

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [IFRS]

February 10, 2022

Company name	: Otsuka Holdings Co., Ltd.
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
URL	: <a href="https://www.otsuka.com/en/">https://www.otsuka.com/en/</a>
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Scheduled date of annual general meeting of shareholders	: March 30, 2022
Scheduled date of dividend payment commencement	: March 31, 2022
Scheduled date of securities report submission	: March 31, 2022
Supplementary materials for financial results	: Yes
Earnings announcement for financial results	: Yes (for institutional investors, analysts and the press)

(Figures are rounded down to the nearest million yen unless otherwise stated)

**1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2021****(1) Consolidated Operating Results**

(% indicates percentage of change from the previous fiscal year)

	Revenue		Business profit		Operating profit		Profit for the year		Profit attributable to owners of the Company		Total comprehensive income for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2021	1,498,276	5.3	157,127	(27.6)	154,497	(22.2)	129,209	(14.8)	125,463	(15.3)	217,267	52.4
FY2020	1,422,826	1.9	216,887	15.9	198,582	12.5	151,733	15.7	148,137	16.5	142,590	20.1

(Reference) Share of profit of investments accounted for using the equity method  
 FY2021 ¥ 8,508 million  
 FY2020 ¥ 13,087 million

\* Business profit is an indicator of ordinary earnings power calculated as follows:

Revenue – Cost of sales – Selling, general and administrative expenses – Research and development expenses + Share of profit of investments accounted for using the equity method

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
FY2021	231.32	231.15	6.5	6.0	10.3
FY2020	273.15	272.35	8.2	7.3	14.0

**(2) Consolidated Financial Position**

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity attributable to owners of the Company per share
	Million yen	Million yen	Million yen	%	Yen
As of December 31, 2021	2,820,915	2,045,189	2,010,994	71.3	3,707.64
As of December 31, 2020	2,627,807	1,883,432	1,852,375	70.5	3,415.54

**(3) Consolidated Cash Flows**

	Net cash flows provided by operating activities	Net cash flows used in investing activities	Net cash flows used in financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
FY2021	228,864	(95,288)	(95,844)	410,684
FY2020	232,839	(99,863)	(104,932)	356,851

## 2. Dividends

	Annual dividends per share					Total dividends	Dividends pay-out ratio (consolidated)	Ratio of dividends to equity attributable to owners of the Company (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2020	—	50.00	—	50.00	100.00	54,233	36.6	3.0
FY2021	—	50.00	—	50.00	100.00	54,236	43.2	2.8
FY2022 (forecast)	—	50.00	—	50.00	100.00		37.2	

## 3. Forecasts of Consolidated Financial Results for FY2022 (January 1, 2022 to December 31, 2022)

(% indicates percentage of change from the same period of the previous fiscal year)

	Revenue		Business profit		Operating profit		Profit for the year		Profit attributable to owners of the Company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (YTD)	767,000	6.7	111,000	6.5	112,500	1.2	87,500	(6.6)	86,000	(5.9)	158.55
FY2021	1,550,000	3.5	190,000	20.9	192,000	24.3	149,000	15.3	146,000	16.4	269.17

## 4. Others

- (1) Changes in significant subsidiaries during the fiscal year (changes in specified subsidiaries resulting in a change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
  - 1) Changes in accounting policies required by IFRS: None
  - 2) Changes in accounting policies due to other reasons: None
  - 3) Changes in accounting estimates: None
- (3) Number of shares issued and outstanding (common stock)
  - 1) Number of shares issued and outstanding as of the end of the fiscal year (including treasury shares):

December 31, 2021	557,835,617 shares
December 31, 2020	557,835,617 shares
  - 2) Number of shares of treasury shares as of the end of the fiscal year:

December 31, 2021	15,443,700 shares
December 31, 2020	15,499,157 shares
  - 3) Average number of shares outstanding during the fiscal year:

Fiscal year ended December 31, 2021	542,377,047 shares
Fiscal year ended December 31, 2020	542,316,240 shares

\* This report is out of scope of audits by the external auditor.

### \* Note to ensure appropriate use of forecasts, and other comments in particular

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that Otsuka Holdings Co., Ltd. (“the Company”) deems reasonable. Actual performance and other results may differ significantly due to various factors. Please refer to “1. Overview of Operating Results and Financial Position (5) Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022” on page 9 for details with regard to the assumptions and other matters concerning the financial forecast.

The Company plans to hold an earnings release conference call for institutional investors, analysts and the press on February 10, 2022. Presentation materials and the webcast of the call will be available on the Company’s website promptly after the call.

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## 1. Overview of Operating Results and Financial Position

### (1) Operating Results for the Fiscal Year Ended December 31, 2021

The Company and its subsidiaries (hereinafter referred to as the “Group”) adopted “Business profit” as an indicator of ordinary earnings power, which is calculated as follows:

Revenue – Cost of sales – Selling, general and administrative expenses – Research and development expenses + Share of profit of investments accounted for using the equity method

(Millions of yen)				
	FY2020 (Fiscal year ended December 31, 2020)	FY2021 (Fiscal year ended December 31, 2021)	Change	% Change
Revenue	1,422,826	1,498,276	75,450	5.3 %
Business profit before research and development expenses	433,729	389,427	(44,302)	(10.2)%
Business profit	216,887	157,127	(59,760)	(27.6)%
Operating profit	198,582	154,497	(44,084)	(22.2)%
Profit before tax	189,988	163,638	(26,349)	(13.9)%
Profit for the year	151,733	129,209	(22,524)	(14.8)%
Profit attributable to owners of the Company	148,137	125,463	(22,673)	(15.3)%
Research and development expenses	216,841	232,299	15,457	7.1 %
Impairment losses	26,110	6,479	(19,631)	(75.2)%

Based on the concept of total health care, the Group has been promoting corporate activities to maintain and promote health and to diagnose and treat disease. Now is the time to demonstrate the Group’s true value as a total healthcare provider, and harness the opportunities presented by a growing awareness of health in the new normal in order to continue to move toward the realization of sustainable growth in both the pharmaceutical business and the nutraceutical business.

