



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

January 27, 2016

**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:** February 5, 2016

**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 Third Quarter of the Year Ending March 31, 2016 (April 1, 2015 to December 31, 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	%
Nine months ended December 31, 2015	304,532	9.1	31,086	36.2	31,133	38.3	23,345	22.9
Nine months ended December 31, 2014	279,139	(1.9)	22,818	(34.2)	22,506	(34.4)	18,993	(0.9)

Note: Comprehensive income  
 Nine months ended December 31, 2015: ¥27,169 million, (55.6) %  
 Nine months ended December 31, 2014: ¥61,234 million, 29.3%

	Earnings per share	Earnings per share (diluted)
Nine months ended December 31, 2015	¥58.76	—
Nine months ended December 31, 2014	¥47.81	—

#### (2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2015	756,597	468,063	61.9%
As of March 31, 2015	711,583	451,021	63.4%

Reference: Shareholders' Equity  
 As of December 31, 2015 : ¥468,063 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	403,000	8.5	33,000	41.8	32,500	39.3	23,000	48.9	¥57.89

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.

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)

December 31, 2015 :	397,900,154 shares
March 31, 2015 :	397,900,154 shares
② Number of treasury stock	
December 31, 2015:	598,186 shares
March 31, 2015 :	596,335 shares
③ Average number of shares during the period	
December 31, 2015 :	397,302,836 shares
December 31, 2014 :	397,305,446 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 a Conference Call for institutional investors and analysts on Wednesday, January 27, 2016. The documents distributed at the presentation are scheduled to be posted on our website.*

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## 1. Qualitative Information for the Nine Months Ended December 31, 2015

### (1) Qualitative Information on Business Results

Consolidated business performance for the Nine months from April 1 through December 31, 2015 is as follows:

The total net sales for the Sumitomo Dainippon Pharma Group amounted to 304,532 million yen, a 9.1% increase from the first nine months of the previous fiscal year. The sales of the segment North America increased, because of the significant growth of LATUDA<sup>®</sup>, an atypical antipsychotic and other products. The sales of the segment Japan decreased due to a decline in the sales of long-listed products, even though strong effort was made to expand the sales of AIMIX<sup>®</sup>, a therapeutic agent for hypertension. The operating income for the period was 31,086 million yen, a 36.2% increase year on year, and the ordinary income was 31,133 million yen, up 38.3% year on year. The selling, general and administrative expenses increased, due to the aggressive strategic investments mainly in research and development in North America and to the effect of weak yen against the dollar. Net income attributable to owners of the parent for the period was 23,345 million yen, a 22.9% increase year on year, reflecting extraordinary gains from the sale of investment securities.

Business performance by segment is as follows:

#### ① Japan segment

Net sales of segment Japan was 5.1% lower year on year at 114,506 million yen. Sales of AIMIX<sup>®</sup>, TRERIEF<sup>®</sup>, a Parkinson's disease drug and LONASEN<sup>®</sup>, an atypical antipsychotic, expanded, but fell short of offsetting the drop in the sales of long-listed products. Segment income decreased 13.1% year on year to 35,441 million yen, impacted by the decline in sales.

#### ② North America segment

Net sales of segment North America increased 25.2% year on year to 137,340 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 significant increase in sales caused the segment income to reach 46,422 million yen, up 76.0% year on year.

#### ③ China segment

In China, an increase in the sales of MEROPEN<sup>®</sup>, a carbapenem antibiotic, and the weak yen brought about a 17.4% increase in net sales year on year to 14,453 million yen. The segment income was 5,690 million yen, a 26.9% increase year on year.

#### ④ Other Regions segment

Export sales of MEROPEN<sup>®</sup> increased and brought about an 8.6% year-on-year increase in the sales of this segment at 6,732 million yen. Segment income was 1,075 million yen, a 46.3% increase year on year.

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 31,499 million yen (a 4.1% increase year on year) and the segment income was 1,403 million yen (a 15.2% decrease year on year).

