Summary of Consolidated Financial Results for the Year Ended March 31, 2023 [IFRS]

May 15, 2023

Company Name:	SUMITOMO PHARMA CO., LTD.
Stock Exchange Listings:	Tokyo
Security Code Number:	4506 (URL https://www.sumitomo-pharma.com)
Representative:	Hiroshi Nomura, Representative Director, President and Chief Executive Officer
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Filing Date of Financial Report:	June 27, 2023
Date of Annual Shareholder's Meeting:	June 27, 2023
Starting Date of Dividend Payments:	June 28, 2023
Preparation of Supplementary Financial Data for Financial Results:	Yes
Information Meeting for Financial Results to be held:	Yes (for institutional investors, analysts and the press)

(Note: All amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Results of Operations

(% represents changes from the previous year)

	Revenue		Core operating profit		Operating profit		Net profit		Net profit attributable to owners of the parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	555,544	(0.8)	16,364	(72.0)	(76,979)	—	(96,714)	—	(74,512)	—	(35,085)	—
Year ended March 31, 2022	560,035	8.5	58,509	(15.9)	60,234	(15.4)	40,600	10.2	56,413	0.3	28,161	(31.3)

Reference: Profit before taxes Year ended March 31, 2023: (¥47,920 million)
Year ended March 31, 2022: ¥82,961 million

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items").

	Basic earnings per share	Earnings per share (diluted)	Net profit / Equity attributable to owners of the parent	Profit before taxes / Total assets	Core operating profit / Revenue
	Yen	Yen	%	%	%
Year ended March 31, 2023	(187.55)	—	(14.7)	(3.9)	2.9
Year ended March 31, 2022	141.99	—	9.5	6.3	10.4

Reference: Share of profit (loss) of associates accounted for using the equity method.
Year ended March 31, 2023: ¥39 million
Year ended March 31, 2022: ¥9 million

(2) Financial Position

	Total assets	Net assets	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	1,134,742	406,782	406,749	35.8	1,023.80
As of March 31, 2022	1,308,007	673,569	607,888	46.5	1,530.08

(3) Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	11,937	52,419	(146,817)	143,478
Year ended March 31, 2022	31,239	(18,278)	(21,426)	202,984

2. Dividends

	Dividends per share					Dividends paid for the year	Payout ratio	Dividends to net assets ratio
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	—	14.00	—	14.00	28.00	11,124	19.7	1.9
Year ended March 31, 2023	—	14.00	—	7.00	21.00	8,343	—	1.6
Year ending March 31, 2024 (Forecasts)	—	0.00	—	0.00	0.00		—	

3. Consolidated Financial Forecasts for the Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% represents changes from the corresponding period of the previous year)

	Net sales		Core operating profit		Operating profit		Net profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2024	362,000	(34.8)	(62,000)	—	(78,000)	—	(80,000)	—	(201.36)

Notes:

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): Yes
(New: None)
(Excluded: 4 companies) Urovant Sciences Ltd.
Enzyvant Therapeutics Ltd.
Altavant Sciences Ltd.
Zeus Sciences Ltd.

(2) Changes in accounting policies, accounting estimates, and retrospective restatements
① Changes in accounting standards required by IFRS: None
② Changes due to changes in accounting standards other than (2),①: None
③ Changes in accounting estimates: None

(3) Number of shares outstanding (Common stock)
① Number of shares outstanding (Including treasury stock) at the end of period
March 31, 2023: 397,900,154 shares
March 31, 2022: 397,900,154 shares
② Number of treasury stock at the end of period
March 31, 2023: 608,365 shares
March 31, 2022: 607,238 shares
③ Average number of shares during the period
March 31, 2023: 397,292,271 shares
March 31, 2022: 397,293,270 shares

(Reference) Outline of Non-Consolidated Financial Results (Japanese GAAP)

1. Non-consolidated Financial Results for the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Results of Operations

(% represents changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31,2023	231,759	(23.4)	54,939	(50.6)	104,770	(25.6)	(182,960)	—
Year ended March 31,2022	302,390	(3.7)	111,179	(12.9)	140,870	3.6	58,722	(49.6)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Year ended March 31,2023	(460.52)	—
Year ended March 31,2022	147.81	—

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	1,088,982	675,320	62.0	1,699.81
As of March 31, 2022	1,187,919	850,383	71.6	2,140.44

Reference: Shareholders' Equity As of March 31, 2023: ¥675,320 million
As of March 31, 2022: ¥850,383 million

This summary of financial results is exempt from audit procedures.

Explanation for Appropriate Use of Forecasts and Other Notes:

This material contains forecasts, projections, goals, plans, and other forward-looking statements regarding the Group's financial results and other data. Such forward-looking statements are based on the Company's assumptions, estimates, outlook, and other judgments made in light of information available at the time of preparation of such statements and involve both known and unknown risks and uncertainties. Accordingly, forecasts, plans, goals, and other statements may not be realized as described, and actual financial results, success/failure or progress of development, and other projections may differ materially from those presented herein. Please refer to page 8, "1. Operating Results and Financial Condition (4) Forecasts for the Year Ending March 31, 2024" with regard to the assumptions and other related matters for forecasts.

Information concerning pharmaceuticals and medical devices (including compounds under development) contained herein is not intended as advertising or as medical advice.

Supplementary financial data and the presentation materials for the earnings presentation are disclosed together with the summary of financial results.

The Company holds an earnings presentation for institutional investors, analysts and the press on Monday, May 15, 2023. The audio of the presentation is scheduled to be posted on our website.

【Attachment Documents】

1. Operating Results and Financial Condition

(1) Analysis of Operating Results

Adoption of the International Financial Reporting Standards (IFRS)

The Group discloses its consolidated financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS).

Forward-looking statements contained herein are based on the Group's judgments in light of information available as of 31 March, 2023.

① Overview of overall operating results

During the fiscal year ended March 31, 2023, the world economy grew uncertain as the situation in Ukraine and other geopolitical risks were heightened, prices kept rising globally primarily owing to the soaring energy prices, and monetary tightening policies progressed, although economies continued recovering in Europe and the United States with the easing of the impact of the novel coronavirus infection pandemic. The Japanese economy, too, showed signs of a mild recovery despite the high currency volatility and soaring prices, but its activities have yet to be normalized on a full scale.

In the pharmaceutical sector, things remained as harsh as ever, with countries around the world continuing to advance measures to curb drug costs.

