CONSOLIDATED FINANCIAL REPORT [IFRS]
for the Six-Month Period Ended September 30, 2018

November 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: November 8, 2018
Expected date of dividend payment commencement: November 19, 2018
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 Six-Month Period Ended September 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)	(%)
Six-month period ended September 30, 2018	310,125	8.8	48,370	74.4	49,658	80.9	36,330	78.5	32,654	73.5	61,330	90.8
Six-month period ended September 30, 2017	285,073	5.6	27,733	-28.1	27,444	-28.0	20,358	-31.2	18,820	-32.6	32,149	—

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)
	(¥)	(¥)
Six-month period ended September 30, 2018	114.04	113.92
Six-month period ended September 30, 2017	65.78	65.70

(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 September 30, 2018	1,080,199	653,668	629,139	58.2	2,196.85
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	—	70.00			
FY2018 (Forecast)			—	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	636,500	6.1	90,000	16.6	90,800	18.2	63,500	16.7	60,500	16.7	211.42

(Note) Revisions to the latest financial forecast: Yes

* 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 September 30, 2018	296,566,949	As of March 31, 2018	296,566,949
2) Number of treasury shares	As of September 30, 2018	10,135,820	As of March 31, 2018	10,228,499
3) Weighted average number of shares outstanding	For the six-month period ended September 30, 2018	286,332,550	For the six-month period ended September 30,2017	286,115,292

The Company's shares held through a trust (48,286 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 9 for details with regard to the assumptions and other related matters concerning consolidated financial results forecasts.

(Methods for obtaining supplementary materials and content of financial results disclosure meeting)
Supplementary materials are attached to this financial report. The Company plans to hold a financial results disclosure meeting for institutional investors and securities analysts on Thursday, November 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 six-month period ended September 30, 2018.

Revenue:	¥310,125 million	(up 8.8% year on year)
Operating profit:	¥48,370 million	(up 74.4% year on year)
Profit before income taxes:	¥49,658 million	(up 80.9% year on year)
Profit for the period:	¥36,330 million	(up 78.5% year on year)
Profit for the period attributable to owners of the parent:	¥32,654 million	(up 73.5% year on year)
Comprehensive income for the period:	¥61,330 million	(up 90.8% year on year)
Earnings per share attributable to owners of the parent (basic):	¥114.04	(up 73.4% year on year)

○ The Group's revenue increased overall due to the significant growth of the anticancer agent Lenvima mainly accompanying the approval for use in the treatment of hepatocellular carcinoma including in the United States and 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 as well as the return of marketing rights for antiemetic agent Aloxi in the United States. In addition, due to the approval of the indication covering hepatocellular carcinoma for Lenvima in the United States, Europe and China, the Company recorded ¥22,177 million in milestone payments from Merck & Co., Inc., Kenilworth, N.J., U.S.A. as revenue. As a result, revenue increased by 8.8% year on year.

○ In terms of revenue by segment, revenue in all segments, excluding the Americas pharmaceutical business which was impacted by the decrease in revenue for Aloxi, grew mainly due to the growth of four global brands. In particular, China, EMEA, and Asia and Latin America pharmaceutical businesses each achieved double-digit growth, and as a result, an increase in revenue was achieved for pharmaceutical business segments in total. The above-mentioned milestone payments for Lenvima are not included in revenue for pharmaceutical business segments.

○ Combined revenue from all four global brands increased by 27.4% year on year to ¥56,218 million. This included ¥24,453 million from Lenvima, ¥20,440 million from anticancer agent Halaven, ¥9,234 million from Fycompa, and ¥2,092 million from antiobesity agent BELVIQ.

○ Regarding research and development expenses, despite the aggressive resource investment in research and development mainly for Lenvima as monotherapy and in combination with Merck & Co., Inc., Kenilworth, N.J., U.S.A.'s anti-PD-1 antibody KEYTRUDA as well as Alzheimer's disease projects such as the beta secretase cleaving enzyme (BACE) inhibitor E2609 (elenbecestat), the expenses were controlled by using the partnership model. Selling, general and administrative expenses increased in part due to commercialization activities for fostering and growing global brands as well as shared profit

under the strategic collaboration with Merck & Co., Inc., Kenilworth, N.J., U.S.A. for Lenvima being recorded as expenses.

