Financial Results for the First Six Months of the Fiscal year ending March 31, 2017 (IFRS, Consolidated)

November 1, 2016

Company name:	Mitsubishi Tanabe Pharma Corporation
Stock exchange listings:	Tokyo
Securities code number:	4508
URL:	http://www.mt-pharma.co.jp/
Representative:	Name: Masayuki Mitsuka Title: President and Representative Director
For further information, please contact:	Name: Yoshifumi Mifune Title: General Manager, Corporate Communications Department Telephone: +81-6-6205-5211

Planned date of filing of quarterly securities report: November 10, 2016
Planned date of start of dividend payments: December 1, 2016
Provision of supplementary explanatory materials for quarterly results: Yes
Quarterly results presentation: Yes (for institutional investors and securities analysts)

Notes; Amounts less than ¥1 million have been rounded.
Percentage changes in the list show change in comparison with the same period of the previous fiscal year.

1. Results for 2nd Quarter (April 1, 2016 to September 30, 2016)

(1) Consolidated Business Results

	Revenue		Operating profit		Profit before tax		Net profit for the period	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
2nd Quarter of Fiscal 2016	204,115	1.0	47,816	(3.0)	49,402	(0.6)	35,225	1.5
2nd Quarter of Fiscal 2015	202,065	－	49,284	－	49,703	－	34,719	－

	Net profit attributable to owners of the Company		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of Yen	% change	Millions of Yen	% change	Yen	Yen
2nd Quarter of Fiscal 2016	36,297	1.6	25,208	(24.0)	64.70	－
2nd Quarter of Fiscal 2015	35,713	－	33,151	－	63.66	－

(References)
1. Core operating profit: ¥47,953 million, (3.5)% in 2nd Quarter of Fiscal year 2016 (¥49,716 million, -% in 2nd Quarter of Fiscal year 2015)
2. "Core operating profit" is a profit except the income and loss recorded by non-recurring items specified by the Group from operating profit.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity attributable to owners of the Company per share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2016	965,401	839,600	829,600	85.9	1,478.82
As of March 31, 2016	958,445	826,316	815,518	85.1	1,453.71

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	－	22.00	－	24.00	46.00
Fiscal 2016	－	24.00			
Fiscal 2016(forecasts)			－	24.00	48.00

(Note) Revisions to recently announced dividend forecasts: No

3. Forecasts for Fiscal 2016 (April 1, 2016 to March 31, 2017)

	Revenue		Operating profit		Profit before tax	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Full year	414,000	(2.8)	84,000	2.7	86,000	3.3

	Net Profit for the period		Net profit attributable to owners of the Company		Basic earnings per share
	Millions of Yen	% change	Millions of Yen	% change	Yen
Full year	62,000	8.7	64,000	7.9	114.08

(Note) Revisions to recently announced consolidated earnings forecasts: No
(Reference) Core operating profit: ¥85,000 million, (20.5)% in Fiscal year 2016

※ Notes

(1) Significant change involving subsidiaries during the period: No
(Change in designated subsidiaries accompanying changes in the scope of consolidation)

(2) Changes in accounting policies and accounting estimates
1. Changes in accounting policies required by IFRS: No
2. Other changes: No
3. Change in accounting estimates: No

(3) Number of shares issued (ordinary shares)
1. Number of shares issued at the end of the period (including treasury shares)

2nd Quarter of Fiscal 2016	561,417,916 shares	Fiscal 2015	561,417,916 shares

2. Number of treasury shares at the end of the period

2nd Quarter of Fiscal 2016	429,225 shares	Fiscal 2015	428,945 shares

3. Average number of shares during the period (cumulative total)

2nd Quarter of Fiscal 2016	560,988,894 shares	2nd Quarter of Fiscal 2015	560,989,386 shares

*Note regarding implementation of quarterly review procedures
This financial results report is exempt from the audit procedures in accordance with the Financial Instruments and Exchange Act.
At the time when this summary of 2nd quarter financial results was released, the review procedures for the quarterly financial statements were in progress in accordance with the Financial Instruments and Exchange Act.

*Explanation regarding the appropriate use of earnings forecasts and other matters of special note
(Adoption of IFRS)
The Group has adopted IFRS from the first quarter of the fiscal year ending March 31, 2017. Figures for the second quarter ended September 30, 2015 and the fiscal year ended March 31, 2016 are also presented in accordance with IFRS. Please see "3. Condensed Consolidated Financial Statements (6) Notes to Condensed Consolidated Financial Statements (First-time Adoption)" on page 24 for the difference between the financial figures under IFRS and Japanese GAAP.

(Note about forward-looking information)
In these materials, earnings forecasts and other statements about the future are forward-looking statements based on the information currently available and certain assumptions that the Company regards as reasonable. Accordingly, the Company cannot make promises to achieve such forecasts. Actual financial results may differ materially from these forecasts depending on a number of important factors.
Please see "1. Qualitative Information for 2nd Quarter of Fiscal year 2016 (3) Explanation about Future Prediction Information of Consolidated Earnings Forecasts" on page 4 for information regarding the forecast of consolidated financial results.

(Methods of obtaining the supplementary materials and the content of the results presentation)
- Supplementary materials are disclosed with this material on TDnet on the same day and are made available on the Company's website.
- The Company plans to hold a results presentation (conference call) for institutional investors and securities analysts on November 1, 2016 (Tuesday).
  The Company plans to make the presentation materials available on its website at the same time as the release of this document, and the audio materials are provided on the website immediately after the presentation is held.

Contents of supplement

1. Qualitative Information for 2nd Quarter of Fiscal year 2016

【Adoption of International Financial Reporting Standards】

Mitsubishi Tanabe Pharma Corporation (hereinafter “the Company”), its subsidiaries and its affiliates (collectively, “the Group”, including the Company) have adopted the International Financial Reporting Standards (hereinafter “IFRS”), effective from the first three months of the fiscal year ending March 31, 2017, for the purpose of improving the international comparability of financial information in the capital market (date of transition to IFRS: April 1, 2015). Figures for the second quarter ended September 30, 2015 and the fiscal year ended March 31, 2016 are also presented in accordance with IFRS.

For details of adjustments in the change from Japanese Generally Accepted Accounting Principles, please refer to “3. Condensed Consolidated Financial Statements, (6) Notes to Condensed Consolidated Financial Statements, First-time Adoption” on page 24.

In applying IFRS, the Group has introduced “core operating profit” as a major profit item showing its recurring profitability and positioned it an important indicator of business management, etc. “Core operating profit” is a profit except the income and loss recorded by non-recurring items (hereinafter “non-recurring items”) specified by the Group from operating profit. The Company assumes income associated with a business transfer, restructuring expenses, impairment losses on intangible assets associated with products, losses on disaster and others as non-recurring items.

(1) Explanation about Results of Operations

Consolidated operating results for the first six months of the fiscal year ending March 31, 2017 (April 1, 2016 to September 30, 2016) were as follows.

(Millions of yen)

	2nd quarter of Fiscal year 2015	2nd quarter of Fiscal year 2016	Increase / Decrease	% change
Revenue	202,065	204,115	2,050	1.0
Core operating profit	49,716	47,953	(1,763)	(3.5)
Operating profit	49,284	47,816	(1,468)	(3.0)
Profit before tax	49,703	49,402	(301)	(0.6)
Net profit attributable to owners of the Company	35,713	36,297	584	1.6

< Research and development expense>

(Millions of yen)

	2nd quarter of Fiscal year 2015	2nd quarter of Fiscal year 2016	Increase / Decrease	% change
Research and development expense	31,879	30,327	(1,552)	(4.9)

【Revenue】

Revenue increased by 1.0%, or ¥2.0 billion, year-on-year, to ¥204.1 billion.

(Millions of yen)

	2nd quarter of Fiscal year 2015	2nd quarter of Fiscal year 2016	Increase / Decrease	% change
Pharmaceuticals	202,065	204,115	2,050	1.0
Domestic ethical drugs	147,332	151,994	4,662	3.2
Overseas ethical drugs	13,903	10,672	(3,231)	(23.2)
Royalty revenue, etc.	37,488	38,510	1,022	2.7
OTC products	2,099	1,944	(155)	(7.4)
Others	1,243	995	(248)	(20.0)

・Revenue of domestic ethical drugs increased by 3.2%, year-on-year, to ¥151.9 billion due to the following reasons:
- Decrease in revenue of domestic ethical drugs due to the revision of NHI drug price standards in April 2016
- Increase in revenue of SIMPONI, for the treatment agent of Rheumatoid arthritis (RA), because the distribution of SIMPONI has be undertaken solely by the Company
- Increase in revenue of high-priority products such as TENELIA and CANAGLU, type 2 diabetes mellitus, and vaccines

・Royalty revenue, etc. increased by 2.7%, year-on-year, to ¥38.5 billion due to the following reasons:
- Increase in royalty revenue from Gilenya, for the treatment of multiple sclerosis, licensed to Novartis
- Decrease in royalty revenue from INVOKANA and the fixed dose combination with metformin (IR), for the treatment of type2 diabetes mellitus, licensed to Janssen Pharmaceuticals due to the effect of exchange rates

【Core operating profit】

Core operating profit decreased by 3.5%, or ¥1.7 billion, year-on-year, to ¥47.9 billion because the decrease in gross profit accompanying a higher cost of sales ratio due to the revision of NHI drug price standards exceeded the decrease in labor cost related to the implementation of early retirement program in the last year and the decrease in R&D expenses.

【Operating profit】

Operating profit was down 3.0%, or ¥1.4 billion, year-on-year, to ¥47.8 billion. The Group recorded income of ¥0.1 billion associated with a business transfer of a certain subsidiary and restructuring expenses of ¥0.3 billion as non-recurring items excluded from core operating profit.

【Profit before tax and net profit attributable to owners of the Company】

Profit before tax was down 0.6%, or ¥0.3 billion, year-on-year, to ¥49.4 billion. And net profit attributable to owners of the Company was up 1.6%, or ¥0.5 billion, year-on-year, to ¥36.2 billion.

【R&D activities】

Research and development expense were ¥30.3 billion, accounting for 14.9% of revenue. The major progress of clinical development activities during the first six months of the fiscal year ending March 31, 2017 is as follows;

Acquisition of approval

・In May 2016, REMICADE was approved for a partial change in dosage and usage (increased dosage and shorter dosing intervals) in psoriasis in Japan.

・In August 2016, Valixa was approved for an additional indication of the prevention of cytomegalovirus (CMV) disease in organ transplant patients (excluding haematopoietic stem cell transplantation) in Japan.

