CONSOLIDATED FINANCIAL REPORT [IFRS]
for the Three-Month Period Ended June 30, 2018

August 1, 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 quarterly report submission: August 9, 2018
Expected date of dividend payment commencement: —
Preparation of quarterly supplementary explanatory material: Yes
Quarterly results briefing held: Yes

(Figures are rounded to the nearest million yen.)

1. Consolidated Financial Results for the Three-Month Period Ended June 30, 2018

(1) Consolidated Operating Results

(Percentage figures show year on year change.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period		Profit for the period attributable to owners of the parent		Comprehensive income for the period	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Three-month period ended June 30, 2018	153,304	8.1	20,580	36.0	21,270	40.6	15,692	48.4	12,308	25.5	27,243	79.0
Three-month period ended June 30, 2017	141,859	3.6	15,134	-41.4	15,124	-41.4	10,576	-49.4	9,806	-50.3	15,223	—

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)
	(¥)	(¥)
Three-month period ended June 30, 2018	42.99	42.94
Three-month period ended June 30, 2017	34.28	34.24

(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 June 30, 2018	1,066,616	619,423	595,154	55.8	2,078.54
As of March 31, 2018	1,049,031	614,098	593,582	56.6	2,073.50

2. Dividends

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2017	—	70.00	—	80.00	150.00
FY2018	—				
FY2018 (Forecast)		70.00	—	80.00	150.00

(Note) Revisions to the latest dividend forecast: None

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

(Note) Revisions to the latest financial forecast: None

* Explanatory Notes

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

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

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

1) Number of shares issued (including treasury shares)	As of June 30, 2018	296,566,949	As of March 31, 2018	296,566,949
2) Number of treasury shares	As of June 30, 2018	10,167,715	As of March 31, 2018	10,228,499
3) Weighted average number of shares outstanding	For the three-month period ended June 30, 2018	286,301,333	For the three-month period ended June 30,2017	286,093,047

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

* This financial report is not subject to the quarterly review 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, business goals, estimates, forecasts and assumptions that are subject to risks and uncertainties as of the publication date of these materials. Accordingly, actual outcomes and results may differ materially from these statements depending on a number of important factors. Please refer to page 8 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 Wednesday, August 1, 2018. The handouts from the disclosure meeting will be made available on the Company's website after the event.

Supplemental Materials: Table of Contents

1. Qualitative Information regarding Financial Results for the Period

(1) 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 three-month period ended June 30, 2018.

Revenue:	¥153,304 million	(up 8.1% year on year)
Operating profit:	¥20,580 million	(up 36.0% year on year)
Profit before income taxes:	¥21,270 million	(up 40.6% year on year)
Profit for the period:	¥15,692 million	(up 48.4% year on year)
Profit for the period attributable to owners of the parent:	¥12,308 million	(up 25.5% year on year)
Comprehensive income for the period:	¥27,243 million	(up 79.0% year on year)
Earnings per share attributable to owners of the parent (basic):	¥42.99	(up 25.4% year on year)

○ The Group’s revenue increased overall primarily due to the significant growth of the anticancer agent Lenvima mainly accompanying the acquisition of approval for use in the treatment of hepatocellular carcinoma in Japan, as well as the steady growth of fully human anti-TNF-α monoclonal antibody Humira and antiepileptic agent Fycompa, absorbing the impact of drug pricing revision in Japan and the launch of generic versions of antiemetic agent Aloxi in the United States.

○ In terms of revenue by segment, excluding the Americas pharmaceutical business which was impacted by Aloxi, the Japan, China, EMEA, and Asia and Latin America pharmaceutical businesses each achieved double-digit growth mainly due to the growth of four global brands.

○ Combined revenue from all four global brands soared by 29.5% year on year to ¥27,615 million. This included ¥11,859 million from Lenvima, ¥10,227 million from anticancer agent Halaven, ¥4,541 million from Fycompa, and ¥989 million from antiobesity agent BELVIQ.

○ Operating profit significantly increased due to the increase in gross profit from the increase in revenue despite the aggressive resource investment in research and development mainly for Alzheimer’s disease projects, such as the beta secretase cleaving enzyme (BACE) inhibitor E2609 (elenbecestat), as well as fostering global brands.

[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 (Prescription Medicines, Generics, and OTC and others), 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).

<Japan pharmaceutical business>

○ Total revenue came to ¥87,330 million (up 12.0% year on year) and segment profit was ¥37,744 million (up 23.7% year on year). Of this amount, revenue from Prescription Medicines, Generics, and OTC and others amounted to ¥74,493 million (up 14.2% year on year), ¥6,712 million (down 6.1% year on year), and ¥6,116 million (up 9.9% year on year), respectively.

