

(English Translation)

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2014 (under Japan GAAP)

August 9, 2013

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

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

Representative: Yuichi Tamura
President and CEO

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

Scheduled date of filing of quarterly report: August 12, 2013 Scheduled date of commencement of dividend payment: -

Presentation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial presentation meeting: None

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

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2014 (From April 1, 2013 to June 30, 2013)

(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
First quarter of fiscal year ending March 31, 2014	¥24,587 million (6.3%)	¥2,213 million (4.9%)	¥2,263 million (3.3%)	¥1,233 million (-3.3%)
First quarter of fiscal year ended March 31, 2013	¥23,140 million (-%)	¥2,110 million (-%)	¥2,190 million (-%)	¥1,275 million (-%)

(Note)

Comprehensive income:

First Quarter of Fiscal Year Ending March 31, 2014: 1,332 million yen (6.3%)

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

	Net income per share	Net income (fully diluted) per share
First quarter of fiscal year ending March 31, 2014	¥30.95	¥30.93
First quarter of fiscal year ended March 31, 2013	¥31.56	¥-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
First quarter of fiscal year ending March 31, 2014	¥103,678 million	¥50,055 million	48.2%	¥1,267.52
Fiscal year ended March 31, 2013	¥102,921 million	¥48,810 million	47.4%	¥1,236.93

(Reference)

Equity:

First Quarter of Fiscal Year Ending March 31, 2014: 50,011 million yen

Fiscal Year Ended March 31, 2013: 48,767 million yen

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2013	¥-	¥16.00	¥-	¥16.00	¥32.00
Fiscal year ending March 31, 2014	¥-				
Fiscal year ending March 31, 2014 (forecast)		¥16.00		¥16.00	¥32.00

(Note)

Revisions to recently announced dividends forecast: None.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2014 (From April 1, 2013 to March 31, 2014)

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

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Second quarter (cumulative total)	¥49,000 million (6.8%)	¥3,800 million (3.6%)	¥3,800 million (1.9%)	¥2,200 million (0.7%)	¥55.20
Annual	¥103,000 million (9.7%)	¥9,000 million (9.4%)	¥8,800 million (3.9%)	¥5,500 million (7.2%)	¥138.01

(Note)

Revisions to recently announced forecast of financial results: None.

***Notes**

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

None

(Note)

For details, please refer to "(1) Changes in Scope of Consolidation or Scope of Application of Equity Method" under "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.: No

(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 |
|------|----------------------------------------------------------------------------|----|
- (4) Total number of issued shares (common stock)
- | | | |
|-------|---------------------------------------------------------------------------------------|-------------------|
| (i) | Total number of issued shares as of the end of the period (including treasury stock): | |
| | As of June 30, 2013: | 40,729,417 shares |
| | As of March 31, 2013: | 40,729,417 shares |
| (ii) | Number of treasury stock as of the end of the period: | |
| | As of June 30, 2013: | 1,104,185 shares |
| | As of March 31, 2013: | 1,115,392 shares |
| (iii) | Average number of shares during the period (cumulative quarter): | |
| | As of June 30, 2013: | 39,852,913 shares |
| | As of June 30, 2012: | 40,414,407 shares |

*** 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 under the Financial Instruments and Exchange Act have not been completed 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 description of the conditions underlying the forecast of financial results and considerations on usage of forecast of financial results, please refer to "(3) *Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements*" in "1. *Qualitative Information on Financial Results for the Quarter under Review*" on page 3 of the Attachment.

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

(1) Explanation on Operating Results

Japanese economy during the first quarter consolidated cumulative term, showing continuous upward trend in production, maintains the trend of moderate economic recovery.

In pharmaceutical industry, Ministry of Health, Labour and Welfare announced a new vision "Vision for the Pharmaceutical Industry - 2013" on June 2013. This new vision, announced after almost 6 years have passed since the previous vision, indicates a plan to further facilitate the use of generic drugs based on the roadmap, as one of the direction of the future pharmaceutical industry policies, in order to make an effective use of limited financial resources of health-care expenses. At the same time, as the future vision for manufacturers of generic drugs, the new vision indicates (i) the manufacturers to work more comprehensively on issues such as stable supply, securing of quality reliability and information service, (ii) the need to enter into a new field such as biosimilar development, since the focus on lapse of patent, etc. with respect to original drugs tends to shift from low molecular medicine to biomedicine, and (iii) the need to supply overseas the high quality products of Japan and the need to have a consistent value chain from pharmaceutical ingredients to preparations, since the expansion to the overseas market is inevitable.

