

Outline of Consolidated Financial Results for the Second Quarter Ended September 30, 2015

November 6, 2015

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 10, 2015
 Scheduled start of payment: December 4, 2015
 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, 2015 (April 1 to September 30, 2015)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Second quarter ended September 30, 2015	39,413	8.1%	2,110	3.7%	2,335	2.8%	1,523	5.7%
Second quarter ended September 30, 2014	36,470	2.5%	2,033	(34.5%)	2,272	(29.4%)	1,440	(32.9%)

Note: Comprehensive income
 As of September 30, 2015: ¥1,472 million (40.6%) As of September 30, 2014: ¥2,479 million (1.7%)

	Net income per share (¥)	
	Basic	Diluted
Second quarter ended September 30, 2015	22.61	—
Second quarter ended September 30, 2014	21.37	—

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, 2015	127,652	101,763	79.6%	1,507.33
As of March 31, 2015	129,757	101,207	77.8%	1,498.88

Note: Owners' equity
 As of September 30, 2015: ¥101,553 million As of March 31, 2015: ¥100,998 million

2. Dividends

	Cash dividends per share (¥)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2015	—	¥12.00	—	¥13.00	¥25.00
Year ending March 31, 2016	—	¥14.00	—	—	—
Year ending March 31, 2016 (forecast)	—	—	—	¥14.00	¥28.00

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

3. Business Forecast for the Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share (¥)
	Full term	87,000	8.8 %	9,300	8.6%	9,500	6.4%	6,700	13.9%

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: Yes

2. Changes arising from other factors: Yes

3. Changes in accounting estimates: Yes

4. Restatement: None

(4) Number of shares outstanding (ordinary shares)

Number of shares outstanding (including treasury stock)

As of September 30, 2015: 70,251,484 shares

As of March 31, 2015: 70,251,484 shares

Number of shares of treasury stock

As of September 30, 2015: 2,878,282 shares

As of March 31, 2015: 2,868,940 shares

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

As of September 30, 2015: 67,378,545 shares

As of September 30, 2014: 67,418,767 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, 2015	As of 2 nd quarter ended September 30, 2015
Assets		
Current assets:		
Cash and deposits	¥ 11,841	¥ 12,849
Notes and accounts receivable	35,010	33,656
Marketable securities	10,799	7,099
Merchandise and products	12,936	14,377
Partially finished products	1,737	1,265
Work in process	321	443
Materials and supplies	4,663	4,788
Deferred tax assets	1,698	1,598
Other current assets	1,413	1,947
Allowance for doubtful accounts	(0)	(0)
Total current assets	80,422	78,026
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (net)	6,163	6,012
Land	7,449	7,509
Other (net)	1,780	2,528
Total tangible fixed assets	15,393	16,051
Intangible fixed assets	458	410
Investments and other assets:		
Investment securities	22,078	22,198
Deferred tax assets	57	56
Long-term prepaid expenses	8,287	8,112
Other	3,059	2,796
Total investments and other assets	33,482	33,163
Total fixed assets	49,334	49,625
Total assets	¥ 129,757	¥ 127,652

(¥ million)

	As of previous consolidated fiscal year ended March 31, 2015	As of 2 nd quarter ended September 30, 2015
Liabilities		
Current liabilities:		
Notes and accounts payable	¥ 7,118	¥ 6,820
Accrued liabilities	3,472	3,960
Income taxes payable	2,161	508
Reserve for bonuses	2,523	2,489
Other current liabilities	2,495	2,018
Total current liabilities	17,770	15,797
Long-term liabilities:		
Deferred tax liability	2,286	2,429
Reserve for retirement benefits	7,997	7,211
Other long-term liabilities	495	451
Total long-term liabilities	10,779	10,092
Total liabilities	28,550	25,889
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	85,137	85,784
Treasury stock	(2,327)	(2,365)
Total shareholders' equity	92,429	93,038
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	9,600	9,343
Deferred gain on derivatives under hedge accounting	(11)	(2)
Foreign currency translation adjustments	17	20
Remeasurements of defined benefit plans	(1,037)	(846)
Total accumulated other comprehensive income	8,569	8,514
Non-controlling interests	208	209
Total net assets	101,207	101,763
Total liabilities and net assets	¥ 129,757	¥ 127,652

