

Outline of Consolidated Financial Results for the Year Ended March 31, 2017

May 11, 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
 Contact: Taro Sakurai, General Manager and Finance & Accounting Dept. Tel. +81-75-321-9114
 Scheduled date for annual general meeting of shareholders: June 29, 2017
 Scheduled start of payment: June 30, 2017
 Scheduled date for submission of Securities Report: June 30, 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 Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Amount	YoY %	Amount	YoY %	Amount	YoY %	Amount	YoY %
Year ended March 31, 2017	98,781	17.3%	15,280	78.7%	16,244	81.4%	11,749	85.3%
Year ended March 31, 2016	84,209	5.3%	8,549	(0.2%)	8,952	0.3%	6,340	7.8%

Note: Comprehensive income
 As of March 31, 2017: ¥13,102 million (278.5%) As of March 31, 2016: ¥ 3,462 million (-65.5%)

	Net income per share (¥)		Return on equity	Ordinary income to total assets	Operating income to net sales
	Basic	Diluted			
Year ended March 31, 2017	174.42	—	10.8%	11.3%	15.5%
Year ended March 31, 2016	94.10	—	6.2%	6.8%	10.2%

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 (¥)
As of March 31, 2017	150,905	114,316	75.6%	1,693.81
As of March 31, 2016	135,370	102,762	75.8%	1,522.33

Note: Owners' equity
 As of March 31, 2017: ¥114,089 million As of March 31, 2016: ¥ 102,549 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
As of March 31, 2017	19,082	(5,916)	(2,193)	35,914
As of March 31, 2016	8,915	(3,978)	(1,907)	24,748

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, 2016	14.00	14.00	28.00	1,886	29.8%	1.9%
Year ended March 31, 2017	18.00	30.00	48.00	3,233	27.5%	3.0%
Year ending March 31, 2018 (forecast)	25.00	25.00	50.00		26.9	

3. Business Forecast for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (¥)
	Amount	YoY %	Amount	YoY %	Amount	YoY %	Amount	YoY %	Amount
First-half period	47,500	6.7%	6,800	4.7%	7,000	14.2%	5,200	16.0%	77.20
Full term	99,500	0.7%	16,500	8.0%	17,000	4.7%	12,500	6.4%	185.58

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, 2017: 70,251,484 shares

As of March 31, 2016: 70,251,484 shares

Number of shares of treasury stock

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

As of March 31, 2016: 2,888,330 shares

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

As of March 31, 2017: 67,362,340 shares

As of March 31, 2016: 67,372,315 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 and Notes Thereto

(1) Consolidated Balance Sheet

(¥ million)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets:		
Cash and deposits	¥ 20,435	¥ 30,781
Notes and accounts receivable	34,825	36,444
Electronically recorded monetary claim	310	434
Marketable securities	7,626	8,657
Merchandise and products	12,730	12,291
Partially finished products	1,182	1,688
Work in process	336	466
Materials and supplies	4,679	4,129
Deferred tax assets	1,861	2,408
Other current assets	1,411	1,483
Allowance for doubtful accounts	(0)	(0)
Total current assets	85,401	98,787
Fixed assets:		
Tangible fixed assets:		
Buildings and structures	24,210	25,187
Accumulated depreciation	(16,760)	(17,344)
Buildings and structures (net)	7,449	7,843
Machinery, equipment and vehicles	10,783	10,834
Accumulated depreciation	(9,163)	(9,317)
Machinery, equipment and vehicles (net)	1,619	1,516
Tools, furniture and fixtures	8,559	8,577
Accumulated depreciation	(7,644)	(7,511)
Tools, furniture and fixtures (net)	914	1,066
Land	7,509	7,463
Construction in progress	130	2,153
Total tangible fixed assets	17,624	20,043
Intangible fixed assets	501	494
Investments and other assets:		
Investment securities	21,497	21,681
Deferred tax assets	55	55
Long-term prepaid expenses	7,521	7,085
Other	2,768	2,757
Total investments and other assets	31,843	31,580
Total fixed assets	49,968	52,118
Total assets	¥135,370	¥150,905

