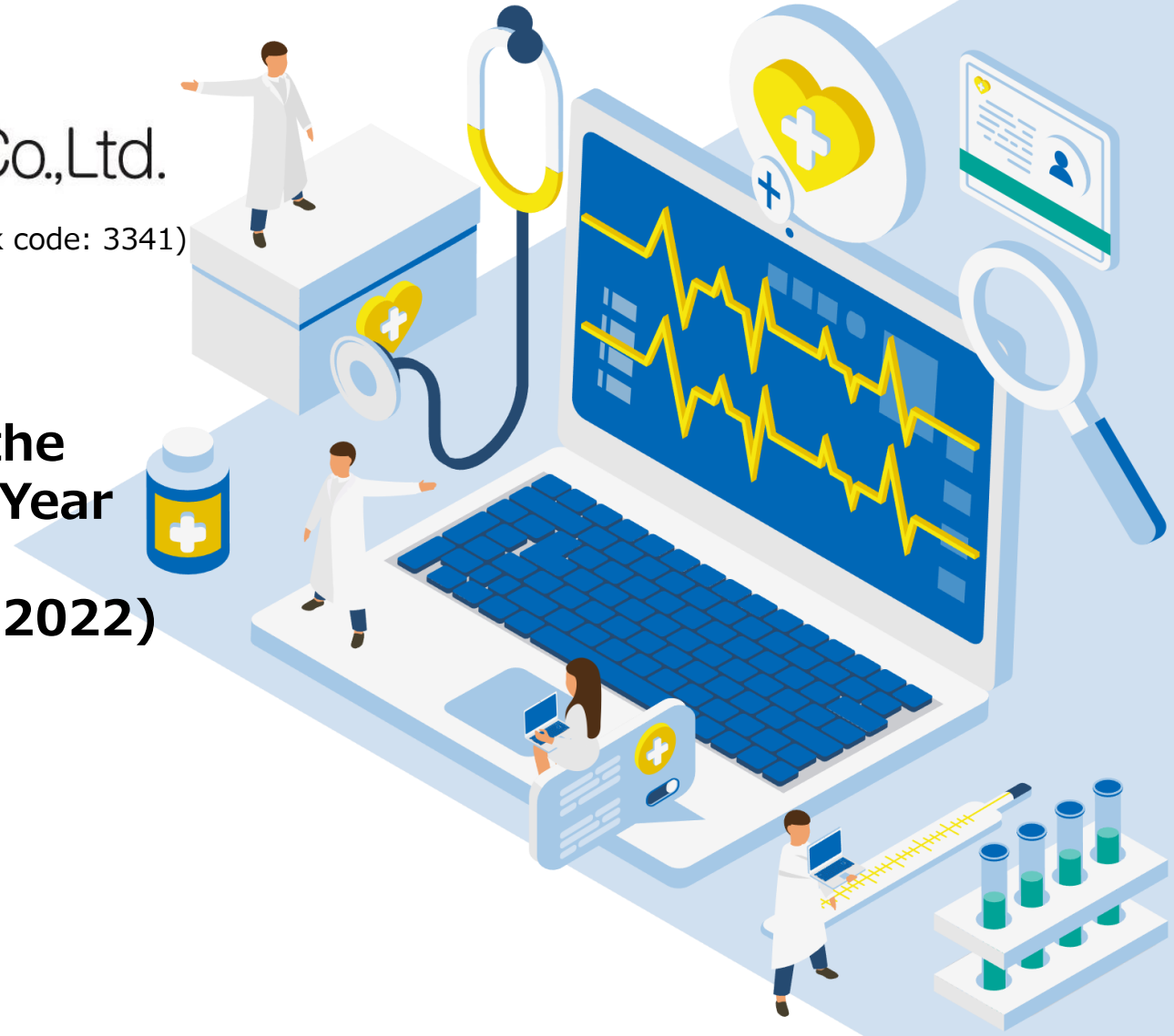




(Tokyo Stock Exchange, Prime Market / Stock code: 3341)

Results of Operations for the First Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to June 30, 2022)

July 29, 2022



1

Financial Highlights



Consolidated Results

While net sales rose on the back of solid results in the dispensing pharmacy business, profits were down mainly due to the impact of NHI drug price revisions and shipment adjustments in the pharmaceutical manufacturing and sales business.

Dispensing Pharmacy Business

While affected by the revision of medical fees and NHI drug prices in April this year, net sales and profits increased due to steady growth in the number of prescriptions filled and steady store openings in the previous and current fiscal years.

Pharmaceutical Manufacturing and Sales Business

Net sales and profits decreased despite brisk sales of drugs newly listed in the NHI price list, mainly because sales prices of existing products were reduced due to drug price revisions in April 2022 and the impact of product shipment adjustments following a fire at a contract logistics center in West Japan.

Medical Professional Staffing and Placement Business

Despite the continuing impact of the Covid-19 pandemic, net sales and profits increased due to year-on-year growth in the mainstay staffing and placement business for pharmacists and expanded results in physician placement, including Covid-19 vaccination-related services.

Consolidated Statement of Income

Despite the continuing impact of the pandemic, net sales increased 4.0% YoY due to the contribution of the dispensing pharmacy business, but operating profit decreased 4.8% YoY due to the impact of the NHI price revision in April 2022 and shipment adjustments in the pharmaceutical manufacturing and sales business. However, operating profit increased 346.1% compared to the forecast.

