



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

October 28, 2015

**Company Name:** SUMITOMO DAINIPPON PHARMA CO., LTD.

**Stock Exchange Listings:** Tokyo

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

**Representative:** Masayo Tada, Representative Director, President and Chief Executive Officer

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**Filing Date of Quarterly Financial Report:** November 6, 2015

**Starting Date of Dividend Payments:** December 1, 2015

**Preparation of Supplementary Financial Data for Quarterly Financial Results:** Yes

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

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

### 1. Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2016 (April 1, 2015 to September 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	%
Six months ended September 30, 2015	198,926	11.6	16,847	41.0	17,502	37.7	13,214	12.4
Six months ended September 30, 2014	178,290	(1.7)	11,945	(31.5)	12,712	(27.0)	11,758	35.2

Note: Comprehensive income  
 Six months ended September 30, 2015 : ¥11,097 million, (56.2) %  
 Six months ended September 30, 2014 : ¥25,364 million, 37.0%

	Earnings per share	Earnings per share (diluted)
Six months ended September 30, 2015	¥33.26	—
Six months ended September 30, 2014	¥29.60	—

#### (2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2015	726,014	455,567	62.7%
As of March 31, 2015	711,583	451,021	63.4%

Reference: Shareholders' Equity  
 As of September 30, 2015 : ¥455,567 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	—	¥9.00			
Year ending March 31, 2016 (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, 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	%	
Year ending March 31, 2016	401,000	8.0	29,000	24.6	28,500	22.2	20,000	29.5	¥50.34

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 current 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.

Regarding the consolidated financial statement of Cash Flows for the current quarter, the Company now records payments or proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation in "Net cash used in financing activities". In addition, the Company now records payments for acquisition-related costs arising from the purchase of shares of subsidiaries resulting in change in scope of consolidation, and the payments for transaction costs incurred in the acquisition or disposal of shares of subsidiaries that do not result in change in scope of consolidation in "Net cash flow provided by operating activities".

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 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)

September 30, 2015 :	397,900,154 shares
March 31, 2015 :	397,900,154 shares

② Number of treasury stock

September 30, 2015:	597,471 shares
March 31, 2015 :	596,335 shares

③ Average number of shares during the period

September 30, 2015 :	397,303,133 shares
September 30, 2014 :	397,305,768 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 earnings presentation for institutional investors and analysts on Thursday, October 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 Six Months Ended September 30, 2015

### (1) Qualitative Information on Business Results

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

The total net sales for the Sumitomo Dainippon Pharma Group amounted to 198,926 million yen, an 11.6% increase from the first six months of the previous fiscal year. Although strong efforts were made to increase the sales of AIMIX<sup>®</sup>, a therapeutic agent for hypertension, the sales in the segment Japan decreased due to the decline in long-listed products. The sales of the segment North America achieved a significant increase, because of the continued solid growth of LATUDA<sup>®</sup>, an atypical antipsychotic as well as of the effect of currency situation. The operating income for the period was 16,847 million yen, a 41.0% increase year on year, and the ordinary income was 17,502 million yen, up 37.7% year on year. The selling, general and administration expenses increased, due to aggressive strategic investment in advertisement and research and development and to the effect of weak yen against the dollar. Net half-year income attributable to owners of the parent was 13,214 million yen, a 12.4% increase year on year, reflecting gains from the sale of investment securities.

Business performance by segment is as follows:

#### ① Japan segment

Net sales of segment Japan was 5.3% lower year on year at 74,000 million yen. Sales of three of our strategic products, AIMIX<sup>®</sup>, TRERIEF<sup>®</sup>, a Parkinson's disease drug and LONASEN<sup>®</sup>, an atypical antipsychotic, as well as of METGLUCO<sup>®</sup>, a biguanide oral hypoglycemic drug expanded, but not enough to offset the drop in the sales of long-listed products. Segment income decreased 15.8% year on year to 22,051 million yen, impacted by the decline in sales.

