



## Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2017 [Japanese GAAP] (Unaudited)

July 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:** August 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 First Quarter of the Year Ending March 31, 2017 (April 1, 2016 to June 30, 2016)

#### (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, 2016	103,488	5.5	14,555	227.7	12,685	168.4	8,366	40.8
Three months ended June 30, 2015	98,128	9.3	4,442	(48.9)	4,726	(50.5)	5,941	3.2

Note: Comprehensive income Three months ended June 30, 2016: ¥(17,254) million, — %  
Three months ended June 30, 2015: ¥13,737 million, 811.7%

	Earnings per share	Earnings per share (diluted)
Three months ended June 30, 2016	¥21.06	—
Three months ended June 30, 2015	¥14.95	—

#### (2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2016	658,087	425,835	64.7%
As of March 31, 2016	707,715	446,472	63.1%

Reference: Shareholders' Equity As of June 30, 2016 : ¥425,835 million  
As of March 31, 2016 : ¥446,472 million

### 2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2016	—	¥9.00	—	¥9.00	¥18.00
Year ending March 31, 2017	—				
Year ending March 31, 2017 (Forecast)		¥9.00	—	¥9.00	¥18.00

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

### 3. Consolidated Financial Forecasts for the Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% 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, 2016	199,000	0.0	16,000	(5.0)	16,000	(8.6)	8,000	(39.5)	¥20.14
Year ending March 31, 2017	410,000	1.7	40,000	8.3	40,000	13.6	25,000	1.2	¥62.92

Note: Revision of consolidated financial forecasts from the latest announcement: None

#### 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: Yes

• Guidance on “Recoverability of Deferred Tax Assets”

The company has applied the “Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan [ASBJ] Guidance No.26, March 28, 2016.) from the beginning of the current fiscal year and revised a part of the accounting method for recoverability of deferred tax assets.

With regard to the application, in accordance with the provisions on transitional implementation indicated in Paragraph 49(4) of Guidance on Recoverability of Deferred Tax Assets, the differences between the amount of deferred tax assets and deferred tax liabilities when Paragraph 49(3)①to③of Guidance on Recoverability of Deferred Tax Assets are applied at the beginning of the current fiscal year, and the amount of deferred tax and deferred tax liabilities at the end of the previous fiscal year have been added to or subtracted from retained earnings and accumulated other comprehensive income(loss) at the beginning of the current fiscal year.

As a result, at the beginning of the current fiscal year, deferred tax assets (in “Investments and other assets”) increased by 193 million yen, retained earnings increased by 385 million yen and unrealized gains on available-for-sale securities decreased by 192 million yen.

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, 2016 : 397,900,154 shares

March 31, 2016 : 397,900,154 shares

② Number of treasury stock

June 30, 2016: 599,093 shares

March 31, 2016 : 598,599 shares

③ Average number of shares during the period

June 30, 2016 : 397,301,155 shares

June 30, 2015 : 397,303,386 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 Conference Call for institutional investors and analysts on Wednesday, July 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 Three Months Ended June 30, 2016**

### **(1) Qualitative Information on Business Results**

Consolidated operating results for the three months from April 1 through June 30, 2016 are as follows.

In the Japan segment, sales continued to expand for our strategic products, such as therapeutic agent for hypertension AIMIX<sup>®</sup> and therapeutic agent for Parkinson's disease TRERIEF<sup>®</sup>. Due to the negative impact of NHI price revisions and falling sales of long-listed drugs, however, sales of this segment decreased overall. In the North America segment, on the other hand, sales growth momentum was maintained for atypical antipsychotic agent LATUDA<sup>®</sup> and other products. As a result, total net sales for the Sumitomo Dainippon Pharma Group (the "Group") increased by 5.5% year-on-year to 103,488 million yen. Operating income for the period increased significantly by 227.7% year-on-year to 14,555 million yen, due to, in addition to a lower ratio of cost of sales, a decrease in selling, general, and administrative expenses that is primarily the result of appreciation of the yen. Ordinary income increased by 168.4% year-on-year to 12,685 million yen, and net income attributable to owners of the parent increased by 40.8% year-on-year to 8,366 million yen.

