

July 30, 2021

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



NIHON CHOUZAI Co.,Ltd.

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

Financial Highlights

■ Dispensing Pharmacy Business

- Increase in prescription volumes at existing pharmacies and the smooth operation of 29 pharmacies newly opened in the previous fiscal year led to higher net sales and operating profit.

■ Pharmaceutical Manufacturing and Sales Business

- Newly NHI listed drugs drove higher net sales, however operating profit decreased, reflecting lower selling prices of existing drugs due to the latest drug price revision and the postponement of scheduled sales of some newly listed drugs.

■ Medical Professional Staffing and Placement Business

- Growing demand to support carry out Japan's COVID-19 vaccination effort led to an increase in physician placements, on the other hand demand for pharmacist staffing decrease caused both net sales and operating profit to decline.

Consolidated Statement of Income

Despite the ongoing impact of the pandemic, increase in prescription volumes from the existing pharmacies and performance of 29 pharmacies newly opened in the previous fiscal year led to a 5.2% YoY increase in net sales. Ongoing steps to rein in costs across the Group, among other factors, enabled a 118.1% YoY increase in operating profit (+4.1% versus forecast).

(Millions of yen)	1Q FY3/20 Results	1Q FY3/21 Results	1Q FY3/22 Plan	1Q FY3/22 Results	Change Vs. Plan	Vs. Plan	YoY growth rate
Net Sales	64,316	68,306	70,400	71,851	1,451	2.1%	5.2%
Cost of Sales	53,169	57,343	57,500	59,380	1,880	3.3%	3.6%
Gross profit	11,147	10,962	12,800	12,471	△328	△2.6%	13.8%
% to sales	17.3%	16.0%	18.2%	17.4%	—	—	—
SG&A expenses	9,377	10,533	11,900	11,534	△365	△3.1%	9.5%
% to sales	14.6%	15.4%	16.9%	16.1%	—	—	—
Consumption taxes	3,589	4,897	5,100	5,079	△20	△0.4%	3.7%
R&D expenses	624	654	900	905	5	0.6%	38.3%
Operating profit	1,770	429	900	936	36	4.1%	118.1%
% to sales	2.8%	0.6%	1.3%	1.3%	—	—	—
Ordinary profit	1,710	337	800	993	193	24.2%	194.8%
% to sales	2.7%	0.5%	1.1%	1.4%	—	—	—
Profit attributable to owners of parent	833	356	300	427	127	42.6%	20.1%
% to sales	1.3%	0.5%	0.4%	0.6%	—	—	—
Net income per share (Yen) ^{Note}	27.81	11.88	10.00	14.27	4.27	42.6%	20.1%

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

The main asset changes were a 8.9 billion yen increase in cash and deposits and 4.8 billion yen increase merchandise and finished goods. The main liability changes was a 11.2 billion yen increase in Accounts payable-trade.

(Millions of yen)	End of Mar. 2020 (FY3/20)	End of Mar. 2021 (FY3/21)	End of June 2021 (1Q FY3/22)	YoY change	YoY change (%)
Current assets	87,414	89,246	101,389	12,142	13.6%
Non-current assets	98,137	97,015	97,661	645	0.7%
Property, plant and equipment	66,082	64,785	64,500	△284	△0.4%
Intangible assets	19,425	18,952	18,988	35	0.2%
Investments and other assets	12,628	13,277	14,172	894	6.7%
Total assets	185,551	186,262	199,050	12,788	6.9%
Current liabilities	70,107	87,720	100,771	13,050	14.9%
Non-current liabilities	68,370	48,673	48,352	△321	△0.7%
Total liabilities	138,478	136,394	149,124	12,729	9.3%
Total net assets	47,072	49,868	49,926	58	0.1%
Shareholders' equity	47,072	49,868	49,926	58	0.1%
Equity ratio	25.4%	26.8%	25.1%	—	—

Dispensing Pharmacy Business / Statement of Income

Increase in prescription volumes from the existing pharmacies and performance of 29 pharmacies newly opened in the previous fiscal year the net sales increased 8.1% YoY. Operating profit increased 306.4% YoY (+4.9% versus forecast) .

(Millions of yen)	1Q FY3/20 Results	1Q FY3/21 Results	1Q FY3/22 Plan	1Q FY3/22 Results	Change Vs. Plan	Vs. Plan	YoY growth rate
Net sales	54,814	58,200	60,900	62,912	2,012	3.3%	8.1%
Cost of sales	47,049	50,515	51,300	53,307	2,007	3.9%	5.5%
Gross profit	7,765	7,684	9,600	9,604	4	0.0%	25.0%
% to sales	14.2%	13.2%	15.8%	15.3%	—	—	—
SG&A expenses	5,921	7,219	7,800	7,716	△83	△1.1%	6.9%
% to sales	10.8%	12.4%	12.8%	12.3%	—	—	—
Operating profit	1,843	464	1,800	1,888	88	4.9%	306.4%
% to sales	3.5%	0.8%	3.0%	3.0%	—	—	—
No. of pharmacies at the end of each period (stores)	600	658	678	679	1	0.1%	3.2%
Prescription drug sales per pharmacy	91	88	90	93	2	3.2%	4.8%

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 / Statement of Income

Driven by newly NHI listed drugs in the previous fiscal year and in June of this year, net sales increased 0.7% YoY. Operating profit decreased by 45.9% YoY (-9.8% versus forecast), reflecting lower prices of existing drugs due to the latest drug price revision and newly NHI listed drugs were partially postponed.