Against this backdrop, the Group forged ahead with rebuilding our business foundation by "establishing growth engine" and "building a flexible and efficient organization" in the final year of the Mid-term Business Plan 2022, its five-year plan that commenced in FY2018. Meanwhile, the Group followed the approach of selection and concentration in a bid to focus on products and development candidates that we wish to grow into the future. After a review of business forecasts and development plans for some products, however, we reported impairment losses on intangible assets, including patent rights and in-process research and development.

In Japan, in the Diabetes area, the sales collaboration for Trulicity® (therapeutic agent for type 2 diabetes) was concluded in December 2022, but the Group continued its commitment to bolstering sales of TWYMEEG® (therapeutic agent for type 2 diabetes), whose prescription-day limit was lifted in September 2022, as well as Equa® and EquMet®. In the Psychiatry & Neurology area, we focused on the provision of medical information on TRERIEF® (Parkinson's disease drug), LATUDA® (atypical antipsychotic), and LONASEN® Tape. In the Frontier Business, we launched the MELTz® Hand Rehabilitation System, which was jointly developed with MELTIN MMI (hereinafter, "MELTIN").

In North America, Sunovion Pharmaceuticals Inc. (hereinafter, "Sunovion") saw its business scale down significantly owing to the expiration of the exclusive marketing period of LATUDA® in the U.S. in February 2023 and the decision to discontinue the sale of KYNMOBI® (treatment for OFF episodes in patients with Parkinson's disease).

With regard to Sumitovant Biopharma Ltd. (hereinafter, "Sumitovant"), one of its subsidiaries focused on expanding sales of ORGOVYX® (therapeutic agent for advanced prostate cancer) and received regulatory approval in the U.S. for an additional indication of endometriosis for MYFEMBREE® (therapeutic agent for uterine fibroids) in August 2022. Another subsidiary focused on expanding sales of GEMTESA® (therapeutic agent for overactive bladder). In March 2023, Sumitovant made Myovant Sciences Ltd. (hereinafter, "Myovant") into a wholly owned subsidiary.

As part of efforts to achieve sustained growth after the loss of exclusivity for LATUDA® in the U.S., the Group plans to merge and combine seven of its subsidiaries in the U.S. into a single company in July 2023, with Sunovion as the remaining company, with a view towards further solidifying its business foundation by consolidating functions and human resources that have hitherto been distributed in North America, and preparations were made for the combination of the Group companies in the U.S.

In China, Sumitomo Pharma (Suzhou) Co., Ltd. continued working to expand sales of MEROPEN® (carbapenem antibiotic), one of its mainstays.

For other businesses, the transfer of all Sumitomo Pharma Food & Chemical Co., Ltd. shares to MEDIPAL HOLDINGS CORPORATION was completed in March 2023. In a similar vein, a share transfer agreement for the transfer of all shares of Sumitomo Pharma Animal Health Co., Ltd. to Mitsui & Co., Ltd. was concluded in December 2022.

Adoption of "core operating profit" as a performance indicator

To coincide with the adoption of the IFRS, the Group has set an original performance indicator for the Group's recurring profitability in the form of "core operating profit."

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors that the Group designates (hereinafter referred to as "Non-recurring Items"). Among the main Non-recurring Items are impairment losses, business structure improvement expenses, and changes in fair value of contingent consideration related to company acquisitions.

Highlights of the Group's consolidated financial results (IFRS) for the fiscal year under review are as follows:

(Billions of yen)

	FY2021	FY2022	Change	Change (%)
Revenue	560.0	555.5	(4.5)	(0.8)
Core operating profit	58.5	16.4	(42.1)	(72.0)
Operating profit	60.2	(77.0)	(137.2)	—
Profit before taxes	83.0	(47.9)	(130.9)	—
Net profit	40.6	(96.7)	(137.3)	—
Net profit attributable to owners of the parent	56.4	(74.5)	(130.9)	—

Revenue decreased by 0.8% year-on-year to 555.5 billion yen.

Revenue decreased overall as the Japan segment was significantly impacted by the succession of the marketing rights of REPLAGAL® for Fabry disease in the previous fiscal year and the conclusion of the sales collaboration for Trulicity®, as well as the National Health Insurance (NHI) drug price revisions, in the fiscal year under review, despite increases in the segments of North America, China, and Other Regions primarily owing to the effects of the forex situation.

Core operating profit decreased by 72.0% year-on-year to 16.4 billion yen.

Core operating profit decreased as the recording of other income resulting from the transfer of the shares of Sumitomo Pharma Food & Chemical Co., Ltd., the sale of the U.S. Food and Drug Administration (FDA)'s priority review voucher*, and the divestiture of the marketing rights to BROVANA®, a therapeutic agent for chronic obstructive pulmonary disease (COPD), and XOPENEX HFA®, a therapeutic agent for asthma, was outweighed by a decrease in gross profit and increases in selling, general and administrative expenses and R&D expenses primarily because of the effects of the forex situation.

*Priority review voucher: Awarded by drug regulatory authorities to a company that receives approval for drugs for rare diseases or other hard-to-develop drugs, the voucher can be used to expedite the review process for another drug submitted.

Operating profit (loss) was (77.0) billion yen, decreased in profit by 137.2 billion yen year-on-year.

Following the review of the revenue forecasts for KYNMOBI®, the Company booked an impairment loss of 55.4 billion yen on the entire value of the patents (intangible assets) for the product. Following the discontinuation of dubermatinib (product code:TP-0903), a development product in the Oncology area, the Company booked an impairment loss of 20.6 billion yen on the entire value of in-process research and development (intangible assets) for the product as well, and a total of 88.2 billion yen in impairment losses was booked, including an impairment loss of 3.5 billion yen on the part of goodwill in the Oncology area. In addition, the Company recorded business structure improvement expenses for the Group companies in North America, thus posting an operating loss.

Profit (loss) before taxes was (47.9) billion yen, decreased in profit by 130.9 billion yen year-on-year.
The Company recorded loss before taxes as an increase in financial income/expenses−a balance of financial income after the deduction of financial expenses−primarily owing to the recording of forex gains due to the yen's depreciation at the end of the fiscal year under review was outweighed by the decrease in operating profit (loss).

Net profit (loss) was (96.7) billion yen, decreased in profit by 137.3 billion yen year-on-year.
Net profit (loss) decreased as well, as profit (loss) before taxes decreased.

Net profit (loss) attributable to owners of the parent was (74.5) billion yen, decreased in profit by 130.9 billion yen year-on-year.
Net profit (loss) attributable to owners of the parent−the amount of net profit less the amount of losses attributable to non-controlling interests−decreased as well, due to the sheer magnitude of the decrease in net profit (loss).

