



Summary of Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2023 [IFRS]

January 31, 2023

Company Name:	SUMITOMO PHARMA CO., LTD.
Stock Exchange Listings:	Tokyo
Security Code Number:	4506 (URL https://www.sumitomo-pharma.com)
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Filing Date of Quarterly Financial Report:	February 2, 2023
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, 2023 (April 1, 2022 to December 31, 2022)

(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, 2022	460,265	6.5	42,926	(27.2)	(17,777)	—	(32,627)	—	(18,502)	—	28,682	25.9
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

Reference: Profit before taxes
Nine months ended December 31, 2022: ¥2,192 million
Nine months ended December 31, 2021: ¥65,583 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)
Nine months ended December 31, 2022	Yen (46.57)	Yen —
Nine months ended December 31 2021	116.69	—

(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, 2022	1,371,517	698,026	635,149	46.3	1,598.70
As of March 31, 2022	1,308,007	673,569	607,888	46.5	1,530.08

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	14.00	—	14.00	28.00
Year ending March 31, 2023	—	14.00	—		
Year ending March 31, 2023 (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, 2023 (April 1, 2022 to March 31, 2023)

(% 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, 2023	563,000	0.5	34,000	(41.9)	(27,000)	—	(35,000)	—	(88.10)

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: 3 companies) Urovant Sciences Ltd.
Enzyvant Therapeutics Ltd.
Altavant 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, 2022: 397,900,154 shares

March 31, 2022: 397,900,154 shares

② Number of treasury stock at the end of period

December 31, 2022: 608,168 shares

March 31, 2022: 607,238 shares

③ Average number of shares during the period

December 31, 2022: 397,292,402 shares

December 31, 2021: 397,293,379 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, goals, 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, 2022 (4) Qualitative Information on Consolidated Financial Forecasts".

Myovant Sciences Ltd. (hereinafter, "Myovant") is listed on the New York Stock Exchange, and the Group beneficially owns approximately 52% of the outstanding shares of Myovant. ORGOVYX® (relugolix), MYFEMBREE®/RYEQO® (relugolix combination tablet) are owned by 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 Tuesday January 31, 2023. The audio of the conference call will be posted on its website promptly after the conference call.

Additional Information and Where to Find It:

This material may be deemed to be solicitation material in respect of the proposed acquisition of Myovant by Sumitovant and the Company. In connection with the proposed acquisition, Sumitovant, the Company and Myovant have filed relevant materials with the SEC, including amended Schedule 13D filings and a transaction statement on Schedule 13E-3 with respect to Sumitovant and the Company and a proxy statement on Schedule 14A with respect to Myovant. The definitive proxy statement and Schedule 13E-3 transaction statement have been sent to Myovant's shareholders and contain important information about the proposed transaction and related matters. SHAREHOLDERS OF MYOVANT ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING SUMITOVANT'S AND THE COMPANY'S TRANSACTION STATEMENT ON SCHEDULE 13E-3 AND ANY AMENDMENTS OR SUPPLEMENTS THERETO, MYOVANT'S DEFINITIVE PROXY STATEMENT, AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders can obtain the documents free of charge at the SEC's web site, <http://www.sec.gov>, and Myovant shareholders can obtain free copies of the proxy statement and Schedule 13E-3 through the Investor Relations page of Myovant's website, <https://www.myovant.com>.

Participants in the Solicitation:

The Company and its directors and executive officers, and Myovant and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the holders of Myovant common stock in respect of the proposed transaction. Information about the directors and executive officers of the Company is set forth in the Schedule 13E-3 transaction statement, which was filed with the SEC on January 23, 2023, and information about the directors and executive officers of Myovant is set forth in the definitive proxy statement, which was filed with the SEC on January 23, 2023. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement regarding the acquisition when it becomes available.

