Year Ending March 31, 2017

Results of 3rd Quarter
Settlement of Accounts Supplementary Material
(Apr.1 to Dec.31 2016)

February, 2017

Nichi-Iko Pharmaceutical Co., Ltd.

(Code No. 4541 1st section of TSE)

Mission Statement: The 7th Medium-term Business Plan

Our mission is to provide value-added, high quality generic products which meet the needs of patients, doctors, pharmacists, wholesalers and pharmaceutical companies in the global market as one of the most respected, well established generic companies in the world.

THEME

Use our creativity to establish a commanding presence and expand in the global marketplace

FY2016 3Q Overview

Net Sales increased by 8.3% to ¥117.2 billion
Profits outperformed revised forecast
- revised due to the impact of NHI drug price revision and Sagent acquisition related expense

(¥billion)

Sales	**117.2**	◆ Domestic GE sales increased by 9.5% driven by expansion of pharmacy market ◆ 1 month P/L of Sagent has been booked
Operating Profit	**6.8**	◆ Pushed up due to unused SG&A
Quarterly Net Profit	**3.0**	◆ Sagent recorded Extraordinary loss of ¥1.4billion as acquisition related expense

◆ Expected exchange rate : ¥105 per 1$
◆ Purchase price allocation for Sagent acquisition is in process

Results -YOY-

(¥million)

	FY2015 3Q	vs Sales (%)	FY2016 3Q	vs Sales (%)	YOY
Sales	108,320	-	117,275	-	*108.3%*
COGS	66,883	*61.7%*	75,155	*64.1%*	*112.4%*
Gross Profit	41,450	*38.3%*	42,127	*35.9%*	*101.6%*
SG&A	29,953	*27.7%*	35,286	*30.1%*	*117.8%*
Labor Expense	4,614	*4.3%*	4,867	*4.2%*	*105.5%*
R&D Expense	3,594	*3.3%*	5,545	*4.7%*	*154.3%*
Sales Promotion Cost	14,204	*13.1%*	15,347	*13.1%*	*108.0%*
Others	7,541	*7.0%*	9,527	*8.1%*	*126.3%*
Operating Profit	11,496	*10.6%*	6,841	*5.8%*	*59.5%*
Ordinary Profit	11,242	*10.4%*	6,459	*5.5%*	*57.5%*
Quarterly Net Profit Attributable to Parent	10,442	*9.6%*	3,058	*2.6%*	*29.3%*
Capital Expense	8,623		9,202		*106.7%*
Depreciation & Amortization	4,132		※ 4,827		*116.8%*

※Amortization related to Sagent acquisition is accounted temporarily due to ongoing purchase price allocation

Results -vs Forecast-

(¥million)	FY2016 Forecast	vs Sales	FY2016 3Q Result	vs Sales	vs Forecast
Sales	167,000		117,275		*70.2%*
Sagent	※ 11,000		※※ 2,377		*21.6%*
Gross Profit	58,900	*35.3%*	42,127	*35.9%*	*71.5%*
Sagent	※ 2,800	*25.5%*	※※ 793	*33.4%*	*28.3%*
SG&A	52,300	*31.3%*	35,286	*30.1%*	*67.5%*
Sagent	※ 2,473	*22.5%*	※※ 730	*30.7%*	*29.5%*
Operating Profit	6,600	*4.0%*	6,841	*5.8%*	*103.7%*
Sagent	※ 327	*3.0%*	※※ 63	*2.7%*	*19.3%*
Ordinary Profit	5,700	*3.4%*	6,459	*5.5%*	*113.3%*
Quarterly Net Profit Attributable to Parent	2,400	*1.4%*	3,058	*2.6%*	*127.4%*

