

FY3/2017

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%

2. Financial Indicators

	2013/3	2014/3	2015/3	2016/3	2017/3
Return on assets	0.2%	1.8%	2.2%	4.4%	2.8%
Return on equity	1.3%	12.5%	16.6%	25.3%	13.5%
Net income per share (yen) <small>note1</small>	12.84	131.24	194.48	432.85	290.03
Net assets per share (Yen) <small>note1</small>	1,017.04	1,090.63	1,257.59	2,030.22	2,278.70
Dividend per share (Yen) <small>note1</small>	35.00	35.00	35.00	45.00	50.00
Total number of issued shares	8,012,000	8,012,000	8,012,000	16,024,000	16,024,000
Dividend payout ratio	272.7%	26.7%	18.0%	10.4%	17.2%
Share price at year-end (Yen) <small>note1</small>	1,127.5	1,332.5	3,055.0	4,025	3,785
Market cap at year-end (Millions of yen)	18,067	21,351	48,953	64,496	60,650
Price book-value ratio (PBR) at year-end	1.11	1.22	2.43	1.98	1.66
Price earnings ratio (PER) at year-end	87.85	10.15	15.71	9.30	13.05
EBITDA (Yen) <small>note2</small>	7,319	9,129	10,923	15,615	14,237
EV/EBITDA (Times) <small>note2</small>	7.1	7.4	9.5	6.5	9.0
Number of employees (persons) <small>note3</small>	3,057	3,704	4,026	4,163	4,600
Sales per employee (Thousand of yen)	47,976	48,912	47,049	53,544	51,002

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

	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

4. Consolidated Balance Sheet

(Millions of yen)

(As of fiscal year-end)	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Assets						
Current assets						
Cash and deposits	12,622	14,583	15,429	13,952	32,385	21,200
Notes receivable-trade	—	—	1,270	321	197	73
Accounts receivable-trade	12,868	13,645	17,395	20,001	25,839	26,698
Electronically recorded monetary claims-operating	—	—	—	1,091	774	872
Merchandise and finished goods	8,419	11,908	12,165	15,911	15,328	21,455
Work in process	161	175	751	1,377	1,993	2,509
Raw materials and supplies	299	322	3,480	3,778	4,695	5,550
Deferred tax assets	798	854	1,233	1,138	1,447	1,262
Other	1,384	1,555	1,655	2,534	2,187	2,713
Allowance for doubtful accounts	(9)	(7)	(8)	(10)	(10)	(7)
Total current assets	36,543	43,037	53,373	60,096	84,838	82,327
Non-current assets						
Property, plant and equipment						
Buildings and structures	19,674	21,728	26,103	32,136	36,733	39,675
Accumulated depreciation	(7,611)	(8,970)	(12,113)	(13,487)	(15,196)	(17,372)
Buildings and structures, net	12,062	12,758	13,990	18,648	21,537	22,303
Machinery, equipment and vehicles	2,463	2,774	3,725	6,405	7,862	12,690
Accumulated depreciation	(227)	(430)	(1,189)	(1,531)	(2,007)	(2,649)
Machinery, equipment and vehicles, net	2,236	2,343	2,536	4,874	5,855	10,040
Land	12,135	13,215	15,318	17,043	17,188	18,016
Leased assets	319	418	1,438	1,724	2,943	2,995
Accumulated depreciation	(52)	(77)	(654)	(871)	(1,233)	(1,582)
Leased assets, net	266	341	784	853	1,710	1,413
Construction in progress	1,486	1,180	7,076	4,798	2,807	13,521
Other	6,778	8,162	9,293	10,394	11,765	13,564
Accumulated depreciation	(4,170)	(5,542)	(6,876)	(7,792)	(8,867)	(10,346)
Other, net	2,607	2,620	2,417	2,601	2,898	3,217
Total property, plant and equipment	30,796	32,459	42,123	48,819	51,997	68,513
Intangible assets						
Goodwill	8,205	7,724	9,265	8,661	8,507	14,605
Other	1,639	1,699	1,838	1,714	1,615	2,167
Total intangible assets	9,845	9,423	11,103	10,376	10,122	16,773
Investments and other assets						
Investment securities	894	1,199	1,030	1,153	945	1,039
Long-term loans receivable	846	948	979	975	886	817
Lease and guarantee deposits	6,579	6,870	6,934	6,990	6,932	7,072
Deferred tax assets	175	285	660	495	647	587
Other	933	915	1,089	1,233	1,239	1,216
Total investments and other assets	9,429	10,219	10,694	10,848	10,650	10,733
Total non-current assets	50,071	52,102	63,921	70,044	72,770	96,019
Total assets	86,615	95,140	117,295	130,141	157,609	178,347

