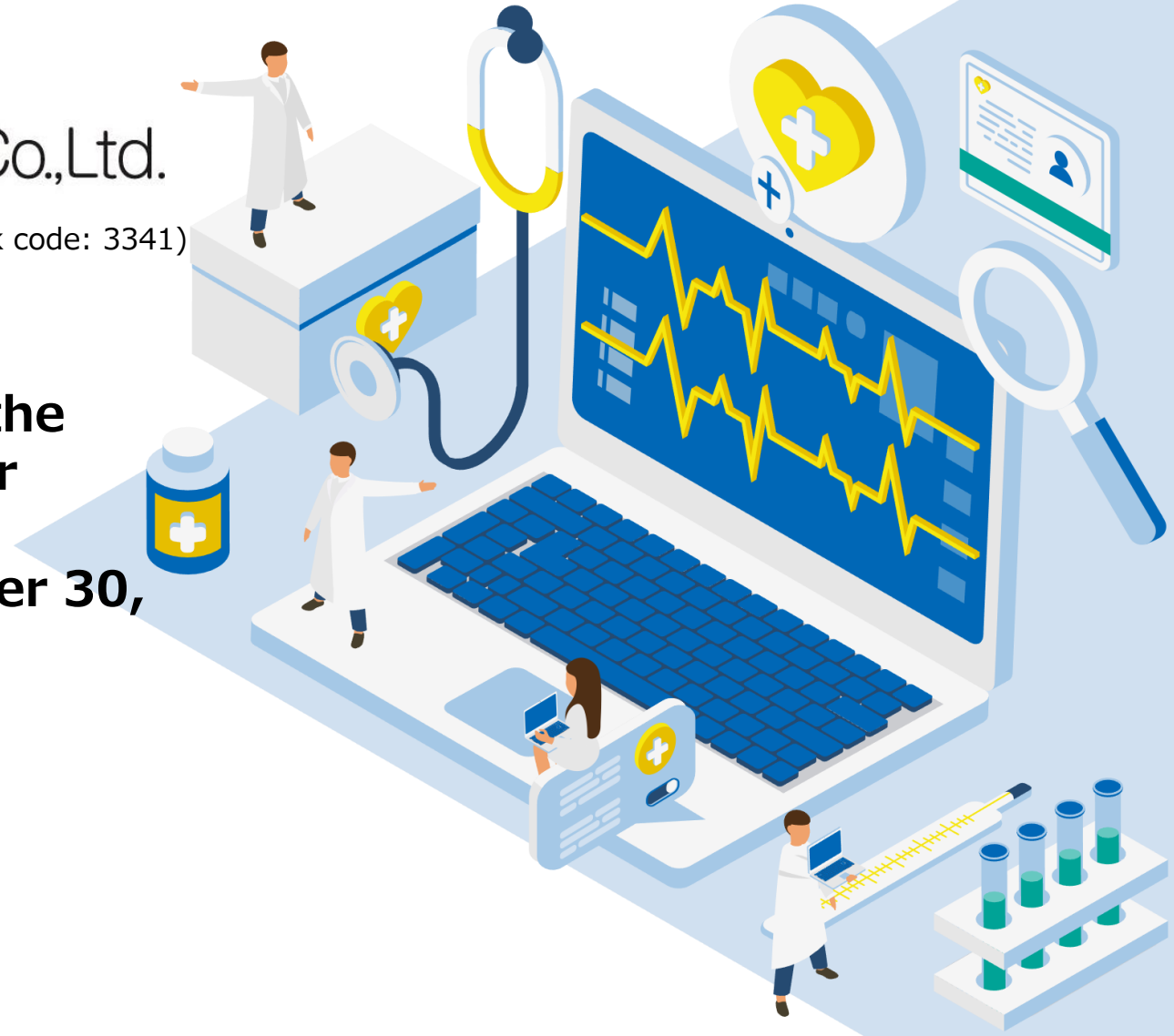




(Tokyo Stock Exchange, Prime Market / Stock code: 3341)

Results of Operations for the First Half of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 30, 2022)

November 11, 2022



1

Financial Highlights



Consolidated Results

Net sales and profits grew owing to contributions from robust performance of the Dispensing Pharmacy Business, offsetting the impact of shipment adjustments in the Pharmaceutical Manufacturing and Sales Business.

Dispensing Pharmacy Business

Net sales and profits increased despite the impact of medical treatment fee and drug price revisions of April 2022, due to new store openings in the current and previous fiscal years and steady growth in the number of prescriptions filled at existing pharmacies.

Pharmaceutical Manufacturing and Sales Business

Despite brisk sales of products newly added to the NHI drug price list, net sales and profits declined due to the impact of April 2022 drug price revisions and prolonged shipment adjustments caused by last year's fire at a logistics center in West Japan.

Medical Professional Staffing and Placement Business

Net sales and profits were up as the mainstay pharmacist staffing and placement business outperformed previous year's results, making up for the lingering impact of the pandemic and a falloff in personnel demand, especially for physicians, for COVID-19 vaccination programs.

Consolidated Statement of Income

Net sales were up 4.2% YoY backed by robust performance of the Dispensing Pharmacy Business, but were 2.4% short of the forecast due to shipment adjustments in the Pharmaceutical Manufacturing and Sales Business. Operating profit grew 16.4% YoY and surpassed the forecast by 8.2% owing to cost-reduction efforts.

(Millions of yen)	1H FY3/21 Results	1H FY3/22 Results	1H FY3/23 Forecast	1H FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	135,999	146,202	156,000	152,331	(3,668)	(2.4%)	4.2%
Cost of sales	112,726	121,007	129,100	125,930	(3,169)	(2.5%)	4.1%
Gross profit	23,272	25,194	26,800	26,400	(399)	(1.5%)	4.8%
% to sales	17.1%	17.2%	17.2%	17.3%	0.2pt	—	—
SG&A expenses	20,498	22,778	24,200	23,587	(612)	(2.5%)	3.6%
% to sales	15.1%	15.6%	15.5%	15.5%	0.0pt	—	—
Consumption taxes	9,109	9,900	10,600	10,374	(225)	(2.1%)	4.8%
R&D expenses	1,349	1,793	1,600	1,652	52	3.3%	(7.9%)
Operating profit	2,774	2,416	2,600	2,813	213	8.2%	16.4%
% to sales	2.0%	1.7%	1.7%	1.8%	0.2pt	—	—
Ordinary profit	2,665	2,528	2,500	2,849	349	14.0%	12.7%
% to sales	2.0%	1.7%	1.6%	1.9%	0.3pt	—	—
Profit attributable to owners of parent	1,555	1,340	1,000	1,607	607	60.8%	19.9%
% to sales	1.1%	0.9%	0.6%	1.1%	0.4pt	—	—
EBITDA	6,707	6,477	7,000	7079	79	1.1%	9.3%

Consolidated Balance Sheet

Changes in assets primarily consisted of a 12.1 billion yen increase in Merchandise and finished goods. Changes in liabilities mainly consisted of a 5.4 billion yen increase in Accounts payable-trade. Net interest-bearing debt of 38.1 billion yen was at the lowest since FY3/13.

(Millions of yen)	End of Mar. 2021 (FY3/21)	End of Mar. 2022 (FY3/22)	End of Jun. 2022 (1H FY3/23)	YoY change	YoY change (%)
Current assets	89,246	81,651	88,123	6,472	7.9%
Merchandise and finished goods	23,139	23,024	35,206	12,181	52.9%
Non-current assets	97,015	97,102	99,500	2,397	2.5%
Property, plant and equipment	64,785	64,025	63,301	(723)	(1.1%)
Intangible assets	18,952	18,969	20,082	1,113	5.9%
Investments and other assets	13,277	14,107	16,115	2,007	14.2%
Total assets	186,262	178,753	187,623	8,870	5.0%
Current liabilities	87,720	78,931	82,215	3,283	4.2%
Accounts payable-trade	44,044	48,513	53,957	5,444	11.2%
Non-current liabilities	48,673	46,944	51,391	4,446	9.5%
Long-term loans payable	42,997	41,531	45,053	3,539	8.5%
Total liabilities	136,394	125,876	133,606	7,729	6.1%
Total net assets	49,868	52,876	54,017	1,140	2.2%
Shareholders' equity	49,868	52,876	54,017	1,140	2.2%
Equity ratio	26.8%	29.6%	28.8%	(0.8pt)	—
Net interest-bearing debt	40,325	31,054	38,150	7,095	22.8%

Consolidated Statement of Cash Flows

Cash flows from operating activities remained stable, with the total of profit before income taxes and depreciation/amortization exceeding 7.0 billion yen. Net cash spent in investing activities expanded due to aggressive investing activities.

