

Results of Operations for the First Half of the Fiscal Year Ending March 31, 2015

November 12, 2014

Cautionary statements

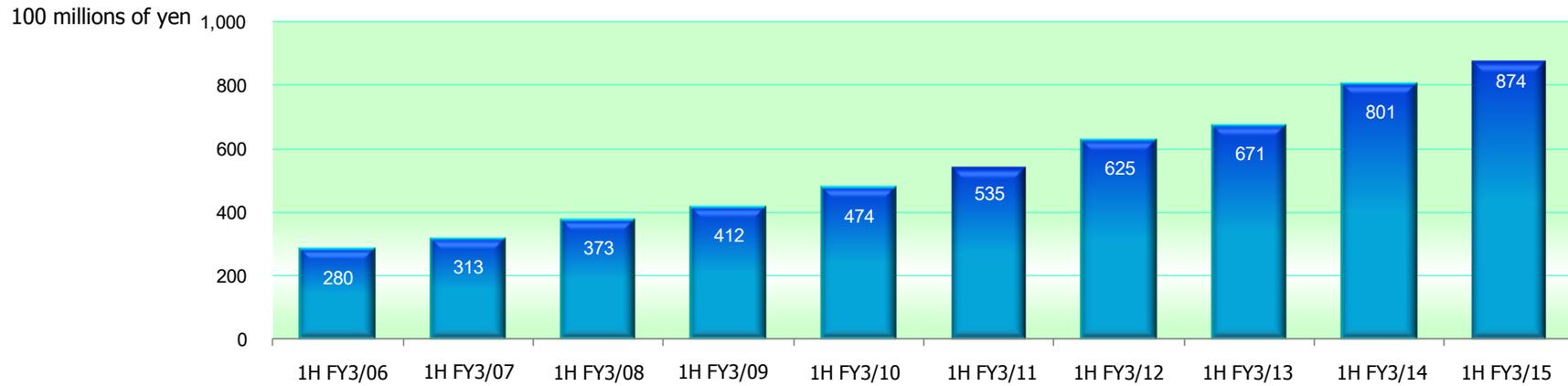
These materials are reference materials for the Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2015, which were issued on October 31, 2014, and have been drafted to provide additional explanation of the business performance in the consolidated fiscal year 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. These materials are not promises by the Company regarding future performance. 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.



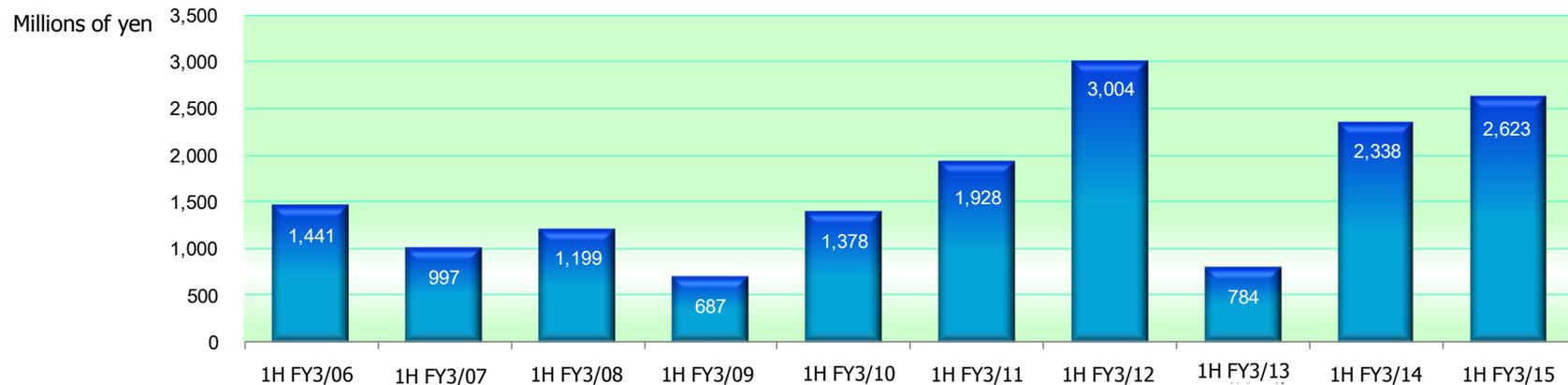
NIHON CHOUZAI Co., Ltd. (Stock code: 3341)

I. Results for 1H FY3/15

1H Consolidated Net Sales



1H Consolidated Operating Income



(Millions of yen)

	1H FY3/13	1H FY3/14	1H FY3/15	Difference	YoY growth rate
Net sales	67,115	80,136	87,418	7,282	9.1%
Cost of sales	57,222	67,575	72,571	4,996	7.4%
Gross profit	9,893	12,560	14,846	2,285	18.2%
% to sales	14.7%	15.7%	17.0%	-	-
SG&A expenses	9,108	10,222	12,223	2,000	19.6%
Operating income	784	2,338	2,623	284	12.2%
% to sales	1.2%	2.9%	3.0%	-	-
Ordinary income	544	2,049	2,318	269	13.1%
% to sales	0.8%	2.6%	2.7%	-	-
Net income	180	950	1,157	207	21.8%
% to sales	0.3%	1.2%	1.3%	-	-

*Non-deductible consumption taxes are included in SG&A expenses.

