

Financial Results for the Fiscal Year ended March 31, 2017 (IFRS, Consolidated)

May 10, 2017

Company name: Mitsubishi Tanabe Pharma Corporation
 Stock exchange listings: Tokyo
 Securities code number: 4508
 URL: <http://www.mt-pharma.co.jp/>
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Planned date of ordinary general meeting of shareholders: June 21, 2017
 Planned date of start of dividend payments: June 22, 2017
 Planned date of filing of annual securities report: June 21, 2017
 Provision of supplementary explanatory materials for results: Yes
 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 previous fiscal year.

1. Results for Fiscal Year 2016 (from April 1, 2016 to March 31, 2017)

(1) Consolidated Business Results

	Revenue		Core operating profit		Operating profit		Profit before tax	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Fiscal Year 2016	423,977	(0.4)	94,510	(11.7)	94,083	15.0	96,059	15.4
Fiscal Year 2015	425,764	—	106,976	—	81,803	—	83,255	—

	Net Profit		Net profit attributable to owners of the Company	
	Millions of Yen	% change	Millions of Yen	% change
Fiscal Year 2016	68,922	20.8	71,263	20.2
Fiscal Year 2015	57,034	—	59,306	—

Total comprehensive income: ¥69,309 million, 32.4% in fiscal year 2016 (¥52,336 million, -% in fiscal year 2015)

(Note) "Core operating profit" is a profit except the income and loss recorded by non-recurring items specified by the Group from operating profit.

	Basic earnings per share	Diluted earnings per share	Ratio of net profit to equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
Fiscal Year 2016	127.03	—	8.5	9.9	22.2
Fiscal Year 2015	105.72	—	7.4	8.8	19.2

(Reference) Share of profit of affiliates accounted for using equity method: ¥24 million in fiscal year 2016 (¥31 million in fiscal year 2015)

(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 March 31, 2017	984,537	871,430	860,505	87.4	1,533.91
As of March 31, 2016	958,445	826,316	815,518	85.1	1,453.71

(3) Consolidated Cash Flows

	Cash Flow from Operating activities	Cash Flow from Investing activities	Cash Flow from Financing activities	Cash and cash equivalents at the end of the year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal Year 2016	59,785	(10,566)	(24,408)	113,215
Fiscal Year 2015	80,842	(42,213)	(22,236)	88,919

2. Dividends

	Dividends per share					Total dividends (annual) Millions of Yen	Payout ratio (consolidated) %	Ratio of dividends to equity attributable to owners of the Company (consolidated) %
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen			
Fiscal Year 2015	—	22.00	—	24.00	46.00	25,805	43.5	3.2
Fiscal Year 2016	—	24.00	—	28.00	52.00	29,171	40.9	3.5
Fiscal Year 2017 (forecasts)	—	38.00	—	28.00	66.00		51.8	

(Note) Breakdown of dividend forecast at the end of the 2nd quarter of the fiscal year ending March 31, 2018: ordinary dividend ¥28, commemorative dividend ¥10

3. Forecasts for Fiscal Year 2017 (April 1, 2017 to March 31, 2018)

	Revenue		Core operating profit		Operating profit	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Interim	212,500	4.1	41,500	(13.5)	40,500	(15.3)
Full year	441,000	4.0	90,000	(4.8)	90,000	(4.3)

	Profit before tax		Net Profit		Net profit attributable to owners of the Company	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Interim	41,000	(17.0)	31,000	(12.0)	32,500	(10.5)
Full year	91,000	(5.3)	68,000	(1.3)	71,500	0.3

Basic earnings per share: Interim 57.93 Full year 127.45

(Note) Percentage changes in the above list show change from the previous year for full-year data and change from the same period of the previous year for interim data.

※ 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)

Fiscal Year 2016	561,417,916 shares	Fiscal Year 2015	561,417,916 shares
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2. Number of treasury shares at the end of the period

Fiscal Year 2016	429,753 shares	Fiscal Year 2015	428,945 shares
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3. Average number of shares during the period (cumulative total)

Fiscal Year 2016	560,988,710 shares	Fiscal Year 2015	560,989,246 shares
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*This financial results report is exempt from the audit procedures.

*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 ended March 31, 2017. Figures for the fiscal year ended March 31, 2016 are also presented in accordance with IFRS. Please see "3. Consolidated Financial Statements and Main Notes, (6) Notes to Consolidated Financial Statements, (First-time Adoption)" on page 27 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. Overview of Business Results and Financial Position, (1) Overview of Business Results, ⑤ Forecasts for the fiscal year ending March 31, 2018" on page 5 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 for institutional investors and securities analysts on May 11, 2017 (Thursday). The Company plans to make available on its website the content of the presentation (video) and the materials used in the presentation immediately on the same day of the presentation.

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1. Overview of Business Results and Financial Position

【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 ended 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 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. Consolidated Financial Statements and Main Notes, (6) Notes to Consolidated Financial Statements, (First-time Adoption)" on page 27.

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) Overview of Business Results

① Overview of operating results

The business environment around pharmaceutical industry continues to remain challenging due to the revision of NHI drug price such as special expansion re-pricing, and the penetration of the promotion of generic drugs, in the domestic ethical drugs market.

In such a business environment, in the fiscal year ended March 31, 2017, consolidated operating results of the Company were as follows.

Revenue decreased due to the following reasons:

- Increase in high-priority products in the domestic ethical drugs,
- Impact of the revision of NHI drug price and decrease in long listed drugs,
- Receipt of the lump-sum payment from out-licensing in the fiscal year ended March 31, 2016.