(Millions of yen)	1HFY3/21 Results	1HFY3/22 Results	1H FY3/23 Results	YoY change
Cash flows from operating activities	2,434	10,718	1,007	(9,711)
Profit before income taxes	2,662	2,352	2,850	497
Depreciation	3,064	3,162	3,249	86
Amortization of goodwill	868	898	983	84
Decrease (increase) in trade receivables	2,903	2,673	1,766	(906)
Decrease (increase) in inventories	(4,847)	(5,685)	(12,027)	(6,341)
Increase (decrease) in trade payables	2,496	7,140	5,096	(2,044)
Cash flows from investing activities	(3,158)	(4,993)	(7,628)	(2,635)
Purchase of property, plant and equipment	(2,750)	(3,180)	(3,014)	165
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(597)	(1,433)	(836)
Cash flows from financing activities	(882)	(10,861)	2,536	13,398
Proceeds from long-term loans payable	8,000	500	12,000	11,500
Repayments of long-term loans payable	(8,122)	(10,683)	(9,483)	1,200
Net increase (decrease) in cash and cash equivalents	(1,606)	(5,135)	(4,084)	1,051
Cash and cash equivalents at beginning of period	32,254	32,893	25,543	(7,350)
Cash and cash equivalents at end of period	30,647	27,758	21,458	(6,299)

Dispensing Pharmacy Business

Net sales were up 5.8% YoY and operating profit was up 18.9% YoY (17.5% above the forecast), owing to an increase in the number of prescriptions filled and contributions from newly opened pharmacies (40 in FY3/22 and 24 in 1H FY3/23).

(Millions of yen)	1H FY3/21 Results	1H FY3/22 Results	1H FY3/23 Forecast	1H FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	118,236	128,749	136,900	136,180	(719)	(0.5%)	5.8%
Cost of sales	100,875	108,520	116,300	114,600	(1,699)	(1.5%)	5.6%
Gross profit	17,361	20,229	20,600	21,579	979	4.8%	6.7%
% to sales	14.7%	15.7%	15.0%	15.8%	0.8pt	—	—
SG&A expenses	13,736	15,188	15,500	15,586	86	0.6%	2.6%
% to sales	11.6%	11.8%	11.3%	11.4%	0.1pt	—	—
Operating profit	3,624	5,041	5,100	5,993	893	17.5%	18.9%
% to sales	3.1%	3.9%	3.7%	4.4%	0.7pt	—	—
No. of pharmacies at the end of each period (stores) <small>note 1</small>	665	685	720	713	(7)	(1.0%)	4.1%
Prescription drug sales per pharmacy <small>note 2</small>	179	190	193	193	0	0.0%	1.6%

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

Net sales fell 18.9% YoY, with the business posting an operating loss of 396 million yen. Robust sales of products newly added to the NHI drug price list in FY2019 or later were not enough to offset the impact of April 2022 drug price revisions and the prolonged impact of shipment adjustments caused by last year's fire at a logistics center in West Japan.

(Millions of yen)	1H FY3/21 Results	1H FY3/22 Results	1H FY3/23 Forecast	1H FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth Rate
Net sales	22,812	23,669	24,100	19,194	(4,905)	(20.4%)	(18.9%)
Cost of sales	19,394	20,988	20,200	16,811	(3,388)	(16.8%)	(19.9%)
Gross profit	3,417	2,680	3,900	2,382	(1,517)	(38.9%)	(11.1%)
% to sales	15.0%	11.3%	16.2%	12.4%	(3.8pt)	—	—
SG&A expenses	2,254	2,485	2,800	2,779	(20)	(0.7%)	11.8%
% to sales	9.9%	10.5%	11.6%	14.5%	2.9pt	—	—
Operating profit	1,163	195	1,100	(396)	(1,496)	—	—
% to sales	5.1%	0.8%	4.6%	—	—	—	—

Note: Rounding down to the nearest unit

Medical Professional Staffing and Placement Business

Sales grew 8.5% YoY, and operating profit was up 13.7% YoY (67.0% above the forecast). Earnings in the mainstay pharmacist staffing and placement business expanded, offsetting a drop in personnel demand for COVID-19 vaccination programs.

(Millions of yen)	1H FY3/21 Results	1H FY3/22 Results	1H FY3/23 Forecast	1H FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	5,025	3,648	3,500	3,959	459	13.1%	8.5%
Cost of sales	2,446	1,293	1,300	1,485	185	14.3%	14.9%
Gross profit	2,578	2,355	2,200	2,473	273	12.5%	5.0%
% to sales	51.3%	64.6%	62.9%	62.5%	(0.4pt)	—	—
SG&A expenses	1,881	1,914	1,900	1,973	73	3.8%	3.1%
% to sales	37.4%	52.5%	54.3%	49.8%	(4.5pt)	—	—
Operating profit	696	440	300	500	200	67.0%	13.7%
% to sales	13.9%	12.1%	8.6%	12.7%	4.1pt	—	—

