(English Translation)

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

February 9, 2016

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: February 12, 2016
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 Third Quarter of the Fiscal Year Ending March 31, 2016 (From April 1, 2015 to December 31, 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
Third quarter of fiscal year ending March 31, 2016	¥108,320 million (13.0%)	¥11,496 million (45.9%)	¥11,242 million (44.4%)	¥10,442 million (101.3%)
Third quarter of fiscal year ended March 31, 2015	¥95,860 million (22.3%)	¥7,880 million (22.2%)	¥7,787 million (23.5%)	¥5,188 million (26.9%)

(Note)
Comprehensive income:
Third Quarter of Fiscal Year Ending March 31, 2016: 9,148 million yen (46.4%)
Third Quarter of Fiscal Year Ended March 31, 2015: 6,247 million yen (42.1%)

	Net income per share	Net income (fully diluted) per share
Third quarter of fiscal year ending March 31, 2016	¥174.60	¥174.21
Third quarter of fiscal year ended March 31, 2015	¥86.78	¥86.69

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Third quarter of fiscal year ending March 31, 2016	¥153,397 million	¥82,264 million	53.5%	¥1,373.40
Fiscal year ended March 31, 2015	¥139,834 million	¥74,487 million	53.2%	¥1,246.36

(Reference)
Equity:
Third Quarter of Fiscal Year Ending March 31, 2016: 82,039 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

(Note)
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%)	¥11,000 million (66.8%)	¥183.92

(Note)
1. Revisions to recently announced forecast of financial results: Yes
2. 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 5 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 5 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 December 31, 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 December 31, 2015: 908,438 shares
As of March 31, 2015: 962,569 shares

(iii) Average number of shares during the period (cumulative quarter):
Third quarter of fiscal year ending March 31, 2016: 59,805,267 shares
Third quarter of fiscal year ended March 31, 2015: 59,792,657 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 Tuesday, February 9, 2016.

Attachment - Contents

1. Qualitative Information on Financial Results for the Quarter under Review 2
(1) Explanation on Operating Results 2
(2) Explanation on Financial Position 3
(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements 3
2. Matters Related to Summary Information (Notes) 5
(1) Changes in Significant Subsidiaries during the Consolidated Cumulative Quarter under Review 5
(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements 5
(3) Changes in Accounting Policies and Changes in Accounting Estimates and Restatement of Prior Period Financial Statements after Error Corrections 5
3. Quarterly Consolidated Financial Statements 6
(1) Quarterly Consolidated Balance Sheet 6
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income 8
(Quarterly Consolidated Statements of Income)
(Third Quarter Consolidated Cumulative Period) 8
(Quarterly Consolidated Statements of Comprehensive Income)
(Third Quarter Consolidated Cumulative Period) 10
(3) Notes to Quarterly Consolidated Financial Statements 11
(Notes on premise of going concern) 11
(Notes on significant changes in the amount of shareholders' equity) 11

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

(1) Explanation on Operating Results

In the consolidated cumulative third quarter under review, although there was a moderate trend of economic recovery in Japan until November 2015, there was significant turmoil in the stock market and rapid progression of the appreciation of the yen due to concerns about the impact on the domestic economy in response to the termination of the zero interest rate policy by the FRB in December and an economic slowdown overseas primarily in emerging countries.

In the pharmaceuticals industry, actions such as announcements of plans for business partnerships and capital investments have been taken recently under assumption that the share of generic use of 80% or more will soon be achieved. It is in part because the "Basic Policies for Economic and Fiscal Management and Structural Reform" ("Basic Policies 2015") have set forth new targets for the share of generic use and its targeted time of achievement.

Under such circumstances, the Company completed installation of production facilities in Toyama Plant 1 in August. Its full-scale production began in October. Furthermore, with the aim of establishing a framework capable of supplying total 21 billion tablets by the year ending March 31, 2021, plans are being steadily implemented to enhance the facilities at Toyama Plant 1 and the Shizuoka Plant of Nichi-Iko Pharma Tech Co., Ltd., in addition to constructing a new formulation facility within Toyama Plant 1.

Moreover, backed by the formulation of mutually-trusted relationship, the Company sold its shares in its capital alliance partner Binex Co., Ltd. of South Korea, to provide for the increased capital demand resulting from the above capital investment along with development of biosimilars including NI-071 (generic name: Infliximab (recombinant) biosimilar), an anti-human TNF-alpha monoclonal antibody, for which the Company applied in September 2015 for marketing approval.

In response to listing of 9 formulations and 20 products in the official gazette on December 10, 2015, we have proceeded to release 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," and Picillibacta for I.V. Injection 3g.

