

Results of Operations for the First Half of the Fiscal Year Ending March 31, 2017 (April 1, 2016 to September 30, 2016)

November 9, 2016



(Tokyo Stock Exchange, First Section / Stock code: 3341)

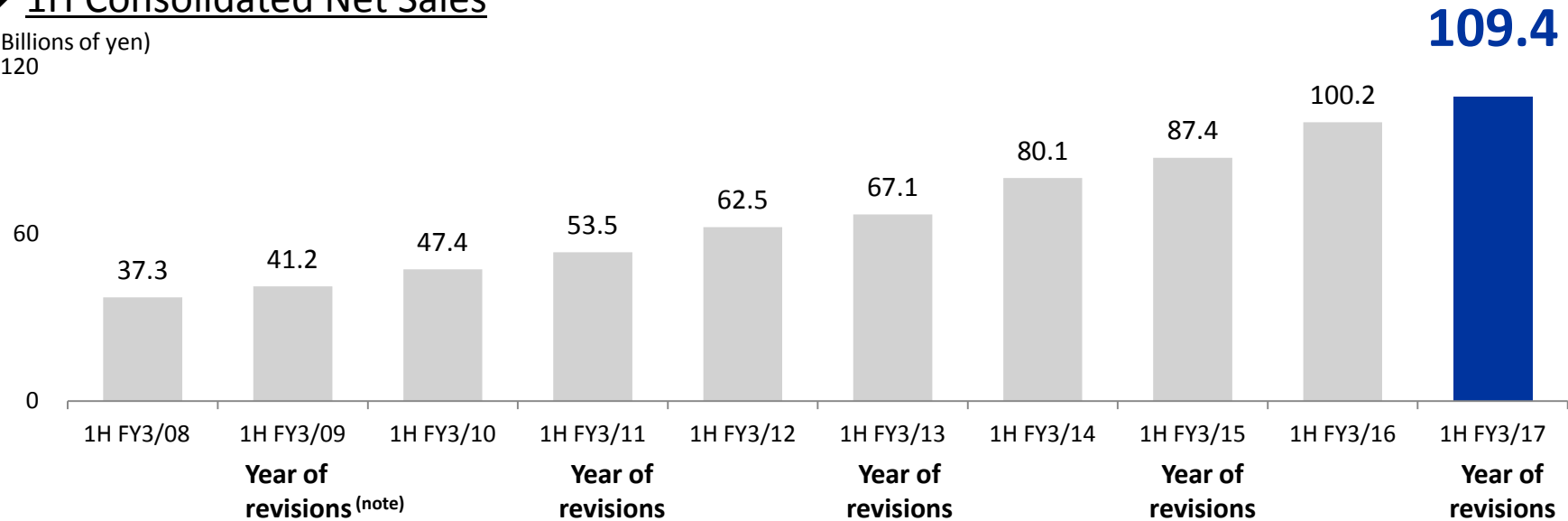
1. Results for 1H FY3/17

Consolidated Results: Net Sales / Operating Income

Note: Year of National Health Insurance (NHI) drug price and dispensing fee revisions

