



January 31, 2017

**Summary of Consolidated Financial Results for the Third Quarter
of the Fiscal Year Ending March 31, 2017
(Nine Months Ended December 31, 2016)**

[Japanese GAAP]

Company name: NIHON CHOUZAI Co., Ltd.
 Stock code: 3341
 Representative: Hiroshi Mitsuhashi, President & CEO
 Contact: Yoshiki Kamada, Managing Director
 Scheduled date of filing of Quarterly Report:
 Scheduled date of payment of dividend:
 Preparation of supplementary materials for quarterly financial results:
 Holding of quarterly financial results meeting:

Listing: Tokyo Stock Exchange, First Section
 URL: <http://www.nicho.co.jp>
 Tel: +81-(0) 3-6810-0800
 February 14, 2017

Note: The original disclosure in Japanese was released on January 31, 2017 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017
(April 1, 2016 – December 31, 2016)**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2016	166,051	4.7	6,101	(17.0)	5,773	(16.2)	3,307	(23.2)
Nine months ended Dec. 31, 2015	158,645	18.1	7,353	59.3	6,889	68.0	4,305	91.8

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2016: 3,446 (down 21.4%)
 Nine months ended Dec. 31, 2015: 4,385 (up 89.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2016	206.81	-
Nine months ended Dec. 31, 2015	303.88	-

* 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
	Million yen	Million yen	%
As of Dec. 31, 2016	170,626	35,104	20.6
As of Mar. 31, 2016	157,609	32,473	20.6

Reference: Shareholders' equity (million yen) As of Dec. 31, 2016: 35,104 As of Mar. 31, 2016: 32,473

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	40.00	-	25.00	-
Fiscal year ending Mar. 31, 2017	-	25.00	-		
Fiscal year ending Mar. 31, 2017 (forecasts)				25.00	50.00

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

* 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, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	222,888	1.7	7,985	(23.9)	7,907	(20.0)	4,347	(31.3)	271.78

Note: Revisions to the most recently announced consolidated forecast: Yes

*** Notes**

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

* Please refer to “Matters Related to Summary Information (Notes)” on page 3 of the attachments for further information.

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

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

As of Dec. 31, 2016:	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 Dec. 31, 2016:	29,348 shares	As of Mar. 31, 2016:	29,068 shares
----------------------	---------------	----------------------	---------------

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2016:	15,994,805 shares	Nine months ended Dec. 31, 2015:	14,169,913 shares
----------------------------------	-------------------	----------------------------------	-------------------

* Nihon Chouzai conducted a 2-for-1 stock split effective on October 1, 2015. The average number of shares outstanding for the nine months ended December 31, 2015 has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Note 1: Information regarding the implementation of quarterly review procedures

This summary report is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the quarterly review procedures for the quarterly consolidated financial statements have not been completed.

Note 2: Cautionary statement with respect to forward-looking statements 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 information about quarterly performance

Supplementary materials for quarterly financial results will be disclosed today (January 31, 2017), using the Timely Disclosure network (TDnet), and also will be available on the Nihon Chouzai website.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Matters Related to Summary Information (Notes)	3
(1) Changes in Significant Subsidiaries during the Period	3
(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	3
(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements	3
3. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Nine-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Nine-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going-concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment and Other Information	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months (April to December 2016) of the fiscal year ending 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. This latest revision includes changes to prescription dispensing fees in accordance with the “basic stance of the Ministry of Health, Labour and Welfare concerning the separation of drug prescribing and dispensing.” This change and the reduction in NHI drug prices had a negative impact on the performance of the Nihon Chouzai Group. In response to this challenging operating environment, the Nihon Chouzai Group has been committed, based on guidance in the revision for “achieving the separation of drug prescribing and dispensing for the benefit of patients,” to engage in proactive and company-wide programs of providing assistance in the use of medications as personal care pharmacists and increasing the use of generic drugs.

The Nihon Chouzai Group’s net sales increased 4.7% year on year to 166,051 million yen. Operating income decreased by 17.0% to 6,101 million yen, ordinary income decreased by 16.2% to 5,773 million yen, and profit attributable to owners of parent decreased by 23.2% to 3,307 million yen for the first nine months. The benefit of higher sales was not enough to offset the negative effects of the April 2016 revisions.

Results by business segment are as follows.

