

January 29, 2021

**Results of Operations for the  
Third Quarter of the Fiscal Year  
Ending March 31, 2021  
(April 1, 2020 to December 31, 2020)**



NIHON CHOUZAI Co.,Ltd.

(Tokyo Stock Exchange, First Section / Stock code: 3341)

# Financial Highlights

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## ■ Dispensing Pharmacy Business

- Existing pharmacies remain in severe condition due to the impact of COVID-19, but cost-cutting measures were more effective than anticipated.

## ■ Pharmaceutical Manufacturing and Sales Business

- Profit margins were up substantially thanks to sharp growth in sales of in-house manufactured items, including new products with large markets.

## ■ Medical Professional Staffing and Placement Business

- Net sales and operating profit were both down sharply due to abrupt changes in market demand for pharmacist staffing as a result of COVID-19.

# Consolidated Statement of Income

Net sales were up 4.7% YoY. Although the Dispensing Pharmacy Business continued to be affected by the COVID-19 pandemic, earnings benefitted from the 65 new stores opened in FY3/20. Operating profit grew 2.4% YoY and exceeded revised forecasts by 12.8% thanks to the implementation of companywide cost reduction measures as well as brisk sales of new NHI listed drugs in the Pharmaceutical Manufacturing and Sales Business.

(Millions of yen)	3Q FY3/19 Results	3Q FY3/20 Results	3Q FY3/21 Revised Forecast	3Q FY3/21 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net Sales	183,404	199,040	207,449	208,337	888	0.4%	4.7%
Cost of Sales	152,731	164,688	171,023	171,658	635	0.4%	4.2%
Gross profit	30,672	34,351	36,426	36,679	253	0.7%	6.8%
% to sales	16.7%	17.3%	17.6%	17.6%	—	—	—
SG&A expenses	26,287	28,719	31,332	30,911	(421)	(1.3%)	7.6%
% to sales	14.3%	14.4%	15.1%	14.8%	—	—	—
Consumption taxes	9,733	11,452	13,379	13,665	286	2.1%	19.3%
R&D expenses	1,871	2,110	2,224	2,039	(184)	(8.3%)	(3.3%)
Operating profit	4,385	5,632	5,093	5,767	674	13.2%	2.4%
% to sales	2.4%	2.8%	2.5%	2.8%	—	—	—
Ordinary profit	3,855	5,449	4,929	5,773	844	17.1%	5.9%
% to sales	2.1%	2.7%	2.4%	2.8%	—	—	—
Profit attributable to owners of parent	2,369	3,059	2,804	3,410	606	21.6%	11.5%
% to sales	1.3%	1.5%	1.4%	1.6%	—	—	—
Net income per share (Yen) <sup>Note</sup>	75.26	102.03	93.51	113.74	20.23	21.6%	11.5%

Note : On April 1, 2020, the Company conducted a two-for-one stock split of common stock.

Net income per share has been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2019.

# Consolidated Balance Sheet

The main asset changes were a 4.6 billion yen increase in merchandise and finished goods and a 2.0 billion decline in cash and deposits.

The main liability changes were a 5.9 billion increase in accounts payable-trade and a 3.9 billion yen decline in income taxes payable.

(Millions of yen)	End of Dec. 2019 (3Q FY3/20)	End of Mar. 2020 (FY3/20)	End of Dec. 2020 (3Q FY3/21)	YoY change	YoY change (%)
Current assets	87,384	87,414	92,421	5,007	5.7%
Non-current assets	102,446	98,137	96,301	(1,835)	(1.9%)
Property, plant and equipment	69,216	66,082	64,613	(1,469)	(2.2%)
Intangible assets	21,432	19,425	19,549	123	0.6%
Investments and other assets	11,797	12,628	12,138	(490)	(3.9%)
Total assets	189,831	185,551	188,723	3,171	1.7%
Current liabilities	78,189	70,107	80,513	10,405	14.8%
Non-current liabilities	68,241	68,370	58,459	(9,911)	(14.5%)
Total liabilities	146,431	138,478	138,973	494	0.4%
Total net assets	43,399	47,072	49,750	2,677	5.7%
Shareholders' equity	43,399	47,072	49,750	2,677	5.7%
Equity ratio	22.9%	25.4	26.4%	—	—

# Dispensing Pharmacy Business / Statement of Income

Prescription unit prices continued to increase and the number of prescriptions continued to decline due to the impact of COVID-19, but net sales were up 6.1% YoY thanks largely to the full-year contribution of the 65 stores opened in FY3/20. Operating profit grew 6.2% YoY and exceeded revised forecasts by 7.5% thanks to vigorous efforts to cut costs of all kinds.

(Millions of yen)	3Q FY3/19 Results	3Q FY3/20 Results	3Q FY3/21 Revised Forecast	3Q FY3/21 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net sales	155,703	170,695	180,080	181,125	1,044	0.6%	6.1%
Cost of sales	133,346	145,386	152,565	153,347	781	0.5%	5.5%
Gross profit	22,356	25,309	27,514	27,777	263	1.0%	9.8%
% to sales	14.4%	14.8%	15.3%	15.3%	—	—	—
SG&A expenses	16,321	18,727	21,010	20,786	(224)	(1.1%)	11.0%
% to sales	10.5%	11.0%	11.7%	11.5%	—	—	—
Operating profit	6,035	6,581	6,504	6,991	487	7.5%	6.2%
% to sales	3.9%	3.9%	3.6%	3.9%	—	—	—
No. of pharmacies at the end of each period (stores)	597	641	682	670	(12)	(1.8%)	4.5%
Prescription drug sales per pharmacy	263	275	270	274	4	1.5%	(0.4%)

Note: Rounding down to the nearest unit

No. of pharmacies at the end of each period includes locations specializing in the sales of general merchandise.

