

# Outline of Consolidated Financial Results for the Second Quarter Ended September 30, 2018

November 6, 2018

Name of the listed company: **NIPPON SHINYAKU CO., LTD.**

Listing stock exchange: Tokyo

Code No.: 4516

URL <http://www.nippon-shinyaku.co.jp/>

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Scheduled date for submission of quarterly Securities Report: November 8, 2018

Scheduled start of payment: December 5, 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 Second Quarter Ended September 30, 2018 (April 1 to September 30, 2018)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Second quarter ended September 30, 2018	53,497	7.7%	7,569	(18.3%)	8,196	(15.3%)	6,037	(13.7%)
Second quarter ended September 30, 2017	49,666	11.6%	9,266	42.7%	9,678	57.9%	6,998	56.1%

Note: Comprehensive income

As of September 30, 2018: ¥6,967 million (17.2%)

As of September 30, 2017: ¥8,415 million 140.3%

	Net income per share (¥)	
	Basic	Diluted
Second quarter ended September 30, 2018	89.64	—
Second quarter ended September 30, 2017	103.91	—

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, 2018	160,377	130,897	81.5%	1,939.79
As of March 31, 2018	155,887	125,689	80.5%	1,862.54

Note: Owners' equity

As of September 30, 2018: ¥130,653 million

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

## 2. Dividends

	Cash dividends per share (¥)				
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	Year-end	Annual
Year ended March 31, 2018	—	¥26.00	—	¥26.00	¥52.00
Year ending March 31, 2019	—	¥29.00	—	—	—
Year ending March 31, 2019 (forecast)	—	—	—	¥29.00	¥58.00

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

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share (¥)
Full term	108,000	6.5%	18,500	8.3%	19,000	8.9%	14,000	8.1%	207.86

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: None.

#### 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: None

2. Changes arising from other factors: None

3. Changes in accounting estimates: None

4. Restatement: None

(4) Number of shares outstanding (ordinary shares)

Number of shares outstanding (including treasury stock)

As of September 30, 2018: 70,251,484 shares

As of March 31, 2018: 70,251,484 shares

Number of shares of treasury stock

As of September 30, 2018: 2,897,110 shares

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

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

As of September 30, 2018: 67,354,617 shares

As of September 30, 2017: 67,355,820 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

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	21,067	23,678
Notes and accounts receivable	39,593	41,657
Electronically recorded monetary claims	571	683
Securities	11,819	10,839
Merchandise and finished goods	14,337	14,890
Semi-finished goods	1,341	1,421
Work in process	330	375
Raw materials and supplies	4,337	3,229
Other	1,777	2,739
Allowance for doubtful accounts	(0)	(0)
Total current assets	95,176	99,515
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,508	9,349
Land	7,463	7,463
Other, net	4,130	4,041
Total property, plant and equipment	21,102	20,853
Intangible assets	484	456
Investments and other assets		
Investment securities	26,309	27,374
Deferred tax assets	517	355
Long-term prepaid expenses	9,621	9,301
Other	2,676	2,519
Total investments and other assets	39,124	39,551
Total non-current assets	60,710	60,862
Total assets	155,887	160,377

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	8,639	7,489
Accounts payable	6,718	7,144
Income taxes payable	2,115	2,544
Provision for bonuses	2,873	2,844
Other	2,106	2,473
Total current liabilities	22,454	22,496
Non-current liabilities		
Deferred tax liabilities	—	1
Net defined benefit liability	7,422	6,662
Other	321	320
Total non-current liabilities	7,743	6,983
Total liabilities	30,197	29,480
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	109,078	113,365
Treasury shares	(2,464)	(2,467)
Total shareholders' equity	116,234	120,517
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,469	12,223
Deferred gains or losses on hedges	(5)	4
Foreign currency translation adjustment	4	(0)
Remeasurements of defined benefit plans	(2,252)	(2,091)
Total accumulated other comprehensive income	9,216	10,135
Non-controlling interests	237	244
Total net assets	125,689	130,897
Total liabilities and net assets	155,887	160,377

