

3Q FY3/2018 Supplementary Material



NIHON CHOUZAI Co.,Ltd.

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

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1. Financial Highlights

	2013/3	2014/3	2015/3	2016/3	2017/3
Net sales (Millions of yen)	139,466	165,347	181,844	219,239	223,468
YoY growth rate	7.2%	18.6%	10.0%	20.6%	1.9%
Operating profit (Millions of yen)	3,245	4,744	6,647	10,489	8,519
Operating margin	2.3%	2.9%	3.7%	4.8%	3.8%
Profit attributable to owners of parent (Millions of yen)	184	1,901	2,778	6,329	4,638
Return on sales	0.1%	1.2%	1.5%	2.9%	2.1%
Shareholder's equity (Millions of yen)	14,702	15,849	17,635	32,473	36,447
Equity ratio	15.5%	13.5%	13.6%	20.6%	20.4%

	2014/3 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q
Net sales (Millions of yen)	123,077	134,386	158,645	166,051	180,250
YoY growth rate	18.8%	9.2%	18.1%	4.7%	8.6%
Operating profit (Millions of yen)	3,646	4,615	7,353	6,101	8,328
Operating margin	3.0%	3.4%	4.6%	3.7%	4.6%
Profit attributable to owners of parent (Millions of yen)	1,631	2,245	4,305	3,307	5,015
Return on sales	1.3%	1.7%	2.7%	2.0%	2.8%
Shareholder's equity (Millions of yen)	15,728	17,004	30,682	35,104	40,419
Equity ratio	13.4%	13.0%	19.4%	20.6%	21.5%

2. Dispensing Pharmacy Business

	2013/3	2014/3	2015/3	2016/3	2017/3
No. of pharmacies opened	59	37	29	27	42
Including M&A	0	4	1	5	21
No. of pharmacies at the end of each period	466	494	511	527	557
Net sales of dispensing pharmacy business (Millions of yen)	131,052	145,957	157,999	190,874	189,327
Sales per Pharmacy (Millions of yen)	296	304	314	367	349
No. of prescription (thousands)	10,482	11,090	11,695	12,301	12,949
Unit prices of prescription (yen)	12,295	12,954	13,330	15,297	14,382

	2014/3 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q
No. of pharmacies opened	30	22	23	34	28
Including M&A	4	0	4	18	8
No. of pharmacies at the end of each period	489	509	524	553	580
Net sales of dispensing pharmacy business (Millions of yen)	108,575	116,822	137,850	140,758	152,799
Sales per Pharmacy (Millions of yen)	224	232	266	259	267
No. of prescription (thousands)	8,306	8,736	9,162	9,667	10,256
Unit prices of prescription (yen)	12,871	13,188	14,879	14,386	14,701

3.Consolidated Balance Sheet

(Millions of yen)

(As of the end of the period)	2013/3 3Q	2014/3 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q
Assets						
Current assets						
Cash and deposits	12,006	17,016	15,561	32,538	17,687	19,877
Notes receivable-trade	—	715	709	181	349	326
Accounts receivable-trade	14,262	18,136	20,244	25,165	26,262	28,019
Electronically recorded monetary claims-operating	—	—	865	1,161	1,584	1,251
Merchandise and finished goods	12,826	14,147	17,858	18,063	22,812	25,095
Work in process	144	852	951	1,417	2,014	1,841
Raw materials and supplies	345	3,226	3,562	4,669	5,662	5,970
Other	1,992	2,614	3,235	3,421	3,474	3,104
Allowance for doubtful accounts	(9)	(8)	(9)	(13)	(12)	(6)
Total current assets	41,568	56,699	62,979	86,604	79,836	85,480
Non-current assets						
Property, plant and equipment						
Buildings and structures, net	12,924	13,792	18,272	21,773	22,510	22,515
Land	13,207	15,271	15,556	17,143	17,966	18,134
Construction in progress	925	4,140	5,099	1,669	9,707	18,476
Other, net	5,526	6,202	7,760	9,830	13,181	15,310
Total property, plant and equipment	32,583	39,406	46,689	50,416	63,366	74,437
Intangible assets						
Goodwill	7,843	8,974	8,764	8,626	14,318	15,484
Other	1,740	1,732	1,735	1,615	2,176	2,379
Total intangible assets	9,584	10,706	10,499	10,241	16,495	17,863
Investments and other assets						
Investment securities	1,002	926	1,076	1,211	1,073	20
Lease and guarantee deposits	6,780	6,954	7,029	6,985	7,105	7,044
Other	2,208	2,982	2,575	2,695	2,749	2,756
Total investments and other assets	9,990	10,863	10,682	10,892	10,928	9,820
Total non-current assets	52,158	60,976	67,871	71,550	90,790	102,121
Total assets	93,727	117,676	130,850	158,155	170,626	187,601

(Millions of yen)

