

Financial Results for the First Six Months of the Fiscal year ending March 31, 2020 (IFRS, Consolidated)

October 30, 2019

Company name:	Mitsubishi Tanabe Pharma Corporation
Stock exchange listings:	Tokyo
Securities code number:	4508
URL:	https://www.mt-pharma.co.jp/
Representative:	Name: Masayuki Mitsuka Title: President and Representative Director
For further information, please contact:	Name: Yoshiaki Takai Title: Vice President, Head of Corporate Communications Department Telephone: +81-6-6205-5211

Planned date of filing of quarterly securities report: November 6, 2019
 Planned date of start of dividend payments: December 2, 2019
 Provision of supplementary explanatory materials for quarterly results: Yes
 Quarterly results presentation: Yes (for institutional investors and securities analysts)

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

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

1. Results for 2nd Quarter (April 1, 2019 to September 30, 2019)

(1) Consolidated Business Results

	Revenue		Core operating profit		Operating profit	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
2nd Quarter of Fiscal 2019	188,109	(10.3)	11,696	(66.1)	12,561	(63.6)
2nd Quarter of Fiscal 2018	209,710	(1.7)	34,503	(13.1)	34,503	(6.4)

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

	Profit before income tax		Profit for the period		Profit attributable to owners of the Company	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
2nd Quarter of Fiscal 2019	12,148	(65.1)	6,188	(73.3)	8,317	(66.7)
2nd Quarter of Fiscal 2018	34,820	(7.3)	23,171	(18.0)	24,991	(16.2)

	Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of Yen	% change	Yen	Yen
2nd Quarter of Fiscal 2019	(1,116)	—	14.83	14.83
2nd Quarter of Fiscal 2018	39,816	8.4	44.57	44.56

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity attributable to owners of the Company per share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2019	1,055,880	893,586	881,550	83.5	1,571.99
As of March 31, 2019	1,056,286	910,332	897,604	85.0	1,600.64

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	28.00	—	28.00	56.00
Fiscal 2019	—	28.00			
Fiscal 2019(forecasts)			—	28.00	56.00

(Note) Revisions to recently announced dividend forecasts: No

3. Forecasts for Fiscal 2019 (April 1, 2019 to March 31, 2020)

	Revenue		Core Operating profit		Operating profit	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Full year	376,000	(11.5)	10,000	(82.1)	11,500	(77.1)

	Profit before income tax		Profit for the period		Profit attributable to owners of the Company	
	Millions of Yen	% change	Millions of Yen	% change	Millions of Yen	% change
Full year	12,000	(76.2)	4,000	(87.6)	5,000	(86.6)

Basic earnings per share: Full year ¥8.92

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

※ Notes

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

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

(2) Changes in accounting policies and accounting estimates

1. Changes in accounting policies required by IFRS: Yes

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

3. Change in accounting estimates: No

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

(3) Number of shares issued (ordinary shares)

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

2nd Quarter of Fiscal 2019	561,417,916 shares	Fiscal 2018	561,417,916 shares
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2. Number of treasury shares at the end of the period

2nd Quarter of Fiscal 2019	631,915 shares	Fiscal 2018	640,305 shares
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3. Average number of shares during the period (cumulative total)

2nd Quarter of Fiscal 2019	560,780,317 shares	2nd Quarter of Fiscal 2018	560,776,224 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 (200,279 shares at the end of the first six months of the fiscal year ending March 31, 2020, compared to 208,655 shares at the end of the first six months of the fiscal year ended March 31, 2019 and 208,655 shares at the end of the fiscal year ended March 31, 2019, respectively).

*This financial results report is exempt from the quarterly review procedures performed by Certified Public Accountants or 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 due to uncertainty and risk of the future circumstances. Please see "1. Qualitative Information for 2nd Quarter of Fiscal year 2019 (3) Explanation about Future Prediction Information of Consolidated Earnings Forecasts" for information regarding the forecast of consolidated financial results.

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

- Supplementary materials are disclosed on TDnet and available on the Company's website on the same day with this material.
- The Company plans to hold a results presentation (conference call) for institutional investors and securities analysts on October 30, 2019 (Wednesday).

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

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1. Qualitative Information for 2nd Quarter of Fiscal year 2019

(1) Explanation about Results of Operations

Consolidated operating results for the first six months of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019) were as follows.

