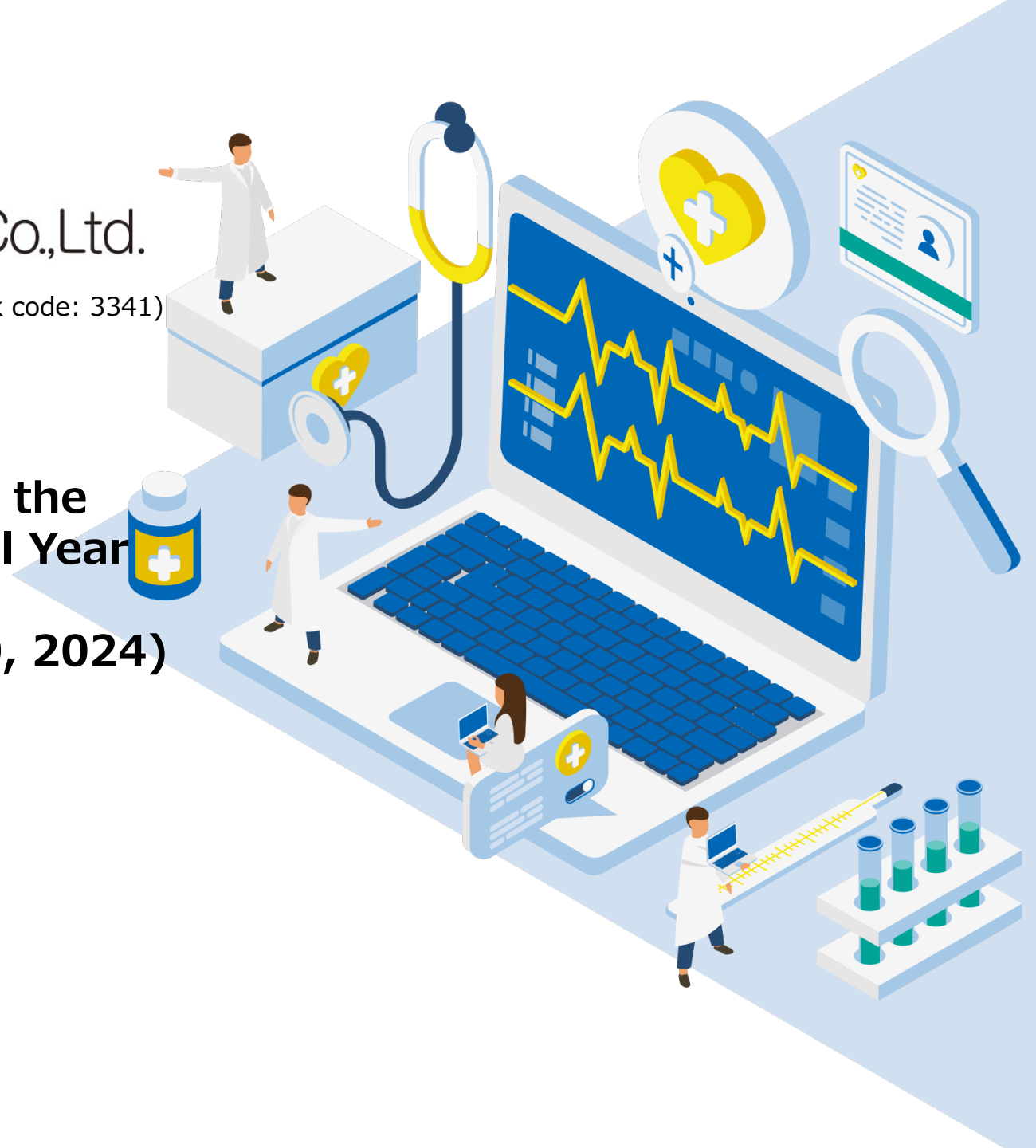




(Tokyo Stock Exchange, Prime Market / Stock code: 3341)

Results of Operations for the First Quarter of the Fiscal Year Ending March 31, 2025 (April 1, 2024 to June 30, 2024)

July 31, 2024



1

Financial Highlights



Consolidated Results

Net sales increased but profit declined. While prescription volume increased in the Dispensing Pharmacy Business, manufacturing management issues in the Pharmaceutical Manufacturing and Sales Business resulted in suspended shipments of some products.

Dispensing Pharmacy Business

Net sales increased but profit declined. While prescription volume increased owing to contributions from pharmacies opened in the previous fiscal year, cost of sales and SG&A expenses also rose due to higher personnel expenses among others.

Pharmaceutical Manufacturing and Sales Business

Net sales and profit declined, due to the impact of April 2024 drug price revisions and suspended shipments of some products caused by manufacturing management issues at Choseido Pharmaceutical.

Medical Professional Staffing and Placement Business

Net sales and profit increased, owing to growth in the pharmacist staffing/placement and physician placement (including the occupational physician business) businesses. In the pharmacy staffing business, sales growth was attributed in particular to services for small and medium-sized pharmacies.

Consolidated Statement of Income

Net sales increased 5.6% YoY (4.5% short of the forecast), and the operating loss was 0.2 billion yen. While prescription volume increased in the Dispensing Pharmacy Business, manufacturing management issues in the Pharmaceutical Manufacturing and Sales Business weighed on earnings.

(Millions of yen)	1Q FY3/23 Results	1Q FY3/24 Results	1Q FY3/25 Forecast	1Q FY3/25 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	74,709	81,848	90,500	86,433	(4,066)	(4.5%)	5.6%
Cost of sales	61,928	68,067	76,500	73,163	(3,336)	(4.4%)	7.5%
Gross profit	12,780	13,781	13,900	13,270	(629)	(4.5%)	(3.7%)
% to sales	17.1%	16.8%	15.4%	15.4%	(0.0pt)	–	–
SG&A expenses	11,888	12,185	13,400	13,507	107	0.8%	10.9%
% to sales	15.9%	14.9%	14.8%	15.6%	0.8pt	–	–
Consumption taxes	5,420	5,830	6,400	6,236	(163)	(2.6%)	7.0%
R&D expenses	702	659	700	852	152	21.7%	29.3%
Operating profit	892	1,596	500	(236)	(736)	–	–
% to sales	1.2%	2.0%	0.6%	(0.3%)	(0.8pt)	–	–
Ordinary profit	913	1,605	600	85	(514)	(85.7%)	(94.7%)
% to sales	1.2%	2.0%	0.7%	0.1%	(0.6pt)	–	–
Profit attributable to owners of parent	391	659	100	(140)	(240)	–	–
% to sales	0.5%	0.8%	0.1%	(0.2%)	(0.3pt)	–	–
EBITDA	3,002	3,653	2,800	2,015	(784)	(28.0%)	(44.8%)

Consolidated Balance Sheet

Main factors behind the increase in assets were increases of 6.9 billion yen in cash and deposits and 6.1 billion yen in merchandise and finished goods. The increase in liabilities mainly reflected a 12.2 billion yen increase in accounts payable-trade. Net interest-bearing debt was 24.7 billion yen, remaining at a low level since FY3/12.

