Matters Available on the Website Relation to Notice of Convocation of the 193rd Annual Shareholders' Meeting

・ Notes to Consolidated Financial Statements

・ Notes to Financial Statements

The above information are posted on the Company's website at (http://www.ds-pharma.co.jp/) pursuant to relevant laws and regulations, and Article 16 of the Articles of Incorporation of the Company.

Dainippon Sumitomo Pharma Co., Ltd.

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies for consolidated financial statements

(1) Scope of consolidation

Number of consolidated subsidiaries: 15 companies

Names of the major consolidated subsidiaries

DSP Gokyo Food &Chemical Co., Ltd., DS Pharma Animal Health Co., Ltd., DS Pharma Biomedical Co., Ltd., Sunovion Pharmaceuticals Inc., Boston Biomedical, Inc. and Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.

As a result of the acquisition of BBI and SRD, they are newly consolidated.

8 non-consolidated subsidiaries have been excluded from the scope of consolidation as they are small sized companies where their exclusion would not have a material impact on our consolidated financial statements.

(2) Application of the equity method

8 non-consolidated subsidiaries and 5 affiliated companies have been excluded from the scope of the application of the equity method as their exclusion does not have a material impact on our consolidated financial statements.

(3) Fiscal year end of consolidated subsidiaries

There are 12 consolidated overseas subsidiaries. The fiscal year ends of the 12 companies are December 31. The Company uses the consolidated subsidiaries' financial statements as of December 31 to prepare the consolidated financial statements. For significant transactions which have occurred during the period between the fiscal year ends of the consolidated subsidiaries and March 31, necessary adjustments have been made for the consolidated financial statements.

(4) Significant accounting policies

① Valuation of significant assets

(i) Marketable and investment securities

Available-for-sale securities

With market values	Market value method, based on the market price as of the last day of the consolidated fiscal period (All valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated using the moving-average method.)
Without market values	Moving-average cost method

(ii) Inventories

Inventories held for sale in the regular course of business

Weighted average cost method (Book values are calculated using the lower of cost or market principle.)

Certain consolidated subsidiaries use the FIFO (first-in, first-out) costing method (Book values are calculated using the lower of cost or market principle).

② Depreciation and amortization of capital assets

(i) Property, plant and equipment (excluding leased assets)

Straight-line method

The estimated useful life of each asset is as follows:

Buildings and structures	3 to 60 years
Machinery, equipment and carriers:	2 to 17 years

(ii) Intangible assets (excluding lease assets)

Straight-line method

The estimated useful life of each asset is based on usable period

(iii) Leased assets

Leased assets relate to finance lease transactions that do not transfer ownership

The straight-line method is used where the lease period is taken as the useful life and the residual value is zero.

Finance lease transactions which do not transfer ownership, which started on or before March 31, 2008, are accounted for in the same manner as ordinary operating lease transactions.

③ Accounting for significant allowances/reserves

(i) Allowance for doubtful receivables

In order to provide for losses arising from uncollectable receivables and other bad debts, we review the loan loss ratio of general claims and collectability on an individual basis of particular loans, such as those with a higher probability of default, and accrue provisions for the amounts that we estimate will be uncollectible.

(ii) Reserve for bonuses

In order to provide for the payment of employee bonuses, the amounts that we estimate will be paid are accrued.

(iii) Reserve for sales returns

A reserve is accrued for profits from expected sales returns. In certain consolidated subsidiaries, a reserve is accrued for losses from expected sales returns.

(iv) Reserve for sales rebates

A reserve for sales rebates is accrued in order to provide for the disbursement of sales rebates for public programs, wholesalers, and other contracts.

(v) Liability for retirement benefits

In order to provide for the retirement benefits of employees, amounts are accrued based on the projected benefit obligations and estimated value of pension assets as of the end of the consolidated fiscal year.

Unrecognized prior service costs are treated as an expense and recognized using the straight-line method, based on the average number of remaining service years of employees when incurred (fifteen years).

