Consolidated Financial Results for the Second Quarter FY2015 (IFRS)

12 November 2015

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Supplementary materials for financial results: --
Financial results briefing session: --

(Rounded down to nearest million yen)

1. Consolidated results for Q2 FY2015 (from 1 April 2015 to 30 September 2015)

(1) Consolidated operating results (Percentages are shown as year-on-year changes)

	Revenue		Operating income		Net income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q2 FY2015	2,540	349.2	(337)	--	(1,002)	--	(842)	--	(795)	--	(234)	--
Q2 FY2014	565	(64.4)	(85)	--	75	(91.6)	28	(96.8)	28	(96.8)	178	(80.8)

	Net income per share – basic	Net income per share – diluted
	Yen	Yen
Q2 FY2015	(56.89)	(56.89)
Q2 FY2014	2.06	2.04

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
	Million yen	Million yen	Million yen	%
Q2 FY2015	42,413	23,290	23,095	54.5
FY2014	43,800	14,894	14,653	33.5

2. Dividends

	Dividends per share				
	End Q1	End Q2	End Q3	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY2014	–	0.00	–	10.00	10.00
FY2015	–	0.00			
FY2015 (E)			–	0.00	0.00

(Note) Revision to the latest dividend forecasts: None

3. Forecast for the FY2015 (from 1 April 2015 to 31 March 2016)

(Percentages are shown as year-on-year changes)

	Revenue		Operating income		Net income before income taxes		Net income attributable to owners of the parent company		Net basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2015	11,732	219.6	5,899	432.0	5,915	332.8	6,047	975.0	439.02

(Note) Revision to the latest financial forecasts: None

* Notes

(1) Changes in the number of significant subsidiaries in this quarter (changes of specified subsidiaries affecting the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates

1) Changes in accounting policies required by IFRS: None

2) Changes due to changes in accounting policies other than those of item 1: None

3) Changes in accounting estimates: None

(3) Number of common shares issued

1) Number of shares issued at the end of financial period (including treasury shares)	Q2 FY2015	16,330,500 shares	FY2014	13,774,000 shares
2) Number of treasury shares at the end of financial period	Q2 FY2015	－ shares	FY2014	－ shares
3) Average number of shares issued during financial period	Q2 FY2015	13,979,479 shares	Q2 FY2014	13,749,984 shares

* Implementation status of financial audit

The audit procedures of the financial statements pursuant to the Financial Instruments and Exchange Law have been completed.

* Explanation regarding the appropriate use of forecasts of business results and other points to be noted

(Note concerning forward-looking statements)

The financial forecast is based on judgments and estimates that have been prepared on the basis of information available as at the time of disclosure of this material. The actual business results may differ materially from the forecasts due to various factors.

○ Contents of Attached Materials

1. Analysis of Operating Results and Financial Position

1) Analysis of operating results

I. Current term operating results

The Group pursues pharmaceutical research and development mainly through its subsidiaries based in Japan and the UK. The main source of its revenue comes from the development milestones and royalties from the licensees and the sales from its pharmaceutical products. Overall expenses have increased as Heptares Therapeutics Ltd. ("Heptares"), acquired in February 2015, is now included in the Group's results.

The Group recorded the following consolidated financial results for Q2 2015.

Consolidated operating results

(JPY Million)

	Q2 FY2014	Q2 FY2015	Change
Revenue	565	2,540	1,975
Gross profit	519	2,540	2,021
Operating income (loss)	(85)	(337)	(252)
Net income (loss)	28	(842)	(870)

Revenue and gross profit

Revenue in this quarter totalled 2,540 million yen, an increase of 349.2% compared to the previous financial year. This was mainly due to increased royalty revenue from Seebri® (NVA237*) and Ultibro® (QVA149*), and receipt of an upfront payment from the licensing of A_{2A} receptor antagonist HTL-1071 from Heptares to AstraZeneca.