Application of approval

・In June 2016, an application was submitted in US for amyotrophic lateral sclerosis(ALS) for MCI-186 (generic name: edaravone, Japanese product name: RADICUT).

・In August 2016, an application was submitted in Japan for type2 diabetes mellitus for MT-2412 (the fixed dose combination of TENELIA (DPP-4 inhibitor) and CANAGLU (SGLT2 inhibitor)).

・In September 2016, an application was submitted in Japan for a partical change on administration / dosage (a shortened administration interval) for Crohn's diseases for REMICADE.

Development status of licensing-out products

・In September 2016, licensee Janssen Pharmaceuticals, Inc. received approval in US for an indication of type2 diabetes mellitus for the fixed dose combination of TA-7284 (generic name: canagliflozin, product name: INVOKANA) with metformin (XR).

(2) Explanation about Financial Position

【Statement of financial position】 (Millions of yen)

	End of Fiscal year 2015 (As of March 31, 2016)	End of 2nd quarter of Fiscal year 2016 (As of September 30, 2016)	Increase/ Decrease
Non-current assets	308,266	299,082	(9,184)
Current assets	650,179	666,319	16,140
Total assets	958,445	965,401	6,956
Liabilities	132,129	125,801	(6,328)
Equity	826,316	839,600	13,284
Total liabilities and equity	958,445	965,401	6,956

Total assets at the end of the second quarter of the fiscal year ending March 31, 2017 were ¥965.4 billion, an increase of ¥6.9 billion from the end of the fiscal year ended March 31, 2016. Major factors causing changes in the consolidated statement of financial position in comparison with the previous year-end were as follows.

・Non-current assets were down ¥9.1 billion, to ¥299.0 billion, due to the decrease in financial assets such as domestic listed stocks and intangible assets associated with products.

・Current assets were up ¥16.1 billion, to ¥666.3 billion because the increase in cash and cash equivalents exceeded the decrease in other financial assets.

・Liabilities were down ¥6.3 billion, to ¥125.8 billion because the decrease in income taxes payable and other financial liabilities exceeded the increase in trade and other payables.

・Equity was up ¥13.2 billion, to ¥839.6 billion, as a result of posting net profit for the period and dividends payment, and a decrease in exchange differences on translation of foreign operations.

【Cash flows】 (Millions of yen)

	2nd quarter of Fiscal year 2015	2nd quarter of Fiscal year 2016	Increase/ Decrease
Operating activities	28,361	31,324	2,963
Investing activities	82,359	43,914	(38,445)
Financing activities	(10,891)	(12,030)	(1,139)
Change in cash and cash equivalents	99,317	61,492	(37,825)
At the beginning of the year	73,337	88,919	15,582
At the end of the period	172,654	150,411	(22,243)

Net increase in cash and cash equivalents was ¥61.4 billion, and the balance of cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2017 was ¥150.4 billion.

・Net cash provided by operating activities was ¥31.3 billion because cash inflows including profit before taxes of ¥49.4 billion exceeded cash outflows including income taxes paid of ¥16.9 billion.

・Net cash provided by investing activities was ¥43.9 billion because of proceeds from withdrawal of time deposits.

・Net cash used in financing activities was ¥12.0 billion mainly due to dividends paid.

(3) Explanation about Future Prediction Information of Consolidated Earnings Forecasts

There has been no change to the consolidated forecasts for the full-year of the fiscal year ending March 31, 2017 announced on October 25, 2016.

2. Items Concerning Summary Data (The notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Changes in Accounting Policies and Accounting Estimates

Not applicable.

3. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Revenue	202,065	204,115
Cost of sales	73,103	78,353
Gross profit	128,962	125,762
Selling, general and administrative expense	46,386	46,686
Research and development expense	31,879	30,327
Amortization of intangible assets associated with products	738	737
Other income	671	647
Other expense	1,361	857
Share of profit of affiliates accounted for using equity method	15	14
Operating profit	49,284	47,816
Financial income	1,503	1,881
Financial expense	1,084	295
Profit before tax	49,703	49,402
Income taxes	14,984	14,177
Net profit for the period	34,719	35,225
Net profit attributable to:		
Owners of the Company	35,713	36,297
Non-controlling interests	(994)	(1,072)
Net profit for the period	34,719	35,225
Earnings per share		
Basic earnings per share (Yen)	63.66	64.70
Diluted earnings per share (Yen)	–	–

(2) Condensed Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net profit for the period	34,719	35,225
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss		
Fair value changes of financial assets measured through other comprehensive income	2,665	(2,948)
Remeasurements of defined benefit plans	(1,578)	(682)
Total other comprehensive income that will not be reclassified to profit or loss	1,087	(3,630)
Components of other comprehensive income that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(2,531)	(6,343)
Cash flow hedges	(105)	(8)
Share of other comprehensive income of affiliates accounted for using equity method	(19)	(36)
Total other comprehensive income that may be reclassified to profit or loss	(2,655)	(6,387)
Total other comprehensive income, net of tax	(1,568)	(10,017)
Comprehensive income	33,151	25,208
Comprehensive income attributable to:		
Owners of the Company	34,845	27,546
Non-controlling interests	(1,694)	(2,338)
Comprehensive income	33,151	25,208

(3) Condensed Consolidated Statements of Financial Position

(Millions of yen)

	As of April 1, 2015	As of March 31, 2016	As of September 30, 2016
Assets			
Non-current assets			
Property, plant and equipment	87,271	84,077	86,631
Goodwill	81,041	80,511	79,850
Intangible assets	51,290	55,924	52,622
Investments accounted for using equity method	278	265	217
Other financial assets	95,439	65,519	56,893
Net defined benefit assets	15,730	8,170	7,631
Other non-current assets	861	632	530
Deferred tax assets	8,407	13,168	14,708
Total non-current assets	340,317	308,266	299,082
Current assets			
Inventories	82,324	75,697	75,394
Trade and other receivables	130,287	121,249	126,084
Other financial assets	297,182	351,665	304,767
Other current assets	9,428	12,502	9,663
Cash and cash equivalents	73,337	88,919	150,411
Subtotal	592,558	650,032	666,319
Assets held for sale	3,526	147	－
Total current assets	596,084	650,179	666,319
Total assets	936,401	958,445	965,401

(Millions of yen)

	As of April 1, 2015	As of March 31, 2016	As of September 30, 2016
Liabilities and equity			
Liabilities			
Non-current liabilities			
Borrowings	894	713	590
Other financial liabilities	2,843	2,646	2,446
Net defined benefit liabilities	2,456	1,354	1,237
Provisions	6,467	9,106	7,924
Other non-current liabilities	7,339	11,987	11,009
Deferred tax liabilities	8,011	7,412	6,568
Total non-current liabilities	28,010	33,218	29,774
Current liabilities			
Borrowings	132	125	110
Trade and other payables	34,585	32,653	36,056
Other financial liabilities	34,871	27,466	25,367
Income taxes payable	19,189	16,332	13,339
Provisions	438	137	100
Other current liabilities	23,181	22,198	21,055
Total current liabilities	112,396	98,911	96,027
Total liabilities	140,406	132,129	125,801
Equity			
Share capital	50,000	50,000	50,000
Capital surplus	451,186	451,186	451,187
Treasury shares	(493)	(494)	(495)
Retained earnings	267,278	304,931	327,069
Other components of equity	16,557	9,895	1,839
Total equity attributable to owners of the Company	784,528	815,518	829,600
Non-controlling interests	11,467	10,798	10,000
Total equity	795,995	826,316	839,600
Total liabilities and equity	936,401	958,445	965,401

(4) Condensed Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the Company						
					Other components of equity		
	Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Cash flow hedges	Fair value changes of financial assets measured through other compre-hensive income
As of April 1, 2015	50,000	451,186	(493)	267,278	―	105	16,452
Net profit for the period	―	―	―	35,713	―	―	―
Other comprehensive income	―	―	―	―	(1,831)	(105)	2,665
Total comprehensive income	―	―	―	35,713	(1,831)	(105)	2,665
Purchase of treasury shares	―	―	(0)	―	―	―	―
Disposal of treasury shares	―	0	0	―	―	―	―
Dividends	―	―	―	(12,341)	―	―	―
Transfer from other components of equity to retained earnings	―	―	―	(1,578)	―	―	―
Total contributions by and distributions to owners	―	0	(0)	(13,919)	―	―	―
Issuance of new shares	―	―	―	―	―	―	―
Total of changes in ownership interests in subsidiaries	―	―	―	―	―	―	―
Total transactions with owners	―	0	(0)	(13,919)	―	―	―
As of September 30, 2015	50,000	451,186	(493)	289,072	(1,831)	0	19,117
As of April 1, 2016	50,000	451,186	(494)	304,931	(3,911)	4	13,832
Net profit for the period	―	―	―	36,297	―	―	―
Other comprehensive income	―	―	―	―	(5,077)	(8)	(2,948)
Total comprehensive income	―	―	―	36,297	(5,077)	(8)	(2,948)
Purchase of treasury shares	―	―	(1)	―	―	―	―
Disposal of treasury shares	―	1	0	―	―	―	―
Dividends	―	―	―	(13,464)	―	―	―
Transfer from other components of equity to retained earnings	―	―	―	(695)	―	―	13
Total contributions by and distributions to owners	―	1	(1)	(14,159)	―	―	13
Issuance of new shares	―	―	―	―	―	―	―
Total changes in ownership interests in subsidiaries	―	―	―	―	―	―	―
Total transactions with owners	―	1	(1)	(14,159)	―	―	13
As of September 30, 2016	50,000	451,187	(495)	327,069	(8,988)	(4)	10,897

