(English Translation)

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

November 4, 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
Contact: Noboru Inasaka
Board of Senior Director, Head of Administrative Division
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Scheduled date of filing of quarterly report: November 13, 2015
Scheduled date of commencement of dividend payment: December 9, 2015
Presentation of supplementary materials on quarterly financial results: Yes
Holding of quarterly financial presentation meeting: Yes

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2016 (From April 1, 2015 to September 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
Second quarter of fiscal year ending March 31, 2016	¥68,987 million (13.2%)	¥5,816 million (31.9%)	¥5,136 million (17.5%)	¥3,614 million (20.2%)
Second quarter of fiscal year ended March 31, 2015	¥60,949 million (23.1%)	¥4,410 million (18.6%)	¥4,370 million (21.0%)	¥3,007 million (34.0%)

(Note)
Comprehensive income:
Second Quarter of Fiscal Year Ending March 31, 2016: 4,692 million yen (35.0%)
Second Quarter of Fiscal Year Ended March 31, 2015: 3,474 million yen (46.8%)

	Net income per share	Net income (fully diluted) per share
Second quarter of fiscal year ending March 31, 2016	¥60.44	¥60.31
Second quarter of fiscal year ended March 31, 2015	¥50.29	¥50.25

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Second quarter of fiscal year ending March 31, 2016	¥144,938 million	¥78,539 million	54.0%	¥1,311.67
Fiscal year ended March 31, 2015	¥139,834 million	¥74,487 million	53.2%	¥1,246.36

(Reference)
Equity:
Second Quarter of Fiscal Year Ending March 31, 2016: 78,325 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	¥–	¥13.30			
Fiscal year ending March 31, 2016 (forecast)			¥–	¥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
Annual	¥140,000 million (10.2%)	¥12,500 million (29.9%)	¥12,100 million (25.8%)	¥8,000 million (21.3%)	¥133.77

(Note)
Revisions to recently announced forecast of financial results: Yes
(Note) For details, 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.

***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 September 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 September 30, 2015: 923,538 shares
As of March 31, 2015: 962,569 shares

(iii) Average number of shares during the period (cumulative quarter):
Second quarter of fiscal year ending March 31, 2016: 59,801,533 shares
Second quarter of fiscal year ended March 31, 2015: 59,790,379 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 Wednesday, November 4, 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 second quarter under review, Japan's economy sustained a moderate recovery although there is some concern over a potential downturn against the backdrop of a global stock selloff resulting from the anxieties of the future of the China economy.

In the pharmaceuticals industry, the "Basic Policies for Economic and Fiscal Management and Structural Reform" ("Basic Policies 2015") was approved by the Japanese cabinet on June 30, 2015. The Cabinet decision was announced in the policies setting the new target of "achieving the share of generic use of 70% or higher in middle of FY2017, as well as achieving the share of generic use of 80% or higher as early as possible from FY2018 to the end of FY2020. As such, pharmaceutical industry faces major challenge in organizing framework for further acceleration of use of generics in Japan.

Under such circumstances, the Company applied in September 2015 for approval of marketing NI-071 (generic name: Infliximab (recombinant) biosimilar), an anti-human TNF-alpha monoclonal antibody developed with the aim of obtaining approval in 2016, based on the favorable results of the phase III clinical trial (ID number NI071F1).

A major issue relating to TNF-alpha inhibitor drugs, a type of antibody drugs, is its high cost of usage in medical treatment. The development of biosimilar which enables the supply of less expensive product may potentially ease financial burden on cost of the public medical insurance.