(Millions of yen)

	2nd quarter of Fiscal year 2018	2nd quarter of Fiscal year 2019	Increase / Decrease	% change
Revenue	209,710	188,109	(21,601)	(10.3)
Core operating profit	34,503	11,696	(22,807)	(66.1)
Operating profit	34,503	12,561	(21,942)	(63.6)
Profit before income tax	34,820	12,148	(22,672)	(65.1)
Profit attributable to owners of the Company	24,991	8,317	(16,674)	(66.7)

【Revenue】

Revenue decreased by 10.3%, or ¥21.6 billion, year-on-year, to ¥188.1 billion.

(Millions of yen)

	2nd quarter of Fiscal year 2018	2nd quarter of Fiscal year 2019	Increase / Decrease	% change
Pharmaceuticals	209,710	188,109	(21,601)	(10.3)
Domestic ethical drugs	141,571	149,160	7,589	5.4
Overseas ethical drugs	27,466	24,878	(2,588)	(9.4)
Royalty revenue, etc.	36,306	9,218	(27,088)	(74.6)
OTC products	2,200	2,354	154	7.0
Others	2,167	2,499	332	15.3

• Revenue of domestic ethical drugs increased by 5.4%, year-on-year, to ¥149.1 billion due to the sales growth of priority products contributed by SIMPONI, the treatment agent of Rheumatoid arthritis (RA) and three type 2 diabetes mellitus treatment agents of TENELIA, CANAGLU, and CANALIA, as well as RUPAFIN, an allergy treatment agent with the dismantling of prescription limitation in December 2018 and STELARA, a treatment for Crohn's disease jointly promoted with Janssen Pharmaceutical K.K., updated the co-promotion framework in July 2018.

• Royalty revenue, etc. decreased by 74.6%, year-on-year, to ¥9.2 billion due to the decline in royalty revenue from GILENYA, the treatment for multiple sclerosis licensed to Novartis Pharma AG (hereinafter referred to as "Novartis") and INVOKANA and its fixed dose combination with metformin, the treatment for type 2 diabetes mellitus licensed to Janssen Pharmaceuticals, Inc.

With regard to "GILENYA Royalty" amounts, given the arbitration proceedings initiated in February 2019, a part of the royalty income of "GILENYA Royalty" has not been recognized as sales revenue in accordance with IFRS 15. Since the arbitration proceedings were ongoing during the second quarter of the fiscal year ending March 31, 2020, there was a decrease in revenue because of not recognizing a part of the royalty income. The Company maintains it is entitled to receive the full royalty amounts due according to the license agreement with Novartis, and the Company will rigorously pursue its rights in the arbitration. As for the "GILENYA Royalty" amounts which will not be recognized as sales revenue, those will be recognized as revenue at the end of the arbitration, depending on the outcome of the arbitration.

【Core operating profit (*) and Operating profit】

Core operating profit decreased by 66.1%, or ¥22.8 billion, year-on-year, to ¥11.6 billion due to the following results:

- Sales growth of domestic priority products,
- The decline of royalty revenue and long listed drugs sales,
- Increase in R&D expenses arising from the high level of investments in R&D continuing from the prior year

Operating profit decreased by 63.6%, or ¥21.9 billion, year-on-year, to ¥12.5 billion.

(*) 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, and impairment losses on intangible assets associated with products.

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

Profit before income tax decreased by 65.1%, or ¥22.6 billion, year-on-year, to ¥12.1 billion and profit attributable to owners of the Company decreased by 66.7%, or ¥16.6 billion, year-on-year, to ¥8.3 billion.

【R&D activities】

Research and development expenses were ¥39.7 billion, accounting for 21.2% of revenue. The major progress of clinical development activities during the first six months of the fiscal year ending March 31, 2020 is as follows;

Acquisition of approval

- A dopamine D3/D2 receptor partial agonist, MP-214 (generic name: cariprazine) for the treatment of schizophrenia was approved in Singapore and Thailand in July 2019.
- A free-radical scavenger, MCI-186 (generic name: edaravone, U.S. product name: RADICAVA) for the treatment for ALS (amyotrophic lateral sclerosis) was approved in China in July 2019.

