

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

November 14, 2017

Company name	: <b>Otsuka Holdings Company Limited</b>
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
URL	: <a href="https://www.otsuka.com/en/">https://www.otsuka.com/en/</a>
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Scheduled date of quarterly securities report submission	: November 14, 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 Third Quarter of FY2017 (January 1, 2017 to September 30, 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 Q3	919,022	3.3	94,885	(25.9)	93,864	(30.6)	74,784	(31.3)	73,064	(32.1)	79,225	-
FY2016 Q3	890,092	-	128,131	-	135,220	-	108,853	-	107,635	-	(16,928)	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2017 Q3	134.84	134.24
FY2016 Q3	198.64	198.51

#### (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
	Million yen	Million yen	Million yen	%
As of September 30, 2017	2,467,736	1,763,262	1,735,451	70.3
As of December 31, 2016	2,478,290	1,738,441	1,710,531	69.0

### 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	-	50.00	-	-	-
FY2017 (forecast)	-	-	-	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
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):

September 30, 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:

September 30, 2017	15,986,641 shares
December 31, 2016	15,986,347 shares
  - 3) Average number of shares outstanding during the reporting period:

Quarter ended September 30, 2017	541,849,140 shares
Quarter ended September 30, 2016	541,849,569 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 November 14, 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 September 30, 2017. For analysis purpose, financial results disclosed in the previous third quarter under JGAAP have been reclassified based on IFRS.

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

For the first nine months of FY2017 (from January 1 to September 30, 2017), the Group recorded net sales of ¥919,022 million (up 3.3% year on year), with operating profit of ¥94,885 million (down 25.9%), profit for the period of ¥74,784 million (down 31.3%) and profit attributable to owners of the Company of ¥73,064 million (down 32.1%).

Operating profit includes the impairment loss (intangible assets) of ¥25,031 million accounted in general administrative expenses, ¥23,047 million of which is related to “ONZETRA Xsail” (sumatriptan nasal powder) for the acute treatment of migraine.

Results by business segment are as follows:

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	572,466	243,300	27,569	112,037	(36,350)	919,022
Operating profit	70,825	33,857	9,704	9,087	(28,589)	94,885

(Millions of yen)

#### 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 the next-generation products.

#### Japan

In the area of the central nervous system and neurology, sales of antipsychotic agent *ABILIFY* declined compared with the prior year period due to repricing measures for market expansion based on the April 2016 NHI price revisions and due to the impact of generics from June 2017. Sales of intramuscular depot formulation *ABILIFY prolonged release aqueous suspension for intramuscular injection* (once-monthly injection) increased significantly, supported by growth in prescriptions. Antiepileptic drug *E Keppra*, which is co-promoted with UCB Japan, registered steady growth in prescriptions, 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, also registered growth in sales, after the launch of an 18mg patch in June 2016 contributed to a growth in prescriptions.

In the area of oncology, sales of anti-cancer agent *Abraxane* increased slightly compared with the prior year period due to growth in dosage and administration for the treatment of gastric cancer. Sales of anti-cancer agent *LONSURF* increased only slightly compared with the prior year period, as the drug held a position early on as one of the standard therapies for unresectable advanced or recurrent colorectal cancer. Antiemetic agent *Aloxi* registered a modest rise in sales 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 the recommended use of *Samsca* in treatment guidelines 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.

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

In the area of diagnostics, sales of diagnostics declined overall, mainly due to a drop in sales of influenza diagnostic agents and Helicobacter pylori-related products. However, sales of the *Quick Navi<sup>TM</sup>-Mycoplasma* have been firm since its launch in July 2017.

In the area of clinical nutrition, sales of clinical nutrition products increased overall, supported mainly by growth in sales volume for high-calorie total parenteral nutrition (“TPN”) solution *ELNEOPA-NF Injection*, a new prescription launched in January 2017.

