

Outline of Consolidated Financial Results for the Third Quarter Ended December 31, 2010

February 8, 2011

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, 2011
 Scheduled start of payment: —
 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 Third Quarter Ended December 31, 2010 (April 1 to December 31, 2010)

	(1) Operating results (¥ million)							
	Net sales		Operating income		Ordinary income		Net income for quarter	
Third quarter ended December 31, 2010	46,957	(3.2%)	3,957	(42.5%)	4,252	(40.9%)	3,038	(29.7%)
Third quarter ended December 31, 2009	48,491	(0.3%)	6,885	(2.4%)	7,193	1.9%	4,321	11.9%

	Net income per share (¥)	
	Basic	Diluted
Third quarter ended December 31, 2010	44.99	—
Third quarter ended December 31, 2009	63.97	—

	(2) Financial position (¥ million)			
	Total assets	Net assets	Equity ratio	Net assets per share (¥)
As of December 31, 2010	101,819	81,191	79.6	1,199.99
As of March 31, 2010	103,575	80,370	77.4	1,187.42

Note: Owners' equity

As of December 31, 2010: ¥81,016 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)

	(¥ 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%)	54.80	

Note: Revisions to forecast for the current 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 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: Applicable

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)

Third quarter ended December 31, 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

Third quarter ended December 31, 2010: 2,736,611 shares As of March 31, 2010: 2,705,042 shares

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

Third quarter ended December 31, 2010: 67,534,427 shares As of December 31, 2009: 67,561,431 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 3 rd quarter ended December 31, 2010	As of previous consolidated fiscal year ended March 31, 2010
Assets		
Current assets:		
Cash and deposits	¥12,337	¥11,028
Notes and accounts receivable	28,465	24,817
Marketable securities	3,539	9,095
Merchandise and products	6,409	6,263
Partially finished products	1,601	717
Work in process	275	319
Materials and supplies	3,830	3,565
Deferred tax assets	820	1,631
Other current assets	2,546	2,035
Allowance for doubtful accounts	(0)	(0)
Total current assets	59,826	59,474
Noncurrent assets:		
Tangible fixed assets:		
Buildings and structures (net)	8,307	8,672
Land	8,143	8,160
Other (net)	2,576	3,001
Total tangible fixed assets	19,027	19,834
Intangible fixed assets	627	644
Investments and other assets:		
Investment securities	11,760	12,764
Deferred tax assets	241	56
Long-term prepaid expenses	8,169	8,615
Other	2,203	2,222
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	22,338	23,622
Total noncurrent assets	41,993	44,101
Total assets	¥101,819	¥103,575

(¥ million)

	As of 3 rd quarter ended December 31, 2010	As of previous consolidated fiscal year ended March 31, 2010
Liabilities		
Current liabilities:		
Notes and accounts payable	¥6,010	¥4,691
Accrued liabilities	2,477	3,519
Income taxes payable	61	1,283
Reserve for bonuses	1,161	2,362
Reserve for sales returns	–	25
Other current liabilities	2,482	2,315
Total current liabilities	12,194	14,197
Long-term liabilities:		
Deferred tax liability	0	406
Liability for retirement benefits	7,954	8,230
Other long-term liabilities	479	371
Total long-term liabilities	8,433	9,007
Total liabilities	20,627	23,205
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,444	4,444
Retained earnings	70,188	68,433
Treasury stock	(2,053)	(2,018)
Total shareholders' equity	77,753	76,033
Valuation and translation adjustments:		
Unrealized gain on available-for-sale securities	3,302	4,194
Deferred gain on derivatives under hedge accounting	(4)	2
Foreign currency translation adjustments	(34)	(25)
Total valuation and translation adjustments	3,263	4,172
Minority interests	174	164
Total net assets	81,191	80,370
Total liabilities and net assets	¥101,819	¥103,575

(2) Consolidated Statements of Income for the Third Quarter
(Total for the consolidated period ended December 31, 2010)

(¥ million)

