



July 30, 2015

**Summary of Consolidated Financial Results for the First Quarter  
of the Fiscal Year Ending March 31, 2016  
(Three Months Ended June 30, 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:	August 14, 2015
Scheduled date of filing of Quarterly Report:		Scheduled date of payment of dividend:	-
Scheduled date of payment of dividend:		Preparation of supplementary materials for quarterly financial results:	Yes
Preparation of supplementary materials for quarterly financial results:	Yes	Holding of quarterly financial results meeting:	None
Holding of quarterly financial results meeting:	None		

Note: The original disclosure in Japanese was released on July 30, 2015 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, 2016**

(April 1, 2015 – June 30, 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	%
Three months ended Jun. 30, 2015	48,895	13.4	2,052	133.6	1,896	150.8	1,221	316.9
Three months ended Jun. 30, 2014	43,133	8.6	878	(18.0)	756	(20.1)	293	(22.7)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2015: 1,281 (up 416.6%)  
Three months ended Jun. 30, 2014: 248 (down 17.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2015	174.21	-
Three months ended Jun. 30, 2014	40.31	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2015	139,535	18,669	13.4
As of Mar. 31, 2015	130,141	17,635	13.6

Reference: Shareholders' equity (million yen) As of Jun. 30, 2015: 18,669 As of Mar. 31, 2015: 17,635

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2015	Yen -	Yen 35.00	Yen -	Yen 35.00	Yen 70.00
Fiscal year ending Mar. 31, 2016	-	-	-	-	-
Fiscal year ending Mar. 31, 2016 (forecasts)	-	40.00	-	22.00	-

Note: Revisions to the most recently announced dividend forecast: Yes

\* Nihon Chouzai plans to conduct 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. Prior to this adjustment, the forecast was a year-end dividend of 44.00 yen for the year-end and a total dividend of 84.00 yen (substantially, a dividend increase of 4.00 yen.)

**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
First half	97,980	12.1	2,926	11.6	2,553	10.2	1,195	3.3	85.26
Full year	207,523	14.1	8,200	23.4	7,434	23.8	3,583	29.0	255.55

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

\* Nihon Chouzai plans to conduct 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 is adjusted to reflect the stock split. Prior to this adjustment, the forecast was a net income per share of 170.52 yen for the first half and 511.09 yen for the full 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

(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, 2015:	8,012,000 shares	As of Mar. 31, 2015:	8,012,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2015:	1,000,894 shares	As of Mar. 31, 2015:	1,000,444 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2015:	7,011,313 shares	Three months ended Jun. 30, 2014:	7,268,776 shares
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**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 August 4, 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	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Three-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Three-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going-concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment and Other Information	8
Subsequent Events	9

## 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 March 31, 2016, the Japanese government announced in June the Basic Policy on Economic and Fiscal Management and Reform 2015. In this policy, the government stated that holding down social security expenses is a basic policy and a key issue for reforms in important sectors. Regarding a target for the volume-based share of generic drugs, the policy adds the new target of raising this share at least 80% as soon as possible by some time between fiscal 2018 and the end of fiscal 2020. In addition, the plan states that reforms concerning all pharmacies will be considered for the purpose of increasing the number of pharmacies located where people live rather than near hospitals. As a result, major changes are about to occur in the operating environments for Japan's pharmaceuticals and dispensing pharmacy industries. In April 2015, the Nihon Chouzai Group started implementing a new medium-term management plan covering the three-year period ending in March 2018 in response. The goals are to overcome the challenges created by these major changes and to build a sound foundation for further progress. All business units are working even more closely together to take actions aimed at accomplishing the plan's goals. As a result, first quarter sales and earnings were higher than one year earlier in all business segments. In particular, provided below are some business results.

The Group achieved year-on-year growth in both net sales and income. Sales increased 13.4% year on year to 48,895 million yen. Operating income increased by 133.6% to 2,052 million yen, ordinary income increased by 150.8% to 1,896 million yen, and profit attributable to owners of parent increased significantly by 316.9% to 1,221 million yen. First quarter operating income was 70.1% of the operating income forecast for the first half of the fiscal year (April to September).

