

## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2017 [IFRS]

May 12, 2017

Company name	: <b>Otsuka Holdings Company Limited</b>
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
URL	: <a href="http://www.otsuka.com/en/">http://www.otsuka.com/en/</a>
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Scheduled date of quarterly securities report submission	: May 15, 2017
Scheduled date of dividend payment commencement	: -
Supplementary materials for quarterly financial results	: Yes
Earnings announcement for quarterly financial results	: Yes (for institutional investors, analysts and the press)

(Figures are rounded down to the nearest million yen unless otherwise stated)

### 1. Consolidated Financial Results for the First Quarter of FY2017 (January 1, 2017 to March 31, 2017)

#### (1) Consolidated Operating Results (cumulative)

(% change from the same period of the previous fiscal year)

	Net sales		Operating profit		Profit before taxes		Profit for the period		Profit attributable to owners of the Company		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017 Q1	280,192	(0.0)	30,167	(11.2)	28,177	(9.0)	21,373	(4.3)	21,012	(3.9)	(48)	-
FY2016 Q1	280,265	-	33,979	-	30,953	-	22,333	-	21,858	-	(27,459)	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2017 Q1	38.77	38.52
FY2016 Q1	40.34	40.34

#### (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
	Million yen	Million yen	Million yen	%	Yen
As of March 31, 2017	2,424,050	1,711,212	1,683,223	69.4	3,106.44
As of December 31, 2016	2,478,290	1,738,441	1,710,531	69.0	3,156.83

### 2. Dividends

	Annual dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	-	50.00	-	50.00	100.00
FY2017	-	-	-	-	-
FY2017 (forecast)	-	50.00	-	50.00	100.00

(Note) Revisions to dividends forecast most recently announced: None

### 3. Forecasts of Consolidated Financial Results for FY2017 (January 1, 2017 to December 31, 2017)

(% change from the same period of the previous fiscal year)

	Net sales		Operating profit		Profit before taxes		Profit		Profit attributable to owners of the Company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (YTD)	605,000	3.0	58,000	(29.5)	58,000	(12.8)	43,000	(14.6)	42,000	(15.3)	77.51
FY2017	1,260,000	5.4	120,000	18.6	119,000	2.0	87,000	(6.8)	85,000	(8.2)	156.87

(Note) Revisions to financial forecast most recently announced: None

### 4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
  - 1) Changes in accounting policies required by IFRS: Yes
  - 2) Changes in accounting policies due to other reasons: None
  - 3) Changes in accounting estimates: None
- (3) Number of shares issued and outstanding (common stock)
  - 1) Number of shares issued and outstanding as of the end of the reporting period (including treasury shares):
    - March 31, 2017 557,835,617 shares
    - December 31, 2016 557,835,617 shares
  - 2) Number of shares of treasury shares as of the end of the reporting period:
    - March 31, 2017 15,986,471 shares
    - December 31, 2016 15,986,347 shares
  - 3) Average number of shares outstanding during the reporting period:
    - Quarter ended March 31, 2017 541,849,215 shares
    - Quarter ended March 31, 2016 541,849,705 shares

\* The quarterly financial statements are not subject to quarterly reviews.

### \* Note to ensure appropriate use of forecasts, and other comments in particular

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that the Company deems reasonable. Actual performance and other results may differ significantly due to various factors. Please refer to "1. Qualitative Information (3) Forecast for Consolidated Performance" on page 9 for information regarding the forecast of consolidated financial results.

The Company plans to hold an earnings release conference call for institutional investors, analysts and the press on May 12, 2017. Presentation materials and the webcast of the meeting will be available on the Company's website promptly after the meeting.

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## 1. Qualitative Information

### (1) Consolidated Operating Results

The forward-looking statements in this report were prepared at the discretion of the Otsuka group of companies (hereinafter the “Group”) based on information available as of March 31, 2017. For analysis purpose, financial results disclosed in the previous first quarter under JGAAP have been reclassified based on IFRS.

#### Summary of Operating Results for the first three months of FY2017

For the first three months of FY2017 (from January 1 to March 31, 2017), the Group recorded net sales of ¥280,192 million (down 0.0% year on year), with operating profit of ¥30,167 million (down 11.2%), profit for the period of ¥21,373 million (down 4.3%) and profit attributable to owners of the Company of ¥21,012 million (down 3.9%).

Results by business segment are as follows:

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	180,371	68,077	7,370	35,464	(11,091)	280,192
Operating profit	28,662	6,217	2,205	2,663	(9,581)	30,167

#### 1) Pharmaceuticals

Under the Second Medium-Term Management Plan, which runs until the end of FY 2018, the Group is targeting sustainable growth over the medium and long term by positioning the antipsychotic agent *Abilify Maintena*, the antipsychotic agent *REXULTI*, and the vasopressin V<sub>2</sub> receptor antagonist *Samsca/JINARC* as its three global products and positioning the anti-cancer agent *LONSURF* as one of three next-generation products\*1.

