

# 3Q 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 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q	2019/3 3Q
Net sales (Millions of yen)	134,386	158,645	166,051	180,250	183,404
YoY growth rate	9.2%	18.1%	4.7%	8.6%	1.7%
Operating profit (Millions of yen)	4,615	7,353	6,101	8,328	4,385
Operating margin	3.4%	4.6%	3.7%	4.6%	2.4%
Profit attributable to owners of parent (Millions of yen)	2,245	4,305	3,307	5,015	2,369
Return on sales	1.7%	2.7%	2.0%	2.8%	1.3%
Shareholder's equity (Millions of yen)	17,004	30,682	35,104	40,419	40,260
Equity ratio	13.0%	19.4%	20.6%	21.5%	22.3%

## 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 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q	2019/3 3Q
No. of pharmacies opened	22	23	34	28	24
Including M&A	0	4	18	8	4
No. of pharmacies at the end of each period	509	524	553	580	597
Net sales of dispensing pharmacy business (Millions of yen)	116,822	137,850	140,758	152,799	155,703
Sales per Pharmacy (Millions of yen)	232	266	259	267	263
No. of prescription (thousands)	8,736	9,162	9,667	10,256	10,613
Unit prices of prescription (yen)	13,188	14,879	14,386	14,701	14,431

### 3.Consolidated Balance Sheet

(Millions of yen)

(As of the end of the period)	2014/3 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q	2019/3 3Q
<b>Assets</b>						
<b>Current assets</b>						
Cash and deposits	17,016	15,561	32,538	17,687	19,877	21,539
Notes receivable-trade	715	709	181	349	326	276
Accounts receivable-trade	18,136	20,244	25,165	26,262	28,019	17,808
Electronically recorded monetary claims-operating	—	865	1,161	1,584	1,251	1,236
Merchandise and finished goods	14,147	17,858	18,063	22,812	25,095	27,090
Work in process	852	951	1,417	2,014	1,841	1,290
Raw materials and supplies	3,226	3,562	4,669	5,662	5,970	5,863
Other	2,614	3,235	3,421	3,474	3,104	3,868
Allowance for doubtful accounts	(8)	(9)	(13)	(12)	(6)	(6)
<b>Total current assets</b>	<b>56,699</b>	<b>62,979</b>	<b>86,604</b>	<b>79,836</b>	<b>85,480</b>	<b>78,967</b>
<b>Non-current assets</b>						
<b>Property, plant and equipment</b>						
Buildings and structures, net	13,792	18,272	21,773	22,510	22,515	33,736
Land	15,271	15,556	17,143	17,966	18,134	18,295
Construction in progress	4,140	5,099	1,669	9,707	18,476	1,822
Other, net	6,202	7,760	9,830	13,181	15,310	18,981
<b>Total property, plant and equipment</b>	<b>39,406</b>	<b>46,689</b>	<b>50,416</b>	<b>63,366</b>	<b>74,437</b>	<b>72,835</b>
<b>Intangible assets</b>						
Goodwill	8,974	8,764	8,626	14,318	15,484	15,250
Other	1,732	1,735	1,615	2,176	2,379	2,493
<b>Total intangible assets</b>	<b>10,706</b>	<b>10,499</b>	<b>10,241</b>	<b>16,495</b>	<b>17,863</b>	<b>17,743</b>
<b>Investments and other assets</b>						
Investment securities	926	1,076	1,211	1,073	20	17
Lease and guarantee deposits	6,954	7,029	6,985	7,105	7,044	7,448
Other	2,982	2,575	2,695	2,749	2,756	3,852
Allowance for doubtful accounts	—	—	—	—	—	(40)
<b>Total investments and other assets</b>	<b>10,863</b>	<b>10,682</b>	<b>10,892</b>	<b>10,928</b>	<b>9,820</b>	<b>11,278</b>
<b>Total non-current assets</b>	<b>60,976</b>	<b>67,871</b>	<b>71,550</b>	<b>90,790</b>	<b>102,121</b>	<b>101,857</b>
<b>Total assets</b>	<b>117,676</b>	<b>130,850</b>	<b>158,155</b>	<b>170,626</b>	<b>187,601</b>	<b>180,824</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 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q	2019/3 3Q
<b>Liabilities</b>						
<b>Current liabilities</b>						
Notes payable-trade	2,466	1,112	—	—	—	—
Accounts payable-trade	30,008	35,019	44,239	42,275	44,319	41,472
Electronically recorded obligations-operating	—	1,996	2,168	2,543	2,434	3,652
Short-term loans payable	5,550	2,550	1,210	5,600	—	—
Current portion of bonds	7,092	—	7,000	—	—	—
Current portion of long-term loans payable	3,589	5,572	5,988	12,442	15,998	16,967
Income taxes payable	582	456	1,287	316	1,367	108
Provision for bonuses	889	1,033	1,114	1,276	1,352	1,528
Provision for directors' bonuses	5	—	—	—	—	—
Provision for sales rebates	229	136	134	—	—	—
Other	4,670	5,828	6,900	7,620	8,101	7,687
<b>Total current liabilities</b>	<b>55,086</b>	<b>53,705</b>	<b>70,043</b>	<b>72,074</b>	<b>73,574</b>	<b>71,416</b>
<b>Non-current liabilities</b>						
Bonds payable	7,000	7,000	—	—	—	—
Long-term loans payable	34,312	47,361	51,873	58,358	68,963	63,214
Provision for retirement benefits	511	—	—	—	—	—
Provision for directors' retirement benefits	1,257	864	933	924	1,022	1,069
Net defined benefit liability	—	631	1,027	1,285	1,450	1,625
Other	1,729	4,284	3,594	2,878	2,170	3,235
<b>Total non-current liabilities</b>	<b>44,811</b>	<b>60,141</b>	<b>57,428</b>	<b>63,446</b>	<b>73,607</b>	<b>69,145</b>
<b>Total liabilities</b>	<b>99,898</b>	<b>113,846</b>	<b>127,472</b>	<b>135,521</b>	<b>147,181</b>	<b>140,562</b>
<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	10,926	10,926	10,926	10,926
Retained earnings	9,039	11,335	15,647	20,166	25,727	28,394
Treasury shares	(2,188)	(3,107)	(44)	(45)	(47)	(2,912)
<b>Total shareholders' equity</b>	<b>15,558</b>	<b>16,934</b>	<b>30,483</b>	<b>35,000</b>	<b>40,560</b>	<b>40,361</b>
<b>Accumulated other comprehensive income</b>						
Valuation difference on available-for-sale securities	170	267	372	285	0	0
Remeasurements of defined benefit plans	—	(197)	(173)	(181)	(140)	(101)
<b>Total accumulated other comprehensive income</b>	<b>170</b>	<b>69</b>	<b>199</b>	<b>103</b>	<b>(140)</b>	<b>(101)</b>
<b>Non-controlling interests</b>	<b>2,049</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2</b>
<b>Total net assets</b>	<b>17,778</b>	<b>17,004</b>	<b>30,682</b>	<b>35,104</b>	<b>40,419</b>	<b>40,262</b>
<b>Total liabilities and net assets</b>	<b>117,676</b>	<b>130,850</b>	<b>158,155</b>	<b>170,626</b>	<b>187,601</b>	<b>180,824</b>

