(English Translation)

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (under Japan GAAP)

May 10, 2017

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 Tel: 076-432-2121
Board of Senior Director, Head of Administrative Division

Scheduled date of annual shareholders' meeting: June 16, 2017
Scheduled date of commencement of dividend payment: June 19, 2017
Scheduled date of filing of annual securities report: June 16, 2017
Presentation of supplementary materials on financial results: Yes
Holding of financial presentation meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(1) Consolidated Results of Operations

(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
Fiscal year ended March 31, 2017	¥163,372 million (13.8%)	¥8,554 million (-33.7%)	¥8,411 million (-31.6%)	¥4,788 million (-56.6%)
Fiscal year ended March 31, 2016	¥143,513 million (13.0%)	¥12,910 million (34.2%)	¥12,289 million (27.8%)	¥11,031 million (67.3%)

(Note)
Comprehensive income:
Fiscal Year Ended March 31, 2017: 14,990 million yen (59.9%)
Fiscal Year Ended March 31, 2016: 9,376 million yen (-0.9%)

	Net income per share	Net income (fully diluted) per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended March 31, 2017	¥84.09	¥83.95	5.6%	3.9%	5.2%
Fiscal year ended March 31, 2016	¥184.45	¥184.02	14.1%	8.2%	9.0%

(Reference)
Equity in net income of affiliates:
Fiscal Year Ended March 31, 2017: 259 million yen
Fiscal Year Ended March 31, 2016: 85 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Fiscal year ended March 31, 2017	¥270,890 million	¥87,580 million	32.2%	¥1,552.67
Fiscal year ended March 31, 2016	¥161,128 million	¥82,597 million	51.1%	¥1,377.53

(Reference)
Equity:
Fiscal Year Ended March 31, 2017: 87,346 million yen
Fiscal Year Ended March 31, 2016: 82,336 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
Fiscal year ended March 31, 2017	¥3,951 million	- ¥81,754 million	¥64,620 million	¥14,468 million
Fiscal year ended March 31, 2016	¥7,097 million	- ¥3,485 million	¥10,626 million	¥27,754 million

2. Dividends

	Annual dividends per share					Total amount of cash dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
Fiscal year ended March 31, 2016	¥-	¥13.30	¥-	¥16.70	¥30.00	¥1,794 million	16.3%	2.3%
Fiscal year ended March 31, 2017	¥-	¥15.00	¥-	¥15.00	¥30.00	¥1,710 million	35.7%	2.0%
Fiscal year ending March 31, 2018 (Forecast)	¥-	¥15.00	¥-	¥15.00	¥30.00		30.7%	

(Note)
Breakdown of Year-end Dividends for Fiscal Year Ended March 31, 2016:
Ordinary dividend, 13.30 yen
Bonus dividend, 3.40 yen

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(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)	¥99,000 million (31.7%)	¥4,400 million (8.9%)	¥4,200 million (26.7%)	¥2,700 million (23.9%)	¥47.96
Annual	¥206,000 million (26.1%)	¥9,000 million (5.2%)	¥8,600 million (2.2%)	¥5,500 million (14.9%)	¥97.64

***Notes**

(1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in change in scope of consolidation): Yes
New: 1 Sagent Pharmaceuticals, Inc.
Exception: –

(2) Changes in accounting policies, 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.:	No
(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

(3) 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 March 31, 2017:	60,662,652 shares
As of March 31, 2016:	60,662,652 shares

(ii) Number of treasury shares as of the end of the period:

As of March 31, 2017:	4,407,030 shares
As of March 31, 2016:	880,204 shares

(iii) Average number of shares during the period:

Fiscal year ended March 31, 2017:	56,944,810 shares
Fiscal year ended March 31, 2016:	59,807,712 shares

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

*** Financial results reports are not required to be audited.**

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

(Note on forward-looking statements)

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 description of the conditions underlying the forecast of financial results and considerations on usage of forecast of financial results, please refer to "*(1) Overview of Operating Results for the Current Fiscal Year*" in "*1. Overview of Operating Results, etc.*" on page 2 of the Attachment.

(How to obtain supplementary materials for financial results)

Supplementary materials for financial results will be provided on the website of the Company on Wednesday, May 10, 2017.

