

**Summary of Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending March 31, 2022
(Three Months Ended June 30, 2021)**

[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: August 13, 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 July 30, 2021 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, 2022
(April 1, 2021 – June 30, 2021)**

(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, 2021	71,851	5.2	936	118.1	993	194.8	427	20.1
Three months ended Jun. 30, 2020	68,306	6.2	429	(75.7)	337	(80.3)	356	(57.3)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2021: 433 (up 19.8%)

Three months ended Jun. 30, 2020: 361 (down 57.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2021	14.27	—
Three months ended Jun. 30, 2020	11.88	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2021	199,050	49,926	25.1
As of Mar. 31, 2021	186,262	49,868	26.8

Reference: Shareholders' equity (million yen) As of Jun. 30, 2021: 49,926 As of Mar. 31, 2021: 49,868

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	—	12.50	—	12.50	25.00
Fiscal year ending Mar. 31, 2022	—	—	—	—	—
Fiscal year ending Mar. 31, 2022 (forecasts)	—	12.50	—	12.50	25.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	142,200	4.6	3,000	8.1	3,000	12.6	1,400	(10.0)	46.69
Full year	293,400	5.2	9,200	13.5	9,100	8.2	5,100	44.1	170.07

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: Yes

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, 2021:	32,048,000 shares	As of Mar. 31, 2021:	32,048,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2021:	2,061,114 shares	As of Mar. 31, 2021:	2,061,074 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2021:	29,986,894 shares	Three months ended Jun. 30, 2020:	29,987,132 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

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 continued to face an adverse environment in the first quarter of the current consolidated fiscal year (April–June 2021) due to the impact of the COVID-19 pandemic. The government declared another state of emergency for some regions, including Tokyo, and with the call for restraint on business activities and social interaction, consumer spending remained sluggish and companies continued to curtail their activities.

In this economic environment, keenly aware of our role as a medical institution tasked with supporting medical care in our communities, our Group undertook thorough infection prevention measures in our pharmacies while continuing to offer quality medical care. We are actively supporting the further extension and acceleration of Japan's mass Covid-19 vaccination program, seeking the swift resolution of this crisis. We are also taking ongoing steps to rein in costs across the Group to improve profitability.

The Dispensing Pharmacy Business saw a turnaround in performance, buoyed by an increase in prescription volumes at existing pharmacies and the smooth operation of 29 pharmacies newly opened in the previous fiscal year. Starting in March 2021, people in Japan are able to use their “My Number Cards” as an alternative to health insurance cards, which allows hospitals to confirm patients' eligibility for insurance coverage online. Pre-launch operations are on-going with 101 stores and preparing for the full-scale operation starting in October 2021. Also starting in April 2021, we begin offering the “SocRTes” social PCR and conducted stores expanded to 74 stores as of end of June. In the Pharmaceutical Manufacturing and Sales Business, in addition to realizing Group synergies, we invested in R&D programs to increase the number of in-house manufactured drugs (including newly NHI listed drugs) and to improve productivity. In the Medical Professional Staffing and Placement Business, although the pandemic continued to have a constraining effect on temporary pharmacist staffing, placements of physicians were up, driven by acute growth in demand for personnel to help carry out the vaccination effort.

As a result of these factors, net sales for the first quarter of the current consolidated fiscal year were 71,851 million yen (+5.2% YoY), operating profit was 936 million yen (+118.1% YoY), ordinary profit was 993 million yen (+194.8% YoY), and net income attributable to owners of the parent was 427 million yen (+20.1% YoY). Going forward, the Group will continue to take all possible measures to protect patients and employees from the pandemic, while endeavoring to provide quality medical care.

1) Dispensing Pharmacy Business

In this segment, the first quarter resulted in net sales of 62,912 million yen (+8.1% YoY) and operating profit of 1,888 million yen (+306.4% YoY). The total number of pharmacies at the end of June came to 679 (including two merchandise stores) as a result of 11 openings and 2 closures during the period. Both net sales and operating profit were up on the back of higher year-on-year prescription volumes and the contribution of 29 pharmacies launched the previous fiscal year. Generic pharmaceuticals represented 89.5% of the company's total pharmaceutical usage in volume terms as of the end of June, substantially exceeding the national average of 82.1% (Ministry of Health, Labour and Welfare: Trends in Medical Expenditures for Dispensing Services February 2021). Pharmacies performing at-home medical care (12 or more home visits per year) has steadily increased, now standing at 90.8%

2) Pharmaceutical Manufacturing and Sales Business

In this segment the first quarter resulted in net sales of 12,158 million yen (+0.7% YoY) and operating profit of 451 million yen (-45.9% YoY). Drugs newly NHI listed in the previous fiscal year and in June of this year drove the higher sales. The decline in operating profit reflected lower selling prices of existing drugs due to the latest drug price revision and the postponement of sales of some newly listed drugs. The launch of seven newly NHI listed drugs in June brought the lineup to 678 items (including two over-the-counter drugs).

3) Medical Professional Staffing and Placement Business

In this segment the first quarter resulted in net sales of 1,901 million yen (-35.4% YoY) and operating profit of 278 million yen (-45.3% YoY). The decline in sales reflects the ongoing constraining effect of the pandemic on temporary pharmacist staffing. The sharp downturn in operating profit is entirely due to the sluggish demand for temporary pharmacist staffing, physician placements were up amid higher demand for physician to help carry out the vaccination effort. In its industrial physician services, Our Group sought to create new synergies by capitalizing on the Group's nationwide sales framework and track record in physician placements.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current consolidated fiscal year came to 199,050 million yen, an increase of 6.9%, or 12,788 million yen, from 186,262 million yen at the end of the fiscal year ended March 2021. Growth in assets was mainly due to an increase in cash and deposits and merchandise and finished goods.

