Comprehensive income	841	361
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	840	361
Comprehensive income attributable to non-controlling interests	0	—

(3) Notes to Quarterly Consolidated Financial Statements

Going-concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

I. First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)

1. Information related to net sales, profit or loss for each reportable segment (Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	54,811	5,926	3,578	64,316	—	64,316
(2) Inter-segment sales and transfers	3	4,955	18	4,976	(4,976)	—
Total	54,814	10,881	3,597	69,293	(4,976)	64,316
Segment profit (loss)	1,843	798	651	3,293	(1,523)	1,770

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating profit shown on the quarterly consolidated statement of income, respectively. The negative adjustment of 1,523 million yen to segment profit (loss) includes eliminations of minus 89 million yen for inter-segment transactions and corporate expenses of minus 1,434 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

2. Information related to assets for each reportable segment

Not applicable.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

II. First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)

1. Information related to net sales, profit or loss for each reportable segment (Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	58,200	7,195	2,910	68,306	—	68,306
(2) Inter-segment sales and transfers	—	4,878	32	4,911	(4,911)	—
Total	58,200	12,073	2,943	73,217	(4,911)	68,306
Segment profit (loss)	464	833	509	1,807	(1,377)	429

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating profit shown on the quarterly consolidated statement of income, respectively. The negative adjustment of 1,377 million yen to segment profit (loss) includes eliminations of minus 84 million yen for inter-segment transactions and corporate expenses of minus 1,293 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

2. Information related to assets for each reportable segment

Not applicable.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

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.