○ Regarding revenue from neurology products, co-promotion revenue from Lyrica, a pain treatment being co-promoted with Pfizer Japan Inc., totaled ¥7,092 million (up 5.7% year on year), revenue for insomnia treatment Lunesta totaled ¥2,857 million (up 14.3% year on year), and revenue for Fycompa totaled ¥699 million (up 112.9% year on year), each achieving growth. Aricept, a treatment for Alzheimer's disease, recorded revenue of ¥5,336 million (down 23.7% year on year). Among oncology products, Halaven continued to see high growth, earning revenue of ¥2,506 million (up 8.1% year on year), while Lenvima achieved significant growth with revenue of ¥1,908 million (up 148.5% year on year). Furthermore, Humira also showed high growth, earning revenue of ¥12,185 million (up 9.3% year on year). The Group returned the marketing rights to pancreatic digestive enzyme replacement drug Lipacreon in Japan in April 2018.

○ Humira Pen, an auto-injector formulation for Humira, was launched in May 2018.

○ Humira for Subcutaneous Injection 20 mg Syringe 0.2 mL, a new pediatric formulation of Humira, was launched in June 2018.

<Americas pharmaceutical business>

○ Total revenue came to ¥21,715 million (down 24.1% year on year), while segment profit amounted to ¥7,725 million (down 20.9% year on year).

○ Regarding revenue from neurology products, Fycompa achieved significant growth, recording revenue of ¥2,124 million (up 33.7% year on year). Revenue for antiepileptic agent Banzel and revenue for BELVIQ came to ¥4,043 million (down 0.5% year on year) and ¥989 million (up 2.9% year on year), respectively. Among oncology products, Lenvima achieved significant growth, recording ¥6,950 million (up 42.8% year on year). Halaven and Aloxi earned ¥4,027 million (up 0.1% year on year) and ¥1,622 million (down 84.7% year on year), respectively.

<China pharmaceutical business>

○ Revenue totaled ¥15,747 million (up 20.2% year on year), while segment profit was ¥5,667 million (up 42.1% year on year).

○ By product, revenue for peripheral neuropathy treatment Methycobal was ¥5,496 million (up 11.8% year on year), liver disease and anti-allergy agents Stronger Neo-Minophagen C and Glycyron Tablets together recorded ¥2,590 million (up 16.5% year on year), and Aricept earned ¥2,254 million (up 37.6% year on year), all achieving high growth.

<EMEA pharmaceutical business>

○ Revenue totaled ¥13,968 million (up 38.9% year on year), with segment profit of ¥7,039 million (up 96.1% year on year).

○ Revenue from neurology products saw significant growth for Fycompa at ¥1,511 million (up 28.3% year on year) and antiepileptic agent Zebinix at ¥1,384 million (up 36.5% year on year), while antiepileptic agent Zonegran earned revenue of ¥1,029 million (down 5.2% year on year). Among oncology products, both Halaven and Lenvima/Kisplyx achieved growth, recording revenue of ¥3,043 million (up 8.8% year on year) and ¥1,877 million (up 45.3% year on year), respectively.

<Asia and Latin America pharmaceutical business>

○ Revenue totaled ¥12,498 million (up 24.1% year on year), with segment profit of ¥4,514 million (up 57.7% year on year).

○ By product, revenue from Humira and Aricept came to ¥3,257 million (up 14.1% year on year), ¥3,091 million (up 12.9% year on year) respectively, each showing high growth, while Lenvima demonstrated significant growth with revenue amounting to ¥1,124 million (up 231.1% year on year).

(2) Financial Position

[Assets, Liabilities, and Equity]

○ Total assets as of the end of the period amounted to ¥1,066,616 million (up ¥17,585 million from the end of the previous fiscal year), in part due to an increase in cash and cash equivalents.

○ Total liabilities as of the end of the period amounted to ¥447,193 million (up ¥12,261 million from the end of the previous fiscal year) in part due to an increase in borrowings.

○ Total equity as of the end of the period amounted to ¥619,423 million (up ¥5,325 million from the end of the previous fiscal year), due to gains occurring from exchange differences on translation of foreign operations resulting from depreciation of the yen, despite a decrease in retained earnings following payment of dividends.

○ As a result of the above, the ratio of equity attributable to owners of the parent was 55.8% (down 0.8 percentage points from the end of the previous fiscal year).

