

July 31, 2020

# Results of Operations for the First Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to June 30, 2020)



NIHON CHOUZAI Co.,Ltd.

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

# Financial Highlights

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# Consolidated Statement of Income

Net sales were up 6.2% YoY and 1.1% over plan due to strong sales in the Pharmaceutical Manufacturing and Sales Business. Operating profit was down 75.7% YoY, however, all segments were on target and significantly higher than planned.

(Millions of yen)	1Q FY3/19 Results	1Q FY3/20 Results	1Q FY3/21 Plan	1Q FY3/21 Results	Change vs. plan	Vs. plan	YoY growth rate
Net sales	59,305	64,316	67,534	68,306	771	1.1%	6.2%
Cost of sales	49,547	53,169	58,389	57,343	(1,046)	(1.8%)	7.9%
Gross profit	9,757	11,147	9,145	10,962	1,817	19.9%	(1.7%)
% to sales	16.5%	17.3%	13.5%	16.0%	-	-	-
SG&A expenses	9,256	9,377	10,534	10,533	(1)	0.0%	12.3%
% to sales	15.6%	14.6%	15.6%	15.4%	-	-	-
Consumption taxes	3,411	3,589	4,386	4,897	510	11.6%	36.4%
R&D expenses	549	624	829	654	(174)	(21.0%)	4.9%
Operating profit	501	1,770	(1,389)	429	1,818	-	(75.7%)
% to sales	0.8%	2.8%	-	0.6%	-	-	-
Ordinary profit	398	1,710	(1,441)	337	1,778	-	(80.3%)
% to sales	0.7%	2.7%	-	0.5%	-	-	-
Profit attributable to owners of parent	40	833	(435)	356	791	-	(57.3%)
% to sales	0.1%	1.3%	-	0.5%	-	-	-
Net income per share (Yen) <sup>Note</sup>	1.28	27.81	(14.51)	11.88	26.39	-	(57.3%)

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 changes in total assets were an approximate 9.6 billion yen increase in cash and deposits and a 5.1 billion yen increase in merchandise and finished goods.

The main factors of change in liabilities were an approximate 10.4 billion yen increase in accounts payable-trade and an approximate 4.6 billion yen increase in long-term loans payable.

(Millions of yen)	End of June 2019 (1Q FY3/20)	End of Mar. 2020 (FY3/20)	End of June 2020 (1Q FY3/21)	YoY change	YoY change (%)
Current assets	86,742	87,414	101,780	14,366	16.4%
Non-current assets	97,868	98,137	97,499	(637)	(0.6%)
Property, plant and equipment	69,005	66,082	65,052	(1,030)	(1.6%)
Intangible assets	16,649	19,425	19,654	228	1.2%
Investments and other assets	12,213	12,628	12,793	164	1.3%
<b>Total assets</b>	<b>184,610</b>	<b>185,551</b>	<b>199,280</b>	<b>13,728</b>	<b>7.4%</b>
Current liabilities	77,836	70,107	77,071	6,963	9.9%
Non-current liabilities	65,234	68,370	75,149	6,778	9.9%
<b>Total liabilities</b>	<b>143,070</b>	<b>138,478</b>	<b>152,220</b>	<b>13,742</b>	<b>9.9%</b>
<b>Total net assets</b>	<b>41,539</b>	<b>47,072</b>	<b>47,059</b>	<b>(13)</b>	<b>0.0%</b>
Shareholders' equity	41,534	47,072	47,059	(13)	0.0%
<b>Equity ratio</b>	<b>22.5%</b>	<b>25.4%</b>	<b>23.6%</b>	<b>-</b>	<b>-</b>

# Dispensing Pharmacy Business / Statement of Income

Net sales were up 6.2% YoY, which was despite a decline in the number of prescriptions due to the spread of the COVID-19, due to higher prescription unit price, strengthening of existing stores, and the full-year effect of new store openings in the previous year. Despite the decline in the number of prescriptions, operating profit was 1.3 billion yen higher than forecast due to a smaller-than-expected decline in prescriptions.

(Millions of yen)	1Q FY3/19 Results	1Q FY3/20 Results	1Q FY3/21 Plan	1Q FY3/21 Results	Change vs. plan	Vs. plan	YoY growth rate
Net sales	50,449	54,814	57,310	58,200	890	1.6%	6.2%
Cost of sales	43,399	47,049	51,274	50,515	(758)	(1.5%)	7.4%
Gross profit	7,050	7,765	6,035	7,684	1,648	27.3%	(1.0%)
% to sales	14.0%	14.2%	10.5%	13.2%	-	-	-
SG&A expenses	5,645	5,921	6,883	7,219	335	4.9%	21.9%
% to sales	11.2%	10.8%	12.0%	12.4%	-	-	-
Operating profit	1,404	1,843	(848)	464	1,312	-	(74.8%)
% to sales	2.8%	3.5%	-	0.8%	-	-	-
No. of pharmacies at the end of each period (stores)	589	600	655	658	3	0.5%	9.7%
Prescription drug sales per pharmacy	85	91	87	88	1	1.3%	(3.8%)

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 11.0% YoY and 1.6% over plan on the back of strong external sales.

Operating profit was up 4.4% YoY and 124.9% over plan due to higher sales YoY and despite the impact of the NHI drug price revisions.

