

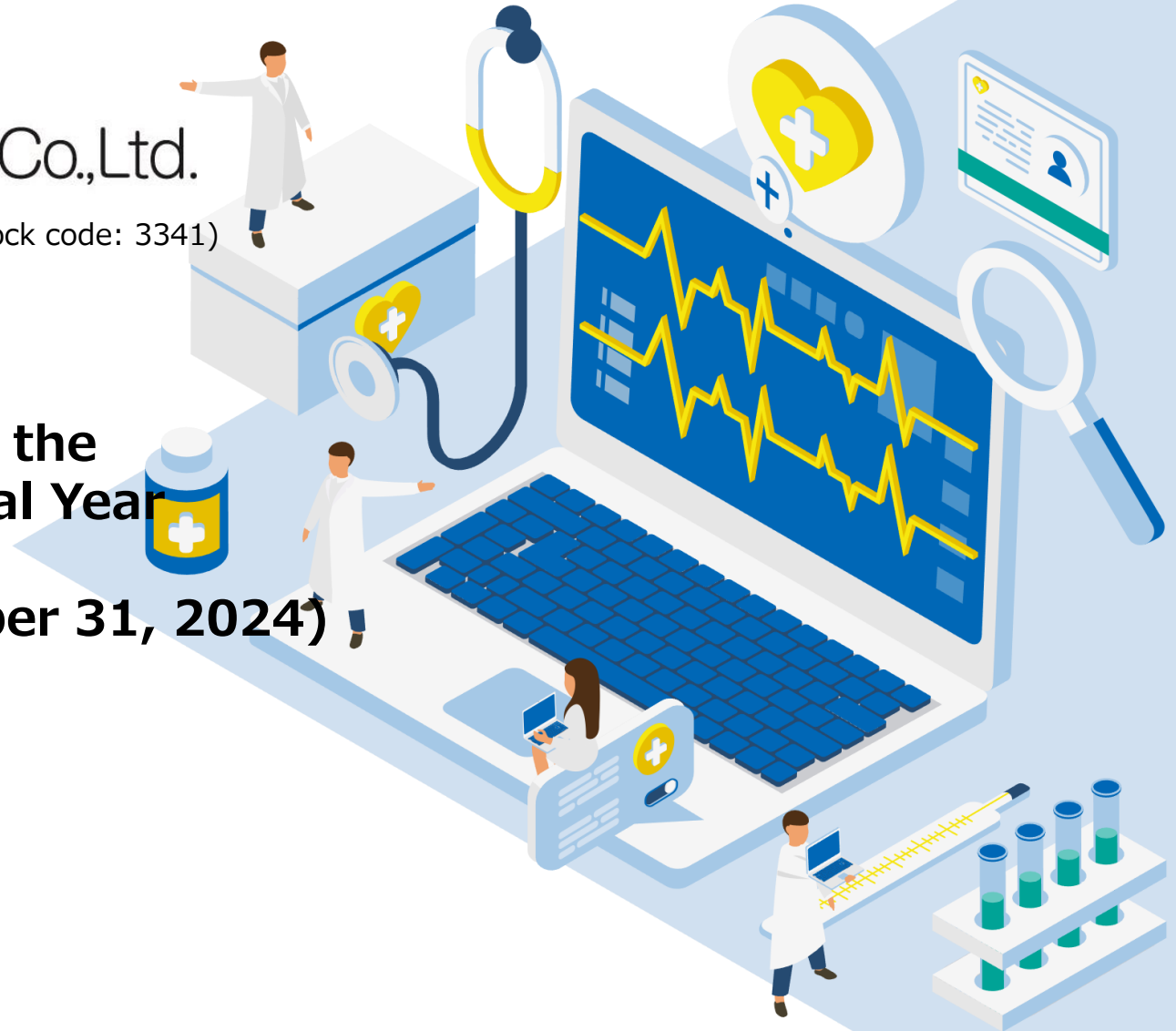


NIHON CHOUZAI Co.,Ltd.

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

**Results of Operations for the
Third Quarter of the Fiscal Year
Ending March 31, 2024
(April 1, 2023 to December 31, 2024)**

January 31, 2024



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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 the growth in the number of prescriptions at existing stores caused by the outbreak of infectious disease, as well as the effect of new store openings in the previous and current fiscal years, while pharmaceutical procurement costs increased.

Pharmaceutical Manufacturing and Sales Business

Net sales and profit increased due to strong sales of existing products and newly listed products in the NHI drug price list, despite 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 occupational physicians business).

Consolidated Statement of Income

Net sales were up 9.1% YoY and 0.6% vs. forecast backed by robust performance of the Dispensing Pharmacy Business. Operating profit grew 12.4% YoY and 5 billion yen vs. forecast due to cost-reduction measures.

(Millions of yen)	3Q FY3/22 Results	3Q FY3/23 Results	3Q FY3/24 Revised Forecast	3Q FY3/24 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth Rate
Net sales	223,439	232,844	252,600	254,127	1,527	0.6%	9.1%
Cost of sales	183,714	192,233	211,100	211,315	215	0.1%	9.9%
Gross profit	39,724	40,610	41,500	42,812	1,312	3.2%	5.4%
% to sales	17.8%	17.4%	16.4%	16.8%	0.4pt	—	—
SG&A expenses	33,897	34,780	35,500	36,262	762	2.1%	4.3%
% to sales	15.2%	14.9%	14.1%	14.3%	0.2pt	—	—
Consumption taxes	14,913	15,460	—	17,234	—	—	11.5%
R&D expenses	2,475	2,303	2,100	1,998	(102)	(4.9%)	(13.2%)
Operating profit	5,827	5,829	6,000	6,550	550	9.2%	12.4%
% to sales	2.6%	2.5%	2.4%	2.6%	0.2pt	—	—
Ordinary profit	6,058	5,836	5,900	6,517	617	10.5%	11.7%
% to sales	2.7%	2.5%	2.3%	2.6%	0.2pt	—	—
Profit attributable to owners of parent	1,096	4,289	3,600	3,769	169	4.7%	(12.1%)
% to sales	0.5%	1.8%	0.8%	1.5%	0.1pt	—	—
EBITDA	12,006	12,277	12,400	13,144	744	6.0%	7.1%

Consolidated Balance Sheet

Changes in assets primarily consisted of 6.1 billion yen increase in Merchandise and finished goods. Changes in liabilities mainly consisted of a 8.5 billion yen increase in Accounts payable-trade. Financial stability has improved as well as the equity ratio.

