

(English Translation)

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2014 (under Japan GAAP)

May 12, 2014

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
Managing Executive Officer and
General Manager of Management
Division

Scheduled date of annual shareholders' meeting: June 20, 2014
Scheduled date of commencement of dividend payment: June 23, 2014
Scheduled date of filing of annual securities report: June 20, 2014
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, 2014
(From April 1, 2013 to March 31, 2014)

(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
Fiscal year ended March 31, 2014	¥103,622 million (10.3%)	¥7,383 million (-10.3%)	¥7,085 million (-16.3%)	¥4,588 million (-10.5%)
Fiscal year ended March 31, 2013	¥93,926 million (-%)	¥8,229 million (-%)	¥8,470 million (-%)	¥5,129 million (-%)

(Note)

Comprehensive income:

Fiscal Year Ended March 31, 2014: 5,250 million yen (2.0%)

Fiscal Year Ended March 31, 2013: 5,147 million yen (-%)

	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, 2014	¥104.75	¥104.67	8.0%	6.1%	7.1%
Fiscal year ended March 31, 2013	¥128.14	¥128.08	10.9%	8.9%	8.8%

(Reference)

Equity in net income of affiliates:

Fiscal Year Ended March 31, 2014: -236 million yen

Fiscal Year Ended March 31, 2013: - million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Fiscal year ended March 31, 2014	¥129,130 million	¥66,195 million	51.2%	¥1,112.19
Fiscal year ended March 31, 2013	¥102,921 million	¥48,810 million	47.4%	¥1,236.93

(Reference)

Equity:

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

Fiscal Year Ended March 31, 2013: 48,767 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, 2014	¥5,546 million	¥-9,826 million	¥20,676 million	¥21,269 million
Fiscal year ended March 31, 2013	¥9,770 million	¥-7,192 million	¥-3,294 million	¥4,889 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, 2013	¥-	¥16.00	¥-	¥16.00	¥32.00	¥1,275 million	25.0%	2.7%
Fiscal year ended March 31, 2014	¥-	¥16.00	¥-	¥12.30	¥28.30	¥1,373 million	27.0%	2.4%
Fiscal year ending March 31, 2015 (Forecast)	¥-	¥12.30	¥-	¥14.30	¥26.60		27.0%	

(Note)

Breakdown of Dividends for Fiscal Year Ending March 31, 2015 (Forecast):

Ordinary dividend, 12.30 yen

Commemorative dividend, 2.00 yen

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
Second quarter (cumulative total)	¥59,200 million (19.5%)	¥4,000 million (7.6%)	¥3,800 million (5.2%)	¥2,500 million (11.4%)	¥41.82
Annual	¥123,000 million (18.7%)	¥9,300 million (25.9%)	¥9,000 million (27.0%)	¥5,900 million (28.6%)	¥98.68

*Notes

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

New: -

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.: 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
- (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, 2014:	60,662,652 shares
As of March 31, 2013:	40,729,417 shares
 - (ii) Number of treasury shares as of the end of the period:

As of March 31, 2014:	1,081,597 shares
As of March 31, 2013:	1,115,392 shares
 - (iii) Average number of shares during the period:

Fiscal year ended March 31, 2014:	43,807,071 shares
Fiscal year ended March 31, 2013:	40,032,599 shares

(Note)

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

(For reference) Outline of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(1) Non-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
Fiscal year ended March 31, 2014	¥102,908 million (10.4 %)	¥7,435 million (0.6 %)	¥7,480 million (-2.2 %)	¥4,997 million (-47.0 %)
Fiscal year ended March 31, 2013	¥93,232 million (-%)	¥7,388 million (-%)	¥7,651 million (-%)	¥9,429 million (-%)

	Net income per share	Net income (fully diluted) per share
Fiscal year ended March 31, 2014	¥114.05	¥113.96
Fiscal year ended March 31, 2013	¥235.54	¥235.43

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Fiscal year ended March 31, 2014	¥125,443 million	¥65,776 million	52.4%	¥1,104.98
Fiscal year ended March 31, 2013	¥99,665 million	¥48,884 million	49.0%	¥1,238.46

(Reference)

Equity:

As of March 31, 2014: 65,697 million yen

As of March 31, 2013: 48,841 million yen

*** Presentation regarding execution of audit procedures**

These financial results are not subject to the audit procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, the audit procedures to consolidated financial statements are in progress.

*** Proper usage of the forecast of financial results, and other special matters**

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 description of the conditions underlying the forecast of financial results and considerations on usage of forecast of financial results, please refer to "*(1) Analysis of Operating Results*" in "*1. Analysis of Operating Results and Financial Position*" on page 2 of the Attachment.
2. Supplementary materials for financial results will be provided on the website of the Company on Monday, May 12, 2014.

*** Regarding changes in the monetary unit**

The line items and monetary amounts for other items in the corporate consolidated financial statements were heretofore represented in thousands of yen, however, the unit has been changed to millions of yen from the consolidated financial statements for the current fiscal year. The unit representation for the previous consolidated fiscal year has also been changed to millions of yen to facilitate comparison.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Operating Results for the Current Fiscal Year)

The Japanese economy saw a continuing upward trend in business confidence during the current consolidated fiscal year under review on the back of an improved export environment due to yen weakness and monetary measures adopted by the Bank of Japan; however, concerns over feelings of uncertainty in regard to the future linger from the consumption tax hike in April 2014 and other factors.

In the pharmaceutical industry, the Roadmap for Promotion of Use of Generic Pharmaceuticals announced by the Ministry of Health, Labor and Welfare in April 2013 set forth a target for generic drugs of 60% of the replaceable market by volume (long-listed official drugs plus generic drugs), and drug prices were also revised in April 2014. The revisions to the system simultaneously implemented have further spurred the promotion of the use of generic drugs through such means as increasing the points for the generic drug dispensing incentives and adding generic drug share by volume as a new coefficient to the function evaluation coefficient II for evaluation of hospitals with the DPC payment system.

Given this environment, we acquired the Fuji plant of a production subsidiary of Astellas Pharma, Inc. with the goal of stabilizing the supply of generic drugs and bringing production in-house in response to the expanding generic drug market. This commenced operations as the Shizuoka plant of Nichi-Iko Pharma Tech Co., Ltd. in April 2014.

We also engaged in strategic investment and business alliances, entering a capital alliance with Binex Co., Ltd. (South Korea) in an effort to develop the biosimilar business and ensure stable production, and also entering business alliances with local companies in Thailand and Vietnam, making our representative office in Thailand a local subsidiary, and establishing a U.S. subsidiary to gain entry into new markets.

The Company also held a commitment-type rights offering (allotment of listing-type stock acquisition rights without contribution) in December 2013 for purposes of future strategic investments. All of the stock acquisition rights were exercised, culminating in 12,837 million yen in capital paid in.

As a result, consolidated operating results for the fiscal year showed net sales of 103,622 million yen (93,926 million yen for the previous fiscal year), operating income of 7,383 million yen (8,229 million yen for the previous fiscal year), ordinary income of 7,085 million yen (8,470 million yen for the previous fiscal year), and net income of 4,588 million yen (5,129 million yen for the previous fiscal year). Substantial investments in the future, including an increase in depreciation expenses of 1,204 million yen and an increase in R&D expenses of 1,191 million yen, impacted income compared to the previous period.

Net sales by product were strong for Limaprost Alfadex tablets 5 μ g "Nichiiko," an oral prostaglandin E1 derivative; pravastatin sodium 5mg and 10mg tablets "Nichiiko," for treatment of hyperlipemia; B-Softening Lotion (0.3%), Ointment (0.3%),

and external spray (0.3%), for promoting better circulation and moisturizing the skin; rabeprazole sodium 10mg and 20mg tablets "Nichiiko," a proton pump inhibitor; donepezil Hydrochloride tablets 3mg and 5mg tablets "Nichiiko," 3mg and 5mg OD tablets "Nichiiko," and 0.5% granules "Nichiiko," for Alzheimer-type dementia; edaravone 30mg intravenous drip solution "Nichiiko," and 30mg bag "Nichiiko," a neuroprotectant; Lasix (furosemide) 10mg, 20mg, and 40mg tablets, a diuretic; atorvastatin 5mg and 10mg tablets "Nichiiko," for hypercholesterolemia, and other drugs, in addition to fexofenadine hydrochloride 30mg and 60mg tablets "SANIK," Japan's first authorized generic.

Strong sales for these drugs enabled us to achieve net sales on the order of 100,000 million yen, the goal set forth in Pyramid, the sixth medium-term business plan.

(Prospects for the Following Fiscal Year)

During the next consolidated fiscal year we will continue to work on development of infliximab (Trade name: Remicade), a biosimilar drug targeted for rapid introduction to the market, and on gaining market entry into Thailand and the U.S., in addition to the contributions that the newly acquired Shizuoka plant of Nichi-Iko Pharma Tech Co., Ltd. will make to operating results.

We are also reviewing Pyramid, the sixth medium-term business plan, since there have been changes in the environment surrounding the company in addition to reaching the third year review point for the four-year plan. For the fiscal year ending March 2015, we are projecting net sales of 123,000 million yen, operating income of 9,300 million yen, and ordinary income of 9,000 million yen as a result of that review. Net sales will be higher than initially planned in the Pyramid plan (initially 115,000 million yen), but operating income (initially 11,500 million) has been revised downward.

We will achieve our goal of sales exceeding 100,000 million yen, and all employees will work in concert to achieve our plan of taking the stage as "one of the top ten generic manufacturers in the world," noted in the medium-term plan.

(2) Analysis of Financial Position

(i) Assets, Liabilities and Net Assets

As of the end of the fiscal year under review, assets on a consolidated basis increased by 26,209 million yen from the previous fiscal year-end to reach 129,130 million yen. This was attributable to an increase in cash and deposits of 16,386 million yen, an increase in inventories assets of 4,518 million yen, an increase in investment securities of 4,365 million yen, and an increase of 1,197 million yen in long-term loans receivable, among other factors.

Liabilities increased by 8,824 million yen to 62,935 million yen. This was due to such factors as an increase in loans payable of 9,960 million yen, a decrease in notes and accounts payable of 9,301 million yen caused by increase in electronically recorded debts of 9,939 million yen, and a decrease in income taxes payable of 1,487 million yen.