○ As a result of the above, operating profit increased significantly as the increase in gross profit from the increase in revenue exceeded the increase in selling, general and administrative expenses.

[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 ¥157,690 million (up 4.5% year on year) and segment profit was ¥59,999 million (up 7.8% year on year). Of this amount, revenue from Prescription Medicines, Generics, and OTC and others amounted to ¥133,155 million (up 5.5% year on year), ¥12,221 million (down 10.2% year on year), and ¥12,295 million (up 11.9% 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 ¥13,812 million (up 4.9% year on year), revenue for insomnia treatment Lunesta totaled ¥5,533 million (up 10.5% year on year), and revenue for Fycompa totaled ¥1,402 million (up 89.8% year on year), each achieving growth. Aricept, a treatment for Alzheimer's disease, recorded revenue of ¥9,766 million (down 26.3% year on year). Among oncology products, Halaven continued to see growth, earning revenue of ¥4,919 million (up 4.6% year on year), while Lenvima achieved significant growth with revenue of ¥4,341 million (up 185.9% year on year). Furthermore, Humira also showed high growth, earning revenue of ¥23,908 million (up 9.6% 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 ¥42,811 million (down 25.5% year on year), while segment profit amounted to ¥16,917 million (down 15.2% year on year).

○ Regarding revenue from neurology products, Fycompa achieved significant growth, recording revenue of ¥4,453 million (up 40.2% year on year). Revenue for antiepileptic agent Banzel and revenue for BELVIQ came to ¥8,486 million (up 6.5% year on year) and ¥1,919 million (down 2.7% year on year), respectively. Among oncology products, Lenvima achieved significant growth, recording ¥14,415 million (up 43.6% year on year), and Halaven earned ¥8,101 million (up 0.8% year on year). On the other hand, revenue for

Aloxi, for which the marketing rights were returned in June 2018, was ¥1,536 million (down 92.8% year on year).

<China pharmaceutical business>

○ Revenue totaled ¥31,849 million (up 13.9% year on year), while segment profit was ¥11,534 million (up 37.2% year on year).

○ By product, revenue for peripheral neuropathy treatment Methycobal was ¥10,438 million (up 2.4% year on year), liver disease and anti-allergy agents Stronger Neo-Minophagen C and Glycyron Tablets together recorded ¥5,147 million (up 7.7% year on year), and Aricept earned ¥4,860 million (up 37.7% year on year), all demonstrating continued growth.

<EMEA pharmaceutical business>

○ Revenue totaled ¥25,386 million (up 20.0% year on year), with segment profit of ¥11,167 million (up 53.1% year on year).

○ Revenue from neurology products saw high growth for Fycompa at ¥2,957 million (up 21.1% year on year) and antiepileptic agent Zebinix at ¥2,769 million (up 6.0% year on year), while antiepileptic agent Zonegran earned revenue of ¥2,017 million (down 7.0% year on year). Among oncology products, both Halaven and Lenvima/Kisplyx achieved growth, recording revenue of ¥6,148 million (up 5.5% year on year) and ¥3,711 million (up 42.5% year on year), respectively.

<Asia and Latin America pharmaceutical business>

○ Revenue totaled ¥24,660 million (up 14.2% year on year), with segment profit of ¥8,490 million (up 34.8% year on year).

○ By product, revenue from Humira and Aricept came to ¥6,643 million (up 10.6% year on year) and ¥6,054 million (up 3.9% year on year) respectively, each showing high growth, while Lenvima demonstrated significant growth with revenue amounting to ¥1,986 million (up 249.3% year on year).

○ Lenvima was launched in Indonesia in July 2018.

(2) Financial Position

[Assets, Liabilities, and Equity]

- ○ Total assets as of the end of the period amounted to ¥1,080,199 million (up ¥31,169 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 ¥426,531 million (down ¥8,401 million from the end of the previous fiscal year) in part due to a decrease in trade and other payables as well as borrowings.
- ○ Total equity as of the end of the period amounted to ¥653,668 million (up ¥39,570 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, in addition to an increase in retained earnings due to profit for the period exceeding dividends paid.
- ○ As a result of the above, the ratio of equity attributable to owners of the parent was 58.2% (up 1.7 percentage points from the end of the previous fiscal year).

