

Kyowa Hakko Kirin Co., Ltd.

Consolidated Financial Summary

Fiscal 2015, Third Quarter

(January 1, 2015 – September 30, 2015)

This document is an English translation of parts of the Japanese-language original. All financial information has been prepared in accordance with generally accepted accounting principles in Japan. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including fluctuations in exchange rates, changing economic conditions, legislative and regulatory developments, delays in new product launches, and pricing and product initiatives of competitors.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS (JGAAP)
for Nine Months Ended September 30, 2015

October 28, 2015

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Scheduled date of submission of Quarterly Securities Report: November 6, 2015

Scheduled start date of dividend payment: -

Appendix materials to accompany the annual financial report: Yes

Quarterly results presentation meeting: Yes (for institutional investors and securities analysts)

*(Millions of yen rounded down)***1. Consolidated Financial Results for the Nine Months Ended September 30, 2015***(% changes indicate year-on-year changes.)*

(1) Consolidated operating results	Nine months ended September 30, 2015	Change (%)	Nine months ended September 30, 2014	Change (%)
Net sales (millions of yen)	272,943	14.2	238,936	(5.2)
Operating income (millions of yen)	40,882	55.6	26,277	(36.5)
Ordinary income (millions of yen)	36,680	54.1	23,800	(39.3)
Net income (millions of yen)	26,044	116.4	12,036	(48.4)
Net income per share (yen)	47.59		21.99	
Fully diluted net income per share (yen)	47.55		21.97	

Note: Comprehensive income: Nine months ended September 30, 2015: ¥22,219 million [46.8%];
 Nine months ended September 30, 2014: ¥15,137 million [(58.8%)]

(2) Consolidated financial position

	As of September 30, 2015	As of December 31, 2014
Total assets (millions of yen)	708,200	719,135
Net assets (millions of yen)	612,154	605,368
Equity ratio (%)	86.4	84.1

Note: Equity: As of September 30, 2015: ¥611,755 million; As of December 31, 2014: ¥605,035 million

2. Dividends

	Fiscal year ending December 31, 2015 (forecast)	Fiscal year ended December 31, 2014
First quarter dividend per share (yen)	—	—
Interim dividend per share (yen)	12.50	12.50
Third quarter dividend per share (yen)	—	—
Year-end dividend per share (yen)	12.50 (forecast)	12.50
Total dividend per share (yen)	25.00 (forecast)	25.00

Note: Revisions to the dividend forecast most recently announced: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2015*(% changes indicate year-on-year changes.)*

	Full year	
		Change (%)
Net sales (millions of yen)	360,000	8.0
Operating income (millions of yen)	47,000	29.9
Ordinary income (millions of yen)	41,000	38.9
Net income (millions of yen)	26,000	63.5
Net income per share (yen)	47.51	

Note: Changes to the earnings forecast most recently announced: None

Notes:**1) Changes to significant subsidiaries during the period**

(Changes of specified subsidiaries resulting in changes in the scope of consolidation during the period under review): No

2) Use of accounting procedures special to the preparation of quarterly consolidated financial statements: Yes

(Note) See page 7, "2. Summary Information (Other Items)."

3) Changes in accounting policies, accounting estimates, and restatement:

1. Changes in accounting policies in accordance with changes in accounting standards: Yes

2. Changes in accounting policies other than 1. above: Yes

3. Changes in accounting estimates: Yes

4. Restatement: No

(Note) See page 7, "2. Summary Information (Other Items)."

4) Number of shares issued (ordinary shares)

1. Number of shares issued (including treasury shares)

As of September 30, 2015	576,483,555 shares
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As of December 31, 2014	576,483,555 shares
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2. Number of treasury shares

As of September 30, 2015	29,226,538 shares
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As of December 31, 2014	29,157,158 shares
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3. Average number of shares during the period

Nine months ended September 30, 2015	547,299,121 shares
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Nine months ended September 30, 2014	547,352,905 shares
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Notice regarding quarterly review procedures

The Financial Instruments and Exchange Act review process for this quarterly financial report was not yet completed at the time this financial report was issued.

Notice regarding the appropriate use of the earnings forecasts and other special comments

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by management. Actual results may differ materially from these projections for a wide variety of reasons.

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1. Operating Results and Financial Statements

(1) Summary of consolidated business performance

For the nine months ended September 30, 2015 (January 1, 2015 to September 30, 2015), net sales were ¥272.9 billion (up 14.2% compared to the same period of the previous fiscal year), operating income was ¥40.8 billion (up 55.6%), ordinary income was ¥36.6 billion (up 54.1%), and net income was ¥26.0 billion (up 116.4%).