(Millions of yen)	End of Mar. 2022 (FY3/22)	End of Mar. 2023 (FY3/23)	End of Dec. 2023 (3Q FY3/24)	YoY change	YoY change (%)
Current assets	81,651	85,720	88,309	2,588	3.0%
Merchandise and finished goods	23,024	28,416	34,565	6,148	21.6%
Non-current assets	97,102	99,576	106,055	6,478	6.5%
Property, plant and equipment	64,025	61,435	62,746	1,311	2.1%
Intangible assets	18,969	19,573	21,105	1,532	7.8%
Investments and other assets	14,107	18,568	22,203	3,634	19.6%
Total assets	178,753	185,297	194,365	9,067	4.9%
Current liabilities	78,931	77,050	82,874	5,823	7.6%
Accounts payable-trade	48,513	47,916	56,437	8,520	17.8%
Non-current liabilities	46,944	51,763	51,979	215	0.4%
Long-term loans payable	41,531	44,640	42,122	(2,518)	(5.6%)
Total liabilities	125,876	128,814	134,853	6,039	4.7%
Total net assets	52,876	56,483	59,511	3,028	5.4%
Shareholders' equity	52,876	56,483	59,511	3,028	5.4%
Equity ratio	29.6%	30.5%	30.6%	0.1pt	—
Net interest-bearing debt	31,054	34,357	36,729	2,372	6.9%

Dispensing Pharmacy Business

Net sales were up 8.4% YoY and operating profit up 0.2% YoY (3.2% above the revised forecast), owing to an increase in the number of prescriptions filled due to the outbreak of influenza and other infectious diseases, and contributions from newly opened pharmacies (38 in FY3/23 and 19 in FY3/24), despite the rise in pharmaceutical procurement prices.

(Millions of yen)	3Q FY3/22 Results	3Q FY3/23 Results	3Q FY3/24 Revised Forecast	3Q FY3/24 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net sales	197,389	208,076	224,600	225,570	970	0.4%	8.4%
Cost of sales	165,775	174,425	190,700	190,675	(25)	(0.0%)	9.3%
Gross profit	31,613	33,650	33,800	34,895	1,095	3.2%	3.7%
% to sales	16.0%	16.2%	15.0%	15.5%	0.4pt	—	—
SG&A expenses	22,504	23,048	23,500	24,266	766	3.3%	5.3%
% to sales	11.4%	11.1%	10.5%	10.8%	0.3pt	—	—
Operating profit	9,108	10,601	10,300	10,628	328	3.2%	0.2%
% to sales	4.6%	5.1%	4.6%	4.7%	0.1pt	—	—
No. of pharmacies at the end of each period (stores) <small>note 1</small>	690	716	740	730	(10)	(1.4%)	2.0%
Prescription drug sales per pharmacy <small>note 2</small>	290	294	308	311	3	1.1%	5.8%

Note: Rounding down to the nearest unit

Prescription drug sales per pharmacy = Prescription drug sales / Average No. of pharmacies during the period **5**

Pharmaceutical Manufacturing and Sales Business

Net sales were up 6.3% YoY and operating profit up 255 million yen above the revised forecast due to a recovery in production volume at own plants and strong sales of existing products and newly listed NHI drug prices, despite the impact of the NHI price revision in April 2023 and a decrease in the number of products sold as a result of a review of sales items.

(Millions of yen)	3Q FY3/22 Results	3Q FY3/22 Results	3Q FY3/23 Revised Forecast	3Q FY3/23 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth Rate
Net sales	35,274	29,316	31,300	31,163	(137)	(0.4%)	6.3%
Cost of sales	30,376	25,855	27,400	27,146	(254)	(0.9%)	5.0%
Gross profit	4,897	3,460	3,800	4,016	216	5.7%	16.1%
% to sales	13.9%	11.8%	12.1%	12.9%	0.7pt	—	—
SG&A expenses	3,602	3,917	3,400	3,461	61	1.8%	(11.6%)
% to sales	10.2%	13.4%	10.9%	11.1%	0.2pt	—	—
Operating profit	1,294	(456)	300	555	255	85.0%	—
% to sales	3.7%	—	1.0%	1.8%	0.8pt	—	—

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 24.7% YoY, and operating profit was up 32.1% YoY(13.6% above the revised forecast) due to an increase in results from the mainstay pharmacist staffing and placement business.

(Millions of yen)	3Q FY3/22 Results	3Q FY3/23 Results	3Q FY3/24 Revised Forecast	3Q FY3/24 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net sales	5,207	5,909	6,800	7,370	570	8.4%	24.7%
Cost of sales	1,912	2,331	2,900	3,311	411	14.2%	42.0%
Gross profit	3,295	3,578	3,900	4,058	158	4.1%	13.4%
% to sales	63.3%	60.5%	57.4%	55.1%	(2.3pt)	—	—
SG&A expenses	2,871	2,975	3,200	3,262	62	1.9%	9.6%
% to sales	55.1%	50.4%	47.1%	44.3%	(2.8pt)	—	—
Operating profit	423	602	700	795	95	13.6%	32.1%
% to sales	8.1%	10.2%	10.3%	10.8%	0.5pt	—	—