(Millions of yen)	1Q FY3/20 Results	1Q FY3/21 Results	1Q FY3/22 Plan	1Q FY3/22 Results	Change Vs. Plan	Vs. Plan	YoY growth rate
Net sales	10,881	12,073	12,600	12,158	△441	△3.5%	0.7%
Cost of sales	8,975	10,138	10,700	10,460	△239	△2.2%	3.2%
Gross profit	1,906	1,935	1,900	1,698	△201	△10.6%	△12.2%
% to sales	17.5%	16.0%	15.1%	14.0%	—	—	—
SG&A expenses	1,107	1,101	1,400	1,247	△152	△10.9%	13.2%
% to sales	10.2%	9.1%	11.1%	10.3%	—	—	—
Operating profit	798	833	500	451	△48	△9.8%	△45.9%
% to sales	7.3%	6.9%	4.0%	3.7%	—	—	—

Note: Rounding down to the nearest unit

Medical Professional Staffing and Placement Business / Statement of Income

The impact of COVID-19 led to the sharp decrease in net sales and operating profit for pharmacist staffing. On the other hand, by proactively pursued opportunities to support COVID-19 vaccination effort the physician placement business yielded brisk performance. Performance was also solid in industrial physician services, an area in which was newly invested in the previous fiscal year, aiming to expand the overall physician-related business.

(Millions of yen)	1Q FY3/20 Results	1Q FY3/21 Results	1Q FY3/22 Plan	1Q FY3/22 Results	Change Vs. Plan	Vs. Plan	YoY growth rate
Net sales	3,597	2,943	1,800	1,901	101	5.6%	△35.4%
Cost of sales	2,026	1,511	700	676	△23	△3.4%	△55.3%
Gross profit	1,570	1,431	1,100	1,225	125	11.4%	△14.4%
% to sales	43.7%	48.7%	61.1%	64.4%	—	—	—
SG&A expenses	919	922	900	947	47	5.2%	2.6%
% to sales	25.6%	31.4%	50.0%	49.8%	—	—	—
Operating profit	651	509	200	278	78	39.2%	△45.3%
% to sales	18.1%	17.3%	11.1%	14.6%	—	—	—