1) Dispensing Pharmacy Business

In the first nine months of the current fiscal year, Nihon Chouzai opened 34 pharmacies in the dispensing pharmacy business and closed eight. Consequently, there were 553 pharmacies (including one pharmacy specializing in the sale of general merchandise) at the end of the third quarter. There was a temporary decline in prescription dispensing fees caused by the revision. However, the business benefited from the new initiative of providing assistance in using medications by personal care pharmacists and additional payments for dispensing generic drug prescriptions for encouraging the use of generic drugs. As a result, there was an improvement to above the level of the same period of the previous fiscal year. Nihon Chouzai has been aggressively working on increasing the use of generic drugs even after surpassing the government’s 80% utilization rate target. Due to these activities, the generic drug utilization rate at Nihon Chouzai pharmacies on a volume basis reached 81.3%. The percentage of pharmacies that offer at-home medical care services continued to maintain an extremely high level at 94.7%. Moreover, there were extensive measures at pharmacies to recommend the “Okusuri Techo Plus,” an electronic medication notebook developed by Nihon Chouzai, to customers and the functions of this notebook were revised and improved in order to provide greater convenience. As a result, growth in the number of registered users remained strong and the number of users was more than 120,000 at the end of the third quarter. Despite the negative impact of the revisions, such as reductions in drug prices, sales of this segment rose by 2.1% year-on-year to 140,758 million yen thanks to contributions from new pharmacies opened (including M&A) as well as from pharmacies opened last year, and other factors. On the other hand, segment operating income decreased 6.3% to 6,699 million yen. The major reasons for this decline were the impact immediately after the revision in NHI drug prices and the smaller than expected number of prescriptions caused mainly by the revision in medical treatment fees. As a result, the growth in sales was unable to offset increases in operating expenses.

2) Pharmaceutical Manufacturing and Sales Business

In the pharmaceutical manufacturing and sales business, in the first nine months of the current fiscal year, there was a reduction in selling prices due to the drug price revisions in April. On the other hand, the use of generic drugs by medical institutions continued to increase because of the revisions to medical treatment fees also in April. Moreover, there was more progress regarding cooperation among the companies of the Nihon Chouzai Group. As a result, net sales of this segment rose by 13.5% year-on-year to 27,634 million yen. The cost of sales and other expenses increased mainly because of substantial investments in anticipation of expected growth of the pharmaceuticals

market. Intense price-based competition among generic drug manufacturers, particularly involving new products, also had a negative impact on earnings. Since sales growth was unable to offset these negative effects, segment operating income was down 35.9% to 1,410 million yen. In June and December, 24 and 12 new products were launched, respectively, and actions were taken to eliminate the overlapping products between group companies. As a result, the number of product items sold in this segment was 614 at the end of the third quarter.

3) Medical Professional Staffing and Placement Business

The demand for staffing and placement services remained at a high level as pharmacists have to perform a growing number of tasks. Consequently, this business steadily continued to increase job offers by gaining new customers for staffing and placement services and to maintain a large number of registered personnel. As a result, segment sales rose by 19.6% year-on-year to 7,675 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 income increased by 8.7% to 1,225 million yen.

(2) Explanation of Financial Position

Total assets increased 13,016 million yen, or 8.3%, from the end of March 2016, to 170,626 million yen at the end of December 2016. Current assets were 79,836 million yen, a decrease of 5,002 million yen, or 5.9%. This was attributable mainly to a decrease in cash and deposits. Non-current assets increased 18,019 million yen, or 24.8% to 90,790 million yen. This was attributable mainly to an increase in construction in progress.

Total liabilities increased 10,384 million yen, or 8.3% to 135,521 million yen. This was attributable mainly to an increase in long-term loans payable.

Net assets increased 2,631 million yen, or 8.1% to 35,104 million yen. This was attributable mainly to an increase in retained earnings.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Nihon Chouzai has revised its full-year consolidated forecast that was announced on April 28, 2016. For more information, see the January 31, 2017 press release titled “Notice of Forecast Revision” (Japanese version only).

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in Accounting Policies

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 first quarter of the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures (excluding production facilities at factories) acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the quarterly consolidated financial statements for the first nine months is insignificant.

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

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	Third quarter of FY3/17 (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	32,385	17,687
Notes receivable-trade	197	349
Accounts receivable-trade	25,839	26,262
Electronically recorded monetary claims-operating	774	1,584
Merchandise and finished goods	15,328	22,812
Work in process	1,993	2,014
Raw materials and supplies	4,695	5,662
Other	3,635	3,474
Allowance for doubtful accounts	(10)	(12)
Total current assets	84,838	79,836
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,537	22,510
Land	17,188	17,966
Construction in progress	2,807	9,707
Other, net	10,464	13,181
Total property, plant and equipment	51,997	63,366
Intangible assets		
Goodwill	8,507	14,318
Other	1,615	2,176
Total intangible assets	10,122	16,495
Investments and other assets		
Investment securities	945	1,073
Lease and guarantee deposits	6,932	7,105
Other	2,773	2,749
Total investments and other assets	10,650	10,928
Total non-current assets	72,770	90,790
Total assets	157,609	170,626