#### ② North America segment

Net sales of segment North America went up 33.7% year on year to 90,157 million yen, due to the growths of LATUDA<sup>®</sup>, BROVANA<sup>®</sup>, a long-acting beta-agonist, and Aptiom<sup>®</sup>, an antiepileptic drug, as well as the effect of exchange rates. The increased sales brought about a considerable increase in gross margin and caused the segment income to reach 29,511 million yen, up 115.9% year on year.

#### ③ China segment

In China, the sales of MEROPEN<sup>®</sup>, a carbapenem antibiotic, and other products showed a slight decline in local currency, but in yen terms grew 14.5% year on year to 9,571 million yen. The segment income was 3,813 million yen, a 4.0% increase year on year.

#### ④ Other Regions segment

Export sales of MEROPEN<sup>®</sup> increased and brought about a 4.1% year-on-year increase in the sales of this segment at 4,656 million yen. Segment income was 809 million yen, a 29.8% decrease year on year, due to improvement in the cost to sales ratio which was attained by improved product mix.

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 20,540 million yen (a 3.3% increase year on year) and the segment income was 858 million yen (a 12.2% decrease year on year).

## (2) Qualitative Information on Financial Condition

### ① Analysis of Balance Sheet

Total assets increased 14,430 million yen from the previous consolidated fiscal year-end to 726,014 million yen. As for current assets, cash and time deposit as well as deferred tax assets increased substantially. Tangible fixed assets declined due to depreciation and sales of investment securities.

Total liabilities increased 9,884 million yen from the previous consolidated fiscal year-end to 270,446 million yen, due to increases in income taxes payable and in reserve for rebates of sales resulting from the strong growth of LATUDA<sup>®</sup> sales, although interest-bearing liabilities (bonds and loans payable) decreased.

Net assets increased 4,545 million yen from the previous consolidated fiscal year-end to 455,567 million yen due to increased retained earnings, although foreign currency translation adjustments and valuation difference on available-for-sale securities decreased.

Shareholders' equity ratio as of the end of the current half-year was 62.7%.

### ② Analysis of Cash Flow

Net cash flow provided by operating activities was 7,288 million yen less year on year for a gain in proceeds of 14,278 million yen because accounts receivable increased even though provision for rebates increased and income taxes paid decreased.

Net cash provided by investing activities was a gain in proceeds of 28,156 million yen, an increase in proceeds of 12,991 million yen year on year due to absence of purchase of marketable securities as well as increased proceeds from sale of investment securities and increased proceeds from distribution of investment in partnerships.

Net cash used in financing activities was mostly for repayment of debts and payment of dividends. At 8,254 million yen, the cash used was 26 million yen less than in the same period in the previous fiscal year.

As a result of adding an impact amount as brought about by foreign currency translations applied to cash and cash equivalents and an adjustment amount in the cash and cash equivalents associated with the changes in the fiscal year-end of subsidiaries, the balance of cash and cash equivalents as of the end of the current fiscal half-year stood at 154,484 million yen for an increase of 31,690 million yen compared to March 31, 2015.

**(3) Qualitative Information on Consolidated Financial Forecasts**

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Yen million	Yen million	Yen million	Yen million	
Previous forecasts (A)	401,000	27,000	26,500	18,000	45.31
New forecasts (B)	401,000	29,000	28,500	20,000	50.34
(B-A)	—	2,000	2,000	2,000	
Change (%)	—	7.4	7.5	11.1	
(Reference) Results for the year ended March 31, 2015	371,370	23,275	23,331	15,447	38.88

The forecasted net sales remain unchanged at 401 billion yen, because the sales of North America segment are expected to continue being solid while sales in Japan segment are expected to remain at a rather low level.

Operating income is revised upward by 2 billion yen to 29 billion yen. Selling, general and administrative expenses are expected to decrease mainly due to the change on the fair value of the contingent consideration liabilities for SUN-101 which has been under development in U.S. as a treatment for COPD.

The forecasted ordinary income and net income attributable to the owners of the parent are also revised upward by 2 billion yen to 28.5 billion yen and 20 billion yen, respectively, driven by the increase of operating income.

