

May 10, 2017

Consolidated Financial Results for the Year Ended March 31, 2017 [JGAAP]

Listed company name: KAKEN PHARMACEUTICAL Co., Ltd. Listing: Tokyo Stock Exchange First Section
 Stock code number: 4521 (URL: <http://www.kaken.co.jp>)

Representative: Tetsuo Onuma, President and Representative Director
 Contact: Kenichi Nakamura, Corporate Officer and General Manager of General Affairs Department
 Telephone: +81-3-5977-5002
 Scheduled Date to Hold the Ordinary General Meeting of Shareholders: June 29, 2017
 Scheduled Date to Commence Dividends Payment: June 30, 2017
 Scheduled Date to Submit the Securities Report: June 29, 2017
 Availability of supplementary briefing material: Available
 Schedule of annual results briefing session: Scheduled (for institutional investors and analysts)

(Figures less than one million yen have been omitted)

1. Consolidated Financial Results for the Fiscal 2016 (April 1, 2016 to March 31, 2017)

(1) Consolidated Results of Operations

(Percentage figures indicate changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)
Fiscal 2016	101,479	(7.5)	30,707	(12.6)	30,981	(12.4)	22,017	4.1
Fiscal 2015	109,730	16.9	35,146	70.4	35,365	73.4	21,143	74.4

Note:

Comprehensive income:

Fiscal 2016: ¥ 22,587 million [22.5 %]

Fiscal 2015: ¥ 18,444 million [11.1 %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(Yen)	(Yen)	Change (%)	Change (%)	Change (%)
Fiscal 2016	536.70	-	22.9	23.1	30.3
Fiscal 2015	510.54	-	25.3	28.5	32.0

Reference:

Equity in earnings (losses) of affiliates:

Fiscal 2016: ¥ - million

Fiscal 2015: ¥ - million

* The Company conducted a reverse stock split to consolidate every two shares of common stock into one share on October 1, 2015. Basic earnings per share has been calculated assuming that the reverse stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Fiscal 2016	135,060	102,655	76.0	2,511.68
Fiscal 2015	132,991	89,875	67.6	2,170.60

Reference:

Equity:

As of March 31, 2017: ¥ 102,655 million

As of March 31, 2016: ¥ 89,875 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal 2016	15,327	(3,503)	(9,800)	43,767
Fiscal 2015	27,067	(4,105)	(5,984)	41,744

2. Dividends

	Annual cash dividends					Total amount of cash dividends (Annual) (Millions of yen)	Payout ratio (Consolidated) (%)	Ratio of dividends to net assets (Consolidated) (%)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)			
Fiscal 2015	-	34.00	-	78.00	-	6,045	28.6	7.2
Fiscal 2016	-	75.00	-	75.00	150.00	6,130	27.9	6.4
Fiscal 2017 (Forecast)	-	75.00	-	75.00	150.00		32.1	

* The Company conducted a reverse stock split to consolidate every two shares of common stock into one share on October 1, 2015. The amount from before the reverse stock split is listed in the end of the second quarter, the year-end cash dividends per share for fiscal 2015 is the amount that factors in this reverse stock split, and total annual cash dividends are described as “-.”

Additionally, a breakdown of the year-end cash dividends per share for fiscal 2015 is common dividends of 68.00 yen and commemorative dividends of 10.00 yen.

3. Forecast of Consolidated Results for Fiscal 2017 (April 1, 2017 to March 31, 2018)

(Percentage figures indicate changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Six-Month period	51,100	(2.1)	14,700	(8.8)	14,800	(8.9)	10,400	(9.1)	254.46
Full year	101,700	0.2	26,800	(12.7)	27,000	(12.9)	19,100	(13.2)	467.32

* Notes

(1) Significant changes of subsidiaries during the period (Changes of specified subsidiaries followed by changes in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies related to amendments of accounting standards, etc.: None

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: Yes

4) Corrections of errors: None

(3) Issued shares (Common stock)

1) Number of shares issued (including treasury stock) at the period end	Fiscal 2016	48,439,730 shares	Fiscal 2015	48,439,730 shares
2) Number of treasury stock at the period end	Fiscal 2016	7,568,472 Shares	Fiscal 2015	7,033,882 Shares
3) Average number of shares during the period	Fiscal 2016	41,022,994 shares	Fiscal 2015	41,413,973 shares

* The Company conducted a reverse stock split to consolidate every two shares of common stock into one share on October 1, 2015. The average number of shares during the period have been calculated assuming that the reverse stock split was conducted at the beginning of the previous consolidated fiscal year.