The spread of COVID-19 had an impact on research and development, which has been pushed back.

(Millions of yen)	1Q FY3/19 Results	1Q FY3/20 Results	1Q FY3/21 Plan	1Q FY3/21 Results	Change vs. plan	Vs. plan	YoY growth rate
Net sales	9,754	10,881	11,887	12,073	185	1.6%	11.0%
Cost of sales	8,192	8,975	10,138	10,138	0	0.0%	13.0%
Gross profit	1,562	1,906	1,749	1,935	186	10.6%	1.5%
% to sales	16.0%	17.5%	14.7%	16.0%	-	-	-
SG&A expenses	1,503	1,107	1,378	1,101	(276)	(20.1%)	(0.5%)
% to sales	15.4%	10.2%	11.6%	9.1%	-	-	-
Operating profit	59	798	370	833	462	124.9%	4.4%
% to sales	0.6%	7.3%	3.1%	6.9%	-	-	-

Note: Rounding down to the nearest unit

# Medical Professional Staffing and Placement Business / Statement of Income

Despite the impact of COVID-19 infection, Gross profit was up 4.6% over the plan due to a focus on the pharmacist placement business and expansion of the physician and registered salespeople placement business. We kept SG&A expenses under control and operating profit was up 25.0% over the plan.

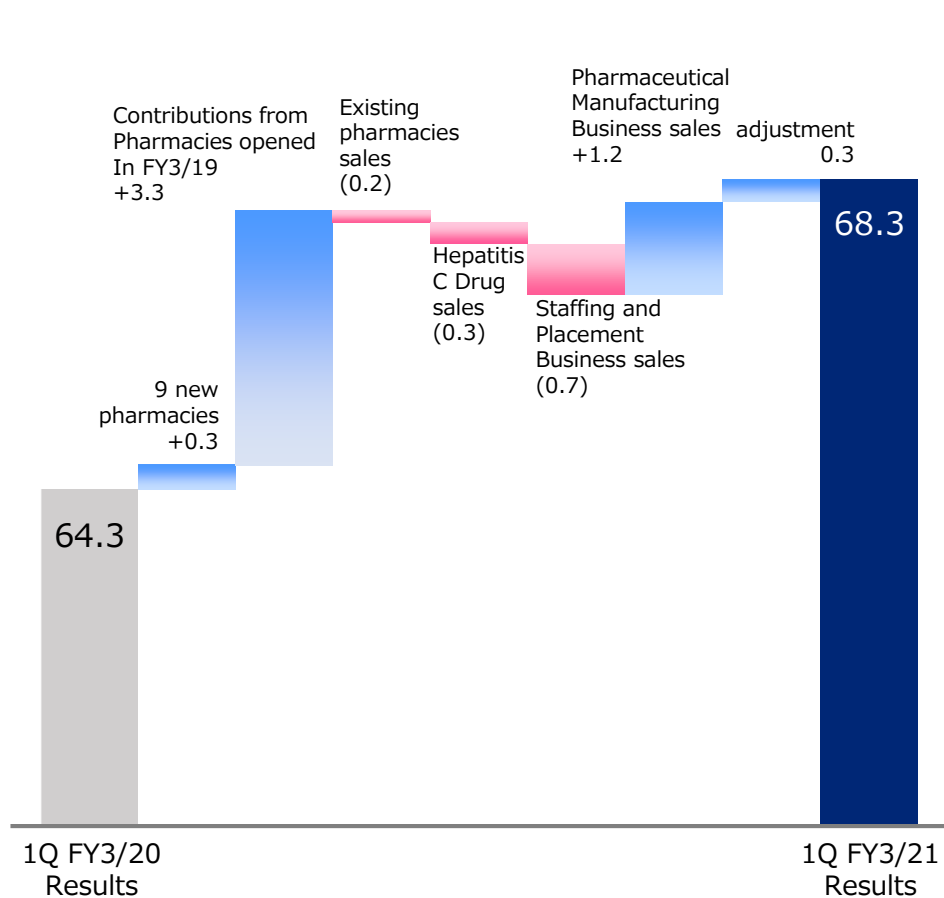
(Millions of yen)	1Q FY3/19 Results	1Q FY3/20 Results	1Q FY3/21 Plan	1Q FY3/21 Results	Change vs. plan	Vs. plan	YoY growth rate
Net sales	3,217	3,597	2,976	2,943	(32)	(1.1%)	(18.2%)
Cost of sales	1,958	2,026	1,607	1,511	(96)	(6.0%)	(25.4%)
Gross profit	1,258	1,570	1,368	1,431	63	4.6%	(8.8%)
% to sales	39.1%	43.7%	46.0%	48.7%	-	-	-
SG&A expenses	857	919	961	922	(38)	(4.0%)	0.4%
% to sales	26.7%	25.6%	32.3%	31.4%	-	-	-
Operating profit	401	651	407	509	101	25.0%	(21.9%)
% to sales	12.5%	18.1%	13.7%	17.3%	-	-	-

