



April 27, 2018

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

[Japanese GAAP]

Company name:	NIHON 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	Scheduled date of Annual General Meeting of Shareholders:	June 27, 2018
Scheduled date of Annual General Meeting of Shareholders:		Scheduled date of filing of Annual Securities Report:	June 28, 2018
Scheduled date of filing of Annual Securities Report:		Scheduled date of payment of dividend:	June 28, 2018
Scheduled date of payment of dividend:		Preparation of supplementary materials for financial results:	Yes
Preparation of supplementary materials for financial results:		Holding of financial results meeting:	Yes (for institutional investors and analysts)
Holding of financial results meeting:		<i>Note: The original disclosure in Japanese was released on April 27, 2018 at 15:00 (GMT +9).</i>	

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2018	241,274	8.0	10,587	24.3	10,138	27.1	6,104	31.6
Fiscal year ended Mar. 31, 2017	223,468	1.9	8,519	(18.8)	7,976	(19.3)	4,638	(26.7)

Note: Comprehensive income (million yen) FY3/18: 5,858 (up 22.7%) FY3/17: 4,775 (down 22.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2018	381.69	-	15.7	5.6	4.4
Fiscal year ended Mar. 31, 2017	290.03	-	13.5	4.7	3.8

Reference: Equity in income (losses) of affiliates (million yen) FY3/18: - FY3/17: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	186,573	41,506	22.2	2,595.00
As of Mar. 31, 2017	178,347	36,447	20.4	2,278.70

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 41,504 As of Mar. 31, 2017: 36,447

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2018	23,141	(13,843)	(2,034)	28,464
Fiscal year ended Mar. 31, 2017	(940)	(28,444)	18,205	21,200

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2017	-	25.00	-	25.00	50.00	799	17.2	2.3
Fiscal year ended Mar. 31, 2018	-	25.00	-	25.00	50.00	799	13.1	2.1
Fiscal year ending Mar. 31, 2019 (forecasts)	-	25.00	-	25.00	50.00		21.3	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	123,146	4.2	1,549	(68.3)	1,409	(69.6)	932	(66.8)	58.32
Full year	253,893	5.2	6,318	(40.3)	6,078	(40.1)	3,756	(38.5)	234.84

*** Notes**

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

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

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

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

As of Mar. 31, 2018: 16,024,000 shares As of Mar. 31, 2017: 16,024,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2018: 29,868 shares As of Mar. 31, 2017: 29,448 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2018: 15,994,331 shares Fiscal year ended Mar. 31, 2017: 15,994,766 shares

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2018	198,442	6.7	7,322	49.6	7,436	63.4	4,427	83.8
Fiscal year ended Mar. 31, 2017	185,914	(2.3)	4,894	(20.9)	4,549	(22.4)	2,408	(33.0)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended Mar. 31, 2018	276.79		-	
Fiscal year ended Mar. 31, 2017	150.58		-	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Mar. 31, 2018	140,677		32,811		23.3		2,051.48	
As of Mar. 31, 2017	136,632		29,449		21.6		1,841.20	

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 32,811 As of Mar. 31, 2017: 29,449

Note 1: This financial report is not subject to audit by certified public accountants or auditing firms.

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 materials for financial results

Nihon Chouzai plans to hold an information meeting for institutional investors and analysts regarding results of operations on May 10, 2018. Materials distributed at this event will also be disclosed, using the Timely Disclosure network (TDnet), and available on the Nihon Chouzai website.

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1. Overview of Results of Operations

