



Summary of Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2021 [IFRS]

January 28, 2021

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: —

Preparation of Supplementary Financial Data for Quarterly Financial Results: Yes

Information Meeting for Quarterly 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 Third Quarter of the Year Ending March 31, 2021 (April 1, 2020 to December 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	%
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)
Nine months ended December 31, 2019	357,017	2.9	64,254	15.0	81,461	73.9	43,979	10.0	43,979	10.0	34,462	(38.5)

Reference: Profit before taxes Nine months ended December 31, 2020: ¥79,725 million

Nine months ended December 31, 2019: ¥84,422 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, 2020	176.84	—
Nine months ended December 31 2019	110.70	—

(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, 2020	1,308,837	638,570	547,164	41.8	1,377.23
As of March 31, 2020	1,256,534	635,860	532,670	42.4	1,340.74

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	14.00	—	14.00	28.00
Year ending March 31, 2021	—	14.00	—		
Year ending March 31, 2021 (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, 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	506,000	4.8	47,000	(34.7)	58,000	(30.3)	21,000	(41.5)	42,000	3.1	105.71

Reference: Profit before taxes Year ending March 31, 2021: ¥57,000 million

Note: Revision of consolidated financial forecasts from the latest announcement: No

Notes:

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): None

(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, 2020: 397,900,154 shares

March 31, 2020: 397,900,154 shares

② Number of treasury stock at the end of period

December 31, 2020: 605,685 shares

March 31, 2020: 605,038 shares

③ Average number of shares during the period

December 31, 2020: 397,294,800 shares

December 31, 2019: 397,295,852 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, 2020 (4) Qualitative Information on Consolidated Financial Forecasts".

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 Thursday January 28, 2021. 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, 2020

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, 2021 are as follows:

	(Billions of yen)			
	Nine months ended December 31, 2019	Nine months ended December 31, 2020	Change	Change %
Revenue	357.0	394.8	37.7	10.6
Core operating profit	64.3	72.6	8.3	12.9
Operating profit	81.5	87.5	6.1	7.5
Profit before taxes	84.4	79.7	(4.7)	(5.6)
Net profit	44.0	57.9	13.9	31.7
Net profit attributable to owners of the parent	44.0	70.3	26.3	59.8

■Revenue increased by 10.6% year-on-year to 394.8 billion yen.

Sales grew in the Japan segment owing primarily to contributions by Equa[®] and EquMet[®] (therapeutic agents for type 2 diabetes), which were launched in the previous fiscal year. The North America segment, too, recorded an increase in revenue on the back of growing sales of the Group's mainstay product LATUDA[®] (atypical antipsychotic), among other factors.

■Core operating profit increased by 12.9% year-on-year to 72.6 billion yen.

While sales-related and other expenses remained low due to the COVID-19 pandemic, core operating profit grew as an increase in gross profit brought about by revenue growth more than offset the increase in selling, general and administrative expenses and research and development expenses on the core basis, which resulted from the recognition of expenses incurred by Sumitovant Biopharma Ltd. (hereinafter, "Sumitovant") and its subsidiaries that joined the Group in the previous fiscal year.

■Operating profit increased by 7.5% year-on-year to 87.5 billion yen.

Operating profit reached higher numbers than core operating profit, as we recorded gains from the sale of fixed assets as a result of the sale of the Company's former Ibaraki Plant. In the corresponding period of the previous year, too, operating profit was higher than core operating profit due to a major decline in the fair value of contingent consideration, following the decision to discontinue the Phase 3 study of napabucasin in patients with pancreatic cancer, which resulted in a reversal of a large number of expenses.

■Profit before taxes decreased by 5.6% year-on-year to 79.7 billion yen.

Profit before taxes recorded negative growth owing to a decrease in interest received and other finance income and an increase in finance costs including interest expenses and forex losses on foreign-currency-denominated financial assets

held by the Company, despite the increase in operating profit.

■ **Net profit increased by 31.7% year-on-year to 57.9 billion yen.**

Although profit before taxes showed a decline, net profit grew as income tax expenses decreased substantially. This was because of an absence of a reversal of deferred tax assets recognized in the U.S., which was recorded in the corresponding period of the previous year 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 increased by 59.8% year-on-year to 70.3 billion yen.**

Net profit attributable to owners of the parent (less the amount of losses attributable to non-controlling shareholders from net profit) advanced more than net profit as Sumitovant's subsidiaries with non-controlling interests registered losses. The ratio of net profit attributable to owners of the parent to revenue was 17.8%.

