

# Financial Results for the First Six Months of the Fiscal year ending March 31, 2019 (IFRS, Consolidated)

October 30, 2018

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 Stock exchange listings: Tokyo  
 Securities code number: 4508  
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Planned date of filing of quarterly securities report: November 6, 2018  
 Planned date of start of dividend payments: December 3, 2018  
 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, 2018 to September 30, 2018)

### (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 2018	209,710	(1.7)	34,503	(13.1)	34,503	(6.4)
2nd Quarter of Fiscal 2017	213,356	4.5	39,725	(17.2)	36,857	(22.9)

(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 2018	34,820	(7.3)	23,171	(18.0)	24,991	(16.2)
2nd Quarter of Fiscal 2017	37,577	(23.9)	28,249	(19.8)	29,828	(17.8)

	Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of Yen	% change	Yen	Yen
2nd Quarter of Fiscal 2018	39,816	8.4	44.57	44.56
2nd Quarter of Fiscal 2017	36,733	45.7	53.18	—

### (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, 2018	1,070,941	921,136	908,216	84.8	1,619.57
As of March 31, 2018	1,048,444	894,827	882,808	84.2	1,574.26

## 2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	—	38.00	—	28.00	66.00
Fiscal 2018	—	28.00			
Fiscal 2018(forecasts)			—	28.00	56.00

(Note) Revisions to recently announced dividend forecasts: No

## 3. Forecasts for Fiscal 2018 (April 1, 2018 to March 31, 2019)

	Revenue		Core Operating profit		Operating profit	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Full year	435,000	0.3	70,000	(10.9)	67,000	(13.3)

	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
Full year	67,500	(14.3)	44,500	(17.6)	47,000	(18.9)

Basic earnings per share: Full year ¥83.81

(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: Yes

2. Changes in accounting policies other than the above: No

3. Change in accounting estimates: No

(Note) Please refer to "2. Condensed Consolidated Financial Statements and Main Notes (6) Notes to Condensed Consolidated Financial Statements (Changes in Accounting Policies)."

(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 2018	561,417,916 shares	Fiscal 2017	561,417,916 shares
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2. Number of treasury shares at the end of the period

2nd Quarter of Fiscal 2018	640,231 shares	Fiscal 2017	642,309 shares
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3. Average number of shares during the period (cumulative total)

2nd Quarter of Fiscal 2018	560,776,224 shares	2nd Quarter of Fiscal 2017	560,927,615 shares
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(Note) The Company introduced the executive compensation BIP Trust. The shares that the trust account holds are included in treasury shares (208,655 shares at the end of the first six months of the fiscal year ending March 31, 2019, compared to 211,100 shares at the end of the fiscal year ended March 31, 2018).

\*This financial results report is exempt from the quarterly review procedures performed by Certified Public Accountants and auditing firm.

\*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 assure 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 2018 (3) Explanation about Future Prediction Information of Consolidated Earnings Forecasts" 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 on TDnet and available on the Company's website on the same day with this material.
- The Company plans to hold a results presentation (conference call) for institutional investors and securities analysts on October 30, 2018 (Tuesday).

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

(Other information)

The Company finalized the provisional accounting treatment for the business combinations in the first six months of the fiscal year ending March 31, 2019. As a result, the comparative amount of previous fiscal year listed in the Condensed Consolidated Financial Statements reflected the revision of the initial purchase price allocation. For details, please see "2. Condensed Consolidated Financial Statements and Main Notes (6) Notes to Condensed Consolidated Financial statements (Business Combinations)."

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## 1. Qualitative Information for 2nd Quarter of Fiscal year 2018

### (1) Explanation about Results of Operations

Consolidated operating results for the first six months of the fiscal year ending March 31, 2019 (April 1, 2018 to September 30, 2018) were as follows.

(Millions of yen)

	2nd quarter of Fiscal year 2017	2nd quarter of Fiscal year 2018	Increase / Decrease	% change
Revenue	213,356	209,710	(3,646)	(1.7)
Core operating profit	39,725	34,503	(5,222)	(13.1)
Operating profit	36,857	34,503	(2,354)	(6.4)
Profit before income tax	37,577	34,820	(2,757)	(7.3)
Profit attributable to owners of the Company	29,828	24,991	(4,837)	(16.2)

#### 【Revenue】

Revenue decreased by 1.7%, or ¥3.6 billion, year-on-year, to ¥209.7 billion.

