

May 15, 2020

Results of Operations for the Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)



NIHON CHOUZAI Co.,Ltd.

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

We would like to express our deepest condolences to those who have lost their lives as a result of the spread of the new coronavirus and our deepest sympathies to those who have been infected.

We sincerely hope that the affected people will recover as soon as possible and that the infection will end soon.

Yosuke Mitsuhashi, President and CEO, Nihon Chouzai Co., Ltd

Financial Highlights

Consolidated Statement of Income

Net sales were up 9.3% YoY and down 0.0% vs. plan due to the contribution of new store openings in the previous fiscal year and a rise in the unit price of prescriptions due to an increase in high-priced drugs.

Operating profit was up 12.8% YoY and up 5.0% vs. plan due to growth in the dispensing pharmacy business.

(Millions of yen)	FY3/18 Results	FY3/19 Results	FY3/20 Plan ^{Note 1}	FY3/20 Results	YoY change	YoY growth rate	Vs. plan
Net sales	241,274	245,687	268,599	268,520	22,833	+9.3%	(0.0%)
Cost of sales	197,437	203,711	222,774	222,147	18,436	+9.1%	(0.3%)
Gross profit	43,837	41,975	45,824	46,372	4,397	+10.5%	+1.2%
% to sales	18.2%	17.1%	17.1%	17.3%	-	-	-
SG&A expenses	33,250	35,242	38,593	38,779	3,537	+10.0%	+0.5%
% to sales	13.8%	14.3%	14.4%	14.4%	-	-	-
Consumption taxes	11,892	12,537	13,727	15,413	2,875	+22.9%	+12.3%
R&D expenses	2,784	2,764	3,308	2,991	226	+8.2%	(9.6%)
Operating profit	10,587	6,733	7,231	7,593	859	+12.8%	+5.0%
% to sales	4.4%	2.7%	2.7%	2.8%	-	-	-
Ordinary profit	10,138	6,077	7,069	7,405	1,327	+21.8%	+4.7%
% to sales	4.2%	2.5%	2.6%	2.8%	-	-	-
Profit attributable to owners of parent	6,104	3,790	4,020	6,697	2,906	+76.7%	+11.5%
% to sales	2.5%	1.5%	1.5%	2.5%	-	-	-
Net income per share (Yen) ^{Note 2}	190.84	121.74	134.09	223.33	101.60	+83.5%	+11.5%

Note 1: The company have revised our earnings forecast as of December 24, 2019.

Note 2: 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, 2018.

Consolidated Balance Sheet

The major changes in assets were an increase of approximately 4.3 billion yen in accounts receivable, an increase of approximately 2.4 billion yen in goodwill, and a decrease of approximately 3.7 billion yen in property, plant and equipment such as buildings and structures. The major changes in liabilities were a 5.4 billion yen increase in accounts payable due to business expansion and a 6.1 billion yen decrease in borrowings.

(Millions of yen)	End of Mar. 2018 (FY3/18)	End of Mar. 2019 (FY3/19)	End of Mar. 2020 (FY3/20)	YoY change	YoY change (%)
Current assets	81,613	80,132	87,414	7,281	9.1%
Non-current assets	104,956	98,545	98,137	(407)	(0.4%)
Property, plant and equipment	75,662	69,806	66,082	(3,723)	(5.3%)
Intangible assets	17,952	16,906	19,425	2,519	14.9%
Investments and other assets	11,341	11,833	12,628	795	6.7%
Total assets	186,569	178,677	185,551	6,873	3.8%
Current liabilities	70,310	69,100	70,107	1,007	1.5%
Non-current liabilities	74,752	68,504	68,370	(133)	(0.2%)
Total liabilities	145,062	137,604	138,478	874	0.6%
Total net assets	41,506	41,073	47,072	5,999	14.6%
Shareholders' equity	41,504	41,068	47,072	6,004	14.6%
Equity ratio	22.2%	23.0%	25.4%	-	-

Borrowings **decreased about 6.1 billion yen** from the end of FY3/19

Consolidated Statement of Cash Flows

Net cash used in investing activities remained at a low level due to the peak outflow of capital expenditures in the pharmaceutical manufacturing and sales business.

As a result, free cash flow continued to exceed 10 billion yen.

(Millions of yen)	FY3/18	FY3/19	FY3/20	YoY change
Cash flows from operating activities	23,141	13,572	13,192	(379)
Profit before income taxes	10,045	6,777	11,885	5,107
Depreciation	5,214	6,304	6,316	12
Amortization of goodwill	1,326	1,487	1,581	94
Decrease (increase) in notes and accounts receivable-trade	6,691	3,485	(2,902)	(6,388)
Decrease (increase) in inventories	1,442	(1,314)	74	1,388
Increase (decrease) in notes and accounts payable-trade	(1,399)	342	3,486	3,143
Cash flows from investing activities	(13,843)	(1,770)	(2,731)	(961)
Purchase of property, plant and equipment	(12,076)	(5,303)	(5,624)	(321)
Proceeds from sale of business	114	4,093	52	(4,040)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,126)	(785)	(5,057)	(4,272)
Cash flows from financing activities	(2,034)	(10,516)	(7,955)	2,560
Net increase (decrease) in cash and cash equivalents	7,264	1,284	2,505	1,220
Cash and cash equivalents at beginning of period	21,200	28,464	29,749	1,284
Cash and cash equivalents at end of period	28,464	29,749	32,254	2,505

Consolidated Financial Indicators

	FY3/17	FY3/18	FY3/19	FY3/20	YoY change
EBITDA (Millions of yen) note1	14,237	17,127	14,525	15,491	966
EV/EBITDA (Times) note1	9.0	6.6	7.7	6.1	(1.6)
Free cash flow (Millions of yen)	(29,385)	9,298	11,801	10,460	(1,341)
D/E ratio (Times)	2.4	2.1	2.0	1.6	(0.4)
Equity ratio (%)	20.4%	22.2%	23.0%	25.4%	2.4pt
Net income per share (yen) EPS note2	145.02	190.84	121.74	223.33	101.59
Net assets per share (Yen) BPS note2	1,139.35	1,297.50	1,369.52	1,569.77	200.25
Return on equity (%)	13.5%	15.7%	9.2%	15.2%	6.0pt
Return on assets (%)	4.7%	5.6%	3.3%	4.1%	0.8pt
Operating margin (%)	3.8%	4.4%	2.7%	2.8%	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

Net sales were up 10.7% YoY and up 1.8% vs. plan due to the contribution from the opening of new stores in the previous fiscal year and a rise in the unit price of prescriptions due to an increase in high-priced drugs.

Segment profit was up 12.4% YoY and up 11.3% vs. plan.

(Millions of yen)	FY3/18 Results	FY3/19 Results	FY3/20 Plan	FY3/20 Results	YoY change	YoY growth rate	Vs. plan
Net sales	205,192	208,622	226,908	231,001	22,379	+10.7%	+1.8%
Cost of sales	172,264	178,339	193,910	196,103	17,763	+10.0%	+1.1%
Gross profit	32,928	30,282	32,998	34,898	4,615	+15.2%	+5.8%
% to sales	16.0%	14.5%	14.5%	15.1%	-	-	-
SG&A expenses	20,516	21,575	24,204	25,112	3,537	+16.4%	+3.8%
% to sales	10.0%	10.3%	10.7%	10.9%	-	-	-
Operating profit	12,411	8,707	8,794	9,785	1,078	+12.4%	+11.3%
% to sales	6.0%	4.2%	3.9%	4.2%	-	-	-
No. of pharmacies at the end of each period (stores) ^{note 1}	585	598	643	650	52	+8.7%	+1.1%
Prescription drug sales per pharmacy ^{note 2}	359	352	365	370	17	+5.0%	+1.2%

Note: 1. Rounding down to the nearest unit

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

3. 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 5.9% YoY and down 5.3% vs. plan, thanks to the contribution of internal sales.

Segment profit was down 31.0% YoY and down 31.0% vs. plan due in part to the impact of NHI drug price revisions.

