

(English Translation)

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

February 12, 2013

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 filing of quarterly report: February 14, 2013

Scheduled date of commencement of dividend payment: -

Presentation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial presentation meeting: No

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

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2013 (From April 1, 2012 to December 31, 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
Third quarter of fiscal year ending March 31, 2013	¥71,862 million (-%)	¥6,567 million (-%)	¥6,764 million (-%)	¥4,053 million (-%)

(Note)

Comprehensive income:

*Third Quarter of Fiscal Year Ending March 31, 2013: 4,050 million yen (-%)*

	Net income per share	Net income (fully diluted) per share
Third quarter of fiscal year ending March 31, 2013	¥101.14	¥101.09

(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 third quarter not being prepared for the fiscal year ended March 31, 2012 due to this change, the figures for the third quarter of the fiscal year ended March 31, 2012 and the changes from the same period of the previous fiscal year for the third 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
Third quarter of fiscal year ending March 31, 2013	¥98,184 million	¥47,667 million	48.5%	¥1,209.76
Fiscal year ended March 31, 2012	¥88,455 million	¥45,528 million	51.5%	¥1,144.65

(Reference)

Equity:

Third Quarter of Fiscal Year Ending March 31, 2013: 47,624 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	¥-	¥16.00	¥-		
Fiscal year ending March 31, 2013 (forecast)				¥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
Annual	¥94,000 million (-%)	¥8,500 million (-%)	¥8,300 million (-%)	¥5,000 million (-%)	¥125.43

(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  |

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

- |   |                   |
|---|-------------------|
| (i) Total number of issued shares as of the end of the period (including treasury stock): |                   |
| As of December 31, 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 December 31, 2012:  | 1,137,127 shares  |
| As of March 31, 2012:   | 645,978 shares    |
| (iii) Average number of shares during the period (cumulative quarter):                    |                   |
| As of December 31, 2012:  | 40,084,258 shares |

*(Note)*

*Number of treasury stock as of the end of the period includes shares held by the 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 third 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 third quarter consolidated cumulative period showed signs of an end to its decline despite a continuation of sluggish movement, and is expected to move toward economic recovery backed by factors such as improvement in the export environment and the effect of economic policy.

In the pharmaceutical industry, National Health Insurance price revision took place in April 2012, but the generic drugs market has further expanded by promotion of the use of generic pharmaceuticals such as revision of medical service fees. Generic drugs' share by volume in the quarter from July to September continued to slightly increase to 25.4% (0.1% increase from the quarter from April to June, according to the figures published by Japan Generic Medicines Association).

New targets for the share of generic drugs are expected to be set in fiscal year 2012, and further expansion of use is anticipated.

From April 2013, we will start the operation of "Pyramid Building" newly built production factory next to the "Pentagon Building" of Toyama Plant which was completed in 2010, to match the increasing demand for generic pharmaceuticals.

Consequently, the results of the third quarter consolidated cumulative period showed net sales of 71,862 million yen, operating income of 6,567 million yen, ordinary income of 6,764 million yen, and net income for the quarter of 4,053 million yen.

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 third quarter under review, total assets on a consolidated basis increased 9,728 million yen from the previous fiscal year-end and ran up to 98,184 million yen. This was attributable to increase in notes and accounts receivable of 5,598 million yen, increase in property, plant and equipment of 4,532 million yen, and decrease in cash and deposits of 3,127 million yen.

Liabilities on a consolidated basis increased by 7,588 million yen from the previous fiscal year-end and ran up to 50,516 million yen. This was due to increase in notes and accounts payable of 4,426 million yen and increase in income taxes payable of 976 million yen.

Net assets on a consolidated basis increased 2,139 million yen from the previous fiscal year-end and ran up to 47,667 million yen, due to increase in retained earnings of 2,991 million yen, despite a decrease due to acquisition of treasury stock.

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

There is no change to the forecast of the consolidated financial results for the full year announced on November 13, 2012. We will promptly disclose new information if a revision of the earnings forecast is required.

