



January 31, 2018

**Summary of Consolidated Financial Results for the Third Quarter
of the Fiscal Year Ending March 31, 2018
(Nine Months Ended December 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
Representative:	Hiroshi Mitsuahara, President & CEO		
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Scheduled date of filing of Quarterly Report:			February 14, 2018
Scheduled date of payment of dividend:			-
Preparation of supplementary materials for quarterly financial results:	Yes		
Holding of quarterly financial results meeting:	None		

Note: The original disclosure in Japanese was released on January 31, 2018 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, 2018
(April 1, 2017 – December 31, 2017)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2017	180,250	8.6	8,328	36.5	7,988	38.4	5,015	51.6
Nine months ended Dec. 31, 2016	166,051	4.7	6,101	(17.0)	5,773	(16.2)	3,307	(23.2)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2017: 4,773 (up 38.5%)

Nine months ended Dec. 31, 2016: 3,446 (down 21.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	313.61	—
Nine months ended Dec. 31, 2016	206.81	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2017	187,601	40,419	21.5
As of Mar. 31, 2017	178,347	36,447	20.4

Reference: Shareholders' equity (million yen) As of Dec. 31, 2017: 40,419 As of Mar. 31, 2017: 36,447

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	—	25.00	—	25.00	50.00
Fiscal year ending Mar. 31, 2018	—	25.00	—		
Fiscal year ending Mar. 31, 2018 (forecasts)				25.00	50.00

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

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
Full year	234,697	5.0	10,105	18.6	9,804	22.9	5,639	21.6	352.59

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

*** Notes**

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

(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: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

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

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

As of Dec. 31, 2017:	16,024,000 shares	As of Mar. 31, 2017:	16,024,000 shares
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2) Number of treasury shares at the end of period

As of Dec. 31, 2017:	29,788 shares	As of Mar. 31, 2017:	29,448 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2017:	15,994,384 shares	Nine months ended Dec. 31, 2016:	15,994,805 shares
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Note 1: The current quarterly financial report is not subject to quarterly review 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.

(2) How to view supplementary materials for financial results

Supplementary materials for quarterly financial results will be disclosed at the Timely Disclosure network (TDnet) as appropriate, and also will be available on the Nihon Chouzai website.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months (April to December) of the fiscal year ending on March 31, 2018, the Japanese government announced the Basic Policy on Fiscal 2018 Revisions to Medical Treatment Fees, the Basic Policy on Radical Reform of the Drug Pricing System and other policies in December. Based on these policies, studies are now under way regarding revisions to medical treatment fees to be made in April 2018. Announcements will be made as specific points are determined. A number of actions that create serious challenges are expected in order to accomplish the goals of easing the burden of medical expenses on individuals and improving the quality of medical care. For example, measures are anticipated for the radical reform of the drug pricing system, the proper evaluation of hospital-front pharmacies and pharmacies located within hospital sites (for assessing profitability and improving efficiency of drug inventories and other items), revisions of prescription dispensing fees for the separation of dispensing and prescribing functions for the benefit of patients (optimizing product services and emphasis on evaluation of people-to-people services), and the proper use of medications. In addition, more measures are under consideration to increase the use of generic drugs in order to reach the target of a volume-based share of 80% by September 2020, a new target in the Basic Policy on Economic and Fiscal Management and Reform 2017.

In response to these events, Nihon Chouzai is taking many actions in all its business operations in a manner that is consistent with government policies. For example, Nihon Chouzai is establishing various frameworks needed to provide the broad range of pharmacist and pharmacy functions that will be required by the Vision for Pharmacies That Put Customers First. Due to these actions, sales and earnings in the first nine months were much higher than one year earlier and in line with the initial plan.

Net sales increased 8.6% year on year to 180,250 million yen. Operating profit increased 36.5% to 8,328 million yen, ordinary profit increased 38.4% to 7,988 million yen and profit attributable to owners of parent rose 51.6% to 5,015 million yen. Sales were 76.8% of the fiscal year plan, operating profit was 82.4%, ordinary profit was 81.5% and profit attributable to owners of parent was 88.9%.

