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Matters Available on the Website in Relation to the Notice of Convocation of the 195th Annual Shareholders' Meeting

- Notes to Consolidated Financial Statements
- Notes to Non-Consolidated Financial Statements

The above information are posted on the Company's website at <http://www.ds-pharma.co.jp/> pursuant to relevant laws and regulations, and Article 16 of the Articles of Incorporation of the Company.

Sumitomo Dainippon Pharma Co., Ltd.

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies for consolidated financial statements

(1) Scope of consolidation

Number of consolidated subsidiaries: 16 companies

Names of the major consolidated subsidiaries

DSP Gokyo Food & Chemical Co., Ltd., DS Pharma Animal Health Co., Ltd., DS Pharma Biomedical Co., Ltd., Sunovion Pharmaceuticals Inc., Boston Biomedical, Inc. and Sumitomo Pharmaceuticals (Suzhou) Co., Ltd.

Sunovion Pharmaceuticals Europe Ltd., has been included in the scope of consolidation from this fiscal year because of the increase in importance resulting from the start of sales to third parties.

7 non-consolidated subsidiaries have been excluded from the scope of consolidation as they are small sized companies where the exclusion would not have a material impact on our consolidated financial statements.

(2) Application of the equity method

Number of affiliated companies applied by the equity method: 2 companies

Names of the affiliated companies applied by the equity method

Suntegre Co., Ltd., and Create Vaccine Company, Ltd.,

Suntegre Co., Ltd., and Create Vaccine Company, Ltd., have been included in the scope of the equity method from this fiscal year because of the increase in importance.

7 non-consolidated subsidiaries and 5 affiliated companies have been excluded from the scope of the application of the equity method as the exclusion does not have a material impact on our consolidated financial statements.

(3) Fiscal year end of consolidated subsidiaries

Among the consolidated subsidiaries, Boston Biomedical, Inc. and Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., have on fiscal accounting year-end date of December 31. For Boston Biomedical, Inc. financial statements as of fiscal accounting year-end date are used and any material transactions arising in the period between the date of the consolidated balance sheet and the date of fiscal accounting year-end date shall be accounted for by making adjustments as required for consolidation in preparing the consolidated financial statements. For Sumitomo Pharmaceuticals (Suzhou) Co., Ltd., a set of provisional financial statements were prepared for the full year ended March 31, 2015 to be consolidated into the consolidated financial statements.

(4) Significant accounting policies

① Valuation of significant assets

(i) Marketable and investment securities

Available-for-sale securities

With market values

Market value method, based on the market price as of the last day of the consolidated fiscal period (All valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated using the moving-average method.)

Without market values

Moving-average cost method

(ii) Inventories

Inventories held for sale in the regular course of business

Weighted average cost method (Book values are calculated using the lower of cost or net realizable value.)

Certain consolidated subsidiaries use the FIFO (first-in, first-out) costing method (Book values are calculated using the lower of cost or net realizable value.).

② Depreciation and amortization of capital assets

(i) Property, plant and equipment

Straight-line method

The estimated useful life of each asset is as follows:

Buildings and structures 3 to 60 years

Machinery, equipment and carriers: 2 to 17 years

(ii) Intangible assets

Straight-line method

The estimated useful life of each asset is based on usable period

③ Accounting for significant allowances/reserves

(i) Allowance for doubtful receivables

In order to provide for losses arising from uncollectable receivables and other bad debts, we review the loan loss ratio of general claims and collectability on an individual basis of particular loans, such as those with a higher probability of default, and accrue provisions for the amounts that we estimate will be uncollectible.

(ii) Reserve for bonuses

In order to provide for the payment of employee bonuses, the amounts that we estimate will be paid are accrued.

(iii) Reserve for sales returns

A reserve is accrued for profits from expected sales returns. In certain consolidated subsidiaries, a reserve is accrued for losses from expected sales returns.

(iv) Reserve for sales rebates

A reserve for sales rebates is accrued in order to provide for the disbursement of sales rebates for public programs, wholesalers, and other contracts.

④ Accounting for retirement benefits

(i) Method of attributing expected retirement benefits to fiscal periods

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to fiscal periods through March 31, 2015.