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

# Pharmaceutical Manufacturing and Sales Business / Statement of Income

Net sales were up 8.2% YoY thanks to brisk sales of drugs that were newly NHI listed in December 2019, June 2020, and December 2020. Operating profit grew 43.7% YoY and exceeded revised forecasts by 20.7% thanks largely to higher profit margins as a result of cost-cutting undertakings as well as growth in sales of in-house manufactured products.

(Millions of yen)	3Q FY3/19 Results	3Q FY3/20 Results	3Q FY3/21 Revised Forecast	3Q FY3/21 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net sales	30,664	32,564	35,111	35,235	123	0.4%	8.2%
Cost of sales	25,755	27,599	29,716	29,668	(47)	(0.2%)	7.5%
Gross profit	4,909	4,965	5,394	5,566	171	3.2%	12.1%
% to sales	16.0%	15.2%	15.4%	15.8%	—	—	—
SG&A expenses	3,723	3,430	3,567	3,360	(206)	(5.8%)	(2.0%)
% to sales	12.1%	10.5%	10.2%	9.5%	—	—	—
Operating profit	1,185	1,534	1,827	2,205	377	20.7%	43.7%
% to sales	3.9%	4.7%	5.2%	6.3%	—	—	—

Note: Rounding down to the nearest unit

# Medical Professional Staffing and Placement Business / Statement of Income

Pharmacist staffing sales and profit were both down sharply as the impact of COVID-19 coincided with our shift from staffing to placement in response to changes in pharmacist demand. Meanwhile, we had solid performance in our pharmacist and physician placement businesses.

(Millions of yen)	3Q FY3/19 Results	3Q FY3/20 Results	3Q FY3/21 Revised Forecast	3Q FY3/21 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net sales	9,706	9,737	6,787	6,644	(143)	(2.1%)	(31.8%)
Cost of sales	6,058	5,607	3,163	3,187	23	0.8%	(43.2%)
Gross profit	3,647	4,130	3,624	3,456	(167)	(4.6%)	(16.3%)
% to sales	37.6%	42.4%	53.4%	52.0%	—	—	—
SG&A expenses	2,591	2,687	2,833	2,803	(30)	(1.1%)	4.3%
% to sales	26.7%	27.6%	41.7%	42.2%	—	—	—
Operating profit	1,056	1,442	790	653	(137)	(17.4%)	(54.7%)
% to sales	10.9%	14.8%	11.6%	9.8%	—	—	—

