

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2024  
(Six months Ended September 30, 2023)**

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd. Listing: Tokyo Stock Exchange, Prime Market  
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 Scheduled date of filing of Quarterly Report: November 14, 2023  
 Scheduled date of payment of dividend: December 6, 2023  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on October 31, 2023 at 16:00 (GMT +9).

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

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024**

(April 1, 2023 – September 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	%
Six months ended Sep. 30, 2023	166,310	9.2	7,573	7.0	3,397	20.8	3,367	18.2	1,748	8.7
Six months ended Sep. 30, 2022	152,331	4.2	7,079	9.3	2,813	16.4	2,849	12.7	1,607	19.9

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2023: 1,750 (up 8.4%)

Six months ended Sep. 30, 2022: 1,615 (up 19.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2023	58.44	—
Six months ended Sep. 30, 2022	53.66	—

Note: EBITDA = Operating profit + depreciation + goodwill amortization

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2023	193,453	57,863	29.9
As of Mar. 31, 2023	185,297	56,483	30.5

Reference: Shareholders' equity (million yen) As of Sep. 30, 2023: 57,863 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	—	12.50			
Fiscal year ending Mar. 31, 2024 (forecasts)			—	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
Full year	337,100	7.6	17,300	5.9	8,400	10.7	8,300	8.0	4,300	(3.6)	143.74

Note: Revisions to the most recently announced consolidated forecast: Yes

**\* 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 Sep. 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 Sep. 30, 2023:	2,130,651 shares	As of Mar. 31, 2023:	2,133,695 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2023:	29,915,728 shares	Six months ended Sep. 30, 2022:	29,966,230 shares
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Note:

The number of shares of the Company held in the Directors' Remuneration BIP Trust (September 30, 2023: 69,016 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.

**Contents of Attachments**

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	11
Going-concern Assumption	11
Significant Changes in Shareholders' Equity	11
Segment and Other Information	12

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first six months of the fiscal year ending March 31, 2024 (April 1, 2023–September 30, 2023), the Japanese economy showed signs of recovery as socioeconomic activity moved toward normalization with the downgrading of COVID-19 to a Class 5 infectious disease. Going forward, although the economy is expected to remain on a gradual recovery track supported by improvements in the employment and income conditions, rising consumer prices and the risk of economic deterioration overseas continue to require careful monitoring.

Under such economic conditions, the Nihon Chouzai Group, as a healthcare company with the mission “to give people the closest possible support,” strove to provide quality healthcare services and pharmaceuticals. At the same time, we continued working on group-wide cost-cutting measures.

In August 2023, we signed the United Nations Global Compact (UNGC) proposed by the United Nations. The UNGC is a framework for companies to act as good members of society and achieve sustainable growth by demonstrating responsible and creative leadership. It requires companies to support and comply with 10 principles in the four areas of human rights, labor, environment, and anti-corruption. The Group is committed to supporting and adhering to these principles and promoting sustainability management, thereby contributing to the realization of sustainable growth worldwide.

In the Dispensing Pharmacy Business, the Group expanded the number of pharmacies handling electronic prescriptions to 665 (as of September 2023) nationwide. Further, we expanded the joint functions of Okusuri Techo Plus, our in-house developed electronic medication notebook with 1.6mn registered members, and Mynaportal, allowing the app to import prescription and dispensing information from electronic prescriptions. This enabled patients to centrally manage and confirm their medication histories, which may span multiple medical institutions and pharmacies, on Okusuri Techo Plus.

Further, we entered into a partnership agreement with Wolt Japan and began offering an express, same-day delivery service for prescription drugs at some of our Group pharmacies. Also, as a partner pharmacy of Anyo Online, an online medical consultation service designed specifically for children operated by Zeax, Inc., we began accepting prescriptions and delivering prescription drugs for the online consultations at some of our pharmacies. In addition, some of the Group's pharmacies have begun to support the "in-person pickup at a registered pharmacy" service for prescription drugs, which was added to LINE Doctor, an online medical service provided by LINE Healthcare, Inc. In this way, the Group is actively implementing alliances that contribute to improving access to medical care and convenience for patients by responding to diverse needs, including online medical care.

