



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

October 30, 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

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Filing Date of Quarterly Financial Report: November 2, 2017

Starting Date of Dividend Payments: December 1, 2017

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, 2018 (April 1, 2017 to September 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 | % |
| Six months ended September 30, 2017 | 240,463 | 21.4 | 47,243 | 76.7 | 48,395 | 102.6 | 34,887 | 219.4 |
| Six months ended September 30, 2016 | 198,088 | (0.4) | 26,731 | 58.7 | 23,881 | 36.4 | 10,922 | (17.3) |

Note: Comprehensive income Six months ended September 30, 2017: ¥39,736 million, —%
Six months ended September 30, 2016: ¥(24,242) million, —%

| | Earnings per share | Earnings per share (diluted) |
|-------------------------------------|--------------------|------------------------------|
| Six months ended September 30, 2017 | ¥87.81 | — |
| Six months ended September 30, 2016 | ¥27.49 | — |

(2) Financial Position

(Millions of yen)

| | Total assets | Net assets | Shareholders' equity ratio |
|--------------------------|--------------|------------|----------------------------|
| As of September 30, 2017 | 828,542 | 496,021 | 59.9% |
| As of March 31, 2017 | 793,950 | 460,656 | 58.0% |

Reference: Shareholders' Equity As of September 30, 2017 : ¥496,021 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 | — | ¥9.00 | | | |
| Year ending March 31, 2018 (Forecast) | | | — | ¥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 | % | |
| Year ending March 31, 2018 | 474,000 | 15.1 | 72,000 | 36.5 | 72,000 | 32.5 | 47,000 | 62.1 | ¥118.30 |

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 year 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)

September 30, 2017 : 397,900,154 shares

March 31, 2017 : 397,900,154 shares

② Number of treasury stock

September 30, 2017: 600,993 shares

March 31, 2017 : 600,484 shares

③ Average number of shares during the period

September 30, 2017 : 397,299,414 shares

September 30, 2016 : 397,300,888 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 4, (3) Qualitative Information on Consolidated Financial Forecasts.

Supplementary financial data and the presentation materials are disclosed together with the summary of financial results.

The Company holds the earnings presentation for institutional investors and analysts on Tuesday, October 31, 2017. The video of the presentation will be posted on our website promptly after the presentation.

【Attachment Documents】

| | |
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1. Qualitative Information for the Six Months Ended September 30, 2017

(1) Qualitative Information on Business Results

Consolidated operating results for the first six months ended September 30, 2017 are as follows.

Sales in the Japan segment showed a year-on-year increase overall, driven by strong performance of promoted products, including AIMIX® (therapeutic agent for hypertension), TRERIEF® (therapeutic agent for Parkinson's disease), and Trulicity® (therapeutic agent for Type 2 diabetes), despite a decline in sales of long-listed drugs. Sales in the North America segment registered a substantial increase primarily owing to major sales expansion of LATUDA® (atypical antipsychotic agent). As a result, total net sales for the Sumitomo Dainippon Pharma Group (the "Group") increased by 21.4% year-on-year to 240,463 million yen. Operating income for the period increased by 76.7% year-on-year to 47,243 million yen owing to an increase in gross profit stemming from the rise in sales, despite an increase in selling, general, and administrative expenses. Ordinary income increased by 102.6% year-on-year to 48,395 million yen. Because neither extraordinary income nor loss were reported during the period under review, net income attributable to owners of the parent recorded a significant increase of 219.4% year-on-year to 34,887 million yen.

Operating results by segment are as follows.

① Japan segment

Net sales grew by 3.3% year-on-year to 72,844 million yen. This was due to strong growth of Trulicity® sales, as well as increased sales of AIMIX®, TRERIEF®, and REPLAGAL (Anderson-Fabry disease drug), which more than offset the declining sales of long-listed drugs. Segment income increased by 11.0% year-on-year to 21,710 million yen due to a decrease in selling, general, and administrative expenses primarily resulting from lower labor costs and reduction of selling and other expenses.

② North America segment

Net sales grew by 39.3% year-on-year to 127,304 million yen, primarily owing to continued sales expansion of our mainstay product LATUDA® and divestiture of the U.S. market rights to three ciclesonide products (asthma and allergic rhinitis treatments). Segment income increased by 49.7% year-on-year to 57,298 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 25.4% year-on-year to 11,503 million yen mainly due to brisk sales of the carbapenem antibiotic MEROPEN®, and segment income increased by 28.2% year-on-year to 5,477 million yen.

④ Other Regions segment

Net sales increased by 28.1% year-on-year to 6,762 million yen and segment income grew by 44.2% year-on-year to 1,788 million yen, due mainly to an increase in exports of MEROPEN®.