Operating results by segment are as follows.

#### **① Japan segment**

We focused on boosting sales of the three strategic products of AIMIX<sup>®</sup>, TRERIEF<sup>®</sup>, and atypical antipsychotic agent LONASEN<sup>®</sup> together with new products, but were unable to offset the decline in sales owing primarily to NHI price revisions and falling sales of long-listed drugs. Accordingly, net sales decreased by 5.6% year-on-year to 36,023 million yen. Segment income declined by 11.6% year-on-year to 11,130 million yen, as the decrease in gross profit due to NHI price revisions exerted a significant impact.

#### **② North America segment**

Net sales grew by 11.7% year-on-year to 47,281 million yen, thanks to the steady growth of antiepileptic agent APTIOM<sup>®</sup> and long-acting beta-agonist BROVANA<sup>®</sup>, as well as LATUDA<sup>®</sup>. Segment income jumped by 90.5% year-on-year to 18,102 million yen, as a result of top line growth and the decrease in selling, general, and administrative expenses owing primarily to appreciation of the yen.

#### **③ China segment**

Net sales increased by 5.2% year-on-year to 4,802 million yen owing to brisk sales of the mainstay carbapenem antibiotic MEROPEN<sup>®</sup>. Segment income grew by 50.4% year-on-year to 2,480 million yen.

#### **④ Other Regions segment**

Net sales increased by 56.7% year-on-year to 4,317 million yen, due mainly to an increase in exports of MEROPEN<sup>®</sup>. Segment income jumped by 392.7% year-on-year to 1,557 million yen.

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 11,063 million yen (a 7.1% increase year on year) and the segment income was 616 million yen (a 25.1% increase year on year).

## **(2) Qualitative Information on Financial Condition**

Current assets decreased by 32,898 million yen from the previous fiscal year-end, as marketable securities and short-term loans receivable decreased while cash and time deposits increased. Fixed assets decreased by 16,728 million yen from the previous fiscal year-end due to the impact of depreciation and foreign currency translation adjustment. As a result, total assets decreased by 49,627 million yen from the previous fiscal year-end to 658,087 million yen.

Total liabilities decreased by 28,990 million yen from the previous fiscal year-end to 232,252 million yen due to a major decline in income taxes payable and accounts payable-other.

Net assets declined by 20,636 million yen from the previous fiscal year-end to 425,835 million yen, as foreign currency translation adjustment significantly decreased while retained earnings increased.

The shareholders' equity ratio as of the end of the current quarter was 64.7%.

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

At this point, there are no revisions to the consolidated financial forecasts announced on May 11, 2016.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

	(Millions of yen)	
	As of March 31, 2016	As of June 30, 2016
<b>Assets</b>		
Current assets:		
Cash and time deposits	54,922	76,925
Notes and accounts receivables	107,165	107,092
Marketable securities	81,039	40,947
Merchandise and finished goods	48,100	39,831
Work-in-process	3,206	4,177
Raw materials and supplies	8,281	10,639
Deferred tax assets	63,991	64,149
Short-term loans receivable	48,426	36,036
Others	6,454	8,890
Allowance for doubtful receivables	(4)	(4)
<b>Total current assets</b>	<b>421,584</b>	<b>388,685</b>
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	95,279	94,852
Accumulated depreciation and impairment loss	(54,944)	(55,348)
Buildings and structures, net	40,335	39,503
Machinery, equipment and carriers	79,734	79,794
Accumulated depreciation and impairment loss	(71,937)	(72,161)
Machinery, equipment and carriers, net	7,796	7,632
Land	6,269	6,236
Construction in progress	1,497	1,159
Others	33,498	32,975
Accumulated depreciation and impairment loss	(27,572)	(27,395)
Others, net	5,926	5,579
<b>Total property, plant and equipment</b>	<b>61,824</b>	<b>60,111</b>
Intangible assets:		
Goodwill	76,950	69,119
In-process research and development	60,144	54,985
Others	19,485	17,609
<b>Total intangible assets</b>	<b>156,580</b>	<b>141,714</b>
Investments and other assets:		
Investment securities	60,432	60,237
Asset for retirement benefits	66	40
Deferred tax assets	2,313	2,411
Others	4,953	4,917
Allowance for doubtful receivables	(40)	(29)
<b>Total investments and other assets</b>	<b>67,725</b>	<b>67,576</b>
<b>Total fixed assets</b>	<b>286,130</b>	<b>269,401</b>
<b>Total assets</b>	<b>707,715</b>	<b>658,087</b>

