



Summary of Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2013 [Japanese GAAP] (Unaudited)

January 31, 2013

Company Name: DAINIPPON SUMITOMO PHARMA CO., LTD.
Head Office: 6-8, Doshomachi, 2-chome, Chuo-ku, Osaka, 541-0045
Stock Exchange Listings: Tokyo, Osaka
Security Code Number: 4506 (URL: <http://www.ds-pharma.co.jp>)
Representative: Masayo Tada, Representative Director, President and Chief Executive Officer
Contact: Atsuko Higuchi, Director, Corporate Communications Department
Telephone: 06-6203-1407
Filing Date of Quarterly Financial Report: February 14, 2013
Starting Date of Dividend Payments: —
Preparation of Supplementary Financial Data for Quarterly Financial Results: Yes
Information Meeting for Quarterly Financial Results to be held: Yes (for institutional investors and analysts)

(Note: All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2013 (April 1, 2012 to December 31, 2012)

(1) Results of Operations

(% represents changes from the corresponding period of the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Nine months ended December 31, 2012	269,236	1.5	32,703	46.5	32,732	49.0	16,867	64.2
Nine months ended December 31, 2011	265,203	(5.6)	22,325	(17.5)	21,961	(16.2)	10,273	(30.5)

Note: Comprehensive income (Millions of yen)

Nine months ended December 31, 2012: 15,677 —% Nine months ended December 31, 2011: (833) —%

	Earnings per share	Earnings per share (diluted)
Nine months ended December 31, 2012	¥42.45	—
Nine months ended December 31, 2011	¥25.86	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2012	573,848	327,752	57.1%
As of March 31, 2012	559,410	319,227	57.1%

Reference: Shareholders' Equity (Millions of yen)

As of December 31, 2012: 327,752 As of March 31, 2012: 319,227

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2012	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2013	—	¥9.00	—		
Year ending March 31, 2013 (Forecast)				¥9.00	¥18.00

Note: Revision of dividend forecasts from the latest announcement: None

3. Consolidated Financial Forecasts for the Year Ending March 31, 2013 (April 1, 2012 to March 31, 2013)

(% represents changes from the corresponding period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Year ending March 31, 2013	348,000	(0.7)	28,000	37.2	27,000	43.1	13,500	56.4	¥33.98

Note: Revision of consolidated financial forecasts from the latest announcement: None

Notes:

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation) : None

(2) Application of specific accounting methods for preparing quarterly consolidated financial statements: Yes

• Calculation of income taxes

The effective tax rate, after applying tax effect accounting, expected to be imposed on income before income taxes and minority interests for the fiscal year is estimated based on reasonable assumptions. Then, tax expenses are calculated by multiplying the income before income taxes and minority interests for the quarter by the estimated effective tax rate.

(3) Changes in accounting policies, accounting estimates, and retrospective restatements

① Changes due to changes in accounting standards: None

② Changes due to changes in accounting standards other than (3),①: Yes

③ Changes in accounting estimates: Yes

• Change of depreciation method for tangible fixed assets

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, starting with the first quarter of the 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 1,229 million yen lower depreciation in the nine months ended December 31, 2012 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 nine months ended December 31, 2012 are 811 million yen greater respectively.

④ Retrospective restatements: None

(4) Number of shares outstanding (Common stock) at the end of period

① Number of shares outstanding (Including treasury stock)

December 31, 2012: 397,900,154 shares

March 31, 2012: 397,900,154 shares

② Number of treasury stock

December 31, 2012: 589,559 shares

March 31, 2012: 588,699 shares

③ Average number of shares during the period

December 31, 2012 : 397,310,981 shares

December 31, 2011 : 397,312,225 shares

Indication of quarterly review procedure implementation status:

This summary of financial results is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the quarterly review procedure process at the time of disclosure of this report.

Explanation for Appropriate Use of Forecasts and Other Notes:

This document contains forward-looking statements which are based on management's assumptions and beliefs in light of the information currently available and involves risks and uncertainties, and are not the commitment made by the Company. Actual financial results may differ materially depending on a number of factors, including economic conditions.

The Company holds a Conference Call for institutional investors and analysts on Thursday, January 31, 2013. The documents distributed at the presentation are scheduled to be posted on our website.