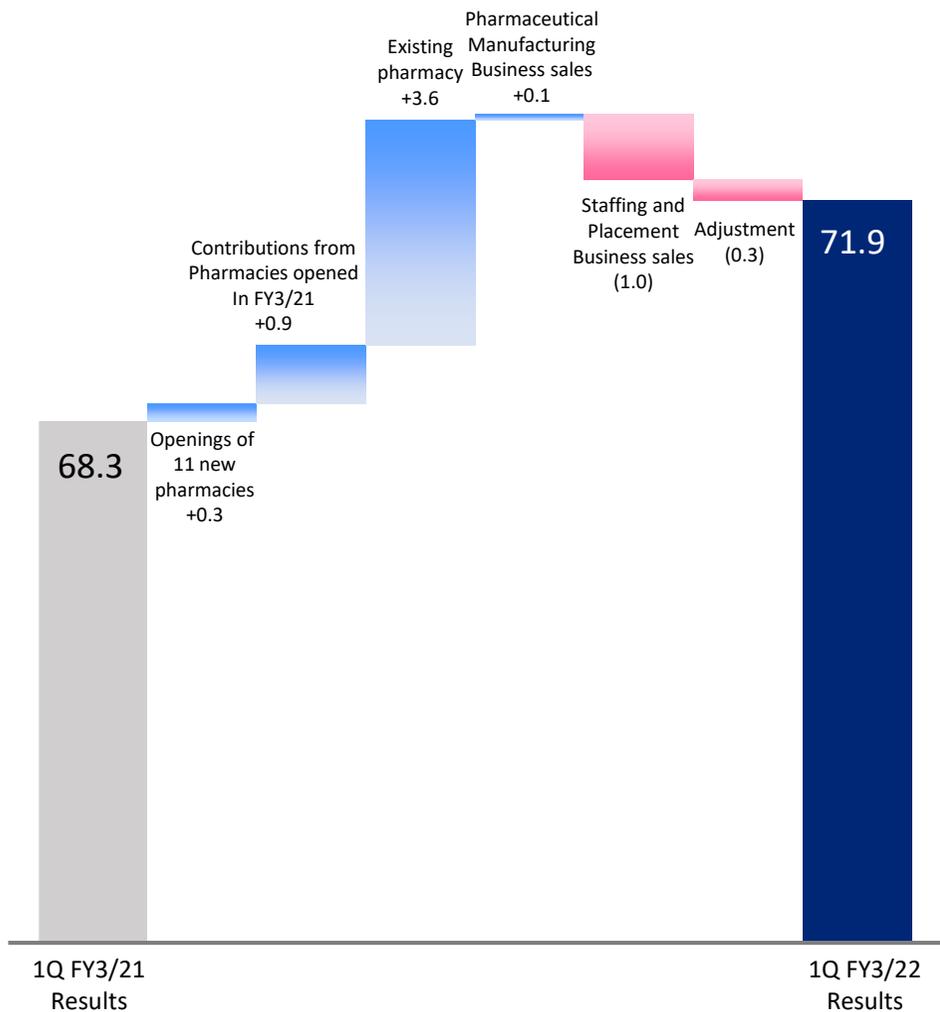
Note: Rounding down to the nearest unit

Reference Materials

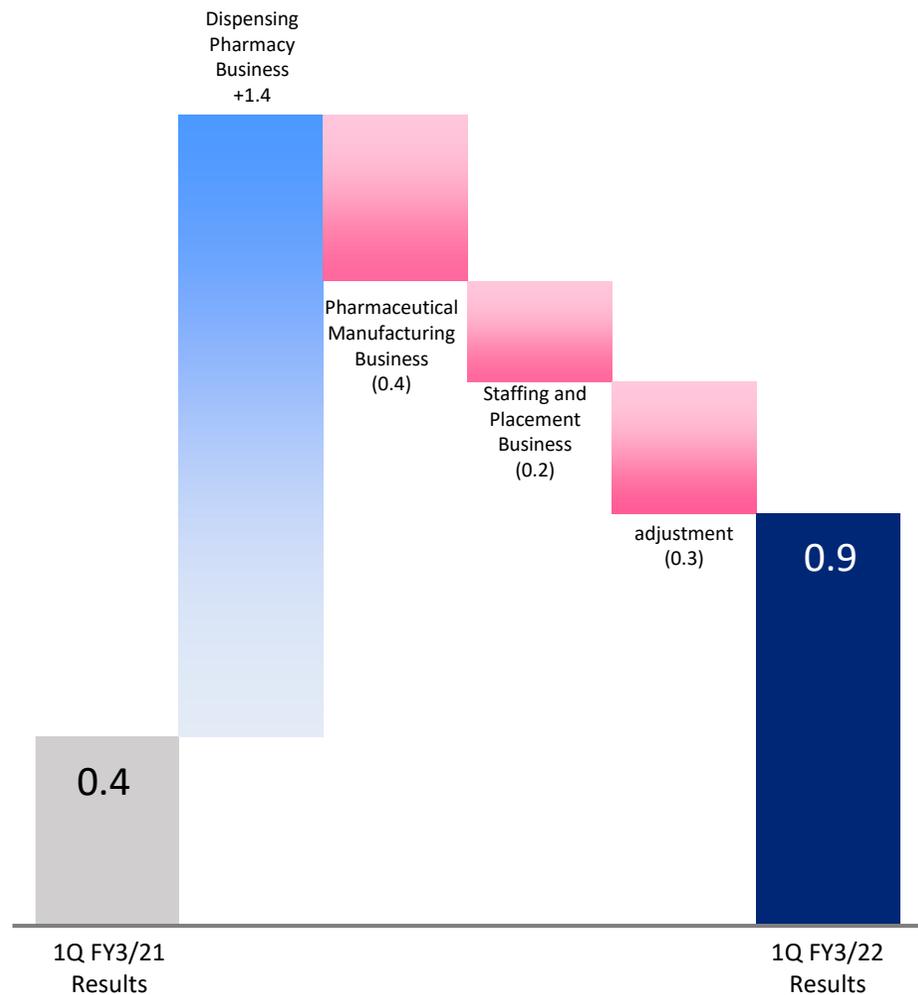
Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

