

Outline of Consolidated Financial Results for the Third Quarter Ended December 31, 2016

February 8, 2017

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 submission of quarterly Securities Report: February 10, 2017
 Scheduled start of payment: —
 Supplementary material: Yes
 Financial result meeting: Yes (for institutional investors and securities analysts on conference call)

* All amounts are rounded down to the nearest million yen.

1. Consolidated Results for the Third Quarter Ended December 31, 2016 (April 1 to December 31, 2016)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Third quarter ended December 31, 2016	76,260	20.2%	17,496	153.3%	18,792	158.6%	13,275	164.6%
Third quarter ended December 31, 2015	63,463	8.1%	6,907	15.2%	7,267	12.8%	5,017	15.6%

Note: Comprehensive income
 As of December 31, 2016: ¥13,945 million 98.7% As of December 31, 2015: ¥7,019 million 14.1%

	Net income per share (¥)	
	Basic	Diluted
Third quarter ended December 31, 2016	197.07	—
Third quarter ended December 31, 2015	74.46	—

Note: Percentage figures for net sales, operating income, ordinary income and net income represent year-on-year comparisons.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share (¥)
As of December 31, 2016	146,794	115,191	78.3%	1,706.73
As of March 31, 2016	135,370	102,762	75.8%	1,522.33

Note: Owners' equity
 As of December 31, 2016: ¥114,969 million As of March 31, 2016: ¥102,549 million

2. Dividends

	Cash dividends per share (¥)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2016	—	¥14.00	—	¥14.00	¥28.00
Year ending March 31, 2017	—	¥18.00	—	—	—
Year ending March 31, 2017 (forecast)	—	—	—	¥19.00	¥37.00

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

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 per share (¥)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Full term	95,500	13.4 %	13,500	57.9%	13,300	48.6%	9,000	42.0%	133.61

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 December 31, 2016: 70,251,484 shares

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

Number of shares of treasury stock

As of December 31, 2016: 2,889,043 shares

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

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

As of December 31, 2016: 67,362,854 shares

As of December 31, 2015: 67,375,050 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, 2016	As of 3rd quarter ended December 31, 2016
Assets		
Current assets:		
Cash and deposits	¥ 20,435	¥ 17,598
Notes and accounts receivable	35,135	48,838
Marketable securities	7,626	7,916
Merchandise and products	12,730	11,462
Partially finished products	1,182	1,802
Work in process	336	470
Materials and supplies	4,679	4,143
Deferred tax assets	1,861	1,553
Other current assets	1,411	1,359
Allowance for doubtful accounts	(0)	(0)
Total current assets	85,401	95,145
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (net)	7,449	7,343
Land	7,509	7,548
Other (net)	2,664	4,642
Total tangible fixed assets	17,624	19,534
Intangible fixed assets	501	485
Investments and other assets:		
Investment securities	21,497	22,091
Deferred tax assets	55	61
Long-term prepaid expenses	7,521	6,729
Other	2,768	2,747
Total investments and other assets	31,843	31,629
Total fixed assets	49,968	51,649
Total assets	¥ 135,370	¥ 146,794

(¥ million)

	As of previous consolidated fiscal year ended March 31, 2016	As of 3rd quarter ended December 31, 2016
Liabilities		
Current liabilities:		
Notes and accounts payable	¥ 6,759	¥ 6,562
Accrued liabilities	7,111	5,846
Income taxes payable	1,929	3,190
Reserve for bonuses	2,517	1,348
Other current liabilities	2,250	3,021
Total current liabilities	20,569	19,969
Long-term liabilities:		
Deferred tax liability	1,192	1,673
Reserve for retirement benefits	10,410	9,534
Other long-term liabilities	434	425
Total long-term liabilities	12,037	11,633
Total liabilities	32,607	31,603
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	89,658	101,423
Treasury stock	(2,413)	(2,417)
Total shareholders' equity	96,864	108,625
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	9,091	9,408
Deferred gain on derivatives under hedge accounting	(2)	(23)
Foreign currency translation adjustments	17	(12)
Remeasurements of defined benefit plans	(3,421)	(3,027)
Total accumulated other comprehensive income	5,684	6,343
Non-controlling interests	213	222
Total net assets	102,762	115,191
Total liabilities and net assets	¥ 135,370	¥ 146,794

(2) Consolidated Statements of Income for the Quarter
(Total for the consolidated period ended December 31, 2016)

(¥ million)

	3rd quarter ended December 31, 2015	3rd quarter ended December 31, 2016
Net sales	¥ 63,463	¥ 76,260
Cost of sales	32,986	33,921
Gross profit	30,476	42,339
Selling, general and administrative expenses:		
Salaries and benefits	6,524	6,488
Provision for bonuses	865	924
Sales promotion expenses	2,012	2,229
Provision for retirement benefits	586	681
Depreciation	248	295
R&D expenses	7,150	7,850
Other	6,181	6,371
Total general, selling, and administrative expenses	23,568	24,842
Operating income	6,907	17,496
Non-operating income:		
Interest income	16	22
Dividend received	382	387
Rent income	276	328
Foreign exchange gain	—	762
Other	82	169
Total non-operating income	757	1,671
Non-operating expenses:		
Interest expenses	2	2
Donation	182	152
Rent expenses	73	75
Foreign exchange loss	37	—
Other	102	144
Total non-operating expenses	397	375
Ordinary income	7,267	18,792
Extraordinary loss		
Impairment loss	—	766
Total extraordinary loss	—	766
Income before income taxes and minority interests	7,267	18,025
Income taxes – current	1,783	4,261
Income taxes – deferred	460	477
Total income taxes	2,243	4,738
Net income	5,023	13,286
Net income attributable to Non-controlling interests	6	11
Net income attributable to owners of the parent	¥ 5,017	¥ 13,275

(Consolidated Statements of Comprehensive Income)
(Total for the consolidated period ended December 31, 2016)

(¥ million)

	3rd quarter ended December 31, 2015	3rd quarter ended December 31, 2016
Net income	¥ 5,023	¥ 13,286
Other comprehensive income		
Unrealized gain or loss on available-for-sale securities	1,703	316
Deferred gain or loss on derivatives under hedge accounting	7	(21)
Foreign currency translation adjustments	(0)	(30)
Remeasurements of defined benefit plans	285	394
Total other comprehensive income	1,996	658
Comprehensive income	7,019	13,945
(Item)		
Comprehensive income attributable to owners of the parent	7,013	13,934
Comprehensive income (loss) attributable to Non-controlling interests	¥ 6	¥ 11