Operating income

In this quarter the Group recorded operating loss of 337 million yen, an unfavourable change of 252 million yen from the comparative period of the previous financial year. This is because even though revenue increased, there were a number of costs incurred by expanding Heptares' pipeline.

Net income

In this quarter the Group recorded net loss of 842 million yen, an unfavourable change of 870 million yen from the comparative period of the previous financial year. This was mainly due to the operating income decrease (referred above) and accrual of interest expenses related to borrowings.

** Seebri®,Ultibro® and Breezhaler® are the registered trademarks of Novartis AG.*

Breakdown of research and development; selling, general and administrative expenses

(JPY Million)

	Q2 FY2014	Q2 FY2015	Change
Research and development expenses	**140**	**1,896**	**1,755**
Selling, general and administrative expenses	**465**	**1,024**	**558**
Personnel expenses	218	468	249
Outsourcing expenses	147	283	135
Other	99	272	172

Research and development expenses; selling, general and administrative expenses

R&D expenses in the second quarter increased 1,755 million yen from the previous financial year, and totalled 1,896 million yen. Selling, general and administrative expenses increased by 558 million yen from the previous financial year, and totalled 1,024 million yen. This is because even though revenue increased, there were a number of costs incurred by expanding Heptares' pipeline.

Finance costs

Finance costs of 666 million yen were recorded in this quarter. This was mainly due to accrual of interest expenses related to borrowings of 319 million yen, and recognition of 288 million yen impairment loss due to changed fair value of the contingent consideration related to corporate acquisition.

Information by business segment is as follows.

a) Domestic pharmaceutical business

Revenue in the domestic pharmaceutical business segment in the second quarter was 87 million yen, an increase of 18 million yen from the same period of the previous financial year. This is due to royalties recorded from NorLevo.

Operating loss in this segment totalled 239 million yen, an unfavourable change of 53 million yen from the comparative period of last year.

b) Overseas pharmaceutical business

Revenue in the overseas pharmaceutical business segment in the second quarter was 2,454 million yen, an increase of 1,957 million yen from the same period of the previous financial year. This is mainly due to increase of royalties from Seebri (NVA237) and Ultibro (QVA149) and receipt of an upfront payment from the licensing of A_{2A} receptor antagonist HTL-1071 from Heptares to AstraZeneca.

Operating loss in the second quarter was 112 million yen, an unfavourable change of 244 million yen from the comparative period of last year.

II. Cash In (Out) Flow

(JPY Million)

	Q2 FY2014	Q2 FY2015	Change
Cash flows from operating activities	239	1,650	1,411
Cash flows from investing activities	(146)	(134)	11
Cash flows from financing activities	14	(1,555)	(1,569)

Cash flows from operating activities

Cash flows from operating activities in this quarter amounted to 1,650 million yen, due to milestones received upon US filling of Seebri® and Ultibro®, and other factors.

Cash flows from investing activities

Cash flows used in investing activities in this quarter were 134 million yen, mainly due to R&D expenses of 81 million yen that were recorded as an asset.

Cash flows from financing activities

Cash flows used in financing activities in this quarter were 1,555 million yen. The inflows were 9,800 million yen long-term interest bearing debt, and 8,767 million yen from issuance of new shares by way of public offering. This was offset by outflows of 20,000 million yen repayment of short-term interest bearing debt, and other factors.

III. Research and development

In the second quarter the Group made progress with the StaR® technology-based pipeline of Heptares. As a result, research and development costs in this quarter were 1,896 million yen (increase of 1,254% from the comparative period of the previous year). The research and development expenses of the domestic and overseas pharmaceutical segments were 217 million yen and 1,678 million yen respectively. Part of research and development costs is recorded as an intangible asset.

