

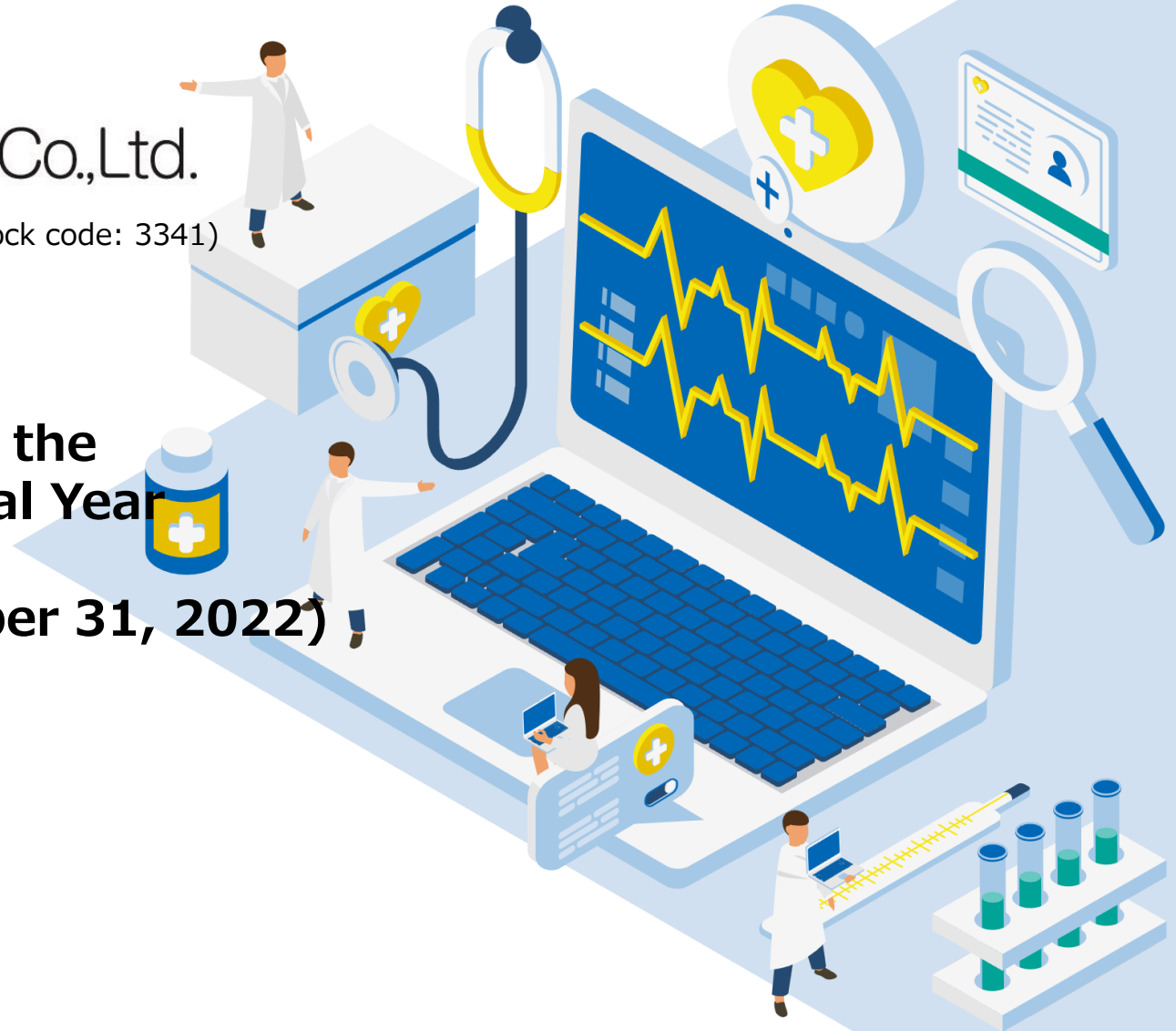


NIHON CHOUZAI Co.,Ltd.

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

**Results of Operations for the
Third Quarter of the Fiscal Year
Ending March 31, 2023
(April 1, 2022 to December 31, 2022)**

January 31, 2023



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Financial Highlights



Consolidated Results

Net sales grew and operating profit was flat YoY owing to contributions from robust performance of the Dispensing Pharmacy Business, offsetting the impact of limited shipment in the Pharmaceutical Manufacturing and Sales Business.

Dispensing Pharmacy Business

Net sales and profits increased despite the impact of medical 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 limited shipment caused by fire at a logistics center in West Japan in 2021.

Medical Professional Staffing and Placement Business

Net sales and profits were up despite the ongoing impact of the pandemic, owing to YoY growth in the mainstay pharmacist staffing and placement business.

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 Limited shipment in the Pharmaceutical Manufacturing and Sales Business. Operating profit was flat YoY and surpassed the forecast by 2.3% owing to cost-reduction efforts.

(Millions of yen)	3Q FY3/21 Results	3Q FY3/22 Results	3Q FY3/23 Forecast	3Q FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	208,337	223,439	238,500	232,844	(5,652)	(2.4%)	4.2%
Cost of sales	171,658	183,714	196,800	192,233	(4,563)	(2.5%)	4.6%
Gross profit	36,679	39,724	41,700	40,610	(1,089)	(2.6%)	2.2%
% to sales	17.6%	17.8%	17.5%	17.4%	(0.0pt)	—	—
SG&A expenses	30,911	33,897	36,000	34,780	(1,219)	(3.4%)	2.6%
% to sales	14.8%	15.2%	15.1%	14.9%	(0.2pt)	—	—
Consumption taxes	13,665	14,913	15,800	15,460	(339)	(2.1%)	3.7%
R&D expenses	2,039	2,475	2,300	2,303	3	0.1%	(7.0%)
Operating profit	5,767	5,827	5,700	5,829	129	2.3%	0.0%
% to sales	2.8%	2.6%	2.4%	2.5%	0.1pt	—	—
Ordinary profit	5,773	6,058	5,600	5,836	236	4.2%	(3.7%)
% to sales	2.8%	2.7%	2.3%	2.5%	0.2pt	—	—
Profit attributable to owners of parent	3,410	1,096	3,100	4,289	1,189	38.4%	291.2%
% to sales	1.6%	0.5%	1.3%	1.8%	0.5pt	—	—
EBITDA	11,765	12,006	12,400	12,277	(122)	(1.0%)	2.3%

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 3.7 billion yen increase in Short-term loans payable and a 2.0 billion yen increase in Long-term loans payable. Equity ratio was 30%, the highest level since the FY3/07.

