

(English Translation)

**Consolidated Financial Results**  
**for the Fiscal Year Ended March 31, 2016 (under Japan GAAP)**

May 10, 2016

Company name: Nichi-Iko Pharmaceutical Co., Ltd.      Stock exchange listings:  
Tokyo Stock Exchange

Securities code: 4541      (URL <http://www.nichiiko.co.jp/>)

Representative: Yuichi Tamura  
President and CEO

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

Scheduled date of annual shareholders' meeting: June 17, 2016

Scheduled date of commencement of dividend payment: June 20, 2016

Scheduled date of filing of annual securities report: June 17, 2016

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, 2016**  
**(From April 1, 2015 to March 31, 2016)**

(1) Consolidated Results of Operations

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

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company
Fiscal year ended March 31, 2016	¥143,513 million (13.0%)	¥12,910 million (34.2%)	¥12,289 million (27.8%)	¥11,031 million (67.3%)
Fiscal year ended March 31, 2015	¥127,021 million (22.6%)	¥9,619 million (30.3%)	¥9,615 million (35.7%)	¥6,592 million (43.7%)

(Note)

Comprehensive income:

Fiscal Year Ended March 31, 2016: 9,376 million yen (-0.9%)

Fiscal Year Ended March 31, 2015: 9,466 million yen (80.3%)

	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, 2016	¥184.45	¥184.02	14.1%	8.2%	9.0%
Fiscal year ended March 31, 2015	¥110.26	¥110.14	9.4%	7.2%	7.6%

(Reference)

Equity in net income of affiliates:

Fiscal Year Ended March 31, 2016: 85 million yen

Fiscal Year Ended March 31, 2015: -229 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Fiscal year ended March 31, 2016	¥161,128 million	¥82,597 million	51.1%	¥1,377.53
Fiscal year ended March 31, 2015	¥139,834 million	¥74,487 million	53.2%	¥1,246.36

(Reference)

Equity:

Fiscal Year Ended March 31, 2016: 82,336 million yen

Fiscal Year Ended March 31, 2015: 74,350 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, 2016	¥7,097 million	- ¥3,485 million	¥10,626 million	¥27,754 million
Fiscal year ended March 31, 2015	¥21,179 million	- ¥14,647 million	- ¥14,146 million	¥13,609 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, 2015	¥-	¥12.30	¥-	¥14.30	¥26.60	¥1,590 million	24.1%	2.3%
Fiscal year ended March 31, 2016	¥-	¥13.30	¥-	¥16.70	¥30.00	¥1,794 million	16.3%	2.3%
Fiscal year ending March 31, 2017 (Forecast)	¥-	¥15.00	¥-	¥15.00	¥30.00		19.1%	

(Note)

*Breakdown of Year-end Dividends for Fiscal Year Ended March 31, 2015:*

*Ordinary dividend, 12.30 yen*

*Commemorative dividend, 2.00 yen*

*Breakdown of Year-end Dividends for Fiscal Year Ended March 31, 2016:*

*Ordinary dividend, 13.30 yen*

*Bonus dividend, 3.40 yen*

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

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

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company	Net income per share
Second quarter (cumulative total)	¥75,000 million (8.7%)	¥6,000 million (3.2%)	¥6,000 million (16.8%)	¥4,000 million (10.7%)	¥69.72
Annual	¥159,000 million (10.8%)	¥14,200 million (10.0%)	¥14,200 million (15.5%)	¥9,000 million (-18.4%)	¥157.37

**\*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

*(Note)*

*For description, please refer to "(Changes in accounting policies)" in "(5) Notes to Consolidated Financial Statements" in "5. Consolidated Financial Statements" on page 26 of the Attachment.*

- (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, 2016: 60,662,652 shares  
As of March 31, 2015: 60,662,652 shares
- (ii) Number of treasury shares as of the end of the period:  
As of March 31, 2016: 880,204 shares  
As of March 31, 2015: 962,569 shares
- (iii) Average number of shares during the period:  
Fiscal year ended March 31, 2016: 59,807,712 shares  
Fiscal year ended March 31, 2015: 59,793,744 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, 2016 (From April 1, 2015 to March 31, 2016)**

(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, 2016	¥137,524 million (14.6 %)	¥12,016 million (43.9 %)	¥11,385 million (32.0 %)	¥9,687 million (65.9 %)
Fiscal year ended March 31, 2015	¥119,994 million (16.6 %)	¥8,353 million (12.3 %)	¥8,626 million (15.3 %)	¥5,837 million (16.8 %)

	Net income per share	Net income (fully diluted) per share
Fiscal year ended March 31, 2016	¥161.97	¥161.59
Fiscal year ended March 31, 2015	¥97.62	¥97.52

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Fiscal year ended March 31, 2016	¥153,621 million	¥79,407 million	51.5%	¥1,324.21
Fiscal year ended March 31, 2015	¥132,863 million	¥73,101 million	54.9%	¥1,223.18

(Reference)

Equity:

As of March 31, 2016: 79,146 million yen

As of March 31, 2015: 72,964 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 Tuesday, May 10, 2016.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Operating Results for the Current Fiscal Year)

In the consolidated fiscal year under review, there was a general tone of economic recovery in Japan with improvements also being seen in the employment situation. However, concerns about a slowdown in emerging economies and particularly in China toward the latter half of the fiscal year and the rapid appreciation of the yen since the start of the year have led to concerns being voiced about the uncertainty of the future.

In the pharmaceuticals industry, the "Basic Policies for Economic and Fiscal Management and Structural Reform" ("Basic Policies 2015") was approved by the Japanese Cabinet in June 2015, setting the new target of "achieving the generic drugs' quantitative share of 70% or higher in the middle of FY2017, as well as achieving the quantitative share of 80% or higher as early as possible from FY2018 to the end of FY2020." Additionally, in the revision of the National Health Insurance (NHI) drug price scheme in FY2016, the additional price reduction shall be adopted for long-listed drugs if their replacement rates by generic are lower than a certain level within a certain period, and actions such as the raising of above trigger rate have been implemented to further promote generic drugs.

Meanwhile, revisions such as lowering the maximum price of newly listed generic drugs from 60% to 50% of the original drug. Hence, expanding demand and reducing cost have become major challenge for generic drug manufacturers.

Under such circumstances, the Company implemented various measures to improve its business performance during this final year of the "Pyramid" 6th Medium-term Business Plan (from April 2012 to March 2016), which includes the aim of becoming a "Global Top 10 Generic Maker."

In Japan, the Company launched 9 formulations and 17 products including Clopidogrel 25mg tablets "SANIK" and Clopidogrel 75mg tablets "SANIK" as the Authorized Generic in June 2015, and 9 formulations and 20 products including Amvalo combination tablets "Nichiiko" with printings of generic and company names on both sides of the tablets in December 2015.

With regard to biosimilar products, the Company submitted an application for marketing approval of Anti-human TNF-alpha monoclonal antibody (generic name: Infliximab (recombinant) biosimilar) to the Ministry of Health, Labor and Welfare in September 2015 after obtaining the data which showed its equivalence and biosimilarity with the reference biological product, Remicade®. Furthermore, the payment for global marketing rights for the biosimilar Rituximab (recombinant) was completed in March 2016, which along with the biosimilar Trastuzumab (recombinant) for which the Company had already obtained marketing rights, global developments are being carried out for three formulations.

