

(English Translation)

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2020 (IFRS)

May 18, 2020

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 annual shareholders' meeting: June 18, 2020
Scheduled date of commencement of dividend payment: June 19, 2020
Scheduled date of filing of annual securities report: June 18, 2020
Presentation of supplementary materials on financial results: Yes
Holding of financial presentation meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020
(From April 1, 2019 to March 31, 2020)

(1) Consolidated Results of Operations

(Percentage figures represent changes from the previous fiscal year)

	Revenue	Core operating profit	Operating profit	Profit before tax	Profit	Profit attributable to owners of parent
Fiscal year ended March 31, 2020	¥190,076 million (14.1%)	¥8,020 million (-39.8%)	¥2,873 million (-65.1%)	¥7,396 million (-16.9%)	¥4,917 million (-28.4%)	¥5,133 million (-25.2%)
Fiscal year ended March 31, 2019	¥166,592 million (1.1%)	¥13,320 million (-7.3%)	¥8,223 million (-20.2%)	¥8,903 million (-1.8%)	¥6,864 million (-14.9%)	¥6,864 million (-14.9%)

	Total comprehensive income	Basic earnings per share	Diluted earnings per share	Return on equity	Rate of profit before tax to total assets	Ratio of operating profit to revenue
Fiscal year ended March 31, 2020	¥2,169 million (-78.6%)	¥80.42	¥80.14	4.4%	2.3%	1.5%
Fiscal year ended March 31, 2019	¥10,132 million (77.8%)	¥115.46	¥114.04	6.7%	3.0%	4.9%

(Reference)

Share of profit (loss) of investments accounted for using equity method

Fiscal year ended March 31, 2020 -19 million yen

Fiscal year ended March 31, 2019 1,377 million yen

(Note)

Core operating profit is calculated by deducting gains and losses caused by extraordinary factors (extraordinary items) from operating profit, and extraordinary factors are also excluded from revenue.

(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
Fiscal year ended March 31, 2020	¥336,819 million	¥117,170 million	¥115,826 million	34.4%	¥1,811.50
Fiscal year ended March 31, 2019	¥306,838 million	¥116,323 million	¥116,323 million	37.9%	¥1,825.00

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended March 31, 2020	¥18,450 million	- ¥18,228 million	¥1,002 million	¥42,944 million
Fiscal year ended March 31, 2019	¥23,811 million	- ¥24,983 million	¥24,803 million	¥42,093 million

2. Dividends

	Annual dividends per share					Total amount of cash dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
Fiscal year ended March 31, 2019	¥-	¥15.00	¥-	¥15.00	¥30.00	¥ 1,858 million	26.0%	1.8%
Fiscal year ended March 31, 2020	¥-	¥15.00	¥-	¥15.00	¥30.00	¥ 1,926 million	37.3%	1.6%
Fiscal year ending March 31, 2021 (forecast)	¥-	¥15.00	¥-	¥15.00	¥30.00		36.9%	

**3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021
(From April 1, 2020 to March 31, 2021)**

(Percentage figures represent changes from the same period of the previous fiscal year)

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent	Basic earnings per share
Annual	¥199,000 million (4.7%)	¥7,500 million (-6.5%)	¥7,500 million (161.0%)	¥5,200 million (1.3%)	¥81.22

(Note)

The above results forecast does not include the impact of the spread of novel coronavirus infections because it is difficult to make a revision due to the impact of the spread of novel coronavirus infections. We will promptly provide notification if it is necessary to revise the results forecast due to future conditions.

Please see “1. Overview of Operating Results, etc. (4) Prospects for the Future” on page 6 for details.

*** Notes**

(1) Changes in significant subsidiaries during the fiscal year 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: Yes

(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 March 31, 2020 65,162,652 shares

As of March 31, 2019 65,162,652 shares

(ii) Number of treasury shares as of the end of the period:

As of March 31, 2020 1,222,817 shares

As of March 31, 2019 1,423,511 shares

(iii) Average number of shares during the period:

Fiscal year ended March 31, 2020 63,837,135 shares

Fiscal year ended March 31, 2019 59,452,456 shares

(Note)

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

(Reference) Overview of Non-consolidated Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020
(From April 1, 2019 to March 31, 2020)****(1) Non-consolidated Results of Operations**

(Percentage figures represent changes from the previous fiscal year)

	Net sales	Operating profit	Ordinary profit	Profit
Fiscal year ended March 31, 2020	¥183,945 million (19.6%)	-¥889 million (-%)	-¥2,537 million (-%)	¥1,406 million (-59.9%)
Fiscal year ended March 31, 2019	¥153,789 million (2.1%)	¥4,930 million (-30.2%)	¥5,242 million (-22.4%)	¥3,505 million (-59.6%)

	Earnings per share	Diluted earnings per share
Fiscal year ended March 31, 2020	¥22.04	¥21.96
Fiscal year ended March 31, 2019	¥58.96	¥58.23

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Fiscal year ended March 31, 2020	¥304,336 million	¥95,198 million	31.2%	¥1,484.58
Fiscal year ended March 31, 2019	¥274,300 million	¥95,696 million	34.8%	¥1,496.58

(Reference)

Equity

Fiscal year ended March 31, 2020 94,923 million yen

Fiscal year ended March 31, 2019 95,390 million yen

(Note)

The financial figures for non-consolidated results are based on Japan GAAP.

