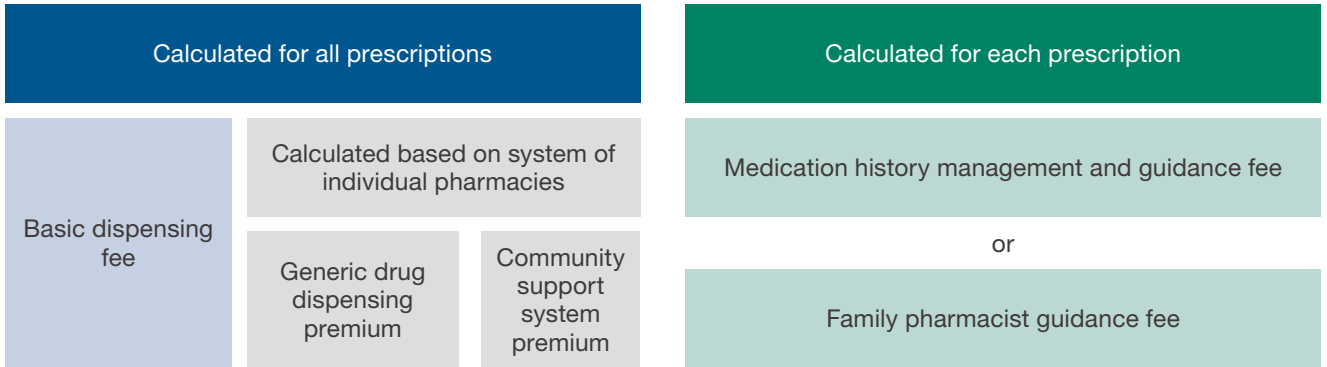


Data Section

- 79 ▶ Major Revisions to Drug Dispensing Fees
- 82 ▶ Explanation of Terms
- 85 ▶ 11-Year Summary of Financial and Non-Financial Data
- 87 ▶ Consolidated Balance Sheet
- 88 ▶ Consolidated Statement of Income
- 89 ▶ Consolidated Statement of Comprehensive Income
Consolidated Statement of Changes in Net Assets
- 90 ▶ Consolidated Statement of Cash Flows
- 91 ▶ Company Profile

Major Revisions to Drug Dispensing Fees

Reference Changes in main technical fees as part of the FY2018 revision



Basic dispensing fees

FY2020 revision (changes are shown in blue)

	Number of prescriptions	Concentration rate	Points
Basic dispensing fee ¹	Basic dispensing fee other than basic dispensing fee 2, 3, and special basic dispensing fee		42 points
Basic dispensing fee ²	2,001–4,000 per month	Over 85%	26 points
	Over 4,000 per month	Over 70%	
	1,801–2,000 per month (added)	Over 95%	
	Over 4,000 per month from specific medical institutions	–	
Basic dispensing fee ^{3 a)}	35,001–40,000 per month within the same group (added)	Over 95%	21 points
	40,001–400,000 per month within the same group	Over 85%	
Basic dispensing fee ^{3 b)}	Over 400,000 per month within the same group		

FY2018 revision

	Requirements	Concentration rate	Points
Special basic dispensing fee	<ul style="list-style-type: none"> Have real estate transactions with a medical institution Other special relationship 	Over 95%	11 points

• 50% reduction in basic dispensing fee if the pharmacy conducts basic operations related to family pharmacy functions less than 10 times a year

FY2020 revision

	Requirements	Concentration rate	Points
	<ul style="list-style-type: none"> Real estate transactions with a medical institution (including a clinic) Other special relationship 	Over 70%	9 points

• 50% reduction in basic dispensing fee if the pharmacy conducts basic operations related to family pharmacy functions **less than 100 times a year**

Generic drug dispensing premium

	April 2018–March 2020	Points
Generic drug dispensing premium 1	Over 75%	18 points
Generic drug dispensing premium 2	Over 80%	22 points
Generic drug dispensing premium 3	Over 85%	26 points

- 2 point reduction in basic dispensing fee if proportion of generic drugs dispensed (volume) is 20% or less

	April 2020–March 2022	Points
	Over 75%	15 points
	Over 80%	22 points
	Over 85%	28 points

- 2 point reduction in basic dispensing fee if proportion of generic drugs dispensed (volume) is **40% or less**

Community support system premium

	April 2018–March 2020	Points
Community support system premium	<ul style="list-style-type: none"> • Basic dispensing fee 1 pharmacies must satisfy all of the following: <ol style="list-style-type: none"> (1) License of narcotics retailer (2) Record of at least one home visit for medication management per year (3) Submission of family pharmacist notification <ul style="list-style-type: none"> - Supervising pharmacist has five years of pharmacy experience, at least one year tenure at the pharmacy, and works at least 32 hours per week. • For pharmacies other than basic dispensing fee 1 pharmacies, every full-time pharmacist must achieve the following each year: <ol style="list-style-type: none"> (1) Record of patient support during nighttime hours/holidays 400 times (2) Record of charging premium for narcotics guidance and management 10 times (3) Record of charging premium for preventing duplicate prescriptions or harmful drug interactions, etc. 40 times (4) Record of charging family pharmacist guidance fee, etc. 40 times (5) Record of charging outpatient medication support fee 12 times (6) Record of charging medication adjustment support fee 1 time (7) Record of conducting at-home medication management (one patient per pharmacy) 12 times (8) Record of charging medication information provision fee 60 times 	35 points