Unrecognized actuarial gains and losses are treated as an expense and recognized from the following consolidated fiscal year using the straight-line method based on the average number of remaining service years of employees when incurred (fifteen years).

④ Standards applicable to the conversion of material foreign currency-denominated assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate on the last day of the consolidated fiscal year. Any foreign exchange gain or loss resulting from translation is charged to income.

Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate in effect at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the period into yen. Differences arising from translations are recognized as foreign currency translation adjustment in net asset section.

⑤ Significant hedge accounting method

(i) Hedge accounting

The DSP Group uses the deferred hedge accounting method. Foreign exchange forward contracts are accounted for by recognizing gains and losses on foreign monetary rights or obligations, preset prices, when the contracts conditions are satisfied.

(ii) Hedging instruments and hedged items

Hedging instruments

Foreign exchange forward contracts

Hedged items

Monetary assets and liabilities denominated in foreign currencies and monetary assets and liabilities specifically related to anticipated transactions, denominated in foreign currencies, which are covered by an agreement.

(iii) Hedge policy

Foreign exchange forward contract are conducted pursuant to internal rules and regulations in order to hedge foreign currency risks.

(iv) Method of evaluating the effectiveness of hedges

The effectiveness has been evaluated by comparing the accumulated changes in market value of hedged items with the accumulated changes in market value of hedging instruments. With regard to foreign exchange forward contracts, the effectiveness of such contracts has not been evaluated as important conditions for hedged items and hedging instruments are the same.

⑥ Amortization of goodwill

Goodwill has been amortized on a straight-line basis over a period of 20 years.

⑦ Other significant accounting policies for consolidated financial statements

Accounting for consumption taxes

All financial statement items are net of consumption taxes.

2. Notes to the changes to accounting policies

(Changes to accounting policies in cases where it is difficult to distinguish between a change in an accounting policy and a change in an accounting estimate)

The Company and its consolidated subsidiaries in Japan traditionally applied the declining-balance method to the depreciation of tangible fixed assets other than buildings. But since the sales of products sold globally are expected to expand outside Japan, we have decided to apply, during the current consolidated fiscal year, the straight-line method of depreciation to the Company and its consolidated subsidiaries in Japan in order to be more consonant with the depreciation methods adopted at our increasingly important consolidated subsidiaries outside Japan.

The change of depreciation method resulted in a 1,693 million yen lower depreciation in the year ended March 31, 2013 than in the case had the declining-balance method been continued. Operating income, ordinary income, and income before income taxes and minority interests in the year ended March 31, 2013 are 1,185 million yen greater respectively.

3. Accounting standards that have not been applied yet

“Accounting Standard for Retirement Benefits” (Accounting Standards No. 26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (Application Guidelines for Accounting Standards No. 25 of May 17, 2012)

(1) Summary

The present accounting standards are the revised standards, after taking into consideration the standpoint of improving financial reporting and international trends, focusing on the treatment method of unrecognized actuarial differences and unrecognized prior service costs, calculation method of projected benefit obligations and service costs, and the enhancement of disclosures.

(2) Scheduled date of application

The application is scheduled for implementation from the end of the fiscal year in March 31, 2014. However, as for the revision of the calculation method of projected benefit obligations and service costs, the application is scheduled for implementation from the beginning of the fiscal year ending March 31, 2015.

(3) Impact of the application of the relevant accounting standards

The impact on the financial statements is under evaluation at the time of preparing the current consolidated financial statements.

4. Change of the indication method

(Consolidated balance sheet)

As for "In-process research and development" that was included in "Other" of "Intangible assets," in the previous fiscal year, because it has exceeded five-hundredths of the total amount of assets, we have disclosed it as a separate line item from the current consolidated fiscal year. In addition, because "Deferred tax liabilities" that were included in "Other" of "Long-term liabilities" in the previous fiscal year have exceeded one-hundredths of the total amount of liabilities and net assets, we have disclosed it as a separate line item from the current consolidated fiscal year. To conform with the current year's presentation, certain comparative amounts have been reclassified., In the consolidated balance sheet for the previous consolidated fiscal year, 10,871 million yen indicated in "Other" of "Intangible assets" has been reclassified as 5,659 million yen in "In-process research and development" and 5,211 million yen in "Other." In addition, 5,427 million yen indicated in "Other" of "Long-term liabilities" has been reclassified as 330 million yen of "Deferred tax liabilities" and 5,097 million yen of "Other."

5. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

Investment securities amounting 48 million yen has been pledged as collateral for 102 million yen of accounts payable.

In addition, cash and time deposit (time deposit) amounting 281 million yen has been pledged as collateral for letter of credit issued by bank.

(2) Accumulated depreciation of tangible fixed assets 144,153 million yen

Accumulated depreciation of tangible fixed assets is included in accumulated impairment losses.

(3) Liabilities on guarantees

Debt guarantees covering amounts borrowed by affiliated companies from financial institutions have been extended as follows:

Sanno Foods Co., Ltd.	263 million yen
Others	136 million yen

6. Notes to the Consolidated Statement of Changes in Net Assets

(1) Type and total number of issued shares as of the end of the current consolidated fiscal year

Common Stock	397,900,154 shares

(2) Dividends

① Dividend payment amounts

Resolution	Type of share	Total dividend amount	Dividend amount per share	Declaration date	Effective date of distribution
June 22, 2012 Annual shareholders' Meeting	Common Stock	3,575 million yen	9.00 yen	March 31, 2012	June 25, 2012
October 31, 2012 Meeting of the Board of Directors	Common Stock	3,575 million yen	9.00 yen	September 30, 2012	December 3, 2012

② Dividends for which the declaration date belongs to the current consolidated fiscal year and for which the effective date of distribution falls in the following consolidated fiscal year

Resolution schedule	Type of share	Total dividend amount	Source of Funds for dividend distribution	Dividend amount per share	Declaration date	Effective date of distribution
June 21, 2013 Annual shareholders' Meeting	Common Stock	3,575 million yen	Retained earnings	9.00 yen	March 31, 2013	June 24, 2013

7. Notes to financial instruments

(1) Matters pertaining to financial instruments

① Policies for using financial instruments

The Group procures funds by bank loans and issuance of corporate bonds that are required for investment plans and other purposes in order to carry out business inside and outside of Japan. Temporary surplus funds are to be invested only in safe financial instruments, for which there is a low probability for losses of invested capital. Derivative transactions are used only to avoid risk as described below, and speculative transactions are not taken.

② Details of financial instruments and risks, policies and processes for risk management

In order to reduce the credit risks of notes and accounts receivable associated with customers, due dates and amounts outstanding are managed for each customer in accordance with the standards pertaining to the management of loans as determined by each group company. In addition, a system to regularly obtain and review the credit standing of major clients has been adopted.

Marketable securities and investment securities consist primarily of negotiable certificates for deposit and shares. These investments are exposed to risks associated with changes in market prices. The market values of the securities and the financial standing of the issuers of these investments are regularly monitored. The shareholding status is also reviewed continuously, and relationships with the client companies are taken into account.

Operating payables such as notes and trade accounts payable, and other accounts payable are all due within one year. As some of these payables consist of notes and accounts payable that are denominated in foreign currencies due to the import of raw materials, they are also exposed to the risks of fluctuations in exchange rates. When significant, these risks are hedged using foreign exchange forward contracts.

Loans payable and corporate bonds are instruments that are primarily used for the purpose of procuring funds in accordance with business plans; the redemption date of each such instrument falls, at the latest, less than six years after the applicable settlement date. Some loans payable are subject to variable interest rates and are exposed to the risks of fluctuations in interest rates.

All income taxes payable are mostly due within two months.

While accounts payable, loans payable and bonds are exposed to liquidity risks, the risks are managed within the Group by the preparation of cash flow plans on a monthly basis.