In addition to the above-mentioned reportable segments, the Group markets food ingredients, food additives, materials for chemical products, veterinary drugs, diagnostic agents, and other products. Net sales from those types of businesses totaled 22,048 million yen (a 1.5% increase year-on-year) and segment income amounted to 1,366 million yen (a 23.0% increase year-on-year).

(2) Qualitative Information on Financial Condition

① Analysis of Balance Sheet

Current assets increased by 29,760 million yen from the previous fiscal year end due to an increase in cash and time deposits as well as notes and accounts receivable, while inventories and short-term loans receivable decreased. Fixed assets increased by 4,832 million yen from the previous fiscal year-end as a result of increased marketable securities, while property, plant, and equipment and intangible assets decreased. As a result, total assets increased by 34,592 million yen from the previous fiscal year-end to 828,542 million yen.

Total liabilities decreased by 772 million yen from the previous fiscal year-end to 332,520 million yen, primarily owing to repayment of long-term loans, despite an increase in reserve for sales rebates.

Net assets increased by 35,365 million yen from the previous fiscal year-end to 496,021 million yen, due mainly to a rise in unrealized gains on available-for-sale securities and foreign currency translation adjustments, as well as retained earnings.

The shareholders' equity ratio as of the end of the current half-year was 59.9%.

② Analysis of Cash Flow

Cash flows provided by operating activities increased by 31,248 million yen year-on-year for a gain in proceeds of 44,774 million yen due to increased income before income taxes and decreased payment of income taxes, despite factors that contributed to a decrease in cash, including a rise in accounts receivable and decline in accounts payable-other.

Cash flows used in investing activities amounted to 6,570 million yen, primarily due to capital expenditures in property, plant, and equipment and acquisition of investment securities, while net cash was generated overall during the corresponding period of the previous fiscal year due to the collection of a large amount of short-term loans receivable.

Cash flows used in financial activities decreased by 14,160 million yen year-on-year to 12,369 million yen mainly due to repayment of long-term loans and payment of cash dividends.

After factoring in the impact of foreign currency translations applied to cash and cash equivalents, the balance of cash and cash equivalents as of the end of the current half-year amounted to 132,165 million yen, which represents an increase of 26,561 million yen from the end of the previous fiscal year.

(3) Qualitative Information on Consolidated Financial Forecasts

Given the recent performance trends, the July 28, 2017 forecast for the consolidated financial performance of the fiscal year ending March 2018 has been revised as described below.

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) | 464,000 | 65,000 | 65,000 | 44,000 | ¥110.75 |
| Revised Forecasts (B) | 474,000 | 72,000 | 72,000 | 47,000 | ¥118.30 |
| (B) – (A) | 10,000 | 7,000 | 7,000 | 3,000 | |
| Change (%) | 2.2 | 10.8 | 10.8 | 6.8 | |
| (Reference) Results for the year ended March 31, 2017 | 411,638 | 52,759 | 54,341 | 28,991 | ¥72.97 |

Net sales are expected to outperform the previous forecast by 10.0 billion yen as the Japan, North America, and China segments are all faring well.

Meanwhile, selling, general, and administrative expenses are now expected to increase by 1.5 billion yen from the previous forecast, which should be more than offset by an increase in gross profit stemming from the rise in sales.

In light of the above, the consolidated financial forecasts for the year ending March 2018, which were announced on July 28, 2017, have been upwardly revised as follows: net sales of 474.0 billion yen (up by 10.0 billion yen), operating income of 72.0 billion yen (up by 7.0 billion yen), ordinary income of 72.0 billion yen (up by 7.0 billion yen), and net income attributable to owners of the parent of 47.0 billion yen (up by 3.0 billion yen).