Regarding overseas operations, the Company has been developing the above Trastuzumab simultaneously in Japan and the United States to accelerate its launch in



the U.S. market. In the Asian market, the Company formed a business partnership with Bangkok Lab and Cosmetic Co.,Ltd. in July 2015 for supporting the release of its products in the Thai market, and also began selling two products to Vietnam in January 2016 after receiving marketing approval in August 2015 with the cooperation of Hanoi Pharma, with which it formed a business partnership in Vietnam.

As regards manufacturing, in response to the rapidly expanding generic market under the "Basic Policies 2015" above, the counterplans are underway to enhance the facilities at Toyama Plant 1 and the Shizuoka Plant of Nichi-Iko Pharma Tech Co., Ltd., in addition to constructing a new formulation facility within Toyama Plant 1 with the aim of establishing a manufacturing system capable of supplying total 21 billion tablets by the year ending March 31, 2021.

In addition to the above developments, the Company sold its shares of Binex Co., Ltd. of South Korea due to the dissolution of the capital alliance in December 2015. As a result, consolidated operating results for the fiscal year showed significant increases in revenue and earnings, with net sales of 143,513 million yen (127,021 million yen for the previous fiscal year), operating income of 12,910 million yen (9,619 million yen for the previous fiscal year), ordinary income of 12,289 million yen (9,615 million yen for the previous fiscal year), and net income attributable to shareholders of the parent company of 11,031 million yen (6,592 million yen for the previous fiscal year).

(Prospects for the Following Fiscal Year)

During the coming fiscal year, the Company will strive to further increase its share in the generic market during the first year of the 7th Medium-term Business Plan "Obelisk" (April 2016 to March 2019) with the vision of "Global expansion by establishing an overwhelming presence with the Power of Creation" and the basic strategies of establishing a "15% share in the domestic generic market," "establishing a production framework to supply 18.5 billion tablets per year based on premium quality," and "entering the biosimilar and U.S. markets."

In addition, with the full-scale operation of the new core system, the Company will work on improving its profitability through the detailed and minute management of profits.

For the fiscal year ending March 31, 2017, the management forecasts the net sales of 159.0 billion yen, operating income of 14.2 billion yen, and ordinary income of 14.2 billion yen. Each and every employee will be united in our commitment to achieve the targets in order to "advance from the preliminary phase to the new phase for our challenges in the global market".

(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 21,293 million yen from the previous fiscal year-end and ran up to 161,128 million

yen. While investment securities declined by 4,901 million yen and long-term loans receivable fell by 1,757 million yen, cash and deposits rose by 14,146 million yen, property, plant and equipment increased by 4,678 million yen and notes and accounts receivable grew by 3,275 million yen.

Liabilities on a consolidated basis increased by 13,184 million yen from the previous fiscal year-end and ran up to 78,530 million yen. This was due to a decrease in electronically recorded debts of 1,972 million yen, while short-term loans payable rose 11,970 million yen, deposits payable increased by 1,451 million yen, income taxes payable grew by 1,288 million yen and long-term loans payable went up by 1,215 million yen.

Compared to the end of the previous fiscal year, net assets rose 8,109 million yen, reaching 82,597 million yen. This was a result of an increase of 9,383 million yen in retained earnings despite a decrease of 1,539 million yen in valuation difference on available-for-sale securities.

(ii) Cash Flows

For the fiscal year under review, cash and cash equivalents on a consolidated basis increased by 14,144 million yen from the previous fiscal year and amounted to 27,754 million yen.

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

(Cash flows from operating activities)

Net cash provided by operating activities on a consolidated basis for the fiscal year under review amounted to income over expenditure of 7,097 million yen. The main outflows were an increase in accounts receivable of 4,216 million yen, 3,826 million yen in income taxes paid and the recording of a gain on sales of investment securities of 3,678 million yen. On the other hand in terms of inflows there was net income before provision for income taxes of 15,359 million yen, and depreciation of 4,913 million yen.

(Cash flows from investing activities)

Net cash used in investing activities on a consolidated basis for the fiscal year under review amounted to excess over expenditure of 3,485 million yen. This was due to outflows such as 7,833 million yen in acquisition of property, plant and equipment and 3,246 million yen in acquisition of intangible assets, despite inflows such as 6,406 million yen in proceeds from sales of investment securities.

(Cash flows from financing activities)

Net cash provided by financing activities on a consolidated basis for the fiscal year under review amounted to income over expenditure of 10,626 million yen. The main outflows were 1,647 million yen in dividends paid, and the main inflows were an increase of 12,971 million yen in short- and long-term loans payable.

(Reference) Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity ratio	51.5%	47.4%	51.2%	53.2%	51.1%
Equity ratio on market value basis	83.1%	82.8%	73.6%	118.4%	96.4%
Interest-bearing debt to cash flows ratio (years)	5.2	2.0	5.2	0.8	4.2
Interest coverage ratio (times)	83.0	63.2	36.9	191.3	53.3