- Net sales and operating income increased due mainly to the growth in sales of new products as well as the impact of Archimedes Pharma Limited (“Archimedes”), which was acquired in 2014.
- Ordinary income and net income respectively increased due to the increase in operating income. Ordinary income was affected by an increase in share of loss of entities accounted for using equity method, while net income was affected by an increase in extraordinary income such as gain on sales of investment securities.

Performance by segment is as follows.

Pharmaceuticals business

1) Results

In the pharmaceuticals business, net sales were ¥208.7 billion (up 16.8%) and operating income was ¥34.9 billion (up 69.6%).

- Domestic sales increased year on year due to such factors as the increase in sales of new products despite the impact of reductions in drug price standards implemented in April 2014.
 - Sales of core product NESP[®], a long-acting erythropoiesis stimulating agent for which approval for an additional indication for anemia with myelodysplastic syndrome was obtained in December 2014, were solid, increasing on a year-on-year basis.
 - There was steady growth in sales of new products such as G-Lasta[®], a sustained-duration Granulocyte Colony-Stimulating Factor (G-CSF) product, and Dovobet[®], a topical combination drug for psoriasis vulgaris, both of which were launched in 2014, and in sales of Onglyza[®], a treatment for type 2 diabetes, and NOURIAST[®], an antiparkinsonian agent, both of which were launched in 2013.
 - Sales of long term NHI products such as GRAN[®], a G-CSF product, CONIEL[®], a hypertension and angina pectoris drug, and ALLELOCK[®], an anti-allergy agent, decreased due to the impacts of the market penetration of generics and reductions in drug price standards implemented in April 2014.
- Overseas sales increased year on year due mainly to the impact of Archimedes, which was consolidated in August 2014.
 - In Europe and the U.S., sales of products such as Sancuso[®], a treatment for chemotherapy-induced nausea and vomiting, and PecFent[®] and Abstral[®], which are treatments for cancer pain, increased. Following consolidation of Archimedes, net sales of ProStrakan were ¥31.0 billion (up 45.0%) and operating income (after amortization of goodwill, etc.) was ¥1.5 billion (up 230.2%). Also, in licensing revenue, we booked sales from an up-front option fee (US\$45 million) related to an option agreement for Benralizumab (KHK4563) signed with AstraZeneca.
 - In Asia, sales grew year on year, partly reflecting steady sales particularly in South Korea and China as well as further yen depreciation in foreign exchange.

2) Research and development

Using cutting-edge biotechnology centered on antibody technology, we have made nephrology, oncology, immunology/allergy and CNS the focus of research and development, and by investing resources efficiently, we aim to further speed up the creation of new medical value and drug creation.

The development statuses of our main late-stage development products in the nine months ended September 30, 2015 are as follows.

Nephrology

- In Japan, we obtained approval for REGPARA[®] 12.5 mg, a calcium receptor agonist, in February, and launched the product in June.
- In Japan, in March we initiated phase II clinical study for RTA 402 targeting chronic kidney disease (CKD) with type 2 diabetes.
- In Japan we are currently conducting late-stage phase II clinical study of calcium receptor agonist KHK7580 for secondary hyperparathyroidism patients receiving hemodialysis.
- In China, in February we applied for approval of indication for KRN321 (product name in Japan: NESP[®]), a long-acting erythropoiesis stimulating agent for the treatment of renal anemia in patients receiving dialysis.

Oncology

- In Japan, we are currently undertaking phase III clinical study evaluating c-Met inhibitor ARQ 197 for patients with c-Met diagnostic-high inoperable hepatocellular carcinoma treated with one prior sorafenib therapy.
- Anti-CCR4 humanized monoclonal antibody KW-0761 (product name in Japan: POTELIGEO[®]) is currently undergoing phase III clinical study targeting cutaneous T-cell lymphoma in the U.S., Europe, Japan, etc., phase II clinical study targeting peripheral T-cell lymphoma in Europe, and phase II clinical study targeting adult T-cell leukemia-lymphoma in the U.S., Europe, etc.

