

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

July 30, 2018

Company name:	Mitsubishi Tanabe Pharma Corporation
Stock exchange listings:	Tokyo
Securities code number:	4508
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Planned date of filing of quarterly securities report: August 6, 2018
 Planned date of start of dividend payments: —
 Provision of supplementary explanatory materials for quarterly results: Yes
 Quarterly results presentation: Yes (for institutional investors and investment 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 1st Quarter (April 1, 2018 to June 30, 2018)

(1) Consolidated Business Results

	Revenue		Core operating profit		Operating profit	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
1st Quarter of Fiscal year 2018	105,351	(2.2)	19,304	(12.2)	19,304	(8.3)
1st Quarter of Fiscal year 2017	107,708	2.1	21,986	(24.2)	21,050	(27.9)

(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
1st Quarter of Fiscal year 2018	19,741	(10.3)	13,110	(20.1)	13,959	(17.8)
1st Quarter of Fiscal year 2017	21,998	(27.4)	16,413	(22.8)	16,981	(22.5)

	Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of Yen	% change	Yen	Yen
1st Quarter of Fiscal year 2018	20,420	(2.4)	24.89	24.89
1st Quarter of Fiscal year 2017	20,930	64.7	30.27	—

(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 June 30, 2018	1,033,346	900,805	888,321	86.0	1,584.09
As of March 31, 2018	1,047,621	894,827	882,808	84.3	1,574.26

2. Dividends

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

(Note) Revisions to recently announced dividend forecasts: No

3. Forecasts for Fiscal year 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
Interim	210,000	(1.6)	30,000	(24.5)	28,500	(22.7)
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
Interim	29,000	(22.8)	18,500	(34.5)	19,500	(34.6)
Full year	67,500	(14.3)	44,500	(17.6)	47,000	(18.9)

Basic earnings per share: Interim 34.77 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. Changes 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)

1st Quarter of Fiscal year 2018	561,417,916 shares	Fiscal year 2017	561,417,916 shares
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2. Number of treasury shares at the end of the period

1st Quarter of Fiscal year 2018	642,484 shares	Fiscal year 2017	642,309 shares
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3. Average number of shares during the period (cumulative total)

1st Quarter of Fiscal year 2018	560,775,557 shares	1st Quarter of Fiscal year 2017	560,988,065 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 (211,100 shares at the end of the first three months of the fiscal year ending March 31, 2019).

*This financial results report is exempt from the audit procedures required 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 make promises to achieve such forecasts. Actual financial results may differ materially from these forecasts depending on a number of important factors. Please see "1. Qualitative Information for 1st 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 shown in section "3. Supplementary Information."

•The Company plans to hold a results presentation (conference call) for institutional investors and securities analysts on July 30, 2018 (Monday).

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.

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1. Qualitative Information for 1st Quarter of Fiscal year 2018

(1) Explanation about Results of Operations

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

(Millions of yen)

	1st quarter of Fiscal year 2017	1st quarter of Fiscal year 2018	Increase / Decrease	% change
Revenue	107,708	105,351	(2,357)	(2.2)
Core operating profit	21,986	19,304	(2,682)	(12.2)
Operating profit	21,050	19,304	(1,746)	(8.3)
Profit before income tax	21,998	19,741	(2,257)	(10.3)
Profit attributable to owners of the Company	16,981	13,959	(3,022)	(17.8)

【Revenue】

Revenue decreased by 2.2%, or ¥2.3 billion, year-on-year, to ¥105.3 billion.

(Millions of yen)

	1st quarter of Fiscal year 2017	1st quarter of Fiscal year 2018	Increase / Decrease	% change
Pharmaceuticals	107,708	105,351	(2,357)	(2.2)
Domestic ethical drugs	79,973	71,653	(8,320)	(10.4)
Overseas ethical drugs	5,938	12,948	7,010	118.1
Royalty revenue, etc.	20,476	18,520	(1,956)	(9.6)
OTC products	1,160	1,204	44	3.8
Others	161	1,026	865	537.3

• Revenue of domestic ethical drugs decreased by 10.4%, year-on-year, to ¥71.6 billion. The sales growth of SIMPONI, the treatment agent of Rheumatoid arthritis (RA) and Mearubik (combined vaccine for measles and rubella), along with the contribution of CANALIA, a type 2 diabetes mellitus treatment agent which launched in September 2017 was offset by the negative impact of NHI drug price revision starting in April 2018 and the transfer of the generic drug business in October 2017.

• Revenue of overseas ethical drugs increased by 118.1%, year-on-year, to ¥12.9 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 9.6%, year-on-year, to ¥18.5 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. Besides, there was no one-time income associated with out-licensing activities recorded in the current period.

【Core operating profit (*) and Operating profit】

Core operating profit decreased by 12.2%, or ¥2.6 billion, year-on-year, to ¥19.3 billion due to the following results:

- Increase in revenue owing to the launch of RADICAVA in the U.S.,
- Decrease in revenue due to NHI drug price revision, and the decline of royalty revenue and long listed drugs sales,
- Increase in R&D expenses due to moving into the late development stage and the acquisition of NeuroDerm Ltd.

