

Outline of Consolidated Financial Results for the Second Quarter Ended September 30, 2013

November 7, 2013

Name of the listed company: **NIPPON SHINYAKU CO., LTD.** Listing stock exchange: Tokyo
 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 11, 2013
 Scheduled start of payment: December 6, 2013
 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, 2013 (April 1 to September 30, 2013)

(1) Operating results									(¥ million)
	Net sales		Operating income		Ordinary income		Net income for quarter		
Second quarter ended September 30, 2013	35,593	7.4%	3,106	1.2%	3,220	(2.9%)	2,145	2.5%	
Second quarter ended September 30, 2012	33,143	3.0%	3,070	2.0%	3,317	5.9%	2,093	4.0%	
Note: Comprehensive income	As of September 30, 2013: ¥2,523 million 69.1%				As of September 30, 2012: ¥1,491 million (5.8%)				
	Net income per share (¥)								
	Basic	Diluted							
Second quarter ended September 30, 2013	31.81	—							
Second quarter ended September 30, 2012	31.02	—							

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

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share (¥)	(¥ million)
As of September 30, 2013	113,576	91,273	80.2%	1,350.04	
As of March 31, 2013	113,730	89,529	78.5%	1,323.87	
Note: Owners' equity	As of September 30, 2013: ¥91,069 million		As of March 31, 2013: ¥89,330 million		

2. Dividends

	Cash dividends per share (¥)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
Year ended March 31, 2013	—	¥10.00	—	¥11.00	¥21.00
Year ending March 31, 2014	—	¥11.00	—	—	—
Year ending March 31, 2014 (forecast)	—	—	—	¥12.00	¥23.00

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

3. Business Forecast for the Year Ending March 31, 2014 (April 1, 2013 to March 31, 2014)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (¥)	(¥ million)
Full term	75,300	7.7%	7,600	10.1%	7,900	9.6%	5,400	16.2%	80.05	

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: Yes.

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: None

2. Changes in arising from other factors: None

3. Changes in accounting estimates: None

4. Restatement: None

(4) Number of shares outstanding (ordinary shares)

Number of shares outstanding (including treasury stock)

As of September 30, 2013: 70,251,484 shares

As of March 31, 2013: 70,251,484 shares

Number of shares of treasury stock

As of September 30, 2013: 2,794,535 shares

As of March 31, 2013: 2,774,507 shares

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

As of September 30, 2013: 67,466,714 shares

As of September 30, 2012: 67,490,257 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, 2013	As of 2 nd quarter ended September 30, 2013
Assets		
Current assets:		
Cash and deposits	¥11,787	¥11,160
Notes and accounts receivable	34,266	29,041
Marketable securities	8,499	12,399
Merchandise and products	8,019	9,086
Partially finished products	1,686	1,659
Work in process	155	169
Materials and supplies	3,404	3,183
Deferred tax assets	1,637	1,502
Other current assets	1,474	1,904
Allowance for doubtful accounts	(0)	(0)
Total current assets	70,932	70,107
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (net)	7,322	6,898
Land	7,888	7,433
Other (net)	1,927	1,718
Total tangible fixed assets	17,138	16,049
Intangible fixed assets	667	586
Investments and other assets:		
Investment securities	13,873	14,987
Deferred tax assets	62	60
Long-term prepaid expenses	8,829	8,592
Other	2,230	3,195
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	24,992	26,832
Total fixed assets	42,798	43,468
Total assets	¥113,730	¥113,576

(¥ million)

	As of previous consolidated fiscal year ended March 31, 2013	As of 2 nd quarter ended September 30, 2013
Liabilities		
Current liabilities:		
Notes and accounts payable	¥5,028	¥6,007
Accrued liabilities	4,492	2,888
Income taxes payable	1,665	926
Reserve for bonuses	2,364	2,364
Other current liabilities	2,126	1,674
Total current liabilities	15,677	13,862
Long-term liabilities:		
Deferred tax liability	715	944
Reserve for retirement benefits	7,418	7,119
Other long-term liabilities	389	376
Total long-term liabilities	8,523	8,440
Total liabilities	24,201	22,302
Net assets		
Shareholders' equity:		
Common stock	5,174	5,174
Capital surplus	4,445	4,445
Retained earnings	76,839	78,243
Treasury stock	(2,092)	(2,125)
Total shareholders' equity	84,366	85,736
Accumulated other comprehensive income:		
Unrealized gain or loss on available-for-sale securities	4,989	5,345
Deferred gain or loss on derivatives under hedge accounting	4	0
Foreign currency translation adjustments	(30)	(14)
Total accumulated other comprehensive income	4,964	5,332
Minority interests	198	204
Total net assets	89,529	91,273
Total liabilities and net assets	¥113,730	¥113,576

