



## Summary of Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2022 [IFRS]

January 31, 2022

<b>Company Name:</b>	SUMITOMO DAINIPPON PHARMA CO., LTD.
<b>Stock Exchange Listings:</b>	Tokyo
<b>Security Code Number:</b>	4506 (URL <a href="https://www.ds-pharma.com/">https://www.ds-pharma.com/</a> )
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<b>Filing Date of Quarterly Financial Report:</b>	February 3, 2022
<b>Starting Date of Dividend Payments:</b>	—
<b>Preparation of Supplementary Financial Data for Quarterly Financial Results:</b>	Yes
<b>Information Meeting for Quarterly Financial Results to be held:</b>	Yes (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2022 (April 1, 2021 to December 31, 2021)

#### (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	%
Nine months ended December 31, 2021	432,072	9.5	58,958	(18.7)	58,228	(33.5)	35,183	(39.2)	46,359	(34.0)	22,780	154.8
Nine months ended December 31, 2020	394,762	10.6	72,555	12.9	87,536	7.5	57,908	31.7	70,257	59.8	8,942	(74.1)

Reference: Profit before taxes    Nine months ended December 31, 2021: ¥65,583 million

Nine months ended December 31, 2020: ¥79,725 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)
	Yen	Yen
Nine months ended December 31, 2021	116.69	—
Nine months ended December 31 2020	176.84	—

#### (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
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2021	1,295,913	665,771	600,786	46.4	1,512.20
As of March 31, 2021	1,308,127	648,178	580,570	44.4	1,461.31

## 2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	14.00	—	14.00	28.00
Year ending March 31, 2022	—	14.00	—		
Year ending March 31, 2022 (Forecasts)				14.00	28.00

Note: Revision of dividend forecasts from the latest announcement: None

## 3. Consolidated Financial Forecasts for the Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

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

	Net sales		Core operating profit		Operating profit		Net profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2022	554,000	7.4	57,000	(18.1)	55,000	(22.8)	37,000	(34.2)	93.13

Note: Revision of consolidated financial forecasts from the latest announcement: Yes

**Notes:**

- (1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): Yes  
(New: None)  
(Excluded: 1 company) Spirovant Sciences Ltd.
- (2) Changes in accounting policies, accounting estimates, and retrospective restatements
- ① Changes in accounting standards required by IFRS: None
  - ② Changes due to changes in accounting standards other than (2), ①: None
  - ③ Changes in accounting estimates: None
- (3) Number of shares outstanding (Common stock)
- ① Number of shares outstanding (Including treasury stock) at the end of period
    - December 31, 2021: 397,900,154 shares
    - March 31, 2021: 397,900,154 shares
  - ② Number of treasury stock at the end of period
    - December 31, 2021: 607,049 shares
    - March 31, 2021: 606,255 shares
  - ③ Average number of shares during the period
    - December 31, 2021: 397,293,379 shares
    - December 31, 2020: 397,294,800 shares

*This summary of financial results is exempt from audit procedures.*

**Explanation for Appropriate Use of Forecasts and Other Notes:**

*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 5, "1. Qualitative Information for the Nine Months Ended December 31, 2021 (4) Qualitative Information on Consolidated Financial Forecasts".*

*Myovant Sciences Ltd. (hereinafter, "Myovant") is listed on the New York Stock Exchange, and the Group holds approximately 53% of the outstanding shares of Myovant. This material contains information about Myovant, which is based on information disclosed by Myovant. For more information on Myovant, please visit <https://www.myovant.com/>. Supplementary financial data and the presentation materials for the earnings presentation are disclosed together with the summary of financial results.*

*The Company holds the conference call for institutional investors and analysts on Monday January 31, 2022. The audio of the conference call will be posted on our website promptly after the conference call.*

**【Attachment Documents】**

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## 1. Qualitative Information for the Nine Months Ended December 31, 2021

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 the last day of this period under review.