Immunology and allergy

- We are currently carrying out phase III clinical study of anti-IL-5 receptor humanized monoclonal antibody KHK4563 in Japan and South Korea, targeting asthma patients, as part of the multi-regional clinical study being conducted by our licensing partner, AstraZeneca. Also, we initiated a phase III clinical study in Japan in July for patients with chronic obstructive pulmonary disease, as part of the multi-regional clinical study being conducted by AstraZeneca.
- In Japan, in July we applied for approval of indication for the fully human anti-IL-17 receptor antibody KHK4827 targeting psoriasis.

CNS

- In North America, Europe, and other areas, we are currently conducting phase III clinical study of KW-6002 (product name in Japan: NOURIAST[®]) targeting Parkinson's disease.

Other

- In Japan, we obtained approval in July for recombinant human antithrombin (AT) drug ACOALAN[®] for indications of thrombophilia due to congenital AT deficiency and disseminated intravascular coagulation accompanied by a decrease in AT. The Japan Blood Products Organization launched the drug in September after signing a domestic sales outsourcing agreement for ACOALAN[®] with the Company.
- We are currently conducting phase II clinical study of the human monoclonal anti-Fibroblast Growth Factor 23 antibody KRN23 with X-linked hypophosphatemia in the U.S. and Europe.
- In China, we initiated a phase III clinical study in September of thrombopoietin receptor agonist AMG531 (product name in Japan: ROMIPLATE[®]) on patients receiving treatment of chronic idiopathic (immune) thrombocytopenic purpura.

Bio-Chemicals business

In the Bio-Chemicals business, net sales were ¥67.1 billion (up 6.9%) and operating income was ¥6.4 billion (up 13.5%).

- Domestic sales increased compared to the same period of the previous fiscal year.
 - In the pharmaceutical and medical treatment fields, sales declined year on year, mainly in active pharmaceutical ingredients (APIs).
 - In the healthcare field, mail-order sales, primarily those of Ornithine, and sales of food and beverage raw materials increased year on year.
- Overseas sales increased compared to the same period of the previous fiscal year partly reflecting further yen depreciation in foreign exchange.
 - In the U.S., year-on-year sales increased due in part to growth in sales of amino acids for supplements.
 - In Europe, sales of infusion-use amino acids and others grew, and sales increased year on year.
 - In Asia, despite the fact that there was a concentrated shipments of nucleic acids and related compounds to China in the same period of the previous fiscal year, sales increased compared to the same period of the previous fiscal year reflecting further yen depreciation in foreign exchange and other factors.

(2) Summary of consolidated financial position

- Total assets as of September 30, 2015 were ¥708.2 billion, a decrease of ¥10.9 billion compared to the end of the previous fiscal year.
 - Current assets increased by ¥24.2 billion to ¥307.4 billion as despite decreases in notes and accounts receivable - trade, cash and deposits, inventories, and other items, there were increases in short-term loans receivable from the parent company, and other items.
 - Non-current assets declined by ¥35.2 billion to ¥400.7 billion, affected by decreases in goodwill, sales right, and other items due to amortization, and a decrease in investment securities due to sales of shares.
 - Liabilities as of September 30, 2015 were ¥96.0 billion, a decrease of ¥17.7 billion compared to the end of the previous fiscal year, due to decreases in notes and accounts payable - trade, accounts payable - other, deferred tax liabilities, and other items.
 - Net assets as of September 30, 2015 were ¥612.1 billion, an increase of ¥6.7 billion compared to the end of the previous fiscal year, due mainly to the booking of net income for the period, which offset payment of dividends, a decrease in foreign currency translation adjustment, and other items.
- As a result, the equity ratio as of the end of the third quarter was 86.4%, an increase of 2.3 percentage points compared to the end of the previous fiscal year.

(3) Summary of consolidated earnings forecasts and other forward-looking statements

No revisions have been made to the consolidated earnings forecasts announced on July 24, 2015.

2. Summary Information (Other Items)

(1) Changes to significant subsidiaries during the period

No applicable items.

(2) Use of accounting procedures special to the preparation of quarterly consolidated financial statements

Tax expenses on income before income taxes for the nine months period under review are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting for the fiscal year including the third quarter under review, and next by multiplying income before income taxes for the nine months period under review by the estimated effective tax rate.

(3) Changes in accounting policies, accounting estimates, and restatement

Changes in accounting policies

(Application of “Accounting Standard for Retirement Benefits” and Its Guidance)

For the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015), the Company has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from the first quarter of the fiscal year, and reviewed the determination of retirement benefit obligations and current service cost. Accordingly, the Company changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis, and changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to the expected average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payments according to the estimated timing of benefit payment.

