

Summary of Consolidated Financial Results for the Fiscal Year Ended March 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		
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Scheduled date of Annual General Meeting of Shareholders:			June 24, 2020
Scheduled date of filing of Annual Securities Report:			Undecided
Scheduled date of payment of dividend:			June 25, 2020
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 30, 2020 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, 2020 (April 1, 2019 – March 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	%
Fiscal year ended Mar. 31, 2020	268,520	9.3	7,593	12.8	7,405	21.8	6,697	76.7
Fiscal year ended Mar. 31, 2019	245,687	1.8	6,733	(36.4)	6,077	(40.1)	3,790	(37.9)

Note: Comprehensive income (million yen) FY3/20: 6,756 (up 77.4%) FY3/19: 3,809 (down 35.0%)

	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, 2020	223.33	—	15.2	4.1	2.8
Fiscal year ended Mar. 31, 2019	121.74	—	9.2	3.3	2.7

Reference: Equity in income (losses) of affiliates (million yen) FY3/20: — FY3/19: —

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net income per share and Diluted net income per share have 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	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	185,551	47,072	25.4	1,569.77
As of Mar. 31, 2019	178,677	41,073	23.0	1,369.52

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 47,072 As of Mar. 31, 2019: 41,068

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net assets per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(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, 2020	13,192	(2,731)	(7,955)	32,254
Fiscal year ended Mar. 31, 2019	13,572	(1,770)	(10,516)	29,749

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			
Fiscal year ended Mar. 31, 2019	—	25.00	—	25.00	50.00	766	20.5	1.9
Fiscal year ended Mar. 31, 2020	—	25.00	—	25.00	50.00	749	11.2	1.7
Fiscal year ending Mar. 31, 2021 (forecasts)	—	12.50	—	12.50	25.00		24.0	

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. For the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2020, the actual amounts of dividends prior to the stock split are presented.

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: 1. On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

2. The impact of the spread of COVID-19 has taken into account some of the impact on sales that can be assumed at this time, but may fluctuate significantly depending on future trends.

*** 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, 2020: 32,048,000 shares As of Mar. 31, 2019: 32,048,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2020: 2,060,834 shares As of Mar. 31, 2019: 2,060,380 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2020: 29,987,382 shares Fiscal year ended Mar. 31, 2019: 31,134,681 shares

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Number of shares outstanding at the end of the period, Number of treasury shares at the end of the period and Average number of shares outstanding during the period have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	223,775	9.9	4,603	33.4	5,280	23.8	4,672	93.3
Fiscal year ended Mar. 31, 2019	203,623	2.6	3,450	(52.9)	4,266	(42.6)	2,417	(45.4)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	155.83	—
Fiscal year ended Mar. 31, 2019	77.65	—

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net income per share and Diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	144,864	34,908	24.1	1,164.12
As of Mar. 31, 2019	135,271	30,986	22.9	1,033.30

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 34,908 As of Mar. 31, 2019: 30,986

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net assets per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Note 1: This financial report is not subject to audit by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

(1) Note concerning forward-looking statements

Forecasts and other forward-looking statements in this document incorporate risks and uncertainties because these statements are based on Nihon Chouzai's judgments and assumptions using information that is currently available. These materials are not promises by Nihon Chouzai regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

(2) How to view supplementary materials for financial results

The supplementary materials for financial results will be disclosed on TDNet, and will be posted on the Company's website.

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1. Overview of Results of Operations

(1) Results of Operations

In the fiscal year ended on March 31, 2020, drug prices were revised in October 2019 due to the consumption tax hike and the Act for Partial Amendment to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (Revised Pharmaceutical and Medical Devices Act) was enacted in November (promulgated on December 4). The Japanese government, based on the current status of the separation of drug prescribing and dispensing, finalized a policy for the separation of drug prescribing and dispensing for the purpose of enabling pharmacists to perform their primary roles in order to assist people receiving medical care. Furthermore, an intermediate report of the All-Generations Social Security Reform Conference was announced in December. Discussions are under way with the goal of creating a social security system that allows all generations to live with no worries.

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. Due to these activities, sales and earnings were higher than one year earlier, despite the impact of the novel coronavirus disease (COVID-19) pandemic in Japan.

Net sales increased 9.3% year on year to 268,520 million yen. Operating profit increased 12.8% to 7,593 million yen, ordinary profit increased 21.8% to 7,405 million yen and profit attributable to owners of parent rose 76.7% to 6,697 million yen.

Business segment performance was as follows.

