

(English Translation)

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

February 14, 2022

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: February 14, 2022
Scheduled date of commencement of dividend payment: -
Presentation of supplementary materials on quarterly financial results: Yes
Holding of quarterly financial presentation meeting: No

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to December 31, 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
Third quarter of fiscal year ending March 31, 2022	¥134,892 million (-2.8%)	-¥9,907 million (-%)	-¥15,337 million (-%)	-¥14,269 million (-%)	-¥16,139 million (-%)	-¥15,704 million (-%)
Third quarter of fiscal year ended March 31, 2021	¥138,845 million (-2.3%)	¥1,860 million (-73.6%)	¥17 million (-99.7%)	-¥95 million (-%)	-¥267 million (-%)	-¥216 million (-%)

	Total comprehensive income	Basic earnings per share	Diluted earnings per share
Third quarter of fiscal year ending March 31, 2022	-¥13,497 million (-%)	-¥235.54	-¥235.54
Third quarter of fiscal year ended March 31, 2021	-¥2,573 million (-%)	-¥3.38	-¥3.38

(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
Third quarter of fiscal year ending March 31, 2022	¥360,595 million	¥102,737 million	¥102,150 million	28.3%	¥1,450.29
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 December 31, 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 December 31, 2021 948,075 shares

As of March 31, 2021 1,036,650 shares

(iii) Average number of shares during the period (cumulative quarter):

Third quarter of fiscal year ending March 31, 2022 66,673,306 shares

Third quarter of fiscal year ended March 31, 2021 63,997,238 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 Monday, February 14, 2022.

Attachment – Contents

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

(1) Explanation on Operating Results

In the cumulative third quarter under review, there were signs of a gradual recovery in the Japanese economy due to factors such as a significant decrease in new COVID-19 positives, but the economic outlook is uncertain due to the global spread of the Omicron variant since the end of last year.

In the generic drug industry, while there is a strong demand for further improvement of quality and stable supply, the general framework of the drug price revision to be implemented in April 2022 is also being discussed, and it is necessary to improve profitability to respond to the lowering of drug prices.

Under such circumstances, the Company is placing maximum focus on the resumption of manufacturing and shipments with security and trust at Toyama Plant 1, and is promoting initiatives aimed at improving and strengthening the manufacturing and quality control system throughout the entire company. Furthermore, discussions aimed at a specific alliance model including “planned ordering and planned production” have been underway with MEDIPAL HOLDINGS CORPORATION, which formed a capital and business alliance with the Company in September 2021.

A. Results by segment

[Cumulative results]

(in millions of yen)	Nichi-Iko Group			Sagent Group		
	Third quarter of fiscal year ended March 31, 2021	Third quarter of fiscal year ending March 31, 2022	Change	Third quarter of fiscal year ended March 31, 2021	Third quarter of fiscal year ending March 31, 2022	Change
Revenue	113,085	104,494	-8,590	26,151	30,414	+4,262
Core operating profit	3,820	-8,657	-12,478	-1,960	-1,250	+710

[Quarterly results]

(in millions of yen)	Nichi-Iko Group			Sagent Group		
	Fiscal year ending March 31, 2022			Fiscal year ending March 31, 2022		
	First quarter	Second quarter	Third quarter	First quarter	Second quarter	Third quarter
Revenue	33,268	32,345	38,880	9,690	10,625	10,098
Core operating profit	-3,521	-4,615	-519	-423	-229	-597

(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

In the Nichi-Iko Group, efforts are being made to gradually resume production and shipment of products manufactured at Toyama Plant 1, and to expand the types and volume of resumed items. However, more time has been required for the resumption of shipments of some items than initially anticipated due to the implementation of stringent quality checks, etc., and the entire company is working to quickly expand such efforts.

Results in Nichi-Iko Group during the cumulative third quarter of the current fiscal year showed revenue of 104,494 million yen (a decrease of 8,590 million yen year-on-year) and segment loss of 8,657 million yen (segment profit of 3,820 million yen in the same period of the previous year), a significant decrease in both sales and profit, due to a 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, despite contribution made by sales of products from Gifu Plant (approximately 27,900 million yen).

During the third quarter, revenue increased by 6,535 million yen from the second quarter to 38,880 million yen, and segment loss improved by 4,095 million yen from the second quarter to segment loss of 519 million yen due to the gradual resumption of shipments of products manufactured at Toyama Plant 1.

