



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

October 31, 2012

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Starting Date of Dividend Payments: December 3, 2012
Preparation of Supplementary Financial Data for Quarterly Financial Results: Yes
Information Meeting for Quarterly Financial Results to be held: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2013 (April 1, 2012 to September 30, 2012)

(1) Results of Operations

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

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Six months ended September 30, 2012	178,748	0.4	19,978	35.7	19,925	37.6	10,951	14.4
Six months ended September 30, 2011	178,026	(5.6)	14,726	(1.4)	14,480	0.7	9,569	10.6

Note: Comprehensive income (Millions of yen)

Six months ended September 30, 2012: 12,937 60.1% Six months ended September 30, 2011: 8,079 —%

	Earnings per share	Earnings per share (diluted)
Six months ended September 30, 2012	¥27.56	—
Six months ended September 30, 2011	¥24.09	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2012	579,150	328,587	56.7%
As of March 31, 2012	559,410	319,227	57.1%

Reference: Shareholders' Equity (Millions of yen)

As of September 30, 2012: 328,587 As of March 31, 2012: 319,227

2. Dividends

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

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

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

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

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

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

Notes:

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

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

• Calculation of income taxes

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

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

① Changes due to changes in accounting standards: None

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

③ Changes in accounting estimates: Yes

• Change of depreciation method for tangible fixed assets

The Company and its consolidated subsidiaries in Japan traditionally applied the declining-balance method to the depreciation of tangible fixed assets other than buildings. But since the sales of products sold globally are expected to expand outside Japan, we have decided to apply, starting with the first quarter of the consolidated fiscal year, the straight-line method of depreciation to the Company and its consolidated subsidiaries in Japan in order to be more consonant with the depreciation methods adopted at our increasingly important consolidated subsidiaries outside Japan.

The change of depreciation method resulted in a 801 million yen lower depreciation in the second quarter of this consolidated fiscal year than in the case had the declining-balance method been continued. Operating income, ordinary income, and income before income taxes and minority interests in the second quarter of this consolidated fiscal year are 549 million yen greater respectively.

④ Retrospective restatements: None

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

① Number of shares outstanding (Including treasury stock)

September 30, 2012: 397,900,154 shares

March 31, 2012: 397,900,154 shares

② Number of treasury stock

September 30, 2012: 589,325 shares

March 31, 2012: 588,699 shares

③ Average number of shares during the period

September 30, 2012 : 397,311,122 shares

September 30, 2011 : 397,312,428 shares

Indication of quarterly review procedure implementation status:

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

Explanation for Appropriate Use of Forecasts and Other Notes:

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

The Company holds an earnings presentation for institutional investors and analysts on Thursday, November 1, 2012. The documents distributed at the presentation are scheduled to be posted on our website.

【Attachment Documents】

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1. Qualitative Information for the Six Months Ended September 30, 2012

(1) Qualitative Information on Consolidated Business Results

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

Under such circumstances, the Company has continued to focus on expansion of strategic products, such as AVAPRO[®], a therapeutic agent for hypertension, LONASEN[®], an atypical antipsychotic, as well as new products including METGLUCO[®], a biguanide oral hypoglycemic in Japan.

In overseas, our U.S. subsidiary Sunovion Pharmaceuticals Inc. (hereinafter referred to as "Sunovion") made its full effort for further achieving market penetration for and an expansion of sales of LATUDA[®], an atypical antipsychotic in U.S. meanwhile in September it achieved the launch of LATUDA[®] in Canada. Moreover, the Company acquired Boston Biomedical, Inc. (hereinafter referred to as "BBI") in April, for the purposes of fortifying its development pipelines and enhancing its research and development in the cancer field. In September, Sunovion acquired Elevation Pharmaceuticals Inc. (the present name is "Sunovion Respiratory Development Inc. (hereinafter referred to as "SRD")), in order to strengthen further and diversify our respiratory pipeline, and both of them have become our wholly owned subsidiary companies.

Net sales by the Group for the six months ended September 30 of this consolidated fiscal year amounted to 178,748 million yen (a 0.4% increase from the same period of the previous consolidated fiscal year). Operating income amounted to 19,978 million yen (a 35.7% increase year-on-year) and ordinary income amounted to 19,925 million yen (a 37.6% increase year-on-year) because the expenditure was much lower than the same period of the previous year. Net income amounted to 10,951 million yen (a 14.4% increase year-on-year) mainly due to posting extraordinary loss associated with reform of the organization and the operation in U.S.

