

2Q FY3/2020 Supplementary Material

November 28, 2019



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%

	2016/3 2Q	2017/3 2Q	2018/3 2Q	2019/3 2Q	2020/3 2Q
Net sales (Millions of yen)	100,269	109,478	118,149	118,694	130,297
YoY growth rate	14.7%	9.2%	7.9%	0.5%	9.8%
Operating profit (Millions of yen)	4,214	3,940	4,888	1,547	4,066
Operating margin	4.2%	3.6%	4.1%	1.3%	3.1%
Profit attributable to owners of parent (Millions of yen)	2,471	2,339	2,805	744	2,094
Return on sales	2.5%	2.1%	2.4%	0.6%	1.6%
Shareholder's equity (Millions of yen)	19,844	34,372	38,623	40,780	42,799
Equity ratio	14.1%	21.5%	20.6%	22.2%	23.9%

2. 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

	2016/3 2Q	2017/3 2Q	2018/3 2Q	2019/3 2Q	2020/3 2Q
No. of pharmacies opened	18	23	15	19	20
Including M&A	2	11	7	4	4
No. of pharmacies at the end of each period	522	545	569	596	611
Net sales of dispensing pharmacy business (Millions of yen)	87,208	92,329	100,011	101,054	111,763
Sales per Pharmacy (Millions of yen)	168	171	176	171	184
No. of prescription (thousands)	6,012	6,316	6,752	6,927	7,219
Unit prices of prescription (yen)	14,326	14,473	14,628	14,358	15,239

3. Consolidated Balance Sheet

(Millions of yen)

(As of the end of the period)	2015/3 2Q	2016/3 2Q	2017/3 2Q	2018/3 2Q	2019/3 2Q	2020/3 2Q
Assets						
Current assets						
Cash and deposits	17,115	20,354	17,353	26,244	23,315	29,165
Notes receivable - trade	1,210	151	265	179	394	132
Accounts receivable - trade	18,163	21,569	24,277	26,208	17,722	16,323
Electronically recorded monetary claims - operating	—	671	1,649	1,105	1,000	1,051
Merchandise and finished goods	17,153	17,917	21,232	24,873	26,668	24,721
Work in process	938	1,447	1,944	1,835	1,426	1,430
Raw materials and supplies	3,282	4,643	5,181	5,609	6,174	5,649
Other	3,273	3,139	3,818	3,656	3,021	3,118
Allowance for doubtful accounts	(9)	(12)	(9)	(5)	(6)	(6)
Total current assets	61,127	69,882	75,713	89,706	79,717	81,586
Non-current assets						
Property, plant and equipment						
Buildings and structures, net	13,907	21,997	21,937	22,667	34,188	31,652
Land	15,460	17,137	17,937	18,073	18,292	16,812
Construction in progress	10,193	938	8,906	13,931	1,658	884
Other, net	6,012	9,860	11,999	15,352	19,398	19,863
Total property, plant and equipment	45,575	49,934	60,781	70,024	73,538	69,212
Intangible assets						
Goodwill	8,923	8,477	10,666	15,472	15,637	14,357
Other	1,720	1,629	1,941	2,339	2,517	2,312
Total intangible assets	10,643	10,106	12,608	17,811	18,155	16,669
Investments and other assets						
Investment securities	1,145	1,097	840	20	18	16
Leasehold and guarantee deposits	7,056	7,013	7,015	7,082	7,460	7,448
Other	2,529	2,796	2,817	2,749	4,440	4,400
Allowance for doubtful accounts	—	—	—	—	(40)	—
Total investments and other assets	10,731	10,907	10,674	9,852	11,879	11,865
Total non-current assets	66,950	70,948	84,064	97,689	103,572	97,748
Total assets	128,077	140,831	159,777	187,395	183,289	179,334

