

**Summary of Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending March 31, 2023
(Three Months Ended June 30, 2022)**

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd.

Listing: Tokyo Stock Exchange, Prime Market

Stock code: 3341

URL: <https://www.nicho.co.jp>

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Scheduled date of filing of Quarterly Report:

August 12, 2022

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on July 29, 2022 at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023
(April 1, 2022 – June 30, 2022)**

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2022	74,709	4.0	3,002	2.5	892	(4.8)	913	(8.0)	391	(8.5)
Three months ended Jun. 30, 2021	71,851	5.2	2,929	24.0	936	118.1	993	194.8	427	20.1

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2022: 395 (down 8.8%)

Three months ended Jun. 30, 2021: 433 (up 19.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2022	13.05	—
Three months ended Jun. 30, 2021	14.27	—

Note: EBITDA = Operating profit + depreciation + goodwill amortization

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2022	195,341	52,897	27.1
As of Mar. 31, 2022	178,753	52,876	26.8

Reference: Shareholders' equity (million yen) As of Jun. 30, 2022: 52,897 As of Mar. 31, 2022: 52,876

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	—	12.50	—	12.50	25.00
Fiscal year ending Mar. 31, 2023	—				
Fiscal year ending Mar. 31, 2023 (forecasts)		12.50	—	12.50	25.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Percentages represent year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	156,000	6.7	6,900	6.5	2,600	7.6	2,500	(1.1)	1,000	(25.4)	33.35
Full year	321,400	7.4	17,600	17.5	8,500	29.0	8,400	24.1	4,400	18.7	146.73

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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: None

4) Restatements: None

(4) Number of outstanding shares (common stock shares)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Jun. 30, 2022:	32,048,000 shares	As of Mar. 31, 2022:	32,048,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2022:	2,061,175 shares	As of Mar. 31, 2022:	2,061,175 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2022:	29,986,825 shares	Three months ended Jun. 30, 2021:	29,986,894 shares
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Note 1: The quarterly financial report is not subject to quarterly review 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

Supplementary materials for quarterly financial results will be disclosed at the Timely Disclosure network (TDnet) as appropriate, and also will be available on the Nihon Chouzai website.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter of the fiscal year ending March 31, 2023 (April 1–June 30, 2022), the Japanese economy showed signs of picking up as difficulties caused by COVID-19 abated and socioeconomic activities gradually returned to normal. The economic outlook, however, remained unclear due to various factors, including a resurgence of COVID-19 infections in July, steady depreciation of the yen, steeply rising raw material prices, and volatility in financial and capital markets.

Under these conditions, the Nihon Chouzai Group thoroughly implemented infection-prevention measures while striving to provide quality healthcare services and pharmaceutical products in line with its mission “to give people the closest possible support” as a healthcare group. At the same time, all companies of the Group continued their efforts to reduce costs.

The Group’s Dispensing Pharmacy Business made the Nihon Chouzai Online Medication System, branded as NiCOMS, available to medical patients throughout Japan, as patients were given the choice to acquire drugs using online medication guidance systems, including patients receiving treatment directly from medical facilities, due to a relaxation of regulations concomitant with the government’s revision of medical fees in April 2022. In July of the same year, the Group launched an online diagnostic search service called NiCO Navi, providing a nationwide and comprehensive service spanning from diagnoses to medication guidance and deliveries of drugs. Meanwhile, the number of registered users of the Group’s electronic medication notebook service, Okusuri Techo Plus, surpassed the 1.1 million mark, reflecting the efforts of this business to enhance convenience and medical quality for patients.

The Pharmaceutical Manufacturing and Sales Business worked to raise productivity and increase sales of products it manufactures in-house, including those newly listed in the national health insurance (NHI) drug price list, through investment in R&D, while placing priority on managing the quality and ensuring a stable supply of generic drugs.

In the Medical Professional Staffing and Placement Business, results gradually improved in the pharmacist staffing and placement business, even though it continued to face declining demand due to the impact of the COVID-19 pandemic. The physician placement business also recorded growth in the number of physicians placed.