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasure-ments of defined benefit plans	Share of other comprehensive income of affiliates accounted for using equity method	Total	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
As of April 1, 2015	―	―	16,557	784,528	11,467	795,995
Net profit for the period	―	―	―	35,713	(994)	34,719
Other comprehensive income	(1,578)	(19)	(868)	(868)	(700)	(1,568)
Total comprehensive income	(1,578)	(19)	(868)	34,845	(1,694)	33,151
Purchase of treasury shares	―	―	―	(0)	―	(0)
Disposal of treasury shares	―	―	―	0	―	0
Dividends	―	―	―	(12,341)	(75)	(12,416)
Transfer from other components of equity to retained earnings	1,578	―	1,578	―	―	―
Total contributions by and distributions to owners	1,578	―	1,578	(12,341)	(75)	(12,416)
Issuance of new shares	―	―	―	―	1,637	1,637
Total of changes in ownership interests in subsidiaries	―	―	―	―	1,637	1,637
Total transactions with owners	1,578	―	1,578	(12,341)	1,562	(10,779)
As of September 30, 2015	―	(19)	17,267	807,032	11,335	818,367
As of April 1, 2016	―	(30)	9,895	815,518	10,798	826,316
Net profit for the period	―	―	―	36,297	(1,072)	35,225
Other comprehensive income	(682)	(36)	(8,751)	(8,751)	(1,266)	(10,017)
Total comprehensive income	(682)	(36)	(8,751)	27,546	(2,338)	25,208
Purchase of treasury shares	―	―	―	(1)	―	(1)
Disposal of treasury shares	―	―	―	1	―	1
Dividends	―	―	―	(13,464)	(77)	(13,541)
Transfer from other components of equity to retained earnings	682	―	695	―	―	―
Total contributions by and distributions to owners	682	―	695	(13,464)	(77)	(13,541)
Issuance of new shares	―	―	―	―	1,617	1,617
Total of changes in ownership interests in subsidiaries	―	―	―	―	1,617	1,617
Total transactions with owners	682	―	695	(13,464)	1,540	(11,924)
As of September 30, 2016	―	(66)	1,839	829,600	10,000	839,600

(5) Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities:		
Profit before tax	49,703	49,402
Depreciation and amortization	5,150	5,044
Loss on impairment of fixed assets	689	13
Interest and dividends income	(1,462)	(1,374)
Share of loss (profit) of affiliates accounted for using equity method	(15)	(14)
Loss (gain) on sales of property, plant and equipment	(257)	(187)
Decrease (increase) in trade and other receivables	990	(5,262)
Decrease (increase) in inventories	4,977	(95)
Increase (decrease) in trade and other payables	(5,696)	3,731
Increase (decrease) in provisions	(696)	(1,219)
Decrease (increase) in net defined benefit asset	(800)	(442)
Other	(6,034)	(2,736)
Subtotal	46,549	46,861
Interest received	879	997
Dividends received	638	474
Interest paid	(103)	(87)
Income taxes paid	(19,602)	(16,921)
Net cash provided by operating activities	28,361	31,324
Cash flows from investing activities:		
Payments into time deposits	(941)	(616)
Proceeds from withdrawal of time deposits	24,692	117,591
Purchase of property, plant and equipment	(7,793)	(5,594)
Proceeds from sales of property, plant and equipment	1,977	578
Purchase of intangible assets	(5,900)	(937)
Purchase of investments	(36,069)	(121,636)
Proceeds from sales and redemption of investments	102,973	54,500
Proceeds from company split	3,323	―
Other	97	28
Net cash provided by investing activities	82,359	43,914
Cash flows from financing activities:		
Proceeds from share issuance to non-controlling shareholders	1,637	1,617
Dividends paid	(12,341)	(13,464)
Other	(187)	(183)
Net cash used in financing activities	(10,891)	(12,030)
Effect of exchange rate changes on cash and cash equivalents	(512)	(1,716)
Net increase in cash and cash equivalents	99,317	61,492
Cash and cash equivalents at the beginning of period	73,337	88,919
Cash and cash equivalents at the end of period	172,654	150,411

(6) Notes to Condensed Consolidated Financial Statements

(Note regarding Going Concern Assumption)

Not applicable.

(Operating Segment)

Information by reportable segment has been omitted due to single segment of the “Pharmaceuticals” in the Group.

(Subsequent Event)

Not applicable.

(Reporting Entity)

The Company is a corporation domiciled in Japan, and is listed on the First Section of the Tokyo Stock Exchange. The address of the Company's registered head office is available on the Company's website (http://www.mt-pharma.co.jp/).
The Company's condensed consolidated financial statements as of and for the first six months ended September 30, 2016 comprise the Group and the Group's interests in joint arrangements.
The Group is principally engaged in the pharmaceuticals business.
In addition, the Company's parent company is Mitsubishi Chemical Holdings Corporation.

(Basis of Preparation)

(1) Compliance with IFRS and first-time adoption

Since the requirements for "Specific company of Designated International Financial Reporting Standards" set forth in Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007) are satisfied, the condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 "Interim Financial Reporting," pursuant to Article 93 of the ordinance.
The Group first adopted IFRS from the first quarter of the fiscal year ending March 31, 2017. The date of transition to IFRS (hereinafter the "IFRS transition date") was April 1, 2015. Effects of the transition to IFRS on the Group's financial position, operating results and cash flows are provided in "First-time Adoption" on page 24.

(2) Basis of measurement

The Group's Condensed Consolidated Financial Statements have been prepared on an acquisition cost basis, except for specific financial instruments described in "Significant Accounting Policies" on page 15.

(3) Presentation currency

The Group's Condensed Consolidated Financial Statements are presented in Japanese yen, which is also the Company's functional currency, and figures are rounded to the nearest million yen.

(4) Early adoption of new accounting standards

The Group has early adopted IFRS 9 "Financial Instruments" (issued in November 2009, revised in July 2014) (hereinafter "IFRS 9"), from the IFRS transition date.

(Significant Accounting Policies)

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

The acquisition date of a subsidiary is the date on which the Group gained control of the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which the Group loses control.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary.

When the end of reporting period of a subsidiary is different from that of the Group, the subsidiary implements its financial statements based on the provisional accounting as of the Group's closing date.

All intercompany balances, transactions and unrealized gains or losses on transactions within the Group are eliminated on consolidation.

In case of changes in the ownership interest in subsidiaries, if the Group retains control over the subsidiaries, they are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration transferred or received is recognized directly in equity attributable to owner of the Group.

When the Group results in loss of control, any retained interests in the entity is measured at the fair value on the date when the Group loses control. The difference between the carrying amount of subsidiary on the date when control is lost and the fair value of the retained interests or the amount received by disposal is recognized in profit or loss.

Non-controlling interests to the consolidated subsidiary's net assets is identified separately from those of the Group. And, comprehensive income of the consolidated subsidiary is attributed to the owners of the Company and to the non-controlling interests even if non-controlling interests have a deficit balance.

2) Joint arrangements

A joint arrangement is an arrangement in which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. A type of joint arrangements that the Group has is a joint venture. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group accounts for investments in joint ventures using the equity method.

3) Business combinations

Business combinations are accounted for by applying the acquisition method.

The acquiree's identifiable assets and liabilities are measured at their acquisition-date fair values, except certain assets and liabilities based on the requirements of IFRS.

The excess of the aggregate of the consideration transferred, the fair value of equity interests in the acquiree held by the Group prior to acquisition-date in case of step acquisition, and the amount of non-controlling interest in the acquiree over the net value of the identifiable assets and liabilities is recorded as goodwill. If the excess is negative, then the excess is immediately recognized in profit or loss.

The consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets on a transaction-by- transaction basis.

Acquisition-related costs incurred in connection with business combinations, such as finder's fees and advisory fees, are expensed when incurred.

(2) Foreign currency translation

1) Foreign currency transactions

Each entity of the Group has set its own functional currency as the currency of the primary economic environment in which the entity operates. Transactions of each entity are measured at the functional currency.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions or an exchange rate that approximates the spot rate.

At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the end of the reporting period.

Translation differences arising from the translation and settlement are recognized as profit or loss.

However, translation differences arising from financial assets measured through other comprehensive income and cash flow hedges are recognized as other comprehensive income.

2) Foreign operations

Assets and liabilities of foreign operations in the statement of financial position are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expenses in each financial statement presenting profit or loss and other comprehensive income are translated into Japanese yen using the average exchange rate for the period.

Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income.

In cases of disposition of whole interests of foreign operations or certain interests involving loss of control or joint arrangement, the cumulative amount of other comprehensive income is reclassified to part of profit or loss on disposal.

(3) Revenue

1) Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions have been satisfied.

(a) Significant risks and rewards incidental to ownership of the goods have been transferred to the buyers
(b) The Group retains neither continuing involvement to the degree usually associated with ownership nor effective control over the goods sold
(c) The amount of revenue can be measured reliably
(d) It is probable that the economic benefits associated with the transaction will flow to the Group
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any allowance, rebate, and consumption taxes.

2) Rendering of services

Revenue from rendering of services is recognized at the point when services are provided to external customers.

3) Royalty income, etc.

Some of the Group’s revenues are generated from the agreements under which third parties have been granted rights to produce or market products or rights to use technologies.

Upfront payments under agreements where the rights or obligations still exist are initially recognized as deferred income and then recognized in income as earned over the period of duties based on the agreements.

Milestone payment is recognized upon achievement of the milestones defined in the respective agreements.

For running royalty, revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.

4) Interest revenue

Interest revenue is recognized using the effective interest method.

5) Dividend income

In principle, dividend income is recognized when the shareholder’s right to receive payment is established.

(4) Income taxes

Income taxes are comprised of current and deferred taxes, and recognized in profit or loss, except for taxes related to business combinations and to items that are recognized in other comprehensive income or directly in equity.

Current tax is calculated at the amount expected to be paid to or recovered from the taxation authority by applying the statutory tax rate and tax laws enacted or substantially enacted at the end of the reporting period.

Deferred tax assets and liabilities are determined based on temporary differences between tax base of assets and liabilities and their accounting carrying amount at the end of the reporting period, unused tax credits and tax loss carryforwards. However, deferred tax assets and liabilities are not recognized for:

(a) taxable temporary differences arising from the initial recognition of goodwill.

(b) taxable or deductible temporary differences arising from the initial recognition of assets and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit (tax loss).

(c) deductible temporary differences associated with investments in subsidiaries and interests in joint arrangements when it is not probable that the temporary difference will reverse in the foreseeable future or there will not be sufficient taxable profits against which the deductible temporary differences can be utilized.

(d) taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax loss carryforwards, and unused tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on statutory tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

Income taxes expense recorded in the respective quarterly period is calculated based on the estimated annual effective tax rate.

(5) Earnings per share

Basic earnings per share are calculated by dividing net profit (loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusting treasury shares.

Diluted earnings per share are not calculated as there are no dilutive potential ordinary shares.

(6) Property, plant and equipment (excluding leased assets)

Property, plant, and equipment after recognition is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment includes any costs directly attributable to the acquisition of the item, costs of dismantling, removing and restoring the item and borrowing costs eligible for capitalization.

An item of property, plant and equipment other than land and construction in progress is depreciated in a way that allows the depreciable amount, which is determined by deducting its residual value from its cost, to be allocated regularly on a straight-line basis over the following useful lives.

Buildings and structures	2 to 60 years
Machinery and vehicles	2 to 22 years
Tools, furniture and fixtures	2 to 20 years

The depreciation methods, residual values and useful lives of property, plant and equipment are revised at the end of fiscal year, and changed, as necessary.