(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 increased by 13.7% year-on-year to 118.5 billion yen.**

This increase is chiefly attributable to the sales expansion of Trulicity® (therapeutic agent for type 2 diabetes) and contributions from LATUDA®, which was launched earlier this fiscal year, as well as increases in sales of Equa® and EquMet®.

■ **Core segment profit increased by 14.4% year-on-year to 23.0 billion yen.**

This increase is attributable to an increase in gross profit brought about by revenue growth and a decrease in selling, general and administrative expenses, including sales-related expenses, due to the disturbances caused by the COVID-19 pandemic.

[North America segment]

■ **Revenue increased by 11.4% year-on-year to 218.0 billion yen.**

This increase is attributable to the sales expansion of LATUDA®, APTIOM® (antiepileptic agent), and other products, as well as the recognition of part of the lump sum that Myovant Sciences Ltd., one of the affiliated companies of Sumitovant, received pursuant to the license agreement as revenue.

■ **Core segment profit increased by 15.8% year-on-year to 104.5 billion yen.**

This increase is largely attributable to a rise in gross profit brought about by revenue growth, despite an increase in selling, general and administrative expenses as a result of expenses incurred by Sumitovant and its subsidiaries, among other factors.

[China segment]

■ **Revenue decreased by 5.4% year-on-year to 19.1 billion yen.**

This decrease is attributable to a reduction in sales of MEROPEN® (carbapenem antibiotic).

■ **Core segment profit decreased by 9.2% year-on-year to 8.5 billion yen.**

This decrease is attributable to a sharp drop in gross profit due to revenue decline, while selling, general and administrative expenses decreased.

[Other Regions segment]

■ **Revenue increased by 31.9% year-on-year to 11.5 billion yen.**

This increase is attributable to a continuous increase in exports.

■ **Core segment profit increased by 67.8% year-on-year to 5.3 billion yen.**

This sharp increase is attributable to a rise in gross profit brought about by revenue growth.

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 27.7 billion yen (down by 2.0% year-on-year) and core segment profit of 2.9 billion yen (up by 17.0% year-on-year).

(2) Qualitative Information on Financial Condition

Non-current assets decreased by 48.3 billion yen from the previous fiscal year-end, primarily because intangible assets decreased due to depreciation and foreign currency translations, on top of a decrease in other financial assets due to the fair value evaluation of the Company's investment securities.

Current assets increased by 100.6 billion yen from the previous fiscal year-end, as cash and cash equivalents and trade and other receivables increased, despite a decrease in other financial assets due to a decrease in short-term loan receivables.

As a result, total assets increased by 52.3 billion yen from the previous fiscal year-end to 1,308.8 billion yen.

For liabilities, trade and other payables and income taxes payable declined, but unearned revenue, which is included in non-current liabilities, increased as a result of the conclusion of a collaborative agreement for development and commercialization by a consolidated subsidiary. Provisions saw an increase as well. Bonds and borrowings under non-current liabilities increased, and borrowings under current liabilities decreased as a result of financing by seeking long-term borrowings and issuing subordinated bonds to repay the short-term borrowings. As a result, total liabilities increased by 49.6 billion yen from the previous fiscal year-end to 670.3 billion yen.

Equity attributable to owners of the parent increased by 14.5 billion yen from the previous fiscal year-end to 547.2 billion yen, as a result of an increase in retained earnings, while other components of equity, including net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income, declined. Non-controlling interests decreased by 11.8 billion yen from the previous fiscal year-end, as Sumitovant's subsidiaries with non-controlling interests posted losses.

As a result, total equity increased by 2.7 billion yen from the previous fiscal year-end to 638.6 billion yen.

The ratio of equity attributable to owners of the parent to total assets as of the end of the period under review was 41.8%.

(3) Qualitative Information on Cash Flows

Cash flows provided by operating activities increased by 71.1 billion yen year-on-year to 107.9 billion yen, owing to factors that contributed to an increase in cash, such as the increase in provisions, and the receipt of a lump-sum payment following the conclusion of the collaborative agreement for development and commercialization by a consolidated subsidiary, despite an increase in income taxes paid.