Attachment – Contents

1. Overview of Operating Results, etc. 2
(1) Overview of Operating Results for the Current Fiscal Year 2
(2) Overview of Financial Position for the Current Fiscal Year 3
2. Basic Stance Regarding the Selection of Accounting Standards 5
3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheet 6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 8
Consolidated Statements of Income 8
Consolidated Statements of Comprehensive Income 9
(3) Consolidated Statements of Changes in Net Assets 10
(4) Consolidated Statements of Cash Flows 14
(5) Notes to Consolidated Financial Statements 16
(Notes on premise of going concern) 16
(Consolidated Balance Sheet) 16
(Consolidated Statements of Income) 18
(Segment information, etc.) 20
(Per share information) 23
(Significant subsequent events) 26

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Current Fiscal Year

(Operating Results for the Current Fiscal Year)

In the consolidated fiscal year under review, there was a tone of economic recovery in Japan while facing spread of tightness in employment situation. Some expressed concerns on uncertainty over the future caused mainly due to increasing awareness on topics such as conversion to trend of depreciation in yen against dollar, as well as risks associated with Geopolitics, etc.

In the pharmaceuticals industry, following the target of "achieving the generic drugs' quantitative share of all prescriptions to greater than 80% as early as possible between FY2018 and the end of FY2020" under "Basic Policies for Economic and Fiscal Management and Structural Reform" ("Basic Policies 2015") in June 2015, further efforts have been made for diffusion of generic drugs in the FY2016 Drug Pricing System Reform. Meanwhile, the earnings environment has become more severe by the revision of drug prices, which significantly impacted the generic drug industry.

Under such circumstances, the Company formulated the "Obelisk" 7th Medium-term Business Plan, which positions the three years from April 2016 to March 2019 as a period for launch to new business fields, from the preparatory stage to embark on entering global markets. Upholding "Expansion" "Production" and "Development" three core strategies, the Company has put these into practice while enhancing the corporate infrastructure to become a Global Top 10 Generic Pharmaceutical Company.

As part of the implementation of "Expansion," the Company started selling 6 products with 13 strengths, including Olanzapine tablets 10mg "Nichiiko" in June 2016, and 4 products with 7 strengths, including Montelukast tablets 10mg "Nichiiko" in December 2016, while accepting sales transfer of 3 products with 6 strengths from a brand-name drug manufacturer in the oncology area such as "Aqupla for intravenous injection 50mg" in order to enhance its portfolio in the oncology area.

As implementation of "Development," in order to secure a platform to participate in the generic drug market and establish a presence in the injectable drugs in the U.S. in our overseas expansion, we acquired Sagent Pharmaceuticals Inc., which was listed on the U.S. NASDAQ, in August 2016 through TOB. For early realization of synergy after the acquisition, first, the Integration Promotion Office was established, promoting early integration within 100 days of acquisition, and then in December a new Chief Executive Officer was appointed and three staff members of the Company were transferred in an effort to further promote integration. Furthermore, we made progress on specific tasks such as developing biosimilar products in the U.S. market, and giving shape to considerations around launch of drugs which Nichi-Iko and Sagent individually possess marketing approvals in their respective markets to be launched reciprocally in their counterparts, thus striving to create synergy.

As implementation of "Production," regarding the manufacturing infrastructure, in response to the rapidly expanding generic market under the above-mentioned "Basic

Policies 2015," counterplans are steadily underway to enhance the facilities at the Toyama Plant 1 and the Shizuoka Plant of Nichi-Iko Pharma Tech Co., Ltd., in addition to constructing a new formulation facility at the site of the Toyama Plant 1 with the aim of establishing a manufacturing system capable of supplying total 21 billion tablets by the year ending March 31, 2021.

In addition, as part of its returns to shareholders, the Company acquired its treasury stocks on April 2016 and December 2016, 2.8 million shares and 100,000 shares, respectively.

As a result of the above, adding Sagent Pharmaceuticals, Inc. within the scope of consolidation, consolidated operating results for the fiscal year saw a decrease in earnings, despite a significant increase in revenue, due to incurring purchase-related cost and also due to the fact that gain on sales of investment securities was recorded in the previous fiscal year, with net sales of 163,372 million yen (out of the figure, 12,148 million yen for Sagent Pharmaceuticals, Inc., 143,513 million yen for the previous fiscal year), operating income of 8,554 million yen (out of the figure, 372 million yen for Sagent Pharmaceuticals, Inc., 12,910 million yen for the previous fiscal year), ordinary income of 8,411 million yen (12,289 million yen for the previous fiscal year), and net income attributable to shareholders of the parent company of 4,788 million yen (11,031 million yen for the previous fiscal year).

(Prospects for the Future)

Although there are some uncertain factors in forecasts of the economy including exchange markets and geopolitical risks, the domestic drug market is required to construct stable production capability to adapt to expanding generic market in the final stage of achieving generic share of 80%, and enhance cost competitiveness for revisions of drug prices that are scheduled with more frequencies on FY2018 and going forward.

