CONSOLIDATED FINANCIAL REPORT [IFRS]
for Fiscal 2017 (Year Ended March 31, 2018)

May 15, 2018
Eisai Co., Ltd.

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

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Expected date of ordinary general meeting of shareholders: June 20, 2018
Expected date of annual report submission: June 20, 2018
Expected date of dividend payment commencement: May 24, 2018
Preparation of annual supplementary explanatory material: Yes
Annual results briefing held: Yes

(Figures are rounded to the nearest million yen.)

1. Consolidated Annual Financial Results (April 1, 2017 – March 31, 2018)

(1) Consolidated Operating Results

(Percentage figures show year on year change.)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit for the year attributable to owners of the parent		Comprehensive income for the year	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
FY 2017	600,054	11.3	77,212	30.7	76,803	33.2	54,424	28.8	51,845	31.7	53,801	46.1
FY 2016	539,097	-1.6	59,064	13.7	57,668	14.3	42,246	-23.3	39,358	-28.4	36,830	123.9

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)	Profit ratio to equity attributable to owners of the parent	Profit before income taxes ratio to total assets	Operating profit ratio to revenue
	(¥)	(¥)	(%)	(%)	(%)
FY 2017	181.18	180.97	8.8	7.4	12.9
FY 2016	137.63	137.41	6.8	5.8	11.0

(Reference) Equity in earnings of affiliates: for FY2017: ¥46 million, for FY2016: ¥55 million

(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 March 31, 2018	1,049,031	614,098	593,582	56.6	2,073.50
As of March 31, 2017	1,030,764	602,591	584,630	56.7	2,043.55

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
FY 2017	149,649	17,040	-81,850	270,525
FY 2016	75,851	-28,596	-35,440	186,775

2. Dividends

	Annual dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity attributable to owners of the parent ratio (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	(%)	(%)
FY 2016	—	70.00	—	80.00	150.00	42,918	109.0	7.4
FY 2017	—	70.00	—	80.00	150.00	42,943	82.8	7.3
FY 2018 (Forecast)	—	70.00	—	80.00	150.00		74.7	

3. Consolidated Financial Forecast for Fiscal 2018 (April 1, 2018 – March 31, 2019)

(Percentage figures show year on year change.)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit for the year attributable to owners of the parent		Earnings per share attributable to owners of the parent (basic)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Fiscal Year	632,000	5.3	86,000	11.4	86,000	12.0	60,000	10.2	57,500	10.9	200.86

* Explanatory Notes

(1) Changes in number of significant subsidiaries during the year (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 March 31, 2018	296,566,949	As of March 31, 2017	296,566,949
2) Number of treasury shares	As of March 31, 2018	10,228,499	As of March 31, 2017	10,399,676
3) Weighted average number of shares outstanding	For FY 2017	286,155,208	For FY 2016	285,981,117

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 this fiscal year, but are included in the average number of shares outstanding as treasury shares that are deducted from the calculation of earnings per share.

(Reference) Non-consolidated Annual Financial Results (April 1, 2017 – March 31, 2018)

(1) Non-consolidated Operating Results

(Percentage figures show year-on-year change.)

	Net sales		Operating income		Ordinary Income		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
FY 2017	334,051	17.8	41,794	97.7	41,515	57.4	33,431	64.1
FY 2016	283,658	-10.2	21,143	-39.9	26,369	-27.3	20,376	-69.7

	Basic earnings per share	Diluted earnings per share
	(¥)	(¥)
FY 2017	116.83	116.69
FY 2016	71.25	71.14

(2) Non-consolidated Financial Positions

	Total assets	Equity	Shareholders' equity ratio	Shareholders' equity per share
	(¥ million)	(¥ million)	(%)	(¥)
As of March 31, 2018	757,756	464,245	61.2	1,620.71
As of March 31, 2017	755,864	467,642	61.8	1,632.81

(Reference) Shareholders' equity:

As of March 31, 2018 ¥ 463,964 million As of March 31, 2017 ¥ 467,125 million

* This financial report is not subject to the audit procedures by independent auditors.

* 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 pages 10, 44-47 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 Tuesday, May 15, 2018. The recordings and handouts from the disclosure meeting will be made available on the Company's website after the event.

Supplemental Materials: Table of Contents

1. Overview of Operating Results and Other Information

1) Overview of Operating Results and Financial Position for Fiscal 2017

(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 fiscal year from April 1, 2017 to March 31, 2018.

Revenue:	¥600,054 million	(up 11.3% year on year)
Operating profit:	¥77,212 million	(up 30.7% year on year)
Profit before income taxes:	¥76,803 million	(up 33.2% year on year)
Profit for the year:	¥54,424 million	(up 28.8% year on year)
Profit for the year attributable to owners of the parent:	¥51,845 million	(up 31.7% year on year)

○ Due to the growth of Halaven (anticancer agent), Lenvima (anticancer agent, product name for use in the treatment of renal cell carcinoma in Europe: Kisplyx), Humira (fully-human anti-TNF-α monoclonal antibody) and Fycompa (antiepileptic agent) in addition to the receipt of lump-sum payments per the strategic collaboration with Merck & Co., Inc., Kenilworth, NJ, USA (“U.S. Merck”), the Group’s revenue finished overall at ¥600,054 million (up 11.3% year on year).

By segment, revenue from the Group’s Japan pharmaceutical business increased, and the China, EMEA, and Asia and Latin America pharmaceutical businesses each experienced double digit growth. By product, combined revenue from all four global brands soared by 25.4% year on year to ¥91,544 million. This included ¥39,890 million from Halaven, ¥32,231 million from Lenvima, ¥14,654 million from Fycompa, and ¥4,769 million from BELVIQ (antiobesity agent).

○ Operating profit totaled ¥77,212 million (up 30.7% year on year) as increased gross profit from the increase in revenue outweighed the aggressive R&D investment in Alzheimer's disease projects, such as E2609 (beta secretase cleaving enzyme [BACE] inhibitor, generic name: elenbecestat), and oncology projects.

○ Profit for the year came to ¥54,424 million (up 28.8% year on year), while profit for the year attributable to owners of the parent came to ¥51,845 million (up 31.7% year on year).

○ Basic earnings per share for the year attributable to owners of the parent amounted to ¥181.18 (up ¥43.55 year on year).

○ Comprehensive income for the year, after adding (deducting) other comprehensive income to (from) profit for the year, rose to ¥53,801 million (up 46.1% 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 America), China, EMEA (Europe, the Middle East, Africa, and Oceania), and Asia and Latin America (primarily South Korea, Taiwan, Hong Kong, India, ASEAN, Central and South America).
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. This change has been reflected in the segment information for this fiscal year prior to the change as well as for the previous fiscal year. This change has no significant impact.

<Japan pharmaceutical business>

○ Total revenue was ¥296,170 million (up 1.8% year on year) and segment profit stood at ¥104,422 million (up 1.7% year on year). Of this amount, revenues from Prescription Medicines and Generics were ¥246,683 million (up 1.1% year on year) and ¥27,813 million (down 0.8% year on year), respectively. Revenue from OTC, other products and services was ¥21,656 million (up 13.7% year on year).

○ Regarding revenue from neurology products, revenue steadily increased for both Lyrica (pain treatment being co-promoted with Pfizer Japan Inc.), and Lunesta (insomnia treatment). Co-promotion revenue of ¥26,517 million (up 9.3% year on year) was recorded for Lyrica and revenue of ¥10,182 million (up 27.1% year on year) was recorded for Lunesta. Revenue for Fycompa, which was launched in the previous fiscal year, increased to ¥1,716 million (up 271.0% year on year). Revenue for Aricept (treatment for Alzheimer's disease) amounted to ¥24,368 million (down 17.5% year on year). Among oncology products, Halaven and Lenvima maintained significant growth, earning revenue of ¥9,270 million (up 19.4% year on year) and ¥2,989 million (up 10.1% year on year), respectively. Humira also showed strong growth, earning revenue of ¥43,371 million (up 15.2% 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 ¥113,923 million (down 2.2% year on year). Segment profit increased to ¥43,601 million (up 16.3% year on year).

○ Regarding revenue from neurology products, Banzel (antiepileptic agent) and Fycompa both showed strong growth, recording ¥16,557 million (up 19.6% year on year) and ¥6,907 million (up 31.5% year on year), respectively. BELVIQ earned ¥3,558 million (down 4.2% year on year). Among oncology products, revenue from Lenvima greatly increased to ¥21,928 million (up 45.2% year on year). Revenues for Aloxi (antiemetic agent) and Halaven were ¥39,573 million (down 17.7% year on year) and ¥15,725 million (down 2.3% year on year), respectively.

<China pharmaceutical business>

○ Revenue totaled ¥56,231 million (up 14.1% year on year), with segment profit of ¥15,468 million (up 11.7% year on year).
○ By product, revenue for Methycobal (peripheral neuropathy treatment) was ¥18,766 million (up 4.4% year on year). Significant growth was achieved for Stronger Neo-Minophagen C and Glycyron Tablets (liver disease and anti-allergy agents) with combined revenue of ¥10,184 million (up 20.9% year on year), as well as for Aricept with revenue of ¥7,514 million (up 21.9% year on year).
○ Gastrointestinal prokinetic agent Cidine was launched in March 2018.

<EMEA pharmaceutical business>

○ Revenue totaled ¥44,298 million (up 17.1% year on year), with segment profit of ¥15,442 million (up 5.7% year on year).
○ By product, regarding revenue from neurology products, significant growth was secured for Fycompa and Zebinix (antiepileptic agent) with revenues amounting to ¥5,391 million (up 27.0% year on year) and ¥4,889 million (up 36.2% year on year), respectively, while revenue for Zonegran (antiepileptic agent) amounted to ¥4,395 million (down 14.9% year on year). Among oncology products, revenues increased for both Halaven and Lenvima/Kisplyx, amounting to ¥12,114 million (up 10.7% year on year) and ¥5,823 million (up 75.4% year on year), respectively.

<Asia and Latin America pharmaceutical business>

○ Revenue totaled ¥42,611 million (up 20.7% year on year), with segment profit of ¥12,427 million (up 45.0% year on year).
○ By product, revenue from Humira, Aricept, and Pariet (proton pump inhibitor) increased significantly, with revenues earned of ¥11,563 million (up 20.2% year on year), ¥11,229 million (up 14.8% year on year), and ¥3,873 million (up 6.8% year on year), respectively.
○ 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 this fiscal year amounted to ¥1,049,031 million (up ¥18,267 million from the end of the previous fiscal year) due to an increase in cash and cash equivalents primarily accompanying the receipt of an upfront payment and reimbursement for research and development payment from U.S. Merck.
○ Total liabilities as of the end of this fiscal year amounted to ¥434,932 million (up ¥6,759 million from the end of the previous fiscal year) due to the recording of reimbursement for

research and development payment from U.S. Merck as deposits received, despite repayment of long-term borrowings.

○ Total equity as of the end of this fiscal year amounted to ¥614,098 million (up ¥11,508 million from the end of the previous fiscal year) due to an increase in retained earnings from an increase in profit, despite a decrease in exchange differences due to appreciation of the yen.

○ As a result of the above, the ratio of equity attributable to owners of the parent was 56.6% (down 0.1 percentage points from the end of the previous fiscal year).

[Cash Flows] (April 1, 2017 – March 31, 2018)

○ Net cash provided by operating activities amounted to an inflow of ¥149,649 million (up ¥73,797 million from the previous fiscal year). Profit before income taxes was ¥76,803 million, depreciation and amortization amounted to ¥26,183 million, and decrease in working capital was ¥62,966 million (which included an increase in deposits received of ¥46,963 million).

○ Net cash provided by investing activities amounted to an inflow of ¥17,040 million (outflow of ¥28,596 million in the previous fiscal year). This was primarily due to proceeds from redemption of time deposits exceeding three months accompanying repayment of long-term borrowings. Capital expenditures* totaled ¥12,976 million.

○ Net cash used in financing activities amounted to an outflow of ¥81,850 million (up ¥46,410 million from the previous fiscal year). Expenditure due to repayment of long-term borrowings was ¥50,000 million, and the amount of dividends paid was ¥42,929 million.

○ As a result, cash and cash equivalents as of the end of this fiscal year stood at ¥270,525 million (up ¥83,750 million from the end of the previous fiscal year).

○ Free cash flows (cash flow from operating activities less capital expenditures., etc.) for the year stood at ¥136,673 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 use in the treatment of breast cancer in over 65 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 U.S. Merck's anti-PD-1 antibody pembrolizumab 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 use in the treatment of renal cell carcinoma in Europe: Kisplyx)

- ✧ Approved for use in 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 other countries in Europe.
- ✧ In March 2018, the agent was approved for use in the treatment of hepatocellular carcinoma in Japan. Applications for this indication have been submitted in the U.S. (July 2017), Europe (July 2017), China (October 2017), Taiwan (December 2017) and in other countries.
- ✧ 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.
- ✧ 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.
- ✧ 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.

