

May 9, 2019

Results of Operations for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)



NIHON CHOUZAI Co.,Ltd.
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I. FY3/19 Consolidated Financial Highlights

Consolidated Statement of Income

Sales increased YoY in all business segments despite the impact of revisions to prescription dispensing fees and drug prices. Operating profit achieved the initial plan due to a strong performance of the pharmaceutical manufacturing and sales business.

(Millions of yen)	FY3/17 Results	FY3/18 Results	FY3/19 Plan	FY3/19 Results	YoY change	YoY growth rate	Vs. plan
Net sales	223,468	241,274	253,893	245,687	4,412	+1.8%	-3.2%
Cost of sales	184,210	197,437	212,392	203,711	6,274	+3.2%	-4.1%
Gross profit	39,258	43,837	41,500	41,975	(1,861)	-4.2%	+1.1%
% to sales	17.6%	18.2%	16.3%	17.1%	-	-	-
SG&A expenses	30,738	33,250	35,182	35,242	1,991	+6.0%	+0.2%
% to sales	13.8%	13.8%	13.9%	14.3%	-	-	-
Consumption taxes	11,600	11,892	12,434	12,537	644	+5.4%	+0.8%
R&D expenses	2,388	2,784	2,833	2,764	(19)	-0.7%	-2.4%
Operating profit	8,519	10,587	6,318	6,733	(3,853)	-36.4%	+6.6%
% to sales	3.8%	4.4%	2.5%	2.7%	-	-	-
Ordinary profit	7,976	10,138	6,078	6,077	(4,061)	-40.1%	-0.0%
% to sales	3.6%	4.2%	2.4%	2.5%	-	-	-
Profit attributable to owners of parent	4,638	6,104	3,756	3,790	(2,314)	-37.9%	+0.9%
% to sales	2.1%	2.5%	1.5%	1.5%	-	-	-
Net income per share (Yen)	290.03	381.69	234.84	243.47	(138.22)	-36.2%	+3.7%

Consolidated Balance Sheet

Total assets decreased approx. 7.9 billion yen due to a decline in property, plant and equipment and a reduction in non-current liabilities mainly long-term loans payable.

The equity ratio improved from 22.2% at the end of the previous fiscal year to 23.0%.

(Millions of yen)	End of Mar. 2017 (FY3/17)	End of Mar. 2018 (FY3/18)	End of Mar. 2019 (FY3/19)	YoY change	YoY change (%)
Current assets	82,327	81,613	80,132	(1,480)	-1.8%
Non-current assets	96,019	104,956	98,545	(6,411)	-6.1%
Property, plant and equipment	68,513	75,662	69,806	(5,855)	-7.7%
Intangible assets	16,773	17,952	16,906	(1,046)	-5.8%
Investments and other assets	10,733	11,341	11,833	491	+4.3%
Total assets	178,347	186,569	178,677	(7,891)	-4.2%
Current liabilities	66,305	70,310	69,100	(1,209)	-1.7%
Non-current liabilities	75,595	74,752	68,504	(6,248)	-8.4%
Total liabilities	141,900	145,062	137,604	(7,458)	-5.1%
Total net assets	36,447	41,506	41,073	(433)	-1.0%
Shareholders' equity	36,447	41,504	41,068	(436)	-1.1%
Equity ratio	20.4%	22.2%	23.0%	-	-

Note: FY3/18 figures have been adjusted retrospectively in accordance with the Partial Amendments to Accounting Standard for Tax Effect Accounting.

Consolidated Statement of Cash Flows

Cash used in investing activities improved about 12.1 billion yen from the previous fiscal year due to a big decline in capital expenditures because investments peaked in the previous fiscal year in the pharmaceutical manufacturing and sales business. As a result, free cash flows increased from about 9.3 billion yen to 11.8 billion yen.

Financing cash flows were again negative (10.5 billion yen) because cash was used to reduce interest-bearing debts.

(Millions of yen)	FY3/17	FY3/18	FY3/19	YoY change
Cash flows from operating activities	(940)	23,141	13,572	(9,569)
Profit before income taxes	7,827	10,045	6,777	(3,268)
Depreciation	4,741	5,214	6,304	1,090
Amortization of goodwill	976	1,326	1,487	161
Decrease (increase) in notes and accounts receivable-trade	(46)	6,691	3,485	(3,206)
Decrease (increase) in inventories	(7,005)	1,442	(1,314)	(2,756)
Increase (decrease) in notes and accounts payable-trade	(4,135)	(1,399)	342	1,742
Cash flows from investing activities	(28,444)	(13,843)	(1,770)	12,072
Purchase of property, plant and equipment	(20,222)	(12,076)	(5,303)	6,772
Proceeds from sale of business	-	114	4,093	3,978
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,899)	(1,126)	(785)	340
Cash flows from financing activities	18,205	(2,034)	(10,516)	(8,482)
Net increase (decrease) in cash and cash equivalents	(11,180)	7,264	1,284	(5,979)
Cash and cash equivalents at beginning of period	32,380	21,200	28,464	7,264
Cash and cash equivalents at end of period	21,200	28,464	29,749	1,284

Consolidated Financial Indicators

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Net income per share (Yen) ^{note}	194.48	432.85	290.03	381.69	243.47
Return on equity	16.6%	25.3%	13.5%	15.7%	9.2%
Ordinary profit on total assets	4.9%	6.9%	4.7%	5.6%	3.3%
Operating profit to net sales	3.7%	4.8%	3.8%	4.4%	2.7%
Equity ratio	13.6%	20.6%	20.4%	22.2%	23.0%
Free cash flows (Millions of yen)	(2,606)	11,509	(29,385)	9,298	11,801
Net assets per share (Yen) ^{note 1}	1,257.59	2,030.22	2,278.70	2,595.00	2,739.04
Share price at year-end (Yen) ^{note 1}	3,055	4,025	3,785	3,350	3,750
Market cap at year-end (Millions of yen)	48,953	64,496	60,650	53,680	60,090
Price book-value ratio (PBR) at year-end	2.43	1.98	1.66	1.29	1.37
Price earnings ratio (PER) at year-end	15.71	9.30	13.05	8.78	15.40
Dividend per share (Yen)	35.00	45.00	50.00	50.00	50.00
<Before stock split>	<70.00>	<90.00>	<100.00>	<100.00>	<100.00>
EBITDA (Millions of yen) ^{note 2}	10,923	15,615	14,237	17,127	14,525
EV/EBITDA (Times) ^{note 2}	9.5	6.5	9.0	6.6	7.7

Note 1. Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015.
Per-share figures and share price for FY3/15 are adjusted to reflect the stock split.
Figures are rounded to the nearest whole number.

Note 2. EBITDA= Operating profit/loss + Depreciation + Amortization of goodwill
EV= Market cap at the end of each period + Net interest-bearing debt

Dispensing Pharmacy Business / Statement of Income

By continuing to open stores and taking other actions, this business achieved higher sales as many other pharmacy companies had difficulties due to revisions to prescription dispensing fees and drug prices.

Earnings decreased year on year and were below the plan. The causes were the dispensing fee and drug price revisions, difficult price negotiations based on distribution improvement guidelines, and an increase in SG&A expenses, chiefly personnel expenses.

(Millions of yen)	FY3/17 Results	FY3/18 Results	FY3/19 Plan	FY3/19 Results	YoY change	YoY growth rate	Vs. plan
Net sales	189,327	205,192	213,133	208,622	3,430	+1.7%	-2.1%
Cost of sales	160,588	172,264	182,411	178,339	6,075	+3.5%	-2.2%
Gross profit	28,738	32,928	30,721	30,282	(2,645)	-8.0%	-1.4%
% to sales	15.2%	16.0%	14.4%	14.5%	-	-	-
SG&A expenses	19,178	20,516	21,285	21,575	1,058	+5.2%	+1.4%
% to sales	10.1%	10.0%	10.0%	10.3%	-	-	-
Operating profit	9,560	12,411	9,436	8,707	(3,703)	-29.8%	-7.7%
% to sales	5.0%	6.0%	4.4%	4.2%	-	-	-
No. of pharmacies at the end of each period (stores) ^{note 1}	557	585	635	598	13	+2.2%	-5.8%
Prescription drug sales per pharmacy ^{note 2}	349	359	348	352	(7)	-1.9%	+1.1%

YoY Growth Rate of the Number and Unit Price of Prescriptions

No. of prescriptions	14,192,000	+3.3%
Prescription unit prices	14,458 yen	-1.9%

Note 1. No. of pharmacies at the end of each period includes locations specializing in the sales of general merchandise.

Note 2. Prescription drug sales per pharmacy = Prescription drug sales / Average No. of pharmacies during the period

Pharmaceutical Manufacturing and Sales Business / Statement of Income

Sales increased as growth in internal sales offset the negative effect of drug price reductions.

Operating profit was far above the initial plan, increasing 57.8% despite a big increase in depreciation and increases in other expenses.

➡ Earnings benefited from a sales strategy prioritizing profitability and a reexamination of all categories of expenses.

This performance gives this business a solid start for achieving the long-term vision for 2030.

(Millions of yen)	FY3/17 Results	FY3/18 Results	FY3/19 Plan	FY3/19 Results	YoY change	YoY growth rate	Vs. plan
Net sales	36,821	38,066	42,123	40,659	2,593	+6.8%	-3.5%
Cost of sales	30,356	31,746	36,822	33,782	2,035	+6.4%	-8.3%
Gross profit	6,465	6,319	5,301	6,877	557	+8.8%	+29.7%
% to sales	17.6%	16.6%	12.6%	16.9%	-	-	-
SG&A expenses	4,745	5,124	5,250	4,991	(132)	-2.6%	-4.9%
% to sales	12.9%	13.5%	12.5%	12.3%	-	-	-
Operating profit	1,719	1,194	51	1,885	690	+57.8%	-
% to sales	4.7%	3.1%	0.1%	4.6%	-	-	-

Components of YoY changes

◆ Net sales

1. Internal sales: Increase in volume-based sales ratio of dispensing pharmacy business, and effects of new store openings (higher sales)
2. External sales: Continued sales strategy to increase priority on profitability (slight decrease in sales)

◆ Operating profit

1. Contribution to earnings from sales growth and a sales strategy prioritizing profitability based on distribution improvement guidelines (higher profit)
2. Higher depreciation and other expenses due to start of production at Tsukuba Plant No. 2 with state-of-the-art manufacturing equipment (lower profit)

Medical Professional Staffing and Placement Business / Statement of Income

Sales increased 1.1 billion yen, or 9.3 %, because of steady growth in temporary and permanent placements of pharmacists and permanent placements of physicians.

Higher expenses due to upfront investments to strengthen the physician placement business caused operating profit to decrease. These investments are expected to start producing benefits in FY3/20.

→Earnings were less than planned because of higher cost of people used for temporary staffing and below-plan placement business sales.