Note: Rounding down to the nearest unit

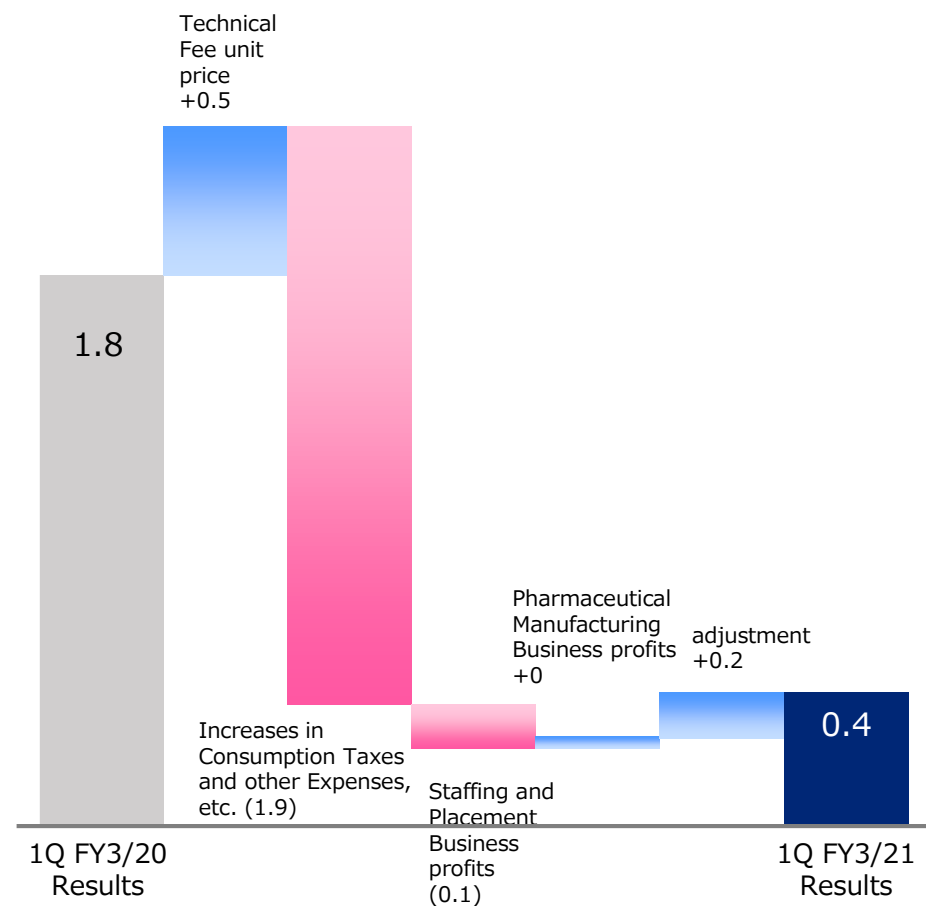
## Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