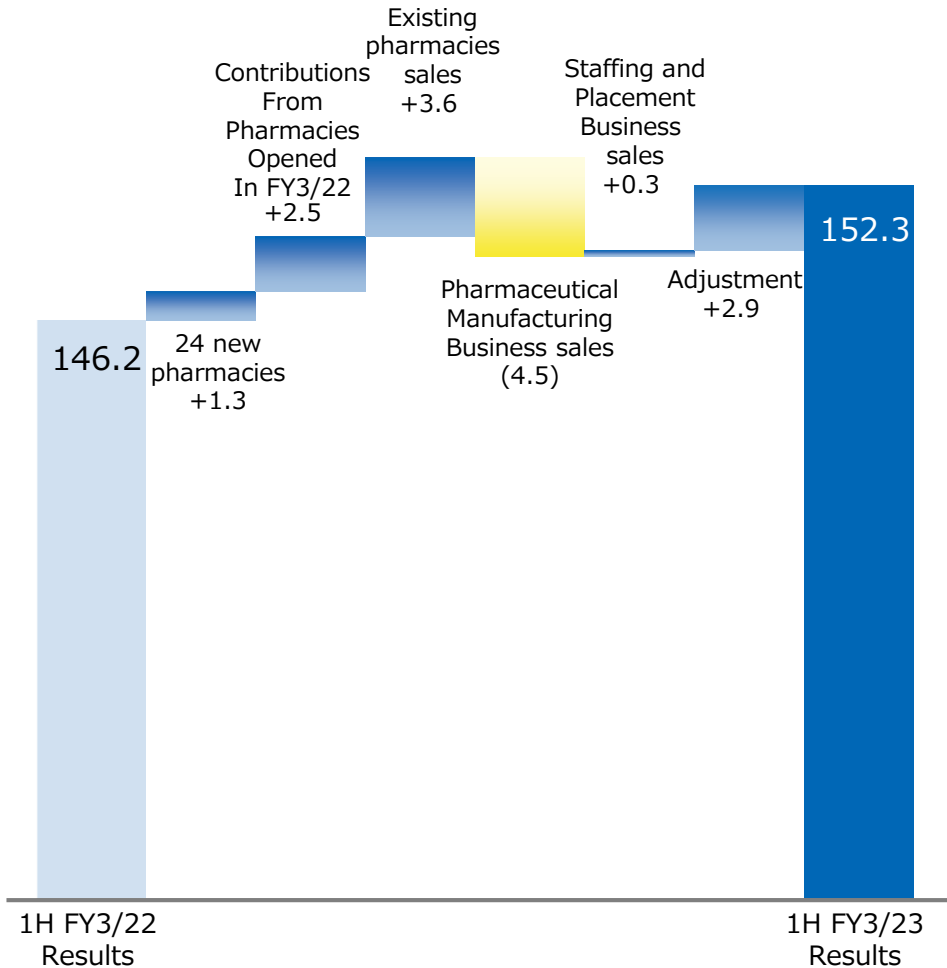
Note: Rounding down to the nearest unit

Reference Materials

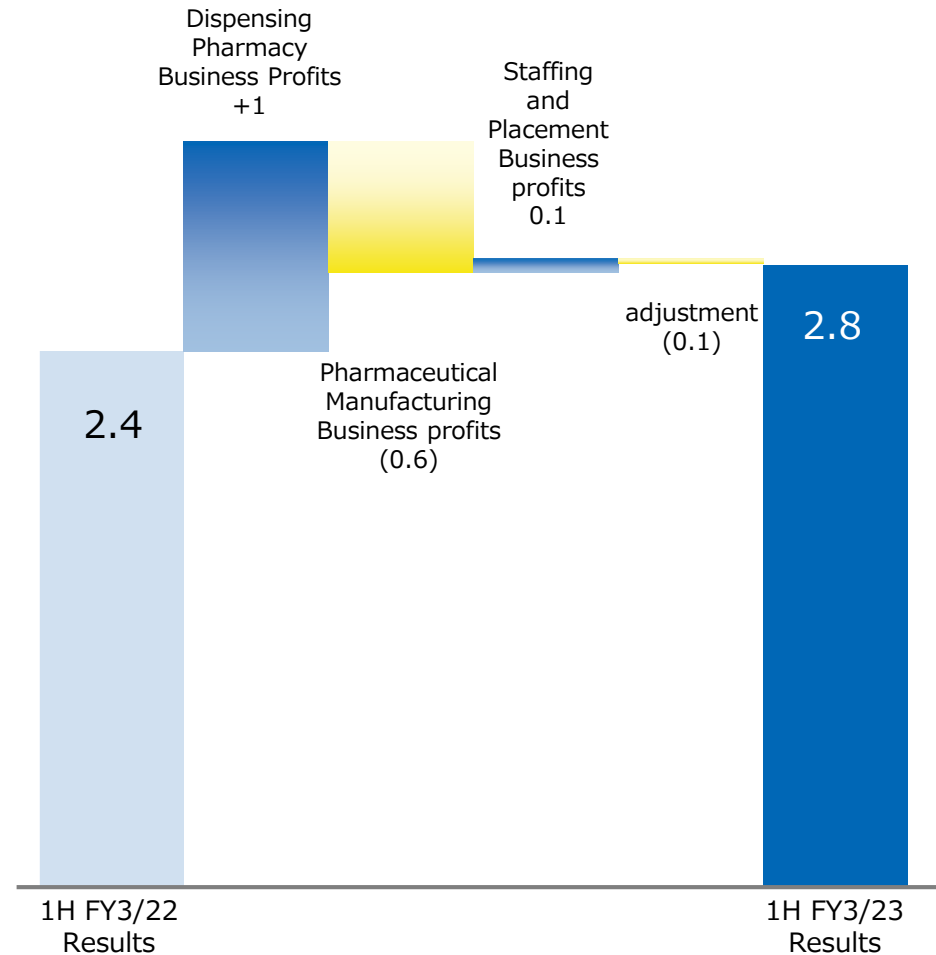
Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

Net Sales



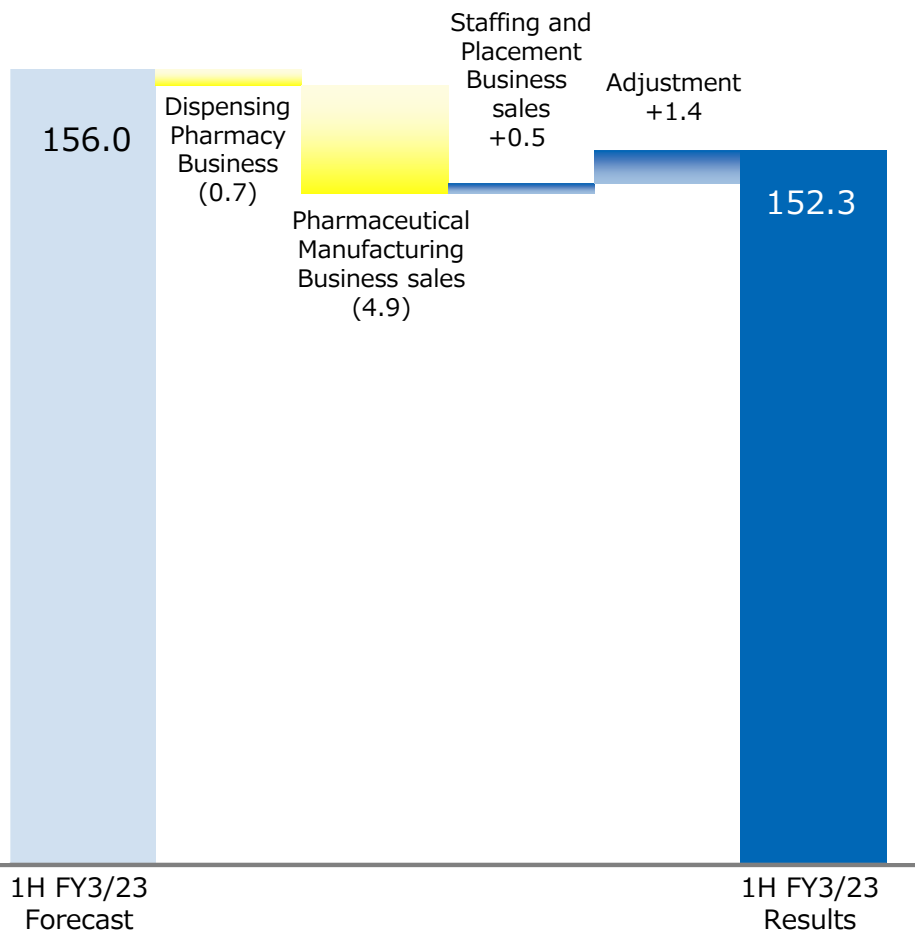
Operating Profit



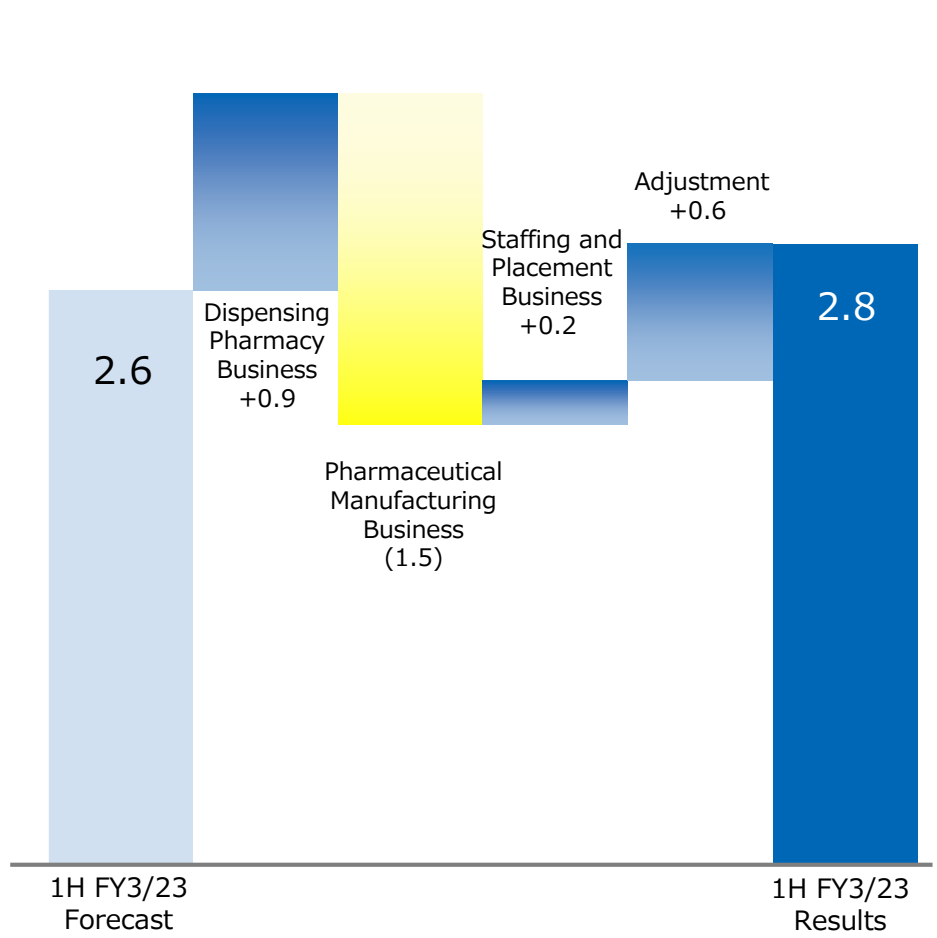
Reference Materials
Consolidated Results: Major Components of Changes vs. Forecast
(Net Sales / Operating Profit)

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

Net Sales



Operating Profit



2

Growth strategy



Consolidated Results

- Initiatives for sustainable management
- Strategies for enhancing profitability and expanding customer base

Dispensing Pharmacy Business

- Strategically open pharmacies while maintaining a well-balanced pharmacy network
- DX initiatives for Nihon Chouzai pharmacies toward the expansion of telehealth

Pharmaceutical Manufacturing and Sales Business

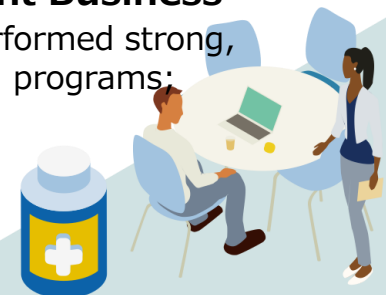
- Expand the Pharmaceutical Manufacturing and Sales Business and widely promote newly NHI listed drugs

Ensure steady progress in new product development and implement efficient sales strategies.