#### Japan

In the area of central nervous system and neurology, sales of antipsychotic agent *ABILIFY* declined slightly compared with the prior year period due to repricing measures for market expansion based on April 2016 NHI price revisions. However, sales of intramuscular depot formulation *ABILIFY for extended-release injectable suspension, for intramuscular use* (once-monthly injection) increased significantly. Prescriptions increased for antiepileptic drug *E Keppra*, which is co-promoted with UCB Japan, reflecting strong support from medical specialists due to the drug’s efficacy, safety and usability. *Neupro Patch*, a treatment for Parkinson’s disease and restless legs syndrome, registered steady growth in sales.

In the area of oncology, sales of anti-cancer agent *Abraxane* declined compared with the prior year period due to repricing measures for market expansion. However, the drug registered steady growth in prescriptions, mainly for the treatment of pancreatic cancer and lung cancer. Sales of anti-cancer agent *LONSURF* increased as it has come to hold a position as one of the standard therapies for unresectable advanced or recurrent colorectal cancer. Sales of antiemetic agent *Aloxi* were steady compared with the prior year period.

In the area of the cardiovascular and renal system, sales of *Samsca* increased compared with the prior year period due to promotional activities targeting medical specialists to highlight its value as an oral aquaretic agent. Prescription growth is also being driven by growing awareness of the drug as the world’s first treatment for autosomal dominant polycystic kidney disease (“ADPKD”), an intractable kidney disease.

In the area of the digestive system, prescriptions increased significantly for *TAKECAB*, a treatment for acid-related diseases, co-promoted with Takeda Pharmaceutical Company Limited. Sales of pack formulations for the eradication of *Helicobacter pylori*, launched last year, also increased steadily.

In the area of ophthalmology, efforts to promote the product concept of dry eye treatment *Mucosta ophthalmic suspension UD 2%* led to growth in prescriptions. Also, *Mikeluna combination ophthalmic solution*, a treatment for glaucoma and ocular hypertension, was launched in January 2017.

In the area of diagnostics, sales of diagnostics declined overall, mainly due to a pullback in demand compared with the prior year period, when an outbreak of influenza led to a spike in demand.

In the area of clinical nutrition, sales of some products were affected by NHI price revisions in April 2016, but overall sales of clinical nutrition products were level compared with the prior year period, supported by growth in sales volume for products such as high-calorie TPN (total parenteral nutrition) solution *ELNEOPA-NF Injection*, a new prescription that was launched in January 2017.

#### North America

Sales of *Abilify Maintena* (once-monthly injection) increased compared with the prior year period, spurred by growing recognition of the drug’s ease of use. Sales of *REXULTI* increased significantly compared with the prior year period, supported by growth in prescriptions for schizophrenia and as adjunctive therapy in major depressive disorder since the drug was launched in the U.S. in 2015. Sales of *NUEDEXTA* increased steadily. *NUEDEXTA* is developed by U.S. company Avanir Pharmaceuticals, Inc., which has strengths in drug development in the area of neurological disorders. Sales growth was supported by the drug’s growing status as the world’s first and only treatment for the neurologic disease pseudobulbar affect (“PBA”) on the back of a stronger sales network. Sales of *LONSURF* declined compared with the prior year period. Although sales of *Samsca*, which is sold as an oral aquaretic agent, decreased compared with the prior year period, prescriptions of *JINARC*, same compound as *Samsca* but a different brand name for a treatment for ADPKD, have steadily expanded since its launch in Canada in 2015.

## Others

Prescriptions for *Abilify Maintena* increased in Europe, driving a large increase in sales compared with the prior year period. Under a license agreement with Servier, *LONSURF* has been launched in a growing number of countries since manufacturing and marketing approval was granted in April 2016. *Samsca* is gaining ground in the market as an oral aquaretic agent and has also been granted approval in more countries as a treatment for ADPKD, under the brand name *JINARC*. *Samsca/JINARC* is now sold in 24 markets worldwide, including Japan and North America.

As a result, net sales in the pharmaceutical segment for the first three months of FY2017 (from January 1 to March 31, 2017) totaled ¥180,371 million (down 1.0% year on year), with operating profit of ¥28,662 million (down 8.2%).

\*1: Three products of *LONSURF*, Lu AE58054 and SGI-110

## 2) Nutraceuticals

In the nutraceutical segment, the Group operates a global business focused on functional beverages and foods that support the maintenance and improvement of day-to-day well-being.