(Millions of yen)	FY3/18 Results	FY3/19 Results	FY3/20 Plan	FY3/20 Results	YoY change	YoY growth rate	Vs. plan
Net sales	38,066	40,659	45,493	43,072	2,412	+5.9%	(5.3%)
Cost of sales	31,746	33,782	38,188	36,995	3,213	+9.5%	(3.1%)
Gross profit	6,319	6,877	7,304	6,076	(800)	(11.6%)	(16.8%)
% to sales	16.6%	16.9%	16.1%	14.1%	-	-	-
SG&A expenses	5,124	4,991	5,419	4,774	(216)	(4.3%)	(11.9%)
% to sales	13.5%	12.3%	11.9%	11.1%	-	-	-
Operating profit	1,194	1,885	1,884	1,301	(583)	(31.0%)	(31.0%)
% to sales	3.1%	4.6%	4.1%	3.0%	-	-	-

Note: Rounding down to the nearest unit

Medical Professional Staffing and Placement Business / Statement of Income

Gross profit increased significantly YoY due to focus on pharmacist referral business and expansion of physician and registered sales person referral business.

Operating profit increased significantly, offsetting an increase in SG&A expenses.

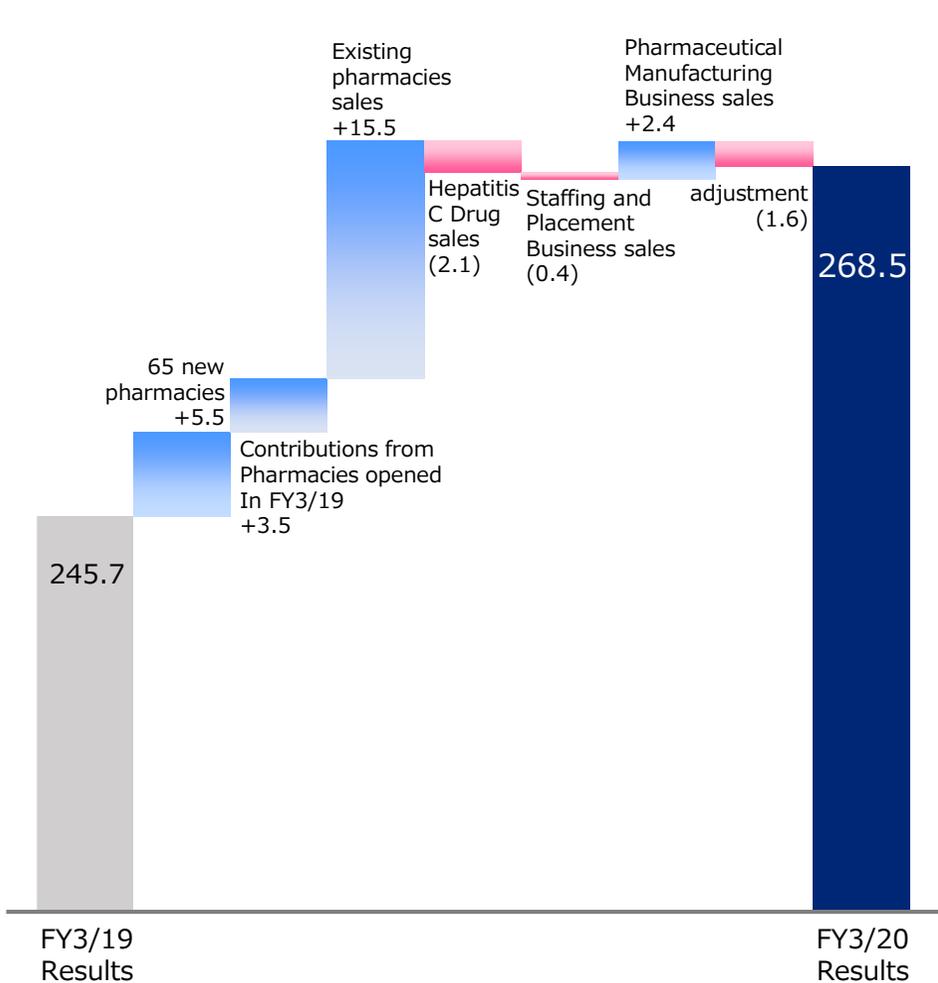
(Millions of yen)	FY3/18 Results	FY3/19 Results	FY3/20 Plan	FY3/20 Results	YoY change	YoY growth rate	Vs. plan
Net sales	11,970	13,083	14,300	12,721	(362)	(2.8%)	(11.0%)
Cost of sales	7,366	8,133	8,730	7,316	(816)	(10.0%)	(16.2%)
Gross profit	4,604	4,950	5,570	5,404	454	+9.2%	(3.0%)
% to sales	38.5%	37.8%	39.0%	42.5%	-	-	-
SG&A expenses	2,762	3,472	3,720	3,553	81	+2.3%	(4.5%)
% to sales	23.1%	26.5%	26.0%	27.9%	-	-	-
Operating profit	1,842	1,478	1,849	1,851	373	+25.2%	+0.1%
% to sales	15.4%	11.3%	12.9%	14.6%	-	-	-

Note: Rounding down to the nearest unit

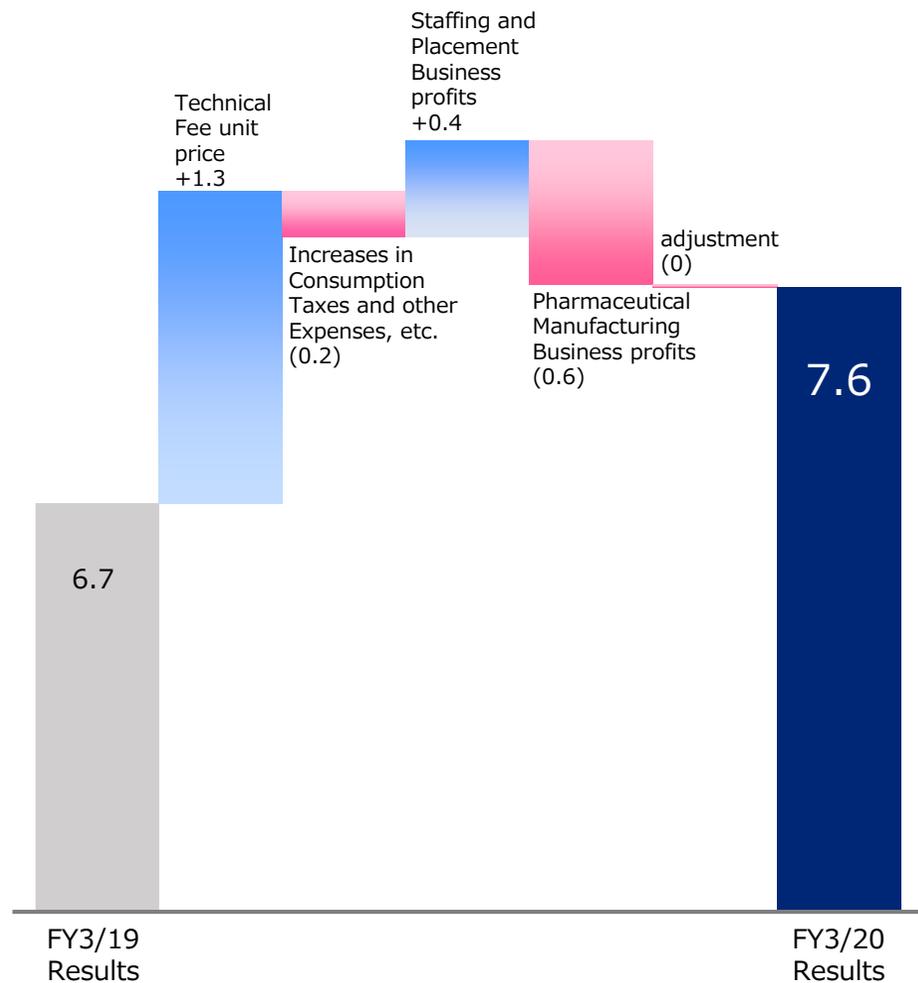
Consolidated Results: Major Components of YoY Changes (Net Sales / Operating Profit)

