

NIHON CHOUZAI Co.,Ltd.

3341 Tokyo Stock Exchange First Section

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Most advanced company in the promotion of generic pharmaceutical usage and home medical care services

Nihon Chouzai Co., Ltd. <3341> (hereinafter, “the Company”) is a leading domestic dispensing pharmacy company that ranks second in sales in the dispensing pharmacy industry. The Nihon Chouzai Group manufactures generic pharmaceuticals, so one of its key characteristics is that it has a manufacturing function. It additionally has a staffing business for medical practitioners and a business for providing information and consulting, thus developing its operations with a structure that covers four business departments.

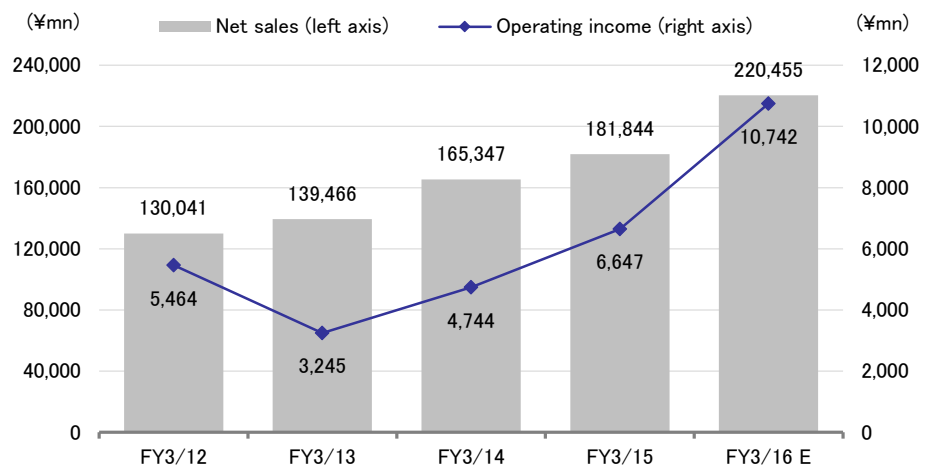
While the Company had made an upward revision of its 1H FY3/16 results in September, released in March 2016, it exceeded even those targets. All business segments performed well, lifting business results significantly. In its core Dispensing Pharmacy business, even on an existing store basis, taking out the impact of new, large scale pharmaceuticals, sales rose around 7% year-on-year. In the Pharmaceutical Manufacturing and Sales business profits expanded as higher costs, including depreciation and R&D expenses, were absorbed by increased sales. Medical Professional Staffing and Placement Business also was able to achieve increased sales and profits even as demand for pharmacists tightened amid increased expenses.

In respect of the two initiatives to strengthen the promotion of generic pharmaceutical usage and home medical care services that Japanese government is promoting, the Company has the most advanced response within the dispensing pharmacies industry. Results in its Dispensing Pharmacy business characteristically move in line with revisions to dispensing fees. We feel that, as the Company has the most advanced response plan, that the negative impact of revisions to dispensing fees is relatively small. In fact, we see that, as a result of the synergies between the store expansion strategy that the Company is employing and prescription unit prices increases, its Dispensing Pharmacy business still has considerable room to expand. In combination with other business segments, such as Pharmaceutical Manufacturing and Sales, we may expect that the Company’s growth trend will continue.

Check Point

- All business segments achieved year-on-year increases with double digit sales and earnings growth
- Full-year forecast to be revised upwards based on 1H results
- Japan’s policy shifts to containing medical costs

Trends in consolidated results



Source: the Company’s financial results summary

■ Results trends

All business segments achieved year-on-year increases with double digit sales and earnings growth

(1) 1H FY3/16 financial results

In the Company's 1H FY3/16 results, net sales rose 14.7% y-o-y to ¥100,269 million, operating income rose 60.7% y-o-y to ¥4,214 million, recurring income rose 69.8% y-o-y to ¥3,936 million and net income rose 113.4% to ¥2,471 million, achieving significant increases in both sales and profits. Midway through September the Company upwardly revised its 1H outlook, however, results exceeded even those targets.

Summary of 1H FY3/16

(unit: ¥mn)

	FY3/15 1H		FY3/16 1H				
	Results	Initial forecast	September revised forecast		Results		
			y-o-y	y-o-y	y-o-y	y-o-y	
Net sales	87,418	97,980	12.1%	99,739	14.1%	100,269	14.7%
Operating income	2,623	2,926	11.6%	3,650	39.2%	4,214	60.7%
Recurring income	2,318	2,553	10.1%	3,386	46.1%	3,936	69.8%
Net income	1,157	1,195	3.3%	1,849	59.8%	2,471	113.4%

Source: prepared by FISCO from the Company's financial results summary and press releases

The main factors behind the Company's 1H FY3/16 results exceeding initial and revised targets lie in the Dispensing Pharmacy business. The main reasons for the upward revision to initial targets in September were that technical fee unit pricing was higher than expected and prescriptions for hepatitis C treatment drugs were also greater than expected. The reason that results further exceeded the September upward revision lies in prescription numbers moderately exceeding those forecasts in September. The Company forecasts monthly prescription numbers based on the number of business days, but had forecast slightly less anticipating the impact of so-called Silver Week (a string of consecutive holidays in September). However, there was in fact no impact to the Company's sales from Silver Week as prescriptions were made including the holiday period.

