

May 12, 2021

Results of Operations for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)



NIHON CHOUZAI Co.,Ltd.

(Tokyo Stock Exchange, First Section / Stock code: 3341)

Financial Highlights

■ Dispensing Pharmacy Business

- Although business was affected by COVID-19, customer traffic recovered more than expected, and ongoing companywide cost-cutting measures were more effective than anticipated.

■ Pharmaceutical Manufacturing and Sales Business

- Profit margins were up substantially thanks to sharp growth in sales of in-house manufactured items, including new products with large markets.

■ Medical Professional Staffing and Placement Business

- Net sales and operating profit were both down sharply due to abrupt changes in market demand for pharmacist staffing as a result of COVID-19.

Consolidated Statement of Income

Net sales were up 3.9% YoY. Although the Dispensing Pharmacy Business continued to be affected by the COVID-19 pandemic, earnings benefitted from the 65 new stores opened in FY3/20. Operating profit grew 6.8% YoY and exceeded revised forecasts by 23.7% thanks to the implementation of companywide cost reduction measures as well as brisk sales of new NHI listed drugs in the Pharmaceutical Manufacturing and Sales Business.

(Millions of yen)	FY3/19 Results	FY3/20 Results	FY3/21 Revised Forecast	FY3/21 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net Sales	245,687	268,520	275,753	278,951	3,198	1.2%	3.9%
Cost of Sales	203,711	222,147	227,117	229,577	2,459	1.1%	3.3%
Gross profit	41,975	46,372	48,635	49,374	738	1.5%	6.5%
% to sales	17.1%	17.3%	17.6%	17.7%	—	—	—
SG&A expenses	35,242	38,779	42,083	41,267	(815)	(1.9%)	6.4%
% to sales	14.3%	14.4%	15.3%	14.8%	—	—	—
Consumption taxes	12,537	15,413	17,394	17,828	433	2.5%	15.7%
R&D expenses	2,764	2,991	3,116	2,776	(340)	(10.9%)	(7.2%)
Operating profit	6,733	7,593	6,552	8,106	1,554	23.7%	6.8%
% to sales	2.7%	2.8%	2.4%	2.9%	—	—	—
Ordinary profit	6,077	7,405	6,331	8,409	2,077	32.8%	13.6%
% to sales	2.5%	2.8%	2.3%	3.0%	—	—	—
Profit attributable to owners of parent	3,790	6,697	3,260	3,538	278	8.5%	(47.2%)
% to sales	1.5%	2.5%	1.2%	1.3%	—	—	—
Net income per share (Yen) ^{Note}	121.74	223.33	108.73	118.01	9.28	8.5%	(47.2%)

Note : On April 1, 2020, the Company conducted a two-for-one stock split of common stock.

Net income per share has been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2019.

Consolidated Balance Sheet

The main asset changes were a 0.7 billion yen increase in raw materials and supplies.

The main liability changes were a 1.4 billion yen increase in accounts payable-trade and a 3.2 billion yen decline in income taxes payable.

(Millions of yen)	End of Mar. 2019 (FY3/19)	End of Mar. 2020 (FY3/20)	End of Mar. 2021 (FY3/21)	YoY change	YoY change (%)
Current assets	80,132	87,414	89,246	1,832	2.1%
Non-current assets	98,545	98,137	97,015	(1,121)	(1.1%)
Property, plant and equipment	69,806	66,082	64,785	(1,297)	(2.0%)
Intangible assets	16,906	19,425	18,952	(473)	(2.4%)
Investments and other assets	11,833	12,628	13,277	648	5.1%
Total assets	178,677	185,551	186,262	711	0.4%
Current liabilities	69,100	70,107	87,720	17,612	25.1%
Non-current liabilities	68,504	68,370	48,673	(19,697)	(28.8%)
Total liabilities	137,604	138,478	136,394	(2,084)	(1.5%)
Total net assets	41,073	47,072	49,868	2,795	5.9%
Shareholders' equity	41,068	47,072	49,868	2,795	5.9%
Equity ratio	23.0%	25.4%	26.8%	—	—

Consolidated Statement of Cash Flows

In spite of the impact of COVID-19, cash inflows from operating activities remained above 10 billion yen. Investing cash flow was mainly outflows from the opening of dispensing pharmacy branches (compared with FY3/20 when there were some inflows from the sale of fixed assets).

(Millions of yen)	FY3/19	FY3/20	FY3/21	YoY change
Cash flows from operating activities	13,572	13,192	11,213	(1,979)
Profit before income taxes	6,777	11,885	6,483	(5,401)
Depreciation	6,304	6,316	6,416	99
Amortization of goodwill	1,487	1,581	1,763	181
Decrease (increase) in trade receivables	3,485	(2,902)	(20)	2,882
Decrease (increase) in inventories	(1,314)	74	(694)	(768)
Increase (decrease) in trade payables	342	3,486	1,250	(2,235)
Cash flows from investing activities	(1,770)	(2,731)	(7,767)	(5,035)
Purchase of property, plant and equipment	(5,303)	(5,624)	(5,955)	(330)
Proceeds from sales of property, plant and equipment	1,723	9,644	1,124	(8,520)
Payments for acquisition of business	4,093	52	–	(52)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(785)	(5,057)	(823)	4,234
Cash flows from financing activities	(10,516)	(7,955)	(2,806)	5,149
Net increase (decrease) in cash and cash equivalents	1,284	2,505	639	(1,865)
Cash and cash equivalents at beginning of period	28,464	29,749	32,254	2,505
Cash and cash equivalents at end of period	29,749	32,254	32,893	639

Consolidated Financial Indicators

	FY3/18	FY3/19	FY3/20	FY3/21	YoY change
EBITDA (Millions of yen) note1	17,127	14,525	15,491	16,286	794
EV/EBITDA (Times) note1	6.6	7.7	6.1	3.5	(2.6)
Free cash flow (Millions of yen)	9,298	11,801	10,460	3,445	(7,015)
D/E ratio (Times)	2.1	2.0	1.6	1.5	(0.1)
Equity ratio (%)	22.2%	23.0%	25.4%	26.8%	1.4pt
Net income per share (yen) EPS note2	190.84	121.74	223.33	118.01	(105.32)
Net assets per share (Yen) BPS note2	1,297.50	1,369.52	1,569.77	1,663.01	93.24
Return on equity (%)	15.7%	9.2%	15.2%	7.3%	(7.9pt)
Return on assets (%)	5.6%	3.3%	4.1%	4.5%	0.4pt
Operating margin (%)	4.4%	2.7%	2.8%	2.9%	0.1pt

Note1 : EBITDA=Operating profit/loss+Depreciation+Amortization of goodwill EV=Market cap at the end of each period+Net interest-bearing

Note2 : The company conducted a 2-for-1 stock split effective on Apr.1,2020.

Per-share figures for FY3/2017 to FY3/2019 is adjusted to reflect the stock split.

Dispensing Pharmacy Business / Statement of Income

Average prescription prices continued to increase and the number of prescriptions continued to decline due to the impact of COVID-19, but net sales were up 5.7% YoY thanks largely to the full-year contribution of the 65 stores opened in FY3/20. Operating profit grew 8.2% YoY and exceeded revised forecasts by 19.5% thanks to vigorous efforts to cut costs of all kinds.

(Millions of yen)	FY3/19 Results	FY3/20 Results	FY3/21 Revised Forecast	FY3/21 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net sales	208,622	231,001	239,811	244,072	4,260	1.8%	5.7%
Cost of sales	178,339	196,103	202,785	206,018	3,233	1.6%	5.1%
Gross profit	30,282	34,898	37,026	38,054	1,027	2.8%	9.0%
% to sales	14.5%	15.1%	15.4%	15.6%	—	—	—
SG&A expenses	21,575	25,112	28,171	27,468	(703)	(2.5%)	9.4%
% to sales	10.3%	10.9%	11.7%	11.3%	—	—	—
Operating profit	8,707	9,785	8,854	10,585	1,730	19.5%	8.2%
% to sales	4.2%	4.2%	3.7%	4.3%	—	—	—
No. of pharmacies at the end of each period (stores)	598	650	682	670	(12)	(1.8%)	3.1%
Prescription drug sales per pharmacy	352	370	360	369	9	2.7%	(0.1%)

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 / Statement of Income

Net sales were up 6.1% YoY thanks to brisk sales of drugs that were newly NHI listed in December 2019, June 2020, and December 2020. Operating profit grew 80.6% YoY and exceeded revised forecasts by 16.9% thanks largely to higher profit margins as a result of cost-cutting undertakings as well as growth in sales of in-house manufactured products.

