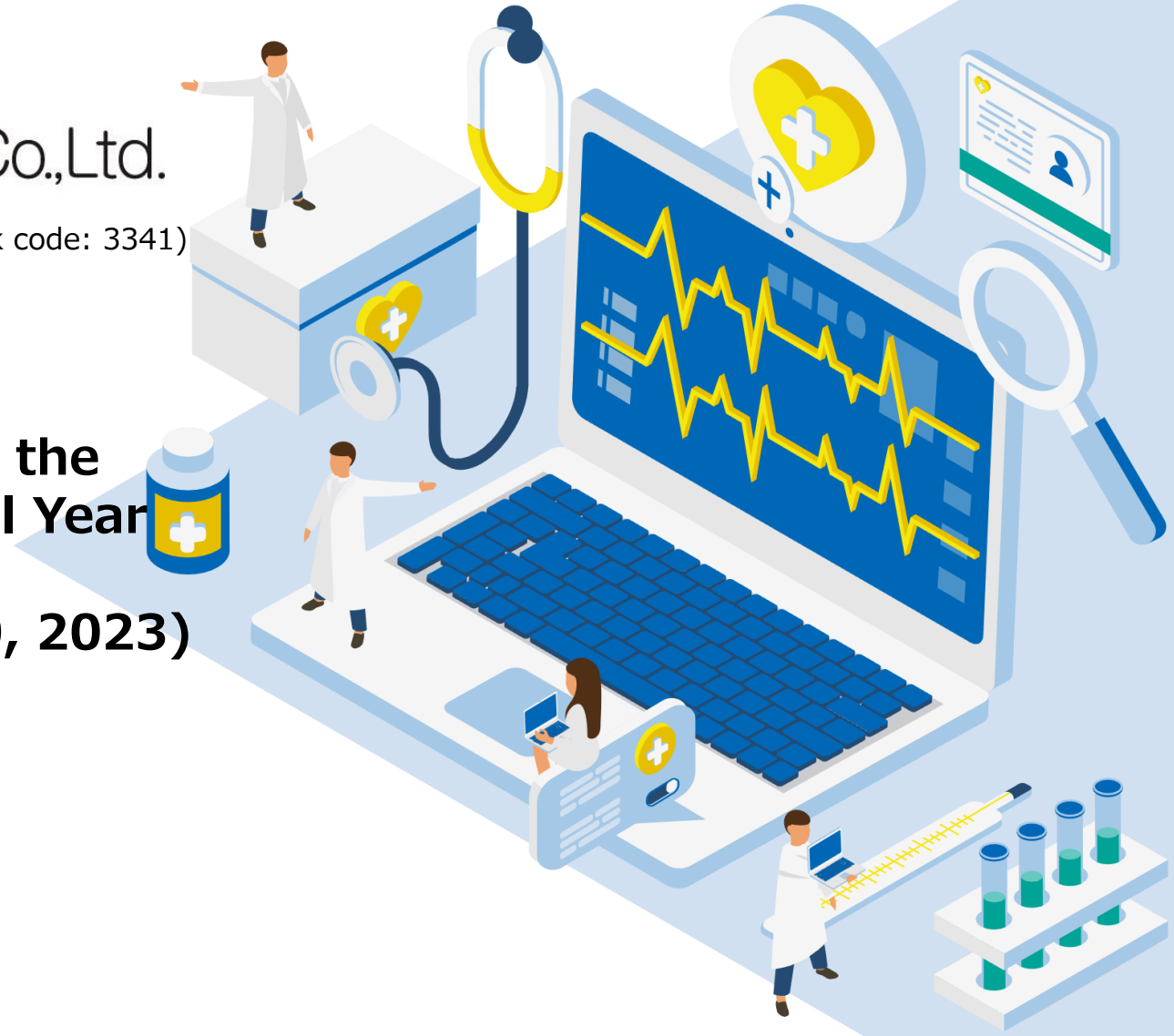




(Tokyo Stock Exchange, Prime Market / Stock code: 3341)

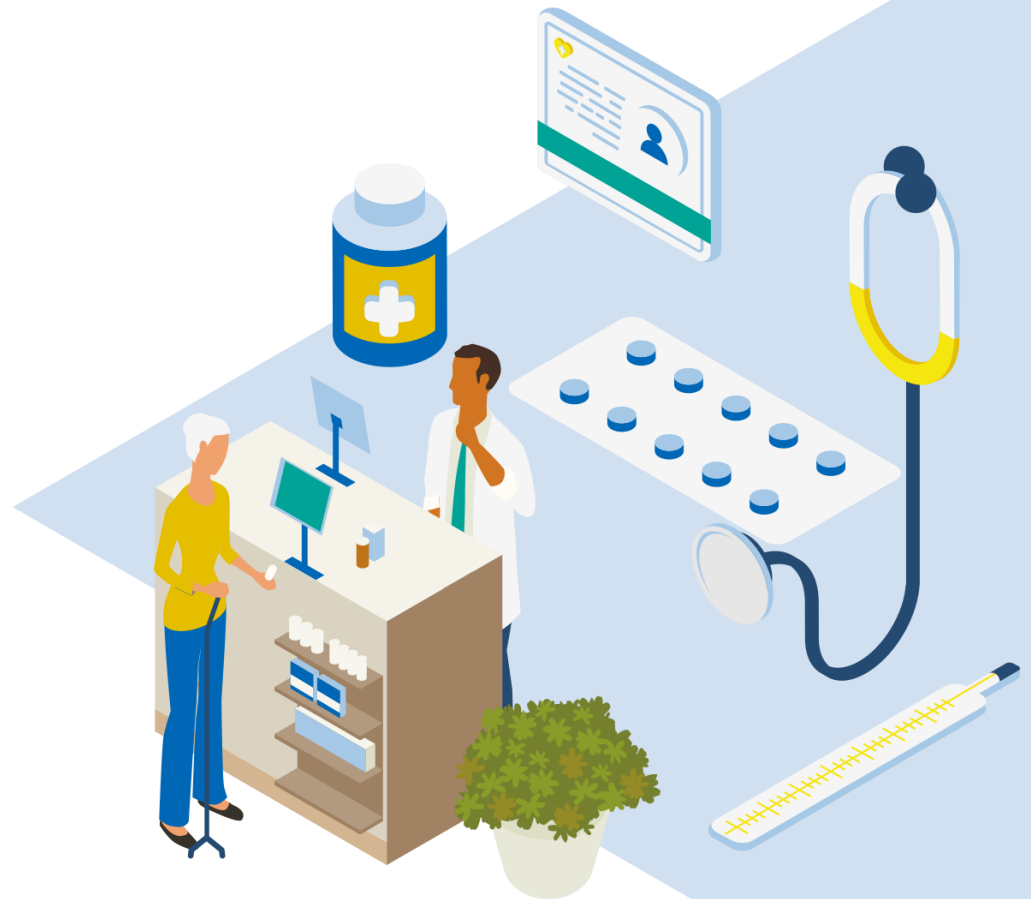
# Results of Operations for the First Quarter of the Fiscal Year Ending March 31, 2024 (April 1, 2023 to June 30, 2023)

July 31, 2023



# 1

## Financial Highlights



**Consolidated Results**

Both net sales and profit increased due to the contribution of the strong dispensing pharmacy business, despite the impact of the NHI drug price revisions and a decrease in the number of items sold in the pharmaceutical manufacturing and sales business.