By segment, all business units achieved year-on-year increases with double digit growth in sales and profits. In the Dispensing Pharmacy business, in addition to the effect of new store openings, apart from existing store sales growing steadily, there were a greater than expected number of prescription sales for hepatitis C treatment drugs launched in the latter half of last year which together were the reasons driving higher sales. From a profit perspective, through the promotion of generic pharmaceuticals usage and by engaging in strengthening home medical care services, the Company succeeded in its efforts to raise prescription fees, leading to increased profits.

In its Pharmaceutical Manufacturing and Sales business, riding the policy trend in Japan to promote generic pharmaceutical usage, both inside and outside the Group, sales volumes of generic drugs increased. From a profit perspective, in addition to the impact of greater sales, the Company was able to achieve increased profits by tackling cost containment in certain areas, that allowed it to absorb increases in expenses in depreciation, R&D and other areas.

In its Medical Professional Staffing and Placement Business in the field pharmacists, that the Company specializes in, there was an increased perception of shortages, resulting in increased recruiting and other costs. However, as a result of this tightening in labor supply and demand, there was an underlying increase in introduction and placement fees, and with the number of registered medical staff having steadily increased, the Company was able to achieve growth in both sales and profits.

Results by business segment

(unit: ¥mn)

		FY3/15			1H FY3/16	
		1H	2H	Full year	Results	y-o-y
Net sales	Dispensing Pharmacy business	75,970	82,029	157,999	87,208	14.8%
	Pharmaceuticals manufacturing and sales business	13,389	14,161	27,550	15,367	14.8%
	Medical Professional Staffing and Placement Business	3,010	3,544	6,554	4,188	39.1%
	Before adjustment	92,371	99,733	192,104	106,764	15.6%
	Adjusted amount	-4,952	-5,307	-10,259	-6,494	-
	Net sales total	87,418	94,426	181,844	100,269	14.7%
Operating income	Dispensing Pharmacy business	3,113	4,585	7,698	4,252	36.6%
	Pharmaceuticals manufacturing and sales business	836	1,052	1,888	1,210	44.7%
	Medical Professional Staffing and Placement Business	619	647	1,266	820	32.5%
	Before adjustment	4,570	6,283	10,853	6,283	37.5%
	Adjusted amount	-1,947	-2,258	-4,205	-2,068	-
	Operating income total	2,623	4,024	6,647	4,214	60.7%
Operating margin	Dispensing Pharmacy business	4.1%	5.6%	4.9%	4.9%	-
	Pharmaceuticals manufacturing and sales business	6.2%	7.4%	6.9%	7.9%	-
	Medical Professional Staffing and Placement Business	20.6%	18.3%	19.3%	19.6%	-
	Consolidated total	3.0%	4.3%	3.7%	4.2%	-

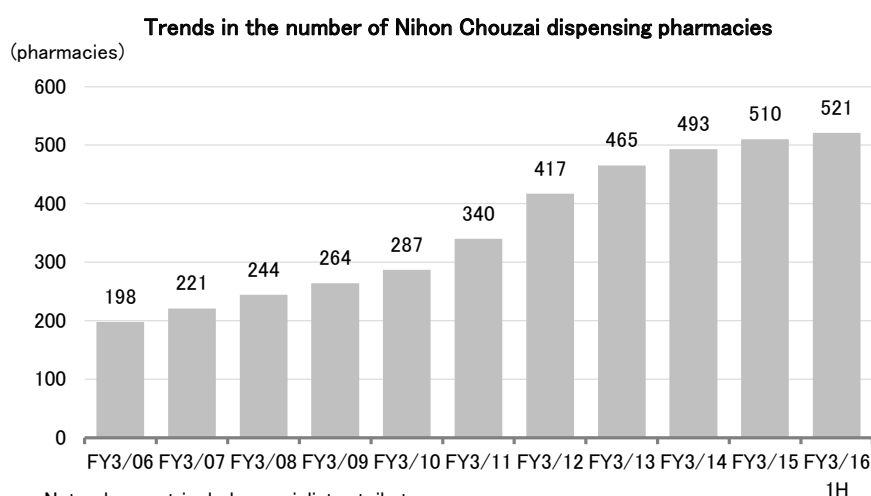
Source: the Company's financial results summary

Increased customers per store & income per prescription the key to sales growth

(2) Business performance by segment

a) Dispensing Pharmacy business

Dispensing pharmacies are national health insurance (NHI) pharmacies that are incorporated into the health insurance system, with their dispensing fee (income) determined according to a points systems based on revenue calculation prescribed under the health insurance system. As a result, there are two basic initiatives to boost sales, which are increasing customers per store (often represented by the number of prescriptions processed that are brought in by customers), and increased revenue per prescription (often described by way of prescription unit pricing). The aggregate of both leads to sales per store. Given that customer numbers per store will not vary significantly in the absence of a change to the external environment, in practice, the company will increase customer numbers by continually opening new stores.