Application of approval

- Applications of a free-radical scavenger, MCI-186 for the treatment for ALS were filed in China and Asia in April 2019.
- An application of a hypoxia inducible factor prolyl hydroxylase inhibitor, MT-6548 (generic name: vadadustat) for the treatment of renal anemia was filed in Japan in July 2019.
- An application of a DPP-4 inhibitor, MP-513 (generic name: teneligliptin, product name: TENELIA) for the treatment of type 2 diabetes mellitus was filed in China in September 2019.
- An application of a plant-based Virus-Like Particle (VLP) vaccine, MT-2271, prophylaxis of seasonal influenza for adults was filed in Canada in September 2019.

Start of clinical trials (from phase 2)

- A global phase 3 clinical trial of a continuous subcutaneous pump, ND0612 (generic name: levodopa/carbidopa) for patients with Parkinson's disease started in August 2019.

Development status of licensing-out products

- Licensee Kyowa Kirin Co., Ltd. submitted an application for a Ca sensing receptor agonist, MT-4580 (generic name: evocalcet, product name: ORKEDIA) for the treatment of hypercalcemia in patients with parathyroid carcinoma or primary hyperparathyroidism in Japan in April 2019. In addition, Kyowa Kirin Co., Ltd. started phase 3 clinical trials for secondary hyperparathyroidism patients in China and Asia in May 2019.
- Licensee Janssen Pharmaceuticals, Inc. received an approval for a SGLT2 inhibitor, TA-7284 (generic name: canagliflozin, U.S. product name: INVOKANA) for the treatment of diabetic nephropathy in the U.S. in September 2019, and also submitted its application in Europe in July 2019.

(2) Explanation about Financial Position

【Statement of financial position】

(Millions of yen)

	End of Fiscal year 2018 (As of March 31, 2019)	End of 2nd quarter of Fiscal year 2019 (As of September 30, 2019)	Increase / Decrease
Non-current assets	467,853	465,755	(2,098)
Current assets	588,433	590,125	1,692
Total assets	1,056,286	1,055,880	(406)
Liabilities	145,954	162,294	16,340
Equity	910,332	893,586	(16,746)
Total liabilities and equity	1,056,286	1,055,880	(406)

Total assets at the end of the second quarter of the fiscal year ending March 31, 2020 were ¥1,055.8 billion, a decrease of ¥0.4 billion from the end of the fiscal year ended March 31, 2019. Major factors causing changes in comparison with the previous year-end were as follows.

- Non-current assets decreased by ¥2.0 billion, to ¥465.7 billion, reflecting the increase in property, plant and equipment following the adoption of IFRS 16 "Leases" and the decrease arising from the fluctuation of foreign exchange relating to intangible assets associated with products and other financial assets deriving from fair value remeasurement regarding domestic listed shares.
- Current assets increased by ¥1.6 billion, to ¥590.1 billion, reflecting the decrease of cash and cash equivalents arising from the payment of corporate income taxes and dividends, the decrease of trade and other receivables, and the increase in other financial assets resulting from investment of cash reserves.
- Liabilities increased by ¥16.3 billion, to ¥162.2 billion, reflecting the increase in other financial liabilities following the adoption of IFRS 16 "Leases" and other non-current liabilities and the decrease in income taxes payable.
- Equity decreased by ¥16.7 billion, to ¥893.5 billion, as a result of profit for the period recorded, the decrease of exchange differences on translation of foreign operations and the fair value of financial assets regarding domestic listed shares, and the payment of dividends.

【Cash flows】

(Millions of yen)

	2nd quarter of Fiscal year 2018	2nd quarter of Fiscal year 2019	Increase / Decrease
Operating activities	23,497	19,487	(4,010)
Investing activities	(16,833)	(21,936)	(5,103)
Financing activities	(13,392)	(19,783)	(6,391)
Change in cash and cash equivalents	(4,942)	(23,395)	(18,453)
At the beginning of the year	127,030	111,850	(15,180)
At the end of the period	122,088	88,545	(33,543)

Net decrease in cash and cash equivalents was ¥23.3 billion, and the balance of cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2020 was ¥88.5 billion.

- Net cash provided by operating activities was ¥19.4 billion attributed to cash inflows including profit before income tax, partially offset by cash outflows including income taxes paid.
- Net cash used in investing activities was ¥21.9 billion mainly generated from investment of cash reserves and capital investments.
- Net cash used in financing activities was ¥19.7 billion mainly resulting from dividend payment.