(ii) Sagent Group

In Sagent Group, efforts are being made in the in-house production and production capacity expansion projects, with the aim of being more cost competitive and enhancing stable supply capability. Furthermore, the Company is proceeding with efforts aimed at the launch of biosimilar and orphan drugs in the US market, in addition to measures to manufacture products for Japan and license out products developed by Sagent to Japanese and Southeast Asian markets.

Results in Sagent Group during the cumulative third quarter of the current fiscal year showed revenue of 30,414 million yen (an increase of 4,262 million yen year-on-year) and segment loss of 1,250 million yen (a reduction in loss of 710 million yen year-on-year) due to continued strong performance of products related to COVID-19, growth in sales in the Canadian market and the effect of cost reductions, despite the stoppage of plant operation due to a review of production facilities at SterRx.

B. Group Results

(in millions of yen)	Third quarter of fiscal year ended March 31, 2021	Third quarter of fiscal year ending March 31, 2022	Change
Revenue	138,845	134,892	-3,953
Core operating profit	1,860	-9,907	-11,768
Operating profit	17	-15,337	-15,355
Profit before tax	-95	-14,269	-14,173
Profit attributable to owners of parent	-216	-15,704	-15,487
Diluted earnings per share	-3.38	-235.54	-232.16

(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 3,953 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 11,768 million yen year-on-year, due to a decrease in earnings in Nichi-Iko Group.

Operating profit decreased significantly by 15,355 million yen year-on-year, due to factors such as the recording of a loss on valuation of raw materials and work in progress (approximately 4,800 million yen) for products manufactured at Toyama Plant 1, which are likely to be disposed of in future in Nichi-Iko Group during the second quarter.

Loss before tax deteriorated by 14,173 million yen year-on-year and loss attributable to owners of parent deteriorated by 15,487 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, selective 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 third quarter of the current fiscal year decreased by 2,977 million yen from the previous fiscal year-end to 360,595 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Cash and cash equivalents	-12,390	Payments for inventories purchased in the previous fiscal year
Inventories	+4,178	Procuring raw materials and securing work in progress with an eye to the resumption of production at Toyama Plant 1
Property, plant and equipment	-3,175	Recording of depreciation and capital investment
Intangible assets	+8,429	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 third quarter of the current fiscal year increased by 6,720 million yen from the previous fiscal year-end to 257,857 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Trade and other payables	-12,186	Payments for inventories purchased in the previous fiscal year
Borrowings	+13,764	Procurement of working capital
Other financial liabilities	+5,146	Increase in lease liabilities

Equity on a consolidated basis at the end of the third quarter of the current fiscal year decreased by 9,698 million yen from the previous fiscal year-end to 102,737 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	-16,957	Recording of loss, etc.
Other components of equity	+2,567	Exchange differences, etc. on translation of foreign operations due to yen depreciation

(ii) Consolidated Cash Flows

At the end of the third quarter of the current fiscal year, cash and cash equivalents on a consolidated basis decreased by 12,390 million yen from the previous fiscal year-end to 16,752 million yen.

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

(Cash flows from operating activities)

Net cash used in operating activities during the cumulative third quarter of the current fiscal year amounted to 24,893 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Recording of loss before tax	-14,269
Recording of depreciation and amortization	9,256
Increase in inventories	-3,746
Decrease in trade and other payables	-11,677
Decrease in deposits received	-1,827

(Cash flows from investing activities)

Net cash used in investing activities during the cumulative third quarter of the current fiscal year amounted to 9,276 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Purchase of property, plant and equipment	-2,950
Purchase of intangible assets	-9,713
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 third quarter of the current fiscal year amounted to 22,223 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Net increase in borrowings	13,360
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

There is no change to the forecast of consolidated financial results announced on November 11, 2021.

The previously announced forecast of consolidated financial results has not incorporated the impact of the spread of COVID-19. We will promptly provide notification if it is necessary to revise the results forecast due to the future spread of COVID-19.

