

April 30, 2024

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024

[Japanese GAAP]

| | | | |
|---|--|----------|---|
| Company name: | NIHON CHOUZAI Co., Ltd. | Listing: | Tokyo Stock Exchange, Prime Market |
| Stock code: | 3341 | URL: | https://www.nicho.co.jp |
| Representative: | Yosuke Mitsuhashi, President & CEO | | |
| Contact: | Kei Kato, General Manager of Group Corporate Planning Department | Tel: | +81-(0) 3-6810-0800 |
| Scheduled date of Annual General Meeting of Shareholders: | June 25, 2024 | | |
| Scheduled date of filing of Annual Securities Report: | June 26, 2024 | | |
| Scheduled date of payment of dividend: | June 26, 2024 | | |
| Preparation of supplementary materials for financial results: | Yes | | |
| Holding of financial results meeting: | Yes (for institutional investors and analysts) | | |

Note: The original disclosure in Japanese was released on April 30, 2024 at 15:00 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(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 | % |
| Fiscal year ended Mar. 31, 2024 | 340,310 | 8.6 | 18,251 | 11.7 | 9,142 | 20.5 | 9,439 | 22.9 | 2,553 | (42.7) |
| Fiscal year ended Mar. 31, 2023 | 313,318 | 4.7 | 16,337 | 9.1 | 7,586 | 15.1 | 7,682 | 13.5 | 4,458 | 20.3 |

Note: Comprehensive income (million yen) FY3/24: 2,614 (-41.3%) FY3/23: 4,456 (18.6%)

| | Net income per share | | Diluted net income per share | | Return on equity | | Ordinary profit on total assets | | Operating profit to net sales | |
|---------------------------------|----------------------|---|------------------------------|---|------------------|-----|---------------------------------|-----|-------------------------------|--|
| | Yen | % | Yen | % | % | % | % | % | | |
| Fiscal year ended Mar. 31, 2024 | 85.35 | — | — | — | 4.4 | 5.0 | — | 2.7 | | |
| Fiscal year ended Mar. 31, 2023 | 148.92 | — | — | — | 8.2 | 4.2 | — | 2.4 | | |

Reference: Equity in income (losses) of affiliates (million yen) FY3/24: — FY3/23: —

Note: EBITDA = Operating profit + depreciation + goodwill amortization

(2) Consolidated financial position

| | Total assets | | Net assets | | Equity ratio | | Net assets per share | |
|---------------------|--------------|------|-------------|------|--------------|----------|----------------------|--|
| | Million yen | % | Million yen | % | % | Yen | | |
| As of Mar. 31, 2024 | 195,087 | 29.9 | 58,351 | 30.5 | — | 1,950.44 | | |
| As of Mar. 31, 2023 | 185,297 | 30.5 | 56,483 | — | — | 1,888.17 | | |

Reference: Shareholders' equity (million yen) As of Mar. 31, 2024: 58,351 As of Mar. 31, 2023: 56,483

(3) Consolidated cash flows

| | Cash flows from operating activities | | Cash flows from investing activities | | Cash flows from financing activities | | Cash and cash equivalents at end of period | |
|---------------------------------|--------------------------------------|---|--------------------------------------|---|--------------------------------------|---|--|--|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | |
| Fiscal year ended Mar. 31, 2024 | 20,421 | — | (13,726) | — | (4,430) | — | 26,034 | |
| Fiscal year ended Mar. 31, 2023 | 7,532 | — | (10,018) | — | 713 | — | 23,770 | |

2. Dividends

| | Dividend per share | | | | | Total dividends | Dividend payout ratio (consolidated) | Dividend on net assets (consolidated) |
|--|--------------------|--------|--------|----------|-------|-----------------|--------------------------------------|---------------------------------------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total | | | |
| Fiscal year ended Mar. 31, 2023 | — | 12.50 | — | 12.50 | 25.00 | 749 | 16.8 | 1.4 |
| Fiscal year ended Mar. 31, 2024 | — | 12.50 | — | 12.50 | 25.00 | 749 | 29.3 | 1.3 |
| Fiscal year ending Mar. 31, 2025 (forecasts) | — | 12.50 | — | 12.50 | 25.00 | — | 20.2 | — |

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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 | 183,700 | 10.5 | 6,900 | (8.9) | 2,300 | (32.3) | 2,400 | (28.7) | 1,200 | (31.4) | 40.11 | |
| Full year | 373,800 | 9.8 | 16,500 | (9.6) | 6,400 | (30.0) | 6,500 | (31.1) | 3,700 | 44.9 | 123.67 | |

*** Notes**

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

(2) 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

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

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

As of Mar. 31, 2024: 31,048,000 shares As of Mar. 31, 2023: 32,048,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2024: 1,130,711 shares As of Mar. 31, 2023: 2,133,695 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2024: 29,916,535 shares Fiscal year ended Mar. 31, 2023: 29,940,392 shares

Note:

The number of shares of the Company held in the Directors' Remuneration BIP Trust (March 31, 2024: 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.