(1) Results of Operations

During the fiscal year that ended on March 31, 2018, the Japanese government announced the Basic Policy on Fiscal 2018 Revisions to Medical Treatment Fees, the Basic Policy on Radical Reform of the Drug Pricing System and other policies in December. Revisions were made to medical treatment fees, prescription dispensing fees and National Health Insurance (NHI) drug prices in April 2018. These revisions have a basic policy of establishing a high-quality and efficient health care infrastructure and achieving excellent health care that is capable of meeting new needs to prepare for social and economic changes beginning in 2025, when the baby boom generation starts reaching the age of 75, along with technological advances. There are several measures aimed at accomplishing these goals. There are evaluations for family pharmacists and pharmacies that contribute to community medical care as well as more recognition of pharmacies that improve services for people. In addition, the basic policy supports efficient and high-quality at-home supervision of drug use and promotes the use of generic drugs and the proper use of all drugs. A reexamination of the value placed on hospital-front pharmacies is another element of the basic policy. The need for pharmacies to build stronger ties with the communities they serve and with medical institutions is a central theme of the basic policy. Significant changes are taking place in the business climate for the pharmaceutical and dispensing pharmacy industries to meet this need. Group companies are working even more closely together while reflecting the objectives of the Japanese government's actions in order to use these changes as an opportunity for growth. Due to these activities in all of the Group's businesses, there were big increases in sales and earnings that include record-high operating profit and ordinary profit.

Net sales increased 8.0% year on year to 241,274 million yen. Operating profit increased 24.3% to 10,587 million yen, ordinary profit increased 27.1% to 10,138 million yen and profit attributable to owners of parent rose 31.6% to 6,104 million yen.

Business segment performance was as follows.

1) Dispensing Pharmacy Business

During the current fiscal year, Nihon Chouzai opened 36 pharmacies, including through acquisitions, in the dispensing pharmacy business and closed eight. Consequently, there were 585 pharmacies (including two pharmacies specializing in the sale of general merchandise) at the end of the fiscal year. Net sales in this segment increased 8.4% year on year to 205,192 million yen. Excluding hepatitis C drugs, the fiscal year sales were more than 11.2% higher than in the previous fiscal year. Growth in the number of stores and sales at stores opened in the previous fiscal year all contributed to the higher sales. Moreover, sales throughout the fiscal year benefited from higher prescription unit prices in the following fiscal year of the 2016 revisions. Earnings also increased mainly because of an improvement in income from prescription dispensing fees resulting from more activities to provide the services of family pharmacists and family pharmacies and an year-on-year increase in the number of prescriptions at existing pharmacies. As a result, segment operating profit was much higher than one year earlier, rising 29.8% to 12,411 million yen.

At Nihon Chouzai pharmacies, the average rate of generic drug utilization reached 84% at the end of March 2018 and 89% of pharmacies were offering at-home medical care services (number of pharmacies providing at least 12 services in a year). Steady growth in the number of registered members using Nihon Chouzai's Okusuri Techo Plus electronic medication notebook continued. At the end of the fiscal year, there were more than 240,000 members.

2) Pharmaceutical Manufacturing and Sales Business

Sales increased 3.4% to 38,066 million yen in part because of growth in internal sales resulting from the steady growth of Nihon Chouzai's dispensing pharmacy business. Earnings were down despite measures to maintain suitable selling prices amid increasingly heated price-based competition among pharmaceutical manufacturers. The benefit of higher sales was more than outweighed by an increase in R&D expenditures to strengthen the

lineup of drugs produced by the Nihon Chouzai Group and higher expenses associated with capital expenditures to increase output. The result was a 30.5% decline in segment operating profit to 1,194 million yen.

Seventeen and 18 items were added in June and December, respectively, but there were reductions in the number of items to eliminate overlapping products between group companies. As a result, the number of product items sold in this business segment was 636 at the end of the fiscal year.

3) Medical Professional Staffing and Placement Business

Progress with measures involving family pharmacist and family pharmacy services in the dispensing pharmacy sector continues to create strong growth in the demand for the temporary staffing and permanent placement of medical professionals, particularly pharmacists. Growth in the number of temporary staffing and permanent placements of pharmacists continued. In order to place priority on achieving an excellent match with companies that have job openings, Nihon Chouzai provides face-to-face counseling for individuals seeking either temporary or permanent positions. In the fiscal year, this business continued to post strong growth with sales up 14.0% to 11,970 million yen and operating profit up 7.7% to 1,842 million yen.

(2) Financial Position

Total assets increased 8,225 million yen, or 4.6%, from 178,347 million yen at the end of March 2017 to 186,573 million yen at the end of March 2018. Total liabilities increased 3,166 million yen, or 2.2%, from 141,900 million yen to 145,066 million yen.