	April 2020–March 2022	Points
	Basic dispensing fee 1 pharmacies must satisfy (1)–(3) and either (4) or (5): <ol style="list-style-type: none"> (1) License of narcotics retailer (2) Record of at least 12 home visit for medication management per year (3) Submission of family pharmacist notification (4) Record of charging medication information provision fee At least 12 times/year (5) Participation in multidisciplinary conference in the community At least 1 time/year <ul style="list-style-type: none"> - Supervising pharmacist has five years of pharmacy experience, at least one year tenure at the pharmacy, and works at least 32 hours per week. 	
	<ul style="list-style-type: none"> • Pharmacies other than basic dispensing fee 1 pharmacies must satisfy eight out of items (1)–(9) [for (1)–(8) every full-time pharmacist must achieve each item each year, and each pharmacy must achieve (9) each year]: <ol style="list-style-type: none"> (1) Record of patient support during nighttime hours/holidays 400 times (2) Record of dispensing narcotics 10 times (3) Record of charging premium for preventing duplicate prescriptions or harmful drug interactions, etc. 40 times (4) Record of charging family pharmacist guidance fee, etc. 40 times (5) Record of charging outpatient medication support fee 12 times (6) Record of charging medication adjustment support fee 1 time (7) Record of conducting at-home medication management (one patient per pharmacy) 12 times (8) Record of charging medication information provision fee 60 times (9) Participation in multidisciplinary conference in the community At least 1 time/year 	38 points

Medication history management and guidance fee

April 2018–March 2020		Basic dispensing fee ¹	Other than basic dispensing fee ¹	April 2020–March 2022		Basic dispensing fee ¹	Other than basic dispensing fee ¹
Repeat visit within 6 months	With medication notebook	41 points	53 points	Repeat visit within 3 months	With medication notebook	43 points	
	Without medication notebook	53 points			Without medication notebook	57 points	
No repeat visit within 6 months	With/without medication notebook			No repeat visit within 3 months	With/without medication notebook		

Family pharmacist guidance fee

April 2018–March 2020		Points	April 2020–March 2022		Points
Family pharmacist guidance fee	<ul style="list-style-type: none"> • Three years pharmacy experience, one year tenure at the pharmacy, works at least 32 hours/week • Certified pharmacist training credentials • Participation in community activities related to medical care 	73 points	<ul style="list-style-type: none"> • Three years pharmacy experience, one year tenure at the pharmacy, works at least 32 hours/week • Certified pharmacist training credentials • Participation in community activities related to medical care • Separate counter divided by partition 	76 points	

Dispensing fee

	1-7	8-14	15-21	22-30	Over 31
April 2018–March 2020	5 points/day (avg. 27 points)	4 points/day (avg. 61 points)	67 points	78 points	86 points
April 2020–March 2022	28 points	55 points	64 points	77 points	86 points

Online medication guidance (new)

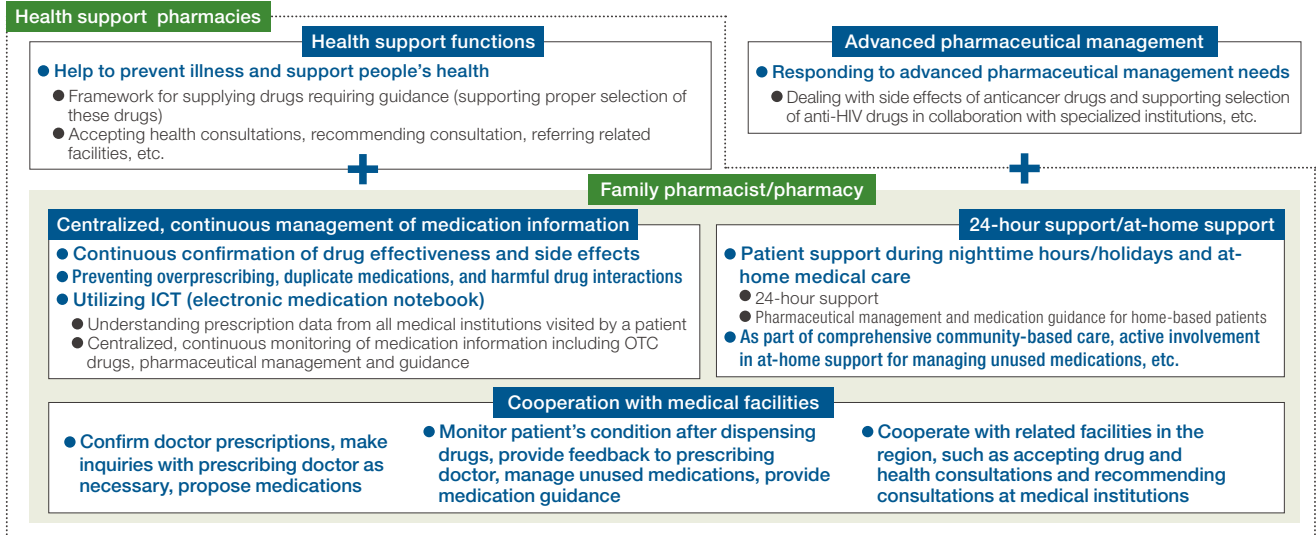
April 2018–March 2020		Points
Medication history management and guidance fee ⁴	When medication guidance is given via information and communication equipment: Patients issued prescription from online medical consultation In principle, patients given face-to-face medication guidance within three months (1) Draft a medication guidance plan, carry out the plan (2) In principle, the pharmacist providing online medication guidance is the same as the face-to-face pharmacist (3) From medication notebook, confirm medication history and medications being taken	43 points Up to once a month
At-home medication management guidance fee	Online at-home medication management guidance fee Patients issued a prescription from home-visit medical consultation Patients receiving a monthly visit for at-home medical care (1) Can be calculated up to 10 times/week per pharmacist, or 40 times/week for combined at-home medication management guidance fees 1–3 (2) Draft a medication guidance plan, carry out the plan (3) In principle, the pharmacist providing online medication guidance is the same as the face-to-face pharmacist (4) Provide written information to doctor conducting home-visit medical consultation	57 points Up to 1 time/month

Explanation of Terms

[Vision of Pharmacies for Patients]

Guidelines announced by the Ministry of Health, Labour and Welfare in October 2015. Under a comprehensive community-based care system, pharmacies perform functions such as the centralized, continuous monitoring and management of medication information, at-home care,

and other drug management and guidance, to try to bring about a patient-centered separation of drug prescribing and dispensing services within the community. The guidelines indicate the direction and expected functions of dispensing pharmacies going forward.