(¥ million)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities:		
Notes and accounts payable	¥ 6,759	¥ 6,232
Accrued liabilities	7,111	11,971
Accrued expenses	1,203	1,237
Income taxes payable	1,929	3,892
Consumption taxes payable	570	200
Reserve for bonuses	2,517	2,705
Other current liabilities	476	761
Total current liabilities	20,569	27,001
Long-term liabilities:		
Deferred tax liability	1,192	1,121
Reserve for retirement benefits	10,410	8,064
Other long-term liabilities	434	401
Total long-term liabilities	12,037	9,587
Total liabilities	32,607	36,589
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	89,658	99,897
Treasury stock	(2,413)	(2,450)
Total shareholders' equity	96,864	107,067
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	9,091	9,235
Deferred gain or loss on derivatives under hedge accounting	(2)	(5)
Foreign currency translation adjustments	17	11
Remeasurements of defined benefit plans	(3,421)	(2,217)
Total accumulated other comprehensive income	5,684	7,022
Non-controlling interests	213	226
Total net assets	102,762	114,316
Total liabilities and net assets	¥135,370	¥150,905

(2) Consolidated Statements of Income

(¥ million)

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	¥84,209	¥98,781
Cost of sales	44,016	44,835
Gross profit	40,192	53,946
Selling, general and administrative expenses:		
Salaries and benefits	8,123	8,110
Provision for bonuses	1,695	1,962
Provision for retirement benefits	776	907
Depreciation	344	396
R&D expenses	9,739	14,903
Sales promotion expenses	2,629	3,007
Other	8,334	9,377
Total general, selling, and administrative expenses	31,643	38,666
Operating income	8,549	15,280
Non-operating income:		
Interest income	26	39
Dividend received	389	394
Rent income	368	439
Foreign exchange gain	—	483
Gain on sales of investment securities	259	0
Other	202	229
Total non-operating income	1,246	1,587
Non-operating expenses:		
Interest expenses	3	3
Donation	239	204
Foreign exchange loss	216	—
Rent expenses	99	117
Other	284	298
Total non-operating expenses	842	623
Ordinary income	8,952	16,244
Extraordinary loss		
Impairment loss	—	766
Total extraordinary loss	—	766
Income before income taxes and minority interests	8,952	15,477
Income taxes – current	2,398	4,864
Income taxes – deferred	207	(1,152)
Total income taxes	2,605	3,712
Net income	6,346	11,765
Net income attributable to non-controlling interests	6	15
Net income attributable to owners of the parent	¥ 6,340	¥11,749

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Year ended March 31, 2016	Year ended March 31, 2017
Net income	¥6,346	¥11,765
Other comprehensive income		
Unrealized gain or loss on available-for-sale securities	(509)	143
Deferred gain or loss on derivatives under hedge accounting	8	(3)
Foreign currency translation adjustments	0	(6)
Remeasurements of defined benefit plans	(2,384)	1,203
Total other comprehensive income	(2,884)	1,337
Comprehensive income	3,462	13,102
(Item)		
Comprehensive income attributable to owners of the parent	3,455	13,087
Comprehensive income attributable to non-controlling interests	¥ 6	¥ 15

(3) Consolidated Statements of Changes in Net Assets

(¥ million)

Year ended March 31, 2016	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at beginning of current period	¥5,174	¥4,445	¥85,137	¥ (2,327)	¥92,429
Changes of items during the period:					
Dividends from surplus			(1,819)		(1,819)
Net income attributable to owners of the parent			6,340		6,340
Purchase of treasury stock				(85)	(85)
Net changes in items other than shareholders' equity					
Total changes of items during the period	–	–	4,520	(85)	4,435
Balance at end of current period	¥5,174	¥4,445	¥89,658	¥ (2,413)	¥96,864

