

Financial Results for FY2017 (Year ended March 31, 2018)

May 14, 2018

Hiroshi Nomura, President and CEO
Sumitomo Dainippon Pharma Co., Ltd.

Disclaimer Regarding Forward-looking Statements

This material contains forecasts, projections, targets, 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, plans, goals, 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.

Information concerning pharmaceuticals (including compounds under development) contained herein is not intended as advertising or as medical advice.

Financial Results for FY2017

FY2017 Major Topics

Japan segment

- Revenue and profit increased year-on-year, overcame impact of reduction in MRs.

North America segment

- Revenue and profit increased year-on-year due to a substantial increase in sales of LATUDA®

China, other segment

- Revenue and profit increased year-on-year because sales of most products grew steadily.

R&D

- 1 approval, 4 pivotal studies with successful outcomes (3 NDAs submitted)
 - ✓ LONHALA® MAGNAIR®: Approved in the U.S.
 - ✓ Dasotraline (ADHD): NDA submitted in the U.S.
 - ✓ Apomorphine (OFF episodes in PD): NDA submitted in the U.S.
 - ✓ TRERIEF® (Parkinsonism in DLB): NDA submitted in Japan
 - ✓ LONASEN® (Transdermal patch): Preparing for NDA submission in Japan
- Started seven Phase 1 studies and one Phase 2 study

[Psychiatry & Neurology]	Dasotraline (Japan),	DSP-3905 (U.S.),	EPI-589 (Japan),	SEP-4199 (U.S., Started Phase 2 study)
[Oncology]	DSP-0509 (U.S.),	TP-0184 (U.S.),	DSP-0337 (U.S.),	Alvocidib (Japan)

 - Discontinued: Napabucasin (Gastric cancer; Japan & U.S.), WT4869 (Japan), WT2725 (Japan), DSP-1747 (Japan), DSP-1200 (Japan)
- Constructed and started operation of the Manufacturing Plant for Regenerative Medicine & Cell Therapy (SMaRT) in Central Research Laboratories
- In-licensed imeglimin from Poxel S.A., and started Phase 3 studies for type 2 diabetes in Japan

Financial Results for FY2017 (JGAAP)

Billions of yen

	FY2016 Results	FY2017 Results	Change			FY2017	
			Value		%	Forecasts (in January)	Achieve- ment %
				FX rate impact			
Net sales	411.6	478.0	66.3	6.5	16.1	474.0	100.8
Cost of sales	100.1	119.9	19.8	9.3	19.8	118.5	101.1
Gross profit	311.6	358.1	46.5	(2.7)	14.9	355.5	100.7
SG&A expenses	259.1	292.3	33.2	4.4	12.8	283.5	103.1
SG&A expenses less R & D c o s t s	178.2	200.9	22.6	3.2	12.7	194.5	103.3
R&D Costs	80.8	91.4	10.6	1.2	13.1	89.0	102.7
Operating income	52.5	65.8	13.3	(7.1)	25.4	72.0	91.4
Ordinary income	54.1	60.9	6.8		12.6	72.0	84.6
Extraordinary income (losses)	(7.1)	(14.1)	(7.2)			(6.0)	
Net income attributable to owners of the parent	28.7	37.5	8.8		30.6	55.0	68.2

* FY2016 results have been revised retroactively associated with finalizing purchase price allocation related to the acquisition of Tolero. As a result, operating income, ordinary income, net income attributable to owners of the parent decreased by 0.3 billion yen.

FX rates:

FY2016 Results : 1US\$ = ¥ 108.4, 1RMB = ¥16.1

FY2017 Results : 1US\$ = ¥ 110.9, 1RMB = ¥16.7

IFRS (Full Basis) – JGAAP Comparison (FY2017)

Billions of yen

JGAAP		Difference (amount)	IFRS		Major difference
Net sales	478.0	(11.2)	Revenue	466.8	Profit on business transfer (to other operating income) (9.2)
Cost of sales	119.9	(7.6)	Cost of sales	112.3	Unification of valuation method of inventory (5.6)
Gross profit	358.1	(3.6)	Gross profit	354.5	
SG&A expenses	200.9	(17.2)	SG&A expenses	183.7	Goodwill not amortized (6.7) Changes in fair value of contingent consideration (14.7) Impairment losses (from extraordinary losses) +2.1
R&D costs	91.4	(4.5)	R&D expenses	86.9	Intangible assets by separate purchase
		4.3	Other operating income and expenses	4.3	Profit on business transfer (from net sales) +9.2 Business structure improvement expenses (from extraordinary loss) (3.7) Shifted from non-operating income / expenses (1.6)
Operating income	65.8	22.3	Operating profit	88.2	
Non-operating income (expenses)	(4.9)	(1.6)	Finance income and costs	(3.3)	Shifted to other operating income / expenses +1.6
Ordinary income	60.9				
Extraordinary income (losses)	(14.1)	14.1			Business structure improvement expenses +3.7 Impairment losses +2.1 Loss on valuation of investment securities (to retained earnings) +6.4
Income taxes	9.3	22.1	Income tax expenses	31.4	Impact from change in tax rate applied to tax effect for elimination of unrealized gain of inventory +11.6
Net income attributable to owners of the parent	37.5	15.9	Net profit attributable to owners of the parent	53.4	

Financial Results for FY2017 (Full Basis)

Billions of yen

	FY2016 Results	FY2017 Results	Change	
			Value	%
Revenue	408.4	466.8	58.5	14.3
Cost of sales	94.6	112.3	17.7	18.7
Gross profit	313.7	354.5	40.8	13.0
SG&A expenses	181.7	183.7	2.0	1.1
R&D expenses	81.4	86.9	5.6	6.8
Other operating income and expenses	(10.4)	4.3	14.5	
Operating profit	40.3	88.2	47.9	118.9
Net profit attributable to owners of the parent	31.9	53.4	22.1	70.7
Core operating profit	64.4	90.6	26.2	40.8

