

Results of Operations for the First Half of the Fiscal Year Ending March 31, 2012

November 9, 2011

[Cautionary statements]

These materials are reference materials for the Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2012, which were issued on October 31, 2011, and have been drafted to provide additional explanation of the business performance in the consolidated first half under review. Forecasts of future performances of Nihon Chouzai Co., Ltd. and its subsidiaries presented herein, as well as business plans and information on business development, are based on information available to the Company's management at the time these materials were prepared, and may be subject to pronounced changes, reflecting business risks and other uncertain factors. Actual results may differ from these forecasts for a number of reasons. These materials are not intended to solicit investment in the securities involved. Investors are requested to base their investment decisions on their own judgment.



NIHON CHOUZAI Co., Ltd.

(Stock code: 3341)

I . Results for the 1H FY3/12

Higher sales and earnings in the fiscal year's first half (April-September)

Net sales	62.5 billion yen (up 16.7% year-on-year)
Operating income	3.00 billion yen (up 55.8% year-on-year)
Ordinary income	2.70 billion yen (up 57.7% year-on-year)
Net income	1.17 billion yen (up 94.4% year-on-year)

● Strong performance by the dispensing pharmacy business

- Big increase in sales because of higher unit prices for prescriptions at existing pharmacies and due to full contribution of pharmacies opened in the previous fiscal year
- 22 pharmacies were opened during the first half, including one by Yurin Co., Ltd., which became a subsidiary in April 2011.
- Preparations are under way to open pharmacies in the second half

● Pharmaceutical manufacturing and sales business

- Small increase in sales because of aggressive sales activities as there was no progress with measures to increase the use of generic drugs
- Operating loss due to depreciation at Tsukuba plant and other factors, but the second quarter loss was smaller

● Medical Professional Staffing and Placement Business

- Big increases in sales and earnings, mainly for the core pharmacist staffing and placement business

Big increases in sales and earnings due to absence of NHI revisions in prescription dispensing fees

(Millions of yen)

	1H FY3/11	1H FY3/12	Difference	YoY growth rate
Net sales	53,578	62,507	8,929	16.7%
Cost of sales	44,583	51,616	7,033	15.8%
Gross profit	8,995	10,891	1,896	21.1%
SG & A expenses	7,067	7,886	819	11.6%
Operating income	1,928	3,004	1,076	55.8%
Ordinary income	1,712	2,701	988	57.7%
Net income	602	1,171	568	94.4%

FY3/12 Forecasts *	Achievement ratio
136,747	45.7%
114,092	45.2%
22,655	48.1%
16,078	49.1%
6,576	45.7%
6,151	43.9%
2,887	40.6%

* Revised forecasts announced on July 12, 2011

**Much higher sales in the dispensing pharmacy business;
External sales higher in the pharmaceutical manufacturing
and sales business;
Medical professional staffing and placement business
continued to perform well.**

(Millions of yen)

	1H FY3/11	Comp.	1H FY3/12	Comp.	Difference	YoY growth rate
Net sales	53,578	100.0%	62,507	100.0%	8,929	16.7%
Dispensing pharmacy business	50,984	95.2%	59,519	95.2%	8,534	16.7%
Non-prescription drugs	733	1.4%	913	1.5%	180	24.6%
Pharmaceutical manufacturing and sales business	1,511	2.8%	1,706	2.7%	195	12.9%
Medical professional staffing and placement business	1,083	2.0%	1,281	2.1%	198	18.4%
Cost of sales	44,583	83.2%	51,616	82.6%	7,033	15.8%
Gross profit	8,995	16.8%	10,891	17.4%	1,896	21.1%

* Inter-segment transactions have been eliminated.

