

Outline of Consolidated Financial Results for the Third Quarter Ended December 31, 2009

February 9, 2010

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: February 10, 2010
 Scheduled start of payment: —

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

1. Consolidated Results for the Third Quarter Ended December 31, 2009 (April 1 to December 31, 2009)

(1) Operating results	(¥ million)							
	Net sales		Operating income		Ordinary income		Net income for quarter	
Third quarter ended December 31, 2009	48,491	(0.3 %)	6,885	(2.4%)	7,193	1.9 %	4,321	11.9%
Third quarter ended December 31, 2008	48,661	—	7,052	—	7,058	—	3,861	—

	Net income per share (¥)	
	Basic	Diluted
Third quarter ended December 31, 2009	63.97	—
Third quarter ended December 31, 2008	57.11	—

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 December 31, 2009	103,110	80,246	77.7	1,185.56
As of March 31, 2009	98,286	76,344	77.5	1,127.49

Note: Owners' equity
 As of December 31, 2009: ¥80,086 million As of March 31, 2009: ¥76,192 million

2. Dividends

	Cash dividends per share (¥)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2009	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2010	—	¥9.00	—		
Year ending March 31, 2010 (forecast)				¥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 (¥)	
Full term	64,300	1.9%	7,700	2.0%	8,100	0.7%	4,700	4.4%	69.58	

Note: 1. The percentage figure is the change against the previous term.
 2. Revisions to forecast of financial results in this 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 December 31, 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 December 31, 2009: 2,700,122 shares As of March 31, 2009: 2,674,288 shares
 - Average number of ordinary shares outstanding (total for the consolidated period)
 - As of December 31, 2009: 67,561,431 shares As of December 31, 2008: 67,612,590 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 previous consolidated fiscal year ended March 31, 2009	As of 3 rd quarter ended December 31, 2009
Assets		
Current assets:		
Cash and deposits	¥14,687	¥11,409
Notes and accounts receivable	27,632	31,169
Marketable securities	1,798	2,495
Merchandise and products	6,050	5,983
Partially finished products	789	714
Work in process	381	305
Materials and supplies	3,609	3,633
Deferred tax assets	1,617	1,022
Other current assets	1,027	2,370
Allowance for doubtful accounts	(16)	(0)
Total current assets	57,578	59,103
Noncurrent assets:		
Tangible fixed assets:		
Buildings and structures (net)	9,021	8,579
Land	8,161	8,160
Other (net)	3,222	3,400
Total tangible fixed assets	20,406	20,139
Intangible fixed assets	307	562
Investments and other assets:		
Investment securities	11,532	12,338
Deferred tax assets	164	55
Investments in real estate (net)	1,330	1,296
Long-term prepaid expenses	6,166	8,701
Other	838	950
Allowance for doubtful accounts	(39)	(37)
Total investments and other assets	¥19,993	¥23,304
Total noncurrent assets	¥40,708	¥44,006
Total assets	¥98,286	¥103,110

(¥ million)

	As of previous consolidated fiscal year ended March 31, 2009	As of 3 rd quarter ended December 31, 2009
Liabilities		
Current liabilities:		
Notes and accounts payable	¥4,432	¥4,730
Current portion of long-term debt	70	51
Accrued liabilities	3,267	3,790
Income taxes payable	1,551	1,178
Reserve for bonuses	2,463	1,233
Reserve for sales returns	48	31
Other current liabilities	1,688	3,088
Total current liabilities	13,522	14,104
Long-term liabilities:		
Long-term debt	182	146
Deferred tax liability	0	205
Liability for retirement benefits	8,009	8,168
Other long-term liabilities	228	239
Total long-term liabilities	8,420	8,759
Total liabilities	21,942	22,863
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,444	4,444
Retained earnings	65,553	68,658
Treasury stock	(1,985)	(2,013)
Total shareholders' equity	73,186	76,263
Valuation and translation adjustments:		
Unrealized gain on available-for-sale securities	3,032	3,847
Deferred gain on derivatives under hedge accounting	0	2
Foreign currency translation adjustments	(26)	(27)
Total valuation and translation adjustments	3,006	3,822
Minority interests	151	160
Total net assets	76,344	80,246
Total liabilities and net assets	¥98,286	¥103,110

(2) Consolidated Statements of Income for the Third Quarter
(Total for the consolidated period ended December 31, 2009)