[Cash Flows]

○ Net cash from operating activities amounted to ¥12,342 million (outflow in the same period of the previous fiscal year was ¥3,698 million) mainly due to an improvement in working capital through reduction in inventories and other factors.

○ Net cash used in investing activities amounted to ¥1,624 million (down ¥8,819 million from the same period of the previous fiscal year). Capital expenditures totaled ¥1,631 million.

○ Net cash used in financing activities amounted to ¥5,400 million (down ¥6,276 million from the same period of the previous fiscal year). The amount of dividends paid was ¥22,907 million.

○ As a result, cash and cash equivalents as of the end of the period stood at ¥279,735 million (up ¥9,210 million from the end of the previous fiscal year).

○ Free cash flows (cash flow from operating activities less capital expenditures) for the period was ¥10,711 million.

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

[Status of Ongoing Research & Development Pipelines]

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

- ✧ Approved for use in the treatment of thyroid cancer in over 50 countries including Japan, the United States, in Europe and Asia. A Phase III study of the agent in thyroid cancer is underway in China.
- ✧ Approved in combination with everolimus for use in the treatment of renal cell carcinoma (second-line) in over 45 countries, including the United States and in Europe.
- ✧ Approved for use in the treatment of hepatocellular carcinoma in Japan in March 2018. Applications for the treatment of hepatocellular carcinoma have been submitted in the United States and Europe in July 2017, in China in October 2017, in Taiwan in December 2017, and in other countries. The agent was designated for Priority Review and Approval for this indication in China.
- ✧ A Phase III study of the agent in separate combinations with everolimus and the anti-PD-1 antibody pembrolizumab from Merck & Co., Inc., Kenilworth, N.J., U.S.A. in renal cell carcinoma (first-line) is underway in Japan, the United States and Europe.
- ✧ The combination therapy of the agent with pembrolizumab was granted Breakthrough Therapy Designation for advanced and/or metastatic renal cell carcinoma in the United States.
- ✧ A Phase III study of the agent in combination with pembrolizumab for endometrial carcinoma has been initiated in Japan, the United States, Europe, and other countries. In July 2018, the combination therapy of the agent with pembrolizumab was granted Breakthrough Therapy Designation in the United States for the potential treatment of patients with advanced and/or metastatic non-microsatellite instability high (MSI-H)/ proficient mismatch repair (pMMR) endometrial carcinoma who have progressed following prior systemic therapy.
- ✧ 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 United States, Europe and Asia.

○ Anticancer agent Halaven (eribulin)

- ✧ Approved for use in the treatment of breast cancer in over 65 countries including Japan, the United States, in Europe and Asia.
- ✧ Approved for use in the treatment of liposarcoma (soft tissue sarcoma in Japan) in over 50 countries, including Japan, the United States, in Europe and Asia.
- ✧ An application seeking approval of the agent as a treatment for breast cancer has been submitted in China.
- ✧ A Phase I/II study of the agent in combination with pembrolizumab in metastatic triple-negative breast cancer is underway in the United States.
- ✧ 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 United States.

○ Antiepileptic agent Fycompa (perampanel)
- ✧ Approved in over 55 countries including Japan, the United States, 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 United States, 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 use for the treatment of partial-onset seizures in the United States.
- ✧ A supplemental new drug application seeking approval of the agent for monotherapy and adjunctive use in the treatment of partial-onset seizures in pediatric patients has been submitted in the United States, and was granted Priority Review designation in May 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 United States and Europe.
- ✧ A Phase III study as monotherapy for the treatment of partial-onset seizures is underway in Japan.

○ In June 2018, the topline analysis at 18 months of the Phase II clinical study of the BACE inhibitor E2609 (elenbecestat) in patients with mild cognitive impairment due to Alzheimer's disease, or mild to moderate dementia due to Alzheimer's disease confirmed acceptable tolerability and safety for elenbecestat, and demonstrated a statistically significant reduction in amyloid accumulated in the brain as measured by amyloid PET (positron emission tomography). In addition, a numerical slowing of decline in functional clinical scales of a potentially clinically important difference was also observed.

○ In July 2018, the final analysis at 18 months of the Phase II clinical study of anti-amyloid beta protofibril antibody BAN2401 in patients with mild cognitive impairment due to Alzheimer's disease, or mild Alzheimer's disease achieved statistical significance in both endpoints of slowing in clinical decline and reduction of amyloid accumulated in the brain, demonstrating potential disease-modifying effects for BAN2401.

