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

May 11, 2015

Company Name: SUMITOMO DAINIPPON 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
Contact: Akiko Watanabe, Director, Corporate Communications Department
Telephone: 06-6203-1407
Filing Date of Financial Report: June 19, 2015
Date of Annual Shareholder's Meeting: June 19, 2015
Starting Date of Dividend Payments: June 22, 2015
Preparation of Supplementary Financial Data for Financial Results: Yes
Information Meeting for 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 Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(1) Results of Operations

(% represents changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Year ended March 31, 2015	371,370	(4.2)	23,275	(44.8)	23,331	(42.6)	15,447	(23.0)
Year ended March 31, 2014	387,693	11.5	42,142	68.3	40,631	65.8	20,060	99.7

Note: Comprehensive income Year ended March 31, 2015: ¥60,107 million, 33.1%
Year ended March 31, 2014: ¥45,165 million, 21.5%

	Earnings per share	Earnings per share (diluted)	Net income / Shareholders' equity (ROE)	Ordinary income / Total assets	Operating income / Net sales
Year ended March 31, 2015	¥38.88	—	3.6%	3.4%	6.3%
Year ended March 31, 2014	¥50.49	—	5.4%	6.4%	10.9%

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates
Year ended March 31, 2015 : ¥79 million
Year ended March 31, 2014 : —

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of March 31, 2015	711,583	451,021	63.4%	¥1,135.21
As of March 31, 2014	659,032	398,540	60.5%	¥1,003.11

Reference: Shareholders' Equity As of March 31, 2015 : ¥451,021 million
As of March 31, 2014 : ¥398,540 million

(3) Cash Flows

(Millions of yen)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at the end of period
Year ended March 31, 2015	30,251	23,447	(15,725)	122,794
Year ended March 31, 2014	49,943	(26,208)	(27,164)	73,919

2. Dividends

	Dividends per share					Dividends paid for the year (million)	Payout ratio	Dividends to net assets ratio
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual			
Year ended March 31, 2014	—	¥9.00	—	¥9.00	¥18.00	¥7,151	35.7%	1.9%
Year ended March 31, 2015	—	¥9.00	—	¥9.00	¥18.00	¥7,151	46.3%	1.7%
Year ending March 31, 2016 (Forecast)	—	¥9.00	—	¥9.00	¥18.00		39.7%	

3. Consolidated Financial Forecasts for the Year Ending March 31, 2016 （April 1, 2015 to March 31, 2016）

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Six months ending September 30, 2015	193,000	8.3	11,000	(7.9)	11,000	(13.5)	8,000	(32.0)	¥20.14
Year ending March 31, 2016	392,000	5.6	27,000	16.0	26,500	13.6	18,000	16.5	¥45.31

Notes:

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

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

① Changes due to changes in accounting standards: Yes

② Changes due to changes in accounting standards other than (2),①: None

③ Changes in accounting estimates: None

④ Retrospective restatements: None

Note: For detail, please refer to 5.Consolidated Financial Statement, (5) Notes to Consolidated Financial Statements (Changes to accounting policies) on page 26 of Attachment Documents.

(3) Number of shares outstanding (Common stock)

① Number of shares outstanding (Including treasury stock) at the end of period

March 31, 2015: 397,900,154 shares

March 31, 2014: 397,900,154 shares

② Number of treasury stock at the end of period

March 31, 2015: 596,335 shares

March 31, 2014: 593,962 shares

③ Average number of shares during the period

March 31, 2015: 397,305,152 shares

March 31, 2014: 397,307,851 shares

(Reference)

Non-consolidated Financial Results for the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(1) Results of Operations

(% represents changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Year ended March 31,2015	183,073	(8.8)	14,329	(40.1)	15,136	(35.3)	16,968	11.6
Year ended March 31,2014	200,745	5.7	23,938	28.8	23,403	26.5	15,210	33.9

	Earnings per share	Earnings per share (diluted)
Year ended March 31,2015	¥42.71	—
Year ended March 31,2014	¥38.28	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share (yen)
As of March 31, 2015	595,144	400,110	67.2%	¥1,007.06
As of March 31, 2014	568,152	385,897	67.9%	¥971.29

Reference: Shareholders' Equity As of March 31, 2015 : ¥400,110 million
As of March 31, 2014 : ¥385,897 million

Indication of audit procedure implementation status:

This summary of financial results is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit 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 an earnings presentation for institutional investors and analysts on Tuesday, May 12, 2015. The documents distributed at the presentation are scheduled to be posted on our website.

【Attachment Documents】

1. Operating Results and Financial Condition

(1) Analysis of Operating Results

(i) Overview of overall operating results

In the Japanese economy during the current fiscal year, business continued to be on the track to recovery showing trends of improved corporate earnings and improved employment situation, affected by economic policies such as monetary easing, rapid progress of weakening of the yen currency and the like. In the global economy, the U.S. economy continued to enjoy steady recovery due to the increased consumer spending, and the Chinese economy stayed on its moderate growth path though its rate is slowing down. In Europe, the economy was coming back even though there was still uncertainty about the future.

In the pharmaceutical industry, while healthcare cost reduction policies were advanced globally, including the accelerated promotion of the use of generic drugs, there were trends to make an effort to pioneer new business areas such as practical realization of regenerative medical techniques as well as acquire biotechnology venture companies or enter into newly emerging markets under the situation that the research and development cost kept rising reflecting the challenges in developing new medicines to serve unmet medical needs and the requirement of higher safety.

Under these conditions, the Group, in Japan, worked to enhance the sales of strategic products, which are AIMIX®, therapeutic agent for hypertension and TRERIEF®, therapeutic agent for Parkinson's disease. In addition, the Group focused on information providing activities for the purpose of maximizing the sales of METGLUCO®, a biguanide oral hypoglycemic, and other products.

In overseas, Sunovion Pharmaceuticals Inc. (hereinafter, "Sunovion"), a subsidiary company in the U.S., made all-out efforts to further expand the sales of LATUDA® (generic name: lurasidone hydrochloride), an atypical antipsychotic which is global strategic product for the Group. LATUDA® was launched in the U.K. in August 2014 by Sunovion Pharmaceuticals Europe Ltd.

Sunovion launched APTIOM®, an antiepileptic drug in April 2014 in the U.S.

Boston Biomedical, Inc. (hereinafter, "BBI") focused development efforts for an early launch in the U.S. market of therapeutic agents for solid cancer BBI608 and BBI503.

Sales in Japan fell significantly due to severe business circumstances such as the April 2014 National Healthcare Insurance drug price revisions and the rapid spread of measures for promoting the use of generic drugs. In North America, the sales increased because of the increased sales of LATUDA® and the weakened yen, even though the sales of LUNESTA®, a sedative hypnotic, dropped significantly due to the April 2014 expiry of the exclusivity period. In China, the sales of MEROPEN®, a carbapenem antibiotic grew strongly. Despite the above, consolidated net sales in the current fiscal year were 371,370 million yen (a 4.2% decrease from the previous fiscal year) since the significant sales decrease in Japan was greatly influenced. The selling, general and administrative expenses increased as a whole due to the increased sales expenses such as those for the advertisement and other sales promotion activities to achieve further sales growth of LATUDA® and the increased clinical development cost in the U.S., despite continued efforts in Japan for cost reduction centering on sales expenses. As a result, the operating income was 23,275 million yen (a 44.8% decrease from the previous fiscal year) and the ordinary income was 23,331 million yen (a 42.6% decrease from the previous fiscal year). The net income reached 15,447 million yen (a 23.0% decrease from the previous fiscal year) after recorded extraordinary income and loss including gain on sale of fixed assets and impairment losses associated with reorganization of production sites.

(ii) Status of each business segment

[Japan segment]

In addition to the two strategic products of AIMIX® and TRERIEF®, METGLUCO® and SUREPOST®, a rapid-acting insulin secretagogue grew in sales. However, their growth fell short of compensating for the decline in the sales of long-listed products caused by the National Healthcare Insurance drug price revisions and the spread of measures for promoting the use of generic drugs. Consequently, net sales were 156,564 million yen (an 8.9% decrease from the previous fiscal year). In terms of profit, although the selling, general and administrative expenses, excluding research and development costs, were decreased by efforts to reduce sales expenses, sales decline impact was larger and the segment income resulted in 50,571 million yen (a 16.9% decrease from the previous fiscal year).

[North America segment]

The net sales were 148,178 million yen (a 2.0% increase from the previous fiscal year), supported by a further increase in the sales of LATUDA®, which was approved for an additional indication of bipolar I depression in the previous fiscal year, and the weakened yen despite the considerable decline in the sales of LUNESTA® due to the expiration of the exclusivity. With regard to profit, the sales expenses including advertisement and other promotion expenses for LATUDA® as well as the fee on sales of branded prescription drugs distributed through the government health care program were substantially increased, however, the increase sales and the completion of the patent rights amortization on LUNESTA® brought the segment income to 34,716 million yen (a 2.5% increase from the previous fiscal year).

[China segment]

The sales of MEROPEN®, the key product and other products grew remarkably to make the net sales reach 17,145 million yen (a 43.7% increase from the previous fiscal year). With regard to profit, the segment income was 6,248 million yen (a 96.4% increase from the previous fiscal year) in spite of increased expenses including sales expenses.

[Other Regions segment]

The net sales of this segment were 8,784 million yen (a 47.4% decrease from the previous fiscal year), because industrial property revenue by licensing-out declined largely. With regard to profit, the segment income was 836 million yen (a 92.6% decrease from the previous fiscal year) due to the reasons including increased sales expenses associated with launch of LATUDA® in the U.K.

In addition to the above-mentioned reportable segments, the Group sells food ingredients, food additives, materials for chemical products, veterinary drugs, diagnostic agents, etc., and the net sales of those types of business were 40,697 million yen (a 2.8 % decrease from the previous fiscal year) and segment income was 2,207 million yen (a 17.4% decrease from the previous fiscal year).

