



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

October 27, 2021

<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>	November 4, 2021
<b>Starting Date of Dividend Payments:</b>	December 1, 2021
<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 Second Quarter of the Year Ending March 31, 2022 (April 1, 2021 to September 30, 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	%
Six months ended September 30, 2021	293,730	12.3	47,919	(0.1)	47,572	0.1	29,987	(1.2)	36,450	(2.3)	2,027	(71.9)
Six months ended September 30, 2020	261,498	13.4	47,981	7.2	47,539	(28.9)	30,339	0.0	37,297	23.0	7,223	(65.7)

Reference: Profit before taxes Six months ended September 30, 2021: ¥49,266 million

Six months ended September 30, 2020: ¥43,654 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
Six months ended September 30, 2021	91.75	—
Six months ended September 30, 2020	93.88	—

#### (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 September 30, 2021	1,267,431	648,682	582,308	45.9	1,465.69
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	578,000	12.0	64,000	(8.0)	61,000	(14.4)	41,000	(27.1)	103.20

Note: Revision of consolidated financial forecasts from the latest announcement: None

**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
    - September 30, 2021: 397,900,154 shares
    - March 31, 2021: 397,900,154 shares
  - ② Number of treasury stock at the end of period
    - September 30, 2021: 606,937 shares
    - March 31, 2021: 606,255 shares
  - ③ Average number of shares during the period
    - September 30, 2021: 397,293,489 shares
    - September 30, 2020: 397,294,922 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 4, "1. Qualitative Information for the Six Months Ended September 30, 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 54% 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 earnings presentation for institutional investors and analysts on Thursday October 28, 2021. The video of the presentation will be posted on our website promptly after the presentation.*

**【Attachment Documents】**

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## 1. Qualitative Information for the Six Months Ended September 30, 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 six months of the fiscal year ending March 31, 2022 are as follows:

	(Billions of yen)			
	Six months ended September 30, 2020	Six months ended September 30, 2021	Change	Change %
Revenue	261.5	293.7	32.2	12.3
Core operating profit	48.0	47.9	(0.1)	(0.1)
Operating profit	47.5	47.6	0.0	0.1
Profit before taxes	43.7	49.3	5.6	12.9
Net profit	30.3	30.0	(0.4)	(1.2)
Net profit attributable to owners of the parent	37.3	36.5	(0.8)	(2.3)

■ **Revenue increased by 12.3% year-on-year to 293.7 billion yen.**

Revenue increased in the North America segment, in which 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 was posted as revenue. There was an increase in revenue in the China segment as well, but a decrease was seen in the segments of Japan and Other Regions.

■ **Core operating profit edged down by 0.1% year-on-year to 47.9 billion yen.**

Core operating profit remained flat as a result of an 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 a large increase in gross profit on account of a revenue increase.

■ **Operating profit edged up by 0.1% year-on-year to 47.6 billion yen.**

Operating profit remained flat as well as core operating profit due to the absence of major increases/decreases in the fair value of contingent consideration and other income/expenses.

■ **Profit before taxes increased by 12.9% year-on-year to 49.3 billion yen.**

Profit before taxes increased by a greater margin than operating profit as finance income surpassed finance expenses 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 1.2% year-on-year to 30.0 billion yen.**

Net profit decreased as the increase in profit before taxes was more than offset by an increase in income tax expenses.

■ **Net profit attributable to owners of the parent decreased by 2.3% year-on-year to 36.5 billion yen.**

Net profit attributable to owners of the parent decreased due to the decrease in net profit and a decrease in net loss attributable to non-controlling interests. The ratio of net profit attributable to owners of the parent to revenue was 12.4%.

(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 1.0% year-on-year to 76.6 billion yen.**

Revenue showed a decrease primarily owing to the impact of the National Health Insurance (NHI) drug price revisions in April 2021 and the declines in sales of long-listed drugs, despite strong sales growth of LATUDA® (atypical antipsychotic).

■ **Core segment profit decreased by 26.4% year-on-year to 9.8 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 21.0% year-on-year to 174.9 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 last fiscal year, and GEMTESA® (therapeutic agent for overactive bladder) and MYFEMBREE® (therapeutic agent for uterine fibroids), both of which were launched in the last quarter, as well as the recording of the lump-sum upfront payment for the collaboration and license agreement for joint development and commercialization as revenue, more than offset negative factors such as declines in sales of LATUDA® and BROVANA® (therapeutic agent for COPD), the latter of which saw its exclusive marketing period expire.