(Millions of yen)	FY3/19 Results	FY3/20 Results	FY3/21 Revised Forecast	FY3/21 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net sales	40,659	43,072	45,767	45,699	(67)	(0.1%)	6.1%
Cost of sales	33,782	36,995	38,854	38,804	(49)	(0.1%)	4.9%
Gross profit	6,877	6,076	6,912	6,894	(18)	(0.3%)	13.5%
% to sales	16.9%	14.1%	15.1%	15.1%	—	—	—
SG&A expenses	4,991	4,774	4,901	4,543	(357)	(7.3%)	(4.8%)
% to sales	12.3%	11.1%	10.7%	9.9%	—	—	—
Operating profit	1,885	1,301	2,011	2,350	338	16.9%	80.6%
% to sales	4.6%	3.0%	4.4%	5.1%	—	—	—

Note: Rounding down to the nearest unit

Medical Professional Staffing and Placement Business / Statement of Income

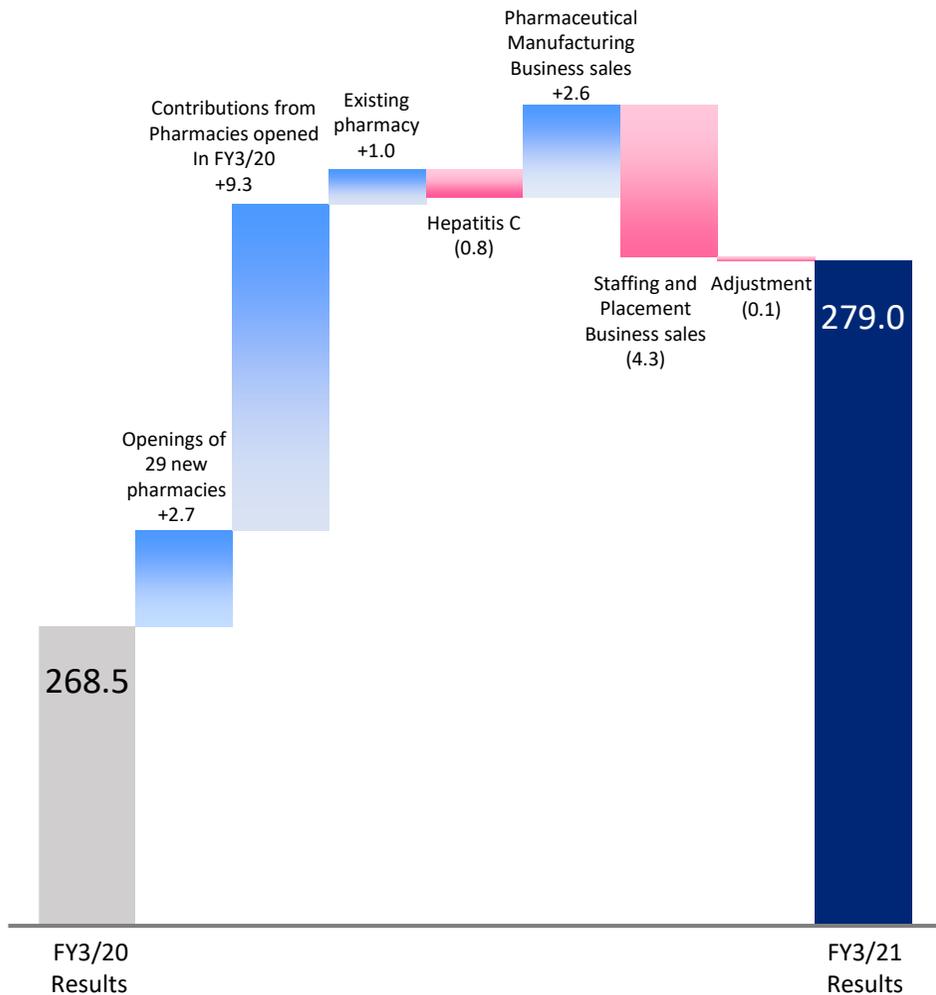
Pharmacist staffing sales and profit were both down sharply as the impact of COVID-19 coincided with our shift from staffing to pharmacist and physician placement in response to changes in pharmacist demand. Meanwhile, we had solid performance in our pharmacist and physician placement businesses, and made new investments in industrial physician services to achieve growth in physician related business.

(Millions of yen)	FY3/19 Results	FY3/20 Results	FY3/21 Revised Forecast	FY3/21 Results	Change Vs. Revised Forecast	Vs. Revised Forecast	YoY growth rate
Net sales	13,083	12,721	8,760	8,393	(367)	(4.2%)	(34.0%)
Cost of sales	8,133	7,316	3,953	3,916	(36)	(0.9%)	(46.5%)
Gross profit	4,950	5,404	4,807	4,477	(330)	(6.9%)	(17.2%)
% to sales	37.8%	42.5%	54.9%	53.3%	—	—	—
SG&A expenses	3,472	3,553	3,792	3,764	(27)	(0.7%)	5.9%
% to sales	26.5%	27.9%	43.3%	44.9%	—	—	—
Operating profit	1,478	1,851	1,015	712	(302)	(29.8%)	(61.5%)
% to sales	11.3%	14.6%	11.6%	8.5%	—	—	—