Application of the Accounting Standard for Retirement Benefits and its Guidance is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change in the determination of retirement benefit obligations and current service cost has been added to or deducted from retained earnings as of the beginning of the nine months ended September 30, 2015.

As a result, as of the beginning of the nine months ended September 30, 2015, net defined benefit asset decreased ¥1,433 million, net defined benefit liability decreased ¥1,607 million, and retained earnings increased ¥219 million. In addition, the effect of these changes on operating income, ordinary income and income before income taxes and minority interests for the nine months ended September 30, 2015 is immaterial.

As the impact of this change on segment information is immaterial, it has been omitted.

(Application of “Accounting Standard for Business Combinations,” etc.)

Effective from the beginning of the fiscal year starting on or after April 1, 2014, it has become possible to apply the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the Company has applied these accounting standards (except for the provisions of Paragraph 39 of the Accounting Standard for Consolidated Financial Statements) effective from the first quarter of the fiscal year. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the

fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter of the fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (3) of the Accounting Standard for Business Combinations, Paragraph 44-5 (3) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (3) of the Accounting Standard for Business Divestitures. Accordingly, the cumulative amount of impact as of the beginning of the nine months ended September 30, 2015, in the case of retrospective application of the new accounting policies to all prior periods, has been added to or deducted from capital surplus and retained earnings.

As a result, as of the beginning of the nine months ended September 30, 2015, goodwill decreased by ¥1,910 million, capital surplus decreased by ¥3,201 million and foreign currency translation adjustment decreased by ¥276 million, while retained earnings increased by ¥1,567 million. In addition, operating income, ordinary income and income before income taxes and minority interests for the nine months ended September 30, 2015, each increased by ¥374 million.

(Change in the depreciation method of property, plant and equipment)

The Company and its domestic consolidated subsidiaries previously used the declining balance method for depreciation of property, plant and equipment (although the straight-line method was used for buildings (excluding facilities attached to buildings) that were acquired on or after April 1, 1998). However, from the first quarter of the fiscal year, the Company has adopted the straight-line method.

The depreciation method of the Group was reviewed in consideration of the satisfactory level of completion in the current fiscal year of capital investment for large-scale new manufacturing facilities in line with a reorganization of production facilities based on the “Basic Production Strategy” (formulated in 2009, Pharmaceuticals business) and the “Reorganization Plan of Yamaguchi Production Center” (formulated in 2010, Bio-Chemicals business).

In the Pharmaceuticals business, we anticipate that our production facilities will operate more stably in future. This is because we expect stable production in the long term resulting from greater efficiency through concentration of our production facilities in line with our reorganization of our production facilities, advancement in automation of production facilities and increased outsourcing of small-volume products, the existence of new pharmaceuticals launched to the market in recent years, and other factors. Furthermore, in the area of research and development, we are pressing ahead with the introduction of technology at the early development stage in addition to our in-house drug discovery research, and working to reduce risks of uncertainty in research and development. For these reasons, we also expect that our research and development facilities will operate stably. In the Bio-Chemicals business, in line with advances in our work to have more plants capable of manufacturing multiple products and more automation, we expect that the operation of our production facilities will progress stably in the future.

At the Group, based on a comprehensive consideration of the above, we have judged that carrying out cost allocation through the straight-line method during useful lives from the first quarter of the fiscal year, will enable us to reflect the actual condition of the Group more appropriately.

As a result, in the nine months ended September 30, 2015, operating income increased by ¥1,365 million, and ordinary income and income before income taxes and minority interests each increased by ¥1,390 million.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

	<i>(Millions of yen)</i>	
	As of September 30, 2015	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	17,293	20,657
Notes and accounts receivable - trade	100,719	108,867
Merchandise and finished goods	62,714	67,724
Work in process	13,003	12,608
Raw materials and supplies	12,454	10,951
Deferred tax assets	9,877	10,611
Short-term loans receivable	80,019	41,672
Other	11,656	10,464
Allowance for doubtful accounts	(274)	(366)
Total current assets	307,463	283,192
Non-current assets		
Property, plant and equipment		
Buildings and structures	140,643	134,423
Accumulated depreciation	(91,564)	(89,937)
Buildings and structures, net	49,079	44,485
Machinery, equipment and vehicles	164,400	153,286
Accumulated depreciation	(134,736)	(131,092)
Machinery, equipment and vehicles, net	29,663	22,193
Land	49,538	54,271
Construction in progress	12,696	23,371
Other	51,275	50,284
Accumulated depreciation	(42,365)	(42,714)
Other, net	8,910	7,569
Total property, plant and equipment	149,888	151,891
Intangible assets		
Goodwill	159,967	173,241
Sales right	59,448	67,231
Other	789	1,078
Total intangible assets	220,205	241,551
Investments and other assets		
Investment securities	11,668	22,766
Net defined benefit asset	6,567	6,444
Deferred tax assets	7,344	8,075
Other	5,221	5,389
Allowance for doubtful accounts	(158)	(175)
Total investments and other assets	30,643	42,500
Total non-current assets	400,736	435,943
Total assets	708,200	719,135