Progress with the main products under development in each segment is as follows.

a) Domestic pharmaceutical business

In-licensing

■SO-1105 *Oropharyngeal Candidiasis: Phase III ongoing*

SO-1105 is an antifungal agent, administered as a muco-adhesive buccal tablet for the treatment of oropharyngeal candidiasis in immunocompromised patients. Oropharyngeal candidiasis is an inflammatory mucous membrane disease afflicting the oral cavity and pharynx. It is caused by infection due mainly to a fungus known as *Candida albicans,* and it is commonly found in patients suffering from chronic diseases such as diabetes and immunocompromised patients such as those suffering from HIV infection. This drug was originally developed by Onxeo SA ("Onxeo", ex-BioAlliance Pharma of France), and it has been approved for marketing in 24 European countries, the U.S., and Korea since first obtaining approval in October 2006 in France. The Group believes that this product can also contribute to patient compliance in Japan and thus obtained the exclusive development and marketing rights for SO-1105 in Japan from Onxeo in May 2011.
Presently, Phase III clinical trials for efficacy and safety of this product are in progress. The Group has already signed an exclusive domestic commercialization agreement with FUJIFILM Pharma Co., Ltd.

Research and development based on platform technologies

■APNT (Activus Pure Nanoparticle Technology): *Nanoparticle technology*

APNT is technology differentiable from existing technology in that it enables pulverizing poorly soluble compounds to nano-sized crystal particles ranging from the 50-nm level to the 200-nm level while minimizing contamination. Making use of this feature, APNT demonstrates advantages in applications related to injections, ophthalmic solutions, and inhalations with poorly soluble compounds, which have been very difficult to achieve to date.
Pre-clinical trials are underway for two development candidates with APNT applications: APP13002 (infectious eye diseases) and APP13007 (inflammatory eye diseases).

■Molecular Hiving™: A new method of liquid-phase peptide synthesis

Molecular Hiving™ is a new liquid-phase peptide synthesis technology. Conventional peptide synthesis technologies include SPPS (solid-phase peptide synthesis) and liquid-phase peptide synthesis (LPPS) but in general, SPPS is expensive and produces a low volume; meanwhile LPPS is widely used for mass production but is unable of synthesizing long-chain peptides. Molecular Hiving™ is an innovative technology with advantages of both SPPS and LPPS, and can enable high-volume, low-cost synthesis. Unlike SPPS, Molecular Hiving™ enables monitoring of the peptide synthesis process, which leads to production of peptides of higher quality compared to those produced by conventional methods.

Pre-clinical trials are underway for two generic development candidates with Molecular Hiving™ applications: JIT-2001 (cardiovascular diseases) and JIT-1007 (orphan diseases).

■Peptune™: novel peptide modification technology

Peptune™ is peptide molecule modification technology that improves the efficacy and safety, as well as drug stability of peptide products, by improving their molecular configuration. Moreover, using this technology enables peptides and

small molecule drugs to be synthesized, so it is expected that peptides with new features will be produced.
In addition, Peptune is expected to enable enhancement of the effectiveness and safety of lead peptides furnished by Heptares' technology.

b) Overseas pharmaceutical business

Pipeline and Products

■ QVA149 COPD: Launched by Novartis in the EU, Japan etc.

QVA149 (indacaterol maleate/glycopyrronium bromide); brand names: Ultibro® Breezhaler® (EU), Ultibro® Inhalation Capsules (Japan); "Ultibro") is a once-daily inhaled, fixed-dose combination of the LAMA (glycopyrronium bromide) and the LABA (indacaterol maleate), indicated as a maintenance bronchodilator treatment to relieve symptoms in patients with chronic obstructive pulmonary disease (COPD). Ultibro is a once-daily LABA/LAMA approved as first-in-class in over 70 countries outside of the US including EU, Japan, Canada, Mexico and Australia and launched in over 40 countries including Germany, Japan and Canada.
In the US, QVA149 was approved in October 2015 as a twice-daily inhaled, fixed-dose combination of indacaterol 27.5 mcg and glycopyrrolate 15.6 mcg, for the long-term maintenance treatment of airflow obstruction in patients with COPD, including chronic bronchitis and/or emphysema, and under the brand name Utibron™ Neohaler®.