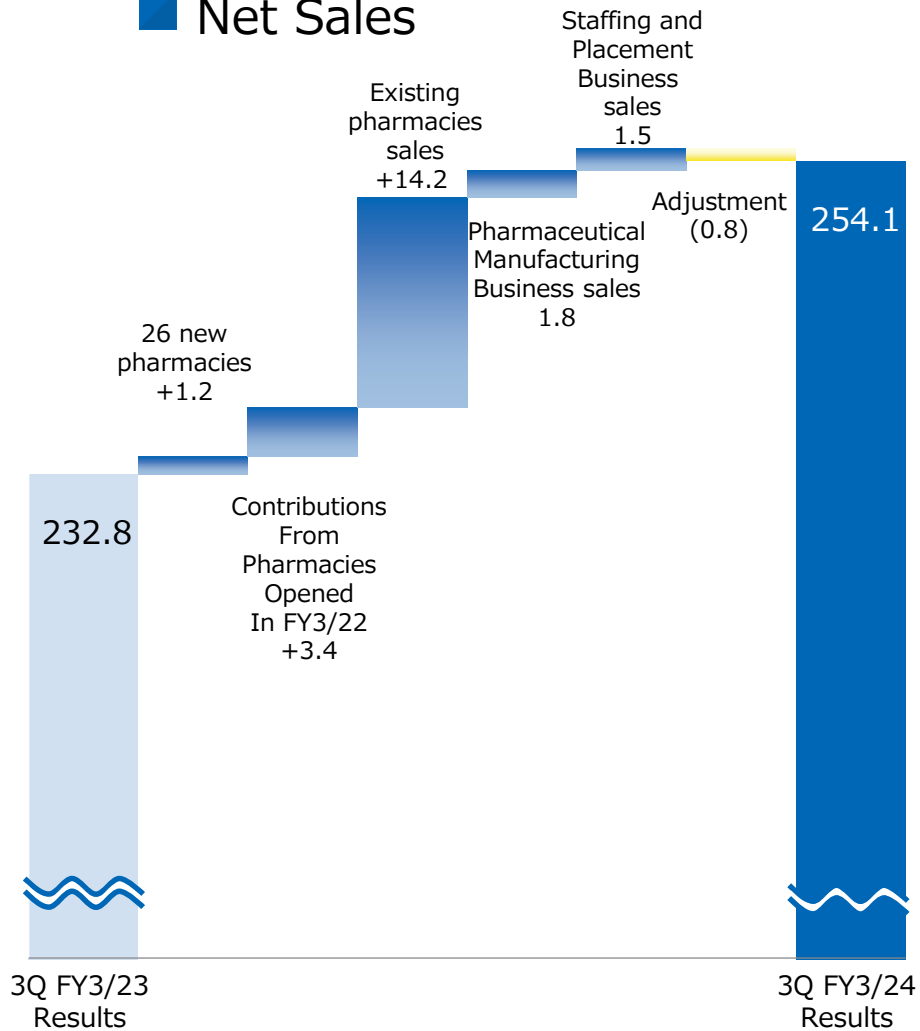
Note: Rounding down to the nearest unit

Reference Materials

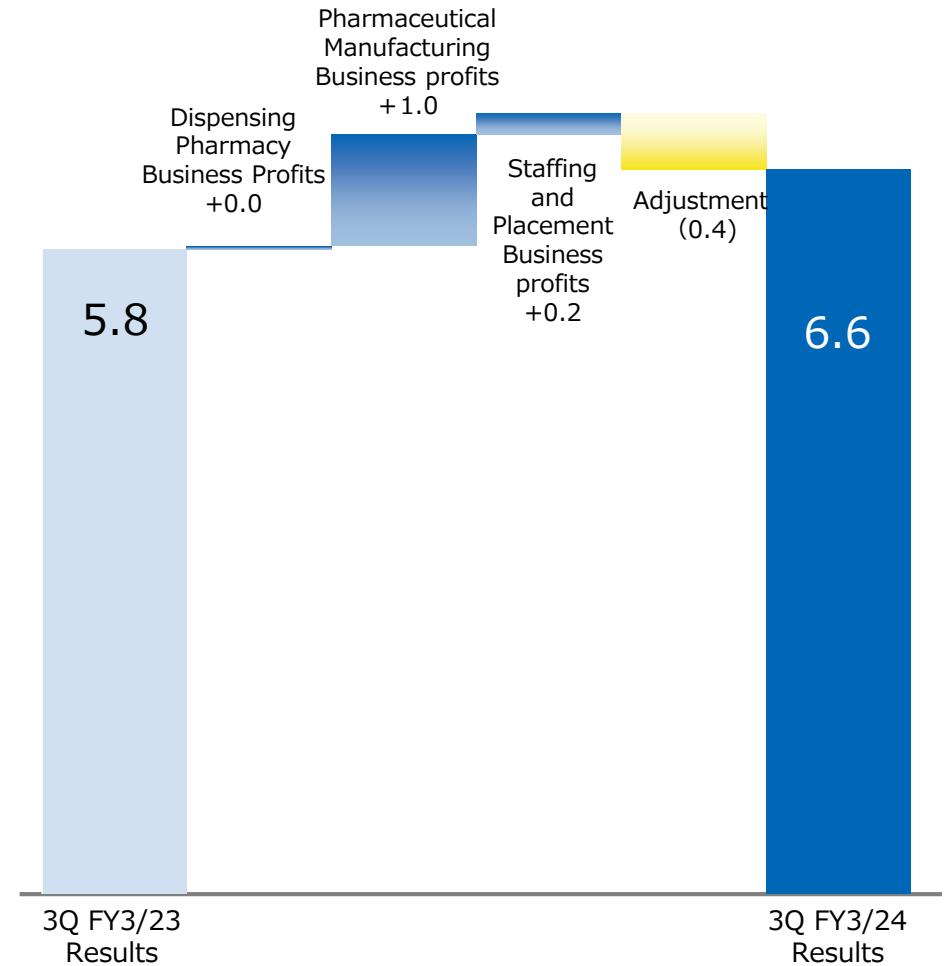
Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

