



Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2021 [IFRS]

July 30, 2020

Company Name: SUMITOMO DAINIPPON PHARMA CO., LTD.

Stock Exchange Listings: Tokyo

Security Code Number: 4506 (URL <https://www.ds-pharma.com/>)

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Starting Date of Dividend Payments: —

Preparation of Supplementary Financial Data for Quarterly Financial Results: Yes

Information Meeting for Quarterly Financial Results to be held: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2021 (April 1, 2020 to June 30, 2020)

(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	%
Three months ended June 30, 2020	133,857	13.9	24,367	9.4	23,271	(42.4)	15,566	132.2	18,259	172.4	10,320	—
Three months ended June 30, 2019	117,484	1.4	22,275	20.9	40,423	155.6	6,703	(56.0)	6,703	(56.0)	(1,154)	—

Reference: Profit before taxes Three months ended June 30, 2020: ¥21,979 million

Three months ended June 30, 2019: ¥36,908 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)
	Yen	Yen
Three months ended June 30, 2020	45.96	—
Three months ended June 30, 2019	16.87	—

(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 June 30, 2020	1,236,188	636,794	541,036	43.8	1,361.80
As of March 31, 2020	1,252,878	632,105	529,485	42.3	1,332.72

2. Dividends

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-End	Annual
Year ended March 31, 2020	Yen —	Yen 14.00	Yen —	Yen 14.00	Yen 28.00
Year ending March 31, 2021	—				
Year ending March 31, 2021 (Forecasts)		14.00	—	14.00	28.00

Note: Revision of dividend forecasts from the latest announcement: None

3. Consolidated Financial Forecasts for the Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

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

	Net sales		Core operating profit		Operating profit		Net profit		Net profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2021	495,000	2.5	33,000	(54.2)	24,000	(71.2)	(12,000)	—	9,000	(77.9)	22.65

Reference: Profit before taxes Year ending March 31, 2021: ¥23,000 million

Note: Revision of dividend forecasts from the latest announcement: Yes

Notes:

(1) Shift of significant subsidiaries during the period (shift of specified subsidiaries accompanied by changes in scope of consolidation): None

(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

June 30, 2020: 397,900,154 shares

March 31, 2020: 397,900,154 shares

② Number of treasury stock at the end of period

June 30, 2020: 605,172 shares

March 31, 2020: 605,038 shares

③ Average number of shares during the period

June 30, 2020: 397,295,014 shares

June 30, 2019: 397,296,126 shares

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, 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 5, "1. Qualitative Information for the Three Months Ended June 30, 2020 (4) Qualitative Information on Consolidated Financial Forecasts".

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

The Company holds the conference call for institutional investors and analysts on Thursday July 30, 2020. The audio of the conference call will be posted on our website promptly after the conference call.

【Attachment Documents】

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1. Qualitative Information for the Three Months Ended June 30, 2020

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 the last day of the three-month period under review.

(1) Qualitative Information on Business Results

(About the performance indicator of "core operating profit")

The Group has set an original 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 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 for the first three months of the fiscal year ending March 31, 2021 are as follows:

	(Billions of yen)			
	Three months ended June 30, 2019	Three months ended June 30, 2020	Change	Change %
Revenue	117.5	133.9	16.4	13.9
Core operating profit	22.3	24.4	2.1	9.4
Operating profit	40.4	23.3	(17.2)	(42.4)
Profit before taxes	36.9	22.0	(14.9)	(40.4)
Net profit	6.7	15.6	8.9	132.2
Net profit attributable to owners of the parent	6.7	18.3	11.6	172.4

■ **The revenue was 133.9 billion yen (increased by 13.9% year-on-year in the first-quarter of the last year).**

Sales grew in the Japan segment primarily owing to contributions from Equa[®] and EquMet[®] (both therapeutic agent for type 2 diabetes), which were launched in the previous fiscal year. Sales also grew in the North America segment primarily, driven by the increase in sales of LATUDA[®] (therapeutic agent for atypical antipsychotic), one of the primary sources of revenue for the Group.

■ **The core operating profit was 24.4 billion yen (increased by 9.4% year-on-year in the first-quarter of the last year).**

While sales-related and other expenses remained low due to the coronavirus disease (COVID-19) pandemic, the core operating profit grew as an increase in the gross profit due to revenue growth which more than offset the increase in selling, general and administrative expenses and research and development expenses that resulted from the recognition of expenses incurred by Sumitovant Biopharma Ltd. (hereinafter, "Sumitovant") and its subsidiaries, which were acquired in the previous year.