【Attachment Documents】

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1. Qualitative Information for the Nine Months Ended December 31, 2022

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, 2023 are as follows:

	(Billions of yen)			
	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	Change %
Revenue	432.1	460.3	28.2	6.5
Core operating profit	59.0	42.9	(16.0)	(27.2)
Operating profit	58.2	(17.8)	(76.0)	—
Profit before taxes	65.6	2.2	(63.4)	(96.7)
Net profit	35.2	(32.6)	(67.8)	—
Net profit attributable to owners of the parent	46.4	(18.5)	(64.9)	—

■ Revenue increased by 6.5% year-on-year to 460.3 billion yen.

Revenue decreased in Japan segment primarily owing to the impact of the National Health Insurance (NHI) drug price revisions, although some products saw sales growth due to their greater market penetration. On the other hand, revenue increased in the segments of North America, China, and Other Regions primarily owing to the effects of the forex situation and the sales expansion of mainstay products.

■ Core operating profit decreased by 27.2% year-on-year to 42.9 billion yen.

Core operating profit decreased as a rise in gross profit resulting from revenue growth and the recording of other income resulting from the divestiture of the market rights to BROVANA[®], a therapeutic agent for chronic obstructive pulmonary disease (COPD), and XOPENEX HFA[®], a therapeutic agent for asthma, as well as the sale of priority review voucher, was outweighed by increases in selling, general and administrative expenses and R&D expenses primarily because of the effects of the forex situation.

■ Operating profit decreased by 76.0 billion yen year-on-year to negative 17.8 billion yen.

Following a review of the earnings forecast for KYNMOBI[®], a treatment for OFF episodes in patients with Parkinson's disease currently available for sale in the United States, the Company booked an impairment loss of 56.0 billion yen on the entire value of the patents for the product and other assets in the second quarterly account period. As a result, operating profit decreased significantly.

■ Profit before taxes decreased by 96.7% year-on-year to 2.2 billion yen.

Profit before taxes decreased due to the posting of the impairment loss, despite an increase in financial income/expenses—the balance of financial income after the deduction of financial expenses—owing to the recording of forex gains.

■ Net profit decreased by 67.8 billion yen year-on-year to negative 32.6 billion yen.

Net profit decreased as well, as profit before taxes decreased.

■ Net profit attributable to owners of the parent decreased by 64.9 billion yen year-on-year to negative 18.5 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—decreased as well, due to the sheer magnitude of the decrease in net profit.

(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 12.8% year-on-year to 102.2 billion yen.**

Revenue decreased primarily owing to the impact of the NHI drug price revisions, despite sales growth of LATUDA® (atypical antipsychotic), TWYMEEG® (therapeutic agent for type 2 diabetes), and other products.

■ **Core segment profit decreased by 43.4% year-on-year to 9.6 billion yen.**

This decrease is attributable to a decline in gross profit on account of negative revenue growth.

[North America segment]

■ **Revenue increased by 11.4% year-on-year to 279.4 billion yen.**

Revenue grew in the quarterly accounting period under review as sales of some of the products from Sumitovant, including ORGOVYX® (therapeutic agent for advanced prostate cancer) and GEMTESA® (therapeutic agent for overactive bladder) increased, on top of the effects of the forex situation, despite the absence of the recording of the lump-sum upfront payment for the license agreement for joint development and commercialization with Otsuka Pharmaceutical Co., Ltd. in the Psychiatry & Neurology area as revenue in the corresponding quarterly accounting period of the previous year.

■ **Core segment profit decreased by 39.1% year-on-year to 55.7 billion yen.**

Core segment profit decreased as an increase in the expenses of the Sumitovant Group, as well as a rise in selling, general and administrative expenses due to the effects of the forex situation, outpaced gross profit growth.

[China segment]

■ **Revenue increased by 15.6% year-on-year to 31.2 billion yen.**

This increase is mainly attributable to the effects of the forex situation of MEROPEN® (carbapenem antibiotic), and other products.

■ **Core segment profit increased by 25.9% year-on-year to 16.3 billion yen.**

This increase is attributable to a rise in gross profit on account of revenue growth.