(Millions of yen)	1Q FY3/21 Results	1Q FY3/22 Results	1Q FY3/23 Forecast	1Q FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	68,306	71,851	76,200	74,709	(1,490)	(2.0%)	4.0%
Cost of sales	57,343	59,380	63,500	61,928	(1,571)	(2.5%)	4.3%
Gross profit	10,962	12,471	12,700	12,780	80	0.6%	2.5%
% to sales	16.0%	17.4%	16.7%	17.1%	0.4pt	—	—
SG&A expenses	10,533	11,534	12,500	11,888	(611)	(4.9%)	3.1%
% to sales	15.4%	16.1%	16.4%	15.9%	(0.5pt)	—	—
Consumption taxes	4,897	5,079	5,500	5,420	(79)	(1.4%)	6.7%
R&D expenses	654	905	800	702	(97)	(12.2%)	(22.4%)
Operating profit	429	936	200	892	692	346.1%	(4.8%)
% to sales	0.6%	1.3%	0.3%	1.2%	0.9%	—	—
Ordinary profit	337	993	200	913	713	356.9%	(8.0%)
% to sales	0.5%	1.4%	0.3%	1.2%	0.9%	—	—
Profit attributable to owners of parent	356	427	(100)	391	491	—	(8.5%)
% to sales	0.5%	0.6%	—	0.5%	—	—	—
EBITDA	2,363	2,929	2,400	3,002	602	25.1%	2.5%

Consolidated Balance Sheet

Changes in assets primarily consisted of an 8.9 billion yen increase in Merchandise and finished goods. Changes in liabilities mainly consisted of a 10.5 billion yen increase in Accounts payable-trade. Net interest-bearing debt of 29.4 billion yen was at its lowest since FY3/12, contributing to increased financial stability.

(Millions of yen)	End of Mar. 2021 (FY3/21)	End of Mar. 2022 (FY3/22)	End of Jun. 2022 (1Q FY3/23)	YoY change	YoY change (%)
Current assets	89,246	81,651	94,695	13,044	16.0%
Merchandise and finished goods	23,139	23,024	31,979	8,954	38.9%
Non-current assets	97,015	97,102	100,645	3,542	3.6%
Property, plant and equipment	64,785	64,025	63,925	(99)	(0.2%)
Intangible assets	18,952	18,969	20,285	1,316	6.9%
Investments and other assets	13,277	14,107	16,434	2,326	16.5%
Total assets	186,262	178,753	195,341	16,587	9.3%
Current liabilities	87,720	78,931	91,089	12,157	15.4%
Accounts payable-trade	44,044	48,513	59,066	10,553	21.8%
Non-current liabilities	48,673	46,944	51,354	4,409	9.4%
Long-term loans payable	42,997	41,531	45,070	3,539	8.5%
Total liabilities	136,394	125,876	142,444	16,567	13.2%
Total net assets	49,868	52,876	52,897	20	0.0%
Shareholders' equity	49,868	52,876	52,897	20	0.0%
Equity ratio	26.8%	29.6%	27.1%	(2.5pt)	—
Net interest-bearing debt	40,325	31,054	29,499	(1,555)	(5.0%)

Dispensing Pharmacy Business

Net sales were up 5.5% YoY and operating profit up 9.2% YoY (47.3% above the forecast), owing to an increase in the number of prescriptions filled and contributions from newly opened pharmacies (40 in FY3/22 and 19 in 1Q FY3/23).

(Millions of yen)	1Q FY3/21 Results	1Q FY3/22 Results	1Q FY3/23 Forecast	1Q FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	58,200	62,912	66,400	66,375	(24)	(0.0%)	5.5%
Cost of sales	50,515	53,307	56,900	56,258	(641)	(1.1%)	5.5%
Gross profit	7,684	9,604	9,500	10,116	616	6.5%	5.3%
% to sales	13.2%	15.3%	14.3%	15.2%	0.9pt	—	—
SG&A expenses	7,219	7,716	8,100	8,054	(45)	(0.6%)	4.4%
% to sales	12.4%	12.3%	12.2%	12.1%	(0.1pt)	—	—
Operating profit	464	1,888	1,400	2,062	662	47.3%	9.2%
% to sales	0.8%	3.0%	2.1%	3.1%	1.0pt	—	—
No. of pharmacies at the end of each period (stores) <small>note 1</small>	658	679	713	713	0	0.0%	5.0%
Prescription drug sales per pharmacy <small>note 2</small>	88	93	94	94	0	(0.0%)	0.9%

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

Despite steady sales of products that have been included in the NHI drug price list since FY2019, net sales decreased 17.5% YoY and operating profit fell 40.1% YoY (46.0% below the forecast), mainly due to the impact of product shipment adjustments following a fire at a contract logistics center in West Japan in November 2021 and reductions in sales prices of existing products due to government drug price revisions in April 2022.

(Millions of yen)	1Q FY3/21 Results	1Q FY3/22 Results	1Q FY3/23 Forecast	1Q FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth Rate
Net sales	12,073	12,158	12,100	10,027	(2,072)	(17.1%)	(17.5%)
Cost of sales	10,138	10,460	10,200	8,674	(1,525)	(15.0%)	(17.1%)
Gross profit	1,935	1,698	1,900	1,352	(547)	(28.8%)	(20.4%)
% to sales	16.0%	14.0%	15.7%	13.5%	(2.2pt)	—	—
SG&A expenses	1,101	1,247	1,400	1,082	(317)	(22.7%)	(13.2%)
% to sales	9.1%	10.3%	11.6%	10.8%	(0.8pt)	—	—
Operating profit	833	451	500	270	(229)	(46.0%)	(40.1%)
% to sales	6.9%	3.7%	4.1%	2.7%	(1.4pt)	—	—

Note: Rounding down to the nearest unit

Medical Professional Staffing and Placement Business

Despite the ongoing impact of the COVID-19 pandemic, the mainstay pharmacist staffing and placement business rebounded from a year ago, recording net sales and operating profit growth of 8.7% and 27.7% YoY, respectively. Backed by rising demand for COVID-19 vaccination staff, the physician placement business maintained robust growth while industrial physician services performed solidly. Operating profit beat the forecast by 77.8%.

