



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

October 31, 2022

Company Name:	SUMITOMO PHARMA CO., LTD.
Stock Exchange Listings:	Tokyo
Security Code Number:	4506 (URL https://www.sumitomo-pharma.com)
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Filing Date of Quarterly Financial Report:	November 2, 2022
Starting Date of Dividend Payments:	December 1, 2022
Preparation of Supplementary Financial Data for Quarterly Financial Results:	Yes
Information Meeting for Quarterly Financial Results to be held:	Yes (for institutional investors and analysts)

(Note: All amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2023 (April 1, 2022 to September 30, 2022)

(1) Results of Operations

(% represents changes from the previous year)

	Revenue		Core operating profit		Operating profit		Net profit		Net profit attributable to owners of the parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2022	319,289	8.7	24,841	(48.2)	(28,915)	—	(15,243)	—	(7,283)	—	46,472	—
Six months ended September 30, 2021	293,730	12.3	47,919	(0.1)	47,572	0.1	29,987	(1.2)	36,450	(2.3)	2,027	(71.9)

Reference: Profit before taxes Six months ended September 30, 2022: ¥21,034 million

Six months ended September 30, 2021: ¥49,266 million

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items")

	Basic earnings per share	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2022	(18.33)	—
Six months ended September 30, 2021	91.75	—

(2) Financial Position

	Total assets	Net assets	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	1,407,952	718,608	646,144	45.9	1,626.37
As of March 31, 2022	1,308,007	673,569	607,888	46.5	1,530.08

2. Dividends

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

Note: Revision of dividend forecasts from the latest announcement: None

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

(% represents changes from the corresponding period of the previous year)

	Net sales		Core operating profit		Operating profit		Net profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2023	604,000	7.9	32,000	(45.3)	(30,000)	—	(15,000)	—	(37.76)

Note: Revision of consolidated financial forecasts from the latest announcement: Yes

Notes:

- (1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates, and retrospective restatements
 - ① Changes in accounting standards required by IFRS: None
 - ② Changes due to changes in accounting standards other than (2),①: None
 - ③ Changes in accounting estimates: None
- (3) Number of shares outstanding (Common stock)
 - ① Number of shares outstanding (Including treasury stock) at the end of period
 - September 30, 2022: 397,900,154 shares
 - March 31, 2022: 397,900,154 shares
 - ② Number of treasury stock at the end of period
 - September 30, 2022: 607,859 shares
 - March 31, 2022: 607,238 shares
 - ③ Average number of shares during the period
 - September 30, 2022: 397,292,574 shares
 - September 30, 2021: 397,293,489 shares

This summary of financial results is exempt from audit procedures.

Explanation for Appropriate Use of Forecasts and Other Notes:

This material contains forecasts, projections, goals, plans, and other forward-looking statements regarding the Group's financial results and other data. Such forward-looking statements are based on the Company's assumptions, estimates, outlook, and other judgments made in light of information available at the time of preparation of such statements and involve both known and unknown risks and uncertainties. Accordingly, forecasts, plans, goals, and other statements may not be realized as described, and actual financial results, success/failure or progress of development, and other projections may differ materially from those presented herein. Please refer to page 5, "1. Qualitative Information for the Six Months Ended September 30, 2022 (4) Qualitative Information on Consolidated Financial Forecasts".

Myovant Sciences Ltd. (hereinafter, "Myovant") is listed on the New York Stock Exchange, and the Group beneficially owns approximately 52% of the outstanding shares of Myovant. ORGOVYX® (relugolix), MYFEMBREE®/RYEQO® (relugolix combination tablet) are owned by Myovant. This material contains information about Myovant, which is based on information disclosed by Myovant. For more information on Myovant, please visit <https://www.myovant.com>.

Supplementary financial data and the presentation materials for the earnings presentation are disclosed together with the summary of financial results.

The Company holds the earnings presentation for institutional investors and analysts on Tuesday November 1, 2022. The video of the presentation will be posted on our website promptly after the presentation.

Additional Information and Where to Find It:

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

Participants in the Solicitation:

Sumitovant and its directors and executive officers, the Company and its directors and executive officers, and Myovant and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the holders of Myovant common stock in respect of the proposed transaction. Information about the directors and executive officers of Myovant is set forth in the proxy statement for Myovant's 2022 Annual Meeting of Shareholders, which was filed with the SEC on July 28, 2022. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement regarding the acquisition when it becomes available.