[Other Regions segment]

■ **Revenue increased by 84.2% year-on-year to 13.5 billion yen.**

Revenue increased owing to the significant impact of the posting as revenue of an upfront payment received in consideration of the exclusive license agreement for a highly selective oral orexin-2 receptor agonist (DSP-0187).

■ **Core segment profit increased by 496.8% year-on-year to 8.6 billion yen.**

This increase is attributable to a rise in gross profit on account of 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 generated revenue of 34.0 billion yen (up by 13.8% year-on-year) and core segment profit of 2.9 billion yen (up by 2.0% year-on-year).

(2) Qualitative Information on Financial Condition

Non-current assets decreased by 15.5 billion yen from the previous fiscal year-end, owing to a significant decrease in intangible assets on account of the recording of impairment losses, despite an increase in other financial assets owing to changes in fair value measurement of investment securities held by the Company and an increase in goodwill and other assets owing to the effects of the forex situation.

Current assets increased by 79.0 billion yen from the previous fiscal year-end as a result of an increase in cash and cash equivalents, despite a decrease in other financial assets owing to the collection of short-term loan receivables.

As a result, total assets increased by 63.5 billion yen from the previous fiscal year-end to 1,371.5 billion yen.

Liabilities increased by 39.1 billion yen from the previous fiscal year-end to 673.5 billion yen owing to increases in provisions, trade and other payables, and other liabilities. Bonds and borrowings totaled 249.7 billion yen, down by 19.3 billion yen from the previous fiscal year-end.

Equity attributable to owners of the parent increased by 27.3 billion yen from the previous fiscal year-end to 635.1 billion yen as a result of increases in other components of equity despite a decrease in retained earnings. Meanwhile, non-controlling interests decreased by 2.8 billion yen from the previous fiscal year-end.

As a result, total equity increased by 24.5 billion yen from the previous fiscal year-end to 698.0 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 46.3%.

With the conclusion of agreements regarding the transfer of shares of consolidated subsidiaries Sumitomo Pharma Food & Chemical Co., Ltd. and Sumitomo Pharma Animal Health Co., Ltd. in the quarterly accounting period under review, relevant assets, liabilities, and equities are classified under assets held for sale, liabilities directly associated with assets held for sale, and other comprehensive income associated with assets held for sale, respectively.

(3) Qualitative Information on Cash Flows

Cash flows provided by operating activities amounted to 56.5 billion yen, an increase of 47.5 billion yen year-on-year, primarily owing to the increase in provisions and a decrease in income taxes paid, in addition to increases in impairment losses and other non-cash profit and loss items, despite a decline in profit before taxes.

Cash flows provided by investing activities increased by 14.4 billion yen year-on-year to 21.7 billion yen, primarily owing to a decrease in the purchase of investments and the recording of proceeds from sales of intangible assets.

Cash flows used in financial activities increased by 12.6 billion yen year-on-year to 33.0 billion yen, primarily owing to repayments of long-term borrowings.

After adding the translation adjustments for cash and cash equivalents and deducting the amount transferred to assets held for sale, the balance of cash and cash equivalents at the end of the quarterly accounting period under review was 265.8 billion yen, which represents an increase of 62.8 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, 2023 announced on October 31, 2022, as follows:

1. Revisions to the Forecasts of Consolidated Financial Results for the Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Revenue	Core operating profit	Operating profit	Net profit attributable to owners of the parent	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecasts (A)	604,000	32,000	(30,000)	(15,000)	(37.76)
Revised Forecast (B)	563,000	34,000	(27,000)	(35,000)	(88.10)
Variance in amount (B-A)	(41,000)	2,000	3,000	(20,000)	—
Variance in percent (%)	(6.8)	6.3	—	—	—
[Reference] Year ended March 31, 2022	560,035	58,509	60,234	56,413	141.99

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.