Adjustments to Core Operating Profit

FY2017 Results

Billions of yen

IFRS Full Basis		Adjusted amount	IFRS Core Basis		Adjusted items
Revenue	466.8		Revenue	466.8	
Cost of sales	112.3		Cost of sales	112.3	
Gross profit	354.5		Gross profit	354.5	
SG&A expenses	183.7	2.5	SG&A expenses	186.2	Changes in fair value of contingent consideration +6.4 Impairment losses (2.1)
R&D expenses	86.9		R&D expenses	86.9	
Other operating income and expenses	4.3	4.9	Other operating income and expenses *1 (profit/loss on business transfer, share of profit/loss of associates accounted for using equity method)	9.2	Restructuring expenses +3.7
Operating profit	88.2	2.4	Core operating profit	90.6	
			Changes in fair value of contingent consideration (Positive number indicates profit)	6.4	From SG&A expenses +6.4
			Other non-recurring items *2 (Negative number indicates loss)	(8.8)	Restructuring expense (3.7) Impairment losses (2.1)

IFRS Full Basis : Each item is shown by original financial value under IFRS

IFRS Core Basis : Each item is shown by value after adjustment for calculating core operating profit

*1 "P/L on business transfer" and "share of P/L of associates accounted for using equity method" included in "other operating income and expenses" are used for calculation for core operating profit.

*2 Non-recurring items including "other operating income and expenses" except for *1 items, and impairment losses, etc.

Financial Results for FY2017 (Core Basis)

Billions of yen

	FY2016 Results	FY2017 Results	Change		
			Value	FX rate impact	%
Revenue	408.4	466.8	58.5	6.3	14.3
Cost of sales	94.5	112.3	17.8	9.1	18.9
Gross profit	313.8	354.5	40.7	(2.8)	13.0
SG&A expenses ^{*1}	171.4	186.2	14.8	2.8	8.6
R&D expenses	81.4	86.9	5.5	1.1	6.8
Other operating income and expenses (Core basis) ^{*2}	3.3	9.2	5.9	0.0	178.2
Core operating profit	64.4	90.6	26.2	(6.7)	40.8
Changes in fair value of contingent consideration (negative number indicates loss)	(8.1)	6.4	14.5		
Other non-recurring items ^{*3} (negative number indicates loss)	(16.0)	(8.8)	7.2		
Operating profit	40.3	88.2	47.9		118.9
Net profit attributable to owners of the parent	31.3	53.4	22.1		70.7

^{*1} Exclude non-recurring items (changes in fair value of contingent consideration, impairment losses, etc.)

^{*2} "P/L on business transfer" and "share of P/L of associates accounted for using equity method"

^{*3} Non-recurring items ("other operating income and expenses" except for ^{*2} items, impairment losses included in SG&A expenses, etc.)

FX rates: FY2016 Results : 1US\$ = ¥ 108.4, 1RMB = ¥16.1
FY2017 Results : 1US\$ = ¥ 110.9, 1RMB = ¥16.7

Segment Information (Core Basis)

Billions of yen

		Pharmaceuticals Business					Other Business	Total (Core basis)
		Japan	North America	China	Other Regions	Subtotal		
FY2017 Results	Revenue (Sales to customers)	143.3	240.8	23.4	16.5	424.0	42.8	466.8
	Cost of sales	51.7	15.1	4.6	7.3	78.7	33.7	112.3
	Gross profit	91.7	225.7	18.9	9.1	345.4	9.1	354.5
	SG&A expenses	51.5	116.2	8.2	4.0	179.8	6.4	186.2
	Core segment profit	40.3	109.5	10.7	5.1	165.6	2.7	168.3
	R&D expenses					85.8	1.1	86.9
	Other operating income/expenses					9.2	0.0	9.2
	Core operating profit					89.0	1.6	90.6
FY2016 Results	Revenue (Sales to customers)	140.8	194.7	17.6	11.5	364.7	43.7	408.4
	Cost of sales	46.8	4.0	3.4	5.6	59.8	34.8	94.5
	Gross profit	94.1	190.6	14.3	5.9	305.0	8.9	313.8
	SG&A expenses	56.2	98.1	7.5	3.1	164.9	6.5	171.4
	Core segment profit	37.9	92.6	6.7	2.8	140.0	2.4	142.4
	R&D expenses					80.4	1.0	81.4
	Other operating income/expenses					3.2	0.1	3.3
	Core operating profit					62.8	1.5	64.4
Change	Revenue (Sales to customers)	2.5	46.1	5.8	4.9	59.4	(0.9)	58.5
	SG&A expenses	(4.7)	18.1	0.6	0.9	14.9	(0.1)	14.8
	Core segment profit	2.3	17.0	4.0	2.3	25.6	0.3	25.9
	Core operating profit					26.1	0.1	26.2

Refer to p.7 for adjustments between IFRS full basis and core basis.

Revenue in North America increased significantly mainly due to sales growth.

Every segment achieved increase in profit

Revenue of Major Products in Japan

Billions of yen

	FY2016 Results	FY2017 Results	Change	
			Value	%
AIMIX®	17.1	18.8	1.6	9.6
TRERIEF®	15.1	16.1	0.9	6.2
Trulicity® *	6.8	15.9	9.2	135.1
LONASEN®	12.8	12.6	(0.2)	(1.3)
REPLAGAL®	10.7	11.7	1.0	9.7
METGLUCO®	11.2	10.9	(0.3)	(2.8)
AVAPRO®	10.3	8.4	(2.0)	(18.9)
SUREPOST®	4.3	5.0	0.7	15.9
AmBisome®	4.4	4.3	(0.1)	(1.8)
Promoted products Total	92.8	103.7	11.0	11.8
AMLODIN®	13.0	11.4	(1.6)	(12.2)
PRORENAL®	6.5	5.4	(1.1)	(17.4)
GASMOTIN®	6.0	4.9	(1.1)	(18.7)
MEROPEN®	4.3	3.3	(1.0)	(22.4)
Others	18.2	14.6	(3.7)	(20.1)
Total	140.8	143.3	2.5	1.8

AIMIX® and TRERIEF® remained strong.

Trulicity® sales increased materially.

GEs of AVAPRO® launched in Dec. 2017
The Group launched AG (Revenue is included in “Others”)

Long listed products continued to decrease.

Note: Sales of each product above are shown on an invoice price basis (* Trulicity® is shown on NHI price basis).