(Millions of yen)	End of Mar. 2021 (FY3/21)	End of Mar. 2022 (FY3/22)	End of Dec. 2022 (3Q FY3/23)	YoY change	YoY change (%)
Current assets	89,246	81,651	89,444	7,793	9.5%
Merchandise and finished goods	23,139	23,024	35,157	12,132	52.7%
Non-current assets	97,015	97,102	98,175	1,072	1.1%
Property, plant and equipment	64,785	64,025	62,574	(1,450)	(2.3%)
Intangible assets	18,952	18,969	20,229	1,259	6.6%
Investments and other assets	13,277	14,107	15,371	1,263	9.0%
Total assets	186,262	178,753	187,619	8,866	5.0%
Current liabilities	87,720	78,931	79,642	710	0.9%
Accounts payable-trade	44,044	48,513	51,023	2,510	5.2%
Short-term loans payable	—	1,000	4,750	3,750	375.0%
Current portion of long-term loans payable	27,966	12,366	10,600	(1,765)	(14.3%)
Non-current liabilities	48,673	46,944	51,650	4,705	10.0%
Long-term loans payable	42,997	41,531	45,301	3,770	9.1%
Total liabilities	136,394	125,876	131,292	5,415	4.3%
Total net assets	49,868	52,876	56,327	3,450	6.5%
Shareholders' equity	49,868	52,876	56,327	3,450	6.5%
Equity ratio	26.8%	29.6%	30.0%	0.4pt	—
Net interest-bearing debt	40,325	31,054	41,578	10,523	33.9%

Dispensing Pharmacy Business

Net sales were up 5.4% YoY and operating profit up 16.4% YoY (12.8% above the forecast), owing to an increase in the number of prescriptions filled and contributions from newly opened pharmacies (40 in FY3/22 and 31 in 3Q FY3/23).

(Millions of yen)	3Q FY3/21 Results	3Q FY3/22 Results	3Q FY3/23 Forecast	3Q FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	181,125	197,389	209,300	208,076	(1,223)	(0.6%)	5.4%
Cost of sales	153,347	165,775	177,100	174,425	(2,674)	(1.5%)	5.2%
Gross profit	27,777	31,613	32,200	33,650	1,450	4.5%	6.4%
% to sales	15.3%	16.0%	15.4%	16.2%	0.8pt	—	—
SG&A expenses	20,786	22,504	22,800	23,048	248	1.1%	2.4%
% to sales	11.5%	11.4%	10.9%	11.1%	0.2pt	—	—
Operating profit	6,991	9,108	9,400	10,601	1,201	12.8%	16.4%
% to sales	3.9%	4.6%	4.5%	5.1%	0.6pt	—	—
No. of pharmacies at the end of each period (stores) <small>note 1</small>	670	690	720	716	(4)	(0.6%)	3.8%
Prescription drug sales per pharmacy <small>note 2</small>	274	290	295	294	(0)	(0.3%)	1.5%

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 fell 16.9% YoY, with the business posting an operating loss of 456 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 prolonged impact of limited shipment caused by fire at a logistics center in West Japan in 2021.

(Millions of yen)	3Q FY3/21 Results	3Q FY3/22 Results	3Q FY3/23 Forecast	3Q FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth Rate
Net sales	35,235	35,274	36,800	29,316	(7,483)	(20.3%)	(16.9%)
Cost of sales	29,668	30,376	30,800	25,855	(4,944)	(16.1%)	(14.9%)
Gross profit	5,566	4,897	6,000	3,460	(2,539)	(42.3%)	(29.3%)
% to sales	15.8%	13.9%	16.3%	11.8%	(4.5pt)	—	—
SG&A expenses	3,360	3,602	4,100	3,917	(182)	(4.5%)	8.7%
% to sales	9.5%	10.2%	11.1%	13.4%	2.2pt	—	—
Operating profit	2,205	1,294	1,900	(456)	(2,356)	—	—
% to sales	6.3%	3.7%	5.2%	—	—	—	—

Note: Rounding down to the nearest unit

Medical Professional Staffing and Placement Business

Net sales were up 13.5% YoY, and operating profit was up 42.1% (100.8% above the forecast) despite a drop in COVID-19 vaccination-related demand, owing to growth in the mainstay pharmacist staffing and placement business.

(Millions of yen)	3Q FY3/21 Results	3Q FY3/22 Results	3Q FY3/23 Forecast	3Q FY3/23 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	6,644	5,207	5,200	5,909	709	13.7%	13.5%
Cost of sales	3,187	1,912	1,800	2,331	531	29.5%	21.9%
Gross profit	3,456	3,295	3,400	3,578	178	5.2%	8.6%
% to sales	52.0%	63.3%	65.4%	60.5%	(4.8pt)	—	—
SG&A expenses	2,803	2,871	3,100	2,975	(124)	(4.0%)	3.6%
% to sales	42.2%	55.1%	59.6%	50.4%	(9.3pt)	—	—
Operating profit	653	423	300	602	302	100.8%	42.1%
% to sales	9.8%	8.1%	5.8%	10.2%	4.4pt	—	—