(Millions of yen)

	1H FY3/14	1H FY3/15	Comp.	Difference	YoY growth rate
Dispensing pharmacy business	70,805	75,967	86.9%	5,162	7.3%
Non-prescription drugs	930	916	1.0%	-13	-1.5%
Pharmaceutical manufacturing and sales business	7,403	8,985	10.3%	1,581	21.4%
Medical professional staffing and placement business	1,927	2,465	2.8%	538	27.9%
Total	80,136	87,418	100.0%	7,282	9.1%

(Millions of yen)

	1H FY3/14	1H FY3/15	Comp.	Difference	YoY growth rate
SG&A expenses	10,222	12,223	14.0%	2,000	19.6%
Salaries and allowances	1,624	1,635	1.9%	10	0.7%
Rents	1,052	1,088	1.2%	35	3.4%
Consumption taxes	2,784	4,686	5.4%	1,902	68.3%
R&D expenses	804	791	0.9%	-13	-1.6%

Major components

SG&A expenses
-Consumption taxes
(Increased due to a rise in tax rates)

* "Comp." percentages are relative to sales.

(Millions of yen)

	End of Mar. 2014	End of Sep. 2014	Difference
Current assets	53,373	61,127	7,753
Non-current assets	63,921	66,950	3,028
Property, plant and equipment	42,123	45,575	3,451
Intangible assets	11,103	10,643	-459
Investments and other assets	10,694	10,731	37
Total assets	117,295	128,077	10,782
Current liabilities	55,666	50,195	-5,471
Non-current liabilities	45,779	61,099	15,320
Total liabilities	101,446	111,294	9,848
Total net assets	15,849	16,783	934

Major components

Current assets	
- Cash and deposits	+1,685
- Merchandise and finished goods	+4,988
Non-current assets	
- Construction in progress	+3,117
Current liabilities	
- Accounts payable-trade	+4,542
- Short-term loans payable	-3,800
- Current portion of bonds	-7,000
Non-current liabilities	
- Long-term loans payable	+14,162
Net assets	
- Retained earnings	+1,187

(Millions of yen)

	1H FY3/14	1H FY3/15	FY3/14
Net cash provided by operating activities	1,672	1,502	6,243
Net cash used in investing activities	(6,848)	(3,394)	(14,510)
Net cash provided by financing activities	7,771	3,575	8,782
Net increase in cash and cash equivalents	2,595	1,682	514
Cash and cash equivalents at beginning of period	14,513	15,027	14,513
Cash and cash equivalents at end of period	17,108	16,710	15,027

Net cash provided by operating activities	
- Income before income taxes	+2,289
- Depreciation	+1,662
- Increase in notes and accounts payable-trade	+5,089
- Increase in inventories	-4,976
- Income taxes paid	-1,434
Net cash used in investing activities	
- Purchase of property, plant and equipment	-2,930
Net cash provided by financing activities	
- Proceeds from long-term loans payable	+17,200
- Redemption of bonds	-7,000
- Decrease in short-term loans payable	-3,800
- Repayment of long-term loans payable	-1,976

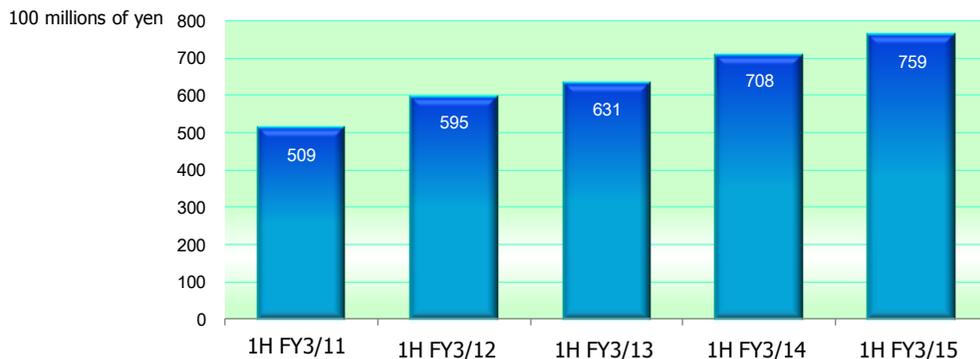
Number of prescriptions at existing pharmacies increased despite the negative effects of large hospitals sending patients to smaller hospitals as a result of revisions to medical fees, and the extension of the prescription period. Earnings down because of 2014 NHI revision in drug prices.

(Millions of yen)

	1H FY3/13	1H FY3/14	1H FY3/15	Difference	YoY growth rate
Net sales	63,127	70,805	75,970	5,165	7.3%
Operating income	2,713	3,622	3,113	-509	-14.1%
% to sales	4.3%	5.1%	4.1%	-	-

(*Before eliminations for inter-segment transactions)