(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 the Following Fiscal Year

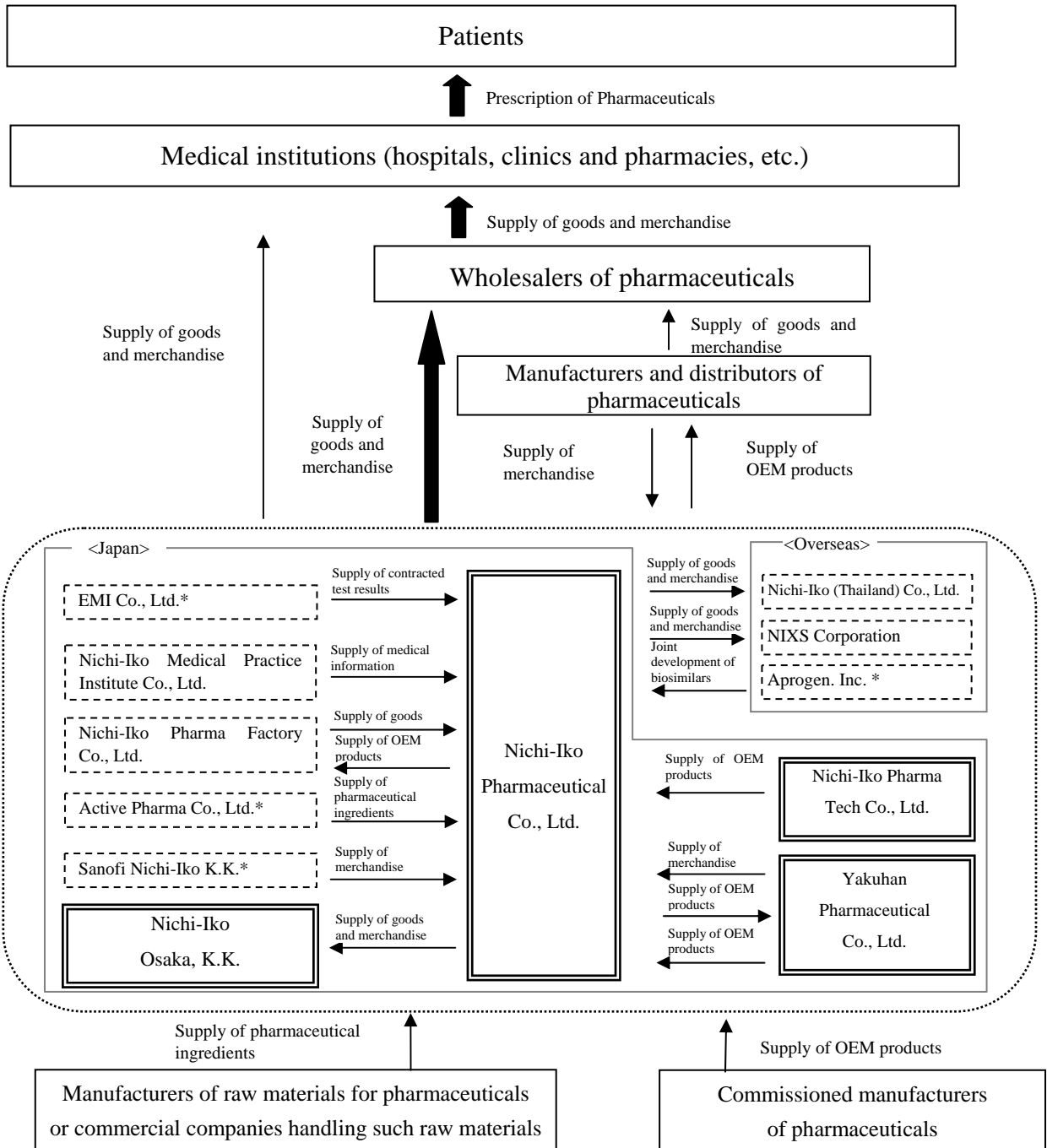
The Company's basic strategy on profit sharing is to continue appropriate distribution of profits to shareholders as well as to improve and enhance financial strength by maintaining internal reserves. We will therefore make effective use of internal reserves in the development of pharmaceuticals, gaining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

This fiscal year, a dividend of 13.30 yen per share was paid at the end of the second quarter. Because the targeted earnings for the final year of the 6th Medium-term Management Plan were achieved, a further 3.40 yen will be added to 13.30 yen per share at the end of the fiscal year, making 16.70 yen. A total of 30.00 yen is scheduled for the full year.

Furthermore, next fiscal year is planned that at the end of the second quarter the dividend will be increased by 1.70 yen per common share to 15.00 yen, and that the year-end dividend will also be 15.00 yen, for a total of 30.00 yen per share for the full year.

## 2. Outline of the Group

The Group consists of the Company and 8 subsidiaries of which 3 are consolidated subsidiaries (Nichi-Iko Pharma Tech Co., Ltd., Yakuhan Pharmaceutical Co., Ltd. and Nichi-Iko Osaka, K.K.); 1 is a non-consolidated equity method subsidiary (EMI Co., Ltd.); 4 are non-equity method non-consolidated subsidiaries (Nichi-Iko Medical Practice Institute Co., Ltd., Nichi-Iko Pharma Factory Co., Ltd., NIXS Corporation, Nichi-Iko (Thailand) Co., Ltd.), and 3 affiliates (accounted for by 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 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 such 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 fundamentals of corporate governance are strict commitment to full legal compliance, raising awareness on management transparency and corporate ethics, sound decision-making and prompt execution of operation. As such, the Group considers fulfillment and enhancement of these elements as important management issues. The Group will actively make continuous efforts for the establishment of the aforementioned system.

The Group, based on legal compliance and appropriate recognition of societal demands 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) Target Management Indicators

The Group has established the 7th Medium-term Management Plan "Obelisk" (from April 2016 to March 2019). "Obelisk" presents a vision of "Global expansion by establishing an overwhelming presence with the Power of Creation" with the targets of "establishing a 15% share in the domestic generic market," and achieving "ROE of 10% or more" in the year ending March 31, 2019.

(3) 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. Correspondingly, one of the measures taken in response to the above was promotion of use of low-cost generic pharmaceuticals. In June 2015, "Basic Policies for Economic and Fiscal Management and Structural Reform" ("Basic Policies 2015") set the new targets of raising the generic quantitative share to 70% or more by mid-FY2017 and to 80% or more as early as possible between FY2018 and the FY2020. Accordingly, demand for generic drugs is expected to continue to expand. Meanwhile, generic manufacturers are strongly demanded to raise reliability of generic pharmaceuticals through facilitation of framework capable of steadily supply pharmaceuticals, quality assurance, and enrichment of the provision of information, in addition to coping with the cost pressure to lower prices in response to price revision.

Under such conditions, the Group formulated the 7th Medium-term Management Plan "Obelisk" (from April 2016 to March 2019) and deems the next three years as a period to "advance from the preliminary phase to the new phase for our challenges in the global market " with the basic strategies of establishing a "15% share in the domestic generic market," "establishing a production framework to supply 18.5 billion tablets per year in premium quality," and "entering the biosimilar and U.S. markets" and will strengthen its corporate base in order to become Global Top 10 Generic Maker.

4. Basic Stance Regarding the Selection of Accounting Standards

As the domestic operations are currently the core of the Group's operations, for the time being Japanese accounting standards will be used. However, the Company is considering adopting IFRS through such practices as gaining knowledge on IFRS, analyzing the gap with Japanese standards, and investigating the impact of their introduction, and other matters, while weighing the state of business conditions overseas going forward and any advantages to stakeholders.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

	(in millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Assets		
Current assets		
Cash and deposits	14,032* <sup>4</sup>	28,179* <sup>4</sup>
Notes and accounts receivable	21,941* <sup>1</sup>	25,217* <sup>1</sup>
Electronically recorded monetary claims	24	919
Merchandise and finished goods	27,987	26,092
Work in process	6,212	9,177
Raw materials and supplies	8,230	10,071
Deferred tax assets	826	1,458
Other current assets	1,348	2,240
Allowance for doubtful accounts	(803)	(1,731)
Total current assets	79,798	101,624
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	16,537	17,734
Machinery and equipment, net	7,697	9,890
Tools, furniture and fixtures, net	1,150	1,183
Land	6,184* <sup>6</sup>	6,299* <sup>6</sup>
Lease assets, net	1,914	1,940
Construction in progress	623	1,739
Total property, plant and equipment	34,107* <sup>3,*4</sup>	38,786* <sup>3,*4</sup>
Intangible assets		
Goodwill	1,077	634
Lease assets	323	237
Other intangible assets	3,252	5,607
Total intangible assets	4,652	6,479
Investments and other assets		
Investment securities	13,602* <sup>2</sup>	8,700* <sup>2</sup>
Long-term loans receivable	6,377	4,619
Deferred tax assets	-	490
Other assets	1,359	514
Allowance for doubtful accounts	(64)	(89)
Total investments and other assets	21,276	14,237
Total fixed assets	60,035	59,503
Total assets	139,834	161,128