*** Financial results reports are exempt from audit 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, May 18, 2020.

Attachment – Contents

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Current Fiscal Year.....	2
(2) Overview of Financial Position for the Current Fiscal Year	4
(3) Cash Flows.....	5
(4) Prospects for the Future	6
2. Basic Stance Regarding the Selection of Accounting Standards	6
3. Consolidated Financial Statements and Primary Notes	7
(1) Consolidated Statement of Financial Position	7
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.....	9
Consolidated Statement of Income.....	9
Consolidated Statement of Comprehensive Income.....	10
(3) Consolidated Statement of Changes in Equity.....	11
(4) Consolidated Statement of Cash Flows	15
(5) Notes to Consolidated Financial Statements.....	17
(Notes on premise of going concern)	17
(Reporting entity)	17
(Basis of preparation)	17
(Changes in accounting policies).....	18
(Segment information, etc.).....	20
(Per share information).....	23
(Significant subsequent events).....	24

1. Overview of Operating Results, etc.
- (1) Overview of Operating Results for the Current Fiscal Year

(Operating Results for the Current Fiscal Year)

In the current fiscal year, although the Japanese economy was seen to have moderate improvements in corporate earnings as well as the employment and income environment, there is heightened concern about a slowdown of the economy due to the significant impact of novel coronavirus disease (COVID-19) rapidly spreading worldwide since the beginning of 2020 on employment, investment and consumer spending.

In the generic drug industry, steps were taken to promote usage rate of generic drugs toward the government's target of "an 80% usage rate of generic drugs" and the usage rate of generic drugs from October to December 2019 rose to 77.1% (Japan Generic Medicines Association: results of analysis of generic share). Meanwhile, revisions of drug prices were implemented twice in a short period in October 2019 and April 2020 (the increase in October 2019 coincided with the consumption tax hike). Furthermore, the revisions of drug prices that had generally been made once every two years in the past will be implemented every year, and the environment will require further strengthening of earning capability in the generic drug industry.

Under such conditions, the Company formulated the 8th Medium-term Management Plan "Nexus ∞" (from the fiscal year ended March 31, 2020 until the fiscal year ending March 31, 2022) in May 2019, and has been pursuing the four core strategies of "Continue our deeper pursuit of business arenas (where to play)," "Relentless efforts for operational excellence," "Deliver a global standard of quality and competitive edge" and "Become the most trusted life science company driven by our ESG activities" in order to evolve into a global comprehensive generic pharmaceutical company.

(in millions of yen)	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Revenue	166,592	190,076	+23,483
Core operating profit	13,320	8,020	-5,300
Profit before tax	8,903	7,396	-1,506
Profit attributable to owners of parent	6,864	5,133	-1,730
Diluted earnings per share	¥114.4	¥80.14	- ¥33.90

** 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.*

Although revenue in the Nichi-Iko Group was affected by the revision of drug prices, revenue on a consolidated basis increased by 23,483 million yen year-on-year mainly due to an increase in sales resulting from making Elmed Co., Ltd. (hereinafter referred to as "Elmed") a consolidated subsidiary.

Although increased revenue was a factor increasing gross profit, this was outweighed by negative factors such as the decline of the gross profit rate resulting from the impact of the revision of drug prices and the increase in research and development expenses in the Sagent Group. As a result, core operating profit decreased by 5,300 million yen year-on-year.

Profit before tax decreased by 1,506 million yen year-on-year, due to the year-on-year decrease in core operating profit, the recording of transfer losses associated with the cancellation of

Trastuzumab biosimilar development and transfer of development data (1,464 million yen), the recording of impairment losses in the Sagent Group (1,947 million yen) and provision for recall expenses associated with a voluntary recall in April 2020 (1,580 million yen) in the same period of the previous fiscal year, despite gains on sale due to the partial sale of shares of Aprogen Inc. which was an equity method affiliate (3,611 million yen), and recording gains on valuation of the fair value of shares of the same company (2,389 million yen).

Profit attributable to owners of the parent decreased by 1,730 million yen year-on-year reflecting the above factors.