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|---------------------------------|-------------|-----|------------------|-------|-----------------|-------|-------------|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended Mar. 31, 2024 | 298,040 | 8.3 | 7,832 | (1.1) | 8,625 | (0.1) | 2,984 | (5.4) |
| Fiscal year ended Mar. 31, 2023 | 275,304 | 6.2 | 7,919 | 33.2 | 8,630 | 30.5 | 3,154 | 36.2 |

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Fiscal year ended Mar. 31, 2024 | 99.76 | — |
| Fiscal year ended Mar. 31, 2023 | 105.35 | — |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of Mar. 31, 2024 | 155,685 | 43,767 | 28.1 | 1,462.94 |
| As of Mar. 31, 2023 | 148,273 | 41,528 | 28.0 | 1,388.25 |

Reference: Shareholders' equity (million yen) As of Mar. 31, 2024: 43,767 As of Mar. 31, 2023: 41,528

Note 1: This financial report is not subject to audit 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. As for matters concerning the financial results forecast, please see "1. Overview of Results of Operations (4)Outlook" on page 5 of the attachments.

(2) How to view supplementary materials for financial results

The supplementary materials for financial results will be disclosed on TDNet, and will be posted on the Company's website.

Contents of Attachments

| | |
|--|----|
| 1. Overview of Results of Operations | 2 |
| (1) Results of Operations | 2 |
| (2) Financial Position | 3 |
| (3) Cash Flows | 4 |
| (4) Outlook | 5 |
| 2. Basic Approach to the Selection of Accounting Standards | 6 |
| 3. Consolidated Financial Statements and Notes | 7 |
| (1) Consolidated Balance Sheet | 7 |
| (2) Consolidated Statements of Income and Comprehensive Income | 9 |
| (3) Consolidated Statement of Changes in Equity | 11 |
| (4) Consolidated Statement of Cash Flows | 13 |
| (5) Notes to Consolidated Financial Statements | 15 |
| (Going-concern Assumption) | 15 |
| (Segment and Other Information) | 15 |
| (Per Share Information) | 20 |
| (Subsequent Events) | 20 |

1. Overview of Results of Operations

(1) Results of Operations

In the consolidated fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024), the Japanese economy showed signs of recovery as socioeconomic activities normalized, prompted by the reclassification of COVID-19 as a Class 5 infectious disease. The outlook remains clouded, however, as the slowdown in overseas economies and rising prices warrant close monitoring.

Under these economic conditions, the Nihon Chouzai Group, as a healthcare group operating under the mission “To give people the closest possible support,” has strove to provide quality healthcare services and pharmaceuticals patients and customers can rely on. We will continue providing enduring value even amidst rapid changing social conditions and contribute to fortifying Japan’s healthcare system.

We have identified “establishing a workplace environment that enhances employee health and motivation” as a material sustainability issue, and are actively engaged in improving the health and well-being of our employees and organization. Our such efforts were well-recognized, with the Ministry of Economy, Trade and Industry naming Nihon Chouzai, Nihon Generic, and Medical Resources as 2024 Health & Productivity Management Outstanding Organizations in the large enterprise category, while Japan Medical Research Institute received the same certification in the small and medium-sized enterprise category.

Regarding sustainability initiatives, in FY2022 we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures, and we are working toward the goal of realizing carbon neutrality by FY2050. In February 2024, we received a “B” score in the Climate Change Report 2023 published by CDP, indicating we have been recognized for acknowledging and addressing our environmental risks and impacts. As a healthcare group with the mission “To give people the closest possible support,” we will proactively address and disclose information on social issues, including climate change, and contribute to the realization of a sustainable society.

In the consolidated fiscal year ended March 31, 2024, financial results benefited from an increase in prescription volume in the Dispensing Pharmacy Business, robust sales of existing and newly NHI listed drugs in the Pharmaceutical Manufacturing and Sales Business, and the success of groupwide cost-reduction measures. At the same time, we recorded impairment losses on non-current assets—some pharmacies in the Dispensing Pharmacy Business and some production facilities in the Pharmaceutical Manufacturing and Sales Business—as extraordinary losses.

As a result, net sales came to 340,310 million yen (+8.6% YoY), operating profit of 9,142 million yen (+20.5% YoY), ordinary profit of 9,439 million yen (+22.9% YoY), and profit attributable to owners of parent of 2,553 million yen (-42.7% YoY).

Segment-specific earnings are as indicated below.

1) Dispensing Pharmacy Business

In the consolidated fiscal year ended March 31, 2024, sales grew thanks to contributions from new pharmacies opened in the previous fiscal year and a rise in prescription volume caused by the spread of influenza and other infectious diseases. As a result, net sales were 302,805 million yen (+8.1% YoY) and operating profit of 15,189million yen (+3.6% YoY). As of March 31, 2024, the Group had a total of 736 pharmacies, reflecting 36 pharmacy openings and 18 closures during the fiscal year. The percentage of generic drugs dispensed, on a volume basis, across the Group on average was 89.3% (excluding discontinued drugs). Group pharmacies providing at-home medical care (those that make at least 24 home visits annually) accounted for 95.9% of total, growing steadily.