1H Segment Sales

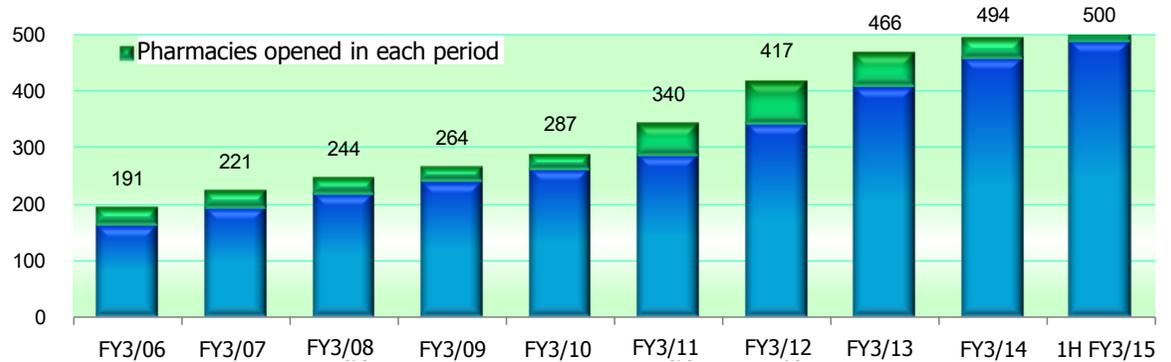


1H Segment Operating Income



	1H FY3/15
No. of pharmacies opened	12
No. of pharmacies closed	6
Total no. of pharmacies (end of September)	* 500

No. of Pharmacies at the End of Each Period



* Including one location specializing in the sales of general merchandise.

Pharmacies Opened in the First Half

Opened in April	
Nagayama Pharmacy	Tama City Tokyo
Shin-matsudo Pharmacy	Matsudo City, Chiba
Asamizo Pharmacy	Sagamihara City, Kanagawa
Nakamura-nisseki-eki Pharmacy	Nagoya City, Aichi

Opened in May	
Oomagari Pharmacy	Daisen City, Akita
Irinaka-eki Pharmacy	Nagoya City, Aichi

Opened in June	
Kabukiza Tower Pharmacy	Chuo-ku, Tokyo
Miyamasuzaka Pharmacy	Shibuya-ku, Tokyo

Opened in July	
Mitakadai Pharmacy	Mitaka City, Tokyo
Kosugi Pharmacy	Kawasaki City, Kanagawa

Opened in August	
Namegata Pharmacy	Namegata City, Ibaraki
Koumyouike Pharmacy	Izumi City, Osaka

Number of prescriptions and unit prices increased at existing pharmacies.
 (Higher price per prescription was mainly due to the consumption tax increase and extension of the prescription period)

Nihon Chouzai Group: Store Sales by Year of Opening

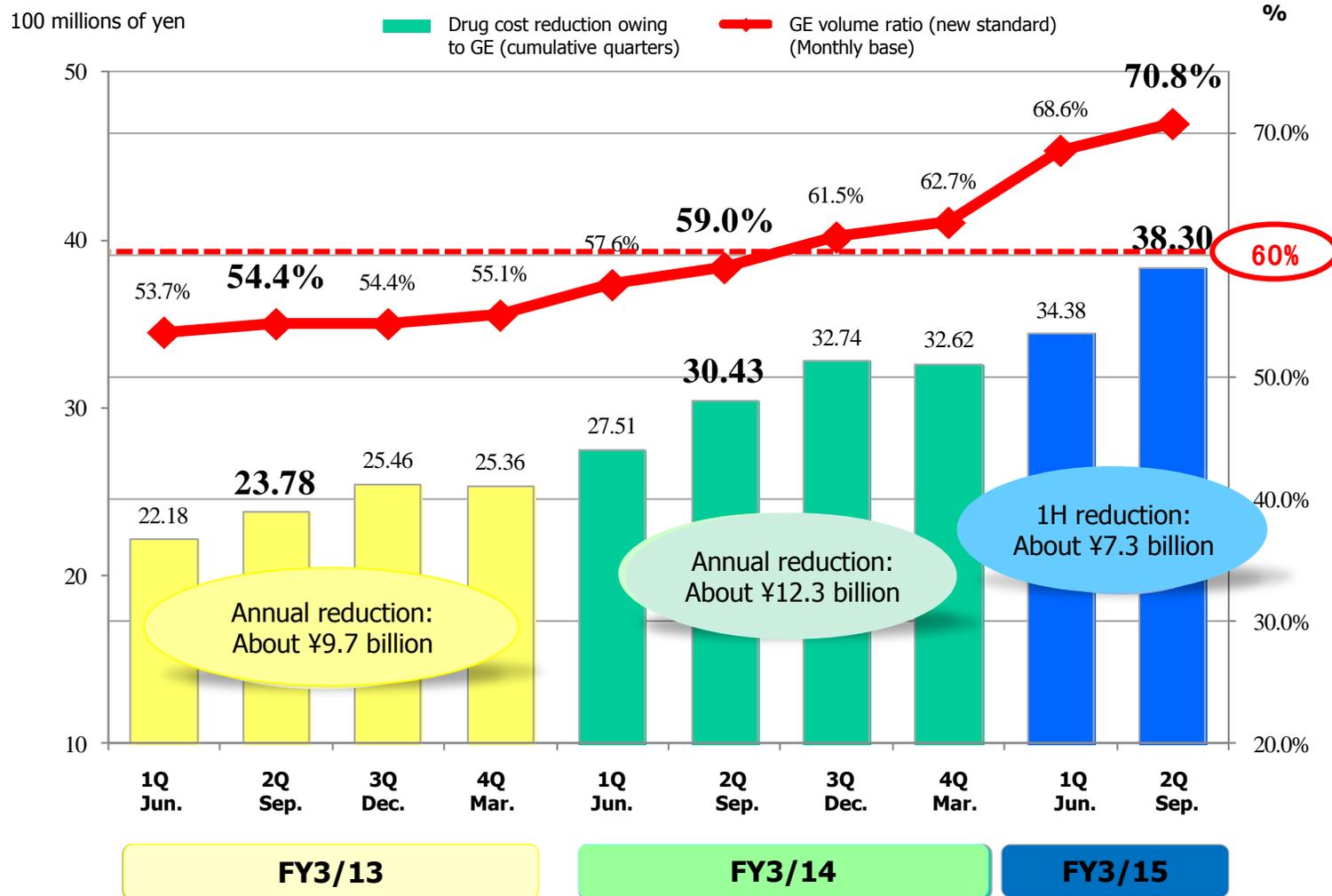
(Millions of yen)