In terms of profit, core operating profit also declined because of the decrease in revenue and the increase in expenses associated with preparations for marketing in the U.S. On the other hand, the Company completed the implementation of major structural reform in the fiscal year ended March 31, 2016. As a result, operating profit increased in comparison with the previous fiscal year.

In addition, the Company recorded its highest level in net profit attributable to owners of the Company since its establishment.

(Millions of yen)

	Fiscal Year 2015	Fiscal Year 2016	Increase / Decrease	% change
Revenue	425,764	423,977	(1,787)	(0.4)
Core operating profit	106,976	94,510	(12,466)	(11.7)
Operating profit	81,803	94,083	12,280	15.0
Profit before tax	83,255	96,059	12,804	15.4
Net profit attributable to owners of the Company	59,306	71,263	11,957	20.2

< Research and development expense >

(Millions of yen)

	Fiscal Year 2015	Fiscal Year 2016	Increase / Decrease	% change
Research and development expense	64,613	64,783	170	0.3

【Revenue】

Revenue decreased by 0.4%, or ¥1.7 billion, year-on-year, to ¥423.9 billion.

(Millions of yen)

	Fiscal Year 2015	Fiscal Year 2016	Increase / Decrease	% change
Pharmaceuticals	425,764	423,977	(1,787)	(0.4)
Domestic ethical drugs	308,084	314,221	6,137	2.0
Overseas ethical drugs	24,711	22,689	(2,022)	(8.2)
Royalty revenue, etc.	86,639	82,239	(4,400)	(5.1)
OTC products	3,765	3,413	(352)	(9.3)
Others	2,565	1,415	(1,150)	(44.8)

• Revenue of domestic ethical drugs increased by 2.0%, year-on-year, to ¥314.2 billion due to the following reasons:

- Decrease in revenue of domestic ethical drugs due to the revision of NHI drug price in April 2016,
- Increase in revenue of SIMPONI, for the treatment agent of Rheumatoid arthritis (RA), because the distribution of SIMPONI has been undertaken solely by the Company,
- Increase in revenue of high-priority products such as TENELIA and CANAGLU, type 2 diabetes mellitus.

• Royalty revenue, etc. decreased by 5.1%, year-on-year, to ¥82.2 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, for the treatment of type2 diabetes mellitus, licensed to Janssen Pharmaceuticals due to the effect of exchange rates,
- Decrease in one-time income associated with out-licensing activities such as the receipt of the lump-sum payment accompanying the patent and know-how transfer agreement with Amgen and Dezima regarding TA-8995, a treatment agent for dyslipidemia (CETP inhibitor) in the previous fiscal year, and the lump-sum revenue recognition of the balance of the upfront payment, booked as liability of deferred revenue, accompanying the termination of the license agreement with Biogen related to MT-1303, a therapeutic agent for autoimmune diseases in the current fiscal year.

【Core operating profit】

Core operating profit decreased by 11.7%, or ¥12.4 billion, year-on-year, to ¥94.5 billion because of the following reasons:

- Increase in revenue of high-priority products in the domestic ethical drugs,
- Impact of the revision of NHI drug price, and decrease in revenue of long listed drugs and royalty revenue,
- Increase in selling, general and administrative expense to establish sales organization and to accelerate preparations for marketing in MT Pharma America, Inc., sales and marketing subsidiary in the U.S.

【Operating profit】

Operating income increased by 15.0%, or ¥12.2 billion, year-on-year, to ¥94.0 billion.

The Company completed the implementation of major structural reform in the fiscal year ended March 31, 2016. As a result, non-recurring items were significantly improved and operating profit increased in comparison with the previous fiscal year.

【Net profit attributable to owners of the Company】

Net profit attributable to owners of the Company was up 20.2%, or ¥11.9 billion, year-on-year, to ¥71.2 billion.

② R&D activities

The Group promotes research and development activities both in Japan and overseas, aiming continuously to discover new drugs to the world. The Group focuses on the discovery of pharmaceuticals being able to "work with a sense of speed and be the first to deliver its own unique value" in four high-priority areas: autoimmune diseases, diabetes and kidney diseases, nervous system diseases and vaccines. In addition, the Group actively engages in the open shared business through the in-licensing of discovery seeds and the implementation of collaboration with other organizations, and continues to work for enhancing its pipeline by utilizing the optimal method for each candidate.

Under "Medium-Term Management Plan 16-20," the Group aims at accelerating the U.S. business development as one of the important objectives. In the fiscal year ended March 31, 2017, as the first step, the Company filed an application for manufacture and marketing for an indication of amyotrophic lateral sclerosis (ALS) for MCI-186 (generic name: edaravone, U.S. product name: RADICAVA, Japanese product name: RADICUT) in the U.S. and received an approval in May 2017.

In Japan, an application for manufacture and marketing was submitted for MT-2412, the fixed dose combination of TENELIA (DPP-4 inhibitor) and CANAGLU (SGLT2 inhibitor). On this point, the Group aims to expand the lineup for diabetes and kidney diseases fields. As to REMICADE, a high-priority product, it was approved for the increased dosage and shorter dosing intervals in psoriasis. In addition, an application was submitted for a shortened administration interval for Crohn's diseases. Furthermore, the Company newly started phase 2 clinical trials for an indication of non-alcoholic steatohepatitis (NASH) for MT-3995 (selective mineralocorticoid receptor antagonist), an in-house product, and for an indication of renal anemia for MT-6548 (generic name: vadadustat, hypoxia inducible factor prolyl hydroxylase (HIF-PH) inhibitor) licensed from Akebia Therapeutics, Inc. As to vaccine, the Company started phase 3 clinical trials for an indication of combined vaccine (prophylaxis of pertussis, diphtheria, tetanus, poliomyelitis and prophylaxis of Hib infection in infants) for MT-2355 jointly with The Research Foundation for Microbial Disease of Osaka University (hereinafter "BIKEN Foundation").

