

(English Translation)

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2022 (IFRS)

November 12, 2021

Company name: Nichi-Iko Pharmaceutical Co., Ltd. Stock exchange listings:
Tokyo Stock Exchange
Securities code: 4541 (URL <https://www.nichiiko.co.jp/>)
Representative: Yuichi Tamura
President and CEO
Contact: Shuji Ishida Tel: 076-432-2121
Senior Operating Officer, Head of
Administrative Division
Scheduled date of filing of quarterly report: November 12, 2021
Scheduled date of commencement of dividend payment: -
Presentation of supplementary materials on quarterly financial results: Yes
Holding of quarterly financial presentation meeting: Yes

(Note that all amounts have been rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to September 30, 2021)

(1) Consolidated Results of Operations (cumulative)
(Percentage figures represent changes from the same period of the previous fiscal year)

	Revenue	Core operating profit	Operating profit	Profit before tax	Profit	Profit attributable to owners of parent
Second quarter of fiscal year ending March 31, 2022	¥85,931 million (-4.1%)	-¥8,790 million (-%)	-¥14,026 million (-%)	-¥13,626 million (-%)	-¥14,760 million (-%)	-¥14,593 million (-%)
Second quarter of fiscal year ended March 31, 2021	¥89,631 million (-2.1%)	¥1,360 million (-65.3%)	¥523 million (-86.1%)	¥369 million (-91.9%)	¥114 million (-96.1%)	¥146 million (-95.1%)

	Total comprehensive income	Basic earnings per share	Diluted earnings per share
Second quarter of fiscal year ending March 31, 2022	-¥14,006 million (-%)	-¥224.30	-¥224.30
Second quarter of fiscal year ended March 31, 2021	-¥1,051 million (-%)	¥2.28	¥2.28

(Note)

Core operating profit is calculated by deducting gains and losses caused by extraordinary factors (extraordinary items) from operating profit.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of total equity attributable to owners of the parent to total assets	Equity attributable to owners of parent per share
Second quarter of fiscal year ending March 31, 2022	¥365,080 million	¥102,337 million	¥101,502 million	27.8%	¥1,441.09
Fiscal year ended March 31, 2021	¥363,572 million	¥112,435 million	¥111,167 million	30.6%	¥1,733.58

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2021	¥-	¥15.00	¥-	¥10.00	¥25.00
Fiscal year ending March 31, 2022	¥-	¥0.00			
Fiscal year ending March 31, 2022 (forecast)			¥-	¥0.00	¥0.00

(Note)

Revisions to recently announced dividends forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Percentage figures represent changes from the previous fiscal year)

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent	Basic earnings per share
Annual	¥185,000 million (-1.7%)	-¥11,900 million (-%)	-¥17,100 million (-%)	-¥18,600 million (-%)	-¥275.39

(Note)

Revisions to recently announced forecast of financial results: None

***Notes**

- (1) Changes in significant subsidiaries during the consolidated cumulative quarter under review (changes in specified subsidiaries resulting in change in scope of consolidation): No
- (2) Changes in accounting policies and changes in accounting estimates
- (i) Changes in accounting policies required by IFRS: No
 - (ii) Changes in accounting policies due to other reasons: No
 - (iii) Changes in accounting estimates: No
- (3) Total number of issued shares (common stock)
- (i) Total number of issued shares as of the end of the period (including treasury shares):
 - As of September 30, 2021 71,382,652 shares
 - As of March 31, 2021 65,162,652 shares
 - (ii) Number of treasury shares as of the end of the period:
 - As of September 30, 2021 948,025 shares
 - As of March 31, 2021 1,036,650 shares
 - (iii) Average number of shares during the period (cumulative quarter):
 - Second quarter of fiscal year ending March 31, 2022 65,061,333 shares
 - Second quarter of fiscal year ended March 31, 2021 63,974,164 shares

(Note)

Number of treasury shares as of the end of the period includes shares held by the Employee Shareholding Incentive Plan.

*** Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.**

*** Explanation on the appropriate usage of forecast of financial results, and other specific matters**

(Considerations on forward-looking statements)

The forward-looking statements including forecast of financial results contained in these materials are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. As such, they do not constitute the Company's guarantee that such results would be achieved. Actual business and other results may differ substantially from the forecasts provided in these materials as a result of various factors.

(How to obtain supplementary materials for financial results)

Supplementary materials for financial results will be provided on the website of the Company on Friday, November 12, 2021.

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1. Qualitative Information on Financial Results for the Quarter under Review

(1) Explanation on Operating Results

In the cumulative second quarter under review, the outlook of Japanese economy remained uncertain due to continued restrictions on social and economic activities associated with a resurgence in the spread of novel coronavirus disease (COVID-19), highlighted by a state of emergency declaration and implementation of priority preventative measures.

In the generic drug industry, further enhancement of profitability is required in the face of falling drug prices following the drug price revision. Furthermore, it is also necessary to take further steps to address not only the quality aspect, but also the aspect of supply stability.

Under such circumstance, the Company is endeavoring to improve manufacturing and quality control framework, while placing maximum focus on the resumption of manufacturing and shipments at Toyama Plant 1. Furthermore, in August 2021, the Group resolved to form a capital and business alliance with MEDIPAL HOLDINGS CORPORATION (hereinafter referred to as “MEDIPAL”) for the purpose of creating an alliance model enabling stable and efficient supply of generic drugs by combining MEDIPAL’s pharmaceutical distribution infrastructure with the Company’s pharmaceutical manufacturing and marketing infrastructure, and in September 2021, implemented third-party allotment of shares with MEDIPAL as the allottee.

A. Results by segment

(in millions of yen)	Nichi-Iko Group			Sagent Group		
	Second quarter of fiscal year ended March 31, 2021	Second quarter of fiscal year ending March 31, 2022	Change	Second quarter of fiscal year ended March 31, 2021	Second quarter of fiscal year ending March 31, 2022	Change
Revenue	72,513	65,614	-6,899	17,304	20,316	+3,011
Core operating profit	2,449	-8,137	-10,586	-1,088	-652	+435

(Notes)

1. The two segments are the “Nichi-Iko Group” and the “Sagent Group,” with the “Sagent Group” being made up of Sagent Pharmaceuticals, Inc. and its consolidated subsidiaries, and the “Nichi-Iko Group” being made up of companies excluding the “Sagent Group.”
2. The Group has adopted “core operating profit” as an indicator representing ordinary profitability, and has also adopted “core operating profit” for segment profit. “Core operating profit” is calculated by deducting gains and losses caused by extraordinary factors from operating profit, and extraordinary factors are also excluded from revenue.

(i) Nichi-Iko Group

The Nichi-Iko Group is gradually resuming production and shipments after conducting stringent quality control on products manufactured at Toyama Plant 1 in order to deliver pharmaceuticals to customers with security and trust, and is proceeding with initiatives aimed at optimization of the Group’s overall production system with a view to creating a stable supply system.

Results in Nichi-Iko Group during the cumulative second quarter of the current fiscal year showed revenue of 65,614 million yen (a decrease of 6,899 million yen year-on-year) and segment loss of 8,137 million yen (a decrease of 10,586 million yen year-on-year), a significant decrease in both sales and profit, due to drop in drug prices as a result of the drug price revision, decrease in sales

of Elmed products caused by stoppage of shipments from a manufacturing subcontractor (Kobayashi Kako Co., Ltd.), and resumption of shipments from Toyama Plant 1 taking more time than anticipated although shipments have gradually resumed, despite contribution made by sales of products from Gifu Plant (approximately 17,600 million yen).

(ii) Sagent Group

In Sagent Group, efforts are being made in the in-house production and production capacity expansion projects at Sagent Raleigh Plant, Omega Montreal Plant and SterRx, with the aim of being more cost competitive and enhancing stable supply capability. Furthermore, the Company is proceeding with efforts aimed at the prompt launch of biosimilar and orphan drugs in the US market and licensing out products developed by Sagent to Japanese and Southeast Asian markets.

