



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

January 30, 2018

Company Name: SUMITOMO DAINIPPON PHARMA CO., LTD.
Stock Exchange Listings: Tokyo
Security Code Number: 4506 (URL: <http://www.ds-pharma.co.jp>)
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Filing Date of Quarterly Financial Report: February 2, 2018
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, 2018 (April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	364,121	19.2	55,943	26.5	57,985	16.3	50,591	71.1
Nine months ended December 31, 2016	305,507	0.3	44,241	42.3	49,864	60.2	29,571	26.7

Note: Comprehensive income
 Nine months ended December 31, 2017 : ¥63,916 million, 86.9%
 Nine months ended December 31, 2016 : ¥34,203 million, 25.9%

	Earnings per share	Earnings per share (diluted)
Nine months ended December 31, 2017	¥127.34	—
Nine months ended December 31, 2016	¥74.43	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2017	841,811	516,625	61.4%
As of March 31, 2017	793,950	460,656	58.0%

Reference: Shareholders' Equity
 As of December 31, 2017 : ¥516,625 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)				¥19.00	¥28.00

Note: Revision of dividend forecasts from the latest announcement: Yes

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	55,000	89.7	¥138.43

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)

December 31, 2017 : 397,900,154 shares

March 31, 2017 : 397,900,154 shares

② Number of treasury stock

December 31, 2017: 601,468 shares

March 31, 2017 : 600,484 shares

③ Average number of shares during the period

December 31, 2017 : 397,299,259 shares

December 31, 2016 : 397,300,708 shares

This summary of financial results is exempt from audit procedures.

Explanation for Appropriate Use of Forecasts and Other Notes:

This material contains forecasts, projections, goals, plans, and other forward-looking statements regarding the Group's financial results and other data. Such forward-looking statements are based on the Company's assumptions, estimates, outlook, and other judgments made in light of information available at the time of preparation of such statements and involve both known and unknown risks and uncertainties. Accordingly, forecasts, plans, and other statements may not be realized as described, and actual financial results, success/failure or progress of development, and other projections may differ materially from those presented herein. Please refer to page 4, (3) Qualitative Information on Consolidated Financial Forecasts with regard to the assumptions and other related matters for 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 Tuesday, January 30, 2018. The audio of the conference call will be posted on our website promptly after the conference call.

【Attachment Documents】

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1. Qualitative Information for the Nine Months Ended December 31, 2017

(1) Qualitative Information on Business Results

Consolidated operating results for the first nine months of the year ended December 31, 2017 are as follows.

Sales in the Japan segment registered a year-on-year increase overall, buoyed 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 continuous decline in sales of long-listed drugs. Sales in the North America segment showed 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") grew by 19.2% year-on-year to 364,121 million yen. Operating income for the period increased by 26.5% year-on-year to 55,943 million yen, owing to an increase in gross profit stemming from the rise in sales, despite an increase in selling, general, and administrative expenses including research and development costs. Meanwhile, ordinary income increased by 16.3% year-on-year to 57,985 million yen. Net income attributable to owners of the parent increased substantially by 71.1% year-on-year to 50,591 million yen. This occurred due to the decline in corporate taxes after a tax reform bill was passed into law in the U.S., despite the posting of business structure improvement expenses under extraordinary loss based on the outcome of the Early Retirement Program offered by the Company's Manufacturing Division.

Operating results by segment are as follows.

① Japan segment

Net sales grew by 4.0% year-on-year to 112,957 million yen. This was the result of 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 12.9% year-on-year to 35,279 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 33.4% year-on-year to 191,559 million yen, primarily owing to the posting of non-recurring income following the divestiture of the U.S. market rights to three ciclesonide products (asthma and allergic rhinitis treatments), as well as sales expansion of mainstay products LATUDA[®] and APTIOM[®] (antiepileptic drug). Segment income increased by 25.1% year-on-year to 77,766 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 19.4% year-on-year to 15,440 million yen as a result of continuously brisk sales of the carbapenem antibiotic MEROPEN[®] and other offerings. Segment income increased by 23.2% year-on-year to 5,717 million yen.

