

Outline of Consolidated Financial Results for the Year Ended March 31, 2018

May 9, 2018

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 28, 2018

Scheduled start of payment: June 29, 2018

Scheduled date for submission of Securities Report: June 29, 2018

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, 2018 (April 1, 2017 to March 31, 2018)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Year ended March 31, 2018	101,448	2.7%	17,079	11.8%	17,451	7.4%	12,953	10.2%
Year ended March 31, 2017	98,781	17.3%	15,280	78.7%	16,244	81.4%	11,749	85.3%

Note: Comprehensive income

As of March 31, 2018: ¥15,163 million (15.7%)

As of March 31, 2017: ¥13,102 million (278.5%)

	Net income per share (¥)		Return on equity	Ordinary income to total assets	Operating income to net sales
	Basic	Diluted			
Year ended March 31, 2018	192.31	—	10.8%	11.3%	16.8%
Year ended March 31, 2017	174.42	—	10.8%	11.3%	15.5%

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, 2018	158,192	125,689	79.3%	1,862.54
As of March 31, 2017	150,905	114,316	75.6%	1,693.81

Note: Owners' equity

As of March 31, 2018: ¥125,451 million

As of March 31, 2017: ¥114,089 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, 2018	6,719	(11,342)	(3,787)	27,510
As of March 31, 2017	18,916	(5,750)	(2,193)	35,914

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, 2017	18.00	30.00	48.00	3,233	27.5%	3.0%
Year ended March 31, 2018	26.00	26.00	52.00	3,502	27.0%	2.9%
Year ending March 31, 2019 (forecast)	29.00	29.00	58.00		27.9%	

3. Business Forecast for the Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(¥ 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	52,000	4.7%	6,500	(29.9%)	6,800	(29.7%)	4,900	(30.0%)	72.75
Full term	108,000	6.5%	18,500	8.3%	19,000	8.9%	14,000	8.1%	207.85

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, 2018: 70,251,484 shares

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

Number of shares of treasury stock

As of March 31, 2018: 2,896,632 shares

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

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

As of March 31, 2018: 67,355,461 shares

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	30,781	21,067
Notes and accounts receivable	36,444	39,593
Electronically recorded monetary claims	434	571
Securities	8,657	11,819
Merchandise and finished goods	12,291	14,337
Semi-finished goods	1,688	1,341
Work in process	466	330
Raw materials and supplies	4,129	4,337
Deferred tax assets	2,408	2,777
Other	1,483	1,777
Allowance for doubtful accounts	(0)	(0)
Total current assets	98,787	97,953
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,187	27,178
Accumulated depreciation	(17,344)	(17,670)
Buildings and structures, net	7,843	9,508
Machinery, equipment and vehicles	10,834	12,330
Accumulated depreciation	(9,317)	(9,578)
Machinery, equipment and vehicles, net	1,516	2,752
Tools, furniture and fixtures	8,577	8,679
Accumulated depreciation	(7,511)	(7,367)
Tools, furniture and fixtures, net	1,066	1,311
Land	7,463	7,463
Construction in progress	2,153	67
Total property, plant and equipment	20,043	21,102
Intangible assets	494	484
Investments and other assets		
Investment securities	21,681	26,309
Deferred tax assets	55	45
Long-term prepaid expenses	7,085	9,621
Other	2,757	2,676
Total investments and other assets	31,580	38,652
Total non-current assets	52,118	60,238
Total assets	150,905	158,192

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable	6,232	8,639
Accounts payable	11,971	6,718
Accrued expenses	1,237	1,354
Income taxes payable	3,892	2,115
Accrued consumption taxes	200	188
Provision for bonuses	2,705	2,873
Other	761	563
Total current liabilities	27,001	22,454
Non-current liabilities		
Deferred tax liabilities	1,121	2,305
Net defined benefit liability	8,064	7,422
Other	401	321
Total non-current liabilities	9,587	10,048
Total liabilities	36,589	32,503
Net assets		
Shareholders' equity		
Capital stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	99,897	109,078
Treasury shares	(2,450)	(2,464)
Total shareholders' equity	107,067	116,234
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,235	11,469
Deferred gains or losses on hedges	(5)	(5)
Foreign currency translation adjustment	11	4
Remeasurements of defined benefit plans	(2,217)	(2,252)
Total accumulated other comprehensive income	7,022	9,216
Non-controlling interests	226	237
Total net assets	114,316	125,689
Total liabilities and net assets	150,905	158,192