### (1) Qualitative Information on Business Results

(About the performance indicator of "core operating profit")

The Group has set an original 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 first nine months of the fiscal year ending March 31, 2022 are as follows:

	(Billions of yen)			
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Change	Change %
Revenue	394.8	432.1	37.3	9.5
Core operating profit	72.6	59.0	(13.6)	(18.7)
Operating profit	87.5	58.2	(29.3)	(33.5)
Profit before taxes	79.7	65.6	(14.1)	(17.7)
Net profit	57.9	35.2	(22.7)	(39.2)
Net profit attributable to owners of the parent	70.3	46.4	(23.9)	(34.0)

#### ■ Revenue increased by 9.5% year-on-year to 432.1 billion yen.

Revenue increased overall, driven by the North America segment, which posted the lump-sum upfront payment for the collaboration and license agreement for joint development and commercialization with Otsuka Pharmaceutical Co., Ltd. in the psychiatry & neurology area as revenue. The growth in the China segment contributed to the increase as well.

#### ■ Core operating profit decreased by 18.7% year-on-year to 59.0 billion yen.

Core operating profit decreased as a result of a significant increase in selling, general and administrative expenses primarily owing to the start of full-scale marketing activities by Sumitovant Biopharma Ltd.'s (hereinafter, "Sumitovant") subsidiaries and an increase in the amortization of intangible assets, despite an increase in gross profit on account of a revenue increase.

#### ■ Operating profit decreased by 33.5% year-on-year to 58.2 billion yen.

Operating profit dropped year-on-year as well due to an absence of a one-time event of posting gains from the sale of fixed assets as a result of the sale of the Company's former Ibaraki Plant in the corresponding quarterly period of the previous fiscal year.

#### ■ Profit before taxes decreased by 17.7% year-on-year to 65.6 billion yen.

Profit before taxes fell primarily owing to the drop in operating profit, although financial income/expenses—a balance of financial income after deduction of financial expenses—became positive due to the recording of forex gains resulting from the yen's depreciation at the end of the quarter under review.

#### ■ Net profit decreased by 39.2% year-on-year to 35.2 billion yen.

Net profit dropped as profit before taxes decreased.

#### ■ Net profit attributable to owners of the parent decreased by 34.0% year-on-year to 46.4 billion yen.

Net profit attributable to owners of the parent—the amount of net profit less the amount of losses attributable to non-controlling interests—dropped as well, with the result that the ratio of the net profit attributable to owners of the parent to revenue was 10.7%.

(About the segment performance indicator of "core segment profit")

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.

Operating results by segment are as follows.

**[Japan segment]**

■ **Revenue decreased by 1.2% year-on-year to 117.2 billion yen.**

Revenue showed a decrease primarily owing to the impact of the National Health Insurance (NHI) drug price revisions and the declines in sales of long-listed drugs, while sales of LATUDA® (atypical antipsychotic) are showing strong growth.

■ **Core segment profit decreased by 26.3% year-on-year to 17.0 billion yen.**

This decrease is attributable to a decline in gross profit and an increase in selling, general and administrative expenses primarily owing to sales-related expenses for TWYMEEG® (treatment for type 2 diabetes), which was launched in September 2021.

**[North America segment]**

■ **Revenue increased by 15.0% year-on-year to 250.7 billion yen.**

Revenue showed an increase as factors for revenue growth, including additional sales from ORGOVYX® (therapeutic agent for advanced prostate cancer), which was launched in the previous fiscal year, and GEMTESA® (therapeutic agent for overactive bladder) and MYFEMBREE® (therapeutic agent for uterine fibroids), both of which were launched in the first quarter, as well as the recording of the lump-sum upfront payment for the collaboration and license agreement for joint development and commercialization, more than offset negative factors such as declines in sales of drugs such as LATUDA® and BROVANA® (therapeutic agent for COPD), the latter of which saw its exclusive marketing period expire.