[Family pharmacist]

In tandem with the April 2016 dispensing fee revision, a family pharmacist system was started in Japan. The purpose was to allow patients to designate a single pharmacist of their choosing as a family pharmacist, from a pool of pharmacists who have cleared certain nationally established requirements. After receiving a signed consent form, the pharmacist in charge can offer continuity to patients in explaining and consulting about medications. Becoming a family pharmacist requires prior notification to local health authorities.

(1) Family pharmacists have a centralized grasp of medication information

The pharmacist has an overall grasp of a patient's prescriptions received from other medical institutions or pharmacies, OTC medicines, health foods, and supplements. The pharmacist checks for duplicate medications and harmful drug interactions, and gives advice such as precautions on how to take medicine or what foods to avoid.

(2) Confirming changes in physical condition and adjusting unused medications

The pharmacist in charge continuously monitors a drug's effectiveness and changes in a patient's physical condition after taking a drug, with reference to past medication records and history of side effects. When necessary, the pharmacist makes inquiries with medical institutions and provides feedback on side effects and status of medication compliance. Moreover, when there is a large amount of unused medications, the pharmacist adjusts the length of future prescriptions and takes other steps to manage medications.

(3) Patient support and consultations during nighttime hours/holidays

By continually grasping a patient's medication status and changes in physical condition, the pharmacist in charge can respond to consultations regarding the proper use of medications and how to maintain health. In emergencies, the pharmacist will support patients by phone during nighttime hours and holidays.

Criteria for a family pharmacist:	<ol style="list-style-type: none"> 1. More than three years pharmacy experience 2. Works at the pharmacy at least 32 hours a week 3. Has at least one year tenure at the pharmacy 4. Has obtained certified pharmacist training credentials from a certifying organization 5. Participates in community activities related to medical care 6. Pharmacy is equipped with a separate counter divided by partition (added April 2020)
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[Family pharmacist/pharmacy]

The Vision of Pharmacies for Patients describes three functions that are expected of family pharmacists and pharmacies, but includes no criteria for pharmacy facilities, and pharmacies are not required to submit notification. The work of family pharmacists and pharmacies is highly interpersonal, and the main operations of pharmacies other than basic dispensing fee 1 pharmacies must satisfy the nine categories (listed above) to be eligible to charge a community support system premium. The goal of the Ministry of Health, Labour and Welfare is to reorganize all pharmacies in Japan into family pharmacists and pharmacies by 2025.

[Health support pharmacies]

Health support pharmacies have the basic functions of family pharmacists and pharmacies, but also actively support members of the local community in autonomously maintaining and improving their health. Qualifying as a health support pharmacy requires prior notification to health authorities. The Ministry of Health, Labour and Welfare aims to register 10,000 to 15,000 health support pharmacies by 2025.

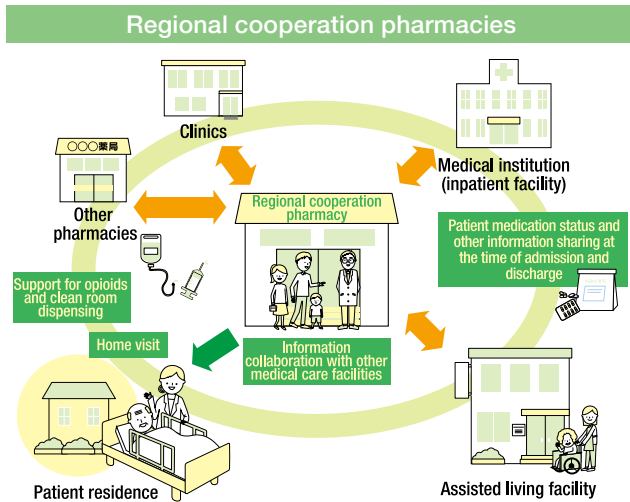
Criteria for health support pharmacies:	<ol style="list-style-type: none"> 1. Collaborates with medical institutions, long-term care providers, and other business operators under the comprehensive community-based care system 2. A pharmacist who has completed training related to health support pharmacies and has more than five years of work experience must be on-site 3. Has a consultation counter that takes privacy into consideration 4. "Health support pharmacy" is clearly displayed on the outside and inside of the pharmacy 5. Handles drugs requiring guidance, long-term care products, etc.
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Source: Ministry of Health, Labour and Welfare "Vision of Pharmacies for Patients"

83 Explanation of Terms

[Partial revision to the Pharmaceuticals and Medical Devices Act]

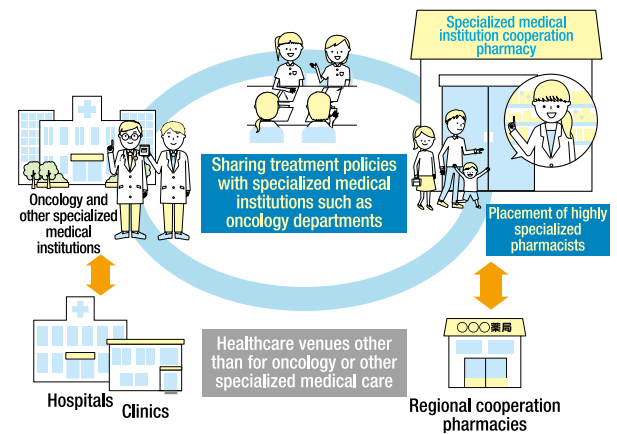
Following revisions to the Pharmaceuticals and Medical Devices Act, pharmacies began providing online medication guidance from September 2020. Previously, remote medication guidance was allowed only in National Strategic Special Zones (business-friendly zones in major urban areas with special regulatory provisions). The revised law allows guidance for prescriptions resulting from medical care administered by online video conferencing to be conducted online, and on a nationwide scale.