### Japan

Although sales volume for the *Pocari Sweat* electrolyte supplement drink declined amid a weak sports drink market\*<sup>2</sup> associated with seasonal factors, its market share is growing\*<sup>3</sup> as a result of stepped up efforts to communicate with consumers. Despite a weak market for nutritional drinks\*<sup>4</sup>, sales volume for carbonated nutritional drink *Oronamin C* increased compared with the prior year period, due to active efforts to communicate with a broad range of consumer segments, spurring greater demand. The *Calorie Mate* range has been strengthened with the May 2016 launch of *Calorie Mate Jelly*, available in three flavors. Combined sales volume for the *Calorie Mate* range was level compared with the prior year period, but this figure is trending upward supported by a focused effort to emphasize the product's value as a nutritionally balanced food that is a ready source of balanced nutrition. In the *SOYJOY* range of baked soy bars, a ready and tasty source of all the nutrition in soy, sales volume increased compared with the prior year period, supported by the April 2016 launch of *SOYJOY Crispy*, which has a new texture due to the addition of puffed soy, helping to attract a wider range of customers to *SOYJOY* products. *SOYJOY Crispy White Macadamia* was launched in February 2017 and is steadily being rolled out across the market. Sales volume for nutrient tonic *Tiovita* declined compared with the prior year period.

### North America

*Nature Made*, supplied by subsidiary Pharmavite LLC of the U.S., is the number one retail vitamin and supplement brand in the U.S.\*<sup>5</sup>. Sales increased compared with the prior year period, partly due to growth in the U.S. market for supplements\*<sup>6</sup>. Sales of *MegaFood* and *INNATE*, natural food-based supplements supplied by FoodState Inc. of the U.S., also rose steadily.

## Others

Sales increased at Nutrition & Santé SAS, one of the Group's subsidiaries that operates in more than 40 countries, mainly in Europe. Sales growth was driven by sugar-free nutrition and health food products including those sold under the *Gerblé* brand, France's leading health food brand\*<sup>7</sup>, and organic and meat-free products. *Pocari Sweat*, which is sold in 19 markets worldwide, mainly in Asia, registered an increase in sales volume in China on the back of growth in distribution channels and greater product recognition. However, total overseas sales volume declined compared with the prior year period, reflecting unfavorable weather and a weaker economy in Indonesia, among other factors.

As a result, net sales in the nutraceutical segment for the first three months of FY2017 (from January 1 to March 31, 2017) totaled ¥68,077 million (up 1.5% year on year), with operating profit of ¥6,217 million (down 16.1%). In this business, the Group is making improvements to the value chain, such as rebuilding its product strategy to emphasize growth and profitability.

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\*6: © 2017, The Nielsen Company, US xAOC channels 3/2017 +4.6%. All rights reserved, no reproduction without permission.

\*7: 2016 Value Share of Market, Information Resources Inc.

## 3) Consumer products

Sales volume for *MATCH*, a carbonated electrolyte drink containing vitamins, declined compared with same period in the previous year. However, steps are taken to reenergize the brand through an aggressive marketing strategy, sales promotion activities and other initiatives. Despite active marketing efforts such as stepped up communication initiatives to attract new customers, sales volume for mineral water products, centered on *CRYSTAL GEYSER*, declined compared with the prior year period, mainly due to weaker sales in the direct sales channel.

As a result, net sales in the consumer products segment for the first three months of FY2017 (from January 1 to March 31, 2017) totaled ¥7,370 million (down 7.4% year on year), with operating profit of ¥2,205 million (down 11.1%). In the consumer products segment, the Group is continuing its efforts to improve profitability by reviewing marketing strategies and sales

promotion activities and improve the expense-to-sales ratio.

4) Others

In the specialty chemical business, sales increased compared with the prior year period, supported by growth in sales volume for hydrazine hydrate, foaming agents and other products. In the fine chemical business, sales increased compared with the prior year period, due mainly to growth in sales volume for active pharmaceutical ingredients and intermediates.

In the transportation and warehousing business, sales declined slightly compared with the prior year period, mainly reflecting a drop in handling volume. Sales in the direct sales support business increased compared with the prior year period, largely due to growth in the volume of orders handled and an increase in the number of contracts in the insurance business.

As a result, net sales in the others segment for the first three months of FY2017 (from January 1 to March 31, 2017) totaled ¥35,464 million (up 5.4% year on year), with operating profit of ¥2,663 million (up 27.2%).

**<Research and Development Activities>**

Research and development expenses for the three months ended March 31, 2017 totaled ¥36,658 million.