【Attachment Documents】

- 1. Qualitative Information for the Nine Months Ended December 31, 2012 2
 - (1) Qualitative Information on Consolidated Business Results 2
 - (2) Qualitative Information on Consolidated Financial Condition 3
 - (3) Qualitative Information on Consolidated Financial Forecasts 3
- 2. Consolidated Financial Statements 4
 - (1) Consolidated Balance Sheets 4
 - (2) Consolidated Statements of (Comprehensive) Income 6
 - (3) Notes on Premise of Going Concern 8
 - (4) Segment Information 8
 - (5) Notes on Significant Changes in Shareholders' Equity 9

1. Qualitative Information for the Nine Months Ended December 31, 2012

(1) Qualitative Information on Consolidated Business Results

The pharmaceutical industry remains mired in a severe business environment, in part due to the difficulty in the creation of groundbreaking new drugs and increases in the cost of developing new drugs and in part due to the generic drugs promotion and drug price revisions in Japan while facing worldwide a more stringent approval process and movement toward healthcare cost containment.

Under such circumstances, the Company has continued to focus on expansion of strategic products, such as AVAPRO[®], a therapeutic agent for hypertension, LONASEN[®], an atypical antipsychotic, as well as new products including METGLUCO[®], a biguanide oral hypoglycemic in Japan. In last December, the Company newly launched AIMIX[®], a therapeutic agent for hypertension, and started providing information toward its early market penetration.

Overseas, our U.S. subsidiary Sunovion Pharmaceuticals Inc. (hereinafter referred to as "Sunovion") made its full efforts to further achieve market penetration and expand sales of LATUDA[®], an atypical antipsychotic in the U.S. Meanwhile, last September the Group achieved the launch of LATUDA[®] in Canada. Moreover, the Company acquired Boston Biomedical, Inc. (hereinafter referred to as "BBI") last April, for the purposes of fortifying its development pipelines and enhancing its research and development in the cancer field. Last September, Sunovion acquired Elevation Pharmaceuticals Inc. (currently "Sunovion Respiratory Development Inc. (hereinafter referred to as "SRD")), in order to further strengthen and diversify our respiratory pipeline, and both of them have become our wholly owned subsidiary companies.

Net sales by the Group for the nine months ended December 31 of this consolidated fiscal year amounted to 269,236 million yen (a 1.5% increase from the same period of the previous consolidated fiscal year). Operating income amounted to 32,703 million yen (a 46.5% increase year-on-year) and ordinary income amounted to 32,732 million yen (a 49.0% increase year-on-year) because the expenditure was much lower than the same period of the previous year. Net income amounted to 16,867 million yen (a 64.2% increase year-on-year) mainly due to posting extraordinary loss associated with reform of the organization and the operation in Japan and U.S.

The results by business segment are as follows:

① Japan segment

Our new product METGLUCO[®] grew largely in sales and our strategic products, such as AVAPRO[®], LONASEN[®], and TRERIEF[®] (a Parkinson's disease drug) favorably increased. Furthermore the sales of AIMIX[®] which was launched last December, contributed to sales increase. On the other hand, there was a drop in sales due to drug price revisions and the decrease in sales of existing products. As a result, net sales amounted to 136,957 million yen (a 1.6% decrease year-on-year). Segment income amounted to 52,249 million yen (a 4.1% decrease year-on-year) due to the decrease of gross profit associated with drug price revisions.

② North America segment

The sales increase of LATUDA[®] and the milestone revenue from out-licensing offset the drop of sales of XOPENEX[®] (short-acting beta-agonist), with its loss of exclusivity, and negative effects of the yen's appreciation. As a result, net sales amounted to 88,052 million yen (a 10.4% increase year-on-year). Segment income amounted to 12,651 million yen (in year-earlier period, segment loss amounted to 191 million yen) due to the significant decrease of selling, general and administrative expenses including the reduction of personnel expenses.

③ China segment

Mainly because of the steady sales of MEROPEN[®] (sold in China as MEPEN[®]), a carbapenem antibiotic preparation, net sales amounted to 5,877 million yen (a 23.1% increase year-on-year) and segment income amounted to 1,915 million yen (a 109.0% increase year-on-year).

④ Other Regions segment

Net sales amounted to 7,579 million yen (a 32.9% decrease year-on-year) and segment income amounted to 3,447 million yen (a 35.2% decrease year-on-year) largely because of the decrease in exports of MEROPEN[®].