【Attachment Documents】

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1. Qualitative Information for the Six Months Ended September 30, 2022

The Group discloses its consolidated financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS).

Forward-looking statements contained herein are based on the Group's judgments in light of information available as of the last day of this period under review.

(1) Qualitative Information on Business Results

(About the performance indicator of "core operating profit")

The Group has set an original indicator for the Group's recurring profitability in the form of "core operating profit."

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items"). Among the main non-recurring Items are impairment losses, business structure improvement expenses, and changes in fair value of contingent consideration related to company acquisitions.

Highlights of the Group's consolidated financial results for the six months of the fiscal year ending March 31, 2023 are as follows:

	(Billions of yen)			
	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	Change %
Revenue	293.7	319.3	25.6	8.7
Core operating profit	47.9	24.8	(23.1)	(48.2)
Operating profit	47.6	(28.9)	(76.5)	—
Profit before taxes	49.3	21.0	(28.2)	(57.3)
Net profit	30.0	(15.2)	(45.2)	—
Net profit attributable to owners of the parent	36.5	(7.3)	(43.7)	—

■ Revenue increased by 8.7% year-on-year to 319.3 billion yen.

Revenue increased in the segments of North America, China, and Other Regions primarily owing to the favorable effects of the forex situation and the sales expansion of mainstay products, despite a revenue decrease in the Japan segment primarily owing to the impact of the National Health Insurance (NHI) drug price revisions.

■ Core operating profit decreased by 48.2% year-on-year to 24.8 billion yen.

Core operating profit decreased as increases in selling, general and administrative expenses and R&D expenses primarily because of the effects of the forex situation outweighed a rise in gross profit resulting from revenue growth.

■ Operating profit decreased by 76.5 billion yen year-on-year to negative 28.9 billion yen.

Following a review of the earnings forecast for KYNMOBI[®], a treatment for OFF episodes in patients with Parkinson's disease currently available for sale in the United States, we booked an impairment loss of 54.4 billion yen on the entire value of the patents for the product and other assets, resulting in a significant decrease in operating profit.

■ Profit before taxes decreased by 57.3% year-on-year to 21.0 billion yen.

Profit before taxes decreased due to the posting of the impairment loss, despite a substantial increase in financial income/expenses-the balance of financial income after the deduction of financial expenses-owing to the recording of forex gains resulting from the yen's depreciation at the end of the quarterly accounting period under review.

■ Net profit decreased by 45.2 billion yen year-on-year to negative 15.2 billion yen.

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

■ Net profit attributable to owners of the parent decreased by 43.7 billion yen year-on-year to negative 7.3 billion yen.

Net profit attributable to owners of the parent-the amount of net profit less the amount of losses attributable to non-controlling interests-decreased as well, due to the sheer magnitude of the decrease in net profit.

(About the segment performance indicator of "core segment profit")

For segment performance, the Group has set an original performance indicator for each segment's recurring profitability in the form of "core segment profit."

"Core segment profit" is each segment profit calculated by deducting from "core operating profit" any items such as R&D expenses and gains and losses on business transfers, which are managed globally and thus cannot be allocated to individual segments.

Operating results by segment are as follows.

[Japan segment]

■ **Revenue decreased by 13.1% year-on-year to 66.6 billion yen.**

Revenue decreased primarily owing to the impact of the NHI drug price revisions, despite sales growth of LATUDA® (atypical antipsychotic) and other products.

■ **Core segment profit decreased by 55.4% year-on-year to 4.4 billion yen.**

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

[North America segment]

■ **Revenue increased by 11.7% year-on-year to 195.3 billion yen.**

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

■ **Core segment profit decreased by 32.7% year-on-year to 47.3 billion yen.**

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

[China segment]

■ **Revenue increased by 32.5% year-on-year to 24.0 billion yen.**

This increase is attributable to the significant boost in sales of MEROPEN® (carbapenem antibiotic).