For the fiscal year ended December 31, 2021, the Group recorded consolidated revenue of ¥1,498,276 million (up 5.3% over the previous fiscal year) as the four global products *ABILIFY MAINTENA*, *REXULTI/RXULTI*, *JINARC/JYNARQUE* and *LONSURF*, and the nutraceutical business, among others, contributed to an increase in sales that significantly exceeded a large decrease in sales caused by the expiration of co-agreements for *SPRYCEL* and *E Keppra*. In the pharmaceutical business, business performance was driven by sales growth of *ABILIFY MAINTENA*, *REXULTI/RXULTI*, *JINARC/JYNARQUE*, as well as clinical nutrition, diagnostic agents, and especially *LONSURF*, for which the number of prescriptions increased as the use of oral anti-cancer agents has been recommended amid the coronavirus pandemic, and the oral anti-cancer agent *INQOVI*, which was launched in North America in the previous fiscal year, despite an impact from the above expiration of co-agreements and the launch of a generic version of *Samsca* in the U.S. In the nutraceutical business, sales of *POCARI SWEAT* in Asia, which were affected by lower consumption due to fewer occasions to go out in the previous fiscal year, has recovered, and sales of *Nature Made* in North America and *EQUELLE* in Japan continued to grow in line with a rising awareness toward self-management of health. Re-building a distribution system corresponding to the new normal contributed to an increase in the revenue of the Nutrition & Santé SAS brand.

Meanwhile, gross profit increased only 2.1% over the previous fiscal year due to changes in the product mix, an increase in cost of sales associated with a co-promotion agreement for *TREMFYA*, a treatment for psoriasis, and an increase in cost of sales by other one-time factors\*. In addition, as a result of an increase in co-promotion expenses accompanying sales growth of *ABILIFY MAINTENA* and *REXULTI/RXULTI*, upfront investment for new brands toward 2022 of Pharmavite LLC, for which sales are currently growing steadily, and aggressive upfront investment for launching *AJOVY*, a preventive treatment for migraine and preparing for launches of futibatib and other new products, business profit before research and development expenses was ¥389,427 million (down 10.2%). Moreover, while development expenses related to vadadustat and others decreased, there was an increase in development expenses based on a collaboration and license agreement executed with Sumitomo Dainippon Pharma Co., Ltd. (hereinafter referred to as “Sumitomo Dainippon Pharma”) and Sunovion Pharmaceuticals Inc. (hereinafter referred to as “Sunovion Pharmaceuticals”) for joint development and commercialization related to an antipsychotic agent with a novel mechanism of action, as well as development expenses related to life cycle management for maximizing the value of *LONSURF* and so forth, bringing research and development expenses to ¥232,299 million (up 7.1%), while business profit was ¥157,127 million (down 27.6%), and operating profit was ¥154,497 million (down 22.2%), mainly as a result of recording expenses caused by the changes in the fair value of the contingent considerations related to centanafadine and impairment losses.

Due to exchange rate fluctuations, etc., the Group recorded profit for the year of ¥129,209 million (down 14.8%), and profit attributable to owners of the Company of ¥125,463 million (down 15.3%).

\* One-time factors refer to the impact of exchange rate fluctuations on the elimination of unrealized gains on inventories in the pharmaceutical business and inventories valuation loss related to influenza diagnostics.

Results by business segment are as follows:

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	977,508	376,650	31,918	149,987	(37,788)	1,498,276
Business profit	139,942	46,551	5,324	10,774	(45,465)	157,127

Reference (FY2020)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	955,159	334,088	31,356	140,115	(37,893)	1,422,826
Business profit	197,185	41,988	10,641	10,453	(43,381)	216,887

#### 1) Pharmaceuticals

Revenue in the pharmaceutical business for the fiscal year ended December 31, 2021 totaled ¥977,508 million (up 2.3%), with business profit of ¥139,942 million (down 29.0%).

#### Main products

##### • Four global products

The Company positions the long acting antipsychotic agent *ABILIFY MAINTENA*, the antipsychotic agent *REXULTI*<sup>\*1</sup>/*RXULTI*<sup>\*2</sup>, the V<sub>2</sub>-receptor antagonist *Samsca*/*JINARC*<sup>\*3</sup>/*JYNARQUE*<sup>\*4</sup> and the anti-cancer agent *LONSURF* as its four global products. Sales of those products totaled ¥489,837 million (up 14.0%).

\*1: Brand name for the antipsychotic agent outside Japan and Europe

\*2: Brand name for the antipsychotic agent in Europe

\*3: Brand name for autosomal dominant polycystic kidney disease (“ADPKD”) treatment in multiple regions outside Japan

\*4: Brand name for ADPKD treatment in the U.S.

##### • Long acting antipsychotic agent *ABILIFY MAINTENA*

In the U.S., sales increased atop growth in prescriptions, mainly due to promoting the efficacy of the product for bipolar disorder and schizophrenia patients, who have problems adhering to drug regimens, as well as the use of direct-to-consumer advertising and an increase in face-to-face detailing activities. In Japan, sales were strong mainly due to the addition of an indication for the suppression of recurrence and relapse of mood episodes in bipolar I disorder in September 2020. Also in Europe, sales increased, particularly in major markets. As a result, sales of *ABILIFY MAINTENA* totaled ¥130,275 million (up 12.3%).

##### • Antipsychotic agent *REXULTI*/*RXULTI*

In the U.S., where antipsychotic agent *REXULTI* is sold as adjunctive therapy in major depressive disorder and a treatment for schizophrenia, prescriptions grew and sales increased, mainly due to promotions utilizing digital technologies, the use of direct-to-consumer advertising, and an increase in face-to-face detailing activities. In Japan, prescriptions grew with the launch of orally disintegrating tablets in November 2021, increasing convenience, and stronger information provision activities. As a result, sales of *REXULTI*/*RXULTI* totaled ¥121,096 million (up 15.7%).

