



April 26, 2019

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

Company name:	NIHON CHOUZAI Co., Ltd.	Listing:	Tokyo Stock Exchange, First Section
Stock code:	3341	URL:	https://www.nicho.co.jp
Representative:	Hiroshi Mitsuhara, President & CEO	Tel:	+81-(0) 3-6810-0800
Contact:	Yoshiki Kamada, Managing Director	Scheduled date of Annual General Meeting of Shareholders:	June 26, 2019
Scheduled date of Annual General Meeting of Shareholders:		Scheduled date of filing of Annual Securities Report:	June 27, 2019
Scheduled date of payment of dividend:		Scheduled date of payment of dividend:	June 27, 2019
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 26, 2019 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, 2019 (April 1, 2018 – March 31, 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	%
Fiscal year ended Mar. 31, 2019	245,687	1.8	6,733	(36.4)	6,077	(40.1)	3,790	(37.9)
Fiscal year ended Mar. 31, 2018	241,274	8.0	10,587	24.3	10,138	27.1	6,104	31.6

Note: Comprehensive income (million yen) FY3/19: 3,809 (down 35.0%) FY3/18: 5,858 (up 22.7%)

	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, 2019	243.47	-	9.2	3.3	2.7
Fiscal year ended Mar. 31, 2018	381.69	-	15.7	5.6	4.4

Reference: Equity in income (losses) of affiliates (million yen) FY3/19: - FY3/18: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	178,677	41,073	23.0	2,739.04
As of Mar. 31, 2018	186,569	41,506	22.2	2,595.00

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 41,068 As of Mar. 31, 2018: 41,504

(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, 2019	13,572	(1,770)	(10,516)	29,749
Fiscal year ended Mar. 31, 2018	23,141	(13,843)	(2,034)	28,464

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			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2018	-	25.00	-	25.00	50.00	799	13.1	2.1
Fiscal year ended Mar. 31, 2019	-	25.00	-	25.00	50.00	766	20.5	1.9
Fiscal year ending Mar. 31, 2020 (forecasts)	-	25.00	-	25.00	50.00		18.6	

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

*** 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: Yes

4) Restatements: None

Note: Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Changes in Accounting-based Estimates)” on page 14 of the attachments for further information.

(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, 2019: 16,024,000 shares As of Mar. 31, 2018: 16,024,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2019: 1,030,190 shares As of Mar. 31, 2018: 29,868 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019: 15,567,340 shares Fiscal year ended Mar. 31, 2018: 15,994,331 shares

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(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, 2019	203,623	2.6	3,450	(52.9)	4,266	(42.6)	2,417	(45.4)
Fiscal year ended Mar. 31, 2018	198,442	6.7	7,322	49.6	7,436	63.4	4,427	83.8

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	155.30	-
Fiscal year ended Mar. 31, 2018	276.79	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	135,271	30,986	22.9	2,066.60
As of Mar. 31, 2018	140,677	32,811	23.3	2,051.48

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 30,986 As of Mar. 31, 2018: 32,811

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

Nihon Chouzai plans to hold an information meeting for institutional investors and analysts regarding results of operations on May 9, 2019. Materials distributed at this event will also be disclosed, using the Timely Disclosure network (TDnet), and available on the Nihon Chouzai website.

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1. Overview of Results of Operations

(1) Results of Operations

During the fiscal year that ended on March 31, 2019, there were revisions in April to prescription dispensing fees and drug prices in the pharmaceutical and dispensing pharmacy industries. A central goal of these revisions is to promote family pharmacists and pharmacies in order to create the integrated community care systems and achieve the Vision of Pharmacies for Patients of Japan's Ministry of Health, Labour and Welfare. There are strong demands for dispensing pharmacies to contribute to community medical care, such as by strengthening ties with physicians, nurses, nursing care personnel and many other types of health care professionals. The objectives of the Japanese government's drug price and prescription fee revisions match Nihon Chouzai's long-term vision of becoming an organization with pharmacists and pharmacies that people choose over others.