[Cash Flows]

- ○ Net cash from operating activities amounted to ¥49,916 million (up ¥37,325 million from the same period of the previous fiscal year) mainly due to an improvement in working capital through reduction in inventories and other factors in addition to an increase in profit before income taxes.
- ○ Net cash used in investing activities amounted to ¥4,474 million (down ¥5,116 million from the same period of the previous fiscal year). Capital expenditures totaled ¥4,476 million.
- ○ Net cash used in financing activities amounted to ¥34,535 million (up ¥17,861 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 ¥291,827 million (up ¥21,302 million from the end of the previous fiscal year).
- ○ Free cash flows (cash flow from operating activities less capital expenditures) for the period was ¥45,440 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, the United States, Europe and South Korea in August 2018, and in China in September 2018.
- ✧ 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 and is underway 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 at least one 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.
- ✧ A new drug 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.
- ✧ In September 2018, the agent was approved for monotherapy and adjunctive use in the treatment of partial-onset seizures in pediatric patients from 4 years of age with epilepsy in the United States.
- ✧ In October 2018, a new drug application seeking approval of the agent for adjunctive use in the treatment of partial-onset seizures was submitted and accepted for review in China.
- ✧ 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 of the agent as monotherapy for the treatment of partial-onset seizures is underway in Japan.

○ In September 2018, marketing and manufacturing approval of the polyethylene glycol preparation MOVICOL (development code: AJG555) was obtained for chronic constipation (excluding structural disease-induced constipation) in Japan.

○ In October 2018, the primary endpoints were achieved in the second Phase III clinical study of the dual orexin receptor antagonist E2006 (lemborexant) in patients with insomnia disorder.

○ 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 difference 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 of 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.

○ Regarding the vascular embolization device DC Bead (specially controlled medical device), an application for a partial label change was approved in September 2018, and the purpose of use of the product is now for "Transcatheter arterial embolization in patients with hypervascular tumors (excluding uterine fibroids)."

○ A Phase II clinical study of E2730, a neurological disease treatment, in patients with epilepsy has been initiated in the United States.

○ A Phase II clinical study of E2082, a neurological disease treatment, in patients with epilepsy has been initiated in the United States.

○ A Phase II clinical study of the anti-fractalkine antibody E6011 in patients with Crohn's disease has been initiated in Japan and Europe. A Phase II study in rheumatoid arthritis conducted in Japan was completed, and the next step for development is currently under consideration based on the results obtained from the study.

[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 Pharmaceutical Co., Ltd. (Toyama) in Japan to revolutionize the generic business model, Eisai transferred 20% of the outstanding shares issued in Eisai's generic pharmaceutical subsidiary Elmed Eisai Co., Ltd. (Tokyo) to Nichi-Iko Pharmaceutical Co., Ltd. in April 2018. In October 2018, an additional 13.4% was transferred under the same share transfer agreement.

○ 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 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).

○ Co-promotion of Lenvima commenced in the United States in June 2018 based on the strategic oncology collaboration for Lenvima with Merck & Co., Inc., Kenilworth, N.J., U.S.A. In Japan, joint medical and marketing activities commenced in October 2018, and co-promotion activities through the MRs (Medical Representatives) of both companies are scheduled to commence in January 2019. Additional co-promotion activities are planned to commence in Europe, China and other countries in Asia within this fiscal year.

○ 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 conduct marketing activities jointly with Sato Pharmaceutical Co., Ltd.

○ In July 2018, Eisai entered into an agreement to grant exclusive development and marketing rights for antiobesity agent lorcaserin in China (including Hong Kong and Macao) to CY Biotech Company Ltd. (Taiwan).

○ In October 2018, Eisai entered into an agreement to grant exclusive development and marketing rights for lorcaserin in 17 countries in Latin America and the Caribbean, excluding Brazil, to Eurofarma Laboratórios S.A. (Brazil).

