

# Outline of Consolidated Financial Results for the Quarter Ended June 30, 2010

August 7, 2009

Name of the listed company: **NIPPON SHINYAKU CO., LTD.** Listing stock exchange: Tokyo, Osaka  
 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: August 10, 2009

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

## 1. Consolidated Results for the Quarter Ended June 30, 2009 (April 1 to June 30, 2009)

|                             | (¥ million) |         |                  |         |                 |         |                        |         |
|-----------------------------|-------------|---------|------------------|---------|-----------------|---------|------------------------|---------|
|                             | Net sales   |         | Operating income |         | Ordinary income |         | Net income for quarter |         |
| Quarter ended June 30, 2009 | 15,782      | (11.0%) | 2,123            | (47.1%) | 2,248           | (50.1%) | 1,474                  | (49.6%) |
| Quarter ended June 30, 2008 | 17,739      | —       | 4,016            | —       | 4,508           | —       | 2,923                  | —       |

  

|                             | Net income per share (¥) |         |
|-----------------------------|--------------------------|---------|
|                             | Basic                    | Diluted |
| Quarter ended June 30, 2009 | 21.82                    | —       |
| Quarter ended June 30, 2008 | 43.22                    | —       |

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

|                      | (¥ million)  |            |              |                          |
|----------------------|--------------|------------|--------------|--------------------------|
|                      | Total assets | Net assets | Equity ratio | Net assets per share (¥) |
| As of June 30, 2009  | 103,176      | 78,539     | 76.0         | 1,160.19                 |
| As of March 31, 2009 | 98,286       | 76,344     | 77.5         | 1,127.49                 |

Note: Owners' equity

As of June 30, 2009: ¥78,389 million

As of March 31, 2009: ¥76,192 million

## 2. Dividends

|                                       | Cash dividends per share (¥) |                         |                         |          |        |
|---------------------------------------|------------------------------|-------------------------|-------------------------|----------|--------|
|                                       | 1 <sup>st</sup> quarter      | 2 <sup>nd</sup> quarter | 3 <sup>rd</sup> quarter | Year-end | Annual |
| Year ended March 31, 2009             | —                            | ¥9.00                   | —                       | ¥9.00    | ¥18.00 |
| Year ending March 31, 2010            | —                            | —                       | —                       | —        | —      |
| Year ending March 31, 2010 (forecast) | —                            | ¥9.00                   | —                       | ¥10.00   | ¥19.00 |

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

## 3. Business Forecast for the Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)

|                   | (¥ million) |        |                  |         |                 |         |            |         |                          |
|-------------------|-------------|--------|------------------|---------|-----------------|---------|------------|---------|--------------------------|
|                   | Net sales   |        | Operating income |         | Ordinary income |         | Net income |         | Net income per share (¥) |
| First-half period | 30,000      | (6.1%) | 2,500            | (46.2%) | 2,700           | (46.4%) | 1,600      | (47.6%) | 23.68                    |
| Full term         | 64,700      | 2.6    | 7,700            | 2.0     | 8,100           | 0.7     | 4,700      | 4.4     | 69.56                    |

Note: Revisions to forecast for consolidated financial results for the current quarter: None.

#### **4. Others**

- (1) Changes in the scope of consolidation  
Inclusion: none  
Exclusion: none
- (2) Adoption of simplified accounting methods and specific accounting procedures for quarterly consolidated financial statements  
Applicable
- (3) Changes in significant accounting policies in preparation of consolidated quarterly financial statements  
Changes in accounting standards: none  
Changes other than above: none
- (4) Number of ordinary shares outstanding at the end of the year (including treasury stock)  
As of June 30, 2009: 70,251,484 shares    As of March 31, 2009: 70,251,484 shares  
Number of shares of treasury stock at the end of the year  
As of June 30, 2009: 2,685,705 shares    As of March 31, 2009: 2,674,288 shares  
Average number of ordinary shares outstanding (total for the consolidated period)  
As of June 30, 2009: 67,569,864 shares    As of March 31, 2009: 67,636,158 shares

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 Statement for the Quarter

### (1) Consolidated Balance Sheet for the Quarter

(¥ million)