To improve healthcare access and convenience for patients, we have actively promoted the adoption and use of My Number Cards (personal identification number cards) as health insurance cards since the pilot period in March 2021. As of March 2024, the average usage rate of My Number Cards as health insurance cards at Nihon Chouzai

pharmacies was 18.82%, compared with the national average of 5.47%. In the aftermath of the Noto Peninsula Earthquake in January 2024, the use of My Number Cards as insurance cards enabled prompt understanding of medication information and the smooth provision of necessary medical care.

In March 2024, we added a new function designed for emergencies, including natural disasters, to our electronic medication notebook, Okusuri Techo Plus, which boasts over 1,790,000 registered members. The new function allows healthcare providers to view patient (app user) and medication information recorded in the app in the past six months offline, even when the network connection is unstable.

2) Pharmaceutical Manufacturing and Sales Business

In the fiscal year under review, the Pharmaceutical Manufacturing and Sales Business reported net sales of 40,446 million yen (+4.8% YoY) and operating profit of 250 million yen (operating loss of 1,392 million yen same period a year ago).

While the selling prices of existing drugs dropped due to the April 2023 drug price revision, sales of existing drugs and newly NHI listed drugs remained brisk, leading to sales and profit growth. As of March 31, 2024, the Group offered a total of 516 products (including two OTC drugs), after a review of product lineup and the launch of seven newly NHI listed drugs in June, September, and December 2023.

We had to curtail shipments of many products due to industry-wide supply chain disruptions and the November 2021 fire at the West Japan logistics center. However, we are gradually resuming normal shipments, starting with products for which we have re-established a stable supply system. As of March 31, 2024, 137 products were still under restricted shipment schedules. We will continue placing topmost priority on quality management and ensuring stable supply of generic drugs. At the same time, through investing in R&D, we plan to expand the lineup of in-house manufactured drugs, including those newly added to the NHI drug price list, and enhance productivity.

3) Medical Professional Staffing and Placement Business

In the fiscal year under review, the Medical Professional Staffing and Placement Business generated net sales of 9,984 million yen (+23.8% YoY) and operating profit of 937 million yen (+23.6% YoY).

Demand for physicians in particular for COVID-19 vaccination programs declined year-on-year, but this was more than offset by the ongoing growth of the mainstay pharmacist staffing and placement business, resulting in sales and profit growth. For the occupational physician business as well, we are seeing demand increasing, and intend to further develop the business to contribute to health management of companies in Japan.

(2) Financial Position

Total assets as of the end of March 2024 were 195,087 million yen, up 9,790 million yen (+5.3%), compared to 185,297 million yen at the end of the previous consolidated fiscal year. This is mainly due to increase in Cash and deposits.

Total liabilities were 136,735 million yen, up 7,921 million yen (+6.1%) compared to 128,814 million yen at the end of the previous consolidated fiscal year. This is mainly due to increased in Accounts payable-trade.

Total net assets were 58,351 million yen, up 1,868 million yen (+3.3%) compared to 56,483 million yen at the end of the previous consolidated fiscal year. As a result, our equity ratio is 29.9%

(3) Cash Flows

There was a net an increase of 2,263 million yen in cash and cash equivalents from the end of March 2023 to 26,034 million yen at the end of March 2024.

Net cash provided by operating activities was 20,421 million yen, an increase of 12,889 million yen from one year earlier. Major income factors include 7,170 million yen of depreciation, increase of 6,501 million yen in notes and accounts payable-trade and 5,137 million yen from profit before income taxes. Conversely, major expenditure factors include 4,149 million yen in income tax paid and 1,768 million yen increase from inventories.

Net cash used in investing activities 13,726 million yen, an increase of 3,708 million yen. Major expenditure factors include expenditures of 6,943 million yen for the purchase of property, plant and equipment. This is mainly comprised of investments for new store opening in the dispensing pharmacy business and capital investments in the pharmaceutical manufacturing and sales business.

Net cash used in financing activities 4,430 million yen, a decrease of 5,144 million yen. Major income factors include 8,500 million yen from long-term loans payable. Conversely, major expenditure factors include 10,440 million yen in repayments of long-term loans payable.

Trends in cash flow indicators

| | FY3/20 | FY3/21 | FY3/22 | FY3/23 | FY3/24 |
|---|--------|--------|--------|--------|--------|
| Shareholders' equity ratio (%) | 25.4 | 26.8 | 29.6 | 30.5 | 29.9 |
| Shareholders' equity ratio based on market prices (%) | 26.7 | 28.7 | 22.3 | 18.7 | 24.3 |
| Cash flows to debt ratio (years) | 5.6 | 6.5 | 2.9 | 7.7 | 2.7 |
| Interest coverage ratio (times) | 34.9 | 35.1 | 64.8 | 28.2 | 68.7 |

Note: The above figures are calculated as follows.

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Cash flows to debt ratio: Interest-bearing debts / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

- All indices are calculated based on consolidated figures.
- Market capitalization is calculated by multiplying the listed share price at the end of period by the number of shares outstanding (net of treasury shares) at the end of period.
- Operating cash flows are calculated using the figures for "Net cash provided by (used in) operating activities" in the consolidated statement of cash flows. Interest-bearing debts include all debts on the consolidated balance sheet that incur interest. Interest payments are calculated using the figures for "Interest expenses paid" in the consolidated statement of cash flows.

