Consolidated Financial Results for Cumulative 3rd Quarter of Fiscal Year Ended March 31, 2016

(1) Revenue

Revenue totaled ¥112.4 billion, which was an increase of ¥5.2 billion (4.8 %) 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 of key new products such as GLACTIV Tablets for the treatment of type-2 diabetes steadily increased. Especially, sales of RECALBON Tablets for osteoporosis and ORENCIA Subcutaneous Injection for rheumatoid arthritis and ONOACT for Intravenous Infusion for tachyarrhythmia were higher than initially estimated. In addition, sales of OPDIVO Intravenous Infusion for malignant tumors which was first launched in Japan ahead of the rest of the world in September 2014 were higher than the full-year estimation with those of ¥5.7 billion (288.2% year-on-year from the previous fiscal year), in association with an additional approval for the indication of unresectable, advanced or recurrent non-small cell lung cancer (NSCLC) in December 2015. Furthermore, license revenue of OPDIVO was contributed to revenue growth.
Besides, license revenue of ¥8.3 billion from Gilead Sciences, Inc. associated with out-license of ONO-4059 at the same period last year was a decreasing factor in revenue at this period.

(2) Operating profit

Operating profit was ¥22.3 billion, an increase of ¥5.9 billion (35.5%) year-on-year from the previous fiscal year.

Revenue increased by ¥5.2 billion year-on-year from the previous fiscal year and personnel cost due to the influence (decrease) of past service cost associated with the revision of retirement benefit scheme decreased by ¥6.3 billion. While the research and development (R&D) costs, and selling and general administrative expenses excluding the above impact increased, operating profit increased by ¥5.9 billion due to increased revenue and the influence of past service cost.

Cost of sales increased by ¥3.2 billion (12.1%) year-on-year to ¥30 billion reflecting sales increase. However, the R&D costs decreased by ¥0.6 billion (2.0%) year-on-year to ¥29.4 billion, and selling and general administrative expenses excluding the R&D costs decreased by ¥2.1 billion (6.5%) year-on-year to ¥30.4 billion, which resulted in the increase in profit with ¥5.9 billion. Regarding the expenses for this period, personnel cost decreased by ¥6.3 billion due to the influence of past service cost associated with the revision of retirement benefit scheme performed at the 1st quarter. For profit and loss status excluding such influence, refer to page 10 in the Flash Report for cumulative 3rd quarter of the fiscal year.
Regarding the R&D costs, the clinical development cost related to OPDIVO increased. In case the impact of retirement benefit scheme is excluded, the costs increase by ¥1.6 billion (5.4%). As for selling and general administrative expenses, in case the impact of retirement benefit scheme is excluded, the expenses increase by ¥ 1.5 billion (4.7%) because of the increase of MR specialized for cancer in number for expansion of the marketing activity of OPDIVO and the increase of operating cost in association with the additional approval of OPDIVO for the indication of NSCLC.

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

Profit for the period increased by ¥3.5 billion (22.1%) year-on-year from the previous fiscal year to ¥19.2 billion.

Regarding the profit for the period excluding the impact of retirement benefit scheme, the profit decreased by ¥1.4 billion (8.8%) to ¥14.3 billion, as described in page 10 of the above-mentioned Flash Report.

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

In light of the previous financial result status, the additional approval of OPDIVO for malignant tumors for the indication of resectable, advanced or recurrent of non-small cell lung cancer (NSCLC) granted in December 2015, the future revenue and the expected expenses, full year consolidated financial forecast was revised.

Revision of financial forecast

The revenue was revised upward by ¥11.5 billion from ¥144.5 billion to ¥156 billion.
The operating profit was revised upward by ¥8.8 billion from ¥15.2 billion to ¥24 billion.
The profit before tax was revised upward by ¥8.7 billion from ¥17.8 billion to ¥26.5 billion.
The profit for the year (attributable to owners of the parent company) was revised upward by ¥5.5 billion from ¥13.1 billion to ¥18.6 billion.

(1) Revenue

Revenue is expected to increase by ¥20.2 billion (14.9%) year-on-year from the previous fiscal year to ¥156 billion.

While sales of long-term listed products are continuously affected by generic drug use promotion policies, the sales forecast of OPDIVO of which additional approval for unresctable, advanced or recurrent NSCLC was granted in December 2015 was revised upward by ¥12 to ¥17.5 billion. In addition, based on the current sales trend of ONOACT, the sales forecast was revised upward by ¥1 billion to ¥6 billion.
Consequently, the revenue is expected to increase by ¥11.5 billion from ¥144.5 billion of the previous forecast to ¥156 billion, an increase by ¥20.2 billion (14.9%) year-on-year from the previous fiscal year.

(2) Operating profit

Operating profit is expected to increase by ¥9.2 billion (62.2%) year-on-year from the previous fiscal year to ¥24 billion.

Cost of sales increases by ¥6.4 billion (18.1%) year-on-year to ¥41.5 billion, because cost rate slightly increases due to the change in the sales breakdown by product along with an increase of revenue.
The R&D costs are anticipated to increase by ¥3.7 billion year-on-year to ¥45 billion with an increase of clinical studies toward a maximization of the value of OPDIVO. Though the costs were anticipated to be ¥46 billion at the time of release in the cumulative 2nd quarter of the fiscal year, the costs are anticipated to decrease by ¥1 billion against the previous release because investigational drug expenses is partially allocated into the next period.
Selling and general administrative expenses are anticipated to increase further by ¥0.5 billion from the previously revised forecast of ¥44 billion to ¥44.5 billion, because of the increase of operating expenses for additional indication of OPDIVO.
According to the above factors, operating profit is anticipated to increase by ¥9.2 billion (62.2%) year-on-year to ¥24 billion.

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

Profit for the period is anticipated to increase by ¥5.6 billion (43.3%) year-on-year from the previous fiscal year to ¥18.6 billion.
The profit before the tax for the period was revised upward by ¥8.7 billion to ¥26.5 billion because the operating profit was revised upward by ¥8.8 billion.
In addition, the profit for the period was revised upward by ¥5.5 billion (42.0%) from ¥13.1 billion, which had been a previously revised forecast, due to the increase of tax expense such as corporate tax associated with the increase of profit before tax for the year and is anticipated to increase by ¥5.6 billion (43.3%) from the previous fiscal year to ¥18.6 billion.

The company plans year-end dividend of ¥90 per share.