(Millions of yen)	End of Mar. 2023 (FY3/23)	End of Mar. 2024 (FY3/24)	End of Jun. 2024 (1Q FY3/25)	YoY change	YoY change (%)
Current assets	85,720	91,031	104,683	13,652	15.0%
Merchandise and finished goods	28,416	28,992	35,104	6,111	21.1%
Non-current assets	99,576	104,056	104,252	196	0.2%
Property, plant and equipment	61,435	60,428	60,148	(280)	(0.5%)
Intangible assets	19,573	21,426	21,366	(60)	(0.3%)
Investments and other assets	18,568	22,200	22,738	537	2.4%
Total assets	185,297	195,087	208,936	13,848	7.1%
Current liabilities	77,050	84,858	106,065	21,206	25.0%
Accounts payable-trade	47,916	52,759	65,043	12,283	23.3%
Non-current liabilities	51,763	51,876	45,030	(6,846)	(13.2%)
Long-term loans payable	44,640	42,108	35,324	(6,783)	(16.1%)
Total liabilities	128,814	136,735	151,095	14,360	10.5%
Total net assets	56,483	58,351	57,840	(511)	(0.9%)
Shareholders' equity	56,483	58,351	57,840	(511)	(0.9%)
Equity ratio	30.5%	29.9%	27.7%	(2.2pt)	—
Net interest-bearing debt	34,357	28,890	24,789	(4,101)	(14.2%)

Dispensing Pharmacy Business

Net sales increased 6.0% YoY, due to increased prescription volume at existing pharmacies and contributions from 36 pharmacies opened in the previous fiscal year. Meanwhile, operating profit dipped 40.5% YoY, 9.0% below the projection, due to increases in cost of sales and SG&A expenses stemming from higher personnel expenses among others.

(Millions of yen)	1Q FY3/23 Results	1Q FY3/24 Results	1Q FY3/25 Forecast	1Q FY3/25 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	66,375	72,309	79,700	76,643	(3,056)	(3.8%)	6.0%
Cost of sales	56,285	61,213	69,100	66,067	(3,032)	(4.4%)	7.9%
Gross profit	10,116	11,096	10,500	10,575	75	0.7%	(4.7%)
% to sales	15.2%	15.3%	13.2%	13.8%	0.6pt	—	—
SG&A expenses	8,054	8,189	8,600	8,846	246	2.9%	8.0%
% to sales	12.1%	11.3%	10.8%	11.5%	0.8pt	—	—
Operating profit	2,062	2,907	1,900	1,729	(170)	(9.0%)	(40.5%)
% to sales	3.1%	4.0%	2.4%	2.3%	(0.1pt)	—	—
No. of pharmacies at the end of each period (stores) <small>note 1</small>	713	725	742	741	(1)	(0.1%)	2.2%
Prescription drug sales per pharmacy <small>note 2</small>	94	100	107	103	(4)	(3.8%)	3.6%

Note: Rounding down to the nearest unit

Prescription drug sales per pharmacy = Prescription drug sales / Average No. of pharmacies during the period

Pharmaceutical Manufacturing and Sales Business

Net sales declined 5.6% YoY, and the operating loss was 0.4 billion yen. In addition to the April 2024 drug price revisions, suspended shipments of some products due to manufacturing management issues discovered at Choseido Pharmaceutical put downward pressure on results.

(Millions of yen)	1Q FY3/23 Results	1Q FY3/24 Results	1Q FY3/25 Forecast	1Q FY3/25 Results	Change Vs. Forecast	Vs. Forecast	YoY growth Rate
Net sales	10,027	10,530	11,600	9,945	(1,654)	(14.3%)	(5.6%)
Cost of sales	8,674	9,264	10,000	9,089	(910)	(9.1%)	(1.9%)
Gross profit	1,352	1,265	1,600	855	(744)	(46.5%)	(32.4%)
% to sales	13.5%	12.0%	13.8%	8.6%	(5.2pt)	—	—
SG&A expenses	1,082	1,139	1,200	1,316	116	9.7%	15.6%
% to sales	10.8%	10.8%	10.3%	13.2%	2.9pt	—	—
Operating profit	270	126	300	(461)	(761)	—	—
% to sales	2.7%	1.2%	2.6%	(4.6%)	(7.2pt)	—	—

Note: Rounding down to the nearest unit

Medical Professional Staffing and Placement Business

Net sales increased 27.7% YoY, and operating profit was up 37.1% YoY. The results reflected increased sales from staffing services provided to small and medium-sized pharmacies in the mainstay pharmacist business, as well as growth in the physician placement and occupational physician businesses.

(Millions of yen)	1Q FY3/23 Results	1Q FY3/24 Results	1Q FY3/25 Forecast	1Q FY3/25 Results	Change Vs. Forecast	Vs. Forecast	YoY growth Rate
Net sales	2,066	2,580	2,800	3,296	496	17.7%	27.7%
Cost of sales	721	1,027	1,100	1,369	269	24.5%	33.3%
Gross profit	1,344	1,553	1,700	1,927	227	13.4%	24.1%
% to sales	65.1%	60.2%	60.7%	58.5%	(2.3pt)	—	—
SG&A expenses	988	1,069	1,200	1,263	63	5.3%	18.2%
% to sales	47.9%	41.4%	42.9%	38.3%	(4.5pt)	—	—
Operating profit	355	484	500	663	163	32.7%	37.1%
% to sales	17.2%	18.8%	17.9%	20.1%	2.3pt	—	—

