

Outline of Consolidated Financial Results for the Year Ended March 31, 2011

May 12, 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 annual general meeting of shareholders: June 29, 2011
 Scheduled start of payment: June 30, 2011
 Scheduled date for submission of Securities Report: June 30, 2011
 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 Year Ended March 31, 2011 (April 1, 2010 to March 31, 2011)

	(¥ million)							
	Net sales		Operating income		Ordinary income		Net income	
Year ended March 31, 2011	63,525	0.9%	5,181	(19.8%)	5,477	(19.3%)	3,958	(3.4%)
Year ended March 31, 2010	62,932	(0.2%)	6,461	(14.4%)	6,786	(15.6%)	4,096	(9.0%)

Note: Comprehensive income
 As of March 31, 2011: ¥2,649 million (49.8%) As of March 31, 2010: ¥5,275 million (—%)

	Net income per share (¥)		Return on equity	Ordinary income to total assets	Operating income to net sales
	Basic	Diluted			
Year ended March 31, 2011	58.62	—	4.9%	5.3%	8.2%
Year ended March 31, 2010	60.63	—	5.2	6.7	10.3

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 March 31, 2011	102,737	81,692	79.3%	1,207.43
As of March 31, 2010	103,575	80,370	77.4	1,187.42

Note: Owners' equity
 As of March 31, 2011: ¥81,515 million As of March 31, 2010: ¥80,205 million

(3) Cash flows (¥ million)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
As of March 31, 2011	3,233	(2,844)	(1,393)	18,142
As of March 31, 2010	9,225	(3,648)	(1,318)	19,447

2. Dividends

	Annual dividends per share (¥)			Total dividends (full term) (¥ million)	Payout ratio (consolidated)	Dividends as a percentage of net assets (consolidated)
	Interim	Year-end	Annual			
Year ended March 31, 2010	¥9.00	¥10.00	¥19.00	1,283	31.3%	1.6%
Year ended March 31, 2011	9.00	10.00	19.00	1,282	32.4%	1.6%
Year ending March 31, 2012 (forecast)	9.00	10.00	19.00	—	35.6	—

3. Business Forecast for the Year Ending March 31, 2012 (April 1, 2011 to March 31, 2012)

	(¥ million)								
	Net sales		Operating income		Ordinary income		Net income		Net income per share (¥)
First-half period	31,900	4.9%	2,500	12.1%	2,700	11.5%	1,700	17.2%	25.18
Full term	66,500	4.7	5,500	6.2	5,800	5.9	3,600	(9.1)	53.32

Note: Percentage figures represent year-on-year comparisons.

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) Changes in significant accounting policies

Changes in accounting standards: Applicable

Changes other than above: None

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

As of March 31, 2011: 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 March 31, 2011: 2,740,568 shares As of March 31, 2010: 2,705,042 shares

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

As of March 31, 2011: 67,529,182 shares As of March 31, 2010: 67,558,131 shares

This summary of financial results is exempt from the audit procedures under the Financial Instruments and Exchange Act. At the time of disclosure, published figures in this financial release have not been completed to an audit 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 Statements

(1) Consolidated Balance Sheet

(¥ million)

	As of March 31, 2010	As of March 31, 2011
Assets		
Current assets:		
Cash and deposits	¥11,028	¥11,424
Notes and accounts receivable	24,817	27,573
Marketable securities	9,095	7,009
Merchandise and products	6,263	6,908
Partially finished products	717	1,029
Work in process	319	362
Materials and supplies	3,565	3,248
Deferred tax assets	1,631	1,518
Other current assets	2,035	1,675
Allowance for doubtful accounts	(0)	(0)
Total current assets	59,474	60,749
Fixed assets:		
Tangible fixed assets:		
Buildings and structures	25,923	26,076
Accumulated depreciation	(17,251)	(17,852)
Buildings and structures (net)	8,672	8,224
Machinery, equipment and vehicles	12,384	12,148
Accumulated depreciation	(10,580)	(10,683)
Machinery, equipment and vehicles (net)	1,804	1,465
Tools, furniture and fixtures	9,105	9,263
Accumulated depreciation	(8,138)	(8,452)
Tools, furniture and fixtures (net)	967	811
Land	8,160	8,118
Construction in progress	230	203
Total tangible fixed assets	19,834	18,823
Intangible fixed assets	644	672
Investments and other assets:		
Investment securities	12,764	11,002
Deferred tax assets	56	450
Long-term prepaid expenses	8,615	8,866
Other	2,222	2,210
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	23,622	22,492
Total fixed assets	44,101	41,988
Total assets	¥103,575	¥102,737