Cash flows provided by investing activities amounted to 35.6 billion yen as proceeds from sales of property, plant and equipment increased on account of the transfer of the Company's former Ibaraki Plant. Cash flows from investing activities were further bolstered as the amount of purchases decreased by 320.3 billion yen year-on-year with the absence of the purchase of investments as a result of the acquisition of shares of Roivant Sciences Ltd. (hereinafter, "Roivant") and the payment for the acquisition of control of Sumitovant and its subsidiaries following the formation of the Strategic Alliance with Roivant, all of which were posted in the corresponding period of the previous year.

Cash flows used in financial activities amounted to 18.4 billion yen. This was chiefly because of a decrease in proceeds by 258.9 billion yen year-on-year as the Company sought funds from short-term borrowings for the payment of the consideration for the Strategic Alliance with Roivant in the corresponding period of the previous year, whereas the Company repaid the short-term borrowings by financing via long-term borrowings and issuance of subordinated bonds in the period under review.

As a result of the above, the balance of cash and cash equivalents as of December 31, 2020, was 219.8 billion yen, which represents an increase of 118.1 billion yen from the previous fiscal year-end.

(4) Qualitative Information on Consolidated Financial Forecasts

The Company has not revised the consolidated financial forecasts that were announced on October 28, 2020.

Our consolidated financial results have remained firm for the first nine months of the fiscal year ending March 31, 2021.

We would receive analysis results of the global Phase 3 study of napabucasin for colorectal cancer this coming February.

If it proves necessary to revise our consolidated financial forecasts because of this or other events, we will promptly disclose the same.

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, 2019	Nine months ended December 31, 2020
Revenue	357,017	394,762
Cost of sales	93,342	104,795
Gross profit	263,675	289,967
Selling, general and administrative expenses	97,800	147,019
Research and development expenses	83,696	71,670
Other income	773	17,525
Other expenses	1,491	1,267
Operating profit	81,461	87,536
Finance income	3,324	1,123
Finance costs	363	8,934
Profit before taxes	84,422	79,725
Income tax expenses	40,443	21,817
Net profit	43,979	57,908
Net profit attributable to:		
Owners of the parent	43,979	70,257
Non-controlling interests	—	(12,349)
Net profit total	43,979	57,908
Earnings per share (yen)		
Basic earnings per share	110.70	176.84

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net profit	43,979	57,908
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	(6,300)	(24,913)
Remeasurements of defined benefit plans	—	(260)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(3,214)	(23,814)
Cash flow hedges	(3)	21
Total other comprehensive income	(9,517)	(48,966)
Total comprehensive income	34,462	8,942
Total comprehensive income attributable to:		
Owners of the parent	34,604	27,024
Non-controlling interests	(142)	(18,082)
Total comprehensive income	34,462	8,942

Note: During the nine-month period ended December 31, 2020, the company finalized the purchase price allocation for the assets acquired and the liabilities assumed related to the strategic alliance with Roivant. For this reason, the Consolidated Statement of Comprehensive Income for the nine-month period ended December 31, 2019 were restated. For details, please refer to "Notes to Consolidated Financial Statements (Business combinations and acquisition of non-controlling interests)."

(2) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Non-current assets		
Property, plant and equipment	65,748	62,756
Goodwill	173,464	164,998
Intangible assets	421,029	398,495
Other financial assets	200,923	167,460
Income taxes receivable	—	6,542
Other non-current assets	4,173	3,886
Deferred tax assets	27,107	39,985
Total non-current assets	892,444	844,122
Current assets		
Inventories	79,368	82,909
Trade and other receivables	134,491	148,715
Other financial assets	28,717	5,251
Income taxes receivable	5,877	146
Other current assets	9,624	7,860
Cash and cash equivalents	101,708	219,834
Subtotal	359,785	464,715
Assets held for sale	4,305	—
Total current assets	364,090	464,715
Total assets	1,256,534	1,308,837

