

(English Translation)

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2022 (IFRS)

May 13, 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
Executive Vice President, Head of
Administrative Division
Scheduled date of annual shareholders' meeting: June 30, 2022
Scheduled date of commencement of dividend payment: -
Scheduled date of filing of annual securities report: June 30, 2022
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, 2022
(From April 1, 2021 to March 31, 2022)

(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, 2022 | ¥179,060 million (-4.9%) | -¥16,776 million (-%) | -¥110,051 million (-%) | -¥107,842 million (-%) | -¥105,652 million (-%) | -¥104,984 million (-%) |
| Fiscal year ended March 31, 2021 | ¥188,218 million (-1.0%) | ¥977 million (-87.8%) | ¥107 million (-96.3%) | ¥1,068 million (-85.6%) | -¥4,273 million (-%) | -¥4,179 million (-%) |

| | 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, 2022 | -¥102,352 million (-%) | -¥1,554.37 | -¥1,554.37 | -168.6% | -34.6% | -61.5% |
| Fiscal year ended March 31, 2021 | -¥2,579 million (-%) | -¥65.28 | -¥65.28 | -3.7% | 0.3% | 0.1% |

(Reference)

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

Fiscal year ended March 31, 2022 203 million yen

Fiscal year ended March 31, 2021 432 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, 2022 | ¥260,559 million | ¥13,773 million | ¥13,394 million | 5.1% | ¥190.17 |
| Fiscal year ended March 31, 2021 | ¥363,572 million | ¥112,435 million | ¥111,167 million | 30.6% | ¥1,733.58 |

(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, 2022 | -¥24,248 million | -¥9,315 million | ¥19,677 million | ¥15,305 million |
| Fiscal year ended March 31, 2021 | ¥5,006 million | -¥29,334 million | ¥10,867 million | ¥29,142 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, 2021 | ¥- | ¥15.00 | ¥- | ¥10.00 | ¥25.00 | ¥1,605 million | -% | 1.4% |
| Fiscal year ended March 31, 2022 | ¥- | ¥0.00 | ¥- | ¥0.00 | ¥0.00 | ¥- | -% | -% |
| Fiscal year ending March 31, 2023 (forecast) | ¥- | ¥0.00 | ¥- | ¥0.00 | ¥0.00 | | -% | |

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

On May 13, 2022, the Company formally applied for a specified certified dispute resolution procedure (the “Business Turnaround ADR”) under the Act on Strengthening Industrial Competitiveness. In the course of the procedure, we plan to proceed with consultations with the relevant companies. Therefore, the consolidated earnings forecast for the fiscal year ending March 31, 2023 is yet to be determined.

***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: 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 March 31, 2022 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 March 31, 2022 948,131 shares
 - As of March 31, 2021 1,036,650 shares
 - (iii) Average number of shares during the period:
 - Fiscal year ended March 31, 2022 67,541,284 shares
 - Fiscal year ended March 31, 2021 64,023,932 shares

(Note)

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

*** 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 Friday, May 13, 2022.

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 |
| (5) Significant matters regarding the premise of going concern | 6 |
| 2. Basic Stance Regarding the Selection of Accounting Standards..... | 7 |
| 3. Consolidated Financial Statements and Primary Notes | 8 |
| (1) Consolidated Statement of Financial Position | 8 |
| (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income..... | 10 |
| (Consolidated Statement of Income) | 10 |
| (Consolidated Statement of Comprehensive Income) | 11 |
| (3) Consolidated Statement of Changes in Equity..... | 12 |
| (4) Consolidated Statement of Cash Flows | 16 |
| (5) Notes to Consolidated Financial Statements..... | 18 |
| (Notes on premise of going concern) | 18 |
| (Reporting entity) | 19 |
| (Basis of preparation) | 19 |
| (Segment information, etc.)..... | 21 |
| (Per share information)..... | 26 |
| (Significant subsequent events)..... | 26 |

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Current Fiscal Year

(Operating Results for the Current Fiscal Year)

Although the Japanese economy is showing some signs of recovery in the current fiscal year, the outlook for the economy remains uncertain due to the spread of COVID-19, the situation in Ukraine, and rising of resource prices .

In the generic drug industry, further enhancement of steps to address issues in quality and stable supply is required, as well as strengthening of profitability in the face of the lower drug prices resulting from the drug price revisions.

We are working to improve and strengthen the manufacturing and quality control system company-wide and are resuming shipments of products manufactured at the Toyama Plant 1 after ensuring their quality. However, due to the stringent quality checks and other measures, the number of items that have resumed shipping is far below the initial expectations. Furthermore, due primarily to the recording of impairment losses on property, plant and equipment, intangible assets, goodwill, etc., we recorded net loss for the current fiscal year as in the previous fiscal year.

Under these circumstances, as stated in the press release “Notice of Formal Application and Acceptance of Business Turnaround ADR” dated May 13, 2022, we decided to engage in a business turnaround based on the specified certified dispute resolution procedure (the “Business Turnaround ADR”) under the Act on Strengthening Industrial Competitiveness and have submitted a formal application for the Business Turnaround ADR procedure. We thereby aim to revitalize and continue our business in the future and to drastically improve our financial position.

