

January 31, 2024

**Summary of Consolidated Financial Results for the Third Quarter
of the Fiscal Year Ending March 31, 2024
(Nine months Ended December 31, 2023)**

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd.
Stock code: 3341
Representative: Yosuke Mitsuhara, President & CEO

Listing: Tokyo Stock Exchange, Prime Market
URL: <https://www.nicho.co.jp>

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Scheduled date of filing of Quarterly Report: February 14, 2024
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, 2024 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, 2024
(April 1, 2023 – December 31, 2023)**

(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, 2023	254,127	9.1	13,144	7.1	6,550	12.4	6,517	11.7	3,769	(12.1)
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

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2023: 3,773 (down 12.2%)
Nine months ended Dec. 31, 2022: 4,300 (up 286.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2023	125.99	—
Nine months ended Dec. 31, 2022	143.23	—

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, 2023	194,365	59,511	30.6
As of Mar. 31, 2023	185,297	56,483	30.5

Reference: Shareholders' equity (million yen) As of Dec. 31, 2023: 59,511 As of Mar. 31, 2023: 56,483

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	—	12.50	—	12.50	25.00
Fiscal year ending Mar. 31, 2024	—	12.50	—		
Fiscal year ending Mar. 31, 2024 (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, 2024 (April 1, 2023 – March 31, 2024)

(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	337,100	7.6	17,300	5.9	8,400	10.7	8,300	8.0	4,300	(3.6)	143.74

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, 2023:	32,048,000 shares	As of Mar. 31, 2023:	32,048,000 shares
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2) Number of treasury shares at the end of period

As of Dec. 31, 2023:	2,130,651 shares	As of Mar. 31, 2023:	2,133,695 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2023:	29,916,270 shares	Nine months ended Dec. 31, 2022:	29,948,912 shares
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Note:

The number of shares of the Company held in the Directors' Remuneration BIP Trust (December 31, 2023: 69,016 shares; March 31, 2023: 72,200 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 first nine months of the fiscal year ending March 31, 2024 (April 1, 2023–December 31, 2023), the Japanese economy showed signs of recovery, as socioeconomic activities increasingly returned to normal with the downgrading of COVID-19 to a Class 5 infectious disease. Going forward, although the economy is expected to remain on a gradual recovery trajectory against a backdrop of improving employment and income conditions, the impact of geopolitical risks and inflation warrants careful monitoring. Under these economic conditions, 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 pharmaceuticals.

The 2024 Noto Peninsula Earthquake, which occurred in January 2024, forced three of the Group's pharmacies to close temporarily immediately after the disaster, but we made every effort to provide our services to patients who visited our pharmacies during the closure as much as possible. In addition, we dispatched more than 30 employees to support our response to the disaster and focused on the early reopening of pharmacies for those in need of pharmaceuticals. Moreover, we have donated relief funds to support those affected by the disaster. We will continue to provide the best possible support to those affected by the disaster, as well as to our employees and their families, placing the highest priority on their safety and the lives.

In the first nine months under review, while drug price revisions and a decline in the number of products resulting from a review of product offerings had an impact on the Pharmaceutical Manufacturing and Sales business, the strong performance in the Dispensing Pharmacy business continuing on from the first half of the fiscal year and groupwide cost reduction measures contributed to earnings growth. As a result, net sales amounted to 254,127 million yen (+9.1% YoY), operating profit 6,550 million yen (+12.4% YoY), ordinary profit 6,517 million yen (+11.7% YoY), and profit attributable to owners of parent 3,769 million yen (-12.1% YoY).

Segment-specific earnings and initiatives are as indicated below.

1) Dispensing Pharmacy Business

In the first nine months of the current consolidated fiscal year, the Dispensing Pharmacy Business reported an increase in both net sales and operating profit YoY, with net sales of 225,570 million yen (+8.4% YoY) and operating profit of 10,628 million yen (+0.2% YoY), thanks to contributions from pharmacies opened in the previous fiscal year and growth in the number of prescriptions filled due to the outbreak of influenza and other infectious diseases.

