**Financial Results for the Fiscal Year Ended (FYE) March 15, 2016 [Japanese GAAP] (Consolidated)**

April 27, 2016

| | | | | |
|---|---|---|---|---|
| Company Name | CAWACHI LIMITED | | Exchange listed on: | Tokyo Stock Exchange, first section |
| Security Code | 2664 | URL | http://www.cawachi.co.jp/ | |
| Representative | (Title) | President Director | (Name) | Shinji Kawachi |
| Contact | (Title) | General Manager, Finance Department | (Name) | Yoritsugu Komatsu (TEL) 0285 (32) 1131 |

Scheduled date of the Ordinary General Meeting of Shareholders: June 7, 2016
Scheduled commencement date of dividend payment: June 8, 2016
Scheduled filing date of the securities report: June 8, 2016
Supplemental information for financial results: Available
Investor meeting presentation: Scheduled (for securities analysts and institutional investors)

(Amounts rounded down to the nearest millions of yen.)

1. Consolidated Financial Results for the FYE March, 2016 (From March 16, 2015 to March 15, 2016)

(1) Consolidated Operating Results (Percent represents comparison changes from the previous year.)

| | Net sales | | Operating income | | Ordinary income | | Profit | |
|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| FYE March, 2016 | 260,624 | 0.9 | 4,656 | 65.5 | 5,875 | 55.2 | 1,975 | — |
| FYE March, 2015 | 258,319 | 6.4 | 2,814 | (60.8) | 3,786 | (53.0) | (4,673) | — |

(Note) Comprehensive income: FYE 3/2016 ¥ 1,899 million (— %)
FYE 3/2015 ¥ (4,596) million (— %)

| | Profit per share | Profit per share – diluted | Profit to Shareholders' equity | Ordinary income to Assets | Operating income to Net sales |
|---|---|---|---|---|---|
| | yen | yen | % | % | % |
| FYE March, 2016 | 85.39 | 85.34 | 2.3 | 3.3 | 1.8 |
| FYE March, 2015 | (202.11) | — | (5.3) | 2.1 | 1.1 |

(Reference) Equity method investment gain (loss): FYE March, 2016 ¥ — million
FYE March, 2015 ¥ — million

(2) Consolidated Financial Positions

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| FYE March, 2016 | 178,794 | 87,532 | 49.0 | 3,782.88 |
| FYE March, 2015 | 176,530 | 86,061 | 48.7 | 3,720.30 |

(Reference) Shareholders' equity: FYE March, 2016 ¥ 87,522 million
FYE March, 2015 ¥ 86,049 million

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the year |
|---|---|---|---|---|
| | million yen | million yen | million yen | million yen |
| FYE March, 2016 | 11,089 | (5,181) | (1,287) | 25,773 |
| FYE March, 2015 | 5,513 | (7,844) | (2,063) | 21,153 |

2. Dividends

| | Annual dividends | | | | | Total amount of annual dividends | Dividend payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of 1Q | End of 2Q | End of 3Q | End of the year | Total | | | |
| | yen | yen | yen | yen | yen | million yen | % | % |
| FYE March, 2015 | — | 0.00 | — | 45.00 | 45.00 | 1,040 | — | 1.2 |
| FYE March, 2016 | — | 0.00 | — | 45.00 | 45.00 | 1,041 | 52.7 | 1.2 |
| FYE March, 2017 (forecast) | — | 0.00 | — | 45.00 | 45.00 | | 26.0 | |

3. Forecast of Consolidated Results for FYE March, 2017 (March 16, 2016 to March 15, 2017)

(Percentage represents changes from the previous year for Full year, and on YoY basis for Quarterly results.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of the parent | | Profit per share |
|---|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| 2Q (cumulative) | 137,800 | 3.1 | 2,850 | 26.0 | 3,450 | 17.5 | 2,000 | 11.9 | 86.44 |
| Full year | 271,000 | 4.0 | 5,500 | 18.1 | 6,600 | 12.3 | 4,000 | 114.2 | 172.89 |

*NOTES

| | |
|---|---|
| (1) Changes in major subsidiaries during the cumulative quarter under review (Change in specific subsidiaries that will accompany a change in scope of consolidation): | None |

Newly consolidated: - company (companies) (name of company)
Excluded: - company (companies) (name of company)