Net Sales



Operating Profit

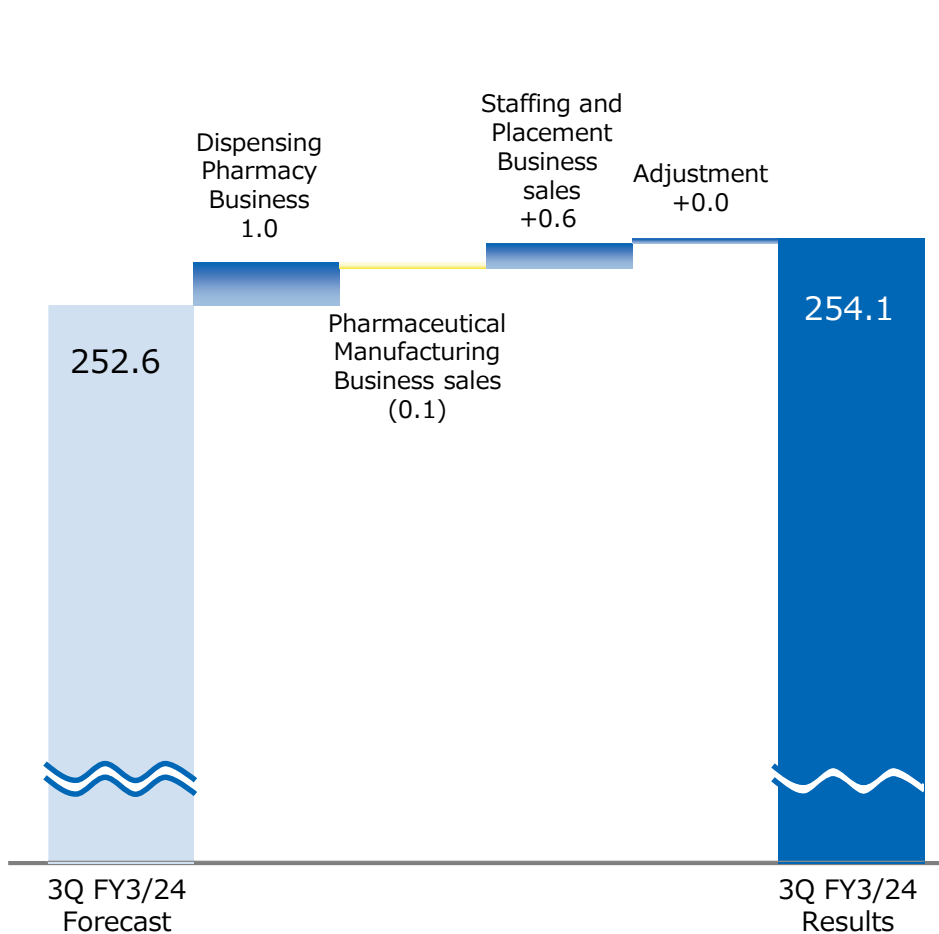


Reference Materials

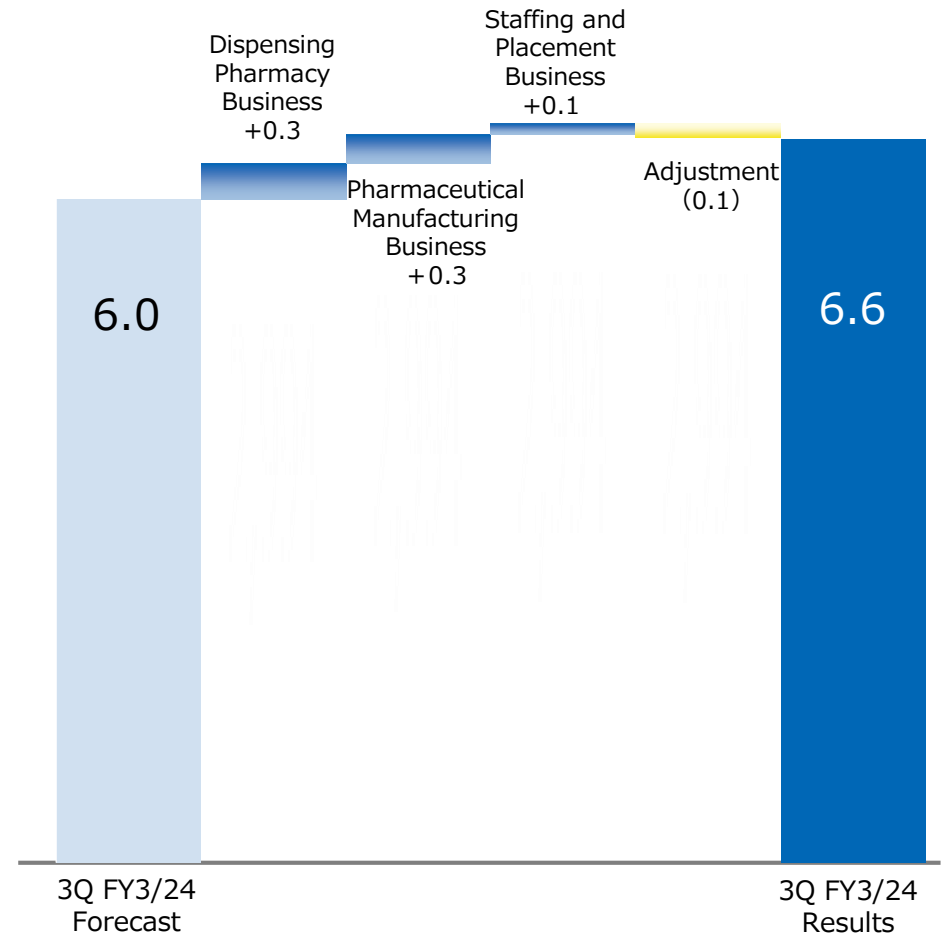
Consolidated Results: Major Components of Changes vs. Forecast (Net Sales / Operating Profit)

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

■ Net Sales



■ Operating Profit



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Growth strategy



Consolidated Results

- Establishment Status of the New Long-Term Vision

Dispensing Pharmacy Business

- Store opening strategy
- Open Pharmacies with Various Functions

Pharmaceutical Manufacturing and Sales Business

- Growth of the Pharmaceutical Manufacturing and Sales Business
- Item Portfolio Status
- Increased ratio of in-house manufactured drugs

Medical Professional Staffing and Placement Business

- Expand the Medical Professional Staffing and Placement Business



Release of New Long-term Vision

Plan to release a new long-term vision and a roadmap for achieving the vision in **March 2024***



Note: The timing of release may change due to the establishment status.

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	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	3Q FY3/24
Opened	36	32	65*	29	40	38	26
Organic growth (percentage)	23 (63.9%)	26 (81.2%)	35 (53.8%)	22 (75.9%)	34 (85.0%)	30 (78.9%)	20 (76.9%)
M&A	13	6	30	7	6	8	6
Closed	8	19	13	9	13	17	14
No. of pharmacies at the end of period	585	598	650	670	697	718	730

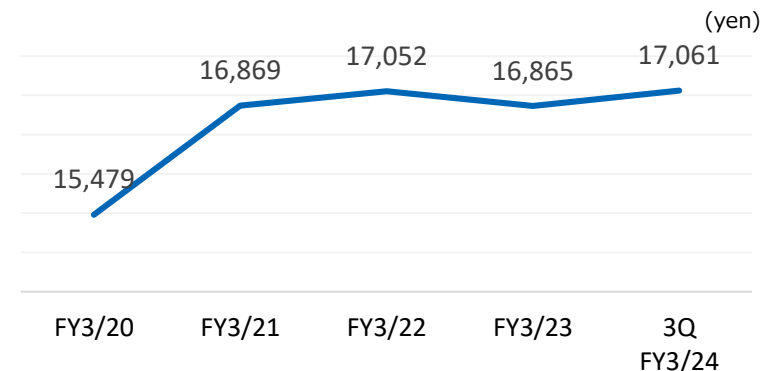
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

3Q FY3/24 Results

(YoY growth rate)	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	7.0%	4.5%	2.4%
Pharmacies opened in FY3/21	143.3%	86.3%	30.5%
Total	9.0%	7.1%	1.7%

No. of prescriptions 13,010,000 Prescription unit price 17,061yen

Prescription unit price



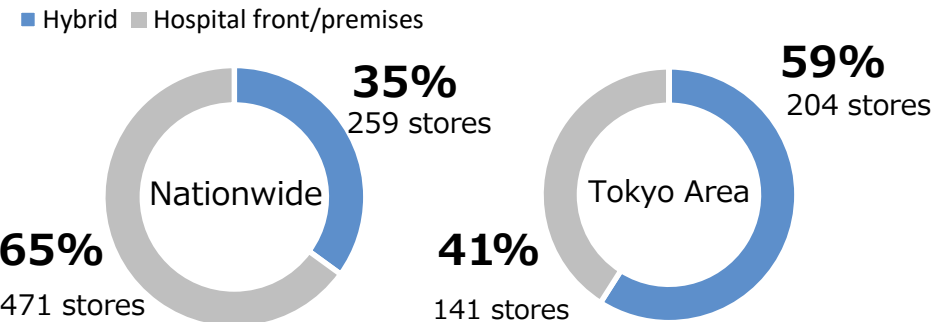
Well-Balanced Pharmacy Network②

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.