○ In October 2018, a new drug application seeking approval for the Parkinson's disease treatment ME2125 (safinamide) was submitted in Japan by the licensor Meiji Seika Pharma Co., Ltd. (Tokyo).

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

[Consolidated Financial Forecast]

○ The full fiscal year consolidated forecasts for Fiscal 2018 (April 1, 2018 – March 31, 2019) have been revised from the forecasts previously announced on May 15, 2018, as follows:

	Revised forecast		Previous forecast		Increase/ Decrease	Rate of change
	(A)	YOY	(B)	YOY	(A-B)	
Revenue	¥636,500 mil.	up 6.1%	¥632,000 mil.	up 5.3%	¥4,500 mil.	up 0.7%
Operating profit	¥90,000 mil.	up 16.6%	¥86,000 mil.	up 11.4%	¥4,000 mil.	up 4.7%
Profit before income taxes	¥90,800 mil.	up 18.2%	¥86,000 mil.	up 12.0%	¥4,800 mil.	up 5.6%
Profit for the year	¥63,500 mil.	up 16.7%	¥60,000 mil.	up 10.2%	¥3,500 mil.	up 5.8%
Profit for the year attributable to owners of the parent	¥60,500 mil.	up 16.7%	¥57,500 mil.	up 10.9%	¥3,000 mil.	up 5.2%

Notes: *Forecasted basic EPS (full year): ¥211.42

(Assumptions for the third and fourth quarter of FY2018: 1 USD = ¥113, 1 EUR = ¥131, 1 GBP = ¥146, 1 RMB = ¥16.5)

<Revenue>

○ Revenue is forecasted to increase by ¥4,500 million from the previous forecast to ¥636,500 million (up 6.1% year on year) due to expected growth of Lenvima mainly accompanying the approval for use in the treatment of hepatocellular carcinoma including in the United

States and Japan, as well as further increases in revenue expected from the China and Asia and Latin America pharmaceutical businesses.

○ Revenue for Lenvima is expected to be ¥60,000 million (¥1,500 million higher than the previous forecast, up 86.3% year on year).

<Profit>

○ While the Group continues to make aggressive resource investment in research and development for Alzheimer's disease and oncology projects as well as conduct commercialization activities for fostering and expanding global brands, due to factors such as improved performance and efficiency in operations, operating profit is forecasted to increase by ¥4,000 million from the previous forecast to ¥90,000 million.

○ Accompanying the above-mentioned increase in operating profit, profit for the period is forecasted to increase by ¥3,500 million from the previous forecast to ¥63,500 million.

○ The forecast for the total dividend for the year remains unchanged at ¥150 per share (the same amount as the previous fiscal year).

[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) Basic Policy Concerning Profit Appropriation and Interim Dividend for the End of the Second Quarter of Fiscal 2018

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

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

(6) Corporate Governance

Always aiming for the best corporate governance, the Company strives continually to enhance it as well. The Company believes that the focus of corporate governance is to respect the rights of all our shareholders, ensure the fairness and transparency of management, and enhance corporate vitality. The Company strives to enhance corporate governance by stipulating the following basic points of view and code of conduct in its "Corporate Governance Guidelines" and implementing the Guidelines accordingly.

[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; and
- 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 for 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.
- Chairs of the Nomination Committee, the Audit Committee and the Compensation Committee shall be Outside Directors.
- The internal control system and its operation shall be enhanced to ensure the credibility of financial reports.

Detailed information on the Company’s corporate governance system is available on the Eisai 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 Eisai corporate website.
(https://www.eisai.com/company/cgregulations.html)

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

(Millions of yen)

	Six-month period ended September 30, 2018	Six-month period ended September 30, 2017
Revenue	310,125	285,073
Cost of sales	(92,027)	(102,154)
Gross profit	218,098	182,919
Selling, general and administrative expenses	(104,775)	(89,461)
Research and development expenses	(65,000)	(66,118)
Other income	1,005	1,352
Other expenses	(958)	(960)
Operating profit	48,370	27,733
Financial income	2,304	1,222
Financial costs	(1,017)	(1,512)
Profit before income taxes	49,658	27,444
Income taxes	(13,327)	(7,086)
Profit for the period	36,330	20,358
Profit for the period attributable to		
Owners of the parent	32,654	18,820
Non-controlling interests	3,676	1,538
Earnings per share		
Basic (yen)	114.04	65.78
Diluted (yen)	113.92	65.70

