

Outline of Consolidated Financial Results for the Year Ended March 31, 2020

May 13, 2020

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 annual general meeting of shareholders: June 26, 2020

Scheduled start of payment: June 29, 2020

Scheduled date for submission of Securities Report: June 29, 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 Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Year ended March 31, 2020	116,637	1.7%	21,668	5.0%	22,442	4.2%	16,866	3.5%
Year ended March 31, 2019	114,716	13.1%	20,644	20.9%	21,540	23.4%	16,302	25.9%

Note: Comprehensive income

As of March 31, 2020: ¥16,237 million 22.9%

As of March 31, 2019: ¥13,215 million (12.8%)

	Net income per share (¥)		Return on equity	Ordinary income to total assets	Operating income to net sales
	Basic	Diluted			
Year ended March 31, 2020	250.42	—	12.0%	13.1%	18.6%
Year ended March 31, 2019	242.04	—	12.5%	13.3%	18.0%

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 March 31, 2020	175,017	145,760	83.1%	2,160.11
As of March 31, 2019	168,763	135,190	80.0%	2,003.39

Note: Owners' equity

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

As of March 31, 2019: ¥134,936 million

(3) Cash flows (¥ million)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
As of March 31, 2020	12,737	(2,339)	(5,660)	44,298
As of March 31, 2019	15,310	511	(3,708)	39,632

2. Dividends

	Annual dividends per share (¥)			Total dividends (full term) (¥ million)	Payout ratio (consolidated)	Dividends as a percentage of net assets (consolidated)
	2 nd quarter	Year-end	Annual			
Year ended March 31, 2019	29.00	41.00	70.00	4,714	28.9%	3.6%
Year ended March 31, 2020	43.00	43.00	86.00	5,792	34.3%	4.1%
Year ending March 31, 2021 (forecast)	49.00	50.00	99.00		35.1%	

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

(¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (¥)
First-half period	59,500	3.7%	10,000	(9.3%)	10,200	(9.5%)	7,200	(13.2%)	106.90
Full term	126,000	8.0%	25,000	15.4%	25,500	13.6%	19,000	12.6%	282.09

Note: Percentage figures represent year-on-year comparisons.

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) 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

(3) Number of shares outstanding (ordinary shares)

Number of shares outstanding (including treasury stock)

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

As of March 31, 2019: 70,251,484 shares

Number of shares of treasury stock

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

As of March 31, 2019: 2,897,365 shares

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

As of March 31, 2020: 67,353,951 shares

As of March 31, 2019: 67,354,446 shares

Note:

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

The above forecasts are based on data available as of the date of release of this document as well as assumptions based on uncertain factors, which might have a material effect on the Company's performance in the future. 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, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	31,519	36,005
Notes and accounts receivable	45,982	40,947
Electronically recorded monetary claims	573	575
Securities	10,619	11,109
Merchandise and finished goods	14,064	15,179
Semi-finished goods	1,050	4,244
Work in process	311	374
Raw materials and supplies	3,946	10,096
Other	2,651	3,392
Allowance for doubtful accounts	(0)	(0)
Total current assets	110,720	121,925
Non-current assets		
Property, plant and equipment		
Buildings and structures	27,428	27,792
Accumulated depreciation	(18,221)	(18,673)
Buildings and structures, net	9,206	9,119
Machinery, equipment and vehicles	12,277	12,444
Accumulated depreciation	(9,905)	(9,685)
Machinery, equipment and vehicles, net	2,372	2,758
Tools, furniture and fixtures	8,842	8,955
Accumulated depreciation	(7,508)	(7,653)
Tools, furniture and fixtures, net	1,334	1,301
Land	7,463	7,459
Construction in progress	199	305
Total property, plant and equipment	20,575	20,944
Intangible assets	412	546
Investments and other assets		
Investment securities	23,460	18,909
Deferred tax assets	2,330	1,726
Long-term prepaid expenses	8,765	8,631
Other	2,497	2,332
Total investments and other assets	37,054	31,600
Total non-current assets	58,042	53,091
Total assets	168,763	175,017

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable	7,986	11,213
Accounts payable	7,449	5,730
Accrued expenses	1,452	1,498
Income taxes payable	3,597	2,081
Accrued consumption taxes	1,243	338
Provision for bonuses	2,929	2,994
Other	748	1,108
Total current liabilities	25,406	24,965
Non-current liabilities		
Deferred tax liabilities	2	9
Retirement benefit liability	7,843	3,956
Other	320	324
Total non-current liabilities	8,165	4,290
Total liabilities	33,572	29,256
Net assets		
Shareholders' equity		
Share capital	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	121,677	132,886
Treasury shares	(2,469)	(2,473)
Total shareholders' equity	128,827	140,032
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,440	6,929
Deferred gains or losses on hedges	(5)	7
Foreign currency translation adjustment	0	(3)
Remeasurements of defined benefit plans	(3,326)	(1,475)
Total accumulated other comprehensive income	6,109	5,458
Non-controlling interests	253	269
Total net assets	135,190	145,760
Total liabilities and net assets	168,763	175,017