(Millions of yen)

	2nd quarter of Fiscal year 2017	2nd quarter of Fiscal year 2018	Increase / Decrease	% change
Pharmaceuticals	213,356	209,710	(3,646)	(1.7)
Domestic ethical drugs	157,299	141,571	(15,728)	(10.0)
Overseas ethical drugs	13,997	27,466	13,469	96.2
Royalty revenue, etc.	39,637	36,306	(3,331)	(8.4)
OTC products	2,168	2,200	32	1.5
Others	255	2,167	1,912	749.8

• Revenue of domestic ethical drugs decreased by 10.0%, year-on-year, to ¥141.5 billion. Sales of priority products increased, including SIMPONI, the treatment agent of Rheumatoid arthritis (RA) and CANALIA, a type 2 diabetes mellitus treatment agent launched in September 2017, as well as STELARA, a treatment for Crohn's disease which is jointly promoted with Janssen Pharmaceutical K.K., updated the co-promotion framework in July 2018. On the contrary, the NHI drug price revision started in April 2018 and the transfer of the generic drug business in October 2017 caused a net negative impact on revenue.

• Revenue of overseas ethical drugs increased by 96.2%, year-on-year, to ¥27.4 billion, mainly driven by the launch of RADICAVA, the treatment for amyotrophic lateral sclerosis (ALS) in the U.S in August 2017.

• Royalty revenue, etc. decreased by 8.4%, year-on-year, to ¥36.3 billion. The continuous increase of royalty revenue from Gilenya, the treatment of multiple sclerosis licensed to Novartis was offset by the decrease of royalty revenue from INVOKANA and the fixed dose combination with metformin, the treatment of type 2 diabetes mellitus licensed to Janssen Pharmaceuticals.

#### 【Core operating profit (\*) and Operating profit】

Core operating profit decreased by 13.1%, or ¥5.2 billion, year-on-year, to ¥34.5 billion due to the following results:

- Sales growth of domestic priority products and RADICAVA in the U.S.
- Decrease in SG&A expenses owing to the promotion of operational productivity reforming.
- Negative impact of the NHI drug price revision, and the decline in long-listed drug sales and royalty revenue.
- Increase in R&D expenses relating to the late stage development initiation and the acquisition of NeuroDerm Ltd.

Operating profit was equal to core operating profit, recorded ¥34.5 billion (reduced 6.4%, or ¥2.3 billion, compared to the corresponding period of the prior year).

(\*) With adoption of IFRS, the Company, its subsidiaries and its affiliates (collectively, "the Group") has introduced "core operating profit" as a major profit index to demonstrate its recurring profitability and positioned as an important indicator of business management, etc. "Core operating profit" is a profit excluding the income and loss recorded by non-recurring items specified by the Group (hereinafter "non-recurring items") from operating profit. Non-recurring items include gain or loss associated with a business transfer, restructuring loss, impairment losses on intangible assets associated with products, losses on disaster and others.

#### **【R&D activities】**

Research and development expenses were ¥39.5 billion, accounting for 18.9% of revenue. The major progress of clinical development activities during the first six months of the fiscal year ending March 31, 2019 is as follows;

##### Acquisition of approval

- In June 2018, an anti-fungal agent, Jublia for the treatment of onychomycosis was approved in Taiwan.
- In August 2018, an additional pediatric indication for the prevention of cytomegalovirus disease in organ transplant patients for Valixa was approved in Japan.

Furthermore, in October 2018, MCI-186 (generic name: edaravone, U.S. product name: RADICAVA), the treatment for ALS was approved in Canada.

##### Application of approval

- An application of MCI-186, the treatment for ALS was filed in Canada in April 2018, and Europe in May 2018.
- Applications were filed for the treatment of schizophrenia, MP-214 (cariprazine, dopamine D3/D2 receptor partial agonist) in Singapore in June 2018, and Thailand in August 2018.
- Applications were filed for MP-513 (generic name: teneligliptin, domestic product name: TENELIA), the treatment for type 2 diabetes mellitus in Singapore in July 2018, and Thailand in September 2018.
- In August 2018, an application of Azanin, the treatment for autoimmune hepatitis was filed in Japan.

##### Start of clinical trials (from phase 2)

- In July 2018, the Company started phase 2 clinical trials of MT-7117 for erythropoietic protoporphyria in the U.S.
- In September 2018, phase 3 clinical trials of MT-2271 (plant-based VLP vaccine), prophylaxis of seasonal influenza in elderly adults started in the U.S., Europe and Canada etc.