The April 2018 revisions had a greater impact on results of operations than previous revisions did. Revisions included the normal reductions in drug prices as well as a significant decline in the number of drugs that are subject to the price maintenance premium. In addition, there was a reexamination of the evaluations of hospital-front pharmacies as part of revisions to prescription dispensing fees. One change was a reduction in the basic dispensing fee at pharmacies where one medical institution accounts for a large share of all prescriptions filled. Another change was the establishment of a premium for regional support systems and the requirements for eligibility to receive this premium. These changes created significant challenges for Nihon Chouzai and all other operators of pharmacy chains in Japan.

The Nihon Chouzai Group continued to take actions for realizing the separation of dispensing and prescribing functions for the benefit of patients and holding down growth in health care expenditures. Despite these measures, a decline in the gross profit mainly caused by the April price revisions and substantial up-front investments in all business segments had an impact on results of operations. As a result, consolidated sales increased but earnings decreased.

Net sales increased 1.8% year on year to 245,687 million yen. Operating profit decreased 36.4% to 6,733 million yen, ordinary profit decreased 40.1% to 6,077 million yen and profit attributable to owners of parent fell 37.9% to 3,790 million yen. Although sales were slightly below the initial plan, the pharmaceutical manufacturing and sales business made a contribution to consolidated earnings by surpassing its initial earnings target for the fiscal year.

Business segment performance was as follows.

1) Dispensing Pharmacy Business

During the current fiscal year, Nihon Chouzai opened 32 pharmacies in the dispensing pharmacy business and closed 19. Consequently, there were 598 pharmacies (including two pharmacies specializing in the sale of general merchandise) at the end of the fiscal year. Sales totaled 208,622 million yen, an increase of 1.7% year on year in an environment in which many dispensing pharmacy companies in Japan had difficulty achieving growth. Benefits of the pharmacy opening strategy, mainly through internal growth, was a major reason for the increase in sales. Revisions to prescription dispensing fees and drug prices brought down earnings sharply, resulting in a 29.8% decrease in this segment's operating profit to 8,707 million yen.

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 87% at the end of March 2019. Moreover, 89% of pharmacies were offering at-home medical care services (number of pharmacies providing at least 12 services in a year). Steady growth in the number of registered members using Nihon Chouzai's Okusuri Techo Plus electronic medication notebook continued. There were 340,000 members as of March 31, 2019.

2) Pharmaceutical Manufacturing and Sales Business

Sales increased 6.8% to 40,659 million yen despite the impact of the drug price revisions in April 2018 due mainly to higher internal sales resulting from the steady growth of the dispensing pharmacy business. Segment operating profit increased 57.8% to 1,885 million yen and made a significant contribution to consolidated earnings. There was a big increase in depreciation expenses resulting from the start of operations at Tsukuba Plant No. 2, which has large and state-of-the-art production facilities. These higher expenses were more than offset by the benefits of measures to maintain a suitable level of selling prices and activities to hold down all categories of expenses. The 1,885 million yen operating profit is at the earnings level which will achieve the target of the medium to long-term V-shaped recovery plan one year early. Due to this performance, this business has excellent prospects for becoming even more profitable.

The number of product items sold in this business segment was 663 due to the launch of 27 new products at the end of the fiscal year.

3) Medical Professional Staffing and Placement Business

There is consistently strong demand for staffing and placement services, particularly for pharmacists. During the fiscal year, there was an increase in pharmacist temporary and permanent placements and, due to activities to strengthen physician placement business, a big increase in physician placements. The result was a 9.3% increase in sales to 13,083 million yen. Segment operating profit was down 19.7% to 1,478 million yen because of upfront investments, such as raising the number of personnel, for expansion of the physician placement business. Although sales and earnings were below the initial plan, this business improved steadily in the fiscal year's second half following the first half 6.0% increase in sales and 37.7% decrease in operating profit.

(2) Financial Position

Total assets decreased 7,891 million yen, or 4.2%, from 186,569 million yen at the end of March 2018 to 178,677 million yen at the end of March 2019. Total liabilities decreased 7,458 million yen, or 5.1%, from 145,062 million yen to 137,604 million yen.

Current assets were 80,132 million yen, a decrease of 1,481 million yen, or 1.8%, from 81,613 million yen one year earlier. This was attributable mainly to a decrease of 3,653 million yen in accounts receivable-trade.