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 third quarter under review. Income taxes - deferred are included in total income taxes and recorded.

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

(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)	Third quarter of fiscal year ending March 31, 2013 (as of December 31, 2012)
Assets		
Current assets		
Cash and deposits	6,299,320	3,171,891
Notes and accounts receivable	23,871,371	29,470,185
Securities	1,666	666
Merchandise and finished goods	14,643,869	16,033,981
Work in process	3,223,429	4,278,854
Raw materials and supplies	4,710,133	5,718,037
Other current assets	1,688,781	2,323,280
Allowance for doubtful accounts	(463,130)	(516,280)
Total current assets	<u>53,975,442</u>	<u>60,480,616</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	12,204,591	11,690,362
Machinery and equipment, net	3,630,152	2,921,539
Land	4,066,333	4,112,621
Construction in progress	1,144,112	6,473,816
Other plant assets, net	2,273,116	2,652,281
Total property, plant and equipment	<u>23,318,307</u>	<u>27,850,621</u>
Intangible assets		
Goodwill	1,149,688	1,018,014
Other intangible assets	3,930,418	3,186,369
Total intangible assets	<u>5,080,107</u>	<u>4,204,383</u>
Investments and other assets		
Investment securities	4,316,928	4,215,304
Other assets	1,909,553	1,700,109
Allowance for doubtful accounts	(144,625)	(267,000)
Total investments and other assets	<u>6,081,857</u>	<u>5,648,414</u>
Total fixed assets	<u>34,480,271</u>	<u>37,703,418</u>
Total assets	<u>88,455,713</u>	<u>98,184,035</u>



	(in thousands of yen)	
	Fiscal year ended March 31, 2012 (as of March 31, 2012)	Third quarter of fiscal year ending March 31, 2013 (as of December 31, 2012)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	16,164,131	20,590,410
Short-term loans payable	5,850,000	5,975,000
Current portion of long-term loans payable	2,745,244	2,720,484
Income taxes payable	534,310	1,510,954
Allowance for sales returns	57,000	70,040
Allowance for bonuses	477,718	124,318
Other current liabilities	3,676,556	5,170,634
<b>Total current liabilities</b>	<b>29,504,960</b>	<b>36,161,842</b>
<b>Fixed liabilities</b>		
Long-term loans payable	8,453,358	9,035,240
Allowance for retirement benefits	2,923,252	3,095,184
Asset retirement obligations	54,197	54,823
Other fixed liabilities	1,991,487	2,169,036
<b>Total fixed liabilities</b>	<b>13,422,294</b>	<b>14,354,284</b>
<b>Total liabilities</b>	<b>42,927,255</b>	<b>50,516,127</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,557,728	13,557,728
Capital surplus	12,321,293	12,289,778
Retained earnings	20,360,670	23,352,470
Treasury stock	(1,104,305)	(1,964,522)
<b>Total shareholders' equity</b>	<b>45,135,387</b>	<b>47,235,456</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	95,387	91,812
Revaluation reserve for land	297,683	297,683
<b>Total other comprehensive income</b>	<b>393,070</b>	<b>389,496</b>
<b>Stock acquisition rights</b>	<b>-</b>	<b>42,955</b>
<b>Total net assets</b>	<b>45,528,458</b>	<b>47,667,908</b>
<b>Total liabilities and net assets</b>	<b>88,455,713</b>	<b>98,184,035</b>

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

(Quarterly Consolidated Statements of Income)

(Third Quarter Consolidated Cumulative Period)