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 enhance productivity through investments in R&D. In June and September 2023, six products of the Group newly added to the NHI drug price list were launched. Many of our products are still under a limited shipment schedule due to the impact of industry-wide supply disruptions and the November 2021 fire at the West Japan logistics center, but we are working to resume normal shipments for these products, in the order starting with those for which stable supply system has been put in place. As of September 30, 2023, 145 items were under restricted shipments, and we will continue striving to resolve shipment restrictions to fulfill our responsibility as a pharmaceuticals supplier.

In the Medical Professional Staffing and Placement Business, while demand for the physician placement service backed by COVID-19 vaccination programs had wound down, the mainstay pharmacist staffing and placement business continued to recover from a setback caused by the pandemic. Further, demand for the occupational physician placement business is growing, and we intend to further contribute to the health management of companies through this business.

Net sales for the first six months of the current consolidated fiscal year were 166,310 million yen (+9.2% YoY), operating profit was 3,397 million yen (+20.8% YoY), ordinary profit was 3,367 million yen (+18.2% YoY), and profit attributable to owners of the parent was 1,748 million yen (+8.7% YoY).

Segment-specific earnings are as indicated below.

### **1) Dispensing Pharmacy Business**

In the first six months of the current consolidated fiscal year, the Dispensing Pharmacy Business reported net sales of 147,605 million yen (+8.4% YoY) and operating profit of 6,016 million yen (+0.4% YoY).

As of September 30, 2023, the total number of pharmacies came to 726, reflecting 19 new store openings and 11 closures during the six-month period under review. Net sales and operating profit increased, thanks to contributions from pharmacies opened in the previous fiscal year and growth in the number of prescriptions filled. The Nihon Chouzai Group, with a groupwide average generics sales ratio of 88.2% (excluding discontinued products; on a volume basis), met the government's target ratio of generic drug use of over 80% in all prefectures across the nation by the end of Fiscal 2023. Further, the percentage of the Group's pharmacies that provided at-home medical care (those that made at least 12 at-home medical care visits in a year) grew steadily, reaching 97.1%.

### **2) Pharmaceutical Manufacturing and Sales Business**

In the first six months of the current consolidated fiscal year, the Pharmaceutical Manufacturing and Sales Business reported net sales of 20,487 million yen (+6.7% YoY) and operating profit of 167 million yen (operating loss of 396 million yen same period a year ago).

Net sales and operating profit grew owing to robust sales of existing products and products newly added to the NHI drug price list despite the drop in sales price of existing products following the April 2023 drug price revisions and limited shipments of some products. As of September 30, 2023, the Group offered a total of 564 products (including two OTC drugs), as a result of the review of offerings and the launch of six products newly added to the NHI drug price list in June and September 2023.

### **3) Medical Professional Staffing and Placement Business**

In the first six months of the current consolidated fiscal year, the Medical Professional Staffing and Placement Business reported net sales of 4,945 million yen (+24.9% YoY) and operating profit of 698 million yen (+39.4% YoY).

Net sales and operating profit grew, despite a decline in COVID-19 vaccination program-related sales, mainly in the physician staffing business, thanks to year-on-year growth in sales and profit in the pharmacist staffing and placement business, which had been adversely affected by the pandemic.

**(2) Explanation of Financial Position**

Total assets at the end of the Second Quarter of the current consolidated fiscal year came to 193,453 million yen, an increase of 4.4%, or 8,156 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 merchandise and finished goods.

Total liabilities were 135,590 million yen, an increase of 5.3%, or 6,776 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 57,863 million yen, an increase of 1,380 million yen from 56,483 million yen at the end of the previous fiscal year. As a result, the equity ratio came to 29.9%.

**(Cash Flows)**

Cash flows during the first half of the consolidated fiscal year were as follows. Net cash provided by operating activities was 11,900 million yen, net cash used in investing activities 8,019 million yen, and net cash provided by financing activities 5,425 million yen. As a result, the quarterly balance for cash and cash equivalents was 22,226 million yen, a decrease of 1,544 million yen compared to the end of the previous consolidated fiscal year.