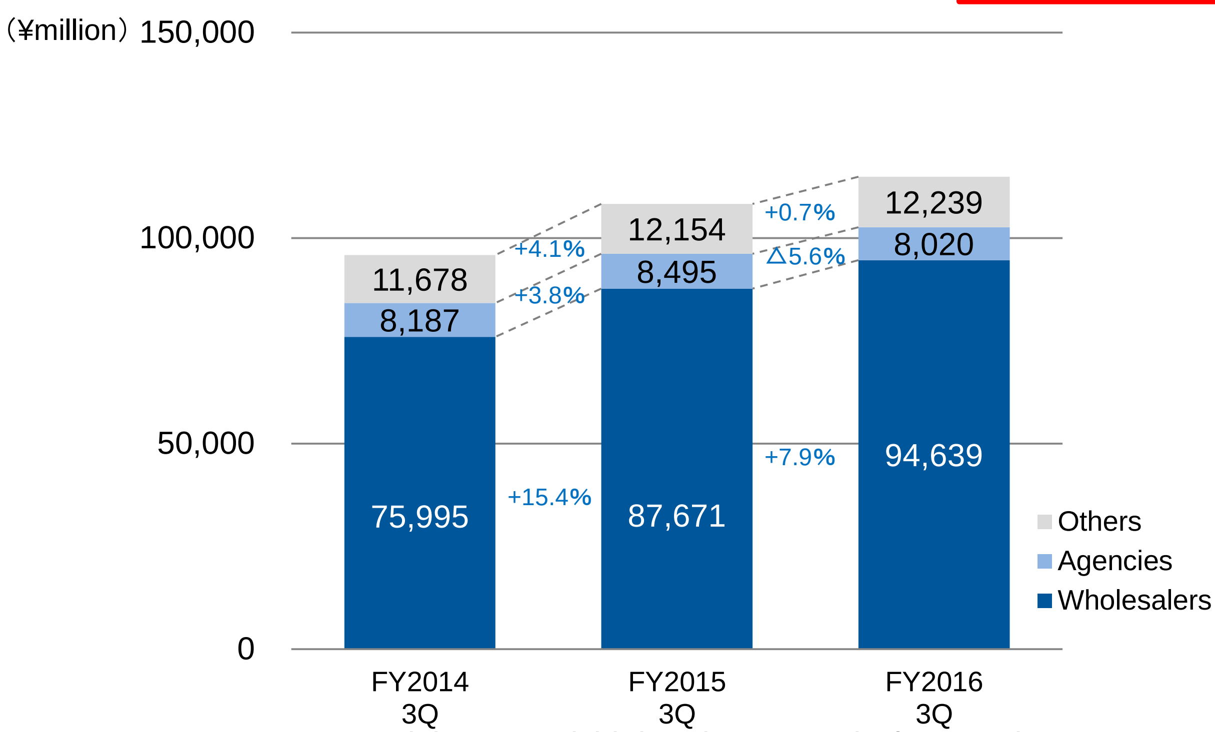
※ Forecast for 4 months
※※ Results for 1 month

Capital Expense	18,388	9,202	*50.0%*
R&D Expense	9,107	5,545	*60.9%*
Depreciation & Amortization	6,140	4,827	*78.6%*

Sales Performance by Distribution Channel

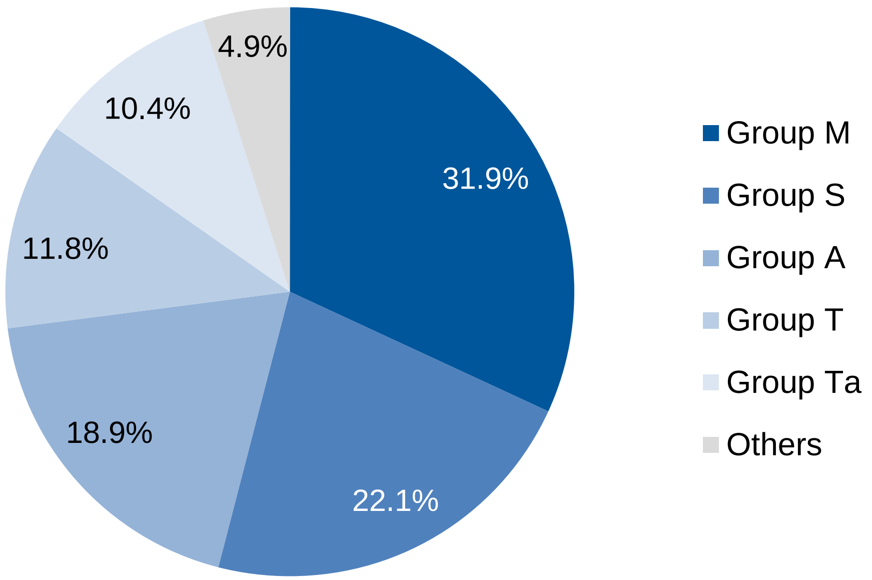
(¥million)

Distribution Channel	FY2014 3Q		FY2015 3Q				FY2016 3Q			
	Actual		Actual		YOY		Actual		YOY	
	Sales	%	Sales	%	Variance	%	Sales	%	Variance	%
Wholesalers	75,995	*79.3%*	87,671	*80.9%*	11,676	*115.4%*	94,639	*82.4%*	6,968	*107.9%*
Agencies	8,187	*8.5%*	8,495	*7.8%*	308	*103.8%*	8,020	*7.0%*	-475	*94.4%*
Others	11,678	*12.2%*	12,154	*11.2%*	476	*104.1%*	12,239	*10.7%*	85	*100.7%*
Total	95,860	*100.0%*	108,320	*100.0%*	12,460	*113.0%*	114,898	*100.0%*	6,578	*106.1%*