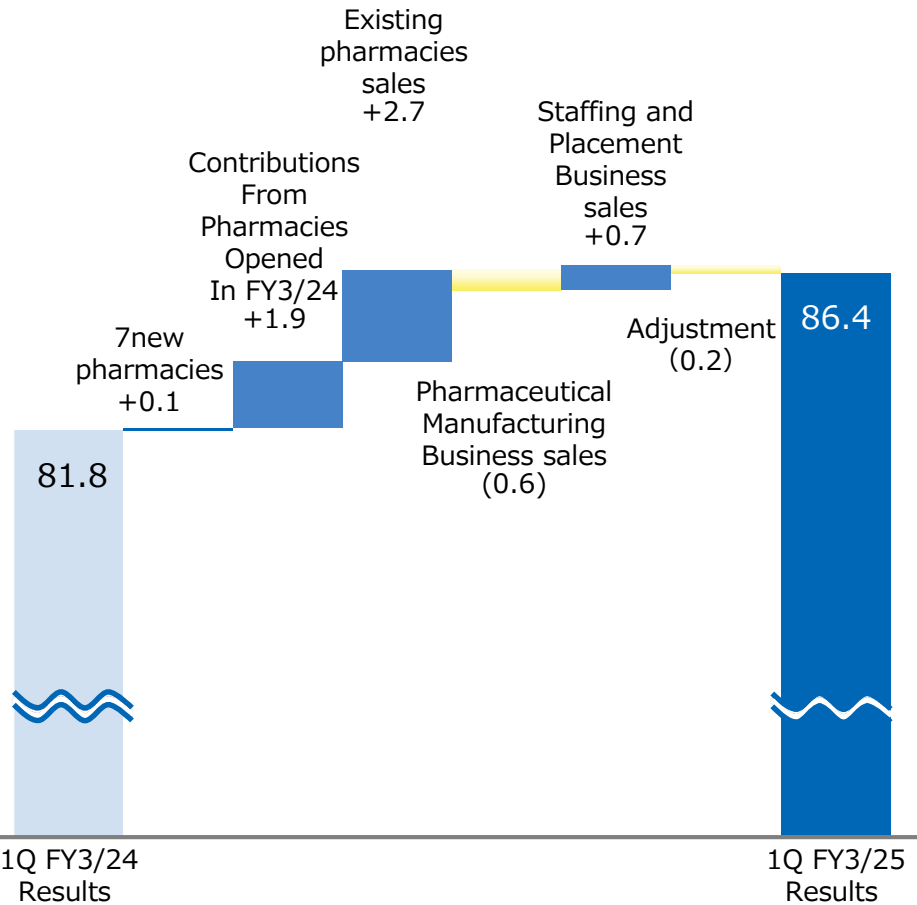
Note: Rounding down to the nearest unit

Reference Materials

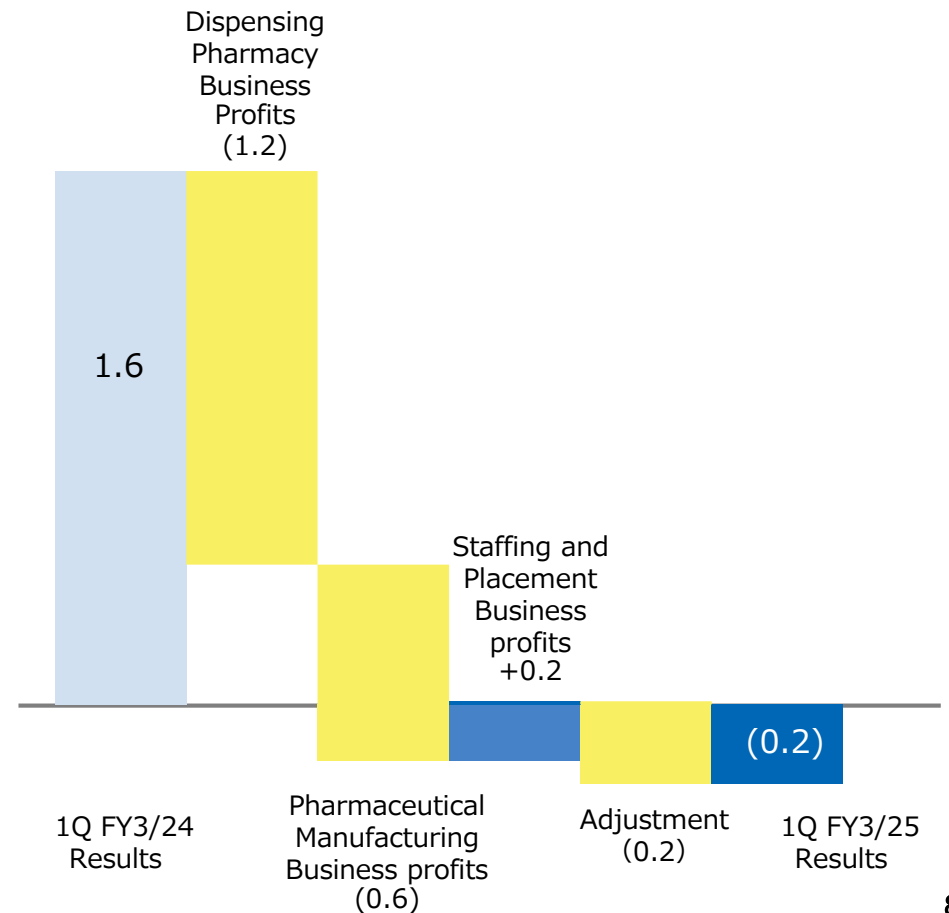
Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

Net Sales



Operating Profit

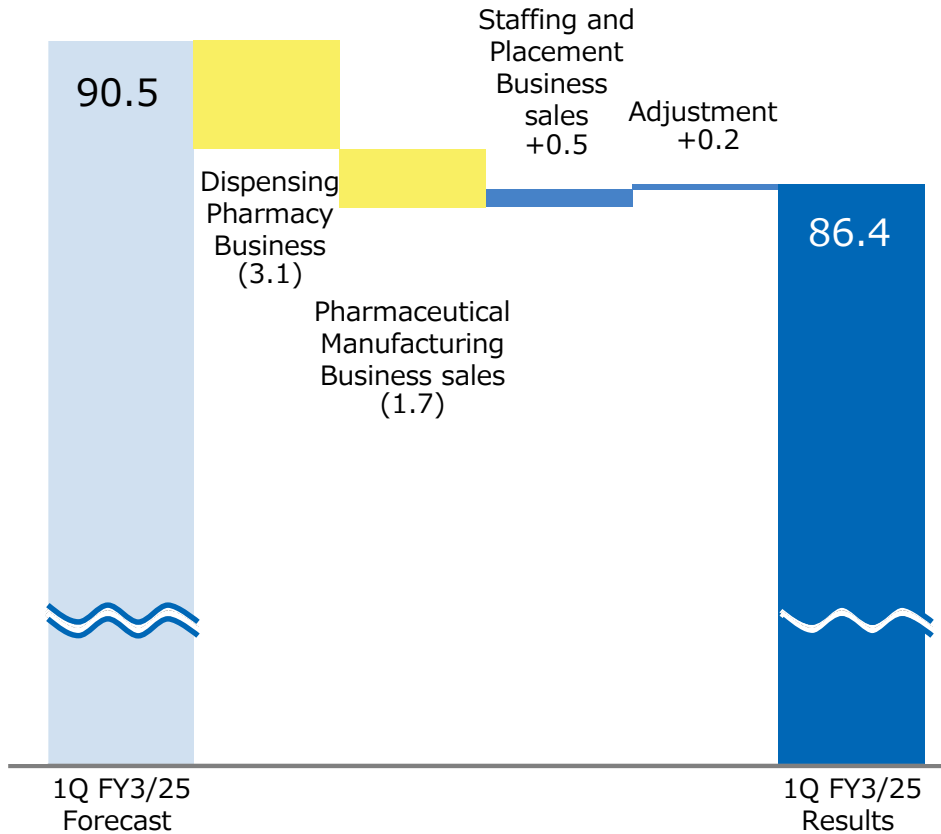


Reference Materials

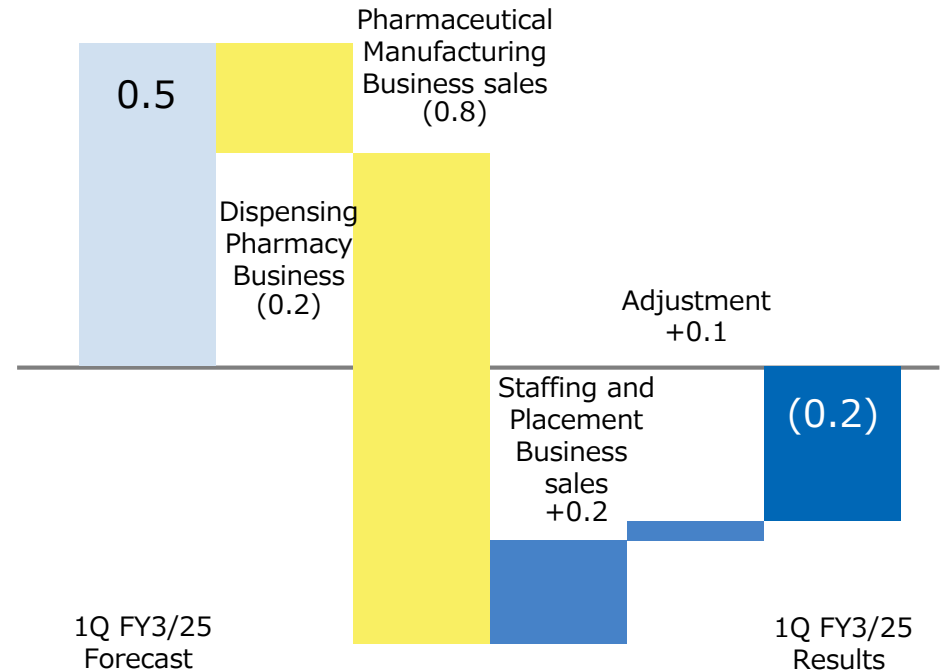
Consolidated Results: Major Components of Changes vs. Forecast (Net Sales / Operating Profit)

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

Net Sales



Operating Profit



2

Growth strategy



Consolidated Results

- Plan to release the new long-term vision in September 2024

Dispensing Pharmacy Business

- Pharmacy opening strategy focused on maintaining balance/
Development of pharmacies with various functions
Continue opening pharmacies with an emphasis on maintaining balance between hospital-front pharmacies and hybrid pharmacies.