(4) Outlook

In the dispensing pharmacy industry, the Group's primary battleground, the government has introduced dispensing fee revisions that emphasize the strengthening and utilization of family pharmacy functions, provision of at-home medical care, and promotion of healthcare digitalization. These revisions indicate an expanding role of pharmacies and pharmacists as community medical institutions and healthcare providers, coupled with an increasing demand for their adaptability in response to significant changes in the operating environment.

We have actively promoted the central management of medication information using our electronic medication notebook, Okusuri Techo Plus, provided medication guidance tailored to each patient, cooperated with medical institutions, and enhanced post-dispensing consultations and follow-ups. We were among the first in the industry to expand online healthcare services, using our in-house developed online pharmacy service NiCOMS and handle electronic prescriptions. Further, to provide higher quality medical services to patients, many of our pharmacies have obtained certifications as specialized medical institution cooperation pharmacies and regional cooperation pharmacies ahead of industry peers. As such, we have focused on developing pharmacies that serve as hubs for local medical institutions and advanced medical care, while also cultivating highly specialized pharmacists.

Viewing the drastically changing business environment as a growth opportunity, we have positioned online medical services, at-home medical care, and specialty drugs as focus areas and are aggressively investing in their growth. We have already built a system for online medical services through our in-house developed medication notebook app Okusuri Techo Plus and online pharmacy service NiCOMS; expanded At-Home Medical Care Support Centers that mainly provide at-home medical care; and opened pharmacies in the vicinity of hospitals that serve as centers for advanced medical care.

For the fiscal year ending March 31, 2025, we expect sales to grow year-on-year, backed by contributions from new pharmacies opened in the previous fiscal year and increased sales of specialty drugs. Meanwhile, we project profit to decline due to expenses associated with increased investments in human capital, such as the revision of employee compensation systems, wage increases, and the enhancement of training programs, as well as the overhaul of dispensing systems aimed at further streamlining dispensing operations and strengthening interpersonal services.

In the Pharmaceutical Manufacturing and Sales Business, the operating environment surrounding the pharmacy and pharmaceuticals industry has become even more challenging due to the shift from biennial to annual drug price revisions in April 2021. Despite the challenging business environment, the generics industry as a whole is working together to resolve issues, including quality issues at some generic drug manufacturers, to ensure stable supply. Positioning quality assurance and stable supply as management priorities, we at the Nihon Chouzai Group are also doing our best to ensure stable supply of quality generics, and will continue working to resume normal shipments for products placed under restricted shipment schedules. In addition to taking advantage of synergies between group companies, our forte, we will focus on expanding the lineup of in-house manufactured drugs, including those newly added to the NHI drug price list, by investing in R&D and increasing productivity.

In the Medical Professional Staffing and Placement Business, we plan to further expand the pharmacist business to meet increasing pharmacist staffing and placement demand from medical institutions nationwide. For the physician business, which has grown in recent years, despite a falloff in COVID-19 vaccine program-related demand, we intend to take measures to further develop the business. Likewise, we plan to expand operations for the occupational physician business nationwide.

As a result of the above, for the fiscal year ending March 31, 2025, we forecast net sales of 373,800 million yen (+9.8% YoY), operating profit of 6,400 million yen (-30.0% YoY), ordinary profit of 6,500 million yen (-31.1% YoY), and profit attributable to owners of parent of 3,700 million yen (+44.9% YoY).

To meet the expectations of our stakeholders, namely for us to respond to the drastically changing operating environment, reinforce corporate governance, and promote sustainability management, we are re-evaluating management strategies and developing a new long-term vision. Centered on the Group's new philosophy disclosed

in April 2022, we aim to announce a new long-term vision that addresses a range of management issues, including growth strategies suitable for the Group's business environment, corporate governance fit for a Prime Market-listed company, human capital management and financial strategies appropriate for the changing times.

2. Basic Approach to the Selection of Accounting Standards

The Nihon Chouzai Group will continue to prepare consolidated financial statements using Japanese accounting standards for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

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

(Millions of yen)