(1) Consolidated balance sheets (continued)

	<i>(Millions of yen)</i>	
	As of September 30, 2015	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,344	22,729
Short-term loans payable	4,851	4,868
Accounts payable - other	30,819	39,257
Income taxes payable	10,357	7,718
Provision for sales rebates	1,878	1,753
Provision for point card certificates	264	294
Provision for bonuses	4,209	695
Other	6,102	7,864
Total current liabilities	74,827	85,182
Non-current liabilities		
Deferred tax liabilities	12,160	16,235
Net defined benefit liability	2,064	3,714
Provision for directors' retirement benefits	105	149
Allowance for loss on plants reorganization	3,251	3,304
Asset retirement obligations	254	268
Other	3,381	4,912
Total non-current liabilities	21,218	28,584
Total liabilities	96,046	113,766
Net assets		
Shareholders' equity		
Capital stock	26,745	26,745
Capital surplus	509,126	512,326
Retained earnings	82,267	68,103
Treasury shares	(26,818)	(26,675)
Total shareholders' equity	591,320	580,499
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,254	2,753
Foreign currency translation adjustment	20,502	24,414
Remeasurements of defined benefit plans	(2,322)	(2,631)
Total accumulated other comprehensive income	20,434	24,536
Subscription rights to shares	398	332
Total net assets	612,154	605,368
Total liabilities and net assets	708,200	719,135

(2) Consolidated statements of income

	<i>(Millions of yen)</i>	
	January 1, 2015 to September 30, 2015	January 1, 2014 to September 30, 2014
Net sales	272,943	238,936
Cost of sales	102,523	92,349
Gross profit	170,420	146,587
Selling, general and administrative expenses		
Research and development expenses	36,171	32,495
Amortization of goodwill	10,092	9,318
Other	83,274	78,495
Total selling, general and administrative expenses	129,537	120,309
Operating income	40,882	26,277
Non-operating income		
Interest income	328	541
Dividend income	209	262
Foreign exchange gains	–	75
Gain on valuation of derivatives	1,541	–
Other	697	671
Total non-operating income	2,776	1,551
Non-operating expenses		
Interest expenses	60	144
Foreign exchange losses	2,250	–
Loss on valuation of derivatives	–	654
Share of loss of entities accounted for using equity method	3,600	1,600
Loss on disposal of non-current assets	570	587
Other	497	1,043
Total non-operating expenses	6,979	4,029
Ordinary income	36,680	23,800
Extraordinary income		
Gain on sales of investment securities	6,561	–
Compensation income	619	–
Gain on sales of non-current assets	375	–
Insurance income	–	308
Total extraordinary income	7,556	308
Extraordinary losses		
Impairment loss	3,346	863
Loss due to fire	209	254
Loss on sales of shares of subsidiaries and associates	–	233
Business structure improvement expenses	–	170
Total extraordinary losses	3,555	1,521
Income before income taxes and minority interests	40,681	22,586
Income taxes	14,636	10,550
Income before minority interests	26,044	12,036
Net income	26,044	12,036

Consolidated statements of comprehensive income

(Millions of yen)

	January 1, 2015 to September 30, 2015	January 1, 2014 to September 30, 2014
Income before minority interests	26,044	12,036
Other comprehensive income		
Valuation difference on available-for-sale securities	(498)	821
Foreign currency translation adjustment	(3,635)	2,279
Remeasurements of defined benefit plans, net of tax	308	-
Total other comprehensive income	(3,824)	3,101
Comprehensive income	22,219	15,137
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,219	15,137
Comprehensive income attributable to minority interests	-	-

(3) Notes to the consolidated financial statements

(Items related to going concern assumption)

No applicable items.