Results by business segment are as follows.

#### 1) Dispensing Pharmacy Business

In the first quarter of the current fiscal year, the Company opened six pharmacies in the dispensing pharmacy business and closed five. Consequently, there were 512 pharmacies (including one pharmacy specializing in the sale of general merchandise) at the end of the first quarter. Sales of this segment rose by 12.7% to 42,322 million yen. The major reasons for the sales growth were higher sales at existing pharmacies and a big increase in prescriptions for a hepatitis C drug that went on sale in the second half of 2014. Demand for this drug increased significantly at large pharmacies near hospitals, which is our core business. Operating income increased 69.3% to 2,015 million yen. Earnings benefited from the sales growth and 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 quarter of the current fiscal year as group companies worked even more closely together. Net sales of this segment rose by 18.4% to 7,702 million yen. As for profits, operating income increased sharply by 78.7% to 589 million yen in part because of the higher net sales and benefits of a number of measures to improve efficiency. Due to the launch of 19 products in June, the number of product items sold in this business segment increased to 576 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. As a result, sales and earnings continued to grow as first quarter sales increased 39.2% to 2,087 million yen and operating income increased 34.9% to 441 million yen.

## **(2) Explanation of Financial Position**

Total assets increased 9,394 million yen, or 7.2%, from the end of March 2015, to 139,535 million yen at the end of June 2015. Current assets were 68,869 million yen, an increase of 8,772 million yen, or 14.6%. This was attributable mainly to increases in cash and deposits, and merchandise and finished goods. Non-current assets increased 622 million yen, or 0.9% to 70,666 million yen. This was attributable mainly to an increase in buildings and structures and a decrease in construction in progress.

Total liabilities increased 8,360 million yen, or 7.4% to 120,866 million yen. This was attributable mainly to an increase in accounts payable-trade.

Net assets increased 1,034 million yen, or 5.9% to 18,669 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, 2016 that was announced on April 30, 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

Effective from the first quarter of the current fiscal year, 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) and other standards. In association with these changes, the presentation of net income and other items has been revised. For consistency with this change, the consolidated financial statements for the first quarter of the previous fiscal year have been revised.

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

	(Millions of yen)	
	FY3/15 (As of Mar. 31, 2015)	First quarter of FY3/16 (As of Jun. 30, 2015)
Assets		
Current assets		
Cash and deposits	13,952	19,971
Notes receivable-trade	321	246
Accounts receivable-trade	20,001	20,254
Electronically recorded monetary claims - operating	1,091	801
Merchandise and finished goods	15,911	18,000
Work in process	1,377	1,090
Raw materials and supplies	3,778	4,498
Other	3,672	4,015
Allowance for doubtful accounts	(10)	(11)
Total current assets	60,096	68,869
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,648	20,795
Land	17,043	17,126
Construction in progress	4,798	2,108
Other, net	8,329	9,549
Total property, plant and equipment	48,819	49,580
Intangible assets		
Goodwill	8,661	8,501
Other	1,714	1,660
Total intangible assets	10,376	10,162
Investments and other assets		
Investment securities	1,153	1,223
Lease and guarantee deposits	6,990	7,039
Other	2,704	2,661
Total investments and other assets	10,848	10,924
Total non-current assets	70,044	70,666
Total assets	130,141	139,535

