



January 29, 2021

**Summary of Consolidated Financial Results for the Third Quarter
of the Fiscal Year Ending March 31, 2021
(Nine Months Ended December 31, 2020)**

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd. Listing: Tokyo Stock Exchange, First Section
 Stock code: 3341 URL: <https://www.nicho.co.jp>
 Representative: Yosuke Mitsuhashi, President & CEO
 Contact: Kazunori Ogi, Director, General Manager of Finance Department Tel: +81-(0) 3-6810-0800
 Scheduled date of filing of Quarterly Report: February 12, 2021
 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 January 29, 2021 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021
(April 1, 2020 – December 31, 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	%
Nine months ended Dec. 31, 2020	208,337	4.7	5,767	2.4	5,773	5.9	3,410	11.5
Nine months ended Dec. 31, 2019	199,040	8.5	5,632	28.4	5,449	41.3	3,059	29.1

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2020: 3,427 (up 11.2%)
 Nine months ended Dec. 31, 2019: 3,083 (up 27.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2020	113.74	—
Nine months ended Dec. 31, 2019	102.03	—

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 Dec. 31, 2020	188,723	49,750	26.4
As of Mar. 31, 2020	185,551	47,072	25.4

Reference: Shareholders' equity (million yen) As of Dec. 31, 2020: 49,750 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	—	12.50	—	—	—
Fiscal year ending Mar. 31, 2021 (forecasts)	—	—	—	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
Full year	275,753	2.7	6,552	(13.7)	6,331	(14.5)	3,260	(51.3)	108.73

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 Dec. 31, 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 Dec. 31, 2020:	2,061,034 shares	As of Mar. 31, 2020:	2,060,834 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2020:	29,987,066 shares	Nine months ended Dec. 31, 2019:	29,987,447 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

The Japanese economy remained severely impacted by the coronavirus pandemic during the first three quarters of the current consolidated fiscal year (April-December 2020) despite signs of a recovery in certain segments bolstered by government policy measures.

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

Existing locations in our dispensing pharmacy business remained badly impacted by the pandemic. We have taken comprehensive cost-cutting measures in our pharmacies and the segment as a whole while actively expanding our business through new store openings, including favorable contributions from 65 stores launched the previous fiscal year. The pharmaceutical manufacturing and sales business posted strong growth thanks to aggressive expansion in R&D and the resulting increase in our catalog of in-house manufactured product offerings, as well as robust sales of newly listed items. The medical professional staffing and placement business faced a grim business climate due to plunging pharmacist dispatch demand. We thus focused instead on permanent placement for pharmacists given the high demand for family pharmacists, and a continuation of last year's nationwide expansion in our physician placement business.

The first three quarters of the current consolidated fiscal year consequently posted net sales of 208,337 million yen (+4.7% YoY), operating profit of 5,767 million yen (+2.4% YoY), ordinary profit of 5,773 million yen (+5.9% YoY), and profit attributable to owners of parent of 3,410 million yen (+11.5% YoY). Our Group remains committed to maintaining our prime medical care provision structure while continuing to implement infection prevention measures.

Segment-specific earnings are as indicated below.

1) Dispensing Pharmacy Business

The first three quarters of the current consolidated fiscal year saw cumulative net sales of 181,125 million yen (+6.1% YoY) and operating profit of 6,991 million yen (+6.2% YoY). The total number of pharmacies at the end of December came to 670 (including one merchandise store) as a result of 25 openings and 5 closures during the period. Sales and profits, though hit by the ongoing pandemic-driven decrease in prescriptions, both rose thanks to cost-cutting efforts throughout the dispensing pharmacy business, higher prescription unit prices with the increase in long-term prescriptions, and the contribution of the 65 pharmacies launched the previous fiscal year.

Generic pharmaceuticals represented 89.3% of the company's total pharmaceutical usage in volume terms as of the end of December, substantially exceeding the national average. Pharmacies providing at-home medical care service came to a favorable 89.4% at the company (ratio of pharmacies providing 12 or more at-home care visits per year, including new pharmacies) as of the end of December.

2) Pharmaceutical Manufacturing and Sales Business

The first three quarters of the current consolidated fiscal year generated cumulative net sales of 35,235 million yen (+8.2% YoY) and operating profit of 2,205 million yen (+43.7% YoY). Despite cuts in existing product prices due to NHI pricing revisions in April, net sales increased thanks to good sales of products newly listed in December 2019, June 2020 and December 2020. Operating profit was buoyed by a sales stance focused on profitability and higher margins from greater sales of in-house manufactured products, including new listed items. The company had a total of 688 listed products at the end of the three-quarter period (including 2 OTC drugs).

3) Medical Professional Staffing and Placement Business

The first three quarters of the current consolidated fiscal year had cumulative net sales of 6,644 million yen (-31.8% YoY) and operating profit of 653 million yen (-54.7% YoY). We continued our shift from pharmacist temporary staffing to permanent placement to reflect changing demand in personnel markets, but net sales declined due to the impact of increased pandemic-related constraints on staff dispatchment. Lower sales from the pharmacist dispatchment business led to a marked falloff in operating profit despite the robust performance in the placement business for both physicians and pharmacists.

(2) Explanation of Financial Position

Total assets as of the end of the first three quarters of the consolidated fiscal year came to 188,723 million yen, up 3,171 million yen (+1.7%) from the 185,551 million yen at the end of the previous consolidated fiscal year. This stemmed largely from increases in merchandise and finished goods.