The primary areas of research and development as well as the status of new product development by business segment were as follows:

Pharmaceuticals

The Group conducts research and development with a primary focus on the areas of the central nervous system and neurology and oncology. The Group also conducts research and development focusing on fields that are yet to be fully addressed such as cardiovascular and renal system, ophthalmology, etc.

Research and development expenses for the pharmaceutical business for the three months ended March 31, 2017 were ¥34,477 million.

Research and development activities carried out during the three months ended March 31, 2017 in the pharmaceutical business are summarized below.

Category	Brand Name, (Generic Name), Development Code	Status
Central nervous system and neurology	<i>REXULTI</i> (brexpiprazole) OPC-34712	<Japan> <ul style="list-style-type: none"> <li>An application for the indication of schizophrenia was filed in January 2017.</li> </ul> <Europe> <ul style="list-style-type: none"> <li>An application for the indication of schizophrenia was filed in March 2017.</li> </ul> <U.S.> <ul style="list-style-type: none"> <li>Phase I trial of depot injection formulation for the indication of schizophrenia was initiated in February 2017.</li> </ul> <U.S. and Europe> <ul style="list-style-type: none"> <li>Plans for a Phase III trial for the treatment of post-traumatic stress disorder (PTSD) were reviewed and restarted as a Phase II trial.</li> </ul>
	<i>ABILIFY</i> (aripiprazole) OPC-14597	<Japan> <ul style="list-style-type: none"> <li>Development for the treatment of agitation associated with Alzheimer-type dementia was halted in line with development strategy.</li> </ul>
	<i>ABILIFY Maintena</i> (aripiprazole)	<Japan and Europe> <ul style="list-style-type: none"> <li>Development for the treatment of bipolar disorder was halted in line with development strategy.</li> </ul>
	(idalopirdine) Lu AE58054	<ul style="list-style-type: none"> <li>Development for the treatment of Alzheimer-type dementia was halted based on a comprehensive review of the results of the Phase III trials.</li> </ul>
	(centanafadine) EB-1020	<ul style="list-style-type: none"> <li>Drug under development that was acquired through the acquisition of Neurovance, Inc. in March 2017. Its development status is as follows:</li> </ul> <U.S.> <ul style="list-style-type: none"> <li>Phase II trial for attention deficit hyperactivity disorder (ADHD) is currently underway.</li> </ul>
Oncology	(guadecitabine) SGI-110	<Japan, U.S., Europe and Asia> <ul style="list-style-type: none"> <li>Phase III trial for the treatment of myelodysplastic syndrome was initiated in February 2017.</li> </ul> <U.S. and Europe> <ul style="list-style-type: none"> <li>Development for the treatment of hepatocellular carcinoma was halted based on a comprehensive review of the results of the Phase II trial for the treatment of hepatocellular carcinoma.</li> </ul>

Category	Brand Name, (Generic Name), Development Code	Status
	TAS-115	<Japan> • Phase II trial for the treatment of prostate cancer was initiated in January 2017.
	TAS4464	<Japan, U.S. and Europe> • Phase I trial for the treatment of solid cancer and hematological cancer was initiated in February 2017.
	SATIVEX (nabiximols)	<U.S.> • Development for the treatment of cancer pain was halted based on a comprehensive review of the results of the Phase III trial for the treatment of cancer pain.

#### Nutraceuticals

In the nutraceutical business, the Group draws on its knowledge in the pharmaceutical business to constantly conduct research and development of world-class products centering on functional foods and beverages that support the maintenance and improvement of day-to-day well-being.

In the soy-related business, *SOYJOY Crispy White Macadamia* was launched in February 2017 as part of the *SOYJOY* range of baked soy bars. *SOYJOY Crispy White Macadamia*, made with soy milk-based white chocolate and macadamia nuts, has been added to the range to provide another way of enjoying the nutritional benefits of soy through a tasty and fulfilling soy bar. In the *Gerblé* range of nutritional food products made with natural ingredients, *Prune & Fig Biscuits* were launched in Japan in March 2017. The biscuits contain real prunes, an ingredient that is growing in popularity among women, providing essential dietary fiber that is often lacking in diets today. In the *InnerSignal* range of cosmetics for healthy skin, *InnerSignal UV+IR Protect Makeup Base* were launched in January 2017. The new makeup base protects the skin from ultraviolet and near-infrared, acting as a double block against sun exposure.

Research and development expenses for the nutraceutical business for the three months ended March 31, 2017 were ¥1,230 million.

#### Consumer products

In the consumer products business, the Group is engaged in the research and development of original and unique products in the field of food and beverage that are part of everyone's daily life.

Research and development expenses for the consumer products business for the three months ended March 31, 2017 were ¥119 million.