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	Third quarter of FY3/17 (As of Dec. 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	41,989	42,275
Electronically recorded obligations-operating	2,664	2,543
Short-term loans payable	-	5,600
Current portion of bonds	7,000	-
Current portion of long-term loans payable	5,963	12,442
Income taxes payable	2,745	316
Provision for bonuses	2,249	1,276
Provision for directors' bonuses	138	-
Other	6,234	7,620
Total current liabilities	68,985	72,074
Non-current liabilities		
Long-term loans payable	50,621	58,358
Provision for directors' retirement benefits	957	924
Net defined benefit liability	1,157	1,285
Other	3,414	2,878
Total non-current liabilities	56,151	63,446
Total liabilities	125,136	135,521
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	17,672	20,166
Treasury shares	(44)	(45)
Total shareholders' equity	32,507	35,000
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	196	285
Remeasurements of defined benefit plans	(231)	(181)
Total accumulated other comprehensive income	(34)	103
Total net assets	32,473	35,104
Total liabilities and net assets	157,609	170,626

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Nine-month Period)**

(Millions of yen)

	First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)
Net sales	158,645	166,051
Cost of sales	130,386	137,190
Gross profit	28,259	28,860
Selling, general and administrative expenses	20,905	22,759
Operating income	7,353	6,101
Non-operating income		
Commission fee	101	106
Rent income	283	300
Insurance return	-	74
Other	132	131
Total non-operating income	517	613
Non-operating expenses		
Interest expenses	600	524
Commission fee	18	13
Rent expenses	213	240
Other	148	163
Total non-operating expenses	981	941
Ordinary income	6,889	5,773
Extraordinary income		
Gain on sales of non-current assets	22	3
Total extraordinary income	22	3
Extraordinary losses		
Impairment loss	99	57
Loss on sales of non-current assets	-	6
Total extraordinary losses	99	63
Profit before income taxes	6,812	5,713
Income taxes-current	2,213	1,787
Income taxes-deferred	293	617
Total income taxes	2,506	2,405
Profit	4,305	3,307
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	4,305	3,307

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

(Millions of yen)

	First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)
Profit	4,305	3,307
Other comprehensive income		
Valuation difference on available-for-sale securities	39	88
Remeasurements of defined benefit plans, net of tax	40	49
Total other comprehensive income	79	138
Comprehensive income	4,385	3,446
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,385	3,446
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements**Going-concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment Information

I. First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)

1. Information related to net sales, profit or loss for each reportable segment (Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	137,844	15,104	5,695	158,645	-	158,645
(2) Inter-segment sales and transfers	5	9,249	724	9,978	(9,978)	-
Total	137,850	24,354	6,419	168,624	(9,978)	158,645
Segment profit (loss)	7,147	2,201	1,127	10,476	(3,122)	7,353

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating income shown on the quarterly consolidated statement of income. The adjustment of -3,122 million yen to segment profit (loss) includes eliminations of -94 million yen for inter-segment transactions and corporate expenses of -3,027 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

In the dispensing pharmacy business segment, there was an impairment loss for store assets (four pharmacies). The amount of this loss in the first nine months of FY3/16 was 99 million yen.

Significant change in goodwill

Not applicable.

II. First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)

1. Information related to net sales, profit or loss for each reportable segment (Millions of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on quarterly consolidated statement of income
	Dispensing pharmacy business	Pharmaceutical manufacturing and sales business	Medical professional staffing and placement business	Total		
Net sales						
(1) External sales	140,749	18,019	7,282	166,051	-	166,051
(2) Inter-segment sales and transfers	9	9,615	392	10,017	(10,017)	-
Total	140,758	27,634	7,675	176,068	(10,017)	166,051
Segment profit (loss)	6,699	1,410	1,225	9,335	(3,234)	6,101

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating income shown on the quarterly consolidated statement of income. The adjustment of -3,234 million yen to segment profit (loss) includes eliminations of -9 million yen for inter-segment transactions and corporate expenses of -3,224 million yen. General and administrative expenses that do not belong to any reportable segment are the primary component of corporate expenses.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

In the dispensing pharmacy business segment, there was an impairment loss for store assets (two pharmacies). The amount of this loss in the first nine months of FY3/17 was 57 million yen.

Significant change in goodwill

In the dispensing pharmacy business segment, Nihon Chouzai acquired 17 pharmacies through business transfer and purchase of shares. In the first nine months of FY3/17, this acquisition caused goodwill to increase by 6,352 million yen.

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.