Of the above products, the formulation name, standard and company name are printed on both sides of Amvalo combination tablets, Sertraline tablets, Amaluet combination tablets and Valsartan OD tablets to enable easier identification when dispensed in a single package. Furthermore, we have used double layered labels for TAZOPIPE Combination for I.V. Injection and Picillibacta for I.V. Injection and separable labels for Maxacalcitol I.V. Injection for Dialysis to enable the peeled label to be pasted to charts and I.V. bags or syringes containing solutions of the formulations. We will continue its efforts to further improve distinctiveness of the products and contribute to the prevention of malpractice.

As a result, the third quarter consolidated cumulative period showed increased revenue and earnings with net sales of 108,320 million yen (13.0% increase from the same period of the previous fiscal year), operating income of 11,496 million yen (45.9% increase from the same period of the previous fiscal year), ordinary income of 11,242 million yen (44.4% increase from the same period of the previous fiscal year), and net income attributable to shareholders of the parent company of 10,442 million yen (101.3% increase from the same period of the previous fiscal year).

(2) Explanation on Financial Position

As of the end of the third quarter under review, total assets on a consolidated basis increased by 13,562 million yen from the previous fiscal year-end to 153,397 million yen.
This was mainly attributable to cash and deposits increasing by 4,040 million yen, notes and accounts receivable increasing by 7,458 million yen, inventories increasing by 2,844 million yen, buildings and structures increasing by 1,426 million yen, machinery and equipment increasing by 2,389 million yen, investment securities decreasing by 4,315 million yen, and long-term loans receivable decreasing by 1,547 million yen.

Liabilities on a consolidated basis increased by 5,786 million yen from the previous fiscal year-end to 71,132 million yen. This was mainly attributable to short-term loans payable increasing by 12,000 million yen, deposits payable increasing by 1,025 million yen, notes and accounts payable decreasing by 1,463 million yen, electronically recorded debts decreasing by 2,010 million yen, long-term loans payable decreasing by 1,858 million yen.

Net assets on a consolidated basis increased by 7,776 million yen from the previous fiscal year-end to 82,264 million yen due to retained earnings increasing by 8,793 million yen and valuation difference on available-for-sale securities decreasing by 1,116 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, there are no changes in the forecast for net sales, operating income or ordinary income from the forecast of full-year consolidated financial results announced in the "Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2016" announced on November 4, 2015, but net income attributable to shareholders of the parent company has been revised from 8,000 million yen to 11,000 million yen in consideration of extraordinary income totaling 3,678 million yen being recorded as a result of the sale of shares in Binex Co., Ltd. (Headquarters: Busan, Korea; Representative: Hyukjong Lee) as announced in the "Notice of the Completion of Sale of Shares Held by Nichi-Iko Pharmaceutical Co., Ltd. and Posting Extraordinary Income and Extraordinary Loss" on December 2, 2015.

This forecast is based on the information available and certain assumptions deemed to be reasonable by the Company at the present time, and actual performance may vary significantly due to a variety of factors in the future.

Forecast of Full-year Consolidated Financial Results

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company	Net income per share
Previous forecast (A)	¥140,000 million	¥12,500 million	¥12,100 million	¥8,000 million	¥133.77
Revised forecast (B)	¥140,000 million	¥12,500 million	¥12,100 million	¥11,000 million	¥183.92
Change (B-A)	—	—	—	¥3,000 million	
Ratio (%)	—	—	—	37.5	
(Reference) Consolidated financial results of the previous fiscal year (Fiscal year ended March 31, 2015)	¥127,021 million	¥9,619 million	¥9,615 million	¥6,592 million	¥110.26

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 third 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 third quarter 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)	Third quarter of fiscal year ending March 31, 2016 (as of December 31, 2015)
Assets		
Current assets		
Cash and deposits	14,032	18,073
Notes and accounts receivable	21,965	29,423
Merchandise and finished goods	27,987	25,082
Work in process	6,212	10,002
Raw materials and supplies	8,230	10,189
Deferred tax assets	826	836
Other current assets	1,348	1,703
Allowance for doubtful accounts	(803)	(1,112)
Total current assets	79,798	94,198
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	16,537	17,964
Machinery and equipment, net	7,697	10,086
Tools, furniture and fixtures, net	1,150	1,189
Land	6,184	6,299
Lease assets, net	1,914	1,689
Construction in progress	623	1,432
Total property, plant and equipment	34,107	38,660
Intangible assets		
Goodwill	1,077	677
Lease assets	323	247
Other intangible assets	3,252	4,694
Total intangible assets	4,652	5,619
Investments and other assets		
Investment securities	13,602	9,286
Long-term loans receivable	6,377	4,830
Deferred tax assets	-	328
Other assets	1,359	530
Allowance for doubtful accounts	(64)	(57)
Total investments and other assets	21,276	14,917
Total fixed assets	60,035	59,198
Total assets	139,834	153,397

