

Outline of Consolidated Financial Results for the Year Ended March 31, 2016

May 12, 2016

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, 2016

Scheduled start of payment: June 30, 2016

Scheduled date for submission of Securities Report: June 30, 2016

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, 2016 (April 1, 2015 to March 31, 2016)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(¥ million)							
Year ended March 31, 2016	84,209	5.3%	8,549	(0.2%)	8,952	0.3%	6,340	7.8%
Year ended March 31, 2015	79,991	4.5%	8,562	6.5%	8,928	3.8%	5,882	2.3%

Note: Comprehensive income

As of March 31, 2016: ¥3,462 million (65.5%) As of March 31, 2015: ¥10,026 million 51.1%

	Net income per share (¥)		Return on equity	Ordinary income to total assets	Operating income to net sales
	Basic	Diluted			
Year ended March 31, 2016	94.10	—	6.2%	6.8%	10.2%
Year ended March 31, 2015	87.26	—	6.1%	7.2%	10.7%

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 (¥)
	(¥ million)			
As of March 31, 2016	135,370	102,762	75.8%	1,522.33
As of March 31, 2015	129,757	101,207	77.8%	1,498.88

Note: Owners' equity

As of March 31, 2016: ¥102,549 million As of March 31, 2015: ¥100,998 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
	(¥ million)			
As of March 31, 2016	8,915	(3,978)	(1,907)	24,748
As of March 31, 2015	6,113	(3,718)	(1,773)	21,914

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, 2015	12.00	13.00	25.00	1,684	28.7%	1.7%
Year ended March 31, 2016	14.00	14.00	28.00	1,886	29.8%	1.9%
Year ending March 31, 2017 (forecast)	17.00	18.00	35.00		27.7%	

3. Business Forecast for the Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (¥)
	(¥ million)								
First-half period	41,500	5.3%	3,200	51.6%	3,350	43.4%	2,200	44.4%	32.66
Full term	93,000	10.4%	11,500	34.5%	11,900	32.9%	8,500	34.1%	126.18

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: Yes

2. Changes in arising from other factors: Yes

3. Changes in accounting estimates: Yes

4. Restatement: None

(3) Number of shares outstanding (ordinary shares)

Number of shares outstanding (including treasury stock)

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

As of March 31, 2015: 70,251,484 shares

Number of shares of treasury stock

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

As of March 31, 2015: 2,868,940 shares

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

As of March 31, 2016: 67,372,315 shares

As of March 31, 2015: 67,405,505 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

(¥ million)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets:		
Cash and deposits	¥11,841	¥20,435
Notes and accounts receivable	35,010	35,135
Marketable securities	10,799	7,626
Merchandise and products	12,936	12,730
Partially finished products	1,737	1,182
Work in process	321	336
Materials and supplies	4,663	4,679
Deferred tax assets	1,698	1,861
Other current assets	1,413	1,411
Allowance for doubtful accounts	(0)	(0)
Total current assets	80,422	85,401
Fixed assets:		
Tangible fixed assets:		
Buildings and structures	23,645	24,210
Accumulated depreciation	(17,482)	(16,760)
Buildings and structures (net)	6,163	7,449
Machinery, equipment and vehicles	11,006	10,783
Accumulated depreciation	(10,011)	(9,163)
Machinery, equipment and vehicles (net)	994	1,619
Tools, furniture and fixtures	8,814	8,559
Accumulated depreciation	(8,102)	(7,644)
Tools, furniture and fixtures (net)	711	914
Land	7,449	7,509
Construction in progress	74	130
Total tangible fixed assets	15,393	17,624
Intangible fixed assets	458	501
Investments and other assets:		
Investment securities	22,078	21,497
Deferred tax assets	57	55
Long-term prepaid expenses	8,287	7,521
Other	3,059	2,768
Total investments and other assets	33,482	31,843
Total fixed assets	49,334	49,968
Total assets	¥129,757	¥135,370

(¥ million)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities:		
Notes and accounts payable	¥7,118	¥6,759
Accrued liabilities	3,472	7,111
Accrued expenses	1,236	1,203
Income taxes payable	2,161	1,929
Consumption taxes payable	748	570
Reserve for bonuses	2,523	2,517
Other current liabilities	511	476
Total current liabilities	17,770	20,569
Long-term liabilities:		
Deferred tax liability	2,286	1,192
Net defined benefit liability	7,997	10,410
Other long-term liabilities	495	434
Total long-term liabilities	10,779	12,037
Total liabilities	28,550	32,607
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	85,137	89,658
Treasury stock	(2,327)	(2,413)
Total shareholders' equity	92,429	96,864
Accumulated other comprehensive income:		
Unrealized gain or loss on available-for-sale securities	9,600	9,091
Deferred gain or loss on derivatives under hedge accounting	(11)	(2)
Foreign currency translation adjustments	17	17
Remeasurements of defined benefit plans	(1,037)	(3,421)
Total accumulated other comprehensive income	8,569	5,684
Non-controlling interests	208	213
Total net assets	101,207	102,762
Total liabilities and net assets	¥129,757	¥135,370

(2) Consolidated Statements of Income

(¥ million)