	No. of pharmacies at end of Sep. 2014	1H FY3/14	1H FY3/15	Difference	YoY growth rate
Existing pharmacies (- Mar. 2013)	450	68,955	71,326	2,371	3.4%
Opened FY3/14 (Apr. 2013 - Mar. 2014)	37	606	2,976	2,370	391.2%
Opened 1H FY3/15 (Apr. 2014 - Sep. 2014)	12	-	612	612	-
Others	-	161	23	-138	-85.4%
Total	499	69,723	74,939	5,215	7.5%

- Sales are only for prescriptions (do not include over-the-counter drugs, etc.) and are recorded when prescriptions are filled (no adjustment for returned prescriptions).
- Sales of pharmacies that were closed are included in the others category.
- The number of pharmacies does not include one location specializing in the sales of general merchandise.

Promoting the Market Penetration of Generic Drugs (Value, Volume Basis)

More than 70% on a consolidated basis since July based on the new standard.
Receipt of premiums for a generic drug dispensing system contributed to earnings.



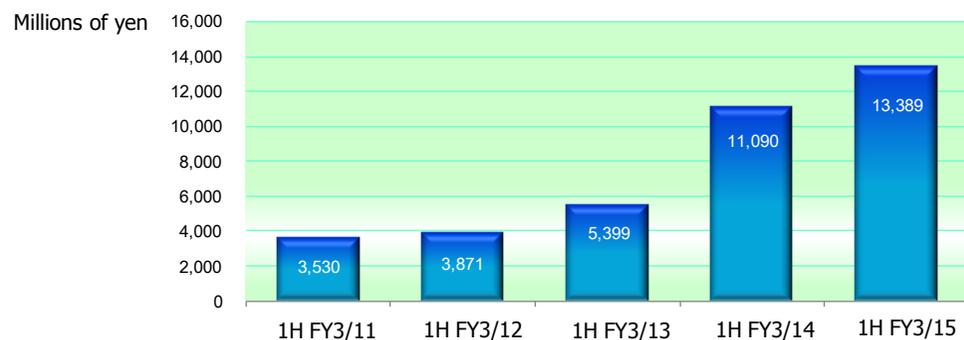
Big increases in sales and earnings mainly because of stronger ties among group companies even though NHI drug price revisions lowered selling prices.

(Millions of yen)

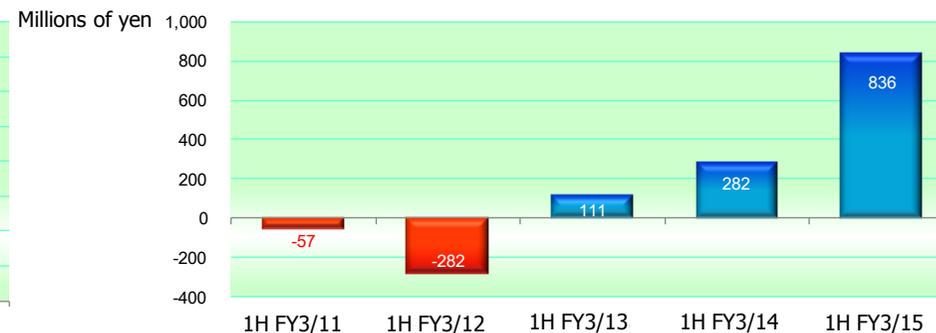
	1H FY3/13	1H FY3/14	1H FY3/15	Difference	YoY growth rate
Net sales	5,399	11,090	13,389	2,299	20.7%
Operating income	111	282	836	553	195.6%
% to sales	2.1%	2.6%	6.2%	-	-

(*Before eliminations for intra-segment transactions)

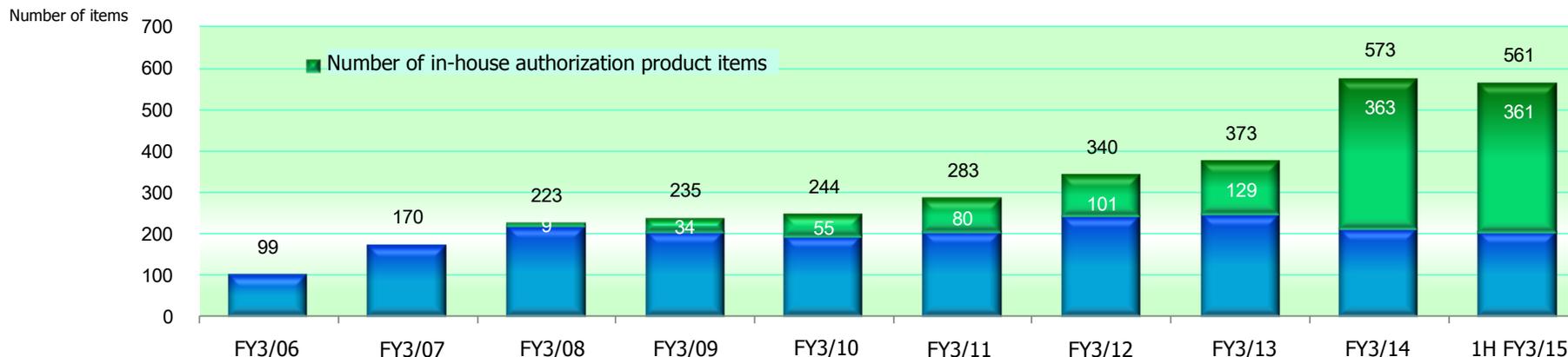
1H Segment Sales



1H Segment Operating Income



Number of Product Items



New NHI Drug Listings for December 2014 (11 items)