■ NVA237 COPD: Launched by Novartis in the EU, Japan, etc.

NVA237 (glycopyrronium bromide; brand names: Seebri® Breezhaler® (EU), Seebri® Inhalation Capsules 50mcg (Japan); "Seebri"), is a once-daily inhaled long-acting muscarinic antagonist (LAMA) indicated as a maintenance bronchodilator treatment to relieve symptoms in patients with COPD that was exclusively licensed to Novartis in April 2005 by Sosei and its co-development partner Vectura. Seebri has been approved in over 80 countries across Europe, Japan, Canada, Latin America, Asia, Australia and the Middle East.
In the US, NVA237 was approved in October 2015 as a twice-daily inhaled monotherapy for the long-term maintenance treatment of airflow obstruction in patients with COPD, including chronic bronchitis and/or emphysema, under the brand name Seebri™ Neohaler® (glycopyrrolate 15.6 mcg).

Under the terms of agreement with Novartis, the approval of the both products in the US has triggered a milestone payment to Sosei of USD 22.5 million. In addition, Sosei is entitled to receive royalties on global net sales of both products. Royalties are recognized following the quarter in which the products are sold. On 27 October 2015, Novartis announced that sales of Ultibro and Seebri for Q2 2015 (April – June 2015) were $66 million and $38 million respectively.

Reference:
Sales of Ultibro® and Seebri®, announced at Novartis' Q3 results briefing (July – September 2015) on 27 October 2015.

	July - September		Change vs previous year (%)	January - September		Change vs previous year (%)
	2015	2014		2015	2014	
	USD Million	USD Million		USD Million	USD Million	
Ultibro® Breezhaler®	66	31	113	184	67	175
Seebri® Breezhaler®	38	37	3	113	104	9

** Seebri®, Ultibro®, Breezhaler® and Neohaler® are registered trademarks of Novartis AG.*
Seebri™ and Utibron™ are trademarks of Novartis AG.

Research and development based on platform technologies

■ StaR® technology: GPCR structure based drug discovery technology

Heptares StaR® technology is the first in the world that is able to produce GPCRs with improved thermostability. GPCRs (G protein-coupled receptors) are proteins found embedded in the cell membrane. They act as a bridge between the interior and exterior environment of the cell. As such, they can transfer information in the form of biochemical signals, and play a

role in many physiological and biological processes, including taste, vision, smell, autonomic nervous system function, behaviour, immunity etc. GPCRs are, therefore, the most important target molecules in medicine. However, when removed from the cell membrane, the molecular structure grows unstable and unclear, thus it has been difficult to perform structure-based discovery research. StaR® technology advances structural analysis of GPCRs and enables powerful and highly selective drug discovery based on molecular structure design that, to date, has been very difficult or impossible to do with confidence.

Progress in this quarter is as follows.

New partnership agreements:

- **Initiation of therapeutic antibody program with MorphoSys**
  In July this year, Heptares exercised an option to initiate a therapeutic antibody program arising from the alliance it entered with German company MorphoSys AG in February 2013. This means that the Heptares pipeline, hitherto focused on low-molecular-weight compounds, may expand to antibodies. Moreover, through these alliances, Heptares will continue to explore the possibility of wide-ranging applications of StaR® technology to antibody therapeutics, not just low-molecular-weight compounds.
- **Adenosine A_{2A} receptor antagonist with AstraZeneca**
  In terms of licensing its own pipeline, in August this year, Heptares entered into a licensing agreement with the UK company AstraZeneca to develop immuno-oncology treatments for cancer. AstraZeneca will acquire exclusive global rights to develop, manufacture and commercialise the adenosine A_{2A} receptor antagonist, HTL-1071, a small molecule immuno-oncology candidate, and potential additional A_{2A} receptor-blocking compounds. AstraZeneca will focus on exploring HTL-1071 and any additional compounds across a range of cancers, including in combination with its existing portfolio of immunotherapies. The companies will also collaborate to discover further A_{2A} receptor-blocking compounds for development in cancer immunotherapy. Under the terms of the agreement, Heptares has received an upfront payment of $10 million and is eligible to receive additional, significant near term milestone payments based on agreed pre-clinical and/or clinical events. Subject to successful completion of development and commercialisation milestones, Heptares is also eligible to receive more than $500 million, as well as up to double-digit tiered royalties on net sales.
- **Grant to develop Orexin-1 receptor antagonists**
  In September this year, Heptares was awarded a research and development grant of 5.5 million dollars from the National Institute on Drug Abuse (NIDA), one of the US National Institutes of Health, for the Orexin-1 receptor antagonist research project. The company will use the grant over the next three years for part of the operating costs of the project to adapt selective antagonists of the Orexin-1 receptor to cocaine abuse and addiction.