(Millions of yen)	1Q FY3/21 Results	1Q FY3/22 Results	1Q FY3/23 Forecast	1Q FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	2,943	1,901	1,800	2,066	266	14.8%	8.7%
Cost of sales	1,511	676	600	721	121	20.3%	6.7%
Gross profit	1,431	1,225	1,200	1,344	144	12.0%	9.7%
% to sales	48.7%	64.4%	66.7%	65.1%	(1.6pt)	—	—
SG&A expenses	922	947	1,000	988	(11)	(1.1%)	4.4%
% to sales	31.4%	49.8%	55.6%	47.9%	(7.7pt)	—	—
Operating profit	509	278	200	355	155	77.8%	27.7%
% to sales	17.3%	14.6%	11.1%	17.2%	6.1pt	—	—

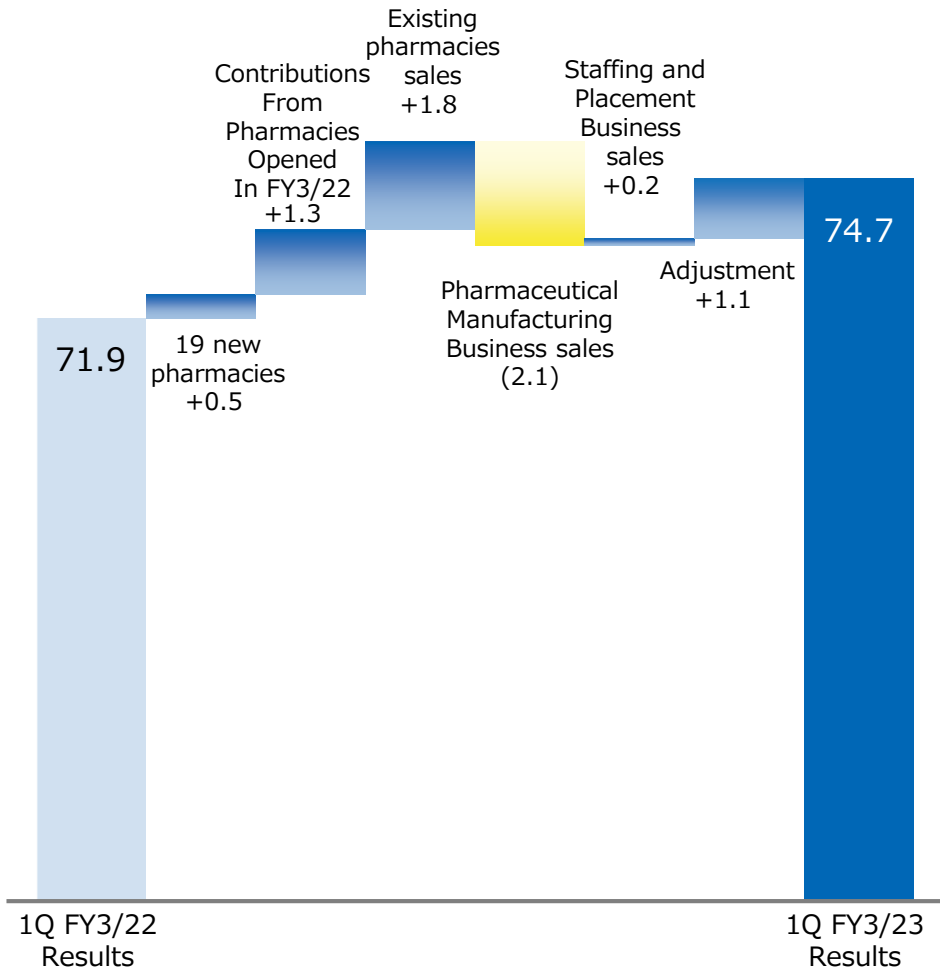
Note: Rounding down to the nearest unit

Reference Materials

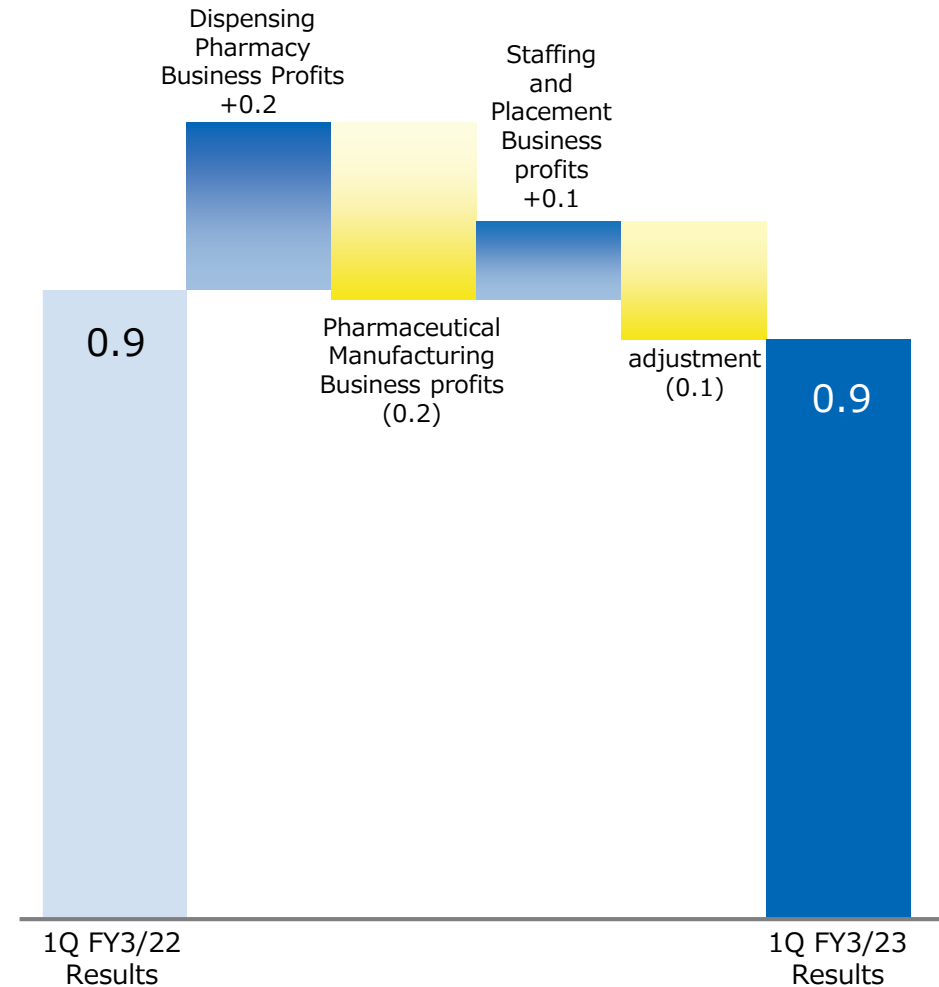
Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

