2. Dividends

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2015	—	70.00	—		

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2.

1. Analysis Concerning Operating Results and Financial Position

1) Analysis Concerning Operating Results

(1) Outline of Operating Results

[Revenue and Profit]

○ Eisai Co., Ltd. (“the Company”) and its affiliates (collectively referred to as “the Group”) recorded the following consolidated financial results for the nine month period ended December 31, 2016.

Revenue:	¥409,223 million	(4.0% decrease year on year)
Operating profit:	¥57,636 million	(18.5% increase year on year)
Profit before income taxes:	¥57,053 million	(20.1% increase year on year)
Profit for the period:	¥40,935 million	(6.5% increase year on year)
Profit for the period attributable to owners of the parent:	¥38,419 million	(0.3% increase year on year)

○ While an increase was recorded following growth of Lenvima (anticancer agent) and Fycompa (antiepileptic agent) as well as the contribution from newly added consolidated subsidiary EA Pharma Co., Ltd., Group revenue finished overall at ¥409,223 million (down 4.0% year on year) due in part to the impact of national drug price revisions in Japan and foreign currency fluctuations.

By segment, revenue from the Group’s Japan pharmaceutical business increased. Similarly, on a local currency basis, all overseas

Japan (Prescription Medicines, Generics, and OTC), Americas (North, Central and South America), China, Asia (primarily South Korea, Taiwan, Hong Kong, India, and ASEAN), and EMEA (Europe, the Middle East, Africa, and Oceania).
Following reorganization aimed at achieving sustained growth of the Japan business, the Consumer Healthcare Business—Japan reporting segment of the previous fiscal year has been integrated into the Japan pharmaceutical business reporting segment.
From the fiscal year ending March 31, 2017, the method for calculating the segment profit of pharmaceutical business and other business has changed. Following the change, other income and expenses that had been allocated either to pharmaceutical business or other business in the consolidated statement of income until the previous fiscal year is now reported under Group headquarters' management costs and other expenses. These changes have no major impact on the condensed consolidated financial statements.
The above changes are reflected in the segment information for the previous fiscal year.

<Japan pharmaceutical business>

○ Total revenue was ¥227,366 million (up 1.0% year on year) and segment profit stood at ¥83,884 million (down 10.8% year on year). Of this amount, Prescription Medicines, Generics, and OTC recorded ¥191,352 million (up 3.2% year on year), ¥20,808 million (down 1.4% year on year), and ¥15,205 million (up 7.7% year on year), respectively. Despite the impact of national drug price revisions and transfer of diagnostic subsidiary EIDIA Co., Ltd. in the previous fiscal year, the Japan pharmaceutical business continued to grow with expansion of major products as well as the addition of new subsidiary EA Pharma Co., Ltd.

○

marketing activities and to structural reform costs incurred in the U.S. during the same

supplemental application for a partial label change for Fycompa was submitted to the U.S. Food and Drug Administration (FDA) based on the agency's new policy. If approved, the proposed label will include the use of the agent in monotherapy for treatment of partial-onset seizures. Furthermore, Phase III studies of the agent in pediatric epilepsy as well as in Lennox-Gastaut syndrome were initiated and are underway in Japan, the U.S. and Europe.

In June 2016, the fully human anti-TNF-alpha monoclonal antibody Humira (adalimumab) was additionally approved in Japan for a new dosing regimen of the agent in patients with moderate or severe Crohn's disease who become less responsive to treatment with 40 mg every two weeks to double the dose to 80 mg every two weeks.
In July 2016, lorcaserin (U.S. brand name: BELVIQ) was approved for chronic weight management in Mexico. The product will be launched in Mexico under the brand name VENESPRI.
In July 2016, BELVIQ XR, a New Drug Application for a once-daily formulation of lorcaserin, was approved in the U.S.
In September 2016, Humira was additionally approved in Japan for the treatment of non-infectious intermediate, posterior and panuveitis.
In December 2016, an antiobesity agent BELVIQ was approved in Brazil.

In October 2016, an application for the proton pump inhibitor (PPI) Pariet for a new dosing regimen for maintenance therapy for reflux esophagitis was submitted in Japan. The new regimen, if approved, will enable the prescription of 10 mg of Pariet twice daily for reflux esophagitis patients who are resistant to PPIs.
In October 2016, a New Drug Application for the local steroid AJG511 (budesonide) as a treatment for ulcerative colitis was submitted in Japan.
In February 2017, a New Drug Application for bile acid transporter inhibitor AJG533 (elobixibat) for chronic constipation was submitted in Japan.