■ **Core segment profit decreased by 0.9% year-on-year to 70.2 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 47.5% year-on-year to 18.1 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 53.0% year-on-year to 9.6 billion yen.**

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

**[Other Regions segment]**

■ **Revenue decreased by 50.9% year-on-year to 4.6 billion yen.**

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

■ **Core segment profit decreased by 81.7% year-on-year to 0.9 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 19.6 billion yen (up by 8.7% year-on-year) and core segment profit of 1.9 billion yen (up by 0.8% year-on-year).

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

Non-current assets decreased by 30.0 billion yen from the previous fiscal year-end owing to a decrease in other financial assets primarily due to fluctuations in the valuation of securities, as well as in intangible assets due to amortization.

Current assets decreased by 10.7 billion yen from the previous fiscal year-end, owing to decreases in other financial assets due to the collection of short-term loan receivables and cash and cash equivalents, despite an increase in trade and other receivables resulting from the recording of the lump-sum upfront payment for the development and commercial collaboration and license agreement.

As a result, total assets decreased by 40.7 billion yen from the previous fiscal year-end to 1,267.4 billion yen.

Liabilities decreased by 41.2 billion yen from the previous fiscal year-end to 618.7 billion yen as a result of decreases in trade and other payables, income taxes payable, and provisions, among others. Bonds and borrowings totaled 270.4 billion yen, down by 3.4 billion yen from the previous fiscal year-end.

Equity attributable to owners of the parent increased by 1.7 billion yen from the previous fiscal year-end to 582.3 billion yen as other components of equity decreased, despite an increase in retained earnings. Non-controlling interests decreased by 1.2 billion yen from the previous fiscal year-end as Sumitovant's subsidiaries holding non-controlling interests posted losses.

As a result, total equity increased by 0.5 billion yen from the previous fiscal year-end to 648.7 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 45.9%.

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

Cash flows used in operating activities amounted to 28.2 billion yen, a decrease of 54.3 billion yen year-on-year, primarily owing to the increase in trade and other receivables following the recording of the lump-sum upfront payment for the development and commercial collaboration and license agreement despite the increase in profit before taxes.

Cash flows provided by investing activities decreased by 15.7 billion yen year-on-year to 3.6 billion yen as a result of the collection in short-term loan receivables and payments for purchase of investments, among others.

Cash flows used in financial activities decreased by 3.5 billion yen year-on-year to 13.2 billion yen due to an increase in payments for acquisition of an interest in a subsidiary from non-controlling interests and an increase in payments for borrowings.

As a result of the above, the balance of cash and cash equivalents as of September 30, 2021 was 156.5 billion yen, which represents a decrease of 37.2 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 May 12, 2021.

## 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)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Revenue	261,498	293,730
Cost of sales	70,694	76,854
Gross profit	190,804	216,876
Selling, general and administrative expenses	94,173	124,673
Research and development expenses	49,206	45,706
Other income	537	1,507
Other expenses	423	432
Operating profit	47,539	47,572
Finance income	731	3,204
Finance costs	4,616	1,510
Profit before taxes	43,654	49,266
Income tax expenses	13,315	19,279
Net profit	30,339	29,987
Net profit attributable to:		
Owners of the parent	37,297	36,450
Non-controlling interests	(6,958)	(6,463)
Net profit total	30,339	29,987
Earnings per share (yen)		
Basic earnings per share	93.88	91.75

#### Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net profit	30,339	29,987
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	(9,099)	(31,630)
Remeasurements of defined benefit plans	(260)	(22)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(13,765)	3,733
Cash flow hedges	8	(41)
Total other comprehensive income	(23,116)	(27,960)
Total comprehensive income	7,223	2,027
Total comprehensive income attributable to:		
Owners of the parent	17,545	7,772
Non-controlling interests	(10,322)	(5,745)
Total comprehensive income	7,223	2,027

Note: During the year ended March 31, 2021, the company finalized the purchase price allocation for the assets acquired and the liabilities assumed related to the strategic alliance with Roivant Sciences Ltd. (hereinafter, "Roivant"). Therefore, the Consolidated Statement of Comprehensive Income for the six-month period ended September 30, 2020 were retrospectively adjusted.



