



July 31, 2014

**Summary of Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending March 31, 2015
(Three Months Ended June 30, 2014)**

[Japanese GAAP]

Company name: NIHOON CHOUZAI Co., Ltd.	Listing: Tokyo Stock Exchange, First Section
Stock code: 3341	URL: http://www.nicho.co.jp/
Representative: Hiroshi Mitsuhashi, President & CEO	Tel: +81-(0) 3-6810-0800
Contact: Yoshiki Kamada, Managing Director	August 14, 2014
Scheduled date of filing of Quarterly Report:	-
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 31, 2014 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, 2015
(April 1, 2014 – June 30, 2014)**

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2014	43,133	8.6	878	(18.0)	756	(20.1)	293	(22.7)
Three months ended Jun. 30, 2013	39,733	19.3	1,071	284.0	946	423.7	378	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2014: 248 (down 17.2%)
Three months ended Jun. 30, 2013: 299 (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2014	40.31	-
Three months ended Jun. 30, 2013	52.41	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2014	135,892	16,144	11.9
As of Mar. 31, 2014	117,295	15,849	13.5

Reference: Shareholders' equity (million yen) As of Jun. 30, 2014: 16,144 As of Mar. 31, 2014: 15,849

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2014	-	35.00	-	35.00	70.00
Fiscal year ending Mar. 31, 2015	-	-	-	-	-
Fiscal year ending Mar. 31, 2015 (forecasts)	-	35.00	-	35.00	70.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	89,970	12.3	2,475	5.9	2,178	6.3	1,160	22.1	159.71
Full year	188,576	14.0	6,660	40.4	6,080	45.2	3,202	68.4	440.80

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

Newly added: -

Excluded: -

(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, 2014:	8,012,000 shares	As of Mar. 31, 2014:	8,012,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2014:	739,254 shares	As of Mar. 31, 2014:	746,004 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2014:	7,268,776 shares	Three months ended Jun. 30, 2013:	7,230,888 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

(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 the Company 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.

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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 2014) of the fiscal year ending March 31, 2015, the Japanese economy continued to recover despite the temporary impact of the April 2014 consumption tax hike. There was growth in internal demand and improvements in jobs and personal income. In the pharmaceutical and dispensing pharmacy industries, there was a revision in April 2014 in National Health Insurance (NHI) drug prices. These revisions will have a negative short-term effect on sales and profits of the Nihon Chouzai Group. But the objectives of the April 2014 revisions, such as increasing at-home medical care and encouraging the use of generic drugs, are consistent with the goals of the Group.

In this environment, the Group's net sales increased 8.6% year on year to 43,133 million yen. Operating income decreased 18.0% to 878 million yen, ordinary income decreased 20.1% to 756 million yen, and net income decreased 22.7% to 293 million yen.

Results by business segment are as follows.

1) Dispensing Pharmacy Business

In the first quarter of the current fiscal year, Nihon Chouzai Co., Ltd. (the Company) opened eight pharmacies in this business and closed four. Consequently, there were 498 pharmacies (including one pharmacy specializing in the sale of general merchandise). In addition, the Company completed negotiations for pharmaceutical purchase prices through the end of September with all suppliers. Sales of the dispensing pharmacy business rose by 7.2% to 37,546 million yen. Operating income decreased 32.1% to 1,190 million yen mainly because of the effects immediately after the NHI drug price revisions.

2) Pharmaceutical Manufacturing and Sales Business

In the pharmaceutical manufacturing and sales business, there was a decline in selling prices caused by the NHI drug price revisions. However, this business benefited from revisions to medical treatment fees for the purpose of increasing the use of generic drugs by large hospitals and other medical institutions. Sales of this segment rose by 17.0% to 6,506 million yen. As for profits, operating income increased 345.5% to 330 million yen. In June, nine new products were launched and actions were taken to eliminate the overlapping products between group companies. As a result, the number of product items for sale was 567 at the end of the first quarter of the current fiscal year.

3) Medical Professional Staffing and Placement Business

Demand for pharmacist staffing services is increasing in Japan. The volume of work performed by pharmacists has been growing but the percentage of applicants who passed Japan's pharmacist certification test in the first quarter of the current fiscal year was low. Sales rose by 16.7% to 1,499 million yen, and operating income increased 15.6% to 327 million yen.

(2) Explanation of Financial Position

Total assets increased 18,597 million yen, or 15.9%, from the end of March 2014, to 135,892 million yen at the end of June 2014. Current assets were 70,717 million yen, an increase of 17,343 million yen, or 32.5%. This was attributable mainly to increases in cash and deposits, and merchandise and finished goods. Non-current assets increased 1,253 million yen, or 2.0% to 65,175 million yen. This was attributable mainly to an increase in construction in progress.