(iii) Status of research and development activities:

The Group aims to produce innovative pharmaceutical products, designating the psychiatry and neurology area and the oncology area as focus therapeutic areas. The Group also introduces various active strategies, including its own in-house research, technology in-licensing, and joint research with venture companies and academia to develop cutting-edge technologies that would enable the Group to be a global pioneer in areas of unmet medical needs and the emerging areas of regenerative medicine and cell therapy.

In the initial research stage, the Company makes efforts to improve research efficiency by use of advanced technologies owned by itself, related to genomics, proteomics, and metabolomics, and to apply the leading-edge science, including iPS cells, for our new drug discovery and regenerative medicine/cell therapy. The Company is now also promoting a joint research with the Center for iPS Cell Research and Application, Kyoto University aiming for development of treatment for rare intractable diseases. Furthermore, the Company actively participates in the Research Center Network for

Realization of Regenerative Medicine, a project involving industry, government, and academia.

In the latter research stage and the development stage, the Company optimizes the portfolio of the entire Group from a global point of view, in any areas focusing on the key therapeutic area and new areas. In addition, the Company is actively implementing product life cycle management, including the development of formulations that aims to maximize product values.

The progress status of main development projects during the current fiscal year is as follows:

〔Psychiatry and Neurology〕

(a) APTIOM® was approved in Canada in July 2014 for use as adjunctive treatment of partial-onset seizures. Applications for additional indication of partial epilepsy (monotherapy) was submitted in the U.S and Canada in October 2014.

(b) With regard to lurasidone HCl, a product of global strategic importance, applications for approval were submitted in Thailand in November 2014 and in Russia, Turkey, Venezuela and Hong Kong in December 2014 by the respective overseas partners. In Japan, from the test results of phase III clinical studies for schizophrenia, the Company assessed in April 2015 that it would be difficult to submit an application for approval of production and distribution by using those results. The Company is now reviewing its lurasidone HCl development policy for Japan.

(c) Phase III clinical studies were begun in the U.S. in October 2014 for SEP-225289, a treatment agent for adult attention-deficit hyperactivity disorder (ADHD).

(d) With regard to blonanserin, an atypical antipsychotic, Phase III clinical studies were begun in Japan in August 2014 for schizophrenia.

(e) Phase III clinical studies of TRERIEF® were begun in Japan in February 2015 for Parkinsonism in dementia with Lewy bodies (DLB).

〔Oncology〕

(a) With regard to BBI608, created targeting anti-cancer effect to cancer stem cells, further accrual of patients on its Phase III global colorectal carcinoma monotherapy trial was closed in May 2014, following a Data and Safety Monitoring Committee issued as a result of the interim analysis. Meanwhile, the Phase III global trial in patients with gastric/Gastro-esophageal junction adenocarcinoma and other studies are continuing as planned. Phase I studies were initiated in the U.S., Canada and Japan for solid or blood cancer.

(b) Phase I and II studies of BBI503 were started in the U.S., Canada and Japan for a multiple of cancer types.

〔New areas〕

(a) In April 2014, the Company opened a research facility called Kobe Regenerative & Cellular Medicine Center in the KOBE Biomedical Innovation Cluster which is promoted by the City of Kobe. In May 2014, a joint research project was launched with the Center for iPS Cell Research and Application, Kyoto University aiming for iPS cell-derived nerve cell transplants to treat Parkinsonism.

(b) A joint development and licensing agreement was concluded with SanBio Inc. in September 2014 for SB623 a stroke treatment agent with the U.S and Canada as the licensed territory. Preparation for Late Phase II clinical trials is on the way in the U.S.

〔Other areas〕

(a) An application for addition of pediatric usage of METGLUCO® was approved in August 2014 and a supplementary application to change the indication of SUREPOST® to type 2 diabetes was approved in November 2014, both in Japan.

(b) A Phase III clinical trial of SUN-101 for patients with chronic obstructive pulmonary disease (COPD) was initiated in the U.S. in January 2015

The Group has been active in in-licensing of products and in joint research with others. During the current fiscal year, the Company entered into an investment agreement with a venture capital firm in June 2014, with a view to gaining efficient access to most up-to-date information on venture firms with new drug discovery potentials and cutting-edge technologies. In December 2014, External Innovation Development Office was created for the purposes of promoting in-licensing compounds still in or before early stages of clinical studies and Global Business Development was created for the purposes of promoting M&A's, in- and out-licensing and alliance in pharmaceutical business.

(iv) Forecasts for the year ending March 31, 2016

(Millions of yen)

	Fiscal 2014 Results	Fiscal 2015 Forecasts	Change	Change %
Net sales	371,370	392,000	20,629	5.6
Operating income	23,275	27,000	3,724	16.0
Ordinary income	23,331	26,500	3,168	13.6
Net income (attributable to owners of parent)	15,447	18,000	2,552	16.5

<Net sales>

Net sales in Japan is expected to stay at the level of the previous year. Expected sales decline of long-listed product will be compensated by increased sales of strategic products, AIMIX® and an atypical antipsychotic agent LONASEN® as well as of new products. An increase is expected of North America net sales because of increased sales of LATUDA® and other products, coupled with the weaker than in the previous year exchange rate of yen against the U.S. dollar assumed in the forecast. For these and other reasons, the total net sales is forecasted to be 392.0 billion yen, an increase of 20.6 billion yen from the previous year.

<Income>

Gross profit is expected to increase in line with sales expansion. In addition, selling, general and administrative expenses less R&D expenses will likely be the same level as previous fiscal year mainly due to offsetting the yen depreciation with the effort of cost reduction. However, research and development cost is expected to rise because of the increase of the products in later development phases, in addition to the yen depreciation.

As a result, we expect that operating income will be 27.0 billion yen (a 3.7 billion yen increase compared to the previous fiscal year) and ordinary income will be 26.5 billion yen (a 3.2 billion yen increase compared to the previous fiscal year). Net income attributable to owners of the parent will be 18.0 billion yen (a 2.6 billion yen increase compared to the previous fiscal year) including extraordinary income (loss).

<Prior condition>

Foreign currency exchange rate used for the forecasts 1 USD = 115 yen, 1 RMB = 18.5 yen

(2) Analysis of Financial Condition

Analysis of the status of assets, liabilities, net assets, and cash flows

(i) Summary of assets, liabilities, and net assets

- Assets

As for current assets, cash and time deposits and marketable securities increased while notes and accounts receivables decreased. As for Fixed assets, tangible fixed assets decreased due to the sales of assets held by the Company, and recognition of impairment loss relating to the reorganization of production site. Intangible assets decreased due to a significant impact of yen depreciation. As a result, total assets increased by 52,551 million yen from the previous fiscal year-end to 711,583 million yen.

- Liabilities

Despite the decrease of income tax payable and long-term debts, liabilities increased by 70 million yen from the previous fiscal year-end to 260,562 million yen primarily due to an increase in the reserve for sales rebates in the U.S. because of the sales growth of Latuda®.

- Net assets

Net assets increased by 52,481 million yen from the previous fiscal year-end to 451,021 million yen as a result of an increase in retained earnings and an increase in foreign currency translation adjustments brought about by a weakened yen.

In addition, the shareholders' equity ratio as of the current fiscal year-end amounted to 63.4%.

(ii) Status of cash flows

- Net cash provided by operating activities

Despite of the decrease in notes and accounts receivable, cash flow from operating activities decreased by 19,692 million yen compared to previous fiscal year to 30,251 million yen mainly due to the decrease of non-cash expenses such as depreciation and amortization, as well as the increase in income tax paid.

- Net cash used in investing activities

Net cash used in investing activities increased by 49,656 million yen from the previous fiscal year to 23,447 million yen due to the increase of proceeds from sales of property, plant and equipment, as well as proceeds from redemption of marketable securities that was higher than the purchases of marketable securities.

- Net cash used in financing activities

Net cash used in financial activities includes repayment of long-term loans and payment of dividend. It decreased by 11,439 million yen compared to previous fiscal year to 15,725 million yen.

As a result of adding an impact amount of positive 10,703 million yen as brought about by foreign currency translations applied to cash and cash equivalents, the balance of cash and cash equivalents as of the current fiscal year-end stood at 122,794 million yen for an increase of 48,875 million yen over the previous fiscal year-end.

(Reference) Trend of cash flow indicators

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Shareholder’s equity ratio	54.9%	57.1%	57.5%	60.5%	63.4%
Shareholder’s equity ratio (market value basis)	52.2%	62.3%	114.8%	98.9%	79.5%
Ratio of interest-bearing debt cash flow	218.4%	205.4%	195.9%	172.9%	175.7%
Interest coverage ratio [times]	37.4	57.9	56.9	60.2	59.2

Shareholders’ equity ratio: Shareholders’ equity / total assets
Shareholders’ equity ratio (market value basis): total market capitalization / total assets
Ratio of interest-bearing debt to cash flow: interest-bearing debt / operating cash flow
Interest coverage ratio: operating cash flow / interest paid

Notes: 1. Each indicator is calculated on a consolidated basis.
2. Total market capitalization is calculated based on the number of shares outstanding, less treasury stock.
3. Operating cash flow is based on the net cash provided by operating activities in the consolidated statements of cash flows less the amounts of “Interest paid” and “Income taxes paid”.
4. Interest-bearing debt includes all consolidated balance sheet liabilities which are subject to an interest payment. Interest paid equal to the “Interest paid” of the consolidated statements of cash flows.

(3) Fundamental Profit and Dividend Distribution Policy for the Current Term and the Next Term

The allocation of the Company’s profits in a customarily appropriate manner to its shareholders is one of the Company’s fundamental management policies.

The Company’s basic policy is to make dividends payments twice each year from retained earnings, including an interim dividend, as determined by the Company’s Board of Directors; and a year-end dividend, as determined by the general meeting of shareholders.