■ **The operating profit was 23.3 billion yen (decreased by 42.4% year-on-year in the first-quarter of the last year).**

Core operating profit increased although the operating profit showed a decrease. This was because of the absence of the reversal of a large number of expenses due to the decline in the fair value of contingent consideration, which was recorded in the corresponding period last year following the decision to discontinue the Phase 3 study of napabucasin in patients with pancreatic cancer.

■ **The profit before taxes was 22.0 billion yen (decreased by 40.4% year-on-year in the first-quarter of the last year).**

The profit before taxes came in below the operating profit in the first-quarter of this year as the finance income was surpassed by finance expenses, such as interest expenses and forex losses on foreign-currency-denominated financial assets held by the Company, as the yen remained strong against the U.S. dollar.

■ **The net profit was 15.6 billion yen (increased by 132.2% year-on-year in the first-quarter of the last year).**

Although the profit before taxes decreased, the net profit took an upward turn as income tax expenses decreased substantially. In the first-quarter of the last year a reversal of deferred tax assets recognized in the U.S. according to the decision to discontinue the Phase 3 study of napabucasin in patients with pancreatic cancer, among other factors. However, there were no cases in this period under review.

■ **The net profit attributable to owners of the parent was 18.3 billion yen (increased by 172.4% year-on-year in the first-quarter of the last year) .**

Net profit attributable to owners of the parent (after withdrawing the amount of losses attributable to non-controlling shareholders from net profit) increased more than net profit in this quarter because Sumitovant's subsidiaries that have non-controlling interests registered losses.

(About the segment performance indicator of "core segment profit")

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.

Operating results by segment are as follows.

[Japan segment]

■ **The revenue was 39.7 billion yen (increased by 21.8% year-on-year in the first-quarter of the last year).**

This increase is attributable to the sales expansion of Trulicity® (therapeutic agent for type 2 diabetes) and the launch of LATUDA®, as well as increases in sales of Equa® and EquMet®.

■ **The core segment was 8.0 billion yen (increased by 10.6% year-on-year in the first-quarter of the last year).**

This increase is attributable to a decrease in selling, general and administrative expenses, including sales-related expenses.

[North America segment]

■ **The revenue was 74.1 billion yen (increased by 12.3% year-on-year in the first-quarter of the last year) .**

This increase is attributable to the sales expansion of LATUDA®, APTIOM® (antiepileptic agent), and other products, as well as the recognition of part of the lump sum that Myovant Sciences Ltd. (one of the affiliated companies of Sumitovant) received pursuant to the license agreement as their revenue.

■ **The core segment profit was 35.9 billion yen (increased by 21.7% year-on-year in the first-quarter of the last year).**

This increase is attributable to a rise in the gross profit due to revenue growth, although selling, general and administrative expenses increased chiefly as a result of expenses incurred by Sumitovant and its subsidiaries.

[China segment]

■ **The revenue was 5.1 billion yen (decreased by 25.0% year-on-year in the first-quarter of the last year).**

This decrease is attributable to the sales decline of MEROPEN® (carbapenem antibiotic).

■ **The core segment profit was 2.7 billion yen (decreased by 29.0% year-on-year in the first-quarter of the last year).**

This decrease is attributable to a sharp drop in the gross profit due to the revenue decline, while selling, general and administrative expenses decreased.

[Other Regions segment]

■ **The revenue was 5.5 billion yen (increased by 123.0% year-on-year in the first-quarter of the last year).**

This significant increase is chiefly attributable to an increase in sales of MEROPEN® in Southeast Asia, on top of export growth.

■ **The core segment profit was 2.4 billion yen (increased by 162.1% year-on-year in the first-quarter of the last year).**

This sharp increase is attributable to the rise in gross profit due to the 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 drugs, and other product lines, which generated the revenue of 9.3 billion yen (down by 2.3% year-on-year in the first-quarter of the last year) and the core segment profit of 1.1 billion yen (down by 32.6% year-on-year in the first-quarter of the last year) in total.

(2) Qualitative Information on Financial Condition

Non-current assets decreased by 6.1 billion yen from the end of the previous consolidated fiscal year, as goodwill and intangible assets fell primarily due to foreign currency translations, despite an increase in deferred tax assets and other non-current assets.

