



## Summary of Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2014 [Japanese GAAP] (Unaudited)

October 30, 2013

**Company Name:** DAINIPPON SUMITOMO PHARMA CO., LTD.  
**Stock Exchange Listings:** Tokyo  
**Security Code Number:** 4506 (URL: <http://www.ds-pharma.co.jp>)  
**Representative:** Masayo Tada, Representative Director, President and Chief Executive Officer  
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**Telephone:** 06-6203-1407  
**Filing Date of Quarterly Financial Report:** November 13, 2013  
**Starting Date of Dividend Payments:** December 2, 2013  
**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 Second Quarter of the Year Ending March 31, 2014 (April 1, 2013 to September 30, 2013)

#### (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	%
Six months ended September 30, 2013	181,396	1.5	17,435	(12.7)	17,408	(12.6)	8,697	(20.6)
Six months ended September 30, 2012	178,748	0.4	19,978	35.7	19,925	37.6	10,951	14.4

Note: Comprehensive income (Millions of yen)

Six months ended September 30, 2013: 18,513 43.1% Six months ended September 30, 2012: 12,937 60.1%

	Earnings per share	Earnings per share (diluted)
Six months ended September 30, 2013	¥21.89	—
Six months ended September 30, 2012	¥27.56	—

#### (2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2013	634,562	377,430	59.5%
As of March 31, 2013	607,219	349,248	57.5%

Reference: Shareholders' Equity (Millions of yen)

As of September 30, 2013: 377,430 As of March 31, 2013: 349,248

### 2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2013	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2014	—	¥9.00			
Year ending March 31, 2014 (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, 2014 (April 1, 2013 to March 31, 2014)

(% 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, 2014	381,000	9.6	35,000	39.8	34,000	38.7	17,000	69.3	42.79

Note: Revision of consolidated financial forecasts from the latest announcement: Yes

#### 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 for the fiscal year is estimated based on reasonable assumptions. Then, tax expenses are calculated by multiplying the income before income taxes 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: None
- ③ Changes in accounting estimates: None
- ④ Retrospective restatements: None

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

① Number of shares outstanding (Including treasury stock)

September 30, 2013: 397,900,154 shares

March 31, 2013: 397,900,154 shares

② Number of treasury stock

September 30, 2013: 592,003 shares

March 31, 2013: 590,246 shares

③ Average number of shares during the period

September 30, 2013: 397,308,773 shares

September 30, 2012: 397,311,122 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. Please refer to page 4 of attachment document with regard to the assumptions and other related matters concerning financial forecasts.*

*The Company holds an earnings presentation for institutional investors and analysts on Thursday, October 31, 2013. The documents distributed at the presentation are scheduled to be posted on our website.*

**【Attachment Documents】**

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## 1. Qualitative Information for the Six Months Ended September 30, 2013

### (1) Qualitative Information on Business Results

Consolidated business performance from April 1 to September 30, 2013 is as follows:

Whereas reductions in sales took place on the segment of “Japan” and “Other Regions” from the second quarter of the previous fiscal year, the segment of “North America” increased sales largely due to weak yen. As a result, net sales for the DSP Group amounted to 181,396 million yen (a 1.5% increase from the same period of the previous consolidated fiscal year). In terms of cost, selling, general and administrative expenses increased mainly because of increased R&D cost due to the progress of development in Boston Biomedical, Inc. (hereinafter referred to as “BBI”) which DSP acquired in April last year, despite a decrease in labor costs, depreciation and amortization. Operating income amounted to 17,435 million yen (a 12.7% decrease year-on-year), and ordinary income amounted to 17,408 million yen (a 12.6% decrease year-on-year). Net income amounted to 8,697 million yen (a 20.6% decrease year-on-year) mainly because gain on sales of investment securities and fair value adjustment of contingent consideration have been recorded as extraordinary income, otherwise impairment loss of in-process R&D and the business structure improvement expenses have been recorded as part of the organizational and operational reforms.

The results by business segment are as follows:

#### ① Japan segment

The total domestic sales expanded including AIMIX<sup>®</sup>, a therapeutic agent for hypertension, launched in December last year, the sales of METGLUCO<sup>®</sup>, a biganide oral hypoglycemic, and LONASEN<sup>®</sup>, an atypical antipsychotic, despite of the decrease in sales of long-term listed products. Whereas partially finished the commissioned manufacturing and unfavorably decreased in the royalty income, consequently, net sales amounted to 84,673 million yen (a 4.2% decrease year-on-year) and segment income amounted to 30,475 million yen (a 9.6% decrease year-on-year).