(ii) Method of expenses for actuarial differences and past service costs

Unrecognized past service costs are treated as an expense and recognized using the straight-line method, based on the average number of remaining service years of employees when incurred (fifteen years).

Unrecognized actuarial gains and losses are treated as an expense and recognized from the following consolidated fiscal year using the straight-line method based on the average number of remaining service years of employees when incurred (fifteen years).

(iii) Adopting a simple method for small enterprises

For some consolidated subsidiaries, a simple method based on the use of a method by which total payments pertaining to retirement benefits as required for personal reasons as of the end of the term are

treated as retirement benefit obligations is applied to the calculation of liabilities for retirement benefits and retirement benefit costs.

⑤ Standards applicable to the conversion of material foreign currency-denominated assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate on the last day of the consolidated fiscal year. Any foreign exchange gain or loss resulting from translation is charged to income.

Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate in effect at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the period into yen. Differences arising from translations are recognized as foreign currency translation adjustment in net asset section.

⑥ Significant hedge accounting method

(i) Hedge accounting

DSP Group uses the deferred hedge accounting method. Foreign exchange forward contracts are accounted for by recognizing gains and losses on foreign monetary rights or obligations, preset prices, when the contracts conditions are satisfied.

(ii) Hedging instruments and hedged items

Hedging instruments

Foreign exchange forward contracts

Hedged items

Monetary assets and liabilities denominated in foreign currencies and monetary assets and liabilities specifically related to anticipated transactions, denominated in foreign currencies, which are covered by an agreement.

(iii) Hedge policy

Foreign exchange forward contracts are entered pursuant to internal rules and regulations in order to hedge foreign currency risks.

(iv) Method of evaluating the effectiveness of hedges

The effectiveness has been evaluated by comparing the accumulated changes in market value of hedged items with the accumulated changes in market value of hedging instruments. With regard to foreign exchange forward contracts, the effectiveness of such contracts has not been evaluated as important conditions for hedged items and hedging instruments are the same.

⑦ Amortization of goodwill

Goodwill has been amortized on a straight-line basis over a period of twenty years.

⑧ Other significant accounting policies for consolidated financial statements

Accounting for consumption taxes

All financial statement items are net of consumption taxes.

2. Notes to the changes to accounting policies

The Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standard Board of Japan “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 this fiscal year, and revised the calculation method for retirement benefit obligations and current service cost according to the provisions found in 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 expected benefit to periods of service has been changed from straight-line basis to benefit formula basis, and the method of determining 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 impact of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the fiscal year.

As a result of application, at the beginning of 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 fiscal year is immaterial.

The impact on per-share information has been stated in the applicable section.

3. Accounting standards that have not been applied yet

- “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)
- “Accounting Standard for Business Divestitures” (ASBJ statement No.7, September 13, 2013)
- “Accounting Standard for Earnings Per Share” (ASBJ statement No.2, September 13, 2013)
- “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 September 13, 2013)
- “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No.4 September 13, 2013)

(1) Summary

These accounting standards and guidance are revised on the following points.

- (i) Accounting treatment for changes in ownership interests in subsidiaries for situation where the control of the subsidiaries is retained after an additional acquisition of the subsidiaries’ stocks
- (ii) Accounting treatment for the acquisition-related expenses
- (iii) Presentation of net income, and the change from minority interest to non-controlling interest
- (iv) Provisional accounting treatment

(2) Scheduled date of application

The applications of these accounting standards above are scheduled for implementation from the beginning of the fiscal year ending March 31, 2016. As for the provisional accounting treatment, it will be applied from the business combinations that are implemented after the beginning of fiscal year ending March 31, 2016.

(3) Impact from application of the relevant accounting standards

The Company is currently still assessing the financial impact from application of the relevant accounting standards at the time of preparation these consolidated financial statements.