A Phase III study of the orexin receptor antagonist E2006 (lemborexant) in insomnia disorder was initiated and is underway in Japan, the U.S., and Europe. Additionally, a Phase II study of the agent in patients with irregular sleep-wake rhythm disorder (ISWRD) associated with Alzheimer's disease was initiated and is underway in Japan and the U.S.
Global Phase III studies of the beta secretase cleaving enzyme (BACE) inhibitor E2609 in early Alzheimer's disease were initiated and are underway in the U.S. The U.S. FDA has granted Fast Track designation for the development of E2609.
Phase II studies of the anti-fractalkine antibody E6011 in rheumatoid arthritis were initiated and are underway in Japan. In addition, a Phase II study for primary biliary cholangitis was initiated in Japan.
A Phase II study of the integrin activation inhibitor E6007 in ulcerative colitis was initiated and is underway in Japan.

Regarding the Phase I study of a transdermal formulation for donepezil jointly conducted with Teikoku Pharmaceuticals Co., Ltd.(Kagawa), the study sponsor has been transferred to Teikoku Pharmaceuticals.

Regarding the anticancer agent MORAb-004 (a humanized endosialin monoclonal antibody), development has been discontinued for colorectal cancer and soft tissue sarcoma indications at the Phase II clinical study stage in the U.S. and Europe.

[Major Alliances, Agreements and Other Events]

- ○ In April 2016, the gastrointestinal specialty pharma EA Pharma Co., Ltd. was established through the splitting off of a portion of Eisai's gastrointestinal disease treatment business and its subsequent succession by AJINOMOTO PHARMACEUTICALS CO., LTD. (Tokyo), a wholly-owned subsidiary of Ajinomoto Co. Inc. (Tokyo), via absorption-type split. EA Pharma is a consolidated subsidiary of Eisai Co., Ltd., with Eisai and Ajinomoto holding 60% and 40% of the shares in EA Pharma, respectively.
- ○ In June 2016, EA Pharma and AbbVie GK (Tokyo) commenced the co-promotion of fully human anti-TNF-α monoclonal antibody Humira for indications in the field of gastrointestinal disease (ulcerative colitis, Crohn's disease, intestinal Behçet's disease). In addition, Eisai Co., Ltd. and AbbVie will continue co-promotion of Humira for indications outside of the gastrointestinal disease field.
- ○ In June 2016, Eisai's U.S. subsidiary Eisai Inc. entered into a collaboration agreement with Novartis Pharmaceuticals Corporation, a U.S. affiliate of Novartis AG (Basel, Switzerland), to co-promote the Eisai's anticancer agent Lenvima and the anticancer agent everolimus as a treatment for advanced renal cell carcinoma in the U.S.
- ○ In June 2016, Eisai Co., Ltd., University of Tokyo Hospital Neurology Department and

well as communication functionality in addition to the ability to record information on treatment administration and seizures.

○ In October 2016, Eisai's U.S. research subsidiary Morphotek, Inc. signed an exclusive licensing agreement with Eurofarma Labratórios S.A. (Brazil) to develop and commercialize the monoclonal antibody farletuzumab (development code: MORAb-003) as a potential anticancer agent in Latin America.

○ In November 2016, Halaven was recommended in the Final Appraisal Determination issued by the U.K. National Institute for Health and Clinical Excellence (NICE) as a treatment for patients with locally advanced or metastatic breast cancer who have received at least two chemotherapeutic regimens for advanced disease (prior therapy may have included an anthracycline or a taxane, and capecitabine).

○ In December 2016, Zebinix (eslicarbazepine acetate), an antiepileptic drug being marketed in Europe under a license agreement with Bial-Portela & Ca. S.A. (Portugal, Bial), was approved as an adjunctive treatment for pediatric patients with partial-onset (focal) seizures with or without secondary generalisation.

○ In December 2016, TREAKISYM, an anticancer agent being marketed by Eisai Co., Ltd. under a license agreement with SymBio Pharmaceuticals Limited, has been approved in Japan for an additional indication as first-line treatment for low-grade B-cell non-Hodgkin's lymphoma and mantle cell lymphoma.