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 September 30, 2015
<b>Assets</b>		
Current assets:		
Cash and time deposits	30,553	42,064
Notes and accounts receivable	103,072	106,189
Marketable securities	111,293	113,551
Merchandise and finished goods	50,749	47,847
Work-in-process	1,626	3,038
Raw materials and supplies	10,012	11,946
Deferred tax assets	38,867	50,931
Short-term loans receivable	49,052	41,972
Others	6,598	7,517
Allowance for doubtful receivables	(125)	(8)
Total current assets	401,699	425,050
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	94,184	94,285
Accumulated depreciation and impairment loss	(52,819)	(53,911)
Buildings and structures, net	41,365	40,374
Machinery, equipment and carriers	78,075	79,803
Accumulated depreciation and impairment loss	(69,007)	(71,261)
Machinery, equipment and carriers, net	9,068	8,541
Land	6,297	6,296
Construction in progress	1,245	1,643
Others	33,628	33,727
Accumulated depreciation and impairment loss	(26,446)	(27,136)
Others, net	7,182	6,590
Total property, plant and equipment	65,160	63,446
Intangible assets:		
Goodwill	88,075	84,882
In-process research and development	64,456	64,043
Others	21,332	22,301
Total intangible assets	173,863	171,226
Investments and other assets:		
Investment securities	58,193	56,154
Asset for retirement benefits	1,935	2,066
Deferred tax assets	4,794	2,744
Others	5,982	5,367
Allowance for doubtful receivables	(44)	(42)
Total investments and other assets	70,860	66,290
Total fixed assets	309,884	300,963
Total assets	711,583	726,014



Liabilities		
Current liabilities:		
Notes and accounts payable	12,492	13,009
Short-term loans payable	—	1,084
Current portion of bonds payable	30,000	40,000
Current portion of long-term loans payable	6,522	12,771
Income taxes payable	3,288	16,283
Reserve for bonuses	9,416	10,093
Reserve for sales returns	8,580	8,867
Reserve for sales rebates	36,351	44,412
Accounts payable-other	35,252	32,253
Others	14,939	11,981
Total current liabilities	156,843	190,758
Long-term liabilities:		
Bonds payable	30,000	20,000
Long-term loans payable	20,000	8,000
Deferred tax liabilities	17,354	17,155
Liability for retirement benefits	15,274	15,454
Others	21,089	19,078
Total long-term liabilities	103,718	79,688
Total liabilities	260,562	270,446
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	326,686	333,495
Treasury stock	(660)	(661)
Total shareholders' equity	364,286	371,093
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities	23,099	21,879
Deferred gains (losses) on hedges	1	(1)
Foreign currency translation adjustment	68,171	66,868
Remeasurements of defined benefit plans	(4,536)	(4,271)
Total accumulated other comprehensive income (loss)	86,735	84,473
Total net assets	451,021	455,567
Total liabilities and net assets	711,583	726,014

**(2) Consolidated Statements of (Comprehensive) Income**

## Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	178,290	198,926
Cost of sales	48,470	52,086
Gross profit	129,820	146,839
Provision of reserve for sales returns	—	5
Reversal of reserve for sales returns	2	—
Gross profit, net	129,822	146,834
Selling, general and administrative expenses		
Salaries	18,183	20,836
Provision for reserve for bonuses	5,973	5,692
Retirement benefit expenses	2,215	2,473
Research and development costs	33,168	40,200
Others	58,336	60,783
Total selling, general and administrative expenses	117,877	129,986
Operating income	11,945	16,847
Non-operating income		
Interest income	184	246
Dividend income	833	661
Gain on investments in partnership	891	1,454
Others	443	124
Total non-operating income	2,352	2,487
Non-operating expenses		
Interest expense	467	471
Foreign exchange losses	488	800
Others	630	560
Total non-operating expenses	1,586	1,832
Ordinary income	12,712	17,502
Extraordinary income		
Gain on sales of investment securities	—	6,077
Gain on sales of property, plant and equipment	8,278	—
Compensation income for damage	1,711	—
Total extraordinary income	9,989	6,077
Extraordinary loss		
Impairment loss	—	154
Business structure improvement expenses	646	—
Total extraordinary loss	646	154
Income before income taxes	22,054	23,425
Income taxes	10,296	10,210
Net income	11,758	13,214
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	11,758	13,214

