

**Summary of Consolidated Financial Results for
the First Half of the Fiscal Year Ending March 31, 2023
(Six months Ended September 30, 2022)**

[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, 2022
 Scheduled date of payment of dividend: December 6, 2022
 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, 2022 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2023
(April 1, 2022 – September 30, 2022)**

(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, 2022	152,331	4.2	7,079	9.3	2,813	16.4	2,849	12.7	1,607	19.9
Six months ended Sep 30, 2021	146,202	7.5	6,477	(3.4)	2,416	(12.9)	2,528	(5.1)	1,340	(13.8)

Note: Comprehensive income (million yen) Six months ended Sep 30, 2022: 1,615 (up 19.5%)

Six months ended Sep 30, 2021: 1,351 (down 13.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep 30, 2022	53.66	—
Six months ended Sep 30, 2021	44.71	—

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, 2022	187,623	54,017	28.8
As of Mar. 31, 2022	178,753	52,876	29.6

Reference: Shareholders' equity (million yen) As of Sep 30, 2022: 54,017 As of Mar. 31, 2022: 52,876

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	—	12.50	—	12.50	25.00
Fiscal year ending Mar. 31, 2023	—	12.50	—	—	—
Fiscal year ending Mar. 31, 2023 (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, 2023 (April 1, 2022 – March 31, 2023)

(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	321,400	7.4	17,600	17.5	8,500	29.0	8,400	24.1	4,400	18.7	146.73

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

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

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

As of Sep 30, 2022:	32,048,000 shares	As of Mar. 31, 2022:	32,048,000 shares
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2) Number of treasury shares at the end of period

As of Sep 30, 2022:	2,133,495 shares	As of Mar. 31, 2022:	2,061,175 shares
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3) Average number of shares outstanding during the period

Six months ended Sep 30, 2022:	29,966,230 shares	Six months ended Sep 30, 2021:	29,986,886 shares
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Note:

The number of shares of the Company held in the Directors' Remuneration BIP Trust (September 30, 2022: 72,200 shares; March 31, 2022: 0 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

Nihon Chouzai plans to hold an information meeting for institutional investors and analysts regarding results of operations on November 11, 2022. Materials distributed at this event will also be disclosed, using the Timely Disclosure network (TDnet), and available on the Nihon Chouzai website.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first six months of the fiscal year ending March 31, 2023 (April 1–September 30, 2022), the Japanese economy saw signs of recovery in economic and social activity, despite the prolonged impact of COVID-19. That being said, the outlook remains uncertain as factors including the deterioration of the overseas economies, rising prices, and fluctuations in the capital market against the backdrop of global monetary tightening warrant much caution.

Under these circumstances, 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 pharmaceutical products while taking thorough measures to prevent the spread of COVID-19. The Group also continued its organization-wide efforts to cut costs.

In the Dispensing Pharmacy Business, the Group pushed forward with measures to respond to the deregulation of Online Medication Guidance in April 2022 and the commencement of electronic prescriptions in January 2023. Centered on its electronic medication notebook Okusuri Techo Plus, which boasts over 1.2 million registered users, the Group has put in place a nationwide system for providing comprehensive online healthcare services, a field that is expected to grow going forward, including its online pharmacy service NiCOMS and online healthcare search service NiCO Navi.

In the Pharmaceutical Manufacturing and Sales Business, the Group first and foremost focused on ensuring quality management and stable supply of generic drugs, while also working to enhance productivity and expand the lineup of in-house manufactured products, including those newly added to the NHI drug price list, by investing in R&D. In terms of ensuring stable supply, the Group adjusted shipments for many of its products due largely to industry-wide supply concerns and the last year’s fire at a contract logistics center in western Japan. However, shipments are gradually returning to normal, starting with the products for which stable supply system has been prepared. The Group was able to resume normal shipments for over 100 of its products since May 2022, and is continuing to work to fulfill its responsibility as a pharmaceuticals supplier.

In the Medical Professional Staffing and Placement Business, COVID-19 vaccination-related demand that supported the physician placement business wound down. Meanwhile, the pharmacist staffing and placement business, which had been negatively affected by the spread of COVID-19, began to recover.

Net sales for the first six months of the current consolidated fiscal year were 152,331 million yen (+4.2% YoY), operating profit was 2,813million yen (+16.4% YoY), ordinary profit was 2,849 million yen (+12.7% YoY), and profit attributable to owners of the parent was 1,607 million yen (+19.9% YoY).

Looking ahead, the Group will take all necessary measures to prevent the spread of COVID-19 so that customers and patients can continue to safely use its quality healthcare services and products.

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 136,180 million yen (+5.8% YoY) and operating profit of 5,993 million yen (+18.9% YoY).

