

(English Translation)

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

February 12, 2014

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

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Managing Executive Officer and
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Division

Scheduled date of filing of quarterly report: February 14, 2014

Scheduled date of commencement of dividend payment: -

Presentation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial presentation meeting: No

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

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

(1) Consolidated Results of Operations (cumulative)

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

	Net sales	Operating income	Ordinary income	Net income
Third quarter of fiscal year ending March 31, 2014	¥78,378 million (9.1%)	¥6,447 million (-1.8%)	¥6,305 million (-6.8%)	¥4,088 million (0.9%)
Third quarter of fiscal year ended March 31, 2013	¥71,862 million (-%)	¥6,567 million (-%)	¥6,764 million (-%)	¥4,053 million (-%)

(Note)

Comprehensive income:

Third Quarter of Fiscal Year Ending March 31, 2014: 4,395 million yen (8.5%)

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

	Net income per share	Net income (fully diluted) per share
Third quarter of fiscal year ending March 31, 2014	¥102.58	¥100.05
Third quarter of fiscal year ended March 31, 2013	¥101.14	¥101.09

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Third quarter of fiscal year ending March 31, 2014	¥112,100 million	¥52,569 million	46.8%	¥1,327.73
Fiscal year ended March 31, 2013	¥102,921 million	¥48,810 million	47.4%	¥1,236.93

(Reference)

Equity:

Third Quarter of Fiscal Year Ending March 31, 2014: 52,495 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	¥-	¥16.00	¥-		
Fiscal year ending March 31, 2014(forecast)				¥12.30	¥28.30

(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
Annual	¥103,000 million (9.7%)	¥8,300 million (0.9%)	¥8,000 million (-5.6%)	¥5,200 million (1.4%)	¥118.70

(Note)

Revisions to recently announced forecast of financial results: None

(Note)

Net income per share has been revised because the Company allocated stock acquisition rights (gratis allotment of stock acquisition rights) based on a Commitment-type rights offering (allotment of listing-type stock acquisition rights without contribution) dated December 9, 2013, and the number of shares

issued increased due to the completion of payment for said stock acquisition rights.

***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 2 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 2 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 December 31, 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 December 31, 2013: 1,064,809 shares

As of March 31, 2013: 1,115,392 shares

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

As of December 31, 2013: 39,853,775 shares

As of December 31, 2012: 40,084,258 shares

(Note)

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

*** 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 2 of the Attachment.

○ Attachment – Contents

1. Qualitative Information on Financial Results for the Quarter under Review	2
(1) Explanation on Operating Results	2
(2) Explanation on Financial Position	2
(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements.....	3
2. Matters Related to Summary Information (Notes)	3
(1) Changes in Scope of Consolidation or Scope of Application of Equity Method	3
(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements.....	3
(3) Changes in Accounting Policies and Changes in Accounting Estimates and Restatement of Prior Period Financial Statements after Error Corrections	4
3. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	6
(Third Quarter Consolidated Cumulative Period)	
Quarterly Consolidated Statements of Income.....	6
Quarterly Consolidated Statements of Comprehensive Income.....	7
(Third Quarter Consolidated Period)	
Quarterly Consolidated Statements of Income.....	8
Quarterly Consolidated Statements of Comprehensive Income.....	9
(3) Notes to Quarterly Consolidated Financial Statements	10
(Notes on premise of going concern)	10
(Notes on significant changes in the amount of shareholders' equity)	10
(Significant subsequent events)	10

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

(1) Explanation on Operating Results

The Japanese economy during the third quarter consolidated cumulative period showed signs of a gradual recovery with continued improvements in the earning environment and high share prices centered on export companies due to the correction of the excessive appreciation of the yen.

In the pharmaceutical industry, there are strong indications of continued replacement with generic pharmaceuticals in the FY2014 revision of medical service fees revealed in December 2013.

Under such an environment, the Company sold 17 items including BESOFTEN OIL-BASED CREAM 0.3% and Pitavastatin Calcium tablets 1mg and 2mg "Nichiiko" listed on the supplemental official drug list of December 2013.

On December 13, 2013, a final agreement was concluded with the aim of succeeding the business of the Fuji Plant, one of the manufacturing bases of Astellas Pharma Tech, Co., Ltd. (manufacturing subsidiary of Astellas Pharma Inc. in Japan) to promote stable supply and internal production in order to respond to the expanding generic pharmaceutical market.

Furthermore, when a Commitment-type rights offering (allotment of listing-type stock acquisition rights without contribution) for all shareholders other than the Company was implemented on December 9, 2013 based on a resolution of the Board of Directors on November 27 of the same year with the objective of strategic investments such as development of the biosimilar business, securing stable manufacturing, promotion of the development of high added value formulations and expansion into Southeast Asia and the United States, there was a high level of understanding with shareholders and general investors (excluding the commitment company) exercising 97.6% of the total number of stock acquisition rights issued. As a result, all stock acquisition rights were exercised in the exercise period (from January 14 to January 30, 2014), and payment of 12,837 million yen was completed.