○ In July 2018, in a cardiovascular outcomes trial of the antiobesity agent BELVIQ (lorcaserin), a post-marketing clinical trial evaluating safety as the primary objective, it was confirmed that BELVIQ did not increase the incidence of major adverse cardiovascular events (MACE: defined as cardiovascular death, non-fatal myocardial infarction or non-fatal stroke) compared to placebo, and the primary safety objective was met. Regarding the primary efficacy endpoint of incidence of MACE+ (consisting of cardiovascular death, non-fatal myocardial infarction, non-fatal stroke, hospitalization due to unstable angina, heart failure or coronary revascularization), statistical non-inferiority compared to placebo was confirmed for BELVIQ.

[Major Alliances, Agreements and Other Events]

○ Based on the strategic alliance agreement and share transfer agreement for a capital and business alliance with Nichi-Iko Pharmaceuticals Co., Ltd. (Toyama) to revolutionize the generic business model, Eisai transferred 20% of the outstanding shares issued in Eisai's

generic pharmaceutical subsidiary Elmed Eisai Co., Ltd. to Nichi-Iko Pharmaceuticals Co., Ltd. in April 2018.

- ○ In April 2018, Eisai's gastrointestinal disease subsidiary EA Pharma Co., Ltd. (Tokyo) and Mochida Pharmaceutical Co., Ltd. (Tokyo) launched the bile acid transporter inhibitor GOOFICE in Japan. Eisai and EA Pharma Co., Ltd. are jointly conducting marketing activities.
- ○ In June 2018, Eisai decided to establish the Eisai Center for Genetics Guided Dementia Discovery (G2D2), a new exploratory research facility focused on immuno-dementia based on human genetics aimed at innovative drug discovery in the field of dementia, in Cambridge, Massachusetts, the United States. G2D2 is scheduled to commence operation in the first quarter of fiscal 2019. Once G2D2 commences operation, the current Andover innovative Medicines Institute will be closed down.
- ○ In June 2018, Eisai's research subsidiary KAN Research Institute, Inc. (Hyogo) entered into an industry-academia-government joint research agreement with six joint research organizations in Japan concerning the nucleic drug discovery research using novel nucleic acid synthesis and delivery technologies, and research activities commenced.
- ○ In June 2018, Eisai's U.S. subsidiary Eisai Inc. returned the marketing rights to the antiemetic agent Aloxi (palonosetron) in the United States to Helsinn Healthcare S.A. (Switzerland).
- ○ In June 2018, co-promotion of Lenvima for the treatment of renal cell carcinoma commenced in the United States based on the strategic oncology collaboration for Lenvima with Merck & Co., Inc., Kenilworth, N.J., U.S.A. Additional co-promotion is planned to commence in certain countries in Europe and Asia including Japan within six months.
- ○ In July 2018, the oral antifungal agent NAILIN (fosravuconazole) was launched in Japan. The agent is marketed by Sato Pharmaceutical Co., Ltd. (Tokyo). Eisai will provide information on its proper use jointly with Sato Pharmaceutical Co., Ltd.
- ○ In July 2018, Eisai entered into an agreement to grant exclusive development and marketing rights for BELVIQ in China (including Hong Kong and Macao) to CY Biotech Company Ltd. (Taiwan).

(4) Information on Outlook for the Future including Financial Results Forecast

[Consolidated Financial Forecast]

There are no changes to the consolidated financial forecast announced on May 15, 2018.

(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

[Forecasts and Risk Factors]

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

(5) Corporate Governance

[Appointment of Directors]

Eleven Directors, including seven Outside Directors, were elected and assumed their respective offices effective from June 20, 2018, the date of the 106th Ordinary General Meeting of Shareholders.

All seven Outside Directors meet the requirements for Outside Directors set forth in Article 2-3-7 of the Ordinance for Enforcement of the Companies Act of Japan, as well as satisfy the Requirements for the Independence and Neutrality of Outside Directors established by the Company's Nomination Committee. Additionally, these Outside Directors have been registered with the Tokyo Stock Exchange (TSE) as Independent Directors.

[Structure of the Board of Directors]

At the Board of Directors meeting held following the closing of the 106th Ordinary General Meeting of Shareholders, the Chair of the Board of Directors, as well as Chairs and members of the Nomination Committee, Audit Committee and Compensation Committee were appointed and assumed their respective offices as follows.