#### North America

Sales of *ABILIFY MAINTENA* (once-monthly injection) increased compared with the prior year period, spurred by growing awareness of the drug’s ease of use and by its approval for the additional indication of bipolar disorder in July 2017. Sales of *REXULTI* have grown significantly since the drug was launched in the U.S. in 2015, supported by growth in prescriptions for schizophrenia and as an adjunctive therapy in major depressive disorder. The drug was also launched in Canada in April 2017. Sales of *NUEDEXTA* increased. *NUEDEXTA* was 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”). Sales of *LONSURF* declined

slightly compared with the prior year period. Sales of *Samsca*, which is sold as an oral aquaretic agent, increased due to stepped up efforts to promote the product's benefits. Prescriptions of *JINARC*, the same compound as *Samsca* but sold under a different brand name as a treatment for ADPKD, have grown steadily 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 26 markets worldwide, including Japan and North America.

As a result, net sales in the pharmaceutical segment for the first nine months of FY2017 (from January 1 to September 30, 2017) totaled ¥572,466 million (up 2.8% year on year), with operating profit of ¥70,825 million (down 34.4%).

#### 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>1</sup> associated with seasonal factors, the product's market share is growing\*<sup>2</sup> on the back of efforts to communicate with customers, focusing on promoting the drink as a source of hydration during dry weather and its ability to prevent heat stroke. Despite a weak market for non-medicinal nutritional drinks\*<sup>3</sup>, sales volume for carbonated nutritional drink *ORONAMIN C* was steady compared with the prior year period due to continued active efforts to communicate with customers. Sales volume for the *Calorie Mate* range declined compared with the prior year period, mainly due to the drop following the prior year period's temporary increase in demand that occurred after the 2016 Kumamoto Earthquake but the brand retained the leading share in the nutritionally balanced foods market\*<sup>4</sup>. Sales in the *Calorie Mate Jelly* range, which was expanded in May 2016, are growing steadily due to growing awareness of the product's value as a new type of balanced nutritional food.

Sales volume for the *SOYJOY* range of baked soy bars declined compared with the prior year period due to the drop following the prior year period's launching of three products of *SOYJOY Crispy* in April 2016. However, *SOYJOY Crispy White Macadamia*, which was launched in February 2017, is gradually gaining ground in the market.

##### 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 FoodState Inc. of the U.S. also rose steadily. In July 2017, Otsuka Pharmaceutical Co., Ltd. ("Otsuka Pharmaceutical") acquired Daiya Foods Inc., which develops, manufactures and sells plant-based foods in North America.

#### 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 gluten-free nutrition and health food products including those sold under the *Gerblé* brand, France's leading health food brand\*<sup>7</sup>, 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 nine months of FY2017 (from January 1 to September 30, 2017) totaled ¥243,300 million (up 3.4% year on year), with operating profit of ¥33,857 million (up 15.1%). In this business, the Group is making improvements to the value chain, such as rebuilding its product strategy to emphasize growth and profitability.

\*1: INTAGE SRI (01/2017 to 09/2017 -9.4%). All rights reserved, no reproduction without permission.

\*2: INTAGE SRI (01/2017 to 09/2017 +0.6%). All rights reserved, no reproduction without permission.

\*3: INTAGE SRI (01/2017 to 09/2017 -7.2%). All rights reserved, no reproduction without permission.

\*4: INTAGE SRI Cumulative revenues, nutritionally balanced foods market (categories: cookies and biscuits, cereal, cakes) 01/2017 to 09/2017. All rights reserved, no reproduction without permission.

\*5: © 2017, The Nielsen Company, Scantrack© service, US xAOC Channel 39-weeks ending 9/30/17. All rights reserved, no reproduction without permission.

\*6: © 2017, The Nielsen Company, Scantrack© service, US xAOC Channel 39-weeks ending 9/30/17, the Total Vitamin Category grew +2.3%. 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, was steady compared with the prior year period, supported by an aggressive marketing strategy, sales promotion activities and other initiatives to reenergize the brand. 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, despite active marketing efforts to attract new customers.

As a result, net sales in the consumer products segment for the first nine months of FY2017 (from January 1 to September 30, 2017) totaled ¥27,569 million (up 0.7% year on year), with operating profit of ¥9,704 million (up 17.8%). 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 rose slightly compared with the prior year period, supported by a steady level of handling volume. Sales in the direct sales support business and the insurance 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.