	(in millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable	16,583* <sup>4</sup>	15,993* <sup>4</sup>
Electronically recorded debts	16,172	14,200
Short-term loans payable	2,750* <sup>4</sup>	14,720* <sup>4</sup>
Current portion of long-term loans payable	3,996* <sup>4</sup>	3,781* <sup>4</sup>
Lease debts	906	942
Other payable	6,844	6,959
Accrued expenses	660	669
Income taxes payable	2,525	3,813
Deposits payable	69	1,520
Allowance for sales returns	68	47
Allowance for bonuses	861	1,128
Other current liabilities	179	485
Total current liabilities	51,618	64,262
Fixed liabilities		
Long-term loans payable	7,831* <sup>4</sup>	9,047* <sup>4</sup>
Lease debts	1,501	1,417
Deferred tax liabilities	694	112
Deferred tax liabilities for land revaluation	231* <sup>6</sup>	219* <sup>6</sup>
Net defined benefit liability	3,410	3,413
Asset retirement obligations	53	54
Other fixed liabilities	4	1
Total fixed liabilities	13,727	14,267
Total liabilities	65,346	78,530
Net assets		
Shareholders' equity		
Common stock	19,976	19,976
Capital surplus	18,684	18,796
Retained earnings	33,206	42,589
Treasury stock	(1,543)	(1,397)
Deposit on subscriptions to treasury stock	-	0
Total shareholders' equity	70,324	79,964
Other comprehensive income		
Valuation difference on available-for-sale securities	2,809	1,269
Revaluation reserve for land	321* <sup>6</sup>	333* <sup>6</sup>
Foreign currency translation adjustment	1,038	897
Accumulated adjustments in retirement benefits	(142)	(127)
Total other comprehensive income	4,026	2,371
Stock acquisition rights	137	260
Total net assets	74,487	82,597
Total liabilities and net assets	139,834	161,128

(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, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
Net sales	127,021	143,513
Cost of sales	79,935* <sup>1,*3</sup>	89,999* <sup>1,*3</sup>
Gross profit	47,086	53,514
Reversal of allowance for sales returns	17	21
Gross profit, net	47,103	53,535
Selling, general and administrative expenses	37,484* <sup>2,*3</sup>	40,624* <sup>2,*3</sup>
Operating income	9,619	12,910
Non-operating income		
Interest income	33	102
Dividends income	38	48
Foreign exchange gains	165	-
Equity in earnings of affiliates	-	85
Others	348	245
Total non-operating income	586	482
Non-operating expenses		
Interest payment	109	127
Commissions paid	47	81
Loss on sales of accounts receivables	145	189
Foreign exchange losses	-	538
50th anniversary project expenses	-	117
Equity in losses of affiliates	229	-
Others	58	49
Total non-operating expenses	590	1,103
Ordinary income	9,615	12,289
Extraordinary income		
Gain on sales of investment securities	-	3,678
Gains on negative goodwill	270	-
Gain on change in equity	-	466
Others	0	0
Total extraordinary income	270	4,144
Extraordinary loss		
Loss on disposal of fixed assets	163* <sup>4</sup>	65* <sup>4</sup>
Loss on retirement of long-term prepaid expenses	-	760
Amortization of goodwill	-	241* <sup>5</sup>
Impairment loss	207* <sup>6</sup>	-
Others	26	7
Total extraordinary loss	397	1,074
Net income before provision for income taxes	9,488	15,359
Income taxes - current	3,443	5,014
Income taxes - deferred	(547)	(686)
Total income taxes	2,895	4,328
Net income	6,592	11,031
Net income attributable to shareholders of the parent company	6,592	11,031

(Consolidated Statements of Comprehensive Income)

	(in millions of yen)	
	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
Net income	6,592	11,031
Other comprehensive income		
Valuation difference on available-for-sale securities	2,680	(2,128)
Revaluation reserve for land	23	11
Adjustments in retirement benefits	(41)	20
Share of other comprehensive income of affiliates accounted for using equity method	211	441
Total other comprehensive income	2,873*	(1,654)*
Comprehensive income	9,466	9,376
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	9,466	9,376
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Net Assets  
 Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)

(in millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at the beginning of year	19,976	18,678	28,061	(1,753)	0	64,962
Cumulative effects of changes in accounting policies			18			18
Restated balance	19,976	18,678	28,079	(1,753)	0	64,981
Changes during the year						
Cash dividends paid			(1,466)			(1,466)
Net income attributable to shareholders of the parent company			6,592			6,592
Acquisition of treasury stock				(3)		(3)
Disposal of treasury stock		6		214	(0)	220
Net changes in items other than shareholders' equity						-
Total changes during the year	-	6	5,126	210	(0)	5,342
Balance at the end of the year	19,976	18,684	33,206	(1,543)	-	70,324

	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	161	297	792	(97)	1,153	79	66,195
Cumulative effects of changes in accounting policies							18
Restated balance	161	297	792	(97)	1,153	79	66,213
Changes during the year							
Cash dividends paid							(1,466)
Net income attributable to shareholders of the parent company							6,592
Acquisition of treasury stock							(3)
Disposal of treasury stock							220
Net changes in items other than shareholders' equity	2,647	23	246	(44)	2,873	58	2,931
Total changes during the year	2,647	23	246	(44)	2,873	58	8,274
Balance at the end of the year	2,809	321	1,038	(142)	4,026	137	74,487

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

(in millions of yen)

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

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

## (4) Consolidated Statements of Cash Flows

	(in millions of yen)	
	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Net income before provision for income taxes	9,488	15,359
Depreciation	4,784	4,913
Impairment loss	207	-
Amortization of goodwill	210	442
Gains on negative goodwill	(270)	-
Increase (decrease) in allowance for doubtful accounts	657	952
Increase (decrease) in net defined benefit liability	93	37
Increase (decrease) in allowance for sales returns	(17)	(21)
Increase (decrease) in allowance for bonuses	303	267
Interest and dividends income	(72)	(151)
Interest payment	109	127
Equity in (earnings) losses of affiliates	229	(85)
Loss (gain) on change in equity	-	(466)
Loss (gain) on sales of investment securities	-	(3,678)
Foreign exchange losses (gains)	(165)	527
Loss (gain) on disposal of fixed assets	163	65
Loss on retirement of long-term prepaid expenses	-	760
(Increase) decrease in accounts receivable	5,865	(4,216)
(Increase) decrease in inventories assets	(9,817)	(2,870)
Increase (decrease) in accounts payable	9,819	(2,562)
Increase (decrease) in accrued expenses	187	10
Others	1,022	1,491
Sub-total	22,800	10,904
Interest and dividends received	143	152
Interest payment	(110)	(133)
Income taxes paid	(1,652)	(3,826)
Net cash provided by operating activities	21,179	7,097
Cash flows from investing activities		
Deposits in fixed deposits	(4)	(21)
Withdrawal from fixed deposits	7	19
Acquisition of investment securities	(1,132)	(92)
Sales of investment securities	-	6,406
Acquisition of property, plant and equipment	(3,563)	(7,833)
Sales of property, plant and equipment	27	0
Acquisition of intangible assets	(2,182)	(3,246)
Acquisition of stocks of subsidiaries and associates	(0)	-
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	(3,341)	-
Payments for loans receivable	(4,245)	-
Proceeds from loans receivable	12	1,334
Others	(225)	(50)
Net cash used in investing activities	(14,647)	(3,485)