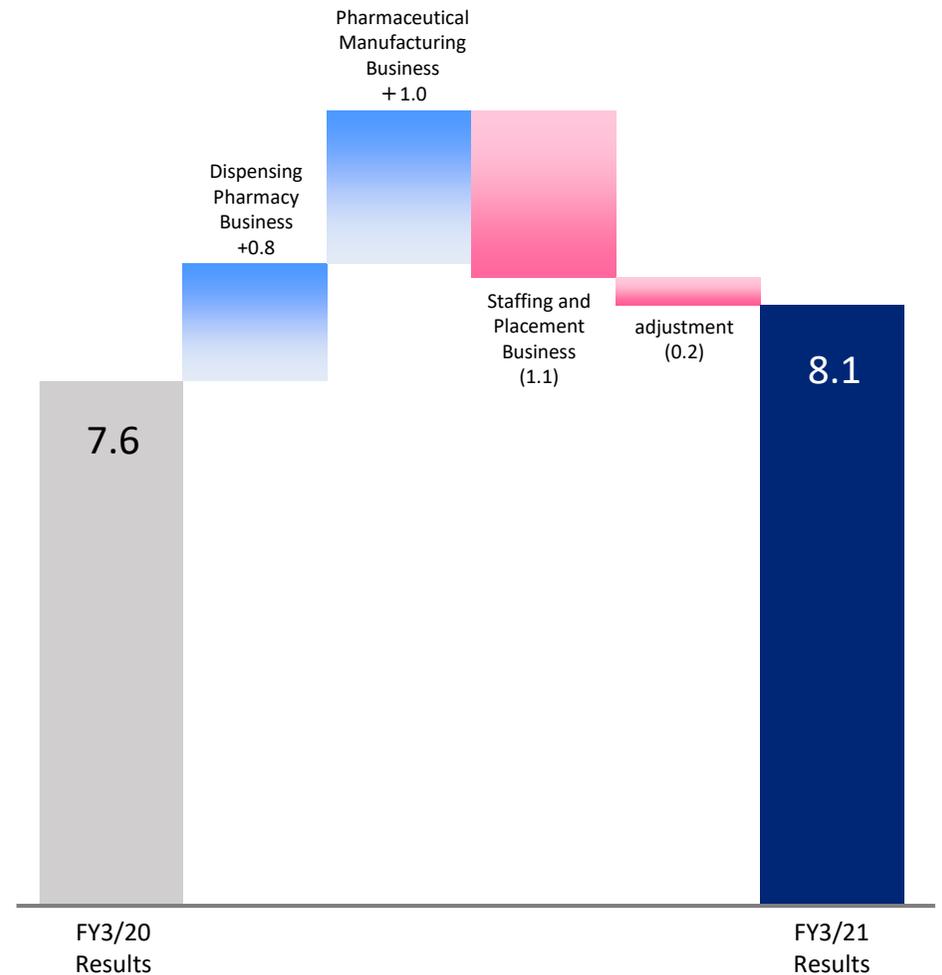
Note: Rounding down to the nearest unit

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

Net Sales



Operating Profit

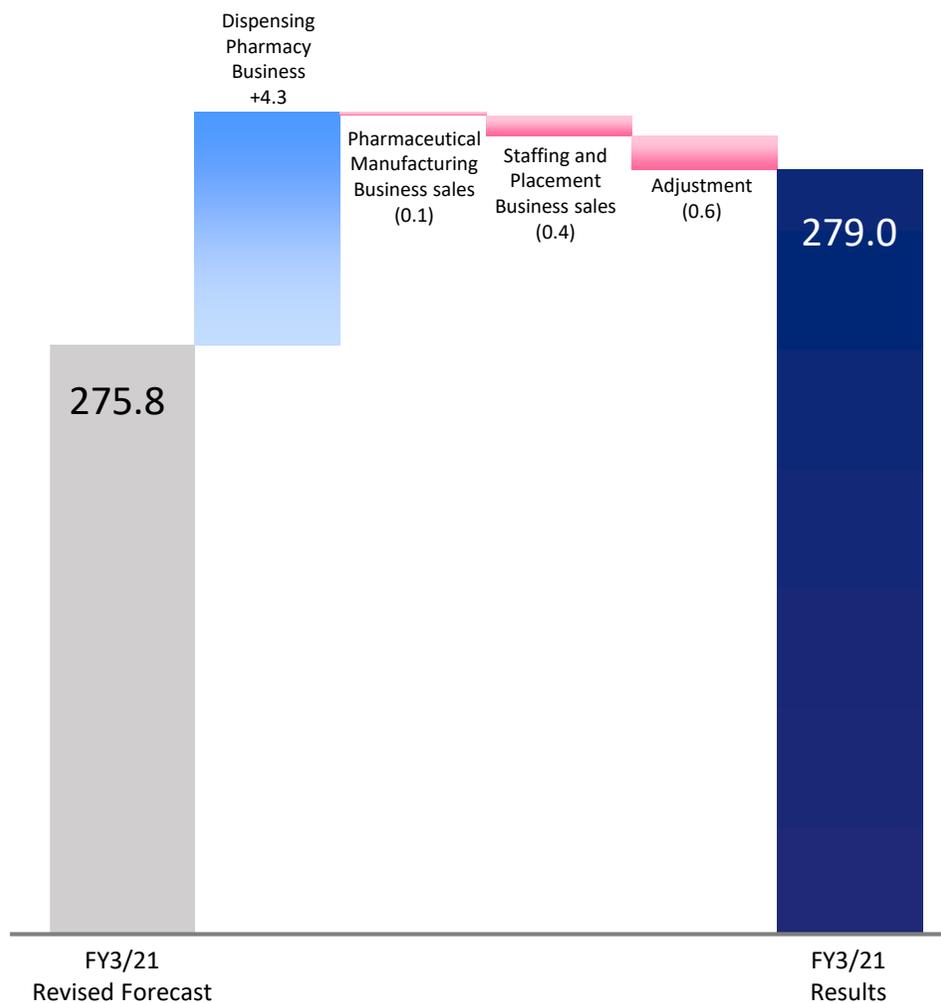


Reference Materials

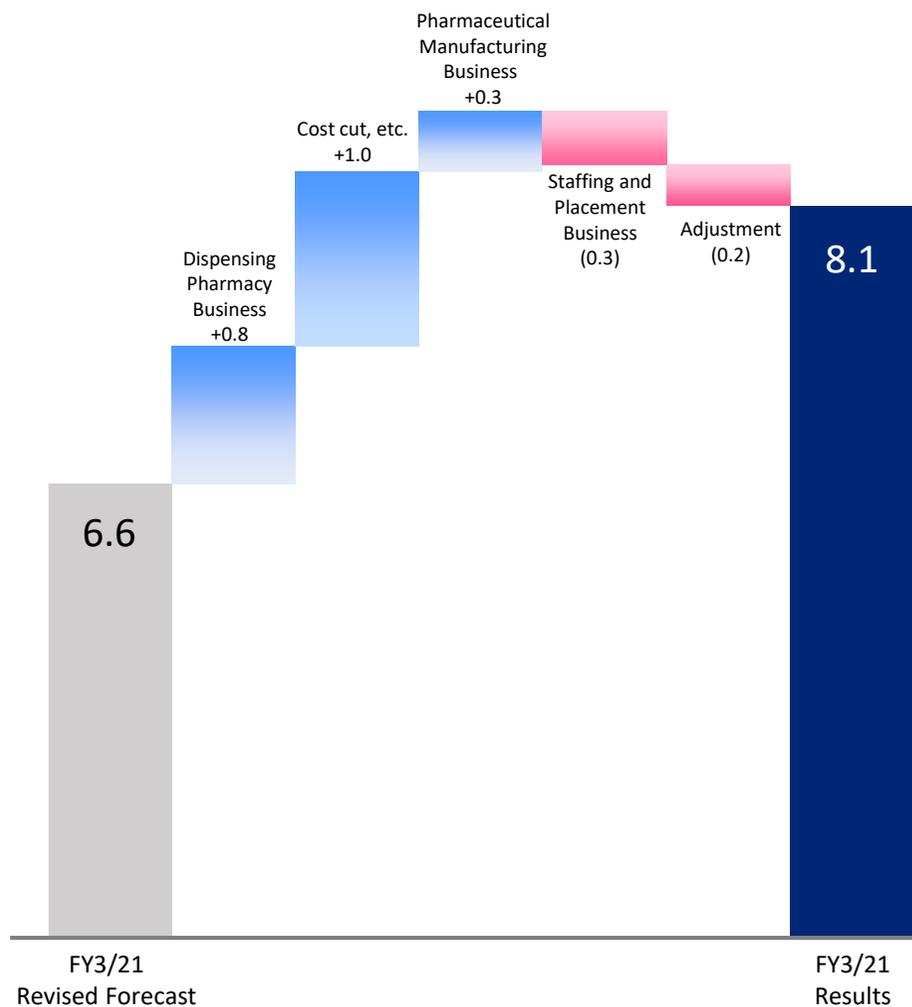
Consolidated Results: Major Components of Changes vs. Revised Forecast (Net Sales / Operating Profit)

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

Net Sales



Operating Profit



FY3/22 Consolidated Forecast

While we anticipate some degree of recovery from the previous year's business environment, which was heavily affected by the COVID-19 pandemic, at this time it is uncertain how vaccinations and other developments will improve the situation, and we have therefore not factored these items into our full-year earnings forecasts.

(Millions of yen)	FY3/19 Results	FY3/20 Results	FY3/21 Results	FY3/22 Plan	YoY change	YoY growth rate
Net sales	245,687	268,520	278,951	293,400	14,448	5.2%
Cost of sales	203,711	222,147	229,577	239,000	9,422	4.1%
Gross profit	41,975	46,372	49,374	54,400	5,025	10.2%
% to sales	17.1%	17.3%	17.7%	18.5%	—	—
SG&A expenses	35,242	38,779	41,267	45,200	3,932	9.5%
% to sales	14.3%	14.4%	14.8%	15.4%	—	—
Consumption taxes	12,537	15,413	17,828	19,200	1,371	7.7%
R&D expenses	2,764	2,991	2,776	3,200	423	15.3%
Operating profit	6,733	7,593	8,106	9,200	1,093	13.5%
% to sales	2.7%	2.8%	2.9%	3.1%	—	—
Ordinary profit	6,077	7,405	8,409	9,100	690	8.2%
% to sales	2.5%	2.8%	3.0%	3.1%	—	—
Profit attributable to owners of parent	3,790	6,697	3,538	5,100	1,561	44.1%
% to sales	1.5%	2.5%	1.3%	1.7%	—	—
Net income per share (Yen) ^{Note}	121.74	223.33	118.01	170.07	52.07	44.1%
Dividend per share (Yen) ^{Note}	25.00	25.00	25.00	25.00	—	—

* Figures in the plan are rounded down to the nearest 100 million yen.

Note: On April 1, 2020, the Company conducted a two-for-one stock split of common stock.

Net income per share and Dividend per share have been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2019.

FY3/22 Business Segment Forecast

In the Dispensing Pharmacy Business, we have factored in the impact of COVID-19 as we expect the business environment of 2H FY3/21 to persist. In the Pharmaceutical Manufacturing and Sales Business, although business may be affected by NHI price revisions, we target sales and profit growth on higher sales volumes of in-house manufactured products, notably new NHI listed drugs.

	(Millions of yen)	FY3/19 Results	FY3/20 Results	FY3/21 Results	FY3/22 Plan	YoY change	YoY growth rate
Dispensing pharmacy business	Net sales	208,622	231,001	244,072	256,700	12,627	5.2%
	Gross profit	30,282	34,898	38,054	42,000	3,945	10.4%
	% to sales	14.5%	15.1%	15.6%	16.4%	—	—
	Operating profit	8,707	9,785	10,585	12,700	2,114	20.0%
	% to sales	4.2%	4.2%	4.3%	4.9%	—	—
Pharmaceutical manufacturing and sales business	Net sales	40,659	43,072	45,699	49,800	4,100	9.0%
	Gross profit	6,877	6,076	6,894	8,000	1,105	16.0%
	% to sales	16.9%	14.1%	15.1%	16.1%	—	—
	Operating profit	1,885	1,301	2,350	2,700	349	14.9%
	% to sales	4.6%	3.0%	5.1%	5.4%	—	—
Medical professional staffing and placement business	Net sales	13,083	12,721	8,393	6,900	(1,493)	(17.8%)
	Gross profit	4,950	5,404	4,477	4,300	(177)	(4.0%)
	% to sales	37.8%	42.5%	53.3%	62.3%	—	—
	Operating profit	1,478	1,851	712	400	(312)	(43.9%)
	% to sales	11.3%	14.6%	8.5%	5.8%	—	—

* Figures in the plan are rounded down to the nearest 100 million yen.