Liabilities totaled 138,973 million yen, up 494 million (+0.4%) from the previous consolidated fiscal year-end's 138,478 million yen on an increase in accounts payable.

Total net assets were 49,750 million yen, an increase of 2,677 million yen from the previous consolidated fiscal year-end's 47,072 million yen. The equity ratio thus came to 26.4%.

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

There are no revisions to the full-year consolidated forecast in the "Notice Regarding Difference Between First Half Consolidated Earnings Forecasts and Actual Earnings, and Revisions Full-year Consolidated Earnings Forecast" of October 30, 2020.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	Third quarter of FY3/21 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	32,254	30,205
Notes receivable-trade	181	52
Accounts receivable-trade	20,587	20,810
Electronically recorded monetary claims-operating	1,080	1,010
Merchandise and finished goods	22,988	27,611
Work in process	1,541	1,094
Raw materials and supplies	5,431	6,683
Other	3,354	4,960
Allowance for doubtful accounts	(6)	(6)
Total current assets	87,414	92,421
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,922	29,863
Land	14,653	14,202
Construction in progress	967	1,354
Other, net	19,538	19,193
Total property, plant and equipment	66,082	64,613
Intangible assets		
Goodwill	16,994	17,320
Other	2,431	2,229
Total intangible assets	19,425	19,549
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	7,765	8,242
Other	4,846	3,879
Total investments and other assets	12,628	12,138
Total non-current assets	98,137	96,301
Total assets	185,551	188,723

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	Third quarter of FY3/21 (As of Dec. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	42,659	48,644
Electronically recorded obligations-operating	3,131	4,419
Short-term loans payable	100	—
Current portion of long-term loans payable	9,406	17,866
Income taxes payable	4,132	202
Provision for bonuses	3,318	1,827
Provision for bonuses for directors (and other officers)	76	—
Other	7,284	7,552
Total current liabilities	70,107	80,513
Non-current liabilities		
Long-term loans payable	62,963	53,468
Provision for retirement benefits for directors (and other officers)	474	190
Retirement benefit liability	1,957	2,098
Other	2,974	2,701
Total non-current liabilities	68,370	58,459
Total liabilities	138,478	138,973
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	35,762	38,423
Treasury shares	(3,499)	(3,499)
Total shareholders' equity	47,143	49,803
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(70)	(53)
Total accumulated other comprehensive income	(70)	(53)
Total net assets	47,072	49,750
Total liabilities and net assets	185,551	188,723

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

(Millions of yen)

	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	199,040	208,337
Cost of sales	164,688	171,658
Gross profit	34,351	36,679
Selling, general and administrative expenses	28,719	30,911
Operating profit	5,632	5,767
Non-operating income		
Commission income	31	26
Rental income	316	328
Compensation income	80	51
Subsidy income	69	223
Other	109	143
Total non-operating income	606	774
Non-operating expenses		
Interest expenses	281	238
Commission expenses	9	10
Rent expense	251	249
Other	246	269
Total non-operating expenses	789	768
Ordinary profit	5,449	5,773
Extraordinary income		
Gain on sales of non-current assets	42	398
Gain on sale of businesses	34	—
Total extraordinary income	77	398
Extraordinary losses		
Loss on Abandonment of non-current assets	—	375
Impairment loss	349	227
Loss on sales of non-current assets	1	1
Loss on sales of investment securities	0	—
Total extraordinary losses	351	603
Profit before income taxes	5,175	5,568
Income taxes-current	1,520	1,235
Income taxes-deferred	593	922
Total income taxes	2,114	2,157
Profit	3,060	3,410
Profit attributable to non-controlling interests	1	—
Profit attributable to owners of parent	3,059	3,410

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

(Millions of yen)

	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Profit	3,060	3,410
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	—
Remeasurements of defined benefit plans	22	16
Total other comprehensive income	22	16
Comprehensive income	3,083	3,427
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,081	3,427
Comprehensive income attributable to non-controlling interests	1	—

(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 nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 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	170,686	18,645	9,708	199,040	—	199,040
(2) Inter-segment sales and transfers	9	13,919	29	13,957	(13,957)	—
Total	170,695	32,564	9,737	212,997	(13,957)	199,040
Segment profit (loss)	6,581	1,534	1,442	9,559	(3,927)	5,632

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 3,927 million yen to segment profit (loss) includes eliminations of minus 34 million yen for inter-segment transactions and corporate expenses of minus 3,892 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 impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

In the dispensing pharmacy business segment, there was an impairment loss of 84 million yen for store assets (three pharmacies). In the pharmaceutical manufacturing and sales business, there was an impairment loss of 265 million yen for some plant facilities.

Significant change in goodwill

In the dispensing pharmacy business segment, Nihon Chouzai acquired 27 pharmacies through business transfer and purchase of shares. In the first nine months of FY3/20, this acquisition caused goodwill to increase by 5,621 million yen.

II. First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 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	181,125	20,605	6,607	208,337	—	208,337
(2) Inter-segment sales and transfers	—	14,629	37	14,666	(14,666)	—
Total	181,125	35,235	6,644	223,004	(14,666)	208,337
Segment profit (loss)	6,991	2,205	653	9,850	(4,082)	5,767

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 4,082 million yen to segment profit (loss) includes eliminations of minus 113 million yen for inter-segment transactions and corporate expenses of minus 3,969 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 impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

In the dispensing pharmacy business segment, there was an impairment loss of 227 million yen for store assets (four pharmacies).

Significant change in goodwill

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.