



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

October 30, 2014

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 Quarterly Financial Report: November 10, 2014

Starting Date of Dividend Payments: December 1, 2014

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, 2015 (April 1, 2014 to September 30, 2014)

(1) Results of Operations

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

	Net sales		Operating income		Ordinary income		Net income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Six months ended September 30, 2014	178,290	(1.7)	11,945	(31.5)	12,712	(27.0)	11,758	35.2
Six months ended September 30, 2013	181,396	1.5	17,435	(12.7)	17,408	(12.6)	8,697	(20.6)

Note: Comprehensive income

Six months ended September 30, 2014: ¥25,364 million, 37.0%

Six months ended September 30, 2013: ¥18,513 million, 43.1%

	Earnings per share	Earnings per share (diluted)
Six months ended September 30, 2014	¥29.60	—
Six months ended September 30, 2013	¥21.89	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2014	670,765	419,996	62.6%
As of March 31, 2014	659,032	398,540	60.5%

Reference: Shareholders' Equity

As of September 30, 2014 : ¥419,996 million

As of March 31, 2014 : ¥398,540 million

2. Dividends

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

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Year ending March 31, 2015	366,000	(5.6)	20,000	(52.5)	19,500	(52.0)	14,000	(30.2)	¥35.24

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

Notes:

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

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

• Calculation of income taxes

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

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

① Changes due to changes in accounting standards: Yes

• Application of “Accounting Standard for Retirement Benefits”

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

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

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

② Changes due to changes in accounting standards other than (3),①: None

③ Changes in accounting estimates: None

④ Retrospective restatements: None

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

① Number of shares outstanding (Including treasury stock)

September 30, 2014 : 397,900,154 shares

March 31, 2014 : 397,900,154 shares

- ② Number of treasury stock
- | | |
|---------------------|----------------|
| September 30, 2014: | 594,785 shares |
| March 31, 2014 : | 593,962 shares |
- ③ Average number of shares during the period
- | | |
|----------------------|--------------------|
| September 30, 2014 : | 397,305,768 shares |
| September 30, 2013 : | 397,308,773 shares |

Indication of quarterly review procedure implementation status:

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

Explanation for Appropriate Use of Forecasts and Other Notes:

This document contains forward-looking statements which are based on management's assumptions and beliefs in light of the information currently available and involves risks and uncertainties, and are not the commitment made by the Company. Actual financial results may differ materially depending on a number of factors, including economic conditions. Please refer to page 3 of attachment document with regard to the assumptions and other related matters concerning financial forecasts.

The Company holds an earnings presentation for institutional investors and analysts on Friday, October 31, 2014. The documents distributed at the presentation are scheduled to be posted on our website.

【Attachment Documents】

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1. Qualitative Information for the Six Months Ended September 30, 2014

(1) Qualitative Information on Business Results

Consolidated business performance for the half year from April 1 through September 30, 2014 is as follows:

The total net sales for the Sumitomo Dainippon Pharma Group amounted to 178,290 million yen, a 1.7% decrease from the first six months of the previous fiscal year. The sales of LATUDA[®], an atypical antipsychotic, in the segment “North America” grew at a faster pace than had been anticipated and the sales of MEROPEN[®], a carbapenem antibiotic, and other products in the segment “China” increased, while the sales in the segment “Japan” declined due to the significant influences of the NHI price revision and of generics. The operating income for the period was 11,945 million yen, a 31.5% decrease year-on-year. Sales expenses for LATUDA[®] increased, research and development costs increased as well, particularly in the clinical studies cost in North America, while amortization of patent rights decreased considerably. Ordinary income was 12,712 million yen, a 27.0% decline year-on-year. Net income was 11,758 million yen, a 35.2% increase year on year, due to an extraordinary income from the sale of fixed assets.