Note: Rounding down to the nearest unit

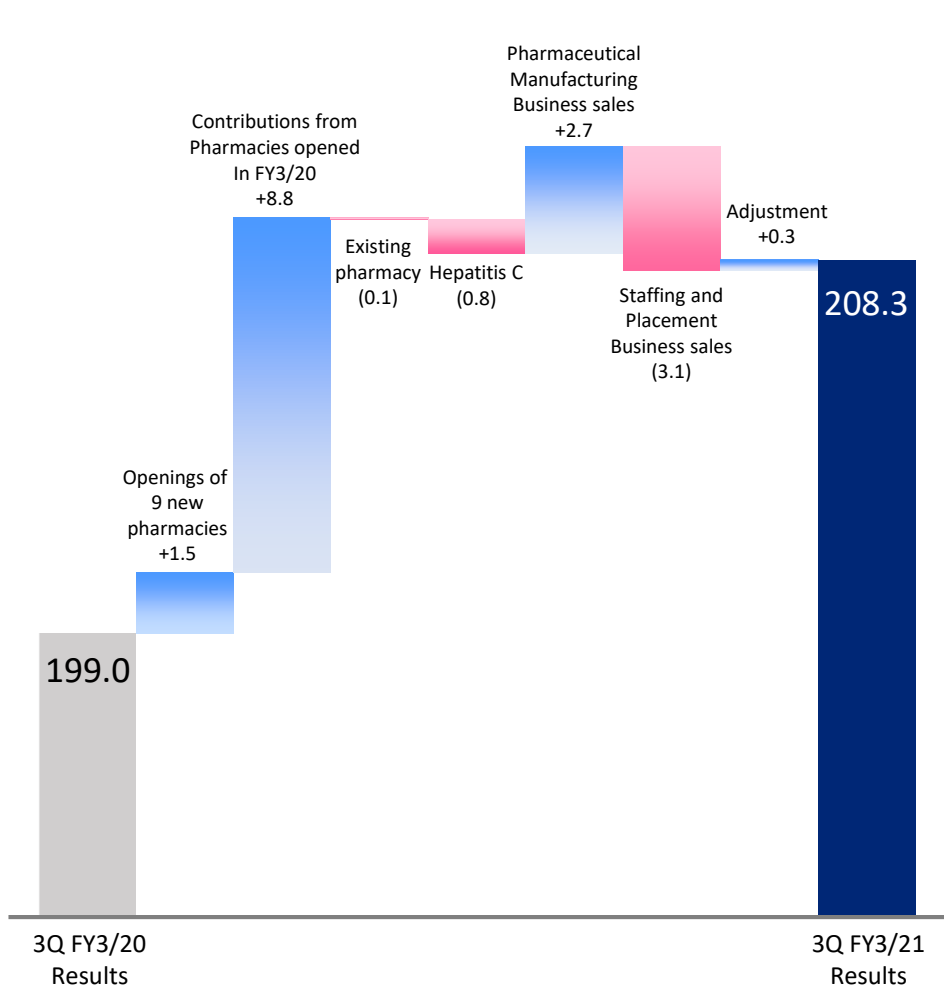


# Reference Materials

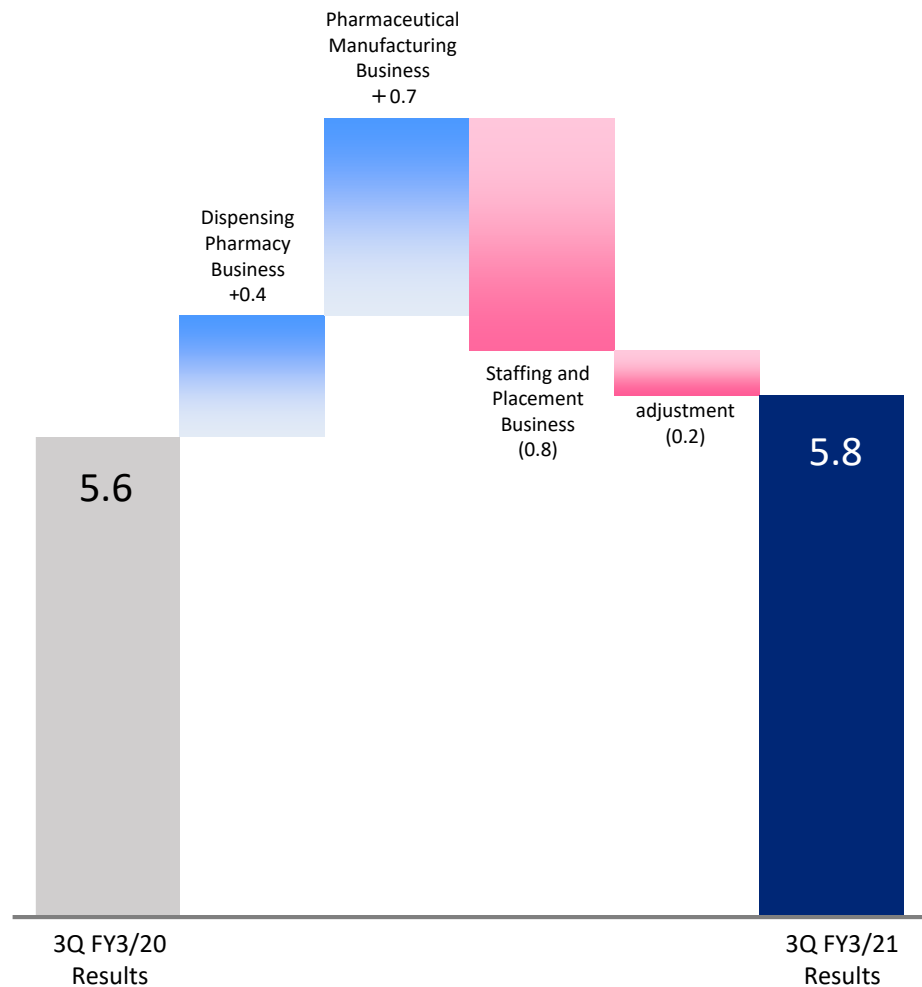
## Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