Business segment performance was as follows.

1) Dispensing Pharmacy Business

In the first nine months of the current fiscal year, Nihon Chouzai opened 28 pharmacies in the dispensing pharmacy business and closed five. Consequently, there were 580 pharmacies (including two pharmacies specializing in the sale of general merchandise) at the end of the first nine months. Net sales in this segment increased 8.6% year on year to 152,799 million yen. Excluding hepatitis C drugs, first nine months sales were more than 12.5% higher than in the previous fiscal year's first nine months. Growth in the number of stores, including through acquisitions, and sales at stores opened in the previous fiscal year all contributed to the higher sales. Moreover, as in the first half of the fiscal year, third quarter sales benefited from higher prescription unit prices due to revisions to drug prices in the previous fiscal year. Earnings also increased mainly because of an improvement in income from prescription dispensing fees resulting from more activities to provide the services of family pharmacists and family pharmacies and an year-on-year increase in the number of prescriptions at existing pharmacies, as in the fiscal year's first half. As a result, segment operating profit was much higher than one year earlier, rising 35.1% to 9,050 million yen.

At Nihon Chouzai pharmacies, the average rate of generic drug utilization reached 83% at the end of December 2017 and 89% of pharmacies were offering at-home medical care services. Steady growth in the number of registered members using Nihon Chouzai's Okusuri Techo Plus electronic medication notebook continued. At the end of the third quarter, there were more than 220,000 members.

2) Pharmaceutical Manufacturing and Sales Business

In the first nine months of the current fiscal year, sales increased 6.0% to 29,300 million yen in part because of growth in internal sales resulting from the steady growth of Nihon Chouzai's dispensing pharmacy business. Segment operating profit increased only slightly, by 1.5% to 1,431 million yen as the contribution to earnings from

higher sales was more than outweighed by an increase in R&D expenditures to strengthen the lineup of drugs produced by the Nihon Chouzai Group. Despite this limited rise in operating profit, earnings were generally consistent with the initial plan because of increased efforts to place priority on profitability and maintain suitable selling prices amid heated price-based competition among drug manufacturers.

Seventeen and 18 items were added in June and December, respectively, but there were reductions in the number of items to eliminate overlapping products between group companies. As a result, the number of product items sold in this business segment was 637 at the end of the third quarter.

3) Medical Professional Staffing and Placement Business

Progress with measures involving family pharmacist and family pharmacy services in the dispensing pharmacy sector continues to create strong growth in the demand for the temporary staffing and permanent placement of medical professionals, particularly pharmacists. Growth in the number of temporary staffing and permanent placements of pharmacists continued in the third quarter. In order to place priority on achieving an excellent match with companies that have job openings, Nihon Chouzai provides face-to-face counseling for individuals seeking either temporary or permanent positions. In the first nine months, this business continued to post strong growth with sales up 16.6% to 8,948 million yen and operating profit up 15.6% to 1,416 million yen.

(2) Explanation of Financial Position

Total assets increased 9,254 million yen, or 5.2%, from the end of March 2017 to 187,601 million yen at the end of December 2017. Current assets were 85,480 million yen, an increase of 3,152 million yen, or 3.8%. This was attributable mainly to an increase in merchandise and finished goods. Non-current assets increased 6,101 million yen, or 6.4%, to 102,121 million yen. This was attributable mainly to an increase in construction in progress.

Total liabilities increased 5,281 million yen, or 3.7%, to 147,181 million yen. This was attributable mainly to an increase in accounts payable-trade.

Net assets increased 3,972 million yen, or 10.9%, to 40,419 million yen. This was attributable mainly to an increase in retained earnings.