Haruo Naito	Director	Representative Corporate Officer and CEO
Noboru Naoe	Director	Member of the Audit Committee
Yasuhiko Katoh	Outside Director	Chair of the Board of Directors
Hirokazu Kanai	Director	Member of the Audit Committee
Tamaki Kakizaki	Outside Director	Member of the Audit Committee
Daiken Tsunoda	Outside Director	Member of the Audit Committee
Bruce Aronson	Outside Director	Chair of the Compensation Committee Member of the Nomination Committee
Yutaka Tsuchiya	Director	
Shuzo Kaihori	Outside Director	Chair of the Nomination Committee Member of the Compensation Committee
Ryuichi Murata	Outside Director	Member of the Nomination Committee Member of the Compensation Committee
Hideyo Uchiyama	Outside Director	Chair of the Audit Committee

The Independent Committee of Outside Directors is comprised of all the Outside Directors, and at the Independent Committee of Outside Directors meeting held on June 20, 2018, Daiken Tsunoda was appointed as Committee Chair and subsequently assumed the position.

[Corporate Governance Initiatives]

1) Outside Directors Meeting

The Company holds Outside Directors Meetings (with only outside directors in attendance) on a regular basis. These meetings provide outside directors with valuable opportunities to interact, communicate at a deeper level, and make discussions at gatherings of the Board of Directors, etc., more dynamic. The Outside Directors Meeting is comprised of all seven

Outside Directors, and is chaired by the Chair of the Board of Directors. At Outside Directors Meetings, participants freely discuss corporate governance and business-related matters. If necessary, the Chair of the Board of Directors submits notifications, reports, and requests to the Board of Directors and operational divisions.

2) FY 2017 Corporate Governance Evaluation

On April 25, 2018, the Board of Directors deliberated on the results of the Board of Directors evaluation, which was compiled in the Outside Directors Meeting, the Self-review of the Corporate Governance Guidelines and the Self-review of Internal Control Regulations, as well as the results of verification of the suitability of these evaluations and reviews conducted by outside organizations, and resolved the Results of Evaluation of Corporate Governance in FY2017. The Corporate Governance Evaluation results are published in the Corporate Governance Annual Report.

https://www.eisai.com/company/governance/cgregulations/index.html

[Implementation Status of the Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders]

At the Board of Directors meeting held on June 20, 2018, the continuation of the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders" (the "Policy"), which was proposed by the Independent Committee of Outside Directors (Chair: Daiken Tsunoda), was resolved by the members of the Board during the meeting, with the effective period of the current Policy shortened from five years to a period of one year and the standard of acquisitions subject to the Policy increased from "15% or more" of the outstanding shares of the Company to "20% or more" of such shares.

For details of the Policy, please refer to the Company's homepage.

https://www.eisai.com/company/governance/cgregulations/index.html

2. Condensed Interim Consolidated Financial Statements and Major Notes
(1) Condensed Interim Consolidated Statement of Income

(Millions of yen)

	Note	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017
Revenue		153,304	141,859
Cost of sales		(48,047)	(49,402)
Gross profit		105,256	92,457
Selling, general and administrative expenses		(50,580)	(44,297)
Research and development expenses	(1)	(34,130)	(33,195)
Other income		94	614
Other expenses		(59)	(444)
Operating profit		20,580	15,134
Financial income		1,239	717
Financial costs		(550)	(727)
Profit before income taxes		21,270	15,124
Income taxes		(5,578)	(4,548)
Profit for the period		15,692	10,576
Profit for the period attributable to			
Owners of the parent		12,308	9,806
Non-controlling interests		3,385	770
Earnings per share			
Basic (yen)		42.99	34.28
Diluted (yen)		42.94	34.24

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017
Profit for the period	15,692	10,576
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)	2,306	2,095
Subtotal	2,306	2,095
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	9,201	2,547
Cash flow hedges	43	5
Subtotal	9,244	2,552
Total other comprehensive income (loss), net of tax	11,550	4,647
Comprehensive income (loss) for the period	27,243	15,223
Comprehensive income (loss) for the period attributable to		
Owners of the parent	23,853	14,455
Non-controlling interests	3,390	769

(3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	Note	As of June 30, 2018	As of March 31, 2018
Assets			
Non-current assets			
Property, plant and equipment		97,775	103,060
Goodwill		171,497	164,960
Intangible assets		105,740	107,440
Other financial assets		51,126	47,789
Other assets		15,125	14,614
Deferred tax assets		75,756	75,262
Total non-current assets		517,019	513,125
Current assets			
Inventories		70,416	80,932
Trade and other receivables		148,770	151,472
Other financial assets		18,592	18,663
Other assets		15,448	14,314
Cash and cash equivalents		279,735	270,525
Subtotal		532,960	535,905
Assets held for sale	(1)	16,637	—
Total current assets		549,597	535,905
Total assets		1,066,616	1,049,031