Operating profit, equalled core operating profit, recorded ¥19.3 billion (reduced 8.3%, or ¥1.7 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 ¥19.6 billion, accounting for 18.7% of revenue. The major progress of clinical development activities during the first three 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.

Application of approval

- An application of MCI-186 (generic name: edaravone, U.S. product name: RADICAVA), the treatment for ALS was submitted in Canada in April 2018, and Europe in May 2018.
- In June 2018, an application for the treatment of schizophrenia, MP-214 (dopamine D3/D2 receptor partial agonist) was filed in Singapore.

Start of clinical trials

- There was no initiation of clinical trial during the first quarter of the fiscal year ending in March 31, 2019.

In addition, in July 2018, the Company started phase 2 clinical trials of MT-7117 for erythropoietic protoporphyria in the U.S.

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.

(2) Explanation about Financial Position

【Statement of financial position】

(Millions of yen)

	End of Fiscal year 2017 (As of March 31, 2018)	End of 1st quarter of Fiscal year 2018 (As of June 30, 2018)	Increase / Decrease
Non-current assets	462,096	469,516	7,420
Current assets	585,525	563,830	(21,695)
Total assets	1,047,621	1,033,346	(14,275)
Liabilities	152,794	132,541	(20,253)
Equity	894,827	900,805	5,978
Total liabilities and equity	1,047,621	1,033,346	(14,275)

Total assets at the end of the first quarter of the fiscal year ending March 31, 2019 were ¥1,033.3 billion, a decrease of ¥14.2 billion from the end of the fiscal year ended March 31, 2018. Major factors causing changes in comparison with the previous year-end were as follows:

- Non-current assets increased by ¥7.4 billion, to ¥469.5 billion, due to the increase arising from the fluctuation of foreign exchange relating to intangible assets associated with products, and financial assets and net defined benefit assets deriving from fair value remeasurement regarding domestic listed shares and pension plan assets.
- Current assets decreased by ¥21.6 billion, to ¥563.8 billion because of a decrease in cash and cash equivalents as a consequence of the payment of corporate income tax and dividends, exceeded an increase in trade and other receivables as well as other financial assets.
- Liabilities decreased by ¥20.2 billion, to ¥132.5 billion, due to a decrease in income taxes payable, trade and other payables.
- Equity increased by ¥5.9 billion, to ¥900.8 billion, as a result of recording profit for the period, an increase of foreign currency translation adjustments and fair value remeasurement of financial assets including domestic listed shares and pension plan assets, and the payment of dividends.

【Cash flows】

(Millions of yen)

	1st quarter of Fiscal year 2017	1st quarter of Fiscal year 2018	Increase / Decrease
Operating activities	7,760	609	(7,151)
Investing activities	(15,859)	(7,488)	8,371
Financing activities	(14,696)	(14,530)	166
Change in cash and cash equivalents	(22,592)	(20,532)	2,060
At the beginning of the year	113,215	127,030	13,815
At the end of the period	90,625	106,498	15,873

Net decrease in cash and cash equivalents was ¥20.5 billion, and the balance of cash and cash equivalents at the end of the first quarter of the fiscal year ending March 31, 2019 was ¥106.4 billion.

- Net cash provided by operating activities was ¥0.6 billion since cash inflows including profit before income tax exceeded cash outflows consisting of an increase in trade and other receivables, a decrease in trade and other payables and income taxes paid.
- Net cash used in investing activities was ¥7.4 billion mainly generated from investment of cash reserves and capital investments.
- Net cash used in financing activities was ¥14.5 billion mainly due to the payment of dividends.

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

There has been no change to the consolidated forecasts for the first half-year and 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 Statement of Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue	107,708	105,351
Cost of sales	42,562	42,350
Gross profit	65,146	63,001
Selling, general and administrative expenses	24,421	23,188
Research and development expenses	18,090	19,648
Amortization of intangible assets associated with products	527	734
Other income	127	211
Other expenses	1,193	342
Share of profit of associates and joint ventures accounted for using equity method	8	4
Operating profit	21,050	19,304
Financial income	1,014	478
Financial expenses	66	41
Profit before income tax	21,998	19,741
Income tax expenses	5,585	6,631
Profit for the period	16,413	13,110
Profit attributable to:		
Owners of the Company	16,981	13,959
Non-controlling interests	(568)	(849)
Profit for the period	16,413	13,110
Earnings per share		
Basic earnings per share (Yen)	30.27	24.89
Diluted earnings per share (Yen)	—	24.89

(2) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit for the period	16,413	13,110
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	1,198	1,193
Remeasurements of defined benefit plans	2,397	727
Subtotal	3,595	1,920
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	929	5,400
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(7)	(10)
Subtotal	922	5,390
Other comprehensive income (loss), net of tax	4,517	7,310
Comprehensive income	20,930	20,420
Comprehensive income (loss) attributable to:		
Owners of the Company	21,221	21,203
Non-controlling interests	(291)	(783)
Comprehensive income	20,930	20,420