FY3/22 Consolidated and Business Segment Forecast by Quarter

	(Millions of yen)	1Q	2Q	3Q	4Q
Consolidated	Net sales	70,400	71,700	76,400	74,700
	Cost of sales	57,500	58,600	61,800	60,800
	Gross profit	12,800	13,100	14,500	13,900
	% to sales	18.2%	18.3%	19.0%	18.6%
	SG&A expenses	11,900	10,900	11,500	10,800
	% to sales	16.9%	15.2%	15.1%	14.5%
	Operating profit	900	2,100	3,000	3,000
	% to sales	1.3%	2.9%	3.9%	4.0%
Ordinary profit	800	2,100	3,000	3,000	
% to sales	1.1%	2.9%	3.9%	4.0%	
Dispensing pharmacy business	Net sales	60,900	63,000	66,600	66,000
	Gross profit	9,600	10,100	11,100	11,000
	% to sales	15.8%	16.0%	16.7%	16.7%
	Operating profit	1,800	3,000	3,700	4,100
% to sales	3.0%	4.8%	5.6%	6.2%	
Pharmaceutical manufacturing and sales business	Net sales	12,600	12,000	13,400	11,600
	Gross profit	1,900	1,800	2,300	1,800
	% to sales	15.1%	15.0%	17.2%	15.5%
	Operating profit	500	600	1,000	500
% to sales	4.0%	5.0%	7.5%	4.3%	
Medical professional staffing and placement business	Net sales	1,800	1,600	1,700	1,800
	Gross profit	1,100	1,000	1,000	1,000
	% to sales	61.1%	62.5%	58.8%	55.6%
	Operating profit	200	0	0	100
% to sales	11.1%	0.0%	0.0%	5.6%	

*Figures in the plan are rounded down to the nearest 100 million yen.

Growth Strategy

■ Growth Investments / Sustainability

Growth investment for ongoing enterprise value enhancement

Overall Group

■ Emphasis on a Well Balanced Pharmacy Network / Responding to the PMD Act Revision

Growth through a proper balance between “organic growth and acquisitions” and “hospital-front and hybrid pharmacies” with an eye toward the pharmacy of the future

Dispensing Pharmacy
Business

■ Growth of the Pharmaceutical Manufacturing and Sales Business / New NHI Listed Drugs

Investments in R&D programs to increase the number of items for which we have obtained manufacturing approval and increase earnings

Pharmaceutical
Manufacturing and
Sales Business

■ Growth of the Medical Professional Staffing and Placement Business

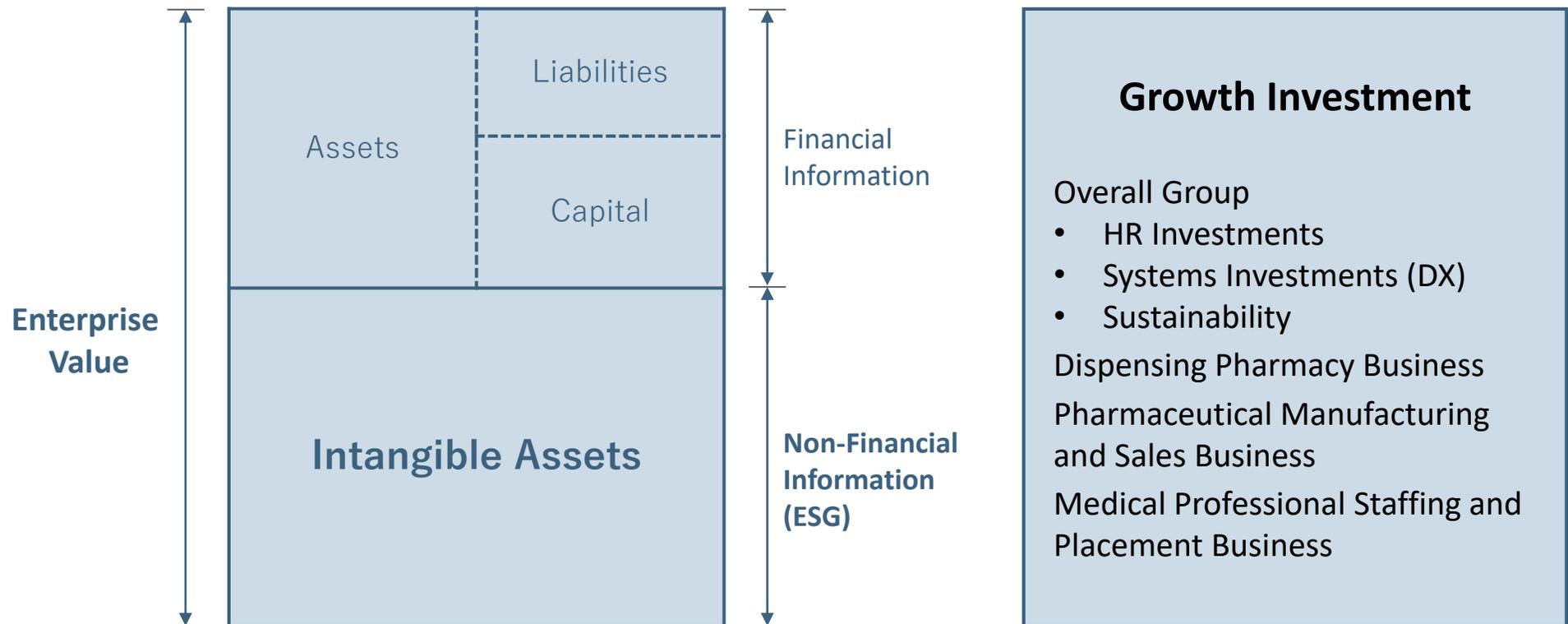
Strengthen placement business and expand into new business fields

Medical Professional
Staffing and
Placement Business

Growth Strategy

In order to achieve sustainable enhancement of enterprise value, we believe that in addition to steadily accumulating short-term business results, investment focused on intangible assets with a view to medium- to long-term growth is important. We thus aim to augment our future competitiveness.

Growth Investment for Greater Enterprise Value



Growth Investment

Business / Investment Item	Specific Content
<ul style="list-style-type: none"> ■ Overall Group 	
HR Investments	<ul style="list-style-type: none"> • Cultivation and hiring of specialists
Systems Investments	<ul style="list-style-type: none"> • DX promotion, security enhancement
Sustainability	<ul style="list-style-type: none"> • ESG and SDGs (materiality assessment and enhanced initiatives)
<ul style="list-style-type: none"> ■ Dispensing Pharmacy Business 	
Store Openings	<ul style="list-style-type: none"> • Opening larger stores (avg. annual sales of approx. 370 million yen in FY3/21)
Cultivation and Hiring of Specialists	<ul style="list-style-type: none"> • Expert pharmacists with outpatient cancer treatment certification • Pharmacists able to provide at-home medical care (including pediatrics and cancer treatment) • Specialists in FINDAT (advanced drug information [DI] platform) • System engineers and data scientists
DX Promotion	<ul style="list-style-type: none"> • Development of next-generation dispensary systems • Partnerships with other companies on Nihon Chouzai Online Pharmacy Service • Infrastructure and security upgrades in line with business expansion
Logistics	<ul style="list-style-type: none"> • Delivery of pharmaceuticals following online medication guidance • Use of delivery service operators, motorcycle couriers (same-day delivery), drones (remote islands), delivery lockers (refrigeration equipped), etc.

Growth Strategy

Growth Investment

Business / Investment Item	Specific Content
■ Pharmaceutical Manufacturing and Sales Business	
R&D Investment	<ul style="list-style-type: none">• Timely launch of new NIH listed drugs
Quality Assurance	<ul style="list-style-type: none">• Pursuit of high quality, including active pharmaceutical ingredients
Stable Supply	<ul style="list-style-type: none">• Strengthening stable supply framework
Cultivation and Hiring of Specialists	<ul style="list-style-type: none">• Specialist staff in R&D division, manufacturing plants, and headquarters
Use of Renewable Energy	<ul style="list-style-type: none">• Installation of solar panels on plant grounds
■ Medical Professional Staffing and Placement Business	
Workers Doctors Inc.	<ul style="list-style-type: none">• Use of industrial physicians to maintain employee physical and mental health

Sustainability

Our business strategies are directly linked to sustainability, and expansion of our business leads to the maximization of the value we provide to society.