##### Development status of licensing-out products

- In May 2018, licensee Novartis received an approval for FTY720 (generic name: fingolimod, product name: Gilenya), for pediatric multiple sclerosis in the U.S.
- In September 2018, licensee Janssen Pharmaceuticals, Inc. received an approval in Europe for TA-7284 (generic name: canagliflozin, product name: INVOKANA), for composite risk reduction of CV death, nonfatal MI and stroke in type 2 diabetes with established, or risk for cardiovascular disease (CANVAS/CANVAS-R).

## (2) Explanation about Financial Position

### 【Statement of financial position】

(Millions of yen)

	End of Fiscal year 2017 (As of March 31, 2018)	End of 2nd quarter of Fiscal year 2018 (As of September 30, 2018)	Increase / Decrease
Non-current assets	462,919	481,760	18,841
Current assets	585,525	589,181	3,656
Total assets	1,048,444	1,070,941	22,497
Liabilities	153,617	149,805	(3,812)
Equity	894,827	921,136	26,309
Total liabilities and equity	1,048,444	1,070,941	22,497

Total assets at the end of the second quarter of the fiscal year ending March 31, 2019 were ¥1,070.9 billion, an increase of ¥22.4 billion from the end of the fiscal year ended March 31, 2018. 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 ¥18.8 billion, to ¥481.7 billion, due to the increase arising from the currency fluctuation relating to intangible assets associated with products, and other financial assets and net defined benefit assets deriving from fair value remeasurement regarding domestic listed shares and pension plan assets.
- Current assets increased by ¥3.6 billion, to ¥589.1 billion because the increase in trade and other receivables and other financial assets exceeded the decrease of cash and cash equivalents arising from the payment of corporate income taxes and dividends.
- Liabilities decreased by ¥3.8 billion, to ¥149.8 billion, due to the payment of corporate income taxes.
- Equity increased by ¥26.3 billion, to ¥921.1 billion, as a result of profit for the period recorded, an increase of foreign currency translation adjustments and dividends paid.

### 【Cash flows】

(Millions of yen)

	2nd quarter of Fiscal year 2017	2nd quarter of Fiscal year 2018	Increase / Decrease
Operating activities	29,709	23,497	(6,212)
Investing activities	126,320	(16,833)	(143,153)
Financing activities	(13,592)	(13,392)	200
Change in cash and cash equivalents	143,028	(4,942)	(147,970)
At the beginning of the year	113,215	127,030	13,815
At the end of the period	256,186	122,088	(134,098)

Net decrease in cash and cash equivalents was ¥4.9 billion, and the balance of cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2019 was ¥122.0 billion.

- Net cash provided by operating activities was ¥23.4 billion attributed to cash inflows including profit before income tax, partially offset by cash outflows including income taxes paid.
- Net cash used in investing activities was ¥16.8 billion mainly due to investment of cash reserves.
- Net cash used in financing activities was ¥13.3 billion mainly resulting from dividend payment.

## (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, 2019 announced on May 9, 2018.

## 2. Condensed Consolidated Financial Statements and Main Notes

### (1) Condensed Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Revenue	213,356	209,710
Cost of sales	84,501	86,134
Gross profit	128,855	123,576
Selling, general and administrative expenses	51,455	47,745
Research and development expenses	36,379	39,555
Amortization of intangible assets associated with products	1,054	1,467
Other income	266	247
Other expenses	3,391	563
Share of profit of affiliates accounted for using equity method	15	10
Operating profit	36,857	34,503
Financial income	1,226	585
Financial expenses	506	268
Profit before income tax	37,577	34,820
Income taxes expenses	9,328	11,649
Profit for the period	28,249	23,171
Profit attributable to:		
Owners of the Company	29,828	24,991
Non-controlling interests	(1,579)	(1,820)
Profit for the period	28,249	23,171
Earnings per share		
Basic earnings per share (Yen)	53.18	44.57
Diluted earnings per share (Yen)	—	44.56



**(2) Condensed Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit for the period	28,249	23,171
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	1,235	3,994
Remeasurements of defined benefit plans	3,704	1,875
Subtotal	4,939	5,869
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	2,826	10,793
Effective portion of changes in fair value of cash flow hedges	707	—
Share of other comprehensive income of associates and joint ventures accounted for using equity method	12	(17)
Subtotal	3,545	10,776
Other comprehensive income (loss), net of tax	8,484	16,645
Comprehensive income	36,733	39,816
Comprehensive income (loss) attributable to:		
Owners of the Company	37,502	41,088
Non-controlling interests	(769)	(1,272)
Comprehensive income	36,733	39,816