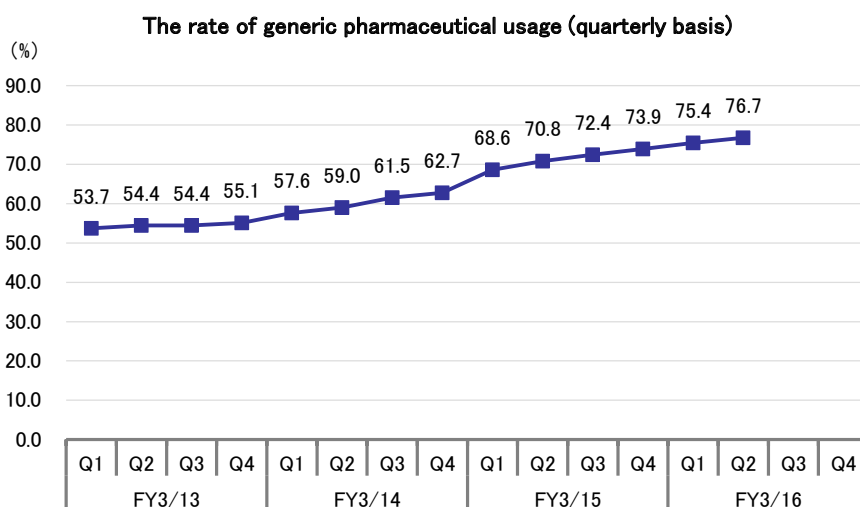
Note: does not include specialist retail stores.

Source: prepared by FISCO from the Company's financial results summary and financial reports briefing materials

The Company's Dispensing Pharmacy business also does not vary from this framework. In 1H FY3/16 the Company opened 18 new stores and closed 7. As a result, at the end of the period there it had 521 stores, 11 more than six months ago (aside from which it had one specialist retail store, which was the same as previously). There are broadly three store formats: hospital-adjacent type, the medical-mall type and the foot-traffic type. In this 1H in response to the hiving off of pharmaceutical operations at a large scale hospital in Chiba Prefecture's Asahi City, the opening of three new stores became a topic within new store openings.

In order to improve unit pricing per prescription, the Company promotes the securing of technical dispensing fees by expanding the usage of generic pharmaceuticals and the strengthening its response to home medical care services, as are being promoted by the Japanese government. This is because when the proportion of generic pharmaceuticals exceeds a certain number "Generic Drug Dispensing System Incentives" are obtained, and "Standard Dispensing Incentives" are obtained by strengthening home medical care services. These incentives are attracted at qualifying stores and implemented at each store. As this is applied to all prescriptions, it contributes significantly to earnings.

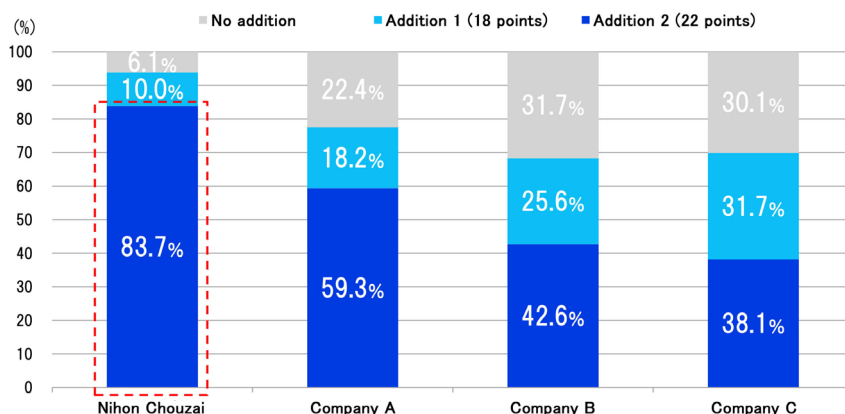
The ratio of generic pharmaceutical usage for the Company in 1H FY3/16 (on a quantity basis, taking the combined original pharmaceuticals for which generics exist and generic pharmaceuticals as the denominator) reached 76.7%. Japan has cited its goal of being to raise this ratio to 80% as soon as possible by the end of March 2020. The Company itself is aiming to lift this to 85%, higher than the government's target, by the end of FY3/16.



Source: prepared by FISCO from the Company's financial results briefing materials

As of the end of March, 2015, the Company had developed a network of 510 pharmacies, and within them, 83.7% had acquired Level 2 generic pharmaceuticals dispensing incentives (22 points), while 10.0% had acquired Level 1 incentives (18 points). The Company has a higher percentage of pharmacies that have acquired incentives than any of its industry peers.

