

May 11, 2022

**Consolidated Financial Results
for the Fiscal Year Ended March 31, 2022
(Under Japanese GAAP)**

Listed Company: Zeria Pharmaceutical Co., Ltd. (Stock Exchange: Tokyo Stock Exchange)
Code Number: 4559 (URL: <https://www.zeria.co.jp/>)
Representative: Mitsuhiro Ibe, Representative Director, President & COO
Person in charge of reference: Tomoyuki Nishizawa, Director, Public Relations Division TEL (03) 3661-1039
Scheduled date of ordinary general meeting of shareholders: June 29, 2022
Scheduled date to commence dividend payments: June 30, 2022
Scheduled date to submit the Securities Report: June 29, 2022
Preparation of supplementary documents to the financial results: Yes
Holding of financial results presentation: Yes (for analysts, institutional investors and the press)

(Amounts under a million yen are truncated.)

1. Consolidated Financial Highlights (April 1, 2021 through March 31, 2022)

(1) Consolidated Financial Results (Percentage figures indicate changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	59,532	12.8	6,366	83.2	5,935	85.0	3,961	26.0
March 31, 2021	52,757	–	3,475	–	3,208	–	3,143	–

Note: Comprehensive income: For the year ended March 31, 2022: 2,992 million yen [(52.1)%]
For the year ended March 31, 2021: 6,250 million yen [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Year ended	Yen	Yen	%	%	%
March 31, 2022	87.76	–	7.1	4.8	10.7
March 31, 2021	68.22	–	5.8	2.8	6.6

Reference: Share of profit (loss) of entities accounted for using equity method: For the year ended March 31, 2022: – million yen
For the year ended March 31, 2021: – million yen

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the start of the fiscal year ended March 31, 2022, and each figure for the fiscal year ended March 31, 2021, is the figure after retrospectively applying the accounting standard and relevant revised ASBJ regulations. Consequently, the percentage of year-on-year change of each figure for the fiscal year ended March 31, 2021, is not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2022	124,282	55,092	44.2	1,236.09
March 31, 2021	121,860	56,152	45.9	1,225.09

Reference: Equity: As of March 31, 2022: 54,894 million yen As of March 31, 2021: 55,985 million yen

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the start of the fiscal year ended March 31, 2022, and each figure as of March 31, 2021, is the figure after retrospectively applying the accounting standard and relevant revised ASBJ regulations.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of term
Year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	8,950	(2,892)	(4,841)	11,579
March 31, 2021	6,894	(17,460)	11,185	9,668

2. Dividends

	Annual dividends					Total dividends paid (Total)	Payout ratio (Consolidated)	Dividend rate for net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2021	–	17.00	–	17.00	34.00	1,561	49.8	2.9
March 31, 2022	–	17.00	–	18.00	35.00	1,566	39.9	2.8
Year ending March 31, 2023 (Forecast)	–	18.00	–	18.00	36.00		28.5	

3. Consolidated Financial Forecast for Fiscal Year Ending March 31, 2023 (April 1, 2022 through March 31, 2023)

(Percentage figures indicate changes from the same period of the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	33,000	15.4	3,500	31.0	3,500	12.3	2,800	32.3	63.05
Full year	66,000	10.9	7,000	10.0	7,000	17.9	5,600	41.4	126.10

* Notes

(1) Significant changes of subsidiaries during the fiscal year ended March 31, 2022 (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Inclusion: – (Company name: –) Exclusion: – (Company name: –)

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements after error corrections: None

Note: For details, please refer to “3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to consolidated financial statements (Change in accounting policy)” on page 18 of the Attached Material.

(3) Number of shares issued (common shares)

1) Number of shares issued as of the end of the term (including treasury shares):

As of March 31, 2022: 53,119,190 shares As of March 31, 2021: 53,119,190 shares

2) Number of shares of treasury shares as of the end of the term:

As of March 31, 2022: 8,709,322 shares As of March 31, 2021: 7,420,461 shares

3) Average number of shares during the term:

For the year ended March 31, 2022: 45,139,009 shares

For the year ended March 31, 2021: 46,071,761 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Highlights (April 1, 2021 through March 31, 2022)

(1) Non-consolidated Financial Results

(Percentage figures indicate changes from the previous year.)

Year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	31,956	1.2	782	100.6	1,594	46.4	1,392	9.3
March 31, 2021	31,570	—	390	—	1,088	—	1,273	—

Year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	30.85	—
March 31, 2021	27.65	—

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the start of the fiscal year ended March 31, 2022, and each figure for the fiscal year ended March 31, 2021, is the figure after retrospectively applying the accounting standard and relevant revised ASBJ regulations. Consequently, the percentage of year-on-year change of each figure for the fiscal year ended March 31, 2021, is not shown.

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2022	94,903	38,252	40.3	861.34
March 31, 2021	95,027	41,329	43.5	904.39

Reference: Equity: As of March 31, 2022: 38,252 million yen As of March 31, 2021: 41,329 million yen

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the start of the fiscal year ended March 31, 2022, and each figure as of March 31, 2021, is the figure after retrospectively applying the accounting standard and relevant revised ASBJ regulations.

* Financial Results Reports Are Not Required to Be Audited by Certified Public Accountants or An Audit Corporation.

* Cautionary Statement with Respect to Appropriate Use of Financial Forecast and Other Special Matters

The description about the future including the projection in this document is based on information available to the Company at present and certain presumptions which the Company considers reasonable. Consequently, any descriptions herein do not constitute assurances regarding actual results by the Company. The actual results for future terms may differ from the information in this document due to various factors. For the assumptions made in financial forecasts and cautions concerning the use thereof, please refer to “1. Summary of Business Results (1) Summary of business results for the current fiscal year” on page 2 of the Attached Material.