Under such circumstances, the Company will strive to initiate operation of "Obelisk," a new manufacturing building at the site of the Toyama Plant 1, from January 2018 while reducing prime costs, in efforts for steady increase of earnings domestically. Meanwhile, in overseas markets, the Company is striving to expand business lines by the means of building infrastructure in the U.S. market through the U.S. subsidiary, Sagent Pharmaceuticals, Inc., and expanding the product portfolio in the Southeast Asian market centering on Nichi-Iko (Thailand) Co., Ltd.

For the fiscal year ending March 31, 2018, the management forecasts the net sales of 206.0 billion yen, operating income of 9.0 billion yen, and ordinary income of 8.6 billion yen. Each and every employee will be united in our commitment to achieve the targets in order to become a "Global TOP 10 Generic Pharmaceutical Company."

(2) Overview of Financial Position for the Current Fiscal Year

(i) Assets, Liabilities and Net Assets

As of the end of the fiscal year under review, assets on a consolidated basis increased by 109,762 million yen from the previous fiscal year-end to 270,890 million yen, mainly due to the acquisition of Sagent Pharmaceuticals, Inc. which subsequently

became a consolidated subsidiary. Regarding changes in accounting items, cash and deposits decreased by 13,285 million yen, long-term loans receivable decreased by 1,648 million yen, merchandise and finished goods increased by 15,540 million yen, property, plant and equipment increased by 8,653 million yen, goodwill increased by 40,518 million yen, marketing rights increased by 21,005 million yen, and in-process research and development increased by 22,697 million yen.

Liabilities on a consolidated basis increased by 104,778 million yen from the previous fiscal year-end to 183,309 million yen, primarily due to acquisition of Sagent Pharmaceuticals, Inc. which subsequently became a consolidated subsidiary. Regarding changes in accounting items, income taxes payable decreased by 3,423 million yen, notes and accounts payable increased by 6,860 million yen, electronically recorded debts increased by 3,446 million yen, short-term loans payable increased by 9,069 million yen, current portion of long-term loans payable increased by 2,663 million yen, and long-term loans payable increased by 71,057 million yen.

Net assets on a consolidated basis increased by 4,983 million yen from the previous year-end to 87,580 million yen, mainly due to the purchase of treasury stock of 8,396 million yen, retained earnings increasing by 2,761 million yen, and foreign currency translation adjustment increasing by 10,078 million yen.

(ii) Cash Flows

For the fiscal year under review, cash and cash equivalents on a consolidated basis decreased by 13,288 million yen from the previous fiscal year and amounted to 14,468 million yen.

Details of cash flows from each of the three activities for the fiscal year under review are described below.

(Cash flows from operating activities)

Net cash provided by operating activities on a consolidated basis for the fiscal year under review amounted to income over expenditure of 3,951 million yen. The main outflows were an increase in inventories assets of 9,986 million yen and 6,540 million yen in income taxes paid. In terms of inflows there were net income before provision for income taxes of 6,930 million yen, depreciation of 6,591 million yen, and an increase in accounts payable of 3,067 million yen.

(Cash flows from investing activities)

Net cash used in investing activities on a consolidated basis for the fiscal year under review amounted to expenditure over income of 81,754 million yen. This was due to outflows such as 69,557 million yen in acquisition of shares of Sagent Pharmaceuticals, Inc., 8,696 million yen in acquisition of property, plant and equipment, and 2,449 million yen in acquisition of intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities on a consolidated basis for the fiscal year under review amounted to income over expenditure of 64,620 million yen. The main outflows were 8,396 million yen in acquisition of treasury stock and 1,853 million yen in dividends paid, while the main inflows were an increase of 75,875 million yen in short- and long-term loans payable.

(Reference) Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity ratio	47.4%	51.2%	53.2%	51.1%	32.2%
Equity ratio on market value basis	82.8%	73.6%	118.4%	96.4%	36.4%
Interest-bearing debt to cash flows ratio (years)	2.0	5.2	0.8	4.2	28.7
Interest coverage ratio (times)	63.2	36.9	191.3	53.3	12.7

(Notes)

1. *Each indicator is calculated based on the financial data on a consolidated basis using the following formula.*

   Equity ratio: Equity / Total assets

   Equity ratio on market value basis: Total market capitalization / Total assets

   Interest-bearing debt to cash flows ratio: Interest-bearing debt / Cash flow

   Interest coverage ratio: Cash flow / Interest payment

2. *"Total market capitalization" is calculated by multiplying closing share price at the end of fiscal year by the number of issued shares at the end of fiscal year excluding treasury stock.*