## (2) Qualitative Information on Financial Condition

Total assets increased 45,014 million yen from the previous consolidated fiscal year-end to 756,597 million yen. As for current assets, cash and time deposit as well as deferred tax assets increased substantially. Fixed assets declined due to amortization of goodwill and other intangible fixed assets, while investment securities increased in market value.

Total liabilities increased 27,972 million yen from the previous consolidated fiscal year-end to 288,534 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 long-term loans payable) decreased.

Net worth increased 17,041 million yen from the previous consolidated fiscal year-end to 468,063 million yen, due to increases in retained earnings and in unrealized gains on available-for-sale securities.

Shareholders' equity ratio as of the end of the current half-year was 61.9%.

## (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	29,000	28,500	20,000	50.34
New forecasts (B)	403,000	33,000	32,500	23,000	57.89
(B-A)	2,000	4,000	4,000	3,000	
Change (%)	0.5	13.8	14.0	15.0	
(Reference) Results for the year ended March 31, 2015	371,370	23,275	23,331	15,447	38.88

The net sales of the Group for the full fiscal year is now expected to be 2.0 billion yen larger at 403.0 billion yen than the forecast we announced on October 28, 2015, because of the expected increase in the sales of segment Other Regions.

Cost of sales is expected to be higher along with the increase in sales, while selling, general and administrative expenses are expected to be smaller due to decrease in R&D expenses from the last announcement.

Consequently, the forecasted operating income is revised upward by 4.0 billion yen to 33.0 billion yen, and the forecasted ordinary income upward also by 4.0 billion yen to 32.5 billion yen. The forecasted net income attributable to the owners of the parent is revised upward by 3.0 billion yen to 23.0 billion yen.

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 December 31, 2015
<b>Assets</b>		
Current assets:		
Cash and time deposits	30,553	57,236
Notes and accounts receivable	103,072	112,247
Marketable securities	111,293	110,856
Merchandise and finished goods	50,749	48,328
Work-in-process	1,626	4,262
Raw materials and supplies	10,012	12,579
Deferred tax assets	38,867	57,124
Short-term loans receivable	49,052	42,185
Others	6,598	5,876
Allowance for doubtful receivables	(125)	(6)
Total current assets	401,699	450,691
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	94,184	95,686
Accumulated depreciation and impairment loss	(52,819)	(54,334)
Buildings and structures, net	41,365	41,352
Machinery, equipment and carriers	78,075	79,863
Accumulated depreciation and impairment loss	(69,007)	(71,601)
Machinery, equipment and carriers, net	9,068	8,261
Land	6,297	6,299
Construction in progress	1,245	1,167
Others	33,628	33,705
Accumulated depreciation and impairment loss	(26,446)	(27,511)
Others, net	7,182	6,194
Total property, plant and equipment	65,160	63,273
Intangible assets:		
Goodwill	88,075	83,811
In-process research and development	64,456	64,369
Others	21,332	21,393
Total intangible assets	173,863	169,573
Investments and other assets:		
Investment securities	58,193	63,301
Asset for retirement benefits	1,935	2,154
Deferred tax assets	4,794	2,650
Others	5,982	4,995
Allowance for doubtful receivables	(44)	(42)
Total investments and other assets	70,860	73,059
Total fixed assets	309,884	305,906
Total assets	711,583	756,597