**Expenses include rent paid prior to opening of new pharmacies.
R&D expenses for generic drugs continue to increase.**

(Millions of yen)

	1H FY3/11	Comp.	1H FY3/12	Comp.	Difference	YoY growth rate
Gross profit	8,995	16.8%	10,891	17.4%	1,896	21.1%
SG&A expenses	7,067	13.2%	7,886	12.6%	819	11.6%
(Salaries and allowances)	1,178	2.2%	1,222	2.0%	44	3.8%
(Rents)	694	1.3%	783	1.3%	88	12.8%
(Consumption taxes)	2,068	3.9%	2,306	3.7%	237	11.5%
(R&D expenses)	457	0.9%	617	1.0%	159	34.7%
Operating income	1,928	3.6%	3,004	4.8%	1,076	55.8%

Major components

- [SG&A expenses]
- Rents
(new pharmacies prior to opening)
- Consumption taxes
(due to increased purchases)
- R&D expenses
(increased activities to develop new generic drugs)

* "Comp." percentages are relative to sales.

(Millions of yen)

	End of March 2011	End of September 2011	Difference
Current assets	28,920	41,467	12,547
Noncurrent assets	43,781	45,454	1,673
Property, plant and equipment	25,465	26,590	1,125
Intangible assets	9,947	9,938	(8)
Investments and other assets	8,368	8,925	557
Total assets	72,701	86,922	14,221
Current liabilities	38,399	37,578	(820)
Noncurrent liabilities	21,522	35,507	13,985
Total liabilities	59,921	73,085	13,164
Total net assets	12,780	13,836	1,056

Major components

[Current assets]	
- Cash and deposits	+9,925
- Accounts receivable-trade	+1,249
- Merchandise and finished goods	+1,037
[Noncurrent assets]	
- Buildings and structures	+411
- Land	+190
- Lease and guarantee deposits	+634
[Current liabilities]	
- Accounts payable-trade	+2,765
- Current portion of long-term loans payable	-4,419
[Noncurrent liabilities]	
- Bonds payable	+14,000
[Net assets]	
- Retained earnings	+957

(Millions of yen)

	1H FY3/11 (Results)	1H FY3/12 (Results)	FY3/11 (Results)
Net cash provided by operating activities	3,341	3,634	6,723
Net cash used in investing activities	(5,303)	(3,031)	(8,269)
Net cash provided by financing activities	2,049	9,327	1,109
Net increase (decrease) in cash and cash equivalents	87	9,930	(435)
Cash and cash equivalents at beginning of period	7,636	7,200	7,636
Cash and cash equivalents at end of period	7,724	17,131	7,200

Major components

[Net cash provided by operating activities]	
-Income before income taxes	
	+2,619
-Depreciation and amortization	+1,284
-Increase in notes and accounts receivable-trade	-1,186
	-1,186
-Increase in inventories	-1,057
-Increase in notes and accounts payable-trade	+2,670
-Income taxes paid	-1,244
[Net cash used in investing activities]	
-Purchase of property, plant and equipment	-1,811
	-1,811
-Purchase of intangible assets	-179
-Payments for lease and guarantee deposits	-745
	-745
[Net cash provided by financing activities]	
-Repayment of long-term loans payable	-6,090
-Proceeds from issuance of bonds	+14,000

Nihon Chouzai continues to open many new pharmacies! 22 pharmacies were added during the first half (21 new stores and one from an acquisition).

**Examples of outlets
opened in the first half**



**Kimachidori Pharmacy
(Sendai City, Miyagi pref.)**



**Okadai-mae Pharmacy
(Okayama City, Okayama pref.)**



**Kawaguchi Higashi Pharmacy
(Kawaguchi City, Saitama pref.)**



**Hita Pharmacy
(Hita City, Oita pref.)**



**Nagata-cho Pharmacy
(Chiyoda Ward, Tokyo)**



**Tsubakimori Pharmacy
(Chiba City, Chiba pref.)**

First half pharmacies opened in the dispensing pharmacy business

	No. of directly operated pharmacies	pharmacies opened	Pharmacies closed	No. of pharmacies operated by subsidiaries	Total count for region	Total count for region at end of March 2011
Hokkaido	37	0	0	2	39	39
Tohoku	35	1	0	0	35	34
Kanto, Koshinetsu	161	18	0	21 (1)	182	163
Tokai	25	0	0	0	25	25
Kansai, Hokuriku	37	0	0	1	38	38
Chugoku	16	1	0	0	16	15
Shikoku	9	0	0	0	9	9
Kyushu	18	1	0	0	18	17
Total	338	21	0	24 (1)	362	340

(As of September 30, 2011, numbers in parentheses for subsidiaries are pharmacies opened in this first half)

Existing pharmacy sales up 9.2%; Prescription unit prices continue to climb.

