



(Tokyo Stock Exchange, First Section / Stock code: 3341)

# Results of Operations for the First Half of the Fiscal Year Ending March 31, 2022 (April 1, 2021 to September 30, 2021)

November 5, 2021



# 1

## Financial Highlights



# Financial Highlights

## Dispensing Pharmacy Business

Net sales and operating profit rose on higher prescription volumes and drug fee revenues, as well as contributions from 29 pharmacies newly opened in the previous fiscal year.

## Pharmaceutical Manufacturing and Sales Business

Net sales increased mainly driven by drugs newly NHI-listed from FY2020 onward, while operating profit fell on the impact of product recalls and manufacturing delays stemming from quality issues at Choseido Pharmaceutical Co., Ltd.

## Medical Professional Staffing and Placement Business

Net sales and operating profit both fell due to lower pharmacist staffing demand, despite higher physician placements fueled by continued demand for services to support Japan's COVID-19 vaccination efforts.

# Consolidated Statement of Income

Despite the ongoing impact of the pandemic, increase in prescription volumes at existing pharmacies and performance of 29 pharmacies newly opened in the previous fiscal year led to a 7.5% YoY increase in net sales. However, operating profit was down 12.9% YoY, coming in 19.5% below plan owing to lower profits in the Pharmaceutical Manufacturing and Sales Business.

(Millions of yen)	1H FY3/20 Results	1H FY3/21 Results	1H FY3/22 Forecast	1H FY3/22 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	130,297	135,999	142,200	<b>146,202</b>	4,002	2.8%	7.5%
Cost of sales	107,858	112,726	116,200	<b>121,007</b>	4,807	4.1%	7.3%
Gross profit	22,439	23,272	25,900	<b>25,194</b>	(705)	(2.7%)	8.3%
% to sales	17.2%	17.1%	18.2%	<b>17.2%</b>	—	—	—
SG&A expenses	18,373	20,498	22,800	<b>22,778</b>	(21)	(0.1%)	11.1%
% to sales	14.1%	15.1%	16.0%	<b>15.6%</b>	—	—	—
Consumption taxes	6,890	9,109	9,700	<b>9,900</b>	200	2.1%	8.7%
R&D expenses	1,372	1,349	1,700	<b>1,793</b>	93	5.5%	32.9%
Operating profit	4,066	2,774	3,000	<b>2,416</b>	(583)	(19.5%)	(12.9%)
% to sales	3.1%	2.0%	2.1%	<b>1.7%</b>	—	—	—
Ordinary profit	4,001	2,665	3,000	<b>2,528</b>	(471)	(15.7%)	(5.1%)
% to sales	3.1%	2.0%	2.1%	<b>1.7%</b>	—	—	—
Profit attributable to owners of parent	2,094	1,555	1,400	<b>1,340</b>	(59)	(4.2%)	(13.8%)
% to sales	1.6%	1.1%	1.0%	<b>0.9%</b>	—	—	—
Net income per share (Yen) Note	69.85	51.89	46.69	<b>44.71</b>	(1.98)	(4.2%)	(13.8%)

Note : On April 1, 2020, the Company conducted a two-for-one stock split of common stock.

Net income per share has been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2020.

# Consolidated Balance Sheet

Changes in assets primarily consisted of a 5.1 billion yen decrease in cash and deposits.  
Changes in liabilities mainly consisted of a 10.1 billion yen decrease in long-term borrowings.

(Millions of yen)	End of Mar. 2020 (FY3/20)	End of Mar. 2021 (FY3/21)	End of Sep. 2021 (1H FY3/22)	YoY change	YoY change (%)
Current assets	87,414	89,246	<b>87,088</b>	(2,158)	(2.4%)
Cash and deposits	32,254	32,893	<b>27,758</b>	(5,135)	(15.6%)
Non-current assets	98,137	97,015	<b>97,275</b>	259	0.3%
Property, plant and equipment	66,082	64,785	<b>64,383</b>	(402)	(0.6%)
Intangible assets	19,425	18,952	<b>18,909</b>	(43)	(0.2%)
Investments and other assets	12,628	13,277	<b>13,982</b>	704	5.3%
Total assets	185,551	186,262	<b>184,363</b>	(1,899)	(1.0%)
Current liabilities	70,107	87,720	<b>93,931</b>	6,210	7.1%
Current portion of long-term loans payable	9,406	27,966	<b>26,766</b>	(1,200)	(4.3%)
Non-current liabilities	68,370	48,673	<b>39,587</b>	(9,086)	(18.7%)
Long-term loans payable	62,963	42,997	<b>34,014</b>	(8,983)	(20.9%)
Total liabilities	138,478	136,394	<b>133,518</b>	(2,875)	(2.1%)
Total net assets	47,072	49,868	<b>50,844</b>	976	2.0%
Shareholders' equity	47,072	49,868	<b>50,844</b>	976	2.0%
Equity ratio	25.4%	26.8%	<b>27.6%</b>	—	—

# Consolidated Statement of Cash Flows

The sum of profit before income taxes and depreciation and amortization kept cash inflows from operating activities at a level high enough to offset cash outflows from investing activities. Cash outflow from financing activities widened due to repayment of long-term borrowings.

(Millions of yen)	1H FY3/20	1H FY3/21	1H FY3/22	YoY change
Cash flows from operating activities	9,866	2,434	<b>10,718</b>	8,284
Profit before income taxes	3,745	2,662	<b>2,352</b>	(309)
Depreciation	3,036	3,064	<b>3,162</b>	98
Amortization of goodwill	730	868	<b>898</b>	30
Decrease (increase) in trade receivables	342	2,903	<b>2,673</b>	(230)
Decrease (increase) in inventories	(2,281)	(4,847)	<b>(5,685)</b>	(837)
Increase (decrease) in trade payables	5,889	2,496	<b>7,140</b>	4,643
Cash flows from investing activities	(3,506)	(3,158)	<b>(4,993)</b>	(1,834)
Purchase of property, plant and equipment	(2,797)	(2,750)	<b>(3,180)</b>	(429)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—	<b>(597)</b>	(597)
Payments for acquisition of business	(603)	(841)	<b>(178)</b>	663
Cash flows from financing activities	(6,944)	(882)	<b>(10,861)</b>	(9,979)
Proceeds from long-term loans payable	8,600	8,000	<b>500</b>	(7,500)
Repayments of long-term loans payable	(14,589)	(8,122)	<b>(10,683)</b>	(2,560)
Net increase (decrease) in cash and cash equivalents	(584)	(1,606)	<b>(5,135)</b>	(3,528)
Cash and cash equivalents at beginning of period	29,749	32,254	<b>32,893</b>	639
Cash and cash equivalents at end of period	29,165	30,647	<b>27,758</b>	(2,889)

# Dispensing Pharmacy Business

Net sales rose 8.9% YoY while operating profit rose 39.1% YoY and came in 5.0% above plan, driven by an increase in prescription volume and drug fee revenues as well as contributions from 29 pharmacies newly opened in the previous fiscal year.

(Millions of yen)	1H FY3/20 Results	1H FY3/21 Results	1H FY3/22 Forecast	1H FY3/22 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	111,763	118,236	123,900	<b>128,749</b>	4,849	3.9%	8.9%
Cost of sales	95,609	100,875	104,100	<b>108,520</b>	4,420	4.2%	7.6%
Gross profit	16,153	17,361	19,800	<b>20,229</b>	429	2.2%	16.5%
% to sales	14.5%	14.7%	16.0%	<b>15.7%</b>	—	—	—
SG&A expenses	11,745	13,736	15,000	<b>15,188</b>	188	1.3%	10.6%
% to sales	10.5%	11.6%	12.1%	<b>11.8%</b>	—	—	—
Operating profit	4,408	3,624	4,800	<b>5,041</b>	241	5.0%	39.1%
% to sales	3.9%	3.1%	3.9%	<b>3.9%</b>	—	—	—
No. of pharmacies at the end of each period (stores) <small>note 1</small>	611	665	684	<b>685</b>	1	0.1%	3.0%
Prescription drug sales per pharmacy <small>note 2</small>	184	179	183	<b>190</b>	7	3.8%	5.7%

Note: Rounding down to the nearest unit

No. of pharmacies at the end of each period includes locations specializing in the sales of general merchandise.

Prescription drug sales per pharmacy = Prescription drug sales / Average No. of pharmacies during the period

## Pharmaceutical Manufacturing and Sales Business

Net sales increased 3.8% YoY mainly driven by drugs newly NHI-listed from FY2020 onwards (i.e., those listed in the previous fiscal year and in June 2021). Operating profit fell 83.2% YoY and came in 82.2% below plan largely due to the impact of product recalls and manufacturing delays caused by quality issues at Choseido Pharmaceutical.