A. Results by segment

| (in millions of yen) | Nichi-Iko Group | | | Sagent Group | | |
|-----------------------|----------------------------------|----------------------------------|---------|----------------------------------|----------------------------------|--------|
| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 | Change | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 | Change |
| Revenue | 152,481 | 139,027 | -13,453 | 36,289 | 40,056 | +3,767 |
| Core operating profit | 2,995 | -14,017 | -17,012 | -2,017 | -2,759 | -741 |

(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 resume production and release of products manufactured at Toyama Plant 1 and to expand the types and volume of resumed items, but due to the stringent quality checks and other measures, it is taking longer than originally expected to resume full shipments. We are making company-wide efforts to expand these shipments as quickly as possible.

Results in Nichi-Iko Group during the current fiscal year showed revenue of 139,027 million yen (a decrease of 13,453 million yen year-on-year) and segment loss of 14,017 million yen (segment profit of 2,995 million yen in 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 production and shipments by manufacturing subcontractor, Kobayashi Kako Co., Ltd., and the effect of delays in resuming release of products manufactured at Toyama Plant 1, despite contribution made by sales of products from Gifu Plant (approximately 32,700 million yen).

(ii) Sagent Group

In Sagent Group, efforts are being made in the in-house manufacturing 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 licensing out products developed by Sagent to the Japanese and Southeast Asian markets.

Meanwhile, with regard to biosimilar and orphan drugs being developed with the aim of launching in the U.S. market, it is certain that the approval application will be delayed more than planned, and it has been decided to reconsider the entire future development plan.

Results in Sagent Group during the current fiscal year showed revenue of 40,056 million yen (an increase of 3,767 million yen year-on-year) and segment loss of 2,759 million yen (an increase in loss of 741 million yen year-on-year) due mainly to the suspension of plant operation amid a review of production facilities at SterRx and the decline in unit sales prices of mainstay products, despite continued strong performance of products related to COVID-19 and growth in sales in the Canadian market.

B. Group Results

| (in millions of yen) | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 | Change |
|---|-------------------------------------|-------------------------------------|------------|
| Revenue | 188,218 | 179,060 | -9,158 |
| Core operating profit | 977 | -16,776 | -17,754 |
| Operating profit | 107 | -110,051 | -110,158 |
| Profit before tax | 1,068 | -107,842 | -108,911 |
| Profit attributable to owners of parent | -4,179 | -104,984 | -100,804 |
| Diluted earnings per share | -¥65.28 | -¥1,554.37 | -¥1,489.09 |

** 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 9,158 million yen year-on-year due to decrease in revenue in Nichi-Iko Group despite increase in Sagent Group.

Core operating profit decreased by 17,754 million yen year-on-year due to decreases in earnings in both Nichi-Iko Group and Sagent Group.

Operating profit decreased by 110,158 million yen year-on-year due mainly to the recording of one-time expenses, including impairment loss on fixed assets including goodwill (32,480 million yen for Nichi-Iko Group and 26,900 million yen for Sagent Group), impairment loss on development costs, etc., including biosimilars and orphan drugs (16,508 million yen for Nichi-Iko Group and 8,241 million yen for Sagent Group), and inventory valuation loss due to revision of the

future manufacturing resumption schedule for products manufactured at Toyama Plant 1 (7,389 million yen for Nichi-Iko Group).

Profit before tax was down 108,911 million yen year-on-year mainly due to the reasons stated for operating profit and the recording of foreign exchange gains due to the depreciation of the yen.

Profit attributable to owners of parent decreased by 100,804 million yen year-on-year due mainly to the reasons stated for operating profit and the reversal of deferred tax liabilities due to the impairment of development costs mentioned above.

(Impact from COVID-19)

The Group is continuing its endeavor to prevent the spread of COVID-19 by implementing measures such as working from 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 shortages in the supply of materials for certain products, 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.

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

Assets on a consolidated basis at the end of the current fiscal year decreased by 103,013 million yen from the previous fiscal year-end to 260,559 million yen. This was mainly attributable to the following factors:

| | Increase (decrease) (in millions of yen) | Main factors |
|-------------------------------|---|--|
| Cash and cash equivalents | -13,837 | Payments for inventories purchased in the previous fiscal year |
| Goodwill | -27,181 | Recording of Sagent's goodwill impairment loss, etc. |
| Property, plant and equipment | -29,654 | Recording of impairment loss due to decline in profitability, etc. |
| Intangible assets | -17,348 | Recording of impairment loss due to decline in profitability, etc. |

Liabilities on a consolidated basis at the end of the current fiscal year decreased by 4,351 million yen from the previous fiscal year-end to 246,785 million yen. This was mainly attributable to the following factors:

| | Increase (decrease) (in millions of yen) | Main factors |
|-----------------------------|---|---|
| Trade and other payables | -17,236 | Payments for inventories purchased in the previous fiscal year |
| Borrowings | +13,497 | Procurement of working capital |
| Other financial liabilities | +4,693 | Increase in lease liabilities |
| Deferred tax liabilities | -4,551 | Reversal of deferred tax liabilities due to recording of impairment loss in development costs, etc. |

