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## Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 1, 2022

Company name: KISSEI PHARMACEUTICAL CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 4547

URL: <https://www.kissei.co.jp/>

Representative: Mutsuo Kanzawa, Chairman and CEO

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Scheduled date of filing quarterly securities report: August 12, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 – June 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	16,285	(2.1)	130	(55.4)	806	5.6	1,635	(55.1)
June 30, 2021	16,635	3.6	293	(82.1)	764	(64.8)	3,644	111.2

(Note) Comprehensive income: Three months ended June 30, 2022: ¥1,890 million [-%]

Three months ended June 30, 2021: ¥(1,373) million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	35.47	-
June 30, 2021	79.02	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2022	235,346	202,779	85.8	4,379.43
March 31, 2022	238,087	202,180	84.6	4,366.96

(Reference) Equity: As of June 30, 2022: ¥201,961 million

As of March 31, 2022: ¥201,385 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	28.00	–	28.00	56.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		40.00	–	40.00	80.00

(Note) Revision to the forecast for dividends announced most recently: None

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	31,000	(4.3)	(1,300)	-	(500)	-	3,000	(47.1)	65.05
Full year	68,000	4.0	2,800	-	4,400	682.1	10,000	(22.6)	216.85

(Note) Revision to the financial results forecast announced most recently: None

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (4) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2022:	51,811,185 shares
March 31, 2022:	51,811,185 shares
  - 2) Total number of treasury shares at the end of the period:

June 30, 2022:	5,695,353 shares
March 31, 2022:	5,695,353 shares
  - 3) Average number of shares during the period:

Three months ended June 30, 2022:	46,115,832 shares
Three months ended June 30, 2021:	46,115,917 shares

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

\* Explanation of the proper use of financial results forecast and other notes

(Cautionary note on forward-looking statements)

The financial forecasts and other forward-looking statements herein are based on information available to the Company as of the date of publication of this document and certain assumptions as of the date of publication of this document on uncertainties that may have an impact on future financial results and the Company does not in any way guarantee their achievement. Actual results may differ greatly from these forecasts due to a variety of factors.

Please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the Attachments for preconditions underlying the financial forecasts and other matters.

(How to obtain supplementary explanatory materials on quarterly financial results)

The supplementary explanatory materials on quarterly financial results are posted on the Company’s website together with the consolidated financial results.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

In the three months ended June 30, 2022, the pharmaceutical industry continued to experience harsh business conditions. As one of the measures to curb medical costs, including the reform of the National Health Insurance (NHI) drug pricing system, a drug price revision was implemented in April 2022, following the mid-year revision of drug prices in April 2021. Although the additional requirements for promoting new drug discovery and eliminating off-label drug use have been expanded, the replacement rate of drugs by generic versions meant more drastic price cuts for drugs that have been listed in the NHI Drug Price Standard for a long period of time. Although strong ICT demand continued in the information services industry, and there were signs of a recovery in capital investment in the construction and merchandising industries, personal consumption had not yet reached a recovery trend, and the competitive environment remained fierce.

In these circumstances, the Company's financial results for the three months ended June 30, 2022 were as stated below.

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change (%)
Net sales	16,635	16,285	(2.1)
Operating profit	293	130	(55.4)
Ordinary profit	764	806	5.6
Profit attributable to owners of parent	3,644	1,635	(55.1)

#### • Net sales

Net sales of the Pharmaceutical Business were ¥13,915 million, a decrease of 0.1% year on year. In the midst of COVID-19 pandemic, we promoted a hybrid type of pharmaceutical information activities that effectively utilized various digital contents in addition to the traditional physical interviews. While sales of Beova<sup>®</sup> Tablets, an overactive bladder treatment, and Darbepoetin Alfa BS Injection [JCR] for the treatment of renal anemia increased, net sales decreased mainly because of the impact of the NHI drug price revision implemented in April 2022 and a decrease in export sales. CAROGRAM<sup>®</sup> Tablets, a treatment for ulcerative colitis, which EA Pharma Co., Ltd. and the Company have jointly developed, was launched in May 2022 and TAVNEOS<sup>®</sup> Capsules for the treatment of microscopic polyangiitis and granulomatosis with polyangiitis was launched in June 2022.