[Nihon Chouzai (parent) Store sales by year of opening]

(Millions of yen)

	No. of pharmacies	1H FY3/11	1H FY3/12	Difference	YoY growth rate
Existing pharmacies (- Mar. 2010)	275	47,205	51,549	4,343	9.2%
Opened FY3/11 *1 (Apr. 2010 - Mar. 2011)	42	492	4,184	3,691	748.9%
Opened 1H FY3/12 (Apr. 2011 - Sep. 2011)	21	-	391	391	-
Others	-	218	0	(218)	-
Total *2	338	47,917	56,125	8,207	17.1%

*1. 5 outlets formerly operated by IK Pharmacy Co., Ltd. (merged on October 1, 2010) are included in openings FY3/11.

*2. Total number of outlets does not include stores closed or operated by subsidiaries.

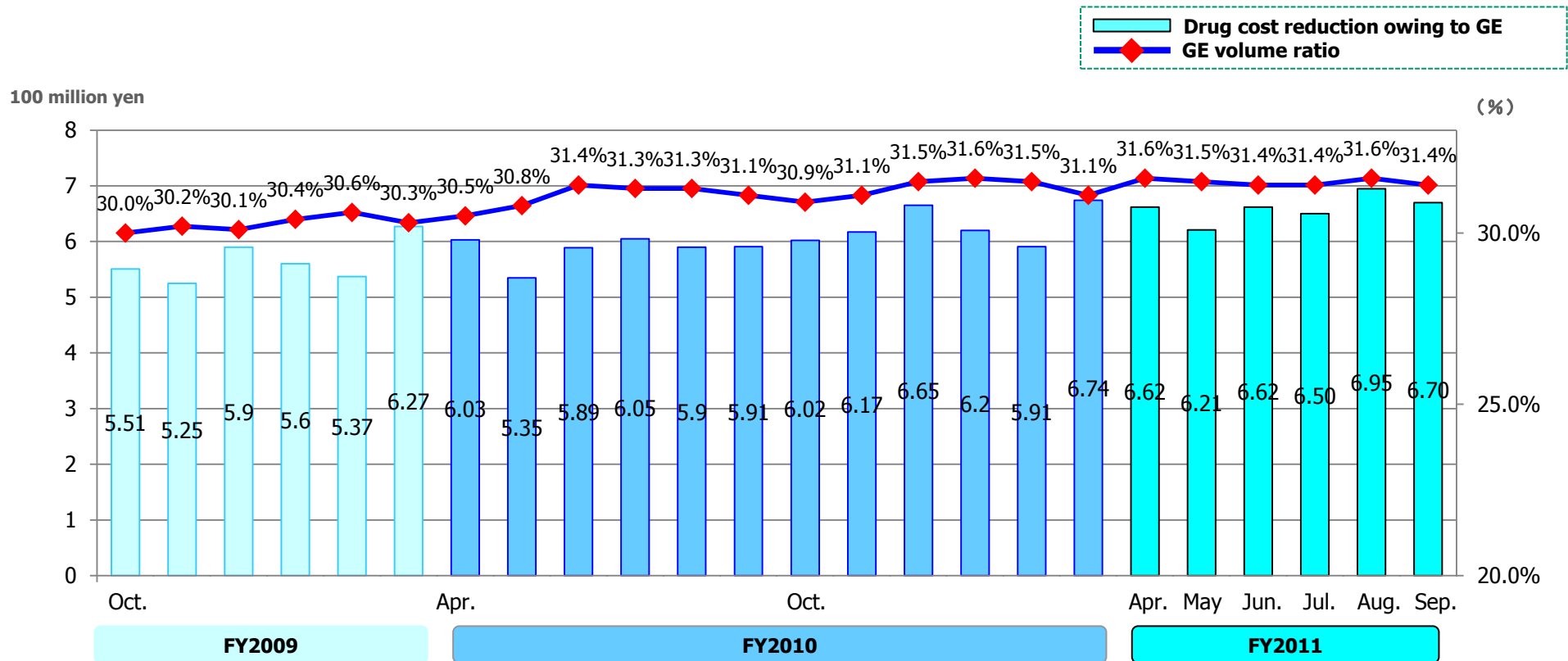
(Thousands)