Research and development expense was ¥64.7 billion, accounting for 15.3% of revenue.

The major progress of clinical development activities (acquisition and application of approval for manufacture and marketing etc.) during the fiscal year ended 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 in Japan.
- In December 2016, TAU-284 (generic name: bepotastine, Japanese product name: TALION) was approved for pediatric allergic rhinitis and pediatric atopic dermatitis in China.
- In March 2017, TA-7284 (generic name: canagliflozin, Japanese product name: CANAGLU) was approved for type 2 diabetes mellitus in Taiwan.
- In March 2017, Janssen Pharmaceutical K.K., a partner of joint development, received approval for ulcerative colitis and an additional formulation for SIMPONI in Japan.

In May 2017, MCI-186 was approved for ALS (amyotrophic lateral sclerosis) in the U.S.

Application of approval

- In June 2016, an application was submitted in the U.S. for ALS (amyotrophic lateral sclerosis) for MCI-186.
- In August 2016, an application was submitted in Japan for type2 diabetes mellitus for MT-2412.
- In September 2016, an application was submitted in Japan for a partial change on administration / dosage (a shortened administration interval) for Crohn's diseases for REMICADE.
- In February 2017, an application was submitted in China for acute-phase cerebral thrombosis for Novastan.

Start of clinical trials

- In October 2016, the Company started phase 2 clinical trials for an indication of renal anemia for MT-6548 in Japan.
- In November 2016, the Company started phase 3 clinical trials for an indication of prophylaxis of pertussis, diphtheria, tetanus, poliomyelitis and prophylaxis of Hib infection in infants for MT-2355 jointly with BIKEN Foundation in Japan.
- In November 2016, the Group started phase 3 clinical trials for an indication of type 2 diabetes mellitus for MP-513 (generic name: teneligliptin, Japanese product name: TENELIA) in China.
- In December 2016, the Company started phase 2 clinical trials for an indication of NASH (non-alcoholic steatohepatitis) for MT-3995 in Japan.

Development status of licensing-out products

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

In April 2017, licensee Kyowa Hakko Kirin Co., Ltd. filed an NDA for an indication of secondary hyperparathyroidism on maintenance dialysis for MT-4580 in Japan.

③ Alliance situation with other companies

The Group promotes not only effective utilization of the management resources, but also strategic alliances with other companies to carry out the management tasks.

The Group's main alliances with other companies are as follows:

Gilenya business with Novartis Pharma AG

The Company grants to Novartis development and commercialization rights for Gilenya globally except for Japan. Novartis has received approval and launched in the U.S., EU and other regions.

The Company receives the royalty revenue according to sales of Gilenya from Novartis.

INVOKANA business with Janssen Pharmaceuticals, Inc.

The Company grants to Janssen the right for development and commercialization of INVOKANA worldwide except for Japan and certain parts of Asia. Janssen has received approval for INVOKANA and the fixed dose combination with Metformin and launched in the U.S., EU and other regions.

The Company receives the royalty revenue according to sales of INVOKANA and the fixed dose combination from Janssen.

Sales alliance with Daiichi Sankyo Co., Ltd.

Daiichi Sankyo and the Company are promoting strategic alliance for TENELIA and CANAGLU to contribute to the treatment of diabetes mellitus in Japan.

Sales alliance with Mochida Pharmaceutical Co., Ltd.

The Company and Yoshitomiya Corporation, a subsidiary of the Company, conduct collaborative sales and promotion for LEXAPRO, anti-depressant, with Mochida in Japan.

Sales alliance with Janssen Biotech, Inc.

Janssen Biotech and the Company had conducted collaborative sales for SIMPONI since it was released. Under the new strategy of both companies, the distribution of SIMPONI was integrated in the Company in April 2016. The Company and Janssen Pharmaceutical K.K., a group company of Janssen Biotech, continue to jointly implement promotional activities.

Alliance with The Research Foundation for Microbial Disease of Osaka University

The Company cooperates with BIKEN Foundation as a distributor of BIKEN Foundation-manufactured vaccines for human use.

BIKEN Foundation and the Company have reached a basic agreement in November 2016 and a final agreement in May 2017 to establish the joint venture "BIKEN CO.,Ltd." on the basis of BIKEN Foundation's vaccine manufacturing business, aiming for a consistent supply of competitive and high-quality vaccines in both Japanese and overseas markets.

Collaborative research with National University Corporation Kyoto University

Kyoto University and the Company concluded research and development agreement regarding "Basic and Clinical Research Project for Discovering Innovative Treatment for Chronic Kidney Disease (CKD)", and carry out joint research.

Collaborative research with AstraZeneca

AstraZeneca and the Company conduct collaborative research in the area of diabetic nephropathy. The aim of the research collaboration is to leverage complementary strengths, expertise and assets to validate and progress novel research targets and molecules into clinical development.

Strategic collaboration with MedImmune

MedImmune, the Company and Tanabe Research Laboratories U.S.A., Inc. (hereinafter "TRL"), a subsidiary of the Company, carry out strategic collaboration for the development to generate antibody-drug conjugates (ADCs) using MedImmune's pyrrolbenzodiazepine (PBD) and TRL's specific cancer-targeting antibody technology.

Alliance with Astellas Pharma Inc.