(3) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Non-current assets		
Property, plant and equipment	80,457	79,678
Goodwill	90,313	90,787
Intangible assets	200,940	205,896
Investments in associates and joint ventures accounted for using equity method	16,445	16,439
Other financial assets	46,109	47,708
Net defined benefit assets	22,711	23,649
Other non-current assets	379	372
Deferred tax assets	4,742	4,987
Total non-current assets	462,096	469,516
Current assets		
Inventories	81,998	76,324
Trade and other receivables	123,537	124,225
Other financial assets	246,733	249,243
Other current assets	6,227	7,540
Cash and cash equivalents	127,030	106,498
Total current assets	585,525	563,830
Total assets	1,047,621	1,033,346

	As of March 31, 2018	As of June 30, 2018
Liabilities and equity		
Liabilities		
Non-current liabilities		
Borrowings	420	381
Other financial liabilities	2,199	2,216
Net defined benefit liabilities	868	884
Provisions	8,571	8,049
Other non-current liabilities	5,505	5,504
Deferred tax liabilities	37,861	39,428
Total non-current liabilities	55,424	56,462
Current liabilities		
Borrowings	122	113
Trade and other payables	35,631	28,882
Other financial liabilities	20,737	18,730
Income taxes payable	18,093	7,241
Provisions	1,934	3,209
Other current liabilities	20,853	17,904
Total current liabilities	97,370	76,079
Total liabilities	152,794	132,541
Equity		
Share capital	50,000	50,000
Capital surplus	451,228	451,240
Treasury shares	(1,045)	(1,046)
Retained earnings	382,122	381,107
Other components of equity	503	7,020
Total equity attributable to owners of the Company	882,808	888,321
Non-controlling interests	12,019	12,484
Total equity	894,827	900,805
Total liabilities and equity	1,047,621	1,033,346

(4) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the Company				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Net changes in financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2017	50,000	451,187	(496)	353,427	(4,666)	11,101
Profit for the period	—	—	—	16,981	—	—
Other comprehensive income	—	—	—	—	652	1,198
Total comprehensive income	—	—	—	16,981	652	1,198
Acquisition of treasury shares	—	—	(1)	—	—	—
Disposal of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	(15,707)	—	—
Share-based payments	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	2,510	—	(113)
Total contributions by and distributions to owners	—	—	(1)	(13,197)	—	(113)
Issuance of new shares	—	—	—	—	—	—
Changes in ownership interests in subsidiaries and others	—	—	—	—	—	—
Total transactions with owners	—	—	(1)	(13,197)	—	(113)
Balance as of June 30, 2017	50,000	451,187	(497)	357,211	(4,014)	12,186
Balance as of April 1, 2018	50,000	451,228	(1,045)	382,122	(13,194)	13,717
Profit for the period	—	—	—	13,959	—	—
Other comprehensive income	—	—	—	—	5,334	1,193
Total comprehensive income	—	—	—	13,959	5,334	1,193
Acquisition of treasury shares	—	—	(1)	—	—	—
Disposal of treasury shares	—	0	0	—	—	—
Dividends	—	—	—	(15,701)	—	—
Share-based payments	—	12	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	727	—	—
Total contributions by and distributions to owners	—	12	(1)	(14,974)	—	—
Issuance of new shares	—	—	—	—	—	—
Changes in ownership interests in subsidiaries and others	—	—	—	—	—	—
Total transactions with owners	—	12	(1)	(14,974)	—	—
Balance as of June 30, 2018	50,000	451,240	(1,046)	381,107	(7,860)	14,910

(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	—	—	—	16,981	(568)	16,413
Other comprehensive income	2,397	(7)	4,240	4,240	277	4,517
Total comprehensive income	2,397	(7)	4,240	21,221	(291)	20,930
Acquisition of treasury shares	—	—	—	(1)	—	(1)
Disposal of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	(15,707)	—	(15,707)
Share-based payments	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	(2,397)	—	(2,510)	—	—	—
Total contributions by and distributions to owners	(2,397)	—	(2,510)	(15,708)	—	(15,708)
Issuance of new shares	—	—	—	—	1,085	1,085
Changes in ownership interests in subsidiaries and others	—	—	—	—	1,085	1,085
Total transactions with owners	(2,397)	—	(2,510)	(15,708)	1,085	(14,623)
Balance as of June 30, 2017	—	(55)	8,117	866,018	11,719	877,737
Balance as of April 1, 2018	—	(20)	503	882,808	12,019	894,827
Profit for the period	—	—	—	13,959	(849)	13,110
Other comprehensive income	727	(10)	7,244	7,244	66	7,310
Total comprehensive income	727	(10)	7,244	21,203	(783)	20,420
Acquisition of treasury shares	—	—	—	(1)	—	(1)
Disposal of treasury shares	—	—	—	0	—	0
Dividends	—	—	—	(15,701)	—	(15,701)
Share-based payments	—	—	—	12	—	12
Transfer from other components of equity to retained earnings	(727)	—	(727)	—	—	—
Total contributions by and distributions to owners	(727)	—	(727)	(15,690)	—	(15,690)
Issuance of new shares	—	—	—	—	1,248	1,248
Changes in ownership interests in subsidiaries and others	—	—	—	—	1,248	1,248
Total transactions with owners	(727)	—	(727)	(15,690)	1,248	(14,442)
Balance as of June 30, 2018	—	(30)	7,020	888,321	12,484	900,805

