

## Consolidated Financial Results for the Second Quarter of Fiscal Year 2017

### 1. Revenue

Revenue totaled ¥121.4 billion, which was an increase of ¥3.7 billion (3.2%) in the corresponding period of the previous fiscal year (year-on-year).

While sales of products declined, revenue increased as royalties and other operating revenues significantly increased.

Sales of products decreased by ¥9.9 billion (-9.3%) year-on-year to ¥97.4 billion, because sales of OPDIVO decreased by ¥12.7 billion due to the influence of the 50% drug price cut of OPDIVO Intravenous Infusion for malignant tumors from February 2017 and others. On the other hand, royalties and other operating revenues increased by ¥13.7 billion (131.2%) year-on-year to ¥24.1 billion because the royalty revenue of OPDIVO significantly increased by ¥9.3 billion (107.1%) year-on-year to ¥18.0 billion..

The sales of key products are as follows:

Sales of OPDIVO decreased by ¥12.7 billion (-23.8%) year-on-year to ¥40.6 billion due to the impacts of drug price revision and competitive product, while additional indications were approved for expanded use for renal cell cancer, and head and neck cancer in the previous fiscal year, etc. OPDIVO sales increased by more than 50% on an amount basis.

Sales of GLACTIV Tablets for type-2 diabetes decreased by ¥1.1 billion (-7.5%) year-on-year to ¥13.7 billion due to the intensifying competition associated with the launch of once-a-week DPP-4 inhibitors and combination drug with metformin.

Sales of ORENCIA Subcutaneous Injection for rheumatoid arthritis was steadily increasing by ¥1.3 billion (24.7%) year-on-year to ¥6.8 billion.

Sales of RECALBON Tablets for osteoporosis decreased by ¥0.2 billion (-3.5%) year-on-year to ¥5.4 billion almost as estimated.

Sales of FORXIGA Tablets for type-2 diabetes increased by ¥1.7 billion (47.6%) year-on-year to ¥5.3 billion, which exceeds our estimation.

Sales of RIVASTACH Patch for Alzheimer's disease increased by ¥0.1 billion (1.8%) year-on-year to ¥4.5 billion.

The combined sales of EMEND Capsules and PROEMEND for Intravenous Injection for chemotherapy-induced nausea and vomiting remained at the same level with ¥5.0 billion year-on-year.

Sales of KYPROLIS for Intravenous Infusion for relapsed or refractory multiple myeloma was steadily increasing by ¥2.5 billion year-on-year to ¥2.7 billion.

Sales of ONOACT Intravenous Infusion for tachyarrhythmia remained at the same level with ¥2.7 billion year-on-year.

Sales of STAYBLA Tablets for overactive bladder decreased by ¥0.3 billion (-13.8%) year-on-year to ¥2.1 billion.

Sales of PARSABIV Intravenous Injection for Dialysis launched in February 2017 for secondary hyperparathyroidism in patients on hemodialysis was ¥1.4 billion with a very favorable start in sales.

For long-term listed products, due to the impact of generic drug use promotion policies, sales of OPALMON Tablets for peripheral circulatory disorder decreased by ¥1.3 billion year-on-year to ¥7.5 billion. ONON Capsules for bronchial asthma and allergic rhinitis decreased by ¥0.6 billion to ¥2.4 billion and ONON Dry Syrup for bronchial asthma and allergic rhinitis decreased by ¥0.3 billion to ¥1.5 billion. FOIPAN Tablets for chronic pancreatitis and postoperative reflux esophagitis decreased by ¥0.4 billion to ¥1.6 billion. KINEDAK Tablets for diabetic peripheral neuropathy decreased by ¥0.4 billion to ¥1.2 billion.

## 2. Operating profit

Operating profit was ¥26.8 billion, a decrease of ¥3.3 billion (-11.1%) year-on-year.

Cost of sales decreased by ¥1.7 billion (-5.4%) year-on-year to ¥30.5 billion, in association with the sales decrease of products.

Research and development (R&D) costs increased by ¥6.1 billion (24.1%) year-on-year to ¥31.4 billion due to an increase of OPDIVO-related expenses. Selling and general administrative expenses increased by ¥3.3 billion (11.3 %) year-on-year to ¥32.6 billion due to an increase of operating activity cost relating to OPDIVO and the launch of new products including PARSABIV, and expenses for the management of safety information of OPDIVO. In addition, an "other income" was ¥0.3 billion, and "other expenses" was ¥0.5 billion.

Thus, operating profit decreased by ¥3.3 billion (-11.1%) year-on-year to ¥26.8 billion.

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

Profit for the quarter decreased by ¥1.9 billion (-8.3%) to ¥21.2 billion from the previous year.

The profit for the quarter decreased by ¥1.9 billion (-8.3%) year-on year to ¥21.2 billion because tax burden decreased by ¥0.8 billion (-10.5%) to ¥7.1 billion in association with the decrease of the profit before tax for the quarter.

