

(English Translation)

**Consolidated Financial Results**  
**for the First Quarter of the Fiscal Year Ending March 31, 2013 (under Japan GAAP)**

August 9, 2012

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

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Managing Executive Officer and  
General Manager of Management  
Division and Manager of Finance  
Department

Scheduled date of filing of quarterly report: August 10, 2012

Scheduled date of commencement of dividend payment: -

Presentation of supplementary materials on quarterly financial results: No

Holding of quarterly financial presentation meeting: No

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

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2013 (From April 1, 2012 to June 30, 2012)**

(1) Consolidated Results of Operations (cumulative)

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

	Net sales	Operating income	Ordinary income	Net income
First quarter of fiscal year ending March 31, 2013	¥23,140 million (-%)	¥2,110 million (-%)	¥2,190 million (-%)	¥1,275 million (-%)

(Note)

Comprehensive income:

*First Quarter of Fiscal Year Ending March 31, 2013: 1,254 million yen (-%)*

	Net income per share	Net income (fully diluted) per share
First quarter of fiscal year ending March 31, 2013	¥31.56	¥-

(Note)

*The fiscal year ended March 31, 2012 is an irregular fiscal year of four months because the end of the Company's accounting period was changed from November 30 to March 31. As a result of the consolidated financial statements for the first quarter not being prepared for the fiscal year ended March 31, 2012 due to this change, the figures for the first quarter of the fiscal year ended March 31, 2012 and the changes from the same period of the previous fiscal year for the first quarter of the fiscal year ending March 31, 2013 are not shown.*

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
First quarter of fiscal year ending March 31, 2013	¥89,599 million	¥46,371 million	51.8%	¥1,164.89
Fiscal year ended March 31, 2012	¥88,455 million	¥45,528 million	51.5%	¥1,144.65

(Reference)

Equity:

First Quarter of Fiscal Year Ending March 31, 2013: 46,371 million yen

Fiscal Year Ended March 31, 2012: 45,528 million yen

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2012	¥-	¥-	¥-	¥10.70	¥10.70
Fiscal year ending March 31, 2013	¥-				
Fiscal year ending March 31, 2013 (forecast)		¥16.00	¥-	¥16.00	¥32.00

(Note)

Revisions to recently announced dividends forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2013 (From April 1, 2012 to March 31, 2013)

(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)	¥44,800 million (-%)	¥3,500 million (-%)	¥3,400 million (-%)	¥2,100 million (-%)	¥51.96
Annual	¥92,500 million (-%)	¥8,300 million (-%)	¥8,000 million (-%)	¥4,800 million (-%)	¥118.77

(Note)

Revisions to recently announced forecast of financial results: None

(Note)

The fiscal year ended March 31, 2012 is an irregular fiscal year consisting of four months due to the change of the Company's accounting period. As a result, the change in the consolidated forecast for the fiscal year ending March 31, 2013 is not shown.

**\*Notes**

(1) Changes in significant subsidiaries during the consolidated cumulative quarter under review (changes in specified subsidiaries resulting in change in scope of consolidation): Yes

New: -

Exception: (1) Nichi-iko Pharma Factory Co., Ltd.

(Note)

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

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

(Note)

For details, please refer to "(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements" in "2. Matters Related to Summary Information (Notes)" on page 3 of the Attachment.

(3) Changes in accounting policies and changes in accounting estimates and restatement of prior period financial statements after error corrections

(i) Changes in accounting policies due to revisions to accounting standards and other regulations, etc.: Yes

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: Yes

(iv) Restatements of prior period financial statements after error corrections: No

(Note)

For details, please refer to "(3) Changes in Accounting Policies and Changes in Accounting Estimates and Restatement of Prior Period Financial Statements after Error Corrections" in "2. Matters Related to Summary Information (Notes)" on page 3 of the Attachment.

(4) Total number of issued shares (common stock)

(i) Total number of issued shares as of the end of the period (including treasury stock):

As of June 30, 2012: 40,729,417 shares

As of March 31, 2012: 40,729,417 shares

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

As of June 30, 2012: 634,971 shares

As of March 31, 2012: 645,978 shares

(iii) Average number of shares during the period (cumulative quarter):

As of June 30, 2012: 40,414,407 shares

*(Note)*

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

*(Note)*

*The fiscal year ended March 31, 2012 is an irregular fiscal year of four months because the end of the Company's accounting period was changed from November 30 to March 31. The average number of shares during the period (cumulative quarter) is not shown because the consolidated financial statements for the first quarter not being prepared for the fiscal year ended March 31, 2012 due to this change.*

**\* Presentation of implementation status for quarterly review procedures**

This quarterly financial summary is not included in quarterly review procedures under the Financial Instruments and Exchange Act. The reviewing procedures for quarterly consolidated financial statements are being carried out at the time of release of this quarterly financial summary.