○Table of contents of attachments

1. Summary of Business Results.....	2
(1) Summary of business results for the current fiscal year	2
(2) Overview of financial position for the current fiscal year	4
2. Basic Policy on Selection of Accounting Standards.....	6
3. Consolidated Financial Statements and Significant Notes Thereto.....	7
(1) Consolidated balance sheet.....	7
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	9
Consolidated statement of income	9
Consolidated statement of comprehensive income	10
(3) Consolidated statement of changes in equity.....	11
(4) Consolidated statement of cash flows.....	13
(5) Notes to consolidated financial statements	15
(Notes on premise of a going concern).....	15
(Significant matters that form the basis for the preparation of consolidated financial statements) ..	15
(Change in accounting policy).....	18
(Segment information, etc.)	19
(Per share information)	23
(Significant subsequent events)	23
4. Other.....	24
(1) Sales of major products and merchandise Consolidated.....	24
(2) Status of pipeline of new drugs.....	25

1. Summary of Business Results

(1) Summary of business results for the current fiscal year

(i) Business results for the current fiscal year

Net sales for the current fiscal year were 59,532 million yen (up 12.8% from the previous fiscal year). As for profits, operating profit was 6,366 million yen (up 83.2% from the previous year), ordinary profit was 5,935 million yen (up 85.0% from the previous year), and profit attributable to owners of parent was 3,961 million yen (up 26.0% from the previous year).

In the current fiscal year, the overseas sales to net sales ratio was 41.4%, compared with 36.2% in the previous fiscal year.

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. are effective from the beginning of the current fiscal year, and comparisons and analysis with the previous fiscal year are made using figures after retroactive application of the said accounting standard.

Next, we would like to report on the results by business segment.

(Ethical Pharmaceuticals Business)

In this business segment, we have been striving to maximize product value by further enhancing the information provision activities of MRs (medical representatives), including digital marketing, based on compliance with the promotion code.

As for our mainstay product, Asacol, a therapeutic agent for ulcerative colitis, sales in the domestic market remained at the same level as the previous year, affected by the NHI drug price revision, although sales grew on a volume basis. In the overseas market, sales remained steady on the back of growth in sales of Asacol 1600mg. In addition, sales of DIFICLIR, a treatment for *Clostridium difficile* infection, made a significant contribution to sales as a result of aggressive investment of sales resources in response to its recommendation as a first-line drug in the European guidelines for the treatment of infectious diseases. In addition, sales of Acofide, a therapeutic agent for functional dyspepsia, increased due in part to the elimination of inventory adjustments resulting from the termination of co-promotion with Astellas Pharma Inc. in the previous fiscal year. On the other hand, sales of Entocort (domestic sales name: Zentacort), an inflammatory bowel disease therapeutic agent, decreased due to difficult conditions in some regions such as Canada and Spain. With regard to Ferinject, an iron deficiency anemia treatment launched in Japan in September 2020, we are working to build the market, particularly in the gastroenterology and obstetrics and gynecology fields.

As a result, net sales in the business amounted to 37,006 million yen (up 23.6% from the previous fiscal year).

(Consumer Healthcare Business)

In this business segment, we have been building the market by supplying products that support the self-medication of consumers amid the advance of the super-aging society.

Sales of the main brands, Hepalyse range increased due to the growth of the pharmaceutical Hepalyse range and the recovery of sales of Hepalyse W range for convenience stores from the second half of the fiscal year. On the other hand, sales of the Chondroitin range, WithOne range and hygiene products such as disinfectants decreased due to the impact of competitive products.

In addition, efforts were made to strengthen product lineups, and new products such as IONA Spa&Mineral W cleansing and Hi Jelly FE were launched. In addition, as part of efforts to develop and nurture Western herbal preparations, in addition to Prefemin, a treatment for premenstrual syndrome, which is currently on the market, the Company sequentially launched Belfemin, a medicine to improve swelling of the feet, and Colpermin, a medicine to improve irritable bowel syndrome (IBS) during the current fiscal year.

As a result, net sales in the business amounted to 22,370 million yen (down 1.2% from the previous fiscal year).

(Other Business)

Net sales in this segment amounted to 156 million yen (down 0.3% from the previous fiscal year), mainly due to insurance agency business and real estate lease revenue.

(Status of Research and Development)

In the Research and Development division, Zeria is carefully selecting development themes and promoting new drug research and development including in-licensed, centered on the priority gastrointestinal field under a global development structure in coordination with Tillotts Pharma AG.

The Phase III global clinical trial of Z-100 for the treatment of cervical cancer was conducted in seven Asian countries including Japan, but failed to demonstrate a statistically significant difference in overall survival, the primary endpoint of the trial. However, Z-100 has been shown to exhibit a variety of pharmacological effects based on its immunostimulatory properties, including suppression of cancer. Furthermore, in the previous study (2004-2013), a subgroup analysis limited to stage IIIB subjects showed a significant difference in overall survival, the primary endpoint, in the Z-100 group compared to the placebo group, and we intend to continue the research and development of Z-100 in the future.

Regarding Zeria's own original drug Z-338 (Acofide), Phase III trials are being conducted for pediatric functional dyspepsia patients in Japan. In addition, we are providing an investigational drug for a Phase II multicenter investigator-initiated clinical trial being conducted by Kyushu University to support research to explore the efficacy and safety of acotiamide in patients with esophagogastric junction outflow obstruction. Furthermore, we are supporting activities to obtain manufacturing and marketing approvals in Thailand, Indonesia, and five Latin American countries under license agreements with Meiji Seika Pharma Co., Ltd. and FAES FARMA, S.A. for the exclusive development and marketing of the drug.

Phase III trials have been conducted in Japan for ZG-801, a therapeutic agent for hyperkalemia in-licensed from Vifor (International) AG of Switzerland. On the other hand, with regard to the Phase III global study (indication: chronic heart failure accompanying hyperkalemia) in chronic heart failure patients with a background of hyperkalemia that Vifor (International) AG was conducting in the U.S., Europe, and other countries, in which we participated as the company in charge of Japan, Vifor (International) AG decided to terminate the study before the start of the study in Japan due to the global spread of the COVID-19 pandemic.

As for consumer healthcare products, we obtained the manufacturing and marketing approval for Colpermin, a medicine to improve irritable bowel syndrome (IBS), in August 2021, and launched it in March 2022.

As a result of these activities, research and development expenses for the current fiscal year were 4,789 million yen (down 11.5% from the previous fiscal year).

(Status of Production and Distribution)

In Zeria's Production and Distribution division, we are reducing costs by consolidating production and promoting in-house production based on the premise of securing quality and stable supply, while taking measures to prevent the spread of COVID-19 infections.