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

There has been no change to the consolidated forecasts for the full-year of the fiscal year ending March 31, 2020 announced on May 10, 2019.

2. Condensed Consolidated Financial Statements and Main Notes

(1) Condensed Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Revenue	209,710	188,109
Cost of sales	86,134	88,508
Gross profit	123,576	99,601
Selling, general and administrative expenses	47,745	47,562
Research and development expenses	39,555	39,793
Amortization of intangible assets associated with products	1,467	1,255
Other income	247	2,362
Other expenses	563	798
Share of profit of associates and joint ventures accounted for using equity method	10	6
Operating profit	34,503	12,561
Financial income	585	558
Financial expenses	268	971
Profit before income tax	34,820	12,148
Income tax expenses	11,649	5,960
Profit for the period	23,171	6,188
Profit attributable to:		
Owners of the Company	24,991	8,317
Non-controlling interests	(1,820)	(2,129)
Profit for the period	23,171	6,188
Earnings per share		
Basic earnings per share (Yen)	44.57	14.83
Diluted earnings per share (Yen)	44.56	14.83

(2) Condensed Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit for the period	23,171	6,188
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	3,994	(2,817)
Remeasurements of defined benefit plans	1,875	1,011
Subtotal	5,869	(1,806)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	10,793	(5,534)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	(17)	36
Subtotal	10,776	(5,498)
Other comprehensive income (loss), net of tax	16,645	(7,304)
Comprehensive income (loss)	39,816	(1,116)
Comprehensive income (loss) attributable to:		
Owners of the Company	41,088	1,259
Non-controlling interests	(1,272)	(2,375)
Comprehensive income (loss)	39,816	(1,116)

(3) Condensed Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Non-current assets		
Property, plant and equipment	73,338	80,837
Goodwill	91,640	89,934
Intangible assets	206,918	203,730
Investments in associates and joint ventures accounted for using equity method	16,294	16,149
Other financial assets	46,245	41,675
Net defined benefit assets	21,474	22,619
Other non-current assets	257	160
Deferred tax assets	11,687	10,651
Total non-current assets	467,853	465,755
Current assets		
Inventories	75,559	78,604
Trade and other receivables	116,951	114,336
Other financial assets	271,432	287,414
Other current assets	11,011	15,444
Cash and cash equivalents	111,850	88,545
Subtotal	586,803	584,343
Assets held for sale	1,630	5,782
Total current assets	588,433	590,125
Total assets	1,056,286	1,055,880

	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Liabilities		
Non-current liabilities		
Borrowings	150	142
Other financial liabilities	2,151	8,587
Net defined benefit liabilities	629	591
Provisions	6,975	6,696
Other non-current liabilities	5,116	20,494
Deferred tax liabilities	39,234	36,943
Total non-current liabilities	54,255	73,453
Current liabilities		
Borrowings	45	15
Trade and other payables	31,477	33,369
Other financial liabilities	27,032	28,744
Income taxes payable	9,576	2,924
Provisions	1,638	2,452
Other current liabilities	21,682	20,889
Subtotal	91,450	88,393
Liabilities directly related to assets held for sale	249	448
Total current liabilities	91,699	88,841
Total liabilities	145,954	162,294
Equity		
Share capital	50,000	50,000
Capital surplus	451,253	449,620
Treasury shares	(1,040)	(1,018)
Retained earnings	387,964	381,765
Other components of equity	9,427	1,183
Total equity attributable to owners of the Company	897,604	881,550
Non-controlling interests	12,728	12,036
Total equity	910,332	893,586
Total liabilities and equity	1,056,286	1,055,880

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

(Millions of yen)

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

(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
As of April 1, 2019	50,000	451,253	(1,040)	387,964	(7,771)	17,234
Profit for the period	—	—	—	8,317	—	—
Other comprehensive income	—	—	—	—	(5,288)	(2,817)
Total comprehensive income	—	—	—	8,317	(5,288)	(2,817)
Acquisition of treasury shares	—	—	(0)	—	—	—
Disposal of treasury shares	—	(23)	22	—	—	—
Dividends	—	—	—	(15,702)	—	—
Share-based payments	—	6	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,186	—	(175)
Total contributions by and distributions to owners	—	(17)	22	(14,516)	—	(175)
Issuance of new shares	—	—	—	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(1,616)	—	—	—	—
Changes in ownership interests in subsidiaries and others	—	(1,616)	—	—	—	—
Total transactions with owners	—	(1,633)	22	(14,516)	—	(175)
Balance as of September 30, 2019	50,000	449,620	(1,018)	381,765	(13,059)	14,242