| | FY3/23 (As of Mar. 31, 2023) | FY3/24 (As of Mar. 31, 2024) |
|---|---------------------------------|---------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 23,770 | 26,034 |
| Notes receivable-trade | 70 | 69 |
| Accounts receivable-trade and contract assets | 21,246 | 21,761 |
| Electronically recorded monetary claims-operating | 437 | 395 |
| Merchandise and finished goods | 28,416 | 28,992 |
| Work in process | 1,742 | 2,420 |
| Raw materials and supplies | 6,021 | 6,677 |
| Other | 4,022 | 4,691 |
| Allowance for doubtful accounts | (6) | (12) |
| Total current assets | 85,720 | 91,031 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 56,756 | 59,149 |
| Accumulated depreciation | (28,395) | (31,267) |
| Buildings and structures, net | 28,361 | 27,882 |
| Machinery, equipment and vehicles | 22,561 | 22,480 |
| Accumulated depreciation | (9,256) | (10,724) |
| Machinery, equipment and vehicles, net | 13,305 | 11,756 |
| Land | 13,377 | 13,371 |
| Leased assets | 1,509 | 1,826 |
| Accumulated depreciation | (601) | (710) |
| Leased assets, net | 907 | 1,116 |
| Construction in progress | 1,828 | 2,642 |
| Other | 22,001 | 23,324 |
| Accumulated depreciation | (18,346) | (19,664) |
| Other, net | 3,655 | 3,659 |
| Total property, plant and equipment | 61,435 | 60,428 |
| Intangible assets | | |
| Goodwill | 14,195 | 12,955 |
| Other | 5,377 | 8,471 |
| Total intangible assets | 19,573 | 21,426 |
| Investments and other assets | | |
| Investment securities | 16 | 18 |
| Long-term loans receivable | 3,786 | 4,868 |
| Leasehold and guarantee deposits | 9,160 | 9,904 |
| Deferred tax assets | 4,402 | 5,656 |
| Other | 1,202 | 1,752 |
| Total investments and other assets | 18,568 | 22,200 |
| Total non-current assets | 99,576 | 104,056 |
| Total assets | 185,297 | 195,087 |

| | (Millions of yen) | |
|--|---------------------------------|---------------------------------|
| | FY3/23 (As of Mar. 31, 2023) | FY3/24 (As of Mar. 31, 2024) |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 47,916 | 52,759 |
| Electronically recorded obligations-operating | 1,476 | 3,657 |
| Short-term loans payable | 2,000 | 450 |
| Current portion of long-term loans payable | 10,390 | 10,981 |
| Lease obligations | 143 | 171 |
| Income taxes payable | 2,640 | 2,072 |
| Provision for bonuses | 3,892 | 4,086 |
| Provision for bonuses for directors (and other officers) | 68 | 63 |
| Asset retirement obligations | 20 | 853 |
| Other | 8,502 | 9,762 |
| Total current liabilities | 77,050 | 84,858 |
| Non-current liabilities | | |
| Long-term loans payable | 44,640 | 42,108 |
| Lease obligations | 953 | 1,213 |
| Provision for retirement benefits for directors (and other officers) | 79 | 85 |
| Retirement benefit liability | 2,464 | 2,587 |
| Asset retirement obligations | 1,485 | 1,410 |
| Other | 2,140 | 4,471 |
| Total non-current liabilities | 51,763 | 51,876 |
| Total liabilities | 128,814 | 136,735 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,953 | 3,953 |
| Capital surplus | 10,926 | 9,228 |
| Retained earnings | 45,216 | 47,020 |
| Treasury shares | (3,600) | (1,898) |
| Total shareholders' equity | 56,495 | 58,303 |
| Accumulated other comprehensive income | | |
| Remeasurements of defined benefit plans | (12) | 48 |
| Total accumulated other comprehensive income | (12) | 48 |
| Total net assets | 56,483 | 58,351 |
| Total liabilities and net assets | 185,297 | 195,087 |

(2) Consolidated Statements of Income and Comprehensive Income**(Consolidated Statement of Income)**

(Millions of yen)

| | FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) | FY3/24 (Apr. 1, 2023 – Mar. 31, 2024) |
|--|--|--|
| Net sales | 313,318 | 340,310 |
| Cost of sales | 259,674 | 283,073 |
| Gross profit | 53,643 | 57,236 |
| Selling, general and administrative expenses | 46,057 | 48,093 |
| Operating profit | 7,586 | 9,142 |
| Non-operating income | | |
| Commission income | 41 | 46 |
| Rent income | 593 | 703 |
| Compensation income | 114 | 208 |
| Insurance income | 64 | 16 |
| Subsidy income | 81 | 56 |
| Other | 235 | 355 |
| Total non-operating income | 1,130 | 1,387 |
| Non-operating expenses | | |
| Interest expenses | 266 | 355 |
| Rent expenses | 442 | 484 |
| Loss on retirement of non-current assets | 80 | 39 |
| Other | 244 | 212 |
| Total non-operating expenses | 1,033 | 1,090 |
| Ordinary profit | 7,682 | 9,439 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 1,214 | 65 |
| Compensation income | 1,573 | 32 |
| Total extraordinary income | 2,787 | 97 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 52 | 7 |
| Impairment loss | 2,574 | 4,391 |
| Total extraordinary losses | 2,627 | 4,399 |
| Profit before income taxes | 7,843 | 5,137 |
| Income taxes-current | 3,992 | 3,782 |
| Income taxes-deferred | (608) | (1,197) |
| Total income taxes | 3,384 | 2,584 |
| Profit | 4,458 | 2,553 |
| Profit attributable to owners of parent | 4,458 | 2,553 |

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

| | FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) | FY3/24 (Apr. 1, 2023 – Mar. 31, 2024) |
|--|--|--|
| Profit | 4,458 | 2,553 |
| Other comprehensive income | | |
| Remeasurements of defined benefit plans, net of tax | (2) | 60 |
| Total other comprehensive income | (2) | 60 |
| Comprehensive income | 4,456 | 2,614 |
| Comprehensive income attributable to Comprehensive income attributable to owners of parent | 4,456 | 2,614 |