Net Sales



Operating Profit

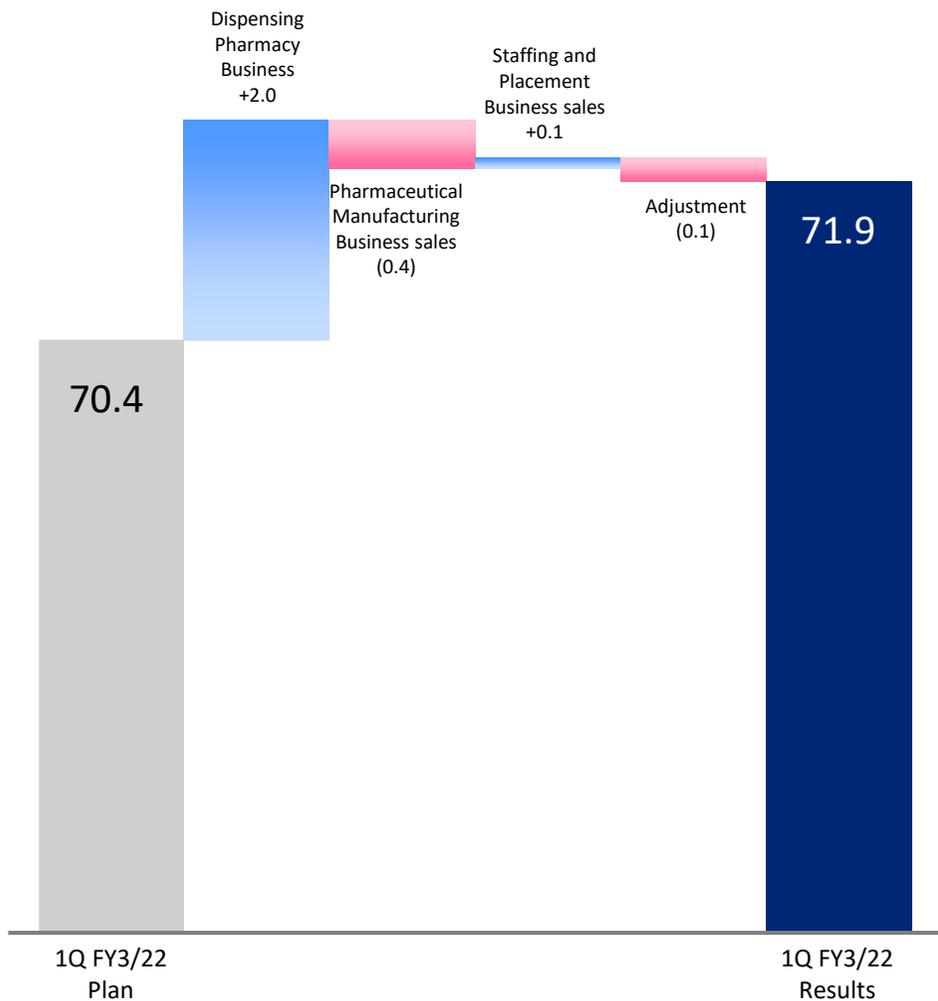


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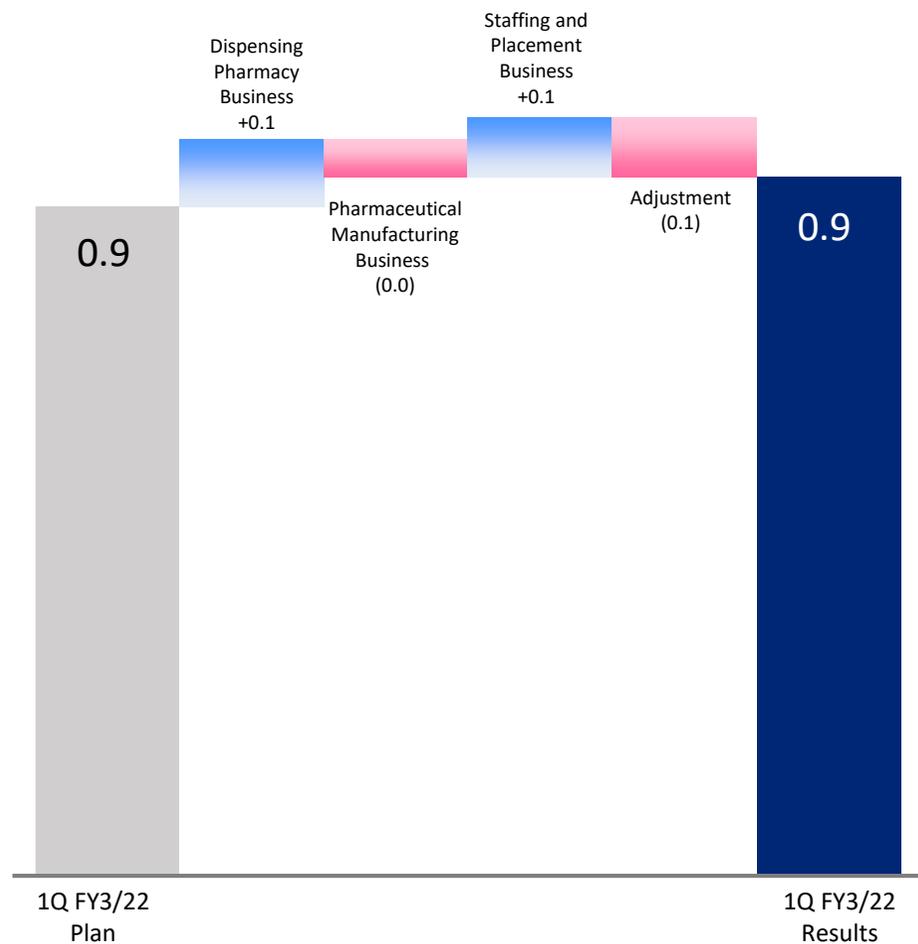
Consolidated Results: Major Components of Changes vs. Plan (Net Sales / Operating Profit)

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

Net Sales



Operating Profit



FY3/22 Consolidated Forecast

While we anticipate some degree of recovery from the previous year's business environment, which was heavily affected by the COVID-19 pandemic, at this time it is uncertain how vaccinations and other developments will improve the situation, and we have therefore not factored these items into our full-year earnings forecasts. There are no changes to the consolidated forecast.

(Millions of yen)	FY3/19 Results	FY3/20 Results	FY3/21 Results	FY3/22 Plan	YoY change	YoY growth rate
Net sales	245,687	268,520	278,951	293,400	14,448	5.2%
Cost of sales	203,711	222,147	229,577	239,000	9,422	4.1%
Gross profit	41,975	46,372	49,374	54,400	5,025	10.2%
% to sales	17.1%	17.3%	17.7%	18.5%	—	—
SG&A expenses	35,242	38,779	41,267	45,200	3,932	9.5%
% to sales	14.3%	14.4%	14.8%	15.4%	—	—
Consumption taxes	12,537	15,413	17,828	19,200	1,371	7.7%
R&D expenses	2,764	2,991	2,776	3,200	423	15.3%
Operating profit	6,733	7,593	8,106	9,200	1,093	13.5%
% to sales	2.7%	2.8%	2.9%	3.1%	—	—
Ordinary profit	6,077	7,405	8,409	9,100	690	8.2%
% to sales	2.5%	2.8%	3.0%	3.1%	—	—
Profit attributable to owners of parent	3,790	6,697	3,538	5,100	1,561	44.1%
% to sales	1.5%	2.5%	1.3%	1.7%	—	—
Net income per share (Yen) ^{Note}	121.74	223.33	118.01	170.07	52.07	44.1%
Dividend per share (Yen) ^{Note}	25.00	25.00	25.00	25.00	—	—

* 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, 2019.

FY3/22 Business Segment Forecast

In the Dispensing Pharmacy Business, we have factored in the impact of COVID-19 as we expect the business environment of 2H FY3/21 to persist. In the Pharmaceutical Manufacturing and Sales Business, although business may be affected by NHI price revisions, we target sales and profit growth on higher sales volumes of in-house manufactured products, notably new NHI listed drugs. There are no changes to the segment forecast.

	(Millions of yen)	FY3/19 Results	FY3/20 Results	FY3/21 Results	FY3/22 Plan	YoY change	YoY growth rate
Dispensing pharmacy business	Net sales	208,622	231,001	244,072	256,700	12,627	5.2%
	Gross profit	30,282	34,898	38,054	42,000	3,945	10.4%
	% to sales	14.5%	15.1%	15.6%	16.4%	—	—
	Operating profit	8,707	9,785	10,585	12,700	2,114	20.0%
	% to sales	4.2%	4.2%	4.3%	4.9%	—	—
Pharmaceutical manufacturing and sales business	Net sales	40,659	43,072	45,699	49,800	4,100	9.0%
	Gross profit	6,877	6,076	6,894	8,000	1,105	16.0%
	% to sales	16.9%	14.1%	15.1%	16.1%	—	—
	Operating profit	1,885	1,301	2,350	2,700	349	14.9%
	% to sales	4.6%	3.0%	5.1%	5.4%	—	—
Medical professional staffing and placement business	Net sales	13,083	12,721	8,393	6,900	(1,493)	(17.8%)
	Gross profit	4,950	5,404	4,477	4,300	(177)	(4.0%)
	% to sales	37.8%	42.5%	53.3%	62.3%	—	—
	Operating profit	1,478	1,851	712	400	(312)	(43.9%)
	% to sales	11.3%	14.6%	8.5%	5.8%	—	—

