



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

January 29, 2015

Company Name: SUMITOMO DAINIPPON PHARMA CO., LTD.

Stock Exchange Listings: Tokyo

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

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Filing Date of Quarterly Financial Report: February 6, 2015

Starting Date of Dividend Payments: —

Preparation of Supplementary Financial Data for Quarterly Financial Results: Yes

Information Meeting for Quarterly Financial Results to be held: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2015 (April 1, 2014 to December 31, 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	%
Nine months ended December 31, 2014	279,139	(1.9)	22,818	(34.2)	22,506	(34.4)	18,993	(0.9)
Nine months ended December 31, 2013	284,515	5.7	34,652	6.0	34,333	4.9	19,158	13.6

Note: Comprehensive income
 Nine months ended December 31, 2014: ¥61,234 million, 29.3%
 Nine months ended December 31, 2013: ¥47,363 million, 202.1%

	Earnings per share	Earnings per share (diluted)
Nine months ended December 31, 2014	¥47.81	—
Nine months ended December 31, 2013	¥48.22	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2014	716,912	452,289	63.1%
As of March 31, 2014	659,032	398,540	60.5%

Reference: Shareholders' Equity
 As of December 31, 2014 : ¥452,289 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	371,000	(4.3)	20,000	(52.5)	20,000	(50.8)	12,500	(37.7)	¥31.46

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 first nine months of the fiscal year 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)

December 31, 2014 : 397,900,154 shares

March 31, 2014 : 397,900,154 shares

②	Number of treasury stock	
	December 31, 2014:	595,558 shares
	March 31, 2014 :	593,962 shares
③	Average number of shares during the period	
	December 31, 2014 :	397,305,446 shares
	December 31, 2013 :	397,308,312 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 a Conference Call for institutional investors and analysts on Thursday, January 29, 2015. 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 Nine Months Ended December 31, 2014

(1) Qualitative Information on Business Results

Consolidated business performance for the nine months from April 1 through December 31, 2014 is as follows:

The total net sales for the Sumitomo Dainippon Pharma Group amounted to 279,139 million yen, a 1.9% decrease from the first nine months of the previous fiscal year. The sales of LATUDA[®], an atypical antipsychotic, in the segment North America and of MEROPEN[®], a carbapenem antibiotic, in the segment China achieved solid growths, while the sales in the segment Japan declined considerably due to the NHI price revision in April 2014 and the influences of generics. The operating income for the period was 22,818 million yen, a 34.2% decrease year on year. Sales expenses for LATUDA[®] increased, and the clinical studies cost in North America increased as well, while amortization of patent rights decreased considerably. Ordinary income was 22,506 million yen, a 34.4% decline year-on-year. Net income was 18,993 million yen, a 0.9% decrease year on year, reflecting an extraordinary income from the sale of fixed assets and impairment losses relating to reorganization of production sites.

Business performance by segment is as follows:

① Japan segment

Net sales of segment Japan declined 9.0% year on year to 120,649 million yen. The growths in the sales of two strategic products, AIMIX[®], a therapeutic agent for hypertension, and TRERIEF[®], a Parkinson's disease drug, were not large enough to offset the adverse impacts on the sales of existing products left by the NHI price revision and the generic drug utilization promoted in Japan. Segment income decreased 17.3% year on year to 40,760 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 3.2% year on year to 109,729 million yen, due to the large increase in LATUDA[®] sales and helped by the depreciation of Japanese yen against U.S. dollar, even though the sales of LUNESTA[®], a sedative hypnotic, dropped considerably due to the April 2014 expiry of the exclusivity period. Segment income decreased 6.2% year on year to 26,377 million yen. Advertisement and other sales promotion expenses increased for LATUDA[®] and others, and the fee on sales of branded prescription drugs 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[®] grew strongly, which contributed to the 50.9% year-on-year increase of the segment net sales to 12,310 million yen. The segment income increased considerably to 4,484 million yen, a 170.8% increase year on year.

④ Other Regions segment

Decreased export sales of MEROPEN[®] and other factors brought about a 5.8% year-on-year decrease in the sales of this segment at 6,197 million yen. Segment income was 734 million yen, a 70.5% decrease year on year due mainly to increased sale expenses of LATUDA[®] which was launched in the U.K. in August 2014.

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 30,253 million yen, a 2.2% decline year on year, and the segment income was 1,654 million yen, a 19.2% decline year on year.

