

FY3/2019

Supplementary Material



NIHON CHOUZAI Co.,Ltd.

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

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1. Financial Highlights

	2015/3	2016/3	2017/3	2018/3	2019/3
Net sales (Millions of yen)	181,844	219,239	223,468	241,274	245,687
YoY growth rate	10.0%	20.6%	1.9%	8.0%	1.8%
Operating profit (Millions of yen)	6,647	10,489	8,519	10,587	6,733
Operating margin	3.7%	4.8%	3.8%	4.4%	2.7%
Profit attributable to owners of parent (Millions of yen)	2,778	6,329	4,638	6,104	3,790
Return on sales	1.5%	2.9%	2.1%	2.5%	1.5%
Shareholder's equity (Millions of yen)	17,635	32,473	36,447	41,504	41,068
Equity ratio	13.6%	20.6%	20.4%	22.2%	23.0%

2. Financial Indicators

	2015/3	2016/3	2017/3	2018/3	2019/3
Return on assets	2.2%	4.4%	2.8%	3.3%	2.1%
Return on equity	16.6%	25.3%	13.5%	15.7%	9.2%
Net income per share (yen) <small>note1</small>	194.48	432.85	290.03	381.69	243.47
Net assets per share (Yen) <small>note1</small>	1,257.59	2,030.22	2,278.70	2,595.00	2,739.04
Dividend per share (Yen) <small>note1</small>	35.00	45.00	50.00	50.00	50.00
Total number of issued shares	8,012,000	16,024,000	16,024,000	16,024,000	16,024,000
Dividend payout ratio	18.0%	10.4%	17.2%	13.1%	20.5%
Share price at year-end (Yen) <small>note1</small>	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
EBITDA (Yen) <small>note2</small>	10,923	15,615	14,237	17,127	14,525
EV/EBITDA (Times) <small>note2</small>	9.5	6.5	9.0	6.6	7.7
Number of employees (persons) <small>note3</small>	4,026	4,163	4,600	4,876	5,110
Sales per employee (Thousand of yen)	47,049	53,544	51,002	50,923	49,206

Return on assets=Profit attributable to owners of parent/Total assets (During the period average)

Return on equity=Profit attributable to owners of parent/Shareholder's equity (During the period average)

Note1 : Nihon Chouzai conducted a 2-for-1 stock split effective on Oct.1,2015. Per-share figures for FY3/2013 to FY3/2015 is adjusted to reflect the stock split.

Note2 : EBITDA=Operating profit/loss+Depreciation+Amortization of goodwill EV=Market cap at the end of each period+Net interest-bearing debt

Note3 : Including part-time employees and others(yearly average number of persons employed based on 8-hour conversion)

3. Dispensing Pharmacy Business

	2015/3	2016/3	2017/3	2018/3	2019/3
No.of pharmacies opened	29	27	42	36	32
Including M&A	1	5	21	13	6
No.of pharmacies at the end of each period	511	527	557	585	598
Net sales of dispensing pharmacy business (Millions of yen)	157,999	190,874	189,327	205,192	208,622
Sales per Pharmacy (Millions of yen)	314	367	349	359	352
No.of prescription (thousands)	11,695	12,301	12,949	13,739	14,192
Unit prices of prescription (yen)	13,330	15,297	14,382	14,739	14,458

4.Consolidated Balance Sheet

(Millions of yen)