##### • V<sub>2</sub>-receptor antagonist *Samsca*

In Japan, where the drug is sold as treatment for fluid retention in patients with heart failure and hepatic cirrhosis, ADPKD and another condition, sales increased due to online detailing activities such as web seminars. In the U.S., where the drug is sold as a treatment for hyponatremia, and in Europe, where the drug is sold as a treatment for syndrome of inappropriate antidiuretic hormone secretion (SIADH), generics were launched after the expiry of the exclusive sales period. As a result, sales of *Samsca* totaled ¥92,000 million (up 4.1%).

##### • V<sub>2</sub>-receptor antagonist *JINARC*/*JYNARQUE*

In the U.S., the number of prescriptions for ADPKD increased mainly due to continued efforts to raise awareness of the disease and provide information about clinical data. As a result, sales of *JINARC*/*JYNARQUE* totaled ¥100,401 million (up 25.5%).

##### • Anti-cancer agent *LONSURF*

In the U.S., sales increased since at-home care and the use of oral anti-cancer agents<sup>\*5,6</sup> are recommended due to the spread of COVID-19. Prescriptions continued to be robust in Japan and Europe. As a result, sales of *LONSURF* totaled ¥46,064 million (up 13.1%).

\*5: Pelin Cinar et al., Safety at the Time of the COVID-19 Pandemic: How to Keep our Oncology Patients and Healthcare Workers Safe. J Natl Compr Canc Netw, 2020 Apr 15;1-6.

\*6: ASCO. COVID-19 Patient Care Information, Cancer Treatment and Supportive Care. <https://www.asco.org/covid-resources/patient-care-info/cancer-treatment-supportive-care> Updated 17 September 2021, Accessed 20 January 2022.

## 2) Nutraceuticals

Revenue in the nutraceutical business for the fiscal year ended December 31, 2021 totaled ¥376,650 million (up 12.7%), with business profit of ¥46,551 million (up 10.9%).

### Main products

The Company positions *POCARI SWEAT*, *Nature Made* and the Nutrition & Santé SAS brand as its three major brands. Sales of those brands totaled ¥231,311 million (up 15.9%). Total sales of its three nurture brands, the Daiya Foods Inc. brand, *EQUELLE* and *BODY MAINTÉ*, were ¥27,071 million (up 0.9%).

#### ● Three major brands

Sales of *POCARI SWEAT*, an electrolyte supplement drink, increased overall for the brand amid restrained consumer activity due to the impact of COVID-19, as a result of conducting education about hydration and replenishment of electrolytes and developing markets in line with the situation in each region, particularly overseas. Sales performed solidly in Japan as the importance of hydration and replenishment of electrolytes at home became more widely recognized due to awareness-raising regarding countermeasures against heat disorder in daily life.

Amid a more sophisticated awareness of physical conditioning among consumers accompanying the spread of COVID-19, consumers' trust in the brand and quality of *Nature Made* supplements by Pharmavite LLC is further rising, and sales increased due to an increase in demand, primarily for vitamin D and vitamin C in *Nature Made*'s main market of North America. Furthermore, in July 2021, *Nature Made* was selected as the No. 1<sup>\*7</sup> supplement recommended by U.S. pharmacists for the 24th consecutive year.

Sales increased for the Nutrition & Santé SAS brand, which sells health food products mainly in Europe, mainly due to the effects of continuous product composition optimization, along with expansion of e-commerce adapted to new lifestyles.

\*7: 2021 U.S. News & World Report - Pharmacy Times Survey

*Nature Made* is ranked as the #1 Pharmacist Recommended brand for: Sleep Aids, Diabetic Multivitamins, CoQ10, Flaxseed Oil, Herbal Supplement Brand, Essential Vitamins, Omega-3/Fish Oil, Cholesterol Management (Fish Oil), Mood Health (St. John's Wort)

#### ● Three nurture brands

Plant-based foods of the Daiya Foods Inc. brand in North America maintained a high share in the dairy alternatives market, and the brand has been making positive moves, including new product launches and starting new efforts for expanding in e-commerce. However, this market has been expanding rapidly and newcomer manufacturers are increasing. Although sales declined for the fiscal year ended December 31, 2021 in part due to a fallback from the sharp surge in consumers' at-home demand accompanying the spread of COVID-19 for last year, efforts were continued to enhance the product lineup by utilizing its original technology and expand distribution.

Sales of *EQUELLE*, a food and supplement brand containing equol that supports women's health and beauty, continued to grow steadily due to increased recognition of the product through the wide-ranging spread of information on the product.

As for *BODY MAINTÉ*, a protective beverage brand containing the plant-based lactic-acid bacteria B240<sup>\*8</sup>, although sales declined for the fiscal year ended December 31, 2021 in part due to a fallback from the increase in demand accompanying the spread of COVID-19 for last year, recognition and understanding of the product spread steadily amid rising awareness regarding health and body conditioning among consumers.

\*8: *Lactiplantibacillus pentosus* ONRICb0240: Strain isolated by Tokyo University of Agriculture, for which Otsuka Pharmaceutical has confirmed efficacy.

## 3) Consumer products

In mineral water products, sales volume performed solidly, primarily of 700-milliliter PET bottles of mainstay brand *CRYSTAL GEYSER*, and sales volume remained level year on year overall for the brand. The *CRYSTAL GEYSER* brand introduced 50% recycled PET bottles in April 2021, as part of proactive efforts to promote environmental consideration. Sales volume of *MATCH*, a carbonated vitamin drink, decreased overall for the brand, mainly reflecting the impacts of a decrease in opportunities for going outdoors and unfavorable weather. As a result, revenue in the consumer product business for the fiscal year ended December 31, 2021 totaled ¥31,918 million (up 1.8%), while business profit totaled ¥5,324 million (down 50.0%), in part due to a decrease in share of profit of associates.

## 4) Others

Sales in the specialty chemical business increased as a result of increased sales to the automotive industry. Sales in the fine chemical business increased, mainly due to an increase in sales of antibiotic intermediates.

In the transportation and warehousing business, sales increased due to the capture of new external customers in line with the promotion of a "common distribution platform" and a recovery in the handling volume.

As a result, revenue in the other businesses for the fiscal year ended December 31, 2021 totaled ¥149,987 million (up 7.0%), while business profit was ¥10,774 million (up 3.1%).

\* Please refer to the Supplement Documents (FACT BOOK) for sales by product and other information.

