

Financial Results for the First Six Months of the Fiscal year ending March 31, 2018 (IFRS, Consolidated)

November 1, 2017

Company name: Mitsubishi Tanabe Pharma Corporation
 Stock exchange listings: Tokyo
 Securities code number: 4508
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Planned date of filing of quarterly securities report: November 8, 2017
 Planned date of start of dividend payments: December 1, 2017
 Provision of supplementary explanatory materials for quarterly results: Yes
 Quarterly results presentation: Yes (for institutional investors and securities analysts)

Notes; Amounts less than ¥1 million have been rounded.

Percentage changes in the list show change in comparison with the same period of the previous fiscal year.

1. Results for 2nd Quarter (April 1, 2017 to September 30, 2017)

(1) Consolidated Business Results

	Revenue		Core operating profit		Operating profit	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
2nd Quarter of Fiscal 2017	213,356	4.5	39,725	(17.2)	36,857	(22.9)
2nd Quarter of Fiscal 2016	204,115	1.0	47,953	(3.5)	47,816	(3.0)

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

	Profit before income tax		Profit for the period		Profit attributable to owners of the Company	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
2nd Quarter of Fiscal 2017	37,577	(23.9)	28,249	(19.8)	29,828	(17.8)
2nd Quarter of Fiscal 2016	49,402	(0.6)	35,225	1.5	36,297	1.6

	Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of Yen	% change	Yen	Yen
2nd Quarter of Fiscal 2017	36,733	45.7	53.18	—
2nd Quarter of Fiscal 2016	25,208	(24.0)	64.70	—

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity attributable to owners of the Company per share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2017	1,019,058	894,703	881,769	86.5	1,572.41
As of March 31, 2017	984,537	871,430	860,505	87.4	1,533.91

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2016	—	24.00	—	28.00	52.00
Fiscal 2017	—	38.00			
Fiscal 2017(forecasts)			—	28.00	66.00

(Note) Revisions to recently announced dividend forecasts: No

Breakdown of dividend at the end of the 2nd quarter of the fiscal year ending March 31, 2018:
ordinary dividend ¥28.00, commemorative dividend ¥10.00

3. Forecasts for Fiscal 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
Full year	433,000	2.1	80,000	(15.4)	81,000	(13.9)

	Profit before tax		Profit for the period		Profit attributable to owners of the Company	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Full year	82,000	(14.6)	60,000	(12.9)	63,500	(10.9)

Basic earnings per share: Full year ¥113.22

(Note) Revisions to recently announced consolidated earnings forecasts: No

※ Notes

(1) Significant change involving subsidiaries during the period: No

(Change in designated subsidiaries accompanying changes in the scope of consolidation)

(2) Changes in accounting policies and accounting estimates

1. Changes in accounting policies required by IFRS: No

2. Other changes: No

3. Change in accounting estimates: No

(3) Number of shares issued (ordinary shares)

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

2nd Quarter of Fiscal 2017	561,417,916 shares	Fiscal 2016	561,417,916 shares
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2. Number of treasury shares at the end of the period

2nd Quarter of Fiscal 2017	641,386 shares	Fiscal 2016	429,753 shares
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3. Average number of shares during the period (cumulative total)

2nd Quarter of Fiscal 2017	560,927,615 shares	2nd Quarter of Fiscal 2016	560,988,894 shares
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(Note) The Company introduces the executive compensation BIP Trust since the fiscal year ending March 31, 2018. The shares that the trust account holds are included in treasury shares (211,100 shares at the end of the first six months of the fiscal year ending March 31, 2018).

*This financial results report is exempt from the audit procedures.

*Explanation regarding the appropriate use of earnings forecasts and other matters of special note

(Note about forward-looking information)

In these materials, earnings forecasts and other statements about the future are forward-looking statements based on the information currently available and certain assumptions that the Company regards as reasonable. Accordingly, the Company cannot make promises to achieve such forecasts. Actual financial results may differ materially from these forecasts depending on a number of important factors.

Please see “1. Qualitative Information for 2nd Quarter of Fiscal year 2017 (3) Explanation about Future Prediction Information of Consolidated Earnings Forecasts” on page 4 for information regarding the forecast of consolidated financial results.

(Methods of obtaining the supplementary materials and the content of the results presentation)

- Supplementary materials are disclosed with this material on TDnet on the same day and are made available on the Company's website.

