

Outline of Consolidated Financial Results for the Second Quarter Ended September 30, 2010

November 10, 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: November 12, 2010
 Scheduled start of payment: December 10, 2010
 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, 2010 (April 1 to September 30, 2010)

	(1) Operating results (¥ million)							
	Net sales		Operating income		Ordinary income		Net income for quarter	
Second quarter ended September 30, 2010	30,398	1.1 %	2,230	(23.4 %)	2,421	(20.1 %)	1,450	(28.5 %)
Second quarter ended September 30, 2009	30,070	(5.9 %)	2,910	(37.3 %)	3,031	(39.8 %)	2,027	(33.6 %)

	Net income per share (¥)	
	Basic	Diluted
Second quarter ended September 30, 2010	21.47	—
Second quarter ended September 30, 2009	30.01	—

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 September 30, 2010	100,692	79,894	79.2	1,180.53
As of March 31, 2010	103,575	80,370	77.4	1,187.42

Note: Owners' equity
 As of September 30, 2010: ¥79,724 million As of March 31, 2010: ¥80,205 million

2. Dividends

	Cash dividends per share (¥)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2010	—	¥9.00	—	¥10.00	¥19.00
Year ending March 31, 2011	—	¥9.00	—	—	—
Year ending March 31, 2011 (forecast)	—	—	—	¥10.00	¥19.00

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

3. Business Forecast for the Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

	Business Forecast (¥ million)								
	Net sales		Operating income		Ordinary income		Net income		Net income per share (¥)
Full term	64,700	2.8%	5,300	(18.0%)	5,700	(16.0%)	3,700	(9.7%)	54.79

Note: Revisions to forecast of financial result in this quarter: None.

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 simplified accounting methods and specific accounting procedures for quarterly consolidated financial statements
Applicable

Note: Simplified accounting methods and adopted of special accounting methods for preparation of quarterly financial statements

- (3) Changes in significant accounting policies in preparation of consolidated quarterly financial statements

Changes in accounting standards: yes

Changes other than above: none

Note: Changes in accounting principles, procedures and presentation methods for preparation of quarterly financial statements

- (4) Number of ordinary shares outstanding at the end of the year (including treasury stock)

As of September 30, 2010: 70,251,484 shares As of March 31, 2010: 70,251,484 shares

Number of shares of treasury stock at the end of the year

As of September 30, 2010: 2,718,457 shares As of March 31, 2010: 2,705,042 shares

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

As of September 30, 2010: 67,539,859 shares As of September 30, 2009: 67,565,051 shares

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.

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 2 nd quarter ended September 30, 2010	As of previous consolidated fiscal year ended March 31, 2010
Assets		
Current assets:		
Cash and deposits	¥11,756	¥11,028
Notes and accounts receivable	24,055	24,817
Marketable securities	8,989	9,095
Merchandise and products	6,110	6,263
Partially finished products	840	717
Work in process	391	319
Materials and supplies	3,432	3,565
Deferred tax assets	1,489	1,631
Other current assets	1,906	2,035
Allowance for doubtful accounts	(0)	(0)
Total current assets	58,970	59,474
Noncurrent assets:		
Tangible fixed assets:		
Buildings and structures (net)	8,485	8,672
Land	8,143	8,160
Other (net)	2,769	3,001
Total tangible fixed assets	19,398	19,834
Intangible fixed assets	614	644
Investments and other assets:		
Investment securities	10,647	12,764
Deferred tax assets	436	56
Long-term prepaid expenses	8,426	8,615
Other	2,235	2,222
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	21,708	23,622
Total noncurrent assets	41,721	44,101
Total assets	¥100,692	¥103,575

(¥ million)

	As of 2 nd quarter ended September 30, 2010	As of previous consolidated fiscal year ended March 31, 2010
Liabilities		
Current liabilities:		
Notes and accounts payable	¥4,484	¥4,691
Accrued liabilities	2,581	3,519
Income taxes payable	747	1,283
Reserve for bonuses	2,368	2,362
Reserve for sales returns	—	25
Other current liabilities	2,186	2,315
Total current liabilities	12,368	14,197
Long-term liabilities:		
Deferred tax liabilities	0	406
Liability for retirement benefits	7,939	8,230
Other long-term liabilities	490	371
Total long-term liabilities	8,429	9,007
Total liabilities	20,797	23,205
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,444	4,444
Retained earnings	69,208	68,433
Treasury stock	(2,032)	(2,018)
Total shareholders' equity	76,794	76,033
Valuation and translation adjustments:		
Unrealized gain on available-for-sale securities	2,959	4,194
Deferred gain on derivatives under hedge accounting	0	2
Foreign currency translation adjustments	(29)	(25)
Total valuation and translation adjustments	2,930	4,172
Minority interests	169	164
Total net assets	79,894	80,370
Total liabilities and net assets	¥100,692	¥103,575

