

Outline of Consolidated Financial Results for the First Quarter Ended June 30, 2018

August 7, 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

Contact: Taro Sakurai, General Manager and Finance & Accounting Dept.

Tel. +81-75-321-9114

Scheduled date for submission of quarterly Securities Report: August 9, 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 Year Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Quarter ended June 30, 2018	27,798	14.8%	4,846	(3.3%)	5,320	(1.1%)	3,964	0.1%
Quarter ended June 30, 2017	24,212	2.0%	5,012	13.3%	5,381	30.0%	3,959	28.6%

Note: Comprehensive income

As of June 30, 2018: ¥3,403 million (33.3%)

As of June 30, 2017: ¥5,105 million 134.1%

	Net income per share (¥)	
	Basic	Diluted
Quarter ended June 30, 2018	58.85	—
Quarter ended June 30, 2017	58.78	—

Notes: 1. Percentage figures for net sales, operating income, ordinary income and net income represent year-on-year comparisons.

2. Equity-method investments: not applicable

(2) Financial position (¥ million)

	Total assets	Net assets	Equity ratio	Net assets per share (¥)
As of June 30, 2018	156,779	127,335	81.1%	1,886.96
As of March 31, 2018	155,887	125,689	80.5%	1,862.54

Note: Owners' equity

As of June 30, 2018: ¥127,095 million

As of March 31, 2018: ¥125,451 million

2. Dividends

	Cash dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ended March 31, 2018	—	¥26.00	—	¥26.00	¥52.00
Year ending March 31, 2019	—	—	—	—	—
Year ending March 31, 2019 (forecast)	—	¥29.00	—	¥29.00	¥58.00

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

3. Business Forecast for the Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share (¥)
First-half period	52,000	4.7%	6,500	(29.9%)	6,800	(29.7%)	4,900	(30.0%)	72.75
Full term	108,000	6.5%	18,500	8.3%	19,000	8.9%	14,000	8.1%	207.85

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 in 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 June 30, 2018: 70,251,484 shares

As of March 31, 2018: 70,251,484 shares

Number of shares of treasury stock

As of June 30, 2018: 2,896,892 shares

As of March 31, 2018: 2,896,632 shares

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

As of June 30, 2018: 67,354,720 shares

As of June 30, 2017: 67,356,154 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, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	21,067	19,452
Notes and accounts receivable	39,593	42,987
Electronically recorded monetary claims	571	669
Securities	11,819	11,839
Merchandise and finished goods	14,337	13,027
Semi-finished goods	1,341	1,351
Work in process	330	476
Raw materials and supplies	4,337	4,789
Other	1,777	2,525
Allowance for doubtful accounts	(0)	(0)
Total current assets	95,176	97,120
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,508	9,424
Land	7,463	7,463
Other, net	4,130	3,983
Total property, plant and equipment	21,102	20,871
Intangible assets	484	455
Investments and other assets		
Investment securities	26,309	25,378
Deferred tax assets	517	1,083
Long-term prepaid expenses	9,621	9,204
Other	2,676	2,666
Total investments and other assets	39,124	38,332
Total non-current assets	60,710	59,659
Total assets	155,887	156,779

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable	8,639	6,827
Accounts payable	6,718	6,173
Income taxes payable	2,115	1,723
Provision for bonuses	2,873	4,299
Other	2,106	3,009
Total current liabilities	22,454	22,032
Non-current liabilities		
Deferred tax liabilities	—	1
Net defined benefit liability	7,422	7,090
Other	321	320
Total non-current liabilities	7,743	7,412
Total liabilities	30,197	29,444
Net assets		
Shareholders' equity		
Capital stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	109,078	111,291
Treasury shares	(2,464)	(2,466)
Total shareholders' equity	116,234	118,445
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,469	10,836
Deferred gains or losses on hedges	(5)	(3)
Foreign currency translation adjustment	4	(10)
Remeasurements of defined benefit plans	(2,252)	(2,171)
Total accumulated other comprehensive income	9,216	8,650
Non-controlling interests	237	239
Total net assets	125,689	127,335
Total liabilities and net assets	155,887	156,779

(2) Consolidated Statements of Income for the Quarter
(Total for the consolidated period ended June 30, 2018)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	24,212	27,798
Cost of sales	11,125	13,220
Gross profit	13,086	14,577
Selling, general and administrative expenses		
Salaries and allowances	1,663	1,677
Provision for bonuses	901	966
Promotion expenses	858	1,165
Retirement benefit expenses	184	175
Depreciation	110	106
Research and development expenses	2,202	3,065
Other	2,153	2,574
Total selling, general and administrative expenses	8,074	9,731
Operating profit	5,012	4,846
Non-operating income		
Interest income	12	3
Dividend income	231	253
Rent income	119	123
Foreign exchange gains	31	182
Other	52	20
Total non-operating income	447	582
Non-operating expenses		
Interest expenses	0	1
Contribution	14	13
Rent expenses	41	42
Other	20	51
Total non-operating expenses	77	108
Ordinary profit	5,381	5,320
Profit before income taxes	5,381	5,320
Income taxes - current	1,567	1,673
Income taxes - deferred	(148)	(323)
Total income taxes	1,419	1,350
Profit	3,962	3,970
Profit attributable to non-controlling interests	3	6
Profit attributable to owners of parent	3,959	3,964

(Consolidated Statements of Comprehensive Income)
(Total for the consolidated period ended June 30, 2018)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	3,962	3,970
Other comprehensive income		
Valuation difference on available-for-sale securities	1,040	(633)
Deferred gains or losses on hedges	19	1
Foreign currency translation adjustment	(7)	(15)
Remeasurements of defined benefit plans, net of tax	91	80
Total other comprehensive income	1,142	(566)
Comprehensive income	5,105	3,403
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,101	3,397
Comprehensive income attributable to non-controlling interests	3	6