### Net Sales



### Operating Profit

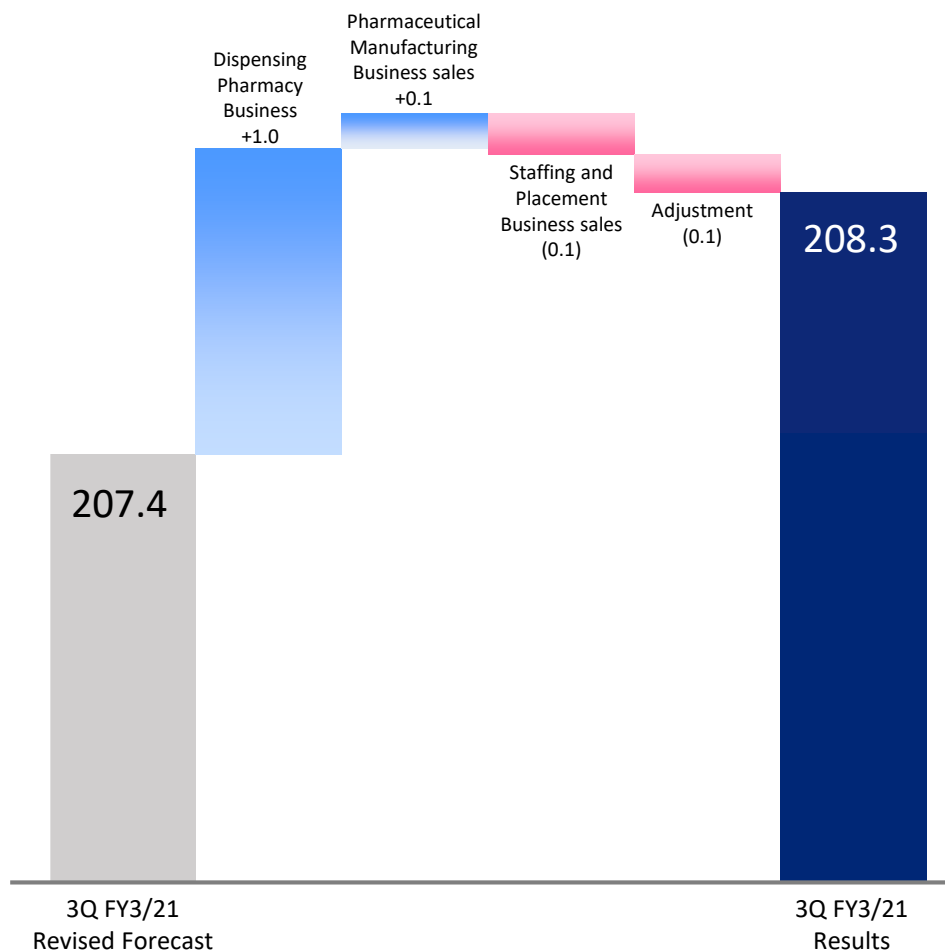


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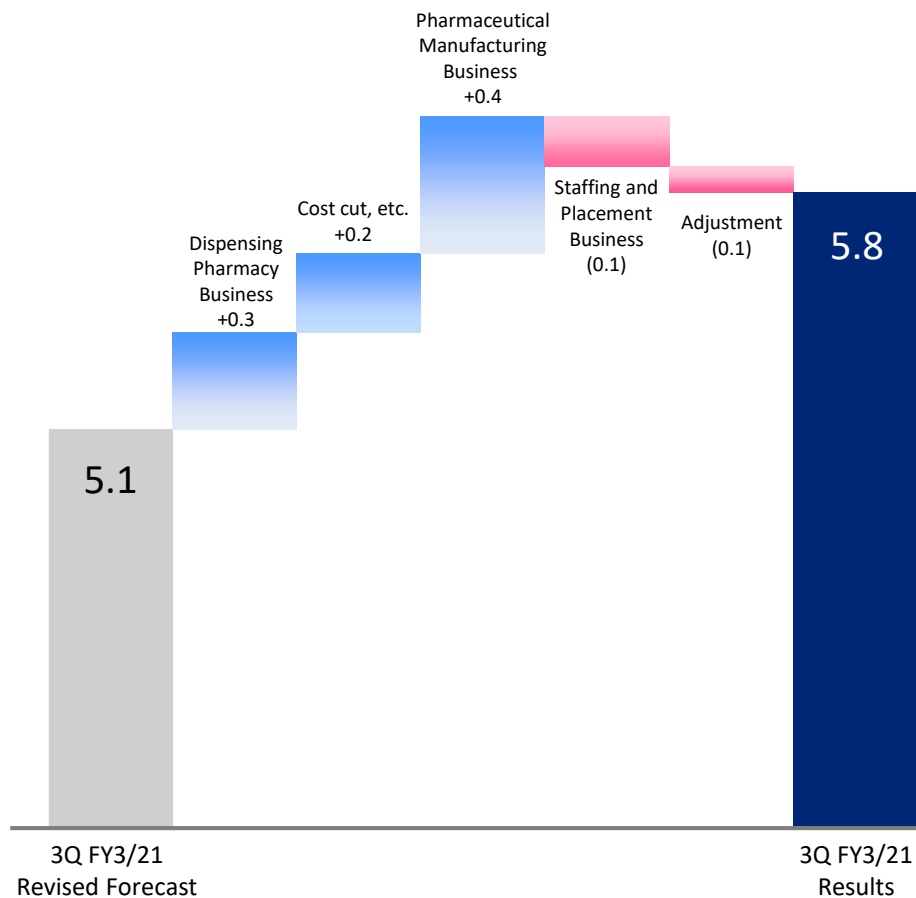
## Consolidated Results: Major Components of Changes vs. Revised Forecast (Net Sales / Operating Profit)

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

### Net Sales



### Operating Profit



# Growth Strategy

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## ■ **Emphasis on a Well Balanced Pharmacy Network**

Growth through a proper balance between “organic growth and acquisitions” and “hospital-front and hybrid pharmacies” with an eye toward the pharmacy of the future

Dispensing Pharmacy  
Business

## ■ **Growth of the Pharmaceutical Manufacturing and Sales Business**

Investments in R&D programs to increase the number of items for which we have obtained manufacturing approval and increase earnings

Pharmaceutical  
Manufacturing and  
Sales Business

## ■ **Growth of the Medical Professional Staffing and Placement Business**

Strengthen placement business and expand into new business Fields

Medical Professional  
Staffing and  
Placement Business

# Emphasis on a Well-Balanced Pharmacy Network (1)

We will continue to seek a good balance between organic growth and acquisitions. We will actively pursue carefully selected M&A opportunities.