(2) Consolidated Statements of Income for the Second Quarter
(Total for the consolidated period ended September 30, 2010)

(¥ million)

	2 nd quarter ended September 30, 2009	2 nd quarter ended September 30, 2010
Net sales	¥30,070	¥30,398
Cost of sales	13,937	14,312
Gross profit	16,133	16,086
Reversal for reserve for sales returns	22	25
Balance of gross profit	16,155	16,111
Selling, general and administrative expenses:		
Salaries and benefits	2,918	3,018
Provision for bonuses	1,581	1,524
Sales promotion expenses	560	546
Provision for retirement benefits	558	522
Depreciation	179	185
R&D expenses	3,890	4,403
Other	3,555	3,681
Total general, selling, and administrative expenses	13,245	13,880
Operating income	2,910	2,230
Non-operating income:		
Interest income	52	24
Dividend received	112	227
Rent income	158	185
Other	109	254
Total non-operating income	433	691
Non-operating expenses:		
Interest expenses	5	5
Donation	91	101
Foreign exchange loss	105	236
Loss on disposal of noncurrent assets	18	9
Rent expenses	53	55
Other	37	93
Total non-operating expenses	311	500
Ordinary income	3,031	2,421
Extraordinary profit		
Gain from sales of fixed assets	206	—
Extraordinary profit total	206	—
Extraordinary loss		
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	133
Total extraordinary loss	—	133
Income before income taxes and minority interests	3,238	2,288
Income taxes – current	1,205	714
Income taxes – deferred	0	113
Total income taxes	1,205	828
Income before minority interests	—	1,459
Minority net income	5	9
Net income for the quarter	¥2,027	¥1,450

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

(¥ million)

	2 nd quarter ended September 30, 2009	2 nd quarter ended September 30, 2010
Cash flows from operating activities		
Income before income taxes and minority interests	¥3,238	¥2,288
Depreciation and amortization	1,443	1,517
Increase (decrease) in liability for retirement benefits	95	(291)
Increase (decrease) in other reserves	(37)	(19)
Interest and dividend income	(164)	(252)
Interest expense	5	5
Foreign exchange loss (gain)	168	295
Loss (gain) on sales of securities	—	100
Loss (gain) on sales of noncurrent assets	(206)	—
Loss (gain) on disposal of noncurrent assets	18	9
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	133
Decrease (increase) in notes and accounts receivable	3,399	762
Decrease (increase) in inventories	9	92
Decrease (increase) in other current assets	(601)	133
Increase (decrease) in notes and accounts payable	(178)	(206)
Increase (decrease) in consumption taxes payable	(96)	(49)
Increase (decrease) in other current liabilities	159	(281)
Other – net	(2)	(17)
Subtotal	7,250	4,017
Interest and dividends received	165	252
Interest paid	(5)	(5)
Income taxes paid	(1,504)	(1,226)
Net cash provided by operating activities	5,907	3,037
Cash flows from investing activities		
Deposit of funds into time deposits	(50)	(57)
Proceeds from withdrawal of time deposits	30	50
Purchases of marketable securities	(99)	(99)
Proceeds from redemption of marketable securities	483	399
Purchases of investment in securities	(102)	(2)
Proceeds from the sale or redemption of investment in securities	0	126
Purchases of tangible fixed assets	(666)	(1,012)
Proceeds from sales of tangible fixed assets	208	—
Purchases of intangible assets	(232)	(147)
Provision of loans	(71)	—
Proceeds from collection of loans	28	—
Expenditures for long-term prepaid expenses acquired	(2,562)	(463)
Other – net	—	(4)
Net cash used in investing activities	(3,032)	(1,210)
Cash flows from financing activities		
Proceeds from long-term debt	(42)	—
Dividends paid	(607)	(673)
Purchase of treasury stock	(20)	(14)
Other – net	(0)	(29)
Net cash used in financing activities	(670)	(716)
Effect of exchange rate changes on cash and cash equivalents	(163)	(298)
Net increase (decrease) in cash and cash equivalents	2,040	811
Cash and cash equivalents at beginning of quarter	15,446	19,447
Cash and cash equivalents at end of quarter	¥17,487	¥20,259