(Millions of yen)	FY3/17 Results	FY3/18 Results	FY3/19 Plan	FY3/19 Results	YoY change	YoY growth rate	Vs. plan
Net sales	10,500	11,970	13,500	13,083	1,113	+9.3%	-3.1%
Cost of sales	6,415	7,366	7,981	8,133	766	+10.4%	+1.9%
Gross profit	4,084	4,604	5,519	4,950	346	+7.5%	-10.3%
% to sales	38.9%	38.5%	40.9%	37.8%	-	-	-
SG&A expenses	2,374	2,762	3,568	3,472	710	+25.7%	-2.7%
% to sales	22.6%	23.1%	26.4%	26.5%	-	-	-
Operating profit	1,710	1,842	1,950	1,478	(363)	-19.7%	-24.2%
% to sales	16.3%	15.4%	14.4%	11.3%	-	-	-

Components of YoY changes

◆ Net sales

1. Steady growth of the temporary staffing business because of the pharmacist shortage in Japan (higher sales)
2. Growth of the physician placement business and benefits of expansion of service network and sales team (higher sales)

◆ Operating profit

1. Higher sales contributed to earnings (higher profit)
 2. Increase in the cost of people used for temporary staffing (lower gross profit margin)
 3. Upfront investments to strengthen the physician placement business (lower profit)
- More advertisements, more sales and service offices, more personnel

Growth of the physician and pharmacist placement businesses raised the operating margin from 9.9% in the first half to 11.3% for the full fiscal year.

FY3/20 Consolidated Forecast

Forecast sales and earnings growth in FY3/20 even though market conditions will remain challenging in all business segments.

Forecast sales growth in all business segments mainly due to benefits from upfront investments despite the drug price revision in October. Although personnel investments will raise expenses in the dispensing pharmacy business, forecast higher earnings backed by the medical professional staffing and placement business.

**Refer to Business Segment Forecast on the next page.*

(Millions of yen)	FY3/17 Results	FY3/18 Results	FY3/19 Results	FY3/20 Plan	YoY change	YoY growth rate
Net sales	223,468	241,274	245,687	268,599	22,912	+9.3%
Cost of sales	184,210	197,437	203,711	222,774	19,063	+9.4%
Gross profit	39,258	43,837	41,975	45,824	3,848	+9.2%
% to sales	17.6%	18.2%	17.1%	17.1%	-	-
SG&A expenses	30,738	33,250	35,242	38,593	3,350	+9.5%
% to sales	13.8%	13.8%	14.3%	14.4%	-	-
Consumption taxes	11,600	11,892	12,537	13,727	1,189	+9.5%
R&D expenses	2,388	2,784	2,764	3,308	543	+19.7%
Operating profit	8,519	10,587	6,733	7,231	498	+7.4%
% to sales	3.8%	4.4%	2.7%	2.7%	-	-
Ordinary profit	7,976	10,138	6,077	7,069	991	+16.3%
% to sales	3.6%	4.2%	2.5%	2.6%	-	-
Profit attributable to owners of parent	4,638	6,104	3,790	4,020	230	+6.1%
% to sales	2.1%	2.5%	1.5%	1.5%	-	-
Net income per share (Yen)	290.03	381.69	243.47	268.17	24.70	+10.1%
Dividend per share (Yen)	50.00	50.00	50.00	50.00	-	-

FY3/20 Business Segment Forecast

Higher dispensing pharmacy sales by adding stores based on a sound pharmacy opening strategy (accompanied by substantial personnel investments for growth)

No change in pharmaceutical and manufacturing and sales earnings because of the drug price revisions in October 2019 and April 2020

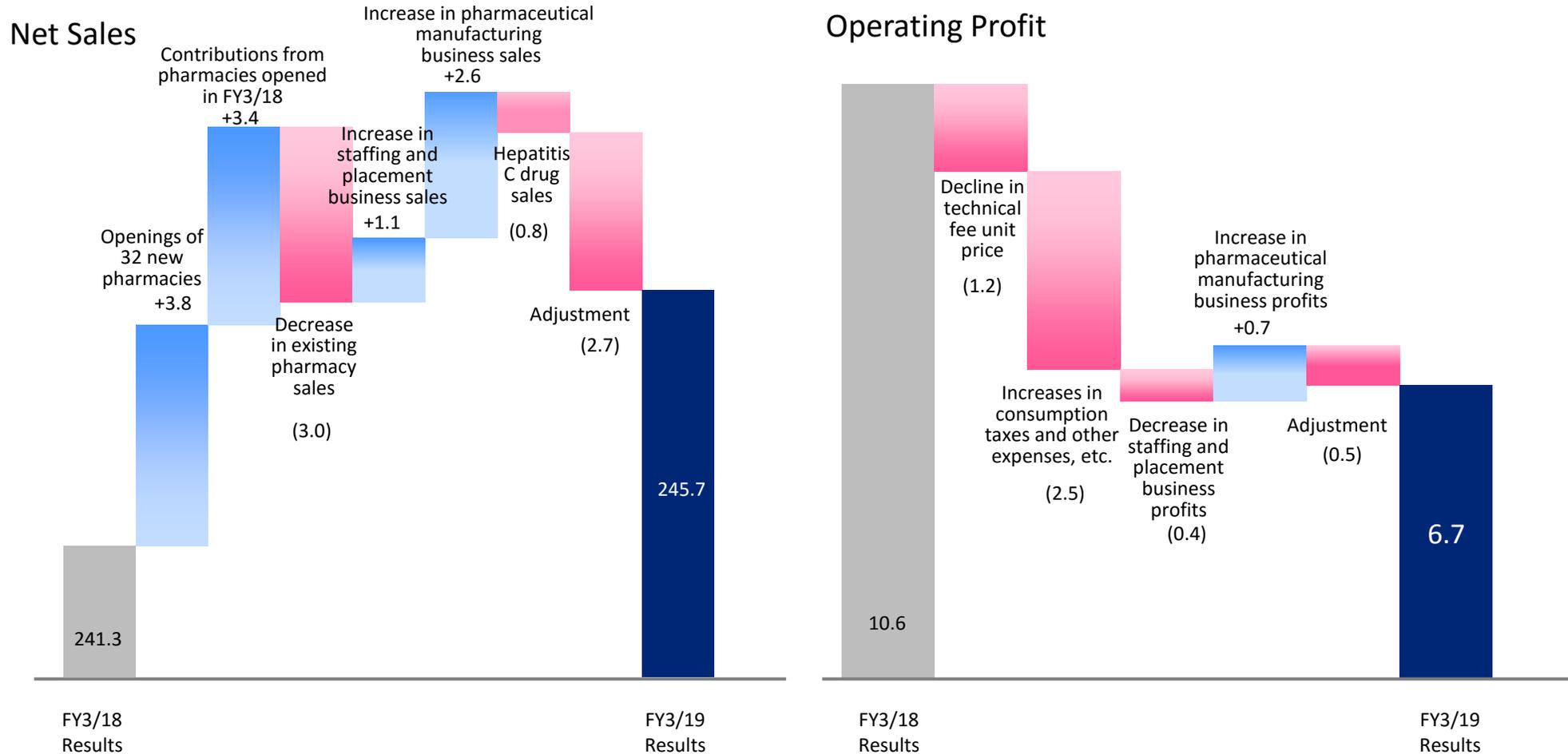
Higher medical professional staffing and placement sales and earnings due to the benefits of upfront investments in prior years

	(Millions of yen)	FY3/17 Results	FY3/18 Results	FY3/19 Results	FY3/20 Plan	YoY change	YoY growth rate
Dispensing pharmacy business	Net sales	189,327	205,192	208,622	226,908	18,285	+8.8%
	Gross profit	28,738	32,928	30,282	32,998	2,715	+9.0%
	% to sales	15.2%	16.0%	14.5%	14.5%	-	-
	Operating profit	9,560	12,411	8,707	8,794	86	+1.0%
	% to sales	5.0%	6.0%	4.2%	3.9%	-	-
Pharmaceutical manufacturing and sales business	Net sales	36,821	38,066	40,659	45,493	4,833	+11.9%
	Gross profit	6,465	6,319	6,877	7,304	426	+6.2%
	% to sales	17.6%	16.6%	16.9%	16.1%	-	-
	Operating profit	1,719	1,194	1,885	1,884	(0)	-0.0%
	% to sales	4.7%	3.1%	4.6%	4.1%	-	-
Medical professional staffing and placement business	Net sales	10,500	11,970	13,083	14,300	1,216	+9.3%
	Gross profit	4,084	4,604	4,950	5,570	619	+12.5%
	% to sales	38.9%	38.5%	37.8%	39.0%	-	-
	Operating profit	1,710	1,842	1,478	1,849	371	+25.1%
	% to sales	16.3%	15.4%	11.3%	12.9%	-	-

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

New pharmacies, mainly through organic growth, in the dispensing pharmacy business made a contribution to higher consolidated sales. Pharmaceutical and manufacturing and sales business earnings increased despite higher expenses, but operating profit was down significantly due to the substantial negative effects of fee and drug price revisions and growth in personnel and other expenses.

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

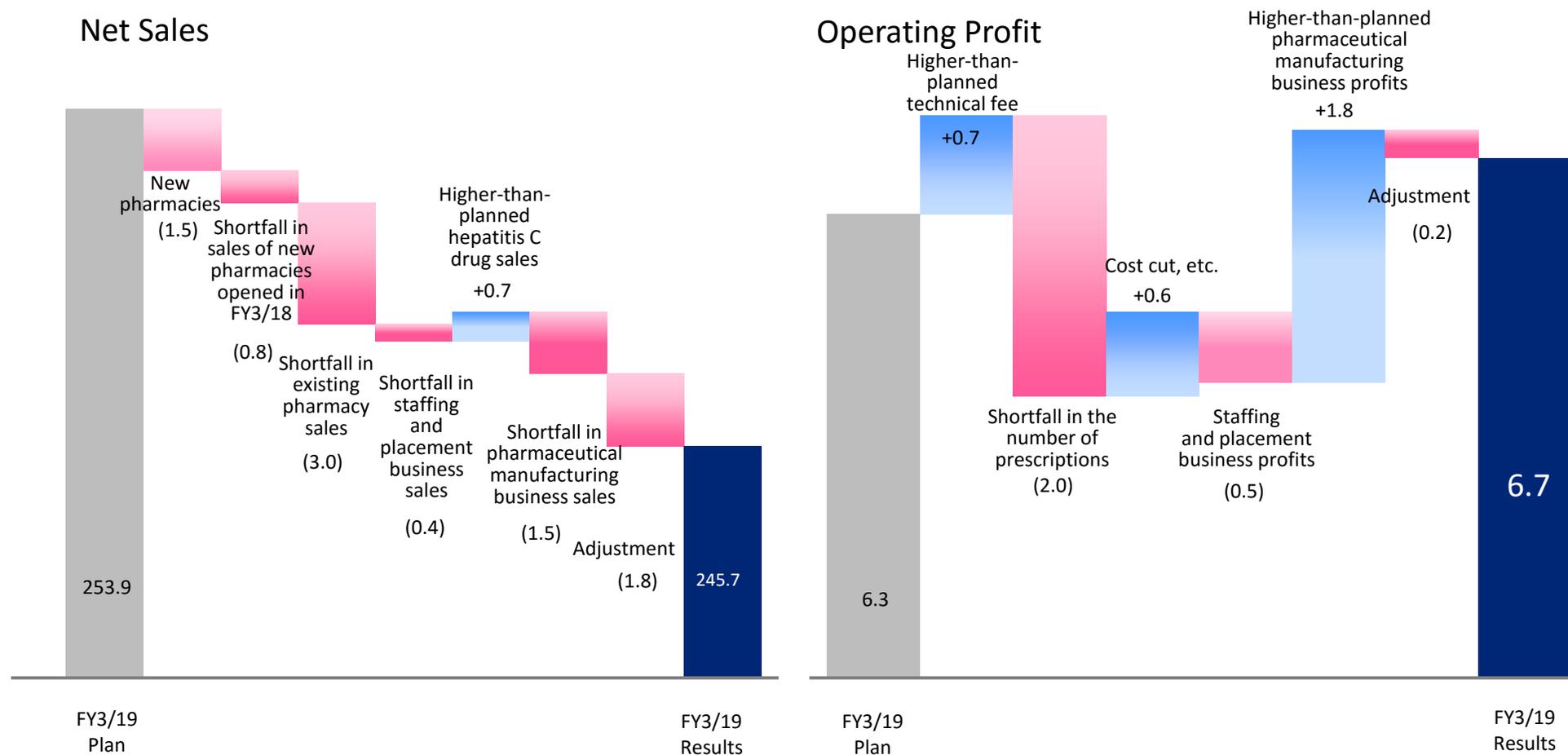


Reference Materials

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

Sales fell short of the plan in all three business segments. Store openings were behind the plan in the dispensing pharmacy business, external sales were below the plan in the pharmaceutical manufacturing and sales business, and the performance of the placement business in the staffing and placement business was below the plan. The operating profit goal was achieved due to higher pharmaceutical manufacturing and sales earnings. Although technical fees received after fee revisions improved, dispensing pharmacy earnings fell sharply because the number of prescriptions was less than planned. In the staffing and placement business, placement earnings were below the plan.