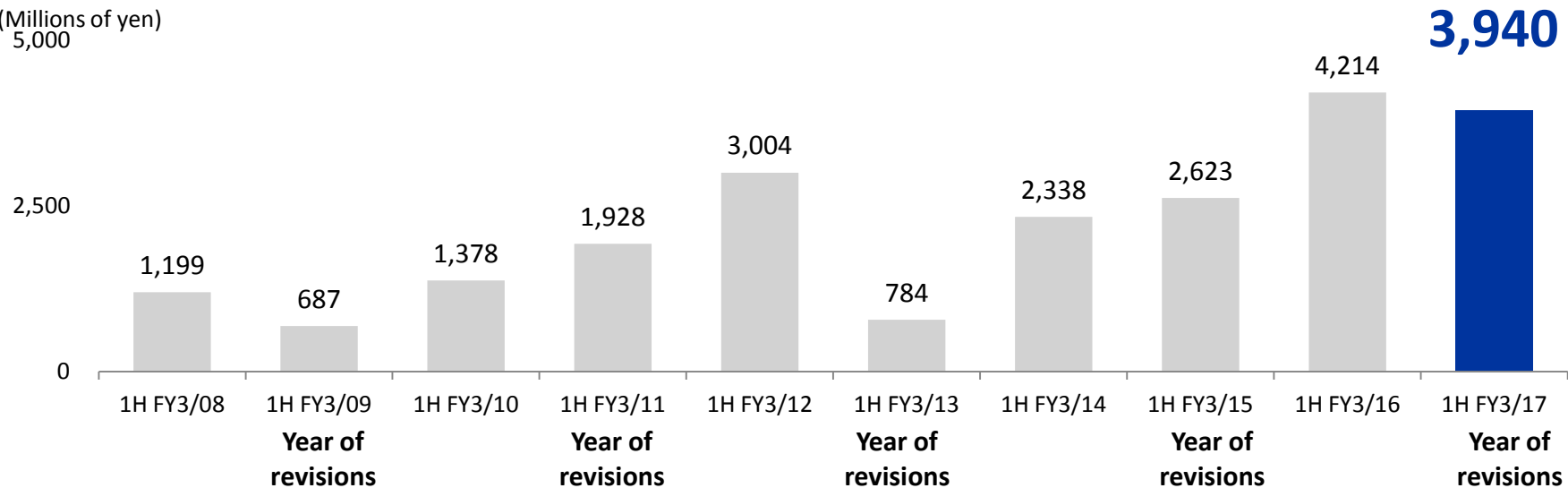
◆ 1H Consolidated Net Sales

(Billions of yen)
120



◆ 1H Consolidated Operating Income

(Millions of yen)
5,000

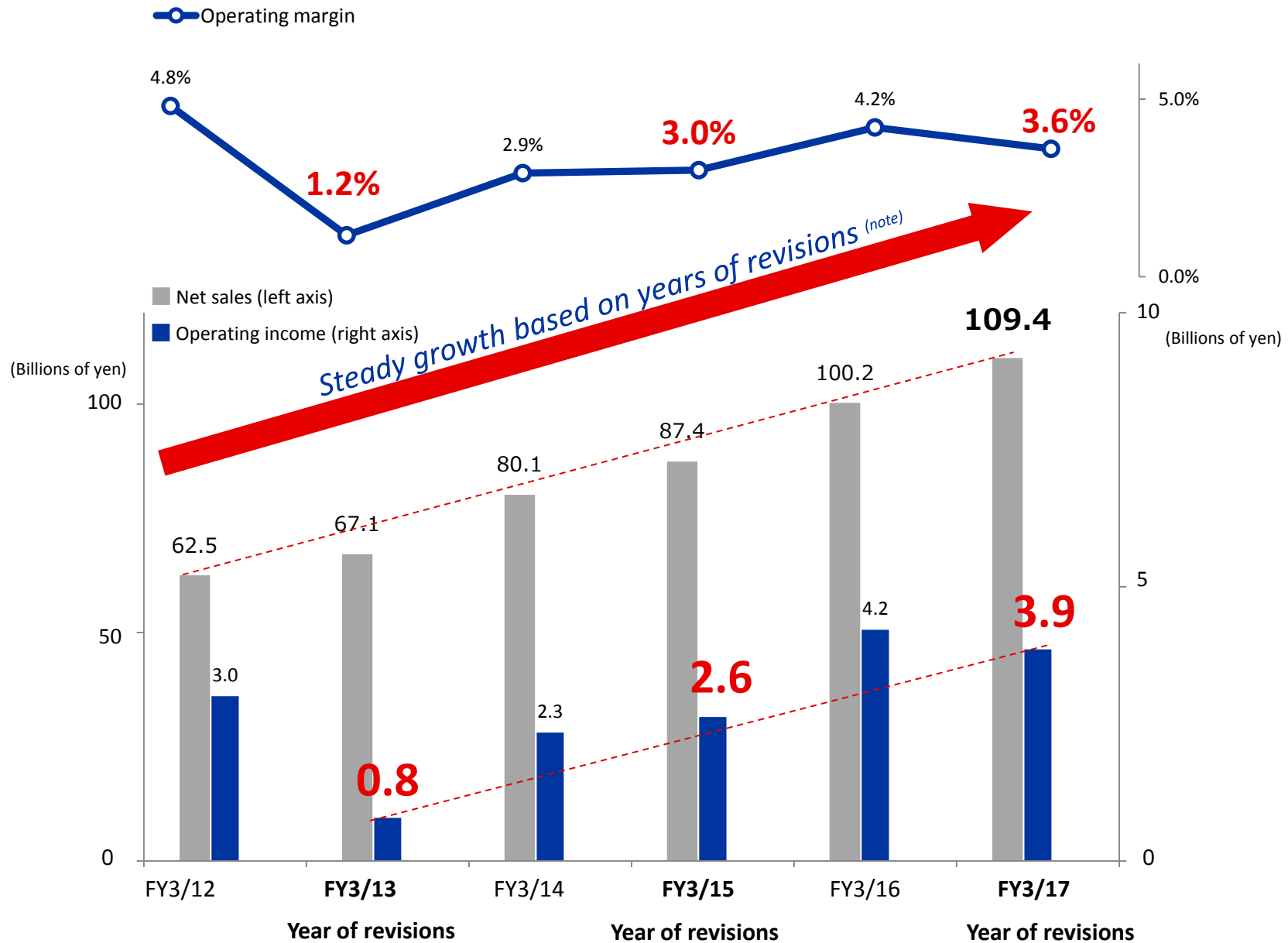


Consolidated Statement of Income

(Millions of yen)	1H FY3/15	1H FY3/16	1H FY3/17	Difference	YoY growth rate
Net sales	87,418	100,269	109,478	9,208	9.2%
Cost of sales	72,571	82,369	90,571	8,202	10.0%
Gross profit	14,846	17,900	18,906	1,006	5.6%
SG&A expenses	12,223	13,685	14,965	1,280	9.4%
Consumption taxes	4,686	5,464	5,906	441	8.1%
R&D expenses	791	890	1,000	110	12.4%
Operating income	2,623	4,214	3,940	-274	-6.5%
% to sales	3.0%	4.2%	3.6%	-	-
Ordinary income	2,318	3,936	3,751	-184	-4.7%
Profit attributable to owners of parent	1,157	2,471	2,339	-131	-5.3%

Note: Non-deductible consumption taxes are included in SG&A expenses.

1H Consolidated Results: Net Sales / Operating Income / Operating Margin



Note: Year of National Health Insurance (NHI) drug price and dispensing fee revisions

Consolidated Balance Sheet

(Millions of yen)	End of Mar. 2016	End of Sep. 2016	Difference	Major components
Current assets	84,838	75,713	-9,125	<ul style="list-style-type: none"> • <u>Current assets</u> • Cash and deposits -15,031
Non-current assets	72,770	84,064	11,293	<ul style="list-style-type: none"> • Merchandise and finished goods 5,904 • <u>Non-current assets</u> • Construction in progress 6,098 • Goodwill 2,158
Property, plant and equipment	51,997	60,781	8,783	
Intangible assets	10,122	12,608	2,485	
Investments and other assets	10,650	10,674	24	
Total assets	157,609	159,777	2,167	<ul style="list-style-type: none"> • <u>Current liabilities</u> • Accounts payable-trade -3,088 • Short-term loans payable 2,226 • Current portion of bonds -7,000 • Current portion of long-term loans payable 7,780
Current liabilities	68,985	67,732	-1,253	
Non-current liabilities	56,151	57,672	1,521	
Total liabilities	125,136	125,404	268	
Total net assets	32,473	34,372	1,899	<ul style="list-style-type: none"> • <u>Net assets</u> • Retained earnings 1,939
Shareholders' equity	32,473	34,372	1,899	
Equity ratio	20.6%	21.5%	-	

Consolidated Statement of Cash Flows

(Millions of yen)	1H FY3/16	1H FY3/17	
Net cash provided by (used in) operating activities	7,435	-4,588	<div style="background-color: #0056b3; color: white; padding: 5px; border-radius: 10px; display: inline-block; margin-bottom: 10px;">Major components</div> <p><u>Net cash provided by (used in) operating activities</u></p> <ul style="list-style-type: none"> • Profit before income taxes 3,714 • Depreciation 2,180 • Decrease (increase) in notes and accounts receivable-trade 962 • Decrease (increase) in inventories -6,151 • Increase (decrease) in notes and accounts payable-trade -3,395 • Income taxes paid -2,554
Net cash used in investing activities	-3,329	-14,366	
Net cash provided by financing activities	2,403	3,923	
Net increase (decrease) in cash and cash equivalents	6,509	-15,031	<p><u>Net cash used in investing activities</u></p> <ul style="list-style-type: none"> • Purchase of property, plant and equipment -10,976
Cash and cash equivalents at beginning of period	13,844	32,380	<p><u>Net cash provided by financing activities</u></p> <ul style="list-style-type: none"> • Net increase (decrease) in short-term loans payable 2,200 • Proceeds from long-term loans payable 12,500 • Repayments of long-term loans payable -2,963 • Redemption of bonds -7,000
Cash and cash equivalents at end of period	20,354	17,348	

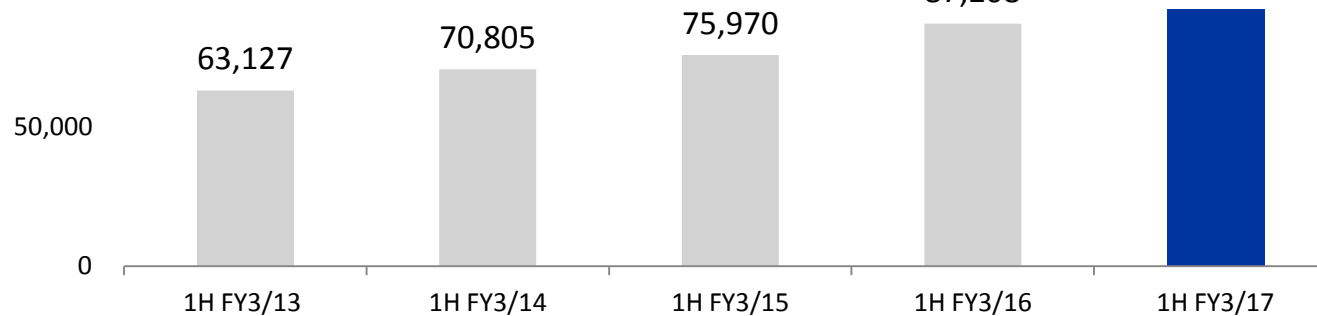
Dispensing Pharmacy Business

-Segment Sales / Operating Income

(Millions of yen)	1H FY3/15	1H FY3/16	1H FY3/17	Difference	YoY growth rate
Net sales	75,970	87,208	92,329	5,120	5.9%
Operating income	3,113	4,252	4,064	-188	-4.4%
% to sales	4.1%	4.9%	4.4%	-	-