In production-related divisions, we took thorough measures against the risk of infection at each plant due to the spread of COVID-19 and secured product inventories through accelerated production in order to maintain a stable supply system. In addition, as a response to quality assurance, with the enforcement of the revisions to the ministerial ordinance on GMP (Good Manufacturing Practices – standards for manufacturing and quality controls relating to pharmaceuticals and quasi-drugs) (enacted on August 1, 2021), more stringent GMP operations have become essential, and we have improved our GMP operation system, including strengthening the education and training of plant employees. Furthermore, during the fiscal year under review, the Company initiated a review of the production system at its four domestic plants, including the Saitama and Tsukuba plants owned by the Company and the plants owned by two subsidiaries (Kenso-Seiyaku Co., Ltd.'s Tsukuba Plant and IONA INTERNATIONAL CORPORATION's Fukushima Plant), and began consolidation of production lines and in-house production. We will accelerate these initiatives and continue to work on further cost reduction.

In logistics-related divisions, we took full advantage of the effects of the relocation of the Tokyo Logistics Center in 2020 to strengthen the joint delivery system and reduce logistics costs. We will continue to promote the reinforcement of the joint delivery system mainly by expanding the number of participating companies to further improve operational efficiency.

In addition, the government has been strengthening its inspection system of manufacturing facilities due to frequent large-scale recalls of generic drug manufacturers and distributors resulting from discrepancies between the approval documents and actual manufacturing conditions and violations of GMP ordinances. Based on these cases of violations, we have re-inspected each of our plants as necessary to confirm that there are no problems, and have also changed the system to centralized management by the Headquarters organization to further strengthen the GMP system. We will ensure that there continues to be no issues going forward by strengthening education and training efforts at each plant, enhancing departments related to quality control, and reinforcing our framework for oversight by the relevant departments at Headquarters.

(ii) Future outlook

For the fiscal year ending March 31, 2023, we forecast net sales of 66,000 million yen (up 10.9% from the previous year), operating profit of 7,000 million yen (up 10.0% from the previous year), ordinary profit of 7,000 million yen (up 17.9% from the previous year), and profit attributable to owners of parent of 5,600 million yen (up 41.4% from the previous year).

Net sales

In the Ethical Pharmaceuticals Business, the Company expects sales to increase both in the overseas market with the growth of DIFICLIR and Asacol, and in the domestic market with the growth of Ferinject and Acofide. In the Consumer Healthcare Business, although the end of the spread of COVID-19 is still uncertain due to the emergence of new mutant strains, the Company expects sales of Hepalyse range and other major products to recover through the introduction of new products and strengthening of sales promotion activities in line with changes in consumers' behavioral patterns and needs.

Profit

Due to the increase in net sales, we expect an increase in operating profit, ordinary profit, and profit attributable to owners of parent.

(2) Overview of financial position for the current fiscal year

(i) Assets, liabilities, and net assets

Total assets at the end of the current fiscal year were 124,282 million yen, an increase of 2,421 million yen from the end of the previous fiscal year. Current assets increased 4,349 million yen to 41,663 million yen from the end of the previous fiscal year, and non-current assets decreased 1,927 million yen to 82,618 million yen from the end of the previous fiscal year. Major changes in current assets included an increase of 1,910 million yen in cash and deposits, an increase of 2,646 million yen in accounts receivable - trade, an increase of 846 million yen in inventories such as merchandise and finished goods, and a decrease of 1,060 million yen in other current assets including a decrease in advance payments to suppliers. The breakdown of changes in non-current assets was a decrease of 494 million yen in property, plant and equipment, a decrease of 863 million yen in intangible assets, and a decrease of 568 million yen in investments and other assets.

Total liabilities at the end of the current fiscal year were 69,189 million yen, an increase of 3,482 million yen from the end of the previous fiscal year. Current liabilities decreased 9,604 million yen to 44,193 million yen from the end of the previous fiscal year, and non-current liabilities increased 13,086 million yen to 24,996 million yen from the end of the previous fiscal year. Current liabilities decreased mainly due to a decrease of 10,315 million yen in short-term borrowings. Non-current liabilities increased mainly due to an increase of 12,566 million yen in long-term borrowings.

Net assets at the end of the current fiscal year were 55,092 million yen, a decrease of 1,060 million yen from the end of the previous fiscal year.

This was mainly due to profit attributable to owners of parent of 3,961 million yen, dividends paid at the end of the previous period and in the current interim period of 1,543 million yen, an increase of 2,595 million yen in treasury shares, a decrease of 330 million yen in valuation difference on available-for-sale securities, an increase of 616 million yen in foreign currency translation adjustment and a decrease of 1,287 million yen in remeasurements of defined benefit plans.

As a result, equity ratio at the end of the current fiscal year decreased by 1.7% from the end of the previous fiscal year to 44.2%.

(ii) Status of cash flows

Cash and cash equivalents (below, “cash”) at the end of the current fiscal year increased 1,910 million yen from the beginning of the period to 11,579 million yen. This was due to net cash provided by operating activities of 8,950 million yen, despite net cash used in investing activities of 2,892 million yen and net cash used in financing activities of 4,841 million yen.

The status of each cash flow and its factors for the current fiscal year are as follows.

[Net cash provided by (used in) operating activities]

Net cash provided by operating activities amounted to 8,950 million yen in the current fiscal year (up 2,056 million yen from the previous fiscal year). This was due to factors including profit before income taxes of 5,721 million yen, depreciation of 4,700 million yen, an increase in trade receivables of 2,029 million yen, a decrease in other current assets of 1,412 million yen, and income taxes - current of 874 million yen.

[Net cash provided by (used in) investing activities]

Net cash used in investing activities totaled 2,892 million yen in the current fiscal year (up 14,567 million yen from the previous fiscal year). This was mainly due to expenditures of 1,063 million yen for the purchase of property, plant and equipment and 1,640 million yen for the purchase of investment securities.

[Net cash provided by (used in) financing activities]

Net cash used in financing activities totaled 4,841 million yen in the current fiscal year (down 16,026 million yen from the previous fiscal year). This was mainly due to a decrease of 13,241 million yen in short-term borrowings, proceeds from long-term borrowings of 16,158 million yen, repayment of long-term borrowings of 3,388 million yen, purchase of treasury shares of 2,603 million yen, and dividends paid of 1,538 million yen.

Trends in cash flow-related indicators

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio (%)	45.9	44.2
Equity ratio based on market value (%)	78.9	68.0
Ratio of interest-bearing debt to cash flow (years)	7.4	6.0
Interest coverage ratio (times)	30.8	29.4

(Notes) 1. Each indicator is calculated as follows.