### Net Sales



### Operating Profit

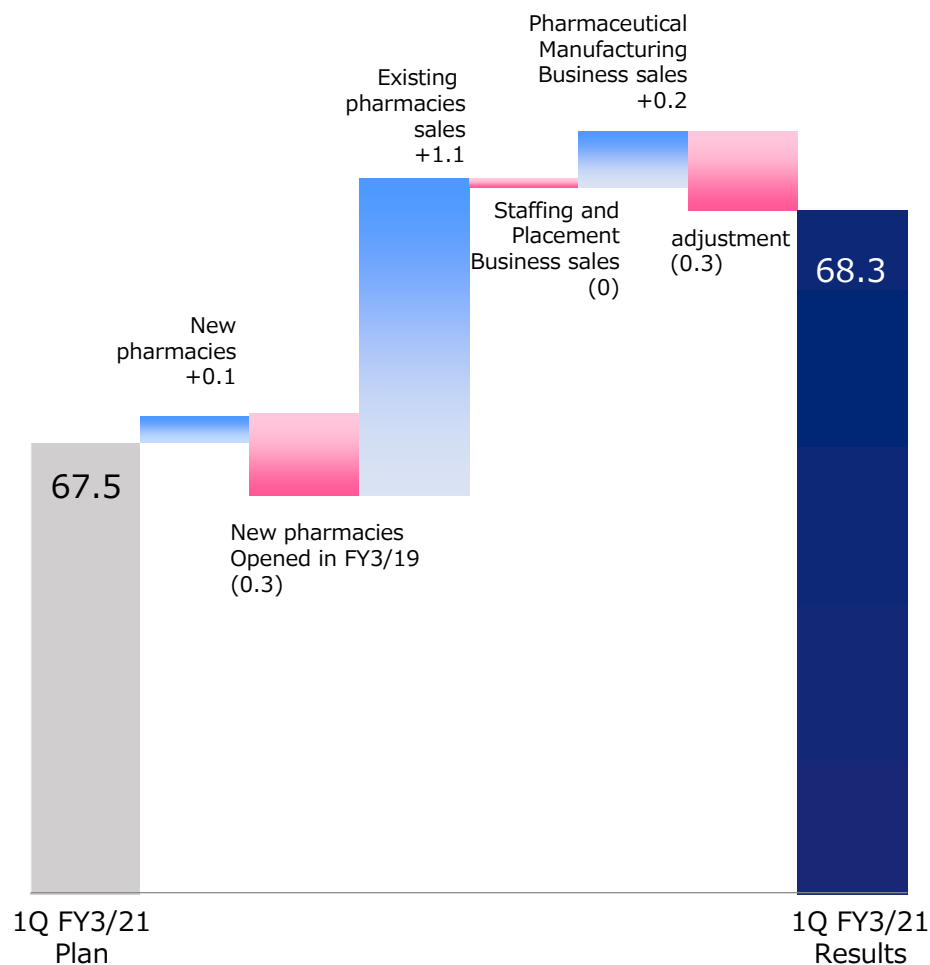




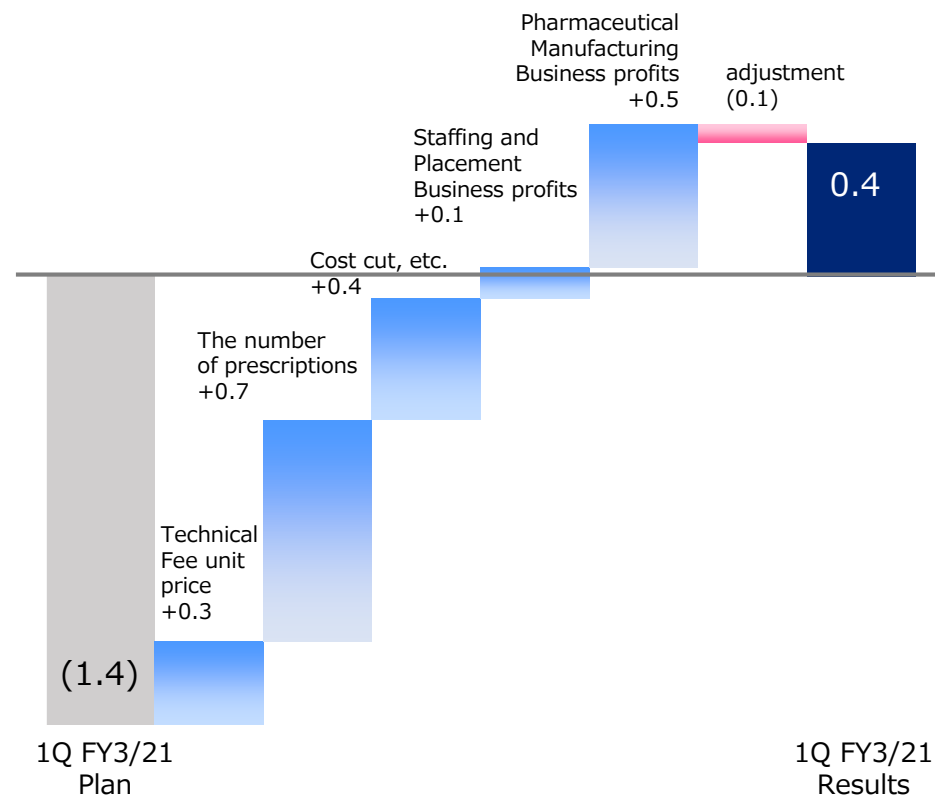
## Consolidated Results: Major Components of Changes vs. Plan (Net Sales / Operating Profit)

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

### Net Sales



### Operating Profit



# FY3/21 Consolidated Forecast

(Millions of yen)	FY3/18 Results	FY3/19 Results	FY3/20 Results	FY3/21 Plan	YoY change	YoY growth rate
Net sales	241,274	245,687	268,520	291,813	23,292	+8.7%
Cost of sales	197,437	203,711	222,147	243,007	20,859	+9.4%
Gross profit	43,837	41,975	46,372	48,806	2,433	+5.2%
% to sales	18.2%	17.1%	17.3%	16.7%	-	-
SG&A expenses	33,250	35,242	38,779	42,302	3,522	+9.1%
% to sales	13.8%	14.3%	14.4%	14.5%	-	-
Consumption taxes	11,892	12,537	15,413	17,306	1,893	+12.3%
R&D expenses	2,784	2,764	2,991	3,487	496	+16.6%
Operating profit	10,587	6,733	7,593	6,504	(1,089)	(14.3%)
% to sales	4.4%	2.7%	2.8%	2.2%	-	-
Ordinary profit	10,138	6,077	7,405	6,266	(1,138)	(15.4%)
% to sales	4.2%	2.5%	2.8%	2.1%	-	-
Profit attributable to owners of parent	6,104	3,790	6,697	3,122	(3,574)	(53.4%)
% to sales	2.5%	1.5%	2.5%	1.1%	-	-
Net income per share (Yen) <sup>Note</sup>	190.84	121.74	223.33	104.14	(119.19)	(53.4%)
Dividend per share (Yen) <sup>Note</sup>	25.00	25.00	25.00	25.00	-	-

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, 2018.