(Millions of yen)

(As of fiscal year-end)	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Liabilities						
Current liabilities						
Notes payable-trade	—	—	2,102	—	—	—
Accounts payable-trade	21,884	24,542	26,861	31,306	41,989	38,909
Electronically recorded obligations-operating	—	—	—	2,086	2,664	2,124
Short-term loans payable	3,420	3,400	7,750	5,100	—	—
Current portion of bonds	—	—	7,000	—	7,000	—
Current portion of long-term loans payable	4,953	10,665	3,889	6,069	5,963	13,411
Lease obligations	25	31	263	421	400	390
Income taxes payable	1,735	1,328	1,507	1,625	2,745	1,537
Provision for bonuses	1,425	1,556	1,793	2,080	2,249	2,547
Provision for directors' bonuses	135	—	74	98	138	117
Provision for sales rebates	154	243	102	130	—	—
Asset retirement obligations	7	2	4	9	7	9
Other	3,015	2,930	4,316	4,546	5,826	7,257
Total current liabilities	36,757	44,702	55,666	53,474	68,985	66,305
Non-current liabilities						
Bonds payable	14,000	14,000	7,000	7,000	—	—
Long-term loans payable	19,610	19,845	35,165	46,184	50,621	70,678
Lease obligations	269	339	968	1,648	1,337	1,002
Long-term accounts payable-installment purchase	—	—	—	1,471	1,040	609
Provision for retirement benefits	115	277	—	—	—	—
Provision for directors' retirement benefits	611	683	907	886	957	949
Net defined benefit liability	—	—	915	917	1,157	1,294
Asset retirement obligations	528	576	659	682	723	760
Other	4	12	162	240	312	298
Total non-current liabilities	35,141	35,735	45,779	59,031	56,151	75,595
Total liabilities	71,899	80,437	101,446	112,505	125,136	141,900
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	4,754	10,926	10,926
Retained earnings	8,233	7,915	9,310	11,868	17,672	21,511
Treasury shares	(2,378)	(2,269)	(2,171)	(3,059)	(44)	(46)
Total shareholders' equity	14,562	14,353	15,845	17,515	32,507	36,345
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	153	349	237	333	196	263
Remeasurements of defined benefit plans	—	—	(234)	(213)	(231)	(161)
Total accumulated other comprehensive income	153	349	3	119	(34)	101
Total net assets	14,716	14,702	15,849	17,635	32,473	36,447
Total liabilities and net assets	86,615	95,140	117,295	130,141	157,609	178,347

5. Consolidated Statement of Income

(Millions of yen)