## Consolidated Financial Forecasts for the Fiscal Year 2017

The royalty revenue related to OPDIVO is expected to exceed the initial forecast. In addition to the fact that sales of OPDIVO was steadily increasing despite the impact of drug price cut, the full-year financial forecast for the fiscal year was revised upward, taking into account the sales of OPDIVO for gastric cancer which was additionally approved in September.

### 1. Revenue

Revenue was revised upward by ¥18.0 billion from the initial forecast of ¥236.0 billion and is forecast to increase by ¥9.2 billion (3.8%) year-on-year from the previous fiscal year to ¥254.0 billion.

Sales of products were revised upward by ¥11.0 billion from the initial forecast of ¥192.0 billion to ¥203.0 billion (-5.3% from the previous fiscal year). Royalties and other operating revenues were revised upward by ¥7.0 billion from the initial forecast of ¥44.0 billion and are forecast to be ¥51.0 billion (67.4% from the previous fiscal year).

The sales of individual product are as follows:

Sales of OPDIVO was revised upward to ¥84.0 billion from the initial forecast of ¥74.0 billion for the following rationales: 1) the sales of OPDIVO was steadily increasing with the use for renal cell cancer and head and neck cancer despite the influence of competitive product in the lung cancer area and guideline for optimal use promotion, in addition to the drug price reduction, and 2) the sales was favorably increasing soon after additional indication approval for gastric cancer in September 2017.

Besides OPDIVO, sales of FORXIGA was also revised. Against the initial forecast of ¥10.0 billion, the full-year forecast of the products was revised upward to ¥11.0 billion because it exceeded the forecast in the first half year with ¥5.3 billion. There were no changes in the full-year forecasts for other new products.

Regarding sales of other products, the full-year sales forecast are as below:

GLACTIV is forecast with sales of ¥29.5 billion, an increase by ¥0.1 billion (0.4%) year-on-year, ORENCIA with ¥14.5 billion, an increase by ¥2.9 billion (25.2%), RECALBON with ¥11.0 billion, a decrease by ¥0.3 billion (-2.6%), RIVASTACH with ¥10.0 billion, an increase by ¥1.1 billion (12.9%), EMEND and PROEMEND with ¥10.0 billion, an increase by ¥0.1 billion (1.2%), KYPROLIS with ¥6.0 billion, an increase by ¥4.0 billion (206.1%), ONOACT with ¥6.0 billion, an increase by ¥0.3 billion (4.8%), STAYBLA with ¥4.5 billion, a decrease by ¥0.3 billion (-5.7%) and PARSABIV launched in February with ¥3.0 billion, an increase by ¥2.8 billion.

As for long-term listed products, due to the influence of continued generic drug use promotion policies, about 20% decreased sales of the products are anticipated; OPALMON is forecast to decrease by ¥3.0 billion (-17.8%) year-on-year to ¥14.0 billion, ONON Capsules decrease by ¥1.3 billion (-19.0%) to ¥5.5 billion, ONON Dry Syrup decrease by ¥1.1 billion (-26.9%) to ¥3.0 billion, FOIPAN decrease by ¥0.8 billion (-21.7%) to ¥3.0 billion and KINEDAK decrease by ¥0.4 billion (-13.2%) to ¥2.5 billion. There was no revision from the initial full-year forecasts.

## 2. Operating profit

Operating profit is forecast to be ¥50.0 billion, which was revised upward by ¥13.5 billion from the initial forecast of ¥36.5 billion. It is a decrease of ¥22.3 billion from the previous fiscal year.

Cost of sales is estimated to decrease by ¥2.0 billion (-3.1%) year-on-year to ¥63.5 billion in association with the sales decrease of products.

R&D costs are anticipated to increase by ¥12.0 billion (20.9%) year-on-year to ¥69.5 billion, in order to conduct active investment to realize the continuous growth, including development investment for OPDIVO. There was no change from the initial forecast.

Selling and general administrative expenses except R&D costs are anticipated to increase by ¥9.5 billion (15.2%) year-on-year to ¥71.5 billion due to an increase of operating activity cost relating to OPDIVO and the launch of new products including PARSABIV, and expenses for the management of safety information of OPDIVO. There was no change from the initial forecast.

“Other profit” is forecast to decrease by ¥14.9 billion (-82.4%) year-on-year to ¥3.2 billion because the income associated with the settlement of patent infringement litigation allocated in the previous year is not occurred. On the other hand, “other expenses” is anticipated to decrease by ¥2.9 billion (-51.5%) year-on-year to ¥2.7 billion.

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

Profit for the year is forecast to be ¥39.5 billion which is a decrease by ¥16.3 billion (-29.2%) from the previous year.

Tax expenses (e.g. corporate tax) are anticipated to decrease by ¥5.2 billion to ¥13.3 billion due to the decrease of profit before tax.

The company will pay an interim dividend of ¥25 per share including the 300<sup>th</sup> anniversary memorial dividend of ¥5 for this fiscal year, and also plans a year-end dividend of ¥20 per share.