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

Net Sales



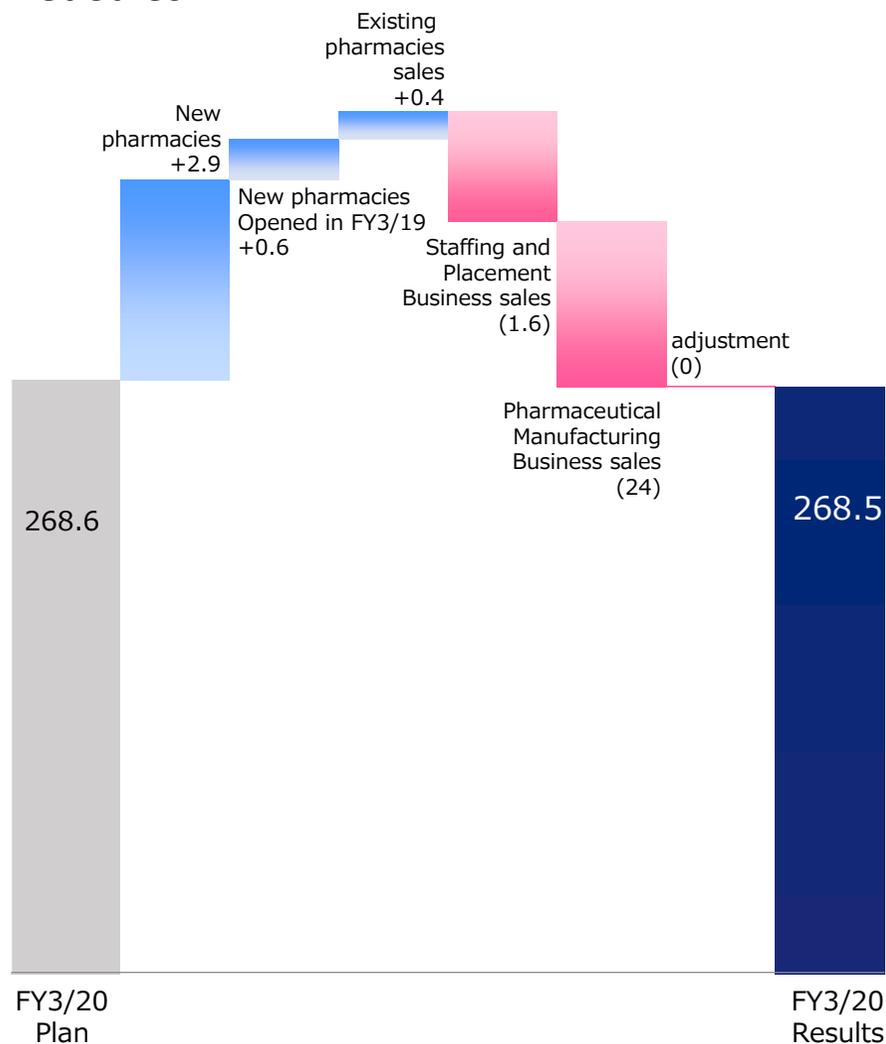
Operating Profit



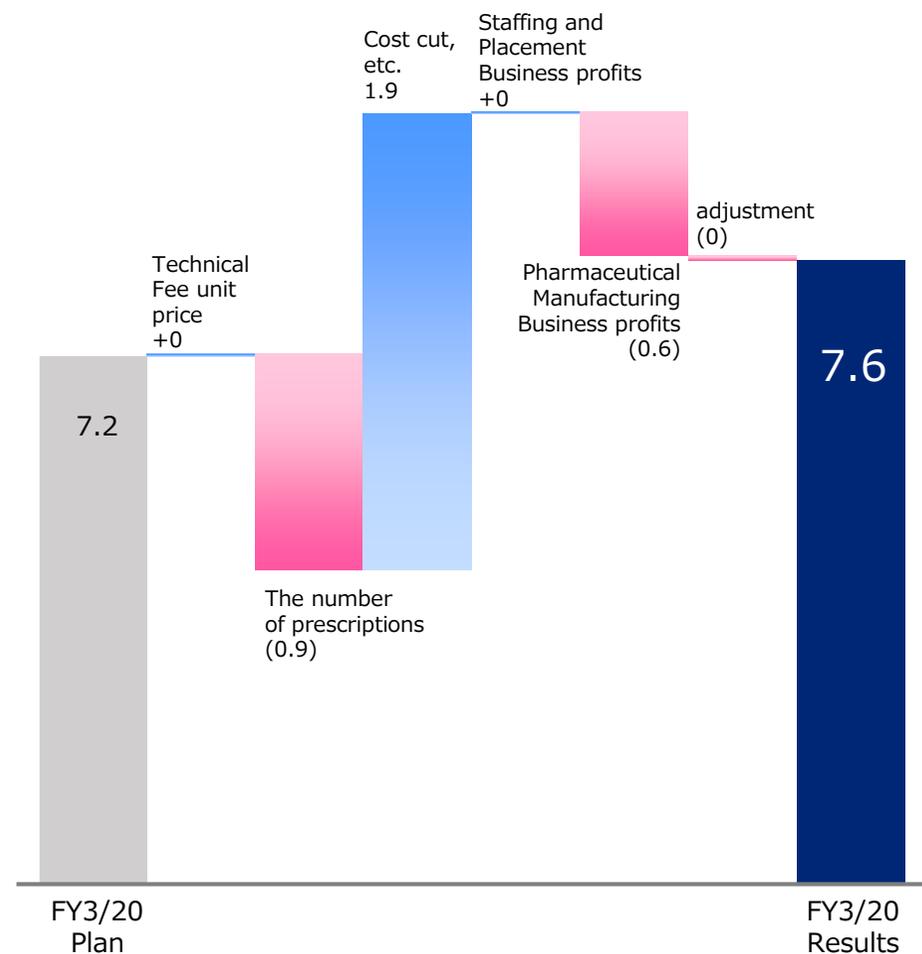
Consolidated Results: Major Components of Changes vs. Plan (Net Sales / Operating Profit)

(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) ^{Note}	190.84	121.74	223.33	104.14	(119.19)	(53.4%)
Dividend per share (Yen) ^{Note}	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.

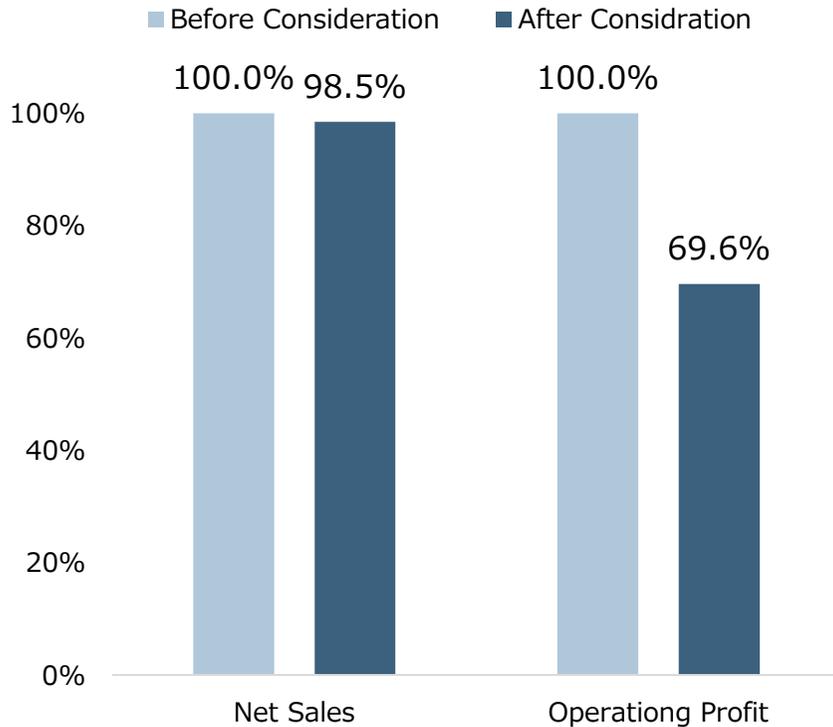
FY3/21 Business Segment Forecast

	(Millions of yen)	FY3/18 Results	FY3/19 Results	FY3/20 Results	FY3/21 Plan	YoY change	YoY growth rate
Dispensing pharmacy business	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%	-	-
Pharmaceutical manufacturing and sales business	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%	-	-
Medical professional staffing and placement business	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%	-	-

FY3/21 Consolidated Forecast FY3/21 (Supplementary Explanation)

Assumptions for the Consolidated Forecast

- April-June, considering the impact of the spread of COVID-19
 - The decrease in the number of prescriptions is covered by the increase in the unit price of prescriptions
- From July onwards, we will not factor in the consolidated forecast and will take action based on the situation.