Non-current assets decreased 6,411 million yen, or 6.1%, from 104,956 million yen to 98,545 million yen. There was a decrease of 5,855 million yen, or 7.7%, in property, plant and equipment from 75,662 million yen to 69,806 million yen. The main reason was the sale of some factory facilities and equipment following a reexamination of manufacturing operations in the pharmaceutical manufacturing and sales business. Intangible assets decreased 1,046 million yen, or 5.8%, from 17,952 million yen to 16,906 million yen. This decrease was mainly due to a decrease of goodwill in the dispensing pharmacy business. Investments and other assets increased 491 million yen, or 4.3%, from 11,341 million yen to 11,833 million yen. This was attributable mainly to an increase in deferred tax assets.

Current liabilities decreased 1,209 million yen, or 1.7%, from 70,310 million yen to 69,100 million yen. This was attributable mainly to a 1,561 million yen decrease in income taxes payable.

Non-current liabilities decreased 6,248 million yen, or 8.4%, from 74,752 million yen to 68,504 million yen. This was attributable mainly to a 5,902 million yen decrease in long-term loans payable.

Net assets decreased 433 million yen, or 1.0%, from 41,506 million yen to 41,073 million yen. This was attributable mainly to an increase of 3,451 million yen in treasury shares. As a result, equity ratio was 23.0%.

(3) Cash Flows

There was a net increase of 1,284 million yen in cash and cash equivalents from the end of March 2018 to 29,749 million yen at the end of March 2019. Net cash provided by operating activities was 13,572 million yen, net cash used in investing activities 1,770 million yen, and net cash used in financing activities 10,516 million yen.

< Operating activities >

The major source of cash was profit before income taxes of 6,777 million yen. The primary use of cash was a 4,908 million yen decrease in income taxes paid.

< Investing activities >

Major sources of cash were proceeds of 4,093 million yen from sale of businesses. The primary uses of cash were payments of 5,303 million yen for the purchase of property, plant and equipment incident to new store opening in the dispensing pharmacy business and capital investments in the pharmaceutical manufacturing and sales business.

< Financing activities >

The primary sources of cash were proceeds of 10,625 million yen from long-term loans payable. Cash was used mainly for repayments of long-term loans payable of 15,694 million yen.

Trends in cash flow indicators

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Shareholders' equity ratio (%)	13.6	20.6	20.4	22.2	23.0
Shareholders' equity ratio based on market prices (%)	32.9	40.8	33.9	28.7	31.5
Cash flows to debt ratio (years)	11.9	3.5	-	3.8	6.0
Interest coverage ratio (times)	7.1	24.4	-	37.1	25.8

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

The Ministry of Health, Labour and Welfare released a “Report on Pharmacies and Pharmacists and National Initiatives for Achieving the Ministry’s Vision” in February 2019. The report noted the importance of roles of family pharmacies and pharmacists and explained the roles of pharmacies and pharmacists from now on. On March 19, the proposed Act for Partial Amendments to the Pharmaceutical and Medical Devices Act was submitted to the 198th regular session of the Diet in Japan. This act includes specific measures that include the separation of pharmacy functions and the further expansion of people-to-people services by pharmacists. If approved, the act will also establish a system that certifies pharmacies for specific functions in order to allow patients to select pharmacies that best match their requirements. Furthermore, on April 2 the Director of the Pharmaceutical Safety and Environmental Health Bureau of the Ministry of Health, Labour and Welfare sent a communication titled “Roles of the Prescription Dispensing Business” to the health and hygiene departments of all of Japan’s prefectures. This message has two main components that both aim to increase people-to-people services provided by pharmacists. First is measures to improve the efficiency of pharmacists’ tasks that do not involve direct contact with customers while ensuring the quality of pharmaceuticals. Second is a basic stance regarding tasks that can be performed by individuals other than pharmacists. These two actions that took place almost at the same time provide specific guidelines concerning the future roles of pharmacies and pharmacists required for achieving the goal of the separation of drug dispensing and prescribing functions for the benefit of patients. We believe these are extremely significant events that may be the starting point of a realignment of Japan’s dispensing pharmacy industry.