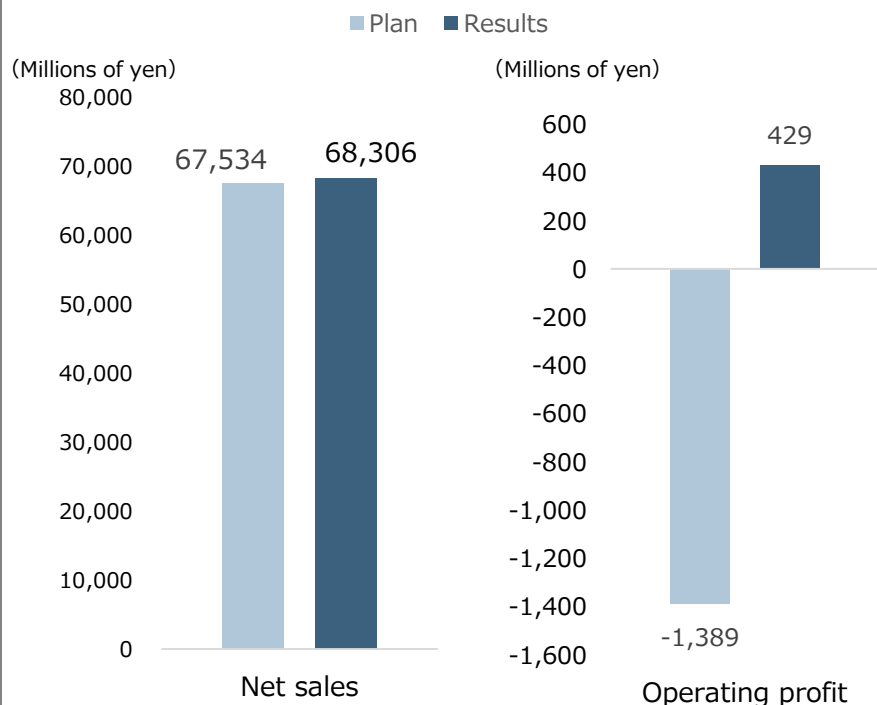
# FY3/21 Business Segment Forecast

	(Millions of yen)	FY3/18 Results	FY3/19 Results	FY3/20 Results	FY3/21 Plan	YoY change	YoY growth rate
<b>Dispensing pharmacy business</b>	Net sales	205,192	208,622	231,001	251,141	20,139	+8.7%
	Gross profit	32,928	30,282	34,898	36,204	1,305	+3.7%
	% to sales	16.0%	14.5%	15.1%	14.4%	-	-
	Operating profit	12,411	8,707	9,785	8,606	(1,179)	(12.0%)
	% to sales	6.0%	4.2%	4.2%	3.4%	-	-
<b>Pharmaceutical manufacturing and sales business</b>	Net sales	38,066	40,659	43,072	46,470	3,398	+7.9%
	Gross profit	6,319	6,877	6,076	7,049	973	+16.0%
	% to sales	16.6%	16.9%	14.1%	15.2%	-	-
	Operating profit	1,194	1,885	1,301	1,459	158	+12.2%
	% to sales	3.1%	4.6%	3.0%	3.1%	-	-
<b>Medical professional staffing and placement business</b>	Net sales	11,970	13,083	12,721	11,855	(866)	(6.8%)
	Gross profit	4,604	4,950	5,404	5,562	157	+2.9%
	% to sales	38.5%	37.8%	42.5%	46.9%	-	-
	Operating profit	1,842	1,478	1,851	1,687	(163)	(8.8%)
	% to sales	15.4%	11.3%	14.6%	14.2%	-	-

# 1Q FY3/21 forecasts and results

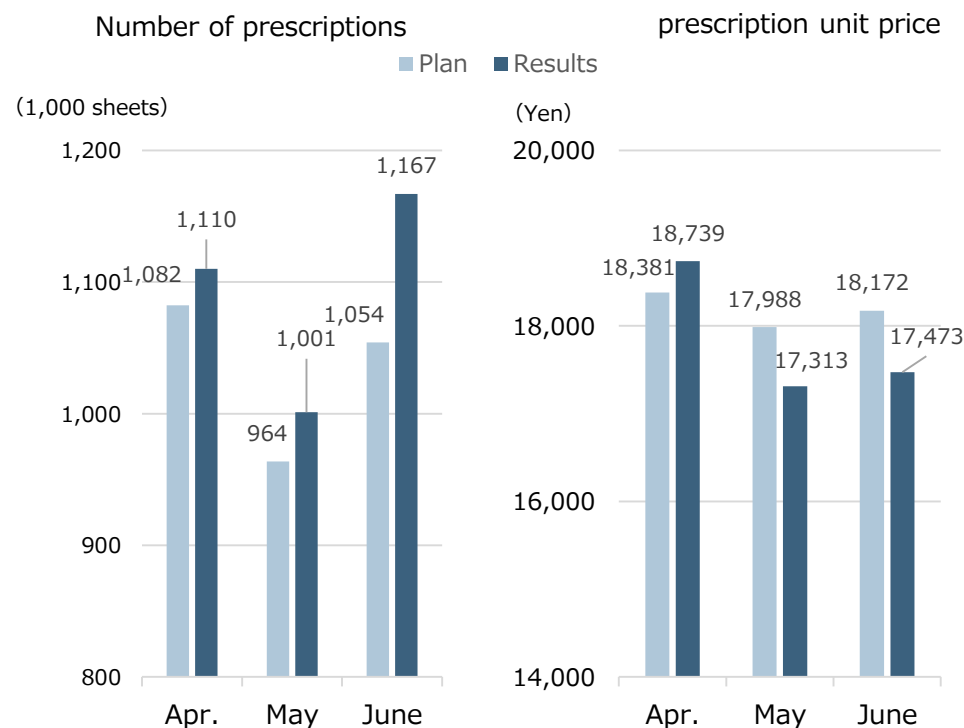
## Net Sales and Operating Income (Vs. plan)

- Net sales reached the plan due to strong sales in the pharmaceutical manufacturing and sales business, despite the impact of the spread of COVID-19 in the dispensing pharmacy business.
- Operating profit was on target in all businesses



## Number of prescriptions and prescription unit price (Vs. plan)

- The number of prescriptions decreased less than expected, and the number of prescriptions recovered from June
- Primary long-term prescriptions increased but settled down, and prescription unit price is lower than planned.