Current assets decreased by 10.6 billion yen from the end of the previous consolidated fiscal year, as trade and other receivables and cash and cash equivalents increased, however, other financial assets decreased due to a decline in short-term loan receivables.

As a result, total assets was 1,236.2 billion yen, decreasing by 16.7 billion yen from the end of the previous consolidated fiscal year.

Total liabilities were 599.4 billion yen, decreasing by 21.4 billion yen from the end of the previous consolidated fiscal year to, as a result of declines in income taxes payable and trade and other payables, despite an increase in provisions.

Equity attributable to owners of the parent increased to 541.0 billion yen, up by 11.6 billion yen from the end of the previous consolidated fiscal year, as a result of an increase in retained earnings, although exchange differences on translation of foreign operations under other components of equity declined. Non-controlling interests decreased by 6.9 billion yen from the end of the previous consolidated fiscal year, as Sumitovant's subsidiaries with non-controlling interests registered losses.

As a result, total equity was 636.8 billion yen, increasing by 4.7 billion yen from the end of the previous consolidated fiscal year.

The ratio of equity attributable to owners of the parent to total assets as of the end of the quarterly consolidated accounting period was 43.8%.

(3) Qualitative Information on Cash Flows

Cash flows provided by operating activities was 0.5 billion yen, decreasing by 7.7 billion yen year-on-year in the first-quarter of the last year, owing to a decrease in profit before taxes and an increase in income taxes paid.

Cash flows provided by investing activities was 21.5 billion yen, increasing by 4.9 billion yen year-on-year in the first-quarter of the last year, owing primarily to a decrease in short-term loan receivables.

Cash flows used in financial activities were 9.3 billion yen, remaining almost flat year-on-year in the first-quarter of the last year, owing primarily to payments for acquisition of interest in a subsidiary from non-controlling interests.

As a result of the above, the balance of cash and cash equivalents as of June 30, 2020, was 113.4 billion yen, which represents an increase of 11.7 billion yen from the end of the previous consolidated fiscal year.

(4) Qualitative Information on Consolidated Financial Forecasts

After taking its recent business performance trends into consideration, the Company has revised the consolidated financial forecasts for the fiscal year ending March 31, 2021, that it announced on May 13, 2020, as follows:

(Millions of yen)

	Revenue	Core operating profit	Operating profit	Net profit	Net profit attributable to owners of the parent	Basic earnings per share
Previous Forecasts (A)	510,000	33,000	24,000	(14,000)	7,000	¥17.62
Revised Forecast (B)	495,000	33,000	24,000	(12,000)	9,000	¥22.65
Variance in amount (B-A)	(15,000)	—	—	2,000	2,000	—
Variance in percent (%)	(2.9)	—	—	—	28.6	—
[Reference] Year ended March 31, 2020	482,732	71,982	83,239	35,918	40,753	¥102.58

Note: Core operating profit is calculated by deducting from operating profit any gains and losses resulting from nonrecurring factors, including changes in fair value of contingent consideration, impairment losses, and business structure improvement expenses.

The previous forecasts did not factor in the impact of the novel coronavirus disease (COVID-19), but the revised forecasts do factor in the impact of the pandemic in so far as they can be envisioned at this point.

The revenue is now expected to be 495.0 billion yen, a decrease of 15.0 billion yen from the previous forecast, as we assume that the COVID-19 will negatively impact it, given the rising unemployment rate in the U.S.

The gross profit is now expected to decrease due to the decline in the revenue. We also expect selling, general and administrative expenses to decrease primarily owing to restrictions on business activities because of the COVID-19 pandemic. As such, the core operating profit and operating profit remain unchanged from their earlier forecasts.

Net profit and net profit attributable to owners of the parent are now expected to be negative 12.0 billion yen and 9.0 billion yen, respectively, up by 2.0 billion yen each from their earlier forecasts.

Note: Consolidated Financial Forecasts above are based on the certain assumptions considered reasonable and on information available at the time of preparation of such statements. Accordingly, actual financial results may differ from those presented herein.