(3) Consolidated Statement of Changes in Equity

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 3,953 | 10,926 | 41,507 | (3,500) | 52,887 |
| Changes of items during period | | | | | |
| Dividends of surplus | — | — | (749) | — | (749) |
| Profit attributable to owners of parent | — | — | 4,458 | — | 4,458 |
| Purchase of treasury shares | — | — | — | (100) | (100) |
| Disposal of treasury shares | — | — | — | — | — |
| Cancellation of treasury shares | — | — | — | — | — |
| Net changes of items other than shareholders' equity | — | — | — | — | — |
| Total changes of items during period | — | — | 3,709 | (100) | 3,608 |
| Balance at end of current period | 3,953 | 10,926 | 45,216 | (3,600) | 56,495 |

| | Accumulated other comprehensive income | | Total net assets |
|--|---|--|------------------|
| | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of current period | (10) | (10) | 52,876 |
| Changes of items during period | | | |
| Dividends of surplus | — | — | (749) |
| Profit attributable to owners of parent | — | — | 4,458 |
| Purchase of treasury shares | — | — | (100) |
| Disposal of treasury shares | — | — | — |
| Cancellation of treasury shares | — | — | — |
| Net changes of items other than shareholders' equity | (2) | (2) | (2) |
| Total changes of items during period | (2) | (2) | 3,606 |
| Balance at end of current period | (12) | (12) | 56,483 |

FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)

(Millions of yen)

| | Shareholders' equity | | | | Total shareholders' equity |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | |
| Balance at beginning of current period | 3,953 | 10,926 | 45,216 | (3,600) | 56,495 |
| Changes of items during period | | | | | |
| Dividends of surplus | — | — | (749) | — | (749) |
| Profit attributable to owners of parent | — | — | 2,553 | — | 2,553 |
| Purchase of treasury shares | — | — | — | (0) | (0) |
| Disposal of treasury shares | — | — | — | 4 | 4 |
| Cancellation of treasury shares | — | (1,698) | — | 1,698 | — |
| Net changes of items other than shareholders' equity | — | — | — | — | — |
| Total changes of items during period | — | (1,698) | 1,803 | 1,702 | 1,807 |
| Balance at end of current period | 3,953 | 9,228 | 47,020 | (1,898) | 58,303 |

| | Accumulated other comprehensive income | | Total net assets |
|--|---|--|------------------|
| | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of current period | (12) | (12) | 56,483 |
| Changes of items during period | | | |
| Dividends of surplus | — | — | (749) |
| Profit attributable to owners of parent | — | — | 2,553 |
| Purchase of treasury shares | — | — | (0) |
| Disposal of treasury shares | — | — | 4 |
| Cancellation of treasury shares | — | — | — |
| Net changes of items other than shareholders' equity | 60 | 60 | 60 |
| Total changes of items during period | 60 | 60 | 1,868 |
| Balance at end of current period | 48 | 48 | 58,351 |

(4) Consolidated Statement of Cash Flows

(Millions of yen)

| | FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) | FY3/24 (Apr. 1, 2023 – Mar. 31, 2024) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 7,843 | 5,137 |
| Depreciation | 6,740 | 7,170 |
| Amortization of long-term prepaid expenses | 126 | 102 |
| Impairment loss | 2,574 | 4,391 |
| Compensation income | (1,573) | (32) |
| Amortization of goodwill | 1,952 | 1,891 |
| Increase (decrease) in allowance for doubtful accounts | (1) | 5 |
| Increase (decrease) in provision for bonuses | 27 | 186 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 23 | (4) |
| Increase (decrease) in retirement benefit liability | 185 | 113 |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | (49) | 5 |
| Interest and dividend income | (1) | (24) |
| Interest expenses | 266 | 355 |
| Loss (gain) on sales of non-current assets | (1,161) | (57) |
| Decrease (increase) in notes and accounts receivable- trade | (701) | (177) |
| Decrease (increase) in inventories | (5,016) | (1,768) |
| Increase (decrease) in notes and accounts payable-trade | (2,018) | 6,501 |
| Decrease (increase) in prepaid expenses | (76) | (216) |
| Increase (decrease) in accrued expenses | 109 | 152 |
| Decrease (increase) in accounts receivable-other | 375 | 127 |
| Increase (decrease) in accounts payable-other | (1,177) | 1,112 |
| Other, net | 1,064 | (139) |
| Subtotal | 9,511 | 24,833 |
| Interest and dividend income received | 1 | 1 |
| Interest expenses paid | (267) | (297) |
| Income taxes paid | (3,286) | (4,149) |
| Proceeds from compensation income | 1,573 | 32 |
| Net cash provided by (used in) operating activities | 7,532 | 20,421 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (5,761) | (6,943) |
| Proceeds from sales of property, plant and equipment | 2,183 | 88 |
| Purchase of intangible assets | (1,994) | (3,461) |
| Increase in long-term prepaid expenses | (59) | (56) |
| Payments for acquisition of businesses | (367) | (307) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (1,433) | (716) |
| Payment of loans receivable | (2,096) | (936) |
| Collection of loans receivable | 89 | 178 |
| Payments of leasehold and guarantee deposits | (779) | (3,137) |
| Proceeds from refund of leasehold and guarantee deposits | 219 | 117 |
| Other, net | (18) | 1,447 |
| Net cash provided by (used in) investing activities | (10,018) | (13,726) |