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

Growth strategy

■ **Emphasis on a Well Balanced Pharmacy Network / Responding to the PMD Act Revision**

Growth through a proper balance between “organic growth and acquisitions” and “hospital-front and hybrid pharmacies” with an eye toward the pharmacy of the future

Dispensing Pharmacy
Business

■ **Growth of the Pharmaceutical Manufacturing and Sales Business / New NHI Listed Drugs**

Investments in R&D programs to increase the number of items for which we have obtained manufacturing approval and increase earnings

Pharmaceutical
Manufacturing and
Sales Business

■ **Growth of the Medical Professional Staffing and Placement Business**

Strengthen placement business and expand into new business fields

Medical Professional
Staffing and
Placement Business

Emphasis on a Well-Balanced Pharmacy Network (1)

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	1Q FY3/22
Opened	27	42	36	32	65 *	29	11
Organic growth (%)	22 (81.5)	21 (50.0)	23 (63.9)	26 (81.2)	35 (53.8)	22 (75.9)	7 (63.6)
M&A	5	21	13	6	30	7	4
Closed	11	12	8	19	13	9	2
No. of pharmacies at the end of period	527	557	585	598	650	670	679

• Including two locations specializing in the sales of general merchandise

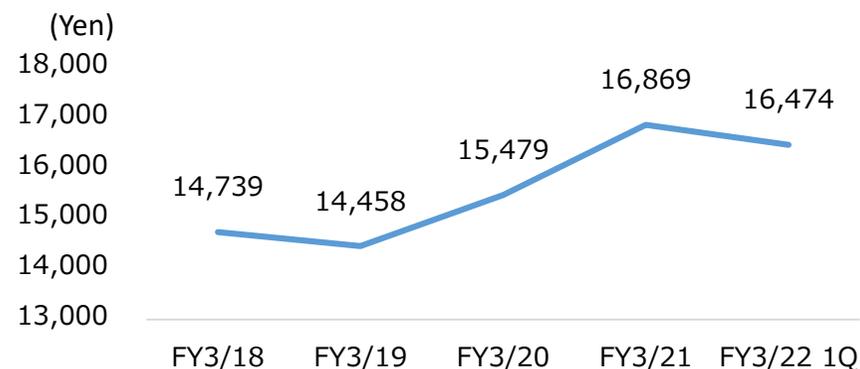
* Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

FY3/22 1Q Dispensing Pharmacy Business YoY Growth Rate

	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	+6.3%	+11.8%	(4.9%)
Pharmacies opened in FY3/21	+297.3%	+321.3%	(5.7%)
Total	+8.0%	+14.6%	(5.7%)

No. of prescriptions 3,755,000 Prescription unit price 16,474 yen

Prescription unit price



Emphasis on a Well-Balanced Pharmacy Network (2)

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

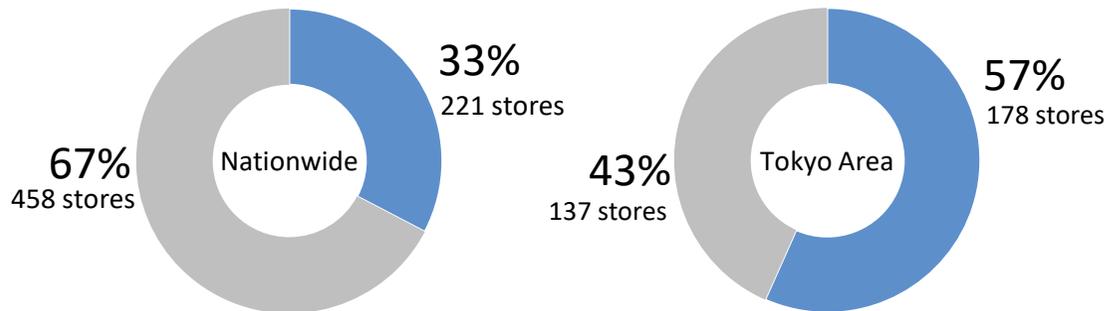
	FY3/18	FY3/19	FY3/20	FY3/21	1Q FY3/22
Opened	36	32	65*	29	11
Hospital-front pharmacies / Pharmacies within hospital premises	20	16	38	13	8
Hybrid pharmacies	16	16	27	16	3
Closed	8	19	13	9	2
No. of pharmacies at the end of period	585	598	650	670	679

• Including two locations specializing in the sales of general merchandise

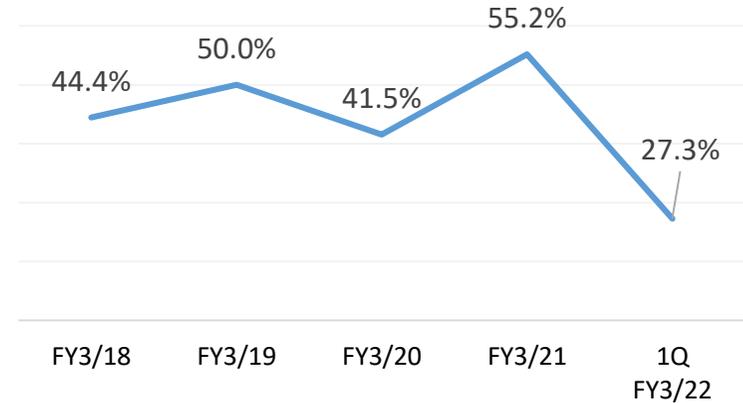
* Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

Ratio of Pharmacies

■ Hybrid ■ Hospital front/premises



% of Hybrid Pharmacy Openings



Region	Pharmacy openings in 1Q FY3/22	No. of pharmacies at the end of period 1Q FY3/21	%
Kanto	6	315	46.4%
Kansai	0	67	9.9%
Other	5	297	43.7%
Total	11	679	100.0%