■ **Core segment profit increased by 37.5% year-on-year to 13.2 billion yen.**

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

[Other Regions segment]

■ **Revenue increased by 146.2% year-on-year to 11.3 billion yen.**

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

■ **Core segment profit increased by 735.8% year-on-year to 7.5 billion yen.**

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

In addition to the above reportable segments, the Group is also engaged in sales of food ingredients, food additives, materials for chemical products, veterinary drugs, and other product lines, which generated revenue of 22.1 billion yen (increased by 12.8% year-on-year) and core segment profit of 1.9 billion yen (decreased by 0.6% year-on-year).

(2) Qualitative Information on Financial Condition

Non-current assets increased by 16.6 billion yen from the previous fiscal year-end, owing to increases in goodwill and others due to the yen's depreciation, despite decreases in other financial assets and other items.

Current assets increased by 83.4 billion yen from the previous fiscal year-end as a result of increases in cash and cash equivalents, as well as trade and other receivables.

As a result, total assets increased by 99.9 billion yen from the previous fiscal year-end to 1,408.0 billion yen.

Liabilities increased by 54.9 billion yen from the previous fiscal year-end to 689.3 billion yen as a result of increases in income taxes payable, provisions, and other items. Bonds and borrowings totaled 249.7 billion yen, down by 19.3 billion yen from the previous fiscal year-end.

Equity attributable to owners of the parent increased by 38.3 billion yen from the previous fiscal year-end to 646.1 billion yen as a result of an increase in other components of equity despite a decrease in retained earnings. Meanwhile, non-controlling interests increased by 6.8 billion yen from the previous fiscal year-end.

As a result, total equity increased by 45.0 billion yen from the previous fiscal year-end to 718.6 billion yen.

The ratio of equity attributable to owners of the parent to total assets as of the end of the quarterly accounting period under review was 45.9%.

(3) Qualitative Information on Cash Flows

Cash flows provided by operating activities amounted to 29.5 billion yen, an increase of 57.7 billion yen year-on-year, primarily owing to increases in impairment loss and other non-cash profit and loss items and a decrease in income taxes paid, despite a decline in profit before taxes.

Cash flows provided by investing activities increased by 3.4 billion yen year-on-year to 7.1 billion yen, primarily owing to a decrease in short-term loan receivables.

Cash flows used in financial activities increased by 13.4 billion yen year-on-year to 26.7 billion yen, primarily owing to repayments of long-term borrowings and dividends paid.

After adding the translation adjustments for cash and cash equivalents to the above cash flows, the balance of cash and cash equivalents at the end of the quarterly accounting period under review was 250.6 billion yen, which represents an increase of 47.6 billion yen from the previous fiscal year-end.

(4) Qualitative Information on Consolidated Financial Forecasts

Given the Group's recent business performance trends, the Company has revised the consolidated financial forecasts for the year ending March 31, 2023 announced on May 13, 2022, as follows:

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

	Revenue	Core operating profit	Operating profit	Net profit attributable to owners of the parent	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecasts (A)	550,000	30,000	24,000	22,000	55.37
Revised Forecast (B)	604,000	32,000	(30,000)	(15,000)	(37.76)
Variance in amount (B-A)	54,000	2,000	(54,000)	(37,000)	—
Variance in percent (%)	9.8	6.7	—	—	—
[Reference] Year ended March 31, 2022	560,035	58,509	60,234	56,413	141.99

Note: Core operating profit is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors, including changes in fair value of contingent consideration, impairment losses, and business structure improvement expenses.

Given the revision to our previous foreign currency exchange assumptions following the yen's depreciation as well as the lump-sum payment from an alliance partner in the North America segment, we have revised our previous forecasts for revenue to 604.0 billion yen (up by 54.0 billion yen).

We also expect selling, general and administrative expenses and R&D expenses to increase on account of the yen's depreciation. However, as a rise in gross profit resulting from revenue growth outweighed such increases, we have revised our previous forecasts for core operating profit to 32.0 billion yen (up by 2.0 billion yen).

We have made a downward revision to our previous forecasts for operating profit by 54.0 billion yen, with the result that we now expect an operating loss of 30.0 billion yen. This decrease is attributable to the posting of an impairment loss on the value of the patents, etc., for KYMMOBI®, in the second quarter of the fiscal year ending March 31, 2023.

Likewise, we have made a downward revision to our previous forecasts for net profit attributable to owners of the parent by 37.0 billion yen, with the result that we now expect 15.0 billion yen in net loss attributable to owners of the parent. This decrease is attributable to the sheer magnitude of the reduction in operating profit on account of the impairment loss, although we expect forex gains under financial income resulting from the yen's depreciation.

