

# 1Q FY3/2019 Supplementary Material



NIHON CHOUZAI Co.,Ltd.

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

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## 1. Financial Highlights

	2014/3	2015/3	2016/3	2017/3	2018/3
Net sales (Millions of yen)	165,347	181,844	219,239	223,468	241,274
YoY growth rate	18.6%	10.0%	20.6%	1.9%	8.0%
Operating profit (Millions of yen)	4,744	6,647	10,489	8,519	10,587
Operating margin	2.9%	3.7%	4.8%	3.8%	4.4%
Profit attributable to owners of parent (Millions of yen)	1,901	2,778	6,329	4,638	6,104
Return on sales	1.2%	1.5%	2.9%	2.1%	2.5%
Shareholder's equity (Millions of yen)	15,849	17,635	32,473	36,447	41,504
Equity ratio	13.5%	13.6%	20.6%	20.4%	22.2%

	2015/3 1Q	2016/3 1Q	2017/3 1Q	2018/3 1Q	2019/3 1Q
Net sales (Millions of yen)	43,133	48,895	54,476	58,346	59,305
YoY growth rate	8.6%	13.4%	11.4%	7.1%	1.6%
Operating profit (Millions of yen)	878	2,052	1,620	2,184	501
Operating margin	2.0%	4.2%	3.0%	3.7%	0.8%
Profit attributable to owners of parent (Millions of yen)	293	1,221	981	1,122	40
Return on sales	0.7%	2.5%	1.8%	1.9%	0.1%
Shareholder's equity (Millions of yen)	16,144	18,669	33,044	37,171	41,170
Equity ratio	11.9%	13.4%	20.2%	20.0%	21.0%

## 2. Dispensing Pharmacy Business

	2014/3	2015/3	2016/3	2017/3	2018/3
No. of pharmacies opened	37	29	27	42	36
Including M&A	4	1	5	21	13
No. of pharmacies at the end of each period	494	511	527	557	585
Net sales of dispensing pharmacy business (Millions of yen)	145,957	157,999	190,874	189,327	205,192
Sales per Pharmacy (Millions of yen)	304	314	367	349	359
No. of prescription (thousands)	11,090	11,695	12,301	12,949	13,739
Unit prices of prescription (yen)	12,954	13,330	15,297	14,382	14,739

	2015/3 1Q	2016/3 1Q	2017/3 1Q	2018/3 1Q	2019/3 1Q
No. of pharmacies opened	8	6	11	8	8
Including M&A	0	0	1	5	0
No. of pharmacies at the end of each period	498	512	533	564	589
Net sales of dispensing pharmacy business (Millions of yen)	37,546	42,322	45,912	49,387	50,449
Sales per Pharmacy (Millions of yen)	75	82	86	88	85
No. of prescription (thousands)	2,858	2,990	3,126	3,356	3,483
Unit prices of prescription (yen)	12,964	13,962	14,518	14,547	14,234

### 3.Consolidated Balance Sheet

(Millions of yen)

(As of the end of the period)	2014/3 1Q	2015/3 1Q	2016/3 1Q	2017/3 1Q	2018/3 1Q	2019/3 1Q
<b>Assets</b>						
<b>Current assets</b>						
Cash and deposits	17,631	29,087	19,971	32,297	25,402	34,510
Notes receivable-trade	1,206	1,236	246	73	135	357
Accounts receivable-trade	14,835	17,078	20,254	23,989	25,901	18,844
Electronically recorded monetary claims-operating	—	—	801	987	940	940
Merchandise and finished goods	14,128	16,121	18,000	19,743	23,625	25,925
Work in process	1,016	764	1,090	2,520	2,458	1,489
Raw materials and supplies	3,313	3,169	4,498	5,020	5,704	5,730
Other	3,063	3,269	4,015	3,927	4,517	2,948
Allowance for doubtful accounts	(8)	(9)	(11)	(8)	(9)	(5)
<b>Total current assets</b>	<b>55,188</b>	<b>70,717</b>	<b>68,869</b>	<b>88,551</b>	<b>88,677</b>	<b>90,742</b>
<b>Non-current assets</b>						
<b>Property, plant and equipment</b>						
Buildings and structures, net	14,179	13,972	20,795	22,018	22,645	34,671
Land	14,806	15,327	17,126	17,937	18,166	19,397
Construction in progress	3,332	8,666	2,108	2,917	12,008	5,599
Other, net	6,370	5,887	9,549	11,528	15,387	15,780
<b>Total property, plant and equipment</b>	<b>38,690</b>	<b>43,852</b>	<b>49,580</b>	<b>54,402</b>	<b>68,208</b>	<b>75,449</b>
<b>Intangible assets</b>						
Goodwill	8,121	9,101	8,501	8,441	15,800	15,069
Other	1,926	1,787	1,660	1,591	2,194	2,557
<b>Total intangible assets</b>	<b>10,048</b>	<b>10,889</b>	<b>10,162</b>	<b>10,033</b>	<b>17,994</b>	<b>17,627</b>
<b>Investments and other assets</b>						
Investment securities	1,081	941	1,223	907	1,014	18
Lease and guarantee deposits	6,852	7,020	7,039	7,008	7,060	7,436
Other	2,774	2,470	2,661	2,616	2,616	4,757
<b>Total investments and other assets</b>	<b>10,708</b>	<b>10,432</b>	<b>10,924</b>	<b>10,531</b>	<b>10,691</b>	<b>12,211</b>
<b>Total non-current assets</b>	<b>59,446</b>	<b>65,175</b>	<b>70,666</b>	<b>74,967</b>	<b>96,894</b>	<b>105,287</b>
<b>Total assets</b>	<b>114,635</b>	<b>135,892</b>	<b>139,535</b>	<b>163,518</b>	<b>185,572</b>	<b>196,030</b>