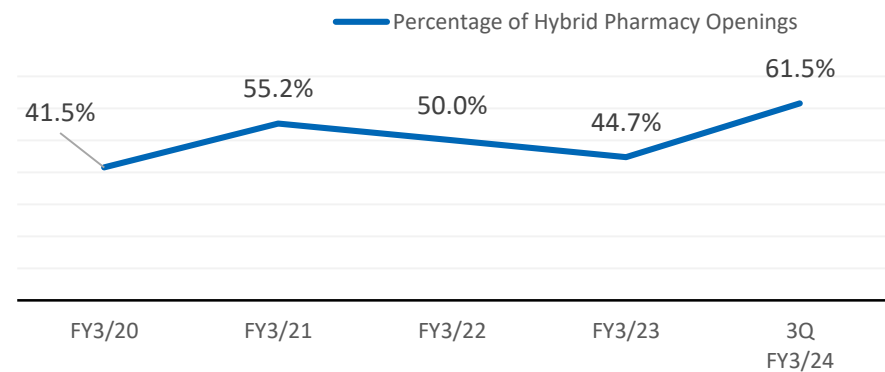
Pharmacy Openings					
	FY3/20	FY3/21	FY3/22	FY3/23	3Q FY3/24
Opened	65 ^{note}	29	40	38	26
Hospital-front pharmacies / Pharmacies within hospital premises	38	13	20	17	10
Hybrid pharmacies	27	16	20	21	16
Closed	13	9	13	17	14
No. of pharmacies at the end of period	650	670	697	718	730

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 3Q FY3/24	No. of pharmacies at 3Q FY3/24	Percentage
Kanto	14	381	52.2%
Kansai	3	84	11.5%
Other	9	265	36.3%
Total	26	730	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.

Open Pharmacies with Various Functions

Specialized medical institution cooperation pharmacies

56 /178 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

523 /4088 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

204 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

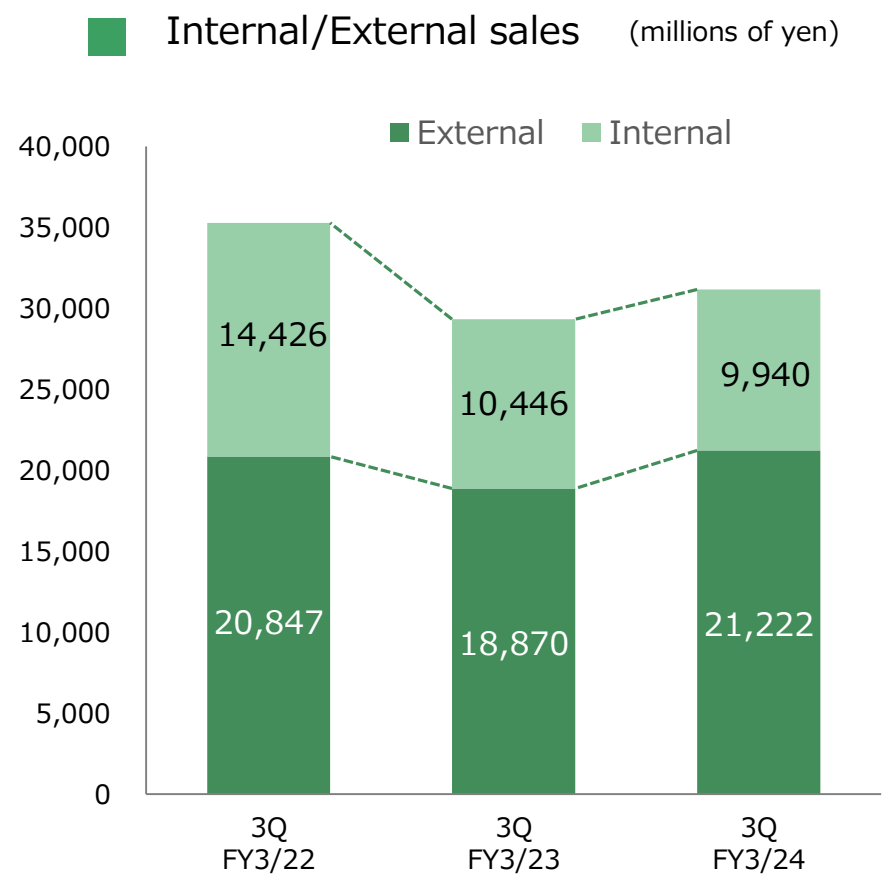
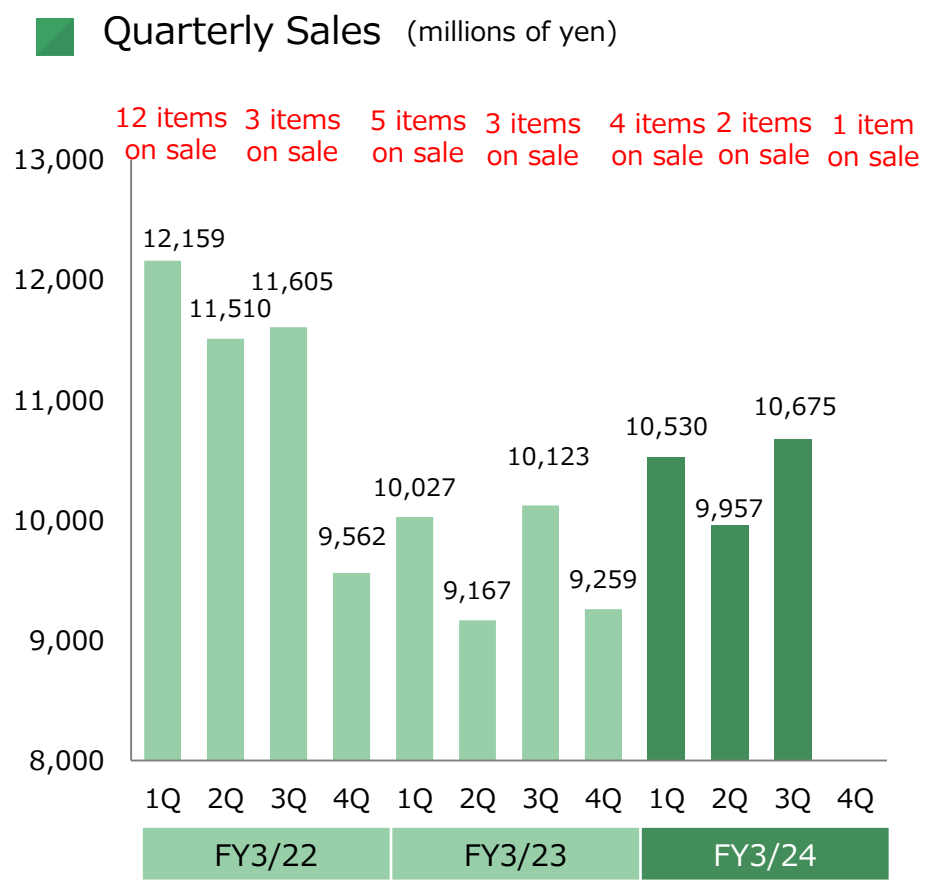
Available at all stores

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 form in June and December 2023.