Astellas and the Company agree the share of their respective approximately 250,000 compounds selected from their respective compound libraries, including a significant number of proprietary synthetic compounds, to further accelerate drug discovery research of innovative new drugs.

④ **Situation of the overseas business development**

In August 2016, the U.S. Food and Drug Administration (FDA) has accepted the Company's application for manufacture and marketing for MCI-186 for an indication of ALS (amyotrophic lateral sclerosis). And the Company received an approval in May 2017. In preparation for launch, the Group will proceed with the formulation of the sales and support system focused on MCI-186, and maximize a range this product can contribute.

In ASEAN (Association of Southeast Asian Nations) region, the Company has established MT Pharma (Thailand) Co., Ltd. (hereinafter "MTPT"). MTPT commenced sales activities of the Company's products in April 2017. MTPT will work to further reinforce the presence of the Company's products in the market by strengthening its foundation in ASEAN region.

⑤ **Forecasts for the fiscal year ending March 31, 2018**

In the fiscal year ending March 31, 2018, revenue is expected to increase from the previous fiscal year due to the following reasons:

- Continued increase in revenue of high-priority products, and launch of new products in domestic ethical drugs,
- Expectation of the increase in royalty revenue due to the expansion of Gilenya, and INVOKANA and the fixed dose combination with Metformin,
- Launch of MCI-186 in the U.S. business.

In terms of profit, core operating profit is expected to decrease from the previous fiscal year because of the increase in R&D expense accompanying the progress of development projects, and the increase in the selling, general and administrative expense as an investment in future growth such as sales promotion of new products and IT infrastructure construction.

In addition, the Company forecasts the decrease in operating profit and major profit items except for net profit attributable to owners of the Company compared to the fiscal year ended March 31, 2017.

(Millions of yen)

	Fiscal Year 2016	Fiscal Year 2017	Increase / Decrease	% change
Revenue	423,977	441,000	17,023	4.0
Core operating profit	94,510	90,000	(4,510)	(4.8)
Operating profit	94,083	90,000	(4,083)	(4.3)
Profit before tax	96,059	91,000	(5,059)	(5.3)
Net profit	68,922	68,000	(922)	(1.3)
Net profit attributable to owners of the Company	71,263	71,500	237	0.3

(2) Overview of Financial Position

【Statement of financial position】

(Millions of yen)

	End of Fiscal Year 2015 (As of March 31, 2016)	End of Fiscal Year 2016 (As of March 31, 2017)	Increase/ Decrease
Non-current assets	308,266	300,778	(7,488)
Current assets	650,179	683,759	33,580
Total assets	958,445	984,537	26,092
Liabilities	132,129	113,107	(19,022)
Equity	826,316	871,430	45,114
Total liabilities and equity	958,445	984,537	26,092

Total assets at the end of the fiscal year ended March 31, 2017 were ¥984.5 billion, an increase of ¥26.0 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 ¥7.4 billion, to ¥300.7 billion, due to the increase in intangible assets and net defined benefit assets, and the decrease accompanying the transfer from non-current assets to current assets in other financial assets.
- Current assets were up ¥33.5 billion, to ¥683.7 billion due to the increase in cash and cash equivalents, other financial assets and inventories.
- Liabilities were down ¥19.0 billion, to ¥113.1 billion due to the decrease in income taxes payable, other non-current liabilities and other current liabilities, and the increase in trade and other payables.
- Equity was up ¥45.1 billion, to ¥871.4 billion, as a result of posting net profit and dividends payment.

【Cash flows】

(Millions of yen)

	Fiscal Year 2015	Fiscal Year 2016	Increase/ Decrease
Operating activities	80,842	59,785	(21,057)
Investing activities	(42,213)	(10,566)	31,647
Financing activities	(22,236)	(24,408)	(2,172)
Change in cash and cash equivalents	15,582	24,304	8,722
At the beginning of the year	73,337	88,919	15,582
At the end of the year	88,919	113,215	24,296

Net increase in cash and cash equivalents was ¥24.3 billion, and the balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2017 was ¥113.2 billion.

- Net cash provided by operating activities was ¥59.7 billion because cash inflows including profit before tax of ¥96.0 billion exceeded cash outflows including income taxes paid of ¥32.4 billion.
- Net cash used by investing activities was ¥10.5 billion mainly because of purchase of property, plant and equipment and intangible assets.
- Net cash used in financing activities was ¥24.4 billion mainly due to dividends paid.

(Reference) Cash flow indicators

	Fiscal Year 2015	Fiscal Year 2016
Ratio of equity attributable to owners of the Company to total assets (%)	85.1	87.4
Ratio of equity attributable to owners of the Company to total assets (market price) (%)	114.5	132.1
Ratio of interest-bearing debt to cash flow (years)	0.0	0.0
Interest coverage ratio	250.3	335.9

- Ratio of equity attributable to owners of the Company to total assets: equity attributable to owners of the Company / total assets
- Ratio of equity attributable to owners of the Company to total assets (market price): total market capitalization / total assets
- Ratio of interest-bearing debt to cash flow: interest-bearing debt / cash flow from operating activities
- Interest coverage ratio: cash flow from operating activities / interest payments

- Notes: 1. Each indicator is calculated on a consolidated basis.
2. Total market capitalization is calculated based on the number of shares outstanding at the end of the year, excluding treasury shares.
 3. Interest-bearing debt includes all liabilities, reported on the consolidated statements of financial position that are subject to interest payments.
 4. The Group has adopted IFRS from the fiscal year ended March 31, 2017 (date of transition to IFRS: April 1, 2015). Accordingly, each indicator for the fiscal year 2014 and earlier is not presented.