The Comparative calculation of incentives in the generic pharmaceuticals dispensing system

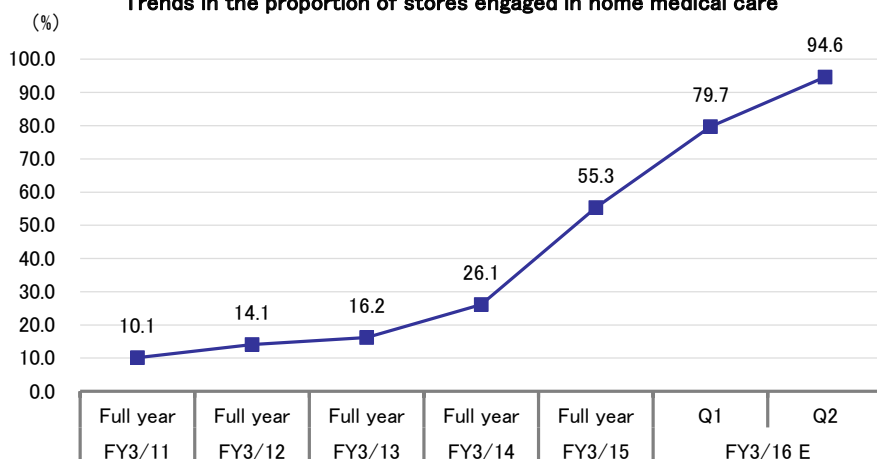


* Company A, Company B, and Company C are major nationwide dispensing pharmacy chains
 The values are from April 2015. Aggregated from each "Notification on Facilities Meeting the Standards" announcements issued by the Bureau in the Ministry of Health Labour and Welfare

Source: the Company's FY3/15 financial results briefing materials

The Company is also steadily promoting home medical care services. At the end of 1H FY3/16 the proportion of stores engaged in home medical care reached 94.6%. This indicates the proportion of stores within the 521 dispensing pharmacies that had, within the past 12 months, a record of at least one home medical care service.

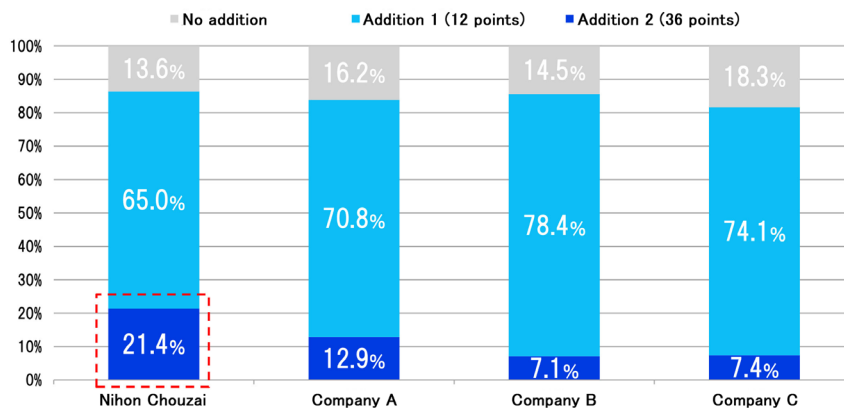
Trends in the proportion of stores engaged in home medical care



Source: prepared by FISCO from the Company's financial results and briefing materials

Because basic dispensing incentives obtained through home medical care services require a myriad of procedures and the meeting of certain conditions, the hurdles to securing incentives are high compared to generic drug dispensing system incentives. Notwithstanding all major dispensing pharmacies are increasing the number of stores that can attract these incentives, with the Company, at 86.4%, having the highest combined ratio Level 2 and Level 1 Incentive stores within the industry, with its 21.4% ratio of stores attracting Level 2 incentives significantly outdistancing peers.

Comparative status of standard dispensing fee incentive acquisition



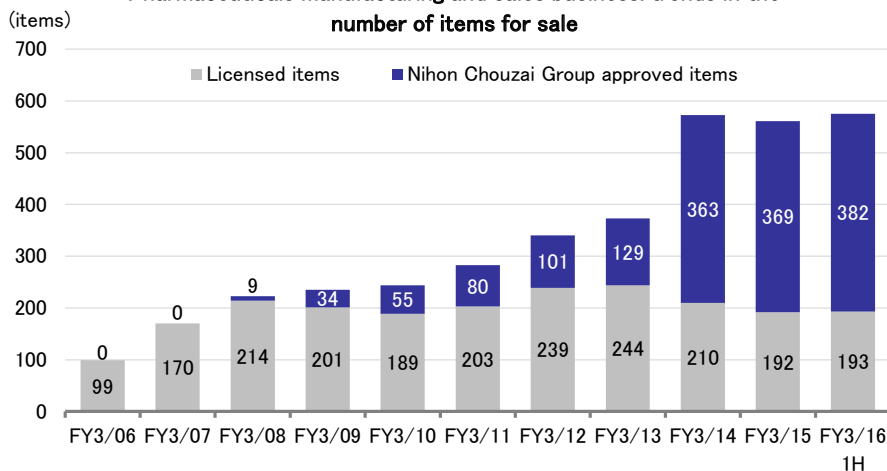
* Company A, Company B, and Company C are major nationwide dispensing pharmacy chains
The values are from April 2015. Aggregated from each "Notification on Facilities Meeting the Standards" announcements issued by the Bureau in the Ministry of Health Labour and Welfare