Consequently, the results of the third quarter consolidated cumulative period showed net sales of 78,378 million yen (9.1% increase from the same period of the previous fiscal year), operating income of 6,447 million yen (1.8% decrease from the same period of the previous fiscal year), ordinary income of 6,305 million yen (6.8% decrease from the same period of the previous fiscal year), and net income for the quarter of 4,088 million yen (0.9% increase from the same period of the previous fiscal year).

(2) Explanation on Financial Position

As of the end of this third quarter under review, total assets on a consolidated basis increased 9,179 million yen from the previous fiscal year-end and ran up to 112,100 million yen. This was attributable to increase in notes and accounts receivable of 4,377 million yen, increase in inventories assets of 3,796 million yen and increase in investment securities of 3,578 million yen.

Liabilities on a consolidated basis increased by 5,420 million yen from the previous fiscal year-end and ran up to 59,531 million yen, due to increase in short-term loans payable of 7,380 million yen and decrease in income taxes payable of 1,451 million yen.

Net assets on a consolidated basis increased 3,758 million yen from the previous fiscal year-end and ran up to 52,569 million yen, due to increase in retained earnings of 3,132 million yen and recording foreign currency translation adjustment of 512 million yen.

- (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 November 6, 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), and Arogen 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 third quarter under review. Income taxes - deferred are included in total income taxes and recorded.

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

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)	Third quarter of fiscal year ending March 31, 2014 (as of December 31, 2013)
Assets		
Current assets		
Cash and deposits	5,309,006	2,521,091
Notes and accounts receivable	26,384,059	30,761,135
Securities	-	1,000
Merchandise and finished goods	18,164,680	19,379,677
Work in process	4,270,429	5,167,825
Raw materials and supplies	5,695,879	7,379,499
Other current assets	2,610,825	1,504,032
Allowance for doubtful accounts	(71,900)	(65,380)
Total current assets	<u>62,362,981</u>	<u>66,648,881</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	15,053,317	15,070,577
Machinery and equipment, net	7,558,193	6,921,464
Land	4,306,638	4,439,823
Construction in progress	438,740	735,210
Other plant assets, net	3,055,406	2,821,495
Total property, plant and equipment	<u>30,412,296</u>	<u>29,988,570</u>
Intangible assets		
Goodwill	1,514,017	1,340,577
Other intangible assets	2,856,545	2,525,803
Total intangible assets	<u>4,370,563</u>	<u>3,866,381</u>
Investments and other assets		
Investment securities	4,202,854	7,781,603
Other assets	1,836,443	3,946,158
Allowance for doubtful accounts	(264,000)	(131,000)
Total investments and other assets	<u>5,775,297</u>	<u>11,596,761</u>
Total fixed assets	<u>40,558,157</u>	<u>45,451,713</u>
Total assets	<u>102,921,138</u>	<u>112,100,594</u>

	(in thousands of yen)	
	Fiscal year ended March 31, 2013 (as of March 31, 2013)	Third quarter of fiscal year ending March 31, 2014 (as of December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable	22,298,278	14,944,412
Electronically recorded debts	-	7,483,384
Short-term loans payable	4,070,000	11,450,000
Current portion of long-term loans payable	2,815,872	3,011,046
Income taxes payable	2,216,349	764,474
Allowance for sales returns	77,200	94,840
Allowance for bonuses	536,449	134,136
Other current liabilities	6,868,929	6,936,369
Total current liabilities	<u>38,883,079</u>	<u>44,818,664</u>
Fixed liabilities		
Long-term loans payable	9,497,198	9,422,374
Allowance for retirement benefits	3,192,130	3,194,908
Asset retirement obligations	55,031	55,668
Other fixed liabilities	2,483,653	2,039,935
Total fixed liabilities	<u>15,228,013</u>	<u>14,712,885</u>
Total liabilities	<u>54,111,093</u>	<u>59,531,550</u>
Net assets		
Shareholders' equity		
Common stock	13,557,728	13,557,728
Capital surplus	12,274,220	12,275,221
Retained earnings	24,428,257	27,560,871
Treasury stock	(1,904,184)	(1,794,042)
Total shareholders' equity	<u>48,356,022</u>	<u>51,599,780</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	113,357	85,364
Revaluation reserve for land	297,710	297,710
Foreign currency translation adjustment	-	512,784
Total other comprehensive income	<u>411,067</u>	<u>895,858</u>
Stock acquisition rights	42,955	73,405
Total net assets	<u>48,810,045</u>	<u>52,569,044</u>
Total liabilities and net assets	<u>102,921,138</u>	<u>112,100,594</u>

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

(Quarterly Consolidated Statements of Income)

(Third Quarter Consolidated Cumulative Period)