	1H FY3/11	1H FY3/12	YoY (%)
	No. of prescriptions (Composition)	No. of prescriptions (Composition)	
Hokkaido	509 (11.6%)	500 (10.4%)	98.2
Tohoku	493 (11.2%)	479 (10.0%)	97.1
Kanto, Koshinetsu	2,070 (47.1%)	2,414 (50.2%)	116.6
Tokai	276 (6.3%)	280 (5.8%)	101.3
Kansai, Hokuriku	549 (12.5%)	604 (12.6%)	110.1
Chugoku	235 (5.4%)	236 (4.9%)	100.5
Shikoku	88 (2.0%)	89 (1.9%)	101.6
Kyushu	170 (3.9%)	201 (4.2%)	118.7
Total	4,394 (100.0%)	4,808 (100.0%)	109.4

Total dispensing pharmacy business (including subsidiaries based on a consolidated basis)

The sales volume ratio of generic drugs dispensed at Nihon Chouzai is flat.

Nihon Chouzai's Promotion of Generic Drugs (volume basis, value)



Nihon Generic Co., Ltd.

Sales increased 9.7% despite delays in some drugs that were to be listed in May.

Profitability improved in the second quarter (operating loss: 176 million yen in the first quarter down to 106 million yen in the second quarter).

(Millions of yen)

	1H FY3/11	1H FY3/12	Difference	YoY growth rate
Net sales (before consolidation adjustments)	3,530	3,871	340	9.7%
Operating income	(57)	(282)	(225)	-

Medical Resources Co., Ltd.

Big increases in sales and earnings due mainly to a strong performance by the core pharmacist staffing and placement services business

(Millions of yen)

	1H FY3/11	1H FY3/12	Difference	YoY growth rate
Net sales (before consolidation adjustments)	1,290	1,570	280	21.8%
Operating income	206	271	64	31.5%

No revision in fiscal year forecast; Expect higher sales and earnings

Consolidated Forecast for the Fiscal Year Ending March 31, 2012
(Revised forecast announced on July 12)

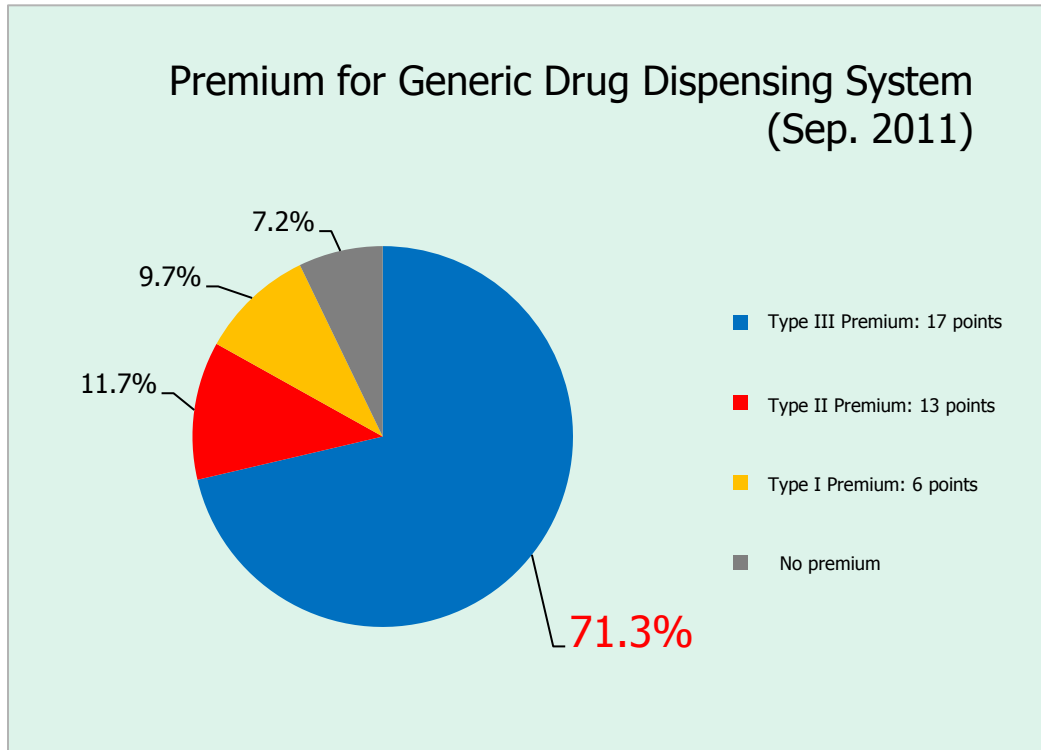
(Millions of yen)