■ **Core segment profit decreased by 12.5% year-on-year to 91.5 billion yen.**

This decrease is attributable to the increase in selling, general and administrative expenses due to the start of full-scale marketing activities by Sumitovant's subsidiaries, despite an increase in gross profit on account of revenue growth.

**[China segment]**

■ **Revenue increased by 41.8% year-on-year to 27.0 billion yen.**

Revenue showed an increase as sales of drugs such as MEROPEN® (carbapenem antibiotic), whose sales shrunk in the corresponding quarterly period of the previous fiscal year due to the COVID-19 pandemic, continued to recover.

■ **Core segment profit increased by 52.1% year-on-year to 12.9 billion yen.**

This increase is attributable to the rise in gross profit due to revenue growth.

**[Other Regions segment]**

■ **Revenue decreased by 36.1% year-on-year to 7.3 billion yen.**

This decrease is attributable to a sales decline in exports and others.

■ **Core segment profit decreased by 72.9% year-on-year to 1.4 billion yen.**

This decrease is largely attributable to a decline in revenue.

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 generated revenue of 29.9 billion yen (up by 7.8% year-on-year) and core segment profit of 2.8 billion yen (down by 2.6% year-on-year).

## **(2) Qualitative Information on Financial Condition**

Non-current assets decreased by 19.7 billion yen from the previous fiscal year-end primarily owing to a decrease in other financial assets that mainly resulted from fluctuations in the valuation of securities.

Current assets increased by 7.5 billion yen from the previous fiscal year-end, owing to an increase in trade and other receivables, despite a decrease in other financial assets due to the collection of short-term loan receivables.

As a result, total assets decreased by 12.2 billion yen from the previous fiscal year-end to 1,295.9 billion yen.

Liabilities decreased by 29.8 billion yen from the previous fiscal year-end to 630.1 billion yen as a result of decreases in trade and other payables and income taxes payable. Bonds and borrowings totaled 269.8 billion yen, down by 4.1 billion yen from the previous fiscal year-end.

Equity attributable to owners of the parent increased by 20.2 billion yen from the previous fiscal year-end to 600.8 billion yen as other components of equity decreased, despite an increase in retained earnings. Non-controlling interests decreased by 2.6 billion yen from the previous fiscal year-end as Sumitovant's subsidiaries with non-controlling interests registered losses.

As a result, total equity increased by 17.6 billion yen from the previous fiscal year-end to 665.8 billion yen.

The ratio of equity attributable to owners of the parent to total assets as of the end of the quarterly accounting period under review was 46.4%.

## **(3) Qualitative Information on Cash Flows**

Cash flows provided by operating activities amounted to 9.1 billion yen, a decrease of 98.8 billion yen year-on-year, primarily owing to a decline in profit before taxes, as well as decreases in trade and other payables, other financial liabilities, and provisions.

Cash flows provided by investing activities amounted to 7.3 billion yen, as proceeds from the collection of short-term loan receivables and sales of investment securities surpassed payments for investment purchases. This represents a decrease of 28.3 billion yen from the corresponding quarterly period of the previous fiscal year when the Company recorded an increase in cash as a result of the sale of its former Ibaraki Plant.

Cash flows used in financial activities amounted to 20.4 billion yen, an increase of 2.0 billion yen year-on-year as a result of increases in repayments for long-term borrowings and payments for acquisition of an interest in a subsidiary from non-controlling interests.

As a result of the above, the balance of cash and cash equivalents as of December 31, 2021, was 196.3 billion yen, which represents an increase of 2.6 billion yen from the previous fiscal year-end.