Revenue of Major Products in North America & China

	FY2016 Results	FY2017 Results	Change	FY2016 Results	FY2017 Results	Change		
						Value	FX rate impact	%
North America	Million \$			Billion yen				
LATUDA®	1,254	1,611	357	135.9	178.6	42.7	4.0	31.4
BROVANA®	305	299	(6)	33.1	33.1	0.1	0.7	0.3
APTIOM®	107	141	35	11.6	15.7	4.1	0.4	35.5
XOPENEX®	47	36	(11)	5.1	4.0	(1.1)	0.1	(22.1)
Ciclesonide	47	13	(34)	5.1	1.4	(3.7)	0.0	(72.1)
Therapeutic agent for COPD (In-licensed 3 products) *	0	5	4	0.0	0.5	0.5	0.0	–
Others	36	68	32	3.8	7.4	3.6	0.2	93.2
Total	1,796	2,172	376	194.7	240.8	46.1	5.4	23.7
China	Million RMB			Billion yen				
MEROPEN®	954	1,216	262	15.4	20.4	5.0	0.8	32.6
Others	141	185	44	2.3	3.1	0.8	0.1	36.1
Total	1,095	1,401	306	17.6	23.4	5.8	0.9	33.0

LATUDA® and APTIOM®
showed strong growth.

LONHALA® MAGNAIR®
launched in April 2018.

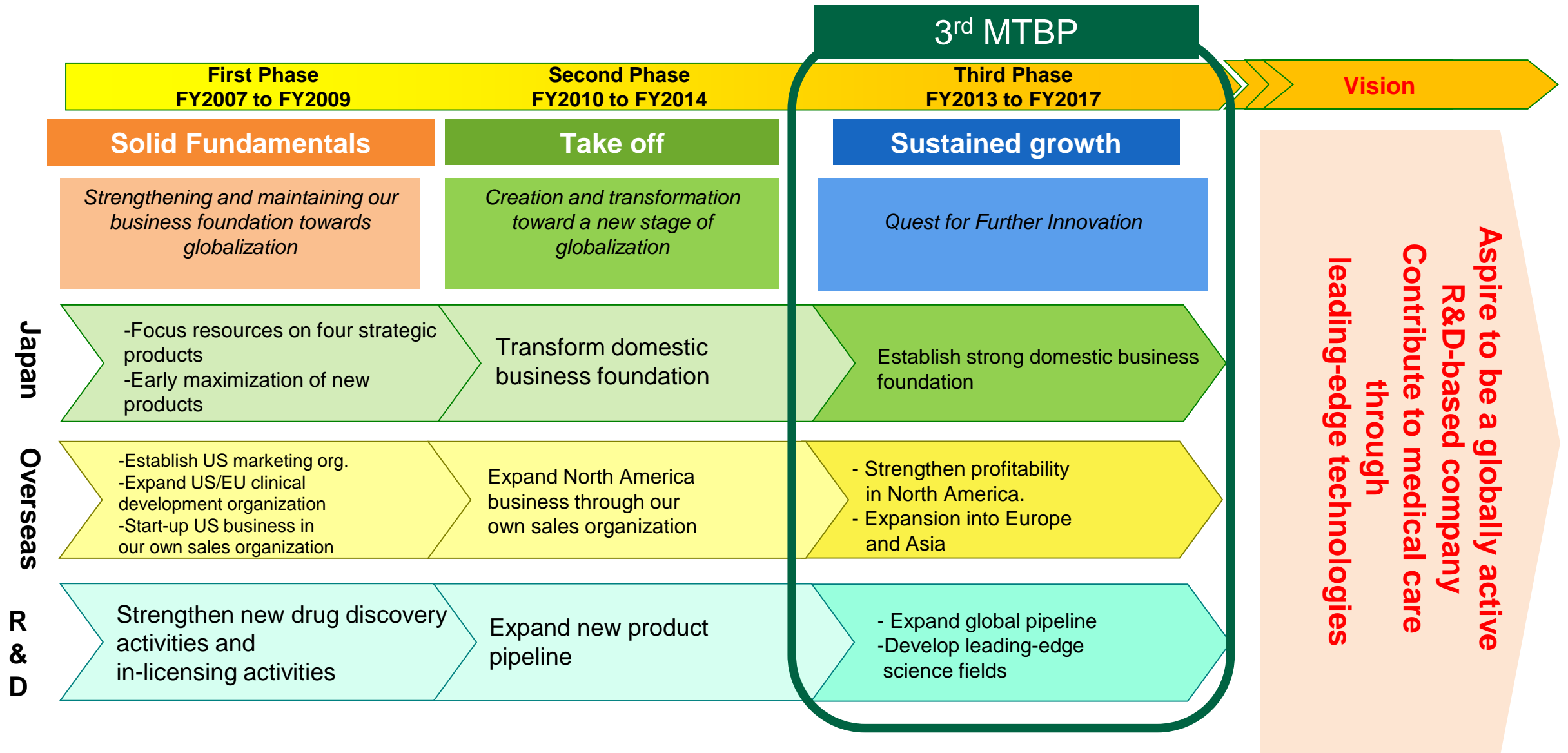
MEROPEN® sales
steadily increased.

* UTIBRON™, SEEBRI™, ARCAPTA®

FX rates: FY2016 Results : 1US\$ = ¥ 108.4, 1RMB = ¥16.1
FY2017 Results : 1US\$ = ¥ 110.9, 1RMB = ¥16.7

The Third Mid-term Business Plan in Review (FY2013 to FY2017)

Vision and The Third Mid-term Business Plan



The Third Mid-term Business Plan: What We Have Achieved

◎: Completely fulfilled, ○: Fulfilled, △: Somewhat fulfilled, ×: Not fulfilled

① Domestic business: △

Establish a robust revenue base in Japan

- × Maintenance/expansion of business scale
 - △ Sales increase of mainstay products (AIMIX®, LONASEN®, TRERIEF®, etc.)
 - × Launch of our own products
 - Acquisition and launch of alliance products (Trulicity®, REMITCH®)
- In-licensing in the diabetes field (imeglimin)