(Millions of yen)	1H FY3/20 Results	1H FY3/21 Results	1H FY3/22 Forecast	1H FY3/22 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	21,040	22,812	24,700	<b>23,669</b>	(1,030)	(4.2%)	3.8%
Cost of sales	17,643	19,394	20,900	<b>20,988</b>	88	0.4%	8.2%
Gross profit	3,397	3,417	3,800	<b>2,680</b>	(1,119)	(29.5%)	(21.6%)
% to sales	16.1%	15.0%	15.4%	<b>11.3%</b>	—	—	—
SG&A expenses	2,242	2,254	2,700	<b>2,485</b>	(214)	(8.0%)	10.2%
% to sales	10.7%	9.9%	10.9%	<b>10.5%</b>	—	—	—
Operating profit	1,155	1,163	1,100	<b>195</b>	(904)	(82.2%)	(83.2%)
% to sales	5.5%	5.1%	4.5%	<b>0.8%</b>	—	—	—

Note: Rounding down to the nearest unit

## Medical Professional Staffing and Placement Business

Both net sales and operating profit fell due to a substantial drop in demand for pharmacist staffing as a result of the COVID-19 pandemic. On the other hand, growing demand for services to support Japan's COVID-19 vaccination efforts led to a continued rapid growth in physician placements. Additionally, the industrial physician service, which we newly invested in the previous fiscal year, delivered solid performance.

(Millions of yen)	1H FY3/20 Results	1H FY3/21 Results	1H FY3/22 Forecast	1H FY3/22 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	6,775	5,025	3,400	<b>3,648</b>	248	7.3%	(27.4%)
Cost of sales	3,871	2,446	1,200	<b>1,293</b>	93	7.8%	(47.2%)
Gross profit	2,903	2,578	2,200	<b>2,355</b>	155	7.1%	(8.6%)
% to sales	42.9%	51.3%	64.7%	<b>64.6%</b>	—	—	—
SG&A expenses	1,821	1,881	2,000	<b>1,914</b>	(85)	(4.3%)	1.7%
% to sales	26.9%	37.4%	58.8%	<b>52.5%</b>	—	—	—
Operating profit	1,082	696	200	<b>440</b>	240	120.3%	(36.7%)
% to sales	16.0%	13.9%	5.9%	<b>12.1%</b>	—	—	—

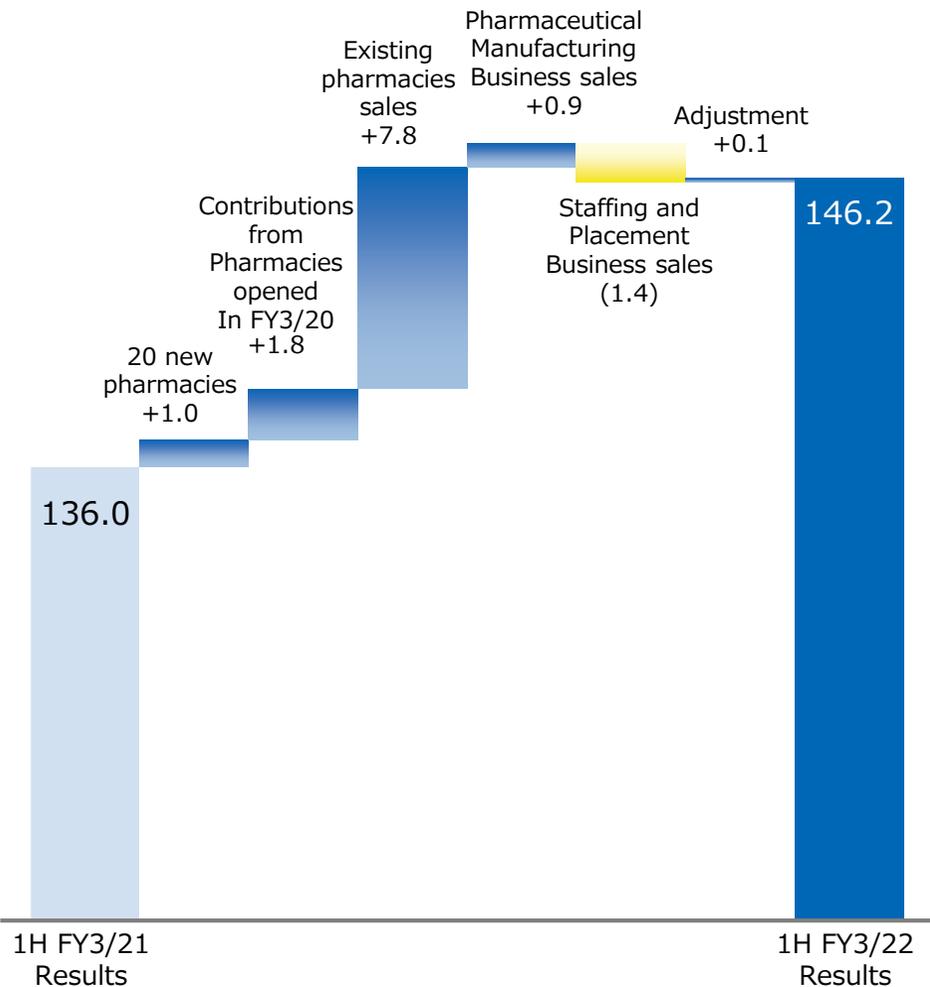
Note: Rounding down to the nearest unit

## Reference Materials

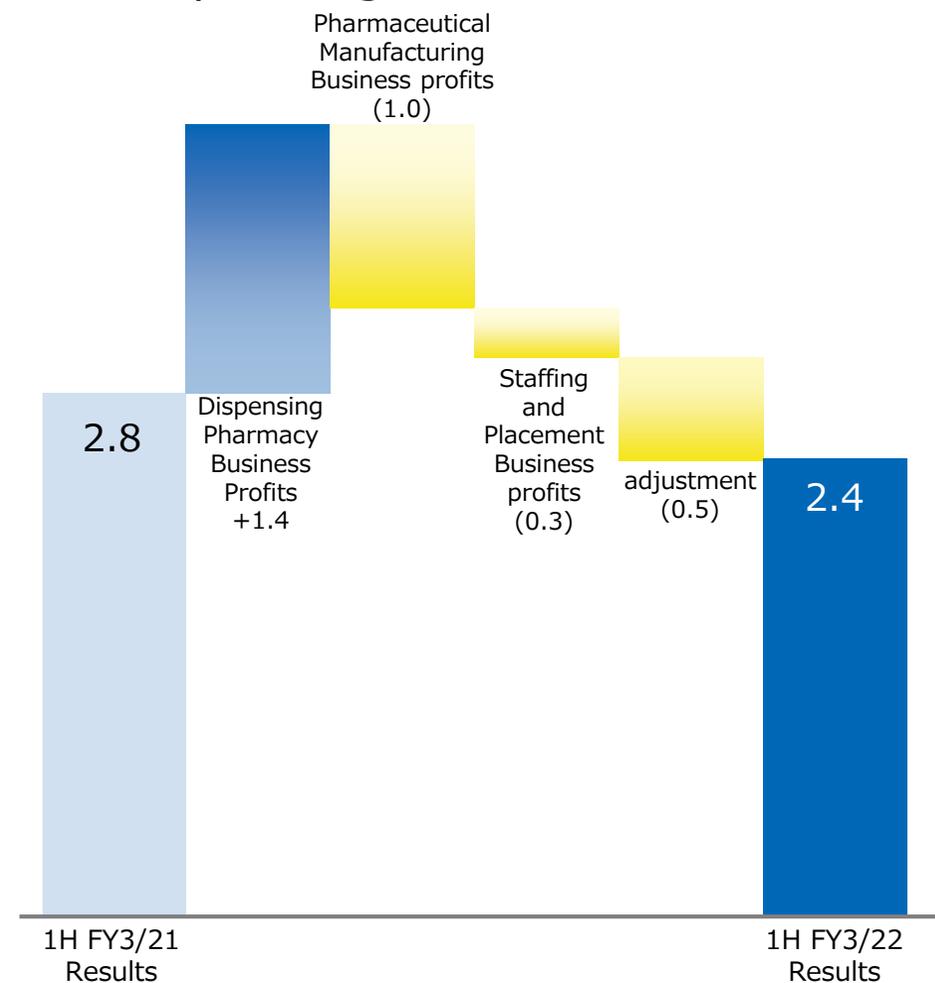
### Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

(Billions of yen; figures are rounded to the nearest 100 million yen)