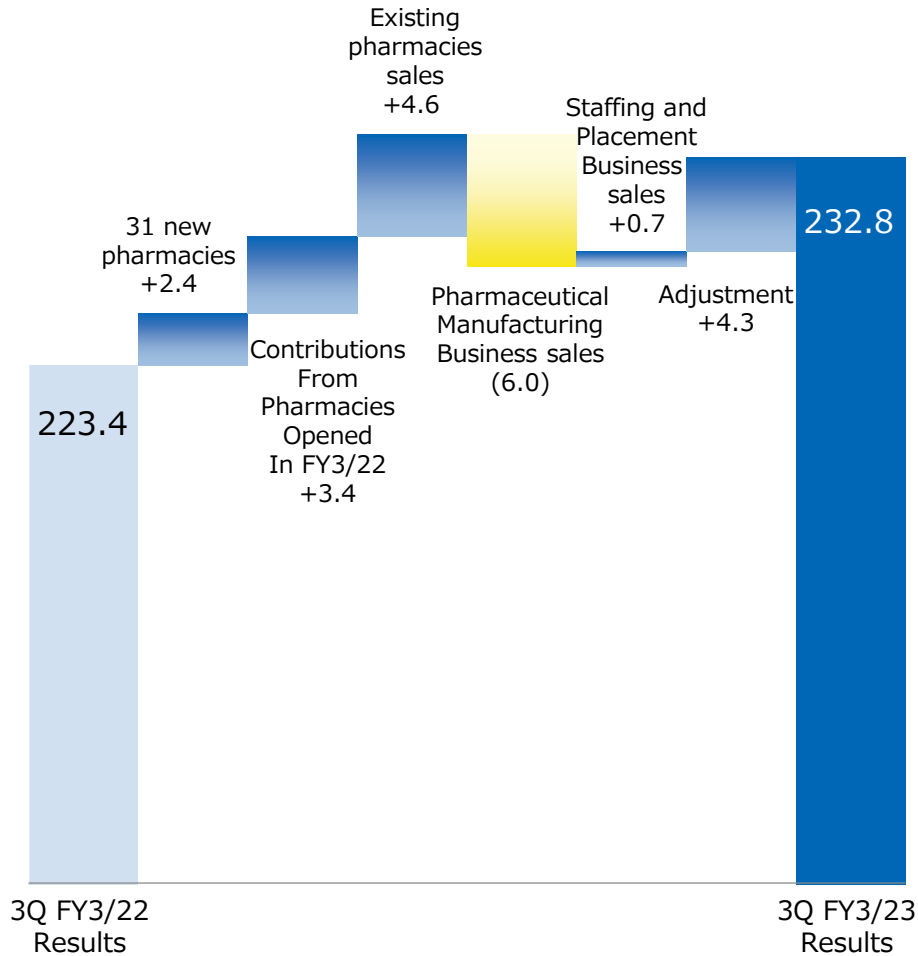
Note: Rounding down to the nearest unit

Reference Materials

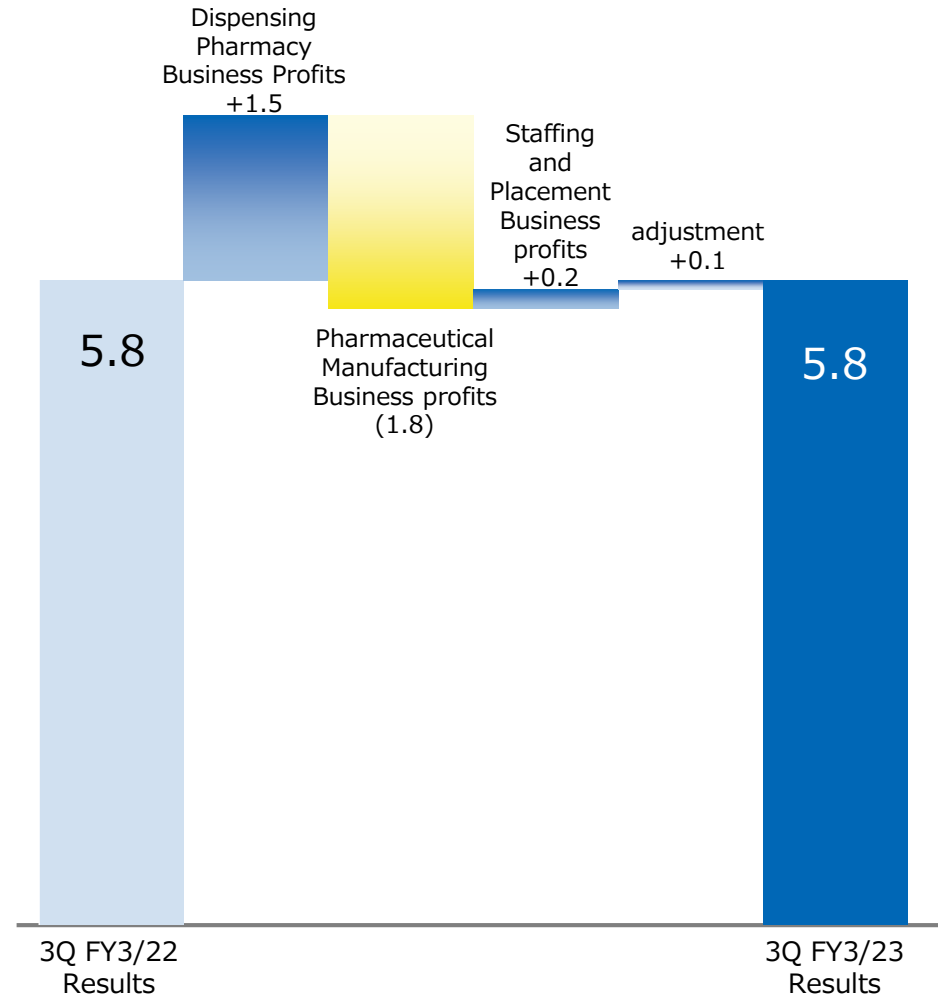
Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