(7) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership of leased assets are transferred to the Group. All other leases are classified as operating leases.

In finance lease transactions, leased assets and lease obligations are recognized in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease.

Lease payments are apportioned between the financial costs and the reduction of the outstanding obligation based on the interest method. Financial costs are recognized in the consolidated statement of income.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or lease terms.

Under operating lease transactions, lease payments are recognized as an expense on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease, based on the substance of the arrangement.

(8) Goodwill

Goodwill is not amortized but carried at cost less any accumulated impairment losses. Goodwill is allocated to each of the cash-generating units that are expected to benefit from the synergies of the business combination.

Measurement at the initial recognition of Goodwill is stated in "(1)Basis of consolidation, 3) Business combinations."

Impairment of goodwill is stated in "(10)Impairment of property, plant and equipment, goodwill, and intangible assets, 2) Impairment of goodwill."

(9) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, other than goodwill, including patents and technologies, distribution rights, and in-process research and development acquired in a business combination or acquired separately.

Intangible assets after recognition are measured by using the cost model and are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at cost including costs directly related to the acquisition at the initial recognition. Cost of intangible assets acquired through business combinations is measured at fair value at the acquisition date.

Internally incurred expenditure in the research stage is recognized as expenses when incurred. Expenditure in the development stage is recognized as intangible assets when the Group can prove all the following requirements.

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) The intention to complete the intangible asset and use or sell it.

(c) The ability to use or sell the intangible asset.

(d) How the intangible asset will generate future economic benefits.

(e) The availability of adequate resources to complete the development of the intangible asset.

(f) The ability to reliably measure the expenditure attributable to the intangible asset during its development.

The Group considers that expenditure incurred for ongoing development projects does not meet requirements for capitalization unless marketing approval is obtained from the regulatory authorities in a major market, and recognizes such expenditure as expenses when incurred.

Except for intangible assets with indefinite useful lives and intangible assets that are not yet available for use, each asset is amortized over the estimated useful life on a straight-line basis.

The estimated useful life of intangible assets acquired through business combinations and under the in-licensing of technologies, etc. is the shorter of the period of legal protection or its economic life in principle. However, if there is a period in which the effect of intangible assets is expected more appropriately, with the purpose of the expenditure and economic substance of the transaction taken into account, this period is deemed as the estimated useful life.

The estimated useful lives of major asset items are as follows:

Intangible assets associated with products	4 to 11 years
Software	3 to 5 years

Since intangible assets acquired through business combinations and under the in-licensing of technologies, etc. consist of combined rights such as license and distribution rights for products under development and it is difficult to classify and identify the amortization expense for these assets by function, such amortization expense is separately presented as "amortization of intangible assets associated with products" in the consolidated statements of income.

The amortization methods, residual values and useful lives of intangible assets are reviewed at the end of fiscal year, and changed, as necessary.

(10) Impairment of property, plant and equipment, goodwill, and intangible assets

1) Impairment of property, plant and equipment and intangible assets

At the end of reporting period, the Group assesses whether there is any indication that its property, plant and equipment and intangible assets may be impaired. If there is an indication of impairment, the recoverable amount of the asset is estimated. Intangible assets not yet available for use or with indefinite useful lives are tested for impairment annually irrespective of whether there is any indication of impairment.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of each cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, or value in use. Fair value is calculated using the appropriate evaluation model supported by available fair value indicators. Value in use is determined as the discounted present value of estimated future cash flows using a pretax discount rate that reflects current market evaluation for the time value of money and the risks specific to the asset.

Where the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount and profit or loss is recognized.

2) Impairment of goodwill

Goodwill is tested for impairment annually or whenever there is any indication of impairment.

3) Reversal of impairment loss

For assets on which an impairment loss was recognized in prior years other than goodwill, the Group confirms whether there is any indication that the loss may have decreased or may no longer exist, including any change in matters based on which the recoverable amount is determined as of the end of the reporting period.

If the above indication exists, the recoverable amount of the asset or cash-generating unit is estimated. If the recoverable amount is greater than the carrying amount before impairment of the asset in the asset or cash-generating unit after taking into account the depreciation, a reversal of an impairment loss is recognized, to the extent the amount does not exceed the lower of the recoverable amount or the carrying amount before impairment after taking into account the depreciation. A reversal of an impairment loss is recognized as profit or loss.

Any impairment loss recognized for goodwill is not reversed.

(11) Financial instruments

1) Financial assets (excluding derivatives)

(i) Initial recognition and measurement

Purchase or sale of financial instruments is recognized or derecognized based on trade date accounting (contract date basis).

Financial assets are classified as “financial assets measured at amortized cost,” “financial assets measured at fair value through other comprehensive income” or “financial assets measured at fair value through profit or loss” upon initial recognition.

(Debt financial assets)

Debt financial assets that meet all the following conditions are classified as “financial assets measured at amortized cost.”

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

(b) The contractual terms of the financial asset give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets that meet all the following conditions are classified as “financial assets measured at fair value through other comprehensive income.”

(c) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and collect by sale.

(d) The contractual terms of the financial asset give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets other than “financial assets measured at amortized cost” and “financial assets measured at fair value through other comprehensive income” are classified as “financial assets measured at fair value through profit or loss.”

(Equity financial assets)
Equity financial assets, except in case where they are held for trading, are designated by financial asset to be classified as “financial assets measured at fair value through other comprehensive income” or “financial assets measured at fair value through profit or loss,” and the classification is applied continuously.
All financial assets are measured at fair value with addition of transaction costs that are directly attributable to the financial assets, except for the case of being classified in the category of "financial assets measured at fair value through profit or loss."

(ii) Subsequent measurement
After initial recognition, financial assets are measured based on the classification as follows:
(a) Financial assets measured at amortized cost
Financial assets measured at amortized cost are measured at amortized cost using the effective interest method. Amortization under the effective interest method and any gain or loss in the case of derecognition of financial assets are recognized in profit or loss.
(b) Financial assets measured at fair value through other comprehensive income
Any change in fair value is recognized as other comprehensive income. If equity financial assets are derecognized or the fair value decreased significantly, accumulated other comprehensive income is transferred to retained earnings.
(c) Financial assets measured at fair value through profit or loss
Changes in fair value are recognized in profit or loss.

(iii) Impairment loss
The Group recognizes impairment loss of financial assets based on its evaluation at the end of each reporting period whether there is a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are recognized as allowance account for credit losses.
On the other hand, when there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as allowance account for credit losses.
Whether credit risk is significantly increased or not is determined based on the changes in default risk. To determine if there is a change in default risk, factors such as delinquencies or external credit rating of the financial asset are considered. However, expected credit losses of trade and other receivables are recognized over their remaining lives since inception simply based on historical credit loss experience.
Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received.

(iv) Derecognition
The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards incidental to ownership of the financial asset.
In cases where the Group neither transfers nor retains substantially all the risks and rewards of ownership but continues to control the assets transferred, the Group recognizes the retained interest in assets and related liabilities that might be payable.

2) Financial liabilities (excluding derivatives)
(i) Initial recognition and measurement
Upon initial recognition, financial liabilities held for trading are classified as financial liabilities measured at fair value through profit or loss, while other financial liabilities are classified as financial liabilities measured at amortized cost.
Financial liabilities are measured at fair value at initial recognition. Financial liabilities measured at amortized cost are measured deducting transaction costs that are directly attributable to the issue of the financial liabilities.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured based on the classification as follows:

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization under the effective interest method and any gain or loss in the case of derecognition of financial liabilities are recognized in profit or loss.

(b) Financial liabilities measured at fair value through profit or loss

Changes in fair value are recognized in profit or loss.

(iii) Derecognition

Financial liabilities are derecognized when the obligation specified in the contract is discharged or cancelled or expires.

3) Derivatives

The Group hedges the risks arising mainly from their exposure to fluctuations in foreign exchange rates and interest rates by using derivative financial instruments such as forward exchange contracts and currency options.

Derivatives are initially recognized at fair value of the date when the contracts are entered into and are subsequently measured at their fair values at the end of the reporting period.

Derivatives to which hedge accounting is not applied are classified as financial assets or liabilities measured at fair value through profit or loss, and any change in fair value is recognized at the end of the reporting period.

4) Hedge accounting

Hedges that meet criteria for hedge accounting are accounted for as follows:

Relationship between the hedging instrument and the hedged item is documented based on the risk management strategy and the risk management purpose at the inception of the hedge.

(i) Fair value hedges

Changes in the fair value of derivatives are recognized in profit or loss.

Changes in the fair value of the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are recognized in profit or loss.

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss.

The cumulative amounts of hedging instruments that has been recognized in other comprehensive income as equity are reclassified to profit or loss when the hedged transaction affects profit or loss.

If a hedged item results in the recognition of a non-financial asset or a non-financial liability, the associated amount recognized in other comprehensive income is accounted for as adjustment to the carrying amount of the non-financial asset or the non-financial liability.

When any forecast transaction is no longer expected to occur, any related cumulative gain or loss that has been recognized in other comprehensive income as equity is reclassified to profit or loss.

When any hedging instrument expires, is sold, or terminated or exercised without the replacement or rollover of the hedging instrument into another hedging instrument, or when any hedge designation regarding all or the portion of the hedge relationship accompanying the change in the risk management purpose is revoked, the cumulative amount that has been recognized in other comprehensive income as equity is continued to be recognized as equity until the forecast transaction occurs or no longer expected to occur.

5) Offsetting financial instruments

Financial assets and financial liabilities are offset only when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

6) Fair value of financial instruments

With regard to the fair value of financial instruments traded on active financial markets as of the end of each reporting period, the Group refers to the fair value in the market or dealer prices.

The Group calculates the fair value of financial instruments for which an active market does not exist by reference to an appropriate evaluation technique or offered prices by financial institutions.

(12) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, readily available deposits, and short-term, highly liquid investments having maturities of three months or less of the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(13) Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost of inventories is principally determined using the weighted average method and includes cost of purchase, cost of conversion and all incidental costs incurred in bringing the inventories to their present location and condition.

Net realizable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to sell.

(14) Assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

To be classified as assets held for sale, the asset must be available for immediate sale in its present condition, and the sale must be highly probable. Management of the Group must have a firm commitment to execute the plan to sell the asset and the sale is expected to be completed within one year from the date of classification, as a general rule.

For non-current assets (or disposal groups), depreciation or amortization is ceased. Non-current assets (or disposal groups) are measured at the lower of their carrying amounts and fair values less costs to sell. The resulting losses are recognized as impairment losses.

(15) Equity

1) Ordinary shares

Ordinary shares are recorded in share capital and capital surplus at their issue price.