In addition to stressing the distribution of surplus in a manner that reflects the Company’s performance, the Company intends to make decisions on distribution from a comprehensive standpoint, while actively investing in its future growth, ensuring a solid management base and enhancing its financial condition to further increase its enterprise value. The Company believes that it is important to allocate profits to its shareholders in a consistent manner.

The Company plans to declare a cash dividend of ¥9 per share for the current term, which is equal to the interim cash dividend for the current term, resulting in a total dividend of ¥18 per share for the current term.

The Company further plans to declare a cash dividend of ¥18 per share for the next term (the same amount as declared for the current term) in order to continue to provide regular dividends to the Company’s shareholders.

(4) Business Risks

Below is a discussion of the most significant risks that could negatively impact the operating results and financial position of the Sumitomo Dainippon Pharma Group.

Forward-looking statements in the discussion of risks discussed below reflect the judgment of the Group as of March 31, 2015.

(i) Risk relating to research and development of new products

The Group works to research and develop highly original and globally viable products. While the Group strives to maintain an extensive product pipeline and to bring products to market as early as possible, all in the pipeline may not be successfully developed and launched to the market. It is possible that some development project may be delayed or abandoned at all. Depending on the nature of the product under development, such cases could have a significant and negative impact on the Group's operating results and financial position.

(ii) Problems concerning adverse events

The Group conducts rigorous safety testing of its pharmaceutical products at different stages of development, with products receiving approval only after rigorous screening by the competent authorities in all the countries. These efforts notwithstanding, previously unreported adverse events are sometimes discovered only after a drug has already been marketed. The appearance of such unexpected adverse events once a product has been sold could have a significant and negative impact on the Group's operating results and financial position.

(iii) Healthcare system reforms

The precipitous decline in Japan's birthrate and the rapid rise in the country's elderly population are the prime factors causing the financial state of Japan's healthcare insurance system to deteriorate. In this climate, measures continue to emerge aimed at curbing healthcare costs, and how to best reform the country's healthcare system continues to be debated. The direction that any healthcare system reforms might take, including mandated NHI price revisions, could ultimately have a significant and negative impact on the Group's operating results and financial position. Pharmaceutical products are subject to various kinds of regulations in foreign countries as well. The Group's operating results and financial position may be significantly affected, depending on the future courses of the U.S. healthcare system reform and other administrative measures overseas.

(iv) Risk relating to the sale of products

The Group can envision scenarios in which sales of its pharmaceutical products are threatened to decrease due to a competition with the products of the same area of other manufacturers or a launching of generic products following the expiration of a patent period or otherwise. Such cases could have a significant and negative impact on the Group's operating results and financial position.

(v) Risk relating to intellectual property rights

The Group utilizes a wide range of intellectual property during the course of its R&D activities, including both property owned by the Group and property that the Group lawfully uses with the authorization of the property's owner. Nevertheless, the Group recognizes the possibility, no matter how slight, that some use might be deemed an infringement of a third party's intellectual property rights.

Consequently, legal disputes pertaining to intellectual property rights could arise and have a significant and negative impact on the Group's operating results and financial position.

(vi) Termination of partnerships

The Group enters into a variety of partnerships with other companies for the sale of purchased goods, the establishment of joint ventures, co-promotion, and the licensing in and out of products under development, as well as for collaborative research and other purposes. The termination, for whatever reason, of such partnerships could have a significant and negative impact on the Group's operating results and financial position.

(vii) Prerequisites for primary business activities

The Group's core business is the ethical pharmaceutical products business. Accordingly, the Group requires licenses and other certifications to engage in R&D and the manufacture and sale of drugs pursuant to Japan's "The Law on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices" and other laws and regulations related to pharmaceuticals. The

Company has obtained licenses and other certifications, including Type 1 and Type 2 Pharmaceuticals Manufacturing and Sales Business licenses (both valid for five years). In addition, in order to engage in the ethical pharmaceutical products business in overseas countries, the Group also has obtained licenses as needed under laws and regulations related to pharmaceuticals of those countries. These licenses and other certifications will cease to be valid unless gone through procedures as stipulated by the applicable laws and regulations. These laws and regulations also stipulate that these licenses and certifications may be revoked and/or that the Group may be ordered to suspend part of or all of its operations for a fixed period of time or be subject to other measures in the event that the Group violates these laws and regulations. The Group currently has no knowledge of any facts that would warrant the revocation of its licenses or other certifications.

However, an order to revoke the Group's licenses or other certifications could have a significant and negative impact on the Group's operating results and financial position.

(viii) Risk relating to litigation

There is a possibility that a suit may be brought to court in terms of an adverse effect of a pharmaceutical product, product liability, labor issues, fair trade, etc., relating to the business activities of the Group. Depending on the development thereof, such cases could have a significant and negative impact on the Group's operating results and financial position.

(ix) Closedown or shutdown of a plant

The Group can envision scenarios in which the Group's plant is closed down or shut down due to technical problems, stoppage of supply of raw materials, fire, earthquake, or any other disaster where the supply of products is delayed or halted. Such cases could have a significant and negative impact on the Group's operating results and financial position.

(x) Impact of financial market situation and foreign exchange fluctuations

A sluggish equity market will give rise to a loss on valuation or sale of shares held, and the interest rate trend may increase interest expenses on borrowings etc., and the deterioration of financial market situation will cause the retirement benefit obligations to increase. All these factors could have a significant and negative impact on the Group's operating results and financial position. Furthermore, foreign exchange fluctuations may have a material impact on importing and exporting transactions and the conversion of operating results of consolidated subsidiaries into yen.

(xi) Impact of impairment of fixed assets

The Group owns various types of tangible and intangible fixed assets, such as business assets and goodwill. In the future, in the event of substantial deterioration of operating results or reduction in values, the need to treat the impairment will arise, which could have a significant and negative impact on the Group's operating results and financial position.

(xii) Transactions with the parent company

The Company and its parent company, Sumitomo Chemical Co., Ltd., have concluded agreements for the leasing of land for the Osaka Research Laboratories, Ehime Plant and Oita Plant, as well as for the purchase of raw materials used in the production of active pharmaceutical ingredients at these sites and other locations. These agreements involve prices that are determined based on discussions between the two parties with reference to general market prices. These agreements are customarily renewed every year. The Company also accepts employees on loan from the parent company.

Furthermore, during the year we also made short-term loans to our parent company to raise capital efficiency.

The Company's policy is to continue these transactions and other ties with the parent company.

However, changes in these agreements, including changes in the transaction terms specified therein, could have a significant and negative impact on the Group's operating results and financial position.

(xiii) Risk relating to overseas operation

The Group conducts global business activity mainly in regions North America and China. The risks such as change of local restrictions, worsening of diplomatic relations and political uncertainties are inherent in these activities. In the event the Group faces such risks, it could have a significant and negative impact on the Group's operating results and financial position.

(xiv) Risk relating to compliance

The Group makes every effort to promote the observance of laws and regulations and business ethics, being aware that compliance is the very basis of all its business activities. With all the measures, however, there is a possibility of the situation running counter to the spirit of compliance, which circumstances could result in social disgrace of the Group and could significantly affect its operating results and financial position

There are risks other than those described above, and the risks listed here do not include all of the risks faced by the Group.

2. Summary of the Business of the Group

The Sumitomo Dainippon Pharma Group consists of the Company, the parent company, 23 subsidiaries (16 consolidated subsidiaries and 7 non-consolidated subsidiaries), and 7 affiliated companies (2 equity method affiliates and 5 non-equity method affiliates) as of March 31, 2015. The description of the main business of the Group, the summary of the positioning relating to the relevant business of each company being part of the Group and its relationship with business segments are as follows:

<Pharmaceuticals>

(1) Japan

The Company manufactures, purchases, and sells ethical pharmaceuticals.

In addition, Create Vaccine Company., Ltd., the joint venture company by joint contribution of the Company, Japan BCG Laboratory, and Innovation Network Corporation of Japan, is committed to development of tuberculosis vaccine with National Institute of Biomedical Innovation and the authorized NPO Aeras. The company has been included in the scope of the application of the equity method since the beginning of this fiscal year because its importance has increased.

Kyoto Pharmaceutical Industries, Ltd., the Company's non-equity method affiliate company, is engaged in the manufacture and sales of ethical pharmaceuticals and non-prescription drugs.

SighRegen K.K., the Company's non-equity method affiliate company, is a joint venture company established with Healios K.K. It will manufacture and market the pharmaceutical products, medical equipment and regenerative medical products developed by the collaborative study of regenerative medical techniques.

(2) North America

Under the initiative of Dainippon Sumitomo Pharma America Holdings, Inc., the consolidated subsidiary and holding company, Sunovion Pharmaceuticals Inc., a consolidated subsidiary, manufactures, purchases, and sells ethical pharmaceutical products. 7 subsidiaries of Sunovion Pharmaceuticals Inc. are committed to manufacturing, sales, development and all other management of pharmaceutical products.

Boston Biomedical, Inc., a consolidated subsidiary, involves in research and development in the oncology area.

Boston Biomedical Pharma, Inc., a subsidiary company of Dainippon Sumitomo Pharma America Holdings, Inc., prepares for sales of anti-cancer drugs in the U.S.

(3) China

In China, Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., a consolidated subsidiary, manufactures (subdivide packaging) and sells ethical pharmaceuticals.

(4) Other Regions

Sunovion Pharmaceuticals Europe Ltd., a consolidated subsidiary, purchases and sells ethical pharmaceuticals in U.K.. The company has been included in the scope of consolidation since the beginning of the 2^{nd} quarter of the fiscal year because its importance has increased due to the start of sales.

In Southeast Asia and the surrounding countries, Sunovion Pharmaceuticals Asia Pacific Pte Ltd., a non-consolidated subsidiary, negotiates contracts with business partners and provides support for obtaining approval for the Company’s products.

<Other Products>

DSP Gokyo Food & Chemical Co., Ltd., a consolidated subsidiary, manufactures, purchases, and sells food ingredients, food additives and chemical product materials, part of which is supplied to the Company.