Net assets on a consolidated basis increased by 17,385 million yen from the previous fiscal year-end to 66,195 million yen due to an increase in common stock of 6,418 million yen, an increase in the capital surplus of 6,404 million yen, an increase in retained earnings of 3,633 million yen, and an increase in foreign currency translation adjustment of 792 million yen, among other factors.

(ii) Cash Flows

For the fiscal year under review, cash and cash equivalents on a consolidated basis increased by 16,380 million yen from the previous fiscal year to 21,269 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 expenditures of 5,546 million yen. This was mainly due to a net cash inflow from 7,055 million yen in net income before provision for income taxes and 5,797 million yen in depreciation expenses booked, which exceeded the net expenditures due to a 4,898 million yen increase in inventories assets and 3,613 million yen for payment of income taxes.

(Cash flows from investing activities)

Net cash used in investing activities on a consolidated basis for the fiscal year under review amounted to a net increase in expenditures over income of 9,826 million yen. This was attributable to acquisition of property, plant and equipment of 4,717 million yen, expenditures of 2,757 million yen for the acquisition of investment securities, and expenditures of 1,189 million yen in expenditures for loans receivable, among other factors.

(Cash flows from financing activities)

Net cash provided by financing activities on a consolidated basis for the fiscal year under review amounted to a net increase in income over expenditures of 20,676 million yen. This was attributable to a net increase in income over expenditures from 12,614 million yen in income from the issuance of new shares and an increase of 9,960 million yen in short- and long-term loans payable, which exceeded the net increase in expenditures over income of 1,269 million yen for the payment of dividends.

(Reference) Trends in Cash Flow Indicators

	Fiscal year ended November 30, 2010	Fiscal year ended November 30, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Equity ratio	39.8%	53.9%	51.5%	47.4%	51.2%
Equity ratio on market value basis	144.8%	84.2%	83.1%	82.8%	73.6%
Interest-bearing debt to cash flows ratio (years)	6.9	11.5	5.2	2.0	5.2
Interest coverage ratio (times)	10.6	7.8	83.0	63.2	36.9

(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 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.*
5. *Fiscal year ended March 31, 2012 consists of four months due to the change of the Company's accounting period. Therefore, "Interest-bearing debt to cash flows ratio" and "Interest coverage ratio" for the period represent the amount of cash flow and interest payment for four months.*

- (3) Basic Strategy on Profit Sharing and Dividends for the Current Fiscal Year and Following Fiscal Years

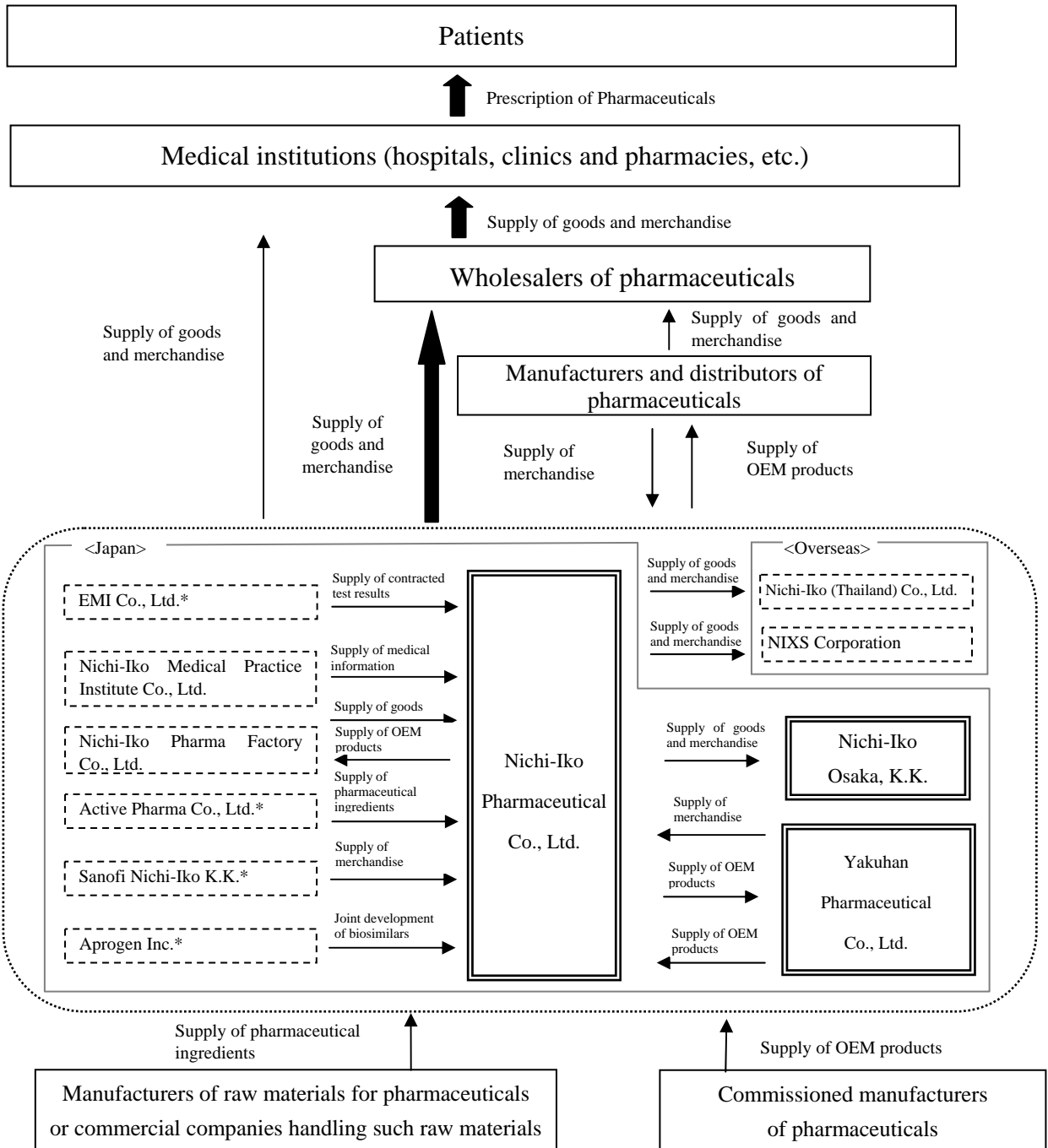
The Company's basic strategy on profit sharing is to continue appropriate distribution of profits to shareholders as well as to improve and enhance financial strength by maintaining internal reserves. We will therefore make effective use of internal reserves in the development of pharmaceuticals, gaining entry into new markets, and capital investments aimed at ensuring stable supply, while also sharing profits in line with operating results.

As we explained when we held the commitment-type rights offering (allotment of listing-type stock acquisition rights without contribution) last year, we plan on year-end dividends of 12.30 yen per share and dividends of 28.30 yen per share for the current fiscal year as a whole.

For the following fiscal year, the Company plans a dividend per share of 12.30 yen at the end of second quarter, and 12.30 yen at the end of the fiscal year, with another commemorative dividend of 2 yen for the 50th anniversary of the founding of the company which will occur in July 2015, resulting in an annual dividend of 26.60 yen per share.

2. Outline of the Group

The Group consists of the Company and 7 subsidiaries (of which 2 are consolidated subsidiaries (Yakuhan Pharmaceutical Co., Ltd. and Nichi-Iko Osaka, K.K.), 1 is a non-consolidated subsidiary accounted for by the equity method (EMI Co., Ltd.), 4 are non-consolidated subsidiaries not accounted for by the equity method (Nichi-Iko Medical Practice Institute Co., Ltd., Nichi-Iko Pharma Factory Co., Ltd., NIXS Corporation, and Nichi-Iko (Thailand) Co., Ltd.)), and 3 affiliates (affiliated companies accounted for by the equity method: Active Pharma Co., Ltd., Sanofi Nichi-Iko K.K. and Aprogen Inc.).



(Note) * Affiliates accounted for by the equity method

- : The Group
- : Consolidated subsidiaries within the Group
- : Non-consolidated subsidiaries and affiliates within the Group
- : Flow of products and services
- : Core distributions within the Group business

3. Management Policy

(1) Fundamental Management Policy of the Company

a. Fundamental Management Policy

The Group's management philosophy is "contribution to the society through development and supply of reliable pharmaceuticals."

Growth in medical spending due to rapid aging of population is causing persistent financial difficulties in health care insurance in Japan. Ongoing reforms of health care insurance system to streamline and rationalize medical costs are being promoted. In addition, various measures to promote generic pharmaceuticals usage are being implemented in recent years, as one of the approaches to decrease patients' charges and to improve financial situation of health care insurance.

The Group, based on full recognition of such societal demand, is willing to carry out its responsibility to its clients, shareholders, employees and other stakeholders of the company and contribute to society by developing its proactive business activities.

Under this management policy, the Group states "We, Nichi-Iko, provide value-added, high quality generic products, which meet various requirements from patients, doctors, pharmacists, wholesalers and pharmaceutical companies in the global market, as one of the most respected, well established generic company in the world," as its mission statement. We believe that maintaining long-term and sustainable relationship appropriately with each stakeholder including shareholders and ensuring accountability will contribute to the improvement of corporate value and shareholder profit of the Group.

b. Fundamental Policy relating to Corporate Governance

The Group acknowledges that the basics of corporate governance are full legal compliance, improvement of management transparency and corporate ethics, sound decision-making, prompt execution of operation, and considers fulfillment and enhancement of these elements as important management issues. The Group will actively make continuous efforts for the establishment of the system.

The Group, based on legal compliance and appropriate recognition of demands in society and various risks, will constantly readjust the decision-making process to optimize for bold challenge towards market trends, and will promote business efficiency and enhance its competitiveness.

(2) Mid- and Long-term Management Strategy of the Company and Issues to be Addressed

In recent years, coping with health-care expenses has become a crucial challenge for Japan. Widespread use of low-cost generic pharmaceuticals is being promoted as one measure to meet this need. In Japan, where the Ministry of Health, Labor and Welfare has announced a target of "increasing generic drugs' share by volume to 30% or more (an old criterion) by 2012" in June 2007, various measures have been implemented to promote their use. In the environment of increasing demand, the

Ministry of Health, Labor and Welfare has newly announced "Action Program to Promote Safe Use of Generic Drugs" with respect to stable supply, product quality and information disclosure by generic pharmaceuticals makers in October 2007, which explicitly states measures to promote usage of generic pharmaceuticals with securing of reliability.

