April 28, 2017

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd. Listing: Tokyo Stock Exchange, First Section
Stock code: 3341 URL: http://www.nicho.co.jp
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Scheduled date of Annual General Meeting of Shareholders: June 28, 2017
Scheduled date of filing of Annual Securities Report: June 29, 2017
Scheduled date of payment of dividend: June 29, 2017
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on April 28, 2017 at 15:00 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated results of operations (Percentages shown for net sales and incomes 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, 2017	223,468	1.9	8,519	(18.8)	7,976	(19.3)	4,638	(26.7)
Fiscal year ended Mar. 31, 2016	219,239	20.6	10,489	57.8	9,878	64.5	6,329	127.8

Note: Comprehensive income (million yen) FY3/17: 4,775 (down 22.7%) FY3/16: 6,175 (up 113.4%)

	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, 2017	290.03	-	13.5	4.7	3.8
Fiscal year ended Mar. 31, 2016	432.85	-	25.3	6.9	4.8

Reference: Equity in income (losses) of affiliates (million yen) FY3/17: - FY3/16: -

* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	178,347	36,447	20.4	2,278.70
As of Mar. 31, 2016	157,609	32,473	20.6	2,030.22

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 36,447 As of Mar. 31, 2016: 32,473

(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, 2017	(940)	(28,444)	18,205	21,200
Fiscal year ended Mar. 31, 2016	19,327	(7,823)	7,031	32,380

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, 2016	-	40.00	-	25.00	-	680	10.4	2.7
Fiscal year ended Mar. 31, 2017	-	25.00	-	25.00	50.00	799	17.2	2.3
Fiscal year ending Mar. 31, 2018 (forecasts)	-	25.00	-	25.00	50.00		14.2	

* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. The 2Q-end dividend per share for the fiscal year ended March 31, 2016 is the amount before the stock split.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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	113,606	3.8	4,251	7.9	4,115	9.7	2,231	(4.6)	139.53
Full year	234,697	5.0	10,105	18.6	9,804	22.9	5,639	21.6	352.59

*** 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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to "(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" on page 14 of the attachments for further information.

(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, 2017:	16,024,000 shares	As of Mar. 31, 2016:	16,024,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2017:	29,448 shares	As of Mar. 31, 2016:	29,068 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2017:	15,994,766 shares	Fiscal year ended Mar. 31, 2016:	14,623,675 shares

* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. Number of shares outstanding at the end of period, number of treasury shares at the end of period and average number of shares outstanding during the period have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(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, 2017	185,914	(2.3)	4,894	(20.9)	4,549	(22.4)	2,408	(33.0)
Fiscal year ended Mar. 31, 2016	190,338	20.7	6,184	75.3	5,866	93.4	3,593	217.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2017	150.58	-
Fiscal year ended Mar. 31, 2016	245.73	-

* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	136,632	29,449	21.6	1,841.20
As of Mar. 31, 2016	129,344	27,775	21.5	1,736.51

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 29,449 As of Mar. 31, 2016: 27,775

Note 1: The current financial report is not subject to audit procedures.

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. Please refer to "1. Overview of Results of Operations, etc. (4) Outlook" on page 5 for forecast assumptions and notes of caution for usage.

(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, 2017. Materials distributed at this event will also be disclosed, using the Timely Disclosure network (TDnet), and available on the Nihon Chouzai website.

