Summary of Consolidated Financial Results for the Year Ended March 31, 2020 [IFRS]

May 13, 2020

Company Name: SUMITOMO DAINIPPON PHARMA CO., LTD.
Stock Exchange Listings: Tokyo
Security Code Number: 4506 (URL https://www.ds-pharma.com/)
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Starting Date of Dividend Payments: June 24, 2020
Preparation of Supplementary Financial Data for Financial Results: Yes
Information Meeting for Financial Results to be held: Yes (for institutional investors and analysts)

(Note: All amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Results of Operations

(% represents changes from the previous year)

	Revenue		Core operating profit		Operating profit		Net profit		Net profit attributable to owners of the parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	482,732	5.1	71,982	(6.9)	83,239	43.8	35,918	(26.1)	40,753	(16.2)	39,932	(28.9)
Year ended March 31, 2019	459,267	(1.6)	77,299	(14.7)	57,884	(34.4)	48,627	(9.0)	48,627	(9.0)	56,195	16.1

Reference: Profit before taxes Year ended March 31, 2020 : ¥83,947 million
Year ended March 31, 2019 : ¥65,046 million

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items").

	Basic earnings per share	Earnings per share (diluted)	Net profit / Equity attributable to owners of the parent	Profit before taxes / Total assets	Core operating profit / Revenue
	Yen	Yen	%	%	%
Year ended March 31, 2020	102.58	—	7.9	8.0	14.9
Year ended March 31, 2019	122.39	—	10.2	7.9	16.8

Reference: Share of profit(loss) of associates accounted for using the equity method.
Year ended March 31, 2020 : (¥5 million)
Year ended March 31, 2019 : ¥27 million

(2) Financial Position

	Total assets	Net assets	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share (yen)
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	1,252,878	632,105	529,485	42.3	1,332.72
As of March 31, 2019	834,717	498,138	498,138	59.7	1,253.82

(3) Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	46,128	(312,684)	231,081	101,708
Year ended March 31, 2019	48,711	(35,049)	(28,645)	137,296

2. Dividends

	Dividends per share					Dividends paid for the year	Payout ratio	Dividends to net assets ratio
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	—	9.00	—	19.00	28.00	11,124	22.9	2.3
Year ended March 31, 2020	—	14.00	—	14.00	28.00	11,124	27.3	2.2
Year ending March 31, 2021 (Forecasts)	—	14.00	—	14.00	28.00		158.9	

3. Consolidated Financial Forecasts for the Year Ending March 31, 2021 （April 1, 2020 to March 31, 2021）

(% represents changes from the corresponding period of the previous year)

	Net sales		Core operating profit		Operating profit		Net profit		Net profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2021	510,000	5.6	33,000	(54.2)	24,000	(71.2)	(14,000)	—	7,000	(82.8)	17.62

Reference: Profit before taxes Year ending March 31, 2021 : ¥24,000 million

Notes:

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): Yes

(New: 20 companies) Sumitovant Biopharma Ltd.
Myovant Sciences Ltd.
Myovant Holdings Limited
Myovant Sciences GmbH
Myovant Treasury Holdings, Inc.
Myovant Treasury, Inc.
Urovant Sciences Ltd.
Urovant Holdings Limited
Urovant Sciences GmbH
Urovant Treasury Holdings, Inc.
Urovant Sciences Treasury, Inc.
Enzyvant Therapeutics Ltd.
Enzyvant Therapeutics General Ltd.
Enzyvant Therapeutics Holdings Limited
Enzyvant Therapeutics GmbH
Enzyvant Farber Ltd.
Altavant Sciences Ltd.
Altavant Sciences Holdings Limited
Altavant Sciences GmbH
Spirovant Sciences, Inc.

(Excluded: None)

(2) Changes in accounting policies, accounting estimates, and retrospective restatements

① Changes in accounting standards required by IFRS: Yes
② Changes due to changes in accounting standards other than (2),①: None
③ Changes in accounting estimates: None

For details, please refer to page 16, ”3. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements”

(3) Number of shares outstanding (Common stock)

① Number of shares outstanding (Including treasury stock) at the end of period
March 31, 2020: 397,900,154 shares
March 31, 2019: 397,900,154 shares

② Number of treasury stock at the end of period
March 31, 2020: 605,038 shares
March 31, 2019: 603,851 shares

③ Average number of shares during the period
March 31, 2020: 397,295,684 shares
March 31, 2019: 397,297,097 shares

(Reference) Outline of Non-Consolidated Financial Results (Japanese GAAP)

1. Non-consolidated Financial Results for the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Results of Operations

(% represents changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31,2020	311,994	18.0	137,853	57.3	140,758	46.9	100,771	47.2
Year ended March 31,2019	264,462	5.3	87,637	17.5	95,834	34.4	68,470	61.6

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Year ended March 31,2020	253.64	—
Year ended March 31,2019	172.34	—

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	1,073,627	697,163	64.9	1,754.77
As of March 31, 2019	718,798	619,106	86.1	1,558.30

Reference: Shareholders' Equity As of March 31, 2020 : ¥697,163 million
As of March 31, 2019 : ¥619,106 million

This summary of financial results is exempt from audit procedures.

This material contains forecasts, projections, goals, plans, and other forward-looking statements regarding the Group's financial results and other data. Such forward-looking statements are based on the Company's assumptions, estimates, outlook, and other judgments made in light of information available at the time of preparation of such statements and involve both known and unknown risks and uncertainties. Accordingly, forecasts, plans, and other statements may not be realized as described, and actual financial results, success/failure or progress of development, and other projections may differ materially from those presented herein. Please refer to page 8, "1. Operating Results and Financial Condition (4) Forecasts for the Year Ending March 31, 2021" with regard to the assumptions and other related matters for forecasts. Supplementary financial data and the presentation materials for the earnings presentation are disclosed together with the summary of financial results.

The Company holds an earnings presentation for institutional investors and analysts on Thursday, May 14, 2020. The video of the presentation is scheduled to be posted on our website.

【Attachment Documents】

1. Operating Results and Financial Condition

(1) Analysis of Operating Results

Adoption of the International Financial Reporting Standards (IFRS)

The Group discloses its consolidated financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS).

Forward-looking statements contained herein are based on the Group's judgments in light of information available as of 31 March, 2020.

①Overview of overall operating results

During the fiscal year ended March 31, 2020, the world economy followed a decelerating trend overall amid the ongoing trade tension between the U.S. and China and the continued slowdown of the Chinese economy, but it took a sudden plunge due to the rapid spread of the novel coronavirus disease (COVID-19) from January 2020 throughout the globe. Likewise, the Japanese economy experienced a major downturn due to the spread of COVID-19, as well as weakening exports on the back of the slowdown of the world economy, causing a highly uncertain economic outlook.

In the pharmaceutical sector, R&D expenses continue to rise, and competition is intensifying as governments take further steps to curb the prices of brand-name drugs and promote the use of generics. Meanwhile, there have been some moves to utilize digital technology for drug discovery and forge ahead with business in the areas of preventive medicine and presymptomatic diseases.