② Status of each business segment

Adoption of "core segment profit" as a performance indicator for each segment
To coincide with the adoption of the IFRS, for segment performance, the Group has set an original performance indicator for each segment's recurring profitability in the form of "core segment profit."
"Core segment profit" is each segment profit calculated by deducting from "core operating profit" any items such as R&D expenses and gains and losses on business transfers, which are managed globally and thus cannot be allocated to individual segments.

[Japan segment]

Revenue decreased by 15.9% year-on-year to 126.1 billion yen.
Revenue showed a decrease primarily owing to the succession of the marketing rights of REPLAGAL® and the conclusion of the sales collaboration for Trulicity® and the NHI drug price revisions in the fiscal year under review, despite growing sales of LATUDA®, TWYMEEG®, and other products due to higher market penetration.
Core segment profit decreased by 53.8% year-on-year to 9.1 billion yen.
This decrease is attributable to the decrease in gross profit on account of a revenue decline.

[North America segment]

Revenue increased by 2.7% year-on-year to 328.5 billion yen.
Despite the absence of the recording as revenue of the lump-sum upfront payment for the license agreement for joint development and commercialization with Otsuka Pharmaceutical Co., Ltd. in the Psychiatry & Neurology area in the previous fiscal year, revenue grew for the fiscal year under review owing to increased sales of some of the products from the Sumitovant Group, including ORGOVYX® and GEMTESA®, on top of the effects of the forex situation, despite the expiration of the exclusive marketing period of LATUDA® in the U.S.
Core segment profit decreased by 69.4% year-on-year to 32.2 billion yen.
This significant decrease is attributable to an increase in selling, general and administrative expenses on account of an increase in the expenses of the Sumitovant Group and the effects of the forex situation, in addition to the decrease in gross profit.

[China segment]

Revenue increased by 2.9% year-on-year to 39.4 billion yen.
Revenue increased primarily owing to the effects of the forex situation, despite a decrease in sales of MEROPEN® as a result of government measures to curb drug costs.
Core segment profit decreased by 0.2% year-on-year to 19.5 billion yen.
Core segment profit decreased slightly as an increase in gross profit was outweighed by an increase in selling, general and administrative expenses.

[Other Regions segment]

Revenue increased by 37.6% year-on-year to 16.8 billion yen.

Revenue increased owing to the significant impact of the recognition as revenue of an upfront payment received in consideration of the exclusive license agreement for a highly selective oral orexin-2 receptor agonist (product code:DSP-0187).

Core segment profit increased by 206.9% year-on-year to 10.0 billion yen.

This increase is attributable to a rise in gross profit on account of revenue growth.

In addition to the above reportable segments, the Group is also engaged in sales of food ingredients, food additives, materials for chemical products, veterinary medicines, and other product lines, which together generated revenue of 44.8 billion yen (up by 12.5% year-on-year) and core segment profit of 2.4 billion yen (down by 32.2% year-on-year).

③ Status of research and development activities

Under the Mid-term Business Plan 2022, the Group engaged in research and development activities in the focus areas of Psychiatry & Neurology, Oncology, and Regenerative Medicine/Cell Therapy, as well as in the Infectious Diseases area, as a way to contribute to global health. In the healthcare areas other than pharmaceutical products, the Group continued to prepare to get the Frontier Business into full gear in a bid to offer novel solutions to social issues.

[Psychiatry and Neurology]

For ulotaront, a late-stage development asset, we will steadily proceed with the application for approval for schizophrenia in the U.S. and pursue the Phase 2/3 clinical study in Japan and China. We will also pursue the Phase 2/3 clinical study for adjunctive major depressive disorder (aMDD), as well as the Phase 2/3 clinical study for generalized anxiety disorder (GAD) in the U.S. and Japan, which were commenced in FY2022. We are also promoting the Phase 3 clinical studies of SEP-4199, another late-stage development asset, for bipolar I depression in the U.S. and Japan. Meanwhile, we will steadily pursue Phase 1 clinical studies for distinctive early-stage development assets while appropriately assessing their efficacy to further enhance our development pipeline.

The progress statuses of key development projects during the fiscal year under review are as follows:

ⅰ. ulotaront (product code: SEP-363856)
For schizophrenia, the Phase 3 clinical studies in the U.S. and the Phase 2/3 clinical study in Japan and China were pursued. Also, the Phase 2/3 clinical study for adjunctive major depressive disorder (aMDD) have commenced in the U.S., as have the Phase 2/3 clinical study for generalized anxiety disorder (GAD) in the U.S. and Japan.

ⅱ. SEP-4199
In the U.S. and Japan, Phase 3 clinical studies for bipolar I depression were pursued.

ⅲ. Phase 1 clinical studies for two new products have commenced.

[Oncology]

We will concentrate our resources on DSP-5336 and TP-3654 to continue with their development in order to obtain early approval and maximize their value for acute leukemia and myelofibrosis, respectively.

The progress statuses of key development projects during the fiscal year under review are as follows:

ⅰ. ORGOVYX® (generic name: relugolix)
In May 2022, regulatory approval was secured in Europe for the treatment of adult patients with advanced hormone-sensitive prostate cancer.

ⅱ. adegramotide/nelatimotide (product code: DSP-7888)
The Phase 1/2 clinical study of this compound in patients with solid tumors in the U.S. was terminated following its interim analysis, which confirmed no expected efficacy. After a review of its development policy, including the results of its Phase 3 clinical study for glioblastoma that was stopped in FY2021, it was decided to terminate the development of this compound.

ⅲ. dubermatinib (product code: TP-0903)
In the U.S., a research group-initiated Phase 1/2 clinical study for acute myeloid leukemia (AML) was terminated as no expected efficacy was confirmed. After a review of its development policy, it was decided to terminate the development of this compound.

[Regenerative Medicine & Cell Therapy]

We will make steady efforts to prepare for the application for approval of allogeneic iPS cell-derived dopamine neural progenitor cells for Parkinson's disease in Japan and for the commencement of its clinical study in the U.S. by the end of FY2023. For allogeneic iPS cell-derived retinal pigment epithelial cells, we will promote a project to commence a sponsor-initiated clinical study for retinal pigment epithelium tear in Japan by the end of FY2023 in order to determine its therapeutic effects early.

The progress statuses of key development projects during the fiscal year under review are as follows:

In the U.S., construction of a manufacturing plant for cell therapy products began in August 2022 to start producing RETHYMIC®, an allogeneic cultured thymus tissue, and allogeneic iPS cell-derived products.

[Infectious Diseases]

For lefamulin, we will make steady efforts to obtain approval for the indication of bacterial community-acquired pneumonia in China.