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

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	64,966	63,662
Goodwill	176,492	178,469
Intangible assets	383,406	378,774
Other financial assets	193,035	154,551
Income taxes receivable	6,726	6,801
Other non-current assets	3,516	3,457
Deferred tax assets	20,191	32,664
<b>Total non-current assets</b>	<b>848,332</b>	<b>818,378</b>
<b>Current assets</b>		
Inventories	92,215	92,788
Trade and other receivables	135,866	175,999
Other financial assets	29,480	13,374
Income taxes receivable	194	160
Other current assets	8,342	10,264
Cash and cash equivalents	193,698	156,468
<b>Total current assets</b>	<b>459,795</b>	<b>449,053</b>
<b>Total assets</b>	<b>1,308,127</b>	<b>1,267,431</b>

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	263,859	243,961
Other financial liabilities	21,404	17,991
Retirement benefit liabilities	15,069	15,089
Other non-current liabilities	53,046	54,732
Deferred tax liabilities	28,424	26,079
Total non-current liabilities	381,802	357,852
Current liabilities		
Borrowings	9,960	26,460
Trade and other payables	64,638	48,246
Other financial liabilities	23,341	19,737
Income taxes payable	24,511	20,122
Provisions	99,851	95,247
Other current liabilities	55,846	51,085
Total current liabilities	278,147	260,897
Total liabilities	659,949	618,749
Equity		
Share capital	22,400	22,400
Capital surplus	15,855	15,385
Treasury shares	(679)	(680)
Retained earnings	508,677	542,041
Other components of equity	34,317	3,162
Equity attributable to owners of the parent	580,570	582,308
Non-controlling interests	67,608	66,374
Total equity	648,178	648,682
Total liabilities and equity	1,308,127	1,267,431

### (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	17,837	(677)	457,330	46,118	—
Net profit	—	—	—	37,297	—	—
Other comprehensive income	—	—	—	—	(9,099)	(260)
Total comprehensive income	—	—	—	37,297	(9,099)	(260)
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	(5,562)	—	—
Transaction with non-controlling interests	—	(277)	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	(220)	(40)	260
Other increase / decrease	—	—	—	—	—	—
Total transactions with owners	—	(277)	(0)	(5,782)	(40)	260
Balance as of September 30, 2020	22,400	17,560	(677)	488,845	36,979	—

Balance as of April 1, 2021	22,400	15,855	(679)	508,677	38,575	—
Net profit	—	—	—	36,450	—	—
Other comprehensive income	—	—	—	—	(31,630)	(22)
Total comprehensive income	—	—	—	36,450	(31,630)	(22)
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(5,563)	—	—
Transaction with non-controlling interests	—	(470)	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	2,477	(2,499)	22
Other increase / decrease	—	—	—	—	—	—
Total transactions with owners	—	(470)	(1)	(3,086)	(2,499)	22
Balance as of September 30, 2021	22,400	15,385	(680)	542,041	4,446	—

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of April 1, 2020	(10,309)	(29)	35,780	532,670	103,190	635,860
Net profit	—	—	—	37,297	(6,958)	30,339
Other comprehensive income	(10,401)	8	(19,752)	(19,752)	(3,364)	(23,116)
Total comprehensive income	(10,401)	8	(19,752)	17,545	(10,322)	7,223
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	(5,562)	—	(5,562)
Transaction with non-controlling interests	—	—	—	(277)	2,355	2,078
Reclassification from other components of equity to retained earnings	—	—	220	—	—	—
Other increase / decrease	—	—	—	—	49	49
Total transactions with owners	—	—	220	(5,839)	2,404	(3,435)
Balance as of September 30, 2020	(20,710)	(21)	16,248	544,376	95,272	639,648
Balance as of April 1, 2021	(4,331)	73	34,317	580,570	67,608	648,178
Net profit	—	—	—	36,450	(6,463)	29,987
Other comprehensive income	3,015	(41)	(28,678)	(28,678)	718	(27,960)
Total comprehensive income	3,015	(41)	(28,678)	7,772	(5,745)	2,027
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(5,563)	—	(5,563)
Transaction with non-controlling interests	—	—	—	(470)	4,511	4,041
Reclassification from other components of equity to retained earnings	—	—	(2,477)	—	—	—
Other increase / decrease	—	—	—	—	—	—
Total transactions with owners	—	—	(2,477)	(6,034)	4,511	(1,523)
Balance as of September 30, 2021	(1,316)	32	3,162	582,308	66,374	648,682

Note: During the year ended March 31, 2021, the company finalized the purchase price allocation for the assets acquired and the liabilities assumed related to the strategic alliance with Roivant. Therefore, the corresponding balances in the Consolidated Statements of Financial Position as of April 1, 2020 and the corresponding balances in the Consolidated Statements of Financial Position as of September 30, 2020 were retrospectively adjusted.