|                                    | As of 1st quarter ended<br>June 30, 2009 | As of previous consolidated fiscal<br>year ended March 31, 2009 |
|------------------------------------|--|---|
| <b>Assets</b>                      |  |   |
| Current assets:                    |  |   |
| Cash and deposits                  | ¥11,705                                  | ¥14,687   |
| Notes and accounts receivable      | 28,167                                   | 27,632  |
| Marketable securities              | 4,199                                    | 1,798   |
| Merchandise and products           | 5,810                                    | 6,050   |
| Partially finished products        | 663                                      | 789   |
| Work in process                    | 560                                      | 381   |
| Materials and supplies             | 3,587                                    | 3,609   |
| Deferred tax assets                | 2,154                                    | 1,617   |
| Other current assets               | 1,349                                    | 1,027   |
| Allowance for doubtful accounts    | (0)                                      | (16)  |
| Total current assets               | 58,199                                   | 57,578  |
| Noncurrent assets:                 |  |   |
| Tangible fixed assets:             |  |   |
| Buildings and structures (net)     | 8,865                                    | 9,021   |
| Land                               | 8,161                                    | 8,161   |
| Other (net)                        | 3,109                                    | 3,222   |
| Total tangible fixed assets        | 20,136                                   | 20,406  |
| Intangible fixed assets            | 330                                      | 307   |
| Investments and other assets:      |  |   |
| Investment securities              | 13,768                                   | 11,532  |
| Deferred tax assets                | 48                                       | 164   |
| Investments in real estate (net)   | 1,313                                    | 1,330   |
| Long-term prepaid expenses         | 8,543                                    | 6,166   |
| Other                              | 873                                      | 838   |
| Allowance for doubtful accounts    | (37)                                     | (39)  |
| Total investments and other assets | ¥24,510                                  | ¥19,993   |
| Total noncurrent assets            | ¥44,977                                  | ¥40,708   |
| Total assets                       | ¥103,176                                 | ¥98,286   |

(¥ million)

|   | As of 1st quarter ended<br>June 30, 2009 | As of previous consolidated fiscal<br>year ended March 31, 2009 |
|---|--|---|
| <b>Liabilities</b>                                  |  |   |
| Current liabilities:                                |  |   |
| Notes and accounts payable                          | ¥4,775                                   | ¥4,432  |
| Current portion of long-term debt                   | 59                                       | 70  |
| Accrued liabilities                                 | 3,022                                    | 3,267   |
| Income taxes payable                                | 1,352                                    | 1,551   |
| Reserve for bonuses                                 | 3,693                                    | 2,463   |
| Reserve for sales returns                           | 31                                       | 48  |
| Other current liabilities                           | 2,561                                    | 1,688   |
| Total current liabilities                           | 15,496                                   | 13,522  |
| Long-term liabilities:                              |  |   |
| Long-term debt                                      | 169                                      | 182   |
| Deferred tax liability                              | 674                                      | 0   |
| Liability for retirement benefits                   | 8,062                                    | 8,009   |
| Other long-term liabilities                         | 234                                      | 228   |
| Total long-term liabilities                         | 9,141                                    | 8,420   |
| Total liabilities                                   | 24,637                                   | 21,942  |
| <b>Net assets</b>                                   |  |   |
| Shareholders' equity:                               |  |   |
| Common stock  | 5,174                                    | 5,174   |
| Capital surplus                                     | 4,444                                    | 4,444   |
| Retained earnings                                   | 66,419                                   | 65,553  |
| Treasury stock                                      | (1,997)                                  | (1,985)   |
| Total shareholders' equity                          | 74,041                                   | 73,186  |
| Valuation and translation adjustments:              |  |   |
| Unrealized gain on available-for-sale securities    | 4,365                                    | 3,032   |
| Deferred gain on derivatives under hedge accounting | 1  | 0   |
| Foreign currency translation adjustments            | (19)                                     | (26)  |
| Total valuation and translation adjustments         | 4,347                                    | 3,006   |
| Minority interests                                  | 149                                      | 151   |
| Total net assets                                    | 78,539                                   | 76,344  |
| Total liabilities and net assets                    | ¥103,176                                 | ¥98,286   |

(2) Consolidated Statements of Income for the Quarter  
(Total for the consolidated period ended June 30, 2009)

(¥ million)