Equity on a consolidated basis at the end of the current fiscal year decreased by 98,662 million yen from the previous fiscal year-end to 13,773 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 | -106,479 | Recording of net loss, etc. |
| Other components of equity | +3,332 | Exchange differences, etc. on translation of foreign operations due to yen depreciation |

(3) Cash Flows

At the end of the current fiscal year, cash and cash equivalents on a consolidated basis decreased by 13,837 million yen from the previous fiscal year-end to 15,305 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 expenditure over income of 24,248 million yen. This was mainly attributable to the following factors:

| Details | Increase (decrease) (in millions of yen) |
|--|---|
| Recording of profit before tax | -107,842 |
| Recording of impairment loss | +84,130 |
| Recording of depreciation and amortization | +12,653 |
| Decrease in trade and other receivables | +5,525 |
| Decrease in trade and other payables | -16,710 |

Net cash provided by investing activities on a consolidated basis for the current fiscal year amounted to expenditure over income of 9,315 million yen. This was mainly attributable to the following factors:

| Details | Increase (decrease) (in millions of yen) |
|---|---|
| Purchase of property, plant and equipment | -3,481 |
| Purchase of intangible assets | -12,332 |
| Proceeds from sale of investments accounted for using equity method | +2,500 |
| Proceeds from collection of deposits | +3,290 |

Net cash provided by financing activities on a consolidated basis for the current fiscal year amounted to income over expenditure of 19,677 million yen. This was mainly attributable to the following factors:

| Details | Increase (decrease) (in millions of yen) |
|---|---|
| Net increase in borrowings | +12,176 |
| Proceeds from issuance of common shares | +5,207 |
| Proceeds from sale and leaseback transactions | +5,641 |
| Repayments of lease liabilities | -2,338 |

(4) Prospects for the Future

Regarding the outlook for the future, while advancing discussion with all financial institutions during the Business Turnaround ADR announced on May 13, 2022, we will ask the Japan Association of Turnaround Professionals for investigation, guidance and advice from a neutral standpoint, formulate a draft business rehabilitation plan, and attempt to have the draft plan approved by all financial institutions. Details of the proposed plan will be announced as soon as they are finalized.

(5) Significant matters regarding the premise of going concern

- Statement to the effect that a significant event or situation exists and the contents thereof

Since April 2021, the Group has gradually resumed production and release while conducting stringent quality control checks such as FMEA (Note) at Toyama Plant 1, but the plant has not yet resumed shipments of some of the items scheduled for production. In addition, product sales have declined due to lower drug prices resulting from the price revisions and the stoppage of production and shipments at manufacturing subcontractors. In order to improve this situation, we have implemented various efforts in relation to products manufactured at Toyama Plant 1, the Group's main plant, with the aim of ensuring an appropriate production system and scale optimization. These efforts include identifying products that are expected to take more time than anticipated to resume manufacturing, integrating products into formulations with compounds of the same type and same effect, and organizing products for which improvement measures can be implemented. As a result, we recorded a valuation loss on raw materials and work in progress, etc. likely to be disposed of in the future. Furthermore, in the current fiscal year we recorded an operating loss of 110,051 million yen and a loss attributable to owners of parent of 104,984 million yen. This was primarily due to factors such as the reconsideration of development investments that have been underway up to now and the resulting impairment of goodwill at overseas subsidiaries and impairment loss on domestic fixed assets due to the decline in earnings conditions in Japan.

As a result of the above, large operating losses have occurred and operating cash flow expenditures have been exceeded, and we are therefore in a situation in which material uncertainties have arisen regarding entity's ability to continue as a going concern.

- Countermeasures to resolve or improve the event or situation

(Business side)

In order to resolve this situation, the Nichi-Iko Group will continue to gradually resume production and shipment of products manufactured at Toyama Plant 1, and continue its efforts to improve profitability by promoting initiatives aimed at optimization of the production system throughout the entire Group. In addition, we are taking steps to improve cash flow by reducing expenses, curbing logistics costs and thoroughly implementing inventory and purchasing management on a company-wide level. Furthermore, we are working to accelerate structural reforms with a view to recovering business performance after the end of the current fiscal year, including reducing costs by improving the efficiency of plant operations through optimization of manufacturing plants in Japan and overseas.

(Financial side)

On the financial side, financial institutions and others have agreed on matters related to financial covenants and on extending the benefits of long-term loans that are due for repayment in March 2022. In addition, a formal application for a Business Turnaround ADR was submitted on May 13, 2022 and was accepted on the same date. Going forward, we will proceed with discussions with the relevant companies in the Business Turnaround ADR, including pre-DIP financing to facilitate smooth business operations. With regard to further funding, we have received proposals from sponsor candidates at this stage, and we are in consultation with them.