◆ Segment Sales

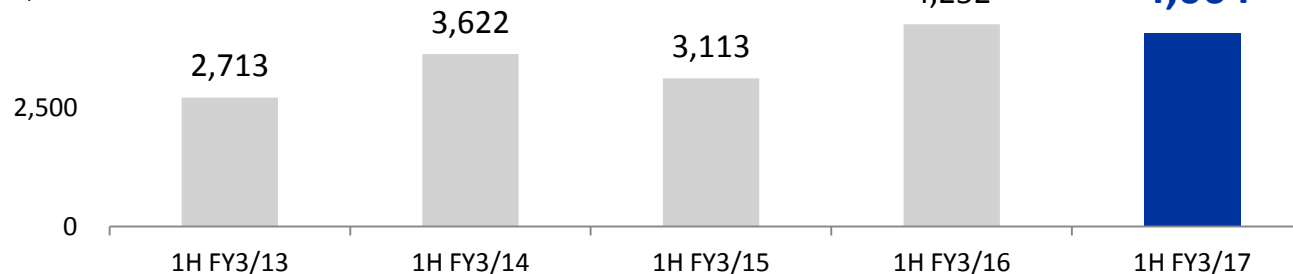
(Millions of yen)
100,000



Note: Before eliminations for inter-segment transactions

◆ Segment Operating Income

(Millions of yen)
5,000



◆ Nihon Chouzai Group: Store Sales by Year of Opening

	No. of pharmacies at end of Sep. 2016	1H FY3/16	1H FY3/17	Difference	(Millions of yen) YoY growth rate
Existing pharmacies (until Mar. 2015)	495	84,825	86,698	1,873	2.2%
Opened during FY3/16 (Apr. 2015 to Mar. 2016)	26	766	3,279	2,513	327.7%
Opened during 1H FY3/17 (Apr. 2016 to Sep. 2016)	23	-	1,389	1,389	-
Others	-	549	51	-497	-90.6%
Total	544	86,141	91,419	5,278	6.1%

- Sales are only for prescriptions (do not include over-the-counter drugs, etc.) and are recorded when prescriptions are filled (no adjustment for returned prescriptions).
- Sales of pharmacies that were closed are included in the others category.
- The number of pharmacies does not include one location specializing in the sales of general merchandise.

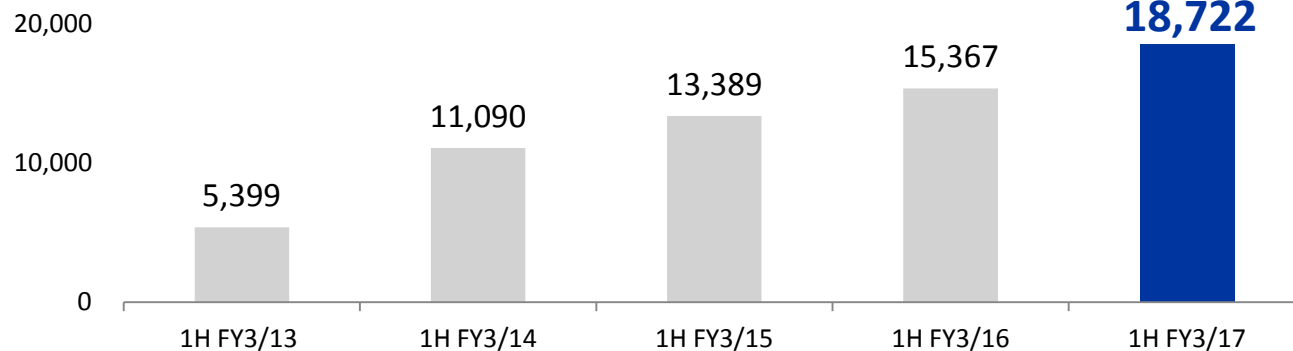
Pharmaceutical Manufacturing and Sales Business

–Segment Sales / Operating Income

(Millions of yen)	1H FY3/15	1H FY3/16	1H FY3/17	Difference	YoY growth rate
Net sales	13,389	15,367	18,722	3,354	21.8%
Operating income	836	1,210	1,191	-19	-1.6%
% to sales	6.2%	7.9%	6.4%	-	-

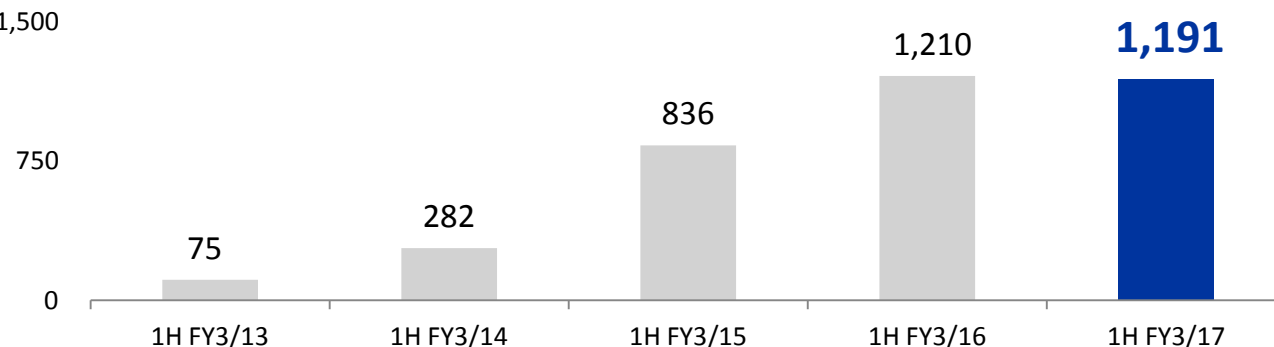
◆ Segment Sales

(Millions of yen)



◆ Segment Operating Income

(Millions of yen)



Medical Professional Staffing and Placement Business

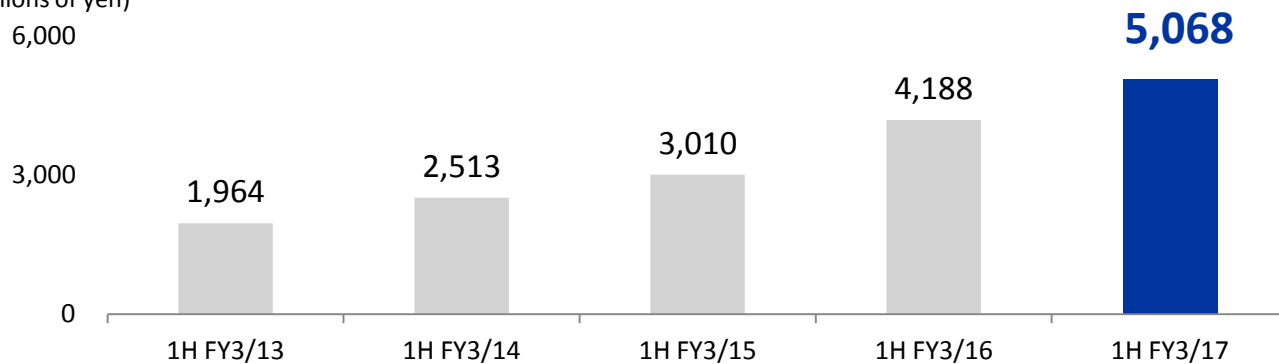
-Segment Sales / Operating Income

(Millions of yen)	1H FY3/15	1H FY3/16	1H FY3/17	Difference	YoY growth rate
Net sales	3,010	4,188	5,068	879	21.0%
Operating income	619	820	808	-11	-1.4%
% to sales	20.6%	19.6%	16.0%	-	-

◆ Segment Sales

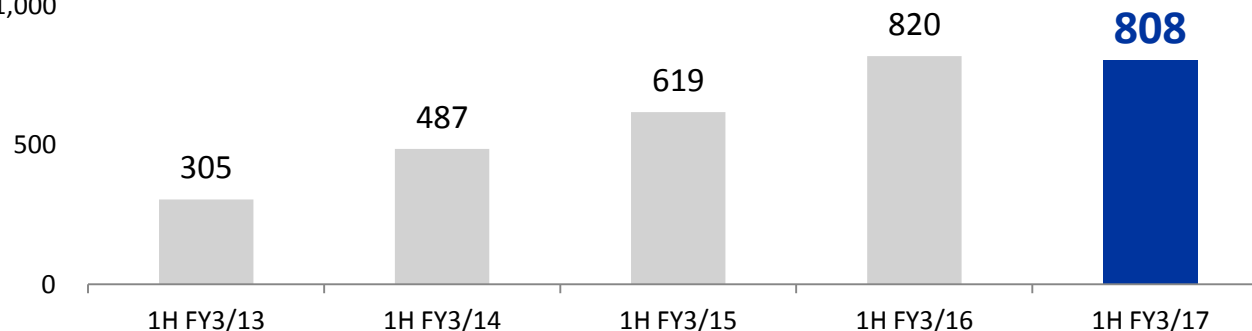
Note: Before eliminations for inter-segment transactions

