



Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2014[Japanese GAAP](Unaudited)

July 31, 2013

Company Name: DAINIPPON SUMITOMO 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 13, 2013
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, 2014 (April 1, 2013 to June 30, 2013)

(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	%
Three months ended June 30, 2013	89,622	0.6	9,028	(17.1)	9,491	(17.4)	4,809	(15.6)
Three months ended June 30, 2012	89,083	(6.0)	10,886	(14.9)	11,487	(12.7)	5,699	(29.5)

Note: Comprehensive income (Millions of yen)

Three months ended June 30, 2013: 15,848 1.5% Three months ended June 30, 2012: 15,620 32.2%

	Earnings per share	Earnings per share (diluted)
Three months ended June 30, 2013	¥12.10	—
Three months ended June 30, 2012	¥14.34	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2013	634,033	374,767	59.1%
As of March 31, 2013	607,219	349,248	57.5%

Reference: Shareholders' Equity (Millions of yen)

As of June 30, 2013: 374,767

As of March 31, 2013: 349,248

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2013	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2014	—	/	/	/	/
Year ending March 31, 2014 (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, 2014 (April 1, 2013 to March 31, 2014)

(% 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	%	
Six months ending September 30, 2013	178,000	(0.4)	10,000	(49.9)	10,000	(49.8)	5,000	(54.3)	¥12.58
Year ending March 31, 2014	369,000	6.1	26,000	3.8	25,000	2.0	13,000	29.4	¥32.72

Note: Revision of consolidated financial forecasts from the latest announcement: None

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: None
- 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, 2013 : 397,900,154 shares

March 31, 2013 : 397,900,154 shares

② Number of treasury stock

June 30, 2013: 591,187 shares

March 31, 2013 : 590,246 shares

③ Average number of shares during the period

June 30, 2013 : 397,309,233 shares

June 30, 2012 : 397,311,319 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 the Conference Call for institutional investors and analysts on Wednesday, July 31, 2013. 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, 2013

(1) Qualitative Information on Business Results

Consolidated business performance for the current quarter from April 1 to June 30, 2013 is as follows:

Whereas reductions in sales took place on the segment of "Japan" and "Other Regions" from the first quarter of the previous fiscal year due to the significant influence of generics, the segment of "North America" increased sales due to sales expansion of LATUDA[®], an atypical antipsychotic, and the sagging Japanese yen. As a result, net sales for the Group amounted to 89,622 million yen (a 0.6% increase from the first quarter of the previous fiscal year). In terms of profit, since selling, general and administrative expenses increased mainly because of the lower yen in spite of the substantial decrease in the items including labor cost and amortization, operating income amounted to 9,028 million yen (a 17.1% decrease year-on-year) and ordinary income amounted to 9,491 million yen (a 17.4% decrease year-on-year). Net income amounted to 4,809 million yen (a 15.6 % decrease year-on-year) mainly because the business structure improvement expenses have been recorded as part of the organizational and operational reforms, which is underway in the U.S.

Business performance by segment is as follows:

① Japan segment

Although, in addition to AIMIX[®], a therapeutic agent for hypertension, launched in December last year, the sales of TRERIEF[®], a Parkinson's disease drug, and METGLUCO[®], a biguanide oral hypoglycemic increased sharply, under the significant influence of the decreased sales of long-term listed products, net sales amounted to 42,446 million yen (a 4.9% decrease year-on-year). Segment income amounted to 15,857 million yen (a 9.9% decrease year-on-year) as a result of the decrease in sales.

② North America segment

Despite of the decrease in sales of XOPENEX[®], a short-acting beta-agonist, due to the expiration of the exclusive sales period, one of our most strategic products, LATUDA[®] continued to expand sales. In addition, as the exchange market moved against the yen, net sales amounted to 31,860 million yen (a 9.7 % increase year-on-year). With regard to costs, the selling expenses, general and administrative expenses increased slightly due to the impact of lower yen, although they decreased in local currency terms because of the reduction in labor costs as a result of business structure improvement and the completion of amortization of part of patent rights. As a result, segment income amounted to 5,602 million yen (a 27.5 % increase year-on-year).

③ China segment

Although the sales of MEROPEN[®], a carbapenem antibiotic, remained solid and net sales amounted to 2,393 million yen (a 43.4 % increase year-on-year), selling expense, general and administrative increased due to impact of lower yen, in addition to increased labor cost and sales cost, and as a result, segment income amounted to 387 million yen (a 38.0 % decrease year-on-year).

④ Other Regions segment

The decrease in export sales of MEROPEN[®] is continuing, net sales amounted to 2,531 million yen (an 18.5 % decrease year-on-year), and segment income amounted to 1,012 million yen (a 26.6 % decrease year-on-year).

In addition to the aforementioned reportable segments, the DSP Group has been marketing food ingredients, food additives, chemical product materials, veterinary drugs, diagnostic products, etc. and net sales of these products amounted to 10,390 million yen (a 2.3% decrease year-on-year), and segment income amounted to 844 million yen (a 10.5% decrease year-on-year).

(2) Qualitative Information on Financial Condition

As for assets, assets of the foreign subsidiaries increased materially centered on intangible fixed assets, because of the yen's depreciation. In addition, tangible fixed assets related to the New Chemistry Research Building at Osaka Research Center also increased in Japan. As a result, total assets increased 26,814 million yen from the previous consolidated fiscal year-end to 634,033 million yen.

Total liabilities increased 1,295 million yen from the previous consolidated fiscal year-end to 259,266 million yen, largely due to the influence of increases incurred by weak yen in spite of decreased accounts payable-other and long-term loans payable.

Net assets increased 25,518 million yen from the previous consolidated fiscal year-end to 374,767 million yen, mainly due to the large improvement of the foreign currency translation adjustments.