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|--|-------------------------|-----------------------------|
| Assets | | |
| Current assets: | | |
| Cash and time deposits | 71,408 | 92,290 |
| Notes and accounts receivable | 110,932 | 118,274 |
| Marketable securities | 34,195 | 39,875 |
| Merchandise and finished goods | 54,973 | 54,221 |
| Work-in-process | 3,356 | 3,581 |
| Raw materials and supplies | 10,477 | 9,058 |
| Deferred tax assets | 60,956 | 59,074 |
| Short-term loans receivable | 16,731 | 14,656 |
| Others | 13,427 | 15,188 |
| Allowance for doubtful receivables | (4) | (5) |
| Total current assets | 376,454 | 406,214 |
| Fixed assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures | 95,726 | 96,418 |
| Accumulated depreciation and impairment loss | (57,174) | (58,433) |
| Buildings and structures, net | 38,551 | 37,984 |
| Machinery, equipment and carriers | 79,585 | 78,627 |
| Accumulated depreciation and impairment loss | (72,820) | (71,994) |
| Machinery, equipment and carriers, net | 6,765 | 6,633 |
| Land | 6,264 | 6,266 |
| Construction in progress | 3,112 | 2,866 |
| Others | 32,353 | 32,397 |
| Accumulated depreciation and impairment loss | (27,794) | (27,850) |
| Others, net | 4,559 | 4,546 |
| Total property, plant and equipment | 59,253 | 58,298 |
| Intangible assets: | | |
| Goodwill | 90,565 | 87,907 |
| In-process research and development | 193,970 | 194,921 |
| Others | 19,774 | 17,820 |
| Total intangible assets | 304,310 | 300,649 |
| Investments and other assets: | | |
| Investment securities | 48,034 | 57,990 |
| Asset for retirement benefits | 646 | 803 |
| Deferred tax assets | 710 | 133 |
| Others | 4,568 | 4,485 |
| Allowance for doubtful receivables | (29) | (32) |
| Total investments and other assets | 53,931 | 63,380 |
| Total fixed assets | 417,495 | 422,327 |
| Total assets | 793,950 | 828,542 |

(Millions of yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|---|-------------------------|-----------------------------|
| Liabilities | | |
| Current liabilities: | | |
| Notes and accounts payable | 14,514 | 15,771 |
| Short-term loans payable | 40,000 | 40,000 |
| Current portion of bonds payable | 10,000 | 20,000 |
| Current portion of long-term loans payable | 8,000 | — |
| Income taxes payable | 8,818 | 11,906 |
| Reserve for bonuses | 10,986 | 10,135 |
| Reserve for sales returns | 11,315 | 11,729 |
| Reserve for sales rebates | 65,652 | 72,835 |
| Accounts payable-other | 36,986 | 35,018 |
| Others | 22,172 | 18,855 |
| Total current liabilities | 228,447 | 236,252 |
| Long-term liabilities: | | |
| Bonds payable | 10,000 | — |
| Deferred tax liabilities | 32,583 | 33,256 |
| Liability for retirement benefits | 13,498 | 13,632 |
| Others | 48,764 | 49,379 |
| Total long-term liabilities | 104,846 | 96,268 |
| Total liabilities | 333,293 | 332,520 |
| Net assets | | |
| Shareholders' equity: | | |
| Common stock | 22,400 | 22,400 |
| Capital surplus | 15,860 | 15,860 |
| Retained earnings | 363,627 | 394,145 |
| Treasury stock | (666) | (667) |
| Total shareholders' equity | 401,221 | 431,738 |
| Accumulated other comprehensive income (loss) | | |
| Unrealized gains on available-for-sale securities | 18,439 | 21,050 |
| Deferred gains (losses) on hedges | (20) | 19 |
| Foreign currency translation adjustment | 45,729 | 48,051 |
| Remeasurements of defined benefit plans | (4,712) | (4,838) |
| Total accumulated other comprehensive income (loss) | 59,435 | 64,283 |
| Total net assets | 460,656 | 496,021 |
| Total liabilities and net assets | 793,950 | 828,542 |

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|--|--|--|
| Net sales | 198,088 | 240,463 |
| Cost of sales | 47,890 | 60,519 |
| Gross profit | 150,198 | 179,943 |
| Reversal of reserve for sales returns | 9 | 0 |
| Gross profit, net | 150,207 | 179,943 |
| Selling, general and administrative expenses | | |
| Salaries | 19,849 | 20,531 |
| Provision for reserve for bonuses | 5,825 | 5,980 |
| Retirement benefit expenses | 2,290 | 1,761 |
| Research and development costs | 37,744 | 40,382 |
| Others | 57,766 | 64,043 |
| Total selling, general and administrative expenses | 123,476 | 132,699 |
| Operating income | 26,731 | 47,243 |
| Non-operating income | | |
| Interest income | 446 | 426 |
| Dividend income | 715 | 491 |
| Foreign exchange gains | — | 815 |
| Others | 204 | 104 |
| Total non-operating income | 1,366 | 1,838 |
| Non-operating expenses | | |
| Interest expense | 325 | 211 |
| Contribution | 280 | 276 |
| Loss on disposal of property, plant and equipment | 65 | 153 |
| Foreign exchange losses | 3,454 | — |
| Others | 89 | 45 |
| Total non-operating expenses | 4,215 | 686 |
| Ordinary income | 23,881 | 48,395 |
| Extraordinary income | | |
| Gain on sales of investment securities | 3,802 | — |
| Total extraordinary income | 3,802 | — |
| Extraordinary loss | | |
| Business structure improvement expenses | 9,992 | — |
| Total extraordinary loss | 9,992 | — |
| Income before income taxes | 17,691 | 48,395 |
| Income taxes | 6,769 | 13,507 |
| Net income | 10,922 | 34,887 |
| Net income attributable to non-controlling interests | — | — |
| Net income attributable to owners of the parent | 10,922 | 34,887 |

