

**Summary of Consolidated Financial Results for the Third quarter
of the Fiscal Year Ending March 31, 2023
(Nine months Ended December 31, 2022)**

[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 Mitsuahara, President & CEO		
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Scheduled date of filing of Quarterly Report:			February 14, 2023
Scheduled date of payment of dividend:			-
Preparation of supplementary materials for quarterly financial results:			Yes
Holding of quarterly financial results meeting:			None

Note: The original disclosure in Japanese was released on January 31, 2023 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the Third quarter of the Fiscal Year Ending March 31, 2023
(April 1, 2022 – December 31, 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	%
Nine months ended Dec. 31, 2022	232,844	4.2	12,277	2.3	5,829	0.0	5,836	(3.7)	4,289	291.2
Nine months ended Dec. 31, 2021	223,439	7.2	12,006	2.1	5,827	1.0	6,058	4.9	1,096	(67.8)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2022: 4,300 (up 286.5%)

Nine months ended Dec. 31, 2021: 1,112 (down 67.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2022	143.23	—
Nine months ended Dec. 31, 2021	36.57	—

Note: EBITDA = Operating profit + depreciation + goodwill amortization

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2022	187,619	56,327	30.0
As of Mar. 31, 2022	178,753	52,876	29.6

Reference: Shareholders' equity (million yen) As of Dec. 31, 2022: 56,327 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 Dec. 31, 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 Dec. 31, 2022:	2,133,615 shares	As of Mar. 31, 2022:	2,061,175 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2022:	29,948,912 shares	Nine months ended Dec. 31, 2021:	29,986,867 shares
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Note:

The number of shares of the Company held in the Directors' Remuneration BIP Trust (December 31, 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

Supplementary materials for quarterly financial results will be disclosed at the Timely Disclosure network (TDnet) as appropriate, and also will be 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 nine months ended December 31, 2022 (April 1–December 31, 2022), the Japanese economy showed signs of gradual recovery despite the impact of the protracted COVID-19 pandemic. However, the outlook remained uncertain due to a slowdown in the global economy and the ongoing need to pay close attention to the COVID-19 trends in Japan and abroad.

Under these economic conditions, the Nihon Chouzai Group, 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 infections. At the same time, the Group as a whole continued working to curb costs.

In December 2022, the Group drafted guidelines and policies to further promote sustainable management. We also decided on items to be disclosed under the four themes of governance, strategy, risk management, and metrics and targets, based on the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) we endorsed in June 2022, and published these matters on the Group’s sustainability site.

In the Dispensing Pharmacy Business, three of our group pharmacies located across two regions participated in the pilot project for implementing electronic prescribing led by the Ministry of Health, Labour and Welfare from October 31, 2022. The participating pharmacies verified the operational processes of issuing and handling electronic prescriptions by medical institutions and pharmacies, and collected reports of issues to be addressed and successful case studies. Further, the electronic medication notebook Okusuri Techo Plus was linked to Mynaportal (an online portal operated by the Japanese government to streamline various administrative procedures), the first for an electronic medication notebook, enabling centralized viewing and management of drugs prescribed or dispensed by multiple medical institutions and pharmacies. The app allows patients to check their medication history and use this information to manage their health. It also enables Nihon Chouzai pharmacists to centrally view and maintain a good grasp of patients’ medication history as family pharmacists and provide more advanced and specialized drug therapy.

In the Pharmaceutical Manufacturing and Sales Business, we continued to prioritize quality management and a stable supply of generic drugs. At the same time, we invested in R&D to expand the lineup of in-house manufactured products, including those newly added to the NHI reimbursement list, and to increase productivity. We had limited shipment volumes for many of our products due to industry-wide supply chain disruptions and the 2021 fire at the West Japan logistics center. However, we are gradually resuming normal shipments for these products, starting with the ones for which a stable supply system has been put in place. Since May 2022, we have resumed normal shipments for more than 160 items, and we are continuing to strive to fulfill our duties as a supplier.

In the Medical Professional Staffing and Placement Business, COVID-19 vaccination-related demand for the physician placement business ran its course. Meanwhile, the mainstay pharmacist staffing and placement business, which was negatively affected by the pandemic, got on a recovery track.

Net sales for the first nine months of the current consolidated fiscal year were 232,844 million yen (+4.2% YoY), operating profit was 5,829 million yen (+0.0% YoY), ordinary profit was 5,836 million yen (-3.7% YoY), and profit attributable to owners of the parent was 4,289 million yen (+291.2% 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 nine months of the current consolidated fiscal year, the Dispensing Pharmacy Business reported net sales of 208,076 million yen (+5.4% YoY) and operating profit of 10,601 million yen (+16.4% YoY).

The total number of pharmacies at the end of December came to 716 stores as a result of 31 new store openings and 12 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 December 2022. The group-wide average was 89.3% (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 95.4%.

2) Pharmaceutical Manufacturing and Sales Business

In the first nine months of the current consolidated fiscal year, the Pharmaceutical Manufacturing and Sales Business reported net sales of 29,316 million yen (-16.9% YoY) and operating loss of 456 million yen (operating profit of 1,294 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 limited shipment 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 December 2022, the number of products being sold by the Group came to 611 (including two over-the-counter drugs), reflecting revisions to product offerings and the launch of eight newly NHI-listed products in June and in December.