② Overseas business: ○

Further expand overseas business and maximize earnings

- Strengthen profitability in North America
- Expand into Europe and Asia

- Maintenance/expansion of business scale in North America
 - ◎ Achievement of substantial sales growth of LATUDA®
 - × Launch of oncology business
 - Maintenance/expansion of COPD franchise
- China business: Achievement of steady growth
- × Development of business in Europe: Review of the LATUDA® business, failure to meet the sales plan
- Inroads into Southeast Asia: Introduction of LATUDA® and MEROPEN®

③ R&D: △

- Expand global pipeline
- Develop leading-edge science fields

- × Planned clinical development success rates of high-priority products
- △ Start of clinical studies for the target number of compounds
- Expansion of pipeline through business development (acquisition of Cynapsus Therapeutics and Tolero Pharmaceuticals)
- Progress in R&D of regenerative medicine and cell therapy

The Third Mid-term Business Plan: What We Have Achieved

④ Continuously pursue operational efficiency and CSR: ○

- Further penetration of our Corporate Mission, Management Mission, and Declaration of Conduct
- Reinforcement of our corporate governance
 - Establishment of Nomination and Compensation Committee, increase in Outside Directors and Outside Audit & Supervisory Board Members
 - Reinforcement of risk management / compliance implementation frameworks throughout the Group
- Decrease in SG&A costs, optimization of personnel, and relocation of sites in Japan
- Promotion of social contribution activities

⑤ Build an active corporate culture and develop talent: ○

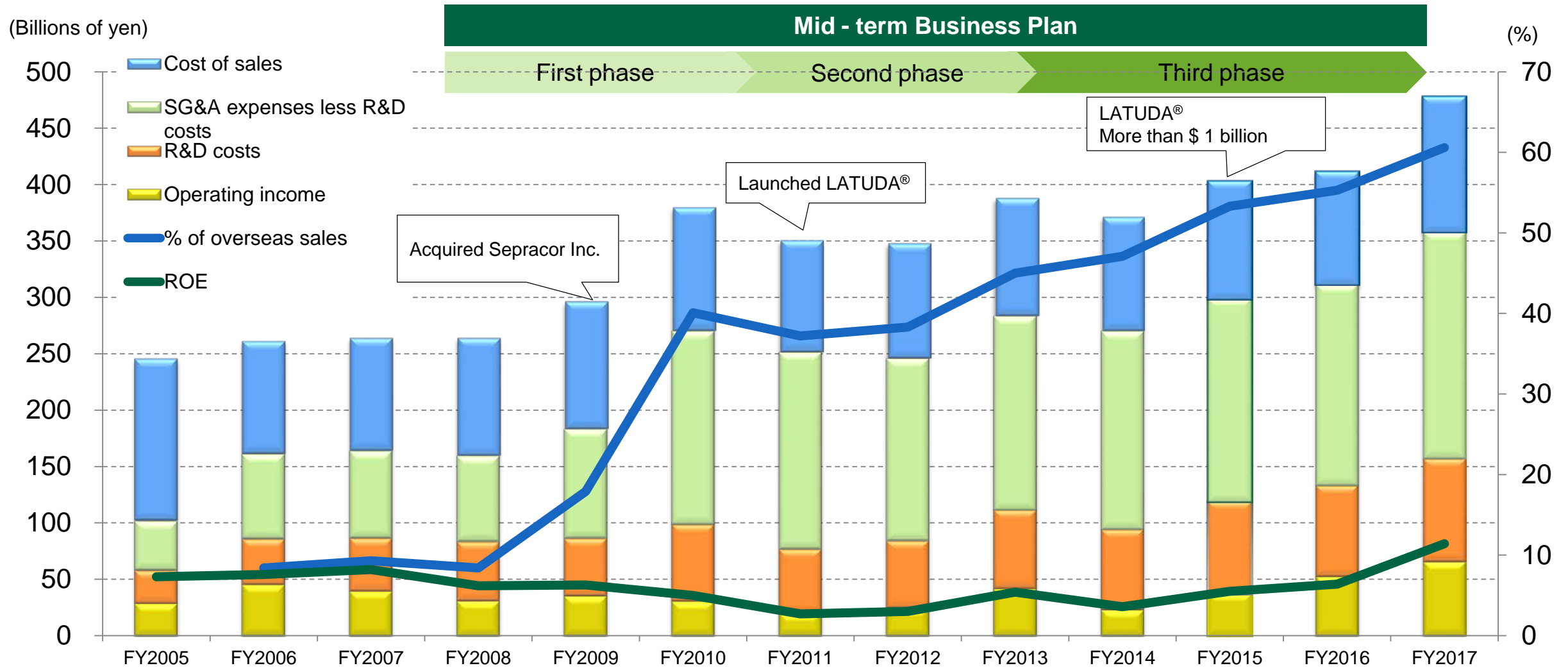
- New HR system that brings out individual competence
- Establishment of career grade-specific training system “DSP Academy,” provision of “Management Course”
- Promotion of active participation by women (our female managerial staff ratio in 2017: Approx. 8%)



**Highest-priority
issue**

Expand development pipeline and increase R&D success rates

Trend of Business Results



Activities in FY2018

Establishment of the Japan Business Unit (April 2018)

- Operate the Japan business in an integrated manner by devising strategic units and investment units that have been designed specifically for it
 - Increase business profitability in Japan
- **Maximize product value in focus areas**
 - Psychiatry & neurology: TRERIEF[®]*, LONASEN[®], and EFFEXOR[®] (new alliance product) * New indication scheduled for FY2018
 - Diabetes: Trulicity[®], SUREPOST[®], and METGLUCO[®]
 - Specialty: REPLAGAL[®], AmBisome[®], and REMITCH[®]
 - **Build a highly efficient sales organization**
 - Increase per-capita productivity through training sessions and MR camps
 - Strengthen area marketing in response to ongoing changes in the medical care system
 - Develop a Data Management Platform (DMP) for unified management of various data
Accelerate the drive to increase sales efficiency by leveraging accumulated data
 - **Promote in-licensing of new products and collaboration with partners**
 - Place priority on products for which business bases in Japan may be utilized and that contribute to early earnings
 - **Integrate plants**
 - Integrate four plants into two by the end of FY2018

**Head of Japan
Business Unit
Hitoshi Odagiri**



Virtual organization

Sales & Marketing, Corporate Regulatory
Compliance & Quality Assurance,
International Business Management, etc.