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)	Third quarter of fiscal year ending March 31, 2022 (as of December 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	29,142	16,752
Trade and other receivables	42,882	44,083
Inventories	96,110	100,288
Income taxes receivable	55	10
Other financial assets	3,715	3,715
Other current assets	3,195	3,035
Total current assets	175,102	167,886
Non-current assets		
Property, plant and equipment	68,943	65,767
Goodwill	45,661	47,260
Intangible assets	56,957	65,387
Investments accounted for using equity method	2,202	90
Other financial assets	11,635	11,859
Deferred tax assets	12	10
Other non-current assets	3,058	2,332
Total non-current assets	188,469	192,709
Total assets	363,572	360,595

	(in millions of yen)	
	Fiscal year ended March 31, 2021 (as of March 31, 2021)	Third quarter of fiscal year ending March 31, 2022 (as of December 31, 2021)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	65,359	53,172
Borrowings	63,113	82,081
Other financial liabilities	1,615	2,093
Income taxes payable	937	2,726
Refund liabilities	2,712	2,148
Contract liabilities	127	126
Other current liabilities	9,707	8,061
Total current liabilities	143,574	150,410
Non-current liabilities		
Borrowings	86,021	80,818
Other financial liabilities	4,182	8,851
Retirement benefit liability	960	1,006
Provisions	83	83
Refund liabilities	98	116
Contract liabilities	631	544
Deferred tax liabilities	14,711	14,906
Other non-current liabilities	874	1,120
Total non-current liabilities	107,562	107,447
Total liabilities	251,136	257,857
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	33,864
Other components of equity	7,437	10,004
Total equity attributable to owners of parent	111,167	102,150
Non-controlling interests	1,268	586
Total equity	112,435	102,737
Total liabilities and equity	363,572	360,595

(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)	
	Third quarter of previous fiscal year (from April 1, 2020 to December 31, 2020)	Third quarter of current fiscal year (from April 1, 2021 to December 31, 2021)
Revenue	138,845	134,892
Cost of sales	115,802	127,898
Gross profit	23,042	6,993
Selling, general and administrative expenses	19,748	19,835
Research and development expenses	2,939	2,633
Other operating income	300	1,347
Other operating expenses	636	1,209
Operating profit (loss)	17	(15,337)
Finance income	456	1,529
Finance costs	857	678
Share of profit (loss) of investments accounted for using equity method	287	217
Profit (loss) before tax	(95)	(14,269)
Income tax expense	171	1,870
Profit (loss)	(267)	(16,139)
Profit attributable to:		
Owners of parent	(216)	(15,704)
Non-controlling interests	(51)	(435)
Profit (loss)	(267)	(16,139)
Earnings per share		
Basic earnings (loss) per share (Yen)	(3.38)	(235.54)
Diluted earnings (loss) per share (Yen)	(3.38)	(235.54)

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(in millions of yen)

	Third quarter of previous fiscal year (from April 1, 2020 to December 31, 2020)	Third quarter of current fiscal year (from April 1, 2021 to December 31, 2021)
Profit (loss)	(267)	(16,139)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	257	71
Share of other comprehensive income of investments accounted for using equity method	(1)	-
Total of items that will not be reclassified to profit or loss	255	71
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(2,562)	2,570
Total of items that may be reclassified to profit or loss	(2,562)	2,570
Other comprehensive income (net of tax)	(2,306)	2,641
Comprehensive income	(2,573)	(13,497)
Comprehensive income attributable to:		
Owners of parent	(2,457)	(13,090)
Non-controlling interests	(116)	(407)
Comprehensive income	(2,573)	(13,497)

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Third Quarter of Previous Fiscal Year (from April 1, 2020 to December 31, 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)					(216)		
Other comprehensive income						(2,496)	255
Total comprehensive income	-	-	-	-	(216)	(2,496)	255
Distributions to owners of other equity instruments					(330)		
Purchase of treasury shares				(0)			
Disposal of treasury shares		(68)		243			
Forfeiture of share acquisition rights					29		
Dividends (Note)					(1,919)		
Transfer to capital surplus from retained earnings		68			(68)		
Total transactions with owners	-	-	-	243	(2,288)	-	-
Balance as of December 31, 2020	23,360	21,896	9,918	(2,319)	54,860	1,842	1,490