DS Pharma Animal Health Co., Ltd., a consolidated subsidiary, manufactures, purchases, and sells veterinary drugs, etc.

DS Pharma Biomedical Co., Ltd., a consolidated subsidiary, manufactures, purchases, and sells clinical diagnostic products, machinery, and equipment for research and testing. Part of the diagnostic products are purchased and sold by the Company.

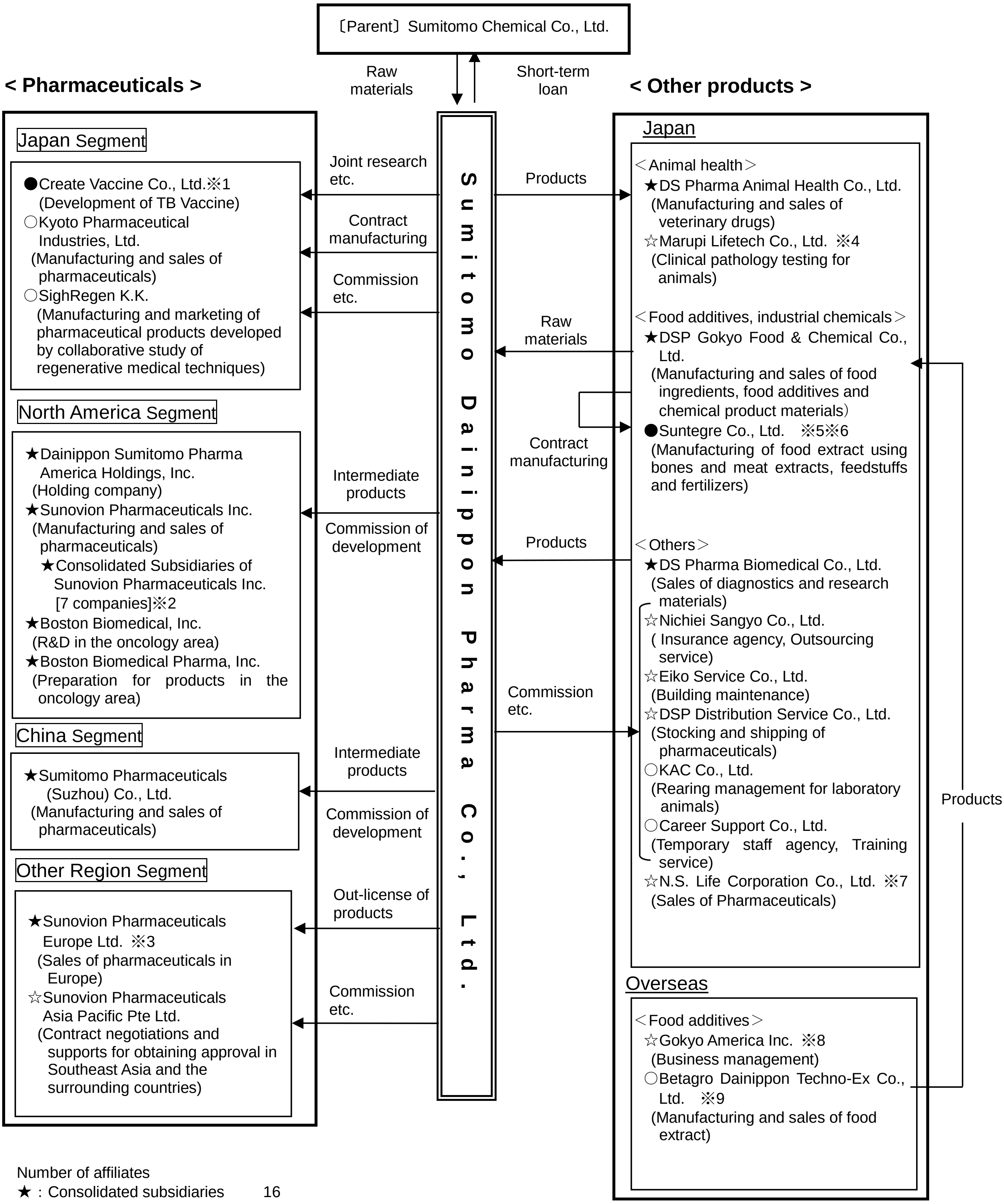
Suntegre Co., Ltd., an affiliated company under equity method, manufactures food extract products, feed, fertilizer, and provides them to DSP Gokyo Food & Chemical Co., Ltd.

Suntegre Co., Ltd. has been included in the scope of the application of the equity method since the beginning of this fiscal year because its importance has increased.

A non-consolidated subsidiary, Marupi Lifetech Co., Ltd., is engaged in clinical pathology testing operations for animals.

In Thailand, Betagro Dainippon Techno-Ex Co., Ltd., a non-equity method affiliates, manufactures food extracts products and provides them to DSP Gokyo Food & Chemical Co., Ltd.

In addition to the above, the Group has 5 non-consolidated subsidiaries and 2 non-equity method affiliates that provide various services, such as storage, delivery.



Number of affiliates

★	: Consolidated subsidiaries	16
☆	: Non-consolidated subsidiaries	7
●	: Equity method affiliates	2
○	: Non-Equity method affiliates	5

※1 : Create Vaccine Company, Ltd. has been an affiliated company as a result of changes in investment ratio among the Company, Japan BCG Laboratory and Innovation Network Corporation of Japan who concluded a joint investment agreement.
※2 : On April, 2015, Sunovion Canada Holding Inc. and Sepracor Canada (Nova Scotia) Ltd. were merged with Sunovion Pharmaceuticals Canada Inc. through an absorption-type merger. Sunovion Pharmaceuticals Inc. has 5 consolidated subsidiaries after the merger.
※3 : On July, 2014, Sunovion Pharmaceuticals Europe Ltd. has been a subsidiary of Sunovion Pharmaceuticals Inc. as a result of business restructuring in the Group.
※4 : Marupi Lifetech Co., Ltd. is a subsidiary company of DS Pharma Animal Health Co., Ltd.
※5 : Sanno Foods Co., Ltd., Sun Group Holding Co., Ltd. and its affiliates, Sun Base Food Co., Ltd. and another company all merged (absorption-type merger), and the surviving company, Sun Base Food Co., Ltd. changed its trade name to Suntegre Co., Ltd.
※6 : Suntegre Co., Ltd. is an affiliate company of DSP Gokyo Food & Chemical Co., Ltd.
※7 : NS Life Corporation Co., Ltd. is a subsidiary company of Nichiei Sangyo Co., Ltd.
※8 : Gokyo America Inc. is an subsidiary of DSP Gokyo Food & Chemical Co., Ltd.
※9 : Betagro Dainippon Techno-Ex Co., Ltd. is an affiliate company of DSP Gokyo Food & Chemical Co., Ltd.

3. Management Policy

(1) Fundamental Management Policy of the Company

The Company has set our corporate mission, “To broadly contribute to society through value creation based on innovative research and development activities for the betterment of healthcare and fuller lives of people worldwide” and in order to accomplish this corporate mission, we are striving to conduct business activities based on the following management missions:

■ To contribute to healthcare and peoples well-being based upon the principles of patient-oriented management and innovative research

■ To continuously strive to maximize corporate value through constant business development and to fulfill shareholder expectations

■ To create an environment in which employees can fulfill their potential and increase their creativity

■ To maintain the trust of society and to contribute to the realization of a better global environment

By fulfilling these management missions, we sincerely hope to enhance our presence in Japan by living up to the expectations of patients and their family members, medical personnel, our shareholders, business partners, employees, and stakeholders of the local communities to become a highly advanced R&D-oriented pharmaceutical company capable of global business expansion.

(2) Medium-to-Long-Term Management Strategy and Outstanding Issues

The Company maintains it as its corporate mission to broadly contribute to society through value creation based on research and development activities for the betterment of healthcare and fuller lives of people. To accomplish this mission, the Group has set its new vision, “Aspire to be a globally active R&D-based company” and “Contribute to medical care through leading-edge technologies”, and has formulated the 3rd Mid-term Business Plan (“MTBP”) for the five years from fiscal 2013 to 2017 for attaining its vision.

The fiscal year 2015 marks the tenth anniversary of Sumitomo Dainippon Pharma., Ltd. as such and the mid-year of the 3rd MTBP. We are committed to continuing achieving innovations under the five basic policies described below.

As the business goal of 2017, the final year of the 3rd MTBP, the Group will continuously strive to achieve net sales of 450 billion yen, operating income of 80 billion yen, and EBITDA (earnings before interest, taxes, depreciation and amortization, and extraordinary income / loss) of 110 billion yen.

Basic Policies of the 3rd MTBP

i. Establish a robust revenue base in Japan
ii. Further expand overseas business and maximize earnings
iii. Expand global pipeline
iv. Continuously pursue operational efficiency and CSR

v. Build an active corporate culture and develop talent

In the 3rd MTBP, the Group continues its business activities, promoting the six strategies, i.e., *product strategy, therapeutic area strategy, regional strategy, R&D strategy, investment strategy* and *financial strategy* along with *strengthening of business foundation* and *promotion of CSR management*, for the purpose of attaining the management goal and realizing the visions.

(a) Promotion of CSR management

The Group recognizes promotion of CSR management is a most essential management responsibility to ensure sustained growth of the Group. The Group will continue to enhance compliance, strengthen its corporate governance globally, promote social contribution activities in and out of Japan, enhance diversity including promoting the proactive recruitment of women and engage in communication with various stakeholders.

(b) Strengthening of business foundation

In order to respond flexibly to changes in the business environment, the Group will continue to pursue improvement of business efficiency through the rationalization of labor costs and general expenses, improvement of asset efficiency, organizational simplification, promotion of rearrangement of strongholds, etc. In addition, the Group will strengthen its business foundation and improve its corporate structure in a streamlined manner by building a strong corporate culture and training its employees.

