

Outline of Consolidated Financial Results for the Second Quarter Ended September 30, 2012

November 6, 2012

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 8, 2012
 Scheduled start of payment: December 7, 2012
 Supplementary material: Yes
 Financial result meeting: Yes (for institutional investors and securities analysts on conference call)

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

1. Consolidated Results for the Second Quarter Ended September 30, 2012 (April 1 to September 30, 2012)

(1) Operating results

(¥ million)

	Net sales		Operating income		Ordinary income		Net income for quarter	
Second quarter ended September 30, 2012	33,143	3.0%	3,070	2.0%	3,317	5.9%	2,093	4.0%
Second quarter ended September 30, 2011	32,173	5.8%	3,011	35.0%	3,133	29.4%	2,012	38.8%

Note: Comprehensive income

As of September 30, 2012: ¥1,491million (5.8%) As of September 30, 2011: ¥ 1,584 million 626.9%

	Net income per share (¥)	
	Basic	Diluted
Second quarter ended September 30, 2012	31.02	—
Second quarter ended September 30, 2011	29.81	—

Note: Percentage figures for net sales, operating income, ordinary income and net income represent year-on-year comparisons.

(2) Financial position

(¥ million)

	Total assets	Net assets	Equity ratio	Net assets per share (¥)
As of September 30, 2012	107,453	85,370	79.3%	1,262.11
As of March 31, 2012	106,304	84,566	79.4%	1,250.11

Note: Owners' equity

As of September 30, 2012: ¥85,175 million As of March 31, 2012: ¥84,374 million

2. Dividends

	Cash dividends per share (¥)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2012	—	¥9.00	—	¥10.00	¥19.00
Year ending March 31, 2013	—	¥10.00	—	—	—
Year ending March 31, 2013 (forecast)	—	—	—	¥11.00	¥21.00

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

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 (¥)
Full term	69,400	3.1%	6,600	9.8%	6,800	9.8%	4,300	15.7%	63.72

Notes: 1. Percentage figures represent the percentage of increase or decrease against the same period of the previous year.

2. 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 special accounting methods for preparation of quarterly financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatement

1. Changes in accounting policies arising from revision of accounting standards: Yes

2. Changes in arising from other factors: None

3. Changes in accounting estimates: Yes

4. Restatement: None

(4) Number of shares outstanding (ordinary shares)

Number of shares outstanding (including treasury stock)

As of September 30, 2012: 70,251,484 shares

As of March 31, 2012: 70,251,484 shares

Number of shares of treasury stock

As of September 30, 2012: 2,765,354 shares

As of March 31, 2012: 2,757,573 shares

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

As of September 30, 2012: 67,490,257 shares

As of September 30, 2011: 67,506,738 shares

Note:

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.

This financial release contains certain statements about the future, which are based on information available to and deemed reasonable by Nippon Shinyaku at the time of announcement, and which do not constitute commitments made by Nippon Shinyaku.

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, 2012	As of 2 nd quarter ended September 30, 2012
Assets		
Current assets:		
Cash and deposits	¥12,387	¥13,883
Notes and accounts receivable	31,988	30,150
Marketable securities	7,599	8,949
Merchandise and products	6,843	7,567
Partially finished products	1,247	1,477
Work in process	189	274
Materials and supplies	3,644	3,540
Deferred tax assets	1,635	1,469
Other current assets	796	1,310
Allowance for doubtful accounts	(0)	(0)
Total current assets	66,333	68,623
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (net)	7,629	7,490
Land	8,030	8,030
Other (net)	2,175	2,053
Total tangible fixed assets	17,835	17,574
Intangible fixed assets	566	621
Investments and other assets:		
Investment securities	11,170	10,294
Deferred tax assets	199	500
Long-term prepaid expenses	8,111	7,778
Other	2,123	2,082
Allowance for doubtful accounts	(37)	(23)
Total investments and other assets	21,568	20,633
Total fixed assets	39,971	38,829
Total assets	¥106,304	¥107,453

(¥ million)

	As of previous consolidated fiscal year ended March 31, 2012	As of 2 nd quarter ended September 30, 2012
Liabilities		
Current liabilities:		
Notes and accounts payable	¥5,019	¥6,117
Accrued liabilities	3,104	2,840
Income taxes payable	1,294	1,092
Reserve for bonuses	2,366	2,318
Other current liabilities	2,177	1,911
Total current liabilities	13,961	14,280
Long-term liabilities:		
Deferred tax liability	0	0
Reserve for retirement benefits	7,357	7,401
Other long-term liabilities	418	401
Total long-term liabilities	7,776	7,802
Total liabilities	21,738	22,083
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	73,541	74,959
Treasury stock	(2,075)	(2,083)
Total shareholders' equity	81,085	82,496
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	3,328	2,717
Deferred gain on derivatives under hedge accounting	1	(0)
Foreign currency translation adjustments	(41)	(39)
Total accumulated other comprehensive income	3,289	2,678
Minority interests	191	194
Total net assets	84,566	85,370
Total liabilities and net assets	¥106,304	¥107,453