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	25,020	264,560
Other financial liabilities	41,306	41,750
Retirement benefit liabilities	23,870	24,523
Other non-current liabilities	7,212	49,485
Deferred tax liabilities	26,768	26,781
Total non-current liabilities	124,176	407,099
Current liabilities		
Bonds and borrowings	272,960	29,960
Trade and other payables	62,251	54,813
Other financial liabilities	13,906	24,279
Income taxes payable	22,637	14,549
Provisions	84,644	95,058
Other current liabilities	40,100	44,509
Total current liabilities	496,498	263,168
Total liabilities	620,674	670,267
Equity		
Share capital	22,400	22,400
Capital surplus	17,837	16,432
Treasury shares	(677)	(678)
Retained earnings	457,330	516,243
Other components of equity	35,780	(7,233)
Equity attributable to owners of the parent	532,670	547,164
Non-controlling interests	103,190	91,406
Total equity	635,860	638,570
Total liabilities and equity	1,256,534	1,308,837

Note: During the nine-month period ended December 31, 2020, the company finalized the purchase price allocation for the assets acquired and the liabilities assumed related to the strategic alliance with Roivant. For this reason, the corresponding balances in the Consolidated Statements of Financial Position as of March 31, 2020 were restated. For details, please refer to "Notes to Consolidated Financial Statements (Business combinations and acquisition of non-controlling interests)."

(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, 2019	22,400	15,861	(674)	431,799	32,611	—
Net profit	—	—	—	43,979	—	—
Other comprehensive income	—	—	—	—	(6,300)	—
Total comprehensive income	—	—	—	43,979	(6,300)	—
Purchase of treasury shares	—	—	(2)	—	—	—
Dividends	—	—	—	(13,111)	—	—
Acquisition of subsidiaries	—	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	(2,390)	2,390	—
Total transactions with owners	—	—	(2)	(15,501)	2,390	—
Balance as of December 31, 2019	22,400	15,861	(676)	460,277	28,701	—

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	—

(Millions of yen)

	Equity attributable to owners of the parent			Total	Non-controlling interests	Total equity
	Other components of equity					
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of April 1, 2019	(3,853)	(6)	28,752	498,138	—	498,138
Net profit	—	—	—	43,979	—	43,979
Other comprehensive income	(3,072)	(3)	(9,375)	(9,375)	(142)	(9,517)
Total comprehensive income	(3,072)	(3)	(9,375)	34,604	(142)	34,462
Purchase of treasury shares	—	—	—	(2)	—	(2)
Dividends	—	—	—	(13,111)	—	(13,111)
Acquisition of subsidiaries					111,568	111,568
Reclassification from other components of equity to retained earnings	—	—	2,390	—	—	—
Total transactions with owners	—	—	2,390	(13,113)	111,568	98,455
Balance as of December 31, 2019	(6,925)	(9)	21,767	519,629	111,426	631,055
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	—	—	—	(1,406)	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

Note: During the nine-month period ended December 31, 2020, the company finalized the purchase price allocation for the assets acquired and the liabilities assumed related to the strategic alliance with Roivant. For this reason, the corresponding balances in the Consolidated Statements of Changes in Equity as of December 31, 2019, and the corresponding balances in the Consolidated Statements of Changes in Equity as of Apr 1, 2020 were restated. For details, please refer to "Notes to Consolidated Financial Statements (Business combinations and acquisition of non-controlling interests)."

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash flows from operating activities		
Net profit	43,979	57,908
Depreciation and amortization	12,902	14,620
Impairment losses	22,457	—
Changes in fair value of contingent consideration	(40,811)	381
Loss (gain) on sales of property, plant and equipment	(76)	(16,753)
Interest and dividend income	(3,321)	(1,105)
Interest expenses	278	1,704
Income tax expenses	40,443	21,817
(Increase) decrease in trade and other receivables	(8,467)	(17,257)
(Increase) decrease in inventories	(7,365)	(8,160)
Increase (decrease) in trade and other payables	8,567	(5,430)
Increase (decrease) in unearned revenue	61	50,911
Increase (decrease) in other financial liabilities	368	14,040
Increase (decrease) in retirement benefits liabilities	331	693
Increase (decrease) in provisions	(3,719)	14,878
Others, net	(6,913)	11,189
Subtotal	58,714	139,436
Interest received	2,454	182
Dividends received	1,113	934
Interest paid	(219)	(1,120)
Income taxes paid	(25,289)	(31,552)
Net cash provided by (used in) operating activities	36,773	107,880
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,465)	(4,413)
Proceeds from sales of property, plant and equipment	544	21,449
Purchase of intangible assets	(3,371)	(3,982)
Purchase of investments	(112,615)	(7,009)
Proceeds from sales and redemption of investments	490	3,626
Payments for acquisition of subsidiaries	(205,774)	—
Net decrease (increase) in short-term loan receivables	42,462	25,724
Others, net	17	167
Net cash provided by (used in) investing activities	(284,712)	35,562