#### Others

In the other businesses, the Group is primarily engaged in the research and development of specialty chemical products and fine chemicals.

Research and development expenses for the other businesses for the three months ended March 31, 2017 were ¥830 million.



## (2) Consolidated Financial Position

### 1) Assets, Liabilities, and Net Assets

#### Assets

Total assets as of March 31, 2017 were ¥2,424,050 million, a decrease of ¥54,240 million compared to ¥2,478,290 million at the end of the previous fiscal year. This decrease was due to the ¥67,906 million decrease in current assets and ¥13,665 million increase in non-current assets.

#### (Current Assets)

Total current assets as of March 31, 2017 were ¥1,045,949 million, a decrease of ¥67,906 million compared to ¥1,113,855 million at the end of the previous fiscal year. This decrease was mainly due to decreases in cash and cash equivalents by ¥38,530 million and trade and other receivables by ¥49,047 million, while there were increases in inventories by ¥9,349 million and income taxes receivable by ¥9,174 million.

#### (Non-current Assets)

Total non-current assets as of March 31, 2017 were ¥1,378,100 million, an increase of ¥13,665 million compared to ¥1,364,434 million at the end of the previous fiscal year. This was mainly due to increases in property, plant and equipment by ¥4,069 million, intangible assets by ¥3,447 million, and other financial assets by ¥5,981 million.

#### Liabilities

#### (Current Liabilities)

Total current liabilities as of March 31, 2017 were ¥393,217 million, a decrease of ¥43,396 million compared to ¥436,613 million at the end of the previous fiscal year. This decrease was mainly due to decreases in trade and other payables by ¥20,041 million, bonds and borrowings by ¥2,138 million, income taxes payable by ¥17,972 million, and other current liabilities by ¥4,256 million.

#### (Non-current Liabilities)

Total non-current liabilities as of March 31, 2017 were ¥319,619 million, an increase of ¥16,384 million compared to ¥303,235 million at the end of the previous fiscal year. This increase was mainly due to increases in other non-current liabilities by ¥11,555 million and deferred tax liabilities by ¥8,640 million, while there was a decrease in bonds and borrowings by ¥3,580 million.

#### Net Assets

Total net assets as of March 31, 2017 were ¥1,711,212 million, a decrease of ¥27,228 million compared to ¥1,738,441 million at the end of the previous fiscal year. This decrease was mainly due to a ¥27,092 million payment of dividends, a ¥5,931 million decrease in total shareholders' equity as a result of quarterly net income attributable to owners of the Company of ¥21,373 million, and a ¥21,472 million decrease in other components of equity due to stock market and exchange rate fluctuations.

### 2) Cash Flows

Cash and cash equivalents as of March 31, 2017 decreased by ¥38,530 million to ¥331,344 million from the end of the previous fiscal year. Net cash provided by operating activities was ¥26,237 million, while net cash used in investing activities and financing activities were ¥28,084 million and ¥31,130 million respectively.

#### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥26,237 million as of March 31, 2017. Contributing factors were ¥28,177 million in profit before taxes, ¥15,370 million in depreciation and amortization expenses, a ¥45,578 million decrease in trade and other receivables, a ¥11,406 million increase in inventories, a ¥16,090 million decrease in trade and other payables, and ¥(33,644) million in income taxes paid.

#### Cash Flows from Investing Activities

Net cash used in investing activities was ¥(28,084) million as of March 31, 2017. Main investing activities included ¥(12,730) million in payments for acquisition of property, plant and equipment, ¥18,732 million in proceeds from sales and redemption of investments, ¥(9,237) million in payments for acquisition of investments, ¥(11,052) million in payments for acquisition of subsidiaries, and ¥(15,578) million in decrease (increase) in time deposits.

#### Cash Flows from Financing Activities

Net cash used in financing activities was ¥(31,130) million as of March 31, 2017. Main financing activities included ¥2,702 million in increase in current borrowings, ¥(6,955) million in repayments of non-current borrowings, and ¥(27,514) million in dividends paid.

### (3) Forecast for Consolidated Performance

There are no changes to the Q2 cumulative and full year consolidated forecast released on February 14, 2017.