Year ended March 31, 2016	Accumulated other comprehensive income						
	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	Non-cont rolling interests	Total net assets
Balance at beginning of current period	¥9,600	¥(11)	¥17	¥ (1,037)	¥ 8,569	¥ 208	¥ 101,207
Changes of items during the period:							
Dividends from surplus							(1,819)
Net income attributable to owners of the parent							6,340
Purchase of treasury stock							(85)
Net changes in items other than shareholders' equity	(509)	8	0	(2,384)	(2,884)	4	(2,880)
Total changes of items during the period	(509)	8	0	(2,384)	(2,884)	4	1,554
Balance at end of current period	¥9,091	¥ (2)	¥17	¥ (3,421)	¥ 5,684	¥213	¥102,762

(¥ million)

Year ended March 31, 2017	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at beginning of current period	¥5,174	¥4,445	¥89,658	¥(2,413)	¥96,864
Changes of items during the period:					
Dividends from surplus			(2,155)		(2,155)
Net income attributable to owners of the parent			11,749		11,749
Purchase of treasury stock				(36)	(36)
Disposal of treasury stock		0		0	0
Change in scope of consolidation			645		645
Net changes in items other than shareholders' equity					
Total changes of items during the period	–	0	10,239	(36)	10,203
Balance at end of current period	¥5,174	¥4,445	¥99,897	¥(2,450)	¥107,067

	Accumulated other comprehensive income						
	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	Non-controlling interests	Total net assets
Balance at beginning of current period	¥9,091	¥(2)	¥17	¥(3,421)	¥5,684	¥213	¥102,762
Changes of items during the period:							
Dividends from surplus							(2,155)
Net income attributable to owners of the parent							11,749
Purchase of treasury stock							(36)
Disposal of treasury stock							0
Change in scope of consolidation							645
Net changes in items other than shareholders' equity	143	(3)	(6)	1,203	1,337	13	1,351
Total changes of items during the period	143	(3)	(6)	1,203	1,337	13	11,554
Balance at end of current period	¥9,235	¥(5)	¥11	¥(2,217)	¥7,022	¥226	¥114,316

(4) Consolidated Statements of Cash Flows

(¥ million)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes and minority interests	¥ 8,952	¥15,477
Depreciation and amortization	2,452	2,648
Impairment loss	-	766
Increase (decrease) in reserves	(5)	187
Increase (decrease) in reserve for retirement benefits	(1,021)	(589)
Interest and dividend income	(416)	(434)
Interest expenses	3	3
Decrease (increase) in notes and accounts receivable	(125)	(1,742)
Decrease (increase) in inventories	728	352
Decrease (increase) in other current assets	101	(140)
Increase (decrease) in notes and accounts payable	(358)	(533)
Increase (decrease) in consumption taxes payable	(177)	(295)
Increase (decrease) in other current liabilities	835	5,908
Foreign exchange loss (gain)	194	(182)
Other – net	(28)	311
Subtotal	11,136	21,736
Interest and dividends received	440	434
Interest paid	(3)	(3)
Income taxes paid	(2,657)	(3,084)
Net cash provided by operating activities	8,915	19,082
Cash flows from investing activities		
Purchases of funds into time deposits	(442)	(622)
Proceeds from withdrawal of time deposits	282	442
Purchases of marketable securities	(2,450)	(3,633)
Proceeds from redemption of securities	1,000	2,948
Purchases of investment in securities	(501)	(1)
Proceeds from sales of investment securities	411	0
Purchases of tangible fixed assets	(1,517)	(4,131)
Purchases of intangible assets	(187)	(221)
Expenditures for long-term prepaid expenses acquired	(650)	(864)
Other – net	78	166
Net cash used in investing activities	(3,978)	(5,916)
Cash flows from financing activities		
Dividends paid	(1,819)	(2,154)
Purchase of treasury stock	(85)	(36)
Other – net	(2)	(1)
Net cash used in financing activities	(1,907)	(2,193)
Effect of exchange rate changes on cash and cash equivalents	(194)	125
Net increase (decrease) in cash and cash equivalents	2,833	11,098
Cash and cash equivalents at beginning of year	21,914	24,748
Cash and cash equivalents from newly consolidated subsidiaries	-	67
Cash and cash equivalents at end of year	¥24,748	¥35,914