	FY3/11 Results	FY3/12 Forecasts	YoY growth rate
Net sales	112,128	136,747	22.0%
Operating income	4,784	6,576	37.5%
Ordinary income	4,358	6,151	41.1%
Net income	1,821	2,887	58.5%

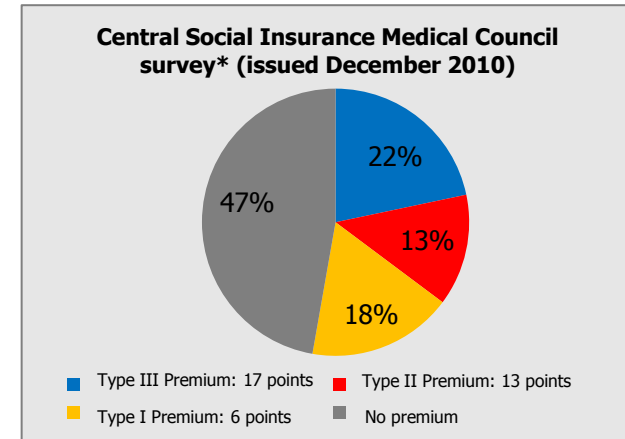
II. Business Development of Nihon Chouzai Group

Premium for Generic Drug Dispensing System

Even as we accelerate the pace of pharmacy openings, **more than 70%** of our stores are qualified for the type III premium (17 points, more than 30% of volume dispensed).



* Pharmacies operating for less than three months are not included because these pharmacies are not eligible for this premium.



Summary of the Results of the Survey on the Use of Generic Drugs FY2010

Premium for Generic Drug Dispensing System

Type I	Higher than 20%	(6 points)
Type II	Higher than 25%	(13 points)
Type III	Higher than 30%	(17 points)