- (i) Equity ratio: equity/total assets
 - (ii) Equity ratio based on market value: market capitalization/total assets
 - (iii) Ratio of interest-bearing debt to cash flow: interest-bearing debt/cash flow
 - (iv) Interest coverage ratio: cash flow/interest payments
2. All of the above ratios are calculated based on consolidated financial figures.
 3. Market capitalization is calculated based on the number of shares issued excluding treasury shares.
 4. Operating cash flow is used for cash flow calculations.
 5. Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid.

2. Basic Policy on Selection of Accounting Standards

In order to ensure comparability among companies and over time, the Group prepares its consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapters VII and VIII) (Ministry of Finance Order No. 28 of 1976).

It is the Company's policy to apply International Financial Reporting Standards in an appropriate manner, taking into consideration various domestic and overseas circumstances.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	9,793,938	11,704,282
Notes receivable - trade	306,855	231,444
Accounts receivable - trade	13,328,772	15,975,368
Securities	3,032	—
Merchandise and finished goods	5,969,887	6,721,583
Work in process	1,504,855	1,409,684
Raw materials and supplies	3,629,263	3,819,276
Other	2,916,210	1,855,502
Allowance for doubtful accounts	(138,662)	(53,425)
Total current assets	37,314,152	41,663,717
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,369,295	24,540,208
Accumulated depreciation	(16,995,431)	(17,664,571)
Buildings and structures, net	7,373,864	6,875,636
Machinery, equipment and vehicles	14,719,435	15,072,462
Accumulated depreciation	(12,480,106)	(13,151,051)
Machinery, equipment and vehicles, net	2,239,328	1,921,411
Land	12,350,879	12,354,010
Construction in progress	116,803	480,590
Other	5,281,242	5,439,464
Accumulated depreciation	(3,727,836)	(3,931,769)
Other, net	1,553,405	1,507,694
Total property, plant and equipment	23,634,282	23,139,343
Intangible assets		
Goodwill	6,429,153	5,830,459
Sales right	27,950,633	27,539,473
Trademark right	6,343,457	6,786,202
Other	1,346,567	1,049,892
Total intangible assets	42,069,811	41,206,029
Investments and other assets		
Investment securities	5,915,274	7,005,587
Deferred tax assets	67,603	108,187
Retirement benefit asset	12,453,878	10,736,005
Other	443,272	475,407
Allowance for doubtful accounts	(37,835)	(51,945)
Total investments and other assets	18,842,193	18,273,242
Total non-current assets	84,546,287	82,618,615
Total assets	121,860,440	124,282,333

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,693,938	2,049,590
Short-term borrowings	44,158,858	33,842,933
Income taxes payable	562,594	458,297
Provision for bonuses	1,268,150	1,530,935
Other	6,113,932	6,311,307
Total current liabilities	53,797,474	44,193,063
Non-current liabilities		
Long-term borrowings	5,819,600	18,385,860
Deferred tax liabilities	3,344,317	3,905,088
Provision for loss on cancellation of contracts	281,160	490,142
Retirement benefit liability	1,308,891	1,073,819
Asset retirement obligations	55,578	55,827
Other	1,100,744	1,086,057
Total non-current liabilities	11,910,291	24,996,794
Total liabilities	65,707,766	69,189,858
Net assets		
Shareholders' equity		
Share capital	6,593,398	6,593,398
Capital surplus	11,685,121	11,685,121
Retained earnings	46,353,650	48,860,697
Treasury shares	(14,997,702)	(17,593,074)
Total shareholders' equity	49,634,467	49,546,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	137,448	(193,416)
Foreign currency translation adjustment	2,599,199	3,215,379
Remeasurements of defined benefit plans	3,614,155	2,326,536
Total accumulated other comprehensive income	6,350,802	5,348,499
Non-controlling interests	167,402	197,832
Total net assets	56,152,673	55,092,474
Total liabilities and net assets	121,860,440	124,282,333

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	52,757,184	59,532,829
Cost of sales	15,796,484	17,384,577
Gross profit	36,960,699	42,148,251
Selling, general and administrative expenses	33,484,983	35,782,192
Operating profit	3,475,716	6,366,058
Non-operating income		
Interest income	32,131	17,239
Dividend income	223,142	192,216
Other	118,097	78,050
Total non-operating income	373,371	287,506
Non-operating expenses		
Interest expenses	238,195	315,462
Foreign exchange losses	322,794	329,990
Other	79,445	72,465
Total non-operating expenses	640,435	717,918
Ordinary profit	3,208,652	5,935,646
Extraordinary income		
Gain on sale of non-current assets	1,991	3,513
Gain on sale of investment securities	375,143	14,589
Gain on write-off debts	681,614	–
Total extraordinary income	1,058,749	18,103
Extraordinary losses		
Loss on sale of non-current assets	1,179	–
Loss on retirement of non-current assets	4,041	4,027
Impairment losses	32,539	–
Provision for loss on cancellation of contracts	273,096	227,958
Total extraordinary losses	310,856	231,985
Profit before income taxes	3,956,545	5,721,764
Income taxes - current	837,063	726,625
Income taxes - deferred	(35,353)	1,020,344
Total income taxes	801,710	1,746,969
Profit	3,154,835	3,974,794
Profit attributable to non-controlling interests	11,710	13,609
Profit attributable to owners of parent	3,143,125	3,961,184

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	3,154,835	3,974,794
Other comprehensive income		
Valuation difference on available-for-sale securities	594,679	(330,865)
Foreign currency translation adjustment	941,024	636,557
Remeasurements of defined benefit plans, net of tax	1,559,672	(1,287,618)
Total other comprehensive income	3,095,377	(981,925)
Comprehensive income	6,250,212	2,992,868
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,247,882	2,958,880
Comprehensive income attributable to non-controlling interests	2,329	33,987

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,593,398	11,685,121	44,832,502	(13,846,605)	49,264,416
Cumulative effects of changes in accounting policies			(50,629)		(50,629)
Restated balance	6,593,398	11,685,121	44,781,872	(13,846,605)	49,213,786
Changes during period					
Dividends of surplus			(1,571,347)		(1,571,347)
Profit attributable to owners of parent			3,143,125		3,143,125
Purchase of treasury shares				(1,151,096)	(1,151,096)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,571,777	(1,151,096)	420,681
Balance at end of period	6,593,398	11,685,121	46,353,650	(14,997,702)	49,634,467