Contents of Attachments

1. Overview of Results of Operations

(1) Results of Operations

During the fiscal year that ended on March 31, 2017, revisions were made to prescription dispensing fees and National Health Insurance (NHI) drug prices in April 2016 that affected the pharmaceutical and dispensing pharmacy industries. The April 2016 revisions are one step toward achieving the "Vision for Pharmacies That Put Customers First," which was announced by the Ministry of Health, Labour and Welfare in October 2015. Revisions included specific measures concerning roles, evaluations and other items involving community pharmacies, personal care pharmacists and health support pharmacies. Furthermore, achieving the separation of drug prescribing and dispensing for the benefit of patients will require that dispensing pharmacies and pharmacists play an even greater role in health care. This will require working closely with communities where pharmacies are located and functioning as part of a health care team for assistance for taking drugs properly, the centralization of drug use data for continuous monitoring and other activities. Dispensing pharmacies must do as much as possible to follow the directives from the Ministry of Health, Labour and Welfare. Drug price reductions and other revisions are creating serious challenges for dispensing pharmacies that had a major negative impact on the Nihon Chouzai Group's performance in the past fiscal year. Despite this difficult business climate, group companies are committed to helping "achieve the separation of drug prescribing and dispensing for the benefit of patients," which is the central theme of the revisions, by providing assistance in the use of medications as personal care pharmacists, increasing the use of generic drugs and taking other actions.

The Nihon Chouzai Group's net sales increased 1.9% from the previous fiscal year to 223,468 million yen. However, the negative impact of the April 2016 revisions on the dispensing pharmacy business starting immediately after their enactment and intense price-based competition in the pharmaceutical manufacturing and sales business brought down earnings. Operating profit was down 18.8% to 8,519 million yen, ordinary profit decreased 19.3% to 7,976 million yen and profit attributable to owners of parent fell 26.7% to 4,638 million yen.

Business segment performance was as follows.

1) Dispensing Pharmacy Business

During the current fiscal year, 42 pharmacies were added and 12 were closed. There were several acquisitions, including the addition of two pharmacies due to the October 2016 acquisition of Mizuno LLC, which is Japan's first dispensing pharmacy company. Consequently, there were 557 pharmacies (including one pharmacy specializing in the sale of general merchandise) at the end of the fiscal year. There was a temporary decline in prescription dispensing fees caused by the April 2016 revisions. However, these fees had returned to about the same level as in the previous fiscal year by March 2017. The recovery of these fees was mainly the result of assistance by personal care pharmacists for using medications, measures to increase the use of generic drugs and extensive at-home medical care activities. The percentage of pharmacies that offer at-home medical care services remained extremely high at 95.1%. To increase the use of generic drugs, the Japanese government has established the target of raising to at least 80% the volume-based share of generic drugs as soon as possible between fiscal 2018 and the end of fiscal 2020. Nihon Chouzai has already exceeded this goal and will continue to take steps aimed at increasing this share. At the end of March 2017, Nihon Chouzai's volume-based generic drug share was 81.6%. Rapid growth continued in the number of users of "Okusuri Techo Plus," an electronic medication notebook developed by Nihon Chouzai. Contributing to this growth were revisions and improvements to this notebook's functions to provide greater convenience. The number of users is currently more than 150,000. There was a small decrease of 0.8% in segment sales to 189,327 million yen. The addition of pharmacies, including new locations that were acquired, contributed to sales. But sales were brought down by revisions to NHI drug prices, including a big reduction in the price of medications used to treat hepatitis C. Earnings benefited from a recovery in prescription dispensing fees that was faster than expected. However, there was a larger than anticipated decline in the number of prescriptions caused primarily by the revision in medical treatment fees. As the growth in sales was unable to offset increases in operating expenses, operating profit was down 10.7% to 9,560 million yen.

2) Pharmaceutical Manufacturing and Sales Business

Although the reduction in selling prices due to the April 2016 drug price revisions negatively affected sales, growth in the use of generic drugs at medical institutions continued to climb. One reason was revisions to medical treatment fees that promote the use of generic drugs. Segment performance also benefited from closer cooperation among group companies. As a result, net sales of this segment rose by 13.0% year-on-year to 36,821 million yen. Segment earnings were lower mainly because of higher expenses associated with substantial investments, price reductions of off-patent drugs by pharmaceutical companies that originally developed these drugs, and price-based competition among generic drug manufacturers, particularly involving new generic drugs. Operating profit decreased 35.5% to 1,719 million yen as a result. There are large investments to increase production capacity due to the outlook for more growth of Japan’s generic drug market. Projects are under way at existing plants to increase output and upgrade equipment. In addition, construction is proceeding on schedule at Tsukuba Plant No. 2, which is expected to have annual output capacity of up to 10 billion tablets. In June 2016, 24 new products were added and 12 more new products were launched in December. In addition, overlapping products within the Nihon Chouzai Group were eliminated. As a result, the number of product items sold in this segment was 611 at the end of the fiscal year, 37 more than one year earlier.