For the joint research on a universal influenza vaccine with the National Institutes of Biomedical Innovation, Health and Nutrition, we will promote preclinical research to prepare for the commencement of a Phase 1 clinical study by the end of FY2023. Covered by the Japan Agency for Medical Research and Development (AMED)'s Cyclic Innovation for Clinical Empowerment (CiCLE), this research and development project uses commissioned research and development funding from AMED.

The progress statuses of key development projects during the fiscal year under review are as follows:

the Phase 1 clinical study of KSP-1007, which was developed as a treatment for carbapenem-resistant bacterial infections through joint research with the Kitasato Institute, have been completed in the U.S. In August 2022, the FDA granted this compound Qualified Infectious Disease Product (QIDP) status and Fast Track* designation. Covered by AMED's CiCLE, this research and development project uses commissioned research and development funding from AMED.

*Fast track: A process designed to facilitate closer cooperation with and rolling review by the FDA in the application for approval.

[Others]

For GEMTESA®, we will steadily proceed with application for approval of its additional indication for the treatment of overactive bladder in men with benign prostatic hyperplasia (BPH) and application for approval for overactive bladder in Europe, China, and Taiwan.

For rodatristat ethyl, we will steadily proceed with a Phase 2 clinical study for the treatment of pulmonary arterial hypertension (PAH) in the U.S.

The progress statuses of key development projects during the fiscal year under review are as follows:

ⅰ. relugolix, estradiol, and norethindrone acetate (relugolix combination tablet)

In the U.S., approval for MYFEMBREE®'s additional indication of moderate to severe pain associated with endometriosis was obtained in August 2022.

In Europe, an application for RYEQO®'s additional indication of endometriosis was filed in October 2022.

ⅱ. vibegron

In China, the Phase 3 clinical study was commenced for overactive bladder.

[Frontier business]

For VR contents under development for social anxiety disorder (product code: BVR-100), we will work with our alliance partner to prepare for the commencement of its clinical study in the U.S. Meanwhile, for the wearable EEG meter, which is under development as a portable EEG meter for depression, we will make steady efforts to have it certified as a medical device in Japan.

The progress during the fiscal year under review are as follows:

ⅰ. In September 2022, the Company concluded an agreement regarding a marketing alliance in Japan for the MELTz® Hand Rehabilitation System, which was jointly developed with MELTIN and for which MELTIN obtained medical device certification in May 2022. The Company has commenced marketing the product accordingly.

ⅱ. In November 2022, BehaVR, Inc. commenced a trial sale of First Resort™ (non-medical device), VR contents for mental health, which was jointly developed with the Company.

ⅲ. In March 2023, Pixie Dust Technologies, Inc. commenced marketing of VUEVO (non-medical device) in Japan, a smart device that displays multiple utterances as subtitles for hard of hearing people, which was jointly developed with the Company.

ⅳ. In March 2023, the Support Program for Screening of Depression / Rating of Severity, which is being jointly developed among Keio University, i2medical LLC, and the Company, was granted priority review* by the Ministry of Health, Labour and Welfare (MHLW) as Japan's first Software as a Medical Device (SaMD).

* About the priority review system for SaMD products: This system was introduced on a trial basis by the MHLW in 2022 to prioritize the review of SaMD products that meet certain requirements, including innovativeness, usefulness, and the intention to develop the product and receive approval in Japan before expanding to other countries.

As a result of the research and development activities mentioned above, R&D expenses for the fiscal year under review amounted to 131.9 billion yen (up by 38.9% year-on-year). Please note that if the impairment losses of 25.8 billion yen reported during the fiscal under review were excluded, R&D expenses were 106.1 billion yen (up by 12.8% year-on-year) on the core basis. The Group manages its R&D expenses globally and so does not allocate such expenses to individual segments.

(2) Analysis of Financial Condition

Total assets decreased by 173.3 billion yen from the previous fiscal year-end to 1,134.7 billion yen.

Non-current assets decreased by 55.6 billion yen from the previous fiscal year-end, owing to a significant decrease in intangible assets on account of the recording of impairment losses, despite an increase in other financial assets due to changes in fair value measurement of investment securities held by the Company and an increase in goodwill resulting from the effects of the forex situation.

The total amount of consideration for making Myovant into a wholly owned subsidiary (hereinafter, the "Transaction") was approximately 1.7 billion U.S. dollars, which was financed by funds on hand and bridge loans (short-term loan payables). With this, current assets decreased by 117.7 billion yen from the previous fiscal year-end as a result of decreases in cash and cash equivalents and trade and other receivables.

Liabilities increased by 93.5 billion yen from the previous fiscal year-end to 728.0 billion yen as a result of increases in short-term loan payables, as well as income taxes payable and deferred tax liabilities. Bonds and borrowings totaled 334.7 billion yen, which represents an increase of 65.7 billion yen from the previous fiscal year-end.

Equity attributable to owners of the parent decreased by 201.1 billion yen from the previous fiscal year-end to 406.7 billion yen as a result of a significant decrease in retained earnings due to the recording of negative net profit attributable to owners of the parent and the Transaction, and a decrease in capital surplus also due to the Transaction, despite an increase in other components of equity. Meanwhile, non-controlling interests decreased by 65.6 billion yen from the previous fiscal year-end, owing to the Transaction.

As a result, total equity decreased by 266.8 billion yen from the previous fiscal year-end to 406.8 billion yen, and the ratio of equity attributable to owners of the parent to total assets as of the end of the fiscal year under review was 35.8%.

With the conclusion of an agreement regarding the transfer of shares in Sumitomo Pharma Animal Health Co., Ltd., a consolidated subsidiary of the Company, in the third quarter of the fiscal year under review, relevant assets, liabilities, and equities are classified under assets held for sale, liabilities directly associated with assets held for sale, and other comprehensive income associated with assets held for sale, respectively.

Pursuant to the share transfer agreement that was also concluded in the third quarter of the fiscal year under review, the transfer of the shares in Sumitomo Pharma Food & Chemical Co., Ltd., another consolidated subsidiary of the Company, was completed effective March 31, 2023.

(3) Analysis of Cash Flows

Cash flows provided by operating activities amounted to 11.9 billion yen, a decrease of 19.3 billion yen year-on-year, primarily owing to decreases in trade and other receivables and income taxes paid, in addition to increases in impairment losses and other non-cash profit and loss items, despite a decrease in profit before taxes.

