

Outline of Consolidated Financial Results for the Year Ended March 31, 2019

May 13, 2019

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 27, 2019

Scheduled start of payment: June 28, 2019

Scheduled date for submission of Securities Report: June 28, 2019

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, 2019 (April 1, 2018 to March 31, 2019)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Year ended March 31, 2019	114,716	13.1%	20,644	20.9%	21,540	23.4%	16,302	25.9%
Year ended March 31, 2018	101,448	2.7%	17,079	11.8%	17,451	7.4%	12,953	10.2%

Note: Comprehensive income

As of March 31, 2019: ¥13,215 million ((12.8%))

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

	Net income per share (¥)		Return on equity	Ordinary income to total assets	Operating income to net sales
	Basic	Diluted			
Year ended March 31, 2019	242.04	—	12.5%	13.3%	18.0%
Year ended March 31, 2018	192.31	—	10.8%	11.4%	16.8%

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, 2019	168,763	135,190	80.0%	2,003.39
As of March 31, 2018	155,887	125,689	80.5%	1,862.54

Note: Owners' equity

As of March 31, 2019: ¥134,936 million

As of March 31, 2018: ¥125,451 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, 2019	15,310	511	(3,708)	39,632
As of March 31, 2018	6,719	(11,342)	(3,787)	27,510

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, 2018	26.00	26.00	52.00	3,502	27.0%	2.9%
Year ended March 31, 2019	29.00	41.00	70.00	4,714	28.9%	3.6%
Year ending March 31, 2020(forecast)	43.00	43.00	86.00		35.1%	

3. Business Forecast for the Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(¥ 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	57,000	6.5%	10,000	32.1%	10,700	30.5%	8,200	35.8%	121.74
Full term	116,000	1.1%	21,000	1.7%	22,000	2.1%	16,500	1.2%	244.97

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, 2019: 70,251,484 shares

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

Number of shares of treasury stock

As of March 31, 2019: 2,897,365 shares

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

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

As of March 31, 2019: 67,354,446 shares

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

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	21,067	31,519
Notes and accounts receivable	39,593	45,982
Electronically recorded monetary claims	571	573
Securities	11,819	10,619
Merchandise and finished goods	14,337	14,064
Semi-finished goods	1,341	1,050
Work in process	330	311
Raw materials and supplies	4,337	3,946
Other	1,777	2,651
Allowance for doubtful accounts	(0)	(0)
Total current assets	95,176	110,720
Non-current assets		
Property, plant and equipment		
Buildings and structures	27,178	27,428
Accumulated depreciation	(17,670)	(18,221)
Buildings and structures, net	9,508	9,206
Machinery, equipment and vehicles	12,330	12,277
Accumulated depreciation	(9,578)	(9,905)
Machinery, equipment and vehicles, net	2,752	2,372
Tools, furniture and fixtures	8,679	8,842
Accumulated depreciation	(7,367)	(7,508)
Tools, furniture and fixtures, net	1,311	1,334
Land	7,463	7,463
Construction in progress	67	199
Total property, plant and equipment	21,102	20,575
Intangible assets	484	412
Investments and other assets		
Investment securities	26,309	23,460
Deferred tax assets	517	2,330
Long-term prepaid expenses	9,621	8,765
Other	2,676	2,497
Total investments and other assets	39,124	37,054
Total non-current assets	60,710	58,042
Total assets	155,887	168,763

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable	8,639	7,986
Accounts payable	6,718	7,449
Accrued expenses	1,354	1,452
Income taxes payable	2,115	3,597
Accrued consumption taxes	188	1,243
Provision for bonuses	2,873	2,929
Other	563	748
Total current liabilities	22,454	25,406
Non-current liabilities		
Deferred tax liabilities	—	2
Retirement benefit liability	7,422	7,843
Other	321	320
Total non-current liabilities	7,743	8,165
Total liabilities	30,197	33,572
Net assets		
Shareholders' equity		
Capital stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	109,078	121,677
Treasury shares	(2,464)	(2,469)
Total shareholders' equity	116,234	128,827
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,469	9,440
Deferred gains or losses on hedges	(5)	(5)
Foreign currency translation adjustment	4	0
Remeasurements of defined benefit plans	(2,252)	(3,326)
Total accumulated other comprehensive income	9,216	6,109
Non-controlling interests	237	253
Total net assets	125,689	135,190
Total liabilities and net assets	155,887	168,763

