

(English Translation)

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2021 (IFRS)

November 11, 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 filing of quarterly report: November 13, 2020
Scheduled date of commencement of dividend payment: December 11, 2020
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, 2021 (From April 1, 2020 to September 30, 2020)

(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, 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%)
Second quarter of fiscal year ended March 31, 2020	¥91,519 million (11.1%)	¥3,917 million (-20.7%)	¥3,777 million (-20.0%)	¥4,544 million (-20.7%)	¥2,940 million (-36.4%)	¥3,006 million (-34.9%)

	Total comprehensive income	Basic earnings per share	Diluted earnings per share
Second quarter of fiscal year ending March 31, 2021	-¥1,051 million (-%)	¥2.28	¥2.28
Second quarter of fiscal year ended March 31, 2020	¥72 million (-99.3%)	¥47.14	¥46.90

(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, 2021	¥327,226 million	¥115,042 million	¥113,767 million	34.8%	¥1,777.05
Fiscal year ended March 31, 2020	¥336,819 million	¥117,170 million	¥115,826 million	34.4%	¥1,811.50

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2020	¥-	¥15.00	¥-	¥15.00	¥30.00
Fiscal year ending March 31, 2021	¥-	¥15.00			
Fiscal year ending March 31, 2021 (forecast)			¥-	¥15.00	¥30.00

(Note)

Revisions to recently announced dividends forecast: None

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 previous fiscal year)

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent	Basic earnings per share
Annual	¥190,000 million (-0.0%)	¥6,500 million (-19.0%)	- million (- %)	- million (- %)	¥-

(Note)

Revisions to recently announced forecast of financial results: Yes

For details, please refer to “(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements” in “1. Qualitative Information on Financial Results for the Quarter under Review” on page 6 of the Attachment.

***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, 2020 65,162,652 shares

As of March 31, 2020 65,162,652 shares

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

As of September 30, 2020 1,142,208 shares

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

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

Second quarter of fiscal year ending March 31, 2021 63,974,164 shares

Second quarter of fiscal year ended March 31, 2020 63,785,258 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 Wednesday, November 11, 2020.

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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 Japanese economy continued to face difficult conditions due to continued stagnation of social and economic activities associated with the spread of novel coronavirus disease (COVID-19).

In the generic drug industry, the usage rate of generic drugs from April to June 2020 rose to 79.3% (Japan Generic Medicines Association: results of analysis of generic share), approaching the government's target of "an 80% usage rate of generic drugs by September 2020." Meanwhile, in April 2020, drug prices were revised a short time after October 2019 (revision resulted from the consumption tax hike), making it a harsh earning environment for the industry.

A. Results by segment

(in millions of yen)	Nichi-Iko Group			Sagent Group		
	Second quarter of fiscal year ended March 31, 2020	Second quarter of fiscal year ending March 31, 2021	Change	Second quarter of fiscal year ended March 31, 2020	Second quarter of fiscal year ending March 31, 2021	Change
Revenue	76,851	72,513	-4,338	14,668	17,304	+2,636
Core operating profit	4,664	2,449	-2,214	-747	-1,088	-341

(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 following initiatives were implemented in the cumulative second quarter of the current fiscal year.

In July 2020, the Company reached an agreement with Teva Pharmaceutical Industries Ltd., Takeda Pharmaceutical Company Ltd. and Teva Takeda Pharma Ltd. (hereinafter referred to as "Teva Takeda") to acquire all of the shares of Nichi-Iko Gifu Plant K.K. newly established for the purpose of undertaking the business pertaining to succession of generic pharmaceuticals and the Takayama Plant of Teva Takeda.

In August 2020, marketing approval was obtained for 3 compounds with 13 strengths including Rivastigmine Tape "Nichi-Iko" and a licensing agreement for the authorized generic PusoFeki Combination Tablets "SANIK" was concluded with LTL Pharma Co., Ltd. in September 2020. In addition, the Company concluded an agreement with Sanofi K.K. to market authorized generic drug LoreAce Combination Tablets "SANIK" to expand its product range in October 2020.

Moreover, in September 2020, the Company launched the "kakari for Clinic" primary care clinic support service that connects patients with clinics as a joint project with MedPeer, Inc.