○ In December 2016, Eisai Co., Ltd. and Keio University entered into a new joint research agreement for the discovery and development of new drugs targeting dementia. Eisai and Keio University will establish a research lab where researchers from both parties will work together to identify and validate novel drug targets and biomarkers that could potentially lead to the development of new therapeutics and preventive medicines for dementia.

○ In January 2017, Eisai Co., Ltd. and its U.S. subsidiary Eisai Inc. reached an agreement with Arena Pharmaceuticals, Inc. (U.S.) to revise the November 2013 marketing and supply agreement for the chronic weight management treatment lorcaserin. Under the new agreement, Eisai acquires all rights to develop and market lorcaserin globally.

○ In January 2017, e-OKUSURI-SAN, a medication administration support device with a function to remotely monitor the patient's medication adherence, was launched in Japan.

○ In January 2017, Eisai acquired rights for manufacturing active pharmaceutical ingredients for Japan from F. Hoffman-La Roche Ltd. (Switzerland) for the insomnia treatment / anaesthesia induction agent

(3) Explanations Concerning Consolidated Financial Forecasts (April 1, 2016 – March 31, 2017)

[Consolidated Forecasts]

After reviewing the previous full fiscal year consolidated forecasts announced on October 31, 2016, considering the performance for the nine month period ended December 31, 2016 and changes in foreign exchange assumptions,

2) Analysis Concerning Consolidated Financial Position

[Assets, Liabilities and Equity]

○ Total assets as of the end of the period amounted to ¥1,040,411 million (up ¥66,424 million from the end of the previous fiscal year). While assets held for sale decreased following the transfer of Sannova Co., Ltd., this was countered by an increase in total assets following the acquisition of Japanese subsidiary EA Pharma Co., Ltd.

○ Total liabilities as of the end of the period amounted to ¥429,290 million (up ¥32,131

3) Basic Policy Concerning Profit Appropriation and Year-End Dividend Forecast

In terms of shareholder returns, the Company returns profits to all shareholders in a stable and sustainable way based on factors such as a healthy balance sheet and comprehensive consideration of the consolidated financial results, Dividends on Equity (DOE) and free cash flow, as well as taking into consideration the signaling effect. Because DOE indicates the ratio of dividends to consolidated net assets, the Company has positioned it as an indicator that reflects balance sheet management, and, consequently, capital policy. Acquisition of treasury stock will be carried out appropriately after factors such as the market environment and capital efficiency are taken into account. The Company uses the ratio of equity attributable to owners of the parent and net debt ratio as indicators to measure a healthy balance sheet.

At the Company, the dividend payments are to be determined by a resolution of the Board of

3. Condensed Interim Consolidated Financial Statements
1) Condensed Interim Consolidated Statement of Income

(Millions of yen)

	Note	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2015
Revenue		409,223	426,449
Cost of sales	(1)	(147,866)	(149,285)
Gross profit		261,357	277,164
Selling, general and administrative expenses	(1)	(132,912)	(145,899)
Research and development expenses	(1)	(79,521)	(91,357)
Other income	(2)	12,344	10,218
Other expenses		(3,632)	(1,479)
Operating profit		57,636	48,646
Financial income		1,521	1,607
Financial costs		(2,104)	(2,745)
Profit before income taxes		57,053	47,508
Income taxes		(16,118)	(9,083)
Profit for the period		40,935	38,425
Attributable to			
Owners of the parent		38,419	38,321
Non-controlling interests		2,516	104
Earnings per share			
Basic (yen)		134.35	134.12
Diluted (yen)		134.14	133.77

3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

(Millions of yen)

	Note	As of December 31, 2016	As of March 31, 2016
Equity			
Equity attributable to owners of the parent			
Share capital		44,986	44,986
Capital surplus		77,612	58,232
Treasury shares		(36,200)	(36,231)
Retained earnings		390,884	394,974
Other components of equity		116,223	111,701
Total equity attributable to owners of the parent		593,505	573,661
Non-controlling interests		17,617	3,168
Total equity		611,122	576,828
Liabilities			
Non-current liabilities			
Borrowings		214,752	203,593
Other financial liabilities		2,695	3,214
Retirement benefit liabilities		13,533	13,203
Provisions		1,240	1,189
Other liabilities		23,866	20,962
Deferred tax liabilities		340	287
Total non-current liabilities		256,426	242,448
Current liabilities			
Trade and other payables		66,152	56,399
Other financial liabilities		7,401	4,221
Income tax payables		6,746	5,437
Provisions		15,239	11,143
Other liabilities		77,325	74,728
Subtotal		172,864	151,927
Liabilities directly associated with assets held for sale	(1)		2,784
Total current liabilities		172,864	154,711
Total liabilities			