The Company has changed to the following reportable segments from the current fiscal year, and the figures of the same period of the previous fiscal year have been reclassified for year-on-year comparison to reflect that change. The two segments are the “Nichi-Iko Group” and the “Sagent Group,” with the “Sagent Group” being made up of Sagent Pharmaceuticals, Inc. (hereinafter referred to as “Sagent”) and its consolidated subsidiaries, and the “Nichi-Iko Group” being made up of companies excluding the “Sagent Group.”

The results by segment are as follows. Note that “core operating profit” is used for segment profit, and extraordinary factors are also excluded from revenue.

(in millions of yen)	Nichi-Iko Group			Sagent Group		
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Revenue	131,076	155,288	+24,212	35,515	35,163	-352
Core operating profit	11,745	6,980	-4,764	1,575	1,040	-535

(i) Nichi-Iko Group

In the Nichi-Iko Group, we made Elmed a consolidated subsidiary in April 2019 to expand the product line-up through the added-value products of Elmed, and began joint marketing of the Company’s products with Eisai Co., Ltd. (hereinafter referred to as “Eisai”) and collaboration in the integrated packaging strategy being implemented by Eisai. In September 2019, a comprehensive partnership agreement on the generic pharmaceutical business in China was concluded with Eisai, making progress in the preparations to enter into the Chinese market, which is the second largest market in the world.

In November 2019, we formed a business alliance with MedPeer, Inc. (hereinafter referred to as “MedPeer”) which operates the MedPeer community site for medical doctors and the YakuMed community site for pharmacists, and conducted activities aimed at a new digital marketing of generic pharmaceuticals linking MedPeer’s community sites with the Company’s owned sites.

With regard to biosimilars, we commenced the sale of our second products in the forms of Etanercept BS for S.C.Inj “Nichi-Iko” in November 2019, and are preparing to file an application for domestic approval in September 2020 for Bevacizumab biosimilar introduced from mAbxience Research, S.L.

The Company has concluded partnership agreements with ten local governments to date, making efforts to resolve issues in society and the community by utilizing the Company’s expertise and know-how as a company involved with health and life.

The results in the Nichi-Iko Group during the current fiscal year showed a segment profit of 6,980 million yen (a decrease of 4,764 million yen year-on-year) mainly due to a decline in the gross profit rate resulting from the impact of the revision of drug prices in October 2019, despite an

increase in revenue and an increase in gross profit arising as a result of making Elmed a consolidated subsidiary.

(ii) Sagent Group

In the Sagent Group, the Montreal Plant of Sagent's consolidated subsidiary Omega Laboratories Limited became the Group's second FDA-approved plant in September 2019, as we made an effort for expansion of the Company's production capacity and resulting enhanced cost competitiveness and stable supply capability, as well as for maintaining global-standard quality along with Raleigh Plant of Sagent which is also an FDA-approved plant.

With regard to biosimilars, we have continued to work toward application for approval of Infliximab BS in the United States with the aim of its release on the market. Furthermore, a Sagent's consolidated subsidiary SterRx is engaged in efforts to expand the compound business by improving the line-up of compound drug formulations.

The results in the Sagent Group during the current fiscal year showed a segment profit of 1,040 million yen (a decrease of 535 million yen year-on-year), mainly due to strong performance of new products released in the latter half of the second quarter and increased sales of products related to COVID-19 covering more than half of the impact of delays in the supply from contract manufacturers for certain products in the first half of the fiscal year.

(Reference: Non-consolidated Results of Operations)

Although revenue in the current fiscal year was affected by the revision of drug prices, revenue increased by 30,155 million yen year-on-year mainly due to an increase in sales volume resulting from the expansion of the generic drug market and the contribution of Elmed products.

Although increased revenue was a factor increasing gross profit, this was outweighed by negative factors such as the decline of the gross margin rate resulting from the impact of the revision of drug prices and the provision for recall expenses associated with a voluntary recall in April 2020 (1,580 million yen), in addition to an increase in the burden of research and development investment mainly in biosimilars, etc. As a result, the Company recorded an operating loss of 889 million yen (a decrease of 5,819 million yen year-on-year).

The Company recorded an ordinary loss of 2,537 million yen (a decrease of 7,779 million yen year-on-year) mainly due to a trend of foreign exchange losses.

The current net profit was 1,406 million yen (a decrease of 2,098 million yen year-on-year) mainly due to the recording of gains (4,660 million yen) on the sale due to the partial sale of shares of Aprogen Inc.