Consolidated Statements of Comprehensive Income

| | (Millions of yen) | |
|--|--|--|
| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
| Net income | 10,922 | 34,887 |
| Other comprehensive income (loss) | | |
| Unrealized gains (losses) on available-for-sale securities | (5,089) | 2,611 |
| Deferred gains (losses) on hedges | (84) | 39 |
| Foreign currency translation adjustment | (30,099) | 2,322 |
| Remeasurements of defined benefit plans | 109 | (125) |
| Total other comprehensive income (loss) | (35,164) | 4,848 |
| Comprehensive income | (24,242) | 39,736 |
| Comprehensive income attributable to | | |
| Owners of the parent | (24,242) | 39,736 |
| Non-controlling interests | — | — |

(3) Consolidated Statements of Cash Flows

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|--|--|--|
| Net cash provided by operating activities: | | |
| Income before income taxes | 17,691 | 48,395 |
| Depreciation and amortization | 6,753 | 6,224 |
| Amortization of goodwill | 2,604 | 3,258 |
| Increase (decrease) in net defined benefit liability | 165 | (197) |
| Provision for other liabilities | 7,740 | 6,244 |
| Interest and dividend income | (1,162) | (918) |
| Interest expense | 325 | 211 |
| Loss (gain) on sales of investment securities | (3,802) | — |
| Business structure improvement expenses | 9,992 | — |
| Decrease (increase) in notes and accounts receivables | 1,810 | (6,952) |
| Decrease (increase) in inventories | (4,891) | 2,465 |
| Increase (decrease) in notes and accounts payables | 4,476 | 1,180 |
| Increase (decrease) in accounts payable-other | (1,295) | (2,567) |
| Other-net | (2,334) | (4,284) |
| Subtotal | 38,074 | 53,060 |
| Interest and dividend received | 1,190 | 836 |
| Interest paid | (190) | (1,137) |
| Income taxes paid | (25,548) | (7,986) |
| Net cash provided by operating activities | 13,526 | 44,774 |
| Net cash used in investing activities: | | |
| Purchases of property, plant and equipment | (4,365) | (2,055) |
| Purchases of intangible assets | (641) | (593) |
| Purchases of investment securities | (179) | (6,181) |
| Proceeds from sales of investment securities | 4,878 | — |
| Net decrease (increase) in short-term loans receivable | 31,700 | 2,146 |
| Other-net | 165 | 113 |
| Net cash used in investing activities | 31,558 | (6,570) |
| Net cash used in financing activities: | | |
| Proceeds from short-term loans payable | (952) | — |
| Repayments of long-term loans payable | (12,000) | (8,000) |
| Redemption of bonds | (10,000) | — |
| Dividends paid | (3,575) | (4,368) |
| Other-net | (1) | (0) |
| Net cash used in financing activities: | (26,530) | (12,369) |
| Effect of exchange rate changes on cash and cash equivalents | (13,717) | 727 |
| Net increase (decrease) in cash and cash equivalents | 4,836 | 26,561 |
| Cash and cash equivalents at the beginning of period | 135,575 | 105,603 |
| Cash and cash equivalents at the end of period | 140,412 | 132,165 |

(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, 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 | 70,542 | 91,366 | 9,174 | 5,278 | 176,362 | 21,726 | 198,088 |
| Intersegment sales and transfers | 31 | — | — | — | 31 | 32 | 63 |
| Total | 70,574 | 91,366 | 9,174 | 5,278 | 176,394 | 21,758 | 198,152 |
| Income of segment | 19,567 | 38,270 | 4,272 | 1,240 | 63,350 | 1,110 | 64,461 |

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 | 63,350 |
| Income of "Other Business" | 1,110 |
| Research and development costs* | (37,744) |
| Elimination of intersegment transactions | 14 |
| Operating income on consolidated statements of income | 26,731 |

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, 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 | 72,844 | 127,304 | 11,503 | 6,762 | 218,414 | 22,048 | 240,463 |
| Intersegment sales and transfers | 70 | — | — | — | 70 | 37 | 108 |
| Total | 72,915 | 127,304 | 11,503 | 6,762 | 218,485 | 22,086 | 240,571 |
| Income of segment | 21,710 | 57,298 | 5,477 | 1,788 | 86,274 | 1,366 | 87,640 |

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 | 86,274 |
| Income of "Other Business" | 1,366 |
| Research and development costs* | (40,382) |
| Elimination of intersegment transactions | (14) |
| Operating income on consolidated statements of income | 47,243 |

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