Net sales for the first three months of the current consolidated fiscal year were 74,709 million yen (+4.0% YoY), operating profit was 892 million yen (-4.8% YoY), ordinary profit was 913 million yen (-8.0% YoY), and profit attributable to owners of the parent was 391 million yen (-8.5% YoY).

Looking ahead, the Group will take all necessary measures to prevent the spread of COVID-19 so that customers and patients can continue to safely use its quality healthcare services and products.

Segment-specific earnings are as indicated below.

1) Dispensing Pharmacy Business

In the first three months of the current consolidated fiscal year, the Dispensing Pharmacy Business reported net sales of 66,375 million yen (+5.5% YoY) and operating profit of 2,062 million yen (+9.2% YoY).

The total number of pharmacies at the end of June came to 713 stores (including one merchandise store) as a result of 19 new store openings and 3 store closures during the period. Despite the ongoing impact of the Covid-19 pandemic, net sales and operating income increased due to the contribution of store openings in the previous fiscal year and growth in the number of prescriptions filled. The Group met the government’s target of having generic drugs account for over 80% of all drugs (on a sales volume basis) in each prefecture of the country by the end of FY2023, as its sales volume of generic drugs exceeded 80% in every prefecture as of the end of March 2022. The group-wide average was 88.5% (discontinued products have been excluded from calculations). In addition, the percentage of the Group’s pharmacies that provide at-home medical care (at least 12 visits annually) was 93.1%.

2) Pharmaceutical Manufacturing and Sales Business

In the first three months of the current consolidated fiscal year, the Pharmaceutical Manufacturing and Sales Business reported net sales of 10,027 million yen (-17.5% YoY) and operating profit of 270 million yen (-40.1% YoY).

Despite brisk sales of products that have been included in the NHI drug price list since 2019, the decreases in net sales and operating profit were mainly because sales prices of existing products were reduced due to the government's drug price revisions in April 2022, and product shipments required adjustments to ensure stable supply. In June 2022, the Group launched five new products that were added to the NHI price list, bringing the total number of listed products to 641 (including two over-the-counter drugs) as of the end of June 2022.

3) Medical Professional Staffing and Placement Business

In the first three months of the current consolidated fiscal year, the Medical Professional Staffing and Placement Business reported net sales of 2,066 million yen (8.7% YoY) and operating profit of 355 million yen (+27.7% YoY).

These increases reflected a rebound in demand for pharmacist staffing and placements, which had fallen due to the impact of the COVID-19 pandemic, as well as steady growth in physician placements.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current consolidated fiscal year came to 195,341 million yen, an increase of 9.3%, or 16,587 million yen, from 178,753 million yen at the end of the fiscal year ended March 2022. Growth in assets was mainly due to increases in cash and deposits and merchandise and finished goods.

Total liabilities were 142,444 million yen, an increase of 13.2%, or 16,567 million yen, from 125,876 million yen at the end of the previous fiscal year. This was mainly due to an increase in Accounts payable-trade.

Total net assets were 52,897 million yen, an increase of 20 million yen from 52,876 million yen at the end of the previous fiscal year. As a result, the equity ratio came to 27.1%.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the full-year consolidated forecast for the fiscal year ending March 2023 announced on April 28, 2022.

In our consolidated earnings forecast for the fiscal year ending March 31, 2023, we continue to factor in the impact of the pandemic on earnings for the full year. If any significant changes occur in business conditions that necessitate a revision to the forecast, we will disclose this promptly.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY3/22 (As of Mar. 31, 2022)	First quarter of FY3/23 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	25,543	31,490
Notes receivable-trade	27	68
Accounts receivable-trade and contract assets	20,458	18,950
Electronically recorded monetary claims-operating	422	468
Merchandise and finished goods	23,024	31,979
Work in process	1,799	1,909
Raw materials and supplies	6,262	5,970
Other	4,121	3,866
Allowance for doubtful accounts	(8)	(7)
Total current assets	81,651	94,695
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,559	29,873
Land	14,155	14,025
Construction in progress	1,226	1,067
Other, net	19,083	18,958
Total property, plant and equipment	64,025	63,925
Intangible assets		
Goodwill	15,220	16,332
Other	3,749	3,953
Total intangible assets	18,969	20,285
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	8,797	9,070
Other	5,293	7,346
Total investments and other assets	14,107	16,434
Total non-current assets	97,102	100,645
Total assets	178,753	195,341