**Dispensing Pharmacy Business**

Net sales and profit increased due to a recovery in the number of prescriptions at existing stores and new store openings in the previous and current fiscal years.

**Pharmaceutical Manufacturing and Sales Business**

While net sales increased due to steady sales of existing products and products newly listed on the NHI drug price list, profit decreased due to the impact of the NHI drug price revisions in April 2023 and limited shipments of some products.

**Medical Professional Staffing and Placement Business**

Both sales and profit increased due to the shift of Covid-19's status under the Infectious Disease Control Law to Class 5 and YoY growth in the core businesses of placement and staffing of pharmacists and physicians (including industrial physicians business).

# Consolidated Statement of Income

Net sales were up 9.6% YoY and 1.7% vs. forecast backed by robust performance of the Dispensing Pharmacy Business. Operating profit grew 78.9% YoY and 1.6 billion yen vs. forecast due to cost-reduction measures.

(Millions of yen)	1Q FY3/22 Results	1Q FY3/23 Results	1Q FY3/24 Forecast	1Q FY3/24 Results	Change Vs. Forecast	Vs. Forecast	YoY growth Rate
Net sales	71,851	74,709	80,500	<b>81,848</b>	1,348	1.7%	9.6%
Cost of sales	59,380	61,928	67,800	<b>68,067</b>	267	0.4%	9.9%
Gross profit	12,471	12,780	12,700	<b>13,781</b>	1,081	8.5%	7.8%
% to sales	17.4%	17.1%	15.8%	<b>16.8%</b>	1.1Pt	–	–
SG&A expenses	11,534	11,888	12,800	<b>12,185</b>	(614)	(4.8%)	2.5%
% to sales	16.1%	15.9%	15.9%	<b>14.9%</b>	(1.0Pt)	–	–
Consumption taxes	5,079	5,420	5,900	<b>5,830</b>	(69)	(1.2%)	7.6%
R&D expenses	905	702	900	<b>659</b>	240	(26.8%)	(6.2%)
Operating profit	936	892	(100)	<b>1,596</b>	1,695	–	78.9%
% to sales	1.3%	1.2%	–	<b>2.0%</b>	–	–	–
Ordinary profit	993	913	(100)	<b>1,605</b>	1,704	–	75.7%
% to sales	1.4%	1.2%	–	<b>2.0%</b>	–	–	–
Profit attributable to owners of parent	427	391	(300)	<b>659</b>	938	–	68.6%
% to sales	0.6%	0.5%	–	<b>0.8%</b>	–	–	–
EBITDA	2,929	3,002	1,900	<b>3,653</b>	1,753	92.3%	21.7%

# Consolidated Balance Sheet

Changes in assets primarily consisted of a 7.4 billion yen increase in Cash and deposits, and a 5.4 billion yen increase in Merchandise and finished goods. Changes in liabilities mainly consisted of a 12.5 billion yen increase in Accounts payable-trade. Net interest-bearing debt was 27.8 billion yen, maintaining a low level since FY3/13.

(Millions of yen)	End of Mar. 2022 (FY3/22)	End of Mar. 2023 (FY3/23)	End of June 2023 (1Q FY3/24)	YoY change	YoY change (%)
Current assets	81,651	85,720	<b>97,919</b>	12,199	14.2%
Merchandise and finished goods	23,024	28,416	<b>33,901</b>	5,484	19.3%
Non-current assets	97,102	99,576	<b>101,281</b>	1,704	1.7%
Property, plant and equipment	64,025	61,435	<b>60,881</b>	(553)	(0.9)%
Intangible assets	18,969	19,573	<b>19,814</b>	241	1.2%
Investments and other assets	14,107	18,568	<b>20,585</b>	2,016	10.9%
Total assets	178,753	185,297	<b>199,201</b>	13,903	7.5%
Current liabilities	78,931	77,050	<b>88,787</b>	11,737	15.2%
Accounts payable-trade	48,513	47,916	<b>60,512</b>	12,595	26.3%
Current portion of long-term loans payable	12,366	10,390	<b>10,645</b>	255	2.5%
Non-current liabilities	46,944	51,763	<b>53,641</b>	1,877	3.6%
Long-term loans payable	41,531	44,640	<b>46,424</b>	1,784	4.0%
Total liabilities	125,876	128,814	<b>142,429</b>	13,615	10.6%
Total net assets	52,876	56,483	<b>56,771</b>	288	0.5%
Shareholders' equity	52,876	56,483	<b>56,771</b>	288	0.5%
Equity ratio	29.6%	30.5%	<b>28.5%</b>	(2.0Pt)	–
Net interest-bearing debt	31,054	34,357	<b>27,826</b>	(6,530)	(19.0%)

# Dispensing Pharmacy Business

Net sales were up 8.9% YoY and operating profit up 40.9% YoY (71.0% above the forecast), owing to an increase in the number of prescriptions filled and contributions from newly opened pharmacies (38 in FY3/23 and 11 in FY3/24).

(Millions of yen)	1Q FY3/22 Results	1Q FY3/23 Results	1Q FY3/24 Forecast	1Q FY3/24 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	62,912	66,375	71,500	<b>72,309</b>	809	1.1%	8.9%
Cost of sales	53,307	56,258	61,500	<b>61,213</b>	(286)	(0.5%)	8.8%
Gross profit	9,604	10,116	9,900	<b>11,096</b>	1,196	12.1%	9.7%
% to sales	15.3%	15.2%	13.8%	<b>15.3%</b>	1.5Pt	—	—
SG&A expenses	7,716	8,054	8,200	<b>8,189</b>	(10)	(0.1%)	1.7%
% to sales	12.3%	12.1%	11.5%	<b>15.3%</b>	(0.1Pt)	—	—
Operating profit	1,888	2,062	1,700	<b>2,907</b>	1,207	71.0%	40.9%
% to sales	3.0%	3.1%	2.4%	<b>4.0%</b>	1.6Pt	—	—
No. of pharmacies at the end of each period (stores) <small>note 1</small>	679	713	725	<b>725</b>	0	0.0%	1.7%
Prescription drug sales per pharmacy <small>note 2</small>	93	94	99	<b>100</b>	1	1.1%	6.4%

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

While net sales were up 5.0% YoY due to steady sales of existing products and newly listed NHI drug prices, operating profit was down 53.4% YoY (226 million yen above the forecast) due to the impact of the NHI price revisions in April 2023 and limited shipments on some products.

(Millions of yen)	1Q FY3/22 Results	1Q FY3/23 Results	1Q FY3/24 Forecast	1Q FY3/24 Results	Change Vs. Forecast	Vs. Forecast	YoY growth Rate
Net sales	12,158	10,027	9,700	10,530	830	8.6%	5.0%
Cost of sales	10,460	8,674	8,400	9,264	864	10.3%	6.8%
Gross profit	1,698	1,352	1,200	1,265	65	5.4%	(6.4%)
% to sales	14.0%	13.5%	12.4%	12.0%	(0.4Pt)	—	—
SG&A expenses	1,247	1,082	1,300	1,139	(160)	(12.4%)	5.3%
% to sales	10.3%	10.8%	13.4%	10.8%	(2.6Pt)	—	—
Operating profit	451	270	(100)	126	226	—	(53.4%)
% to sales	3.7%	2.7%	—	1.2%	—	—	—

Note: Rounding down to the nearest unit

## Medical Professional Staffing and Placement Business

Despite a YoY decline in demand for Covid-19 Vaccination efforts, Sales grew 24.9% YoY, and operating profit was up 36.1% YoY(21.0% above the forecast) due to an increase in results from the mainstay pharmacist staffing and placement business.