Name
Candesartan Tablets 2mg "JG"
Candesartan Tablets 4mg "JG"
Candesartan Tablets 8mg "JG"
Candesartan Tablets 12mg "JG"
Levofloxacin Tablets 250mg "CH"
Levofloxacin Tablets 500mg "CH"

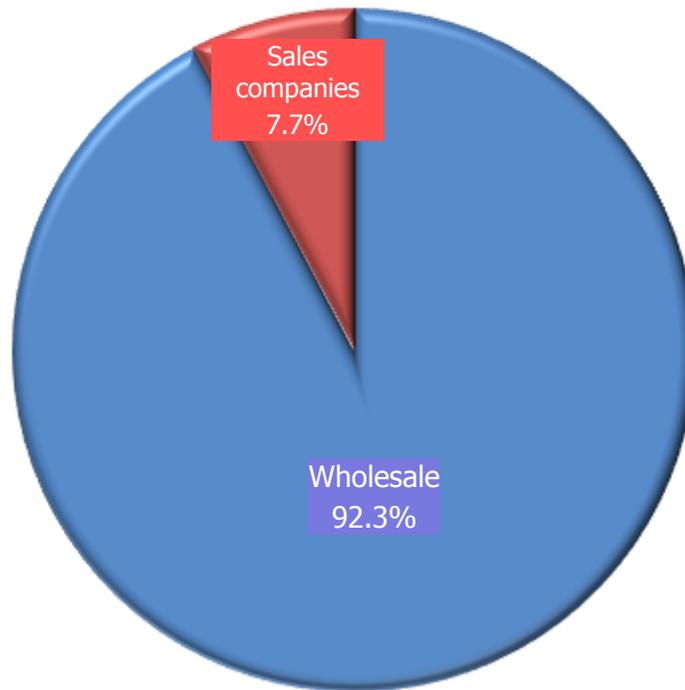
Name
Etizolam Tablets 0.25mg "JG"
Trichlormethiazide Tablets 2mg "JG"
Carvedilol Tablets 10mg "JG"
Carvedilol Tablets 20mg "JG"
Itopride hydrochloride Tablets 50mg "CH"

Major New Products for NHI Drug Price Listing in December

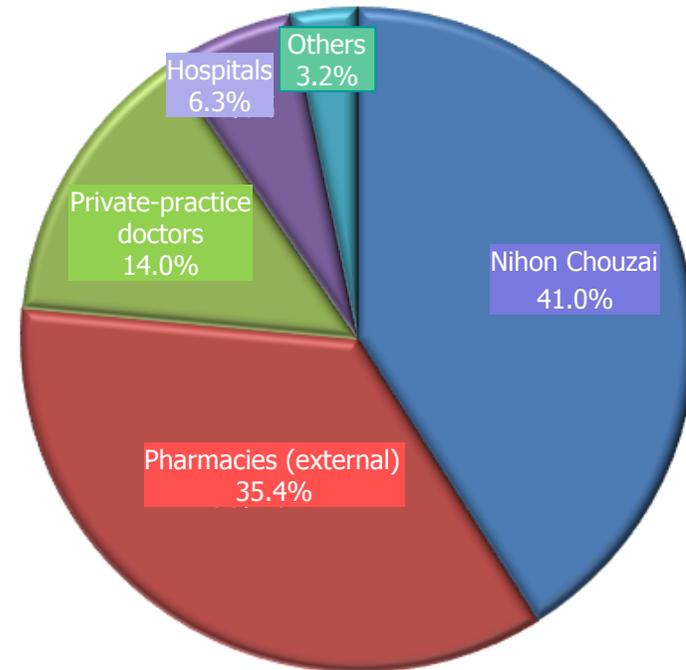


Name	Similar product	Categories of drug efficacy
Candesartan Tablets "JG"	Blopress Tablets	A long-acting angiotensin II receptor antagonist
Levofloxacin Tablets "CH"	Cravit Tablets	An oral antibacterial agent for many uses
Carvedilol Tablets "JG"	Artist Tablets	A long-acting drug for the treatment of hypertension and angina

Sales Composition for Distribution Channels



Sales Composition for Customer Categories



* 1H FY3/15

* Percentages are based on NHI drug prices.