Medical Professional Staffing and Placement Business

- Expand the Medical Professional Staffing and Placement Business

Mainstay pharmacist staffing and placement business in particular performed strong, despite a falloff in personnel demand related to COVID-19 vaccination programs; physician placement business also maintained growth.



Initiatives for sustainable management

■ Promoting sustainable management

FY2021

- Established a Sustainability Committee
- Formulated the Basic Sustainability Policy
- Identified materiality (material issues)



FY2022

- Developed measures to address material issues and set KPIs
- TCFD-related measures (endorsed TCFD recommendations, disclosed CO2 emissions)
- Strove to understand ESG issues and analyzed current status → Expanded relevant initiatives and the scope of ESG information disclosure
- Published Nihon Chouzai Group's Integrated Report 2022

■ Materiality Framework and KPIs (Excerpt)

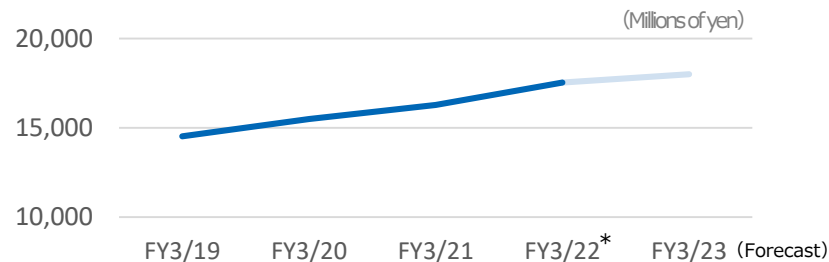
Key Issue Groups	Material issues	Materiality Framework	KPIs	
Healthcare quality and accessibility	Increase the effectiveness of drug treatments for patients by strengthening pharmacy functions (accommodate advanced healthcare and regional healthcare)	Improve the capabilities of pharmacies that support local healthcare systems (regional cooperation pharmacies) and pharmacies associated with medical institutions specializing in advanced treatments for cancer and other diseases (specialized medical institutions cooperation pharmacies)	Pharmacists specializing in outpatient cancer treatment 70 pharmacists	By April 2023
			Pharmacists who have gained relevant certification through training 2,400 pharmacists	
			Pharmacists who have completed health support pharmacy training 2,500 pharmacists	
	Expand the functions of pharmacies to support the health of the community (e.g., illness prevention and presymptomatic illness)	Provide health support services for illness prevention and pre-symptomatic illness of community residents and expand healthcare awareness campaigns	Pharmacies with Health Check-Up Stations 120 pharmacies	By April 2023
Pharmacies providing health support services 170 pharmacies				
Pharmacies with Certified Nutrition Care Stations 30 pharmacies				
Contribute to social security by ensuring appropriate use of pharmaceuticals at pharmacies	Utilize the FINDAT online drug information platform to improve access to drug information and provide relevant drug information to patients	Pharmacies equipped with FINDAT 100 pharmacies	By April 2023	
Fostering and utilizing diverse manpower	Promote diversity, respect for human rights, and the participation of women in the Workplace		Increase the percentage of women in managerial positions 13% or more	By March 2025
	Establish a workplace environment that enhances employee health and motivation	Help employees maintain and improve their personal health	Percentage of employees who smoke 0% Percentage of employees who undergo secondary health checkups 100%	By March 2031

Strategies for enhancing profitability and expanding customer base

Enhance profitability

■ Growth in consolidated EBITDA

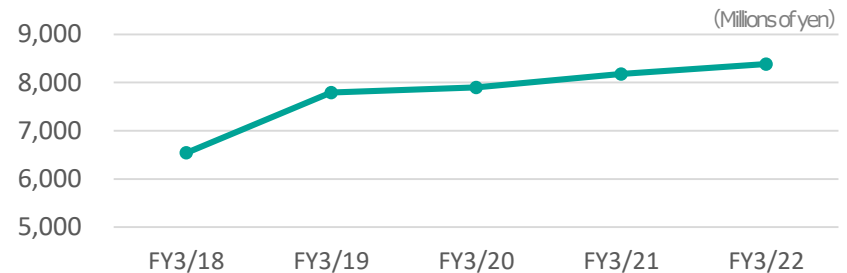
Priority is given to consolidated EBITDA growth with an eye to accelerated growth investments for the Dispensing Pharmacy Business.



*FY3/22 data excludes one-time loss of 2.56 billion yen in the Pharmaceutical Sales and Manufacturing business

■ Depreciation (including goodwill amortization)

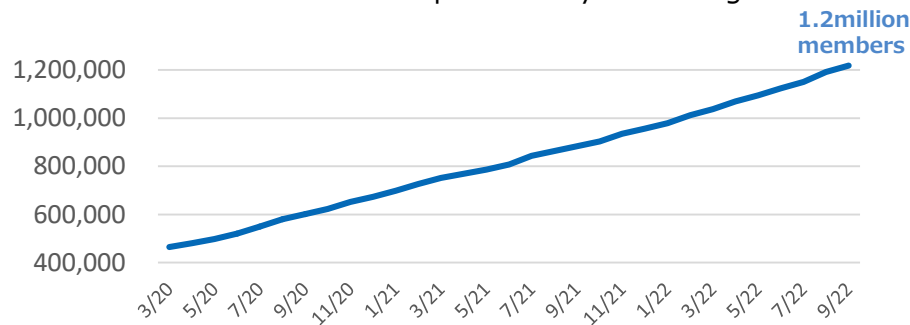
Depreciation is in an uptrend due to aggressive growth investments.



Expand customer base

■ Members of electronic medication notebook Okusuri Techo Plus

Okusuri Techo Plus membership is steadily increasing



<KPI>

Nihon Chouzai is focused on increasing the membership for Okusuri Techo app, which is expected to be widely used as an online platform and a communication tool for patients, in anticipation of growing demand for telehealth prompted by the start of electronic prescribing.

<Medium-term target>

Member count of about 2 million

Well-Balanced Pharmacy Network ①

In addition to pharmacy openings through organic growth and M&A, we are working to open larger pharmacies and meet demand for advanced medical care, which has led to growth in per-pharmacy sales. While maintaining the share of pharmacies opened through organic growth, we aim to utilize M&A for balanced pharmacy openings.