(Notes on significant change in shareholders' equity)

As described in "Changes in accounting policies," effective from the first quarter of the fiscal year, the "Accounting Standard for Business Combinations" and the "Accounting Standard for Retirement Benefits," etc. are applied.

In line with this change, in comparison with under the previous method, as of the beginning of the nine months ended September 30, 2015, capital surplus decreased by ¥3,201 million and retained earnings increased by ¥1,786 million.

(Segment information)

I. Nine months ended September 30, 2015 (January 1, 2015 – September 30, 2015)

1. Information on sales and profit or loss by reportable segment

<i>(Millions of yen)</i>					
	Pharmaceuticals	Bio-Chemicals	Total	Adjustments	Consolidated
Net sales					
Sales to external customers	208,122	64,821	272,943	–	272,943
Inter-segment sales and transfers	646	2,282	2,928	(2,928)	–
Total sales	208,768	67,103	275,871	(2,928)	272,943
Segment profit	34,956	6,431	41,388	(505)	40,882

Notes: 1. The negative ¥505 million for adjustments of segment profit is due to elimination of inter-segment transactions.

2. Segment profit is adjusted for operating income as recorded in the Consolidated Statements of Income.

2. Impairment of non-current assets, goodwill, etc. by reportable segment

(Significant impairment loss of non-current assets)

The Company recorded an impairment loss due to lower profitability resulting from the change of use of some land from business assets to leased assets in the Bio-Chemicals segment. The amount recognized as impairment loss was ¥2,648 million for the nine months ended September 30, 2015.

(Significant changes in amount of goodwill)

As described in "Changes in accounting policies," the Company applies the "Accounting Standard for Business Combinations," etc. effective from the first quarter of the fiscal year.

In line with this change, in comparison with under the previous method, goodwill as of the beginning of the nine months ended September 30, 2015 decreased by ¥519 million in the Pharmaceuticals segment and ¥1,391 million in the Bio-Chemicals segment.

3. Changes in reportable segment, etc.

(Application of "Accounting Standard for Business Combinations," etc.)

As described in "Changes in accounting policies," effective from the first quarter of the fiscal year, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company has been changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as

expenses for the fiscal year in which they are incurred.

In line with this change, in comparison with under the previous method, segment profit in the nine months ended September 30, 2015 increased by ¥114 million in the Pharmaceuticals segment and ¥260 million in the Bio-Chemicals segment.

(Change in the depreciation method of property, plant and equipment)

As described in "Changes in accounting policies," the Company and its domestic consolidated subsidiaries previously used the declining balance method for depreciation of property, plant and equipment (although the straight-line method was used for buildings (excluding facilities attached to buildings) that were acquired on or after April 1, 1998). However, from the first quarter of the fiscal year, the Company has adopted the straight-line method.

In line with this change, in comparison with under the previous method, segment profit in the nine months ended September 30, 2015 increased by ¥837 million in the Pharmaceuticals segment and ¥528 million in the Bio-Chemicals segment.

II. Nine months ended September 30, 2014 (January 1, 2014 – September 30, 2014)

1. Information on sales and profit or loss by reportable segment

<i>(Millions of yen)</i>					
	Pharmaceuticals	Bio-Chemicals	Total	Adjustments	Consolidated
Net sales					
Sales to external customers	177,795	61,140	238,936	–	238,936
Inter-segment sales and transfers	877	1,620	2,498	(2,498)	–
Total sales	178,673	62,761	241,434	(2,498)	238,936
Segment profit	20,613	5,665	26,279	(1)	26,277

Notes: 1. The negative ¥1 million for adjustments of segment profit is due to elimination of inter-segment transactions.

2. Segment profit is adjusted for operating income as recorded in the Consolidated Statements of Income.

3. Pharmaceuticals segment assets increased by ¥47,036 million compared to the end of the previous fiscal year, mainly due to the inclusion in the scope of consolidation of Archimedes Pharma Limited and its 12 subsidiaries (in the Pharmaceuticals segment) from the third quarter under review following the acquisition of all shares of Archimedes.

2. Impairment of non-current assets, goodwill, etc. by reportable segment

(Significant changes in amount of goodwill)

Due to the acquisition of all shares of Archimedes Pharma Limited on August 5, 2014, there were significant changes in the amount of goodwill in the Pharmaceuticals segment. The increase of goodwill in the nine months ended September 30, 2014 resulting from this event was ¥12,635 million.

* As Purchase Price Allocation (PPA) has not been completed, provisional accounting treatment has been applied based on available reasonable information.