Nihon Chouzai regards the significant changes in the business climate due to an industry realignment as an excellent opportunity for growth. There will be substantial human resources investments to achieve the required pharmacists and pharmacies. In addition, even more priority will be placed on efficiency. Group companies will enact with consistency and speed numerous measures to improve productivity. The pharmaceutical manufacturing and sales business must respond to the need to hold down the growth of health care expenses and the need to maintain a reliable supply of pharmaceuticals. The medical professional staffing and placement business will continue to focus on meeting the demand for high-quality medical professionals. The importance of these businesses is likely to become even greater as services that can contribute to the growth of social value. The Nihon Chouzai Group is dedicated to maximizing synergies in the core dispensing pharmacy business and all other operations and to accomplishing the separation of dispensing and prescribing functions for the benefit of patients.

In the fiscal year that ending on March 31, 2020, which will be a period of substantial investments involving human resources, Nihon Chouzai forecasts consolidated net sales of 268,599 million yen, up 9.3%, operating profit of 7,231 million yen, up 7.4%, ordinary profit of 7,069 million yen, up 16.3%, and profit attributable to owners of parent of 4,020 million yen, up 6.1%.

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)	
	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	28,464	29,749
Notes receivable-trade	213	134
Accounts receivable-trade	19,902	16,249
Electronically recorded monetary claims-operating	1,115	1,465
Merchandise and finished goods	20,873	22,272
Work in process	1,304	1,173
Raw materials and supplies	6,047	6,020
Other	3,698	3,071
Allowance for doubtful accounts	(6)	(5)
Total current assets	81,613	80,132
Non-current assets		
Property, plant and equipment		
Buildings and structures	53,483	52,956
Accumulated depreciation	(19,064)	(20,582)
Buildings and structures, net	34,418	32,374
Machinery, equipment and vehicles	14,129	19,246
Accumulated depreciation	(3,543)	(4,539)
Machinery, equipment and vehicles, net	10,585	14,707
Land	19,357	16,961
Leased assets	2,943	2,888
Accumulated depreciation	(1,858)	(2,094)
Leased assets, net	1,084	794
Construction in progress	6,750	1,133
Other	14,816	16,399
Accumulated depreciation	(11,352)	(12,564)
Other, net	3,464	3,835
Total property, plant and equipment	75,662	69,806
Intangible assets		
Goodwill	15,418	14,552
Other	2,534	2,353
Total intangible assets	17,952	16,906
Investments and other assets		
Investment securities	20	17
Long-term loans receivable	738	687
Leasehold and guarantee deposits	7,049	7,357
Deferred tax assets	2,290	2,610
Other	1,242	1,160
Total investments and other assets	11,341	11,833
Total non-current assets	104,956	98,545
Total assets	186,569	178,677

	(Millions of yen)	
	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	36,203	37,274
Electronically recorded obligations-operating	3,770	3,081
Current portion of long-term loans payable	15,309	16,143
Lease obligations	311	261
Income taxes payable	3,040	1,478
Provision for bonuses	2,775	3,023
Provision for bonuses for directors (and other officers)	137	86
Asset retirement obligations	4	10
Other	8,759	7,739
Total current liabilities	70,310	69,100
Non-current liabilities		
Long-term loans payable	68,372	62,470
Lease obligations	697	436
Long-term accounts payable-installment purchase	1,991	1,349
Provision for retirement benefits for directors (and other officers)	1,048	1,093
Retirement benefit liability	1,503	1,695
Asset retirement obligations	821	1,145
Other	316	313
Total non-current liabilities	74,752	68,504
Total liabilities	145,062	137,604
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	26,816	29,815
Treasury shares	(47)	(3,498)
Total shareholders' equity	41,648	41,196
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans	(144)	(127)
Total accumulated other comprehensive income	(144)	(127)
Non-controlling interests	2	4
Total net assets	41,506	41,073
Total liabilities and net assets	186,569	178,677