Pharmaceutical Manufacturing and Sales Business

- Issues in manufacturing management at Choseido Pharmaceutical
- Product portfolio/ increase in the ratio of in-house manufactured products

Medical Professional Staffing and Placement Business

- Improve brand recognition and expand market share of pharmacist staffing business
- Expand business in the healthcare domain to meet corporate health management needs



Scheduled date of release of the new long-term vision

Plan to release the new long-term vision in September 2024



Note: The timing of release may change due to the establishment status.

Pharmacy Network ①

Both in our own store openings and M&A we are making upfront investments in large stores that support advanced medical and home medical care, and our sales per store are on an upward trend. While maintaining the share of pharmacies opened through organic growth, we aim to utilize M&A for balanced pharmacy openings.

Pharmacy Openings

	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	1Q FY3/25
Opened	32	65*	29	40	38	36	7
Organic growth (percentage)	26 (81.2%)	35 (53.8%)	22 (75.9%)	34 (85.0%)	30 (78.9%)	25 (69.4%)	6 (85.7%)
M&A	6	30	7	6	8	11	1
Closed	19	13	9	13	17	18	2
No. of pharmacies at the end of period	598	650	670	697	718	736	741

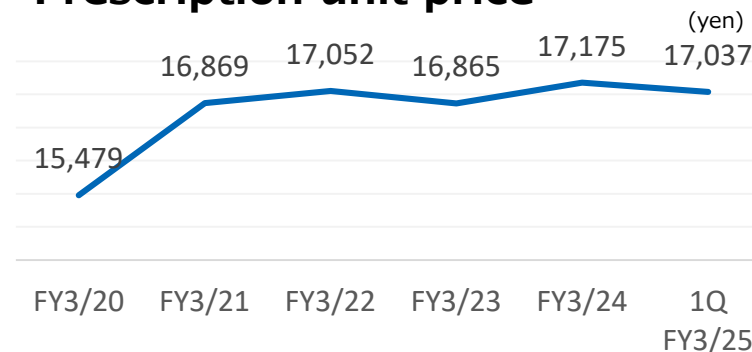
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

1Q FY3/25 Results

(YoY growth rate)	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	3.8%	0.8%	3.0%
Pharmacies opened in FY3/24	1992.9%	1496.3%	31.1%
Total	6.2%	4.5%	1.6%

No. of prescriptions 4,437,000 Prescription unit price 17,073yen

Prescription unit price

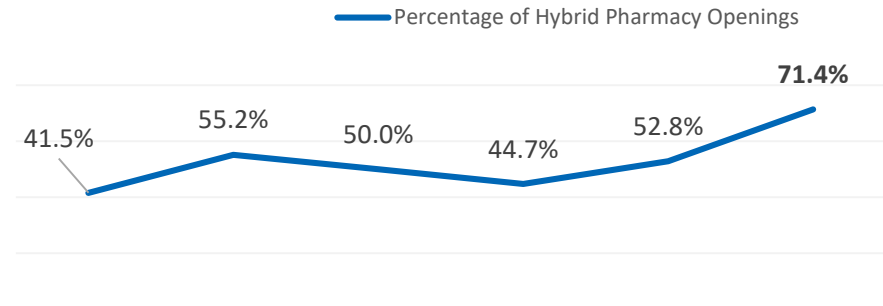


Pharmacy Network ②

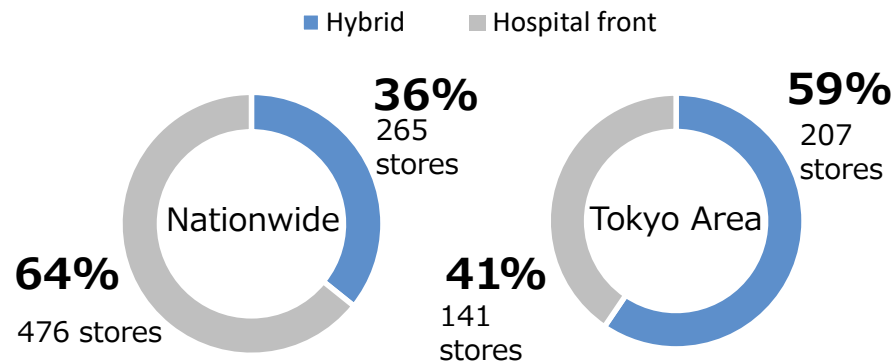
Continue opening pharmacies with an emphasis on maintaining the right balance, by steadily opening hospital front pharmacies and stepping up efforts to open hybrid pharmacies, which have become increasingly important in providing community-based care.

Pharmacy Openings					
	FY3/22	FY3/23	FY3/24	FY3/24	1Q FY3/25
Opened	29	40	38	36	7
Hospital-front pharmacies	13	20	17	17	2
Hybrid pharmacies	16	20	21	19	5
Closed	9	13	17	18	2
No. of pharmacies at the end of period	670	697	718	736	741

Percentage of Pharmacy Openings



Ratio of Pharmacies



Region	Pharmacy openings in 1Q FY3/25	No. of pharmacies at 1Q FY3/25	Percentage
Kanto	3	382	51.6%
Kansai	0	83	11.2%
Other	4	276	37.2%
Total	7	741	100.0%

Hybrid Pharmacy: Combination of non-hospital-front (Mentaio) & medical center type pharmacies
 Hybrid pharmacies are located in front of train stations, in shopping districts, and in other such areas, and combine the company's Mentaio-type pharmacies (serving a wide catchment area) and its medical center-type pharmacies.

Open Pharmacies with Various Functions

Specialized medical institution cooperation pharmacies

58 /200 stores nationwide

Certified pharmacies that are able to provide specialized pharmacy management, collaboration with other medical institutions, advanced pharmacy management, and special dispensing for patients who require specialized pharmacy management. Currently, pharmacies with a high level of expertise in "cancer" treatment are certified.

Regional cooperation pharmacies

551 /4,327 stores nationwide

Pharmacies certified by prefectural governors that appropriately collaborate with local medical institutions and other pharmacies and serve as a link between hospitals and nursing care facilities and homes.

Health support pharmacies

211 stores

Pharmacies that meet the standards for health support set by the Minister of Health, Labor and Welfare, with the function of actively supporting community residents and patients to lead healthy and prosperous lives.

At-Home Medical Care Support Centers

27 stores

Highly specialized pharmacists who focus on home healthcare provide a wide range of home healthcare services to meet the needs of the community, including not only elderly patients but also pediatric patients with serious illnesses such as cancer and other serious or intractable diseases.