(2) Overview of Financial Position for the Current Fiscal Year

Assets on a consolidated basis at the end of the current fiscal year increased by 29,980 million yen from the previous fiscal year-end to 336,819 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Trade and other receivables	+9,888	Increase in sales due to making Elmed a consolidated subsidiary, etc.
Inventories	+11,343	Making Elmed a consolidated subsidiary, etc.
Property, plant and equipment	+3,491	Expansion of manufacturing facilities, etc.
Intangible assets	+9,886	Investment in development of biosimilars and generic pharmaceuticals, making Elmed a consolidated subsidiary, etc.
Investments accounted for using equity method	-10,926	Making Elmed a consolidated subsidiary, sales of shares of Aprogen Inc., etc.

Liabilities on a consolidated basis at the end of the current fiscal year increased by 29,134 million yen from the previous fiscal year-end to 219,648 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Trade and other payables	+17,578	Increase in purchases due to making Elmed a consolidated subsidiary, etc.
Borrowings	+5,618	Increase in capital demand for development investment, etc.

Equity on a consolidated basis at the end of the current fiscal year increased by 846 million yen from the previous fiscal year-end to 117,170 million yen.

(3) Cash Flows

At the end of the current fiscal year, cash and cash equivalents on a consolidated basis increased by 850 million yen from the previous fiscal year-end to 42,944 million yen.

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

Net cash provided by operating activities on a consolidated basis for the current fiscal year amounted to income over expenditure of 18,450 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Increase in inventories	-5,821
Recording of profit before tax	+7,396
Recording of depreciation and amortization	+11,871
Recording of gains on sale of shares of Aprogen	-3,611
Recording of gains on valuation of shares of Aprogen	-2,389
Increase in trade and other payables	+6,602

Net cash provided by investing activities on a consolidated basis for the current fiscal year amounted to expenditure over income of 18,228 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Purchase of property, plant and equipment	-6,799
Purchase of intangible assets	-11,750
Revenue from sale of shares of Aprogen	+6,479
Purchase of shares of Elmed	-5,832

Net cash provided by financing activities on a consolidated basis for the current fiscal year amounted to income over expenditure of 1,002 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Net increase in borrowings	+4,862
Payment of dividends	-1,915

(4) Prospects for the Future

Looking ahead, although there are concerns about the income environment deteriorating due to drug price revisions being implemented every year, the Company will steadily implement the four core strategies of (1) “Continue our deeper pursuit of business arenas (where to play),” (2) “Relentless efforts for operational excellence,” (3) “Deliver a global standard of quality and competitive edge” and (4) “Become the most trusted life science company driven by our ESG activities” set forth in the 8th Medium-term Business Plan “Nexus ∞” established in May 2019, and strive to further evolve into a global comprehensive generic pharmaceutical company by creating a foundation of growth and expanding into new areas while collaborating globally in areas such as procurement, production, sales and development.

For the fiscal year ending March 31, 2021, the management forecasts revenue of 199,000 million yen, core operating profit of 7,500 million yen, operating profit of 7,500 million yen and profit attributable to owners of parent of 5,200 million yen, but the above results forecast does not take into account 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. Basic Stance Regarding the Selection of Accounting Standards

Aiming at improved international comparability of financial information in capital markets, the Group has applied International Financial Reporting Standards (IFRS).

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

	(in millions of yen)	
	Fiscal year ended March 31, 2019 (As of March 31, 2019)	Fiscal year ended March 31, 2020 (as of March 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	42,093	42,944
Trade and other receivables	30,035	39,923
Inventories	66,783	78,127
Income taxes receivable	72	-
Other financial assets	447	425
Other current assets	3,290	3,287
Total current assets	142,722	164,708
Non-current assets		
Property, plant and equipment	55,710	59,201
Goodwill	42,892	44,322
Intangible assets	46,721	56,607
Investments accounted for using equity method	12,993	2,066
Other financial assets	5,724	7,925
Deferred tax assets	9	10
Other non-current assets	64	1,975
Total non-current assets	164,115	172,110
Total assets	306,838	336,819

	(in millions of yen)	
	Fiscal year ended March 31, 2019 (as of March 31, 2019)	Fiscal year ended March 31, 2020 (as of March 31, 2020)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	44,172	61,750
Borrowings	37,435	46,747
Other financial liabilities	956	1,722
Income taxes payable	74	214
Refund liabilities	2,196	3,270
Contract liabilities	116	116
Other current liabilities	6,884	8,868
Total current liabilities	91,837	122,690
Non-current liabilities		
Borrowings	90,739	87,045
Other financial liabilities	1,589	2,257
Retirement benefit liability	173	945
Provisions	57	81
Refund liabilities	75	95
Contract liabilities	865	748
Deferred tax liabilities	3,329	4,521
Other non-current liabilities	1,847	1,262
Total non-current liabilities	98,677	96,958
Total liabilities	190,514	219,648
Equity		
Share capital	23,360	23,360
Capital surplus	21,896	21,896
Other equity instruments	9,918	9,918
Treasury shares	(2,893)	(2,562)
Retained earnings	55,016	57,365
Other components of equity	9,025	5,848
Total equity attributable to owners of parent	116,323	115,826
Non-controlling interests	0	1,343
Total equity	116,323	117,170
Total liabilities and equity	306,838	336,819