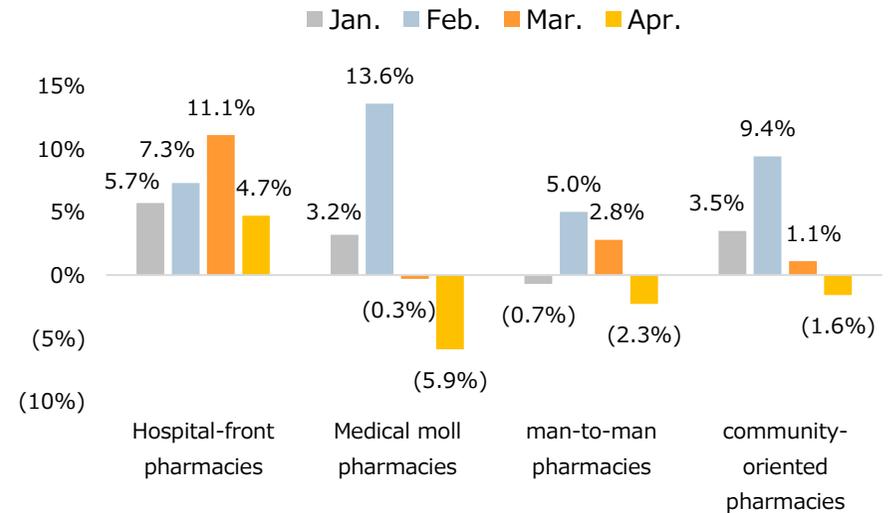


Percentage change from the previous forecast of 100% before taking into account the impact of the spread of COVID-19

Assumptions for the Segment Forecast

- Taking into account the impact on forecasts
 - Dispensing Pharmacy Business
 - Decrease in the number of prescriptions due to refraining from taking medical examinations
 - The number of days of prescriptions has been prolonged, resulting in an increase in the prescription unit price

Rate of change in existing store dispensing sales (January-April YoY)



- Medical Professional Staffing and Placement Business
 - Declining demand for human resources

Growth Strategy

■ **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

■ **A Stronger Base for Serving Customers**

Training programs to upgrade people-to-people services involving direct contact with customers and use of ICT to improve customer convenience and efficiency of store operations

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

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Opened	37	29	27	42	36	32	65 note
Organic growth	33	28	22	21	23	26	35
M&A	4	1	5	21	13	6	30
Closed	9	12	11	12	8	19	13
No. of pharmacies at the end of each period	494	511	527	557	585	598	650

Record-high for M&A growth

• 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

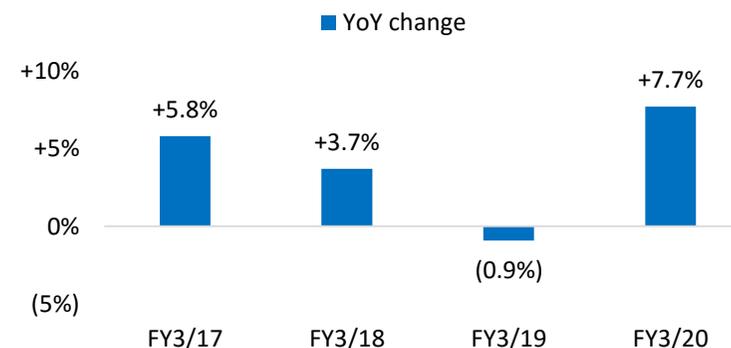
FY3/20 Dispensing Pharmacy Business YoY Growth Rate

	Prescription drug sales	No. of prescriptions	Prescription unit prices
Existing pharmacies	+7.7%	+0.0%	+7.7%
Pharmacies opened in FY3/19	+135.7%	+124.3%	+5.1%
Total	+10.9%	+3.6%	+7.1%

No. of prescriptions 14,704,000

Prescription unit price 15,479 yen

Existing Dispensing Pharmacy Sales



Emphasis on a Well-Balanced Pharmacy Network (2)

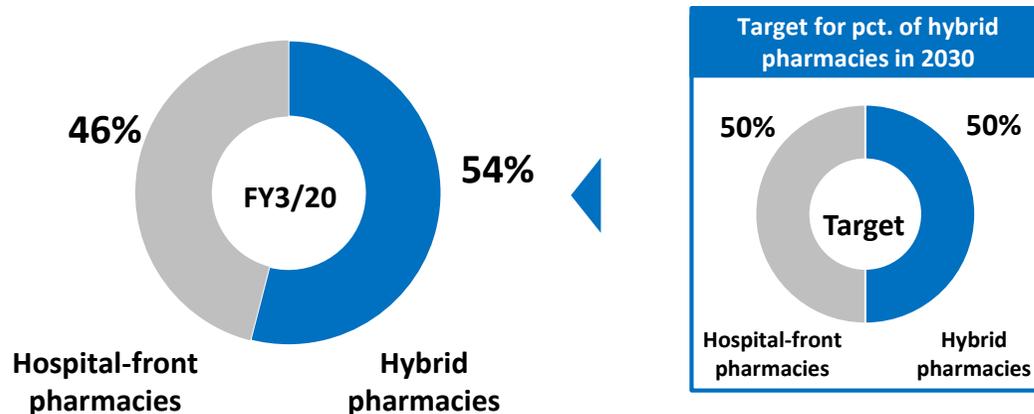
Pharmacy Openings and Closings

Hospital-front pharmacies and hybrid pharmacies

	FY3/19	FY3/20
Opened	32	65
Hospital-front pharmacies (Pharmacies within hospital premises)	16 (3)	38 (8)
Hybrid pharmacies	16	27
Closed	19	13
No. of pharmacies at the end of period	598	650

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 FY3/20	No. of pharmacies at the end of period FY3/20
Hokkaido	1	43
Tohoku	5	48
Kanto	40	329
Koshinetsu	1	24
Tokai	6	57
Kansai/Hokuriku	8	72
Chugoku/Shikoku	3	39
Kyushu/Okinawa	1	38
Total	65	650

Revised Pharmaceutical and Medical Devices Act

Schedule

March 6, 2020

September 1, 2020

August 1, 2021

December 1, 2022

Cabinet approval of enactment dates

Enactment of (1) and (2)

Enactment of (3), (4) and (5)

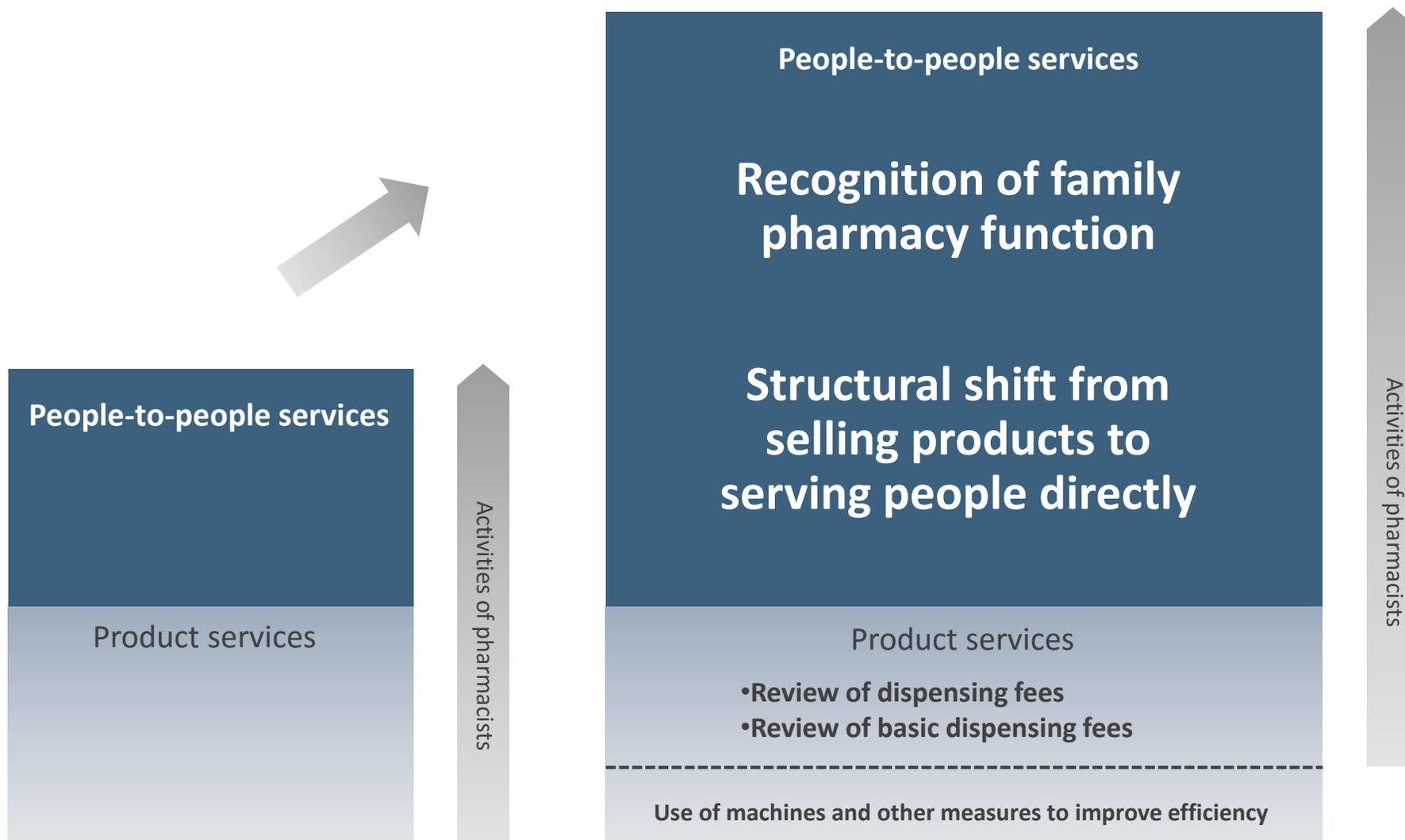
Enactment of (6)

