

May 9, 2018

Consolidated Financial Results for the Year Ended March 31, 2018 [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
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 Scheduled Date to Hold the Ordinary General Meeting of Shareholders: June 28, 2018
 Scheduled Date to Commence Dividends Payment: June 29, 2018
 Scheduled Date to Submit the Securities Report: June 28, 2018
 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 2017 (April 1, 2017 to March 31, 2018)

(1) Consolidated Results of Operations

(Percentage figures indicate changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)
Fiscal 2017	98,430	(3.0)	27,496	(10.5)	27,854	(10.1)	19,043	(13.5)
Fiscal 2016	101,479	(7.5)	30,707	(12.6)	30,981	(12.4)	22,017	4.1

Note:

Comprehensive income:

Fiscal 2017: ¥ 20,753 million [(8.1) %]

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

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	(Yen)	(Yen)	Change (%)	Change (%)	Change (%)
Fiscal 2017	470.54	-	17.6	19.4	27.9
Fiscal 2016	536.70	-	22.9	23.1	30.3

Reference:

Equity in earnings (losses) of affiliates:

Fiscal 2017: ¥ - million

Fiscal 2016: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Fiscal 2017	152,417	113,874	74.7	2,824.32
Fiscal 2016	135,060	102,655	76.0	2,511.68

Reference:

Equity:

As of March 31, 2018: ¥ 113,874 million

As of March 31, 2017: ¥ 102,655 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 year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal 2017	21,703	(3,245)	(9,530)	52,694
Fiscal 2016	15,327	(3,503)	(9,800)	43,767

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 2016	-	75.00	-	75.00	150.00	6,130	27.9	6.4
Fiscal 2017	-	75.00	-	75.00	150.00	6,047	31.9	5.6
Fiscal 2018 (Forecast)	-	75.00	-	75.00	150.00		36.9	

3. Forecast of Consolidated Results for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(Percentage figures indicate changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Six-Month period	47,800	(4.1)	11,700	(23.7)	11,900	(23.3)	8,300	(23.6)	205.86
Full year	94,800	(3.7)	22,500	(18.2)	22,800	(18.1)	16,400	(13.9)	406.75

* 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: None

3) Changes in accounting estimates: None

4) Corrections of errors: None

(3) Issued shares (Common stock)

1) Number of shares issued (including treasury stock) at the period end	Fiscal 2017	48,439,730 shares	Fiscal 2016	48,439,730 shares
2) Number of treasury stock at the period end	Fiscal 2017	8,120,458 Shares	Fiscal 2016	7,568,472 Shares
3) Average number of shares during the period	Fiscal 2017	40,470,958 shares	Fiscal 2016	41,022,994 shares

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms.

* 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 2017

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Fiscal 2016 (As of March 31, 2017)	Fiscal 2017 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	33,867	45,095
Notes and accounts receivable-trade	28,231	33,315
Marketable securities	9,899	7,599
Merchandise and finished goods	8,004	7,178
Work in process	2,341	3,986
Raw materials and supplies	6,150	5,487
Deferred tax assets	928	1,195
Other	1,071	1,197
Total current assets	90,494	105,055
Non-current assets		
Property, plant and equipment		
Buildings and structures	40,058	40,658
Accumulated depreciation	(22,656)	(23,383)
Buildings and structures, net	17,401	17,274
Machinery, equipment and vehicles	16,035	15,677
Accumulated depreciation	(12,449)	(12,487)
Machinery, equipment and vehicles, net	3,586	3,190
Tools, furniture and fixtures	6,799	6,974
Accumulated depreciation	(6,009)	(6,035)
Tools, furniture and fixtures, net	789	938
Land	4,324	4,324
Construction in progress	168	412
Total property, plant and equipment	26,271	26,141
Intangible assets	372	552
Investments and other assets		
Investment securities	15,943	18,488
Deferred tax assets	887	426
Other	1,091	1,753
Total investments and other assets	17,921	20,668
Total non-current assets	44,565	47,362
Total assets	135,060	152,417

(Unit: Millions of yen)

	Fiscal 2016 (As of March 31, 2017)	Fiscal 2017 (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,854	12,204
Electronically recorded obligations-operating	1,307	1,248
Short-term bank loans	3,875	3,875
Accounts payable-other	3,086	4,565
Accrued expenses	394	667
Income taxes payable	3,049	5,097
Provision for bonuses	1,271	1,242
Provision for directors' bonuses	127	108
Provision for sales returns	12	10
Provision for sales rebates	408	325
Other	631	2,057
Total current liabilities	24,020	31,401
Non-current liabilities		
Net defined benefit liability	8,029	6,787
Other	355	354
Total non-current liabilities	8,384	7,141
Total liabilities	32,405	38,543
Net assets		
Shareholders' equity		
Common stock	23,853	23,853
Capital surplus	11,407	11,408
Retained earnings	84,331	97,284
Treasury stock	(19,813)	(23,259)
Total shareholders' equity	99,778	109,287
Accumulated other comprehensive income		
Net unrealized holding gain on securities	4,611	5,510
Remeasurements of defined benefit plans	(1,734)	(923)
Total accumulated other comprehensive income	2,876	4,587
Total net assets	102,655	113,874
Total liabilities and net assets	135,060	152,417

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

(Unit: Millions of yen)