Pharmacy Openings	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	1H FY3/23
Opened	42	36	32	65*	29	40	24
Organic growth (percentage)	21 (50.0%)	23 (63.9%)	26 (81.2%)	35 (53.8%)	22 (75.9%)	34 (85.0%)	17 (70.8%)
M&A	21	13	6	30	7	6	7
Closed	12	8	19	13	9	13	8
No. of pharmacies at the end of period	557	585	598	650	670	697	713

* Including one location specializing in the sales of general merchandise

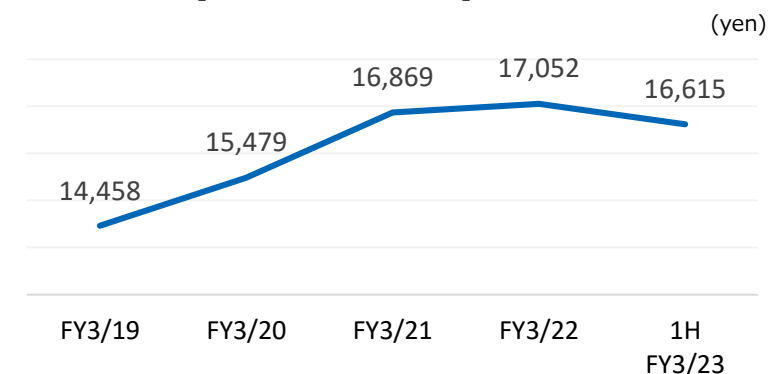
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

1H FY3/23 Results

(YoY growth rate)	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	+2.7%	+1.6%	+1.1%
Pharmacies opened in FY3/21	+262.2%	+325.5%	(14.9%)
Total	+5.4%	+6.1%	(0.6%)

No. of prescriptions 8,027,000 Prescription unit price 16,615yen

Prescription unit price



Well-Balanced Pharmacy Network②

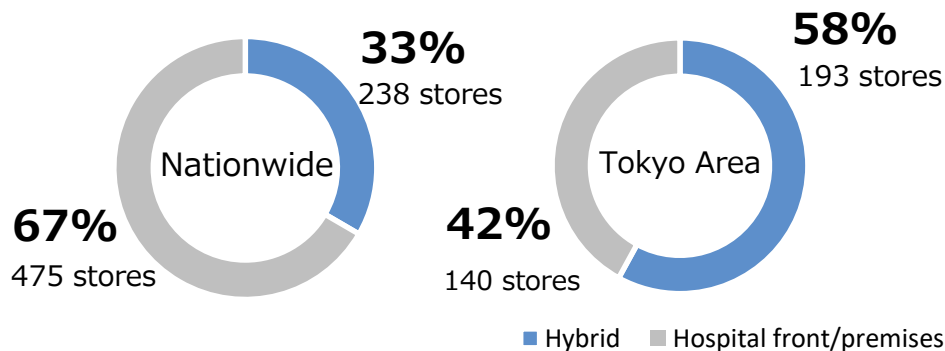
In addition to steadily increasing hospital-front pharmacies and pharmacies within hospital premises, we will strengthen our opening of “hybrid pharmacies,” which are becoming increasingly crucial to community medical care, and continue to run a well-balanced pharmacy network. On-site pharmacies will continue to open with careful selection.

Pharmacy Openings

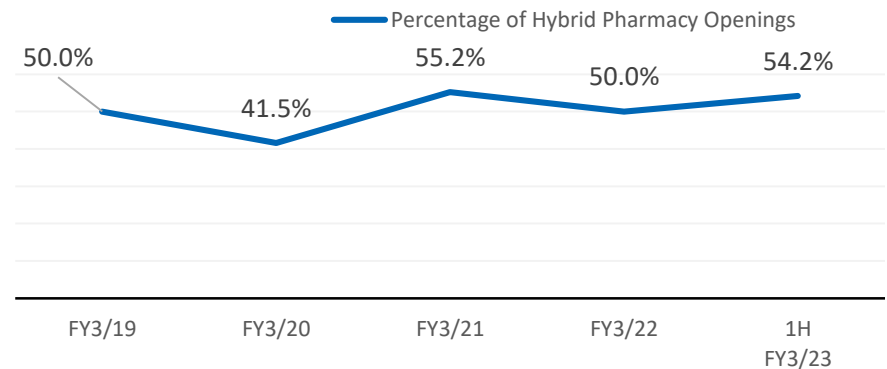
	FY3/19	FY3/20	FY3/21	FY3/22	1H FY3/23
Opened	32	65 ^{note}	29	40	24
Hospital-front pharmacies / Pharmacies within hospital premises	16	38	13	20	11
Hybrid pharmacies	16	27	16	20	13
Closed	19	13	9	13	8
No. of pharmacies at the end of period	598	650	670	697	713

• 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

Ratio of Pharmacies



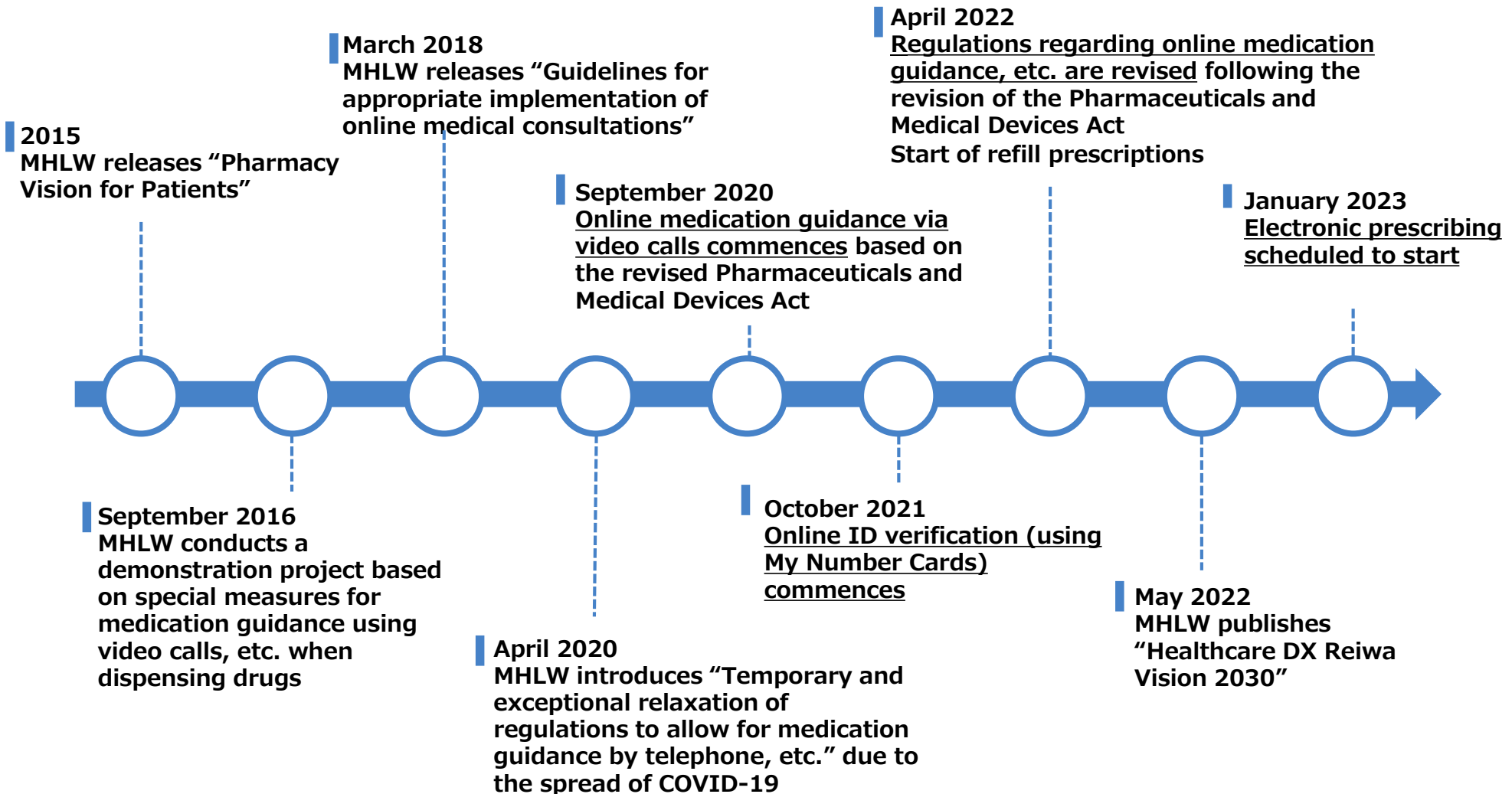
Percentage of Pharmacy Openings



Region	Pharmacy openings in 1H FY3/23	No. of pharmacies at 1H FY3/23	Percentage
Kanto	16	368	51.6%
Kansai	4	84	11.8%
Other	4	261	36.6%
Total	24	713	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.