| | (Millions of yen) | |
|--|--------------------------------|--------------------------------|
| | FY3/23 | FY3/24 |
| | (Apr. 1, 2022 – Mar. 31, 2023) | (Apr. 1, 2023 – Mar. 31, 2024) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 1,000 | (1,550) |
| Proceeds from long-term loans payable | 13,500 | 8,500 |
| Repayments of long-term loans payable | (12,366) | (10,440) |
| Repayments of lease obligations | (145) | (190) |
| Repayments of installment payables | (424) | — |
| Purchase of treasury shares | (100) | (0) |
| Cash dividends paid | (749) | (749) |
| Net cash provided by (used in) financing activities | 713 | (4,430) |
| Net increase (decrease) in cash and cash equivalents | (1,772) | 2,263 |
| Cash and cash equivalents at beginning of period | 25,543 | 23,770 |
| Cash and cash equivalents at end of period | 23,770 | 26,034 |

(5) Notes to Consolidated Financial Statements

Going-concern Assumption

Not applicable.

Segment and Other Information

Segment information

1. Overview of reportable segments

Segments used for financial reporting are the Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group consists of three business units: the dispensing pharmacy business, the pharmaceutical manufacturing and sales business, and the medical professional staffing and placement business. Each business unit determines its own comprehensive strategies and conducts its own business activities. Consequently, the Group has three reportable business segments: the dispensing pharmacy business, the pharmaceutical manufacturing and sales business, and the medical professional staffing and placement business.

The dispensing pharmacy business segment involves the operation of dispensing pharmacies. The pharmaceutical manufacturing and sales business segment involves manufacturing and sales activities that specialize mainly in generic drugs and other pharmaceuticals. The medical professional staffing and placement business segment involves the provision of a temporary staffing and placement services for pharmacists, physicians, nurses and other medical professionals.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as those listed in "Basis of the Preparation of Consolidated Financial Statements."

Earnings for reportable segments are operating profit.

Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment
FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(Millions of yen)

| | Reportable segment | | | | Adjustment (Note 1) | Amounts shown on consolidated financial statements (Note 2) |
|---|------------------------------------|---|--|---------|------------------------|---|
| | Dispensing pharmacy business | Pharmaceutical manufacturing and sales business | Medical professional staffing and placement business | Total | | |
| Net sales | | | | | | |
| (1) External sales | 280,161 | 25,103 | 8,052 | 313,318 | — | 313,318 |
| (2) Inter-segment sales and transfers | 3 | 13,472 | 10 | 13,486 | (13,486) | — |
| Total | 280,164 | 38,575 | 8,063 | 326,804 | (13,486) | 313,318 |
| Segment profit (loss) | 14,666 | (1,392) | 758 | 14,032 | (6,445) | 7,586 |
| Segment assets | 107,392 | 71,141 | 3,914 | 182,448 | 2,849 | 185,297 |
| Other items | | | | | | |
| Depreciation | 2,751 | 3,492 | 95 | 6,340 | 400 | 6,740 |
| Amortization of goodwill | 1,836 | 97 | 17 | 1,952 | — | 1,952 |
| Impairment loss | 2,463 | 111 | — | 2,574 | — | 2,574 |
| Increase in property, plant and equipment and intangible assets | 7,536 | 2,030 | 79 | 9,647 | 674 | 10,321 |

Notes: 1. The above adjustments include the following items.

- (1) The negative adjustment of minus 6,445 million yen to segment profit or loss includes a profit elimination of 90 million yen for inter-segment transactions and corporate expenses of minus 6,536 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
 - (2) The 2,849 million yen adjustment to segment assets includes a 20 million yen elimination for receivables associated with inter-segment transactions, a 99 million yen elimination for unrealized profit in inventories and a 2,969 million yen addition to corporate assets. Leasehold and guarantee deposits and land that do not belong to any reportable segment are the primary components of corporate assets.
 - (3) The 400 million yen adjustment of depreciation and the 674 million yen adjustment that is added to the increase in property, plant and equipment and intangible assets are for investments in corporate assets such as buildings.
2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)

(Millions of yen)

| | Reportable segment | | | | Adjustment (Note 1) | Amounts shown on consolidated financial statements (Note 2) |
|---|------------------------------------|---|--|---------|------------------------|---|
| | Dispensing pharmacy business | Pharmaceutical manufacturing and sales business | Medical professional staffing and placement business | Total | | |
| Net sales | | | | | | |
| (1) External sales | 302,805 | 27,632 | 9,873 | 340,310 | — | 340,310 |
| (2) Inter-segment sales and transfers | — | 12,813 | 111 | 12,925 | (12,925) | — |
| Total | 302,805 | 40,446 | 9,984 | 353,235 | (12,925) | 340,310 |
| Segment profit (loss) | 15,189 | 250 | 937 | 16,376 | (7,233) | 9,142 |
| Segment assets | 115,690 | 71,055 | 4,993 | 191,739 | 3,348 | 195,087 |
| Other items | | | | | | |
| Depreciation | 2,760 | 3,481 | 147 | 6,389 | 780 | 7,170 |
| Amortization of goodwill | 1,828 | 44 | 17 | 1,891 | — | 1,891 |
| Impairment loss | 3,225 | 1,166 | — | 4,391 | — | 4,391 |
| Increase in property, plant and equipment and intangible assets | 8,932 | 2,040 | 83 | 11,056 | 1,131 | 12,188 |

Notes: 1. The above adjustments include the following items.