# Growth Strategy

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## ■ **Emphasis on a Well-Balanced Pharmacy Network**

Growth by achieving the proper balance between “organic growth and acquisitions” and “hospital-front and hybrid pharmacies,” as well as increasing sales of existing pharmacies

Dispensing Pharmacy  
Business

## ■ **Growth of the Pharmaceutical Manufacturing and Sales Business**

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

# Emphasis on a Well-Balanced Pharmacy Network (1)

Grow by opening many stores capable of rapid growth and stores with excellent growth potential

## Pharmacy Openings

### Organic growth and M&A

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	1Q FY3/21
Opened	29	27	42	36	32	65 <small>note</small>	9
Organic growth	28	22	21	23	26	35	4
M&A	1	5	21	13	6	30	5
Closed	12	11	12	8	19	13	1
No. of pharmacies at the end of each period	511	527	557	585	598	650	658

• Including one location specializing in the sales of general merchandise

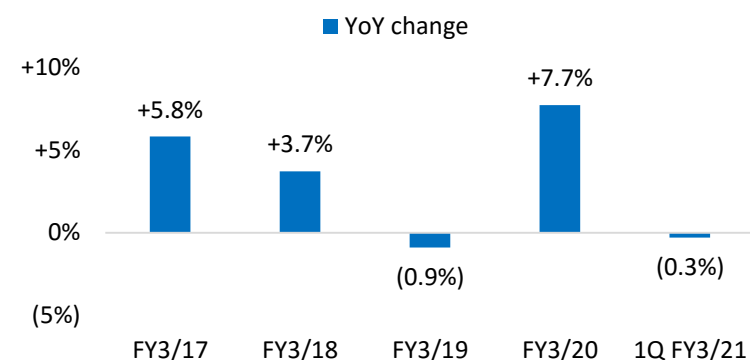
Note: Including one location that was converted from a store specializing in the sale of general merchandise to a pharmacy

## 1Q FY3/21 Dispensing Pharmacy Business YoY Growth Rate

	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	(0.3%)	(14.4%)	+16.4%
Pharmacies opened in FY3/19	+3152.7%	+1610.7%	+90.1%
Total	+6.0%	(8.4%)	+15.6%

No. of prescriptions 3,278,000 Prescription unit price 17,473 yen

## Existing Dispensing Pharmacy Sales



# Emphasis on a Well-Balanced Pharmacy Network (2)

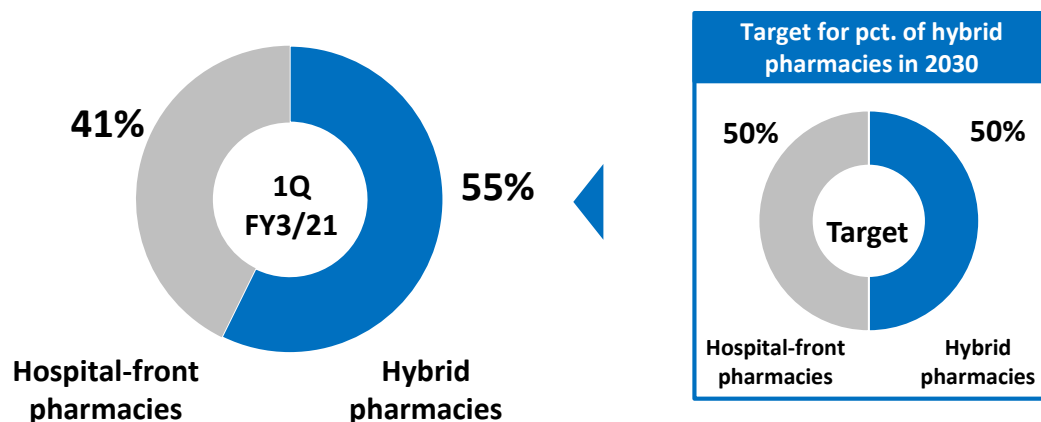
## Pharmacy Openings and Closings

Hospital-front pharmacies and hybrid pharmacies

	FY3/20	1Q FY3/21
Opened	65	9
Hospital-front pharmacies (Pharmacies within hospital premises)	38 ( 8)	4 ( 0)
Hybrid pharmacies	27	5
Closed	13	1
No. of pharmacies at the end of period	650	658

Note: Includes one location specializing in the sales of general merchandise and relocations to open pharmacies within hospital premises

## Ratio of Pharmacies in Tokyo Area



## Composition of Pharmacy Network

Nationwide ▶ Hospital-front pharmacies  
(Pharmacies within hospital premises)

