



October 30, 2020

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2021
(Six Months Ended September 30, 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: November 13, 2020
 Scheduled date of payment of dividend: December 4, 2020
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on October 30, 2020 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021
(April 1, 2020 – September 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	%
Six months ended Sep. 30, 2020	135,999	4.4	2,774	(31.8)	2,665	(33.4)	1,555	(25.7)
Six months ended Sep. 30, 2019	130,297	9.8	4,066	162.8	4,001	216.2	2,094	181.2

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2020: 1,566 (down 25.6%)
 Six months ended Sep. 30, 2019: 2,106 (up 170.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2020	51.89	—
Six months ended Sep. 30, 2019	69.85	—

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 Sep. 30, 2020	184,741	48,264	26.1
As of Mar. 31, 2020	185,551	47,072	25.4

Reference: Shareholders' equity (million yen) As of Sep. 30, 2020: 48,264 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, 2020 (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: Yes

*** 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 Sep. 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 Sep. 30, 2020:	2,060,954 shares	As of Mar. 31, 2020:	2,060,834 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2020:	29,987,100 shares	Six months ended Sep. 30, 2019:	29,987,530 shares
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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

Nihon Chouzai plans to hold an information meeting for institutional investors and analysts regarding results of operations on November 6, 2020. Materials distributed at this event will also be disclosed, using the Timely Disclosure network (TDnet), and 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 during the first half of the current consolidated fiscal year (April 2020 to September 2020) continued to face severe conditions due to the impact of COVID-19 but showed signs of a recovery in certain segments.

Amid these economic conditions, our Group engaged in operations with a reaffirmed commitment to our mission as a medical institution responsible for local medical care. As infection prevention measures for each dispensing pharmacy, we installed partitions on pharmacy and medication guidance counters to lower the risk of infection due to airborne particles. We also reinforce the disinfecting of storefront equipment, and require employees conduct pre-shift temperature checks, wear a mask, and wash and disinfect their hands. During cases of medication guidance conducted via telephone or other communication device on a limited and provisional basis issued by the Ministry of Health, Labour and Welfare on April 10, 2020 due to COVID-19 for the purpose of preventing the spread of infection, we worked to establish an environment that provided our customers peace of mind during their continued treatment and use of medication.

Besides, our Group succeeded in cost reductions that significantly exceeded initial targets thanks to a continued unified effort by our Group to implement cost reduction measures.

Conditions for the dispensing pharmacy business remained severe. However, earnings benefitted from business expansion driven by aggressive new store openings and favorable contributions from 65 stores newly opened during the previous fiscal year. With the September 1, 2020 enactment of the revised Pharmaceutical and Medical Device Act, online medication guidance is now allowed. We addressed this legal revision by launching the Nihon Chouzai Online Pharmacy Service, which is based on our proprietary ICT system.

In the pharmaceutical manufacturing and sales business, we engaged in aggressive research and development activities to increase our catalog of internally manufactured products. Additionally, we maintained favorable sales performance by adopting a profit-focused sales strategy and focusing on sales of new products.

In the medical professional staffing and placement business, demand for temporary pharmacist dispatchment declined due to the impact of COVID-19. Amid this environment, we focused on permanent placements for pharmacists, which are in high demand, and business expansion for the physician placement business, which we expanded last year and have begun sales activities nationwide.

As a result of these activities, the first half of the current consolidated fiscal year resulted in net sales of 135,999 million yen (+4.4% YoY), operating profit of 2,774 million yen (-31.8% YoY), ordinary profit of 2,665 million yen (-33.4% YoY), and profit attributable to owners of parent of 1,555 million yen (-25.7% YoY). Moving forward, our Group will remain 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 half of the current consolidated fiscal year resulted in net sales of 118,236 million yen (+5.8% YoY) and operating profit of 3,624 million yen (-17.8% YoY). Our total number of pharmacies was 665 stores as of the end of September (including one merchandise store). This is the result of 19 new store openings and 4 store closures during this period. Net sales increased year on year. Despite a decrease in prescriptions filled due to the impact of COVID-19, prescription unit price increased on an increase in long-term prescriptions and revenues increased thanks to the contributions of 65 pharmacies newly opened during the previous fiscal year.

Operating profit decreased on a decrease in prescriptions filled, among other factors. Furthermore, the company average ratio for generic pharmaceutical use to sales volume exceeded 89.2% as of the end of September and surpasses the national average. In addition, the company ratio for pharmacies providing at-home medical care services is favorable at 87.4% (ratio of pharmacies providing 12 or more at-home care visits, including new pharmacies).