The Company is pursuing a path as a desired manufacturer of generic drugs, by developing biosimilar, supplying high quality drugs of the Company to Southeast Asia and increasing pharmaceutical ingredient productions by Active Pharma Co., Ltd., an affiliate of the Company.

Also, with respect to the products listed on the supplemental official drug list of June 2013, the Company started the distribution of Fexofenadine Hydrochloride tablets 30mg "SANIK" and 60mg "SANIK" (manufacturer and distributor: Sanofi Nichi-Iko K.K.), the first auto-generic drug in Japan. This preparation has the identical pharmaceutical ingredients, additive and manufacturing method to the original preparation and is the only preparation in Japan with permission to patent rights, etc. from the Sanofi Group, and is exclusively sold by the Company.

The "Pyramid Building", the newly constructed manufacturing building of Toyama Plant 1 and the production line for lyophilization injection formulation in Aichi Plant have both started operation from April 2013 as scheduled. Also, with respect to the decision made in May 2013 to construct a new head office in Toyama, impairment loss of 310 million yen relating to the current head office building in Toyama was recorded as extraordinary loss.

As the result, the results of the first quarter consolidated cumulative term showed net sales of 24,587 million yen (6.3% increase from the same period of the previous fiscal year), operating income of 2,213 million yen (4.9% increase from the same period of the previous fiscal year), ordinary income of 2,263 million yen (3.3% increase from the same period of the previous fiscal year), net income of 1,233 million yen (3.3% decrease from the same period of the previous fiscal year).

(2) Explanation on Financial Position

As of the end of this first quarter under review, total assets on a consolidated basis increased 757 million yen from the previous fiscal year-end and ran up to 103,678 million yen. This was attributable to increase in inventories assets of 1,667 million yen and decrease in cash and deposits of 664 million yen.

Liabilities on a consolidated basis decreased by 488 million yen from the previous fiscal year-end and ran up to 53,623 million yen, due to increase in loans payable of 2,787 million yen, decrease in notes and accounts payable of 3,096 million yen caused by increase in electronically recorded debts of 2,336 million yen, decrease in other current liabilities of 628 million yen caused by decrease in other payable and decrease in income taxes payable of 1,472 million yen.

Net assets on a consolidated basis increased 1,245 million yen from the previous fiscal year-end and ran up to 50,055 million yen mainly due to increase in retained earnings.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements

There is no change to the forecast of consolidated financial results announced on May 14, 2013.

2. Matters Related to Summary Information (Notes)

(1) Changes in Scope of Consolidation or Scope of Application of Equity Method

(i) Significant change in scope of consolidation

Not applicable.

(ii) Significant change in scope of application of equity method

EMI Co., Ltd. (non-consolidated subsidiary), Active Pharma Co., Ltd. (affiliate), Sanofi Nichi-Iko K.K. (affiliate), Aprogen Inc. (affiliate) are included in scope of application of equity method from the consolidated first quarter.

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

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

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

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

	(in thousands of yen)	
	Fiscal year ended March 31, 2013 (as of March 31, 2013)	First quarter of fiscal year ending March 31, 2014 (as of June 30, 2013)
Assets		
Current assets		
Cash and deposits	5,309,006	4,644,963
Notes and accounts receivable	26,384,059	26,373,029
Merchandise and finished goods	18,164,680	19,079,076
Work in process	4,270,429	4,167,433
Raw materials and supplies	5,695,879	6,552,403
Other current assets	2,610,825	1,985,467
Allowance for doubtful accounts	(71,900)	(69,750)
Total current assets	<u>62,362,981</u>	<u>62,732,625</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	15,053,317	14,822,975
Machinery and equipment, net	7,558,193	7,707,927
Land	4,306,638	4,309,967
Construction in progress	438,740	56,015
Other plant assets, net	3,055,406	3,009,021
Total property, plant and equipment	<u>30,412,296</u>	<u>29,905,907</u>
Intangible assets		
Goodwill	1,514,017	1,455,565
Other intangible assets	2,856,545	2,655,357
Total intangible assets	<u>4,370,563</u>	<u>4,110,922</u>
Investments and other assets		
Investment securities	4,202,854	5,362,847
Other assets	1,836,443	1,741,091
Allowance for doubtful accounts	(264,000)	(175,000)
Total investments and other assets	<u>5,775,297</u>	<u>6,928,939</u>
Total fixed assets	<u>40,558,157</u>	<u>40,945,769</u>
Total assets	<u>102,921,138</u>	<u>103,678,394</u>

