Financial Review

Results for Fiscal Year Ended March 31, 2021

(Billions of yen)

	2017.3	2018.3	2019.3	2020.3	2021.3	Change rate Mar. 2020/Mar. 2021
Revenue	244.8	261.8	288.6	292.4	**309.3**	+5.8%
Operating profit	72.3	60.7	62.0	77.5	**98.3**	+26.9%
Profit for the year (attributable to owners of the parent company)	55.8	50.3	51.5	59.7	**75.4**	+26.3%

Revenue

Revenue increased by ¥16.9 billion (5.8%) from the previous consolidated fiscal year to ¥309.3 billion.

● Despite a harsher competitive environment for the OPDIVO Intravenous Infusion for malignant tumors, sales increased by ¥11.5 billion (13.2%) year-on-year to ¥98.8 billion due to expanding its use to treat esophageal cancer, etc.

● As for sales of our key new products, GLACTIV Tablets for type-2 diabetes decreased by 2.1% year-on-year to ¥25.5 billion, FORXIGA Tablets for diabetes and chronic heart failure increased by 23.7% year-on-year to ¥22.4 billion, ORENCIA for Subcutaneous Injection for rheumatoid arthritis increased by 10.4% year-on-year to ¥21.9 billion, PARSABIV Intravenous Injection for Dialysis for secondary hyperparathyroidism in patients on hemodialysis increased by 13.9% year-on-year to ¥8.1 billion, and KYPROLIS for Intravenous Infusion for multiple myeloma increased by 18.8% year-on-year to ¥7.1 billion.

● Sales of our main long-term listed products were affected by measures taken for promoting the use of generic drugs by the Japanese government. RIVASTACH Patch for Alzheimer's disease decreased by 22.5% year-on-year to ¥6.6 billion, OPALMON Tablets for peripheral circulatory disorder decreased by 34.5% year-on-year to ¥5.5 billion, and RECALBON Tablets for osteoporosis decreased by 39.9% year-on-year to ¥2.9 billion, respectively.

● Royalties and other revenue increased by ¥7.9 billion (9.1%) year-on-year to ¥94.7 billion.

(Billions of yen)

	2020.3	2021.3	Year-on-year comparison
Revenue of goods and products	205.6	**214.5**	+4.3%
Royalty and others	86.8	**94.7**	+9.1%

Profit and Loss

Operating profit for the current consolidated fiscal year totaled ¥98.3 billion, an increase of ¥20.8 billion (26.9%) year-on-year.

● Cost of sales increased by ¥6.5 billion (8.2%) year-on-year to ¥85.6 billion, which was mainly due to an increase in the amortization of intangibles, in addition to an increase in the revenue of goods and products.

● Research and development costs increased due to an increase in costs for joint research with universities and research institutions and milestone payments for cooperations with bio-venture companies to discover new drugs. At the same time, development activities, including the registration of subjects, were restarted in June 2020; however, clinical study expenses decreased due to COVID-19, resulting in a decrease of ¥4.1 billion (6.2%) year-on-year to ¥62.4 billion.

● Concerning selling, general, and administrative expenses (except for research and development costs), operating expenses decreased due to MRs refraining from visiting medical institutions because of COVID-19, meanwhile expenses associated with actively implementing online seminars, upgrading content on our website, and utilizing the new sales platform increased, as well as expenses pertaining to the launch of new products and additional indications and co-promotion fees associated with expanding sales of FORXIGA Tablets. As a result, selling, general, and administrative expenses (except for research and development costs) increased by ¥1.6 billion (2.3%) year-on-year to ¥69.2 billion.

● Other income increased by ¥7.3 billion year-on-year to ¥8.2 billion, due to an upfront payment received under the license agreement with Roche in November 2020 for the patent relating to the anti-PD-L1 antibody.

(Billions of yen)

	2020.3	2021.3	Year-on-year comparison
Cost of sales	79.1	**85.6**	+8.2%
Research and development costs	66.5	**62.4**	−6.2%
Selling, general, and administrative expenses	67.7	**69.2**	+2.3%

Profit for the current fiscal year attributable to owners of the parent company increased by ¥15.7 billion (26.3%) year-on-year to ¥75.4 billion in association with an increase in profit before tax.

Cash Flows

Cash and cash equivalents at the end of the current consolidated fiscal year decreased by ¥8.0 billion (11.5%) to ¥61.0 billion from those at the end of previous consolidated fiscal year of ¥69.0 billion due to cash flows from operating activities, which ended in a positive balance of ¥74.0 billion despite cash flows from investing activities, which ended in a negative balance of ¥57.6 billion, and cash flows from financing activities, which ended in a negative balance of ¥24.8 billion.