○ 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.
- ✧ An application was submitted to expand the indication to cover monotherapy and adjunctive therapy for use in the treatment of partial-onset seizures in pediatric patients in the U.S. in March 2018.
- ✧ A Phase III study for pediatric epilepsy is underway in Japan 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), and the agent was launched in April 2018.

○ 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 March 2018, the primary endpoint was achieved in the Phase III clinical study of orexin receptor antagonist E2006 (lemborexant) in patients with sleep disorder.
○ 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.

○ A Phase II clinical study of anticancer agent E7438 (tazemetostat) in B-cell non-Hodgkin's lymphoma was initiated in Japan.
○ Regarding E2027, an investigational treatment for dementia with Lewy bodies, a Phase II/III clinical study in patients with dementia with Lewy bodies was initiated in Japan, the U.S. and Europe.
○ Regarding the ulcerative colitis treatment AJM300 (carotegrast methyl), an additional Phase III study has been initiated in Japan.

○ Regarding Aricept, development for regression symptoms in patients with Down syndrome has been discontinued at the Phase II study 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 U.S. Merck 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 U.S. Merck 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) to jointly develop the combination therapy of Lenvima and anti-PD-1 antibody nivolumab of Ono Pharmaceutical Co., Ltd. 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, Eisai's gastrointestinal disease subsidiary 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). Both of these actions were executed in January 2018.

○ In October 2017, Eisai and Biogen Inc. (U.S.) expanded the existing agreement to jointly develop and commercialize investigational Alzheimer's disease treatments. Eisai 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 for accounts that Biogen was not calling upon. 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 multiple sclerosis treatments TECFIDERA, TYSABRI and AVONEX in Japan for accounts that Biogen was not calling upon.

○ In January 2018, beginning with the Eisai Group launching Biogen Inc.'s multiple sclerosis treatments in South Korea, the products were launched by the Eisai Group in Taiwan, Hong Kong, Singapore and India.

○ 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. Since March 23, 2018, a number of companies including Teva have announced the launch of generic versions of Aloxi in the United States. Helsinn has submitted a certiorari to the Supreme Court of the United States, and 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).

○ In February 2018, in its Final Appraisal Determination, the U.K.'s National Institute for Health and Care Excellence (NICE) recommended Lenvima as a treatment for progressive, locally advanced or metastatic differentiated thyroid cancer (papillary, follicular or Hürthle cell) in adults whose disease does not respond to radioactive iodine.

○ In March 2018, Eisai entered into a global strategic oncology collaboration with U.S. Merck for anticancer agent Lenvima. Under the agreement, Eisai and U.S. Merck will develop and commercialize Lenvima jointly, both as monotherapy and in combination with U.S. Merck's anti-PD-1 therapy pembrolizumab. The companies will also jointly initiate new clinical studies evaluating the Lenvima/pembrolizumab combination to support 11 potential indications in six types of cancer (endometrial cancer, non-small cell lung cancer, hepatocellular carcinoma, head and neck cancer, bladder cancer and melanoma), as well as a basket trial targeting multiple cancer types.

○ In March 2018, Eisai entered into a strategic alliance agreement as well as a share transfer agreement with Nichi-Iko Pharmaceutical Co., Ltd. (Toyama) for a capital and business

alliance, aiming to transform the generic pharmaceutical business model. The two companies will promote cooperation in building Eisai's Total Inclusive Ecosystem as well as collaboration on the active pharmaceutical ingredient (API) business promoted primarily at the Group's Vizag Plant in India. Upon condition that certain progress has been achieved through the strategic alliance agreement, Eisai will transfer shares of its wholly-owned subsidiary Elmed Eisai Co., Ltd. to Nichi-Iko Pharmaceutical Co., Ltd. incrementally, with Elmed Eisai Co., Ltd. scheduled to become a wholly-owned subsidiary of Nichi-Iko Pharmaceutical Co., Ltd. in April 2019. In April 2018, 20% of shares issued in Elmed Eisai Co., Ltd. were transferred.

○ In March 2018, Eisai entered into an agreement to transfer the exclusive development and marketing rights for botulinum toxin type B Neurobloc in Europe to Sloan Pharma S.à.r.l., Switzerland, a 100% wholly-owned subsidiary of US WorldMeds, LLC (U.S.).

○ In March 2018, Eisai entered into an agreement to transfer the exclusive development and marketing rights for non-opioid severe chronic pain treatment Prialt (ziconotide) in Europe to Riemser Pharma GmbH (Germany).

2) Outlook for the Future (April 1, 2018 – March 31, 2019)

[Consolidated Forecasts]

(Percentage figures show year on year change.)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit for the year attributable to owners of the parent		Earnings per share attributable to owners of the parent (basic)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Fiscal Year	632,000	5.3	86,000	11.4	86,000	12.0	60,000	10.2	57,500	10.9	200.86

* Assumptions: 1 USD = ¥110, 1 EUR = ¥134, 1 GBP = ¥150, 1 RMB = ¥17

<Revenue>

○ Revenue is expected to increase to ¥632,000 million (up 5.3% year on year) primarily due to further growth of global brands Lenvima, Halaven and Fycompa in addition to the receipt of milestone payments accompanying the strategic agreement with U.S. Merck, which will offset the impact of drug pricing revision in Japan and the launch of generic versions of Aloxi in the U.S.

○ Revenue for Lenvima, Halaven and Fycompa is expected to increase to ¥58,500 million (up 81.5% year on year), ¥43,000 million (up 7.8% year on year) and ¥21,500 million (up 46.7% year on year), respectively.

<Profit>

○ Despite the continuation of active investment in R&D projects in strategic focus areas of neurology and oncology as well as in commercial activities for global brands such as Lenvima, profit is expected to increase primarily due to increased revenue from global brands as well as the receipt of milestone payments from U.S. Merck. Operating profit is expected to come to ¥86,000 million (up 11.4% year on year).

○ Profit for the year attributable to owners of the parent is expected to increase to ¥57,500 million (up 10.9% year on year)

3) Basic Policy on Profit Appropriation and Dividend for Fiscal 2017 and 2018

At the Company, the dividend payments are determined by a resolution of the Board of Directors as specified in the Company's Articles of Incorporation. The Company has set the year-end dividend for fiscal 2017 at ¥80 per share as previously projected. With the interim dividend of ¥70 per share, the company intends to pay the total dividend of ¥150 per share for the year (same amount as the previous year). In this context, the Dividends on Equity (DOE) ratio is 7.3%.

The annual dividend for fiscal 2018 (the fiscal year ending March 31, 2019) is expected to be ¥150 per share (¥70 for interim and ¥80 for year-end dividend), unchanged from fiscal 2017.

For further information on the Company's dividend policy, please refer to "2. Management Policy 4) Basic Policy for Capital Strategy (2) Sustainable and Stable Shareholder Returns" on page 15.

2. Management Policy

1) Corporate Mission

The Group defines its corporate philosophy as “Giving first thought to patients and their families, and to increasing the benefits that health care provides.” Guided by this philosophy, all corporate officers and employees aspire to meet the various needs of global health care as representatives of a “*human health care* (*hhc*) company” that is capable of making a meaningful contribution under any health care system. The Group’s mission is the enhancement of patient satisfaction. The Group believes that revenues and earnings will be generated by fulfilling this mission. The Group places importance on this sequence of placing the mission before the ensuing results.

Translating this *hhc* philosophy into action, the Group is committed to deepening the relationships built on trust with its principal stakeholders, namely patients and their families, shareholders, and employees, while continuously ensuring compliance with applicable laws and ethical standards, thereby enhancing corporate value.

The Company codified this corporate philosophy into its Articles of Incorporation and endeavors to share its basic concept with shareholders.

2) Management Objectives

The Group considers Return on Equity (ROE)*[1], which shows the profit ratio to shareholders’ equity, an important indicator of the sustainable creation of value for shareholders. In terms of ROE management, the Group aims to attain a high ROE level that exceeds the cost of capital by improving profit margins, financial leverage, and asset turnover in the medium- to long-term.

Furthermore, Dividends on Equity (DOE)*[2] shows the ratio of dividend to shareholders’ equity and the Group positions DOE as an important index for balance sheet management and capital policy.

In addition, the Group uses the ratio of equity attributable to owners of the parent and net debt equity ratio as indicators to measure a healthy balance sheet.

*1 ROE = Profit attributable to owners of the parent / equity attributable to owners of the parent

*2 DOE = Dividends paid / equity attributable to owners of the parent

3) Medium- to Long-term Corporate Management Strategy and Issues that Need to be Addressed

With the strengthening trend toward controlling healthcare expenditure around the world, including the Fundamental Drug Pricing Revision in Japan, the environment surrounding the pharmaceutical business is undergoing significant changes. While continuing to respond to these changes in the environment, the Group is committed to thoroughly achieving the medium-term business term plan EWAY 2025.

(1) Medium-term Business Plan EWAY 2025

Launched in fiscal 2016, EWAY 2025 aims to achieve the following strategic intents.

1) Aim to support patients’ thought: “I do not want to get sick. I want to know if I get sick, and I want to be cured.”
2) Aim to support patients’ thought: “I want to control my disease in my neighborhood and safely spend the rest of my life with peace of mind.”

3) Focus on a business domain where the Group can find out “Ricchi” based on *hhc* needs and fulfill them with Eisai innovation.

The foundation of these strategic intents is the *hhc* philosophy of the Group. Spending time with patients and understanding their true needs motivates employees, and this becomes the source of Eisai’s innovation. The Group positions “Neurology” and “Oncology” as strategically important areas, and is aiming to accelerate new drug discovery and maximize value of new drugs through strategic partnerships and new business models.

(2) EWAY 2025 Major Progress and Initiatives

a) Neurology Area

In the Neurology Business Group (NBG), research and development is advancing in fields such as dementia and epilepsy through a comprehensive approach from the patient’s perspective. In the primary focus area of Alzheimer’s disease / dementia, disease modifying agents for early Alzheimer’s disease and novel treatments for the improvement of symptoms are simultaneously under development. In October 2017, the Company and Biogen Inc. expanded the existing agreement to jointly develop and commercialize investigational Alzheimer’s disease treatments, and the Company exercised its option to co-develop and co-promote aducanumab (generic name), Biogen Inc.’s investigational anti-amyloid beta (Aβ) antibody. Furthermore, Phase III studies on beta secretase cleaving enzyme (BACE) inhibitor elenbecestat (generic name) are underway. Phase II studies on the anti-Aβ protofibril antibody BAN2401 are ongoing and results from a final comprehensive analysis at 18 months is expected in the second half of 2018.

In recent years, it has been reported that first sleep disorders and then behavioral disorders precede the occurrence of dementia’s main symptom, cognitive disorder. The Group is developing its portfolio to provide total care for dementia patients including orexin receptor antagonist lemborexant (generic name) which is being jointly developed with Purdue Pharma L.P. to treat sleep disorders, E2730 and E2082 to potentially treat neurological diseases such as epilepsy which is one such behavioral disorder, as well as PDE9 inhibitor E2027 to improve cognitive function and behavioral and psychological symptoms of dementia. Furthermore, research is being conducted to establish a blood test for the detection of early Alzheimer’s disease.

b) Oncology Area

In the Oncology Business Group (OBG), progress is being made in efforts to maximize the value of in-house discovered anticancer agents Lenvima and Halaven. Aiming to create new value for patients through innovative business models, the Company entered into a global strategic oncology collaboration for Lenvima with U.S. Merck in March 2018. Under this agreement, Lenvima will be jointly developed and commercialized as monotherapy and in combination with U.S. Merck's anti-PD-1 therapy KEYTRUDA (pembrolizumab). Regarding the development of this combination, clinical studies to date have suggested remarkable synergistic effects for the combination therapy, and new clinical studies are being initiated simultaneously to evaluate the Lenvima/KEYTRUDA combination to support 11 potential indications in six types of cancer, as

well as a basket trial targeting multiple cancer types. The Eisai Group, who has extensive real-world evidence for Lenvima, will jointly conduct medical and marketing activities with U.S. Merck, who has a strong commercial footprint and medical expertise that spans the globe, in order to expedite maximization of patient access worldwide. Regarding the development of Lenvima as monotherapy, Lenvima was approved for an indication covering hepatocellular carcinoma for the first time in the world in Japan in March 2018. With applications for this indication under review in the U.S., Europe, China and other countries, the Group is seeking to maximize the value of Lenvima.

Halaven is currently being investigated in clinical studies in combination with KEYTRUDA for the treatment of metastatic triple-negative breast cancer. In addition, regarding the Group's first antibody drug conjugate (ADC) MORAb-202, which combines Halaven and the investigational anti-folate receptor α antibody farletuzumab (generic name), and the novel middle molecule E7130, which was discovered from the Company's halichondrin research like Halaven, both MORAb-202 and E7130 have been introduced into clinical development. Including E7386 which has a novel mechanism to act in the cancer microenvironment, the Group is working to enhance its project pipeline.

c) Taking up the Challenge of New Business Models

The Group is aiming to build a new platform business in addition to the conventional value chain business. Based on the true needs of patients, the Company has built the Eisai Dementia Platform from various assets including its experience, know-how, various kinds of data and networks for dementia accumulated over 30 years. Upon this Platform, the Company is aiming to establish the "Eisai Dementia Total Inclusive Ecosystem" in which it partners with pharmaceutical companies, government, medical institutions, nursing care facilities, companies developing diagnostics, IT companies, insurance companies and other stakeholders to provide products and services in the field of dementia. In the future, the Group will also consider expanding this Total Inclusive Ecosystem to cover other areas.