Business / Item	Undertakings	Value Provided
■ Dispensing Pharmacy Business		
Online Medication Guidance	<ul style="list-style-type: none"> Online guidance for patients in remote islands and mountainous regions Online guidance to help prevent progression of diabetes and other diseases 	<ul style="list-style-type: none"> Correction of medical inequality Preventing progression of lifestyle diseases
Family Pharmacists	<ul style="list-style-type: none"> Elimination of polypharmacy Telephone follow up Tracing reports 	<ul style="list-style-type: none"> Maximization of treatment effectiveness Inhibiting the rise in medical expenditures
Services provided at pharmacies	<ul style="list-style-type: none"> Health Check Stations at 75 stores (to be expanded) Certified Nutrition Care Stations at 14 stores (to be expanded) Social PCR Testing 	<ul style="list-style-type: none"> Contribution to health and disease prevention for community residents Early detection and containment of infectious diseases
■ Pharmaceutical Manufacturing and Sales Business		
Enhancement of R&D capabilities	<ul style="list-style-type: none"> Timely launch of new NHI listed drugs Stable supply 	<ul style="list-style-type: none"> Reduction of medical expenditures by approx. 56.9 billion yen annually
Energy Saving & Cost Reduction	<ul style="list-style-type: none"> Switch to LED lighting at manufacturing plants Installation of solar panels on plant grounds 	<ul style="list-style-type: none"> Lighter environmental impact through reduced electricity consumption
■ Medical Professional Staffing and Placement Business		
Supply of Medical Staff	<ul style="list-style-type: none"> Solution to labor shortage among medical professionals 	<ul style="list-style-type: none"> Improved working environment for healthcare providers
Supply of Industrial Physicians	<ul style="list-style-type: none"> Maintenance of physical and mental health for workers 	<ul style="list-style-type: none"> Contribution to healthy business administration

Emphasis on a Well-Balanced Pharmacy Network (1)

Along with pharmacy openings through organic growth and additions through M&A, we are working to open larger stores and meet the needs of advanced medical care, and growing per-pharmacy sales. We implement balanced growth while making use of acquisitions as well.

Pharmacy Openings

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Opened	29	27	42	36	32	65 <small>note</small>	29
Organic growth (percentage)	28 (96.6)	22 (81.5)	21 (50.0)	23 (63.9)	26 (81.2)	35 (53.8)	22 (75.9)
M&A	1	5	21	13	6	30	7
Closed	12	11	12	8	19	13	9
No. of pharmacies at the end of period	511	527	557	585	598	650	670
Annual sales per pharmacy (million yen)	314	367	349	359	352	370	369

• Including one location specializing in the sales of general merchandise

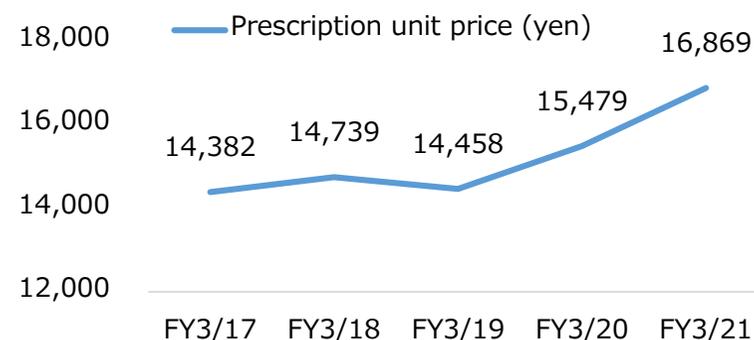
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

FY3/21 Dispensing Pharmacy Business YoY Growth Rate

	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	+0.4%	(8.9%)	+10.2%
Pharmacies opened in FY3/20	+172.2%	+154.5%	+7.0%
Total	+5.5%	(3.2%)	+9.0%

No. of prescriptions 14,223,000 Prescription unit price 16,869 yen

Prescription unit price



Emphasis on a Well-Balanced Pharmacy Network (2)

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.

Pharmacy Openings

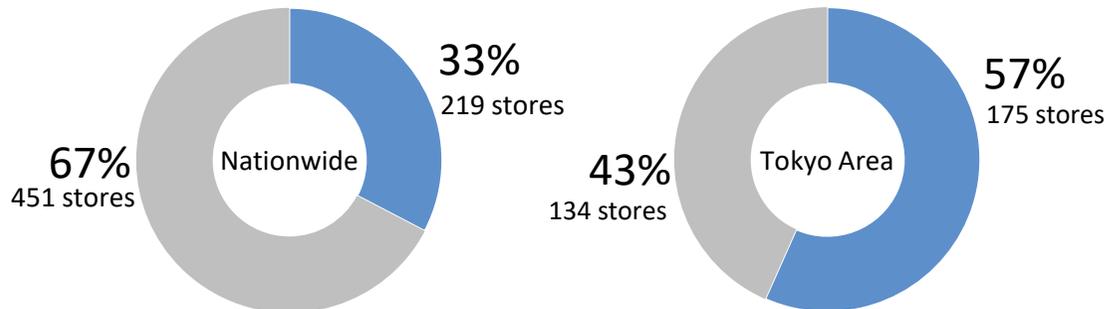
	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Opened	42	36	32	65 note	29
Hospital-front pharmacies / Pharmacies within hospital premises	36	20	16	38	13
Hybrid pharmacies	6	16	16	27	16
Closed	12	8	19	13	9
No. of pharmacies at the end of period	557	585	598	650	670

• Including one location specializing in the sales of general merchandise

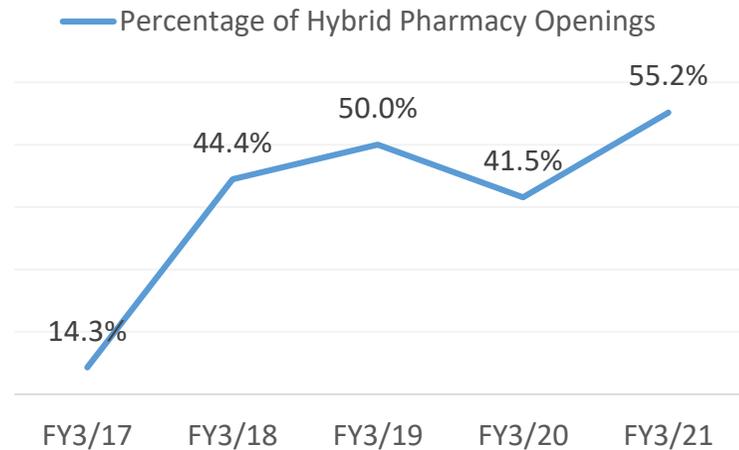
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

Ratio of Pharmacies

■ Hybrid ■ Hospital front/premises



Percentage of Pharmacy Openings



Region	Pharmacy openings in FY3/21	No. of pharmacies at end-FY3/21	Percentage
Kanto	16	309	46.1%
Kansai	6	68	10.1%
Other	7	293	43.8%
Total	29	670	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.

Response to the Revision of Pharmaceuticals and Medical Devices Act

August 2021 will mark the start of the new system of certification for pharmacies with specialized functions under the revised Pharmaceuticals and Medical Devices Act. This system will enable pharmacies to be certified as “regional cooperation pharmacies,” or “specialized medical institution cooperation pharmacies.”

The Company’s Undertakings

Regional Cooperation Pharmacies

- **Install the advanced DI web platform “FINDAT” at our pharmacies. Strengthen the function of providing drug information in local communities**
- At-home medical care (provided by 94.1% of our pharmacies)
- Family Pharmacists (staffed at 82% of our pharmacies)
- Expand our 14 certified Nutritional Care Stations
- Expand our 91 Health Support Pharmacies / Health Check-up Stations

Specialized Medical Institution Cooperation Pharmacies

- **Install the advanced DI web platform “FINDAT” at our pharmacies. Strengthen the function of providing drug information in local communities**
- Cultivate expert pharmacists certified in outpatient cancer treatment
- Provide oncology expertise training for other pharmacies

Regional Cooperation Pharmacies

Description

Pharmacies that can share medication information with medical institutions (such as medication at the time of admission and discharge) and collaborate with other local pharmacies to provide centralized and continuous medication guidance for home healthcare

Requirements

Proper structural equipment; **ability to provide information to medical institutions**; ability to perform dispensing and drug sales; **ability to provide dispensing and guidance on medication for at-home medical care**; **ability to provide sterile dispensing**

Specialized Medical Institution Cooperation Pharmacies

Description

Pharmacies that can partner with specialized medical institutions to provide medication management in oncology and other highly specialized fields