Eligible disease types, including prevention of diabetic progression and chronic headaches, have also been expanded.

In addition, from August 2021, the functions of pharmacies are stipulated by the Act, and with the permission of the prefectural governor, pharmacies can display their functions—as regional cooperation pharmacies or specialized medical institution cooperation pharmacies—on their signboards or other media. This will allow patients to choose the pharmacy that suits them best.

Specialized medical institution cooperation pharmacy



[Aging Population Projections]

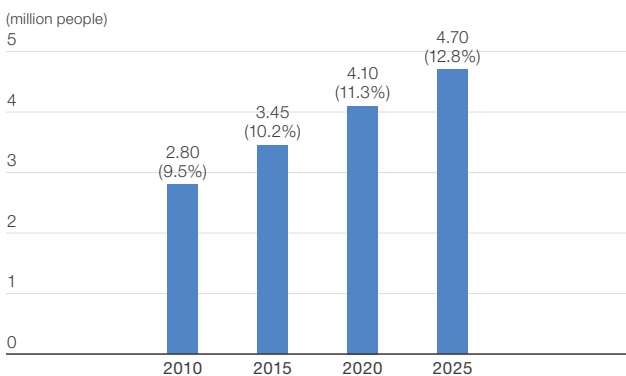
- The number of people aged 65 and over in Japan is expected to reach 36.57 million in 2025 and peak at 38.78 million in 2042. Moreover, the proportion of people aged 75 and over in the total population will continue to rise, and is expected to exceed 25% by 2055.

	August 2012	2015	2025	2055
Population of people aged 65 and over (proportion)	30.58 million (24.0%)	33.95 million (26.8%)	36.57 million (30.3%)	36.26 million (39.4%)
Population of people aged 75 and over (ratio)	15.11 million (11.8%)	16.46 million (13.0%)	21.79 million (18.1%)	24.01 million (26.1%)

Source: Ministry of Health, Labour and Welfare White Paper FY2015

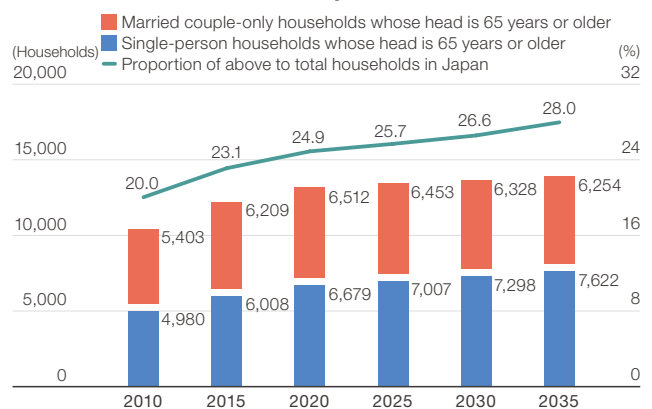
- Among those aged 65 and over, the number of elderly people with level 2 dementia or higher (ranking the degree of independence in daily life) will increase.

Estimated number of elderly people with level 2 dementia or higher (ranking the degree of independence in daily life). Percentage of total population aged 65 and over.



- The number of single-person and married couple-only households whose head is 65 years or older will increase.

Estimate of single-person and married couple-only households whose head is 65 years or older



Source: Ministry of Health, Labour and Welfare, Projections of Future Aging Population

[Separation of drug prescribing and dispensing services]

A system which seeks to improve the quality of medical care by allowing doctors and pharmacies to assume responsibility for their respective specialties. Doctors examine patients and prescribe medications. Based on prescriptions issued by doctors, independently managed pharmacists fill prescriptions, manage medication history, and provide medication guidance.

[Generic drugs]

A drug with the same active ingredient manufactured and supplied by a pharmaceutical company other than the original manufacturer after expiration of the patent period for the drug's active ingredient (chemical patent). Although official regulations in Japan use a different term to describe these drugs, the Group refers to them by the more well-known English term "generic."

[Medical treatment fee revisions]

In Japan, the fees healthcare providers may charge for services covered by health insurance are determined by a medical treatment fee schedule established by the Ministry of Health, Labor and Welfare, which covers medical fees, dental fees, and dispensing fees. In addition, drug prices are determined by the National Health Insurance (NHI) drug price list. Medical treatment fees are revised every two years.

[Dispensing fee revisions]

A part of the medical treatment fee revision, this refers to the revision of fees related to drug dispensing. Dispensing fees are revised every two years.

[Drug price revisions]

Official drug prices for medical treatment covered by health insurance are determined by the National Health Insurance (NHI) drug price list. New drugs may be listed four times a year, and generic drugs may be listed twice a year. Since April 2020, NHI drug price revisions have been implemented every year based on a survey of market prices for drugs conducted among medical institutions and pharmacies.

[Basic dispensing fee]

Compensation paid to a pharmacist for dispensing drugs at a pharmacy, for each prescription filled. Fees a pharmacy can charge are represented by points (1 point=fee of 10 yen). There are differences in points depending on whether the pharmacy functions as a family pharmacy, the concentration of prescriptions it handles from a specific medical institution, and whether it is part of a pharmacy group.

[Generic drug dispensing premium]

Compensation added to the basic dispensing fee for pharmacies that actively dispense generic drugs. The calculation standard has been raised with each medical treatment fee revision, reflecting the government's goal of further promoting the use of generic drugs.