North America and China Business

■ North America

➤ Status of ANDA litigations regarding LATUDA®

- ANDA litigation (1)
Compound patent (U.S. Patent No. 5,532,372; LOE January 2019)
 - ✓ Complaint filed: January 2015
 - ✓ Court of Appeal ruled in favor of us: April 2018
- ANDA litigation (2)
Method of use patent (U.S. Patent No. 9,815,827; Issued in November 2017; Expires in February 2024)
Formulation patent (U.S. Patent No. 9,907,794; Issued in March 2018; Expires in May 2026)
 - ✓ Complaint filed to assert '827 patent: February 2018
 - ✓ Amended Complaint to add '794 patent: May 2018
 - ✓ Trial: currently, scheduled to be held in early December 2018

➤ Maximize value of focus products

- Psychiatry & Neurology: LATUDA®, APTIOM®
- COPD : LONHALA® MAGNAIR® (Launched in April 2018), BROVANA®, UTIBRON™, SEEBRI™, etc.

➤ Establish efficient sales system for new products

- Expected approvals in FY2018: dasotraline, apomorphine (APL-130277)

■ China

- Maintain/expand MEROPEN® sales and accelerate early penetration of LONASEN® (launched in February 2018) into the market

R&D (1)

■ **Psychiatry & Neurology : Aim to submit two NDAs and obtain three approvals in FY2018**

Products	Proposed indication	Area	FY2018 target
dasotraline	Attention-deficit hyperactivity disorder (ADHD)	U.S.	Approval and launch
	Binge eating disorder (BED)	U.S.	NDA submission
TRERIEF®	Parkinsonism in dementia with Lewy bodies (DLB)	Japan	Approval
LONASEN®	(New formulation: Transdermal patch) Schizophrenia	Japan	NDA submission
APL-130277	OFF episodes associated with Parkinson's disease	U.S.	Approval and launch

■ **Oncology : Promote development toward NDA submission**

Products	Proposed indication	Area	FY2018 target
alvocidib	Acute myeloid leukemia (AML) (Refractory or relapsed patients)	U.S.	NDA submission for accelerated approval
napabucasin	Pancreatic cancer, Colorectal cancer	U.S., Japan	Promotion of Phase 3 studies

R&D (2)

■ Regenerative medicine / Cell therapy

Products	Proposed indication	Area	FY2018 target
SB623	Chronic stroke	U.S.	Obtain Phase 2b study results in 1H 2019
Allo iPS cell-derived products	AMD (age-related macular degeneration)	Japan	Start a clinical study (corporate-initiated)
Allo iPS cell-derived products	Parkinson's disease	Japan	Start a clinical study (investigator-initiated)

- The Manufacturing Plant for Regenerative Medicine & Cell Therapy (SMaRT) : Establishment of manufacturing system of allogeneic iPS cell-derived investigational agents and manufacturing their commercial production

■ Development of Frontier area

- Explore specific business opportunities in cooperation with the outside resource

■ New in-licensing / M&A

- Continue to promote development pipeline expansion

■ Activities to improve R&D success rate

- Strengthening of drug discovery platforms directly connected to pipeline improvement such as in-silico / AI technology, iPS drug discovery , etc.
- Enhance translational research by integration of R&D division in Psychiatry & Neurology area

Corporate Governance and others

- **Change of corporate governance system (new setup with Chairman and President)**
 - ✓ Chairman: Chairs Board meetings (involved in industry activities, maintenance of human networks, and building of a stronger corporate culture, including promotion and development of human resources)
 - ✓ President: Holds concurrent position of Chief Executive Officer (CEO)
- **Pursuit of highly effective corporate governance systems**
 - ✓ Ensure diversity of Directors and Audit & Supervisory Board members: 8 Directors (including 3 Outside Directors) (expected in June 2018)
 - ✓ Address issues identified in the BoD effectiveness evaluation
- **Development of human resources**
 - ✓ **Continuation of the DSP Academy**
 - Established in July 2016 as a career grade-specific training system (including the Management Course)
 - Being offered in FY2018 as well in order to train management/leader candidates
 - ✓ **Promotion of women's active participation**
 - Aim to increase the percentage of women in managerial positions to at least 10% by 2020 (8.4% as of April 2018)
 - Continue with various training sessions (for managers, women, and individuals returning from child care leave)
- **Work style innovation**
 - ✓ **Enhancement of labor productivity and work-life balance**
 - Hold "Work Style Innovation Meetings" as opportunities for each department to review their work styles
 - Utilize the work-from-home and flextime systems
 - Innovate the office environment (introducing the free-address office system, etc.)

Financial Forecasts for FY2018

Financial Forecasts for FY2018 (Core Basis)

Billions of yen

	FY2017 Results	FY2018 Forecasts	Change		
			Value	FX rate impact	%
Revenue	466.8	467.0	0.2	(15.0)	0.0
Cost of sales	112.3	110.0	(2.3)	(5.6)	(2.1)
Gross profit	354.5	357.0	2.5	(9.4)	0.7
SG&A expenses ^{*1}	186.2	195.0	8.8	(6.9)	4.7
R&D expenses	86.9	85.0	(1.9)	(2.6)	(2.2)
Other operating income and expenses (Core basis) ^{*2}	9.2	—	(9.2)	—	—
Core operating profit	90.6	77.0	(13.6)	0.1	(15.0)
Changes in fair value of contingent consideration (negative number indicates loss)	6.4	(19.0)	(25.4)		
Other non-recurring items ^{*3} (negative number indicates loss)	(8.8)	(5.0)	3.8		
Operating profit	88.2	53.0	(35.2)		(39.9)
Net profit attributable to owners of the parent	53.4	35.0	(18.4)		(34.5)
R O E (%)	12.4	7.5			

*1 Exclude non-recurring items (changes in fair value of contingent consideration, impairment losses, etc.)

*2 "P/L on business transfer" and "share of P/L of associates accounted for using equity method"

*3 Non-recurring items ("other operating income/ expenses" except for *2 items, impairment losses included in SG&A expenses, etc.)