	(in thousands of yen)
	Third quarter of current fiscal year (from April 1, 2012 to December 31, 2012)
Net sales	71,862,391
Cost of sales	43,756,737
Gross profit	28,105,654
Allowance for sales returns	13,040
Gross profit, net	28,092,614
Selling, general and administrative expenses	21,525,235
Operating income	6,567,378
Non-operating income	
Interest income	13,787
Dividends income	24,677
Amortization of negative goodwill	3,105
Reimbursement for joint development cost	167,263
Others	239,880
Total non-operating income	448,714
Non-operating expenses	
Interest payment	119,454
Commissions paid	23,892
Loss on sales of accounts receivables	72,996
Others	35,520
Total non-operating expenses	251,865
Ordinary income	6,764,228
Extraordinary income	
Gain on sales of fixed assets	171
Total extraordinary income	171
Extraordinary loss	
Loss on disposal of fixed assets	81,030
Loss on valuation of investment securities	69,397
Others	375
Total extraordinary loss	150,802
Net income before provision for income taxes	6,613,597
Income taxes	2,559,666
Income before minority interests	4,053,930
Net income	4,053,930

(Quarterly Consolidated Statements of Comprehensive Income)

(Third Quarter Consolidated Cumulative Period)

	<u>(in thousands of yen)</u>
	<u>Third quarter of current fiscal year (from April 1, 2012 to December 31, 2012)</u>
Income before minority interests	4,053,930
Other comprehensive income	
Valuation difference on available-for- sale securities	(3,574)
Total other comprehensive income	<u>(3,574)</u>
Comprehensive income	<u>4,050,356</u>
(Comprehensive income attributable to:)	
Comprehensive income attributable to shareholders of the parent company	4,050,356
Comprehensive income attributable to minority interests	-

(Quarterly Consolidated Statements of Income)

(Third Quarter Consolidated Period)

	(in thousands of yen)
	Third quarter of current fiscal year (from October 1, 2012 to December 31, 2012)
Net sales	25,981,845
Cost of sales	15,859,142
Gross profit	10,122,702
Allowance for sales returns	9,940
Gross profit, net	10,112,762
Selling, general and administrative expenses	7,214,665
Operating income	2,898,097
Non-operating income	
Interest income	4,440
Dividends income	5,008
Reimbursement for joint development cost	46,845
Foreign exchange gains	62,044
Others	95,857
Total non-operating income	214,195
Non-operating expenses	
Interest payment	36,511
Commissions paid	6,534
Loss on sales of accounts receivables	24,907
Others	10,689
Total non-operating expenses	78,643
Ordinary income	3,033,649
Extraordinary income	
Gain on reversal of loss on valuation of investment securities	71,518
Others	34
Total extraordinary income	71,553
Extraordinary loss	
Loss on disposal of fixed assets	64,478
Total extraordinary loss	64,478
Net income before provision for income taxes	3,040,724
Income taxes	1,170,669
Income before minority interests	1,870,055
Net income	1,870,055

(Quarterly Consolidated Statements of Comprehensive Income)

(Third Quarter Consolidated Period)

	<u>(in thousands of yen)</u>
	<u>Third quarter of current fiscal year (from October 1, 2012 to December 31, 2012)</u>
Income before minority interests	1,870,055
Other comprehensive income	
Valuation difference on available-for- sale securities	(28,046)
Total other comprehensive income	<u>(28,046)</u>
Comprehensive income	<u>1,842,008</u>
(Comprehensive income attributable to:)	
Comprehensive income attributable to shareholders of the parent company	1,842,008
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.

- (5) Significant subsequent events

Due to the discovery of a defect in the management of the facility manufacturing of a pharmaceutical ingredient purchased from another company that is used in the Company's product "Picillibacta for Intravenous Use 1.5 g," a voluntary recall of the product using this pharmaceutical ingredient was carried out from January 9, 2013, and the supply of the product was promptly resumed after switching to a pharmaceutical ingredient from a different manufacturer.

With regard to this matter, we have confirmed that there are no quality problems in quality tests conducted by the Company at the time of the receipt of the pharmaceutical ingredient and before shipment of the product, and we have not received any reports of health problems related to this matter.

The expenses pertaining to the voluntary recall have not been accounted because the projected amount of expenses incurred by the Company is unknown at this time.