2) Analysis of financial position

Total assets at the end of the second quarter decreased by 1,387 million yen, totalling 42,413 million yen.

Cash and cash equivalents at the end of the second quarter decreased by 51 million yen and amounted to 5,522 million yen. The current asset to total asset ratio was 16.5%, and cash and cash equivalents to current assets ratio was 79.1%.

Total liabilities as of the end of this quarter amounted to 19,123 million yen, a decrease of 9,783 million yen from the end of previous financial year that mainly resulted from repaying 20,000 million yen short-term interest-bearing debt.

Total equity for the second quarter were 23,290 million yen, an increase of 8,395 million yen from the end of previous financial year that mainly resulted from a public offering in September 2015 leading to an 8,755 million yen increase in shareholder equity. Ratio of equity attributable to owners of the parent company to total assets increased by 21.0 points to 54.5%.

3) Earnings forecast

No changes have been made from the earnings forecast announced in “Consolidated Financial Results for FY2014 (IFRS)” on 13 May 2015.

2. Matters related to summary information (notes)

1) Changes in the number of significant subsidiaries in this quarter

Not applicable.

2) Changes in accounting policies and changes in accounting estimates

Accounting policies applied to the summary quarterly consolidated financial statement are the same as those applied in the previous fiscal year.
Income tax expenses are calculated based on the estimated annual effective tax rate.

3. Consolidated Financial Statements (IFRS)

1) Consolidated statement of financial position

(JPY Million)

	FY2015 (30 September 2015)	FY2014 (31 March 2015)
Assets		
Non-current assets		
Property, plant and equipment	292	266
Goodwill	33,359	32,822
Intangible assets	1,365	1,285
Deferred tax assets	371	364
Other non-current assets	43	43
Total non-current assets	35,432	34,781
Current assets		
Trade and other receivables	57	2,481
Accrued corporate income tax	871	579
Other current assets	529	385
Cash and cash equivalents	5,522	5,573
Total current assets	6,981	9,019
Total assets	42,413	43,800
Liabilities and Equity		
Liabilities		
Non-current liabilities		
Deferred income	25	29
Deferred tax liabilities	376	369
Contingent consideration related to corporate acquisition	6,892	7,024
Interest-bearing liabilities	7,809	—
Other non-current liabilities	14	13
Total non-current liabilities	15,118	7,437
Current liabilities		
Trade and other payables	1,372	1,358
Deferred income	265	135
Income tax payables	124	34
Interest-bearing liabilities	1,990	19,877
Other current liabilities	252	63
Total current liabilities	4,004	21,468
Total liabilities	19,123	28,906
Equity		
Capital stock	23,894	19,478
Capital surplus	12,125	7,774
Retained earnings	(13,495)	(12,562)
Other components of equity	570	(37)
Equity attributable to owners of the parent company	23,095	14,653
Non-controlling interests	194	241
Total equity	23,290	14,894
Total liabilities and equity	42,413	43,800

2) Consolidated statement of comprehensive income

(JPY Million)

