



July 31, 2019

**Summary of Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending March 31, 2020
(Three Months Ended June 30, 2019)**

[Japanese GAAP]

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 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None
 Note: The original disclosure in Japanese was released on July 31, 2019 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, 2020
(April 1, 2019 – June 30, 2019)**

(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, 2019	64,316	8.5	1,770	253.1	1,710	329.7	833	-
Three months ended Jun. 30, 2018	59,305	1.6	501	(77.1)	398	(81.0)	40	(96.4)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2019: 841 (-%)
 Three months ended Jun. 30, 2018: 64 (down 94.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	55.61	-
Three months ended Jun. 30, 2018	2.56	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2019	184,610	41,539	22.5
As of Mar. 31, 2019	178,677	41,073	23.0

Reference: Shareholders' equity (million yen) As of Jun. 30, 2019: 41,534 As of Mar. 31, 2019: 41,068

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	25.00	-	25.00	50.00
Fiscal year ending Mar. 31, 2020	-				
Fiscal year ending Mar. 31, 2020 (forecasts)		25.00	-	25.00	50.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	129,872	9.4	2,862	85.0	2,789	120.4	1,444	93.9	96.35
Full year	268,599	9.3	7,231	7.4	7,069	16.3	4,020	6.1	268.17

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

*** Notes**

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

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

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

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

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

As of Jun. 30, 2019:	16,024,000 shares	As of Mar. 31, 2019:	16,024,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2019:	1,030,210 shares	As of Mar. 31, 2019:	1,030,190 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2019:	14,993,798 shares	Three months ended Jun. 30, 2018:	15,994,114 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Three-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Three-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going-concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment and Other Information	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter (April to June) of the fiscal year ending on March 31, 2020, following a report by the Council on Economic and Fiscal Policy of the Cabinet Office, the Japanese Cabinet approved in June the Basic Policy on Economic and Fiscal Management and Reform 2019 – The New Reiwa Era: Challenges toward Society 5.0. Social security programs are a key component of this policy. Many specific reforms are being considered, including studies for determining the proper evaluation of prescription dispensing fees. In addition, the Ministry of Health, Labour and Welfare sent a notice titled Roles of the Prescription Dispensing Business in April. This announcement is part of the steady progress in Japan to establish frameworks needed for measures that will improve the efficiency of pharmacists' tasks that do not involve direct contact with customers. Furthermore, there are ongoing discussions regarding proposed revisions to laws that would significantly alter the roles of pharmacists and pharmacies. One result of these activities is the implementation of measures for accomplishing the separation of drug dispensing and prescribing functions for the benefit of patients, which is part of the Vision of Pharmacies for Patients of the Ministry of Health, Labour and Welfare.

In response to these events, the entire Nihon Chouzai Group is taking many actions aimed at holding down growth in health care expenses and providing high-quality medical services in order to make the Vision of Pharmacies for Patients a reality. Due to these activities, first quarter sales and earnings were higher than one year earlier. Most significant was a big increase in earnings from the prior fiscal year's first quarter that resulted primarily from conducting business operations at all group companies in a manner that places emphasis on profitability. Net sales increased 8.5% year on year to 64,316 million yen. Operating profit increased 253.1% to 1,770 million yen, ordinary profit increased 329.7% to 1,710 million yen and profit attributable to owners of parent was 833 million yen compared with a 40 million yen profit attributable to owners of parent in the same period of the previous fiscal year. Furthermore, sales and all of three of these earnings were well ahead of the pace required to achieve the initial sales and earnings targets for the fiscal year.

Business segment performance was as follows.

1) Dispensing Pharmacy Business

During the first quarter of the current fiscal year, Nihon Chouzai opened seven pharmacies in the dispensing pharmacy business and closed five. Consequently, there were 600 pharmacies (including two pharmacies specializing in the sale of general merchandise) at the end of the first quarter. Sales totaled 54,814 million yen, an increase of 8.7% year on year. Sales were higher primarily because of increases in the number of prescriptions and unit prices of prescriptions, chiefly at pharmacies opened in the previous fiscal year and the first quarter of the current fiscal year. Operating profit in this segment increased 31.3% to 1,843 million yen as the contribution to earnings from sales growth more than offset higher expenses resulting from hiring a large number of new pharmacy school graduates.

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 88% at the end of June 2019. 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

This segment achieved double-digit growth as sales increased 11.6% to 10,881 million yen. Operating profit was 798 million yen compared with 59 million yen one year earlier. The big improvement in earnings was attributable mainly to a sales strategy with emphasis on profitability.

Progress continued with making this business even stronger as the number of product items sold increased to 679 at the end of the first quarter due to the launch of eight new products in June.