<https://www.otsuka.com/en/ir/library/materials.html>

## (2) Research and Development Activities

Research and development expenses for the fiscal year ended December 31, 2021 totaled ¥232,299 million.

The primary areas of research and development as well as the status of new product development by segment were as follows:

### Pharmaceuticals

The Group conducts research and development with a primary focus on the areas of psychiatry and neurology, and oncology. The Group also conducts research and development focusing on fields that are yet to be fully addressed such as cardiovascular, renal system, etc.

Research and development expenses in the pharmaceutical business for the fiscal year ended December 31, 2021 were ¥218,054 million.

Research and development activities carried out during the fiscal year ended December 31, 2021 in the pharmaceutical business are summarized below.

Category	Brand Name, (Generic name), Development Code	Status
Psychiatry and neurology	(aripiprazole long-acting injection)	<China> • An application for the indication of schizophrenia was filed in January 2021.
	(centanafadine) EB-1020	<U.S.> • Phase II trial for the smoking cessation was initiated in September 2021.
	<i>AJOVY</i> (fremanezumab) TEV-48125	<Japan> • Approval was granted for the indication of preventive treatment of migraine in June 2021.
	(ulotaront) SEP-363856	<U.S.> • Currently in Phase III trials for the treatment of schizophrenia. <Japan and China> • Currently in Phase II / III trial for the treatment of schizophrenia.
	SEP-4199*	<U.S.> • Currently in Phase III trial for the treatment of bipolar I depression. <Japan> • Phase III trial for the treatment of bipolar I depression was initiated in November 2021.
Oncology	<i>INQOVI</i> (decitabine, cedazuridine) ASTX727	<U.S.> • Phase II trial for the treatment of acute myeloid leukemia was initiated in November 2021.
	(pimipitespib) TAS-116	<Japan> • An application for the indication of gastrointestinal stromal tumor was filed in September 2021.
	TAS-117	<Japan, U.S. and Europe> • Phase II trial for the treatment of solid tumors harboring germline PTEN inactivating mutations was initiated in April 2021.
	(futibatatinib) TAS-120	<Japan, U.S. and Europe> • Phase III trial for the treatment of intrahepatic cholangiocarcinoma was initiated in January 2021. <U.S. and Europe> • Phase II trial for the treatment of urothelial cancer was initiated in February 2021.
	TAS0953	<Japan> • Phase I/II trial for the treatment of solid tumors was initiated in February 2021.
	TAS1553	<U.S.> • Phase I trial for the treatment of acute myeloid leukemia was initiated in March 2021.
	TAS2940	<U.S. and Europe> • Phase I trial for the treatment of solid tumors was initiated in October 2021.
	(zimberelimab) AB122	<Japan> • Phase I trial for the treatment of solid tumors was initiated in September 2021.

Category	Brand Name, (Generic name), Development Code	Status
	(fosnetupitant) Pro-NETU	<Japan> • An application for the indication of chemotherapy-induced nausea and vomiting was filed in March 2021.
	OPC-415	<Japan> • Phase I/II trial for the treatment of multiple myeloma was initiated in June 2021.
	(canerpatrev) TBI-1401	<Japan> • Development for the treatment of pancreatic cancer was halted due to the termination of an agreement.
	TBI-1501	<Japan> • Development for the treatment of adult acute lymphoblastic leukemia was halted due to the termination of an agreement.
Cardiovascular and renal system	(tolvaptan sodium phosphate) OPC-61815	<Japan> • An application for the indication of cardiac edema was filed in March 2021.
	(vadadustat) AKB-6548	<U.S.> • An application for the indication of anemia associated with chronic kidney disease was filed in June 2021. <Europe> • A marketing application for the indication of anemia associated with chronic kidney disease was filed in October 2021.
	(bempedoic acid) ETC-1002	<Japan> • Phase II trial for the treatment of hypercholesterolemia was initiated in April 2021.
	(voclosporin)	<Europe> • A marketing application for the indication of lupus nephritis was filed in June 2021.
	NO-13065	<U.S.> • Phase I trial for the treatment of obesity was initiated in June 2021.
Other categories	VIS410	<U.S.> • Development for the Type A influenza infection was halted due to development strategy.
	<i>Moizerto</i> (difamilast) OPA-15406	<Japan> • Approval was granted for the indication of atopic dermatitis in September 2021.
	(pamufetinib) TAS-115	<Japan> • Phase II trial for the treatment of chronic fibrosing interstitial lung diseases with a progressive phenotype was initiated in October 2021.

\* Worldwide collaboration and license agreement with Sumitomo Dainippon Pharma and its U.S.-based subsidiary Sunovion Pharmaceuticals announced on September 30, 2021 for joint development and commercialization of four compounds including ulotaront (SEP-363856) and SEP-4199.

#### Nutraceuticals

In the nutraceutical business, the Group draws on its knowledge in the pharmaceutical business to constantly conduct research and development of world-class products centering on functional foods and beverages that support the maintenance and improvement of day-to-day well-being.

In the field of women's health, the Group acquired Uqora, Inc., which in North America provides specialized products in the area of female urinary tract health and also has a strong platform, in July 2021. The Group will leverage synergies among group companies to promote research and development that will enable more complete support for women's health in this field, where there are high unmet needs. In addition, *tocoelle*, a complex supplement to support women bothered by pre-menstrual fluctuations, was launched in November 2021 and is available through medical practitioners in Japan and some e-commerce sites.

Research and development expenses in the nutraceutical business for the fiscal year ended December 31, 2021 were ¥7,977 million.



### Consumer products

In the consumer product business, the Group is engaged in the research and development of original and unique products in the field of food and beverage that are part of everyone's daily life. The Group is creating and proposing innovative products based on the themes of food and health, targeting businesses in retort foods, beverages, and plant-based foods, with the aim of solving various issues associated with the changing society, such as those involving health, the environment, population and the aging society.

Research and development expenses in the consumer product business for the fiscal year ended December 31, 2021 were ¥622 million.

### Others

In the other businesses, the Group is primarily engaged in the research and development of specialty chemical products and fine chemicals. The Group is focusing on organic and inorganic synthesis technologies and conducting research and development of new products centered on own technology as well as research and development of next-generation fields.

