

July 31, 2023

**Summary of Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending March 31, 2024
(Three Months Ended June 30, 2023)**

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: August 14, 2023
 Scheduled date of payment of dividend: -
 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 31, 2023 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, 2024
(April 1, 2023 – June 30, 2023)**

(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, 2023	81,848	9.6	3,653	21.7	1,596	78.9	1,605	75.7	659	68.6
Three months ended Jun. 30, 2022	74,709	4.0	3,002	2.5	892	(4.8)	913	(8.0)	391	(8.5)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2023: 661 (up 67.5%)
 Three months ended Jun. 30, 2022: 395 (down 8.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2023	22.06	—
Three months ended Jun. 30, 2022	13.05	—

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, 2023	199,201	56,771	28.5
As of Mar. 31, 2023	185,297	56,483	30.5

Reference: Shareholders' equity (million yen) As of Jun. 30, 2023: 56,771 As of Mar. 31, 2023: 56,483

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	—	12.50	—	12.50	25.00
Fiscal year ending Mar. 31, 2024	—				
Fiscal year ending Mar. 31, 2024 (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, 2024 (April 1, 2023 – March 31, 2024)

(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	164,100	7.7	5,700	(19.5)	1,400	(50.2)	1,400	(50.9)	400	(75.1)	13.37
Full year	334,400	6.7	15,300	(6.3)	6,400	(15.6)	6,300	(18.0)	3,200	(28.2)	106.97

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, 2023:	32,048,000 shares	As of Mar. 31, 2023:	32,048,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2023:	2,132,611 shares	As of Mar. 31, 2023:	2,133,695 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2023:	29,914,448 shares	Three months ended Jun. 30, 2022:	29,986,825 shares
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Note:

The number of shares of the Company held in the Directors' Remuneration BIP Trust (June 30, 2023: 71,116 shares; March 31, 2023: 72,200 shares) was included in the total number of treasury share at the end of the period. The Directors' Remuneration BIP Trust was included in the number of treasury share, which was to be deducted from the calculation of the average number of shares outstanding during the period.

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

In the first quarter of the fiscal year ending March 31, 2024 (April 1, 2023–June 30, 2023), the Japanese economy showed signs of recovery as various travel and activity restrictions were eased with the government’s downgrading of COVID-19 to a Class 5 infectious disease. While the economy is expected to remain on a gradual recovery track against a backdrop of improved employment and income conditions, the slowdown in overseas economies and ongoing inflation warrant much caution.

Under these economic conditions, the Nihon Chouzai Group, a healthcare company with the mission “to give people the closest possible support,” strove to provide quality healthcare services and pharmaceutical products. At the same time, the Group as a whole continued working to curb costs.

In June 2023, the Group was selected for the first time as a component of both the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index, which are indices targeting Japanese companies that take excellent ESG (environment, society, and governance) measures.

Nihon Chouzai considers employees (humans) that support the Group as important management resources, and actively invests in measures related to recruitment, training, evaluation, and engagement. In the survey of popular companies among university and graduate school students graduating in March 2024 conducted by Mynavi Corp., a leading career and employment information services provider, and Nikkei Inc. (“Mynavi/Nikkei 2024 Company Popularity Ranking”), the Nihon Chouzai Group ranked No. 1 in the “Chemistry/pharmacology majors” category, and received the most votes in the three categories of “Healthcare/welfare/pharmacy majors,” “Science majors overall,” and “Female science majors” among peers in the dispensing pharmacy and drugstore industry.

In the Dispensing Pharmacy Business, the Group launched a new private brand of OTC drugs, 5 Coins Pharma, with the goal of promoting self-medication. 5 Coins Pharma is the industry’s first OTC drug brand offering drugs at a uniform price (Company research), and all 14 products on offer, including antipyretic analgesics, gastrointestinal medications, and throat lozenges, are available for 550 yen (including tax) at Nihon Chouzai Online Store, the Group’s healthcare e-commerce site, and Nihon Chouzai stores nationwide.

In the Pharmaceutical Manufacturing and Sales Business, while placing top priority on ensuring the quality and stable supply of generic drugs, we strove to expand the lineup of in-house manufactured products, including those newly added to the NHI drug price list, and increase productivity through investments in R&D. In June 2023, we announced the sale of six products newly added to the NHI list. We had to adjust shipment volumes and schedules for many of our products due to the industry-wide supply disruptions and the 2021 fire at the West Japan logistics center, but resumed normal shipments as soon as stable supply systems were put in place. As of June 30, 2023, 136 items were still subject to limited shipments, and we are working to resolve these shipment restrictions to continue fulfilling our responsibility as a generic drug supplier.

In the Medical Professional Staffing and Placement Business, while physician placement demand attributed to COVID-19 vaccination programs had wound down, the mainstay pharmacist staffing and placement business, which was affected by a decline in demand due to the pandemic, continued to recover. Demand for occupational physicians is also growing, and we intend to capture this demand to further contribute to the health management of companies, including the launch of a new website in May 2023.

Net sales for the first three months of the current consolidated fiscal year were 81,848 million yen (+9.6% YoY), operating profit was 1,596 million yen (+78.9% YoY), ordinary profit was 1,605 million yen (+75.7% YoY), and profit attributable to owners of the parent was 659 million yen (+68.6% YoY).

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 72,309 million yen (+8.9% YoY) and operating profit of 2,907 million yen (+40.9% YoY).