2) Pharmaceutical Manufacturing and Sales Business

The first half of the current consolidated fiscal year resulted in net sales of 22,812 million yen (+8.4% YoY) and operating profit of 1,163 million yen (+0.7% YoY). Although sales prices for existing products dropped during NHI pricing revisions in April, net sales increased thanks to favorable sales of newly listed products in December 2019 and June 2020. Operating profit increased thanks to a sales policy focused on profitable sales and the fact that the majority of 16 products newly listed in June were in-house manufactured products. Furthermore, the number of listed products as of the end of the first half was 689 products (including two OTC drugs).

3) Medical Professional Staffing and Placement Business

The first half current consolidated fiscal year resulted in net sales of 5,025 million yen (-25.8% YoY) and operating profit of 696 million yen (-35.7% YoY). Although we advanced our shift from pharmacist temporary staffing to permanent placement to reflect demand changes on personnel markets, net sales declined due to the impact of further constraints on staff dispatchment due to COVID-19. Operating profit decreased significantly due to the impact of decreased sales from the pharmacist dispatchment business. However, the physician placement business is expanding gradually and the pharmacist placement business is also seeing firm growth.

(2) Explanation of Financial Position

Total assets as of the end of the consolidated second quarter were 184,741 million yen, down 810 million yen (-0.4%), compared to 185,551 million yen at the end of the previous consolidated fiscal year. This is mainly due to decreases in cash and deposits and accounts receivable-trade.

Total liabilities were 136,476 million yen, down 2,002 million yen (-1.4%) compared to 138,478 million yen at the end of the previous consolidated fiscal year. This is mainly due to decreased income taxes payable.

Total net assets were 48,264 million yen, up 1,191 million yen compared to 47,072 million yen at the end of the previous consolidated fiscal year. As a result, our equity ratio is 26.1%

(Cash Flows)

Cash flows during the first half of the consolidated fiscal year were as follows. Net cash provided by operating activities was 2,377 million yen, net cash used in investing activities 3,102 million yen, and net cash used in financing activities 882 million yen. As a result, the quarterly balance for cash and cash equivalents was 30,647 million yen, a decrease of 1,606 million yen compared to the end of the previous consolidated fiscal year.

For cash flows from operating activities, major income factors include 2,903 million yen decrease in trade receivables while major expenditure factors include 4,847 million yen in increased inventories.

For cash flows from investing activities, major expenditure factors include expenditures of 2,750 million yen for the purchase of property, plant and equipment. This is mainly comprised of investments in fixtures and equipment for existing stores and new store openings in the dispensing pharmacy business.

For cash flows from financing activities, major income factors include income of 8,000 million yen from long-term loans payable. Conversely, major expenditure factors include expenditures of 8,122 million yen in repayments of long-term loans payable.

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

We have conducted a revision to figures indicated the consolidated earnings forecast for the fiscal year ending March 2021 released on April 30, 2020.

For details, please refer to the “Notice Regarding Difference Between First Half Consolidated Earnings Forecasts and Actual Earnings, and Revisions Full-year Consolidated Earnings Forecast” released today (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)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	32,254	30,647
Notes receivable-trade	181	4
Accounts receivable-trade	20,587	17,924
Electronically recorded monetary claims-operating	1,080	1,016
Merchandise and finished goods	22,988	27,131
Work in process	1,541	1,363
Raw materials and supplies	5,431	6,356
Other	3,354	3,445
Allowance for doubtful accounts	(6)	(6)
Total current assets	87,414	87,885
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,922	30,103
Land	14,653	14,411
Construction in progress	967	1,339
Other, net	19,538	19,296
Total property, plant and equipment	66,082	65,150
Intangible assets		
Goodwill	16,994	16,865
Other	2,431	2,321
Total intangible assets	19,425	19,186
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	7,765	7,832
Other	4,846	4,668
Total investments and other assets	12,628	12,518
Total non-current assets	98,137	96,855
Total assets	185,551	184,741

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	42,659	44,503
Electronically recorded obligations-operating	3,131	3,579
Short-term loans payable	100	—
Current portion of long-term loans payable	9,406	11,966
Income taxes payable	4,132	1,040
Provision for bonuses	3,318	3,684
Provision for bonuses for directors (and other officers)	76	6
Other	7,284	6,451
Total current liabilities	70,107	71,232
Non-current liabilities		
Long-term loans payable	62,963	60,280
Provision for retirement benefits for directors (and other officers)	474	182
Retirement benefit liability	1,957	2,047
Other	2,974	2,733
Total non-current liabilities	68,370	65,244
Total liabilities	138,478	136,476
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	35,762	36,943
Treasury shares	(3,499)	(3,499)
Total shareholders' equity	47,143	48,323
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(70)	(59)
Total accumulated other comprehensive income	(70)	(59)
Total net assets	47,072	48,264
Total liabilities and net assets	185,551	184,741