Research and development expenses in the other businesses for the fiscal year ended December 31, 2021 were ¥5,644 million.

## (3) Financial Position for the Fiscal Year Ended December 31, 2021

(Millions of yen)

	As of December 31, 2020	As of December 31, 2021	Change
Current assets	1,003,727	1,049,389	45,661
Non-current assets	1,624,079	1,771,526	147,446
Total assets	2,627,807	2,820,915	193,107
Current liabilities	416,213	467,910	51,697
Non-current liabilities	328,161	307,815	(20,346)
Total liabilities	744,374	775,725	31,350
Total equity	1,883,432	2,045,189	161,757

#### a. Assets

Total assets as of December 31, 2021 were ¥2,820,915 million, an increase of ¥193,107 million compared to ¥2,627,807 million as of December 31, 2020. Current assets increased by ¥45,661 million, and non-current assets increased by ¥147,446 million.

##### (Current Assets)

Current assets as of December 31, 2021 were ¥1,049,389 million, an increase of ¥45,661 million compared to ¥1,003,727 million as of December 31, 2020. This was mainly due to increases in cash and cash equivalents by ¥53,833 million, inventories by ¥6,522 million and income taxes receivable by ¥5,259 million, partially offset by a decrease in other financial assets by ¥24,846 million.

##### (Non-current Assets)

Non-current assets as of December 31, 2021 were ¥1,771,526 million, an increase of ¥147,446 million compared to ¥1,624,079 million as of December 31, 2020. This was mainly due to increases in property, plant and equipment by ¥24,958 million, goodwill by ¥32,821 million, intangible assets by ¥65,469 million and investments accounted for using the equity method by ¥19,643 million, as a result of investments in the pharmaceutical business and exchange rate fluctuations. For the fiscal year ended December 31, 2021, a collaboration and license agreement has been executed by Sumitomo Dainippon Pharma and Sunovion Pharmaceuticals. An upfront payment of USD 270 million (¥30,226 million) associated with the agreement was recorded as an in-process research and development intangible asset as of December 31, 2021.

#### b. Liabilities

Total liabilities as of December 31, 2021 were ¥775,725 million, an increase of ¥31,350 million compared to ¥744,374 million as of December 31, 2020. Current liabilities increased by ¥51,697 million, and non-current liabilities decreased by ¥20,346 million.

##### (Current Liabilities)

Current liabilities as of December 31, 2021 were ¥467,910 million, an increase of ¥51,697 million compared to ¥416,213 million as of December 31, 2020. This was mainly due to increases in trade and other payables by ¥5,152 million, bonds and borrowings by ¥4,187 million, provisions by ¥9,542 million and other current liabilities by ¥35,951 million, partially offset by a decrease in income taxes payable by ¥4,253 million.

##### (Non-current Liabilities)

Non-current liabilities as of December 31, 2021 were ¥307,815 million, a decrease of ¥20,346 million compared to ¥328,161 million as of December 31, 2020. This was mainly due to decreases in bonds and borrowings by ¥21,809 million and contract liabilities by ¥11,392 million, partially offset by an increase in other financial liabilities by ¥8,078 million.

#### c. Equity

Total equity as of December 31, 2021 was ¥2,045,189 million, an increase of ¥161,757 million compared to ¥1,883,432 million as of December 31, 2020. This was mainly due to an increase in retained earnings by ¥79,553 million which consisted of profit attributable to owners of the Company of ¥125,463 million net of dividend payments of ¥54,236 million, and an increase in other components of equity by ¥78,427 million as a result of the depreciation of the yen.

#### (4) Cash Flow for the Fiscal Year Ended December 31, 2021

Cash and cash equivalents as of December 31, 2021 was ¥410,684 million, an increase of ¥53,833 million compared to the balance as of December 31, 2020. For the fiscal year ended December 31, 2021, net cash flows provided by operating activities were ¥228,864 million, while net cash flows used in investing activities were ¥95,288 million mainly as a result of investments in the pharmaceutical business toward sustainable growth. Net cash flows used in financing activities were ¥95,844 million as a result of repayments of borrowings and lease liabilities and ¥55,984 million of dividends paid.

Thus, cash and cash equivalents were increased to ¥410,684 million as operating cash inflows exceeded the total cash outflows from investing and financing activities, further augmented by the effect of ¥16,101 million of exchange rate fluctuations on cash and cash equivalents as a result of the depreciation of the yen.

The following provides details around cash flow movements for the fiscal year ended December 31, 2021:

##### Cash Flows from Operating Activities

Net cash flows provided by operating activities were ¥228,864 million, a decrease of ¥3,974 million compared to the previous fiscal year. Cash flows from operating activities for the fiscal year ended December 31, 2021 mainly consisted of ¥163,638 million of profit before tax, adjusted for ¥84,855 million of depreciation and amortization expenses, ¥13,322 million decrease in trade and other receivables, ¥12,162 million increase in trade and other payables, ¥29,398 million of the other cash flow from operating activities and ¥52,144 million of income taxes paid.

The decrease of ¥3,974 million was primarily due to a decrease of profit before tax by ¥26,349 million, a decrease of impairment losses by ¥19,631 million, a decrease in trade and other receivables by ¥3,357 million, and a change to decrease in trade and other payables by ¥21,314 million, partially offset by a decrease of income taxes paid by ¥7,304 million, a change to increase in the other cash flow from operating activities by ¥40,680 million, and a change to decrease in inventories by ¥25,750 million.

##### Cash Flows from Investing Activities

Net cash flows used in investing activities were ¥95,288 million, a decrease in outflows of ¥4,575 million compared to the previous fiscal year. Cash flows used in investing activities for the fiscal year ended December 31, 2021 mainly consisted of ¥52,453 million of payments for acquisition of property, plant and equipment, ¥60,699 million of payments for acquisition of intangible assets, and ¥23,551 million decrease in time deposits.