(3) Initiatives to Improve Access to Medicines

The Group considers its activities for improving access to medicine in developing and emerging countries as its duty as well as a form of long-term investment for future growth, and is currently running various proactive, sustainable initiatives under public-private partnerships primarily with governments, international organizations and non-profit organizations.

To help eliminate lymphatic filariasis, one of the neglected tropical diseases, in developing and emerging nations, the Group is providing the World Health Organization (WHO) with diethylcarbamazine (DEC), a medicine for lymphatic filariasis, free of charge to all endemic countries that need them, until complete elimination is achieved. These DEC tablets are manufactured at the Group's Vizag Plant in India. As of the end of March 2018, 1.35 billion tablets have been supplied to 27 countries. And, in addition to advancing the development of new drugs for the treatment of other neglected tropical diseases as well as tuberculosis and malaria, the Group is also working on various activities to improve access to medicines in each

country such as support for disease awareness and early diagnosis of non-communicable diseases like dementia and cancer, as well as provision of medicines at prices that patients can easily afford (affordable pricing) or at prices set in accordance with income levels (tiered pricing).

4) Basic Policy for Capital Strategy

The Group's capital policy is to improve shareholder value based on "medium- to long-term Return on Equity (ROE) management", "sustainable and stable shareholder returns" and "value-creative investment criteria for growth", while maintaining the integrity of its finances.

(1) Medium- to Long-term ROE Management

The Company believes that ROE is an important indicator of the sustainable creation of value for shareholders. In terms of medium- to long-term ROE management, the Company aims for an ROE that exceeds the cost of capital (creation of a positive equity spread*[3]) by improving profit margins, financial leverage and asset turnover in the medium- to long-term.

(2) Sustainable and Stable Shareholder Returns

In terms of shareholder returns, profits are returned 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 stock 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.

(3) Value-Creative Investment Criteria for Growth

To ensure that strategic investments create shareholder value, the Company invests selectively using its Value-Creative Investment Criteria based on Net Present Value and the Internal Rate of Return spread using a risk-adjusted hurdle rate.

*[3] Equity spread = ROE – Cost of shareholder capital

5) Corporate Governance

The Company believes that the focus of corporate governance is to respect the rights of all our shareholders, ensure fair and transparent management, and enhance corporate vitality. Always aiming for the best corporate governance, the Company strives to achieve corporate governance in accordance with the following basic points of view.

- Shareholder Relations:

  The Company shall:
  - Respect the rights of all shareholders
  - Ensure the equality of all shareholders
  - Develop positive and smooth relations with the Company's stakeholders including all shareholders

- Ensure transparency by properly disclosing Company information

- Corporate Governance System
  - The Company has adopted a “Company with a Nomination Committee, etc.” System.
  - The Board of Directors (“the Board”) shall delegate to the Corporate Officers broad powers of decision-making over business execution, to the extent permitted by the laws and regulations, and it shall exercise the function of management oversight.
  - The majority of the Board shall be independent and neutral Outside Directors.
  - The Representative Corporate Officer and CEO shall be the only Director who is concurrently a Corporate Officer.
  - To clarify the management oversight function, the positions of Chair of the Board and of Representative Corporate Officer and CEO shall be separated and performed by different people.
  - The Nomination Committee and the Compensation Committee shall be entirely composed of Outside Directors, and the majority of the Audit Committee shall consist of Outside Directors.
  - Each of the Chairs of the Nomination Committee, the Audit Committee and the Compensation Committee shall be appointed from the Outside Directors.
  - The internal control system and its operation shall be implemented to ensure the credibility of financial reports is enhanced.

Detailed information on the Company’s corporate governance system is available on the Company’s corporate website along with the Company’s Corporate Governance Guidelines, Rules of the Board of Directors, Rules of the Nomination Committee, Rules of the Audit Committee, and Rules of the Compensation Committee.
(https://www.eisai.com/company/governance/index.html)
The Corporate Governance Report submitted to the Tokyo Stock Exchange (TSE) is available on the website of the TSE as well as on the Company’s corporate website.
(https://www.eisai.com/company/governance/cgregulations/index.html)

6) Enhancing Non-Financial Value including ESG and Information Disclosure

Non-financial value, such as ESG (Environment, Social and Governance) must be taken into account in addition to financial value when determining a company’s value. As the Group expands business based on the *hhc* philosophy, it has been strengthening its ESG initiatives, such as reducing the burden on the global environment (Environment), improving access to medicines and developing human resources of the Company (Social), and ensuring fairness and transparency of management (Governance). In addition, the Company positions initiatives for ESG as consistent with the SDGs (Sustainable Development Goals) which are international goals adopted at the United Nations summit. In April 2018, the Company established an ESG Department which is responsible for company-wide strategies for ESG and SDGs as well as their advancement as the Company strives to further enhance non-financial value.

The Group discloses information relating to non-financial value, including ESG, in integrated reports and environmental reports based on the IIRC's (International Integrated Reporting Council) framework.

(https://www.eisai.com/ir/library/annual/index.html)

7) Compliance and Risk Management

The Group defines compliance as "the observance of the highest legal and ethical standards" and positions it at the core of management activities. In addition, the Group defines internal control as "the systems and processes established and managed internally to ensure proper and efficient operations," and shares the Policy for Internal Control with all officers and employees. The Group has appointed a Chief Compliance Officer / Corporate Officer responsible for internal control, who works to enhance compliance and internal control on a global scale in hope of raising awareness of compliance and risks and strengthening the Group's ability to respond to such issues.

3. Basic Approach to the Selection of Accounting Standards

In order to make it more convenient for various stakeholders including shareholders and investors in Japan and overseas by improving disclosure and comparability of financial information on an international basis, the Company voluntarily adopted IFRS from the fiscal year ended March 31, 2014 and has disclosed its consolidated financial statements in accordance with IFRS from the first three-month period ended March 31, 2015.

4. Consolidated Financial Statements and Major Notes
1) Consolidated Statement of Income

(Millions of yen)

	Note	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Revenue	(1)	600,054	539,097
Cost of sales	(2)	(201,254)	(195,905)
Gross profit		398,800	343,192
Selling, general and administrative expenses	(2)	(183,857)	(174,942)
Research and development expenses	(2)	(139,579)	(117,213)
Other income	(3)	2,995	13,587
Other expenses	(4)	(1,147)	(5,560)
Operating profit		77,212	59,064
Financial income	(5)	2,555	1,847
Financial costs	(6)	(2,965)	(3,243)
Profit before income taxes		76,803	57,668
Income taxes	(7)	(22,378)	(15,422)
Profit for the year		54,424	42,246
Profit for the year attributable to			
Owners of the parent		51,845	39,358
Non-controlling interests		2,579	2,887
Earnings per share			
Basic (yen)		181.18	137.63
Diluted (yen)		180.97	137.41

2) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit for the year	54,424	42,246
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)	6,749	(576)
Remeasurements of defined benefit plans	4,212	3,983
Subtotal	10,960	3,407
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(11,771)	(9,322)
Cash flow hedges	187	499
Subtotal	(11,584)	(8,822)
Total other comprehensive income (loss), net of tax	(624)	(5,416)
Comprehensive income for the year	53,801	36,830
Comprehensive income for the year attributable to		
Owners of the parent	51,208	33,969
Non-controlling interests	2,593	2,860

3) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Assets		
Non-current assets		
Property, plant and equipment	103,060	103,574
Goodwill	164,960	173,965
Intangible assets	107,440	112,501
Other financial assets	47,789	54,459
Other assets	14,614	13,768
Deferred tax assets	75,262	88,342
Total non-current assets	513,125	546,609
Current assets		
Inventories	80,932	82,876
Trade and other receivables	151,472	154,502
Other financial assets	18,663	42,875
Other assets	14,314	17,126
Cash and cash equivalents	270,525	186,775
Total current assets	535,905	484,155
Total assets	1,049,031	1,030,764

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Equity		
Equity attributable to owners of the parent		
Share capital	44,986	44,986
Capital surplus	77,563	77,652
Treasury shares	(35,271)	(35,888)
Retained earnings	414,966	394,981
Other components of equity	91,338	102,899
Total equity attributable to owners of the parent	593,582	584,630
Non-controlling interests	20,516	17,961
Total equity	614,098	602,591
Liabilities		
Non-current liabilities		
Borrowings	156,738	163,474
Other financial liabilities	3,040	2,511
Retirement benefit liabilities	11,060	13,788
Provisions	1,356	1,216
Other liabilities	20,574	23,044
Deferred tax liabilities	496	448
Total non-current liabilities	193,263	204,482
Current liabilities		
Borrowings	16,403	50,000
Trade and other payables	68,096	70,750
Other financial liabilities	51,640	3,980
Income taxes payable	9,029	5,896
Provisions	16,031	14,647
Other liabilities	80,470	78,418
Total current liabilities	241,670	223,691
Total liabilities	434,932	428,173
Total equity and liabilities	1,049,031	1,030,764

4) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2018

(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	Remeasurements of defined benefit plans
As of April 1, 2017	44,986	77,652	(35,888)	394,981	—	—
Profit for the year	—	—	—	51,845	—	—
Other comprehensive income (loss)	—	—	—	—	6,749	4,175
Comprehensive income (loss) for the year	—	—	—	51,845	6,749	4,175
Dividends	—	—	—	(42,929)	—	—
Share-based payments	—	(236)	—	—	—	—
Acquisition of treasury shares	—	—	(38)	—	—	—
Disposal of treasury shares	—	150	655	—	—	—
Reclassification	—	—	—	10,924	(6,749)	(4,175)
Other changes	—	(4)	—	146	—	—
Total transactions with owners	—	(90)	617	(31,860)	(6,749)	(4,175)
As of March 31, 2018	44,986	77,563	(35,271)	414,966	—	—

	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, 2017	103,536	(637)	102,899	584,630	17,961	602,591
Profit for the year	—	—	—	51,845	2,579	54,424
Other comprehensive income (loss)	(11,748)	187	(637)	(637)	13	(624)
Comprehensive income (loss) for the year	(11,748)	187	(637)	51,208	2,593	53,801
Dividends	—	—	—	(42,929)	(41)	(42,970)
Share-based payments	—	—	—	(236)	—	(236)
Acquisition of treasury shares	—	—	—	(38)	—	(38)
Disposal of treasury shares	—	—	—	805	—	805
Reclassification	—	—	(10,924)	—	—	—
Other changes	—	—	—	142	4	146
Total transactions with owners	—	—	(10,924)	(42,256)	(37)	(42,293)
As of March 31, 2018	91,788	(450)	91,338	593,582	20,516	614,098

Fiscal year ended March 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	Remeasurements of defined benefit plans
As of April 1, 2016	44,986	58,232	(36,231)	394,974	—	—
Profit for the year	—	—	—	39,358	—	—
Other comprehensive income (loss)	—	—	—	—	(576)	3,989
Comprehensive income (loss) for the year	—	—	—	39,358	(576)	3,989
Dividends	—	—	—	(42,905)	—	—
Share-based payments	—	(238)	—	—	—	—
Acquisition of treasury shares	—	—	(307)	—	—	—
Disposal of treasury shares	—	222	650	—	—	—
Change of interests without loss of control	—	19,478	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—
Reclassification	—	—	—	3,413	576	(3,989)
Other changes	—	(41)	—	141	—	—
Total transactions with owners	—	19,421	343	(39,351)	576	(3,989)
As of March 31, 2017	44,986	77,652	(35,888)	394,981	—	—

	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 year	—	—	—	39,358	2,887	42,246
Other comprehensive income (loss)	(9,301)	499	(5,389)	(5,389)	(27)	(5,416)
Comprehensive income (loss) for the year	(9,301)	499	(5,389)	33,969	2,860	36,830
Dividends	—	—	—	(42,905)	(1,940)	(44,845)
Share-based payments	—	—	—	(238)	—	(238)
Acquisition of treasury shares	—	—	—	(307)	—	(307)
Disposal of treasury shares	—	—	—	871	—	871
Change of interests without loss of control	—	—	—	19,478	522	20,000
Acquisition of subsidiaries	—	—	—	—	13,320	13,320
Reclassification	—	—	(3,413)	—	—	—
Other changes	—	—	—	100	31	131
Total transactions with owners	—	—	(3,413)	(23,000)	11,933	(11,068)
As of March 31, 2017	103,536	(637)	102,899	584,630	17,961	602,591

5) Consolidated Statement of Cash Flows

(Millions of yen)