As a result, net sales in the others segment for the first nine months of FY2017 (from January 1 to September 30, 2017) totaled ¥112,037 million (up 6.8% year on year), with operating profit of ¥9,087 million (down 2.8%).

**<Research and Development Activities>**

Research and development expenses for the first nine months of FY2017 (from January 1 to September 30, 2017) totaled ¥121,930 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, etc.

Research and development expenses for the pharmaceutical business for the first nine months of FY2017 (from January 1 to September 30, 2017) were ¥114,768 million.

Research and development activities carried out during the first nine months of FY2017 (from January 1 to September 30, 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 long acting injectable 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 syndrome 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> <U.S.> <ul style="list-style-type: none"> <li>Approval was granted in July 2017 for the additional indication of bipolar disorder.</li> </ul>
	(aripiprazole/sertraline) ASC-01	<Japan> <ul style="list-style-type: none"> <li>An application for the indication of major depressive disorder was filed in July 2017.</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>

Category	Brand Name, (Generic Name), Development Code	Status
	(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) completed.</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.</li> </ul>
	<i>LONSURF</i> (trifluridine, tipiracil) TAS-102	<Asia> <ul style="list-style-type: none"> <li>• An application for the indication of colorectal cancer was filed in May 2017.</li> </ul>
	(tegafur, gimeracil, oteracil, folinate) TAS-118	<Japan and Asia> <ul style="list-style-type: none"> <li>• Development for the treatment of pancreatic cancer was halted based on a comprehensive review of the results of the Phase III trial.</li> </ul>
	TAS-115	<Japan> <ul style="list-style-type: none"> <li>• Phase II trial for the treatment of prostate cancer was initiated in January 2017.</li> </ul>
	TAS4464	<Japan, U.S. and Europe> <ul style="list-style-type: none"> <li>• Phase I trial for the treatment of solid cancer and hematological cancer was initiated in February 2017.</li> </ul>
	<i>SATIVEX</i> (nabiximols)	<U.S.> <ul style="list-style-type: none"> <li>• Development for the treatment of cancer pain was halted based on a comprehensive review of the results of the Phase III trial.</li> </ul>
	(onalespib) AT13387	<U.S. and Europe> <ul style="list-style-type: none"> <li>• Development for the treatment of non-small cell lung cancer was halted based on a comprehensive review of the results of Phase II trial.</li> </ul>
	AT7519	<U.S.> <ul style="list-style-type: none"> <li>• Development for the treatment of multiple myeloma was halted based on a comprehensive review of the results of Phase II trial.</li> </ul>
	ASTX660	<U.S.> <ul style="list-style-type: none"> <li>• Phase II trial for the treatment of solid tumors and lymphomas was initiated in September 2017.</li> </ul>
	OPB-111001	<Europe> <ul style="list-style-type: none"> <li>• Development for the treatment of solid cancer was halted based on a comprehensive review of the results of Phase I trial.</li> </ul>



Category	Brand Name, (Generic Name), Development Code	Status
	HF10	<Japan> <ul style="list-style-type: none"> <li>Phase II trial for the treatment of melanoma was initiated in May 2017.</li> <li>Phase I trial for the treatment of pancreatic cancer was initiated in September 2017.</li> </ul>
	(rebamipide) OPC-12759	<Japan> <ul style="list-style-type: none"> <li>Development for the treatment of oral mucositis associated with chemoradiation therapy for cancer was halted based on a comprehensive review of the results of Phase II trial.</li> </ul>
Cardiovascular and renal system	<i>Samsca</i> (tolvaptan) OPC-41061	<Japan> <ul style="list-style-type: none"> <li>Phase III trial for the treatment of syndrome of inappropriate antidiuretic hormone secretion (SIADH) was initiated in June 2017.</li> <li>Development for the treatment of cardiac edema, volume overload in hemodialysis and volume overload in peritoneal dialysis was halted in line with drug development strategy.</li> </ul>
Other categories	ZOSYN ( <i>tazobactam, piperacillin</i> ) YP-18	<Japan> <ul style="list-style-type: none"> <li>Approval was granted in May 2017 for the additional indication of complicated skin and soft tissue infections.</li> </ul>
	TAC-302	<Japan> <ul style="list-style-type: none"> <li>Phase II trial for the treatment of detrusor underactivity with overactive bladder was initiated in September 2017.</li> </ul>
	<i>WT1 mRNA Assay Kit II</i> 'Otsuka' ODK-1003	<Japan> <ul style="list-style-type: none"> <li>Approval was granted in April 2017 for the additional indication of in-vitro diagnostic agent for acute lymphoblastic leukemia.</li> </ul>