2. The reason for revision

For the revised forecasts above, the Company has changed its previous assumptions of foreign currency exchange rates (average exchange rates) from 140.0 JPY to 135.0 JPY against 1 USD and from 20.0 JPY to 19.5 JPY against 1 RMB. Given the decrease in revenue as a result of the revision of the assumptions of foreign currency exchange rates and the expected downward revision in sales of LATUDA® and other products in the North America segment, it has revised its previous forecasts for revenue to 563.0 billion yen (down by 41.0 billion yen).

It also expects selling, general and administrative expenses to decrease by 4.0 billion yen due to the significant impact of the exchange rates revision, although the expenses associated with making Myovant become a wholly owned subsidiary have been included on the assumption of the completeness of the process by the end of the current fiscal year, and it expects R&D expenses to decrease by 2.0 billion yen due to the significant impact of the exchange rates revision. In addition, in other income (within core operating profit), it has factored in a gain of 25 billion yen from the transfer of shares in consolidated subsidiary Sumitomo Pharma Food & Chemical Co., Ltd.

As a result, it has revised its previous forecasts for core operating profit to 34.0 billion yen (up by 2.0 billion yen) and operating loss to 27.0 billion yen (up by 3.0 billion yen), respectively.

Now that forex gains are expected to decrease substantially due to the foreign currency exchange rates revision, it expects 35.0 billion yen in net loss attributable to owners of the parent, down by 20.0 billion yen from its previous forecasts.

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, 2021	Nine months ended December 31, 2022
Revenue	432,072	460,265
Cost of sales	117,835	139,766
Gross profit	314,237	320,499
Selling, general and administrative expenses	189,029	289,469
Research and development expenses	67,782	75,996
Other income	1,677	28,274
Other expenses	875	1,085
Operating profit (loss)	58,228	(17,777)
Finance income	9,643	22,648
Finance costs	2,288	2,679
Profit before taxes	65,583	2,192
Income tax expenses	30,400	34,819
Net profit (loss)	35,183	(32,627)
Net profit attributable to:		
Owners of the parent	46,359	(18,502)
Non-controlling interests	(11,176)	(14,125)
Net profit (loss) total	35,183	(32,627)
Earnings per share (yen)		
Basic earnings per share (loss)	116.69	(46.57)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net profit (loss)	35,183	(32,627)
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	(27,682)	23,489
Remeasurements of defined benefit plans	(22)	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	15,348	37,896
Cash flow hedges	(47)	(76)
Total other comprehensive income	(12,403)	61,309
Total comprehensive income	22,780	28,682
Total comprehensive income attributable to:		
Owners of the parent	31,508	37,045
Non-controlling interests	(8,728)	(8,363)
Total comprehensive income	22,780	28,682

(2) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Non-current assets		
Property, plant and equipment	64,091	59,471
Goodwill	195,144	211,565
Intangible assets	398,692	357,420
Other financial assets	115,844	141,529
Income taxes receivable	5,538	6,004
Other non-current assets	6,527	4,493
Deferred tax assets	22,650	12,520
Total non-current assets	808,486	793,002
Current assets		
Inventories	99,021	90,469
Trade and other receivables	151,407	149,389
Other financial assets	35,596	22,488
Income taxes receivable	93	458
Other current assets	10,420	16,192
Cash and cash equivalents	202,984	265,773
Subtotal	499,521	544,769
Assets held for sale	—	33,746
Total current assets	499,521	578,515
Total assets	1,308,007	1,371,517