Net Sales



Operating Profit

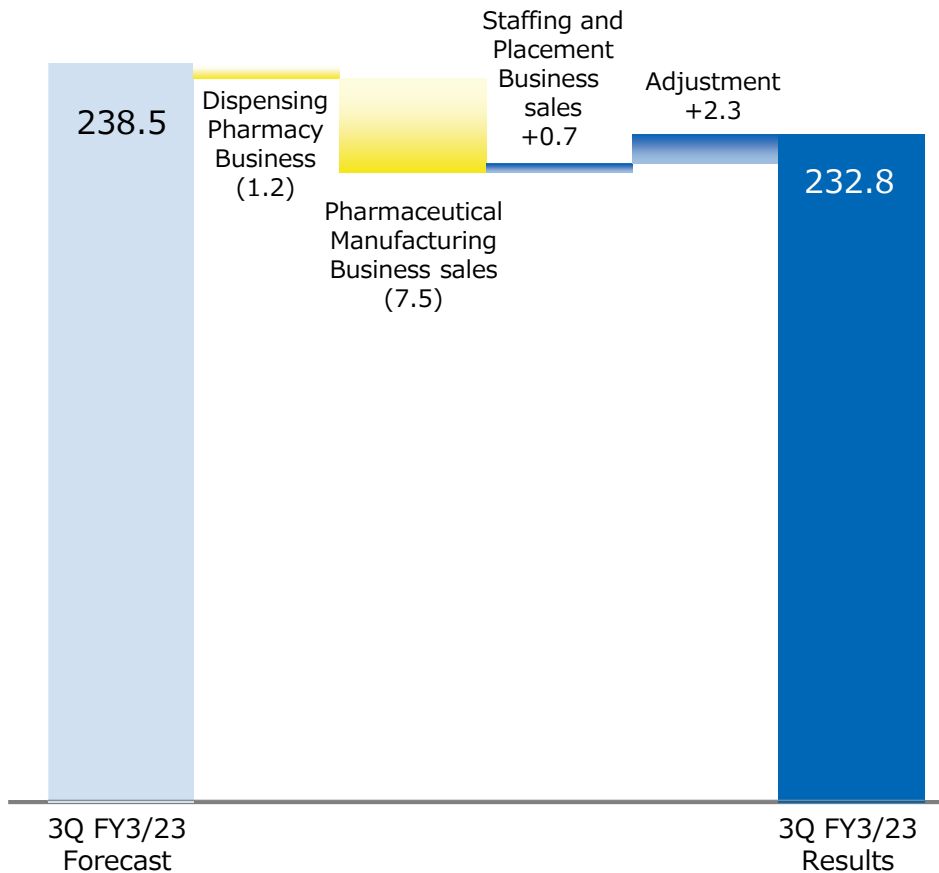


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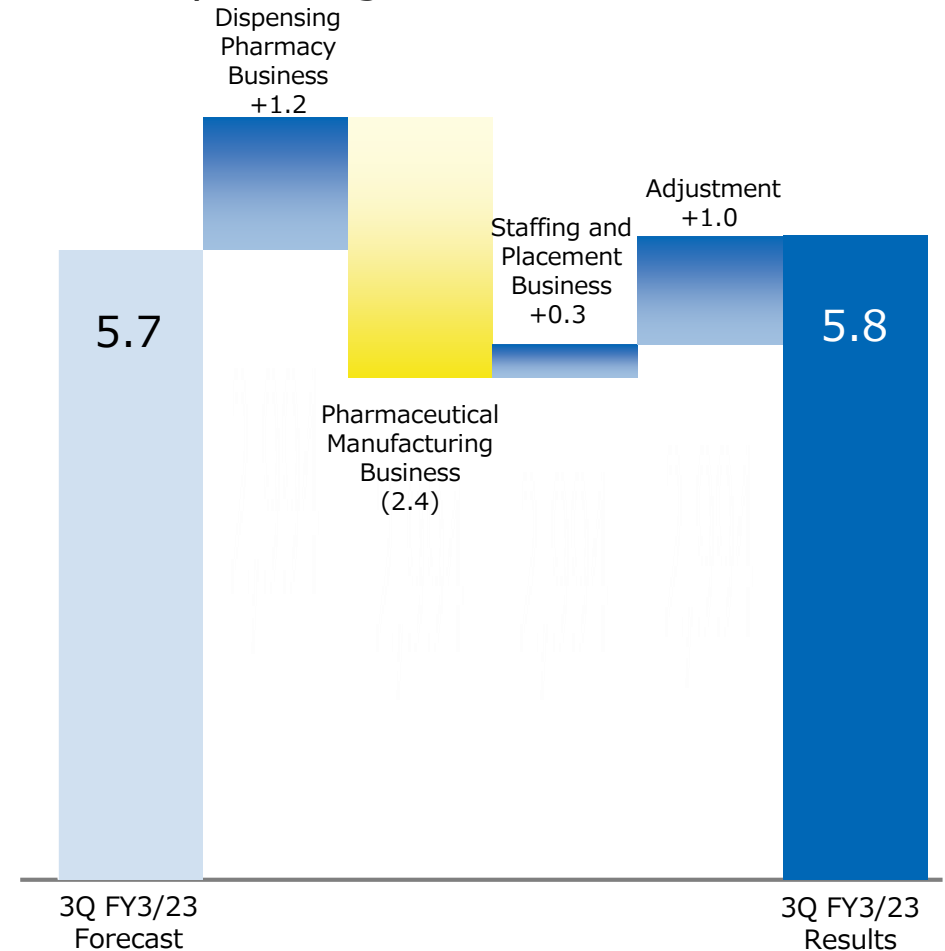
Consolidated Results: Major Components of Changes vs. Forecast (Net Sales / Operating Profit)

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

■ Net Sales



■ Operating Profit



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Growth strategy



Dispensing
Pharmacy
Business

■ **Strategically open pharmacies while maintaining a well-balanced pharmacy network**

Continue opening new pharmacies while placing importance on an optimal balance between hospital-front pharmacies and hybrid pharmacies.

Pharmaceutical
Manufacturing
and Sales
Business

■ **Expand the Pharmaceutical Manufacturing and Sale/ Measures to ensure stable supply**

While prioritizing quality control and stable supply, the ratio of in-house manufactured products increased through steady development of new products and review of production items.

Medical
Professional
Staffing and
Placement
Business

■ **Expand the Medical Professional Staffing and Placement Business**

Despite a falloff in personnel demand related to COVID-19 vaccination programs, physician placement business remained robust.



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 upward trend 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	3Q FY3/23
Opened	42	36	32	65*	29	40	31
Organic growth (percentage)	21 (50.0%)	23 (63.9%)	26 (81.2%)	35 (53.8%)	22 (75.9%)	34 (85.0%)	23 (74.1%)
M&A	21	13	6	30	7	6	8
Closed	12	8	19	13	9	13	12
No. of pharmacies at the end of period	557	585	598	650	670	697	716

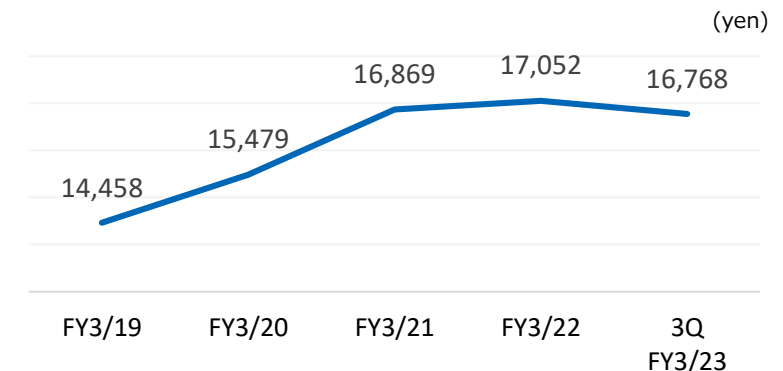
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