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six-month period ended September 30, 2018	Six-month period ended September 30, 2017
Profit for the period	36,330	20,358
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)	4,331	3,333
Subtotal	4,331	3,333
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	20,549	8,388
Cash flow hedges	120	70
Subtotal	20,669	8,459
Total other comprehensive income (loss), net of tax	25,000	11,791
Comprehensive income (loss) for the period	61,330	32,149
Comprehensive income (loss) for the period attributable to		
Owners of the parent	57,645	30,613
Non-controlling interests	3,685	1,536

(3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of September 30, 2018	As of March 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	93,941	103,060
Goodwill	176,106	164,960
Intangible assets	105,078	107,440
Other financial assets	54,126	47,789
Other assets	15,474	14,614
Deferred tax assets	72,525	75,262
Total non-current assets	517,251	513,125
Current assets		
Inventories	71,018	80,932
Trade and other receivables	149,261	151,472
Other financial assets	18,721	18,663
Other assets	13,898	14,314
Cash and cash equivalents	291,827	270,525
Subtotal	544,726	535,905
Assets held for sale	18,223	—
Total current assets	562,948	535,905
Total assets	1,080,199	1,049,031

(Millions of yen)

	As of September 30, 2018	As of March 31, 2018
Equity		
Equity attributable to owners of the parent		
Share capital	44,986	44,986
Capital surplus	77,561	77,563
Treasury shares	(34,909)	(35,271)
Retained earnings	429,504	414,966
Other components of equity	111,997	91,338
Total equity attributable to owners of the parent	629,139	593,582
Non-controlling interests	24,529	20,516
Total equity	653,668	614,098
Liabilities		
Non-current liabilities		
Borrowings	123,958	156,738
Other financial liabilities	2,642	3,040
Retirement benefit liabilities	11,242	11,060
Provisions	1,363	1,356
Other liabilities	19,926	20,574
Deferred tax liabilities	136	496
Total non-current liabilities	159,267	193,263
Current liabilities		
Borrowings	39,985	16,403
Trade and other payables	52,115	68,096
Other financial liabilities	49,259	51,640
Income taxes payable	9,985	9,029
Provisions	17,966	16,031
Other liabilities	90,539	80,470
Subtotal	259,849	241,670
Liabilities directly associated with assets held for sale	7,415	—
Total current liabilities	267,264	241,670
Total liabilities	426,531	434,932
Total equity and liabilities	1,080,199	1,049,031

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the six-month period ended September 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	—	—	—	32,654	—
Other comprehensive income (loss)	—	—	—	—	4,331
Comprehensive income (loss) for the period	—	—	—	32,654	4,331
Dividends	—	—	—	(22,907)	—
Share-based payments	—	(79)	—	—	—
Acquisition of treasury shares	—	—	(33)	—	—
Disposal of treasury shares	—	78	395	—	—
Reclassification	—	—	—	4,331	(4,331)
Other changes	—	—	—	35	—
Total transactions with owners	—	(1)	362	(18,541)	(4,331)
As of September 30, 2018	44,986	77,561	(34,909)	429,504	—

	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	—	—	—	32,654	3,676	36,330
Other comprehensive income (loss)	20,539	120	24,991	24,991	9	25,000
Comprehensive income (loss) for the period	20,539	120	24,991	57,645	3,685	61,330
Dividends	—	—	—	(22,907)	(43)	(22,950)
Share-based payments	—	—	—	(79)	—	(79)
Acquisition of treasury shares	—	—	—	(33)	—	(33)
Disposal of treasury shares	—	—	—	472	—	472
Reclassification	—	—	(4,331)	—	—	—
Other changes	—	—	—	35	—	35
Total transactions with owners	—	—	(4,331)	(22,512)	(43)	(22,555)
As of September 30, 2018	112,328	(330)	111,997	629,139	24,529	653,668