Against this backdrop, the Group has advanced business activity based on the Mid-Term Business Plan 2022, which the Group published in April 2019, commencing in FY2018 and running for five years to FY2022.

In Japan, the Group has sought to bolster sales of mainstay products, such as Trulicity® (therapeutic agent for Type 2 diabetes) and TRERIEF® (therapeutic agent for Parkinson's disease), while at the same time focusing on the provision of medical information to maximize sales of Equa® and EquMet® (therapeutic agent for Type 2 diabetes), which were started sales by the Company through sales collaboration with Novartis Pharma K.K.

In North America, Sunovion Pharmaceuticals Inc. (hereinafter, "Sunovion") continued to pour its resources into maximizing revenue of global strategic product LATUDA® (atypical antipsychotic) and expanding sales of other mainstay products.

Following the signing of a definitive agreement for a strategic alliance with Roivant Sciences Ltd. (hereinafter, "Roivant") in October 2019 (hereinafter, the "Alliance") and the completion of the procedure related to stock transfers, etc. in December 2019, Sumitovant Biopharma Ltd. (hereinafter, "Sumitovant") and the operating entities under this holding company, including Myovant Sciences Ltd., Urovant Sciences Ltd., Enzyvant Therapeutics Ltd., Altavant Sciences Ltd., and Spirovant Sciences Ltd., as well as their subsidiaries, have joined the Group.

Through this Alliance, the Company has acquired multiple pipelines, including gonadotropin-releasing hormone (GnRH) receptor antagonist relugolix and small molecule β3 adrenergic receptor agonist vibegron, both of which are blockbuster candidates that are expected to sustained growth after the expiration of the term for market exclusivity of LATUDA®. In addition, the Company acquired DrugOme and Digital Innovation, which should accelerate its digital transformation, as well as talents who run these healthcare technology platforms through this Alliance.

In the oncology area, the launch of napabucasin (product code: BBI608), which is under development by another U.S. subsidiary, Boston Biomedical, Inc. (hereinafter, "Boston Biomedical"), continues to be assumed top priority despite the discontinuation of its Phase 3 study in patients with pancreatic cancer; however, the Phase 3 study of the product for colorectal cancer is moving forward. Meanwhile, Tolero Pharmaceuticals, Inc. (hereinafter, "Tolero") continued to focus on research and development of anti-cancer drugs.

In China, Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. pursued business opportunities in a bid to expand sales of MEROPEN® (carbapenem antibiotic), LATUDA®, which was released there in September 2019, and other products.

Adoption of "core operating profit" as a performance indicator

To coincide with the adoption of the IFRS, the Group has set an original performance indicator for the Group's recurring profitability in the form of "core operating profit."

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items"). Among the main Non-recurring Items are impairment losses, business structure improvement expenses, and changes in fair value of contingent consideration related to company acquisitions.

Highlights of the Group's consolidated financial results for the fiscal year under review are as follows:

(Billions of yen)

	FY2018	FY2019	Change	Change %
Revenue	459.3	482.7	23.5	5.1
Core operating profit	77.3	72.0	(5.3)	(6.9)
Operating profit	57.9	83.2	25.4	43.8
Profit before taxes	65.0	83.9	18.9	29.1
Net profit	48.6	35.9	(12.7)	(26.1)
Net profit attributable to owners of the parent	48.6	40.8	(7.9)	(16.2)

Revenue increased by 5.1% year-on-year to 482.7 billion yen.

Sales grew in the Japan segment owing to launches of Equa® and EquMet® and other factors. The North America segment, too, showed revenue growth as sales of LATUDA® and other products expanded. Likewise, the China segment and Other Regions segment registered increases in revenue.

Core operating profit decreased by 6.9% year-on-year to 72.0 billion yen.

Core operating profit decreased as a result of increases in selling, general and administrative expenses and research and development expenses as expenses incurred by Sumitovant and its subsidiaries, which were acquired through the Alliance were recognized, despite an increase in gross profit on account of revenue growth.

Operating profit increased by 43.8% year-on-year to 83.2 billion yen.

Operating profit showed a substantial increase because a cost reversal from change in the fair value of contingent consideration associated with company acquisitions surpassed the amount of impairment losses, though core operating profit decreased. The Group reported impairment losses on intangible assets, including in-process research and development and marketing rights, as part of a review of business plans in oncology and other areas. Meanwhile, the review of business plans led to a significant decline in the fair value of contingent consideration associated with acquisitions of Boston Biomedical, Tolero, and other companies, which resulted in the reversal of expenses.

Profit before taxes increased by 29.1% year-on-year to 83.9 billion yen.

Profit before taxes showed higher growth than operating profit as finance income surpassed finance expenses.

Net profit decreased by 26.1% year-on-year to 35.9 billion yen.

The net profit took a downward turn as income tax expenses increased substantially though the profit before taxes increased. The increase of income tax expenses is attributed to the reversal of deferred tax assets recognized in the U.S. following the decision to discontinue the Phase 3 study of napabucasin in patients with pancreatic cancer, among other factors

Net profit attributable to owners of the parent decreased by 16.2% year-on-year to 40.8 billion yen.

The net profit attributable to owners of the parent (less the amount of losses attributable to non-controlling shareholders from net profit) increased greater than net profit because Sumitovant’s subsidiaries with non-controlling interests registered loss.

The ratio of the net profit attributable to owners of the parent to revenue decreased by 2.2 point year-on-year to 8.4%.

②Status of each business segment

Adoption of "core segment profit" as a performance indicator for each segment

To coincide with the adoption of the IFRS, for segment performance, the Group has set an original performance indicator for each segment's recurring profitability in the form of "core segment profit."
"Core segment profit" is each segment profit calculated by deducting from "core operating profit" any items such as R&D expenses and gains and losses on business transfers, which are managed globally and thus cannot be allocated to individual segments.

[Japan segment]
Revenue increased by 8.1% year-on-year to 139.7 billion yen.
Revenue increased as sales of Trulicity®, TRERIEF®, and REPLAGAL® (therapeutic agent for Anderson-Fabry disease) and the launch of Equa® and EquMet® successfully offset the declines in sales of long-listed drugs, including LONASEN® tablet/powder (atypical antipsychotic) and AIMIX® (therapeutic agent for hypertension).
Core segment profit decreased by 8.8% year-on-year to 22.9 billion yen .
This decrease is attributable to the decrease in gross profit due to the change in the product mix.

[North America segment]
Revenue increased by 3.9% year-on-year to 262.3 billion yen.
This increase is attributable to the sales expansion of APTIOM® (antiepileptic agent) and other products, in addition to the Group's mainstay product LATUDA®.
Core segment profit increased by 2.6% year-on-year to 117.5 billion yen.
This increase is attributable to the increase in gross profit due to revenue growth, although selling, general and administrative expenses increased as expenses incurred by Sumitovant and its subsidiaries were recognized after the date of their acquisition.

[China segment]
Revenue increased by 15.6% year-on-year to 28.6 billion yen.
This increase is attributable to the sales growth of MEROPEN® and other products.
Core segment profit increased by 17.2% year-on-year to 14.4 billion yen.
This increase is attributable to the increase in gross profit due to the revenue growth.