3. *"Interest-bearing debt" includes all of those debts reported on the consolidated balance sheet on which interest is paid.*

4. *"Cash flow" and "Interest payment" refer to "Net cash provided by operating activities" and "Interest payment" reported in the consolidated statements of cash flows.*

2. Basic Stance Regarding the Selection of Accounting Standards

Aiming at improved international comparability of financial information, targeting optional application of the International Financial Reporting Standards (IFRS) to the fiscal year ending March 31, 2018, the Group is making efforts including analyzing

the gap with Japanese standards, investigating the impact of the introduction of the IFRS, and developing internal guidelines and systems.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(in millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Assets		
Current assets		
Cash and deposits	28,179*4	14,894*4
Notes and accounts receivable	25,217*1	26,304*1,*4
Electronically recorded monetary claims	919	1,680
Merchandise and finished goods	26,092	41,632*4
Work in process	9,177	9,143
Raw materials and supplies	10,071	16,811
Deferred tax assets	1,458	838
Other current assets	2,240	3,842
Allowance for doubtful accounts	(1,731)	(433)
Total current assets	101,624	114,714
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	17,734	19,211
Machinery and equipment, net	9,890	12,665
Tools, furniture and fixtures, net	1,183	1,521
Land	6,299*6	6,433*6
Lease assets, net	1,940	2,603
Construction in progress	1,739	5,004
Total property, plant and equipment	38,786*3,*4	47,439*3,*4
Intangible assets		
Goodwill	634	41,152
Lease assets	237	125
Marketing rights	2,760	23,766
In-process research and development	-	22,697
Other intangible assets	2,847	5,368
Total intangible assets	6,479	93,111
Investments and other assets		
Investment securities	8,700*2	9,954*2
Long-term loans receivable	4,619	2,971
Deferred tax assets	490	866
Other assets	514	3,452
Allowance for doubtful accounts	(89)	(1,620)
Total investments and other assets	14,237	15,625
Total fixed assets	59,503	156,175
Total assets	161,128	270,890

(in millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable	15,993*4	22,853*4
Electronically recorded debts	14,200	17,646
Short-term loans payable	14,720*4	23,789*4
Current portion of long-term loans payable	3,781*4	6,444*4
Lease debts	942	964
Other payable	6,959	8,471
Accrued expenses	669	3,338
Income taxes payable	3,813	389
Deposits payable	1,520	1,499
Allowance for sales returns	47	909
Allowance for bonuses	1,128	1,244
Other current liabilities	485	277
Total current liabilities	64,262	87,829
Fixed liabilities		
Long-term loans payable	9,047*4	80,104*4
Lease debts	1,417	1,994
Deferred tax liabilities	112	5,862
Deferred tax liabilities for land revaluation	219*6	219*6
Net defined benefit liability	3,413	3,489
Asset retirement obligations	54	55
Other fixed liabilities	1	3,754
Total fixed liabilities	14,267	95,480
Total liabilities	78,530	183,309
Net assets		
Shareholders' equity		
Common stock	19,976	19,976
Capital surplus	18,796	18,838
Retained earnings	42,589	45,350
Treasury stock	(1,397)	(9,401)
Deposit for subscriptions to treasury stock	0	-
Total shareholders' equity	79,964	74,764
Other comprehensive income		
Valuation difference on available-for-sale securities	1,269	1,378
Revaluation reserve for land	333*6	333*6
Foreign currency translation adjustment	897	10,975
Accumulated adjustments in retirement benefits	(127)	(105)
Total other comprehensive income	2,371	12,582
Stock acquisition rights	260	234
Total net assets	82,597	87,580
Total liabilities and net assets	161,128	270,890

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

(Consolidated Statements of Income)