2. 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)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Revenue	117,484	133,857
Cost of sales	28,953	35,970
Gross profit	88,531	97,887
Selling, general and administrative expenses	27,887	49,012
Research and development expenses	20,056	25,744
Other income	393	335
Other expenses	558	195
Operating profit	40,423	23,271
Finance income	1,430	645
Finance costs	4,945	1,937
Profit before taxes	36,908	21,979
Income tax expenses	30,205	6,413
Net profit	6,703	15,566
Net profit attributable to:		
Owners of the parent	6,703	18,259
Non-controlling interests	—	(2,693)
Net profit total	6,703	15,566
Earnings per share (yen)		
Basic earnings per share	16.87	45.96

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net profit	6,703	15,566
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	(2,203)	(231)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(5,624)	(5,026)
Cash flow hedges	(30)	11
Total other comprehensive income	(7,857)	(5,246)
Total comprehensive income	(1,154)	10,320
Total comprehensive income attributable to:		
Owners of the parent	(1,154)	14,222
Non-controlling interests	—	(3,902)
Total comprehensive income	(1,154)	10,320

(2) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Non-current assets		
Property, plant and equipment	65,748	64,518
Goodwill	169,046	167,336
Intangible assets	421,791	416,318
Other financial assets	200,923	201,440
Other non-current assets	4,173	4,117
Deferred tax assets	27,107	28,980
Total non-current assets	888,788	882,709
Current assets		
Inventories	79,368	78,978
Trade and other receivables	134,491	137,355
Other financial assets	28,717	3,797
Income taxes receivable	5,877	7,447
Other current assets	9,624	8,219
Cash and cash equivalents	101,708	113,378
Subtotal	359,785	349,174
Assets held for sale	4,305	4,305
Total current assets	364,090	353,479
Total assets	1,252,878	1,236,188

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities and equity		
Liabilities		
Non-current liabilities		
Bonds and borrowings	25,020	24,280
Other financial liabilities	41,306	42,083
Retirement benefit liabilities	23,870	23,952
Other non-current liabilities	7,212	5,466
Deferred tax liabilities	26,867	26,627
Total non-current liabilities	124,275	122,408
Current liabilities		
Bonds and borrowings	272,960	272,960
Trade and other payables	62,251	54,020
Other financial liabilities	13,906	13,709
Income taxes payable	22,637	9,543
Provisions	84,644	90,369
Other current liabilities	40,100	36,385
Total current liabilities	496,498	476,986
Total liabilities	620,773	599,394
Equity		
Share capital	22,400	22,400
Capital surplus	14,655	17,546
Treasury shares	(677)	(677)
Retained earnings	457,330	470,027
Other components of equity	35,777	31,740
Equity attributable to owners of the parent	529,485	541,036
Non-controlling interests	102,620	95,758
Total equity	632,105	636,794
Total liabilities and equity	1,252,878	1,236,188

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					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, 2019	22,400	15,861	(674)	431,799	32,611	—
Net profit	—	—	—	6,703	—	—
Other comprehensive income	—	—	—	—	(2,203)	—
Total comprehensive income	—	—	—	6,703	(2,203)	—
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(7,549)	—	—
Reclassification from other components of equity to retained earnings	—	—	—	95	(95)	—
Total transactions with owners	—	—	(1)	(7,454)	(95)	—
Balance as of June 30, 2019	22,400	15,861	(675)	431,048	30,313	—

Balance as of April 1, 2020	22,400	14,655	(677)	457,330	46,118	—
Net profit	—	—	—	18,259	—	—
Other comprehensive income	—	—	—	—	(231)	—
Total comprehensive income	—	—	—	18,259	(231)	—
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	(5,562)	—	—
Reclassification from other components of equity to retained earnings	—	2,891	—	—	—	—
Total transactions with owners	—	2,891	(0)	(5,562)	—	—
Balance as of June 30, 2020	22,400	17,546	(677)	470,027	45,887	—

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of April 1, 2019	(3,853)	(6)	28,752	498,138	—	498,138
Net profit	—	—	—	6,703	—	6,703
Other comprehensive income	(5,624)	(30)	(7,857)	(7,857)	—	(7,857)
Total comprehensive income	(5,624)	(30)	(7,857)	(1,154)	—	(1,154)
Purchase of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	—	(7,549)	—	(7,549)
Reclassification from other components of equity to retained earnings	—	—	(95)	—	—	—
Total transactions with owners	—	—	(95)	(7,550)	—	(7,550)
Balance as of June 30, 2019	(9,477)	(36)	20,800	489,434	—	489,434
Balance as of April 1, 2020	(10,312)	(29)	35,777	529,485	102,620	632,105
Net profit	—	—	—	18,259	(2,693)	15,566
Other comprehensive income	(3,817)	11	(4,037)	(4,037)	(1,209)	(5,246)
Total comprehensive income	(3,817)	11	(4,037)	14,222	(3,902)	10,320
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	(5,562)	—	(5,562)
Reclassification from other components of equity to retained earnings	—	—	—	2,891	(2,960)	(69)
Total transactions with owners	—	—	—	(2,671)	(2,960)	(5,631)
Balance as of June 30, 2020	(14,129)	(18)	31,740	541,036	95,758	636,794