FX rates: FY2017 Results : 1US\$ = ¥ 110.9, 1RMB = ¥16.7
FY2018 Forecasts : 1US\$ = ¥ 105.0, 1RMB = ¥16.5

Segment Information (Core Basis)

		Pharmaceuticals Business					Other Business	Total (Core basis)
		Japan	North America	China	Other Regions	Subtotal		
FY2018 Forecasts	Revenue (Sales to customers)	131.8	260.8	22.0	14.4	429.0	38.0	467.0
	Cost of sales	52.3	18.8	3.7	6.0	80.8	29.2	110.0
	Gross profit	79.5	242.0	18.3	8.4	348.2	8.8	357.0
	SG&A expenses	52.5	124.2	8.5	3.5	188.7	6.3	195.0
	Core segment profit	27.0	117.8	9.8	4.9	159.5	2.5	162.0
	R&D expenses					84.0	1.0	85.0
	Other operating income/expenses					—	—	—
	Core operating profit					75.5	1.5	77.0
FY2017 Results	Revenue (Sales to customers)	143.3	240.8	23.4	16.5	424.0	42.8	466.8
	Cost of sales	51.7	15.1	4.6	7.3	78.7	33.7	112.3
	Gross profit	91.7	225.7	18.9	9.1	345.4	9.1	354.5
	SG&A expenses	51.5	116.2	8.2	4.0	179.8	6.4	186.2
	Core segment profit	40.3	109.5	10.7	5.1	165.6	2.7	168.3
	R&D expenses					85.8	1.1	86.9
	Other operating income/expenses					9.2	0.0	9.2
	Core operating profit					89.0	1.6	90.6
Change	Revenue (Sales to customers)	(11.5)	20.0	(1.4)	(2.1)	5.0	(4.8)	0.2
	SG&A expenses	1.1	8.0	0.3	(0.5)	8.9	(0.1)	8.8
	Core segment profit	(13.3)	8.3	(0.9)	(0.2)	(6.1)	(0.2)	(6.3)
	Core operating profit					(13.5)	(0.1)	(13.6)

Billions of yen

Refer to p.7 for adjustments between IFRS full basis and core basis.

New products-related costs to increase in SG&A expenses in North America

Revenue of Major Products in Japan

Billions of yen

	FY2017 Results	FY2018 Forecasts	Change	
			Value	%
Trulicity® *	15.9	22.8	6.9	43.1
TRERIEF®	16.1	14.5	(1.6)	(9.7)
LONASEN®	12.6	12.5	(0.1)	(1.1)
REPLAGAL®	11.7	12.2	0.5	4.0
METGLUCO®	10.9	11.1	0.2	2.1
AIMIX®	18.8	10.4	(8.4)	(44.6)
SUREPOST®	5.0	5.9	0.9	17.3
AmBisome®	4.3	4.3	0.0	(0.0)
Promoted products Total	95.3	93.7	(1.6)	(1.7)
AMLODIN®	11.4	9.1	(2.3)	(20.4)
PRORENAL®	5.4	4.3	(1.1)	(20.4)
AVAPRO®	8.4	4.0	(4.4)	(52.3)
GASMOTIN®	4.9	3.9	(1.0)	(20.4)
MEROPEN®	3.3	2.7	(0.6)	(18.2)
Others	14.6	14.1	(0.5)	(3.3)
Total	143.3	131.8	(11.5)	(8.0)

Trulicity® expected to grow continually.

TRERIEF® to decrease due to negative impact of NHI price revision exceeding incremental sales from additional indication.

GEs of AIMIX® expected to enter market in June 2018.
The Group will launch AG (Revenue will be included in "Others").

Long listed products to decrease continually.

Impact of NHI price revision is estimated at 9.0 billion yen.

Note: Sales of each product above are shown on an invoice price basis (* Trulicity® is shown on NHI price basis).

Revenue of Major Products in North America & China

	FY2017 Results	FY2018 Forecasts	Change	FY2017 Results	FY2018 Forecasts	Change		
						Value	FX rate impact	%
North America	Million \$			Billion yen				
LATUDA®	1,611	1,759	148	178.6	184.7	6.1	(10.3)	3.4
BROVANA®	299	326	27	33.1	34.2	1.1	(1.9)	3.2
APTIOM®	141	210	69	15.7	22.1	6.4	(1.2)	41.1
LONHALA® MAGNAIR®	—	48	48	—	5.0	5.0	(0.3)	—
Therapeutic agent for COPD (in-licensed 3 products) *	5	28	23	0.5	2.9	2.4	(0.2)	448.6
XOPENEX®	36	34	(2)	4.0	3.6	(0.4)	(0.2)	(9.5)
Others	80	79	(1)	8.9	8.3	(0.6)	(0.5)	(6.8)
Total	2,172	2,484	312	240.8	260.8	20.0	(14.6)	8.3
China	Million RMB			Billion yen				
MEROPEN®	1,216	1,152	(64)	20.4	19.0	(1.4)	(0.3)	(6.6)
Others	185	181	(4)	3.1	3.0	(0.1)	(0.0)	(3.0)
Total	1,401	1,333	(68)	23.4	22.0	(1.4)	(0.3)	(6.2)

LATUDA® forecast is based on the assumption that GEs will not enter during FY2018.

COPD in-licensed 3 products and LONHALA® MAGNAIR® to contribute to increase in revenue.

* UTIBRON™, SEEBRI™, ARCAPTA®

FX rates: FY2017 Results : 1US\$ = ¥ 110.9, 1RMB = ¥16.7
FY2018 Forecasts : 1US\$ = ¥ 105.0, 1RMB = ¥16.5