(in millions of yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (from April 1, 2016 to March 31, 2017)
Net sales	143,513	163,372
Cost of sales	89,999*1,*3	106,637*1,*3
Gross profit	53,514	56,735
Reversal of allowance for sales returns	21	5
Gross profit, net	53,535	56,741
Selling, general and administrative expenses	40,624*2,*3	48,186*2,*3
Operating income	12,910	8,554
Non-operating income		
Interest income	102	94
Dividends income	48	57
Equity in earnings of affiliates	85	259
Others	245	377
Total non-operating income	482	789
Non-operating expenses		
Interest payment	127	294
Commissions paid	81	45
Loss on sales of accounts receivables	189	196
Foreign exchange losses	538	304
50th anniversary project expenses	117	-
Others	49	90
Total non-operating expenses	1,103	932
Ordinary income	12,289	8,411
Extraordinary income		
Gain on sales of investment securities	3,678	-
Gain on change in equity	466	381
Others	0	0
Total extraordinary income	4,144	381
Extraordinary loss		
Loss on disposal of fixed assets	65*4	281*4
Loss on retirement of long-term prepaid expenses	760	-
Loss on valuation of investment securities	0	38
Amortization of goodwill	241*5	-
Acquisition related expenses	-	1,542
Others	7	0
Total extraordinary loss	1,074	1,861
Net income before provision for income taxes	15,359	6,930
Income taxes - current	5,014	1,941
Income taxes - deferred	(686)	200
Total income taxes	4,328	2,142
Net income	11,031	4,788
Net income attributable to shareholders of the parent company	11,031	4,788

(Consolidated Statements of Comprehensive Income)

(in millions of yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (from April 1, 2016 to March 31, 2017)
Net income	11,031	4,788
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,128)	1
Revaluation reserve for land	11	-
Foreign currency translation adjustment	-	10,254
Adjustments in retirement benefits	20	29
Share of other comprehensive income of affiliates accounted for using equity method	441	(83)
Total other comprehensive income	(1,654)	10,202
Comprehensive income	9,376	14,990
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	9,376	14,990
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Net Assets
Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)

(in millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at the beginning of year	19,976	18,684	33,206	(1,543)	-	70,324
Changes during the year						
Cash dividends paid			(1,648)			(1,648)
Net income attributable to shareholders of the parent company			11,031			11,031
Acquisition of treasury stock				(1)		(1)
Disposal of treasury stock		111		147	0	259
Net changes in items other than shareholders' equity						-
Total changes during the year	-	111	9,383	145	0	9,640
Balance at the end of the year	19,976	18,796	42,589	(1,397)	0	79,964

	Other comprehensive income					Stock acquisition rights	Total net assets
	Valuation difference on available for sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income		
Balance at the beginning of year	2,809	321	1,038	(142)	4,026	137	74,487
Changes during the year							
Cash dividends paid							(1,648)
Net income attributable to shareholders of the parent company							11,031
Acquisition of treasury stock							(1)
Disposal of treasury stock							259
Net changes in items other than shareholders' equity	(1,539)	11	(140)	14	(1,654)	123	(1,531)
Total changes during the year	(1,539)	11	(140)	14	(1,654)	123	8,109
Balance at the end of the year	1,269	333	897	(127)	2,371	260	82,597

Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)

(in millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at the beginning of year	19,976	18,796	42,589	(1,397)	0	79,964
Changes during the year						
Cash dividends paid			(1,854)			(1,854)
Net income attributable to shareholders of the parent company			4,788			4,788
Acquisition of treasury stock				(8,396)		(8,396)
Disposal of treasury stock		42		392	(0)	434
Change in scope of consolidation			(172)			(172)
Change in scope of consolidation - foreign currency translation adjustment						-
Net changes in items other than shareholders' equity						-
Total changes during the year	-	42	2,761	(8,004)	(0)	(5,200)
Balance at the end of the year	19,976	18,838	45,350	(9,401)	-	74,764

	Other comprehensive income					Stock acquisition rights	Total net assets
	Valuation difference on available for sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income		
Balance at the beginning of year	1,269	333	897	(127)	2,371	260	82,597
Changes during the year							
Cash dividends paid							(1,854)
Net income attributable to shareholders of the parent company							4,788
Acquisition of treasury stock							(8,396)
Disposal of treasury stock							434
Change in scope of consolidation							(172)
Change in scope of consolidation - foreign currency translation adjustment			8		8		8
Net changes in items other than shareholders' equity	109	-	10,069	22	10,202	(26)	10,175
Total changes during the year	109	-	10,078	22	10,210	(26)	4,983
Balance at the end of the year	1,378	333	10,975	(105)	12,582	234	87,580

