CONSOLIDATED FINANCIAL REPORT [IFRS]
for the Nine-Month Period Ended December 31, 2017

February 2, 2018
Eisai Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange (TSE)
TSE Code: 4523
URL: http://www.eisai.com

Representative: Haruo Naito, Representative Corporate Officer & CEO
Contact: Masatomi Akana, Vice President, Corporate Affairs
Telephone: +81-3-3817-5120
Expected date of quarterly report submission: February 9, 2018
Expected date of dividend payment commencement: —
Preparation of quarterly supplementary explanatory material: Yes
Quarterly results briefing held: Yes

(Figures are rounded to the nearest million yen.)

1. Consolidated Financial Results for the Nine-Month Period Ended December 31, 2017

(1) Consolidated Operating Results

(Percentage figures show year on year change.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period		Profit for the period attributable to owners of the parent		Comprehensive income for the period	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Nine-month period ended December 31, 2017	439,940	7.5	46,699	-19.0	46,421	-18.6	30,660	-25.1	28,109	-26.8	50,986	11.5
Nine-month period ended December 31, 2016	409,223	−4.0	57,636	18.5	57,053	20.1	40,935	6.5	38,419	0.3	45,714	12.1

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)
	(¥)	(¥)
Nine-month period ended December 31, 2017	98.24	98.13
Nine-month period ended December 31, 2016	134.35	134.14

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	(¥ million)	(¥ million)	(¥ million)	(%)	(¥)
As of December 31, 2017	1,048,176	610,927	590,446	56.3	2,063.27
As of March 31, 2017	1,030,764	602,591	584,630	56.7	2,043.55

2. Dividends

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2016	—	70.00	—	80.00	150.00
FY2017	—	70.00	—		
FY2017 (Forecast)				80.00	150.00

(Note) Revisions to the latest dividend forecast: None

3. Consolidated Financial Forecast for Fiscal 2017 (April 1, 2017 – March 31, 2018)

(Percentage figures show year on year change.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period		Profit for the period attributable to owners of the parent		Earnings per share attributable to owners of the parent (basic)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Fiscal year	575,500	6.8	60,000	1.6	58,300	1.1	41,300	-2.2	39,800	1.1	139.17

(Note) Revisions to the latest financial forecast: None

* Explanatory Notes

(1) Changes in number of significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): None

(2) Changes in accounting policies and accounting estimates:
1) Changes in accounting policies required by IFRS: Yes
2) Changes in accounting policies other than 1): None
3) Changes in accounting estimates: None

(3) Number of shares issued (common shares):

1) Number of shares issued (including treasury shares)	As of December 31, 2017	296,566,949	As of March 31, 2017	296,566,949
2) Number of treasury shares	As of December 31, 2017	10,330,256	As of March 31, 2017	10,399,676
3) Weighted average number of shares outstanding	For the nine-month period ended December 31, 2017	286,130,354	For the nine-month period ended December 31, 2016	285,959,375

The Company's shares held through a trust (67,291 shares) are not included in the number of treasury shares as of the end of the period, but are included in the average number of shares outstanding as treasury shares that are deducted from the basis of the calculation of earnings per share.

* This financial report is exempt from quarterly review procedures.

* Explanation concerning the appropriate use of results forecast and other special instructions:

(Caution concerning forward-looking statements)
Materials and information provided in this financial disclosure may contain "forward-looking statements" based on expectations, forecasts, estimates, business goals, and assumptions that are subject to risks and uncertainties as of the publication date of these materials. Accordingly, actual outcomes and results may differ materially from these statements depending on a number of important factors. Please refer to page 9 for details with regard to the assumptions and other related matters concerning consolidated financial results forecasts.

(Methods for obtaining supplementary materials and content of financial results disclosure meeting)
Supplementary materials are attached to this financial report. The Company plans to hold a financial results disclosure meeting for institutional investors and securities analysts on Friday, February 2, 2018. The handouts from the disclosure meeting will be made available on the Company's website.

Supplemental Materials: Table of Contents

1. Overview of Operating Results and Other Information

1) Overview of Operating Results and Financial Position for the Period

(1) Overview of Operating Results

[Revenue and Profit]

○ Eisai Co., Ltd. (“the Company”) and its affiliates (collectively referred to as “the Group”) recorded the following consolidated financial results for the nine-month period ended December 31, 2017.

Revenue:	¥439,940 million	(up 7.5% year on year)
Operating profit:	¥46,699 million	(down 19.0% year on year)
Profit before income taxes:	¥46,421 million	(down 18.6% year on year)
Profit for the period:	¥30,660 million	(down 25.1% year on year)
Profit for the period attributable to owners of the parent:	¥28,109 million	(down 26.8% year on year)

○ The Group’s revenue overall amounted to ¥439,940 million (up 7.5% year on year) due to the growth of anticancer agents Halaven and Lenvima (product name for renal cell carcinoma indication in Europe: Kisplyx), fully human anti-TNF-α monoclonal antibody Humira and antiepileptic agent Fycompa.

By segment, revenue from all segments, including Japan pharmaceutical business, increased. China, EMEA and Asia pharmaceutical businesses each achieved double-digit growth.

