

Outline of Consolidated Financial Results for the Second Quarter Ended September 30, 2014

November 10, 2014

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 12, 2014
 Scheduled start of payment: December 5, 2014
 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, 2014 (April 1 to September 30, 2014)

(1) Operating results									(¥ million)
	Net sales		Operating income		Ordinary income		Net income for quarter		
Second quarter ended September 30, 2014	36,470	2.5%	2,033	(34.5%)	2,272	(29.4%)	1,440	(32.9%)	
Second quarter ended September 30, 2013	35,593	7.4%	3,106	1.2%	3,220	(2.9%)	2,145	2.5%	
Note: Comprehensive income									
As of September 30, 2014: ¥2,479 million (1.7%)			As of September 30, 2013: ¥2,523 million 69.1%						
Net income per share (¥)									
	Basic		Diluted						
Second quarter ended September 30, 2014	21.37		—						
Second quarter ended September 30, 2013	31.81		—						

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, 2014	118,342	94,541	79.7%	1,399.56	
As of March 31, 2014	118,188	93,186	78.7%	1,378.93	
Note: Owners' equity					
As of September 30, 2014: ¥94,333 million		As of March 31, 2014: ¥92,982 million			

2. Dividends

	Cash dividends per share (¥)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2014	—	¥11.00	—	¥12.00	¥23.00
Year ending March 31, 2015	—	¥12.00	—	—	—
Year ending March 31, 2015 (forecast)	—	—	—	¥13.00	¥25.00

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

3. Business Forecast for the Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(3) Business Forecast for the Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)										(¥ million)
	Net sales		Operating income		Ordinary income		Net income		Net income per share (¥)	
Full term	81,000	5.9%	8,500	5.7%	8,700	1.2%	6,000	4.3%	89.02	

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: Yes

2. Changes in 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, 2014: 70,251,484 shares

As of March 31, 2014: 70,251,484 shares

Number of shares of treasury stock

As of September 30, 2014: 2,849,320 shares

As of March 31, 2014: 2,820,656 shares

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

As of September 30, 2014: 67,418,767 shares

As of September 30, 2013: 67,466,714 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, 2014	As of 2 nd quarter ended September 30, 2014
Assets		
Current assets:		
Cash and deposits	¥11,097	¥11,444
Notes and accounts receivable	34,137	31,131
Marketable securities	10,399	8,899
Merchandise and products	9,983	11,379
Partially finished products	1,426	1,667
Work in process	217	370
Materials and supplies	4,106	4,584
Deferred tax assets	1,678	1,435
Other current assets	1,637	1,654
Allowance for doubtful accounts	(0)	(0)
Total current assets	74,683	72,568
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (net)	6,640	6,476
Land	7,433	7,449
Other (net)	1,597	1,887
Total tangible fixed assets	15,670	15,813
Intangible fixed assets	561	482
Investments and other assets:		
Investment securities	16,063	17,812
Deferred tax assets	60	62
Long-term prepaid expenses	7,981	8,505
Other	3,171	3,098
Allowance for doubtful accounts	(3)	—
Total investments and other assets	27,273	29,479
Total fixed assets	43,504	45,774
Total assets	¥118,188	¥118,342

(¥ million)

	As of previous consolidated fiscal year ended March 31, 2014	As of 2 nd quarter ended September 30, 2014
Liabilities		
Current liabilities:		
Notes and accounts payable	¥6,099	¥5,862
Accrued liabilities	3,092	3,142
Income taxes payable	1,537	566
Reserve for bonuses	2,465	2,437
Other current liabilities	2,062	1,869
Total current liabilities	15,257	13,877
Long-term liabilities:		
Deferred tax liability	510	877
Net defined benefit liability	8,857	8,656
Other long-term liabilities	376	390
Total long-term liabilities	9,744	9,924
Total liabilities	25,002	23,801
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	81,105	81,504
Treasury stock	(2,175)	(2,256)
Total shareholders' equity	88,549	88,868
Accumulated other comprehensive income:		
Unrealized gain or loss on available-for-sale securities	5,841	6,703
Deferred gain or loss on derivatives under hedge accounting	1	10
Foreign currency translation adjustments	(4)	(10)
Remeasurements of defined benefit plans	(1,406)	(1,237)
Total accumulated other comprehensive income	4,432	5,465
Minority interests	204	207
Total net assets	93,186	94,541
Total liabilities and net assets	¥118,188	¥118,342