Changes in the telehealth system surrounding pharmacies



Case study of industry-leading telehealth initiatives

■ Three Nihon Chouzai pharmacies in two regions participated in the MHLW-led pilot project for electronic prescribing

Contributed to the establishment of an efficient operating process toward the lifting of the ban on electronic prescribing

<Participating Nihon Chouzai pharmacies>

- Asahi, Chiba Prefecture
 - Nihon Chouzai Asahibyoinmae Pharmacy
 - Nihon Chouzai Asahi Pharmacy
- Asakita, Hiroshima prefecture
 - Nihon Chouzai Asakita Pharmacy

■ Japan's first online medical consultation and medication guidance on board vessels

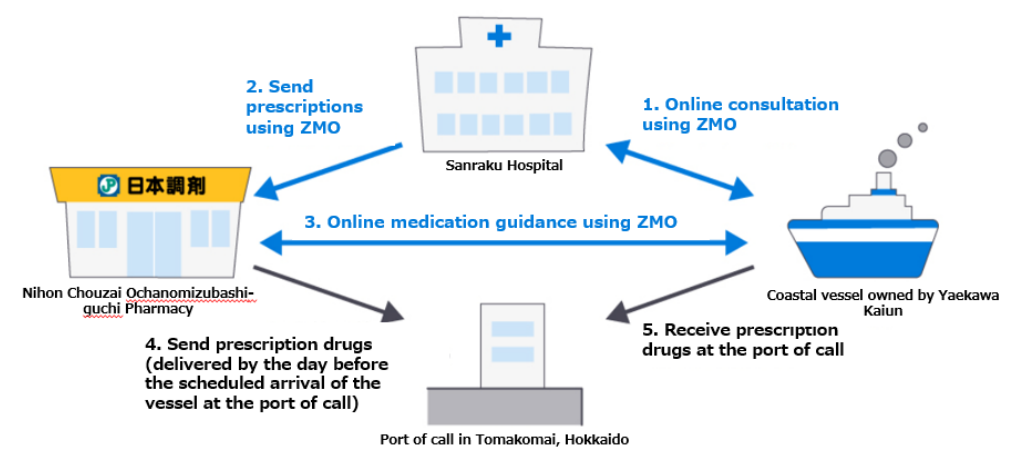
Set up a system for providing regular medical care even on board to support health management of ship crews



Coastal vessel owned by Yaegawa Kaiun

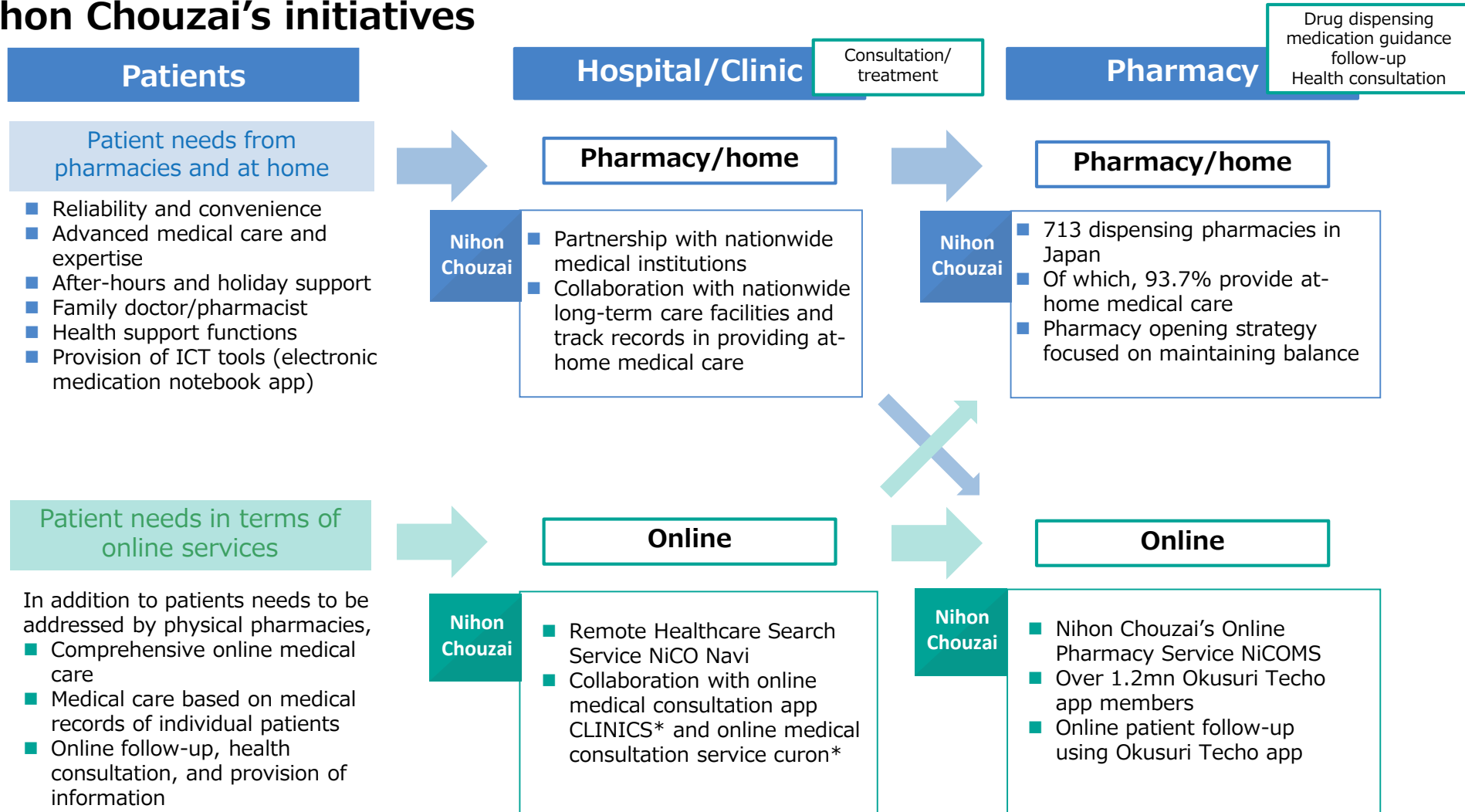


Online medication guidance on board vessels



ZMO: Zect Medical Online, an online medical consultation system developed by Zect, Inc.

Changes in patient needs due to expanding telehealth and Nihon Chouzai's initiatives



*The online medical care application "CLINICS" is a service of Medley, Inc., and the online medical care service "curon" is a service of MICIN, Inc.

Nihon Chouzai provides value that contributes to telehealth

The Company provides services using various in-house developed ICT tools to promote digitalization of the healthcare industry. Its services fulfill medical safety requirements while enhancing operational efficiency, thereby contributing to resolving issues facing the healthcare industry.

Remote Healthcare Search Service NiCO Navi



Lists medical institutions with track records in providing online medical consultations. Users can search for medical institutions that provide online consultations by name, medical specialty, and other attributes, and can make an appointment for online pharmacy service NiCOMS at the same time.

Electronic medication notebook Okusuri Techo Plus



Boasts over 1.2 million registered members. Offers convenient functions users can easily access using smartphones, including centralized management of medication history and functions for sending prescriptions and communicating with pharmacies using chatbots ("Tsunagaru" function).