(Fiscal years ended)	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Net sales	130,041	139,466	165,347	181,844	219,239	223,468
Cost of sales	108,003	117,972	139,723	149,915	180,171	184,210
Gross profit	22,038	21,494	25,623	31,929	39,068	39,258
Selling, general and administrative expenses	16,574	18,248	20,878	25,281	28,578	30,738
Operating profit	5,464	3,245	4,744	6,647	10,489	8,519
Non-operating income						
Interest income	2	1	2	3	6	1
Commission fee	76	103	116	122	137	144
Rent income	93	74	147	338	378	404
Compensation income	42	72	46	42	—	—
Refunded consumption taxes	—	64	—	—	—	—
Insurance return	—	—	—	—	—	75
Other	88	183	194	186	217	157
Total non-operating income	304	501	508	693	740	783
Non-operating expenses						
Interest expenses	574	589	718	811	790	687
Commission fee	101	46	79	30	45	37
Rent expenses	—	—	—	243	294	322
Loss on retirement of non-current assets	—	96	36	55	35	113
Other	151	157	229	197	185	164
Total non-operating expenses	827	891	1,064	1,337	1,351	1,326
Ordinary profit	4,941	2,855	4,188	6,003	9,878	7,976
Extraordinary income						
Gain on sales of non-current assets	—	6	20	5	22	28
Gain on sales of investment securities	—	—	1	—	—	0
Total extraordinary income	0	6	22	5	22	28
Extraordinary losses						
Loss on sales of non-current assets	—	0	4	—	—	6
Loss on sales of investment securities	—	—	0	—	—	—
Impairment loss	41	252	230	239	219	171
Loss on abolishment of retirement benefit plan	82	—	—	—	—	—
Retirement benefit expenses	—	—	—	238	—	—
Total extraordinary losses	124	252	235	477	219	177
Profit before income taxes	4,817	2,609	3,975	5,531	9,681	7,827
Income taxes-current	2,795	1,664	2,147	2,705	3,720	3,024
Income taxes for prior periods	—	1,034	—	—	—	—
Income taxes-deferred	(63)	(274)	(41)	47	(368)	164
Total income taxes	2,732	2,424	2,105	2,752	3,352	3,188
Profit attributable to non-controlling interests ^{note1}	—	—	(31)	—	—	—
Profit attributable to owners of parent ^{note2}	2,085	184	1,901	2,778	6,329	4,638

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)	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Consolidated Statement of Cash Flows						
Profit before income taxes	4,817	2,609	3,975	5,531	9,681	7,827
Depreciation	3,028	3,591	3,825	3,631	4,461	4,741
Amortization of long-term prepaid expenses	147	117	107	106	107	104
Impairment loss	41	252	230	239	219	171
Amortization of goodwill	475	481	559	644	663	976
Increase (decrease) in allowance for doubtful accounts	0	(1)	0	1	(0)	(9)
Increase (decrease) in provision for bonuses	166	131	173	286	167	279
Increase (decrease) in provision for allowance for sales discount	(306)	89	(141)	28	(130)	—
Increase (decrease) in provision for directors' bonuses	30	(135)	57	23	40	(21)
Increase (decrease) in provision for retirement benefits and prepaid pension costs	87	161	—	—	—	—
Increase (decrease) in net defined benefit liability	—	—	177	490	223	118
Increase (decrease) in provision for directors' retirement benefits	85	72	(295)	(21)	70	(7)
Interest and dividend income	(8)	(11)	(24)	(24)	(27)	(22)
Interest expenses	574	589	718	811	790	687
Loss (gain) on sales of non-current assets	—	(6)	(20)	(5)	(22)	(22)
Loss (gain) on sales of investment securities	—	—	—	—	—	(0)
Loss on abolishment of retirement benefit plan	82	—	—	—	—	—
Decrease (increase) in notes and accounts receivable-trade	(1,861)	(776)	(1,942)	(2,748)	(5,339)	(46)
Decrease (increase) in inventories	(11)	(3,526)	523	(4,545)	(881)	(7,005)
Increase (decrease) in notes and accounts payable-trade	1,634	2,658	241	4,422	11,212	(4,135)
Decrease (increase) in prepaid expenses	(161)	(53)	(50)	(85)	(7)	(84)
Increase (decrease) in accrued expenses	213	163	66	219	265	132
Increase (decrease) in accounts payable-other	842	(294)	768	(547)	853	758
Other, net	181	460	167	761	441	(349)
Subtotal	10,060	6,573	9,119	9,220	22,787	4,093
Interest and dividend income received	8	11	24	24	27	22
Interest expenses paid	(548)	(588)	(728)	(822)	(792)	(702)
Income taxes paid	(2,392)	(3,111)	(2,171)	(2,591)	(2,695)	(4,354)
Net cash provided by (used in) operating activities	7,127	2,885	6,243	5,831	19,327	(940)
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	(7,723)	(5,343)	(8,227)	(5,808)	(6,880)	(20,222)
Proceeds from sales of property, plant and equipment	—	6	136	8	25	72
Purchase of intangible assets	(353)	(415)	(247)	(246)	(243)	(926)
Proceeds from sales of investment securities	0	—	29	—	—	2
Increase in long-term prepaid expenses	(134)	(117)	(60)	(162)	(104)	(231)
Payments for transfer of business	—	—	(1,344)	(2,330)	(454)	(1,713)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(445)	—	(4,588)	—	(226)	(4,899)
Payments for loans receivable	(173)	(231)	(157)	(121)	(16)	(443)
Collection of loans receivable	116	113	122	130	115	103
Payments for lease and guarantee deposits	(1,066)	(544)	(348)	(336)	(256)	(385)
Proceeds from collection of lease and guarantee deposits	102	144	185	149	160	134
Other, net	(15)	(35)	(10)	35	(19)	59
Net cash provided by (used in) investing activities	(9,694)	(6,422)	(14,510)	(8,437)	(7,823)	(28,444)