3) Medical Professional Staffing and Placement Business

The demand for staffing and placement services remained high during the current fiscal year. One reason is the increasing number of roles of pharmacies and pharmacists in association with the April 2016 revisions to prescription dispensing fees. Most significant is the need to perform the roles of community pharmacies and personal care pharmacists. To meet this demand, this business continued to make progress with increasing the number of people registered for placement and the number of job openings by acquiring new customers and sources of medical professionals. As a result, segment sales rose by 17.5% year-on-year to 10,500 million yen. Although there was a small decrease in the profit margin caused mostly by the higher cost of Internet advertising for the recruitment of pharmacists, segment operating profit increased by 7.0% to 1,710 million yen.

(2) Financial Position

Total assets increased 20,737 million yen, or 13.2%, from 157,609 million yen at the end of March 2016 to 178,347 million yen at the end of March 2017. Total liabilities increased 16,763 million yen, or 13.4%, from 125,136 million yen to 141,900 million yen.

Current assets were 82,327 million yen, a decrease of 2,511 million yen, or 3.0%, from 84,838 million yen one year earlier. This was attributable mainly to a decrease of 11,185 million yen in cash and deposits.

Non-current assets increased 23,248 million yen, or 31.9%, from 72,770 million yen to 96,019 million yen. There was an increase of 16,515 million yen, or 31.8%, in property, plant and equipment from 51,997 million yen to 68,513 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 6,650 million yen, or 65.7%, from 10,122 million yen to 16,773 million yen. This increase was mainly due to an increase of goodwill in the dispensing pharmacy business. Investment and other assets increased 82 million yen, or 0.8%, from 10,650 million yen to 10,733 million yen.

Current liabilities decreased 2,679 million yen, or 3.9%, from 68,985 million yen to 66,305 million yen. This was attributable mainly to a 3,080 million yen decrease in accounts payable-trade.

Non-current liabilities increased 19,443 million yen, or 34.6%, from 56,151 million yen to 75,595 million yen. This was attributable mainly to a 20,057 million yen increase in long-term loans payable.

Net assets increased 3,973 million yen, or 12.2%, from 32,473 million yen to 36,447 million yen. This was attributable mainly to an increase of 3,839 million yen in retained earnings. As a result, equity ratio was 20.4%.

(3) Cash Flows

There was a net decrease of 11,180 million yen in cash and cash equivalents to 21,200 million yen at the end of March 2017. Net cash used in operating activities was 940 million yen, net cash used in investing activities 28,444 million yen, and net cash provided by financing activities 18,205 million yen.

< Operating activities >

Major sources of cash were profit before income taxes of 7,827 million yen. The primary use of cash were a 7,005 million yen increase in inventories and a 4,135 million yen decrease in notes and accounts payable-trade.

< Investing activities >

The primary uses of cash were payments of 20,222 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 4,899 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 33,600 million yen from long-term loans payable. Cash was used mainly for redemption of bonds of 7,000 million yen.