As of December 31, 2023, the total number of pharmacies came to 730, reflecting 26 new store openings and 14 closures during the nine-month period under review. The Nihon Chouzai Group, with a groupwide average generics sales ratio of 90.8% (excluding discontinued products; on a volume basis), met the government's target ratio of generic drug use of over 80% in all prefectures across the nation by the end of Fiscal Year 2023. Further, the percentage of the Group's pharmacies that provided at-home medical care (those that made at least 24 at-home medical care visits in a year) grew steadily, reaching 94.9%.

Nihon Chouzai continued to actively roll out initiatives aimed at improving patients' access to healthcare and convenience. For instance, the Company enabled patients using its online medication guidance service through the CLINICS online consultation and medication guidance app provided by Medley, Inc., who previously only had the option of having their prescription drugs delivered to home, to pick up drugs in person at pharmacies nationwide (excluding some) from December 2023.

Further, we added the all-in-one cold medicine, two products containing vitamins, and a medicated cream that

can be used to improve dry skin to the lineup of our 5COINS PHARMA brand of uniformly priced OTC drugs, which until then carried 14 products, including antipyretic and analgesics, gastrointestinal drugs, and lozenges, and began offering these products at some pharmacies operated by other companies. As such, we have expanded initiatives to contribute to the promotion of self-medication by all people.

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 31,163 million yen (+6.3% YoY) and operating profit of 555 million yen (operating loss of 456 million yen same period a year ago). Net sales and operating profit grew owing to robust sales of existing products and products newly added to the NHI drug price list and recovery of production volume at own plants, despite the drop in sales price of existing products following the April 2023 drug price revisions and restricted shipments of some products.

As of December 31, 2023, the Group offered 540 products (including two OTC drugs), reflecting revisions to the product offerings as well as the launch of seven products newly added to the NHI drug price list in June, September, and December 2023.

In terms of ensuring stable supply, we limited the shipment of many of our products due to the industry-wide supply disruptions and the November 2021 fire at the West Japan logistics center, but we are gradually resuming normal shipments, starting with products for which a stable supply system has been put in place. As of December 31, 2023, the number of products subject to limited shipment was down to 146. We will continue to place the topmost priority on ensuring the quality and stable supply of generic drugs, while investing in R&D to expand the lineup of in-house manufactured drugs, including those newly added to the NHI drug price list, and enhancing productivity.

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 7,370 million yen (+24.7% YoY) and operating profit of 795 million yen (+32.1% YoY).

Net sales and operating profit grew, despite a decline in COVID-19 vaccination program-related sales, mainly in the physician staffing business, thanks to year-on-year growth in sales and profit in the pharmacist staffing and placement business, which had been adversely affected by the pandemic. We are seeing increased demand in the occupational physician placement business, and in response, working to contribute to the health management of Japanese companies.

(2) Explanation of Financial Position

Total assets at the end of the Third Quarter of the current consolidated fiscal year came to 194,365 million yen, an increase of 4.9%, or 9,067 million yen, from 185,297 million yen at the end of the fiscal year ended March 2023.

Growth in assets was mainly due to increases in merchandise and finished goods.

Total liabilities were 134,853 million yen, an increase of 4.7%, or 6,039 million yen, from 128,814 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 59,511 million yen, an increase of 3,028 million yen from 56,483 million yen at the end of the previous fiscal year. As a result, the equity ratio came to 30.6%.

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

No change has been made to the full-year consolidated earnings forecast disclosed in the “Notice of Difference Between Forecast and Actual Results for the First Half of FY2024 and Revision of Full-Year Earnings Forecast,” dated October 31, 2023.