	(in millions of yen)	
	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(9,106)	11,970
Proceeds from long-term loans payable	1,050	5,200
Repayment of long-term loans payable	(3,709)	(4,198)
Acquisition of treasury stock	(3)	(1)
Sales of treasury stock	203	198
Expenditures for acquisition of treasury stock acquisition rights	(91)	(1)
Proceeds from exercise of stock options	-	13
Repayments of finance lease debts	(1,020)	(899)
Dividends paid	(1,469)	(1,647)
Others	(0)	(7)
Net cash used in financing activities	(14,146)	10,626
Effect of exchange rate changes on cash and cash equivalents	(45)	(94)
Net increase (decrease) in cash and cash equivalents	(7,660)	14,144
Cash and cash equivalents at beginning of year	21,269	13,609
Cash and cash equivalents at end of year	13,609	27,754

(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: 3

Names of major consolidated subsidiaries:

Nichi-Iko Pharma Tech Co., Ltd.  
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 subsidiaries are all small in size and have been excluded from the scope of consolidation due to the fact that their 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.

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

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

- (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.

4. Accounting policies

(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 assets

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)

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.

(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

When calculating retirement benefit obligations, the method used to attribute projected retirement up to the end of the consolidated fiscal year under review is the projected benefit approach.

- 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 standard 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.

- C. Adoption of simplified methods for small enterprises and similar

When calculating net defined benefit liability and retirement benefit expenses, certain consolidated subsidiaries use simplified methods whereby the retirement benefit obligation is assumed to be the retirement benefit amount that would be payable if all employees were to hypothetically retire of their own volition at the end of the fiscal year.

- D. Accounting treatment of unrecognized actuarial differences and unrecognized past service costs

After being adjusted for taxation effects, unrecognized actuarial differences and unrecognized past service costs are posted in the other comprehensive income section of net assets as accumulated adjustments in retirement benefits.

(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 is amortized by straight-line method over a period reasonably estimated to have effects thereof. The amortization period is 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)

- Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(1) Overview

The following necessary revisions were made regarding the treatment of the recoverability of deferred tax assets based on Auditing Guidance No.66, "Auditing Treatment for Judgment of Recoverability of Deferred Tax Assets," issued by Japanese Institute of Certified Public Accountants, which divides companies into five categories, where recoverability of deferred tax assets is assessed based on their categories.

- A. Treatment of companies that do not meet any of the requirements for Categories 1 through 5
- B. Requirements for Categories 2 and 3
- C. Treatment of deductible temporary differences that cannot be scheduled in companies falling under Category 2
- D. Treatment of the reasonably estimable period of taxable income prior to addition or subtraction of temporary differences in companies falling under Category 3
- E. Treatment of companies meeting the requirements for Category 4 that fall under Category 2 or 3

(2) Expected date of application

These changes will be applied from the beginning of the fiscal year ending March 31, 2017.

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

The impact on the consolidated financial statements at the start of the following consolidated fiscal year is currently being evaluated.

(Changes in accounting policies)

(Application of the Accounting Standard for Business Combinations)

Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013) and other standards have been applied from the current consolidated fiscal year, and net income and other items have been restated. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect this change in presentation method.

(Additional information)

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

The Company conducts transactions whereby it allocates shares to the employee shareholding association via a trust with the aim of improving employee welfare.

(1) Overview of transactions

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.

(2) The Company has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No.30, March 26, 2015) but in accordance with the progressive application stipulated in Paragraph 20 of same Practical Solution, the accounting treatment uses the same method as previously.

(3) Matters relating to Company shares held by the Trust



- A. The book value of the shares held by the Trust was 178 million yen in the previous consolidated fiscal year and 61 million yen for the consolidated fiscal year under review. The shares held by the Trust are posted as treasury stock under shareholders' equity.
  
- B. The number of shares at the end of the period was 97,000 for the previous consolidated fiscal year and 33,700 for the consolidated fiscal year under review, while the average number of shares during the period was 148,769 for the previous consolidated fiscal year and 68,177 for the consolidated fiscal year under review. The number of shares at the end of the period and the average number of shares for the period are excluded from the treasury stock that is subtracted for the purposes of calculating per-share data.

(Consolidated Balance Sheet)

\*1 Accounts and notes receivable

The securitized balance related to declaration of trust, etc. is as follows;

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
Securitized balance related to declaration of trust, etc.	998	1,681

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

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
Investment securities (shares of stock)	4,423	5,316

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

(in millions of yen)

	Previous Consolidated Fiscal Year (As of March 31, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
	30,416	32,214

\*4 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, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
Buildings and structures	1,743	1,662
Machinery and equipment	100	9
Tools, furniture and fixtures	2	1
Land	1,114	1,114
Cash and deposits (fixed deposits)	10	10
Total	2,971	2,798

Secured debt is as follows:

	(in millions of yen)	
	Previous Consolidated Fiscal Year (As of March 31, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
Accounts payable	36	24
Short-term loans payable	706	735
Current portion of long-term loans payable	194	221
Long-term loans payable	3,204	3,117
Total	4,142	4,099

\*5 Contingent liabilities  
Guaranteed debt

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

	(in millions of yen)	
	Previous Consolidated Fiscal Year (As of March 31, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
Active Pharma Co., Ltd.	1,347	1,347

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

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

- Date of revaluation: November 30, 2001

	(in millions of yen)	
	Previous Consolidated Fiscal Year (As of March 31, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
Difference between the market value of land revaluation at the end of the period and the book value after revaluation	(807)	(807)

(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, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)
	182	239

- \*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, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)
Sales promotion expense	16,174	19,027
Salaries and allowances	5,074	5,350
Provision of allowance for bonuses	363	603
Research and development expenses	4,984	4,874
Provision for allowance for doubtful accounts	657	952
Retirement benefits expenses	215	223
Amortization of goodwill	210	201

- \*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, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)
	4,984	4,874

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

	(in millions of yen)	
	Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)
Buildings and structures	113	25
Machinery and equipment	43	27
Tools, furniture and fixtures	6	11
Total	163	65

\*5 Amortization of goodwill

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

\*6 Impairment loss

In the previous consolidated fiscal year, the Group recorded the impairment losses for the following asset groups.

(in millions of yen)			
Region	Use	Category	Impairment loss
Namerikawa City, Toyama Prefecture	Assets scheduled for retirement	Buildings etc.	203
Kitahiroshima City, Hokkaido	Idle assets	Machinery & equipment etc.	4

Operating assets are grouped at the business unit level, while idle assets and assets scheduled for sale or retirement are grouped at each asset level.

With regard to the aforementioned assets scheduled for retirement, since they are decided to be retired, the recoverable value of said assets has been set to zero and an impairment loss on the scheduled disposal value of 203 million yen has been posted in extraordinary losses. The breakdown is 200 million yen for buildings and 2 million yen for structures.