3Q FY3/23 Results

(YoY growth rate)	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	+2.3%	+1.0%	+1.2%
Pharmacies opened in FY3/21	+169.4%	+190.3%	(7.2%)
Total	+5.0%	+5.5%	(0.5%)

No. of prescriptions 12,146,000 Prescription unit price 16,768yen

Prescription unit price



Well-Balanced Pharmacy Network②

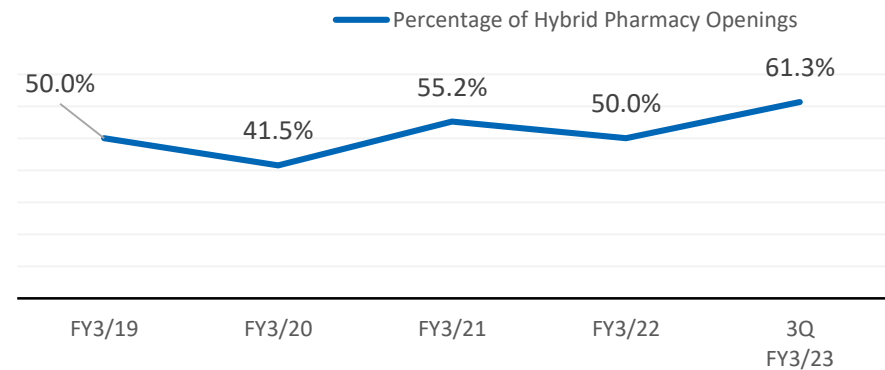
In addition to steadily increasing hospital-front pharmacies and pharmacies within hospital premises, we will strengthen our opening of “hybrid pharmacies,” which are becoming increasingly crucial to community medical care, and continue to run a well-balanced pharmacy network. On-site pharmacies will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

Pharmacy Openings

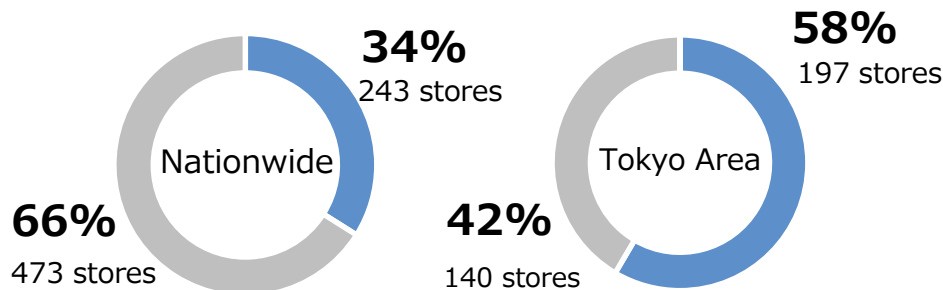
	FY3/19	FY3/20	FY3/21	FY3/22	3Q FY3/23
Opened	32	65 ^{note}	29	40	31
Hospital-front pharmacies / Pharmacies within hospital premises	16	38	13	20	12
Hybrid pharmacies	16	27	16	20	19
Closed	19	13	9	13	12
No. of pharmacies at the end of period	598	650	670	697	716

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

Percentage of Pharmacy Openings



Ratio of Pharmacies



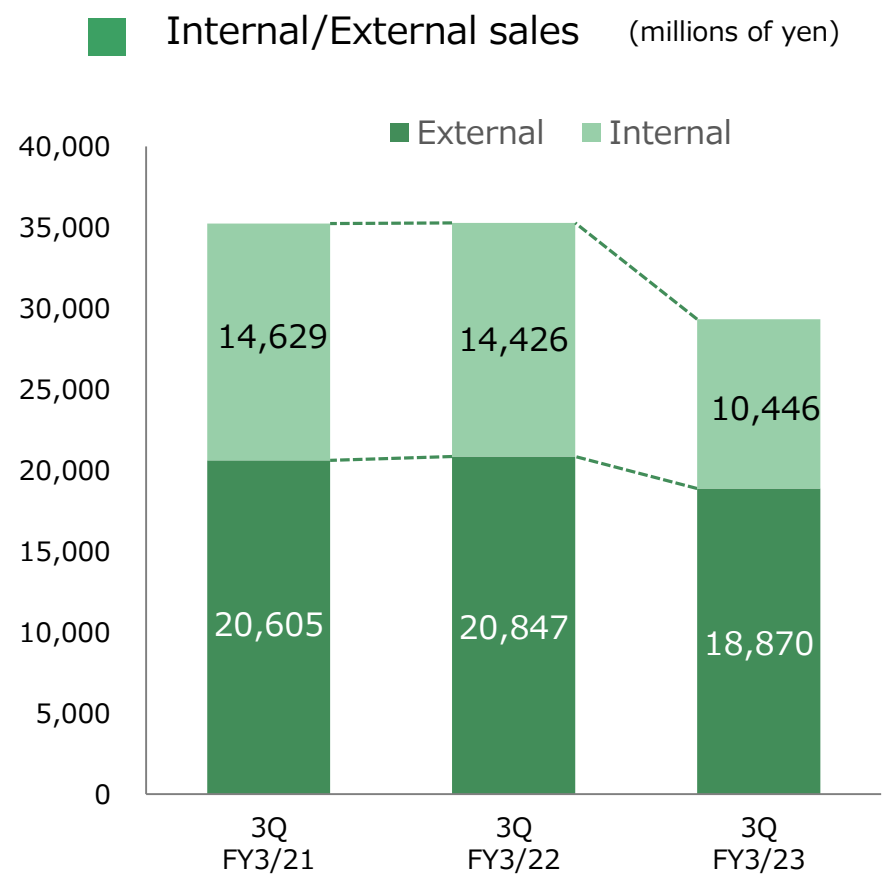
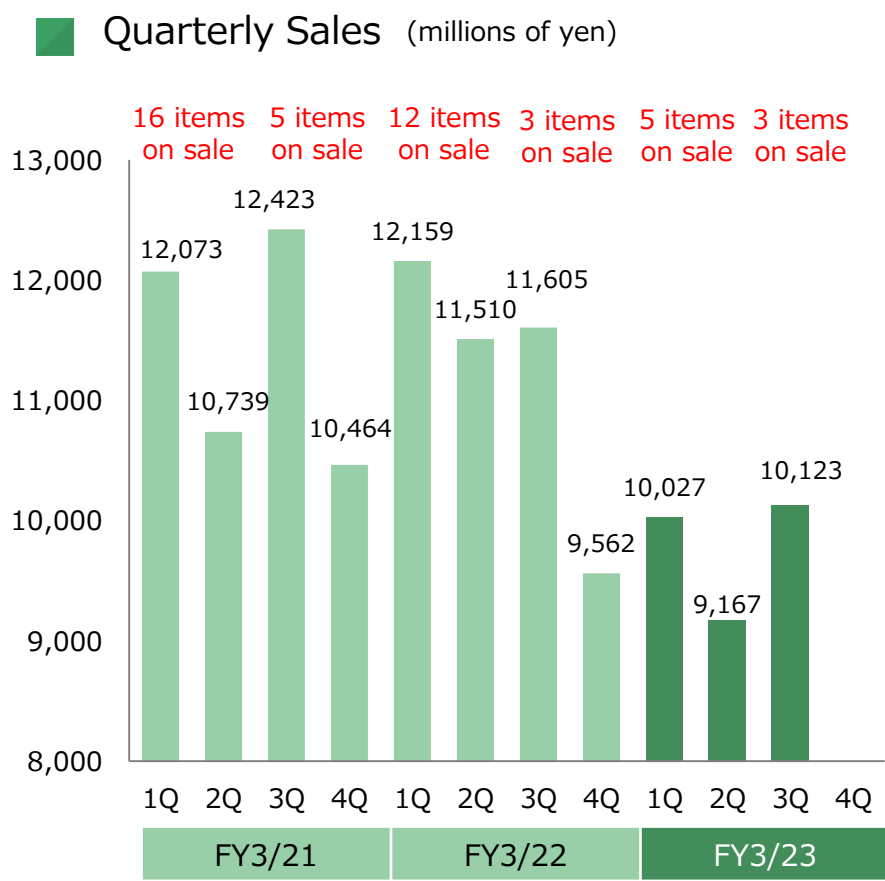
Region	Pharmacy openings in 3Q FY3/23	No. of pharmacies at 3Q FY3/23	Percentage
Kanto	21	372	52.0%
Kansai	5	84	11.7%
Other	5	260	36.3%
Total	31	716	100.0%

