

Financial Review

Results for FY2021

(Billions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021	Change rate FY2020/FY2021
Revenue	261.8	288.6	292.4	309.3	361.4	+16.8%
Operating profit	60.7	62.0	77.5	98.3	103.2	+4.9%
Profit for the year (attributable to owners of the parent company)	50.3	51.5	59.7	75.4	80.5	+6.8%

Revenue

Revenue totaled ¥361.4 billion, which was an increase of ¥52.1 billion (16.8%) from the previous fiscal year (year on year).

Opdivo Intravenous Infusion for Malignant Tumors

While the competition with competitors' products intensified, use of Opdivo Intravenous Infusion for malignant tumors was expanded to first-line treatment for non-small cell lung cancer, esophageal cancer, and first-line treatment for gastric cancer, resulting in sales of ¥112.4 billion, an increase of ¥13.6 billion (13.8%) year on year.

Other Main Product

With respect to other main products, sales of Forxiga Tablets for diabetes, chronic heart failure and chronic kidney disease were ¥36.7 billion (64.0% increase year on year), sales of Glactiv Tablets for type-2 diabetes were ¥24.5 billion (3.8% decrease year on year), sales of Orenzia Subcutaneous Injection for rheumatoid arthritis were ¥22.9 billion (4.5% increase year on year), sales of Parsabiv Intravenous Injection for Dialysis for secondary hyperparathyroidism on hemodialysis were ¥8.9 billion (10.2% increase year on year), and sales of Kyprolis for Intravenous Infusion for multiple myeloma were ¥8.4 billion (17.5% increase year on year).

Long-term Listed Products

Sales of long-term listed products were affected by the impact of generic drug use promotion policies, etc. Sales of Opalmon Tablets for peripheral circulatory disorder were ¥4.7 billion (13.4% decrease year on year), sales of Rivastach Patches for Alzheimer's disease were ¥2.9 billion (56.6% decrease year on year), respectively.

Royalty and others

Royalty and others increased by ¥20.7 billion (21.8%) year on year to ¥115.4 billion.

(Billions of yen)

	FY2020	FY2021	Change rate FY2020/FY2021
Revenue of goods and products	214.5	246.0	+14.6%
Royalty and others	94.7	115.4	+21.8%

Profit and Loss

Operating profit was ¥103.2 billion, an increase of ¥4.9 billion (4.9%)

year on year.

Profit attributable to owners of the Company increased by ¥5.1 billion (6.8%) year on year to ¥80.5 billion in association with the increase of the profit before tax.

Cost of Sales

Cost of sales increased by ¥7.9 billion (9.3%) year on year to ¥93.5 billion mainly due to an increase in revenue of goods and products.

Research and Development Costs

Research and development costs increased by ¥13.5 billion (21.6%) year on year to ¥75.9 billion, due to increases in research expenses, expenses for collaborative development with alliance partners, and expenses for preparation of investigational products, as well as the recording of impairment losses in relation to intangible assets associated with compounds under development.

Selling, General, and Administrative Expenses (except for research and development costs)

Selling, general, and administrative expenses (except for research and development costs) increased by ¥7.8 billion (11.3%) year on year to ¥77.1 billion mainly due to expenses related to the launch of new products and additional indications, an increase in co-promotion fees associated with expanding sales of Forxiga Tablets, and investments in information infrastructure related to IT and digital technologies.

Other Income

Other income decreased by ¥7.2 billion year on year to ¥1.0 billion, due to the absence of the upfront payment received under the license agreement with Roche in the previous fiscal year for the patent relating to the anti-PD-L1 antibody.

Other Expenses

Other expenses increased by ¥10.8 billion year on year to ¥12.7 billion. The increase is attributable to factors that include the Company having recorded a ¥7.3 billion difference because the

(Billions of yen)

	FY2020	FY2021	Change rate FY2020/FY2021
Cost of sales	85.6	93.5	+9.3%
Research and development costs	62.4	75.9	+21.6%
Selling, general, and administrative expenses	69.2	77.1	+11.3%

total consisting of ¥5.0 billion associated with settlement of litigation on patents relating to the PD-1 antibody and donations of ¥23.0 billion paid to Kyoto University exceeded the provision for royalties on patents of ¥20.7 billion that had already been recorded; along with the Company also having recorded expenses associated with the collaboration agreement relating to Opdivo with Bristol-Myers Squibb Company.