(1)	Online medication guidance	Use of video telephone calls and other online devices to give instructions for taking medicine in accordance with rules for online medication guidance → Expansion of regions of Japan and eligibility of patients for online medication guidance		
(2)	Mandatory follow-up while taking medicine	Requirement to monitor the use of drugs and provide instructions as needed after individuals receive prescriptions Pharmacists must take the initiative to supply information about an individual's use of a drug to a physician or others at other healthcare facilities		
(3)	System for approval of new pharmacy functions	Start of prefectural governor approval of individual pharmacy functions to enable individuals to select pharmacies that best match their needs Approval of regional interaction pharmacies and pharmacies that work with specialized medical institutions (renew every year)		
(4)	Stronger governance	Strict compliance with laws/regulations and enforcement framework for companies with regulatory approval (Business oversight system, clarification of responsibilities of senior executives and on-site managers) Legal establishment of position of executive responsible for pharmaceutical operations		
(5)	Electronic format for information provided with drugs	End of paper instructions packaged with drugs and replacement with an electronic format Drug packaging includes instructions for accessing the latest information about drug use and precautions		
(6)	Bar code on drug containers	Bar codes are used for traceability extending from the procurement of drugs to after a customer receives instructions on how to use the drug		

Note: Prepared by Nihon Chouzai based on Revision to Pharmaceutical and Medical Devices Act (proposal)

Dispensing Fee Revisions (1)

Composition of Prescription Dispensing Fees



Dispensing Fee Revisions (2)

Evaluation of people-to-people services

■ Premium for Generic Drug Dispensing System

1 75%-80% 18pt → **15pt** 2 80%-85% 22pt → 22pt 3 85% or more 26pt → **28pt**

■ Premium for Regional Support System 35pt → **38pt**

Increased requirement for basic dispensing fee 1 and **reduced some requirements** for other dispensing fees

■ Family Pharmacist Guidance fee 73pt → **76pt**

Consent of patients, three years of insurance pharmacy experience, one-year in current post, 32 hours/week

■ Medication History Management Fee

April 2018 - March 2020		Basic dispensing fee 1	Other than basic dispensing fee 1
Subsequent pharmacy visits within 6 months	With medication notebook	41pt	53pt
	No medication notebook	53pt	
No subsequent pharmacy visits within 6 months	With/without medication notebook		



From April 2020		Basic dispensing fee 1	Other than basic dispensing fee 1
Subsequent pharmacy visits within 3 months	With medication notebook	43pt	
	No medication notebook	57pt	
No subsequent pharmacy visits within 3 months	With/without medication notebook		

Dispensing Fee Revisions (3)

Review of product services

■ Dispensing Fee

	1 to 7 days	8 to 14 days	15 to 21 days	22 to 30 days	More than 30 days
April 2018 - March 2020	5pt/day (Average 27pt)	4pt/day (Average 61pt)	67pt	78pt	86pt
From April 2020	28pt	55pt	64pt	77pt	86pt

Reduction in most fees

Pharmacies with annual prescription sales of about 200-220 million yen ^{note}

■ Basic Dispensing Fee

1,801-2,000 prescriptions dispensed monthly and **more than 95%** of prescriptions from a single medical institution **26pt (new)**

Monthly prescriptions of 35,000-40,000 within the same group and **more than 95%** of prescriptions from a single medical institution **21pt (new)**

Review of basic dispensing fees for pharmacies within hospital premises

- Special basic dispensing fee 11pt → **9pt**
- Real estate or other special relationship with hospital = **Medical institution (including clinics)**
- More than 95% of prescriptions from a single medical institution → **More than 70%**
- 50% cut in basic dispensing fee for pharmacies with under 10 basic family pharmacy function services in a year → **under 100 services**

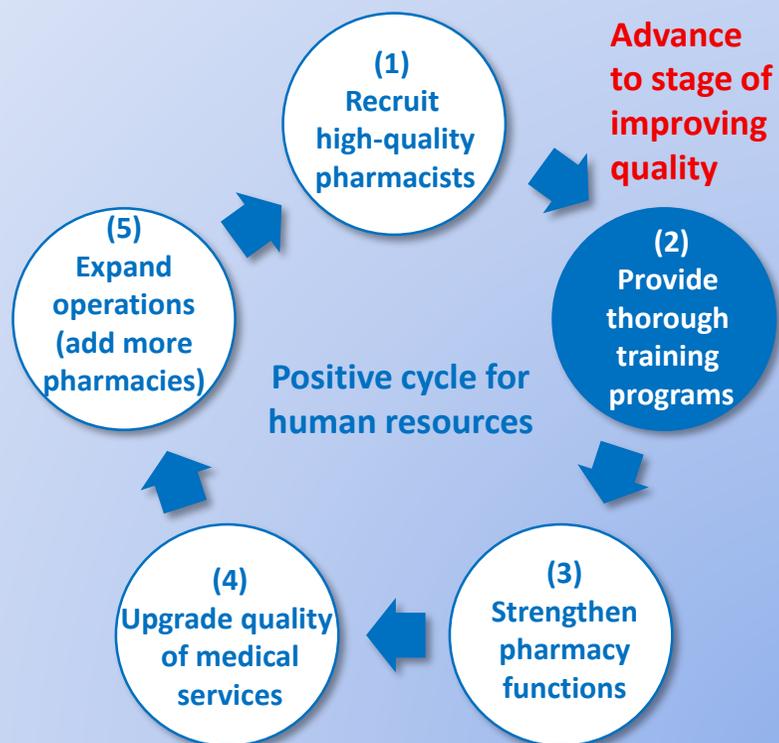
Pharmacy groups with annual prescription sales of about 3,850-4,380 million yen ^{note}

Note: Based on national average prescription price of 9,132 yen for April-September 2019

A Stronger Management Base (1)

Investment in Human Resources

Increase activities anticipating structural change due to start of the individual pharmacy function approval system (Revised Pharmaceutical and Medical Devices Act)



(1) Recruit high-quality pharmacists

- Large number of preliminary acceptances
- Decline in the attrition rate

My Navi and Nikkei Graduate Employer Popularity Rankings

No.1 in the dispensing pharmacy and drugstore industry in three categories

- Medical, welfare, and dispensing pharmacy
- Sciences overall ● Sciences female

(2) Provide thorough training programs →

Improve people-to-people services

- Pharmacist Stage System (from April 2018)
- External accreditations for specialist pharmacists
- More than 100 pharmacists receive hospital training every year

As of the end of April 2020, **about 1 in 4** pharmacy pharmacists are our pharmacists (Announced on May 8, 2020).