- Statement of the fact that material uncertainty is recognized and the reason therefor

In light of these circumstances, we are currently in the process of implementing response measures to resolve material doubts regarding the premise of going concern. We recognize that there are material uncertainties regarding the premise of going concern given that the Company's cash flow may be impacted significantly depending on future business progress, discussions with the above financial institutions and related companies, etc., and the status of financing, etc.

(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.

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, 2021 (as of March 31, 2021) | Fiscal year ended March 31, 2022 (as of March 31, 2022) |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 29,142 | 15,305 |
| Trade and other receivables | 42,882 | 38,605 |
| Inventories | 96,110 | 95,745 |
| Income taxes receivable | 55 | - |
| Other financial assets | 3,715 | 425 |
| Other current assets | 3,195 | 5,309 |
| Total current assets | 175,102 | 155,391 |
| Non-current assets | | |
| Property, plant and equipment | 68,943 | 39,289 |
| Goodwill | 45,661 | 18,479 |
| Intangible assets | 56,957 | 39,609 |
| Investments accounted for using equity method | 2,202 | 68 |
| Other financial assets | 11,635 | 7,465 |
| Deferred tax assets | 12 | 9 |
| Other non-current assets | 3,058 | 246 |
| Total non-current assets | 188,469 | 105,167 |
| Total assets | 363,572 | 260,559 |

| | (in millions of yen) | |
|---|---|---|
| | Fiscal year ended March 31, 2021 (as of March 31, 2021) | Fiscal year ended March 31, 2022 (as of March 31, 2022) |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 65,359 | 48,123 |
| Borrowings | 63,113 | 85,529 |
| Other financial liabilities | 1,615 | 2,095 |
| Income taxes payable | 937 | 480 |
| Refund liabilities | 2,712 | 2,349 |
| Contract liabilities | 127 | 209 |
| Other current liabilities | 9,707 | 8,683 |
| Total current liabilities | 143,574 | 147,471 |
| Non-current liabilities | | |
| Borrowings | 86,021 | 77,102 |
| Other financial liabilities | 4,182 | 8,396 |
| Retirement benefit liability | 960 | 1,190 |
| Provisions | 83 | 79 |
| Refund liabilities | 98 | 58 |
| Contract liabilities | 631 | 1,363 |
| Deferred tax liabilities | 14,711 | 10,160 |
| Other non-current liabilities | 874 | 964 |
| Total non-current liabilities | 107,562 | 99,314 |
| Total liabilities | 251,136 | 246,785 |
| 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 | (55,657) |
| Other components of equity | 7,437 | 10,770 |
| Total equity attributable to owners of parent | 111,167 | 13,394 |
| Non-controlling interests | 1,268 | 379 |
| Total equity | 112,435 | 13,773 |
| Total liabilities and equity | 363,572 | 260,559 |

(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, 2020 to March 31, 2021) | Current fiscal year (from April 1, 2021 to March 31, 2022) |
|---|---|--|
| Revenue | 188,218 | 179,060 |
| Cost of sales | 166,973 | 175,094 |
| Gross profit | 21,245 | 3,965 |
| Selling, general and administrative expenses | 27,029 | 27,879 |
| Research and development expenses | 4,335 | 4,248 |
| Other operating income | 12,962 | 1,768 |
| Other operating expenses | 2,734 | 83,656 |
| Operating profit | 107 | (110,051) |
| Finance income | 1,330 | 3,133 |
| Finance costs | 801 | 1,128 |
| Share of profit (loss) of investments accounted for using equity method | 432 | 203 |
| Profit before tax | 1,068 | (107,842) |
| Income tax expense | 5,342 | (2,190) |
| Profit (loss) | (4,273) | (105,652) |
| Profit attributable to: | | |
| Owners of parent | (4,179) | (104,984) |
| Non-controlling interests | (93) | (668) |
| Profit (loss) | (4,273) | (105,652) |
| Earnings per share | | |
| Basic earnings (loss) per share (Yen) | (65.28) | (1,554.37) |
| Diluted earnings (loss) per share (Yen) | (65.28) | (1,554.37) |

(Consolidated Statement of Comprehensive Income)

(in millions of yen)

| | Previous fiscal year (from April 1, 2020 to March 31, 2021) | Current fiscal year (from April 1, 2021 to March 31, 2022) |
|---|---|--|
| Profit (loss) | (4,273) | (105,652) |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | (565) | (1,808) |
| Remeasurements of defined benefit plans | 53 | (132) |
| Share of other comprehensive income of investments accounted for using equity method | (0) | - |
| Total of items that will not be reclassified to profit or loss | (512) | (1,940) |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 2,206 | 5,241 |
| Total of items that may be reclassified to profit or loss | 2,206 | 5,241 |
| Other comprehensive income (net of tax) | 1,693 | 3,300 |
| Comprehensive income | (2,579) | (102,352) |
| Comprehensive income attributable to: | | |
| Owners of parent | (2,504) | (101,737) |
| Non-controlling interests | (75) | (614) |
| Comprehensive income | (2,579) | (102,352) |