Current assets were 83,121 million yen, an increase of 793 million yen, or 1.0%, from 82,327 million yen one year earlier. This was attributable mainly to an increase of 7,264 million yen in cash and deposits and a decrease of 6,795 million yen in accounts receivable-trade.

Non-current assets increased 7,432 million yen, or 7.7%, from 96,019 million yen to 103,452 million yen. There was an increase of 7,148 million yen, or 10.4%, in property, plant and equipment from 68,513 million yen to 75,662 million yen. Opening of new pharmacies in the dispensing pharmacy business, transfer of business and capital investments in the pharmaceutical manufacturing and sales business were mainly responsible for this increase. Intangible assets increased 1,179 million yen, or 7.0%, from 16,773 million yen to 17,952 million yen. This increase was mainly due to an increase of goodwill in the dispensing pharmacy business. Investment and other assets decreased 896 million yen, or 8.3%, from 10,733 million yen to 9,837 million yen. This was attributable mainly to a decrease in investment securities.

Current liabilities increased 4,004 million yen, or 6.0%, from 66,305 million yen to 70,310 million yen. This was attributable mainly to a 1,898 million yen increase in current portion of long-term loans payable.

Non-current liabilities decreased 838 million yen, or 1.1%, from 75,595 million yen to 74,756 million yen. This was attributable mainly to a 2,306 million yen decrease in long-term loans payable.

Net assets increased 5,059 million yen, or 13.9%, from 36,447 million yen to 41,506 million yen. This was attributable mainly to an increase of 5,305 million yen in retained earnings. As a result, equity ratio was 22.2%.

(3) Cash Flows

There was a net increase of 7,264 million yen in cash and cash equivalents from the end of March 2017 to 28,464 million yen at the end of March 2018. Net cash provided by operating activities was 23,141 million yen, net cash used in investing activities 13,843 million yen, and net cash used in financing activities 2,034 million yen.

< Operating activities >

Major sources of cash were profit before income taxes of 10,045 million yen. The primary use of cash was a 1,399 million yen decrease in notes and accounts payable-trade.

< Investing activities >

The primary uses of cash were payments of 12,076 million yen for the purchase of property, plant and equipment incident to new store opening in the dispensing pharmacy business and capital investments in the pharmaceutical manufacturing and sales business. There were also payments of 1,126 million yen for the purchase of shares of subsidiaries resulting in change in scope of consolidation.

< Financing activities >

The primary source of cash was proceeds of 13,000 million yen from long-term loans payable. Cash was used mainly for repayments of long-term loans payable of 13,408 million yen.

Trends in cash flow indicators

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Shareholders' equity ratio (%)	13.5	13.6	20.6	20.4	22.2
Shareholders' equity ratio based on market prices (%)	16.5	32.9	40.8	33.9	28.7
Cash flows to debt ratio (years)	9.9	11.9	3.5	-	3.8
Interest coverage ratio (times)	8.6	7.1	24.4	-	37.1

Note: The above figures are calculated as follows.

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Cash flows to debt ratio: Interest-bearing debts / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

- All indices are calculated based on consolidated figures.
- Market capitalization is calculated by multiplying the listed share price at the end of period by the number of shares outstanding (net of treasury shares) at the end of period.
- Operating cash flows are calculated using the figures for "Net cash provided by (used in) operating activities" in the consolidated statement of cash flows. Interest-bearing debts include all debts on the consolidated balance sheet that incur interest. Interest payments are calculated using the figures for "Interest expenses paid" in the consolidated statement of cash flows. Cash flows to debt ratio and interest coverage ratio for FY3/17 are not presented because operating cash flows were negative.

(4) Outlook

In April 2018, there were revisions to medical treatment and prescription dispensing fees and to drug prices. These revisions have a basic policy of establishing a high-quality and efficient health care infrastructure and achieving excellent health care that is capable of meeting new needs to prepare for social and economic changes beginning in 2025, when the baby boom generation starts reaching the age of 75, along with technological advances. There is also a reexamination of the value placed on hospital-front pharmacies. These revisions and other measures are certain to have a temporary negative impact on earnings. On the positive side, the closer ties with communities and medical institutions that are a goal of these revisions clearly define the types of pharmacists and pharmacies that will be required by the "Vision of Pharmacies for Patients" of the Ministry of Health, Labour and Welfare. These events point to the possibility of a rapid reorganization of Japan's dispensing pharmacy industry that may be accompanied by radical reform of the drug pricing system. For the fiscal year ending in March 2019, Nihon Chouzai forecasts consolidated net sales of 253,893 million yen, up 5.2%, operating profit of 6,318 million yen, down 40.3%, ordinary profit of 6,078 million yen, down 40.1%, and profit attributable to owners of parent of 3,756 million yen, down 38.5%.