Subsequently in April 2013, the Ministry of Health, Labor and Welfare announced "Road Map for Promotion of Further Use of Generic Pharmaceuticals," which stated that "new target share by volume for the generic pharmaceuticals shall be 60% or more (a new criterion) by the end of March 2018." Increasing trend of generic pharmaceuticals' demand is expected to continue.

Aiming for a prompt response to such changes in the market environment, the Company set forth the sixth medium-term business plan "Pyramid" (for the four fiscal years from April 2012 to March 2016) in March 2012. We will implement the following four strategies as we solidify our business foundation and enhance our organizational strength.

(i) Brand strategy

- To become an indispensable manufacturer of generics by continuing to provide customers worldwide with unique and satisfactory products and services that can only be provided by Nichi-Iko

(ii) Customer-friendly strategy

- To provide products and services that meet customer requests and identify customer requests so that Nichi-Iko can continuously improve Nichi-Iko's products and services

(iii) Differentiation strategy

- To encourage all employees to seek the value which Nichi-Iko can provide to customers in order to enhance its future competitiveness

(iv) Cost strategy

- To improve its cost management methods in order to continue generating profits

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(in millions of yen)	
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Assets		
Current assets		
Cash and deposits	5,309* ³	21,695* ³
Notes and accounts receivable	26,384* ⁶	27,857
Securities	-	1
Merchandise and finished goods	18,164	19,480
Work in process	4,270	5,985
Raw materials and supplies	5,695	7,183
Deferred tax assets	876	522
Other current assets	1,733	909
Allowance for doubtful accounts	(71)	(63)
Total current assets	62,362	83,572
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	15,053	14,818
Machinery and equipment, net	7,558	6,963
Tools, furniture and fixtures, net	663	711
Land	4,306* ⁵	4,439* ⁵
Lease assets, net	2,392	1,894
Construction in progress	438	922
Total property, plant and equipment	30,412* ^{2,*3}	29,750* ^{2,*3}
Intangible assets		
Goodwill	1,514	1,287
Lease assets	556	519
Other intangible assets	2,300	1,755
Total intangible assets	4,370	3,563
Investments and other assets		
Investment securities	4,202* ¹	8,568* ¹
Long-term loans receivable	735	1,932
Deferred tax assets	529	488
Other assets	572	1,401
Allowance for doubtful accounts	(264)	(147)
Total investments and other assets	5,775	12,244
Total fixed assets	40,558	45,558
Total assets	102,921	129,130

	(in millions of yen)	
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable	22,298 ^{*3,*6}	12,996 ^{*3}
Electronically recorded debts	-	9,939
Short-term loans payable	4,070 ^{*3}	11,856 ^{*3}
Current portion of long-term loans payable	2,815 ^{*3}	3,512 ^{*3}
Lease debts	953	966
Other payable	4,979	5,078
Accrued expenses	634	473
Income taxes payable	2,216	729
Deposits payable	157	59
Allowance for sales returns	77	85
Allowance for bonuses	536	558
Other current liabilities	143 ^{*6}	465
Total current liabilities	38,883	46,721
Fixed liabilities		
Long-term loans payable	9,497 ^{*3}	10,975 ^{*3}
Lease debts	2,207	1,616
Deferred tax liabilities	11	13
Deferred tax liabilities for land revaluation	255 ^{*5}	255 ^{*5}
Allowance for retirement benefits	3,192	-
Net defined benefit liability	-	3,290
Asset retirement obligations	55	55
Other fixed liabilities	9	7
Total fixed liabilities	15,228	16,213
Total liabilities	54,111	62,935
Net assets		
Shareholders' equity		
Common stock	13,557	19,976
Capital surplus	12,274	18,678
Retained earnings	24,428	28,061
Treasury stock	(1,904)	(1,753)
Deposit on subscriptions to treasury stock	-	0
Total shareholders' equity	48,356	64,962
Other comprehensive income		
Valuation difference on available-for-sale securities	113	161
Revaluation reserve for land	297 ^{*5}	297 ^{*5}
Foreign currency translation adjustment	-	792
Accumulated adjustments in retirement benefits	-	(97)
Total other comprehensive income	411	1,153
Stock acquisition rights	42	79
Total net assets	48,810	66,195
Total liabilities and net assets	102,921	129,130

(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, 2012 to March 31, 2013)	Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)
Net sales	93,926	103,622
Cost of sales	57,260 ^{*1,*3}	63,947 ^{*1,*3}
Gross profit	36,665	39,675
Allowance for sales returns	20	8
Gross profit, net	36,645	39,666
Selling, general and administrative expenses	28,416 ^{*2,*3}	32,282 ^{*2,*3}
Operating income	8,229	7,383
Non-operating income		
Interest income	18	20
Dividends income	83	25
Amortization of negative goodwill	3	-
Income from subsidiaries	-	126
Reimbursement for joint development cost	177	33
Compensation received	18	24
Foreign exchange gains	61	19
Others	213	287
Total non-operating income	575	537
Non-operating expenses		
Interest payment	155	149
Commissions paid	32	43
Loss on sales of accounts receivables	99	101
Stock issuance expenses	0	222
Equity in losses of affiliates	-	236
Others	46	81
Total non-operating expenses	334	835
Ordinary income	8,470	7,085
Extraordinary income		
Gain on sales of fixed assets	0 ^{*4}	1 ^{*4}
Gain on sales of investment securities	160	-
Total extraordinary income	160	1
Extraordinary loss		
Loss on disposal of fixed assets	98 ^{*5}	27 ^{*5}
Loss on valuation of investment securities	0	4
Product voluntary recall cost	362	-
Others	0	-
Total extraordinary loss	461	31
Net income before provision for income taxes	8,169	7,055
Income taxes - current	3,353	2,106
Income taxes - deferred	(313)	360
Total income taxes	3,039	2,466
Income before minority interests	5,129	4,588
Net income	5,129	4,588

(Consolidated Statements of Comprehensive Income)

	(in millions of yen)	
	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)
Income before minority interests	5,129	4,588
Other comprehensive income		
Valuation difference on available-for-sale securities	17	163
Revaluation reserve for land	0	-
Share of other comprehensive income of affiliates accounted for using equity method	-	498
Total other comprehensive income	17*	662*
Comprehensive income	5,147	5,250
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	5,147	5,250
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Net Assets
 Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)

(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	13,557	12,321	20,360	(1,104)	-	45,135
Changes during the year						
Issuance of new shares						
Cash dividends paid			(1,062)			(1,062)
Net income			5,129			5,129
Acquisition of treasury stock				(991)		(991)
Disposal of treasury stock		(47)		203		156
Increase in deposit for subscriptions to treasury stock						
Parent company stock held by newly consolidated subsidiary				(12)		(12)
Increase in retained earnings accompanying change in affiliates accounted for using equity method						
Net changes in items other than shareholders' equity						
Total changes during the year	-	(47)	4,067	(799)	-	3,220
Balance at the end of the year	13,557	12,274	24,428	(1,904)	-	48,356

	Other comprehensive income					Stock acquisition rights	Total net assets
	Valuation difference on available for sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Accumulated adjustments to retirement benefits	Total other comprehensive income		
Balance at the beginning of year	95	297	-	-	393	-	45,528
Changes during the year							
Issuance of new shares							
Cash dividends paid							(1,062)
Net income							5,129
Acquisition of treasury stock							(991)
Disposal of treasury stock							156
Increase in deposit for subscriptions to treasury stock							
Parent company stock held by newly consolidated subsidiary							(12)
Increase in retained earnings accompanying change in affiliates accounted for using equity method							
Net changes in items other than shareholders' equity	17	0	-	-	17	42	60
Total changes during the year	17	0	-	-	17	42	3,281
Balance at the end of the year	113	297	-	-	411	42	48,810

Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)

(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	13,557	12,274	24,428	(1,904)	-	48,356
Changes during the year						
Issuance of new shares	6,418	6,418				12,837
Cash dividends paid			(1,268)			(1,268)
Net income			4,588			4,588
Acquisition of treasury stock				(39)		(39)
Disposal of treasury stock		(13)		189		175
Increase in deposit for subscriptions to treasury stock					0	0
Parent company stock held by newly consolidated subsidiary						
Increase in retained earnings accompanying change in affiliates accounted for using equity method			312			312
Net changes in items other than shareholders' equity						
Total changes during the year	6,418	6,404	3,633	150	0	16,606
Balance at the end of the year	19,976	18,678	28,061	(1,753)	0	64,962

	Other comprehensive income					Stock acquisition rights	Total net assets
	Valuation difference on available for sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Accumulated adjustments to retirement benefits	Total other comprehensive income		
Balance at the beginning of year	113	297	-	-	411	42	48,810
Changes during the year							
Issuance of new shares							12,837
Cash dividends paid							(1,268)
Net income							4,588
Acquisition of treasury stock							(39)
Disposal of treasury stock							175
Increase in deposit for subscriptions to treasury stock							0
Parent company stock held by newly consolidated subsidiary							
Increase in retained earnings accompanying change in affiliates accounted for using equity method							312
Net changes in items other than shareholders' equity	47	-	792	(97)	742	36	778
Total changes during the year	47	-	792	(97)	742	36	17,385
Balance at the end of the year	161	297	792	(97)	1,153	79	66,195