In addition to the aforementioned reporting segments, the Group has been marketing food ingredients, food additives, chemical product materials, veterinary drugs, diagnostic products, etc. and net sales of these products amounted to 30,769 million yen (a 1.7% increase year-on-year) and segment income amounted to 2,371 million yen (a 4.4% decrease year-on-year).

(2) Qualitative Information on Consolidated Financial Condition

Total assets increased by 14,438 million yen from the previous consolidated fiscal year-end, to 573,848 million yen, primarily due to a decrease in marketable securities (negotiable deposit), and an increase in intangible assets including in-process R&D accompanied with the acquisition of BBI and SRD.

Total liabilities increased by 5,913 million yen from the previous consolidated fiscal year-end, to 246,096 million yen, primarily due to the increase in deferred tax liabilities accompanied with acquisition, despite of the decrease in accounts payable-other and long-term loans payable.

Net assets increased by 8,525 million yen from the previous consolidated fiscal year-end, to 327,752 million yen, mainly because of recording of the quarterly net income. In addition, shareholders' equity ratio at the end of this period amounted to 57.1%.

(3) Qualitative Information on Consolidated Financial Forecasts

Currently, with no assumptions of any factors that may vary business results, there are no revisions to the consolidated financial forecasts announced on October 31, 2012.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2012	As of December 31, 2012
Assets		
Current assets:		
Cash and time deposits	12,953	19,460
Notes and accounts receivable	101,955	98,790
Marketable securities	99,118	85,473
Merchandise and finished goods	42,480	46,430
Work-in-process	2,591	3,642
Raw materials and supplies	13,045	12,733
Deferred tax assets	31,782	29,394
Short-term loans	25,000	25,000
Others	5,433	4,463
Allowance for doubtful receivables	(110)	(106)
Total current assets	334,250	325,283
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	91,115	91,723
Accumulated depreciation and impairment loss	(50,753)	(52,109)
Buildings and structures, net	40,361	39,614
Machinery, equipment and carriers	76,854	76,865
Accumulated depreciation and impairment loss	(66,997)	(67,537)
Machinery, equipment and carriers, net	9,856	9,328
Land	10,248	10,242
Construction in progress	2,121	4,607
Others	28,104	28,258
Accumulated depreciation and impairment loss	(23,994)	(24,197)
Others, net	4,109	4,061
Total property, plant and equipment	66,697	67,854
Intangible assets:		
Goodwill	64,311	64,920
Patent rights	32,524	18,698
In-process research and development	5,659	45,405
Others	5,211	4,687
Total intangible assets	107,706	133,711
Investments and other assets:		
Investment securities	29,855	30,422
Deferred tax assets	11,624	7,403
Others	9,331	9,225
Allowance for doubtful receivables	(55)	(52)
Total investments and other assets	50,755	46,999
Total fixed assets	225,159	248,565
Total assets	559,410	573,848

(Millions of yen)

	As of March 31, 2012	As of December 31, 2012
Liabilities		
Current liabilities:		
Notes and accounts payable	16,860	15,327
Current portion of long-term loans payable	10,000	10,000
Income taxes payable	5,437	5,795
Reserve for bonuses	7,592	3,924
Reserve for sales returns	3,657	5,028
Reserve for sales rebates	18,527	18,521
Accounts payable-other	30,009	21,790
Others	13,881	18,759
Total current liabilities	<u>105,965</u>	<u>99,146</u>
Long-term liabilities:		
Bonds payable	70,000	70,000
Long-term loans payable	48,000	40,500
Deferred tax liabilities	330	11,082
Liability for retirement benefits	10,790	11,159
Others	5,097	14,207
Total long-term liabilities	<u>134,217</u>	<u>146,949</u>
Total liabilities	<u>240,183</u>	<u>246,096</u>
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	305,664	315,379
Treasury stock	(649)	(650)
Total shareholders' equity	<u>343,275</u>	<u>352,989</u>
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	8,016	8,038
Foreign currency translation adjustment	(32,064)	(33,275)
Total accumulated other comprehensive income (loss)	<u>(24,047)</u>	<u>(25,237)</u>
Total net assets	<u>319,227</u>	<u>327,752</u>
Total liabilities and net assets	<u>559,410</u>	<u>573,848</u>