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

*(Considerations on forward-looking statements)*

The forward-looking statements including forecast of financial results contained in these materials are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. As such, they do not constitute the Company's guarantee that such results would be achieved. Actual business and other results may differ substantially from the forecasts provided in these materials as a result of various factors. For a description of the conditions underlying the forecast of financial results and considerations on usage of forecast of financial results, please refer to "(3) *Qualitative Information on Forecast of Consolidated Financial Results*" in "1. *Qualitative Information on Financial Results for the Quarter under Review*" on page 2 of the Attachment.

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

### (1) Qualitative Information on Consolidated Operating Results

The Japanese economy during the first quarter consolidated cumulative period is showing a gradual recovery backed by reconstruction demand after the Great East Japan Earthquake, but there are concerns about the slowdown of the economy overseas brought about by the European debt crisis and the future effects of the appreciation of the yen.

In the pharmaceutical industry, the National Health Insurance price revision and the revision of medical service fees were carried out in April 2012, and the Company's drug prices were affected by the weighted average being lowered by 9.3% like the previous time in 2010. However, in order to promote the use of generic drugs, measures such as (i) raising the addition standard and points in the dispensing of generic drugs, (ii) addition including the provision of information on generic drugs in the dispensing history management fees, and (iii) addition when generic names are stated for drugs with generics in prescription fees were implemented.

In response to these measures to promote the use of generic drugs, during the first quarter consolidated cumulative period, there was an increase in handling of prescriptions showing generic names, and the use of generic drugs increased in dispensing pharmacies.

In preparation for increased demand for generic drugs in the future, construction began on the "Pyramid Building" in April 2012 as a new production factory next to the "Pentagon Building" of the Namerikawa Plant which was completed in 2010, and this is scheduled to be completed in February 2013.

Furthermore, the wholly owned subsidiary Nichi-iko Pharma Factory Co., Ltd. was absorbed in June 2012, and now the aim is to work toward more efficient production and general operations, in order to become more cost-competitive.

Consequently, the results of the first quarter consolidated cumulative period showed net sales of 23,140 million yen. The amount of 223 million yen was added to the allowance for doubtful accounts for clients expected to close down, but operating income was 2,110 million yen, ordinary income was 2,190 million yen, and net income for the quarter was 1,275 million yen.

The consolidated fiscal year-end was changed to March 31 since the previous consolidated fiscal year. As a consequence of such change, the previous consolidated fiscal year corresponded to 4 months from December 1, 2011 to March 31, 2012. Therefore, percentage comparison with the same period of the previous fiscal year is omitted.

### (2) Qualitative Information on Consolidated Financial Position

As of the end of this first quarter under review, total assets on a consolidated basis increased 1,143 million yen from the previous fiscal year-end and ran up to 89,599 million yen. This was attributable to factors such as inventories increasing by 1,115 million yen.

Liabilities on a consolidated basis increased by 300 million yen from the previous fiscal year-end and ran up to 43,228 million yen. This was due to a decrease in loans payable of 2,720 million yen, an increase in notes and accounts payable of 1,601 million yen, and an increase in income taxes payable of 451 million yen.

Net assets on a consolidated basis increased 842 million yen from the previous fiscal year-end and ran up to 46,371 million yen mainly due to increase in retained earnings.

### (3) Qualitative Information on Forecast of Consolidated Financial Results

There is no change to the forecast of consolidated financial results announced on May 9, 2012.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Consolidated Cumulative Quarter under Review  
The Company performed an absorption-type merger of the consolidated subsidiary Nichi-iko Pharma Factory Co., Ltd. on June 1, 2012

(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements

Tax expenses are calculated by multiplying the net income for the term before provision for income taxes by an estimated effective tax rate that is reasonably estimated after applying tax effect accounting to the net income before provision for income taxes for the consolidated fiscal year including the first quarter under review.

Income taxes - deferred are included in total income taxes and recorded.

(3) Changes in Accounting Policies and Changes in Accounting Estimates and Restatement of Prior Period Financial Statements after Error Corrections

(Change in accounting policies that is difficult to distinguish from the change in accounting estimates)

In accordance with the amendment of the Corporation Tax Act, the Company and its consolidated subsidiaries have changed their depreciation methods for property, plant and equipment acquired on or after April 1, 2012 based on the amended Corporation Tax Act, effective from the first quarter consolidated period.

The impact thereof on operating income, ordinary income or net income before income taxes is minimal.