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities:		
Profit before income tax	21,998	19,741
Depreciation and amortization	2,821	2,897
Interest and dividend income	(530)	(440)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(8)	(4)
Decrease (increase) in trade and other receivables	(9,359)	(600)
Decrease (increase) in inventories	4,730	6,062
Increase (decrease) in trade and other payables	(8,097)	(7,394)
Increase (decrease) in provisions	(116)	669
Decrease (increase) in net defined benefit assets	13	24
Other	(361)	(2,367)
Subtotal	11,091	18,588
Interest received	71	132
Dividends received	432	288
Interest paid	(36)	(41)
Income taxes paid	(3,798)	(18,358)
Net cash flows provided by operating activities	7,760	609
Cash flows from investing activities:		
Payments into time deposits	(75)	(553)
Proceeds from withdrawal of time deposits	—	3,697
Purchase of property, plant and equipment	(3,335)	(1,275)
Purchase of intangible assets	(3,180)	(454)
Purchase of investments	(159,000)	(107,029)
Proceeds from sales and redemption of investments	149,792	98,117
Other	(61)	9
Net cash flows used in investing activities	(15,859)	(7,488)
Cash flows from financing activities:		
Proceeds from stock issuance to non-controlling interests	1,085	1,248
Dividends paid	(15,707)	(15,701)
Other	(74)	(77)
Net cash flows used in financing activities	(14,696)	(14,530)
Effect of exchange rate changes on cash and cash equivalents	203	877
Net increase in cash and cash equivalents	(22,592)	(20,532)
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	2	—
Cash and cash equivalents at the beginning of the period	113,215	127,030
Cash and cash equivalents at the end of the period	90,625	106,498

(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.

(Subsequent Event)

Not applicable.

3. Supplementary Information

(1) Consolidated Financial Indicators for 1st Quarter of FY2018

i. Profit and Loss

(Amounts less than ¥ 100 million are rounded off.)

[Billion yen]

	Q1 FY2018	Y-on-Y			Comparison to forecasts		Notes [Y-on-Y comparison]
		Q1 FY2017	Increase (decrease)	Change %	1H Forecast ^{*1}	Achieved %	
Revenue	105.3	107.7	(2.3)	(2.2)	210.0	50.2	Ethical drugs domestic sales (8.3) Ethical drugs overseas sales 7.0 Royalty income, etc. (1.9) See "Sales Revenue of Main Products" on page 13.
Domestic	74.1	82.0	(7.9)	(9.7)	145.7	50.9	
Overseas	31.1	25.6	5.5	21.7	64.2	48.5	
Overseas sales ratio	29.6%	23.8%			30.6%		
Cost of sales	42.3	42.5	(0.2)	(0.5)	84.0	50.4	Increase due to the influence of NHI price revision.
Sales cost ratio	40.2%	39.5%			40.0%		
Gross profit	63.0	65.1	(2.1)	(3.3)	126.0	50.0	
SG&A expense	23.1	24.4	(1.2)	(5.0)	50.0	46.4	Increase in expenses due to an acquisition of shares of NeuroDerm Ltd.
% of revenue	22.0%	22.7%			23.8%		
R&D expense	19.6	18.0	1.5	8.6	44.5	44.2	
% of revenue	18.7%	16.8%			21.2%		
Amortization of intangible assets associated with products	0.7	0.5	0.2	39.3	1.5	48.9	
Other income (expense) ^{*2}	(0.1)	(0.1)	(0.0)	-	-	-	
Core operating profit	19.3	21.9	(2.6)	(12.2)	30.0	64.3	
Non-recurring items ^{*2}	-	(0.9)	0.9	-	(1.5)	-	
Operating profit	19.3	21.0	(1.7)	(8.3)	28.5	67.7	
Financial income	0.4	1.0	(0.5)	(52.9)			
Interest income and dividends income	0.4	0.5	(0.0)	(17.0)			
Foreign exchange income	0.0	0.1	(0.1)	(94.4)			
Others	0.0	0.2	(0.2)	(90.6)			
Financial expense	0.0	0.0	(0.0)	(37.9)			
Profit before tax for the period	19.7	21.9	(2.2)	(10.3)	29.0	68.1	
Income taxes	6.6	5.5	1.0	18.7			
Net profit for the period	13.1	16.4	(3.3)	(20.1)	18.5	70.9	
Net profit attributable to owners of the Company	13.9	16.9	(3.0)	(17.8)	19.5	71.6	
Total labor cost	17.5	18.2	(0.7)	(4.2)	37.0	47.3	

*1: The Company announced forecasts for FY2018 on May 9, 2018.

*2: Brackets indicate expense and loss

[Yen]

Exchange rate	Q1 FY2018 average	Q1 FY2017 average	FY2018 planned
US \$	109.53	111.42	105.00
Euro	129.01	124.26	130.00

For the 1st quarter of FY2018, the impact of fluctuations in the foreign exchange rate was as follows;

Revenue: decrease by ¥0.3 billion

Core operating profit: decrease by ¥0.2 billion

ii. Sales Revenue of Main Products

(Amounts less than ¥ 100 million are rounded off.)