2) Treasury shares

When the Company reacquires its own treasury shares, the amount of the consideration paid is deducted from equity. When the Company sells treasury shares, the difference between the carrying amount and the consideration received from the sale is recognized in capital surplus.

(16) Employee benefits

1) Post-employment benefits

The Group operates defined benefit plans and defined contribution plans as post-employment benefit plans for its employees.

(i) Defined benefit plans

Retirement benefit obligations of each plan are determined using the projected unit credit method and, the discount rate is determined by reference to market yield on high-quality corporate bonds having maturity terms consistent with the estimated term of the related pension obligations.

The defined benefit assets and liabilities are calculated by deducting fair value of plan assets from retirement benefit obligations.

The Group recognizes the actuarial gains or losses in other comprehensive income and immediately transfers them to retained earnings in the fiscal year in which they were incurred.

Past service cost is recognized as profit or loss in the fiscal year in which it was incurred.

(ii) Defined contribution plans

For defined contribution plans, the amount of contributions corresponding to the period in which employees rendered services is recorded as expenses.

2) Short-term employee benefits

Short-term employee benefits are recognized as an expense when the related service is rendered.

Paid absences are recognized as a liability when the Group has legal or constructive obligations resulting from past service rendered by the employees and reliable estimates of the obligations can be made.

(17) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be occurred to settle the obligations, and reliable estimates of the obligations can be made.

When the effect of the time value of money is material in measurement of provisions, the present value of the expenditures expected to be required to settle the obligations are used.

In calculating the present value, the Group principally calculates using the pretax discount rate reflecting the time value of money and the risks specific to the liability.

(18) Government grants

Government grants are measured and recognized at fair value, if there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to revenue are deducted directly from related costs covered by the grants.

Government grants related to assets are deducted directly from the acquisition cost of the assets.

(First-time Adoption)

The Group disclosed the Condensed Consolidated Financial Statements under IFRS for the first time from the first quarter of this fiscal year.
The latest consolidated financial statements under Japanese GAAP are prepared for the fiscal year ended March 31, 2016, and the IFRS transition date is April 1, 2015.

(1) Exemptions to retrospective application of IFRS

IFRS stipulates that an entity adopting IFRS for the first time shall apply IFRS retrospectively to prior periods, in principle.
However, IFRS 1, "First-time Adoption of International Financial Reporting Standards" (hereinafter "IFRS 1"), allows certain exemptions from the retrospective application of certain aspects required by IFRS.

The Group has applied the following exemptions in accordance with the transition from Japanese GAAP to IFRS.

1) Business combinations

IFRS 1 permits an entity not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred prior to the IFRS transition date. The Group elected to apply this exemption and did not apply IFRS 3 retrospectively to business combinations that occurred before the IFRS transition date. Consequently, the amount of goodwill arising from business combinations before the date of transition is based on the carrying amount as of the date of transition under Japanese GAAP. However, expenditures incurred in line with the in-licensing of technologies, etc. that were not identified in the past business combinations and meet the recognition requirements under IFRS are recorded as "Intangible assets," and at the same time, the amount of "Goodwill" is reduced. Further, the Group performed an impairment test on goodwill at the date of transition regardless of whether there was any indication that the goodwill may be impaired.

2) Use of fair value as deemed cost

IFRS 1 permits an entity to measure items of property, plant and equipment and intangible assets at the IFRS transition date at its fair value and use that fair value as deemed cost at that date. The Group elected to use the fair value at the IFRS transition date as deemed cost at the IFRS transition date for certain items of property, plant and equipment. At the transition date, the prior carrying amount of property, plant and equipment to which deemed cost was applied was 7,439 million yen, and the fair value was 2,451 million yen.

3) Translation differences for foreign operations

IFRS 1 permits to elect the cumulative amount of translation differences for foreign operations to be deemed to be zero at the IFRS transition date.
The Group elected to deem all cumulative translation differences for foreign operations as zero at the IFRS transition date.

4) Designation of financial instruments recognized prior to date of transition

IFRS 1 allows entities to determine the classification under IFRS 9 based on facts and circumstances as of the date of transition and to designate changes in fair values of equity financial assets as financial assets measured through other comprehensive income based on facts and circumstances existing as of the transaction date. The Group has determined the classification under IFRS 9 based on facts and circumstances existing as of the date of transition and designated some equity financial assets as financial assets measured through other comprehensive income.

(2) Reconciliations

The reconciliations required to be disclosed in the first IFRS financial statements are described below. In the reconciliations below, "Presentation" includes items that do not affect retained earnings and comprehensive income, while "Recognition and measurement" includes items that affect retained earnings and comprehensive income.

Reconciliation of profit or loss and comprehensive income for the six months ended September 30, 2015

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Net sales	201,729	－	336	202,065	1)	Revenue
Cost of sales	73,170	(85)	18	73,103		Cost of sales
Gross profit	128,559	85	318	128,962		Gross profit
Selling, general and administrative expenses	85,040	(33,632)	(5,022)	46,386	2)	Selling, general and administrative expense
	－	33,261	(1,382)	31,879	3)	Research and development expense
	－	852	(114)	738	4)	Amortization of intangible assets associated with products
	－	671	－	671	5)	Other income
	－	1,360	1	1,361	6)	Other expense
	－	15	－	15	7)	Share of profit of affiliates accounted for using equity method
Operating income	43,519	(1,070)	6,835	49,284		Operating profit
Non-operating income	1,984	(1,984)	－	－		
Non-operating expense	2,185	(2,185)	－	－		
Extraordinary income	494	(494)	－	－		
Extraordinary loss	689	(689)	－	－		
	－	1,699	(196)	1,503	8)	Financial income
	－	1,084	－	1,084	9)	Financial expense
Income before income taxes and non-controlling interests	43,123	(59)	6,639	49,703		Profit before tax
Total income taxes	14,982	(59)	61	14,984	10)	Income taxes
Net income	28,141	－	6,578	34,719		Net profit for the period
Net income	28,141	－	6,578	34,719		Net profit for the period
Other comprehensive income						Other comprehensive income
						Components of other comprehensive income that will not be reclassified to profit or loss
Unrealized holding gains (losses) on securities	2,281	－	384	2,665	11)	Fair value changes of financial assets measured through other comprehensive income
Remeasurements of defined benefit plans, net of tax	268	－	(1,846)	(1,578)	12)	Remeasurements of defined benefit plans
	－	－	－	1,087		Total other comprehensive income that will not be reclassified to profit or loss
						Components of other comprehensive income that may be reclassified to profit or loss
Translation adjustments	(2,516)	－	(15)	(2,531)		Exchange differences on translation of foreign operations
Deferred gains (losses) on hedges	(105)	－	－	(105)		Cash flow hedges
Other comprehensive income (loss) of equity method companies attributable to the Company	(19)	－	－	(19)		Share of other comprehensive income of affiliates accounted for using equity method
	－	－	－	(2,655)		Total other comprehensive income that may be reclassified to profit or loss
Total other comprehensive income (loss)	(91)	－	(1,477)	(1,568)		Total other comprehensive income, net of tax
Comprehensive income	28,050	－	5,101	33,151		Comprehensive income

Reconciliation of profit or loss and comprehensive income for the fiscal year ended March 31, 2016

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Net sales	431,701	–	(5,937)	425,764	1)	Revenue
Cost of sales	155,806	(69)	65	155,802		Cost of sales
Gross profit	275,895	69	(6,002)	269,962		Gross profit
Selling, general and administrative expenses	180,988	(75,468)	(9,176)	96,344	2)	Selling, general and administrative expense
	–	75,293	(10,680)	64,613	3)	Research and development expense
	–	1,700	(227)	1,473	4)	Amortization of intangible assets associated with products
	–	1,603	(2)	1,601	5)	Other income
	–	25,785	1,576	27,361	6)	Other expense
	–	31	–	31	7)	Share of profit of affiliates accounted for using equity method
Operating income	94,907	(25,607)	12,503	81,803		Operating profit
Non-operating income	3,976	(3,976)	–	–		
Non-operating expense	4,120	(4,120)	–	–		
Extraordinary income	14,132	(14,132)	–	–		
Extraordinary loss	24,583	(24,583)	–	–		
	–	16,399	(13,406)	2,993	8)	Financial income
	–	1,504	37	1,541	9)	Financial expense
Income before income taxes and non-controlling interests	84,312	(117)	(940)	83,255		Profit before tax
Total income taxes	30,155	(117)	(3,817)	26,221	10)	Income taxes
Net income	54,157	–	2,877	57,034		Net profit
Net income	54,157	–	2,877	57,034		Net profit
Other comprehensive income						Other comprehensive income
						Components of other comprehensive income that will not be reclassified to profit or loss
Unrealized holding gains (losses) on securities	(3,054)	–	9,575	6,521	11)	Fair value changes of financial assets measured through other comprehensive income
Remeasurements of defined benefit plans, net of tax	(7,724)	–	1,613	(6,111)	12)	Remeasurements of defined benefit plans
	–	–	–	410		Total other comprehensive income that will not be reclassified to profit or loss
						Components of other comprehensive income that may be reclassified to profit or loss
Translation adjustments	(4,954)	–	(23)	(4,977)		Exchange differences on translation of foreign operations
Deferred gains (losses) on hedges	(101)	–	–	(101)		Cash flow hedges
Other comprehensive income (loss) of equity method companies attributable to the Company	(30)	–	–	(30)		Share of other comprehensive income of affiliates accounted for using equity method
	–	–	–	(5,108)		Total other comprehensive income that may be reclassified to profit or loss
Total other comprehensive income (loss)	(15,863)	–	11,165	(4,698)		Total other comprehensive income, net of tax
Comprehensive income	38,294	–	14,042	52,336		Comprehensive income

Reconciliation of equity as of the date of transition to IFRS (April 1, 2015)