3) Medical Professional Staffing and Placement Business

There is consistently strong demand for staffing and placement services, particularly for pharmacists. During the first quarter, there was an increase in pharmacist temporary and permanent placements and a big increase in physician placements. The result was an 11.8% increase in sales to 3,597 million yen as the steady growth of this business continued. Earnings benefited from growth of the pharmacist placement business, which is more profitable than the temporary staffing business. Furthermore, up-front investments in prior years for sales offices and personnel for growth of the physician placement business have started to make consistent contributions to earnings. As a result, operating profit in this segment was up 62.4% to 651 million yen.

(2) Explanation of Financial Position

Total assets increased 5,932 million yen, or 3.3%, from the end of March 2019 to 184,610 million yen at the end of June 2019. Current assets were 86,742 million yen, an increase of 6,609 million yen, or 8.2%. This was attributable mainly to an increase in merchandise and finished goods as drug inventories returned to the normal level following a reduction at the end of March 2019. Non-current assets were 97,868 million yen, a decrease of 677 million yen, or 0.7%. This was about the same as at the end of March 2019.

Total liabilities increased 5,466 million yen, or 4.0%, to 143,070 million yen primarily because of an increase in accounts payable-trade associated with returning inventories to the normal level.

Net assets increased 466 million yen, or 1.1%, to 41,539 million yen.

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

There are no revisions to the consolidated forecast for the fiscal year ending March 31, 2020 that was announced on April 26, 2019.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	29,749	31,921
Notes receivable-trade	134	78
Accounts receivable-trade	16,249	16,738
Electronically recorded monetary claims-operating	1,465	1,119
Merchandise and finished goods	22,272	26,719
Work in process	1,173	1,092
Raw materials and supplies	6,020	6,010
Other	3,071	3,068
Allowance for doubtful accounts	(5)	(6)
Total current assets	80,132	86,742
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,374	31,932
Land	16,961	16,844
Construction in progress	1,133	319
Other, net	19,337	19,909
Total property, plant and equipment	69,806	69,005
Intangible assets		
Goodwill	14,552	14,317
Other	2,353	2,331
Total intangible assets	16,906	16,649
Investments and other assets		
Investment securities	17	17
Leasehold and guarantee deposits	7,357	7,372
Other	4,457	4,823
Total investments and other assets	11,833	12,213
Total non-current assets	98,545	97,868
Total assets	178,677	184,610

	(Millions of yen)	
	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	37,274	48,638
Electronically recorded obligations-operating	3,081	4,011
Current portion of long-term borrowings	16,143	11,844
Income taxes payable	1,478	1,338
Provision for bonuses	3,023	1,660
Provision for bonuses for directors (and other officers)	86	-
Other	8,011	10,344
Total current liabilities	69,100	77,836
Non-current liabilities		
Long-term borrowings	62,470	59,288
Provision for retirement benefits for directors (and other officers)	1,093	1,076
Retirement benefit liability	1,695	1,738
Other	3,244	3,131
Total non-current liabilities	68,504	65,234
Total liabilities	137,604	143,070
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	29,815	30,274
Treasury shares	(3,498)	(3,498)
Total shareholders' equity	41,196	41,655
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Remeasurements of defined benefit plans	(127)	(121)
Total accumulated other comprehensive income	(127)	(121)
Non-controlling interests	4	5
Total net assets	41,073	41,539
Total liabilities and net assets	178,677	184,610

(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 FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	59,305	64,316
Cost of sales	49,547	53,169
Gross profit	9,757	11,147
Selling, general and administrative expenses	9,256	9,377
Operating profit	501	1,770
Non-operating income		
Commission income	14	10
Rental income	110	105
Compensation income	-	48
Other	53	39
Total non-operating income	178	203
Non-operating expenses		
Interest expenses	149	103
Commission expenses	3	3
Rent expense	86	93
Other	41	62
Total non-operating expenses	281	263
Ordinary profit	398	1,710
Extraordinary income		
Gain on sales of non-current assets	0	27
Gain on sales of investment securities	8	-
Total extraordinary income	8	27
Profit before income taxes	406	1,738
Income taxes-current	871	1,324
Income taxes-deferred	(504)	(420)
Total income taxes	367	903
Profit	39	834
Profit (loss) attributable to non-controlling interests	(1)	0
Profit attributable to owners of parent	40	833

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

(Millions of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Profit	39	834
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Remeasurements of defined benefit plans, net of tax	24	6
Total other comprehensive income	24	6
Comprehensive income	64	841
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	65	840
Comprehensive income attributable to non-controlling interests	(1)	0

(3) Notes to Quarterly Consolidated Financial Statements

Going-concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

I. First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)

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	50,446	5,730	3,128	59,305	-	59,305
(2) Inter-segment sales and transfers	3	4,024	89	4,116	(4,116)	-
Total	50,449	9,754	3,217	63,421	(4,116)	59,305
Segment profit (loss)	1,404	59	401	1,864	(1,363)	501

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 adjustment of -1,363 million yen to segment profit (loss) includes eliminations of -96 million yen for inter-segment transactions and corporate expenses of -1,267 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 FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)

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

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

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

2. Information related to assets for each reportable segment

Not applicable.

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

Not applicable.

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.