Derivative financial instruments of the Group include forward exchange contracts for the purpose of hedging risks of fluctuations in exchange rates of receivables and payables denominated in foreign currencies. With respect to forward exchange contracts, the Finance & Accounting Division formulates an implementation plan for hedging foreign currency risks every half year pursuant to the regulations for management of foreign currency risks and, upon reporting to the Representative Director and President executes transactions, and posts the applicable entries. The results of derivative transactions are also reported to the Representative Director and President. Certain consolidated subsidiaries also set forth internal standards pertaining to forward exchange contracts and engage in transactions in accordance therewith. See “Significant hedge accounting method ” as stated in the above “Significant accounting policies” for information on hedging instruments, hedged items, hedging policy, and the method of evaluating the effectiveness of hedges, as they relate to hedge accounting.

③ Supplemental information on market values

In addition to value based on quoted market prices, the market value of financial instruments includes fair value which is determined by using valuation techniques. Since certain assumptions are considered in the calculation of such amounts, the adoption of different assumptions may cause prices to vary.

(2) Fair value of financial instruments

Consolidated balance sheet amounts compared to the corresponding fair values, and the differences between these figures, as of March 31, 2013, are as follows (financial instruments for which the ascertainment of fair value is deemed to be exceedingly difficult are not included, see Note 2);

(millions of yen)

	Amount on consolidated balance sheet(*)	Fair value(*)	Difference
① Cash and time deposits	18,753	18,753	—
② Notes and accounts receivable	97,182	97,182	—
③ Short-term loans payable	34,401	34,401	—
④ Marketable securities and investment securities	121,725	121,725	—
⑤ Notes and accounts payable-trade	(14,253)	(14,253)	—
⑥ Income taxes payable	(2,115)	(2,115)	—
⑦ Accounts payable-other	(34,771)	(34,771)	—
⑧ Bonds payable (Current and Long-term)	(70,000)	(71,280)	(1,280)
⑨ Loans payable (Current and Long-term)	(45,000)	(45,143)	(143)
⑩ Derivative transactions	—	—	—

(*)Liabilities are noted by ( ).

(Note 1): Basis of determining fair value of financial instruments, and matters pertaining to securities and derivative transactions

① Cash and time deposits,

As all time deposits are short-term, fair value is approximately equal to book value and is calculated according to the applicable book value.

② Notes and accounts receivable, and ③ Short-term loans payable

As these assets are settled on a short-term basis, fair value is approximately equal to their book value and is calculated according to the applicable book value.

④ Marketable securities and investment securities

The fair value of these assets is calculated according to the quoted market price for shares and the price indicated by the applicable financial trading institution for bonds. As negotiable certificates of deposit are settled on a short-term basis, fair value is approximately equal to book value and is calculated according to the applicable book value.

⑤ Notes and accounts payable, ⑥ Income taxes payable and ⑦ Accounts payable-other

As these liabilities are settled on a short-term basis, fair value is approximately equal to book value and is calculated according to the applicable book value.

⑧Bonds payable

The fair value of corporate bonds is calculated according to market price.

⑨Long-term loans payable

The fair value of long-term loans payable is calculated according to the present value of the total sum of principal and interest as discounted by an assumed rate that would have been applicable had a new identical loan been undertaken.

⑩ Derivative transactions

As foreign exchange forward contracts subject to appropriation are processed in an integrated manner together with the accounts payable items constituting hedged items, the fair value has been included in the applicable accounts payable items and stated accordingly.

(Note 2): The fair value of unquoted shares and others (the amount of which is posted in the consolidated balance sheet at 5,576 million yen) is not included in "④ Marketable securities and investment securities" because they are deemed to be exceedingly difficult to ascertain given the unavailability of quoted market prices.

8. Notes to per share information

(1) Net assets per share	879.03 yen
(2) Net income per share	25.28 yen

9. Business combination

Business combination through acquisition

<u>Boston Biomedical, Inc.</u>

(1) Summary of the business combination

① Name of the acquired company and the contents of its business operations

Name of the acquired company: Boston Biomedical, Inc.

Contents of the business operations: Research and development in the oncology area

② Main reason for the business combination

To acquire innovative development pipelines in the area of cancer, as well as to acquire BBI's excellent drug-discovery platforms and development capabilities.