(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			
As of April 1, 2019	—	(36)	9,427	897,604	12,728	910,332
Profit for the period	—	—	—	8,317	(2,129)	6,188
Other comprehensive income	1,011	36	(7,058)	(7,058)	(246)	(7,304)
Total comprehensive income	1,011	36	(7,058)	1,259	(2,375)	(1,116)
Acquisition of treasury shares	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(15,702)	(135)	(15,837)
Share-based payments	—	—	—	6	—	6
Transfer from other components of equity to retained earnings	(1,011)	—	(1,186)	—	—	—
Total contributions by and distributions to owners	(1,011)	—	(1,186)	(15,697)	(135)	(15,832)
Issuance of new shares	—	—	—	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	(1,616)	1,818	202
Changes in ownership interests in subsidiaries and others	—	—	—	(1,616)	1,818	202
Total transactions with owners	(1,011)	—	(1,186)	(17,313)	1,683	(15,630)
Balance as of September 30, 2019	—	—	1,183	881,550	12,036	893,586

(5) Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities:		
Profit before income tax	34,820	12,148
Depreciation and amortization	5,816	7,510
Reversal of impairment losses	—	(1,720)
Interest and dividends income	(583)	(558)
Share of profit of associates and joint ventures accounted for using equity method	(10)	(6)
Decrease (increase) in trade and other receivables	(1,269)	2,556
Decrease (increase) in inventories	8,192	(3,884)
Increase (decrease) in trade and other payables	(2,107)	2,590
Increase (decrease) in provisions	615	537
Decrease (increase) in net defined benefit assets	80	310
Other	(3,159)	9,962
Subtotal	42,395	29,445
Interest received	278	263
Dividends received	338	292
Interest paid	(130)	(112)
Income taxes paid	(19,384)	(10,401)
Net cash flows provided by operating activities	23,497	19,487
Cash flows from investing activities:		
Payments into time deposits	(1,162)	—
Proceeds from withdrawal of time deposits	3,718	402
Purchase of property, plant and equipment	(2,195)	(6,439)
Proceeds from sales of property, plant and equipment	4	1,572
Purchase of intangible assets	(850)	(2,434)
Purchase of investments	(147,613)	(235,700)
Proceeds from sales and redemption of investments	131,259	219,752
Proceeds from sales of subsidiaries	—	1,065
Other	6	(154)
Net cash flows used in investing activities	(16,833)	(21,936)
Cash flows from financing activities:		
Repayments of lease liabilities	(53)	(3,906)
Proceeds from stock issuance to non-controlling interests	2,451	—
Dividends paid	(15,701)	(15,703)
Other	(89)	(174)
Net cash flows used in financing activities	(13,392)	(19,783)
Effect of exchange rate changes on cash and cash equivalents	1,786	(1,163)
Net increase (decrease) in cash and cash equivalents	(4,942)	(23,395)
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	—	90
Cash and cash equivalents at the beginning of period	127,030	111,850
Cash and cash equivalents at the end of period	122,088	88,545

(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, 2019 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, 2020.

IFRS		Description of new standards and revisions
IFRS 16	Leases	IFRS 16 describes that revision of current accounting treatment for lease and disclosure. Mainly, IFRS 16 introduces a single lessee accounting model and requires lessees to recognize its right to use the underlying leased assets and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months in principle.

The adoption of IFRS 16 increased the carrying amounts of the Group's lease-related assets by ¥10,570 million while increasing lease liabilities by ¥10,570 million. Right-of-use assets are included in "property, plant and equipment" and lease liabilities are included in non-current and current "other financial liabilities."

In adopting IFRS 16, the Group applied a method to retrospectively recognize the cumulative impact of the standard's adoption, a permitted transitional measure, on the commencement date, although there was no cumulative impact.

(Subsequent Event)

Not applicable.