(2) Qualitative Information on Financial Condition

Total assets increased 57,879 million yen from the previous consolidated fiscal year-end to 716,912 million yen. As for current assets, cash and time deposits as well as marketable securities increased as a result of the sale of idle assets and the effect of foreign exchange conversions. Property, plant and equipment declined due to asset sales and accrual of impairment losses, while intangible fixed asset increased in value, affected by the currency situation.

Total liabilities increased 4,130 million yen from the previous consolidated fiscal year-end to 264,622 million yen, due to a large increase in reserve for sales rebates resulting from the strong growth of LATUDA[®] sales in the U.S., although income tax payable and long-term loans payable decreased.

Net assets increased 53,749 million yen from the previous consolidated fiscal year-end to 452,289 million yen, mainly due to increases in retained earnings, unrealized gain on available-for-sale securities and foreign currency translation adjustments.

Shareholders' equity ratio as of the end of the current quarter was 63.1%.

(3) Qualitative Information on Consolidated Financial Forecasts

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

Revision of Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2015

(April 1, 2014 to March 31, 2015)

	Net sales	Operating income	Ordinary income	Net income	Earnings
	Yen million	Yen million	Yen million	Yen million	per share
Previous forecasts (A)	366,000	20,000	19,500	14,000	¥35.24
New forecasts (B)	371,000	20,000	20,000	12,500	¥31.46
(B – A)	5,000	—	500	(1,500)	
Change (%)	1.4	—	2.6	(10.7)	
(Reference) Results for the year ended March 31, 2014	387,693	42,142	40,631	20,060	¥50.49

The forecasted net sales is revised upward by 5 billion yen to 371 billion yen. The sales in North America is expected to remain brisk and the exchange rate of yen is anticipated to stay weaker than the assumption made in the previous forecast.

The forecasted operating income remains unchanged at 20 billion yen, because the selling, general and administrative expenses are expected to increase, due mainly to the exchange rate situation. The forecast for ordinary income is revised upward by 0.5 billion yen to 20 billion yen, reflecting an improvement in non-operating income.

The forecasted net income is revised downward by 1.5 billion yen to 12.5 billion yen in anticipation of a reversal of deferred tax assets in view of the expected reduction in regulatory effective tax rates.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets:		
Cash and time deposits	22,746	33,033
Notes and accounts receivable	111,662	105,165
Marketable securities	81,952	117,242
Merchandise and finished goods	46,377	49,524
Work-in-process	2,408	3,214
Raw materials and supplies	10,356	13,375
Deferred tax assets	37,281	38,554
Short-term loans receivable	41,720	42,196
Others	5,225	4,814
Allowance for doubtful receivables	(120)	(118)
Total current assets	<u>359,611</u>	<u>407,001</u>
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	100,804	93,962
Accumulated depreciation and impairment loss	(56,396)	(52,258)
Buildings and structures, net	<u>44,407</u>	<u>41,704</u>
Machinery, equipment and carriers	77,479	78,027
Accumulated depreciation and impairment loss	(67,833)	(68,883)
Machinery, equipment and carriers, net	<u>9,646</u>	<u>9,143</u>
Land	8,396	6,362
Construction in progress	3,080	1,376
Others	32,271	33,494
Accumulated depreciation and impairment loss	(25,113)	(26,254)
Others, net	<u>7,157</u>	<u>7,239</u>
Total property, plant and equipment	<u>72,689</u>	<u>65,826</u>
Intangible assets:		
Goodwill	80,669	89,699
In-process research and development	56,071	60,852
Others	20,055	21,725
Total intangible assets	<u>156,796</u>	<u>172,278</u>
Investments and other assets:		
Investment securities	50,823	56,084
Asset for retirement benefit	4,685	4,732
Deferred tax assets	8,602	4,761
Others	5,865	6,272
Allowance for doubtful receivables	(41)	(44)
Total investments and other assets	<u>69,935</u>	<u>71,805</u>
Total fixed assets	<u>299,421</u>	<u>309,910</u>
Total assets	<u>659,032</u>	<u>716,912</u>