(2) Change in accounting policies or estimates and retrospective restatements

| | |
|---|---|
| 1) Change in accounting policies in accordance with revision of accounting standards: | Yes |
| 2) Change in accounting policies other than item 1) above: | None |
| 3) Change in accounting estimates: | None |
| 4) Retrospective restatements: | None |

(3) Number of shares issued (common stock)

| | | | | |
|---|---|---|---|---|
| 1) Number of shares issued at the end of the period (including treasury stock) | FYE 3/2016 | 24,583,420 shares | FYE 3/2015 | 24,583,420 shares |
| 2) Number of shares of treasury stock at the end of the period | FYE 3/2016 | 1,446,885 shares | FYE 3/2015 | 1,453,772 shares |
| 3) Average number of shares issued during the period | FYE 3/2016 | 23,133,703 shares | FYE 3/2015 | 23,123,637 shares |

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for Fiscal Year Ended March, 2016 (March 16, 2015 to March 15, 2016)

(1) Non-Consolidated Business Results (Percentages represent year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Profit | |
|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| FYE 3/2016 | 239,428 | 2.7 | 4,547 | 69.9 | 5,696 | 58.6 | 1,956 | - |
| FYE 3/2015 | 233,212 | (0.4) | 2,677 | (62.0) | 3,591 | (54.5) | (4,422) | - |

| | Profit per share | Profit per share − diluted |
|---|---|---|
| | yen | yen |
| FYE 3/2016 | 84.55 | 84.51 |
| FYE 3/2015 | (191.26) | — |

(2) Non-Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| FYE 3/2016 | 173,255 | 87,451 | 50.5 | 3,779.41 |
| FYE 3/2015 | 170,351 | 85,992 | 50.5 | 3,717.36 |

(Reference) Shareholders' equity FYE 3/2016 ¥87,442 million FYE 3/2015 ¥85,981 million

* Indication of audit procedure implementation status

This summary of consolidated financial results is not subject to the audit procedures provided by the Financial Instruments and Exchange Act. At the time of disclosure of these financial results, financial statement audit procedures based on the Act are underway.

* Explanation for appropriate use of operating results forecasts, other special notes

Forward-looking statements, including business forecasts, contained in this document are based on information available to Cawachi Ltd. and certain assumptions deemed reasonable as of the date of this document, and actual performance and results may differ significantly from the forecasts described here due to various factors. Please refer to "1. Analyses of Results of Operations and Financial Position (1) Analysis of Results of Operations" of the attached documents for the assumptions underlying the forecasts and cautions when using the forecasts.

○Contents of Attached Documents

## 1. Analyses of Results of Operations and Financial Position

### (1) Analysis of Results of Operations

(Results of operations for the current fiscal year)

During the fiscal year ended March, 2016, Japan's economic outlook remained uncertain with a slowdown and fears of downside risks in overseas economies, although the economy showed a moderate recovery against the backdrop of increased corporate earnings and an improved employment condition. The yen's weakness increased the cost of living, while household incomes in real terms did not improve, although the yen's movements had been unpredictable as seen from a sharp rise at the beginning of the year 2016. Under these circumstances, consumer spending remained weak as consumers took a more defensive stance towards consumption.

In the drugstore industry, to which the Cawachi Group ("Group") belongs, the Group has seen an increasingly tough business environment with a growing number of new store openings and intensified price competition, as well as new entrants from outside the industry.

Under the circumstances, the Group, to secure a more dominant position and improve the efficiency of store operations, has focused on relocating stores through scrap and build initiative, as well as overhauling sales prices and product lineups to overcome intensified competition, while strengthening the health and beauty counseling function.

In terms of new store openings, the Group opened a total of 15 stores in the districts where it currently operates in the following prefectures: six stores in Tochigi, two stores in Gunma, and one each in Iwate, Miyagi, Yamagata, Ibaraki, Saitama, Nagano, and Shizuoka. The Group also launched dispensing pharmacy operations at 10 existing stores as follows: five stores in Tochigi, two stores in Fukushima, and one each in Iwate, Gunma, and Ibaraki. Meanwhile, a total 15 stores were closed for relocation: five stores in Tochigi, two stores in Yamagata, and one each in Aomori, Iwate, Miyagi, Gunma, Ibaraki, Saitama, Chiba, and Yamanashi. Furthermore, four stand-alone dispensing pharmacies and one in-store dispensing pharmacy in Aomori Prefecture closed operations.

Accordingly, the Group has a total of 297 stores (of which 91 have an in-store dispensing pharmacy).