#### Net Sales



#### Operating Profit

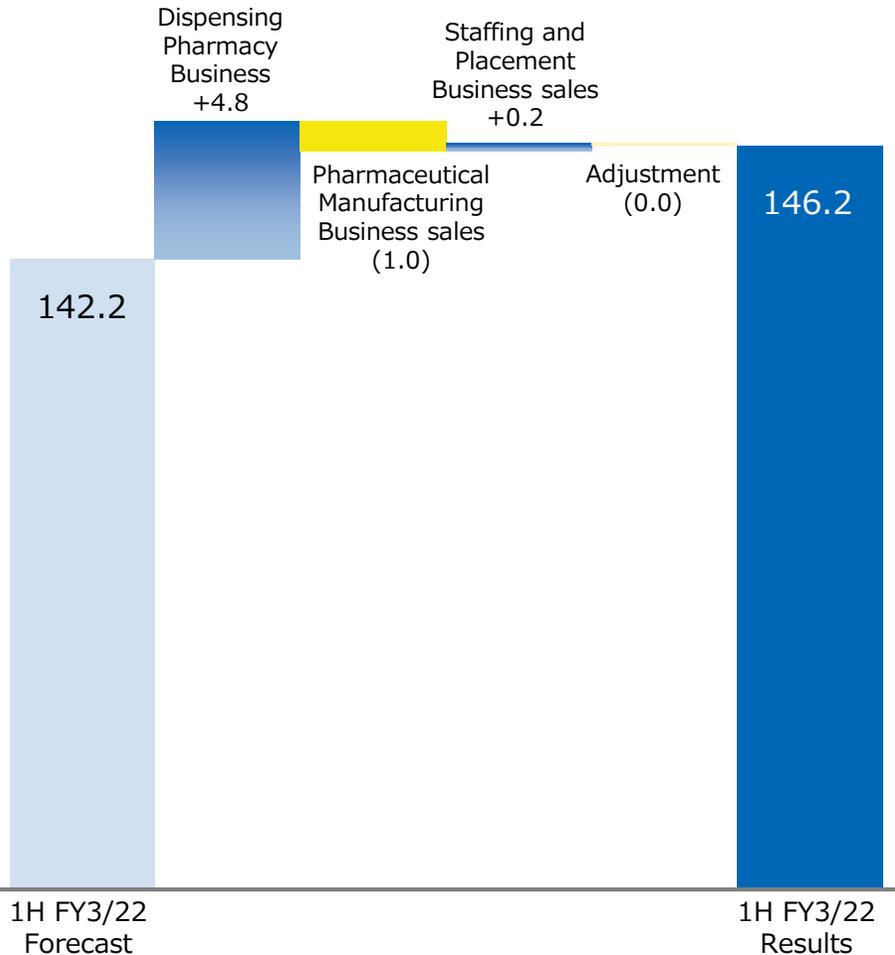


## Reference Materials

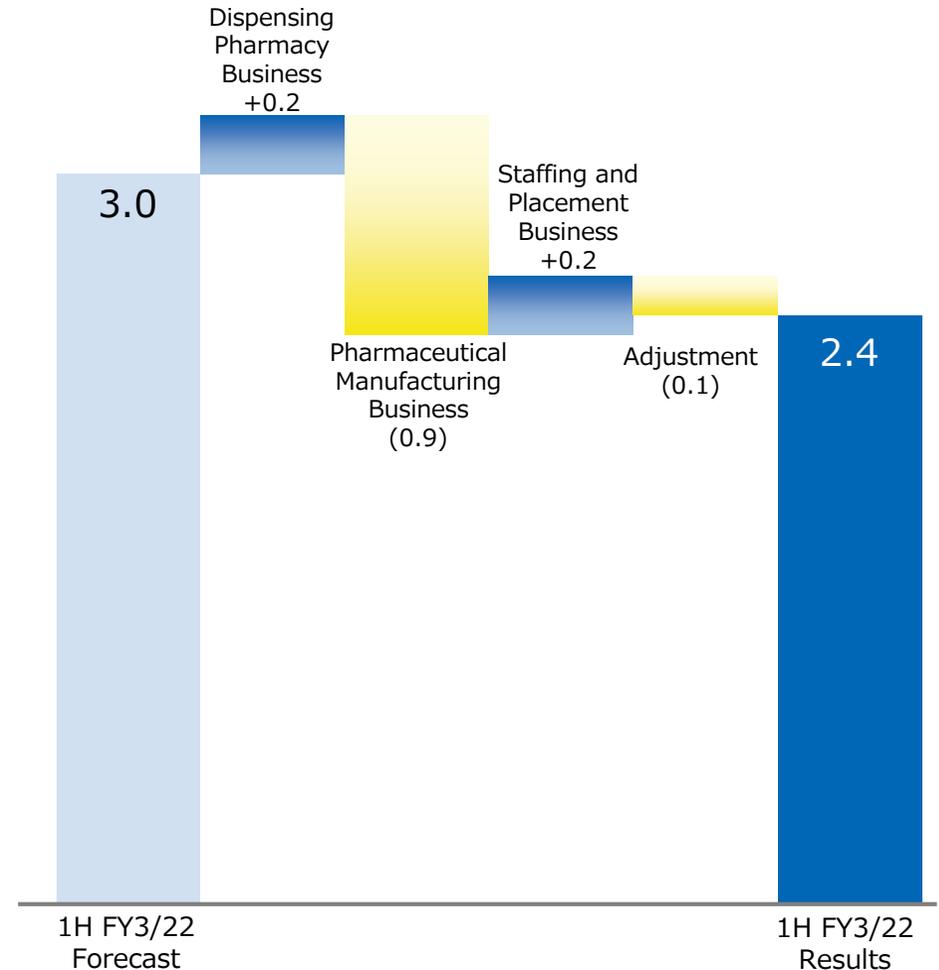
### Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

(Billions of yen; figures are rounded to the nearest 100 million yen)

#### Net Sales



#### Operating Profit



# FY3/22 Consolidated Forecast

While we expect net sales in the Dispensing Pharmacy Business to surpass our initial forecast on the back of higher prescription volume and drug fee revenues, we expect all profit lines to fall short of the initial forecast owing to the impact of product recalls and manufacturing delays caused by quality issues at Choseido Pharmaceutical.

(Millions of yen)	FY3/20 Results	FY3/21 Results	FY3/22 Previous Forecast	FY3/22 Revised Forecast	Forecast change	Forecast Change(%)
Net sales	268,520	278,951	293,400	<b>294,600</b>	1,200	0.4%
Cost of sales	222,147	229,577	239,000	<b>242,800</b>	3,800	1.6%
Gross profit	46,372	49,374	54,400	<b>51,800</b>	(2,600)	(4.8%)
% to sales	17.3%	17.7%	18.5%	<b>17.6%</b>	—	—
SG&A expenses	38,779	41,267	45,200	<b>44,800</b>	(400)	(0.9%)
% to sales	14.4%	14.8%	15.4%	<b>15.2%</b>	—	—
Consumption taxes	15,413	17,828	19,200	<b>19,300</b>	100	0.5%
R&D expenses	2,991	2,776	3,200	<b>3,100</b>	(100)	(3.1%)
Operating profit	7,593	8,106	9,200	<b>7,000</b>	(2,200)	(23.9%)
% to sales	2.8%	2.9%	3.1%	<b>2.4%</b>	—	—
Ordinary profit	7,405	8,409	9,100	<b>7,000</b>	(2,100)	(23.1%)
% to sales	2.8%	3.0%	3.1%	<b>2.4%</b>	—	—
Profit attributable to owners of parent	6,697	3,538	5,100	<b>4,000</b>	(1,100)	(21.6%)
% to sales	2.5%	1.3%	1.7%	<b>1.4%</b>	—	—
Net income per share (Yen) <sup>Note</sup>	223.33	118.01	170.07	<b>133.39</b>	(36.68)	(21.6%)
Dividend per share (Yen) <sup>Note</sup>	25.00	25.00	25.00	<b>25.00</b>	0	0.0%

\* Figures in the plan are rounded down to the nearest 100 million yen.

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock.

Net income per share and Dividend per share have been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2020.

# FY3/22 Business Segment Forecast

Although we expect the Dispensing Pharmacy Business to come ahead of our initial forecast, we anticipate that net sales and operating profit in the Pharmaceutical Manufacturing and Sales Business will fall short of the initial forecast as a result of quality issues.

(Millions of yen)		FY3/20 Results	FY3/21 Results	FY3/22 Previous Forecast	FY3/22 Revised Forecast	Forecast change	Forecast Change(%)
Dispensing pharmacy business	Net sales	231,001	244,072	256,700	<b>261,400</b>	4,700	1.8%
	Gross profit	34,898	38,054	42,000	<b>42,400</b>	400	1.0%
	% to sales	15.1%	15.6%	16.4%	<b>16.2%</b>	—	—
	Operating profit	9,785	10,585	12,700	<b>12,900</b>	200	1.6%
	% to sales	4.2%	4.3%	4.9%	<b>4.9%</b>	—	—
Pharmaceutical manufacturing and sales business	Net sales	43,072	45,699	49,800	<b>45,300</b>	(4,500)	(9.0%)
	Gross profit	6,076	6,894	8,000	<b>5,200</b>	(2,800)	(35.0)
	% to sales	14.1%	15.1%	16.1%	<b>11.5%</b>	—	—
	Operating profit	1,301	2,350	2,700	<b>400</b>	(2,300)	(85.2)
	% to sales	3.0%	5.1%	5.4%	<b>0.9%</b>	—	—
Medical professional staffing and placement business	Net sales	12,721	8,393	6,900	<b>6,800</b>	(100)	(1.4%)
	Gross profit	5,404	4,477	4,300	<b>4,300</b>	0	0.0%
	% to sales	42.5%	53.3%	62.3%	<b>63.2%</b>	—	—
	Operating profit	1,851	712	400	<b>400</b>	0	0.0%
	% to sales	14.6%	8.5%	5.8%	<b>5.9%</b>	—	—

\* Figures in the plan are rounded down to the nearest 100 million yen.

