



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

January 31, 2014

**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:** February 10, 2014  
**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, 2014 (April 1, 2013 to December 31, 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	%
Nine months ended December 31, 2013	284,515	5.7	34,652	6.0	34,333	4.9	19,158	13.6
Nine months ended December 31, 2012	269,236	1.5	32,703	46.5	32,732	49.0	16,867	64.2

Note: Comprehensive income (Millions of yen)

Nine months ended December 31, 2013: 47,363 202.1% Nine months ended December 31, 2012: 15,677 —%

	Earnings per share	Earnings per share (diluted)
Nine months ended December 31, 2013	¥48.22	—
Nine months ended December 31, 2012	¥42.45	—

#### (2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2013	658,191	402,703	61.2%
As of March 31, 2013	607,219	349,248	57.5%

Reference: Shareholders' Equity (Millions of yen)

As of December 31, 2013: 402,703 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	385,000	10.7	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 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: 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)

December 31, 2013: 397,900,154 shares

March 31, 2013: 397,900,154 shares

② Number of treasury stock

December 31, 2013: 593,400 shares

March 31, 2013: 590,246 shares

③ Average number of shares during the period

December 31, 2013: 397,308,312 shares

December 31, 2012: 397,310,981 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 quarterly review procedure process as of disclosure date 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 3 of attachment document with regard to the assumptions and other related matters concerning financial forecasts.*

*The Company holds a Conference Call for institutional investors and analysts on Friday, January 31, 2014. The documents distributed at the presentation are scheduled to be posted on our website.*

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## 1. Qualitative Information for the Nine Months Ended December 31, 2013

### (1) Qualitative Information on Business Results

Consolidated business performance from April 1 to December 31, 2013 is as follows:

Whereas reductions in sales took place on the segment of “Japan” and “Other Regions” from the third quarter of the previous fiscal year, the segment of “North America” and “China” increased sales largely due to weak yen. As a result, net sales for the DSP Group amounted to 284,515 million yen (a 5.7% increase from the same period of the previous consolidated fiscal year). In terms of cost, R&D cost increased mainly because of the progress of development in Boston Biomedical, Inc. (hereinafter referred to as “BBI”) and influence of weak yen, despite a decrease in labor costs and amortization. Operating income amounted to 34,652 million yen (a 6.0% increase year-on-year), and ordinary income amounted to 34,333 million yen (a 4.9% increase year-on-year). Net income amounted to 19,158 million yen (a 13.6% increase 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 from the organizational and operational reforms have been recorded as extraordinary loss.

The results by business segment are as follows:

#### ① Japan segment

Despite of the decrease in sales of long-term listed products, the sales of AIMIX<sup>®</sup>, a therapeutic agent for hypertension, expanded steadily, furthermore the sales such as METGLUCO<sup>®</sup>, a biguanide oral hypoglycemic, and TRERIEF<sup>®</sup>, a Parkinson's disease drug, favorably increased as compared with the same period of previous fiscal year. Whereas the commissioned manufacturing partially terminated and the royalty income decreased, consequently, net sales amounted to 132,531 million yen (a 3.2% decrease year-on-year) and segment income amounted to 49,277 million yen (a 5.7% decrease year-on-year).

#### ② North America segment

While XOPENEX<sup>®</sup>, a short-acting beta-agonist largely decreased because of the loss of exclusivity, the sales of LATUDA<sup>®</sup>, an atypical antipsychotic, which obtained new indications with bipolar I disorder in U.S., having a positive impact for continuing to expand sales. In addition, as the yen keeps weakening, net sales amounted to 106,302 million yen (a 20.7% increase year-on-year). With regard to profit, gains of sales had a larger impact on profit, though selling, general and administrative expenses increased because the impact of yen's depreciation exceeded the decrease of the personnel expenses from restructuring and amortization of patent rights. As a result, segment income amounted to 28,128 million yen (a 122.3% increase year-on-year).

#### ③ China segment

Because the sales of MEROPEN<sup>®</sup>, a carbapenem antibiotic, remained solid sales additionally due to weak yen, and net sales amounted to 8,156 million yen (a 38.8% increase year-on-year). Otherwise selling, general and administrative expenses increased due to lower yen and increase in the labor cost and sales and marketing expenses. As a result, segment income amounted to 1,656 million yen (a 13.5% decrease year-on-year).

#### ④ Other Regions segment

Net sales amounted to 6,575 million yen (a 13.2% decrease year-on-year) and segment income amounted to 2,488 million yen (a 27.8% decrease year-on-year) largely because exports of MEROPEN<sup>®</sup> decreased.

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 30,949 million yen (a 0.6% increase year-on-year) and segment income amounted to 2,048 million yen (a 13.6% 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 50,972 million yen from the previous consolidated fiscal year-end to 658,191 million yen.

Total liabilities decreased by 2,483 million yen from the previous consolidated fiscal year-end to 255,487 million yen, primarily due to the decrease in accounts payable-other and long-term loans payable.

Net assets increased by 53,455 million yen from the previous consolidated fiscal year-end to 402,703 million yen, mainly due to the increase of the foreign currency translation adjustment.

In addition, shareholders' equity ratio as of the end of current quarter was 61.2%.

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

The net sales is now forecasted to be 385 billion yen, an increase of 4 billion yen from the previously-announced forecast, reflecting the brisk sales of LATUDA<sup>®</sup> and other products in the North America segment. The forecast for operating income remains unchanged at 35 billion yen in light of the expected increases in sales and marketing expenses required for achieving further sales growth in the North America segment. Forecasts for ordinary income and net income likewise remain unrevised.