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

(Consolidated Statement of Income)

(in millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Revenue	166,592	190,076
Cost of sales	133,434	152,756
Gross profit	33,157	37,319
Selling, general and administrative expenses	22,504	25,614
Research and development expenses	3,503	4,261
Other operating income	1,528	303
Other operating expenses	455	4,873
Operating profit	8,223	2,873
Finance income	192	111
Finance costs	890	1,809
Other revenue	-	6,426
Other expenses	-	185
Share of profit (loss) of investments accounted for using equity method	1,377	(19)
Profit before tax	8,903	7,396
Income tax expense	2,039	2,479
Profit	6,864	4,917
Profit attributable to:		
Owners of parent	6,864	5,133
Non-controlling interests	(0)	(216)
Profit	6,864	4,917
Earnings per share		
Basic earnings per share (Yen)	115.46	80.42
Diluted earnings per share (Yen)	114.04	80.14

(Consolidated Statement of Comprehensive Income)

(in millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Profit	6,864	4,917
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	537	(1,010)
Remeasurements of defined benefit plans	162	(419)
Share of other comprehensive income of investments accounted for using equity method	(350)	(11)
Total of items that will not be reclassified to profit or loss	349	(1,440)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,990	(1,254)
Share of other comprehensive income of investments accounted for using equity method	(71)	(53)
Total of items that may be reclassified to profit or loss	2,919	(1,307)
Other comprehensive income (net of tax)	3,268	(2,748)
Comprehensive income	10,132	2,169
Comprehensive income attributable to:		
Owners of parent	10,132	1,664
Non-controlling interests	(0)	504
Comprehensive income	10,132	2,169

(3) Consolidated Statement of Changes in Equity
 Previous Fiscal Year (from April 1, 2018 to March 31, 2019)

(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, 2018	19,976	18,827	-	(9,046)	51,912	3,448	2,165
Cumulative effects of changes in accounting policies					(480)		
Restated balance	19,976	18,827	-	(9,046)	51,431	3,448	2,165
Profit (loss)					6,864		
Other comprehensive income						2,919	206
Total comprehensive income	-	-	-	-	6,864	2,919	206
Issuance of new shares	3,384	3,384					
Direct issuance expenses due to issuance of new shares		(23)					
Issuance of other equity instruments			9,918				
Purchase of treasury shares				(0)			
Disposal of treasury shares		(1,993)		6,153			
Transfer of loss on disposal of treasury shares		1,678			(1,678)		
Forfeiture of share acquisition rights					13		
Dividends					(1,734)		
Share-based payment transactions							
Transfer to capital surplus from retained earnings		23			(23)		
Transfer from other components of equity					142		
Total transactions with owners	3,384	3,068	9,918	6,152	(3,279)	-	-
Balance as of March 31, 2019	23,360	21,896	9,918	(2,893)	55,016	6,367	2,371

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Other	Total			
Balance as of April 1, 2018	-	258	5,872	87,542	0	87,542
Cumulative effects of changes in accounting policies				(480)		(480)
Restated balance	-	258	5,872	87,062	0	87,062
Profit (loss)				6,864	(0)	6,864
Other comprehensive income	142		3,268	3,268	(0)	3,268
Total comprehensive income	142	-	3,268	10,132	(0)	10,132
Issuance of new shares				6,768		6,768
Direct issuance expenses due to issuance of new shares				(23)		(23)
Issuance of other equity instruments				9,918		9,918
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares		(3)	(3)	4,155		4,155
Transfer of loss on disposal of treasury shares				-		-
Forfeiture of share acquisition rights		(13)	(13)	-		-
Dividends				(1,734)		(1,734)
Share-based payment transactions		44	44	44		44
Transfer to capital surplus from retained earnings				-		-
Transfer from other components of equity	(142)		(142)	-		-
Total transactions with owners	(142)	27	(115)	19,129	-	19,129
Balance as of March 31, 2019	-	285	9,025	116,323	0	116,323

(Note)