4. Change of the presentation in the consolidated financial statements

(Consolidated statements of income)

“Gains on investments in partnership” which had been included in “Others” under “Non-operating income” until previous fiscal year, is to be presented separately from this fiscal year because of the increase in significance. Additionally, “Foreign exchange losses,” which had been included in “Others” under “Non-operating expenses” until previous fiscal year, are to be presented separately from this fiscal year because of the increase in significant. In order to reflect these changes in presentation, the consolidated financial statements for the previous fiscal year were restated. Consequently, the amounts of 993 million yen as indicated for “Others” under “Non-operating income” in the consolidated statements of income for the previous fiscal year were reclassified to 1 million yen in “Gains on investments in partnership” and 992 million yen in “Others.” Additionally, the amounts of 588 million yen as indicated for “Others” under “Non-operating expenses” in the consolidated statements of income for the previous fiscal year were separated into 164 million yen in “Foreign exchange losses” and 423 million yen in “Others.”

5. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral for secured liabilities

Investment securities amounting 66 million yen has been pledged as collateral for 81 million yen of accounts payable.

In addition, cash and time deposit (time deposit) amounting 510 million yen has been pledged as collateral for letter of credit issued by bank.

(2) Accumulated depreciation of tangible fixed assets

148,272 million yen

Accumulated depreciation of tangible fixed assets is included in accumulated impairment losses.

(3) Liabilities on guarantees

Debt guarantees covering amounts borrowed by affiliated companies from financial institutions have been extended as follows:

Suntegre Co., Ltd.,	2 million yen
Others	108 million yen

6. Notes to the Consolidated Statement of Changes in Net Assets

(1) Type and total number of issued shares as of the end of the current consolidated fiscal year

Common Stock	397,900,154 shares
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(2) Dividends

① Dividend payment amounts

Resolution	Type of share	Total dividend amount	Dividend amount per share	Declaration date	Effective date of distribution
June 19, 2014 Annual shareholders' Meeting	Common Stock	3,575 million yen	9.00 yen	March 31, 2014	June 20, 2014
October 30, 2014 Meeting of the Board of Directors	Common Stock	3,575 million yen	9.00 yen	September 30, 2014	December 1, 2014

- ② Dividends for which the declaration date belongs to the current consolidated fiscal year and for which the effective date of distribution falls in the following consolidated fiscal year

Resolution schedule	Type of share	Total dividend amount	Source of Funds for dividend distribution	Dividend amount per share	Declaration date	Effective date of distribution
June 19, 2015 Annual shareholders' Meeting	Common Stock	3,575 million yen	Retained earnings	9.00 yen	March 31, 2015	June 22, 2015

7. Notes to financial instruments

(1) Matters pertaining to financial instruments

① Policies for using financial instruments

The Group procures funds through bank loans and issuance of corporate bonds that are required for investment plans and other purposes in order to carry out business within and outside of Japan. Temporary surplus funds are to be invested only in low-risk financial instruments, for which there is a low probability for losses of invested capital. Derivative transactions are used only to manage specific risk as described below, and speculative transactions are not undertaken.

② Details of financial instruments and risks, policies and processes for risk management

In order to reduce the credit risks of notes and accounts receivable associated with customers, due dates and amounts outstanding are managed for each customer in accordance with the policies pertaining to the management of loans as determined by each group company. In addition, a system to regularly obtain and review the credit standing of major clients has been adopted.

Marketable securities and investment securities consist primarily of negotiable certificates for deposit and shares. These investments are exposed to risks associated with changes in market prices. The market values of the securities and the financial standing of the issuers of these investments are regularly monitored. The shareholding status is also reviewed continuously, and relationships with the client companies are taken into account.

Operating payables such as notes and trade accounts payable, and other accounts payable are all due within one year. As some of these payables consist of notes and accounts payable that are denominated in foreign currencies due to the import of raw materials, they are also exposed to the risks of fluctuations in exchange rates. When significant, these risks are hedged using foreign exchange forward contracts.

Loans payable and corporate bonds are instruments that are primarily used for the purpose of procuring funds in accordance with business plans; the redemption date of each such instrument falls, at the latest, less than four years from the accounting year-end date. Some loans payable are subject to variable interest rates and are exposed to the risks of fluctuations in interest rates.

All income taxes payable are mostly due within two months.