1) Dispensing Pharmacy Business

In this segment, sales increased 10.7% year on year to 231,001 million yen and operating profit increased 12.4% to 9,785 million yen in the current fiscal year.

During the fiscal year, Nihon Chouzai opened 65 pharmacies and closed 13. Consequently, there were 650 pharmacies (including one pharmacy specializing in the sale of general merchandise) at the end of March 2020.

Sales increased primarily for two reasons. First is an increase in unit prices of prescriptions, resulting mainly from a larger number of prescriptions for cancer drugs and other drugs with high prices, and services provided by family pharmacists and pharmacies. Second is a larger number of prescriptions and other actions. Operating profit in this segment increased mainly due to the contribution to earnings from sales growth.

The Japanese government has established the target of raising the volume-based share of generic drugs to at least 80% by September 2020. At Nihon Chouzai pharmacies, the average rate of generic drug utilization rate was above 89% at the end of March 2020. Moreover, 89% of pharmacies were offering at-home medical care services (number of pharmacies providing at least 12 services in a year).

2) Pharmaceutical Manufacturing and Sales Business

In this segment, sales increased 5.9% year on year to 43,072 million yen and operating profit decreased 31.0% to 1,301 million yen.

Despite the negative impact of the decline in selling prices of existing products associated with the October 2019 drug price revisions, sales were higher than one year earlier mainly because of the strong sales of new product items and the growth of the contract manufacturing business. Operating profit decreased due to the severe impact of drug price revisions while there was an increase in earnings by a sales strategy that placed priority on profitability. The number of product items sold increased to 22 at the end of March 2020 due to the launch of 681 new products during the fiscal year.

3) Medical Professional Staffing and Placement Business

In this segment, sales decreased 2.8% year on year to 12,721 million yen and operating profit increased 25.2% to 1,851 million yen.

Consistently strong demand for medical professional placement services, particularly for pharmacists remained, but sales decreased as there was a larger than anticipated decline in demand for temporary staffing. Operating profit increased mainly the result of the growth of pharmacist and physician placement business, which has a high profit margin.

(2) Financial Position

Total assets increased 6,873 million yen, or 3.8%, from 178,677 million yen at the end of March 2019 to 185,551 million yen at the end of March 2020. This was mainly attributable to increase in cash and deposits, accounts receivable and goodwill.

Total liabilities increased 874 million yen, or 0.6%, from 137,604 million yen to 138,478 million yen. This was mainly attributable to an increase in current liabilities such as accounts payable. Long-term debt (including current portion of long-term debt) decreased 6,244 million yen, or 7.9%, from the end of the previous fiscal year.

Net assets increased 5,999 million yen, or 14.6%, from 41,073 million yen to 47,072 million yen. This was mainly attributable to an increase in retained earnings. The equity ratio was 25.4%.

(3) Cash Flows

There was a net increase of 2,505 million yen in cash and cash equivalents from the end of March 2019 to 32,254 million yen at the end of March 2020.

Net cash provided by operating activities was 13,192 million yen, a decrease of 379 million from one year earlier. This was mainly the results of profit before income taxes of 11,885 million yen, gain on sales of non-current assets of 6,661 million yen and income taxes paid of 3,046 million yen.

Net cash used in investing activities was 2,731 million yen, an increase of 961 million yen. This was mainly the results of proceeds 9,644 million yen from sales of property, plant and equipment and payments of 5,624 million yen for the purchase of property, plant and equipment mainly 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 was 7,955 million yen, a decrease of 2,560 million yen. This was mainly the results of repayments of 16,261 million yen for long-term borrowings.

Trends in cash flow indicators

	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Shareholders' equity ratio (%)	20.6	20.4	22.2	23.0	25.4
Shareholders' equity ratio based on market prices (%)	40.8	33.9	28.7	31.5	26.7
Cash flows to debt ratio (years)	3.5	—	3.8	6.0	5.6
Interest coverage ratio (times)	24.4	—	37.1	25.8	34.9

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. Cash flows to debt ratio and interest coverage ratio for FY3/17 are not presented because operating cash flows were negative.

(4) Outlook

For the fiscal year ending on March 31, 2021, Nihon Chouzai forecasts consolidated net sales of 291,813 million yen, up 8.7%, operating profit of 6,504 million yen, down 14.3%, ordinary profit of 6,266 million yen, down 15.4%, and profit attributable to owners of parent of 3,122 million yen, down 53.4%.