#### (4) Qualitative Information on Consolidated Financial Forecasts

Given the Group's recent business performance trends, the Company has revised the consolidated financial forecasts for the year ending March 31, 2022 announced on May 12, 2021, as follows:

Revisions to the Forecasts of Consolidated Financial Results for the Year Ending March 31, 2022  
(April 1, 2021 to March 31, 2022)

	(Millions of yen)				
	Revenue	Core operating profit	Operating profit	Net profit attributable to owners of the parent	Basic earnings per share
Previous Forecasts (A)	578,000	64,000	61,000	41,000	103.20
Revised Forecast (B)	554,000	57,000	55,000	37,000	93.13
Variance in amount (B-A)	(24,000)	(7,000)	(6,000)	(4,000)	—
Variance in percent (%)	(4.2)	(10.9)	(9.8)	(9.8)	—
[Reference] Year ended March 31, 2020	515,952	69,583	71,224	56,219	141.50

Note: Core operating profit is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors, including changes in fair value of contingent consideration, impairment losses, and business structure improvement expenses.

Revenue is now expected to be 554.0 billion yen, down by 24.0 billion yen from the previous forecasts, as we expect a sales decline of LATUDA® in the North America segment.

Core operating profit and operating profit are now expected to be 57.0 billion yen, down by 7.0 billion yen, and 55.0 billion yen, down by 6.0 billion yen, respectively, from the previous forecasts, primarily owing to a decrease in gross profit as a result of a sales decrease despite an expected decline in selling, general and administrative expenses in the North America segment.

We have also revised net profit attributable to owners of the parent to 37.0 billion yen, down by 4.0 billion yen from the previous forecasts, on account of the decrease in operating profit.

Note: Consolidated Financial Forecasts above are based on the certain assumptions considered reasonable and on information available at the time of preparation of such statements. Accordingly, actual financial results may differ from those presented herein.



## 2. 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)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Revenue	394,762	432,072
Cost of sales	104,795	117,835
Gross profit	289,967	314,237
Selling, general and administrative expenses	147,019	189,029
Research and development expenses	71,670	67,782
Other income	17,525	1,677
Other expenses	1,267	875
Operating profit	87,536	58,228
Finance income	1,123	9,643
Finance costs	8,934	2,288
Profit before taxes	79,725	65,583
Income tax expenses	21,817	30,400
Net profit	57,908	35,183
Net profit attributable to:		
Owners of the parent	70,257	46,359
Non-controlling interests	(12,349)	(11,176)
Net profit total	57,908	35,183
Earnings per share (yen)		
Basic earnings per share	176.84	116.69

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net profit	57,908	35,183
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	(24,913)	(27,682)
Remeasurements of defined benefit plans	(260)	(22)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(23,814)	15,348
Cash flow hedges	21	(47)
Total other comprehensive income	(48,966)	(12,403)
Total comprehensive income	8,942	22,780
Total comprehensive income attributable to:		
Owners of the parent	27,024	31,508
Non-controlling interests	(18,082)	(8,728)
Total comprehensive income	8,942	22,780

**(2) Consolidated Statement of Financial Position**

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	64,966	64,034
Goodwill	176,492	183,348
Intangible assets	383,406	382,963
Other financial assets	193,035	157,279
Income taxes receivable	6,726	5,204
Other non-current assets	3,516	6,612
Deferred tax assets	20,191	29,176
<b>Total non-current assets</b>	<b>848,332</b>	<b>828,616</b>
Current assets		
Inventories	92,215	94,323
Trade and other receivables	135,866	155,770
Other financial assets	29,480	11,741
Income taxes receivable	194	334
Other current assets	8,342	8,789
Cash and cash equivalents	193,698	196,340
<b>Total current assets</b>	<b>459,795</b>	<b>467,297</b>
<b>Total assets</b>	<b>1,308,127</b>	<b>1,295,913</b>

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	263,859	243,963
Other financial liabilities	21,404	17,238
Retirement benefit liabilities	15,069	15,127
Other non-current liabilities	53,046	55,958
Deferred tax liabilities	28,424	26,164
Total non-current liabilities	381,802	358,450
Current liabilities		
Borrowings	9,960	25,790
Trade and other payables	64,638	50,809
Other financial liabilities	23,341	17,765
Income taxes payable	24,511	13,061
Provisions	99,851	105,947
Other current liabilities	55,846	58,320
Total current liabilities	278,147	271,692
Total liabilities	659,949	630,142
Equity		
Share capital	22,400	22,400
Capital surplus	15,855	15,688
Treasury shares	(679)	(680)
Retained earnings	508,677	547,668
Other components of equity	34,317	15,710
Equity attributable to owners of the parent	580,570	600,786
Non-controlling interests	67,608	64,985
Total equity	648,178	665,771
Total liabilities and equity	1,308,127	1,295,913