- (1) The negative adjustment of minus 7,233 million yen to segment profit or loss includes a profit elimination of 69 million yen for inter-segment transactions and corporate expenses of minus 7,164 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
 - (2) The 3,348 million yen adjustment to segment assets includes a 43 million yen elimination for receivables associated with inter-segment transactions, a 176 million yen elimination for unrealized profit in inventories and a 3,568 million yen addition to corporate assets. Leasehold and guarantee deposits and land that do not belong to any reportable segment are the primary components of corporate assets.
 - (3) The 780 million yen adjustment of depreciation and the 1,131 million yen adjustment that is added to the increase in property, plant and equipment and intangible assets are for investments in corporate assets such as buildings.
2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

Related information

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

1. Information by product or service

Omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there is no property, plant and equipment outside Japan.

3. Information about specific customers

Omitted because no single external customer accounts for 10% or more of sales as shown on the consolidated statement of income.

FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)

1. Information by product or service

Omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there is no property, plant and equipment outside Japan.

3. Information about specific customers

Omitted because no single external customer accounts for 10% or more of sales as shown on the consolidated statement of income.

Information related to impairment losses on non-current assets for each reportable segment

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

Omitted because the same information is presented in segment information.

FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)

Omitted because the same information is presented in segment information.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(Millions of yen)

| | Dispensing pharmacy business | Pharmaceutical manufacturing and sales business | Medical professional staffing and placement business | Total |
|--|------------------------------|---|--|--------|
| Unamortized balance at the end of current period | 14,012 | 44 | 138 | 14,195 |

Note: Goodwill amortization is omitted because the same information is presented in segment information.

FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)

(Millions of yen)

| | Dispensing pharmacy business | Pharmaceutical manufacturing and sales business | Medical professional staffing and placement business | Total |
|--|------------------------------|---|--|--------|
| Unamortized balance at the end of current period | 12,834 | — | 120 | 12,955 |

Note: Goodwill amortization is omitted because the same information is presented in segment information.

Information related to gain on bargain purchase for each reportable segment

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

Not applicable.

FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)

Not applicable.

Per Share Information

(Yen)

| | FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) | FY3/24 (Apr. 1, 2023 – Mar. 31, 2024) |
|----------------------|--|--|
| Net assets per share | 1,888.17 | 1,950.44 |
| Net income per share | 148.92 | 85.35 |

Notes: 1. Diluted net income per share is not presented since Nihon Chouzai has no outstanding dilutive securities.

2. Basis for calculation of net assets per share is as follows.

| | FY3/23 (As of Mar. 31, 2023) | FY3/24 (As of Mar. 31, 2024) |
|--|---------------------------------|---------------------------------|
| Total net assets (Millions of yen) | 56,483 | 58,351 |
| Deduction on total net assets (Millions of yen) | — | — |
| Net assets applicable to common stock shares (Millions of yen) | 56,483 | 58,351 |
| Number of common stock shares at end of period used in calculation of net assets per share (Thousand shares) | 29,914 | 29,917 |

Notes: 1. The number of common stock shares at the end of period that was used to calculate net assets per share is calculated after deducting treasury shares held in the Nihon Chouzai's account.

2. The Company's shares held by the Directors' Remuneration BIP Trust are included in the number of shares of treasury stock deducted from the total number of shares issued and outstanding at the end of the fiscal year for the purpose of calculating net assets per share. The number of shares of treasury stock held by the Trust as of the end of the period was 69 thousand shares.

3. Basis for calculation of net income per share is as follows.

| | FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) | FY3/24 (Apr. 1, 2023 – Mar. 31, 2024) |
|--|--|--|
| Profit attributable to owners of parent (Millions of yen) | 4,458 | 2,553 |
| Amounts not available to common stock shareholders (Millions of yen) | — | — |
| Profit attributable to owners of parent available to common stock shares (Millions of yen) | 4,458 | 2,553 |
| Average number of common stock shares outstanding during the period (Thousand shares) | 29,940 | 29,917 |

Note: 1. The average number of shares outstanding during the period that was used to calculate net income per share is calculated after deducting treasury shares held in the Nihon Chouzai's account.

2. For the calculation of net income per share, the Company's shares held by the Directors' Remuneration BIP Trust are included in the treasury stock as a deduction in the calculation of the average number of shares outstanding during the fiscal year. The average number of shares of treasury stock held by the Trust during the fiscal year was 69 thousand shares.

Subsequent Events

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.