

FY3/2018

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%

2. Financial Indicators

	2014/3	2015/3	2016/3	2017/3	2018/3
Return on assets	1.8%	2.2%	4.4%	2.8%	3.3%
Return on equity	12.5%	16.6%	25.3%	13.5%	15.7%
Net income per share (yen) <small>note1</small>	131.24	194.48	432.85	290.03	381.69
Net assets per share (Yen) <small>note1</small>	1,090.63	1,257.59	2,030.22	2,278.70	2,595.00
Dividend per share (Yen) <small>note1</small>	35.00	35.00	45.00	50.00	50.00
Total number of issued shares	8,012,000	8,012,000	16,024,000	16,024,000	16,024,000
Dividend payout ratio	26.7%	18.0%	10.4%	17.2%	13.1%
Share price at year-end (Yen) <small>note1</small>	1,332.5	3,055.0	4,025.0	3,785	3,350
Market cap at year-end (Millions of yen)	21,351	48,953	64,496	60,650	53,680
Price book-value ratio (PBR) at year-end	1.22	2.43	1.98	1.66	1.29
Price earnings ratio (PER) at year-end	10.15	15.71	9.30	13.05	8.78
EBITDA (Yen) <small>note2</small>	9,129	10,923	15,615	14,237	17,127
EV/EBITDA (Times) <small>note2</small>	7.4	9.5	6.5	9.0	6.6
Number of employees (persons) <small>note3</small>	3,704	4,026	4,163	4,600	4,876
Sales per employee (Thousand of yen)	48,912	47,049	53,544	51,002	50,923

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

	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

4. Consolidated Balance Sheet

(Millions of yen)

(As of fiscal year-end)	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3
Assets						
Current assets						
Cash and deposits	14,583	15,429	13,952	32,385	21,200	28,464
Notes receivable-trade	—	1,270	321	197	73	213
Accounts receivable-trade	13,645	17,395	20,001	25,839	26,698	19,902
Electronically recorded monetary claims-operating	—	—	1,091	774	872	1,115
Merchandise and finished goods	11,908	12,165	15,911	15,328	21,455	20,873
Work in process	175	751	1,377	1,993	2,509	1,304
Raw materials and supplies	322	3,480	3,778	4,695	5,550	6,047
Deferred tax assets	854	1,233	1,138	1,447	1,262	1,508
Other	1,555	1,655	2,534	2,187	2,713	3,698
Allowance for doubtful accounts	(7)	(8)	(10)	(10)	(7)	(6)
Total current assets	43,037	53,373	60,096	84,838	82,327	83,121
Non-current assets						
Property, plant and equipment						
Buildings and structures	21,728	26,103	32,136	36,733	39,675	53,483
Accumulated depreciation	(8,970)	(12,113)	(13,487)	(15,196)	(17,372)	(19,064)
Buildings and structures, net	12,758	13,990	18,648	21,537	22,303	34,418
Machinery, equipment and vehicles	2,774	3,725	6,405	7,862	12,690	14,129
Accumulated depreciation	(430)	(1,189)	(1,531)	(2,007)	(2,649)	(3,543)
Machinery, equipment and vehicles, net	2,343	2,536	4,874	5,855	10,040	10,585
Land	13,215	15,318	17,043	17,188	18,016	19,357
Leased assets	418	1,438	1,724	2,943	2,995	2,943
Accumulated depreciation	(77)	(654)	(871)	(1,233)	(1,582)	(1,858)
Leased assets, net	341	784	853	1,710	1,413	1,084
Construction in progress	1,180	7,076	4,798	2,807	13,521	6,750
Other	8,162	9,293	10,394	11,765	13,564	14,816
Accumulated depreciation	(5,542)	(6,876)	(7,792)	(8,867)	(10,346)	(11,352)
Other, net	2,620	2,417	2,601	2,898	3,217	3,464
Total property, plant and equipment	32,459	42,123	48,819	51,997	68,513	75,662
Intangible assets						
Goodwill	7,724	9,265	8,661	8,507	14,605	15,418
Other	1,699	1,838	1,714	1,615	2,167	2,534
Total intangible assets	9,423	11,103	10,376	10,122	16,773	17,952
Investments and other assets						
Investment securities	1,199	1,030	1,153	945	1,039	20
Long-term loans receivable	948	979	975	886	817	738
Lease and guarantee deposits	6,870	6,934	6,990	6,932	7,072	7,049
Deferred tax assets	285	660	495	647	587	786
Other	915	1,089	1,233	1,239	1,216	1,242
Total investments and other assets	10,219	10,694	10,848	10,650	10,733	9,837
Total non-current assets	52,102	63,921	70,044	72,770	96,019	103,452
Total assets	95,140	117,295	130,141	157,609	178,347	186,573