Total liabilities were 149,124 million yen, an increase of 9.3%, or 12,729 million yen, from 136,394 million yen at the end of the previous fiscal year. This was mainly due to an increase in trade accounts payable.

Total net assets were 49,926 million yen, an increase of 58 million yen from 49,868 million yen at the end of the previous fiscal year. As a result, the equity ratio came to 25.1%.

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

There are no revisions to the full-year consolidated forecast for the fiscal year ending March 2022 announced on April 30, 2021.

Regarding the impact of the pandemic on results for the fiscal year ending March 2022, our forecast is based on the assumption that the operating environment of the second half of the fiscal year ending March 2021 will continue throughout the current fiscal year. If any significant changes occur in business conditions that necessitate a revision to the forecast, we will disclose this promptly.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/21 (As of Mar. 31, 2021)	First quarter of FY3/22 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	32,893	41,866
Notes receivable-trade	80	39
Accounts receivable-trade	21,050	—
Accounts receivable-trade and contract assets	—	19,767
Electronically recorded monetary claims-operating	831	584
Merchandise and finished goods	23,139	27,960
Work in process	1,413	1,426
Raw materials and supplies	6,174	6,422
Other	3,668	3,327
Allowance for doubtful accounts	(6)	(6)
Total current assets	89,246	101,389
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,566	29,743
Land	14,198	14,156
Construction in progress	1,649	1,027
Other, net	19,370	19,573
Total property, plant and equipment	64,785	64,500
Intangible assets		
Goodwill	16,508	16,572
Other	2,443	2,415
Total intangible assets	18,952	18,988
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	8,288	8,595
Other	4,972	5,559
Total investments and other assets	13,277	14,172
Total non-current assets	97,015	97,661
Total assets	186,262	199,050

(Millions of yen)

	FY3/21 (As of Mar. 31, 2021)	First quarter of FY3/22 (As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	44,044	55,310
Electronically recorded obligations-operating	2,742	3,486
Current portion of long-term loans payable	27,966	27,466
Income taxes payable	884	1,312
Provision for bonuses	3,602	1,931
Provision for bonuses for directors (and other officers)	46	—
Other	8,434	11,265
Total current liabilities	87,720	100,771
Non-current liabilities		
Long-term loans payable	42,997	42,641
Provision for retirement benefits for directors (and other officers)	199	107
Retirement benefit liability	2,153	2,218
Other	3,323	3,384
Total non-current liabilities	48,673	48,352
Total liabilities	136,394	149,124
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	38,551	38,604
Treasury shares	(3,500)	(3,500)
Total shareholders' equity	49,931	49,984
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(63)	(57)
Total accumulated other comprehensive income	(63)	(57)
Total net assets	49,868	49,926
Total liabilities and net assets	186,262	199,050

(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 FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Net sales	68,306	71,851
Cost of sales	57,343	59,380
Gross profit	10,962	12,471
Selling, general and administrative expenses	10,533	11,534
Operating profit	429	936
Non-operating income		
Commission income	8	9
Rental income	110	124
Insurance Income	—	130
Subsidy Income	—	29
Other	39	56
Total non-operating income	157	350
Non-operating expenses		
Interest expenses	83	79
Rent expense	83	93
Other	82	119
Total non-operating expenses	249	293
Ordinary profit	337	993
Extraordinary income		
Gain on sales of non-current assets	373	0
Total extraordinary income	373	0
Extraordinary losses		
Loss on sales of non-current assets	0	—
Total extraordinary losses	0	—
Profit before income taxes	709	993
Income taxes-current	585	1,182
Income taxes-deferred	(232)	(616)
Total income taxes	353	565
Profit	356	427
Profit attributable to owners of parent	356	427

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

(Millions of yen)

	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Profit	356	427
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	5	5
Total other comprehensive income	5	5
Comprehensive income	361	433
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	361	433

(3) Notes to Quarterly Consolidated Financial Statements

Going-concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Change in Accounting Policy

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020; hereinafter referred to as the “Accounting Standard for Revenue Recognition”) and other standards with effect from the beginning of the first quarter ended June 30, 2021, and recognizes revenue when the control of the promised goods or services is transferred to the customer at the amount that the Company expects to receive in exchange for such goods or services. As a result, there is no impact on profit and loss for the first quarter of the current fiscal year. There is also no effect on the balance of retained earnings at the beginning of the period.

With the application of the Accounting Standard for Revenue Recognition, etc., “Accounts receivable-trade” presented under “Current assets” in the consolidated balance sheet for the fiscal year ended March 31, 2021 is included in and presented as part of “Accounts receivable-trade and contract assets” with effect from the first quarter ended June 30, 2021. In accordance with the transitional treatment stipulated in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the amounts reported in the fiscal year ended March 31, 2021 are not reclassified using the new presentation method.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereinafter, “Fair Value Accounting Standards”) and others from April 1, 2021. In accordance with the transitional treatment set forth in Article 19 of Fair Value Accounting Standards and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), the Company has applied prospectively a new accounting policy prescribed by Fair Value Accounting Standards and others. This has no effect on the quarterly consolidated financial statement.

Segment and Other Information

Segment information

I. 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.

II. First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)

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	62,912	7,040	1,899	71,851	—	71,851
(2) Inter-segment sales and transfers	—	5,118	2	5,120	(5,120)	—
Total	62,912	12,158	1,901	76,972	(5,120)	71,851
Segment profit (loss)	1,888	451	278	2,618	(1,681)	936

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 1,681 million yen to segment profit (loss) includes eliminations of minus 53 million yen for inter-segment transactions and corporate expenses of minus 1,627 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.