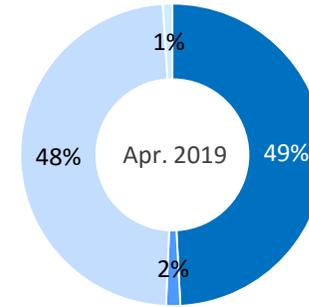
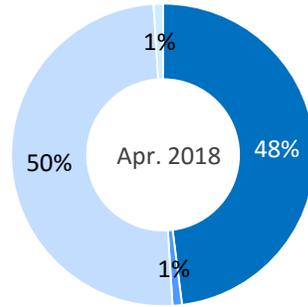
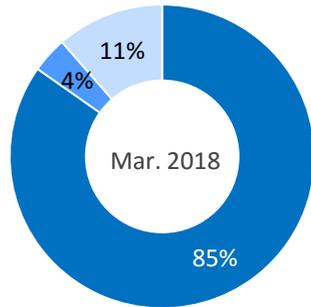
(Billions of yen; figures are rounded to the nearest 100 million yen)



Stepping up a variety of initiatives for achieving the Vision of Pharmacies for Patients. Pharmacies receiving the Generic Drug Dispensing System Type II and III premium have changed from 86% in March 2018 to 65% in April 2018 and to 85% in April 2019. **This premium income has returned to the level prior to the fee revisions.**

Basic Dispensing Fee

- Basic fee 1 (41pt)
- Basic fee 2 (25pt)
- Basic fee 3 (20pt)

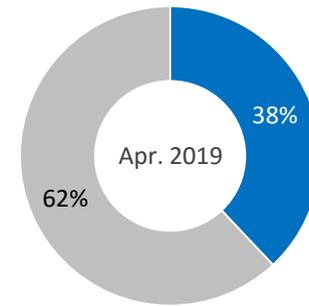
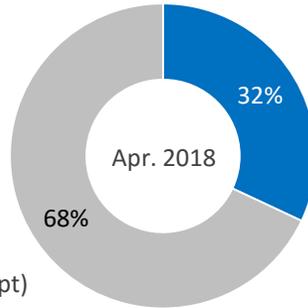
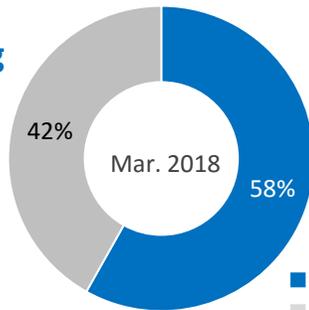


- Basic fee 1 (41pt)
- Basic fee 2 (25pt)
- Basic fee 3-2 (15pt)
- Special basic fee (10pt)

Premium for Standard Dispensing System

↓ Premium for Regional Support System

- Premium (32pt)
- No premium

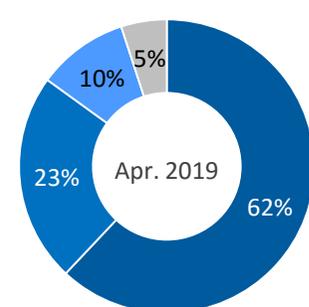
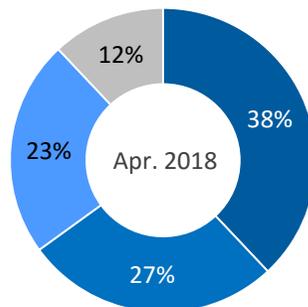
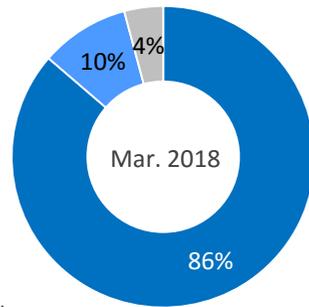


Share of premium pharmacies increased 6 pct. points (vs. April 2018)

- Premium (35pt)
- No premium

Premium for Generic Drug Dispensing System

- Type II (75%-, 22pt)
- Type I (65% - 75%, 18pt)
- No premium



Share of type III premium pharmacies increased 24 pct. points (vs. April 2018)

- Type III (85%-, 26pt)
- Type II (80% - 85%, 22pt)
- Type I (75% - 80%, 18pt)
- No premium

II. Management Strategies of the Nihon Chouzai Group

- Personnel Investments for Growth -

Management Strategies of the Nihon Chouzai Group

■Producing a Positive Cycle

Dispensing
Pharmacy Business

■Pharmacy Opening Strategy

- Create Pharmacies That Can Win the Competition for Survival -

Dispensing
Pharmacy Business

■Provide High-quality and Efficient Medical Services

Dispensing
Pharmacy Business

■Growth of the Pharmaceutical Manufacturing and Sales Business

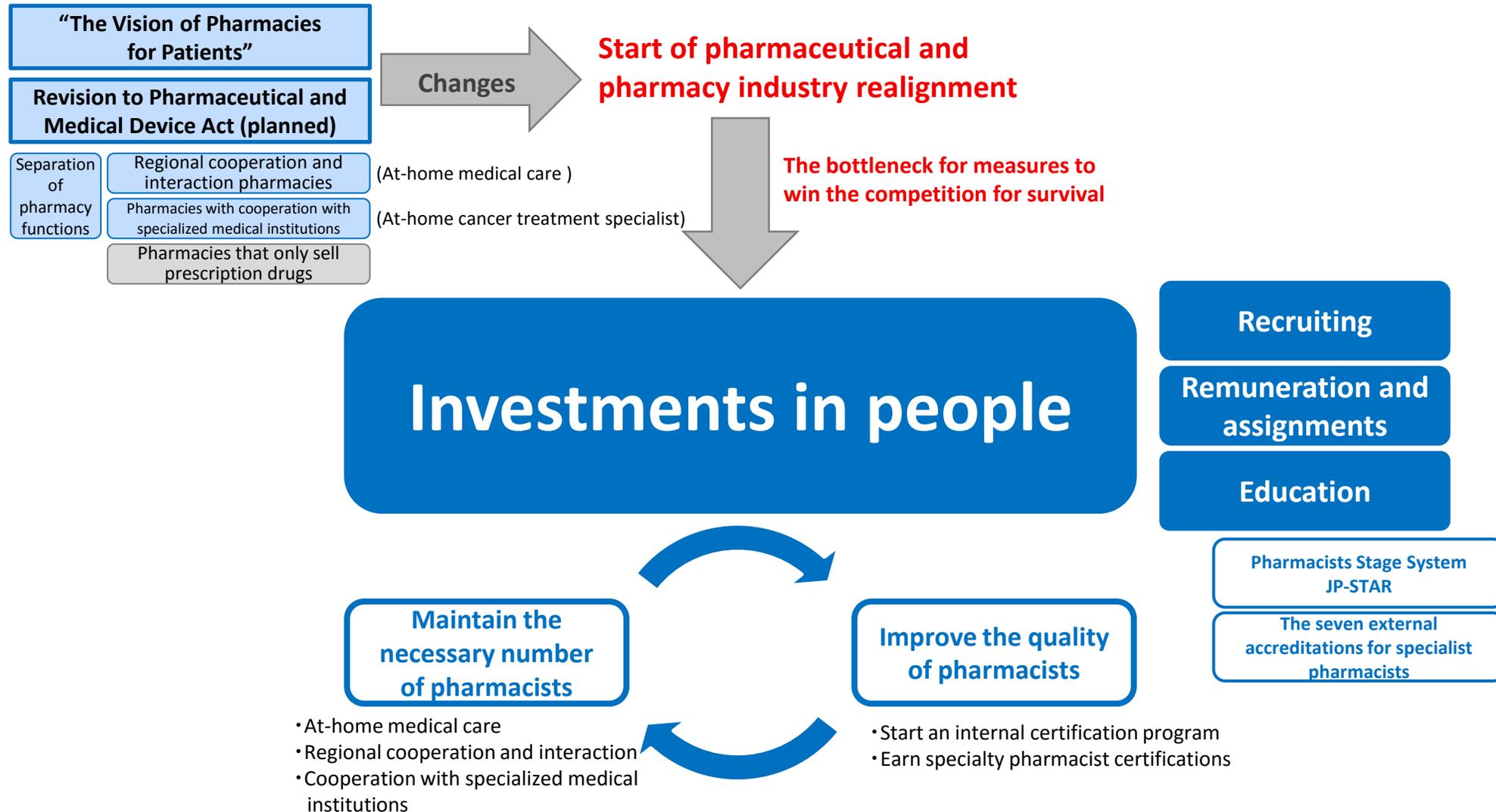
Pharmaceutical
Manufacturing and
Sales Business

■Growth of the Medical Professional Staffing and Placement Business

Medical
Professional
Staffing and
Placement Business

Producing a Positive Cycle (1)

Pharmacies need to provide a large volume of face-to-face services. The number and quality of pharmacists are restricting the ability to meet this demand. Nihon Chouzai is responding by making upfront investments in its people based on the proposed amendments to the Pharmaceutical and Medical Device Act.



Producing a Positive Cycle (2)

Produced a positive human resources cycle by hiring a record-high 398 newly graduated pharmacists. Gives Nihon Chouzai the ability to provide the increasing volume of face-to-face services required of pharmacists. More investments in people will position Nihon Chouzai pharmacists and pharmacies as winners as industry realignment takes place.

Achievement

The largest number of pharmacist recruits in Japan's pharmacy/drug store sector*



A new record!



More face-to-face services

- Family pharmacist care
- At-home care
- Specialist pharmacists
- Hospital seminars
- Pharmacies that can compete and win
 - Larger stores
 - More functions

* Spring 2019 pharmacists recruited and goal for spring 2020 recruiting for major pharmacy and drug store chains in Japan based on data of Jiho, Inc.

