



July 29, 2016

**Summary of Consolidated Financial Results for the First Quarter  
of the Fiscal Year Ending March 31, 2017  
(Three Months Ended June 30, 2016)**

[Japanese GAAP]

Company name:	NIHON CHOUZAI Co., Ltd.	Listing:	Tokyo Stock Exchange, First Section
Stock code:	3341	URL:	<a href="http://www.nicho.co.jp">http://www.nicho.co.jp</a>
Representative:	Hiroshi Mitsuhashi, President & CEO	Tel:	+81-(0) 3-6810-0800
Contact:	Yoshiki Kamada, Managing Director	Scheduled date of filing of Quarterly Report:	August 12, 2016
Scheduled date of payment of dividend:	-		
Preparation of supplementary materials for quarterly financial results:	Yes		
Holding of quarterly financial results meeting:	None		

Note: The original disclosure in Japanese was released on July 29, 2016 at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017  
(April 1, 2016 – June 30, 2016)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2016	54,476	11.4	1,620	(21.1)	1,545	(18.5)	981	(19.7)
Three months ended Jun. 30, 2015	48,895	13.4	2,052	133.6	1,896	150.8	1,221	316.9

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2016: 971 (down 24.2%)

Three months ended Jun. 30, 2015: 1,281 (up 416.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2016	61.34	-
Three months ended Jun. 30, 2015	87.10	-

\* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2016	163,518	33,044	20.2
As of Mar. 31, 2016	157,609	32,473	20.6

Reference: Shareholders' equity (million yen) As of Jun. 30, 2016: 33,044 As of Mar. 31, 2016: 32,473

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	40.00	-	25.00	-
Fiscal year ending Mar. 31, 2017	-	-	-	-	-
Fiscal year ending Mar. 31, 2017 (forecasts)	-	25.00	-	25.00	50.00

Note: Revisions to the most recently announced dividend forecast: None

\* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. The 2Q-end dividend per share for the fiscal year ended March 31, 2016 is the amount before the stock split.

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	118,321	18.0	4,991	18.4	4,829	22.7	3,086	24.9	193.00
Full year	240,013	9.5	11,165	6.4	10,778	9.1	6,642	4.9	415.27

Note: Revisions to the most recently announced consolidated forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock shares)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Jun. 30, 2016:	16,024,000 shares	As of Mar. 31, 2016:	16,024,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2016:	29,128 shares	As of Mar. 31, 2016:	29,068 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2016:	15,994,905 shares	Three months ended Jun. 30, 2015:	14,022,627 shares
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\* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. The average number of shares outstanding for the three months ended June 30, 2015 has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

**Note 1: Information regarding the implementation of quarterly review procedures**

This summary report is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the quarterly review procedures for the quarterly consolidated financial statements have not been completed.

**Note 2: Cautionary statement with respect to forward-looking statements and other special items**

(1) Note concerning forward-looking statements

Forecasts and other forward-looking statements in this document incorporate risks and uncertainties because these statements are based on Nihon Chouzai's judgments and assumptions using information that is currently available. These materials are not promises by Nihon Chouzai regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

(2) How to view supplementary information about quarterly performance

Supplementary materials for quarterly financial results will be disclosed today (July 29, 2016), using the Timely Disclosure network (TDnet), and also will be available on the Nihon Chouzai website.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first quarter (April to June) of the fiscal year ending on March 31, 2017, revisions were made to prescription dispensing fees and National Health Insurance (NHI) drug prices in April 2016 that affected the pharmaceutical and dispensing pharmacy industries.

The Nihon Chouzai Group's net sales increased 11.4% year on year to 54,476 million yen. Operating income decreased by 21.1% to 1,620 million yen, ordinary income decreased by 18.5% to 1,545 million yen, and profit attributable to owners of parent decreased by 19.7% to 981 million yen for the first quarter.

Results by business segment are as follows.