	H1 FY2015 (1 April 2015 – 30 September 2015)	H1 FY2014 (1 April 2014 – 30 September 2014)
Revenue	2,540	565
Cost of sales	--	45
Gross profit	2,540	519
Research and development expenses	1,896	140
Selling, general and administrative expenses	1,024	465
Other income	53	1
Other expenses	11	0
Operating income (loss)	(337)	(85)
Finance income	1	160
Finance costs	666	–
Income (loss) before income taxes for quarter	(1,002)	75
Income tax expenses	(159)	47
Net income for quarter	(842)	28
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	607	149
Total items that may be reclassified subsequently to profit or loss	607	149
Total other comprehensive income	607	149
Comprehensive income for quarter	(234)	178
Net income for the year attributable to:		
Owners of the parent company	(795)	28
Non-controlling interests	(47)	–
Net income (loss) for quarter	(842)	28
Comprehensive income for the year attributable to:		
Owners of the parent company	(187)	178
Non-controlling interests	(47)	–
Comprehensive income for quarter	(234)	178
Net income per share (yen)		
Basic net income (loss)	(56.89)	2.06
Diluted net income (loss)	(56.89)	2.04

3) Consolidated statement of changes in equity

H1 FY2014 (1 April 2014 – 30 September 2014)

(JPY Million)

	Capital stock	Capital surplus	Retained earnings	Other components of equity		Equity attributable to owners of the parent company
				Foreign currency translation adjustments on overseas operations	Other components of equity, total	
Balance as of 1 April 2014	19,453	21,573	(26,934)	261	261	14,354
Net income (loss) for quarter	—	—	28	—	—	28
Foreign currency translation adjustments	—	—	—	149	149	149
Total comprehensive income for quarter	—	—	28	149	149	178
Issuance of new shares	11	2	—	—	—	14
Deficit compensation	—	(13,803)	13,803	—	—	—
Total business transactions with owners	11	(13,801)	13,803	—	—	14
Balance as of 30 September 2014	19,465	7,772	(13,102)	411	411	14,547

	Non-controlling interests	Total equity
Balance as of 1 April 2014	—	14,354
Net income (loss) for quarter	—	28
Foreign currency translation adjustments	—	149
Total comprehensive income	—	178
Issuance of new shares	—	14
Deficit compensation	—	—
Total business transactions with owners	—	14
Balance as of 30 September 2014	—	14,547

H1 FY2015 (1 April 2015 – 30 September 2015)

(JPY Million)

	Capital stock	Capital surplus	Retained earnings	Other components of equity		Equity attributable to owners of the parent company
				Foreign currency translation adjustments on overseas operations	Other components of equity, total	
Balance as of 1 April 2015	19,478	7,774	(12,562)	(37)	(37)	14,653
Net income (loss) for quarter	—	—	(795)	—	—	(795)
Foreign currency translation adjustments	—	—	—	607	607	607
Total comprehensive income for quarter	—	—	(795)	607	607	(187)
Issuance of new shares	4,416	4,350	—	—	—	8,767
Dividends	—	—	(137)	—	—	(137)
Total business transactions with owners	4,416	4,350	(137)	—	—	8,629
Balance as of 30 September 2015	23,894	12,125	(13,495)	570	570	23,095

	Non-controlling interests	Total equity
Balance as of 1 April 2015	241	14,894
Net income (loss) for quarter	(47)	(842)
Foreign currency translation adjustments	—	607
Total comprehensive income for quarter	(47)	(234)
Issuance of new shares	—	8,767
Dividends	—	(137)
Total business transactions with owners	—	8,629
Balance as of 30 September	194	23,290

2015		

4) Consolidated quarterly statement of cash flow

(JPY Million)