(2) Consolidated Statements of Income for the Quarter
(Total for the consolidated period ended September 30, 2012)

(¥ million)

	2 nd quarter ended September 30, 2011	2 nd quarter ended September 30, 2012
Net sales	¥32,173	¥33,143
Cost of sales	15,440	16,548
Gross profit	16,733	16,595
Selling, general and administrative expenses:		
Salaries and benefits	3,089	3,063
Provision for bonuses	1,512	1,516
Sales promotion expenses	458	460
Provision for retirement benefits	532	527
Depreciation	184	162
R&D expenses	4,359	4,118
Other	3,584	3,674
Total general, selling, and administrative expenses	13,721	13,524
Operating income	3,011	3,070
Non-operating income:		
Interest income	14	13
Dividend received	146	145
Rent income	163	167
Other	79	109
Total non-operating income	403	436
Non-operating expenses:		
Interest expenses	4	4
Donation	100	51
Foreign exchange loss	17	6
Rent expenses	57	51
Other	101	75
Total non-operating expenses	281	189
Ordinary income	3,133	3,317
Income before income taxes and minority interests	3,133	3,317
Income taxes – current	1,020	1,083
Income taxes – deferred	89	131
Total income taxes	1,109	1,214
Income before minority interests	2,023	2,102
Minority net income	11	9
Net income	¥2,012	¥2,093

(Consolidated Statements of Comprehensive Income)
(Total for the consolidated period ended September 30, 2012)

(¥ million)

	2 nd quarter ended September 30, 2011	2 nd quarter ended September 30, 2012
Income before minority interests	¥2,023	¥2,102
Other comprehensive income		
Unrealized loss on available-for-sale securities	(431)	(610)
Deferred loss on derivatives under hedge accounting	(7)	(1)
Foreign currency translation adjustments	(0)	1
Total other comprehensive income	(439)	(610)
Comprehensive income	1,584	1,491
(Item)		
Comprehensive income attributable to owners of the parent	1,573	1,482
Comprehensive income attributable to minority interests	¥11	¥9

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

(¥ million)

	2 nd quarter ended September 30, 2011	2 nd quarter ended September 30, 2012
Cash flows from operating activities		
Income before income taxes and minority interests	¥3,133	¥3,317
Depreciation and amortization	1,430	1,361
Increase (decrease) in reserve for retirement benefits	(184)	43
Increase (decrease) in other reserves	(3)	(61)
Interest and dividend income	(160)	(158)
Interest expenses	4	4
Foreign exchange loss (gain)	102	70
Decrease (increase) in notes and accounts receivable	1,333	1,838
Decrease (increase) in inventories	(1,286)	(935)
Decrease (increase) in other current assets	(124)	(506)
Increase (decrease) in notes and accounts payable	1,190	1,098
Increase (decrease) in consumption taxes payable	(117)	(142)
Increase (decrease) in other current liabilities	(224)	(497)
Other – net	48	79
Subtotal	5,141	5,509
Interest and dividends received	161	158
Interest paid	(4)	(4)
Income taxes paid	(529)	(1,283)
Net cash provided by operating activities	4,768	4,380
Cash flows from investing activities		
Purchases of funds into time deposits	(42)	(42)
Proceeds from withdrawal of time deposits	30	30
Purchases of marketable securities	(20)	—
Proceeds from redemption of marketable securities	220	—
Purchases of investment in securities	(2)	(2)
Proceeds from the sale or redemption of investment in securities	100	2
Purchases of tangible fixed assets	(471)	(487)
Proceeds from sales of tangible fixed assets	20	0
Purchases of intangible assets	(110)	(137)
Expenditures for long-term prepaid expenses acquired	—	(152)
Other – net	34	18
Net cash used in investing activities	(241)	(770)
Cash flows from financing activities		
Dividends paid	(674)	(675)
Purchase of treasury stock	(9)	(8)
Other – net	(24)	(24)
Net cash used in financing activities	(708)	(708)
Effect of exchange rate changes on cash and cash equivalents	(102)	(68)
Net increase (decrease) in cash and cash equivalents	3,715	2,833
Cash and cash equivalents at beginning of year	18,142	19,665
Cash and cash equivalents at end of quarter	¥21,858	¥22,499