- The Company plans to hold a results presentation (conference call) for institutional investors and securities analysts on November 1, 2017 (Wednesday).

The Company plans to make the presentation materials available on its website at the same time as the release of this document, and the audio materials are provided on the website immediately after the presentation is held.

Contents of supplement

1. Qualitative Information for 2nd Quarter of Fiscal year 2017	1
(1) Explanation about Results of Operations	1
(2) Explanation about Financial Position	4
(3) Explanation about Future Prediction Information of Consolidated Earnings Forecasts	4
2. Condensed Consolidated Financial Statements and Main Notes	5
(1) Condensed Consolidated Statements of Income	5
(2) Condensed Consolidated Statements of Comprehensive Income	6
(3) Condensed Consolidated Statements of Financial Position	7
(4) Condensed Consolidated Statements of Changes in Equity	9
(5) Condensed Consolidated Statements of Cash Flows	11
(6) Notes to Condensed Consolidated Financial Statements	12
(Note regarding Going Concern Assumption)	12
(Subsequent Event)	12

1. Qualitative Information for 2nd Quarter of Fiscal year 2017

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

(1) Explanation about Results of Operations

Consolidated operating results for the first six months of the fiscal year ending March 31, 2018 (April 1, 2017 to September 30, 2017) were as follows.

(Millions of yen)

	2nd quarter of Fiscal year 2016	2nd quarter of Fiscal year 2017	Increase / Decrease	% change
Revenue	204,115	213,356	9,241	4.5
Core operating profit	47,953	39,725	(8,228)	(17.2)
Operating profit	47,816	36,857	(10,959)	(22.9)
Profit before income tax	49,402	37,577	(11,825)	(23.9)
Profit attributable to owners of the Company	36,297	29,828	(6,469)	(17.8)

< Research and development expenses >

(Millions of yen)

	2nd quarter of Fiscal year 2016	2nd quarter of Fiscal year 2017	Increase / Decrease	% change
Research and development expenses	30,327	36,379	6,052	20.0

【Revenue】

Revenue increased by 4.5%, or ¥9.2 billion, year-on-year, to ¥213.3 billion.

(Millions of yen)

	2nd quarter of Fiscal year 2016	2nd quarter of Fiscal year 2017	Increase / Decrease	% change
Pharmaceuticals	204,115	213,356	9,241	4.5
Domestic ethical drugs	151,994	157,299	5,305	3.5
Overseas ethical drugs	10,672	13,997	3,325	31.2
Royalty revenue, etc.	38,510	39,637	1,127	2.9
OTC products	1,944	2,168	224	11.5
Others	995	255	(740)	(74.4)

• Revenue of domestic ethical drugs increased by 3.5%, year-on-year, to ¥157.2 billion because of an increase in revenue of high-priority products such as SIMPONI, for the treatment agent of Rheumatoid arthritis (RA), and TENELIA and CANAGLU, type 2 diabetes mellitus.

• Revenue of overseas ethical drugs increased by 31.2%, year-on-year, to ¥13.9 billion because of the launch of RADICAVA, for the treatment option of ALS (amyotrophic lateral sclerosis) in the U.S., and the effect of exchange rates.

• Royalty revenue, etc. increased by 2.9%, year-on-year, to ¥39.6 billion due to the following reasons:

- Increase in royalty revenue from Gilenya, for the treatment of multiple sclerosis, licensed to Novartis,
- Occurrence of one-time income associated with out-licensing activities,
- Positive impact from yen depreciation,
- Decrease in royalty revenue from INVOKANA and the fixed dose combination with metformin, for the treatment of type2 diabetes mellitus, licensed to Janssen Pharmaceuticals

【Core operating profit】

Core operating profit decreased by 17.2%, or ¥8.2 billion, year-on-year, to ¥39.7 billion due to an increase in R&D expenses, and selling, general and administrative expenses in Mitsubishi Tanabe Pharma America, Inc., sales and marketing subsidiary in the U.S., although revenue increased.

【Operating profit】

Operating profit decreased by 22.9%, or ¥10.9 billion, year-on-year, to ¥36.8 billion. The Group recorded mainly the expense associated with the business termination of Bipha Corporation, manufacturing subsidiary in Japan, and the impairment losses of intangible assets accompanying the discontinuation of the project development activities as a non-recurring item excluded from core operating profit.