(3) Consolidated Statement of Changes in Equity

Previous Fiscal Year (from April 1, 2020 to March 31, 2021)

| | Equity attributable to owners of parent | | | | | | (in millions of yen) | |
|---|---|--------------------|-----------------------------|--------------------|----------------------|--|---|--|
| | Share capital | Capital surplus | Other equity instruments | Treasury shares | Retained earnings | Other components of equity | | |
| | | | | | | Exchange differences on translation of foreign operations | Financial assets measured at fair value through other comprehen- sive income | |
| Balance as of April 1, 2020 | 23,360 | 21,896 | 9,918 | (2,562) | 57,365 | 4,339 | 1,235 | |
| Loss | | | | | (4,179) | | | |
| Other comprehensive income | | | | | | 2,187 | (565) | |
| Total comprehensive income | - | - | - | - | (4,179) | 2,187 | (565) | |
| Distributions to owners of other equity instruments | | | | | (440) | | | |
| Purchase of treasury shares | | | | (0) | | | | |
| Disposal of treasury shares | | (85) | | 289 | | | | |
| Transfer of loss on disposal of treasury shares | | 86 | | | (86) | | | |
| Exercise of share acquisition rights | | (1) | | 6 | | | | |
| Forfeiture of share acquisition rights | | | | | 29 | | | |
| Dividends (Note) | | | | | (1,919) | | | |
| Transfer from other components of equity | | | | | 53 | | | |
| Total transactions with owners | - | - | - | 295 | (2,363) | - | - | |
| Balance as of March 31, 2021 | 23,360 | 21,896 | 9,918 | (2,267) | 50,822 | 6,526 | 669 | |

| | Equity attributable to owners of parent | | | | | |
|---|---|--------|-------|---------|---------------------------|--------------|
| | Other components of equity | | | Total | Non-controlling interests | Total equity |
| | Remeasurements of defined benefit plans | Others | Total | | | |
| Balance as of April 1, 2020 | - | 274 | 5,848 | 115,826 | 1,343 | 117,170 |
| Loss | | | - | (4,179) | (93) | (4,273) |
| Other comprehensive income | 53 | | 1,675 | 1,675 | 18 | 1,693 |
| Total comprehensive income | 53 | - | 1,675 | (2,504) | (75) | (2,579) |
| Distributions to owners of other equity instruments | | | - | (440) | | (440) |
| Purchase of treasury shares | | | - | (0) | | (0) |
| Disposal of treasury shares | | | - | 204 | | 204 |
| Transfer of loss on disposal of treasury shares | | | - | - | | - |
| Exercise of share acquisition rights | | (4) | (4) | 0 | | 0 |
| Forfeiture of share acquisition rights | | (29) | (29) | - | | - |
| Dividends (Note) | | | - | (1,919) | | (1,919) |
| Transfer from other components of equity | (53) | | (53) | - | | - |
| Total transactions with owners | (53) | (34) | (87) | (2,155) | - | (2,155) |
| Balance as of March 31, 2021 | - | 240 | 7,437 | 111,167 | 1,268 | 112,435 |

(Note)

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

Current Fiscal Year (from April 1, 2021 to March 31, 2022)

(in millions of yen)

Equity attributable to owners of parent

| | 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 |
| Loss | | | | | (104,984) | | |
| Other comprehensive income | | | | | | 5,187 | (1,808) |
| Total comprehensive income | - | - | - | - | (104,984) | 5,187 | (1,808) |
| 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 | | | | | (439) | | |
| 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 | | | | | (131) | | (1) |
| Total transactions with owners | 2,615 | 2,615 | - | 142 | (1,495) | - | (1) |
| Balance as of March 31, 2022 | 25,975 | 24,511 | 9,918 | (2,124) | (55,657) | 11,714 | (1,139) |

| | Equity attributable to owners of parent | | | | | |
|--|---|--------|--------|-----------|---------------------------|--------------|
| | Other components of equity | | | Total | Non-controlling interests | Total equity |
| | Remeasurements of defined benefit plans | Others | Total | | | |
| Balance as of April 1, 2021 | - | 240 | 7,437 | 111,167 | 1,268 | 112,435 |
| Loss | | | - | (104,984) | (668) | (105,652) |
| Other comprehensive income | (132) | | 3,246 | 3,246 | 53 | 3,300 |
| Total comprehensive income | (132) | - | 3,246 | (101,737) | (614) | (102,352) |
| 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 | | | - | (439) | | (439) |
| 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 | 132 | | 131 | - | | - |
| Total transactions with owners | 132 | (44) | 86 | 3,964 | (274) | 3,690 |
| Balance as of March 31, 2022 | - | 195 | 10,770 | 13,394 | 379 | 13,773 |