Net Sales



Operating Profit

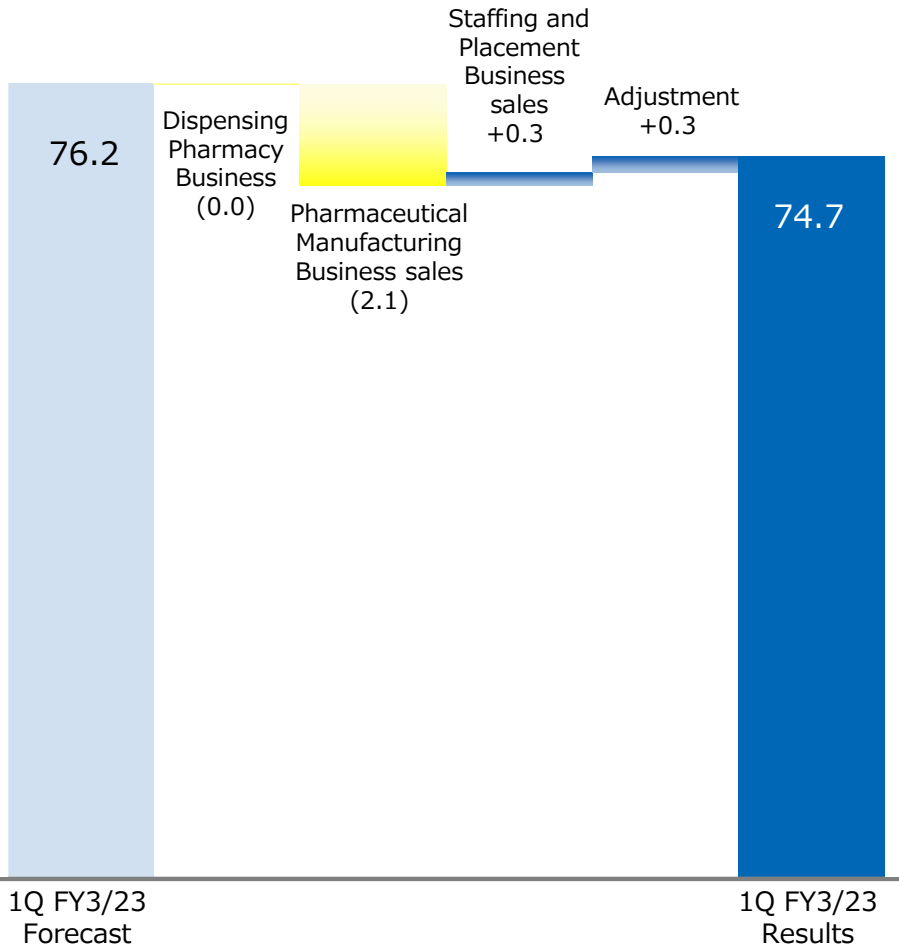


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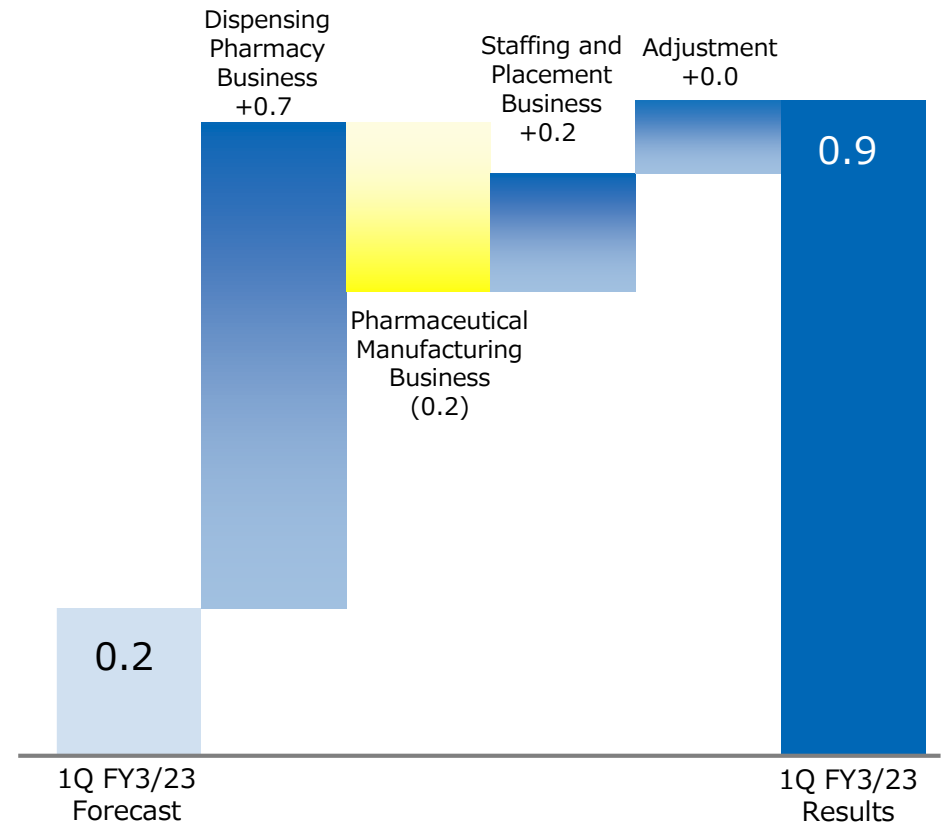
Consolidated Results: Major Components of Changes vs. Forecast (Net Sales / Operating Profit)

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

Net Sales



Operating Profit



2

Growth strategy



**Dispensing
Pharmacy
Business**

Strategically open pharmacies while maintaining a well-balanced pharmacy network

Continue opening new pharmacies while placing importance on an optimal balance between hospital-front pharmacies and hybrid pharmacies.