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

Profit before tax decreased by 23.9%, or ¥11.8 billion, year-on-year, to ¥37.5 billion because of a decrease in operating profit and financial income mainly interest income and foreign exchange income. And net profit attributable to owners of the Company decreased by 17.8%, or ¥6.4 billion, year-on-year, to ¥29.8 billion.

【R&D activities】

Research and development expenses were ¥36.3 billion, accounting for 17.1% of revenue. The major progress of clinical development activities during the first six months of the fiscal year ending March 31, 2018 is as follows;

Acquisition of approval

- In May 2017, MCI-186 (generic name: edaravone, U.S. product name: RADICAVA, Japanese product name: RADICUT) was approved for ALS (amyotrophic lateral sclerosis) in the U.S.
- In May 2017, REMICADE was approved for a partial change on administration / dosage (a shortened administration interval) for Crohn's diseases in Japan.
- In July 2017, MT-2412, the fixed dose combination of TENELIA (DPP-4 inhibitor) and CANAGLU (SGLT2 inhibitor), (Japanese product name: CANALIA combination tablets) was approved for type 2 diabetes mellitus in Japan.

Application of approval

- In August 2017, an application was submitted in Indonesia for type2 diabetes mellitus for TA-7284 (generic name: canagliflozin, Japanese product name: CANAGLU).

Start of clinical trials

- In August 2017, the Company started phase 2/3 clinical trials for an indication of tardive dyskinesia for MT-5199 (VMAT2 inhibitor) in Japan.
- In August 2017, the Company started phase 3 clinical trials for an indication of prophylaxis of seasonal influenza for MT-2271 (plant-based VLP vaccine) in the U.S., Europe, Canada, and others.
- In August 2017, the Company started phase 2 clinical trials for painful diabetic peripheral neuropathy for MT-8554 in Europe.

Development status of licensing-out products

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

Licensee Janssen Pharmaceuticals, Inc. filed NDAs for an indication of (reduce the risk of death in type 2 diabetes with established, or risk for, cardiovascular disease (CANVAS / CANVAS-R)) for TA-7284 (generic name: canagliflozin, U.S. product name: INVOKANA) in the U.S., September 2017, and Europe, October 2017.

And, in October 2017, licensee Kyowa Hakko Kirin Co., Ltd. started phase 3 clinical trials for an indication of hypercalcemia in patients with parathyroid carcinoma or primary hyperparathyroidism for MT-4580 in Japan.

(2) Explanation about Financial Position

【Statement of financial position】

(Millions of yen)

	End of Fiscal year 2016 (As of March 31, 2017)	End of 2nd quarter of Fiscal year 2017 (As of September 30, 2017)	Increase / Decrease
Non-current assets	300,778	331,292	30,514
Current assets	683,759	687,766	4,007
Total assets	984,537	1,019,058	34,521
Liabilities	113,107	124,355	11,248
Equity	871,430	894,703	23,273
Total liabilities and equity	984,537	1,019,058	34,521

Total assets at the end of the second quarter of the fiscal year ending March 31, 2018 were ¥1,019.0 billion, an increase of ¥34.5 billion from the end of the fiscal year ended March 31, 2017. Major factors causing changes in the consolidated statement of financial position in comparison with the previous year-end were as follows.

- Non-current assets increased by ¥30.5 billion, to ¥331.2 billion, due to increase in investments accounted for using equity method (acquisition of share of BIKEN Co., LTD.), intangible assets associated with products and net defined benefit assets.
- Current assets increased by ¥4.0 billion, to ¥687.7 billion because the increase in cash and cash equivalents and trade and other receivables exceeded the decrease in other financial assets.
- Liabilities increased by ¥11.2 billion, to ¥124.3 billion, due to increase in income taxes payable and other payables.
- Equity increased by ¥23.2 billion, to ¥894.7 billion, as a result of posting net profit for the period and dividends payment, and an increase in the fair value of pension assets.

【Cash flows】

(Millions of yen)

	2nd quarter of Fiscal year 2016	2nd quarter of Fiscal year 2017	Increase / Decrease
Operating activities	31,324	29,709	(1,615)
Investing activities	43,914	126,320	82,406
Financing activities	(12,030)	(13,592)	(1,562)
Change in cash and cash equivalents	61,492	143,028	81,536
At the beginning of the year	88,919	113,215	24,296
At the end of the period	150,411	256,186	105,775

Net increase in cash and cash equivalents was ¥143.0 billion, and the balance of cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2018 was ¥256.1 billion.