* These consolidated financial results are outside the scope of audit.

* Explanation for the appropriate use of performance forecasts and other special notes:

(Caution regarding forward-looking statements)

The performance forecasts and other descriptions on future events presented in this material are based on information that was available when this material was prepared and based on certain assumptions considered to be reasonable. The actual performance, etc. may differ from these forecasts.

(Obtaining Method of the Supplementary Material for the Financial Results)

The supplementary material for the financial results will be available together with the financial results on the Company's website.

4. Consolidated Financial Results for Fiscal 2016

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	29,845	33,867
Notes and accounts receivable-trade	29,868	28,231
Securities	11,899	9,899
Merchandise and finished goods	7,399	8,004
Work in process	1,940	2,341
Raw materials and supplies	5,167	6,150
Deferred tax assets	1,678	928
Other	1,191	1,071
Total current assets	88,991	90,494
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	37,393	40,058
Accumulated depreciation	(21,952)	(22,656)
Buildings and structures, net	15,441	17,401
Machinery, equipment and vehicles	14,966	16,035
Accumulated depreciation	(12,231)	(12,449)
Machinery, equipment and vehicles, net	2,734	3,586
Tools, furniture and fixtures	6,891	6,799
Accumulated depreciation	(6,165)	(6,009)
Tools, furniture and fixtures, net	726	789
Land	4,313	4,324
Construction in progress	3,510	168
Total property, plant and equipment	26,726	26,271
Intangible assets	371	372
Investments and other assets		
Investment securities	14,400	15,943
Net defined benefit asset	40	-
Deferred tax assets	1,319	887
Other	1,141	1,091
Total investments and other assets	16,901	17,921
Total noncurrent assets	43,999	44,565
Total assets	132,991	135,060

(Unit: Millions of yen)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,256	9,854
Electrically recorded obligations-operating	-	1,307
Short-term loans payable	3,875	3,875
Accounts payable-other	3,333	3,086
Accrued expenses	741	394
Income taxes payable	8,628	3,049
Provision for bonuses	1,313	1,271
Provision for directors' bonuses	124	127
Provision for sales returns	524	12
Provision for sales rebates	406	408
Other	2,656	631
Total current liabilities	33,861	24,020
Noncurrent liabilities		
Net defined benefit liability	8,898	8,029
Other	356	355
Total noncurrent liabilities	9,255	8,384
Total liabilities	43,116	32,405
Net assets		
Shareholders' equity		
Capital stock	23,853	23,853
Capital surplus	11,407	11,407
Retained earnings	68,609	84,331
Treasury stock	(16,301)	(19,813)
Total shareholders' equity	87,568	99,778
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,423	4,611
Remeasurements of defined benefit plans	(2,117)	(1,734)
Total accumulated other comprehensive income	2,306	2,876
Total net assets	89,875	102,655
Total liabilities and net assets	132,991	135,060

(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

(Unit: Millions of yen)

	Fiscal 2015 (April 1, 2015 – March 31, 2016)	Fiscal 2016 (April 1, 2016 – March 31, 2017)
Net sales	109,730	101,479
Cost of sales	47,580	44,539
Gross profit	62,149	56,940
Reversal of provision for sales returns	-	512
Provision for sales returns	512	-
Gross profit-net	61,637	57,452
Selling, general and administrative expenses		
Salaries	7,434	7,274
Bonuses and provision for bonuses	2,021	1,786
Provision for directors' bonuses	124	127
Retirement benefit expenses	700	838
Research and development expenses	5,883	6,450
Depreciation	305	275
Other	10,019	9,991
Total selling, general and administrative expenses	26,490	26,745
Operating income	35,146	30,707
Non-operating income		
Interest income	14	4
Dividends income	217	278
Other	57	60
Total non-operating income	289	343
Non-operating expenses		
Interest expenses	27	21
Foreign exchange losses	32	34
Other	10	13
Total non-operating expenses	70	69
Ordinary income	35,365	30,981
Extraordinary income		
Gain on sales of investment securities	-	252
Total extraordinary income	-	252
Extraordinary loss		
Loss on retirement of noncurrent assets	65	123
Loss on sales of golf club memberships	5	18
Other	3	-
Total extraordinary losses	73	142
Income before income taxes	35,292	31,092
Income taxes-current	11,332	8,147
Income taxes-deferred	2,815	928
Total income taxes	14,148	9,075
Net income	21,143	22,017
Net income attributable to owners of the parent	21,143	22,017