Source: the Company's FY3/15 financial results briefing materials

b) Pharmaceuticals Manufacturing and Sales business

The Company established Nihon Generic Co., Ltd. in 2005 and thereby entered into the generic pharmaceutical manufacturing and sales business. Initially, it handled products purchased from other firms, however, from March 2008 when its production systems were put in place, it has expanded proprietarily approved and manufactured items. In April 2013 Choseido Pharmaceutical became a subsidiary, which caused a sudden expansion in the number of items sold. In 1H FY3/16, while launching sales on 19 new product items in June, as a result of eliminating duplication within Group companies, at the end of the period the number of product items sold was 575.

Pharmaceuticals manufacturing and sales business: trends in the number of items for sale



Source: prepared by FISCO from the Company's financial results briefing materials

In 1H FY3/16, the Company announced the expansion of its manufacturing bases. Previously, Nihon Generic had one base, the N building at the Tsukuba plant, but in FY3/15 it completed the S building at the same plant and moreover purchased the Kasukabe plant from Teva Pharma Japan to establish a 3 plant structure, in doing so expanding its production capacity from 1 billion tablets to 3.2 billion tablets per year. Choseido Pharmaceutical has also completed its second plant at its headquarters and has increased its production capacity from 900 million tablets to 1.1 billion tablets. As a result, the Group as a whole currently possesses an annual production capacity of 4.3 billion tablets.

Moreover, in September 2015 Nihon Generic announced that it would construct a second plant at Tsukuba. By March 2018, this newly constructed plant will have an annual production capacity of 10 billion tablets, and the investment amount for the first phase is expected to be approximately 17.2 billion yen in total for the land, buildings, as well as machinery and equipment. In parallel with this, the production capacity of the current Tsukuba plant (the total for the N and S buildings) is being bolstered and the plan is to reach a total production capacity, including Choseido Pharmaceutical's portion, of 15.6 billion tablets per year.

List of the generic pharmaceutical manufacturing bases

Company name	Plant name	Production capacity (100mn tablets/year)		
		End of FY3/14	End of FY3/15	Plan
Nihon Generic	Tsukuba plant N building	10	10	36
	Tsukuba plant S building	-	13	-
	Tsukuba second plant	-	-	100
	Kasukabe plant	-	9	9
	Sub-total	10	32	145
Choseido Pharmaceutical	Headquarters first plant	7	7	7
	Headquarters second plant	-	2	2
	Kawauchi plant	2	2	2
	Sub-total	9	11	11
Total		19	43	156

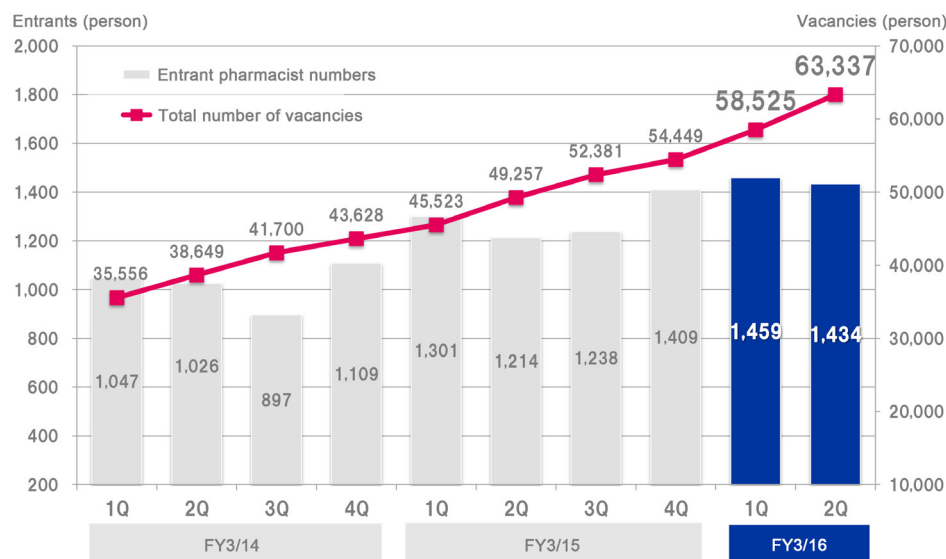
Source: prepared by FISCO from the Company's FY3/15 financial results briefing materials and press releases

c) Medical Professional Staffing and Placement Business

The Company operates its staffing business for medical practitioners, including doctors, nurses, and pharmacists, through its consolidated subsidiary Medical Resources. Within this business area competition amongst SMS <2175> and other powerful firms is intensifying. However, regarding the pharmacist, the Company has a track record of occupying the leading position in terms of registered staff numbers, introductions and placements.