### (3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					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, 2020	22,400	17,837	(677)	457,330	46,118	—
Net profit	—	—	—	70,257	—	—
Other comprehensive income	—	—	—	—	(24,913)	(260)
Total comprehensive income	—	—	—	70,257	(24,913)	(260)
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(11,124)	—	—
Transaction with non-controlling interests	—	(1,405)	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	(220)	(40)	260
Other increase / decrease	—	—	—	—	—	—
Total transactions with owners	—	(1,405)	(1)	(11,344)	(40)	260
Balance as of December 31, 2020	22,400	16,432	(678)	516,243	21,165	—
Balance as of April 1, 2021	22,400	15,855	(679)	508,677	38,575	—
Net profit	—	—	—	46,359	—	—
Other comprehensive income	—	—	—	—	(27,682)	(22)
Total comprehensive income	—	—	—	46,359	(27,682)	(22)
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(11,124)	—	—
Transaction with non-controlling interests	—	(167)	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	3,756	(3,778)	22
Other increase / decrease	—	—	—	—	—	—
Total transactions with owners	—	(167)	(1)	(7,368)	(3,778)	22
Balance as of December 31, 2021	22,400	15,688	(680)	547,668	7,115	—

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	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, 2020	(10,309)	(29)	35,780	532,670	103,190	635,860
Net profit	—	—	—	70,257	(12,349)	57,908
Other comprehensive income	(18,081)	21	(43,233)	(43,233)	(5,733)	(48,966)
Total comprehensive income	(18,081)	21	(43,233)	27,024	(18,082)	8,942
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(11,124)	—	(11,124)
Transaction with non-controlling interests	—	—	—	(1,405)	6,249	4,844
Reclassification from other components of equity to retained earnings	—	—	220	—	—	—
Other increase / decrease	—	—	—	—	49	49
Total transactions with owners	—	—	220	(12,530)	6,298	(6,232)
Balance as of December 31, 2020	(28,390)	(8)	(7,233)	547,164	91,406	638,570

Balance as of April 1, 2021	(4,331)	73	34,317	580,570	67,608	648,178
Net profit	—	—	—	46,359	(11,176)	35,183
Other comprehensive income	12,900	(47)	(14,851)	(14,851)	2,448	(12,403)
Total comprehensive income	12,900	(47)	(14,851)	31,508	(8,728)	22,780
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(11,124)	—	(11,124)
Transaction with non-controlling interests	—	—	—	(167)	6,105	5,938
Reclassification from other components of equity to retained earnings	—	—	(3,756)	—	—	—
Other increase / decrease	—	—	—	—	—	—
Total transactions with owners	—	—	(3,756)	(11,292)	6,105	(5,187)
Balance as of December 31, 2021	8,569	26	15,710	600,786	64,985	665,771