Investment Strategies / Dividend Policy

Financial / Investment strategies

R&D investments 85.0 billion yen for FY2018, maintain the level of FY2017

New in-licensing / M&A Continue activities to enhance pipeline

Dividend Policy

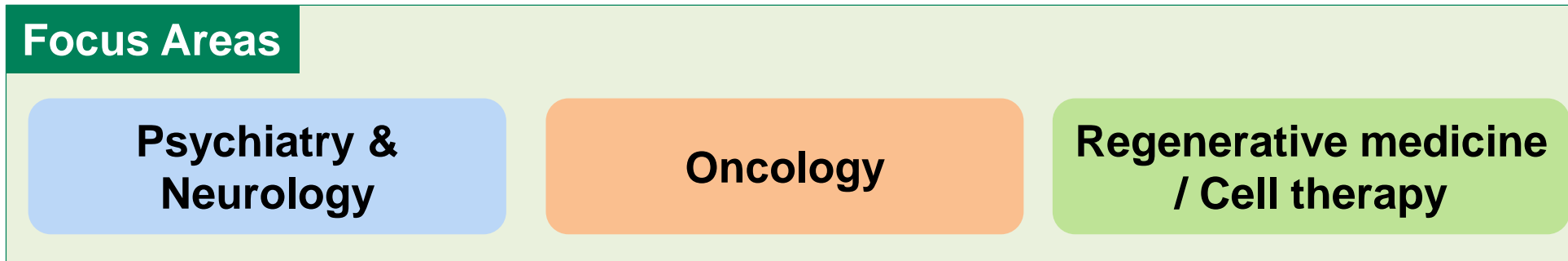
- Maintain a consistent payment policy but also consider reflecting any improvement in the Company's performance
- Annual dividend for FY2017 : ¥28 per share (A special dividend ¥10 yen was added to the ordinal dividend ¥18, considering the Company's performance)
- Annual dividend plan for FY2018 : ¥20 per share (A special dividend ¥2 yen was added to the ordinal dividend ¥18, considering the Company's forecast)

IFRS	FY2016 actual	FY2017 plan	FY2018 plan
Dividend per share(yen)	20.00	28.00	20.00
(Special dividend included in above)	2.00	10.00	2.00
Payout ratio (%)	25.4	20.8	22.7
Return on Equity(ROE) (%)	7.8	12.4	7.5
〈Reference〉			
Dividend on core operating profit (%)	12.3	12.3	10.3

Research and Development

Expand development pipeline and launch new products in focus areas

- ✓ Steadily implement development for late-stage pipeline
- ✓ Expand development pipeline from in-house and in-licensing
- ✓ Improve R&D success rate



Frontier Area

- ✓ Explore new healthcare business opportunities not limited to pharmaceuticals (areas in which knowledge and experience in pharmaceuticals would confer an advantage)
- ✓ Foster one of the business pillars in the future

Development pipeline (as of May 2018)

 : Psychiatry & Neurology
 : Oncology
 : Regenerative medicine / cell therapy
 : Others
 Revisions since the announcement of January 2018 are shown in red.

Area	Phase 1		Phase 2	Phase 3	NDA submitted
Japan	dasotraline (ADHD)	alvocidib (AML)	amcasertib (Solid tumors)	lurasidone (Schizophrenia / Bipolar I depression / Bipolar maintenance)	TRERIEF® (Parkinsonism in dementia with Lewy bodies)
	SEP-363856 (Schizophrenia)	thiotepa (Conditioning treatment prior to hematopoietic cell transplantation (HPCT))	DSP-7888 (Solid tumors, Hematologic malignancies)	LONASEN® (Schizophrenia / Transdermal patch / Pediatric)	
	DSP-2230 (Neuropathic pain)		DSP-6952 (IBS with constipation / Chronic idiopathic constipation)	EPI-743 (Leigh syndrome)	
	EPI-589 (ALS)			napabucasin (Colorectal cancer / Pancreatic cancer)	
	SEP-4199 (Bipolar I depression)			imeglimin (Type 2 diabetes)	
U.S.	DSP-2230 (Neuropathic pain)	alvocidib (AML)	EPI-589 (Parkinson's disease / ALS)	dasotraline (BED)	dasotraline (ADHD)
	DSP-6745 (Parkinson's disease psychosis)	TP-0903 (Solid tumors)	SEP-363856 (Schizophrenia / Parkinson's disease psychosis)	napabucasin (Colorectal cancer / Pancreatic cancer)	apomorphine (OFF episodes associated with Parkinson's disease)
	SEP-378608 (Bipolar disorder)	DSP-0509 (Solid tumors)	SEP-4199 (Bipolar I depression)		
	DSP-3905 (Neuropathic pain)	TP-0184 (Solid tumors)	alvocidib (r/r AML)		
		DSP-0337 (Solid tumors)	amcasertib (Solid tumors)		
			DSP-7888 (Solid tumors / Hematologic malignancies)		
			SB623 (Chronic stroke)		

Product Launch Target (as of May 2018)

Area	FY2018	FY2019	FY2020	FY2021	FY2022
Japan	TRERIEF® (Parkinsonism in dementia with Lewy bodies)	LONASEN® (Schizophrenia / Transdermal patch)	lurasidone (Schizophrenia / Bipolar I depression / Bipolar maintenance)	napabucasin (Colorectal cancer / Pancreatic cancer)	Allo iPS cell-derived products *2 (AMD)
		thiotepa (Conditioning treatment prior to hematopoietic cell transplantation (HPCT))		imeglimin (Type 2 diabetes)	Allo iPS cell-derived products *2 (Parkinson's disease)
				DSP-6952 (IBS with constipation / Chronic idiopathic constipation)	DSP-7888 *1 (Solid tumors / Hematologic malignancies)
U.S.	dasotraline (ADHD)	dasotraline (BED)		napabucasin (Colorectal cancer / Pancreatic cancer)	SB623 *2 (Chronic stroke)
	apomorphine (OFF episodes associated with Parkinson's disease)	alvocidib *1 (AML)		DSP-7888 *1 (Solid tumors / Hematologic malignancies)	

 : Psychiatry & Neurology
 : Oncology

 : Regenerative medicine / cell therapy
 : Others



Expect peak annual sales to be 50 billion yen or more (described in the first launch)

*1 Premise to utilize an application of accelerated approval program (Plan to consult with the FDA)

*2 Launch schedule is based on our goal that is not agreed with partners. 32

Appendices

<Contents>

- P.34 IFRS – JGAAP Comparison (FY2016)
- P.35 Profit before Taxes and Profit Attributable to Owners of the Parent
- P.36 Financial Position / Cash Flows
- P.37 New products profile
- P.38 Regenerative Medicine/Cell Therapy Business Plan (as of March 2018)

IFRS (Full Basis) – JGAAP Comparison (FY2016)