In 1H FY3/16 also its operational scope expanded soundly, with entrant numbers rising steadily. Further, vacancy numbers are also rising steadily. Vacancy numbers continue to grow rapidly given the combination of permanent labor shortages and new customer acquisition by the Company itself. As a result, the labor force supply and demand has tightened, and increases in introductory and placement unit pricing has been observed, however, the costs for the Company to secure human resources are also on an upward trend. Also, in line with increases in registered staff numbers, the need for increasing staff to manage those registered is also arising.

Entrant pharmacist numbers and Total number of vacancies



Source: 1H FY3/16 financial results briefing materials

Full-year forecast to be revised upwards based on 1H results

(3) Full-year outlook for FY3/16

For full-year FY3/16 the Company forecasts net sales of ¥220,455 million (up 21.2% y-o-y), operating income of ¥10,742 million (up 61.6% y-o-y), recurring income of ¥9,491 million (up 58.1% y-o-y), and net income of ¥5,611 million (up 102.0% y-o-y).

Details of the forecast for FY3/16

(unit: ¥mn)

	FY3/15		Full year	FY3/16		
	1H			1H		Full year Revised forecast
	Results	Rate of progress		Results	Rate of progress	
Net sales	87,418	48.1%	181,844	100,269	45.5%	220,455
Operating income	2,623	39.5%	6,647	4,214	39.2%	10,742
Recurring income	2,318	38.6%	6,003	3,936	41.5%	9,491
Net income	1,157	41.6%	2,778	2,471	44.0%	5,611

Source: prepared by FISCO from the Company's financial results summary

The Company revised its full-year forecasts up based on 1H results. The 1H rate of progress is in line with previous norms, and in the absence of any sudden unforeseen event occurring this second half, we feel that the likelihood of achieving full-year targets is high.

In the Dispensing Pharmacy business the revenue contribution from stores opened during the period increases the further one goes into the second half of the year. In addition, there is a trend for pharmaceutical prices to gradually rise from the beginning of the year to the end of the year. This is due to the effect of increased sales promotion for new drugs by original pharmaceutical manufacturers emerging from around Summer in a typical year. Given that it is expected that the number of stores that attract incentives will also increase month after month, we feel that revenue growth from the Dispensing Pharmacy business will accelerate towards the end of the period.

It is expected that the Pharmaceutical Manufacturing and Sales business will perform soundly in the second half as it has done though to 1H. It is expected that the 19 new generic drugs launched in June will also contribute. This is because it implies that the proportion of proprietary manufactured products, which carry higher profit margins, will increase. In aiming to expand proprietary manufactured products, the Company has increased research and development (R&D) expenses, and it is necessary to pay attention, in respect of the impact on profits that the timing of these R&D expenses may have.

In the Medical Professional Staffing and Placement Business as noted above, vacancy numbers and registered staff numbers both continue to grow steadily. Accordingly, it is expected that in this second half also that results will expand soundly. As mentioned previously, increases in the number of staff registered is prompting increases in managers. This means for the Company (in practice for Medical Resources) increases in staff and staff costs. However, these sort of temporary cost increase factors may be readily absorbed by expansion in the business' sales, and we do not feel it is a cause for concern.

Consolidated income statement and major indicators

(unit: ¥mn)

	FY3/13	FY3/14	FY3/15	FY3/16		
	Full year	Full year	Full year	1H	2H (E)	Full year (E)
Net sales	139,466	165,347	181,844	100,269	120,186	220,455
y-o-y	7.2%	18.6%	10.0%	14.7%	27.3%	21.2%
Gross profit	21,494	25,623	31,929	17,900	-	-
Gross margin	15.4%	15.5%	17.6%	17.9%	-	-
SG&A expenses	18,248	20,878	25,281	13,685	-	-
Ratio of SG&A expenses to net sales	13.1%	12.6%	13.9%	13.6	-	-
Operating income	3,245	4,744	6,647	4,214	6,528	10,742
y-o-y	-40.6%	46.2%	40.1%	60.7%	62.2%	61.6%
Operating income margin	2.3%	2.9%	3.7%	4.2%	5.4%	4.9%
Recurring income	2,855	4,188	6,003	3,936	5,555	9,491
y-o-y	-42.2%	46.7%	43.3%	69.8%	50.7%	58.1%
Net income	184	1,901	2,778	2,471	3,140	5,611
y-o-y	-91.2%	933.2%	46.1%	113.6%	93.7%	102.0%
EPS (¥)	25.67	262.48	388.96	176.23	223.94	400.17
Dividend per share (¥)	70.00	70.00	70.00	40.00	50.00	90.00
BPS (¥)	2,034.09	2,181.26	2,515.19	-	-	-
EPS after adjustment for stock-split (¥)	12.84	131.24	194.48	-	-	-
Dividend per share after adjustment for stock-split (¥)	35.00	35.00	35.00	20.00	25.00	45.00
BPS after adjustment for stock-split (¥)	1,017.05	1,090.63	1,257.60	-	-	-