(Millions of yen)	1Q FY3/22 Results	1Q FY3/23 Results	1Q FY3/24 Forecast	1Q FY3/24 Results	Change Vs. Forecast	Vs. Forecast	YoY growth rate
Net sales	1,901	2,066	2,300	<b>2,580</b>	280	12.2%	24.9%
Cost of sales	676	721	800	<b>1,027</b>	227	28.4%	42.3%
Gross profit	1,225	1,344	1,400	<b>1,553</b>	153	11.0%	15.5%
% to sales	64.4%	65.1%	60.9%	<b>60.2%</b>	(0.7Pt)	—	—
SG&A expenses	947	988	1,000	<b>1,069</b>	69	6.9%	8.1%
% to sales	49.8%	47.9%	43.5%	<b>41.4%</b>	(2.0Pt)	—	—
Operating profit	278	355	400	<b>484</b>	84	21.0%	36.1%
% to sales	14.6%	17.2%	17.4%	<b>18.8%</b>	1.4Pt	—	—

Note: Rounding down to the nearest unit

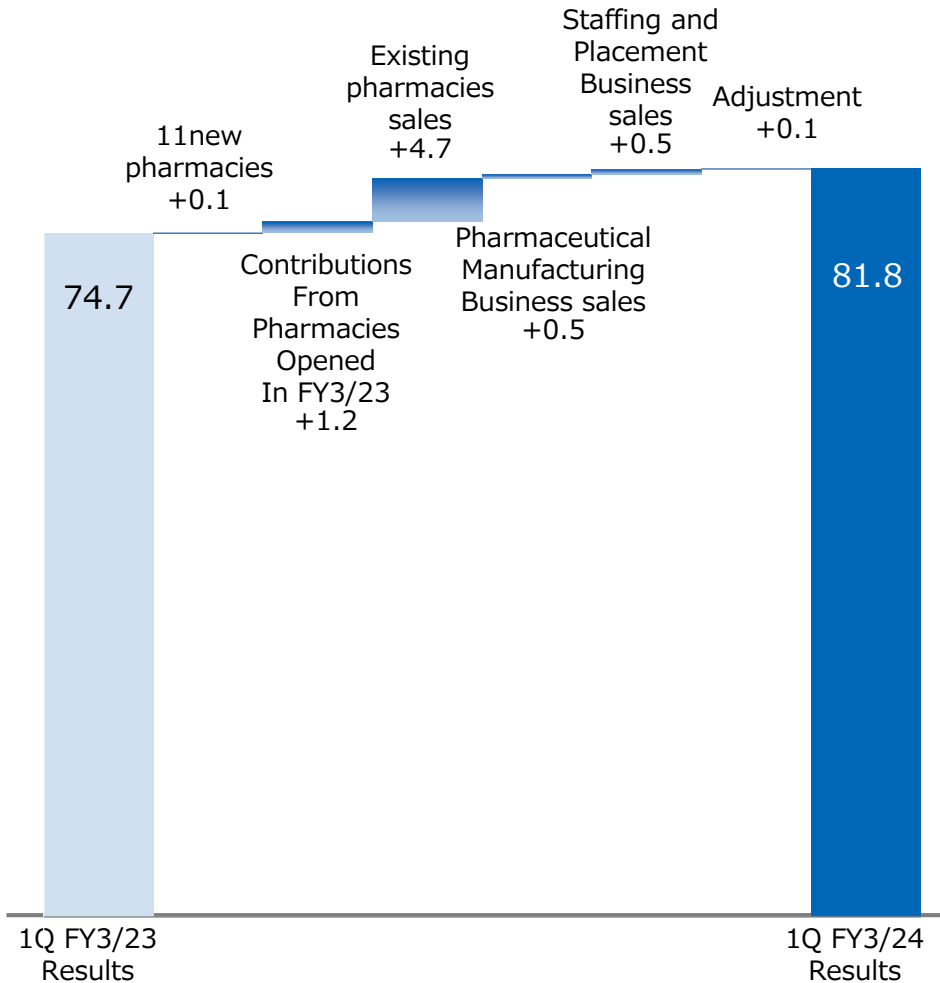


## Reference Materials

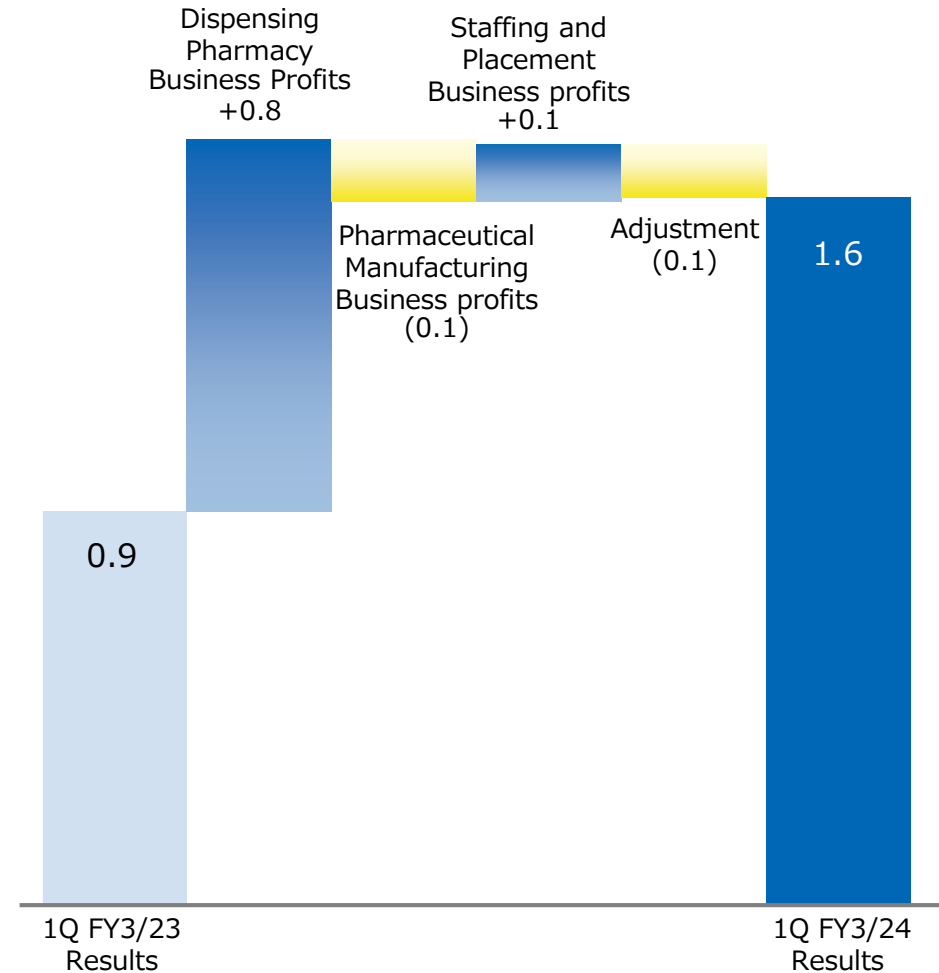
### Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