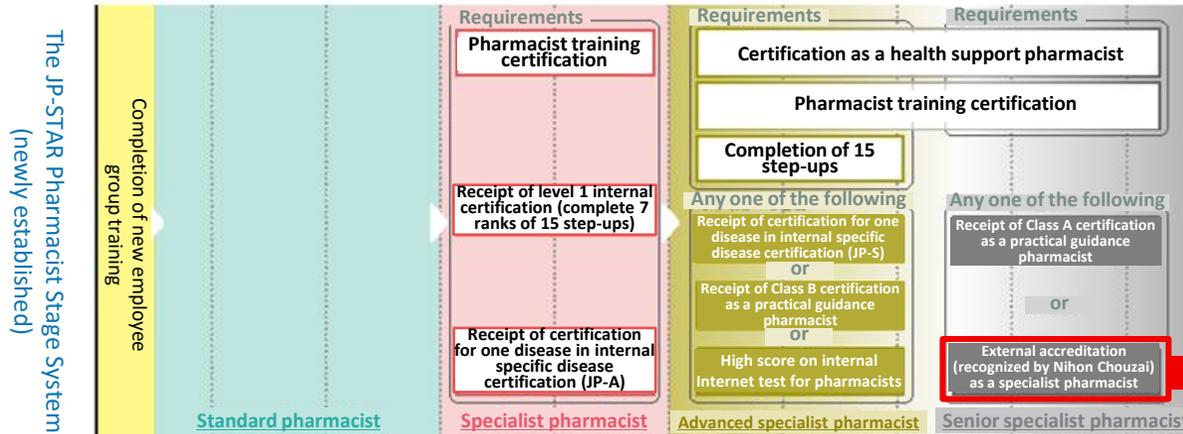
Establish the Quality Needed to Support a Positive Cycle (1)

Establishment of the Pharmacists Stage System encourages pharmacists to earn internal certifications, which leads to the receipt of external accreditations.

➔ Investments in people in anticipation of cooperation with specialized medical institutions.

Nihon Chouzai Certification

External Accreditation



The seven external accreditations for specialist pharmacists

- (1) At-home cancer treatment specialist
- (2) Kidney disease drug specialist
- (3) Nutrition support team specialist
- (4) Diabetes drug specialist
- (5) Palliative drug specialist
- (6) Cancer specialist
- (7) HIV drug specialist

Nihon Chouzai started the JP-STAR Pharmacist Stage System in April 2018 for the purpose of upgrading the skills of pharmacists.

Example:

At-home cancer treatment specialist

Certification as a specialist is very difficult

Application requirements:

- Provided cancer support to at least 10 individuals
- At least 60 units of classes/training involving cancer
- Must be a certified pharmacist
- Three or more years of practical experience

Tests:

- Document examination
- Written examination
- Interview

External Training

Nihon Chouzai pharmacists have participated in the training programs of at least 15 hospitals throughout Japan

49 times

Cumulative participation as of March 31, 2019

Pharmacies that cooperate with specialized medical institutions (proposal)

- **Pharmacists with highly specialized skills**
- Sharing of treatment policies and other items with the specialized medical institutions
- Capable of filling special prescriptions
- Pharmacy is configured to protect the privacy of patients
- Coordination with regional cooperation and interaction pharmacies used by patients

Excerpts from the proposed law submitted to the 198th Ordinary Diet Session as posted on the Ministry of Health, Labour and Welfare website

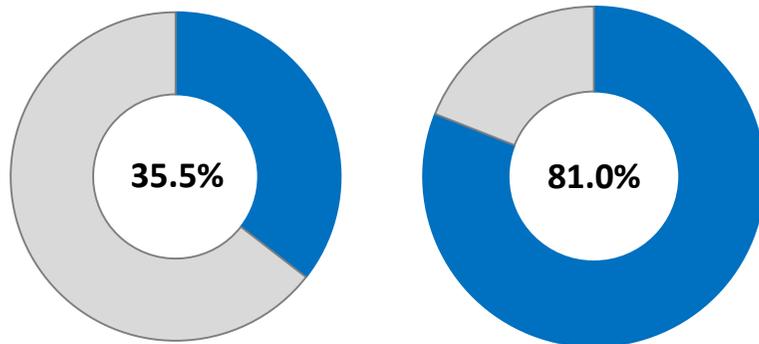
Establish the Quality Needed to Support a Positive Cycle (2)

Continuing to conduct many activities involving family pharmacists/pharmacies and at-home medical care. More measures for at-home medical care has produced a big increase in the number of these services provided per pharmacy.

Family Pharmacists and Pharmacies

(as of April 4, 2019, not including newly hired new pharmacist graduates)

■ Pct. of family pharmacists ■ Pharmacies with a family pharmacist



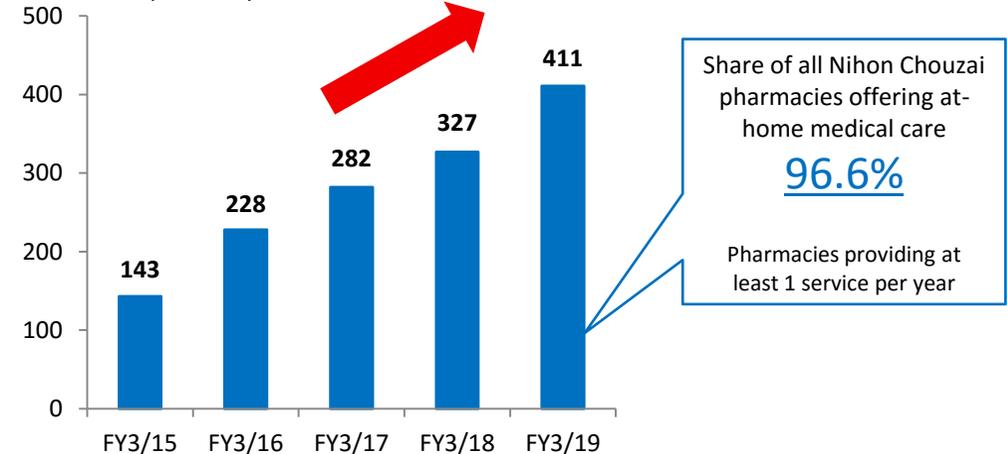
■ Number of family pharmacists per pharmacy

1.6

Note: Pct. of family pharmacists = No. of family pharmacists / all Nihon Chouzai Group pharmacists

Promotion of High-quality At-home Medical Care

(Services) ■ At-home medical care services provided per pharmacy



Regional cooperation and interaction pharmacies (proposal)

- **Pharmacists visit patients at their homes**
- Capable of filling prescriptions for narcotic drugs and sterile pharmaceuticals
- Pharmacists have completed the required training
- Sharing of drug information about a patient with a hospital when an individual is admitted or discharged
- Pharmacy is configured to protect the privacy of patients

Excerpts from the proposed law submitted to the 198th Ordinary Diet Session as posted on the Ministry of Health, Labour and Welfare website

Management Strategies of the Nihon Chouzai Group

■Producing a Positive Cycle	Dispensing Pharmacy Business
■Pharmacy Opening Strategy - Create Pharmacies That Can Win the Competition for Survival -	Dispensing Pharmacy Business
■Provide High-quality and Efficient Medical Services	Dispensing Pharmacy Business
■Growth of the Pharmaceutical Manufacturing and Sales Business	Pharmaceutical Manufacturing and Sales Business
■Growth of the Medical Professional Staffing and Placement Business	Medical Professional Staffing and Placement Business

Pharmacy Opening Strategy / Create Pharmacies That Can Win the Competition for Survival

The number of hybrid-type pharmacies is growing, mainly in Tokyo, Osaka and Nagoya.

No change in organic growth and M&A policies – Only deals that meet strict standards for potential benefits and growth.

Pharmacy Openings and Closings (Categories)

	FY3/18	FY3/19	Target for pct. of hybrid-type pharmacies in 2030	Region	End of Mar. 2018	End of Mar. 2019	Change
Opened	36	32	<p>50% Hospital-front pharmacies, 50% Hybrid-type pharmacies</p>	Hokkaido	46	44	-2
Hospital-front pharmacies	20	16		Tohoku	44	44	0
Hybrid-type pharmacies	16	16		Kanto	287	294	7
Closed	8	19		Koshinetsu	24	23	-1
No. of pharmacies at the end of period	585	598		Tokai	52	52	0
				Kansai/Hokuriku	61	66	5
				Chugoku/Shikoku	35	38	3
				Kyushu/Okinawa	36	37	1
				Total	585	598	13

(Including two locations specializing in the sales of general merchandise)

Includes seven pharmacies within hospital premises

Further strengthen advanced pharmacology management

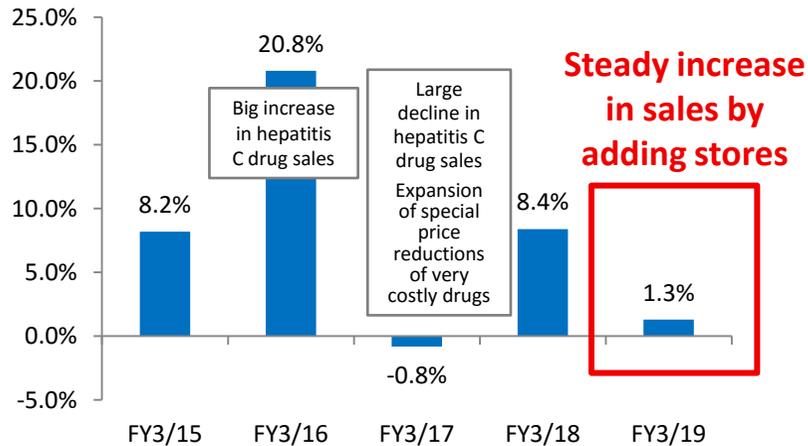
Store Openings (No. of pharmacies)

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Opened	37	29	27	42	36	32
Organic growth	33	28	22	21	23	26
M&A	4	1	5	21	13	6
Closed	9	12	11	12	8	19
No. of pharmacies at the end of each period	494	511	527	557	585	598

Pharmacy Opening Strategy / Create Pharmacies that Can Win the Competition for Survival

Sales growth continued backed by opening stores with excellent prospects. At existing stores, the number and unit price of prescriptions have almost recovered to the level prior to the most recent drug price revisions.

Sales Growth Ratio In the Dispensing Pharmacy Business

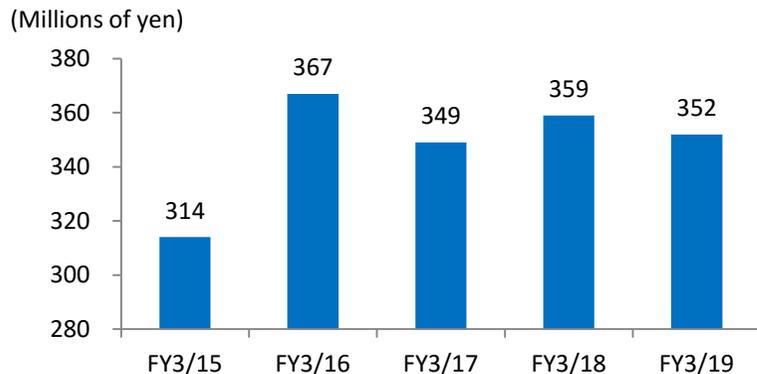


YoY Growth Rate of the Number and Unit Price of Prescriptions

No. of prescriptions	14,192,000	+3.3%
Prescription unit price	14,458 yen	-1.9%

Able to add stores on our own without excessive reliance on M&A
Vulnerability to price revisions is relatively low

Prescription Drug Sales per Pharmacy



YoY Growth Rate by Year of Opening

	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	-0.9%	-0.4%	-0.5%
Pharmacies opened in FY3/18	+97.1%	+127.3%	-13.3%
Total	+1.3%	+3.3%	-1.9%