## Pharmacy Openings

### Organic growth and M&A

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	3Q FY3/21
Opened	29	27	42	36	32	65 <sub>note</sub>	25
Organic growth	28	22	21	23	26	35	19
M&A	1	5	21	13	6	30	6
Closed	12	11	12	8	19	13	5
No. of pharmacies at the end of each period	511	527	557	585	598	650	670

• Including one location specializing in the sales of general merchandise

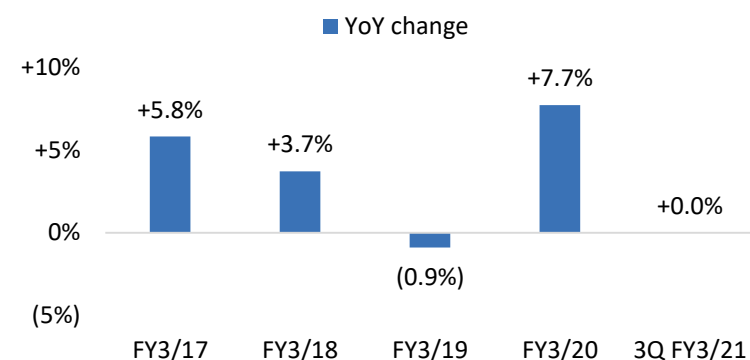
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

## 3Q FY3/21 Dispensing Pharmacy Business YoY Growth Rate

	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	+0.0%	(10.0%)	+11.1%
Pharmacies opened in FY3/20	+447.9%	+379.9%	+14.2%
Total	+5.8%	(3.8%)	+10.0%

No. of prescriptions 10,579,000 Prescription unit price 16,833 yen

## Existing Dispensing Pharmacy Sales



# Emphasis on a Well-Balanced Pharmacy Network (2)

We will maintain a good balance between hospital-front pharmacies/pharmacies within hospital premises, which can ally with specialist medical institutions, and community-oriented hybrid pharmacies. We will also invest in the necessary human resources.

## Pharmacy Openings and Closings

	Hospital-front pharmacies and hybrid pharmacies	
	FY3/20	3Q FY3/21
Opened	65	25
Hospital-front pharmacies / Pharmacies within hospital premises	38	12
Hybrid pharmacies	27	13
Closed	13	5
No. of pharmacies at the end of period	650	670

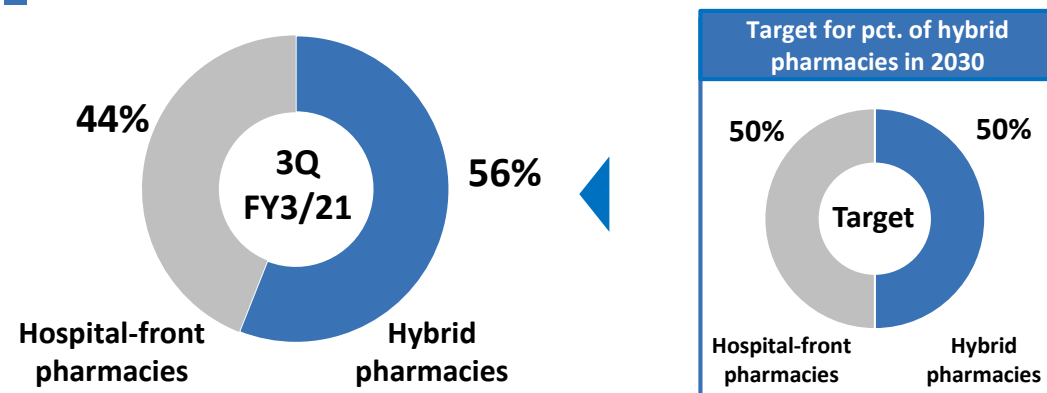
Note: Includes one location specializing in the sales of general merchandise and relocations to open pharmacies within hospital premises

## Composition of Pharmacy Network

- Nationwide ▶ Hospital-front pharmacies / Pharmacies within hospital premises
- Urban areas ▶ Hybrid pharmacies

Region	Pharmacy openings 3Q FY3/21	No. of pharmacies at the end of period 3Q FY3/21
Hokkaido	2	45
Tohoku	2	50
Kanto	12	338
Koshinetsu	1	25
Tokai	1	58
Kansai/Hokuriku	6	78
Chugoku/Shikoku	0	39
Kyushu/Okinawa	1	37
Total	25	670

## Ratio of Pharmacies in Tokyo Area



# Growth of the Pharmaceutical Manufacturing and Sales Business (1)

## FY3/21 results

Net sales in the medical pharmaceutical market as a whole continue to decline YoY due to a reduction in drug prices from NHI revisions. We attained higher sales and profits in both 1Q ,2Q and 3Q despite the tough market conditions through large increases in sales volume.

YoY	Pharmaceutical Manufacturing and Sales Business (1Q)	Pharmaceutical Manufacturing and Sales Business (2Q)	Pharmaceutical Manufacturing and Sales Business (3Q)
Net sales	+11.0%	+8.4%	+8.2%
Operating profit	+4.4%	+0.7%	+43.7%