Nihon Chouzai regards the significant changes in its business climate as an excellent opportunity for growth. There will be many carefully chosen investments in people and other aspects of operations in order to create pharmacies that perform vital roles. In addition, even more priority will be placed on efficiency; group companies will steadily implement measures to improve productivity. The pharmaceutical manufacturing and sales business must respond to the need to hold down the growth of health care expenses. The medical professional staffing and placement business must continue to meet the high-quality needs in the health care sector. The importance of this

business is growing as a service that has increasing social value. The Nihon Chouzai Group is dedicated to maximizing synergies in the core dispensing pharmacy business and all other operations and to accomplishing the separation of dispensing and prescribing functions for the benefit of patients. On April 27, 2018, the same day as the fiscal year earnings announcement, Nihon Chouzai announced a long-term vision for the Group that looks ahead to 2030. For more information, please see the news release about this vision (Japanese version only).

(5) Basic Policy for Earnings Distributions

The distribution of earnings to shareholders is one of the highest management priorities of Nihon Chouzai. The fundamental policy is to distribute the greatest possible amount of earnings to shareholders in relation to earnings in each fiscal year while taking into account the need for retained earnings to support growth. The fundamental policy is to make two dividend payments each year: an interim payment and year-end payment. In addition, retained earnings are used for the purpose of conducting business operations with the aim of achieving medium-term and long-term growth.

2. Basic Approach to the Selection of Accounting Standards

The Nihon Chouzai Group will continue to prepare consolidated financial statements using Japanese accounting standards for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	21,200	28,464
Notes receivable-trade	73	213
Accounts receivable-trade	26,698	19,902
Electronically recorded monetary claims-operating	872	1,115
Merchandise and finished goods	21,455	20,873
Work in process	2,509	1,304
Raw materials and supplies	5,550	6,047
Deferred tax assets	1,262	1,508
Other	2,713	3,698
Allowance for doubtful accounts	(7)	(6)
Total current assets	82,327	83,121
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,675	53,483
Accumulated depreciation	(17,372)	(19,064)
Buildings and structures, net	22,303	34,418
Machinery, equipment and vehicles	12,690	14,129
Accumulated depreciation	(2,649)	(3,543)
Machinery, equipment and vehicles, net	10,040	10,585
Land	18,016	19,357
Leased assets	2,995	2,943
Accumulated depreciation	(1,582)	(1,858)
Leased assets, net	1,413	1,084
Construction in progress	13,521	6,750
Other	13,564	14,816
Accumulated depreciation	(10,346)	(11,352)
Other, net	3,217	3,464
Total property, plant and equipment	68,513	75,662
Intangible assets		
Goodwill	14,605	15,418
Other	2,167	2,534
Total intangible assets	16,773	17,952
Investments and other assets		
Investment securities	1,039	20
Long-term loans receivable	817	738
Lease and guarantee deposits	7,072	7,049
Deferred tax assets	587	786
Other	1,216	1,242
Total investments and other assets	10,733	9,837
Total non-current assets	96,019	103,452
Total assets	178,347	186,573