Results in Sagent Group during the cumulative second quarter of the current fiscal year showed revenue of 20,316 million yen (an increase of 3,011 million yen year-on-year) and segment loss of 652 million yen (a reduction in loss of 435 million yen year-on-year) due to continued strong performance of products related to COVID-19, growth in sales in the Canadian market and decrease in selling, general and administrative expenses resulting from cost reductions.

B. Group Results

(in millions of yen)	Second quarter of fiscal year ended March 31, 2021	Second quarter of fiscal year ending March 31, 2022	Change
Revenue	89,631	85,931	-3,699
Core operating profit	1,360	-8,790	-10,151
Operating profit	523	-14,026	-14,550
Profit before tax	369	-13,626	-13,995
Profit attributable to owners of parent	146	-14,593	-14,739
Diluted earnings per share	2.28	-224.30	-226.58

(Note)

The Group has adopted “core operating profit” as an indicator representing ordinary profitability. “Core operating profit” is calculated by deducting gains and losses caused by extraordinary factors from operating profit.

Revenue decreased by 3,699 million yen year-on-year due to decrease in revenue in Nichi-Iko Group despite increase in Sagent Group.

Core operating profit decreased significantly, by 10,151 million yen year-on-year, due to a decrease in earnings in Nichi-Iko Group.

Operating profit decreased by 14,550 million yen year-on-year, a significant decrease due to factors such as recording a valuation loss on raw materials and work in progress likely to be disposed of in future (approx. 4,800 million yen) as a result of review of products manufactured at Toyama Plant 1 by categorizing them into those that can be integrated into formulations with compounds of the same type and same effect owned by the Group, those for which improvement measures can be implemented over a certain period of time, and those that are expected to take more time than anticipated to resume manufacturing.

Profit before tax was down 13,995 million yen year-on-year and profit attributable to owners of parent was down 14,739 million yen year-on-year.

(Impact from COVID-19)

The Group is continuing its endeavor to prevent the spread of COVID-19 by implementing measures such as working at home, staggered working hours and dispersing of work areas per each department, in addition to implementing workplace vaccinations at the Toyama headquarters, Toyama Plant 1 and the Gifu Plant.

With regard to the impact on results, although there were some negative impacts on sales due to restraint on examinations, delays in surgeries, restrictions on business activities, and delays in the supply of materials for certain products from suppliers in the United States, there were also positive aspects such as increase in sales of products related to COVID-19. As such, there has been no significant impact on results to date.

(2) Explanation on Financial Position

(i) Assets, Liabilities and Equity

Assets on a consolidated basis at the end of the second quarter of the current fiscal year increased by 1,507 million yen from the previous fiscal year-end to 365,080 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Cash and cash equivalents	-4,177	Procuring raw materials with an eye to the resumption of production at Toyama Plant 1
Trade and other receivables	-2,267	Decrease in sales due to the April 2021 price revision and delays in shipment of products manufactured at Toyama Plant 1
Inventories	+4,952	Procuring raw materials and securing work in process with an eye to the resumption of production at Toyama Plant 1
Property, plant and equipment	-2,612	Recording of depreciation and capital investment
Intangible assets	+6,619	Acquisition of manufacturing and marketing rights, investment in development of biosimilars and generic pharmaceuticals, etc.

Liabilities on a consolidated basis at the end of the second quarter of the current fiscal year increased by 11,605 million yen from the previous fiscal year-end to 262,742 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Trade and other payables	-9,233	Reduction in orders associated with production adjustment at Toyama Plant 1
Borrowings	+14,679	Procurement of working capital
Other financial liabilities	+5,190	Increase in lease liabilities

Equity on a consolidated basis at the end of the second quarter of the current fiscal year decreased by 10,097 million yen from the previous fiscal year-end to 102,337 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Share capital	+2,615	Issuance of new shares by third-party allotment
Capital surplus	+2,615	Issuance of new shares by third-party allotment
Retained earnings	-15,737	Recording of loss, etc.

(ii) Consolidated Cash Flows

At the end of the second quarter of the current fiscal year, cash and cash equivalents on a consolidated basis decreased by 4,177 million yen from the previous fiscal year-end to 24,965 million yen.

