



Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2019 [IFRS]

July 27, 2018

Company Name: SUMITOMO DAINIPPON PHARMA CO., LTD.

Stock Exchange Listings: Tokyo

Security Code Number: 4506 (URL <https://www.ds-pharma.com>)

Representative: Hiroshi Nomura, Representative Director, President and Chief Executive Officer

Contact: Atsuko Higuchi, Executive Communication Officer

Telephone: 03-5159-3300

Filing Date of Quarterly Financial Report: August 3, 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 to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2019 (April 1, 2018 to June 30, 2018)

(1) Results of Operations

(% represents changes from the previous year)

	Revenue		Core operating profit		Operating profit		Net profit		Net profit attributable to owners of the parent		Total comprehensive income	
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	Yen million	%	Yen million	%
Three months ended June 30, 2018	115,911	(0.2)	18,425	(25.6)	15,814	(50.0)	15,247	(38.1)	15,247	(38.1)	22,293	(12.2)
Three months ended June 30, 2017	116,167	—	24,764	—	31,630	—	24,622	—	24,622	—	25,381	—

Note: Profit before taxes Three months ended June 30, 2018: ¥20,631 million

Three months ended June 30, 2017: ¥32,004 million

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter, "Non-recurring Items").

	Basic earnings per share	Earnings per share (diluted)
Three months ended June 30, 2018	¥38.38	—
Three months ended June 30, 2017	¥61.97	—

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share (yen)
As of June 30, 2018	820,240	467,814	467,814	57.0%	¥1,177.49
As of March 31, 2018	809,684	452,723	452,723	55.9%	¥1,139.50

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2018	—	¥9.00	—	¥19.00	¥28.00
Year ending March 31, 2019	—				
Year ending March 31, 2019 (Forecasts)		¥9.00	—	¥11.00	¥20.00

3. Consolidated Financial Forecasts for the Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% represents changes from the corresponding period of the previous year)

	Net sales		Core operating profit		Operating profit		Net profit		Net profit attributable to owners of parent		Basic earnings per share
	Yen million	%	Yen million	%	Yen million	%	Yen million	%	Yen million	%	
Six months ending September 30, 2018	230,000	—	41,000	—	32,000	—	22,000	—	22,000	—	¥55.37
Year ending March 31, 2019	467,000	0.0	77,000	(15.0)	53,000	(39.9)	35,000	(34.5)	35,000	(34.5)	¥88.10

Note1: Profit before taxes
 Six months ending September 30, 2018 : ¥33,000 million
 Year ending March 31, 2019 : ¥55,000 million

2: 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) Changes in accounting policies, accounting estimates, and retrospective restatements

- ① Changes in accounting standards required by IFRS: Yes
- ② Changes due to changes in accounting standards other than (2),①: None
- ③ Changes in accounting estimates: None

(3) Number of shares outstanding (Common stock)

- ① Number of shares outstanding (Including treasury stock) at the end of period

June 30, 2018: 397,900,154 shares

March 31, 2018: 397,900,154 shares

- ② Number of treasury stock at the end of period

June 30, 2018: 602,427 shares

March 31, 2018: 601,983 shares

- ③ Average number of shares during the period

June 30, 2018: 397,297,902 shares

June 30, 2017: 397,299,572 shares

This summary of financial results is exempt from review procedures.

Explanation for Appropriate Use of Forecasts and Other Notes:

Starting from the fiscal year ended March 31, 2018 (FY2017), the Group has adopted the International Financial Reporting Standards (IFRS) for preparing its consolidated financial statements. Financial data for the first quarter of the fiscal year are also represented under the IFRS.

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.

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

The Company holds the conference call for institutional investors and analysts on Friday, July 27, 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 Three Months Ended June 30, 2018

Starting from the previous fiscal year-end, the Group discloses its consolidated financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS). Accordingly, for the purposes of comparative analysis, financial data for the first three months of the previous fiscal year presented below have been adjusted in line with IFRS.

Forward-looking statements contained herein are based on the Group's judgments in light of information available as of the last day of the three-month period under review.

(1) Qualitative Information on Business Results

About the new performance indicator of "core operating profit"

The Group has set an original performance indicator for the Company's recurring profitability in the form of "core operating profit."

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors designated by the Group (hereinafter, "nonrecurring items"). Among the main nonrecurring items are impairment losses, business structure improvement expenses, litigation-related expenses, and changes in fair value of contingent consideration related to company acquisitions.