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities:		
Notes and accounts payable	11,713	15,902
Current portion of long-term loans payable	10,000	9,017
Income taxes payable	10,524	3,107
Reserve for bonuses	7,786	5,502
Reserve for sales returns	9,894	8,018
Reserve for sales rebates	26,421	35,327
Accounts payable-other	35,937	35,266
Others	18,930	22,726
Total current liabilities	131,207	134,870
Long-term liabilities:		
Bonds payable	60,000	60,000
Long-term loans payable	25,000	20,379
Deferred tax liabilities	15,704	15,920
Liability for retirement benefit	13,892	14,127
Others	14,687	19,325
Total long-term liabilities	129,284	129,752
Total liabilities	260,492	264,622
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	318,861	330,372
Treasury stock	(656)	(659)
Total shareholders' equity	356,465	367,973
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	17,247	19,567
Deferred gains (losses) on hedges	(0)	28
Foreign currency translation adjustment	26,792	66,441
Remeasurements of defined benefit plans	(1,964)	(1,721)
Total accumulated other comprehensive income (loss)	42,074	84,316
Total net assets	398,540	452,289
Total liabilities and net assets	659,032	716,912

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net sales	284,515	279,139
Cost of sales	78,130	75,097
Gross profit	206,385	204,041
Reversal of reserve for sales returns	16	2
Gross profit-net	206,401	204,043
Selling, general and administrative expenses		
Salaries	26,168	27,837
Provision for reserve for bonuses	2,973	3,837
Retirement benefit expenses	3,072	3,252
Research and development costs	48,971	51,193
Others	90,562	95,105
Total selling, general and administrative expenses	171,749	181,225
Operating income	34,652	22,818
Non-operating income		
Interest income	235	291
Dividend income	779	1,163
Gain on investments in partnership	1	891
Others	704	480
Total non-operating income	1,720	2,827
Non-operating expenses		
Interest expense	763	704
Foreign exchange losses	270	1,383
Others	1,006	1,050
Total non-operating expenses	2,039	3,138
Ordinary income	34,333	22,506
Extraordinary income		
Gain on sales of property, plant and equipment	—	15,978
Compensation income for damage	—	1,711
Gain on sales of investment securities	2,772	—
Fair value adjustment of contingent consideration	1,068	—
Total extraordinary income	3,840	17,689
Extraordinary loss		
Impairment loss	4,601	5,128
Business structure improvement expenses	1,803	790
Total extraordinary loss	6,404	5,919
Income before income taxes and minority interests	31,768	34,276
Income taxes	12,610	15,283
Income before minority interests	19,158	18,993
Net income	19,158	18,993

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Income before minority interests	19,158	18,993
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities, net of tax	2,090	2,319
Deferred gains (losses) on hedges	—	29
Foreign currency translation adjustment	26,114	39,649
Remeasurements of defined benefit plans, net of tax	—	242
Total other comprehensive income (loss)	28,204	42,241
Comprehensive income	47,363	61,234
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	47,363	61,234
Comprehensive income attributable to minority interests	—	—

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

I Nine months ended December 31, 2013

1. Information on sales and income by reportable segment

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	132,531	106,302	8,156	6,575	253,565	30,949	284,515
Intersegment sales and transfers	74	—	—	—	74	53	128
Total	132,605	106,302	8,156	6,575	253,640	31,003	284,643
Income of segment	49,277	28,128	1,656	2,488	81,550	2,048	83,598

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

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

(Millions of yen)

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

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

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

(Significant impairment losses relating to fixed assets)

In the North America segment, an impairment loss is recorded for a part of fixed assets and in-process R&D. Fixed assets and in-process R&D deemed to have little future profitability are evaluated in terms of collectability, therefore 363 million yen and 4,237 million yen are recorded as an impairment loss, respectively.

(Significant changes in amount of goodwill)

In the North America segment, the goodwill amount 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 Nine months ended December 31, 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	120,649	109,729	12,310	6,197	248,886	30,253	279,139
Intersegment sales and transfers	126	—	—	—	126	45	172
Total	120,776	109,729	12,310	6,197	249,013	30,298	279,311
Income of segment	40,760	26,377	4,484	734	72,357	1,654	74,011

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	72,357
Income of "Other Business"	1,654
Research and development costs*	(51,193)
Elimination of intersegment transactions	(0)
Operating income on consolidated statements of income	22,818

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 Japan segment, 5,128 million yen of impairment loss is recorded resulting from evaluating the collectability of the assets of the plant which we plan to close in connection with reorganization of production sites.