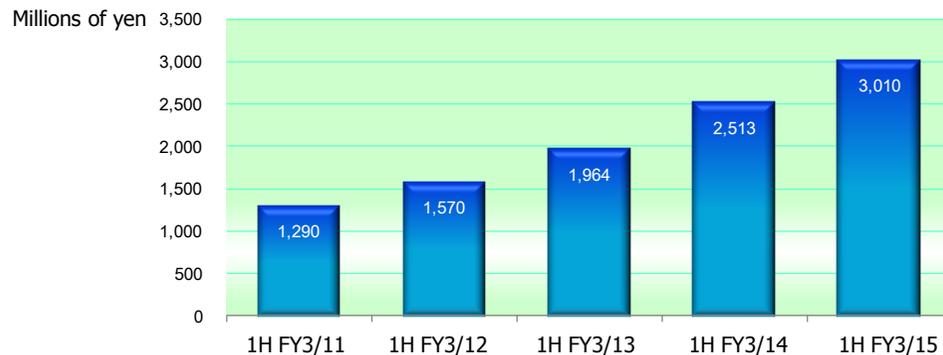
* Does not include contract manufacturing sales.

Demand for pharmacists remains high as the pass-rate for national examination for pharmacists fell sharply in Spring 2014 and the volume of work performed by pharmacists grows, partly for in-home healthcare. As a result, sales in this business grow steadily especially for the staffing services.

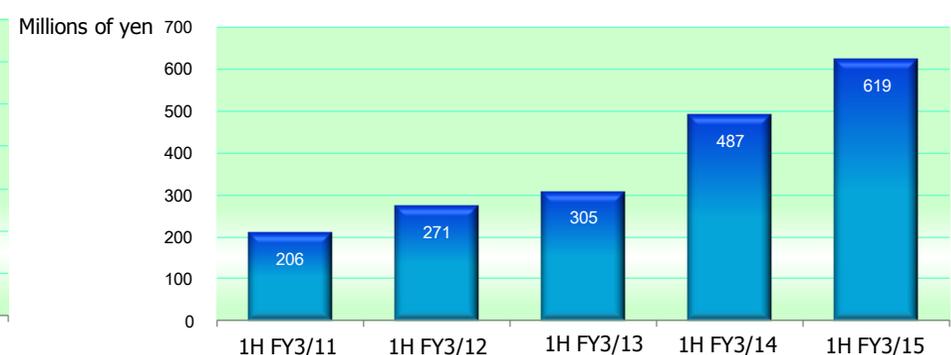
	(Millions of yen)				
	1H FY3/13	1H FY3/14	1H FY3/15	Difference	YoY growth rate
Net sales	1,964	2,513	3,010	496	19.8%
Operating income	305	487	619	132	27.2%
% to sales	15.6%	19.4%	20.6%	-	-

(*Before eliminations for intra-segment transactions)