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	First quarter of FY3/23 (As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	48,513	59,066
Electronically recorded obligations-operating	2,862	2,907
Short-term loans payable	1,000	1,500
Current portion of long-term loans payable	12,366	12,871
Income taxes payable	1,800	959
Provision for bonuses	3,861	2,114
Provision for bonuses for directors (and other officers)	45	—
Other	8,483	11,669
Total current liabilities	78,931	91,089
Non-current liabilities		
Long-term loans payable	41,531	45,070
Provision for retirement benefits for directors (and other officers)	71	74
Retirement benefit liability	2,276	2,314
Other	3,065	3,894
Total non-current liabilities	46,944	51,354
Total liabilities	125,876	142,444
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	41,507	41,523
Treasury shares	(3,500)	(3,500)
Total shareholders' equity	52,887	52,903
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(10)	(6)
Total accumulated other comprehensive income	(10)	(6)
Total net assets	52,876	52,897
Total liabilities and net assets	178,753	195,341

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Three-month Period)**

(Millions of yen)

	First Three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First Three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Net sales	71,851	74,709
Cost of sales	59,380	61,928
Gross profit	12,471	12,780
Selling, general and administrative expenses	11,534	11,888
Operating profit	936	892
Non-operating income		
Commission income	9	9
Rental income	124	142
Insurance Income	130	40
Subsidy Income	29	17
Other	56	62
Total non-operating income	350	271
Non-operating expenses		
Interest expenses	79	64
Rent expenses	93	107
Other	119	78
Total non-operating expenses	293	250
Ordinary profit	993	913
Extraordinary income		
Gain on sales of non-current assets	0	11
Total extraordinary income	0	11
Extraordinary losses		
Loss on sales of non-current assets	—	0
Total extraordinary losses	—	0
Profit before income taxes	993	925
Income taxes-current	1,182	888
Income taxes-deferred	(616)	(354)
Total income taxes	565	534
Profit	427	391
Profit attributable to owners of parent	427	391

(Quarterly Consolidated Statement of Comprehensive Income)**(For the Three-month Period)**

(Millions of yen)

	First Three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First Three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Profit	427	391
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	5	3
Total other comprehensive income	5	3
Comprehensive income	433	395
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	433	395

(3) Notes to Quarterly Consolidated Financial Statements

Going-concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

I. First Three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)

1. Information related to net sales, profit or loss for each reportable segment (Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	62,912	7,040	1,899	71,851	—	71,851
(2) Inter-segment sales and transfers	—	5,118	2	5,120	(5,120)	—
Total	62,912	12,158	1,901	76,972	(5,120)	71,851
Segment profit (loss)	1,888	451	278	2,618	(1,681)	936

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating profit shown on the quarterly consolidated statement of income, respectively. The negative adjustment of 1,681 million yen to segment profit (loss) includes eliminations of minus 53 million yen for inter-segment transactions and corporate expenses of minus 1,627 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

II. First Three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)

1. Information related to net sales, profit or loss for each reportable segment (Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	66,375	6,271	2,063	74,709	—	74,709
(2) Inter-segment sales and transfers	—	3,756	3	3,759	(3,759)	—
Total	66,375	10,027	2,066	78,468	(3,759)	74,709
Segment profit (loss)	2,062	270	355	2,688	(1,796)	892

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating profit shown on the quarterly consolidated statement of income, respectively. The negative adjustment of 1,796 million yen to segment profit (loss) includes eliminations of minus 29 million yen for inter-segment transactions and corporate expenses of minus 1,766 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

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.