③ Date of business combination

April 24, 2012 (U.S. time)

④ Legal form of business combination

Acquisition of shares for cash consideration

⑤ Name of the company after combination

Boston Biomedical, Inc.

⑥ Ratio of voting right acquired

Ratio of voting right owned prior to the acquisition of shares: 0%

Ratio of voting right after acquisition: 100%

⑦ Main grounds for reaching a decision on the company to be acquired

It is because the Company acquired 100% of BBI's shares in exchange for cash.

(2) Terms of performance of the acquired company included in the consolidated financial statements

From April 24, 2012 to December 31, 2012

(3) Acquisition cost of the acquired company and the breakdown thereof

Compensation for acquisition	16,512 million yen
Cost directly required for the acquisition	758 million yen
Acquisition cost	17,270 million yen

This is the acquisition by means of cash.

(4) Amount of accrued good will, cause for accrual, amortization method, and amortization period

① Amount of goodwill

142 million yen

② Cause for accrual

As the acquisition cost exceeds the net amount allocated to the acquired assets and assumed debts, such excess amount has been posted as goodwill.

③ Amortization method and amortization period

Straight-line method over 20 years

④ The amount of goodwill is a temporarily calculated amount.

(5) Total assets acquired and liabilities assumed on the date of business combination and the main breakdown thereof

Current assets	283 million yen
Fixed assets	28,743 million yen
Total assets	29,027 million yen
Current liabilities	158 million yen
Long-term liabilities	11,598 million yen
Total liabilities	11,756 million yen

(6) Content of the conditional compensation for acquisition set out in the business combination contract and the accounting treatment policy for the current and subsequent consolidated fiscal years

① Content of the conditional compensation for acquisition

The conditional compensation for acquisition is a contact under which an additional payment shall be made according to specific milestone-achieving level after business combination.

② Accounting treatment policy for the relevant and subsequent consolidated fiscal years

In the event an additional payment has been made, we deem it as having been paid at the time of acquisition and modify the acquisition value, as well as the goodwill amount and the goodwill depreciation amount.

(7) Amount allocated to intangible fixed assets other than goodwill, the breakdown thereof by main types and weighted-average depreciation period for the entity and by main types

Breakdown by main types	Amount	Depreciation period
In-process research and development	28,483 million yen	Availability period

(8) Allocation of acquisition cost

The acquisition cost was not completed at the end of the consolidated financial year ended March 31, 2013 and the cost is provisionally recognized based on reasonable information available at that point of time.

(9) Estimated impact on the consolidated statement of income in the current consolidated fiscal year, if it is assumed that the business combination was concluded on April 1, 2012 and the method of calculation

Sales	24 million yen
Ordinary income	(885) million yen
Net income	(885) million yen

(Method by which estimated amounts were calculated)

The estimated amounts were calculated according to the difference between information on sales and income calculated on the assumption that the business combination was concluded on the first day of this consolidated fiscal year and information on sales and income contained in the consolidated statement of income of the acquiring company.

The estimated amounts of impact have not been audited.

Elevation Pharmaceuticals, Inc.

(1) Summary of the business combination

① Name of the acquired company and the contents of its business operations

Name of the acquired company: Elevation Pharmaceuticals, Inc.

Contents of the business operations: Development of aerosol therapy for respiratory disease

② Main reason for the business combination

To acquire strong pipelines in the respiratory area.

③ Date of business combination

September 5, 2012 (U.S. time)

④ Legal form of business combination

Acquisition of shares for cash consideration

⑤ Name of the company after combination

Sunovion Respiratory Development Inc.

⑥ Ratio of voting right acquired

Ratio of voting right owned prior to the acquisition of shares: 0%

Ratio of voting right after acquisition: 100%

⑦ Main grounds for reaching a decision on the company to be acquired

It is because Sunovion acquired 100% of SRD's shares in exchange for cash.

(2) Terms of performance of the acquired company included in the consolidated financial statements

From September 5, 2012 to December 31, 2012

(3) Acquisition cost of the acquired company and the breakdown thereof

The acquisition cost of the acquired company is 7,866 million yen, and it is an acquisition by means of cash.