Additionally, among drugs officially price-listed in June 2015, sales of 25mg and 75mg Clopidogrel sulfate tablets "SANIK," which are sold exclusively by the Company as an "authorized generic," are increasing steadily. At the same time, on August 17, 2015, the Company received approvals for marketing 10 formulations and 21 products: Amvalo combination tablets "Nichiiko," Amaluet combination tablets No. 1/No. 2/No. 3/No. 4 "Nichiiko," Valsartan OD tablets 20mg/40mg/80mg/160mg "Nichiiko," Sertraline tablets 25mg/50mg "Nichiiko," Levocarnitine chloride tablets 100mg/300mg "Nichiiko," Metformin Hydrochloride tablets 500mg MT "Nichiiko," TAZOPIPE Combination for I.V. Injection 2.25/4.5 "Nichiiko," Maxacalcitol I.V. Injection for Dialysis 2.5μg/5μg/10μg "Nichiiko," Vancomycin Hydrochloride for I.V. Drip Infusion 1g "Nichiiko" and Picillibacta for I.V. Injection 3g.

Furthermore, the Company also received approval of marketing Fosfomycin calcium capsules 250mg/500mg "Nichiiko" in the Vietnamese market where the pharmaceuticals market is expected to grow and we aims to launch the products around January 2016.

Moreover, in response to the above "Basic Policies 2015," we aim to establish a framework capable of supplying total 21 billion tablets by the year ending March 31, 2021. Investing a total of 21,000 million yen, we plan to enhance the facilities at Toyama Plant 1 and the Shizuoka Plant of Nichi-Iko Pharma Tech Co., Ltd. and construct a new formulation facility within Toyama Plant 1. This plan is designed to respond to rapid expansion of the generic drug market in the future. Construction of Building 50 (production facility for high potency pharmaceuticals) announced in May 2015 will be put off for the time being as we prioritize the expansion of manufacturing capacity.

As the Company celebrated its 50th anniversary on July 15 in the second quarter, we are increasingly dedicated to further improve our business results as the Company reached the final year of the 6th Mid-term Business Plan "Pyramid" which aims to become one of the global top 10 companies.

As a result, the second quarter consolidated cumulative period showed increased revenue and earnings with net sales of 68,987 million yen (13.2% increase over the same period of the previous fiscal year), operating income of 5,816 million yen (31.9% increase over the same period of the previous fiscal year), ordinary income of 5,136 million yen (17.5% increase over the

same period of the previous fiscal year), and net income attributable to shareholders of the parent company of 3,614 million yen (20.2% increase over the same period of the previous fiscal year).

(2) Explanation on Financial Position

As of the end of the second quarter under review, total assets on a consolidated basis increased by 5,104 million yen from the previous fiscal year-end to 144,938 million yen. This was mainly attributable to inventories increasing by 3,749 million yen, machinery and equipment increasing by 2,655 million yen, buildings and structures increasing by 1,673 million yen, investment securities increasing by 1,226 million yen, notes and accounts receivable increasing by 969 million yen, while cash and deposits decreased by 4,309 million yen and long-term loans receivable decreased by 1,666 million yen.

Liabilities on a consolidated basis increased by 1,052 million yen from the previous fiscal year-end to 66,398 million yen. This was mainly attributable to short-term loans payable increasing by 7,050 million yen, deposits payable increasing by 1,157 million yen, notes and accounts payable decreasing by 2,093 million yen, electronically recorded debts decreasing by 1,911 million yen, long-term loans payable decreasing by 1,399 million yen and income taxes payable decreasing by 899 million yen.

Net assets on a consolidated basis increased by 4,051 million yen from the previous fiscal year-end to 78,539 million yen due to retained earnings increasing by 2,760 million yen and valuation difference on available-for-sale securities increasing by 1,072 million yen.

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

In regards to the forecast of full-year consolidated financial results for the year ending March 31, 2016, consolidated cumulative second quarter sales are trending at a pace that exceeds the previously announced plan. As such, the aforementioned forecast on net sales is being revised to 140,000 million yen (2,800 million yen increase from the figure announced on May 12, 2015). There are no changes in the forecast for operating income, ordinary income or net income attributable to shareholders of the parent company from the latest forecast.

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 second quarter under review.