(4) Consolidated Statements of Cash Flows

	(in millions of yen)	
	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Net income before provision for income taxes	8,169	7,055
Depreciation	4,592	5,797
Amortization of goodwill	179	226
Amortization of negative goodwill	(3)	-
Increase (decrease) in allowance for doubtful accounts	(274)	(125)
Increase (decrease) in allowance for retirement benefits	230	-
Increase (decrease) in net defined benefit liability	-	(44)
Increase (decrease) in allowance for sales returns	20	8
Increase (decrease) in allowance for bonuses	53	21
Interest and dividends income	(101)	(46)
Interest payment	155	149
Equity in (earnings) losses of affiliates	-	236
Loss (gain) on sales of investment securities	(160)	-
Loss (gain) on valuation of investment securities	0	4
Loss (gain) on sales of fixed assets	(0)	(1)
Loss (gain) on disposal of fixed assets	98	27
Stock issuance expenses	0	222
(Increase) decrease in accounts receivable	(2,498)	(1,460)
(Increase) decrease in inventories assets	(5,496)	(4,898)
Increase (decrease) in accounts payable	6,102	637
Increase (decrease) in accrued expenses	159	(135)
Other	292	1,524
Sub-total	11,520	9,200
Interest and dividends received	101	110
Interest payment	(154)	(150)
Income taxes paid	(1,696)	(3,613)
Net cash provided by operating activities	9,770	5,546
Cash flows from investing activities		
Deposits in fixed deposits	(57)	(6)
Withdrawal from fixed deposits	332	-
Sales of securities	0	-
Acquisition of investment securities	(33)	(2,757)
Sales of investment securities	88	223
Acquisition of property, plant and equipment	(7,422)	(4,717)
Sales of property, plant and equipment	9	16
Acquisition of intangible assets	(16)	(94)
Acquisition of stocks of subsidiaries and associates	(7)	(319)
Net increase from sales of investments in subsidiaries related to changes in scope of consolidation	40	-
Payments for loans receivable	-	(1,189)

	(in millions of yen)	
	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)
Proceeds from loans receivable	4	31
Other	(130)	(1,013)
Net cash used in investing activities	(7,192)	(9,826)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(1,780)	7,786
Proceeds from long-term loans payable	6,070	5,200
Repayment of long-term loans payable	(4,955)	(3,025)
Proceeds from issuance of common shares	-	12,614
Acquisition of treasury stock	(991)	(39)
Sales of treasury stock	156	166
Expenditures for acquisition of treasury stock acquisition rights	-	(149)
Income from sale of treasury stock acquisition rights	-	354
Proceeds from exercise of stock options	-	0
Repayments of finance lease debts	(724)	(960)
Dividends paid	(1,070)	(1,269)
Net cash used in financing activities	(3,294)	20,676
Effect of exchange rate changes on cash and cash equivalents	1	(16)
Net increase (decrease) in cash and cash equivalents	(715)	16,380
Cash and cash equivalents at beginning of year	5,605	4,889
Cash and cash equivalents at end of year	4,889	21,269

(5) Notes to Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Significant matters that form the basis for preparing the consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 2

Names of major consolidated subsidiaries:

Yakuhan Pharmaceutical Co., Ltd.
Nichi-Iko Osaka, K.K.

(2) Name of major non-consolidated subsidiaries, etc.:

Major non-consolidated subsidiaries:

EMI Co., Ltd.
Nichi-Iko Medical Practice Institute Co., Ltd.
Nichi-Iko Pharma Factory Co., Ltd.,
NIXS Corporation
Nichi-Iko (Thailand) Co., Ltd.

(Reason of excluding from the scope of consolidation)

The non-consolidated subsidiary has been excluded from the scope of consolidation due to the fact that its total assets, net sales, net income or loss (proportionate to equity interest held by the Company) and retained earnings (proportionate to equity interest held by the Company) have no material impact on the consolidated financial statements.

2. Application of equity method

(1) Number of non-consolidated subsidiary accounted for under the equity method: 1

EMI Co., Ltd.

EMI Co., Ltd. has increased in importance and has thus been included in the scope of equity method accounting from the current fiscal year.

(2) Number of affiliates accounted for by the equity method: 3

Active Pharma Co., Ltd.
Sanofi Nichi-Iko K.K.
Aprogen Inc.

Active Pharma Co., Ltd., Sanofi Nichi-Iko K.K., and Aprogen Inc. have increased in importance and have thus been included in the scope of equity method accounting from the current fiscal year.

- (3) Non-consolidated subsidiary and affiliates not accounted for under the equity method (Nichi-Iko Medical Practice Institute Co., Ltd., Nichi-Iko Pharma Factory Co., Ltd., NIXS Corporation, and Nichi-Iko (Thailand) Co., Ltd.) have been excluded from the scope of application of the equity method as their net income or loss (proportionate to equity interest held by the Company) and retained earnings (proportionate to equity interest held by the Company), have minimal impact on the consolidated financial statements even if such companies are excluded from the scope of equity method, and are not significant as a whole.

3. Fiscal years of consolidated subsidiaries

The fiscal year-ends of the consolidated subsidiaries correspond to the consolidated fiscal year-end.

Nichi-Iko Osaka, K.K. has changed its fiscal year-end to March 31 to correspond to the consolidated fiscal year-end.

4. Accounting standards

(1) Valuation standards and methods for significant assets

A. Securities

a. Held-to-maturity debt securities

Carried at amortized cost (straight-line method)

b. Other securities

(i) Quoted securities

Stated at market value based on market prices, etc. as of the balance sheet date

(unrealized gains or losses are calculated by directly charged or credited method to net assets, while the cost of securities sold is calculated by the moving average method)

(ii) Unquoted securities

Stated at cost using moving average method

B. Inventories

Stated primarily at cost using periodic average method (the balance sheet value is calculated reflecting write-down due to decline in profitability)

(2) Depreciation and amortization methods for significant depreciable assets

A. Property, plant and equipment (excluding lease assets)

Primarily by declining balance method

Except for the buildings (excluding facilities therein) acquired on or after April 1, 1998, which is accounted for by straight-line method

Principal useful lives of depreciable assets are as follows:

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 17 years

B. Intangible assets (excluding lease assets)

By straight-line method

Software for internal use is amortized by straight-line method over the estimated internal useful life (5 years).

C. Lease assets

Leased assets are depreciated by straight-line method over the lease term as the useful life, with a residual value of zero.

Finance lease transactions that do not involve transfer of ownership to the lessee, which commenced on or before November 30, 2008 are accounted for by the method applicable to ordinary operating lease transactions.

(3) Accounting standards for significant allowances and provisions

A. Allowance for doubtful accounts

To provide for losses on irrecoverable debt, allowance for doubtful accounts are recorded for at an estimated irrecoverable amount, based on the loan loss ratio for general claims, and taking into consideration the recoverability thereof on a case-by-case basis for specific claims, including doubtful accounts receivable.

B. Allowance for sales returns

To provide for losses on sales returns, allowance for sales returns are recorded for at an estimated margin on sales, based on the sales return ratio.

C. Allowance for bonuses

To provide for payment of employees' bonuses, allowance for bonuses are recorded based on the estimated amounts payable at an amount attributable to the current consolidated fiscal year.

(4) Method of accounting for retirement benefits

A. Periodic allocation method for projected retirement benefits

Retirement benefit obligations are calculated according to the straight-line standard for the method of attributing projected retirement benefits to the period extending up to the end of the current consolidated fiscal year.

B. Method of accounting for actuarial gains or losses and gains and losses from changes in the accounting standard

Differences due to changes in accounting principles are amortized by the straight-line method over 15 years, and recorded at each fiscal period.

Actuarial differences are amortized proportionately by the declining balance method over a fixed number of years (8 years) within the average remaining service period of employees at the time of occurrence of such differences, from the following fiscal year.

(5) Significant hedge accounting methods

A. Hedge accounting method

Interest swap contracts qualifies for exceptional accounting, therefore exceptional accounting is applied.

B. Hedging instruments and hedged items

Hedging methods:	Interest rate swap contracts
Eligible for hedging:	Interest on loans payable

C. Hedging policies

Interest swap contract is used to hedge the risk of interest rate fluctuations on financing.

D. Method for assessment of hedge effectiveness

Exceptional accounting is applied for interest swap contracts, therefore assessment of hedge effectiveness is omitted.

(6) Method and term of amortization of goodwill

Goodwill and negative goodwill, which arose by merger etc. conducted on or before April 1, 2010 is amortized by straight-line method over a period reasonably estimated to have effects thereof. Amortization period is from 5 to 10 years.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term, highly liquid investments with maturities of three months or less from the acquisition date and minimal risk of change in value.

(8) Other basic significant matters for preparation of consolidated financial statements

Accounting for consumption taxes:

Transactions are recorded by net of consumption taxes method.

(New accounting standards not yet effected)

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

This amended the method to one where actuarial gains and losses and past service costs are recognized in the net assets section of the consolidated balance sheet after adjustment for tax effects, and the deficit or surplus representing the status of reserves is booked as a liability or an asset. The method for attributing projected retirement benefits to periods was revised to enable application of a formula basis for calculating retirement benefits in addition to the straight-line basis, and the method for calculating the discount rate was revised.

(2) Expected date of application

This became effective from the consolidated financial statements for fiscal year ended March 2014. However, the method for attributing projected retirement benefits to periods and the method for calculating the discount rate will take effect from the beginning of fiscal year ending March 2015. It has been stipulated that this accounting standard and guidance will be handled in stages so they will not be retroactively applied to the consolidated financial statements for previous periods.

(3) Impact from application of the Accounting Standard and Guidance

The company is currently in the process of evaluating the impact on the consolidated financial statements.

(Change in presentation methods)

Consolidated Statements of Income

"Stock issuance expenses," which were included in "Others" under "Non-operating expenses" in the previous consolidated fiscal year, exceeded 10 percent of the total non-operating expenses, and thus are presented as a separate line item from the current consolidated fiscal year.

As a result, the 46 million yen included in "Others" under "Non-operating expenses" in the Consolidated Statements of Income for the previous fiscal year, has been reclassified as "Stock issuance expenses" of 0 million yen and 46 million yen in "Others."

"Loss on valuation of investment securities," which were included in "Others" under "Extraordinary loss" in the previous consolidated fiscal year, exceeded 10 percent of the total extraordinary losses, and thus are presented as a separate line item from the current consolidated fiscal year. The consolidated financial statements for the previous consolidated fiscal year are reclassified to reflect this change in presentation method.

As a result, the 0 million yen included in "Others" under "Extraordinary loss" in the Consolidated Statements of Income for the previous fiscal year is reclassified as a "Loss on valuation of investment securities" of 0 million yen and "Others" of 0 million yen.

Consolidated Statements of Cash Flows

"Stock issuance expenses," which were included in "Others" under "Cash flows from operating activities" during the previous consolidated fiscal year increased in significance, and thus are presented as a separate line item from the current consolidated fiscal year. The consolidated financial statements for the previous consolidated fiscal year are reclassified to reflect this change in presentation method.

