Consolidated Financial Results for Cumulative 2nd Quarter of Fiscal Year Ended March 31, 2016

(1)Revenue

Revenue totaled ¥70.3 billion, which was an increase of ¥7.9 billion (12.7%) year-on-year from the previous fiscal year.

While sales of long-term listed products decreased by an influence of generic drug use promotion policies, revenue steadily increased with significant increase in sales of key new products, especially OPDIVO Intravenous Infusion for malignant tumors and ORENCIA Subcutaneous Injection for rheumatoid arthritis. In addition, license revenue was higher than initially estimated in association with the expansion of the sales of OPDIVO Intravenous Infusion in Europe and the US.

The situation of sales of key new products is as follows:

Sales of GLACTIV Tablets for the treatment of type-2 diabetes reached ¥16 billion in the second-quarter against an annually estimated ¥32 billion, which is almost equal to that of our estimation.

Sales of RECALBON Tablets for osteoporosis increased by ¥0.8 billion year-on-year to ¥5.7 billion by exploring a potential market, despite intensified competition with bisphosphonates, parathyroid hormone formulations and activated vitamin D3 formulations.

The combined sales of EMEND Capsules and PROEMEND for Intravenous Injection for chemotherapy induced nausea and vomiting increased by ¥0.5 billion year-on-year to ¥4.7 billion without backlash against the anticipatory demand made in the same period of previous fiscal year.

RIVASTACH Patch for Alzheimer’s disease increased by ¥0.7 billion year-on-year to ¥3.9 billion with an additional approval for dosage and administration.

Sales of FORXIGA Tablets for type-2 diabetes, newly launched in May 2014, reached ¥1.6 billion, an increase of ¥0.4 billion from the same period of previous fiscal year.

ORENCIA Subcutaneous Injection for rheumatoid arthritis, newly launched in August 2013, continuously showed a steady increase of ¥2.2 billon year-on-year to ¥3.7 billion.

Sales of STAYBLA Tablets for the treatment of overactive bladder increased by ¥0.1 billion year-on-year to ¥2.6 billion as a result of attempting to explore a potential market.

OPDIVO Intravenous Infusion for malignant melanoma, newly launched in September 2014, showed a steady increase of ¥2.7 billion year-on-year to ¥3.0 billion, higher than initially estimated.

For long-term listed products, despite the impact of generic drug use promotion policies, sales of OPLMON Tablets for the improvement of peripheral circulatory disorder decreased by ¥0.8 billion year-on-year to ¥11.9 billion. ONON Capsules for bronchial asthma and allergic rhinitis decreased by ¥0.4 year-on-year to ¥4.1 billion and ONON Dry Syrup remained flat with the sales of ¥2.5 billion. FOIPAN Tablets for chronic pancreatitis and postoperative reflux esophagitis decreased by ¥0.4 billion year-on-year to ¥2.8 billion. KINEDAK Tablets for diabetic peripheral neuropathy decreased by ¥0.5 billion year-on-year to ¥2.2 billion.

(2)Operating profit

Operating profit was ¥14.4 billion, an increase of ¥11.4 billion (376.0%) year-on-year from the previous fiscal year.

Sales increased by ¥7.9 billion year-on-year from the previous fiscal year, and cost of sales increased by ¥1.9 billion (11.1 %) year-on-year to ¥18.6 billion.
While the clinical development cost increased for expansion of potential indication of cancer types with OPDIVO, research and development (R&D) costs decreased by ¥0.6 billion (2.8 %) year-on-year to ¥19.1 billion, because personnel cost associated with the revision of retirement benefit scheme decreased. The R&D costs except for the affect due to the revision in retirement benefit scheme increased by ¥1.6 billion year-on-year to ¥21.3 billion.
While the expense for post-marketing studies increased, selling and general administrative expenses decreased by ¥3.7 billion (16.9 %) year-on-year to ¥18.2 billion, with a decrease in operating activity cost associated with a new launch of FORXIGA Tablets in the previous fiscal year and decrease in personnel cost associated with the revision of retirement benefit scheme. Selling and general administrative expenses excluding the impact due to the revision of retirement benefit scheme was ¥21.9 billion, which remained flat year-on-year from the previous fiscal year.
In addition, other profits remained flat with ¥0.3 billion compared with the previous fiscal year and other expenses were down by ¥1.1 billion year-on -year to ¥0.3 billion.
Consequently, operating profit increased by ¥11.4 billion (376.0 %) year-on-year to ¥14.4 billion.

(3)Profit before tax

Profit before tax increased by ¥11.2 billion (238.6 %) year-on-year from the previous fiscal year to ¥15.9 billion.

With operating profit increased by ¥11.4 billion (376.0 %) from the previous year to ¥14.4 billion and with net finance income decreased by ¥0.1 billion year-on-year to

¥1.6 billion, profit before tax increased by ¥11.2 billion (238.6%) year-on-year to ¥15.9 billion.