## Market Environment

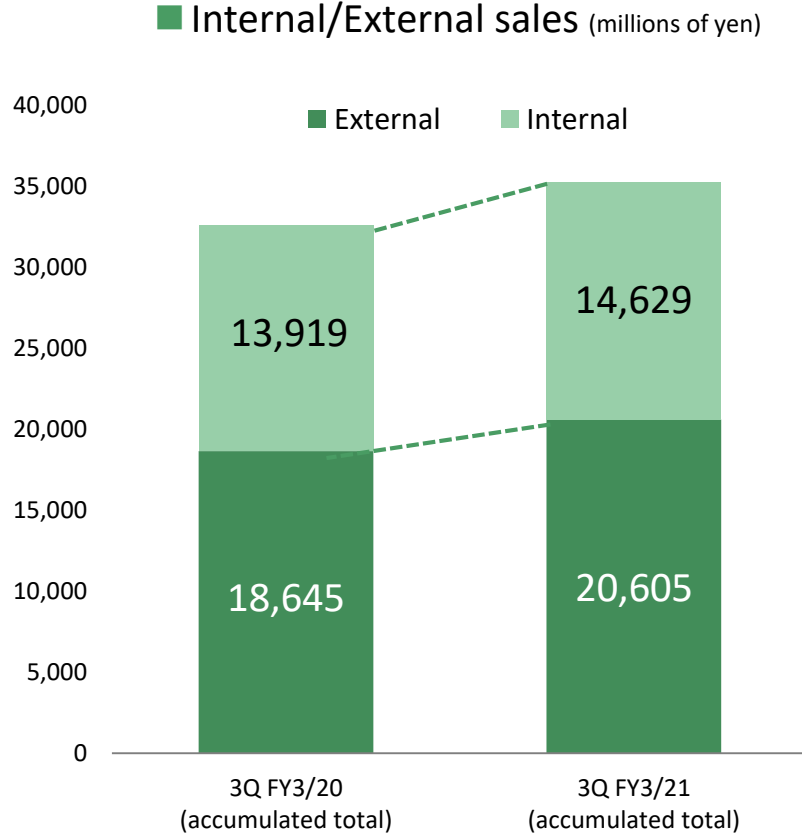
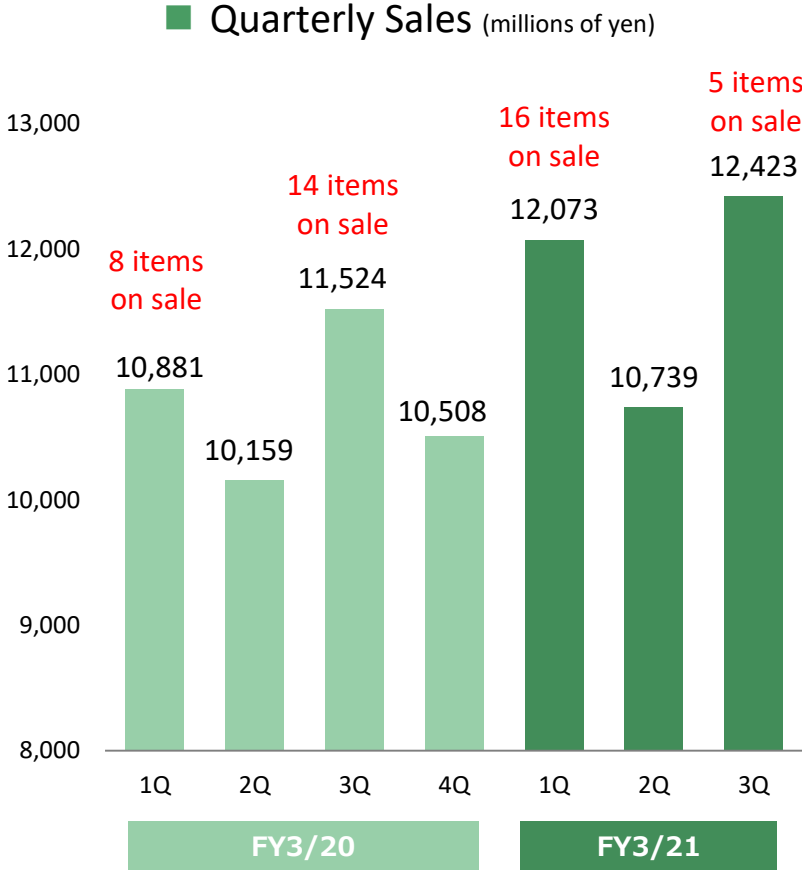
- Generic drug prices fell by around 13%\* YoY after two NHI price revisions.
  - October 2019: 10% reduction
  - April 2020: 3% reduction
- Net sales of medical drugs have fallen YoY as patients refrain from medical examinations under the pandemic (IQVIA pharmaceutical market sales data: 2.5% decline in April to June 2020, 5.1% decline in July to September 2020).

\*Our estimate based on drug price revisions by individual firms.

# Growth of the Pharmaceutical Manufacturing and Sales Business (2)

Net sales have increased steadily each time a new drug was NHI listed. Despite the grim market conditions, external net sales have expanded thanks to stronger promotional efforts.

## Net sales and their breakdown





# New NHI Listed Drugs

## ■ New NHI Listed Drugs Sold in June 2020: **16 items**

Scale of potential conversion to generic drugs (estimated\*)

**101 billion yen**

Product name	
Celecoxib Tablets 100mg "JG"	Memantine Hydrochloride OD Tablets 20mg "JG"
Celecoxib Tablets 200mg "JG"	Galantamine OD Tablets 4mg "JG"
Ezetimibe Tablets 10mg "JG"	Galantamine OD Tablets 8mg "JG"
Levocetirizine hydrochloride Tablets 5mg "JG"	Galantamine OD Tablets 12mg "JG"
Imidafenacin Tablets 0.1mg "JG"	Dutasteride capsules 0.5mg AV "JG"
Imidafenacin OD Tablets 0.1mg "JG"	Tadalafil Tablets 2.5mg ZA "JG"
Memantine Hydrochloride OD Tablets 5mg "JG"	Tadalafil Tablets 5mg ZA "JG"
Memantine Hydrochloride OD Tablets 10mg "JG"	Rabeprazole Sodium Tablets 5mg "JG"

\* Calculated by multiplying the annual usage volume of the brand-name product by NHI drug price of Nihon Generic Co., Ltd.