(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, 2020 to March 31, 2021) | Current fiscal year (from April 1, 2021 to March 31, 2022) |
|--|---|--|
| Net cash provided by (used in) operating activities | | |
| Profit (loss) before tax | 1,068 | (107,842) |
| Depreciation and amortization | 13,217 | 12,653 |
| Impairment loss | 5,950 | 84,130 |
| Increase (decrease) in allowance for doubtful receivables | (8) | 928 |
| Loss (gain) on sales and retirement of property, plant and equipment and intangible assets | 31 | 161 |
| Interest and dividend income | (124) | (227) |
| Interest expenses | 543 | 714 |
| Foreign exchange losses (gains) | (755) | (2,146) |
| Gain on discounted purchases | (12,275) | - |
| Share of loss (profit) of investments accounted for using equity method | (432) | (203) |
| Loss (gain) on sale of investments in associates | - | (363) |
| Decrease (increase) in trade and other receivables | (2,769) | 5,525 |
| Decrease (increase) in inventories | (1,739) | 2,019 |
| Increase (decrease) in trade and other payables | 3,783 | (16,710) |
| Increase (decrease) in contract liabilities | (105) | 813 |
| Increase (decrease) in refund liabilities | (650) | (402) |
| Increase (decrease) in deposits received | 102 | (941) |
| Other | (484) | 952 |
| Subtotal | 5,351 | (20,938) |
| Dividends received | 81 | 92 |
| Interest received | 15 | 2 |
| Interest paid | (535) | (725) |
| Income taxes paid | (423) | (2,833) |
| Income taxes refund | 518 | 154 |
| Net cash provided by (used in) operating activities | 5,006 | (24,248) |

(in millions of yen)

| | Previous fiscal year (from April 1, 2020 to March 31, 2021) | Current fiscal year (from April 1, 2021 to March 31, 2022) |
|---|---|--|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (6,360) | (3,481) |
| Proceeds from sale of property, plant and equipment | - | 950 |
| Purchase of intangible assets | (12,767) | (12,332) |
| Proceeds from sale of investments accounted for using equity method | - | 2,500 |
| Collection of loans receivable | 255 | - |
| Proceeds from collection of deposits | - | 3,290 |
| Payments of deposits | (3,290) | - |
| Payments for acquisition of subsidiaries | (7,039) | (108) |
| Other | (130) | (133) |
| Net cash provided by (used in) investing activities | (29,334) | (9,315) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 15,394 | 6,265 |
| Proceeds from long-term borrowings | 9,200 | 15,100 |
| Repayments of long-term borrowings | (9,479) | (9,189) |
| Proceeds from issuance of common shares | - | 5,207 |
| Proceeds from sale and leaseback transactions | - | 5,641 |
| Proceeds from sale of treasury shares | 204 | 74 |
| Repayments of lease liabilities | (2,093) | (2,338) |
| Dividends paid | (1,918) | (644) |
| Distributions to owners of other equity instruments | (440) | (439) |
| Other | (0) | (0) |
| Net cash provided by (used in) financing activities | 10,867 | 19,677 |
| Effect of exchange rate changes on cash and cash equivalents | (341) | 49 |
| Net increase (decrease) in cash and cash equivalents | (13,801) | (13,837) |
| Cash and cash equivalents at beginning of period | 42,944 | 29,142 |
| Cash and cash equivalents at end of period | 29,142 | 15,305 |

(5) Notes to Consolidated Financial Statements

(Notes on premise of going concern)

Since April 2021, the Group has gradually resumed production and release Toyama Plant 1 while conducting stringent quality control checks such as FMEA, but the plant has not yet resumed shipments of some of the items scheduled for production. In addition, product sales have declined due to lower drug prices resulting from the price revisions and the stoppage of production and shipments at manufacturing subcontractors. In order to improve this situation, we have implemented various efforts in relation to products manufactured at Toyama Plant 1, the Group's main plant, with the aim of ensuring an appropriate production system and scale optimization. These efforts include identifying products that are expected to take more time than anticipated to resume manufacturing, integrating products into formulations with compounds of the same type and same effect, and organizing products for which improvement measures can be implemented. As a result, we recorded a valuation loss on raw materials and work in progress, etc. likely to be disposed of in the future. Furthermore, in the current fiscal year we recorded an operating loss of 110,051 million yen and a loss attributable to owners of parent of 104,984 million yen. This was primarily due to factors such as the reconsideration of development investments that have been underway up to now and the resulting impairment of goodwill at overseas subsidiaries and impairment loss on domestic fixed assets due to the decline in earnings conditions in Japan.

As a result of the above, large operating losses have occurred and operating cash flow expenditures have been exceeded, and we are therefore in a situation in which material uncertainties have arisen regarding entity's ability to continue as a going concern.

In order to resolve this situation, the Nichi-Iko Group will continue to gradually resume production and shipment of products manufactured at Toyama Plant 1, and continue its efforts to improve profitability by promoting initiatives aimed at optimization of the production system throughout the entire Group. In addition, we are taking steps to improve cash flow by reducing expenses, curbing logistics costs and thoroughly implementing inventory and purchasing management on a company-wide level. Furthermore, we are working to accelerate structural reforms with a view to recovering business performance after the end of the current fiscal year, including reducing costs by improving the efficiency of plant operations through optimization of manufacturing plants in Japan and overseas.