Accredited Pharmacist of Outpatient Cancer Chemotherapy : About 1 in 6 pharmacy pharmacists are our pharmacists*
Accredited by the Japanese Society of Pharmaceutical Oncology (JASPO)

*List of Accredited Pharmacist of Outpatient Cancer Chemotherapy compiled by us as of the end of April 2019

A Stronger Management Base (2)

ICT Investment

A prescription dispensing system developed in the 1990s as a base for Nihon Chouzai's growth has been used as a platform for the continuous development of peripheral systems

Dispensing system (Platform)

Voice input system



2005
Support for medication history input by pharmacists
• Higher efficiency

At-home medical care communication system



2012
Support for at-home medical care services
• Higher efficiency

Electronic medication notebook Okusuri Techo Plus



2014
Support for the safe use of drugs
500,000 members of Okusuri Techo Plus
(As of April 2020)

Health consultation system



2017
Support for the health of community residents

Nihon Chouzai Online store

2019
Support for the healthcare Internet shopping service operated by experts in medicine and food (nutrition).

Online medication guidance

Feb. 2019
Started at Nihon Chouzai Seto Pharmacy in Seto City, Aichi Pref.

Dec. 2019
Started at Tsubakimori Pharmacy in Chiba City, Chiba pref.

First time in an urban special district

Automation of dispensing work

Improves people-to-people services and significantly increases dispensing efficiency

Apr. 2020
Medication guidance using telephone and online devices in response to COVID-19

A Stronger Management Base (3)

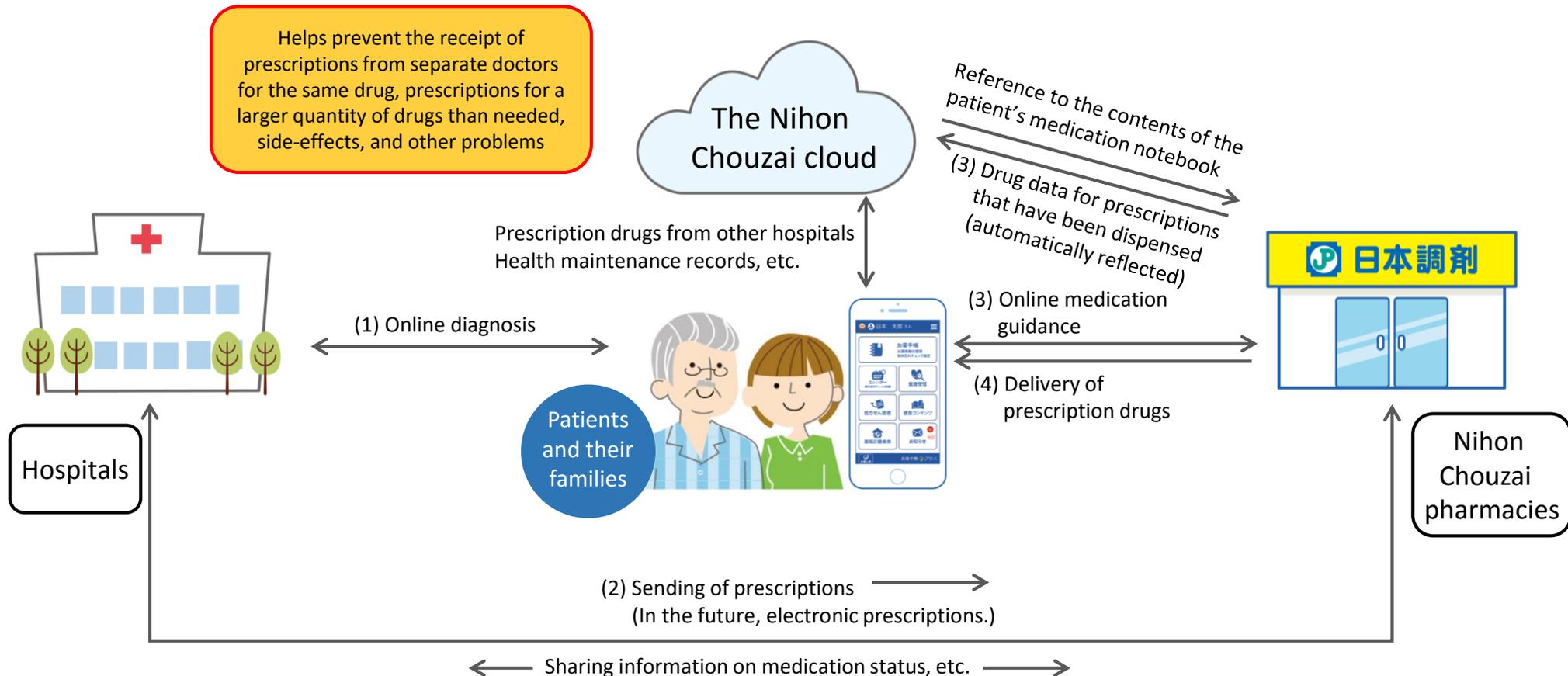
Online medication guidance

Benefits of Nihon Chouzai's online medication guidance

→ **Real-time centralization of all information** by using **the Okusuri Techo Plus**

(an electronic medication notebook)

Helps prevent the receipt of prescriptions from separate doctors for the same drug, prescriptions for a larger quantity of drugs than needed, side-effects, and other problems



A Stronger Management Base (4)

Automation

The revised Pharmaceutical Medical Devices Act is speeding up the shift of pharmacy and pharmacist activities from products to people

There is an urgent need for an infrastructure that focuses on patients and integrated community care by utilizing the skills and other knowledge of pharmacists

Drug Station



Maximum 3,000 items

Automatic drug picking device

- **Demonstration trials using the latest equipment have started**
- Cooperation with prescription dispensing equipment manufacturers
- Increasing the pace of conversions to automation, **mainly at large pharmacies**

- **Demonstration trials have been completed**
- Increasing the pace of conversions to automation, **mainly at midsize and large pharmacies**

ROBO-PICK II



Maximum 1,300 items

Fully automated output of PTP sheets
Maximum of 130 items per unit
Up to 10 units can be linked

Annual sales per store

National average

About **120**
million yen

Nihon Chouzai

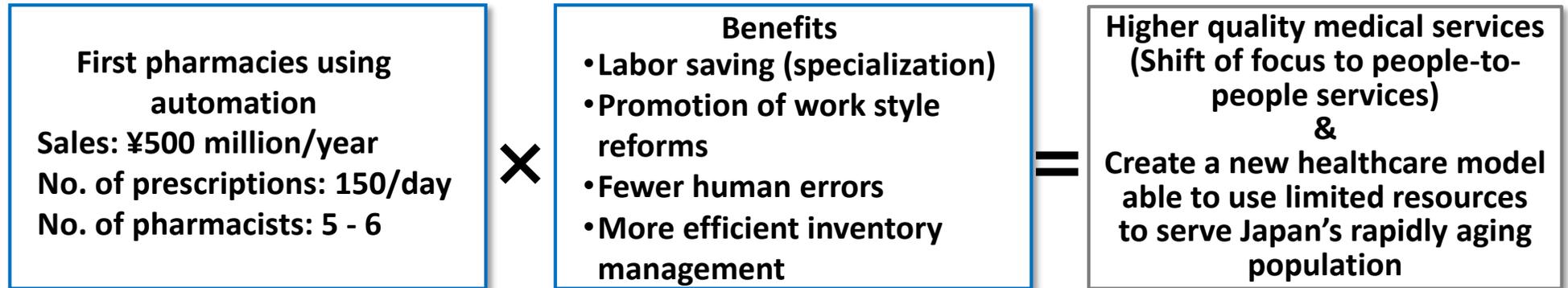
About **370**
million yen

Shifting the pharmacist's job to more interpersonal work
Improving the quality of dispensing (including hygiene)
Improving patient safety