By product, combined revenue from all four global brands soared by 27.3% year on year to ¥68,273 million. This included ¥30,628 million from Halaven, ¥23,477 million from Lenvima, ¥10,523 million from Fycompa, and ¥3,645 million from antiobesity agent BELVIQ.

○ Operating profit totaled ¥46,699 million (down 19.0% year on year) despite increased gross profit from the increase in revenue, owing to aggressive R&D investment in Alzheimer’s disease projects, such as the beta secretase cleaving enzyme (BACE) inhibitor E2609, and oncology projects, as well as to reflect one-off income primarily from the acquisition of EA Pharma shares (gain from a bargain purchase) and milestone income for progress on joint R&D projects recorded in the same period of the previous fiscal year.

○ Profit for the period came to ¥30,660 million (down 25.1% year on year), while profit for the period attributable to owners of the parent came to ¥28,109 million (down 26.8% year on year).

○ Basic earnings per share for the period attributable to owners of the parent amounted to ¥98.24 (down ¥36.11 year on year).

○ Comprehensive income for the period after adding (deducting) other comprehensive income to (from) profit for the period was ¥50,986 million (up 11.5% year on year).

[Performance by Segment]

(Revenue for each segment indicates revenue from external customers)

The Group’s business is comprised of pharmaceutical business and other business. The pharmaceutical business is organized into the following five reporting segments in this report: Japan (primarily Prescription Medicines, Generics, and OTC), Americas (North, Central and

South America), China, EMEA (Europe, the Middle East, Africa, and Oceania) and Asia (primarily South Korea, Taiwan, Hong Kong, India, and ASEAN).

<Japan pharmaceutical business>

○ Total revenue came to ¥234,404 million (up 3.1% year on year) and segment profit was ¥87,688 million (up 5.0% year on year). Of this amount, revenue from Prescription Medicines, Generics, and OTC came to ¥195,568 million (up 2.2% year on year), ¥21,323 million (up 2.5% year on year), and ¥17,499 million (up 15.1% year on year), respectively.

○ Regarding revenue from neurology products, co-promotion revenue from Lyrica, a pain treatment being co-promoted with Pfizer Japan Inc., totaled ¥20,485 million (up 11.3% year on year) and revenue for insomnia treatment Lunesta totaled ¥7,963 million (up 31.6% year on year), both showing steady growth. Fycompa, which was launched in the same period of the previous fiscal year, showed growth with revenue of ¥1,282 million (up 289.4% year on year). Revenue for Aricept, a treatment for Alzheimer's disease, amounted to ¥20,237 million (down 16.0% year on year). Among oncology products, Halaven and Lenvima continued to achieve high growth, earning revenue of ¥7,368 million (up 23.4% year on year) and ¥2,363 million (up 13.5% year on year), respectively. Furthermore, Humira also showed significant growth, earning revenue of ¥34,257 million (up 17.0% year on year).

○ Chocola BB Gold Rich was launched in April 2017.

○ Lyrica OD Tablets (OD tablet: orally disintegrating tablet) was launched in June 2017.

○ Etak Antimicrobial Spray α was launched in September 2017.

○ Onji-no-Megumi was launched in October 2017.

○ Ulcerative colitis treatment RECTABUL was launched in December 2017.

<Americas pharmaceutical business>

○ Total revenue came to ¥89,380 million (up 4.9% year on year), while segment profit was ¥32,540 million (up 27.7% year on year).

○ Regarding revenue from neurology products, antiepileptic agents Banzel and Fycompa showed significant growth, amounting to ¥12,705 million (up 28.6% year on year) and ¥4,949 million (up 34.1% year on year), respectively. Revenue from BELVIQ came to ¥2,729 million (down 2.2% year on year). Among oncology products, Lenvima and Halaven demonstrated growth, with revenue of ¥15,872 million (up 48.4% year on year) and ¥12,616 million (up 0.9% year on year), respectively. Antiemetic agent Aloxi earned ¥32,197 million (down 9.4% year on year).

<China pharmaceutical business>

○ Total revenue came to ¥43,289 million (up 19.0% year on year), while segment profit was ¥13,366 million (up 21.5% year on year).

○ By product, revenue for peripheral neuropathy treatment Methycobal was ¥15,021 million (up 8.8% year on year), revenue from liver disease and anti-allergy agents Stronger Neo-Minophagen C and Glycyron Tablets together was ¥7,657 million (up 23.7% year on year), and Aricept earned ¥5,621 million (up 25.4% year on year), all showing significant growth.

<EMEA pharmaceutical business>

○ Total revenue came to ¥32,910 million (up 17.5% year on year), with segment profit of ¥11,677 million (down 0.1% year on year).

○ Regarding neurology products, significant increases in growth were secured for antiepileptic agents Zebinix and Fycompa with revenue amounting to ¥4,052 million (up 54.9% year on year) and ¥3,847 million (up 22.6% year on year), respectively. Meanwhile, revenue from antiepileptic agent Zonegran was ¥3,302 million (down 17.4% year on year). Among oncology products, revenue expanded for both Halaven and Lenvima/Kisplyx, amounting to ¥8,980 million (up 6.6% year on year) and ¥4,246 million (up 99.3% year on year), respectively.

