



Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2015 [Japanese GAAP] (Unaudited)

July 30, 2014

Company Name: SUMITOMO DAINIPPON PHARMA CO., LTD.

Stock Exchange Listings: Tokyo

Security Code Number: 4506 (URL: <http://www.ds-pharma.co.jp>)

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Filing Date of Quarterly Financial Report: August 8, 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 First Quarter of the Year Ending March 31, 2015 (April 1, 2014 to June 30, 2014)

(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	%
Three months ended June 30, 2014	89,743	0.1	8,694	(3.7)	9,551	0.6	5,756	19.7
Three months ended June 30, 2013	89,622	0.6	9,028	(17.1)	9,491	(17.4)	4,809	(15.6)

Note: Comprehensive income (Millions of yen)

Three months ended June 30, 2014: 1,506 (90.5)% Three months ended June 30, 2013: 15,848 1.5%

	Earnings per share	Earnings per share (diluted)
Three months ended June 30, 2014	¥14.49	—
Three months ended June 30, 2013	¥12.10	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2014	638,383	396,144	62.1%
As of March 31, 2014	659,032	398,540	60.5%

Reference: Shareholders' Equity (Millions of yen)

As of June 30, 2014: 396,144

As of March 31, 2014: 398,540

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2014	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2015	—	/	/	/	/
Year ending March 31, 2015 (Forecast)	/	¥9.00	—	¥9.00	¥18.00

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

3. Consolidated Financial Forecasts for the Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(% 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	%	
Six months ending September 30, 2014	178,000	(1.9)	12,000	(31.2)	11,500	(33.9)	11,000	26.5	¥27.69
Year ending March 31, 2015	352,000	(9.2)	20,000	(52.5)	19,000	(53.2)	12,000	(40.2)	¥30.20

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 in which this first quarter is included 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: Yes

• Application of "Accounting Standard for Retirement Benefits"

The Company has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance for the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) from the beginning of the current fiscal year, and revised the calculation method for retirement benefit liabilities and service cost according to the provisions found in the body text of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance for the Accounting Standard for Retirement Benefits. The method of attributing benefits to periods of service has been changed from straight-line basis to benefit formula basis, and the method of determining of discount rate has also been changed from using the bond rate determined by reference to the terms closely related to average remaining working lives of the employees, to using a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

With regard to the application of the Accounting Standard for Retirement Benefits, in accordance with the provisions on transitional implementation indicated in Paragraph 37 of the Accounting Standard for Retirement Benefits, the amount of impact resulting from the change in calculation method of retirement benefit obligations and service costs were added to or deducted from retained earnings at the beginning of the fiscal year.

As a result, at the beginning of the current fiscal year, the amount of assets for retirement benefit decreased by 245 million yen, the amount of liabilities for retirement benefit increased by 62 million yen, retained earnings decreased by 198 million yen. The impact on the profit for the current quarter is immaterial.

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)

June 30, 2014 : 397,900,154 shares

March 31, 2014 : 397,900,154 shares

② Number of treasury stock

June 30, 2014: 594,137 shares

March 31, 2014 : 593,962 shares

③ Average number of shares during the period

June 30, 2014 : 397,306,033 shares

June 30, 2013 : 397,309,233 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 3 of attachment document with regard to the assumptions and other related matters concerning financial forecasts.

The Company holds the Conference Call for institutional investors and analysts on Wednesday, July 30, 2014. 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 Three Months Ended June 30, 2014

(1) Qualitative Information on Business Results

Consolidated business performance for the three months from April 1 through June 30, 2014 is as follows:

The total net sales for the Sumitomo Dainippon Pharma Group amounted to 89,743 million yen, a 0.1% increase from the first quarter of the previous fiscal year. The sales of LATUDA[®], an atypical antipsychotic, in the segment “North America” achieved solid growth and the sales of MEROPEN[®], a carbapenem antibiotic, in the segment “China” increased, while the sales in the segment “Japan” declined due to the significant influences of the NHI price revision and of generics. The operating income for the quarter was 8,694 million yen, a 3.7% decrease year-on-year mainly because of increased sales expenses particularly in North America and increased research and development costs. Ordinary income was 9,551 million yen, a 0.6% increase year-on-year, and net income was 5,756 million yen, a 19.7% increase year on year, due to improvements in non-operating and extraordinary items.