(in millions of yen)

	Fiscal year ended March 31, 2015 (as of March 31, 2015)	Third quarter of fiscal year ending March 31, 2016 (as of December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable	16,583	15,120
Electronically recorded debts	16,172	14,162
Short-term loans payable	2,750	14,750
Current portion of long-term loans payable	3,996	3,206
Lease debts	906	860
Other payable	6,844	6,681
Accrued expenses	660	843
Income taxes payable	2,525	2,610
Deposits payable	69	1,095
Allowance for sales returns	68	56
Allowance for bonuses	861	267
Other current liabilities	179	427
Total current liabilities	51,618	60,081
Fixed liabilities		
Long-term loans payable	7,831	5,972
Lease debts	1,501	1,231
Deferred tax liabilities	694	159
Deferred tax liabilities for land revaluation	231	231
Net defined benefit liability	3,410	3,398
Asset retirement obligations	53	54
Other fixed liabilities	4	2
Total fixed liabilities	13,727	11,051
Total liabilities	65,346	71,132
Net assets		
Shareholders' equity		
Common stock	19,976	19,976
Capital surplus	18,684	18,778
Retained earnings	33,206	42,000
Treasury stock	(1,543)	(1,448)
Deposit on subscriptions to treasury stock	-	1
Total shareholders' equity	70,324	79,306
Other comprehensive income		
Valuation difference on available-for-sale securities	2,809	1,693
Revaluation reserve for land	321	321
Foreign currency translation adjustment	1,038	838
Accumulated adjustments in retirement benefits	(142)	(120)
Total other comprehensive income	4,026	2,732
Stock acquisition rights	137	224
Total net assets	74,487	82,264
Total liabilities and net assets	139,834	153,397

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

(Quarterly Consolidated Statements of Income)

(Third Quarter Consolidated Cumulative Period)

(in millions of yen)

	Third quarter of previous fiscal year (from April 1, 2014 to December 31, 2014)	Third quarter of current fiscal year (from April 1, 2015 to December 31, 2015)
Net sales	95,860	108,320
Cost of sales	60,217	66,883
Gross profit	35,643	41,437
Reversal of allowance for sales returns	9	12
Gross profit, net	35,652	41,450
Selling, general and administrative expenses	27,772	29,953
Operating income	7,880	11,496
Non-operating income		
Interest income	24	77
Dividends income	37	46
Reimbursement for joint development cost	43	11
Income from subsidies	1	17
Foreign exchange gains	232	-
Equity in earnings of affiliates	-	194
Others	173	167
Total non-operating income	513	514
Non-operating expenses		
Interest payment	84	94
Commissions paid	31	68
Loss on sales of accounts receivables	92	141
Foreign exchange losses	-	305
Equity in losses of affiliates	357	-
Others	39	158
Total non-operating expenses	606	767
Ordinary income	7,787	11,242
Extraordinary income		
Gain on sales of fixed assets	0	0
Gains on negative goodwill	270	-
Gain on sales of investment securities	-	3,678
Gain on change in equity	-	454
Total extraordinary income	270	4,132
Extraordinary loss		
Loss on disposal of fixed assets	152	14

(in millions of yen)

	Third quarter of previous fiscal year (from April 1, 2014 to December 31, 2014)	Third quarter of current fiscal year (from April 1, 2015 to December 31, 2015)
Amortization of goodwill	-	241
Loss on retirement of long-term prepaid expenses	-	760
Loss on valuation of golf club memberships	-	4
Others	9	2
Total extraordinary loss	161	1,023
Net income before provision for income taxes	7,896	14,352
Income taxes	2,707	3,910
Net income	5,188	10,442
Net income attributable to shareholders of the parent company	5,188	10,442

(Quarterly Consolidated Statements of Comprehensive Income)

(Third Quarter Consolidated Cumulative Period)

(in millions of yen)

	Third quarter of previous fiscal year (from April 1, 2014 to December 31, 2014)	Third quarter of current fiscal year (from April 1, 2015 to December 31, 2015)
Net income	5,188	10,442
Other comprehensive income		
Valuation difference on available-for-sale securities	894	(1,837)
Adjustments in retirement benefits	19	28
Share of other comprehensive income of affiliates accounted for using equity method	144	515
Total other comprehensive income	1,058	(1,293)
Comprehensive income	6,247	9,148
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	6,247	9,148
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.