With regard to the idle assets mentioned above, because these are no longer likely to be used the book value has been written down to the recoverable value and the amount of said write-down of 4 million yen has been posted as an impairment loss in extraordinary losses. The breakdown is 4 million yen for machinery and equipment and 0 million yen for others. The recoverable value is an estimate based on the net sale value.

This item is not applicable to the current consolidated fiscal year.

(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, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)
Valuation difference on available-for-sale securities:		
Amount for the period	3,918	518
Recycling	-	(3,678)
Before tax effect	3,918	(3,159)
Tax effect	(1,238)	1,031
Valuation difference on available-for-sale securities	2,680	(2,128)
Revaluation reserve for land:		
Tax effect	23	11
Adjustments in retirement benefits		
Amount for the period	(95)	(19)
Recycling	40	53
Before tax effect	(54)	34
Tax effect	12	(13)
Adjustments in retirement benefits	(41)	20
Share of other comprehensive income of affiliates accounted for using equity method:		
Amount for the period	211	441
Total other comprehensive income	2,873	(1,654)

(Consolidated Statements of Changes in Net Assets)

Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)

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	60,662,652	-	-	60,662,652
Total	60,662,652	-	-	60,662,652
Treasury stock (Note)				
Common stock held by the Company	875,497	1,902	11,830	865,569
Common stock held by the EST	206,100	-	109,100	97,000
Total	1,081,597	1,902	120,930	962,569

(Note)

*The increase in common treasury stock of 1,902 shares was the result of buying 1,902 shares of shares less than one unit. The decrease of 120,930 shares was the result of the exercise of stock options for 380 shares, 150 shares bought to fulfill requests to add to purchases consisting of shares less than one unit, the sale of 11,300 shares in consolidated subsidiary Nichi-Iko Osaka, K.K., and the transfer from the EST to the Shareholding Association of 109,100 shares.*

## 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 (million yen)
			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	-	-	-	-	-	137
Total		-	-	-	-	-	137



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 20, 2014	Common stock	735 (Note 1)	12.30	March 31, 2014	June 23, 2014
Board of directors' meeting on November 5, 2014	Common stock	735 (Note 2)	12.30	September 30, 2014	December 9, 2014

(Notes)

- 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 11,300 shares of treasury shares of the company held by consolidated subsidiaries.*
- Total amount of dividends includes dividends amounting to 1 million yen for 146,100 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 (millions of yen)	Dividend resource	Dividend amount per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 19, 2015	Common stock	855 (Note 1)	Retained earnings	14.30 (Note 2)	March 31, 2015	June 22, 2015

(Note)

- Total amount of dividends includes dividends amounting to 1 million yen for 97,000 shares of the Company held by the EST.*
- The dividend payment per share consists of an ordinary dividend of 12.30 yen and a commemorative dividend of 2.00 yen.*

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

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	60,662,652	-	-	60,662,652
Total	60,662,652	-	-	60,662,652
Treasury stock (Note)				
Common stock held by the Company	865,569	529	19,594	846,504
Common stock held by the EST	97,000	-	63,300	33,700
Total	962,569	529	82,894	880,204

(Note)

The increase in common treasury stock of 529 shares was the result of buying 529 shares of shares less than one unit. The decrease of 82,894 shares was the result of the exercise of stock options for 19,460 shares, 134 shares sold to fulfill requests to add to purchases consisting of shares less than one unit, and the transfer from the EST to the Shareholding Association of 63,300 shares.

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 (million yen)
			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	-	-	-	-	-	260
Total		-	-	-	-	-	260

### 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 19, 2015	Common stock	855 (Note 1)	14.30 (Note 3)	March 31, 2015	June 22, 2015
Board of directors' meeting on November 4, 2015	Common stock	795 (Note 2)	13.30	September 30, 2015	December 9, 2015

(Notes)

1. Total amount of dividends includes dividends amounting to 1 million yen for 97,000 shares of the Company held by the EST.
2. Total amount of dividends includes dividends amounting to 0 million yen for 69,400 shares of the Company held by the EST.
3. The dividend payment per share consists of an ordinary dividend of 12.30 yen and a commemorative dividend of 2.00 yen.

(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 17, 2016	Common stock	998 (Note 1)	Retained earnings	16.70 (Note 2)	March 31, 2016	June 20, 2016

(Notes)

1. Total amount of dividends includes dividends amounting to 0 million yen for 33,700 shares of the Company held by the EST.
2. The dividend payment per share consists of an ordinary dividend of 13.30 yen and a bonus dividend of 3.40 yen.

(Securities)

1. Other securities

Previous Consolidated Fiscal Year (as of March 31, 2015)

(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	8,567	4,225	4,341
(ii) Others	0	0	0
Sub-total	8,567	4,225	4,341
Book value on the consolidated balance sheet not exceeding acquisition cost			
(i) Shares	260	278	(18)
(ii) Others	-	-	-
Sub-total	260	278	(18)
Total	8,827	4,504	4,322

(Note)

Unlisted shares (351 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, 2016)

(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	2,628	1,372	1,255
(ii) Others	0	0	0
Sub-total	2,628	1,372	1,255
Book value on the consolidated balance sheet not exceeding acquisition cost			
(i) Shares	404	497	(92)
(ii) Others	-	-	-
Sub-total	404	497	(92)
Total	3,032	1,869	1,163

(Note)

Unlisted shares (351 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.

2. Impairment losses recorded in securities

Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)

Not applicable.

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

The statement is omitted due to the amount of impairment losses being immaterial.

3. Other securities sold

Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)

Not applicable.

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

(in millions of yen)

Category	Sold amount	Total amount of gain on sale	Total amount of loss on sale
Shares	6,406	3,678	-
Total	6,406	3,678	-

(Derivatives trading)

Previous Consolidated Fiscal Year (as of March 31, 2015)

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	96	84	(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, 2016)

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	84	72	(Note)

(Note)

*Preferential procedure is adopted for interest rate swaps and processed together along 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, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)
Selling, general and administrative expenses	58	160

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)	1st 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
Number of stock options by class of shares (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 or more 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)	4th 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
Number of stock options by class of shares (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.



	Fiscal 2014 stock acquisition rights (long-term compensation in the form of shares)	6th stock acquisition rights
Categories and number of members to whom stock acquisition rights were granted	Directors of the Company: 7 members Entrusted Executive Officers of the Company: 2 members Entrusted Administration Officers of the Company: 6 members	Executive officers of the Company: 5 Administration Officers of the Company: 5 Employees of the Company: 42 Directors of company subsidiaries: 3
Number of stock options by class of shares (Note)	24,570 common shares	50,000 common shares
Date in which stock acquisition rights were granted	July 15, 2014	November 6, 2014
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 50th annual general meeting of shareholders and by the Board of Directors on June 20, 2014.</p>
Service period	Service period is not specified.	Same as at left.
Exercise period	From July 16, 2014 to July 15, 2044	From November 6, 2016 to September 30, 2019

(Note)

Converted into the number of shares.