(Millions of yen)

	Note	As of June 30, 2018	As of March 31, 2018
Equity			
Equity attributable to owners of the parent			
Share capital		44,986	44,986
Capital surplus		77,528	77,563
Treasury shares		(35,069)	(35,271)
Retained earnings		407,132	414,966
Other components of equity		100,577	91,338
Total equity attributable to owners of the parent		595,154	593,582
Non-controlling interests		24,269	20,516
Total equity		619,423	614,098
Liabilities			
Non-current liabilities			
Borrowings		163,022	156,738
Other financial liabilities		2,899	3,040
Retirement benefit liabilities		11,295	11,060
Provisions		1,348	1,356
Other liabilities		19,004	20,574
Deferred tax liabilities		128	496
Total non-current liabilities		197,697	193,263
Current liabilities			
Borrowings		29,000	16,403
Trade and other payables		52,645	68,096
Other financial liabilities		52,587	51,640
Income tax payables		6,961	9,029
Provisions		17,153	16,031
Other liabilities		83,635	80,470
Subtotal		241,982	241,670
Liabilities directly associated with assets held for sale	(1)	7,514	—
Total current liabilities		249,497	241,670
Total liabilities		447,193	434,932
Total equity and liabilities		1,066,616	1,049,031

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the three-month period ended June 30, 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 (loss)
As of April 1, 2018	44,986	77,563	(35,271)	414,966	—
Changes in accounting policies	—	—	—	424	—
As of April 1, 2018 (Restated)	44,986	77,563	(35,271)	415,390	—
Profit for the period	—	—	—	12,308	—
Other comprehensive income (loss)	—	—	—	—	2,306
Comprehensive income (loss) for the period	—	—	—	12,308	2,306
Dividends	—	—	—	(22,907)	—
Share-based payments	—	(64)	—	—	—
Acquisition of treasury shares	—	—	(12)	—	—
Disposal of treasury shares	—	29	213	—	—
Reclassification	—	—	—	2,306	(2,306)
Other changes	—	—	—	35	—
Total transactions with owners	—	(35)	202	(20,566)	(2,306)
As of June 30, 2018	44,986	77,528	(35,069)	407,132	—

	Equity attributable to owners of the parent					
	Other components of equity					
	Exchange differences on translation of foreign operations	Cash flow hedges	Total other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As of April 1, 2018	91,788	(450)	91,338	593,582	20,516	614,098
Changes in accounting policies	—	—	—	424	370	794
As of April 1, 2018 (Restated)	91,788	(450)	91,338	594,006	20,886	614,892
Profit for the period	—	—	—	12,308	3,385	15,692
Other comprehensive income (loss)	9,196	43	11,545	11,545	5	11,550
Comprehensive income (loss) for the period	9,196	43	11,545	23,853	3,390	27,243
Dividends	—	—	—	(22,907)	(7)	(22,914)
Share-based payments	—	—	—	(64)	—	(64)
Acquisition of treasury shares	—	—	—	(12)	—	(12)
Disposal of treasury shares	—	—	—	243	—	243
Reclassification	—	—	(2,306)	—	—	—
Other changes	—	—	—	35	—	35
Total transactions with owners	—	—	(2,306)	(22,705)	(7)	(22,712)
As of June 30, 2018	100,984	(407)	100,577	595,154	24,269	619,423

For the three-month period ended June 30, 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 (loss)
As of April 1, 2017	44,986	77,652	(35,888)	394,981	—
Profit for the period	—	—	—	9,806	—
Other comprehensive income (loss)	—	—	—	—	2,095
Comprehensive income (loss) for the period	—	—	—	9,806	2,095
Dividends	—	—	—	(22,893)	—
Share-based payments	—	(164)	—	—	—
Acquisition of treasury shares	—	—	(10)	—	—
Disposal of treasury shares	—	45	83	—	—
Reclassification	—	—	—	2,095	(2,095)
Other changes	—	—	—	146	—
Total transactions with owners	—	(118)	72	(20,653)	(2,095)
As of June 30, 2017	44,986	77,534	(35,816)	384,134	—