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	243,963	244,087
Other financial liabilities	16,471	14,046
Retirement benefit liabilities	11,461	10,527
Other non-current liabilities	57,620	59,499
Deferred tax liabilities	26,550	35,786
Total non-current liabilities	356,065	363,945
Current liabilities		
Borrowings	25,085	5,627
Trade and other payables	46,183	52,669
Other financial liabilities	13,302	10,480
Income taxes payable	7,583	12,206
Provisions	119,149	149,128
Other current liabilities	67,071	69,064
Subtotal	278,373	299,174
Liabilities directly associated with assets held for sale	—	10,372
Total current liabilities	278,373	309,546
Total liabilities	634,438	673,491
Equity		
Share capital	22,400	22,400
Capital surplus	16,725	18,066
Treasury shares	(681)	(682)
Retained earnings	514,210	486,201
Other components of equity	55,234	107,555
Other comprehensive income associated with assets held for sale	—	1,609
Equity attributable to owners of the parent	607,888	635,149
Non-controlling interests	65,681	62,877
Total equity	673,569	698,026
Total liabilities and equity	1,308,007	1,371,517

(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)	Exchange differences on translation of foreign operations
Balance as of April 1, 2021	22,400	15,855	(679)	508,677	38,575	—	(4,331)
Net profit	—	—	—	46,359	—	—	—
Other comprehensive income	—	—	—	—	(27,682)	(22)	12,900
Total comprehensive income	—	—	—	46,359	(27,682)	(22)	12,900
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	—
Transfers to other comprehensive income associated with assets held for sale	—	—	—	—	—	—	—
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	—	8,569
Balance as of April 1, 2022	22,400	16,725	(681)	514,210	23,838	—	31,273
Net profit (loss)	—	—	—	(18,502)	—	—	—
Other comprehensive income	—	—	—	—	23,489	—	32,134
Total comprehensive income	—	—	—	(18,502)	23,489	—	32,134
Purchase of treasury shares	—	—	(1)	—	—	—	—
Dividends	—	—	—	(11,124)	—	—	—
Transaction with non-controlling interests	—	1,341	—	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	1,617	(1,617)	—	—
Transfers to other comprehensive income associated with assets held for sale	—	—	—	—	(1,562)	—	—
Total transactions with owners	—	1,341	(1)	(9,507)	(3,179)	—	—
Balance as of December 31, 2022	22,400	18,066	(682)	486,201	44,148	—	63,407

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Other comprehensive income associated with assets held for sale	Total		
	Cash flow hedges	Total				
Balance as of April 1, 2021	73	34,317	—	580,570	67,608	648,178
Net profit	—	—	—	46,359	(11,176)	35,183
Other comprehensive income	(47)	(14,851)	—	(14,851)	2,448	(12,403)
Total comprehensive income	(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)	—	—	—	—
Transfers to other comprehensive income associated with assets held for sale	—	—	—	—	—	—
Total transactions with owners	—	(3,756)	—	(11,292)	6,105	(5,187)
Balance as of December 31, 2021	26	15,710	—	600,786	64,985	665,771

Balance as of April 1, 2022	123	55,234	—	607,888	65,681	673,569
Net profit (loss)	—	—	—	(18,502)	(14,125)	(32,627)
Other comprehensive income	(76)	55,547	—	55,547	5,762	61,309
Total comprehensive income	(76)	55,547	—	37,045	(8,363)	28,682
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(11,124)	—	(11,124)
Transaction with non-controlling interests	—	—	—	1,341	5,559	6,900
Reclassification from other components of equity to retained earnings	—	(1,617)	—	—	—	—
Transfers to other comprehensive income associated with assets held for sale	(47)	(1,609)	1,609	—	—	—
Total transactions with owners	(47)	(3,226)	1,609	(9,784)	5,559	(4,225)
Balance as of December 31, 2022	—	107,555	1,609	635,149	62,877	698,026