	Note	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Operating activities			
Profit before income taxes		76,803	57,668
Depreciation and amortization		26,183	26,484
Impairment losses		231	376
(Increase) decrease in working capital	(1)	62,966	1,509
Interest and dividends received		2,234	1,731
Interest paid		(2,680)	(2,643)
Income taxes paid		(15,346)	(12,467)
Income taxes refund		2,113	10,924
Other		(2,854)	(7,731)
Net cash from operating activities		149,649	75,851
Investing activities			
Purchases of property, plant and equipment		(10,498)	(7,824)
Proceeds from sale of property, plant and equipment		1,912	297
Purchases of intangible assets		(14,235)	(12,177)
Net cash inflow on acquisition of subsidiaries	(2)	―	19,346
Net cash inflow on sales of subsidiaries	(3)	―	6,459
Purchases of financial assets		(4,650)	(12,769)
Proceeds from sale and redemption of financial assets		14,495	12,486
Payments of time deposits exceeding three months		(36,442)	(72,931)
Proceeds from redemption of time deposits exceeding three months		66,523	39,119
Other		(64)	(604)
Net cash from (used in) investing activities		17,040	(28,596)
Financing activities			
Net increase (decrease) in short-term borrowings		11,394	―
Proceeds from long-term borrowings		―	9,981
Repayment of long-term borrowings		(50,000)	―
Dividends paid		(42,929)	(42,905)
Other		(315)	(2,515)
Net cash from (used in) financing activities		(81,850)	(35,440)
Effect of exchange rate change on cash and cash equivalents		(1,089)	(4,366)
Net increase (decrease) in cash and cash equivalents		83,750	7,450
Cash and cash equivalents at beginning of year		186,775	179,326
Cash and cash equivalents at end of year		270,525	186,775

6) Notes to Consolidated Financial Statements

(Going Concern)

Not applicable

(Basis of Preparing Consolidated Financial Statements)

(1) Compliance

As the Company meets the requirements of a “Specified Company,” pursuant to Article 1-2 of the Consolidated Financial Statement Ordinance, the consolidated financial statements of the Group have been prepared in accordance with IFRS subject to the provisions of Article 93 of said Ordinance.

(2) Basis of measurement

The consolidated financial statements are prepared on an acquisition cost basis except for the financial instruments that are measured at fair value and assets (liabilities) of retirement benefit plans.

(3) Presentation currency and unit

The consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, and figures less than 1 million yen are rounded to the nearest million yen.

(4) Changes in accounting policies

The Group has adopted the following main accounting standards and interpretations from the fiscal year ended March 31, 2018.

Accounting standards and interpretations		Mandatory application (Date of commencement)	Date applied by the Group	Description
IAS 12	Income Taxes	January 1, 2017	Fiscal year ended March 31, 2018	Clarification of accounting methods applicable to deferred tax assets for unrealized losses
IAS 7	Statement of Cash Flows	January 1, 2017	Fiscal year ended March 31, 2018	Disclosure requirement for changes in liabilities arising from financing activities

The effect of accounting standards and interpretations above on the consolidated financial statements is immaterial.

(5) Early application of new accounting standards and interpretations

The Group has early applied the following accounting standards and interpretations from April 1, 2012.

・IFRS 9 “Financial Instruments” (issued in November 2009 and revised in October 2010 and December 2011)

(6) New accounting standards and interpretations not yet applied by the Group

As of the date of approval of the consolidated financial statements by the Group, main new accounting standards and interpretations that have been issued are as follows.

Accounting standards and interpretations		Mandatory application (Date of commencement)	To be applied by the Group	Description
IFRS 2	Share-based Payment	January 1, 2018	Fiscal year ending March 31, 2019	Clarifying accounting treatment for the effects of vesting conditions on cash-settled share-based payment transactions
IFRS 9	Financial Instruments (Revised in July 2014)	January 1, 2018	Fiscal year ending March 31, 2019	Amendments of financial instrument classification and measurement, impairment and hedge accounting
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Amendment of accounting for revenue recognition
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	Fiscal year ending March 31, 2019	Clarifying accounting treatment for the transactions that include payment/receipt of advance consideration in a foreign currency
IFRS 9	Financial Instruments (Revised in October 2017)	January 1, 2019	Fiscal year ending March 31, 2020	Revision for certain premature redeemable financial instruments
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Amendments to recognition and accounting methods for leases
IAS 19	Employee Benefits	January 1, 2019	Fiscal year ending March 31, 2020	Clarifying the calculation method of pension expenses in case that the defined benefits pension plan is amended
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019	Fiscal year ending March 31, 2020	Clarifying that a long-term investment in associates and joint ventures (on which the equity method is not applied) is treated under IFRS 9 in accounting
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	Fiscal year ending March 31, 2020	Clarifying the method to reflect uncertainty on accounting treatment of income taxes
IFRS 10 IAS 28	Consolidated Financial Statements Investments in Associates	Not decided	Not decided	Amendments to accounting for selling assets to associates

As of the reporting date, the Group has not yet applied these accounting standards and interpretations. The Group has assessed that impact on the consolidated financial statements by these standards and interpretations which are to be initially applied by the Group in the fiscal year ending March 31, 2019 is immaterial. Furthermore, the impact on the consolidated financial statements by these standards and interpretations which are to be initially applied by the Group in and after the fiscal year ending March 31, 2020 is under evaluation.

Major changes associated with the application of IFRS 15 “Revenue from Contracts with Customers” (“this Standard”) in the fiscal year ending March 31, 2019 are as follows.

In accordance with the transition method of this Standard, the Group elects to apply this Standard retrospectively to contracts with customers that have not been completed at the date of initial application (April 1, 2018), and apply the method to recognize the cumulative effect of the initial application of this Standard as an adjustment to the opening balance of retained earnings of the fiscal year ending March 31, 2019 that includes the date of initial application.

Applying this Standard to the Group's consolidated financial statements causes a change in the timing of license revenue recognition for developing or developed products (upfront and milestone payments).

Until the fiscal year ended March 31, 2018, the Group recognized revenue over the licensing period on a reasonable basis when contractual performance obligations except for license grant exist over the licensing period. The Group will change the method to recognize revenue at the timing of license grant when the Group's performance obligation is fulfilled upon the customer obtaining control of the license at the time of license grant.

(Significant Accounting Policies)

The Group's significant accounting policies described below are applied to the consolidated financial statements throughout the period.

(1) Basis of consolidation

The Group's consolidated financial statements are prepared based on the financial statements of the Company, its subsidiaries and its associate under uniform accounting policies. In case where accounting policies applied by a subsidiary or associate are different from those applied by the Group, adjustments are made to their financial statements as needed. In addition, all inter-company transactions, balances and unrealized gains/losses from inter-company transactions are eliminated on consolidation.

a) Subsidiary

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when the Group has the power over the investee, is exposed to variable returns from involvement with the investee, and has the ability to use power over the investee to affect the investor's return.

A subsidiary's financial statements are included in the consolidated statements from the date the Group obtains control of the subsidiary until the date the Group loses control of it. Changes in the Group's interest in a subsidiary that do not result in losing control of the subsidiary are accounted for as equity transactions in which the difference between the adjustment amount of non-controlling interests and fair value of the consideration is directly recognized as retained earnings and made attributable to the owners of the parent.

b) Associate

An associate is an entity over which the Group has significant influence on their management policies but does not have control. An investment in an associate is accounted for using the equity method on all of associates from the date the Group obtains significant influence until the date the Group loses significant influence.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

Based on the acquisition method, acquisition costs are sum of the considerations measured at fair value at the acquisition date and the amount of non-controlling interest in the acquiree. Non-controlling interests are measured at either fair value or the proportionate share in the recognized net amount of the acquiree's identifiable assets and liabilities. Acquisition-related costs are recognized as expenses in the period which the costs are incurred.

In case that the sum of fair value of the consideration, non-controlling interests in the acquiree and the fair value of the proportionate share that the Group has held before at the date the Group obtains control of the acquiree exceeds from net amount of identifiable assets and liabilities, the difference is recognized as goodwill. On the other hand, if the sum of the considerations of acquisition is lower than net amount of identifiable assets and liabilities, the difference is recognized as profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts for the items for which the accounting is incomplete are reported in the consolidated financial statements. The provisional amounts recognized at the acquisition date are retrospectively adjusted during the measurement period. The measurement period is the period starting from the acquisition date and lasting up to a maximum of one year, during which the Group obtains the whole information about facts and circumstances that existed at the acquisition date.

(3) Foreign currency translation

Each company in the Group determines its own functional currency for its separate financial statements, and transactions of these companies are presented in their functional currency. On the other hand, the consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

Foreign currency transactions are translated into the functional currency using exchange rates at the date of transactions or approximations of rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot exchange rates at the consolidated fiscal year-end date. Exchange differences arising from translation or settlement are recognized in profit or loss.

For the purpose of recording operating results and financial positions of foreign operations in the consolidated financial statements, assets and liabilities of foreign operations are presented in Japanese yen translated at spot exchange rates at the consolidated fiscal year-end date. Income and expense items of foreign operations are translated at average exchange rates. The resulting translation differences are recognized as other comprehensive income, while the cumulative amounts are recognized as other components of equity. In addition, accumulated translation differences are recognized as profit or loss when the foreign operations are disposed of.

(4) Revenue

Revenue is recognized only when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably.

a) Pharmaceutical goods sales

Pharmaceutical goods sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the customers (usually at the time of delivery). Sales generated from the transaction are presented as the fair value of consideration received after deducting various provisional amounts of sales deduction items. Sales deduction items include sales rebates, sales discounts and sales returns.

b) Co-promotion revenue

The Group recognizes the proportionate share of revenue generated from a co-promotion activity as revenue when the Group promotes goods with alliance partners and goods sales are recognized by the alliance partners. At the same time, a proportionate share of expenses incurred from the co-promotion activity is recognized as selling, general and administrative expenses.

c) License revenue

Considerations received for licensing patents of developing or developed products (upfront payments, milestone payments and running royalties) are recognized as revenue, in accordance with the substance of the transactions.

Received upfront payments and milestone payments are recognized as revenue when their performance obligations under the agreements are fulfilled. In case that contractual performance obligations exist over the licensing period, the revenue is recognized over the period based on a reasonable basis.

Received running royalties are recognized as revenue, in accordance with the calculation basis.

(5) Research and development expenses

a) Research expenses

Expenditures on research activities (including collaborative research and contract research) are recognized as research and development (R&D) expenses.

b) Development expenses

Expenditures on development activities are recognized as intangible assets only if they meet the conditions of internally generated intangible assets. Internally incurred development expenses in the Group do not meet these

conditions as there are risks that developing products may not get marketing authorization and developing activities may be delayed or discontinued. Therefore, these are recognized as R&D expenses.

Acquired in-process research and development investments from external entities are recognized as intangible assets.

In case that the Group receives contributions for developments from alliance partners in accordance with collaborative research and development agreement, the contributions are deducted from R&D expenses.

(6) Employee benefits

a) Post-employment benefits

The Group has adopted defined benefit plans and defined contribution plans.

Regarding defined benefit plans, current service costs are recognized as expenses using the projected unit credit method in actuarial calculations made at the consolidated fiscal year-end date. All of the actuarial gains/losses incurred in the period are recognized as other comprehensive income, while the cumulative amount is reclassified to retained earnings after it is recognized as other components of equity. Retirement benefit liabilities are the present value of defined benefit obligations less fair value of plan assets.

Regarding defined contribution plans, contributions of the Group are recognized as expenses at the time employees render services that give pension rights to them.

b) Termination benefits

Termination benefits are provided in the case that the Group decides to terminate an employee's employment before the normal retirement date, or an employee voluntarily decides to accept an offer of benefits in exchange for the termination of employment. The termination benefits are recognized as expenses upon termination of employment, if the Group has detailed official plans related to termination of an employee's employment and can no longer withdraw the offer of the benefits.

(7) Share-based payments

a) Stock option plan

The Company had granted a part of directors, corporate officers and employees equity-settled share-based payments (stock options) until the fiscal year ended March 31, 2013.

Services received as considerations of stock options are recognized as expenses, while corresponding amounts are recognized as an increase in equity. These expenses are the fair value of stock options that are evaluated by using appropriate price models at the grant date, and recognized as expenses using the straight-line method over the vesting period. Expired rates at the time of final vesting are considered when the Company makes estimations for evaluation. In case that the estimation is revised, adjustments are made over the remaining vesting period.

b) Performance-related share-based compensation system

The Company has introduced a performance-related share-based compensation system that distributes the Company's shares to corporate officers every year based on performance from the fiscal year ended March 31, 2014.

The Group measures considerations of services rendered referring to the fair value of the Company's shares granted. Considerations of services calculated are recognized as expenses while the corresponding amount is recognized as an increase in equity.