The decrease of ¥4,575 million in outflows compared to the previous fiscal year was primarily due to a ¥25,671 million increase in inflow of time deposits, offset by ¥30,226 million of payments for acquisition of intangible assets, which is an upfront payment of USD 270 million associated with the collaboration and license agreement among Sumitomo Dainippon Pharma and Sunovion Pharmaceuticals in the pharmaceutical business, and ¥8,035 million payments for acquisition of subsidiaries such as Uqora, Inc., which provides women's urinary tract health products in the nutraceuticals business.

##### Cash Flows from Financing Activities

Net cash flows used in financing activities were ¥95,844 million, a decrease in outflows of ¥9,088 million compared to the previous fiscal year. Cash flows from financing activities for the fiscal year ended December 31, 2021 mainly consisted of ¥21,131 million of repayments of long-term borrowings, ¥18,912 million of repayments of lease liabilities and ¥55,984 million of dividends paid. The decrease in outflows of ¥9,088 million compared to the previous fiscal year was primarily due to ¥10,624 million increase in inflow of short-term borrowings by ¥10,624 million.

(5) **Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022**

The financial forecast for the fiscal year ending December 31, 2022 is as follows:

(Millions of yen)

	FY2021 (actual)	FY2022(forecast)	Change	% Change
Revenue	1,498,276	1,550,000	51,724	3.5 %
Business profit before research and development expenses	389,427	437,000	47,572	12.2 %
Business profit	157,127	190,000	32,872	20.9 %
Operating profit	154,497	192,000	37,502	24.3 %
Profit before tax	163,638	191,000	27,361	16.7 %
Profit for the year	129,209	149,000	19,790	15.3 %
Profit attributable to owners of the Company	125,463	146,000	20,536	16.4 %
Research and development expenses	232,299	247,000	14,701	6.3 %

(Note) FY2022 projected exchange rate: 110 Yen/USD 130 Yen/EUR

In the pharmaceutical business, robust sales growth of the four global products (*ABILIFY MAINTENA*, *REXULTI/RXULTI*, *JINARC/JYNARQUE* and *LONSURF*) is expected. In the nutraceutical business, revenue is expected to increase due to growth in sales of three major brands (*POCARI SWEAT*, *Nature Made* and the Nutrition & Santé SAS brand) and three nurture brands (Daiya Foods Inc. brand, *EQUELLE* and *BODY MAINTÉ*).

Regarding selling, general and administrative expenses, the Group will promote further cost reductions in existing businesses while continuing investment for future growth in new businesses.

Regarding research and development expenses, development expenses based on a collaboration and license agreement executed with Sumitomo Dainippon Pharma and Sunovion Pharmaceuticals for joint development and commercialization, and investments in such as centanafadine, and VIS649 are expected to increase in order to achieve sustainable growth. Business profit is expected higher than the one for the fiscal year ended December 31, 2021 excluding some one-time factors, as the four global products and the nutraceutical business are expected to increase on profits and further cost reductions in existing businesses are promoted, despite that the launch of a generic version of *Samsca* in Japan and the continued shipping adjustments for *Abraxane* will have a negative impact on profits.

## 2. Basic Rationale for Selection of Accounting Standards

The Group adopted International Financial Reporting Standards (IFRS) to enhance the international comparability of its financial reporting.

**3. Consolidated Financial Statements and Major Notes**  
**(1) Consolidated Statements of Financial Position**

	As of December 31, 2020	(Millions of yen) As of December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	356,851	410,684
Trade and other receivables	379,107	380,191
Inventories	173,827	180,350
Income taxes receivable	3,283	8,543
Other financial assets	44,920	20,074
Other current assets	44,488	48,036
Subtotal	1,002,479	1,047,880
Assets held for sale	1,247	1,508
Total current assets	1,003,727	1,049,389
Non-current assets		
Property, plant and equipment	462,131	487,089
Goodwill	262,914	295,735
Intangible assets	457,192	522,662
Investments accounted for using the equity method	208,146	227,790
Other financial assets	187,221	173,956
Deferred tax assets	21,531	31,936
Other non-current assets	24,941	32,355
Total non-current assets	1,624,079	1,771,526
Total assets	2,627,807	2,820,915

	As of December 31, 2020	(Millions of yen) As of December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	164,950	170,103
Bonds and borrowings	28,690	32,877
Lease liabilities	15,511	17,096
Other financial liabilities	1,987	1,988
Income taxes payable	14,744	10,490
Provisions	–	9,542
Contract liabilities	12,644	12,458
Other current liabilities	177,350	213,302
Subtotal	415,878	467,859
Liabilities directly associated with assets held for sale	334	50
Total current liabilities	416,213	467,910
Non-current liabilities		
Bonds and borrowings	124,564	102,754
Lease liabilities	57,314	59,726
Other financial liabilities	16,737	24,815
Net defined benefit liabilities	16,724	14,075
Provisions	904	1,358
Contract liabilities	69,164	57,771
Deferred tax liabilities	25,457	27,560
Other non-current liabilities	17,294	19,753
Total non-current liabilities	328,161	307,815
Total liabilities	744,374	775,725
Equity		
Equity attributable to owners of the Company		
Share capital	81,690	81,690
Capital surplus	506,295	506,724
Treasury shares	(45,781)	(45,572)
Retained earnings	1,402,644	1,482,197
Other components of equity	(92,474)	(14,046)
Total equity attributable to owners of the Company	1,852,375	2,010,994
Non-controlling interests	31,057	34,195
Total equity	1,883,432	2,045,189
Total liabilities and equity	2,627,807	2,820,915

## (2) Consolidated Statements of Income

(Millions of yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Revenue	1,422,826	1,498,276
Cost of sales	(439,749)	(495,030)
Gross profit	983,076	1,003,245
Selling, general and administrative expenses	(562,434)	(622,326)
Share of profit of investments accounted for using the equity method	13,087	8,508
Research and development expenses	(216,841)	(232,299)
Impairment losses	(26,110)	(6,479)
Other income	11,436	11,348
Other expenses	(3,631)	(7,499)
Operating profit	198,582	154,497
Finance income	3,661	13,981
Finance expenses	(12,256)	(4,840)
Profit before tax	189,988	163,638
Income tax expenses	(38,254)	(34,429)
Profit for the year	151,733	129,209
Attributable to:		
Owners of the Company	148,137	125,463
Non-controlling interests	3,596	3,745
Earnings per share:		
Basic earnings per share (Yen)	273.15	231.32
Diluted earnings per share (Yen)	272.35	231.15