As a result, the Group recorded the following financial results on a consolidated basis for the current fiscal year under review: net sales of 260,624 million yen (year-on-year increase of 0.9%), operating income of 4,656 million yen (year-on-year increase of 65.5%), ordinary income of 5,875 million yen (year-on-year increase of 55.2%), and profit of 1,975 million yen (against a loss of 4,673 million yen in the previous fiscal year), due to the posting of impairment losses of 2,416 million yen as extraordinary losses.

(Sales)

The Group's net sales by segment are as follows.

| Segment | Previous consolidated fiscal year (From March 16, 2014 to March 15, 2015) | | Current consolidated fiscal year (From March 16, 2015 to March 15, 2016) | | Year-on-year comparison (%) |
|---|---|---|---|---|---|
| | Amount (Mil. yen) | (%) | Amount (Mil. yen) | (%) | |
| Pharmaceuticals | 43,911 | 17.0 | 44,380 | 17.0 | 101.1 |
| Cosmetics | 21,674 | 8.4 | 21,229 | 8.2 | 97.9 |
| Sundries | 73,457 | 28.4 | 74,530 | 28.6 | 101.5 |
| General food | 119,276 | 46.2 | 120,484 | 46.2 | 101.0 |
| Total | 258,319 | 100.0 | 260,624 | 100.0 | 100.9 |

(Note) Number of units sold is omitted because the Company's has an extensive product range.

(Outlook for the next fiscal year)

Japan's economy in the coming fiscal year is expected to continue recovering gradually due to continued improvement in capital investment and employment conditions on the back of economic policies, in spite of concerns remaining for risks of slowdown and downward swing in overseas economies. However, the environment surrounding consumers is likely to remain harsh, given continued uncertainties with upward trends in prices and costs of living, as well as the lack of substantial increases in household incomes in local regions.

In such environment, the Group will continue implementing measures to strengthen its business infrastructure, centering on achieving more solid operating base in its dominant areas and optimizing inventory levels by streamlining logistics network. Further, as a differentiation measure against increasingly fierce competitions, we will focus on offering products that value "safe and safety" at reasonable prices and endeavor to improve the quality of consumers' living in an effort to respond to the consumption environment while continuing to open dispensing pharmacies in our core stores during the next fiscal year to make progress on measures of specialist function enhancement. In addition, we will exert ourselves to improve customer satisfaction by making further progress on building local community-based stores, through such measures as renovating mainly large stores in order to respond to diversified consumer needs, while improving the productivity of store operations through systems investments.

Regarding new store openings, the Group has a plan to open 16 stores to enhance operating base in its dominant areas. Furthermore, to further make progress on measures for specialist function enhancement, the Group plans to launch five in-store dispensing pharmacies at core stores. Meanwhile, one store is scheduled to be closed for relocation.

From the above, the Group forecasts, for the fiscal year ending March 2017, that the net sales will be 271,000 million yen, operating income 5,500 million yen, ordinary income 6,600 million yen, and Profit attributable to owners of the parent 4,000 million yen.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

Assets increased 2,264 million yen compared with the end of the previous fiscal year, to 178,794 million yen, due primarily to 1,852 million yen decrease in land, 577 million yen decrease in construction in progress, and 4,620 million yen increase in cash and deposits.

Liabilities at the end of the fiscal year under review increased 793 million yen compared with the end of previous fiscal year, to 91,262 million yen. This was due primarily to 1,290 million yen increase in accounts payable - trade and 696 million yen decrease in provision for retirement benefits.

Net assets at the end of the fiscal year under review increased 1,471 million yen compared with the end of the previous fiscal year, to 87,532 million yen, due primarily to increase in retained earnings.

Equity ratio decreased to 49.0% (0.3 point increase from the previous fiscal year).

2) Cash flows

Cash and cash equivalents as of the end of the fiscal year under review (hereinafter referred to as "fund") decreased to 25,773 million yen (4,620 million yen increase compared with end of the previous fiscal year).

(Cash flow from operating activities)

Net cash from operating activities for the current fiscal year increased to 11,089 million yen (an increase of 5,576 million yen compared with the previous fiscal year. This was mainly due to that income before income taxes was 3,935 million yen (an increase of 7,386 million yen compared with the previous fiscal year), depreciation was 5,092 million yen (an increase of 108 million yen compared with the previous fiscal year) and impairment loss was 2,416 million yen (a decrease of 4,349 million yen compared with the previous fiscal year).