Source: the Company's financial results summary

Consolidated balance sheet

(unit: ¥mn)

	FY3/12	FY3/13	FY3/14	FY3/15	1H FY3/16
Current assets	36,543	43,037	53,373	60,096	69,882
Cash and deposits	12,622	14,583	15,429	13,952	20,354
Accounts receivable, etc.	12,868	13,645	17,579	21,413	22,391
Inventories	8,879	12,405	16,396	21,066	24,007
Other	2,174	2,404	3,969	3,665	3,130
Fixed assets	50,071	52,102	63,921	70,044	70,948
Tangible fixed assets	30,796	32,459	42,123	48,819	49,934
Intangible fixed assets	9,845	9,423	11,103	10,376	10,106
Investments, etc.	9,429	10,219	10,694	10,848	10,907
Total assets	86,615	95,140	117,295	130,141	140,831
Current liabilities	36,757	44,702	55,666	53,474	62,314
Accounts payable	21,884	24,542	28,963	33,392	38,758
Short-term debt, etc.	8,373	14,055	18,639	11,169	14,398
Other	6,500	6,105	8,064	8,913	9,158
Fixed liabilities	35,141	35,735	45,779	59,031	58,672
Long-term debt	33,610	33,845	42,165	53,184	53,040
Other	1,531	1,890	3,614	5,847	5,632
Shareholders' equity	14,562	14,353	15,845	17,515	19,736
Capital	3,953	3,953	3,953	3,953	3,953
Capital surplus	4,754	4,754	4,754	4,754	4,754
Retained earnings	8,233	7,915	9,310	11,868	14,094
Treasury stock	-2,378	-2,269	-2,171	-3,059	-3,065
Total accumulated other comprehensive income	153	349	3	119	108
Net assets, total	14,716	14,702	15,849	17,635	19,844
Total liabilities and net assets	86,615	95,140	117,295	130,141	140,831

Source: the Company's financial results summary

Consolidated cash flow statement

	(unit: ¥mn)				
	FY3/12	FY3/13	FY3/14	FY3/15	1H FY3/16
Cash flow from operating activities	7,127	2,885	6,243	5,831	7,435
Cash flow from investing activities	-9,694	-6,422	-14,510	-8,437	-3,329
Cash flow from financing activities	7,920	5,496	8,782	1,422	2,403
Cash and deposits balance at start of fiscal year	7,200	12,544	14,513	15,027	13,844
Cash and deposits balance at end of fiscal year	12,544	14,513	15,027	13,844	20,354

Source: the Company's financial results summary

■ The impact of dispensing fee revisions

Japan's policy shifts to containing medical costs

(1) Current status

All fees under the health insurance system are reviewed every two years. In April 2016 the dispensing pharmacies industry will face a review of pharmaceutical dispensing fees. Specific details regarding the scope and other particulars of the revision have of course not been made clear at the current time. Japanese government policy has shifted for the time being towards containing medical costs, whereas in the past there was also an era when emphasis was placed on the separation of medical and dispensary practices. As a result, what has emerged is the promotion of generic pharmaceuticals usage and home medical care services. The dispensing fee revision is the most powerful tool in order to promote government policy, and we feel that the 2016 revision will also be developed in line with that direction.

According to the core principles of the June 30, 2015 cabinet decision on "Basic Policy on Economic and Fiscal Management and Reform 2015", there appear to be no changes to policy in the field of medical care. Based on that premise, we may feel there will be no significant changes in the direction of the dispensing fee revision either. However, on the one hand as is symbolized in the expression "a clearly defined allocation" in aiming to promote government policy, not only the "incentive point" system, but the possible incorporation of "demerit points" and other systems has also been mooted. In certain news it has been reported that the Ministry of Finance is seeking to expand "special cases" and reduce the number of points for basic dispensing fees.

(2) The impact on Nihon Chouzai

As noted above, under current circumstances where details of the revision have not been made clear, it is difficult to attempt to calculate the impact on the Company's earnings. However, while it is a qualitative expression, our view is that the Company possesses a relatively strong resilience to any negative impact from dispensing fee revisions.

Firstly, based on the premise that policy will not change, the foundation going forward also will continue to be the promotion of generic pharmaceutical usage and responses to home medical care. On this point, as noted above, the Company is that which possesses the highest rate of progress. Hypothetically, if a "clearly defined allocation" is implemented, it may be envisaged that this would be in the nature of carrying a penalty for pharmacies that have lagged in making progress in respect of the above two major policies. If that is the case, it is arguably of no bearing for the Company, which enjoys a high rate of progress.