(As of fiscal year-end)	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Assets						
Current assets						
Cash and deposits	15,429	13,952	32,385	21,200	28,464	29,749
Notes receivable-trade	1,270	321	197	73	213	134
Accounts receivable-trade	17,395	20,001	25,839	26,698	19,902	16,249
Electronically recorded monetary claims-operating	—	1,091	774	872	1,115	1,465
Merchandise and finished goods	12,165	15,911	15,328	21,455	20,873	22,272
Work in process	751	1,377	1,993	2,509	1,304	1,173
Raw materials and supplies	3,480	3,778	4,695	5,550	6,047	6,020
Deferred tax assets	1,233	1,138	1,447	1,262	1,508	—
Other	1,655	2,534	2,187	2,713	3,698	3,071
Allowance for doubtful accounts	(8)	(10)	(10)	(7)	(6)	(5)
Total current assets	53,373	60,096	84,838	82,327	83,121	80,132
Non-current assets						
Property, plant and equipment						
Buildings and structures	26,103	32,136	36,733	39,675	53,483	52,956
Accumulated depreciation	(12,113)	(13,487)	(15,196)	(17,372)	(19,064)	(20,582)
Buildings and structures, net	13,990	18,648	21,537	22,303	34,418	32,374
Machinery, equipment and vehicles	3,725	6,405	7,862	12,690	14,129	19,246
Accumulated depreciation	(1,189)	(1,531)	(2,007)	(2,649)	(3,543)	(4,539)
Machinery, equipment and vehicles, net	2,536	4,874	5,855	10,040	10,585	14,707
Land	15,318	17,043	17,188	18,016	19,357	16,961
Leased assets	1,438	1,724	2,943	2,995	2,943	2,888
Accumulated depreciation	(654)	(871)	(1,233)	(1,582)	(1,858)	(2,094)
Leased assets, net	784	853	1,710	1,413	1,084	794
Construction in progress	7,076	4,798	2,807	13,521	6,750	1,133
Other	9,293	10,394	11,765	13,564	14,816	16,399
Accumulated depreciation	(6,876)	(7,792)	(8,867)	(10,346)	(11,352)	(12,564)
Other, net	2,417	2,601	2,898	3,217	3,464	3,835
Total property, plant and equipment	42,123	48,819	51,997	68,513	75,662	69,806
Intangible assets						
Goodwill	9,265	8,661	8,507	14,605	15,418	14,552
Other	1,838	1,714	1,615	2,167	2,534	2,353
Total intangible assets	11,103	10,376	10,122	16,773	17,952	16,906
Investments and other assets						
Investment securities	1,030	1,153	945	1,039	20	17
Long-term loans receivable	979	975	886	817	738	687
Lease and guarantee deposits	6,934	6,990	6,932	7,072	7,049	7,357
Deferred tax assets	660	495	647	587	786	2,610
Other	1,089	1,233	1,239	1,216	1,242	1,160
Total investments and other assets	10,694	10,848	10,650	10,733	9,837	11,833
Total non-current assets	63,921	70,044	72,770	96,019	103,452	98,545
Total assets	117,295	130,141	157,609	178,347	186,573	178,677

Note: The amounts for the previous fiscal years in this materials do not reflect the revisions of the accounting standards.

(Millions of yen)

(As of fiscal year-end)	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Liabilities						
Current liabilities						
Accounts payable-trade	26,861	31,306	41,989	38,909	36,203	37,274
Notes payable-trade	2,102	—	—	—	—	—
Electronically recorded obligations-operating	—	2,086	2,664	2,124	3,770	3,081
Short-term loans payable	7,750	5,100	—	—	—	—
Current portion of bonds	7,000	—	7,000	—	—	—
Current portion of long-term loans payable	3,889	6,069	5,963	13,411	15,309	16,143
Lease obligations	263	421	400	390	311	261
Income taxes payable	1,507	1,625	2,745	1,537	3,040	1,478
Provision for bonuses	1,793	2,080	2,249	2,547	2,775	3,023
Provision for directors' bonuses	74	98	138	117	137	86
Provision for sales rebates	102	130	—	—	—	—
Asset retirement obligations	4	9	7	9	4	10
Other	4,316	4,546	5,826	7,257	8,759	7,739
Total current liabilities	55,666	53,474	68,985	66,305	70,310	69,100
Non-current liabilities						
Long-term loans payable	35,165	46,184	50,621	70,678	68,372	62,470
Bonds payable	7,000	7,000	—	—	—	—
Lease obligations	968	1,648	1,337	1,002	697	436
Long-term accounts payable-installment purchase	—	1,471	1,040	609	1,991	1,349
Provision for directors' retirement benefits	907	886	957	949	1,048	1,093
Net defined benefit liability	915	917	1,157	1,294	1,503	1,695
Asset retirement obligations	659	682	723	760	821	1,145
Other	162	240	312	298	320	313
Total non-current liabilities	45,779	59,031	56,151	75,595	74,756	68,504
Total liabilities	101,446	112,505	125,136	141,900	145,066	137,604
Net assets						
Shareholders' equity						
Capital stock	3,953	3,953	3,953	3,953	3,953	3,953
Capital surplus	4,754	4,754	10,926	10,926	10,926	10,926
Retained earnings	9,310	11,868	17,672	21,511	26,816	29,815
Treasury shares	(2,171)	(3,059)	(44)	(46)	(47)	(3,498)
Total shareholders' equity	15,845	17,515	32,507	36,345	41,648	41,196
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	237	333	196	263	0	0
Remeasurements of defined benefit plans	(234)	(213)	(231)	(161)	(144)	(127)
Total accumulated other comprehensive income	3	119	(34)	101	(144)	(127)
Non-controlling interest	—	—	—	—	2	4
Total net assets	15,849	17,635	32,473	36,447	41,506	41,073
Total liabilities and net assets	117,295	130,141	157,609	178,347	186,573	178,677