Pharmacies for home palliative care patients

1 stores

A certification system started in Dec. 2022 by the Japanese Society for Pharmaceutical Palliative Care and Sciences. Certification is awarded to pharmacies with specialized functions deemed necessary for palliative care to enable patients to choose the best pharmacy for themselves and receive quality palliative pharmacotherapy.

Online medication Service NiCOMS

Available at all stores

An online medication guidance service developed in-house and available at all Nihon Chouzai Pharmacy stores. Patients can receive explanations of their medications from pharmacists in their own homes using their smartphones or PCs, and have their medications delivered to their homes.

Manufacturing management issues at Choseido Pharmaceutical

1. Details of manufacturing management issues

We received a report from an employee regarding issues in manufacturing management at the Kawauchi Plant of Choseido Pharmaceutical Co., Ltd. Through an internal investigation, we discovered that the plant had been manufacturing products using methods not prescribed in approved documents, and confirmed that the subsidiary had insufficiently implemented initiatives based on our improvement plan at the plant.

2. Background

- April 22, 2024
After discovering that the subsidiary was manufacturing products using methods not prescribed in approved documents at Kawauchi Plant, we suspended the shipment of pharmaceuticals manufactured at the plant and reported this issue to Tokushima Prefecture and relevant marketing authorization holders.
- June 5–June 7, 2024
GMP investigation by Tokushima Prefecture and PMDA
- June 10, 2024
After receiving a notice on the “Handling of pharmaceuticals manufactured by Choseido Pharmaceutical Co., Ltd.” from the Narcotics Division, Pharmaceutical and Food Safety Bureau of the Ministry of Health, Labour and Welfare, we began preparations to resume shipments of products that have been confirmed by the marketing authorization holders to have no issues in quality or properties.
- June 21, 2024
Received a report of the GMP inspection conducted by Tokushima Prefecture and PMDA
- July 4, 2024 onward
Gradually resumed shipments of products that have been confirmed by the marketing authorization holders to have no issues
- July 12, 2024
Submitted an improvement report addressing the findings of the GMP inspection conduction by Tokushima Prefecture and PMDA

3. Impact on earnings

We are currently assessing the impact of this matter on consolidated financial results. Should any matters requiring disclosure arise, we will promptly make an announcement.

※GMP (Good Manufacturing Practice) = Manufacturing and quality control standards for pharmaceuticals

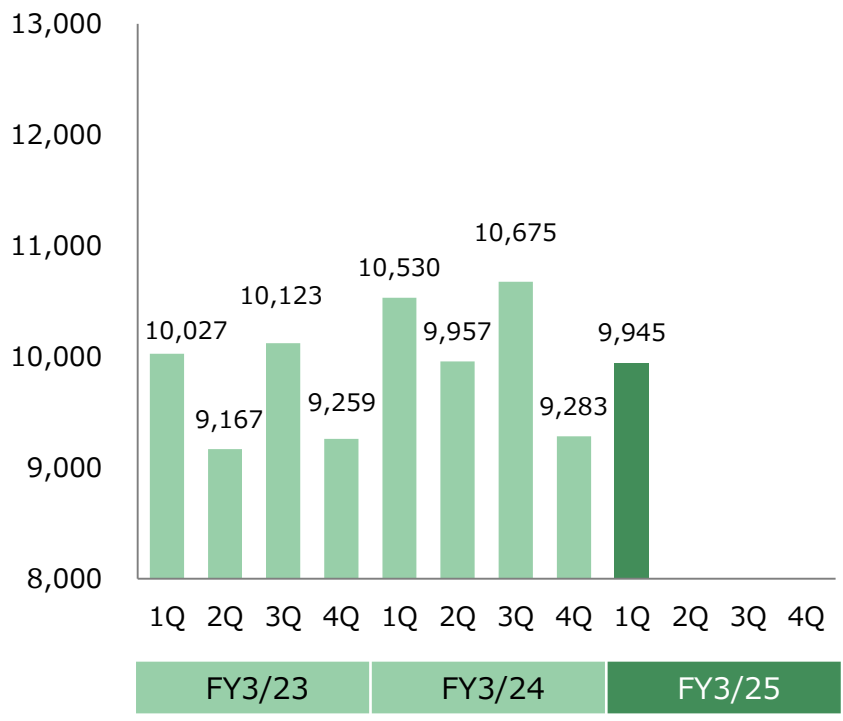
Growth of the Pharmaceutical Manufacturing and Sales Business

Net sales declined. While sales of existing products and seven products newly added to the NHI drug price list in FY2024 were robust, the April 2024 drug price revisions and manufacturing management issues at Choseido Pharmaceutical dragged on sales.

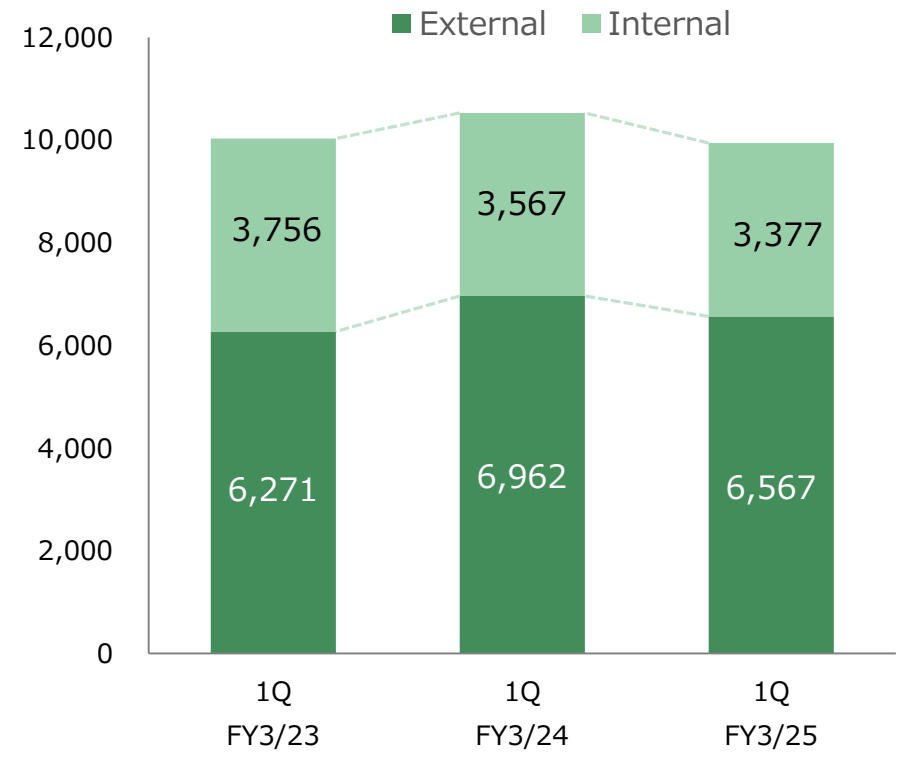
Net sales and their breakdown

Quarterly Sales (millions of yen)