[Billion yen]

	Q1 FY2018	Y-on-Y			Comparison to forecasts	
		Q1 FY2017	Increase (decrease)	Change %	1H Forecasts*1	Achieved %
Domestic ethical drugs	71.6	79.9	(8.3)	(10.4)	141.2	50.7
Remicade	15.1	16.8	(1.6)	(9.9)	28.4	53.2
Simponi	9.0	7.5	1.4	19.5	17.2	52.2
Tenelia	4.4	4.6	(0.1)	(4.2)	8.4	53.3
Stelara	0.2	-	0.2	-	4.9	4.2
Lexapro	3.4	3.1	0.2	9.2	6.4	52.9
Ceredist	2.4	3.0	(0.5)	(19.0)	4.8	50.9
Kremezin	1.7	1.7	(0.0)	(3.2)	3.5	48.4
Canaglu	1.4	1.4	0.0	2.8	3.6	40.9
Talion	1.4	4.0	(2.5)	(64.3)	3.5	40.6
Rupafin	0.1	-	0.1	-	1.2	13.9
Maintate	1.4	2.9	(1.5)	(52.4)	2.7	51.9
Vaccines[BIKEN products]	8.8	6.8	1.9	29.1	14.3	61.5
Influenza	(0.1)	(0.0)	(0.0)	-	1.3	-
Tetrabik	2.2	2.3	(0.1)	(5.9)	4.5	48.9
Varicella vaccine	1.4	1.4	(0.0)	(2.5)	2.8	50.0
Mearubik	3.3	1.5	1.7	110.3	2.9	114.2
Tanabe Seiyaku Hanbai products *2	-	3.4	(3.4)	(100.0)	-	-
Overseas ethical drugs	12.9	5.9	7.0	118.1	29.2	44.3
Radicava	6.4	-	6.4	-	14.1	45.1
Herbesser	1.6	1.5	0.1	12.2	3.4	48.3
Argatroban (Novastan)	0.5	0.4	0.0	17.4	1.1	49.9
Simponi	0.4	0.4	0.0	6.4	1.0	48.0
Royalty revenue, etc.	18.5	20.4	(1.9)	(9.6)	35.4	52.2
Royalty from Gilenya	15.3	14.5	0.7	5.4	Undisclosed	-
Royalty from INVOKANA	2.4	3.6	(1.1)	(30.7)	Undisclosed	-
OTC products	1.2	1.1	0.0	3.8	2.3	50.5
Others *3	1.0	0.1	0.8	537.3	1.6	62.2
Total sales revenue	105.3	107.7	(2.3)	(2.2)	210.0	50.2

*1: The Company announced forecasts for FY2018 on May 9, 2018.

*2: The Company transferred all of the shares of Tanabe Seiyaku Hanbai to Nipro Corporation on October 1, 2017.

*3: Contracted manufacturing products of other companies.

iii. Quarterly Trend (PL)

(Amounts less than ¥100 million are rounded off.)

[Billion yen]

	FY2017					FY2018		
	Q1 Apr. to Jun.	Q2 Jul. to Sep.	Q3 Oct. to Dec.	Q4 Jan. to Mar.	Full year Actual	Q1 Apr. to Jun.	1H forecasts*1	Full year forecasts*1
Revenue	107.7 24.8%	105.6 24.4%	125.9 29.0%	94.5 21.8%	433.8 100.0%	105.3 24.2%	210.0 48.3%	435.0 100.0%
Domestic	82.0 25.6%	78.6 24.5%	94.6 29.5%	65.5 20.4%	320.8 100.0%	74.1 24.3%	145.7 47.8%	304.7 100.0%
Overseas	25.6 22.7%	26.9 23.9%	31.3 27.7%	29.0 25.7%	112.9 100.0%	31.1 23.9%	64.2 49.4%	130.2 100.0%
Cost of sales	42.5	41.9	49.7	35.5	169.7	42.3	84.0	176.0
Sales cost ratio	39.5%	39.7%	39.5%	37.6%	39.1%	40.2%	40.0%	40.5%
Gross profit	65.1 24.7%	63.7 24.1%	76.2 28.9%	59.0 22.3%	264.1 100.0%	63.0 24.3%	126.0 48.6%	259.0 100.0%
SG&A expense	24.4 23.5%	27.0 26.0%	26.1 25.2%	26.4 25.4%	104.0 100.0%	23.1 23.0%	50.0 49.5%	101.0 100.0%
R&D expense	18.0 22.9%	18.2 23.1%	19.7 25.0%	22.9 29.0%	79.0 100.0%	19.6 23.3%	44.5 52.7%	84.5 100.0%
Amortization of intangible assets associated with products	0.5 21.5%	0.5 21.5%	0.6 27.1%	0.7 29.9%	2.4 100.0%	0.7 24.5%	1.5 50.0%	3.0 100.0%
Other income (expense)*2	(0.1) -	(0.1) -	0.3 -	(0.0) -	0.0 -	(0.1) -	- -	(0.5) -
Core operating profit	21.9 28.0%	17.7 22.6%	29.9 38.2%	8.8 11.3%	78.5 100.0%	19.3 27.6%	30.0 42.9%	70.0 100.0%
Operating profit	21.0 27.2%	15.8 20.5%	31.6 40.9%	8.8 11.4%	77.2 100.0%	19.3 28.8%	28.5 42.5%	67.0 100.0%
Profit before tax	21.9 27.9%	15.5 19.8%	32.6 41.5%	8.5 10.8%	78.7 100.0%	19.7 29.2%	29.0 43.0%	67.5 100.0%
Net profit attributable to owners of the Company	16.9 29.3%	12.8 22.2%	22.2 38.4%	5.8 10.1%	57.9 100.0%	13.9 29.7%	19.5 41.5%	47.0 100.0%