(2) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	101,448	114,716
Cost of sales	46,929	50,952
Gross profit	54,519	63,764
Selling, general and administrative expenses		
Salaries and allowances	8,345	8,635
Provision for bonuses	1,965	2,004
Retirement benefit expenses	735	707
Depreciation	458	349
Research and development expenses	13,221	16,701
Promotion expenses	3,901	4,970
Other	8,811	9,751
Total selling, general and administrative expenses	37,439	43,119
Operating profit	17,079	20,644
Non-operating income		
Interest income	26	16
Dividend income	459	525
Rent income	461	462
Foreign exchange gains	—	210
Other	175	220
Total non-operating income	1,122	1,435
Non-operating expenses		
Interest expenses	3	3
Contribution	224	247
Foreign exchange losses	243	—
Rent expenses	180	141
Other	99	147
Total non-operating expenses	751	539
Ordinary profit	17,451	21,540
Profit before income taxes	17,451	21,540
Income taxes - current	4,622	5,674
Income taxes - deferred	(140)	(457)
Total income taxes	4,482	5,217
Profit	12,969	16,323
Profit attributable to non-controlling interests	15	20
Profit attributable to owners of parent	12,953	16,302

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	12,969	16,323
Other comprehensive income		
Valuation difference on available-for-sale securities	2,234	(2,028)
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(6)	(4)
Remeasurements of defined benefit plans, net of tax	(34)	(1,074)
Total other comprehensive income	2,194	(3,107)
Comprehensive income	15,163	13,215
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,147	13,195
Comprehensive income attributable to non-controlling interests	15	20

(3) Consolidated Statements of Changes in Net Assets

(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

(Millions of yen)

Year ended March 31, 2019	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,174	4,445	109,078	(2,464)	116,234
Changes of items during period					
Dividends of surplus			(3,704)		(3,704)
Profit attributable to owners of parent			16,302		16,302
Purchase of treasury shares				(5)	(5)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	12,598	(5)	12,593
Balance at end of current period	5,174	4,445	121,677	(2,469)	128,827

	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	11,469	(5)	4	(2,252)	9,216	237	125,689
Changes of items during period							
Dividends of surplus							(3,704)
Profit attributable to owners of parent							16,302
Purchase of treasury shares							(5)
Net changes of items other than shareholders' equity	(2,028)	0	(4)	(1,074)	(3,107)	15	(3,091)
Total changes of items during period	(2,028)	0	(4)	(1,074)	(3,107)	15	9,501
Balance at end of current period	9,440	(5)	0	(3,326)	6,109	253	135,190

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	17,451	21,540
Depreciation	2,773	3,418
Increase (decrease) in provision	168	56
Increase (decrease) in retirement benefit liability	(692)	(1,124)
Interest and dividend income	(486)	(542)
Interest expenses	3	3
Decrease (increase) in notes and accounts receivable	(3,286)	(6,391)
Decrease (increase) in inventories	(1,768)	972
Decrease (increase) in other current assets	(273)	(877)
Increase (decrease) in notes and accounts payable	2,407	(653)
Increase (decrease) in accrued consumption taxes	27	1,084
Increase (decrease) in other current liabilities	(3,386)	1,474
Foreign exchange losses (gains)	(13)	(13)
Other, net	(468)	178
Subtotal	12,457	19,126
Interest and dividend income received	486	543
Interest expenses paid	(3)	(3)
Income taxes paid	(6,220)	(4,355)
Net cash provided by (used in) operating activities	6,719	15,310
Cash flows from investing activities		
Payments into time deposits	(637)	(667)
Proceeds from withdrawal of time deposits	547	637
Purchase of securities	(4,420)	(1,500)
Proceeds from redemption of securities	2,657	4,420
Purchase of investment securities	(1,431)	(102)
Purchase of property, plant and equipment	(4,017)	(1,351)
Purchase of intangible assets	(160)	(107)
Purchase of long-term prepaid expenses	(4,004)	(962)
Other, net	123	145
Net cash provided by (used in) investing activities	(11,342)	511
Cash flows from financing activities		
Cash dividends paid	(3,768)	(3,698)
Purchase of treasury shares	(14)	(5)
Other, net	(4)	(4)
Net cash provided by (used in) financing activities	(3,787)	(3,708)
Effect of exchange rate change on cash and cash equivalents	6	9
Net increase (decrease) in cash and cash equivalents	(8,404)	12,122
Cash and cash equivalents at beginning of period	35,914	27,510
Cash and cash equivalents at end of period	27,510	39,632