Details of cash flows from each of the three activities for the cumulative second quarter of the current fiscal year are described below.

(Cash flows from operating activities)

Net cash used in operating activities during the cumulative second quarter of the current fiscal year amounted to 19,859 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Recording of loss before tax	-13,626
Recording of depreciation and amortization	6,171
Increase in inventories	-4,508
Decrease in trade and other receivables	2,425
Decrease in trade and other payables	-8,796

(Cash flows from investing activities)

Net cash used in investing activities during the cumulative second quarter of the current fiscal year amounted to 7,680 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Purchase of property, plant and equipment	-2,090
Purchase of intangible assets	-7,937
Proceeds from sale of investments accounted for using equity method	2,500

(Cash flows from financing activities)

Net cash provided by financing activities during the cumulative second quarter of the current fiscal year amounted to 23,517 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Net increase in borrowings	14,562
Proceeds from issuance of new shares	5,207
Proceeds from sale and leaseback transactions	5,641

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements

The forecasts of consolidated financial results for the fiscal year ending March 31, 2022 that was announced on August 10, 2021 was revised on November 11, 2021 as follows based on the results during the cumulative second quarter of the current fiscal year and the outlook for future results.

For details, please refer to the “Notice on Reporting of Valuation Loss on Inventory, Revision of Forecast of Financial Results and Revision of Dividend Forecast (No Dividend)” announced on November 11, 2021.

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent	Basic earnings per share
Previous forecast (A)	¥195,000 million	¥700 million	¥500 million	¥200 million	¥3.12
Revised forecast (B)	¥185,000 million	-¥11,900 million	-¥17,100 million	-¥18,600 million	-¥275.39
Change in amount (B-A)	-¥10,000 million	-¥12,600 million	-¥17,600 million	-¥18,800 million	
Change (%)	-5.1%	-	-	-	
(Reference) Actual results for the fiscal year ended March 31, 2021	¥188,218 million	¥977 million	¥107 million	-¥4,179 million	-¥65.28

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	(in millions of yen)	
	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Second quarter of fiscal year ending March 31, 2022 (as of September 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	29,142	24,965
Trade and other receivables	42,882	40,615
Inventories	96,110	101,062
Income taxes receivable	55	-
Other financial assets	3,715	3,716
Other current assets	3,195	3,405
Subtotal	175,102	173,765
Assets held for sale	-	824
Total current assets	175,102	174,589
Non-current assets		
Property, plant and equipment	68,943	66,331
Goodwill	45,661	46,065
Intangible assets	56,957	63,577
Investments accounted for using equity method	2,202	81
Other financial assets	11,635	11,853
Deferred tax assets	12	14
Other non-current assets	3,058	2,566
Total non-current assets	188,469	190,490
Total assets	363,572	365,080

	(in millions of yen)	
	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Second quarter of fiscal year ending March 31, 2022 (as of September 30, 2021)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	65,359	56,125
Borrowings	63,113	71,481
Other financial liabilities	1,615	2,034
Income taxes payable	937	2,014
Refund liabilities	2,712	2,105
Contract liabilities	127	117
Other current liabilities	9,707	9,810
Total current liabilities	143,574	143,691
Non-current liabilities		
Borrowings	86,021	92,332
Other financial liabilities	4,182	8,954
Retirement benefit liability	960	961
Provisions	83	83
Refund liabilities	98	75
Contract liabilities	631	582
Deferred tax liabilities	14,711	14,972
Other non-current liabilities	874	1,089
Total non-current liabilities	107,562	119,050
Total liabilities	251,136	262,742
Equity		
Share capital	23,360	25,975
Capital surplus	21,896	24,511
Other equity instruments	9,918	9,918
Treasury shares	(2,267)	(2,124)
Retained earnings	50,822	35,084
Other components of equity	7,437	8,136
Total equity attributable to owners of parent	111,167	101,502
Non-controlling interests	1,268	835
Total equity	112,435	102,337
Total liabilities and equity	363,572	365,080