(2) Consolidated Statements of Income for the Quarter  
(Total for the consolidated period ended September 30, 2018)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	49,666	53,497
Cost of sales	22,479	25,087
Gross profit	27,187	28,410
Selling, general and administrative expenses		
Salaries and allowances	3,288	3,313
Provision for bonuses	1,824	1,937
Promotion expenses	1,772	2,346
Retirement benefit expenses	365	342
Depreciation	225	186
Research and development expenses	6,270	7,864
Other	4,174	4,849
Total selling, general and administrative expenses	17,921	20,840
Operating profit	9,266	7,569
Non-operating income		
Interest income	18	7
Dividend income	236	261
Rent income	231	246
Foreign exchange gains	15	289
Other	96	48
Total non-operating income	597	853
Non-operating expenses		
Interest expenses	1	2
Contribution	58	53
Rent expenses	86	86
Other	38	83
Total non-operating expenses	184	226
Ordinary profit	9,678	8,196
Profit before income taxes	9,678	8,196
Income taxes - current	2,829	2,391
Income taxes - deferred	(157)	(243)
Total income taxes	2,671	2,147
Profit	7,007	6,048
Profit attributable to non-controlling interests	8	11
Profit attributable to owners of parent	6,998	6,037

(Consolidated Statements of Comprehensive Income)  
(Total for the consolidated period ended September 30, 2018)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	7,007	6,048
Other comprehensive income		
Valuation difference on available-for-sale securities	1,226	753
Deferred gains or losses on hedges	8	9
Foreign currency translation adjustment	(8)	(5)
Remeasurements of defined benefit plans, net of tax	182	161
Total other comprehensive income	1,408	918
Comprehensive income	8,415	6,967
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,407	6,956
Comprehensive income attributable to non-controlling interests	8	11

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

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	9,678	8,196
Depreciation	1,300	1,728
Increase (decrease) in provision	(7)	(28)
Increase (decrease) in net defined benefit liability	(271)	(527)
Interest and dividend income	(254)	(269)
Interest expenses	1	2
Foreign exchange losses (gains)	(30)	(12)
Decrease (increase) in notes and accounts receivable	(5,104)	(2,176)
Decrease (increase) in inventories	(115)	428
Decrease (increase) in other current assets	(350)	(955)
Increase (decrease) in notes and accounts payable	388	(1,150)
Increase (decrease) in accrued consumption taxes	96	429
Increase (decrease) in other current liabilities	(3,830)	636
Other, net	(211)	161
Subtotal	1,289	6,462
Interest and dividend income received	254	269
Interest expenses paid	(1)	(2)
Income taxes paid	(3,763)	(2,104)
Net cash provided by (used in) operating activities	(2,221)	4,625
<b>Cash flows from investing activities</b>		
Payments into time deposits	(120)	(100)
Proceeds from withdrawal of time deposits	30	60
Purchase of securities	(1,200)	—
Proceeds from redemption of securities	530	1,000
Purchase of investment securities	(300)	(0)
Purchase of property, plant and equipment	(2,170)	(806)
Purchase of long-term prepaid expenses	(628)	(500)
Other, net	15	42
Net cash provided by (used in) investing activities	(3,844)	(304)
<b>Cash flows from financing activities</b>		
Cash dividends paid	(2,018)	(1,749)
Purchase of treasury shares	(10)	(3)
Other, net	(4)	(4)
Net cash provided by (used in) financing activities	(2,034)	(1,757)
Effect of exchange rate change on cash and cash equivalents	22	7
Net increase (decrease) in cash and cash equivalents	(8,077)	2,570
Cash and cash equivalents at beginning of period	35,914	27,510
Cash and cash equivalents at end of period	27,836	30,081