#### ② North America segment

The sales of LATUDA<sup>®</sup>, an atypical antipsychotic, continued to expand sales, while XOPENEX<sup>®</sup>, short-acting beta-agonist decreased because of the loss of exclusivity. In addition, as the exchange market moved against the yen, net sales amounted to 66,453 million yen (an 11.8% increase year-on-year). With regard to profit, despite of yen's depreciation, decrease in selling, general and administrative expenses including the personnel expense and amortization of patent rights. As a result, segment income amounted to 14,172 million yen (a 73.6% increase year-on-year) .

#### ③ China segment

Although the sales of MEROPEN<sup>®</sup>, a carbapenem antibiotic, remained solid sales partially because weak yen, and net sales amounted to 5,502 million yen (a 39.3% increase year-on-year), selling expense, general and administrative increased due to lower yen and increase in the labor cost and sales cost. As a result, segment income amounted to 1,339 million yen (a 7.0% decrease year-on-year).

#### ④ Other Regions segment

Net sales amounted to 4,292 million yen (a 35.5% decrease year-on-year) and segment income amounted to 1,516 million yen (a 47.5% decrease year-on-year) largely because of the decrease in exports of MEROPEN®.

In addition to the aforementioned reporting segments, the DSP Group has been marketing food ingredients, food additives, chemical product materials, veterinary drugs, diagnostic products, etc. and net sales of these products amounted to 20,474 million yen (a 0.9% increase year-on-year) and segment income amounted to 1,404 million yen (a 10.3% decrease year-on-year).

## (2) Qualitative Information on Financial Condition

As for assets, cash and time deposit, notes and accounts receivable, and intangible assets including goodwill in the foreign subsidiaries increased partially because of the yen's depreciation. In addition, tangible fixed assets related to the New Chemistry Research Building at Osaka Research Center also increased in Japan. As a result, total assets increased by 27,343 million yen from the previous consolidated fiscal year-end to 634,562 million yen.

Total liabilities decreased by 839 million yen from the previous consolidated fiscal year-end to 257,131 million yen, primarily due to the decrease in accounts payable-other and long-term loans payable, despite of the increase in reserve for sales rebates.

Net assets increased by 28,182 million yen from the previous consolidated fiscal year-end to 377,430 million yen, mainly due to the large improvement of the foreign currency translation adjustments.

In addition, shareholders' equity ratio as of the end of current quarter amounted to 59.5%.

### (3) Qualitative Information on Consolidated Financial Forecasts

In light of recent performance trends and other factors, the Company announces revisions to the financial forecasts made on May 9, 2013.

Revision of Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2014

(April 1, 2013 to March 31, 2014)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Yen million	Yen million	Yen million	Yen million	
Previous forecasts (A)	369,000	26,000	25,000	13,000	¥32.72
New forecasts (B)	381,000	35,000	34,000	17,000	¥42.79
(B—A)	12,000	9,000	9,000	4,000	
Change (%)	3.3	34.6	36.0	30.8	
(Reference) Results for the year ended March 31, 2013	347,724	25,043	24,505	10,043	¥25.28

Net sales is expected to exceed the previous forecast dated May 9, 2013 because continued healthy sales growth in the “North America” segment is expected and for other reasons. Cost of sales is expected to be lower than the forecast as a result of improvement in product mix and other factors.

SG&A expenses are expected to be larger than the forecast. The reasons include: intensified marketing efforts for LATUDA®, the most strategically important product in the “North America” segment, increased expenditures associated with the progress of R&D projects, and increased investment in regenerative and cellular medicine field, etc.

Consequently, the Company now forecasts that net sales for the full fiscal year 2013 will increase by 12,000 million yen to 381,000 million yen, operating income will increase by 9,000 million yen to 35,000 million yen, ordinary income will increase by 9,000 million yen to 34,000 million yen and net income will increase by 4,000 million yen to 17,000 million yen, all from the previously-announced respective forecasts.