As a result, the 292 million yen included in "Other" under "Cash flows from operating activities" in the Consolidated Statements of Cash Flows for the previous fiscal year has been reclassified as "Stock issuance expenses" of 0 million yen and "Other" of 292 million yen.

(Changes in accounting policies)

Application of the 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") will be applied from the end of the current consolidated fiscal year (excluding the language in Paragraph 35 of the Retirement Benefits Accounting Standard and the language in Paragraph 67 of the Guidance on Retirement Benefits, however), changing to the method for recognizing retirement benefit obligations as net defined benefit liability, and recognizing unrecognized actuarial gains and losses and unrecognized differences from changes in the accounting standard as net defined benefit liability.

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 were to the accumulated adjustments in retirement benefits in Accumulated other comprehensive income at the end of the current consolidated fiscal year.

As a result, 3,290 million yen in net defined benefit liability were recognized and accumulated other comprehensive income was reduced by 97 million yen at the end of the current consolidated fiscal year.

(Additional information)

Accounting treatment of "Employee Shareholding Incentive Plan"

The Company has introduced "Employee Shareholding Incentive Plan" (the "Plan") from July 2011 for the purpose of giving the employees of the Group incentives for the mid- and long-term corporate value improvement.

The Plan sets up "Nichi-Iko Employee Shareholding Trust" (the "EST"), which prospectively acquires the Company's shares according to the size to be acquired by "Nichi-Iko Employee Shareholding Association" (the "Shareholding Association") over 5 years after its establishment, and sells such shares to Shareholding Association each month until the end of the trust period. EST borrows from banks under guarantee of the Company to acquire shares of the Company.

If the equivalent amount of the gain on sale of the Company's shares accumulated in EST through the sales to the Shareholding Association at the end of the trust period, the equivalent amount of the gain on sale of the Company's shares shall be distributed to qualified beneficiaries as residual assets of the trust. If the equivalent amount of the loss on sale of the Company's shares accumulated in EST due to decline in prices of the Company's shares, the Company shall reimburse the remaining amount of loans payable equivalent to such amount of the loss on sale of the Company's shares in accordance with the loan contract with limited recourse.

The EST places importance on economic reality and treats the Company and EST as a single entity in accounting. Consequently, the Company's shares held by EST, assets and liabilities, costs and income of EST is recorded in Consolidated Balance Sheet, Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Net Assets and Consolidated Statements of Cash Flows. The number of Company's shares held by EST as of the end of current consolidated fiscal year is 206,100 shares.

(Consolidated Balance Sheet)

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

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Investment securities (shares of stock)	3,082	4,446

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

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
	23,731	28,073

- *3 Pledged assets and secured debt

Pledged assets pledged as collateral are as follows:

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Buildings and structures	1,794	1,756
Machinery and equipment	281	190
Tools, furniture and fixtures	8	4
Land	1,114	1,114
Cash and deposits (fixed deposits)	50	10
Total	3,249	3,076

Secured debt is as follows:

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Accounts payable	32	23
Short-term loans payable	520	678
Current portion of long-term loans payable	196	194
Long-term loans payable	3,591	3,393
Total	4,340	4,289

*4 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, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Active Pharma Co., Ltd.	512	1,301

*5 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, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Difference between the market value of land revaluation at the end of the period and the book value after revaluation	(756)	(778)

*6 Notes receivable matured at the end of the consolidated fiscal year

Notes receivable maturing on the last day of the consolidated fiscal year have been processed as if settled on the maturity date. Amounts of notes receivable matured at the end of the consolidated fiscal year are as follows:

(in millions of yen)		
	Previous Consolidated Fiscal Year (As of March 31, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Notes receivable	587	-
Notes payable	94	-
Current liabilities and others (non-operating notes payable)	10	-

(Consolidated Statement 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, 2012 to March 31, 2013)	Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)
	223	471

- *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, 2012 to March 31, 2013)	Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)
Sales promotion expense	12,187	13,705
Salaries and allowances	4,267	4,611
Provision of allowance for bonuses	279	294
Research and development expenses	3,250	4,441
Provision for allowance for doubtful accounts	(199)	(35)
Retirement benefits expenses	220	201
Amortization of goodwill	179	226

- *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, 2012 to March 31, 2013)	Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)
	3,250	4,441

- *4 Details of gain on sales of fixed assets are as follows:

	(in millions of yen)	
	Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)	Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)
Machinery and equipment	0	1

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

	(in millions of yen)	
	Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)	Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)
Buildings and structures	81	25
Machinery and equipment	14	0
Tools, furniture and fixtures	2	1
Software	0	-
Total	98	27

(Consolidated Statements of Comprehensive Income)

* Recycling and tax effect relating to other comprehensive income

	(in millions of yen)	
	Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)	Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)
Valuation difference on available-for-sale securities:		
Amount for the period	155	249
Recycling	(171)	0
Before tax effect	(15)	249
Tax effect	33	(85)
Valuation difference on available-for-sale securities	17	163
Revaluation reserve for land:		
Tax effect	0	-
Share of other comprehensive income of affiliates accounted for using equity method:		
Amount for the period	-	498
Total other comprehensive income	17	662

(Consolidated Statements of Changes in Net Assets)

Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)

1. Class and total number of issued shares and class and number of treasury stock

	Number of shares at the beginning of current consolidated fiscal year (share)	Number of shares increased during current consolidated fiscal year (share)	Number of shares decreased during current consolidated fiscal year (share)	Number of shares at the end of current consolidated fiscal year (share)
Total number of issued shares				
Common stock	40,729,417	-	-	40,729,417
Total	40,729,417	-	-	40,729,417
Treasury stock (Note)				
Common stock held by the Company	314,978	561,414	-	876,392
Common stock held by the EST	331,000	-	92,000	239,000
Total	645,978	561,414	92,000	1,115,392

(Note)

The 561,414 share increase in common treasury stock is due to the payback of 550,000 shares of treasury stock, the purchase of 397 shares of shares less than one unit and the increase of 11,017 shares resulting from consolidation of Nichi-Iko Pharmaceutical Osaka, K.K. which holds shares of the Company, and the decrease of 92,000 shares is due to the transfer from the EST to the Shareholding Association.

2. Stock acquisition rights

Category	Breakdown of stock acquisition rights	Class of shares in the scope of the stock acquisition rights	Number of shares in the scope of the stock acquisition rights (share)				Balance at the end of current consolidated fiscal year
			At the beginning of current consolidated fiscal year	Increase during current consolidated fiscal year	Decrease during current consolidated fiscal year	At the end of current consolidated fiscal year	
Submitting company (parent company)	Stock acquisition rights as stock options	-	-	-	-	-	¥42 million
Total		-	-	-	-	-	¥42 million

3. Dividends
 (1) Dividend payments

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend amount per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 22, 2012	Common stock	432 (Note 1)	10.70	March 31, 2012	June 25, 2012
Board of directors' meeting on November 13, 2012	Common stock	637 (Note 2)	16.00	September 30, 2012	December 10, 2012

(Notes)

1. *Total amount of dividends includes dividends amounting to 3 million yen for 331,000 shares of the Company held by the EST.*
2. *Total amount of dividends includes dividends amounting to 4 million yen for 286,800 shares of the Company held by the EST.*

(2) Of dividends with a record date falling in the current consolidated fiscal year, those with an effective date falling in the following consolidated fiscal year

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend resource	Dividend amount per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 21, 2013	Common stock	637 (Note)	Retained earnings	16.00	March 31, 2013	June 24, 2013

(Note)

Total amount of dividends includes dividends amounting to 3 million yen for 239,000 shares of the Company held by the EST and dividends amounting to 0 million yen for treasury stock (shares of the Company) held by consolidated subsidiaries.

Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)

1. Class and total number of issued shares and class and number of treasury stock

	Number of shares at the beginning of current consolidated fiscal year (share)	Number of shares increased during current consolidated fiscal year (share)	Number of shares decreased during current consolidated fiscal year (share)	Number of shares at the end of current consolidated fiscal year (share)
Total number of issued shares				
Common stock	40,729,417	19,933,235	-	60,662,652
Total	40,729,417	19,933,235	-	60,662,652
Treasury stock (Note)				
Common stock held by the Company	876,392	2,081	2,976	875,497
Common stock held by the EST	239,000	52,700	85,600	206,100
Total	1,115,392	54,781	88,576	1,081,597

(Note)

The 54,781 share increase in common treasury stock consists of 52,700 shares of the company exercised from the 2013 No. 5 stock acquisition rights (rights offering) acquired by the EST, and 2,081 in shares of less than one unit purchased; the 88,576 share decrease consists of 2,590 shares from stock options exercised, 310 shares sold upon request for additional purchase of shares of less than one unit, 76 shares of the company sold by the consolidated subsidiary, Nichi-iko Osaka K.K., and a decrease of 85,600 shares transferred from the EST to the Employee Shareholding Association.

2. Stock acquisition rights

Category	Breakdown of stock acquisition rights	Class of shares in the scope of the stock acquisition rights	Number of shares in the scope of the stock acquisition rights (share)				Balance at the end of current consolidated fiscal year
			At the beginning of current consolidated fiscal year	Increase during current consolidated fiscal year	Decrease during current consolidated fiscal year	At the end of current consolidated fiscal year	
	Stock acquisition rights as stock options	-	-	-	-	-	¥79 million
Submitting company (parent company)	2013 No. 5 stock acquisition rights (rights offering) (Notes 1,2) (Treasury stock acquisition rights) (Notes 3,4)	Common stock	- (-)	19,933,235 (475,067)	19,933,235 (475,067)	- (-)	- (-)
	Total	-	-	-	-	-	¥79 million

(Notes)

1. *The increase in 2013 No. 5 stock acquisition rights during the current consolidated fiscal year is due to the issue of stock acquisition rights.*
2. *The decrease in 2013 No. 5 stock acquisition rights during the current consolidated fiscal year is due to the exercise of stock acquisition rights.*
3. *The increase in 2013 No. 5 treasury stock acquisition rights during the current consolidated fiscal year is due to the acquisition of stock acquisition rights.*
4. *The decrease in 2013 No. 5 treasury stock acquisition rights during the current consolidated fiscal year is due to the transfer of stock acquisition rights.*

3. Dividends

(1) Dividend payments

Resolution	Class of shares	Total amount of dividends (in millions of yen)	Dividend amount per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 21, 2013	Common stock	637 (Note 1)	16.00	March 31, 2013	June 24, 2013
Board of directors' meeting on November 6, 2013	Common stock	637 (Note 2)	16.00	September 30, 2013	December 10, 2013

(Notes)

1. Total amount of dividends includes dividends amounting to 3 million yen for 239,000 shares of the Company held by the EST.
2. Total amount of dividends includes dividends amounting to 3 million yen for 201,100 shares of the Company held by the EST.