Nihon Chouzai's Online Pharmacy Service NiCOMS

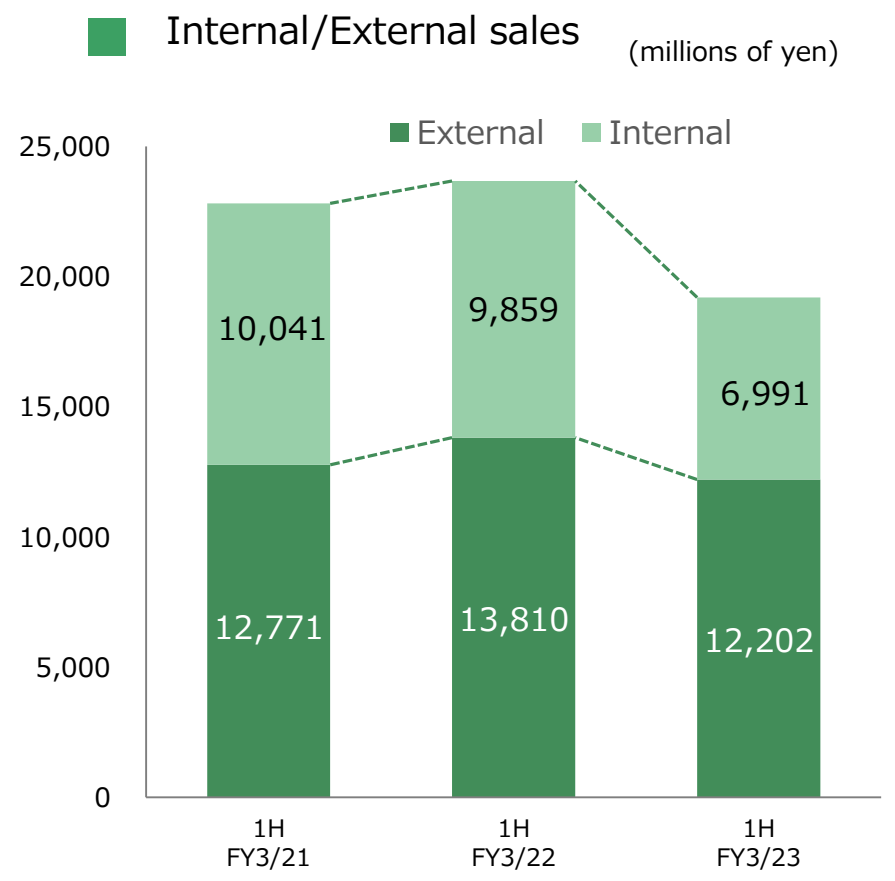
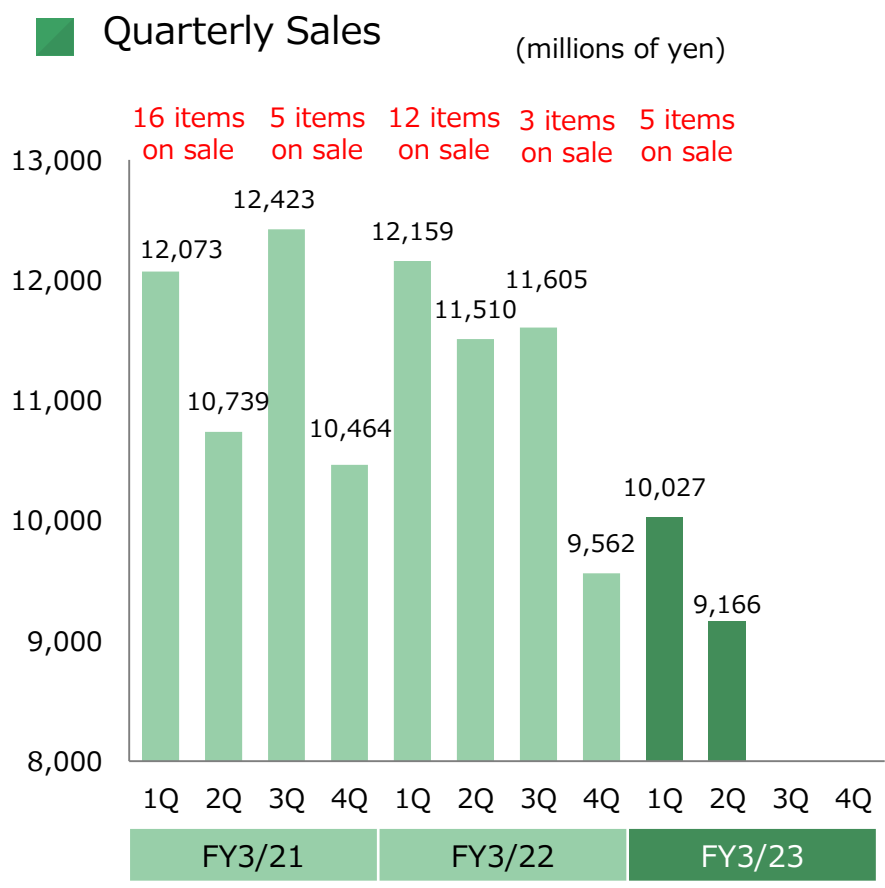


Online medication guidance service adopted by all Nihon Chouzai pharmacies. Patients can receive online medication guidance at home from a pharmacist of the pharmacy they regularly use. Patients can also have prescription drugs delivered to their homes.

Growth of the Pharmaceutical Manufacturing and Sales Business

While sales of products newly added to the NHI drug price list in June 2022 were brisk, net sales decreased mainly due to the continuing impact of the 2021 logistics center fire on product shipments, although the sales of some products affected have since resumed.

Net sales and their breakdown



New NHI Listed Drugs

Product Items for New NHI Listing in December 2022: **3 Items**

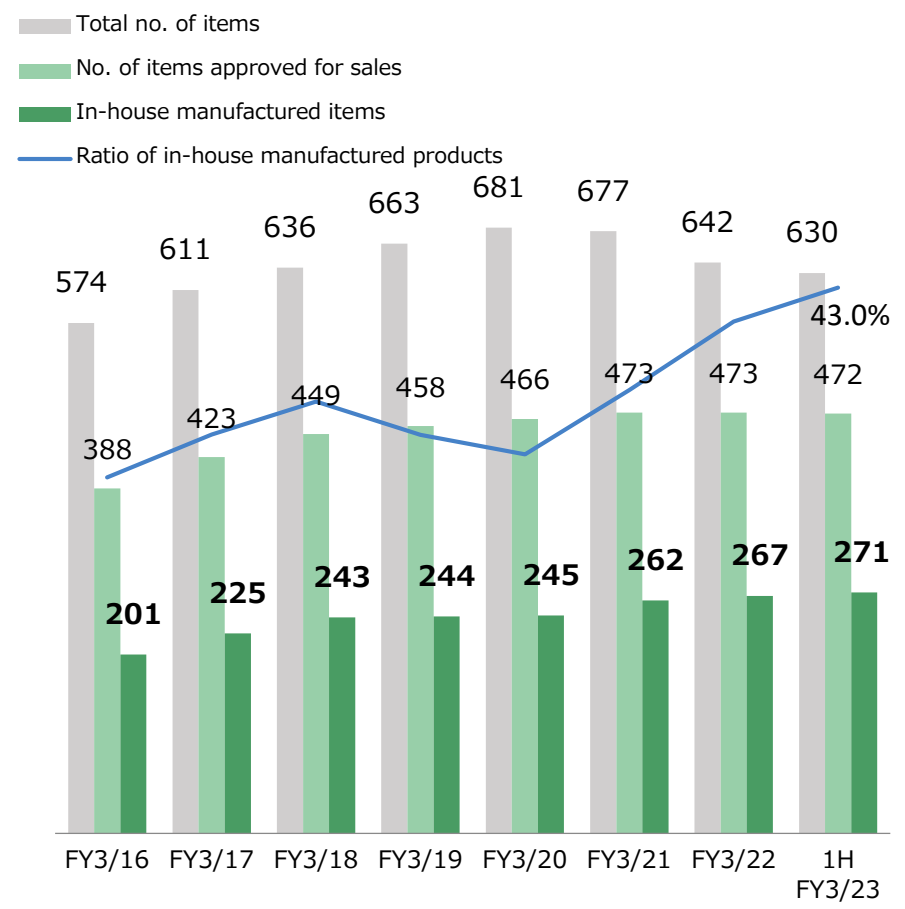
Scale of potential conversion to generic drugs (estimated*) **22.7** billion yen

Product name	
Escitalopram tablets 10mg "JG"	Ramelteon tablets 8mg "JG"
Escitalopram tablets 20mg "JG"	

* Calculated by Nihon Chouzai based on the annual usage volume of brand-name products