(Millions of yen)
6,000



◆ Segment Operating Income

(Millions of yen)
1,000

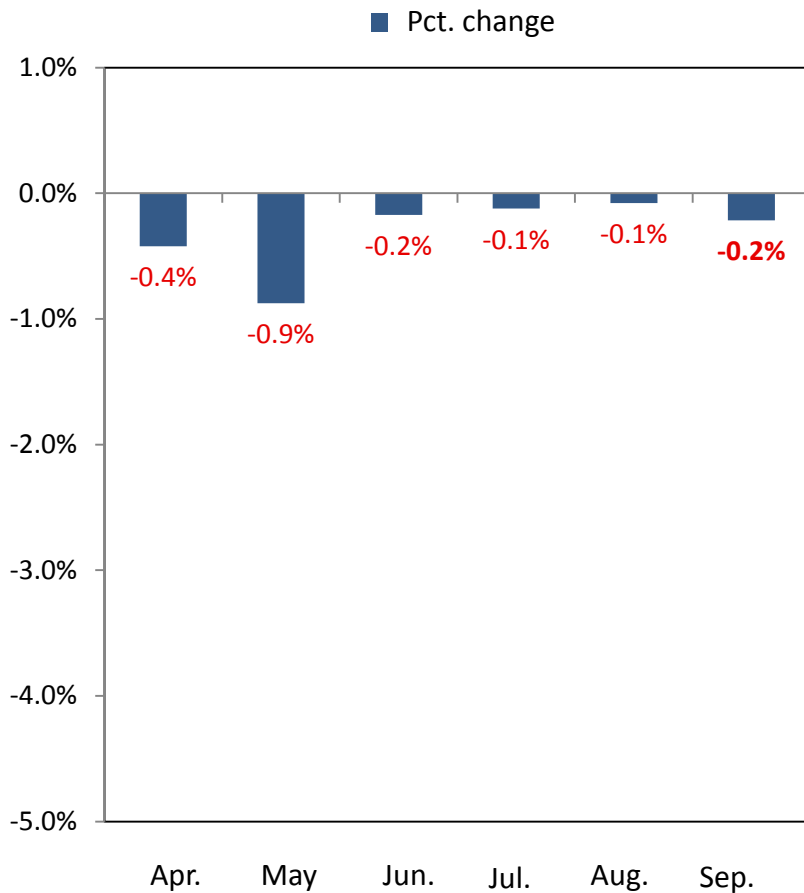


2. Major Initiatives for 1H FY3/17

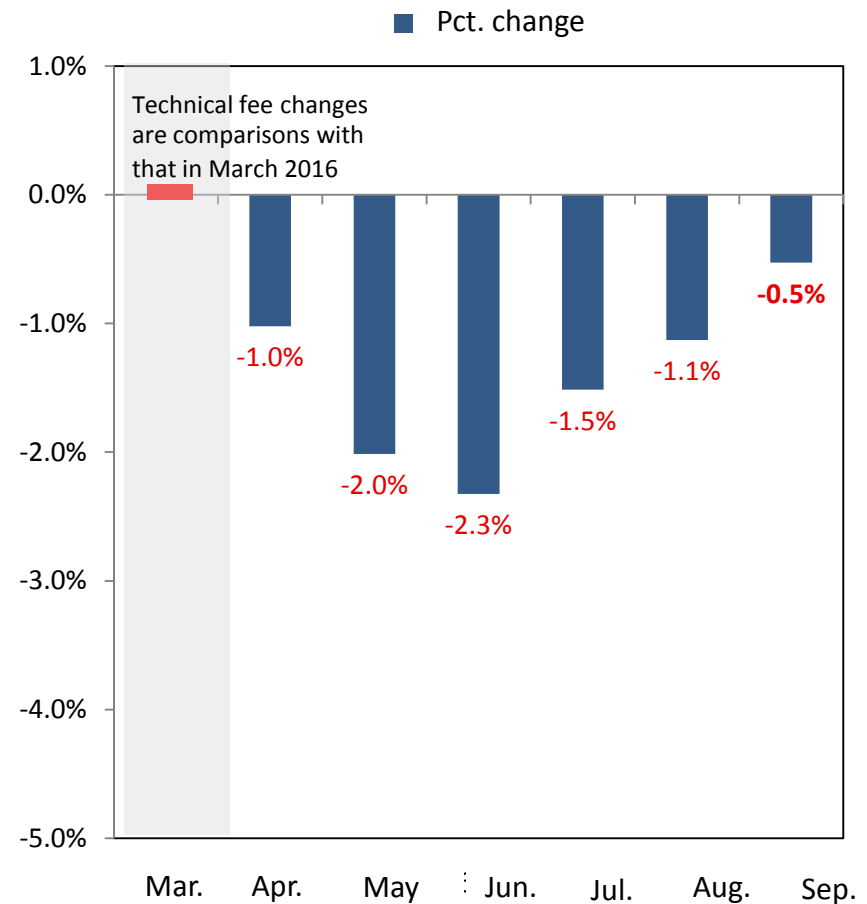
Dispensing Pharmacy Business

Response to Prescription Dispensing Fee Revisions – Technical Fee per Prescription