For cash flows from operating activities, major income factors include 9,844 million yen increase in trade payables while major expenditure factors include 5,671 million yen in increased inventories.

For cash flows from investing activities, major expenditure factors include expenditures of 3,526 million yen for the purchase of property, plant and equipment. This is mainly comprised of investments in fixtures and equipment for existing stores and new store openings in the dispensing pharmacy business.

For cash flows from financing activities, major income factors include income of 5,500 million yen from long-term loans payable. Conversely, major expenditure factors include 8,477 million yen in repayments of long-term loans payable.

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

We have conducted a revision to figures indicated in the consolidated earnings forecast for the fiscal year ending March 31, 2024 released on April 28, 2023. For details, please refer to the “Notice of Difference Between Forecast and Actual Results for the First Half of FY2024 and Notice of Revision of Full-Year Earnings Forecast ” released today (October 31, 2023).

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

	(Millions of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second Quarter of FY3/24 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	23,770	22,226
Notes receivable-trade	70	48
Accounts receivable-trade and contract assets	21,246	20,308
Electronically recorded monetary claims-operating	437	236
Merchandise and finished goods	28,416	34,177
Work in process	1,742	1,698
Raw materials and supplies	6,021	6,023
Other	4,022	4,468
Allowance for doubtful accounts	(6)	(6)
Total current assets	85,720	89,181
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,361	29,098
Land	13,377	13,346
Construction in progress	1,828	1,745
Other, net	17,867	17,452
Total property, plant and equipment	61,435	61,643
Intangible assets		
Goodwill	14,195	13,700
Other	5,377	6,866
Total intangible assets	19,573	20,566
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	9,160	11,652
Other	9,391	10,393
Total investments and other assets	18,568	22,062
Total non-current assets	99,576	104,272
Total assets	185,297	193,453

	(Millions of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second Quarter of FY3/24 (As of Sep. 30, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	47,916	57,136
Electronically recorded obligations-operating	1,476	2,176
Short-term loans payable	2,000	—
Current portion of long-term loans payable	10,390	10,800
Income taxes payable	2,640	1,961
Provision for bonuses	3,892	4,445
Provision for bonuses for directors (and other officers)	68	—
Other	8,665	9,612
<b>Total current liabilities</b>	<b>77,050</b>	<b>86,132</b>
<b>Non-current liabilities</b>		
Long-term loans payable	44,640	41,253
Provision for retirement benefits for directors (and other officers)	79	86
Retirement benefit liability	2,464	2,575
Other	4,579	5,542
<b>Total non-current liabilities</b>	<b>51,763</b>	<b>49,457</b>
<b>Total liabilities</b>	<b>128,814</b>	<b>135,590</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	45,216	46,589
Treasury shares	(3,600)	(3,596)
<b>Total shareholders' equity</b>	<b>56,495</b>	<b>57,873</b>
<b>Accumulated other comprehensive income</b>		
Remeasurements of defined benefit plans	(12)	(10)
<b>Total accumulated other comprehensive income</b>	<b>(12)</b>	<b>(10)</b>
<b>Total net assets</b>	<b>56,483</b>	<b>57,863</b>
<b>Total liabilities and net assets</b>	<b>185,297</b>	<b>193,453</b>

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

(Millions of yen)

	First Six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First Six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	152,331	166,310
Cost of sales	125,930	138,761
Gross profit	26,400	27,548
Selling, general and administrative expenses	23,587	24,150
Operating profit	2,813	3,397
Non-operating income		
Commission income	19	23
Rental income	290	306
Insurance Income	51	11
Subsidy Income	21	22
Other	161	113
Total non-operating income	544	477
Non-operating expenses		
Interest expenses	133	178
Rent expenses	218	197
Other	156	132
Total non-operating expenses	508	508
Ordinary profit	2,849	3,367
Extraordinary income		
Gain on sales of non-current assets	47	51
Compensation income	120	32
Total extraordinary income	167	84
Extraordinary losses		
Impairment loss	114	71
Loss on sales of non-current assets	51	0
Total extraordinary losses	166	72
Profit before income taxes	2,850	3,378
Income taxes-current	1,094	1,702
Income taxes-deferred	148	(71)
Total income taxes	1,243	1,630
Profit	1,607	1,748
Profit attributable to owners of parent	1,607	1,748