Cash flows provided by investing activities increased by 70.7 billion yen year-on-year to 52.4 billion yen, primarily owing to an increase due to the loss of control over a subsidiary following the sale of shares in Sumitomo Pharma Food & Chemical Co., Ltd., a decrease in the purchase of investments, and the recording of proceeds from sales of intangible assets.

Cash flows used in financial activities increased by 125.4 billion yen year-on-year to 146.8 billion yen, as a result of acquisition of interest in a subsidiary from non-controlling interests due to the acquisition of Myovant shares as a result of the Transaction.

After adding the translation adjustments for cash and cash equivalents and deducting the amount transferred to assets held for sale, the balance of cash and cash equivalents at the end of the fiscal year under review was 143.5 billion yen, which represents a decrease of 59.5 billion yen from the previous fiscal year-end.

The Group's financial resources for capital and the liquidity of funds are described below.

The Group raises the requisite capital from operating cash flow, borrowings from banks, and otherwise, and allocates the capital to engage in research and development activities.

The Group's financial policy is to secure the requisite capital by using leverage as necessary, on top of its own funds.

The Group's working capital, which is the sum of cash and cash equivalents, short-term loan receivables, and others, totals 158.0 billion yen, and the current ratio (current assets / current liabilities) is 102.5%.

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(4) Forecasts for the Year Ending March 31, 2024

(Billions of yen)

	FY 2022 Results	FY 2023 Forecasts	Change	Change %
Revenue	555.5	362.0	(193.5)	(34.8)
Core operating profit	16.4	(62.0)	(78.4)	―
Operating profit	(77.0)	(78.0)	(1.0)	―
Net Profit	(96.7)	(80.0)	16.7	―
Net profit attributable to owners of the parent	(74.5)	(80.0)	(5.5)	―

< Revenue >

In the North America segment, although the Company will continue focusing on sales expansion of ORGOVYX®, MYFEMBREE®, GEMTESA®, and other new products, revenue is forecasted to decrease by 119.7 billion yen due to the sheer magnitude of the loss of exclusivity for LATUDA® in the U.S.

In the Japan segment, revenue is forecasted to decrease by 21.1 billion yen as the impacts of the discontinued marketing of Trulicity®, NHI drug price revisions, and declines in sales of long-listed products may not be offset by our efforts to expand sales of LATUDA®, TWYMEEG®, and other new products.

For other businesses, the transfer of shares in Sumitomo Pharma Food & Chemical Co., Ltd., our wholly owned subsidiary, to MEDIPAL HOLDINGS CORPORATION was completed on March 31, 2023. Likewise, shares in Sumitomo Pharma Animal Health Co., Ltd., also our wholly owned subsidiary, will be transferred to Mitsui & Co., Ltd. sometime during the first quarter of the year ending March 31, 2024. With these events, revenue is forecasted to decrease by 43.3 billion yen.

As a result of the above, consolidated revenue is forecasted to decrease by 193.5 billion yen year-on-year to 362.0 billion yen.

< Profit >

Gross profit is forecasted to decline by 148.8 billion yen year-on-year due to a decrease in revenue from LATUDA® and other products in the U.S.

Selling, general and administrative expenses and R&D expenses are expected to decrease by 107.7 billion yen year-on-year, primarily owing to the expected cost synergy stemming from the combination of Group companies in the U.S., which is slated for July 1, 2023, and a reduction in marketing expenses following the expiration of the exclusive marketing period of LATUDA® in the U.S.

Meanwhile, other operating income (core) is forecasted to decrease by 37.2 billion yen year-on-year, owing to the absence of lump-sum payments, including a gain from the transfer of shares in Sumitomo Pharma Food & Chemical Co., Ltd. and the sale of priority review voucher (PRV) during the fiscal year under review.

As a result of the above, core operating profit (loss) is forecasted to decrease by 78.4 billion yen year-on-year to be negative 62.0 billion yen.

As a large amount of impairment losses on intangible assets are posted for the fiscal year under review, the balance of non-recurring items is expected to improve substantially. Because of the significant impact of operating profit (loss) on the core basis, however, operating profit (loss) is expected to be negative 78.0 billion yen, an increase in the amount of loss by 1.0 billion yen year-on-year. Net profit (loss) is expected to be negative 80.0 billion yen, a decrease in the amount of loss by 16.7 billion yen year-on-year, as income tax expenses are expected to decrease for the year ending March 31, 2024, while forex gains were recorded during the fiscal year under review. Net profit (loss) attributable to owners of the parent is expected to be negative 80.0 billion yen, an increase in the amount of loss by 5.5 billion yen, due to the absence of gains/losses on non-controlling interests posted by Myovant.

< Prior condition >

Foreign currency exchange rates used for the forecasts are: 1 USD = 130.00 JPY (135.51 JPY in the fiscal year under review) and 1 RMB = 19.50 JPY (19.75 JPY in the fiscal year under review).

(5) Fundamental Profit and Dividend Distribution Policy for the Current Term and the Next Term

The allocation of the Company's profits in a customarily appropriate manner to its shareholders is one of the Company's fundamental management policies.

The Company's basic policy is to make dividend payments from retained earnings twice each year, which includes an interim dividend determined by the Company's Board of Directors and a year-end dividend determined by the general meeting of shareholders.

The Company believes it important to distribute surpluses in an appropriate manner reflecting any improvement in its performance. Accordingly, a performance-linked dividend hike will be considered in addition to consistent dividend payments. In a constant effort to further increase its corporate value, the Company remains committed to establishing a solid management base and a strong financial position, while making proactive investments for sustained business growth. In the Mid-term Business Plan 2022 covering the period of five years from FY2018, the Company has aimed for a five years average dividend payout ratio of 20% or higher during the period.

During the fiscal year under review, the Company reported core operating profit of 16.4 billion yen and net profit attributable to owners of the parent of negative 74.5 billion yen, as a result of reporting of a significant impairment loss, among other reasons.

Given the dividend policy and earnings results of the fiscal year under review, the Company plans to pay a year-end dividend of 7 yen per share, resulting in a dividend of 21 yen per share on a full-year basis, down by 7 yen per share from the previous fiscal year.

The total amount of dividends paid during the period of five years of the Mid-term Business Plan 2022, including the year-end dividend, is 133 yen per share, and the dividend payout ratio for the cumulative amount of the net profit attributable to owners of the parent during the period of five years is 41.4%.

Pursuant to this dividend policy, during the five-year period of the Mid-term Business Plan 2027 (FY2023-FY2027), the Company will suspend dividends as negative core operating profit is forecasted for the year ending March 31, 2024. Dividends will be resumed in the year ending March 31, 2025 as core operating profit is expected to return to positive, and a consistent dividend payment will be the aim thereafter.