(¥ million)

	As of March 31, 2010	As of March 31, 2011
Liabilities		
Current liabilities:		
Notes and accounts payable	¥4,691	¥5,297
Accrued liabilities	3,519	2,805
Accrued expenses	967	1,025
Income taxes payable	1,283	598
Consumption taxes payable	300	329
Reserve for bonuses	2,362	2,319
Reserve for sales returns	25	—
Other current liabilities	1,047	527
Total current liabilities	14,197	12,902
Long-term liabilities:		
Deferred tax liability	406	0
Reserve for retirement benefits	8,230	7,718
Other long-term liabilities	371	423
Total long-term liabilities	9,007	8,142
Total liabilities	23,205	21,044
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,444	4,444
Retained earnings	68,433	71,108
Treasury stock	(2,018)	(2,058)
Total shareholders' equity	76,033	78,669
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	4,194	2,880
Deferred gain on derivatives under hedge accounting	2	2
Foreign currency translation adjustments	(25)	(36)
Total accumulated other comprehensive income	4,172	2,845
Minority interests	164	177
Total net assets	80,370	81,692
Total liabilities and net assets	¥103,575	¥102,737

(2) Consolidated Statements of Income

(¥ million)

	Year ended March 31, 2010	Year ended March 31, 2011
Net sales	¥ 62,932	¥63,525
Cost of sales	29,018	30,218
Gross profit	33,914	33,307
Reversal of reserve for sales returns	23	25
Balance of gross profit	33,937	33,332
Selling, general and administrative expenses:		
Salaries and benefits	7,377	7,550
Provision for bonuses	1,518	1,485
Provision for retirement benefits	1,114	1,045
Depreciation	385	375
R&D expenses	8,440	8,967
Sales promotion expenses	1,236	1,254
Other	7,404	7,472
Total general, selling, and administrative expenses	27,475	28,151
Operating income	6,461	5,181
Non-operating income:		
Interest income	98	41
Dividend received	210	325
Rent income	339	366
Compensation income	59	99
Gain on sales of marketable securities	208	101
Other	164	205
Total non-operating income	1,080	1,140
Non-operating expenses:		
Interest expenses	10	9
Donation	200	270
Foreign exchange loss	181	277
Loss on disposal of fixed assets	40	21
Rent expenses	105	108
Other	217	156
Total non-operating expenses	755	844
Ordinary income	6,786	5,477
Extraordinary profit		
Gain on prior periods 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 before income taxes and minority interests	6,993	5,935
Income taxes – current	2,601	1,859
Income taxes for prior periods	350	—
Income taxes – deferred	(68)	99
Total income taxes	2,883	1,959
Income before minority interests	—	3,975
Minority net income	13	17
Net income	¥4,096	¥3,958

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Year ended March 31, 2010	Year ended March 31, 2011
Income before minority interests	—	¥3,975
Other comprehensive income		
Unrealized gain on available-for-sale securities	—	(1,314)
Deferred gain on derivatives under hedge accounting	—	(0)
Foreign currency translation adjustments	—	(11)
Total other comprehensive income	—	(1,326)
Comprehensive income	—	2,649
(Item)		
Comprehensive income attributable to owners of the parent	—	2,631
Comprehensive income attributable to minority interests	—	¥17

(3) Consolidated Statements of Changes in Net Assets

(¥ million)

	Year ended March 31, 2010	Year ended March 31, 2011
Shareholder's equity		
Common stock		
Balance at end of previous period	¥5,174	¥5,174
Changes of items during the period		
Total changes of items during the period	—	—
Balance at end of current period	5,174	5,174
Capital surplus		
Balance at end of previous period	4,444	4,444
Changes of items during the period		
Disposal of treasury stock	—	0
Total changes of items during the period	—	0
Balance at end of current period	4,444	4,444
Retained earnings		
Balance at end of previous period	65,553	68,433
Changes of items during the period		
Dividends from surplus	(1,216)	(1,283)
Net income	4,096	3,958
Total changes of items during the period	2,880	2,675
Balance at end of current period	68,433	71,108
Treasury stock		
Balance at end of previous period	(1,985)	(2,018)
Changes of items during the period		
Purchase of treasury stock	(33)	(40)
Disposal of treasury stock	—	0
Total changes of items during the period	(33)	(39)
Balance at end of current period	(2,018)	(2,058)
Total owners' equity		
Balance at end of previous period	73,186	76,033
Changes of items during the period		
Dividends from surplus	(1,216)	(1,283)
Net income	4,096	3,958
Purchase of treasury stock	(33)	(40)
Disposal of treasury stock	—	1
Total changes of items during the period	2,847	2,635
Balance at end of current period	¥76,033	¥78,669