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(457,231)	1,648,794	2,054,482	3,246,045	168,384	52,678,846
Cumulative effects of changes in accounting policies						(50,629)
Restated balance	(457,231)	1,648,794	2,054,482	3,246,045	168,384	52,628,216
Changes during period						
Dividends of surplus						(1,571,347)
Profit attributable to owners of parent						3,143,125
Purchase of treasury shares						(1,151,096)
Net changes in items other than shareholders' equity	594,679	950,404	1,559,672	3,104,757	(981)	3,103,775
Total changes during period	594,679	950,404	1,559,672	3,104,757	(981)	3,524,456
Balance at end of period	137,448	2,599,199	3,614,155	6,350,802	167,402	56,152,673

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,593,398	11,685,121	46,353,650	(14,997,702)	49,634,467
Changes during period					
Change in scope of consolidation			89,448		89,448
Dividends of surplus			(1,543,585)		(1,543,585)
Profit attributable to owners of parent			3,961,184		3,961,184
Purchase of treasury shares				(2,595,372)	(2,595,372)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,507,047	(2,595,372)	(88,324)
Balance at end of period	6,593,398	11,685,121	48,860,697	(17,593,074)	49,546,143

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	137,448	2,599,199	3,614,155	6,350,802	167,402	56,152,673
Changes during period						
Change in scope of consolidation						89,448
Dividends of surplus						(1,543,585)
Profit attributable to owners of parent						3,961,184
Purchase of treasury shares						(2,595,372)
Net changes in items other than shareholders' equity	(330,865)	616,179	(1,287,618)	(1,002,303)	30,429	(971,874)
Total changes during period	(330,865)	616,179	(1,287,618)	(1,002,303)	30,429	(1,060,198)
Balance at end of period	(193,416)	3,215,379	2,326,536	5,348,499	197,832	55,092,474

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	3,956,545	5,721,764
Depreciation	3,748,527	4,700,838
Impairment losses	32,539	–
Amortization of goodwill	687,532	699,707
Increase (decrease) in provision for bonuses	(15,806)	220,865
Increase (decrease) in provision for loss on cancellation of contracts	273,096	179,902
Increase (decrease) in retirement benefit liability	265,372	218,716
Interest and dividend income	(255,273)	(209,456)
Interest expenses	238,195	315,462
Foreign exchange losses (gains)	19,761	(53,551)
Loss (gain) on sale of investment securities	(375,143)	(14,589)
Decrease (increase) in trade receivables	825,613	(2,029,753)
Decrease (increase) in inventories	(753,889)	(542,344)
Increase (decrease) in trade payables	(40,683)	284,495
Decrease (increase) in other current assets	287,194	1,412,991
Increase (decrease) in other current liabilities	(879,563)	(223,635)
Decrease (increase) in retirement benefit asset	(556,585)	(763,810)
Other, net	(68,257)	3,589
Subtotal	7,389,175	9,921,192
Interest and dividends received	255,268	209,456
Interest paid	(223,545)	(304,746)
Income taxes paid	(526,607)	(874,969)
Net cash provided by (used in) operating activities	6,894,290	8,950,932
Cash flows from investing activities		
Payments into time deposits	(125,000)	(125,000)
Proceeds from withdrawal of time deposits	125,000	125,000
Purchase of property, plant and equipment	(733,812)	(1,063,805)
Purchase of intangible assets	(15,398,851)	(356,699)
Purchase of investment securities	(72,078)	(1,640,950)
Proceeds from sale of investment securities	1,245,014	163,769
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,464,640)	–
Other payments	(87,818)	(6,150)
Other proceeds	51,374	11,021
Net cash provided by (used in) investing activities	(17,460,812)	(2,892,814)

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	12,744,803	(13,241,762)
Proceeds from long-term borrowings	4,500,000	16,158,850
Repayments of long-term borrowings	(3,121,015)	(3,388,135)
Repayments of lease liabilities	(212,969)	(225,371)
Purchase of treasury shares	(1,154,486)	(2,603,156)
Dividends paid	(1,567,830)	(1,538,123)
Dividends paid to non-controlling interests	(3,224)	(3,513)
Net cash provided by (used in) financing activities	11,185,277	(4,841,212)
Effect of exchange rate change on cash and cash equivalents	169,930	564,008
Net increase (decrease) in cash and cash equivalents	788,686	1,780,913
Cash and cash equivalents at beginning of period	8,880,252	9,668,938
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	129,430
Cash and cash equivalents at end of period	9,668,938	11,579,282

(5) Notes to consolidated financial statements

(Notes on premise of a going concern)

Not applicable.

(Significant matters that form the basis for the preparation of consolidated financial statements)

1 Scope of consolidation

(A) Number of consolidated subsidiaries: 17

Tillotts Pharma AG
Tillotts Pharma AB
Tillotts Pharma Ltd.
Tillotts Pharma UK Ltd.
Tillotts Pharma Czech s.r.o.
Tillotts Pharma Spain S.L.U.
Tillotts Pharma GmbH
Tillotts Pharma France SAS
Tillotts Pharma Italy srl
Pharmaceutical Joint Stock Company of February 3rd
ZPD A/S
Zeria Healthway Co., Ltd.
IONA INTERNATIONAL CORPORATION
Kenso-Seiyaku Co., Ltd.
Zevice Co., Ltd.
Zeriap Co., Ltd.
Zeria USA,INC.

Of the above, Tillotts Pharma Italy srl was included in the scope of consolidation because it was newly established. In addition, Zeriap Co., Ltd., which was a non-consolidated subsidiary until the previous fiscal year, is included in the scope of consolidation due to its increased importance.

(B) Major non-consolidated subsidiaries

Zeria Shoji Co., Ltd.
Zeria Ecotech Co., Ltd.

Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small companies and their combined total assets, net sales, net income or loss, and retained earnings do not have a material impact on the consolidated financial statements.

2 Application of equity method

Names of major non-consolidated subsidiaries not accounted for by the equity method

Zeria Shoji Co., Ltd.
Zeria Ecotech Co., Ltd.

Non-consolidated subsidiaries not accounted for by the equity method are excluded from the scope of equity method because their net income and retained earnings have a minimal effect on the consolidated financial statements and they are insignificant in the aggregate.

3 Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, Tillotts Pharma AG, Pharmaceutical Joint Stock Company of February 3rd, ZPD A/S, and other overseas consolidated subsidiaries have a fiscal year ending December 31.