Highlights of the Group's consolidated financial results for the first three months of the fiscal year ending March 31, 2019 are as follows:

	(Billions of yen)			
	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	Change %
Revenue	116.2	115.9	(0.3)	(0.2)
Core operating profit	24.8	18.4	(6.3)	(25.6)
Operating profit	31.6	15.8	(15.8)	(50.0)
Profit before taxes	32.0	20.6	(11.4)	(35.5)
Net profit attributable to owners of the parent	24.6	15.2	(9.4)	(38.1)

Revenue decreased by 0.2% year-on-year to 115.9 billion yen.

Sales grew in the North America segment as antiepileptic agent APTIOM® and other mainstay products continued to perform briskly, while sales of atypical antipsychotic agent LATUDA®, which is one of the primary sources of revenue for the Group, remained strong. Sales also advanced in the China and Other Regions segments as well. Nevertheless, revenue for the Group edged down as sales in the Japan segment decreased owing primarily to NHI drug price revisions and declines in sales of long-listed drugs.

Core operating profit decreased by 25.6% year-on-year to 18.4 billion yen.

Core operating profit decreased as a result of the increase in R&D expenses, as well as the increase in SG&A expenses in the North America segment and a decline in gross profit chiefly attributable to NHI drug price revisions in the Japan segment.

Operating profit decreased by 50.0% year-on-year to 15.8 billion yen.

In addition to a decline in core operating profit, the corresponding period of the previous year saw a reversal of expenses resulting from the decreased fair value of contingent consideration following the Company's decision to unblind the global Phase 3 study of napabucasin for gastric and gastro-esophageal junction cancer patients, which is under development by Boston Biomedical, Inc. Due to the absence of any such factors in the period under review, operating profit dropped significantly.

Profit before taxes decreased by 35.5% year-on-year to 20.6 billion yen.

Finance income showed a substantial increase owing primarily to foreign exchange gains on financial assets denominated in foreign currencies held by the Company.

Net profit attributable to owners of the parent decreased by 38.1% year-on-year to 15.2 billion yen.

The ratio of net profit attributable to owners of the parent to revenue was 13.2%.

About the new segment performance indicator of “core segment profit”

For segment performance, the Group has set an original performance indicator for each segment’s recurring profitability in the form of “core segment profit.”

“Core segment profit” is each segment profit calculated by deducting from “core operating profit” any items such as R&D expenses and gains and losses on business transfers, which are managed globally and thus cannot be allocated to individual segments.

Operating results by segment are as follows.

[Japan segment]

Revenue decreased by 4.8% year-on-year to 35.3 billion yen.

Sales of Trulicity® (therapeutic agent for type 2 diabetes), REPLAGAL® (Anderson-Fabry disease drug), and other products increased, but revenue decreased due to difficulties in offsetting the impacts of NHI drug price revisions and declines in sales of long-listed products.

Core segment profit decreased by 20.8% year-on-year to 9.4 billion yen.

This decrease is chiefly attributable to the decrease in gross profit due to NHI drug price revisions.

[North America segment]

Revenue increased by 1.1% year-on-year to reach 60.6 billion yen.

This increase is primarily attributable to continuing strong sales of LATUDA® and growth in sales of APTIOM®.

Core segment profit decreased by 14.0% year-on-year to 25.0 billion yen.

This decrease is primarily attributable to the increase in selling expenses related to new launches, in addition to the rise of cost of sales.

[China segment]

Revenue increased by 4.6% year-on-year to reach 5.4 billion yen.

This increase is attributable to the continuously strong sales performance of mainstay MEROPEN® (carbapenem antibiotic) and other product lines.

Core segment profit increased by 0.7% year-on-year to reach 2.3 billion yen.

Core segment profit grew owing primarily to an increase in gross profit.

[Other Regions segment]

Revenue increased by 81.2% year-on-year to reach 4.7 billion yen.

This increase is attributable to the brisk sales of MEROPEN® in Southeast Asian countries and other products.

Core segment profit increased by 250.1% year-on-year to reach 1.7 billion yen.

Core segment profit grew as gross profit increased in tandem with the rise in revenue.

In addition to the above reportable segments, the Group is also engaged in sales of food ingredients, food additives, materials for chemical products, veterinary drugs, diagnostics, and other product lines, which together generated revenue of 9.8 billion yen (down by 13.2% year-on-year) and core segment profit of 0.8 billion yen (up by 9.1% year-on-year).

(2) Qualitative Information on Financial Condition

(i) Assets, Liabilities, and Equity

Non-current assets increased by 10.6 billion yen over the previous fiscal year-end. This was due to a rise in goodwill and intangible assets arising primarily from foreign currency translations, in addition to an increase in capital expenditures related to manufacturing plant for regenerative medicine & cell therapy.