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	38,909	36,203
Electronically recorded obligations-operating	2,124	3,770
Current portion of long-term loans payable	13,411	15,309
Lease obligations	390	311
Income taxes payable	1,537	3,040
Provision for bonuses	2,547	2,775
Provision for directors' bonuses	117	137
Asset retirement obligations	9	4
Other	7,257	8,759
Total current liabilities	66,305	70,310
Non-current liabilities		
Long-term loans payable	70,678	68,372
Lease obligations	1,002	697
Long-term accounts payable-installment purchase	609	1,991
Provision for directors' retirement benefits	949	1,048
Net defined benefit liability	1,294	1,503
Asset retirement obligations	760	821
Other	298	320
Total non-current liabilities	75,595	74,756
Total liabilities	141,900	145,066
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	21,511	26,816
Treasury shares	(46)	(47)
Total shareholders' equity	36,345	41,648
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	263	0
Remeasurements of defined benefit plans	(161)	(144)
Total accumulated other comprehensive income	101	(144)
Non-controlling interests	-	2
Total net assets	36,447	41,506
Total liabilities and net assets	178,347	186,573

(2) Consolidated Statements of Income and Comprehensive Income**(Consolidated Statement of Income)**

	(Millions of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Net sales	223,468	241,274
Cost of sales	184,210	197,437
Gross profit	39,258	43,837
Selling, general and administrative expenses	30,738	33,250
Operating profit	8,519	10,587
Non-operating income		
Interest income	1	0
Commission fee	144	151
Rent income	404	436
Insurance return	75	-
Other	157	193
Total non-operating income	783	781
Non-operating expenses		
Interest expenses	687	635
Commission fee	37	44
Rent expenses	322	328
Loss on retirement of non-current assets	113	45
Other	164	175
Total non-operating expenses	1,326	1,230
Ordinary profit	7,976	10,138
Extraordinary income		
Gain on sales of non-current assets	28	0
Gain on sales of investment securities	0	360
Gain on transfer of business	-	48
Total extraordinary income	28	408
Extraordinary losses		
Loss on sales of non-current assets	6	10
Impairment loss	171	491
Total extraordinary losses	177	501
Profit before income taxes	7,827	10,045
Income taxes-current	3,024	4,272
Income taxes-deferred	164	(331)
Total income taxes	3,188	3,940
Profit	4,638	6,104
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	4,638	6,104

(Consolidated Statement of Comprehensive Income)

	(Millions of yen)	
	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Profit	4,638	6,104
Other comprehensive income		
Valuation difference on available-for-sale securities	66	(263)
Remeasurements of defined benefit plans, net of tax	69	17
Total other comprehensive income	136	(245)
Comprehensive income	4,775	5,858
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,775	5,858
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,953	10,926	17,672	(44)	32,507
Changes of items during period					
Dividends of surplus			(799)		(799)
Profit attributable to owners of parent			4,638		4,638
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,839	(1)	3,837
Balance at end of current period	3,953	10,926	21,511	(46)	36,345

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	196	(231)	(34)	-	32,473
Changes of items during period					
Dividends of surplus					(799)
Profit attributable to owners of parent					4,638
Purchase of treasury shares					(1)
Net changes of items other than shareholders' equity	66	69	136	-	136
Total changes of items during period	66	69	136	-	3,973
Balance at end of current period	263	(161)	101	-	36,447

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,953	10,926	21,511	(46)	36,345
Changes of items during period					
Dividends of surplus			(799)		(799)
Profit attributable to owners of parent			6,104		6,104
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	5,305	(1)	5,303
Balance at end of current period	3,953	10,926	26,816	(47)	41,648

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	263	(161)	101	-	36,447
Changes of items during period					
Dividends of surplus					(799)
Profit attributable to owners of parent					6,104
Purchase of treasury shares					(1)
Net changes of items other than shareholders' equity	(263)	17	(245)	2	(243)
Total changes of items during period	(263)	17	(245)	2	5,059
Balance at end of current period	0	(144)	(144)	2	41,506