The Company would like to extend its deepest apologies to its shareholders for the dividend reduction for the fiscal year under review and the dividend suspension for the year ending March 31, 2024. The Company will make every effort to promptly recover its performance and would appreciate your kind understanding and continued support.

2. Basic policy for application of accounting standard

Starting from the fiscal year ended March 31, 2018 (FY2017), the Group has adopted IFRS for preparing its consolidated financial statements with a view toward improving the international comparability of its financial statements in the capital markets and improving business management within the Group by standardizing accounting treatment.

3. Consolidated Financial Statements

(1) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Revenue	560,035	555,544
Cost of sales	157,127	178,919
Gross profit	402,908	376,625
Selling, general and administrative expenses	249,081	373,316
Research and development expenses	94,903	131,858
Other income	2,406	53,256
Other expenses	1,096	1,686
Operating profit (loss)	60,234	(76,979)
Finance income	25,777	32,218
Finance costs	3,050	3,159
Profit (loss) before taxes	82,961	(47,920)
Income tax expenses	42,361	48,794
Net profit (loss)	40,600	(96,714)
Net profit (loss) attributable to:		
Owners of the parent	56,413	(74,512)
Non-controlling interests	(15,813)	(22,202)
Net profit (loss) total	40,600	(96,714)
Earnings per share (yen)		
Basic earnings per share (loss)	141.99	(187.55)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net profit (loss)	40,600	(96,714)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(56,800)	18,334
Remeasurements of defined benefit liability (asset)	2,307	3,553
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	42,004	39,850
Cash flow hedges	50	(108)
Total other comprehensive income	(12,439)	61,629
Total comprehensive income	28,161	(35,085)
Total comprehensive income attributable to:		
Owners of the parent	37,574	(19,909)
Non-controlling interests	(9,413)	(15,176)
Total comprehensive income	28,161	(35,085)

(2) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Non-current assets		
Property, plant and equipment	64,091	58,909
Goodwill	195,144	209,415
Intangible assets	398,692	329,314
Other financial assets	115,844	134,007
Income taxes receivable	5,538	6,042
Other non-current assets	6,527	4,350
Deferred tax assets	22,650	10,845
Total non-current assets	808,486	752,882
Current assets		
Inventories	99,021	94,405
Trade and other receivables	151,407	95,908
Other financial assets	35,596	20,174
Income taxes receivable	93	2,722
Other current assets	10,420	17,675
Cash and cash equivalents	202,984	143,478
Subtotal	499,521	374,362
Assets held for sale	—	7,498
Total current assets	499,521	381,860
Total assets	1,308,007	1,134,742

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	243,963	244,128
Other financial liabilities	16,471	11,869
Retirement benefit liabilities	11,461	5,008
Other non-current liabilities	57,620	57,756
Deferred tax liabilities	26,550	36,505
Total non-current liabilities	356,065	355,266
Current liabilities		
Borrowings	25,085	90,588
Trade and other payables	46,183	52,141
Other financial liabilities	13,302	7,010
Income taxes payable	7,583	24,053
Provisions	119,149	119,083
Other current liabilities	67,071	78,013
Subtotal	278,373	370,888
Liabilities directly associated with assets held for sale	—	1,806
Total current liabilities	278,373	372,694
Total liabilities	634,438	727,960
Equity		
Share capital	22,400	22,400
Capital surplus	16,725	—
Treasury shares	(681)	(682)
Retained earnings	514,210	280,999
Other components of equity	55,234	103,357
Other comprehensive income associated with assets held for sale	—	675
Equity attributable to owners of the parent	607,888	406,749
Non-controlling interests	65,681	33
Total equity	673,569	406,782
Total liabilities and equity	1,308,007	1,134,742

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit liability (asset)
Balance as of April 1, 2021	22,400	15,855	(679)	508,677	38,575	—
Net profit	—	—	—	56,413	—	—
Other comprehensive income	—	—	—	—	(56,800)	2,307
Total comprehensive income	—	—	—	56,413	(56,800)	2,307
Purchase of treasury shares	—	—	(2)	—	—	—
Dividends	—	—	—	(11,124)	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—	—
Transaction with non-controlling interests	—	870	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	(39,756)	42,063	(2,307)
Transfer to other comprehensive income associated with assets held for sale	—	—	—	—	—	—
Transfer of negative balance of other capital surplus	—	—	—	—	—	—
Total transactions with owners	—	870	(2)	(50,880)	42,063	(2,307)
Balance as of March 31, 2022	22,400	16,725	(681)	514,210	23,838	—
Net profit (loss)	—	—	—	(74,512)	—	—
Other comprehensive income	—	—	—	—	18,334	3,553
Total comprehensive income	—	—	—	(74,512)	18,334	3,553
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(11,124)	—	—
Changes associated with losing control of subsidiaries	—	—	—	991	(976)	—
Transactions with non-controlling interests	—	(170,105)	—	—	—	—
Reclassification from other components of equity to retained earnings	—	—	—	4,814	(1,261)	(3,553)
Transfer to other comprehensive income associated with assets held for sale	—	—	—	—	(675)	—
Transfer of negative balance of other capital surplus	—	153,380	—	(153,380)	—	—
Total transactions with owners	—	(16,725)	(1)	(158,699)	(2,912)	(3,553)
Balance as of March 31, 2023	22,400	—	(682)	280,999	39,260	—

(Millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Other comprehensive income associated with assets held for sale	Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total				
Balance as of April 1, 2021	(4,331)	73	34,317	—	580,570	67,608	648,178
Net profit	—	—	—	—	56,413	(15,813)	40,600
Other comprehensive income	35,604	50	(18,839)	—	(18,839)	6,400	(12,439)
Total comprehensive income	35,604	50	(18,839)	—	37,574	(9,413)	28,161
Purchase of treasury shares	—	—	—	—	(2)	—	(2)
Dividends	—	—	—	—	(11,124)	—	(11,124)
Changes associated with losing control of subsidiaries	—	—	—	—	—	—	—
Transaction with non-controlling interests	—	—	—	—	870	7,486	8,356
Reclassification from other components of equity to retained earnings	—	—	39,756	—	—	—	—
Transfer to other comprehensive income associated with assets held for sale	—	—	—	—	—	—	—
Transfer of negative balance of other capital surplus	—	—	—	—	—	—	—
Total transactions with owners	—	—	39,756	—	(10,256)	7,486	(2,770)
Balance as of March 31, 2022	31,273	123	55,234	—	607,888	65,681	673,569
Net profit (loss)	—	—	—	—	(74,512)	(22,202)	(96,714)
Other comprehensive income	32,824	(108)	54,603	—	54,603	7,026	61,629
Total comprehensive income	32,824	(108)	54,603	—	(19,909)	(15,176)	(35,085)
Purchase of treasury shares	—	—	—	—	(1)	—	(1)
Dividends	—	—	—	—	(11,124)	—	(11,124)
Changes associated with losing control of subsidiaries	—	(15)	(991)	—	—	—	—
Transactions with non-controlling interests	—	—	—	—	(170,105)	(50,472)	(220,577)
Reclassification from other components of equity to retained earnings	—	—	(4,814)	—	—	—	—
Transfer to other comprehensive income associated with assets held for sale	—	—	(675)	675	—	—	—
Transfer of negative balance of other capital surplus	—	—	—	—	—	—	—
Total transactions with owners	—	(15)	(6,480)	675	(181,230)	(50,472)	(231,702)
Balance as of March 31, 2023	64,097	—	103,357	675	406,749	33	406,782