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 the end of the period)	2014/3 1Q	2015/3 1Q	2016/3 1Q	2017/3 1Q	2018/3 1Q	2019/3 1Q
<b>Liabilities</b>						
<b>Current liabilities</b>						
Notes payable-trade	2,830	2,047	—	—	—	—
Accounts payable-trade	28,312	35,079	36,955	44,328	43,779	46,211
Electronically recorded obligations-operating	—	—	1,760	2,948	2,190	4,858
Short-term loans payable	7,800	9,650	4,800	3,200	1,400	—
Current portion of bonds	185	7,000	—	7,000	—	—
Current portion of long-term loans payable	10,687	3,993	5,288	5,938	13,221	22,430
Income taxes payable	1,059	720	1,342	886	1,424	923
Provision for bonuses	958	1,038	1,130	1,241	1,403	1,555
Provision for directors' bonuses	1	1	—	—	—	—
Provision for sales rebates	219	153	167	4	—	—
Other	5,586	5,762	7,354	9,116	9,495	11,024
Total current liabilities	57,640	65,446	58,799	74,663	72,915	87,003
<b>Non-current liabilities</b>						
Bonds payable	14,000	7,000	7,000	—	—	—
Long-term loans payable	22,870	43,099	49,317	50,479	70,670	61,743
Provision for retirement benefits	427	—	—	—	—	—
Provision for directors' retirement benefits	1,208	868	908	877	973	1,017
Net defined benefit liability	—	575	957	1,205	1,341	1,551
Other	1,638	2,757	3,883	3,248	2,499	3,542
Total non-current liabilities	40,144	54,301	62,066	55,810	75,485	67,854
Total liabilities	97,784	119,748	120,866	130,474	148,400	154,858
<b>Net assets</b>						
<b>Shareholders' equity</b>						
Capital stock	3,953	3,953	3,953	3,953	3,953	3,953
Capital surplus	4,754	4,754	4,754	10,926	10,926	10,926
Retained earnings	8,041	9,632	12,844	18,252	22,234	26,457
Treasury shares	(2,253)	(2,154)	(3,062)	(44)	(46)	(47)
Total shareholders' equity	14,495	16,185	18,489	33,088	37,068	41,289
<b>Accumulated other comprehensive income</b>						
Valuation difference on available-for-sale securities	251	180	380	170	246	0
Remeasurements of defined benefit plans	—	(222)	(200)	(214)	(142)	(119)
Total accumulated other comprehensive income	251	(41)	179	(44)	103	(119)
Non-controlling interests	—	—	—	—	—	0
Total net assets	16,850	16,144	18,669	33,044	37,171	41,171
Total liabilities and net assets	114,635	135,892	139,535	163,518	185,572	196,030

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

#### 4. Consolidated Statement of Income

(Millions of yen)

(For the Three-month Period)	2014/3 1Q	2015/3 1Q	2016/3 1Q	2017/3 1Q	2018/3 1Q	2019/3 1Q
Net sales	39,733	43,133	48,895	54,476	58,346	59,305
Cost of sales	33,440	36,005	40,136	45,248	47,693	49,547
Gross profit	6,292	7,127	8,759	9,228	10,652	9,757
Selling, general and administrative expenses	5,220	6,248	6,706	7,607	8,468	9,256
Operating profit	1,071	878	2,052	1,620	2,184	501
Non-operating income						
Commission fee	28	29	33	34	37	14
Rent income	26	66	94	94	104	110
Insurance return	—	—	—	69	—	—
Other	54	60	48	46	55	53
Total non-operating income	108	157	176	246	197	178
Non-operating expenses						
Interest expenses	173	200	197	186	169	149
Commission fee	8	7	7	5	4	3
Rent expenses	—	—	68	75	79	86
Other	50	70	58	53	37	41
Total non-operating expenses	233	279	332	320	291	281
Ordinary profit	946	756	1,896	1,545	2,090	398
Extraordinary income						
Gain on sales of non-current assets	17	0	—	3	0	0
Gain on sales of investment securities	—	—	—	—	—	8
Total extraordinary income	17	0	—	3	0	8
Extraordinary losses						
Impairment loss	32	—	—	—	—	—
Total extraordinary losses	32	—	—	—	—	—
Profit before income taxes	931	757	1,896	1,548	2,090	406
Income taxes-current	787	592	1,046	779	1,389	871
Income taxes-deferred	(252)	(128)	(371)	(212)	(422)	(504)
Total income taxes	534	464	675	567	967	367
Profit(loss) attributable to non-controlling interests <sup>note1</sup>	18	—	—	—	—	(1)
Profit attributable to owners of parent <sup>note2</sup>	378	293	1,221	981	1,122	40

Note1 : From the 2016/3 1Q, the presentation of "Minority interests" was changed to "Profit attributable to non-controlling interests."

Note2 : From the 2016/3 1Q, the presentation of "NET Income" was changed to "Profit attributable to owners of parent."

## 5. Business Segment Performance

(Millions of yen)

	2014/3 1Q	2015/3 1Q	2016/3 1Q	2017/3 1Q	2018/3 1Q	2019/3 1Q
Dispensing pharmacy business						
Net sales	35,040	37,546	42,322	45,912	49,387	50,449
Segment profit	1,753	1,190	2,015	1,475	2,511	1,404
Pharmaceutical manufacturing and sales business						
Net sales	5,561	6,506	7,702	9,387	9,407	9,754
Segment profit	74	330	589	744	318	59
Medical Professional Staffing and Placement Business						
Net sales	1,284	1,499	2,087	2,588	3,107	3,217
Segment profit	283	327	441	440	601	401

## 6. 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 pharmacies(As of June 30,2018)	589