While accounts payable, loans payable and bonds are exposed to liquidity risks, the risks are managed within the Group by the preparation of cash flow plans on a monthly basis.

Derivative financial instruments of the Group include forward exchange contracts for the purpose of hedging risks of fluctuations in exchange rates of receivables and payables denominated in foreign currencies. With respect to forward exchange contracts, the Finance & Accounting Division formulates an implementation plan for hedging foreign currency risks every half year pursuant to the regulations for management of foreign currency risks and, upon reporting to the Representative Director and President executes transactions, and posts the applicable entries. The results of derivative transactions are also reported to the Representative Director and President. Certain

consolidated subsidiaries also set forth internal policies pertaining to forward exchange contracts and engage in transactions in accordance therewith. See “Significant hedge accounting method ” as stated in the above “Significant accounting policies” for information on hedging instruments, hedged items, hedging policy, and the method of evaluating the effectiveness of hedges, as they relate to hedge accounting.

③ Supplemental information on market values

In addition to value based on quoted market prices, the market value of financial instruments includes fair value which is determined by using valuation techniques. Since certain assumptions are considered in the calculation of such amounts, the adoption of different assumptions may cause prices to vary.

(2) Fair value of financial instruments

The consolidated balance sheet amounts compared to the corresponding fair values, and the differences between these figures, as of March 31, 2015, are as follows (financial instruments for which the estimation of fair value is deemed to be exceedingly difficult are not included, see Note 2);

(millions of yen)			
	Amount on consolidated balance sheet(*1)	Fair value(*1)	Difference
① Cash and time deposits	30,553	30,553	—
② Notes and accounts receivable	103,072	103,072	—
③ Short-term loans receivable	49,052	49,052	—
④ Marketable securities and investment securities	157,629	157,629	—
⑤ Notes and accounts payable	(12,492)	(12,492)	—
⑥ Income taxes payable	(3,288)	(3,288)	—
⑦ Accounts payable-other	(35,252)	(35,252)	—
⑧ Bonds payable (Current and Long-term)	(60,000)	(60,680)	(680)
⑨ Loans payable (Current and Long-term) (*2)	(26,522)	(26,602)	(79)
⑩ Derivative transactions	2	2	—

(*1) Liabilities are noted by ().

(*2) Current portion of long-term loans payable is included in the column of Amount on consolidated balance sheet and Fair value.

(Note 1): Basis of determining fair value of financial instruments, and matters pertaining to securities and derivative transactions

① Cash and time deposits,

As all time deposits are short-term, fair value is approximately equal to book value and is calculated according to the applicable book value.

② Notes and accounts receivable, and ③ Short-term loans receivable

As these assets are settled on a short-term basis, fair value is approximately equal to their book value and is calculated according to the applicable book value.

④ Marketable securities and investment securities

The fair value of these assets is calculated according to the quoted market price for shares and the price indicated by the applicable financial trading institution for bonds. As negotiable certificates of deposit are settled on a short-term basis, fair value is approximately equal to book value and is calculated according to the applicable book value.

⑤ Notes and accounts payable, ⑥ Income taxes payable and ⑦ Accounts payable-other

As these liabilities are settled on a short-term basis, fair value is approximately equal to book value and is calculated according to the applicable book value.

⑧ Bonds payable

The fair value of corporate bonds is calculated according to market price.

⑨ Long-term loans payable

The fair value of long-term loans payable is calculated according to the present value of the total sum of principal and interest as discounted by an assumed rate that would have been applicable had a new identical loan been undertaken.

⑩ Derivative transactions

As foreign exchange forward contracts subject to appropriation are processed in an integrated manner together with the accounts payable items constituting hedged items, the fair value has been included in the applicable accounts payable items and stated accordingly.

(Note 2): The fair value of unlisted shares and others (the amount of which is posted in the consolidated balance sheet at 11,857 million yen) is not included in “④ Marketable securities and investment securities” because they are deemed to be exceedingly difficult to estimate given the unavailability of quoted market prices.