Business performance by segment is as follows:

① Japan segment

Net sales of segment Japan declined 11.7% year on year to 37,490 million yen. The solid growths in the sales of two strategic products, AIMIX[®], a therapeutic agent for hypertension, and TRERIEF[®], a Parkinson's disease drug, were not large enough to offset the adverse impacts on the sales of existing products left by the NHI price revision and the generic drug utilization promoted in Japan. Segment income decreased 25.1% year on year to 11,880 million yen; strenuous cost-reduction efforts were outweighed by the decline in sales.

② North America segment

In North America, net sales increased 11.9% year on year to 35,636 million yen, helped by the further increase in LATUDA[®] sales and the focused effort for early success of APTIOM[®], an antiepileptic drug launched in April 2014, even though the sales of LUNESTA[®], a sedative hypnotic, dropped considerably due to the April 2014 expiry of the exclusivity period. Segment income increased 58.7% year on year to 8,893 million yen. While advertisement and other sales promotion expenses increased along with the sales increase of LATUDA[®], depreciation and amortization costs decreased because the LUNESTA[®] patent rights were fully amortized.

③ China segment

In China the sales of MEROPEN[®] continued to achieve strong growth, which contributed to the 76.4% year-on-year increase in the segment net sales to 4,222 million yen. The segment income increased considerably to 2,035 million yen, a 425.3% increase year on year.

④ Other Regions segment

The decrease in export sales of MEROPEN[®] brought about a 3.2% year-on-year decrease in the sales of this segment at 2,451 million yen. Segment income was 504 million yen, a 50.2% decrease year on year.

In addition to the above-mentioned reportable segments, the Sumitomo Dainippon Pharma Group markets food ingredients, food additives, materials for chemical products, veterinary drugs, diagnostic agents, etc. Net sales from those types of business were 9,943 million yen, a 4.3% decline year on year, and the segment income was 598 million yen, a 29.2% decline year on year.

(2) Qualitative Information on Financial Condition

Total assets decreased 20,648 million yen from the previous consolidated fiscal year-end to 638,383 million yen. Notes and accounts receivable as well as short-term loans receivable decreased. Intangible fixed asset also decreased due to impacts of amortization and foreign exchange translations.

Total liabilities decreased 18,252 million yen from the previous consolidated fiscal year-end to 242,239 million yen, due to the decrease in income tax payable through the payment of corporate taxes for the previous fiscal year as well as to decrease in account payable and long term loans payable.

Net assets decreased 2,396 million yen from the previous consolidated fiscal year-end to 396,144 million yen, mainly due to the decrease of foreign currency translation adjustments in spite of the increase in retained earnings.

Shareholders' equity ratio as of the end of the current quarter was 62.1%.

(3) Qualitative Information on Consolidated Financial Forecasts

The sales of LATUDA[®] is firm in the segment "North America," while the decreased sales of long-listed products is depressing the sales of the segment "Japan." At 352 billion yen, the forecasted net sales for the fiscal year 2014 (April 2014 through March 2015) remain unchanged from the May 2014 forecast.

Changes in product mix are expected to lower the cost of goods sold and bring about a higher gross sales profit than was anticipated in May 2014. Because of increased sales expenses for LATUDA[®] and other reasons, however, the forecasts for operating income and ordinary income for the fiscal year remain unchanged at 20 billion yen and 19 billion yen, respectively.

Neither revised is the forecasted net income of 12 billion yen. It should be added that the last forecast anticipated a significant extraordinary income to accrue in the second half of the fiscal year in connection with disposal of idle assets. This extraordinary income is now expected to accrue during the July – September 2014 period. Accordingly, the forecasted net income for the first six months of fiscal 2014 now stands at 11 billion yen, up 4.7 billion yen from the May 2014 forecast.

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, 2014	As of June 30, 2014
Assets		
Current assets:		
Cash and time deposits	22,746	26,333
Notes and accounts receivable	111,662	97,599
Marketable securities	81,952	81,742
Merchandise and finished goods	46,377	46,253
Work-in-process	2,408	2,373
Raw materials and supplies	10,356	12,369
Deferred tax assets	37,281	35,036
Short-term loans receivable	41,720	35,472
Others	5,225	6,380
Allowance for doubtful receivables	(120)	(110)
Total current assets	359,611	343,450
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	100,804	101,086
Accumulated depreciation and impairment loss	(56,396)	(56,943)
Buildings and structures, net	44,407	44,143
Machinery, equipment and carriers	77,479	77,694
Accumulated depreciation and impairment loss	(67,833)	(68,337)
Machinery, equipment and carriers, net	9,646	9,357
Land	8,396	8,386
Construction in progress	3,080	2,748
Others	32,271	32,583
Accumulated depreciation and impairment loss	(25,113)	(25,430)
Others, net	7,157	7,153
Total property, plant and equipment	72,689	71,789
Intangible assets:		
Goodwill	80,669	78,202
In-process research and development	56,071	54,929
Others	20,055	18,871
Total intangible assets	156,796	152,003
Investments and other assets:		
Investment securities	50,823	51,269
Asset for retirement benefit	4,685	4,764
Deferred tax assets	8,602	7,230
Others	5,865	7,912
Allowance for doubtful receivables	(41)	(36)
Total investments and other assets	69,935	71,139
Total fixed assets	299,421	294,932
Total assets	659,032	638,383