(2) Condensed Quarterly Consolidated Statement of Income and Condensed Quarterly Consolidated Statement of Comprehensive Income

(Condensed Quarterly Consolidated Statement of Income)

	(in millions of yen)	
	Second quarter of previous fiscal year (from April 1, 2020 to September 30, 2020)	Second quarter of current fiscal year (from April 1, 2021 to September 30, 2021)
Revenue	89,631	85,931
Cost of sales	73,950	85,079
Gross profit	15,680	851
Selling, general and administrative expenses	13,074	13,483
Research and development expenses	1,879	1,819
Other operating income	142	751
Other operating expenses	346	327
Operating profit (loss)	523	(14,026)
Finance income	90	628
Finance costs	445	427
Share of profit (loss) of investments accounted for using equity method	200	199
Profit (loss) before tax	369	(13,626)
Income tax expense	254	1,134
Profit (loss)	114	(14,760)
Profit attributable to:		
Owners of parent	146	(14,593)
Non-controlling interests	(31)	(167)
Profit (loss)	114	(14,760)
Earnings per share		
Basic earnings (loss) per share (Yen)	2.28	(224.30)
Diluted earnings (loss) per share (Yen)	2.28	(224.30)

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(in millions of yen)

	Second quarter of previous fiscal year (from April 1, 2020 to September 30, 2020)	Second quarter of current fiscal year (from April 1, 2021 to September 30, 2021)
Profit (loss)	114	(14,760)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	355	97
Share of other comprehensive income of investments accounted for using equity method	(0)	-
Total of items that will not be reclassified to profit or loss	354	97
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,520)	656
Total of items that may be reclassified to profit or loss	(1,520)	656
Other comprehensive income (net of tax)	(1,166)	753
Comprehensive income	(1,051)	(14,006)
Comprehensive income attributable to:		
Owners of parent	(982)	(13,848)
Non-controlling interests	(68)	(158)
Comprehensive income	(1,051)	(14,006)

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Second Quarter of Previous Fiscal Year (from April 1, 2020 to September 30, 2020)

(in millions of yen)

	Equity attributable to owners of parent					Other components of equity	
	Share capital	Capital surplus	Other equity instruments	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2020	23,360	21,896	9,918	(2,562)	57,365	4,339	1,235
Profit (loss)					146		
Other comprehensive income						(1,483)	354
Total comprehensive income	-	-	-	-	146	(1,483)	354
Distributions to owners of other equity instruments					(220)		
Purchase of treasury shares				(0)			
Disposal of treasury shares		(24)		127			
Forfeiture of share acquisition rights					29		
Dividends (Note)					(959)		
Transfer to capital surplus from retained earnings		24			(24)		
Total transactions with owners	-	-	-	127	(1,174)	-	-
Balance as of September 30, 2020	23,360	21,896	9,918	(2,435)	56,337	2,856	1,589

	Equity attributable to owners of parent			Non-controlling interests	Total
	Other components of equity		Total		
	Others	Total			
Balance as of April 1, 2020	274	5,848	115,826	1,343	117,170
Profit (loss)		-	146	(31)	114
Other comprehensive income		(1,128)	(1,128)	(37)	(1,166)
Total comprehensive income	-	(1,128)	(982)	(68)	(1,051)
Distributions to owners of other equity instruments		-	(220)		(220)
Purchase of treasury shares		-	(0)		(0)
Disposal of treasury shares		-	103		103
Forfeiture of share acquisition rights	(29)	(29)	-		-
Dividends (Note)		-	(959)		(959)
Transfer to capital surplus from retained earnings		-	-		-
Total transactions with owners	(29)	(29)	(1,076)	-	(1,076)
Balance as of September 30, 2020	245	4,690	113,767	1,274	115,042

(Note)

The amount of dividends does not include the amount of dividends to the Employee Shareholding Incentive Plan.

