(English Translation)

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2016 (under Japan GAAP)

August 10, 2015

Company name: Nichi-Iko Pharmaceutical Co., Ltd. Stock exchange listings: Tokyo Stock Exchange

Securities code: 4541 (URL http://www.nichiiko.co.jp/)
Representative: Yuichi Tamura
President and CEO
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Board of Senior Director, Head of
Administrative Division

Scheduled date of filing of quarterly report: August 12, 2015
Scheduled date of commencement of dividend payment: -
Presentation of supplementary materials on quarterly financial results: Yes
Holding of quarterly financial presentation meeting: No

(Note that all amounts have been rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2016 (From April 1, 2015 to June 30, 2015)

(1) Consolidated Results of Operations (cumulative)

(Percentage figures represent changes from the same period of the previous fiscal year)

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company
First quarter of fiscal year ending March 31, 2016	¥35,049 million (15.3%)	¥3,169 million (22.2%)	¥3,234 million (26.9%)	¥2,295 million (20.0%)
First quarter of fiscal year ended March 31, 2015	¥30,400 million (23.6%)	¥2,593 million (17.2%)	¥2,549 million (12.6%)	¥1,913 million (55.1%)

(Note)
Comprehensive income:
First Quarter of Fiscal Year Ending March 31, 2016: 4,175 million yen (88.9%)
First Quarter of Fiscal Year Ended March 31, 2015: 2,210 million yen (65.9%)

	Net income per share	Net income (fully diluted) per share
First quarter of fiscal year ending March 31, 2016	¥38.39	¥38.32
First quarter of fiscal year ended March 31, 2015	¥32.01	¥31.99

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
First quarter of fiscal year ending March 31, 2016	¥147,236 million	¥77,886 million	52.8%	¥1,302.10
Fiscal year ended March 31, 2015	¥139,834 million	¥74,487 million	53.2%	¥1,246.36

(Reference)
Equity:
First Quarter of Fiscal Year Ending March 31, 2016: 77,702 million yen
Fiscal Year Ended March 31, 2015: 74,350 million yen

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2015	¥–	¥12.30	¥–	¥14.30	¥26.60
Fiscal year ending March 31, 2016	¥–				
Fiscal year ending March 31, 2016 (forecast)		¥13.30	¥–	¥13.30	¥26.60

(Notes)
1. *Revisions to recently announced dividends forecast: None*
2. *Breakdown of Year-end Dividends for Fiscal Year Ended March 31, 2015:*
   Ordinary dividend, 12.30 yen
   Commemorative dividend, 2.00 yen

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Percentage figures represent changes from the same period of the previous fiscal year)

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company	Net income per share
Second quarter (cumulative total)	¥65,300 million (7.1%)	¥5,200 million (17.9%)	¥5,000 million (14.4%)	¥3,300 million (9.7%)	¥55.19
Annual	¥137,200 million (8.0%)	¥12,500 million (29.9%)	¥12,100 million (25.8%)	¥8,000 million (21.3%)	¥133.79

(Note)
Revisions to recently announced forecast of financial results: None

***Notes**

(1) Changes in significant subsidiaries during the consolidated cumulative quarter under review (changes in specified subsidiaries resulting in change in scope of consolidation): No

(2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements: Yes

(Note)
For details, please refer to "(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements" in "2. Matters Related to Summary Information (Notes)" on page 3 of the Attachment.

(3) Changes in accounting policies and changes in accounting estimates and restatement of prior period financial statements after error corrections

(i) Changes in accounting policies due to revisions to accounting standards and other regulations, etc.: Yes

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatements of prior period financial statements after error corrections: No

(Note)
For details, please refer to "(3) Changes in Accounting Policies and Changes in Accounting Estimates and Restatement of Prior Period Financial Statements after Error Corrections" in "2. Matters Related to Summary Information (Notes)" on page 3 of the Attachment.