The total number of pharmacies at the end of September came to 713 stores (including one merchandise store) as a result of 24 new store openings and 8 store closures during the period. Despite the ongoing impact of the Covid-19 pandemic, net sales and operating income increased due to the contribution of store openings in the previous fiscal year and growth in the number of prescriptions filled. The Group met the government's target of having generic drugs account for over 80% of all drugs (on a sales volume basis) in each prefecture of the country by the end of FY2023, as its sales volume of generic drugs exceeded 80% in every prefecture as of the end of September 2022. The group-wide average was 88.0% (discontinued products have been excluded from calculations). In addition, the percentage of the Group's pharmacies that provide at-home medical care (at least 12 visits annually) was 93.7%.

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 19,194 million yen (-18.9% YoY) and operating loss of 396 million yen (operating profit of 195 million yen same period a year ago).

While sales of products newly added to the NHI drug price list in 2019 and later continued to be brisk, this could not cover the downturn caused by a drop in the prices of existing products following the drug price revision of April 2022, costs incurred for measures to secure stable supply of products undergoing shipment adjustments due to the 2021 fire at a contract logistics center in western Japan, and the increase of R&D expenses. Net sales and operating profit declined as a result. As of the end of September 2022, the number of products being sold by the Group came to 630 (including two over-the-counter drugs), reflecting revisions to product offerings and the launch of five newly NHI-listed products in June.

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 3,959 million yen (+8.5% YoY) and operating profit of 500 million yen (+13.7% YoY).

Sales related to COVID-19 vaccination programs (mainly in the physician business) declined, but sales in the pharmacist staffing and placement business, which had been hurt by the spread of COVID-19, increased year-on-year. Net sales and operating profit grew as a result.

(2) Explanation of Financial Position

Total assets at the end of the first half of the current consolidated fiscal year came to 187,623 million yen, an increase of 5.0%, or 8,870 million yen, from 178,753 million yen at the end of the fiscal year ended March 2022. Growth in assets was mainly due to increases in merchandise and finished goods.

Total liabilities were 133,606 million yen, an increase of 6.1%, or 7,729 million yen, from 125,876 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 54,017 million yen, an increase of 1,140 million yen from 52,876 million yen at the end of the previous fiscal year. As a result, the equity ratio came to 28.8%.

(Cash Flows)

Cash flows during the first half of the consolidated fiscal year were as follows. Net cash provided by operating activities was 1,007 million yen, net cash used in investing activities 7,628 million yen, and net cash provided by financing activities 2,536 million yen. As a result, the quarterly balance for cash and cash equivalents was 21,458 million yen, a decrease of 4,084 million yen compared to the end of the previous consolidated fiscal year.

For cash flows from operating activities, major income factors include 5,096 million yen increase in trade payables while major expenditure factors include 12,027 million yen in increased inventories.

For cash flows from investing activities, major expenditure factors include expenditures of 3,014 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 12,000 million yen from long-term loans payable. Conversely, major expenditure factors include 9,483 million yen in repayments of long-term loans payable.

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

There are no revisions to the full-year consolidated forecast for the fiscal year ending March 2023 announced on April 28, 2022.

In our consolidated earnings forecast for the fiscal year ending March 31, 2023, we continue to factor in the impact of the pandemic on earnings for the full year. If any significant changes occur in business conditions that necessitate a revision to the forecast, we will disclose this promptly.

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

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	First Half of FY3/23 (As of Sep 30, 2022)
Assets		
Current assets		
Cash and deposits	25,543	21,458
Notes receivable-trade	27	67
Accounts receivable-trade and contract assets	20,458	18,720
Electronically recorded monetary claims-operating	422	498
Merchandise and finished goods	23,024	35,206
Work in process	1,799	1,602
Raw materials and supplies	6,262	6,372
Other	4,121	4,203
Allowance for doubtful accounts	(8)	(7)
Total current assets	81,651	88,123
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,559	29,556
Land	14,155	14,002
Construction in progress	1,226	1,381
Other, net	19,083	18,362
Total property, plant and equipment	64,025	63,301
Intangible assets		
Goodwill	15,220	15,811
Other	3,749	4,271
Total intangible assets	18,969	20,082
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	8,797	9,307
Other	5,293	6,791
Total investments and other assets	14,107	16,115
Total non-current assets	97,102	99,500
Total assets	178,753	187,623

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	First Half of FY3/23 (As of Sep 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	48,513	53,957
Electronically recorded obligations-operating	2,862	2,594
Short-term loans payable	1,000	1,800
Current portion of long-term loans payable	12,366	11,360
Income taxes payable	1,800	1,352
Provision for bonuses	3,861	4,099
Provision for bonuses for directors (and other officers)	45	—
Other	8,483	7,049
Total current liabilities	78,931	82,215
Non-current liabilities		
Long-term loans payable	41,531	45,053
Provision for retirement benefits for directors (and other officers)	71	79
Retirement benefit liability	2,276	2,371
Other	3,065	3,887
Total non-current liabilities	46,944	51,391
Total liabilities	125,876	133,606
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	41,507	42,740
Treasury shares	(3,500)	(3,600)
Total shareholders' equity	52,887	54,020
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(10)	(3)
Total accumulated other comprehensive income	(10)	(3)
Total net assets	52,876	54,017
Total liabilities and net assets	178,753	187,623

