



## Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2018[Japanese GAAP](Unaudited)

July 28, 2017

**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  
**Contact:** Atsuko Higuchi, Executive Communication Officer  
**Telephone:** 03-5159-3300  
**Filing Date of Quarterly Financial Report:** August 4, 2017  
**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, 2018 (April 1, 2017 to June 30, 2017)

#### (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, 2017	116,297	12.4	19,731	35.6	19,844	56.4	14,410	72.2
Three months ended June 30, 2016	103,488	5.5	14,555	227.7	12,685	168.4	8,366	40.8

Note: Comprehensive income Three months ended June 30, 2017: ¥15,935 million, —%  
 Three months ended June 30, 2016: ¥(17,254) million, —%

	Earnings per share	Earnings per share (diluted)
Three months ended June 30, 2017	¥36.27	—
Three months ended June 30, 2016	¥21.06	—

#### (2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2017	808,499	472,221	58.4%
As of March 31, 2017	793,950	460,656	58.0%

Reference: Shareholders' Equity As of June 30, 2017 : ¥472,221 million  
 As of March 31, 2017 : ¥460,656 million

### 2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2017	—	¥9.00	—	¥11.00	¥20.00
Year ending March 31, 2018	—	/	/	/	/
Year ending March 31, 2018 (Forecast)	/	¥9.00	—	¥11.00	¥20.00

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

### 3. Consolidated Financial Forecasts for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% 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, 2017	234,500	18.4	41,000	53.4	41,000	71.7	28,500	160.9	¥71.73
Year ending March 31, 2018	464,000	12.7	65,000	23.2	65,000	19.6	44,000	51.8	¥110.75

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: 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, 2017 : 397,900,154 shares

March 31, 2017 : 397,900,154 shares

#### ② Number of treasury stock

June 30, 2017: 600,700 shares

March 31, 2017 : 600,484 shares

#### ③ Average number of shares during the period

June 30, 2017 : 397,299,572 shares

June 30, 2016 : 397,301,155 shares

*This summary of financial results is exempt from audit procedures.*

#### *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, (3) Qualitative Information on Consolidated Financial Forecasts.*

*Supplementary financial data and the presentation materials for the conference call are disclosed together with the summary of financial results.*

*The Company holds the conference call for institutional investors and analysts on Friday, July 28, 2017. The audio of the conference call will be posted on our website promptly after the conference call.*

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## 1. Qualitative Information for the Three Months Ended June 30, 2017

### (1) Qualitative Information on Business Results

Consolidated operating results for the three months ended June 30, 2017 are as follows.

Sales in the Japan segment showed an increase, as sales rose for promoted products including AIMIX<sup>®</sup> (therapeutic agent for hypertension), TRERIEF<sup>®</sup> (therapeutic agent for Parkinson's disease), and Trulicity<sup>®</sup> (therapeutic agent for Type 2 diabetes). However, sales of long-listed drugs showed a decrease. Sales in the North America segment also grew, as sales of mainstay products, including the atypical antipsychotic agent, LATUDA<sup>®</sup>, continued to expand strongly. As a result, total net sales for the Sumitomo Dainippon Pharma Group (the "Group") increased by 12.4% year-on-year to 116,297 million yen. Operating income for the period increased by 35.6% year-on-year to 19,731 million yen owing to an increase in gross profit due to the rise in sales. This was despite increases in selling, general, and administrative expenses. Ordinary income increased by 56.4% year-on-year to 19,844 million yen and net income attributable to owners of the parent showed a significant increase of 72.2% year-on-year to 14,410 million yen.

Operating results by segment are as follows.

#### ① Japan segment

Net sales grew by 3.0% year-on-year to 37,097 million yen. This was due to the strong growth in Trulicity<sup>®</sup> sales, as well as increased sales of AIMIX<sup>®</sup>, TRERIEF<sup>®</sup>, and REPLAGAL<sup>®</sup> (Anderson-Fabry disease drug), which more than offset the declining sales of long-listed drugs. Segment income increased by 7.5% year-on-year to 11,965 million yen, as selling, general, and administrative expenses decreased, primarily as a result of lower labor costs and a reduction in selling and other expenses.

#### ② North America segment

Net sales grew by 27.2% year-on-year to 60,162 million yen, thanks to continued sales expansion of the mainstay product LATUDA<sup>®</sup>, antiepileptic agent APTIOM<sup>®</sup>, and long-acting beta-agonist BROVANA<sup>®</sup>. Segment income increased by 33.7% year-on-year to 24,195 million yen, as the impact of gross profit growth due to increased sales outweighed that of the rise in selling, general, and administrative expenses.

#### ③ China segment

Net sales increased by 8.2% year-on-year to 5,198 million yen, primarily due to brisk sales of the carbapenem antibiotic MEROPEN<sup>®</sup>. Segment income, meanwhile, decreased by 9.0% year-on-year to 2,256 million yen, as cost of sales increased.