(4) Total number of issued shares (common stock)

(i) Total number of issued shares as of the end of the period (including treasury stock):
As of June 30, 2015: 60,662,652 shares
As of March 31, 2015: 60,662,652 shares

(ii) Number of treasury shares as of the end of the period:
As of June 30, 2015: 952,170 shares
As of March 31, 2015: 962,569 shares

(iii) Average number of shares during the period (cumulative quarter):
First quarter of fiscal year ending March 31, 2016: 59,796,983 shares
First quarter of fiscal year ended March 31, 2015: 59,787,195 shares

(Note)
Number of treasury shares as of the end of the period includes shares held by the Employee Shareholding Incentive Plan.

*** Presentation of implementation status for quarterly review procedures**

This quarterly financial summary is not included in quarterly review procedures under the Financial Instruments and Exchange Act. The reviewing procedures for quarterly consolidated financial statements under the Financial Instruments and Exchange Act have not been completed at the time of release of this quarterly financial summary.

*** Explanation on the appropriate usage of forecast of financial results, and other specific matters**

(Considerations on forward-looking statements)

1. The forward-looking statements including forecast of financial results contained in these materials are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. As such, they do not constitute the Company's guarantee that such results would be achieved. Actual business and other results may differ substantially from the forecasts provided in these materials as a result of various factors. For a description of the conditions underlying the forecast of financial results and considerations on usage of forecast of financial results, please refer to *"(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements"* in *"1. Qualitative Information on Financial Results for the Quarter under Review"* on page 3 of the Attachment.
2. Supplementary materials for financial results will be provided on the website of the Company on Monday, August 10, 2015.

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1. Qualitative Information on Financial Results for the Quarter under Review

(1) Explanation on Operating Results

In the consolidated cumulative first quarter under review, Japan’s economy continued to recover at a modest pace despite the causes for concern outside of Japan, such as the Chinese stock market's decline and the Greek debt crisis. The recovery, helped by factors including the rebound in capital investment, is evidenced by the improvement in employment indicators.

In the pharmaceutical industry, discussions have been made about revising the target of using generic pharmaceuticals for 60% of the total replaceable market (long-listed official drugs and generic drugs) on a volume basis by the end of March 2018. The target was announced in the "Roadmap for Promotion of Use of Generic Pharmaceuticals," which was released by the Ministry of Health, Labour and Welfare in April 2013. As a result of the discussions, in "Basic Policies 2015," the Cabinet established the goal of raising the generic share to at least 70% by mid-2017 and to at least 80% as early as possible between fiscal 2018 and the end of fiscal 2020, raising the target at an accelerated pace toward broadening the use of generic pharmaceuticals.

In this environment, the Company has decided to build a production facility for high potency pharmaceuticals that will handle the entire process from the development to production of new anti-cancer agent products. Furthermore, in April the Company launched a new "Cancer Treatment Information Site for Medical Professionals 'ONCOLOGY-MedNavi'" service on its website to support all the people who are fighting cancer. Additionally, the Company is continuing to pursue initiatives targeting the markets for anti-cancer agents and biosimilar drugs—areas that are expected to expand in the future, as the Company obtained positive results from a phase III clinical trial (ID number NI071F1) of NI-071 (generic name: infliximab (genetically altered)), an anti-human TNF-alpha monoclonal antibody currently under development for which the Company aims to gain approval in 2016.

As a drug officially listed in June 2015, the Company has started exclusive sale of its major product Clopidogrel tablets, Clopidogrel tablets 25mg "SANIK" and Clopidogrel tablets 75mg "SANIK", as an “authorized generic” for which the Company has obtained permission to use patents and so on. Other drugs officially listed in June included Naftopidil tablets 25mg "Nichiiko", 50mg "Nichiiko", and 75mg "Nichiiko"; Naftopidil OD tablets 25mg "Nichiiko", 50mg "Nichiiko", and 75mg "Nichiiko"; Letrozole tablets 2.5mg "Nichiiko"; Imatinib tablets 100mg "Nichiiko" and 200mg "Nichiiko"; Levofloxacin tablets 250mg "Nichiiko" and 500mg "Nichiiko"; Metformin Hydrochloride tablets 250mg MT "Nichiiko"; Zolmitriptan OD tablets 2.5mg "Nichiiko"; Oxaliplatin I.V. drip infusion 200mg "Nichiiko"; and Etizolam tablets 0.25mg "Nichiiko".