For the revised forecasts above, we have changed our previous assumptions of foreign currency exchange rates (average exchange rates) from 125.0 JPY to 140.0 JPY against 1 USD and from 19.5 JPY to 20.0 JPY against 1 RMB.

Note: Consolidated Financial Forecasts above are based on the certain assumptions considered reasonable and on information available at the time of preparation of such statements. Accordingly, actual financial results may differ from those presented herein.

2. Consolidated Financial Statements

(1) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	293,730	319,289
Cost of sales	76,854	92,841
Gross profit	216,876	226,448
Selling, general and administrative expenses	124,673	207,913
Research and development expenses	45,706	49,980
Other income	1,507	3,178
Other expenses	432	648
Operating profit (loss)	47,572	(28,915)
Finance income	3,204	51,698
Finance costs	1,510	1,749
Profit before taxes	49,266	21,034
Income tax expenses	19,279	36,277
Net profit (loss)	29,987	(15,243)
Net profit attributable to:		
Owners of the parent	36,450	(7,283)
Non-controlling interests	(6,463)	(7,960)
Net profit total (loss)	29,987	(15,243)
Earnings per share (yen)		
Basic earnings per share (loss)	91.75	(18.33)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net profit (loss)	29,987	(15,243)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(31,630)	(8,558)
Remeasurements of defined benefit plans	(22)	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	3,733	70,138
Cash flow hedges	(41)	135
Total other comprehensive income	(27,960)	61,715
Total comprehensive income	2,027	46,472
Total comprehensive income attributable to:		
Owners of the parent	7,772	42,808
Non-controlling interests	(5,745)	3,664
Total comprehensive income	2,027	46,472

(2) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Non-current assets		
Property, plant and equipment	64,091	62,725
Goodwill	195,144	230,853
Intangible assets	398,692	394,932
Other financial assets	115,844	104,855
Income taxes receivable	5,538	6,551
Other non-current assets	6,527	5,238
Deferred tax assets	22,650	19,924
Total non-current assets	808,486	825,078
Current assets		
Inventories	99,021	109,914
Trade and other receivables	151,407	181,181
Other financial assets	35,596	25,465
Income taxes receivable	93	150
Other current assets	10,420	15,613
Cash and cash equivalents	202,984	250,551
Total current assets	499,521	582,874
Total assets	1,308,007	1,407,952

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	243,963	244,046
Other financial liabilities	16,471	15,019
Retirement benefit liabilities	11,461	11,545
Other non-current liabilities	57,620	66,103
Deferred tax liabilities	26,550	31,497
Total non-current liabilities	356,065	368,210
Current liabilities		
Borrowings	25,085	5,668
Trade and other payables	46,183	57,545
Other financial liabilities	13,302	13,369
Income taxes payable	7,583	26,873
Provisions	119,149	149,757
Other current liabilities	67,071	67,922
Total current liabilities	278,373	321,134
Total liabilities	634,438	689,344
Equity		
Share capital	22,400	22,400
Capital surplus	16,725	17,736
Treasury shares	(681)	(682)
Retained earnings	514,210	500,602
Other components of equity	55,234	106,088
Equity attributable to owners of the parent	607,888	646,144
Non-controlling interests	65,681	72,464
Total equity	673,569	718,608
Total liabilities and equity	1,308,007	1,407,952

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability (asset)
Balance as of April 1, 2021	22,400	15,855	(679)	508,677	38,575	—
Net profit	—	—	—	36,450	—	—
Other comprehensive income	—	—	—	—	(31,630)	(22)
Total comprehensive income	—	—	—	36,450	(31,630)	(22)
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(5,563)	—	—
Transaction with non-controlling interests	—	(470)	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	2,477	(2,499)	22
Total transactions with owners	—	(470)	(1)	(3,086)	(2,499)	22
Balance as of September 30, 2021	22,400	15,385	(680)	542,041	4,446	—
Balance as of April 1, 2022	22,400	16,725	(681)	514,210	23,838	—
Net profit (loss)	—	—	—	(7,283)	—	—
Other comprehensive income	—	—	—	—	(8,558)	—
Total comprehensive income	—	—	—	(7,283)	(8,558)	—
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(5,562)	—	—
Transaction with non-controlling interests	—	1,011	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	(763)	763	—
Total transactions with owners	—	1,011	(1)	(6,325)	763	—
Balance as of September 30, 2022	22,400	17,736	(682)	500,602	16,043	—