The each figure (excluding "cost of sales") in the lower displays the progress rate.

*1: The Company announced forecasts for FY2018 on May 9, 2018.

*2: Brackets indicate expense and loss.

iv. Quarterly Trend (Sales Revenue of Main Products)

(Amounts less than ¥ 100 million are rounded off.)

[Billion yen]

		FY2017					FY2018		
		Q1 Apr. to Jun.	Q2 Jul. to Sep.	Q3 Oct. to Dec.	Q4 Jan. to Mar.	Full year actual	Q1 Apr. to Jun.	1H forecasts ^{*1}	Full year forecasts ^{*1}
Domestic ethical drugs		79.9	77.3	92.3	59.7	309.3	71.6	141.2	296.2
		25.9%	25.0%	29.8%	19.3%	100.0%	24.2%	47.7%	100.0%
	Remicade	16.8	16.1	18.2	13.5	64.6	15.1	28.4	55.5
		26.0%	24.9%	28.2%	20.9%	100.0%	27.2%	51.2%	100.0%
	Simponi	7.5	7.7	9.2	7.6	32.1	9.0	17.2	35.0
		23.5%	24.2%	28.6%	23.7%	100.0%	25.7%	49.2%	100.0%
	Tenelia	4.6	4.6	5.8	2.2	17.5	4.4	8.4	17.0
		26.7%	26.8%	33.4%	13.1%	100.0%	26.3%	49.4%	100.0%
	Stelara	-	0.0	0.0	0.2	0.3	0.2	4.9	15.1
		-	6.9%	18.9%	74.2%	100.0%	1.4%	32.8%	100.0%
	Lexapro	3.1	3.1	3.6	2.8	12.7	3.4	6.4	13.1
		24.5%	24.3%	28.8%	22.4%	100.0%	25.9%	49.1%	100.0%
	Ceredist	3.0	2.6	3.1	2.0	10.8	2.4	4.8	9.3
		28.3%	23.9%	28.8%	19.0%	100.0%	26.5%	52.1%	100.0%
	Kremezin	1.7	1.5	1.7	1.4	6.5	1.7	3.5	8.4
		26.9%	24.3%	26.8%	22.0%	100.0%	20.2%	41.7%	100.0%
	Canaglu	1.4	1.2	1.7	1.2	5.6	1.4	3.6	7.6
		25.9%	21.7%	30.8%	21.6%	100.0%	19.5%	47.7%	100.0%
	Talion	4.0	3.9	4.7	4.1	16.9	1.4	3.5	7.3
		23.7%	23.2%	28.3%	24.8%	100.0%	19.4%	47.8%	100.0%
	Rupafin	-	-	0.6	(0.2)	0.4	0.1	1.2	6.8
		-	-	158.4%	(58.4%)	100.0%	2.5%	18.2%	100.0%
	Maintate	2.9	2.6	3.0	1.7	10.3	1.4	2.7	5.3
		28.8%	25.1%	29.6%	16.4%	100.0%	26.6%	51.4%	100.0%
	Vaccines [BIKEN products]	6.8	7.6	15.4	5.1	35.0	8.8	14.3	36.5
		19.5%	21.7%	44.0%	14.7%	100.0%	24.2%	39.3%	100.0%
	Influenza	(0.0)	1.1	9.0	(0.2)	9.9	(0.1)	1.3	11.2
		(0.3%)	11.4%	91.4%	(2.5%)	100.0%	(1.0%)	11.7%	100.0%
	Tetrabik	2.3	2.0	2.2	2.0	8.7	2.2	4.5	9.1
		26.7%	23.9%	25.6%	23.7%	100.0%	24.1%	49.4%	100.0%
	Varicella vaccine	1.4	1.2	1.3	1.2	5.2	1.4	2.8	5.5
		27.4%	23.8%	25.6%	23.1%	100.0%	25.7%	51.3%	100.0%
	Mearubik	1.5	1.3	1.2	0.9	5.0	3.3	2.9	5.5
		31.3%	26.3%	24.3%	18.0%	100.0%	59.2%	51.9%	100.0%
	Tanabe Seiyaku Hanbai products ^{*2}	3.4	3.2	-	-	6.6	-	-	-
		51.4%	48.6%	-	-	100.0%	-	-	-
Overseas ethical drugs		5.9	8.0	11.7	12.8	38.5	12.9	29.2	61.1
		15.4%	20.9%	30.5%	33.3%	100.0%	21.2%	47.8%	100.0%
	Radicava	-	1.1	5.2	5.8	12.3	6.4	14.1	31.5
		-	9.5%	42.9%	47.6%	100.0%	20.3%	45.0%	100.0%
	Herbesser	1.5	1.6	1.5	1.7	6.5	1.6	3.4	7.2
		23.1%	25.4%	24.2%	27.3%	100.0%	23.3%	48.3%	100.0%
	Argatroban (Novastan)	0.4	0.5	0.6	0.4	2.0	0.5	1.1	2.2
Royalty revenue, etc.		20.4	19.1	19.9	19.6	79.1	18.5	35.4	69.8
		25.9%	24.2%	25.2%	24.8%	100.0%	26.5%	50.7%	100.0%
	Royalty from Gilenya	14.5	14.9	15.2	12.9	57.7	15.3	Undisclosed	Undisclosed
		25.3%	25.8%	26.5%	22.4%	100.0%	-	-	-
	Royalty from INVOKANA	3.6	3.6	3.8	2.8	13.9	2.4	Undisclosed	Undisclosed
		25.7%	26.3%	27.6%	20.4%	100.0%	-	-	-
	OTC products	1.1	1.0	0.9	0.5	3.7	1.2	2.3	4.3
Others ^{*3}		31.1%	27.0%	26.4%	15.5%	100.0%	27.7%	54.8%	100.0%
		0.1	0.0	0.9	1.7	3.0	1.0	1.6	3.3
		5.3%	3.1%	32.7%	58.9%	100.0%	30.6%	49.3%	100.0%
Total sales revenue		107.7	105.6	125.9	94.5	433.8	105.3	210.0	435.0
		24.8%	24.4%	29.0%	21.8%	100.0%	24.2%	48.3%	100.0%