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

(Millions of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	130,297	135,999
Cost of sales	107,858	112,726
Gross profit	22,439	23,272
Selling, general and administrative expenses	18,373	20,498
Operating profit	4,066	2,774
Non-operating income		
Commission income	20	16
Rental income	209	219
Compensation income	48	51
Subsidy income	69	—
Other	80	75
Total non-operating income	429	363
Non-operating expenses		
Interest expenses	194	162
Commission expenses	6	0
Rent expense	167	166
Other	126	142
Total non-operating expenses	494	473
Ordinary profit	4,001	2,665
Extraordinary income		
Gain on sales of non-current assets	30	373
Gain on sale of businesses	34	—
Total extraordinary income	65	373
Extraordinary losses		
Loss on Abandonment of non-current assets	—	375
Impairment loss	320	—
Loss on sales of non-current assets	—	0
Loss on sales of investment securities	0	—
Total extraordinary losses	320	375
Profit before income taxes	3,745	2,662
Income taxes-current	1,701	988
Income taxes-deferred	(50)	118
Total income taxes	1,650	1,106
Profit	2,094	1,555
Profit attributable to non-controlling interests	0	—
Profit attributable to owners of parent	2,094	1,555

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

(Millions of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Profit	2,094	1,555
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	—
Remeasurements of defined benefit plans	11	10
Total other comprehensive income	11	10
Comprehensive income	2,106	1,566
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,106	1,566
Comprehensive income attributable to non-controlling interests	0	—

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	3,745	2,662
Depreciation	3,036	3,064
Impairment loss	320	—
Amortization of goodwill	730	868
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in provision for bonuses	274	365
Increase (decrease) in provision for bonuses for directors (and other officers)	(80)	(70)
Increase (decrease) in retirement benefit liability	86	90
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(10)	(292)
Interest and dividend income	(0)	(0)
Interest expenses	194	162
Loss (gain) on sales of non-current assets	(30)	(372)
Loss (gain) on sales of investment securities	0	—
Loss (gain) on sale of businesses	(34)	—
Decrease (increase) in trade receivables	342	2,903
Decrease (increase) in inventories	(2,281)	(4,847)
Increase (decrease) in trade payables	5,889	2,496
Increase (decrease) in accounts payable-other	(727)	(54)
Other, net	(125)	(84)
Subtotal	11,331	6,891
Interest and dividends received	0	0
Interest paid	(140)	(114)
Income taxes paid	(1,324)	(4,343)
Net cash provided by (used in) operating activities	9,866	2,434
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,797)	(2,750)
Proceeds from sales of property, plant and equipment	236	958
Purchase of intangible assets	(237)	(344)
Proceeds from sales of investment securities	0	—
Purchase of long-term prepaid expenses	(42)	(61)
Payments for acquisition of businesses	(603)	(841)
Proceeds from sale of businesses	52	—
Payments of loans receivable	(6)	(0)
Collection of loans receivable	41	43
Payments of leasehold and guarantee deposits	(282)	(230)
Proceeds from refund of leasehold and guarantee deposits	134	89
Other, net	(2)	(20)
Net cash provided by (used in) investing activities	(3,506)	(3,158)

(Millions of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(100)
Proceeds from long-term loans payable	8,600	8,000
Repayments of long-term loans payable	(14,589)	(8,122)
Purchase of treasury shares	(0)	(0)
Dividends paid	(374)	(374)
Other, net	(579)	(284)
Net cash provided by (used in) financing activities	(6,944)	(882)
Net increase (decrease) in cash and cash equivalents	(584)	(1,606)
Cash and cash equivalents at beginning of period	29,749	32,254
Cash and cash equivalents at end of period	29,165	30,647

(4) 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 six months of FY3/20 (Apr. 1, 2019 – Sep. 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	111,757	11,783	6,756	130,297	—	130,297
(2) Inter-segment sales and transfers	6	9,256	19	9,281	(9,281)	—
Total	111,763	21,040	6,775	139,579	(9,281)	130,297
Segment profit (loss)	4,408	1,155	1,082	6,645	(2,579)	4,066

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 2,579 million yen to segment profit (loss) includes eliminations of minus 8 million yen for inter-segment transactions and corporate expenses of minus 2,571 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 54 million yen for store assets (two 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

Not applicable.

II. First six months of FY3/21 (Apr. 1, 2020 – Sep. 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	118,236	12,771	4,992	135,999	—	135,999
(2) Inter-segment sales and transfers	—	10,041	32	10,073	(10,073)	—
Total	118,236	22,812	5,025	146,073	(10,073)	135,999
Segment profit (loss)	3,624	1,163	696	5,484	(2,709)	2,774

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 2,709 million yen to segment profit (loss) includes eliminations of minus 79 million yen for inter-segment transactions and corporate expenses of minus 2,629 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

Not applicable.

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.