	Year ended March 31, 2015	Year ended March 31, 2016
Net sales	¥79,991	¥84,209
Cost of sales	41,226	44,016
Gross profit	38,764	40,192
Selling, general and administrative expenses:		
Salaries and benefits	7,935	8,123
Provision for bonuses	1,712	1,695
Provision for retirement benefits	851	776
Depreciation	317	344
R&D expenses	8,968	9,739
Sales promotion expenses	2,009	2,629
Other	8,406	8,334
Total general, selling, and administrative expenses	30,202	31,643
Operating income	8,562	8,549
Non-operating income:		
Interest income	28	26
Dividend received	357	389
Rent income	365	368
Foreign exchange gain	46	—
Gain on sales of investment securities	—	259
Other	142	202
Total non-operating income	939	1,246
Non-operating expenses:		
Interest expenses	3	3
Donation	226	239
Foreign exchange loss	—	216
Rent expenses	106	99
PCB waste treatment expenses	100	—
Other	136	284
Total non-operating expenses	573	842
Ordinary income	8,928	8,952
Income before income taxes and minority interests	8,928	8,952
Income taxes – current	2,705	2,398
Income taxes – deferred	333	207
Total income taxes	3,039	2,605
Net income	5,889	6,346
Net income attributable to non-controlling interests	7	6
Net income attributable to owners of the parent	¥5,882	¥6,340

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Year ended March 31, 2015	Year ended March 31, 2016
Net income	¥5,889	¥6,346
Other comprehensive income (loss)		
Unrealized gain or loss on available-for-sale securities	3,758	(509)
Deferred gain or loss on derivatives under hedge accounting	(13)	8
Foreign currency translation adjustments	22	0
Remeasurements of defined benefit plans	369	(2,384)
Total other comprehensive income (loss)	4,136	(2,884)
Comprehensive income	10,026	3,462
(Item)		
Comprehensive income attributable to owners of the parent	10,018	3,455
Comprehensive income attributable to non-controlling interests	¥7	¥6

(3) Consolidated Statements of Changes in Net Assets

(¥ million)

	Shareholders' equity					Total owners' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
Year ended March 31, 2015						
Balance at beginning of current period	¥5,174	¥4,445	¥81,105	¥(2,175)		¥88,549
Cumulative effect of changes in accounting policies			(232)			(232)
Restated balance	5,174	4,445	80,873	(2,175)		88,317
Changes of items during the period:						
Dividends from surplus			(1,617)			(1,617)
Net income attributable to owners of the parent			5,882			5,882
Purchase of treasury stock				(152)		(152)
Disposal of treasury stock		0		0		0
Net changes in items other than shareholders' equity						
Total changes of items during the period	–	0	4,264	(152)		4,111
Balance at end of current period	¥5,174	¥4,445	¥85,137	¥(2,327)		¥92,429

	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	¥5,841	¥1	¥(4)	¥(1,406)	¥4,432	¥204	¥93,186
Cumulative effect of changes in accounting policies							(232)
Restated balance	5,841	1	(4)	(1,406)	4,432	204	92,954
Changes of items during the period:							
Dividends from surplus							(1,617)
Net income attributable to owners of the parent							5,882
Purchase of treasury stock							(152)
Disposal of treasury stock							0
Net changes in items other than shareholders' equity	3,758	(13)	22	369	4,136	4	4,141
Total changes of items during the period	3,758	(13)	22	369	4,136	4	8,252
Balance at end of current period	¥9,600	¥(11)	¥17	¥(1,037)	¥8,569	¥208	¥101,207

(¥ 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)
Disposal of treasury stock					
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-controlling 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)
Disposal of treasury stock							
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

(4) Consolidated Statements of Cash Flows

(¥ million)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	¥8,928	¥8,952
Depreciation and amortization	2,665	2,452
Increase (decrease) in reserves	54	(5)
Increase (decrease) in reserve for retirement benefits	(547)	(1,021)
Interest and dividend income	(385)	(416)
Interest expenses	3	3
Loss (gain) on disposal of fixed assets	48	86
Decrease (increase) in notes and accounts receivable	(873)	(125)
Decrease (increase) in inventories	(3,925)	728
Decrease (increase) in other current assets	219	101
Increase (decrease) in notes and accounts payable	1,019	(358)
Increase (decrease) in consumption taxes payable	350	(177)
Increase (decrease) in other current liabilities	179	835
Foreign exchange loss (gain)	(41)	194
Other – net	122	(114)
Subtotal	7,819	11,136
Interest and dividends received	385	440
Interest paid	(3)	(3)
Income taxes paid	(2,087)	(2,657)
Net cash provided by operating activities	6,113	8,915
Cash flows from investing activities		
Purchases of funds into time deposits	(382)	(442)
Proceeds from withdrawal of time deposits	422	282
Purchases of marketable securities	(500)	(2,450)
Proceeds from redemption of marketable securities	–	1,000
Purchases of investment in securities	(1,000)	(501)
Proceeds from sales of investment in securities	–	411
Purchases of tangible fixed assets	(1,156)	(1,517)
Purchases of intangible assets	(109)	(187)
Expenditures for long-term prepaid expenses acquired	(1,070)	(650)
Other – net	78	78
Net cash used in investing activities	(3,718)	(3,978)
Cash flows from financing activities		
Dividends paid	(1,618)	(1,819)
Purchase of treasury stock	(152)	(85)
Other – net	(2)	(2)
Net cash used in financing activities	(1,773)	(1,907)
Effect of exchange rate changes on cash and cash equivalents	63	(194)
Net increase (decrease) in cash and cash equivalents	684	2,833
Cash and cash equivalents at beginning of year	21,229	21,914
Cash and cash equivalents at end of year	¥21,914	¥24,748