The each figure in the lower displays the progress rate.

^{*1}: The Company announced forecasts for FY2018 on May 9, 2018.

^{*2}: The Company transferred all of the shares of Tanabe Seiyaku Hanbai to Nipro Corporation on October 1, 2017.

^{*3}: Contracted manufacturing products of other companies.

(2) State of New Product Development (as of July 27, 2018)

i. Autoimmune diseases

Development code Product name (Generic name)	Category (Indications)	Region Stage	Origin/licensee
FTY720 Imusera/Gilenya (Fingolimod)	S1P receptor functional antagonist (Pediatric multiple sclerosis)	Europe Filed(Nov.,2017)	Licensed to Novartis (Switzerland)
MT-5547 (Fasimumab)	Fully human anti-NGF monoclonal antibody (Osteoarthritis)	Japan Phase 2/3	Licensed from Regeneron (US)
MT-1303 (Amiselimod)	S1P receptor functional antagonist (Multiple sclerosis)	Europe Phase 2	In-house
	(Psoriasis)	Europe Phase 2	
	(Crohn's disease)	Japan, Europe Phase 2	
MT-7117	Dermatologicals, etc. (Erythropoietic protoporphyria)	US Phase 2	In-house
MT-2990	Inflammatory diseases, autoimmune diseases, etc.	Phase 1	In-house

ii. Diabetes and kidney diseases

Development code Product name (Generic name)	Category (Indications)	Region Stage	Origin/licensee
TA-7284 Canaglu/ INVOKANA (Canagliflozin)	SGLT2 inhibitor (Type 2 diabetes mellitus)	Indonesia Filed(Aug., 2017)	In-house
	(Reduce the risk of death in type 2 diabetes with established, or risk for, cardiovascular disease (CANVAS/CANVAS- R))	US Filed(Sep., 2017)	Licensed to Janssen Pharmaceuticals (US)
		Europe Filed(Oct., 2017)	
	(Diabetic nephropathy)	Japan, US, Europe, and others Phase 3 (Global clinical trial)	Discovered in-house Sponsor: Janssen Research & Development (US)
MP-513 (Teneligliptin)	DPP-4 inhibitor (Type 2 diabetes mellitus)	Indonesia Filed(Apr., 2015)	In-house
		China Phase 3	
		Europe Phase 2	
MT-6548 (Vadadustat)	Hypoxia inducible factor prolyl hydroxylase inhibitor (Renal anemia)	Japan Phase 3	Licensed from Akebia (US)
MT-3995 (Apararenone)	Selective mineralocorticoid receptor antagonist (Diabetic nephropathy)	Europe Phase 2	In-house
	(Non-alcoholic steatohepatitis: NASH)	Japan Phase 2	
		Japan Phase 2	

