

FY3/2020

Supplementary Material

1. Financial Highlights

	2016/3	2017/3	2018/3	2019/3	2020/3
Net sales (Millions of yen)	219,239	223,468	241,274	245,687	268,520
YoY growth rate	20.6%	1.9%	8.0%	1.8%	9.3%
Operating profit (Millions of yen)	10,489	8,519	10,587	6,733	7,593
Operating margin	4.8%	3.8%	4.4%	2.7%	2.8%
Profit attributable to owners of parent (Millions of yen)	6,329	4,638	6,104	3,790	6,697
Return on sales	2.9%	2.1%	2.5%	1.5%	2.8%
Shareholder's equity (Millions of yen)	32,473	36,447	41,504	41,068	47,072
Equity ratio	20.6%	20.4%	22.2%	23.0%	25.4%

2. Financial Indicators

	2016/3	2017/3	2018/3	2019/3	2020/3
Return on assets ^{note1}	4.4%	2.8%	3.3%	2.1%	3.7%
Return on equity ^{note2}	25.3%	13.5%	15.7%	9.2%	15.2%
Net income per share(yen) ^{note3}	216.42	145.02	190.84	121.74	223.33
Net assets per share(Yen) ^{note3}	1,015.11	1,139.36	1,297.50	1,369.52	1,569.77
Dividend per share(Yen) ^{note3}	22.50	25.00	25.00	25.00	25.00
Total number of issued shares ^{note3}	32,048,000	32,048,000	32,048,000	32,048,000	32,048,000
Dividend payout ratio	10.4%	17.2%	13.1%	20.5%	11.2%
Share price at year-end(Yen) ^{note3}	2,013	1,893	1,675	1,875	1,655
Market cap at year-end(Millions of yen)	64,496	60,650	53,680	60,090	53,039
Price book-value ratio(PBR)at year-end	1.98	1.66	1.29	1.37	1.05
Price earnings ratio(PER)at year-end	9.30	13.05	8.78	15.40	7.41
EBITDA(Millions of Yen) ^{note4}	15,615	14,237	17,127	14,525	15,491
EV/EBITDA(Times) ^{note4}	6.5	9.0	6.6	7.7	6.1
Number of employees(persons) ^{note5}	4,163	4,600	4,876	5,110	5,715
Sales per employee(Thousand of yen)	53,544	51,002	50,923	49,206	46,985

Note1 : Return on assets = Profit attributable to owners of parent/Total assets(During the period average)

Note2 : Return on equity = Profit attributable to owners of parent/Shareholder's equity(During the period average)

Note3 : Nihon Chouzai conducted a 2-for-1 stock split effective on Apr.1, 2020. Per-share figures for FY3/2016 to FY3/2020 is adjusted to reflect the stock split.

Note4 : EBITDA = Operating profit/loss+Depreciation+Amortization of goodwill, EV = Market cap at the end of each period+Net interest-bearing debt

Note5 : Including part-time employees and others(yearly average number of persons employed based on 8-hour conversion)

3. Dispensing Pharmacy Business

	2016/3	2017/3	2018/3	2019/3	2020/3
No.of pharmacies opened	27	42	36	32	65
Including M&A	5	21	13	6	30
No.of pharmacies at the end of each period	527	557	585	598	650
Net sales of dispensing pharmacy business (Millions of yen)	190,874	189,327	205,192	208,622	231,001
Sales per Pharmacy (Millions of yen)	367	349	359	352	370
No.of prescription (thousands)	12,301	12,949	13,739	14,192	14,704
Unit prices of prescription (yen)	15,297	14,382	14,739	14,458	15,479

4. Consolidated Balance Sheet

(Millions of yen)