Note: The amounts for the previous fiscal years in this materials do not reflect the revisions of the accounting standards.

5. Consolidated Statement of Income

(Millions of yen)

(Fiscal years ended)	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Net sales	165,347	181,844	219,239	223,468	241,274	245,687
Cost of sales	139,723	149,915	180,171	184,210	197,437	203,711
Gross profit	25,623	31,929	39,068	39,258	43,837	41,975
Selling, general and administrative expenses	20,878	25,281	28,578	30,738	33,250	35,242
Operating profit	4,744	6,647	10,489	8,519	10,587	6,733
Non-operating income						
Interest income	2	3	6	1	0	0
Commission fee	116	122	137	144	151	50
Rent income	147	338	378	404	436	430
Compensation income	46	42	—	—	—	—
Insurance return	—	—	—	75	—	—
Other	194	186	217	157	193	178
Total non-operating income	508	693	740	783	781	659
Non-operating expenses						
Interest expenses	718	811	790	687	635	525
Commission fee	79	30	45	37	44	13
Rent expenses	—	243	294	322	328	355
Loss on retirement of non-current assets	36	55	35	113	45	221
Other	229	197	185	164	175	198
Total non-operating expenses	1,064	1,337	1,351	1,326	1,230	1,315
Ordinary profit	4,188	6,003	9,878	7,976	10,138	6,077
Extraordinary income						
Gain on sales of non-current assets	20	5	22	28	0	231
Gain on sales of investment securities	1	—	—	0	360	8
Gain on transfer of business	—	—	—	—	48	1,092
Total extraordinary income	22	5	22	28	408	1,332
Extraordinary losses						
Loss on sales of non-current assets	4	—	—	6	10	24
Impairment loss	230	239	219	171	491	607
Retirement benefit expenses	—	238	—	—	—	—
Loss on sales of investment securities	0	—	—	—	—	—
Total extraordinary losses	235	477	219	177	501	632
Profit before income taxes	3,975	5,531	9,681	7,827	10,045	6,777
Income taxes-current	2,147	2,705	3,720	3,024	4,272	3,308
Income taxes-deferred	(41)	47	(368)	164	(331)	(324)
Total income taxes	2,105	2,752	3,352	3,188	3,940	2,984
Profit ^{note}	1,870	2,778	6,329	4,638	6,104	3,792
Profit (loss) attributable to non-controlling interests ^{note}	(31)	—	—	—	—	2
Profit attributable to owners of parent ^{note}	1,901	2,778	6,329	4,638	6,104	3,790

Note : Accompanying the revision of Accounting Standards for Business Combinations, etc., the names of items presented have been changed.

The revised standards have been applied from the fiscal year ended March 31, 2016.