#### Net Sales



#### Operating Profit

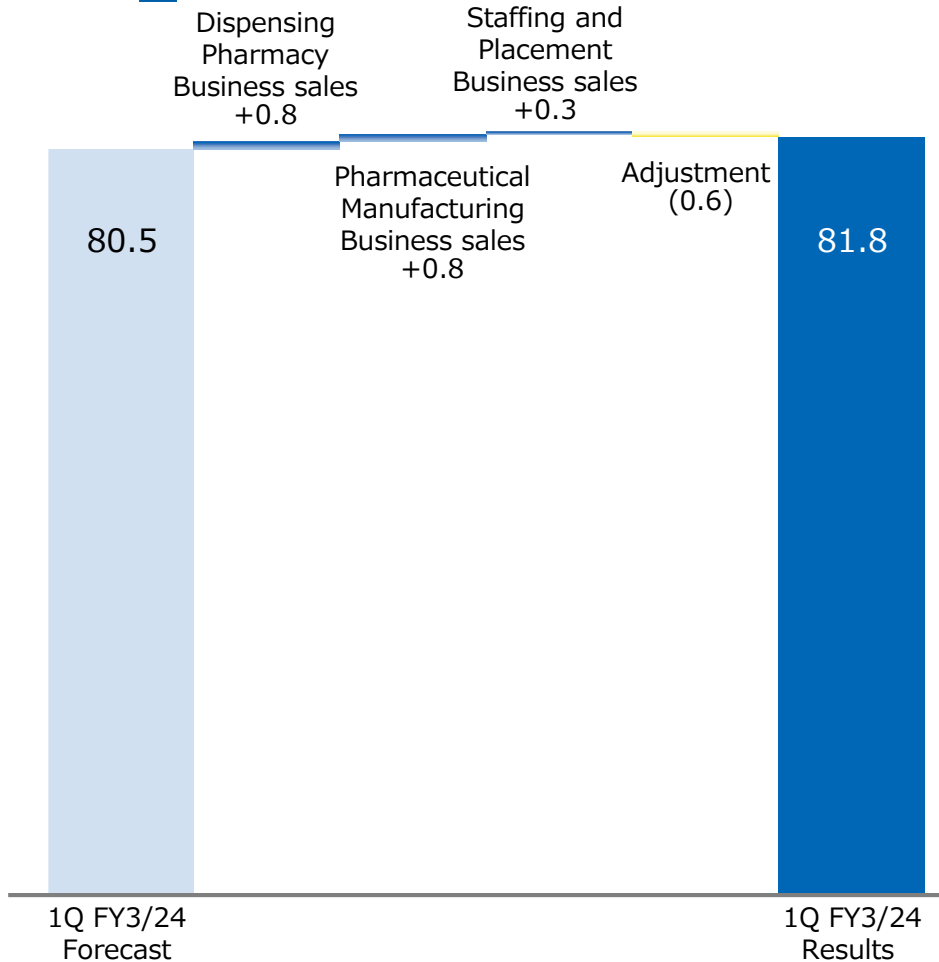


## Reference Materials

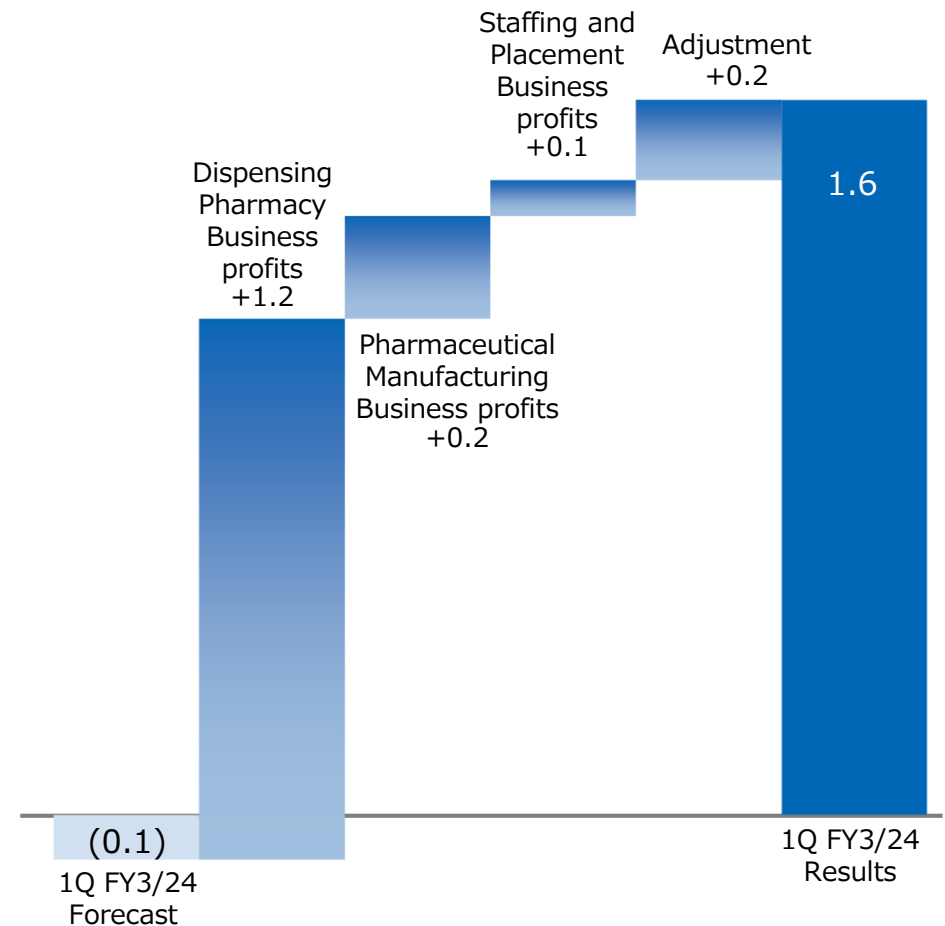
### Consolidated Results: Major Components of Changes vs. Forecast (Net Sales / Operating Profit)

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

#### Net Sales



#### Operating Profit



# 2

## Growth strategy



**Dispensing  
Pharmacy  
Business**

- Store opening strategy  
Continuing to open new stores with an emphasis on balance
- Open Pharmacies with Various Functions

**Pharmaceutical  
Manufacturing  
and Sales  
Business**

- Expand the Pharmaceutical Manufacturing and Sales Business
- New NHI Listed Drugs

While placing top priority on quality control and stable supply, steady development of new products and review of sales items have increased the ratio of in-house manufacturing.

**Medical  
Professional  
Staffing and  
Placement  
Business**

- Expand the Medical Professional Staffing and Placement Business

The staffing and placement business for pharmacists expanded its performance due to a favorable turnaround in the external environment, and the physician business also remained strong.



# Pharmacy Network ①

Both in our own store openings and M&A we are making upfront investments in large stores that support advanced medical and home medical care, and our sales per store are on an upward trend. While maintaining the share of pharmacies opened through organic growth, we aim to utilize M&A for balanced pharmacy openings.