|   | 1st quarter ended<br>June 30, 2008 | 1st quarter ended<br>June 30, 2009 |
|---|------------------------------------|------------------------------------|
| Net sales   | ¥17,739                            | ¥15,782                            |
| Cost of sales   | 7,378                              | 7,253                              |
| Gross profit  | 10,360                             | 8,528                              |
| Provision for reserve for sales returns                           | 32                                 | —                                  |
| Reversal of reserve for sales returns                             | —                                  | 17                                 |
| Balance of gross profit   | 10,328                             | 8,545                              |
| Selling, general and administrative expenses:                     |                                    |                                    |
| Salaries and benefits   | 1,421                              | 1,474                              |
| Provision for bonuses   | 743                                | 788                                |
| Sales promotion expenses  | 129                                | 244                                |
| Provision for retirement benefits                                 | 242                                | 279                                |
| Depreciation  | 84                                 | 88                                 |
| R&D expenses  | 1,822                              | 1,809                              |
| Other   | 1,867                              | 1,739                              |
| Total general, selling, and administrative expenses               | 6,312                              | 6,422                              |
| Operating income  | 4,016                              | 2,123                              |
| Non-operating income:   |                                    |                                    |
| Interest income   | 36                                 | 27                                 |
| Dividend received   | 136                                | 109                                |
| Rents on housing  | 75                                 | 77                                 |
| Foreign exchange gain   | 267                                | —                                  |
| Other   | 80                                 | 49                                 |
| Total non-operating income  | 595                                | 264                                |
| Non-operating expenses:   |                                    |                                    |
| Interest expenses   | 5                                  | 3                                  |
| Donation  | 44                                 | 20                                 |
| Loss on disposal of noncurrent assets                             | 14                                 | 1                                  |
| Leasing expenses  | 23                                 | 26                                 |
| Foreign exchange loss   | —                                  | 72                                 |
| Other   | 15                                 | 15                                 |
| Total non-operating expenses                                      | 103                                | 139                                |
| Ordinary income   | 4,508                              | 2,248                              |
| Income for the quarter before income taxes and minority interests | 4,508                              | 2,248                              |
| Income taxes – current  | 1,976                              | 1,326                              |
| Income taxes – deferred   | (394)                              | (551)                              |
| Total income taxes  | 1,582                              | 774                                |
| Minority interests (losses) in net income                         | 2                                  | (1)                                |
| Net income for the quarter  | ¥2,923                             | ¥1,474                             |

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

(¥ million)

|   | 1st quarter ended<br>June 30, 2008 | 1st quarter ended<br>June 30, 2009 |
|---|------------------------------------|------------------------------------|
| <b>Cash flows from operating activities</b>                           |                                    |                                    |
| Income before income taxes and minority interests                     | ¥4,508                             | ¥2,248                             |
| Depreciation and amortization   | 629                                | 685                                |
| Decrease (increase) in liability for retirement benefits              | (121)                              | 53                                 |
| Increase (decrease) in other reserves                                 | 1,234                              | 1,195                              |
| Interest and dividend income  | (173)                              | (137)                              |
| Interest expenses   | 5                                  | 3                                  |
| Foreign exchange loss (gain)  | (318)                              | 69                                 |
| Loss (gain) on disposal of noncurrent assets                          | 14                                 | 1                                  |
| Decrease (increase) in notes and accounts receivable                  | (608)                              | (535)                              |
| Decrease (increase) in inventories                                    | (474)                              | 209                                |
| Decrease (increase) in other current assets                           | (329)                              | (321)                              |
| Increase (decrease) in notes and accounts payable                     | 102                                | 343                                |
| Increase (decrease) in consumption taxes payable                      | 27                                 | 12                                 |
| Increase (decrease) in other current liabilities                      | (230)                              | 759                                |
| Other – net   | 4                                  | (9)                                |
| Subtotal  | 4,268                              | 4,577                              |
| Interest and dividends received                                       | 171                                | 136                                |
| Interest paid   | (5)                                | (3)                                |
| Income taxes paid   | (1,609)                            | (1,498)                            |
| Net cash provided by operating activities                             | 2,825                              | 3,211                              |
| <b>Cash flows from investing activities</b>                           |                                    |                                    |
| Deposit of funds into time deposits                                   | (40)                               | (50)                               |
| Proceeds from withdrawal of time deposits                             | 40                                 | 30                                 |
| Proceeds from sale and redemption of marketable securities            | —                                  | (99)                               |
| Purchases of investment securities                                    | —                                  | 183                                |
| Proceeds from sale and redemption of investment securities            | (32)                               | (101)                              |
| Purchases of tangible fixed assets                                    | (235)                              | (381)                              |
| Proceeds from sales of tangible fixed assets                          | 35                                 | 0                                  |
| Purchases of intangible assets  | —                                  | (44)                               |
| Provision of loans  | —                                  | (59)                               |
| Collection of loans   | —                                  | 10                                 |
| Expenditures for long-term prepaid expenses acquired                  | (910)                              | (2,562)                            |
| Other – net   | (1)                                | —                                  |
| Net cash used in investing activities                                 | (1,144)                            | (3,072)                            |
| <b>Cash flows from financing activities</b>                           |                                    |                                    |
| Proceeds from long-term debt  | (297)                              | (23)                               |
| Dividends paid  | (527)                              | (543)                              |
| Purchase of treasury stock  | (20)                               | (11)                               |
| Other – net   | 2                                  | (0)                                |
| Net cash used in financing activities                                 | (844)                              | (578)                              |
| Foreign currency transaction adjustments on cash and cash equivalents | 305                                | (61)                               |
| Net decrease in cash and cash equivalents                             | 1,143                              | (501)                              |
| Cash and cash equivalents at beginning of quarter                     | 15,153                             | 15,446                             |
| Cash and cash equivalents at end of quarter                           | ¥16,297                            | ¥14,944                            |