

(English Translation)

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2015 (under Japan GAAP)

February 12, 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 Tel: 076-432-2121
Board of Senior Director, Head of
Administrative Division

Scheduled date of filing of quarterly report: February 13, 2015

Scheduled date of commencement of dividend payment: –

Presentation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial presentation meeting: No

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to December 31, 2014)

(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
Third quarter of fiscal year ending March 31, 2015	¥95,860 million (22.3%)	¥7,880 million (22.2%)	¥7,787 million (23.5%)	¥5,188 million (26.9%)
Third quarter of fiscal year ended March 31, 2014	¥78,378 million (9.1%)	¥6,447 million (-1.8%)	¥6,305 million (-6.8%)	¥4,088 million (0.9%)

(Note)

Comprehensive income:

Third Quarter of Fiscal Year Ending March 31, 2015: 6,247 million yen (42.1%)

Third Quarter of Fiscal Year Ended March 31, 2014: 4,395 million yen (8.5%)

	Net income per share	Net income (fully diluted) per share
Third quarter of fiscal year ending March 31, 2015	¥86.78	¥86.69
Third quarter of fiscal year ended March 31, 2014	¥102.58	¥100.05

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Third quarter of fiscal year ending March 31, 2015	¥132,586 million	¥71,193 million	53.6%	¥1,192.39
Fiscal year ended March 31, 2014	¥129,130 million	¥66,195 million	51.2%	¥1,112.19

(Reference)

Equity:

Third Quarter of Fiscal Year Ending March 31, 2015: 71,063 million yen

Fiscal Year Ended March 31, 2014: 66,115 million yen

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2014	¥-	¥16.00	¥-	¥12.30	¥28.30
Fiscal year ending March 31, 2015	¥-	¥12.30	¥-		
Fiscal year ending March 31, 2015 (forecast)				¥14.30	¥26.60

(Note)

Revisions to recently announced dividends forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

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

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Annual	¥123,000 million (18.7%)	¥9,300 million (25.9%)	¥9,000 million (27.0%)	¥5,900 million (28.6%)	¥98.67

(Note)

Revisions to recently announced forecast of financial results: None

***Notes**

- (1) Changes in significant subsidiaries during the consolidated cumulative quarter under review (changes in specified subsidiaries resulting in change in scope of consolidation): None

(Note)

For details, please refer to "(1) Changes in Significant Subsidiaries during the Consolidated Cumulative Quarter under Review" in "2. Matters Related to Summary Information (Notes)" on page 3 of the Attachment.

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

(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: | Yes |
| (iii) Changes in accounting estimates: | Yes |
| (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 December 31, 2014: | 60,662,652 shares |
| As of March 31, 2014: | 60,662,652 shares |
| (ii) Number of treasury stock as of the end of the period: | |
| As of December 31, 2014: | 994,714 shares |
| As of March 31, 2014: | 1,081,597 shares |
| (iii) Average number of shares during the period (cumulative quarter): | |
| Third quarter of fiscal year ending March 31, 2015: | 59,792,657 shares |
| Third quarter of fiscal year ended March 31, 2014: | 39,853,775 shares |

(Note)

Number of treasury stock as of the end of the period includes shares held by 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 Thursday, February 12, 2015.

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

(1) Explanation on Operating Results

In the third quarter consolidated cumulative period a moderate economic recovery was underway in Japan, thanks to factors such as the steep decline in oil prices and the entrenched weakness of the yen. Nevertheless, there were signs of weakness in consumer spending, and the competing positive and negative aspects of the weaker yen made the outlook for the future of the economic recovery uncertain.

In the generic pharmaceuticals industry, the Ministry of Health, Labour and Welfare aimed for generic drugs to account for 60% of the volume of drugs by the year ending March 2018 as set forth in the Roadmap for Promotion of Use of Generic Pharmaceuticals, and in the second quarter (July-September) of fiscal 2014 the share of generic drugs reached 51.3% (1.5% increase compared to the April-June quarter, data from the Japan Generic Medicines Association), exceeding 50% for the first time ever, and this share is expected to continue to steadily increase.