Pharmacy Openings	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	1Q FY3/24
Opened	36	32	65*	29	40	38	11
Organic growth (percentage)	23 (63.9%)	26 (81.2%)	35 (53.8%)	22 (75.9%)	34 (85.0%)	30 (78.9%)	9 (81.8%)
M&A	13	6	30	7	6	8	2
Closed	8	19	13	9	13	17	4
No. of pharmacies at the end of period	585	598	650	670	697	718	725

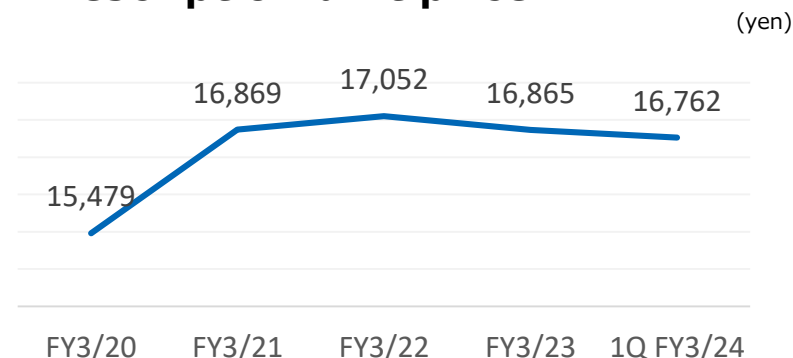
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

## 1Q FY3/24 Results

(YoY growth rate)	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	+7.3%	+4.9%	+2.3%
Pharmacies opened in FY3/23	+238.5%	+155.1%	+32.7%
Total	+9.2%	+7.5%	+1.5%

No. of prescriptions 4,246,000 Prescription unit price 16,762yen

## Prescription unit price



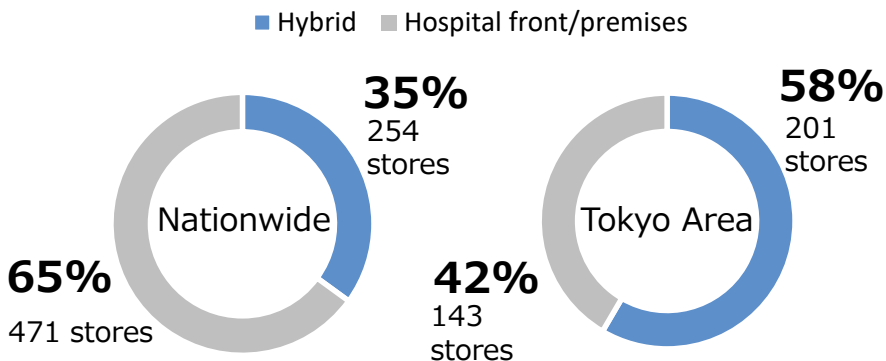
# Pharmacy Network②

Expansion of openings of both hospital-front pharmacies and pharmacies within hospital premises that provide advanced medical care and hybrid pharmacies that provide community and home medical care.

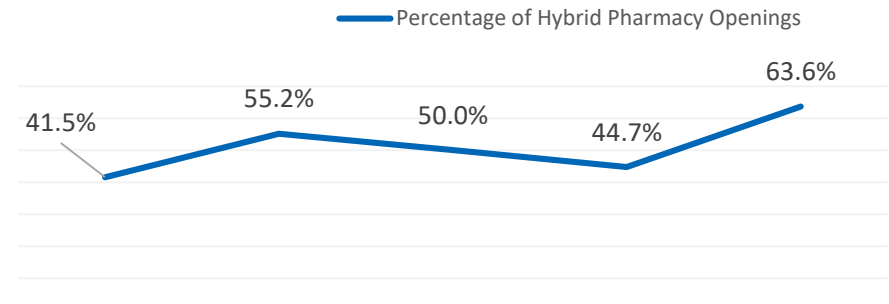
Pharmacy Openings					
	FY3/20	FY3/21	FY3/22	FY3/23	1Q FY3/23
Opened	65 <sup>note</sup>	29	40	38	11
Hospital-front pharmacies / Pharmacies within hospital premises	38	13	20	17	4
Hybrid pharmacies	27	16	20	21	7
Closed	13	9	13	17	4
No. of pharmacies at the end of period	650	670	697	718	725

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 1Q FY3/24	No. of pharmacies at 1Q FY3/24	Percentage
Kanto	7	379	52.3%
Kansai	1	84	11.6%
Other	3	262	36.1%
<b>Total</b>	<b>11</b>	<b>725</b>	<b>100.0%</b>

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.

# Open Pharmacies with Various Functions

## Specialized medical institution cooperation pharmacies

**49** /157 stores nationwide

Certified pharmacies that are able to provide specialized pharmacy management, collaboration with other medical institutions, advanced pharmacy management, and special dispensing for patients who require specialized pharmacy management. Currently, pharmacies with a high level of expertise in "cancer" treatment are certified.

## Regional cooperation pharmacies

**475** /3830 stores nationwide

Pharmacies certified by prefectural governors that appropriately collaborate with local medical institutions and other pharmacies and serve as a link between hospitals and nursing care facilities and homes.

## Health support pharmacies

**184** stores

Pharmacies that meet the standards for health support set by the Minister of Health, Labor and Welfare, with the function of actively supporting community residents and patients to lead healthy and prosperous lives.

## At-Home Medical Care Support Centers

**27** stores

Highly specialized pharmacists who focus on home healthcare provide a wide range of home healthcare services to meet the needs of the community, including not only elderly patients but also pediatric patients with serious illnesses such as cancer and other serious or intractable diseases.

## Pharmacies for home palliative care patients

**1** stores

A certification system started in Dec. 2022 by the Japanese Society for Pharmaceutical Palliative Care and Sciences. Certification is awarded to pharmacies with specialized functions deemed necessary for palliative care to enable patients to choose the best pharmacy for themselves and receive quality palliative pharmacotherapy.

## Online medication Service NiCOMS

Available at all stores

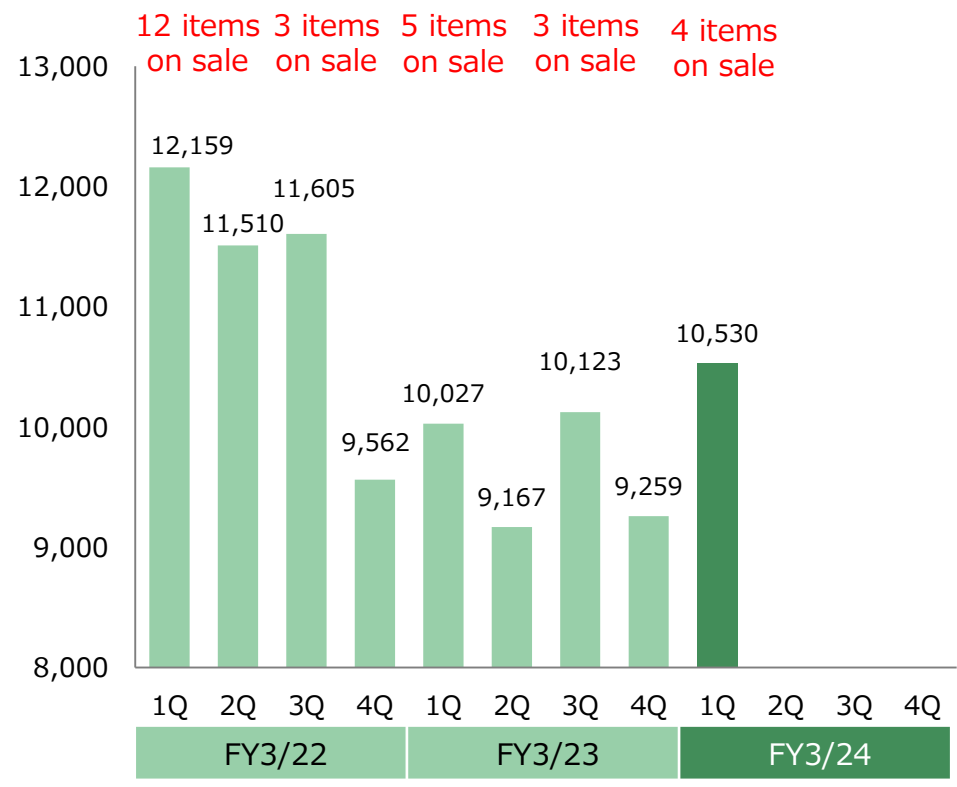
An online medication guidance service developed in-house and available at all Nihon Chouzai Pharmacy stores. Patients can receive explanations of their medications from pharmacists in their own homes using their smartphones or PCs, and have their medications delivered to their homes.