Income taxes - deferred are included in total 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 from the consolidated first quarter, and net income and other items have been restated. The quarterly consolidated financial statements for the previous consolidated cumulative second 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)	Second quarter of fiscal year ending March 31, 2016 (as of September 30, 2015)
Assets		
Current assets		
Cash and deposits	14,032	9,723
Notes and accounts receivable	21,965	22,935
Merchandise and finished goods	27,987	28,372
Work in process	6,212	8,204
Raw materials and supplies	8,230	9,602
Deferred tax assets	826	841
Other current assets	1,348	1,207
Allowance for doubtful accounts	(803)	(972)
Total current assets	79,798	79,914
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	16,537	18,210
Machinery and equipment, net	7,697	10,353
Tools, furniture and fixtures, net	1,150	1,230
Land	6,184	6,185
Lease assets, net	1,914	1,786
Construction in progress	623	1,188
Total property, plant and equipment	34,107	38,954
Intangible assets		
Goodwill	1,077	971
Lease assets	323	267
Other intangible assets	3,252	4,022
Total intangible assets	4,652	5,261
Investments and other assets		
Investment securities	13,602	14,829
Long-term loans receivable	6,377	4,710
Other assets	1,359	1,320
Allowance for doubtful accounts	(64)	(52)
Total investments and other assets	21,276	20,808
Total fixed assets	60,035	65,024
Total assets	139,834	144,938

(in millions of yen)

	Fiscal year ended March 31, 2015 (as of March 31, 2015)	Second quarter of fiscal year ending March 31, 2016 (as of September 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable	16,583	14,489
Electronically recorded debts	16,172	14,261
Short-term loans payable	2,750	9,800
Current portion of long-term loans payable	3,996	3,439
Lease debts	906	869
Other payable	6,844	6,171
Accrued expenses	660	693
Income taxes payable	2,525	1,625
Deposits payable	69	1,226
Allowance for sales returns	68	51
Allowance for bonuses	861	879
Other current liabilities	179	394
Total current liabilities	51,618	53,903
Fixed liabilities		
Long-term loans payable	7,831	6,432
Lease debts	1,501	1,349
Deferred tax liabilities	694	1,009
Deferred tax liabilities for land revaluation	231	231
Net defined benefit liability	3,410	3,415
Asset retirement obligations	53	54
Other fixed liabilities	4	2
Total fixed liabilities	13,727	12,495
Total liabilities	65,346	66,398
Net assets		
Shareholders' equity		
Common stock	19,976	19,976
Capital surplus	18,684	18,749
Retained earnings	33,206	35,966
Treasury stock	(1,543)	(1,474)
Deposit on subscriptions to treasury stock	-	3
Total shareholders' equity	70,324	73,220
Other comprehensive income		
Valuation difference on available-for-sale securities	2,809	3,881
Revaluation reserve for land	321	321
Foreign currency translation adjustment	1,038	1,030
Accumulated adjustments in retirement benefits	(142)	(128)
Total other comprehensive income	4,026	5,104
Stock acquisition rights	137	214
Total net assets	74,487	78,539
Total liabilities and net assets	139,834	144,938

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

(Quarterly Consolidated Statements of Income)

(Second Quarter Consolidated Cumulative Period)

(in millions of yen)

	First half of previous fiscal year (from April 1, 2014 to September 30, 2014)	First half of current fiscal year (from April 1, 2015 to September 30, 2015)
Net sales	60,949	68,987
Cost of sales	38,469	43,226
Gross profit	22,479	25,761
Reversal of allowance for sales returns	12	17
Gross profit, net	22,491	25,778
Selling, general and administrative expenses	18,081	19,961
Operating income	4,410	5,816
Non-operating income		
Interest income	15	52
Dividends income	22	29
Income from subsidies	1	17
Reimbursement for joint development cost	43	6
Foreign exchange gains	125	-
Others	125	128
Total non-operating income	335	234
Non-operating expenses		
Interest payment	58	62
Commissions paid	21	40
Loss on sales of accounts receivables	70	97
Equity in losses of affiliates	195	134
Foreign exchange losses	-	442
Others	29	137
Total non-operating expenses	374	914
Ordinary income	4,370	5,136
Extraordinary income		
Gain on sales of fixed assets	0	0
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	94	7
Loss on valuation of golf club memberships	-	4
Others	-	2
Total extraordinary loss	94	15

