

(English Translation)

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

November 13, 2012

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

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

Representative: Yuichi Tamura
President and CEO

Contact: Noboru Inasaka Tel: 076-432-2121
Managing Executive Officer and
General Manager of Management
Division

Scheduled date of filing of quarterly report: November 14, 2012

Scheduled date of commencement of dividend payment: December 10, 2012

Presentation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial presentation meeting: Yes

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

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

(1) Consolidated Results of Operations (cumulative)

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

	Net sales	Operating income	Ordinary income	Net income
Second quarter of fiscal year ending March 31, 2013	¥45,880 million (-%)	¥3,669 million (-%)	¥3,730 million (-%)	¥2,183 million (-%)

(Note)

Comprehensive income:

Second Quarter of Fiscal Year Ending March 31, 2013: 2,208 million yen (-%)

	Net income per share	Net income (fully diluted) per share
Second quarter of fiscal year ending March 31, 2013	¥54.35	¥54.34

(Note)

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Second quarter of fiscal year ending March 31, 2013	¥92,723 million	¥46,433 million	50.0%	¥1,179.62
Fiscal year ended March 31, 2012	¥88,455 million	¥45,528 million	51.5%	¥1,144.65

(Reference)

Equity:

Second Quarter of Fiscal Year Ending March 31, 2013: 46,390 million yen
Fiscal Year Ended March 31, 2012: 45,528 million yen

2. Dividends

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

(Note)

Revisions to recently announced dividends forecast: None

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

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

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Annual	¥94,000 million (-%)	¥8,500 million (-%)	¥8,300 million (-%)	¥5,000 million (-%)	¥125.43

(Note)

Revisions to recently announced forecast of financial results: Yes

(Note)

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

***Notes**

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

New: –

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

(Note)

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

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

(Note)

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

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

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

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

(iii) Changes in accounting estimates: Yes

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

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

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

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

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

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

As of September 30, 2012: 1,152,067 shares

As of March 31, 2012: 645,978 shares

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

As of September 30, 2012: 40,178,616 shares

(Note)

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

(Note)

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

financial statements for the second quarter were not prepared for the fiscal year ended March 31, 2012 due to this change.

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

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

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

(Considerations on forward-looking statements)

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

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

(1) Qualitative Information on Consolidated Operating Results

The Japanese economy during the second quarter consolidated cumulative period saw continued reconstruction demand following the Great East Japan Earthquake, while the economic slowdown made worse by the prolonged European debt crisis has spread to emerging countries such as China and slowed the recovery of the global economy. There are also concerns about the future impact of issues with neighboring countries.

In the pharmaceutical industry, the National Health Insurance price revision and the revision of medical service fees in April 2012 have the effect of lowering the prices of the Company's products by a weighted average of 9.3%. However, a policy promoting the use of generic drugs was implemented at the same time, and this made a contribution with the share of generic drugs by volume reaching 25.3% for the quarter from April to June according to the figures published by Japan Generic Medicines Association. In particular, inclusion of additional premiums and valuation points for generic drug dispensing is expected to expand not only in clinics, but also large-scale hospitals, and so the share of generic drugs is expected to increase.

In preparation for increased demand for generic drugs, the "Pyramid Building" is being constructed as a new production factory next to the "Pentagon Building" of the Toyama Plant which was completed in 2010, and is scheduled to be completed in February 2013.

Consequently, the results of the second quarter consolidated cumulative period showed net sales of 45,880 million yen, operating income of 3,669 million yen, ordinary income of 3,730 million yen, and net income for the quarter of 2,183 million yen.

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

(2) Qualitative Information on Consolidated Financial Position

As of the end of this second quarter under review, total assets on a consolidated basis increased 4,267 million yen from the previous fiscal year-end and ran up to 92,723 million yen. This was attributable to increase in notes and accounts receivable of 3,002 million yen, increase in property, plant and equipment of 2,978 million yen, and decrease in cash and deposits of 1,790 million yen.

Liabilities on a consolidated basis increased by 3,362 million yen from the previous fiscal year-end and ran up to 46,289 million yen. This was due to increase in notes and accounts payable of 1,917 million yen and increase in income taxes payable of 645 million yen.

Net assets on a consolidated basis increased 905 million yen from the previous fiscal year-end and ran up to 46,433 million yen, due to increase in retained earnings of 1,754 million yen, despite a decrease due to acquisition of treasury stock.

(3) Qualitative Information on Forecast of Consolidated Financial Results

As stated in the Qualitative Information on Consolidated Operating Results, the use of generic drugs steadily expanded during the second quarter consolidated cumulative period. As a result,

we have revised our forecast of consolidated financial results for the fiscal year ending March 31, 2013 to net sales of 94,000 million yen (up 1,500 million yen from the forecast announced on May 9, 2012), operating income of 8,500 million yen (up 200 million yen), ordinary income of 8,300 million yen (up 300 million yen), and net income of 5,000 million yen (up 200 million yen) based on the net sales in the second quarter consolidated cumulative period and future sales targets.