Technical Fee Decrease vs. Same Month of Prior Year

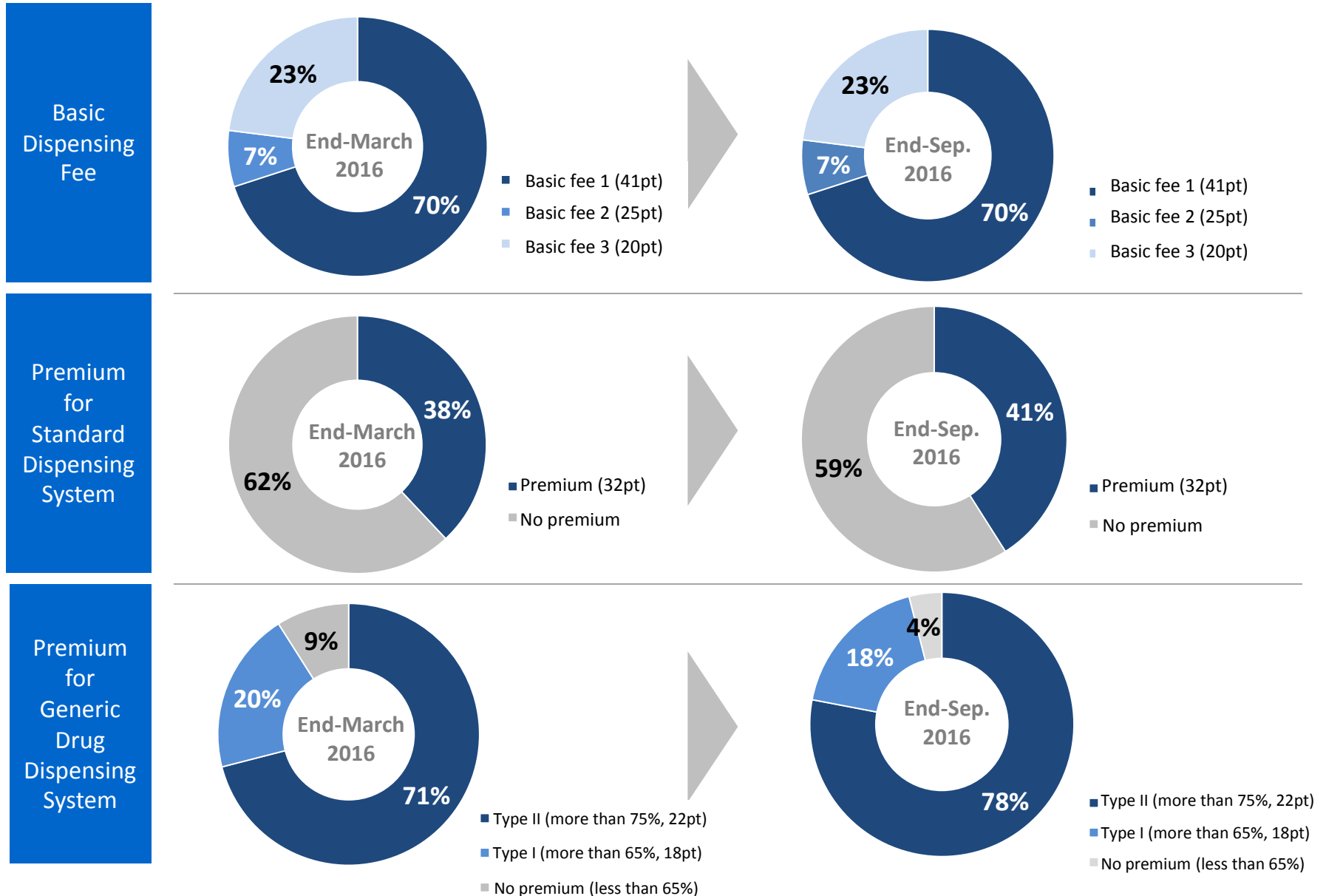


Technical Fee Decrease vs. End of March 2016



Dispensing Pharmacy Business

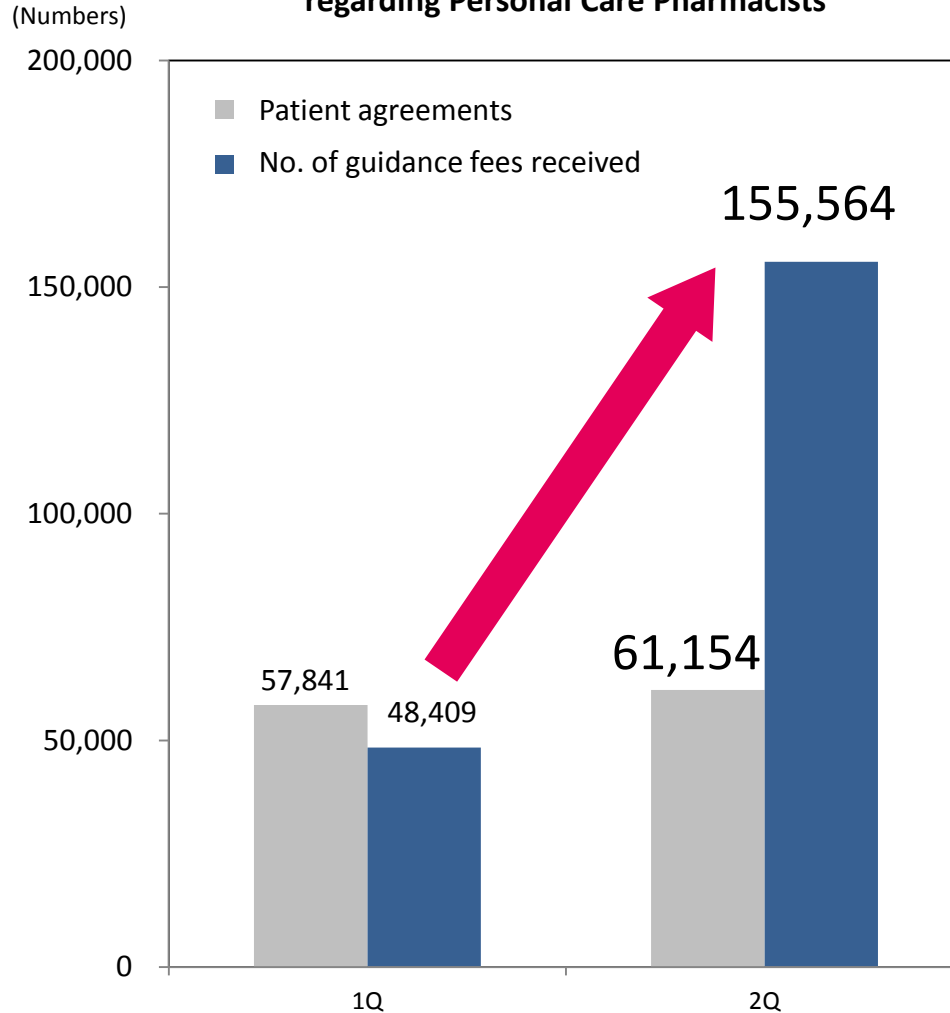
Response to Prescription Dispensing Fee Revisions –Progress with Increasing Technical Fees



Dispensing Pharmacy Business

– Initiatives for Personal Care Pharmacists

Patient Agreements and Receipt of Guidance Fee regarding Personal Care Pharmacists



First Half of FY3/17

Patient agreements

About 120,000

No. of guidance fees received

More than 200,000

Pharmacies applicable to exception for the basic dispensing fee

3 pharmacies

Dispensing Pharmacy Business

–Store Network Expansion

◆ 1H No. of Pharmacies Opened/Closed

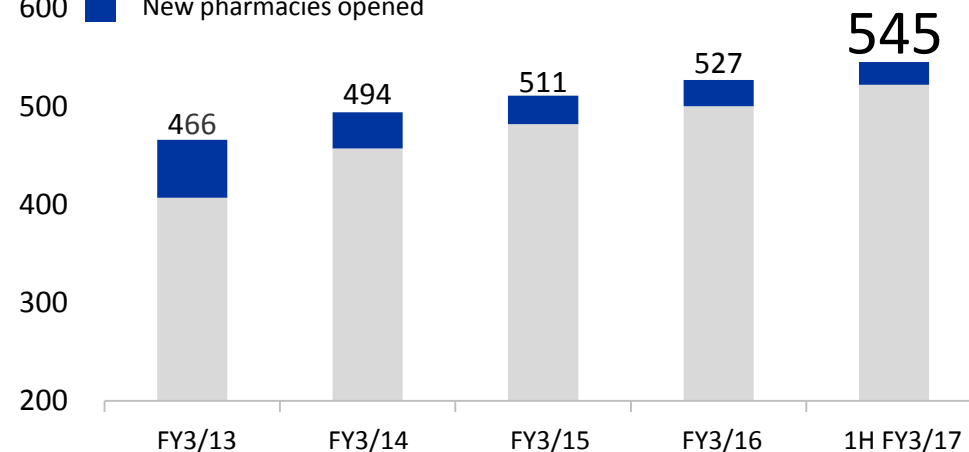
No. of pharmacies opened	23
No. of pharmacies closed	5
Total No. of pharmacies (end of September)	545

Note: Including one location specializing in the sales of general merchandise.