#### ④ Other Regions segment

Net sales decreased by 39.4% year-on-year to 2,616 million yen and segment income decreased by 68.9% year-on-year to 484 million yen, due mainly to a decrease in exports of MEROPEN<sup>®</sup>.

In addition to the above-mentioned reportable segments, the Group markets food ingredients, food additives, materials for chemical products, veterinary drugs, diagnostic agents, etc. Net sales from those types of business were 11,222 million yen (a 1.4% increase year-on-year) and the segment income was 756 million yen (a 22.7% increase year-on-year).

## (2) Qualitative Information on Financial Condition

Current assets increased by 10,141 million yen from the previous fiscal year-end, as cash and time deposits and notes and accounts receivable increased, while investment securities and short-term loans receivable decreased. Fixed assets increased by 4,407 million yen from the previous fiscal year-end as marketable securities increased, while property, plant, and equipment and intangible assets decreased. As a result, total assets increased by 14,548 million yen from the previous fiscal year-end to 808,499 million yen.

Total liabilities increased by 2,984 million yen from the previous fiscal year-end to 336,277 million yen, due mainly to an increase in reserve for sales rebates.

Net assets increased by 11,564 million yen from the previous fiscal year-end to 472,221 million yen, due mainly to a rise in retained earnings and unrealized gains on available-for-sale securities.

The shareholders' equity ratio as of the end of the current quarter was 58.4%.

## (3) Qualitative Information on Consolidated Financial Forecasts

The Company has revised the consolidated financial forecasts that were announced on May 11, 2017 for both the half-year period ending September 30, 2017 and the full-year period ending March 31, 2018 (fiscal 2017), as summarized below, taking the Company's recent business performance trends into consideration.

Revisions to the Forecasts of Consolidated Financial Results for the Half-year ending September 30, 2017  
(April 1, 2017 to September 30, 2017)

	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	
Previous Forecasts (A)	220,000	26,500	26,500	18,000	¥45.31
Revised Forecasts (B)	234,500	41,000	41,000	28,500	¥71.73
(B) – (A)	14,500	14,500	14,500	10,500	
Change (%)	6.6	54.7	54.7	58.3	
(Reference) Results for the Half-Year ended September 30, 2016	198,088	26,731	23,881	10,922	¥27.49

Revisions to the Forecasts of Consolidated Financial Results for the Year ending March 31, 2018  
(April 1, 2017 to March 31, 2018)

	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	
Previous Forecasts (A)	450,000	55,000	55,000	36,000	¥90.61
Revised Forecasts (B)	464,000	65,000	65,000	44,000	¥110.75
(B) – (A)	14,000	10,000	10,000	8,000	
Change (%)	3.1	18.2	18.2	22.2	
(Reference) Results for the year ended March 31, 2017	411,638	52,759	54,341	28,991	¥72.97

Net sales for the half-year period ending September 30, 2017 is projected to exceed the previous forecasts, as the Company now expects to record income from the divestiture of three ciclesonide products in the North America segment in the second quarter of fiscal 2017, which was originally expected to occur in the second half of fiscal 2017.

In the North America segment, sales of the atypical antipsychotic LATUDA®, one of the growth drivers of the Company, continue to increase steadily and the Company is now projecting the product's full-year sales of US\$1,540 million, an increase of US\$100 million from the previous forecast. Because of this, the Company now expects its full-year consolidated net sales to exceed the previous forecast.

While selling, general, and administrative expenses are expected to be in line with the previous forecasts for the half-year period ending September 30, 2017, research and development costs for the full-year is expected to increase by 3,000 million yen from the previous forecast.

Consequently, for the half-year period ending September 30, 2017, the Company is now projecting net sales of 234,500 million yen, operating income of 41,000 million yen, ordinary income of 41,000 million yen and net income attributable to owners of the parent of 28,500 million yen, an increase of 14,500 million yen, 14,500 million yen, 14,500 million yen and 10,500 million yen, respectively, compared to the forecasts announced on May 11, 2017.

Similarly, for the full-year period ending March 31, 2018, the Company is now projecting net sales of 464,000 million yen, operating income of 65,000 million yen, ordinary income of 65,000 million yen, and net income attributable to owners of the parent of 44,000 million yen, an increase of 14,000 million yen, 10,000 million yen, 10,000 million yen and 8,000 million yen, respectively, compared to the previous forecasts.