	(Millions of yen)	
	As of March 31, 2015	As of December 31, 2015
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	12,492	15,861
Short-term loans payable	—	1,070
Current portion of bonds payable	30,000	40,000
Current portion of long-term loans payable	6,522	12,380
Income taxes payable	3,288	20,140
Reserve for bonuses	9,416	7,065
Reserve for sales returns	8,580	9,765
Reserve for sales rebates	36,351	51,890
Accounts payable-other	35,252	31,727
Others	14,939	15,938
Total current liabilities	156,843	205,841
Long-term liabilities:		
Bonds payable	30,000	20,000
Long-term loans payable	20,000	8,000
Deferred tax liabilities	17,354	19,482
Liability for retirement benefits	15,274	15,455
Others	21,089	19,755
Total long-term liabilities	103,718	82,693
Total liabilities	260,562	288,534
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	326,686	340,050
Treasury stock	(660)	(662)
Total shareholders' equity	364,286	377,648
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities	23,099	26,606
Deferred gains (losses) on hedges	1	(0)
Foreign currency translation adjustment	68,171	67,948
Remeasurements of defined benefit plans	(4,536)	(4,139)
Total accumulated other comprehensive income (loss)	86,735	90,414
Total net assets	451,021	468,063
Total liabilities and net assets	711,583	756,597



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

## Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net sales	279,139	304,532
Cost of sales	75,097	79,064
Gross profit	204,041	225,468
Provision of reserve for sales returns	—	5
Reversal of reserve for sales returns	2	—
Gross profit, net	204,043	225,462
Selling, general and administrative expenses		
Salaries	27,837	31,393
Provision for reserve for bonuses	3,837	3,599
Retirement benefit expenses	3,252	3,938
Research and development costs	51,193	58,953
Others	95,105	96,491
Total selling, general and administrative expenses	181,225	194,376
Operating income	22,818	31,086
Non-operating income		
Interest income	291	400
Dividend income	1,163	1,014
Gain on investments in partnership	891	1,451
Others	480	201
Total non-operating income	2,827	3,067
Non-operating expenses		
Interest expense	704	706
Foreign exchange losses	1,383	1,011
Others	1,050	1,302
Total non-operating expenses	3,138	3,020
Ordinary income	22,506	31,133
Extraordinary income		
Gain on sales of investment securities	—	6,070
Gain on sales of property, plant and equipment	15,978	—
Compensation income for damage	1,711	—
Total extraordinary income	17,689	6,070
Extraordinary loss		
Impairment loss	5,128	266
Business structure improvement expenses	790	—
Total extraordinary loss	5,919	266
Income before income taxes	34,276	36,937
Income taxes	15,283	13,591
Net income	18,993	23,345
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	18,993	23,345

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net income	18,993	23,345
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	2,319	3,506
Deferred gains (losses) on hedges	29	(1)
Foreign currency translation adjustment	39,649	(78)
Remeasurements of defined benefit plans	242	397
Total other comprehensive income (loss)	42,241	3,823
Comprehensive income	61,234	27,169
Comprehensive income attributable to		
Owners of the parent	61,234	27,169
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 Nine months ended December 31, 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	120,649	109,729	12,310	6,197	248,886	30,253	279,139
Intersegment sales and transfers	126	—	—	—	126	45	172
Total	120,776	109,729	12,310	6,197	249,013	30,298	279,311
Income of segment	40,760	26,377	4,484	734	72,357	1,654	74,011

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	72,357
Income of "Other Business"	1,654
Research and development costs*	(51,193)
Elimination of intersegment transactions	(0)
Operating income on consolidated statements of income	22,818

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 Japan segment, 5,128 million yen of impairment loss is recorded resulting from evaluating the collectability of the assets of the plant which we plan to close in connection with reorganization of production sites.

II Nine months ended December 31, 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	114,506	137,340	14,453	6,732	273,033	31,499	304,532
Intersegment sales and transfers	38	—	—	—	38	62	100
Total	114,544	137,340	14,453	6,732	273,071	31,561	304,632
Income of segment	35,441	46,422	5,690	1,075	88,629	1,403	90,032

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	88,629
Income of "Other Business"	1,403
Research and development costs*	(58,953)
Elimination of intersegment transactions	6
Operating income on consolidated statements of income	31,086

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 and other assets deemed to have little future profitability is evaluated in terms of collectability, therefore 266 million yen is recorded as an impairment loss.