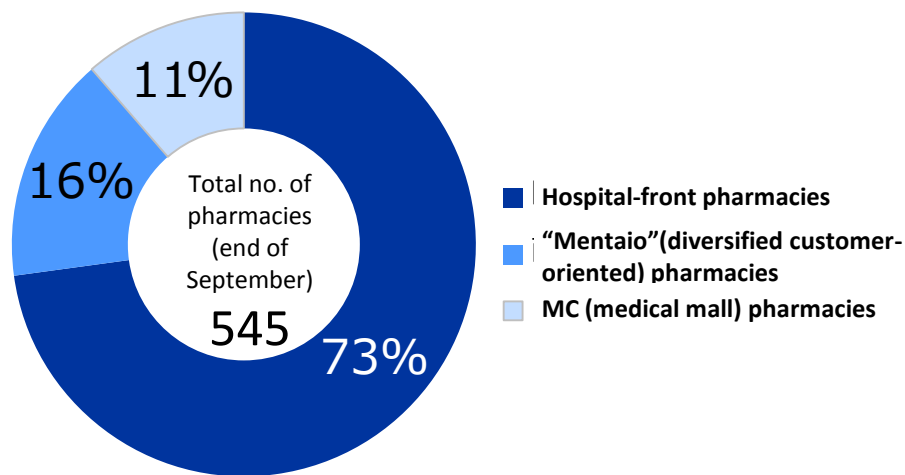
◆ No. of Pharmacies at the End of Each Period

(Pharmacies)

600 ■ New pharmacies opened



◆ No. of Pharmacies by Type



◆ No. of Pharmacies Acquired

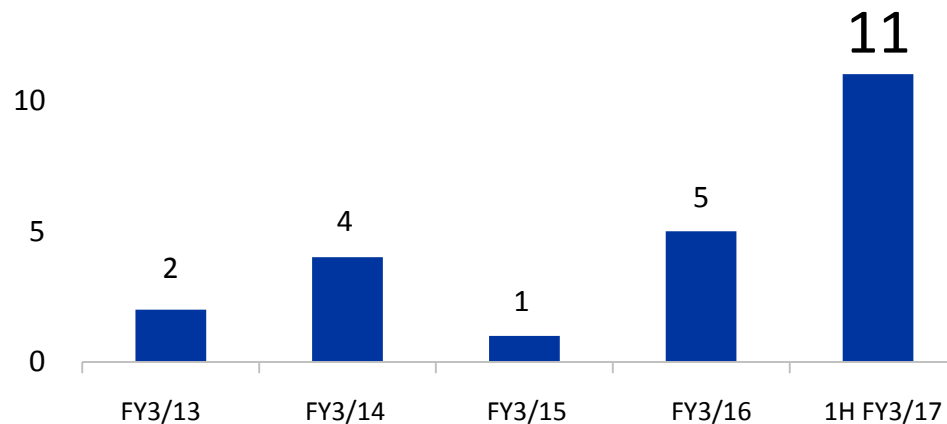
(Pharmacies)

15

10

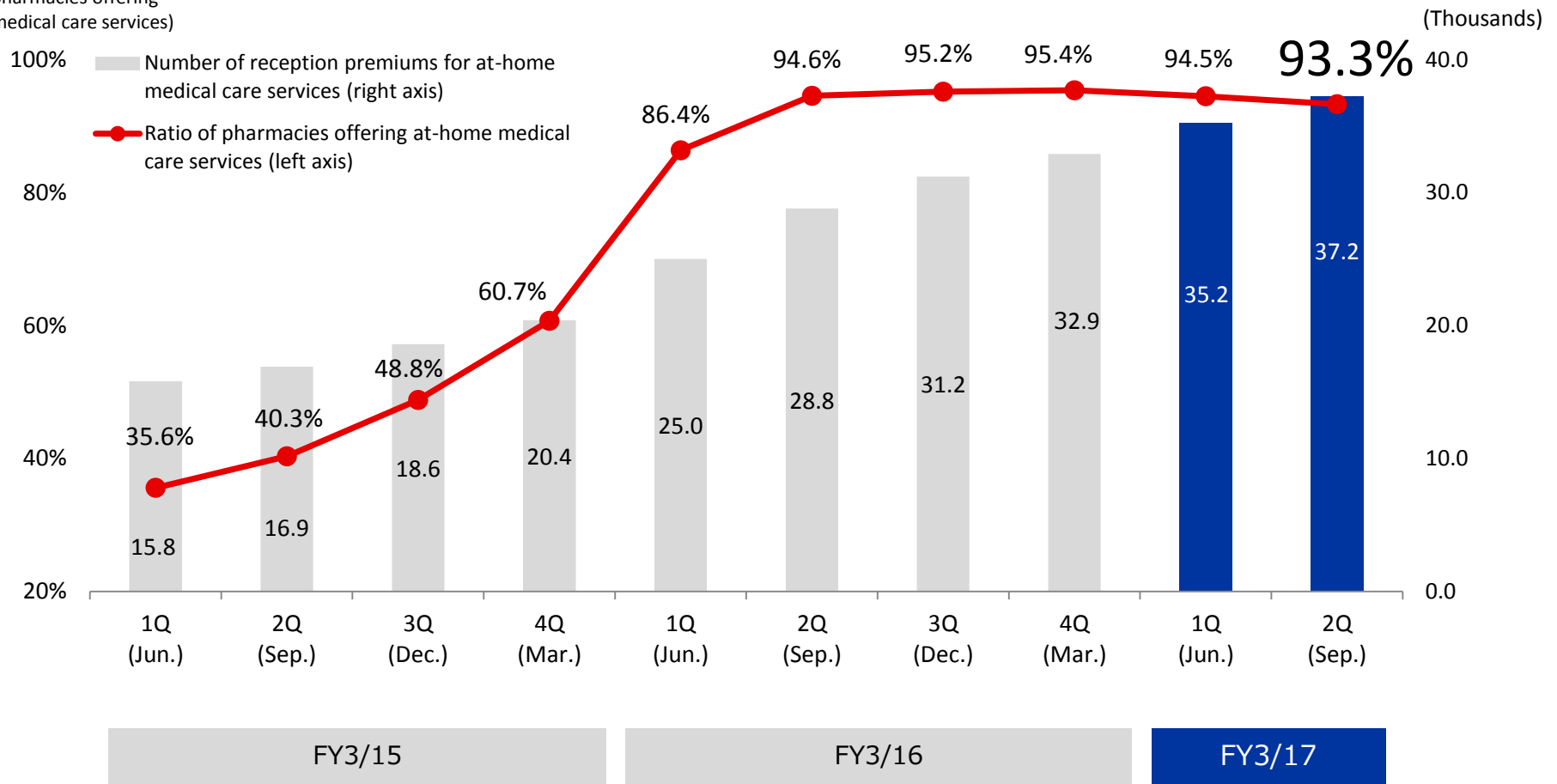
5

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◆ Number of Premiums and Ratio of Pharmacies Offering At-home Medical Care

(Ratio of pharmacies offering at-home medical care services)