Current assets remained almost flat from the previous fiscal year-end as trade and other receivables and inventories increased but cash and cash equivalents and other financial assets decreased.

As a result, total assets increased by 10.6 billion yen from the previous fiscal year-end to 820.2 billion yen.

Total liabilities decreased by 4.5 billion yen from the previous fiscal year-end to 352.4 billion yen, as a result of decreases in income taxes payable and trade and other payables, despite the increase in other financial liabilities.

Equity increased by 15.1 billion yen from the previous fiscal year-end to reach 467.8 billion yen, owing primarily to increases in retained earnings and exchange differences in translation of foreign operations under other components of equity.

Ratio of equity attributable to owners of the parent to total assets as of the end of the three-month period under review was 57.0%.

(ii) Cash Flows

Cash flows used in operating activities amounted to 8.5 billion yen owing primarily to an increase in income taxes paid, in addition to factors that cause declines in cash, including increases in inventories and trade and other receivables.

Cash flows provided by investing activities amounted to 4.3 billion yen, as the net reduction of short-term loans receivable exceeded the expenditures for purchases of property, plant, and equipment.

Cash flows used in financial activities amounted to 8.5 billion yen, due primarily to payment of dividends and repayment of loans.

After factoring in the impact of foreign currency translations applied to cash and cash equivalents, the balance of cash and cash equivalents as of June 30, 2018 amounted to 138.9 billion yen, which represents a decrease of 8.8 billion yen from the previous fiscal year-end.

(3) Qualitative Information on Consolidated Financial Forecasts

The Company has not revised the consolidated financial forecasts that were announced on May 11, 2018.

2. Consolidated Financial Statements

(1) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue	116,167	115,911
Cost of sales	27,481	28,912
Gross profit	88,686	86,999
Selling, general and administrative expenses	37,145	50,250
Research and development expenses	19,875	20,864
Other income	231	103
Other expenses	267	174
Operating profit	31,630	15,814
Finance income	653	4,885
Finance costs	279	68
Profit before taxes	32,004	20,631
Income tax expenses	7,382	5,384
Net profit	24,622	15,247
Net profit attributable to:		
Owners of the parent	24,622	15,247
Net profit total	24,622	15,247
Earnings per share (yen)		
Basic earnings per share	61.97	38.38

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net profit	24,622	15,247
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	603	(811)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	129	7,821
Cash flow hedges	27	36
Total other comprehensive income	759	7,046
Total comprehensive income	25,381	22,293
Total comprehensive income attributable to:		
Owners of the parent	25,381	22,293
Total comprehensive income	25,381	22,293

(2) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Non-current assets		
Property, plant and equipment	58,204	59,939
Goodwill	95,097	98,856
Intangible assets	189,681	195,387
Other financial assets	70,993	70,056
Income taxes receivable	2,453	2,381
Other non-current assets	3,067	3,081
Deferred tax assets	41,608	42,016
Total non-current assets	461,103	471,716
Current assets		
Inventories	60,169	65,343
Trade and other receivables	112,982	120,868
Other financial assets	22,066	15,384
Income taxes receivable	419	458
Other current assets	5,170	7,527
Cash and cash equivalents	147,775	138,944
Total current assets	348,581	348,524
Total assets	809,684	820,240

(Millions of yen)

	As of March 31, 2017	As of June 30, 2018
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	30,940	30,200
Trade and other payables	—	62
Other financial liabilities	88,427	93,491
Retirement benefit liabilities	20,700	20,837
Other non-current liabilities	6,551	6,214
Deferred tax liabilities	95	164
Total non-current liabilities	146,713	150,968
Current liabilities		
Bonds and borrowings	16,460	16,460
Trade and other payables	58,708	52,841
Other financial liabilities	6,278	7,048
Income taxes payable	14,368	6,808
Provisions	84,433	87,930
Other current liabilities	30,001	30,371
Total current liabilities	210,248	201,458
Total liabilities	356,961	352,426
Equity		
Share capital	22,400	22,400
Capital surplus	15,860	15,860
Treasury shares	(669)	(670)
Retained earnings	396,037	404,083
Other components of equity	19,095	26,141
Equity attributable to owners of the parent	452,723	467,814
Total equity	452,723	467,814
Total liabilities and equity	809,684	820,240