5 items on sale 3 items on sale 4 items on sale 2 items on sale 1 items on sale



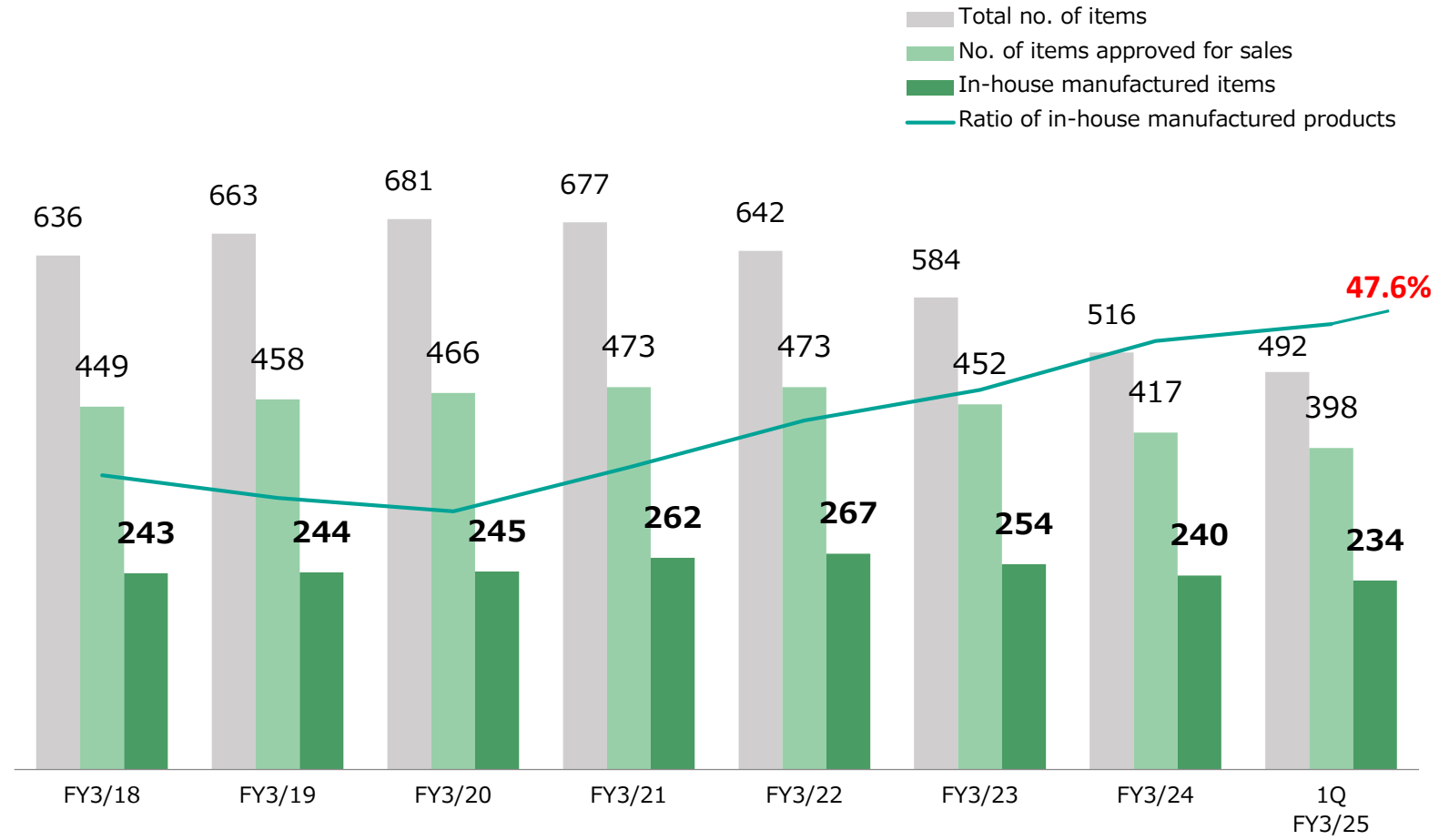
Internal/External sales (Millions of yen)



Item Portfolio Status

Number of Product Items

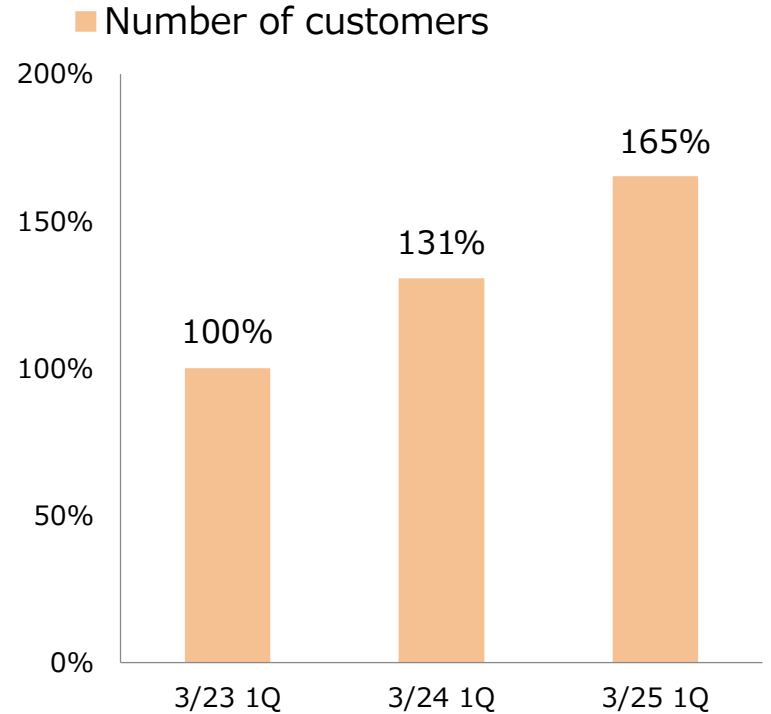
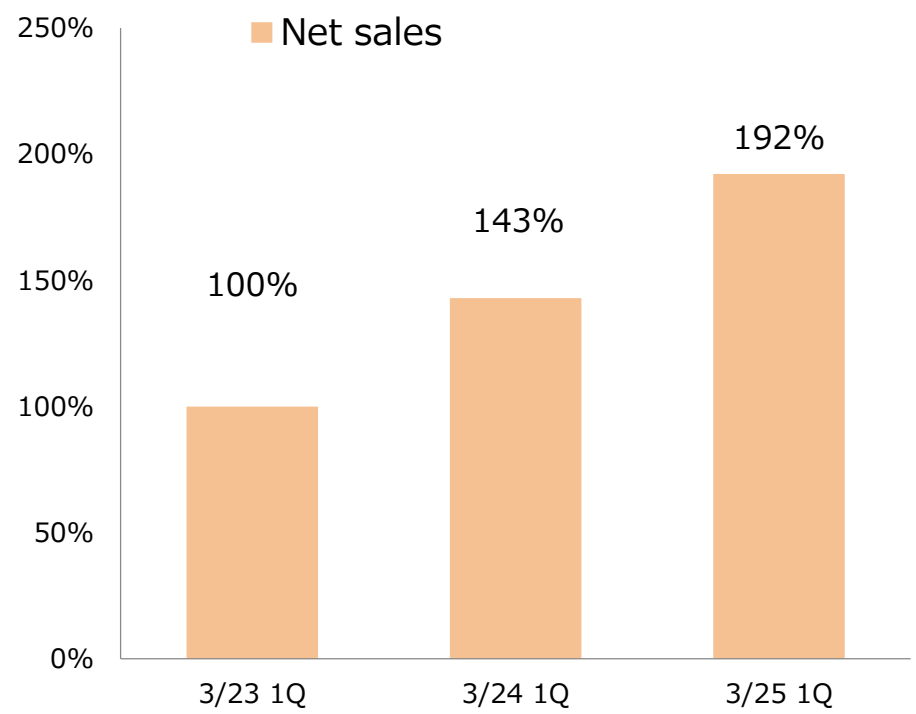
Although the total number of items declined following a review of production items, the ratio of in-house manufactured products increased.