On the financial side, financial institutions and others have agreed on matters related to financial covenants and on extending the benefits of long-term loans that are due for repayment in March 2022. In addition, a formal application for a Business Turnaround ADR was submitted on May 13, 2022 and was accepted on the same date. Going forward, we will proceed with discussions with the relevant companies in the Business Turnaround ADR, including pre-DIP financing to facilitate smooth business operations. With regard to further funding, we have received proposals from sponsor candidates at this stage, and we are in consultation with them.

In light of these circumstances, we are currently in the process of implementing response measures to resolve material doubts regarding the premise of going concern. We recognize that there are material uncertainties regarding the premise of going concern given that the Company's cash flow may be impacted significantly depending on future business progress, discussions with the above financial institutions and related companies, etc., and the status of financing, etc.

Note that since the consolidated financial statements are prepared based on the premise of going concern, the impact of such material uncertainties on the premise of going concern is not reflected in the consolidated financial statements.

(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, 2022 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.

Accounting judgments

- Recognition of intangible assets arising from development

Estimates and assumptions

- Significant assumptions used in the sales plans for Infliximab BS
- Significant assumptions used for calculation of discounted cash flows in impairment test of property, plant and equipment, goodwill and intangible assets
- Recoverability of deferred tax assets

- Actuarial assumptions

(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 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.

Previous Fiscal Year (from April 1, 2020 to March 31, 2021)

(in millions of yen)

| | Reportable segment | | | Adjustment | Consolidated |
|--|--------------------|--------------|---------|------------|--------------|
| | Nichi-Iko Group | Sagent Group | Total | | |
| Revenue | | | | | |
| External revenue | 152,481 | 36,289 | 188,770 | - | 188,770 |
| Inter-segment revenue | - | - | - | - | - |
| Total | 152,481 | 36,289 | 188,770 | - | 188,770 |
| Segment profit (loss) (Core operating profit) (Note) | 2,995 | (2,017) | 977 | - | 977 |

(Note)

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

Current Fiscal Year (from April 1, 2021 to March 31, 2022)

(in millions of yen)

| | Reportable segment | | | Adjustment | Consolidated |
|--|--------------------|--------------|----------|------------|--------------|
| | Nichi-Iko Group | Sagent Group | Total | | |
| Revenue | | | | | |
| External revenue | 139,027 | 40,056 | 179,084 | - | 179,084 |
| Inter-segment revenue | - | 18 | 18 | (18) | - |
| Total | 139,027 | 40,074 | 179,102 | (18) | 179,084 |
| Segment profit (loss) (Core operating profit) (Note) | (14,017) | (2,759) | (16,776) | - | (16,776) |

(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, 2020 to March 31, 2021) | Current fiscal year (from April 1, 2021 to March 31, 2022) |
| Total revenue | 188,770 | 179,084 |
| Provisions for returns in voluntary recall | 552 | 24 |
| Revenue on consolidated financial statements | 188,218 | 179,060 |

| | (in millions of yen) | |
|---|---|--|
| | Previous fiscal year (from April 1, 2020 to March 31, 2021) | Current fiscal year (from April 1, 2021 to March 31, 2022) |
| Total segment profit (loss) | 977 | (16,776) |
| Integration-related expenses | 196 | 25 |
| Impairment loss on development costs | 5,950 | 24,750 |
| Goodwill impairment loss | - | 30,337 |
| Impairment loss on fixed assets | - | 29,042 |
| Loss on valuation of Infiximab | 3,585 | 280 |
| Voluntary recall expenses | 2,158 | 351 |
| Loss on valuation of inventory (Note 1) | 1,253 | 7,389 |
| Plant downtime loss (Note 2) | - | 1,097 |
| Gain on discounted purchases | (12,275) | - |
| Operating profit (loss) | 107 | (110,051) |
| Finance income | 1,330 | 3,133 |
| Finance costs | 801 | 1,128 |
| Share of profit (loss) of investments accounted for using equity method | 432 | 203 |
| Profit (loss) before tax on consolidated financial statements | 1,068 | (107,842) |

(Note 1)

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

(Note 2)

Fixed costs incurred during the suspension of plant operations due to the review of the production facilities of the Sagent Group's SterRx were recorded.

(2) Information about products and services

Revenue from each product and service is as follows.

Previous Fiscal Year (from April 1, 2020 to March 31, 2021)

(in millions of yen)

| | Reportable segments | | |
|-------------------------------------|---------------------|--------------|---------|
| | Nichi-Iko Group | Sagent Group | Total |
| Treatments for blood and body fluid | 27,217 | - | 27,217 |
| Treatments for circulatory system | 28,932 | - | 28,932 |
| Antibiotics | 8,400 | 8,972 | 17,372 |
| Treatments for paramedics | - | 15,950 | 15,950 |
| Treatments for nervous system | 18,397 | - | 18,397 |
| Treatments for digestive system | 16,063 | - | 16,063 |
| Treatments for allergies | 14,341 | - | 14,341 |
| Chemotherapeutics | 2,429 | 10,322 | 12,752 |
| Other | 36,698 | 1,045 | 37,743 |
| Total | 152,481 | 36,289 | 188,770 |

(Note)

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

Current Fiscal Year (from April 1, 2021 to March 31, 2022)