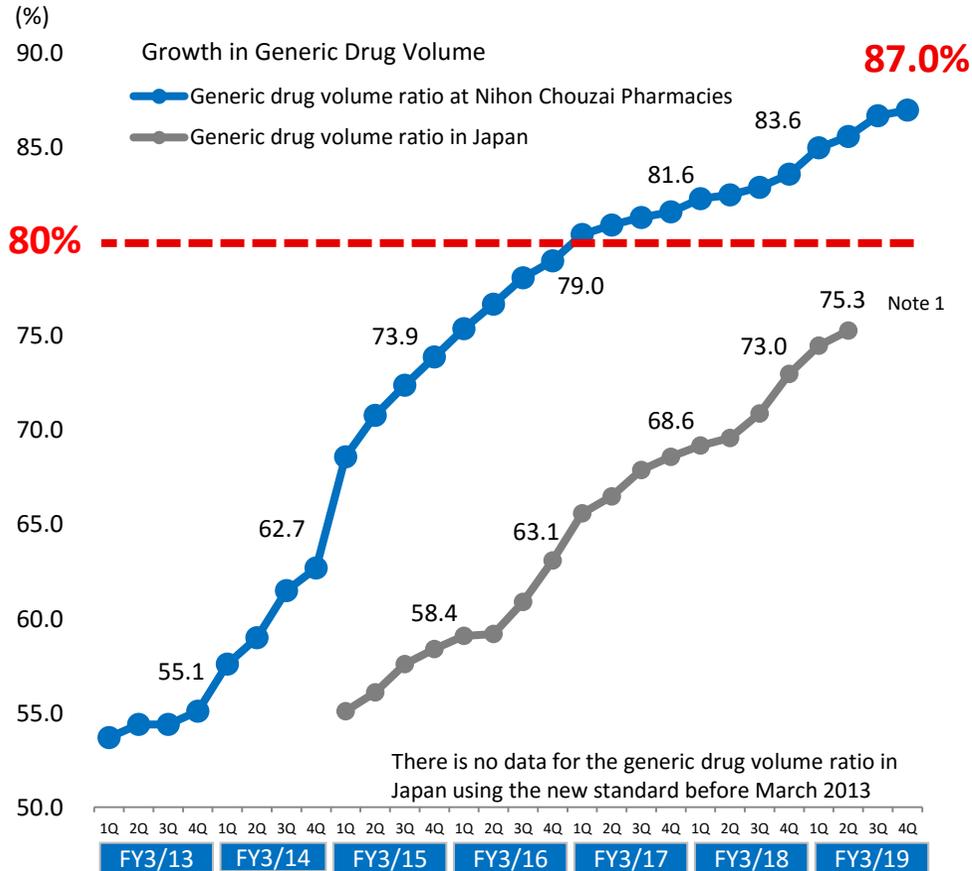
At existing stores, prescription unit prices have almost recovered to the prior-year level.

Management Strategies of the Nihon Chouzai Group

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Provide High-quality and Efficient Medical Services

Promotion of the Use of Generic Drugs



Promotion of the use of generic drugs →
Holds down the growth of health care expenditures

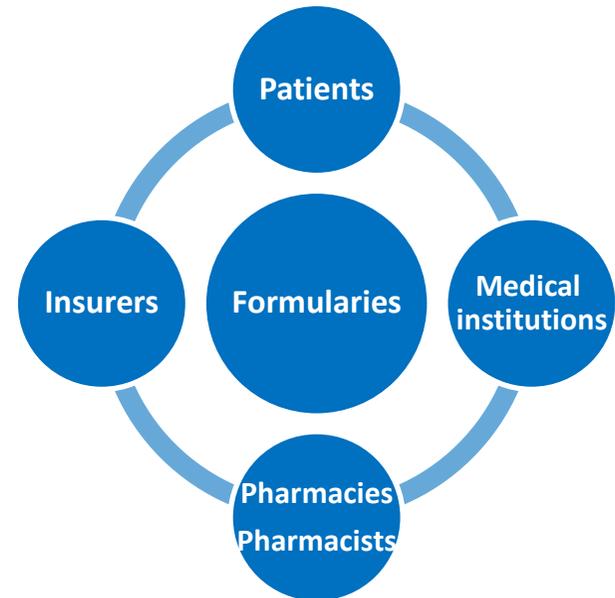
Increase internal sales in the Pharmaceutical
Manufacturing and Sales Business (Group synergies)

Note 1: The Ministry of Health, Labour and Welfare, Trends in Prescription Drug Expenses
Volume-based Generic Drug Share (New indicator)

Start of a Formulary Business

Established the Formulary Business Promotion Department on April 1, 2019

The department will determine the proper role of regional formularies^{Note 2} in order to support the local medical care economy.



Use of formularies → Holds down the growth of health care expenditures

Increased use of generic drugs → Larger market for generic drugs

Note 2: A formulary is a set of guidelines for the use of drugs for the purpose of ensuring the proper use of drugs and safe medical care by pharmacists with respect to standard medical care by physicians in line with medical care guidelines.

Management Strategies of the Nihon Chouzai Group

■Producing a Positive Cycle

Dispensing
Pharmacy Business

■Pharmacy Opening Strategy
- Create Pharmacies That Can Win the Competition for Survival -

Dispensing
Pharmacy Business

■Provide High-quality and Efficient Medical Services

Dispensing
Pharmacy Business

■Growth of the Pharmaceutical Manufacturing and Sales Business

Pharmaceutical
Manufacturing and
Sales Business

■Growth of the Medical Professional Staffing and Placement Business

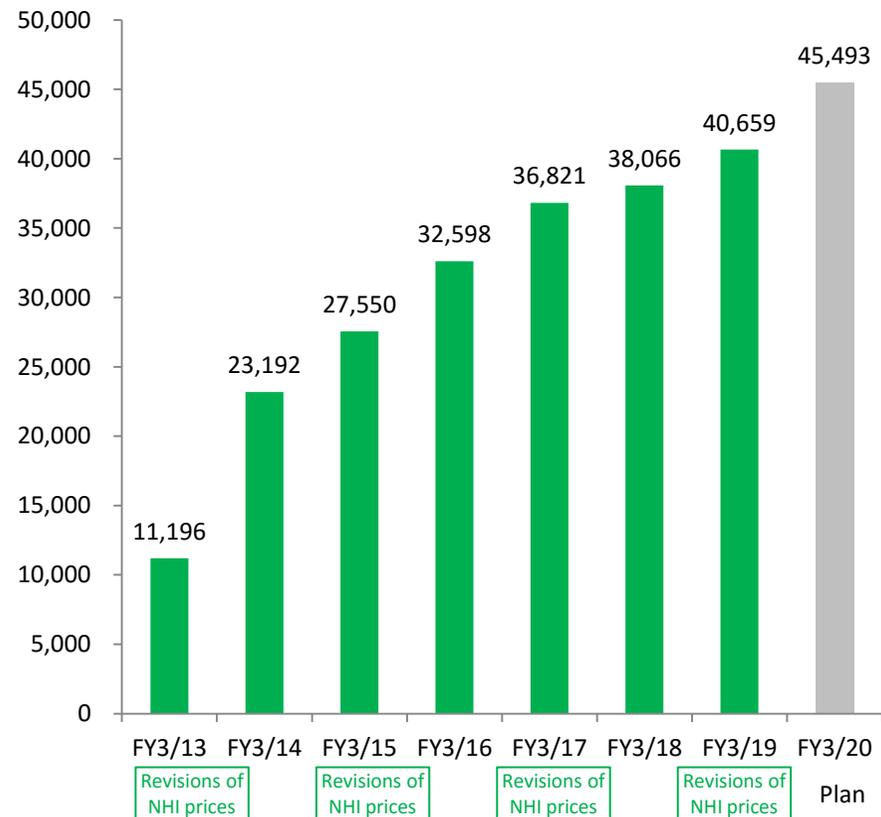
Medical
Professional
Staffing and
Placement Business

Growth of the Pharmaceutical Manufacturing and Sales Business

Sales were higher despite the negative impact of the NHI drug price reductions because of a significant increase in internal sales.

Net Sales

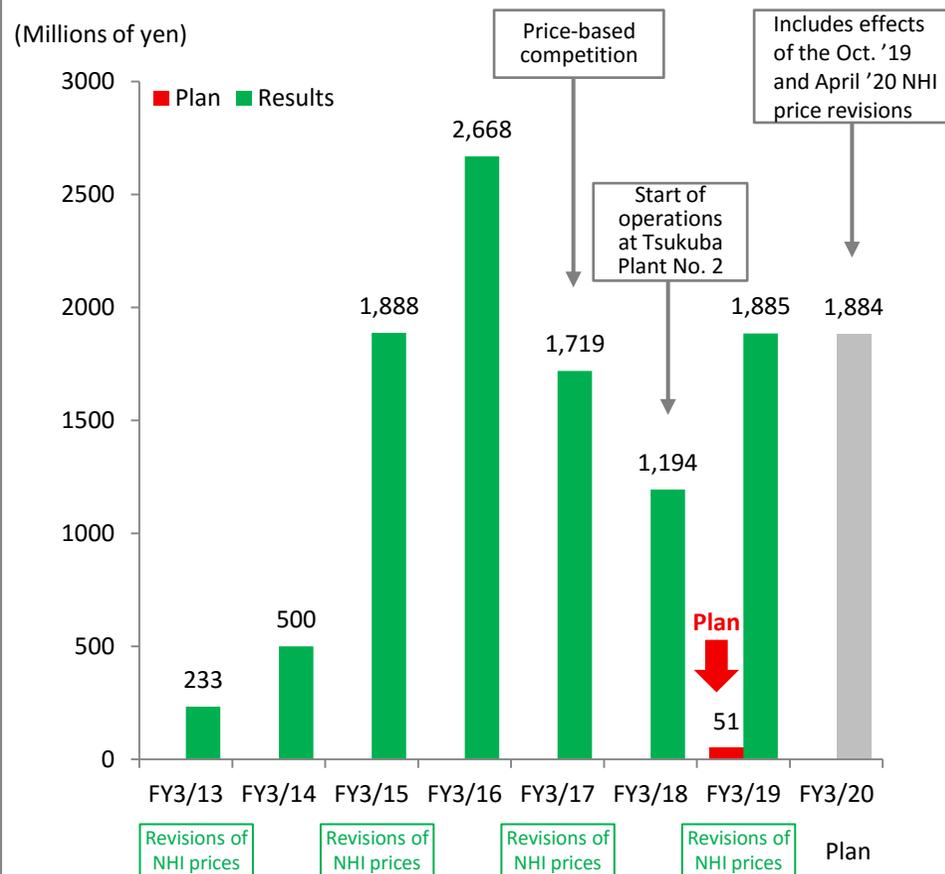
(Millions of yen)



Earnings were about 1.8 billion yen higher than planned due to reviews of the sales strategy and all expense categories. Forecast no change in FY3/20 due to the NHI drug price revisions in Oct. '19 and April '20.