Pharmacist staffing business grew more than expected

Pharmacist staffing demand continued to increase, contributing to sales and profit growth.

Pharmacist staffing business grew more than expected

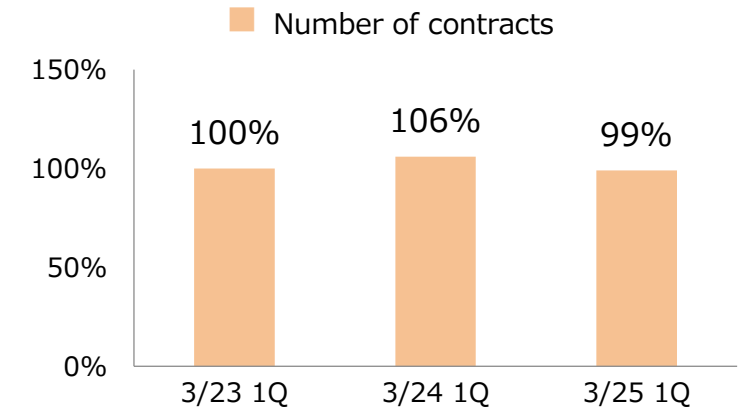
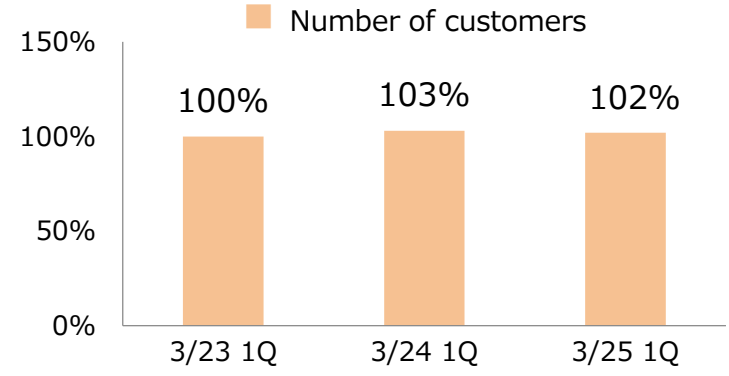
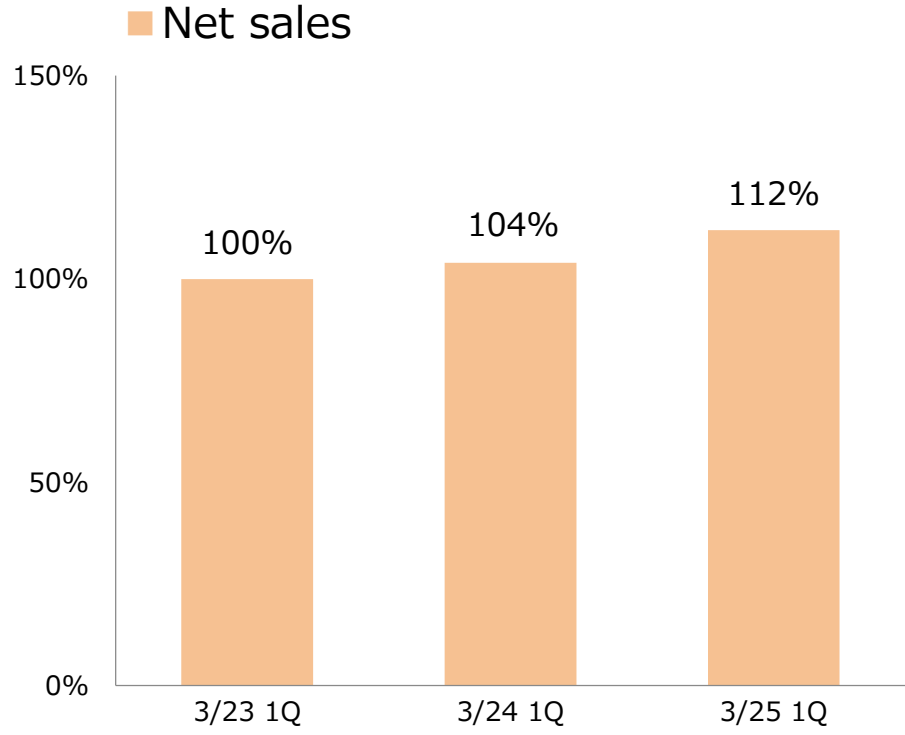


FY3/23 Net sales, customers = 100%

Growth of the Medical Professional Staffing and Placement Business

In the pharmacist staffing business, the market for staffing pharmacists, mainly in small and medium-sized pharmacies, remained firm and secured positive YoY growth. The placement business also secured a YoY increase in sales due to a favorable turnaround in the external environment.

Growth of the pharmacist placement business



FY3/23 Net sales, customers and contracts = 100%

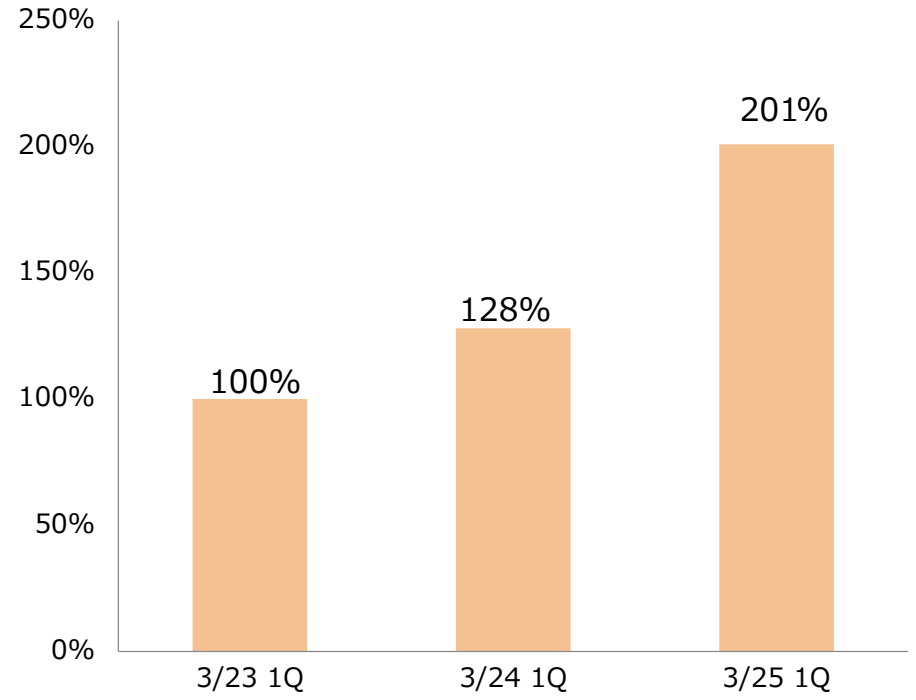
Growth of the Medical Professional Staffing and Placement Business

Results in the physician placement business were robust, as we firmly captured full-time and part-time physician placement demand as well as one-time demand.