Business performance by segment is as follows:

① Japan segment

Net sales of segment Japan declined 7.7% year on year to 78,160 million yen. The solid growths in the sales of two strategic products, AIMIX[®], a therapeutic agent for hypertension, and TRERIEF[®], a Parkinson's disease drug, fell short of offsetting the adverse impacts on the sales of existing products left by the NHI price revision and the generic drug utilization promoted in Japan. Segment income decreased 14.1% year on year to 26,181 million yen; strenuous cost-reduction efforts in sales expenses and others were outweighed by the decline in sales.

② North America segment

In North America, net sales increased 1.4% year on year to 67,410 million yen, helped by the larger-than-projected increase in LATUDA[®] sales and the contribution of APTIOM[®], an antiepileptic drug launched in April 2014, even though the sales of LUNESTA[®], a sedative hypnotic, dropped considerably due to the April 2014 expiry of the exclusivity period. Segment income decreased 3.6% year on year to 13,665 million yen. Advertisement and other sales promotion expenses increased for LATUDA[®] and others, and the fee on sales of existing products distributed through the government health care program increased considerably, although the amortization of LUNESTA[®] patent rights was completed.

③ China segment

In China the sales of MEROPEN[®] continued to achieve strong growth, which contributed to the 51.9% year-on-year increase in the segment net sales to 8,357 million yen. The segment income increased considerably to 3,666 million yen, a 173.7% increase year on year.

④ Other Regions segment

The increase in export sales brought about a 4.2% year-on-year increase in the sales of this segment at 4,471

million yen. Segment income was 623 million yen, a 58.9% decrease year on year due mainly to increased sale expenses of LATUDA[®] which was launched in the U.K. in August this year.

In addition to the above-mentioned reportable segments, the Sumitomo Dainippon Pharma Group markets food ingredients, food additives, materials for chemical products, veterinary drugs, diagnostic agents, etc. Net sales from those types of business were 19,891 million yen, a 2.8% decline year on year, and the segment income was 977 million yen, a 30.4% decline year on year.

(2) Qualitative Information on Financial Condition

Total assets increased 11,733 million yen from the previous consolidated fiscal year-end to 670,765 million yen. As for current assets, notes and accounts receivable decreased while cash and time deposit as well as marketable securities increased.

Total liabilities decreased 9,722 million yen from the previous consolidated fiscal year-end to 250,769 million yen, due to the decrease in income tax payable, account payable-other and long term loans payable.

Net assets increased 21,455 million yen from the previous consolidated fiscal year-end to 419,996 million yen, mainly due to the increase in retained earnings and foreign currency translation adjustments.

Shareholders' equity ratio as of the end of the current quarter was 62.6%.

(3) Qualitative Information on Consolidated Financial Forecasts

In light of recent performance trends, the July 30, 2014 forecast for the consolidated financial performance of the fiscal year to March 2015 is revised as described below.

The forecasted net sales is revised upward by 14 billion yen to 366 billion yen. While sales in Japan is expected to remain at a rather low level, that in North America and other segments outside Japan is expected to continue being solid and the exchange rate of yen is anticipated to stay weaker than the assumption made at the start of the fiscal year.

The cost of goods sold is expected to increase only slightly despite the projected sales increase, because of the likely changes in product mix.

The forecasted operating income remains unchanged at 20 billion yen, because the sales and administration expenses are expected to increase, due mainly to increases in LATUDA[®] sales expenses and in the fee on sales of existing products distributed through the government health care program in North America, which increases are exacerbated by the exchange rate situation when translated into yen.