**(3) Condensed Consolidated Statements of Financial Position**

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Non-current assets		
Property, plant and equipment	80,457	79,133
Goodwill	91,136	92,201
Intangible assets	200,940	212,443
Investments in associates and joint ventures accounted for using equity method	16,445	16,438
Other financial assets	46,109	50,312
Net defined benefit assets	22,711	25,218
Other non-current assets	379	347
Deferred tax assets	4,742	5,668
Total non-current assets	<u>462,919</u>	<u>481,760</u>
Current assets		
Inventories	81,998	74,664
Trade and other receivables	123,537	125,106
Other financial assets	246,733	258,882
Other current assets	6,227	8,441
Cash and cash equivalents	127,030	122,088
Total current assets	<u>585,525</u>	<u>589,181</u>
Total assets	<u><u>1,048,444</u></u>	<u><u>1,070,941</u></u>

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Non-current liabilities		
Borrowings	420	177
Other financial liabilities	2,199	2,221
Net defined benefit liabilities	868	866
Provisions	8,571	7,837
Other non-current liabilities	5,505	5,409
Deferred tax liabilities	37,861	42,179
Total non-current liabilities	55,424	58,689
Current liabilities		
Borrowings	122	311
Trade and other payables	35,631	34,715
Other financial liabilities	20,737	20,461
Income taxes payable	18,093	12,148
Provisions	1,934	3,455
Other current liabilities	21,676	20,026
Total current liabilities	98,193	91,116
Total liabilities	153,617	149,805
<b>Equity</b>		
Share capital	50,000	50,000
Capital surplus	451,228	451,244
Treasury shares	(1,045)	(1,040)
Retained earnings	382,122	393,918
Other components of equity	503	14,094
Total equity attributable to owners of the Company	882,808	908,216
Non-controlling interests	12,019	12,920
Total equity	894,827	921,136
Total liabilities and equity	1,048,444	1,070,941

**(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, 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
As of April 1, 2018	50,000	451,228	(1,045)	382,122	(13,194)	—	13,717
Profit for the period	—	—	—	24,991	—	—	—
Other comprehensive income	—	—	—	—	10,245	—	3,994
Total comprehensive income	—	—	—	24,991	10,245	—	3,994
Acquisition of treasury shares	—	—	(1)	—	—	—	—
Disposal of treasury shares	—	(7)	6	—	—	—	—
Dividends	—	—	—	(15,701)	—	—	—
Share-based payments	—	23	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	2,506	—	—	(631)
Total contributions by and distributions to owners	—	16	5	(13,195)	—	—	(631)
Issuance of new shares	—	—	—	—	—	—	—
Changes in ownership interests in subsidiaries and others	—	—	—	—	—	—	—
Total transactions with owners	—	16	5	(13,195)	—	—	(631)
Balance as of September 30, 2018	50,000	451,244	(1,040)	393,918	(2,949)	—	17,080

(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, 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
As of April 1, 2018	—	(20)	503	882,808	12,019	894,827
Profit for the period	—	—	—	24,991	(1,820)	23,171
Other comprehensive income	1,875	(17)	16,097	16,097	548	16,645
Total comprehensive income	1,875	(17)	16,097	41,088	(1,272)	39,816
Acquisition of treasury shares	—	—	—	(1)	—	(1)
Disposal of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(15,701)	(278)	(15,979)
Share-based payments	—	—	—	23	—	23
Transfer from other components of equity to retained earnings	(1,875)	—	(2,506)	—	—	—
Total contributions by and distributions to owners	(1,875)	—	(2,506)	(15,680)	(278)	(15,958)
Issuance of new shares	—	—	—	—	2,451	2,451
Changes in ownership interests in subsidiaries and others	—	—	—	—	2,451	2,451
Total transactions with owners	(1,875)	—	(2,506)	(15,680)	2,173	(13,507)
Balance as of September 30, 2018	—	(37)	14,094	908,216	12,920	921,136