Net sales and their breakdown



Item Portfolio Status

Product Items for New NHI Listing in June and December 2023: **7 Items**

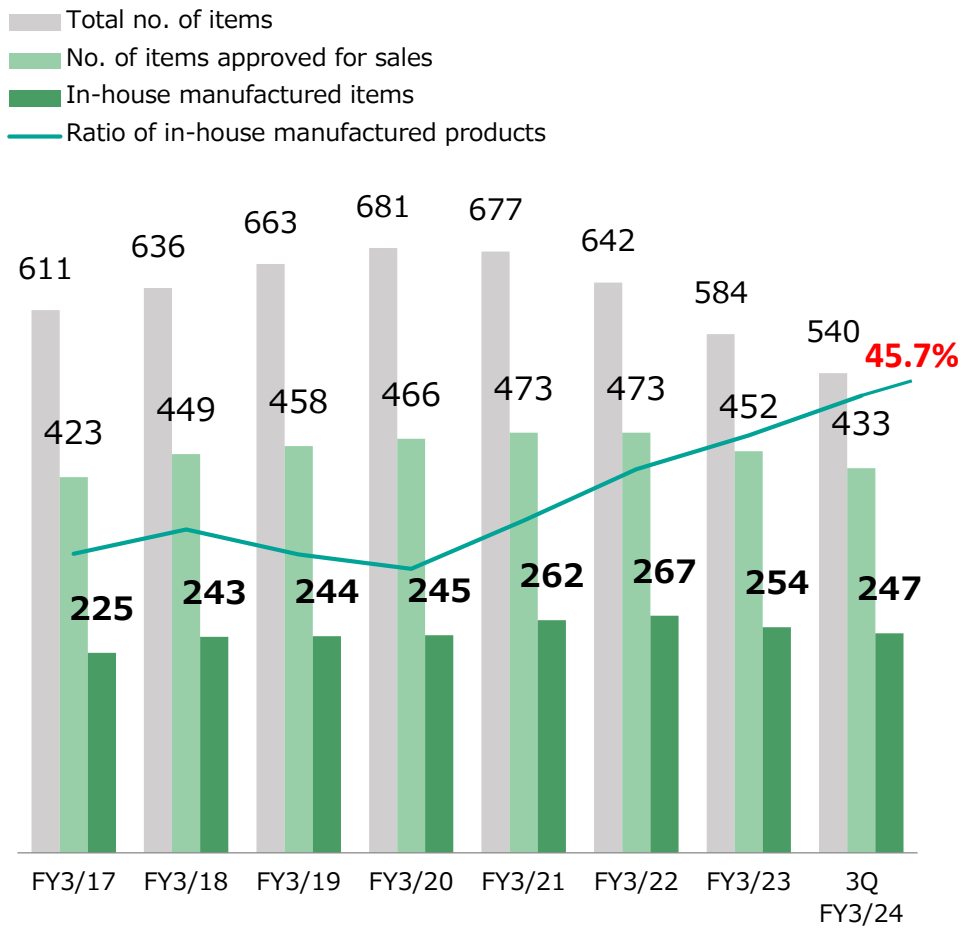
Scale of potential conversion to generic drugs (estimated*) **51.6 billion yen**

Product Name	
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"
Ambrisentan Tablets 2.5mg "JG" *	

* Calculated by Nihon Chouzai based on the annual usage volume of brand-name products
 *Ambrisentan Tablets 2.5mg "JG" were launched in December 2023