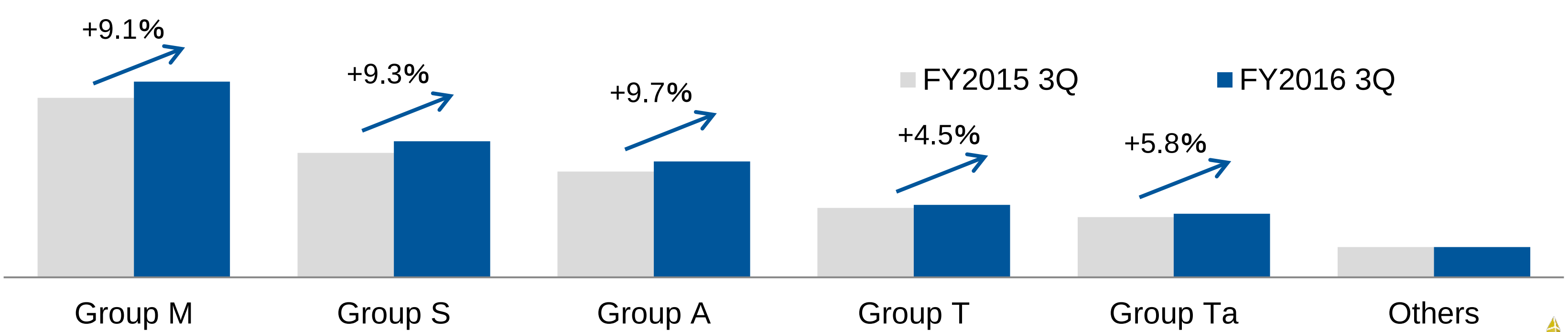


Comparison of Performance by Wholesalers

Share of FY2016 3Q



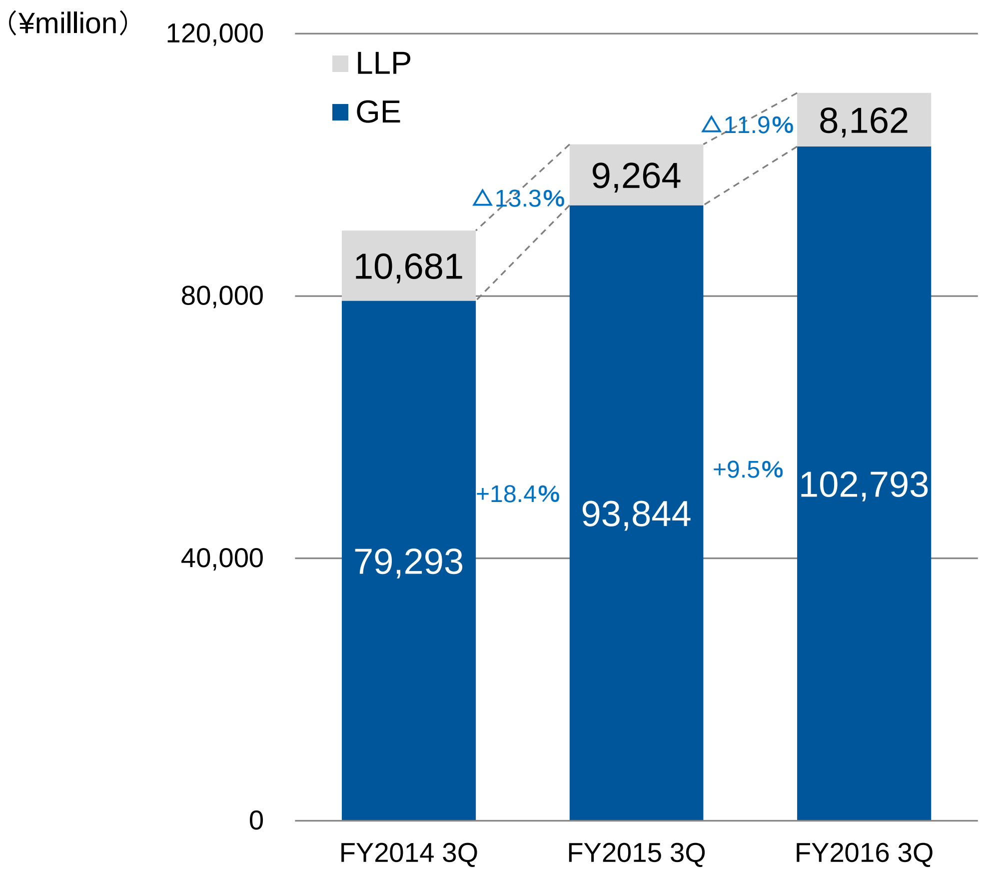
YOY



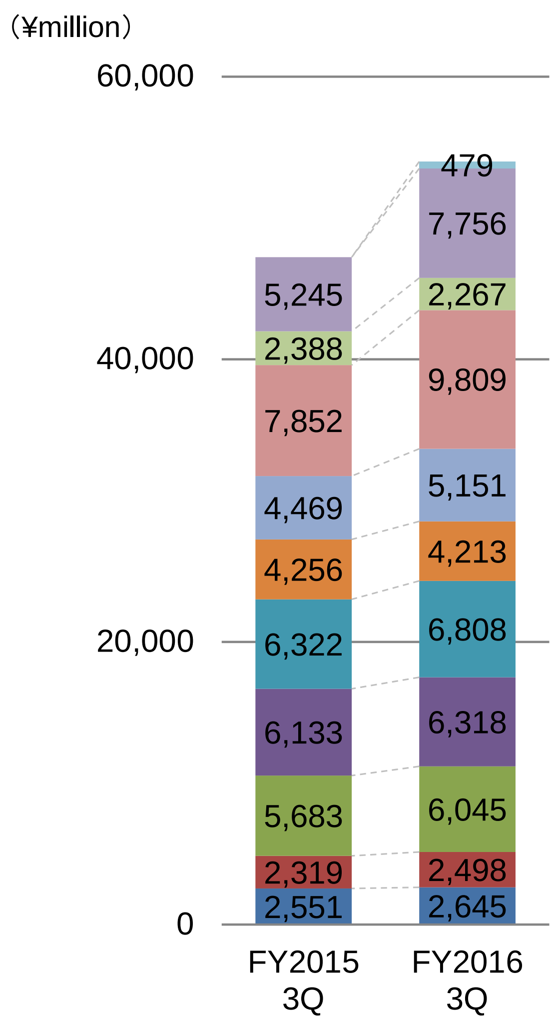
Sales Performance by Category of Products

(￥million)

	FY2014 3Q	FY2015 3Q		FY2016 3Q	
	Actual	Actual	YOY	Actual	YOY
GE	79,293	93,844	*118.4%*	102,793	*109.5%*
LLP	10,681	9,264	*86.7%*	8,162	*88.1%*



Sales Performance of Generic Products by NHI Listed Year



(¥ million)

	FY2015 3Q	FY2016 3Q	YOY	
			Variance	Ratio
Listed in 2016	-	479	479	-
Listed in 2015	5,245	7,756	2,511	*147.9%*
Listed in 2014	2,388	2,267	-121	*94.9%*
Listed in 2013	7,852	9,809	1,957	*124.9%*
Listed in 2012	4,469	5,151	682	*115.3%*
Listed in 2011	4,256	4,213	-43	*99.0%*
Listed in 2010	6,322	6,808	486	*107.7%*
Listed in 2009	6,133	6,318	185	*103.0%*
Listed in 2008	5,683	6,045	362	*106.4%*
Listed in 2007	2,319	2,498	179	*107.7%*
Listed in 2006	2,551	2,645	94	*103.7%*
Total	47,218	53,989	6,771	*114.3%*

Sales Performance by Medical Institutions