The forecasts for ordinary income and net income of the fiscal year are now both revised upward by 0.5 billion yen and 2 billion yen to 19.5 billion yen and 14 billion yen, respectively, reflecting an improvement in non-operating income and accrual of a larger-than-expected net gain from the sale of fixed assets among the extraordinary income items.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets:		
Cash and time deposits	22,746	29,509
Notes and accounts receivable	111,662	94,061
Marketable securities	81,952	103,180
Merchandise and finished goods	46,377	46,733
Work-in-process	2,408	3,364
Raw materials and supplies	10,356	14,025
Deferred tax assets	37,281	37,484
Short-term loans receivable	41,720	38,307
Others	5,225	5,206
Allowance for doubtful receivables	(120)	(110)
Total current assets	359,611	371,763
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	100,804	98,651
Accumulated depreciation and impairment loss	(56,396)	(54,473)
Buildings and structures, net	44,407	44,177
Machinery, equipment and carriers	77,479	78,775
Accumulated depreciation and impairment loss	(67,833)	(69,417)
Machinery, equipment and carriers, net	9,646	9,357
Land	8,396	6,381
Construction in progress	3,080	2,627
Others	32,271	33,298
Accumulated depreciation and impairment loss	(25,113)	(25,969)
Others, net	7,157	7,328
Total property, plant and equipment	72,689	69,872
Intangible assets:		
Goodwill	80,669	82,885
In-process research and development	56,071	55,941
Others	20,055	19,657
Total intangible assets	156,796	158,485
Investments and other assets:		
Investment securities	50,823	52,403
Asset for retirement benefit	4,685	4,632
Deferred tax assets	8,602	6,112
Others	5,865	7,540
Allowance for doubtful receivables	(41)	(44)
Total investments and other assets	69,935	70,644
Total fixed assets	299,421	299,002
Total assets	659,032	670,765

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities:		
Notes and accounts payable	11,713	14,134
Current portion of long-term loans payable	10,000	10,179
Income taxes payable	10,524	6,052
Reserve for bonuses	7,786	8,711
Reserve for sales returns	9,894	7,568
Reserve for sales rebates	26,421	30,303
Accounts payable-other	35,937	31,418
Others	18,930	16,503
Total current liabilities	131,207	124,871
Long-term liabilities:		
Bonds payable	60,000	60,000
Long-term loans payable	25,000	20,119
Deferred tax liabilities	15,704	14,586
Liability for retirement benefit	13,892	14,049
Others	14,687	17,142
Total long-term liabilities	129,284	125,897
Total liabilities	260,492	250,769
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	318,861	326,713
Treasury stock	(656)	(658)
Total shareholders' equity	356,465	364,315
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	17,247	17,361
Deferred gains (losses) on hedges	(0)	28
Foreign currency translation adjustment	26,792	40,094
Remeasurements of defined benefit plans	(1,964)	(1,802)
Total accumulated other comprehensive income (loss)	42,074	55,680
Total net assets	398,540	419,996
Total liabilities and net assets	659,032	670,765

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net sales	181,396	178,290
Cost of sales	50,451	48,470
Gross profit	130,944	129,820
Reversal of reserve for sales returns	14	2
Gross profit-net	130,958	129,822
Selling, general and administrative expenses		
Salaries	17,693	18,183
Provision for reserve for bonuses	5,030	5,973
Retirement benefit expenses	2,081	2,215
Research and development costs	31,491	33,168
Others	57,226	58,336
Total selling, general and administrative expenses	113,523	117,877
Operating income	17,435	11,945
Non-operating income		
Interest income	155	184
Dividend income	466	833
Gain on investments in partnership	1	891
Others	621	443
Total non-operating income	1,245	2,352
Non-operating expenses		
Interest expense	510	467
Foreign exchange losses	103	488
Others	658	630
Total non-operating expenses	1,272	1,586
Ordinary income	17,408	12,712
Extraordinary income		
Gain on sales of property, plant and equipment	—	8,278
Compensation income for damage	—	1,711
Gain on sales of investment securities	2,765	—
Fair value adjustment of contingent consideration	1,062	—
Total extraordinary income	3,827	9,989
Extraordinary loss		
Business structure improvement expenses	1,662	646
Impairment loss	4,611	—
Total extraordinary loss	6,274	646
Income before income taxes and minority interests	14,961	22,054
Income taxes	6,263	10,296
Income before minority interests	8,697	11,758
Net income	8,697	11,758

