

# Outline of Consolidated Financial Results for the Second Quarter Ended September 30, 2017

November 6, 2017

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: November 9, 2017  
 Scheduled start of payment: December 4, 2017  
 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, 2017 (April 1 to September 30, 2017)

	(¥ million)							
	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Second quarter ended September 30, 2017	49,666	11.6%	9,266	42.7%	9,678	57.9%	6,998	56.1%
Second quarter ended September 30, 2016	44,504	12.9%	6,492	207.7%	6,131	162.5%	4,483	194.3%

Note: Comprehensive income  
 As of September 30, 2017: ¥8,415 million 140.3% As of September 30, 2016: ¥3,502 million 137.9%

	Net income per share (¥)	
	Basic	Diluted
Second quarter ended September 30, 2017	103.91	—
Second quarter ended September 30, 2016	66.56	—

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, 2017	152,378	120,695	79.1%	1,788.51
As of March 31, 2017	150,905	114,316	75.6%	1,693.81

Note: Owners' equity  
 As of September 30, 2017: ¥120,465 million As of March 31, 2017: ¥114,089 million

## 2. Dividends

	Cash dividends per share (¥)				
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> 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: Yes.

## 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: 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, 2017: 70,251,484 shares

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

Number of shares of treasury stock

As of September 30, 2017: 2,896,187 shares

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

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

As of September 30, 2017: 67,355,820 shares

As of September 30, 2016: 67,362,971 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

(¥ million)

	As of previous consolidated fiscal year ended March 31, 2017	As of 2 <sup>nd</sup> quarter ended September 30, 2017
<b>Assets</b>		
Current assets:		
Cash and deposits	¥30,781	¥21,593
Notes and accounts receivable	36,444	41,415
Electronically recorded monetary claim	434	567
Marketable securities	8,657	10,527
Merchandise and products	12,291	12,818
Partially finished products	1,688	1,624
Work in process	466	383
Materials and supplies	4,129	3,865
Deferred tax assets	2,408	2,644
Other current assets	1,483	1,960
Allowance for doubtful accounts	(0)	(0)
Total current assets	98,787	97,401
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (net)	7,843	7,597
Land	7,463	7,463
Other (net)	4,736	6,073
Total tangible fixed assets	20,043	21,134
Intangible fixed assets	494	475
Investments and other assets:		
Investment securities	21,681	23,646
Deferred tax assets	55	54
Long-term prepaid expenses	7,085	6,951
Other	2,757	2,715
Total investments and other assets	31,580	33,366
Total fixed assets	52,118	54,976
Total assets	¥150,905	¥152,378

(¥ million)

	As of previous consolidated fiscal year ended March 31, 2017	As of 2 <sup>nd</sup> quarter ended September 30, 2017
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	¥6,232	¥6,620
Accrued liabilities	11,971	7,679
Income taxes payable	3,892	2,809
Reserve for bonuses	2,705	2,697
Other current liabilities	2,199	2,168
Total current liabilities	27,001	21,974
Long-term liabilities:		
Deferred tax liability	1,121	1,819
Reserve for retirement benefits	8,064	7,530
Other long-term liabilities	401	357
Total long-term liabilities	9,587	9,707
Total liabilities	36,589	31,682
<b>Net assets</b>		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	99,897	104,875
Treasury stock	(2,450)	(2,460)
Total shareholders' equity	107,067	112,034
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	9,235	10,461
Deferred gain or loss on derivatives under hedge accounting	(5)	2
Foreign currency translation adjustments	11	3
Remeasurements of defined benefit plans	(2,217)	(2,035)
Total accumulated other comprehensive income	7,022	8,431
Non-controlling interests	226	230
Total net assets	114,316	120,695
Total liabilities and net assets	¥150,905	¥152,378