#### 1) Dispensing Pharmacy Business

In the first quarter of the current fiscal year, Nihon Chouzai opened 11 pharmacies in the dispensing pharmacy business and closed five. Consequently, there were 533 pharmacies (including one pharmacy specializing in the sale of general merchandise) at the end of the first quarter. Sales of this segment rose by 8.5% to 45,912 million yen. Despite the effects of the above revisions, segment sales increased year on year due to contributions from pharmacies opened last year and an year-on-year increase in prescriptions for a hepatitis C drug at large-scale pharmacies. Operating income decreased 26.8% to 1,475 million yen. The major reason for the decline was the biennial review of prescription dispensing fees as well as NHI drug prices, which resulted in lower drug prices and prescription dispensing fees.

The generic drug utilization rate at Nihon Chouzai pharmacies on a volume basis remains above 80.0% since April.

#### 2) Pharmaceutical Manufacturing and Sales Business

In the pharmaceutical manufacturing and sales business, use of generic drugs by medical institutions continued to increase in the first quarter of the current fiscal year because of the revisions to medical treatment fees. At the Nihon Chouzai Group, all companies worked even more closely together. Net sales of this segment rose by 21.9% to 9,387 million yen. Operating income increased sharply by 26.2% to 744 million yen in part because of the higher sales and a number of measures to improve efficiency. Due to the launch of 24 items in June, the number of product items sold in this business segment increased to 600 at the end of the first quarter.

#### 3) Medical Professional Staffing and Placement Business

The demand for staffing and placement services continues to grow as pharmacists have to perform a growing number of tasks. Consequently, this business continued to increase job offers by gaining new customers for staffing and placement services and to secure the number of registered personnel. Sales and earnings remained at a high level as segment sales rose by 24.0% to 2,588 million yen and operating income slightly fell by 0.4% to 440 million yen.

### (2) Explanation of Financial Position

Total assets increased 5,909 million yen, or 3.7%, from the end of March 2016, to 163,518 million yen at the end of June 2016. Current assets were 88,551 million yen, an increase of 3,712 million yen, or 4.4%. This was attributable mainly to increases in merchandise and finished goods. Non-current assets increased 2,196 million yen, or 3.0% to 74,967 million yen. This was attributable mainly to increases in land, buildings and structures.

Total liabilities increased 5,337 million yen, or 4.3% to 130,474 million yen. This was attributable mainly to an increase in short-term loans payable.

Net assets increased 571 million yen, or 1.8% to 33,044 million yen.

### **(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

There are no revisions to the consolidated forecast for the fiscal year ending March 31, 2017 that was announced on April 28, 2016.

## **2. Matters Related to Summary Information (Notes)**

### **(1) Changes in Significant Subsidiaries during the Period**

Not applicable.

### **(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements**

Not applicable.

### **(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements**

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, Nihon Chouzai has adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures (excluding production facilities at factories) acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the quarterly consolidated financial statements for the first quarter is insignificant.

**3. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	First quarter of FY3/17 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	32,385	32,297
Notes receivable-trade	197	73
Accounts receivable-trade	25,839	23,989
Electronically recorded monetary claims-operating	774	987
Merchandise and finished goods	15,328	19,743
Work in process	1,993	2,520
Raw materials and supplies	4,695	5,020
Other	3,635	3,927
Allowance for doubtful accounts	(10)	(8)
Total current assets	84,838	88,551
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,537	22,018
Land	17,188	17,937
Construction in progress	2,807	2,917
Other, net	10,464	11,528
Total property, plant and equipment	51,997	54,402
Intangible assets		
Goodwill	8,507	8,441
Other	1,615	1,591
Total intangible assets	10,122	10,033
Investments and other assets		
Investment securities	945	907
Lease and guarantee deposits	6,932	7,008
Other	2,773	2,616
Total investments and other assets	10,650	10,531
Total non-current assets	72,770	74,967
Total assets	157,609	163,518