(Millions of yen)

(As of fiscal year-end)	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3
Liabilities						
Current liabilities						
Accounts payable-trade	24,542	26,861	31,306	41,989	38,909	36,203
Notes payable-trade	—	2,102	—	—	—	—
Electronically recorded obligations-operating	—	—	2,086	2,664	2,124	3,770
Short-term loans payable	3,400	7,750	5,100	—	—	—
Current portion of bonds	—	7,000	—	7,000	—	—
Current portion of long-term loans payable	10,665	3,889	6,069	5,963	13,411	15,309
Lease obligations	31	263	421	400	390	311
Income taxes payable	1,328	1,507	1,625	2,745	1,537	3,040
Provision for bonuses	1,556	1,793	2,080	2,249	2,547	2,775
Provision for directors' bonuses	—	74	98	138	117	137
Provision for sales rebates	243	102	130	—	—	—
Asset retirement obligations	2	4	9	7	9	4
Other	2,930	4,316	4,546	5,826	7,257	8,759
Total current liabilities	44,702	55,666	53,474	68,985	66,305	70,310
Non-current liabilities						
Long-term loans payable	19,845	35,165	46,184	50,621	70,678	68,372
Bonds payable	14,000	7,000	7,000	—	—	—
Lease obligations	339	968	1,648	1,337	1,002	697
Long-term accounts payable-installment purchase	—	—	1,471	1,040	609	1,991
Provision for retirement benefits	277	—	—	—	—	—
Provision for directors' retirement benefits	683	907	886	957	949	1,048
Net defined benefit liability	—	915	917	1,157	1,294	1,503
Asset retirement obligations	576	659	682	723	760	821
Other	12	162	240	312	298	320
Total non-current liabilities	35,735	45,779	59,031	56,151	75,595	74,756
Total liabilities	80,437	101,446	112,505	125,136	141,900	145,066
Net assets						
Shareholders' equity						
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	7,915	9,310	11,868	17,672	21,511	26,816
Treasury shares	(2,269)	(2,171)	(3,059)	(44)	(46)	(47)
Total shareholders' equity	14,353	15,845	17,515	32,507	36,345	41,648
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	349	237	333	196	263	0
Remeasurements of defined benefit plans	—	(234)	(213)	(231)	(161)	(144)
Total accumulated other comprehensive income	349	3	119	(34)	101	(144)
Non-controlling interest	—	—	—	—	—	2
Total net assets	14,702	15,849	17,635	32,473	36,447	41,506
Total liabilities and net assets	95,140	117,295	130,141	157,609	178,347	186,573

5. Consolidated Statement of Income

(Millions of yen)

(Fiscal years ended)	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3
Net sales	139,466	165,347	181,844	219,239	223,468	241,274
Cost of sales	117,972	139,723	149,915	180,171	184,210	197,437
Gross profit	21,494	25,623	31,929	39,068	39,258	43,837
Selling, general and administrative expenses	18,248	20,878	25,281	28,578	30,738	33,250
Operating profit	3,245	4,744	6,647	10,489	8,519	10,587
Non-operating income						
Interest income	1	2	3	6	1	0
Commission fee	103	116	122	137	144	151
Rent income	74	147	338	378	404	436
Compensation income	72	46	42	—	—	—
Refunded consumption taxes	64	—	—	—	—	—
Insurance return	—	—	—	—	75	—
Other	183	194	186	217	157	193
Total non-operating income	501	508	693	740	783	781
Non-operating expenses						
Interest expenses	589	718	811	790	687	635
Commission fee	46	79	30	45	37	44
Rent expenses	—	—	243	294	322	328
Loss on retirement of non-current assets	96	36	55	35	113	45
Other	157	229	197	185	164	175
Total non-operating expenses	891	1,064	1,337	1,351	1,326	1,230
Ordinary profit	2,855	4,188	6,003	9,878	7,976	10,138
Extraordinary income						
Gain on sales of non-current assets	6	20	5	22	28	0
Gain on sales of investment securities	—	1	—	—	0	360
Gain on transfer of business	—	—	—	—	—	48
Total extraordinary income	6	22	5	22	28	408
Extraordinary losses						
Loss on sales of non-current assets	0	4	—	—	6	10
Impairment loss	252	230	239	219	171	491
Retirement benefit expenses	—	—	238	—	—	—
Loss on sales of investment securities	—	0	—	—	—	—
Total extraordinary losses	252	235	477	219	177	501
Profit before income taxes	2,609	3,975	5,531	9,681	7,827	10,045
Income taxes-current	1,664	2,147	2,705	3,720	3,024	4,272
Income taxes for prior periods	1,034	—	—	—	—	—
Income taxes-deferred	(274)	(41)	47	(368)	164	(331)
Total income taxes	2,424	2,105	2,752	3,352	3,188	3,940
Profit attributable to non-controlling interests ^{note1}	—	(31)	—	—	—	—
Profit attributable to owners of parent ^{note2}	184	1,901	2,778	6,329	4,638	6,104