Requirements

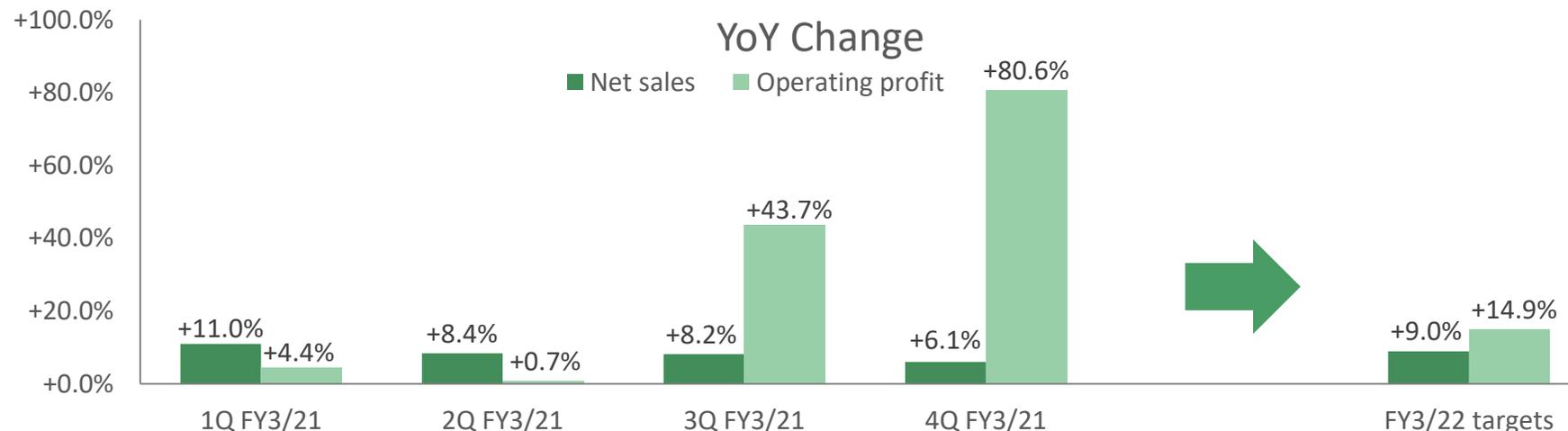
Proper structural equipment; **ability to provide information to medical institutions**; ability to conduct appropriate specialized medication dispensing and guidance in collaboration with oncology medical care facilities; **placement of pharmacists with certified oncological expertise**.

Source: Prepared by Nihon Chouzai based on information from the Ministry of Health, Labour and Welfare on the partial revisions to the Pharmaceutical and Medical Devices Act

Growth of the Pharmaceutical Manufacturing and Sales Business (1)

FY3/21 Results

We attained higher sales and profits despite the tough market conditions through large increases in sales volume. We project sales and profit growth in FY3/22 as well.



Market Environment

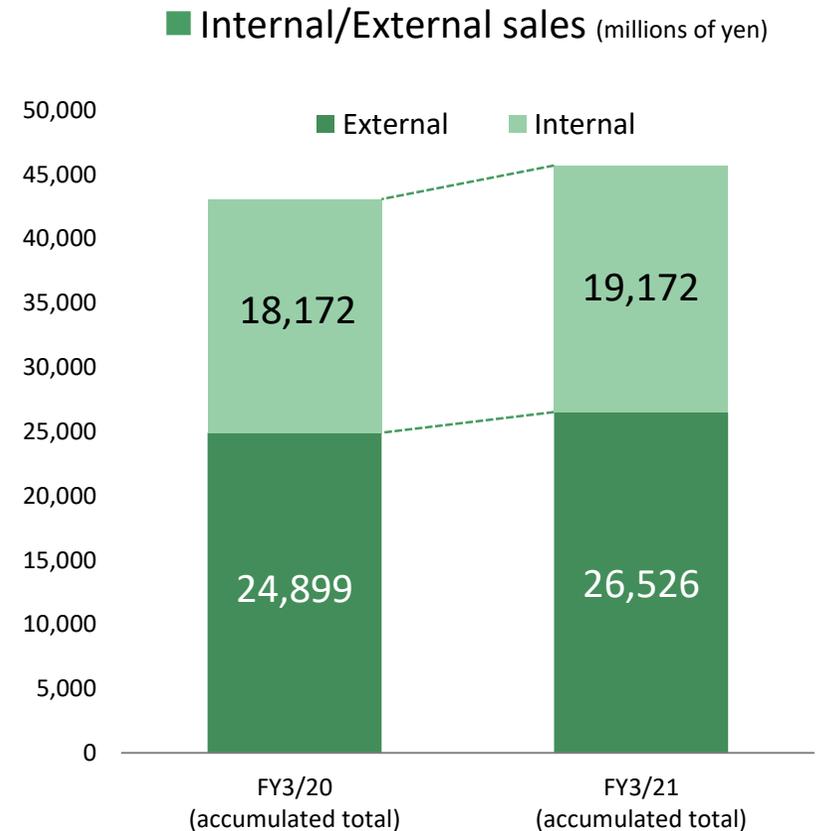
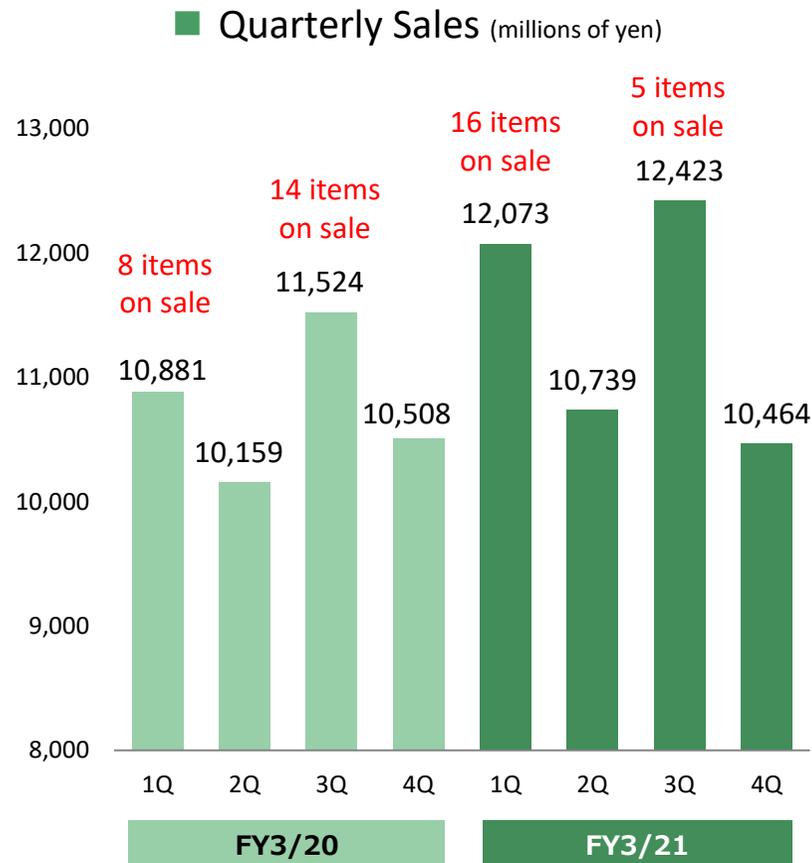
- The pharmaceuticals market faces annual drug price revisions (switched from every other year), and generic drug prices fell by around 8.5%.
 - October 2019: 10% reduction
 - April 2020: 3% reduction
 - April 2021: 8.5% reduction
- Sales of medical drugs have fallen YoY as patients refrain from medical examinations under the COVID-19 pandemic.
 - IQVIA Pharmaceuticals Market Sales Data
 - April-June 2020 -2.5%
 - July-September 2020 -5.1%
 - October-December 2020 -1.9%
 - January-December 2020 -2.4%

Source: Prepared by Nihon Chouzai based on data by Encise Inc.

Growth of the Pharmaceutical Manufacturing and Sales Business (2)

Net sales have increased steadily thanks to the launch of new NHI listed drugs. Despite the grim market conditions, net sales have grown on the back of rising sales volumes.

Net sales and their breakdown



New NHI Listed Drugs

■ New NHI Listed Drugs Sold in June 2020: **16 items**

Scale of potential
conversion to generic
drugs (estimated*)

101 billion yen

Product name	
Celecoxib Tablets 100mg "JG"	Memantine Hydrochloride OD Tablets 20mg "JG"
Celecoxib Tablets 200mg "JG"	Galantamine OD Tablets 4mg "JG"
Ezetimibe Tablets 10mg "JG"	Galantamine OD Tablets 8mg "JG"
Levocetirizine hydrochloride Tablets 5mg "JG"	Galantamine OD Tablets 12mg "JG"
Imidafenacin Tablets 0.1mg "JG"	Dutasteride capsules 0.5mg AV "JG"
Imidafenacin OD Tablets 0.1mg "JG"	Tadalafil Tablets 2.5mg ZA "JG"
Memantine Hydrochloride OD Tablets 5mg "JG"	Tadalafil Tablets 5mg ZA "JG"
Memantine Hydrochloride OD Tablets 10mg "JG"	Rabeprazole Sodium Tablets 5mg "JG"

* Calculated by multiplying the annual usage volume of the brand-name product by NHI drug price of Nihon Generic Co., Ltd.