	(Millions of yen)	
	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities:		
Notes and accounts payable	11,713	12,768
Current portion of long-term loans payable	10,000	10,118
Income taxes payable	10,524	3,217
Reserve for bonuses	7,786	4,431
Reserve for sales returns	9,894	8,205
Reserve for sales rebates	26,421	25,042
Accounts payable-other	35,937	27,714
Others	18,930	24,146
Total current liabilities	131,207	115,646
Long-term liabilities:		
Bonds payable	60,000	60,000
Long-term loans payable	25,000	22,678
Deferred tax liabilities	15,704	14,785
Liability for retirement benefit	13,892	14,252
Others	14,687	14,876
Total long-term liabilities	129,284	126,593
Total liabilities	260,492	242,239
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	318,861	320,716
Treasury stock	(656)	(657)
Total shareholders' equity	356,465	358,319
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	17,247	16,768
Deferred gains (losses) on hedges	(0)	(7)
Foreign currency translation adjustment	26,792	22,946
Remeasurements of defined benefit plans	(1,964)	(1,882)
Total accumulated other comprehensive income (loss)	42,074	37,824
Total net assets	398,540	396,144
Total liabilities and net assets	659,032	638,383

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	89,622	89,743
Cost of sales	25,270	24,085
Gross profit	64,352	65,657
Reversal of reserve for sales returns	13	5
Gross profit-net	64,365	65,662
Selling, general and administrative expenses		
Salaries	8,969	8,922
Provision for reserve for bonuses	2,510	2,982
Retirement benefit expenses	1,211	1,057
Research and development costs	14,687	15,214
Others	27,957	28,790
Total selling, general and administrative expenses	55,337	56,967
Operating income	9,028	8,694
Non-operating income		
Interest income	84	89
Dividend income	399	816
Others	439	414
Total non-operating income	924	1,320
Non-operating expenses		
Interest expense	254	233
Contribution	157	93
Others	49	138
Total non-operating expenses	461	464
Ordinary income	9,491	9,551
Extraordinary income		
Compensation income for damage	—	1,711
Total extraordinary income	—	1,711
Extraordinary loss		
Business structure improvement expenses	605	127
Impairment loss	395	—
Total extraordinary loss	1,000	127
Income before income taxes and minority interests	8,490	11,134
Income taxes	3,681	5,378
Income before minority interests	4,809	5,756
Net income	4,809	5,756

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	4,809	5,756
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities, net of tax	619	(478)
Deferred gains (losses) on hedges	—	(6)
Foreign currency translation adjustment	10,420	(3,845)
Remeasurements of defined benefit plans, net of tax	—	81
Total other comprehensive income (loss)	11,039	(4,249)
Comprehensive income	15,848	1,506
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	15,848	1,506
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 Three months ended June 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	42,446	31,860	2,393	2,531	79,232	10,390	89,622
Intersegment sales and transfers	38	—	—	—	38	20	59
Total	42,485	31,860	2,393	2,531	79,271	10,411	89,682
Income of segment	15,857	5,602	387	1,012	22,860	844	23,704

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	22,860
Income of "Other Business"	844
Research and development costs*	(14,687)
Elimination of intersegment transactions	11
Operating income on consolidated statements of income	9,028

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, the fixed assets deemed to have no future profitability is evaluated as zero in terms of collectability, and 395 million yen is recorded as an impairment loss.

(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..

II Three months ended June 30, 2014

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	37,490	35,636	4,222	2,451	79,800	9,943	89,743
Intersegment sales and transfers	—	—	—	—	—	15	15
Total	37,490	35,636	4,222	2,451	79,800	9,958	89,758
Income of segment	11,880	8,893	2,035	504	23,313	598	23,911

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	23,313
Income of "Other Business"	598
Research and development costs*	(15,214)
Elimination of intersegment transactions	(2)
Operating income on consolidated statements of income	8,694

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