[Community support system premium]

Compensation added to the basic dispensing fee to recognize pharmacies where pharmacists assume the functions of a family pharmacist and which contribute to medical care in the community under the comprehensive community-based care system, such as offering patient support during nighttime hours and holidays. This premium was newly introduced with the April 2018 medical treatment fee revision.

[At-home medical care]

Care where a pharmacist visits the home of a patient for whom physical disabilities or other circumstances make it difficult to visit a hospital or pharmacy. The visiting pharmacist explains medications to the patient, monitors and manages the patient's medication status, and provides medical care in cooperation with doctors, nurses, and other care providers.

[Hospital-front pharmacies]

Although no formal definition exists, hospital-front pharmacies are typically located near a hospital, and mainly fill prescriptions for that hospital. Some hospital-front pharmacies also function as family pharmacies, filling prescriptions from multiple medical institutions and engaging in at-home medical care.

[Hybrid pharmacies]*¹

Pharmacies located near train stations or within shopping districts, which combine the characteristics of a neighborhood pharmacy, which fills prescriptions from medical facilities across a relatively wide area rather than a single specific facility, and the characteristics of a medical center-type pharmacy, which fills prescriptions issued by multiple clinics gathered in a central "medical mall" location.

[On-site pharmacy]

The relaxation in October 2016 of regulations mandating the structural independence of pharmacies and medical institutions made it possible to open pharmacies on the premises of hospitals. Pharmacies are now able to collaborate with hospitals, which demand support for advanced medical care. At the same time, the (special) basic dispensing fee for on-site pharmacies is set lower than that for hospital-front pharmacies.

[Electronic medication notebook]

A notebook application that centrally manages information on and records of medications prescribed, which helps to avoid duplicate prescriptions and unforeseen side effects from taking medications at the same time. Records can be stored on a smartphone. Nihon Chouzai has developed its own electronic medication notebook application, *Okusuri Techo Plus*. Although multiple companies have developed their own applications, the products of companies participating in the mutual browsing service provided by the Japan Pharmaceutical Association can browse information even from other companies' products.

[Automatic medication picking device, fully automated blister pack dispenser]

In Japan, most medications patients take are sealed in blister packs, also called press through packs (PTP). At pharmacies, human staff have to pick out blister packs containing the proper medications from among a large inventory. These two devices store multiple PTP sheets in separate cassettes, and when prescription data is sent, automatically prepare the required number of PTP sheets. These machines are gaining wider acceptance in Japan.

[Health Check-Up Stations]*²

Health Check-Up Stations are dedicated spaces within Nihon Chouzai pharmacies where patients can consult with pharmacists about health issues and take health measurements. They serve to support the health of community residents through disease prevention and pre-symptomatic illness initiatives.

[Formularies]

Guidelines for drug use formulated by individual medical institutions or regions based on a comprehensive scientific assessment of the efficacy and safety of drugs, as well as their economic efficiency. The goal is to promote standardized drug treatment based on guidelines for the use of high-quality, inexpensive drugs. It is expected that the spread of regional formularies will promote the use of generic drugs and curb the continued rise in medical costs. Most countries in Europe and the U.S. have already introduced formularies, which have been introduced in some areas of Japan as well.

[Worker Dispatch Act]

The official name is the "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers." This law stipulates rules that temporary staffing companies and companies that hire temporary staff must observe in order to protect the rights of dispatched workers. The law has been improved by, for example, establishing the period of time that a worker can be dispatched to the same office of the company hiring the temporary staff.

[Certified Nutrition Care Stations]

Certified Nutrition Care Stations are facilities certified by the Japan Dietetic Association as regional bases for providing nutrition care support and guidance for members of regional communities.

Nutritionists and registered dietitians—professionals of food and nutrition—provide support for members of regional communities to live healthy and fulfilling lives.

*1"Hybrid pharmacy" is Nihon Chouzai's own term. *2Health Check-Up Station is a registered trademark of Nihon Chouzai.

Consolidated Financial Data	FY2010	FY2011	FY2012	FY2013
Fiscal year in which revisions to dispensing fees and NHI drug prices were made	○		○	
Business results (fiscal year)				
Net sales	112,128	130,041	139,466	165,347
Gross profit	19,182	22,038	21,494	25,623
Selling, general and administrative expenses	14,398	16,574	18,248	20,878
Operating profit	4,784	5,464	3,245	4,744
EBITDA ¹	7,479	8,968	7,319	9,129
Ordinary profit	4,358	4,941	2,855	4,188
Profit attributable to owners of parent	1,821	2,085	184	1,901
Cash flows (fiscal year)				
Cash flows from operating activities	6,723	7,127	2,885	6,243
Cash flows from investing activities	△8,269	△9,694	△6,422	△14,510
Cash flows from financing activities	1,109	7,920	5,496	8,782
Financial position (at year-end)				
Total assets ²	72,701	86,615	95,140	117,295
Net assets	12,780	14,716	14,702	15,849
Cash and cash equivalents	7,200	12,554	14,513	15,027
Merchandise and finished goods	8,595	8,419	11,908	12,165
Interest-bearing debt ³	33,891	42,279	48,281	62,037
Per share information				
Net assets per share ⁴ (yen)	446.70	511.99	508.52	545.32
Net income per share ⁴ (yen)	63.78	72.73	6.42	65.62
Financial and non-financial data				
Sales growth rate (%)	14.1	16.0	7.2	18.6
SG&A expense ratio (%)	12.8	12.7	13.1	12.6
Operating margin (%)	4.3	4.2	2.3	2.9
ROA ⁵ (%)	2.7	2.6	0.2	1.8
ROE ⁵ (%)	15.1	15.2	1.3	12.0
Equity ratio ⁷ (%)	17.6	17.0	15.5	13.5
Interest coverage ratio ⁸ (times)	12.8	13.0	4.9	8.6
Debt-to-equity ratio ⁹ (times)	2.7	2.9	3.3	3.9
Capital expenditure	7,885	8,961	5,566	9,069
Depreciation	2,333	3,028	3,591	3,825
R&D expenses	985	1,224	1,023	1,534
Number of employees ¹⁰	2,112	2,304	2,488	3,009

*Figures have been rounded down. Percentages have been rounded to the nearest first decimal place.