Net sales of the Information Services Business were ¥1,582 million, a decrease of 15.3% year on year, net sales of the Construction Business were ¥612 million, a decrease of 11.5% year on year, and net sales of the Merchandising Business were ¥175 million, an increase of 16.8% year on year.

#### • Profit

Despite an improvement in the cost of sales ratio, operating profit decreased due to a decrease in net sales and an increase in selling, general and administrative expenses centering on R&D expenses. On the other hand, ordinary profit increased, and profit attributable to owners of parent decreased despite a gain on sale of investment securities.

#### • R&D

Regarding fostamatinib (generic name, development code: R788), a treatment for chronic idiopathic thrombocytopenic purpura, which was in-licensed from U.S.-based Rigel Pharmaceuticals, Inc., the Company submitted a New Drug Application (NDA) in Japan in April 2022. Regarding linzagolix (generic name, development code: KLH-2109), a treatment for uterine fibroids and endometriosis, which is a drug discovered by the Company, Phase III clinical trials have been initiated for the indication of uterine fibroids in Japan.

Overseas, ObsEva SA (Switzerland), which has exclusive development and commercialization rights worldwide, except certain Asian countries including Japan, to linzagolix, has announced that they have decided to commence

composition proceedings. ObsEva has obtained marketing authorization from the European Commission for linzagolix in June this year. ObsEva has also contracted a sublicense agreement with Theramex (U.K.) to commercialize linzagolix in all countries except for North America and Asia. Under the terms of the license agreement of the Company and ObsEva, the Company terminates this agreement and obtains the assignment of sublicense agreement of Theramex and ObsEva. The Company will now lead the way to target the launch in Europe in the first quarter of 2023, and continue to move forward the global expansion of linzagolix.

## (2) Explanation of Financial Position

### • Assets

Total assets amounted to ¥235,346 million as of June 30, 2022, down ¥2,741 million from the previous fiscal year-end. Current assets were down ¥3,509 million, to ¥95,832 million, mainly due to decreases in cash and deposits and notes and accounts receivable - trade, and contract assets despite increases in securities and accounts receivable - other included in “other.” Non-current assets were up ¥767 million, to ¥139,513 million, mainly due to increases in long-term prepaid expenses included in “other” and retirement benefit asset.

### • Liabilities

Total liabilities amounted to ¥32,566 million as of June 30, 2022, down ¥3,341 million from the previous fiscal year-end. Current liabilities were down ¥3,465 million, to ¥15,279 million, mainly due to decreases in income taxes payable, provision for bonuses and other items. Non-current liabilities were up ¥124 million, to ¥17,287 million, mainly due to an increase in deferred tax liabilities.

### • Net assets

Total net assets amounted to ¥202,779 million as of June 30, 2022, up ¥599 million from the previous fiscal year-end. This increase mainly reflected increases in retained earnings and valuation difference on available-for-sale securities.

As a result, the shareholders’ equity ratio was 85.8%, up from 84.6% at the previous fiscal year-end.

## (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The consolidated financial results forecast for the fiscal year ending March 31, 2023 is currently under review due to the decision to commence composition proceedings of ObsEva SA, and other factors. The Company will promptly announce any matters that require disclosure in the future.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	30,013	25,900
Notes and accounts receivable - trade, and contract assets	22,808	22,058
Securities	23,139	23,339
Merchandise and finished goods	10,491	10,113
Work in process	63	211
Raw materials and supplies	8,433	8,671
Other	4,392	5,538
Total current assets	99,342	95,832
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,132	39,143
Accumulated depreciation	(30,525)	(30,698)
Buildings and structures, net	8,607	8,444
Land	12,611	12,611
Other	16,469	16,691
Accumulated depreciation	(13,613)	(13,818)
Other, net	2,856	2,873
Total property, plant and equipment	24,074	23,929
Intangible assets	1,569	1,735
Investments and other assets		
Investment securities	96,631	96,720
Retirement benefit asset	2,460	2,567
Deferred tax assets	524	532
Other	13,508	14,045
Allowance for doubtful accounts	(23)	(18)
Total investments and other assets	113,101	113,847
Total non-current assets	138,745	139,513
Total assets	238,087	235,346

(Million yen)