The total number of pharmacies at the end of June came to 725 stores (including one merchandise store) as a result of 11 new store openings and 4 store closures during the period. Net sales and operating profit 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 June 2023. The group-wide average was 88.2% (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 95.5%.

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 10,530 million yen (+5.0% YoY) and operating profit of 126 million yen (-53.4% YoY).

Net sales increased due to steady sales of existing products and new products listed on the NHI drug price list. Operating profit decreased due to a decline in sales prices of existing products following the NHI drug price revision in April 2023, measures to ensure a stable supply of items with limited shipments, and a decrease in the number of items sold as a result of a review of the number of items sold.

In June 2023, the Group launched four new products that were added to the NHI price list, bringing the total number of listed products to 578 (including two over-the-counter drugs) as of the end of June 2023.

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 2,580 million yen (+24.9% YoY) and operating profit of 484 million yen (+36.1% YoY).

Both net sales and operating profit increased due to a year-on-year increase in the dispatch and placement of pharmacists, which had declined due to Covid-19 pandemic, despite a decrease in sales related to Covid-19 vaccinations, mainly to physicians.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current consolidated fiscal year came to 199,201 million yen, an increase of 7.5%, or 13,903 million yen, from 185,297 million yen at the end of the fiscal year ended March 2023. Growth in assets was mainly due to increases in cash and deposits and merchandise and finished goods.

Total liabilities were 142,429 million yen, an increase of 10.6%, or 13,615 million yen, from 128,814 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 56,771 million yen, an increase of 288 million yen from 56,483 million yen at the end of the previous fiscal year. As a result, the equity ratio came to 28.5%.

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

There are no changes to the consolidated earnings forecasts for the first half and full year of the fiscal year ending March 31, 2024 announced on April 28, 2023.

If it becomes necessary to revise the forecast, we will disclose it promptly.

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

(Millions of yen)

	FY3/23 (As of Mar. 31, 2023)	First quarter of FY3/24 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	23,770	31,226
Notes receivable-trade	70	107
Accounts receivable-trade and contract assets	21,246	20,523
Electronically recorded monetary claims-operating	437	235
Merchandise and finished goods	28,416	33,901
Work in process	1,742	1,522
Raw materials and supplies	6,021	5,785
Other	4,022	4,624
Allowance for doubtful accounts	(6)	(7)
Total current assets	85,720	97,919
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,361	28,094
Land	13,377	13,377
Construction in progress	1,828	1,779
Other, net	17,867	17,630
Total property, plant and equipment	61,435	60,881
Intangible assets		
Goodwill	14,195	14,004
Other	5,377	5,809
Total intangible assets	19,573	19,814
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	9,160	10,589
Other	9,391	9,978
Total investments and other assets	18,568	20,585
Total non-current assets	99,576	101,281
Total assets	185,297	199,201

(Millions of yen)

	FY3/23 (As of Mar. 31, 2023)	First quarter of FY3/24 (As of Jun. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	47,916	60,512
Electronically recorded obligations-operating	1,476	1,845
Short-term loans payable	2,000	900
Current portion of long-term loans payable	10,390	10,645
Income taxes payable	2,640	1,407
Provision for bonuses	3,892	2,138
Provision for bonuses for directors (and other officers)	68	—
Other	8,665	11,337
Total current liabilities	77,050	88,787
Non-current liabilities		
Long-term loans payable	44,640	46,424
Provision for retirement benefits for directors (and other officers)	79	82
Retirement benefit liability	2,464	2,522
Other	4,579	4,612
Total non-current liabilities	51,763	53,641
Total liabilities	128,814	142,429
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	45,216	45,501
Treasury shares	(3,600)	(3,599)
Total shareholders' equity	56,495	56,782
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(12)	(10)
Total accumulated other comprehensive income	(12)	(10)
Total net assets	56,483	56,771
Total liabilities and net assets	185,297	199,201

(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 FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First Three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	74,709	81,848
Cost of sales	61,928	68,067
Gross profit	12,780	13,781
Selling, general and administrative expenses	11,888	12,185
Operating profit	892	1,596
Non-operating income		
Commission income	9	11
Rental income	142	153
Insurance Income	40	—
Subsidy Income	17	19
Other	62	46
Total non-operating income	271	231
Non-operating expenses		
Interest expenses	64	64
Rent expenses	107	99
Other	78	58
Total non-operating expenses	250	222
Ordinary profit	913	1,605
Extraordinary income		
Gain on sales of non-current assets	11	0
Total extraordinary income	11	0
Extraordinary losses		
Loss on sales of non-current assets	0	—
Total extraordinary losses	0	—
Profit before income taxes	925	1,605
Income taxes-current	888	1,305
Income taxes-deferred	(354)	(359)
Total income taxes	534	945
Profit	391	659
Profit attributable to owners of parent	391	659

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

(Millions of yen)

	First Three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First Three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Profit	391	659
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	3	1
Total other comprehensive income	3	1
Comprehensive income	395	661
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	395	661

(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 FY3/23 (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.

II. First Three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)

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	72,309	6,962	2,575	81,848	—	81,848
(2) Inter-segment sales and transfers	—	3,567	5	3,572	(3,572)	—
Total	72,309	10,530	2,580	85,420	(3,572)	81,848
Segment profit (loss)	2,907	126	484	3,517	(1,921)	1,596

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 1,921 million yen to segment profit (loss) includes eliminations of minus 130 million yen for inter-segment transactions and corporate expenses of minus 1,790 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.