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability (asset)
Balance as of April 1, 2017	22,400	15,860	(667)	357,769	18,797	—
Net profit	—	—	—	24,622	—	—
Other comprehensive income	—	—	—	—	603	—
Total comprehensive income	—	—	—	24,622	603	—
Purchase of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	(4,370)	—	—
Total transactions with owners	—	—	—	(4,370)	—	—
Balance as of June 30, 2017	22,400	15,860	(667)	378,021	19,400	—
Balance as of April 1, 2018	22,400	15,860	(669)	396,037	31,735	—
Cumulative effects of changes in accounting policies	—	—	—	348	—	—
Restated balance	22,400	15,860	(669)	396,385	31,735	—
Net profit	—	—	—	15,247	—	—
Other comprehensive income	—	—	—	—	(811)	—
Total comprehensive income	—	—	—	15,247	(811)	—
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(7,549)	—	—
Total transactions with owners	—	—	(1)	(7,549)	—	—
Balance as of June 30, 2018	22,400	15,860	(670)	404,083	30,924	—

Sumitomo Dainippon Pharma Co., Ltd. (4506)
Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2019

(Millions of yen)

	Equity attributable to owners of the parent				Total equity
	Other components of equity			Total	
	Exchange differences on translation of foreign operations	Cash flow hedges	Total		
Balance as of April 1, 2017	(1,871)	(20)	16,906	412,268	412,268
Net profit	—	—	—	24,622	24,622
Other comprehensive income	129	27	759	759	759
Total comprehensive income	129	27	759	25,381	25,381
Purchase of treasury shares	—	—	—	—	—
Dividends	—	—	—	(4,370)	(4,370)
Total transactions with owners	—	—	—	(4,370)	(4,370)
Balance as of June 30, 2017	(1,742)	7	17,665	433,279	433,279
Balance as of April 1, 2018	(12,619)	(21)	19,095	452,723	452,723
Cumulative effects of changes in accounting policies	—	—	—	348	348
Restated balance	(12,619)	(21)	19,095	453,071	453,071
Net profit	—	—	—	15,247	15,247
Other comprehensive income	7,821	36	7,046	7,046	7,046
Total comprehensive income	7,821	36	7,046	22,293	22,293
Purchase of treasury shares	—	—	—	(1)	(1)
Dividends	—	—	—	(7,549)	(7,549)
Total transactions with owners	—	—	—	(7,550)	(7,550)
Balance as of June 30, 2018	(4,798)	15	26,141	467,814	467,814

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities		
Net profit	24,622	15,247
Depreciation and amortization	3,084	3,494
Changes in fair value of contingent consideration	(7,073)	2,493
Interest and dividend income	(653)	(1,008)
Interest expenses	124	58
Income tax expenses	7,382	5,384
(Increase) decrease in trade and other receivables	(4,503)	(5,950)
(Increase) decrease in inventories	(2,321)	(2,104)
Increase (decrease) in trade and other payables	(1,140)	(7,806)
Increase (decrease) in retirement benefits liabilities	151	118
Increase (decrease) in provisions	7,768	180
Others, net	(900)	(6,836)
Subtotal	26,541	3,270
Interest received	112	461
Dividends received	484	479
Interest paid	(62)	(33)
Income taxes paid	(8,324)	(12,669)
Net cash provided by(used in) operating activities	18,751	(8,492)
Cash flows from investing activities		
Purchase of property, plant and equipment	(835)	(2,190)
Proceeds from sales of property, plant and equipment	82	221
Purchase of intangible assets	(551)	(994)
Purchase of investments	(6,049)	(150)
Net decrease (increase) in short-term loan receivables	2,132	7,423
Net cash provided by(used in) investing activities	(5,221)	4,310
Cash flows from financing activities		
Repayments of long-term borrowings	—	(740)
Repayments of finance lease obligations	(218)	(286)
Dividends paid	(4,302)	(7,451)
Others, net	—	(1)
Net cash provided by(used in) financing activities	(4,520)	(8,478)
Net increase (decrease) in cash and cash equivalents	9,010	(12,660)
Cash and cash equivalents at beginning of year	105,603	147,775
Effect of exchange rate changes on cash and cash equivalents	(892)	3,829
Cash and cash equivalents at end of period	113,721	138,944

(5) Notes to Consolidated Financial Statements

1. Notes on Premise of Going Concern

Not applicable.

2. Significant Accounting Policies

The same significant accounting policies applied to the prior fiscal year's consolidated financial statements are applied to this Quarterly Consolidated Financial Statements except for the accounting standards provided below.

Income tax expenses for the three months ended June 30, 2018 are calculated based on the estimated average annual effective tax rate.