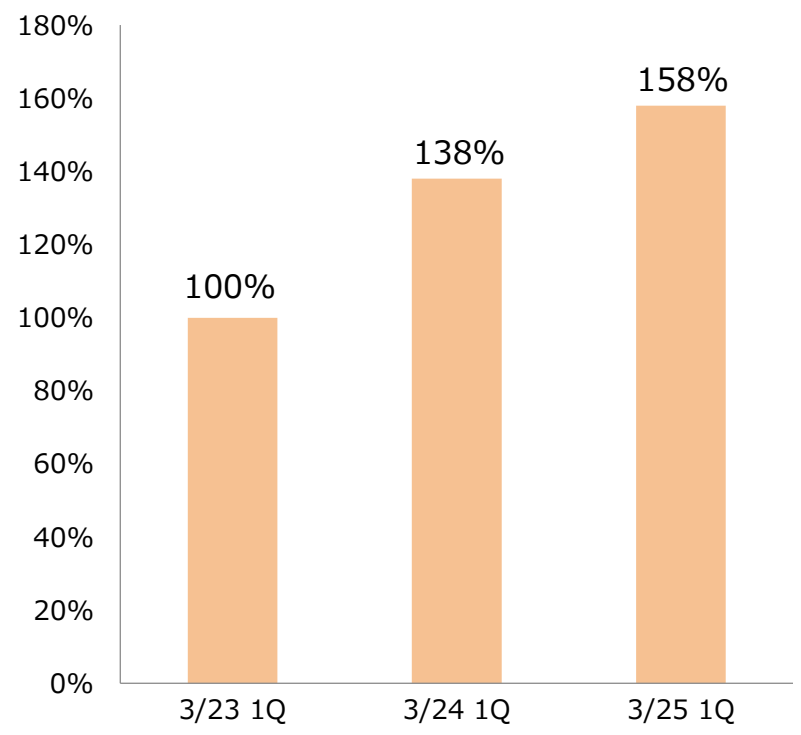
Expansion of the physician business

Net sales

(excludes sales related to COVID-19 vaccination programs)



Number of customers

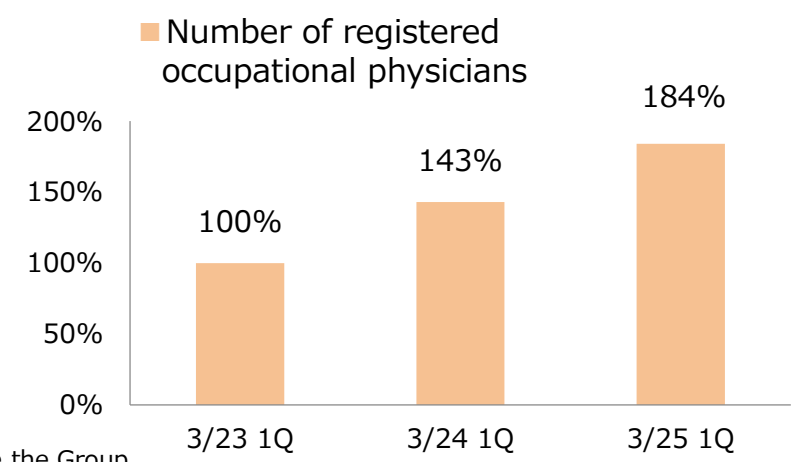
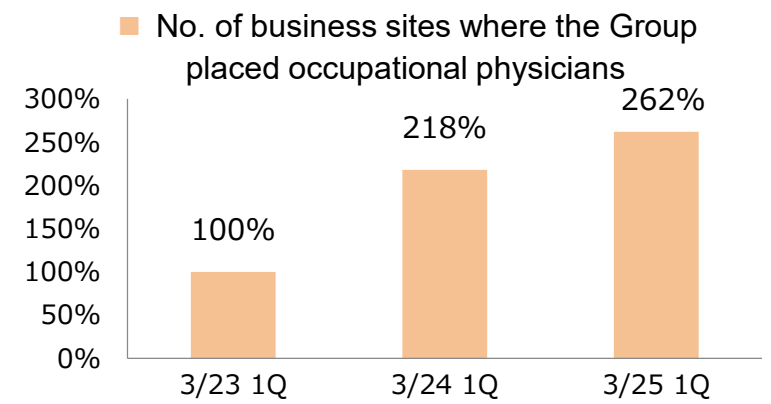
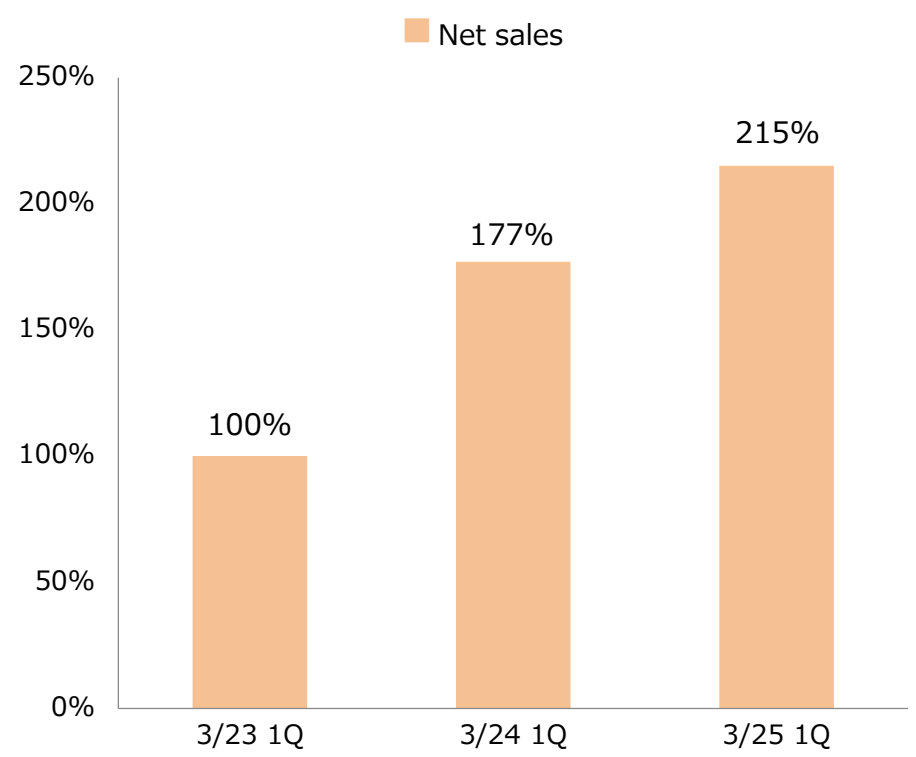


FY3/23 Net sales, customers = 100%

Growth of the Medical Professional Staffing and Placement Business

The occupational physician business is steadily expanding in the healthcare area, responding to the demand for employee health management, which is growing in importance in corporate management.

Expansion of the occupational physician business



FY23 Net sales, the no. of business sites where the Group placed occupational physicians, and the no. of registered occupational physicians = 100%.

Precautions

Performance targets, plans, business activities and other forward-looking statements concerning Nihon Chouzai and its subsidiaries are based on information that was available when this presentation was made. There may be significant changes to these statements due to business and other risk factors and other uncertainties. These statements are not promises concerning future performance. Actual results of operations may differ significantly from the outlook in this presentation for a number of reasons. In addition, this presentation is not a solicitation to make an investment in Nihon Chouzai. Investment decisions are the responsibility of individual investors.

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