(4) Amount of accrued goodwill, cause for accrual, amortization method, and amortization period

① Amount of goodwill

3,332 million yen

② Cause for accrual

As the acquisition cost exceeds the net amount allocated to the acquired assets and assumed debts, such excess amount has been posted as goodwill.

③ Amortization method and amortization period

Straight-line method over 20 years

④ The amount of goodwill is a temporarily calculated amount.

(5) Total assets acquired and liabilities assumed on the date of business combination and the main breakdown thereof

Current assets	132 million yen
Fixed assets	22,946 million yen
Total assets	23,079 million yen
Current liabilities	49 million yen
Long-term liabilities	15,162 million yen
Total liabilities	15,212 million yen

(6) Content of the conditional compensation for acquisition set out in the business combination contract and the accounting treatment policy for the current and subsequent consolidated fiscal years

① Content of the conditional compensation for acquisition

The conditional compensation for acquisition is a contact under which an additional payment shall be made according to specific milestone-achieving level after business combination.

② Accounting treatment policy for the relevant and subsequent consolidated fiscal years

The above-mentioned conditional compensation for acquisition has been recognized according to U.S. accounting standard.

(7) Amount allocated to intangible fixed assets other than goodwill, the breakdown thereof by main types and weighted-average depreciation period for the entity and by main types

Breakdown by main types	Amount	Depreciation period
In-process research and development	18,415 million yen	Availability period

(8) Allocation of acquisition cost

The acquisition cost was not completed at the end of the consolidated financial year ended March 31, 2013 and the cost is provisionally recognized based on reasonable information available at that point of time.

(9) Estimated impact on the consolidated statement of income in the current consolidated fiscal year, if it is assumed that the business combination was concluded on April 1, 2012 and the method of calculation

Sales	—
Ordinary income	(1,384) million yen
Net income	(1,384) million yen

(Method by which estimated amounts were calculated)

The estimated amounts were calculated according to the difference between information on sales and income calculated on the assumption that the business combination was concluded on the first day of this consolidated fiscal year and information on sales and income contained in the consolidated statement of income of the acquiring company.

The estimated amounts of impact have not been audited.

10. Other notes

(1) Accounting for notes maturing on the settlement date

Notes that reach maturity on the settlement date are settled as of the conversion date of the notes. The following notes that mature on the settlement date will be included in the accounts of this consolidated fiscal year because the final date of this consolidated fiscal year was a bank holiday.

Notes receivable	412 million yen
Notes payable	65 million yen

(2) Impairment losses

Among the fixed assets owned by the DSP Group, business assets are grouped by segment, with individual assets constituting the smallest grouping unit for idle assets, patents, and other such assets.

In this consolidated fiscal year, the Group posted impairment losses with respect to the following assets:

Usage for	Item	Location	Impairment loss Amount
Results of research and development with respect to compound in development	In-process research and development	United States	416 million yen

The recoverability of in-process research and development deemed to be lacking in future profitability was assessed, and a part of their book value has been posted as impairment losses. The recoverable amounts of these assets are measured according to value in use (discount rate 14.0%)

Notes to Non-consolidated Financial Statements

1. Summary of significant accounting policies for non-consolidated financial statements

(1) Valuation of marketable and investment securities

Shares held in subsidiaries and affiliates	Cost using the moving-average method
Available-for-sale securities	
With market values	Market value method, based on the market price as of the last day of the fiscal period (All valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated using the moving-average method.)
Without market values	Moving-average cost method

(2) Valuation of inventories — Weighted average cost method (Book values are calculated using the lower of cost or market principle.)

(3) Depreciation and amortization of fixed assets

① Property, plant and equipment

Straight-line method

The estimated useful life of each asset is as follows:

Buildings and structures	3 to 60 years
Machinery, equipment and carriers:	2 to 17 years

② Intangible assets

Straight-line method

Intangible assets are amortized using the straight-line method over their estimated useful life.

