

Consolidated Financial Results for Fiscal Year Ended March 31, 2017

1. Revenue

Revenue totaled ¥244.8 billion, which was an increase of ¥84.5 billion (52.7 %) from the previous fiscal year.

While sales of long-term listed products were affected by generic drugs, sales of new products such as ORENCIA Subcutaneous Injection for rheumatoid arthritis and FORXIGA Tablets for type-2 diabetes, etc. steadily increased, and the sales of OPDIVO Intravenous Infusion for malignant tumors remarkably extended. Further, as the royalty revenue significantly increased, the revenue slightly exceeded the revised financial forecast announced on February 2, 2017.

Sales of key new products:

Sales of OPDIVO increased by ¥82.8 billion year-on-year to ¥103.9 billion due to the additional indication approval for renal cell cancer in August 2016, although there was an influence of emergent drug price revision of OPDIVO implemented from February 2017.

Sales of GLACTIV Tablets for type-2 diabetes decreased by ¥2.0 billion year-on-year to ¥29.4 billion, which was almost within estimation, while there was an intensified competition with other DDP-4 inhibitors, in addition to an influence of drug price revision.

Sales of RECALBON Tablets for osteoporosis was ¥11.3 billion which was almost same as that from the previous year, while an oral drug for a once-a-month administration was launched, resulting in further intensified competition with other bisphosphonates.

Sales of ORENCIA Subcutaneous Injection steadily increased by ¥3.6 billion (44.5%) year-on-year to ¥11.6 billion, which slightly exceeded the revised forecast of ¥11.5 billion.

The combined sales of EMEND Capsules and PROEMEND for Intravenous Injection for chemotherapy-induced nausea and vomiting increased by ¥0.4 billion (4.3%) year-on-year to ¥9.9 billion, almost as estimated.

Sales of RIVASTACH Patch for Alzheimer's disease increased by ¥1.0 billion (13.1%) year-on-year to ¥8.9 billion, almost as estimated.

Sales of FORXIGA Tablets increased by ¥3.5 billion (82.6%) year-on-year to ¥7.8 billion, which did not meet the estimation of ¥8.5 billion. The sales share of FORXIGA Tablets retained about 21% of the SGLT-2 inhibitors market.

Sales of ONOACT Intravenous Infusion for tachyarrhythmia was ¥5.7 billion which was

same as that for the previous year and was below the estimation because the usage in the ICU decreased in association with the change in the calculation method for ICU management fee in the revision of reimbursement of medical services made in April 2016.

Sales of STAYBLA Tablets for overactive bladder decreased by ¥0.4 billion (-7.6%) year-on-year to ¥4.8 billion.

Sales of KYPROLIS for Intravenous Infusion for multiple myeloma steadily increased to ¥2.0 billion as estimated after the launch in August 2016.

Sales of PARSABIV Intravenous Injection for Dialysis for secondary hyperparathyroidism in patients on hemodialysis which was launched in February 2017 was ¥0.2 billion.

For long-term listed products, due to the impact of generic drug use promotion policies in addition to that of drug price revision, sales of OPALMON Tablets for peripheral circulatory disorder decreased by ¥5.7 billion (-25.0%) year-on-year to ¥17.0 billion. ONON Capsules for bronchial asthma and allergic rhinitis decreased by ¥2.2 billion (-24.2%) year-on-year to ¥6.8 billion and ONON Dry Syrup for bronchial asthma and allergic rhinitis decreased by ¥1.5 billion (-26.7%) to ¥4.1 billion. FOIPAN Tablets for chronic pancreatitis and postoperative reflux esophagitis decreased by ¥1.3 billion (-25.7%) year-on-year to ¥3.8 billion. KINEDAK Tablets for diabetic peripheral neuropathy decreased by ¥1.2 billion (-29.5%) year-on-year to ¥2.9 billion. The sales of these products significantly decreased by about mid to late 20's%.

The revenue of ¥244.8 billion includes the sales of products of ¥214.3 billion, and royalty and other revenue of ¥30.5 billion, which also includes ¥26.7 billion (an increase by ¥18.5 billion year-on-year) of the OPDIVO royalty revenue.

2. Operating profit

Operating profit was ¥72.3 billion, an increase of ¥41.8 billion (136.9%) from the previous fiscal year.

Cost of sales increased by ¥24.0 billion (57.8%) year-on-year to ¥65.5 billion, in association with the sales increase of OPDIVO. The cost of sales includes the royalty payment to Bristol-Myers Squibb (BMS) on sales of OPDIVO and the payment of profit sharing with BMS in Japan, South Korea and Taiwan.

Research and development (R&D) costs increased by ¥14.1 billion (32.6%) year-on-year to ¥57.5 billion due to the rebound of the decrease in personnel cost associated with the revision of retirement benefit scheme in the previous period, in addition to a great increase of OPDIVO-related clinical studies. (In case the impact of the revision of retirement benefit scheme was excluded, the R&D costs increased by ¥11.9 billion.)

Selling and general administrative expenses increased by ¥18.1 billion (41.4%) year-on-year to ¥62.0 billion due to an increase of operating activity cost and expenses for the management of safety information on OPDIVO, in addition to the rebound of the decrease in personnel cost associated with the revision of retirement benefit scheme. (In case the impact of the revision of retirement benefit scheme was excluded, the R&D costs increased by ¥14.5 billion.)

In addition, as other income, the initial payment of ¥18.1 billion was made for settlement of patent infringement litigation of an anti-PD-1 antibody with Merck in January 2017. On the other hand, other expenses increased by ¥4.0 billion year-on-year to ¥5.6 billion due to the litigation expenses.