(Cash flow from investment activities)

Net cash used in investment activities for the current fiscal year amounted to 5,181 million yen (a decrease of 2,662 million yen compared with the previous fiscal year), mainly as a result of acquisition of property, plant and equipment associated with opening of new stores, which amounted to 5,199 million yen (a decrease of 1,896 million yen compared with the previous fiscal year).

(Cash flow from financing activities)

Net cash used in financing activities for the current fiscal year amounted to 1,287 million yen (an increase of 776 million yen compared with the previous fiscal year).This was due mainly to that repayment of long-term loan payable was 14,345 million yen (an increase of 536 million yen compared with the previous fiscal year) and dividend payment was 1,041 million yen (an increase of 0 million yen compared with the previous fiscal year) although proceeds from long-term loans payable was 14,000 million yen (an increase of 500 million yen compared with the previous fiscal year).

(Trends of Cash Flow-related Indicators)

| | FYE3/2012 | FYE3/2013 | FYE3/2014 | FYE3/2015 | FYE3/2016 |
|---|---|---|---|---|---|
| Equity ratio (%) | 53.2 | 52.9 | 49.2 | 48.7 | 49.0 |
| Equity ratio on market value (%) | 25.1 | 26.8 | 23.5 | 27.1 | 26.8 |
| Ratio of interest-bearing debts to cash flows (years) | 4.1 | 3.6 | 3.5 | 6.4 | 3.2 |
| Interest coverage ratio (multiples) | 24.0 | 31.7 | 46.0 | 24.5 | 64.9 |

Equity Ratio: Shareholders' equity/Total assets

Equity ratio on market value: Market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest expenses

Note 1: All figures are calculated based on consolidated financial results.

Note 2: Market capitalization is calculated based on number of shares issued excluding treasury stock.

Note 3: Cash flows are based on operating cash flows.

Note 4: Interest-bearing debt represents debt posted on the consolidated balance sheet and accompanied by interest payments.

(3) Principles of Appropriation of Profits and Dividend Payment for the Current Fiscal Year and the Next Fiscal Year

The Group recognizes that returning profit to shareholders is a top-priority management issue. Our basic policy calls for continuous and stable dividend payments, taking into account the future business prospects as well as the enhancement of internal reserves to ensure stable growth of the Group.

Under this basic policy, the Group is planning to propose an ordinary dividend of 45 yen per share at the end of the current fiscal year in the 49th Ordinary General Meetings of Shareholders scheduled to be held on June 7, 2016.

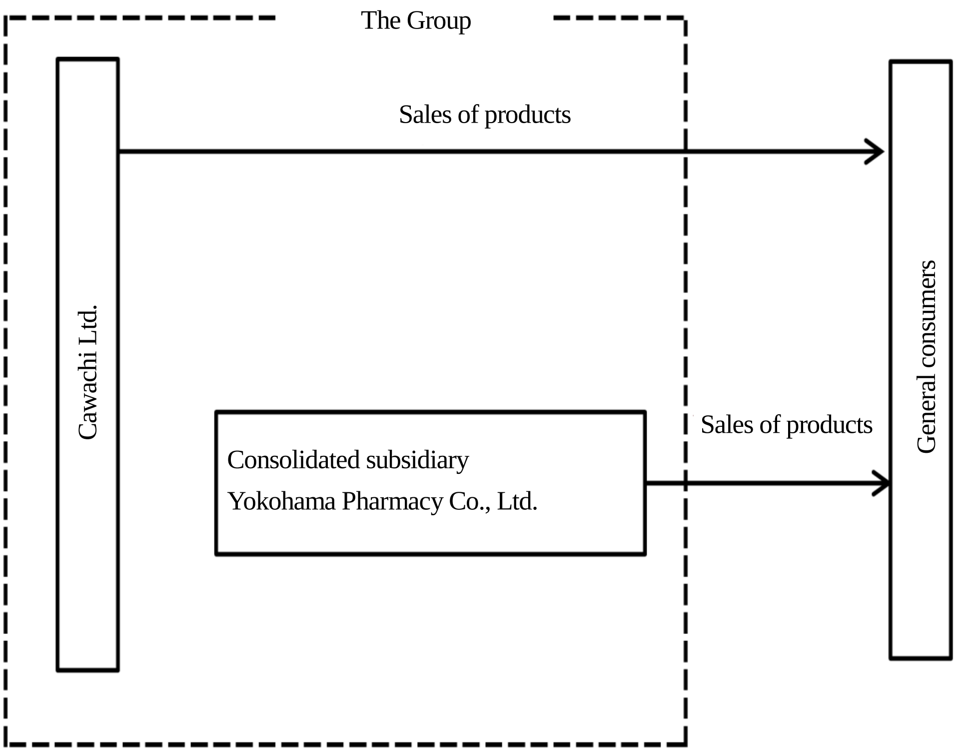
The Group plans to distribute an ordinary dividend of 45 yen per share in the following fiscal year.