(As of the end of the period)	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Assets						
Current assets						
Cash and deposits	13,952	32,385	21,200	28,464	29,749	32,254
Notes receivable - trade	321	197	73	213	134	181
Accounts receivable - trade	20,001	25,839	26,698	19,902	16,249	20,587
Electronically recorded monetary claims - operating	1,091	774	872	1,115	1,465	1,080
Merchandise and finished goods	15,911	15,328	21,455	20,873	22,272	22,988
Work in process	1,377	1,993	2,509	1,304	1,173	1,541
Raw materials and supplies	3,778	4,695	5,550	6,047	6,020	5,431
Deferred tax assets	1,138	1,447	1,262	1,508	—	—
Other	2,534	2,187	2,713	3,698	3,071	3,354
Allowance for doubtful accounts	(10)	(10)	(7)	(6)	(5)	(6)
Total current assets	60,096	84,838	82,327	83,121	80,132	87,414
Non-current assets						
Property, plant and equipment						
Buildings and structures	32,136	36,733	39,675	53,483	52,956	54,016
Accumulated depreciation	(13,487)	(15,196)	(17,372)	(19,064)	(20,582)	(23,093)
Buildings and structures, net	18,648	21,537	22,303	34,418	32,374	30,922
Machinery, equipment and vehicles	6,405	7,862	12,690	14,129	19,246	20,987
Accumulated depreciation	(1,531)	(2,007)	(2,649)	(3,543)	(4,539)	(5,902)
Machinery, equipment and vehicles, net	4,874	5,855	10,040	10,585	14,707	15,084
Land	17,043	17,188	18,016	19,357	16,961	14,653
Leased assets	1,724	2,943	2,995	2,943	2,888	2,883
Accumulated depreciation	(871)	(1,233)	(1,582)	(1,858)	(2,094)	(2,228)
Leased assets, net	853	1,710	1,413	1,084	794	655
Construction in progress	4,798	2,807	13,521	6,750	1,133	967
Other	10,394	11,765	13,564	14,816	16,399	18,422
Accumulated depreciation	(7,792)	(8,867)	(10,346)	(11,352)	(12,564)	(14,624)
Other, net	2,601	2,898	3,217	3,464	3,835	3,798
Total property, plant and equipment	48,819	51,997	68,513	75,662	69,806	66,082
Intangible assets						
Goodwill	8,661	8,507	14,605	15,418	14,552	16,994
Other	1,714	1,615	2,167	2,534	2,353	2,431
Total intangible assets	10,376	10,122	16,773	17,952	16,906	19,425
Investments and other assets						
Investment securities	1,153	945	1,039	20	17	16
Long-term loans receivable	975	886	817	738	687	703
Leasehold and guarantee deposits	6,990	6,932	7,072	7,049	7,357	7,765
Deferred tax assets	495	647	587	786	2,610	3,090
Other	1,233	1,239	1,216	1,242	1,160	1,052
Total investments and other assets	10,848	10,650	10,733	9,837	11,833	12,628
Total non-current assets	70,044	72,770	96,019	103,452	98,545	98,137
Total assets	130,141	157,609	178,347	186,573	178,677	185,551