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	7,827	10,045
Depreciation	4,741	5,214
Amortization of long-term prepaid expenses	104	126
Impairment loss	171	491
Amortization of goodwill	976	1,326
Increase (decrease) in allowance for doubtful accounts	(9)	(3)
Increase (decrease) in provision for bonuses	279	225
Increase (decrease) in provision for directors' bonuses	(21)	20
Increase (decrease) in net defined benefit liability	118	202
Increase (decrease) in provision for directors' retirement benefits	(7)	98
Interest and dividend income	(22)	(21)
Interest expenses	687	635
Loss (gain) on sales of non-current assets	(22)	10
Loss (gain) on sales of investment securities	(0)	(360)
Loss (gain) on transfer of business	-	(48)
Decrease (increase) in notes and accounts receivable-trade	(46)	6,691
Decrease (increase) in inventories	(7,005)	1,442
Increase (decrease) in notes and accounts payable-trade	(4,135)	(1,399)
Decrease (increase) in prepaid expenses	(84)	(111)
Increase (decrease) in accrued expenses	132	324
Increase (decrease) in accounts payable-other	758	390
Other, net	(349)	1,198
Subtotal	4,093	26,500
Interest and dividend income received	22	21
Interest expenses paid	(702)	(623)
Income taxes paid	(4,354)	(2,756)
Net cash provided by (used in) operating activities	(940)	23,141
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	5	-
Purchase of property, plant and equipment	(20,222)	(12,076)
Proceeds from sales of property, plant and equipment	72	46
Purchase of intangible assets	(926)	(656)
Proceeds from sales of investment securities	2	999
Increase in long-term prepaid expenses	(231)	(95)
Payments for transfer of business	(1,713)	(585)
Proceeds from transfer of business	-	114
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,899)	(1,126)
Payments of loans receivable	(443)	(448)
Collection of loans receivable	103	88
Payments for lease and guarantee deposits	(385)	(251)
Proceeds from collection of lease and guarantee deposits	134	172
Other, net	59	(25)
Net cash provided by (used in) investing activities	(28,444)	(13,843)

	(Millions of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(236)	-
Proceeds from long-term loans payable	33,600	13,000
Repayments of long-term loans payable	(6,509)	(13,408)
Redemption of bonds	(7,000)	-
Repayments of lease obligations	(412)	(391)
Repayments of installment payables	(431)	(433)
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(802)	(799)
Net cash provided by (used in) financing activities	18,205	(2,034)
Net increase (decrease) in cash and cash equivalents	(11,180)	7,264
Cash and cash equivalents at beginning of period	32,380	21,200
Cash and cash equivalents at end of period	21,200	28,464

(5) Notes to Consolidated Financial Statements

Going-concern Assumption

Not applicable.

Additional Information

Accounting procedures for the application of consolidated taxation system

Nihon Chouzai and some of the Group's consolidated subsidiaries applied for approval in the current fiscal year to pay taxes on a consolidated basis, and it will be applied in following fiscal year. As a result, accounting procedures from the current fiscal year are based on the application of a consolidated taxation system in accordance with "Practical Solution for Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (Accounting Standards Board of Japan (ASBJ) Practical Issue Task Force (PITF) No.5, January 16, 2015) and "Practical Solution for Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ PITF No.7, January 16, 2015).

Segment and Other Information

Segment information

1. Overview of reportable segments

Segments used for financial reporting are the Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group consists of three business units: the dispensing pharmacy business, the pharmaceutical manufacturing and sales business, and the medical professional staffing and placement business. Each business unit determines its own comprehensive strategies and conducts its own business activities. Consequently, the Group has three reportable business segments: the dispensing pharmacy business, the pharmaceutical manufacturing and sales business, and the medical professional staffing and placement business.

The dispensing pharmacy business segment involves the operation of more than 580 dispensing pharmacies in all areas of Japan. The pharmaceutical manufacturing and sales business segment involves manufacturing and sales activities that specialize mainly in generic drugs and other pharmaceuticals. The medical professional staffing and placement business segment involves the provision of a temporary staffing and placement services for pharmacists, physicians, nurses and other medical professionals.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable segments comply with accounting principles and procedures used for the preparation of the consolidated financial statements.

Earnings for reportable segments are operating profit.

Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment
FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	189,315	24,184	9,968	223,468	-	223,468
(2) Inter-segment sales and transfers	12	12,637	531	13,180	(13,180)	-
Total	189,327	36,821	10,500	236,649	(13,180)	223,468
Segment profit (loss)	9,560	1,719	1,710	12,989	(4,470)	8,519
Segment assets	94,235	75,551	2,335	172,122	6,224	178,347
Other items						
Depreciation	2,154	2,222	25	4,403	338	4,741
Amortization of goodwill	878	97	-	976	-	976
Impairment loss	171	-	-	171	-	171
Increase in property, plant and equipment and intangible assets	4,238	18,742	45	23,026	317	23,344

Notes: 1. The above adjustments include the following items.