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	270,000	(245,000)
Proceeds from long-term borrowings	—	125,000
Repayments of long-term borrowings	(13,188)	(2,220)
Proceeds from issuance of corporate bonds	—	118,927
Repayments of finance lease obligations	(3,237)	(3,559)
Dividends paid	(13,098)	(11,110)
Payments for acquisition of interest in a subsidiary from non-controlling interests	—	(2,237)
Others, net	(2)	1,785
Net cash provided by (used in) financing activities	240,475	(18,414)
Net increase (decrease) in cash and cash equivalents	(7,464)	125,028
Cash and cash equivalents at beginning of year	137,296	101,708
Effect of exchange rate changes on cash and cash equivalents	(484)	(6,902)
Cash and cash equivalents at end of period	129,348	219,834

(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, 2020 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, 2020 (1) Qualitative Information on Business Results", are included in profit eliminated for inter-segment transactions.

① Nine months ended December 31, 2019

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceutical						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	104,274	195,658	20,152	8,685	328,769	28,248	357,017
Inter-segment revenues and transfers	69	—	—	—	69	37	106
Total	104,343	195,658	20,152	8,685	328,838	28,285	357,123
Segment profit (Core segment profit)	20,131	90,239	9,355	3,169	122,894	2,438	125,332

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, 2020

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	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.

(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, 2019	Nine months ended December 31, 2020
Total of reportable segments	328,838	367,138
Revenue of Other Business	28,285	27,720
Elimination of inter-segment revenue	(106)	(96)
Revenue on the consolidated financial statements	357,017	394,762

(Millions of yen)

Profit	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Total of reportable segments	122,894	141,373
Segment profit of Other Business	2,438	2,866
Elimination of inter-segment profit	14	3
Research and development expenses (Note)	(61,210)	(71,670)
Gains on business transfers	121	—
Others	(3)	(17)
Core operating profit	64,254	72,555
Change in fair value of contingent consideration	40,811	(381)
Impairment losses	(22,457)	—
Other income	655	17,542
Other expenses	(1,491)	(1,267)
Others	(311)	(913)
Operating profit in the consolidated financial statements	81,461	87,536

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.

(Business combinations and acquisition of non-controlling interests)

There were no significant business combinations for the nine-month period ended December 31, 2020.

The Company has completed the share transfer procedures and etc. in accordance with the strategic alliance with Roivant as of December 27, 2019. Through the Strategic Alliance, Roivant 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. Fair value of the assets acquired and the liabilities assumed were measured at provisional amount at the end of the previous accounting period. However, during the nine-month period ended December 31, 2020, the company finalized the purchase price allocation. For this reason, reflecting the new information obtained about facts and circumstances that existed as of the acquisition date, restatement to provisional fair value was made as below.

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

(Millions of yen)

Account	Provisional fair value	Adjustments	Finalized fair value
Non-current Assets			
Intangible assets	291,643	(768)	290,875
Other	3,661	—	3,661
Current Assets			
Cash and cash equivalents	18,781	—	18,781
Other	6,172	—	6,172
Non-current liabilities	40,840	(100)	40,740
Current liabilities	19,307	—	19,307
Net Assets	260,110	(668)	259,442
Non-controlling interests (Note 2)	107,783	3,785	111,568
Goodwill (Note 3)	72,228	4,453	76,681

Note:

- 1: The considerations transferred are allocated to the assets acquired and the 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.

As a result of the finalization of purchase price allocation, the Consolidated Statements of Comprehensive Income for the nine-month period ended December 31, 2019, the Consolidated Statement of Changes in Equity for the nine-month period ended December 31, 2019, the corresponding balances in the Consolidated Statements of Financial Positions as of March 31, 2020, and the corresponding balances in the Consolidated Statements of Changes in Equity as of Apr 1, 2020 were restated.

(Significant subsequent event)

Not applicable.