**2. Condensed Interim Consolidated Financial Statements and Major Notes**  
**(1) Condensed Interim Consolidated Statement of Financial Position**

		(Millions of yen)	
		As of December 31, 2016	As of March 31, 2017
Assets			
Current assets			
Cash and cash equivalents		369,875	331,344
Trade and other receivables		353,193	304,145
Inventories		133,758	143,108
Income taxes receivable		14,381	23,555
Other financial assets		209,289	208,498
Other current assets		33,031	35,010
	Subtotal	1,113,529	1,045,663
Assets held for sale		325	285
Total current assets		1,113,855	1,045,949
Non-current assets			
Property, plant and equipment		358,762	362,832
Goodwill		231,839	233,419
Intangible assets		446,974	450,422
Investments in associates		166,600	165,698
Other financial assets		143,278	149,260
Deferred tax assets		6,939	8,264
Other non-current assets		10,038	8,202
Total non-current assets		1,364,434	1,378,100
Total assets		2,478,290	2,424,050

	(Millions of yen)	
	As of December 31, 2016	As of March 31, 2017
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	162,349	142,308
Bonds and borrowings	79,264	77,125
Other financial liabilities	3,872	5,438
Income taxes payable	21,482	3,510
Provisions	552	-
Other current liabilities	169,091	164,834
<b>Total current liabilities</b>	<b>436,613</b>	<b>393,217</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	193,972	190,391
Other financial liabilities	11,942	23,498
Net defined benefit liabilities	15,331	15,244
Provisions	504	505
Deferred tax liabilities	70,264	78,905
Other non-current liabilities	11,219	11,074
<b>Total non-current liabilities</b>	<b>303,235</b>	<b>319,619</b>
<b>Total liabilities</b>	<b>739,848</b>	<b>712,837</b>
<b>Equity</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	81,690	81,690
Capital surplus	503,979	504,075
Treasury shares	(47,264)	(47,265)
Retained earnings	1,209,139	1,203,207
Other components of equity	(37,012)	(58,485)
<b>Total equity attributable to owners of the Company</b>	<b>1,710,531</b>	<b>1,683,223</b>
Non-controlling interests	27,910	27,988
<b>Total equity</b>	<b>1,738,441</b>	<b>1,711,212</b>
<b>Total liabilities and equity</b>	<b>2,478,290</b>	<b>2,424,050</b>

**(2) Condensed Interim Consolidated Statement of Income**

	(Millions of yen)	
	FY2016 (From January 1, 2016 to March 31, 2016)	FY2017 (From January 1, 2017 to March 31, 2017)
Net sales	280,265	280,192
Cost of sales	(95,540)	(95,463)
Gross profit	184,724	184,729
Selling, general and administrative expenses	(119,708)	(122,027)
Research and development expenses	(36,437)	(36,658)
Share of profit of associates	3,821	4,364
Other income	1,998	1,033
Other expenses	(418)	(1,272)
Operating profit	33,979	30,167
Finance income	1,751	1,125
Finance costs	(4,778)	(3,115)
Profit before taxes	30,953	28,177
Income tax expenses	(8,619)	(6,803)
Profit for the period	22,333	21,373
Attributable to:		
Owners of the Company	21,858	21,012
Non-controlling interests	475	361
Earnings per share:		
Basic earnings per share (Yen)	40.34	38.77
Diluted earnings per share (Yen)	40.34	38.52

**(3) Condensed Interim Consolidated Statement of Comprehensive Income**

	(Millions of yen)	
	FY2016 (From January 1, 2016 to March 31, 2016)	FY2017 (From January 1, 2017 to March 31, 2017)
Profit for the period	22,333	21,373
Other comprehensive income		
Components that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(230)	4
Financial assets measured at fair value through other comprehensive income	(9)	3,922
Share of other comprehensive income of associates	(121)	(12)
Subtotal	<u>(361)</u>	<u>3,914</u>
Components that may be reclassified to profit or loss		
Foreign currency translation reserve	(42,042)	(21,092)
Cash flow hedges	338	(6)
Share of other comprehensive income of associates	(7,727)	(4,237)
Subtotal	<u>(49,432)</u>	<u>(25,336)</u>
Total other comprehensive income	<u>(49,793)</u>	<u>(21,422)</u>
Comprehensive income	<u><u>(27,459)</u></u>	<u><u>(48)</u></u>
Attributable to:		
Owners of the Company	(26,936)	(311)
Non-controlling interests	(523)	262
Comprehensive income	<u><u>(27,459)</u></u>	<u><u>(48)</u></u>

**(4) Condensed Interim Consolidated Statement of Changes in Equity**  
FY2016 (From January 1, 2016 to March 31, 2016)

(Millions of yen)

	Equity attributable to owners of the Company				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Financial assets
						measured at fair value through other comprehensive income
Balance as of January 1, 2016	81,690	503,384	(47,262)	1,159,537	–	23,096
Profit for the period	–	–	–	21,858	–	–
Other comprehensive income	–	–	–	–	(287)	(159)
Comprehensive income	–	–	–	21,858	(287)	(159)
Purchase of treasury shares	–	–	(0)	–	–	–
Dividends	–	–	–	(27,092)	–	–
Changes in ownership interests in subsidiaries that do not result in loss of control	–	25	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(224)	287	(63)
Total transactions with owners, etc.	–	25	(0)	(27,316)	287	(63)
Balance as of March 31, 2016	81,690	503,409	(47,262)	1,154,079	–	22,873