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

	(Millions of yen)	
	First Six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First Six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Profit	1,607	1,748
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	7	2
Total other comprehensive income	7	2
Comprehensive income	1,615	1,750
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,615	1,750

**(3) Quarterly Consolidated Statement of Cash Flows**

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	2,850	3,378
Depreciation	3,249	3,212
Impairment loss	114	71
Amortization of goodwill	983	939
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in provision for bonuses	234	550
Increase (decrease) in provision for bonuses for directors (and other officers)	(45)	(68)
Increase (decrease) in retirement benefit liability	92	111
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(49)	7
Interest and dividend income	(0)	(0)
Interest expenses	133	178
Loss (gain) on sales of non-current assets	3	(50)
Decrease (increase) in trade receivables	1,766	1,218
Decrease (increase) in inventories	(12,027)	(5,671)
Increase (decrease) in trade payables	5,096	9,844
Other, net	609	510
Subtotal	3,011	14,232
Interest and dividends received	0	0
Interest paid	(83)	(83)
Income taxes paid	(1,920)	(2,248)
Net cash provided by (used in) operating activities	1,007	11,900
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,014)	(3,526)
Proceeds from sales of property, plant and equipment	380	26
Purchase of intangible assets	(1,016)	(1,351)
Purchase of long-term prepaid expenses	(31)	(32)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,433)	(273)
Payments for acquisition of businesses	(316)	(275)
Payments of loans receivable	(1,731)	—
Collection of loans receivable	39	32
Payments of leasehold and guarantee deposits	(623)	(2,658)
Proceeds from refund of leasehold and guarantee deposits	155	59
Other, net	(36)	(20)
Net cash provided by (used in) investing activities	(7,628)	(8,019)

(Millions of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	800	(2,000)
Proceeds from long-term loans payable	12,000	5,500
Repayments of long-term loans payable	(9,483)	(8,477)
Purchase of treasury shares	(100)	(0)
Dividends paid	(374)	(374)
Other, net	(305)	(72)
Net cash provided by (used in) financing activities	2,536	(5,425)
Net increase (decrease) in cash and cash equivalents	(4,084)	(1,544)
Cash and cash equivalents at beginning of period	25,543	23,770
Cash and cash equivalents at end of period	21,458	22,226

**(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 Six months of FY3/23 (Apr. 1, 2022 – Sep. 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	136,178	12,202	3,950	152,331	—	152,331
(2) Inter-segment sales and transfers	1	6,991	9	7,002	(7,002)	—
Total	136,180	19,194	3,959	159,333	(7,002)	152,331
Segment profit (loss)	5,993	(396)	500	6,097	(3,283)	2,813

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 3,283 million yen to segment profit (loss) includes eliminations of minus 26 million yen for inter-segment transactions and corporate expenses of minus 3,256 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

In the dispensing pharmacy business segment, there was an impairment loss of 62 million yen for store assets (two pharmacies). In the pharmaceutical manufacturing and sales business, there was an impairment loss of 52 million yen for some plant facilities.

#### Significant change in goodwill

Not applicable.

## II. First Six months of FY3/24 (Apr. 1, 2023 – Sep. 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	147,605	13,773	4,931	166,310	—	166,310
(2) Inter-segment sales and transfers	—	6,713	14	6,728	(6,728)	—
Total	147,605	20,487	4,945	173,038	(6,728)	166,310
Segment profit (loss)	6,016	167	698	6,882	(3,484)	3,397

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 3,484 million yen to segment profit (loss) includes eliminations of minus 126 million yen for inter-segment transactions and corporate expenses of minus 3,357 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

In the dispensing pharmacy business segment, there was an impairment loss of 71 million yen for store assets (one pharmacy).

## 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.*