(2) Of dividends with a record date falling in the current consolidated fiscal year, those with an effective date falling in the following consolidated fiscal year

Resolution	Class of shares	Total amount of dividends (in millions of yen)	Dividend resource	Dividend amount per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 20, 2014	Common stock	735 (Note)	Retained earnings	12.30	March 31, 2014	June 23, 2014

(Note)

Total amount of dividends includes dividends amounting to 2 million yen for 206,100 shares of the Company held by the EST and dividends amounting to 0 million yen for treasury stock (shares of the Company) held by consolidated subsidiaries.

(Financial instruments)

1. Status of financial instruments

(1) Guidelines for financial instruments

The Group raises necessary fund through bank loans based on the payment plan regarding business transactions and the capital expenditure plan, etc. for the production and sale of pharmaceuticals. If there are temporary surplus funds, they are invested in safe and secure short-term deposits, etc. Derivatives trading is used to

hedge the interest rate risk on borrowings; the company does not engage in speculative transactions.

(2) Details of financial instruments and risks thereof and the risk management system

Notes and accounts receivable are operating receivables and exposed to credit risk of our customers. As to the relevant risk, in accordance with the credit management regulations, the Group controls due date and balance by counterparty and monitors credit status of major counterparties on a regular basis in order to recognize default possibility resulting from deterioration in financial conditions at an early stage and reduce the possibility.

Shares and bonds are securities and investment securities and exposed to credit risk of the Issuer and volatility risk of market prices. Shares are mainly those of companies with business relationship, and as to bonds, economic and financial situation are assessed from time to time and assessed market values are reported to the board of directors periodically.

Notes and accounts payable, electronically recorded debts, other payable, accrued expenses and income taxes payable are operating payables and become due within one year.

Of loans payable, short-term loans payable are mainly funding working capital for business transactions, and the Group raises funds with floating rate reflecting market situation in the short-term domestic market. Long-term loans payable are mainly funding for capital expenditures. As to the part of those loans, the Group trades interest rate swaps to hedge the interest rate risk for funding.

Operating payables and loans payables are exposed to liquidity risk, and the Group manages by preparing funding plans monthly and on a timely basis and by other means.

(3) Supplemental explanation on market values of financial instruments, etc.

Market values of financial instruments include values based on a market price and, if market prices are not available, values reasonably assessed. Assessment of the relevant values incorporates variable factors, and the relevant values may fluctuate by adopting different prerequisites, etc.

2. Market value of financial instruments, etc.

The table below shows the book value and market value of financial instruments and the difference between them (financial instruments that are not significant are omitted). Financial instruments whose market value is very difficult to assess are not included in the table (please see (Note 2)).

Previous Consolidated Fiscal Year (as of March 31, 2013)

(in millions of yen)

	Book value on the consolidated balance sheet	Market value	Difference
(1) Cash and deposits	5,309	5,309	-
(2) Notes and accounts receivable	26,384	26,384	-
(3) Securities and investment securities			
Held-to-maturity debt securities	1	1	-
Other securities	842	842	-
Total assets	32,536	32,536	-
(4) Notes and accounts payable	22,298	22,298	-
(5) Electronically recorded debts	-	-	-
(6) Short-term loans payable	4,070	4,070	-
(7) Other payable	4,979	4,979	-
(8) Accrued expenses	634	634	-
(9) Income taxes payable	2,216	2,216	-
(10) Long-term loans payable (including current portion)	12,313	12,330	17
(11) Derivatives trading	-	-	-
Total liabilities	46,511	46,529	17

Current Consolidated Fiscal Year (as of March 31, 2014)

(in millions of yen)

	Book value on the consolidated balance sheet	Market value	Difference
(1) Cash and deposits	21,695	21,695	-
(2) Notes and accounts receivable	27,857	27,857	-
(3) Securities and investment securities			
Held-to-maturity debt securities	1	1	-
Other securities	3,355	3,355	-
Total assets	52,909	52,909	-
(4) Notes and accounts payable	12,996	12,996	-
(5) Electronically recorded debts	9,939	9,939	-
(6) Short-term loans payable	11,856	11,856	-
(7) Other payable	5,078	5,078	-
(8) Accrued expenses	473	473	-
(9) Income taxes payable	729	729	-
(10) Long-term loans payable (including current portion)	14,487	14,496	8
(11) Derivatives trading	-	-	-
Total liabilities	55,561	55,569	8

(Notes)

1. *Method of calculation of market value of financial instruments and matters relating to securities and derivatives trading.*

Assets

(1) Cash and deposits, (2) Notes and accounts receivable

Since they are settled in the short term, market values are close to book values. Therefore, they are recorded at book values.

(3) Securities and investment securities

Market values of shares, etc. refer to prices set by exchange markets, etc. For matters relating to securities classified according to holding purpose, please see "Securities" in the Notes to Consolidated Financial Statements.

Liabilities

(4) Notes and accounts payable, (5) Electronically recorded debts, (6) Short-term loans payable, (7) Other payable, (8) Accrued expenses, (9) Income taxes payable

Since they are settled in the short term, market values are close to book values. Therefore, they are recorded at book values.

(10) Long-term loans payable

Market values of long-term loans payable which meet the criteria for the preferential procedure for long-term loans payable and interest rate swaps and have been processed together with interest rate swaps as a whole are determined at present

values, calculated by discounting the total amount of principal at a possible interest rate in case of a similar new borrowing.

(11) Derivatives trading

Please see "Derivatives trading" in the Notes to Consolidated Financial Statements.

2. Financial instruments whose market value is very difficult to assess

(in millions of yen)

Category	Previous Consolidated Fiscal Year (As of March 31, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Other securities		
Unlisted shares	277	766
Shares of subsidiaries and affiliates		
Shares of subsidiaries	191	840
Shares of affiliates	2,891	3,606

They are not included in "(3) Securities and investment securities" since they do not have market prices and it is very difficult to assess their market values.

3. Scheduled amounts of redemption after the consolidated closing date of pecuniary claims and securities having maturity dates

Previous Consolidated Fiscal Year (as of March 31, 2013)

(in millions of yen)

	1 year or less	From 1 year up to and including 5 years	From 5 years up to and including 10 years	Over 10 years
Cash and deposits	5,309	-	-	-
Notes and accounts receivable	26,384	-	-	-
Securities and investment securities				
Held-to-maturity debt securities				
Others	-	1	-	-
Total assets	31,693	1	-	-

Current Consolidated Fiscal Year (as of March 31, 2014)

(in millions of yen)

	1 year or less	From 1 year up to and including 5 years	From 5 years up to and including 10 years	Over 10 years
Cash and deposits	21,695	-	-	-
Notes and accounts receivable	27,857	-	-	-
Securities and investment securities				
Held-to-maturity debt securities				
Others	1	-	-	-
Total assets	49,554	-	-	-

4. Scheduled amounts of repayment of short-term loans payable and long-term loans payable after the consolidated closing date

Previous Consolidated Fiscal Year (as of March 31, 2013)

(in millions of yen)

	1 year or less	From 1 year up to and including 2 years	From 2 years up to and including 3 years	From 3 years up to and including 4 years	From 4 years up to and including 5 years	Over 5 years
Short-term loans payable	4,070	-	-	-	-	-
Long-term loans payable	2,815	2,852	3,123	2,245	512	763
Total	6,885	2,852	3,123	2,245	512	763

Current Consolidated Fiscal Year (as of March 31, 2014)

(in millions of yen)

	1 year or less	From 1 year up to and including 2 years	From 2 years up to and including 3 years	From 3 years up to and including 4 years	From 4 years up to and including 5 years	Over 5 years
Short-term loans payable	11,856	-	-	-	-	-
Long-term loans payable	3,512	3,783	2,895	2,167	1,678	450
Total	15,368	3,783	2,895	2,167	1,678	450

(Securities)

1. Held-to-maturity debt securities

Previous Consolidated Fiscal Year (as of March 31, 2013)

(in millions of yen)

Category	Book value on the consolidated balance sheet	Market value	Difference
Market value exceeding book value on the consolidated balance sheet			
Others	-	-	-
Sub-total	-	-	-
Market value not exceeding book value on the consolidated balance sheet			
Others	1	1	-
Sub-total	1	1	-
Total	1	1	-

Current Consolidated Fiscal Year (as of March 31, 2014)

(in millions of yen)

Category	Book value on the consolidated balance sheet	Market value	Difference
Market value exceeding book value on the consolidated balance sheet			
Others	-	-	-
Sub-total	-	-	-
Market value not exceeding book value on the consolidated balance sheet			
Others	1	1	-
Sub-total	1	1	-
Total	1	1	-

2. Other securities

Previous Consolidated Fiscal Year (as of March 31, 2013)

(in millions of yen)

Category	Book value on the consolidated balance sheet	Acquisition cost	Difference
Book value on the consolidated balance sheet exceeding acquisition cost			
(i) Shares	695	491	204
(ii) Bonds	-	-	-
(iii) Others	0	0	0
Sub-total	696	491	204
Book value on the consolidated balance sheet not exceeding acquisition cost			
(i) Shares	146	195	(49)
(ii) Bonds	-	-	-
(iii) Others	-	-	-
Sub-total	146	195	(49)
Total	842	687	155

(Note)

Unlisted shares (277 million yen on the Consolidated Balance Sheet) are not included in "Other securities" in the table above since they do not have market prices and it is very difficult to assess their market values.