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Equity attributable to owners of the parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total other components of equity			
As of April 1, 2017	103,536	(637)	102,899	584,630	17,961	602,591
Profit for the period	—	—	—	9,806	770	10,576
Other comprehensive income (loss)	2,549	5	4,648	4,648	(1)	4,647
Comprehensive income (loss) for the period	2,549	5	4,648	14,455	769	15,223
Dividends	—	—	—	(22,893)	(7)	(22,900)
Share-based payments	—	—	—	(164)	—	(164)
Acquisition of treasury shares	—	—	—	(10)	—	(10)
Disposal of treasury shares	—	—	—	128	—	128
Reclassification	—	—	(2,095)	—	—	—
Other changes	—	—	—	146	—	146
Total transactions with owners	—	—	(2,095)	(22,794)	(7)	(22,801)
As of June 30, 2017	106,085	(632)	105,453	576,290	18,723	595,013

(5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Note	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017
Operating activities			
Profit before income taxes		21,270	15,124
Depreciation and amortization		6,879	6,432
Impairment losses		4,019	―
(Increase) decrease in working capital		(8,350)	(17,994)
Interest and dividends received		1,124	683
Interest paid		(462)	(673)
Income taxes paid		(8,343)	(4,958)
Income taxes refund		99	151
Other		(3,894)	(2,463)
Net cash from (used in) operating activities		12,342	(3,698)
Investing activities			
Purchases of property, plant and equipment		(2,856)	(3,376)
Proceeds from sale of property, plant and equipment		16	4
Purchases of intangible assets		(2,691)	(6,222)
Advances received for sale of investments in subsidiaries	(1)	3,400	―
Purchases of financial assets		(8)	(3,638)
Proceeds from sale and redemption of financial assets		508	3,184
Payments of time deposits exceeding three months		(402)	(1,315)
Proceeds from redemption of time deposits exceeding three months		374	882
Other		35	38
Net cash from (used in) investing activities		(1,624)	(10,443)
Financing activities			
Net increase (decrease) in short-term borrowings		12,586	11,365
Proceeds from long-term borrowings		4,981	―
Dividends paid		(22,907)	(22,893)
Other		(61)	(148)
Net cash from (used in) financing activities		(5,400)	(11,676)
Effect of exchange rate change on cash and cash equivalents		3,892	1,211
Net increase (decrease) in cash and cash equivalents		9,210	(24,606)
Cash and cash equivalents at beginning of period		270,525	186,775
Cash and cash equivalents at end of period		279,735	162,170

(6) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern)

Not applicable

(Changes in Accounting Policies)

With the exception of the following, all significant accounting policies that are applied to these condensed interim consolidated financial statements are the same as those that were applied to the consolidated financial statements for the previous fiscal year. With the exception of IFRS 15 "Revenue from Contracts with Customers", none of the following accounting standards and interpretations applied by the Group has any major impact on the condensed interim consolidated financial statements for this period.

Accounting standards and interpretations		Mandatory application (Date of commencement)	Date 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

Application method and major changes associated with the application of IFRS 15 "Revenue from Contracts with Customers" (this Standard) from April 1, 2018 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 applies 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 three-month period ended June 30, 2018.

The Group recognizes revenue from contracts with customers based on the following five-step approach. Considerations of revenue recognized by the Group are usually received within one year from satisfaction of performance obligations and do not include any significant financing component.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

Step 5: Recognize revenue when the entity satisfies a performance obligation

(1) Revenue from pharmaceutical goods sales

The Group usually recognizes revenue from pharmaceutical goods sales on delivery of the goods as the Group judges that its performance obligations are satisfied when the customer obtains control of the goods on delivery. The amount of revenue is measured as the promised considerations in a contract with the customer less discounts, rebates and returned goods estimated by the most likely amount method, based on the contract conditions and past results.

(2) License revenue

The Group recognizes license revenue such as upfront payments, milestone payments and sales-based royalties for its developing or developed products.

In case that the Group judges the performance obligations are satisfied when a customer obtains control of the license at the point in time that the license is granted, the Group recognizes the revenue at that point in time.

The Group recognizes revenue from sales-based royalties when the subsequent sales occur or the performance obligations allocated to sales-based royalties are satisfied, whichever is later.

(3) Co-promotion revenue (provision of services)

The Group recognizes co-promotion revenue when it provides co-promotion activities to a customer, because the Group judges that its performance obligations are satisfied at the point in time. The Group recognizes its portion of the expenses incurred from the co-promotion activities as selling, general and administrative expenses.

Previously, in case that the contractual performance obligations other than licensing exist over the licensing period, the Group had recognized revenue over the period based on a reasonable basis. Following the application of this Standard, the Group re-examined when its performance obligations should be satisfied based on the above five-step approach. As a result, when its performance obligations are satisfied upon a customer's obtaining control of the license, the Group changed the timing of revenue recognition at that point in time.