The Company continues to endeavor to further improve its business results during this final year of the "Pyramid" 6th Mid-term Business Plan (running from April 2012 to March 2016), under which it aims to become a Global Top 10 Generic Pharmaceutical Maker.

Consequently, the results of the first quarter consolidated cumulative period showed increased revenue and earnings with net sales of 35,049 million yen (15.3% increase from the same period of the previous fiscal year), operating income of 3,169 million yen (22.2% increase from the same period of the previous fiscal year), ordinary income of 3,234 million yen (26.9% increase from the same period of the previous fiscal year), net income attributable to shareholders of the parent company of 2,295 million yen (20.0% increase from the same period of the previous fiscal year).

(2) Explanation on Financial Position

As of the end of the first quarter under review, total assets on a consolidated basis increased by 7,401 million yen from the previous fiscal year-end to 147,236 million yen. This was mainly attributable to notes and accounts receivable increasing by 8,809 million yen, inventories assets increasing by 3,745 million yen, investment securities increasing by 2,538 million yen, cash and deposits decreasing by 7,862 million yen, and long-term loans receivable decreasing by 1,274 million yen. Liabilities on a consolidated basis increased by 4,003 million yen from the previous fiscal year-end to 69,349 million yen. This was mainly attributable to short-term loans payable increasing by 3,000 million yen, notes and accounts payable increasing by 2,233 million yen, deposits payable increasing by 1,891 million yen, accrued expenses increasing by 1,533 million yen, deferred tax liabilities increasing by 808 million yen, income taxes payable decreasing by 1,540 million yen, electronically recorded debts decreasing by 1,236 million yen, and long-term loans payable decreasing by 646 million yen. Net assets on a consolidated basis increased by 3,398 million yen from the previous fiscal year-end to 77,886 million yen due to retained earnings increasing by 1,441 million yen and valuation difference on available-for-sale securities increasing by 1,898 million yen.

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

There is no change to the forecast of consolidated financial results announced on May 12, 2015.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Consolidated Cumulative Quarter under Review

Not applicable.

(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements

Tax expenses are calculated by multiplying the net income for the term before provision for income taxes by an estimated effective tax rate that is reasonably estimated after applying tax effect accounting to the net income before provision for income taxes for the consolidated fiscal year including the first quarter under review.

Income taxes - deferred are included in income taxes and recorded.

(3) Changes in Accounting Policies and Changes in Accounting Estimates and Restatement of Prior Period Financial Statements after Error Corrections

(Changes in accounting policies)

(Application of the Accounting Standard for Business Combinations)

Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013) have been applied as of the consolidated cumulative first quarter under review, and net income and other items have been restated. The quarterly consolidated financial statements for the previous consolidated cumulative first quarter and the consolidated financial statements for the previous consolidated fiscal year have been restated to reflect this change in presentation method.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(in millions of yen)

	Fiscal year ended March 31, 2015 (as of March 31, 2015)	First quarter of fiscal year ending March 31, 2016 (as of June 30, 2015)
Assets		
Current assets		
Cash and deposits	14,032	6,169
Notes and accounts receivable	21,965	30,775
Merchandise and finished goods	27,987	29,435
Work in process	6,212	6,785
Raw materials and supplies	8,230	9,955
Deferred tax assets	826	823
Other current assets	1,348	1,211
Allowance for doubtful accounts	(803)	(990)
Total current assets	79,798	84,165
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	16,537	16,355
Machinery and equipment, net	7,697	7,648
Tools, furniture and fixtures, net	1,150	1,166
Land	6,184	6,184
Lease assets, net	1,914	1,780
Construction in progress	623	2,865
Total property, plant and equipment	34,107	36,000
Intangible assets		
Goodwill	1,077	1,024
Lease assets	323	279
Other intangible assets	3,252	3,250
Total intangible assets	4,652	4,554
Investments and other assets		
Investment securities	13,602	16,140
Long-term loans receivable	6,377	5,103
Other assets	1,359	1,320
Allowance for doubtful accounts	(64)	(50)
Total investments and other assets	21,276	22,515
Total fixed assets	60,035	63,070
Total assets	139,834	147,236