However, the results in the Nichi-Iko Group during the cumulative second quarter of the current fiscal year showed revenue of 72,513 million yen (a decrease of 4,338 million yen year-on-year) and segment profit of 2,449 million yen (a decrease of 2,214 million yen year-on-year) due to lower drug prices resulting from the price revisions in October 2019 and April 2020 and the impact of restraint on medical visits and restrictions on business activities resulting from the spread of COVID-19 despite the contributions to revenue and profit made by drugs newly listed in June 2020.

(ii) Sagent Group

The following initiatives were implemented in the cumulative second quarter of the current fiscal year.

Efforts are being made to strengthen in-house production and expansion of production capacity in the Sagent Raleigh Plant and the Omega Montreal Plant 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 preparations for licensing out products developed by Sagent to the Japanese market and the Southeast Asian market.

The results in the Sagent Group during the cumulative second quarter of the current fiscal year showed revenue of 17,304 million yen (an increase of 2,636 million yen year-on-year) due to growth in sales of products launched in the previous fiscal year and products related to COVID-19 despite the impact of restraint on examinations and delays in surgeries due to COVID-19. However, segment loss was 1,088 million yen (a decrease of 341 million yen year-on-year) due to the occurrence of expenses associated with transition to in-house production at the Sagent Raleigh Plant.

B. Group Results

(in millions of yen)	Second quarter of fiscal year ended March 31, 2020	Second quarter of fiscal year ending March 31, 2021	Change
Revenue	91,519	89,631	-1,888
Core operating profit	3,917	1,360	-2,556
Profit before tax	4,544	369	-4,174
Profit attributable to owners of parent	3,006	146	-2,860
Diluted earnings per share	46.90	2.28	-44.62

(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 1,888 million yen year-on-year due to the decrease in revenue in the Nichi-Iko Group despite the increase in the Sagent Group.

Core operating profit decreased by 2,556 million yen year-on-year due to decreases in earnings in both the Nichi-Iko Group and the Sagent Group.

Profit before tax was down 4,174 million yen year-on-year mainly due to the recording of the gains on the sale of part of the shares in Aprogen, Inc. in the same period of the previous fiscal year.

Profit attributable to owners of parent decreased by 2,860 million yen year-on-year.

The Group is endeavoring to prevent the spread of COVID-19 among all employees through measures such as dispersing of work areas per each department and staggered working hours. Operations have continued as normal in all production sites until now and there has been no significant impact on the procurement operations. Although there was a downward trend in sales due to restraint on medical visits at one point, sales is recovering since June.

Clinical trials have been conducted on the Company's Futhan® in Japan and overseas as a candidate for treatment related to COVID-19, and Dexamethasone (Nichi-Iko product name: Decadron Tablets) was listed as a treatment in the guidance for COVID-19 treatment in Japan. Further, in the United States, the phase II clinical trial (CAMELOT Project) of Camostat Mesilate for outpatient treatment of high-risk patients positive for COVID-19 has commenced.

(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 decreased by 9,592 million yen from the previous fiscal year-end to 327,226 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Cash and cash equivalents	-7,599	Payment of fees for manufacturing facilities in the Toyama Plant, Aichi Plant, Saitama Plant and Shizuoka Plant, etc.
Trade and other receivables	-10,516	Restraint on examinations due to the declaration of a state of emergency on COVID-19 and implementation of lockdowns in certain states within the US, decrease in sales due to drug price revisions in April 2020, etc.
Inventories	+7,175	Increase in inventories due to the above decrease in sales, etc.
Intangible assets	+1,781	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 decreased by 7,464 million yen from the previous fiscal year-end to 212,184 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Trade and other payables	-5,940	Lowering of supply prices, payment of supply fees for seasonally fluctuating products, etc.
Borrowings	+2,002	Execution of borrowing, etc.
Other current liabilities	-2,639	Decrease in accrued expenses and deposits payable associated with the decrease in revenue, etc.

Equity on a consolidated basis at the end of the second quarter of the current fiscal year decreased by 2,128 million yen from the previous fiscal year-end to 115,042 million yen. This was mainly attributable to the following factors:

	Increase (decrease) (in millions of yen)	Main factors
Other components of equity	-1,158	Decrease in foreign currency translation adjustment due to appreciation of the yen, 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 7,599 million yen from the previous fiscal year-end to 35,344 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 provided by operating activities during the cumulative second quarter of the current fiscal year amounted to 1,119 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Increase in inventories	-7,357
Recording of depreciation and amortization	6,312
Decrease in trade and other receivables	10,390
Decrease in trade and other payables	-4,995