(Consolidated statements of comprehensive income)

(Unit: Millions of yen)

	Fiscal 2015 (April 1, 2015 – March 31, 2016)	Fiscal 2016 (April 1, 2016 – March 31, 2017)
Net income	21,143	22,017
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,054)	187
Remeasurements of defined benefit plans	(1,644)	382
Total other comprehensive income	(2,699)	570
Comprehensive income	18,444	22,587
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	18,444	22,587

(3) Consolidated statements of changes in net assets
Fiscal 2015 (April 1, 2015 – March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,853	11,406	52,932	(16,098)	72,094
Changes of items during the period					
Dividends from surplus			(5,467)		(5,467)
Net income attributable to owners of the parent			21,143		21,143
Purchase of treasury stock				(203)	(203)
Disposal of treasury stock		0		0	1
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	15,676	(202)	15,474
Balance at the end of current period	23,853	11,407	68,609	(16,301)	87,568

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	5,478	(472)	5,005	77,100
Changes of items during the period				
Dividends from surplus				(5,467)
Net income attributable to owners of the parent				21,143
Purchase of treasury stock				(203)
Disposal of treasury stock				1
Net changes of items other than shareholders' equity	(1,054)	(1,644)	(2,699)	(2,699)
Total changes of items during the period	(1,054)	(1,644)	(2,699)	12,775
Balance at the end of current period	4,423	(2,117)	2,306	89,875

Fiscal 2016 (April 1, 2016 – March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,853	11,407	68,609	(16,301)	87,568
Changes of items during the period					
Dividends from surplus			(6,295)		(6,295)
Net income attributable to owners of the parent			22,017		22,017
Purchase of treasury stock				(3,512)	(3,512)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	15,722	(3,512)	12,209
Balance at the end of current period	23,853	11,407	84,331	(19,813)	99,778

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	4,423	(2,117)	2,306	89,875
Changes of items during the period				
Dividends from surplus				(6,295)
Net income attributable to owners of the parent				22,017
Purchase of treasury stock				(3,512)
Net changes of items other than shareholders' equity	187	382	570	570
Total changes of items during the period	187	382	570	12,779
Balance at the end of current period	4,611	(1,734)	2,876	102,655

(4) Consolidated statements of cash flows

(Unit: Millions of yen)

	Fiscal 2015 (April 1, 2015 – March 31, 2016)	Fiscal 2016 (April 1, 2016 – March 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes	35,292	31,092
Depreciation and amortization	2,242	1,937
Increase (decrease) in net defined benefit liability	(659)	(275)
Interest and dividends income	(232)	(283)
Interest expenses	27	21
Loss (gain) on sales of investment securities	-	(252)
Loss on retirement of property, plant and equipment	65	122
Decrease (increase) in notes and accounts receivable-trade	(1,664)	1,637
Decrease (increase) in inventories	(1,025)	(1,987)
Increase (decrease) in notes and accounts payable-trade	(38)	(1,094)
Other, net	(393)	(2,005)
Subtotal	33,615	28,912
Interest and dividends income received	232	283
Interest expenses paid	(27)	(21)
Income taxes paid	(6,752)	(13,846)
Net cash provided by (used in) operating activities	27,067	15,327
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,124)	(2,166)
Purchase of intangible assets	(93)	(188)
Purchase of investment securities	(753)	(1,502)
Proceeds from sales of investment securities	-	483
Other, net	(134)	(130)
Net cash provided by (used in) investing activities	(4,105)	(3,503)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(320)	-
Net decrease (increase) in treasury stock	(201)	(3,512)
Cash dividends paid	(5,463)	(6,288)
Net cash provided by (used in) financing activities	(5,984)	(9,800)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	16,976	2,023
Cash and cash equivalents at beginning of period	24,767	41,744
Cash and cash equivalents at end of period	41,744	43,767