[Other Regions segment]
Revenue increased by 3.5% year-on-year to 14.8 billion yen.
This increase is attributable to an increase in fees for industrial property rights from licensees, as well as strong sales of MEROPEN® in Southeast Asia.
Core segment profit increased by 27.7% year-on-year to 6.4 billion yen.
This increase is primarily attributable to an increase in gross profit due to improvement in cost to sales ratio.

In addition to the above reportable segments, the Group is also engaged in sales of food ingredients, food additives, materials for chemical products, veterinary drugs, and other product lines, which together generated revenue of 37.4 billion yen (down by 2.7% year-on-year) and core segment profit of 3.2 billion yen (up by 5.4% year-on-year).

③Status of research and development activities
The Group has been committed to research and development of drugs by taking every available opportunity to assimilate cutting-edge technologies through combinations of a wide variety of avenues, including in-house research, technology in-licensing, and joint research with venture businesses and academic institutions. The Group aims to continually discover excellent pharmaceutical products with Psychiatry & Neurology, Oncology, and Regenerative Medicine and Cell Therapy as the Group's focus areas for research. In order to contribute to global health, the Group is

also working on the infectious diseases area. Furthermore, with the aim of providing new solutions to social issues in healthcare areas other than pharmaceuticals, we are working toward launching frontier businesses.

〔Psychiatry and Neurology〕

For psychiatric disorders, including schizophrenia, depression, and psychiatric symptoms related to neurological disorders, we aim to optimize treatments through drug discovery based on neural circuit pathology. For neurological disorders, including dementia, Parkinson's disease, and rare diseases, we seek to develop innovative disease-modifying drugs through drug discovery based on molecular pathophysiology, by leveraging our core competencies to forge ahead with drug discovery research based on our proprietary drug discovery platforms established by continuously incorporating cutting-edge technologies. Every effort is being made to raise the success rate of research and development by applying a wealth of knowledge, gained from clinical study data of in-house products, to translational research and by selecting drug discovery targets and biomarkers through the use of big data, such as genome information and imaging data.

In the development stages, the Company is working closely with its U.S. subsidiaries under the global clinical development framework to expedite the receipt of approvals from regulatory authorities by efficiently promoting clinical development according to strategic development planning.

The progress statuses of key development projects during the fiscal year under review are as follows:

i. LONASEN® tape (generic name: blonanserin)
   In June 2019, an indication for schizophrenia was approved in Japan.
ii. LATUDA® (generic name: lurasidone hydrochloride)
   In March 2020, indications for schizophrenia and bipolar depression were approved in Japan.
iii. Dasotraline (product code: SEP-225289)
   A New Drug Application (NDA) was submitted in the U.S. in May 2019 for binge-eating disorder (BED) in adults and was accepted in July 2019.
   Note: In April 2020, NDAs for BED and attention-deficit hyperactivity disorder (ADHD), for which a development plan was under consideration, were withdrawn since the Group believes that additional clinical studies would be needed due to the benefit/risk profile of the evidence generated to date.
iv. Apomorphine hydrochloride (product code: APL-130277)
   An NDA was resubmitted in the U.S. for the treatment of OFF episodes associated with Parkinson's disease in adults in November 2019 and was accepted in December 2019.
v. SEP-363856
   In May 2019, Breakthrough Therapy designation was received from the FDA for the treatment of schizophrenia, and the Phase 3 studies have commenced.

〔Oncology〕

We will work on unique seeds through research focused on cell-cell interaction and intercellular signals in the tumor microenvironment to discover innovative new drugs. Moreover, through external collaborations such as joint research with academic institutions and investment in venture funds, we aim to assimilate innovative technologies and seeds to enhance our research and development portfolio. We will also promote network-based drug discovery between our subsidiaries in North America and external institutions in an attempt to accelerate the migration of promising seeds to clinical studies early and expedite translational research. Late-stage assets will be developed steadily to obtain early approvals so that the oncology franchise will be established as soon as possible.

The progress statuses of key development projects during the fiscal year under review are as follows:

i. Napabucasin (product code: BBI608)
   Phase 3 global clinical studies for colorectal cancer and pancreatic cancer (combination therapy) were underway in the U.S., Japan, and elsewhere; however, as per a recommendation received from the independent Data and

Safety Monitoring Board (DSMB) in July 2019 to terminate the Phase 3 study for patients with pancreatic cancer on the grounds of futility as a result of its interim analysis, the study in patients with pancreatic cancer was discontinued. Meanwhile, the Phase 3 study in patients with colorectal cancer continues as per the DSMB recommendation received in June 2019 to continue the study based on its interim analysis results, which met the pre-specified threshold.

ii. RITHIO® (therapeutic agent for conditioning treatment prior to autologous hematopoietic stem cell transplantation <HSCT>, generic name: thiotepa)
In Japan, an additional indication of conditioning treatment prior to autologous hematopoietic stem cell transplantation for malignant lymphoma was approved in March 2020.

〔Regenerative Medicine & Cell Therapy〕

The Group is promoting multiple research and development projects with a view toward early commercialization of regenerative medicine and cell therapy by developing a unique growth model wherein we pursue advanced industrialization/manufacturing technologies and state-of-the-art science through an open innovation strategy. While steadily advancing projects in the neurology and ophthalmology areas, we are setting our sights on global opportunities in Japan, the U.S. and other Asian countries, plotting a trajectory for the development of next-generation regenerative medicine, including organ regeneration. Our current target is to have these projects start contributing to earnings mainly in Japan and the U.S. during the period of the next Mid-term Business Plan (FY2023 - 2027, hereinafter, the “Next MTBP”).

The progress statuses of key development projects during the fiscal year under review are as follows:

i. RVT-802
In April 2019, an NDA was submitted for pediatric congenital athymia in the U.S., however, a Complete Response Letter from the FDA was received in December 2019, stating that the NDA could not be approved as of the time of the review. Preparations are currently underway for resubmission.

ii. SB623
Based on the additional analyses of the results of the Phase 2b study for the treatment of patients with chronic ischemic stroke in the U.S., the joint development with SanBio, Inc. in North America was discontinued in December 2019.

iii. Renal regenerative medicine
In April 2019, joint research/development was commenced with Jikei University/Jikei University School of Medicine, Meiji University, Bios Co., Ltd., and PorMedTec Co., Ltd. in the field of renal regenerative medicine through the “organogenic niche method” using iPS cells, targeting a launch in the 2020s.

〔Infectious Diseases & Vaccines〕

The Company continues to be committed to ongoing joint research and development projects in a bid to contribute to global health. Examples of such projects that we hope to commercialize during the Next MTBP are: a treatment for antimicrobial resistance (AMR) with the Kitasato Institute, a malaria transmission-blocking vaccine with Ehime University and a U.S. non-profit organization PATH; and a universal influenza vaccine with the National Institutes of Biomedical Innovation, Health and Nutrition (NIBIOHN).