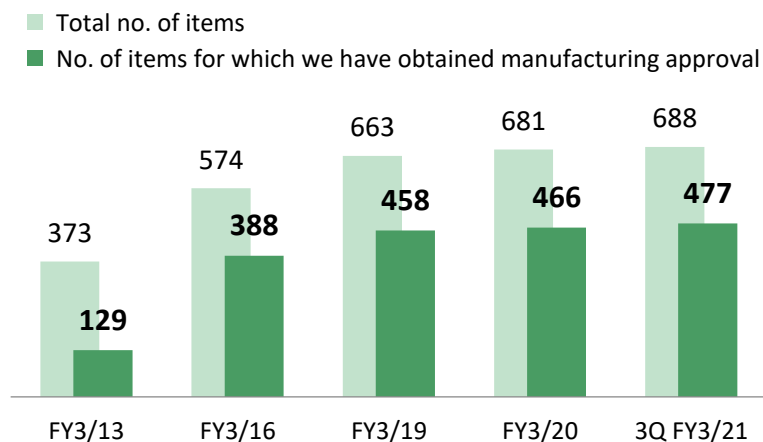
## ■ New NHI Listed Drugs Sold in December 2020: **5 items**

Scale of potential conversion to generic drugs (estimated\*)

**47.1 billion yen**

Product name	
Pregabalin OD Tablets 25mg "JG"	Silodosin OD Tablets 2mg "JG"
Pregabalin OD Tablets 75mg "JG"	Silodosin OD Tablets 4mg "JG"
Pregabalin OD Tablets 150mg "JG"	

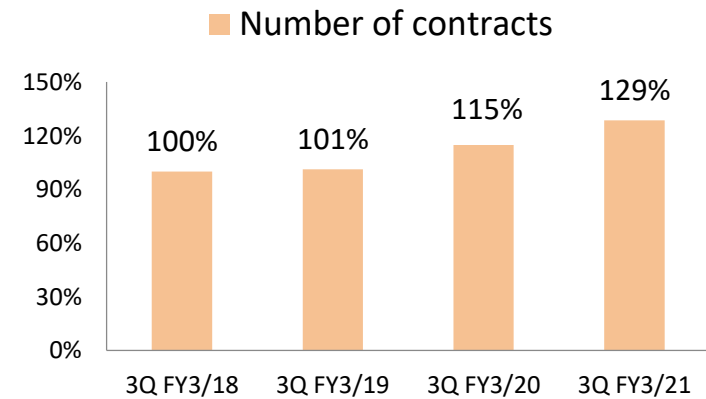
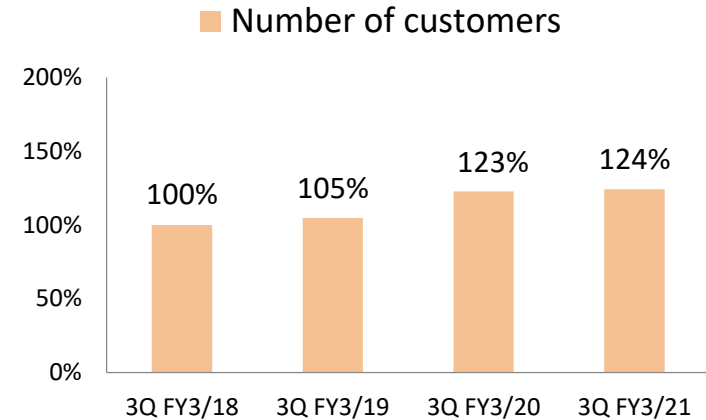
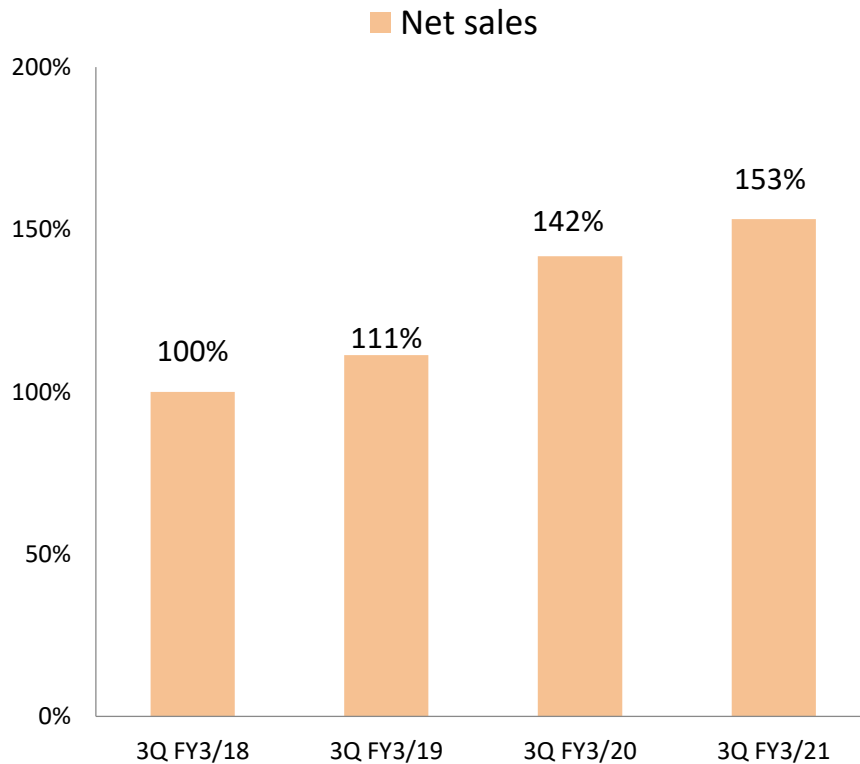
## ■ Number of Product Items



# Growth of the Medical Professional Staffing and Placement Business (1)

We shifted to the placement business in response to changes in demand for pharmacists. Whereas the pandemic has depressed dispatch demand, placement demand is strong, and net sales in the business are growing.