<Asia pharmaceutical business>

○ Total revenue came to ¥31,277 million (up 22.1% year on year), with segment profit of ¥9,639 million (up 34.6% year on year).

○ By product, revenue from Humira, Aricept, and proton pump inhibitor Pariet came to ¥8,795 million (up 24.8% year on year), ¥8,555 million (up 18.0% year on year), and ¥3,017 million (up 15.2% year on year), respectively, each showing significant growth.

○ Lenvima was launched in Malaysia in April 2017 and in the Philippines and India in May of the same year.

○ Fycompa was launched in India in September 2017.

○ Chocola BB Plus was launched in Taiwan in September 2017.

(2) Overview of Financial Position

[Assets, Liabilities, and Equity]

○ Total assets as of the end of the period amounted to ¥1,048,176 million (up ¥17,412 million from the end of the previous fiscal year), in part due to an increase in trade and other receivables accompanying the increase in revenue.

○ Total liabilities as of the end of the period amounted to ¥437,249 million (up ¥9,075 million from the end of the previous fiscal year), in part due to temporary increase in short-term borrowings.

○ Total equity as of the end of the period amounted to ¥610,927 million (up ¥8,336 million from the end of the previous fiscal year), in part due to an increase in exchange differences due to depreciation of the yen.

○ As a result of the above, the ratio of equity attributable to owners of the parent was 56.3% (down 0.4 percentage points from the end of the previous fiscal year).

[Cash Flows] (April 1, 2017 – December 31, 2017)

○ Net cash provided by operating activities amounted to ¥38,789 million (down ¥3,810 million from the same period of the previous fiscal year). Profit before income taxes was ¥46,421 million, and depreciation and amortization amounted to ¥19,432 million.

○ Net cash used in investing activities amounted to ¥10,142 million (down ¥1,306 million yen from the same period of the previous fiscal year). Capital expenditures* totaled ¥10,368 million.

○ Net cash used in financing activities amounted to ¥28,988 million (down ¥6,557 million from the same period of the previous fiscal year). The amount of dividends paid was ¥42,929 million.

○ As a result, cash and cash equivalents as of the end of the period stood at ¥191,045 million (up ¥4,270 million from the end of the previous fiscal year).

○ Free cash flows (cash flow from operating activities less capital expenditures) for the period was ¥28,421 million.

* Expenditure from purchases of financial assets and proceeds from sale and redemption of financial assets are included in the formula used to calculate capital expenditures.

(3) Research & Development Pipeline, Alliances, and Other Events

[Status of Ongoing Research & Development Pipelines]

○ Anticancer agent Halaven (eribulin)

✧ Approved for the treatment of breast cancer in over 60 countries, including Japan, the U.S., and other countries in Europe and Asia.

✧ Approved for the treatment of liposarcoma (soft tissue sarcoma in Japan) in over 45 countries, including Japan, the U.S., and other countries in Europe and Asia.

✧ Although a new drug application for the treatment of breast cancer was temporarily withdrawn in China in June 2017, the application was resubmitted in November 2017 after preparation of additional documentation was completed.

✧ A Phase I/II study of the agent in combination with the anti-PD-1 antibody pembrolizumab from Merck & Co., Inc., Kenilworth, NJ, USA in metastatic triple-negative breast cancer is underway in the U.S.

✧ A Phase I/II study of the agent in combination with PEGPH20 (a PEGylated recombinant human hyaluronidase being developed by Halozyme Therapeutics, Inc., U.S.) in HER2-negative breast cancer is underway in the U.S.

○ Anticancer agent Lenvima (lenvatinib, product name for renal cell carcinoma indication in Europe: Kisplyx)

✧ Approved for the treatment of thyroid cancer in over 50 countries including Japan, the U.S., and other countries in Europe and Asia.

✧ Approved in combination with everolimus for the treatment of renal cell carcinoma (second-line) in over 40 countries, including the U.S. and in Europe.

✧ Applications for use in the treatment of hepatocellular carcinoma have been submitted in Japan in June 2017, in the U.S. and Europe in July, in China in October, and in Taiwan in December of the same year.

✧ In December 2017, the agent was designated for Priority Review and Approval in China for use in the treatment of hepatocellular carcinoma.

✧ A Phase III study for the treatment of thyroid cancer is underway in China.

✧ A Phase III study of the agent in separate combinations with everolimus and pembrolizumab in renal cell carcinoma (first-line) is underway in Japan, the U.S. and Europe.

✧ A Phase II study for biliary tract cancer is underway in Japan.

✧ A Phase II study for non-small cell lung cancer with RET translocations is underway in Japan, the U.S., and other countries in Europe and Asia.

- ✧ A Phase I/II study of the agent in combination with pembrolizumab in select solid tumors (primarily endometrial cancer, renal cell carcinoma, head and neck cancer, and urothelial cancer) is underway in the U.S.
- ✧ In December 2017, a combination therapy of the agent with pembrolizumab was granted Breakthrough Therapy Designation for advanced and/or metastatic renal cell carcinoma in the U.S.