	3 rd quarter ended December 31, 2009	3 rd quarter ended December 31, 2010
Net sales	¥ 48,491	¥46,957
Cost of sales	21,404	22,259
Gross profit	27,086	24,697
Reversal of reserve for sales returns	17	25
Balance of gross profit	27,103	24,722
Selling, general and administrative expenses:		
Salaries and benefits	5,930	6,049
Provision for bonuses	792	742
Sales promotion expenses	925	919
Provision for retirement benefits	836	784
Depreciation	283	278
R&D expenses	5,972	6,395
Other	5,479	5,596
Total general, selling, and administrative expenses	20,218	20,765
Operating income	6,885	3,957
Non-operating income:		
Interest income	80	35
Dividend received	208	323
Rent income	247	278
Other	165	276
Total non-operating income	701	914
Non-operating expenses:		
Interest expenses	7	7
Donation	117	128
Loss on disposal of noncurrent assets	20	13
Rent expenses	79	82
Foreign exchange loss	48	272
Other	119	115
Total non-operating expenses	393	619
Ordinary income	7,193	4,252
Extraordinary profit		
Loss from the prior-term adjustments	—	591
Gain from sales of fixed assets	206	—
Extraordinary profit total	206	591
Extraordinary loss		
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	133
Total extraordinary loss	—	133
Income for the quarter before income taxes and minority interests	7,400	4,710
Income taxes – current	2,195	891
Income taxes for prior periods	350	—
Income taxes – deferred	523	766
Total income taxes	3,069	1,658
Income before minority interests	—	3,052
Minority net income	9	14
Net income for the quarter	¥4,321	¥3,038

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

(¥ million)

	3 rd quarter ended December 31, 2009	3 rd quarter ended December 31, 2010
Cash flows from operating activities		
Income before income taxes and minority interests	¥7,400	¥4,710
Depreciation and amortization	2,247	2,319
Increase (decrease) in liability for retirement benefits	158	(276)
Increase (decrease) in other reserves	(1,264)	(1,226)
Interest and dividend income	(288)	(358)
Interest expense	7	7
Foreign exchange loss (gain)	139	341
Loss (gain) on sales of tangible fixed assets	(206)	—
Loss (gain) on disposal of noncurrent assets	20	13
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	133
Decrease (increase) in notes and accounts receivable	(3,537)	(3,648)
Decrease (increase) in inventories	194	(1,250)
Decrease (increase) in other current assets	(1,317)	(57)
Increase (decrease) in notes and accounts payable	297	1,319
Increase (decrease) in consumption taxes payable	(6)	(47)
Increase (decrease) in other current liabilities	1,605	20
Other – net	12	(135)
Subtotal	5,462	1,864
Interest and dividends received	289	357
Interest paid	(7)	(7)
Income taxes paid	(2,914)	(2,516)
Net cash provided by operating activities	2,829	(301)
Cash flows from investing activities		
Purchases of funds into time deposits	(80)	(90)
Proceeds from withdrawal of time deposits	60	80
Purchases of marketable securities	(99)	(99)
Proceeds from redemption of marketable securities	883	499
Purchases of investment in securities	(103)	(566)
Proceeds from the sale or redemption of investment in securities	0	126
Purchases of tangible fixed assets	(909)	(1,329)
Proceeds from sales of tangible fixed assets	208	—
Purchases of intangible assets	(333)	(189)
Provision of loans	(177)	—
Proceeds from collection of loans	46	—
Expenditures for long-term prepaid expenses acquired	(3,244)	(463)
Other – net	—	24
Net cash used in investing activities	(3,749)	(2,008)
Cash flows from financing activities		
Proceeds from long-term debt	(54)	—
Dividends paid	(1,153)	(1,225)
Purchase of treasury stock	(27)	(35)
Other – net	(0)	(39)
Net cash used in financing activities	(1,236)	(1,300)
Effect of exchange rate changes on cash and cash equivalents	(139)	(350)
Net increase (decrease) in cash and cash equivalents	(2,297)	(3,960)
Cash and cash equivalents at beginning of quarter	15,446	19,447
Cash and cash equivalents at end of quarter	¥13,149	¥15,487