Urban areas ▶ Hybrid pharmacies

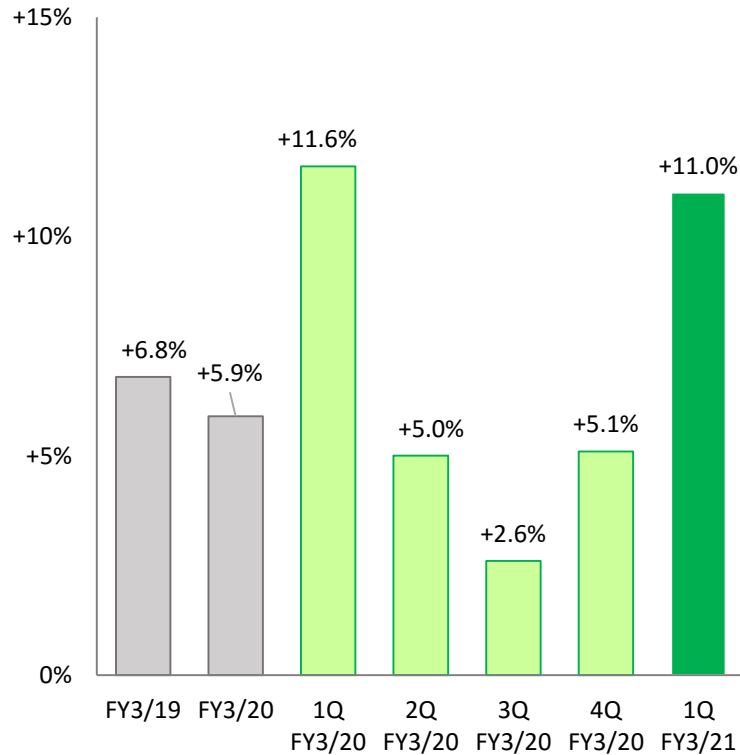
Region	Pharmacy openings 1Q FY3/21	No. of pharmacies at the end of period 1Q FY3/21
Hokkaido	1	44
Tohoku	0	48
Kanto	5	333
Koshinetsu	0	24
Tokai	1	58
Kansai/Hokuriku	2	74
Chugoku/Shikoku	0	39
Kyushu/Okinawa	0	38
Total	9	658



# Growth of the Pharmaceutical Manufacturing and Sales Business

## Net sales

### Net sales (YoY growth rate)



## 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**

Name	Name
Celecoxib Tablets 100mg "JG"	Memantine Hydrochloride OD Tablets 20mg "JG"
Celecoxib Tablets 200mg "JG"	Galantamine Hydrobromide OD Tablets 4mg "JG"
Ezetimibe Tablets 10mg "JG"	Galantamine Hydrobromide OD Tablets 8mg "JG"
Levocetirizine hydrochloride Tablets 10mg "JG"	Galantamine Hydrobromide 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"

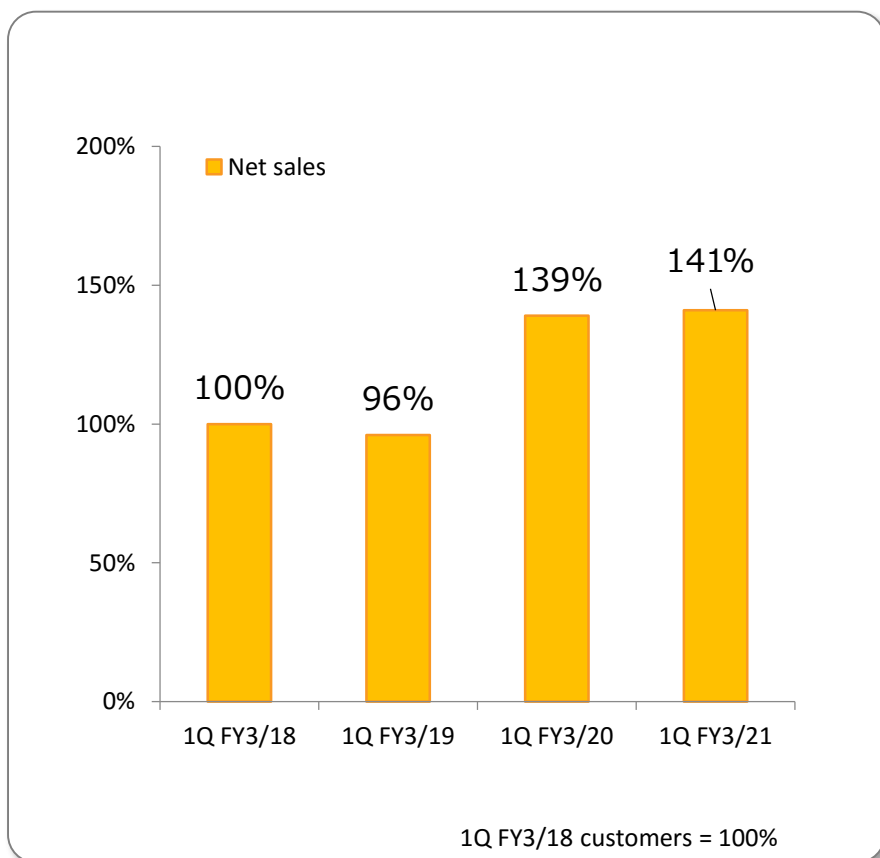
\* Calculated by multiplying the annual usage volume of the brand-name product by NHI drug price of Nihon Generic Co., Ltd.

