



Message from the Group CFO



Ensuring and maintaining a strong financial base for flexible, agile investment activities

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Fiscal 2021 Performance

In Japan, despite the impact of a series of drug price revisions and patients avoiding doctor visits due to the COVID-19 pandemic, segment revenue totaled ¥163,841 million as projected because we focused on sales of newly launched products, such as Levetiracetam Tablets. Additionally, amidst a spate of quality issues in the generic drug industry, we have made product quality our highest priority by carrying out rigorous manufacturing and quality controls, while also striving for greater cost competitiveness by using multiple raw ingredient suppliers and increasing production efficiency that leverages the distinguishing aspect of each of our six factories throughout Japan.

With an eye toward increasing our market share, we also launched efforts to increase production capacity. Not only did we start construction of a solid dosage form facility with a production capacity of 3.0 billion tablets on the grounds of the Daini Kyushu Factory in October 2021, but the consolidated subsidiary Trust Pharmatech Co., Ltd. acquired a factory with a production capacity of 3.0 billion tablets from Kobayashi Kako Co., Ltd. in March 2022.

In the U.S., however, the business environment grew harsher in various ways, including stronger purchasing power of entities such as wholesalers and pharmacies due to mergers, falling prices of generic drugs, introduction of competitors to our products into the market, and lackluster sales of Tosymra™ on account of the COVID-19 pandemic. As a result, segment revenue totaled ¥29,975 million. In addition, as we started to fundamentally rebuild the business of the consolidated subsidiary Upsher-Smith, we posted an impairment loss of approximately ¥68.8 billion on U.S. segment assets, including goodwill.

On account of the above, revenue rose to ¥193,816 million, but a substantial operating loss of ¥35,888 million was recorded.

Financial soundness and future investments

It is expected that various restructuring will accelerate because of a deterioration in the business environment for the overall industry due to annual drug price revisions. As noted in the Medium-Term Business Plan START 2024, not only investments to increase production capacity but also aggressive investments in new businesses and R&D are necessary for future growth. Even after recording a decline in capital because of the loss, we still boast a capital ratio of more than 54% as of the end of March 2022. We will work to ensure and maintain a strong financial base so that we can undertake flexible, agile investment activities.

Fiscal 2022 earnings outlook

In Japan, despite declines in the unit selling price due to a series of drug price revisions, it is expected that generic drug sales volume will continue to steadily increase as a result of the launch of new products as patents on original drugs expire. On the other hand, in the U.S., competition may remain fierce. Even in this business environment, we have marshaled the capabilities of the various divisions, including the R&D, manufacturing, reliability assurance, and marketing ones, and will aim to generate steady growth in both the Japanese and U.S. markets under the new Medium-Term Business Plan START 2024, the first year of which was the previous fiscal year.

Shareholder return

In addition to taking into account balancing growth-oriented investments, we have adopted the policy of paying a stable and sustainable dividend with a target dividend payout ratio of 30% while taking into consideration various other factors, including annual consolidated earnings, dividend payout ratio, and other shareholder return-related measures. For fiscal 2021, we paid an annual dividend of ¥130 per share (total dividend paid of approximately ¥5.7 billion).