Hybrid Pharmacy: Combination of non-hospital-front (Mentaio) & medical center type pharmacies

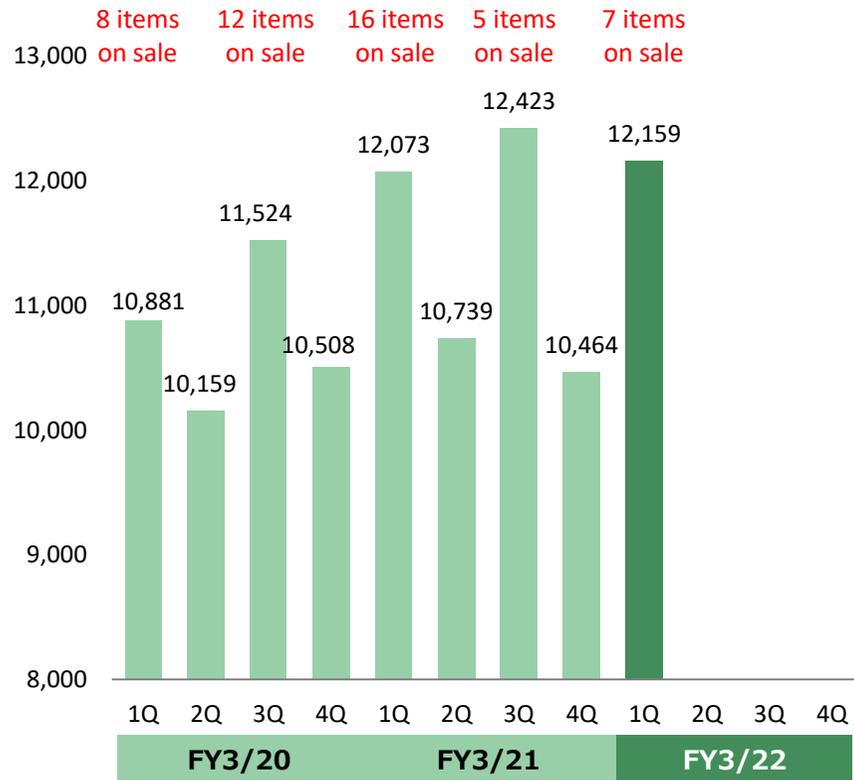
Hybrid pharmacies are located in front of train stations, in shopping districts, and in other such areas, and combine the company's Mentaio-type pharmacies (serving a wide catchment area) and its medical center-type pharmacies.

Growth of the Pharmaceutical Manufacturing and Sales Business

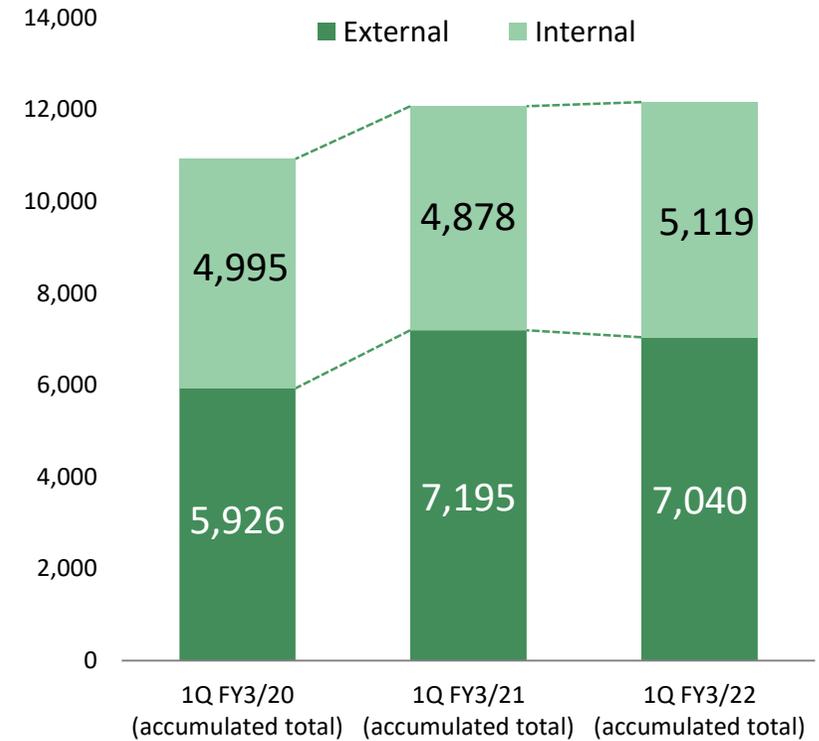
Despite the difficult market environment net sales increased steadily thanks to the launch of newly NHI listed drugs in the previous fiscal year and in June of this year.

Net sales and their breakdown

■ Quarterly Sales (millions of yen)



■ Internal/External sales (millions of yen)



New NHI Listed Drugs

Product Items Newly NHI Listed in June 2021: 12 items

Scale of potential
conversion to generic
drugs (estimated*)

60.8 billion yen

Product name	
Lamotrigine Tablets 2mg for Children "JG"***	Duloxetine Capsules 20mg "JG"****
Lamotrigine Tablets 5mg for Children "JG"***	Duloxetine Capsules 30mg "JG"****
Zilmllo Tablets HD "JG"	Tadalafil Tablets 20mg AD "JG"
Zilmllo Tablets LD "JG"	Methotrexate Tablets 2mg "JG"
Solifenacin Succinate OD Tablets 2.5mg "JG"	Epinastine Hydrochloride Ophthalmic Solution 0.05% [TS]
Solifenacin Succinate OD Tablets 5mg "JG"	Brimonidine Tartrate Ophthalmic Solution 0.1% [NITTEN] ***