	2nd short-term stock acquisition rights (compensation in the form of shares)	2nd 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: 7 members Entrusted Executive Officers of the Company: 3 members Entrusted Administration Officers of the Company: 6 members	Directors of the Company: 7 members Entrusted Executive Officers of the Company: 3 members Entrusted Administration Officers of the Company: 6 members
Number of stock options by class of shares (Note)	11,760 common shares	23,770 common shares
Date in which stock acquisition rights were granted	May 29, 2015	May 29, 2015
Terms and conditions of right allotment	<p>1. 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>2. 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 or more 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 June 1, 2015 to August 31, 2015	From July 1, 2016 to September 30, 2016

(Note)

Converted into the number of shares.

	Fiscal 2015 stock acquisition rights (long-term compensation in the form of shares)	7th stock acquisition rights
Categories and number of members to whom stock acquisition rights were granted	Directors of the Company: 7 members Entrusted Executive Officers of the Company: 4 members Entrusted Administration Officers of the Company: 6 members	Executive officers of the company: 9 Administration Officers of the Company: 8 Employees of the company: 52 Directors of company subsidiaries: 2 Employees of company subsidiaries: 8
Number of stock options by class of shares (Note)	12,030 common shares	50,000 common shares
Date in which stock acquisition rights were granted	July 14, 2015	October 14, 2015
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 51st annual general meeting of shareholders and by the Board of Directors on June 19, 2015.</p>
Service period	Service period is not specified.	Same as at left.
Exercise period	From July 15, 2015 to July 14, 2045	From October 14, 2017 to September 30, 2020

*(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)	1st mid-term stock acquisition rights (compensation in the form of shares)	Fiscal 2013 stock acquisition rights (long-term compensation in the form of shares)	4th stock acquisition rights	Fiscal 2014 stock acquisition rights (long-term compensation in the form of shares )
Number of options before being vested					
At the end of the previous consolidated fiscal year	-	20,330	-	42,000	-
Granted	-	-	-	-	-
Expired	-	-	-	-	-
Vested	-	-	-	42,000	-
Un-vested balance	-	20,330	-	-	-
Number of options vested					
At the end of the previous consolidated fiscal year	24,260	-	11,160	-	24,570
Vested	-	-	-	42,000	-
Exercised	-	-	-	7,700	-
Expired	-	-	-	-	-
Outstanding balance	24,260	-	11,160	34,300	24,570

(shares)

	6th stock acquisition rights	2nd short-term stock acquisition rights (compensation in the form of shares)	2nd mid-term stock acquisition rights (compensation in the form of shares)	Fiscal 2015 stock acquisition rights (long-term compensation in the form of shares)	7th stock acquisition rights
Number of options before being vested					
At the end of the previous consolidated fiscal year	50,000	-	-	-	-
Granted	-	11,760	23,770	12,030	50,000
Expired	-	-	-	-	-
Vested	-	11,760	-	12,030	-
Un-vested balance	50,000	-	23,770	-	50,000
Number of options vested					
At the end of the previous consolidated fiscal year	-	-	-	-	-
Vested	-	11,760	-	12,030	-
Exercised	-	11,760	-	-	-
Expired	-	-	-	-	-
Outstanding balance	-	-	-	12,030	-

## (ii) Unit value information

(in yen)

	Fiscal 2012 stock acquisition rights (long-term compensation in the form of shares)	1st mid-term stock acquisition rights (compensation in the form of shares)	Fiscal 2013 stock acquisition rights (long-term compensation in the form of shares)	4th stock acquisition rights	Fiscal 2014 stock acquisition rights (long-term compensation in the form of shares )
Strike price	1	1	1	1,783 (Note)	1
Average share price on exercise of option	-	-	-	3,057	-
Fair assessed unit price (as of the grant date)	1,581	2,141	2,147	423	1,326

(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.

(in yen)

	6th stock acquisition rights	2nd short-term stock acquisition rights (compensation in the form of shares)	2nd mid-term stock acquisition rights (compensation in the form of shares)	Fiscal 2015 stock acquisition rights (long-term compensation in the form of shares)	7th stock acquisition rights
Strike price	1,766	1	1	1	3,045
Average share price on exercise of option	-	3,531	-	-	-
Fair assessed unit price (as of the grant date)	296	2,879	2,851	3,417	593

## 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) 2nd short-term stock acquisition rights (compensation in the form of shares)

(i) Assessment technique: Black-Scholes model

(ii) Major standard figures and estimation method

	2nd short-term stock acquisition rights (compensation in the form of shares)
Volatility of share price (Note 1)	28.4%
Expected remaining period (Note 2)	0.0 years
Expected dividends (Note 3)	26.6 yen per share
Risk free rate (Note 4)	0.04%

(Notes)

1. Calculated based on actual share prices for 2.0 years (from May 20, 2013 to May 25, 2015).
2. Expected remaining period is estimated to be the period from the date in which stock acquisition rights were granted until the starting date of the exercise period.
3. Based on the actual dividend paid for the period ended March 2015 (annual amount, financial result for the latest 12 months).
4. Government bond yield for the period corresponding to the expected remaining period.

(b) 2nd mid-term stock acquisition rights (compensation in the form of shares)

(i) Assessment technique: Black-Scholes model

(ii) Major standard figures and estimation method

	2nd mid-term stock acquisition rights (compensation in the form of shares)
Volatility of share price (Note 1)	25.4%
Expected remaining period (Note 2)	1.1 years
Expected dividends (Note 3)	26.6 yen per share
Risk free rate (Note 4)	0.00%

(Notes)

1. Calculated based on actual share prices for 1.1 years (from April 21, 2014 to May 25, 2015).
2. Expected remaining period is estimated to be the period from the date in which stock acquisition rights were granted until the starting date of the exercise period.
3. Based on the actual dividend paid for the period ended March 2015 (annual amount, financial result for the latest 12 months).

4. *Government bond yield for the period corresponding to the expected remaining period.*

(c) Fiscal 2015 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 2015 stock acquisition rights (long-term compensation in the form of shares)
Volatility of share price (Note 1)	28.3%
Expected remaining period (Note 2)	4.9 years
Expected dividends (Note 3)	26.6 yen per share
Risk free rate (Note 4)	0.09%

*(Notes)*

1. *Calculated based on actual share prices for 4.9 years (from August 16, 2010 to July 6, 2015).*
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 2015 (annual amount, financial result for the latest 12 months).*
4. *Government bond yield for the period corresponding to the expected remaining period.*

(d) 7th stock acquisition rights

(i) Assessment technique: Black-Scholes model

(ii) Major standard figures and estimation method

	7th stock acquisition rights
Volatility of share price (Note 1)	28.6%
Expected remaining period (Note 2)	3.5 years
Expected dividends (Note 3)	24.6 yen per share
Risk free rate (Note 4)	0.02%

*(Notes)*

1. *Calculated based on actual share prices for 3.5 years (from April 15, 2012 to October 14, 2015).*
2. *Due to a lack of accumulated data it is difficult to make a rational estimate, so it is assumed that rights will be exercised at the midpoint of the of the exercise period.*