(2) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	114,716	116,637
Cost of sales	50,952	53,155
Gross profit	63,764	63,481
Selling, general and administrative expenses		
Salaries and allowances	8,635	9,198
Provision for bonuses	2,004	2,014
Retirement benefit expenses	707	722
Depreciation	349	352
Research and development expenses	16,701	13,994
Promotion expenses	4,970	5,203
Other	9,751	10,327
Total selling, general and administrative expenses	43,119	41,813
Operating profit	20,644	21,668
Non-operating income		
Interest income	16	17
Dividend income	525	557
Rental income	462	458
Gain on sales of investment securities	0	277
Foreign exchange gains	210	—
Other	220	288
Total non-operating income	1,435	1,599
Non-operating expenses		
Interest expenses	3	2
Donations	247	327
Foreign exchange losses	—	141
Rental expenses	141	142
Other	147	210
Total non-operating expenses	539	824
Ordinary profit	21,540	22,442
Profit before income taxes	21,540	22,442
Income taxes - current	5,674	4,732
Income taxes - deferred	(457)	821
Total income taxes	5,217	5,553
Profit	16,323	16,888
Profit attributable to non-controlling interests	20	22
Profit attributable to owners of parent	16,302	16,866

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	16,323	16,888
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,028)	(2,510)
Deferred gains or losses on hedges	0	12
Foreign currency translation adjustment	(4)	(3)
Remeasurements of defined benefit plans, net of tax	(1,074)	1,851
Total other comprehensive income	(3,107)	(650)
Comprehensive income	13,215	16,237
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,195	16,215
Comprehensive income attributable to non-controlling interests	20	22

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

Year ended March 31, 2019	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,174	4,445	109,078	(2,464)	116,234
Changes during period					
Dividends of surplus			(3,704)		(3,704)
Profit attributable to owners of parent			16,302		16,302
Purchase of treasury shares				(5)	(5)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	12,598	(5)	12,593
Balance at end of period	5,174	4,445	121,677	(2,469)	128,827

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	11,469	(5)	4	(2,252)	9,216	237	125,689
Changes during period							
Dividends of surplus							(3,704)
Profit attributable to owners of parent							16,302
Purchase of treasury shares							(5)
Net changes in items other than shareholders' equity	(2,028)	0	(4)	(1,074)	(3,107)	15	(3,091)
Total changes during period	(2,028)	0	(4)	(1,074)	(3,107)	15	9,501
Balance at end of period	9,440	(5)	0	(3,326)	6,109	253	135,190

(Millions of yen)

Year ended March 31, 2020	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,174	4,445	121,677	(2,469)	128,827
Changes during period					
Dividends of surplus			(5,657)		(5,657)
Profit attributable to owners of parent			16,866		16,866
Purchase of treasury shares				(3)	(3)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	11,209	(3)	11,205
Balance at end of period	5,174	4,445	132,886	(2,473)	140,032

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,440	(5)	0	(3,326)	6,109	253	135,190
Changes during period							
Dividends of surplus							(5,657)
Profit attributable to owners of parent							16,866
Purchase of treasury shares							(3)
Net changes in items other than shareholders' equity	(2,510)	12	(3)	1,851	(650)	16	(634)
Total changes during period	(2,510)	12	(3)	1,851	(650)	16	10,570
Balance at end of period	6,929	7	(3)	(1,475)	5,458	269	145,760

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	21,540	22,442
Depreciation	3,418	3,468
Increase (decrease) in provisions	56	64
Increase (decrease) in retirement benefit liability	(1,124)	(1,222)
Interest and dividend income	(542)	(574)
Interest expenses	3	2
Decrease (increase) in trade receivables	(6,391)	5,033
Decrease (increase) in inventories	972	(10,521)
Decrease (increase) in other current assets	(877)	(703)
Increase (decrease) in trade payables	(653)	3,227
Increase (decrease) in accrued consumption taxes	1,084	(887)
Increase (decrease) in other current liabilities	1,474	(1,685)
Foreign exchange losses (gains)	(13)	68
Other, net	178	(311)
Subtotal	19,126	18,400
Interest and dividends received	543	574
Interest paid	(3)	(2)
Income taxes paid	(4,355)	(6,235)
Net cash provided by (used in) operating activities	15,310	12,737
Cash flows from investing activities		
Payments into time deposits	(667)	(582)
Proceeds from withdrawal of time deposits	637	762
Purchase of securities	(1,500)	(2,000)
Proceeds from redemption of securities	4,420	1,520
Proceeds from sales of investment securities	20	1,340
Purchase of property, plant and equipment	(1,351)	(1,817)
Purchase of long-term prepaid expenses	(962)	(1,315)
Other, net	(85)	(246)
Net cash provided by (used in) investing activities	511	(2,339)
Cash flows from financing activities		
Dividends paid	(3,698)	(5,651)
Purchase of treasury shares	(5)	(3)
Other, net	(4)	(5)
Net cash provided by (used in) financing activities	(3,708)	(5,660)
Effect of exchange rate change on cash and cash equivalents	9	(72)
Net increase (decrease) in cash and cash equivalents	12,122	4,665
Cash and cash equivalents at beginning of period	27,510	39,632
Cash and cash equivalents at end of period	39,632	44,298