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

(Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net sales	241,274	245,687
Cost of sales	197,437	203,711
Gross profit	43,837	41,975
Selling, general and administrative expenses	33,250	35,242
Operating profit	10,587	6,733
Non-operating income		
Interest income	0	0
Commission income	151	50
Rent income	436	430
Other	193	178
Total non-operating income	781	659
Non-operating expenses		
Interest expenses	635	525
Commission expenses	44	13
Rent expenses	328	355
Loss on retirement of non-current assets	45	221
Other	175	198
Total non-operating expenses	1,230	1,315
Ordinary profit	10,138	6,077
Extraordinary income		
Gain on sales of non-current assets	0	231
Gain on sales of investment securities	360	8
Gain on sale of businesses	48	1,092
Total extraordinary income	408	1,332
Extraordinary losses		
Loss on sales of non-current assets	10	24
Impairment loss	491	607
Total extraordinary losses	501	632
Profit before income taxes	10,045	6,777
Income taxes-current	4,272	3,308
Income taxes-deferred	(331)	(324)
Total income taxes	3,940	2,984
Profit	6,104	3,792
Profit attributable to non-controlling interests	-	2
Profit attributable to owners of parent	6,104	3,790

(Consolidated Statement of Comprehensive Income)

	(Millions of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Profit	6,104	3,792
Other comprehensive income		
Valuation difference on available-for-sale securities	(263)	0
Remeasurements of defined benefit plans, net of tax	17	16
Total other comprehensive income	(245)	16
Comprehensive income	5,858	3,809
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,858	3,806
Comprehensive income attributable to non-controlling interests	-	2

(3) Consolidated Statement of Changes in Equity

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(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	21,511	(46)	36,345
Changes of items during period					
Dividends of surplus			(799)		(799)
Profit attributable to owners of parent			6,104		6,104
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	5,305	(1)	5,303
Balance at end of current period	3,953	10,926	26,816	(47)	41,648

	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	263	(161)	101	-	36,447
Changes of items during period					
Dividends of surplus					(799)
Profit attributable to owners of parent					6,104
Purchase of treasury shares					(1)
Net changes of items other than shareholders' equity	(263)	17	(245)	2	(243)
Total changes of items during period	(263)	17	(245)	2	5,059
Balance at end of current period	0	(144)	(144)	2	41,506

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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	10,045	6,777
Depreciation	5,214	6,304
Amortization of long-term prepaid expenses	126	160
Impairment loss	491	607
Amortization of goodwill	1,326	1,487
Increase (decrease) in allowance for doubtful accounts	(3)	(0)
Increase (decrease) in provision for bonuses	225	245
Increase (decrease) in provision for bonuses for directors (and other officers)	20	(50)
Increase (decrease) in retirement benefit liability	202	188
Increase (decrease) in provision for retirement benefits for directors (and other officers)	98	45
Interest and dividend income	(21)	(2)
Interest expenses	635	525
Loss (gain) on sales of non-current assets	10	(206)
Loss (gain) on sales of investment securities	(360)	(8)
Loss (gain) on sale of businesses	(48)	(1,092)
Decrease (increase) in notes and accounts receivable-trade	6,691	3,485
Decrease (increase) in inventories	1,442	(1,314)
Increase (decrease) in notes and accounts payable-trade	(1,399)	342
Decrease (increase) in prepaid expenses	(111)	(74)
Increase (decrease) in accrued expenses	324	(82)
Decrease (increase) in accounts receivable-other	(354)	998
Increase (decrease) in accounts payable-other	390	(791)
Other, net	1,553	1,460
Subtotal	26,500	19,004
Interest and dividend income received	21	2
Interest expenses paid	(623)	(525)
Income taxes paid	(2,756)	(4,908)
Net cash provided by (used in) operating activities	23,141	13,572
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,076)	(5,303)
Proceeds from sales of property, plant and equipment	46	1,723
Purchase of intangible assets	(656)	(591)
Proceeds from sales of investment securities	999	10
Increase in long-term prepaid expenses	(95)	(123)
Payments for acquisition of businesses	(585)	(368)
Proceeds from sale of businesses	114	4,093
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,126)	(785)
Payment of loans receivable	(448)	(92)
Collection of loans receivable	88	85
Payments of leasehold and guarantee deposits	(251)	(699)
Proceeds from refund of leasehold and guarantee deposits	172	281
Other, net	(25)	(0)
Net cash provided by (used in) investing activities	(13,843)	(1,770)