3. *Based on the actual dividend paid for the period ended March 2015 (annual amount, financial result for the latest 12 months excluding commemorative dividend).*
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, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
Deferred tax assets		
Tax loss carried forward	319	295
Net defined benefit liability	1,099	1,046
Allowance for doubtful accounts	277	558
Accrued enterprise tax	230	280
Allowance for bonuses	286	353
Others	675	925
Sub-total deferred tax assets	2,889	3,459
Valuation allowance	(641)	(724)
Total deferred tax assets	2,247	2,735
Deferred tax assets for land revaluation		
Revaluation reserve for land	53	51
Valuation allowance	(53)	(51)
Total deferred tax assets for land revaluation	-	-
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(231)	(219)
Total deferred tax liabilities for land revaluation	(231)	(219)
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,366)	(334)
Valuation difference on assets acquired through merger and acquisition	(449)	(427)
Difference on liability adjustment	(135)	(99)
Others	(165)	(37)
Total deferred tax liabilities	(2,116)	(898)
Deferred tax assets, net	-	1,616
Net deferred tax liabilities	(99)	-

(Note)

Net amounts of net deferred tax liabilities for the previous consolidated fiscal year and deferred tax assets for 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, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
Current assets - deferred tax assets	826	1,458
Fixed assets - deferred tax assets	-	490
Fixed liabilities - deferred tax liabilities	(694)	(112)
Fixed liabilities - deferred tax liabilities for land revaluation	(231)	(219)

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, 2015)	Current Consolidated Fiscal Year (March 31, 2016)
Statutory effective tax rate	35.4%	32.8%
(Adjustment)		
Entertainment expenses and other items never included in losses	0.5	0.3
Dividends received and other items never included in income	(0.3)	(0.2)
Downward revision of end of period deferred tax assets due to a change in the tax rate	2.1	1.2
Amortization of goodwill	0.8	0.9
Gains on negative goodwill	(0.7)	-
Tax exemption for testing and research expenses, etc.	(8.1)	(5.6)
Equity in net gains (losses) of affiliates	0.9	(0.2)
Gain on change in equity	-	(1.0)
Equal allocation of local income tax	0.4	0.2
Others	(0.5)	(0.2)
Corporate income tax rate after application of tax-effect accounting	30.5	28.2

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

Due to the "Act on Partial Revision for the Income Tax Act, etc. (Act No.15 of 2016)" and the "Act for Partial Revision of the Local Taxation Act, etc. (Act No.13 of 2016)" enacted on March 29, 2016 in the Diet, rates for corporate tax and so on have been reduced for consolidated fiscal years beginning on or after April 1, 2016. Accordingly, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities has changed from 32.1% previously to 30.7% for temporary differences that are expected to be eliminated during the consolidated fiscal year beginning on April 1, 2016 and the consolidated fiscal year beginning on April 1, 2017, and to 30.5% for temporary differences that are expected to be eliminated during or beyond the consolidated fiscal year beginning April 1, 2018.

Due to this change in the tax rate, deferred tax assets and deferred tax liabilities fell by 128 million yen and 42 million yen respectively, while income taxes-deferred rose by 100 million yen, valuation difference on available-for-sale securities rose by 16 million yen and accumulated adjustments in retirement benefits fell by 2 million yen.

Deferred tax liabilities for land revaluation fell by 11 million yen and revaluation reserve for land rose by the same amount.

(Segment information, etc.)

[Segment information]

Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)

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, 2015 to March 31, 2016)

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

[Related information]

Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)

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	28,854	Pharmaceutical business
Suzuken Co., Ltd.	21,913	Pharmaceutical business
Alfresa Corporation	16,241	Pharmaceutical business

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

1. Information by product and service

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

2. Information by region

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by main customer

(in millions of yen)

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

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

Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)

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, 2015 to March 31, 2016)

Not applicable.

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

Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)

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, 2015 to March 31, 2016)

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

[Information on gains on negative goodwill by reporting segment]

Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)

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, 2015 to March 31, 2016)

Not applicable.

(Per share information)

(in yen)

	Previous Consolidated Fiscal Year (from April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)
Net assets per share	1,246.36	1,377.53
Net income per share	110.26	184.45
Net income (fully diluted) per share	110.14	184.02

(Notes)

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

(in millions of yen, unless otherwise noted)

	Previous Consolidated Fiscal Year (As of March 31, 2015)	Current Consolidated Fiscal Year (As of March 31, 2016)
Total net assets	74,487	82,597
Amount added to total net assets	178	61
(Of which treasury stock held by the EST)	(178)	(61)
Amount deducted from total net assets	137	260
(Of which stock acquisition rights)	(137)	(260)
Net assets attributable to common stock at the end of the period	74,528	82,398
Number of common stock used for the calculation of net assets per share (shares)	59,797,083	59,816,148

(Note)

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 97,000 shares for the previous consolidated fiscal year and 33,700 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, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)
Net income per share		
Net income attributable to shareholders of the parent company (millions of yen)	6,592	11,031
Amounts not attributable to shareholders of common stock (millions of yen)	-	-
Net income attributable to shareholders of the parent company attributable to common stock (millions of yen)	6,592	11,031
Average number of common stock during the period (shares)	59,793,744	59,807,712
Net income (fully diluted) per share		
Adjustment of net income attributable to shareholders of the parent company (millions of yen)	-	-
Number of increased common stock (shares)	64,964	139,393
(Of which stock acquisition rights (shares))	(64,964)	(139,393)
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)	Board of directors' meeting on September 14, 2015 Stock options approved Stock acquisition rights: 500 (50,000 common shares)

*(Note)*

*The average number of common stock includes 148,769 shares of treasury stock held by the EST for the previous consolidated fiscal year and 68,177 shares for the current consolidated fiscal year respectively.*

(Significant subsequent events)

In the meeting of the Board of Directors held on April 4, 2016, the Company decided upon the purchase of treasury stock and the specific method of the purchase in accordance with the provision of Article 156 of the Companies Act applied by replacing the terms pursuant to Article 165(3) of the same Act, and carried out a purchase of treasury stock as follows.

(1) Reason for the purchase of treasury stock

Sanofi K.K., which is a shareholder holding 4.76% of the Company's total issued shares (excluding treasury stock) indicated the desire to sell its entire holding of the Company's



shares in accordance with the Sanofi Group's policy of optimizing cash flow by strengthening its financial structure.

In response to this, the Company decided to take this opportunity to purchase treasury stock as part of its returns to shareholders.

(2) Content of the Board of Directors' decision concerning treasury stock

(i) Class of shares to be purchased

Common stock of the Company

(ii) Number of shares to be purchased

2,846,800 shares (maximum)

(iii) Period of purchase

April 5, 2016

(iv) Total purchase price

7,000 million yen (maximum)

(v) Purchase method

Purchase through Tokyo Stock Exchange Trading NeTwork own share repurchase trading (ToSTNeT-3)

(3) Result of purchase of treasury stock

(i) Class of shares purchased

Common stock of the Company

(ii) Number of shares purchased

2,846,800 shares

(iii) Purchase date

April 5, 2016

(iv) Purchase price

7,000 million yen

(v) Purchase method

Purchase through Tokyo Stock Exchange Trading NeTwork own share repurchase trading (ToSTNeT-3)