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Assets						Assets
Fixed assets						Non-current assets
Total property, plant and equipment	92,497	(756)	(4,470)	87,271	13)	Property, plant and equipment
Intangible fixed assets						
Goodwill	81,517	–	(476)	81,041	14)	Goodwill
Software	4,275	(4,275)	–	–		
Other	31,127	10,247	9,916	51,290	15)	Intangible assets
Investments and other assets						
	–	278	–	278	16)	Investments accounted for using equity method
Investment in securities	76,328	16,601	2,510	95,439	17)	Other financial assets
Net defined benefit asset	15,730	–	–	15,730		Net defined benefit assets
Other	23,417	(22,556)	–	861	19)	Other non-current assets
Deferred tax assets	763	8,319	(675)	8,407	20)	Deferred tax assets
Less allowance for doubtful receivables	(2)	2	–	–		
Total fixed assets	325,652	7,860	6,805	340,317		Total non-current assets
Current assets						Current assets
Merchandise and finished goods	63,566	18,758	–	82,324	21)	Inventories
Work in process	582	(582)	–	–		
Raw materials and supplies	20,943	(20,943)	–	–		
Notes and accounts receivable - trade	130,331	(44)	–	130,287		Trade and other receivables
Marketable securities	118,805	(118,805)	–	–		
Deposits	192,758	(192,758)	–	–		
	–	297,187	(5)	297,182	22)	Other financial assets
Other	18,186	(8,758)	–	9,428	23)	Other current assets
Deferred tax assets	8,319	(8,319)	–	–		
Cash and time deposits	50,203	23,134	–	73,337	24)	Cash and cash equivalents
Less allowance for doubtful receivables	(44)	44	–	–		
	–	–	–	592,558		Subtotal
	–	3,526	–	3,526	25)	Assets held for sale
Total current assets	603,649	(7,560)	(5)	596,084		Total current assets
Total assets	929,301	300	6,800	936,401		Total assets

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
						Liabilities and equity
Liabilities						Liabilities
Long-term liabilities						Non-current liabilities
Long-term debt, less current maturities	894	–	–	894		Borrowings
	–	2,843	–	2,843	26)	Other financial liabilities
Net defined benefit liability	2,456	–	–	2,456		Net defined benefit liabilities
Reserve for health management allowances for HIV compensation	1,700	4,767	–	6,467	27)	Provisions
Reserve for health management allowances for SMON compensation	2,731	(2,731)	–	–		
Reserve for HCV litigation	2,036	(2,036)	–	–		
Other	3,875	(2,843)	6,307	7,339	28)	Other non-current liabilities
Deferred tax liabilities	9,776	–	(1,765)	8,011	29)	Deferred tax liabilities
Total long-term liabilities	23,468	–	4,542	28,010		Total non-current liabilities
Current liabilities						Current liabilities
Current maturities of long-term debt	132	–	–	132		Borrowings
Notes and accounts payable - trade	34,620	(35)	–	34,585		Trade and other payables
Accounts payable - other	25,386	(25,386)	–	–		
	–	34,274	597	34,871	30)	Other financial liabilities
Income taxes payable	19,758	(569)	–	19,189	31)	Income taxes payable
Reserve for sales returns	127	311	–	438	32)	Provisions
Reserve for sales rebates	11	(11)	–	–		
Reserve for employees' bonuses	9,957	(9,957)	–	–		
Other	15,408	1,673	6,100	23,181	33)	Other current liabilities
Total current liabilities	105,399	300	6,697	112,396		Total current liabilities
Total liabilities	128,867	300	11,239	140,406		Total liabilities
Net assets						Equity
Common stock	50,000	–	–	50,000		Share capital
Capital surplus	451,186	–	–	451,186		Capital surplus
Treasury stock, at cost	(493)	–	–	(493)		Treasury shares
Retained earnings	275,325	–	(8,047)	267,278	34)	Retained earnings
Total accumulated other comprehensive income	12,961	–	3,596	16,557	35)	Other components of equity
	–	–	–	784,528		Total equity attributable to owners of the Company
Non-controlling interests	11,455	–	12	11,467		Non-controlling interests
Total net assets	800,434	–	(4,439)	795,995		Total equity
Total liabilities and net assets	929,301	300	6,800	936,401		Total liabilities and equity

Reconciliation of equity as of September 30, 2015

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Assets						Assets
Fixed assets						Non-current assets
Total property, plant and equipment	90,246	(332)	(4,488)	85,426	13)	Property, plant and equipment
Intangible fixed assets						
Goodwill	75,916	−	4,767	80,683	14)	Goodwill
Other	33,303	5,173	11,737	50,213	15)	Intangible assets
Investments and other assets						
	−	260	−	260	16)	Investments accounted for using equity method
Investment in securities	69,706	15,985	2,887	88,578	17)	Other financial assets
Net defined benefit asset	18,159	−	(3,964)	14,195	18)	Net defined benefit assets
Other	22,149	(21,420)	−	729	19)	Other non-current assets
Deferred tax assets	433	7,750	(2,399)	5,784	20)	Deferred tax assets
Less allowance for doubtful receivables	(2)	2	−	−		
Total fixed assets	309,910	7,418	8,540	325,868		Total non-current assets
Current assets						Current assets
Merchandise and finished goods	56,183	20,887	110	77,180	21)	Inventories
Work in process	363	(301)	(62)	−		
Raw materials and supplies	20,586	(20,586)	−	−		
Notes and accounts receivable - trade	129,149	(40)	−	129,109		Trade and other receivables
Marketable securities	111,000	(111,000)	−	−		
Deposits	192,969	(192,969)	−	−		
	−	214,831	(5)	214,826	22)	Other financial assets
Other	17,127	(7,626)	−	9,501	23)	Other current assets
Deferred tax assets	7,750	(7,750)	−	−		
Cash and time deposits	75,892	96,762	−	172,654	24)	Cash and cash equivalents
Less allowance for doubtful receivables	(40)	40	−	−		
	−	−	−	603,270		Subtotal
	−	332	−	332	25)	Assets held for sale
Total current assets	610,979	(7,420)	43	603,602		Total current assets
Total assets	920,889	(2)	8,583	929,470		Total assets

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
						Liabilities and equity
Liabilities						Liabilities
Long-term liabilities						Non-current liabilities
Long-term debt, less current maturities	797	－	－	797		Borrowings
	－	2,784	－	2,784	26)	Other financial liabilities
Net defined benefit liability	2,424	－	－	2,424		Net defined benefit liabilities
Reserve for health management allowances for HIV compensation	1,700	4,380	－	6,080	27)	Provisions
Reserve for health management allowances for SMON compensation	2,514	(2,514)	－	－		
Reserve for HCV litigation	1,866	(1,866)	－	－		
Other	3,778	(2,784)	5,971	6,965	28)	Other non-current liabilities
Deferred tax liabilities	11,588	－	(4,004)	7,584	29)	Deferred tax liabilities
Total long-term liabilities	24,667	－	1,967	26,634		Total non-current liabilities
Current liabilities						Current liabilities
Current maturities of long-term debt	121	－	－	121		Borrowings
Notes and accounts payable - trade	28,825	(36)	－	28,789		Trade and other payables
Accounts payable - other	15,872	(15,872)	－	－		
	－	24,662	－	24,662	30)	Other financial liabilities
Income taxes payable	13,313	(808)	(147)	12,358	31)	Income taxes payable
Other reserve	129	－	－	129		Provisions
Reserve for employees’ bonuses	9,965	(9,965)	－	－		
Other	10,292	2,017	6,101	18,410	33)	Other current liabilities
Total current liabilities	78,517	(2)	5,954	84,469		Total current liabilities
Total liabilities	103,184	(2)	7,921	111,103		Total liabilities
Net assets						Equity
Common stock	50,000	－	－	50,000		Share capital
Capital surplus	451,186	－	－	451,186		Capital surplus
Treasury stock, at cost	(493)	－	－	(493)		Treasury shares
Retained earnings	292,131	－	(3,059)	289,072	34)	Retained earnings
Total accumulated other comprehensive income	13,571	－	3,696	17,267	35)	Other components of equity
	－	－	－	807,032		Total equity attributable to owners of the Company
Non-controlling interests	11,310	－	25	11,335		Non-controlling interests
Total net assets	817,705	－	662	818,367		Total equity
Total liabilities and net assets	920,889	(2)	8,583	929,470		Total liabilities and equity

Reconciliation of equity as of March 31, 2016

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Assets						Assets
Fixed assets						Non-current assets
Total property, plant and equipment	88,294	(147)	(4,070)	84,077	13)	Property, plant and equipment
Intangible fixed assets						
Goodwill	70,515	–	9,996	80,511	14)	Goodwill
Software	3,680	(3,680)	–	–		
Other	28,376	8,005	19,543	55,924	15)	Intangible assets
Investments and other assets						
	–	265	–	265	16)	Investments accounted for using equity method
Investment in securities	49,835	12,845	2,839	65,519	17)	Other financial assets
Net defined benefit asset	8,170	–	–	8,170		Net defined benefit assets
Other	18,068	(17,436)	–	632	19)	Other non-current assets
Deferred tax assets	6,052	7,287	(171)	13,168	20)	Deferred tax assets
Less allowance for doubtful receivables	(1)	1	–	–		
Total fixed assets	272,989	7,140	28,137	308,266		Total non-current assets
Current assets						Current assets
Merchandise and finished goods	52,623	23,008	66	75,697	21)	Inventories
Work in process	552	(552)	–	–		
Raw materials and supplies	22,456	(22,456)	–	–		
Notes and accounts receivable - trade	121,288	(39)	–	121,249		Trade and other receivables
Marketable securities	96,500	(96,500)	–	–		
Deposits	193,147	(193,147)	–	–		
	–	351,665	–	351,665	22)	Other financial assets
Other	20,765	(8,263)	–	12,502	23)	Other current assets
Deferred tax assets	7,287	(7,287)	–	–		
Cash and time deposits	142,674	(53,755)	–	88,919	24)	Cash and cash equivalents
Less allowance for doubtful receivables	(39)	39	–	–		
	–	–	–	650,032		Subtotal
	–	147	–	147	25)	Assets held for sale
Total current assets	657,253	(7,140)	66	650,179		Total current assets
Total assets	930,242	–	28,203	958,445		Total assets