8. Notes to per share information

(1) Net assets per share 1,135.21 yen

(2) Net income per share 38.88 yen

As described in "2. Notes to the changes to accounting policies," the Accounting Standard for Retirement Benefits are applied, in accordance with the provisions on transitional implementation indicated in Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, the impact on net assets per share and net income per share for current fiscal year was immaterial.

9. Other notes

Impairment loss

Among the fixed assets owned by DSP Group, business assets are grouped by segments, with individual assets constituting the smallest grouping unit for idle assets, In-process research and development, and other such assets.

In this fiscal year, the Group posted impairment losses with respect to the following assets:

Usage for	Item	Location	Impairment loss Amount
Production facilities	Buildings and structures, Machinery, equipment and carriers, Construction in progress and Others	Japan	5,128million yen
Results of research and development with respect to compound in development	In-process research and development	U.S.	116million yen
Idle assets	Land, Machinery, equipment and carriers	Japan	65million yen

Upon evaluating the recoverability of idle tangible fixed assets, tangible fixed assets for which future profitability is not expected, and in-process research and development for which future profitability is not expected after a review of the applicable business plan, impairment losses will be recorded against the book value.

The recoverable amount of production facilities of the plants which we plan to close in connection with reorganization of production sites was measured based on estimated net selling price and determined to be zero in light of the low likelihood that it could be sold or converted to other uses.

The recoverable amount of idle land was measured based on estimated net selling price which was evaluated according to the appraised value as obtained from a real-estate appraiser.

The recoverable amount of idle tangible fixed assets except land was evaluated based on value in use, was determined to be zero due to the lack of any likelihood of future cash flow.

The recoverable amount of in-process research and development was measured according to value in use, which was measured using the discount rate of 8.0%.

Notes to Non-consolidated Financial Statements

1. Summary of significant accounting policies for non-consolidated financial statements

(1) Valuation of marketable and investment securities

Shares held in subsidiaries and affiliates	Cost using the moving-average method
Available-for-sale securities	
With market values	Market value method, based on the market price as of the last day of the fiscal period (All valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated using the moving-average method.)
Without market values	Moving-average cost method

(2) Valuation of inventories

Weighted average cost method (Book values are calculated using the lower of cost or net realizable value.)

(3) Depreciation and amortization of fixed assets

① Property, plant and equipment

Straight-line method

The estimated useful life of each asset is as follows:

Buildings and structures 3 to 60 years

Machinery and equipment, and carriers: 2 to 17 years

② Intangible assets

Straight-line method

Intangible assets are amortized using the straight-line method over their estimated useful life.

(4) Accounting for allowances/reserves

① Allowance for doubtful receivables

In order to provide for losses arising from uncollectable receivables and other bad debts, we review the loan loss ratio of general claims and collectability on an individual basis of particular loans, such as those with a higher probability of default, and accrue provisions for the amounts that we estimate will be uncollectible.

② Reserve for bonuses

In order to provide for the payment of employee bonuses, the amounts that we estimate will be paid are accrued.

③ Reserve for sales returns

A reserve is accrued for profits from expected sales returns.

④ Reserve for sales rebates

A reserve for the disbursement of sales rebates to wholesalers is accrued. The reserve amounts are calculated accordingly:

- (i) The sales rebate, as calculated based on the sales performance of wholesalers, which equals the wholesale inventory as of the end of the fiscal term, multiplied by the rebate rate.
- (ii) The sales rebate, as calculated based on the accounts receivable collected, which equals the applicable accounts receivable as of the end of the fiscal term, multiplied by the rebate rate.

⑤ Provision for retirement benefit

In order to provide for the retirement benefits of employees, amounts are accrued based on the projected benefit obligations and estimated value of pension assets as of the end of the fiscal year.

(i) Method of attributing expected retirement benefits to fiscal periods;

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected

retirement benefits to fiscal periods through March 31, 2015.

(ii) Method of expenses for actuarial differences and past service costs;

Unrecognized past service costs are treated as an expense and recognized using the straight-line method, based on the average number of remaining service years of employees when incurred (fifteen years).

Unrecognized actuarial gains and losses are treated as an expense and recognized from the following consolidated fiscal year using the straight-line method based on the average number of remaining service years of employees when incurred (fifteen years).

