

Outline of Consolidated Financial Results for the Second Quarter Ended September 30, 2020

November 5, 2020

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

Listing stock exchange: Tokyo

Code No.: 4516

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

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Scheduled date for submission of quarterly Securities Report: November 9, 2020

Scheduled start of payment: December 4, 2020

Supplementary material: Yes

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

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

1. Consolidated Results for the Second Quarter Ended September 30, 2020 (April 1 to September 30, 2020)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Second quarter ended September 30, 2020	57,817	0.8%	11,140	1.0%	11,248	(0.2%)	8,073	(2.6%)
Second quarter ended September 30, 2019	57,387	7.3%	11,025	45.7%	11,271	37.5%	8,291	37.3%

Note: Comprehensive income

As of September 30, 2020: ¥9,758 million 30.8%

As of September 30, 2019: ¥7,461 million 7.1%

	Net income per share (¥)	
	Basic	Diluted
Second quarter ended September 30, 2020	119.87	—
Second quarter ended September 30, 2019	123.11	—

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 September 30, 2020	180,453	152,621	84.4%	2,261.85
As of March 31, 2020	175,017	145,760	83.1%	2,160.11

Note: Owners' equity

As of September 30, 2020: ¥152,343 million

As of March 31, 2020: ¥145,491 million

2. Dividends

	Cash dividends per share (¥)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2020	—	¥43.00	—	¥43.00	¥86.00
Year ending March 31, 2021	—	¥49.00	—	—	—
Year ending March 31, 2021 (forecast)	—	—	—	¥50.00	¥99.00

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

3. Business Forecast for the Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share (¥)
	Full term	123,000	5.5	25,000	15.4%	25,500	13.6%	19,000	

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: Yes.

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 September 30, 2020: 70,251,484 shares

As of March 31, 2020: 70,251,484 shares

Number of shares of treasury stock

As of September 30, 2020: 2,897,930 shares

As of March 31, 2020: 2,897,768 shares

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

As of September 30, 2020: 67,353,653 shares

As of September 30, 2019: 67,354,078 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

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	36,005	39,251
Notes and accounts receivable	40,947	37,009
Electronically recorded monetary claims	575	537
Securities	11,109	11,129
Merchandise and finished goods	15,179	16,948
Semi-finished goods	4,244	3,752
Work in process	374	456
Raw materials and supplies	10,096	13,022
Other	3,392	3,266
Allowance for doubtful accounts	(0)	(0)
Total current assets	121,925	125,376
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,119	8,970
Land	7,459	7,459
Other, net	4,366	4,479
Total property, plant and equipment	20,944	20,909
Intangible assets	546	596
Investments and other assets		
Investment securities	18,909	21,439
Deferred tax assets	1,726	1,229
Long-term prepaid expenses	8,631	8,569
Other	2,332	2,331
Total investments and other assets	31,600	33,570
Total non-current assets	53,091	55,077
Total assets	175,017	180,453

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable	11,213	10,225
Accounts payable	5,730	5,473
Income taxes payable	2,081	3,323
Provision for bonuses	2,994	3,017
Other	2,945	2,293
Total current liabilities	24,965	24,333
Non-current liabilities		
Deferred tax liabilities	9	—
Retirement benefit liability	3,956	3,174
Other	324	324
Total non-current liabilities	4,290	3,498
Total liabilities	29,256	27,831
Net assets		
Shareholders' equity		
Share capital	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	132,886	138,063
Treasury shares	(2,473)	(2,474)
Total shareholders' equity	140,032	145,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,929	8,515
Deferred gains or losses on hedges	7	(2)
Foreign currency translation adjustment	(3)	4
Remeasurements of defined benefit plans	(1,475)	(1,382)
Total accumulated other comprehensive income	5,458	7,134
Non-controlling interests	269	278
Total net assets	145,760	152,621
Total liabilities and net assets	175,017	180,453

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	57,387	57,817
Cost of sales	26,307	24,994
Gross profit	31,079	32,823
Selling, general and administrative expenses		
Salaries and allowances	3,476	4,132
Provision for bonuses	1,972	2,021
Promotion expenses	2,668	2,420
Retirement benefit expenses	357	260
Depreciation	167	186
Research and development expenses	6,567	7,659
Other	4,844	5,000
Total selling, general and administrative expenses	20,054	21,682
Operating profit	11,025	11,140
Non-operating income		
Interest income	7	8
Dividend income	297	267
Rental income	228	234
Gain on sales of investment securities	28	—
Other	205	89
Total non-operating income	767	600
Non-operating expenses		
Interest expenses	1	1
Donations	169	216
Rental expenses	71	70
Foreign exchange losses	211	150
Other	68	53
Total non-operating expenses	521	492
Ordinary profit	11,271	11,248
Profit before income taxes	11,271	11,248
Income taxes - current	2,527	3,387
Income taxes - deferred	440	(221)
Total income taxes	2,968	3,166
Profit	8,302	8,081
Profit attributable to non-controlling interests	11	8
Profit attributable to owners of parent	8,291	8,073

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	8,302	8,081
Other comprehensive income		
Valuation difference on available-for-sale securities	(997)	1,586
Deferred gains or losses on hedges	5	(10)
Foreign currency translation adjustment	(8)	7
Remeasurements of defined benefit plans, net of tax	158	92
Total other comprehensive income	(841)	1,676
Comprehensive income	7,461	9,758
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,449	9,750
Comprehensive income attributable to non-controlling interests	11	8

(3) Consolidated Statements of Cash Flows for the Quarter

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	11,271	11,248
Depreciation	1,694	1,740
Increase (decrease) in provisions	27	23
Increase (decrease) in retirement benefit liability	(576)	(648)
Interest and dividend income	(305)	(276)
Interest expenses	1	1
Foreign exchange losses (gains)	73	(32)
Decrease (increase) in trade receivables	6,347	3,975
Decrease (increase) in inventories	(2,427)	(4,286)
Decrease (increase) in other current assets	(261)	(7)
Increase (decrease) in trade payables	2,177	(988)
Increase (decrease) in accrued consumption taxes	(751)	(142)
Increase (decrease) in other current liabilities	(2,558)	(621)
Other, net	(34)	38
Subtotal	14,677	10,025
Interest and dividends received	305	276
Interest paid	(1)	(1)
Income taxes paid	(3,426)	(2,173)
Net cash provided by (used in) operating activities	11,555	8,127
Cash flows from investing activities		
Payments into time deposits	(60)	(80)
Proceeds from withdrawal of time deposits	110	30
Purchase of securities	(500)	(500)
Proceeds from redemption of securities	—	510
Proceeds from sales of investment securities	658	—
Purchase of investment securities	0	(300)
Purchase of property, plant and equipment	(780)	(1,018)
Purchase of long-term prepaid expenses	(1,315)	(694)
Other, net	27	(18)
Net cash provided by (used in) investing activities	(1,860)	(2,071)
Cash flows from financing activities		
Dividends paid	(2,756)	(2,898)
Purchase of treasury shares	(0)	(1)
Other, net	(5)	—
Net cash provided by (used in) financing activities	(2,763)	(2,899)
Effect of exchange rate change on cash and cash equivalents	(82)	40
Net increase (decrease) in cash and cash equivalents	6,850	3,196
Cash and cash equivalents at beginning of period	39,632	44,298
Cash and cash equivalents at end of period	46,483	47,494