In preparing the consolidated financial statements, the financial statements of these subsidiaries as of their fiscal year-end are used. However, adjustments necessary for consolidation are made for significant transactions that occurred between January 1 and March 31, the end of the consolidated fiscal year.

4 Matters related to accounting policies

(A) Valuation standards and methods for significant assets

(1) Investment securities

Other securities

Other than stocks and other securities without market price

..... Market value method (unrealized gains or losses are reported as a separate component)

- of net assets, and the cost of securities sold is determined by the moving-average method)
- Stocks and other securities without market price
 Cost method based on the moving-average method
- (2) Derivatives
 Market value method
- (3) Inventories
 Mainly stated at cost determined by the weighted average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
- (B) Depreciation and amortization method for significant depreciable assets
- (1) Property, plant and equipment (excluding leased assets)
 The straight-line method is used for the Saitama Plant (including warehouses) and Tsukuba Plant, and the declining-balance method is used for all others. However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. Overseas consolidated subsidiaries use the straight-line method.
 The useful lives of major assets are as follows.
- | | |
|-----------------------------------|---------------|
| Buildings and structures | 3 to 50 years |
| Machinery, equipment and vehicles | 2 to 15 years |
- (2) Intangible assets (excluding leased assets)
 The straight-line method is used. However, trademark rights, for which useful lives cannot be determined, are not amortized.
 Software for internal use is amortized by the straight-line method over the estimated useful life (5 years).
- (3) Leased assets
 Finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the lease period with a residual value of zero.
- (4) Long-term prepaid expenses
 The straight-line method is used.
- (C) Accounting for significant provisions
- (1) Allowance for doubtful accounts
 To provide for possible bad debt expenses on trade receivables, etc. as of the end of the current fiscal year, an allowance for doubtful accounts is provided in the amount deemed uncollectible based on historical bad debt ratios for general receivables and on an individual assessment of collectibility for specific receivables for which there is concern about default.
- (2) Provision for bonuses
 To provide for bonuses to employees to be paid after the next fiscal year, an amount accrued for the current fiscal year among the estimated future payments is recorded.
- (3) Provision for loss on cancellation of contracts
 To provide for losses due to contract cancellations, an allowance is provided for the estimated amount of losses.
- (D) Accounting for retirement benefits
- (1) Method of attributing estimated retirement benefits to periods of service
 The estimated amount of retirement benefits is attributed to the period until the end of the current fiscal year based on the benefit calculation method.
- (2) Method of amortizing actuarial gains and losses and prior service cost
 Prior service cost is amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time the cost is incurred.
 Actuarial gains and losses are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of their accrual, starting from the following fiscal year of accrual.
- (3) Accounting for unrecognized actuarial gains and losses and unrecognized prior service cost
 Unrecognized actuarial gains and losses and unrecognized prior service cost are recognized in accumulated other comprehensive income under net assets, remeasurements of defined benefit plans, after adjusting for tax effects.

(E) Basis for recording significant income and expenses

The Group's principal business is the manufacture and sale of products and the sale of merchandise in the Ethical Pharmaceuticals Business and Consumer Healthcare Business. For the sale of these products and merchandise, the Group usually recognizes revenue when the products and merchandise are inspected and accepted by the customer, since it is considered that the customer has acquired control over the products and merchandise and the performance obligation has been satisfied when the products and merchandise are inspected and accepted by the customer. For sales in Japan, revenue is recognized at the time of shipment if the period between the time of shipment and the time of acceptance by the customer is a normal period of time. Revenue is measured at the amount of consideration promised in the contract with the customer, less any returns, discounts and rebates. Deductions other than those for confirmed payments, such as rebates and sales incentives paid to customers, are estimated and recognized to the extent that it is probable that a material reversal will not occur, taking into consideration the content of the contract and past results.

The consideration for transactions is received within one year of satisfaction of the performance obligation and does not include a significant financial component. Certain consolidated subsidiaries identify points granted to customers as performance obligations, allocate the transaction price based on the independent sales price, and recognize revenue when the points are used.

(F) Basis of translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Receivables and liabilities denominated in foreign currencies are translated into yen at the spot exchange rates prevailing on the consolidated balance sheet date, with translation differences recognized as gains or losses. Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the spot exchange rate on the balance sheet date of the overseas consolidated subsidiaries, and revenues and expenses are translated into yen at the average exchange rate during the accounting period of the relevant overseas consolidated subsidiaries, with the translation differences included in the foreign currency translation adjustments and non-controlling interests in net assets.

(G) Significant hedge accounting methods

(1) Hedge accounting methods

In principle, deferred hedge accounting is applied. Foreign exchange contracts that meet the requirements for allocation method are accounted for using the allocation method.

(2) Hedging instruments and hedged items

Forward exchange contracts are used as hedging instruments and forecasted import transactions denominated in foreign currencies are used as hedged items.

(3) Hedging policy

The Company uses forward exchange contracts and other hedging instruments to hedge foreign exchange fluctuation risks of forecasted import transactions denominated in foreign currencies, and hedging instruments, such as forward exchange contracts, are made within the scope of forecasted import transactions denominated in foreign currencies that are hedged items.

(4) Evaluation of hedge effectiveness

The evaluation of hedge effectiveness is omitted because the hedging instruments are identical to the material terms of the hedged forecasted transactions, and it can be assumed that the hedging instruments will completely offset the market fluctuations at the inception of the hedge and continuously thereafter.

(H) Amortization method and period of goodwill

Goodwill of Tillotts Pharma AG, Pharmaceutical Joint Stock Company of February 3rd and ZPD A/S is amortized by the straight-line method over 20 years.

(I) Scope of cash in the consolidated statements of cash flows

Cash (cash and cash equivalents) in the consolidated statements of cash flows include cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities of three months or less at the time of acquisition that are readily convertible to cash and are exposed to insignificant risk of changes in value.

(Change in accounting policy)

Adoption of Accounting Standard for Revenue Recognition

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when the control of the promised goods or services is transferred to the customer. As a result, sales incentives paid to customers, which were previously treated as selling, general and administrative expenses, are now deducted from net sales. In addition, for expected future returns, the Company previously recognized a provision for sales returns based on the amount equivalent to gross profit, but has changed to a method whereby revenue is not recognized at the time of sale, in accordance with the provisions for variable consideration. The change in accounting policy was in principle applied retrospectively, and the consolidated financial statements for the previous fiscal year was prepared on a retrospective basis. However, the following methods prescribed in paragraph 85 of the Accounting Standard for Revenue Recognition are applied.