**(3) Consolidated Statements of Comprehensive Income**

	(Millions of yen)	
	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Profit for the year	151,733	129,209
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	4,260	7,166
Financial assets measured at fair value through other comprehensive income	18,798	(13,092)
Share of other comprehensive income of investments accounted for using the equity method	390	(252)
Subtotal	23,450	(6,178)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(34,088)	81,254
Cash flow hedges	(4)	(0)
Share of other comprehensive income of investments accounted for using the equity method	1,499	12,982
Subtotal	(32,593)	94,236
Total other comprehensive income	(9,143)	88,057
Comprehensive income for the year	142,590	217,267
Attributable to:		
Owners of the Company	139,321	212,218
Non-controlling interests	3,268	5,049
Comprehensive income for the year	142,590	217,267

(4) Consolidated Statements of Changes in Equity

FY2020 (From January 1, 2020 to December 31, 2020)

(Millions of yen)

	Equity attributable to owners of the Company					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2020	81,690	505,520	(46,018)	1,304,569	–	24,047
Profit for the year	–	–	–	148,137	–	–
Other comprehensive income	–	–	–	–	4,431	18,986
Comprehensive income for the year	–	–	–	148,137	4,431	18,986
Purchase of treasury shares	–	–	(1)	–	–	–
Dividends	–	–	–	(54,230)	–	–
Share-based payment transactions	–	789	238	–	–	–
Changes in ownership interests in subsidiaries that do not result in loss of control	–	(14)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	4,167	(4,431)	264
Decrease in consolidated subsidiaries – non-controlling interests	–	–	–	–	–	–
Total transactions with owners	–	774	237	(50,062)	(4,431)	264
Balance as of December 31, 2020	81,690	506,295	(45,781)	1,402,644	–	43,298

	Equity attributable to owners of the Company					
	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2020	(103,537)	(1)	(79,490)	1,766,271	29,168	1,795,440
Profit for the year	–	–	–	148,137	3,596	151,733
Other comprehensive income	(32,229)	(4)	(8,815)	(8,815)	(327)	(9,143)
Comprehensive income for the year	(32,229)	(4)	(8,815)	139,321	3,268	142,590
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	–	(54,230)	(1,482)	(55,713)
Share-based payment transactions	–	–	–	1,028	–	1,028
Changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	(14)	8	(6)
Transfer from other components of equity to retained earnings	–	–	(4,167)	–	–	–
Decrease in consolidated subsidiaries – non-controlling interests	–	–	–	–	94	94
Total transactions with owners	–	–	(4,167)	(53,218)	(1,379)	(54,598)
Balance as of December 31, 2020	(135,766)	(5)	(92,474)	1,852,375	31,057	1,883,432



## Equity attributable to owners of the Company

	Equity attributable to owners of the Company				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2021	81,690	506,295	(45,781)	1,402,644	–	43,298
Profit for the year	–	–	–	125,463	–	–
Other comprehensive income	–	–	–	–	7,025	(13,364)
Comprehensive income for the year	–	–	–	125,463	7,025	(13,364)
Purchase of treasury shares	–	–	(1)	–	–	–
Dividends	–	–	–	(54,236)	–	–
Share-based payment transactions	–	456	210	–	–	–
Changes in ownership interests in subsidiaries that do not result in loss of control	–	(27)	–	–	–	–
Changes associated with losing control of subsidiaries	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	8,326	(7,025)	(1,300)
Total transactions with owners	–	428	209	(45,910)	(7,025)	(1,300)
Balance as of December 31, 2021	81,690	506,724	(45,572)	1,482,197	–	28,632

## Equity attributable to owners of the Company

	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2021	(135,766)	(5)	(92,474)	1,852,375	31,057	1,883,432
Profit for the year	–	–	–	125,463	3,745	129,209
Other comprehensive income	93,093	(0)	86,754	86,754	1,303	88,057
Comprehensive income for the year	93,093	(0)	86,754	212,218	5,049	217,267
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	–	(54,236)	(1,751)	(55,988)
Share-based payment transactions	–	–	–	666	–	666
Changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	(27)	(17)	(44)
Changes associated with losing control of subsidiaries	–	–	–	–	(143)	(143)
Transfer from other components of equity to retained earnings	–	–	(8,326)	–	–	–
Total transactions with owners	–	–	(8,326)	(53,598)	(1,911)	(55,510)
Balance as of December 31, 2021	(42,673)	(6)	(14,046)	2,010,994	34,195	2,045,189

**(5) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Profit before tax	189,988	163,638
Depreciation and amortization expenses	79,423	84,855
Impairment losses and reversal of impairment losses	26,110	6,479
Share of profit of investments accounted for using the equity method	(13,087)	(8,508)
Finance income	(3,661)	(13,981)
Finance costs	12,256	4,840
(Increase) decrease in inventories	(19,245)	6,505
Decrease in trade and other receivables	16,680	13,322
Increase (decrease) in trade and other payables	9,152	(12,162)
Others	(11,281)	29,398
Subtotal	<u>286,335</u>	<u>274,389</u>
Interest and dividends received	9,153	9,281
Interest paid	(3,199)	(2,662)
Income taxes paid	(59,448)	(52,144)
Net cash flows provided by operating activities	<u>232,839</u>	<u>228,864</u>
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	168	1,697
Payments for acquisition of property, plant and equipment	(48,802)	(52,453)
Payments for acquisition of intangible assets	(49,073)	(60,699)
Proceeds from sales and redemption of investments	17,486	22,245
Payments for acquisition of investments	(18,082)	(23,714)
Payments for acquisition of subsidiaries	-	(8,035)
(Increase) decrease in time deposits	(2,120)	23,551
Others	558	2,119
Net cash flows used in investing activities	<u>(99,863)</u>	<u>(95,288)</u>
Cash flows from financing activities		
Purchase of treasury shares	(1)	(1)
Change in short-term borrowings, net	(10,614)	10
Proceeds from long-term borrowings	10,201	220
Repayments of long-term borrowings	(31,084)	(21,131)
Repayments of lease liabilities	(17,749)	(18,912)
Dividends paid	(55,695)	(55,984)
Others	10	(44)
Net cash flows used in financing activities	<u>(104,932)</u>	<u>(95,844)</u>
Increase in cash and cash equivalents	28,043	37,732
Cash and cash equivalents at the beginning of the year	334,040	356,851
Effect of exchange rate changes on cash and cash equivalents	(5,232)	16,101
Cash and cash equivalents at the end of the year	<u>356,851</u>	<u>410,684</u>

(6) **Notes to Consolidated Financial Statements**

**Note to Going Concern Assumptions**

Not applicable.