The results by business segment are as follows:

① Japan segment

Despite of a factor for drops in sales caused by drug price revisions, strategic products, such as AVAPRO[®], LONASEN[®], and TRERIEF[®], a Parkinson's disease drug as well as our new products, such as METGLUCO[®] favorably increased in sales. Net sales amounted to 88,410 million yen (a 0.2% decrease year-on-year). Segment income, however, amounted to 33,695 million yen (a 0.5% decrease year-on-year) due to the decrease of gross profit associated with drug price revisions.

② North America segment

The sales of LATUDA[®] and LUNESTA[®], sedative hypnotic, were steady, and the milestone revenue from out-licensing offset the drop of sales of XOPENEX[®], short-acting beta-agonist, with the loss of exclusivity, and negative effects of the yen's appreciation. As a result, net sales amounted to 59,454 million yen (a 5.8% increase year-on-year). Segment income amounted to 8,163 million yen (a 637.1% increase year-on-year) due to the significant decrease of selling, general and administrative expenses including the reduction of personnel expense.

③ China segment

Mainly because the sales of MEROPEN[®] (sold in China as MEPEN[®]), a carbapenem antibiotic preparation, exceeded the same period of the previous year, net sales amounted to 3,949 million yen (a 17.7% increase year-on-year) and segment income amounted to 1,439 million yen (a 58.9% increase year-on-year).

④ Other Regions segment

Net sales amounted to 6,651 million yen (a 31.9% decrease year-on-year) and segment income amounted to 2,889 million yen (a 35.6% decrease year-on-year) largely because of the decrease in exports of MEROPEN[®].

In addition to the aforementioned reporting segments, the Group has been marketing food ingredients, food additives, chemical product materials, veterinary drugs, diagnostic products, etc. and net sales of these products amounted to 20,283 million yen (a 0.9% increase year-on-year) and segment income amounted to 1,565 million yen (a 3.2% decrease year-on-year).

(2) Qualitative Information on Consolidated Financial Condition

Total assets increased by 19,739 million yen from the previous consolidated fiscal year-end, to 579,150 million yen, primarily due to a decrease in marketable securities (negotiable deposit), and an increase in intangible assets including in-process R&D accompanied with acquisition of BBI and SRD.

Total liabilities increased by 10,379 million yen from the previous consolidated fiscal year-end, to 250,562 million yen, primarily due to the increase in deferred tax liabilities accompanied with acquisition, despite of the decrease in accounts payable-other and long-term loans payable.

Net assets increased by 9,360 million yen from the previous consolidated fiscal year-end, to 328,587 million yen, mainly because of recording of the quarterly net income. In addition, shareholders' equity ratio at the end of this period amounted to 56.7%.

• Valuations and accounting procedures following the acquisition of SRD

Valuation of assets and the accounting procedures associated with acquisition are as follows:

	Before purchase price allocation	After purchase price allocation (provisional)	(Millions of yen) Accounting procedures (Amortization)
In-process R&D (Intangible Assets)	—	18,415	Capitalize (Amortize after approval)
Deferred tax liabilities (of the above)	—	(6,896)	
Contingent consideration (discounted present value)	—	(8,265)	Recorded in the liabilities
Other assets & liabilities (net)	34	1,307	
Goodwill	—	3,306	Amortization for 20 years
Total	34	7,866	

SRD is newly added as a consolidated subsidiary from the end of this second quarter. Financial results for SRD are not included in the consolidated statements of income for the second quarter.

(3) Qualitative Information on Consolidated Financial Forecasts

In light of recent performance trends and other factors, the Company announces revisions to the financial forecasts made on July 27, 2012.

Revision of Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2013

(April 1, 2012 to March 31, 2013)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Yen million	Yen million	Yen million	Yen million	
Previous forecasts (A)	348,000	25,000	24,400	12,000	¥30.20
New forecasts (B)	348,000	28,000	27,000	13,500	¥33.98
(B—A)	—	3,000	3,000	1,500	
Change (%)	—	12.0	12.5	12.5	
(Reference) Results for the year ended March 31, 2012	350,395	20,402	18,872	8,629	¥21.72

Although net sales in overseas including the U.S. are expected to be steady, in Japan, however, facing the impact from intensified competition at strategy products or generic drug promotion. Accordingly, the Company expects no change from the previous forecasts for total net sales.