(8) Income taxes

Income taxes are presented as the sum of current income taxes and deferred income taxes.

a) Current income taxes

Current income taxes are calculated based on current taxable income. Tax rates that have been enacted or substantively enacted at the consolidated fiscal year-end date are used for tax calculation. Income taxes receivable and payable are measured at the amount expected to be paid to or refunded from the taxation authorities.

b) Deferred income taxes

Deferred income taxes are calculated based on temporary differences between the tax base and the carrying amount for assets and liabilities using the balance sheet liability method. In principle, deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are recognized only when it is probable that taxable income will be available against which the deductible temporary differences can be utilized. However, the following deferred tax assets and liabilities on temporary differences are not recognized.

(i) Temporary differences arising from goodwill

(ii) Temporary differences arising from the initial recognition of assets or liabilities in transactions which affect neither accounting profit nor taxable income (except for a business combination).

Regarding taxable temporary differences arising from investments in subsidiaries and associates, deferred tax liabilities are not recognized if the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

Furthermore, regarding deductible temporary differences arising from investments in subsidiaries and associates, deferred tax assets are recognized only when sufficient taxable income in order to realize benefits from the temporary differences will be available, and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are calculated using tax rates that will be expected to be applied when the deferred tax assets will be recovered or the deferred tax liabilities will be settled based on acts that have been enacted or substantively enacted by the consolidated fiscal year-end date.

Deferred tax assets and liabilities are offset when the Company or its subsidiaries have legally enforceable rights to offset income tax receivables and payables, and they intend to settle them as offset amounts.

(9) Property, plant and equipment

Property, plant and equipment is measured using the cost model and is presented at acquisition cost less accumulated depreciation and accumulated impairment loss.

The acquisition cost includes any costs directly attributable to purchase of assets and present value of removal and restoration costs. In case that certain conditions are met, borrowing costs that are directly attributable to the acquisition and construction of assets are included in the acquisition costs of the assets.

Depreciation is recognized by reducing acquisition cost of assets less residual value using the straight-line method over the estimated useful lives of the assets. Estimated useful lives, residual value and depreciation methods are reviewed at each fiscal year-end date, and the effects of any changes in estimation are reflected on a prospective basis.

The estimated useful lives of significant property, plant and equipment are as follows:

(i)	Buildings	15 to 50 years
(ii)	Machinery	5 to 20 years

Gains/losses arising from sales or disposal of property, plant and equipment are presented as other income or other expenses.

(10) Intangible assets

Intangible assets are measured using the cost model and are presented at acquisition cost less accumulated amortization and accumulated impairment loss.

Intangible assets acquired separately are measured at the acquisition costs at the initial recognition. Those acquired through business combinations are measured at fair value at the acquisition date.

Amortization is recognized using the straight-line method over the estimated useful lives of the intangible assets. Estimated useful lives, residual value and amortization methods are reviewed at each fiscal year-end date, and the effects of any changes in estimation are reflected on a prospective basis.

The estimated useful lives of significant intangible assets are as follows:

(i)	Sales rights	10 to 15 years
(ii)	Core technology	20 years
(iii)	Software	5 years

Accounting treatments for in-process research and development investments are as follows:

a) In-process research and development investments (IPR&D assets) acquired separately

Intangible assets acquired separately that meet the following conditions are recognized as assets:

(i) It is probable that the expected future economic benefits attributable to the asset will flow to the Group

(ii) The cost of the asset can be measured reliably

Expenditures of acquiring IPR&D investments from external entities (upfront payments and milestone payments) are recognized as IPR&D assets as they meet these conditions.

Subsequent internal development expenses on IPR&D assets are recognized as R&D expenses.

IPR&D assets are reclassified to sales rights when their products become available for sale, and are amortized using the straight-line method over their estimated useful lives. Estimated useful lives are determined by the projected cash flow period, which is based on the period of legal protection granted by patents.

b) IPR&D investments acquired through business combinations

IPR&D investments acquired through business combinations and recognized separately from goodwill meet the conditions listed in a) above. Therefore, these are measured at fair value at the acquisition date and recognized as IPR&D assets.

IPR&D assets are reclassified to sales rights when their products become available for sale, and are amortized using the straight-line method over the estimated useful lives. Estimated useful lives are determined by the projected cash flow period, which is based on the period of legal protection granted by patents.

(11) Impairment of property, plant and equipment and intangible assets

The Group assesses whether there is any indication that property, plant and equipment and intangible assets are impaired at the fiscal year end date, and if any such indication exists, an impairment test is performed. Intangible assets with indefinite useful lives or not yet available for use are tested for impairment at the same time every year or when there is an indication that the assets might be impaired.

As an impairment test, a recoverable amount is estimated and compared with a carrying amount. The recoverable amount is the higher of fair value less expenses for sales or value in use. Value in use is calculated as the present value of estimated future cash flows. In case that a recoverable amount of the asset is lower than the carrying amount, an impairment loss is recognized, and the carrying amount is reduced to the recoverable amount.

(12) Goodwill

Goodwill arising from business combinations is recognized as an asset at the date the Group obtains control of the entity (acquisition date). Goodwill is measured as the amount by which the sum of the fair value of the consideration, non-controlling interests in the acquiree and fair value of the proportionate share that the Group held at the date the Group obtains control of the acquiree exceeds the net amount of identifiable assets and liabilities. On the other hand, if the sum of the acquisition costs is lower than the net amount of identifiable assets and liabilities, the difference is directly recognized as profit or loss.

Goodwill is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination. Goodwill is not amortized; however, a test of impairment is performed for groups of cash-generating units to which goodwill is allocated at the same time every year or when there is an indication that the assets might be impaired. In the case that a recoverable amount of groups of cash-generating units is lower than the carrying amount, the reduction is recognized as an impairment loss.

(13) Inventories

Inventories are measured at the lower of cost or net realizable value. The costs are determined using the weighted-average cost method. The net realizable value is determined as the estimated selling price less the estimated costs necessary to complete goods and expenses necessary to sell.

(14) Financial assets

a) Classification of financial assets

All financial assets are measured at fair value at initial recognition, and classified as financial assets measured at amortized cost, financial assets measured at fair value through profit or loss (FVTPL financial assets) or financial assets measured at fair value through other comprehensive income (FVTOCI financial assets).

(i) Financial assets measured at amortized cost

Debt instruments that meet the conditions below are classified as financial assets measured at amortized cost.

(1) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows

(2) The contractual terms of the financial asset give rise on specified dates to cash flows that solely relate to payments of principal and interest on the principal amount outstanding

The financial assets measured at amortized cost are initially recognized as the sum of the fair value and transaction costs, and recognized at amortized cost calculated by the effective interest method less impairment loss after initial recognition.

(ii) FVTPL financial assets

Debt financial assets that are not classified as financial assets measured at amortized cost are classified as FVTPL financial assets.

FVTPL financial assets are initially recognized at fair value, and any movement of fair value as well as gains/losses on their sale are recognized as financial income/expenses after initial recognition.

(iii) FVTOCI financial assets

All equity instruments are classified as FVTOCI financial assets.

FVTOCI financial assets are initially recognized as the sum of fair value and transaction costs. Movement of fair value as well as gains/losses on their sale are recognized as other comprehensive income, while the cumulative amount is reclassified to retained earnings after it is recognized as other components of equity.

Dividends on FVTOCI financial assets are recognized as financial income when the vesting is settled except for the case that the dividend obviously indicates the collection of acquisition cost of investment.

b) Impairment of financial assets measured at amortized cost

The Group assesses whether there is any objective evidence that financial assets measured at amortized cost are impaired at the fiscal year-end date.

The assessment is performed on each financial asset that is individually significant, while it is performed separately or collectively on financial assets that are not individually significant.

If there is any objective evidence of impairment, an impairment loss is recognized as the difference between the carrying amount and estimated future cash flows discounted by the effective interest rate for the financial asset. An impairment loss is recognized, with the carrying amount of financial assets being reduced either directly or through use of an allowance for doubtful accounts.

c) Derecognition

The Group derecognizes a financial asset only when the contractual right to the cash flows from the financial asset expires or the Group transfers the financial asset and almost all the risks and rewards of ownership of the asset to counterparty. Regarding gain or loss on derecognition of a financial asset, those of financial assets measured at amortized cost and FVTPL financial assets are recognized as profit or loss, and those of FVTOCI financial assets are recognized as other comprehensive income.

(15) Hedge accounting

The Group utilizes derivatives, including interest rate swap contracts and forward foreign exchange contracts in order to reduce the risks related to changes in interest and exchange rates. These derivatives are measured at fair value and recognized as assets or liabilities at the contract date.

Movements of fair value after initial recognition are recognized as profit or loss if the hedged items and hedging instruments do not meet the conditions of hedge accounting. The accounting treatments that meet the conditions of hedge accounting are as follows:

a) Fair value hedges

Regarding derivatives for the purpose of hedging risks of changes in fair value of hedged items, these changes in fair value are immediately recognized in profit or loss. At the same time, the changes in fair value on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item, and is recognized in profit or loss.

b) Cash flow hedges

Regarding derivatives for the purpose of hedging risks of cash flow movements on hedge items, the movements of derivative assets or liabilities are recognized in other comprehensive income, while cumulative amounts are recognized as other components of equity until the fair value movements of hedged items are recognized as profit or loss. The amount recognized as other components of equity is reclassified to profit or loss when the fair value movements of hedged items are recognized as profit or loss, in order to offset the effects.

(16) Provisions

Provisions are recognized when the Group has a legal or constructive obligation arising from a past event that can be measured with sufficient reliability as a present obligation, and it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the consolidated fiscal year-end date, considering risks and uncertainties. The carrying amount of a provision is measured at estimated cash flows that are discounted to be the present value when the effect of the time value of

money is material. When discounting is used, the increase in carrying amount of a provision in each period to reflect the passage of time is recognized as a financial cost.

a) Provision for sales rebates

To account for possible sales rebates for finished goods and merchandise sold that may be incurred after the consolidated fiscal year-end date, provision for sales rebates is provided by multiplying the amount of revenue by the estimated sales rebate ratio. It is expected to be mainly settled within one year from the fiscal year-end date.

b) Provision for asset retirement obligation

To account for the obligation of restoring the rental buildings and lands on which the Group is located and removing harmful materials related to property, plant and equipment which the Group is using, provision for asset retirement obligation is estimated and recognized depending on individual circumstances that is based on an estimated usage period determined by past results of restoration and the useful lives of additional fixtures in the rental buildings. It is expected to be mainly settled over one year from the fiscal year-end date.

c) Provision for restructuring costs

Provision for restructuring costs is mainly related to restructuring of the business organization. Provision for restructuring costs is recognized when the Group has a detailed formal plan for the restructuring and has raised a valid expectation to those affected that it will carry out the restructuring by starting to implement that plan or announcing its main scheme to those affected by it.

(17) Leases

a) Finance leases

Regarding finance lease transactions, leased assets and lease obligations are measured at the lower of either fair value of leased assets at the lease inception date or present value of the minimum lease payments. Lease payments are allocated to financial expenses and repayments of lease obligations using the interest method. Leased assets are depreciated over the lower of either estimated useful lives or lease period using the straight-line method.

b) Operating leases

Regarding operating lease transactions, lease payments are recognized as expenses over the lease period using the straight-line method.

(Significant Accounting Estimates and Judgments)

Preparation of the consolidated financial statements of the Group requires management estimates and judgments. Underlying assumptions for estimation are continuously reviewed. Effects of changes in estimations are recognized in that period and future periods. Furthermore, significant revisions to carrying amounts of assets and liabilities may be required in the future as a result of uncertainties related to these estimates and assumptions.

Significant items that require management estimates and judgments are as follows.

a) Impairment test of goodwill and intangible assets

Impairment test of goodwill and intangible assets is performed based on the method of estimating future cash flows expected to arise from groups of cash-generating units and discount rates for measuring present value.

b) Estimates of useful lives of property, plant and equipment and intangible assets

Useful lives of property, plant and equipment and intangible assets are reviewed at the fiscal year-end date.

c) Evaluation of fair value of financial instruments

Evaluation methods including input that are not based on observable market data are used in order to estimate the fair value of specific financial assets.

d) Post-employment benefits

Defined benefit obligations are affected by assumptions used for actuarial calculation. Discount rate, future payroll level, turnover and mortality rates used for assumptions are determined based on the latest market data and statistics.

e) Income taxes

Current income taxes are recognized as the amount expected to be paid to each tax authority by reasonable estimates in accordance with tax laws and regulations.

Liabilities are recognized based on the estimates of revised current income taxes and their possibilities as a result of the tax audit. If the actual amount settled by the tax audit is different from the estimated amount, the difference is recognized in the period in which the actual amount is settled.

Furthermore, deferred tax assets are recognized only when it is probable that taxable profit will be available against which the deductible temporary differences and tax carryforwards can be utilized. Based on its business plan and other factors, the Group makes reasonable estimates of the period and amount of taxable profit will be available in future period, and evaluates the potential taxable profit.

(Segment Information)

(1) General information

Reporting segments are units for which the Group can obtain independent financial information and for which top management undertakes periodic reviews in order to determine the allocation of management resources and evaluate performance.