Second Quarter of Current Fiscal Year (from April 1, 2021 to September 30, 2021)

(in millions of yen)

	Equity attributable to owners of parent						Other components of equity	
	Share capital	Capital surplus	Other equity instruments	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	
Balance as of April 1, 2021	23,360	21,896	9,918	(2,267)	50,822	6,526	669	
Profit (loss)					(14,593)			
Other comprehensive income						648	97	
Total comprehensive income	-	-	-	-	(14,593)	648	97	
Issuance of new shares	2,615	2,615						
Direct issuance expenses due to issuance of new shares		(23)						
Distributions to owners of other equity instruments					(220)			
Purchase of treasury shares				(0)				
Disposal of treasury shares		(58)		133				
Transfer of loss on disposal of treasury shares		58			(58)			
Exercise of share acquisition rights		(3)		8				
Forfeiture of share acquisition rights					39			
Dividends (Note)					(641)			
Equity transactions with non-controlling interests and other		(236)						
Transfer to capital surplus from retained earnings		263			(263)			
Transfer from other components of equity					1		(1)	
Total transactions with owners	2,615	2,615	-	142	(1,143)	-	(1)	
Balance as of September 30, 2021	25,975	24,511	9,918	(2,124)	35,084	7,174	765	

	Equity attributable to owners of parent			Non-controlling interests	Total
	Other components of equity		Total		
	Others	Total			
Balance as of April 1, 2021	240	7,437	111,167	1,268	112,435
Profit (loss)		-	(14,593)	(167)	(14,760)
Other comprehensive income		745	745	8	753
Total comprehensive income	-	745	(13,848)	(158)	(14,006)
Issuance of new shares		-	5,231		5,231
Direct issuance expenses due to issuance of new shares		-	(23)		(23)
Distributions to owners of other equity instruments		-	(220)		(220)
Purchase of treasury shares		-	(0)		(0)
Disposal of treasury shares		-	74		74
Transfer of loss on disposal of treasury shares		-	-		-
Exercise of share acquisition rights	(5)	(5)	0		0
Forfeiture of share acquisition rights	(39)	(39)	-		-
Dividends (Note)		-	(641)		(641)
Equity transactions with non-controlling interests and other		-	(236)	(274)	(510)
Transfer to capital surplus from retained earnings		-	-		-
Transfer from other components of equity		(1)	-		-
Total transactions with owners	(44)	(46)	4,183	(274)	3,909
Balance as of September 30, 2021	195	8,136	101,502	835	102,337

(Note)

The amount of dividends does not include the amount of dividends to the Employee Shareholding Incentive Plan.

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(in millions of yen)

	Second quarter of previous fiscal year (from April 1, 2020 to September 30, 2020)	Second quarter of current fiscal year (from April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit (loss) before tax	369	(13,626)
Depreciation and amortization	6,312	6,171
Impairment losses (reversal of impairment losses)	-	212
Interest and dividend income	(90)	(144)
Interest expenses	279	301
Share of loss (profit) of investments accounted for using equity method	(200)	(199)
Loss (gain) on sale of investments in associates	-	(363)
Decrease (increase) in trade and other receivables	10,390	2,425
Decrease (increase) in inventories	(7,357)	(4,508)
Increase (decrease) in trade and other payables	(4,995)	(8,796)
Increase (decrease) in refund liabilities	(823)	(639)
Increase (decrease) in deposits received	(866)	(1,060)
Other	(1,895)	607
Subtotal	1,123	(19,619)
Dividends received	60	76
Interest received	4	1
Interest paid	(275)	(331)
Income taxes paid	(154)	(140)
Income taxes refund	360	154
Net cash provided by (used in) operating activities	1,119	(19,859)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,536)	(2,090)
Purchase of intangible assets	(5,463)	(7,937)
Payments for acquisition of subsidiaries	-	(108)
Proceeds from sale of investments accounted for using equity method	-	2,500
Other	54	(43)
Net cash provided by (used in) investing activities	(8,945)	(7,680)

(in millions of yen)