(2) Consolidated Statements of Income for the Quarter
(Total for the consolidated period ended September 30, 2015)

(¥ million)

	2 nd quarter ended September 30, 2014	2 nd quarter ended September 30, 2015
Net sales	¥ 36,470	¥ 39,413
Cost of sales	19,529	21,569
Gross profit	16,941	17,844
Selling, general and administrative expenses:		
Salaries and benefits	3,141	3,239
Provision for bonuses	1,658	1,674
Sales promotion expenses	982	1,355
Provision for retirement benefits	425	397
Depreciation	171	154
R&D expenses	4,243	4,725
Other	4,283	4,186
Total general, selling, and administrative expenses	14,907	15,734
Operating income	2,033	2,110
Non-operating income:		
Interest income	10	9
Dividend received	193	210
Rent income	182	183
Foreign exchange gain	—	9
Other	55	71
Total non-operating income	442	483
Non-operating expenses:		
Interest expenses	1	1
Donation	109	146
Foreign exchange loss	5	—
Rent expenses	53	49
Other	33	60
Total non-operating expenses	203	258
Ordinary income	2,272	2,335
Income before income taxes and minority interests	2,272	2,335
Income taxes – current	592	536
Income taxes – deferred	233	272
Total income taxes	825	809
Net income	1,447	1,526
Net income attributable to Non-controlling interests	6	3
Net income attributable to owners of the parent	¥ 1,440	¥ 1,523

(Consolidated Statements of Comprehensive Income)
(Total for the consolidated period ended September 30, 2015)

(¥ million)

	2 nd quarter ended September 30, 2014	2 nd quarter ended September 30, 2015
Net income	¥ 1,447	¥ 1,526
Other comprehensive income		
Unrealized gain or loss on available-for-sale securities	861	(256)
Deferred gain or loss on derivatives under hedge accounting	8	9
Foreign currency translation adjustments	(5)	2
Remeasurements of defined benefit plans	168	190
Total other comprehensive income	1,032	(54)
Comprehensive income	2,479	1,472
(Item)		
Comprehensive income attributable to owners of the parent	2,473	1,468
Comprehensive income(loss) attributable to Non-controlling interests	¥ 6	¥ 3

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

(¥ million)

	2 nd quarter ended September 30, 2014	2 nd quarter ended September 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	¥ 2,272	¥ 2,335
Depreciation and amortization	1,294	1,184
Increase (decrease) in reserves	(31)	(33)
Increase (decrease) in net defined benefit liability	(282)	(506)
Interest and dividend income	(203)	(220)
Interest expenses	1	1
Foreign exchange loss (gain)	6	(17)
Decrease (increase) in notes and accounts receivable	3,005	1,354
Decrease (increase) in inventories	(2,269)	(1,216)
Decrease (increase) in other current assets	(4)	(432)
Increase (decrease) in notes and accounts payable	(237)	(297)
Increase (decrease) in consumption taxes payable	(46)	(399)
Increase (decrease) in other current liabilities	(455)	(29)
Other – net	(4)	(31)
Subtotal	3,047	1,691
Interest and dividends received	203	220
Interest paid	(1)	(1)
Income taxes paid	(1,558)	(2,180)
Net cash provided by operating activities	1,690	(271)
Cash flows from investing activities		
Purchases of funds into time deposits	(60)	(60)
Proceeds from withdrawal of time deposits	130	30
Purchases of investment securities	(500)	(500)
Proceeds from redemption of investment securities	—	500
Payments for purchases of investment in securities	(500)	(500)
Purchases of tangible fixed assets	(387)	(369)
Purchases of intangible assets	(70)	(76)
Expenditures for long-term prepaid expenses acquired	(1,040)	(650)
Other – net	62	72
Net cash used in investing activities	(2,367)	(1,554)
Cash flows from financing activities		
Dividends paid	(809)	(876)
Purchase of treasury stock	(80)	(37)
Other – net	(2)	(2)
Net cash used in financing activities	(893)	(916)
Effect of exchange rate changes on cash and cash equivalents	(12)	20
Net increase (decrease) in cash and cash equivalents	(1,582)	(2,721)
Cash and cash equivalents at beginning of year	21,229	21,914
Cash and cash equivalents at end of quarter	¥ 19,647	¥ 19,192