(4) Consolidated Statements of Cash Flows

(in millions of yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (from April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Net income before provision for income taxes	15,359	6,930
Depreciation	4,913	6,591
Amortization of goodwill	442	811
Increase (decrease) in allowance for doubtful accounts	952	207
Increase (decrease) in net defined benefit liability	37	117
Increase (decrease) in allowance for sales returns	(21)	(60)
Increase (decrease) in allowance for bonuses	267	(152)
Interest and dividends income	(151)	(151)
Interest expenses	127	294
Equity in (earnings) losses of affiliates	(85)	(259)
Loss (gain) on change in equity	(466)	(381)
Loss (gain) on sales of investment securities	(3,678)	0
Foreign exchange losses (gains)	527	235
Loss (gain) on disposal of fixed assets	65	281
Loss on retirement of long-term prepaid expenses	760	-
(Increase) decrease in accounts receivable	(4,216)	904
(Increase) decrease in inventories assets	(2,870)	(9,986)
Increase (decrease) in accounts payable	(2,562)	3,067
Increase (decrease) in accrued expenses	10	974
Others	1,491	940
Sub-total	10,904	10,365
Interest and dividends received	152	438
Interest expenses paid	(133)	(311)
Income taxes paid	(3,826)	(6,540)
Net cash provided by operating activities	7,097	3,951
Cash flows from investing activities		
Deposits in fixed deposits	(21)	-
Withdrawal from fixed deposits	19	-
Acquisition of investment securities	(92)	(7)
Sales of investment securities	6,406	0
Acquisition of property, plant and equipment	(7,833)	(8,696)
Acquisition of intangible assets	(3,246)	(2,449)
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	-	(69,557)
Proceeds from loans receivable	1,334	50
Others	(50)	(1,092)
Net cash used in investing activities	(3,485)	(81,754)

(in millions of yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (from April 1, 2016 to March 31, 2017)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	11,970	3,173
Proceeds from long-term loans payable	5,200	76,579
Repayment of long-term loans payable	(4,198)	(3,876)
Acquisition of treasury stock	(1)	(8,396)
Sales of treasury stock	198	174
Proceeds from exercise of stock options	13	6
Repayments of finance lease debts	(899)	(1,184)
Dividends paid	(1,647)	(1,853)
Others	(8)	(1)
Net cash provided by financing activities	10,626	64,620
Effect of exchange rate change on cash and cash equivalents	(94)	(105)
Net increase (decrease) in cash and cash equivalents	14,144	(13,288)
Cash and cash equivalents at beginning of year	13,609	27,754
Cash and cash equivalents of newly consolidated subsidiary at beginning of year	-	3
Cash and cash equivalents at end of year	27,754	14,468

(5) Notes to Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Consolidated Balance Sheet)

*1 Notes and accounts receivable
The securitized balance related to declaration of trust, etc. is as follows;

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2016)	Current Consolidated Fiscal Year (As of March 31, 2017)
Securitized balance related to declaration of trust, etc.	1,681	1,210

*2 Investment securities relating to non-consolidated subsidiaries and affiliates are as follows:

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2016)	Current Consolidated Fiscal Year (As of March 31, 2017)
Investment securities (shares of stock)	5,316	6,601

*3 Accumulated depreciation and amortization of property, plant and equipment is as follows:

(in millions of yen)

Previous Consolidated Fiscal Year (As of March 31, 2016)	Current Consolidated Fiscal Year (As of March 31, 2017)
32,214	35,767

*4 Pledged assets and secured debt

Assets pledged as collateral are as follows:

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2016)	Current Consolidated Fiscal Year (As of March 31, 2017)
Cash and deposits	10	1,857
Notes and accounts receivable	-	5,774
Merchandise and finished goods	-	6,851
Buildings and structures	1,662	1,584
Machinery and equipment	9	5
Tools, furniture and fixtures	1	0
Land	1,114	1,114
Construction in progress	-	2,586
Total	2,798	19,775

Secured debt is as follows:

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2016)	Current Consolidated Fiscal Year (As of March 31, 2017)
Accounts payable	24	9
Short-term loans payable	735	7,753
Current portion of long-term loans payable	221	234
Long-term loans payable	3,117	4,248
Total	4,099	12,246

5 Contingent liabilities
Guaranteed debt

The Company provides debt guaranty to the borrowings from financial institutions by companies other than consolidated companies.

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2016)	Current Consolidated Fiscal Year (As of March 31, 2017)
Active Pharma Co., Ltd.	1,347	1,347

*6 In accordance with the Act on Revaluation of Land (Act No. 34 of March 31, 1998) and the Act for Partial Amendments to the Act on Revaluation of Land (Act No. 24 of March 31, 1999 and Act No. 19 of March 31, 2001), the Company has revalued its land for business use, and booked the amount equivalent to tax on the relevant revaluation difference to “Deferred tax liabilities for land revaluation” in Liabilities, and booked the amount after deduction of this as “Revaluation reserve for land” in Net Assets.