(Cash flows from investing activities)

Net cash used in investing activities during the cumulative second quarter of the current fiscal year amounted to 8,945 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Purchase of property, plant and equipment	-3,536
Purchase of intangible assets	-5,463

(Cash flows from financing activities)

Net cash provided by financing activities during the cumulative second quarter of the current fiscal year amounted to 283 million yen. This was mainly attributable to the following factors:

Details	Increase (decrease) (in millions of yen)
Net increase in borrowings	2,351
Repayments of lease liabilities	-990
Payment of dividends	-959

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

The forecast of consolidated financial results for the fiscal year ending March 31, 2021 that was announced on May 18, 2020 has been revised as follows based on the results during the cumulative second quarter of the current fiscal year and the outlook for future results.

Revisions to the forecast of consolidated financial results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent	Basic earnings per share
Previous forecast (A)	¥199,000 million	¥7,500 million	¥7,500 million	¥5,200 million	¥81.25
Revised forecast (B)	¥190,000 million	¥6,500 million	To be determined	To be determined	To be determined
Change in amount (B-A)	-¥9,000 million	-¥1,000 million	-	-	
Change (%)	-4.5%	-13.3%	-	-	
(Reference) Actual results for the fiscal year ended March 31, 2020	¥190,076 million	¥8,020 million	¥2,873 million	¥5,133 million	¥80.42

Although revenue increased as a result of contributions to sales by products newly listed in June and the growth in sales of products related to COVID-19 in the United States, revenue is expected to decrease from the previous forecast due to the revenue forecast falling short of the amount initially assumed as a result of the impact of restraint on examinations, delays in surgeries and restrictions on business activities caused by the impact of COVID-19.

Core operating profit is also forecast to decrease from the previous forecast due to the above downward revision in revenue and also sales prices in the United States falling more than expected.

Operating profit and profit attributable to owners of parent are to be determined due to the difficulty in calculating the impact of the transfer of the generic business of Teva Takeda Pharma Ltd. to be implemented in February 2021 as announced in July 2020, and these will be promptly announced once calculation becomes possible.

The forecast of financial results was made based on information available to the Company at this point, and actual business and other results may differ from the forecast values provided in these materials as a result of various factors in the future.

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, 2020 (as of March 31, 2020)	Second quarter of fiscal year ending March 31, 2021 (as of September 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	42,944	35,344
Trade and other receivables	39,923	29,407
Inventories	78,127	85,302
Income taxes receivable	-	118
Other financial assets	425	425
Other current assets	3,287	2,408
Total current assets	164,708	153,007
Non-current assets		
Property, plant and equipment	59,201	58,938
Goodwill	44,322	43,483
Intangible assets	56,607	58,389
Investments accounted for using equity method	2,066	2,024
Other financial assets	7,925	8,357
Deferred tax assets	10	10
Other non-current assets	1,975	3,016
Total non-current assets	172,110	174,219
Total assets	336,819	327,226

	(in millions of yen)	
	Fiscal year ended March 31, 2020 (as of March 31, 2020)	Second quarter of fiscal year ending March 31, 2021 (as of September 30, 2020)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	61,750	55,810
Borrowings	46,747	52,897
Other financial liabilities	1,722	1,654
Income taxes payable	214	194
Refund liabilities	3,270	2,431
Contract liabilities	116	116
Other current liabilities	8,868	6,228
Total current liabilities	122,690	119,332
Non-current liabilities		
Borrowings	87,045	82,899
Other financial liabilities	2,257	1,925
Retirement benefit liability	945	986
Provisions	81	82
Refund liabilities	95	82
Contract liabilities	748	690
Deferred tax liabilities	4,521	5,014
Other non-current liabilities	1,262	1,171
Total non-current liabilities	96,958	92,852
Total liabilities	219,648	212,184
Equity		
Share capital	23,360	23,360
Capital surplus	21,896	21,896
Other equity instruments	9,918	9,918
Treasury shares	(2,562)	(2,435)
Retained earnings	57,365	56,337
Other components of equity	5,848	4,690
Total equity attributable to owners of parent	115,826	113,767
Non-controlling interests	1,343	1,274
Total equity	117,170	115,042
Total liabilities and equity	336,819	327,226