Internal reserves will be used as funds primarily for opening of new stores, sales floor expansion, and renovation.

2. Consolidated Group

The Group is engaged in the retail business, operating the following as its main business: drugstores with in-store dispensing pharmacy and drugstores selling pharmaceuticals, cosmetics, daily goods and foods.

The businesses within the Group are interrelated as in the following diagram.



## 3. Management Policy

### (1) Basic Management Policy of the Group

The management philosophy of the Group is "to aim for the management that innovates on a daily basis and continues making improvements toward becoming the world's No.1 drugstore" and "to 'offer a hub for daily living' by leveraging the Group's excellent expertise as a drugstore operator to enable customers to live a healthy and affluent life and, thereby, contribute to society."

To this end, Cawachi Ltd. ("Company") operates mega-drugstore format stores. (In general, a drugstore is defined as a store with a sales floor space of 90 tsubo (approx.3,200sq.ft) or larger while the Company defines a store with a sales floor space of 400 tsubo (approx.14,000sq.ft) or larger as a mega-drugstore.)

With respect to the characteristics of mega-drugstore format, they offer high convenience and are strongly connected to customers' lives by being located along major residential roads, carrying a wide selection of merchandise essential to healthy and daily living, offering such merchandise at low prices, and allowing customers to experience one-stop shopping in short periods of time.

The underlying basic concept is "pharmacy more," which means to "deliver a healthy and comfortable life to customers by offering a wide variety of products not limited to pharmaceutical products." To achieve this, the Group, under its customer-first philosophy, continues to run store operations pursuant to our unique mega-drugstore format featuring both expertise as a drugstore operator and high convenience for customers, along with our efforts to help extend the health span of customers.

Furthermore, the Group will continue fulfilling its social responsibilities and make efforts to win the support of its stakeholders, including customers, shareholders, business partners and employees, thus achieving sustainable growth.

### (2) Target Management Benchmark

In an effort to improve shareholder value, the Group puts importance on obtaining adequate operating income and targets Return on Equity (ROE) of 6% or above in a medium to long term.

### (3) Medium- to Long-Term Management Strategy

In a medium to long term, the drugstore industry is expected to continue facing severe competitions accelerated by market entry from retailers other than drugstore operators in addition to unrelenting willingness for new store openings by the Group's direct competitors. Along with the trend, companies in the industry are expected to actively seek mergers and acquisitions opportunities for survival.

Under these circumstances, the Group considers it is important that each store works to clearly differentiate itself from stores of other drugstore operators and become competitive enough to take root in each commnity. To this end, our policy is to promote our unique mega-drugstore format stores that offer both expertise as a drugstore operator and high convenience for customers. Additionally, we will actively promote opening a dispensing pharmacy within drugstores to respond to the aging society and strive to be "the most familiar healthcare center" that is the main provider of consumer healthcare specializing in beauty and health.

Placing the above as the Group's basic policy, our focus in a medium to long term is to open new stores to gain more market share, which centers on two types of stores: healthcare center-type, core store (mega-drugstore with in-store dispensing pharmacy) and satellite-type store (drugstore for small trading areas) that complements the core store for customer convenience. Further, the Group will work on streamlining logistics centers to improve profitability.

As mergers and acquisitions in the industry is expected to surge in the future, we will carefully and flexibly explore strategic alternatives that may be available to the Group as needed.

### (4) Issues to Be Addressed of the Group

Since the Group's store network has expanded, we believe that improving operating efficiency at all levels by taking such measures as streamlining logistics network, reinforcing operational structures, and optimizing inventory levels is crucial for sustainable growth. We therefore endeavor to identify tasks to address and make improvement for better utilizing it. In addition, amid opening of more stores, we believe that training of human resources to be store managers and various experts is important, and will work to improve and practice education curricula to train human resources of the next generation.

4. Basic Policy on Selecting Accounting Standards

The Group has adopted Japanese accounting standards to ensure that its operating results are comparable with competitors in Japan.