Trends in cash flow indicators

	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Shareholders' equity ratio (%)	15.5	13.5	13.6	20.6	20.4
Shareholders' equity ratio based on market prices (%)	17.1	16.5	32.9	40.8	33.9
Cash flows to debt ratio (years)	16.7	9.9	11.9	3.5	-
Interest coverage ratio (times)	4.9	8.6	7.1	24.4	-

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

1. All indices are calculated based on consolidated figures.
2. 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.
3. 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 October 2015, the Ministry of Health, Labour and Welfare announced its "Vision for Pharmacies That Put Customers First". The April 2016 revision to prescription dispensing fees is part of measures aimed at achieving this vision. Revisions included specific measures concerning roles, evaluations and other items involving community pharmacies, personal care pharmacists and health support pharmacies. Dispensing pharmacies will no longer be a distributor of drugs. Instead, dispensing pharmacies will have to perform much greater roles that include assisting with community medical care and functioning as part of a health care team. To perform these roles, dispensing pharmacies will have to respond quickly and accurately to policies and actions by government agencies. There is a high level of M&A activity in Japan's dispensing pharmacy industry because of this challenging business climate. A significant realignment of the industry appears to be imminent. There will be no NHI drug price or prescription dispensing fee revisions in the fiscal year ending in March 2018. Nevertheless, moves to realign the dispensing pharmacy industry are likely to gain momentum rather than slow down.

The Nihon Chouzai Group views the unprecedented magnitude of changes in the health care and pharmaceutical industries as an excellent opportunity for growth. To retain a sound market position after the realignment of the industry, the Group will step up activities to be a community pharmacy with a team of personal care pharmacists, such as by further expanding at-home medical care services. Furthermore, there will be many initiatives aimed at improving the efficiency and productivity of all business operations.

In the fiscal year ending on March 31, 2018, the Nihon Chouzai Group forecasts consolidated net sales of 234,697 million yen, up 5.0%, operating profit of 10,105 million yen, up 18.6%, ordinary profit of 9,804 million yen, up 22.9%, and profit attributable to owners of parent of 5,639 million yen, up 21.6%.

(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)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	32,385	21,200
Notes receivable-trade	197	73
Accounts receivable-trade	25,839	26,698
Electronically recorded monetary claims-operating	774	872
Merchandise and finished goods	15,328	21,455
Work in process	1,993	2,509
Raw materials and supplies	4,695	5,550
Deferred tax assets	1,447	1,262
Other	2,187	2,713
Allowance for doubtful accounts	(10)	(7)
Total current assets	84,838	82,327
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,733	39,675
Accumulated depreciation	(15,196)	(17,372)
Buildings and structures, net	21,537	22,303
Machinery, equipment and vehicles	7,862	12,690
Accumulated depreciation	(2,007)	(2,649)
Machinery, equipment and vehicles, net	5,855	10,040
Land	17,188	18,016
Leased assets	2,943	2,995
Accumulated depreciation	(1,233)	(1,582)
Leased assets, net	1,710	1,413
Construction in progress	2,807	13,521
Other	11,765	13,564
Accumulated depreciation	(8,867)	(10,346)
Other, net	2,898	3,217
Total property, plant and equipment	51,997	68,513
Intangible assets		
Goodwill	8,507	14,605
Other	1,615	2,167
Total intangible assets	10,122	16,773
Investments and other assets		
Investment securities	945	1,039
Long-term loans receivable	886	817
Lease and guarantee deposits	6,932	7,072
Deferred tax assets	647	587
Other	1,239	1,216
Total investments and other assets	10,650	10,733
Total non-current assets	72,770	96,019
Total assets	157,609	178,347

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	41,989	38,909
Electronically recorded obligations-operating	2,664	2,124
Current portion of bonds	7,000	-
Current portion of long-term loans payable	5,963	13,411
Lease obligations	400	390
Income taxes payable	2,745	1,537
Provision for bonuses	2,249	2,547
Provision for directors' bonuses	138	117
Asset retirement obligations	7	9
Other	5,826	7,257
Total current liabilities	68,985	66,305
Non-current liabilities		
Long-term loans payable	50,621	70,678
Lease obligations	1,337	1,002
Long-term accounts payable-installment purchase	1,040	609
Provision for directors' retirement benefits	957	949
Net defined benefit liability	1,157	1,294
Asset retirement obligations	723	760
Other	312	298
Total non-current liabilities	56,151	75,595
Total liabilities	125,136	141,900
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	17,672	21,511
Treasury shares	(44)	(46)
Total shareholders' equity	32,507	36,345
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	196	263
Remeasurements of defined benefit plans	(231)	(161)
Total accumulated other comprehensive income	(34)	101
Total net assets	32,473	36,447
Total liabilities and net assets	157,609	178,347