(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, 2019 to September 30, 2019)	Second quarter of current fiscal year (from April 1, 2020 to September 30, 2020)
Revenue	91,519	89,631
Cost of sales	72,509	73,950
Gross profit	19,009	15,680
Selling, general and administrative expenses	12,980	13,074
Research and development expenses	2,100	1,879
Other operating income	168	142
Other operating expenses	318	346
Operating profit	3,777	523
Finance income	44	90
Finance costs	789	445
Share of profit (loss) of investments accounted for using equity method	(31)	200
Other revenue	2,166	-
Other expenses	624	-
Profit before tax	4,544	369
Income tax expense	1,604	254
Profit	2,940	114
Profit attributable to:		
Owners of parent	3,006	146
Non-controlling interests	(66)	(31)
Profit	2,940	114
Earnings per share		
Basic earnings per share (Yen)	47.14	2.28
Diluted earnings per share (Yen)	46.90	2.28

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	(in millions of yen)	
	Second quarter of previous fiscal year (from April 1, 2019 to September 30, 2019)	Second quarter of current fiscal year (from April 1, 2020 to September 30, 2020)
Profit	2,940	114
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(690)	355
Share of other comprehensive income of investments accounted for using equity method	(80)	(0)
Total of items that will not be reclassified to profit or loss	(770)	354
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,981)	(1,520)
Share of other comprehensive income of investments accounted for using equity method	(115)	-
Total of items that may be reclassified to profit or loss	(2,097)	(1,520)
Other comprehensive income (net of tax)	(2,867)	(1,166)
Comprehensive income	72	(1,051)
Comprehensive income attributable to:		
Owners of parent	137	(982)
Non-controlling interests	(65)	(68)
Comprehensive income	72	(1,051)

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Second Quarter of Previous Fiscal Year (from April 1, 2019 to September 30, 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, 2019	23,360	21,896	9,918	(2,893)	55,016	6,367	2,371
Changes in accounting policies					(49)		
Restated balance	23,360	21,896	9,918	(2,893)	54,967	6,367	2,371
Profit (loss)					3,006		
Other comprehensive income						(2,097)	(770)
Total comprehensive income	-	-	-	-	3,006	(2,097)	(770)
Direct issuance expenses due to issuance of new shares		(5)					
Distributions to owners of other equity instruments					(243)		
Disposal of treasury shares		(38)		187			
Transfer of loss on disposal of treasury shares		8			(8)		
Dividends (Note)					(956)		
Share-based payment transactions							
Equity transactions with non-controlling interests and other							
Transfer to capital surplus from retained earnings		5			(5)		
Transfer from other components of equity					113		(114)
Total transactions with owners	-	(29)	-	187	(1,100)	-	(114)
Balance as of September 30, 2019	23,360	21,866	9,918	(2,706)	56,873	4,269	1,487

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Others	Total			
Balance as of April 1, 2019	-	285	9,025	116,323	0	116,323
Changes in accounting policies				(49)		(49)
Restated balance	-	285	9,025	116,274	0	116,274
Profit (loss)				3,006	(66)	2,940
Other comprehensive income	(0)		(2,868)	(2,868)	0	(2,867)
Total comprehensive income	(0)	-	(2,868)	137	(65)	72
Direct issuance expenses due to issuance of new shares				(5)		(5)
Distributions to owners of other equity instruments				(243)		(243)
Disposal of treasury shares		(37)	(37)	111		111
Transfer of loss on disposal of treasury shares				-		-
Dividends (Note)				(956)		(956)
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	0		(113)	-		-
Total transactions with owners	0	4	(109)	(1,052)	838	(213)
Balance as of September 30, 2019	-	289	6,047	115,359	773	116,132

(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, 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			
Dividends (Note)					(959)		
Forfeiture of share acquisition rights					29		
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					
	Other components of equity			Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	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
Dividends (Note)			-	(959)		(959)
Forfeiture of share acquisition rights		(29)	(29)	-		-
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.