(5) Other significant accounting policies for the non-consolidated financial statements

① Accounting for retirement benefits

The method by which accounting procedures are applied to unrecognized actuarial gains and losses and unrecognized past service costs pertaining to retirement benefits differs from the method by which such accounting procedures are applied in consolidated financial statements.

② Accounting for consumption taxes

All financial statement items are net of consumption taxes.

2. Notes to the changes to accounting policies

The Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standard Board of Japan “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 this fiscal year, and revised the calculation method for retirement benefit obligations and current service cost according to the provisions found 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 expected benefit to periods of service has been changed from straight-line basis to benefit formula basis, and the method of determining 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 impact of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the fiscal year.

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

The impact on per-share information is stated in the applicable section.

3. Change of the presentation in the non-consolidated financial statements

(Non-consolidated statements of income)

“Gain on investments in partnership” which had been included in “Others” under “Non-operating income” until previous fiscal year, is to be presented separately from this fiscal year because of the increase in significance. Additionally, “Foreign exchange losses,” which had been included in “Others” under “Non-operating expenses” until previous fiscal year, are to be presented separately from this fiscal year because of the increase in significance. In order to reflect these changes in indication method, the non-consolidated financial statements for the previous fiscal year was restated. Consequently, the amounts of 945 million yen as indicated for “Others” under “Non-operating income” in the non-consolidated statements of income for the previous fiscal year were reclassified to 1 million yen in “Gain on investments in partnership” and 944 million yen in “Others.” Additionally, the amounts of 631 million yen as indicated for “Others” under “Non-operating

expenses” in the non-consolidated statements of income for the previous fiscal year were separated into 221 million yen in “Foreign exchange losses” and 410 million yen in “Others.”

4. Notes to the non-consolidated Balance Sheet

(1) Accumulated depreciation of tangible fixed assets 138,648 million yen

Accumulated depreciation of tangible fixed assets is included in accumulated impairment losses.

(2) Liabilities on guarantees 108 million yen

Debt guarantees covering amounts borrowed by our employees from financial institutions have been extended as follows:

(3) Monetary claims and liabilities to affiliated companies

Short-term monetary claims 56,056 million yen

Short-term monetary liabilities 63,069 million yen

5. Notes pertaining to the non-consolidated Statement of Income

Amounts of transactions with affiliated companies

Transaction amounts based on operating transactions

Net sales 15,936 million yen

Amount of goods purchased 7,790 million yen

Other operating transactions 11,497 million yen

Non-operating transactions 2,468 million yen

6. Notes to deferred tax accounting

(1) Breakdown of deferred tax assets and deferred tax liabilities by main cause of occurrence

Deferred tax assets	
Reserve for bonuses	2,040 million yen
Reserve for sales rebates	151 million yen
Accrued enterprise taxes	242 million yen
Liabilities for retirement benefits	2,221 million yen
Loss on valuation of investment securities	586 million yen
Research and development costs	9,524 million yen
Inventories	1,874 million yen
Stocks of subsidiaries and affiliates	2,263 million yen
〔Stocks of succeeding company associated with corporate separation〕	
Others	<u>9,029 million yen</u>
Subtotal of deferred tax assets	27,930 million yen
Valuation allowance	<u>(2,951 million yen)</u>
Total deferred tax assets	24,979 million yen
Deferred tax liabilities	
Unrealized gains (losses) on available-for-sale securities	(8,792 million yen)
Reserve for advanced depreciation of fixed assets	(766 million yen)
Refund of capital surplus of a subsidiaries	<u>(426 million yen)</u>
Total deferred tax liabilities	<u>(9,984 million yen)</u>
Net amount of deferred tax assets	<u>14,994 million yen</u>

(2) Reconciliation of effective tax rate

Statutory tax rate	35.6%
(Adjustments)	
Entertainment expenses and other items that are excluded from nontaxable expenses	1.4%
Dividend income and other items that are excluded from taxable income	(2.7%)
Tax credit for R&D expenses	(9.7%)
Adjustment on deferred tax assets due to change in Income tax rate related to FY2015 tax reform	8.7%
Residence tax on per-capita basis	<u>0.5%</u>
Actual effective tax rate	<u>33.8%</u>