	Second quarter of previous fiscal year (from April 1, 2020 to September 30, 2020)	Second quarter of current fiscal year (from April 1, 2021 to September 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,037	5,669
Proceeds from long-term borrowings	-	14,170
Repayments of long-term borrowings	(4,685)	(5,276)
Proceeds from sale and leaseback transactions	-	5,641
Repayments of lease liabilities	(990)	(1,106)
Proceeds from issuance of common shares	-	5,207
Dividends paid	(959)	(641)
Distributions to owners of other equity instruments	(220)	(220)
Other	103	74
Net cash provided by (used in) financing activities	283	23,517
Effect of exchange rate changes on cash and cash equivalents	(57)	(154)
Net increase (decrease) in cash and cash equivalents	(7,599)	(4,177)
Cash and cash equivalents at beginning of period	42,944	29,142
Cash and cash equivalents at end of period	35,344	24,965

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Segment information)

(1) Reportable segments

The Group's reportable segments are components of the business units of the Group for which discrete financial statements are available and evaluated regularly by the Board of Directors in determining the allocation of management resources and assessing the segment's performance.

The Company's pharmaceutical business is made up of two segments: the "Nichi-Iko Group" and the "Sagent Group." The "Sagent Group" is made up of Sagent Pharmaceuticals, Inc. and its consolidated subsidiaries.

The "Nichi-Iko Group" is made up of companies excluding the "Sagent Group."

Revenue and segment profit of the reportable segments are as follows.

Second Quarter of Previous Fiscal Year (from April 1, 2020 to September 30, 2020)

(in millions of yen)

	Reportable segments			Adjustment	Consolidated
	Nichi-Iko Group	Sagent Group	Total		
Revenue					
External revenue	72,513	17,304	89,818	-	89,818
Inter-segment revenue	-	-	-	-	-
Total	72,513	17,304	89,818	-	89,818
Segment profit (loss) (Core operating profit) (Note)	2,449	(1,088)	1,360	-	1,360

(Note)

Core operating profit excludes profits and losses caused by extraordinary factors from operating profit, and extraordinary factors are also excluded from revenue.

Second Quarter of Current Fiscal Year (from April 1, 2021 to September 30, 2021)

(in millions of yen)

	Reportable segments			Adjustment	Consolidated
	Nichi-Iko Group	Sagent Group	Total		
Revenue					
External revenue	65,614	20,316	85,930	-	85,930
Inter-segment revenue	-	18	18	(18)	-
Total	65,614	20,334	85,948	(18)	85,930
Segment profit (loss) (Core operating profit) (Note)	(8,137)	(652)	(8,790)	-	(8,790)

(Note)

Core operating profit excludes profits and losses caused by extraordinary factors from operating profit, and extraordinary factors are also excluded from revenue.

The difference between the total amounts for the reportable segments and the amount reported on the condensed quarterly consolidated financial statements has been adjusted as follows.

(in millions of yen)

	Second quarter of previous fiscal year (from April 1, 2020 to September 30, 2020)	Second quarter of current fiscal year (from April 1, 2021 to September 30, 2021)
Total revenue	89,818	85,930
(Reversal of) provision for voluntary recall	187	(1)
Revenue on condensed quarterly consolidated financial statements	89,631	85,931

(in millions of yen)

	Second quarter of previous fiscal year (from April 1, 2020 to September 30, 2020)	Second quarter of current fiscal year (from April 1, 2021 to September 30, 2021)
Segment profit (loss)	1,360	(8,790)
Integration-related expenses	90	24
Voluntary recall expenses	746	161
Loss on valuation of inventory (Note)	-	4,837
Impairment loss	-	212
Operating profit (loss)	523	(14,026)
Finance income	90	628
Finance costs	445	427
Share of profit (loss) of investments accounted for using equity method	200	199
Profit (loss) before tax	369	(13,626)

(Note)

We recorded a valuation loss on raw materials and work in progress likely to be disposed of in future at Toyama Plant 1.

(2) Information about products and services

Revenue from each product and service is as follows.