Current Consolidated Fiscal Year (as of March 31, 2014)

(in millions of yen)

Category	Book value on the consolidated balance sheet	Acquisition cost	Difference
Book value on the consolidated balance sheet exceeding acquisition cost			
(i) Shares	3,187	2,774	413
(ii) Bonds	-	-	-
(iii) Others	0	0	0
Sub-total	3,187	2,774	413
Book value on the consolidated balance sheet not exceeding acquisition cost			
(i) Shares	167	188	(21)
(ii) Bonds	-	-	-
(iii) Others	-	-	-
Sub-total	167	188	(21)
Total	3,355	2,963	392

(Note)

Unlisted shares (766 million yen on the Consolidated Balance Sheet) are not included in "Other securities" in the table above since they do not have market prices and it is very difficult to assess their market values.

3. Impairment losses recorded in securities

Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)

Impairment losses amounting to 0 million yen (shares in Other Securities amounting to 0 million yen) were recorded for Securities in the current consolidated fiscal year.

Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)

Impairment losses amounting to 4 million yen (shares in Other securities amounting to 4 million yen) were recorded for Securities in the current consolidated fiscal year.

4. Other securities sold

Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)

(in millions of yen)

Category	Sold amount	Total amount of gain on sale	Total amount of loss on sale
(i) Shares	311	160	-
(ii) Bonds	-	-	-
(iii) Others	-	-	-
Total	311	160	-

Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)

Not applicable.

(Derivatives trading)

Previous Consolidated Fiscal Year (as of March 31, 2013)

1. Derivatives trading which is not subject to hedge accounting

Not applicable.

2. Derivatives trading which is subject to hedge accounting

Interest rate

(in millions of yen)

Method of hedge accounting	Type of transaction	Main hedged item	Amount of contract	Of which over 1 year	Market value
Preferential procedure of interest rate swaps	Interest rate swap transaction Payment at fixed rate/ Receipt at floating rate	Long-term loans payable	120	108	(Note)

(Note)

Preferential procedure is adopted for interest rate swaps and interest rate swaps are processed together with long-term loans payable, which is a hedged item as a whole. Therefore, they are included in market values of the relevant long-term loans payable.

Current Consolidated Fiscal Year (as of March 31, 2014)

1. Derivatives trading which is not subject to hedge accounting

Not applicable.

2. Derivatives trading which is subject to hedge accounting

Interest rate

(in millions of yen)

Method of hedge accounting	Type of transaction	Main hedged item	Amount of contract	Of which over 1 year	Market value
Preferential procedure of interest rate swaps	Interest rate swap transaction Payment at fixed rate/ Receipt at floating rate	Long-term loans payable	108	96	(Note)

(Note)

Preferential procedure is adopted for interest rate swaps and interest rate swaps are processed together with long-term loans payable which are hedged item as a whole. Therefore, they are included in market values of the relevant long-term loans payable.

(Stock options, etc.)

1. Expenses and account items relating to stock options

(in millions of yen)

	Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)	Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)
Selling, general and administrative expenses	42	40

2. Content, scale and development of stock options

(1) Content of stock options

	Fiscal 2012 stock acquisition rights (long-term compensation in the form of shares)	No. 1 mid-term stock acquisition rights (compensation in the form of shares)
Categories and number of members to whom stock acquisition rights were granted	Directors of the Company: 6 members Entrusted Executive Officers of the Company: 6 members Entrusted Administration Officers of the Company: 2 members	Directors of the Company: 6 members Entrusted Executive Officers of the Company: 6 members Entrusted Administration Officers of the Company: 2 members
Class and number of shares underlying the stock acquisition rights (Note)	27,170 common shares	20,330 common shares
Date in which stock acquisition rights were granted	July 18, 2012	May 31, 2013
Terms and conditions of right allotment	<p>1. The holder of the stock acquisition rights may exercise stock acquisition rights only in a lump sum only if they were exercised within the period of 10 days from the day following the date which the holder of the stock acquisition rights loses the position of Director, Entrusted Executive Officer or Entrusted Administration Officer of the Company.</p> <p>2. In the event of death of a holder of the stock acquisition rights, the stock acquisition rights may only be exercised if such stock acquisition rights belong to a spouse or a family member of a first degree who is an heir-at-law (the "Heir") of the holder of the stock acquisition rights.</p> <p>3. Other terms and conditions of the exercise of the stock acquisition rights shall be provided in the Agreement relating to the Allocation of Stock Acquisition Rights executed by and between the Company and the holders of the stock acquisition rights.</p>	<p>1. If two of the four categories of Net sales, Operating income, Ordinary income, and Net income exceed the values announced (either the figures in the initial plan or the revised figures) for fiscal year ending March 2016, the final year of the sixth medium-term business plan, rights may be exercised within the exercise period extending from July 1, 2016 to September 30, 2016.</p> <p>2. In the event of death of a holder of the stock acquisition rights, the stock acquisition rights may only be exercised if such stock acquisition rights belong to a spouse or a family member of a first degree who is an heir-at-law (the "Heir") of the holder of the stock acquisition rights.</p> <p>3. Other terms and conditions of the exercise of the stock acquisition rights shall be provided in the Agreement relating to the Allocation of Stock Acquisition Rights executed by and between the Company and the holders of the stock acquisition rights.</p>
Service period	Service period is not specified.	Same as at left
Exercise period	From July 19, 2012 to July 18, 2042	From July 1, 2016 to September 30, 2016

(Note)

Converted into the number of shares.

	Fiscal 2013 stock acquisition rights (long-term compensation in the form of shares)	No. 4 stock acquisition rights
Categories and number of members to whom stock acquisition rights were granted	Directors of the Company: 6 members Entrusted Executive Officers of the Company: 5 members Entrusted Administration Officers of the Company: 2 members	Executive officers of the company: 7 Employees of the company: 280 Directors of company subsidiaries: 2 Employees of company subsidiaries: 19
Class and number of shares underlying the stock acquisition rights (Note)	11,220 common shares	42,000 common shares
Date in which stock acquisition rights were granted	July 18, 2013	September 30, 2013
Terms and conditions of right allotment	<p>1. The holder of the stock acquisition rights may exercise stock acquisition rights only in a lump sum only if they were exercised within the period of 10 days from the day following the date which the holder of the stock acquisition rights loses the position of Director, Entrusted Executive Officer or Entrusted Administration Officer of the Company.</p> <p>2. In the event of death of a holder of the stock acquisition rights, the stock acquisition rights may only be exercised if such stock acquisition rights belong to a spouse or a family member of a first degree who is an heir-at-law (the "Heir") of the holder of the stock acquisition rights.</p> <p>3. Other terms and conditions of the exercise of the stock acquisition rights shall be provided in the Agreement relating to the Allocation of Stock Acquisition Rights executed by and between the Company and the holders of the stock acquisition rights.</p>	<p>1. Holders of stock acquisition rights must possess the status of director, auditor, or employee of the company or a company affiliate at the time the rights are exercised. However, this does not apply to directors who have retired because their term has expired or employees who have retired because they reached the compulsory retirement age. Moreover, this will not apply in instances where the Board of Directors of the company has determined there to be justifiable cause.</p> <p>2. The succession of stock acquisition rights is prohibited.</p> <p>3. Holders of share acquisition rights cannot exercise them in instances where the company has determined that they are subject to the disciplinary rules of the company and have committed acts corresponding to this status, and the exercise of stock acquisition rights by the person in question has been deemed inappropriate.</p> <p>4. Holders of stock acquisition rights cannot exercise these rights when they have been sentenced imprisonment or a higher level of punishment.</p> <p>5. Other conditions on the exercise of rights are stipulated in the Agreement relating to the Allocation of Stock Acquisition Rights concluded between the Company and the holder of the stock acquisition rights, pursuant to resolutions passed at the 49th annual general meeting of shareholders' and by the Board of Directors on June 21, 2013.</p>
Service period	Service period is not specified.	Same as at left.
Exercise period	From July 19, 2013 to July 18, 2043	From September 30, 2015 to September 30, 2018

(Note)

Converted into the number of shares.

(2) Scale and development aspect of stock options

The table below covers stock options for the current consolidated fiscal year and the number of stock options are converted into the number of shares.

(i) Number of stock options

	(shares)			
	Fiscal 2012 stock acquisition rights (long-term compensation in the form of shares)	No. 1 mid-term stock acquisition rights (compensation in the form of shares)	Fiscal 2013 stock acquisition rights (long-term compensation in the form of shares)	No. 4 stock acquisition rights
Number of options before being vested	-	-	-	-
At the end of the previous consolidated fiscal year	-	-	-	-
Granted	-	20,330	11,220	42,000
Expired	-	-		-
Vested	-	-	11,220	-
Un-vested balance	-	20,330	-	42,000
Number of options vested		-	-	-
At the end of the previous consolidated fiscal year	27,170	-	-	-
Vested	-	-	11,220	-
Exercised	2,590	-	-	-
Expired	-	-	-	-
Outstanding balance	24,580	-	11,220	-

(ii) Unit value information

(in yen)

	Fiscal 2012 stock acquisition rights (long-term compensation in the form of shares)	No. 1 mid-term stock acquisition rights (compensation in the form of stock)	Fiscal 2013 stock acquisition rights (long-term compensation in the form of shares)	No. 4 stock acquisition rights
Strike price	1	1	1	1,783 (Note)
Average share price on exercise of option	1,575	-	-	-
Fair assessed unit price (as of the grant date)	1,581	2,141	2,147	423

(Note)

A commitment-type rights offering was conducted on December 9, 2013 and the value of assets invested in the exercise of stock acquisition rights was adjusted from 2,290 yen per share to 1,783 yen per share.