- Method of revaluation: Posted land price equivalent is calculated by rebating the assessed value of fixed assets provided by Item 3, Article 2 of Order for Enforcement of the Act on Revaluation of Land (Ordinance No. 119 of March 31, 1998) in accordance with fixed assets valuation standards.

- Date of revaluation: November 30, 2001

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2016)	Current Consolidated Fiscal Year (As of March 31, 2017)
Difference between the market value of land revaluation at the end of the period and the book value after revaluation	(807)	(808)

(Consolidated Statements of Income)

*1 Ending inventory is presented after loss on write-down of book value due to decreased profitability and loss on revaluation of inventory is included in cost of sales as follows:

(in millions of yen)

Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)	Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)
239	648

*2 Main expense items and amounts of selling, general and administrative expenses are as follows:

(in millions of yen)

	Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)	Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)
Sales promotion expense	19,027	20,562
Salaries and allowances	5,350	6,284
Provision of allowance for bonuses	603	385
Research and development expenses	4,874	7,263
Provision for allowance for doubtful accounts	952	206
Retirement benefits expenses	223	229
Amortization of goodwill	201	811

*3 Gross amount of research and development expenses included in general and administrative expenses and manufacturing expenses for the period

(in millions of yen)

	Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)	Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)
	4,874	7,263

*4 Details of loss on disposal of fixed assets are as follows:

(in millions of yen)

	Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)	Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)
Buildings and structures	25	105
Machinery and equipment	27	23
Tools, furniture and fixtures	11	0
Lease assets	-	150
Total	65	281

*5 Amortization of goodwill

In accordance with the provision of Section 32 of the “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (Japanese Institute of Certified Public Accountants Accounting Practice Committee Statement No. 7), goodwill is amortized immediately.

(Segment information, etc.)

[Segment information]

Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)

The Company and its consolidated subsidiaries have a single segment related to pharmaceutical business, and therefore the statement is omitted.

Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)

The Company and its consolidated subsidiaries have a single segment related to pharmaceutical business, and therefore the statement is omitted.

[Related information]

Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)

1. Information by product and service

Net sales to external customers in a single segment account for more than 90% of net sales in the consolidated statement of income, and therefore the statement is omitted.

2. Information by region

(1) Net sales

Net sales to external customers in Japan account for more than 90% of net sales in the consolidated statement of income, and therefore the statement is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in the consolidated balance sheet, and therefore the statement is omitted.

3. Information by main customer

(in millions of yen)

Name of customer	Net sales	Related segment
Mediceo Corporation	35,019	Pharmaceutical business
Suzuken Co., Ltd.	25,544	Pharmaceutical business
Alfresa Corporation	19,934	Pharmaceutical business

Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)

1. Information by product and service

Net sales to external customers in a single segment account for more than 90% of net sales in the consolidated statement of income, and therefore the statement is omitted.

2. Information by region

(1) Net sales

Net sales to external customers in Japan account for more than 90% of net sales in the consolidated statement of income, and therefore the statement is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in the consolidated balance sheet, and therefore the statement is omitted.

3. Information by main customer

(in millions of yen)

Name of customer	Net sales	Related segment
Mediceo Corporation	37,356	Pharmaceutical business
Suzuken Co., Ltd.	27,592	Pharmaceutical business
Alfresa Corporation	21,721	Pharmaceutical business

[Information on impairment losses on fixed assets by reporting segment]

Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)

Not applicable.

Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)

Not applicable.

[Information on amortized amount of goodwill and unamortized balance of goodwill by reporting segment]

Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)

The Company and its consolidated subsidiaries have a single segment related to pharmaceutical business, and therefore the statement is omitted.

Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)

The Company and its consolidated subsidiaries have a single segment related to pharmaceutical business, and therefore the statement is omitted.

[Information on gains on negative goodwill by reporting segment]

Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)

Not applicable.

Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)

Not applicable.

(Per share information)

(in yen)

	Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)	Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)
Net assets per share	1,377.53	1,552.67
Net income per share	184.45	84.09
Net income (fully diluted) per share	184.02	83.95

(Note)

1. The basis for the calculation of net assets per share is as follows:

(in millions of yen, unless otherwise noted)

	Previous Consolidated Fiscal Year (As of March 31, 2016)	Current Consolidated Fiscal Year (As of March 31, 2017)
Total net assets	82,597	87,580
Amount added to total net assets	61	-
(Of which treasury stock held by the EST)	(61)	(-)
Amount deducted from total net assets	260	234
(Of which stock acquisition rights)	(260)	(234)
Net assets attributable to common stock at the end of the period	82,398	87,346
Number of common stock used for the calculation of net assets per share (shares)	59,816,148	56,255,622

(Notes)

1. Employee Shareholding Trust contracted on or before March 31, 2014
Shares of the Company remaining in the Employee Shareholding Trust recorded as treasury stock in Shareholder's equity are not included in the treasury stock deducted in the calculation of the number of common stock at the end of the fiscal year used for the calculation of net assets per share. The number of shares of common stock at the fiscal year-end includes 33,700 shares of such treasury stock for the previous consolidated fiscal year. This item is not applicable to the current consolidated fiscal year.