#### 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.

The *Amino-Value* brand has been developed based on research into the benefits of branched chain amino acids (BCAA) in the fields of clinical nutrition and sports nutrition. Two products in the range, *Amino-Value 4000* and *Amino-Value Powder 8000*, were relaunched in April 2017 as Japan's first Foods with Function Claim for alleviation of fatigue caused by physical activity, with BCAA as the functional component. Also in April 2017 the Group launched a new product developed from research on exercise and nutrition and research on the digestive tract and nutrition called *BODY MAINTÉ* Jelly, which is a conditioning nutritional food that perfectly conditions the body from the perspective of bodily recovery and maintenance through a nutritional formulation that combines lactic-acid bacteria *B240* (a strain licensed to Otsuka Pharmaceutical), BCAA + Arginine, and whey protein. In addition, in May 2017, Otsuka Pharmaceutical launched *Kenja-no-Kaimin Sleep Rhythm Support* (The Wise Man's Sleep Solution), a new food product with a Function Claim of improving sleep-wake rhythms and the quality of sleep. The newly developed food contains asparagus-derived proline-containing 3-alkyl diketopiperazines<sup>\*1</sup>, which has been shown to improve sleep patterns with disrupted biological rhythms and enhance the quality of sleep. *UL•OS Face Wash for Skin Care*, an extremely fine-textured foam face wash that makes it easy for even inexperienced users to cleanse quickly and gently without potential damage from scrubbing, was launched in August 2017.

\*1: Asparagus-derived proline-containing 3-alkyl diketopiperazines (as cyclo (L-leucyl-L-prolyl), cyclo (L-phenylalanyl-L-prolyl), cyclo (L-tyrosyl-L-prolyl))

Research and development expenses for the nutraceutical business for the first nine months of FY2017 (from January 1 to September 30, 2017) were ¥3,787 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 first nine months of FY2017 (from January 1 to September 30, 2017) were ¥433 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 first nine months of FY2017 (from January 1 to September 30, 2017) were ¥2,939 million.

## (2) Consolidated Financial Position

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

#### Assets

Total assets as of September 30, 2017 were ¥2,467,736 million, a decrease of ¥10,554 million compared to ¥2,478,290 million at the end of the previous fiscal year. This decrease was due to the ¥87,713 million decrease in current assets and ¥77,159 million increase in non-current assets.

#### (Current Assets)

Total current assets as of September 30, 2017 were ¥1,026,142 million, a decrease of ¥87,713 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 ¥43,275 and other financial assets by ¥73,204 million, while there were increases in trade and other receivables by ¥11,575 million and inventories by ¥16,447 million.

#### (Non-current Assets)

Total non-current assets as of September 30, 2017 were ¥1,441,593 million, an increase of ¥77,159 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 ¥15,955 million, goodwill by ¥37,998 million, investments in associates by ¥18,180 million, and other financial assets by ¥13,679 million, while there was a decrease in intangible assets by ¥9,915 million.

#### Liabilities

#### (Current Liabilities)

Total current liabilities as of September 30, 2017 were ¥409,098 million, a decrease of ¥27,514 million compared to ¥436,613 million at the end of the previous fiscal year. This decrease was mainly due to decreases in income taxes payable by ¥13,198 million, and other current liabilities by ¥14,593 million.

#### (Non-current Liabilities)

Total non-current liabilities as of September 30, 2017 were ¥295,375 million, a decrease of ¥7,859 million compared to ¥303,235 million at the end of the previous fiscal year. This decrease was mainly due to a decrease in bonds and borrowings by ¥22,404 million, while there was an increase in other financial liabilities by ¥11,914 million.