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

Current Fiscal Year (from April 1, 2019 to March 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, 2019	23,360	21,896	9,918	(2,893)	55,016	6,367	2,371
Cumulative effects of changes in accounting policies					(49)		
Restated balance	23,360	21,896	9,918	(2,893)	54,967	6,367	2,371
Profit (loss)					5,133		
Other comprehensive income						(2,028)	(1,022)
Total comprehensive income	-	-	-	-	5,133	(2,028)	(1,022)
Direct issuance expenses due to issuance of new shares		(5)					
Distributions to owners of other equity instruments					(464)		
Purchase of treasury shares				(0)			
Disposal of treasury shares		(63)		331			
Transfer of loss on disposal of treasury shares		9			(9)		
Forfeiture of share acquisition rights					14		
Dividends					(1,913)		
Share-based payment transactions							
Equity transactions with non-controlling interests and other							
Transfer to capital surplus from retained earnings		58			(58)		
Transfer from other components of equity					(303)		(114)
Total transactions with owners	-	-	-	331	(2,735)	-	(114)
Balance as of March 31, 2020	23,360	21,896	9,918	(2,562)	57,365	4,339	1,235

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Other	Total			
Balance as of April 1, 2019	-	285	9,025	116,323	0	116,323
Cumulative effects of changes in accounting policies				(49)		(49)
Restated balance	-	285	9,025	116,274	0	116,274
Profit (loss)				5,133	(216)	4,917
Other comprehensive income	(417)		(3,469)	(3,469)	720	(2,748)
Total comprehensive income	(417)	-	(3,469)	1,664	504	2,169
Direct issuance expenses due to issuance of new shares			-	(5)		(5)
Distributions to owners of other equity instruments			-	(464)		(464)
Purchase of treasury shares			-	(0)		(0)
Disposal of treasury shares		(38)	(38)	230		230
Transfer of loss on disposal of treasury shares			-	-		-
Forfeiture of share acquisition rights		(14)	(14)	-		-
Dividends			-	(1,913)		(1,913)
Share-based payment transactions		41	41	41		41
Equity transactions with non-controlling interests and other			-	-	838	838
Transfer to capital surplus from retained earnings			-	-		-
Transfer from other components of equity	417		303	-		-
Total transactions with owners	417	(11)	292	(2,112)	838	(1,273)
Balance as of March 31, 2020	-	274	5,848	115,826	1,343	117,170

(Note)

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

(4) Consolidated Statement of Cash Flows

(in millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before tax	8,903	7,396
Depreciation and amortization	9,401	11,871
Impairment loss	4,730	1,961
Loss (gain) on sales and retirement of property, plant and equipment and intangible assets	108	1,163
Interest and dividend income	(56)	(111)
Interest expenses	650	677
Share of loss (profit) of investments accounted for using equity method	(1,377)	19
Loss (gain) on sale of investments in associates	-	(3,611)
Loss (gain) on valuation of investment securities	-	(2,389)
Decrease (increase) in trade and other receivables	1,599	1,800
Decrease (increase) in inventories	8,085	(5,821)
Increase (decrease) in trade and other payables	(3,837)	6,602
Increase (decrease) in provisions	(1,042)	982
Other	(363)	(586)
Subtotal	26,800	19,955
Dividends received	86	106
Interest received	23	58
Interest paid	(663)	(671)
Income taxes paid	(2,443)	(1,229)
Income taxes refund	7	229
Net cash provided by (used in) operating activities	23,811	18,450
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,440)	(6,799)
Purchase of intangible assets	(7,338)	(11,750)
Purchase of investments	(998)	(8)
Purchase of investments accounted for using equity method	(5,678)	-
Proceeds from sale of investments accounted for using equity method	-	3,200
Proceeds from sales and redemption of investments	-	3,279
Collection of loans receivable	598	112
Proceeds from reversal of international interests	999	-
Payments for acquisition of businesses	(4,957)	-
Payments for acquisition of subsidiaries	-	(6,341)
Other	(168)	78
Net cash provided by (used in) investing activities	(24,983)	(18,228)

(in millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,123)	7,758
Proceeds from long-term borrowings	16,700	5,674
Repayments of long-term borrowings	(7,920)	(8,571)
Proceeds from issuance of common shares	6,724	-
Proceeds from sale of treasury shares	4,143	225
Repayments of finance lease obligations	(943)	-
Repayments of lease liabilities	-	(1,679)
Proceeds from issuance of other equity instruments	9,918	-
Dividends paid	(1,734)	(1,915)
Distributions to owners of other equity instruments	-	(464)
Other	39	(23)
Net cash provided by (used in) financing activities	24,803	1,002
Effect of exchange rate changes on cash and cash equivalents	(66)	(373)
Net increase (decrease) in cash and cash equivalents	23,564	850
Cash and cash equivalents at beginning of period	18,529	42,093
Cash and cash equivalents at end of period	42,093	42,944

(5) Notes to Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Reporting entity)

Nichi-Iko Pharmaceutical Co., Ltd. (hereinafter referred to as the “Company”) is a company incorporated in Japan. The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as “the Group”) with the fiscal closing date at March 31, 2020 are composed of the Company, its subsidiaries and ownership interests in its associates. The Group is mainly engaged in the manufacture and sale of pharmaceuticals.