- Net cash provided by operating activities was ¥29.7 billion because cash inflows including profit before taxes of ¥37.5 billion exceeded cash outflows including income taxes paid of ¥3.9 billion.
- Net cash provided by investing activities was ¥126.3 billion mainly due to redemption of marketable securities.
- Net cash used in financing activities was ¥13.5 billion mainly due to dividends paid.

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

There has been no change to the consolidated forecasts for the full-year of the fiscal year ending March 31, 2018 announced on October 24, 2017.

2. Condensed Consolidated Financial Statements and Main Notes

(1) Condensed Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Revenue	204,115	213,356
Cost of sales	78,353	84,501
Gross profit	125,762	128,855
Selling, general and administrative expenses	46,686	51,455
Research and development expenses	30,327	36,379
Amortization of intangible assets associated with products	737	1,054
Other income	647	266
Other expenses	857	3,391
Share of profit of affiliates accounted for using equity method	14	15
Operating profit	47,816	36,857
Financial income	1,881	1,226
Financial expenses	295	506
Profit before income tax	49,402	37,577
Income taxes expenses	14,177	9,328
Profit for the period	35,225	28,249
Profit attributable to:		
Owners of the Company	36,297	29,828
Non-controlling interests	(1,072)	(1,579)
Profit for the period	35,225	28,249
Earnings per share		
Basic earnings per share (Yen)	64.70	53.18
Diluted earnings per share (Yen)	—	—

(2) Condensed Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit for the period	35,225	28,249
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net changes in financial assets measured at fair value through other comprehensive income	(2,948)	1,235
Remeasurements of defined benefit plans	(682)	3,704
Subtotal	(3,630)	4,939
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(6,343)	2,826
Effective portion of changes in fair value of cash flow hedges	(8)	707
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(36)	12
Subtotal	(6,387)	3,545
Other comprehensive income (loss), net of tax	(10,017)	8,484
Comprehensive income	25,208	36,733
Comprehensive income (loss) attributable to:		
Owners of the Company	27,546	37,502
Non-controlling interests	(2,338)	(769)
Comprehensive income	25,208	36,733

(3) Condensed Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Non-current assets		
Property, plant and equipment	85,836	83,551
Goodwill	80,328	80,764
Intangible assets	61,209	70,980
Investments in associates and joint ventures accounted for using equity method	245	16,421
Other financial assets	51,623	50,888
Net defined benefit assets	14,769	20,026
Other non-current assets	482	445
Deferred tax assets	6,286	8,217
Total non-current assets	300,778	331,292
Current assets		
Inventories	79,168	78,164
Trade and other receivables	116,856	132,160
Other financial assets	354,255	201,656
Other current assets	9,183	7,799
Cash and cash equivalents	113,215	256,186
Subtotal	672,677	675,965
Assets held for sale	11,082	11,801
Total current assets	683,759	687,766
Total assets	984,537	1,019,058

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities and equity		
Liabilities		
Non-current liabilities		
Borrowings	581	523
Other financial liabilities	2,405	2,325
Net defined benefit liabilities	1,092	1,618
Provisions	7,890	7,646
Other non-current liabilities	5,576	5,782
Deferred tax liabilities	7,156	7,706
Total non-current liabilities	24,700	25,600
Current liabilities		
Borrowings	127	120
Trade and other payables	35,741	36,088
Other financial liabilities	24,135	23,015
Income taxes payable	4,815	15,343
Provisions	86	410
Other current liabilities	20,358	20,794
Subtotal	85,262	95,770
Liabilities directly related to assets held for sale	3,145	2,985
Total current liabilities	88,407	98,755
Total liabilities	113,107	124,355
Equity		
Share capital	50,000	50,000
Capital surplus	451,187	451,204
Treasury shares	(496)	(1,044)
Retained earnings	353,427	371,365
Other components of equity	6,387	10,244
Total equity attributable to owners of the Company	860,505	881,769
Non-controlling interests	10,925	12,934
Total equity	871,430	894,703
Total liabilities and equity	984,537	1,019,058