The effects of applying this Standard compared with the results of applying previous standards are as follows:

(1) Opening balance of the three-month period ended June 30, 2018

Other liabilities (including both non-current and current portion) and deferred tax assets decreased by ¥1,144 million and ¥350 million, respectively. Non-controlling interests and retained earnings increased by ¥370 million and ¥424 million, respectively.

(2) Condensed interim consolidated statement of income

For the three-month period ended June 30, 2018, revenue, operating profit and profit before income taxes increased by ¥799 million and profit for the period increased by ¥554 million in the condensed interim consolidated statement of income.

(3) Condensed interim consolidated statement of financial position

As of June 30, 2018, other liabilities (including both non-current and current portion) and deferred tax assets decreased by ¥1,942 million and ¥594 million, respectively, and non-controlling interests and retained earnings increased by ¥601 million and ¥716 million, respectively, in the condensed interim consolidated statement of financial position, compared with the results of applying previous standards.

(Segment 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 (Prescription Medicines, Generics, and OTC and others), 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).

(Millions of yen)

	Three-month period ended June 30, 2018		Three-month period ended June 30, 2017	
	Revenue	Segment profit (loss)	Revenue	Segment profit (loss)
Pharmaceutical business				
Japan	87,330	37,744	77,964	30,516
Americas (Note 4)	21,715	7,725	28,609	9,766
China	15,747	5,667	13,104	3,987
EMEA	13,968	7,039	10,056	3,589
Asia and Latin America (Note 4)	12,498	4,514	10,069	2,863
Reporting segment total	151,259	62,688	139,801	50,720
Other business (Note 1)	2,045	75	2,058	673
Total	153,304	62,763	141,859	51,393
R&D expenses (Note 2)	―	(34,130)	―	(33,195)
Group headquarters' management costs and other expenses (Note 3)	―	(8,052)	―	(3,063)
Operating profit in the condensed interim consolidated statement of income	―	20,580	―	15,134

(Note 1) "Other business" mainly includes license revenue and the 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 which include the amount of profits and expenses shared equally under strategic collaborations with partners.

(Note 4) 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. Following this change, revenue and segment profit (loss) related to Latin American countries for the previous fiscal year has been reclassified from Americas pharmaceutical business to Asia and Latin America pharmaceutical business. This change has no significant impact.

(Consolidated Statement of Income)

(1) Research and development expenses

For the three-month period ended June 30, 2018, the Group decided to close down the Andover innovative Medicines Institute held by the Company's U.S. consolidated subsidiary Eisai Inc. Following this closure of the institute, restructuring costs of ¥4,629 million were recorded as research and development expenses. The major items of restructuring costs are as follows:

- Termination benefits of ¥669 million following the closure of the institute were recorded.
- ¥3,879 million was recorded as an impairment loss on property, plant and equipment of the institute following the reduction of the carrying amount of the assets to the recoverable amount of them. The recoverable amount is based on expected salable amount and is calculated at fair value less disposal costs. This fair value is fair value calculated by using mainly observable market price, therefore, the hierarchy is level two.

(Consolidated Statement of Financial Position)

(1) Assets held for sale and liabilities directly associated with these assets held for sale

As of June 30, 2018, the carrying amount of non-current assets or asset groups classified as held for sale because the sales are highly probable and these assets are planned to be sold within one year are as follows.

In March 2018, the Company 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. Upon condition that certain progress has been achieved through the strategic alliance agreement, the Company will transfer shares of its wholly-owned subsidiary Elmed Eisai Co., Ltd. (Tokyo) incrementally. Elmed Eisai Co., Ltd. is scheduled to become a wholly-owned subsidiary of Nichi-Iko Pharmaceutical Co., Ltd. in April 2019.

In accordance with the above, the assets and liabilities of Elmed Eisai Co., Ltd. as of June 30, 2018 have been classified to the assets held for sale, and liabilities directly associated with assets held for sale. The breakdown is as follows.

(Millions of yen)

	As of June 30, 2018
Assets held for sale	
Inventories	5,179
Trade and other receivables	10,469
Other	989
Total	16,637
Liabilities directly associated with assets held for sale	
Trade and other payables	6,902
Other	613
Total	7,514

(Consolidated Statement of Cash Flows)

(1) Advances received for sale of investments in subsidiaries

For the three-month period ended June 30, 2018, the Company transferred a part of the shares (20% of the number of shares issued) of Elmed Eisai Co., Ltd. to Nichi-Iko Pharmaceutical Co., Ltd. and recorded the compensation of ¥3,400 million as advances received.

(Significant Subsequent Events)

Not applicable