SG&A expenses are estimated to be lower than previously announced because of a cost reduction and carrying over to the next year.

Consequently, in the revised consolidated financial forecasts for the year ending March 31, 2013, the Company anticipates that operating income increases 3,000 million yen to 28,000 million yen, ordinary income increases 3,000 million yen to 27,000 million yen and net income increases 1,500 million yen to 13,500 million yen compared to the previous forecasts on July 27, 2012.

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

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2012	As of September 30, 2012
Assets		
Current assets:		
Cash and time deposits	12,953	20,184
Notes and accounts receivable	101,955	94,991
Marketable securities	99,118	83,960
Merchandise and finished goods	42,480	47,063
Work-in-process	2,591	2,565
Raw materials and supplies	13,045	12,898
Deferred tax assets	31,782	30,087
Short-term loans	25,000	25,000
Others	5,433	4,900
Allowance for doubtful receivables	(110)	(104)
Total current assets	334,250	321,547
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	91,115	91,389
Accumulated depreciation and impairment loss	(50,753)	(51,554)
Buildings and structures, net	40,361	39,834
Machinery, equipment and carriers	76,854	76,696
Accumulated depreciation and impairment loss	(66,997)	(67,197)
Machinery, equipment and carriers, net	9,856	9,498
Land	10,248	10,254
Construction in progress	2,121	4,726
Others	28,104	28,309
Accumulated depreciation and impairment loss	(23,994)	(24,148)
Others, net	4,109	4,161
Total property, plant and equipment	66,697	68,475
Intangible assets:		
Goodwill	64,311	67,077
Patent rights	32,524	23,821
In-process research and development	5,659	46,443
Others	5,211	4,928
Total intangible assets	107,706	142,270
Investments and other assets:		
Investment securities	29,855	29,445
Deferred tax assets	11,624	8,221
Others	9,331	9,244
Allowance for doubtful receivables	(55)	(54)
Total investments and other assets	50,755	46,857
Total fixed assets	225,159	257,603
Total assets	559,410	579,150

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Liabilities		
Current liabilities:		
Notes and accounts payable	16,860	15,279
Current portion of long-term loans payable	10,000	10,000
Income taxes payable	5,437	6,747
Reserve for bonuses	7,592	7,157
Reserve for sales returns	3,657	4,976
Reserve for sales rebates	18,527	19,509
Accounts payable-other	30,009	23,271
Others	13,881	13,835
Total current liabilities	105,965	100,777
Long-term liabilities:		
Bonds payable	70,000	70,000
Long-term loans payable	48,000	43,000
Deferred tax liabilities	330	11,353
Liability for retirement benefits	10,790	11,172
Others	5,097	14,259
Total long-term liabilities	134,217	149,785
Total liabilities	240,183	250,562
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	305,664	313,039
Treasury stock	(649)	(649)
Total shareholders' equity	343,275	350,650
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	8,016	7,217
Foreign currency translation adjustment	(32,064)	(29,280)
Total accumulated other comprehensive income (loss)	(24,047)	(22,062)
Total net assets	319,227	328,587
Total liabilities and net assets	559,410	579,150

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net sales	178,026	178,748
Cost of sales	49,766	50,032
Gross profit	128,260	128,715
Provision for sales returns	7	4
Gross profit-net	128,253	128,711
Selling, general and administrative expenses		
Salaries	18,168	17,698
Provision for reserve for bonuses	5,156	4,830
Research and development costs	27,288	27,800
Others	62,913	58,403
Total selling, general and administrative expenses	113,526	108,732
Operating income	14,726	19,978
Non-operating income		
Interest income	195	164
Dividend income	397	454
Others	833	868
Total non-operating income	1,426	1,486
Non-operating expenses		
Interest expense	599	549
Contribution	720	746
Others	352	244
Total non-operating expenses	1,671	1,539
Ordinary income	14,480	19,925
Extraordinary income		
Gain on sales of property, plant and equipment	1,235	—
Total extraordinary income	1,235	—
Extraordinary loss		
Business structure improvement expenses	—	1,087
Impairment loss	—	416
Total extraordinary loss	—	1,503
Income before income taxes and minority interests	15,716	18,421
Income taxes	6,146	7,470
Income before minority interests	9,569	10,951
Net income	9,569	10,951

Consolidated Statements of Comprehensive Income (Loss)