④ Other Regions segment

Net sales increased by 43.2% year-on-year to 10,584 million yen and segment income increased by 81.5% year-on-year to 2,859 million yen, largely as a result of contributions from the MEROPEN® business launched recently in five Southeast Asian countries and Hong Kong.

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 business types totaled 33,578 million yen (a 1.8% increase year-on-year) and segment income amounted to 2,205 million yen (a 24.6% increase year-on-year).

(2) Qualitative Information on Financial Condition

Current assets increased by 30,644 million yen from the previous fiscal year-end due to an increase in cash and time deposits, as well as notes and accounts receivables, while deferred tax assets and inventories decreased. Fixed assets increased by 17,215 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 47,860 million yen from the previous fiscal year-end to 841,811 million yen.

Total liabilities decreased by 8,108 million yen from the previous fiscal year-end to 325,185 million yen, primarily owing to a decrease in interest-bearing debts and deferred tax liabilities, while reserve for sales rebates increased.

Net assets increased by 55,969 million yen from the previous fiscal year-end to 516,625 million yen, which was mainly due 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 first nine months of the year ending March 31, 2018 was 61.4%.

(3) Qualitative Information on Consolidated Financial Forecasts

In light of recent performance trends, the Company has revised its consolidated financial forecasts for the year ending March 31, 2018, which were announced on October 30, 2017.

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)	474,000	72,000	72,000	47,000	¥118.30
Revised Forecasts (B)	474,000	72,000	72,000	55,000	¥138.43
(B) – (A)	—	—	—	8,000	—
Change (%)	—	—	—	17.0	—
(Reference) Results for the year ended March 31, 2017	411,638	52,759	54,341	28,991	¥72.97

Net sales and SG&A expenses are trending almost in line with expectations, and so there have been no revisions in net sales, operating income, and ordinary income.

Meanwhile, the Company has decided to revise its earlier forecast for net income attributable to owners of the parent to 55.0 billion yen, which represents an increase of 8.0 billion yen due chiefly to an anticipated decrease in tax expenses as a result of tax reform in the U.S.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets:		
Cash and time deposits	71,408	104,412
Notes and accounts receivable	110,932	125,014
Marketable securities	34,195	32,361
Merchandise and finished goods	54,973	51,416
Work-in-process	3,356	3,912
Raw materials and supplies	10,477	9,954
Deferred tax assets	60,956	52,516
Short-term loans receivable	16,731	14,690
Others	13,427	12,826
Allowance for doubtful receivables	(4)	(5)
Total current assets	376,454	407,099
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	95,726	96,522
Accumulated depreciation and impairment loss	(57,174)	(58,973)
Buildings and structures, net	38,551	37,549
Machinery, equipment and carriers	79,585	78,741
Accumulated depreciation and impairment loss	(72,820)	(72,432)
Machinery, equipment and carriers, net	6,765	6,308
Land	6,264	6,267
Construction in progress	3,112	4,007
Others	32,353	32,311
Accumulated depreciation and impairment loss	(27,794)	(27,838)
Others, net	4,559	4,473
Total property, plant and equipment	59,253	58,607
Intangible assets:		
Goodwill	90,565	86,452
In-process research and development	193,970	174,008
Others	19,774	38,402
Total intangible assets	304,310	298,863
Investments and other assets:		
Investment securities	48,034	69,212
Asset for retirement benefits	646	915
Deferred tax assets	710	146
Others	4,568	6,997
Allowance for doubtful receivables	(29)	(32)
Total investments and other assets	53,931	77,240
Total fixed assets	417,495	434,711
Total assets	793,950	841,811