#### Net Assets

Total net assets as of September 30, 2017 were ¥1,763,262 million, an increase of ¥24,820 million compared to ¥1,738,441 million at the end of the previous fiscal year. This increase was mainly due to a ¥54,184 million payment of dividends, a ¥19,096 million increase in total shareholders' equity as a result of quarterly net income attributable to owners of the Company of ¥73,064 million, and a ¥4,241 million increase in other components of equity due to stock market and exchange rate fluctuations.

### 2) Cash Flows

Cash and cash equivalents as of September 30, 2017 decreased by ¥43,275 million to ¥326,599 million from the end of the previous fiscal year. Net cash provided by operating activities was ¥76,459 million, while net cash used in investing activities and financing activities were ¥37,491 million and ¥79,541 million respectively.

#### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥76,459 million as of September 30, 2017. Contributing factors were ¥93,864 million in profit before taxes, ¥45,558 million in depreciation and amortization expenses, ¥25,520 million in impairment loss and reversal of impairment loss, ¥17,318 million in share of profit of associates, a ¥10,016 million increase in trade and other receivables, a ¥15,191 million increase in inventories, a ¥11,334 million decrease in other, and ¥(39,725) million in income taxes paid.

#### Cash Flows from Investing Activities

Net cash used in investing activities was ¥(37,491) million as of September 30, 2017. Main investing activities included ¥(38,070) million in payments for acquisition of property, plant and equipment, ¥(18,863) million in payments for acquisition of intangible assets, ¥51,685 million in proceeds from sales and redemption of investments, ¥(24,736) million in payments for acquisition of investments, ¥(46,262) million in payments for acquisition of subsidiaries, and ¥38,111 million in decrease (increase) in time deposits.

#### Cash Flows from Financing Activities

Net cash used in financing activities was ¥(79,541) million as of September 30, 2017. Main financing activities included ¥(24,239) million in repayments of non-current borrowings, and ¥(54,861) million in dividends paid.

### (3) Forecast for Consolidated Performance

There are no changes to the 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	As of
		December 31, 2016	September 30, 2017
Assets			
Current assets			
Cash and cash equivalents		369,875	326,599
Trade and other receivables		353,193	364,768
Inventories		133,758	150,206
Income taxes receivable		14,381	10,364
Other financial assets		209,289	136,085
Other current assets		33,031	37,787
	Subtotal	1,113,529	1,025,812
Assets held for sale		325	329
Total current assets		1,113,855	1,026,142
Non-current assets			
Property, plant and equipment		358,762	374,718
Goodwill		231,839	269,837
Intangible assets		446,974	437,059
Investments in associates		166,600	184,781
Other financial assets		143,278	156,957
Deferred tax assets		6,939	8,024
Other non-current assets		10,038	10,215
Total non-current assets		1,364,434	1,441,593
Total assets		2,478,290	2,467,736

	(Millions of yen)	
	As of December 31, 2016	As of September 30, 2017
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	162,349	162,480
Bonds and borrowings	79,264	81,456
Other financial liabilities	3,872	2,340
Income taxes payable	21,482	8,284
Provisions	552	-
Other current liabilities	169,091	154,498
Subtotal	436,613	409,060
Liabilities directly related to assets held for sale	-	37
Total current liabilities	436,613	409,098
<b>Non-current liabilities</b>		
Bonds and borrowings	193,972	171,568
Other financial liabilities	11,942	23,857
Net defined benefit liabilities	15,331	16,201
Provisions	504	509
Deferred tax liabilities	70,264	71,472
Other non-current liabilities	11,219	11,766
Total non-current liabilities	303,235	295,375
Total liabilities	739,848	704,474
<b>Equity</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	81,690	81,690
Capital surplus	503,979	505,562
Treasury shares	(47,264)	(47,265)
Retained earnings	1,209,139	1,228,235
Other components of equity	(37,012)	(32,771)
Total equity attributable to owners of the Company	1,710,531	1,735,451
Non-controlling interests	27,910	27,810
Total equity	1,738,441	1,763,262
Total liabilities and equity	2,478,290	2,467,736