○ Antiepileptic agent Fycompa (perampanel)

- ✧ Approved in over 55 countries including Japan, the U.S., and other countries in Europe and Asia as an adjunctive therapy for use in the treatment of partial-onset seizures in adult and adolescent patients from 12 years of age with epilepsy.
- ✧ Approved in over 50 countries including Japan, the U.S., and other countries in Europe and Asia as an adjunctive therapy for use in the treatment of primary generalized tonic-clonic seizures in adult and adolescent patients from 12 years of age with epilepsy.
- ✧ Approved as monotherapy used for the treatment of partial-onset seizures in the U.S. in July 2017.
- ✧ A Phase III study for pediatric epilepsy is underway in Japan, the U.S., and Europe.
- ✧ A Phase III study for Lennox-Gastaut syndrome is underway in Japan, the U.S., and Europe.
- ✧ A Phase III study as monotherapy for the treatment of partial-onset seizures is underway in Japan.

○ In September 2017, an additional dosage and administration of the proton pump inhibitor Pariet (rabeprazole sodium) was approved in Japan to administer 10 mg per dose twice-daily for the maintenance therapy of proton pump inhibitor-resistant reflux esophagitis.

○ In September 2017, the locally active steroid RECTABUL (budesonide) was approved in Japan for the treatment of ulcerative colitis.

○ In November 2017, Aricept (donepezil) was approved in China for the additional indication of severe Alzheimer’s disease.

○ In January 2018, the bile acid transporter inhibitor GOOFICE (elobixibat) was approved in Japan for the treatment of chronic constipation (excluding structural disease-induced constipation).

○ In November 2017, a new drug application for AJG555 (polyethylene glycol preparation) was submitted in Japan for use in the treatment of chronic constipation.

○ In June 2017, Eisai received a recommendation from an independent Data Monitoring Committee to continue the Cardiovascular Outcomes Trial of BELVIQ (lorcaserin), based on the results of a pre-specified interim safety analysis.

○ In December 2017, an Independent Data Monitoring Committee determined that the anti-amyloid beta protofibril antibody BAN2401 did not meet the criteria for success based on a Bayesian analysis at 12 months as the primary endpoint in a Phase II clinical study. Following the predefined study protocol, the blinded study will continue and a comprehensive final analysis will be conducted at 18 months seeking to demonstrate clinically significant results.

○ A Phase II clinical study of anticancer agent E7438 (tazemetostat) in B-cell non-Hodgkin's lymphoma was initiated in Japan.

○ Regarding Aricept, development for regression symptoms in patients with Down syndrome has been discontinued at the Phase II stage in Japan.

[Major Alliances, Agreements and Other Events]

○ In April 2017, the smell identification test UPSIT Series was launched in Japan.
○ In May 2017, a new joint research agreement was concluded with the Broad Institute (U.S.) to develop a new antimalarial medicine based on antimalarial drug targets identified by the research team of the Eisai Group and Broad Institute in 2016.
○ In May 2017, Zebinix (eslicarbazepine), an antiepileptic agent being marketed under a license agreement with Bial-Portela & Ca. S.A. (Portugal), was approved for an additional indication as monotherapy for partial-onset epilepsy in Europe.
○ In June 2017, a license agreement with Zeria Pharmaceutical Co., Ltd. (Tokyo) regarding proton pump inhibitor E3710 was terminated.
○ In September 2017, Eisai signed an agreement with Merck & Co., Inc., Kenilworth, NJ, USA to increase the target number of enrolled patients in a Phase Ib/II clinical study of Halaven in combination with pembrolizumab for the treatment of triple-negative breast cancer.
○ In September 2017, Eisai signed an agreement with Merck & Co., Inc., Kenilworth, NJ, USA to increase the target number of endometrial carcinoma patients to be enrolled in a Phase Ib/II clinical study of Lenvima in combination with pembrolizumab.
○ In September 2017, Eisai entered into a collaboration agreement with Ono Pharmaceutical Co., Ltd. (Osaka, "Ono") to jointly develop the combination therapy of Lenvima and Ono's anti-PD-1 antibody nivolumab for the treatment of hepatocellular carcinoma.
○ In September 2017, Eisai jointly launched the Me-MAMORIO tracking tool with Mamorio, Inc. (Tokyo) to support people with dementia and seniors going out.
○ In September 2017, EA Pharma Co., Ltd. signed a joint development and marketing agreement with Mochida Pharmaceutical Co., Ltd. (Tokyo) for chronic constipation treatment AJG555, which EA Pharma Co., Ltd. has been developing in Japan.
○ In September 2017, Eisai entered into an agreement in Japan to co-promote the oral antifungal agent NAILIN (fosravuconazole) with Sato Pharmaceutical Co., Ltd. (Tokyo). In January 2018, Sato Pharmaceutical Co., Ltd. received approval for the agent as a treatment for onychomycosis.
○ In October 2017, Eisai's U.S. subsidiary, Eisai Inc., signed an exclusive licensing agreement with Grupo Biotoscana (Uruguay) for the anticancer agents Halaven and Lenvima as well as antiepileptic agents Fycompa and Inovelon in Latin America. In Mexico, however, Eisai will retain the rights to and conduct all activities for Halaven and Lenvima.
○ In October 2017, Eisai entered into a transfer of rights agreement for anti-rheumatic agent Kolbet Tablets 25mg in Japan, acquiring the marketing authorization from Toyama Chemical Co., Ltd. (Tokyo) and taking over the marketing activities from Taisho Pharmaceutical Co., Ltd. (Tokyo) and Taisho Toyama Pharmaceutical Co., Ltd. (Tokyo).
○ In October 2017, Eisai and Biogen Inc. (U.S.) expanded the existing agreement to jointly develop and commercialize investigational Alzheimer's disease treatments. Eisai has