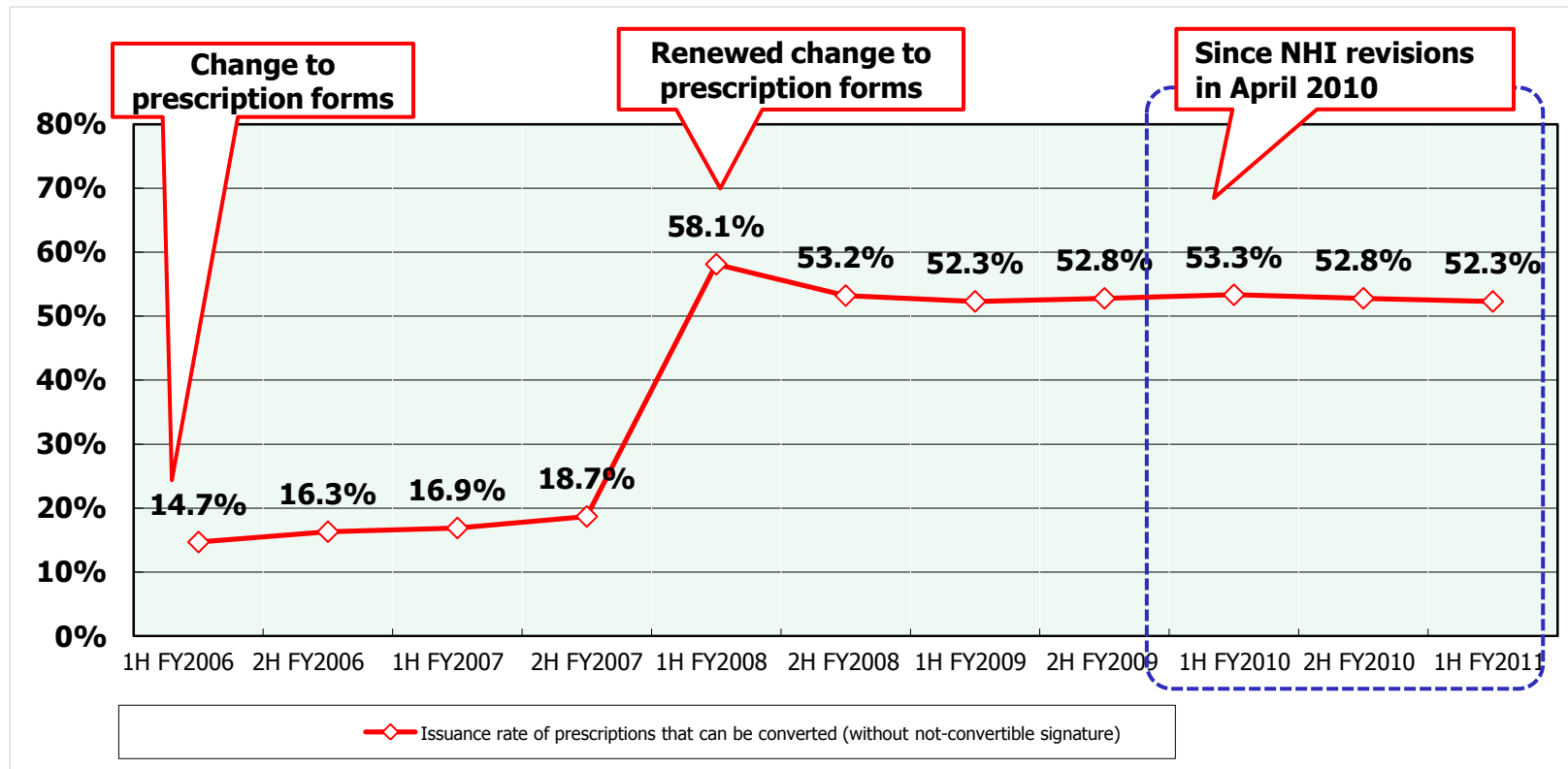
(Per prescription)

Facility evaluation standard: Share of generic drugs, as a percentage of total dispensed drugs in the most recent three-month period, should be higher than the percentages stated above for the respective type.

Ratio of prescriptions convertible to generic drugs remains unchanged.

Prescriptions that cannot be converted to generic drugs are a major obstacle to increasing the use of generic drugs.