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

** Scheduled to be release in July 2021

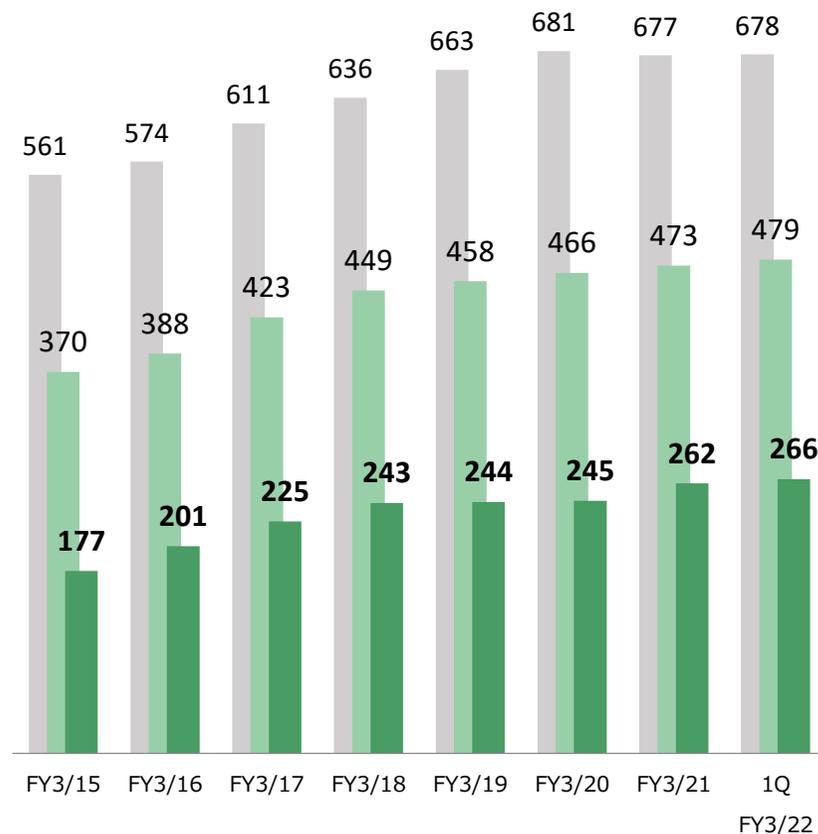
*** Scheduled to be release in August/September 2021

Number of Product

■ Total no. of items

■ No. of items approved for sales

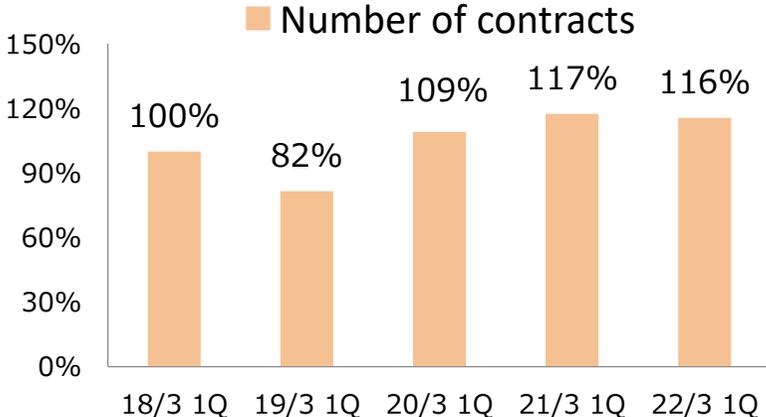
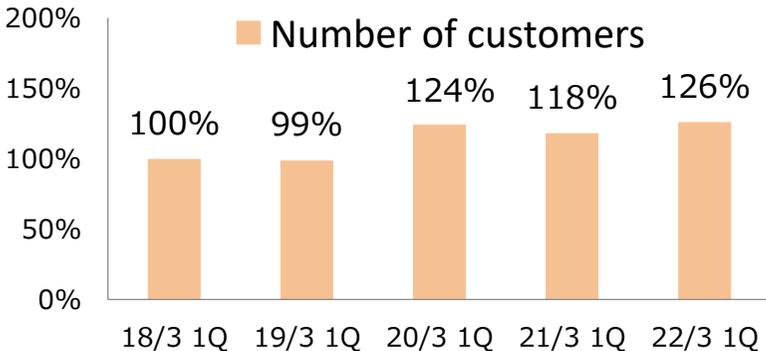
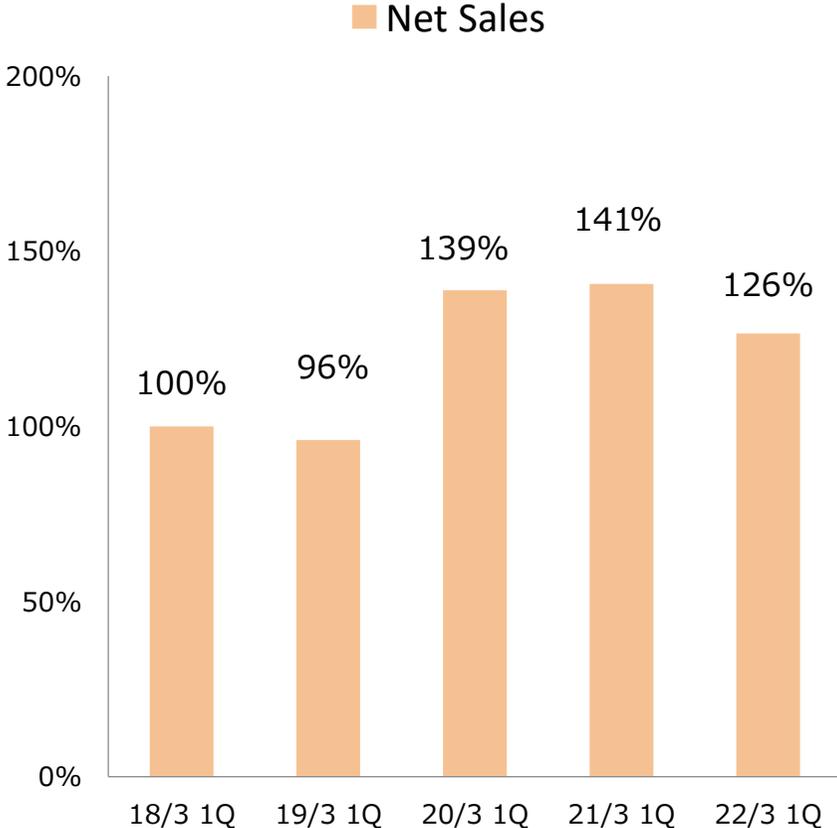
■ In-house manufactured items