〔Others〕

In other areas, the Group is propelling the development of value-oriented, best-in-class pharmaceutical products, and on pharmaceutical products for the diabetes field, a focal area in Japan, in a bid to sustained growth after the expiration of the exclusive marketing period of LATUDA® in the U.S.

i. Vibegron
In the U.S., an NDA for the treatment of overactive bladder was submitted in December 2019 and accepted in

March 2020.

ii. Relugolix
In Europe, an NDA for the treatment of uterine fibroids was submitted in March 2020.

iii. Imeglimin (product code: PXL008)
In the three Phase 3 studies for the treatment of type 2 diabetes in Japan, the primary endpoints were met, and favorable tolerability was shown.

〔Frontier business〕

In terms of frontier businesses, the Group has identified areas that are expected to create synergy with our pharmaceutical business as core business domains, which include mental resilience (preventing psychiatric diseases from worsening by discovering their signs early) and active aging (improving the health of the elderly from their state of mind to maintain/enhance their well-being). Accordingly, we will build business foundations, including core technologies (in information, engineering, etc.) and networks (through alliances, venture investments, etc.), in a bid to launch such businesses during the period of the Mid-term Business Plan 2022. Furthermore, we will seek the possibility of various avenues in Japan, the U.S., and China, in an effort to establish them as additional growth drivers during the period of the Next MTBP.

In July 2019, the Company entered into an investment agreement with Drawbridge Health, Inc., which aims to integrate more comfortable collection of blood samples, sample stabilization, and simple transportation of blood samples into a single device designed to simplify collection of samples. The Company is planning to start a business in Japan, utilizing its blood-drawing device technology.

As a result of the research and development activities mentioned above, R&D expenses for the fiscal year under review amounted to 115.1 billion yen (up by 12.5% year-on-year). Please note that, if the impairment losses of 22.5 billion yen reported during the fiscal year under review were excluded, R&D expenses were 92.6 billion (up by 11.7% year-on-year) on the core basis. The Group manages its R&D expenses globally, and, as such, does not allocate such expenses to individual segments.

(2) Analysis of Financial Condition

Non-current assets increased by 427.3 billion yen from the previous fiscal year-end, as a result of in-process research and development and other intangible assets, as well as goodwill, with substantial increases from the purchase price allocation associated with acquiring Sumitovant and its subsidiaries, despite a decrease in deferred tax assets due to their reversal in the U.S. A significant increase in other financial assets under non-current assets as a result of acquiring a part of Roivant stocks was also responsible for the increase in non-current assets.

Current assets decreased by 9.2 billion yen from the previous fiscal year-end, as inventories and trade and other receivables increased, but other financial assets decreased due to declines in cash and cash equivalents and short-term loan receivables.

As a result, total assets increased by 418.2 billion yen from the previous fiscal year-end to 1,252.9 billion yen.

Total liabilities increased by 284.2 billion yen from the previous fiscal year-end to 620.8 billion yen, as a result of a substantial increase in borrowings to finance payment of consideration for the Alliance and despite a decline in other financial liabilities due to the decrease in the fair value of contingent consideration.

Total equity increased by 134.0 billion yen from the previous fiscal year-end to 632.1 billion yen. This is because equity attributable to owners of the parent increased to 529.5 billion yen, up by 31.3 billion yen from the previous fiscal year-end, as a result of an increase in retained earnings and 102.6 billion yen in equity attributable to non-controlling interests was recorded associated with acquiring Sumitovant.

The ratio of equity attributable to owners of the parent to total assets as of the end of the fiscal year under review was 42.3%.

(3) Analysis of Cash Flows

Cash flows provided by operating activities remained almost flat year-on-year at 46.1 billion yen, as profit before taxes increased. However, factors that contributed to a decrease in cash, such as increases in inventories and trade and other receivables surpassed those contributing to an increase in cash, such as an increase in trade and other payables.

Cash flows used in investing activities increased by 277.6 billion yen year-on-year to 312.7 billion yen, primarily owing to the purchase of investments as a result of the acquisition of Roivant's shares as per the Alliance and to the payment for the acquisition of control of Sumitovant and its subsidiaries.

Cash flows provided by financial activities increased by 259.7 billion yen year-on-year to 231.1 billion yen, primarily owing to a substantial increase in short-term borrowings payable as a result of financing to pay consideration for the Alliance.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2020, was 101.7 billion yen, which represents a decrease of 35.6 billion yen from the previous fiscal year-end.

(4) Forecasts for the Year Ending March 31, 2020

(Billions of yen)

	Fiscal 2019 Results	Fiscal 2020 Forecasts	Change	Change %
Revenue	482.7	510.0	27.3	5.6
Core operating profit	72.0	33.0	(39.0)	(54.2)
Operating profit	83.2	24.0	(59.2)	(71.2)
Net profit	35.9	(14.0)	(49.9)	-
Net profit attributable to owners of the parent	40.8	7.0	(33.8)	(82.8)

< Revenue >

In Japan, despite the impacts of the National Health Insurance (NHI) drug price revisions and declines in sales of long-listed products, revenue is forecasted to increase due to sales expansion of Equa® and EquMet®, which were started sales in November 2019 pursuant to a sales collaboration agreement with Novartis Pharma K.K.; to sales expansion of Trulicity® and LONASEN® tape; and to the launch of LATUDA®. In North America, revenue appears set to increase owing to the continued sales expansion of LATUDA®, while in China, an increase in revenue is expected from the sales growth of MEROPEN® and other products. Consolidated revenue is thus expected to increase by 27.3 billion yen year-on-year to 510.0 billion yen.

< Profit >

Core operating profit is forecasted to decrease by 39.0 billion yen year-on-year to 33.0 billion yen, as a result of the expectations that gross profit will rise due to an increase in revenue, but that selling, general and administrative expenses, and research and development expenses will increase substantially as Sumitovant and its subsidiaries, which joined the Group in December 2019, will incur expenses on a full-year basis.

Meanwhile, operating profit is forecasted to decrease by 59.2 billion yen year-on-year to 24.0 billion yen. This is because we expect to record expenses as the fair value of contingent consideration will increase in the year ending March 2021, whereas we recorded a reversal of expenses as the fair value of contingent consideration declined during the fiscal year under review.

Net profit is forecasted to decrease by 49.9 billion yen year-on-year to negative 14.0 billion yen due to a decline in income tax expenses. Net profit attributable to owners of the parent is forecasted to decrease by 33.8 billion yen year-on-year to 7.0 billion yen after deducting losses on non-controlling interests, which are expected to increase.

< Prior condition >

Foreign currency exchange rates used for the forecasts are: 1 USD = 108.0 JPY (108.7 JPY in the fiscal year under review), 1 RMB = 15.5 JPY (15.6 JPY in the fiscal year under review).

The ongoing novel coronavirus disease (COVID-19) pandemic has affected a broad range of the Group's business activities, including restricting information provision activities and delaying clinical studies in Japan and other countries/regions. Should this situation continue, our forecasts for the year ending March 2021 could be affected as well. Due to the difficulty of estimating the extent of such impact, however, this is not factored into the above forecasts.

(5) Fundamental Profit and Dividend Distribution Policy for the Current Term and the Next Term

The allocation of the Company's profits in a customarily appropriate manner to its shareholders is one of the Company's fundamental management policies.