# Growth of the Pharmaceutical Manufacturing and Sales Business

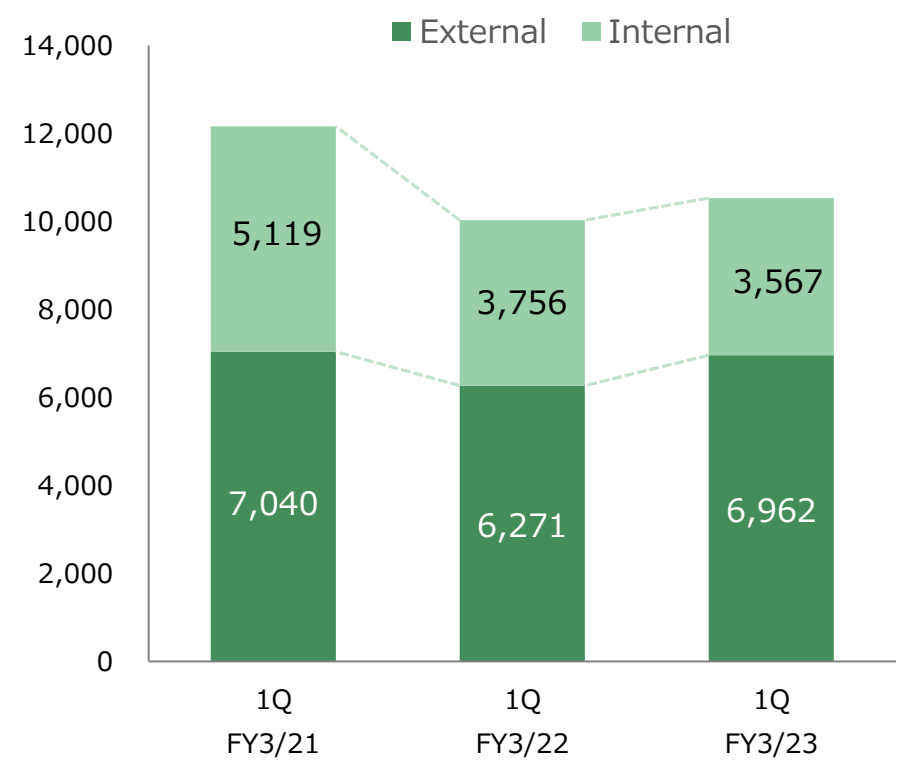
Net sales were up mainly due to strong sales of existing products and newly added to the NHI drug price list in June.

## Net sales and their breakdown

Quarterly Sales (millions of yen)



Internal/External sales (Millions of yen)





# New NHI Listed Drugs

Product Items for New NHI Listing  
in June 2023: **6 Items**

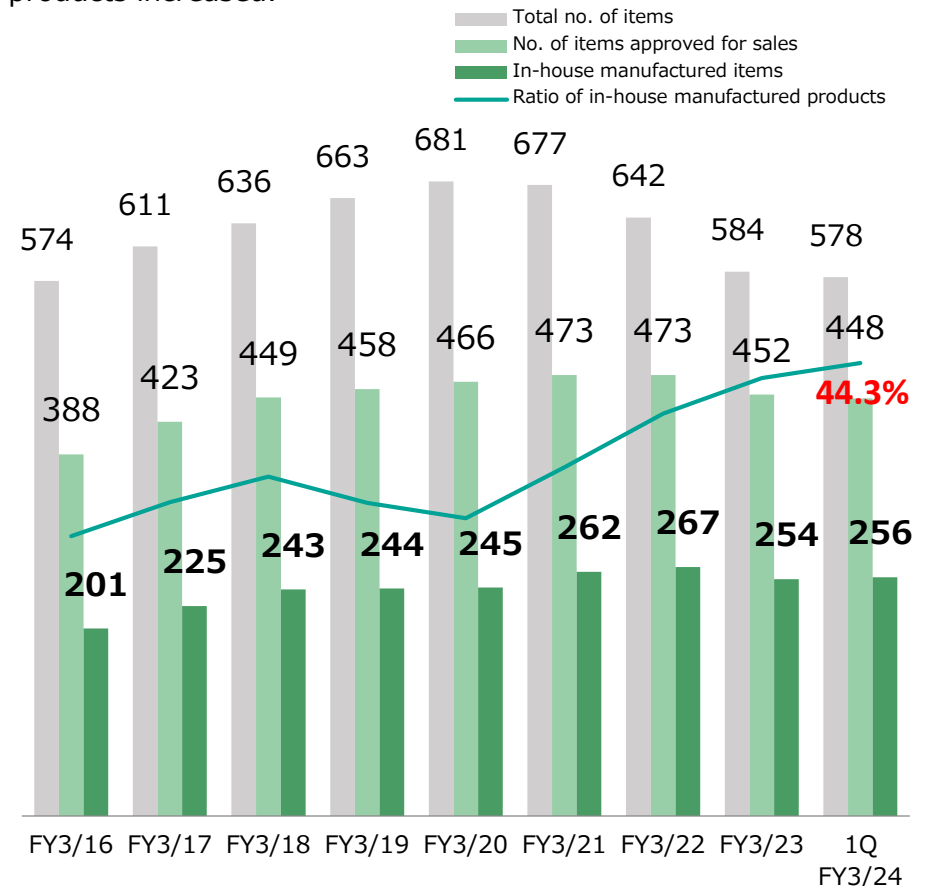
Scale of potential conversion to generic drugs (estimated\*) **49.8** billion yen

名称	
Azilsartan Tablets 10mg "JG"	EzeAto Combination Tablets LD "JG" *
Azilsartan Tablets 20mg "JG"	EzeAto Combination Tablets HD "JG" *
Azilsartan Tablets 40mg "JG"	Sildenafil Tablets 20mg RE "JG"

\* Calculated by Nihon Chouzai based on the annual usage volume of brand-name products  
\* EzeAto Combination Tablets LD "JG" and EzeAto Combination Tablets HD "JG" are scheduled to be sold in September 2023