4) Condensed Interim Consolidated Statement of Changes in Equity

For the nine-

For the nine-month period ended December 31, 2015

(Millions of yen)

	Equity attributable to owners of the parent				
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity
					Financial assets measured at fair value through other comprehensive income
As of April 1, 2015					

6) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern)

Not applicable

(Segment Information)

The Group's business is comprised of pharmaceutical business and other business. The pharmaceutical business is organized into the following five reporting segments in this report: Japan (Prescription Medicines, Generics, and OTC), Americas (North, Central and South America), China, Asia (primarily South Korea, Taiwan, Hong Kong, India, and ASEAN), and EMEA (Europe, the Middle East, Africa, and Oceania).

Following reorganization aimed at achieving sustained growth of the Japan business, the Consumer Healthcare Business—Japan reporting segment of the previous fiscal year has been integrated into the Japan pharmaceutical business reporting segment.

From the fiscal year ending March 31, 2017, the method for calculating the segment profit of pharmaceutical business and other business has changed. Following the change, other income and expenses that had been allocated to pharmaceutical business and other business in the consolidated statement of income until the previous fiscal year is now reported under Group headquarters' management costs and other expenses. These changes have no major impact on the condensed interim consolidated financial statements.

The above changes are reflected in the segment information for the previous fiscal year provided below.

(Millions of yen)

	Nine-month period ended December 31, 2016		Nine-month period ended December 31, 2015	
	Revenue	Segment profit (loss)	Revenue	Segment profit (loss)
Pharmaceutical business				

(Note 3) “Group headquarters’ management costs and other expenses” are the costs and expenses covering Group-wide operations.

(Consolidated Statement of Income)

(1) Cost of sales, Selling, general and administrative expenses, and Research and development expenses

For the nine month period ended December 31, 2015, termination benefits of ¥2,547 million were recorded as a result of structural reform and the transfer of the North Carolina Plant in the U.S.

The termination benefits by account item were ¥222 million in cost of sales, ¥2,057 million in selling, general and administrative expenses and ¥268 million in research and development expenses.

(2) Other income

For the nine month period ended December 31, 2016, gain from a bargain purchase of ¥9,283 million was recorded due to the acquisition of EA Pharma Co., Ltd. (Tokyo), while gain on sales of investments in subsidiaries of ¥70 million was recorded due to the transfer of Sannova Co., Ltd. (Gunma).

For the nine month period ended December 31, 2015, gain on sales of non-current assets totaling ¥1,366 million was recorded as a result of the transfer of the North Carolina Plant in the U.S., while ¥8,000 million was recorded as gain on sales of investments in EIDIA Co., Ltd. (Tokyo).

(Consolidated Statement of Financial Position)

(1) Assets held for sale and liabilities directly associated with assets held for sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2016, relates specifically to Sannova Co., Ltd. In April 2016, the procedure for the transfer of all shares of Sannova Co., Ltd. to Alfresa Holdings Corporation (Tokyo) was finalized.

(Consolidated Statement of Cash Flows)

(1) Net cash outflow on acquisition of subsidiaries

For the nine month period ended December 31, 2015, the Group acquired all shares of Liaoning TianYi Biological Pharmaceutical Co., Ltd. (Current name: Eisai (Liaoning) Pharmaceutical Co., Ltd.) and ¥8,954 million was recorded as net cash outflow on acquisition of subsidiaries.

(2) Net cash inflow on acquisition of subsidiaries

Please refer to “Business Combinations (6) Net cash inflow on acquisition of subsidiaries”.

(3) Net cash inflow on sales of subsidiaries

Please refer to “Sales of Subsidiaries (2) Net cash inflow on sales of subsidiaries”.

For the nine month period ended December 31, 2015, the Company transferred all shares of EIDIA Co., Ltd., and ¥12,399 million was recorded as net cash inflow on sales of subsidiaries.