The Company's basic policy is to make dividend payments from retained earnings twice each year, which includes an interim dividend determined by the Company's Board of Directors and a year-end dividend determined by the general meeting of shareholders.

The Company believes it important to distribute surplus in an appropriate manner reflecting any improvement in its performance. Accordingly, a performance-linked dividend hike will be considered in addition to consistent dividend payments. In a constant effort to further increase its corporate value, the Company remains committed to establishing a solid management base and a strong financial position, while making proactive investments for sustainable business growth. In the Mid-term Business Plan covering the period from fiscal 2018 through 2022, the Company aims for a five-year average dividend payout ratio of 20% or higher during the period.

During the period under review, the Company reported core operating profit of 72.0 billion yen and net profit attributable to owners of the parent of 40.8 billion yen.

Given the dividend policy and earnings results of the fiscal year under review, the Company plans to pay a year-end dividend of 14 yen per share, resulting in an annual dividend of 28 yen per share for fiscal 2019.

We now expect a decrease in profit for the year ending March 2021 over the fiscal year under review. Given the importance of maintaining a stable dividend payment, however, the Company plans to pay an annual dividend of 28 yen per share, which comprises an interim dividend of 14 yen per share and a year-end dividend of another 14 yen per share.

2. Basic policy for application of accounting standard

Starting from the fiscal year ended March 31, 2018 (FY2017), the Group has adopted IFRS for preparing its consolidated financial statements with a view toward improving the international comparability of its financial statements in the capital markets and improving business management within the Group by standardizing accounting treatment.

3. Consolidated Financial Statements

(1) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Revenue	459,267	482,732
Cost of sales	113,553	129,673
Gross profit	345,714	353,059
Selling, general and administrative expenses	180,439	154,348
Research and development expenses	102,364	115,112
Other income	885	1,404
Other expenses	5,912	1,764
Operating profit	57,884	83,239
Finance income	7,369	3,568
Finance costs	207	2,860
Profit before taxes	65,046	83,947
Income tax expenses	16,419	48,029
Net profit	48,627	35,918
Net profit attributable to:		
Owners of the parent	48,627	40,753
Non-controlling interests	—	(4,835)
Net profit total	48,627	35,918
Earnings per share (yen)		
Basic earnings per share	122.39	102.58

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net profit	48,627	35,918
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	876	11,350
Remeasurements of defined benefit liability (asset)	(2,089)	46
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	8,766	(7,359)
Cash flow hedges	15	(23)
Total other comprehensive income	7,568	4,014
Total comprehensive income	56,195	39,932
Total comprehensive income attributable to:		
Owners of the parent	56,195	45,667
Non-controlling interests	—	(5,735)
Total comprehensive income	56,195	39,932

(2) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Non-current assets		
Property, plant and equipment	59,485	65,748
Goodwill	99,348	169,046
Intangible assets	171,390	421,791
Other financial assets	74,668	200,923
Income taxes receivable	2,562	—
Other non-current assets	3,277	4,173
Deferred tax assets	50,719	27,107
Total non-current assets	461,449	888,788
Current assets		
Inventories	66,889	79,368
Trade and other receivables	118,760	134,491
Other financial assets	43,750	28,717
Income taxes receivable	483	5,877
Other current assets	6,090	9,624
Cash and cash equivalents	137,296	101,708
Subtotal	373,268	359,785
Assets held for sale	—	4,305
Total current assets	373,268	364,090
Total assets	834,717	1,252,878

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	27,980	25,020
Other financial liabilities	80,387	41,306
Retirement benefit liabilities	23,613	23,870
Other non-current liabilities	6,425	7,212
Deferred tax liabilities	—	26,867
Total non-current liabilities	138,405	124,275
Current liabilities		
Bonds and borrowings	2,960	272,960
Trade and other payables	49,238	62,251
Other financial liabilities	8,673	13,906
Income taxes payable	15,723	22,637
Provisions	92,176	84,644
Other current liabilities	29,404	40,100
Total current liabilities	198,174	496,498
Total liabilities	336,579	620,773
Equity		
Share capital	22,400	22,400
Capital surplus	15,861	14,655
Treasury shares	(674)	(677)
Retained earnings	431,799	457,330
Other components of equity	28,752	35,777
Equity attributable to owners of the parent	498,138	529,485
Non-controlling interests	—	102,620
Total equity	498,138	632,105
Total liabilities and equity	834,717	1,252,878

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability (asset)
Balance as of April 1, 2018	22,400	15,860	(669)	396,037	31,735	—
Cumulative effects of changes in accounting policies	—	—	—	348	—	—
Restated balance	22,400	15,860	(669)	396,385	31,735	—
Net profit	—	—	—	48,627	—	—
Other comprehensive income	—	—	—	—	876	(2,089)
Total comprehensive income	—	—	—	48,627	876	(2,089)
Purchase of treasury shares	—	—	(6)	—	—	—
Disposal of treasury shares	—	1	1	—	—	—
Dividends	—	—	—	(11,124)	—	—
Reclassification from other components of equity to retained earnings	—	—	—	(2,089)	—	2,089
Total transactions with owners	—	1	(5)	(13,213)	—	2,089
Balance as of March 31, 2019	22,400	15,861	(674)	431,799	32,611	—
Net profit	—	—	—	40,753	—	—
Other comprehensive income	—	—	—	—	11,350	46
Total comprehensive income	—	—	—	40,753	11,350	46
Purchase of treasury shares	—	—	(3)	—	—	—
Dividends	—	—	—	(13,111)	—	—
Acquisition of subsidiaries	—	—	—	—	—	—
Transactions with non-controlling interests	—	(1,206)	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	(2,111)	2,157	(46)
Total transactions with owners	—	(1,206)	(3)	(15,222)	2,157	(46)
Balance as of March 31, 2020	22,400	14,655	(677)	457,330	46,118	—

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of April 1, 2018	(12,619)	(21)	19,095	452,723	—	452,723
Cumulative effects of changes in accounting policies	—	—	—	348	—	348
Restated balance	(12,619)	(21)	19,095	453,071	—	453,071
Net profit	—	—	—	48,627	—	48,627
Other comprehensive income	8,766	15	7,568	7,568	—	7,568
Total comprehensive income	8,766	15	7,568	56,195	—	56,195
Purchase of treasury shares	—	—	—	(6)	—	(6)
Disposal of treasury shares	—	—	—	2	—	2
Dividends	—	—	—	(11,124)	—	(11,124)
Reclassification from other components of equity to retained earnings	—	—	2,089	—	—	—
Total transactions with owners	—	—	2,089	(11,128)	—	(11,128)
Balance as of March 31, 2019	(3,853)	(6)	28,752	498,138	—	498,138
Net profit	—	—	—	40,753	(4,835)	35,918
Other comprehensive income	(6,459)	(23)	4,914	4,914	(900)	4,014
Total comprehensive income	(6,459)	(23)	4,914	45,667	(5,735)	39,932
Purchase of treasury shares	—	—	—	(3)	—	(3)
Dividends	—	—	—	(13,111)	—	(13,111)
Acquisition of subsidiaries	—	—	—	—	107,783	107,783
Transactions with non-controlling interests	—	—	—	(1,206)	572	(634)
Reclassification from other components of equity to retained earnings	—	—	2,111	—	—	—
Total transactions with owners	—	—	2,111	(14,320)	108,355	94,035
Balance as of March 31, 2020	(10,312)	(29)	35,777	529,485	102,620	632,105