(4) Accounting for allowances/reserves

① Allowance for doubtful receivables

In order to provide for losses arising from uncollectable receivables and other bad debts, we review the loan loss ratio of general claims and collectability on an individual basis of particular loans, such as those with a higher probability of default, and accrue provisions for the amounts that we estimate will be uncollectible.

② Reserve for bonuses

In order to provide for the payment of employee bonuses, the amounts that we estimate will be paid are accrued.

③ Reserve for sales returns

A reserve is accrued for profits from expected sales returns.

④ Reserve for sales rebates

A reserve for the disbursement of sales rebates to wholesalers is accrued. The reserve amounts are calculated accordingly:

(i) The sales rebate, as calculated based on the sales performance of wholesalers, which equals the wholesale inventory as of the end of the fiscal term, multiplied by the rebate rate.

(ii) The sales rebate, as calculated based on the accounts receivable collected, which equals the applicable accounts receivable as of the end of the fiscal term, multiplied by the rebate rate.

⑤ Liability for retirement benefits

In order to provide for the retirement benefits of employees, amounts are accrued based on the projected benefit obligations and estimated value of pension assets as of the end of the fiscal year.

Unrecognized prior service costs are treated as an expense and recognized using the straight-line method, based on the average number of remaining service years of employees when incurred (fifteen years).

Unrecognized actuarial gains and losses are treated as an expense and recognized from the following fiscal year using the straight-line method based on the average number of remaining service years of employees when incurred (fifteen years).

(5) Significant hedge accounting method

① Hedge accounting

The Company uses the deferred hedge accounting method. Foreign exchange forward contracts are accounted for by recognizing gains and losses on foreign monetary rights or obligations, preset prices, when the contracts conditions are satisfied.

② Hedging instruments and hedged items

Hedging instruments

Foreign exchange forward contracts

Hedged items

Monetary assets and liabilities denominated in foreign currencies and monetary assets and liabilities specifically related to anticipated transactions, denominated in foreign currencies, which are covered by an agreement.

③ Hedge policy

Foreign exchange forward contract are conducted pursuant to internal rules and regulations in order to hedge foreign currency risks.

④ Method of evaluating the effectiveness of hedges

The effectiveness has been evaluated by comparing the accumulated changes in market value of hedged items with the accumulated changes in market value of hedging instruments. With regard to foreign exchange forward contracts, the effectiveness of such contracts has not been evaluated as important conditions for hedged items and hedging instruments are the same.

(6) Other significant accounting policies for the non-consolidated financial statements

Accounting for consumption taxes

All financial statement items are net of consumption taxes.

2. Notes to the changes to accounting policies

(Changes to accounting policies in cases where it is difficult to distinguish between a change in an accounting policy and a change in an accounting estimate)

The Company traditionally applied the declining-balance method to the depreciation of tangible fixed assets other than buildings. But since the sales of products sold globally are expected to expand outside Japan, we have decided to apply, during the current fiscal year, the straight-line method of depreciation to the Company in order to be more consonant with the depreciation methods adopted at our increasingly important consolidated subsidiaries outside Japan.

The change of depreciation method resulted in a 1,657 million yen lower depreciation in the year ended March 31, 2013 than in the case had the declining-balance method been continued. Operating income, ordinary income, and income before income taxes and minority interests in the year ended March 31, 2013 are 1,149 million yen greater respectively.

3. Accounting standards that have not been applied yet

“Accounting Standard for Retirement Benefits” (Accounting Standards No. 26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (Application Guidelines for Accounting Standards No. 25 of May 17, 2012)

(1) Summary

The present accounting standards are the revised standards, after taking into consideration the standpoint of improving financial reporting and international trends, focusing on the treatment method of unrecognized actuarial differences and unrecognized prior service costs, calculation method of projected benefit obligations and service costs, and the enhancement of disclosures.

(2) Scheduled date of application

The application is scheduled for implementation from the end of the fiscal year in March 31, 2014. However, as for the revision of the calculation method of projected benefit obligations and service costs, the application is scheduled for implementation from the beginning of the fiscal year ending March 31, 2015.