Operating Profit

(Millions of yen)



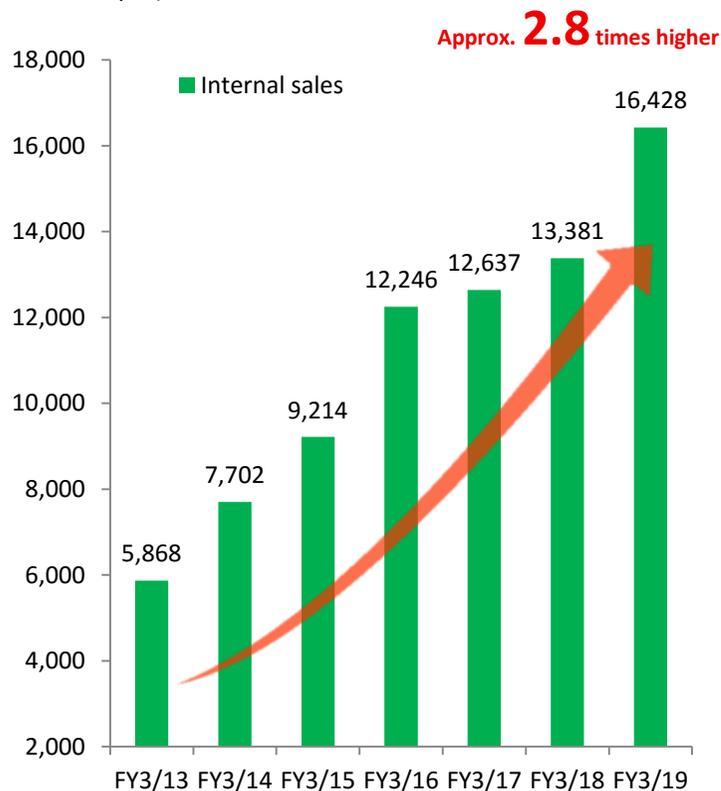
Growth of the Pharmaceutical Manufacturing and Sales Business

Internal sales were much higher than the initial forecast because of the increasing volume-based share of generic drugs in the dispensing pharmacy business and the increase in the number of Nihon Chouzai pharmacies due to new openings.

Pharmaceutical Manufacturing and Sales Business

Increase in internal sales

(Millions of yen)



Higher sales of generic drugs

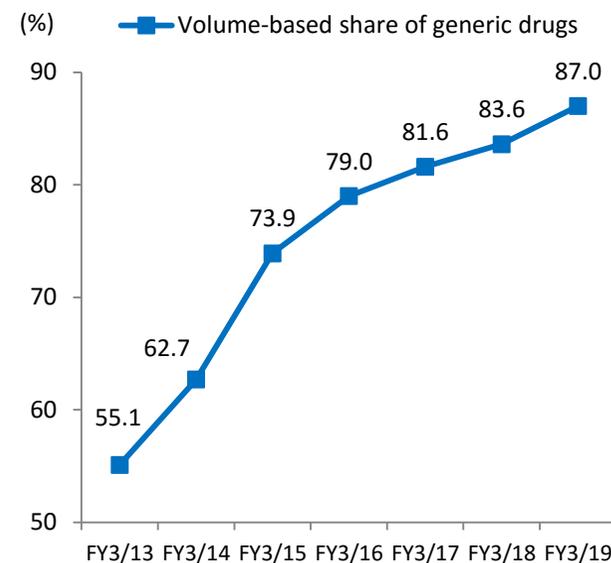
Growth of the Dispensing Pharmacy Business

Growth of the Pharmaceutical Manufacturing and Sales Business

Contribution to increase in internal sales

Dispensing Pharmacy Business

Increase in the volume-based share of generic drugs



Increase in pharmacy openings by using M&A and organic growth



Growth of the Pharmaceutical Manufacturing and Sales Business

The new Tsukuba Plant No. 2 handles all high-volume drugs in order to achieve highly efficient operations at each plant. All production activities were centralized to improve efficiency following the March 2019 sale of the Kasukabe Plant. Plan to also use the original Tsukuba Plant and Tsukuba Plant No. 2, which have unused capacities for contracted drug production. Now that major capital expenditures have ended, this business will help improve financial soundness of the entire Nihon Chouzai Group.

More Efficiency by Centralizing Manufacturing Activities - Realignment of functions among plants -

■ Tsukuba Plant No. 2



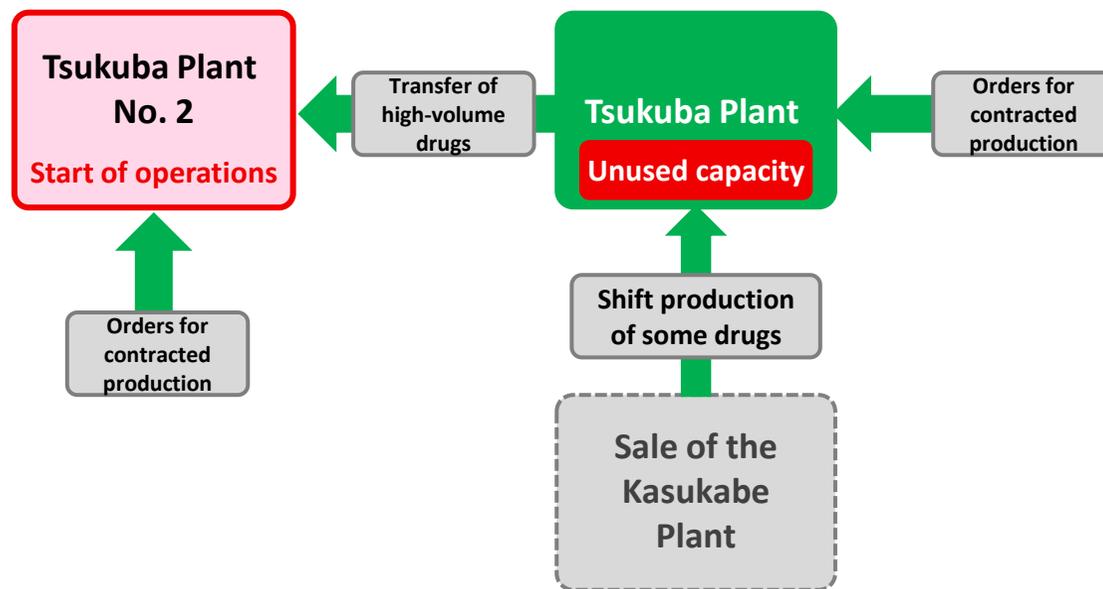
March 2018 Started operations
November 2018 First drug shipment

Maximum output when operating at full capacity is 10 billion tablets per year, making this one of the largest generic drug plants in Japan.



Gives Nihon Chouzai sufficient capacity to meet growth in demand for a considerable time.

■ Benefits of Tsukuba Plant No. 2



■ Benefits for the entire Nihon Chouzai Group



Growth of the Pharmaceutical Manufacturing and Sales Business

Started selling 27 prescription drugs and the first OTC drug of this business. Continuing to shift to production of in-house drugs, which have higher profit margins. Using R&D to increase the number of in-house drugs. Fixed expenses are stable now that large capital expenditures have ended after the completion of the Tsukuba Plant No. 2.

■ New NHI Listed Drugs sold in FY3/19

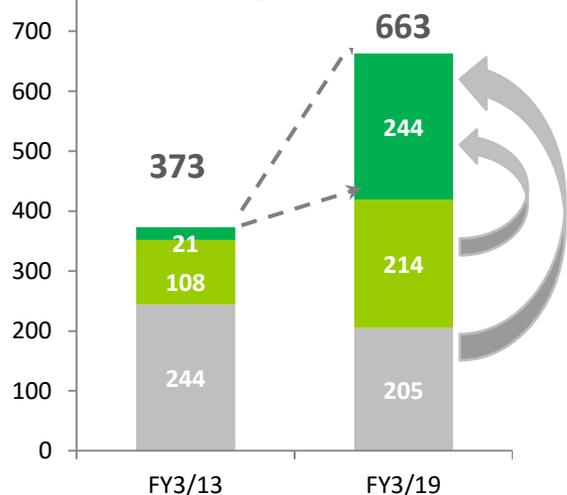
27 new prescription drugs

(Started selling Minoxidil Lotion, the first OTC drug)

■ Number of Product Items

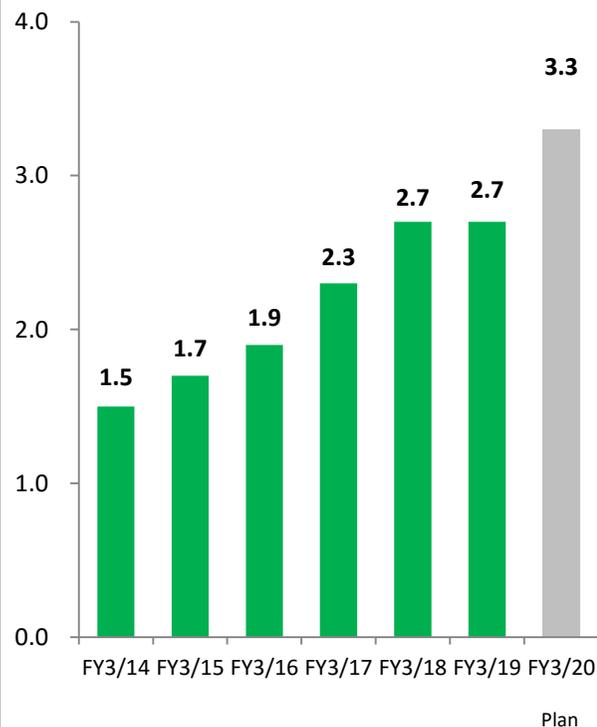
(Number of items)

- No. of in-house products (manufactured internally by Nihon Chouzai Group)
- No. of in-house products (manufacturing outsourced to other companies)
- In-licensed products



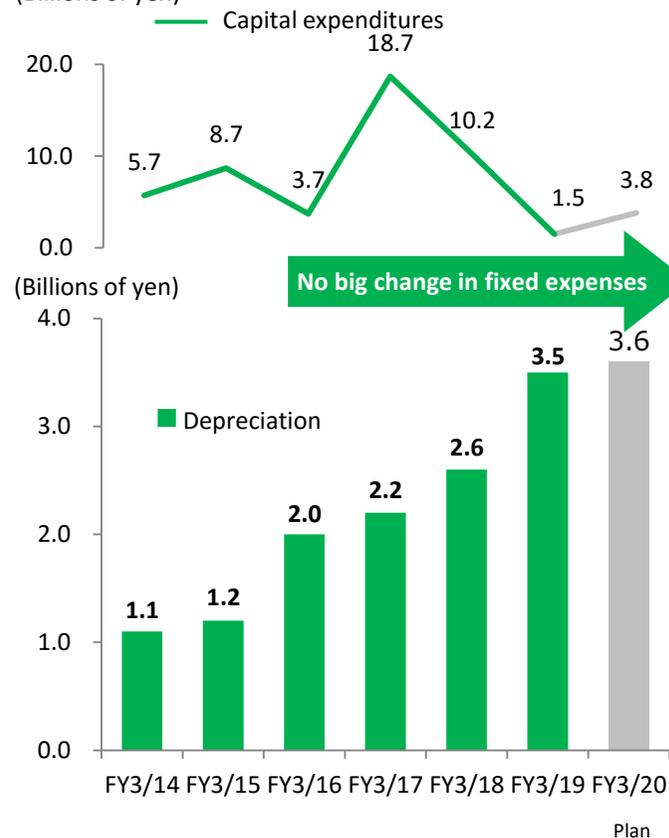
■ R&D Expenses (consolidated basis)

(Billions of yen)



■ Capital Expenditures and Depreciation

(Billions of yen)



Medical Professional Staffing and Placement Business

Management Strategies of the Nihon Chouzai Group

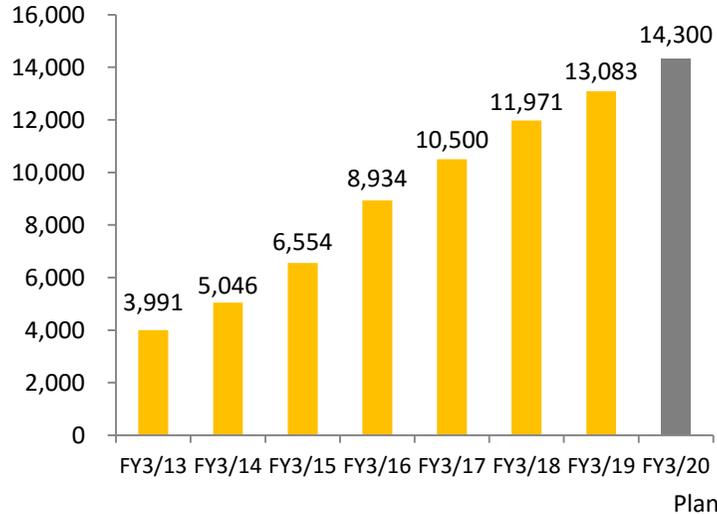
■Producing a Positive Cycle	Dispensing Pharmacy Business
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Growth of the Medical Professional Staffing and Placement Business

Sales are climbing steadily. Operating profit was down due to a temporary increase in SG&A expenses caused by upfront investments for expanding the physician placement business. But the pharmacist/physician placement business is growing steadily. Forecast an earnings recovery in FY3/20 as the upfront benefits start producing returns.