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

	(¥ million)	
	2 <sup>nd</sup> quarter ended September 30, 2016	2 <sup>nd</sup> quarter ended September 30, 2017
Net sales	¥44,504	¥49,666
Cost of sales	21,825	22,479
Gross profit	22,679	27,187
Selling, general and administrative expenses:		
Salaries and benefits	3,236	3,288
Provision for bonuses	1,672	1,824
Sales promotion expenses	1,388	1,772
Provision for retirement benefits	458	365
Depreciation	195	225
R&D expenses	5,052	6,270
Other	4,182	4,174
Total general, selling, and administrative expenses	16,186	17,921
Operating income	6,492	9,266
Non-operating income:		
Interest income	15	18
Dividend received	208	236
Rent income	216	231
Foreign exchange gain	—	15
Other	93	96
Total non-operating income	534	597
Non-operating expenses:		
Interest expenses	1	1
Donation	125	58
Foreign exchange loss	610	—
Rent expenses	50	86
Other	107	38
Total non-operating expenses	896	184
Ordinary income	6,131	9,678
Income before income taxes	6,131	9,678
Income taxes – current	1,615	2,829
Income taxes – deferred	25	(157)
Total income taxes	1,640	2,671
Net income	4,490	7,007
Net income attributable to non-controlling interests	7	8
Net income attributable to owners of the parent	¥4,483	¥6,998

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

	(¥ million)	
	2 <sup>nd</sup> quarter ended September 30, 2016	2 <sup>nd</sup> quarter ended September 30, 2017
Net income	¥4,490	¥7,007
Other comprehensive income		
Unrealized gain or loss on available-for-sale securities	(1,211)	1,226
Deferred gain or loss on derivatives under hedge accounting	(12)	8
Foreign currency translation adjustments	(27)	(8)
Remeasurements of defined benefit plans	262	182
Total other comprehensive income (loss)	(988)	1,408
Comprehensive income	3,502	8,415
(Item)		
Comprehensive income attributable to owners of the parent	3,495	8,407
Comprehensive income attributable to non-controlling interests	¥7	¥8

## (3) Consolidated Statements of Cash Flows for the Second Quarter

(¥ million)

	2 <sup>nd</sup> quarter ended September 30, 2016	2 <sup>nd</sup> quarter ended September 30, 2017
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	¥6,131	¥9,678
Depreciation and amortization	1,353	1,300
Increase (decrease) in reserves	(17)	(7)
Increase (decrease) in net defined benefit liability	(299)	(271)
Interest and dividend income	(224)	(254)
Interest expenses	1	1
Foreign exchange loss (gain)	521	(30)
Decrease (increase) in notes and accounts receivable	1,890	(5,104)
Decrease (increase) in inventories	55	(115)
Decrease (increase) in other current assets	(383)	(350)
Increase (decrease) in notes and accounts payable	146	388
Increase (decrease) in consumption taxes payable	(346)	96
Increase (decrease) in other current liabilities	(506)	(3,830)
Other – net	79	(211)
Subtotal	8,401	1,289
Interest and dividends received	224	254
Interest paid	(1)	(1)
Income taxes paid	(1,905)	(3,763)
Net cash provided by operating activities	6,718	(2,221)
<b>Cash flows from investing activities</b>		
Purchases of funds into time deposits	(80)	(120)
Proceeds from withdrawal of time deposits	30	30
Purchases of marketable securities	(1,000)	(1,200)
Proceeds from redemption of securities	320	530
Purchases of investment securities	(0)	(300)
Purchases of tangible fixed assets	(2,397)	(2,170)
Expenditures for long-term prepaid expenses acquired	—	(628)
Other – net	(62)	15
Net cash used in investing activities	(3,190)	(3,844)
<b>Cash flows from financing activities</b>		
Dividends paid	(942)	(2,018)
Purchase of treasury stock	(2)	(10)
Other – net	(1)	(4)
Net cash used in financing activities	(947)	(2,034)
Effect of exchange rate changes on cash and cash equivalents	(432)	22
Net increase (decrease) in cash and cash equivalents	2,148	(8,077)
Cash and cash equivalents at beginning of year	24,748	35,914
Cash and cash equivalents from newly consolidated subsidiaries	67	—
Cash and cash equivalents at end of quarter	¥26,964	¥27,836