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Net profit (loss)	40,600	(96,714)
Depreciation and amortization	38,348	41,263
Impairment losses	910	88,167
Gain on sales of shares in subsidiaries	—	(24,735)
Changes in fair value of contingent consideration	(3,282)	(3,388)
Loss (gain) on sales of property, plant and equipment	(141)	(338)
Loss (gain) on intangible assets	(174)	(11,979)
Interest and dividend income	(1,175)	(5,486)
Interest expenses	2,970	2,640
Income tax expenses	42,361	48,794
(Increase) decrease in trade and other receivables	(6,097)	51,218
(Increase) decrease in inventories	5,356	4,560
Increase (decrease) in trade and other payables	(28,669)	5,318
Increase (decrease) in unearned revenue	(469)	(5,035)
Increase (decrease) in other financial liabilities	(11,540)	(4,731)
Increase (decrease) in retirement benefits liabilities	(348)	(5,435)
Increase (decrease) in provisions	8,034	(11,017)
Others, net	(11,779)	(38,775)
Subtotal	74,905	34,327
Interest received	173	4,510
Dividends received	992	974
Interest paid	(2,500)	(2,424)
Income taxes paid	(42,331)	(25,450)
Net cash provided by (used in) operating activities	31,239	11,937
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,347)	(8,467)
Proceeds from sales of property, plant and equipment	1,313	1,322
Purchase of intangible assets	(6,147)	(4,275)
Proceeds from sales of intangible assets	174	12,115
Purchase of investments	(25,905)	(6,247)
Proceeds from sales and redemption of investments	19,472	10,068
Net decrease (increase) in short-term loan receivables	1,133	15,684
Proceeds from loss of control of subsidiaries	153	30,172
Others, net	(1,124)	2,047
Net cash provided by (used in) investing activities	(18,278)	52,419

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	29	85,559
Repayments of long-term borrowings	(4,960)	(20,060)
Repayments of finance lease obligations	(4,499)	(3,755)
Dividends paid	(11,126)	(11,125)
Payments for acquisition of interest in a subsidiary from non- controlling interests	(3,636)	(198,409)
Others, net	2,766	973
Net cash provided by (used in) financing activities	(21,426)	(146,817)
Net increase (decrease) in cash and cash equivalents	(8,465)	(82,461)
Cash and cash equivalents at beginning of year	193,698	202,984
Effect of exchange rate changes on cash and cash equivalents	17,751	24,090
Cash and cash equivalents at end of period	202,984	144,613
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	—	(1,135)
Cash and cash equivalents at end of period (Consolidated Statement of Financial Position)	202,984	143,478

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Significant Accounting Policies)

The significant accounting policies applied to the Consolidated Financial Statements are the same as those of for the prior fiscal year's consolidated financial statements.

(Operating Segments)

The Group has set an original performance indicator for the Company's recurring profitability in the form of "core operating profit."

"Core operating profit" is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors designated by the Group. Among the main non-recurring items are impairment losses, restructuring costs and changes in fair value of contingent consideration related to company acquisitions.

(1) Reportable segments

The Group is mainly engaged in manufacture, purchase and sales of pharmaceuticals for medical treatment and manages the performance of pharmaceutical business by market in Japan, North America, China and etc. Therefore, the Group has four reportable segments: Japan, North America, China, and Other Regions.

The Group's reportable segments are the components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segments and assess their performances.

(2) Revenues and operating results of the reportable segments

Revenues, profit or loss and other items by each of the Group's reportable segments are shown below.

The Group sets core segment profit, which is an indicator showing each segment's recurring profitability, as its own indicator of segment business performance management.

Core segment profit is each segment profit calculated by deducting from core operating profit R&D expenses, gains and losses on sales of operations and etc. which are not allocated to each segment because such expenses are managed on a global basis.

As for the amount of core segment profit and its change from the previous fiscal year related to "Other Business" category which are not included in the reportable segments in the "1. Operating Results and Financial Condition (1) Analysis of Operating Results (ii) Status of each business segment", are included in profit eliminated for inter-segment transactions.

① Year ended March 31, 2022

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	149,915	319,790	38,296	12,176	520,177	39,858	560,035
Inter-segment revenues and transfers	61	—	—	—	61	40	101
Total	149,976	319,790	38,296	12,176	520,238	39,898	560,136
Segment profit (Core segment profit)	19,612	105,385	19,590	3,254	147,841	3,491	151,332
Other items							
Depreciation and amortization	5,733	26,865	893	654	34,145	327	34,472
Impairment losses	10	900	—	—	910	—	910

(Note) The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs and other products.

② Year ended March 31, 2023

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	126,106	328,467	39,397	16,752	510,722	44,822	555,544
Inter-segment revenues and transfers	58	—	—	—	58	62	120
Total	126,164	328,467	39,397	16,752	510,780	44,884	555,664
Segment profit (Core segment profit)	9,065	32,249	19,543	9,987	70,844	2,342	73,186
Other items							
Depreciation and amortization	6,060	29,095	989	537	36,681	331	37,012
Impairment losses	31	88,136	—	—	88,167	—	88,167

(Note) The "Other Business" category incorporates operations not included in reportable segments, including food ingredients, food additives, chemical product materials, veterinary drugs and other products.