(4) Condensed 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	Effective portion of changes in fair value of cash flow hedges	Net changes in financial assets measured at fair value through other comprehensive income
As of April 1, 2016	50,000	451,186	(494)	304,931	(3,911)	4	13,832
Profit for the period	—	—	—	36,297	—	—	—
Other comprehensive income	—	—	—	—	(5,077)	(8)	(2,948)
Total comprehensive income	—	—	—	36,297	(5,077)	(8)	(2,948)
Acquisition of treasury shares	—	—	(1)	—	—	—	—
Disposal of treasury shares	—	1	0	—	—	—	—
Dividends	—	—	—	(13,464)	—	—	—
Share-based payments							
Transfer from other components of equity to retained earnings	—	—	—	(695)	—	—	13
Total contributions by and distributions to owners	—	1	(1)	(14,159)	—	—	13
Issuance of new shares	—	—	—	—	—	—	—
Changes in ownership interests in subsidiaries and others	—	—	—	—	—	—	—
Total transactions with owners	—	1	(1)	(14,159)	—	—	13
Balance as of September 30, 2016	50,000	451,187	(495)	327,069	(8,988)	(4)	10,897
As of April 1, 2017	50,000	451,187	(496)	353,427	(4,666)	—	11,101
Profit for the period	—	—	—	29,828	—	—	—
Other comprehensive income	—	—	—	—	2,016	707	1,235
Total comprehensive income	—	—	—	29,828	2,016	707	1,235
Acquisition of treasury shares	—	—	(548)	—	—	—	—
Disposal of treasury shares	—	0	0	—	—	—	—
Dividends	—	—	—	(15,707)	—	—	—
Share-based payments	—	17	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	3,817	—	—	(113)
Total contributions by and distributions to owners	—	17	(548)	(11,890)	—	—	(113)
Issuance of new shares	—	—	—	—	—	—	—
Changes in ownership interests in subsidiaries and others	—	—	—	—	—	—	—
Total transactions with owners	—	17	(548)	(11,890)	—	—	(113)
Balance as of September 30, 2017	50,000	451,204	(1,044)	371,365	(2,650)	707	12,223

(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 associates and joint ventures accounted for using equity method	Total			
Balance as of April 1, 2016	—	(30)	9,895	815,518	10,798	826,316
Profit for the period	—	—	—	36,297	(1,072)	35,225
Other comprehensive income	(682)	(36)	(8,751)	(8,751)	(1,266)	(10,017)
Total comprehensive income	(682)	(36)	(8,751)	27,546	(2,338)	25,208
Acquisition of treasury shares	—	—	—	(1)	—	(1)
Disposal of treasury shares	—	—	—	1	—	1
Dividends	—	—	—	(13,464)	(77)	(13,541)
Share-based payments						
Transfer from other components of equity to retained earnings	682	—	695	—	—	—
Total contributions by and distributions to owners	682	—	695	(13,464)	(77)	(13,541)
Issuance of new shares	—	—	—	—	1,617	1,617
Changes in ownership interests in subsidiaries and others	—	—	—	—	1,617	1,617
Total transactions with owners	682	—	695	(13,464)	1,540	(11,924)
Balance as of September 30, 2016	—	(66)	1,839	829,600	10,000	839,600
As of April 1, 2017	—	(48)	6,387	860,505	10,925	871,430
Profit for the period	—	—	—	29,828	(1,579)	28,249
Other comprehensive income	3,704	12	7,674	7,674	810	8,484
Total comprehensive income	3,704	12	7,674	37,502	(769)	36,733
Acquisition of treasury shares	—	—	—	(548)	—	(548)
Disposal of treasury shares	—	—	—	0	—	0
Dividends	—	—	—	(15,707)	(124)	(15,831)
Share-based payments	—	—	—	17	—	17
Transfer from other components of equity to retained earnings	(3,704)	—	(3,817)	—	—	—
Total contributions by and distributions to owners	(3,704)	—	(3,817)	(16,238)	(124)	(16,362)
Issuance of new shares	—	—	—	—	2,902	2,902
Changes in ownership interests in subsidiaries and others	—	—	—	—	2,902	2,902
Total transactions with owners	(3,704)	—	(3,817)	(16,238)	2,778	(13,460)
Balance as of September 30, 2017	—	(36)	10,244	881,769	12,934	894,703