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.

Growth of the Pharmaceutical Manufacturing and Sales Business

While sales of products newly added to the NHI drug price list in June and December 2022 were brisk, net sales decreased overall 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.

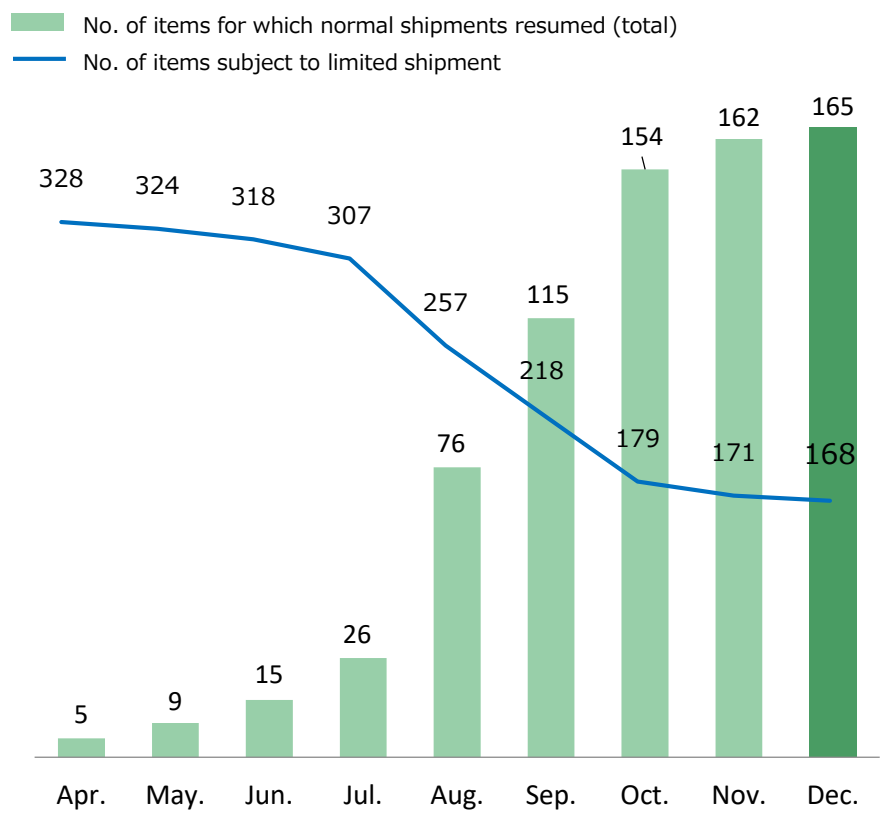
Net sales and their breakdown



Measures to ensure stable supply

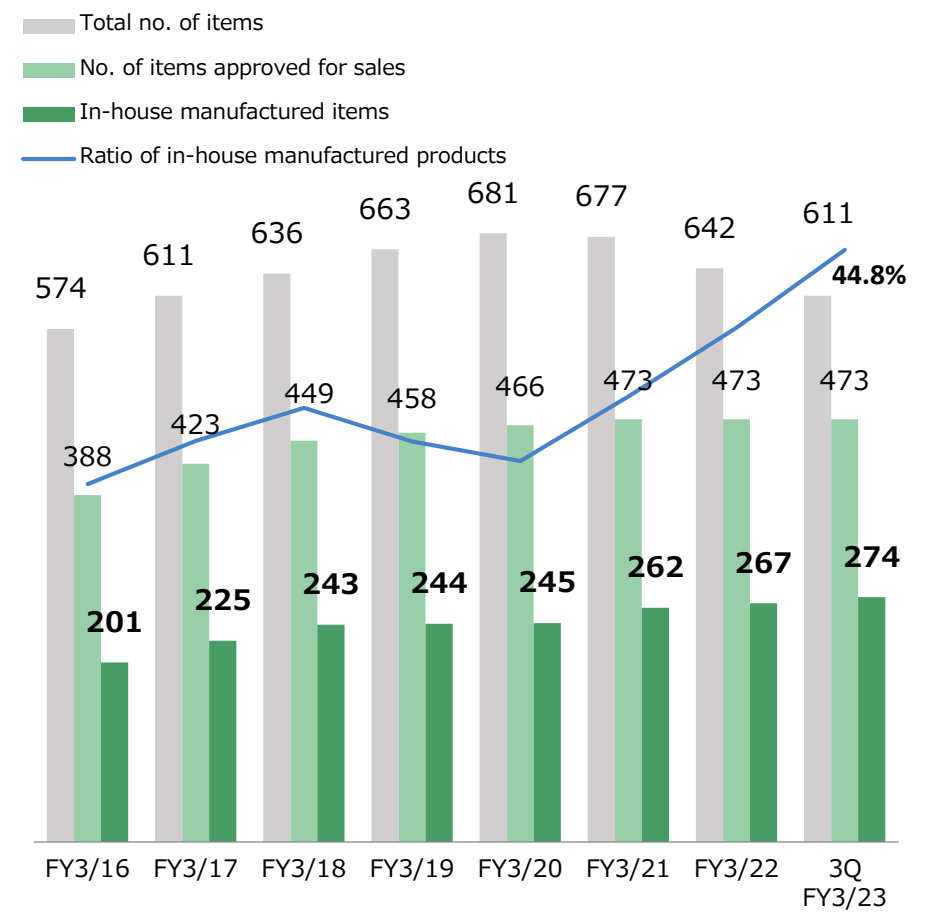
Number of items for which normal shipments resumed

We had limited shipment volumes due partially to the 2021 fire at the West Japan logistics center. Normal shipments resumed for the products for which a stable supply system has been put in place.



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.



Progress of Choseido Pharmaceutical Business Improvement Plan

We have made progress in each of the initiatives in "Efforts to restore trust," "Measures to prevent recurrence at distributors," and "Measures to prevent recurrence at manufacturers" as per the business improvement plan. Appropriate improvements were also reported in the inspection results by Tokushima Prefecture.