	H1 FY2015 (1 April 2015 – 30 September 2015)	H1 FY2014 (1 April 2014 – 30 September 2014)
Cash flows from operating activities		
Net income before income taxes (loss)	(1,002)	75
Depreciation and amortization	62	10
Subsidy income	(48)	–
Foreign exchange gains (loss)	(95)	(151)
Interest expense	319	–
Fluctuation in fair value in connection with contingent consideration	288	–
Decrease (increase) in accounts receivable	(269)	51
Decrease (increase) in accounts receivable – trade	2,552	47
Increase (decrease) in accounts payable – trade	(300)	249
Other	391	(34)
Subtotal	1,899	248
Interests and dividends received	1	4
Payments of interest	(230)	–
Corporate income tax refund	2	–
Income taxes paid	(21)	(13)
Net cash from operating activities	1,650	239
Cash flows from investing activities		
Purchases of property, plant and equipment	(70)	(5)
Capitalized development costs	(81)	(139)
Other	18	(0)
Net cash used in investing activities	(134)	(146)
Cash flows from financing activities		
Repayment of short-term interest-bearing debt	(20,000)	–
Proceeds from borrowing long-term interest-bearing debt	9,800	–
Proceeds from issuance of common stock	8,767	14
Dividend payments	(123)	–
Net cash from financing activities	(1,555)	14
Effect of exchange rate changes on cash and cash equivalents	(12)	269
Increase (decrease) in cash and cash equivalents	(51)	377
Cash and cash equivalents at the beginning of year	5,573	7,214
Cash and cash equivalents at the end of quarter	5,522	7,592

5) Notes related to going concern assumptions

Not applicable.

6) Segment information

I. Overview of reportable segments

The Group's reportable segments are components of business activities for which discrete financial information is available, and such information is regularly reviewed by the Group's board of directors in order to make decisions about the allocation of the resources and assess performance. The Group has adopted the holding company structure, and the holding company is responsible for management and administration of the entire Group. The Group has two reportable segments (namely, domestic pharmaceutical business and overseas pharmaceutical business), based on the location of the legal entities. Both segments develop pharmaceutical products and their main business is outlicensing.

The following table shows major products in the major segments, with reportable segments established as described above.

Reportable segments	Company name	Main products
Domestic pharmaceutical business	・Sosei Co., Ltd. ・Activus Pharma Co., Ltd. ・Jitsubo Ltd.	・SO-1105 ・NorLevo ・APP13002 ・APP13007 ・JIT-2001 ・JIT-1007
Overseas pharmaceutical business	・Sosei R&D Ltd. ・Heptares Therapeutics Ltd.	・Seebri® ・Ultibro® ・Muscarinic M_1 agonist ・HTL-1071

II. Revenue, profit and loss and other financial information of reportable segments

Revenue, profit and loss and other financial information for each reportable segment are as shown below. The accounting policies the Group will apply to each segment are identical to the accounting policies applied to consolidated financial statements in the previous financial year.

Q2 FY2014 (1 April 2014 to 30 September 2014)

(JPY Million)

	Reportable segments			Adjustments	Consolidated
	Domestic pharmaceuticals	Overseas pharmaceuticals	Total		
Revenue from third parties	68	497	565	―	565
Revenue between segments	―	―	―	―	―
Total	68	497	565	―	565
Operating income (loss)	(186)	132	(53)	(31)	(85)
Finance income/costs (net)					160
Net income (loss) before income taxes					75

The adjustment amount relates to the holding company, which does not belong to any reportable segment.

Q2 FY2015 (1 April 2015 to 30 September 2015)

(JPY Million)

	Reportable segments			Adjustments	Consolidated
	Domestic pharmaceuticals	Overseas pharmaceuticals	Total		
Revenue from third parties	86	2,454	2,540	―	2,540
Revenue between segments	0	―	0	(0)	―
Total	87	2,454	2,541	(0)	2,540
Operating income (loss)	(239)	(112)	(352)	15	(337)
Finance income/costs (net)					(665)
Net income (loss) before income taxes					(1,002)

The adjustment amount relates to the holding company, which does not belong to any reportable segment.