# Impact of Quality Issues at Choseido Pharmaceutical

Impact of quality issues at Choseido Pharmaceutical on full-year earnings of the Pharmaceutical Manufacturing and Sales Business

(Millions of yen)	FY3/22 Previous Forecast	FY3/22 Revised Forecast	Forecast change	Impact of Quality Issues
Net sales	49,800	45,300	(4,500)	(4,057)
Cost of sales	41,800	40,100	(1,700)	(1,866)
Gross profit	8,000	5,200	(2,800)	(2,191)
% to sales	16.1%	11.5%	—	—
SG&A expenses	5,300	4,800	(500)	(411)
% to sales	10.6%	10.6%	—	—
Operating profit	2,700	400	(2,300)	(1,780)
% to sales	5.4%	0.9%	—	—

Note: Rounding down to the nearest unit

## Impact of Quality Issues

### Forecast Assumptions for Choseido Pharmaceutical

- 1H based on actual results
- In 2H, we expect a gradual recovery in business following the administrative disciplinary actions, by January, it is expected to recover nearing the levels of Q2, when it was under the influence of shipment adjustments and suspensions but was still engaged in production activities.

### Impact on full-year forecasts

- Net sales: -4,057 million yen
- ✓ Lower sales of in-house products and contracted products, provision for returns, etc.
- Cost of sales: -1,866 million yen
- ✓ Factors behind decrease: Lower sales of in-house products and contracted products
- ✓ Factors behind increase: Recall fees, loss on valuation of products, etc.
- SG&A expenses: -411 million yen
- ✓ Decrease in R&D expenses, etc.

# 2 Growth strategy



## Overall Group

### Promotion of DX Strategy and Sustainability to Achieve Our Long-Term Vision

Formulation of Digital Transformation (DX) Strategy  
Sustainability Promotion Project launched

## Dispensing Pharmacy Business

### Pharmacy Opening Strategy / Responding to Changes Surrounding the Pharmacy Market

Strike a balance between opening hospital-front and hybrid pharmacies, and accelerate support for smart healthcare

## Pharmaceutical Manufacturing and Sales Business

### Expansion of Pharmaceutical Manufacturing and Sales Business / Expansion of Capacity

Started looking into operating unutilized areas at Tsukuba Plant No. 2, expecting to further expand capacity and improve profit margins

## Medical Professional Staffing and Placement Business

### Expansion of Medical Professional Staffing and Placement Business

Physician placement business expanding due to COVID-19 vaccine related demand



# DX strategy\*

## Long-term vision

Pursue further growth, building a strong business foundation that can overcome major changes in the environment

Evolve our business model and achieve sustainable growth by incorporating

## DX and sustainability

into the Business strategy

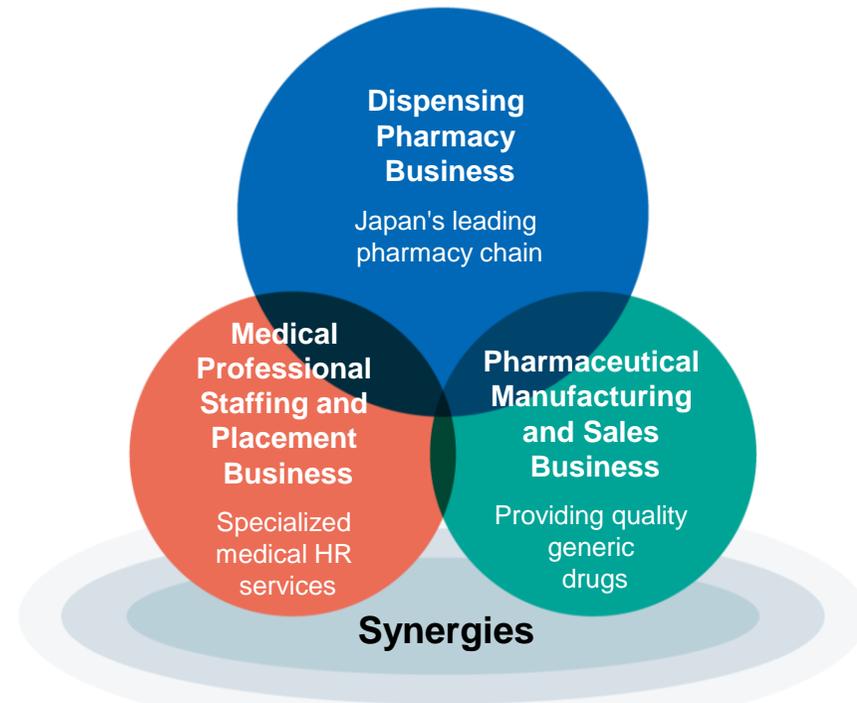
Nihon Chouzai regards ICT as a key factor in growth and has been developing an ICT strategy for many years. Going forward, we will continue to pursue business transformation through the use of digital technology, create value, and achieve further growth.



Net Sales **278.9 billion yen**  
(consolidated)

Net Sales **1 trillion yen**  
(Forecast of total value of three businesses)

※DX Strategy URL: <https://www.nicho.co.jp/en/ir/management/dx.html>



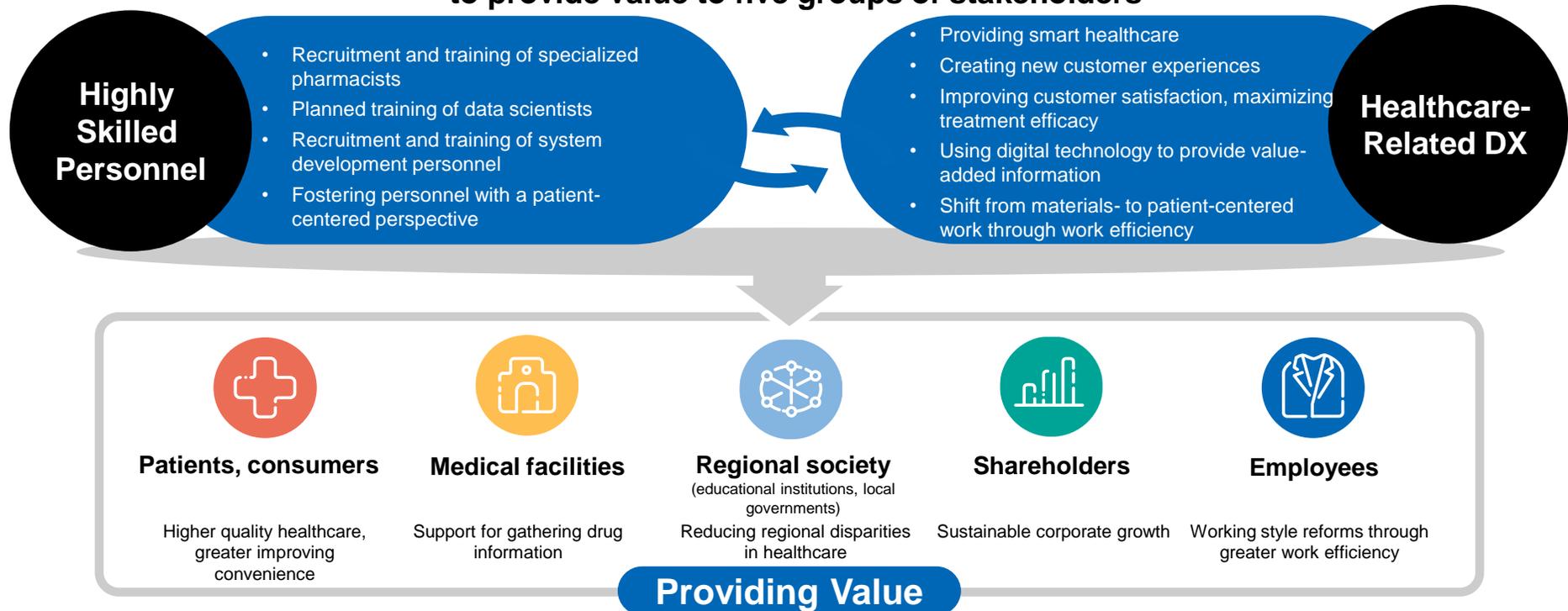
Grow the business by maximizing synergies of the three businesses

# DX strategy

## Fusion of personnel and healthcare-related DX

Through a fusion of highly skilled medical personnel with healthcare-related DX, we will evolve existing services and create new medical services

