



Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2016 [Japanese GAAP] (Unaudited)

July 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: August 7, 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 First Quarter of the Year Ending March 31, 2016 (April 1, 2015 to June 30, 2015)

(1) Results of Operations

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Three months ended June 30, 2015	98,128	9.3	4,442	(48.9)	4,726	(50.5)	5,941	3.2
Three months ended June 30, 2014	89,743	0.1	8,694	(3.7)	9,551	0.6	5,756	19.7

Note: Comprehensive income Three months ended June 30, 2015: ¥13,737 million, 811.7%
Three months ended June 30, 2014: ¥1,506 million, (90.5)%

	Earnings per share	Earnings per share (diluted)
Three months ended June 30, 2015	¥14.95	—
Three months ended June 30, 2014	¥14.49	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2015	727,319	458,208	63.0%
As of March 31, 2015	711,583	451,021	63.4%

Reference: Shareholders' Equity As of June 30, 2015 : ¥458,208 million
As of March 31, 2015 : ¥451,021 million

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2015	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2016	—				
Year ending March 31, 2016 (Forecast)		¥9.00	—	¥9.00	¥18.00

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

3. Consolidated Financial Forecasts for the Year Ending March 31, 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 the parent		Earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Six months ending September 30, 2015	197,500	10.8	11,000	(7.9)	11,000	(13.5)	8,000	(32.0)	¥20.14
Year ending March 31, 2016	401,000	8.0	27,000	16.0	26,500	13.6	18,000	16.5	¥45.31

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 Business Combinations" etc.

The Company has applied the "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) and "Accounting Standard for Business Divestitures" (ASBJ statement No.7, September 13, 2013) from the beginning of the current fiscal year.

Under these accounting changes, the Company now records equity changes in subsidiaries subject to ongoing control to capital surplus. In addition, the Company now records acquisition-related costs as expensed in the fiscal year in which they occurred. With respect to business combinations occurring after the beginning of the fiscal year, the Company will now revise acquisition cost allocation based on provisional accounting estimates, reflecting these costs in the consolidated financial statements for the fiscal year in which the business combination occurred. The Company has also changed the presentation of net income, and non-controlling interest from minority interest. In order to reflect these changes in indication method, the consolidated financial statements for the previous fiscal year have been subject to a rearrangement.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. Application of the standard commenced on April 1, 2015, and will continue going forward. As a result, there was no impact on consolidated financial statement for the 1st quarter of the current fiscal year.

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

③ Changes in accounting estimates: None

④ Retrospective restatements: None

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

① Number of shares outstanding (Including treasury stock)

June 30, 2015 : 397,900,154 shares

March 31, 2015 : 397,900,154 shares

② Number of treasury stock

June 30, 2015: 596,939 shares

March 31, 2015 : 596,335 shares

③ Average number of shares during the period

June 30, 2015 : 397,303,386 shares

June 30, 2014 : 397,306,033 shares

Indication of quarterly review procedure implementation status:

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

Explanation for Appropriate Use of Forecasts and Other Notes:

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

The Company holds the Conference Call for institutional investors and analysts on Wednesday, July 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 Three Months Ended June 30, 2015

(1) Qualitative Information on Business Results

Consolidated business performance for the three months from April 1 through June 30, 2015 is as follows:

The total net sales for the Sumitomo Dainippon Pharma Group amounted to 98,128 million yen, a 9.3% increase from the first three months of the previous fiscal year. The sales in Japan segment achieved a modest increase, as the decline in long-listed products was more than offset in large part by the increased sales of one of our strategic products, AIMIX[®], a therapeutic agent for hypertension. The sales of North America segment increased, because of the continued solid growth of LATUDA[®], an atypical antipsychotic as well as of the effect of currency situation. The operating income for the period was 4,442 million yen, a 48.9% decrease year on year and the ordinary income was 4,726 million yen, a 50.5% decline year on year. The selling, general and administrative expenses increased significantly, due to aggressive strategic investment in advertisement and research and development. Net quarterly income attributable to owners of the parent was 5,941 million yen, a 3.2% increase year on year, reflecting extraordinary gains from the sale of investment securities.

Business performance by segment is as follows:

① Japan segment

Net sales of Japan segment increased 1.8% year on year to 38,158 million yen. Three of our strategic products, AIMIX[®], TRERIEF[®], a Parkinson's disease drug and LONASEN[®], an atypical antipsychotic, as well as METGLUCO[®], a biguanide oral hypoglycemic drug, achieved considerable sales growths, while the sales of long-listed products continued to decline because of the spread of encouraged use of generics. Segment income increased 6.0% year on year to 12,589 million yen, due to the increased sale and the strenuous cost-reduction efforts in selling expenses and others.

