

Outline of Consolidated Financial Results for the Year Ended March 31, 2014

May 9, 2014

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 annual general meeting of shareholders: June 27, 2014

Scheduled start of payment: June 30, 2014

Scheduled date for submission of Securities Report: June 30, 2014

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, 2014 (April 1, 2013 to March 31, 2014)

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)							
Year ended March 31, 2014	76,517	9.4%	8,038	16.5 %	8,598	19.3%	5,750	23.7%
Year ended March 31, 2013	69,941	3.9%	6,901	14.8 %	7,209	16.4%	4,647	25.1%

Note: Comprehensive income

As of March 31, 2014: ¥ 6,634 million (4.7%) As of March 31, 2013: ¥ 6,335 million 51.7%

	Net income per share (¥)		Return on equity	Ordinary income to total assets	Operating income to net sales
	Basic	Diluted			
Year ended March 31, 2014	85.25	—	6.3%	7.4%	10.5%
Year ended March 31, 2013	68.87	—	5.4%	6.6%	9.9%

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

	Total assets	Net assets	Equity ratio	Net assets per share (¥)
	(¥ million)			
As of March 31, 2014	118,188	93,186	78.7%	1,378.93
As of March 31, 2013	113,730	89,529	78.5%	1,323.87

Note: Owners' equity

As of March 31, 2014: ¥ 92,982 million As of March 31, 2013: ¥ 89,330 million

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	(¥ million)			
As of March 31, 2014	6,015	(3,357)	(1,606)	21,229
As of March 31, 2013	3,767	(2,026)	(1,413)	20,044

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, 2013	10.00	11.00	21.00	1,417	30.5%	1.6%
Year ended March 31, 2014	11.00	12.00	23.00	1,551	27.0%	1.7%
Year ending March 31, 2015 (forecast)	12.00	13.00	25.00	—	28.1%	—

3. Business Forecast for the Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (¥)
	(¥ million)								
First-half period	38,000	6.8%	2,000	(35.6%)	2,100	(34.8%)	1,400	(34.8%)	20.76
Full term	84,000	9.8%	8,500	5.7%	8,700	1.2%	6,000	4.3%	88.98

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: Yes
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, 2014: 70,251,484 shares
As of March 31, 2013: 70,251,484 shares
Number of shares of treasury stock
As of March 31, 2014: 2,820,656 shares
As of March 31, 2013: 2,774,507 shares
Average number of shares outstanding (total for the consolidated period)
As of March 31, 2014: 67,455,016 shares
As of March 31, 2013: 67,485,532 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 Statements

(1) Consolidated Balance Sheet

(¥ million)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets:		
Cash and deposits	¥11,787	¥11,097
Notes and accounts receivable	34,266	34,137
Marketable securities	8,499	10,399
Merchandise and products	8,019	9,983
Partially finished products	1,686	1,426
Work in process	155	217
Materials and supplies	3,404	4,106
Deferred tax assets	1,637	1,678
Other current assets	1,474	1,637
Allowance for doubtful accounts	(0)	(0)
Total current assets	70,932	74,683
Fixed assets:		
Tangible fixed assets:		
Buildings and structures	26,215	23,742
Accumulated depreciation	(18,892)	(17,102)
Buildings and structures (net)	7,322	6,640
Machinery, equipment and vehicles	12,505	10,615
Accumulated depreciation	(11,254)	(9,707)
Machinery, equipment and vehicles (net)	1,251	907
Tools, furniture and fixtures	9,138	8,784
Accumulated depreciation	(8,525)	(8,199)
Tools, furniture and fixtures (net)	613	584
Land	7,888	7,433
Construction in progress	62	104
Total tangible fixed assets	17,138	15,670
Intangible fixed assets	667	561
Investments and other assets:		
Investment securities	13,873	16,063
Deferred tax assets	62	60
Long-term prepaid expenses	8,829	7,981
Other	2,230	3,171
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	24,992	27,273
Total fixed assets	42,798	43,504
Total assets	¥113,730	¥118,188