Note1 : From the FY3/2016, the presentation of "Minority interests" was changed to "Profit attributable to non-controlling interests."

Note2 : From the FY3/2016, the presentation of "NET Income" was changed to "Profit attributable to owners of parent."

6. Consolidated Statement of Cash Flows

(Millions of yen)

(Fiscal years ended)	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3
Consolidated Statement of Cash Flows						
Profit before income taxes	2,609	3,975	5,531	9,681	7,827	10,045
Depreciation	3,591	3,825	3,631	4,461	4,741	5,214
Amortization of long-term prepaid expenses	117	107	106	107	104	126
Impairment loss	252	230	239	219	171	491
Amortization of goodwill	481	559	644	663	976	1,326
Increase (decrease) in allowance for doubtful accounts	(1)	0	1	(0)	(9)	(3)
Increase (decrease) in provision for bonuses	131	173	286	167	279	225
Increase (decrease) in provision for allowance for sales discount	89	(141)	28	(130)	—	—
Increase (decrease) in provision for directors' bonuses	(135)	57	23	40	(21)	20
Increase (decrease) in provision for retirement benefits and prepaid pension costs	161	—	—	—	—	—
Increase (decrease) in net defined benefit liability	—	177	490	223	118	202
Increase (decrease) in provision for directors' retirement benefits	72	(295)	(21)	70	(7)	98
Interest and dividend income	(11)	(24)	(24)	(27)	(22)	(21)
Interest expenses	589	718	811	790	687	635
Loss (gain) on sales of non-current assets	(6)	(20)	(5)	(22)	(22)	10
Loss (gain) on sales of investment securities	—	—	—	—	△0	(360)
Loss on abolishment of retirement benefit plan	—	—	—	—	—	(48)
Decrease (increase) in notes and accounts receivable-trade	(776)	(1,942)	(2,748)	(5,339)	(46)	6,691
Decrease (increase) in inventories	(3,526)	523	(4,545)	(881)	(7,005)	1,442
Increase (decrease) in notes and accounts payable-trade	2,658	241	4,422	11,212	(4,135)	(1,399)
Decrease (increase) in prepaid expenses	(53)	(50)	(85)	(7)	(84)	(111)
Increase (decrease) in accrued expenses	163	66	219	265	132	324
Increase (decrease) in accounts payable-other	(294)	768	(547)	853	758	390
Other, net	460	167	761	441	(349)	1,198
Subtotal	6,573	9,119	9,220	22,787	4,093	26,500
Interest and dividend income received	11	24	24	27	22	21
Interest expenses paid	(588)	(728)	(822)	(792)	(702)	(623)
Income taxes paid	(3,111)	(2,171)	(2,591)	(2,695)	(4,354)	(2,756)
Net cash provided by (used in) operating activities	2,885	6,243	5,831	19,327	(940)	23,141
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	(5,343)	(8,227)	(5,808)	(6,880)	(20,222)	(12,076)
Proceeds from sales of property, plant and equipment	6	136	8	25	72	46
Purchase of intangible assets	(415)	(247)	(246)	(243)	(926)	(656)
Proceeds from sales of investment securities	—	29	—	—	2	999
Increase in long-term prepaid expenses	(117)	(60)	(162)	(104)	(231)	(95)
Payments for transfer of business	—	(1,344)	(2,330)	(454)	(1,713)	(585)
Proceeds from transfer of business	—	—	—	—	—	114
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(4,588)	—	(226)	(4,899)	(1,126)
Payments for loans receivable	(231)	(157)	(121)	(16)	(443)	(448)
Collection of loans receivable	113	122	130	115	103	88
Payments for lease and guarantee deposits	(544)	(348)	(336)	(256)	(385)	(251)
Proceeds from collection of lease and guarantee deposits	144	185	149	160	134	172
Other, net	(35)	(10)	35	(19)	59	(25)
Net cash provided by (used in) investing activities	(6,422)	(14,510)	(8,437)	(7,823)	(28,444)	(13,843)