Cash Flows

Cash and cash equivalents at the end of the fiscal year totaled ¥69.1 billion, which was an increase of ¥8.1 billion from ¥61.0 billion at the end of the previous fiscal year, mainly due to ¥61.8 billion provided by operating activities, ¥6.0 billion provided by investing activities, and ¥60.2 billion used in financing activities.

Net Cash Provided by Operating Activities

Net cash provided by operating activities at the end of the fiscal year was ¥61.8 billion, as a result of profit before tax of ¥105.0 billion, etc., while income taxes paid of ¥34.3 billion and a decrease in provisions of ¥20.7 billion, etc.

Net Cash Provided by Investing Activities

Net cash provided by investing activities for the fiscal year was ¥6.0 billion, as a result of proceeds from sales and redemption of investments of ¥22.8 billion, etc., while purchases of intangible assets paid of ¥6.8 billion and purchases of property, plant, and equipment paid of ¥5.5 billion.

Net Cash Used in Financing Activities

Net cash used in financing activities for the fiscal year was ¥60.2 billion, as a result of purchases of treasury shares of ¥30.0 billion and dividends paid of ¥27.7 billion, etc.

(Billions of yen)

	FY2020	FY2021
Cash flows from operating activities	74.0	61.8
Cash flows from investing activities	-57.6	6.0
Cash flows from financing activities	-24.8	-60.2
Cash and cash equivalents at the end of the fiscal year	61.0	69.1

Investment in Plant and Equipment

Plant and equipment investment at the end of the fiscal year totaled ¥9.3 billion. This included investment in enhancing and maintaining research facilities (¥5.2 billion), business facilities (¥2.9 billion), and manufacturing facilities (¥1.2 billion). There was no disposal or sale of significant facilities during the fiscal year.

Future Outlook

Revenue

Revenue of goods and products are expected to be ¥290.0 billion, an increase of ¥44.0 billion (17.9%) year on year. Among

new main products, sales of Opdivo Intravenous Infusion are expected to be ¥155.0 billion, an increase of ¥42.6 billion year on year, due to its expanded use in first-line treatment for non-small cell lung cancer and gastric cancer, urothelial carcinoma and cancer of unknown primary, despite the intensifying competitive environment. In other new main products, the Company expects sales of Forxiga Tablets, which were approved for additional indications of chronic kidney disease last year, to increase by ¥10.3 billion year on year to ¥47.0 billion, as well as anticipating higher sales of Kyprolis for Intravenous Infusion, Velexbro Tablets, and Ongentys Tablets. Furthermore, royalty and others are expected to continue to grow and to increase by ¥19.6 billion (17.0%) year on year to ¥135.0 billion.

Revenue is therefore forecast to be ¥425.0 billion, an increase of ¥63.6 billion (17.6%) year on year.

Profit

Cost of sales is expected to be ¥104.0 billion, an increase of ¥10.5 billion (11.2%) year on year, due to an increase in revenue of goods and products.

Research and development costs are expected to be ¥87.0 billion, an increase of ¥11.1 billion (14.7%) year on year, due to aggressive investment for the realization of sustained growth through further expansion of collaborative research with advanced companies and academia with cutting-edge technology and research themes; global development study; and collaborative development.

Selling, general, and administrative expenses (except for research and development costs) are expected to be ¥88.0 billion, an increase of ¥10.9 billion (14.2%) year on year, due to an increase in co-promotion fees associated with expanding sales of Forxiga Tablets, active investments in information infrastructure related to IT and digital technologies, and active investments to strengthen global businesses including the USA.

Other expenses are expected to decrease by ¥11.2 billion year on year to ¥1.5 billion, due in part to the absence of expenses associated with the litigation on patents relating to the PD-1 antibody, and other costs recorded in the fiscal year ended March 31, 2022.

Therefore, operating profit is expected to be ¥145.0 billion, an increase of ¥41.8 billion (40.5%) year on year, and profit attributable to owners of the Company is expected to be ¥110.0 billion, an increase of ¥29.5 billion (36.6%) year on year.

(Billions of yen)

	FY2022 (forecast)	Change rate FY2021/FY2022
Revenue	425.0	+17.6%
Revenue of goods and products	290.0	+17.9%
Royalty and others	135.0	+17.0%
Operating profit	145.0	+40.5%
Profit for the year (attributable to owners of the parent company)	110.0	+36.6%

Note: We assume that restrictions on certain activities will continue due to COVID-19, but the impact on financial results will be immaterial. Going forward, if any revisions to financial forecasts are necessary, the Company will promptly announce them.