2. Employee Shareholding Trust contracted on or after April 1, 2014
Shares of the Company remaining in the Employee Shareholding Trust recorded as treasury stock in Shareholder's equity are included in the treasury stock deducted in the calculation of the number of common stock at the end of the fiscal year used for the calculation of net assets per share. The number of shares of such treasury stock deducted at the end of the fiscal year is 719,300 shares for the current consolidated fiscal year. This item is not applicable to the previous consolidated fiscal year.

2. The basis for the calculation of net income per share and net income (fully diluted) per share is as follows:

	Previous Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)	Current Consolidated Fiscal Year (from April 1, 2016 to March 31, 2017)
Net income per share		
Net income attributable to shareholders of the parent company (millions of yen)	11,031	4,788
Amounts not attributable to shareholders of common stock (millions of yen)	-	-
Net income attributable to shareholders of the parent company attributable to common stock (millions of yen)	11,031	4,788
Average number of common stock during the period (shares)	59,807,712	56,944,810
Net income (fully diluted) per share		
Adjustment of net income attributable to shareholders of the parent company (millions of yen)	-	-
Number of increased common stock (shares)	139,393	95,113
(Of which stock acquisition rights (shares))	(139,393)	(95,113)
Outline of dilutive shares not included in the calculation of net income (fully diluted) per share due to ineffectual of dilutive	Board of directors' meeting on September 14, 2015 Stock options approved Stock acquisition rights: 500 (50,000 common shares)	Board of directors' meeting on September 14, 2015 Stock options approved Stock acquisition rights: 500 (50,000 common shares) Board of directors' meeting on September 13, 2016 Stock options approved Stock acquisition rights: 999 (99,900 common shares)

(Notes)

1. Employee Shareholding Trust contracted on or before March 31, 2014

Shares of the Company remaining in the Employee Shareholding Trust recorded as treasury stock in Shareholder's equity are not included in the treasury stock deducted in the calculation of the average number of shares during the fiscal year used for the calculation of net income per share. The average number of common stock includes 68,177 shares of such treasury stock for the previous consolidated fiscal year and 10,846 shares for the current consolidated fiscal year respectively.

2. Employee Shareholding Trust contracted on or after April 1, 2014

Shares of the Company remaining in the Employee Shareholding Trust recorded as treasury stock in Shareholder's equity are included in the treasury stock deducted in the calculation of the average number of shares during the fiscal year used for the calculation of net income per share. The average number of shares of such treasury stock deducted for the calculation of net income per share is 285,716 shares for the current consolidated fiscal year. This item is not applicable to the previous consolidated fiscal year.

(Significant subsequent events)

At the meeting of the Board of Directors held on May 10, 2017, the Company resolved to conduct an absorption type merger, in which the Company will be the surviving company and its consolidated subsidiary Nichi-Iko Pharma Tech Co., Ltd. will be the expired company, with October 1, 2017 as the effective date.

(i) Names of companies subject to combination or business subject to combination, details of the business, legal form of the business combination, name of company after combination, and outline of transactions including objectives

a. Name of companies subject to combination or business subject to combination, and details of the business
The Company and Nichi-Iko Pharma Tech Co., Ltd. (Details of business: manufacturing and sales of drugs)
b. Legal forms of business combination
Absorption-type merger in which the Company will be the surviving company, and Nichi-Iko Pharma Tech Co., Ltd. will be the expired company.
c. Name of company after combination
Nichi-Iko Pharmaceutical Co., Ltd.
d. Outline of transaction including objectives
Nichi-Iko Pharma Tech Co., Ltd. is mainly engaged in manufacturing of drugs, and a wholly-owned subsidiary of the Company. By this merger, we will make much more united efforts for further improvement of production efficiency and capability enhancement for cost strategy to achieve improvement of performance, aiming at sustainable development as a generic pharmaceutical company.

(ii) Merger ratio and its calculation method, number of shares issued or to be issued, amount of capital to increase after business combination

Since this merger is a merger with a wholly-owned subsidiary of the Company, there is no agreement on the merger ratio. In addition, there will be no issuance of new shares or increase in capital.