	(in thousands of yen)	
	Third quarter of previous fiscal year (from April 1, 2012 to December 31, 2012)	Third quarter of current fiscal year (from April 1, 2013 to December 31, 2013)
Net sales	71,862,391	78,378,185
Cost of sales	43,756,737	48,012,719
Gross profit	28,105,654	30,365,465
Allowance for sales returns	13,040	17,640
Gross profit, net	28,092,614	30,347,825
Selling, general and administrative expenses	21,525,235	23,900,244
Operating income	6,567,378	6,447,581
Non-operating income		
Interest income	13,787	12,376
Dividends income	24,677	25,584
Amortization of negative goodwill	3,105	-
Reimbursement for joint development cost	167,263	6,535
Income from subsidiaries	-	60,000
Foreign exchange gains	49,849	77,456
Others	190,031	194,801
Total non-operating income	448,714	376,755
Non-operating expenses		
Interest payment	119,454	108,867
Commissions paid	23,892	33,133
Loss on sales of accounts receivables	72,996	73,894
Equity in losses of affiliates	-	229,091
Others	35,520	73,794
Total non-operating expenses	251,865	518,782
Ordinary income	6,764,228	6,305,554
Extraordinary income		
Gain on sales of fixed assets	171	1,533
Total extraordinary income	171	1,533
Extraordinary loss		
Loss on disposal of fixed assets	81,030	26,699
Loss on valuation of investment securities	69,397	4,435
Others	375	-
Total extraordinary loss	150,802	31,134
Net income before provision for income taxes	6,613,597	6,275,953
Income taxes	2,559,666	2,187,559
Income before minority interests	4,053,930	4,088,393
Net income	4,053,930	4,088,393

(Quarterly Consolidated Statements of Comprehensive Income)

(Third Quarter Consolidated Cumulative Period)

	(in thousands of yen)	
	Third quarter of previous fiscal year (from April 1, 2012 to December 31, 2012)	Third quarter of current fiscal year (from April 1, 2013 to December 31, 2013)
Income before minority interests	4,053,930	4,088,393
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,574)	70,051
Share of other comprehensive income of affiliates accounted for using equity method	-	236,679
Total other comprehensive income	(3,574)	306,730
Comprehensive income	4,050,356	4,395,124
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	4,050,356	4,395,124
Comprehensive income attributable to minority interests	-	-

(Quarterly Consolidated Statements of Income)

(Third Quarter Consolidated Period)

	(in thousands of yen)	
	Third quarter of previous fiscal year (from October 1, 2012 to December 31, 2012)	Third quarter of current fiscal year (from October 1, 2013 to December 31, 2013)
Net sales	25,981,845	28,851,661
Cost of sales	15,859,142	17,556,839
Gross profit	10,122,702	11,294,822
Allowance for sales returns	9,940	2,440
Gross profit, net	10,112,762	11,292,382
Selling, general and administrative expenses	7,214,665	8,562,926
Operating income	2,898,097	2,729,455
Non-operating income		
Interest income	4,440	4,218
Dividends income	5,008	9,218
Reimbursement for joint development cost	46,845	4,935
Foreign exchange gains	62,044	49,905
Others	95,857	69,655
Total non-operating income	214,195	137,933
Non-operating expenses		
Interest payment	36,511	39,863
Commissions paid	6,534	11,599
Loss on sales of accounts receivables	24,907	26,084
Equity in losses of affiliates	-	67,263
Others	10,689	30,322
Total non-operating expenses	78,643	175,133
Ordinary income	3,033,649	2,692,254
Extraordinary income		
Gain on reversal of loss on valuation of investment securities	71,518	-
Others	34	-
Total extraordinary income	71,553	-
Extraordinary loss		
Loss on disposal of fixed assets	64,478	21,767
Total extraordinary loss	64,478	21,767
Net income before provision for income taxes	3,040,724	2,670,487
Income taxes	1,170,669	826,791
Income before minority interests	1,870,055	1,843,695
Net income	1,870,055	1,843,695

(Quarterly Consolidated Statements of Comprehensive Income)

(Third Quarter Consolidated Period)

	(in thousands of yen)	
	Third quarter of previous fiscal year (from October 1, 2012 to December 31, 2012)	Third quarter of current fiscal year (from October 1, 2013 to December 31, 2013)
Income before minority interests	1,870,055	1,843,695
Other comprehensive income		
Valuation difference on available-for-sale securities	(28,046)	44,517
Share of other comprehensive income of affiliates accounted for using equity method	-	139,975
Total other comprehensive income	(28,046)	184,492
Comprehensive income	1,842,008	2,028,188
(Comprehensive income attributable to:)		
Comprehensive income attributable to shareholders of the parent company	1,842,008	2,028,188
Comprehensive income attributable to minority interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

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

Not applicable.

(Significant subsequent events)

A Commitment-type rights offering (allotment of listing-type stock acquisition rights without contribution) for all shareholders other than the Company was implemented on December 9, 2013 based on a resolution of the Board of Directors on November 27 of the same year, and all stock acquisition rights were exercised during the exercise period (from January 14 to January 30, 2014), resulting in the total number of shares issued, common stock and legal capital surplus being as follows on January 30, 2014.

Total number of issued shares	60,662,652 shares
Common stock	19,976,230,000 yen
Legal capital surplus	18,511,973,000 yen