(4)Profit for the period (attributable to owners of the parent company)

Profit for the period increased by ¥8.6 billion (261.9 %) year-on-year from the previous fiscal year to ¥11.9 billion.

Profit for the period increased by ¥8.6 billion (261.9 %) year-on-year from the previous fiscal year to ¥11.9 billion due to tax burden increase by ¥2.6 billion (197.8 %) resulting from increase in profit before tax.

Revisions of Consolidated Financial Forecasts for Fiscal Year Ended March 31, 2016

Based on the previous financial result status, the future revenue and the expected expenses, full year consolidated financial forecast was revised.

Revision of financial forecast

The revenue was revised upward by ¥9.4 billion from ¥135.1 billion to ¥144.5 billion.
The operating profit was revised upward by ¥1.2 billion from ¥14.0 billion to ¥15.2 billion.
The profit before tax was revised upward by ¥1.3 billion from ¥16.5 billion to ¥17.8 billion.
The profit for the year (attributable to owners of the parent company) was revised upward by ¥1.5 billion from ¥11.6 billion to ¥13.1 billion.

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(1)Revenue

Revenue is expected to increase by ¥8.7 billion (6.4 %) year-on-year to ¥144.5 billion.

The revenue was initially expected to be ¥135.1 billion. While sales of long-term listed products are continuously affected by generic drug use promotion policies, it is expected to increase upward by ¥9.4 billion from the initial forecast (¥135.1 billion, downward by 0.5 % year-on-year), an increase by ¥8.7 billion (6.4 %) to ¥144.5 billion, because it is expected that sales of key new products, especially OPDIVO Intravenous Infusion and ORENCIA Subcutaneous Injection, will be greatly higher than initially forecasted and because royalty revenue of OPDIVO Intravenous Infusion associated with additional indications in Europe and the US will also higher than initially expected.

Based on the current sales trends, sales estimation for FORXIGA Tablets, ORENCIA Subcutaneous Injection and OPDIVO Intravenous Infusion were reviewed and revised. It was re-estimated that FORXIGA Tablets decreased to ¥4.5 billion (a decrease by ¥3.0 billion), ORENCIA Subcutaneous Injection increased to ¥8.0 billion (an increase by ¥1.0 billion) and that OPDIVO Intravenous Infusion increased to ¥5.5 billion (an increase by ¥2.0 billion).

(2)Operating profit

Operating profit is expected to increase by ¥0.4 billion (2.7 %) year-on-year from the previous fiscal year to ¥15.2 billion.

Cost of sales increased by ¥3.1 billion (8.7 %) year-on-year to ¥38.2 billion, because cost rate slightly increased due to the change in the sales breakdown by product with an increase of sales profit.

Research and development costs are anticipated to exceed initial forecast by ¥4.7 billion year-on-year to ¥46 billion with an increase of clinical studies toward a maximization of the value of OPDIVO.

While the expense for post-marketing studies increased, selling and general administrative expenses are anticipated to increase by ¥1.8 billion year-on-year to ¥44 billion, higher than initially expected, because the expected expenses for additional indications of OPDIVO increase.

Operating profit is anticipated to increase by ¥0.4 billion (2.7 %) year-on-year to 15.2 billion because other profits are anticipated to increase by ¥0.2 billion year-on-year to ¥0.6 billion and other expenses to decrease by¥ 0.9 billion to ¥1.7 billion.

In the first quarter, personnel costs decreased by ¥6.3 billion in accordance with the revision of retirement benefit scheme, real terms of research and development costs except such impact will be ¥48.2 billion (an increase by ¥6.9 billion year-on-year) and selling and general administrative expenses will be ¥47.6 billion (an increase by ¥5.4 billion year-on-year).

(3)Profit before tax

Profit before tax is expected to decrease by ¥0.5 billion (2.8 %) year-on-year from the previous fiscal year to ¥17.8 billion.

With operating profit increased by ¥0.4 billion (2.7 %) to ¥15.2 billion and with net finance income decreased by ¥0.9 billion year-on-year to ¥2.6 billion, profit before tax is expected to decrease by ¥0.5 billion (2.8 %) year-on-year from the previous fiscal year to ¥17.8 billion.

(4)Profit for the year

Profit for the year is expected to decrease by ¥0.1 billion (1.0%) year-on-year from the previous fiscal year to ¥13.1 billion.

With income tax expenses decreased by ¥0.6 billion year-on-year from the previous fiscal year due to decrease of profit before tax (¥0.5 billion), profit for the year is expected to decrease by ¥0.1 billion (1.0%) year-on-year from the previous fiscal year to ¥13.1 billion.

The company will pay an interim dividend of ¥90 per share for 2015 fiscal year.
In addition, the company also plans year-end dividend of ¥90 per share at present.