Regarding trends in the dispensing pharmacy and pharmaceutical industries, the 2020 prescription dispensing fee revisions, which were the third time these fees have been revised since Japan's Ministry of Health, Labour and Welfare announced "A Vision of Pharmacies for Patients" in October 2015, are speeding up the structural shift of pharmacy operations to people-to-people services and away from services that do not involve direct contact with customers. The aim is to establish a fee structure that increases the value placed on people-to-people services of pharmacies and reexamines the value of services having no direct contact with customers. In addition, two drug price revisions within period of only six months reduced the prices of Nihon Chouzai Group products. The first revision was in October 2019 in conjunction with a consumption tax hike and the second in April 2020 was the standard revision that takes place every two years. These revisions created an even more difficult environment for businesses.

In the core dispensing pharmacy business, many large-scale activities are under way for the utilization of ICT and machines in order to enable pharmacists to spend most of their time on activities that involve direct contact with customers. In addition, to further strengthen the Group's management foundation, there are measures to use M&A to increase the number of pharmacies. In the pharmaceutical manufacturing and sales business, the goals are the utilization of synergies with other group businesses, which is a key strength of the Nihon Chouzai Group, and more growth of contract manufacturing and other operations. In the medical professional staffing and placement business, the goal is to continue increasing earnings by closely monitoring changes in the medical industry and other sectors in order to capitalize on every opportunity created by new customer needs involving medical professionals.

The Nihon Chouzai Group's business results are expected to be impacted by factors such as a reduction in 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, but we will promptly disclose any significant changes in circumstances that require us to revise our earnings forecasts.

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)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	29,749	32,254
Notes receivable-trade	134	181
Accounts receivable-trade	16,249	20,587
Electronically recorded monetary claims-operating	1,465	1,080
Merchandise and finished goods	22,272	22,988
Work in process	1,173	1,541
Raw materials and supplies	6,020	5,431
Other	3,071	3,354
Allowance for doubtful accounts	(5)	(6)
Total current assets	80,132	87,414
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,956	54,016
Accumulated depreciation	(20,582)	(23,093)
Buildings and structures, net	32,374	30,922
Machinery, equipment and vehicles	19,246	20,987
Accumulated depreciation	(4,539)	(5,902)
Machinery, equipment and vehicles, net	14,707	15,084
Land	16,961	14,653
Leased assets	2,888	2,883
Accumulated depreciation	(2,094)	(2,228)
Leased assets, net	794	655
Construction in progress	1,133	967
Other	16,399	18,422
Accumulated depreciation	(12,564)	(14,624)
Other, net	3,835	3,798
Total property, plant and equipment	69,806	66,082
Intangible assets		
Goodwill	14,552	16,994
Other	2,353	2,431
Total intangible assets	16,906	19,425
Investments and other assets		
Investment securities	17	16
Long-term loans receivable	687	703
Leasehold and guarantee deposits	7,357	7,765
Deferred tax assets	2,610	3,090
Other	1,160	1,052
Total investments and other assets	11,833	12,628
Total non-current assets	98,545	98,137
Total assets	178,677	185,551

	(Millions of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	37,274	42,659
Electronically recorded obligations-operating	3,081	3,131
Short-term borrowings	—	100
Current portion of long-term loans payable	16,143	9,406
Lease obligations	261	82
Income taxes payable	1,478	4,132
Provision for bonuses	3,023	3,318
Provision for bonuses for directors (and other officers)	86	76
Asset retirement obligations	10	9
Other	7,739	7,191
Total current liabilities	69,100	70,107
Non-current liabilities		
Long-term loans payable	62,470	62,963
Lease obligations	436	479
Long-term accounts payable-installment purchase	1,349	886
Provision for retirement benefits for directors (and other officers)	1,093	474
Retirement benefit liability	1,695	1,957
Asset retirement obligations	1,145	1,289
Other	313	318
Total non-current liabilities	68,504	68,370
Total liabilities	137,604	138,478
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	29,815	35,762
Treasury shares	(3,498)	(3,499)
Total shareholders' equity	41,196	47,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	—
Remeasurements of defined benefit plans	(127)	(70)
Total accumulated other comprehensive income	(127)	(70)
Non-controlling interests	4	—
Total net assets	41,073	47,072
Total liabilities and net assets	178,677	185,551