(Business Combinations)

On April 1, 2016, the Company split off a portion of its Japanese gastrointestinal disease related business via an absorption-type split, which was then succeeded by Ajinomoto Co., Inc. (Tokyo)’s wholly owned subsidiary AJINOMOTO PHARMACEUTICALS CO., LTD. Following this absorption-type split, the Company acquired the shares

of common stock of AJINOMOTO PHARMACEUTICALS CO., LTD. as the consideration for transferred business, and put this company into the scope of consolidation by holding 60% of the voting rights.

As of the acquisition date, fair value of the Company's transferred business and AJINOMOTO PHARMACEUTICALS CO., LTD. shares were assessed to be ¥50,000 million and ¥33,320 million, respectively, based in part on evaluation by a third-party institution using the discounted cash flow method. Following this absorption-type split, the Company's fair value interests in transferred business decreased by 40% (¥20,000 million), while the Company's fair value interests in AJINOMOTO PHARMACEUTICALS CO., LTD. shares increased by 60% (¥20,000 million).
In this absorption-type spilt, the net carrying amount of assets and liabilities transferred from the Company to AJINOMOTO PHARMACEUTICALS CO., LTD. was ¥1,305 million. Following this absorption-type split, the Company's interests in the net carrying amount of assets and liabilities of transferred business decreased by 40% (¥522 million).

The decrease in the Company's interests for its transferred business was accounted for as an equity transaction. The ¥522 million decrease in the Company's interests for the net carrying amount of assets and liabilities of transferred business was accounted for as non-controlling interests, while the ¥19,478 million difference between these non-controlling interests and the ¥20,000 million decrease in fair value interests of transferred business was accounted for as capital surplus.

The increase in the Company's interests in AJINOMOTO PHARMACEUTICALS CO., LTD. was accounted for using the acquisition method with the abovementioned company as acquiree, a summary of which follows:

(1) Name of the acquiree
AJINOMOTO PHARMACEUTICALS CO., LTD. (New name: EA Pharma Co., Ltd.)

(2) Acquisition date
April 1, 2016

(3) Method for acquiring shares and percentage of voting rights for the acquisition
The Company acquired 6,000 shares of common stock of AJINOMOTO PHARMACEUTICALS CO., LTD. (60% in the voting rights ratio) as consideration for the absorption-style split.

(4) Primary reasons for the business combination
The field of gastrointestinal di8-10(O)-10(P.60(O)-10(q4ETBT1 0 0 1 373.66 287.96 Tm[( )] TJETBT1 0 T)-10(O)-7.58 Tm[( )

(5) Fair value of consideration transferred, assets acquired and liabilities assumed, and gain from a bargain purchase

(Millions of yen)

	As of acquisition date (April 1, 2016)
Consideration transferred (Note 1)	20,000
Non-controlling interests in the acquiree (Note 2)	13,320
Assets acquired and liabilities assumed	
Property, plant and equipment	4,141
Intangible assets	11,161
Other non-current assets	3,198
Cash and cash equivalents	19,346
Other current assets	23,859
Non-current liabilities	(3,932)
Current liabilities	(15,169)
Total	42,603
Gain from a bargain purchase (Note 3)	9,283

(Note 1) Consideration transferred is measured as 40% of non-controlling interests in the Company's transferred business, which has a business value of ¥50,000 million. Acquisition-related costs resulting from the business combination totaled ¥270 million and is recognized as selling, general and administrative expenses. Acquisition-related costs recognized as expenses in the previous fiscal year was ¥250 million and acquisition-related costs recognized as expenses for the nine month period ended December 31, 2016, was ¥20 million.

(Note 2) Following the business combination, the Company chose to measure non-controlling interests at 40% of the shares of the acquiree with fair value of ¥33,320 million.

(Note 3) The Company, based on all information available at the time of the acquisition date, evaluated the fair value of assets acquired and liabilities assumed. As a result, the fair value of assets acquired and liabilities assumed totaled ¥42,603 million. However, as this exceeded the ¥33,320 million combined total of ¥20,000 million in consideration transferred and ¥13,320 million in non-controlling interests in the acquiree, the difference of ¥9,283 million is recognized as gain from a bargain purchase in other income.

(6) Net cash inflow on acquisition of subsidiaries

Consideration transferred following the business combination was 40% in interests for transferred business of

¥6,069 million respectively. Revenue of ¥24,699 million and profit for the period of the Company's transferred business are included in the revenue and profit for the period of the acquiree, respectively.

(Sales of Subsidiaries)