(c) Regional segment strategies and business activities

In Japan, we will strive to minimize the impact of declining sales of long-listed products and secure the business scale by enhancing the growth of AIMIX®, LONASEN®, an antipsychotic agent and TRERIEF® and by achieving a prompt growth of REMITCH®, a treatment of pruritus, for which cooperative promotion with Torii Pharmaceutical Co., Ltd. in 2015. In addition, the Group will promote the transformation toward the efficient business management system in order to respond to the rapid changes in the current domestic business environment.

In North America, the Group will work to attain in fiscal 2015 the billion-dollar mark in the sales of LATUDA®, currently the primary source of earnings for the Group. Also we will pursue business expansion in this region through growth of APTIOM®.

In China, the Group will continue our efforts to increase sales and income with a focus on MEROPEN®.

In other areas, promotion of lurasidone HCl sales will be driving force for business expansion. It has been on the market in the U.K. since August 2014, and we will be setting up a business structure consonant with the growth in its sales. With regard to Europe other than the U.K., it was decided in May 2015 that the license agreement for the joint development and exclusive commercialization of LATUDA® between the Company and Takeda Pharmaceutical Company Limited (hereinafter, “Takeda”) would be terminated. The Company and Takeda have started discussions in an effort to finalize and execute a mutual agreement establishing a transition plan for the orderly transfer of all development and commercialization rights and activities from Takeda to the Company. The Company will consider all options, including collaboration with a new partner for the continued development and commercialization of LATUDA® in Europe.

(d) Research and development strategies

The highest priority in our R&D activities will be given to the development of candidates at late stages of development so as to ensure sustained growth after the fiscal 2018 expiry of the exclusive sales period of LATUDA® in the U.S.

In terms of therapeutic area, our primary focus will be on the psychiatry and neurology area and the oncology area, while management resources will be directed aggressively also to tap on rare diseases and other unmet medical needs and the frontier fields such as regenerative medicine and cell therapy.

In the psychiatry and neurology area, our R&D efforts will focus on treating patients who are not fully responding to conventional drugs. Further efforts will be made in the U.S. for the development of SEP-225289 and in Japan for the development of TRERIEF® by additional indication, Parkinsonism in Dementia with Lewy Bodies (DLB).

In the oncology area, maximum efforts will be rendered toward successful development in Japan and in the U.S. of BBI608, the first-in-class anti-cancer drug that targets cancer stem cells. Initiation of Phase III clinical trial of BBI503, another anti-cancer drug that follows BBI608, is planned.

In the area for which no approved drugs exist, the Company continues the research and development of treatment for intractable diseases, developing EPI-743 and EPI-589, therapeutic agents for mitochondrial disease introduced from Edison Pharmaceuticals, Inc., a U.S. company. The Company also will be actively committed to development of DSP-1747, a therapeutic agent for liver disease introduced from Intercept Pharmaceuticals, Inc. another U.S. company, for nonalcoholic steatohepatitis (NASH) for which no drug has been currently approved.

As for the cell therapy, the Company will start a late Phase II clinical trial of SB623. As for the regenerative medicine, the Company aims to be a global pioneer in the treatment of eye diseases with iPS cells by promoting the collaborative development with Healios K.K. In addition, studies will progress at Sighregen K.K., a joint venture company created by Healios K.K. and the Company for setting up commercial production and promotion schemes. Joint research programs with the Center for iPS Cell Research and Application of Kyoto University and with Keio University will be strengthened.

(e) Returns to Shareholders and New Investment

Based on integrated and sustainable improvement of corporate value and shareholder value, in addition to stability, the Company will consider increases in dividends in line with improved business performance.

The Group forecasts operating cash flow of 240 billion yen in the five years of the 3rd MTBP, and will use it effectively and efficiently. Interest-bearing liabilities are repaid in an orderly manner, while cash is secured if needed by using leverage in order to be active in obtaining products and chemical compounds from outside as well as in making new investments in domestic, North American, new business, European and other operations.

(f) Responses to risks

The pursuit of business plans described above involves various risks such as loss of social trust by non-compliance, delay or termination of new product development, unexpected adverse effects after product launch, litigation risks and plant shutdown.

The Company will work to tighten risk management through the activities of our Risk Management Committee, Compliance Committee and others to prevention and reduction of risks. In the event of any such risk becoming real, the Company will exert its utmost effort to keep its impact to the minimum by taking prompt and flexible response actions.

4. Basic policy for application of accounting standard

Sumitomo Dainippon Pharma group has explored an appropriate timing of adoption of International Financial Reporting Standard (IFRS), taking the management environment into consideration.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

		As of March 31, 2014		As of March 31, 2015
Assets				
Current assets:				
Cash and time deposits	※1	22,746	※1	30,553
Notes and accounts receivable		111,662		103,072
Marketable securities		81,952		111,293
Merchandise and finished goods		46,377		50,749
Work-in-process		2,408		1,626
Raw materials and supplies		10,356		10,012
Deferred tax assets		37,281		38,867
Short-term loans receivable		41,720		49,052
Others		5,225		6,598
Allowance for doubtful receivables		(120)		(125)
Total current assets		359,611		401,699
Fixed assets:				
Property, plant and equipment:				
Buildings and structures		100,804		94,184
Accumulated depreciation and impairment loss		(56,396)		(52,819)
Buildings and structures, net		44,407		41,365
Machinery, equipment and carriers		77,479		78,075
Accumulated depreciation and impairment loss		(67,833)		(69,007)
Machinery, equipment and carriers, net		9,646		9,068
Land		8,396		6,297
Construction in progress		3,080		1,245
Others		32,271		33,628
Accumulated depreciation and impairment loss		(25,113)		(26,446)
Others, net		7,157		7,182
Total property, plant and equipment		72,689		65,160
Intangible assets:				
Goodwill		80,669		88,075
In-process research and development		56,071		64,456
Others		20,055		21,332
Total intangible assets		156,796		173,863
Investments and other assets:				
Investment securities	※1,※2	50,823	※1,※2	58,193
Asset for retirement benefit		4,685		1,935
Deferred tax assets		8,602		4,794
Others		5,865		5,982
Allowance for doubtful receivables		(41)		(44)
Total investments and other assets		69,935		70,860
Total fixed assets		299,421		309,884
Total assets		659,032		711,583

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities:		
Notes and accounts payable	※1 11,713	※1 12,492
Current portion of bonds payable	–	30,000
Current portion of long-term loans payable	10,000	6,522
Income taxes payable	10,524	3,288
Reserve for bonuses	7,786	9,416
Reserve for sales returns	9,894	8,580
Reserve for sales rebates	26,421	36,351
Accounts payable-other	35,937	35,252
Others	18,930	14,939
Total current liabilities	131,207	156,843
Long-term liabilities:		
Bonds payable	60,000	30,000
Long-term loans payable	25,000	20,000
Deferred tax liabilities	15,704	17,354
Liability for retirement benefit	13,892	15,274
Others	14,687	21,089
Total long-term liabilities	129,284	103,718
Total liabilities	260,492	260,562
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	318,861	326,686
Treasury stock	(656)	(660)
Total shareholders' equity	356,465	364,286
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	17,247	23,099
Deferred gains (losses) on hedges	(0)	1
Foreign currency translation adjustment	26,792	68,171
Remeasurements of defined benefit plans	(1,964)	(4,536)
Total accumulated other comprehensive income (loss)	42,074	86,735
Total net assets	398,540	451,021
Total liabilities and net assets	659,032	711,583

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

(Millions of yen)

		Year ended March 31, 2014		Year ended March 31, 2015
Net sales		387,693		371,370
Cost of sales	※1	104,117	※1	101,227
Gross profit		283,576		270,142
Reversal of reserve for sales returns		16		0
Gross profit-net		283,592		270,143
Selling, general and administrative expenses				
Advertising expenses		22,213		28,820
Salaries		34,669		37,453
Provision for reserve for bonuses		5,735		6,711
Retirement benefit expenses		4,248		4,170
Depreciation		14,353		5,129
Research and development costs	※2	69,804	※2	71,304
Others		90,425		93,277
Total selling, general and administrative expenses		241,450		246,867
Operating income		42,142		23,275
Non-operating income				
Interest income		314		399
Dividend income		784		1,174
Gain on investments in partnership		1		1,990
Others		992		614
Total non-operating income		2,093		4,178
Non-operating expenses				
Interest expense		1,007		937
Contribution		1,669		1,111
Foreign exchange losses		164		996
Others		763		1,078
Total non-operating expenses		3,604		4,122
Ordinary income		40,631		23,331
Extraordinary income				
Gain on sales of property, plant and equipment		—		15,984
Compensation income for damage		—		1,711
Gain on sales of investment securities		2,773		—
Fair value adjustment of contingent consideration	※3	1,284		—
Total extraordinary income		4,057		17,695
Extraordinary loss				
Impairment loss	※4	7,638	※4	5,310
Business structure improvement expenses	※5	2,341	※5	1,961
Total extraordinary loss		9,979		7,271
Income before income taxes and minority interests		34,709		33,755
Income taxes		14,784		14,034
Income taxes-deferred		(135)		4,273
Income taxes		14,648		18,307
Income before minority interests		20,060		15,447
Net income		20,060		15,447

Consolidated Statements of Comprehensive Income

(Millions of yen)

		Year ended March 31, 2014		Year ended March 31, 2015
Income before minority interests		20,060		15,447
Other comprehensive income (loss)				
Unrealized gains (losses) on available-for-sale securities, net of tax	※1	2,853		5,851
Deferred gains (losses) on hedges		(0)		2
Foreign currency translation adjustment	※1	22,251		41,378
Remeasurements of defined benefit plans, net of tax		–		(2,572)
Total other comprehensive income (loss)	※2	25,104	※2	44,660
Comprehensive income		45,165		60,107
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent		45,165		60,107
Comprehensive income attributable to minority interests		–		–