## Number of Product Items

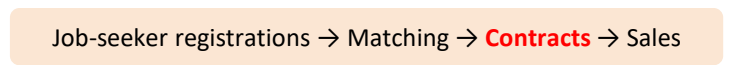
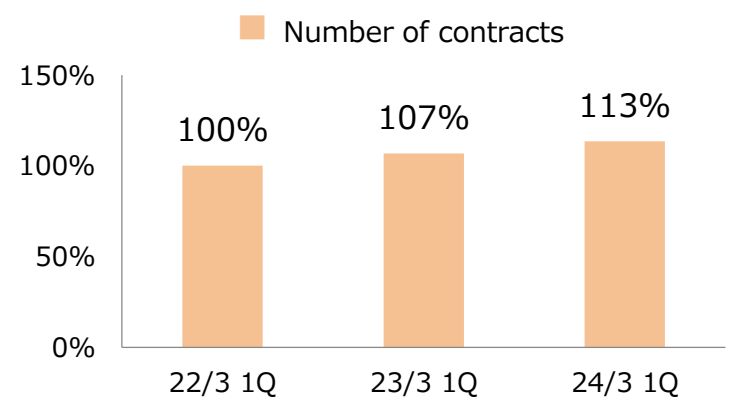
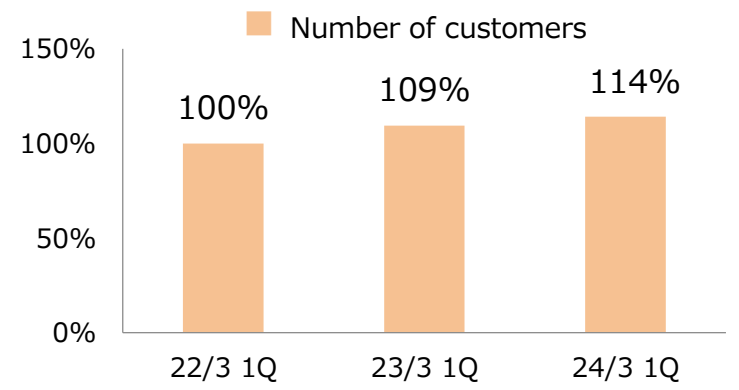
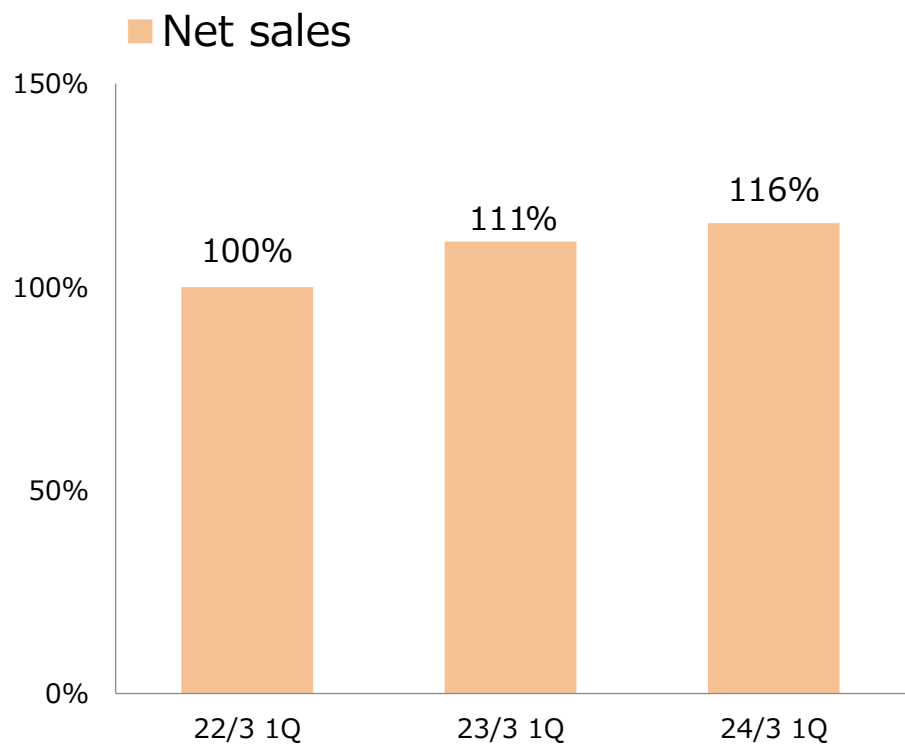
Although the total number of items declined following a review of production items, the ratio of in-house manufactured products increased.



# Growth of the Medical Professional Staffing and Placement Business

In the pharmacist staffing business, the market for staffing pharmacists, mainly in small and medium-sized pharmacies, remained firm and secured positive YoY growth. The placement business also secured an YoY increase in sales due to a favorable turnaround in the external environment.

## Growth of the pharmacist placement business

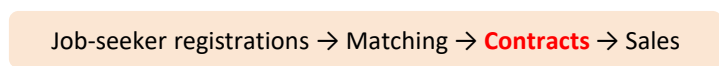
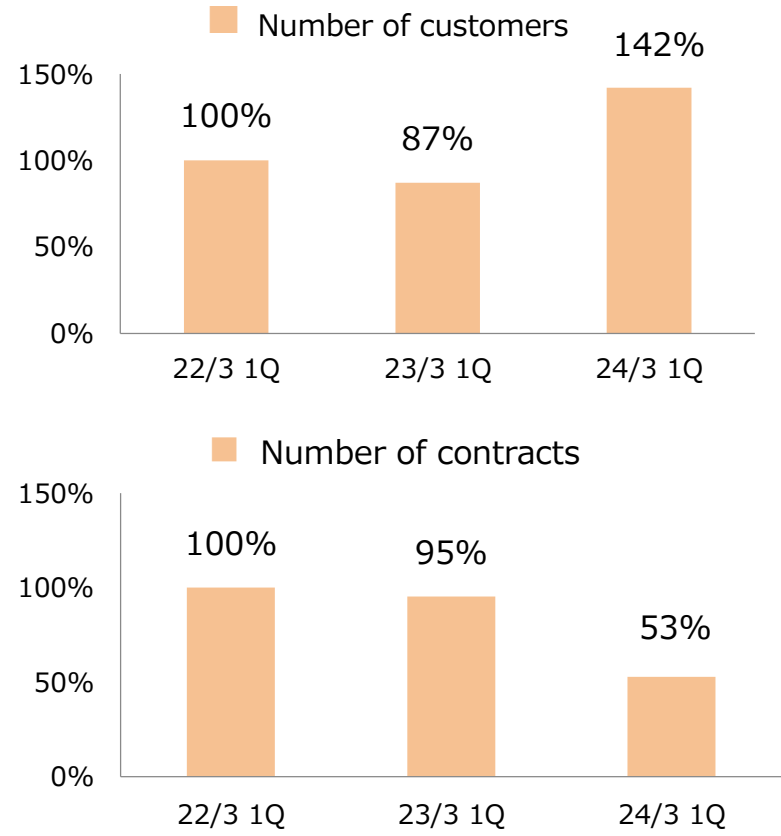
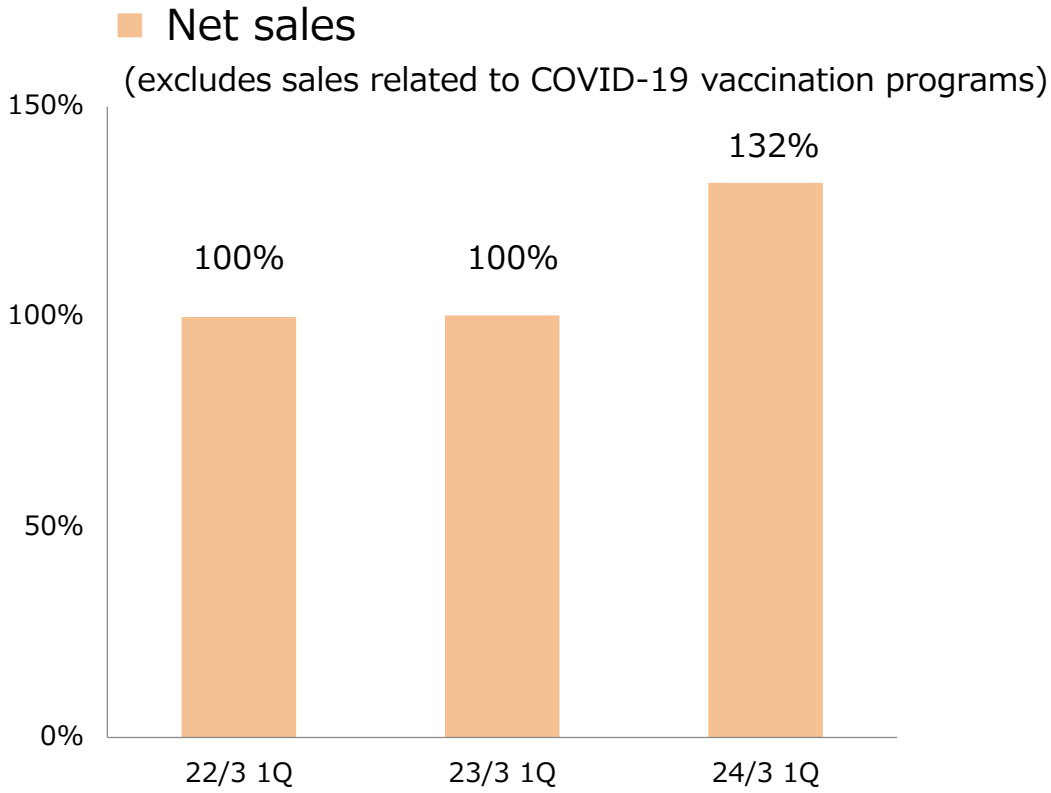