(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 FY3/22 (Apr. 1, 2021 – Sep 30, 2021)	First Six months of FY3/23 (Apr. 1, 2022 – Sep 30, 2022)
Net sales	146,202	152,331
Cost of sales	121,007	125,930
Gross profit	25,194	26,400
Selling, general and administrative expenses	22,778	23,587
Operating profit	2,416	2,813
Non-operating income		
Commission income	18	19
Rental income	247	290
Insurance Income	132	51
Subsidy Income	30	21
Other	204	161
Total non-operating income	634	544
Non-operating expenses		
Interest expenses	156	133
Rent expenses	188	218
Other	176	156
Total non-operating expenses	522	508
Ordinary profit	2,528	2,849
Extraordinary income		
Gain on sales of non-current assets	5	47
Compensation income	—	120
Reversal of provision for retirement benefits for directors (and other officers)	46	—
Total extraordinary income	52	167
Extraordinary losses		
Impairment losses	228	114
Loss on sales of non-current assets	—	51
Total extraordinary losses	228	166
Profit before income taxes	2,352	2,850
Income taxes-current	1,422	1,094
Income taxes-deferred	(409)	148
Total income taxes	1,012	1,243
Profit	1,340	1,607
Profit attributable to owners of parent	1,340	1,607

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

	(Millions of yen)	
	First Six months of FY3/22 (Apr. 1, 2021 – Sep 30, 2021)	First Six months of FY3/23 (Apr. 1, 2022 – Sep 30, 2022)
Profit	1,340	1,607
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	10	7
Total other comprehensive income	10	7
Comprehensive income	1,351	1,615
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,351	1,615

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	2,352	2,850
Depreciation	3,162	3,249
Impairment loss	228	114
Amortization of goodwill	898	983
Increase (decrease) in allowance for doubtful accounts	0	(1)
Increase (decrease) in provision for bonuses	374	234
Increase (decrease) in provision for bonuses for directors (and other officers)	(40)	(45)
Increase (decrease) in retirement benefit liability	104	92
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(134)	(49)
Interest and dividend income	(0)	(0)
Interest expenses	156	133
Loss (gain) on sales of non-current assets	(5)	3
Decrease (increase) in trade receivables	2,673	1,766
Decrease (increase) in inventories	(5,685)	(12,027)
Increase (decrease) in trade payables	7,140	5,096
Other, net	459	609
Subtotal	11,686	3,011
Interest and dividends received	0	0
Interest paid	(113)	(83)
Income taxes paid	(853)	(1,920)
Net cash provided by (used in) operating activities	10,718	1,007
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,180)	(3,014)
Proceeds from sales of property, plant and equipment	72	380
Purchase of intangible assets	(634)	(1,016)
Purchase of long-term prepaid expenses	(71)	(31)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(597)	(1,433)
Payments for acquisition of businesses	(178)	(316)
Payments of loans receivable	—	(1,731)
Collection of loans receivable	43	39
Payments of leasehold and guarantee deposits	(500)	(623)
Proceeds from refund of leasehold and guarantee deposits	76	155
Other, net	(23)	(36)
Net cash provided by (used in) investing activities	(4,993)	(7,628)

	(Millions of yen)	
	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	800
Proceeds from long-term loans payable	500	12,000
Repayments of long-term loans payable	(10,683)	(9,483)
Purchase of treasury shares	(0)	(100)
Dividends paid	(374)	(374)
Other, net	(303)	(305)
Net cash provided by (used in) financing activities	(10,861)	2,536
Net increase (decrease) in cash and cash equivalents	(5,135)	(4,084)
Cash and cash equivalents at beginning of period	32,893	25,543
Cash and cash equivalents at end of period	27,758	21,458

(4) 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 FY3/22 (Apr. 1, 2021 – Sep 30, 2021)

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	128,749	13,809	3,642	146,202	—	146,202
(2) Inter-segment sales and transfers	—	9,859	5	9,864	(9,864)	—
Total	128,749	23,669	3,648	156,067	(9,864)	146,202
Segment profit (loss)	5,041	195	440	5,677	(3,260)	2,416

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 3,260 million yen to segment profit (loss) includes eliminations of minus 63 million yen for inter-segment transactions and corporate expenses of minus 3,197 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 228 million yen for store assets (five pharmacies).

Significant change in goodwill

Not applicable.

II. 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 52 of million yen for some plant facilities.

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.