(3) Reconciliations between the total amounts of reportable segments and the amounts in the consolidated financial statements (reconciliation items)

The details of reconciliation are as follows:

(Millions of yen)

Revenue	Year ended March 31, 2022	Year ended March 31, 2023
Total of reportable segments	520,238	510,780
Revenue of Other Business	39,898	44,884
Elimination of inter-segment revenue	(101)	(120)
Revenue on the consolidated financial statements	560,035	555,544

(Millions of yen)

Profit	Year ended March 31, 2022	Year ended March 31, 2023
Total of reportable segments	147,841	70,844
Segment profit of Other Business	3,491	2,342
Elimination of inter-segment profit	26	41
Research and development expenses (Note)	(94,004)	(106,061)
Gains on business transfers	1,146	49,159
Others	9	39
Core operating profit	58,509	16,364
Change in fair value of contingent consideration	3,282	3,388
Impairment losses	(910)	(88,167)
Business structure improvement expenses	(606)	(12,998)
Other income	1,251	4,058
Other expenses	(1,096)	(1,686)
Others	(196)	2,062
Operating profit (loss) in the consolidated financial statements	60,234	(76,979)

(Note) The Group does not allocate research and development expenses to the operating segments because such expenses are managed on a global basis. Differences from Research and development expenses on the Consolidated Statement of Profit or Loss consist of impairment losses and expenses related to R&D excluded from calculation of core operating profit.

(Millions of yen)

Other items	Total of reportable segments		Other Business		Adjustments		Amount in the consolidated financial statements	
	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022
Depreciation and amortization	34,145	36,681	327	331	3,876	4,251	38,348	41,263

(4) Revenues

The details of revenues from external customers are as follows:

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Sale of goods	509,050	518,433
Revenue arising from intellectual property rights	37,205	15,131
Other	13,780	21,980
Total	560,035	555,544

(5) Information by product and service

The details of sales from external customer by product and service are as follows:

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Pharmaceuticals	520,177	510,722
Others	39,858	44,822
Total	560,035	555,544

(6) Geographic information

The Group's geographic revenues are classified by country and region, based on the location of customers.

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Japan	222,884	170,612
North America	287,289	329,089
U.S.A in North America	282,521	325,886
Others	49,862	55,843
Total	560,035	555,544

The details of the breakdown of carrying amounts of the Group's non-current assets (except for financial assets, deferred tax assets and retirement benefit assets) by location are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Japan	65,438	62,307
North America	600,494	542,997
U.S.A in North America	598,877	542,881
Others	4,060	3,111
Total	669,992	608,415

(7) Information of major customers

Revenue from major customer which individually accounts for greater than 10% of the total Group's revenue are as follows:

(Millions of yen)

	Reportable segment	Year ended March 31, 2022	Year ended March 31, 2023
McKesson Corporation	North America	91,340	101,891
Cardinal Health Inc.	North America	85,425	97,085
AmerisourceBergen Corporation	North America	73,745	86,375

(Impairment losses)

There were no significant impairment losses for the year ended March 31, 2022

Impairment losses amounting to 88,167 million yen recognized for the year ended March 31, 2023 were recorded in Cost of sales, Selling, general and administrative expenses, and Research and development expenses in the Consolidated Statement of Profit or Loss amounting to 4,378 million yen, 59,126 million yen and 24,663 million yen, respectively.
The impairment losses mainly consist of 80,066 million yen of impairment losses on intangible assets and 3,523 million yen of impairment losses on goodwill.
Impairment losses on intangible assets were mainly impairment losses of North America segment of the pharmaceutical business, including patent rights associated with KYNMOBI® (OFF episodes associated with Parkinson's disease) amounting to 55,369 million yen and software amounting to 63 million yen, patent rights associated with LONHALA® MAGNAIR® (therapeutic agent for COPD) amounting to 3,494 million yen and in-process research and development related to TP-0903, which was being developed targeting acute myeloid leukemia (AML), amounting to 20,598 million yen.
As the profitability of patent rights of products and software, etc. associated with KYNMOBI®, and patent rights associated with LONHALA® MAGNAIR® is no longer expected and development of TP-0903 has been discontinued and the profitability of its in-process research and development is no longer expected as well, the carrying amount of these assets is reduced to zero.
The recoverable amount of the cash-generating unit ("CGU") of cancer area in North America segment of the pharmaceutical business was less than the carrying amount of the CGU including goodwill. Therefore, impairment loss on goodwill amounting to 3,523 million yen was recorded in research and development expenses of the Consolidated Statement of Profit or Loss.

Impairment losses on goodwill are recognized when recoverable amount is less than carrying amount, and the carrying amount of goodwill is reduced to the extent of the recoverable amount. The recoverable amount is determined by fair value less costs of disposal that was measured based on business plan approved at management meeting. Fair value less costs of disposal is determined by the present value of estimated future cash flows based on the past experience and external information, using assumptions such as the planned launch schedules, the probability of success of R&D activities, revenue forecasts and plans including selling prices of products and developed products, and forecasts of fixed costs.
The discount rate used in the impairment test for goodwill is based on the weighted average cost of capital, etc. set by each CGU. The pre-tax discount rate used in the impairment test of goodwill was 20.5%.

(Other income)

The details of other income are as follows:

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Other income		
Gain on sales of intangible assets (Note1)	174	11,979
Gain on sales of operations (Note2)	―	12,656
Gain on sales of shares of subsidiaries (Note3)	―	24,735
Others	2,232	3,886
Total	2,406	53,256

(Note) 1. Gains on sales of intangible assets were recorded due to the sales of priority review voucher during the year ended March 31, 2023.
2. Gains on transfers of business were recorded due to the transfers of business related to BROVANA® and XOPENEX HFA® in North America, and LUNESTA® during the year ended March 31, 2023.
3. Gains on sales of shares of subsidiaries and associates were recorded due to the transfer of all the shares of Sumitomo Pharma Food & Chemical Co., Ltd., the Group’s consolidated subsidiary, to MEDIPAL HOLDINGS CORPORATION during the year ended March 31, 2023.

(Per-share information)

The basis for calculating basic earnings per share and earnings per share were as follows:

	Year ended March 31, 2022	Year ended March 31, 2023
The basis for calculating basic earnings per share		
Net profit (loss) attributable to owners of the Parent (millions of yen)	56,413	(74,512)
Amounts not attributable to ordinary shareholders of the parent (millions of yen)	—	—
Net profit used to calculate basic earnings per share (millions of yen)	56,413	(74,512)
Weighted average number of ordinary shares (1,000 shares)	397,293	397,292
Earnings per share		
Basic earnings per share (loss) (Yen)	141.99	(187.55)

(Note) Dilutive earnings per share were not disclosed for the year ended March 31, 2022 as there was no dilution. And dilutive earnings per share were not disclosed for the year ended March 31, 2023 as there were no potential shares.

(Significant subsequent event)

Not applicable.