- (1) Not to retrospectively adjust comparative information for contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the previous fiscal year
- (2) Retrospectively adjust comparative information for variable consideration included in contracts for which almost all revenue amounts have been recognized in accordance with the previous treatment prior to the beginning of the current fiscal year, using the amounts that existed when the uncertainty regarding the variable consideration amounts was resolved

In addition, “Notes and accounts receivable - trade,” which were presented in “Current assets” in the consolidated balance sheets for the previous fiscal year, are presented separately as “Notes receivable - trade” and “Accounts receivable - trade” in the consolidated balance sheets from the current fiscal year.

As a result, compared to before the retrospective application, net sales for the previous fiscal year decreased by 2,684,888 thousand yen, cost of sales and provision for sales returns decreased by a total of 10,743 thousand yen, selling, general and administrative expenses decreased by 2,707,785 thousand yen, and operating profit, ordinary profit and profit before income taxes each increased by 33,640 thousand yen, respectively. In addition, the balance of retained earnings at the beginning of the previous fiscal year decreased by 50,629 thousand yen due to the cumulative effect on net assets at the beginning of the previous fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition, etc., “Provision for sales returns” of 48,674 thousand yen and “Provision for sales rebates” of 77,210 thousand yen, which were presented in current liabilities in the consolidated balance sheets for the previous fiscal year, were reclassified 1,103 thousand yen to “Other” in current assets and 126,988 thousand yen to “Other” in current liabilities.

The effect on the per share information for the previous fiscal year is minimal.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019.), etc. from the beginning of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement, etc., are to be applied prospectively. There is no impact on the consolidated financial statements for the current fiscal year.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial statements are available and which are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate their performance. The Company's reportable segments are Ethical Pharmaceuticals Business and Consumer Healthcare Business, as the Company's business activities are focused on ethical and OTC drugs. In the Ethical Pharmaceuticals Business, the Company conducts research, development, manufacturing, and sales of ethical pharmaceuticals. In the Consumer Healthcare Business, the Company conducts manufacturing, purchase, and sales of OTC drugs, health foods, quasi-drugs, and cosmetics for self-medication.

2. Method of calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting method for reported business segments is generally the same as that described in the "Significant matters that form the basis for the preparation of consolidated financial statements."

Profits of reportable segments are based on operating profit (after amortization of goodwill), and intersegment revenues and transfers are based on prevailing market prices.

As stated in "Change in accounting policy," the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and has changed its accounting method for revenue recognition, and therefore, the calculation method for net sales and profit or loss of business segments has been changed in the same manner.

The segment information for the previous fiscal year is presented based on the calculation method for net sales and profit or loss after the change.

3. Information on net sales, profit or loss, assets, liabilities and other items by reportable segment

Previous fiscal year (April 1, 2020 to March 31, 2021)

(Unit: thousand yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Ethical Pharmaceutic als Business	Consumer Healthcare Business	Total				
Net sales							
Sales to external customers	29,951,180	22,648,865	52,600,046	157,137	52,757,184	–	52,757,184
Intersegment sales and transfers	–	106	106	642,549	642,655	(642,655)	–
Total	29,951,180	22,648,971	52,600,152	799,686	53,399,839	(642,655)	52,757,184
Segment profit	3,495,727	4,693,312	8,189,039	262,407	8,451,446	(4,975,730)	3,475,716
Segment assets	64,709,346	27,393,057	92,102,403	5,077,427	97,179,830	24,680,609	121,860,440
Other items							
Depreciation	2,668,123	925,594	3,593,718	80,669	3,674,388	74,139	3,748,527
Amortization of goodwill	507,511	180,020	687,532	–	687,532	–	687,532
Increase in property, plant and equipment and intangible assets	13,859,972	482,695	14,342,667	12,418	14,355,085	167,231	14,522,317

(Notes) 1. "Other" is a business segment not included in the reportable segments and includes the insurance agency business and real estate business.

2. (i) Adjustment of segment profit of (4,975,730) thousand yen is mainly corporate expenses such as general and administrative expenses that are not allocated to each reportable segment.

(ii) Adjustment of segment assets of 24,680,609 thousand yen is mainly corporate assets not allocated to each reportable segment.

3. Segment profit is adjusted with operating profit in the consolidated financial statements.

4. Depreciation and increase in property, plant and equipment and intangible assets include amortization and increase in long-term prepaid expenses.

Current fiscal year (April 1, 2021 to March 31, 2022)

(Unit: thousand yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Ethical Pharmaceutic als Business	Consumer Healthcare Business	Total				
Net sales							
Sales to external customers	37,006,163	22,370,061	59,376,224	156,604	59,532,829	–	59,532,829
Intersegment sales and transfers	–	96	96	558,468	558,565	(558,565)	–
Total	37,006,163	22,370,157	59,376,321	715,073	60,091,394	(558,565)	59,532,829
Segment profit	6,911,845	4,038,239	10,950,085	261,047	11,211,132	(4,845,074)	6,366,058
Segment assets	68,184,856	27,106,630	95,291,486	5,006,873	100,298,359	23,983,973	124,282,333
Other items							
Depreciation	3,657,903	863,256	4,521,160	82,997	4,604,157	96,681	4,700,838
Amortization of goodwill	506,749	192,957	699,707	–	699,707	–	699,707
Increase in property, plant and equipment and intangible assets	641,547	562,919	1,204,466	38,549	1,243,015	216,851	1,459,867

- (Notes) 1. “Other” is a business segment not included in the reportable segments and includes the insurance agency business and real estate business.
2. (i) Adjustment of segment profit of (4,845,074) thousand yen is mainly corporate expenses such as general and administrative expenses that are not allocated to each reportable segment.
- (ii) Adjustment of segment assets of 23,983,973 thousand yen is mainly corporate assets not allocated to each reportable segment.
3. Segment profit is adjusted with operating profit in the consolidated financial statements.
4. Depreciation and increase in property, plant and equipment and intangible assets include amortization and increase in long-term prepaid expenses.

[Related information]

Previous fiscal year (April 1, 2020 to March 31, 2021)

1. Information by product and service

(Unit: thousand yen)

	Ethical pharmaceuticals	Consumer healthcare products	Other	Total
Sales to external customers	29,951,180	22,648,865	157,137	52,757,184

2. Information by region

(1) Net sales

(Unit: thousand yen)

Japan	Europe	Other	Total
33,660,572	15,114,127	3,982,484	52,757,184

(Notes) 1. Net sales are based on the location of customers and are classified by country or region.