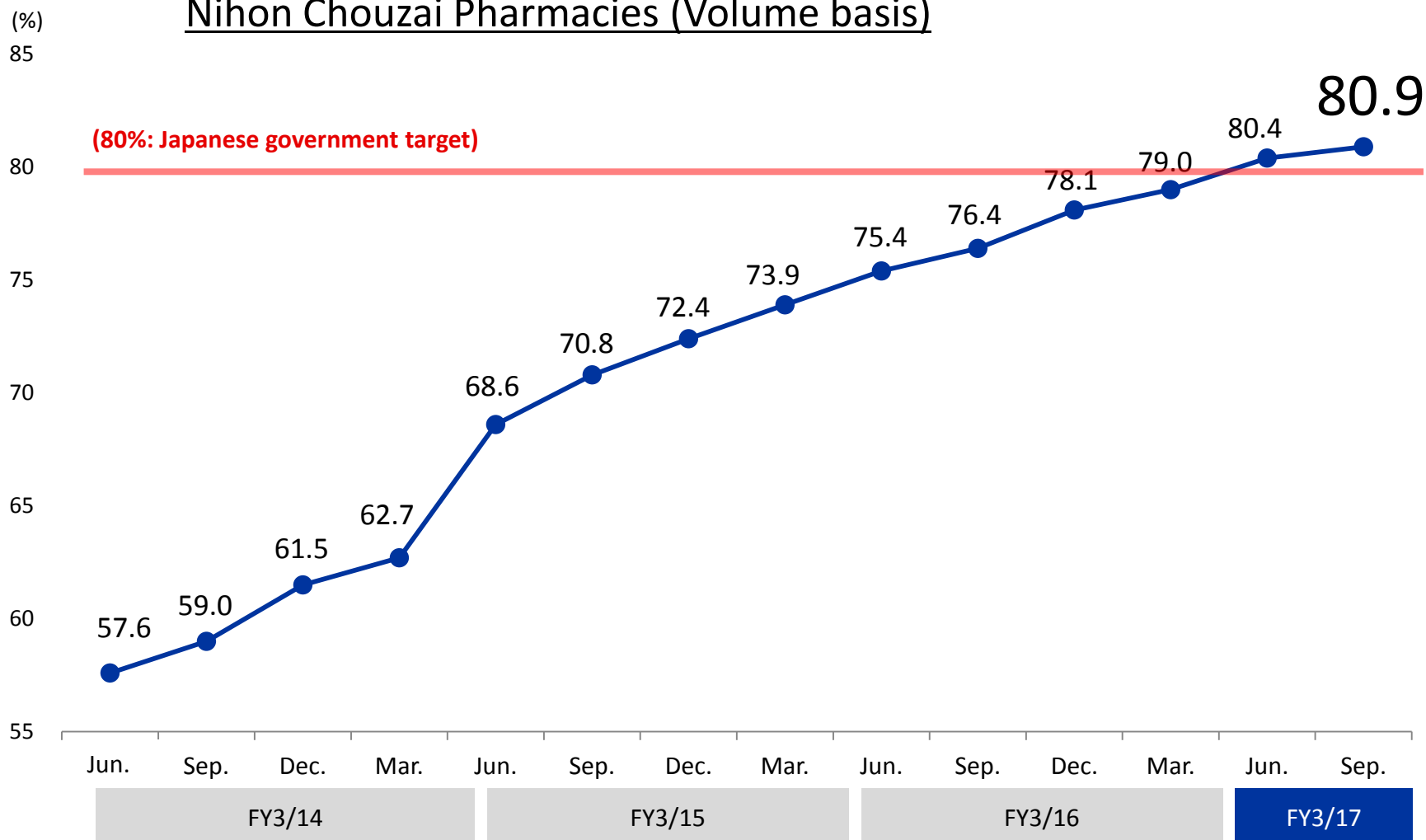


Note: The ratio of pharmacies offering at-home medical care services are results at the end of each period.
(Pharmacies that provided at-home medical care in the prior 12 months)

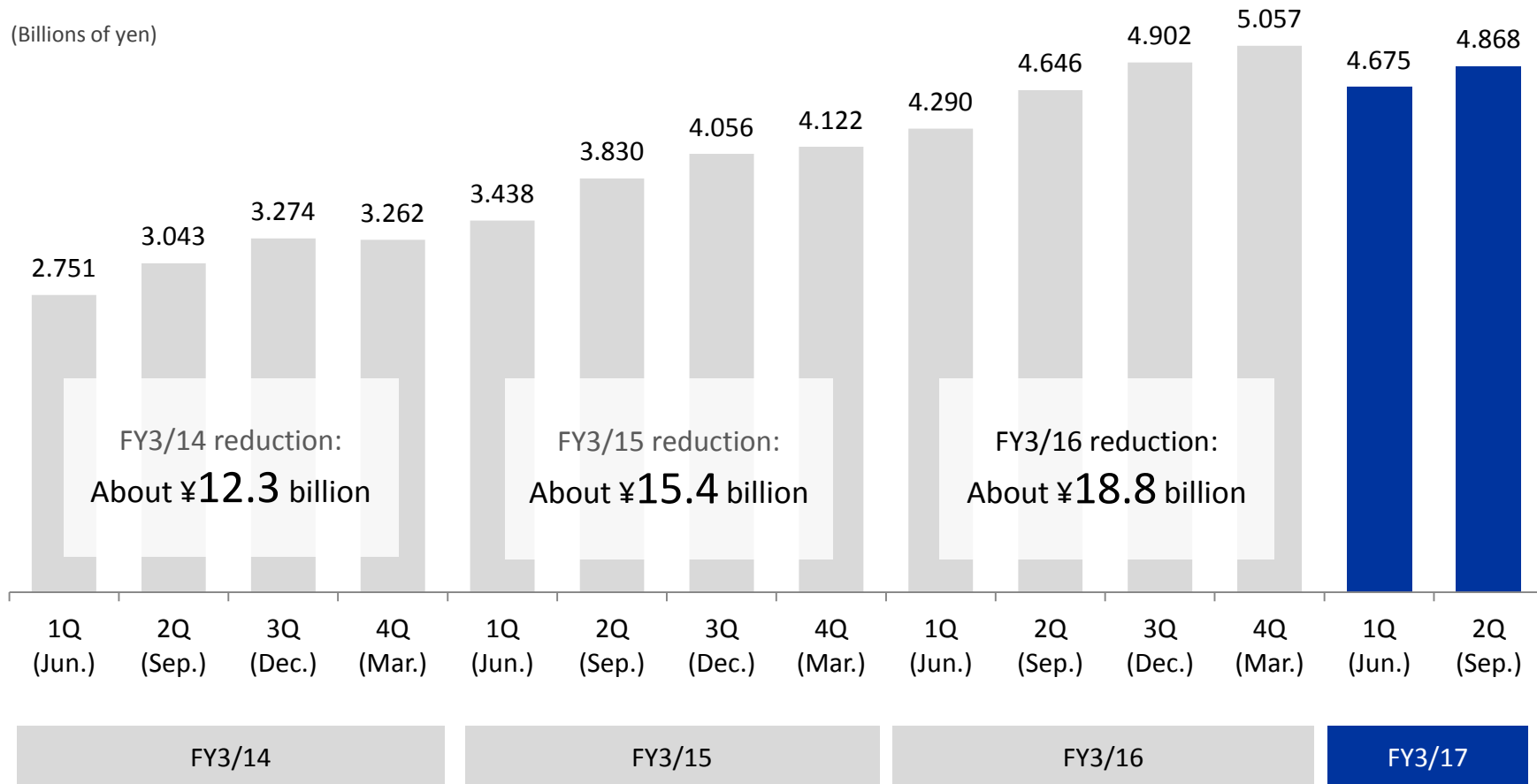
Dispensing Pharmacy Business

–Contributing to Growth in the Use of Generic Drugs (1)

◆ Average Rate of Generic Drug Utilization for Nihon Chouzai Pharmacies (Volume basis)



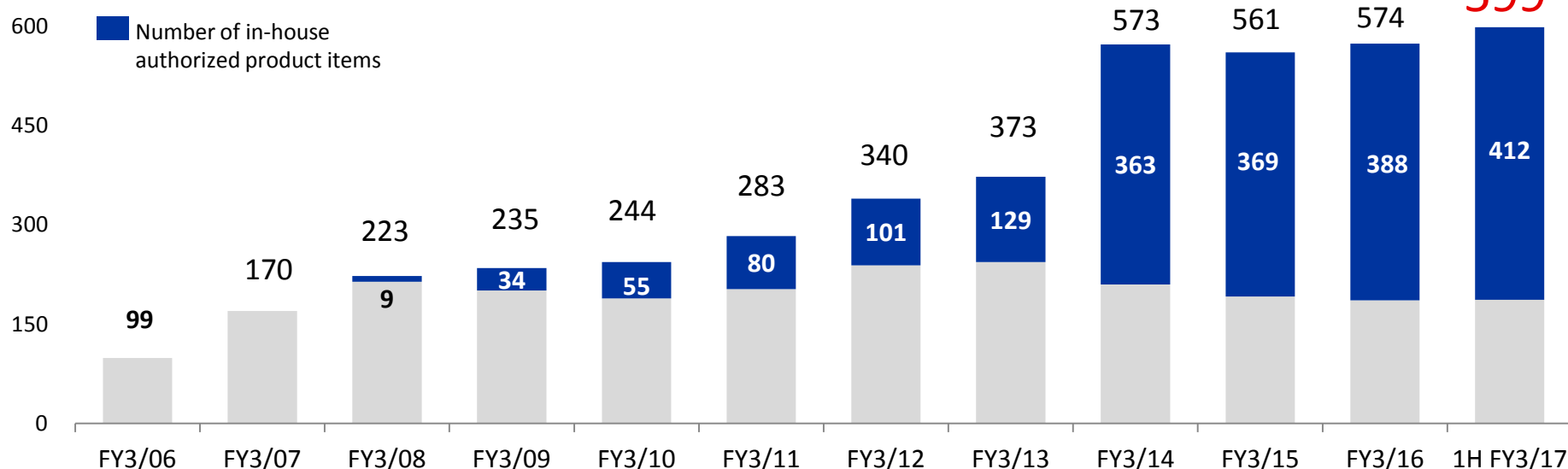
◆ Drug Cost Reduction by Converting to Generic Drugs