	(Millions of yen)	
	As of March 31, 2016	As of June 30, 2016
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payables	12,153	14,369
Short-term loans payable	1,010	922
Current portion of bonds payable	10,000	10,000
Current portion of long-term loans payable	12,000	12,000
Income taxes payable	26,357	6,825
Reserve for bonuses	10,809	5,718
Reserve for sales returns	9,086	7,877
Reserve for sales rebates	49,224	47,545
Accounts payable-other	34,212	28,375
Others	14,869	21,330
Total current liabilities	179,722	154,965
Long-term liabilities:		
Bonds payable	20,000	20,000
Long-term loans payable	8,000	8,000
Deferred tax liabilities	16,209	14,738
Liability for retirement benefits	16,158	16,122
Others	21,152	18,426
Total long-term liabilities	81,520	77,286
Total liabilities	261,242	232,252
<b>Net assets</b>		
Shareholders' equity:		
Common stock	22,400	22,400
Capital surplus	15,860	15,860
Retained earnings	341,401	346,578
Treasury stock	(663)	(664)
Total shareholders' equity	378,999	384,175
Accumulated other comprehensive income (loss):		
Unrealized gains on available-for-sale securities	25,293	24,904
Deferred gains (losses) on hedges	(12)	(143)
Foreign currency translation adjustment	48,025	22,676
Remeasurements of defined benefit plans	(5,832)	(5,777)
Total accumulated other comprehensive income (loss)	67,473	41,660
Total net assets	446,472	425,835
Total liabilities and net assets	707,715	658,087



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

## Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	98,128	103,488
Cost of sales	26,344	23,929
Gross profit	71,783	79,558
Reversal of reserve for sales returns	—	6
Provision of reserve for sales returns	10	—
Gross profit, net	71,773	79,565
Selling, general and administrative expenses		
Salaries	10,281	10,069
Provision for reserve for bonuses	2,993	3,042
Retirement benefit expenses	1,231	1,204
Research and development costs	20,108	19,339
Others	32,717	31,354
Total selling, general and administrative expenses	67,331	65,010
Operating income	4,442	14,555
Non-operating income		
Interest income	117	230
Dividend income	639	693
Others	108	75
Total non-operating income	865	999
Non-operating expenses		
Interest expense	234	167
Foreign exchange losses	125	2,512
Others	222	189
Total non-operating expenses	581	2,869
Ordinary income	4,726	12,685
Extraordinary income		
Gain on sales of investment securities	6,004	—
Total extraordinary income	6,004	—
Extraordinary loss		
Impairment loss	153	—
Total extraordinary loss	153	—
Income before income taxes	10,576	12,685
Income taxes	4,635	4,318
Net income	5,941	8,366
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	5,941	8,366

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net income	5,941	8,366
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	1,720	(196)
Deferred gains (losses) on hedges	21	(130)
Foreign currency translation adjustment	5,921	(25,348)
Remeasurements of defined benefit plans	132	54
Total other comprehensive income (loss)	7,795	(25,620)
Comprehensive income	13,737	(17,254)
Comprehensive income attributable to		
Owners of the parent	13,737	(17,254)
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, 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	38,158	42,321	4,565	2,755	87,800	10,327	98,128
Intersegment sales and transfers	10	—	—	—	10	18	29
Total	38,168	42,321	4,565	2,755	87,811	10,346	98,157
Income of segment	12,589	9,501	1,649	316	24,055	492	24,548

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	24,055
Income of "Other Business"	492
Research and development costs*	(20,108)
Elimination of intersegment transactions	1
Operating income on consolidated statements of income	4,442

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 153 million yen is recorded as an impairment loss.

II 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.