Total liabilities increased 18,302 million yen, or 18.0% to 119,748 million yen. This was attributable mainly to increases in accounts payable-trade, short-term loans payable and long-term loans payable.

Net assets increased 295 million yen, or 1.9% to 16,144 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, 2015 that was announced on April 30, 2014.

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

1) Application of the accounting standard for retirement benefits

The Company has applied the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012)” and the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)” from the first quarter of the current fiscal year, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing estimated retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate, for the period of bonds used for the basis of determining the discount rate, from the method using the approximate number of years of expected average length of remaining service period of employees to the method using a plural discount rate reflecting the estimated period.

The application of this accounting standard, etc. in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and thus the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the first quarter of the current fiscal year.

The result was a decrease of 441 million yen in net defined benefit liability, and an increase of 283 million yen in retained earnings at the beginning of the first quarter of the current fiscal year. The effect of this change on operating income, ordinary income and income before income taxes and minority interests is insignificant.

2) Application of practical solution on transactions of delivering the Company's own stock to employees, etc. through trusts

The Company has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts (ASBJ Practical Issue Task Force (PITF) No. 30, December 25, 2013)" from the first quarter of the current fiscal year. Accordingly, the Company recognizes a gain or loss upon the disposal of treasury shares by the Company to a trust, and records as liabilities the net amount of gain or loss on the sale of stock sold by the trust to the employee stock ownership plan and dividends paid by the Company for stock held by the trust and other expenses involving the trust.

This change has no effect on earnings and financial position.

(4) Additional Information

Transactions of delivering the Company's own stock to employees, etc. through trusts

The Company performs transactions of delivering its stock to an employee stock ownership plan through a trust for the purpose of providing benefits to employees.

1) Summary

The Company has established a trust in which the beneficiaries are employees who belong to the Nihon Chouzai Employee Stock Ownership Plan (the ESOP) and who fulfill certain requirements. The trust purchases during a period specified in advance an amount of the Company stock that the ESOP is expected to purchase during the trust's existence (February 3, 2010 to March 20, 2015). After purchasing this stock, the trust sells stock to the ESOP each month on the designated day. Upon completion of the trust, if there is trust income resulting from an increase in the price of the Company stock, this income will be distributed to the beneficiaries (employees) in proportion to their contributions to the ESOP. If there is a loss on the sale of stock resulting from a decrease in the price of the Company stock, resulting in a liability concerning trust assets, then in accordance with the guarantee terms of a loan contract, The Company will make a reimbursement to the bank in a lump-sum so that there is no additional financial burden on employees.

2) The Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts (ASBJ PITF No. 30, December 25, 2013)," but uses an accounting treatment that is based on the method used in prior years.

3) Information concerning the Company stock held by the trust

- i. The book value of the Company stock held by the trust was 131 million yen as of March 31, 2014 and 114 million yen as of June 30, 2014. Stock held by the trust is shown as treasury shares in shareholders' equity.
- ii. The trust held 51,000 shares of the Company stock as of March 31, 2014 and 44,250 shares as of June 30, 2014 and the average number of shares held was 71,026 in the previous fiscal year and 48,220 in the first quarter of the current fiscal year. The number of shares at the end of each period and average number of shares are included in treasury shares, which is deducted from the number of shares used to calculate per share data.

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

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	First quarter of FY3/15 (As of Jun. 30, 2014)
Assets		
Current assets		
Cash and deposits	15,429	29,087
Notes receivable-trade	1,270	1,236
Accounts receivable-trade	17,395	17,078
Merchandise and finished goods	12,165	16,121
Work in process	751	764
Raw materials and supplies	3,480	3,169
Other	2,889	3,269
Allowance for doubtful accounts	(8)	(9)
Total current assets	53,373	70,717
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,990	13,972
Land	15,318	15,327
Construction in progress	7,076	8,666
Other, net	5,738	5,887
Total property, plant and equipment	42,123	43,852
Intangible assets		
Goodwill	9,265	9,101
Other	1,838	1,787
Total intangible assets	11,103	10,889
Investments and other assets		
Investment securities	1,030	941
Lease and guarantee deposits	6,934	7,020
Other	2,729	2,470
Total investments and other assets	10,694	10,432
Total non-current assets	63,921	65,175
Total assets	117,295	135,892