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	2016/3	2017/3	2018/3	2019/3	2020/3
Liabilities						
Current liabilities						
Accounts payable - trade	31,306	41,989	38,909	36,203	37,274	42,659
Electronically recorded obligations - operating	2,086	2,664	2,124	3,770	3,081	3,131
Short-term borrowings	5,100	—	—	—	—	100
Current portion of bonds	—	7,000	—	—	—	—
Current portion of long-term borrowings	6,069	5,963	13,411	15,309	16,143	9,406
Lease obligations	421	400	390	311	261	82
Income taxes payable	1,625	2,745	1,537	3,040	1,478	4,132
Provision for bonuses	2,080	2,249	2,547	2,775	3,023	3,318
Provision for bonuses for directors (and other officers)	98	138	117	137	86	76
Provision for sales rebates	130	—	—	—	—	—
Asset retirement obligations	9	7	9	4	10	9
Other	4,546	5,826	7,257	8,759	7,739	7,191
Total current liabilities	53,474	68,985	66,305	70,310	69,100	70,107
Non-current liabilities						
Long-term borrowings	46,184	50,621	70,678	68,372	62,470	62,963
Bonds payable	7,000	—	—	—	—	—
Lease obligations	1,648	1,337	1,002	697	436	479
Long-term accounts payable - installment purchase	1,471	1,040	609	1,991	1,349	886
Provision for retirement benefits for directors (and other officers)	886	957	949	1,048	1,093	474
Retirement benefit liability	917	1,157	1,294	1,503	1,695	1,957
Asset retirement obligations	682	723	760	821	1,145	1,289
Other	240	312	298	320	313	318
Total non-current liabilities	59,031	56,151	75,595	74,756	68,504	68,370
Total liabilities	112,505	125,136	141,900	145,066	137,604	138,478
Net assets						
Shareholders' equity						
Share capital	3,953	3,953	3,953	3,953	3,953	3,953
Capital surplus	4,754	10,926	10,926	10,926	10,926	10,926
Retained earnings	11,868	17,672	21,511	26,816	29,815	35,762
Treasury shares	(3,059)	(44)	(46)	(47)	(3,498)	(3,499)
Total shareholders' equity	17,515	32,507	36,345	41,648	41,196	47,143
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	333	196	263	0	0	—
Remeasurements of defined benefit plans	(213)	(231)	(161)	(144)	(127)	(70)
Total accumulated other comprehensive income	119	(34)	101	(144)	(127)	(70)
Non-controlling interests						
—	—	—	—	2	4	—
Total net assets	17,635	32,473	36,447	41,506	41,073	47,072
Total liabilities and net assets	130,141	157,609	178,347	186,573	178,677	185,551

Note: The amounts for the previous fiscal years in this materials do not reflect the revisions of the accounting standards.

5. Consolidated Statement of Income

	(Millions of yen)					
(For the Six-month Period)	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Net sales	181,844	219,239	223,468	241,274	245,687	268,520
Cost of sales	149,915	180,171	184,210	197,437	203,711	222,147
Gross profit	31,929	39,068	39,258	43,837	41,975	46,372
Selling, general and administrative expenses	25,281	28,578	30,738	33,250	35,242	38,779
Operating profit	6,647	10,489	8,519	10,587	6,733	7,593
Non-operating income						
Interest income	3	6	1	0	0	0
Commission income	122	137	144	151	50	41
Rental income	338	378	404	436	430	426
Compensation income	42	—	—	—	—	80
Insurance claim income	—	—	—	—	—	88
Subsidy income	—	—	—	—	—	75
Insurance return	—	—	75	—	—	—
Other	186	217	157	193	178	165
Total non-operating income	693	740	783	781	659	878
Non-operating expenses						
Interest expenses	811	790	687	635	525	364
Commission expenses	30	45	37	44	13	20
Rent expenses	243	294	322	328	355	336
Loss on retirement of non-current assets	55	35	113	45	221	98
Other	197	185	164	175	198	246
Total non-operating expenses	1,337	1,351	1,326	1,230	1,315	1,066
Ordinary profit	6,003	9,878	7,976	10,138	6,077	7,405
Extraordinary income	0	0	0	0	0	0
Gain on sales of non-current assets	5	22	28	0	231	6,662
Gain on sales of investment securities	—	—	0	360	8	—
Gain on sale of businesses	—	—	—	48	1,092	34
Reversal of provision for retirement benefits for directors (and other officers)	—	—	—	—	—	634
Total extraordinary income	5	22	28	408	1,332	7,332
Extraordinary losses						
Loss on abandonment of non-current assets	—	—	—	—	—	187
Loss on sales of non-current assets	—	—	6	10	24	1
Impairment loss	239	219	171	491	607	2,663
Retirement benefit expenses	238	—	—	—	—	—
Loss on sales of investment securities	—	—	—	—	—	0
Total extraordinary losses	477	219	177	501	632	2,852
Profit before income taxes	5,531	9,681	7,827	10,045	6,777	11,885
Income taxes - current	2,705	3,720	3,024	4,272	3,308	5,544
Income taxes - deferred	47	(368)	164	(331)	(324)	(357)
Total income taxes	2,752	3,352	3,188	3,940	2,984	5,186
Profit ^{note}	2,778	6,329	4,638	6,104	3,792	6,698
Profit (loss) attributable to non-controlling interests ^{note}	—	—	—	—	2	1
Profit attributable to owners of parent ^{note}	2,778	6,329	4,638	6,104	3,790	6,697

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.