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)	2015/3 2Q	2016/3 2Q	2017/3 2Q	2018/3 2Q	2019/3 2Q	2020/3 2Q
Liabilities						
Current liabilities						
Notes payable - trade	2,650	—	—	—	—	—
Accounts payable - trade	31,404	36,761	38,900	43,313	40,581	43,531
Electronically recorded obligations - operating	—	1,997	2,853	3,097	4,222	2,614
Short-term borrowings	3,950	1,210	2,226	100	—	—
Current portion of bonds	—	7,000	—	—	—	—
Current portion of long-term borrowings	4,950	6,188	13,743	15,533	17,476	9,676
Income taxes payable	1,052	1,882	1,703	2,365	1,069	1,821
Provision for bonuses	1,936	2,258	2,510	2,753	3,074	3,298
Provision for bonuses for directors (and other officers)	9	8	7	7	6	6
Provision for sales rebates	140	120	—	—	—	—
Other	4,101	4,886	5,786	8,641	7,367	6,732
Total current liabilities	50,195	62,314	67,732	75,813	73,798	67,680
Non-current liabilities						
Bonds payable	7,000	—	—	—	—	—
Long-term borrowings	49,328	53,040	52,448	68,247	62,775	62,947
Provision for retirement benefits for directors (and other officers)	841	924	899	996	1,044	1,083
Retirement benefit liability	595	993	1,237	1,374	1,591	1,782
Other	3,333	3,714	3,087	2,340	3,298	3,037
Total non-current liabilities	61,099	58,672	57,672	72,957	68,710	68,849
Total liabilities	111,294	120,986	125,404	148,771	142,508	136,530
Net assets						
Shareholders' equity						
Share capital	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	10,497	14,094	19,611	23,917	27,161	31,535
Treasury shares	(2,523)	(3,065)	(45)	(46)	(1,152)	(3,499)
Total shareholders' equity	16,681	19,736	34,446	38,750	40,889	42,915
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	311	295	124	0	0	—
Remeasurements of defined benefit plans	(209)	(186)	(198)	(126)	(109)	(116)
Total accumulated other comprehensive income	101	108	(73)	(126)	(108)	(116)
Non-controlling interests	—	—	—	—	0	4
Total net assets	16,783	19,844	34,372	38,623	40,781	42,804
Total liabilities and net assets	128,077	140,831	159,777	187,395	183,289	179,334

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 Six-month Period)	2015/3 2Q	2016/3 2Q	2017/3 2Q	2018/3 2Q	2019/3 2Q	2020/3 2Q
Net sales	87,418	100,269	109,478	118,149	118,694	130,297
Cost of sales	72,571	82,369	90,571	96,648	99,267	107,858
Gross profit	14,846	17,900	18,906	21,500	19,427	22,439
Selling, general and administrative expenses	12,223	13,685	14,965	16,611	17,880	18,373
Operating profit	2,623	4,214	3,940	4,888	1,547	4,066
Non-operating income						
Commission income	60	65	70	74	26	20
Rental income	154	189	197	211	210	209
Compensation income	—	—	—	—	—	48
Subsidy income	—	—	—	—	—	69
Insurance return	—	—	74	—	—	—
Other	117	118	91	94	95	80
Total non-operating income	333	373	433	380	332	429
Non-operating expenses						
Interest expenses	405	400	354	332	297	194
Commission expenses	15	13	9	12	7	6
Rent expenses	—	142	157	158	171	167
Provision of allowance for doubtful accounts	—	—	—	—	40	—
Other	216	96	101	129	97	126
Total non-operating expenses	637	652	622	633	614	494
Ordinary profit	2,318	3,936	3,751	4,635	1,265	4,001
Extraordinary income						
Gain on sales of non-current assets	0	—	3	0	143	30
Gain on sales of investment securities	—	—	—	360	8	—
Gain on sale of businesses	—	—	—	—	—	34
Total extraordinary income	0	—	3	360	151	65
Extraordinary losses						
Impairment loss	29	90	34	110	—	320
Loss on sales of investment securities	—	—	—	—	—	0
Loss on sales of non-current assets	—	—	5	0	—	—
Total extraordinary losses	29	90	40	110	—	320
Profit before income taxes	2,289	3,845	3,714	4,885	1,417	3,745
Income taxes - current	988	1,511	1,455	2,236	914	1,701
Income taxes - deferred	143	(137)	(80)	(156)	(240)	(50)
Total income taxes	1,131	1,374	1,374	2,079	673	1,650
Profit ^{note}	1,157	2,471	2,339	2,805	743	2,094
Profit (loss) attributable to non-controlling interests ^{note}	—	—	—	—	(1)	0
Profit attributable to owners of parent ^{note}	1,157	2,471	2,339	2,805	744	2,094

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.

5. Consolidated Statement of Cash Flows

(Millions of yen)