(Basis of preparation)

1 Compliance with IFRS

Pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as “Ordinance on Consolidated Financial Statements”), the consolidated financial statements of the Group have been prepared in compliance with IFRS since the Group qualifies as a “Specified Company under Designated International Accounting Standards” prescribed in Article 1-2 of the Ordinance on Consolidated Financial Statements.

2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments, etc. measured at fair value or liabilities and assets pertaining to defined benefit plans calculated by deducting the fair value of plan assets from the present value of net defined benefit liability.

3 Presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company’s functional currency, and figures are rounded down to the nearest million yen.

4 Accounting judgments, estimates and assumptions

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

The main accounting judgments, estimates and assumptions are as follows.

- Significant assumptions used for calculation of discounted cash flows in impairment test of property, plant and equipment, goodwill and intangible assets
- Recognition of intangible assets arising from development
- Recoverability of deferred tax assets

- Measurement of net defined benefit liability
- Accounting and valuation of provisions
- Probability of outflow of future economic benefits on contingent liabilities

(Changes in accounting policies)

The Group has applied IFRS 16 “Leases” (issued in January 2016; hereinafter referred to as “IFRS 16”) from the current fiscal year. The new standard replaces IAS 17 “Leases” (hereinafter referred to as “IAS 17”). The new accounting policies by the application of IFRS 16 are as follows.

The Group determines whether a contract contains a lease at the inception of the contract. Lease liabilities are measured at the present value of the total accrued lease payments at the commencement date of the lease by discounting them at the lessee’s incremental borrowing rate. The right-of-use asset is initially measured at the initial measurement amount of lease liabilities adjusted by the initial direct cost and other costs such as prepaid lease payments, and adding the cost of restoration obligations required by the lease contract.

A right-of-use asset is depreciated by using the straight-line method over the shorter period of either from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. When measuring lease liabilities, these are measured at the present value of accrued lease payments.

The Group has included right-of-use assets under “property, plant and equipment” and lease liabilities under “other financial liabilities” on the consolidated statement of financial position.

In the application of IFRS 16, the Group has adopted the method where the cumulative effect of applying this standard is recognized as an adjustment of retained earnings at the date of initial application, which is allowed as the transition approach. Due to the adoption of this method, there are no restatements of comparative information.

In transitioning to IFRS 16, the Group has elected the practical expedient provided in paragraph C3 of IFRS 16 and followed the assessment of whether a contract contains a lease in accordance with IAS 17 and IFRIC 4 “Determining whether an Arrangement Contains a Lease.”

The Group recognized lease liabilities on the date of initial application of IFRS 16 for leases previously classified as operating leases under IAS 17. The lease liabilities are initially measured at the present value of the total accrued lease payments at the commencement date by discounting them at the lessee’s incremental borrowing rate. The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position at the date of initial application is 0.40%.

Furthermore, right-of-use assets are measured using one of the following methods.

- The carrying amount calculated by assuming that IFRS 16 was applied from the commencement date of the lease. However, lessee’s incremental borrowing rate on the date of initial application is used as the discount rate.
- Same amount as the lease liabilities. However, this is the amount adjusted by any prepaid or accrued lease payments.

The following is the reconciliation of operating lease contracts disclosed under IAS 17 as of the previous fiscal year-end and lease liabilities at the date of initial application recognized in the consolidated statement of financial position.

	(in millions of yen)
Operating lease contracts disclosed as of March 31, 2019	295
Lease contracts discounted at the incremental borrowing rate on leases as of April 1, 2019	295
Finance lease contracts disclosed as of March 31, 2019	2,524
Cancelable operating lease contracts	1,451
Lease liabilities as of April 1, 2019	4,271

As a result of application of IFRS 16, compared to if the previous accounting standards are applied, right-of-use assets increased by 1,617 million yen, lease liabilities increased by 1,746 million yen and retained earnings decreased by 49 million yen at the beginning of the current fiscal year.

When applying IFRS 16, the Group used the following practical expedients:

- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.
- Ex-post assessment is used, such as in determining the lease term, if the contract contains options to extend or terminate the lease.
- This is dependent on the assessment of whether a lease is disadvantageous by applying IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately prior to the initial application as a substitute for implementing an impairment review.

(Segment information, etc.)