(2) Consolidated Statements of Income for the Quarter
(Total for the consolidated period ended September 30, 2013)

(¥ million)

	2 nd quarter ended September 30, 2012	2 nd quarter ended September 30, 2013
Net sales	¥33,143	¥35,593
Cost of sales	16,548	18,268
Gross profit	16,595	17,324
Selling, general and administrative expenses:		
Salaries and benefits	3,063	3,100
Provision for bonuses	1,516	1,561
Sales promotion expenses	460	517
Provision for retirement benefits	527	490
Depreciation	162	184
R&D expenses	4,118	4,532
Other	3,674	3,831
Total general, selling, and administrative expenses	13,524	14,218
Operating income	3,070	3,106
Non-operating income:		
Interest income	13	11
Dividend received	145	157
Rent income	167	186
Other	109	46
Total non-operating income	436	402
Non-operating expenses:		
Interest expenses	4	2
Donation	51	118
Foreign exchange loss	6	24
Rent expenses	51	54
Other	75	87
Total non-operating expenses	189	287
Ordinary income	3,317	3,220
Income before income taxes and minority interests	3,317	3,220
Income taxes – current	1,083	854
Income taxes – deferred	131	211
Total income taxes	1,214	1,065
Income before minority interests	2,102	2,155
Minority net income	9	9
Net income	¥2,093	¥2,145

(Consolidated Statements of Comprehensive Income)
(Total for the consolidated period ended September 30, 2013)

(¥ million)

	2 nd quarter ended September 30, 2012	2 nd quarter ended September 30, 2013
Income before minority interests	¥2,102	¥2,155
Other comprehensive income		
Unrealized gain or loss on available-for-sale securities	(610)	356
Deferred gain or loss on derivatives under hedge accounting	(1)	(4)
Foreign currency translation adjustments	1	16
Total other comprehensive income	(610)	368
Comprehensive income	1,491	2,523
(Item)		
Comprehensive income attributable to owners of the parent	1,482	2,514
Comprehensive income attributable to minority interests	¥ 9	¥ 9

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

(¥ million)

	2 nd quarter ended September 30, 2012	2 nd quarter ended September 30, 2013
Cash flows from operating activities		
Income before income taxes and minority interests	¥3,317	¥3,220
Depreciation and amortization	1,361	1,261
Increase (decrease) in reserve for retirement benefits	43	(299)
Increase (decrease) in other reserves	(61)	(0)
Interest and dividend income	(158)	(169)
Interest expenses	4	2
Foreign exchange loss (gain)	70	(51)
Decrease (increase) in notes and accounts receivable	1,838	5,224
Decrease (increase) in inventories	(935)	(832)
Decrease (increase) in other current assets	(506)	(401)
Increase (decrease) in notes and accounts payable	1,098	979
Increase (decrease) in consumption taxes payable	(142)	(135)
Increase (decrease) in other current liabilities	(497)	(1,055)
Other – net	79	51
Subtotal	5,509	7,794
Interest and dividends received	158	169
Interest paid	(4)	(2)
Income taxes paid	(1,283)	(1,597)
Net cash provided by operating activities	4,380	6,364
Cash flows from investing activities		
Purchases of funds into time deposits	(42)	(142)
Proceeds from withdrawal of time deposits	30	30
Purchases of investment in securities	(2)	(601)
Proceeds from the sale or redemption of investment in securities	2	—
Purchases of tangible fixed assets	(487)	(478)
Purchases of intangible assets	(137)	(77)
Expenditures for long-term prepaid expenses acquired	(152)	(1,243)
Other – net	18	44
Net cash used in investing activities	(770)	(2,468)
Cash flows from financing activities		
Dividends paid	(675)	(742)
Purchase of treasury stock	(8)	(33)
Other – net	(24)	(25)
Net cash used in financing activities	(708)	(801)
Effect of exchange rate changes on cash and cash equivalents	(68)	67
Net increase (decrease) in cash and cash equivalents	2,833	3,161
Cash and cash equivalents at beginning of year	19,665	20,044
Cash and cash equivalents at end of quarter	¥22,499	¥23,206