(3) Basic Policy regarding the Distribution of Profits and Dividends in the Fiscal Year ended March 31, 2017 and ending March 31, 2018

The Company aims to maximize corporate value through aggressively carrying out strategic investment and R&D investment targeting sustainable growth and provide a stable and continuous return to shareholders.

Under "Medium-Term Management Plan 16-20" starting from the fiscal year ended March 31, 2017, the Company strives to expand the return of profit to shareholders to achieve consolidated payout ratio of 50% under the adoption of IFRS.

The Company recorded the decrease in core operating profit in the fiscal year ended March 31, 2017 due to the following factors:

- Increase in high-priority products in the domestic ethical drugs,
- Impact of the revision of NHI drug price and decrease in long listed drugs,
- Receipt of the lump-sum payment from out-licensing in the fiscal year ended March 31, 2016.

On the other hand, the Company completed the implementation of major structural reform in the previous fiscal year. As a result, non-recurring items were significantly improved and operating profit increased in comparison with the previous fiscal year. In addition, the Company recorded its highest level in net profit attributable to owners of the Company since its establishment.

In light of this situation and basic policy regarding the distribution of profits, the Company plans to pay a year-end dividend of ¥28 per share (an increase of ¥4 per share) for the fiscal year ended March 31, 2017. Accordingly, the annual dividend for the fiscal year ended March 31, 2017 will be ¥52 per share (an increase of ¥6 per share), including the interim dividend.

The Company plans to pay an annual ordinary dividend of ¥56 per share, including an interim dividend of ¥28 per share, for the fiscal year ending March 31, 2018. In addition, the Company plans to pay a commemorative dividend of ¥10 per share to mark its 10th anniversary on October 1, 2017, separately from ordinary dividend, when the Company pays the interim dividend. Therefore, the Company plans to pay an annual dividend of ¥66 per share, consisting of an ordinary dividend of ¥56 per share and a commemorative dividend of ¥10 per share for the fiscal year ending March 31, 2018.

2. Basic Stance of the Selection for Accounting Standards

The Group has adopted IFRS from the first quarter of the fiscal year ended March 31, 2017, for the purpose of improving the international comparability of financial information in the capital market and unifying accounting standards across the Group.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Statements of Income

(Millions of yen)

	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017
Revenue	425,764	423,977
Cost of sales	155,802	164,397
Gross profit	269,962	259,580
Selling, general and administrative expense	96,344	98,302
Research and development expense	64,613	64,783
Amortization of intangible assets associated with products	1,473	1,528
Other income	1,601	974
Other expense	27,361	1,882
Share of profit of affiliates accounted for using equity method	31	24
Operating profit	81,803	94,083
Financial income	2,993	2,212
Financial expense	1,541	236
Profit before tax	83,255	96,059
Income taxes	26,221	27,137
Net profit	57,034	68,922
Net profit attributable to:		
Owners of the Company	59,306	71,263
Non-controlling interests	(2,272)	(2,341)
Net profit	57,034	68,922
Earnings per share		
Basic earnings per share (Yen)	105.72	127.03
Diluted earnings per share (Yen)	—	—

(2) Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017
Net profit	57,034	68,922
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	6,521	(2,229)
Remeasurements of defined benefit plans	(6,111)	3,658
Total other comprehensive income that will not be reclassified to profit or loss	410	1,429
Components of other comprehensive income that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,977)	(1,020)
Cash flow hedges	(101)	(4)
Share of other comprehensive income of affiliates accounted for using equity method	(30)	(18)
Total other comprehensive income that may be reclassified to profit or loss	(5,108)	(1,042)
Total other comprehensive income, net of tax	(4,698)	387
Comprehensive income	52,336	69,309
Comprehensive income attributable to:		
Owners of the Company	55,674	71,915
Non-controlling interests	(3,338)	(2,606)
Comprehensive income	52,336	69,309

(3) Consolidated Statements of Financial Position

(Millions of yen)

	As of April 1, 2015	As of March 31, 2016	As of March 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	87,271	84,077	85,836
Goodwill	81,041	80,511	80,328
Intangible assets	51,290	55,924	61,209
Investments accounted for using equity method	278	265	245
Other financial assets	95,439	65,519	51,623
Net defined benefit assets	15,730	8,170	14,769
Other non-current assets	861	632	482
Deferred tax assets	8,407	13,168	6,286
Total non-current assets	<u>340,317</u>	<u>308,266</u>	<u>300,778</u>
Current assets			
Inventories	82,324	75,697	79,168
Trade and other receivables	130,287	121,249	116,856
Other financial assets	297,182	351,665	354,255
Other current assets	9,428	12,502	9,183
Cash and cash equivalents	73,337	88,919	113,215
Subtotal	<u>592,558</u>	<u>650,032</u>	<u>672,677</u>
Assets held for sale	3,526	147	11,082
Total current assets	<u>596,084</u>	<u>650,179</u>	<u>683,759</u>
Total assets	<u><u>936,401</u></u>	<u><u>958,445</u></u>	<u><u>984,537</u></u>

(Millions of yen)