(Fiscal years ended)	2015/3 2Q	2016/3 2Q	2017/3 2Q	2018/3 2Q	2019/3 2Q	2020/3 2Q
Cash flows from operating activities						
Profit before income taxes	2,289	3,845	3,714	4,885	1,417	3,745
Depreciation	1,662	2,124	2,180	2,463	2,968	3,036
Impairment loss	29	90	34	110	—	320
Amortization of goodwill	—	—	—	646	718	730
Increase (decrease) in allowance for doubtful accounts	0	1	(4)	(4)	39	0
Increase (decrease) in provision for bonuses	142	176	249	204	297	274
Increase (decrease) in provision for allowance for sales discount	38	(9)	—	—	—	—
Increase (decrease) in provision for bonuses for directors (and other officers)	(65)	(89)	(131)	(110)	(130)	(80)
Increase (decrease) in retirement benefit liability	158	110	70	73	84	86
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(65)	37	(57)	46	(4)	(10)
Interest and dividend income	(21)	(21)	(21)	(19)	(0)	(0)
Interest expenses	405	400	354	332	297	194
Loss (gain) on sales of non-current assets	(0)	—	2	(0)	(143)	(30)
Loss (gain) on sales of investment securities	—	—	—	(360)	(8)	0
Loss (gain) on sale of businesses	—	—	—	—	—	(34)
Decrease (increase) in trade receivables	(708)	(920)	962	387	2,187	342
Decrease (increase) in inventories	(4,976)	(2,917)	(6,151)	(2,697)	(5,994)	(2,281)
Increase (decrease) in trade payables	5,089	5,318	(3,395)	4,517	4,774	5,889
Increase (decrease) in accounts payable - other	—	—	—	1,531	(694)	(727)
Other, net	(652)	970	452	945	1,194	(125)
Subtotal	3,325	9,116	(1,739)	12,952	7,005	11,331
Interest and dividends received	21	21	21	19	0	0
Interest paid	(410)	(385)	(315)	(258)	(217)	(140)
Income taxes paid	(1,434)	(1,317)	(2,554)	(1,346)	(2,851)	(1,324)
Net cash provided by (used in) operating activities	1,502	7,435	(4,588)	11,367	3,936	9,866
Cash flows from investing activities						
Proceeds from withdrawal of time deposits	—	82	—	—	—	—
Purchase of property, plant and equipment	(2,930)	(2,961)	(10,976)	(4,527)	(3,074)	(2,797)
Proceeds from sales of property, plant and equipment	0	—	4	1	1,445	236
Purchase of intangible assets	(134)	(114)	(547)	(254)	(368)	(237)
Proceeds from sales of investment securities	—	—	—	999	10	0
Purchase of long-term prepaid expenses	(154)	(77)	(153)	(61)	(45)	(42)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(226)	(1,264)	(948)	(761)	—
Payments for acquisition of businesses	—	—	(971)	(126)	(314)	(603)
Proceeds from sale of businesses	—	—	—	—	—	52
Loan advances	(60)	—	(443)	(400)	(20)	(6)
Collection of loans receivable	61	60	53	44	43	41
Payments of leasehold and guarantee deposits	(261)	(147)	(206)	(165)	(543)	(282)
Proceeds from refund of leasehold and guarantee deposits	75	71	73	110	103	134
Other, net	10	(15)	65	27	(10)	(2)
Net cash provided by (used in) investing activities	(3,394)	(3,329)	(14,366)	(5,299)	(3,535)	(3,506)

(Millions of yen)

(Fiscal years ended)	2015/3 2Q	2016/3 2Q	2017/3 2Q	2018/3 2Q	2019/3 2Q	2020/3 2Q
Cash flows from financing activities						
Net increase (decrease) in short-term loans payable	(3,800)	(3,890)	2,200	100	—	—
Proceeds from long-term borrowings	17,200	9,800	12,500	10,300	9,350	8,600
Repayments of long-term borrowings	(1,976)	(2,825)	(2,963)	(10,609)	(12,780)	(14,589)
Redemption of bonds	(7,000)	—	(7,000)	—	—	—
Proceeds from sales of treasury shares	50	—	—	—	—	—
Purchase of treasury shares	(403)	(5)	(0)	(0)	(1,104)	(0)
Dividends paid	(254)	(245)	(398)	(398)	(398)	(374)
Other, net	(241)	(429)	(414)	(415)	(617)	(579)
Net cash provided by (used in) financing activities	3,575	2,403	3,923	(1,024)	(5,550)	(6,944)
Net increase (decrease) in cash and cash equivalents	1,682	6,509	(15,031)	5,044	(5,149)	(584)
Cash and cash equivalents at beginning of period	15,027	13,844	32,380	21,200	28,464	29,749
Cash and cash equivalents at end of period	16,710	20,354	17,348	26,244	23,315	29,165

6. Business Segment Performance

(Millions of yen)

	2015/3 2Q	2016/3 2Q	2017/3 2Q	2018/3 2Q	2019/3 2Q	2020/3 2Q
Dispensing pharmacy business						
Net sales	75,970	87,208	92,329	100,011	101,054	111,763
Segment profit (loss)	3,113	4,252	4,064	5,617	3,197	4,408
Pharmaceutical manufacturing and sales business						
Net sales	13,389	15,367	18,722	19,213	19,431	21,040
Segment profit (loss)	836	1,210	1,191	638	344	1,155
Medical Professional Staffing and Placement Business						
Net sales	3,010	4,188	5,068	5,993	6,351	6,775
Segment profit (loss)	619	820	808	1,012	630	1,082

7. 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 September 30,2019)	611 pharmacies (including one pharmacy specializing in the sale of general merchandise)