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities		
Net profit	48,627	35,918
Depreciation and amortization	13,976	17,365
Impairment losses	22,996	35,196
Changes in fair value of contingent consideration	(9,128)	(48,474)
Interest and dividend income	(3,702)	(3,564)
Interest expenses	178	699
Income tax expenses	16,419	48,029
(Increase) decrease in trade and other receivables	(3,630)	(16,374)
(Increase) decrease in inventories	(3,207)	(14,354)
Increase (decrease) in trade and other payables	(10,869)	15,241
Increase (decrease) in retirement benefits liabilities	(114)	338
Increase (decrease) in provisions	3,997	(5,703)
Others, net	(6,805)	5,436
Subtotal	68,738	69,753
Interest received	2,424	2,686
Dividends received	1,156	1,123
Interest paid	(144)	(1,526)
Income taxes paid	(23,463)	(25,908)
Net cash provided by operating activities	48,711	46,128
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,265)	(7,722)
Proceeds from sales of property, plant and equipment	1,693	769
Purchase of intangible assets	(3,649)	(5,629)
Purchase of investments	(2,778)	(112,494)
Proceeds from sales and redemption of investments	—	1,623
Payments for acquisition of control of subsidiaries	—	(205,774)
Net decrease (increase) in short-term loan receivables	(21,050)	16,520
Others, net	—	23
Net cash used in investing activities	(35,049)	(312,684)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,500)	270,000
Repayments of long-term borrowings	(2,960)	(19,623)
Redemption of bonds	(10,000)	—
Repayments of finance lease obligations	(1,059)	(4,837)
Dividends paid	(11,122)	(13,106)
Payments for acquisition of interest in a subsidiary from non-controlling interests	—	(1,350)
Others, net	(4)	(3)
Net cash provided by (used in) financing activities	(28,645)	231,081
Net increase (decrease) in cash and cash equivalents	(14,983)	(35,475)
Cash and cash equivalents at beginning of year	147,775	137,296
Effect of exchange rate changes on cash and cash equivalents	4,504	(113)
Cash and cash equivalents at end of year	137,296	101,708

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Significant Accounting Policies)

The significant accounting policies applied to the Consolidated Financial Statements are the same as those of for the prior fiscal year's consolidated financial statements, except for the accounting standards provided below.

Introduction or Revision of Standards and Interpretations		Overview of introduction or Revision
IFRS 16	Leases	Revised accounting standards for recognition of leases

Starting from the year ended March 31, 2020, the Group adopted IFRS 16 "Leases" (issued in January 2016, hereinafter "IFRS 16").

The Group assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If it is determined that a contract is, or contains, a lease, the Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease.

①Right-of-use asset

The right-of-use asset is measured at cost. The cost of the right-of-use asset is measured at the amount of the initial measurement of the lease liability at the commencement date of the lease adjusted for the initial direct costs, etc. The Group applies a cost model for subsequent measurement of right-of-use asset. After initial recognition, the right-of use asset is depreciated using the straight-line method over the shorter of lease term of underlying asset or its estimated useful life.

The right-of-use asset is stated at cost less accumulated depreciation and accumulated impairment losses and included in property, plant and equipment in the Consolidated Statement of Financial Position.

②Lease liability

The lease liability is initially recognized at the present value of the lease payments that are not paid at the commencement date. The Group normally uses the incremental borrowing rate as a discount rate. After the initial recognition, the lease liability is measured by increasing and reducing the carrying amount to reflect interest on the lease liability and the lease payments made by using the effective interest method. The lease liability is included in other financial liabilities in the Consolidated Statement of Financial Position.

Lease payments are allocated between finance costs which are the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability, and the payment portion of lease liabilities. Finance costs are separated from depreciation expenses of the right-of-use asset in the Consolidated Statement of Profit or Loss.

As for short-term leases and leases of low-value assets, the Group basically does not recognize right-of-use assets and lease liabilities, but charges the lease payments associated with short-term leases and leases of low-value assets to the net profit or loss on a straight-line basis over the lease term.

③Impact on the Consolidated Financial Statements

The Group adopted IFRS 16 by using the following transition method (modified retrospective approach) of IFRS 16.

(i) To recognize the cumulative effect of adopting IFRS 16 at the date of initial application

(ii) For leases previously classified as operating leases

(a) To measure the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

(b) To measure and recognize the right-of-use asset by using either of the followings.

・To recognize the carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application
・To recognize the measurement amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments

In transitioning to IFRS 16, the Group chose the adoption of practical expedient which succeeded the previous judgement related to whether an arrangement is a lease.

As a result, the impact on the financial position at the date of initial application of the Group is that Total assets and Total liabilities in the Consolidated Statement of Financial Position increased by ¥14,626 million and ¥14,626 million, respectively. However, such impact on the performance is immaterial.
The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application is 1.5%.
The following is a difference between the total future minimum lease payments of non-cancellable operating lease at the end of the annual reporting period immediately preceding the date of initial application and lease liabilities recognized in the Consolidated Statement of Financial Position at the date of initial application.

(Millions of yen)

Total future minimum lease payments of non-cancellable operating lease as of March 31, 2019	9,543
Discounted using the incremental borrowing rate as of April 1, 2019	8,790
Finance lease obligations recognized as of March 31, 2019	2,043
Additional recognition of lease liabilities by revising the lease term	6,525
Lease liabilities as of April 1, 2019	17,358

(Operating Segments)

The Group has set an original performance indicator for the Company's recurring profitability in the form of "core operating profit."
"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors designated by the Group. Among the main non-recurring items are impairment losses, restructuring costs and changes in fair value of contingent consideration related to company acquisitions.

(1) Reportable segments

The Group is mainly engaged in manufacture, purchase and sales of pharmaceuticals for medical treatment and manages the performance of pharmaceutical business by market in Japan, North America, China and etc. Therefore, the Group has four reportable segments: Japan, North America, China, and Other Regions.
The Group's reportable segments are the components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segments and assess their performances.

(2) Revenues and operating results of the reportable segments

Revenues, profit or loss and other items by each of the Group's reportable segments are shown below.
The Group sets core segment profit, which is an indicator showing each segment's recurring profitability, as its own indicator of segment business performance management.
Core segment profit is each segment profit calculated by deducting from core operating profit R&D expenses, gains and losses on sales of operations and etc. which are not allocated to each segment because such expenses are managed on a global basis.
As for the amount of core segment profit and its change from the previous fiscal year related to "Other Business" category which are not included in the reportable segments in the "1. Operating Results and Financial Condition (1) Analysis of Operating Results (ii) Status of each business segment", are included in profit eliminated for inter-segment transactions.