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	First quarter of FY3/16 (As of Jun. 30, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	31,306	36,955
Electronically recorded obligations- operating	2,086	1,760
Short-term loans payable	5,100	4,800
Current portion of long-term loans payable	6,069	5,288
Income taxes payable	1,625	1,342
Provision for bonuses	2,080	1,130
Provision for directors' bonuses	98	-
Provision for sales rebates	130	167
Other	4,977	7,354
<b>Total current liabilities</b>	<b>53,474</b>	<b>58,799</b>
<b>Non-current liabilities</b>		
Bonds payable	7,000	7,000
Long-term loans payable	46,184	49,317
Provision for directors' retirement benefits	886	908
Net defined benefit liability	917	957
Other	4,042	3,883
<b>Total non-current liabilities</b>	<b>59,031</b>	<b>62,066</b>
<b>Total liabilities</b>	<b>112,505</b>	<b>120,866</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,953	3,953
Capital surplus	4,754	4,754
Retained earnings	11,868	12,844
Treasury shares	(3,059)	(3,062)
<b>Total shareholders' equity</b>	<b>17,515</b>	<b>18,489</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	333	380
Remeasurements of defined benefit plans	(213)	(200)
<b>Total accumulated other comprehensive income</b>	<b>119</b>	<b>179</b>
<b>Total net assets</b>	<b>17,635</b>	<b>18,669</b>
<b>Total liabilities and net assets</b>	<b>130,141</b>	<b>139,535</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 FY3/15 (Apr. 1, 2014 – Jun. 30, 2014)	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)
Net sales	43,133	48,895
Cost of sales	36,005	40,136
Gross profit	7,127	8,759
Selling, general and administrative expenses	6,248	6,706
Operating income	878	2,052
Non-operating income		
Commission fee	29	33
Rent income	66	94
Other	60	48
Total non-operating income	157	176
Non-operating expenses		
Interest expenses	200	197
Commission fee	7	7
Rent expenses	33	68
Other	37	58
Total non-operating expenses	279	332
Ordinary income	756	1,896
Extraordinary income		
Gain on sales of non-current assets	0	-
Total extraordinary income	0	-
Income before income taxes and minority interests	757	1,896
Income taxes-current	592	1,046
Income taxes-deferred	(128)	(371)
Total income taxes	464	675
Profit	293	1,221
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	293	1,221

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

(Millions of yen)

	First three months of FY3/15 (Apr. 1, 2014 – Jun. 30, 2014)	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)
Profit	293	1,221
Other comprehensive income		
Valuation difference on available-for-sale securities	(57)	47
Remeasurements of defined benefit plans, net of tax	12	13
Total other comprehensive income	(44)	60
Comprehensive income	248	1,281
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	248	1,281
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 FY3/15 (Apr. 1, 2014 – Jun. 30, 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	37,544	4,360	1,227	43,133	-	43,133
(2) Inter-segment sales and transfers	2	2,146	271	2,419	(2,419)	-
Total	37,546	6,506	1,499	45,552	(2,419)	43,133
Segment profit (loss)	1,190	330	327	1,847	(968)	878

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 -968 million yen to segment profit (loss) includes eliminations of -11 million yen for inter-segment transactions and corporate expenses of -957 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 FY3/16 (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.

**Subsequent Events**

## Stock split

The Nihon Chouzai Board of Directors approved a resolution on July 30, 2015 to conduct a stock split.

## 1. Purpose of the stock split

The stock split will reduce the amount of investment required per share, and enhance the liquidity of the Company's shares to make investment easier and expand the shareholder base.

## 2. Summary of the stock split

## (1) Method of the stock split

Shareholders listed in the final shareholder register on the record date of Wednesday, September 30, 2015 will receive 2 shares of common stock for each share held on the same day.

## (2) Increase in the number of shares due to the stock split

Number of shares outstanding before the stock split:	8,012,000 shares
Increase in the number of shares due to the stock split:	8,012,000 shares
Number of shares outstanding after the stock split:	16,024,000 shares
Total number of shares authorized after the stock split:	44,192,000 shares

## (3) Schedule

Announcement date:	Friday, September 11, 2015
Record date:	Wednesday, September 30, 2015
Effective date:	Thursday, October 1, 2015

## (4) The effect of this change on per-share information

Per-share information calculated as if this split had occurred at the beginning of previous period is presented below.

(Yen)

	First three months of FY3/15 (Apr. 1, 2014 – Jun. 30, 2014)	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)
Net income per share	20.15	87.10

Note: "Diluted net income per share" is not stated, because dilutive shares do not exist.

## 3. Others

The stock split will have no effect on the capital stock of the Company.

*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.*