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

(Millions of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	245,687	268,520
Cost of sales	203,711	222,147
Gross profit	41,975	46,372
Selling, general and administrative expenses	35,242	38,779
Operating profit	6,733	7,593
Non-operating income		
Interest income	0	0
Commission income	50	41
Rent income	430	426
Compensation income	—	80
Insurance claim income	—	88
Subsidy income	—	75
Other	178	165
Total non-operating income	659	878
Non-operating expenses		
Interest expenses	525	364
Commission expenses	13	20
Rent expenses	355	336
Loss on retirement of non-current assets	221	98
Other	198	246
Total non-operating expenses	1,315	1,066
Ordinary profit	6,077	7,405
Extraordinary income		
Gain on sales of non-current assets	231	6,662
Gain on sales of investment securities	8	—
Gain on sale of businesses	1,092	34
Reversal of provision for retirement benefits for directors (and other officers)	—	634
Total extraordinary income	1,332	7,332
Extraordinary losses		
Loss on abandonment of non-current assets	—	187
Loss on sales of non-current assets	24	1
Impairment loss	607	2,663
Loss on sales of investment securities	—	0
Total extraordinary losses	632	2,852
Profit before income taxes	6,777	11,885
Income taxes-current	3,308	5,544
Income taxes-deferred	(324)	(357)
Total income taxes	2,984	5,186
Profit	3,792	6,698
Profit attributable to non-controlling interests	2	1
Profit attributable to owners of parent	3,790	6,697

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Profit	3,792	6,698
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans, net of tax	16	57
Total other comprehensive income	16	57
Comprehensive income	3,809	6,756
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,806	6,754
Comprehensive income attributable to non-controlling interests	2	1

(3) Consolidated Statement of Changes in Equity

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,953	10,926	26,816	(47)	41,648
Changes of items during period					
Dividends of surplus			(791)		(791)
Profit attributable to owners of parent			3,790		3,790
Purchase of treasury shares				(3,451)	(3,451)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,998	(3,451)	(452)
Balance at end of current period	3,953	10,926	29,815	(3,498)	41,196

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	0	(144)	(144)	2	41,506
Changes of items during period					
Dividends of surplus					(791)
Profit attributable to owners of parent					3,790
Purchase of treasury shares					(3,451)
Net changes of items other than shareholders' equity	(0)	16	16	2	19
Total changes of items during period	(0)	16	16	2	(433)
Balance at end of current period	0	(127)	(127)	4	41,073

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,953	10,926	29,815	(3,498)	41,196
Changes of items during period					
Dividends of surplus			(749)		(749)
Profit attributable to owners of parent			6,697		6,697
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	5,947	(0)	5,946
Balance at end of current period	3,953	10,926	35,762	(3,499)	47,143

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	0	(127)	(127)	4	41,073
Changes of items during period					
Dividends of surplus					(749)
Profit attributable to owners of parent					6,697
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	(0)	57	57	(4)	52
Total changes of items during period	(0)	57	57	(4)	5,999
Balance at end of current period	—	(70)	(70)	—	47,072

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	6,777	11,885
Depreciation	6,304	6,316
Amortization of long-term prepaid expenses	160	169
Impairment loss	607	2,663
Amortization of goodwill	1,487	1,581
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for bonuses	245	283
Increase (decrease) in provision for bonuses for directors (and other officers)	(50)	(10)
Increase (decrease) in retirement benefit liability	188	122
Increase (decrease) in provision for retirement benefits for directors (and other officers)	45	(726)
Interest and dividend income	(2)	(0)
Interest expenses	525	364
Loss (gain) on sales of non-current assets	(206)	(6,661)
Loss (gain) on sales of investment securities	(8)	0
Loss (gain) on sale of businesses	(1,092)	(34)
Decrease (increase) in notes and accounts receivable- trade	3,485	(2,902)
Decrease (increase) in inventories	(1,314)	74
Increase (decrease) in notes and accounts payable-trade	342	3,486
Decrease (increase) in prepaid expenses	(74)	(149)
Increase (decrease) in accrued expenses	(82)	(51)
Decrease (increase) in accounts receivable-other	998	422
Increase (decrease) in accounts payable-other	(791)	(225)
Other, net	1,460	6
Subtotal	19,004	16,615
Interest and dividend income received	2	0
Interest expenses paid	(525)	(377)
Income taxes paid	(4,908)	(3,046)
Net cash provided by (used in) operating activities	13,572	13,192
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,303)	(5,624)
Proceeds from sales of property, plant and equipment	1,723	9,644
Purchase of intangible assets	(591)	(606)
Proceeds from sales of investment securities	10	0
Increase in long-term prepaid expenses	(123)	(92)
Payments for acquisition of businesses	(368)	(771)
Proceeds from sale of businesses	4,093	52
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(785)	(5,057)
Payment of loans receivable	(92)	(76)
Collection of loans receivable	85	85
Payments of leasehold and guarantee deposits	(699)	(626)
Proceeds from refund of leasehold and guarantee deposits	281	302
Other, net	(0)	37
Net cash provided by (used in) investing activities	(1,770)	(2,731)