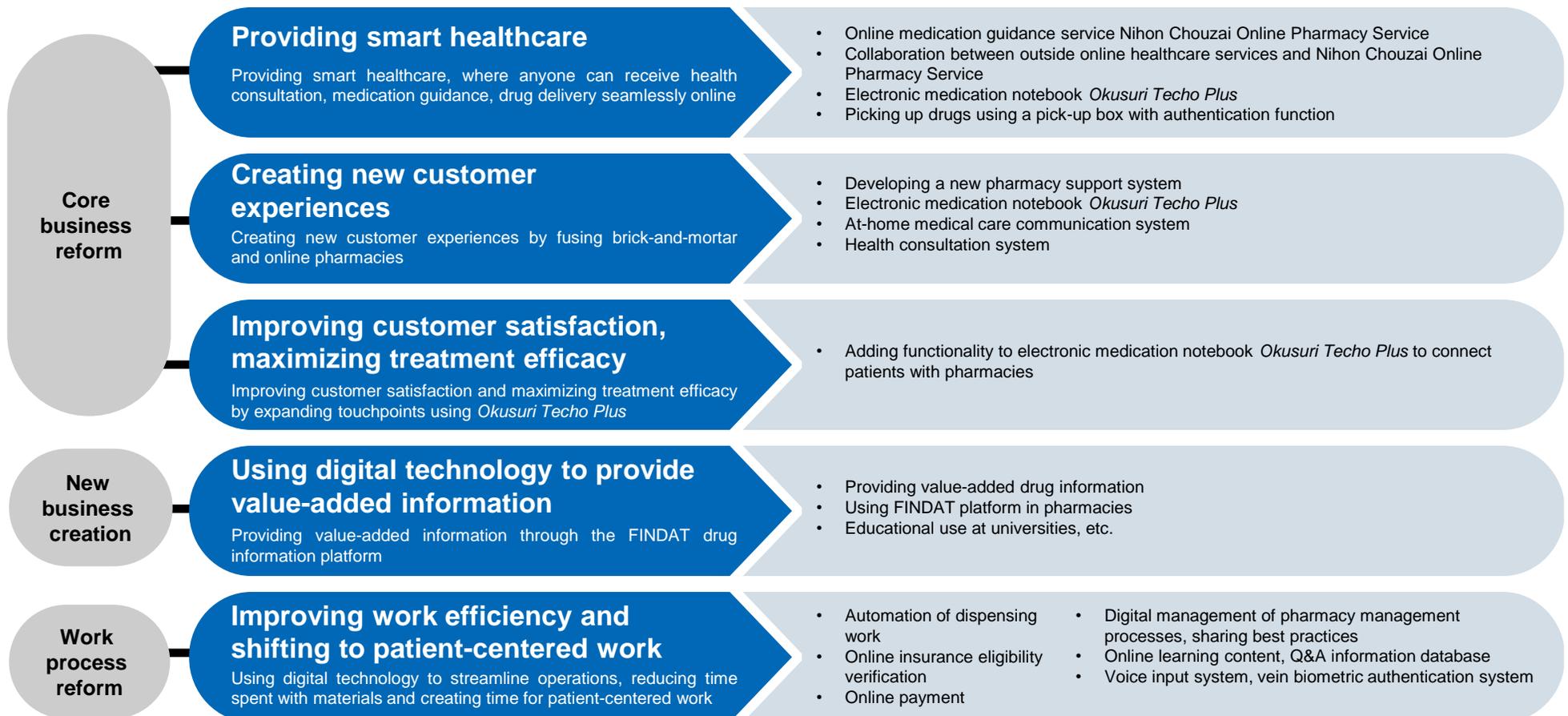
Evolving existing services and creating new medical services to provide value to five groups of stakeholders



# DX strategy

## 5 DX strategies

Create value and achieve dramatic growth using DX to transform each core business area, create new business, and transform work processes



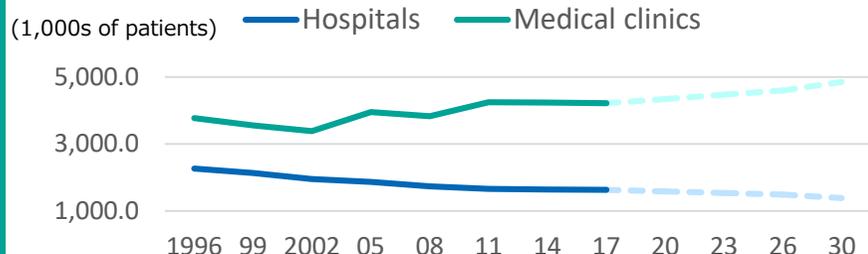
# Sustainability Strategy

Implementing five steps to advance SDGs management toward our long-term vision

Project	Progress	Details
■ Understand SDGs	May 2021–June 2021	<ul style="list-style-type: none"> <li>• Formulate roadmap</li> <li>• Conduct workshops for management and leaders</li> <li>• Discuss promotion system</li> </ul>
■ Determine Priority Issues	May 2021–December 2021	<ul style="list-style-type: none"> <li>• Analyze the connections between SDGs and our businesses (current situation analysis)</li> <li>• Prepare matrix (list)</li> <li>• Determine priority issues</li> </ul>
■ Set Targets	2022 onward	<ul style="list-style-type: none"> <li>• Formulate value creation story</li> <li>• Set KPIs</li> <li>• TCFD Initiatives</li> </ul>
■ Integrate into Management	2022 onward	<ul style="list-style-type: none"> <li>• Integrate SDGs into management plan to achieve long-term vision</li> <li>• Redefine management philosophy, vision, and mission</li> </ul>
■ Reporting and Communication	2022 onward	<ul style="list-style-type: none"> <li>• Expand content of integrated report</li> <li>• Organize website content</li> </ul>

# Pharmacy Opening Strategy: Responding to Changes Surrounding the Pharmacy Market

## Number of Patients in Hospitals and Medical Clinics



Source: Ministry of Health, Labour and Welfare's Patient Survey; Company estimates for 2020 onward

## Trends in Patient Numbers

- Home healthcare: Increase (large increase)
- Online: Increase (large increase)
- Pharmacies with certified functions: - (large increase)

## Trends in Dispensing Fee Revisions (Future Trends)

- Hospital-front/on-site pharmacies: Decrease (decrease)
- Non-hospital-front (Mentaio) and at-home medical care pharmacies: Increase (increase)
- Pharmacies with certified functions: - (increase)
- Compensation for online medical consultations: - (increase)

## Changes Toward the Online Shift

- Smartphone ownership among seniors (60-79 years old): 84.7%\*1
- Cloud access to medical data following the lifting of restrictions on e-prescriptions in 2023
- Increase in global adoption rate of online medical services (expected to increase from 1% in 2019 to 5% in 2021\*2)

\*1: According to MMD Research Institute

\*2: According to Deloitte Tohmatsu

## Nihon Chouzai's Ability to Address Changes in the Environment

- Ability to support advanced medical care to operate pharmacies with certified functions
  - Over 1/3 of outpatient oncology pharmacists working in pharmacies are employed with Nihon Chouzai
  - Information dissemination capabilities as a local Drug Information (DI) office through the introduction of FINDAT
- Ability to open new pharmacies on our own in a well-balanced manner
  - Ability to open new pharmacies to fully capture patient needs through hospital-front, on-site, and hybrid pharmacies (Mentaio and medical center)
- Ability to respond to digital transformation and online shift of medical care
  - Early introduction of online pharmacy services using in-house developed systems
  - Formulation of Digital Transformation (DX) Strategy to promote the Group's digital transformation

# Well-Balanced Pharmacy Network

Along with pharmacy openings through organic growth and additions through M&A, we are working to open larger stores and meet the needs of advanced medical care, and growing per-pharmacy sales. We implement balanced growth while making use of acquisitions as well.

Pharmacy Openings	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	1H FY3/22
Opened	27	42	36	32	65 note	29	20
Organic growth (percentage)	22 (81.5%)	21 (50.0%)	23 (63.9%)	26 (81.2%)	35 (53.8%)	22 (75.9%)	15 (75.0%)
M&A	5	21	13	6	30	7	5
Closed	11	12	8	19	13	9	5
No. of pharmacies at the end of period	527	557	585	598	650	670	685

• Including one location specializing in the sales of general merchandise

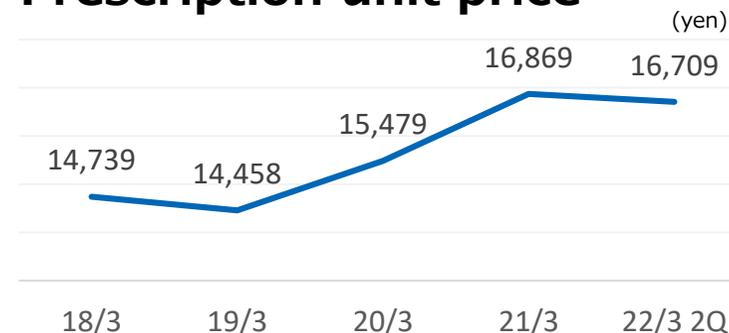
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

## 1H FY3/22 Results

(YoY growth rate)	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	+6.8%	+7.5%	(0.6%)
Pharmacies opened in FY3/21	+236.1%	+215.1%	+6.7%
Total	+8.7%	+10.4%	(1.5%)

No. of prescriptions 7,567,000 Prescription unit price 16,709yen

## Prescription unit price



# Well-Balanced Pharmacy Network

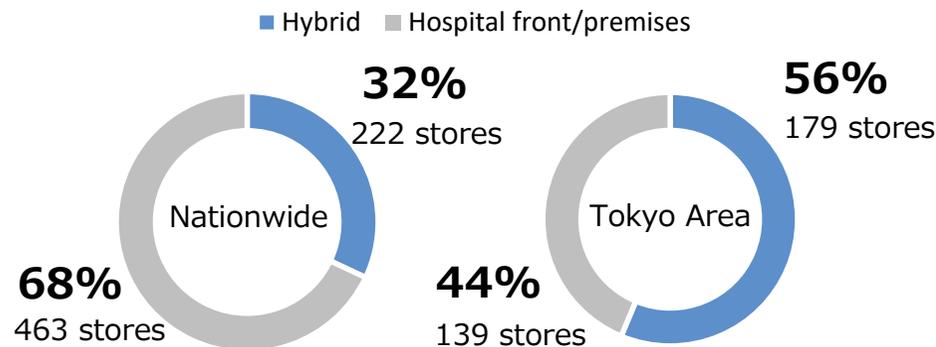
In addition to steadily increasing hospital-front pharmacies and pharmacies within hospital premises, we will strengthen our opening of “hybrid pharmacies,” which are becoming increasingly crucial to community medical care, and continue to run a well-balanced pharmacy network.