1H Segment Sales

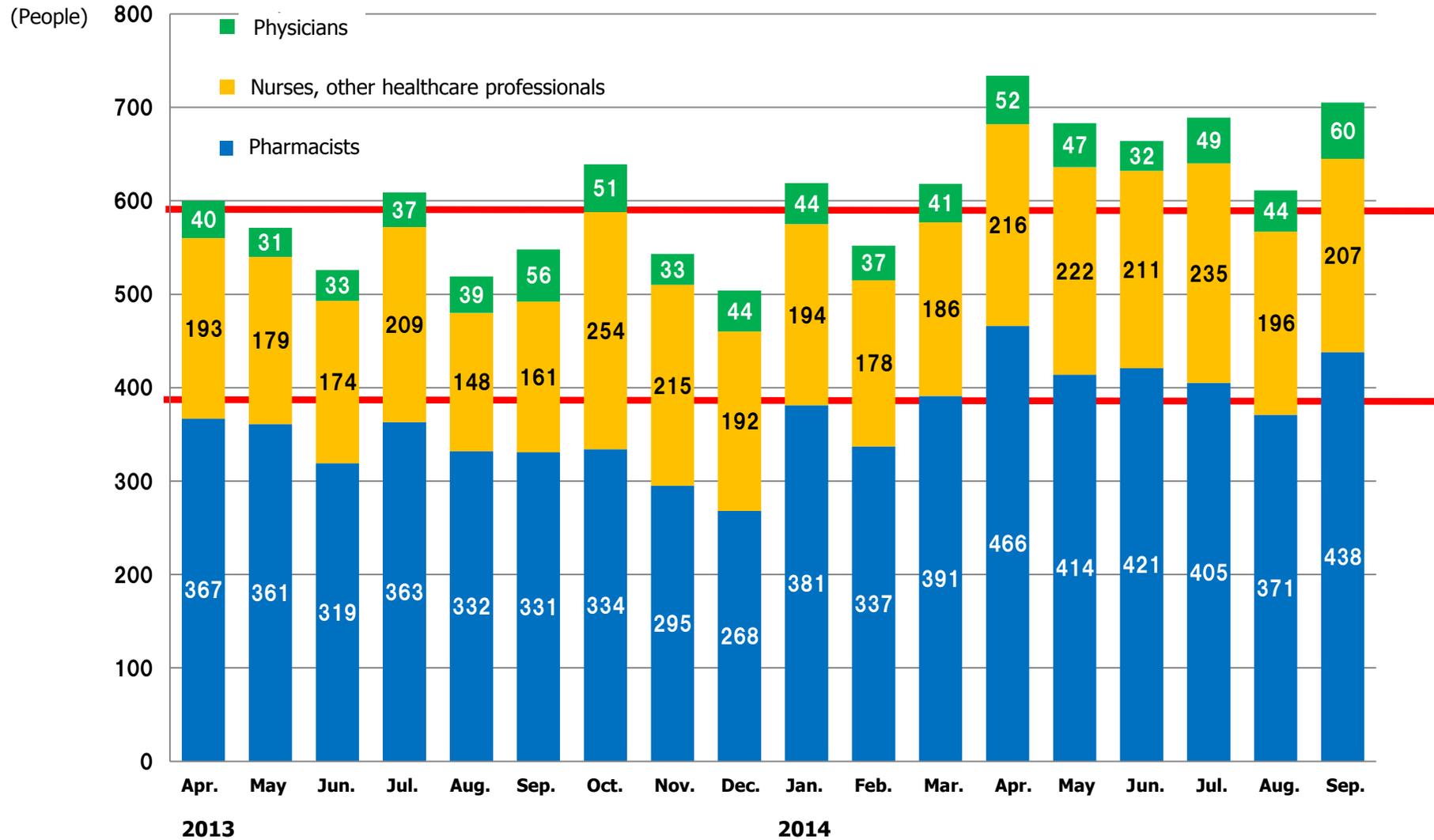


1H Segment Operating Income



Medical Professional Staffing and Placement Business

Number of People Inquiring About Employment



II. Business Development of the Nihon Chouzai Group

◆ Effect of NHI revisions in prescription dispensing fees and Nihon Chouzai responses

✓ Major items affected by the revisions (Based on prescription and technical fees as of September 2014)

* Major revisions

Basic dispensing fee

Reductions from additional exemptions
2500+ prescriptions per month/90%+ prescriptions from single institution

Down 2%

Premium for standard dispensing system

Not applicable to pharmacies targeted for reduction from additional exemptions

Down 14%

Premium for generic drug dispensing system

Revision in calculation standard/ 3 levels to 2 levels

Up 16%

Medication history management fee

Introduction of no medication notebooks

Down slightly

Fee for drug supervision for patients at home
(At-home medical care supervision fee)

Revision to points and introduction of limit on number of visits

Up 21%

Technical fee per prescription

Returned to prior-year level

Up 0.1% from same month of prior year

Down 0.1% from March (before revision)

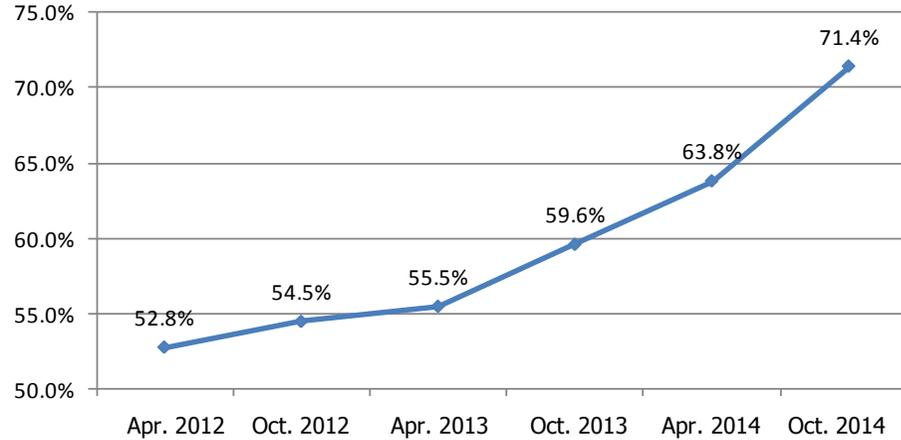
The benefit of the premium for generic drug dispensing system is substantial and the improvement will continue in the second half!

*Change vs. same month of prior year

◆ Promoting the market penetration of generic drugs

✓ Average rate of generic drug utilization for all the company's pharmacies (volume basis)

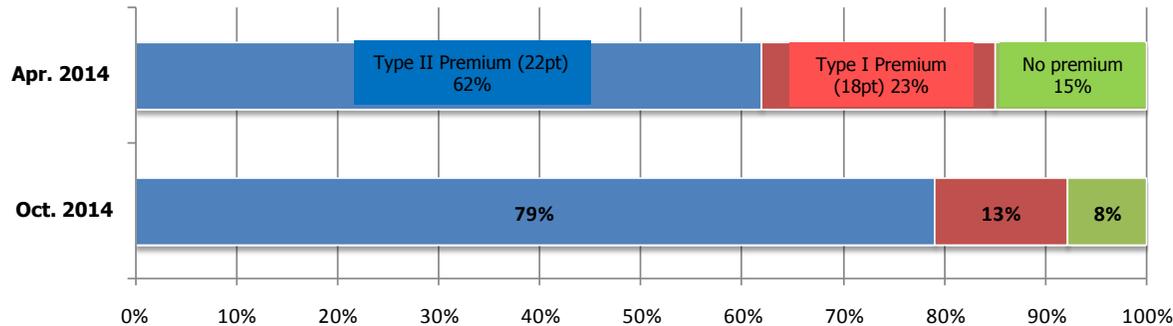
July 2014: reached 70.0% → October 2014: 71.4% →→→ Expected to reach 85% in FY3/16



✓ Premium for generic drug dispensing system (as of October 2014 based on number of pharmacies)