Given this environment, the Company launched on December 12, 2014 high-volume listing Candesartan Tablets 2mg "Nichiiko", 4mg "Nichiiko", 8mg "Nichiiko" and 12mg "Nichiiko", Levofloxacin Tablets 250mg "Nichiiko P" and 500mg "Nichiiko P", Pranlukast Tablets 112.5mg "Nichiiko" and 225mg "Nichiiko", Zolpidem Tartrate OD Tablets 5mg "Nichiiko" and 10mg "Nichiiko", Pitavastatin Calcium Tablets 4mg "Nichiiko", Enalapril Maleate Tablets 2.5mg "NikP", 5mg "NikP" and 10mg "NikP", Levofloxacin Ophthalmic Solution 1.5% "Nichiiko", Oxaliplatin Infusion 50mg "Nichiiko" and 100mg "Nichiiko", Gemcitabine Infusion 200mg "Nichiiko" and 1g "Nichiiko".

To prevent mix-ups among the four dosages of the Candesartan Tablets, for the first time these tablets are printed in different colors depending on the dose. Additionally, printing them in a way that allows the product name and company name to be determined from the front and back sides even if the tablet is split on the dividing line is another effort to prevent medical malpractice.

Consequently, the results of the third quarter consolidated cumulative period showed increased revenue and earnings with net sales of 95,860 million yen (22.3% increase from the same period of the previous fiscal year), operating income of 7,880 million yen (22.2% increase from the same period of the previous fiscal year), ordinary income of 7,787 million yen (23.5% increase from the same period of the previous fiscal year), and net income of 5,188 million yen (26.9% increase from the same period of the previous fiscal year).

(2) Explanation on Financial Position

As of the end of this third quarter under review, total assets on a consolidated basis increased by 3,456 million yen from the previous fiscal year-end and ran up to 132,586 million yen. This was attributable to cash and deposits decreasing by 16,700 million yen, notes and accounts receivable increasing by 7,887 million yen, inventories increasing by 5,329 million yen, buildings and structures increasing by 2,047 million yen, land increasing by 1,571 million yen, machinery and equipment increasing by 832 million yen, and investment securities increasing by 1,801 million yen.

Liabilities on a consolidated basis decreased by 1,541 million yen from the previous fiscal year-end and ran up to 61,393 million yen. This was attributable to loans payable decreasing by 11,713 million yen, notes and accounts payable increasing by 3,881 million yen, other payable increasing by 1,346 million yen and electronically recorded debts increasing by 3,352 million yen.

Net assets increased by 4,998 million yen from the end of the previous fiscal year to 71,193 million yen due to retained earnings increasing by 3,740 million yen and valuation difference on available-for-sale securities increasing by 945 million yen.

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

There is no change to the forecast of consolidated financial results announced on May 12, 2014.

2. Matters Related to Summary Information (Notes)

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

Nichi-Iko Pharma Tech Co., Ltd. was included in the scope of consolidation due to stock acquisition which took place in the first quarter.

(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 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 Accounting Standard for Retirement Benefits)

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012. Hereafter, "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012. Hereafter, "Guidance on Retirement Benefits") have been applied to the language in Paragraph 35 of the Retirement Benefits Accounting Standard and the language in Paragraph 67 of the Guidance on Retirement Benefits from the first quarter. Specifically, this involves (1) revising the method of calculating retirement benefit obligations and service costs, (2) changing the method of calculating the period of attribution of projected retirement benefits from being based on a fixed amount for the period to being based on the calculation of benefits, and (3) changing the method for determining the discount rate from a method based on the approximated average number of years of service remaining to a method using a single weighted average discount rate reflecting the projected

payment period for retirement benefits and the amount for each projected payment period.