(Millions of yen)

(Fiscal years ended)	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3
Cash flows from financing activities						
Net increase (decrease) in short-term loans payable	(20)	1,150	(2,650)	(5,100)	(236)	—
Proceeds from long-term loans payable	10,900	19,400	17,300	10,400	33,600	13,000
Repayments of long-term loans payable	(4,953)	(10,920)	(4,101)	(6,069)	(6,509)	(13,408)
Proceeds from issuance of bonds	—	—	—	—	—	—
Redemption of bonds	—	(185)	(7,000)	—	(7,000)	—
Repayments of lease obligations	(27)	(235)	(434)	(430)	(412)	(391)
Repayments of installment payables	—	—	(252)	(431)	(431)	(433)
Proceeds from sales of treasury shares	101	97	85	—	—	—
Proceeds from disposal of treasury shares	—	—	—	9,194	—	—
Purchase of treasury shares	—	—	(1,019)	(6)	(1)	(1)
Cash dividends paid	(503)	(506)	(504)	(524)	(802)	(799)
Cash dividends paid to minority shareholders	—	(17)	—	—	—	—
Net cash provided by (used in) financing activities	5,496	8,782	1,422	7,031	18,205	(2,034)
Net increase (decrease) in cash and cash equivalents	1,958	514	(1,183)	18,535	(11,180)	7,264
Cash and cash equivalents at beginning of period	12,554	14,513	15,027	13,844	32,380	21,200
Cash and cash equivalents at end of period	14,513	15,027	13,844	32,380	21,200	28,464

7. Business Segment Performance

(Millions of yen)

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3
Dispensing pharmacy business						
Net sales	131,052	145,957	157,999	190,874	189,327	205,192
Segment profit	6,784	7,672	7,698	10,707	9,560	12,411
Segment assets	66,232	69,515	71,103	95,198	94,235	93,088
Depreciation	2,324	2,175	1,992	2,107	2,154	2,194
Amortization of goodwill	481	506	546	565	878	1,228
Impairment loss	252	230	239	219	171	347
Increase in property, plant and equipment and intangible assets	4,084	2,732	3,285	4,046	4,238	4,679
Pharmaceutical manufacturing and sales business						
Net sales	11,196	23,192	27,550	32,598	36,821	38,066
Segment profit	233	500	1,888	2,668	1,719	1,194
Segment assets	21,372	40,216	50,666	54,065	75,551	84,465
Depreciation	652	1,109	1,257	2,003	2,222	2,677
Amortization of goodwill	—	52	97	97	97	97
Impairment loss	—	—	—	—	—	143
Increase in property, plant and equipment and intangible assets	971	5,672	8,712	3,663	18,742	10,245
Medical Professional Staffing and Placement Business						
Net sales	3,991	5,046	6,554	8,934	10,500	11,970
Segment profit	450	770	1,266	1,599	1,710	1,842
Segment assets	1,093	1,246	2,103	2,285	2,335	3,828
Depreciation	45	44	49	39	25	33
Amortization of goodwill	—	—	—	—	—	—
Impairment loss	—	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	7	19	27	30	45	89

8. Capital investment · Depreciation · R&D expenses

(Millions of yen)

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3
Capital investment	5,566	9,069	12,279	8,073	23,344	15,316
Depreciation	3,591	3,825	3,631	4,461	4,741	5,214
Amortization of long-term prepaid expenses	117	107	106	107	104	126
Amortization of goodwill	481	559	644	663	976	1,326
Goodwill balance	7,724	9,265	8,661	8,507	14,605	15,418
Impairment loss	252	230	239	219	171	491
R&D expenses	1,023	1,534	1,767	1,913	2,388	2,784

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 31,2018)	4,876
Number of pharmacies(As of March 31,2018)	585

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