Note: Forecasts mentioned 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 December 31, 2013
<b>Assets</b>		
Current assets:		
Cash and time deposits	18,753	26,733
Notes and accounts receivable	97,182	106,606
Marketable securities	86,463	91,324
Merchandise and finished goods	45,357	45,788
Work-in-process	3,570	3,415
Raw materials and supplies	13,762	13,181
Deferred tax assets	30,097	27,652
Short-term loans receivable	34,401	35,805
Others	3,958	4,780
Allowance for doubtful receivables	(105)	(107)
Total current assets	333,438	355,179
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	92,586	100,575
Accumulated depreciation and impairment loss	(52,662)	(54,852)
Buildings and structures, net	39,923	45,722
Machinery, equipment and carriers	76,740	78,459
Accumulated depreciation and impairment loss	(67,325)	(68,500)
Machinery, equipment and carriers, net	9,414	9,958
Land	10,277	10,348
Construction in progress	5,799	1,765
Others	28,613	32,085
Accumulated depreciation and impairment loss	(24,165)	(25,326)
Others, net	4,447	6,759
Total property, plant and equipment	69,862	74,554
Intangible assets:		
Goodwill	71,293	83,754
Patent rights	17,383	7,915
In-process research and development	50,664	53,908
Others	6,968	14,639
Total intangible assets	146,310	160,218
Investments and other assets:		
Investment securities	40,838	44,152
Deferred tax assets	7,569	14,440
Others	9,246	9,688
Allowance for doubtful receivables	(47)	(42)
Total investments and other assets	57,607	68,239
Total fixed assets	273,780	303,012
<b>Total assets</b>	607,219	658,191

(Millions of yen)

	As of March 31, 2013	As of December 31, 2013
Liabilities		
Current liabilities:		
Notes and accounts payable	14,253	13,002
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	4,498
Reserve for bonuses	7,610	4,002
Reserve for sales returns	5,650	9,175
Reserve for sales rebates	19,153	26,654
Accounts payable-other	34,771	25,529
Others	21,276	22,806
Total current liabilities	124,831	125,668
Long-term liabilities:		
Bonds payable	60,000	60,000
Long-term loans payable	35,000	27,500
Deferred tax liabilities	14,494	16,585
Liability for retirement benefits	11,030	11,154
Others	12,615	14,578
Total long-term liabilities	133,139	129,818
Total liabilities	257,970	255,487
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	308,556	317,959
Treasury stock	(651)	(655)
Total shareholders' equity	346,165	355,564
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	14,121	16,484
Foreign currency translation adjustment	(11,038)	30,655
Total accumulated other comprehensive income (loss)	3,082	47,139
Total net assets	349,248	402,703
Total liabilities and net assets	607,219	658,191

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

### Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net sales	269,236	284,515
Cost of sales	76,382	78,130
Gross profit	192,854	206,385
Reversal of provision for sales returns	7	16
Gross profit-net	192,861	206,401
Selling, general and administrative expenses		
Salaries	26,270	26,168
Provision for reserve for bonuses	2,703	2,973
Research and development costs	39,948	48,971
Others	91,235	93,635
Total selling, general and administrative expenses	160,158	171,749
Operating income	32,703	34,652
Non-operating income		
Interest income	250	235
Dividend income	741	779
Others	1,281	705
Total non-operating income	2,273	1,720
Non-operating expenses		
Interest expense	816	763
Contribution	1,094	809
Others	333	467
Total non-operating expenses	2,244	2,039
Ordinary income	32,732	34,333
Extraordinary income		
Gain on sales of investment securities	—	2,772
Fair value adjustment of contingent consideration	—	1,068
Total extraordinary income	—	3,840
Extraordinary loss		
Impairment loss	414	4,601
Business structure improvement expenses	3,941	1,803
Total extraordinary loss	4,356	6,404
Income before income taxes and minority interests	28,376	31,768
Income taxes	11,508	12,610
Income before minority interests	16,867	19,158
Net income	16,867	19,158



Consolidated Statements of Comprehensive Income (Loss)

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Income before minority interests	16,867	19,158
Other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	22	2,090
Foreign currency translation adjustment	(1,211)	26,114
Total other comprehensive income (loss)	(1,189)	28,204
Comprehensive income	15,677	47,363
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	15,677	47,363
Comprehensive income attributable to minority interests	—	—

### (3) 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 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 no future profitability is evaluated as zero in terms of collectability, and 414 million yen is recorded as an impairment loss.

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

(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 3,213 million yen during the nine months ended December 31, 2012.

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

II Nine months ended December 31, 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	132,531	106,302	8,156	6,575	253,565	30,949	284,515
Intersegment sales and transfers	74	—	—	—	74	53	128
Total	132,605	106,302	8,156	6,575	253,640	31,003	284,643
Income of segment	49,277	28,128	1,656	2,488	81,550	2,048	83,598

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	81,550
Income of "Other Business"	2,048
Research and development costs*	(48,971)
Elimination of intersegment transactions	25
Operating income on consolidated statements of income	34,652

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 363 million yen and 4,237 million yen are recorded as an impairment loss respectively.

(Significant changes in amount of goodwill)

In the North America segment, the goodwill amount increases by 2,408 million yen due to the result of the additional payment of contingent consideration in connection with the acquisition of BBI.