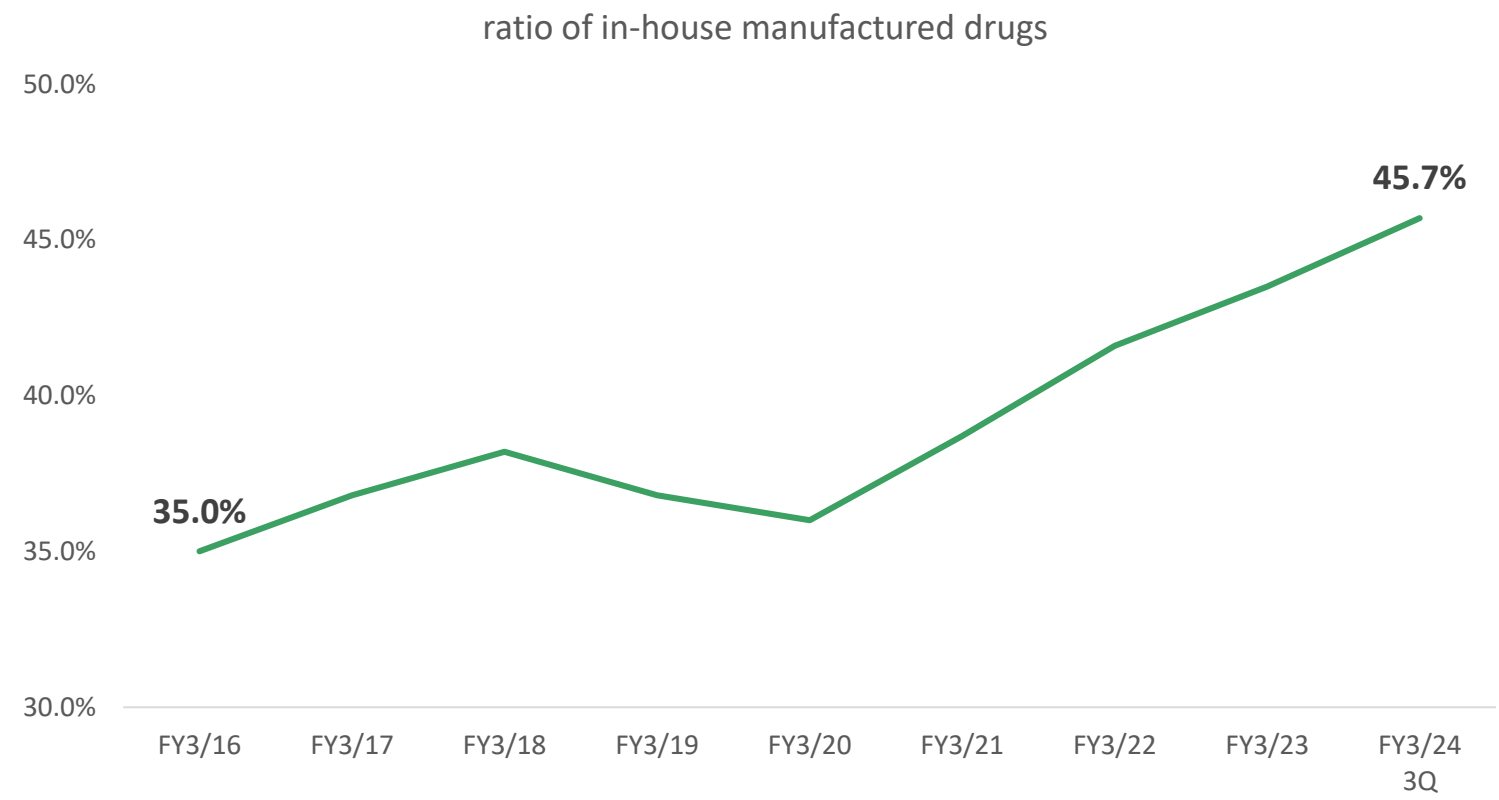
Number of Product Items

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



Increased ratio of in-house manufactured drugs

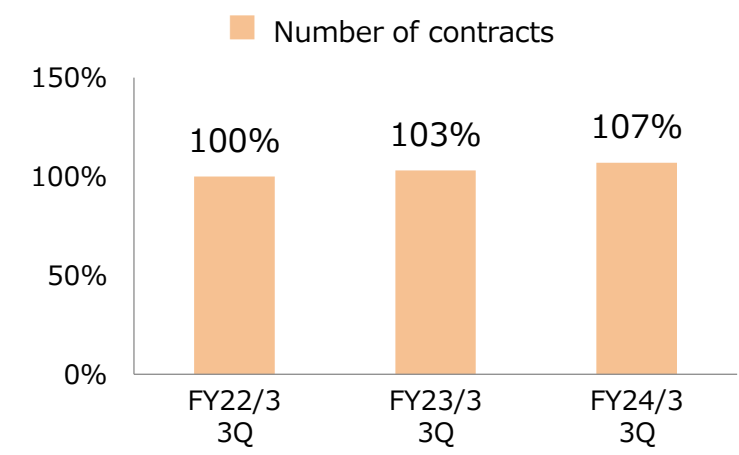
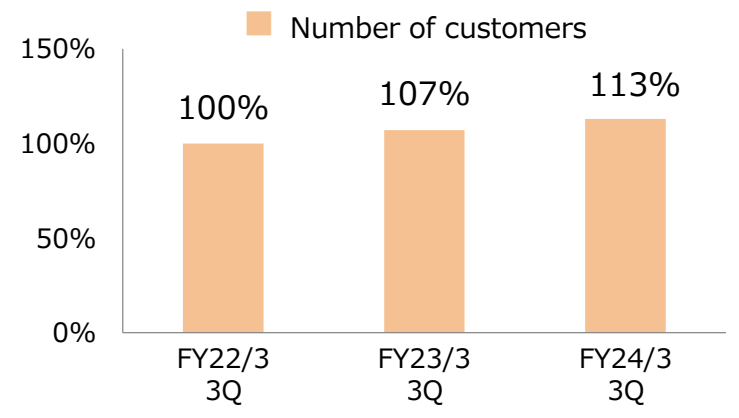
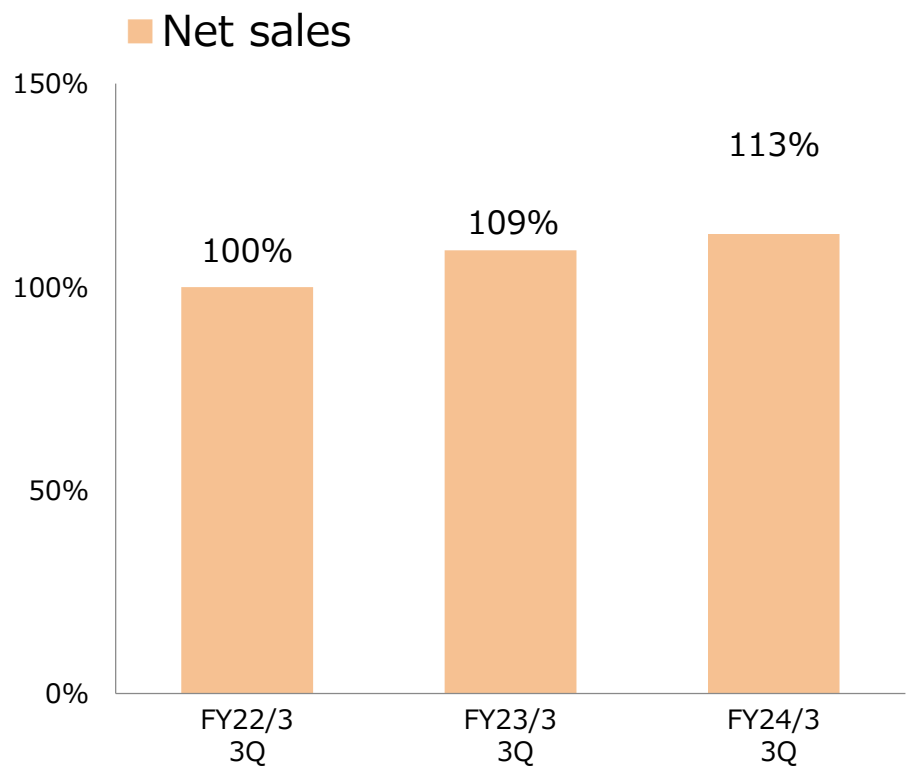
Backed by progress in the shift to in-house manufactured drugs, the share of in-house manufactured drugs increased from 35.0% in FY3/16 to 45.7% at the end of 3Q FY3/24. We will continue aiming to increase the ratio of in-house manufactured drugs.