■ New NHI Listed Drugs Sold in December 2020: **5 items**

Scale of potential
conversion to generic
drugs (estimated*)

47.1 billion yen

Product name	
Pregabalin OD Tablets 25mg "JG"	Silodosin OD Tablets 2mg "JG"
Pregabalin OD Tablets 75mg "JG"	Silodosin OD Tablets 4mg "JG"
Pregabalin OD Tablets 150mg "JG"	

New NHI Listed Drugs

Product Items to be Newly NHI Listed in June 2021: **11 items**

Scale of potential conversion to generic drugs (estimated*)

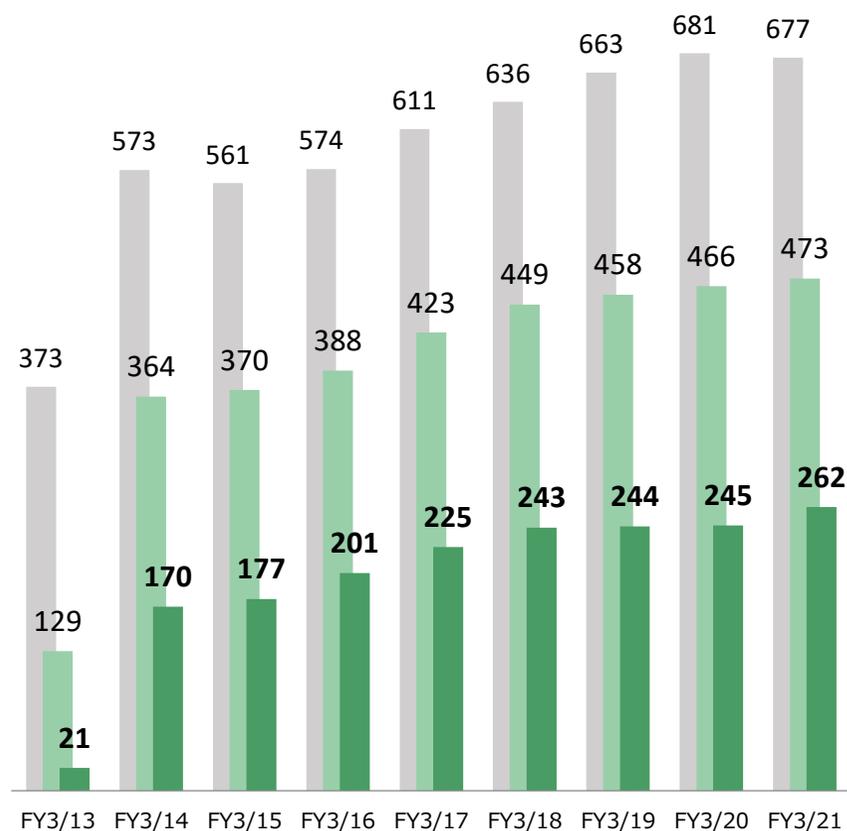
44 billion yen

Product name	
Duloxetine Capsules 20mg "JG"	Zilmlo Tablets HD "JG"
Duloxetine Capsules 30mg "JG"	Tadalafil Tablets 20mg AD "JG"
Sildenafil Tablets 20mg RE "JG"	Solifenacin Succinate OD Tablets 2.5mg "JG"
Lamotrigine Tablets 2mg for Children "JG"	Solifenacin Succinate OD Tablets 5mg "JG"
Lamotrigine Tablets 5mg for Children "JG"	Methotrexate Tablets 2mg "JG"
Zilmlo Tablets LD "JG"	

*Calculated by Nihon Chouzai based on the annual usage volume of brand-name products

Number of Product Items

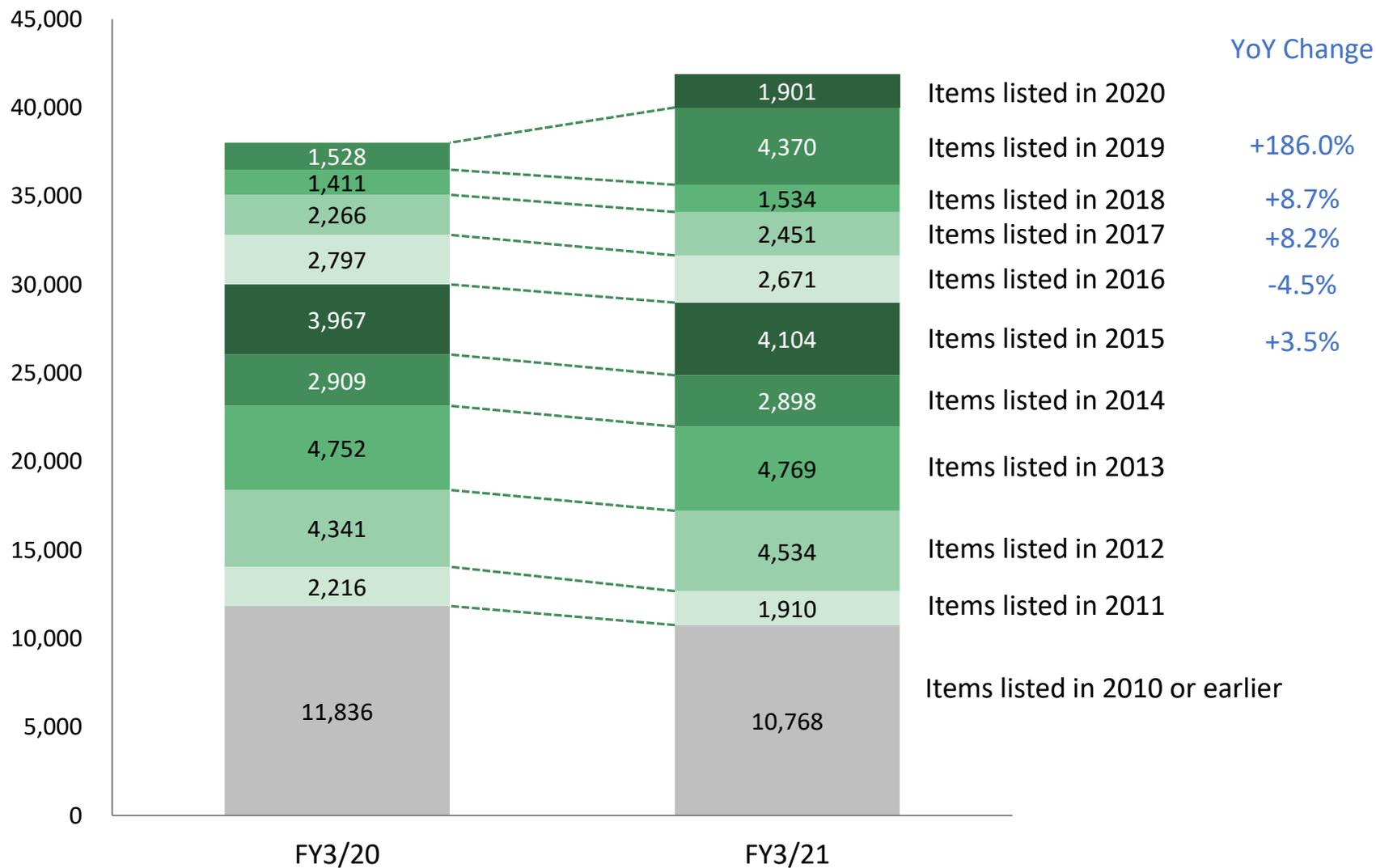
- Total no. of items
- No. of items approved for sales
- In-house manufactured items



New NHI Listed Drugs

Steady launch of new NHI listed drugs has contributed substantially to net sales. We will continue to steadily accumulate sales through ongoing R&D.