	(Millions of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	100
Proceeds from long-term loans payable	10,625	9,900
Repayments of long-term loans payable	(15,694)	(16,261)
Repayments of lease obligations	(311)	(266)
Repayments of installment payables	(893)	(677)
Purchase of treasury shares	(3,451)	(0)
Cash dividends paid	(791)	(749)
Net cash provided by (used in) financing activities	(10,516)	(7,955)
Net increase (decrease) in cash and cash equivalents	1,284	2,505
Cash and cash equivalents at beginning of period	28,464	29,749
Cash and cash equivalents at end of period	29,749	32,254

(5) Notes to Consolidated Financial Statements

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
FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(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	208,610	24,231	12,845	245,687	—	245,687
(2) Inter-segment sales and transfers	12	16,428	238	16,679	(16,679)	—
Total	208,622	40,659	13,083	262,366	(16,679)	245,687
Segment profit (loss)	8,707	1,885	1,478	12,071	(5,337)	6,733
Segment assets	91,220	77,237	4,696	173,154	5,523	178,677
Other items						
Depreciation	2,338	3,589	51	5,980	323	6,304
Amortization of goodwill	1,389	97	—	1,487	—	1,487
Impairment loss	607	—	—	607	—	607
Increase in property, plant and equipment and intangible assets	3,215	1,582	291	5,088	165	5,254

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

- (1) The negative adjustment of 5,337 million yen to segment profit or loss includes a profit elimination of minus 87 million yen for inter-segment transactions and corporate expenses of minus 5,250 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
 - (2) The 5,523 million yen adjustment to segment assets includes a 138 million yen elimination for receivables associated with inter-segment transactions, a 186 million yen elimination for unrealized profit in inventories and a 5,848 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 323 million yen adjustment of depreciation and the 165 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.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(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	230,989	24,899	12,631	268,520	—	268,520
(2) Inter-segment sales and transfers	12	18,172	90	18,275	(18,275)	—
Total	231,001	43,072	12,721	286,795	(18,275)	268,520
Segment profit (loss)	9,785	1,301	1,851	12,938	(5,345)	7,593
Segment assets	103,010	75,334	4,373	182,718	2,832	185,551
Other items						
Depreciation	2,267	3,639	74	5,981	335	6,316
Amortization of goodwill	1,483	97	—	1,581	—	1,581
Impairment loss	2,390	272	—	2,663	—	2,663
Increase in property, plant and equipment and intangible assets	8,997	2,069	84	11,151	873	12,025

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

- (1) The negative adjustment of 5,345 million yen to segment profit or loss includes a profit elimination of 20 million yen for inter-segment transactions and corporate expenses of minus 5,365 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
 - (2) The 2,832 million yen adjustment to segment assets includes a 28 million yen elimination for receivables associated with inter-segment transactions, a 166 million yen elimination for unrealized profit in inventories and a 3,027 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 335 million yen adjustment of depreciation and the 873 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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

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

Omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

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.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

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

Omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Omitted because the same information is presented in segment information.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Omitted because the same information is presented in segment information.

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(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	14,116	436	—	14,552

Note: Goodwill amortization is omitted because the same information is presented in segment information.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total
Unamortized balance at the end of current period	16,655	338	—	16,994

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

Per Share Information

(Yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net assets per share	1,369.52	1,569.77
Net income per share	121.74	223.33

Notes: 1. On April 1, 2020, the Company conducted a two-for-one stock split of common stock. Net assets per share and Net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

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

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

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Total net assets (Millions of yen)	41,073	47,072
Deduction on total net assets (Millions of yen)	4	—
Net assets applicable to common stock shares (Millions of yen)	41,068	47,072
Number of common stock shares at end of period used in calculation of net assets per share (Thousand shares)	29,987	29,987

Note: The number of common stock shares at the end of period that was used to calculate net assets per share is calculated after deducting treasury shares held in the Nihon Chouzai's account.

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

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Profit attributable to owners of parent (Millions of yen)	3,790	6,697
Amounts not available to common stock shareholders (Millions of yen)	—	—
Profit attributable to owners of parent available to common stock shares (Millions of yen)	3,790	6,697
Average number of common stock shares outstanding during the period (Thousand shares)	31,135	29,987

Note: The average number of shares outstanding during the period that was used to calculate net income per share is calculated after deducting treasury shares held in the Nihon Chouzai's account.

Subsequent Events

Not applicable.

This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.