- (1) The negative adjustment of 4,470 million yen to segment profit or loss includes a profit elimination of 36 million yen for inter-segment transactions and corporate expenses of minus 4,506 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
 - (2) The 6,224 million yen adjustment to segment assets includes a 153 million yen elimination for receivables associated with inter-segment transactions, a 126 million yen elimination for unrealized profit in inventories and a 6,504 million yen addition to corporate assets. Lease and guarantee deposits, land and investment securities that do not belong to any reportable segment are the primary components of corporate assets.
 - (3) The 338 million yen adjustment of depreciation and the 317 million yen adjustment that is added to the increase in property, plant and equipment and intangible assets are for investments in corporate assets such as buildings.
2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	205,180	24,685	11,408	241,274	-	241,274
(2) Inter-segment sales and transfers	12	13,381	562	13,955	(13,955)	-
Total	205,192	38,066	11,970	255,230	(13,955)	241,274
Segment profit (loss)	12,411	1,194	1,842	15,448	(4,861)	10,587
Segment assets	93,088	84,465	3,828	181,382	5,190	186,573
Other items						
Depreciation	2,194	2,677	33	4,906	307	5,214
Amortization of goodwill	1,228	97	-	1,326	-	1,326
Impairment loss	347	143	-	491	-	491
Increase in property, plant and equipment and intangible assets	4,679	10,245	89	15,015	301	15,316

Notes: 1. The above adjustments include the following items.

- (1) The negative adjustment of 4,861 million yen to segment profit or loss includes a profit elimination of 28 million yen for inter-segment transactions and corporate expenses of minus 4,889 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.
 - (2) The 5,190 million yen adjustment to segment assets includes a 151 million yen elimination for receivables associated with inter-segment transactions, a 68 million yen elimination for unrealized profit in inventories and a 5,410 million yen addition to corporate assets. Lease and guarantee deposits and land that do not belong to any reportable segment are the primary components of corporate assets.
 - (3) The 307 million yen adjustment of depreciation and the 301 million yen adjustment that is added to the increase in property, plant and equipment and intangible assets are for investments in corporate assets such as buildings.
2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

Related information

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

1. Information by product or service

Omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

3. Information about specific customers

Omitted because no single external customer accounts for 10% or more of sales as shown on the consolidated statement of income.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

1. Information by product or service

Omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

3. Information about specific customers

Omitted because no single external customer accounts for 10% or more of sales as shown on the consolidated statement of income.

Information related to impairment losses on non-current assets for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Omitted because the same information is presented in segment information.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Omitted because the same information is presented in segment information.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total
Unamortized balance at the end of current period	13,973	632	-	14,605

Note: Goodwill amortization is omitted because the same information is presented in segment information.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total
Unamortized balance at the end of current period	14,884	534	-	15,418

Note: Goodwill amortization is omitted because the same information is presented in segment information.

Information related to gain on bargain purchase for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Not applicable.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Not applicable.

Per Share Information

(Yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	2,278.70	2,595.00
Net income per share	290.03	381.69

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

2. Basis for calculation of net assets per share is as follows.

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Total net assets (Millions of yen)	36,447	41,506
Deduction on total net assets (Millions of yen)	-	2
Net assets applicable to common stock shares (Millions of yen)	36,447	41,504
Number of common stock shares at end of period used in calculation of net assets per share (Thousand shares)	15,994	15,994

Note: The number of common stock shares at the end of period that was used to calculate net assets per share is calculated after deducting treasury shares held in the Company's account.

3. Basis for calculation of net income per share is as follows.

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Profit attributable to owners of parent (Millions of yen)	4,638	6,104
Amounts not available to common stock shareholders (Millions of yen)	-	-
Profit attributable to owners of parent available to common stock shares (Millions of yen)	4,638	6,104
Average number of common stock shares outstanding during the period (Thousand shares)	15,994	15,994

Note: The average number of shares outstanding during the period that was used to calculate net income per share is calculated after deducting treasury shares held in the Company's account.

Subsequent Events

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.