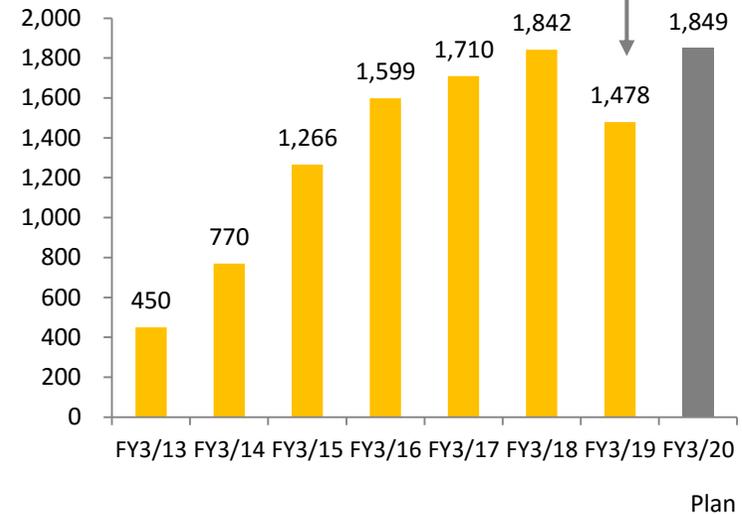
Net Sales

(Millions of yen)



Operating Profit

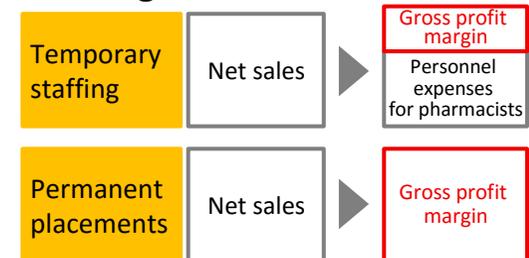
(Millions of yen)



Major Services

	Category	Start of strengthening operations	
Pharmacist services	Temporary staffing: Steady income	2000	Steady growth
	Permanent placements: Individual transactions	2016	Growth
Physician services	Permanent placements: Individual transactions	2017	Growth
Registered salesperson services	Permanent placements: Individual transactions	2018	Start-up phase

Changes in Profit Structure

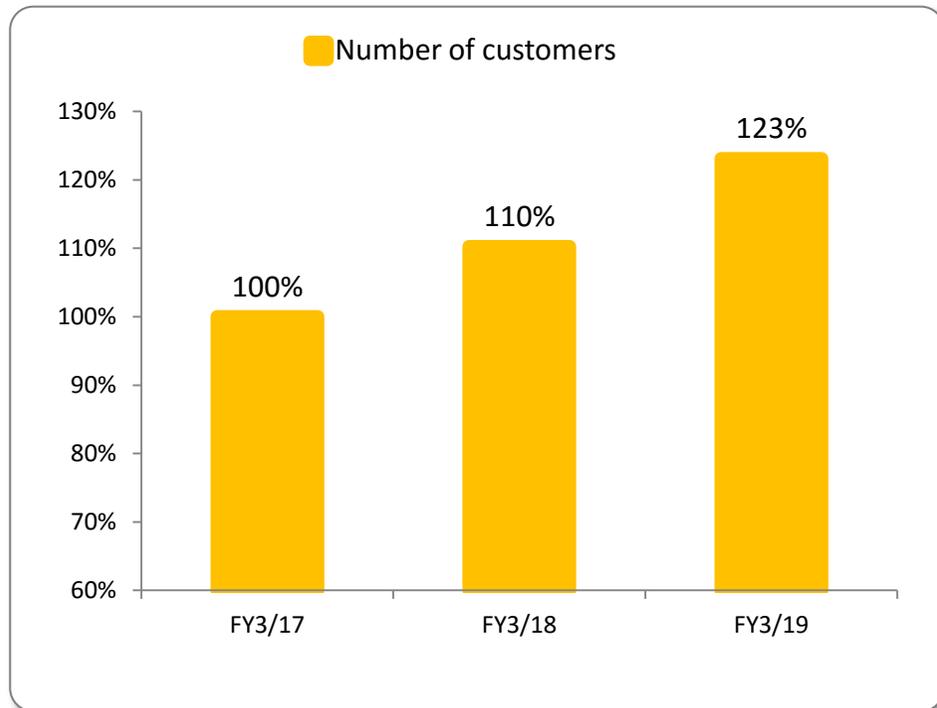


Growth of the Medical Professional Staffing and Placement Business / Pharmacist Staffing and Placement Business

Newly hired salespeople are contributing to performance and the number of placement customers is increasing along with the number of placement contracts, creating a sound base for growth of pharmacist placements. Strengthen the permanent placement business, which has higher profitability and growth potential, with the stable foundation of the temporary staffing business, which produces a steady income stream.

Growth of Pharmacist Placement Customers

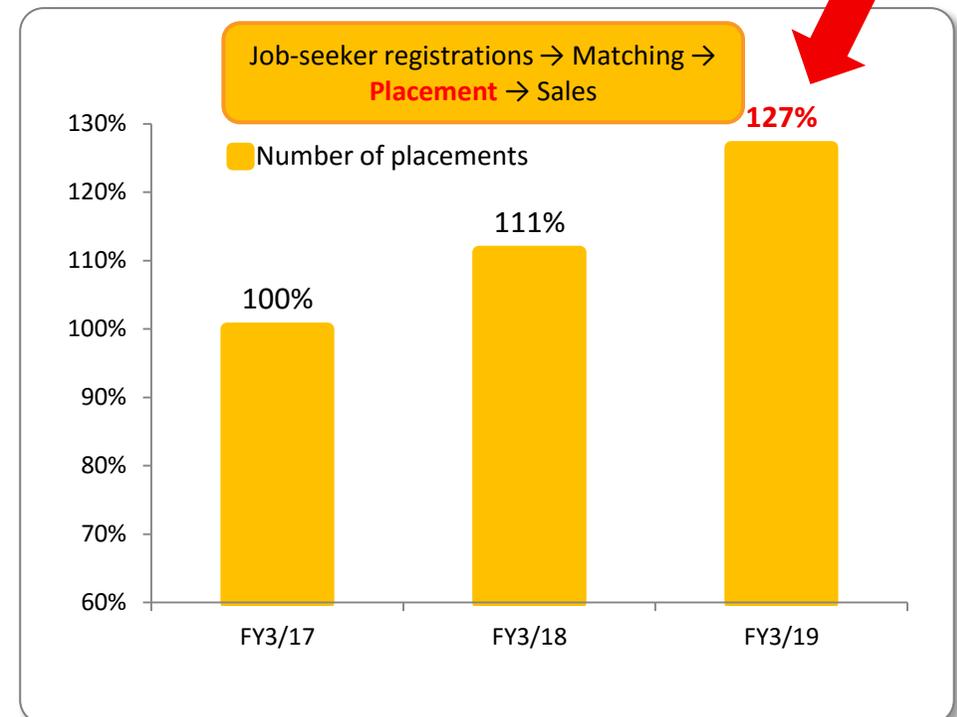
FY3/17 customers = 100%



▶ Stronger sales capabilities are raising the number of customers using the pharmacist placement business, contributing to growth of sales and earnings.

Number of Placement Contracts

FY3/17 placements = 100%



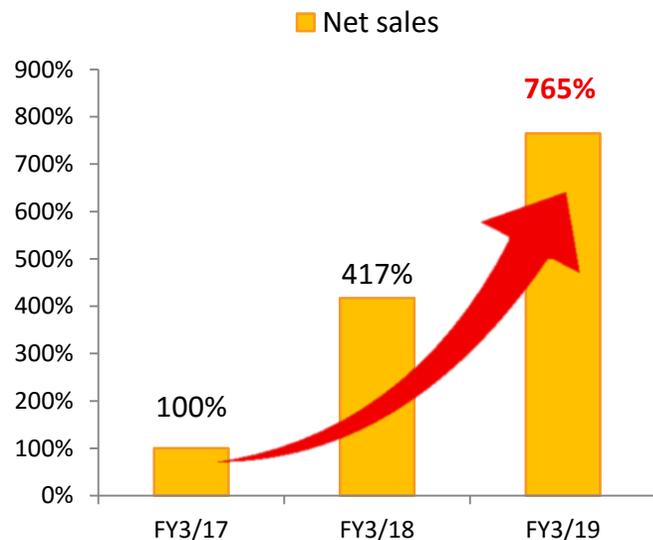
▶ Increasing number of contracts, an indicator of upcoming sales.

Growth of the Medical Professional Staffing and Placement Business / Physician Placement Business and Registered Salesperson Services

Big increase in physician placement sales due to contributions of newly hired salespeople. Planning on more growth in FY3/20. Started a registered salesperson staffing business with the goal of contributing to sales in FY3/21.

Growth of the Physician Placement Business

FY3/17 sales = 100%



- ▶ Solid growth of physician placement business. Goal is a contribution to sales in FY3/20

Started the Registered Salesperson Business

Number of registered salespeople

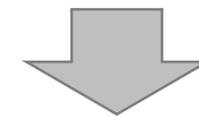
Approx. 0.2 million

Job openings

More than **10,000**

Customers

- Drug stores
- Convenient stores
- Supermarkets



Expect a contribution to sales starting in FY3/21

III. Reference Materials

Remote Assistance for Proper Drug Use

February 22, 2019

The Nihon Chouzai Seto pharmacy is providing remote assistance for the proper use of drugs to individuals in the Aichi prefecture national strategic special district.



A pharmacist answers questions from a patient

The Seto pharmacy was the first to provide remote drug use assistance in a national strategic special district. The support was provided to patients who received an online diagnosis from Chita Kosei Hospital (Mihama-cho, Aichi prefecture). Nihon Chouzai started discussions with this hospital in July 2018, registered the business in November and subsequently started this service by using the system of V-cube Inc (Minato-ku, Tokyo). Pharmacists of the Nihon Chouzai Seto pharmacy have reported that this service allows giving people drug-use guidance just as when talking face-to-face.

Individuals receiving this service live in Shinojima, a small island off the coast of Minamichita-cho in Aichi prefecture.

Shinojima has 610 households and a population of 1,652 (February 28, 2019). Residents use a clinic operated by Chita Kosei Hospital and must leave the island for tests and hospital care.