(5) Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities:		
Profit before income tax	49,402	37,577
Depreciation and amortization	5,044	5,601
Impairment losses	13	1,107
Interest and dividends income	(1,374)	(664)
Share of profits of associates and joint ventures accounted for using equity method	(14)	(15)
Loss (gain) on valuation of investment in securities	—	397
Loss (gain) on sales of property, plant and equipment	(187)	(2)
Decrease (increase) in trade and other receivables	(5,262)	(14,593)
Decrease (increase) in inventories	(95)	994
Increase (decrease) in trade and other payables	3,731	36
Increase (decrease) in provisions	(1,219)	80
Decrease (increase) in net defined benefit assets	(442)	148
Other	(2,736)	2,393
Subtotal	46,861	33,059
Interest received	997	251
Dividends received	474	450
Interest paid	(87)	(95)
Income taxes paid	(16,921)	(3,956)
Net cash flows from operating activities	31,324	29,709
Cash flows from investing activities:		
Payments into time deposits	(616)	(131)
Proceeds from withdrawal of time deposits	117,591	53
Purchase of property, plant and equipment	(5,594)	(5,015)
Proceeds from sales of property, plant and equipment	578	64
Purchase of intangible assets	(937)	(8,148)
Purchase of investments	(121,636)	(178,000)
Proceeds from sales and redemption of investments	54,500	333,771
Purchase share of profits of associates and joint ventures accounted for using equity method	—	(16,149)
Other	28	(125)
Net cash flows used in investing activities	43,914	126,320
Cash flows from financing activities:		
Purchase of acquisition of treasury shares	(1)	(548)
Proceeds from stock issuance to non-controlling interests	1,617	2,902
Dividends paid	(13,464)	(15,707)
Other	(182)	(239)
Net cash flows used in financing activities	(12,030)	(13,592)
Effect of exchange rate changes on cash and cash equivalents	(1,716)	591
Net increase in cash and cash equivalents	61,492	143,028
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	—	(57)
Cash and cash equivalents at the beginning of period	88,919	113,215
Cash and cash equivalents at the end of period	150,411	256,186

(6) Notes to Condensed Consolidated Financial Statements

(Note regarding Going Concern Assumption)

Not applicable.

(Subsequent Event)

(Acquisition of NeuroDerm Ltd.)

The Company acquired all of the outstanding shares (including shares underlying options) of NeuroDerm Ltd. (hereinafter “NeuroDerm”) and made it a wholly-owned subsidiary on October 18, 2017 (IDT: Israel Daylight Time).

(1) Overview of the acquisition

i) Name and business description of the acquired company

Company name : NeuroDerm Ltd.
Business description : Development of treatments for CNS disorders including Parkinson’s disease

ii) Date of the acquisition

October 18, 2017 (IDT: Israel Daylight Time)

iii) Ratio of equity interest of the voting shares acquired

100%

iv) Procedure of the acquisition

The share acquisition in exchange for cash

v) Main reasons of the acquisition

NeuroDerm is a clinical-stage pharmaceutical company that develops novel formulation technology and drug-device combinations for Parkinson’s disease. Its lead product candidate, ND0612 has commenced phase 3 clinical trials in the U.S. and Europe, and the product is expected to launch in Fiscal year 2019. Given the importance of controlling blood levels of levodopa in the treatment of Parkinson’s disease, ND0612 is expected to be used to treat advanced stage Parkinson’s disease, and will be used in patients for whom oral levodopa is no longer effective in the control of motor complications. NeuroDerm is the first to develop liquid levodopa and carbidopa in the world. ND0612 can be continuously subcutaneously administered over a 24-hour period through a convenient small belt-worn pump.

In its “Medium-Term Management Plan 16-20: Open Up the Future,” the Company stated that it will strive, through in-house sales, to rapidly build a foundation for sustained growth in the U.S., the world’s largest pharmaceutical market.

As a first step toward advancing its franchise in the U.S., the Company has launched RADICAVA, an FDA approved treatment option for ALS (amyotrophic lateral sclerosis) in the U.S. market in August 2017. Additionally, the acquisition of ND0612 through this transaction is intended to enable the Company to achieve its U.S. sales target of ¥80 billion by Fiscal year 2020, which is part of its Medium-Term Management Plan. The Company will expand its product pipeline in the central nervous system disease area and advance its goal of providing patients with innovative drugs to address unmet medical needs.

(2) Fair value of consideration

Fair value of consideration is as below.

	amount
Cash	USD 1,117 million (JPY 124.4 billion)

Since the Company has not completed initial accounting process of the acquisition on the date of filing of this report, the details of assets acquired, liabilities assumed, goodwill and others are yet to be determined.