



January 29, 2016

**Summary of Consolidated Financial Results for the Third Quarter  
of the Fiscal Year Ending March 31, 2016  
(Nine Months Ended December 31, 2015)**

**[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:	February 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 January 29, 2016 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016  
(April 1, 2015 – December 31, 2015)**

(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	%
Nine months ended Dec. 31, 2015	158,645	18.1	7,353	59.3	6,889	68.0	4,305	91.8
Nine months ended Dec. 31, 2014	134,386	9.2	4,615	26.6	4,100	26.8	2,245	37.7

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2015: 4,385 (up 89.7%)

Nine months ended Dec. 31, 2014: 2,311 (up 63.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2015	303.88	-
Nine months ended Dec. 31, 2014	156.12	-

\* 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 Dec. 31, 2015	158,155	30,682	19.4
As of Mar. 31, 2015	130,141	17,635	13.6

Reference: Shareholders' equity (million yen) As of Dec. 31, 2015: 30,682 As of Mar. 31, 2015: 17,635

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2015	-	35.00	-	35.00	70.00
Fiscal year ending Mar. 31, 2016	-	40.00	-	-	-
Fiscal year ending Mar. 31, 2016 (forecasts)	-	-	-	25.00	-

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 year-end dividend per share forecast for the fiscal year ending March 31, 2016 is adjusted to reflect the stock split.

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015 – March 31, 2016)**

(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
Full year	220,455	21.2	10,742	61.6	9,491	58.1	5,611	102.0	400.17

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

\* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. The net income per share forecast for the fiscal year ending March 31, 2016 has been calculated as if this stock split had taken place at the beginning of the current fiscal year.

**\* 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

Note: Please refer to “Matters Related to Summary Information (Notes)” on page 3 of the attachments for further information.

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

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

As of Dec. 31, 2015:	16,024,000 shares	As of Mar. 31, 2015:	16,024,000 shares
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2) Number of treasury shares at the end of period

As of Dec. 31, 2015:	29,068 shares	As of Mar. 31, 2015:	2,000,888 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2015:	14,169,913 shares	Nine months ended Dec. 31, 2014:	14,382,125 shares
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\* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. Number of shares outstanding at the end of period, number of treasury shares at the end of period and average number of shares outstanding during the period have 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 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 on February 2, using the Timely Disclosure network (TDnet), and also will be available on the Nihon Chouzai website.

**Contents of Attachments**

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Matters Related to Summary Information (Notes)	3
(1) Changes in Significant Subsidiaries during the Period	3
(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	3
(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements	3
3. Quarterly Consolidated Financial Statements	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income	
For the Nine-month Period	7
Quarterly Consolidated Statement of Comprehensive Income	
For the Nine-month Period	8
(3) Notes to Quarterly Consolidated Financial Statements	9
Going-concern Assumption	9
Significant Changes in Shareholders' Equity	9
Segment and Other Information	9

## **1. Qualitative Information on Quarterly Consolidated Financial Performance**

### **(1) Explanation of Results of Operations**

During the first nine months (April to December) of the fiscal year ending March 31, 2016, the Japanese government unveiled specific measures to reduce the growth in social security expenses by announcing the Basic Policy on Economic and Fiscal Management and Reform 2015 in June. In addition, the Ministry of Health, Labour and Welfare announced A Vision for Pharmacies That Put Customers First in October. As a result, there is now a clearly defined direction for the medium to long-term repositioning of dispensing pharmacies to become pharmacies that serve as a base for medicine and health information for communities. Due to these events, the operating environment for pharmaceutical and dispensing pharmacy industries in Japan is about to change significantly.

The Nihon Chouzai Group started implementing a new medium-term management plan in April 2015, which covers the three-year period ending in March 2018. All business units have worked even more closely together to take actions aimed at further expanding the business operations.

Sales and earnings in the first nine months rose to a new all-time high for this period. Sales increased 18.1% year on year to 158,645 million yen, operating income increased by 59.3% to 7,353 million yen, ordinary income increased by 68.0% to 6,889 million yen, and profit attributable to owners of parent increased by 91.8% to 4,305 million yen.

Results by business segment are as follows.

#### **1) Dispensing Pharmacy Business**

In the first nine months of the current fiscal year, Nihon Chouzai opened 23 pharmacies in the dispensing pharmacy business and closed ten. The new pharmacies include three locations in Chiba prefecture for the separation of drug prescribing and dispensing services at a large hospital. These three pharmacies started dispensing prescriptions in July. Consequently, there were 524 pharmacies (including one pharmacy specializing in the sale of general merchandise) at the end of the third quarter. The generic drug utilization rate at Nihon Chouzai pharmacies on a volume basis was 78.1%, and 95.2% of pharmacies that offer at-home medical care services. For the Medication Notebook Plus, an electronic medication notebook developed by Nihon Chouzai, functions were revised and improved in order to provide greater convenience. As a result, the number of registered users was approximately 40,000 at the end of December 2015. Sales of this segment rose by 18.0% to 137,850 million yen. The major reasons for the sales growth were openings of large-scale pharmacies, higher sales at existing pharmacies and an increase in prescriptions for a hepatitis C drug. Operating income increased 31.9% to 7,147 million yen. Earnings benefited from the sales growth and various cost-cutting measures. There was also an increase in prescription dispensing fees resulting from the promotion of the use of generic drugs and the strengthening of at-home medical care.