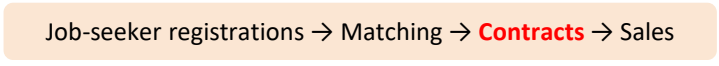
Growth of the Medical Professional Staffing and Placement Business

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%



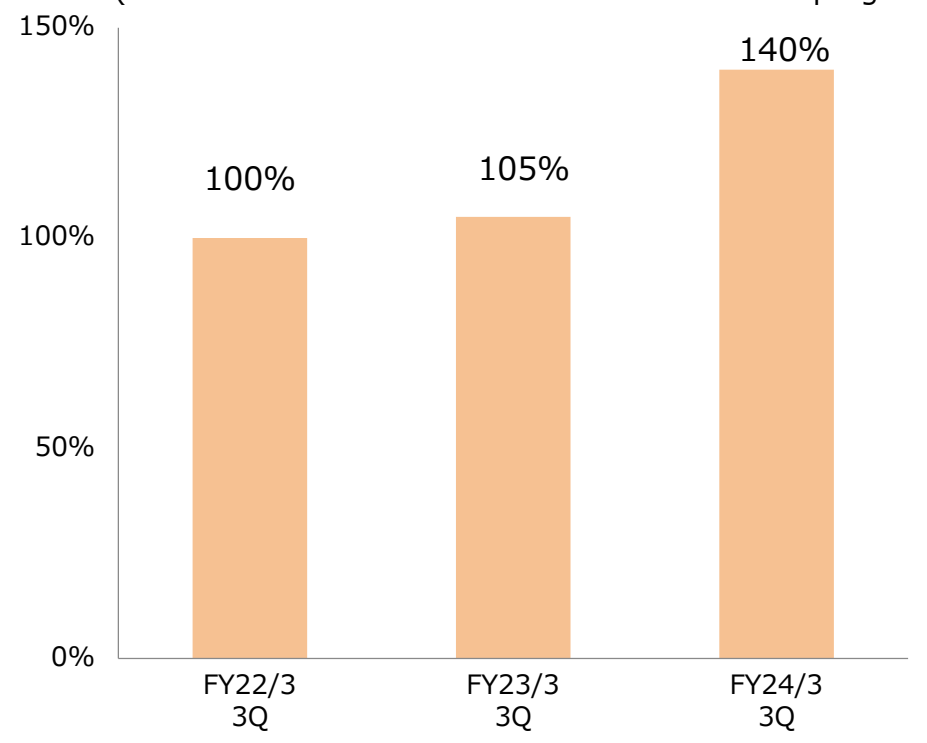
Growth of the Medical Professional Staffing and Placement Business

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

Net sales

(excludes sales related to COVID-19 vaccination programs)



Number of customers



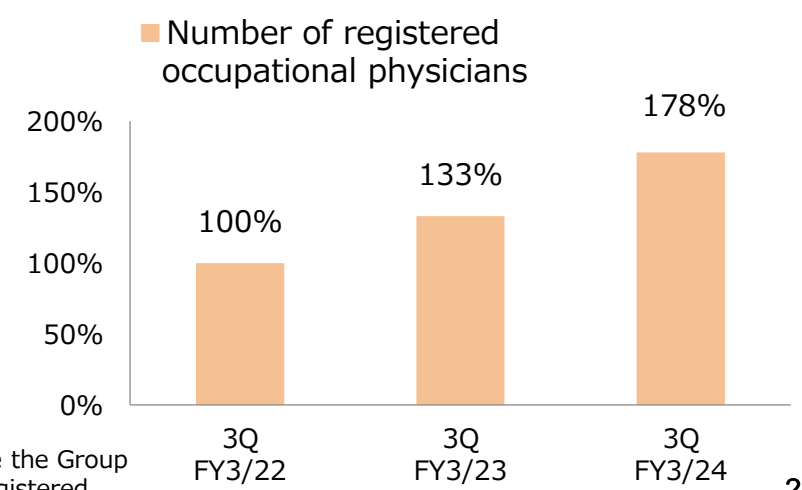
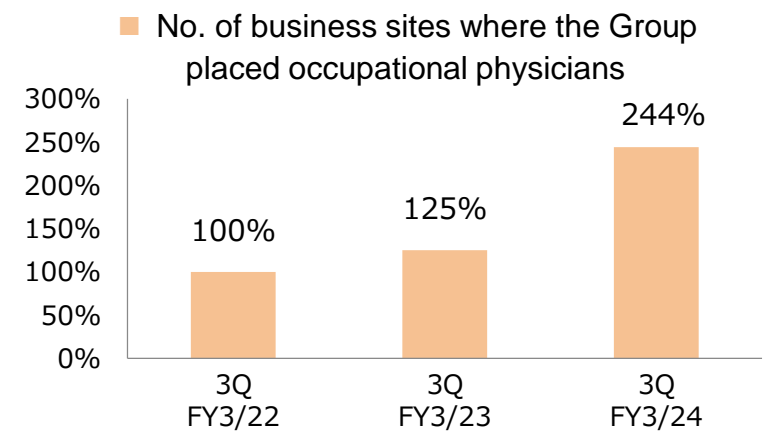
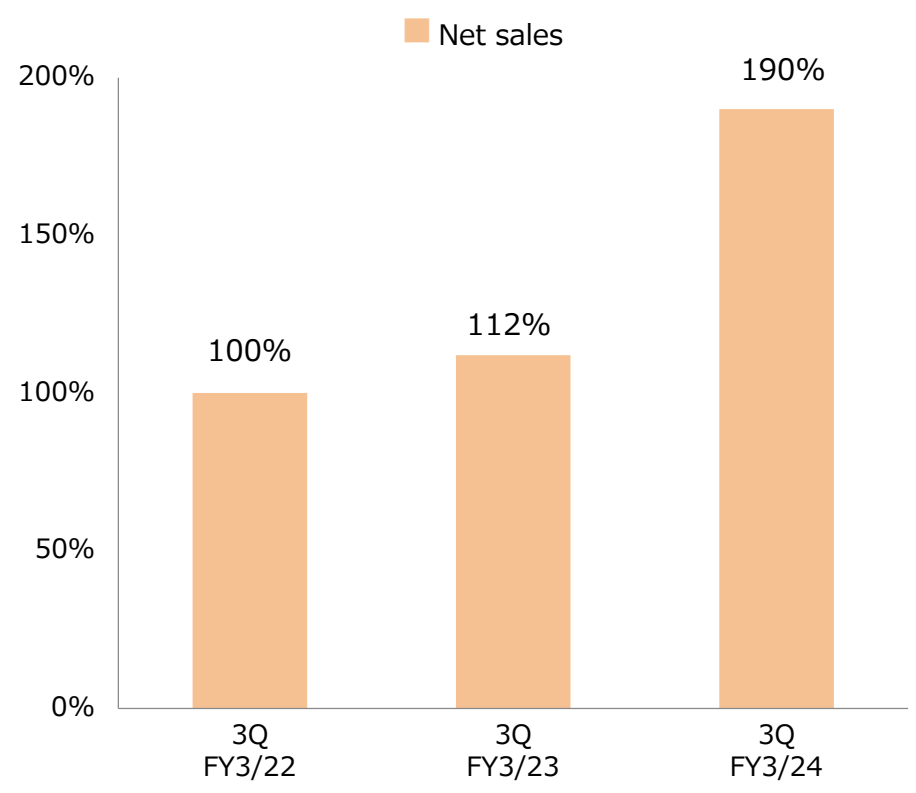
FY3/22 Net sales, customers = 100%

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

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.

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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