exercised its option to co-develop and co-promote aducanumab, Biogen Inc.'s investigational anti-amyloid beta antibody. The expanded collaboration agreement leverages each company's respective geographic strengths for commercialization and adjusts the respective share of profits from potential sales of aducanumab. Additionally, the two companies will co-promote Biogen Inc.'s multiple sclerosis treatments, AVONEX, TYSABRI and TECFIDERA in Japan. The Eisai Group will distribute and book sales for the above these three products as well as PLEGRIDY in Asia (excluding China).

○ In December 2017, Eisai's German subsidiary Eisai GmbH and the National Association of Statutory Health Insurance Funds (GKV-Spitzenverband) agreed on a reimbursement price for antiepileptic agent Fycompa (perampanel) and Fycompa is regularly available again in Germany.

○ In December 2017, educational materials on dementia were launched for elementary and secondary school students in Japan.

○ In January 2018, Eisai and Biogen Japan Ltd. (Tokyo) commenced co-promotion of Biogen Japan Ltd.'s multiple sclerosis treatments TECFIDERA, TYSABRI and AVONEX in Japan.

○ In January 2018, construction of an oral solid dose production facility and an administration building was completed at the site of the new Suzhou plant located within the Suzhou industrial park in Jiangsu Province, China.

○ On May 1, 2017, in the patent infringement lawsuit for antiemetic agent Aloxi (palonosetron hydrochloride) brought by Helsinn Healthcare S.A. (Switzerland, "Helsinn") against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries Ltd. (Israel) (collectively "Teva") in the United States, the panel of the United States Court of Appeals for the Federal Circuit ("Federal Circuit") reversed the opinion of the District Court for the District of New Jersey and held that the asserted claims for Aloxi formulation patents are not valid and therefore not infringed by Teva's generic version of Aloxi. Helsinn filed a petition for rehearing en banc, however, the Federal Circuit denied Helsinn's petition on January 16, 2018. The Federal Circuit issued the mandate on January 29, 2018. Eisai and Helsinn continue to explore appropriate legal strategy.

○ In January 2018, Eisai entered into a licensing agreement granting exclusive rights concerning the research, development, manufacture and marketing of its in-house discovered potential anticancer agent E7046, which is being investigated as a prostaglandin E_2 type EP_4 receptor antagonist in a Phase I clinical study, to Adlai Nortye Biopharma Co., Ltd. (China) in all regions outside of Japan and part of Asia (excluding China).

2) Outlook for the Future (April 1, 2017 – March 31, 2018)

[Consolidated Forecasts]

There are no changes to the consolidated forecasts announced on May 10, 2017.

(Percentage figures show year on year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period		Profit for the period attributable to owners of the parent		Earnings per share attributable to owners of the parent (basic)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Fiscal Year	575,500	6.8	60,000	1.6	58,300	1.1	41,300	-2.2	39,800	1.1	139.17

* Assumptions: 1 USD = ¥113, 1 EUR = ¥120, 1 GBP = ¥141, 1 RMB = ¥16.30

[Forecasts and Risk Factors]

- ○ Materials and information provided in this financial disclosure may contain “forward-looking statements” based on current expectations, forecasts, estimates, business goals and assumptions that are subject to risks and uncertainties. Accordingly, actual outcomes and results could differ materially from these statements depending on a number of important factors. Risks and uncertainties include general industry and market conditions, as well as general domestic and international economic conditions such as interest rate and currency exchange fluctuations.
- ○ Risks that could cause significant fluctuations in the consolidated results of the Group or have a material effect on investment decisions include: risks related to product safety and quality, possible occurrence of side effects, lawsuits, changes in laws and regulations, intellectual property, uncertainties in new drug development, impact of medical cost containment measures, generic products, challenges arising in overseas operations, alliances with other companies, acquisitions of companies and product lines, outsourcing, IT security and information management, internal control systems for financial reporting, financial market conditions and currency movement, plant closure or shutdown, environmental issues, and disasters. These risks, however, have been evaluated and forecasted as of the publication date of this financial report.
- ○ For further details on the above-mentioned risks, please refer to the “Risk Factors” section of the Annual Securities Report.