Growth of the Medical Professional Staffing and Placement Business (1)

Undergoing changes to be in line with changes in the market demand from pharmacist staffing to pharmacist placements, the impact of COVID-19 decreased the demand for human resources, which led to a sharp downturn in pharmacist staffing. The demand of the pharmacist placement also declined, even the contracts volume increased the decrease of unit price per placement led the net sales for placement business declined.

Growth of the pharmacist placement business

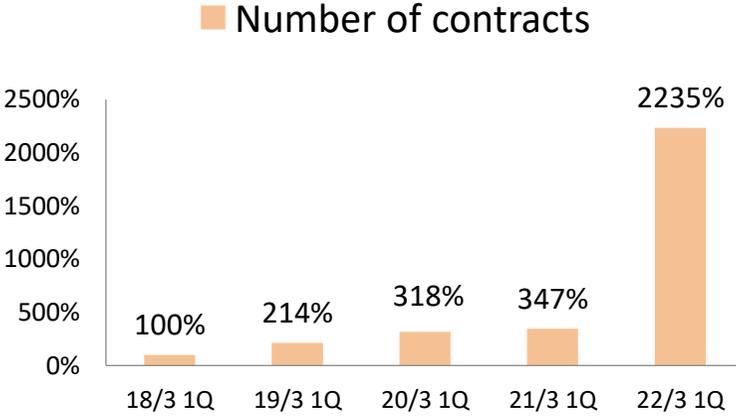
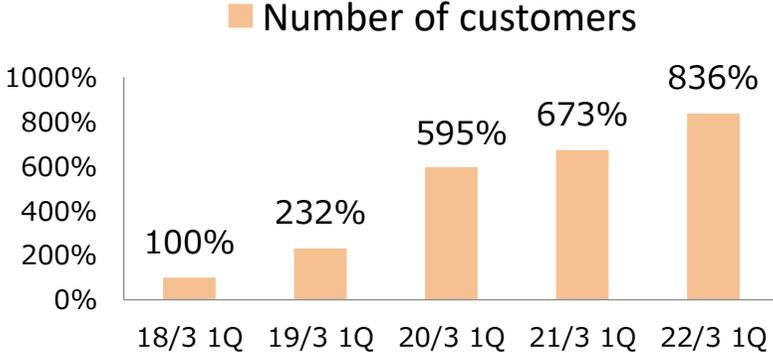
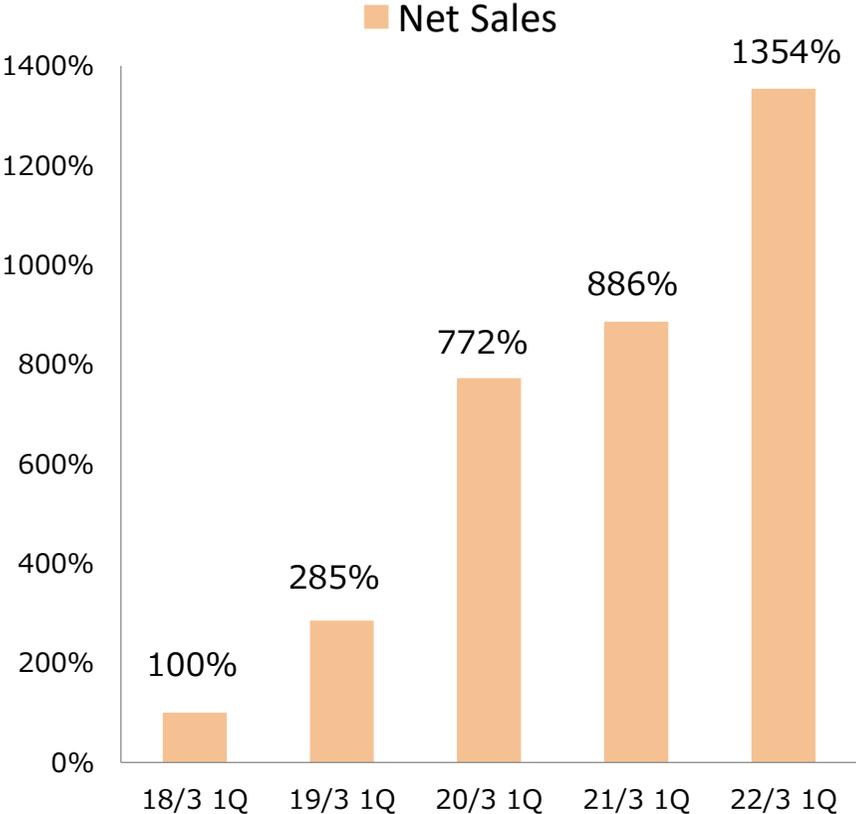


1Q FY3/18 Net sales, customers and contracts = 100%

Growth of the Medical Professional Staffing and Placement Business (2)

In the physician placement business, the pandemic continued to support higher demand for physicians, and growth potential in this business remains high. The business continues to expand, by a sharp upswing in demand for COVID-19 vaccination effort.

Growth of the physician placement business



1Q FY3/18 Net sales, customers and contracts = 100%

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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