Note: Forecasts shown above are based on management’s assumptions and beliefs in light of the information currently available, and involves risks and uncertainties. Actual financial results may differ materially depending on a number of factors, including economic conditions.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
<b>Assets</b>		
Current assets:		
Cash and time deposits	18,753	27,018
Notes and accounts receivable	97,182	100,718
Marketable securities	86,463	86,007
Merchandise and finished goods	45,357	47,230
Work-in-process	3,570	2,378
Raw materials and supplies	13,762	12,945
Deferred tax assets	30,097	30,986
Short-term loans receivable	34,401	34,769
Others	3,958	5,626
Allowance for doubtful receivables	(105)	(103)
Total current assets	<u>333,438</u>	<u>347,577</u>
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	92,586	99,845
Accumulated depreciation and impairment loss	(52,662)	(54,102)
Buildings and structures, net	<u>39,923</u>	<u>45,743</u>
Machinery, equipment and carriers	76,740	77,777
Accumulated depreciation and impairment loss	(67,325)	(67,899)
Machinery, equipment and carriers, net	<u>9,414</u>	<u>9,877</u>
Land	10,277	10,319
Construction in progress	5,799	2,145
Others	28,613	31,167
Accumulated depreciation and impairment loss	(24,165)	(24,773)
Others, net	<u>4,447</u>	<u>6,394</u>
Total property, plant and equipment	<u>69,862</u>	<u>74,480</u>
Intangible assets:		
Goodwill	71,293	79,046
Patent rights	17,383	9,779
In-process research and development	50,664	52,753
Others	6,968	6,733
Total intangible assets	<u>146,310</u>	<u>148,312</u>
Investments and other assets:		
Investment securities	40,838	41,836
Deferred tax assets	7,569	12,814
Others	9,246	9,589
Allowance for doubtful receivables	(47)	(47)
Total investments and other assets	<u>57,607</u>	<u>64,192</u>
Total fixed assets	<u>273,780</u>	<u>286,985</u>
Total assets	<u>607,219</u>	<u>634,562</u>

	(Millions of yen)	
	As of March 31, 2013	As of September 30, 2013
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	14,253	12,130
Current portion of bonds payable	10,000	10,000
Current portion of long-term loans payable	10,000	10,000
Income taxes payable	2,115	5,728
Reserve for bonuses	7,610	7,367
Reserve for sales returns	5,650	7,449
Reserve for sales rebates	19,153	29,348
Accounts payable-other	34,771	25,297
Others	21,276	20,252
Total current liabilities	124,831	127,574
Long-term liabilities:		
Bonds payable	60,000	60,000
Long-term loans payable	35,000	30,000
Deferred tax liabilities	14,494	15,033
Liability for retirement benefits	11,030	11,059
Others	12,615	13,464
Total long-term liabilities	133,139	129,557
Total liabilities	257,970	257,131
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	308,556	311,074
Treasury stock	(651)	(653)
Total shareholders' equity	346,165	348,681
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	14,121	14,419
Foreign currency translation adjustments	(11,038)	14,330
Total accumulated other comprehensive income (loss)	3,082	28,749
Total net assets	349,248	377,430
Total liabilities and net assets	607,219	634,562



## (2) Consolidated Statements of (Comprehensive) Income

### Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	178,748	181,396
Cost of sales	50,032	50,451
Gross profit	128,715	130,944
Reversal of provision for sales returns	—	14
Provision for sales returns	4	—
Gross profit-net	128,711	130,958
Selling, general and administrative expenses		
Salaries	17,698	17,693
Provision for reserve for bonuses	4,830	5,030
Research and development costs	27,800	31,491
Others	58,403	59,307
Total selling, general and administrative expenses	108,732	113,523
Operating income	19,978	17,435
Non-operating income		
Interest income	164	155
Dividend income	454	466
Others	868	622
Total non-operating income	1,486	1,245
Non-operating expenses		
Interest expense	549	510
Contribution	746	521
Others	244	240
Total non-operating expenses	1,539	1,272
Ordinary income	19,925	17,408
Extraordinary income		
Gain on sales of investment securities	—	2,765
Fair value adjustment of contingent consideration	—	1,062
Total extraordinary income	—	3,827
Extraordinary loss		
Impairment loss	416	4,611
Business structure improvement expenses	1,087	1,662
Total extraordinary loss	1,503	6,274
Income before income taxes and minority interests	18,421	14,961
Income taxes	7,470	6,263
Income before minority interests	10,951	8,697
Net income	10,951	8,697

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Income before minority interests	10,951	8,697
Other comprehensive income		
Unrealized gains or losses on available-for-sale securities, net of tax	(798)	25
Foreign currency translation adjustments	2,784	9,789
Total other comprehensive income	1,985	9,815
Comprehensive income	12,937	18,513
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	12,937	18,513
Comprehensive income attributable to minority interests	—	—