In addition, shareholders' equity ratio as of the end of the current quarter amounted to 59.1 %.

(3) Qualitative Information on Consolidated Financial Forecasts

At this point, there are no revisions to the consolidated financial forecasts announced on May 9, 2013.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2013	As of June 30, 2013
Assets		
Current assets:		
Cash and time deposits	18,753	24,640
Notes and accounts receivable	97,182	98,644
Marketable securities	86,463	79,591
Merchandise and finished goods	45,357	46,676
Work-in-process	3,570	3,331
Raw materials and supplies	13,762	13,095
Deferred tax assets	30,097	31,170
Short-term loans	34,401	34,858
Others	3,958	6,697
Allowance for doubtful receivables	(105)	(104)
Total current assets	333,438	338,601
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	92,586	99,104
Accumulated depreciation and impairment loss	(52,662)	(53,463)
Buildings and structures, net	39,923	45,641
Machinery, equipment and carriers	76,740	77,806
Accumulated depreciation and impairment loss	(67,325)	(67,706)
Machinery, equipment and carriers, net	9,414	10,100
Land	10,277	10,322
Construction in progress	5,799	1,905
Others	28,613	30,613
Accumulated depreciation and impairment loss	(24,165)	(24,705)
Others, net	4,447	5,908
Total property, plant and equipment	69,862	73,878
Intangible assets:		
Goodwill	71,293	81,005
Patent rights	17,383	12,971
In-process research and development	50,664	55,546
Others	6,968	6,838
Total intangible assets	146,310	156,361
Investments and other assets:		
Investment securities	40,838	42,377
Deferred tax assets	7,569	13,535
Others	9,246	9,327
Allowance for doubtful receivables	(47)	(49)
Total investments and other assets	57,607	65,191
Total fixed assets	273,780	295,431
Total assets	607,219	634,033

	(Millions of yen)	
	As of March 31, 2013	As of June 30, 2013
Liabilities		
Current liabilities:		
Notes and accounts payable	14,253	12,747
Current portion of bonds payable	10,000	10,000
Current portion of long-term loans payable	10,000	10,000
Income taxes payable	2,115	3,639
Reserve for bonuses	7,610	3,825
Reserve for sales returns	5,650	6,948
Reserve for sales rebates	19,153	24,145
Accounts payable-other	34,771	27,035
Others	21,276	28,077
Total current liabilities	124,831	126,418
Long-term liabilities:		
Bonds payable	60,000	60,000
Long-term loans payable	35,000	32,500
Deferred tax liabilities	14,494	15,169
Liability for retirement benefits	11,030	11,162
Others	12,615	14,015
Total long-term liabilities	133,139	132,847
Total liabilities	257,970	259,266
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	308,556	307,185
Treasury stock	(651)	(652)
Total shareholders' equity	346,165	344,793
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities, net of tax	14,121	15,013
Foreign currency translation adjustment	(11,038)	14,960
Total accumulated other comprehensive income (loss)	3,082	29,973
Total net assets	349,248	374,767
Total liabilities and net assets	607,219	634,033

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Net sales	89,083	89,622
Cost of sales	25,215	25,270
Gross profit	63,868	64,352
Reversal of reserve for sales returns	4	13
Gross profit-net	63,872	64,365
Selling, general and administrative expenses		
Salaries	8,821	8,969
Provision for reserve for bonuses	2,513	2,510
Research and development costs	14,061	14,687
Others	27,588	29,169
Total selling, general and administrative expenses	52,985	55,337
Operating income	10,886	9,028
Non-operating income		
Interest income	76	84
Dividend income	442	399
Insurance income	224	227
Others	402	212
Total non-operating income	1,145	924
Non-operating expenses		
Interest expense	271	254
Contribution	162	157
Others	110	49
Total non-operating expenses	544	461
Ordinary income	11,487	9,491
Extraordinary loss		
Business structure improvement expenses	1,081	605
Impairment loss	414	395
Total extraordinary loss	1,495	1,000
Income before income taxes and minority interests	9,991	8,490
Income taxes	4,292	3,681
Income before minority interests	5,699	4,809
Net income	5,699	4,809

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Income before minority interests	5,699	4,809
Other comprehensive income		
Unrealized gains or losses on available-for-sale securities, net of tax	(38)	619
Deferred gains or losses on hedges	(29)	—
Foreign currency translation adjustment	9,989	10,420
Total other comprehensive income	9,921	11,039
Comprehensive income	15,620	15,848
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	15,620	15,848
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 Three months ended June 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	44,647	29,030	1,669	3,106	78,453	10,629	89,083
Intersegment sales and transfers	35	—	—	—	35	22	57
Total	44,682	29,030	1,669	3,106	78,488	10,651	89,140
Income of segment	17,596	4,392	624	1,379	23,993	943	24,937

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	23,993
Income of "Other Business"	943
Research and development costs*	(14,061)
Elimination of intersegment transactions	10
Operating income on consolidated statements of income	10,886

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, in-process R&D deemed to have no future profitability is evaluated as zero in terms of collectability, and 414 million yen is recorded as an impairment loss.

II Three months ended June 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	42,446	31,860	2,393	2,531	79,232	10,390	89,622
Intersegment sales and transfers	38	—	—	—	38	20	59
Total	42,485	31,860	2,393	2,531	79,271	10,411	89,682
Income of segment	15,857	5,602	387	1,012	22,860	844	23,704

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	22,860
Income of "Other Business"	844
Research and development costs*	(14,687)
Elimination of intersegment transactions	11
Operating income on consolidated statements of income	9,028

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, the fixed assets deemed to have no future profitability is evaluated as zero in terms of collectability, and 395 million yen is recorded as an impairment loss.

(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..