Notes:1: EBITDA = Operating profit + depreciation

2: Figures before FY2017 are not retroactively adjusted in accordance with a change in accounting standards.

3: Interest-bearing debt = loans + lease obligations + installment accounts payable + bonds

4: Nihon Chouzai conducted 2-for-1 stock splits on October 1, 2015 and April 1, 2020. Net assets per share and net income per share have been calculated as if these stock splits had taken place at the beginning of FY2010.

5: ROA = profit attributable to owners of parent ÷ average of total assets at the beginning and end of the fiscal year

(As of March 31, 2021)

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
○		○		○	△ ¹¹	○
181,844	219,239	223,468	241,274	245,687	268,520	278,951
31,929	39,068	39,258	43,837	41,975	46,372	49,374
25,281	28,578	30,738	33,250	35,242	38,779	41,267
6,647	10,489	8,519	10,587	6,733	7,593	8,106
10,923	15,615	14,237	17,127	14,525	15,491	16,286
6,003	9,878	7,976	10,138	6,077	7,405	8,409
2,778	6,329	4,638	6,104	3,790	6,697	3,538
5,831	19,327	△940	23,141	13,572	13,192	11,213
△8,437	△7,823	△28,444	△13,843	△1,770	△2,731	△7,767
1,422	7,031	18,205	△2,034	△10,516	△7,955	△2,806
130,141	157,609	178,347	186,573	178,677	185,551	186,262
17,635	32,473	36,447	41,506	41,073	47,072	49,868
13,844	32,380	21,200	28,464	29,749	32,254	32,893
15,911	15,328	21,455	20,873	22,272	22,988	23,139
68,327	66,794	86,524	87,611	81,302	73,918	72,757
628.80	1,015.11	1,139.35	1,297.50	1,369.52	1,569.77	1,663.01
97.24	216.42	145.02	190.84	121.74	223.33	118.01
10.0	20.6	1.9	8.0	1.8	9.3	3.9
13.9	13.0	13.8	13.8	14.3	14.4	14.8
3.7	4.8	3.8	4.4	2.7	2.8	2.9
2.2	4.4	2.8	3.3	2.1	3.6	1.9
16.6	25.3	13.5	15.7	9.2	15.2	7.3
13.6	20.6	20.4	22.2	23.0	25.4	26.8
7.1	24.4	—	37.1	25.8	34.9	35.1
3.8	2.1	2.4	2.1	2.0	1.6	1.5
12,279	8,073	23,344	15,316	5,254	12,025	9,492
3,631	4,461	4,741	5,214	6,304	6,316	6,416
1,767	1,913	2,388	2,784	2,764	2,991	2,776
3,283	3,435	3,781	4,075	4,383	4,904	5,221

6: ROE = profit attributable to owners of parent ÷ average equity at the beginning and end of the fiscal year

7: Equity ratio = shareholders' equity ÷ total assets

8: Interest coverage ratio = operating cash flows ÷ interest payment. This figure is not presented when operating cash flows are negative.

9: Debt-to-equity ratio = interest-bearing debt ÷ net assets

10: Number of employees indicates regular employees but does not include non-regular employees such as associate, contract, fixed-term, or part-time employees.

11: NHI drug prices were revised in October 2019 in line with changes in the consumption tax rate. In line with NHI drug price revisions, some dispensing fees were also adjusted and revised.

87 Consolidated Balance Sheet

Nihon Chouzai Co., Ltd. and subsidiaries (as of March 31, 2020 and 2021)

Assets	(Millions of yen)	
	FY2019	FY2020
Current Assets		
Cash and deposits	32,254	32,893
Notes receivable — trade	181	80
Accounts receivable — trade	20,587	21,050
Electronically recorded monetary claims — operating	1,080	831
Merchandise and finished goods	22,988	23,139
Work in process	1,541	1,413
Raw materials and supplies	5,431	6,174
Other	3,354	3,668
Allowance for doubtful accounts	(6)	(6)
Total current assets	87,414	89,246
Non-current assets		
Property, plant and equipment		
Buildings and structures	53,112	53,669
Accumulated depreciation	(22,189)	(24,102)
Buildings and structures, net	30,922	29,566
Machinery, equipment and vehicles	20,944	20,960
Accumulated depreciation	(5,860)	(6,927)
Machinery, equipment and vehicles, net	15,084	14,033
Land	14,653	14,198
Leased assets	2,883	2,789
Accumulated depreciation	(2,228)	(1,592)
Leased assets, net	655	1,196
Construction in progress	967	1,649
Other	17,947	19,595
Accumulated depreciation	(14,148)	(15,455)
Other, net	3,798	4,140
Total property, plant and equipment	66,082	64,785
Intangible assets		
Goodwill	16,994	16,508
Other	2,431	2,443
Total intangible assets	19,425	18,952
Investments and other assets		
Investment securities	16	16
Long-term loans receivable	703	635
Lease and guarantee deposits	7,765	8,288
Deferred tax assets	3,090	3,368
Other	1,052	967
Total investments and other assets	12,628	13,277
Total non-current assets	98,137	97,015
Total assets	185,551	186,262