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Net profit	30,339	29,987
Depreciation and amortization	9,507	18,102
Changes in fair value of contingent consideration	(53)	143
Interest and dividend income	(713)	(663)
Interest expenses	950	1,487
Income tax expenses	13,315	19,279
(Increase) decrease in trade and other receivables	(6,594)	(38,598)
(Increase) decrease in inventories	(5,152)	848
Increase (decrease) in trade and other payables	(7,642)	(16,275)
Increase (decrease) in unearned revenue	—	4,976
Increase (decrease) in retirement benefits liabilities	524	8
Increase (decrease) in provisions	11,593	(5,618)
Others, net	1,635	(17,568)
Subtotal	47,709	(3,892)
Interest received	160	81
Dividends received	563	579
Interest paid	(820)	(1,252)
Income taxes paid	(21,543)	(23,724)
Net cash provided by (used in) operating activities	26,069	(28,208)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,965)	(3,655)
Proceeds from sales of property, plant and equipment	238	226
Purchase of intangible assets	(1,921)	(3,943)
Purchase of investments	(5,167)	(20,921)
Proceeds from sales and redemption of investments	3,285	5,026
Net decrease (increase) in short-term loan receivables	25,724	27,678
Others, net	178	(779)
Net cash provided by (used in) investing activities	19,372	3,632
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(118,000)	—
Repayments of long-term borrowings	(1,480)	(3,480)
Proceeds from issuance of corporate bonds	118,938	—
Repayments of finance lease obligations	(2,345)	(2,326)
Dividends paid	(5,560)	(5,565)
Payments for acquisition of interest in a subsidiary from non-controlling interests	(2,254)	(3,553)
Others, net	908	1,678
Net cash provided by (used in) financing activities	(9,793)	(13,246)
Net increase (decrease) in cash and cash equivalents	35,648	(37,822)
Cash and cash equivalents at beginning of year	101,708	193,698
Effect of exchange rate changes on cash and cash equivalents	(2,646)	592
Cash and cash equivalents at end of period	134,710	156,468

## **(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 six months ended September 30, 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 Six Months Ended September 30, 2020 (1) Qualitative Information on Business Results", are included in profit eliminated for inter-segment transactions.

① Six months ended September 30, 2020

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceutical						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	77,342	144,504	12,296	9,336	243,478	18,020	261,498
Inter-segment revenues and transfers	25	—	—	—	25	27	52
Total	77,367	144,504	12,296	9,336	243,503	18,047	261,550
Segment profit (Core segment profit)	13,325	70,846	6,267	4,895	95,333	1,880	97,213

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 Six months ended September 30, 2021

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	76,582	174,852	18,136	4,580	274,150	19,580	293,730
Inter-segment revenues and transfers	40	—	—	—	40	21	61
Total	76,622	174,852	18,136	4,580	274,190	19,601	293,791
Segment profit (Core segment profit)	9,811	70,237	9,588	897	90,533	1,886	92,419

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	Six months ended September 30, 2020	Six months ended September 30, 2021
Total of reportable segments	243,503	274,190
Revenue of Other Business	18,047	19,601
Elimination of inter-segment revenue	(52)	(61)
Revenue on the consolidated financial statements	261,498	293,730

(Millions of yen)

Profit	Six months ended September 30, 2020	Six months ended September 30, 2021
Total of reportable segments	95,333	90,533
Segment profit of Other Business	1,880	1,886
Elimination of inter-segment profit	3	12
Research and development expenses (Note)	(49,206)	(45,706)
Gains on business transfers	—	1,189
Others	(29)	5
Core operating profit	47,981	47,919
Change in fair value of contingent consideration	53	(143)
Other income	566	313
Other expenses	(1,061)	(432)
Others	—	(85)
Operating profit in the consolidated financial statements	47,539	47,572

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

(Significant subsequent event)

Not applicable.