For the six-month period ended September 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	—	—	—	18,820	—
Other comprehensive income (loss)	—	—	—	—	3,333
Comprehensive income (loss) for the period	—	—	—	18,820	3,333
Dividends	—	—	—	(22,893)	—
Share-based payments	—	(180)	—	—	—
Acquisition of treasury shares	—	—	(15)	—	—
Disposal of treasury shares	—	85	258	—	—
Reclassification	—	—	—	3,333	(3,333)
Other changes	—	—	—	146	—
Total transactions with owners	—	(95)	243	(19,415)	(3,333)
As of September 30, 2017	44,986	77,557	(35,646)	394,386	—

	Equity attributable to owners of the parent					
	Other components of equity					
	Exchange differences on translation of foreign operations	Cash flow hedges	Total other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As of April 1, 2017	103,536	(637)	102,899	584,630	17,961	602,591
Profit for the period	—	—	—	18,820	1,538	20,358
Other comprehensive income (loss)	8,390	70	11,793	11,793	(2)	11,791
Comprehensive income (loss) for the period	8,390	70	11,793	30,613	1,536	32,149
Dividends	—	—	—	(22,893)	(41)	(22,934)
Share-based payments	—	—	—	(180)	—	(180)
Acquisition of treasury shares	—	—	—	(15)	—	(15)
Disposal of treasury shares	—	—	—	343	—	343
Reclassification	—	—	(3,333)	—	—	—
Other changes	—	—	—	146	—	146
Total transactions with owners	—	—	(3,333)	(22,600)	(41)	(22,641)
As of September 30, 2017	111,926	(567)	111,360	592,642	19,456	612,099

(5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Six-month period ended September 30, 2018	Six-month period ended September 30, 2017
Operating activities		
Profit before income taxes	49,658	27,444
Depreciation and amortization	13,691	12,833
Impairment losses	4,092	—
(Increase) decrease in working capital	(4,937)	(19,986)
Interest and dividends received	2,085	991
Interest paid	(878)	(1,346)
Income taxes paid	(10,004)	(6,839)
Income taxes refund	1,360	1,825
Other	(5,150)	(2,329)
Net cash from (used in) operating activities	49,916	12,592
Investing activities		
Purchases of property, plant and equipment	(4,677)	(5,450)
Proceeds from sale of property, plant and equipment	26	258
Purchases of intangible assets	(3,980)	(8,265)
Advances received for sale of investments in subsidiaries	3,400	—
Purchases of financial assets	(26)	(4,541)
Proceeds from sale and redemption of financial assets	780	9,242
Payments of time deposits exceeding three months	(640)	(31,587)
Proceeds from redemption of time deposits exceeding three months	705	30,758
Other	(63)	(5)
Net cash from (used in) investing activities	(4,474)	(9,590)
Financing activities		
Net increase (decrease) in short-term borrowings	(11,394)	6,477
Proceeds from long-term borrowings	4,981	—
Repayments of long-term borrowings	(5,000)	—
Dividends paid	(22,907)	(22,893)
Other	(216)	(258)
Net cash from (used in) financing activities	(34,535)	(16,675)
Effect of exchange rate change on cash and cash equivalents	10,395	3,378
Net increase (decrease) in cash and cash equivalents	21,302	(10,295)
Cash and cash equivalents at beginning of period	270,525	186,775
Cash and cash equivalents at end of period	291,827	176,481

(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 (deferred revenue) and deferred tax assets decreased by ¥1,144 million and ¥350 million, respectively. Retained earnings and non-controlling interests increased by ¥424 million and ¥370 million, respectively.

(2) Condensed interim consolidated statement of income

For the six-month period ended September 30, 2018, revenue, operating profit and profit before income taxes increased by ¥646 million and profit for the period increased by ¥448 million in the condensed interim consolidated statement of income.