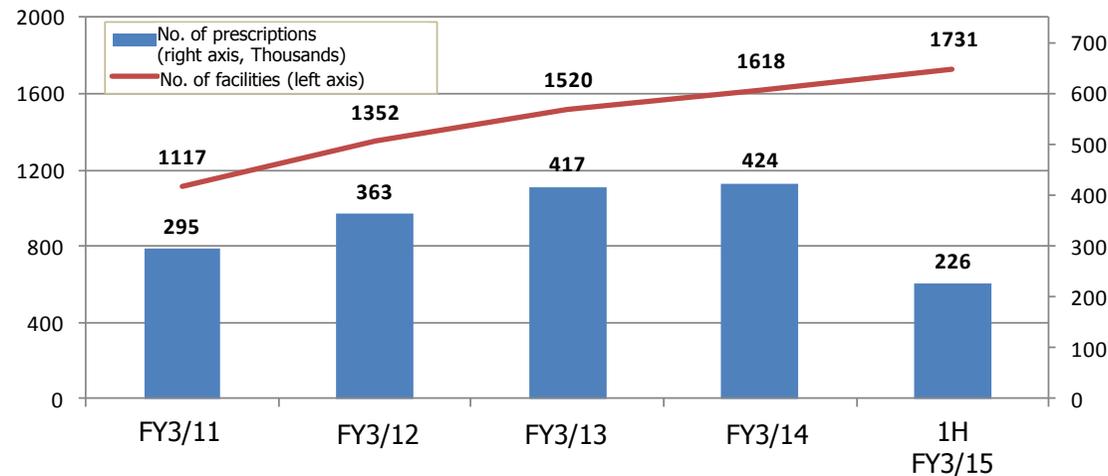
Type II (more than 65%, 22pt) 79%, Type I (more than 55% less than 65%, 18pt) 13%

No premium (less than 55%) 8%



◆ Activities for at-home medical care and elderly care facilities

- ✓ Drug supervision for patients at home (including guidance for at-home medical care) (based on number of pharmacies)
September 2014: 35% of pharmacies → Expanding to all pharmacies
- ✓ Activities for elderly care facilities (1H FY3/15)
Number of facilities served: 1,731 (Up 11% year on year)
Number of prescriptions: 226,000 (Up 7% year on year)



◆ Store openings

- ✓ Number of pharmacies 506 (November 2014, excluding one pharmacy specializing in the sale of general merchandise)
Hospital-front pharmacies 362 (72%), MC (medical mall) pharmacies 56 (11%), "Mentaid" pharmacies 88 (17%)
- ✓ Continue to open pharmacies based on a precise plan and constantly seek opportunities to acquire high-quality pharmacies and companies

◆ Expanding manufacturing operations

Nihon Generic

Tsukuba Plant N	Operating
Tsukuba Plant S (Phase I)	To start in 2015
Tsukuba Plant S (Phase II)	No decision on start of construction
No.2 Tsukuba Plant	No decision on start of construction
Kasukabe Plant (tentative)	To be acquired

Choseido Pharmaceutical

Head Office Plant	Operating
No.2 Head Office Plant	To start in 2015
Kawauchi Plant	Operating

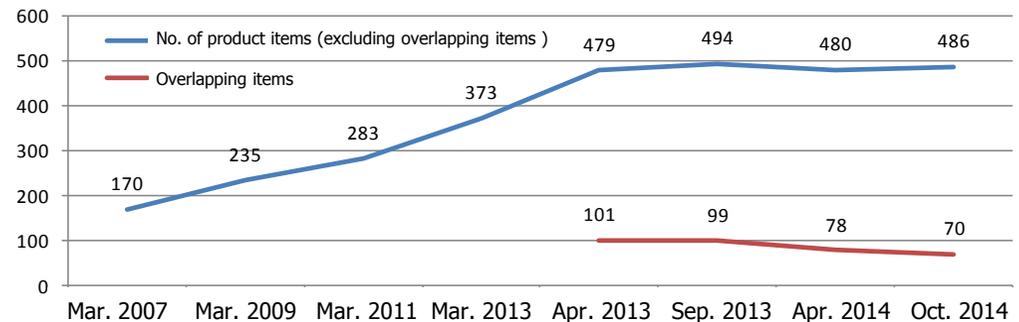
- ➔ Plan to add production facilities and increase output capacity as sales grow
- ➔ Preparing for the widespread use of generic drugs in Japan

◆ Number of product items

Nihon Generic (October 2014)

Number of product items: 486 items

(excludes 70 items that are also made by Choseido Pharmaceutical)



- ➔ Number of items is about the same as at major manufacturers of generic drugs.
- ➔ Plan to meet a broad range of requirements by selling supplementary products and improving efficiency regarding overlapping items made by Nihon Generic and Choseido Pharmaceutical.

◆ Medical Resources (Medical Professional Staffing and Placement Business)

✓ Pharmacist Staffing and Placement Business

Since starting operations in 2000 (as JP Pharma Staff), has remained a pioneer in pharmacist staffing and placement services and ranks among the industry leaders in number of people registered and placed

✓ Physicians, Nurses, Other Healthcare Professionals Placement Business

Steady growth in number of physicians and nurses registered and in placements

Started placement service in 2014 for occupational therapists and physical therapists to meet growing demand

➔ Providing the most suitable people to medical institutions, pharmacies and other locations nationwide as a comprehensive source of health care professionals

✓ Senior Care Facility Referral Service

This service meets the increasing need for information about senior housing facilities, for-profit nursing homes and other facilities for seniors.

◆ Japan Medical Research Institute (Pharmaceutical Consulting Business)

✓ Medical Information Big Data Service

Uses the analysis and assessment of prescription data to enable pharmaceutical and other companies to perform marketing activities more efficiently

Started providing daily data (RI PDS) in 2014

✓ Consulting

Consulting and training services that target the practical needs of medical institutions, pharmaceutical companies and other organizations

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