6. Consolidated Statement of Cash Flows

(Millions of yen)

(Fiscal years ended)	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Consolidated Statement of Cash Flows						
Profit before income taxes	5,531	9,681	7,827	10,045	6,777	11,885
Depreciation	3,631	4,461	4,741	5,214	6,304	6,316
Amortization of long-term prepaid expenses	106	107	104	126	160	169
Impairment loss	239	219	171	491	607	2,663
Amortization of goodwill	644	663	976	1,326	1,487	1,581
Increase (decrease) in allowance for doubtful accounts	1	(0)	(9)	(3)	(0)	0
Increase (decrease) in provision for bonuses	286	167	279	225	245	283
Increase (decrease) in provision for allowance for sales discount	28	(130)	—	—	—	—
Increase (decrease) in provision for bonuses for directors (and other officers)	23	40	(21)	20	(50)	(10)
Increase (decrease) in retirement benefit liability	490	223	118	202	188	122
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(21)	70	(7)	98	45	(726)
Interest and dividend income	(24)	(27)	(22)	(21)	(2)	(0)
Interest expenses	811	790	687	635	525	364
Loss (gain) on sales of non-current assets	(5)	(22)	(22)	10	(206)	(6,661)
Loss (gain) on sales of investment securities	—	—	(0)	(360)	(8)	0
Loss (gain) on sale of businesses	—	—	—	(48)	(1,092)	(34)
Decrease (increase) in trade receivables	(2,748)	(5,339)	(46)	6,691	3,485	(2,902)
Decrease (increase) in inventories	(4,545)	(881)	(7,005)	1,442	(1,314)	74
Increase (decrease) in trade payables	4,422	11,212	(4,135)	(1,399)	342	3,486
Decrease (increase) in prepaid expenses	(85)	(7)	(84)	(111)	(74)	(149)
Increase (decrease) in accrued expenses	219	265	132	324	(82)	(51)
Decrease (increase) in accounts receivable - other	—	—	—	—	998	422
Increase (decrease) in accounts payable - other	(547)	853	758	390	(791)	(225)
Other, net	761	441	(349)	1,198	1,460	6
Subtotal	9,220	22,787	4,093	26,500	19,004	16,615
Interest and dividends received	24	27	22	21	2	0
Interest paid	(822)	(792)	(702)	(623)	(525)	(377)
Income taxes paid	(2,591)	(2,695)	(4,354)	(2,756)	(4,908)	(3,046)
Net cash provided by (used in) operating activities	5,831	19,327	(940)	23,141	13,572	13,192
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	(5,808)	(6,880)	(20,222)	(12,076)	(5,303)	(5,624)
Proceeds from sales of property, plant and equipment	8	25	72	46	1,723	9,644
Purchase of intangible assets	(246)	(243)	(926)	(656)	(591)	(606)
Proceeds from sales of investment securities	—	—	2	999	10	0
Increase in long-term prepaid expenses	(162)	(104)	(231)	(95)	(123)	(92)
Payments for transfer of business	(2,330)	(454)	(1,713)	(585)	(368)	(771)
Proceeds from transfer of business	—	—	—	114	4,093	52
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(226)	(4,899)	(1,126)	(785)	(5,057)
Payments for loans receivable	(121)	(16)	(443)	(448)	(92)	(76)
Collection of loans receivable	130	115	103	88	85	85
Payments for lease and guarantee deposits	(336)	(256)	(385)	(251)	(699)	(626)
Proceeds from collection of lease and guarantee deposits	149	160	134	172	281	302
Other, net	35	(19)	59	(25)	(0)	37
Net cash provided by (used in) investing activities	(8,437)	(7,823)	(28,444)	(13,843)	(1,770)	(2,731)