3) Basic Policy Concerning Profit Appropriation and Year-End Dividend Forecast

In terms of shareholder returns, the Company returns profits to all shareholders in a stable and sustainable way based on factors such as a healthy balance sheet and comprehensive consideration of the consolidated financial results, Dividends on Equity (DOE) and free cash flow, as well as taking into consideration the signaling effect. Because DOE indicates the ratio of dividends to consolidated net assets, the Company has positioned it as an indicator that reflects balance sheet management, and, consequently, capital policy. Acquisition of treasury shares will be carried out appropriately after factors such as the market environment and capital efficiency are taken into account. The Company uses the ratio of equity attributable to owners of the parent and net debt ratio as indicators to measure a healthy balance sheet.

At the Company, the dividend payments are to be determined by a resolution of the Board of Directors as specified in the Company's Articles of Incorporation. The Company intends to set the fiscal year-end dividend at ¥80 per share (same amount as the previous fiscal year) as previously forecasted. With an interim dividend of ¥70 per share paid at the end of the second quarter, the Company intends to set the total dividend for the fiscal year at ¥150 per share (same amount as the previous fiscal year).

2. Condensed Interim Consolidated Financial Statements and Major Notes

1) Condensed Interim Consolidated Statement of Income

(Millions of yen)

	Note	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2016
Revenue		439,940	409,223
Cost of sales		(156,191)	(147,866)
Gross profit		283,749	261,357
Selling, general and administrative expenses	(1)	(135,591)	(129,520)
Research and development expenses	(1)	(101,998)	(82,914)
Other income	(2)	1,628	12,344
Other expenses		(1,089)	(3,632)
Operating profit		46,699	57,636
Financial income		1,984	1,521
Financial costs		(2,262)	(2,104)
Profit before income taxes		46,421	57,053
Income taxes	(3)	(15,762)	(16,118)
Profit for the period		30,660	40,935
Profit for the period attributable to			
Owners of the parent		28,109	38,419
Non-controlling interests		2,550	2,516
Earnings per share			
Basic (yen)		98.24	134.35
Diluted (yen)		98.13	134.14

2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2016
Profit for the period	30,660	40,935
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income (loss)	8,537	266
Subtotal	8,537	266
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	11,668	4,106
Cash flow hedges	122	409
Subtotal	11,790	4,514
Total other comprehensive income (loss), net of tax	20,327	4,780
Comprehensive income (loss) for the period	50,986	45,714
Comprehensive income (loss) for the period attributable to		
Owners of the parent	48,429	43,196
Non-controlling interests	2,557	2,518

3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2017	As of March 31, 2017
Assets		
Non-current assets		
Property, plant and equipment	103,683	103,574
Goodwill	175,352	173,965
Intangible assets	111,100	112,501
Other financial assets	51,702	54,459
Other assets	12,687	13,768
Deferred tax assets	81,036	88,342
Total non-current assets	535,560	546,609
Current assets		
Inventories	80,037	82,876
Trade and other receivables	177,956	154,502
Other financial assets	49,465	42,875
Other assets	14,113	17,126
Cash and cash equivalents	191,045	186,775
Total current assets	512,616	484,155
Total assets	1,048,176	1,030,764

(Millions of yen)

	As of December 31, 2017	As of March 31, 2017
Equity		
Equity attributable to owners of the parent		
Share capital	44,986	44,986
Capital surplus	77,552	77,652
Treasury shares	(35,617)	(35,888)
Retained earnings	388,843	394,981
Other components of equity	114,682	102,899
Total equity attributable to owners of the parent	590,446	584,630
Non-controlling interests	20,481	17,961
Total equity	610,927	602,591
Liabilities		
Non-current liabilities		
Borrowings	158,754	163,474
Other financial liabilities	2,519	2,511
Retirement benefit liabilities	14,494	13,788
Provisions	1,229	1,216
Other liabilities	21,550	23,044
Deferred tax liabilities	452	448
Total non-current liabilities	198,998	204,482
Current liabilities		
Borrowings	69,423	50,000
Trade and other payables	57,818	70,750
Other financial liabilities	6,971	3,980
Income tax payables	6,323	5,896
Provisions	15,645	14,647
Other liabilities	82,071	78,418
Total current liabilities	238,251	223,691
Total liabilities	437,249	428,173
Total equity and liabilities	1,048,176	1,030,764

4) Condensed Interim Consolidated Statement of Changes in Equity

For the nine-month period ended December 31, 2017

(Millions of yen)

	Equity attributable to owners of the parent				
					Other components of equity
	Share Capital	Capital surplus	Treasury shares	Retained earnings	Financial assets measured at fair value through other comprehensive income
As of April 1, 2017	44,986	77,652	(35,888)	394,981	—
Profit for the period	—	—	—	28,109	—
Other comprehensive income (loss)	—	—	—	—	8,536
Comprehensive income (loss) for the period	—	—	—	28,109	8,536
Dividends	—	—	—	(42,929)	—
Share-based payments	—	(186)	—	—	—
Acquisition of treasury shares	—	—	(32)	—	—
Disposal of treasury shares	—	89	304	—	—
Reclassification	—	—	—	8,536	(8,536)
Other changes	—	(4)	—	146	—
Total transactions with owners	—	(101)	271	(34,247)	(8,536)
As of December 31, 2017	44,986	77,552	(35,617)	388,843	—