**Pharmaceutical
Manufacturing
and Sales
Business**

Expand the Pharmaceutical Manufacturing and Sales Business and widely promote newly NHI listed drugs

Ensure steady progress in new product development and implement efficient sales strategies.

**Medical
Professional
Staffing and
Placement
Business**

Expand the Medical Professional Staffing and Placement Business

Continue expanding the physician placement business by tapping solid demand from COVID-19 vaccination programs.



Well-Balanced Pharmacy Network ①

In addition to pharmacy openings through organic growth and M&A, we are working to open larger pharmacies and meet demand for advanced medical care, which has led to growth in per-pharmacy sales. While maintaining the share of pharmacies opened through organic growth, we aim to utilize M&A for balanced pharmacy openings.

Pharmacy Openings	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	1Q FY3/23
Opened	42	36	32	65 ^{note}	29	40	19
Organic growth (percentage)	21 (50.0%)	23 (63.9%)	26 (81.2%)	35 (53.8%)	22 (75.9%)	34 (85.0%)	12 (63.2%)
M&A	21	13	6	30	7	6	7
Closed	12	8	19	13	9	13	3
No. of pharmacies at the end of period	557	585	598	650	670	697	713

• Including one location specializing in the sales of general merchandise

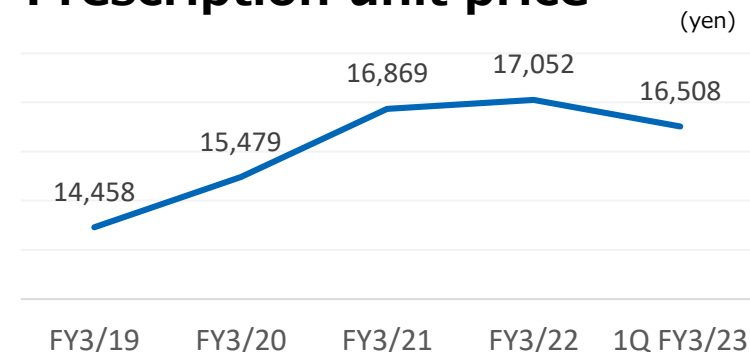
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

1Q FY3/23 Results

(YoY growth rate)	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	+2.8%	+1.0%	+1.8%
Pharmacies opened in FY3/21	+480.6%	+566.3%	(12.9%)
Total	+5.4%	+5.2%	+0.2%

No. of prescriptions 3,950,000 Prescription unit price 16,508yen

Prescription unit price



Well-Balanced Pharmacy Network②

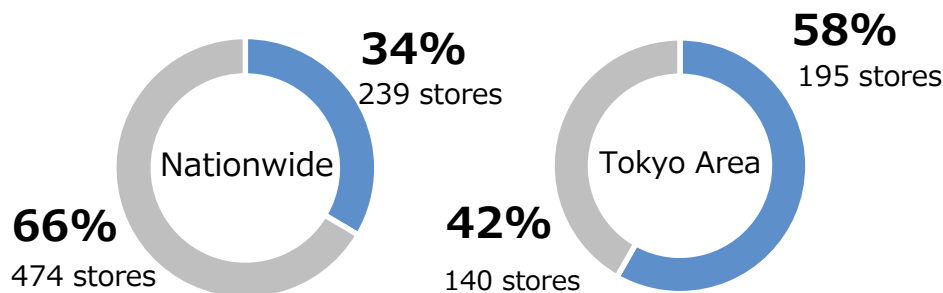
In addition to steadily increasing hospital-front pharmacies and pharmacies within hospital premises, we will strengthen our opening of “hybrid pharmacies,” which are becoming increasingly crucial to community medical care, and continue to run a well-balanced pharmacy network. On-site pharmacies will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

Pharmacy Openings

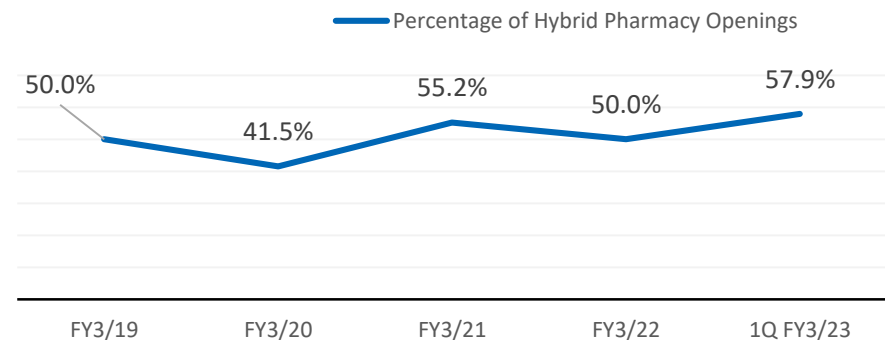
	FY3/19	FY3/20	FY3/21	FY3/22	1Q FY3/23
Opened	32	65 ^{note}	29	40	19
Hospital-front pharmacies / Pharmacies within hospital premises	16	38	13	20	8
Hybrid pharmacies	16	27	16	20	11
Closed	19	13	9	13	3
No. of pharmacies at the end of period	598	650	670	697	713