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

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. This change has been reflected in the segment information for this fiscal year prior to the change as well as for the previous fiscal year. This change has no significant impact.

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, an amount which was included in selling, general and administrative expenses for the fiscal year ended March 31, 2017 has been reclassified as R&D expenses.

(2) Reporting segments

(Millions of yen)

	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2017	
	Revenue	Segment profit (loss)	Revenue	Segment profit (loss)
Pharmaceutical business				
Japan (Note 4)	296,170	104,422	291,071	102,696
Americas	113,923	43,601	116,499	37,495
China	56,231	15,468	49,274	13,849
EMEA	44,298	15,442	37,825	14,612
Asia and Latin America	42,611	12,427	35,295	8,570
Reporting segment total	553,234	191,361	529,964	177,222
Other business (Note 1) (Note 4)	46,821	38,015	9,133	2,295
Total	600,054	229,376	539,097	179,517
R&D expenses (Note 2)	—	(139,579)	—	(117,213)
Group headquarters' management costs and other expenses (Note 3)	—	(12,585)	—	(12,593)
Gain from a bargain purchase	—	—	—	9,283
Gain on sales of investments in subsidiaries	—	—	—	70
Operating profit in the consolidated statement of income	—	77,212	—	59,064

(Note 1) “Other business” mainly includes the license revenue and pharmaceutical ingredient 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 for the fiscal year ended March 31, 2017, 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 fiscal year ended March 31, 2017 has been reclassified from Other business to Japan pharmaceutical business. This change has no significant impact.

(3) Information on major products

Revenue from external customers

(Millions of yen)

	Neurology products	Oncology products	Other	Total
Fiscal year ended March 31, 2018	170,795	126,356	302,904	600,054
Fiscal year ended March 31, 2017	162,071	118,294	258,732	539,097

(4) Information on major customers

Fiscal year ended March 31, 2018

(Millions of yen)

Name of customer	Revenue	Related segment
Alfresa Holdings Corporation	68,599	Japan pharmaceutical business
Suzuken Co., Ltd.	59,515	Japan pharmaceutical business
Medipal Holdings Corporation	54,210	Japan pharmaceutical business

Fiscal year ended March 31, 2017

(Millions of yen)

Name of customer	Revenue	Related segment
Alfresa Holdings Corporation	66,295	Japan pharmaceutical business
Suzuken Co., Ltd.	59,027	Japan pharmaceutical business
Medipal Holdings Corporation	52,138	Japan pharmaceutical business

(5) Information on major regions

Revenue from external customers (Note 1)

(Millions of yen)

	Japan	Americas (Note 2)	Europe	China	Other	Total
Fiscal year ended March 31, 2018	302,544	115,085	79,066	56,646	46,713	600,054
Fiscal year ended March 31, 2017	295,582	116,873	39,354	48,454	38,834	539,097

(Note 1) Revenue from external customers are categorized by country or region based on the location of the customer. Major areas and countries included in this category other than Japan and China are as follows:

1) Americas: North America, Central and South America

2) Europe: United Kingdom, France, Germany

3) Other: Asia, Middle East, Oceania

(Note 2) Revenue for the fiscal year ended March 31, 2018, in the United States, which is included in Americas, was ¥112,712 million (¥115,523 million for the fiscal year ended March 31, 2017).

Non-current assets (Note 1)

(Millions of yen)

	Japan	Americas (Note 2)	Europe	China	Other	Total
As of March 31, 2018	124,288	215,333	18,866	16,758	5,246	380,491
As of March 31, 2017	103,456	257,748	16,867	14,422	4,898	397,391

(Note 1) Non-current assets are categorized by country or region based on the assets location.
Major areas and countries included in this category other than Japan and China are as follows:
1) Americas: North America, Central and South America
2) Europe: United Kingdom, France, Germany
3) Other: Asia, Middle East, Oceania
Non-current assets are mainly composed of property, plant and equipment, goodwill and intangible assets, excluding financial assets, deferred tax assets and retirement benefit assets.

(Note 2) The carrying amount of non-current assets as of March 31, 2018, in the United States, which is included in Americas, is ¥215,212 million (¥257,568 million as of March 31, 2017).

(Consolidated Statement of Income)

(1) Revenue

The breakdown of revenue for the fiscal years ended March 31, 2018 and March 31, 2017, respectively, is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Pharmaceutical goods sales	524,876	502,587
License revenue	41,702	5,257
Other	33,477	31,253
Total	600,054	539,097

(2) Cost of sales, selling, general and administrative expenses, research and development expenses

Details regarding cost of sales, selling, general and administrative expenses (SG&A expenses), and R&D expenses are as follows.

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, ¥4,735 million which was included in selling, general and administrative expenses for the previous fiscal year has been reclassified as R&D expenses.

Fiscal year ended March 31, 2018

(Millions of yen)

	Cost of sales	SG&A expenses	R&D expenses	Total
Depreciation and amortization	13,896	3,942	8,345	26,183
Impairment losses	86	―	145	231
Short-term employee benefits	12,561	76,128	43,081	131,770
Post-employment benefit costs	329	3,783	2,554	6,666

Fiscal year ended March 31, 2017

(Millions of yen)

	Cost of sales	SG&A expenses	R&D expenses	Total
Depreciation and amortization	14,007	4,044	8,433	26,484
Impairment losses	376	―	―	376
Reversal of impairment losses	―	―	(228)	(228)
Short-term employee benefits	12,249	71,709	41,498	125,456
Post-employment benefit costs	666	3,428	2,032	6,126

(3) Other income

The breakdown of other income for the fiscal years ended March 31, 2018 and March 31, 2017, respectively, is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Gain on sales of non-current assets (Note 1)	1,439	41
Entrusted research income	713	3,346
Subsidy income	167	179
Equity in earnings of affiliates	46	55
Gain from a bargain purchase (Note 2)	―	9,283
Gain on sales of investments in subsidiaries (Note 3)	―	70
Other	630	613
Total	2,995	13,587

(Note 1) In the fiscal year ended March 31, 2018, gain on sales of non-current assets of ¥1,318 million was recorded due to the transfer of the Company's welfare facilities.

(Note 2) In the fiscal year ended March 31, 2017, gain from a bargain purchase of ¥9,283 million was recorded due to the acquisition of EA Pharma Co., Ltd. (Tokyo).

(Note 3) In the fiscal year ended March 31, 2017, gain on sales of investments in subsidiaries of ¥70 million was recorded due to the transfer of Sannova Co., Ltd. (Gunma).

(4) Other expenses

The breakdown of other expenses for the fiscal years ended March 31, 2018 and March 31, 2017, respectively, is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Entrusted research expense	512	3,083
Loss on sales and disposal of non-current assets	257	232
Foreign exchange loss	136	1,708
Other	242	537
Total	1,147	5,560

(5) Financial income

The breakdown of financial income for the fiscal years ended March 31, 2018, and March 31, 2017, respectively, is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Interest income	1,752	1,084
Dividend income (Note 1)		
Financial assets measured at fair value through other comprehensive income	710	745
Other	94	17
Total	2,555	1,847

(Note 1) Regarding dividend income from financial assets measured at fair value through other comprehensive income, dividend income from financial assets sold in this fiscal year was ¥108 million. There was no significant dividend income from financial assets sold in the previous fiscal year.

(6) Financial costs

The breakdown of financial costs for the fiscal years ended March 31, 2018, and March 31, 2017, respectively, is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Interest costs		
Financial liabilities measured at amortized cost	2,757	2,695
Retirement benefit liabilities	84	38
Loss from revaluation of financial assets	55	430
Other	69	80
Total	2,965	3,243

(7) Income taxes

The breakdown of income taxes for the fiscal years ended March 31, 2018, and March 31, 2017, respectively, is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Income taxes—current (Note 1)	15,278	11,585
Income taxes—deferred (Note 1)	7,101	3,838
Total	22,378	15,422

(Note 1) Remeasurement of deferred tax assets and liabilities due to a change in income tax rate

In this fiscal year, the Tax Cuts and Jobs Act was enacted in the U.S. which reduced the U.S. federal statutory tax rate from 35.0% to 21.0% on and after January 1, 2018. This change resulted in a ¥488 million decrease in income taxes payable, a ¥1,032 million decrease in deferred tax assets (after deducting deferred tax liabilities) and a ¥544 million increase in income taxes.

(Earnings Per Share)

(1) Earnings per share attributable to owners of the parent (basic)

The basis for calculating earnings per share attributable to owners of the parent (basic) for the fiscal years ended March 31, 2018 and March 31, 2017, respectively, is as follows.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit for the year attributable to owners of the parent (Millions of yen)	51,845	39,358
Weighted average number of common shares during the year (Thousands of shares)	286,155	285,981
Earnings per share attributable to owners of the parent (basic) (Yen)	181.18	137.63

(2) Earnings per share attributable to owners of the parent (diluted)

The basis for calculating earnings per share attributable to owners of the parent (diluted) for the fiscal years ended March 31, 2018 and March 31, 2017, respectively, is as follows.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit for the year attributable to owners of the parent (Millions of yen)	51,845	39,358
Adjustment of profit for the year attributable to owners of the parent (Millions of yen)	—	—
Profit for the year used for calculating diluted earnings per share (Millions of yen)	51,845	39,358
Weighted average number of common shares during the year (Thousands of shares)	286,155	285,981
Increase in number of common shares under stock options (Thousands of shares) (Note 1)	325	441
Weighted average number of diluted common shares during the year (Thousands of shares)	286,480	286,422
Earnings per share attributable to owners of the parent (diluted) (Yen)	180.97	137.41

(Note 1) There are no common shares reserved under the stock option plan that are excluded from the calculation of diluted earnings per share due to antidilutive effects for the fiscal years ended March 31, 2018 and March 31, 2017.

(Consolidated Statement of Cash Flows)

(1) The breakdown of the (increase) decrease in working capital for the fiscal years ended March 31, 2018 and March 31, 2017, respectively, is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
(Increase) decrease in trade receivables	(1,077)	8,762
(Increase) decrease in inventories	2,594	(6,708)
(Increase) decrease in other receivables	8,159	(3,616)
Increase (decrease) in trade payables	1,874	(363)
Increase (decrease) in deposits received	46,963	(217)
Increase (decrease) in other payables	4,454	3,651
(Increase) decrease in working capital	62,966	1,509

(2) Net cash inflow on acquisition of subsidiaries

For the fiscal year ended March 31, 2017, 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.).

(3) Net cash inflow on sales of subsidiaries

For the fiscal year ended March 31, 2017, 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.

(Significant Subsequent Events)

Not applicable

5. Other

1) Forecasts and Risk Factors

(1) 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, and actual outcomes and results could differ materially from these statements depending on changes in 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.

(2) Risks that could cause significant fluctuations in the consolidated results of the Group or have a material effect on investment decisions are described below. These risks, however, have been evaluated and forecasted as of the disclosure date of the Financial Report.

○ Risks related to product safety and quality

If any concerns arise over the safety and quality of products due to raw materials used, the manufacturing process or other factors, it may have an impact on patients’ health, the stable supply of products, as well as an impact on business results associated with recall of products, suspension of sales or other countermeasures.

○ Risks related to occurrences of side effects

If a product is found to have any serious side effects, there may be a serious impact on performance due to the Group taking measures such as suspending product sales or conducting a product recall.

○ Risks related to lawsuits

Results of pending or future lawsuits may have a significant impact on the Group’s business results.

○ Risks regarding laws and regulations

As the Group’s pharmaceutical business is subject to various laws and regulations, including pharmaceutical regulations and product liability, enactment of a law or changes in the regulations may have a significant impact on business results. In the event regulatory nonconformity is found in a product, the Group may issue a product recall, have the product’s marketing approval revoked, have the product excluded from insurance reimbursement, or face liability claims.

○ Risks related to intellectual property

If a patent application is dismissed, a patent is found to be invalid after issue, or if there is a failure to properly protect a patent, competitors may enter the market earlier than expected, which could potentially lead to a decrease in revenues. Additionally, if the business activities of the Group infringe on the intellectual property rights of a third party, the Group may face liability claims as a result of the third party in question exercising its rights.

○ Uncertainties in new drug development

The Group is engaged in the development of many new drug candidates including potential next-generation Alzheimer’s disease treatments. Drug development requires a long period of time and a large investment of capital. Development of a drug candidate substance may

be discontinued due to shortcomings in its effectiveness or safety profile. Even if clinical trials yield favorable results, it is possible that approval may not be granted based on the results of a country's stringent regulatory process. As a result of the delay or discontinuation of development of a new drug, future expected profits may not be achieved.

○ Impact of medical cost containment measures

In Japan, the government enacts price revisions for prescription drugs and is adopting measures such as the promotion of generic drugs as part of its efforts to control medical costs. Efforts to reduce drug costs are intensifying year after year in the United States as well as in countries in both Europe and Asia. These kinds of measures aimed at controlling medical costs may lead to a drop in revenues. Especially in Europe, even if marketing approval is obtained for a product, the product may not be eligible for health insurance reimbursement at the expected price and so there is a possibility that original projected earnings may not be achieved.