GE	FY2015 3Q No. of Clients	FY2015 3Q YOY Sales	FY2015 3Q YOY No. of Clients	FY2016 3Q No. of Clients	FY2016 3Q YOY Sales	FY2016 3Q YOY No. of Clients
All	108,790	*121.1%*	*101.1%*	110,418	*108.1%*	*101.5%*
DPC Hospital	1,644	*121.6%*	*99.9%*	1,655	*104.8%*	*100.7%*
Pharmacy	55,358	*123.3%*	*101.7%*	56,426	*110.7%*	*101.9%*

All Products	Total No. of Institutions in Japan	FY2015 3Q Sales Composition	FY2015 3Q No. of Clients	FY2016 3Q Sales Composition	FY2016 3Q No. of Clients	FY2016 3Q Covered Ratio	YOY Sales	YOY No. of Clients
All	-	*100.0%*	127,908	*100.0%*	128,698	-	*106.0%*	*100.6%*
Hospital	8,512	*17.9%*	8,336	*17.5%*	8,351	*98.1%*	*103.5%*	*100.2%*
DPC Hospital	1,674	*11.2%*	1,649	*11.1%*	1,656	*98.9%*	*105.0%*	*100.4%*
Clinic	102,986	*12.0%*	63,678	*10.7%*	63,473	*61.6%*	*95.1%*	*99.7%*
Pharmacy	58,898	*62.7%*	55,894	*64.1%*	56,874	*96.6%*	*108.4%*	*101.8%*
Others	-	*7.4%*	-	*7.7%*	-	-	*110.3%*	-

Forward-Looking Statements

The information contained in this document is not intended as solicitation material for buying or selling the company's shares.

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