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

	(Millions of yen)	
	FY2016 (From January 1, 2016 to September 30, 2016)	FY2017 (From January 1, 2017 to September 30, 2017)
Net sales	890,092	919,022
Cost of sales	(296,372)	(310,557)
Gross profit	593,720	608,465
Selling, general and administrative expenses	(378,217)	(410,440)
Research and development expenses	(104,552)	(121,930)
Share of profit of associates	14,653	17,318
Other income	3,405	3,294
Other expenses	(877)	(1,821)
Operating profit	128,131	94,885
Finance income	2,683	2,697
Finance costs	(20,441)	(4,044)
Other non-operating income (expenses)	24,846	326
Profit before taxes	135,220	93,864
Income tax expenses	(26,367)	(19,080)
Profit for the period	108,853	74,784
Attributable to:		
Owners of the Company	107,635	73,064
Non-controlling interests	1,217	1,720
Earnings per share:		
Basic earnings per share (Yen)	198.64	134.84
Diluted earnings per share (Yen)	198.51	134.24

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

	(Millions of yen)	
	FY2016 (From January 1, 2016 to September 30, 2016)	FY2017 (From January 1, 2017 to September 30, 2017)
Profit for the period	108,853	74,784
Other comprehensive income		
Components that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	12,548	3
Financial assets measured at fair value through other comprehensive income	(6,996)	7,349
Share of other comprehensive income of associates	(142)	137
Subtotal	5,409	7,490
Components that may be reclassified to profit or loss		
Foreign currency translation reserve	(109,050)	(9,246)
Cash flow hedges	(135)	(17)
Share of other comprehensive income of associates	(22,006)	6,214
Subtotal	(131,191)	(3,049)
Total other comprehensive income	(125,781)	4,440
Comprehensive income	(16,928)	79,225
Attributable to:		
Owners of the Company	(15,166)	77,523
Non-controlling interests	(1,761)	1,702
Comprehensive income	(16,928)	79,225

**(4) Condensed Interim Consolidated Statement of Changes in Equity**  
FY2016 (From January 1, 2016 to September 30, 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	–	–	–	107,635	–	–
Other comprehensive income	–	–	–	–	12,483	(6,983)
Comprehensive income	–	–	–	107,635	12,483	(6,983)
Purchase of treasury shares	–	–	(1)	–	–	–
Dividends	–	–	–	(54,184)	–	–
Share-based payment transactions	–	84	–	–	–	–
Changes in ownership interests in subsidiaries that do not result in loss of control	–	447	–	0	–	–
Transfer from other components of equity to retained earnings	–	–	–	12,547	(12,483)	(63)
Total transactions with owners, etc.	–	531	(1)	(41,637)	(12,483)	(63)
Balance as of September 30, 2016	81,690	503,916	(47,263)	1,225,535	–	16,048

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity			Total		
	Foreign currency translation reserve	Cash flow hedges	Total			
Balance as of January 1, 2016	(22,112)	130	1,113	1,698,463	28,906	1,727,370
Profit for the period	–	–	–	107,635	1,217	108,853
Other comprehensive income	(128,167)	(135)	(122,802)	(122,802)	(2,979)	(125,781)
Comprehensive income	(128,167)	(135)	(122,802)	(15,166)	(1,761)	(16,928)
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	–	(54,184)	(501)	(54,686)
Share-based payment transactions	–	–	–	84	–	84
Changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	448	429	878
Transfer from other components of equity to retained earnings	–	–	(12,547)	–	–	–
Total transactions with owners, etc.	–	–	(12,547)	(53,654)	(72)	(53,726)
Balance as of September 30, 2016	(150,280)	(5)	(134,236)	1,629,642	27,073	1,656,715



FY2017 (From January 1, 2017 to September 30, 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	–	–	–	73,064	–	–
Other comprehensive income	–	–	–	–	(5)	7,624
Comprehensive income	–	–	–	73,064	(5)	7,624
Purchase of treasury shares	–	–	(1)	–	–	–
Dividends	–	–	–	(54,184)	–	–
Share-based payment transactions	–	176	–	–	–	–
Changes in ownership interests in subsidiaries that do not result in loss of control	–	1,406	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	217	5	(222)
Total transactions with owners, etc.	–	1,582	(1)	(53,967)	5	(222)
Balance as of September 30, 2017	81,690	505,562	(47,265)	1,228,235	–	29,760