iii. Central nervous system diseases

Development code Product name (Generic name)	Category (Indications)	Region Stage	Origin/licensee
MCI-186 Radicut/Radicava (Edaravone)	Free radical scavenger (Amyotrophic lateral sclerosis)	Switzerland Filed(Dec., 2017)	In-house
		Canada Filed(Apr., 2018)	
		Europe Filed(May, 2018)	
MP-214 (Cariprazine)	Dopamine D3/D2 receptor partial agonist (Schizophrenia)	Korea Filed(Dec., 2017)	Licensed from Gedeon Richter (Hungary)
		Taiwan Filed(Dec., 2017)	
		Singapore Filed(Jun., 2018)	
MT-210 (Roluperidone)	5-HT2A/Sigma 2 receptor antagonist (Schizophrenia)	US, Europe Phase 3	Licensed to Minerva Neurosciences (US)
MT-5199 (Valbenazine)	Vesicular monoamine transporter type 2 inhibitor (Tardive dyskinesia)	Japan Phase 2/3	Licensed from Neurocrine Biosciences (US)
Wf-516	Multiple mechanisms on several receptors* (Major depressive disorder)	US, Europe Phase 2	Licensed to Minerva Neurosciences (US)
MT-8554	Nervous system, etc. (Painful diabetic peripheral neuropathy)	Europe Phase 2	In-house
	(Vasomotor symptoms associated with menopause)	US Phase 2	
ND0612 (Levodopa/Carbidopa)	Continuous SC pump/patch pump (Parkinson's disease)	US, Europe Phase 2	In-house
MP-124	Nervous system	Phase 1	In-house
ND0701 (Apomorphine)	Continuous SC pump (Parkinson's disease)	Phase 1	In-house
MT-1186 (Edaravone)	Free radical scavenger (Amyotrophic lateral sclerosis / New administration route)	Phase 1	In-house

*SSRI, 5-HT1A, dopamine transporter, and alpha-1A and B

iv. Vaccines

Development code	Category (Indications)	Region Stage	Origin/licensee
MT-2355	Combined vaccine (Prophylaxis of pertussis, diphtheria, tetanus, poliomyelitis and prophylaxis of Hib infection in infants)	Japan Phase 3	Co-developed with The Research Foundation for Microbial Diseases of Osaka University (Japan)
MT-2271	Plant-based VLP vaccine (Prophylaxis of seasonal influenza)	US, Europe, Canada, and others Phase 3	In-house
MT-8972	Plant-based VLP vaccine (Prophylaxis of H5N1 influenza)	Canada Phase 2	In-house
MT-7529	Plant-based VLP vaccine (Prophylaxis of H7N9 influenza)	Phase 1	In-house
MT-5625	Plant-based VLP vaccine (Prophylaxis of rotavirus gastroenteritis)	Phase 1	In-house

v. Other diseases

Development code Product name (Generic name)	Category (Indications)	Region Stage	Origin/licensee
Valixa (valganciclovir)	Anti-cytomegalovirus chemotherapeutic agent (Prevention of cytomegalovirus disease in pediatric organ transplant patients)	Japan Filed(Feb.,2018)	Licensed from F. Hoffmann-La Roche (Switzerland)
MT-4580 Orkedia (Evocalcet)	Ca sensing receptor agonist (Hypercalcemia in patients with parathyroid carcinoma or primary hyperparathyroidism)	Japan Phase 3	Licensed to Kyowa Hakko Kirin (Japan)
MCC-847 (Masilukast)	Leukotriene D4 receptor antagonist (Asthma)	Korea Phase 2	Licensed to SAMA Pharma (Korea)
Y-803	Bromodomain inhibitor (Cancer)	Europe,Canada Phase 2	Licensed to Merck (US)
GB-1057 (Recombinant human serum albumin)	Blood and blood forming organs	Phase 1	In-house
MT-0814	Ophthalmologicals	Phase 1	In-house
MT-4129	Cardiovascular system, etc.	Phase 1	In-house
MT-2765	Cardiovascular system, etc.	Phase 1	Co-researched with Shanghai Pharmaceuticals Holding (China)

Changes Since Previous Announcement

Development code Product name (Generic name)	Category (Indications)	Previous Announcement	As of July 27, 2018	Origin / licensee
FTY720 Imusera/Gilenya (Fingolimod)	S1P receptor functional antagonist (Pediatric multiple sclerosis)	US Filed (Nov., 2017)	US Approved (May, 2018)	Licensed to Novartis (Switzerland)
Jublia (Efinaconazole)	Anti-fungal Agent (Onychomycosis)	None	Taiwan Approved (Jun., 2018)	Licensed from Kaken Pharmaceutical (Japan)
MCI-186 Radicut/Radicava (Edaravone)	Free radical scavenger (Amyotrophic lateral sclerosis)	None	Europe Filed (May, 2018)	In-house
MP-214 (Cariprazine)	Dopamine D3/D2 receptor partial agonist (Schizophrenia)	None	Singapore Filed (Jun., 2018)	Licensed from Gedeon Richter (Hungary)
MT-7117	Dermatologicals, etc. (Erythropoietic protoporphyria)	Phase 1	US Phase 2	In-house
MT-5625	Plant-based VLP vaccine (Prophylaxis of rotavirus gastroenteritis)	None	Phase 1	In-house
ND0801 (Nicotine/Opipramol)	Transdermal (CNS disease cognition disorders)	Israel Phase 2	Deleted (Discontinued)	In-house