	Equity attributable to owners of the Company				Other components of equity	
	Foreign currency translation reserve	Cash flow hedges	Total	Total	Non-controlling interests	Total equity
						Total equity
Balance as of January 1, 2016	(22,112)	130	1,113	1,698,463	28,906	1,727,370
Profit for the period	–	–	–	21,858	475	22,333
Other comprehensive income	(48,686)	338	(48,795)	(48,795)	(998)	(49,793)
Comprehensive income	(48,686)	338	(48,795)	(26,936)	(523)	(27,459)
Purchase of treasury shares	–	–	–	(0)	–	(0)
Dividends	–	–	–	(27,092)	(332)	(27,425)
Changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	25	814	839
Transfer from other components of equity to retained earnings	–	–	224	–	–	–
Total transactions with owners, etc.	–	–	224	(27,067)	481	(26,585)
Balance as of March 31, 2016	(70,799)	468	(47,457)	1,644,459	28,864	1,673,324

FY2017 (From January 1, 2017 to March 31, 2017)

(Millions of yen)

	Equity attributable to owners of the Company					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2017	81,690	503,979	(47,264)	1,209,139	–	22,358
Profit for the period	–	–	–	21,012	–	–
Other comprehensive income	–	–	–	–	(3)	4,003
Comprehensive income	–	–	–	21,012	(3)	4,003
Purchase of treasury shares	–	–	(0)	–	–	–
Dividends	–	–	–	(27,092)	–	–
Share-based payment transactions	–	63	–	–	–	–
Changes in ownership interests in subsidiaries that do not result in loss of control	–	33	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	148	3	(152)
Total transactions with owners, etc.	–	96	(0)	(26,943)	3	(152)
Balance as of March 31, 2017	81,690	504,075	(47,265)	1,203,207	–	26,210

	Equity attributable to owners of the Company					
	Other components of equity					
	Foreign currency translation reserve	Cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance as of January 1, 2017	(59,377)	6	(37,012)	1,710,531	27,910	1,738,441
Profit for the period	–	–	–	21,012	361	21,373
Other comprehensive income	(25,316)	(6)	(21,323)	(21,323)	(98)	(21,422)
Comprehensive income	(25,316)	(6)	(21,323)	(311)	262	(48)
Purchase of treasury shares	–	–	–	(0)	–	(0)
Dividends	–	–	–	(27,092)	(422)	(27,514)
Share-based payment transactions	–	–	–	63	–	63
Changes in ownership interests in subsidiaries that do not result in loss of control	(0)	–	(0)	33	237	271
Transfer from other components of equity to retained earnings	–	–	(148)	–	–	–
Total transactions with owners, etc.	(0)	–	(149)	(26,996)	(184)	(27,180)
Balance as of March 31, 2017	(84,695)	(0)	(58,485)	1,683,223	27,988	1,711,212

**(5) Condensed Interim Consolidated Statement of Cash Flows**

(Millions of yen)

	FY2016 (From January 1, 2016 to March 31, 2016)	FY2017 (From January 1, 2017 to March 31, 2017)
Cash flows from operating activities		
Profit before taxes	30,953	28,177
Depreciation and amortization expenses	14,354	15,370
Impairment loss and reversal of impairment loss	21	79
Share of loss (profit) of associates	(3,821)	(4,364)
Finance income	(1,751)	(1,125)
Finance costs	4,778	3,115
Decrease (increase) in inventories	(8,004)	(11,406)
Decrease (increase) in trade and other receivables	55,070	45,578
Increase (decrease) in trade and other payables	(8,312)	(16,090)
Other	(5,335)	(801)
Subtotal	<u>77,953</u>	<u>58,533</u>
Interest and dividends received	1,712	1,949
Interest paid	(719)	(600)
Income taxes paid	(23,621)	(33,644)
Net cash flows from (used in) operating activities	<u>55,324</u>	<u>26,237</u>
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	542	91
Payments for acquisition of property, plant and equipment	(14,765)	(12,730)
Payments for acquisition of intangible assets	(7,084)	(2,698)
Proceeds from sales and redemption of investments	54,911	18,732
Payments for acquisition of investments	(15,907)	(9,237)
Payments for acquisition of subsidiaries	-	(11,052)
Decrease (increase) in time deposits	(8,462)	(15,578)
Other	(255)	4,389
Net cash flows from (used in) investing activities	<u>8,978</u>	<u>(28,084)</u>
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Increase (decrease) in current borrowings	1,211	2,702
Proceeds from non-current borrowings	480	1,399
Repayments of non-current borrowings	(1,182)	(6,955)
Dividends paid	(27,369)	(27,514)
Other	139	(762)
Net cash flows from (used in) financing activities	<u>(26,720)</u>	<u>(31,130)</u>
Increase (decrease) in cash and cash equivalents	37,582	(32,976)
Cash and cash equivalents at beginning of period	460,619	369,875
Effect of exchange rate changes on cash and cash equivalents	(9,974)	(5,553)
Cash and cash equivalents at end of period	<u>488,227</u>	<u>331,344</u>