**Significant Accounting Estimates and Judgments**

In preparing IFRS-compliant consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Such estimates and underlying assumptions are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the accounting period in which the review was conducted and future accounting periods.

Items that may have significant effects on the amounts recognized in the consolidated financial statements are as follows:

- Impairment of intangible assets
- Fair value measurement of financial instruments
- Recoverability of deferred tax assets
- Measurement of defined benefit obligations
- Estimation of statutory and contractual rebates related to the public health system in the U.S.

## Operating Segments

### (1) Overview of reportable segments

The Group's reportable segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors in order to make decisions on allocation of business resources and to evaluate the business performance of the respective segments.

The Company directs the Group's strategic planning, monitors group operations and provides various services to its group companies. Business activities are conducted by the Group's subsidiaries and associates.

Centering on the healthcare business, the Group operates activities inside and outside Japan relating to the following four reportable segments: "Pharmaceuticals," "Nutraceuticals," "Consumer products" and "Others" businesses.

The Group defines the reportable segments as follows:

"Pharmaceuticals" comprises manufacturing and sales of prescription drugs and intravenous solutions.

"Nutraceuticals" comprises manufacturing and sales of functional beverages, over-the-counter drugs and nutritional supplements.

"Consumer products" comprises manufacturing and sales of mineral water, soft beverages and food products.

"Others" encompasses logistics, warehousing, manufacturing and sales of chemical products, evaluation systems for LED displays and spectroanalysis devices.

### (2) Revenues and performances by reportable segment

Segment profit is based on operating profit.

Intersegment sales and transfers reflect reasonable prices for intersegment transfers based on market value.

Revenues and performance by the Group's reportable segments are as follows:

FY2020 (From January 1, 2020 to December 31, 2020)

(Millions of yen)

	Reportable segment					Adjustments* <sup>1</sup>	Consolidated Statement of Income
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	955,159	334,054	31,346	102,265	1,422,826	–	1,422,826
Intersegment revenue or transfers	–	34	9	37,849	37,893	(37,893)	–
Total	955,159	334,088	31,356	140,115	1,460,719	(37,893)	1,422,826
Segment profit	176,809	41,461	10,790	12,962	242,024	(43,442)	198,582
Other items							
Depreciation and amortization expenses	50,567	13,400	1,477	7,781	73,226	6,196	79,423
Share of profit of investments accounted for using the equity method	504	109	11,607	862	13,084	3	13,087
Impairment losses	25,972	82	56	–	26,110	–	26,110
Capital expenditures* <sup>2</sup>	82,344	12,503	2,712	17,317	114,878	7,918	122,797

FY2021 (From January 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable segment					Adjustments* <sup>1</sup>	Consolidated Statement of Income
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	977,508	376,600	31,893	112,274	1,498,276	—	1,498,276
Intersegment revenue or transfers	—	50	25	37,713	37,788	(37,788)	—
Total	977,508	376,650	31,918	149,987	1,536,064	(37,788)	1,498,276
Segment profit	137,342	46,559	5,312	11,437	200,652	(46,154)	154,497
Other items							
Depreciation and amortization expenses	55,718	14,501	1,611	8,584	80,416	4,438	84,855
Share of profit of investments accounted for using the equity method	(1,971)	411	7,906	2,160	8,508	—	8,508
Impairment losses	5,376	61	20	1,006	6,465	14	6,479
Capital expenditures* <sup>2</sup>	93,625	19,598	2,673	10,742	126,638	17,470	144,109

\*<sup>1</sup> Details of adjustments are as follows:

(1) Segment profit

The following table shows the segment profit adjustments.

(Millions of yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Intersegment eliminations	(172)	329
Unallocated expenses*	(43,819)	(47,359)
Other income	549	874
Total	(43,442)	(46,154)

\* Unallocated expenses are incurred in administrative departments such as headquarters of the Company and certain subsidiaries.

(2) Other items

Depreciation and amortization expenses and impairment losses

Adjustments include depreciation and amortization expenses and impairment losses of property, plant and equipment and intangible assets as assets associated with headquarter functions of the Company and certain subsidiaries.

(3) Capital expenditures

Adjustments include capital expenditures relating to assets associated with headquarter and research functions of the Company and certain subsidiaries.

\*<sup>2</sup> Capital expenditures are purchases of property, plant and equipment, goodwill and intangible assets.

**Earnings per Share**

## (1) Basis of calculating basic earnings per share

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Profit attributable to owners of the Company (Millions of yen)	148,137	125,463
Amount not attributable to ordinary equity holders of the Company (Millions of yen)	–	–
Profit used for calculation of basic earnings per share (Millions of yen)	148,137	125,463
Weighted average number of ordinary shares (Thousands of shares)	542,316	542,377
Basic earnings per share (Yen)	273.15	231.32

## (2) Basis of calculating diluted earnings per share

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Profit used for calculation of basic earnings per share (Millions of yen)	148,137	125,463
Adjustments of profit for the year (Millions of yen)	(435)	(90)
Profit used for calculation of diluted earnings per share (Millions of yen)	147,702	125,373
Weighted average number of ordinary shares (Thousands of shares)	542,316	542,377
Increase in ordinary shares		
Warrants (Thousands of shares)	–	–
Weighted average number of diluted ordinary shares (Thousands of shares)	542,316	542,377
Diluted earnings per share (Yen)	272.35	231.15

**Subsequent Events**

Not applicable.