(¥ million)

	3 rd quarter ended December 31, 2008	3 rd quarter ended December 31, 2009
Net sales	¥48,661	¥48,491
Cost of sales	21,704	21,404
Gross profit	26,957	27,086
Provision for reserve for sales returns	—	17
Reversal of reserve for sales returns	24	—
Balance of gross profit	26,933	27,103
Selling, general and administrative expenses:		
Salaries and benefits	5,710	5,930
Provision for bonuses	788	792
Sales promotion expenses	941	925
Provision for retirement benefits	738	836
Depreciation	263	283
R&D expenses	5,967	5,972
Other	5,470	5,479
Total general, selling, and administrative expenses	19,880	20,218
Operating income	7,052	6,885
Non-operating income:		
Interest income	163	80
Dividend received	254	208
Rents on housing	231	247
Other	193	165
Total non-operating income	842	701
Non-operating expenses:		
Interest expenses	12	7
Donation	130	117
Loss on disposal of noncurrent assets	33	20
Plant demolition costs	70	—
Leasing expenses	72	79
Foreign exchange loss	408	48
Other	108	119
Total non-operating expenses	837	393
Ordinary income	7,058	7,193
Extraordinary profit		
Gain from sales of fixed assets	—	206
Extraordinary profit total	—	206
Extraordinary losses		
Loss from revaluation of securities	339	—
Total extraordinary losses	339	—
Income for the quarter before income taxes and minority interests	6,719	7,400
Income taxes – current	1,971	2,195
Income taxes for prior periods	—	350
Income taxes – deferred	884	523
Total income taxes	2,856	3,069
Minority net income	1	9
Net income for the quarter	¥3,861	¥4,321

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

(¥ million)

	3 rd quarter ended December 31, 2008	3 rd quarter ended December 31, 2009
Cash flows from operating activities		
Income before income taxes and minority interests	¥6,719	¥7,400
Depreciation and amortization	2,093	2,247
Increase (decrease) in liability for retirement benefits	(193)	158
Increase (decrease) in other reserves	(1,145)	(1,264)
Interest and dividend income	(417)	(288)
Interest expense	12	7
Foreign exchange loss (gain)	508	139
Loss (gain) on write-downs of investments in securities and other assets	339	—
Loss (gain) on sales of fixed assets	—	(206)
Loss (gain) on disposal of noncurrent assets	33	20
Decrease (increase) in notes and accounts receivable	(2,951)	(3,537)
Decrease (increase) in inventories	(120)	194
Decrease (increase) in other current assets	103	(1,317)
Increase (decrease) in notes and accounts payable	(532)	297
Increase (decrease) in consumption taxes payable	173	(6)
Increase (decrease) in other current liabilities	509	1,605
Other – net	(3)	12
Subtotal	5,128	5,462
Interest and dividends received	418	289
Interest paid	(12)	(7)
Income taxes paid	(2,901)	(2,914)
Net cash provided by operating activities	2,632	2,829
Cash flows from investing activities		
Purchases of funds into time deposits	(70)	(80)
Proceeds from withdrawal of time deposits	100	60
Purchases of marketable securities	—	(99)
Proceeds from redemption of marketable securities	400	883
Purchases of investment in marketable securities	(36)	(103)
Proceeds from sale or redemption of investment in marketable securities	45	0
Purchases of tangible fixed assets	(1,150)	(909)
Proceeds from sales of tangible fixed assets	35	208
Purchases of intangible assets	(84)	(333)
Provision of loans	(26)	(177)
Proceeds from collection of loans	71	46
Expenditures for long-term prepaid expenses acquired	(2,206)	(3,244)
Other – net	0	—
Net cash used in investing activities	(2,921)	(3,749)
Cash flows from financing activities		
Expenditure for repayment of short-term debt	30	—
Proceeds from long-term debt	(881)	(54)
Dividends paid	(1,152)	(1,153)
Purchase of treasury stock	(83)	(27)
Other – net	8	(0)
Net cash used in financing activities	(2,078)	(1,236)
Effect of exchange rate changes on cash and cash equivalents	(518)	(139)
Net increase (decrease) in cash and cash equivalents	(2,886)	(2,297)
Cash and cash equivalents at beginning of quarter	15,153	15,446
Cash and cash equivalents at end of quarter	¥12,267	¥13,149