• 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



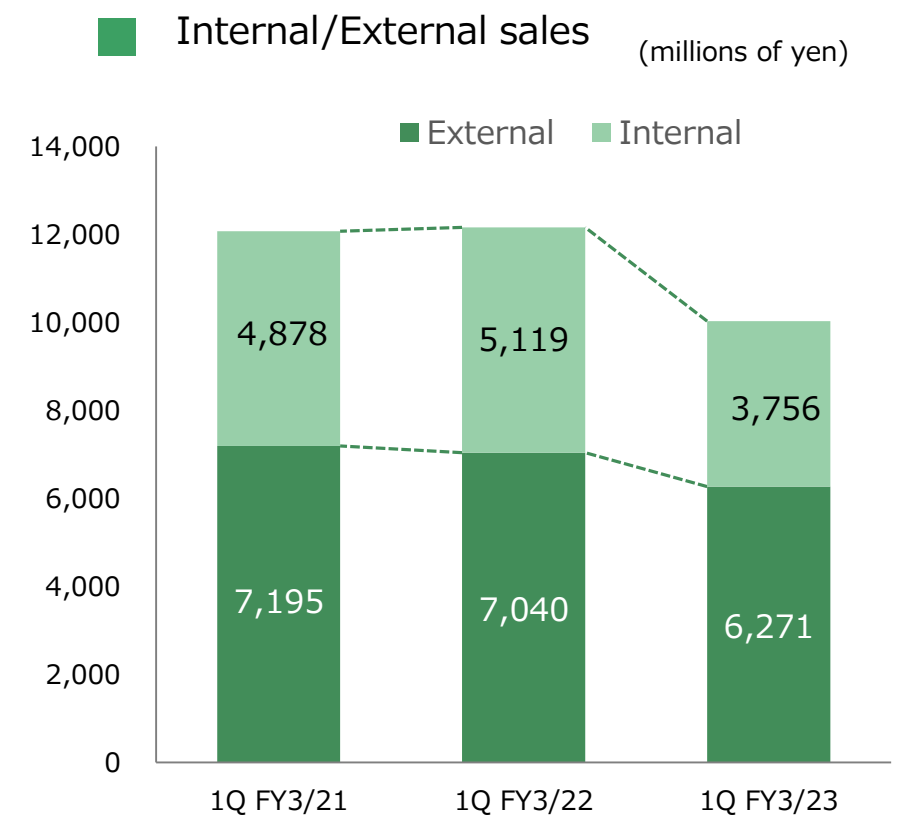
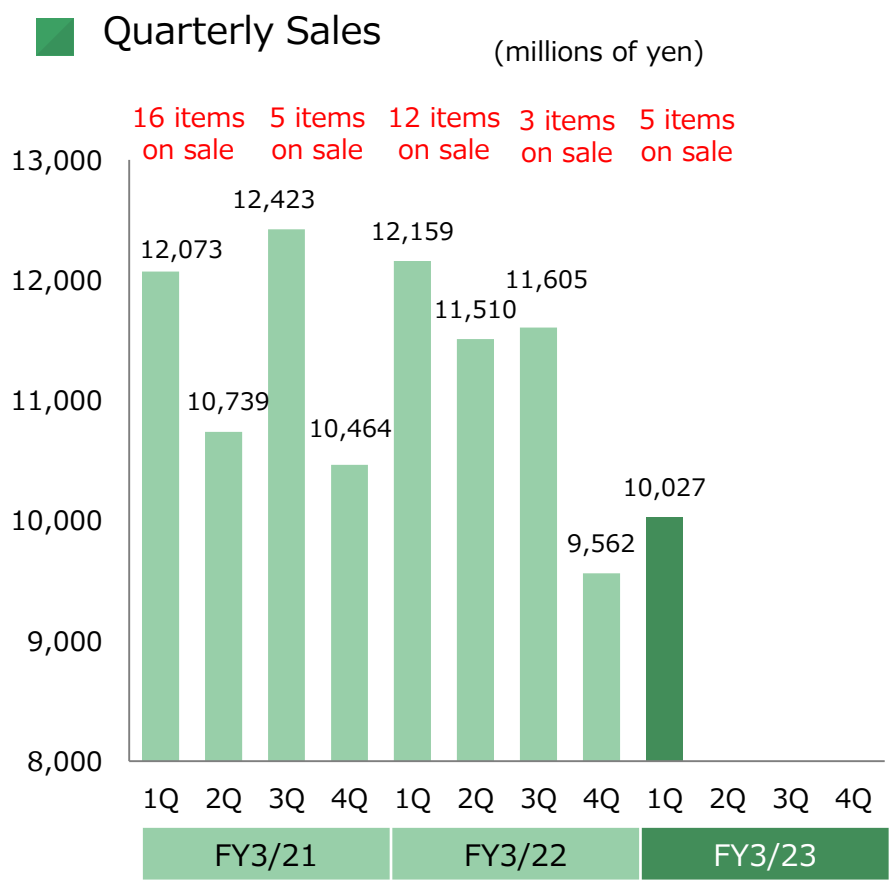
Region	Pharmacy openings in 1Q FY3/23	No. of pharmacies at 1Q FY3/23	Percentage
Kanto	14	369	51.8%
Kansai	2	83	11.6%
Other	3	261	36.6%
Total	19	713	100.0%

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

While sales of products newly added to the NHI drug price list in June 2022 were brisk, net sales decreased overall mainly due to the continuing impact of the 2021 logistics center fire on product shipments, although the sales of some products affected have since resumed.

Net sales and their breakdown



New NHI Listed Drugs

Product Items for New NHI Listing in June 2022: **5 Items**

Scale of potential conversion to generic drugs (estimated*)