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

There are no revisions to the consolidated forecast for the fiscal year ending March 31, 2018 that was announced on April 28, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	21,200	19,877
Notes receivable-trade	73	326
Accounts receivable-trade	26,698	28,019
Electronically recorded monetary claims-operating	872	1,251
Merchandise and finished goods	21,455	25,095
Work in process	2,509	1,841
Raw materials and supplies	5,550	5,970
Other	3,975	3,104
Allowance for doubtful accounts	(7)	(6)
Total current assets	82,327	85,480
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,303	22,515
Land	18,016	18,134
Construction in progress	13,521	18,476
Other, net	14,671	15,310
Total property, plant and equipment	68,513	74,437
Intangible assets		
Goodwill	14,605	15,484
Other	2,167	2,379
Total intangible assets	16,773	17,863
Investments and other assets		
Investment securities	1,039	20
Lease and guarantee deposits	7,072	7,044
Other	2,621	2,756
Total investments and other assets	10,733	9,820
Total non-current assets	96,019	102,121
Total assets	178,347	187,601

(Millions of yen)

	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	38,909	44,319
Electronically recorded obligations-operating	2,124	2,434
Current portion of long-term loans payable	13,411	15,998
Income taxes payable	1,537	1,367
Provision for bonuses	2,547	1,352
Provision for directors' bonuses	117	-
Other	7,657	8,101
Total current liabilities	66,305	73,574
Non-current liabilities		
Long-term loans payable	70,678	68,963
Provision for directors' retirement benefits	949	1,022
Net defined benefit liability	1,294	1,450
Other	2,672	2,170
Total non-current liabilities	75,595	73,607
Total liabilities	141,900	147,181
Net assets		
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	21,511	25,727
Treasury shares	(46)	(47)
Total shareholders' equity	36,345	40,560
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	263	0
Remeasurements of defined benefit plans	(161)	(140)
Total accumulated other comprehensive income	101	(140)
Total net assets	36,447	40,419
Total liabilities and net assets	178,347	187,601

(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 FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Net sales	166,051	180,250
Cost of sales	137,190	147,146
Gross profit	28,860	33,103
Selling, general and administrative expenses	22,759	24,775
Operating profit	6,101	8,328
Non-operating income		
Commission fee	106	113
Rent income	300	324
Insurance return	74	-
Other	131	153
Total non-operating income	613	590
Non-operating expenses		
Interest expenses	524	487
Commission fee	13	22
Rent expenses	240	244
Other	163	176
Total non-operating expenses	941	930
Ordinary profit	5,773	7,988
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on sales of investment securities	-	360
Gain on transfer of business	-	38
Total extraordinary income	3	398
Extraordinary losses		
Impairment loss	57	173
Loss on sales of non-current assets	6	10
Total extraordinary losses	63	183
Profit before income taxes	5,713	8,203
Income taxes-current	1,787	2,860
Income taxes-deferred	617	327
Total income taxes	2,405	3,187
Profit	3,307	5,015
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	3,307	5,015

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

(Millions of yen)

	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Profit	3,307	5,015
Other comprehensive income		
Valuation difference on available-for-sale securities	88	(263)
Remeasurements of defined benefit plans, net of tax	49	21
Total other comprehensive income	138	(242)
Comprehensive income	3,446	4,773
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,446	4,773
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 FY3/17 (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 profit shown on the quarterly consolidated statement of income, respectively. 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.

II. First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)

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	152,790	18,863	8,595	180,250	-	180,250
(2) Inter-segment sales and transfers	9	10,436	352	10,798	(10,798)	-
Total	152,799	29,300	8,948	191,048	(10,798)	180,250
Segment profit (loss)	9,050	1,431	1,416	11,898	(3,569)	8,328

Note: Total segment sales and segment profit have been adjusted to be consistent with net sales and operating profit shown on the quarterly consolidated statement of income, respectively. The adjustment of -3,569 million yen to segment profit (loss) includes eliminations of -82 million yen for inter-segment transactions and corporate expenses of -3,487 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 FY3/18 was 173 million yen.

Significant change in goodwill

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.