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 Nine-month Period)	2014/3 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q	2019/3 3Q
Net sales	123,077	134,386	158,645	166,051	180,250	183,404
Cost of sales	103,941	111,065	130,386	137,190	147,146	152,731
Gross profit	19,135	23,320	28,259	28,860	33,103	30,672
Selling, general and administrative expenses	15,489	18,705	20,905	22,759	24,775	26,287
Operating profit	3,646	4,615	7,353	6,101	8,328	4,385
Non-operating income						
Commission fee	86	90	101	106	113	38
Rent income	107	245	283	300	324	322
Insurance return	—	—	—	74	—	—
Other	186	172	132	131	153	115
Total non-operating income	380	508	517	613	590	476
Non-operating expenses						
Interest expenses	531	611	600	524	487	415
Commission fee	50	23	18	13	22	10
Rent expenses	—	—	213	240	244	266
Provision of allowance for doubtful accounts	—	—	—	—	—	40
Other	210	388	148	163	176	273
Total non-operating expenses	792	1,023	981	941	930	1,005
Ordinary profit	3,234	4,100	6,889	5,773	7,988	3,855
Extraordinary income						
Gain on sales of non-current assets	17	5	22	3	0	199
Gain on sales of investment securities	1	—	—	—	360	8
Gain on transfer of business	—	—	—	—	38	—
Total extraordinary income	19	5	22	3	398	207
Extraordinary losses						
Impairment loss	112	47	99	57	173	14
Loss on sales of non-current assets	—	—	—	6	10	—
Loss on sales of investment securities	0	—	—	—	—	—
Total extraordinary losses	113	47	99	63	183	14
Profit before income taxes	3,139	4,058	6,812	5,713	8,203	4,048
Income taxes-current	1,252	1,291	2,213	1,787	2,860	1,385
Income taxes-deferred	291	521	293	617	327	293
Total income taxes	1,544	1,812	2,506	2,405	3,187	1,678
Profit <sup>note</sup>	1,595	2,245	4,305	3,307	5,015	2,370
Profit (loss) attributable to non-controlling interests <sup>note</sup>	(35)	—	—	—	—	—
Profit attributable to owners of parent <sup>note</sup>	1,631	2,245	4,305	3,307	5,015	2,369

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. Business Segment Performance

(Millions of yen)

	2014/3 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q	2019/3 3Q
Dispensing pharmacy business						
Net sales	108,575	116,822	137,850	140,758	152,799	155,703
Segment profit	5,791	5,419	7,147	6,699	9,050	6,035
Pharmaceutical manufacturing and sales business						
Net sales	17,275	20,603	24,354	27,634	29,300	30,664
Segment profit	427	1,447	2,201	1,410	1,431	1,185
Medical Professional Staffing and Placement Business						
Net sales	3,763	4,684	6,419	7,675	8,948	9,706
Segment profit	602	895	1,127	1,225	1,416	1,056

## 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 December 31,2018)	597