(in millions of yen)

| | Reportable segments | | |
|-------------------------------------|---------------------|--------------|---------|
| | Nichi-Iko Group | Sagent Group | Total |
| Treatments for blood and body fluid | 21,693 | - | 21,693 |
| Treatments for circulatory system | 21,634 | - | 21,634 |
| Antibiotics | 8,829 | 10,952 | 19,782 |
| Treatments for paramedics | - | 16,846 | 16,846 |
| Treatments for nervous system | 15,613 | - | 15,613 |
| Treatments for digestive system | 14,599 | - | 14,599 |
| Treatments for allergies | 12,026 | - | 12,026 |
| Chemotherapeutics | 2,463 | 9,468 | 11,931 |
| Other | 42,167 | 2,788 | 44,956 |
| Total | 139,027 | 40,056 | 179,084 |

(Note)

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

Previous Fiscal Year (from April 1, 2020 to March 31, 2021)

(in millions of yen)

| | Reportable segments | | |
|--|---------------------|--------------|---------|
| | Nichi-Iko Group | Sagent Group | Total |
| Sales of merchandise and products | 152,364 | 36,289 | 188,654 |
| License agreement on sales of products, etc. | 116 | - | 116 |
| Total | 152,481 | 36,289 | 188,770 |

(Note)

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

Current Fiscal Year (from April 1, 2021 to March 31, 2022)

(in millions of yen)

| | Reportable segments | | |
|--|---------------------|--------------|---------|
| | Nichi-Iko Group | Sagent Group | Total |
| Sales of merchandise and products | 138,909 | 40,056 | 178,966 |
| License agreement on sales of products, etc. | 118 | - | 118 |
| Total | 139,027 | 40,056 | 179,084 |

(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.

Previous Fiscal Year (from April 1, 2020 to March 31, 2021)

(in millions of yen)

| | Reportable segments | | |
|---------------|---------------------|--------------|---------|
| | Nichi-Iko Group | Sagent Group | Total |
| Japan | 152,284 | - | 152,284 |
| United States | - | 31,647 | 31,647 |
| Other | 196 | 4,642 | 4,838 |
| Total | 152,481 | 36,289 | 188,770 |

(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.

Current Fiscal Year (from April 1, 2021 to March 31, 2022)

(in millions of yen)

| | Reportable segments | | |
|---------------|---------------------|--------------|---------|
| | Nichi-Iko Group | Sagent Group | Total |
| Japan | 138,648 | - | 138,648 |
| United States | - | 33,991 | 33,991 |
| Other | 379 | 6,065 | 6,444 |
| Total | 139,027 | 40,056 | 179,084 |

(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, 2021 (as of March 31, 2021) | Fiscal year ended March 31, 2022 (as of March 31, 2022) |
|---------------|---|---|
| Japan | 95,501 | 39,979 |
| United States | 71,915 | 42,627 |
| Canada | 14,066 | 15,078 |
| Others | 5 | 6 |
| Total | 181,488 | 97,693 |

(4) Information about major customers

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

(in millions of yen)

| Name of customer | Related segment | Previous fiscal year (from April 1, 2020 to March 31, 2021) | Current fiscal year (from April 1, 2021 to March 31, 2022) |
|--|-----------------|---|--|
| Mediceo Corporation | Nichi-Iko Group | 39,831 | 28,480 |
| Takeda Pharmaceutical Company Limited | Nichi-Iko Group | 2,421 | 18,898 |
| Alfresa Corporation | Nichi-Iko Group | 26,186 | 18,428 |

(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, 2020 to March 31, 2021) | Current fiscal year (from April 1, 2021 to March 31, 2022) |
|--|---|--|
| Profit (loss) attributable to owners of parent | | |
| Profit attributable to owners of parent (in millions of yen) | (4,179) | (104,984) |
| Profit not attributable to common shareholders of parent (in millions of yen) | - | - |
| Profit used in calculation of earnings per share (in millions of yen) | (4,179) | (104,984) |
| Weighted average number of shares of common stock (shares) | 64,023,932 | 67,541,284 |
| Dilutive effect of stock options (shares) | - | - |
| After adjustment for the impact of dilutive effect (shares) | 64,023,932 | 67,541,284 |
| Earnings per share (loss) | | |
| Basic earnings per share (Yen) | (65.28) | (1,554.37) |
| Diluted earnings per share (Yen) | (65.28) | (1,554.37) |

As stock options have a negative dilutive effect in the previous and current fiscal years, this is not included in the calculation of the diluted loss per share.

(Significant subsequent events)

On May 13, 2022, the Company submitted a formal application for the Business Turnaround ADR to the Japanese Association of Turnaround Professionals (an association that has been certified as a certified dispute resolution business operator by the Minister of Justice and has been accredited as a specified certified dispute resolution business operator by the Minister of Economy, Trade and Industry), and it was accepted on the same date. For details, etc. on the Business Turnaround ADR, please see “1. Overview of Operating Results, etc. (5) Significant matters regarding the premise of going concern,” and “3. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Notes on premise of going concern).”