Thus, operating profit increased by ¥41.8 billion (136.9%) to ¥72.3 billion.

3. Profit for the year (attributable to owners of the parent company)

Profit for the year increased by ¥30.8 billion (123.4%) to ¥55.8 billion from the previous year.

Corporate tax increased by ¥10.4 billion (129.0%) and profit for the year increased by ¥30.8 billion (123.4%) year-on-year to ¥55.8 billion. Applicable tax rate was 30.8% from 33.0% (the previous year) and the actual average burden tax rate was 24.8% from 24.3% (the previous year).

Consolidated Financial Forecasts for Fiscal Year Ending March 31, 2018

1. Revenue

Revenue is forecast to decrease by ¥8.8 billion (-3.6%) year-on-year to ¥236.0 billion from the previous fiscal year.

Sales of key products, such as ORENCIA Subcutaneous Injection, FORXIGA Tablets and RIVASTACH Patch are expected to increase, and KYPROLIS for Intravenous Infusion and PARSABIV Intravenous Injection newly launched in 2016 are expected to contribute the sales. On the other hand, sales of OPDIVO Intravenous Infusion is expected to decrease by ¥29.9 billion (-28.8%) year-on-year to ¥74.0 billion due to the great impact of drug price revision of OPDIVO. Therefore, revenue is expected to decrease by ¥8.8 billion (-3.6%) year-on-year to ¥236.0 billion.

Sales forecast of individual products:

The number of patients newly treated with OPDIVO has been steadily increasing since additional indication approval for renal cell cancer in August 2016 and head and neck cancer in March 2017. On the other hand, sales of OPDIVO is expected to decrease by ¥29.9 billion (-28.8%) to ¥74.0 billion due to the influences of the drug price revision made in February 2017 and possible influence of competitive products. This sales forecast of OPDIVO does not include the one for gastric cancer currently under supplemental application.

GLACTIV Tablets will remain almost unchanged with sales of ¥29.5 billion. Sales of ORENCIA Subcutaneous Injection will increase by ¥2.9 billion (25.2%) to ¥14.5 billion, RECALBON Tablets decrease by ¥0.3 billion (-2.6%) to ¥11.0 billion, FORXIGA Tablets increase by ¥2.2 billion (28.1%) to ¥10.0 billion, RIVASTACH Patch increase by ¥1.1 billion (12.9%) to ¥10.0 billion, EMEND Capsules and PROEMEND for Intravenous Injection remain unchanged with sales of ¥10.0 billion, KYPROLIS for Intravenous Infusion increase ¥4.0 billion (206.1%) to ¥6.0 billion, STAYBLA Tablets decrease by ¥0.3 billion (-5.7%) to ¥4.5 billion and PARSABIV Intravenous Injection launched in February 2017 reach to ¥3.0 billion.

As for long-term listed products, due to the continuous impact of generic drug use promotion policies, sales of OPALMON Tablets is forecast to decrease by ¥3.0 billion to ¥14.0 billion, ONON Capsules decrease by ¥1.3 billion to ¥5.5 billion, ONON Dry Syrup decrease by ¥1.1 billion to ¥3.0 billion, FOIPAN Tablets decrease by ¥0.8 billion to ¥3.0 billion and KINEDAK Tablets decrease by ¥0.4 billion to ¥2.5 billion.

Revenue of ¥236.0 billion includes a royalty and other revenue of ¥44.0 billion, an increase by ¥13.5 billion from the previous year.

2. Operating profit

Operating profit is forecast to decrease by ¥35.8 billion (-49.5%) to ¥36.5 billion from the previous fiscal year.

Cost of sales is forecast to decrease by ¥5.5 billion (-8.4%) year-on-year to ¥60.0 billion in association with the sales decrease of OPDIVO and decrease of royalty and profit sharing payments to BMS.

R&D costs are anticipated to increase by ¥12.0 billion (20.9%) year-on-year to ¥69.5 billion, because the expenses for clinical studies with OPDIVO will continuously increase, in order to obtain additional indication approval toward a maximization of OPDIVO value, expand therapeutic lines and conduct combination therapies.

Selling and general administrative expenses except R&D costs are anticipated to increase by ¥9.5 billion (15.2%) to ¥71.5 billion due to an increase of operating activity costs related to a launch of new products including PARSABIV Intravenous Injection for Dialysis, continuous increase of OPDIVO-related operating activity cost and expenses for the management of safety information on OPDIVO in association with the market expansion and the increase of patients in number to be treated with OPDIVO.

As the initial payment associated with the settlement of patent infringement litigation included as other revenue in the previous year will not occur in this period, it is estimated to decrease by ¥14.9 billion (-82.4%) to ¥3.2 billion. Other expense is estimated to decrease by ¥3.9 billion (-69.5%) year-on-year to ¥1.7 billion. Therefore, operating profit is forecast to decrease by ¥35.8 billion (-49.5%) year-on-year to ¥36.5 billion.

3. Profit for the year (attributable to owners of the parent company)

Profit for the year is forecast to decrease by ¥26.8 billion (-48.0%) to ¥29.0 billion from the previous year.

As tax expenses (e.g. corporate tax) is anticipated to decrease by ¥8.7 billion (-47.0%) to ¥9.8 billion due to the decrease of the forecast profit before tax profit by ¥35.5 billion, profit for the year is forecast to decrease to ¥29.0 billion.

As the company celebrates the 300th anniversary in business this year, it is planning its 300-year commemorative dividend of ¥5 per share at the end of the 2nd quarter in 2017. Therefore, the annual dividend for the FY ending March 2018 will be ¥45, combining with ¥40 per share of common dividend.