

## Financial Results during Consolidated 1st Quarter for Fiscal Year Ended March 31, 2017

### 1. Revenue

Revenue totaled ¥58.8 billion, which was an increase of ¥23.1 billion (64.6%) year-on-year from the previous fiscal year.

While sales of long-term listed products decreased by an influence of drug price revision and generic drug use promotion policies, sales of key new products increased. Especially, sales of an anti-cancer drug, OPDIVO Intravenous Infusion first launched in Japan ahead of the rest of the world in September 2014 totaled ¥25.2 billion which was an increase of ¥23.8 billion (1,640.7%), in association with additional approval for the indication of unresectable, advanced or recurrent non-small cell lung cancer in December 2015.

In addition, royalty revenue from Bristol-Myers Squibb increased by ¥3.7 billion from ¥0.6 billion year-on-year to ¥4.3 billion.

Sales of other key new products such as ORENCIA Subcutaneous Injection for rheumatoid arthritis, EMEND Capsules and PROEMEND for Intravenous Injection for chemotherapy-induced nausea and vomiting, RIVASTACH Patch for Alzheimer's disease and FORXIGA Tablets for type-2 diabetes steadily increased.

The situation of sales of individual product is as follows:

Sales of OPDIVO Intravenous Infusion increased by ¥23.8 billion (1,640.7%) year-on-year to ¥25.2 billion. The estimated number of patients newly treated with OPDIVO has been shifting almost as estimated, since additional approval for non-small cell lung cancer on December 17, 2015. The estimated number of patients newly treated with OPDIVO was 8,637 including melanoma patients as of July 15, 2016. As the number of patients has also been steadily shifting, there is no change in the full-year sales forecast of OPDIVO with ¥126.0 billion.

While sales of GLACTIV Tablets for the treatment of type-2 diabetes exceeded about 1% year-on-year in volume terms, the sales decreased by ¥0.5 billion (6.0%) to ¥7.7 billion in value terms, due to the influence of drug price revision. As the sales have been shifting as estimated, there is no change in the full-year sales forecast of ¥29.5 billion.

Sales of RECALBON Tablets for osteoporosis remained roughly flat with ¥2.9 billion year-on-year due to intensifying competition in the market for osteoporosis. Although there is an impact of drug price revision (-1.15%), there is no change in the full-year forecast with sales of ¥11.5 billion, an increase by ¥0.2 billion year-on-year. Sales breakdown of RECALBON was ¥0.1 billion for 1 mg tablets and ¥2.8 billion for 50 mg tablets.

Sales of FORXIGA Tablets for type-2 diabetes increased by ¥1.0 billion (124.7%) year-on-year to ¥1.8 billion. Sales initial rise of FORXIGA was delayed due to the concern about drug adverse reactions of dehydration, etc. occurred in SGLT2 inhibitors treatment. However, the number of patients newly treated with the product has been gradually increasing, because the “Recommendation relating to proper use of SGLT2 inhibitors” was revised in May 2016, by which the points of attention in use are clarified. While keeping sufficient detail activity in collaboration with AstraZeneca K.K., we continue to develop our activities to produce the utmost synergy effect and are committed to aiming at an accomplishment of the full-year forecast of ¥10.0 billion.

Sales of ORENCIA for Subcutaneous Injection for rheumatoid arthritis increased by ¥0.9 billion (48.4%) year-on-year to ¥2.6 billion. The concern with the efficacy and safety of the product has been gradually increasing. As ORENCIA Auto-injector was newly marketed in May 2016 in addition to the formulation of ORENCIA for Subcutaneous Injection, the opinion of healthcare providers that it reduces patients’ burden with enhanced convenience has been increasing. The sales have been shifting at a pace exceeding the full-year sales forecast of ¥10.0 billion.

The combined sales of EMEND Capsules and PROEMEND for Intravenous Injection for chemotherapy-induced nausea and vomiting has been shifting as estimated with ¥2.5 billion, an increase by ¥0.2 billion (6.4%) year-on-year. There is no change in the full-year sales forecast of ¥10.0 billion. Sales of EMEND and PROEMEND were ¥1.9 billion and ¥0.6 billion, respectively.

Sales of RIVASTACH Patch for Alzheimer’s disease has been shifting almost as estimated with ¥2.2 billion, an increase by ¥0.3 billion (13.9%) year-on-year. There is no change in the full-year sales forecast of ¥9.0 billion.

Sales of ONOACT for Intravenous Infusion for tachyarrhythmia during and post operation remained roughly flat with ¥1.4 billion year-on-year. While the sales were slightly less than expected, we consider it possible to achieve the full-year sales forecast of ¥6.5 billion.

Sales of STAYBLA Tablets for overactive bladder has been shifting almost as expected with ¥1.3 billion, a decrease by ¥0.1 billion (6.9%) year-on-year. There is no change in the full-year sales forecast of ¥5.0 billion.

For long-term listed products, such as OPALMON Tablets for peripheral circulatory disorder and ONON Capsules for bronchial asthma and allergic rhinitis, those sales decreased by about mid-20s% due to the influence of drug price revision. Though being reduced, the sales have been shifting almost as estimated. There is no change in the full-year sales forecast. Regarding ELASPOL for Injection for acute lung injury associated with systemic inflammatory response syndrome, the sales significantly dropped because the drug price was significantly reduced by 19.2%.

## **2. Operating profit**

Operating profit was ¥17.2 billion, an increase of ¥5.6 billion (47.7%) year-on-year from the previous fiscal year.

Cost of sales increased by ¥7.0 billion (75.6%) year-on-year to ¥16.2 billion, in association with the revenue increase. Research and development (R&D) costs increased by ¥3.3 billion (41.9%) year-on-year to ¥11.1 billion, in association with the increase in clinical trial cost for OPDIVO. Selling and general administrative expenses except R&D costs increased by ¥7.2 billion (105.7%) year-on-year to ¥14.1 billion, because the operating expenses for OPDIVO and those relating to management of safety information on OPDIVO increased. However, as revenue greatly increased by ¥23.1 billion year-on-year, operating profit increased by ¥5.6 billion (47.7 %).

Personnel cost decreased by ¥6.3 billion due to the impact of past service cost associated with the revision of retirement benefit scheme in the same period of the previous fiscal year. The status of profit and loss except such impact is described on page 11 in the First Quarter (April 1 - June 30, 2016), Flash Report. Please refer to the report.

Real terms of R&D costs except the impact of past service cost in the same period of the previous fiscal year increased by ¥1.0 billion (10.6%) to ¥11.1 billion. Selling and general administrative expenses except R&D costs increased by ¥3.6 billion (34.1%) to ¥14.1 billion.

## **3. Profit for the quarter (attributable to owners of the parent company)**

Profit for the quarter increased by ¥4.2 billion (44.7%) year-on-year from the previous fiscal year to ¥13.7 billion.

Regarding the profit for the period excluding the impact of revision on retirement benefit scheme at the same period of the previous fiscal year, the profit increased by ¥8.7 billion (175.9%), as described in page 11 of the First Quarter (April 1 - June 30, 2016), Flash Report.

In the announcement of financial results for this period, there is no revision in the consolidated financial forecasts for the 2nd quarter and the full year released on May 11, 2016.