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
						Liabilities and equity
Liabilities						Liabilities
Long-term liabilities						Non-current liabilities
Long-term debt, less current maturities	713	–	–	713		Borrowings
	–	2,646	–	2,646	26)	Other financial liabilities
Net defined benefit liability	1,354	–	–	1,354		Net defined benefit liabilities
Reserve for health management allowances for HIV compensation	1,564	7,542	–	9,106	27)	Provisions
Reserve for health management allowances for SMON compensation	2,522	(2,522)	–	–		
Reserve for HCV litigation	5,020	(5,020)	–	–		
Other	3,515	(2,646)	11,118	11,987	28)	Other non-current liabilities
Deferred tax liabilities	7,532	–	(120)	7,412	29)	Deferred tax liabilities
Total long-term liabilities	22,220	–	10,998	33,218		Total non-current liabilities
Current liabilities						Current liabilities
Current maturities of long-term debt	125	–	–	125		Borrowings
Notes and accounts payable - trade	32,737	(84)	–	32,653		Trade and other payables
Accounts payable - other	19,799	(19,799)	–	–		
	–	26,851	615	27,466	30)	Other financial liabilities
Income taxes payable	17,451	(1,119)	–	16,332	31)	Income taxes payable
Reserve for sales returns	124	13	–	137	32)	Provisions
Reserve for sales rebates	13	(13)	–	–		
Reserve for employees’ bonuses	10,686	(10,686)	–	–		
Other	10,374	4,837	6,987	22,198	33)	Other current liabilities
Total current liabilities	91,309	–	7,602	98,911		Total current liabilities
Total liabilities	113,529	–	18,600	132,129		Total liabilities
Net assets						Equity
Common stock	50,000	–	–	50,000		Share capital
Capital surplus	451,186	–	–	451,186		Capital surplus
Treasury stock, at cost	(494)	–	–	(494)		Treasury shares
Retained earnings	307,075	–	(2,144)	304,931	34)	Retained earnings
Total accumulated other comprehensive income	(1,836)	–	11,731	9,895	35)	Other components of equity
	–	–	–	815,518		Total equity attributable to owners of the Company
Non-controlling interests	10,782	–	16	10,798		Non-controlling interests
Total net assets	816,713	–	9,603	826,316		Total equity
Total liabilities and net assets	930,242	–	28,203	958,445		Total liabilities and equity

Notes to reconciliation of profit or loss and comprehensive income and reconciliation of equity

1) Revenue

(Recognition and measurement)

Under Japanese GAAP, revenue from sales alliance and out-licensing of technologies, etc. was recorded as one-time income. However, under IFRS, when contractual obligations are not fulfilled, such revenue is recorded as deferred income and the income is recognized over the period in which the obligations are performed. As a result, the amount of revenue has increased or decreased.

2) Selling, general and administrative expense

(Presentation)

Research and development expenses and amortization of intangible assets included in “Selling, general and administrative expenses” under Japanese GAAP have been presented separately as “Research and development expense” and “Amortization of intangible assets associated with products” under IFRS.

Donations presented as “Non-operating expense” under Japanese GAAP have been included in “Selling, general and administrative expense” under IFRS.

(Recognition and measurement)

Goodwill was amortized over a specified period under Japanese GAAP while it is not amortized under IFRS. Consequently, there has been a decrease in “Selling, general and administrative expense.”

Under Japanese GAAP, with regard to retirement benefits under defined benefit plans, interest expenses and expected returns on pension assets were recognized as profit or loss. The portion of actuarial gains or losses and past service cost that did not constitute profit or loss in the fiscal year in which they were incurred was recognized as other comprehensive income, and subsequently as profit or loss over certain future periods. On the other hand, under IFRS, net interest expenses are recognized as profit or loss at the amount calculated by multiplying net defined benefit asset (obligation) by a discount rate. Past service cost is recognized as profit or loss in the fiscal year in which it was incurred, and actuarial gains or losses are recorded in other comprehensive income as remeasurements of net defined benefit asset (obligation), and transferred directly to retained earnings, rather than through profit or loss. As a result, the amount of “Selling, general and administrative expense” related to retirement benefits has increased.

3) Research and development expense

(Presentation)

Research and development expenses included in “Selling, general and administrative expenses” under Japanese GAAP have been presented separately as “Research and development expense” under IFRS.

(Recognition and measurement)

Under Japanese GAAP, expenses associated with the in-licensing of products and technologies that were principally incurred before filing an application for approval from regulatory authorities were recorded as research and development expenses, but under IFRS, such expenses that satisfy certain criteria are recorded as assets. Retirement benefits under defined benefit plans are accounted for in the same way as described in “2) Selling, general and administrative expense.” As a result, the amount of “Research and development expense” has decreased.

4) Amortization of intangible assets associated with products

(Presentation)

Amortization of intangible assets included in “Selling, general and administrative expenses” under Japanese GAAP has been presented separately as “Amortization of intangible assets associated with products” under IFRS.

(Recognition and measurement)

Under Japanese GAAP, expenses associated with the in-licensing of products and technologies that were principally incurred before filing an application for approval from regulatory authorities were recorded as research and development expenses, but under IFRS, such expenses that satisfy certain criteria are recorded as assets and amortized over their estimated useful lives on a straight-line basis. Also, the useful life of license fees under certain distribution agreements, etc. was revised upon adoption of IFRS. As a result, the amount of “Amortization of intangible assets associated with products” has decreased.

5) Other income

(Presentation)

"Rent income" presented as "Non-operating income" under Japanese GAAP has been included in "Other income" under IFRS.

"Gain on sales of property, plant and equipment" presented as "Extraordinary income" under Japanese GAAP has been included in "Other income" under IFRS.

In addition, certain items of income presented as "Other" in "Non-operating income" under Japanese GAAP have been included in "Other income" under IFRS.

6) Other expense

(Presentation)

"Loss on disposal of property, plant and equipment" presented as "Non-operating expense" under Japanese GAAP has been included in "Other expense" under IFRS.

"Loss on impairment of fixed assets," "Restructuring expenses" and "Provision of reserve for HCV litigation" presented as "Extraordinary loss" under Japanese GAAP have been included in "Other expense" under IFRS.

In addition, certain items of expenses presented as "Other" in "Non-operating expense" under Japanese GAAP have been included in "Other expense" under IFRS.

(Recognition and measurement)

Under Japanese GAAP, costs associated with the in-licensing of products and technologies that were principally incurred before filing an application for approval from regulatory authorities were recorded as research and development expenses, but under IFRS, such costs that satisfy certain criteria are recorded as assets. For certain intangible assets additionally recognized upon adoption of IFRS, the carrying amount is reduced to the recoverable amount when the discontinuation of the development, etc. is decided during the period, and the difference is recognized as impairment loss in the same period. As a result, the amount of "Other expense" has increased.

7) Share of profit of affiliates accounted for using equity method

(Presentation)

"Equity in earnings of affiliates" presented as "Non-operating income" under Japanese GAAP has been presented separately as "Share of profit of affiliates accounted for using equity method" under IFRS.

8) Financial income

(Presentation)

"Interest income" and "Dividend income" presented as "Non-operating income" under Japanese GAAP have been included in "Financial income" under IFRS.

"Gain on sales of investment in securities" presented as "Extraordinary income" under Japanese GAAP has been included in "Financial income" under IFRS.

In addition, certain items of income presented as "Other" in "Non-operating income" under Japanese GAAP have been included in "Financial income" under IFRS.

(Recognition and measurement)

Under Japanese GAAP, gain on sales of investment in securities was recorded as "Extraordinary income." However, under IFRS, it is allowed to designate equity financial assets as financial assets measured through other comprehensive income, and gain on sales of equity financial assets that has been designated so is recorded as other comprehensive income. As a result, the amount of "Financial income" has decreased.

9) Financial expense

(Presentation)

"Interest expense," "Foreign exchange losses" and "Loss on investment securities operation" presented as "Non-operating expense" under Japanese GAAP have been included in "Financial expense" under IFRS.

"Loss on valuation of investment in securities" presented as "Extraordinary loss" under Japanese GAAP has been included in "Financial expense" under IFRS.

In addition, certain items of expenses presented as "Other" in "Non-operating expense" under Japanese GAAP have been included in "Financial expense" under IFRS.

10) Income taxes

(Recognition and measurement)

Since certain gain on sales of investment in securities recorded as “Extraordinary income” under Japanese GAAP has been recorded as other comprehensive income under IFRS, income taxes on such gain on sales of investment in securities are recorded as other comprehensive income. In addition, temporary differences arose as a result of the reconciliations to adoption of IFRS including the application of the estimated effective tax rate to quarterly income taxes under IFRS. Consequently, the amount of “Income taxes” has increased or decreased.

11) Fair value changes of financial assets measured through other comprehensive income

(Recognition and measurement)

Certain gain on sales of investment in securities recorded as “Extraordinary income” under Japanese GAAP and income taxes on such gain on sales are recorded as “Fair value changes of financial assets measured through other comprehensive income” under IFRS. In addition, unlisted stocks were principally stated at cost calculated by using the moving average method under Japanese GAAP, but under IFRS, they are measured at fair value. As a result, the amount of “Fair value changes of financial assets measured through other comprehensive income” has increased.

12) Remeasurements of defined benefit plans

(Recognition and measurement)

Under Japanese GAAP, actuarial gains and losses associated with retirement benefits were amortized on a straight-line basis from the fiscal year following the year in which they were incurred over the average remaining service years of employees at the time they were incurred. However, under IFRS, the Group fully recognizes the actuarial gains and losses when they are incurred in other comprehensive income as remeasurements of net defined benefit obligation. As a result, the amount of “Remeasurements of defined benefit plans” has increased.

Under IFRS, plan assets are measured at fair value on a quarterly basis, and the resulting actuarial gains or losses have been recorded as other comprehensive income. As a result, the amount of “Remeasurements of defined benefit plans” has increased or decreased.

13) Property, plant and equipment

(Presentation)

Under Japanese GAAP, “Buildings and structures, net,” “Machinery, equipment and vehicles, net,” “Tools, furniture and fixtures, net,” “Land,” “Leased equipment, net,” and “Construction in progress” were presented separately, whereas they have been included in “Property, plant and equipment” under IFRS.

Certain items of assets held for sale included in “Property, plant and equipment” under Japanese GAAP have been presented separately as “Assets held for sale” under IFRS.

(Recognition and measurement)

The amount of “Property, plant and equipment” has decreased as a result of using the fair value as deemed cost for certain items of property, plant and equipment upon the adoption of IFRS.

Real estate acquisition taxes were expensed under Japanese GAAP, whereas they have been included in acquisition cost of property, plant and equipment under IFRS. In addition, acquisition cost of land acquired in the exchange was measured at the carrying amount of the land transferred under Japanese GAAP, but it is measured at the fair value of the land acquired in the exchange under IFRS. As a result, the amount of “Property, plant and equipment” has increased.

14) Goodwill

(Recognition and measurement)

Due to the adoption of IFRS, expenditures associated with the in-licensing of technologies, etc. that were not identified in the past business combinations and meet the recognition requirements under IFRS have been recorded as “Intangible assets.” As a result, the amount of “Goodwill” has decreased.

Under Japanese GAAP, goodwill was amortized over a period in which the effect is expected, but under IFRS, goodwill is not amortized. As a result, the amount of “Goodwill” has increased.

15) Intangible assets

(Presentation)

“Software” presented separately under Japanese GAAP has been included in “Intangible assets” under IFRS.

License fees under distribution agreements, etc. were included in “Other” as investments and other assets under Japanese GAAP, but they have been included in “Intangible assets” under IFRS.