Progress of Business Improvement Plan

The progress of Choseido Pharmaceutical's improvement plan is regularly reported to the Tokushima Pharmaceutical Affairs Council, where the status of improvement is discussed.

At the Pharmaceutical Affairs Council meeting held on October 27, 2022, the Tokushima Prefectural Pharmaceutical Affairs Division reported the following, and the Council was of the opinion that the plan was progressing without problems.

(Report from Tokushima Pharmaceutical Affairs Division)

As a result of on-site inspections of the three factories as a distributor and a manufacturer, the Council stated, "At present, improvements are being made appropriately based on the improvement plan, and there are no problems with inappropriate manufacturing."

Reference materials (Japanese Only)

• Progress report on business improvement plan

<https://www.choseido.com/improvement/pdf/221215gyoumukaizen.pdf>

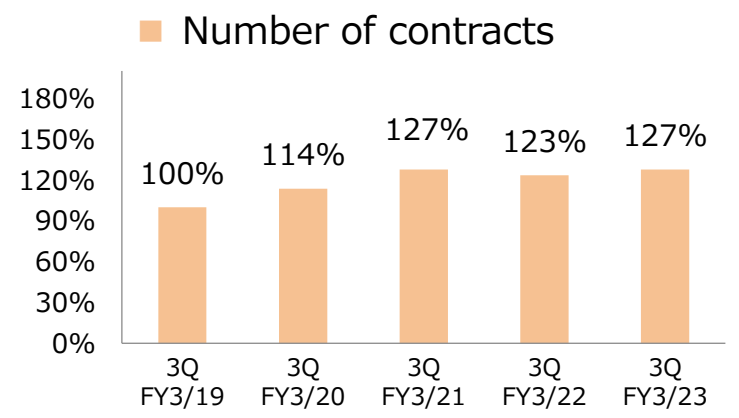
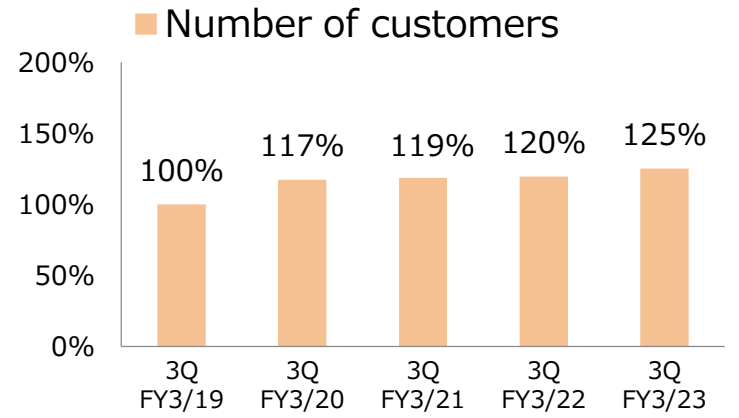
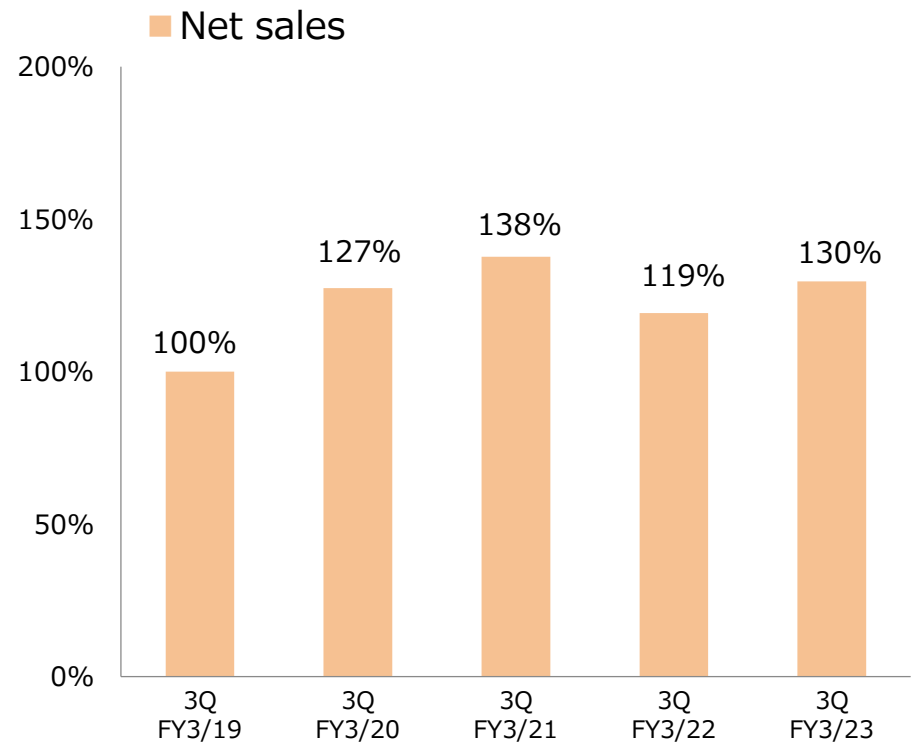
• Information related to Tokushima Pharmaceutical Affairs Council