**(5) Condensed Consolidated Statements of Cash Flows**

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities:		
Profit before income tax	37,577	34,820
Depreciation and amortization	5,601	5,816
Impairment losses	1,107	11
Interest and dividends income	(664)	(583)
Share of profits of associates and joint ventures accounted for using equity method	(15)	(10)
Loss (gain) on valuation of investment in securities	397	4
Decrease (increase) in trade and other receivables	(14,593)	(1,269)
Decrease (increase) in inventories	994	8,192
Increase (decrease) in trade and other payables	36	(2,107)
Increase (decrease) in provisions	80	615
Decrease (increase) in net defined benefit assets	148	80
Other	2,391	(3,174)
Subtotal	33,059	42,395
Interest received	251	278
Dividends received	450	338
Interest paid	(95)	(130)
Income taxes paid	(3,956)	(19,384)
Net cash flows provided by operating activities	29,709	23,497
Cash flows from investing activities:		
Payments into time deposits	(131)	(1,162)
Proceeds from withdrawal of time deposits	53	3,718
Purchase of property, plant and equipment	(5,015)	(2,195)
Purchase of intangible assets	(8,148)	(850)
Purchase of investments	(178,000)	(147,613)
Proceeds from sales and redemption of investments	333,771	131,259
Purchase of investments in associates and joint ventures accounted for using equity method	(16,149)	—
Other	(61)	10
Net cash flows provided by (used in) investing activities	126,320	(16,833)
Cash flows from financing activities:		
Purchase of acquisition of treasury shares	(548)	(1)
Proceeds from stock issuance to non-controlling interests	2,902	2,451
Dividends paid	(15,707)	(15,701)
Other	(239)	(141)
Net cash flows used in financing activities	(13,592)	(13,392)
Effect of exchange rate changes on cash and cash equivalents	591	1,786
Net increase (decrease) in cash and cash equivalents	143,028	(4,942)
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	113,215	127,030
Cash and cash equivalents at the end of period	256,186	122,088

## **(6) Notes to Condensed Consolidated Financial Statements**

### **(Note regarding Going Concern Assumption)**

Not applicable.

### **(Changes in Accounting Policies)**

Significant accounting policies that the Group has adopted in the condensed consolidated financial statements under review are the same as those that were adopted in the consolidated financial statements for the fiscal year ended March 31, 2018 except the following.

Besides, income tax expenses were calculated using the estimated annual effective income tax rate.

The Group has adopted the following standard from the first quarter of the fiscal year ending March 31, 2019. In the application of this standard, the Group recognized the cumulative effect retrospectively at the date of initial application (modified retrospective approach), which was permitted as a transitional measure.

IFRS		Description of new standards and revisions
IFRS 15	Revenue from Contracts with Customers	Revision of accounting treatment for revenue recognition

The Group adopted IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (hereinafter collectively referred to as "IFRS 15") from the first quarter of the fiscal year ending March 31, 2019.

With the adoption of IFRS 15, except revenue including interest and dividends income under IFRS 9 "Financial Instruments", revenue was recognized by applying the following five steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the separate performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations.

Step 5: Recognize revenue when the entity satisfies performance obligations.

There was no significant impact on the Group's condensed consolidated financial statements arising from the adoption of IFRS 15.

## (Business Combinations)

(Acquisition of NeuroDerm Ltd.)

The Company acquired all of the outstanding shares (including shares underlying options) of NeuroDerm Ltd. which carries out development of treatments for CNS disorders including Parkinson's disease, and made it a wholly-owned subsidiary on October 18, 2017 (IDT: Israel Daylight Time).

The Company measured the provisional fair value of assets acquired and liabilities assumed as of the acquisition date in connection with this business combination in the fiscal year ended March 31, 2018. However, during the first six months of the fiscal year ending March 31, 2019, the Company carried out an additional verification regarding the assets acquired and liabilities assumed as of the acquisition date based on the newly obtained information. As a result, the fair value of certain liabilities is revised as follows:

Consideration for the acquisition, fair value of assets acquired and liabilities assumed, and goodwill as of the acquisition date

(Millions of yen)

	Provisional fair value (as of March 31, 2018)	Adjustments	Revised fair value
Consideration for the acquisition	124,410	—	124,410
Assets acquired and liabilities assumed			
Non-current assets	136,395	—	136,395
Intangible assets associated with products	136,178	—	136,178
Other non-current assets	217	—	217
Current assets	13,694	—	13,694
Other financial assets	8,705	—	8,705
Other current assets	303	—	303
Cash and cash equivalents	4,686	—	4,686
Non-current liabilities	(32,692)	—	(32,692)
Deferred tax liabilities	(32,692)	—	(32,692)
Current liabilities	(3,697)	(874)	(4,571)
Goodwill	10,710	874	11,584

The Company has finalized the purchase price allocation during the first six months of the fiscal year ending March 31, 2019. Hence, a retroactive adjustment of the comparative amount for previous fiscal year listed in Condensed Consolidated Statements of Financial Position was made. Comparing to results before the retroactive adjustment, both of goodwill and current liabilities as of March 31, 2018 increased by ¥823 million, respectively.

## (Subsequent Event)

Not applicable.