3. Method of estimation of fair unit value of stock options

Method of estimation of fair unit value of Stock Options granted during the current consolidated fiscal year is as follows:

(a) No. 1 mid-term stock acquisition rights (compensation in the form of shares)

(i) Assessment technique: Black-Scholes model

(ii) Major standard figures and estimation method

	No. 1 mid-term stock acquisition rights (compensation in the form of stock)
Volatility of share price (Note 1)	28.2%
Expected remaining period (Note 2)	3.1 years
Expected dividends (Note 3)	32 yen per share
Risk free rate (Note 4)	0.21%

(Notes)

- 1. Calculated based on actual share prices for 3.1 years (from April 19, 2010 to May 27, 2013).*
- 2. Expected remaining period is estimated from the time period extending from the date granted up to the date on which the rights exercise period begins.*
- 3. Based on the actual dividend paid for the period ended March 2013 (annual amount, financial result for the latest 12 months)*
- 4. Government bond yield for the period corresponding to the expected remaining period.*

(b) Fiscal 2013 stock acquisition rights (long-term compensation in the form of shares)

(i) Assessment technique: Black-Scholes model

(ii) Major standard figures and estimation method

	Fiscal 2013 stock acquisition rights (long-term compensation in the form of shares)
Volatility of share price (Note 1)	31.5%
Expected remaining period (Note 2)	5.8 years
Expected dividends (Note 3)	32 yen per share
Risk free rate (Note 4)	0.38%

(Notes)

1. *Calculated based on actual share prices for 5.8 years (from September 24, 2007 to July 8, 2013).*
2. *Expected remaining period is estimated by deducting average terms of office of present officers from average terms of office of previous officers.*
3. *Based on the actual dividend paid for the period ended March 2013 (annual amount, financial result for the latest 12 months)*
4. *Government bond yield for the period corresponding to the expected remaining period.*

(c) No. 4 stock acquisition rights

(i) Assessment technique: Black-Scholes model

(ii) Major standard figures and estimation method

	No. 4 stock acquisition rights
Volatility of share price (Note 1)	28.6%
Expected remaining period (Note 2)	3.5 years
Expected dividends (Note 3)	32 yen per share
Risk free rate (Note 4)	0.14%

(Notes)

1. *Calculated based on actual share prices for 3.5 years (from March 22, 2010 to September 23, 2013).*
2. *Sufficient data have not been accumulated and it is difficult to make a reasonable estimate, so this has been estimated by projecting the rights that will be exercised by the mid-point of the rights exercise period.*

3. *Based on the actual dividend paid for the period ended March 2013 (annual amount, financial result for the latest 12 months)*
4. *Government bond yield for the period corresponding to the expected remaining period.*
4. Estimation Method of the vested number of stock options
It is basically difficult to reasonably estimate the number of stock options to be expired in the future, and therefore only the number of stock options actually expired is reflected.

(Deferred tax accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

	(in millions of yen)	
	Previous Consolidated Fiscal Year (As of March 31, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Deferred tax assets		
Tax loss carried forward	335	301
Allowance for retirement benefits	1,131	-
Net defined benefit liability	-	1,163
Allowance for doubtful accounts	104	64
Others	1,102	752
Sub-total deferred tax assets	2,675	2,282
Valuation allowance	(604)	(560)
Total deferred tax assets	2,071	1,722
Deferred tax assets for land revaluation		
Revaluation reserve for land	59	59
Valuation allowance	(59)	(59)
Total deferred tax assets for land revaluation	-	-
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(255)	(255)
Total deferred tax liabilities for land revaluation	(255)	(255)
Deferred tax liabilities		
Asset retirement obligations	(10)	(9)
Valuation difference on available-for-sale securities	(41)	(127)
Extraordinary amortization reserves	(128)	(90)
Valuation difference on assets acquired through merger and acquisition	(496)	(496)
Others	(0)	(1)
Total deferred tax liabilities	(678)	(724)
Deferred tax assets, net	1,138	742

(Note)

Net amounts of deferred tax assets for the previous consolidated fiscal year and the current consolidated fiscal year are included in the following items in the consolidated balance sheet.

	(in millions of yen)	
	Previous Consolidated Fiscal Year (As of March 31, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Current assets - deferred tax assets	876	522
Fixed assets - deferred tax assets	529	488
Current liabilities - others (deferred tax liabilities)	(0)	-
Fixed liabilities - deferred tax liabilities	(11)	(13)
Fixed liabilities - deferred tax liabilities for land revaluation	(255)	(255)

2. Breakdown of major causes if there is a significant difference between the statutory effective tax rate and the actual tax rate after applying tax effect accounting

Previous Consolidated Fiscal Year (March 31, 2013)	Current Consolidated Fiscal Year (March 31, 2014)	
Difference between the statutory effective tax rate and the actual tax rate after applying tax effect accounting is not more than five percent of the statutory effective tax rate, and therefore the note is omitted.	Statutory effective tax rate	37.8%
	(Adjustment)	
	Entertainment expenses and other items never included in losses	0.8
	Dividends received and other items never included in income	(0.5)
	Downward revision of end of period deferred tax assets due to a change in the tax rate	0.6
	Amortization of goodwill	1.2
	Tax exemption for testing and research expenses, etc.	(7.2)
	Equity in net losses of affiliates	1.3
	Equal allocation of local income tax	0.5
	Others	0.5
	Corporate income tax rate after application of tax-effect accounting	35.0

3. Revisions to the amounts for deferred tax assets and deferred tax liabilities due to a change in the corporate tax rate, etc.

The Cabinet Order for Partial Amendment of the Cabinet Order Concerning the Special Corporate Income Tax for Reconstruction was issued on March 31, 2014, mandating that the special corporate income tax for reconstruction not be assessed from the consolidated fiscal year beginning April 1, 2014. In conjunction with this, the effective statutory tax rate used in calculating deferred tax assets and deferred tax liabilities for the current consolidated fiscal year changed to 35.4% from 37.8% in the previous consolidated fiscal year due to the provisional difference caused by the projected dissolution in the consolidated fiscal year beginning April 1, 2014.

Deferred tax assets have decreased by 42 million yen and Deferred tax liabilities by 2 million yen, and Income taxes-deferred have increased by 39 million yen as a result.

(Segment information, etc.)

[Segment information]

Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)

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, 2013 to March 31, 2014)

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, 2012 to March 31, 2013)

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	19,583	Pharmaceutical business
Suzuken Co., Ltd.	14,383	Pharmaceutical business
Alfresa Corporation	13,126	Pharmaceutical business
Toho Pharmaceutical Co., Ltd.	10,768	Pharmaceutical business

Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)

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	22,373	Pharmaceutical business
Suzuken Co., Ltd.	18,074	Pharmaceutical business
Alfresa Corporation	13,923	Pharmaceutical business
Toho Pharmaceutical Co., Ltd.	11,270	Pharmaceutical business

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

Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)

Not applicable.

Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)

Not applicable.

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

Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)

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, 2013 to March 31, 2014)

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, 2012 to March 31, 2013)

Not applicable.

Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)

Not applicable.

(Per share information)

(in yen)

	Previous Consolidated Fiscal Year (from April 1, 2012 to March 31, 2013)	Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)
Net assets per share	1,236.93	1,112.19
Net income per share	128.14	104.75
Net income (fully diluted) per share	128.08	104.67

(Note)

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, 2013)	Current Consolidated Fiscal Year (As of March 31, 2014)
Total net assets	48,810	66,195
Amount added to total net assets	528	378
(Of which treasury stock held by the EST)	(528)	(378)
Amount deducted from total net assets	42	79
(Of which stock acquisition rights)	(42)	(79)
Net assets attributable to common stock at the end of the period	49,295	66,494
Number of common stock used for the calculation of net assets per share (shares)	39,853,025	59,787,155

(Notes)

- The number of common stock at the end of the period used for the calculation of net assets per share includes treasury stock held by the EST, of 239,000 shares for the previous consolidated fiscal year and 206,100 for the current consolidated fiscal year respectively.*

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, 2012 to March 31, 2013)	Current Consolidated Fiscal Year (from April 1, 2013 to March 31, 2014)
Net income per share		
Net income (millions of yen)	5,129	4,588
Amounts not attributable to shareholders of common stock (millions of yen)	-	-
Net income attributable to common stock (millions of yen)	5,129	4,588
Average number of common stock during the period (shares)	40,032,599	43,807,071
Net income (fully diluted) per share		
Adjustment of net income (millions of yen)	-	-
Number of increased common stock (shares)	19,046	34,086
(Of which stock acquisition rights (shares))	(19,046)	(34,086)
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 9, 2013 Stock options approved Stock acquisition rights: 420 (42,000 common shares)

(Note)

The average number of common stock during the period includes treasury stock held by the EST.

(Significant subsequent events)

Business combination by acquisition

The Company acquired the business of the Fuji plant of Astellas Pharma Tech Co., Ltd., a production subsidiary of the Astellas Group in Japan, pursuant to the final agreement concerning the succession of the business of the Fuji plant between the Company and the Astellas Pharma Group concluded on December 13, 2013, and the business was ceded through a corporate divestiture on April 1, 2014.

Overview of the business combination

- (1) Name of the acquired company and nature of the business

Name of acquired company: Fuji Pharma Tech Co., Ltd.

Nature of business: Consignment manufacturing of pharmaceuticals

(2) Reason for the business combination

To further endeavor to improve the stability of supply, reliability of product quality, and provision on information and to respond to the increasing demand for generic pharmaceuticals.

(3) Date of Business Combination

April 1, 2014

(4) Legal form of business combination

Stock acquisition

(5) Name of combined business

Nichi-Iko Pharma Tech Co., Ltd.,

(6) Percentage of voting rights acquired

100%

(7) Main grounds for deciding to acquire the company

The Company determined that acquisition of the business of the Astellas Pharma Group Fuji plant would enable greater manifestation of synergistic benefits by achieving cost reductions from improved productivity and stable supply achieved through improvements to productivity, the fusion of strong product quality management skills and technical expertise, and the management of risk through diversification of manufacturing sites, for purposes of responding to the increased demand for generic pharmaceuticals.

5. Other

Changes in officers

(i) Changes in representative directors

- Prospective new representative directors

Toshinori Kongoji, Senior Managing Executive Officer and Representative Director, Chief Director and Director of Sales
(Currently Senior Managing Executive Officer and Director of Sales)

Shuko Urayama, Senior Managing Executive Officer and Representative Director, responsible for stable supply (General Manager of Reliability Assurance and Production)
(Currently Senior Managing Executive Officer, responsible for stable supply (Manager of Reliability Assurance and Production)

(ii) Other changes in directors

- Prospective new directors

Hideki Sakai, Director
Noboru Inasaka, Managing Executive Officer and Director, General Manager of Management Division (Currently Managing Executive Officer and General Manager of Management Division)

(iii) Changes in auditors

- Prospective new auditors

Takashi Sato, Auditor
Yoshito Sugi (Currently Administrator of Management Division, and Manager of Information Technology Dept.)

- Auditors scheduled for retirement (expiration of term)

Shinichiro Handa, Auditor
Shigekatsu Kumada, Statutory Auditor

(iv) Scheduled date for assumption of office

June 20, 2014