<https://www.pref.tokushima.lg.jp/kenseijoho/kenseisogo/shingikai/chijibukyoku/5049080/>

Growth of the Medical Professional Staffing and Placement Business

The pharmacist staffing business secured YoY growth, thanks to robust demand primarily from small and medium-sized pharmacies, despite changes in supply and demand conditions and the lingering impact of the pandemic. Net sales also rose in the staffing business, thanks to favorable external conditions.

Growth of the pharmacist placement business

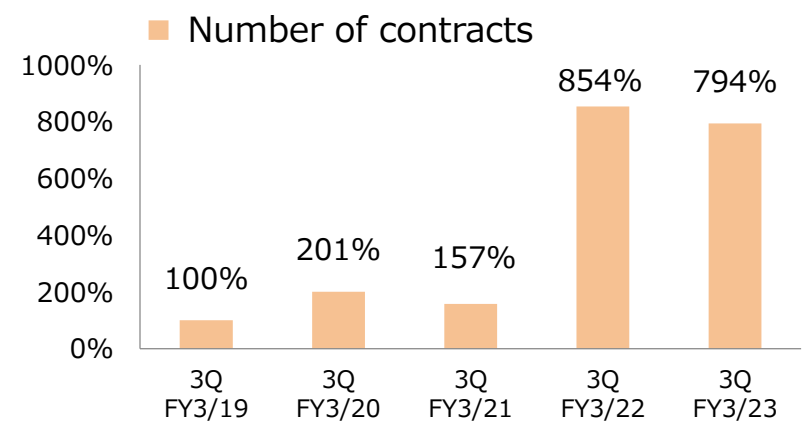
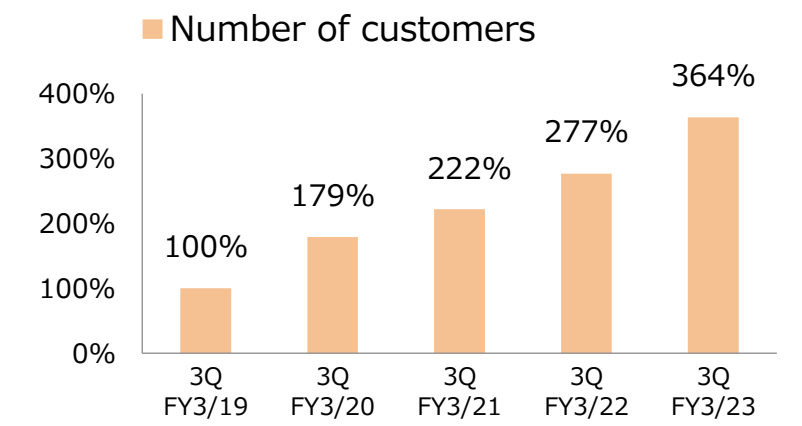
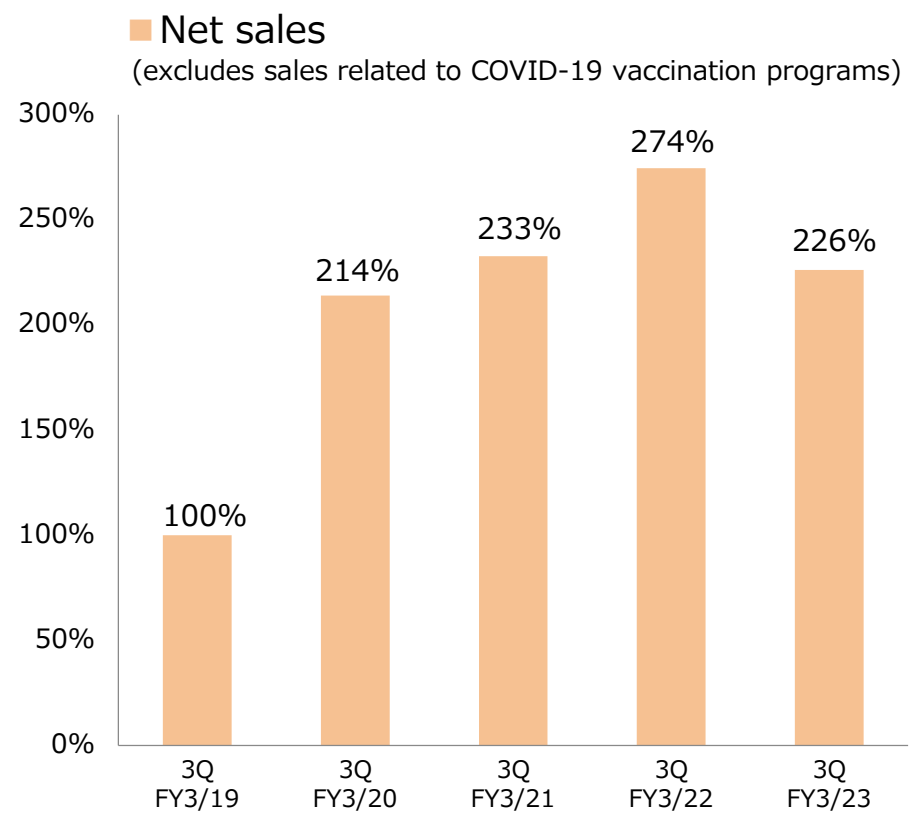


Job-seeker registrations → Matching → **Contracts** → Sales

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



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

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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