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Net profit (loss)	35,183	(32,627)
Depreciation and amortization	28,190	32,089
Impairment losses	—	56,043
Changes in fair value of contingent consideration	245	(1,229)
Loss (gain) on sales of property, plant and equipment	(103)	(220)
Loss (gain) on sales of intangible assets	(173)	(12,067)
Interest and dividend income	(1,106)	(3,572)
Interest expenses	2,236	2,026
Income tax expenses	30,400	34,819
(Increase) decrease in trade and other receivables	(16,751)	(4,989)
(Increase) decrease in inventories	2,313	9,287
Increase (decrease) in trade and other payables	(16,921)	6,186
Increase (decrease) in unearned revenue	2,240	(1,344)
Increase (decrease) in other financial liabilities	(8,882)	(4,271)
Increase (decrease) in retirement benefits liabilities	21	(21)
Increase (decrease) in provisions	2,138	20,596
Others, net	(10,844)	(24,060)
Subtotal	48,186	76,646
Interest received	118	2,435
Dividends received	985	965
Interest paid	(1,498)	(1,395)
Income taxes paid	(38,730)	(22,120)
Net cash provided by (used in) operating activities	9,061	56,531
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,193)	(5,906)
Proceeds from sales of property, plant and equipment	310	625
Purchase of intangible assets	(5,498)	(3,539)
Proceeds from sales of property, intangible assets	173	12,204
Purchase of investments	(24,876)	(5,872)
Proceeds from sales and redemption of investments	15,625	9,851
Net decrease (increase) in short-term loan receivables	27,678	12,413
Others, net	(960)	1,911
Net cash provided by (used in) investing activities	7,259	21,687
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	29	559
Repayments of long-term borrowings	(4,220)	(20,020)
Repayments of finance lease obligations	(3,476)	(3,357)
Dividends paid	(11,117)	(11,114)
Payments for acquisition of interest in a subsidiary from non-controlling interests	(3,595)	—
Others, net	1,984	915
Net cash provided by (used in) financing activities	(20,395)	(33,017)
Net increase (decrease) in cash and cash equivalents	(4,075)	45,201
Cash and cash equivalents at beginning of year	193,698	202,984
Effect of exchange rate changes on cash and cash equivalents	6,717	20,046
Cash and cash equivalents at end of period	196,340	268,231
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	—	(2,458)
Cash and cash equivalents at end of period (Consolidated Statement of Financial Position)	196,340	265,773

(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, 2021

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceutical						
	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.

② Nine months ended December 31, 2022

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers, etc.	102,198	279,366	31,229	13,501	426,294	33,971	460,265
Inter-segment revenues and transfers	51	—	—	—	51	44	95
Total	102,249	279,366	31,229	13,501	426,345	34,015	460,360
Segment profit (Core segment profit)	9,607	55,685	16,272	8,612	90,176	2,831	93,007

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, 2021	Nine months ended December 31, 2022
Total of reportable segments	402,272	426,345
Revenue of Other Business	29,883	34,015
Elimination of inter-segment revenue	(83)	(95)
Revenue on the consolidated financial statements	432,072	460,265

(Millions of yen)

Profit	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Total of reportable segments	122,800	90,176
Segment profit of Other Business	2,775	2,831
Elimination of inter-segment profit	19	20
Research and development expenses (Note)	(67,782)	(74,854)
Gains on business transfers	1,141	24,712
Others	5	41
Core operating profit	58,958	42,926
Change in fair value of contingent consideration	(245)	1,229
Impairment losses	—	(56,074)
Other income	531	3,521
Other expenses	(875)	(1,085)
Others	(141)	(8,294)
Operating profit (loss) in the consolidated financial statements	58,228	(17,777)

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.

(Impairment losses)

Impairment losses amounting to 56,043 million yen in North America segment of pharmaceutical business were recognized for the nine months ended December 31, 2022. The impairment losses were recorded in selling, general and administrative expenses in the Consolidated Statement of Profit or Loss.

Impairment losses recognized for the nine months ended December 31, 2022 were 55,778 million yen for patent rights and 265 million yen for primarily owing to software of products regarding KYNMOBI® (OFF episodes associated with Parkinson's disease) in North America segment of pharmaceutical business.

As for patent rights of products and software, etc. regarding KYNMOBI®, the total carrying amount is reduced to zero as the profitability is no longer expected.

(Significant subsequent event)

Not applicable.