## Pharmacy Openings

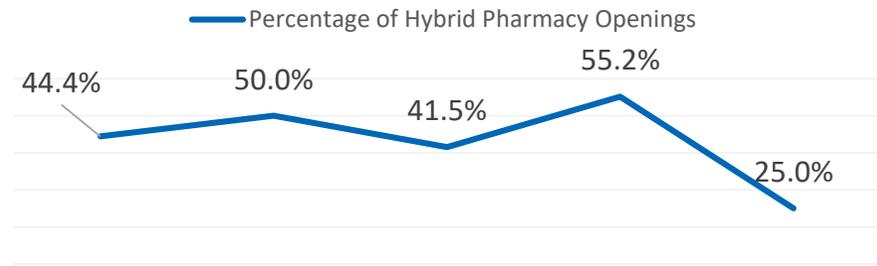
	FY3/18	FY3/19	FY3/20	FY3/21	1H FY3/22
Opened	36	32	65 <sup>note</sup>	29	20
Hospital-front pharmacies / Pharmacies within hospital premises	20	16	38	13	15
Hybrid pharmacies	16	16	27	16	5
Closed	8	19	13	9	5
No. of pharmacies at the end of period	585	598	650	670	685

• Including one location specializing in the sales of general merchandise  
 Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

## Ratio of Pharmacies



## Percentage of Pharmacy Openings



Region	FY3/18	FY3/19	FY3/20	FY3/21	1H FY3/22
	Pharmacy openings in 1H FY3/22		No. of pharmacies at 1H FY3/22		Percentage
Kanto		12	318		46.4%
Kansai		2	69		10.1%
Other		6	298		43.5%
Total		20	685		100.0%

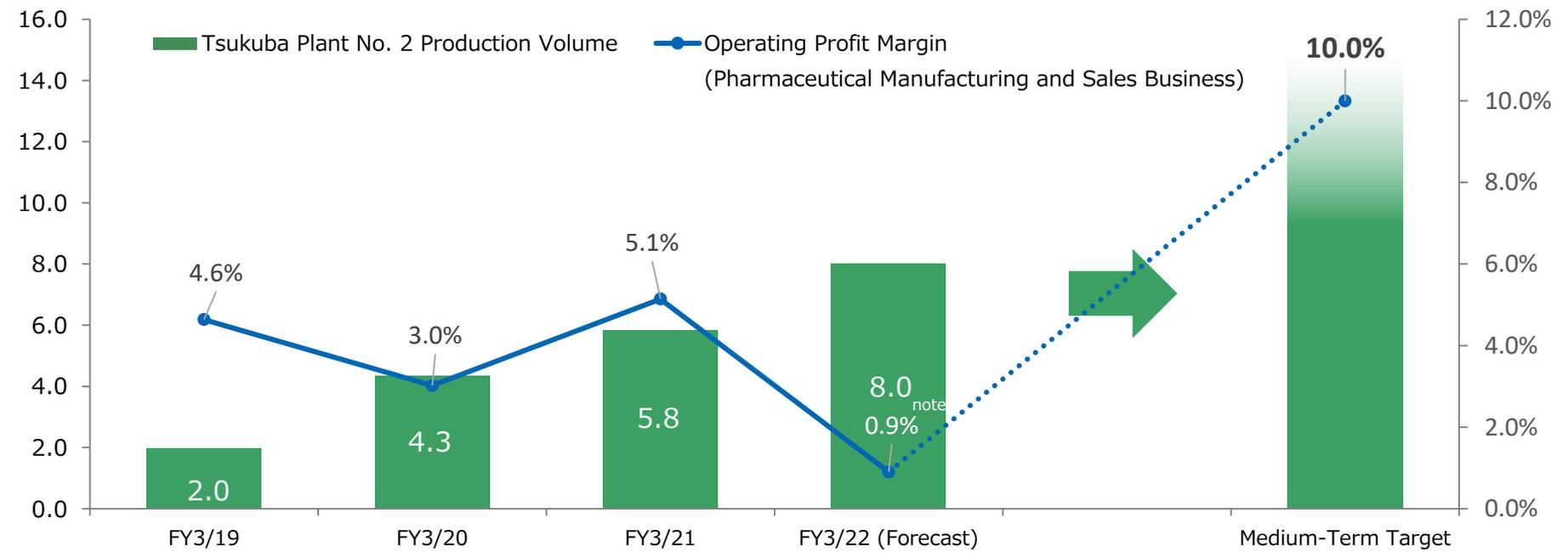
Hybrid Pharmacy: Combination of non-hospital-front (Mentaio) & medical center type pharmacies  
 Hybrid pharmacies are located in front of train stations, in shopping districts, and in other such areas, and combine the company's Mentaio-type pharmacies (serving a wide catchment area) and its medical center-type pharmacies.

## Growth of the Pharmaceutical Manufacturing and Sales Business

### Tsukuba No.2 Plant Production Capacity Expansion Measures

We started looking into operating unutilized areas to further boost production capacity at Tsukuba No. 2 Plant, which has been expanding production volume by a CAGR of over 70% since commencing operations in 2018. In the medium term, we expect to achieve an operating margin of 10% in the pharmaceutical manufacturing and sales business.

(100 million tablets)

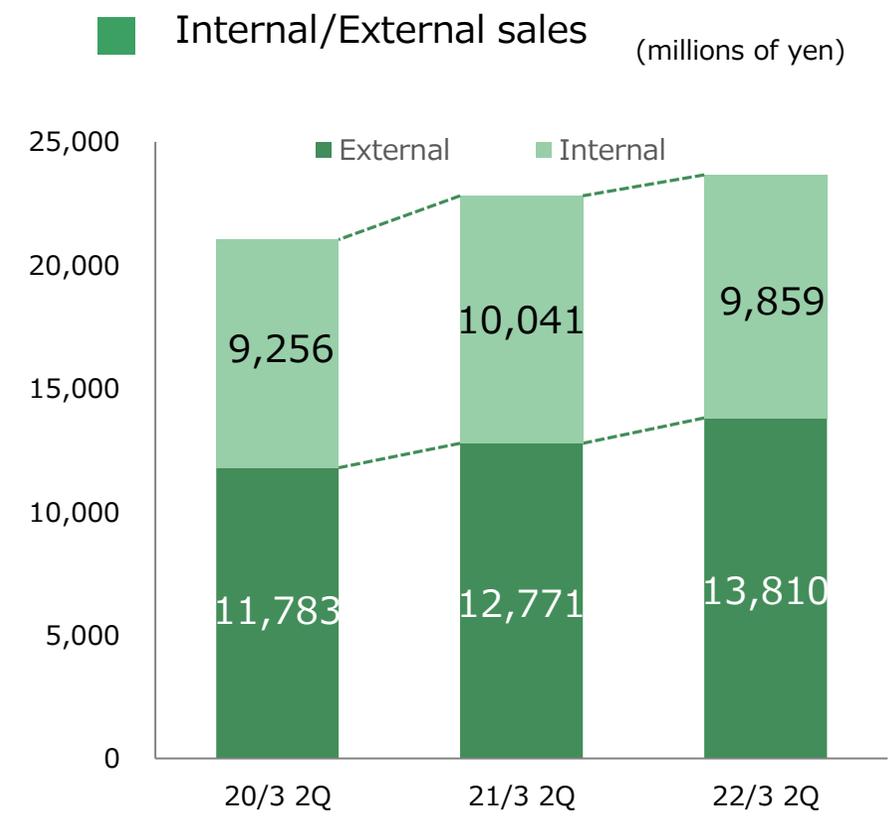
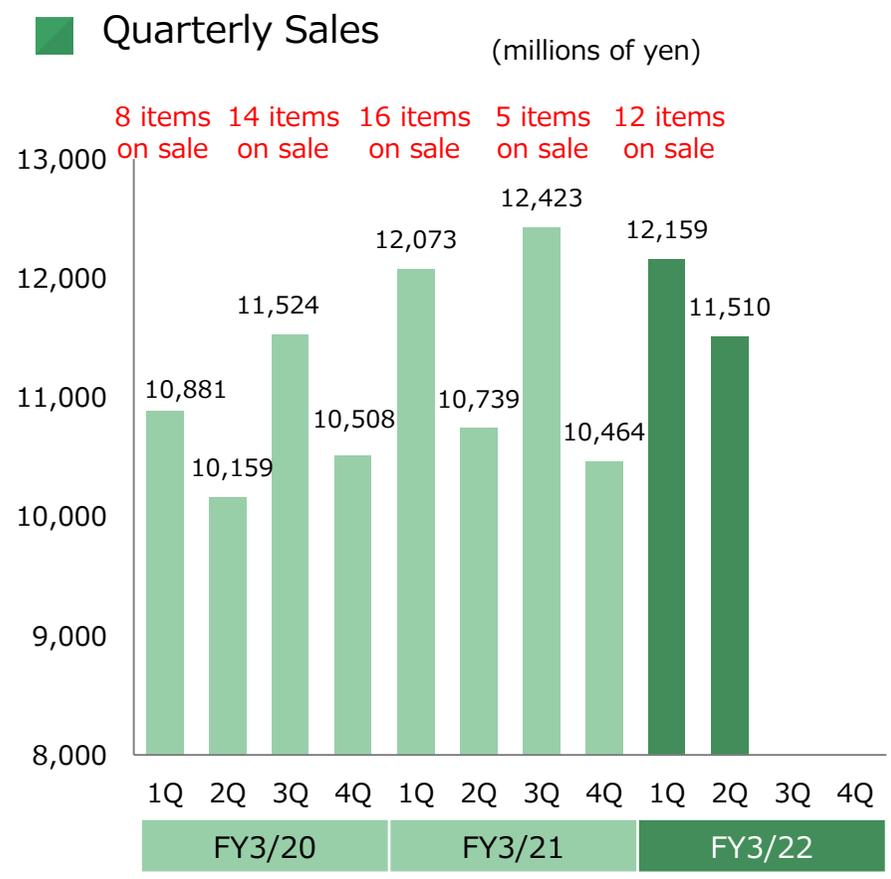


Note: The operating profit margin of the pharmaceutical manufacturing and sales business for the fiscal year ending March 31, 2022 has been revised downward from the previous forecast of 5.4% to 0.9% due to quality issues at Choseido Pharmaceutical. Operating margin is expected to recover from next fiscal year.