(2) Consolidated Statements of Income for the Quarter
(Total for the consolidated period ended September 30, 2014)

(¥ million)

	2 nd quarter ended September 30, 2013	2 nd quarter ended September 30, 2014
Net sales	¥35,593	¥36,470
Cost of sales	18,268	19,529
Gross profit	17,324	16,941
Selling, general and administrative expenses:		
Salaries and benefits	3,100	3,141
Provision for bonuses	1,561	1,658
Sales promotion expenses	517	982
Retirement benefit expenses	505	425
Depreciation	184	171
R&D expenses	4,532	4,243
Other	3,817	4,283
Total general, selling, and administrative expenses	14,218	14,907
Operating income	3,106	2,033
Non-operating income:		
Interest income	11	10
Dividend received	157	193
Rent income	186	182
Other	46	55
Total non-operating income	402	442
Non-operating expenses:		
Interest expenses	2	1
Donation	118	109
Foreign exchange loss	24	5
Rent expenses	54	53
Other	87	33
Total non-operating expenses	287	203
Ordinary income	3,220	2,272
Income before income taxes and minority interests	3,220	2,272
Income taxes – current	854	592
Income taxes – deferred	211	233
Total income taxes	1,065	825
Income before minority interests	2,155	1,447
Minority net income	9	6
Net income	¥2,145	¥1,440

(Consolidated Statements of Comprehensive Income)
(Total for the consolidated period ended September 30, 2014)

(¥ million)

	2 nd quarter ended September 30, 2013	2 nd quarter ended September 30, 2014
Income before minority interests	¥2,155	¥1,447
Other comprehensive income		
Unrealized gain or loss on available-for-sale securities	356	861
Deferred gain or loss on derivatives under hedge accounting	(4)	8
Foreign currency translation adjustments	16	(5)
Remeasurements of defined benefit plans	—	168
Total other comprehensive income	368	1,032
Comprehensive income	2,523	2,479
(Item)		
Comprehensive income attributable to owners of the parent	2,514	2,473
Comprehensive income attributable to minority interests	¥ 9	¥ 6

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

(¥ million)

	2 nd quarter ended September 30, 2013	2 nd quarter ended September 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	¥ 3,220	¥ 2,272
Depreciation and amortization	1,261	1,294
Increase (decrease) in reserve for retirement benefits	(299)	—
Increase (decrease) in other reserves	(0)	(31)
Increase (decrease) in net defined benefit liability	—	(282)
Interest and dividend income	(169)	(203)
Interest expenses	2	1
Foreign exchange loss (gain)	(51)	6
Decrease (increase) in notes and accounts receivable	5,224	3,005
Decrease (increase) in inventories	(832)	(2,269)
Decrease (increase) in other current assets	(401)	(4)
Increase (decrease) in notes and accounts payable	979	(237)
Increase (decrease) in consumption taxes payable	(135)	(46)
Increase (decrease) in other current liabilities	(1,055)	(455)
Other – net	51	(4)
Subtotal	7,794	3,047
Interest and dividends received	169	203
Interest paid	(2)	(1)
Income taxes paid	(1,597)	(1,558)
Net cash provided by operating activities	6,364	1,690
Cash flows from investing activities		
Purchases of funds into time deposits	(142)	(60)
Proceeds from withdrawal of time deposits	30	130
Purchases of securities	—	(500)
Purchases of investment in securities	(601)	(500)
Purchases of tangible fixed assets	(478)	(387)
Proceeds from sales of tangible fixed assets	—	50
Purchases of intangible fixed assets	(77)	(70)
Expenditures for long-term prepaid expenses acquired	(1,243)	(1,040)
Other – net	44	12
Net cash used in investing activities	(2,468)	(2,367)
Cash flows from financing activities		
Dividends paid	(742)	(809)
Purchase of treasury stock	(33)	(80)
Other – net	(25)	(2)
Net cash used in financing activities	(801)	(893)
Effect of exchange rate changes on cash and cash equivalents	67	(12)
Net increase (decrease) in cash and cash equivalents	3,161	(1,582)
Cash and cash equivalents at beginning of year	20,044	21,229
Cash and cash equivalents at end of quarter	¥23,206	¥19,647