	(in thousands of yen)	
	Fiscal year ended March 31, 2013 (as of March 31, 2013)	First quarter of fiscal year ending March 31, 2014 (as of June 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable	22,298,278	19,201,626
Electronically recorded debts	-	2,336,641
Short-term loans payable	4,070,000	5,320,000
Current portion of long-term loans payable	2,815,872	2,920,786
Income taxes payable	2,216,349	743,972
Allowance for sales returns	77,200	96,410
Allowance for bonuses	536,449	143,563
Other current liabilities	6,868,929	6,240,894
Total current liabilities	<u>38,883,079</u>	<u>37,003,893</u>
Fixed liabilities		
Long-term loans payable	9,497,198	10,929,724
Allowance for retirement benefits	3,192,130	3,180,833
Asset retirement obligations	55,031	55,243
Other fixed liabilities	2,483,653	2,453,355
Total fixed liabilities	<u>15,228,013</u>	<u>16,619,156</u>
Total liabilities	<u>54,111,093</u>	<u>53,623,050</u>
Net assets		
Shareholders' equity		
Common stock	13,557,728	13,557,728
Capital surplus	12,274,220	12,274,980
Retained earnings	24,428,257	25,369,460
Treasury stock	(1,904,184)	(1,879,404)
Advance on subscription for reissuance of treasury stock	-	2
Total shareholders' equity	<u>48,356,022</u>	<u>49,322,768</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	113,357	61,256
Revaluation reserve for land	297,710	297,710
Foreign currency translation adjustment	-	329,477
Total other comprehensive income	<u>411,067</u>	<u>688,443</u>
Stock acquisition rights	42,955	44,132
Total net assets	<u>48,810,045</u>	<u>50,055,344</u>
Total liabilities and net assets	<u>102,921,138</u>	<u>103,678,394</u>

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

(Quarterly Consolidated Statements of Income)

(First Quarter Consolidated Cumulative Period)

	(in thousands of yen)	
	First quarter of previous fiscal year (from April 1, 2012 to June 30, 2012)	First quarter of current fiscal year (from April 1, 2013 to June 30, 2013)
Net sales	23,140,868	24,587,883
Cost of sales	14,134,871	15,066,655
Gross profit	9,005,996	9,521,227
Allowance for sales returns	5,170	19,210
Gross profit, net	9,000,826	9,502,017
Selling, general and administrative expenses	6,890,666	7,288,864
Operating income	2,110,160	2,213,153
Non-operating income		
Interest income	4,667	3,842
Dividends income	17,715	14,214
Amortization of negative goodwill	3,105	-
Reimbursement for joint development cost	120,418	-
Income from subsidies	-	60,000
Others	43,434	81,537
Total non-operating income	189,342	159,595
Non-operating expenses		
Interest payment	43,882	32,818
Commissions paid	9,020	10,060
Loss on sales of accounts receivables	25,465	22,630
Equity in losses of affiliates	-	34,618
Others	31,079	9,510
Total non-operating expenses	109,448	109,638
Ordinary income	2,190,053	2,263,110
Extraordinary income		
Gain on sales of fixed assets	171	9
Total extraordinary income	171	9
Extraordinary loss		
Loss on disposal of fixed assets	8,147	187
Impairment loss	-	310,122
Loss on valuation of investment securities	57,046	-
Others	365	-
Total extraordinary loss	65,559	310,309
Net income before provision for income taxes	2,124,666	1,952,810
Income taxes	849,131	719,250
Income before minority interests	1,275,534	1,233,560
Net income	1,275,534	1,233,560

(Quarterly Consolidated Statements of Comprehensive Income)

(First Quarter Consolidated Cumulative Period)

	(in thousands of yen)	
	First quarter of previous fiscal year (from April 1, 2012 to June 30, 2012)	First quarter of current fiscal year (from April 1, 2013 to June 30, 2013)
Income before minority interests	1,275,534	1,233,560
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,479)	10,985
Share of other comprehensive income of affiliates accounted for using equity method	-	88,330
Total other comprehensive income	(21,479)	99,316
Comprehensive income	1,254,054	1,332,876
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	1,254,054	1,332,876
Comprehensive income attributable to minority interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on premise going concern)

Not applicable.

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

Not applicable.