#### (4) Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from operating activities		
Net profit	57,908	35,183
Depreciation and amortization	14,620	28,190
Changes in fair value of contingent consideration	381	245
Loss (gain) on sales of property, plant and equipment	(16,753)	(103)
Interest and dividend income	(1,105)	(1,106)
Interest expenses	1,704	2,236
Income tax expenses	21,817	30,400
(Increase) decrease in trade and other receivables	(17,257)	(16,751)
(Increase) decrease in inventories	(8,160)	2,313
Increase (decrease) in trade and other payables	(5,430)	(16,921)
Increase (decrease) in unearned revenue	50,911	2,240
Increase (decrease) in other financial liabilities	14,040	(8,882)
Increase (decrease) in retirement benefits liabilities	693	21
Increase (decrease) in provisions	14,878	2,138
Others, net	11,189	(11,017)
<b>Subtotal</b>	<b>139,436</b>	<b>48,186</b>
Interest received	182	118
Dividends received	934	985
Interest paid	(1,120)	(1,498)
Income taxes paid	(31,552)	(38,730)
<b>Net cash provided by (used in) operating activities</b>	<b>107,880</b>	<b>9,061</b>
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,413)	(5,193)
Proceeds from sales of property, plant and equipment	21,449	310
Purchase of intangible assets	(3,982)	(5,498)
Purchase of investments	(7,009)	(24,876)
Proceeds from sales and redemption of investments	3,626	15,625
Net decrease (increase) in short-term loan receivables	25,724	27,678
Others, net	167	(787)
<b>Net cash provided by (used in) investing activities</b>	<b>35,562</b>	<b>7,259</b>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(245,000)	29
Proceeds from long-term borrowings	125,000	—
Repayments of long-term borrowings	(2,220)	(4,220)
Proceeds from issuance of corporate bonds	118,927	—
Repayments of finance lease obligations	(3,559)	(3,476)
Dividends paid	(11,110)	(11,117)
Payments for acquisition of interest in a subsidiary from non-controlling interests	(2,237)	(3,595)
Others, net	1,785	1,984
<b>Net cash provided by (used in) financing activities</b>	<b>(18,414)</b>	<b>(20,395)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>125,028</b>	<b>(4,075)</b>
Cash and cash equivalents at beginning of year	101,708	193,698
Effect of exchange rate changes on cash and cash equivalents	(6,902)	6,717
<b>Cash and cash equivalents at end of period</b>	<b>219,834</b>	<b>196,340</b>

## (5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Significant Accounting Policies)

The significant accounting policies applied to this Quarterly Consolidated Financial Statements are the same as those for the prior fiscal year's consolidated financial statements.

Income tax expenses for the nine months ended December 31, 2021 are calculated based on the estimated average annual effective tax rate.

(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 same period of the previous fiscal year related to "Other Business" category which are not included in the reportable segments in the "1. Qualitative Information for the Nine Months Ended December 31, 2021 (1) Qualitative Information on Business Results", are included in profit eliminated for inter-segment transactions.



① Nine months ended December 31, 2020

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceutical						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers, etc.	118,539	218,012	19,065	11,459	367,075	27,687	394,762
Inter-segment revenues and transfers	63	—	—	—	63	33	96
Total	118,602	218,012	19,065	11,459	367,138	27,720	394,858
Segment profit (Core segment profit)	23,023	104,536	8,497	5,317	141,373	2,866	144,239

Note: The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs and other products.

② Nine months ended December 31, 2021

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers, etc.	117,167	250,698	27,026	7,328	402,219	29,853	432,072
Inter-segment revenues and transfers	53	—	—	—	53	30	83
Total	117,220	250,698	27,026	7,328	402,272	29,883	432,155
Segment profit (Core segment profit)	16,964	91,471	12,922	1,443	122,800	2,775	125,575

Note: The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs 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	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Total of reportable segments	367,138	402,272
Revenue of Other Business	27,720	29,883
Elimination of inter-segment revenue	(96)	(83)
Revenue on the consolidated financial statements	394,762	432,072

(Millions of yen)

Profit	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Total of reportable segments	141,373	122,800
Segment profit of Other Business	2,866	2,775
Elimination of inter-segment profit	3	19
Research and development expenses (Note)	(71,670)	(67,782)
Gains on business transfers	—	1,141
Others	(17)	5
Core operating profit	72,555	58,958
Change in fair value of contingent consideration	(381)	(245)
Other income	17,542	531
Other expenses	(1,267)	(875)
Others	(913)	(141)
Operating profit in the consolidated financial statements	87,536	58,228

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 the Consolidated Statement of Profit or Loss consist of impairment losses and expenses related to R&D excluded from calculation of core operating profit.

(Significant subsequent event)

Not applicable.