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of April 1, 2021	(4,331)	73	34,317	580,570	67,608	648,178
Net profit	—	—	—	36,450	(6,463)	29,987
Other comprehensive income	3,015	(41)	(28,678)	(28,678)	718	(27,960)
Total comprehensive income	3,015	(41)	(28,678)	7,772	(5,745)	2,027
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(5,563)	—	(5,563)
Transaction with non-controlling interests	—	—	—	(470)	4,511	4,041
Reclassification from other components of equity to retained earnings	—	—	(2,477)	—	—	—
Total transactions with owners	—	—	(2,477)	(6,034)	4,511	(1,523)
Balance as of September 30, 2021	(1,316)	32	3,162	582,308	66,374	648,682

Balance as of April 1, 2022	31,273	123	55,234	607,888	65,681	673,569
Net profit (loss)	—	—	—	(7,283)	(7,960)	(15,243)
Other comprehensive income	58,514	135	50,091	50,091	11,624	61,715
Total comprehensive income	58,514	135	50,091	42,808	3,664	46,472
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(5,562)	—	(5,562)
Transaction with non-controlling interests	—	—	—	1,011	3,119	4,130
Reclassification from other components of equity to retained earnings	—	—	763	—	—	—
Total transactions with owners	—	—	763	(4,552)	3,119	(1,433)
Balance as of September 30, 2022	89,787	258	106,088	646,144	72,464	718,608

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Net profit (loss)	29,987	(15,243)
Depreciation and amortization	18,102	22,363
Impairment losses	—	54,433
Changes in fair value of contingent consideration	143	(1,287)
Interest and dividend income	(663)	(1,664)
Interest expenses	1,487	1,364
Income tax expenses	19,279	36,277
(Increase) decrease in trade and other receivables	(38,598)	(11,593)
(Increase) decrease in inventories	848	7,370
Increase (decrease) in trade and other payables	(16,275)	(3,306)
Increase (decrease) in unearned revenue	4,976	2,691
Increase (decrease) in other financial liabilities	(5,363)	629
Increase (decrease) in retirement benefits liabilities	8	(24)
Increase (decrease) in provisions	(5,618)	8,214
Others, net	(12,205)	(60,442)
Subtotal	(3,892)	39,782
Interest received	81	1,017
Dividends received	579	598
Interest paid	(1,252)	(1,255)
Income taxes paid	(23,724)	(10,662)
Net cash provided by (used in) operating activities	(28,208)	29,480
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,655)	(3,480)
Proceeds from sales of property, plant and equipment	226	420
Purchase of intangible assets	(3,943)	(2,041)
Purchase of investments	(20,921)	(4,769)
Proceeds from sales and redemption of investments	5,026	3,056
Net decrease (increase) in short-term loan receivables	27,678	12,241
Others, net	(779)	1,638
Net cash provided by (used in) investing activities	3,632	7,065
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	559
Repayments of long-term borrowings	(3,480)	(19,980)
Repayments of finance lease obligations	(2,326)	(2,360)
Dividends paid	(5,565)	(5,563)
Payments for acquisition of interest in a subsidiary from non-controlling interests	(3,553)	—
Others, net	1,678	694
Net cash provided by (used in) financing activities	(13,246)	(26,650)
Net increase (decrease) in cash and cash equivalents	(37,822)	9,895
Cash and cash equivalents at the beginning of year	193,698	202,984
Effect of exchange rate changes on cash and cash equivalents	592	37,672
Cash and cash equivalents at the end of period	156,468	250,551

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Significant Accounting Policies)

The significant accounting policies applied to this Quarterly Consolidated Financial Statements are the same as those for the prior fiscal year's consolidated financial statements.

Income tax expenses for the six months ended September 30, 2022 are calculated based on the estimated average annual effective tax rate.

(Operating Segments)

The Group has set an original performance indicator for the Company's recurring profitability in the form of "core operating profit."

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors designated by the Group. Among the main non-recurring items are impairment losses, restructuring costs and changes in fair value of contingent consideration related to company acquisitions.