(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 Group has established the 8th Medium-term Management Plan "Nexus ∞" starting this fiscal year and with the fiscal year ending March 31, 2022 as the final year. It aims to maximize synergies in three areas (therapeutic area/region, cost and people) under the theme of "Going Beyond with Infinite Power to Connect," seeking to further evolve into a global comprehensive generic pharmaceutical company by pursuing the four core strategies of "Continue our deeper pursuit of business arenas (where to play)," "Relentless efforts for operational excellence," "Drive for global standard of quality and competitive edge" and "Be the most trusted life science company driven by our ESG activities," and one of the targets is to achieve 60.0 billion yen in overseas sales in the fiscal year ending March 31, 2022. In order to clearly indicate progress in these efforts, the Group's reportable segments have been changed from the single segment of the pharmaceutical business to the "Nichi-Iko Group" and the "Sagent Group" making up the pharmaceutical business. 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.

Previous Fiscal Year (from April 1, 2018 to March 31, 2019)

(in millions of yen)

	Reportable segment			Adjustment	Consolidated
	Nichi-Iko Group	Sagent Group	Total		
Revenue					
External revenue	131,076	35,515	166,592	-	166,592
Inter-segment revenue	-	-	-	-	-
Total	131,076	35,515	166,592	-	166,592
Segment profit (loss) (Core operating profit) (Note)	11,745	1,575	13,320	-	13,320

(Note)

"Core operating profit" excludes gains and losses caused by extraordinary factors from operating profit.

Current Fiscal Year (from April 1, 2019 to March 31, 2020)

(in millions of yen)

	Reportable segment			Adjustment	Consolidated
	Nichi-Iko Group	Sagent Group	Total		
Revenue					
External revenue	155,288	35,163	190,452	-	190,452
Inter-segment revenue	-	-	-	-	-
Total	155,288	35,163	190,452	-	190,452
Segment profit (loss) (Core operating profit) (Note)	6,980	1,040	8,020	-	8,020

(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 consolidated financial statements has been adjusted as follows.

(in millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Total revenue	166,592	190,452
Provisions for returns in voluntary recall	-	376
Revenue on consolidated financial statements	166,592	190,076

(in millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Total segment profit	13,320	8,020
Total related expenses	297	140
Impairment loss	4,730	1,961
Expenses related to acquisitions pertaining to corporate integration	70	-
Voluntary recall expenses	-	1,580
Loss on transfer of development expenses	-	1,464
Operating profit	8,223	2,873
Finance income	192	111
Finance costs	890	1,809
Share of profit (loss) of investments accounted for using equity method	1,377	(19)
Other revenue	-	6,426
Other expenses	-	185
Profit before tax on consolidated financial statements	8,903	7,396

(2) Information about products and services

Revenue from each product and service is as follows.

(in millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Treatments for circulatory system	25,848	33,546
Treatments for blood and body fluid	27,445	28,176
Antibiotics	23,708	21,190
Treatments for nervous system	12,995	17,158
Treatments for digestive system	14,564	16,770
Chemotherapeutics	13,795	15,681
Treatments for allergies	11,517	15,632
Others	36,717	42,294
Total	166,592	190,452

(Note)

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

(3) Information by geographical area

(i) Revenue

Revenue by geographical area is shown below.

(in millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Japan	130,891	155,012
United States	31,715	31,256
Other	3,984	4,182
Total	166,592	190,452

(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.*

(ii) Non-current assets

The breakdown of the carrying amount of non-current assets (excluding financial assets and deferred tax assets) by geographical area is shown below.

(in millions of yen)

	Fiscal year ended March 31, 2019 (as of March 31, 2019)	Fiscal year ended March 31, 2020 (as of March 31, 2020)
Japan	71,747	80,379
United States	68,806	71,289
Canada	13,579	12,498
Others	4,248	6
Total	158,381	164,174

(4) Information about major customers

Revenue to external customers accounting for 10% or more of the Group's revenue is shown below.

(in millions of yen)

Name of customer	Related segment	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Mediceo Corporation	Pharmaceutical business	33,876	40,182
Suzuken Co., Ltd.	Pharmaceutical business	21,046	27,844
Alfresa Corporation	Pharmaceutical business	23,053	27,361

(Per share information)

The basis for the calculation of basic earnings per share attributed to owners of parent and diluted earnings per share is as follows:

(in millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Profit attributable to owners of parent		
Profit attributable to owners of parent (in millions of yen)	6,864	5,133
Profit not attributable to common shareholders of parent (in millions of yen)	-	-
Profit used in calculation of earnings per share (in millions of yen)	6,864	5,133
Weighted average number of shares of common stock (shares)	59,452,456	63,837,135
Dilutive effect of stock options (shares)	740,780	227,134
After adjustment for the impact of dilutive effect (shares)	60,193,236	64,064,269
Earnings per share		
Basic earnings per share (Yen)	115.46	80.42
Diluted earnings per share (Yen)	114.04	80.14

(Significant subsequent events)

Not applicable.