

Outline of Consolidated Financial Results for the Second Quarter Ended September 30, 2017

November 6, 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
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 Scheduled date for submission of quarterly Securities Report: November 9, 2017
 Scheduled start of payment: December 4, 2017
 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, 2017 (April 1 to September 30, 2017)

	(¥ million)							
	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Second quarter ended September 30, 2017	49,666	11.6%	9,266	42.7%	9,678	57.9%	6,998	56.1%
Second quarter ended September 30, 2016	44,504	12.9%	6,492	207.7%	6,131	162.5%	4,483	194.3%

Note: Comprehensive income

As of September 30, 2017: ¥8,415 million 140.3% As of September 30, 2016: ¥3,502 million 137.9%

	Net income per share (¥)	
	Basic	Diluted
Second quarter ended September 30, 2017	103.91	—
Second quarter ended September 30, 2016	66.56	—

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, 2017	152,378	120,695	79.1%	1,788.51
As of March 31, 2017	150,905	114,316	75.6%	1,693.81

Note: Owners' equity

As of September 30, 2017: ¥120,465 million As of March 31, 2017: ¥114,089 million

2. Dividends

	Cash dividends per share (¥)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2017	—	¥18.00	—	¥30.00	¥48.00
Year ending March 31, 2018	—	¥26.00	—	—	—
Year ending March 31, 2018 (forecast)	—	—	—	¥26.00	¥52.00

Note: Revisions to forecast for the current quarter: Yes.

3. Business Forecast for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

	(¥ million)									
	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share (¥)	
Full term	102,000	3.3%	17,500	14.5%	18,000	10.8%	13,000	10.6%	193.01	

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: Yes.

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, 2017: 70,251,484 shares

As of March 31, 2017: 70,251,484 shares

Number of shares of treasury stock

As of September 30, 2017: 2,896,187 shares

As of March 31, 2017: 2,894,408 shares

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

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

As of September 30, 2016: 67,362,971 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, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	30,781	21,593
Notes and accounts receivable	36,444	41,415
Electronically recorded monetary claims	434	567
Securities	8,657	10,527
Merchandise and finished goods	12,291	12,818
Semi-finished goods	1,688	1,624
Work in process	466	383
Raw materials and supplies	4,129	3,865
Deferred tax assets	2,408	2,644
Other	1,483	1,960
Allowance for doubtful accounts	(0)	(0)
Total current assets	98,787	97,401
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,843	7,597
Land	7,463	7,463
Other, net	4,736	6,073
Total property, plant and equipment	20,043	21,134
Intangible assets	494	475
Investments and other assets		
Investment securities	21,681	23,646
Deferred tax assets	55	54
Long-term prepaid expenses	7,085	6,951
Other	2,757	2,715
Total investments and other assets	31,580	33,366
Total non-current assets	52,118	54,976
Total assets	150,905	152,378

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable	6,232	6,620
Accounts payable	11,971	7,679
Income taxes payable	3,892	2,809
Provision for bonuses	2,705	2,697
Other	2,199	2,168
Total current liabilities	27,001	21,974
Non-current liabilities		
Deferred tax liabilities	1,121	1,819
Net defined benefit liability	8,064	7,530
Other	401	357
Total non-current liabilities	9,587	9,707
Total liabilities	36,589	31,682
Net assets		
Shareholders' equity		
Capital stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	99,897	104,875
Treasury shares	(2,450)	(2,460)
Total shareholders' equity	107,067	112,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,235	10,461
Deferred gains or losses on hedges	(5)	2
Foreign currency translation adjustment	11	3
Remeasurements of defined benefit plans	(2,217)	(2,035)
Total accumulated other comprehensive income	7,022	8,431
Non-controlling interests	226	230
Total net assets	114,316	120,695
Total liabilities and net assets	150,905	152,378

(2) Consolidated Statements of Income for the Quarter
(Total for the consolidated period ended September 30, 2017)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	44,504	49,666
Cost of sales	21,825	22,479
Gross profit	22,679	27,187
Selling, general and administrative expenses		
Salaries and allowances	3,236	3,288
Provision for bonuses	1,672	1,824
Promotion expenses	1,388	1,772
Retirement benefit expenses	458	365
Depreciation	195	225
Research and development expenses	5,052	6,270
Other	4,182	4,174
Total selling, general and administrative expenses	16,186	17,921
Operating profit	6,492	9,266
Non-operating income		
Interest income	15	18
Dividend income	208	236
Rent income	216	231
Foreign exchange gains	-	15
Other	93	96
Total non-operating income	534	597
Non-operating expenses		
Interest expenses	1	1
Contribution	125	58
Foreign exchange losses	610	-
Rent expenses	50	86
Other	107	38
Total non-operating expenses	896	184
Ordinary profit	6,131	9,678
Profit before income taxes	6,131	9,678
Income taxes - current	1,615	2,829
Income taxes - deferred	25	(157)
Total income taxes	1,640	2,671
Profit	4,490	7,007
Profit attributable to non-controlling interests	7	8
Profit attributable to owners of parent	4,483	6,998

(Consolidated Statements of Comprehensive Income)
(Total for the consolidated period ended September 30, 2017)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	4,490	7,007
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,211)	1,226
Deferred gains or losses on hedges	(12)	8
Foreign currency translation adjustment	(27)	(8)
Remeasurements of defined benefit plans, net of tax	262	182
Total other comprehensive income	(988)	1,408
Comprehensive income	3,502	8,415
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,495	8,407
Comprehensive income attributable to non-controlling interests	7	8

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

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	6,131	9,678
Depreciation	1,353	1,300
Increase (decrease) in provision	(17)	(7)
Increase (decrease) in net defined benefit liability	(299)	(271)
Interest and dividend income	(224)	(254)
Interest expenses	1	1
Foreign exchange losses (gains)	521	(30)
Decrease (increase) in notes and accounts receivable	1,890	(5,104)
Decrease (increase) in inventories	55	(115)
Decrease (increase) in other current assets	(383)	(350)
Increase (decrease) in notes and accounts payable	146	388
Increase (decrease) in accrued consumption taxes	(346)	96
Increase (decrease) in other current liabilities	(506)	(3,830)
Other, net	79	(211)
Subtotal	8,401	1,289
Interest and dividend income received	224	254
Interest expenses paid	(1)	(1)
Income taxes paid	(1,905)	(3,763)
Net cash provided by (used in) operating activities	6,718	(2,221)
Cash flows from investing activities		
Payments into time deposits	(80)	(120)
Proceeds from withdrawal of time deposits	30	30
Purchase of securities	(1,000)	(1,200)
Proceeds from redemption of securities	320	530
Purchase of investment securities	(0)	(300)
Purchase of property, plant and equipment	(2,397)	(2,170)
Purchase of long-term prepaid expenses	-	(628)
Other, net	(62)	15
Net cash provided by (used in) investing activities	(3,190)	(3,844)
Cash flows from financing activities		
Cash dividends paid	(942)	(2,018)
Purchase of treasury shares	(2)	(10)
Other, net	(1)	(4)
Net cash provided by (used in) financing activities	(947)	(2,034)
Effect of exchange rate change on cash and cash equivalents	(432)	22
Net increase (decrease) in cash and cash equivalents	2,148	(8,077)
Cash and cash equivalents at beginning of period	24,748	35,914
Increase in cash and cash equivalents from newly consolidated subsidiary	67	-
Cash and cash equivalents at end of period	26,964	27,836