(Adoption of IFRS 15 "Revenue from Contracts with Customers")

Starting from the three months ended June 30, 2018, the Group adopted IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (together, hereinafter "IFRS 15"). For the adoption of IFRS 15, the Group applied this Standard using the method, which is retrospectively with the cumulative effect of applying this Standard recognized at the date of initial application.

The Group recognizes revenue based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group's revenue mainly consists of revenue from sales of products such as pharmaceuticals for medical treatments (sales of products), revenue from lump sum payments received arising from technology licensing-out agreements, milestone income and royalty income (revenue arising from intellectual property rights). The revenue recognition policies for each type of revenue are as follows.

(1) Sales of products

For sales of products, the performance obligation is judged to have been satisfied and revenue is recognized upon delivery of the products, because the customer obtains control over the products upon delivery. Revenue is measured at the consideration promised in a contract with a customer, less product returns, discounts and rebates, to the extent that it is highly probable that a significant reversal will not occur.

(2) Revenue arising from intellectual property rights

Lump sum payments received arising from agreements are recognized as revenue, after signing the technology licensing-out agreements and at a point in time that the development and distribution rights are granted to the third party.

Milestone income is recognized as revenue at a point in time of the achievement of a milestone defined in an agreement.

Royalty income is a consideration on the technology licensing-out agreement that is calculated based on the revenue of counterparty. It is recognized as revenue at the later of either when the revenue of counterparty is recognized or when the performance obligation is satisfied.

Compared with the application of the former accounting standards, the effect on the Quarterly Consolidated Statement of Income for the three months ended June 30, 2018 and the Quarterly Consolidated Statement of Financial Position as of June 30, 2018, is immaterial.

3. Operating Segments

The Group sets core operating profit, which is an indicator showing the Company's recurring profitability, as its own business performance management indicator.

Core operating profit is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates. The amount deducted as non-recurring items mainly represents impairment losses, business structure improvement expenses, litigation related expenses, the changes in fair values of contingent considerations arising from business combinations and etc.

(1) Reportable segments

The Group is mainly engaged in manufacture, purchase and sales of pharmaceuticals for medical treatment and manages the performance of pharmaceutical business by market in Japan, North America, China and etc. Therefore, the Group has four reportable segments: Japan, North America, China, and Other Regions.

The Group's reportable segments are the components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segments and assess their performances.

(2) Revenues and operating results of the reportable segments

Revenues, profit or loss and other items by each of the Group's reportable segments are shown below.

The Group sets core segment profit, which is an indicator showing each segment's recurring profitability, as its own indicator of segment business performance management.

Core segment profit is each segment profit calculated by deducting from core operating profit R&D expenses, gains and losses on sales of operations and etc. which are not allocated to each segment because such expenses are managed on a global basis.

① Three months ended June 30, 2017

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceutical business						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	37,098	59,993	5,198	2,616	104,905	11,262	116,167
Inter-segment revenues and transfers	26	—	—	—	26	21	47
Total	37,124	59,993	5,198	2,616	104,931	11,283	116,214
Segment profit (Core segment profit)	11,887	29,082	2,246	495	43,710	750	44,460

(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 Three months ended June 30, 2018

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	35,313	60,647	5,436	4,740	106,136	9,775	115,911
Inter-segment revenues and transfers	15	—	—	—	15	9	24
Total	35,328	60,647	5,436	4,740	106,151	9,784	115,935
Segment profit (Core segment profit)	9,419	25,003	2,261	1,733	38,416	818	39,234

(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.

(3) Reconciliations between the total amounts of reportable segments and the amounts in the consolidated financial statements (reconciliation items)

The details of reconciliation are as follows:

(Millions of yen)

Revenue	Three months ended June 30, 2017	Three months ended June 30, 2018
Total of reportable segments	104,931	106,151
Revenue of Other Business	11,283	9,784
Elimination of inter-segment revenue	(47)	(24)
Revenue on the consolidated financial statements	116,167	115,911

(Millions of yen)

Profit	Three months ended June 30, 2017	Three months ended June 30, 2018
Total of reportable segments	43,710	38,416
Segment profit of Other Business	750	818
Elimination of inter-segment profit	8	9
Research and development expenses (Note)	(19,875)	(20,864)
Gains on business transfers	169	36
Others	2	10
Core operating profit	24,764	18,425
Change in fair value of contingent consideration	7,073	(2,494)
Other income	60	57
Other expenses	(267)	(174)
Operating profit in the consolidated financial statements	31,630	15,814

(Note) The Group does not allocate research and development expenses to the operating segments because such expenses are managed on a global basis.

4. Significant subsequent event

Not applicable.