(3) Impact of the application of the relevant accounting standards

The impact on the financial statements is under evaluation at the time of preparing the current financial statements.

4. Notes to the non-consolidated Balance Sheet

(1) Accumulated depreciation of tangible fixed assets 139,181 million yen

Accumulated depreciation of tangible fixed assets is included in accumulated impairment losses.

(2) Liabilities on guarantees

Debt guarantees covering amounts borrowed by our employees from financial institutions have been extended as follows:

136 million yen

(3) Monetary claims and liabilities to affiliated companies

Short-term monetary claims	27,129 million yen
Short-term monetary liabilities	7,359 million yen

5. Notes pertaining to the Income Statement

Amounts of transactions with affiliated companies

Transaction amounts based on operating transactions

Net sales	4,515 million yen
Amount of goods purchased	7,260 million yen
Other operating transactions	12,183 million yen
Non-operating transactions	1,494 million yen

6. Notes to tax effect accounting

(1) Breakdown of deferred tax assets and deferred tax liabilities by main cause of occurrence

Deferred tax assets

Reserve for bonuses	2,635 million yen
Reserve for sales rebates	176 million yen
Accrued enterprise taxes	153 million yen
Liabilities for retirement benefits	2,516 million yen
Loss on valuation of investment securities	648 million yen
Research and development costs	7,677 million yen
Inventories	1,753 million yen
Stocks of subsidiaries and affiliates	
〔Stocks of succeeding company associated with corporate separation〕	2,501 million yen

Others	7,323 million yen
Subtotal of deferred tax assets	25,382 million yen
Valuation allowance	(3,288 million yen)
Total deferred tax assets	22,049 million yen
Deferred tax liabilities	
Unrealized gains on available-for-sale securities	(7,229 million yen)
Reserve for advanced depreciation of fixed assets	(854 million yen)
Refund of capital surplus of a subsidiaries	(471 million yen)
Total deferred tax liabilities	(8,554 million yen)
Net amount of deferred tax assets	13,539 million yen

(2) Reconciliation of effective tax rate

Statutory tax rate	38.0%
(Adjustments)	
Entertainment expenses and other items that are excluded from nontaxable expenses	5.1%
Dividend income and other items that are excluded from taxable income	(2.3%)
Tax credit for R&D expenses	(9.5%)
Effect of revised income tax rate due to the tax system reform	0.5%
Residence tax on per-capita basis	0.7%
Change in valuation allowance	0.2%
Others	(0.5%)
Actual effective tax rate	32.2%

7. Notes to fixed assets to be used under lease

(1) Acquisition costs of leased properties as of the end of the current fiscal year 24 million yen

(2) Accumulated depreciation of leased properties as of the end of the current fiscal year 22 million yen

(3) Future lease payments obligation as of the end of the current fiscal year 1 million yen

8. Notes to transactions with affiliated parties

Parent company and main corporate shareholders

Type	Name of company	Ratio of voting rights (or ownership)	Relationship with affiliated party	Description of transaction(s)	Amount of transaction(s)	Item	End-of-term balance
Parent company	Sumitomo Chemical Co., Ltd.	Direct ownership: 50.22%	･Supplier of raw materials ･Leasing land, etc. ･Purchasing plant utilities, etc. ･Lending funds	Lending funds	25,000 million yen	Short-term loans to affiliates	25,000 million yen

Transaction terms and policies for determining transaction terms, etc.

Note: With respect to the lending of funds, a reasonable rate of interest is determined, by considering the market rate of interest.

9. Notes to Non-Consolidated Statement of Changes in Net Assets

Type and total number of Company's shares (treasury stock) as of the end of the current fiscal year

Common Stock 590,246 shares

10. Notes to per share information

(1) Net assets per share 948.68 yen

(2) Net income per share 28.58 yen

11. Other notes

(1) Accounting for notes maturing on the settlement date

Notes that reach maturity on the settlement date are settled as of the conversion date of the notes. The following notes that mature on the settlement date will be included in the accounts of this fiscal year because the final date of this fiscal year was a bank holiday.

Notes receivable 1 million yen