①Year ended March 31, 2019

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceutical						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	129,287	252,542	24,749	14,287	420,865	38,402	459,267
Inter-segment revenues and transfers	71	—	—	—	71	35	106
Total	129,358	252,542	24,749	14,287	420,936	38,437	459,373
Segment profit (Core segment profit)	25,120	114,535	12,297	5,007	156,959	3,014	159,973
Other items							
Depreciation and amortization	2,509	7,086	527	685	10,807	88	10,895
Impairment losses	117	22,879	—	—	22,996	—	22,996

(Note) The “Other Business” category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs, diagnostics and other products.

②Year ended March 31, 2020

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	139,675	262,295	28,607	14,786	445,363	37,369	482,732
Inter-segment revenues and transfers	76	—	—	—	76	53	129
Total	139,751	262,295	28,607	14,786	445,439	37,422	482,861
Segment profit (Core segment profit)	22,898	117,514	14,408	6,396	161,216	3,202	164,418
Other items							
Depreciation and amortization	5,329	6,830	723	721	13,603	290	13,893
Impairment losses	—	35,196	—	—	35,196	—	35,196

(Note) The “Other Business” category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs, diagnostics and other products.

(3) Reconciliations between the total amounts of reportable segments and the amounts in the consolidated financial statements (reconciliation items)

The details of reconciliation are as follows:

(Millions of yen)

Revenue	Year ended March 31, 2019	Year ended March 31, 2020
Total of reportable segments	420,936	445,439
Revenue of Other Business	38,437	37,422
Elimination of inter-segment revenue	(106)	(129)
Revenue on the consolidated financial statements	459,267	482,732

(Millions of yen)

Profit	Year ended March 31, 2019	Year ended March 31, 2020
Total of reportable segments	156,959	161,216
Segment profit of Other Business	3,014	3,202
Elimination of inter-segment profit	42	19
Research and development expenses (Note)	(82,891)	(92,607)
Gains on business transfers	148	157
Others	27	(5)
Core operating profit	77,299	71,982
Change in fair value of contingent consideration	9,128	48,474
Impairment losses	(22,996)	(35,196)
Other income	710	1,252
Other expenses	(5,912)	(1,764)
Others	(345)	(1,509)
Operating profit in the consolidated financial statements	57,884	83,239

(Note) The Group does not allocate research and development expenses to the operating segments because such expenses are managed on a global basis. Differences from Research and development expenses on Consolidated Statement of Profit or Loss consist of impairment losses, etc. excluded from calculation of core operating profit.

(Millions of yen)

Other items	Total of reportable segments		Other Business		Adjustments		Amount in the consolidated financial statements	
	FY2018	FY 2019	FY2018	FY 2019	FY2018	FY 2019	FY2018	FY 2019
Depreciation and amortization	10,807	13,603	88	290	3,081	3,472	13,976	17,365

(4) Revenues

The details of revenues from external customers are as follows:

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Sale of goods	454,088	474,543
Revenue arising from intellectual property rights	3,290	3,665
Other	1,889	4,524
Total	459,267	482,732

(5) Information by product and service

The details of sales from external customer by product and service are as follows:

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Pharmaceuticals	420,865	445,363
Others	38,402	37,369
Total	459,267	482,732

(6) Geographic information

The Group’s geographic revenues are classified by country and region, based on the location of customers.

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Japan	170,916	180,678
North America	252,066	261,630
U.S.A.in North America	247,191	256,427
Others	36,285	40,424
Total	459,267	482,732

The details of the breakdown of carrying amounts of the Group's non-current assets (except for financial assets, deferred tax assets and retirement benefit assets) by location are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Japan	75,973	67,263
North America	258,662	590,973
U.S.A.in North America	257,120	589,409
Others	1,427	2,522
Total	336,062	660,758

(7) Information of major customers

Revenue from major customer which individually accounts for greater than 10% of the total Group's revenue are as follows:

(Millions of yen)

	Reportable segment	Year ended March 31, 2019	Year ended March 31, 2020
McKesson Corporation	North America	84,453	87,812
Cardinal Health Inc.	North America	69,025	75,502
AmerisourceBergen Corporation	North America	66,692	65,110

(Impairment loss)

Impairment losses amounting to 22,996 million yen recognized for the year ended March 31, 2019 were recorded in Cost of sales, Selling, general and administrative expenses, and Research and development expenses in the Consolidated Statement of Profit or Loss amounting to 99 million yen, 3,424 million yen, and 19,473 million yen, respectively.

The details of impairment losses were 492 million yen of impairment losses on property, plant and equipment, and 22,504 million yen of impairment losses on intangible assets.

Impairment losses on property, plant and equipment amounting to 492 million yen mainly represented a reduction of carrying amount of buildings and structures, machinery and vehicles, and tools, furniture and fixtures to the recoverable amount, which is value in use, due to a decrease in the profitability, in Japan segment and North America segment of pharmaceutical business.

Impairment losses on intangible assets amounting to 22,504 million yen were impairment loss on product marketing rights acquired from other companies in North America segment of pharmaceutical business amounting to 3,424 million yen, and impairment loss on in-process research and development of Apomorphine hydrochloride (product code: APL-130277), which is being developed as therapeutic agent for OFF episodes associated with Parkinson's disease, amounting to 19,080 million yen.

As for product marketing rights acquired from other companies, the total carrying amount is reduced, due to a decrease in the profitability.

As for in-process research and development of Apomorphine hydrochloride (product code: APL-130277), the carrying amount was reduced to the extent of the recoverable amount of 55,156 million yen as the expected profitability would not be achieved. The recoverable amount is measured based on value in use, using the pre-tax discount rate of 10.0% to 15.0%.

Impairment losses amounting to 35,196 million yen recognized for the year ended March 31, 2020 were recorded in Cost of sales, Selling, general and administrative expenses, and Research and development expenses in the Consolidated Statement of Profit or Loss amounting to 628 million yen, 12,102 million yen, and 22,466 million yen, respectively.

The details of impairment losses were 628 million yen of impairment losses on property, plant and equipment, and 34,568 million yen of impairment losses on intangible assets.

Impairment losses on property, plant and equipment amounting to 628 million yen mainly represented a reduction of carrying amount of machinery, and furniture and fixtures to the recoverable amount, which is value in use, due to a decrease in the profitability, in North America segment of pharmaceutical business.

Impairment losses on intangible assets amounting to 34,568 million yen were impairment loss on patent rights of products regarding North America segment of pharmaceutical business amounting to 12,102 million yen and impairment loss on in-process research and development of alvocidib (product code: DSP-2033) amounting to 17,394 million yen, which is being developed as a small molecule inhibitor of cyclin-dependent kinase 9 (CDK9), anti-cancer drug amcasertib (product code: BBI503) amounting to 1,739 million yen and regenerative cell medicine SB623 for chronic stroke in North America (the United States and Canada) amounting to 3,333 million yen in North America segment of pharmaceutical business.
As for patent rights of products and in-process research and development of alvocidib, the carrying amount were reduced to the extent of the recoverable amount of 4,270 million yen and 8,705 million yen, respectively as the expected profitability would not be achieved. As for amcasertib, the total carrying amount is reduced due to the discontinuation of its clinical development. As for SB623, the total carrying amount is reduced due to the terminate the joint development and license agreement and return the rights in North America. The recoverable amount is measured based on value in use, using the pre-tax discount rate of 11.0% to 19.0%.