② North America segment

Net sales of North America segment increased 18.8% year on year to 42,321 million yen, due to the increased sales of LATUDA[®] and BROVANA[®], a long-acting beta-agonist, and the effect of exchange rates. The increased sales brought the segment income to 9,501 million yen, a 6.8% increase year on year, even though the advertisement and other sales promotion expenses were increased for further sales expansion of LATUDA[®].

③ China segment

In China segment, the sales of MEROPEN[®], a carbapenem antibiotic, and other products went down in local currency, but in yen terms grew 8.1% year on year to 4,565 million yen. The segment income was 1,649 million yen, a 19.0% decrease year on year.

④ Other Regions segment

Export sales of MEROPEN[®] increased due to a difference in shipment dates and brought about a 12.4% year-on-year increase in the sales of this segment at 2,755 million yen. Segment income was 316 million yen, a

37.3% decrease year on year, due to increased selling expenses for LATUDA® in the U.K.

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 10,327 million yen (a 3.9% increase year on year) and the segment income was 492 million yen (a 17.6% decrease year on year).

(2) Qualitative Information on Financial Condition

Total assets increased 15,735 million yen from the previous consolidated fiscal year-end to 727,319 million yen. As for current assets, cash and time deposit decreased while marketable securities increased. Tangible fixed assets declined due to depreciation, while investment securities increased.

Total liabilities increased 8,549 million yen from the previous consolidated fiscal year-end to 269,111 million yen, due to an increase in reserve for sales rebates resulting from the strong growth of LATUDA® sales, although long-term loans payable decreased.

Net worth increased 7,186 million yen from the previous consolidated fiscal year-end to 458,208 million yen, due to increases in foreign currency translation adjustments and unrealized gains on available-for-sale securities.

Shareholders' equity ratio as of the end of the current quarter was 63.0%.

(3) Qualitative Information on Consolidated Financial Forecasts

The consolidated financial performance of the Group in local currencies is progressing in general agreement with the forecasts we announced on May 11, 2015 for the first six months and the full fiscal year to March 2016. We now expect the yen to be weaker than in the May forecast, and revise the forecasted net sales upward by 4.5 billion yen to 197.5 billion yen and by 9.0 billion yen to 401.0 billion yen for the first six months and the full year, respectively. The forecasted operating incomes for the first six months and the full year remain unchanged at 11.0 billion yen and 27.0 billion yen, respectively, because the costs of goods sold, and selling, general and administrative expenses in yen terms are expected to increase as well.

The forecasted ordinary incomes remain unchanged from the May forecast at 11.0 billion yen and 26.5 billion yen, respectively. The forecasted net income attributable to the owners of the parent also remain unchanged at 8.0 billion yen for the first six months and at 18.0 billion yen for the full year, respectively.

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, 2015	As of June 30, 2015
Assets		
Current assets:		
Cash and time deposits	30,553	21,510
Notes and accounts receivables	103,072	106,856
Marketable securities	111,293	130,934
Merchandise and finished goods	50,749	48,705
Work-in-process	1,626	2,516
Raw materials and supplies	10,012	12,618
Deferred tax assets	38,867	42,938
Short-term loans receivable	49,052	42,854
Others	6,598	8,035
Allowance for doubtful receivables	(125)	(14)
Total current assets	401,699	416,956
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	94,184	94,716
Accumulated depreciation and impairment loss	(52,819)	(53,789)
Buildings and structures, net	41,365	40,926
Machinery, equipment and carriers	78,075	79,796
Accumulated depreciation and impairment loss	(69,007)	(70,873)
Machinery, equipment and carriers, net	9,068	8,922
Land	6,297	6,306
Construction in progress	1,245	1,130
Others	33,628	33,652
Accumulated depreciation and impairment loss	(26,446)	(26,827)
Others, net	7,182	6,825
Total property, plant and equipment	65,160	64,111
Intangible assets:		
Goodwill	88,075	88,176
In-process research and development	64,456	65,389
Others	21,332	20,793
Total intangible assets	173,863	174,358
Investments and other assets:		
Investment securities	58,193	61,000
Asset for retirement benefits	1,935	2,005
Deferred tax assets	4,794	3,347
Others	5,982	5,582
Allowance for doubtful receivables	(44)	(42)
Total investments and other assets	70,860	71,892
Total fixed assets	309,884	310,363
Total assets	711,583	727,319

