

Outline of Consolidated Financial Results for the Third Quarter Ended December 31, 2017

February 6, 2018

Name of the listed company: **NIPPON SHINYAKU CO., LTD.**

Listing stock exchange: Tokyo

Code No.: 4516

URL <http://www.nippon-shinyaku.co.jp/>

Representative: Shigenobu Maekawa, President and Representative Director

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Scheduled date for submission of quarterly Securities Report: February 8, 2018

Scheduled start of payment: –

Supplementary material: Yes

Financial result meeting: Yes (for institutional investors and securities analysts on conference call)

* All amounts are rounded down to the nearest million yen.

1. Consolidated Results for the Third Quarter Ended December 31, 2017 (April 1 to December 31, 2017)

(1) Operating results

(¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Third quarter ended December 31, 2017	77,703	1.9%	15,342	(12.3%)	15,975	(15.0%)	11,660	(12.2%)
Third quarter ended December 31, 2016	76,260	20.2%	17,496	153.3%	18,792	158.6%	13,275	164.6%

Note: Comprehensive income

As of December 31, 2017: ¥14,532 million 4.2%

As of December 31, 2016: ¥13,945 million 98.7%

	Net income per share (¥)	
	Basic	Diluted
Third quarter ended December 31, 2017	173.12	–
Third quarter ended December 31, 2016	197.07	–

Note: Percentage figures for net sales, operating income, ordinary income and net income represent year-on-year comparisons.

(2) Financial position

(¥ million)

	Total assets	Net assets	Equity ratio	Net assets per share (¥)
As of December 31, 2017	153,845	125,060	81.1%	1,853.28
As of March 31, 2017	150,905	114,316	75.6%	1,693.81

Note: Owners' equity

As of December 31, 2017: ¥124,828 million

As of March 31, 2017: ¥114,089 million

2. Dividends

Cash dividends per share (¥)

	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2017	–	¥18.00	–	¥30.00	¥48.00
Year ending March 31, 2018	–	¥26.00	–		
Year ending March 31, 2018 (forecast)				¥26.00	¥52.00

Note: Revisions to forecast for the current quarter: None.

3. Business Forecast for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share (¥)
Full term	102,000	3.3%	17,500	14.5%	18,000	10.8%	13,000	10.6%	193.01

Notes: 1. Percentage figures represent the percentage of increase or decrease against the same period of the previous year.

2. Revisions to forecast for the current quarter: None.

4. Others

(1) Changes in the scope of consolidation

Inclusion: None

Exclusion: None

Note: Changes in specified subsidiaries involved changes in the scope of consolidation

(2) Adoption of special accounting methods for preparation of quarterly financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatement

1. Changes in accounting policies arising from revision of accounting standards: None

2. Changes arising from other factors: None

3. Changes in accounting estimates: None

4. Restatement: None

(4) Number of shares outstanding (ordinary shares)

Number of shares outstanding (including treasury stock)

As of December 31, 2017: 70,251,484 shares

As of March 31, 2017: 70,251,484 shares

Number of shares of treasury stock

As of December 31, 2017: 2,896,347 shares

As of March 31, 2017: 2,894,408 shares

Average number of shares outstanding (total for the consolidated period)

As of December 31, 2017: 67,355,627 shares

As of December 31, 2016: 67,362,854 shares

Note:

This summary of quarterly financial results is exempt from the quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure, published figures in this financial release have not been completed to a quarterly review of financial statements based on the Financial Instruments and Exchange Law.

This financial release contains certain statements about the future, which are based information available and deemed reasonable to Nippon Shinyaku at the time of announcement, and are not the commitments made by Nippon Shinyaku.

Readers are advised that actual results may differ substantially from the above forecasts due to various unforeseeable factors.

5. Consolidated Financial Statement for the Quarter

(1) Consolidated Balance Sheet for the Quarter

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	30,781	15,478
Notes and accounts receivable	36,444	44,092
Electronically recorded monetary claims	434	556
Securities	8,657	10,569
Merchandise and finished goods	12,291	12,266
Semi-finished goods	1,688	1,486
Work in process	466	316
Raw materials and supplies	4,129	4,421
Deferred tax assets	2,408	2,033
Other	1,483	1,939
Allowance for doubtful accounts	(0)	(0)
Total current assets	98,787	93,161
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,843	9,548
Land	7,463	7,463
Other, net	4,736	4,096
Total property, plant and equipment	20,043	21,108
Intangible assets	494	468
Investments and other assets		
Investment securities	21,681	26,731
Deferred tax assets	55	43
Long-term prepaid expenses	7,085	9,653
Other	2,757	2,677
Total investments and other assets	31,580	39,106
Total non-current assets	52,118	60,683
Total assets	150,905	153,845

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable	6,232	6,987
Accounts payable	11,971	5,922
Income taxes payable	3,892	1,201
Provision for bonuses	2,705	1,399
Other	2,199	2,905
Total current liabilities	27,001	18,416
Non-current liabilities		
Deferred tax liabilities	1,121	2,510
Net defined benefit liability	8,064	7,204
Other	401	652
Total non-current liabilities	9,587	10,368
Total liabilities	36,589	28,784
Net assets		
Shareholders' equity		
Capital stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	99,897	107,786
Treasury shares	(2,450)	(2,462)
Total shareholders' equity	107,067	114,943
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,235	11,820
Deferred gains or losses on hedges	(5)	3
Foreign currency translation adjustment	11	4
Remeasurements of defined benefit plans	(2,217)	(1,944)
Total accumulated other comprehensive income	7,022	9,884
Non-controlling interests	226	232
Total net assets	114,316	125,060
Total liabilities and net assets	150,905	153,845

(2) Consolidated Statements of Income for the Quarter
(Total for the consolidated period ended December 31, 2017)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	76,260	77,703
Cost of sales	33,921	35,321
Gross profit	42,339	42,381
Selling, general and administrative expenses		
Salaries and allowances	6,488	6,716
Provision for bonuses	924	965
Promotion expenses	2,229	2,971
Retirement benefit expenses	681	549
Depreciation	295	339
Research and development expenses	7,850	9,051
Other	6,371	6,445
Total selling, general and administrative expenses	24,842	27,039
Operating profit	17,496	15,342
Non-operating income		
Interest income	22	24
Dividend income	387	448
Rent income	328	345
Foreign exchange gains	762	2
Other	169	148
Total non-operating income	1,671	969
Non-operating expenses		
Interest expenses	2	2
Contribution	152	135
Rent expenses	75	133
Other	144	64
Total non-operating expenses	375	335
Ordinary profit	18,792	15,975
Extraordinary losses		
Impairment loss	766	—
Total extraordinary losses	766	—
Profit before income taxes	18,025	15,975
Income taxes - current	4,261	3,786
Income taxes - deferred	477	517
Total income taxes	4,738	4,304
Profit	13,286	11,671
Profit attributable to non-controlling interests	11	10
Profit attributable to owners of parent	13,275	11,660

(Consolidated Statements of Comprehensive Income)
(Total for the consolidated period ended September 30, 2017)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	13,286	11,671
Other comprehensive income		
Valuation difference on available-for-sale securities	316	2,585
Deferred gains or losses on hedges	(21)	9
Foreign currency translation adjustment	(30)	(6)
Remeasurements of defined benefit plans, net of tax	394	273
Total other comprehensive income	658	2,861
Comprehensive income	13,945	14,532
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,934	14,522
Comprehensive income attributable to non-controlling interests	11	10