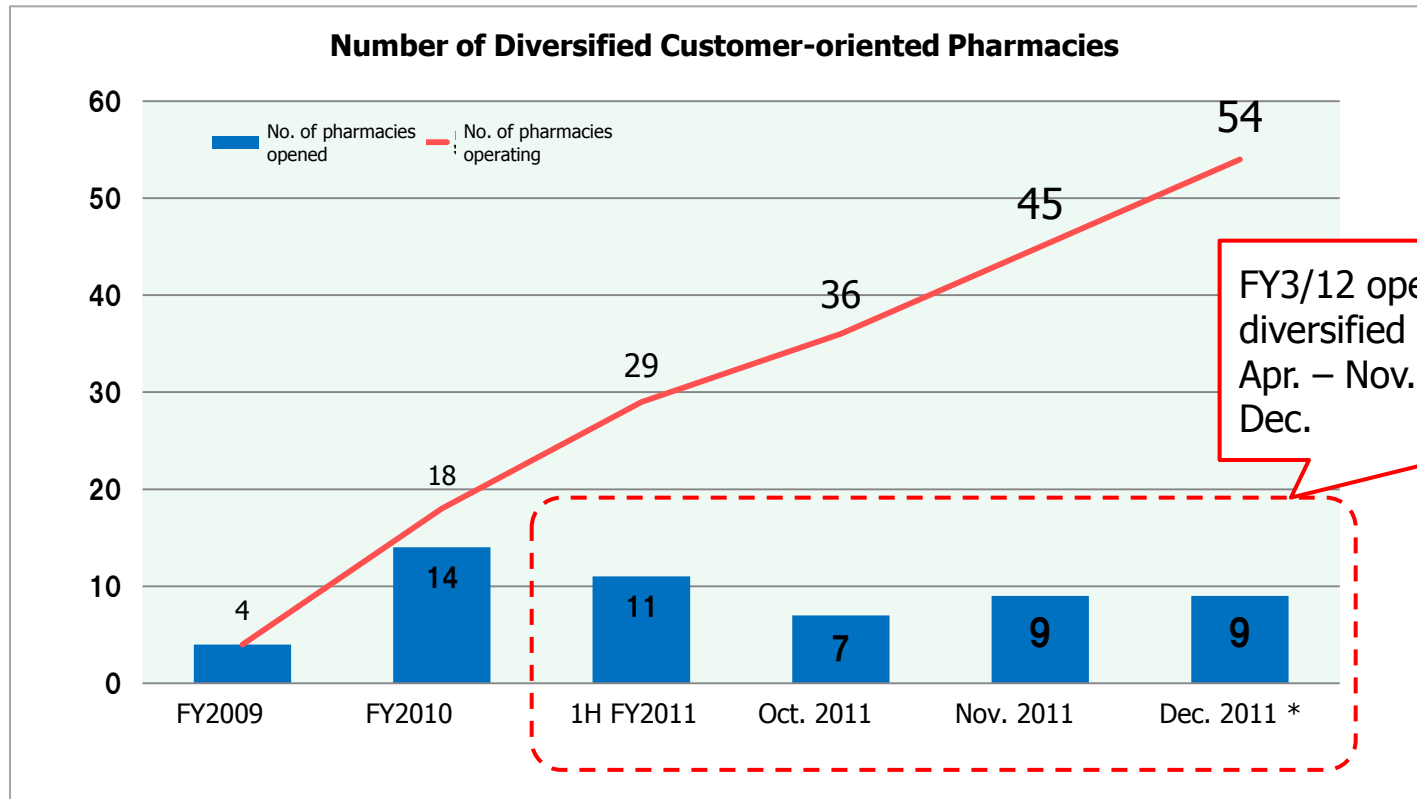
Pct. of prescriptions that can be converted to generic drugs (from Nihon Chouzai prescription data; volume basis, six-month average)



Reference: Convertible prescriptions are prescriptions where there is no instruction not to change to generic drugs.

The full-scale launch of diversified customer-oriented pharmacies!

We are speeding up the opening of these pharmacies, which are not dependent on a particular medical institution, in the Tokyo metropolitan area and Tokai, Nagoya and Osaka areas.



* December openings are the forecast as of November 9, 2011.

Started opening pharmacies inside and nearby railway stations

In addition to using the downtown and shopping arcade locations, we have started opening pharmacies at railway stations and in locations near stations.

We also plan to open a large number of diversified customer-oriented pharmacies.

Kameari Pharmacy (Opened in Apr. 2011)



Higashi-kanagawa Pharmacy (Opened in May 2011)