○ Risks related to generic products

Originator drugs have a limited patent and data protection period. It is common for generic makers to launch generic products upon the expiration of the patent and data protection period of the originator drug. Additionally, in countries such as the United States, an application for a generic product is accepted even during the patent term. Generic products may have a significant impact on market share because of their low price.

Regarding antiemetic agent Aloxi in the United States, United States Court of Appeals for the Federal Circuit made its final decision that the formulation patents for Aloxi are not valid, and generic versions of Aloxi have been launched.

○ Risks related to overseas operations

The Group conducts production/sales activities for products on a global basis. However, in conducting global business activities, there are risks such as legal restrictions, socio-political uncertainty and business environment uncertainty in its global business activities. In the event the Group faces such risks, there is a possibility that original projected earnings may not be achieved.

○ Risks in alliances with other companies

The Group considers partnerships to be an effective means of improving efficiency and productivity. Partnerships may be established with the aim of utilizing the latest science and technology, or with the aim of efficient resource usage and maximization of product value in each region. In the event of changes to these partnerships, there is a possibility that it will have a significant impact on business results, including new drug discovery and revenues.

○ Risks associated with acquisitions of companies and product lines

The Group uses acquisitions of companies and products as a means to expand its business operations. However, changes in the business environment or the status of rival companies may lead to setbacks in the business plan, and there is a possibility that the originally intended synergistic effect may not be realized.

○ Risks associated with outsourcing

The Group outsources part of its operations, including research and production, to other companies. Business operations and business results of the Group may be significantly impacted if, for any reason, a subcontractor ceases operations, or if there is a problem with the research results, manufactured products or other goods and services provided.

○ Risks concerning IT security and information management

Since the Group makes full use of various IT systems for business, its operations may be disrupted due to external factors such as inadequate system infrastructure and computer viruses. In addition, the Group faces the risk of technical accidents that involve personal information leakage outside of the Group, which may considerably damage the Group's social reputation and significantly impact business results.

○ Risks concerning internal control systems for financial reporting

In accordance with assessment and audit standards as well as implementation standards for internal controls pertaining to financial reporting as mandated by the Financial Instruments and Exchange Law of Japan, the Group establishes effective internal control systems related to financial reporting and strives to appropriately manage those systems. However, major losses that arise due to the malfunction of internal control systems or occurrence of unexpected problems related to internal control systems may have a significant impact on business results.

○ Risks related to financial market conditions and currency movement

The effect of foreign exchange fluctuations on the yen conversion of sales of overseas consolidated subsidiaries as well as export, import and other transactions denominated in foreign currencies may also impact business results. Furthermore, as the Group holds stocks and other marketable securities, a decline in the stock market could result in losses on sales or devaluation of stocks and other securities. In addition, an increase in projected benefit obligations due to changes in the interest rate may have an impact on business results.

○ Risks related to plant closure or shutdown

The Group's plants may be closed or shut down due to technical problems, raw material shortages, influenza and other pandemics, fire, earthquakes and other natural disasters. In such cases, the supply of products may become difficult and can significantly impact business results.

○ Environmental risks

If an environmental pollution event is reported at any business office owned by the Group, in addition to significantly affecting the surrounding community and environment, the Group may be required to close the office in question or be subject to other proceedings required by law. Furthermore, the costs necessary to assume liability for payment of compensation to neighboring regions and improve the environment may significantly affect business results.

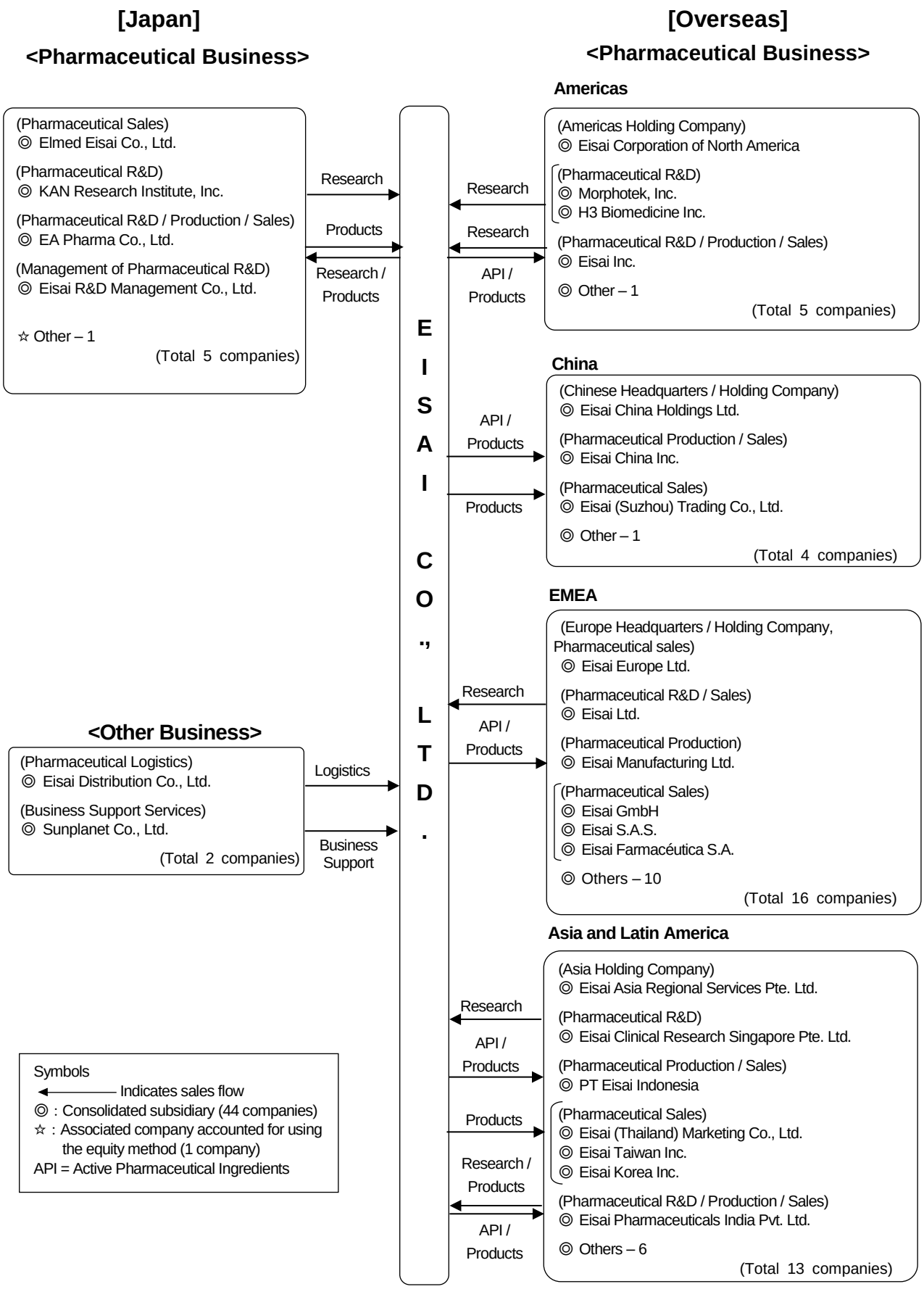
○ Risks concerning disasters

The occurrence of disasters, including natural disasters, such as earthquakes and typhoons, as well as accidents, such as fires, could result in large-scale damage to business facilities

and impact the business activities of the Group. In addition, repairs to facilities damaged by these disasters may cause the Company to incur significant expenses and have a major impact on business results.

2) Overview of the Eisai Group

The diagram below shows the principal operations and business flows within the Group.



As of March 31, 2018

List of Group Companies

(As of March 31, 2018)

Company Name	Location	Share Capital		Description of Operations (*1)	Voting Rights (*2)	Relationship	Note
(Consolidated Subsidiaries)							
Unit=million							
Elmed Eisai Co., Ltd.	Tokyo, Japan	150	JPY	Pharmaceutical sales	100.00%	-	*7
KAN Research Institute, Inc.	Kobe, Japan	70	JPY	Pharmaceutical R&D	100.00%	The Company commissions pharmaceutical R&D	
EA Pharma Co., Ltd.	Tokyo, Japan	9,145	JPY	Pharmaceutical R&D / production / sales	60.00%	The Company commissions pharmaceutical R&D and production / purchases pharmaceutical products	*3
Eisai Distribution Co., Ltd.	Kanagawa, Japan	60	JPY	Pharmaceutical logistics	100.00%	The Company commissions pharmaceutical logistics	
Eisai R&D Management Co., Ltd.	Tokyo, Japan	15	JPY	Management of pharmaceutical R&D	100.00%	The Company commissions a part of management and other functions related to R&D	
Sunplanet Co., Ltd.	Tokyo, Japan	455	JPY	Business support services, etc.	84.77%	The Company purchases business support services, etc.	
Unit=thousand							
Eisai Corporation of North America	New Jersey, USA	2,766,700	USD	Americas holding company	100.00%	-	*3
Morphotek, Inc.	Pennsylvania, USA	355,000	USD	Pharmaceutical R&D	100.00% (100.00%)	The Company commissions pharmaceutical R&D	*3
Eisai Inc.	New Jersey, USA	151,600	USD	Pharmaceutical R&D / production / sales	100.00% (100.00%)	The Company commissions pharmaceutical R&D and production / sells pharmaceutical products and API	*3 *5
H3 Biomedicine Inc.	Massachusetts, USA	8	USD	Pharmaceutical R&D	100.00% (100.00%)	The Company commissions pharmaceutical R&D	
Eisai Ltd.	Ontario, Canada	30,000	CAD	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai China Holdings Ltd.	Jiangsu, China	664,465	RMB	Chinese headquarters / holding company	100.00% (100.00%)	-	*3
Eisai China Inc.	Jiangsu, China	576,125	RMB	Pharmaceutical production/ sales	100.00% (100.00%)	The Company sells pharmaceutical products and API	*3
Eisai (Suzhou) Trading Co., Ltd.	Jiangsu, China	70,000	RMB	Pharmaceutical sales	100.00% (100.00%)	The Company sells pharmaceutical products	
Eisai (Liaoning) Pharmaceutical Co., Ltd.	Liaoning, China	50,000	RMB	Pharmaceutical production / sales	100.00% (100.00%)	-	
Eisai Europe Ltd.	Hertfordshire, UK	184,138	GBP	Europe headquarters / holding company, pharmaceutical sales	100.00%	The Company commissions management and administration of pharmaceutical business	*3
Eisai Ltd.	Hertfordshire, UK	46,009	GBP	Pharmaceutical R&D / sales	100.00% (100.00%)	The Company commissions pharmaceutical R&D	*3
Eisai Manufacturing Ltd.	Hertfordshire, UK	38,807	GBP	Pharmaceutical production	100.00% (100.00%)	The Company sells pharmaceutical products and API	*3
Eisai GmbH	Frankfurt, Germany	7,669	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai S.A.S.	Paris, France	19,500	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai B.V.	Amsterdam, Netherlands	540	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai Farmacéutica S.A.	Madrid, Spain	4,000	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai S.r.l.	Milan, Italy	3,500	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai Pharma AG	Zurich, Switzerland	3,000	CHF	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai AB	Stockholm, Sweden	10,000	SEK	Pharmaceutical sales	100.00% (100.00%)	-	

Company Name	Location	Share Capital		Description of Operations (*1)	Voting Rights (*2)	Relationship	Note
Unit= thousand							
Eisai Farmacêutica, Unipessoal Lda.	Lisbon, Portugal	4,000	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai SA/NV	Brussels, Belgium	2,001	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai GesmbH	Vienna, Austria	2,000	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Limited Liability Company Eisai	Moscow, Russia	4,000	RUB	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai Australia Pty. Ltd.	Sydney, Australia	4,000	AUD	Pharmaceutical sales	100.00%	-	
Eisai Asia Regional Services Pte. Ltd.	Singapore	34,469	SGD	Asia holding company	100.00%	-	
Eisai (Singapore) Pte. Ltd.	Singapore	300	SGD	Pharmaceutical sales	100.00% (100.00%)	The Company sells pharmaceutical products	
Eisai Clinical Research Singapore Pte. Ltd.	Singapore	10	SGD	Pharmaceutical R&D	100.00% (100.00%)	The Company commissions pharmaceutical R&D	
Eisai (Hong Kong) Co., Ltd.	Hong Kong, China	500	HKD	Pharmaceutical sales	100.00% (10.00%)	The Company sells pharmaceutical products	
PT Eisai Indonesia	Jakarta, Indonesia	1,630,000	IDR	Pharmaceutical production / sales	100.00%	The Company sells pharmaceutical products and API	
Eisai (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia	470	MYR	Pharmaceutical sales	100.00% (5.74%)	The Company sells pharmaceutical products	
Eisai (Thailand) Marketing Co., Ltd.	Bangkok, Thailand	103,000	THB	Pharmaceutical sales	100.00% (100.00%)	The Company sells pharmaceutical products	
Eisai Taiwan Inc.	Taipei, Taiwan	270,000	TWD	Pharmaceutical sales	100.00%	The Company sells pharmaceutical products	
Eisai Korea Inc.	Seoul, South Korea	3,512,000	KRW	Pharmaceutical sales	100.00%	The Company sells pharmaceutical products	
HI-Eisai Pharmaceutical Inc.	Manila, Philippines	62,000	PHP	Pharmaceutical sales	50.00% (1.45%)	The Company sells pharmaceutical products	*4
Eisai Pharmaceuticals India Pvt. Ltd.	Andhra Pradesh, India	2,708,324	INR	Pharmaceutical R&D / production / sales	100.00% (11.08%)	The Company commissions pharmaceutical R&D and production / sells API / purchases pharmaceutical products	*3
Eisai Laboratórios Ltda.	São Paulo, Brazil	87,899	BRL	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai Laboratorios S. de R.L. de C.V.	Mexico City, Mexico	3	MXN	Pharmaceutical sales	100.00% (100.00%)	-	*6
Other—1 company	-	-	-	-	-	-	
(Associated Companies Accounted for Using the Equity Method)							
Unit=million							
Bracco-Eisai Co., Ltd.	Tokyo, Japan	340	JPY	Contrast media imports / production / sales	49.00%	The Company purchases pharmaceutical products	

Notes:

*1. "Description of Operations" indicates the segment applicable to the respective entity.