Number of Product Items

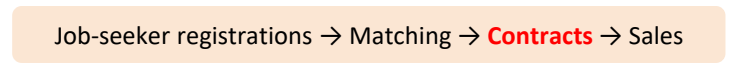
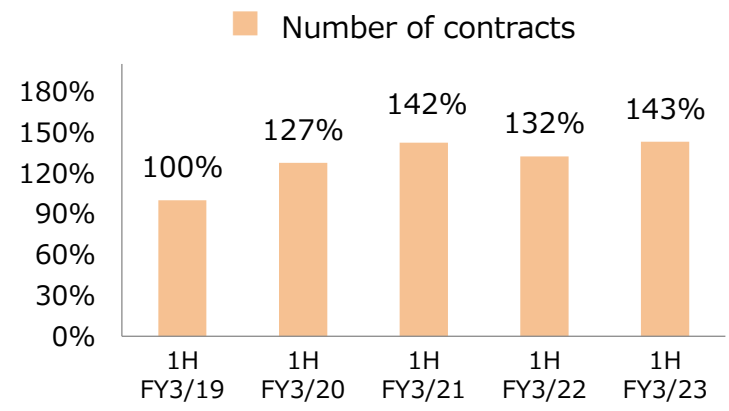
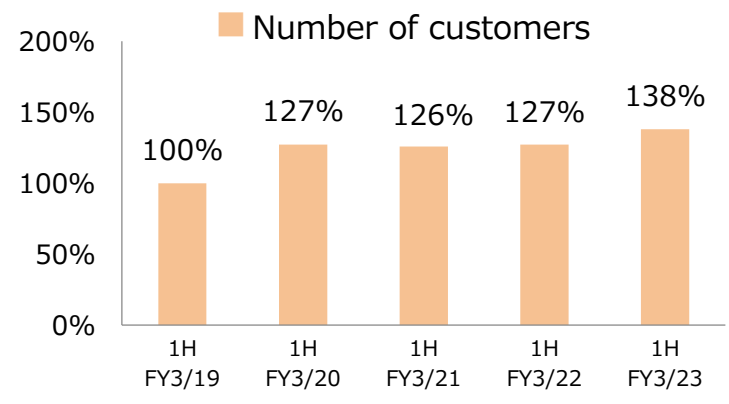
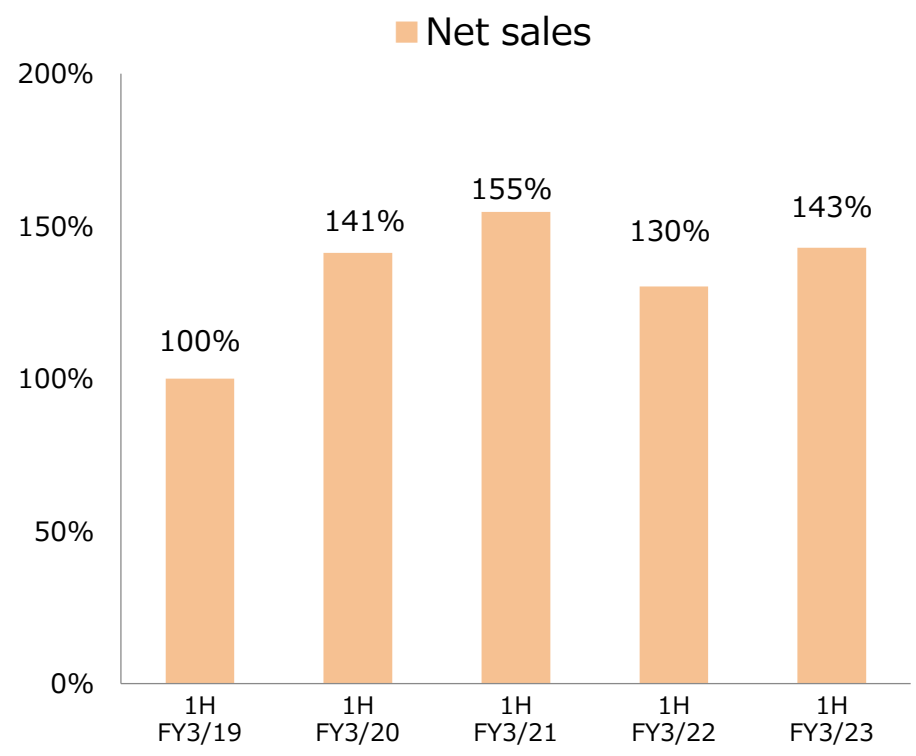
Although the total number of items declined following a review of production items, the ratio of in-house manufactured products increased.



Growth of the Medical Professional Staffing and Placement Business

While the pharmacist staffing business faced changes in the balance of supply and demand amid the ongoing impact of the COVID-19 pandemic, demand in the pharmacist staffing market, particularly from small and mid-size pharmacies, picked up after previously bottoming out. The placement business also saw sales growth due partly to a favorable turnaround in the external environment.

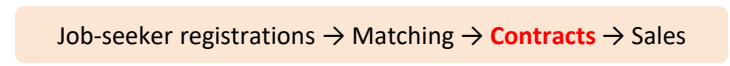
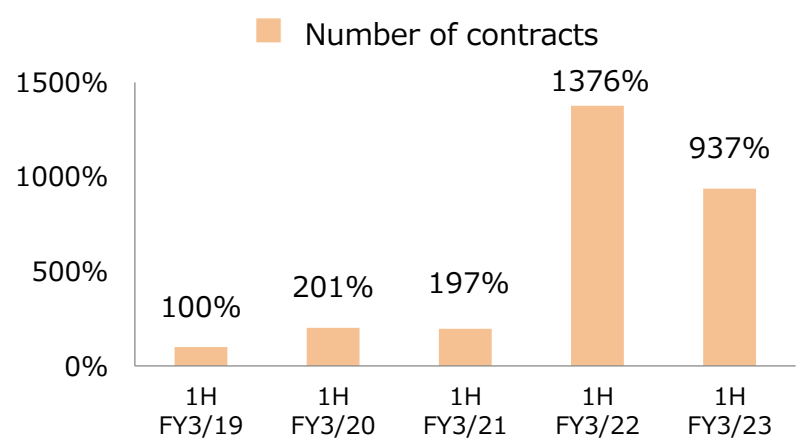
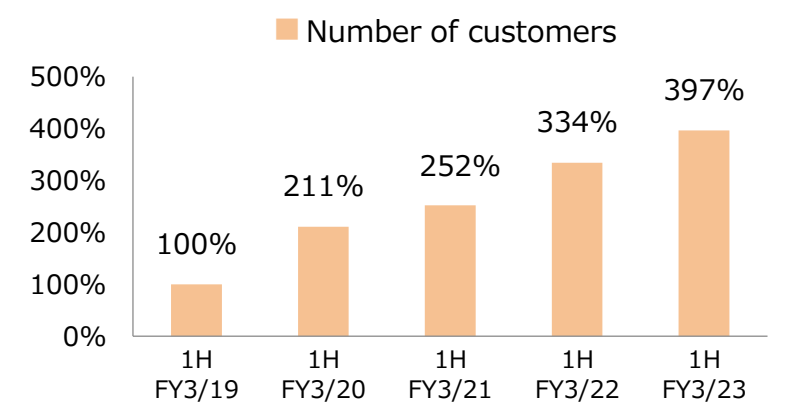
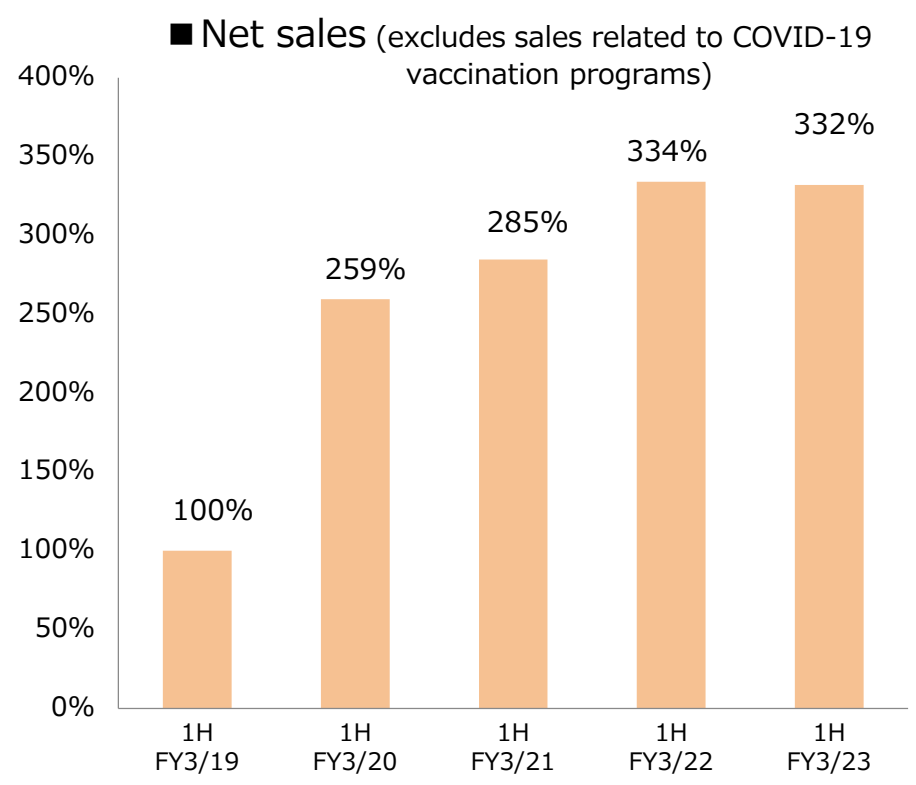
Growth of the pharmacist placement business



Growth of the Medical Professional Staffing and Placement Business

Physician placement business remained robust as it continued to secure COVID-19 vaccination program-related demand while steadily capturing personnel demand for full-time and part-time physicians.

Growth of the physician placement business



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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