(2) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	98,781	101,448
Cost of sales	44,835	46,929
Gross profit	53,946	54,519
Selling, general and administrative expenses		
Salaries and allowances	8,110	8,345
Provision for bonuses	1,962	1,965
Retirement benefit expenses	907	735
Depreciation	396	458
Research and development expenses	14,903	13,221
Promotion expenses	3,007	3,901
Other	9,377	8,811
Total selling, general and administrative expenses	38,666	37,439
Operating profit	15,280	17,079
Non-operating income		
Interest income	39	26
Dividend income	394	459
Rent income	439	461
Foreign exchange gains	483	—
Other	229	175
Total non-operating income	1,587	1,122
Non-operating expenses		
Interest expenses	3	3
Contribution	204	224
Foreign exchange losses	—	243
Rent expenses	117	180
Other	298	99
Total non-operating expenses	623	751
Ordinary profit	16,244	17,451
Extraordinary losses		
Impairment loss	766	—
Total extraordinary losses	766	—
Profit before income taxes	15,477	17,451
Income taxes - current	4,864	4,622
Income taxes - deferred	(1,152)	(140)
Total income taxes	3,712	4,482
Profit	11,765	12,969
Profit attributable to non-controlling interests	15	15
Profit attributable to owners of parent	11,749	12,953

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	11,765	12,969
Other comprehensive income		
Valuation difference on available-for-sale securities	143	2,234
Deferred gains or losses on hedges	(3)	0
Foreign currency translation adjustment	(6)	(6)
Remeasurements of defined benefit plans, net of tax	1,203	(34)
Total other comprehensive income	1,337	2,194
Comprehensive income	13,102	15,163
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,087	15,147
Comprehensive income attributable to non-controlling interests	15	15

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

Year ended March 31, 2017	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,174	4,445	89,658	(2,413)	96,864
Changes of items during period					
Dividends of surplus			(2,155)		(2,155)
Profit attributable to owners of parent			11,749		11,749
Purchase of treasury shares				(36)	(36)
Disposal of treasury shares		0		0	0
Change of scope of consolidation			645		645
Net changes of items other than shareholders' equity					
Total changes of items during 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					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 current period	9,091	(2)	17	(3,421)	5,684	213	102,762
Changes of items during period							
Dividends of surplus							(2,155)
Profit attributable to owners of parent							11,749
Purchase of treasury shares							(36)
Disposal of treasury shares							0
Change of scope of consolidation							645
Net changes of items other than shareholders' equity	143	(3)	(6)	1,203	1,337	13	1,351
Total changes of items during 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

(Millions of yen)

Year ended March 31, 2018	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,174	4,445	99,897	(2,450)	107,067
Changes of items during period					
Dividends of surplus			(3,771)		(3,771)
Profit attributable to owners of parent			12,953		12,953
Purchase of treasury shares				(14)	(14)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	9,181	(14)	9,167
Balance at end of current period	5,174	4,445	109,078	(2,464)	116,234

	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 current period	9,235	(5)	11	(2,217)	7,022	226	114,316
Changes of items during period							
Dividends of surplus							(3,771)
Profit attributable to owners of parent							12,953
Purchase of treasury shares							(14)
Net changes of items other than shareholders' equity	2,234	0	(6)	(34)	2,194	11	2,205
Total changes of items during period	2,234	0	(6)	(34)	2,194	11	11,372
Balance at end of current period	11,469	(5)	4	(2,252)	9,216	237	125,689

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	15,477	17,451
Depreciation	2,648	2,773
Impairment loss	766	—
Increase (decrease) in provision	187	168
Increase (decrease) in net defined benefit liability	(589)	(692)
Interest and dividend income	(434)	(486)
Interest expenses	3	3
Decrease (increase) in notes and accounts receivable	(1,742)	(3,286)
Decrease (increase) in inventories	352	(1,768)
Decrease (increase) in other current assets	(140)	(273)
Increase (decrease) in notes and accounts payable	(533)	2,407
Increase (decrease) in accrued consumption taxes	(295)	27
Increase (decrease) in other current liabilities	5,782	(3,386)
Foreign exchange losses (gains)	(182)	(13)
Other, net	272	(468)
Subtotal	21,571	12,457
Interest and dividend income received	434	486
Interest expenses paid	(3)	(3)
Income taxes paid	(3,084)	(6,220)
Net cash provided by (used in) operating activities	18,916	6,719
Cash flows from investing activities		
Payments into time deposits	(622)	(637)
Proceeds from withdrawal of time deposits	442	547
Purchase of securities	(3,506)	(4,420)
Proceeds from redemption of securities	2,948	2,657
Purchase of investment securities	(1)	(1,431)
Purchase of property, plant and equipment	(4,131)	(4,017)
Purchase of intangible assets	(221)	(160)
Purchase of long-term prepaid expenses	(864)	(4,004)
Other, net	205	123
Net cash provided by (used in) investing activities	(5,750)	(11,342)
Cash flows from financing activities		
Cash dividends paid	(2,154)	(3,768)
Purchase of treasury shares	(36)	(14)
Other, net	(1)	(4)
Net cash provided by (used in) financing activities	(2,193)	(3,787)
Effect of exchange rate change on cash and cash equivalents	125	6
Net increase (decrease) in cash and cash equivalents	11,098	(8,404)
Cash and cash equivalents at beginning of period	24,748	35,914
Increase in cash and cash equivalents from newly consolidated subsidiary	67	—
Cash and cash equivalents at end of period	35,914	27,510