	Equity attributable to owners of the parent					
	Other components of equity					
	Exchange differences on translation of foreign operations	Cash flow hedges	Total other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total Equity
As of April 1, 2017	103,536	(637)	102,899	584,630	17,961	602,591
Profit for the period	—	—	—	28,109	2,550	30,660
Other comprehensive income (loss)	11,661	122	20,320	20,320	7	20,327
Comprehensive income (loss) for the period	11,661	122	20,320	48,429	2,557	50,986
Dividends	—	—	—	(42,929)	(41)	(42,970)
Share-based payments	—	—	—	(186)	—	(186)
Acquisition of treasury shares	—	—	—	(32)	—	(32)
Disposal of treasury shares	—	—	—	393	—	393
Reclassification	—	—	(8,536)	—	—	—
Other changes	—	—	—	142	4	146
Total transactions with owners	—	—	(8,536)	(42,613)	(37)	(42,650)
As of December 31, 2017	115,197	(515)	114,682	590,446	20,481	610,927

For the nine-month period ended December 31, 2016

(Millions of yen)

	Equity attributable to owners of the parent				
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity: Financial assets measured at fair value through other comprehensive income
As of April 1, 2016	44,986	58,232	(36,231)	394,974	—
Profit for the period	—	—	—	38,419	—
Other comprehensive income (loss)	—	—	—	—	255
Comprehensive income (loss) for the period	—	—	—	38,419	255
Dividends	—	—	—	(42,905)	—
Share-based payments	—	(184)	—	—	—
Acquisition of treasury shares	—	—	(298)	—	—
Disposal of treasury shares	—	127	330	—	—
Change of interests without loss of control	—	19,478	—	—	—
Acquisition of subsidiaries	—	—	—	—	—
Reclassification	—	—	—	255	(255)
Other changes	—	(41)	—	141	—
Total transactions with owners	—	19,380	32	(42,509)	(255)
As of December 31, 2016	44,986	77,612	(36,200)	390,884	—

	Equity attributable to owners of the parent				Non-controlling interests	Total Equity
	Other components of equity					
	Exchange differences on translation of foreign operations	Cash flow hedges	Total other components of equity	Equity attributable to owners of the parent		
As of April 1, 2016	112,837	(1,136)	111,701	573,661	3,168	576,828
Profit for the period	—	—	—	38,419	2,516	40,935
Other comprehensive income (loss)	4,113	409	4,777	4,777	3	4,780
Comprehensive income (loss) for the period	4,113	409	4,777	43,196	2,518	45,714
Dividends	—	—	—	(42,905)	(1,940)	(44,845)
Share-based payments	—	—	—	(184)	—	(184)
Acquisition of treasury shares	—	—	—	(298)	—	(298)
Disposal of treasury shares	—	—	—	457	—	457
Change of interests without loss of control	—	—	—	19,478	522	20,000
Acquisition of subsidiaries	—	—	—	—	13,320	13,320
Reclassification	—	—	(255)	—	—	—
Other changes	—	—	—	100	29	129
Total transactions with owners	—	—	(255)	(23,352)	11,931	(11,421)
As of December 31, 2016	116,950	(728)	116,223	593,505	17,617	611,122

5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Note	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2016
Operating activities			
Profit before income taxes		46,421	57,053
Depreciation and amortization		19,432	19,981
Impairment losses		—	161
(Increase) decrease in working capital		(14,266)	(25,237)
Interest and dividends received		1,729	1,464
Interest paid		(2,034)	(1,974)
Income taxes paid		(11,955)	(10,848)
Income taxes refund		1,839	10,519
Other		(2,378)	(8,521)
Net cash from (used in) operating activities		38,789	42,599
Investing activities			
Purchases of property, plant and equipment		(7,303)	(4,110)
Proceeds from sale of property, plant and equipment		263	240
Purchases of intangible assets		(11,815)	(5,201)
Net cash inflow on acquisition of subsidiaries	(1)	—	19,346
Net cash inflow on sales of subsidiaries	(2)	—	6,459
Purchases of financial assets		(4,619)	(9,222)
Proceeds from sale and redemption of financial assets		13,105	8,743
Payments of time deposits exceeding three months		(34,063)	(40,942)
Proceeds from redemption of time deposits exceeding three months		34,322	13,100
Other		(34)	138
Net cash from (used in) investing activities		(10,142)	(11,449)
Financing activities			
Net increase (decrease) in short-term borrowings		14,388	—
Proceeds from long-term borrowings		—	9,981
Dividends paid		(42,929)	(42,905)
Other		(447)	(2,620)
Net cash from (used in) financing activities		(28,988)	(35,545)
Effect of exchange rate change on cash and cash equivalents		4,611	(2,509)
Net increase (decrease) in cash and cash equivalents		4,270	(6,904)
Cash and cash equivalents at beginning of period		186,775	179,326
Cash and cash equivalents at end of period		191,045	172,422

6) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern)

Not applicable

(Changes in Accounting Policies)

With the exception of the following, all significant accounting policies that are applied to these condensed interim consolidated financial statements are the same as those that were applied to the consolidated financial statements for the previous fiscal year. None of the following accounting standards and interpretations applied by the Group has any major impact on the condensed interim consolidated financial statements for the period.