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net cash provided by operating activities:		
Income before income taxes and minority interests	18,421	14,961
Depreciation and amortization	18,683	11,540
Impairment loss	416	4,611
Amortization of goodwill	1,854	2,526
Provision for liability for retirement benefits, less payments	64	(384)
Provision for other liabilities	1,439	10,115
Interest and dividend income	(618)	(622)
Interest expense	549	510
Loss (gain) on sales of investment securities	-	(2,765)
Business structure improvement expenses	1,087	1,662
Decrease (increase) in notes and accounts receivable	7,408	(5,508)
Decrease (increase) in inventories	(4,195)	1,061
Increase (decrease) in notes and accounts payable	(1,616)	(2,824)
Increase (decrease) in accounts payable-other	(7,728)	(8,995)
Other-net	(940)	1,905
Subtotal	34,828	27,796
Interest and dividend received	777	735
Interest paid	(524)	(512)
Business structure improvement expenses paid	(1,183)	(3,302)
Income taxes paid	(5,541)	(2,450)
Net cash provided by operating activities	28,355	22,266
Net cash used in investing activities:		
Decrease (increase) in time deposits	(5,887)	(0)
Proceeds from withdrawal of time deposits	-	4,766
Purchases of marketable securities	(28,389)	(22,709)
Proceeds from sales of marketable securities	4	497
Proceeds from redemption of marketable securities	15,986	24,629
Purchases of property, plant and equipment	(2,558)	(7,212)
Proceeds from sales of property, plant and equipment	8	25
Purchases of intangible assets	(1,010)	(2,505)
Purchases of investment securities	(758)	(2,498)
Proceeds from sales of investment securities	2	2,800
Purchase of stocks of subsidiaries and affiliates	-	(2,775)
Purchases of investments in subsidiaries resulting from change in scope of consolidation	(23,881)	-
Other-net	(277)	(380)
Net cash used in investing activities	(46,761)	(5,363)
Net cash used in financing activities:		
Repayment of long-term debt	(5,000)	(5,000)
Net decrease (increase) in treasury stock	(0)	(2)
Dividends paid	(3,576)	(3,575)
Other-net	(34)	(3)
Net cash used in financing activities	(8,611)	(8,581)
Effect of exchange rate changes on cash and cash equivalents	650	4,669
Net increase (decrease) in cash and cash equivalents	(26,366)	12,990
Cash and cash equivalents at the beginning of period	92,179	71,434
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal year-end of subsidiaries	-	(2,035)
Cash and cash equivalents at the end of period	65,813	82,389

#### (4) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

I Six months ended September 30, 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	88,410	59,454	3,949	6,651	158,465	20,283	178,748
Intersegment sales and transfers	79	—	—	—	79	43	123
Total	88,490	59,454	3,949	6,651	158,545	20,327	178,872
Income of segment	33,695	8,163	1,439	2,889	46,188	1,565	47,754

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	46,188
Income of "Other Business"	1,565
Research and development costs*	(27,800)
Elimination of intersegment transactions	24
Operating income on consolidated statements of income	19,978

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 no future profitability is evaluated as zero in terms of collectability, and 416 million yen is recorded as an impairment loss.

(Significant changes in amount of goodwill)

In the North America segment, Sunovion acquired Elevation Pharmaceuticals Inc. (the present name is "Sunovion Respiratory Development Inc.") and it has become our wholly owned subsidiary company.

With this acquisition, goodwill increased by 3,306 million yen during the six months ended September 30, 2012.

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

II Six months ended September 30, 2013

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	84,673	66,453	5,502	4,292	160,921	20,474	181,396
Intersegment sales and transfers	56	—	—	—	56	40	96
Total	84,730	66,453	5,502	4,292	160,978	20,514	181,493
Income of segment	30,475	14,172	1,339	1,516	47,505	1,404	48,909

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	47,505
Income of "Other Business"	1,404
Research and development costs*	(31,491)
Elimination of intersegment transactions	17
Operating income on consolidated statements of income	17,435

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, an impairment loss is recorded for a part of fixed assets and in-process R&D. Fixed assets and in-process R&D deemed to have little future profitability are evaluated in terms of collectability, therefore 395 million yen and 4,216 million yen are recorded as an impairment loss, respectively.

(Significant changes in amount of goodwill)

In the North America segment, the goodwill amount is increasing by 2,408 million yen due to the fact that the contingent consideration was additionally paid in connection with the acquisition of Boston Biomedical, Inc.