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

**Note to Going Concern Assumptions**

Not applicable.

**Changes in Accounting Policies**

The same significant accounting policies used for the prior fiscal year's consolidated financial statements are applied to the condensed interim consolidated financial statements except for the accounting standards provided below.

Income tax expenses for the three months ended March 31, 2017 are calculated based on the estimated average annual effective tax rate.

The Group applied the following standards starting from FY2017. The application of these standards had no material effect on the Group's condensed interim consolidated financial statements.

IFRS		Description of new standards, interpretations and amendments
IAS 7	Statement of Cash Flows	Amendment concerning disclosure for changes in liabilities attributable to financing activities
IAS 12	Income Taxes	Amendment concerning recognition of deferred tax assets on unrealized losses

**Segment Information**

(1) Overview of reportable segments

The Group's reportable segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors in order to make decisions on allocation of business resources and to evaluate the business performances of the respective segments.

As the Group's holding company, the Company directs the Group's strategic planning, monitors group operations and provides various services to its group companies. Business activities are conducted by the Group's subsidiaries and associates.

Centering on healthcare business, the Group operates activities inside and outside Japan relating to the following four reportable segments: "Pharmaceuticals," "Nutraceuticals," "Consumer products" and "Others" businesses.

The Group defines the reportable segments as follows:

"Pharmaceuticals" comprises manufacturing and sales of prescription drugs, intravenous solutions, and others.

"Nutraceuticals" comprises manufacturing and sales of functional beverages, etc., over-the-counter drugs and nutritional supplements.

"Consumer products" comprises manufacturing and sales of mineral water, soft beverages and food products.

"Others" encompasses logistics, warehousing, manufacturing and sales of chemical products, evaluation systems for LED displays and spectroanalysis devices.

(2) Net sales and performances by reportable segment

Net sales and performances by the Group's reportable segment are as follows.

Segment profit is based on operating profit.

Intersegment sales and transfers reflect reasonable prices for intersegment transfers based on market value.

FY2016 (From January 1, 2016 to March 31, 2016)

(Millions of yen)

	Reportable segment					Adjustments (Note 1)	Condensed Interim Consolidated Statement of Income (Note 2)
	Pharma- ceuticals	Nutra- ceuticals	Consumer products	Others	Total		
Net sales							
Sales to external customers	182,196	64,580	7,878	25,609	280,265	–	280,265
Intersegment sales or transfers	–	2,500	78	8,026	10,605	(10,605)	–
Total	182,196	67,080	7,957	33,636	290,870	(10,605)	280,265
Segment profit	31,210	7,408	2,482	2,094	43,195	(9,215)	33,979

(Notes) 1. Adjustments to segment profit of ¥(9,215) million include intersegment eliminations of ¥66 million, unallocated corporate expenses of ¥(9,589) million, and other income of ¥307 million. Corporate expenses include headquarter costs and other indirect expenses.  
2. Segment profit is adjusted to operating profit as stated in the condensed interim consolidated statement of income.

FY2017 (From January 1, 2017 to March 31, 2017)

(Millions of yen)

	Reportable segment					Adjustments (Note 1)	Condensed Interim Consolidated Statement of Income (Note 2)
	Pharma- ceuticals	Nutra- ceuticals	Consumer products	Others	Total		
Net sales							
Sales to external customers	180,371	65,394	7,303	27,123	280,192	–	280,192
Intersegment sales or transfers	–	2,683	67	8,341	11,091	(11,091)	–
Total	180,371	68,077	7,370	35,464	291,284	(11,091)	280,192
Segment profit	28,662	6,217	2,205	2,663	39,749	(9,581)	30,167

(Notes) 1. Adjustments to segment profit of ¥(9,581) million include intersegment eliminations of ¥39 million, unallocated corporate expenses of ¥(9,702) million, and other income of ¥160 million. Corporate expenses include headquarter costs and other indirect expenses.  
2. Segment profit is adjusted to operating profit as stated in the condensed interim consolidated statement of income.