2. Matters Related to Summary Information (Notes)

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

The Company performed an absorption-type merger of the consolidated subsidiary Nichi-iko Pharma Factory Co., Ltd. on June 1, 2012.

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

Tax expenses are calculated by multiplying the net income for the term before provision for income taxes by an estimated effective tax rate that is reasonably estimated after applying tax effect accounting to the net income before provision for income taxes for the consolidated fiscal year including the second quarter under review. Income taxes – deferred are included in total income taxes and recorded.

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

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

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

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

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

	(in thousands of yen)	
	Fiscal year ended March 31, 2012 (as of March 31, 2012)	Second quarter of fiscal year ending March 31, 2013 (as of September 30, 2012)
Assets		
Current assets		
Cash and deposits	6,299,320	4,508,738
Notes and accounts receivable	23,871,371	26,873,392
Securities	1,666	666
Merchandise and finished goods	14,643,869	14,980,808
Work in process	3,223,429	3,396,432
Raw materials and supplies	4,710,133	5,535,388
Other current assets	1,688,781	1,632,015
Allowance for doubtful accounts	(463,130)	(508,220)
Total current assets	<u>53,975,442</u>	<u>56,419,221</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	12,204,591	11,795,347
Machinery and equipment, net	3,630,152	3,150,566
Land	4,066,333	4,112,621
Construction in progress	1,144,112	4,468,642
Other plant assets, net	2,273,116	2,769,513
Total property, plant and equipment	<u>23,318,307</u>	<u>26,296,691</u>
Intangible assets		
Goodwill	1,149,688	1,062,943
Other intangible assets	3,930,418	3,426,729
Total intangible assets	<u>5,080,107</u>	<u>4,489,672</u>
Investments and other assets		
Investment securities	4,316,928	4,190,355
Other assets	1,909,553	1,595,314
Allowance for doubtful accounts	(144,625)	(268,000)
Total investments and other assets	<u>6,081,857</u>	<u>5,517,670</u>
Total fixed assets	<u>34,480,271</u>	<u>36,304,034</u>
Total assets	<u>88,455,713</u>	<u>92,723,256</u>

	(in thousands of yen)	
	Fiscal year ended March 31, 2012 (as of March 31, 2012)	Second quarter of fiscal year ending March 31, 2013 (as of September 30, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable	16,164,131	18,081,472
Short-term loans payable	5,850,000	6,025,000
Current portion of long-term loans payable	2,745,244	2,808,716
Income taxes payable	534,310	1,179,801
Allowance for sales returns	57,000	60,100
Allowance for bonuses	477,718	520,270
Other current liabilities	3,676,556	4,635,722
Total current liabilities	<u>29,504,960</u>	<u>33,311,083</u>
Fixed liabilities		
Long-term loans payable	8,453,358	7,700,404
Allowance for retirement benefits	2,923,252	3,028,502
Asset retirement obligations	54,197	54,614
Other fixed liabilities	1,991,487	2,195,092
Total fixed liabilities	<u>13,422,294</u>	<u>12,978,613</u>
Total liabilities	<u>42,927,255</u>	<u>46,289,696</u>
Net assets		
Shareholders' equity		
Common stock	13,557,728	13,557,728
Capital surplus	12,321,293	12,297,255
Retained earnings	20,360,670	22,115,653
Treasury stock	(1,104,305)	(1,997,577)
Total shareholders' equity	<u>45,135,387</u>	<u>45,973,060</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	95,387	119,859
Revaluation reserve for land	297,683	297,683
Total other comprehensive income	<u>393,070</u>	<u>417,543</u>
Stock acquisition rights	-	42,955
Total net assets	<u>45,528,458</u>	<u>46,433,559</u>
Total liabilities and net assets	<u>88,455,713</u>	<u>92,723,256</u>

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

(Quarterly Consolidated Statements of Income)

(Second Quarter Consolidated Cumulative Period)

	(in thousands of yen)
	First half of current fiscal year (from April 1, 2012 to September 30, 2012)
Net sales	45,880,546
Cost of sales	27,897,595
Gross profit	17,982,951
Allowance for sales returns	3,100
Gross profit, net	17,979,851
Selling, general and administrative expenses	14,310,570
Operating income	3,669,280
Non-operating income	
Interest income	9,347
Dividends income	19,668
Amortization of negative goodwill	3,105
Reimbursement for joint development cost	120,418
Others	94,174
Total non-operating income	246,714
Non-operating expenses	
Interest payment	82,943
Commissions paid	17,358
Loss on sales of accounts receivables	48,088
Others	37,026
Total non-operating expenses	185,416
Ordinary income	3,730,578
Extraordinary income	
Gain on sales of fixed assets	171
Total extraordinary income	171
Extraordinary loss	
Loss on disposal of fixed assets	16,551
Loss on valuation of investment securities	140,916
Others	410
Total extraordinary loss	157,877
Net income before provision for income taxes	3,572,873
Income taxes	1,388,997
Income before minority interests	2,183,875
Net income	2,183,875

(Quarterly Consolidated Statements of Comprehensive Income)