	(Millions of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from financing activities		
Proceeds from long-term loans payable	13,000	10,625
Repayments of long-term loans payable	(13,408)	(15,694)
Repayments of lease obligations	(391)	(311)
Repayments of installment payables	(433)	(893)
Purchase of treasury shares	(1)	(3,451)
Cash dividends paid	(799)	(791)
Net cash provided by (used in) financing activities	(2,034)	(10,516)
Net increase (decrease) in cash and cash equivalents	7,264	1,284
Cash and cash equivalents at beginning of period	21,200	28,464
Cash and cash equivalents at end of period	28,464	29,749

(5) Notes to Consolidated Financial Statements**Going-concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Nihon Chouzai acquired 1,000,000 treasury shares upon resolution of the Board of Directors meeting on July 31, 2018. This transaction resulted in an increase of 3,451 million yen in treasury shares for the current fiscal year and the balance of treasury shares was 3,498 million yen as of March 31, 2019.

Reclassifications

Changes in Conjunction with the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Nihon Chouzai started the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) at the beginning of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

As a result, "deferred tax assets" under "current assets" in the consolidated balance sheet for the previous fiscal year decreased 1,508 million yen and "deferred tax assets" under "investments and other assets" increased 1,504 million yen. In addition, "other" under "non-current liabilities" decreased 3 million yen.

Net figures are used for deferred tax assets and deferred tax liabilities for the same taxing authority. This change reduced total assets by 3 million yen.

Changes in Accounting-based Estimates

Changes in Accounting-based Estimates for Asset Retirement Obligations

Nihon Chouzai has recorded asset retirement obligations for restoring leased space to its original condition in association with real estate leasing contracts for stores and other properties. According to the most recent restoration expenses and other new information, Nihon Chouzai changed its accounting-based estimates for restoration expenses which will be required for store closures.

As a result of this change, an increase of 204 million yen was added to the balance of asset retirement obligations before the change.

The above change in estimate has caused operating profit, ordinary profit and profit before income taxes for the current fiscal year to decrease by 59 million yen, respectively.

Additional Information

Application of consolidated taxation system

Nihon Chouzai and some of its consolidated subsidiaries started using the consolidated taxation system in the current fiscal year.

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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(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	205,180	24,685	11,408	241,274	-	241,274
(2) Inter-segment sales and transfers	12	13,381	562	13,955	(13,955)	-
Total	205,192	38,066	11,970	255,230	(13,955)	241,274
Segment profit (loss)	12,411	1,194	1,842	15,448	(4,861)	10,587
Segment assets	93,088	84,465	3,828	181,382	5,187	186,569
Other items						
Depreciation	2,194	2,677	33	4,906	307	5,214
Amortization of goodwill	1,228	97	-	1,326	-	1,326
Impairment loss	347	143	-	491	-	491
Increase in property, plant and equipment and intangible assets	4,679	10,245	89	15,015	301	15,316

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

- (1) The negative adjustment of 4,861 million yen to segment profit or loss includes a profit elimination of 28 million yen for inter-segment transactions and corporate expenses of minus 4,889 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
 - (2) The 5,187 million yen adjustment to segment assets includes a 151 million yen elimination for receivables associated with inter-segment transactions, a 68 million yen elimination for unrealized profit in inventories and a 5,407 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 307 million yen adjustment of depreciation and the 301 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.

FY3/19 (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 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.

Related information

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

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.

FY3/19 (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.

Information related to impairment losses on non-current assets for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Omitted because the same information is presented in segment information.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Omitted because the same information is presented in segment information.

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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(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	14,884	534	-	15,418

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

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.

Information related to gain on bargain purchase for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Not applicable.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

Per Share Information

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	2,595.00	2,739.04
Net income per share	381.69	243.47

Notes: 1. Diluted net income per share is not presented since Nihon Chouzai has no outstanding dilutive securities.

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

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Total net assets (Millions of yen)	41,506	41,073
Deduction on total net assets (Millions of yen)	2	4
Net assets applicable to common stock shares (Millions of yen)	41,504	41,068
Number of common stock shares at end of period used in calculation of net assets per share (Thousand shares)	15,994	14,993

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.

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

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Profit attributable to owners of parent (Millions of yen)	6,104	3,790
Amounts not available to common stock shareholders (Millions of yen)	-	-
Profit attributable to owners of parent available to common stock shares (Millions of yen)	6,104	3,790
Average number of common stock shares outstanding during the period (Thousand shares)	15,994	15,567

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.