(3) Changes in amounts of deferred tax assets and deferred tax liabilities due to change of the corporation tax rate

The Act for Partial Revision of the Income Tax Act, etc. and the Act for Partial Revision of the Local Taxation Act, etc. were promulgated on March 31, 2015. As a result of this, the statutory tax rate used to calculate the deferred tax assets and deferred tax liabilities for the current fiscal year (limited to those cancelled after April 1, 2015) was changed from 35.6 percent in the previous fiscal year to 33.0 percent for those recovered or expected to be recovered between April 1, 2015 to March 31, 2016, and to 32.2 percent for those recovered or expected to be recovered after April 1, 2016, respectively.

Consequently, the amount of deferred tax assets (less the amount of deferred tax liabilities) declined by 1,295 million yen while income taxes-deferred posted in this fiscal year increased by 2,218 million yen, Unrealized gains on available-for-sale securities, net of tax increased by 922 million yen.

7. Notes to transactions with affiliated parties

(1) Parent company and main corporate shareholders

Type	Name of company	Ratio of voting rights (or ownership)	Relationship with affiliated party	Description of transaction(s)	Amount of transaction(s)	Item	End-of-term balance
Parent company	Sumitomo Chemical Co., Ltd.	Direct ownership: 50.22%	<ul style="list-style-type: none"> • Supplier of raw materials • Leasing land, etc. • Purchasing plant utilities, etc. • Lending funds 	Lending funds	11,522 million yen	Short-term loans to affiliates	49,052 million yen

Transaction terms and policies for determining transaction terms, etc.

Note: With respect to the lending of funds, a reasonable rate of interest is determined, by considering the market rate of interest.

(2) Subsidiary companies

Type	Name of company	Ratio of voting rights (or ownership)	Relationship with affiliated party	Description of transaction(s)	Amount of transaction(s)	Item	End-of-term balance
Subsidiary company	Sunovion Pharmaceuticals Inc.	Indirect ownership: 100%	<ul style="list-style-type: none"> • Supplier of intermediate products • Commission of development • borrowing funds 	Borrowing funds	20,522 million yen	Short-term loans payable to affiliates	56,470 million yen

Transaction terms and policies for determining transaction terms, etc.

Note: With respect to the borrowing of funds, a reasonable rate of interest is determined, by considering the market rate of interest.

8. Notes to Non-Consolidated Statement of Changes in Net Assets

Type and total number of Company's shares (treasury stock) as of the end of the current fiscal year

Common Stock	596,335 shares
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9. Notes to per share information

(1) Net assets per share	1,007.06 yen
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(2) Net income per share	42.71 yen
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As described in "2. Notes to the changes to accounting policies," the Accounting Standard for Retirement Benefits are applied, in accordance with the provisions on transitional implementation indicated in Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, the impact on net assets per share and net income per share for current fiscal year was immaterial.

10. Other notes

Impairment loss

Among the fixed assets owned by DSP, business assets are grouped by segments, with individual assets constituting the smallest grouping unit for idle assets, sales rights, and other such assets.

In this fiscal year, DSP posted impairment losses with respect to the following assets.

Usage for	Item	Location	Impairment loss Amount
Production facilities	Buildings, Structures, Machinery and equipment, Carriers, Tools, furniture and fixtures, Construction in progress and Others	Japan	5,128million yen
Idle assets	Land, Machinery and equipment	Japan	65million yen

Upon evaluating the recoverability of idled tangible fixed assets, tangible fixed assets for which future profitability is not expected, impairment losses are recorded against the book value.

The recoverable amount of production facilities of the plants which we plan to close in connection with reorganization of production sites was measured based on estimated net selling price and determined to be zero in light of the low likelihood that it could be sold or converted to other uses.

The recoverable amount of idle land was measured based on estimated net selling price which was evaluated according to the appraised value as obtained from a real-estate appraiser.

The recoverable amount of idled tangible fixed assets except for land was evaluated based on value in use and determined to be zero due to the lack of any likelihood of future cash flow.