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

	(in thousands of yen)	
	Fiscal year ended March 31, 2012 (as of March 31, 2012)	First quarter of fiscal year ending March 31, 2013 (as of June 30, 2012)
Assets		
Current assets		
Cash and deposits	6,299,320	5,065,978
Notes and accounts receivable	23,871,371	24,929,462
Securities	1,666	1,666
Merchandise and finished goods	14,643,869	14,839,642
Work in process	3,223,429	3,814,761
Raw materials and supplies	4,710,133	5,038,914
Other current assets	1,688,781	1,899,194
Allowance for doubtful accounts	(463,130)	(506,950)
Total current assets	<u>53,975,442</u>	<u>55,082,670</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	12,204,591	12,011,238
Machinery and equipment, net	3,630,152	3,379,949
Land	4,066,333	4,110,485
Construction in progress	1,144,112	2,188,707
Other plant assets, net	2,273,116	2,354,714
Total property, plant and equipment	<u>23,318,307</u>	<u>24,045,095</u>
Intangible assets		
Goodwill	1,149,688	1,107,872
Other intangible assets	3,930,418	3,774,703
Total intangible assets	<u>5,080,107</u>	<u>4,882,576</u>
Investments and other assets		
Investment securities	4,316,928	4,193,829
Other assets	1,909,553	1,719,097
Allowance for doubtful accounts	(144,625)	(324,000)
Total investments and other assets	<u>6,081,857</u>	<u>5,588,926</u>
Total fixed assets	<u>34,480,271</u>	<u>34,516,598</u>
Total assets	<u>88,455,713</u>	<u>89,599,269</u>



	(in thousands of yen)	
	Fiscal year ended March 31, 2012 (as of March 31, 2012)	First quarter of fiscal year ending March 31, 2013 (as of June 30, 2012)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	16,164,131	17,766,043
Short-term loans payable	5,850,000	5,902,788
Current portion of long-term loans payable	2,745,244	2,366,864
Income taxes payable	534,310	986,278
Allowance for sales returns	57,000	62,170
Allowance for bonuses	477,718	124,431
Other current liabilities	3,676,556	5,067,437
Total current liabilities	29,504,960	32,276,013
Fixed liabilities		
Long-term loans payable	8,453,358	6,058,132
Allowance for retirement benefits	2,923,252	2,971,355
Asset retirement obligations	54,197	54,405
Other fixed liabilities	1,991,487	1,868,316
Total fixed liabilities	13,422,294	10,952,209
Total liabilities	42,927,255	43,228,223
<b>Net assets</b>		
Shareholders' equity		
Common stock	13,557,728	13,557,728
Capital surplus	12,321,293	12,314,319
Retained earnings	20,360,670	21,207,312
Treasury stock	(1,104,305)	(1,079,905)
Total shareholders' equity	45,135,387	45,999,455
Other comprehensive income		
Valuation difference on available-for-sale securities	95,387	73,907
Revaluation reserve for land	297,683	297,683
Total other comprehensive income	393,070	371,590
Total net assets	45,528,458	46,371,046
Total liabilities and net assets	88,455,713	89,599,269

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

(Quarterly Consolidated Statements of Income)

(First Quarter Consolidated Cumulative Period)

	(in thousands of yen)
	First quarter of current fiscal year (from April 1, 2012 to June 30, 2012)
Net sales	23,140,868
Cost of sales	14,134,871
Gross profit	9,005,996
Allowance for sales returns	5,170
Gross profit, net	9,000,826
Selling, general and administrative expenses	6,890,666
Operating income	2,110,160
Non-operating income	
Interest income	4,667
Dividends income	17,715
Amortization of negative goodwill	3,105
Reimbursement for joint development cost	120,418
Others	43,434
Total non-operating income	189,342
Non-operating expenses	
Interest payment	43,882
Commissions paid	9,020
Loss on sales of accounts receivables	25,465
Others	31,079
Total non-operating expenses	109,448
Ordinary income	2,190,053
Extraordinary income	
Gain on sales of fixed assets	171
Total extraordinary income	171
Extraordinary loss	
Loss on disposal of fixed assets	8,147
Loss on valuation of investment securities	57,046
Others	365
Total extraordinary loss	65,559
Net income before provision for income taxes	2,124,666
Income taxes	849,131
Income before minority interests	1,275,534
Net income	1,275,534

(Quarterly Consolidated Statements of Comprehensive Income)

(First Quarter Consolidated Cumulative Period)

	(in thousands of yen)
	<u>First quarter of current fiscal year (from April 1, 2012 to June 30, 2012)</u>
Income before minority interests	1,275,534
Other comprehensive income	
Valuation difference on available-for-sale securities	(21,479)
Total other comprehensive income	<u>(21,479)</u>
Comprehensive income	<u>1,254,054</u>
(Comprehensive income attributable to:)	
Comprehensive income attributable to shareholders of the parent company	1,254,054
Comprehensive income attributable to minority interests	-

(3) Notes on premise of going concern

Not applicable.

(4) Notes on significant changes in the amount of shareholders' equity

Not applicable.