## Growth of the Pharmaceutical Manufacturing and Sales Business

Net sales have increased steadily thanks to the launch of new NHI listed drugs. Despite the grim market conditions, net sales have grown on the back of rising sales volumes.

### Net sales and their breakdown



# New NHI Listed Drugs

Product Items Planned for New NHI Listing in December 2021: **3 Items**

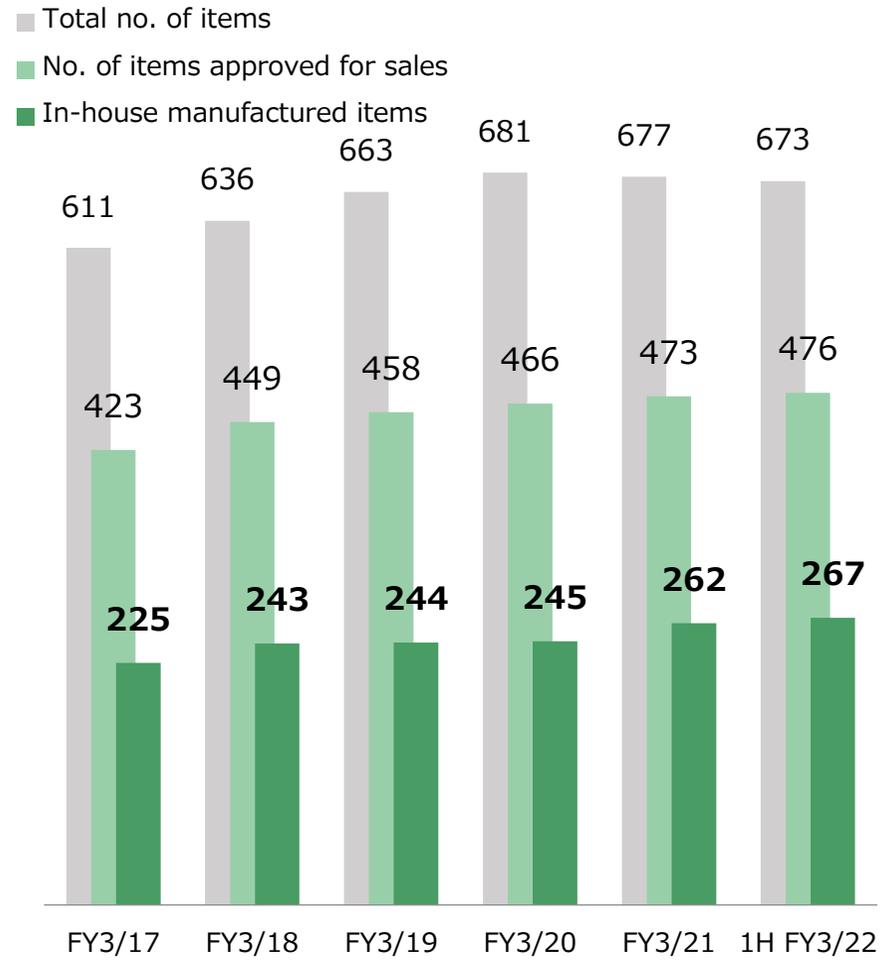
Scale of potential conversion to generic drugs (estimated\*)

**44.0 billion yen**

Product name	
Levetiracetam Tablets 250mg "JG"	Levetiracetam Dry Syrup 50% "JG"
Levetiracetam Tablets 500mg "JG"	

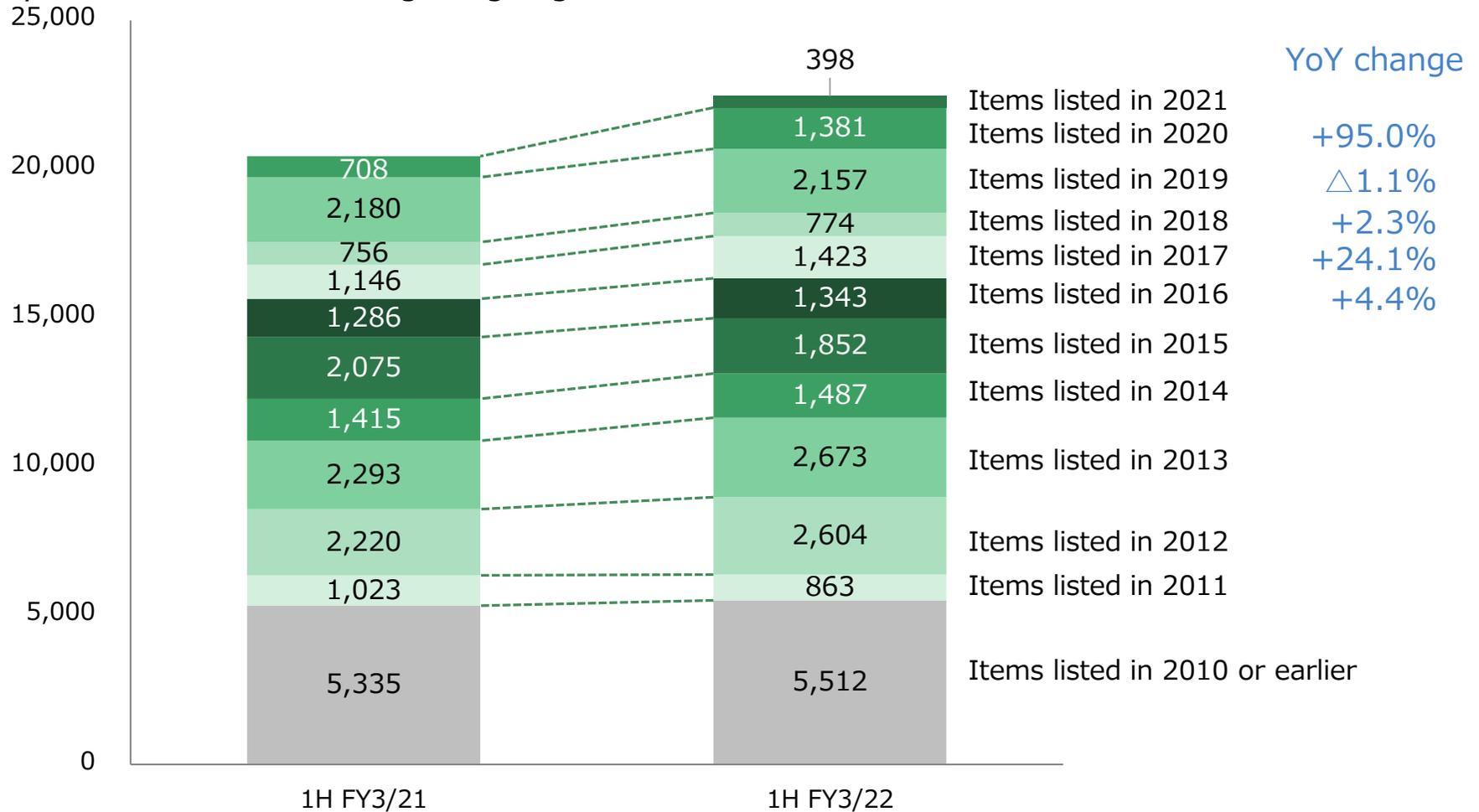
\* Calculated by Nihon Chouzai based on the annual usage volume of brand-name products