(3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2014

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2013	22,400	15,860	308,556	(651)	346,165
Cumulative effects of changes in accounting policies					–
Restated balance	22,400	15,860	308,556	(651)	346,165
Changes during the fiscal year					
Cash dividends			(7,151)		(7,151)
Net income			20,060		20,060
Purchases of treasury stock				(6)	(6)
Sales of treasury stock		0		0	0
Change of scope of consolidation					–
Change of scope of equity method					–
Increase (decrease) due to change in fiscal period of consolidated subsidiaries			(2,603)		(2,603)
Changes in items other than shareholders' equity (net)					
Total changes during the fiscal year	–	0	10,305	(5)	10,299
Balance as of March 31, 2014	22,400	15,860	318,861	(656)	356,465

	Accumulated other comprehensive income (loss)					Total net assets
	Unrealized gains (losses) on available-for-sale securities, net of tax	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	
Balance as of April 1, 2013	14,121	–	(11,038)	–	3,082	349,248
Cumulative effects of changes in accounting policies						–
Restated balance	14,121	–	(11,038)	–	3,082	349,248
Changes during the fiscal year						
Cash dividends						(7,151)
Net income						20,060
Purchases of treasury stock						(6)
Sales of treasury stock						0
Change of scope of consolidation						–
Change of scope of equity method						–
Increase (decrease) due to change in fiscal period of consolidated subsidiaries						(2,603)
Changes in items other than shareholders' equity (net)	3,126	(0)	37,830	(1,964)	38,992	38,992
Total changes during the fiscal year	3,126	(0)	37,830	(1,964)	38,992	49,292
Balance as of March 31, 2014	17,247	(0)	26,792	(1,964)	42,074	398,540

Year ended March 31, 2015

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	22,400	15,860	318,861	(656)	356,465
Cumulative effects of changes in accounting policies			(198)		(198)
Restated balance	22,400	15,860	318,663	(656)	356,266
Changes during the fiscal year					
Cash dividends			(7,151)		(7,151)
Net income			15,447		15,447
Purchases of treasury stock				(3)	(3)
Sales of treasury stock		0		0	0
Change of scope of consolidation			(4)		(4)
Change of scope of equity method			(268)		(268)
Increase (decrease) due to change in fiscal period of consolidated subsidiaries					—
Changes in items other than shareholders' equity (net)					
Total changes during the fiscal year	—	0	8,023	(3)	8,019
Balance as of March 31, 2015	22,400	15,860	326,686	(660)	364,286

	Accumulated other comprehensive income (loss)					Total net assets
	Unrealized gains (losses) on available-for-sale securities, net of tax	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	
Balance as of April 1, 2014	17,247	(0)	26,792	(1,964)	42,074	398,540
Cumulative effects of changes in accounting policies						(198)
Restated balance	17,247	(0)	26,792	(1,964)	42,074	398,341
Changes during the fiscal year						
Cash dividends						(7,151)
Net income						15,447
Purchases of treasury stock						(3)
Sales of treasury stock						0
Change of scope of consolidation						(4)
Change of scope of equity method						(268)
Increase (decrease) due to change in fiscal period of consolidated subsidiaries						—
Changes in items other than shareholders' equity (net)	5,851	2	41,378	(2,572)	44,660	44,660
Total changes during the fiscal year	5,851	2	41,378	(2,572)	44,660	52,679
Balance as of March 31, 2015	23,099	1	68,171	(4,536)	86,735	451,021

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Net cash provided by operating activities:		
Income before income taxes and minority interests	34,709	33,755
Depreciation and amortization	※1 21,723	※1 13,780
Impairment loss	7,638	5,310
Amortization of goodwill	5,053	5,446
Increase (decrease) in net defined benefit liability	(777)	180
Provision for other liabilities	8,330	3,772
Interest and dividend income	(1,099)	(1,573)
Loss (gain) on investments in partnership	21	(1,930)
Interest expense	1,007	937
Loss (gain) on sales of property, plant and equipment	(31)	(15,982)
Loss (gain) on sales of investment securities	(2,773)	(36)
Business structure improvement expenses	2,341	1,961
Decrease (increase) in notes and accounts receivable	(15,185)	13,008
Decrease (increase) in inventories	4,919	(790)
Increase (decrease) in notes and accounts payable	(3,355)	(726)
Increase (decrease) in accounts payable-other	(862)	(2,453)
Other-net	(154)	(2,380)
Subtotal	61,503	52,279
Interest and dividend received	1,308	1,823
Interest paid	(962)	(887)
Business structure improvement expenses paid	(4,873)	(1,588)
Income taxes paid	(7,032)	(21,375)
Net cash provided by operating activities	49,943	30,251
Net cash used in investing activities:		
Decrease (increase) in time deposits	(96)	―
Proceeds from withdrawal of time deposits	6,266	―
Purchases of marketable securities	(42,452)	(34,358)
Proceeds from sales of marketable securities	3,505	1,705
Proceeds from redemption of marketable securities	43,596	47,914
Net decrease (increase) in short-term loans receivable	(6,407)	(546)
Purchases of property, plant and equipment	(10,332)	(8,662)
Proceeds from sales of property, plant and equipment	50	20,014
Purchases of intangible assets	(11,224)	(3,704)
Purchases of investment securities	(9,144)	(1,666)
Proceeds from sales of investment securities	2,809	1,202
Proceeds from redemption of investment securities	5	―
Purchase of stocks of subsidiaries and affiliates	(2,825)	(729)
Proceeds from distribution of investment in partnerships	88	2,272
Other-net	(47)	5
Net cash by (used in) investing activities	(26,208)	23,447

(Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Net cash used in financing activities:		
Proceeds from long-term loans payable	―	1,785
Repayments of long-term loans payable	(10,000)	(10,348)
Redemption of bonds	(10,000)	―
Net decrease (increase) in treasury stock	(5)	(3)
Dividends paid	(7,152)	(7,152)
Other-net	(6)	(6)
Net cash used in financing activities	(27,164)	(15,725)
Effect of exchange rate changes on cash and cash equivalents	7,950	10,703
Net increase (decrease) in cash and cash equivalents	4,520	48,677
Cash and cash equivalents at the beginning of period	71,434	73,919
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	―	198
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	※2 73,919	※2 122,794

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Significant Basic Items for Preparing Consolidated Financial Statements)

1. Scope of consolidation

In 23 subsidiaries, 16 companies are consolidated subsidiaries. The names of the major consolidated subsidiaries are omitted as they are set out in the “2. Summary of the Business of the group”.

Sunovion Pharmaceuticals Europe Limited has been included in the scope of consolidation since the beginning of the 2^{nd} quarter of the fiscal year because of the increase in importance resulting from the start of sales.

7 non-consolidated companies have been excluded from the scope of consolidation because they are small companies and their exclusion does not have a material impact on our consolidated financial statements.

2. Application of the equity method

In 7 non-consolidated subsidiaries and 7 affiliated companies, 2 affiliated companies (Suntegre Co., Ltd. and Create Vaccine Company., Ltd.) have been included in the scope of the equity method since the beginning of current fiscal year because of the increase in importance.

Non-consolidated subsidiaries and affiliated companies other than 2 companies listed above 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 of consolidated subsidiaries

Among consolidated subsidiaries, the account closing date of Boston Biomedical, Inc. and Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. are December 31. For Boston Biomedical, Inc. financial statements as of the date of settlement are used and any material transactions arising in the period between the date of preparation and the date of settlement shall be handled by making adjustments as required for consolidation in preparing consolidated financial statements. For Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., consolidated financial statements shall be prepared based on financial statements for which a provisional settlement of accounts has been performed according to full-year business results as of the consolidated date of settlement.

4. Accounting policies and methods

(1) Valuation standards and methods of significant assets

(i) 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 significant depreciable assets

(i) 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

(ii) Intangible assets

Straight-line method

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

(3) Accounting for significant allowance/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 uncollectable.

(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, other contracts.

(4) Accounting for retirement benefits

(i) Method of attributing expected retirement benefits to periods;

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through March 31, 2015.

(ii) Method of expenses for actuarial differences and past service costs;

Unrecognized past 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 (15 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 (15 years).

(iii) Adopting a simple method for small enterprises

For some consolidated subsidiaries, a simple method based on the use of a method by which total payments pertaining to retirement benefits as required for personal reasons as of the end of the term are treated as retirement benefit obligations is applied to the calculation of liabilities for retirement benefits and retirement benefit costs.

(5) 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 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 consolidated 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.

(6) Significant hedge accounting method

(i) Hedge accounting method

The 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 price, 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) Hedging 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.

(7) Amortization of goodwill

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

(8) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows represents cash and deposits (excluding the time deposits with a term longer than 3 months), and short-term investment maturing within 3 months from the acquisition date.

(9) Other significant accounting policies for consolidated financial statements

Accounting for consumption taxes

All financial statement items are net of consumption taxes.

(Changes to accounting policies)

The Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standard Board of Japan “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 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 fiscal year is immaterial.

The impact on per-share information has been stated in the applicable section. Information of the impact on segment information is omitted because the impact is insignificant.

(Accounting standards that have not been applied yet)

- ✓ "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan [ASBJ] statement No. 21, September 13, 2013)
- ✓ "Accounting Standard for Consolidated Financial Statements" (ASBJ statement No.22, September 13, 2013)
- ✓ "Accounting Standard for Business Divestitures" (ASBJ statement No.7, September 13, 2013)
- ✓ "Accounting Standard for Earnings Per Share" (ASBJ statement No.2, September 13, 2013)
- ✓ "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 September 13, 2013)
- ✓ "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4 September 13, 2013)

(1) Summary

These accounting standards and guidance are revised on the following points.

(i) Accounting treatment for changes in ownership interests in subsidiaries in case the subsidiaries have been kept in control after an additional acquisition of the subsidiaries' stocks

(ii) Accounting treatment for the acquisition-related expenses

(iii) Presentation of net income, and the change from minority interest to non-controlling interest

(iv) Provisional accounting treatment

(2) Scheduled date of application

The applications of these accounting standards above are scheduled for implementation from the beginning of the fiscal year ending March 31, 2016. As for the provisional accounting treatment, it will be applied from the business combinations that are implemented after the beginning of fiscal year ending March 31, 2016.