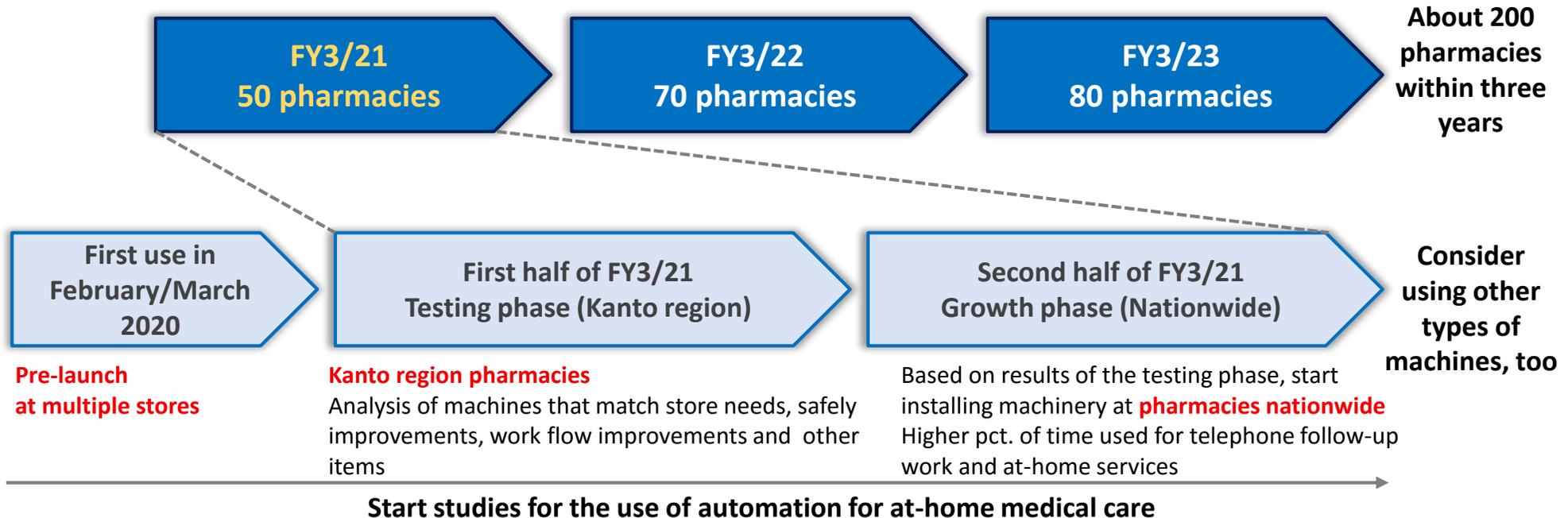
Net sales per store Nippon Pharmacy: Annual net sales per store at the end of the fiscal year ending March 2020
National average: calculated from the Ministry of Health, Labour and Welfare, Trends in Dispensing Healthcare Expenditures 2018, Summary of Health Administration Reported Cases 2018

A Stronger Management Base (5)

Simulation of Automation Benefits



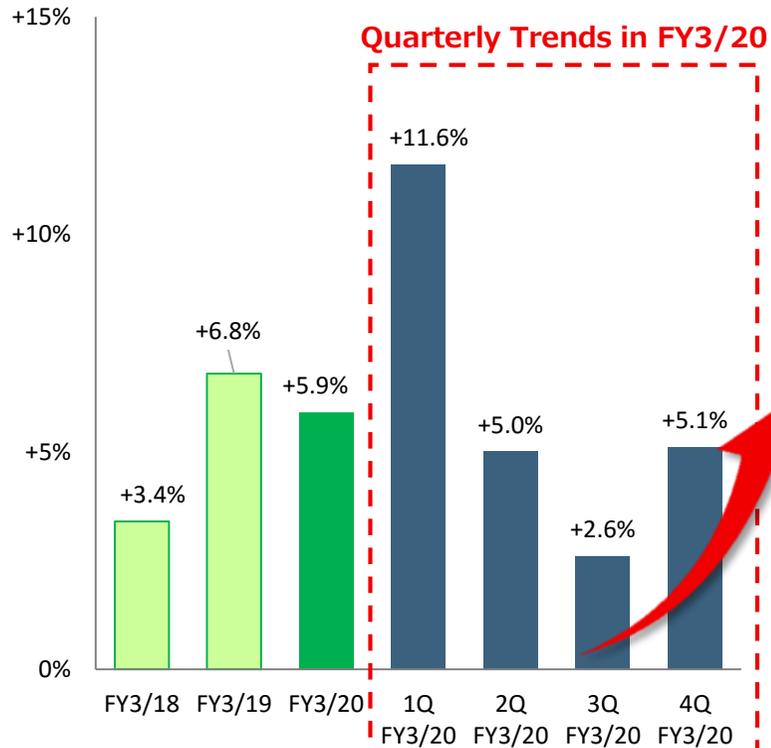
Schedule



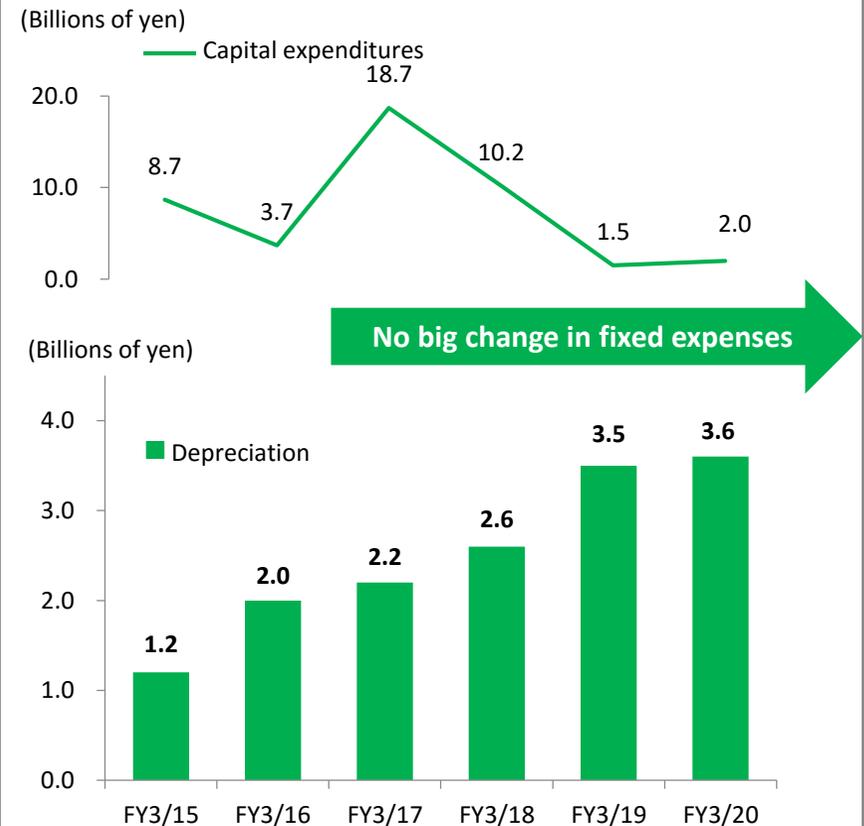
Growth of the Pharmaceutical Manufacturing and Sales Business (1)

Improvement in Gross Margin

Net sales (YoY growth rate)



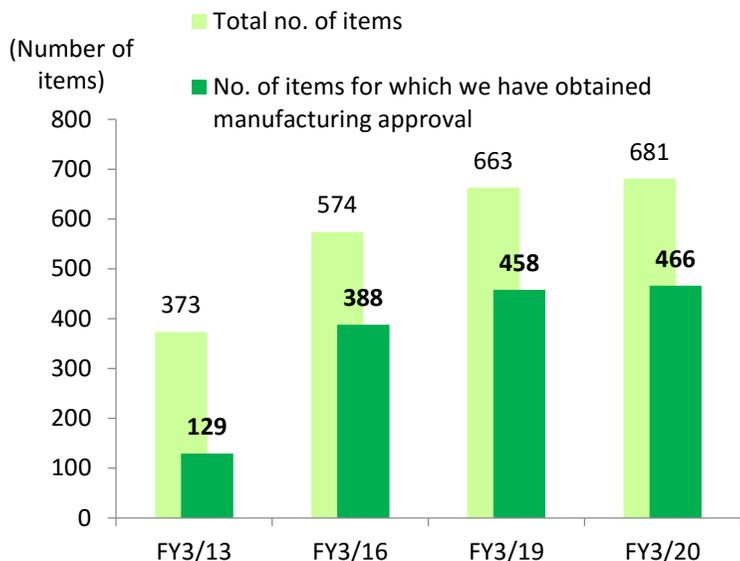
Capital Expenditures and Depreciation



Growth of the Pharmaceutical Manufacturing and Sales Business (2)