The application of the Retirement Benefit Accounting Standard and the related Guidance adhere to the staged application stipulated in Paragraph 37 of the Retirement Benefit Accounting Standard, and adjustments for the impact resulting from the changes in the method of calculating retirement benefit obligations and service costs were taken into account in retained earnings at the start of the third quarter consolidated cumulative period.

As a result, net defined benefit liability decreased by 28 million yen at the start of the third quarter consolidated cumulative period, and retained earnings increased by 18 million yen. Furthermore, the impact of the change on operating income, ordinary income and net income before provision for income taxes during the third quarter consolidated cumulative period is minimal.

(Application of the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

The Company applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Solution No. 30, December 25, 2013) from the first quarter consolidated period. Accounting pertaining to the trust agreement concluded before the start of the first year the Practical Solution was applied has no impact on the quarterly consolidated financial statements due to application of the Practical Solution as a result of the continuation of the existing method in accordance with the staged application stipulated in Paragraph 20 of the Practical Solution.

(Change in the Method of Depreciation of Property, Plant and Equipment)

In the past, the Company and its consolidated subsidiaries primarily used the declining balance method as the method of depreciation of property, plant and equipment (however, the straight-line method was used for buildings (excluding accompanying facilities) acquired on or after April 1, 1998), but this was changed to the straight-line method from the first quarter consolidated period.

Accordingly, as a result of consideration of the use of property, plant and equipment by the Group due to the full-scale implementation of the capital investment plan included in the four-year medium-term business plan "Pyramid" announced by the Group in March 2012, launched from the first quarter consolidated period, new investment and strengthening of property, plant and equipment was confirmed to contribute to more stable operation because property, plant and equipment is generally operated stably in the Group and the products manufactured thereby bring about stable earnings in the long term. Therefore, allocation of expenses by amortization by straight-line method over the useful life was deemed to reflect the Group's actual usage of property, plant and equipment more accurately, and a decision was made to change to the straight-line method from the first quarter consolidated period.

As a result, operating income and ordinary income increased by 673 million yen respectively and net income before provision for income taxes increased by 665 million yen in the third quarter consolidated cumulative period.

3. Quarterly Consolidated Financial Statements
 (1) Quarterly Consolidated Balance Sheet

	(in millions of yen)	
	Fiscal year ended March 31, 2014 (as of March 31, 2014)	Third quarter of fiscal year ending March 31, 2015 (as of December 31, 2014)
Assets		
Current assets		
Cash and deposits	21,695	4,994
Notes and accounts receivable	27,857	35,744
Securities	1	-
Merchandise and finished goods	19,480	23,039
Work in process	5,985	6,191
Raw materials and supplies	7,183	8,747
Deferred tax assets	522	534
Other current assets	909	1,245
Allowance for doubtful accounts	(63)	(211)
Total current assets	83,572	80,286
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	14,818	16,866
Machinery and equipment, net	6,963	7,796
Tools, furniture and fixtures, net	711	1,127
Land	4,439	6,011
Lease assets, net	1,894	2,043
Construction in progress	922	61
Total property, plant and equipment	29,750	33,906
Intangible assets		
Goodwill	1,287	1,129
Lease assets	519	368
Other intangible assets	1,755	3,468
Total intangible assets	3,563	4,966
Investments and other assets		
Investment securities	8,568	10,369
Long-term loans receivable	1,932	2,158
Deferred tax assets	488	-
Other assets	1,401	1,461
Allowance for doubtful accounts	(147)	(563)
Total investments and other assets	12,244	13,427
Total fixed assets	45,558	52,300
Total assets	129,130	132,586

(in millions of yen)