## Number of Product Items



# New NHI Listed Drugs

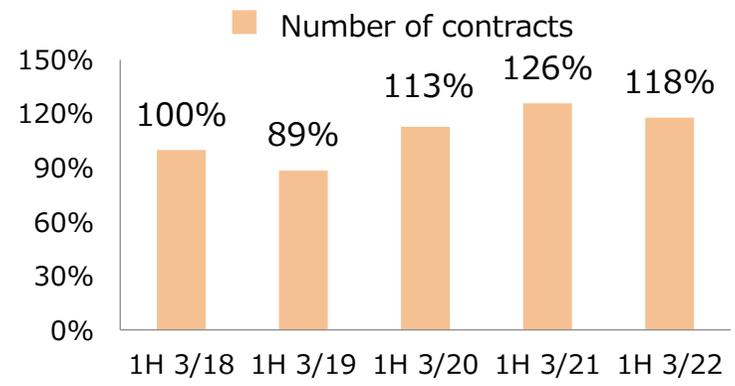
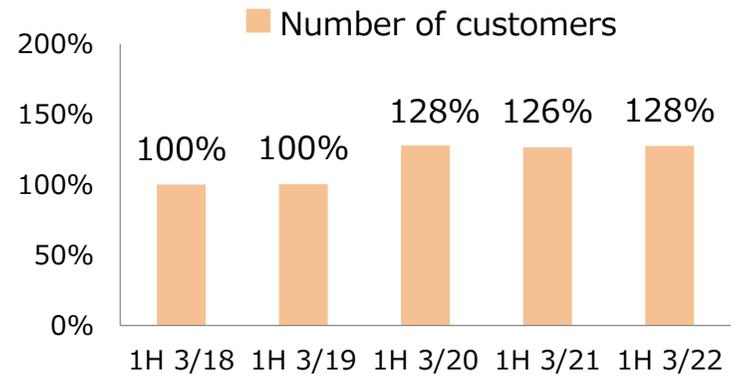
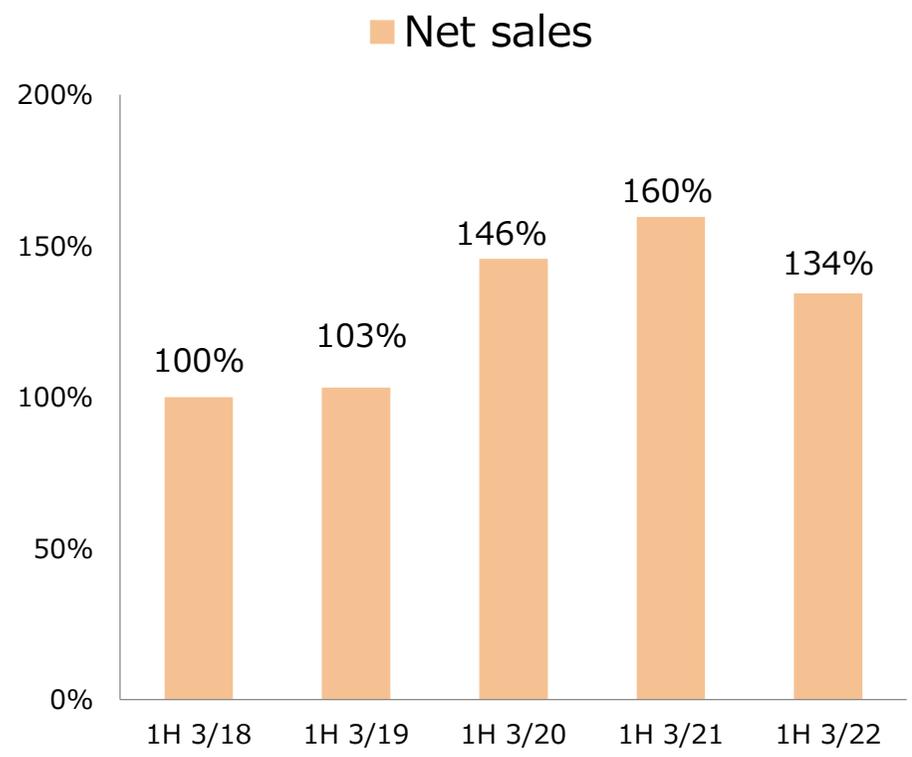
Steady launch of new NHI listed drugs has contributed substantially to net sales. We will continue to steadily accumulate sales through ongoing R&D.



## Growth of the Medical Professional Staffing and Placement Business

As we shifted our focus toward the pharmacist placement business in response to changes in demand for our pharmacist staffing business, the number of open pharmacist staffing positions plummeted due to the COVID-19 pandemic. In addition, demand for our pharmacist placement business weakened, with placement sales falling due to lower placement fees and fewer placements although we were able to maintain our client base.

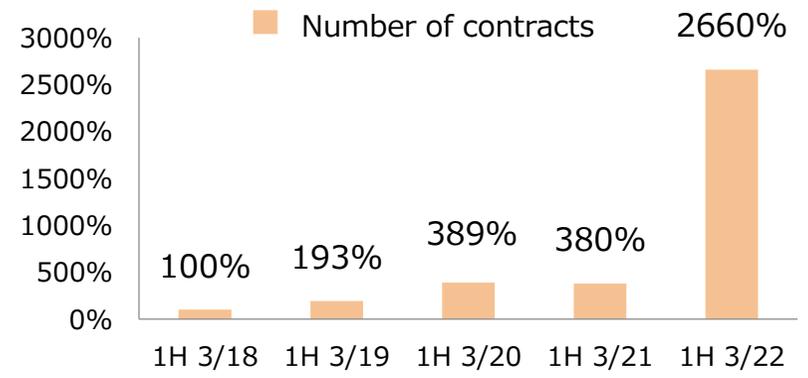
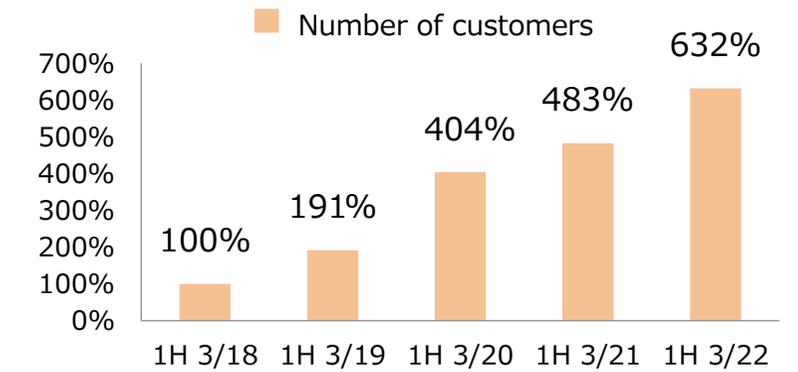
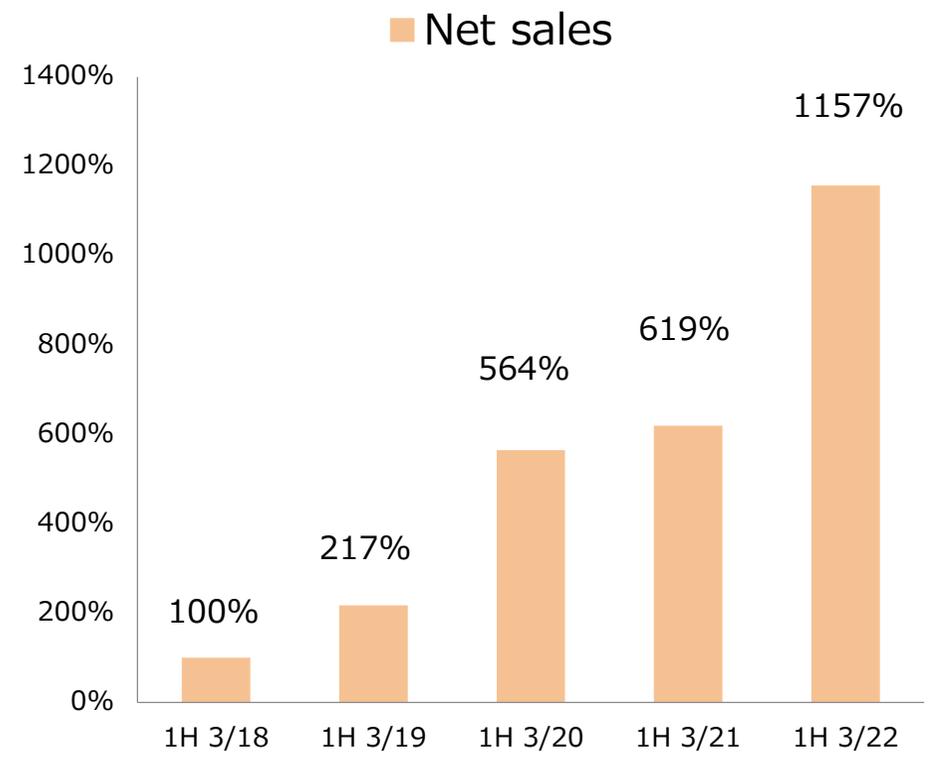
### Growth of the pharmacist placement business



## Growth of the Medical Professional Staffing and Placement Business

The physician placement business maintained strong growth as demand continued to rise even amid the COVID-19 pandemic. The business continued to expand on the back of a surge in demand for services related to Japan's COVID-19 vaccination efforts.

### Growth of the physician placement business



# Precautions

Performance targets, plans, business activities and other forward-looking statements concerning Nihon Chouzai and its subsidiaries are based on information that was available when this presentation was made. There may be significant changes to these statements due to business and other risk factors and other uncertainties. These statements are not promises concerning future performance. Actual results of operations may differ significantly from the outlook in this presentation for a number of reasons. In addition, this presentation is not a solicitation to make an investment in Nihon Chouzai. Investment decisions are the responsibility of individual investors.

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