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net sales	265,203	269,236
Cost of sales	73,967	76,382
Gross profit	191,236	192,854
Reversal of reserve for sales returns	—	7
Provision for reserve for sales returns	13	—
Gross profit-net	191,222	192,861
Selling, general and administrative expenses		
Salaries	27,421	26,270
Provision for reserve for bonuses	2,670	2,703
Research and development costs	40,706	39,948
Others	98,098	91,235
Total selling, general and administrative expenses	168,897	160,158
Operating income	22,325	32,703
Non-operating income		
Interest income	271	250
Dividend income	674	741
Others	1,085	1,281
Total non-operating income	2,031	2,273
Non-operating expenses		
Interest expense	863	816
Contribution	820	1,094
Others	710	333
Total non-operating expenses	2,395	2,244
Ordinary income	21,961	32,732
Extraordinary income		
Gain on sales of property, plant and equipment	1,240	—
Total extraordinary income	1,240	—
Extraordinary loss		
Business structure improvement expenses	1,236	3,941
Impairment loss	2,360	414
Total extraordinary loss	3,597	4,356
Income before income taxes and minority interests	19,604	28,376
Income taxes	9,331	11,508
Income before minority interests	10,273	16,867
Net income	10,273	16,867

Consolidated Statements of Comprehensive Income (Loss)

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Income before minority interests	10,273	16,867
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities, net of tax	292	22
Foreign currency translation adjustment	(11,398)	(1,211)
Total other comprehensive income (loss)	(11,106)	(1,189)
Comprehensive income (loss)	(833)	15,677
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of the parent	(833)	15,677
Comprehensive income (loss) attributable to minority interests	—	—

(3) Notes on Premise of Going Concern

Not applicable.

(4) Segment Information

I Nine months ended December 31, 2011

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	139,133	79,751	4,775	11,289	234,949	30,253	265,203
Intersegment sales and transfers	164	—	—	—	164	63	228
Total	139,298	79,751	4,775	11,289	235,114	30,317	265,431
Income (loss) of segment	54,476	(191)	916	5,322	60,523	2,479	63,003

Note: The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs, diagnostics and other products.

2. Difference between total of the income (loss) of the reportable segments and the amount on consolidated statements of income, and main contents of the difference (adjustment of difference)

(Millions of yen)

Income	Amount
Reportable segments total	60,523
Income of "Other Business"	2,479
Research and development costs*	(40,706)
Elimination of intersegment transactions	28
Operating income on consolidated statements of income	22,325

Note: Research and development costs are not allocated to any segment as the Group manages such cost on a global basis.

II Nine months ended December 31, 2012

1. Information on sales and income by reportable segment

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	136,957	88,052	5,877	7,579	238,467	30,769	269,236
Intersegment sales and transfers	211	—	—	—	211	68	280
Total	137,169	88,052	5,877	7,579	238,678	30,838	269,517
Income of segment	52,249	12,651	1,915	3,447	70,263	2,371	72,635

Note: The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs, diagnostics and other products.

2. Difference between total of the income of the reportable segments and the amount on consolidated statements of income, and main contents of the difference (adjustment of difference)

(Millions of yen)

Income	Amount
Reportable segments total	70,263
Income of "Other Business"	2,371
Research and development costs*	(39,948)
Elimination of intersegment transactions	16
Operating income on consolidated statements of income	32,703

Note: Research and development costs are not allocated to any segment as the Group manages such cost on a global basis.

3. Information on impairment losses of fixed assets or goodwill etc. by reportable segment

(Significant impairment losses relating to fixed assets)

In the North America segment, In-process R&D deemed to have little future profitability are evaluated in terms of collectability, and 414 million yen was recorded as an impairment loss.

In addition, due to the reform of the organization and the operation in U.S. subsidiary, an impairment loss was recognized for the tangible fixed assets deemed to have little future profitability, and 168 million yen was recorded as Business structure improvement expenses.

(Significant changes in amount of goodwill)

In the North America segment, Sunovion acquired SRD and it has become our wholly owned subsidiary company. With this acquisition, goodwill increased by 3,213 million yen.

The amount of goodwill is provisional for the present because purchase price allocation has not been completed.

(5) Notes on Significant Changes in Shareholders' Equity

Not applicable.