(3) Condensed interim consolidated statement of financial position

As of September 30, 2018, other liabilities including both non-current and current portion (deferred revenue) and deferred tax assets decreased by ¥1,790 million and ¥548 million, respectively, while retained earnings and non-controlling interests increased by ¥613 million and ¥569 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)

	Six-month period ended September 30, 2018		Six-month period ended September 30, 2017	
	Revenue	Segment profit (loss)	Revenue	Segment profit (loss)
Pharmaceutical business				
Japan	157,690	59,999	150,878	55,648
Americas (Note 4)	42,811	16,917	57,484	19,952
China	31,849	11,534	27,955	8,408
EMEA	25,386	11,167	21,155	7,292
Asia and Latin America (Note 4)	24,660	8,490	21,594	6,297
Reporting segment total	282,396	108,107	279,066	97,598
Other business (Note 1)	27,729	23,424	6,006	2,214
Total	310,125	131,531	285,073	99,811
R&D expenses (Note 2)	―	(65,000)	―	(66,118)
Group headquarters' management costs and other expenses (Note 3)	―	(18,161)	―	(5,961)
Operating profit in the condensed interim consolidated statement of income	―	48,370	―	27,733

(Note 1) "Other business" mainly includes license revenue and the pharmaceutical ingredient business of the parent company. For the six-month period ended September 30, 2018, milestone payments of ¥22,177 million from Merck & Co., Inc., Kenilworth, N.J., U.S.A. under the strategic collaboration for anticancer agent Lenvima were included in both revenue and segment profit (loss).

(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 under strategic collaborations with partners. For the six-month period ended September 30, 2018, shared profit of ¥7,948 million for anticancer agent Lenvima paid by the Group to Merck & Co., Inc., Kenilworth, N.J., U.S.A. was included in Group headquarters' management costs and other expenses.

(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) Revenue

For the six-month period ended September 30, 2018, the Group recorded milestone payments of ¥22,177 million from Merck & Co., Inc., Kenilworth, N.J., U.S.A. under the strategic collaboration for anticancer agent Lenvima as license revenue.

(2) Selling, general and administrative expenses

For the six-month period ended September 30, 2018, the Group recorded shared profit of ¥7,948 million for anticancer agent Lenvima paid by the Group to Merck & Co., Inc., Kenilworth, N.J., U.S.A. as selling, general and administrative expenses.

(3) Research and development expenses

For the six-month period ended September 30, 2018, restructuring costs of ¥4,682 million were recorded as research and development expenses following the closure of the Andover innovative Medicines Institute held by the Company's U.S. consolidated subsidiary Eisai Inc. The major items of restructuring costs are as follows:

- Termination benefits of ¥679 million following the closure of the institute were recorded.
- ¥3,922 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 September 30, 2018, the carrying amount of non-current assets or disposal 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.

Non-current assets classified as held for sale

As of September 30, 2018, the Group classified property, plant and equipment of ¥3,337 million as assets held for sale following the closure of the Andover innovative Medicines Institute held by the Company's U.S. consolidated subsidiary Eisai Inc.

Disposal groups classified as held for sale

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) in Japan 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 September 30, 2018 have been classified to assets held for sale, and liabilities directly associated with assets held for sale. The breakdown is as follows.

(Millions of yen)

	As of September 30, 2018
Assets held for sale	
Inventories	5,215
Trade and other receivables	8,710
Other	960
Total	14,885
Liabilities directly associated with assets held for sale	
Trade and other payables	6,819
Other	596
Total	7,415

For the six-month period ended September 30, 2018, the Company transferred a part of its shares (20% of the number of shares issued) of Elmed Eisai Co., Ltd. to Nichi-Iko Pharmaceutical Co., Ltd. After this share transfer, the Company plans to make incremental transfers of the remaining shares (80% of the number of shares issued) of Elmed Eisai Co., Ltd. in accordance with the progress of the strategic alliance.

The Company judged that these incremental share transfer transactions intend to achieve the objective of the above strategic alliance, thus it is appropriate to treat them as a single transaction for accounting. Therefore, as of September 30, 2018, the compensation for the share transfer of ¥3,400 million was recorded as current portion of other liabilities (advances received).

(Consolidated Statement of Cash Flows)

(1) Advances received for sale of investments in subsidiaries

For the six-month period ended September 30, 2018, the Company transferred a part of its shares (20% of the number of shares issued) of Elmed Eisai Co., Ltd. to Nichi-Iko Pharmaceutical Co., Ltd. and recorded the compensation for the share transfer of ¥3,400 million as current portion of other liabilities (advances received).

(Significant Subsequent Events)

Not applicable