6. Consolidated Statement of Cash Flows

(Millions of yen)

(Fiscal years ended)	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Consolidated Statement of Cash Flows						
Profit before income taxes	3,975	5,531	9,681	7,827	10,045	6,777
Depreciation	3,825	3,631	4,461	4,741	5,214	6,304
Amortization of long-term prepaid expenses	107	106	107	104	126	160
Impairment loss	230	239	219	171	491	607
Amortization of goodwill	559	644	663	976	1,326	1,487
Increase (decrease) in allowance for doubtful accounts	0	1	(0)	(9)	(3)	(0)
Increase (decrease) in provision for bonuses	173	286	167	279	225	245
Increase (decrease) in provision for allowance for sales discount	(141)	28	(130)	—	—	—
Increase (decrease) in provision for directors' bonuses	57	23	40	(21)	20	(50)
Increase (decrease) in net defined benefit liability	177	490	223	118	202	188
Increase (decrease) in provision for directors' retirement benefits	(295)	(21)	70	(7)	98	45
Interest and dividend income	(24)	(24)	(27)	(22)	(21)	(2)
Interest expenses	718	811	790	687	635	525
Loss (gain) on sales of non-current assets	(20)	(5)	(22)	(22)	10	(206)
Loss (gain) on sales of investment securities	—	—	—	Δ0	(360)	(8)
Loss on abolishment of retirement benefit plan	—	—	—	—	(48)	(1,092)
Decrease (increase) in notes and accounts receivable-trade	(1,942)	(2,748)	(5,339)	(46)	6,691	3,485
Decrease (increase) in inventories	523	(4,545)	(881)	(7,005)	1,442	(1,314)
Increase (decrease) in notes and accounts payable-trade	241	4,422	11,212	(4,135)	(1,399)	342
Decrease (increase) in prepaid expenses	(50)	(85)	(7)	(84)	(111)	(74)
Increase (decrease) in accrued expenses	66	219	265	132	324	(82)
Decrease (increase) in accounts receivable - other	—	—	—	—	—	998
Increase (decrease) in accounts payable-other	768	(547)	853	758	390	(791)
Other, net	167	761	441	(349)	1,198	1,460
Subtotal	9,119	9,220	22,787	4,093	26,500	19,004
Interest and dividend income received	24	24	27	22	21	2
Interest expenses paid	(728)	(822)	(792)	(702)	(623)	(525)
Income taxes paid	(2,171)	(2,591)	(2,695)	(4,354)	(2,756)	(4,908)
Net cash provided by (used in) operating activities	6,243	5,831	19,327	(940)	23,141	13,572
Cash flows from investing activities						
Payments into time deposits	—	—	(5)	—	—	—
Proceeds from withdrawal of time deposits	—	246	82	5	—	—
Purchase of property, plant and equipment	(8,227)	(5,808)	(6,880)	(20,222)	(12,076)	(5,303)
Proceeds from sales of property, plant and equipment	136	8	25	72	46	1,723
Purchase of intangible assets	(247)	(246)	(243)	(926)	(656)	(591)
Proceeds from sales of investment securities	29	—	—	2	999	10
Increase in long-term prepaid expenses	(60)	(162)	(104)	(231)	(95)	(123)
Payments for transfer of business	(1,344)	(2,330)	(454)	(1,713)	(585)	(368)
Proceeds from transfer of business	—	—	—	—	114	4,093
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,588)	—	(226)	(4,899)	(1,126)	(785)
Payments for loans receivable	(157)	(121)	(16)	(443)	(448)	(92)
Collection of loans receivable	122	130	115	103	88	85
Payments for lease and guarantee deposits	(348)	(336)	(256)	(385)	(251)	(699)
Proceeds from collection of lease and guarantee deposits	185	149	160	134	172	281
Other, net	(10)	35	(19)	59	(25)	(0)
Net cash provided by (used in) investing activities	(14,510)	(8,437)	(7,823)	(28,444)	(13,843)	(1,770)

(Millions of yen)