	(Millions of yen)					
(Fiscal years ended)	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Cash flows from financing activities						
Net increase (decrease) in short-term loans payable	(2,650)	(5,100)	(236)	—	—	100
Proceeds from long-term loans payable	17,300	10,400	33,600	13,000	10,625	9,900
Repayments of long-term loans payable	(4,101)	(6,069)	(6,509)	(13,408)	(15,694)	(16,261)
Redemption of bonds	(7,000)	—	(7,000)	—	—	—
Repayments of lease obligations	(434)	(430)	(412)	(391)	(311)	(266)
Repayments of installment payables	(252)	(431)	(431)	(433)	(893)	(677)
Proceeds from sales of treasury shares	85	—	—	—	—	—
Proceeds from disposal of treasury shares	—	9,194	—	—	—	—
Purchase of treasury shares	(1,019)	(6)	(1)	(1)	(3,451)	(0)
Cash dividends paid	(504)	(524)	(802)	(799)	(791)	(749)
Net cash provided by (used in) financing activities	1,422	7,031	18,205	(2,034)	(10,516)	(7,955)
Net increase (decrease) in cash and cash equivalents	(1,183)	18,535	(11,180)	7,264	1,284	2,505
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	13,844	32,380	21,200	28,464	29,749	32,254

7. Business Segment Performance

	(Millions of yen)					
	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Dispensing pharmacy business						
Net sales	157,999	190,874	189,327	205,192	208,622	231,001
Segment profit	7,698	10,707	9,560	12,411	8,707	9,785
Segment assets	71,103	95,198	94,235	93,088	91,220	103,010
Depreciation	1,992	2,107	2,154	2,194	2,338	2,267
Amortization of goodwill	546	565	878	1,228	1,389	1,483
Impairment loss	239	219	171	347	607	2,390
Increase in property, plant and equipment and intangible assets	3,285	4,046	4,238	4,679	3,215	8,997
Pharmaceutical manufacturing and sales business						
Net sales	27,550	32,598	36,821	38,066	40,659	43,072
Segment profit	1,888	2,668	1,719	1,194	1,885	1,301
Segment assets	50,666	54,065	75,551	84,465	77,237	75,334
Depreciation	1,257	2,003	2,222	2,677	3,589	3,639
Amortization of goodwill	97	97	97	97	97	97
Impairment loss	—	—	—	143	—	272
Increase in property, plant and equipment and intangible assets	8,712	3,663	18,742	10,245	1,582	2,069
Medical Professional Staffing and Placement Business						
Net sales	6,554	8,934	10,500	11,970	13,083	12,721
Segment profit	1,266	1,599	1,710	1,842	1,478	1,851
Segment assets	2,103	2,285	2,335	3,828	4,696	4,373
Depreciation	49	39	25	33	51	74
Amortization of goodwill	—	—	—	—	—	—
Impairment loss	—	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	27	30	45	89	291	84

8. Capital investment ・ Depreciation ・ R&D expenses

(Millions of yen)

	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Capital investment	12,279	8,073	23,344	15,316	5,254	12,025
Depreciation	3,631	4,461	4,741	5,214	6,304	6,316
Amortization of long-term prepaid expenses	106	107	104	126	160	169
Amortization of goodwill	644	663	976	1,326	1,487	1,581
Goodwill balance	8,661	8,507	14,605	15,418	14,552	16,994
Impairment loss	239	219	171	491	607	2,663
R&D expenses	1,767	1,913	2,388	2,784	2,764	2,991

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(As of April 1,2020)	32,048,000 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 31,2020)	5,715
Number of pharmacies(As of March 31,2020)	650 pharmacies (including one pharmacy specializing in the sale of general merchandise)

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