## Growth of the pharmacist placement business



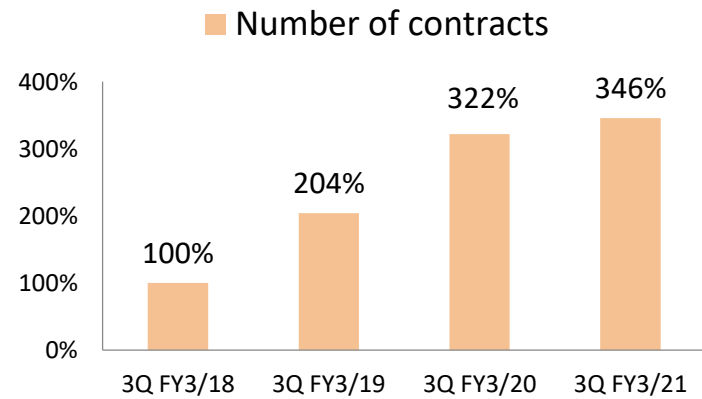
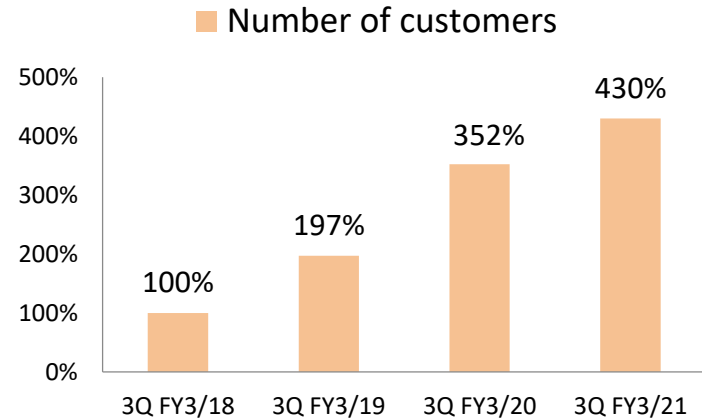
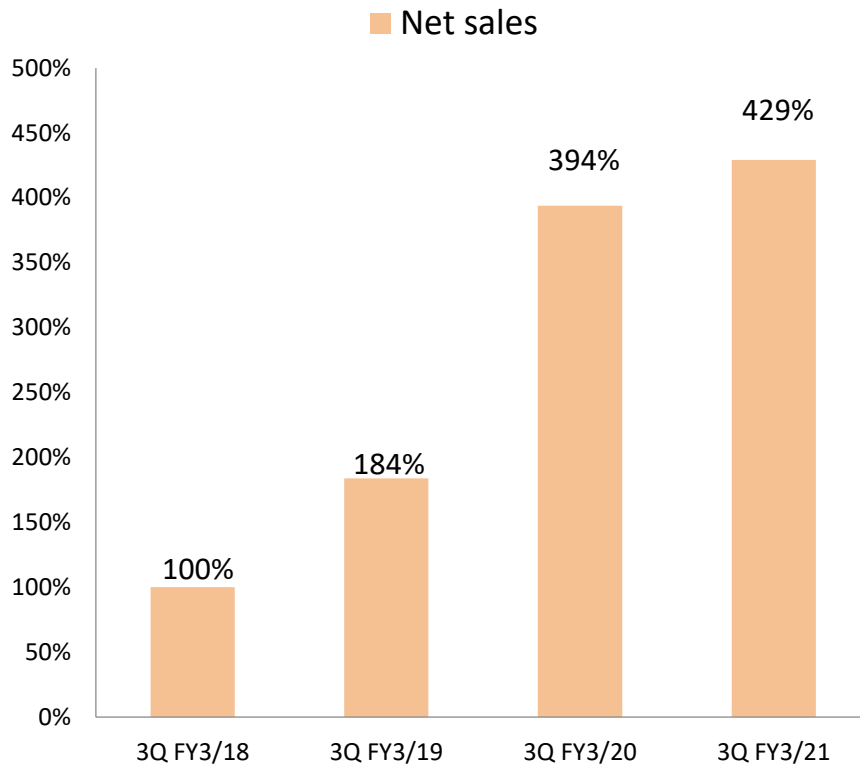
Job-seeker registrations → Matching → **Contracts** → Sales

3Q FY3/18 Net sales, customers and contracts = 100%

# Growth of the Medical Professional Staffing and Placement Business (2)

The physician placement business retains high growth potential despite the pandemic and continues to expand.

## Growth of the physician placement business



Job-seeker registrations → Matching → **Contracts** → Sales

3Q FY3/18 Net sales, customers and contracts = 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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