(¥ million)

	Year ended March 31, 2010	Year ended March 31, 2011
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities		
Balance at end of previous period	¥3,032	¥4,194
Changes of items during the period		
Net changes in items other than shareholders' equity	1,162	(1,314)
Total changes of items during the period	1,162	(1,314)
Balance at end of current period	4,194	2,880
Deferred gain (loss) on derivatives under hedge accounting		
Balance at end of previous period	0	2
Changes of items during the period		
Net changes in items other than shareholders' equity	2	(0)
Total changes of items during the period	2	(0)
Balance at end of current period	2	2
Foreign currency translation adjustments		
Balance at end of previous period	(26)	(25)
Changes of items during the period		
Net changes in items other than shareholders' equity	1	(11)
Total changes of items during the period	1	(11)
Balance at end of current period	(25)	(36)
Accumulated other comprehensive income		
Balance at end of previous period	3,006	4,172
Changes of items during the period		
Net changes in items other than shareholders' equity	1,166	(1,326)
Total changes of items during the period	1,166	(1,326)
Balance at end of current period	4,172	2,845
Minority interests		
Balance at end of previous period	151	164
Changes of items during the period		
Net changes in items other than shareholders' equity	12	13
Total changes of items during the period	12	13
Balance at end of current period	164	177
Total net assets		
Balance at end of previous period	76,344	80,370
Changes of items during the period		
Dividends from surplus	(1,216)	(1,283)
Net income	4,096	3,958
Purchase of treasury stock	(33)	(40)
Disposal of treasury stock	–	1
Net changes in items other than shareholders' equity	1,179	(1,313)
Total changes of items during the period	4,026	1,322
Balance at end of current period	¥80,370	¥81,692

(4) Consolidated Statements of Cash Flows

(¥ million)

	Year ended March 31, 2010	Year ended March 31, 2011
Cash flows from operating activities		
Income before income taxes and minority interests	¥6,993	¥5,935
Depreciation and amortization	3,078	3,116
Increase (decrease) in reserve for retirement benefits	220	(511)
Increase (decrease) in other reserves	(141)	(68)
Interest and dividend income	(308)	(367)
Interest expenses	10	9
Loss (gain) on sales of marketable securities	(208)	(101)
Loss (gain) on sales of tangible fixed assets	(206)	—
Loss (gain) on disposal of fixed assets	40	21
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	133
Decrease (increase) in notes and accounts receivable	2,815	(2,756)
Decrease (increase) in inventories	(34)	(682)
Decrease (increase) in other current assets	(959)	493
Increase (decrease) in notes and accounts payable	258	606
Increase (decrease) in consumption taxes payable	(45)	28
Increase (decrease) in other current liabilities	472	(442)
Foreign exchange loss (gain)	258	290
Other – net	(72)	(308)
Subtotal	12,170	5,397
Interest and dividends received	304	366
Interest paid	(10)	(9)
Income taxes paid	(3,240)	(2,520)
Net cash provided by operating activities	9,225	3,233
Cash flows from investing activities		
Purchases of funds into time deposits	(100)	(84)
Proceeds from withdrawal of time deposits	60	92
Purchases of marketable securities	(99)	(139)
Proceeds from redemption of marketable securities	1,083	619
Purchases of investment in securities	(104)	(568)
Proceeds from the sale or redemption of investment in securities	211	126
Purchases of tangible fixed assets	(1,090)	(1,588)
Proceeds from sales of tangible fixed assets	215	6
Purchases of intangible assets	(455)	(298)
Expenditures for long-term prepaid expenses acquired	(3,244)	(1,047)
Other – net	(123)	37
Net cash used in investing activities	(3,648)	(2,844)
Cash flows from financing activities		
Dividends paid	(1,214)	(1,281)
Purchase of treasury stock	(33)	(40)
Other – net	(70)	(71)
Net cash used in financing activities	(1,318)	(1,393)
Effect of exchange rate changes on cash and cash equivalents	(257)	(301)
Net increase (decrease) in cash and cash equivalents	4,001	(1,305)
Cash and cash equivalents at beginning of year	15,446	19,447
Cash and cash equivalents at end of year	¥19,447	¥18,142