**2. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

	(Millions of yen)	
	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>		
Current assets:		
Cash and time deposits	71,408	93,207
Notes and accounts receivable	110,932	113,934
Marketable securities	34,195	20,515
Merchandise and finished goods	54,973	55,267
Work-in-process	3,356	3,007
Raw materials and supplies	10,477	10,564
Deferred tax assets	60,956	59,253
Short-term loans receivable	16,731	14,554
Others	13,427	16,296
Allowance for doubtful receivables	(4)	(4)
Total current assets	376,454	386,596
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	95,726	95,980
Accumulated depreciation and impairment loss	(57,174)	(57,796)
Buildings and structures, net	38,551	38,183
Machinery, equipment and carriers	79,585	78,655
Accumulated depreciation and impairment loss	(72,820)	(72,172)
Machinery, equipment and carriers, net	6,765	6,483
Land	6,264	6,263
Construction in progress	3,112	3,106
Others	32,353	32,751
Accumulated depreciation and impairment loss	(27,794)	(28,242)
Others, net	4,559	4,509
Total property, plant and equipment	59,253	58,546
Intangible assets:		
Goodwill	90,565	88,741
In-process research and development	193,970	193,573
Others	19,774	18,873
Total intangible assets	304,310	301,188
Investments and other assets:		
Investment securities	48,034	56,726
Asset for retirement benefits	646	722
Deferred tax assets	710	121
Others	4,568	4,626
Allowance for doubtful receivables	(29)	(29)
Total investments and other assets	53,931	62,167
Total fixed assets	417,495	421,902
Total assets	793,950	808,499

	(Millions of yen)	
	As of March 31, 2017	As of June 30, 2017
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	14,514	15,486
Short-term loans payable	40,000	40,000
Current portion of bonds payable	10,000	10,000
Current portion of long-term loans payable	8,000	8,000
Income taxes payable	8,818	5,547
Reserve for bonuses	10,986	5,835
Reserve for sales returns	11,315	11,982
Reserve for sales rebates	65,652	72,619
Accounts payable-other	36,986	34,976
Others	22,172	24,885
Total current liabilities	228,447	229,333
Long-term liabilities:		
Bonds payable	10,000	10,000
Deferred tax liabilities	32,583	32,484
Liability for retirement benefits	13,498	13,551
Others	48,764	50,907
Total long-term liabilities	104,846	106,944
Total liabilities	333,293	336,277
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	363,627	373,667
Treasury stock	(666)	(667)
Total shareholders' equity	401,221	411,260
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities	18,439	20,298
Deferred gains (losses) on hedges	(20)	7
Foreign currency translation adjustment	45,729	45,430
Remeasurements of defined benefit plans	(4,712)	(4,775)
Total accumulated other comprehensive income (loss)	59,435	60,960
Total net assets	460,656	472,221
Total liabilities and net assets	793,950	808,499

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

## Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	103,488	116,297
Cost of sales	23,929	29,516
Gross profit	79,558	86,781
Provision of reserve for sales returns	—	0
Reversal of reserve for sales returns	6	—
Gross profit, net	79,565	86,780
Selling, general and administrative expenses		
Salaries	10,069	10,205
Provision for reserve for bonuses	3,042	3,026
Retirement benefit expenses	1,204	958
Research and development costs	19,339	19,933
Others	31,354	32,925
Total selling, general and administrative expenses	65,010	67,049
Operating income	14,555	19,731
Non-operating income		
Interest income	230	169
Dividend income	693	467
Others	75	34
Total non-operating income	999	670
Non-operating expenses		
Interest expense	167	117
Contribution	125	132
Loss on disposal of property, plant and equipment	38	131
Foreign exchange losses	2,512	147
Others	25	28
Total non-operating expenses	2,869	557
Ordinary income	12,685	19,844
Income before income taxes	12,685	19,844
Income taxes	4,318	5,434
Net income	8,366	14,410
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	8,366	14,410

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2016	Three months ended June 30, 2017
Net income	8,366	14,410
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(196)	1,858
Deferred gains (losses) on hedges	(130)	27
Foreign currency translation adjustment	(25,348)	(298)
Remeasurements of defined benefit plans	54	(62)
Total other comprehensive income (loss)	(25,620)	1,525
Comprehensive income	(17,254)	15,935
Comprehensive income attributable to		
Owners of the parent	(17,254)	15,935
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, 2016

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	36,023	47,281	4,802	4,317	92,424	11,063	103,488
Intersegment sales and transfers	—	—	—	—	—	13	13
Total	36,023	47,281	4,802	4,317	92,424	11,077	103,502
Income of segment	11,130	18,102	2,480	1,557	33,271	616	33,888

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	33,271
Income of "Other Business"	616
Research and development costs*	(19,339)
Elimination of intersegment transactions	7
Operating income on consolidated statements of income	14,555

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, 2017

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	37,097	60,162	5,198	2,616	105,075	11,222	116,297
Intersegment sales and transfers	26	—	—	—	26	20	46
Total	37,123	60,162	5,198	2,616	105,101	11,243	116,344
Income of segment	11,965	24,195	2,256	484	38,902	756	39,658

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	38,902
Income of "Other Business"	756
Research and development costs*	(19,933)
Elimination of intersegment transactions	6
Operating income on consolidated statements of income	19,731

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