Second Quarter of Previous Fiscal Year (from April 1, 2020 to September 30, 2020)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Sales of merchandise and products			
Treatments for circulatory system	14,753	-	14,753
Treatments for blood and body fluid	13,220	-	13,220
Antibiotics	3,941	4,604	8,545
Treatments for paramedics	-	7,790	7,790
Treatments for digestive system	7,691	-	7,691
Treatments for nervous system	8,878	-	8,878
Chemotherapeutics	1,157	4,259	5,416
Treatments for external use	3,515	-	3,515
Other	19,354	650	20,004
Total	72,513	17,304	89,818

(Note)

In the same manner as “core operating profit,” extraordinary factors are also excluded from revenue.

Second Quarter of Current Fiscal Year (from April 1, 2021 to September 30, 2021)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Sales of merchandise and products			
Treatments for circulatory system	10,154	-	10,154
Treatments for blood and body fluid	9,807	-	9,807
Antibiotics	4,202	5,544	9,746
Treatments for paramedics	-	9,658	9,658
Treatments for digestive system	7,026	-	7,026
Treatments for nervous system	7,353	-	7,353
Chemotherapeutics	1,194	4,343	5,538
Treatments for external use	5,185	-	5,185
Other	20,689	770	21,459
Total	65,614	20,316	85,930

(Note)

In the same manner as “core operating profit,” extraordinary factors are also excluded from revenue.

Second Quarter of Previous Fiscal Year (from April 1, 2020 to September 30, 2020)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Sales of merchandise and products	72,454	17,304	89,759
License agreement on sales of products, etc.	58	-	58
Total	72,513	17,304	89,818

(Note)

In the same manner as “core operating profit,” extraordinary factors are also excluded from revenue.

Second Quarter of Current Fiscal Year (from April 1, 2021 to September 30, 2021)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Sales of merchandise and products	65,554	20,316	85,870
License agreement on sales of products, etc.	59	-	59
Total	65,614	20,316	85,930

(Note)

In the same manner as “core operating profit,” extraordinary factors are also excluded from revenue.

(3) Information by geographical area

Revenue by geographical area is shown below.

Second Quarter of Previous Fiscal Year (from April 1, 2020 to September 30, 2020)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Japan	72,428	-	72,428
United States	-	15,015	15,015
Other	85	2,289	2,374
Total	72,513	17,304	89,818

(Notes)

1. Revenue is based on the location of the destination of sales.

2. In the same manner as “core operating profit,” extraordinary factors are also excluded from revenue.

Second Quarter of Current Fiscal Year (from April 1, 2021 to September 30, 2021)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Japan	65,453	-	65,453
United States	-	17,189	17,189
Other	160	3,126	3,287
Total	65,614	20,316	85,930

(Notes)

1. Revenue is based on the location of the destination of sales.
2. In the same manner as “core operating profit,” extraordinary factors are also excluded from revenue.

3. Other

Significant matters regarding the premise of going concern

Since April this year, the Group has been gradually resumed production and shipment by the self-imposed quality control methods such as FMEA, but has not yet resumed shipment of all products. In addition, the Group recorded an operating loss of 14,026 million yen and a loss attributable to owners of parent of 14,593 million yen in the cumulative second quarter of the current fiscal year as a result of lowering of drug prices due to the drug price revision, a decrease in sales of Elmed products caused by stoppage of shipments from a manufacturing subcontractor, and recording a valuation loss on raw materials and work in progress likely to be disposed of in future (approx. 4,800 million yen) after consideration of products manufactured at Toyama Plant 1 by categorizing them into those that can be integrated into formulations with compounds of the same type and same effect owned by the Group, those for which improvement measures can be implemented over a certain period of time, and those that are expected to take more time than anticipated to resume manufacturing. As a result, there are circumstances that raise significant doubts about the premise of going concern.

However, the Group will gradually resume production and shipment of products manufactured at Toyama Plant 1, and is continuing its efforts to improve profitability by promoting initiatives aimed at optimization of the production system throughout the entire Group, and also taking steps to improve cash flow by reducing expenses, curbing logistics costs and thoroughly implementing inventory and purchasing management on a company-wide level. In addition to these measures, in financing from financial institutions, the Group’s lines of credit are large enough to cover the necessary working capital, and it was determined that there are no significant concerns about the funding environment in the foreseeable future, and that there is no significant uncertainty regarding the premise of going concern.