(in millions of yen)

	Fiscal year ended March 31, 2015 (as of March 31, 2015)	First quarter of fiscal year ending March 31, 2016 (as of June 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable	16,583	18,817
Electronically recorded debts	16,172	14,935
Short-term loans payable	2,750	5,750
Current portion of long-term loans payable	3,996	3,717
Lease debts	906	863
Other payable	6,844	5,883
Accrued expenses	660	2,193
Income taxes payable	2,525	984
Deposits payable	69	1,961
Allowance for sales returns	68	52
Allowance for bonuses	861	264
Other current liabilities	179	181
Total current liabilities	51,618	55,605
Fixed liabilities		
Long-term loans payable	7,831	7,184
Lease debts	1,501	1,356
Deferred tax liabilities	694	1,503
Deferred tax liabilities for land revaluation	231	231
Net defined benefit liability	3,410	3,411
Asset retirement obligations	53	54
Other fixed liabilities	4	3
Total fixed liabilities	13,727	13,744
Total liabilities	65,346	69,349
Net assets		
Shareholders' equity		
Common stock	19,976	19,976
Capital surplus	18,684	18,696
Retained earnings	33,206	34,647
Treasury stock	(1,543)	(1,524)
Deposit on subscriptions to treasury stock	-	0
Total shareholders' equity	70,324	71,796
Other comprehensive income		
Valuation difference on available-for-sale securities	2,809	4,707
Revaluation reserve for land	321	321
Foreign currency translation adjustment	1,038	1,015
Accumulated adjustments in retirement benefits	(142)	(138)
Total other comprehensive income	4,026	5,906
Stock acquisition rights	137	183
Total net assets	74,487	77,886
Total liabilities and net assets	139,834	147,236

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(First Quarter Consolidated Cumulative Period)

(in millions of yen)

	First quarter of previous fiscal year (from April 1, 2014 to June 30, 2014)	First quarter of current fiscal year (from April 1, 2015 to June 30, 2015)
Net sales	30,400	35,049
Cost of sales	19,199	21,929
Gross profit	11,200	13,120
Reversal of allowance for sales returns	7	16
Gross profit, net	11,207	13,137
Selling, general and administrative expenses	8,614	9,967
Operating income	2,593	3,169
Non-operating income		
Interest income	7	26
Dividends income	18	25
Foreign exchange gains	61	42
Income from subsidies	0	17
Others	51	85
Total non-operating income	140	197
Non-operating expenses		
Interest payment	30	27
Commissions paid	10	21
Loss on sales of accounts receivables	32	33
Equity in losses of affiliates	101	43
Others	9	7
Total non-operating expenses	184	133
Ordinary income	2,549	3,234
Extraordinary income		
Gains on negative goodwill	270	-
Gain on sales of investment securities	-	0
Total extraordinary income	270	0
Extraordinary loss		
Loss on disposal of fixed assets	0	1
Others	-	0
Total extraordinary loss	0	2
Net income before provision for income taxes	2,818	3,232
Income taxes	904	936
Net income	1,913	2,295
Net income attributable to shareholders of the parent company	1,913	2,295

(Quarterly Consolidated Statements of Comprehensive Income)

(First Quarter Consolidated Cumulative Period)

(in millions of yen)

	First quarter of previous fiscal year (from April 1, 2014 to June 30, 2014)	First quarter of current fiscal year (from April 1, 2015 to June 30, 2015)
Net income	1,913	2,295
Other comprehensive income		
Valuation difference on available-for-sale securities	388	1,720
Adjustments in retirement benefits	6	9
Share of other comprehensive income of affiliates accounted for using equity method	(97)	150
Total other comprehensive income	297	1,879
Comprehensive income	2,210	4,175
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	2,210	4,175
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.