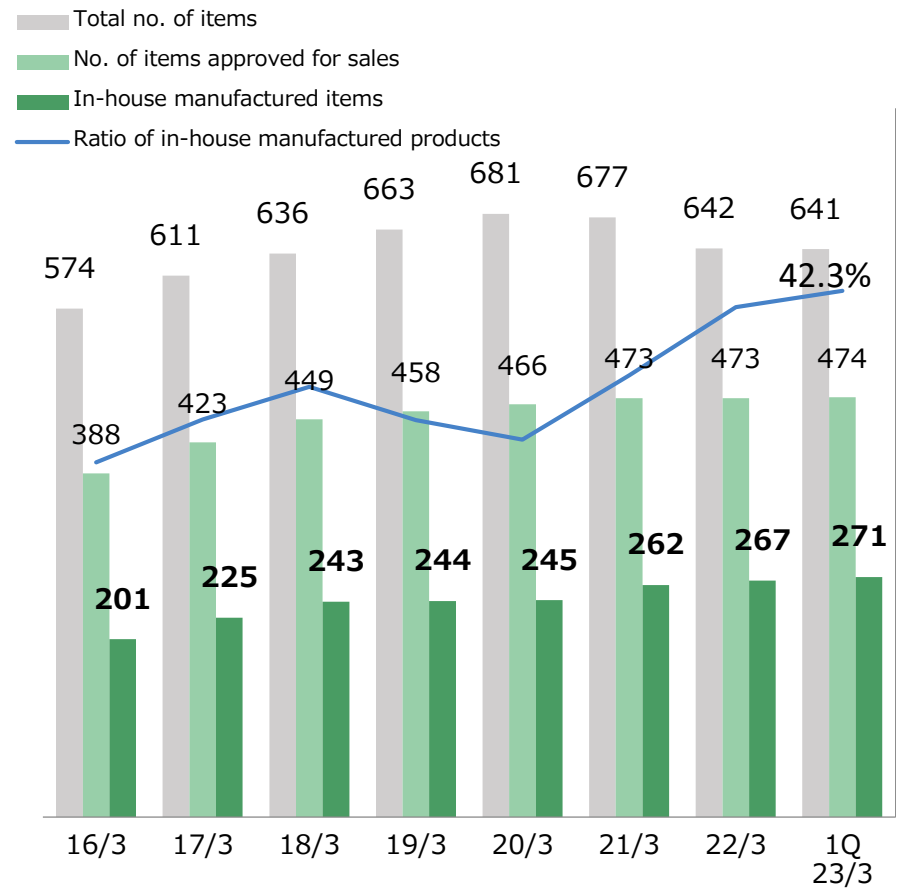
44.3 billion yen

Product name	
Febuxostat Tablets 10mg "JG"	Dasatinib Tablets 20mg "JG"
Febuxostat Tablets 20mg "JG"	Dasatinib Tablets 50mg "JG"
Febuxostat Tablets 40mg "JG"	

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

Number of Sales Items

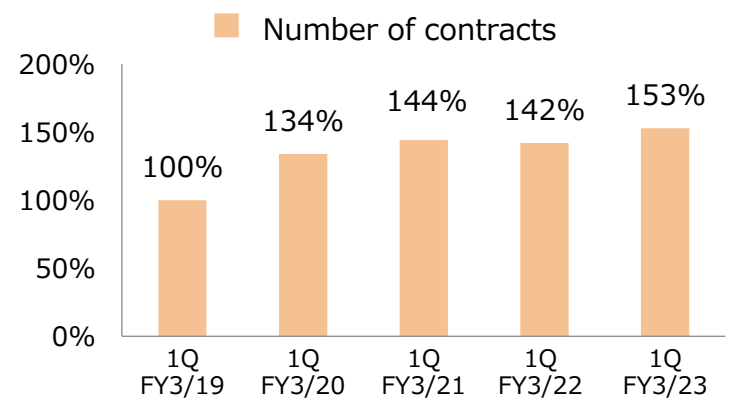
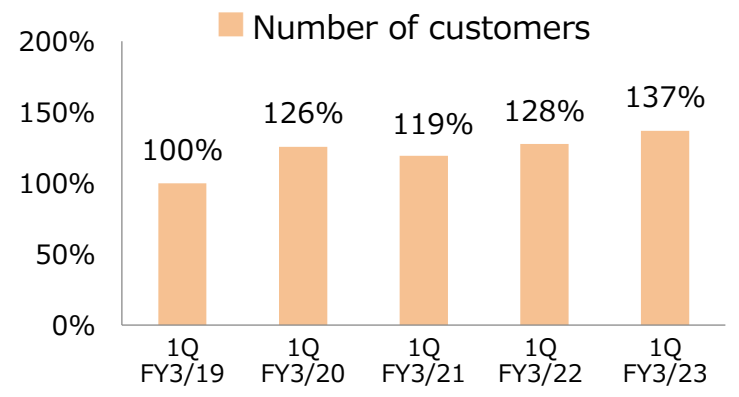
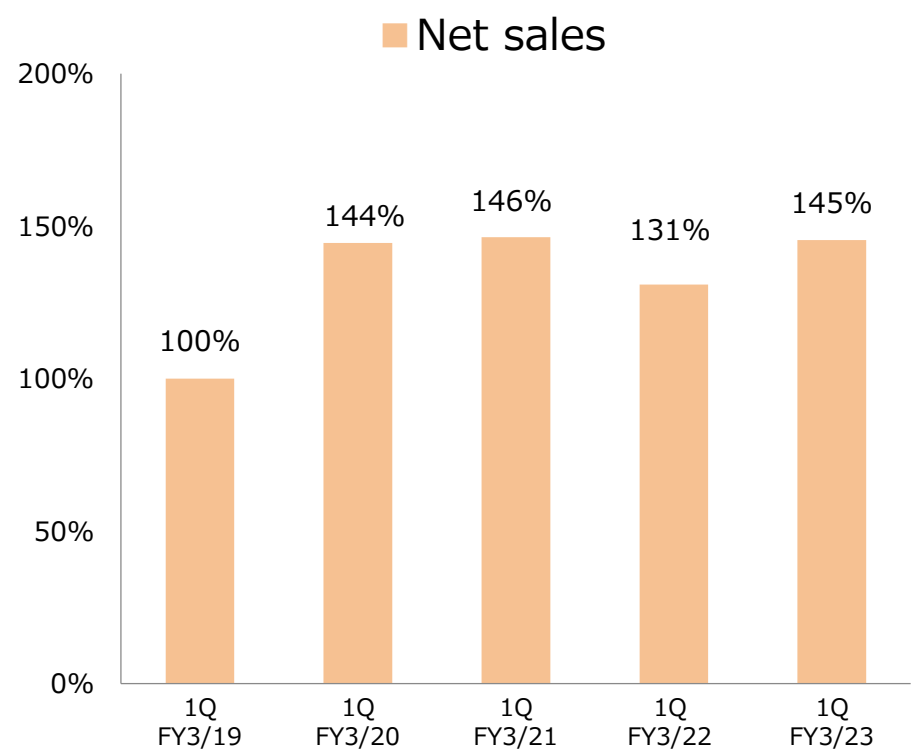
Although the total number of items declined following a review of Sales items, the ratio of in-house manufactured products increased.