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Income before minority interests	9,569	10,951
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities, net of tax	280	(798)
Foreign currency translation adjustment	(1,770)	2,784
Total other comprehensive income (loss)	(1,490)	1,985
Comprehensive income (loss)	8,079	12,937
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of the parent	8,079	12,937
Comprehensive income (loss) attributable to minority interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net cash provided by operating activities:		
Income before income taxes and minority interests	15,716	18,421
Depreciation and amortization	18,394	18,683
Impairment loss	—	416
Amortization of goodwill	1,962	1,854
Provision for liability for retirement benefits, less payments	32	64
Provision for other liabilities	1,701	1,439
Interest and dividend income	(592)	(618)
Interest expense	599	549
Loss (gain) on sales of property, plant, and equipment	(1,235)	(1)
Business structure improvement expenses	—	1,087
Decrease (increase) in notes and accounts receivable	16,021	7,408
Decrease (increase) in inventories	1,130	(4,195)
Increase (decrease) in notes and accounts payable	1,118	(1,616)
Increase (decrease) in accounts payable-other	(9,019)	(7,728)
Other-net	(4,771)	(938)
Subtotal	41,058	34,828
Interest and dividend received	682	777
Interest paid	(563)	(524)
Business structure improvement expenses paid	—	(1,183)
Income taxes paid	(7,064)	(5,541)
Net cash provided by operating activities	34,113	28,355
Net cash used in investing activities:		
Decrease (increase) in time deposits	—	(5,887)
Purchases of marketable securities	(22,064)	(28,389)
Proceeds from sales of marketable securities	5,863	4
Proceeds from redemption of marketable securities	14,783	15,986
Purchases of property, plant and equipment	(3,989)	(2,558)
Proceeds from sales of property, plant and equipment	1,935	8
Purchases of intangible assets	(1,021)	(1,010)
Purchases of investment securities	(1,856)	(758)
Purchases of investments in subsidiaries resulting in change in scope of consolidation	—	(23,881)
Other-net	41	(274)
Net cash used in investing activities	(6,307)	(46,761)
Net cash used in financing activities:		
Net increase (decrease) in short-term loans payable	(50,000)	—
Proceeds from long-term loans payable	15,000	—
Repayment of long-term debt	(5,600)	(5,000)
Proceeds from issuance of bonds	19,895	—
Net decrease (increase) in treasury stock	(0)	(0)
Dividends paid	(3,575)	(3,576)
Other-net	(33)	(34)
Net cash used in financing activities	(24,314)	(8,611)
Effect of exchange rate changes on cash and cash equivalents	(158)	650
Net increase (decrease) in cash and cash equivalents	3,332	(26,366)
Cash and cash equivalents at the beginning of period	82,868	92,179
Cash and cash equivalents at the end of period	86,201	65,813

(4) Notes on Premise of Going Concern

Not applicable.

(5) Segment Information

I Six months ended September 30, 2011

1. Information on sales and income by reportable segment

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	88,623	56,170	3,355	9,769	157,918	20,107	178,026
Intersegment sales and transfers	124	—	—	—	124	44	168
Total	88,748	56,170	3,355	9,769	158,043	20,151	178,195
Income of segment	33,878	1,107	905	4,488	40,380	1,617	41,998

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

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

(Millions of yen)

Income	Amount
Reportable segments total	40,380
Income of "Other Business"	1,617
Research and development costs*	(27,288)
Elimination of intersegment transactions	17
Operating income on consolidated statements of income	14,726

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

II Six months ended September 30, 2012

1. Information on sales and income by reportable segment

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	88,410	59,454	3,949	6,651	158,465	20,283	178,748
Intersegment sales and transfers	79	—	—	—	79	43	123
Total	88,490	59,454	3,949	6,651	158,545	20,327	178,872
Income of segment	33,695	8,163	1,439	2,889	46,188	1,565	47,754

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

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

(Millions of yen)

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

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

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

(Significant impairment losses relating to fixed assets)

In the North America segment, an impairment loss is recorded for a part of in-process R&D. In-process R&D deemed to have little future profitability are evaluated in terms of collectability, and 416 million yen is recorded as an impairment loss.

(Significant changes in amount of goodwill)

In the North America segment, Sunovion acquired SRD and it has become our wholly owned subsidiary company. With this acquisition, goodwill increased by 3,306 million yen during the six months ended September 30, 2012. The amount of goodwill is provisional for the present because purchase price allocation has not been completed.

(6) Notes on Significant Changes in Shareholders' Equity

Not applicable.