(in millions of yen)

	First half of previous fiscal year (from April 1, 2014 to September 30, 2014)	First half of current fiscal year (from April 1, 2015 to September 30, 2015)
Net income before provision for income taxes	4,547	5,121
Income taxes	1,540	1,507
Net income	3,007	3,614
Net income attributable to shareholders of the parent company	3,007	3,614

(Quarterly Consolidated Statements of Comprehensive Income)

(Second Quarter Consolidated Cumulative Period)

(in millions of yen)

	First half of previous fiscal year (from April 1, 2014 to September 30, 2014)	First half of current fiscal year (from April 1, 2015 to September 30, 2015)
Net income	3,007	3,614
Other comprehensive income		
Valuation difference on available-for-sale securities	496	668
Adjustments in retirement benefits	13	19
Share of other comprehensive income of affiliates accounted for using equity method	(42)	390
Total other comprehensive income	467	1,078
Comprehensive income	3,474	4,692
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	3,474	4,692
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(in millions of yen)

	First half of previous fiscal year (from April 1, 2014 to September 30, 2014)	First half of current fiscal year (from April 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Net income before provision for income taxes	4,547	5,121
Depreciation	2,393	2,456
Amortization of goodwill	105	105
Gain on negative goodwill	(270)	-
Increase (decrease) in allowance for doubtful accounts	288	156
Increase (decrease) in net defined benefit liability	109	33
Increase (decrease) in allowance for sales returns	(12)	(17)
Increase (decrease) in allowance for bonuses	201	17
Interest and dividends income	(38)	(82)
Interest payment	58	62
Loss (gain) on sales of investment securities	-	(0)
Loss (gain) on valuation of golf club memberships	-	4
Loss (gain) on sales of fixed assets	(0)	(0)
Loss (gain) on disposal of fixed assets	94	7
Equity in (earnings) losses of affiliates	195	134
(Increase) decrease in accounts receivable	1,515	(1,013)
(Increase) decrease in inventories assets	(3,575)	(3,732)
Increase (decrease) in accounts payable	3,302	(4,005)
Increase (decrease) in accrued expenses	161	31
Other	457	1,166
Sub-total	9,533	447
Interest and dividends received	98	104
Interest payment	(58)	(62)
Income taxes paid	(650)	(2,443)
Net cash provided by (used in) operating activities	8,922	(1,953)
Cash flows from investing activities		
Deposits in fixed deposits	(3)	(1)
Acquisition of property, plant and equipment	(1,643)	(6,079)
Sales of property, plant and equipment	0	0
Retirement of property, plant and equipment	(78)	(6)
Acquisition of intangible assets	(1,096)	(1,325)
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	(3,341)	-
Acquisition of investment securities	(691)	(3)
Sales of investment securities	1	0
Proceeds from loans receivable	8	1,330
Other	(165)	(43)
Net cash provided by (used in) investing activities	(7,009)	(6,129)

(in millions of yen)

	First half of previous fiscal year (from April 1, 2014 to September 30, 2014)	First half of current fiscal year (from April 1, 2015 to September 30, 2015)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(8,696)	7,050
Repayment of long-term loans payable	(1,849)	(1,956)
Acquisition of treasury stock	(1)	(1)
Sales of treasury stock	108	95
Acquisition of treasury stock acquisition rights	(87)	(0)
Proceeds from exercise of stock option	-	3
Repayments of finance lease debts	(519)	(465)
Dividends paid	(734)	(853)
Other	-	(0)
Net cash provided by (used in) financing activities	(11,779)	3,872
Effect of exchange rate change on cash and cash equivalents	0	(100)
Net increase (decrease) in cash and cash equivalents	(9,866)	(4,310)
Cash and cash equivalents at beginning of period	21,269	13,609
Cash and cash equivalents at end of period	11,403	9,299

(4) 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.