Accounting standards and interpretations		Mandatory application (Date of commencement)	Date to be applied by the Group	Description
IAS 12	Income Taxes	January 1, 2017	Fiscal year ending March 2018	Clarification of accounting methods applicable to deferred tax assets for unrealized losses
IAS 7	Statement of Cash Flows	January 1, 2017	Fiscal year ending March 2018	Disclosure requirement for changes in liabilities arising from financing activities

(Segment Information)

The Group's business is comprised of pharmaceutical business and other business. The pharmaceutical business is organized into the following five reporting segments in this report: Japan (primarily Prescription Medicines, Generics, and OTC), Americas (North, Central and South America), China, EMEA (Europe, the Middle East, Africa, and Oceania) and Asia (primarily South Korea, Taiwan, Hong Kong, India, and ASEAN).

From this fiscal year, the Group has clarified the definition of research and development (R&D) expenses in order to more accurately reflect the condition of the business, and this has resulted in a portion of expenses relating to medical affairs activities, such as creation and provision of scientific evidence for health care providers, being apportioned to R&D expenses. Accordingly, an amount which was included in selling, general and administrative expenses for the same period of the previous fiscal year has been reclassified as R&D expenses.

(Millions of yen)

	Nine-month period ended December 31, 2017		Nine-month period ended December 31, 2016	
	Revenue	Segment profit (loss)	Revenue	Segment profit (loss)
Pharmaceutical business				
Japan (Note 4)	234,404	87,688	227,366	83,496
Americas (Note 5)	89,380	32,540	85,225	25,490
China	43,289	13,366	36,386	10,997
EMEA	32,910	11,677	28,003	11,686
Asia (Note 5)	31,277	9,639	25,626	7,163
Reporting segment total	431,259	154,911	402,606	138,832
Other business (Note 1) (Note 4)	8,680	2,484	6,618	1,722
Total	439,940	157,394	409,223	140,554
R&D expenses (Note 2)	—	(101,998)	—	(82,914)
Group headquarters' management costs and other expenses (Note 3)	—	(8,697)	—	(9,358)
Gain from a bargain purchase	—	—	—	9,283
Gain on sales of investments in subsidiaries	—	—	—	70
Operating profit in the condensed interim consolidated statement of income	—	46,699	—	57,636

(Note 1) "Other business" mainly includes the pharmaceutical ingredients business of the parent company.

(Note 2) "R&D expenses" are not allocated to any particular segment as the Group manages such expenses on a global basis.

(Note 3) "Group headquarters' management costs and other expenses" are the costs and expenses covering Group-wide operations.

(Note 4) The Group has revised the management system of a new business which was included in Other business during the previous fiscal year, resulting in the business being included in the Japan pharmaceutical business from this fiscal year. Following this change, revenue and segment profit (loss) related to this business for the same period of the previous fiscal year has been reclassified from Other business to Japan pharmaceutical business. This change has no significant impact.

(Note 5) From January 1, 2018, the Group separated Latin American countries including Mexico and Brazil from the Americas pharmaceutical business and integrated them with the Asia pharmaceutical business to newly establish the Asia and Latin America pharmaceutical business. As this change will be reflected in the

consolidated financial statements for the end of this fiscal year, it was not reflected in these condensed interim consolidated financial statements. This change has no significant impact.

(Consolidated Statement of Income)

(1) Selling, general and administrative expenses, R&D expenses

From this fiscal year, the Group has clarified the definition of R&D expenses in order to more accurately reflect the condition of the business, and this has resulted in a portion of expenses relating to medical affairs activities, such as creation and provision of scientific evidence for health care providers, being apportioned to R&D expenses. Accordingly, ¥3,393 million which was included in selling, general and administrative expenses for the same period of the previous fiscal year has been reclassified as R&D expenses.

(2) Other income

For the nine-month period ended December 31, 2016, gain from a bargain purchase of ¥9,283 million was recorded due to the acquisition of EA Pharma Co., Ltd. (Tokyo), while gain on sales of investment in subsidiaries of ¥70 million was recorded due to the transfer of Sannova Co., Ltd. (Gunma).

(3) Income taxes

In the nine-month period ended December 31, 2017, the Tax Cuts and Jobs Act was enacted in the U.S. Income taxes for this period were calculated using an estimated annualized effective tax rate reflecting this impact.

(Consolidated Statement of Cash Flows)

(1) Net cash inflow on acquisition of subsidiaries

For the nine-month period ended December 31, 2016, net cash inflow on acquisition of subsidiaries of ¥19,346 million was recorded by the Company due to the acquisition of the shares of AJINOMOTO PHARMACEUTICALS CO., LTD. (Current company name: EA Pharma Co., Ltd.).

(2) Net cash inflow on sales of subsidiaries

For the nine-month period ended December 31, 2016, net cash inflow on sales of subsidiaries of ¥6,459 million was recorded by the Group due to the transfer of the shares of Sannova Co., Ltd.