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	219,239	223,468
Cost of sales	180,171	184,210
Gross profit	39,068	39,258
Selling, general and administrative expenses	28,578	30,738
Operating profit	10,489	8,519
Non-operating income		
Interest income	6	1
Commission fee	137	144
Rent income	378	404
Insurance return	-	75
Other	217	157
Total non-operating income	740	783
Non-operating expenses		
Interest expenses	790	687
Commission fee	45	37
Rent expenses	294	322
Loss on retirement of non-current assets	35	113
Other	185	164
Total non-operating expenses	1,351	1,326
Ordinary profit	9,878	7,976
Extraordinary income		
Gain on sales of non-current assets	22	28
Gain on sales of investment securities	-	0
Total extraordinary income	22	28
Extraordinary losses		
Loss on sales of non-current assets	-	6
Impairment loss	219	171
Total extraordinary losses	219	177
Profit before income taxes	9,681	7,827
Income taxes-current	3,720	3,024
Income taxes-deferred	(368)	164
Total income taxes	3,352	3,188
Profit	6,329	4,638
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	6,329	4,638

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Profit	6,329	4,638
Other comprehensive income		
Valuation difference on available-for-sale securities	(136)	66
Remeasurements of defined benefit plans, net of tax	(17)	69
Total other comprehensive income	(153)	136
Comprehensive income	6,175	4,775
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,175	4,775
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,953	4,754	11,868	(3,059)	17,515
Changes of items during period					
Dividends of surplus			(525)		(525)
Profit attributable to owners of parent			6,329		6,329
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		6,172		3,021	9,194
Net changes of items other than shareholders' equity					
Total changes of items during period	-	6,172	5,803	3,015	14,991
Balance at end of current period	3,953	10,926	17,672	(44)	32,507

	Accumulated other comprehensive income			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	333	(213)	119	17,635
Changes of items during period				
Dividends of surplus				(525)
Profit attributable to owners of parent				6,329
Purchase of treasury shares				(6)
Disposal of treasury shares				9,194
Net changes of items other than shareholders' equity	(136)	(17)	(153)	(153)
Total changes of items during period	(136)	(17)	(153)	14,837
Balance at end of current period	196	(231)	(34)	32,473

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)
Disposal of treasury shares					
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			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)
Disposal of treasury shares				
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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	9,681	7,827
Depreciation	4,461	4,741
Amortization of long-term prepaid expenses	107	104
Impairment loss	219	171
Amortization of goodwill	663	976
Increase (decrease) in allowance for doubtful accounts	(0)	(9)
Increase (decrease) in provision for bonuses	167	279
Increase (decrease) in provision for allowance for sales discount	(130)	-
Increase (decrease) in provision for directors' bonuses	40	(21)
Increase (decrease) in net defined benefit liability	223	118
Increase (decrease) in provision for directors' retirement benefits	70	(7)
Interest and dividend income	(27)	(22)
Interest expenses	790	687
Loss (gain) on sales of non-current assets	(22)	(22)
Loss (gain) on sales of investment securities	-	(0)
Decrease (increase) in notes and accounts receivable-trade	(5,339)	(46)
Decrease (increase) in inventories	(881)	(7,005)
Increase (decrease) in notes and accounts payable-trade	11,212	(4,135)
Decrease (increase) in prepaid expenses	(7)	(84)
Increase (decrease) in accrued expenses	265	132
Increase (decrease) in accounts payable-other	853	758
Other, net	441	(349)
Subtotal	22,787	4,093
Interest and dividend income received	27	22
Interest expenses paid	(792)	(702)
Income taxes paid	(2,695)	(4,354)
Net cash provided by (used in) operating activities	19,327	(940)
Cash flows from investing activities		
Payments into time deposits	(5)	-
Proceeds from withdrawal of time deposits	82	5
Purchase of property, plant and equipment	(6,880)	(20,222)
Proceeds from sales of property, plant and equipment	25	72
Purchase of intangible assets	(243)	(926)
Proceeds from sales of investment securities	-	2
Increase in long-term prepaid expenses	(104)	(231)
Payments for transfer of business	(454)	(1,713)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(226)	(4,899)
Payments for loans receivable	(16)	(443)
Collection of loans receivable	115	103
Payments for lease and guarantee deposits	(256)	(385)
Proceeds from collection of lease and guarantee deposits	160	134
Other, net	(19)	59
Net cash provided by (used in) investing activities	(7,823)	(28,444)