	Fiscal year ended March 31, 2014 (as of March 31, 2014)	Third quarter of fiscal year ending March 31, 2015 (as of December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable	12,996	16,878
Electronically recorded debts	9,939	13,292
Short-term loans payable	11,856	2,785
Current portion of long-term loans payable	3,512	3,521
Lease debts	966	957
Other payable	5,078	6,425
Accrued expenses	473	873
Income taxes payable	729	1,774
Deposits payable	59	420
Allowance for sales returns	85	76
Allowance for bonuses	558	241
Other current liabilities	465	290
Total current liabilities	46,721	47,537
Fixed liabilities		
Long-term loans payable	10,975	8,322
Lease debts	1,616	1,637
Deferred tax liabilities	13	210
Deferred tax liabilities for land revaluation	255	255
Net defined benefit liability	3,290	3,370
Asset retirement obligations	55	53
Other fixed liabilities	7	5
Total fixed liabilities	16,213	13,856
Total liabilities	62,935	61,393
Net assets		
Shareholders' equity		
Common stock	19,976	19,976
Capital surplus	18,678	18,675
Retained earnings	28,061	31,801
Treasury stock	(1,753)	(1,601)
Deposit on subscriptions to treasury stock	0	-
Total shareholders' equity	64,962	68,851
Other comprehensive income		
Valuation difference on available-for-sale securities	161	1,107
Revaluation reserve for land	297	297
Foreign currency translation adjustment	792	887
Accumulated adjustments in retirement benefits	(97)	(80)
Total other comprehensive income	1,153	2,211
Stock acquisition rights	79	129
Total net assets	66,195	71,193
Total liabilities and net assets	129,130	132,586

(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, 2013 to December 31, 2013)	Third quarter of current fiscal year (from April 1, 2014 to December 31, 2014)
Net sales	78,378	95,860
Cost of sales	48,012	60,217
Gross profit	30,365	35,643
Allowance for sales returns	17	-
Reversal of allowance for sales returns	-	9
Gross profit, net	30,347	35,652
Selling, general and administrative expenses	23,900	27,772
Operating income	6,447	7,880
Non-operating income		
Interest income	12	24
Dividends income	25	37
Reimbursement for joint development cost	6	43
Income from subsidies	60	1
Foreign exchange gains	77	232
Others	194	173
Total non-operating income	376	513
Non-operating expenses		
Interest payment	108	84
Commissions paid	33	31
Loss on sales of accounts receivables	73	92
Equity in losses of affiliates	229	357
Others	73	39
Total non-operating expenses	518	606
Ordinary income	6,305	7,787
Extraordinary income		
Gain on sales of fixed assets	1	0
Gains on negative goodwill	-	270
Total extraordinary income	1	270
Extraordinary loss		
Loss on disposal of fixed assets	26	152
Loss on valuation of investment securities	4	-
Others	-	9
Total extraordinary loss	31	161
Net income before provision for income taxes	6,275	7,896
Income taxes	2,187	2,707
Income before minority interests	4,088	5,188
Net income	4,088	5,188

(Quarterly Consolidated Statements of Comprehensive Income)

(Third Quarter Consolidated Cumulative Period)

	(in millions of yen)	
	Third quarter of previous fiscal year (from April 1, 2013 to December 31, 2013)	Third quarter of current fiscal year (from April 1, 2014 to December 31, 2014)
Income before minority interests	4,088	5,188
Other comprehensive income		
Valuation difference on available-for-sale securities	70	894
Adjustments in retirement benefits	-	19
Share of other comprehensive income of affiliates accounted for using equity method	236	144
Total other comprehensive income	306	1,058
Comprehensive income	4,395	6,247
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	4,395	6,247
Comprehensive income attributable to minority 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.

(Segment information, etc.)

[Segment information]

- I Third quarter of previous fiscal year (from April 1, 2013 to December 31, 2013)
The Company and its consolidated subsidiaries have a single segment related to pharmaceutical business, and therefore the statement is omitted.

- II Third quarter of current fiscal year (from April 1, 2014 to December 31, 2014)
The Company and its consolidated subsidiaries have a single segment related to pharmaceutical business, and therefore the statement is omitted.