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities:		
Notes and accounts payable	14,514	14,458
Short-term loans payable	40,000	5,500
Current portion of bonds payable	10,000	20,000
Current portion of long-term loans payable	8,000	2,800
Income taxes payable	8,818	6,289
Reserve for bonuses	10,986	7,510
Reserve for sales returns	11,315	12,675
Reserve for sales rebates	65,652	75,463
Accounts payable-other	36,986	41,349
Others	22,172	19,815
Total current liabilities	228,447	205,862
Long-term liabilities:		
Bonds payable	10,000	—
Long-term loans payable	—	31,000
Deferred tax liabilities	32,583	20,907
Liability for retirement benefits	13,498	13,722
Others	48,764	53,692
Total long-term liabilities	104,846	119,323
Total liabilities	333,293	325,185
Net assets		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	363,627	406,273
Treasury stock	(666)	(668)
Total shareholders' equity	401,221	443,865
Accumulated other comprehensive income (loss)		
Unrealized gains on available-for-sale securities	18,439	28,865
Deferred gains (losses) on hedges	(20)	11
Foreign currency translation adjustment	45,729	48,802
Remeasurements of defined benefit plans	(4,712)	(4,919)
Total accumulated other comprehensive income (loss)	59,435	72,760
Total net assets	460,656	516,625
Total liabilities and net assets	793,950	841,811

(2) Consolidated Statements of (Comprehensive) Income

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	305,507	364,121
Cost of sales	74,343	93,170
Gross profit	231,163	270,950
Reversal of reserve for sales returns	2	0
Gross profit, net	231,166	270,951
Selling, general and administrative expenses		
Salaries	29,922	31,115
Provision for reserve for bonuses	3,703	4,099
Retirement benefit expenses	3,375	2,766
Research and development costs	57,167	67,903
Others	92,756	109,122
Total selling, general and administrative expenses	186,925	215,007
Operating income	44,241	55,943
Non-operating income		
Interest income	619	770
Dividend income	1,028	887
Foreign exchange gains	4,849	1,234
Others	346	442
Total non-operating income	6,844	3,334
Non-operating expenses		
Interest expense	474	290
Contribution	487	442
Others	258	559
Total non-operating expenses	1,220	1,292
Ordinary income	49,864	57,985
Extraordinary income		
Gain on sales of investment securities	4,813	—
Total extraordinary income	4,813	—
Extraordinary loss		
Business structure improvement expenses	9,992	1,934
Total extraordinary loss	9,992	1,934
Income before income taxes	44,685	56,051
Income taxes	15,113	5,459
Net income	29,571	50,591
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	29,571	50,591

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net income	29,571	50,591
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(4,160)	10,426
Deferred gains (losses) on hedges	22	31
Foreign currency translation adjustment	8,606	3,073
Remeasurements of defined benefit plans	163	(206)
Total other comprehensive income (loss)	4,631	13,325
Comprehensive income	34,203	63,916
Comprehensive income attributable to		
Owners of the parent	34,203	63,916
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, 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	108,563	143,624	12,930	7,389	272,507	32,999	305,507
Intersegment sales and transfers	41	—	—	—	41	53	94
Total	108,604	143,624	12,930	7,389	272,548	33,052	305,601
Income of segment	31,246	62,149	4,641	1,575	99,613	1,769	101,383

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	99,613
Income of "Other Business"	1,769
Research and development costs*	(57,167)
Elimination of intersegment transactions	24
Operating income on consolidated statements of income	44,241

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

II Nine months ended December 31, 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	112,957	191,559	15,440	10,584	330,542	33,578	364,121
Intersegment sales and transfers	55	—	—	—	55	57	112
Total	113,012	191,559	15,440	10,584	330,597	33,635	364,233
Income of segment	35,279	77,766	5,717	2,859	121,623	2,205	123,828

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	121,623
Income of "Other Business"	2,205
Research and development costs*	(67,903)
Elimination of intersegment transactions	18
Operating income on consolidated statements of income	55,943

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