(Business Combinations)

For the fiscal year ended March 31, 2020

(1) Overview of business combinations

① Sumitovant Biopharma Ltd.

(i) Name of acquired company and business description
Name of acquired company: Sumitovant Biopharma Ltd.
Business description: Holding company

(ii) Percentage of voting rights acquired:
100%

② Sumitovant Biopharma, Inc.

(i) Name of acquired company and business description
Name of acquired company: Sumitovant Biopharma, Inc.
Business description: Management of group companies, business and sales development, promotion of utilization of healthcare technology platforms and so forth.

(ii) Percentage of voting rights acquired:
100%

③ Myovant Sciences Ltd.

(i) Name of acquired company and business description
Name of acquired company: Myovant Sciences Ltd.
Business description: Research and development of pharmaceutical of relugolix and MVT-602, etc.

(ii) Percentage of voting rights acquired:
50%

④ Urovant Sciences Ltd.

(i) Name of acquired company and business description
Name of acquired company: Urovant Sciences Ltd.
Business description: Research and development of pharmaceutical of vibegron and URO-902, etc.

(ii) Percentage of voting rights acquired:
75%

⑤ Enzyvant Therapeutics Ltd.

(i) Name of acquired company and business description
Name of acquired company: Enzyvant Therapeutics Ltd.
Business description: Research and development of pharmaceutical of RVT-802 and RVT-801, etc.

(ii) Percentage of voting rights acquired:
100%

⑥ Altavant Sciences Ltd.

(i) Name of acquired company and business description
Name of acquired company: Altavant Sciences Ltd.
Business description: Research and development of pharmaceutical of rodatristat ethyl, etc.
(ii) Percentage of voting rights acquired:
100%

⑦ Spirovant Sciences Ltd.
(i) Name of acquired company and business description
Name of acquired company: Spirovant Sciences Ltd.
Business description: Research and development of pharmaceutical of SPIRO-2101 and SPIRO-2102, etc.
(ii) Percentage of voting rights acquired:
100%

(2) Acquisition date
December 27, 2019

(3) Method for gaining control of acquired company
Acquisition of shares by cash consideration

(4) Main reason for business combination
The Company has completed the share transfer procedures and etc. in accordance with the strategic alliance with Roivant Sciences Ltd. (hereafter, “Alliance”) as of December 27, 2019.
In order to achieve sustainable growth even after the expiration of the term for market exclusivity of LATUDA® (atypical antipsychotic) in North America, which has been the primary source of the Group’s earnings, the Company established “establishment of growth engines” and “building of flexible and efficient organization” as a basic policy in “Mid-term Business Plan 2022” and reshaped business foundation.
Roivant Sciences Ltd. aims at contributing to health by providing innovative medicines and healthcare technologies rapidly to patients through building multiple Vants, which are biopharmaceutical companies focusing on business agility and entrepreneurship. Each Vant conducts research and development and sales efficiently through unique method of talent employment and introduction of technologies.
Under the Alliance, the Company aims for achieving medium-to-long term growth through acquisition of many pipelines including products under development which are expected to launch before FY2022 and anticipated to become blockbuster products in the future, as well as improving R&D productivity of the whole group and accelerating the digital transformation.
Through the Alliance, Roivant Sciences Ltd. transferred its ownership of share of interests of five subsidiaries (Myovant Sciences Ltd., Urovant Sciences Ltd., Enzyvant Therapeutics Ltd., Altavant Sciences Ltd., and Spirovant Sciences Ltd.) to the new company, Sumitovant, and the Company has acquired all the shares of Sumitovant.
As a result of the acquisition of shares of Sumitovant by the Company, these companies become consolidated subsidiaries of the Company, including the subsidiaries of the Sumitovant and its five subsidiaries.

(5) The details of acquisition cost of acquired company and consideration transferred by type

Consideration transferred	Cash	224,555 million yen
Acquisition cost		224,555 million yen

(6) Acquisition-related costs
Acquisition-related costs are 3,856 million yen and recognized in selling, general and administrative expenses in the Consolidated Statement of Profit or Loss.

(7) The details of fair value of assets acquired and liabilities assumed, non-controlling interests and goodwill

(Millions of yen)

Account	Amount
Non-current Assets	
Intangible assets	291,643
Other	3,661
Current Assets	
Cash and cash equivalents	18,781
Other	6,172
Non-current liabilities	40,840
Current liabilities	19,307
Net Assets	260,110
Non-controlling interests (Note 2)	107,783
Goodwill (Note 3)	72,228

(Note)1: The considerations transferred are allocated to assets acquired and liabilities assumed based on the fair values as of acquisition date.

2: Non-controlling interests are measured by multiplying provisional fair value of identifiable net assets of acquired company at acquisition date by percentage of share of interests after business combination, excluding the portion specifically attributable to non-controlling shareholders.

3: The goodwill is mainly constituted by and reflects future excess earning power expected to be generated from future business development. Such goodwill is not deductible for tax purpose.

(8) Cash outflows arising from acquisition of subsidiaries

(Millions of yen)

Account	Amount
Cash consideration	224,555
Cash and cash equivalents owned by acquired company on acquisition date	18,781
Cash outflows arising from acquisition of subsidiaries	205,774

(9) The impact on the Consolidated Statement of Profit or Loss

① Revenue and net profit or loss of acquired company after acquisition date recognized in the Consolidated Statement of Profit or Loss for the year ended March 31, 2020.

Revenue —

Net profit (loss) (16,712) million yen

② The impact on revenue and net profit or loss in the Consolidated Statement of Profit or Loss for the year ended March 31, 2020, assuming the business combination had been conducted at the beginning of the fiscal year ended March 31, 2020. (unaudited information)

Revenue —

Net profit (loss) (61,053) million yen

(Per-share information)

The basis for calculating basic earnings per share and earnings per share were as follows:

	Year ended March 31, 2019	Year ended March 31, 2020
The basis for calculating basic earnings per share		
Net profit attributable to owners of the Parent (millions of yen)	48,627	40,753
Amounts not attributable to ordinary shareholders of the parent (millions of yen)	—	—
Net profit used to calculate basic earnings per share (millions of yen)	48,627	40,753
Weighted average number of ordinary shares (1,000 shares)	397,297	397,295
Earnings per share		
Basic earnings per share (Yen)	122.39	102.58

(Note) Dilutive earnings per share were not disclosed as there was no dilution.

(Significant subsequent event)

Not applicable.

4. Others

Changes in the Members, Board of Directors (as of June 23, 2020)

(1) Changes in the Members, Board of Directors (as of June 23, 2020)

(i) New Members of the Board of Directors

Yoshiharu Ikeda (currently Senior Executive Officer)

Note: The new members of the Board of Directors who will take office as of June 23, 2020 subject to the approval at the general shareholders' meeting scheduled for the same date.