#### **2) Pharmaceutical Manufacturing and Sales Business**

In the pharmaceutical manufacturing and sales business, use of generic drugs by large hospitals and other medical institutions continued to increase in the first nine months of the current fiscal year. The main reason is even more initiatives to promote the use of generic drugs as the Japanese government announced the target of raising to at least 80% the volume-based share of generic drugs by sometime between fiscal 2018 and the end of fiscal 2020, preferably as soon as possible. At the Nihon Chouzai Group, all companies worked even more closely together. Net sales of this segment rose 18.2% to 24,354 million yen. Operating income increased sharply by 52.1% to 2,201 million yen in part because of the higher net sales, a reduction of various costs by a number of measures to improve efficiency, and benefits of the restructuring of the marketing strategy. Nine items were added in December to the lineup of products sold, raising the number of products sold at the end of the third quarter to 587 (including three items to be sold starting in February 2016).

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

As the demand for pharmacist staffing and placement services continues to grow, this business continued to increase job offers by adding new customers for staffing and placement services and to maintain a large number of registered personnel. As a result, sales and earnings continued to grow as sales climbed 37.0% to 6,419 million yen and operating income rose 25.9% to 1,127 million yen.

**(2) Explanation of Financial Position**

Total assets increased 28,013 million yen, or 21.5%, from the end of March 2015, to 158,155 million yen at the end of December 2015. Current assets were 86,604 million yen, an increase of 26,507 million yen, or 44.1%. This was attributable mainly to increases in cash and deposits and accounts receivable-trade. Non-current assets increased 1,506 million yen, or 2.2% to 71,550 million yen. This was attributable mainly to an increase in buildings and structures.

Total liabilities increased 14,966 million yen, or 13.3% to 127,472 million yen. This was attributable mainly to an increase in accounts payable-trade.

Net assets increased 13,047 million yen, or 74.0% to 30,682 million yen. This was attributable mainly to an increase in capital surplus due to the disposal of treasury shares and an increase of retained earnings.

**(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, 2016 that was announced on October 29, 2015.

**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 the Accounting Standards for Business Combinations

The Company has adopted the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. from the first quarter of the current fiscal year. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the first quarter of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the quarterly consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income and other items has been revised. For consistency with these changes, the consolidated financial statements for the first nine months of the previous fiscal year and the previous fiscal year have been revised.

The Company has adopted these accounting standards, etc. from the beginning of the first quarter of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

As a result, operating income, ordinary income and income before income taxes and non-controlling interests decreased 41 million yen each in the first nine months of the current fiscal year.

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

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	Third quarter of FY3/16 (As of Dec. 31, 2015)
Assets		
Current assets		
Cash and deposits	13,952	32,538
Notes receivable-trade	321	181
Accounts receivable-trade	20,001	25,165
Electronically recorded monetary claims-operating	1,091	1,161
Merchandise and finished goods	15,911	18,063
Work in process	1,377	1,417
Raw materials and supplies	3,778	4,669
Other	3,672	3,421
Allowance for doubtful accounts	(10)	(13)
Total current assets	60,096	86,604
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,648	21,773
Land	17,043	17,143
Construction in progress	4,798	1,669
Other, net	8,329	9,830
Total property, plant and equipment	48,819	50,416
Intangible assets		
Goodwill	8,661	8,626
Other	1,714	1,615
Total intangible assets	10,376	10,241
Investments and other assets		
Investment securities	1,153	1,211
Lease and guarantee deposits	6,990	6,985
Other	2,704	2,695
Total investments and other assets	10,848	10,892
Total non-current assets	70,044	71,550
Total assets	130,141	158,155