(Recognition and measurement)

Under Japanese GAAP, expenses associated with the in-licensing of technologies, etc. incurred by the time of filing an application for approval from regulatory authorities were recorded as research and development expenses, but under IFRS, such expenses that satisfy certain criteria are recorded as “Intangible assets.” In addition, expenses associated with the in-licensing of technologies, etc. that were not identified in the past business combinations and meet the recognition requirements under IFRS have been recorded as “Intangible assets,” and at the same time, the amount of “Goodwill” has been reduced. “Intangible assets” are amortized over the estimated useful life on a straight -line basis. Other than that, the useful life of license fees under certain distribution agreements, etc. was revised upon adoption of IFRS. As a result, the amount of “Intangible assets” has increased.

16) Investments accounted for using equity method

(Presentation)

Investments accounted for using the equity method were included in “Investment in securities” under Japanese GAAP, but they are presented separately as “Investments accounted for using equity method” under IFRS.

17) Other financial assets (non-current)

(Presentation)

Investments accounted for using the equity method were included in “Investment in securities” under Japanese GAAP, but they are presented separately as “Investments accounted for using equity method” under IFRS. Other “Investment in securities” has been included in “Other financial assets” as non-current assets under IFRS.

Long-term accounts receivable - other and long-term guarantee deposits, etc. were included in “Other” as investments and other assets under Japanese GAAP, but they have been included in “Other financial assets” as non-current assets under IFRS.

(Recognition and measurement)

Under Japanese GAAP, unlisted stocks were stated at cost calculated by using the moving average method. However, under IFRS, unlisted stocks are measured at fair value. As a result, the amount of “Other financial assets” in non-current assets has increased.

18) Net defined benefit assets

(Recognition and measurement)

Since assets of defined benefit plans are measured at fair value on a quarterly basis under IFRS, the amount of “Net defined benefit assets” has decreased.

19) Other non-current assets

(Presentation)

License fees under distribution agreements, etc. long-term accounts receivable - other and long-term guarantee deposits, etc. were included in “Other” as investments and other assets under Japanese GAAP. However, under IFRS, license fees under distribution agreements, etc. have been included in “Intangible assets,” whereas long-term accounts receivable - other and long-term guarantee deposits, etc. have been included in “Other financial assets” as non-current assets.

20) Deferred tax assets

(Presentation)

Deferred tax assets were presented separately as current assets and fixed assets under Japanese GAAP, but the full amount of deferred tax assets has been presented as an item in non-current assets under IFRS.

(Recognition and measurement)
“Deferred tax assets” are recognized for the temporary differences resulting from the reconciliations to adoption of IFRS.
Under Japanese GAAP, deferred tax assets and liabilities were offset only within the categories of short-term or long-term items. However, the amount of the offset increased because all deferred tax assets and liabilities are classified as non-current items under IFRS. As a result, the amount of “Deferred tax assets” has decreased.

21) Inventories
(Presentation)
“Merchandise and finished goods,” “Work in process” and “Raw materials and supplies,” which were presented separately under Japanese GAAP, are included in “Inventories” under IFRS.
Certain items of assets held for sale included in “Inventories” under Japanese GAAP have been presented separately as “Assets held for sale” under IFRS.

22) Other financial assets (current)
(Presentation)
Items included in “Marketable securities” under Japanese GAAP, except for securities that become due for maturity within three months from the acquisition date, have been included in “Other financial assets” as current assets under IFRS.
Items included in “Deposits” under Japanese GAAP, except for deposits with the deposit period of three months or less (deposit management), have been included in “Other financial assets” as current assets under IFRS.
Time deposits with maturities over three months included in “Cash and time deposits” under Japanese GAAP have been included in “Other financial assets” as current assets under IFRS.
Accounts receivable - other, derivatives, and advances paid, etc. included in “Other” as current assets under Japanese GAAP have been included in “Other financial assets” as current assets under IFRS.

23) Other current assets
(Presentation)
Accounts receivable - other, derivatives, and advances paid, etc. included in “Other” as current assets under Japanese GAAP have been included in “Other financial assets” as current assets under IFRS.
Short-term loans receivable that become due for maturity within three months from the drawdown date included in “Other” as current assets under Japanese GAAP have been included in “Cash and cash equivalents” under IFRS.

24) Cash and cash equivalents
(Presentation)
Securities that become due for maturity within three months from the acquisition date, which were included in “Marketable securities” under Japanese GAAP, have been included in “Cash and cash equivalents” under IFRS.
Short-term loans receivable that become due for maturity within three months from the drawdown date included in “Other” as current assets under Japanese GAAP have been included in “Cash and cash equivalents” under IFRS.
Deposits with the deposit period of three months or less (deposit management) included in “Deposits” under Japanese GAAP have been included in “Cash and cash equivalents” under IFRS.
Time deposits with maturities over three months included in “Cash and time deposits” under Japanese GAAP have been included in “Other financial assets” as current assets under IFRS.

25) Assets held for sale
(Presentation)
Assets held for sale included in “Property, plant and equipment” and “Inventories” under Japanese GAAP have been presented separately as “Assets held for sale” under IFRS.

26) Other financial liabilities (non-current)
(Presentation)
Guaranty deposits received and lease obligations, etc. included in “Other” as long-term liabilities under Japanese GAAP have been included in “Other financial liabilities” as non-current liabilities under IFRS.

27) Provisions (non-current)

(Presentation)

"Reserve for health management allowances for HIV compensation," "Reserve for health management allowances for SMON compensation" and "Reserve for HCV litigation," which were presented separately under Japanese GAAP, have been included in "Provisions" as non-current liabilities under IFRS.

28) Other non-current liabilities

(Presentation)

Guaranty deposits received and lease obligations, etc. included in "Other" as long-term liabilities under Japanese GAAP have been included in "Other financial liabilities" as non-current liabilities under IFRS.

(Recognition and measurement)

Under Japanese GAAP, upfront payments accompanying the out-licensing of technologies, collaborative sales and collaborative sales promotion were recorded as income when they were received. However, under IFRS, when contractual obligations are not fulfilled, such payments are recorded as deferred income and the income is recognized over the period in which the obligations are performed.

Accrued paid absences, for which accounting treatment was not required under Japanese GAAP, are recognized as liabilities under IFRS.

As a result, the amount of "Other non-current liabilities" has increased.

29) Deferred tax liabilities

(Recognition and measurement)

"Deferred tax liabilities" are recognized for the temporary differences resulting from the reconciliations to adoption of IFRS.

Under Japanese GAAP, deferred tax assets and liabilities were offset only within the categories of short-term or long -term items. However, the amount of the offset increased because all deferred tax assets and liabilities are classified as non-current items under IFRS. As a result, the amount of "Deferred tax liabilities" has decreased.

30) Other financial liabilities (current)

(Presentation)

"Accounts payable - other," which was presented separately under Japanese GAAP, have been included in "Other financial liabilities" as current liabilities under IFRS.

Accrued expenses, etc. included in "Other" as current liabilities under Japanese GAAP have been included in "Other financial liabilities" as current liabilities under IFRS.

(Recognition and measurement)

With regard to levies of fixed asset tax, the fixed amount based on the tax notice, etc. was recorded under Japanese GAAP, but under IFRS, the estimated amount of payment is recognized when the obligation of payment is generated.

31) Income taxes payable

(Presentation)

Accrued business taxes based on the size of business, which were included in "Income taxes payable" under Japanese GAAP, have been included in "Other current liabilities" under IFRS.

(Recognition and measurement)

Under IFRS, the estimated effective tax rate is applied to quarterly income taxes.

32) Provisions (current)

(Presentation)

"Reserve for sales returns" and "Reserve for sales rebates" presented separately under Japanese GAAP have been included in "Provisions" as current liabilities under IFRS.

33) Other current liabilities

(Presentation)

"Reserve for employees' bonuses" presented separately under Japanese GAAP has been included in "Other current liabilities" under IFRS.

Accrued expenses, etc. included in "Other" as current liabilities under Japanese GAAP have been included in "Other financial liabilities" as current liabilities under IFRS.

Accrued business taxes based on the size of business, which were included in "Income taxes payable" under Japanese GAAP, have been included in "Other current liabilities" under IFRS.

(Recognition and measurement)

Under Japanese GAAP, revenue from sales alliance and out-licensing of technologies, etc. was recorded as one-time income. However, under IFRS, when contractual obligations are not fulfilled, such revenue is recorded as deferred income and the income is recognized over the period in which the obligations are performed.

Accrued paid absences, for which accounting treatment was not required under Japanese GAAP, are recognized as liabilities under IFRS.

As a result, the amount of "Other current liabilities" has increased.

34) Retained earnings

(Millions of yen)

	Note	As of April 1, 2015	As of September 30, 2015	As of March 31, 2016
Adjustment for deferred income	1), 28), 33)	(4,253)	(4,025)	(8,486)
Adjustment for immediate recognition and change of the calculation method of actuarial gains or losses in defined benefit plans	2), 12), 35)	(2,179)	(4,578)	(9,902)
Adjustment for intangible assets	3), 4), 6), 14), 15)	6,247	7,482	13,105
Adjustment for property, plant and equipment	13)	(3,415)	(3,428)	(3,062)
Adjustment for goodwill	14)	–	5,259	10,498
Adjustment for accrued paid absences	28), 33)	(4,143)	(4,143)	(4,088)
Others		(304)	374	(209)
Total adjustment for retained earnings		(8,047)	(3,059)	(2,144)

35) Other components of equity

(Recognition and measurement)

The Group applied the exemption set forth under IFRS 1 and transferred the balance of translation differences for foreign operations as of the IFRS transition date to retained earnings. Consequently, the amount of "Other components of equity" has decreased.

Under Japanese GAAP, with regard to retirement benefits under defined benefit plans, actuarial gains or losses arising from these plans were recognized as accumulated other comprehensive income, and subsequently as profit or loss over certain future periods. Under IFRS, however, such actuarial gains or losses are recorded in other comprehensive income as remeasurements of net defined benefit asset (obligation) and transferred directly to retained earnings, rather than through profit or loss.

Unlisted stocks were stated at cost calculated by using the moving average method under Japanese GAAP, but under IFRS, unlisted stocks are measured at fair value. As a result, the amount of "Other components of equity" has increased.

Notes to reconciliation of Consolidated Statements of Cash Flows for the six months ended September 30, 2015 and for the fiscal year ended March 31, 2016

The expenditures associated with research and development expenses were classified as cash flows from operating activities under Japanese GAAP because research and development expenses were expensed as incurred, while under IFRS, the capitalized research and development expenses have been classified as cash flows from investing activities.