(¥ million)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities:		
Notes and accounts payable	¥5,028	¥6,099
Accrued liabilities	4,492	3,092
Accrued expenses	1,222	1,273
Income taxes payable	1,665	1,537
Consumption taxes payable	361	397
Reserve for bonuses	2,364	2,465
Other current liabilities	542	391
Total current liabilities	15,677	15,257
Long-term liabilities:		
Deferred tax liability	715	510
Reserve for retirement benefits	7,418	—
Net defined benefit liability	—	8,857
Other long-term liabilities	389	376
Total long-term liabilities	8,523	9,744
Total liabilities	24,201	25,002
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	76,839	81,105
Treasury stock	(2,092)	(2,175)
Total shareholders' equity	84,366	88,549
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	4,989	5,841
Deferred gain on derivatives under hedge accounting	4	1
Foreign currency translation adjustments	(30)	(4)
Remeasurements of defined benefit plans	—	(1,406)
Total accumulated other comprehensive income	4,964	4,432
Minority interests	198	204
Total net assets	89,529	93,186
Total liabilities and net assets	¥113,730	¥118,188

(2) Consolidated Statements of Income

(¥ million)

	Year ended March 31, 2013	Year ended March 31, 2014
Net sales	¥69,941	¥76,517
Cost of sales	34,776	39,033
Gross profit	35,165	37,483
Selling, general and administrative expenses:		
Salaries and benefits	7,633	7,747
Provision for bonuses	1,547	1,636
Provision for retirement benefits	1,084	856
Depreciation	322	369
R&D expenses	9,049	9,530
Sales promotion expenses	1,027	1,384
Other	7,599	7,920
Total general, selling, and administrative expenses	28,263	29,445
Operating income	6,901	8,038
Non-operating income:		
Interest income	27	32
Dividend received	260	291
Rent income	345	370
Compensation income	27	8
Other	185	317
Total non-operating income	846	1,019
Non-operating expenses:		
Interest expenses	8	4
Donation	192	200
Foreign exchange loss	72	22
Loss on disposal of fixed assets	35	42
Rent expenses	101	107
Other	127	83
Total non-operating expenses	538	460
Ordinary income	7,209	8,598
Extraordinary profit		
Gain on sale of fixed assets	77	—
Extraordinary profit total	77	—
Income before income taxes and minority interests	7,286	8,598
Income taxes – current	2,715	2,722
Income taxes – deferred	(90)	115
Total income taxes	2,625	2,837
Income before minority interests	4,660	5,760
Minority net income	13	9
Net income	¥4,647	¥5,750

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Year ended March 31, 2013	Year ended March 31, 2014
Income before minority interests	¥4,660	¥5,760
Other comprehensive income		
Unrealized gain on available-for-sale securities	1,660	852
Deferred gain or loss on derivatives under hedge accounting	3	(3)
Foreign currency translation adjustments	10	25
Total other comprehensive income	1,675	874
Comprehensive income	6,335	6,634
(Item)		
Comprehensive income attributable to owners of the parent	6,322	6,625
Comprehensive income attributable to minority interests	¥13	¥9

(3) Consolidated Statements of Changes in Net Assets

(¥ million)

Year ended March 31, 2013	Shareholders' equity					Total owners' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance at beginning of current period	¥5,174	¥4,445	¥73,541	¥(2,075)		¥81,085
Changes of items during the period:						
Dividends from surplus			(1,349)			(1,349)
Net income			4,647			4,647
Purchase of treasury stock				(18)		(18)
Disposal of treasury stock		0		1		1
Net changes in items other than shareholders' equity						
Total changes of items during the period	–	0	3,297	(17)		3,280
Balance at end of current period	¥5,174	¥4,445	¥76,839	¥(2,092)		¥84,366