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Income before minority interests	8,697	11,758
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities, net of tax	25	113
Deferred gains (losses) on hedges	—	28
Foreign currency translation adjustment	9,789	13,302
Remeasurements of defined benefit plans, net of tax	—	161
Total other comprehensive income (loss)	9,815	13,605
Comprehensive income	18,513	25,364
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	18,513	25,364
Comprehensive income attributable to minority interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net cash provided by operating activities:		
Income before income taxes and minority interests	14,961	22,054
Depreciation and amortization	11,540	7,134
Impairment loss	4,611	—
Amortization of goodwill	2,526	2,565
Provision for liability for retirement benefits, less payments	(384)	—
Increase (decrease) in net defined benefit liability	—	152
Provision for other liabilities	10,115	148
Interest and dividend income	(622)	(1,018)
Interest expense	510	467
Loss (gain) on sales of property, plant and equipment	(2)	(8,278)
Loss (gain) on sales of investment securities	(2,765)	(31)
Business structure improvement expenses	1,662	646
Decrease (increase) in notes and accounts receivable	(5,508)	19,069
Decrease (increase) in inventories	1,061	(3,996)
Increase (decrease) in notes and accounts payable	(2,824)	1,489
Increase (decrease) in accounts payable-other	(8,995)	(3,537)
Other-net	1,908	(3,089)
Subtotal	27,796	33,777
Interest and dividend received	735	1,151
Interest paid	(512)	(442)
Business structure improvement expenses paid	(3,302)	(679)
Income taxes paid	(2,450)	(12,240)
Net cash provided by operating activities	22,266	21,566
Net cash used in investing activities:		
Proceeds from withdrawal of time deposits	4,766	—
Purchases of marketable securities	(22,709)	(20,307)
Proceeds from sales of marketable securities	497	1,499
Proceeds from redemption of marketable securities	24,629	24,533
Purchases of property, plant and equipment	(7,212)	(5,016)
Proceeds from sales of property, plant and equipment	25	10,603
Purchases of intangible assets	(2,505)	(1,428)
Purchases of investment securities	(2,498)	(1,068)
Proceeds from sales of investment securities	2,800	43
Purchase of stocks of subsidiaries and affiliates	(2,775)	(506)
Net decrease (increase) in short-term loans receivable	—	5,779
Other-net	(381)	1,032
Net cash used in investing activities	(5,363)	15,164

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net cash used in financing activities:		
Proceeds from long-term loans payable	—	299
Repayments of long-term loans payable	(5,000)	(5,000)
Net decrease (increase) in treasury stock	(2)	(1)
Dividends paid	(3,575)	(3,576)
Other-net	(3)	(3)
Net cash used in financing activities	(8,581)	(8,280)
Effect of exchange rate changes on cash and cash equivalents	4,669	3,770
Net increase (decrease) in cash and cash equivalents	12,990	32,221
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	82,389	106,339

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

I Six months ended September 30, 2013

1. Information on sales and income by reportable segment

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	84,673	66,453	5,502	4,292	160,921	20,474	181,396
Intersegment sales and transfers	56	—	—	—	56	40	96
Total	84,730	66,453	5,502	4,292	160,978	20,514	181,493
Income of segment	30,475	14,172	1,339	1,516	47,505	1,404	48,909

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

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

(Millions of yen)

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

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

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

(Significant impairment losses relating to fixed assets)

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

(Significant changes in amount of goodwill)

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

II Six months ended September 30, 2014

1. Information on sales and income by reportable segment

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	78,160	67,410	8,357	4,471	158,399	19,891	178,290
Intersegment sales and transfers	—	—	—	—	—	26	26
Total	78,160	67,410	8,357	4,471	158,399	19,917	178,316
Income of segment	26,181	13,665	3,666	623	44,136	977	45,114

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	44,136
Income of "Other Business"	977
Research and development costs*	(33,168)
Elimination of intersegment transactions	(0)
Operating income on consolidated statements of income	11,945

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