3) Medical Professional Staffing and Placement Business

In the first nine months of the current consolidated fiscal year, the Medical Professional Staffing and Placement Business reported net sales of 5,909 million yen (+13.5% YoY) and operating profit of 602 million yen (+42.1% 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 third quarter of the current consolidated fiscal year came to 187,619 million yen, an increase of 5.0%, or 8,866 million yen, from 178,753 million yen at the end of the fiscal year ended March 2021. Growth in assets was mainly due to increases in merchandise and finished goods.

Total liabilities were 131,292 million yen, an increase of 4.3%, or 5,415 million yen, from 125,876 million yen at the end of the previous fiscal year. This was mainly due to an increase in Short-term loans payable and Long-term loans payable.

Total net assets were 56,327 million yen, an increase of 3,450 million yen from 52,876 million yen at the end of the previous fiscal year. As a result, the equity ratio came to 30.0%.

(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)	Third quarter of FY3/23 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	25,543	20,284
Notes receivable-trade	27	24
Accounts receivable-trade and contract assets	20,458	20,840
Electronically recorded monetary claims-operating	422	453
Merchandise and finished goods	23,024	35,157
Work in process	1,799	1,630
Raw materials and supplies	6,262	6,415
Other	4,121	4,644
Allowance for doubtful accounts	(8)	(7)
Total current assets	81,651	89,444
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,559	29,225
Land	14,155	13,417
Construction in progress	1,226	1,970
Other, net	19,083	17,961
Total property, plant and equipment	64,025	62,574
Intangible assets		
Goodwill	15,220	15,362
Other	3,749	4,867
Total intangible assets	18,969	20,229
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	8,797	9,335
Other	5,293	6,019
Total investments and other assets	14,107	15,371
Total non-current assets	97,102	98,175
Total assets	178,753	187,619

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	Third quarter of FY3/23 (As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	48,513	51,023
Electronically recorded obligations-operating	2,862	2,393
Short-term loans payable	1,000	4,750
Current portion of long-term loans payable	12,366	10,600
Income taxes payable	1,800	507
Provision for bonuses	3,861	2,005
Provision for bonuses for directors (and other officers)	45	—
Other	8,483	8,360
Total current liabilities	78,931	79,642
Non-current liabilities		
Long-term loans payable	41,531	45,301
Provision for retirement benefits for directors (and other officers)	71	84
Retirement benefit liability	2,276	2,425
Other	3,065	3,838
Total non-current liabilities	46,944	51,650
Total liabilities	125,876	131,292
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	41,507	45,047
Treasury shares	(3,500)	(3,600)
Total shareholders' equity	52,887	56,326
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(10)	0
Total accumulated other comprehensive income	(10)	0
Total net assets	52,876	56,327
Total liabilities and net assets	178,753	187,619

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Nine-month Period)**

(Millions of yen)

	First Nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)	First Nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)
Net sales	223,439	232,844
Cost of sales	183,714	192,233
Gross profit	39,724	40,610
Selling, general and administrative expenses	33,897	34,780
Operating profit	5,827	5,829
Non-operating income		
Commission income	28	30
Rental income	372	438
Insurance Income	134	54
Subsidy Income	164	26
Other	269	203
Total non-operating income	969	753
Non-operating expenses		
Interest expenses	229	201
Rent expenses	285	330
Other	224	214
Total non-operating expenses	738	746
Ordinary profit	6,058	5,836
Extraordinary income		
Gain on sales of non-current assets	6	1,170
Compensation income	—	120
Reversal of provision for retirement benefits for directors (and other officers)	46	—
Profit for transfer from business divestitures	67	—
Total extraordinary income	120	1,290
Extraordinary losses		
Impairment losses	228	114
Loss on sales of non-current assets	—	51
Loss on disaster	3,910	—
Total extraordinary losses	4,138	166
Profit before income taxes	2,039	6,960
Income taxes-current	1,705	1,720
Income taxes-deferred	(762)	950
Total income taxes	943	2,671
Profit	1,096	4,289
Profit attributable to owners of parent	1,096	4,289

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

(Millions of yen)

	First Nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)	First Nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)
Profit	1,096	4,289
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	16	10
Total other comprehensive income	16	10
Comprehensive income	1,112	4,300
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,112	4,300

(3) 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 Nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 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	197,389	20,847	5,201	223,439	—	223,439
(2) Inter-segment sales and transfers	—	14,426	6	14,433	(14,433)	—
Total	197,389	35,274	5,207	237,872	(14,433)	223,439
Segment profit (loss)	9,108	1,294	423	10,827	(5,000)	5,827

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 5,000 million yen to segment profit (loss) includes eliminations of minus 72 million yen for inter-segment transactions and corporate expenses of minus 4,928 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 Nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 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	208,074	18,870	5,899	232,844	—	232,844
(2) Inter-segment sales and transfers	2	10,446	10	10,459	(10,459)	—
Total	208,076	29,316	5,909	243,303	(10,459)	232,844
Segment profit (loss)	10,601	(456)	602	10,747	(4,918)	5,829

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 4,918 million yen to segment profit (loss) includes eliminations of minus 66 million yen for inter-segment transactions and corporate expenses of minus 4,851 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 of 52 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.