Another point that has been discussed is the augmenting, targeting hospital-adjacent pharmacies, of “special cases”. This is a system whereby the 41 points required to be obtained by regular pharmacies are reduced to 25 points for those pharmacies as “special cases” with a monthly number of prescriptions filled exceeding 4,000 and concentration ratio exceeding 70%, or a monthly number of prescriptions filled exceeding 2,500 and concentration ratio exceeding 90%. The discussion is that the Ministry of Finance will expand the “special cases” and reduce it to 25 points also for pharmacies that exceed 1,200/70% and 2,500/50%.

Hypothetically, even if systemic reforms were implemented, our view is that any impact on the Company would be extremely small. The reason is that the Company’s hospital-adjacent pharmacies already fall under this “special case”, because the basic dispensing fee has been reduced to 25 points. Thus the impact on the Company in the form of expansion to the scope of application is arguably minimal.

In conclusion, the Company is arguably one for which any “pruning” of income as a result of the dispensing fee revision is minimal. There are concerns that the dispensing fee revision will bring some form of negative impact, however, the Company’s current position is that the degree of any impact will be relatively small. On the contrary, within the shakeout that is envisaged will proceed amongst small- and medium-sized pharmacies, strongly capitalized large pharmacy chains will be able to utilize their strengths and, we feel, have the potential to turn this into a business opportunity.

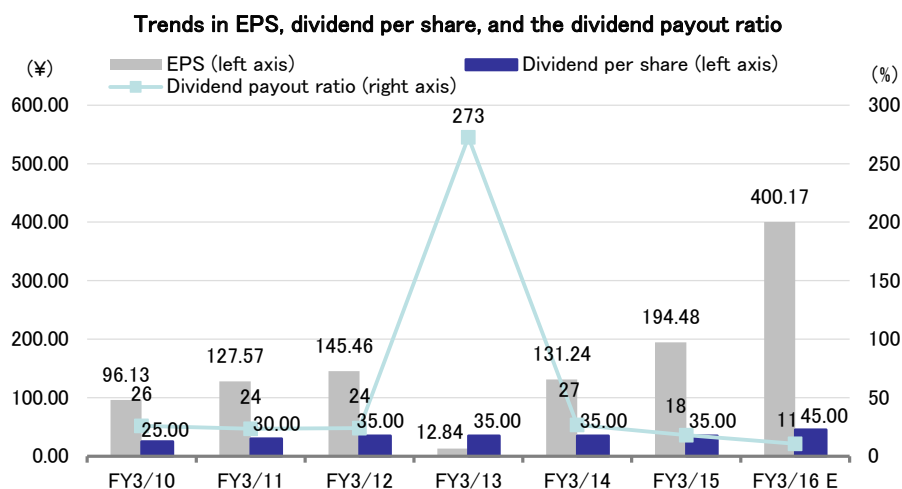
■ Returns to shareholders

Dividends linked to business performance while ensuring it maintains internal reserves necessary for growth

The Company’s basic approach to shareholder returns is to pay dividends linked to business performance while ensuring it maintains the internal reserves necessary for growth.

In FY3/15, the Company paid a dividend per share of ¥70 (interim dividend of ¥35 and year-end dividend of ¥35). In FY3/16 it paid an interim dividend per share of ¥40, and announced publicly on July 30 that after a two-for-one stock split, with October 1 2015 as the date of record, it forecast that it would pay a dividend per share of ¥22 at the end of the period. Additionally, it revised up the year-end dividend per share to ¥25 on November 24, which represents an annual dividend of ¥90 when adjusted for the stock split and returned to the same level as the previous fiscal year and constitutes an effective dividend increase of ¥20.

The Company adheres to a basic policy of shareholder returns corresponding to profits, and as a company keenly aware of shareholder returns, we feel that a certain degree of further returns may be expected in the future.



Note: the Company implemented a two-for-one stock split on October 1, 2015, and the EPS and dividend per share in the graph take into account this stock split.

■ Disposal of treasury stock and new share allotment

Resolution for the disposal of treasury stock and new share allotment, improvement in shareholders' equity ratio and stabilization of financial platform

On November 24, the Company resolved to dispose of treasury stock and make a new share allotment, along with revising forecasts dividends. According to a securities registration filing of the same date, an offering and allotment of two million shares, combining a general public offering and an over-allotment offering was to be carried out. Further, the offering and allotment prices were determined at ¥4,859 on December 2. Of the ¥9.3 billion in net proceeds, ¥7.3 billion is funds for new factory construction, with ¥2.0 billion in funds to be applied to bond redemption. This share allotment is linked to improvement in shareholders' equity ratio and stabilization of financial platform, which had been an issue for the Company, and may be thought of as a positive in the mid- to long-term.

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