(As of the end of the period)	2013/3 3Q	2014/3 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q
Liabilities						
Current liabilities						
Notes payable-trade	—	2,466	1,112	—	—	—
Accounts payable-trade	25,503	30,008	35,019	44,239	42,275	44,319
Electronically recorded obligations-operating	—	—	1,996	2,168	2,543	2,434
Short-term loans payable	2,800	5,550	2,550	1,210	5,600	—
Current portion of bonds	—	7,092	—	7,000	—	—
Current portion of long-term loans payable	12,401	3,589	5,572	5,988	12,442	15,998
Income taxes payable	1,351	582	456	1,287	316	1,367
Provision for bonuses	803	889	1,033	1,114	1,276	1,352
Provision for directors' bonuses	—	5	—	—	—	—
Provision for sales rebates	222	229	136	134	—	—
Other	3,281	4,670	5,828	6,900	7,620	8,101
Total current liabilities	46,364	55,086	53,705	70,043	72,074	73,574
Non-current liabilities						
Bonds payable	14,000	7,000	7,000	—	—	—
Long-term loans payable	17,650	34,312	47,361	51,873	58,358	68,963
Provision for retirement benefits	239	511	—	—	—	—
Provision for directors' retirement benefits	662	1,257	864	933	924	1,022
Net defined benefit liability	—	—	631	1,027	1,285	1,450
Other	861	1,729	4,284	3,594	2,878	2,170
Total non-current liabilities	33,413	44,811	60,141	57,428	63,446	73,607
Total liabilities	79,777	99,898	113,846	127,472	135,521	147,181
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	7,308	9,039	11,335	15,647	20,166	25,727
Treasury shares	(2,288)	(2,188)	(3,107)	(44)	(45)	(47)
Total shareholders' equity	13,727	15,558	16,934	30,483	35,000	40,560
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	222	170	267	372	285	0
Remeasurements of defined benefit plans	—	—	(197)	(173)	(181)	(140)
Total accumulated other comprehensive income	222	170	69	199	103	(140)
Minority interests	—	2,049	—	—	—	—
Total net assets	13,949	17,778	17,004	30,682	35,104	40,419
Total liabilities and net assets	93,727	117,676	130,850	158,155	170,626	187,601

4. Consolidated Statement of Income

(Millions of yen)

(For the Nine-month Period)	2013/3 3Q	2014/3 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q
Net sales	103,596	123,077	134,386	158,645	166,051	180,250
Cost of sales	87,752	103,941	111,065	130,386	137,190	147,146
Gross profit	15,843	19,135	23,320	28,259	28,860	33,103
Selling, general and administrative expenses	13,803	15,489	18,705	20,905	22,759	24,775
Operating profit	2,039	3,646	4,615	7,353	6,101	8,328
Non-operating income						
Commission fee	—	86	90	101	106	113
Rent income	56	107	245	283	300	324
Insurance return	—	—	—	—	74	—
Other	252	186	172	132	131	153
Total non-operating income	308	380	508	517	613	590
Non-operating expenses						
Interest expenses	440	531	611	600	524	487
Commission fee	23	50	23	18	13	22
Rent expenses	—	—	—	213	240	244
Other	251	210	388	148	163	176
Total non-operating expenses	715	792	1,023	981	941	930
Ordinary profit	1,632	3,234	4,100	6,889	5,773	7,988
Extraordinary income						
Gain on sales of non-current assets	6	17	5	22	3	0
Gain on sales of investment securities	—	1	—	—	—	360
Gain on transfer of business	—	—	—	—	—	38
Total extraordinary income	6	19	5	22	3	398
Extraordinary losses						
Impairment loss	228	112	47	99	57	173
Loss on sales of non-current assets	0	—	—	—	6	10
Loss on sales of investment securities	—	0	—	—	—	—
Total extraordinary losses	228	113	47	99	63	183
Profit before income taxes	1,410	3,139	4,058	6,812	5,713	8,203
Income taxes-current	707	1,252	1,291	2,213	1,787	2,860
Income taxes for prior periods	1,034	—	—	—	—	—
Income taxes-deferred	90	291	521	293	617	327
Total income taxes	1,831	1,544	1,812	2,506	2,405	3,187
Profit attributable to non-controlling interests <small>note1</small>	—	(35)	—	—	—	—
Profit attributable to owners of parent <small>note2</small>	(421)	1,631	2,245	4,305	3,307	5,015

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)

	2013/3 3Q	2014/3 3Q	2015/3 3Q	2016/3 3Q	2017/3 3Q	2018/3 3Q
Dispensing pharmacy business						
Net sales	97,521	108,575	116,822	137,850	140,758	152,799
Segment profit	4,679	5,791	5,419	7,147	6,699	9,050
Pharmaceutical manufacturing and sales business						
Net sales	8,232	17,275	20,603	24,354	27,634	29,300
Segment profit	212	427	1,447	2,201	1,410	1,431
Medical Professional Staffing and Placement Business						
Net sales	2,965	3,763	4,684	6,419	7,675	8,948
Segment profit	382	602	895	1,127	1,225	1,416

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 31,2017)	580