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

	(Millions of yen)	
	FY3/23 (As of Mar. 31, 2023)	Third Quarter of FY3/24 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	23,770	16,926
Notes receivable-trade	70	45
Accounts receivable-trade and contract assets	21,246	23,126
Electronically recorded monetary claims-operating	437	226
Merchandise and finished goods	28,416	34,565
Work in process	1,742	1,980
Raw materials and supplies	6,021	6,789
Other	4,022	4,656
Allowance for doubtful accounts	(6)	(6)
Total current assets	85,720	88,309
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,361	29,517
Land	13,377	13,339
Construction in progress	1,828	2,513
Other, net	17,867	17,375
Total property, plant and equipment	61,435	62,746
Intangible assets		
Goodwill	14,195	13,174
Other	5,377	7,931
Total intangible assets	19,573	21,105
Investments and other assets		
Investment securities	16	16
Leasehold and guarantee deposits	9,160	11,932
Other	9,391	10,254
Total investments and other assets	18,568	22,203
Total non-current assets	99,576	106,055
Total assets	185,297	194,365

	(Millions of yen)	
	FY3/23 (As of Mar. 31, 2023)	Third Quarter of FY3/24 (As of Dec. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	47,916	56,437
Electronically recorded obligations-operating	1,476	2,447
Short-term loans payable	2,000	—
Current portion of long-term loans payable	10,390	10,170
Income taxes payable	2,640	324
Provision for bonuses	3,892	2,088
Provision for bonuses for directors (and other officers)	68	—
Other	8,665	11,405
Total current liabilities	77,050	82,874
Non-current liabilities		
Long-term loans payable	44,640	42,122
Provision for retirement benefits for directors (and other officers)	79	91
Retirement benefit liability	2,464	2,623
Other	4,579	7,142
Total non-current liabilities	51,763	51,979
Total liabilities	128,814	134,853
Net assets		
Shareholders' equity		
Share capital	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	45,216	48,236
Treasury shares	(3,600)	(3,596)
Total shareholders' equity	56,495	59,519
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(12)	(8)
Total accumulated other comprehensive income	(12)	(8)
Total net assets	56,483	59,511
Total liabilities and net assets	185,297	194,365

(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 FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)	First Nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)
Net sales	232,844	254,127
Cost of sales	192,233	211,315
Gross profit	40,610	42,812
Selling, general and administrative expenses	34,780	36,262
Operating profit	5,829	6,550
Non-operating income		
Commission income	30	34
Rental income	438	488
Insurance Income	54	15
Subsidy Income	26	40
Other	203	161
Total non-operating income	753	739
Non-operating expenses		
Interest expenses	201	263
Rent expenses	330	323
Other	214	186
Total non-operating expenses	746	772
Ordinary profit	5,836	6,517
Extraordinary income		
Gain on sales of non-current assets	1,170	65
Compensation income	120	32
Total extraordinary income	1,290	97
Extraordinary losses		
Impairment loss	114	142
Loss on sales of non-current assets	51	3
Total extraordinary losses	166	146
Profit before income taxes	6,960	6,468
Income taxes-current	1,720	1,847
Income taxes-deferred	950	851
Total income taxes	2,671	2,699
Profit	4,289	3,769
Profit attributable to owners of parent	4,289	3,769

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

(Millions of yen)

	First Nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)	First Nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)
Profit	4,289	3,769
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	10	4
Total other comprehensive income	10	4
Comprehensive income	4,300	3,773
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,300	3,773

(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 FY3/23 (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.

II. First Nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)

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	225,570	21,222	7,334	254,127	—	254,127
(2) Inter-segment sales and transfers	—	9,940	35	9,976	(9,976)	—
Total	225,570	31,163	7,370	264,103	(9,976)	254,127
Segment profit (loss)	10,628	555	795	11,978	(5,428)	6,550

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 5,428 million yen to segment profit (loss) includes eliminations of minus 143 million yen for inter-segment transactions and corporate expenses of minus 5,285 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 142 million yen for store assets (three pharmacies).

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.