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,100)	(236)
Proceeds from long-term loans payable	10,400	33,600
Repayments of long-term loans payable	(6,069)	(6,509)
Redemption of bonds	-	(7,000)
Repayments of lease obligations	(430)	(412)
Repayments of installment payables	(431)	(431)
Proceeds from disposal of treasury shares	9,194	-
Purchase of treasury shares	(6)	(1)
Cash dividends paid	(524)	(802)
Net cash provided by (used in) financing activities	7,031	18,205
Net increase (decrease) in cash and cash equivalents	18,535	(11,180)
Cash and cash equivalents at beginning of period	13,844	32,380
Cash and cash equivalents at end of period	32,380	21,200

(5) Notes to Consolidated Financial Statements

Going-concern Assumption

Not applicable.

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, Nihon Chouzai has adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for facilities attached to buildings (excluding production facilities at factories) and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the consolidated financial statements for the current fiscal year is insignificant.

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 550 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/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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(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	190,866	20,351	8,021	219,239	-	219,239
(2) Inter-segment sales and transfers	7	12,246	912	13,166	(13,166)	-
Total	190,874	32,598	8,934	232,406	(13,166)	219,239
Segment profit (loss)	10,707	2,668	1,599	14,974	(4,484)	10,489
Segment assets	95,198	54,065	2,285	151,548	6,060	157,609
Other items						
Depreciation	2,107	2,003	39	4,150	311	4,461
Amortization of goodwill	565	97	-	663	-	663
Impairment loss	219	-	-	219	-	219
Increase in property, plant and equipment and intangible assets	4,046	3,663	30	7,740	332	8,073

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

(1) The negative adjustment of 4,484 million yen to segment profit or loss includes a profit elimination of 0 million yen for inter-segment transactions and corporate expenses of minus 4,485 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

(2) The 6,060 million yen adjustment to segment assets includes a 204 million yen elimination for receivables associated with inter-segment transactions, a 159 million yen elimination for unrealized profit in inventories and a 6,425 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 311 million yen adjustment of depreciation and the 332 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.

FY3/17 (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.

Related information

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

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.

FY3/17 (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.

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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Omitted because the same information is presented in segment information.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Omitted because the same information is presented in segment information.

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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(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	7,777	730	-	8,507

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

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

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

Information related to gain on bargain purchase for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Not applicable.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Not applicable.

Per Share Information

(Yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	2,030.22	2,278.70
Net income per share	432.85	290.03

Notes: 1. Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. Net assets per share and net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

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

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

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Total net assets (Millions of yen)	32,473	36,447
Deduction on total net assets (Millions of yen)	-	-
Net assets applicable to common stock shares (Millions of yen)	32,473	36,447
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.

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

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Profit attributable to owners of parent (Millions of yen)	6,329	4,638
Amounts not available to common stock shareholders (Millions of yen)	-	-
Profit attributable to owners of parent available to common stock shares (Millions of yen)	6,329	4,638
Average number of common stock shares outstanding during the period (Thousand shares)	14,623	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.