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	First quarter of FY3/17 (As of Jun. 30, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	41,989	44,328
Electronically recorded obligations-operating	2,664	2,948
Short-term loans payable	-	3,200
Current portion of bonds	7,000	7,000
Current portion of long-term loans payable	5,963	5,938
Income taxes payable	2,745	886
Provision for bonuses	2,249	1,241
Provision for directors' bonuses	138	-
Provision for sales rebates	-	4
Other	6,234	9,116
<b>Total current liabilities</b>	<b>68,985</b>	<b>74,663</b>
<b>Non-current liabilities</b>		
Long-term loans payable	50,621	50,479
Provision for directors' retirement benefits	957	877
Net defined benefit liability	1,157	1,205
Other	3,414	3,248
<b>Total non-current liabilities</b>	<b>56,151</b>	<b>55,810</b>
<b>Total liabilities</b>	<b>125,136</b>	<b>130,474</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	17,672	18,252
Treasury shares	(44)	(44)
<b>Total shareholders' equity</b>	<b>32,507</b>	<b>33,088</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	196	170
Remeasurements of defined benefit plans	(231)	(214)
<b>Total accumulated other comprehensive income</b>	<b>(34)</b>	<b>(44)</b>
<b>Total net assets</b>	<b>32,473</b>	<b>33,044</b>
<b>Total liabilities and net assets</b>	<b>157,609</b>	<b>163,518</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****(Quarterly Consolidated Statement of Income)****(For the Three-month Period)**

(Millions of yen)

	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)
Net sales	48,895	54,476
Cost of sales	40,136	45,248
Gross profit	8,759	9,228
Selling, general and administrative expenses	6,706	7,607
Operating income	2,052	1,620
Non-operating income		
Commission fee	33	34
Rent income	94	94
Insurance return	-	69
Other	48	46
Total non-operating income	176	246
Non-operating expenses		
Interest expenses	197	186
Commission fee	7	5
Rent expenses	68	75
Other	58	53
Total non-operating expenses	332	320
Ordinary income	1,896	1,545
Extraordinary income		
Gain on sales of non-current assets	-	3
Total extraordinary income	-	3
Profit before income taxes	1,896	1,548
Income taxes-current	1,046	779
Income taxes-deferred	(371)	(212)
Total income taxes	675	567
Profit	1,221	981
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,221	981



**(Quarterly Consolidated Statement of Comprehensive Income)****(For the Three-month Period)**

(Millions of yen)

	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)
Profit	1,221	981
Other comprehensive income		
Valuation difference on available-for-sale securities	47	(26)
Remeasurements of defined benefit plans, net of tax	13	16
Total other comprehensive income	60	(9)
Comprehensive income	1,281	971
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,281	971
Comprehensive income attributable to non-controlling interests	-	-

**(3) Notes to Quarterly Consolidated Financial Statements****Going-concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information****Segment Information**

I. First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)

1. Information related to net sales, profit or loss for each reportable segment (Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	42,320	4,748	1,826	48,895	-	48,895
(2) Inter-segment sales and transfers	1	2,954	260	3,216	(3,216)	-
Total	42,322	7,702	2,087	52,112	(3,216)	48,895
Segment profit (loss)	2,015	589	441	3,046	(994)	2,052

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating income shown on the quarterly consolidated statement of income. The adjustment of -994 million yen to segment profit (loss) includes eliminations of -84 million yen for inter-segment transactions and corporate expenses of -909 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

2. Information related to assets for each reportable segment

Not applicable.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

## II. First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)

## 1. Information related to net sales, profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	45,909	6,130	2,436	54,476	-	54,476
(2) Inter-segment sales and transfers	3	3,257	152	3,412	(3,412)	-
Total	45,912	9,387	2,588	57,889	(3,412)	54,476
Segment profit (loss)	1,475	744	440	2,660	(1,040)	1,620

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating income shown on the quarterly consolidated statement of income. The adjustment of -1,040 million yen to segment profit (loss) includes eliminations of 18 million yen for inter-segment transactions and corporate expenses of -1,058 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

## 2. Information related to assets for each reportable segment

Not applicable.

## 3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

*This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*