Growth of the Medical Professional Staffing and Placement Business

While the pharmacist staffing business faced changes in the balance of supply and demand amid the ongoing impact of the COVID-19 pandemic, demand in the pharmacist staffing market, particularly from small and mid-size pharmacies, picked up after previously bottoming out. The placement business also saw sales growth due partly to a favorable turnaround in the external environment.

Growth of the pharmacist placement business

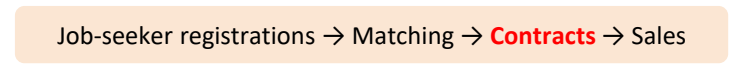
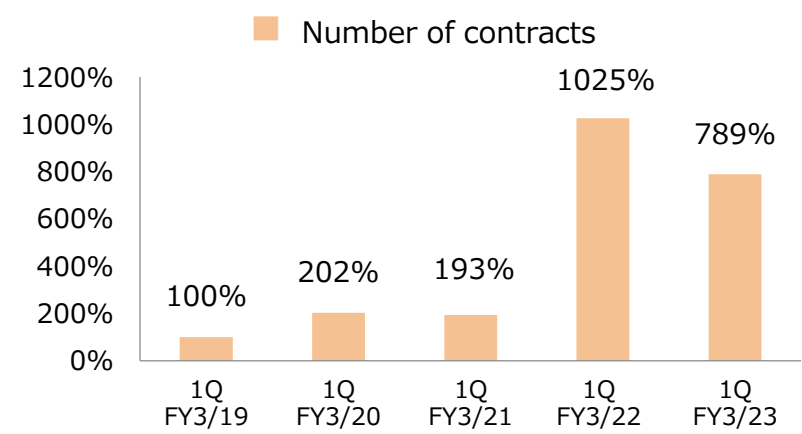
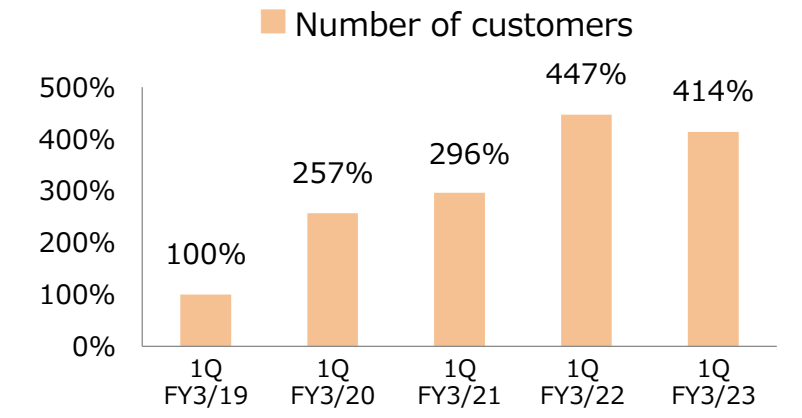
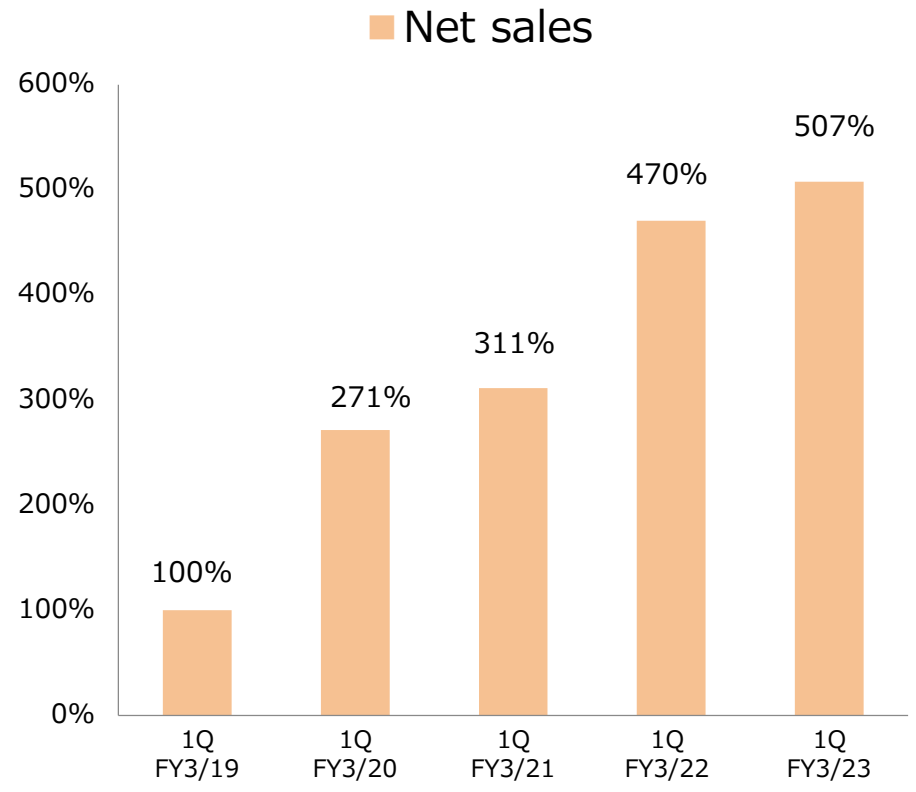


Job-seeker registrations → Matching → **Contracts** → Sales

Growth of the Medical Professional Staffing and Placement Business

The physician placement business continued to generate growth on the back of solid demand for full- and part-time physicians amid the third COVID-19 vaccine rollout.

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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