(Millions of yen)

(Fiscal years ended)	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Cash flows from financing activities						
Net increase (decrease) in short-term loans payable	418	(20)	1,150	(2,650)	(5,100)	(236)
Proceeds from long-term loans payable	4,500	10,900	19,400	17,300	10,400	33,600
Repayments of long-term loans payable	(10,601)	(4,953)	(10,920)	(4,101)	(6,069)	(6,509)
Proceeds from issuance of bonds	14,000	—	—	—	—	—
Redemption of bonds	0	—	(185)	(7,000)	—	(7,000)
Repayments of lease obligations	(22)	(27)	(235)	(434)	(430)	(412)
Repayments of installment payables	—	—	—	(252)	(431)	(431)
Proceeds from sales of treasury shares	91	101	97	85	—	—
Proceeds from disposal of treasury shares	—	—	—	—	9,194	—
Purchase of treasury shares	—	—	—	(1,019)	(6)	(1)
Cash dividends paid	(465)	(503)	(506)	(504)	(524)	(802)
Cash dividends paid to minority shareholders	—	—	(17)	—	—	—
Net cash provided by (used in) financing activities	7,920	5,496	8,782	1,422	7,031	18,205
Net increase (decrease) in cash and cash equivalents	5,353	1,958	514	(1,183)	18,535	(11,180)
Cash and cash equivalents at beginning of period	7,200	12,554	14,513	15,027	13,844	32,380
Cash and cash equivalents at end of period	12,554	14,513	15,027	13,844	32,380	21,200

7. Business Segment Performance

(Millions of yen)

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Dispensing pharmacy business						
Net sales	123,549	131,052	145,957	157,999	190,874	189,327
Segment profit	9,448	6,784	7,672	7,698	10,707	9,560
Segment assets	62,094	66,232	69,515	71,103	95,198	94,235
Depreciation	1,887	2,324	2,175	1,992	2,107	2,154
Amortization of goodwill	475	481	506	546	565	878
Impairment loss	41	252	230	239	219	171
Increase in property, plant and equipment and intangible assets	4,713	4,084	2,732	3,285	4,046	4,238
Pharmaceutical manufacturing and sales business						
Net sales	8,133	11,196	23,192	27,550	32,598	36,821
Segment profit	(586)	233	500	1,888	2,668	1,719
Segment assets	17,123	21,372	40,216	50,666	54,065	75,551
Depreciation	690	652	1,109	1,257	2,003	2,222
Amortization of goodwill	—	—	52	97	97	97
Impairment loss	—	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	354	971	5,672	8,712	3,663	18,742
Medical Professional Staffing and Placement Business						
Net sales	3,236	3,991	5,046	6,554	8,934	10,500
Segment profit	437	450	770	1,266	1,599	1,710
Segment assets	1,054	1,093	1,246	2,103	2,285	2,335
Depreciation	51	45	44	49	39	25
Amortization of goodwill	—	—	—	—	—	—
Impairment loss	—	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	7	7	19	27	30	45

8. Capital investment · Depreciation · R&D expenses

(Millions of yen)

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Capital investment	8,961	5,566	9,069	12,279	8,073	23,344
Depreciation	3,028	3,591	3,825	3,631	4,461	4,741
Amortization of long-term prepaid expenses	147	117	107	106	107	104
Amortization of goodwill	475	481	559	644	663	976
Goodwill balance	8,205	7,724	9,265	8,661	8,507	14,605
Impairment loss	41	252	230	239	219	171
R&D expenses	1,224	1,023	1,534	1,767	1,913	2,388

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 31,2017)	4,600
Number of pharmacies(As of March 31,2017)	557

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