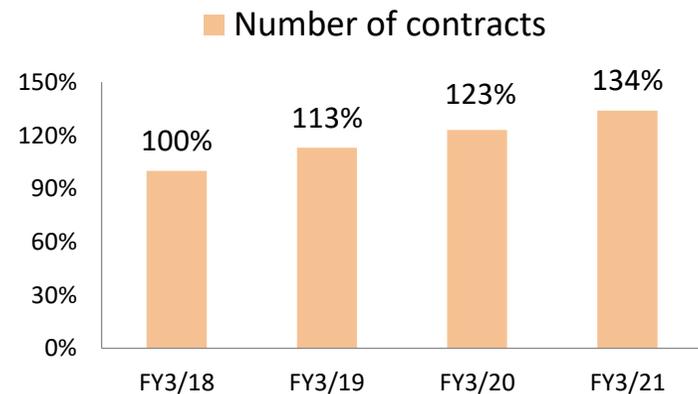
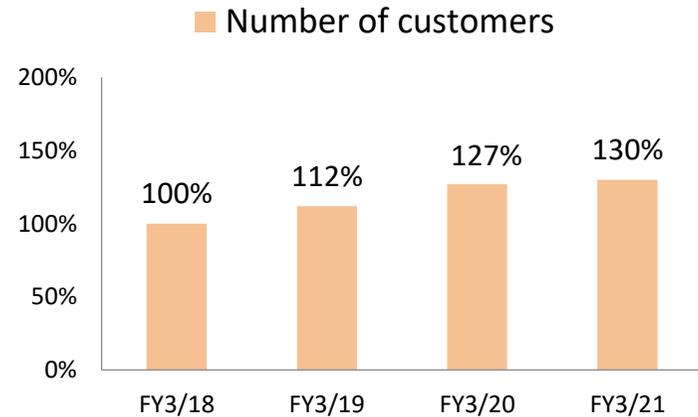
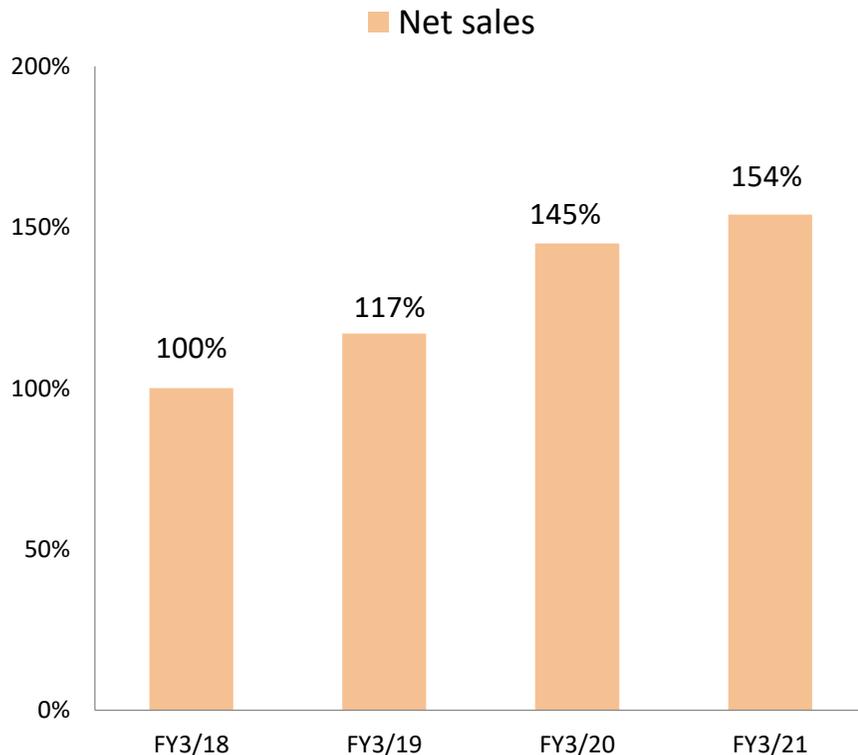
■ NHI Listed Drug Sales by Year Listed (million yen)



Growth of the Medical Professional Staffing and Placement Business (1)

We shifted to the placement business in response to changes in demand in the pharmacist staffing business. Staffing demand plummeted due to the impacts of COVID-19 and the resulting decline in the number of prescriptions. Demand for pharmacist placement declined as well, but we nevertheless achieved growth in placement sales due to an increase in the number of clients and the number of contracts.

Growth of the pharmacist placement business



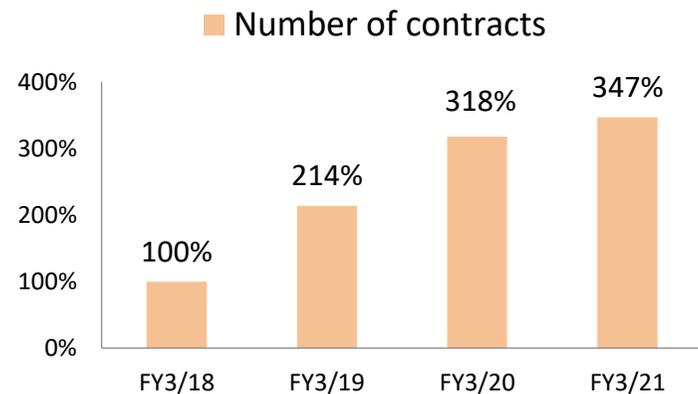
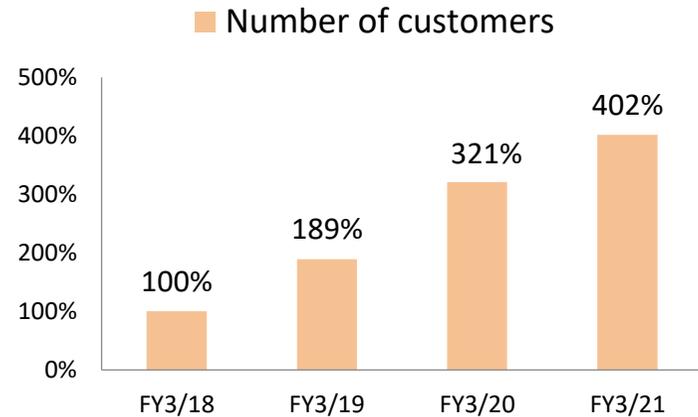
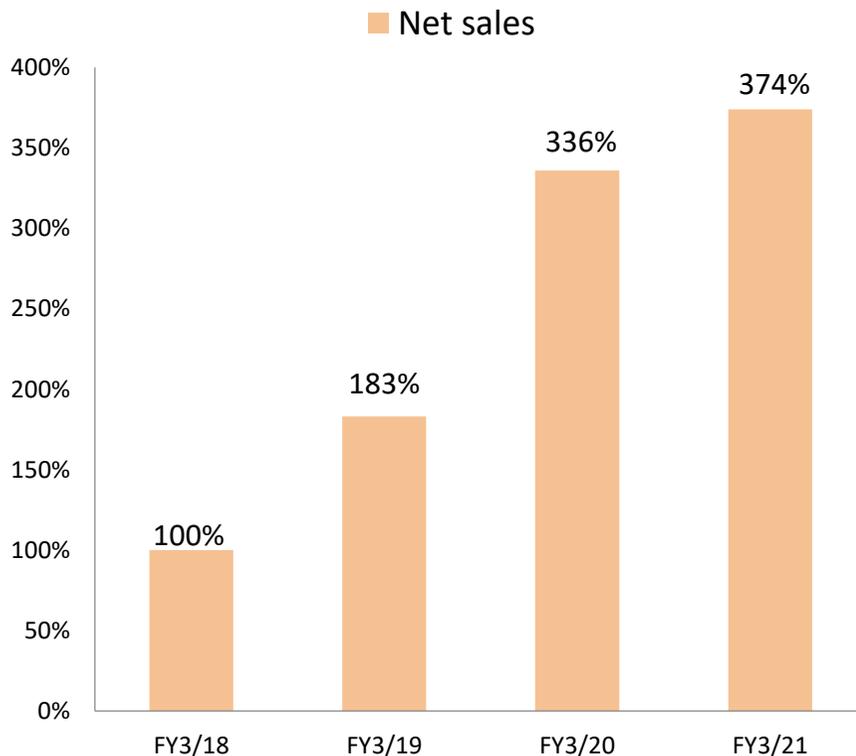
Job-seeker registrations → Matching → **Contracts** → Sales

FY3/18 Net sales, customers and contracts = 100%

Growth of the Medical Professional Staffing and Placement Business (2)

The physician placement business retains high growth potential due to the ongoing rise in demand for physicians despite the pandemic, and continues to expand.

Growth of the physician placement business



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

FY3/18 Net sales, customers and contracts = 100%

Growth of the Medical Professional Staffing and Placement Business (3)

As part of our priority strategies in the physicians business, in November 2020, we acquired a stake in Workers Doctors Inc., a company that provides industrial physician services, and added it to our Group companies. In response to the growing importance of healthy business administration in corporate management, we intend to expand business in the field of healthcare.

Workers Doctors Inc.

Workers Doctors provides occupational medical services and labor health management support to businesses in metro Tokyo.

Future vision

1. Strengthen physician business
New growth engine alongside pharmacist business
2. Utilize nationwide network
Nationwide rollout of network from current 5 prefectures
3. Realize group synergies
Revitalization of occupational doctor and existing registered doctor services
4. Develop online medical checks and DX
5. Pursue comprehensive health care company strategy
Support for corporate health management so that workers can maintain good physical, mental and social health

Business opportunity

Medical Resources Co., Ltd.
Occupational physician staffing



WORKERS DOCTORS Inc.

Occupational physician staffing



On-site health care

Measures to prevent disease and mitigate disease risk

Enhancement of mental health services

Support for corporate health management

ICT strategy in Occupational physician staffing

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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