*2. Voting rights (%): Figures in parentheses show percentage indirectly owned by the Company.

*3. Significant subsidiaries.

*4. HI-Eisai Pharmaceutical Inc. is considered to be a consolidated subsidiary as the Company holds effective control over its operation even though the Company's voting rights do not exceed 50%.

*5. Eisai Inc. is the only subsidiary whose revenue to external customers exceeds 10% of consolidated revenue reported in the consolidated financial statements for the fiscal year ended March 31, 2018. Key financial results (in Japanese yen) of Eisai Inc. are as follows:

Revenue	¥180,100 mil.
Operating Profit	¥11,553 mil.
Profit for the year	¥7,969 mil.
Total Equity	¥300,996 mil.
Total Assets	¥416,715 mil.

*6. In December 2017, procedures to merge the consolidated subsidiaries Eisai Laboratorios, S. de R.L. de C.V. and Eisai Medicamentos, S. de R.L. de C.V. in Mexico were completed. The new company name is Eisai Laboratorios, S. de R.L. de C.V.

*7. In April 2018, 20% of the shares issued by Elmed Eisai Co., Ltd. that are held by the Company were transferred to Nichi-Iko Pharmaceutical Co., Ltd.

3) Proposed Changes in Directors and Corporate Officers (effective June 20, 2018)

(1) Changes in Representative Corporate Officers

None

(2) Changes in Directors/Corporate Officers

a) Nominees for New Director

Shuzo Kaihori (Outside Director)	currently, Director and Chairman of the Board, Yokogawa Electric Corporation
Ryuichi Murata (Outside Director)	currently, Advisor to the Board, Mitsubishi UFJ Lease & Finance Company Limited
Hideyo Uchiyama (Outside Director)	currently, Certified Public Accountant and Executive Advisor, ASAHI Tax Corporation

b) Retiring Director

Toru Yamashita (Outside Director)	currently, Director, Chief Corporate Adviser, NTT DATA Corporation
Ikuo Nishikawa (Outside Director)	currently, Director, Certified Public Accountant and Visiting Professor, Graduate School of Business and Commerce, Keio University
Eiichiro Suhara (Outside Director)	currently, Director, Representative Director and President, Mitsubishi Pencil Co., Ltd.

c) Nominees for New Corporate Officers

Vice President	Akiko Nakahama	currently, Senior Group Officer Head of Medicine Development Center
Vice President	Kazumasa Nagayama	currently, Senior Group Officer Chief Strategy Officer Head of Corporate Strategy Department

d) Corporate Officers Scheduled for Promotion

None

e) Retiring Corporate Officers

None

(3) Nominees for Directors

Haruo Naito	currently, Director Representative Corporate Officer and CEO
Noboru Naoe	currently, Director
Yasuhiko Katoh	currently, Outside Director, Senior Adviser, Mitsui E&S Holdings Co., Ltd.
Hirokazu Kanai	currently, Director
Tamaki Kakizaki	currently, Outside Director, Professor, School of Law, Meiji University
Daiken Tsunoda	currently, Outside Director, Partner, Nakamura Tsunoda & Matsumoto
Bruce Aronson	currently, Outside Director, Visiting Lecturer, Hitotsubashi University Graduate School of Law (Business Law Department)
Yutaka Tsuchiya	currently, Director
Shuzo Kaihori	currently, Director and Chairman of the Board, Yokogawa Electric Corporation

Ryuichi Murata	currently, Advisor to the Board, Mitsubishi UFJ Lease & Finance Company Limited
Hideyo Uchiyama	currently, Certified Public Accountant and Executive Advisor, ASAHI Tax Corporation

NOTE: Yasuhiko Katoh, Tamaki Kakizaki, Daiken Tsunoda, Bruce Aronson, Shuzo Kaihori, Ryuichi Murata and Hideyo Uchiyama are nominees who meet the requirements of an Outside Director set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act of Japan.

(4) Selected Candidates for Appointment as Members of Committees

a) Nomination Committee

Chair:	Shuzo Kaihori
Members:	Bruce Aronson
	Ryuichi Murata

b) Audit Committee

Chair:	Hideyo Uchiyama
Members:	Noboru Naoe
	Hirokazu Kanai
	Tamaki Kakizaki
	Daiken Tsunoda

c) Compensation Committee

Chair:	Bruce Aronson
Members:	Shuzo Kaihori
	Ryuichi Murata

d) Independent Committee of Outside Directors

Members	Yasuhiko Katoh
	Tamaki Kakizaki
	Daiken Tsunoda
	Bruce Aronson
	Shuzo Kaihori
	Ryuichi Murata
	Hideyo Uchiyama

(5) Career Summary of Nominees for New Outside Director

Name: Shuzo Kaihori

Date of Birth: Jan. 31, 1948

Career Summary:

Apr. 1973	Joined Yokogawa Electric Works Ltd. (currently Yokogawa Electric Corporation)
Apr. 2005	Vice President, Head of IA Business Headquarters, Yokogawa Electric Corporation
Apr. 2006	Senior Vice President, Head of IA Business Headquarters, Yokogawa Electric Corporation
Jun. 2006	Director and Senior Vice President, Head of IA Business Headquarters, Yokogawa Electric Corporation

Apr. 2007 President and Chief Operating Officer, Yokogawa Electric Corporation
Apr. 2008 President and Chief Executive Officer, Yokogawa Electric Corporation
Apr. 2013 Chairman and Chief Executive Officer, Yokogawa Electric Corporation
Apr. 2013 Outside Director, MIP (Non-listed) (current)
Apr. 2015 Chairman, Yokogawa Electric Corporation
Jun. 2015 Outside Director, HOYA Corporation (current)
Jun. 2016 Director and Chairman of the Board, Yokogawa Electric Corporation (current)

Name: Ryuichi Murata
Date of Birth: Apr. 12, 1948
Career Summary:
Apr. 1971 Joined The Mitsubishi Bank, Ltd.
Jan. 2006 Senior Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
May 2006 Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2007 Deputy President resided in West Japan, The Bank of Tokyo- Mitsubishi UFJ, Ltd. (retired: Jun. 2009)
Jun. 2009 Deputy President, Mitsubishi UFJ Lease & Finance Company Limited Concurrently served as Executive Officer, Mitsubishi UFJ Lease & Finance Company Limited
Jun. 2010 President & CEO (Representative Director), Mitsubishi UFJ Lease & Finance Company Limited
Jun. 2012 Chairman (Representative Director), Mitsubishi UFJ Lease & Finance Company Limited
Jun. 2016 Audit & Supervisory Board Member (Outside), NORITAKE CO., LIMITED (current)
Jun. 2017 External Director, Kintetsu Group Holdings Co., Ltd. (current)
Jun. 2017 Advisor to the Board, Mitsubishi UFJ Lease & Finance Company Limited (current)

Name: Hideyo Uchiyama
Date of Birth: Mar. 30, 1953
Career Summary:
Nov. 1975 Joined Arthur Young & Company
Dec. 1979 Joined Asahi Accounting Company (currently KPMG AZSA LLC)
Mar. 1980 Registered as Certified Public Accountant
Jul. 1999 Representative Partner, KPMG AZSA LLC
May 2002 Board Member, KPMG AZSA LLC
Jun. 2006 Executive Board Member, KPMG AZSA LLC
Jun. 2010 Managing Partner, KPMG AZSA LLC, Chairman, KPMG Japan
Sep. 2011 Chairman, KPMG Asia Pacific
Oct. 2013 CEO, KPMG Japan (retired: Jun. 2015)
Sep. 2015 Executive Advisor, ASAHI Tax Corporation (current)

Jun. 2016	Audit & Supervisory Board Member (Outside), OMRON Corporation (current)	
Jun. 2017	Audit & Supervisory Board Member (Outside), Sompo Holdings, Inc. (current)	

(6) Nominees for Corporate Officers

Representative Corporate Officer and CEO	Haruo Naito	currently, Representative Corporate Officer and CEO
Representative Corporate Officer	Hideki Hayashi	currently, Representative Corporate Officer, Japan Business and CIO Japan Business hhc Solutions Headquarters Chief Information Officer
Representative Corporate Officer	Yasushi Okada	currently, Representative Corporate Officer, CTO, Industry Affairs and China Business Chief Talent Officer Industry Affairs China Business General Affairs, Environmental and Safety Affairs Data Integrity
Senior Vice President	Kenta Takahashi	currently, Senior Vice President General Counsel Intellectual Property
Senior Vice President	Edward Stewart Geary	currently, Senior Vice President Chief Medical Officer Head of Corporate Medical Affairs Headquarters Global Safety Board Chair
Senior Vice President	Gary Hendler	currently, Senior Vice President Chief Commercial Officer, Oncology Business Group President, EMEA Region Chairman & CEO, Eisai Europe Ltd.
Senior Vice President	Terushige Iike	currently, Senior Vice President President, Oncology Business Group
Senior Vice President	Ryohei Yanagi	currently, Senior Vice President Chief Financial Officer Chief IR Officer
Senior Vice President	Ivan Cheung	currently, Senior Vice President President, Neurology Business Group President, Americas Region Chairman & CEO, Eisai Inc.

Vice President	Takashi Owa	currently, Vice President Chief Medicine Creation Officer, Oncology Business Group Chief Discovery Officer, Oncology Business Group
Vice President	Yasunobu Kai	currently, Vice President Chief Planning Officer, Oncology Business Group Head of Planning Department, Oncology Business Group
Vice President	Lynn Kramer	currently, Vice President Chief Clinical Officer, Neurology Business Group Chief Medical Officer, Neurology Business Group
Vice President	Sayoko Sasaki	currently, Vice President President, Asia and Latin America Region
Vice President	Junichi Asatani	currently, Vice President Chief Compliance Officer Internal Control
Vice President	Shaji Procida	currently, Vice President President & COO, Eisai Inc. Americas Oncology Commercial
Vice President	Teiji Kimura	currently, Vice President Chief Discovery Officer, Neurology Business Group
Vice President	Hidenori Yabune	currently, Vice President Head of Regional Cooperation Shuto-Ken Headquarters, Eisai Japan China and Asia Coordination, Eisai Japan
Vice President	Hiroyuki Kato	currently, Vice President Chief Quality Officer Global Product Emergency Management
Vice President	Alexander Scott	currently, Vice President Chief Strategy Officer, Neurology Business Group Head of Strategy Department, Neurology Business Group
Vice President	Masayuki Miyajima	currently, Vice President President, Eisai Japan
Vice President	Tatsuyuki Yasuno	currently, Vice President Global Partnership Development
Vice President	Yanhui Feng	currently, Vice President President, Eisai China Holdings Ltd. President, Eisai China Inc.
Vice President	Yoshiteru Kato	currently, Vice President President, Eisai Demand Chain Systems

Vice President	Mitsuaki Tanaka	currently, Vice President Chief Planning Officer Head of Corporate Planning Department
Vice President	Shohei Kanazawa	currently, Vice President Japan Business Strategy President, Consumer hhc Business Division API Solutions
Vice President	Masatomi Akana	currently, Vice President Corporate Affairs Global Value & Access
Vice President	Hiroyuki Kobayashi	currently, Vice President Chief Medical Officer Japan and Asia Head of Medical Headquarters
Vice President	Akiko Nakahama	currently, Senior Group Officer Head of Medicine Development Center
Vice President	Kazumasa Nagayama	currently, Senior Group Officer Chief Strategy Officer Head of Corporate Strategy Department

NOTE: Representative Corporate Officer and CEO Haruo Naito will also serve concurrently as a Director.