	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	–	–	–	73,064	1,720	74,784
Other comprehensive income	(3,142)	(17)	4,458	4,458	(18)	4,440
Comprehensive income	(3,142)	(17)	4,458	77,523	1,702	79,225
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	–	(54,184)	(645)	(54,830)
Share-based payment transactions	–	–	–	176	–	176
Changes in ownership interests in subsidiaries that do not result in loss of control	0	–	0	1,406	(1,156)	250
Transfer from other components of equity to retained earnings	–	–	(217)	–	–	–
Total transactions with owners, etc.	0	–	(217)	(52,603)	(1,801)	(54,405)
Balance as of September 30, 2017	(62,520)	(11)	(32,771)	1,735,451	27,810	1,763,262

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

(Millions of yen)

	FY2016 (From January 1, 2016 to September 30, 2016)	FY2017 (From January 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Profit before taxes	135,220	93,864
Depreciation and amortization expenses	44,132	45,558
Impairment loss and reversal of impairment loss	9,054	25,520
Share of loss (profit) of associates	(14,653)	(17,318)
Finance income	(2,683)	(2,697)
Finance costs	20,441	4,044
Other non-operating (income) expenses	(24,846)	(326)
Decrease (increase) in inventories	(8,826)	(15,191)
Decrease (increase) in trade and other receivables	60,473	(10,016)
Increase (decrease) in trade and other payables	(8,232)	(1,424)
Other	(44,646)	(11,334)
Subtotal	<u>165,432</u>	<u>110,677</u>
Interest and dividends received	7,247	8,118
Interest paid	(2,410)	(2,610)
Income taxes paid	(35,392)	(39,725)
Net cash flows from (used in) operating activities	<u>134,877</u>	<u>76,459</u>
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	1,605	437
Payments for acquisition of property, plant and equipment	(26,732)	(38,070)
Payments for acquisition of intangible assets	(10,590)	(18,863)
Proceeds from sales and redemption of investments	76,538	51,685
Payments for acquisition of investments	(65,829)	(24,736)
Payments for acquisition of subsidiaries	-	(46,262)
Decrease (increase) in time deposits	(94,731)	38,111
Other	19,455	208
Net cash flows from (used in) investing activities	<u>(100,284)</u>	<u>(37,491)</u>
Cash flows from financing activities		
Purchase of treasury shares	(1)	(1)
Increase (decrease) in current borrowings	(2,947)	1,202
Proceeds from non-current borrowings	1,534	2,622
Repayments of non-current borrowings	(17,687)	(24,239)
Dividends paid	(54,673)	(54,861)
Other	(1,372)	(4,264)
Net cash flows from (used in) financing activities	<u>(75,147)</u>	<u>(79,541)</u>
Increase (decrease) in cash and cash equivalents	(40,555)	(40,573)
Cash and cash equivalents at beginning of period	460,619	369,875
Effect of exchange rate changes on cash and cash equivalents	(27,077)	(2,701)
Cash and cash equivalents at end of period	<u>392,986</u>	<u>326,599</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 nine months ended September 30, 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 September 30, 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	557,019	227,353	27,122	78,596	890,092	–	890,092
Intersegment sales or transfers	–	7,839	257	26,272	34,369	(34,369)	–
Total	557,019	235,193	27,380	104,869	924,462	(34,369)	890,092
Segment profit	107,930	29,405	8,237	9,352	154,926	(26,794)	128,131

(Notes) 1. Adjustments to segment profit of ¥(26,794) million include intersegment eliminations of ¥151 million, unallocated corporate expenses of ¥(27,693) million, and other income of ¥747 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 September 30, 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	572,466	234,879	27,360	84,315	919,022	–	919,022
Intersegment sales or transfers	–	8,420	208	27,722	36,350	(36,350)	–
Total	572,466	243,300	27,569	112,037	955,373	(36,350)	919,022
Segment profit	70,825	33,857	9,704	9,087	123,475	(28,589)	94,885

(Notes) 1. Adjustments to segment profit of ¥(28,589) million include intersegment eliminations of ¥15 million, unallocated corporate expenses of ¥(29,189) million, and other income of ¥584 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.