(Second Quarter Consolidated Cumulative Period)

	<u>(in thousands of yen)</u>
	First half of current fiscal year (from April 1, 2012 to September 30, 2012)
Income before minority interests	<u>2,183,875</u>
Other comprehensive income	
Valuation difference on available-for- sale securities	24,472
Total other comprehensive income	<u>24,472</u>
Comprehensive income	<u>2,208,348</u>
(Comprehensive income attributable to:)	
Comprehensive income attributable to shareholders of the parent company	2,208,348
Comprehensive income attributable to minority interests	-

(Quarterly Consolidated Statements of Income)

(Second Quarter Consolidated Period)

	<u>(in thousands of yen)</u>
	<u>Second quarter of current fiscal year (from July 1, 2012 to September 30, 2012)</u>
Net sales	22,739,677
Cost of sales	13,762,723
Gross profit	<u>8,976,954</u>
Reversal of provision for sales returns	<u>2,070</u>
Gross profit, net	<u>8,979,024</u>
Selling, general and administrative expenses	7,419,904
Operating income	<u>1,559,120</u>
Non-operating income	
Interest income	4,679
Dividends income	1,953
Others	55,785
Total non-operating income	<u>62,418</u>
Non-operating expenses	
Interest payment	39,061
Commissions paid	8,337
Loss on sales of accounts receivables	22,622
Others	10,992
Total non-operating expenses	<u>81,014</u>
Ordinary income	<u>1,540,524</u>
Extraordinary loss	
Loss on disposal of fixed assets	8,403
Loss on valuation of investment securities	83,869
Others	45
Total extraordinary loss	<u>92,317</u>
Net income before provision for income taxes	<u>1,448,207</u>
Income taxes	<u>539,866</u>
Income before minority interests	<u>908,340</u>
Net income	<u>908,340</u>

(Quarterly Consolidated Statements of Comprehensive Income)

(Second Quarter Consolidated Period)

	<u>(in thousands of yen)</u>
	<u>Second quarter of current fiscal year (from July 1, 2012 to September 30, 2012)</u>
Income before minority interests	908,340
Other comprehensive income	
Valuation difference on available-for- sale securities	45,952
Total other comprehensive income	<u>45,952</u>
Comprehensive income	<u>954,293</u>
(Comprehensive income attributable to:)	
Comprehensive income attributable to shareholders of the parent company	954,293
Comprehensive income attributable to minority interests	-

(3) Quarterly Consolidated Statements of Cash Flows

	<u>(in thousands of yen)</u>
	<u>First half of current fiscal year (from April 1, 2012 to September 30, 2012)</u>
Cash flows from operating activities	
Net income before provision for income taxes	3,572,873
Depreciation	2,257,056
Amortization of goodwill	89,861
Amortization of negative goodwill	(3,105)
Increase (decrease) in allowance for doubtful accounts	168,464
Increase (decrease) in allowance for retirement benefits	105,250
Increase (decrease) in allowance for sales returns	3,100
Increase (decrease) in allowance for bonuses	42,551
Interest and dividends income	(29,016)
Interest payment	82,943
Loss (gain) on sales of fixed assets	(171)
Loss (gain) on disposal of fixed assets	16,551
Loss (gain) on valuation of investment securities	140,916
(Increase) decrease in accounts receivable	(2,919,020)
(Increase) decrease in inventories assets	(1,335,196)
Increase (decrease) in accounts payable	1,917,341
Increase (decrease) in accrued expenses	81,600
Other	679,584
Sub-total	<u>4,871,584</u>
Interest and dividends received	79,634
Interest payment	(80,348)
Income taxes paid	(725,969)
Net cash provided by (used in) operating activities	<u>4,144,900</u>
Cash flows from investing activities	
Deposits in fixed deposits	(4,800)
Withdrawal from fixed deposits	284,511
Acquisition of property, plant and equipment	(3,638,747)
Sales of property, plant and equipment	2,241
Acquisition of intangible assets	(8,207)
Acquisition of stocks of subsidiaries and associates	(7,366)
Acquisition of investment securities	(3,570)
Proceeds from loans receivable	2,120
Other	<u>(101,445)</u>

	(in thousands of yen)
	First half of current fiscal year (from April 1, 2012 to September 30, 2012)
Net cash provided by (used in) investing activities	(3,475,264)
Cash flows from financing activities	
Increase (decrease) in short-term loans payable	175,000
Proceeds from long-term loans payable	2,700,000
Repayment of long-term loans payable	(3,389,482)
Acquisition of treasury stock	(990,982)
Sales of treasury stock	73,672
Repayments of finance lease debts	(313,825)
Dividends paid	(434,486)
Net cash provided by (used in) financing activities	(2,180,103)
Effect of exchange rate change on cash and cash equivalents	(402)
Net increase (decrease) in cash and cash equivalents	(1,510,869)
Cash and cash equivalents at beginning of period	5,605,291
Cash and cash equivalents at end of period	4,094,422

(4) Notes on premise of going concern

Not applicable.

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

Not applicable.