	(Millions of yen)	
	FY3/15 (As of Mar. 31, 2015)	Third quarter of FY3/16 (As of Dec. 31, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	31,306	44,239
Electronically recorded obligations-operating	2,086	2,168
Short-term loans payable	5,100	1,210
Current portion of bonds	-	7,000
Current portion of long-term loans payable	6,069	5,988
Income taxes payable	1,625	1,287
Provision for bonuses	2,080	1,114
Provision for directors' bonuses	98	-
Provision for sales rebates	130	134
Other	4,977	6,900
<b>Total current liabilities</b>	<b>53,474</b>	<b>70,043</b>
<b>Non-current liabilities</b>		
Bonds payable	7,000	-
Long-term loans payable	46,184	51,873
Provision for directors' retirement benefits	886	933
Net defined benefit liability	917	1,027
Other	4,042	3,594
<b>Total non-current liabilities</b>	<b>59,031</b>	<b>57,428</b>
<b>Total liabilities</b>	<b>112,505</b>	<b>127,472</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,953	3,953
Capital surplus	4,754	10,926
Retained earnings	11,868	15,647
Treasury shares	(3,059)	(44)
<b>Total shareholders' equity</b>	<b>17,515</b>	<b>30,483</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	333	372
Remeasurements of defined benefit plans	(213)	(173)
<b>Total accumulated other comprehensive income</b>	<b>119</b>	<b>199</b>
<b>Total net assets</b>	<b>17,635</b>	<b>30,682</b>
<b>Total liabilities and net assets</b>	<b>130,141</b>	<b>158,155</b>



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

(Millions of yen)

	First nine months of FY3/15 (Apr. 1, 2014 – Dec. 31, 2014)	First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)
Net sales	134,386	158,645
Cost of sales	111,065	130,386
Gross profit	23,320	28,259
Selling, general and administrative expenses	18,705	20,905
Operating income	4,615	7,353
Non-operating income		
Commission fee	90	101
Rent income	245	283
Other	172	132
Total non-operating income	508	517
Non-operating expenses		
Interest expenses	611	600
Commission fee	23	18
Rent expenses	173	213
Other	215	148
Total non-operating expenses	1,023	981
Ordinary income	4,100	6,889
Extraordinary income		
Gain on sales of non-current assets	5	22
Total extraordinary income	5	22
Extraordinary losses		
Impairment loss	47	99
Total extraordinary losses	47	99
Income before income taxes and non-controlling interests	4,058	6,812
Income taxes-current	1,291	2,213
Income taxes-deferred	521	293
Total income taxes	1,812	2,506
Profit	2,245	4,305
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	2,245	4,305

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

(Millions of yen)

	First nine months of FY3/15 (Apr. 1, 2014 – Dec. 31, 2014)	First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)
Profit	2,245	4,305
Other comprehensive income		
Valuation difference on available-for-sale securities	29	39
Remeasurements of defined benefit plans, net of tax	36	40
Total other comprehensive income	66	79
Comprehensive income	2,311	4,385
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,311	4,385
Comprehensive income attributable to non-controlling interests	-	-

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

Not applicable.

**Significant Changes in Shareholders' Equity**

A gain on disposal of treasury shares of 5,473 million yen was recorded because Nihon Chouzai conducted the disposal of treasury shares by way of offering (the public offering) with a payment date of December 9, 2015. As a result, capital surplus increased by 5,473 million yen and treasury shares decreased by 2,679 million yen in the first nine months of FY3/16.

In addition, a gain on disposal of treasury shares of 699 million yen was recorded because Nihon Chouzai conducted the disposal of treasury shares by way of secondary offering of stock (secondary offering by way of over-allotment) with a payment date of December 30, 2015. As a result, capital surplus increased by 699 million yen and treasury shares decreased by 342 million yen in the first nine months of FY3/16.

Accordingly, the capital surplus at the end of the third quarter was 10,926 million yen and treasury shares were 44 million yen.

**Segment and Other Information**

## Segment Information

I. First nine months of FY3/15 (Apr. 1, 2014 – Dec. 31, 2014)

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	116,817	13,678	3,890	134,386	-	134,386
(2) Inter-segment sales and transfers	4	6,925	794	7,724	(7,724)	-
Total	116,822	20,603	4,684	142,110	(7,724)	134,386
Segment profit (loss)	5,419	1,447	895	7,762	(3,147)	4,615

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 -3,147 million yen to segment profit (loss) includes eliminations of -39 million yen for inter-segment transactions and corporate expenses of -3,108 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 impairment losses on non-current assets or goodwill, etc. for each reportable segment

## Impairment losses related to non-current assets

In the dispensing pharmacy business segment, there was an impairment loss for store assets (seven pharmacies). The amount of this loss in the first nine months of FY3/15 was 47 million yen.

## Significant change in goodwill

Not applicable.

## II. First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 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	137,844	15,104	5,695	158,645	-	158,645
(2) Inter-segment sales and transfers	5	9,249	724	9,978	(9,978)	-
Total	137,850	24,354	6,419	168,624	(9,978)	158,645
Segment profit (loss)	7,147	2,201	1,127	10,476	(3,122)	7,353

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 -3,122 million yen to segment profit (loss) includes eliminations of -94 million yen for inter-segment transactions and corporate expenses of -3,027 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 impairment losses on non-current assets or goodwill, etc. for each reportable segment

## Impairment losses related to non-current assets

In the dispensing pharmacy business segment, there was an impairment loss for store assets (four pharmacies). The amount of this loss in the first nine months of FY3/16 was 99 million yen.

## Significant change in goodwill

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.*