Year ended March 31, 2013	Accumulated other comprehensive income							Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	Minority interests		
Balance at beginning of current period	¥3,328	¥1	¥(41)	–	¥3,289	¥191	¥84,566	
Changes of items during the period:								
Dividends from surplus							(1,349)	
Net income							4,647	
Purchase of treasury stock							(18)	
Disposal of treasury stock							1	
Net changes in items other than shareholders' equity	1,660	3	10	–	1,675	7	1,682	
Total changes of items during the period	1,660	3	10	–	1,675	7	4,963	
Balance at end of current period	¥4,989	¥4	¥(30)	–	¥4,964	¥198	¥89,529	

(¥ million)

Year ended March 31, 2014	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at beginning of current period	¥5,174	¥4,445	¥76,839	¥ (2,092)	¥84,366
Changes of items during the period:					
Dividends from surplus			(1,484)		(1,484)
Net income			5,750		5,750
Purchase of treasury stock				(82)	(82)
Net changes in items other than shareholders' equity					
Total changes of items during the period	–	–	4,266	(82)	4,183
Balance at end of current period	¥5,174	¥4,445	¥81,105	¥ (2,175)	¥ 88,549

Year ended March 31, 2014	Accumulated other comprehensive income							Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	Minority interests		
Balance at beginning of current period	¥4,989	¥ 4	¥(30)	–	¥4,964	¥198	¥89,529	
Changes of items during the period:								
Dividends from surplus							(1,484)	
Net income							5,750	
Purchase of treasury stock							(82)	
Net changes in items other than shareholders' equity	852	(3)	25	(1,406)	(531)	5	(526)	
Total changes of items during the period	852	(3)	25	(1,406)	(531)	5	3,657	
Balance at end of current period	¥5,841	¥1	¥(4)	¥ (1,406)	¥4,432	¥204	¥93,186	

(4) Consolidated Statements of Cash Flows

(¥ million)

	Year ended March 31, 2013	Year ended March 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	¥7,286	¥8,598
Depreciation and amortization	2,759	2,704
Increase (decrease) in reserve for retirement benefits	60	—
Increase (decrease) in other reserves	(35)	101
Increase (decrease) in net defined benefit liability	—	(759)
Interest and dividend income	(287)	(323)
Interest expenses	8	4
Loss (gain) on sale of investment securities	(1)	—
Loss (gain) on sale of fixed assets	(87)	(0)
Loss (gain) on disposal of fixed assets	35	42
Decrease (increase) in notes and accounts receivable	(2,278)	129
Decrease (increase) in inventories	(1,341)	(2,466)
Decrease (increase) in other current assets	(654)	(166)
Increase (decrease) in notes and accounts payable	8	1,071
Increase (decrease) in consumption taxes payable	(84)	36
Increase (decrease) in other current liabilities	390	(341)
Foreign exchange loss (gain)	(40)	(107)
Other – net	92	31
Subtotal	5,830	8,551
Interest and dividends received	287	323
Interest paid	(8)	(4)
Income taxes paid	(2,341)	(2,854)
Net cash provided by operating activities	3,767	6,015
Cash flows from investing activities		
Purchases of funds into time deposits	(264)	(289)
Proceeds from withdrawal of time deposits	344	264
Purchases of investment in securities	(104)	(904)
Proceeds from the sale or redemption of investment in securities	3	—
Purchases of tangible fixed assets	(1,020)	(1,121)
Proceeds from sales of tangible fixed assets	11	1
Purchases of intangible assets	(359)	(142)
Expenditures for long-term prepaid expenses acquired	(677)	(1,243)
Other – net	42	78
Net cash used in investing activities	(2,026)	(3,357)
Cash flows from financing activities		
Dividends paid	(1,350)	(1,484)
Purchase of treasury stock	(18)	(82)
Other – net	(44)	(39)
Net cash used in financing activities	(1,413)	(1,606)
Effect of exchange rate changes on cash and cash equivalents	51	133
Net increase (decrease) in cash and cash equivalents	379	1,185
Cash and cash equivalents at beginning of year	19,665	20,044
Cash and cash equivalents at end of year	¥20,044	¥21,229