–Product Items / New Products

◆ Number of Product Items

(Number of items)



◆ NHI Drug Listed in June 2016

Name	Name	Name	Name
Entacapone Tablets 100mg "JG"	Olanzapine OD Tablets 10mg "JG"	Ropinirole Tablets 2mg "JG"	Sertraline Tablets 100mg "JG"
Olanzapine Tablets 2.5mg "JG"	Voriconazole Tablets 50mg "JG"	Carbocisteine Tablets 250mg "JG"	Timolol XE Eye Drops 0.25% "JG"
Olanzapine Tablets 5mg "JG"	Voriconazole Tablets 100mg "JG"	Carbocisteine Tablets 500mg "JG"	Timolol XE Eye Drops 0.5% "JG"
Olanzapine Tablets 10mg "JG"	Voriconazole Tablets 200mg "JG"	Carvedilol Tablets 1.25mg "JG"	Hyaluronic Acid Na Eye Drops 0.1% "JG"
Olanzapine OD Tablets 2.5mg "JG"	Ropinirole Tablets 0.25mg "JG"	Carvedilol Tablets 2.5mg "JG"	Hyaluronic Acid Na Eye Drops 0.3% "JG"
Olanzapine OD Tablets 5mg "JG"	Ropinirole Tablets 1mg "JG"	Cilnidipine Tablets 20mg "JG"	Levocabastine Eye Drops 0.025% "JG"

◆ New NHI Drug Listings for December 2016

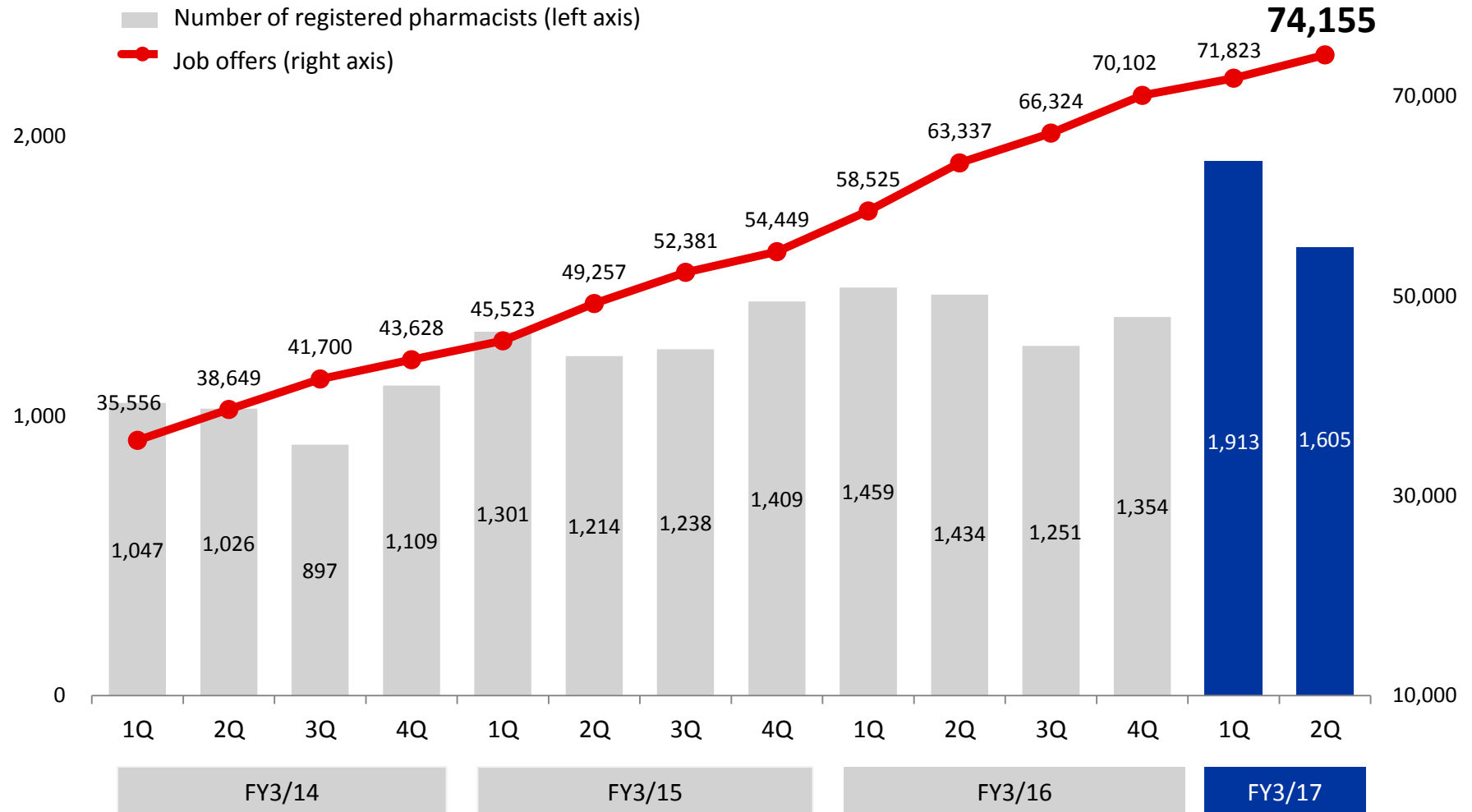
Name	Name
Mitiglinide Ca · OD Tablets 5mg "JG"	Valhydio Combination Tablets MD "JG"
Mitiglinide Ca · OD Tablets 10mg "JG"	Valhydio Combination Tablets EX "JG"
Pramipexole Hydrochloride LA Tablets 0.375mgMI "JG"	Pitavastatin Ca · OD Tablets 1mg "JG"
Pramipexole Hydrochloride LA Tablets 1.5mgMI "JG"	Pitavastatin Ca · OD Tablets 2mg "JG"
Bosentan Tablets 62.5mg "JG"	Pitavastatin Ca · OD Tablets 4mg "JG"
Polaprezinc OD Tablets 75mg "JG"	Maxacalcitol Ointment 25µg/g "CH"

Medical Professional Staffing and Placement Business

-Number of Registered Pharmacists and Job Offers

(Number of registered pharmacists)

(Total number of job offers)



Precautions

Performance targets, plans, business activities and other forward-looking statements concerning Nihon Chouzai and its subsidiaries are based on information that was available when this presentation was made. There may be significant changes to these statements due to business and other risk factors and other uncertainties. These statements are not promises concerning future performance. Actual results of operations may differ significantly from the outlook in this presentation for a number of reasons. In addition, this presentation is not a solicitation to make an investment in Nihon Chouzai. Investment decisions are the responsibility of individual investors.