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities		
Net profit	6,703	15,566
Depreciation and amortization	4,255	4,408
Changes in fair value of contingent consideration	(18,461)	1,238
Interest and dividend income	(1,429)	(645)
Interest expenses	75	429
Income tax expenses	30,205	6,413
(Increase) decrease in trade and other receivables	(2,938)	(3,492)
(Increase) decrease in inventories	(1,165)	(668)
Increase (decrease) in trade and other payables	1,799	(7,734)
Increase (decrease) in retirement benefits liabilities	169	89
Increase (decrease) in provisions	(2,781)	6,573
Others, net	4,277	1,003
Subtotal	20,709	23,180
Interest received	638	108
Dividends received	596	541
Interest paid	(54)	(414)
Income taxes paid	(13,642)	(22,898)
Net cash provided by operating activities	8,247	517
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,495)	(1,063)
Proceeds from sales of property, plant and equipment	307	130
Purchase of intangible assets	(641)	(721)
Purchase of investments	(1,322)	(2,978)
Proceeds from sales and redemption of investments	253	323
Net decrease (increase) in short-term loan receivables	20,550	25,684
Others, net	23	158
Net cash used in investing activities	16,675	21,533
Cash flows from financing activities		
Repayments of long-term borrowings	(740)	(740)
Repayments of finance lease obligations	(1,114)	(1,204)
Dividends paid	(7,465)	(5,486)
Payments for acquisition of interest in a subsidiary from non-controlling interests	—	(2,269)
Others, net	(1)	365
Net cash provided by (used in) financing activities	(9,320)	(9,334)
Net increase (decrease) in cash and cash equivalents	15,602	12,716
Cash and cash equivalents at beginning of year	137,296	101,708
Effect of exchange rate changes on cash and cash equivalents	(3,932)	(1,046)
Cash and cash equivalents at end of period	148,966	113,378

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Significant Accounting Policies)

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

Income tax expenses for the three months ended June 30, 2020 are calculated based on the estimated average annual effective tax rate.

(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 same period of the previous fiscal year related to "Other Business" category which are not included in the reportable segments in the "1. Qualitative Information for the Three Months Ended June 30, 2020 (1) Qualitative Information on Business Results", are included in profit eliminated for inter-segment transactions.

① Three months ended June 30, 2019

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceutical						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	32,629	65,984	6,838	2,470	107,921	9,563	117,484
Inter-segment revenues and transfers	18	—	—	—	18	10	28
Total	32,647	65,984	6,838	2,470	107,939	9,573	117,512
Segment profit (Core segment profit)	7,256	29,493	3,806	925	41,480	810	42,290

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 Three months ended June 30, 2020

(Millions of yen)

	Reportable segments					Other Business (Note)	Total
	Pharmaceuticals						
	Japan	North America	China	Other Regions	Subtotal		
Revenues from external customers	39,746	74,133	5,128	5,508	124,515	9,342	133,857
Inter-segment revenues and transfers	18	—	—	—	18	12	30
Total	39,764	74,133	5,128	5,508	124,533	9,354	133,887
Segment profit (Core segment profit)	8,027	35,879	2,702	2,424	49,032	1,080	50,112

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	Three months ended June 30, 2019	Three months ended June 30, 2020
Total of reportable segments	107,939	124,533
Revenue of Other Business	9,573	9,354
Elimination of inter-segment revenue	(28)	(30)
Revenue on the consolidated financial statements	117,484	133,857

(Millions of yen)

Profit	Three months ended June 30, 2019	Three months ended June 30, 2020
Total of reportable segments	41,480	49,032
Segment profit of Other Business	810	1,080
Elimination of inter-segment profit	5	1
Research and development expenses (Note)	(20,046)	(25,744)
Gains on business transfers	35	—
Others	(9)	(2)
Core operating profit	22,275	24,367
Change in fair value of contingent consideration	18,461	(1,238)
Other income	367	337
Other expenses	(558)	(195)
Others	(122)	—
Operating profit in the consolidated financial statements	40,423	23,271

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 Consolidated Statement of Profit or Loss consist of expenses related to R&D excluded from calculation of core operating profit.