(Fiscal years ended)	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Cash flows from financing activities						
Net increase (decrease) in short-term loans payable	1,150	(2,650)	(5,100)	(236)	—	—
Proceeds from long-term loans payable	19,400	17,300	10,400	33,600	13,000	10,625
Repayments of long-term loans payable	(10,920)	(4,101)	(6,069)	(6,509)	(13,408)	(15,694)
Redemption of bonds	(185)	(7,000)	—	(7,000)	—	—
Repayments of lease obligations	(235)	(434)	(430)	(412)	(391)	(311)
Repayments of installment payables	—	(252)	(431)	(431)	(433)	(893)
Proceeds from sales of treasury shares	97	85	—	—	—	—
Proceeds from disposal of treasury shares	—	—	9,194	—	—	—
Purchase of treasury shares	—	(1,019)	(6)	(1)	(1)	(3,451)
Cash dividends paid	(506)	(504)	(524)	(802)	(799)	(791)
Cash dividends paid to minority shareholders	(17)	—	—	—	—	—
Net cash provided by (used in) financing activities	8,782	1,422	7,031	18,205	(2,034)	(10,516)
Net increase (decrease) in cash and cash equivalents	514	(1,183)	18,535	(11,180)	7,264	1,284
Cash and cash equivalents at beginning of period	14,513	15,027	13,844	32,380	21,200	28,464
Cash and cash equivalents at end of period	15,027	13,844	32,380	21,200	28,464	29,749

7. Business Segment Performance

(Millions of yen)

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Dispensing pharmacy business						
Net sales	145,957	157,999	190,874	189,327	205,192	208,622
Segment profit	7,672	7,698	10,707	9,560	12,411	8,707
Segment assets	69,515	71,103	95,198	94,235	93,088	91,220
Depreciation	2,175	1,992	2,107	2,154	2,194	2,338
Amortization of goodwill	506	546	565	878	1,228	1,389
Impairment loss	230	239	219	171	347	607
Increase in property, plant and equipment and intangible assets	2,732	3,285	4,046	4,238	4,679	3,215
Pharmaceutical manufacturing and sales business						
Net sales	23,192	27,550	32,598	36,821	38,066	40,659
Segment profit	500	1,888	2,668	1,719	1,194	1,885
Segment assets	40,216	50,666	54,065	75,551	84,465	77,237
Depreciation	1,109	1,257	2,003	2,222	2,677	3,589
Amortization of goodwill	52	97	97	97	97	97
Impairment loss	—	—	—	—	143	—
Increase in property, plant and equipment and intangible assets	5,672	8,712	3,663	18,742	10,245	1,582
Medical Professional Staffing and Placement Business						
Net sales	5,046	6,554	8,934	10,500	11,970	13,083
Segment profit	770	1,266	1,599	1,710	1,842	1,478
Segment assets	1,246	2,103	2,285	2,335	3,828	4,696
Depreciation	44	49	39	25	33	51
Amortization of goodwill	—	—	—	—	—	—
Impairment loss	—	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	19	27	30	45	89	291

8. Capital investment · Depreciation · R&D expenses

(Millions of yen)

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Capital investment	9,069	12,279	8,073	23,344	15,316	5,254
Depreciation	3,825	3,631	4,461	4,741	5,214	6,304
Amortization of long-term prepaid expenses	107	106	107	104	126	160
Amortization of goodwill	559	644	663	976	1,326	1,487
Goodwill balance	9,265	8,661	8,507	14,605	15,418	14,552
Impairment loss	230	239	219	171	491	607
R&D expenses	1,534	1,767	1,913	2,388	2,784	2,764

9. Company Profile

Trade Name	NIHON CHOUZAI Co.,Ltd.
Established	March 1980
Headquarters	37F GranTokyo North Tower,1-9-1,Marunouchi,Chiyoda-Ku,100-6737 Tokyo
Capital	3,953.02 million yen
Total Number of Issued Shares	16,024,000 shares
Fiscal Year-end	March
Stock Exchange for Listing	Tokyo Stock Exchange(TSE) First Section
Securities Code	3341
Our Business	Management of health insurance dispensing chain pharmacies, manufacture and sales of generic drugs, employment placement and dispatching service of medical professionals, information provision and consulting
Number of employees(persons)(As of March 31,2019)	5,110
Number of pharmacies(As of March 31,2019)	598

Number of employees : Consolidated,including part-time employees and others(yearly average number of persons employed based on 8-hour conversion)