Increase in items for which we have obtained manufacturing approval and Shift to High-margin Products

■ Number of Product Items



■ New NHI Listed Drugs Sold in June 2019 :

8 items

Name	Name
Silodosin Tablets 2mg "JG"	Blonanserin Tablets 2mg "YD"
Silodosin Tablets 4mg "JG"	Blonanserin Tablets 4mg "YD"
Silodosin OD Tablets 2mg "NISSIN"	Blonanserin Tablets 8mg "YD"
Silodosin OD Tablets 4mg "NISSIN"	Gefitinib Tablets 250mg "JG"

Scale of potential conversion to generic drugs (estimated*)

18 billion yen

■ New NHI Listed Drugs Sold in December 2019: 14 items

Scale of potential conversion to generic drugs (estimated*)

44 billion yen

Name	Name
Atomoxetine Tablets 5mg "JG"	BudeForu Dry Powder Inhaler 30 doses "JG"
Atomoxetine Tablets 10mg "JG"	BudeForu Dry Powder Inhaler 60 doses "JG"
Atomoxetine Tablets 25mg "JG"	Mometasone Nasal Spray 50µg "JG" 56 sprays
Atomoxetine Tablets 40mg "JG"	Mometasone Nasal Spray 50µg "JG" 112 sprays
Atomoxetine Oral Solution 0.4% "JG"	Capecitabine Tablets 300mg "JG"
Flecainide Acetate Tablets 50mg "TE"	Lanthanum Carbonate OD Tablets 250mg "JG" note
Flecainide Acetate Tablets 100mg "TE"	Lanthanum Carbonate OD Tablets 500mg "JG" note

Note: Lanthanum Carbonate OD Tablets are launched in January 2020

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

■ OTC drugs (launched in January 2020)

Started selling Loxoprofen Tablets "JG," the second OTC drug following Minoxidil

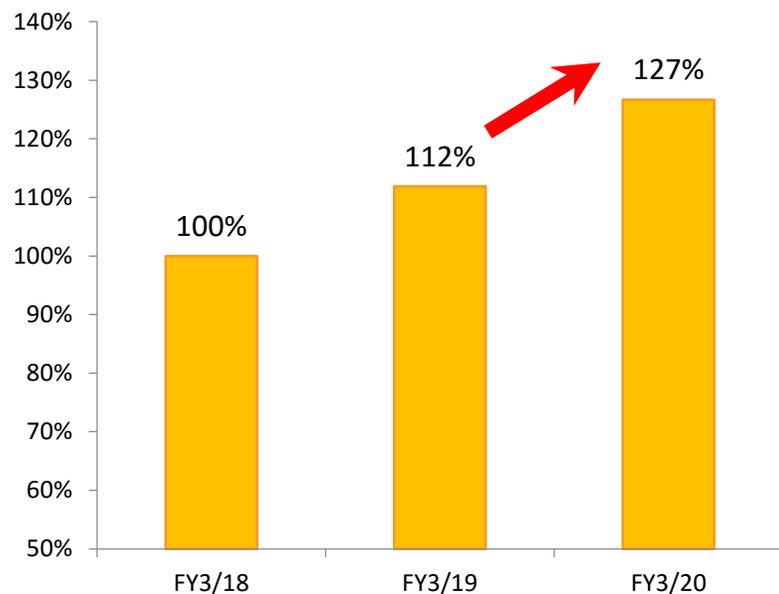


Growth of the Medical Professional Staffing and Placement Business (1)

Growth of the Pharmacist Placement Business

Number of Customers

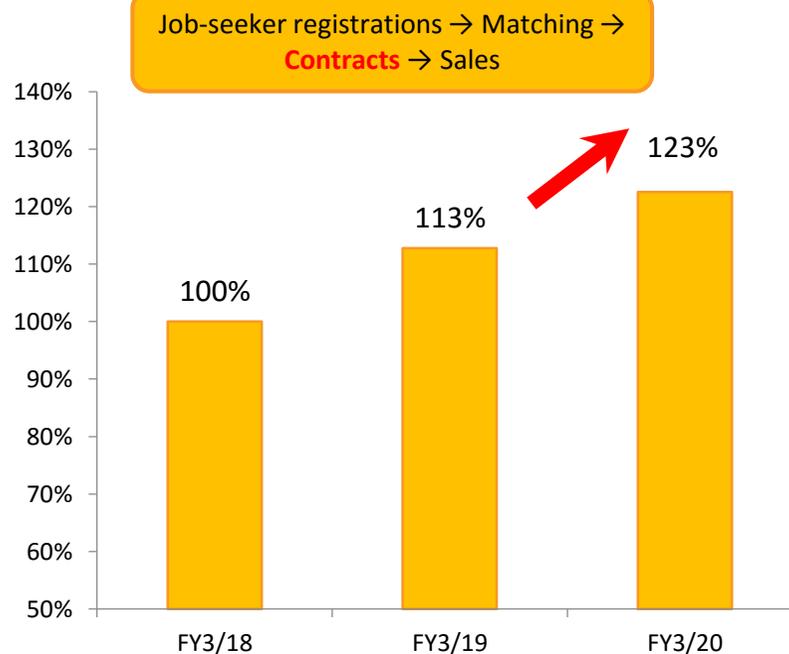
- ▶ Stronger sales capabilities are raising the number of customers



FY3/18 customers = 100%

Number of Contracts

- ▶ Steady increase in the number of contracts, an indicator of upcoming sales



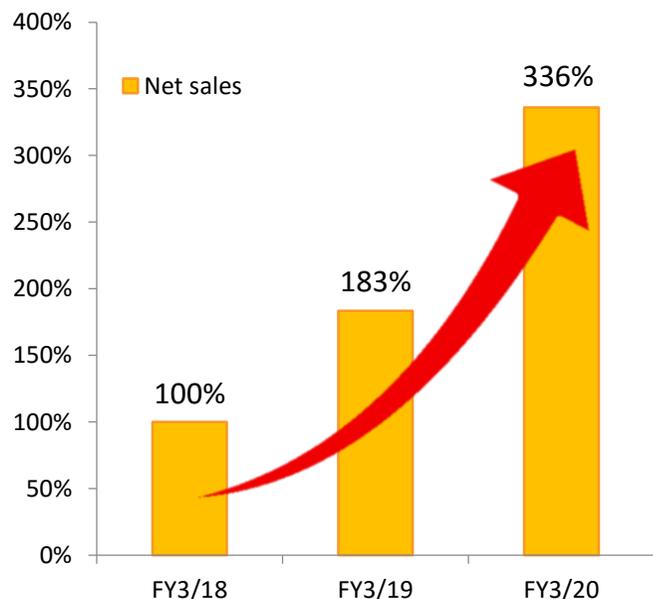
FY3/18 placements = 100%

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

Growth of the Physician Placement Business

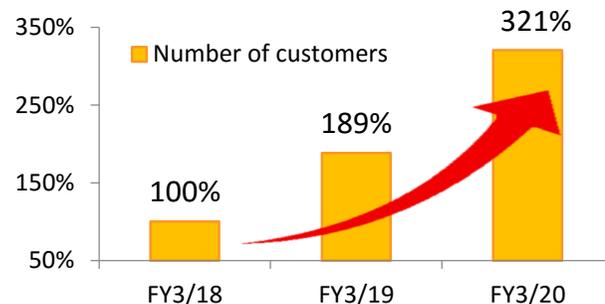
Net sales

- ▶ Solid growth of physician placement business. A contribution to higher profits in FY3/20.

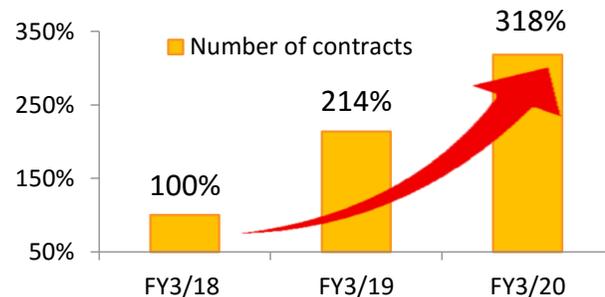


FY3/18 sales = 100%

Number of Placement Contracts / Customers



Job-seeker registrations →
Matching → Contracts → Sales



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.

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/>