(3) Influence by the application of the relevant accounting standards

The amount of influence is under evaluation at the time of preparing the current consolidated financial statements.

(Change of the indication method)

(Consolidated statements of income)

(1) "Advertising expenses," which had been included in "Others" under "Selling, general and administrative expenses" until previous fiscal year, are to be noted up from this fiscal year because it has become more than 10/100 of the total amount of Selling, general and administrative expenses. In order to reflect this change in indication method, the consolidated financial statements for the previous fiscal year was subject to a rearrangement. Consequently, the amounts of 112,639 million yen as indicated for "Others" under "Selling, general and administrative expenses" in the consolidated statements of income for the previous fiscal year were separated into the amount of 22,213 million yen in "Advertising expenses" and the amount of 90,425 million yen in "Others."

(2) "Gain on investments in partnership" which had been included in "Others" under "Non-operating income" until previous fiscal year, is to be noted up from this fiscal year because it has become more than 10/100 of the total amount of non-operating income. Additionally, "Insurance income" under "Non-operating income" which had been separately noted up until the previous fiscal year, is to be included in "Others" under "Non-operating income" from this fiscal year because it has become less than 10/100 of the total amount of non-operating income. In order to reflect these changes in indication method, the consolidated financial statements for the previous fiscal year was subject to a rearrangement. Consequently, the amounts of 229 million yen as indicated for "Insurance income", and the amounts of 764 million yen as indicated for "Others" under "Non-operating income" in the consolidated statements of income for the previous fiscal year were reclassified to the amount of 1 million yen in "Gain on investments in partnership" and the amount of 992 million yen in "Others."

(3) “Foreign exchange losses,” which had been included in “Others” under “Non-operating expenses” until previous fiscal year, are to be noted up from this fiscal year because it has become more than 10/100 of the total amount of non-operating expenses. In order to reflect this change in indication method, the consolidated financial statements for the previous fiscal year was subject to a rearrangement. Consequently, the amounts of 928 million yen as indicated for “Others” under “Non-operating expenses” in the consolidated statements of income for the previous fiscal year were separated into the amount of 164 million yen in “Foreign exchange losses” and the amount of 763 million yen in “Others.”

(Consolidated statements of cash flows)

(1) “Gain on investments in partnership” and “Loss (gain) on sales of property, plant and equipment” which had been included in “Other-net” under “Net cash provided by operating activities” until previous fiscal year, are to be noted up from this fiscal year due to the increase in materiality. In order to reflect this change in indication method, the consolidated financial statements for the previous fiscal year was subject to a rearrangement. Consequently, the amounts of (164) million yen as indicated for “Others” under ““Net cash provided by operating activities” in the consolidated statements of cash flows for the previous fiscal year were reclassified to the amount of 21 million yen in “Loss (gain) on investments in partnership”, (31) million yen in “Loss (gain) on sales of property, plant and equipment” and (154) million yen in “Other-net.”

(2) “Proceeds from distribution of investment in partnership” which had been included in “Proceeds from redemption of investment securities” under “Net cash used by investing activities” until previous fiscal year, are to be noted up from this fiscal year due to the increase in materiality. In order to reflect this change in indication method, the consolidated financial statements for the previous fiscal year was subject to a rearrangement. Consequently, the amounts of 93 million yen as indicated for “Proceeds from redemption of investment securities” under “Net cash used by investing activities” in the consolidated statements of cash flows for the previous fiscal year were separated into the amount of 5 million yen in “Proceeds from redemption of investment securities” and 88 million yen in “Proceeds from distribution of investment in partnership”.

(Notes to consolidated balance sheets)

* 1. Assets pledged as collateral are as follows:

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Cash and time deposit (time deposit)	446	510
Investment securities	53	66

Note: Time deposit has pledged as collateral for L/C issued by bank.

Secured liabilities are as follows:

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Accounts payable	80	81

* 2. Investment in non-consolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Investment securities (stock)	1,197	1,708

* 3. Contingent liabilities

(1) Debt guarantees covering amounts borrowed by non-consolidated companies from financial institutions have been extended as follows:

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Suntegre Co., Ltd.	30	2

(2) Debt guarantees covering amounts of housing funds borrowed by employees from financial institutions have been extended as follows:

(Millions of yen)

As of March 31, 2014	As of March 31, 2015
119	108

(Notes to consolidated statements of income)

* 1. Inventory is stated at value after devaluation corresponding to reduced profitability, the following loss on valuation of inventories is included in the “Cost of sales”:

(Millions of yen)

Year ended March 31, 2014 (April 1,2013 to March 31, 2014)	Year ended March 31, 2015 (April 1,2014 to March 31, 2015)
1,036	(995)

* 2. Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

The total amount of research and development costs equals 69,804 million yen and has been included in “Selling, general and administrative expenses.”

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

The total amount of research and development costs equals 71,304 million yen and has been included in “Selling, general and administrative expenses.”

* 3. Fair value adjustment of contingent consideration

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Contingent consideration constitute future disbursements to arise in response to the attainment of specific milestones and a liability recognized according to US-GAAP where an overseas subsidiary becomes an acquiring company through a merger. As fair values of contingent consideration changed significantly owing to revisions of business plans, the amount of this change has been indicated as extraordinary income.

* 4. Impairment loss

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Among the fixed assets owned by the Group, business assets are grouped by segment, with individual assets constituting the smallest grouping unit for idle assets, In-process research and development, and other such assets.

In the year ended March 31, 2014, the Group posted impairment losses with respect to the following assets.

(Millions of yen)

Usage for	Item	Location	Impairment loss amount
Results of research and development with respect to compound in development	In-process research and development	US	4,272
Welfare facilities	Buildings and structures, Land and Others	Japan	2,984
Production facilities	Construction in progress	US	366
Production facilities	Buildings and structures, Machinery, equipment and carriers and Others	Japan	15

Upon evaluating the recoverability of idled tangible fixed assets, tangible fixed assets for which future profitability has been deemed to be lacking, and in-process research and development for which future profitability has been deemed through a review of the applicable business plan to be lacking, a part of their book value has been posted as impairment losses.

The recoverable value of tangible fixed assets (Welfare facilities) was measured according to the net sales value which was evaluated according to the appraised value as obtained from a real-estate appraiser. The recoverable value of tangible fixed assets for which future profitability has been deemed to be lacking (Production facilities) was evaluated according to the utility value while it was determined to be zero due to the lack of any likelihood of future cash flow.

The recoverable value of in-process research and development was measured according to value in use (discount rate 11.5%).

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Among the fixed assets owned by the Group, business assets are grouped by segment, with individual assets constituting the smallest grouping unit for idle assets, In-process research and development, and other such assets.

In the year ended March 31, 2015, the Group posted impairment losses with respect to the following assets.

(Millions of yen)

Usage for	Item	Location	Impairment loss amount
Production facilities	Buildings and structures, Machinery, equipment and carriers, Construction in progress and Others	Japan	5,128
Results of research and development with respect to compound in development	In-process research and development	US	116
Idle assets	Land, Machinery, equipment and carriers	Japan	65

Upon evaluating the recoverability of idled tangible fixed assets, tangible fixed assets for which future profitability has been deemed to be lacking, and in-process research and development for which future profitability has been deemed through a review of the applicable business plan to be lacking, a part of their book value has been posted as impairment losses.

The recoverable value of production facilities of the plants which we plan to close in connection with reorganization of production sites was measured according to the net sales value while it was determined to be zero in light of the low likelihood that it could be sold or converted to other uses.

The recoverable value of idled land was measured according to the net sales value which was evaluated according to the appraised value as obtained from a real-estate appraiser.

The recoverable value of idled tangible fixed assets except land was evaluated according to the utility value while it was determined to be zero due to the lack of any likelihood of future cash flow.

The recoverable value of in-process research and development was measured according to value in use (discount rate 8.0%).

* 5. Business structure improvement expenses

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Improving the business structure and organization in the Company and the U.S. subsidiaries, business structure improvement expenses occurred.

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Business structure improvement expenses include special retirement benefit, and estimated dismantlement cost of the plant which we plan to close in connection with the reorganization of production site.

(Notes to consolidated statements of comprehensive income)

* 1. The reason why difference arises with “Changes in items other than shareholders’ equity (net)” on Consolidated Statement of Changes in Net Assets in previous year is the change of fiscal year end of some subsidiaries in previous year.

* 2. Amount of recycling and amount of income tax effect associated with other comprehensive income (loss)

(Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Valuation difference on available-for-sale securities		
Amount recognized in the period under review	6,489	9,687
Amount of recycling	(2,777)	(1,966)
Before income tax effect adjustment	3,711	7,720
Amount of income tax effect	(857)	(1,869)
Valuation difference on available-for-sale securities, net of tax	2,853	5,851
Deferred gains or losses on hedges		
Amount recognized in the period under review	(0)	3
Amount of income tax effect	—	(0)
Deferred gains or losses on hedges	(0)	2
Foreign currency translation adjustment		
Amount recognized in the period under review	22,251	41,378
Foreign currency translation adjustment	22,251	41,378
Remeasurements of defined benefit plans		
Amount recognized in the period under review	—	(4,144)
Amount of recycling	—	500
Before income tax effect adjustment	—	(3,643)
Amount of income tax effect	—	1,071
Remeasurements of defined benefit plans, net of tax	—	(2,572)
Total other comprehensive income	25,104	44,660

(Notes to consolidated statements of changes in net assets)

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

1. Type and total number of issued shares and treasury stock

(Thousands of shares)

	Number of shares as of April 1, 2013	Increase during the period	Decrease during the period	Number of shares as of March 31, 2014
Issued shares				
Common stock	397,900	—	—	397,900
Total	397,900	—	—	397,900
Treasury stock				
Common stock	590	4	0	593
Total	590	4	0	593

Notes: 1. The increase of 4 thousand shares of treasury stock was a result of purchasing fractional shares.
2. The decrease of 0 thousand shares of treasury stock was a result of a request for purchase of fractional shares.