Receipt of Contract for a Program to Prevent Serious Diabetes Complications

February 4, 2019

<https://www.nicho.co.jp/corporate/newsrelease/20482/>

Program for pharmacies to prevent serious diabetes complications of the Health Insurance Hiroshima Branch

The Hiroshima Branch of the Japan Health Insurance Association asked for applications to conduct a program where pharmacies prevent serious diabetes complications and subsequently selected Nihon Chouzai.

Project: Program for pharmacies to prevent serious diabetes complications

Period: February 1 to March 31, 2019

■ Summary of the program

A limited number of individuals who are covered by the Japan Health Insurance Association Hiroshima Branch and are at risk of developing serious diabetes complications were given the opportunity to participate in this program. People who agreed to participate receive drug use guidance, confirmations regarding unused drugs and subsequent guidance about drug use from pharmacists at pharmacies conducting this program. Pharmacies perform diabetes education activities and use various methods to collect test data from participants. This information and the status of drug use are reported to the Hiroshima Branch. After a certain time, the Hiroshima Branch will use test data to determine the effectiveness of this program.

Topics (3)

Distribution of the “You and Nihon Chouzai – Parents and Children” Internet Commercial

January 10, 2019

<https://www.nicho.co.jp/corporate/newsrelease/20381/>

Distribution of the internet commercial, which features TV presenter and announcer Junko Kubo, started on January 10



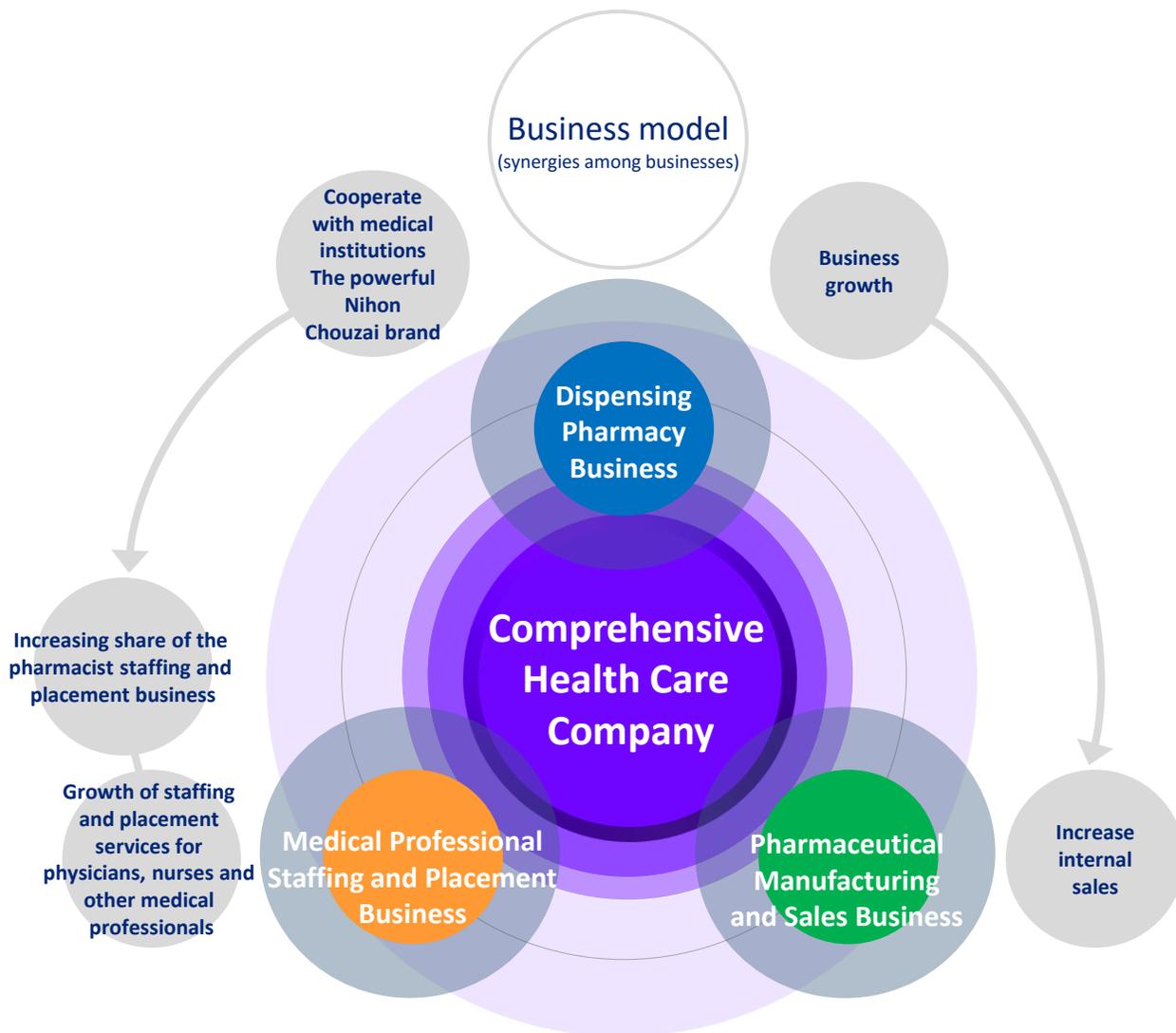
Nihon Chouzai uses TV commercials, posters in stores, outdoor advertisements and other channels to make people aware of the roles of family pharmacists and family pharmacies. These activities use the message “put the confidence of ‘family care’ in your life.” In this parent and child internet commercial, the perspective of a parent is used to express the peace of mind that comes from using family pharmacists and family pharmacies.

Company Profile

Trade name	NIHON CHOUZAI Co., Ltd.
Established	March 1980
Headquarters	37F GranTokyo North Tower, 1-9-1, Marunouchi, Chiyoda Ward, Tokyo 100-6737, JAPAN +81-(0) 3-6810-0800 (general)
Representative	Hiroshi Mitsuvara
Capital	3,953.02 million yen
Number of shares outstanding (including treasury shares)	16,024,000 shares
Fiscal year-end	March
Stock code:	3341
Businesses (consolidated)	Management of health insurance dispensing chain pharmacies Manufacture and sales of generic drugs, etc. Medical professional staffing and placement business Information provision and consulting business, etc.
Number of employees	5,110 (as of March 31, 2019) Note: Including part-time employees based on 8-hour conversion, consolidation basis
Number of pharmacies	Dispensing pharmacies: 598 Pharmacies specializing in the sales of general merchandise: 2 (as of March 31, 2019)

Our Objective

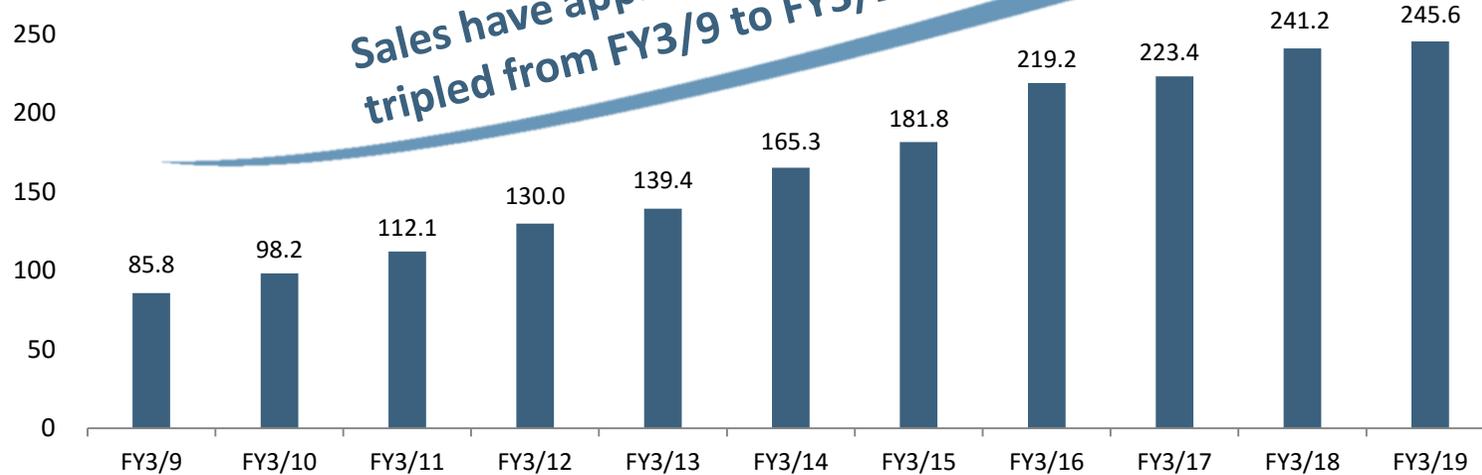
“True separation of the roles of drug prescribing and dispensing services”



Consolidated Results: Net Sales / Operating Profit

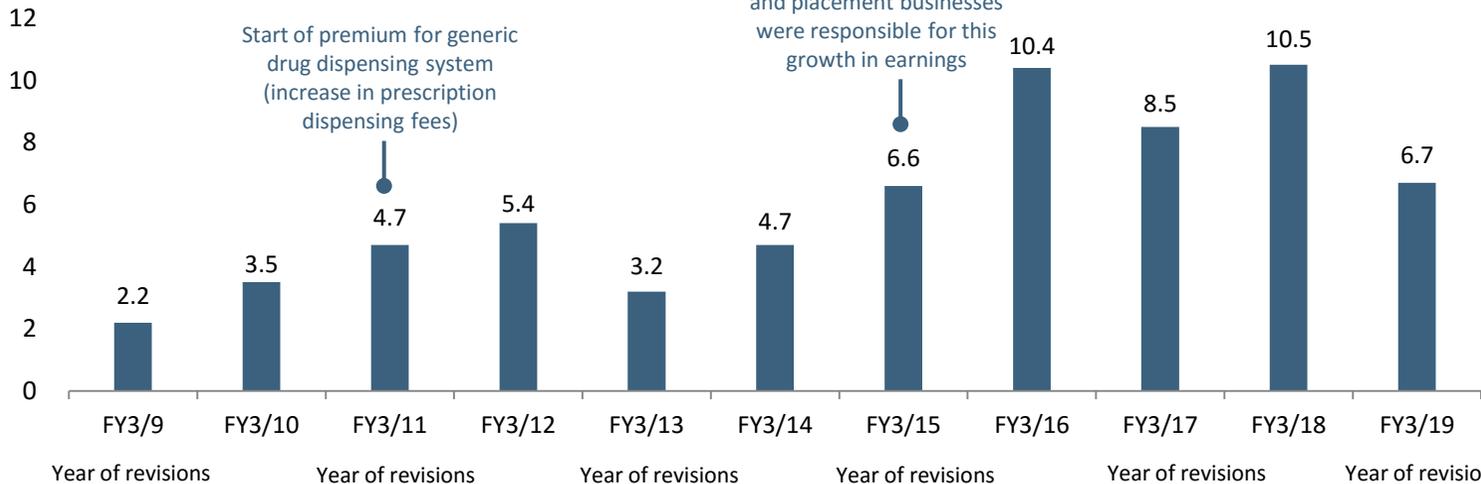
Consolidated Net Sales

(Billions of yen)



Consolidated Operating Profit

(Billions of yen)



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.

Inquiries:

 NIHON CHOUZAI Co.,Ltd.

Corporate Planning Department, Investor Relations Group

37F GranTokyo North Tower, 1-9-1, Marunouchi,

Chiyoda Ward, Tokyo 100-6737, JAPAN

TEL: +81-(0) 3-6810-0800 (general)

E-mail: ir-info@nicho.co.jp

IR website: <https://www.nicho.co.jp/corporate/ir/>