2. Major countries or regions included in each category

Other: Asia, Africa, Oceania, Latin America, and North America

(2) Property, plant and equipment

(Unit: thousand yen)

Japan	Other	Total
21,195,865	2,438,417	23,634,282

(Note) Major countries or regions included in each category

Other: Europe and Asia

Current fiscal year (April 1, 2021 to March 31, 2022)

1. Information by product and service

(Unit: thousand yen)

	Ethical pharmaceuticals	Consumer healthcare products	Other	Total
Sales to external customers	37,006,163	22,370,061	156,604	59,532,829

2. Information by region

(1) Net sales

(Unit: thousand yen)

Japan	Europe	Other	Total
34,863,897	20,954,241	3,714,690	59,532,829

(Notes) 1. Net sales are based on the location of customers and are classified by country or region.

2. Major countries or regions included in each category

Other: Asia, Africa, Oceania, Latin America, and North America

(2) Property, plant and equipment

(Unit: thousand yen)

Japan	Other	Total
20,460,876	2,678,466	23,139,343

(Note) Major countries or regions included in each category

Other: Europe and Asia

[Information on impairment losses on fixed assets by reportable segment]

Previous fiscal year (April 1, 2020 to March 31, 2021)

(Unit: thousand yen)

	Ethical Pharmaceuticals Business	Consumer Healthcare Business	Other	Total
Impairment loss	32,539	—	—	32,539

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Previous fiscal year (April 1, 2020 to March 31, 2021)

(Unit: thousand yen)

	Ethical Pharmaceuticals Business	Consumer Healthcare Business	Other	Total
Amortization for the current fiscal year	507,511	180,020	–	687,532
Balance at end of period	4,522,335	1,906,818	–	6,429,153

Current fiscal year (April 1, 2021 to March 31, 2022)

(Unit: thousand yen)

	Ethical Pharmaceuticals Business	Consumer Healthcare Business	Other	Total
Amortization for the current fiscal year	506,749	192,957	–	699,707
Balance at end of period	4,021,520	1,808,939	–	5,830,459

[Information on gain on bargain purchase by reportable segment]

Previous fiscal year (April 1, 2020 to March 31, 2021)

In the Consumer Healthcare Business segment, negative goodwill was generated as a result of the acquisition of shares of Kenso-Seiyaku Co., Ltd. to make it a consolidated subsidiary. The amount of gain on bargain purchase resulting from this event was 11,948 thousand yen. Gain on bargain purchase is not included in the above segment profit because it is non-operating income.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

(Per share information)

(Yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Net assets per share	1,225.09	1,236.09
Profit per share	68.22	87.76

(Notes) 1. Diluted profit per share is not shown in the above table, as there are no dilutive shares.

2. Basis for calculation of net assets per share is as follows.

Item	End of previous fiscal year (March 31, 2021)	End of current fiscal year (March 31, 2022)
Total net assets (thousand yen)	56,152,673	55,092,474
Amount deducted from total net assets (thousand yen)	167,402	197,832
[Of which, non-controlling interests (thousand yen)]	[167,402]	[197,832]
Net assets related to common shares at the end of the period (thousand yen)	55,985,270	54,894,642
Number of common shares issued and outstanding (shares)	53,119,190	53,119,190
Number of treasury common shares (shares)	7,420,461	8,709,322
Number of common shares used for calculation of net assets per share (shares)	45,698,729	44,409,868

3. Basis for calculation of profit per share is as follows.

Item	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (thousand yen)	3,143,125	3,961,184
Profit attributable to owners of parent related to common shares (thousand yen)	3,143,125	3,961,184
Average number of common shares during the period (shares)	46,071,761	45,139,009

(Significant subsequent events)

Not applicable.

4. Other

(1) Sales of major products and merchandise Consolidated

(Unit: thousand yen)

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022	Percentage change (%)
1. Ethical Pharmaceuticals Business	29,951,180	37,006,163	23.6
Asacol	16,509,301	17,476,480	5.9
DIFICLIR	259,739	5,211,038	1,906.3
Entocort	4,814,888	4,480,006	(7.0)
Acofide	1,667,453	3,154,149	89.2
Other	6,699,798	6,684,488	(0.2)
2. Consumer Healthcare Business	22,648,865	22,370,061	(1.2)
Hepalyse range	6,615,043	7,770,683	17.5
Chondroitin range	5,383,954	5,135,343	(4.6)
WithOne range	1,445,333	1,359,670	(5.9)
Other	9,204,535	8,104,363	(12.0)
3. Other Business	157,137	156,604	(0.3)
Total	52,757,184	59,532,829	12.8

(2) Status of pipeline of new drugs

I. Domestic

As of May 11, 2022

Stage	Development Code/ Generic Name	Development	Indications	Classification	Origin
Phase III	Z-338/Acotiamide	Zeria	Pediatric functional dyspepsia	Upper gastrointestinal motility modulator	Original
Phase III	ZG-801/Patiromer Sorbitex Calcium	Zeria	Hyperkalemia	Potassium binder	In-licensed
Phase II* (Investigator-Initiated Trial)	Z-338/Acotiamide	Kyushu University	Esophagogastric junction outflow obstruction	Upper gastrointestinal motility modulator	Original

*: Supported by a grant from Japan Agency for Medical Research and Development (AMED)

II. Overseas

Stage	Development Code/ Generic Name	Development	Indications	Classification	Origin
Phase III (Europe)	Z-338/Acotiamide	Zeria	Functional dyspepsia	Upper gastrointestinal motility modulator	Original
NDA approved (Mexico)	Z-338/Acotiamide	Faes Farma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)
NDA filed (Chile, Colombia, Peru, Ecuador)	Z-338/Acotiamide	Faes Farma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)
NDA filed (Thailand, Indonesia)	Z-338/Acotiamide	Meiji Seika Pharma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)

Launched in Overseas

Launch Date	Development Code/ Generic Name	Development	Indications	Classification	Origin
May 2021 in China	Z-206/Mesalazine	Zeria · Tillotts Pharma AG co-development	Ulcerative colitis	Targeted local, colonic, anti-inflammatory with pH dependent controlled-release formulation	Original (Tillotts Pharma AG)