Liabilities	(Millions of yen)	
	FY2019	FY2020
Current liabilities		
Accounts payable — trade	42,659	44,044
Electronically recorded monetary obligations — operating	3,131	2,742
Short-term borrowings	100	—
Current portion of long-term loans payable	9,406	27,966
Lease obligations	82	139
Income taxes payable	4,132	884
Provision for bonuses	3,318	3,602
Provision for directors' bonuses	76	46
Asset retirement obligations	9	80
Other	7,191	8,214
Total current liabilities	70,107	87,720
Non-current liabilities		
Long-term loans payable	62,963	42,997
Lease obligations	479	1,229
Long-term accounts payable — installment purchase	886	424
Provision for directors' retirement benefits	474	199
Net defined benefit liabilities	1,957	2,153
Asset retirement obligations	1,289	1,336
Other	318	332
Total non-current liabilities	68,370	48,673
Total liabilities	138,478	136,394
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	35,762	38,551
Treasury stock	(3,499)	(3,500)
Total shareholders' equity	47,143	49,931
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(70)	(63)
Total accumulated other comprehensive income	(70)	(63)
Total net assets	47,072	49,868
Total liabilities and net assets	185,551	186,262

Consolidated Statement of Cash Flows

88

Nihon Chouzai Co., Ltd. and subsidiaries
For the years ended March 31, 2020 and 2021

(Millions of yen)

	FY2019	FY2020
Net sales	268,520	278,951
Cost of sales	222,147	229,577
Gross profit	46,372	49,374
Selling, general and administrative expenses	38,779	41,267
Operating profit	7,593	8,106
Non-operating income		
Interest income	0	0
Commissions received	41	36
Rent income	426	446
Compensation income	80	51
Insurance claim income	88	34
Subsidy income	75	655
Other	165	183
Total non-operating income	878	1,408
Non-operating expenses		
Interest expenses	364	314
Commissions paid	20	10
Rent expenses	336	331
Loss on retirement of non-current assets	98	261
Other	246	188
Total non-operating expenses	1,066	1,105
Ordinary profit	7,405	8,409
Extraordinary income		
Gain on sales of non-current assets	6,662	398
Gain on transfer of business	34	–
Reversal of provision for retirement benefits for directors (and other officers)	634	–
Total extraordinary income	7,332	398
Extraordinary losses		
Loss on abandonment of non-current assets	187	375
Loss on sales of non-current assets	1	1
Impairment losses	2,663	1,920
Loss on sales of investment securities	0	–
Loss due to disaster	–	27
Total extraordinary losses	2,852	2,324
Profit before income taxes	11,885	6,483
Income taxes — current	5,544	3,218
Income taxes — deferred	(357)	(273)
Total income taxes	5,186	2,945
Profit	6,698	3,538
Profit income attributable to non-controlling interests	1	–
Profit attributable to owners of parent	6,697	3,538

89 Consolidated Statement of Comprehensive Income

Nihon Chouzai Co., Ltd. and subsidiaries
For the years ended March 31, 2020 and 2021

(Millions of yen)

	FY2019	FY2020
Profit	6,698	3,538
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	–
Remeasurements of defined benefit plans, net of tax	57	6
Total other comprehensive income	57	6
Comprehensive income	6,756	3,545
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	6,754	3,545
Comprehensive income attributable to non-controlling interests	1	–

Consolidated Statement of Changes in Net Assets

Nihon Chouzai Co., Ltd. and subsidiaries

(Millions of yen)

For the year ended March
31, 2020

	Shareholders' equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at the beginning of the period	3,953	10,926	29,815	(3,498)	41,196	0	(127)	(127)	4	41,073
Changes of items during the period										
Dividends from surplus			(749)		(749)					(749)
Profit attributable to owners of parent			6,697		6,697					6,697
Purchase of treasury stock				(0)	(0)					(0)
Net changes of items other than shareholders' equity						(0)	57	57	(4)	52
Total changes of items during the period	–	–	5,947	(0)	5,946	(0)	57	57	(4)	5,999
Balance at the end of the period	3,953	10,926	35,762	(3,499)	47,143	–	(70)	(70)	–	47,072

For the year ended March
31, 2021

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at the beginning of the period	3,953	10,926	35,762	(3,499)	47,143	–	(70)	(70)	–	47,072
Changes of items during the period										
Dividends from surplus			(749)		(749)					(749)
Profit attributable to owners of parent			3,538		3,538					3,538
Purchase of treasury stock				(0)	(0)					(0)
Net changes of items other than shareholders' equity						–	6	6	–	6
Total changes of items during the period	–	–	2,789	(0)	2,788	–	6	6	–	2,795
Balance at the end of the period	3,953	10,926	38,551	(3,500)	49,931	–	(63)	(63)	–	49,868

Consolidated Statement of Cash Flows

90

Nihon Chouzai Co., Ltd. and subsidiaries
For the years ended March 31, 2020 and 2021

(Millions of yen)