	As of April 1, 2015	As of March 31, 2016	As of March 31, 2017
Liabilities and equity			
Liabilities			
Non-current liabilities			
Borrowings	894	713	581
Other financial liabilities	2,843	2,646	2,405
Net defined benefit liabilities	2,456	1,354	1,092
Provisions	6,467	9,106	7,890
Other non-current liabilities	7,339	11,987	5,576
Deferred tax liabilities	8,011	7,412	7,156
Total non-current liabilities	28,010	33,218	24,700
Current liabilities			
Borrowings	132	125	127
Trade and other payables	34,585	32,653	35,741
Other financial liabilities	34,871	27,466	24,135
Income taxes payable	19,189	16,332	4,815
Provisions	438	137	86
Other current liabilities	23,181	22,198	20,358
Subtotal	112,396	98,911	85,262
Liabilities directly related to assets held for sale	—	—	3,145
Total current liabilities	112,396	98,911	88,407
Total liabilities	140,406	132,129	113,107
Equity			
Share capital	50,000	50,000	50,000
Capital surplus	451,186	451,186	451,187
Treasury shares	(493)	(494)	(496)
Retained earnings	267,278	304,931	353,427
Other components of equity	16,557	9,895	6,387
Total equity attributable to owners of the Company	784,528	815,518	860,505
Non-controlling interests	11,467	10,798	10,925
Total equity	795,995	826,316	871,430
Total liabilities and equity	936,401	958,445	984,537

(4) Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the Company						
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity		
					Exchange differences on translation of foreign operations	Cash flow hedges	Fair value changes of financial assets measured through other comprehensive income
As of April 1, 2015	50,000	451,186	(493)	267,278	—	105	16,452
Net profit	—	—	—	59,306	—	—	—
Other comprehensive income	—	—	—	—	(3,911)	(101)	6,521
Total comprehensive income	—	—	—	59,306	(3,911)	(101)	6,521
Purchase of treasury shares	—	—	(1)	—	—	—	—
Disposal of treasury shares	—	0	0	—	—	—	—
Dividends	—	—	—	(24,683)	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	3,030	—	—	(9,141)
Total contributions by and distributions to owners	—	0	(1)	(21,653)	—	—	(9,141)
Issuance of new shares	—	—	—	—	—	—	—
Total of changes in ownership interests in subsidiaries	—	—	—	—	—	—	—
Total transactions with owners	—	0	(1)	(21,653)	—	—	(9,141)
As of March 31, 2016	50,000	451,186	(494)	304,931	(3,911)	4	13,832
As of April 1, 2016	50,000	451,186	(494)	304,931	(3,911)	4	13,832
Net profit	—	—	—	71,263	—	—	—
Other comprehensive income	—	—	—	—	(755)	(4)	(2,229)
Total comprehensive income	—	—	—	71,263	(755)	(4)	(2,229)
Purchase of treasury shares	—	—	(2)	—	—	—	—
Disposal of treasury shares	—	1	0	—	—	—	—
Dividends	—	—	—	(26,927)	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	4,160	—	—	(502)
Total contributions by and distributions to owners	—	1	(2)	(22,767)	—	—	(502)
Issuance of new shares	—	—	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—	—
Total transactions with owners	—	1	(2)	(22,767)	—	—	(502)
As of March 31, 2017	50,000	451,187	(496)	353,427	(4,666)	—	11,101

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity			Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Share of other comprehensive income of affiliates accounted for using equity method	Total			
As of April 1, 2015	—	—	16,557	784,528	11,467	795,995
Net profit	—	—	—	59,306	(2,272)	57,034
Other comprehensive income	(6,111)	(30)	(3,632)	(3,632)	(1,066)	(4,698)
Total comprehensive income	(6,111)	(30)	(3,632)	55,674	(3,338)	52,336
Purchase of treasury shares	—	—	—	(1)	—	(1)
Disposal of treasury shares	—	—	—	0	—	0
Dividends	—	—	—	(24,683)	(114)	(24,797)
Transfer from other components of equity to retained earnings	6,111	—	(3,030)	—	—	—
Total contributions by and distributions to owners	6,111	—	(3,030)	(24,684)	(114)	(24,798)
Issuance of new shares	—	—	—	—	2,783	2,783
Total of changes in ownership interests in subsidiaries	—	—	—	—	2,783	2,783
Total transactions with owners	6,111	—	(3,030)	(24,684)	2,669	(22,015)
As of March 31, 2016	—	(30)	9,895	815,518	10,798	826,316
As of April 1, 2016	—	(30)	9,895	815,518	10,798	826,316
Net profit	—	—	—	71,263	(2,341)	68,922
Other comprehensive income	3,658	(18)	652	652	(265)	387
Total comprehensive income	3,658	(18)	652	71,915	(2,606)	69,309
Purchase of treasury shares	—	—	—	(2)	—	(2)
Disposal of treasury shares	—	—	—	1	—	1
Dividends	—	—	—	(26,927)	(80)	(27,007)
Transfer from other components of equity to retained earnings	(3,658)	—	(4,160)	—	—	—
Total contributions by and distributions to owners	(3,658)	—	(4,160)	(26,928)	(80)	(27,008)
Issuance of new shares	—	—	—	—	2,813	2,813
Total of changes in ownership interests in subsidiaries	—	—	—	—	2,813	2,813
Total transactions with owners	(3,658)	—	(4,160)	(26,928)	2,733	(24,195)
As of March 31, 2017	—	(48)	6,387	860,505	10,925	871,430