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	First quarter of FY3/15 (As of Jun. 30, 2014)
Liabilities		
Current liabilities		
Notes payable-trade	2,102	2,047
Accounts payable-trade	26,861	35,079
Short-term loans payable	7,750	9,650
Current portion of bonds	7,000	7,000
Current portion of long-term loans payable	3,889	3,993
Income taxes payable	1,507	720
Provision for bonuses	1,793	1,038
Provision for directors' bonuses	74	1
Provision for sales rebates	102	153
Other	4,584	5,762
Total current liabilities	55,666	65,446
Non-current liabilities		
Bonds payable	7,000	7,000
Long-term loans payable	35,165	43,099
Provision for directors' retirement benefits	907	868
Net defined benefit liability	915	575
Other	1,789	2,757
Total non-current liabilities	45,779	54,301
Total liabilities	101,446	119,748
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	4,754	4,754
Retained earnings	9,310	9,632
Treasury shares	(2,171)	(2,154)
Total shareholders' equity	15,845	16,185
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	237	180
Remeasurements of defined benefit plans	(234)	(222)
Total accumulated other comprehensive income	3	(41)
Total net assets	15,849	16,144
Total liabilities and net assets	117,295	135,892

(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 FY3/14 (Apr. 1, 2013 – Jun. 30, 2013)	First three months of FY3/15 (Apr. 1, 2014 – Jun. 30, 2014)
Net sales	39,733	43,133
Cost of sales	33,440	36,005
Gross profit	6,292	7,127
Selling, general and administrative expenses	5,220	6,248
Operating income	1,071	878
Non-operating income		
Commission fee	28	29
Rent income	26	66
Other	54	60
Total non-operating income	108	157
Non-operating expenses		
Interest expenses	173	200
Commission fee	8	7
Other	50	70
Total non-operating expenses	233	279
Ordinary income	946	756
Extraordinary income		
Gain on sales of non-current assets	17	0
Total extraordinary income	17	0
Extraordinary losses		
Impairment loss	32	-
Total extraordinary losses	32	-
Income before income taxes and minority interests	931	757
Income taxes-current	787	592
Income taxes-deferred	(252)	(128)
Total income taxes	534	464
Income before minority interests	397	293
Minority interests in income	18	-
Net income	378	293

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

(Millions of yen)

	First three months of FY3/14 (Apr. 1, 2013 – Jun. 30, 2013)	First three months of FY3/15 (Apr. 1, 2014 – Jun. 30, 2014)
Income before minority interests	397	293
Other comprehensive income		
Valuation difference on available-for-sale securities	(97)	(57)
Remeasurements of defined benefit plans, net of tax	-	12
Total other comprehensive income	(97)	(44)
Comprehensive income	299	248
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	281	248
Comprehensive income attributable to minority interests	17	-

(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 FY3/14 (Apr. 1, 2013 – Jun. 30, 2013)

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	35,040	3,704	988	39,733	-	39,733
(2) Inter-segment sales and transfers	-	1,857	295	2,152	(2,152)	-
Total	35,040	5,561	1,284	41,885	(2,152)	39,733
Segment profit (loss)	1,753	74	283	2,110	(1,038)	1,071

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 -1,038 million yen to segment profit (loss) includes eliminations of -16 million yen for inter-segment transactions and corporate expenses of -1,021 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

In the three months of FY3/14, the Company purchased shares of Choseido Pharmaceutical Co., Ltd. and included this company in the scope of consolidation.

Accordingly, segment assets in the pharmaceutical manufacturing and sales business segment increased 15,536 million yen from the end of the previous fiscal year.

3. 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 (three pharmacies). The amount of this loss in the first three months of FY3/14 was 32 million yen.

Significant change in goodwill

In the pharmaceutical manufacturing and sales business segment, the Company purchased shares of Choseido Pharmaceutical Co., Ltd. in April 2013 to make this company a subsidiary. In the first three months of FY3/14, this purchase caused goodwill to increase by 516 million yen.

II. 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.

Subsequent Events

Significant acquisition of treasury shares

On July 31, 2014, the Company's Board of Directors approved a resolution to repurchase treasury shares as follows pursuant to Article 156 of the Companies Act, which is applicable in lieu of Article 165, Paragraph 3 of this act.

1. Reason for stock repurchase:

To improve capital efficiency and adopt timely and flexible financial strategies in response to changes in the operating environment.

2. Type of shares to be repurchased: Common shares of the Company

3. Total number of shares to be repurchased: Up to 300,000 shares

4. Total value of shares to be repurchased: Up to 1,000 million yen

5. Repurchase schedule: From August 1, 2014 to December 22, 2014

6. Method of repurchase: Purchase on the Tokyo Stock Exchange

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.