	(Millions of yen)	
	As of March 31, 2015	As of June 30, 2015
Liabilities		
Current liabilities:		
Notes and accounts payables	12,492	13,786
Current portion of bonds payable	30,000	30,000
Current portion of long-term loans payable	6,522	3,654
Income taxes payable	3,288	7,144
Reserve for bonuses	9,416	5,762
Reserve for sales returns	8,580	8,884
Reserve for sales rebates	36,351	43,826
Accounts payable-other	35,252	30,202
Others	14,939	18,815
Total current liabilities	156,843	162,076
Long-term liabilities:		
Bonds payable	30,000	30,000
Long-term loans payable	20,000	20,000
Deferred tax liabilities	17,354	18,886
Liability for retirement benefits	15,274	15,418
Others	21,089	22,728
Total long-term liabilities	103,718	107,034
Total liabilities	260,562	269,111
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	326,686	326,221
Treasury stock	(660)	(661)
Total shareholders' equity	364,286	363,821
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities	23,099	24,819
Deferred gains (losses) on hedges	1	23
Foreign currency translation adjustment	68,171	73,948
Remeasurements of defined benefit plans	(4,536)	(4,404)
Total accumulated other comprehensive income (loss)	86,735	94,386
Total net assets	451,021	458,208
Total liabilities and net assets	711,583	727,319

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Net sales	89,743	98,128
Cost of sales	24,085	26,344
Gross profit	65,657	71,783
Provision of reserve for sales returns	—	10
Reversal of reserve for sales returns	5	—
Gross profit, net	65,662	71,773
Selling, general and administrative expenses		
Salaries	8,922	10,281
Provision for reserve for bonuses	2,982	2,993
Retirement benefit expenses	1,057	1,231
Research and development costs	15,214	20,108
Others	28,790	32,717
Total selling, general and administrative expenses	56,967	67,331
Operating income	8,694	4,442
Non-operating income		
Interest income	89	117
Dividend income	816	639
Others	414	108
Total non-operating income	1,320	865
Non-operating expenses		
Interest expense	233	234
Foreign exchange losses	—	125
Others	231	222
Total non-operating expenses	464	581
Ordinary income	9,551	4,726
Extraordinary income		
Gain on sales of investment securities	—	6,004
Compensation income for damage	1,711	—
Total extraordinary income	1,711	6,004
Extraordinary loss		
Impairment loss	—	153
Business structure improvement expenses	127	—
Total extraordinary loss	127	153
Income before income taxes	11,134	10,576
Income taxes	5,378	4,635
Net income	5,756	5,941
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	5,756	5,941

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Net income	5,756	5,941
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(478)	1,720
Deferred gains (losses) on hedges	(6)	21
Foreign currency translation adjustment	(3,845)	5,921
Remeasurements of defined benefit plans	81	132
Total other comprehensive income (loss)	<u>(4,249)</u>	<u>7,795</u>
Comprehensive income	<u>1,506</u>	<u>13,737</u>
Comprehensive income attributable to		
Owners of the parent	1,506	13,737
Non-controlling interests	—	—

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

I Three months ended June 30, 2014

1. Information on sales and income by reportable segment

(Millions of yen)

	Reportable Segments					Other Business*	Total
	Pharmaceuticals Business						
	Japan	North America	China	Other Regions	Subtotal		
Net sales							
Sales to customers	37,490	35,636	4,222	2,451	79,800	9,943	89,743
Intersegment sales and transfers	—	—	—	—	—	15	15
Total	37,490	35,636	4,222	2,451	79,800	9,958	89,758
Income of segment	11,880	8,893	2,035	504	23,313	598	23,911

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

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

(Millions of yen)

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

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

II Three months ended June 30, 2015

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	38,158	42,321	4,565	2,755	87,800	10,327	98,128
Intersegment sales and transfers	10	—	—	—	10	18	29
Total	38,168	42,321	4,565	2,755	87,811	10,346	98,157
Income of segment	12,589	9,501	1,649	316	24,055	492	24,548

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	24,055
Income of "Other Business"	492
Research and development costs*	(20,108)
Elimination of intersegment transactions	1
Operating income on consolidated statements of income	4,442

Note: Research and development costs are not allocated to any segment as the Group manages such costs 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, in-process research and development costs deemed to have little future profitability is evaluated in terms of collectability, therefore 153 million yen is recorded as an impairment loss.