Billions of yen

JGAAP		Difference (amount)	IFRS		Major difference
Net sales	411.6	(3.3)	Revenue	408.4	Profit on business transfer (to other operating income) (3.3)
Cost of sales	100.1	(5.5)	Cost of sales	94.6	Unification of valuation method of inventory (5.5)
Gross profit	311.6	2.2	Gross profit	313.7	
SG&A expenses	178.2	3.4	SG&A expenses	181.7	Goodwill not amortized (5.5) Changes in fair value of contingent consideration +7.3 Impairment losses +2.2
R&D costs	80.8	0.6	R&D expenses	81.4	
		(10.4)	Other operating income and expenses	(10.4)	Profit on business transfer (from net sales) +3.3 Business structure improvement expenses (from extraordinary losses) (10.9) Loss on discontinuation of R&D programs (2.0)
Operating income	52.5	(12.2)	Operating profit	40.3	
Non-operating income (expenses)	1.6	0.9	Finance income and costs	2.5	
Ordinary income	54.1				
Extraordinary income (losses)	(7.1)	7.1			Business structure improvement expenses +10.9 Loss on discontinuation of R&D programs +2.0 Loss on valuation of investment securities (to retained earnings) (5.8)
Income taxes	18.2	(6.8)	Income tax expenses	11.5	Impact from change in tax rate applied to tax effect for elimination of unrealized gain of inventory (2.4)
Net income attributable to owners of the parent	28.7	2.6	Net profit attributable to owners of the parent	31.3	

Profit before Taxes and Profit Attributable to Owners of the Parent

Billions of yen

	FY2016 Results	FY2017 Results	Change	
			Value	%
Operating profit	40.3	88.2	47.9	118.9
Finance income	3.2	2.4	(0.8)	
Finance costs	0.7	5.7	5.1	
Profit before taxes	42.8	84.9	42.1	98.4
Income tax expenses	11.5	31.4	20.0	
Net profit	31.3	53.4	22.1	70.7
Net profit attributable to owners of the parent	31.3	53.4	22.1	70.7

Financial Position / Cash Flows

Billions of yen

Financial Position	As of March 31, 2017	As of March 31, 2018	Change
Assets	779.1	809.7	30.6
Non-current assets	471.5	461.1	(10.4)
Current assets	307.6	348.6	41.0
Liabilities	366.8	357.0	(9.8)
Non-current liabilities	134.7	146.7	12.0
Current liabilities	232.1	210.2	(21.9)
Equity	412.3	452.7	40.5
Shareholders' equity ratio	52.9%	55.9%	

Cash Flows	FY2016	FY2017	Change
Operating CF	19.1	93.4	74.3
Investment CF	(56.1)	(16.5)	39.6
Financial CF	8.8	(29.6)	(38.4)
Cash / Cash equivalents	105.6	147.8	42.2
Operating funds	122.3	169.0	46.7
(Ref.) FX rate (FY ending) \$1=	¥112.2	¥106.3	

【Assets】

Non-current	Intangible assets	(7.4)
	Other financial assets	18.3
	Deferred tax assets	(15.5)
Current	Cash/Cash equivalents	42.2

【Liabilities】

Non-current		
	Bonds/Borrowings	20.9
	Other financial liabilities	(12.4)
Current	Bonds/Borrowings	(41.5)
	Trade and other payables	11.3
	Provisions	7.5

【Operating CF】

	Increase of profit before tax	42.1
	decrease of income taxes paid	31.7

【Investment CF】

	Cash out for acquisitions in FY2016	(84.3)
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【Financial CF】

	New borrowing of short term loan in FY2016	40.0
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New Products Profile

■ SEP-4199

- Target indication: Bipolar I depression
- Origin: In-house
- Expected profile: SEP-4199 was designed for the treatment of major depressive episodes associated with bipolar I disorder.

■ DSP-3905

- Target indication: Neuropathic pain
- Origin: In-house
- Expected profile:
 - ✓ DSP-3905 is an agent that selectively inhibits voltage-gated sodium channels Nav1.7. Based on its inhibitory mode of action, the agent is expected to show a potent analgesic effect on the pain occurring when neurons get excessively excited.
 - ✓ DSP-3905 which has a high selectivity for Nav1.7 expressed in peripheral neuron, is expected not to produce central nervous system or cardiovascular system side effects, which are present with the current drugs for neuropathic pain.

■ TP-0184

- Target indication: Solid tumor
- Origin: In-house
- Expected profile:
 - ✓ TP-0184 inhibits ALK2 (activin receptor-like kinase-2), a member of the bone morphogenetic protein (BMP) Receptors. Mutations in the ALK2 gene have been identified in various tumors, including diffuse intrinsic pontine glioma (DIPG, one of pediatric brain tumors).
 - ✓ TP-0184 has been shown to inhibit the growth of tumors harboring ALK2 mutation in the pre-clinical studies.

■ DSP-0337

- Target indication: Solid tumor
- Origin: In-house
- Expected profile:
 - ✓ DSP-0337 is prodrug of napabucasin to inhibit cancer stemness pathways by targeting STAT3.
 - ✓ DSP-0337 is expected to be stable and dispersed in stomach, and converted to napabucasin in intestine, which may be absorbed and exert its pharmacologic effects. As a prodrug, its pharmacokinetic profile may be improved.

Regenerative Medicine/Cell Therapy Business Plan (as of May 2018)

Proposed indication, etc.	Partnering	Region (planned)	Cell type	Clinical research	Clinical study
Chronic stroke (SB623)	SanBio	North America	Allo mesenchymal stem cell		In progress ^{*2} (Phase 2b study)
AMD (age-related macular degeneration)	Healios RIKEN	Japan	Allo iPS cell-derived retinal pigment epithelium	In progress	Preparing for start
Parkinson's disease (Designated as a "SAKIGAKE")	Kyoto Univ CiRA	Global	Allo iPS cell-derived dopamine neural progenitor		Plan to start in FY2018 in Japan (Investigator-initiated)
Retinitis pigmentosa	RIKEN	Global	Allo iPS cell-derived photoreceptor	Preparing for start	
Spinal cord injury	Keio Univ Osaka National Hospital	Global	Allo iPS cell-derived neural progenitor	Preparing for start	

Aim to launch in FY2022*1

*1 Launch schedule is based on our goal that is not agreed with partners.

*2 Plan to conduct Phase 3 study, but aim to utilize the application of accelerated approval program depending on Phase 2b study result.



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