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net income	11,758	13,214
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	113	(1,220)
Deferred gains (losses) on hedges	28	(3)
Foreign currency translation adjustment	13,302	(1,158)
Remeasurements of defined benefit plans	161	264
Total other comprehensive income (loss)	13,605	(2,117)
Comprehensive income	25,364	11,097
Comprehensive income attributable to		
Owners of the parent	25,364	11,097
Non-controlling interests	—	—

**(3) Consolidated Statements of Cash Flows**

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net cash provided by operating activities:		
Income before income taxes	22,054	23,425
Depreciation and amortization	7,134	6,931
Amortization of goodwill	2,565	3,032
Increase (decrease) in net defined benefit liability	152	439
Provision for other liabilities	148	9,153
Interest and dividend income	(1,018)	(908)
Loss (gain) on investments in partnership	(890)	(1,379)
Interest expense	467	471
Loss (gain) on sales of property, plant and equipment	(8,278)	4
Loss (gain) on sales of investment securities	(31)	(6,077)
Business structure improvement expenses	646	—
Decrease (increase) in notes and accounts receivables	19,069	(3,334)
Decrease (increase) in inventories	(3,996)	(1,162)
Increase (decrease) in notes and accounts payables	1,489	802
Increase (decrease) in accounts payable-other	(3,537)	(2,236)
Other-net	(2,199)	(9,010)
Subtotal	33,777	20,153
Interest and dividend received	1,151	1,020
Interest paid	(442)	(327)
Business structure improvement expenses paid	(679)	—
Income taxes paid	(12,240)	(6,568)
Net cash provided by operating activities	21,566	14,278
Net cash provided by investing activities:		
Purchases of marketable securities	(20,307)	—
Proceeds from sales of marketable securities	1,499	—
Proceeds from redemption of marketable securities	24,533	18,032
Purchases of property, plant and equipment	(5,016)	(2,674)
Proceeds from sales of property, plant and equipment	10,603	5
Purchases of intangible assets	(1,428)	(3,532)
Purchases of investment securities	(1,068)	(33)
Proceeds from sales of investment securities	43	6,264
Proceeds from distribution of investments in partnership	1,053	3,035
Net decrease (increase) in short-term loans receivable	5,779	7,000
Other-net	(527)	58
Net cash provided by investing activities	15,164	28,156

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Net cash used in financing activities:		
Proceeds from short-term loans payable	—	1,113
Repayments of long-term loans payable	(5,000)	(5,770)
Dividends paid	(3,576)	(3,575)
Other-net	295	(21)
Net cash used in financing activities	(8,280)	(8,254)
Effect of exchange rate changes on cash and cash equivalents	3,770	(799)
Net increase (decrease) in cash and cash equivalents	32,221	33,381
Cash and cash equivalents at the beginning of period	73,919	122,794
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	198	—
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal year-end of subsidiaries	—	(1,691)
Cash and cash equivalents at the end of period	106,339	154,484

#### (4) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

I Six months ended September 30, 2014

1. Information on sales and income by reportable segment

(Millions of yen)

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

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

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

(Millions of yen)

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

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

II Six months ended September 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	74,000	90,157	9,571	4,656	178,385	20,540	198,926
Intersegment sales and transfers	16	—	—	—	16	32	48
Total	74,016	90,157	9,571	4,656	178,401	20,572	198,974
Income of segment	22,051	29,511	3,813	809	56,185	858	57,044

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	56,185
Income of "Other Business"	858
Research and development costs*	(40,200)
Elimination of intersegment transactions	4
Operating income on consolidated statements of income	16,847

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 154 million yen is recorded as an impairment loss.