	Fiscal 2016 (April 1, 2016 – March 31, 2017)	Fiscal 2017 (April 1, 2017 – March 31, 2018)
Net sales	101,479	98,430
Cost of sales	44,539	42,405
Gross profit	56,940	56,024
Reversal of provision for sales returns	512	2
Gross profit-net	57,452	56,026
Selling, general and administrative expenses		
Salaries	7,274	7,152
Bonuses and provision for bonuses	1,786	1,820
Provision for directors' bonuses	127	108
Retirement benefit expenses	838	844
Research and development expenses	6,450	8,152
Depreciation	275	204
Other	9,991	10,247
Total selling, general and administrative expenses	26,745	28,530
Operating profit	30,707	27,496
Other income		
Interest income	4	5
Dividends income	278	304
Other	60	103
Total other income	343	412
Other expenses		
Interest expenses	21	16
Foreign exchange losses	34	25
Other	13	11
Total other expenses	69	53
Ordinary profit	30,981	27,854
Extraordinary income		
Gain on sales of investment securities	252	-
Total extraordinary income	252	-
Extraordinary losses		
Loss on retirement of non-current assets	123	165
Loss on sales of investment securities	-	3
Loss on sales of golf club memberships	18	-
Other	-	0
Total extraordinary losses	142	168
Profit before income taxes	31,092	27,686
Income taxes-current	8,147	9,206
Income taxes-deferred	928	(563)
Total income taxes	9,075	8,643
Profit	22,017	19,043
Profit attributable to owners of parent	22,017	19,043

(Consolidated statements of comprehensive income)

(Unit: Millions of yen)

	Fiscal 2016 (April 1, 2016 – March 31, 2017)	Fiscal 2017 (April 1, 2017 – March 31, 2018)
Profit	22,017	19,043
Other comprehensive income		
Net unrealized holding gain on securities	187	898
Remeasurements of defined benefit plans	382	811
Total other comprehensive income	570	1,710
Comprehensive income	22,587	20,753
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,587	20,753

(3) Consolidated statements of changes in net assets
Fiscal 2016 (April 1, 2016 – March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of current period	23,853	11,407	68,609	(16,301)	87,568
Changes during the year					
Cash dividends			(6,295)		(6,295)
Profit attributable to owners of parent			22,017		22,017
Purchase of treasury stock				(3,512)	(3,512)
Other, net					
Total changes during the year	-	-	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
	Net unrealized holding gain on securities	Remeasurements of defined benefit plans	Total	
Balance at the beginning of current period	4,423	(2,117)	2,306	89,875
Changes during the year				
Cash dividends				(6,295)
Profit attributable to owners of parent				22,017
Purchase of treasury stock				(3,512)
Other, net	187	382	570	570
Total changes during the year	187	382	570	12,779
Balance at the end of current period	4,611	(1,734)	2,876	102,655

Fiscal 2017 (April 1, 2017 – March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of current period	23,853	11,407	84,331	(19,813)	99,778
Changes during the year					
Cash dividends			(6,089)		(6,089)
Profit attributable to owners of parent			19,043		19,043
Purchase of treasury stock				(3,445)	(3,445)
Sale of treasury stock		0		0	0
Other, net					
Total changes during the year	-	0	12,953	(3,445)	9,508
Balance at the end of current period	23,853	11,408	97,284	(23,259)	109,287

	Accumulated other comprehensive income			Total net assets
	Net unrealized holding gain on securities	Remeasurements of defined benefit plans	Total	
Balance at the beginning of current period	4,611	(1,734)	2,876	102,655
Changes during the year				
Cash dividends				(6,089)
Profit attributable to owners of parent				19,043
Purchase of treasury stock				(3,445)
Sale of treasury stock				0
Other, net	898	811	1,710	1,710
Total changes during the year	898	811	1,710	11,219
Balance at the end of current period	5,510	(923)	4,587	113,874

(4) Consolidated statements of cash flows

(Unit: Millions of yen)

	Fiscal 2016 (April 1, 2016 – March 31, 2017)	Fiscal 2017 (April 1, 2017 – March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	31,092	27,686
Depreciation	1,937	2,124
Increase (decrease) in net defined benefit liability	(275)	(69)
Interest and dividends income	(283)	(309)
Interest expenses	21	16
Loss (gain) on sales of investment securities	(252)	3
Loss on retirement of non-current assets	122	160
Decrease (increase) in notes and accounts receivable-trade	1,637	(5,084)
Decrease (increase) in inventories	(1,987)	(155)
Increase (decrease) in notes and accounts payable-trade	(1,094)	2,290
Other, net	(2,005)	1,827
Subtotal	28,912	28,489
Interest and dividends income received	283	309
Interest expenses paid	(21)	(16)
Income taxes paid, net	(13,846)	(7,078)
Net cash provided by (used in) operating activities	15,327	21,703
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,166)	(1,689)
Purchase of intangible assets	(188)	(199)
Purchase of investment securities	(1,502)	(1,253)
Proceeds from sales of investment securities	483	1
Other, net	(130)	(104)
Net cash provided by (used in) investing activities	(3,503)	(3,245)
Cash flows from financing activities		
Net change in treasury stock	(3,512)	(3,445)
Cash dividends paid	(6,288)	(6,085)
Net cash provided by (used in) financing activities	(9,800)	(9,530)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	2,023	8,927
Cash and cash equivalents at beginning of period	41,744	43,767
Cash and cash equivalents at end of year	43,767	52,694