(1) Reportable segments

The Group is mainly engaged in manufacture, purchase and sales of pharmaceuticals for medical treatment and manages the performance of pharmaceutical business by market in Japan, North America, China and etc. Therefore, the Group has four reportable segments: Japan, North America, China, and Other Regions.

The Group's reportable segments are the components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segments and assess their performances.

(2) Revenues and operating results of the reportable segments

Revenues, profit or loss and other items by each of the Group's reportable segments are shown below.

The Group sets core segment profit, which is an indicator showing each segment's recurring profitability, as its own indicator of segment business performance management.

Core segment profit is each segment profit calculated by deducting from core operating profit R&D expenses, gains and losses on sales of operations and etc. which are not allocated to each segment because such expenses are managed on a global basis.

As for the amount of core segment profit and its change from the same period of the previous fiscal year related to "Other Business" category which are not included in the reportable segments in the "1. Qualitative Information for the Six Months Ended September 30, 2022 (1) Qualitative Information on Business Results", are included in profit eliminated for inter-segment transactions.

① Six months ended September 30, 2021

(Millions of yen)

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

Note: The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs and other products.

② Six months ended September 30, 2022

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	66,565	195,337	24,030	11,278	297,210	22,079	319,289
Inter-segment revenues and transfers	26	—	—	—	26	29	55
Total	66,591	195,337	24,030	11,278	297,236	22,108	319,344
Segment profit (Core segment profit)	4,379	47,255	13,180	7,497	72,311	1,873	74,184

Note: The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs and other products.

(3) Reconciliations between the total amounts of reportable segments and the amounts in the consolidated financial statements (reconciliation items)

The details of reconciliation are as follows:

(Millions of yen)

Revenue	Six months ended September 30, 2021	Six months ended September 30, 2022
Total of reportable segments	274,190	297,236
Revenue of Other Business	19,601	22,108
Elimination of inter-segment revenue	(61)	(55)
Revenue on the consolidated financial statements	293,730	319,289

(Millions of yen)

Profit	Six months ended September 30, 2021	Six months ended September 30, 2022
Total of reportable segments	90,533	72,311
Segment profit of Other Business	1,886	1,873
Elimination of inter-segment profit	12	14
Research and development expenses (Note)	(45,706)	(49,373)
Gains on business transfers	1,189	—
Others	5	16
Core operating profit	47,919	24,841
Change in fair value of contingent consideration	(143)	1,287
Impairment losses	—	(54,433)
Other income	313	3,162
Other expenses	(432)	(648)
Others	(85)	(3,124)
Operating profit (loss) in the consolidated financial statements	47,572	(28,915)

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

(Impairment loss)

Impairment losses amounting to 54,433 million yen in North America segment of pharmaceutical business were recognized for the six months ended September 30, 2022. The impairment losses were recorded in selling, general and administrative expenses in the Consolidated Statement of Profit or Loss.

Impairment losses recognized for the six months ended September 30, 2022 were 54,370 million yen for patent rights and 63 million yen for software of products regarding KYNMOBI® (OFF episodes associated with Parkinson's disease) in North America segment of pharmaceutical business.

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

(Significant subsequent event)

The Company, Sumitovant, and Myovant have entered into agreement related to making Myovant become a wholly owned subsidiary by Sumitovant dated October 23, 2022 (U.S. time).

A wholly owned subsidiary of Sumitovant established for the transaction related to making Myovant become a wholly owned subsidiary will merge with and into Myovant and Myovant will continue as a surviving company.

Sumitovant will acquire all outstanding shares of Myovant not already owned by Sumitovant (approximately 62 million shares) for \$27.00 per share as a transaction cost related to making Myovant become a wholly owned subsidiary. Total transaction value of \$1.7 billion (a fully diluted basis) will be paid to the shareholders of Myovant other than Sumitovant.

The funds related to making Myovant become a wholly owned subsidiary will be financed through a combination of cash on hand and external debt financing. A financing commitment has been received from correspondent financial institutions.

The transaction is anticipated to close in year ended March 31, 2023, subject to customary closing conditions, including obtaining the requisite regulatory approvals and approval by Myovant shareholders holding a majority of the shares outstanding not beneficially owned by Sumitovant and its affiliates.