<Cash Flows from Operating Activities>

Cash flows from operating activities for the current consolidated fiscal year ended in a positive cash flow balance of ¥74.0 billion (cash flows for the previous consolidated fiscal year ended in a positive balance of ¥74.2 billion). The main factors behind this were a payment amount of ¥34.1 billion, including income tax expenditures, while profit before tax ended in a positive balance of ¥100.9 billion.

<Cash Flows from Investing Activities>

Cash flows from investing activities for the current consolidated fiscal year ended in a negative balance of ¥57.6 billion (cash flows for the previous consolidated fiscal year ended in a negative balance of ¥10.2 billion). The main factors behind this were payments into time deposits (net amount) of ¥50.1 billion and purchases of intangible assets of ¥13.3 billion, among others.

<Cash Flows from Financing Activities>

Cash flows from financing activities for the current consolidated fiscal year ended in a negative balance of ¥24.8 billion (cash flows for the previous consolidated fiscal year ended in a negative balance of ¥54.7 billion). The main factor behind this was the dividends paid to owners of the parent company of ¥22.4 billion.

(Billions of yen)

	2020.3	2021.3
Cash flows from operating activities	74.2	74.0
Cash flows from investing activities	(10.2)	(57.6)
Cash flows from financing activities	(54.7)	(24.8)
Cash and cash equivalents at the end of the fiscal year	69.0	61.0

Investment in Plant and Equipment

Plant and equipment investment during the current consolidated fiscal year totaled ¥9.1 billion. This included investment in enhancing and maintaining research facilities (¥6.0 billion), manufacturing facilities (¥1.6 billion), and business facilities (¥1.5 billion).

Future Outlook

<Revenue>

For the next fiscal year, the severe business environment is expected to continue due to the impact of revisions to the drug pricing system in April 2021 and the intensifying competition with competing products for market share. Sales of OPDIVO Intravenous Infusion are expected to reach ¥110.0 billion, an increase of ¥11.2 billion (11.3%) year-on-year, due to its expanded use in first-line treatment for lung cancer and treatment of esophageal cancer, as well as likelihood of its introduction as a first-line treatment of gastric cancer, despite intensifying competition. Regarding other main new products, in addition to multiple new product launches and additional indications, we also anticipate increases in sales of products including FORXIGA Tablets approved for additional indications of chronic heart failure, BRAFTOVI Capsules and MEKTOVI Tablets approved last year for additional indications of BRAF-mutant colorectal cancer, and products such as ORENCIA for Subcutaneous Injection and KYPROLIS for Intravenous Infusion. Furthermore, royalty and others are expected to grow continuously and increase by ¥10.3 billion (10.8%) to ¥105.0 billion. Therefore, revenue is forecasted to reach ¥345.0 billion, an increase of ¥35.7 billion (11.5%).

<Profit and Loss>

Cost of sales is expected to reach ¥95.0 billion, an increase of ¥9.4 billion (11.0%) year-on-year, due to an increase in sales of goods and products.

Research and development costs are expected to reach ¥72.0 billion, an increase of ¥9.6 billion (15.4%) year-on-year, which allows for active investment to achieve sustainable growth. Selling, general, and administrative expenses (except for research and development costs) are expected to reach ¥74.0 billion, an increase of ¥4.8 billion (6.9%) year-on-year, due to an increase in operating expenses involving several new products to be launched and additional indications for existing products, as well as active investment in information infrastructure related to IT and digital technologies.

Consequently, operating profit is forecasted to reach ¥103.0 billion, an increase of ¥4.7 billion (4.7%) year-on-year, and profit attributable to owners of the parent company is forecasted to reach ¥81.5 billion, an increase of ¥6.1 billion (8.1%).

(Billions of yen)

	2022.3 (forecast)	Comparison with current fiscal year
Revenue	345.0	+11.5%
Revenue of goods and products	240.0	+11.9%
Royalty and others	105.0	+10.8%
Operating profit	103.0	+4.7%
Profit for the year (attributable to owners of the parent company)	81.5	+8.1%

(Note) We predict that our business activities will continue to be restricted to an extent due to COVID-19. However, we forecast that the impact on our operating profit will be minor. Going forward, if any revisions to the financial forecasts are necessary, we will promptly announce them.