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017
Cash flows from operating activities:		
Profit before tax	83,255	96,059
Depreciation and amortization	10,336	10,454
Impairment losses on assets	6,030	185
Interest and dividends income	(2,960)	(1,864)
Share of loss (profit) of affiliates accounted for using equity method	(31)	(24)
Loss (gain) on sales of property, plant and equipment	(708)	(67)
Restructuring expenses	16,330	484
Decrease (increase) in trade and other receivables	8,670	(2,030)
Decrease (increase) in inventories	6,271	(7,842)
Increase (decrease) in trade and other payables	(1,660)	4,997
Increase (decrease) in provisions	2,338	(1,267)
Decrease (increase) in net defined benefit assets	(1,372)	(863)
Increase (decrease) in net defined benefit liabilities	(803)	(185)
Increase (decrease) in deferred revenue	5,937	(7,265)
Other	(4,430)	(331)
Subtotal	127,203	90,441
Interest received	1,803	1,211
Dividends received	1,173	737
Interest paid	(323)	(178)
Extra retirement payments	(15,282)	—
Income taxes paid	(33,732)	(32,426)
Net cash provided by operating activities	80,842	59,785
Cash flows from investing activities:		
Payments into time deposits	(150,027)	(684)
Proceeds from withdrawal of time deposits	56,432	118,468
Purchase of property, plant and equipment	(11,890)	(14,271)
Proceeds from sales of property, plant and equipment	2,788	2,325
Purchase of intangible assets	(17,300)	(6,658)
Purchase of investments	(143,022)	(309,930)
Proceeds from sales and redemption of investments	214,370	197,454
Proceeds from company split	3,323	—
Proceeds from transfer of business	3,000	3,056
Other	113	(326)
Net cash used by investing activities	(42,213)	(10,566)
Cash flows from financing activities:		
Proceeds from share issuance to non-controlling shareholders	2,783	2,813
Dividends paid	(24,683)	(26,927)
Other	(336)	(294)
Net cash used in financing activities	(22,236)	(24,408)
Effect of exchange rate changes on cash and cash equivalents	(811)	(507)
Net increase in cash and cash equivalents	15,582	24,304
Increase (decrease) in cash and cash equivalents due to transfer to assets held for sale	—	(8)
Cash and cash equivalents at the beginning of the year	73,337	88,919
Cash and cash equivalents at the end of the year	88,919	113,215

(6) Notes to Consolidated Financial Statements

(Note regarding Going Concern Assumption)

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 consolidated financial statements as of and for the fiscal year ended March 31, 2017 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 "Preparation Methods of Consolidated Financial Statements" are satisfied, the consolidated financial statements of the Group have been prepared in accordance with IFRS pursuant to Article 93 of the ordinance.

The Group first adopted IFRS from the fiscal year ended 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 27.

(2) Authorization of financial statements

The Group's consolidated financial statements were approved on May 10, 2017 by President and Representative Director Masayuki Mitsuka.

(3) Basis of measurement

The Group's Consolidated Financial Statements have been prepared on an acquisition cost basis, except for specific financial instruments described in "Significant Accounting Policies, (11) Financial instruments" on page 20.

(4) Presentation currency

The Group's 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.

(5) 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.

(6) Accounting standards and interpretations that have been published but not yet applied

The following accounting standards and interpretations were newly established or amended by the approval date of the consolidated financial statements. The Group has not early applied these standards and interpretations.

The impact of application of these standards and interpretations on the Group's consolidated financial statements is under consideration and cannot be estimated at this point.

Standards and interpretations		Mandatory application (From fiscal years beginning on or after)	Fiscal year in which the Company will apply standard	Overview of the new standard or amendment
IFRS 15	Revenue from contracts with customers	Jan 1, 2018	Fiscal year ending March 31, 2019	Amendment concerning accounting treatment for revenue recognition
IFRS 16	Leases	Jan 1, 2019	Fiscal year ending March 31, 2020	Amendment concerning accounting treatment for leases

(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.

(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 expired.

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.

(Segment Information)

(1) Overview of reportable segments

The Group is engaged in the single pharmaceuticals business and does not have multiple operating segments. In its pharmaceuticals business, the Group conducts operations related to ethical drugs and OTC products in Japan and overseas.

(2) Information about products and services

The components of revenue are as follows:

(Millions of yen)

	April 1, 2015 - March 31, 2016		April 1, 2016 - March 31, 2017	
	Revenue	Ratio (%)	Revenue	Ratio (%)
Pharmaceuticals				
Domestic ethical drugs	308,084	72.4	314,221	74.1
Overseas ethical drugs	24,711	5.8	22,689	5.4
Royalty revenue, etc.	86,639	20.3	82,239	19.4
OTC products	3,765	0.9	3,413	0.8
Others	2,565	0.6	1,415	0.3
Total	425,764	100.0	423,977	100.0

(3) Geographical information

The geographical breakdown of revenue from external customers and non-current assets is as follows:

1) Revenue from external customers

(Millions of yen)

	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017
Japan	315,425	320,369
Europe	66,962	57,425
North America	24,445	27,039
Asia	18,507	18,752
Others	425	392
Total	425,764	423,977

Note: Revenue is classified by country or region based on the location of customers.

2) Non-current assets

(Millions of yen)

	As of April 1, 2015	As of March 31, 2016	As of March 31, 2017
Japan	174,454	177,990	185,385
Europe	84	65	54
North America	41,028	38,289	37,888
Asia	4,897	4,800	4,528
Others	—	—	—
Total	220,463	221,144	227,855

Note: Non-current assets are classified based on the location of assets and do not include other financial assets, defined benefit assets and deferred tax assets.

(4) Information about major customers

External customers that account for 10% or more of the revenue on the consolidated statement of income are as follows:

(Millions of yen)

Customer name	Related segment name	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017
SUZUKEN CO., LTD.	Pharmaceuticals	64,121	64,596
Toho Pharmaceutical Co., Ltd.	Pharmaceuticals	61,809	62,511
Novartis Pharma AG	Pharmaceuticals	51,742	53,755
Alfresa Corporation	Pharmaceuticals	46,403	50,137
MEDICEO CORPORATION	Pharmaceuticals	45,100	44,462
Total		269,175	275,461

(Earnings per Share)

Basis of calculating basic earnings per share is as follows:

Information on diluted earnings per share is omitted due to an absence of dilutive shares.