	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)			(216)	(51)	(267)
Other comprehensive income		(2,241)	(2,241)	(65)	(2,306)
Total comprehensive income	-	(2,241)	(2,457)	(116)	(2,573)
Distributions to owners of other equity instruments			(330)		(330)
Purchase of treasury shares			(0)		(0)
Disposal of treasury shares			175		175
Forfeiture of share acquisition rights	(29)	(29)	-		-
Dividends (Note)			(1,919)		(1,919)
Transfer to capital surplus from retained earnings			-		-
Total transactions with owners	(29)	(29)	(2,074)	-	(2,074)
Balance as of December 31, 2020	245	3,578	111,294	1,227	112,521

(Note)

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

Third Quarter of Current Fiscal Year (from April 1, 2021 to December 31, 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)					(15,704)		
Other comprehensive income						2,542	71
Total comprehensive income	-	-	-	-	(15,704)	2,542	71
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					(330)		
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	(1,253)	-	(1)
Balance as of December 31, 2021	25,975	24,511	9,918	(2,124)	33,864	9,068	739

	Equity attributable to owners of parent		Total	Non-controlling interests	Total
	Other components of equity				
	Others	Total			
Balance as of April 1, 2021	240	7,437	111,167	1,268	112,435
Profit (loss)			(15,704)	(435)	(16,139)
Other comprehensive income		2,613	2,613	28	2,641
Total comprehensive income	-	2,613	(13,090)	(407)	(13,497)
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			(330)		(330)
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)	4,073	(274)	3,799
Balance as of December 31, 2021	195	10,004	102,150	586	102,737

(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)

	Third quarter of previous fiscal year (from April 1, 2020 to December 31, 2020)	Third quarter of current fiscal year (from April 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Profit (loss) before tax	(95)	(14,269)
Depreciation and amortization	9,821	9,256
Impairment losses (reversal of impairment losses)	-	427
Interest and dividend income	(114)	(206)
Interest expenses	413	508
Share of loss (profit) of investments accounted for using equity method	(287)	(217)
Loss (gain) on sale of investments in associates	-	(363)
Decrease (increase) in trade and other receivables	6,903	(972)
Decrease (increase) in inventories	(8,044)	(3,746)
Increase (decrease) in trade and other payables	(2,145)	(11,677)
Increase (decrease) in refund liabilities	(556)	(556)
Increase (decrease) in deposits received	(1,517)	(1,827)
Other	(746)	(766)
Subtotal	3,631	(24,409)
Dividends received	75	91
Interest received	7	1
Interest paid	(401)	(526)
Income taxes paid	(423)	(205)
Income taxes refund	360	154
Net cash provided by (used in) operating activities	3,249	(24,893)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,656)	(2,950)
Proceeds from sale of property, plant and equipment	-	950
Purchase of intangible assets	(9,809)	(9,713)
Payments for acquisition of subsidiaries	-	(108)
Proceeds from sale of investments accounted for using equity method	-	2,500
Other	57	45
Net cash provided by (used in) investing activities	(14,408)	(9,276)

(in millions of yen)

	Third quarter of previous fiscal year (from April 1, 2020 to December 31, 2020)	Third quarter of current fiscal year (from April 1, 2021 to December 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,057	6,537
Proceeds from long-term borrowings	-	15,100
Repayments of long-term borrowings	(6,472)	(8,007)
Proceeds from sale and leaseback transactions	-	5,641
Repayments of lease liabilities	(1,455)	(1,358)
Proceeds from issuance of common shares	-	5,207
Dividends paid	(1,899)	(642)
Distributions to owners of other equity instruments	(330)	(330)
Other	175	74
Net cash provided by (used in) financing activities	(1,925)	22,223
Effect of exchange rate changes on cash and cash equivalents	(66)	(442)
Net increase (decrease) in cash and cash equivalents	(13,150)	(12,390)
Cash and cash equivalents at beginning of period	42,944	29,142
Cash and cash equivalents at end of period	29,793	16,752

(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.