FY3/22 Net sales, customers and contracts = 100%

# Growth of the Medical Professional Staffing and Placement Business

Physician placement business remained robust due to steady demand for full-time and part-time physicians, despite a sharp decline in demand for COVID-19 vaccination program-related services.

## Expansion of the physician business

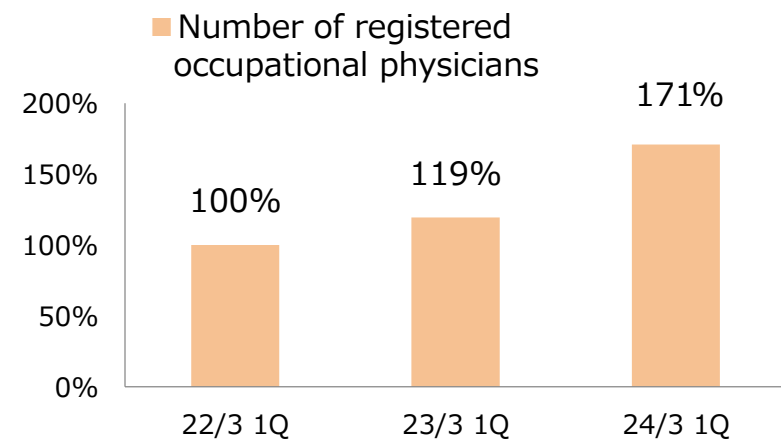
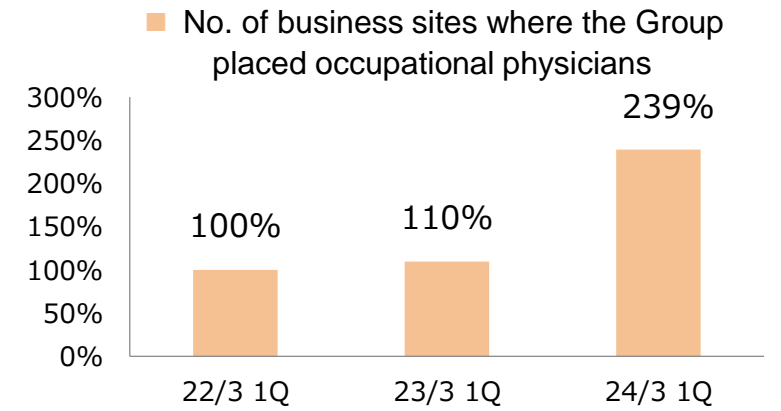
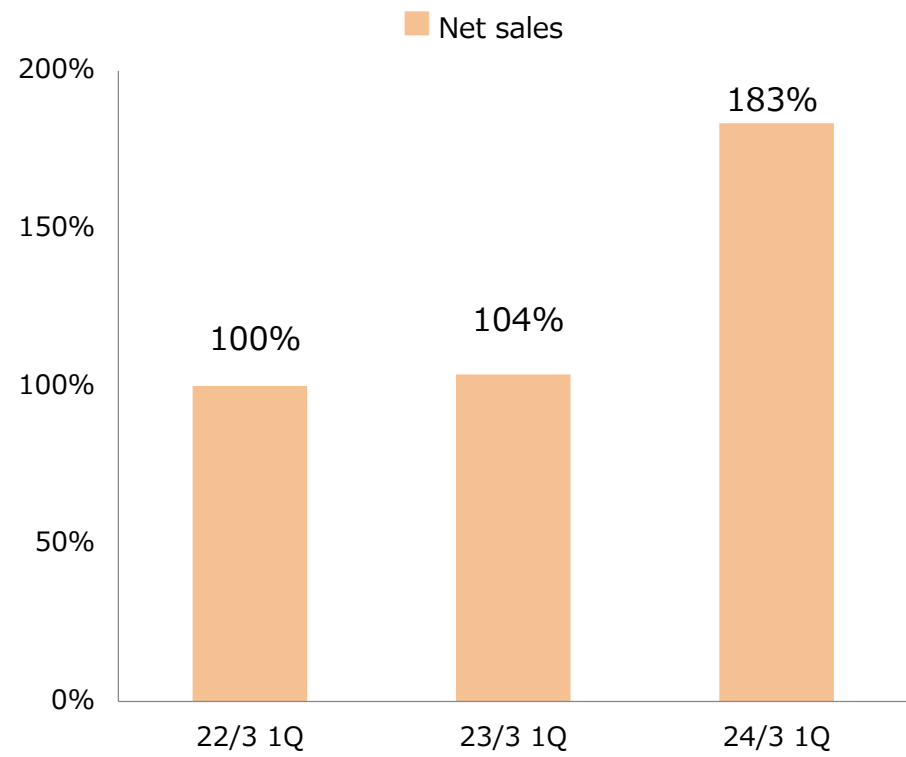


FY3/22 Net sales, customers and contracts = 100%  
 Number of contracts includes those related to Covid-19

# Growth of the Medical Professional Staffing and Placement Business

The occupational physician business was launched in response to demand for employee health management, which is growing in importance in corporate management. Since entering in November 2020, the business is steadily expanding utilizing the nationwide network of Medical Resources. New website was launched in May to strengthen the business.

## Expansion of the occupational physician business



FY3/22 Net sales, the no. of business sites where the Group placed occupational physicians, and the no. of registered occupational physicians = 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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