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(in millions of yen)

	Second quarter of previous fiscal year (from April 1, 2019 to September 30, 2019)	Second quarter of current fiscal year (from April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before tax	4,544	369
Depreciation and amortization	5,498	6,312
Impairment losses (reversal of impairment losses)	0	-
Interest and dividend income	(44)	(90)
Interest expenses	294	279
Share of loss (profit) of investments accounted for using equity method	31	(200)
Loss (gain) on sale of investments in associates	(1,762)	-
Decrease (increase) in trade and other receivables	7,177	10,390
Decrease (increase) in inventories	(3,434)	(7,357)
Increase (decrease) in trade and other payables	47	(4,995)
Increase (decrease) in accrued expenses	1,025	(1,375)
Increase (decrease) in refund liabilities	75	(823)
Other	(1,418)	(1,386)
Subtotal	12,036	1,123
Dividends received	86	60
Interest received	4	4
Interest paid	(293)	(275)
Income taxes paid	(331)	(154)
Income taxes refund	229	360
Net cash provided by (used in) operating activities	11,732	1,119
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,923)	(3,536)
Purchase of intangible assets	(6,318)	(5,463)
Proceeds from sale of investments accounted for using equity method	3,200	-
Collection of loans receivable	71	33
Payments for acquisition of subsidiaries	(6,341)	-
Other	(59)	20
Net cash provided by (used in) investing activities	(13,370)	(8,945)

(in millions of yen)

	Second quarter of previous fiscal year (from April 1, 2019 to September 30, 2019)	Second quarter of current fiscal year (from April 1, 2020 to September 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	55	7,037
Repayments of long-term borrowings	(4,288)	(4,685)
Repayments of lease liabilities	(772)	(990)
Dividends paid	(957)	(959)
Distributions to owners of other equity instruments	(243)	(220)
Other	86	103
Net cash provided by (used in) financing activities	(6,120)	283
Effect of exchange rate changes on cash and cash equivalents	73	(57)
Net increase (decrease) in cash and cash equivalents	(7,684)	(7,599)
Cash and cash equivalents at beginning of period	42,093	42,944
Cash and cash equivalents at end of period	34,408	35,344

(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 Group has established the 8th Medium-term Management Plan "Nexus ∞" starting the previous 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. The two reportable 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."

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

Second Quarter of Previous Fiscal Year (from April 1, 2019 to September 30, 2019)

(in millions of yen)

	Reportable segments			Adjustment	Consolidated
	Nichi-Iko Group	Sagent Group	Total		
Revenue					
External revenue	76,851	14,668	91,519	-	91,519
Inter-segment revenue	-	-	-	-	-
Total	76,851	14,668	91,519	-	91,519
Segment profit (loss)					
(Core operating profit)	4,664	(747)	3,917	-	3,917
(Note)					

(Note)

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

Second Quarter of Current 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.

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, 2019 to September 30, 2019)	Second quarter of current fiscal year (from April 1, 2020 to September 30, 2020)
Total revenue	91,519	89,818
Provisions for returns in voluntary recall	-	187
Revenue on condensed quarterly consolidated financial statements	91,519	89,631

(in millions of yen)

	Second quarter of previous fiscal year (from April 1, 2019 to September 30, 2019)	Second quarter of current fiscal year (from April 1, 2020 to September 30, 2020)
Segment profit	3,917	1,360
Integration-related expenses	138	90
Voluntary recall expenses	-	746
Impairment loss	0	-
Operating profit	3,777	523
Finance income	44	90
Finance costs	789	445
Share of profit (loss) of investments accounted for using equity method	(31)	200
Other revenue	2,166	-
Other expenses	624	-
Profit before tax	4,544	369

(2) Information about products and services

Revenue from each product and service is as follows.

Second Quarter of Previous Fiscal Year (from April 1, 2019 to September 30, 2019)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Treatments for circulatory system	17,431	-	17,431
Treatments for blood and body fluid	13,906	-	13,906
Antibiotics	4,897	4,902	9,799
Treatments for nervous system	8,695	-	8,695
Treatments for digestive system	8,361	-	8,361
Treatments for allergies	6,740	-	6,740
Chemotherapeutics	1,248	5,183	6,431
Other	15,569	4,582	20,152
Total	76,851	14,668	91,519

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

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Treatments for circulatory system	14,753	-	14,753
Treatments for blood and body fluid	13,220	-	13,220
Treatments for nervous system	8,878	-	8,878
Antibiotics	3,941	4,604	8,545
Treatments for digestive system	7,691	-	7,691
Treatments for allergies	5,960	-	5,960
Chemotherapeutics	1,157	4,259	5,416
Other	16,910	8,441	25,351
Total	72,513	17,304	89,818

(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, 2019 to September 30, 2019)

(in millions of yen)

	Reportable segments		
	Nichi-Iko Group	Sagent Group	Total
Japan	76,686	-	76,686
United States	-	12,786	12,786
Other	164	1,881	2,046
Total	76,851	14,668	91,519

Second Quarter of Current 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.