Third Quarter of Previous Fiscal Year (from April 1, 2020 to December 31, 2020)

(in millions of yen)

	Reportable segments			Adjustment	Consolidated
	Nichi-Iko Group	Sagent Group	Total		
Revenue					
External revenue	113,085	26,151	139,237	-	139,237
Inter-segment revenue	-	-	-	-	-
Total	113,085	26,151	139,237	-	139,237
Segment profit (loss) (Core operating profit) (Note)	3,820	(1,960)	1,860	-	1,860

(Note)

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

Third Quarter of Current Fiscal Year (from April 1, 2021 to December 31, 2021)

(in millions of yen)

	Reportable segments			Adjustment	Consolidated
	Nichi-Iko Group	Sagent Group	Total		
Revenue					
External revenue	104,494	30,414	134,909	-	134,909
Inter-segment revenue	-	18	18	(18)	-
Total	104,494	30,432	134,927	(18)	134,909
Segment profit (loss) (Core operating profit) (Note)	(8,657)	(1,250)	(9,907)	-	(9,907)

(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)

	Third quarter of previous fiscal year (from April 1, 2020 to December 31, 2020)	Third quarter of current fiscal year (from April 1, 2021 to December 31, 2021)
Total revenue	139,237	134,909
Provision for voluntary recall	391	17
Revenue on condensed quarterly consolidated financial statements	138,845	134,892

(in millions of yen)

	Third quarter of previous fiscal year (from April 1, 2020 to December 31, 2020)	Third quarter of current fiscal year (from April 1, 2021 to December 31, 2021)
Segment profit (loss)	1,860	(9,907)
Integration-related expenses	118	25
Voluntary recall expenses	1,724	232
Loss on valuation of inventory (Note)	-	4,743
Impairment loss	-	427
Operating profit (loss)	17	(15,337)
Finance income	456	1,529
Finance costs	857	678
Share of profit (loss) of investments accounted for using equity method	287	217
Profit (loss) before tax	(95)	(14,269)

(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.

Third Quarter of Previous Fiscal Year (from April 1, 2020 to December 31, 2020)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Sales of merchandise and products			
Treatments for circulatory system	22,483	-	22,483
Treatments for blood and body fluid	20,818	-	20,818
Antibiotics	6,302	6,776	13,079
Treatments for paramedics	-	12,461	12,461
Treatments for nervous system	13,761	-	13,761
Treatments for digestive system	12,055	-	12,055
Chemotherapeutics	1,819	5,967	7,786
Treatments for allergies	9,724	-	9,724
Other	26,118	946	27,065
Total	113,085	26,151	139,237

(Note)

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

Third Quarter of Current Fiscal Year (from April 1, 2021 to December 31, 2021)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Sales of merchandise and products			
Treatments for circulatory system	16,261	-	16,261
Treatments for blood and body fluid	16,234	-	16,234
Antibiotics	6,788	8,240	15,029
Treatments for paramedics	-	14,026	14,026
Treatments for nervous system	11,733	-	11,733
Treatments for digestive system	10,949	-	10,949
Chemotherapeutics	1,880	6,960	8,841
Treatments for allergies	8,365	-	8,365
Other	32,279	1,186	33,465
Total	104,494	30,414	134,909

(Note)

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

Third Quarter of Previous Fiscal Year (from April 1, 2020 to December 31, 2020)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Sales of merchandise and products	112,997	26,151	139,149
License agreement on sales of products, etc.	87	-	87
Total	113,085	26,151	139,237

(Note)

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

Third Quarter of Current Fiscal Year (from April 1, 2021 to December 31, 2021)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Sales of merchandise and products	104,406	30,414	134,820
License agreement on sales of products, etc.	88	-	88
Total	104,494	30,414	134,909

(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.

Third Quarter of Previous Fiscal Year (from April 1, 2020 to December 31, 2020)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Japan	112,961	-	112,961
United States	-	22,685	22,685
Other	123	3,466	3,589
Total	113,085	26,151	139,237

(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.

Third Quarter of Current Fiscal Year (from April 1, 2021 to December 31, 2021)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Japan	104,231	-	104,231
United States	-	25,829	25,829
Other	262	4,584	4,847
Total	104,494	30,414	134,909

(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 2021, the Group has gradually resumed production and shipment by the self-imposed quality control methods such as FMEA (Note), but has not yet resumed shipment of all products. In addition, the Group recorded an operating loss of 15,337 million yen and a loss attributable to owners of parent of 15,704 million yen in the cumulative third 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) in the second quarter 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.

(Note)

FMEA (Failure Mode and Effect Analysis) is a technique for assessing the risks inherent in products and processes primarily in the product design phase and the process design phase, and eliminating or mitigating such risks as much as possible. It is also recommended as a risk evaluation method in ICHQ9, and is widely used in risk assessments of pharmaceutical companies.