	FY2019	FY2020
Cash flows from operating activities		
Profit before income taxes	11,885	6,483
Depreciation	6,316	6,416
Amortization of long-term prepaid expenses	169	154
Impairment losses	2,663	1,920
Loss due to disaster	–	27
Amortization of goodwill	1,581	1,763
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for bonuses	283	282
Increase (decrease) in provision for directors' bonuses	(10)	(30)
Increase (decrease) in net defined benefit liabilities	122	193
Increase (decrease) in provision for directors' retirement benefits	(726)	(275)
Interest and dividend income	(0)	(1)
Interest expenses	364	314
Loss (gain) on sales of non-current assets	(6,661)	(396)
Loss (gain) on sales of investment securities	0	–
Loss (gain) on transfer of business	(34)	–
Decrease (increase) in notes and accounts receivable–trade	(2,902)	(20)
Decrease (increase) in inventories	74	(694)
Increase (decrease) in notes and accounts payable–trade	3,486	1,250
Decrease (increase) in prepaid expenses	(149)	128
Increase (decrease) in accrued expenses	(51)	(248)
Decrease (increase) in accounts receivable–other	422	(456)
Increase (decrease) in accounts payable–other	(225)	718
Other, net	6	717
Subtotal	16,615	18,246
Interest and dividend income received	0	1
Interest expenses paid	(377)	(319)
Income taxes paid	(3,046)	(6,716)
Net cash provided by (used in) operating activities	13,192	11,213
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,624)	(5,955)
Proceeds from sales of property, plant and equipment	9,644	1,124
Purchase of intangible assets	(606)	(573)
Proceeds from sales of investment securities	0	–
Increase in long-term prepaid expenses	(92)	(116)
Payments for transfer of business	(771)	(907)
Proceeds from transfer of business	52	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,057)	(823)
Payments for loans receivable	(76)	(18)
Collection of loans receivable	85	88
Payments for lease and guarantee deposits	(626)	(769)
Proceeds from collection of lease and guarantee deposits	302	203
Other, net	37	(20)
Net cash provided by (used in) investing activities	(2,731)	(7,767)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	100	(100)
Proceeds from long-term loans payable	9,900	8,000
Repayments of long-term loans payable	(16,261)	(9,406)
Repayments of lease obligations	(266)	(87)
Repayments of installment payable	(677)	(462)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(749)	(749)
Net cash provided by (used in) financing activities	(7,955)	(2,806)
Net increase (decrease) in cash and cash equivalents	2,505	639
Cash and cash equivalents at beginning of period	29,749	32,254
Cash and cash equivalents at end of period	32,254	32,893

91 Company Profile

(As of March 31, 2021)

Company Profile

Trade name

NIHON CHOUZAI Co., Ltd.

Established

March 1980

Headquarters

37F GranTokyo North Tower, 1-9-1, Marunouchi,
Chiyoda-ku, Tokyo 100-6737
+81-(0) 3-6810-0800 (general)

Capital

3,953.02 million yen

Consolidated net sales

278.9 billion yen (FY2020)

Regular employees: 5,221

Part-time employees and others: 851

*Figures for part-time employees and others represent the average annual number of employees based on conversion to an 8-hour workday.

Main financing banks

Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation,
Mitsubishi UFJ Trust and Banking Corporation, MUFG Bank,
Ltd., Resona Bank, Ltd.

Main business area

Management of a dispensing pharmacy chain

Shareholder Information

Authorized shares

88,384,000

Issued shares

32,048,000

Number of shareholders

7,642

Annual General Meeting of Shareholders

June

Administrator of shareholder registry

Mitsubishi UFJ Trust and Banking Corporation
1-1, Nikko-cho, Fuchu City, Tokyo 183-0044
0120-232-711 (toll-free)

Listed stock exchange

Tokyo Stock Exchange (TSE) First Section

Securities code

3341

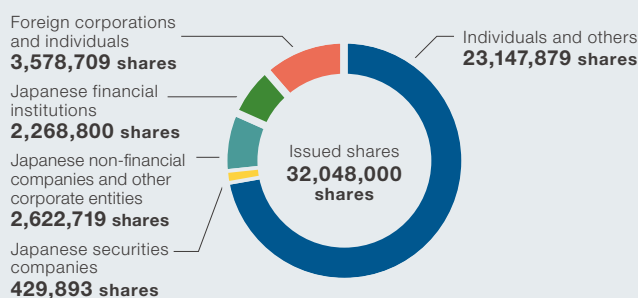
Settlement date

March 31

Stock Information

Distribution by Shareholder Type

(As of March 31, 2021)



Notes:

- The 2,061,074 treasury stock owned by Nihon Chouzai are included in Individuals and others.
- Ratios are rounded off to two decimal places.

Changes in Shareholder Composition

Share (%)	Mar. 2020	Mar. 2021
Individuals and others	74.34	72.23
Japanese securities companies	0.41	1.34
Japanese non-financial companies and other corporate entities	8.18	8.18
Japanese financial institutions	7.31	7.08
Foreign corporations and individuals	9.76	11.17

Major Shareholders (Top 10 Shareholders)

Shareholder name	Number of shares held	Investment ratio (%)
Hiroshi Mitsuvara	8,400,000	28.01
Yosuke Mitsuvara	6,640,000	22.14
Max Planning, Inc.	2,240,000	7.47
Nihon Chouzai Employee Shareholding Association	935,000	3.12
Yoko Mitsuvara	800,000	2.67
The Master Trust Bank of Japan, Ltd. (trust account)	714,000	2.38
Keiko Yeow	538,600	1.80
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	430,600	1.44
Custody Bank of Japan, Ltd. (trust account)	342,000	1.14
SMBC Nikko Securities Inc.	234,800	0.78

Notes:

- Investment ratios are calculated after excluding treasury stock (2,061,074 shares).
- Investment ratios are rounded off to two decimal places.

Affiliated companies

Nihon Generic Co., Ltd.

Manufacture and sale of pharmaceuticals
GranTokyo North Tower 39th floor, 1-9-1, Marunouchi,
Chiyoda-ku, Tokyo

<http://www.nihon-generic.co.jp/>

Choseido Pharmaceutical Co., Ltd.

Manufacture and sale of pharmaceuticals
92, Kokufuchokou, Tokushima, Tokushima

<https://www.choseido.com/>

Medical Resources Co., Ltd.

Staffing and placement of medical professionals
GranTokyo North Tower 40th floor, 1-9-1, Marunouchi,
Chiyoda-ku, Tokyo

<https://www.medical-res.co.jp/>

Japan Medical Research Institute Co., Ltd.

Research investigation, provision of information and advertising
media, and consulting business
GranTokyo North Tower 39th floor, 1-9-1, Marunouchi,
Chiyoda-ku, Tokyo

<https://www.jpmedri.co.jp/>

WORKERS DOCTORS Inc.

Industrial doctor HR business
GranTokyo North Tower 40th floor, 1-9-1, Marunouchi,
Chiyoda-ku, Tokyo

<https://www.workersdoctors.co.jp/>