	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017
Net profit attributable to owners of the Company (Millions of yen)	59,306	71,263
Net profit not attributable to ordinary equity holders of the Company (Millions of yen)	—	—
Net profit to be used in calculating basic earnings per share (Millions of yen)	59,036	71,263
Average number of ordinary shares outstanding during the period (Thousands of shares)	560,989	560,988
Earnings per share		
Basic earnings per share (Yen)	105.72	127.03

(Subsequent Event)

Not applicable.

(First-time Adoption)

The Group disclosed the Consolidated Financial Statements under IFRS for the first time from 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 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	18)	Other non-current assets
Deferred tax assets	763	8,319	(675)	8,407	19)	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	20)	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	21)	Other financial assets
Other	18,186	(8,758)	–	9,428	22)	Other current assets
Deferred tax assets	8,319	(8,319)	–	–		
Cash and time deposits	50,203	23,134	–	73,337	23)	Cash and cash equivalents
Less allowance for doubtful receivables	(44)	44	–	–		
	–	–	–	592,558		Subtotal
	–	3,526	–	3,526	24)	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	25)	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	26)	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	27)	Other non-current liabilities
Deferred tax liabilities	9,776	–	(1,765)	8,011	28)	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	29)	Other financial liabilities
Income taxes payable	19,758	(569)	–	19,189	30)	Income taxes payable
Reserve for sales returns	127	311	–	438	31)	Provisions
Reserve for sales rebates	11	(11)	–	–		
Reserve for employees' bonuses	9,957	(9,957)	–	–		
Other	15,408	1,673	6,100	23,181	32)	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	33)	Retained earnings
Total accumulated other comprehensive income	12,961	–	3,596	16,557	34)	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 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	18)	Other non-current assets
Deferred tax assets	6,052	7,287	(171)	13,168	19)	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	20)	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	21)	Other financial assets
Other	20,765	(8,263)	–	12,502	22)	Other current assets
Deferred tax assets	7,287	(7,287)	–	–		
Cash and time deposits	142,674	(53,755)	–	88,919	23)	Cash and cash equivalents
Less allowance for doubtful receivables	(39)	39	–	–		
	–	–	–	650,032		Subtotal
	–	147	–	147	24)	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	25)	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	26)	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	27)	Other non-current liabilities
Deferred tax liabilities	7,532	–	(120)	7,412	28)	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	29)	Other financial liabilities
Income taxes payable	17,451	(1,119)	–	16,332	30)	Income taxes payable
Reserve for sales returns	124	13	–	137	31)	Provisions
Reserve for sales rebates	13	(13)	–	–		
Reserve for employees' bonuses	10,686	(10,686)	–	–		
Other	10,374	4,837	6,987	22,198	32)	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	33)	Retained earnings
Total accumulated other comprehensive income	(1,836)	–	11,731	9,895	34)	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 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. Consequently, the amount of “Income taxes” has 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.

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) 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.

19) 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.

20) 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.

21) 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.

22) 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.

23) 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.

24) 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.

25) 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.

26) 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.

27) 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.

28) 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.

29) 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.

30) 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.

31) 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.

32) 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.

33) Retained earnings

(Millions of yen)

	Note	As of April 1, 2015	As of March 31, 2016
Adjustment for deferred income	1), 27), 32)	(4,253)	(8,486)
Adjustment for immediate recognition and change of the calculation method of actuarial gains or losses in defined benefit plans	2), 12), 34)	(2,179)	(9,902)
Adjustment for intangible assets	3), 4), 6), 14), 15)	6,247	13,105
Adjustment for property, plant and equipment	13)	(3,415)	(3,062)
Adjustment for goodwill	14), 15)	–	10,498
Adjustment for accrued paid absences	27), 32)	(4,143)	(4,088)
Others		(304)	(209)
Total adjustment for retained earnings		(8,047)	(2,144)

34) 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 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.

(6) Other

The situation in major court action of the Group was as follows:

【Court action for compensation by patients infected with HCV (hepatitis C virus)】

After "the Special Relief Law Concerning the Payment of Benefits to Relieve the Patients of Hepatitis C Infected through Specified Fibrinogen Preparations and Specified Blood-Coagulation Factor IX Preparations Contaminated by Hepatitis C Virus" ("the Special Law" promulgated on January 16, 2008) was put into effect, in accordance with the procedures determined by the Special Law the patients allegedly suffered through HCV (hepatitis C virus) infection following use of a fibrinogen product or a blood coagulant factor IX product sold by the former Green Cross Corporation, one of the predecessors of the Company, filed a lawsuit against the government and established their eligibility for relief. Subsequently, a settlement with the government was reached, and the relief for the patients was provided through the payment of benefits.

On September 28, 2008, a "basic agreement" for the conclusion of the previous court action was signed with the nationwide plaintiff group and legal team. In regard to the expense of relief payments under the Special Law, the burden of that expense and the method of sharing that burden were the subject of discussions with the Ministry of Health, Labour and Welfare, and those standards were announced by the Ministry of Health, Labour and Welfare on April 10, 2009, and the Company incurs the expenses in accordance with the standards. On January 16, 2013, a partial amendment was made to the Special Law and promulgated, and the period for claimants to file lawsuits was extended.

In order to reach a full resolution of the issue of HCV infection through use of specific fibrinogen products or specific coagulation factor IX products, the Company is committed to continue earnest engagement in the future.