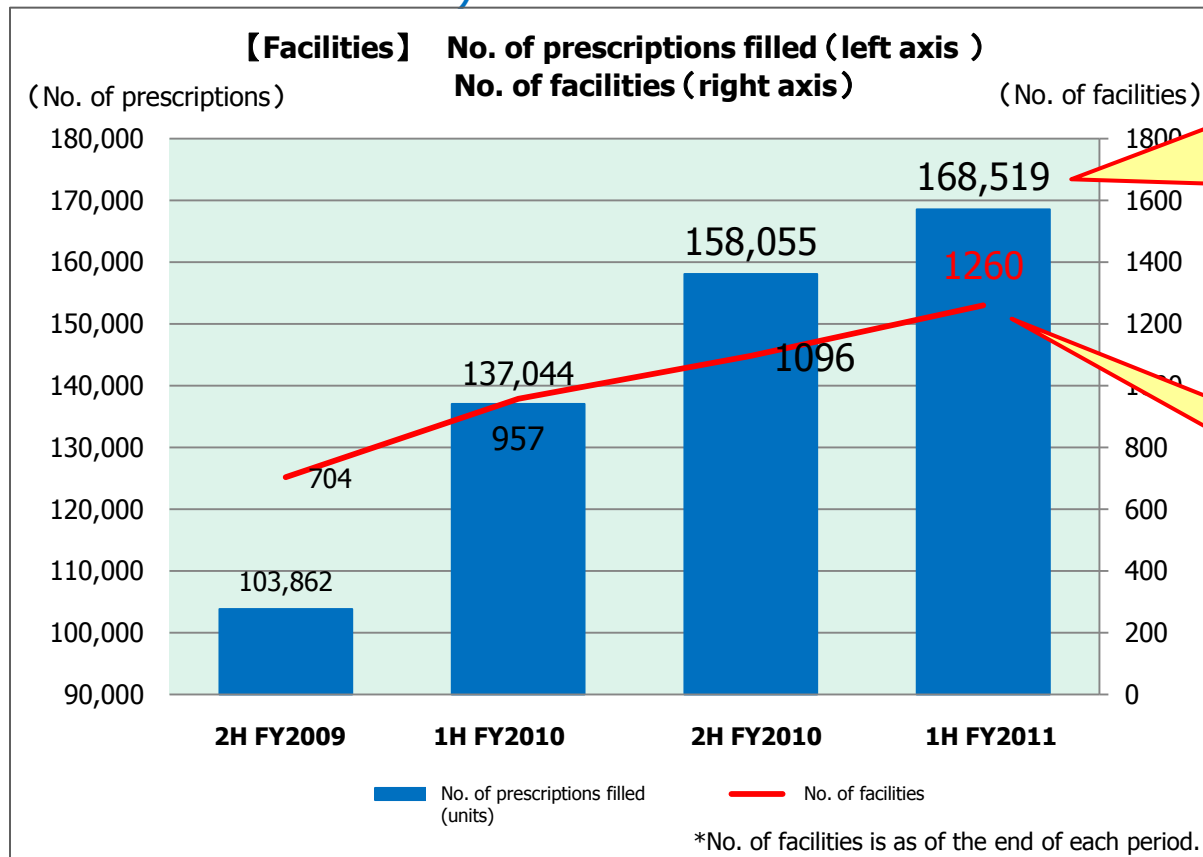
◆ Examples of new pharmacies at or near railway stations

Center-minami Pharmacy (Opened in Sep. 2011)



Medical services for nursing care and elderly care facilities

Earn the trust of care facilities by providing high-quality medical services (primarily assistance for administering drugs and drug distribution services)



【 No. of prescriptions filled 】
 +23% from one year earlier.
 More than 28,000 per month.
 3.5% of all prescriptions filled

【 No. of facilities 】
 More than 1,200.
 Aiming for even more growth

Focusing on at-home medical care including sterile prescription dispensing

In July 2011, we began operating Iwate prefecture's first sterile prescription dispensing room (clean room) at a pharmacy, located at the Morioka-chuo Pharmacy (Uchimaru, Morioka City).

- ◆ Nihon Chouzai's second prescription clean room following the one at the Ikejiri-Ohashi pharmacy (Meguro Ward, Tokyo)
- ◆ Clean rooms supply the sterile drugs required by patients undergoing home medical treatments, particularly home infusion therapy.
- ◆ As the local specialist in pharmaceuticals, Nihon Chouzai is dedicated to working with local health care teams in order to take the actions needed to meet the increasing needs involving sterile prescription dispensing.



What is sterile prescription dispensing?

Sterile environments (clean rooms) are used to prepare high-calorie infusion solutions, opioid injections and drugs for in-home patients to fight cancer.

Performing this task requires a clean room along with the ability to deliver the drugs to patients at their homes. Furthermore, pharmacists must undergo the training needed to prepare sterile injection agents. This explains why many dispensing pharmacies are not yet taking any actions involving the supply of drugs directly to patients at home.

Setting Course for the True Separation of the Roles of Prescribing and Dispensing Services

What needs to be done as the whole country has come to a major turning point?

The Nihon Chouzai Group will use all of its group resources to set the course for the true separation of the roles of prescribing and dispensing services.



Continued support for people's lives, health, and Japan's medical system

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