2. Dividends

(1) Dividend payment amounts

Resolution	Type of share	Total dividend amount	Dividend amount per share	Record date	Effective date of distribution
June 21, 2013 Annual shareholders' meeting	Common stock	3,575 million yen	9.00 yen	March 31, 2013	June 24, 2013
October 30, 2013 Meeting of the Board of Directors	Common stock	3,575 million yen	9.00 yen	September 30, 2013	December 2, 2013

(2) Dividends for which the base date belongs to the current fiscal year and for which the effective date of distribution falls in the following fiscal year

Resolution schedule	Type of share	Total dividend amount	Source of funds for dividend distribution	Dividend amount per share	Record date	Effective date of distribution
June 19, 2014 Annual shareholders' meeting	Common stock	3,575 million yen	Retained earnings	9.00 yen	March 31, 2014	June 20, 2014

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

1. Type and total number of issued shares and treasury stock

(Thousands of shares)

	Number of shares as of April 1, 2014	Increase during the period	Decrease during the period	Number of shares as of March 31, 2015
Issued shares				
Common stock	397,900	—	—	397,900
Total	397,900	—	—	397,900
Treasury stock				
Common stock	593	2	0	596
Total	593	2	0	596

Notes: 1. The increase of 2 thousand shares of treasury stock was a result of purchasing fractional shares.
2. The decrease of 0 thousand shares of treasury stock was a result of a request for purchase of fractional shares.

2. Dividends

(1) Dividend payment amounts

Resolution	Type of share	Total dividend amount	Dividend amount per share	Record date	Effective date of distribution
June19, 2014 Annual shareholders' meeting	Common stock	3,575 million yen	9.00 yen	March 31, 2014	June 20, 2014
October 30, 2014 Meeting of the Board of Directors	Common stock	3,575 million yen	9.00 yen	September 30, 2014	December 1, 2014

(2) Dividends for which the base date belongs to the current fiscal year and for which the effective date of distribution falls in the following fiscal year

Resolution schedule	Type of share	Total dividend amount	Source of funds for dividend distribution	Dividend amount per share	Record date	Effective date of distribution
June 19, 2015 Annual shareholders' meeting	Common stock	3,575 million yen	Retained earnings	9.00 yen	March 31, 2015	June 22, 2015

(Notes to consolidated statements of cash flows)

*1. Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

"Depreciation and amortization" includes 1,134 million yen, amortized amount of long-term prepaid expenses.

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

"Depreciation and amortization" includes 1,933 million yen, amortized amount of long-term prepaid expenses.

* 2. Reconciliation of balance of "cash and cash equivalents at the end of period" and the amounts of items stated in the consolidated balance sheet are as follows:

(Millions of yen)

	Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)	Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)
Cash and time deposit accounts	22,746	30,553
Time deposits with maturities exceeding 3 months	(446)	(511)
Short-term investments with a maturity within 3 months from acquisition date (marketable securities)	51,619	92,752
Cash and cash equivalents	73,919	122,794

(Segment information)

1. Outline of reportable segments

The Company's reportable segments are the components of the Sumitomo Dainippon Pharma Group whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segment and assess their performance, and for which discrete financial information is available.

The Group assesses our pharmaceutical business performance by markets such as Japan, North America, China, and the like. The reportable segments of the Group consist of the following four segments: Japan, North America, China, Other regions.

2. Method of calculating sales and income (loss), identifiable assets, and other items by reportable segments

Accounting method for business segment reported is the same as presentations on "Significant Basic Items for Preparing Consolidated Financial Statements." Income by reportable segments is calculated based on operating income before R&D costs. Intersegment sales and transfers are calculated based on current market prices.

Assets and liabilities by reportable segment are not shown because they are not supplied to make decisions about resources to be allocated to the segment and assess their performance.

3. Information on sales, income (loss), assets, liabilities, and other items by reportable segments

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	171,898	145,271	11,928	16,712	345,810	41,883	387,693
Intersegment sales and transfers	161	―	―	―	161	67	229
Total	172,059	145,271	11,928	16,712	345,971	41,951	387,922
Income of segment	60,827	33,876	3,182	11,358	109,244	2,673	111,917
Others							
Depreciation and amortization	3,924	12,964	346	258	17,494	196	17,690
Amortization of Goodwill	―	5,053	―	―	5,053	―	5,053

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.

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	156,564	148,178	17,145	8,784	330,672	40,697	371,370
Intersegment sales and transfers	131	―	―	―	131	62	194
Total	156,696	148,178	17,145	8,784	330,804	40,760	371,565
Income of segment	50,571	34,716	6,248	836	92,371	2,207	94,578
Others							
Depreciation and amortization	3,675	3,908	384	344	8,312	201	8,514
Amortization of Goodwill	―	5,446	―	―	5,446	―	5,446

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.

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

(Millions of yen)

Net sales	*Year ended March 31, 2014*	Year ended March 31, 2015
Reportable segments total	345,971	330,804
Net sales of "Other Business"	41,951	40,760
Elimination of intersegment transaction	(229)	(194)
Net sales on consolidated statements of income	387,693	371,370

(Millions of yen)

Income	Year ended March 31, 2014	Year ended March 31, 2015
Reportable segments total	109,244	92,371
Income of "Other Business"	2,673	2,207
Research and development costs*	(69,804)	(71,304)
Elimination of intersegment transaction	29	0
Operating income on consolidated statements of income	42,142	23,275

Note: Because the Group manages R&D costs globally, they are not included in each segment.

(Millions of yen)

Other items	Reportable segments total		Other Business		Adjustment		Amount recorded on consolidated financial statements	
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2014	Year ended March 31, 2015
Depreciation and amortization	17,494	8,312	196	201	2,898	3,332	20,588	11,846
Amortization of Goodwill	5,053	5,446	—	—	—	—	5,053	5,446

[Relative information]

Year ended March 31, 2014(April 1, 2013 to March 31, 2014)

1. Products and services information

(Millions of yen)

	Pharmaceuticals	Other products	Total
Sales to customers	345,810	41,883	387,693

2. Geographic segment information

(1) Net sales

(Millions of yen)

Japan	US	Others	Total
214,703	141,547	31,442	387,693

Note: Net sales are allocated into countries or regions based on customer locations.

(2) Tangible fixed assets

(Millions of yen)

Japan	Others	Total
62,848	9,840	72,689

(3) Intangible fixed assets

(Millions of yen)

Japan	US	Others	Total
7,704	148,798	293	156,796

3. Information by major clients

(Millions of yen)

Name of customer	Net sales	Name of relative segment
McKesson Corporation	48,061	North America
Cardinal Corporation	41,030	North America

Year ended March 31, 2015(April 1, 2014 to March 31, 2015)

1. Products and services information

(Millions of yen)

	Pharmaceuticals	Other products	Total
Sales to customers	330,672	40,697	371,370

2. Geographic segment information

(1) Net sales

(Millions of yen)

Japan	US	Others	Total
198,560	144,792	28,017	371,370

Note: Net sales are allocated into countries or regions based on customer locations.

(2) Tangible fixed assets

(Millions of yen)

Japan	US	Others	Total
54,151	9,176	1,832	65,160

(3) Intangible fixed assets

(Millions of yen)

Japan	US	Others	Total
9,582	163,301	979	173,863

3. Information by major clients

(Millions of yen)

Name of customer	Net sales	Name of relative segment
McKesson Corporation	46,561	North America

[Information on impairment loss in noncurrent assets by reportable segments]

Year ended March 31, 2014(April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable Segments					Other Business	Eliminations/ Corporate	Total
	Japan	North America	China	Other Regions	Subtotal			
Impairment loss	2,999	4,638	―	―	7,638	―	―	7,638

Year ended March 31, 2015(April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable Segments					Other Business	Eliminations/ Corporate	Total
	Japan	North America	China	Other Regions	Subtotal			
Impairment loss	5,194	116	―	―	5,310	―	―	5,310

[Information on amortization of goodwill and unamortized balance by reportable segments]

Year ended March 31, 2014(April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable Segments					Other Business	Eliminations/ Corporate	Total
	Japan	North America	China	Other Regions	Subtotal			
Amortization	—	5,053	—	—	5,053	—	—	5,053
Balance as of March 31, 2014	—	80,669	—	—	80,669	—	—	80,669

Year ended March 31, 2015(April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable Segments					Other Business	Eliminations/ Corporate	Total
	Japan	North America	China	Other Regions	Subtotal			
Amortization	—	5,446	—	—	5,446	—	—	5,446
Balance as of March 31, 2015	—	88,075	—	—	88,075	—	—	88,075

[Information regarding gain on negative goodwill by reportable segments]

Year ended March 31, 2014(April 1, 2013 to March 31, 2014)

Not applicable.

Year ended March 31, 2015(April 1, 2014 to March 31, 2015)

Not applicable.

(Per-share information)

	Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)	Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
Net assets per share	1,003.11 yen	1,135.21 yen
Net income per share	50.49 yen	38.88 yen

Notes: 1. No diluted net income per share is stated as no potential dilution exists.

2. The basis for the calculation of the net income per share is as follows:

	Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)	Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)
Net income per share		
Net income (millions of yen)	20,060	15,447
Amount not belonging to common shareholders (millions of yen)	—	—
Net income related to common stocks (millions of yen)	20,060	15,447
Average number of common stock during the period (thousands of shares)	397,307	397,305

3. As described in "Changes to accounting policies," the Accounting Standard for Retirement Benefits is applied, in accordance with the provisions on transitional implementation indicated in Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, the impact on net assets per share and net income per share for current fiscal year was insignificant.

(Significant subsequent event)

Not applicable.

6. Others

Change of the Members, Board of Directors

Not applicable.