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

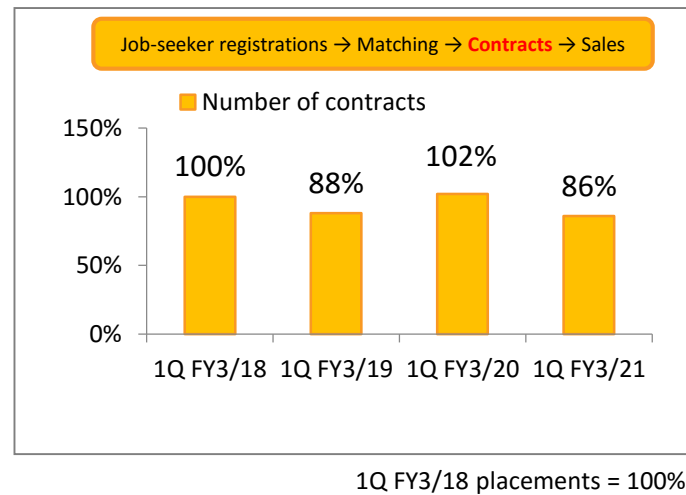
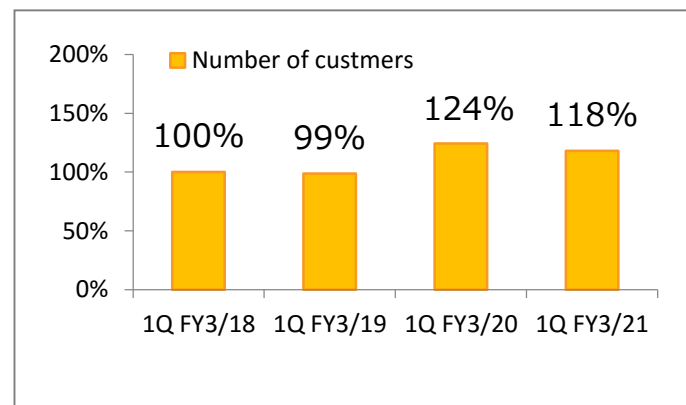
## Growth of the Pharmacist Placement Business

### Number of Customers

▶ Steady growth of the pharmacist placement business



### Number of Placement Customers / Contracts

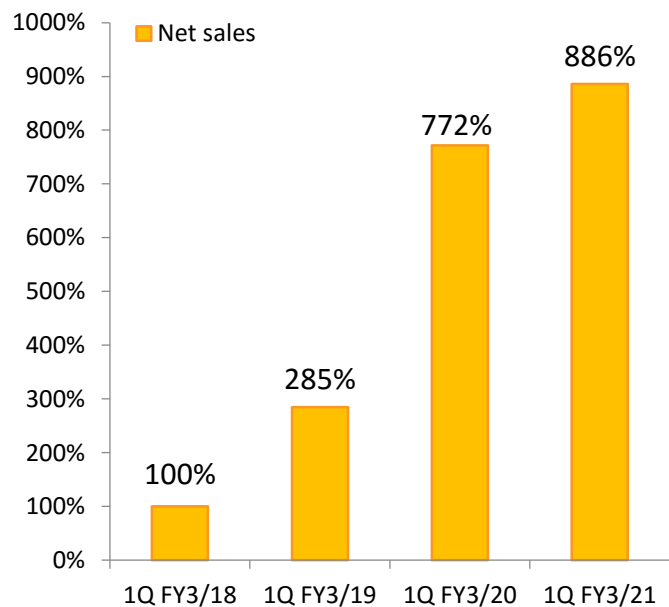


# Growth of the Medical Professional Staffing and Placement Business (2)

## Growth of the Physician Placement Business

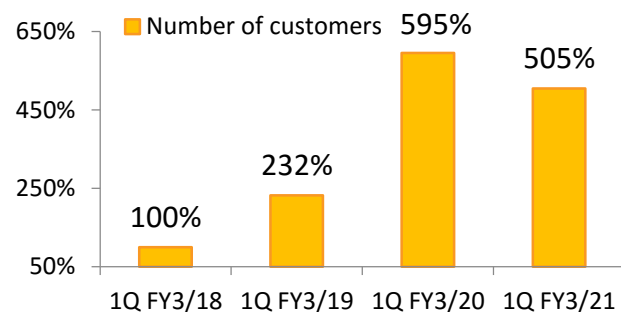
### Net sales

▶ Solid growth of physician placement business

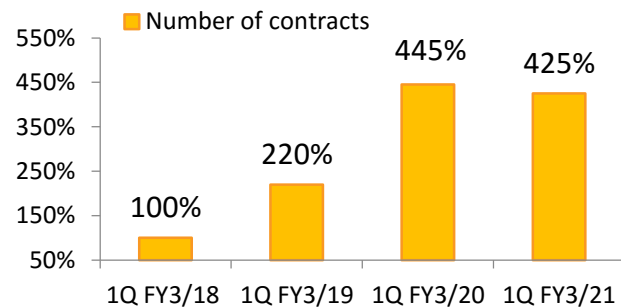


1Q FY3/18 sales = 100%

### Number of Placement Customers / Contracts



Job-seeker registrations → Matching → Contracts → Sales



1Q FY3/18 customers and contracts = 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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