	As of March 31, 2022	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,104	3,610
Short-term borrowings	1,640	1,640
Income taxes payable	3,497	502
Provision for bonuses	1,707	770
Other provisions	151	158
Contract liabilities	2,696	2,726
Other	4,946	5,870
Total current liabilities	18,744	15,279
Non-current liabilities		
Deferred tax liabilities	16,259	16,410
Provision for retirement benefits for directors (and other officers)	181	180
Asset retirement obligations	138	138
Other	583	557
Total non-current liabilities	17,163	17,287
<b>Total liabilities</b>	<b>35,907</b>	<b>32,566</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	24,356	24,356
Capital surplus	24,226	24,226
Retained earnings	118,183	118,527
Treasury shares	(12,912)	(12,912)
Total shareholders' equity	153,854	154,198
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,095	45,404
Remeasurements of defined benefit plans	2,435	2,357
Total accumulated other comprehensive income	47,531	47,762
Non-controlling interests	794	818
<b>Total net assets</b>	<b>202,180</b>	<b>202,779</b>
<b>Total liabilities and net assets</b>	<b>238,087</b>	<b>235,346</b>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	16,635	16,285
Cost of sales	8,769	8,135
Gross profit	7,866	8,150
Selling, general and administrative expenses	7,573	8,019
Operating profit	293	130
Non-operating income		
Interest income	16	5
Dividend income	569	586
Other	59	108
Total non-operating income	645	699
Non-operating expenses		
Interest expenses	5	5
Loss on valuation of securities	160	4
Other	8	13
Total non-operating expenses	174	23
Ordinary profit	764	806
Extraordinary income		
Gain on sale of non-current assets	0	—
Gain on sale of investment securities	3,531	1,334
Total extraordinary income	3,531	1,334
Extraordinary losses		
Loss on disposal of non-current assets	22	—
Loss on sale of investment securities	—	0
Total extraordinary losses	22	0
Profit before income taxes	4,273	2,141
Income taxes - current	1,180	366
Income taxes - deferred	(579)	119
Total income taxes	600	485
Profit	3,672	1,656
Profit attributable to non-controlling interests	28	20
Profit attributable to owners of parent	3,644	1,635

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	3,672	1,656
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,063)	313
Remeasurements of defined benefit plans, net of tax	16	(79)
Total other comprehensive income	(5,046)	233
Comprehensive income	(1,373)	1,890
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,400)	1,866
Comprehensive income attributable to non-controlling interests	27	24

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter ended June 30, 2022, the Company applies the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) and will prospectively apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on quarterly consolidated financial statements.

(Segment information, etc.)

I. For the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

1. Information on net sales and profit (loss), and information on the disaggregation of revenue by reportable segment

(Million yen)

	Reportable segment				Total
	Pharmaceutical	Information Services	Construction	Merchandising	
Net sales					
Pharmaceutical Business					
Pharmaceuticals	12,010	—	—	—	12,010
Therapeutic and care foods	874	—	—	—	874
Technical fees	74	—	—	—	74
Other	965	—	—	—	965
Information Services Business	—	2,190	—	—	2,190
Construction Business	—	—	984	—	984
Merchandising Business	—	—	—	184	184
Revenue arising from contracts with customers	13,924	2,190	984	184	17,284
Sales to third parties	13,924	1,869	691	150	16,635
Inter-segment sales or transfers	—	321	293	34	649
Total	13,924	2,190	984	184	17,284
Segment profit (loss)	(34)	182	47	(10)	184

2. Total amount of profit (loss) of reportable segments, difference from the amount stated in the quarterly consolidated statements of income, and main components of such difference

(Million yen)

Profit	Amount
Total for reportable segments	184
Elimination of inter-segment transactions	29
Adjustment of non-current assets	65
Other adjustments	14
Operating profit in the quarterly consolidated statements of income	293

II. For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information on net sales and profit (loss), and information on the disaggregation of revenue by reportable segment

(Million yen)

	Reportable segment				Total
	Pharmaceutical	Information Services	Construction	Merchandising	
Net sales					
Pharmaceutical Business					
Pharmaceuticals	11,800	—	—	—	11,800
Therapeutic and care foods	862	—	—	—	862
Technical fees	106	—	—	—	106
Other	1,146	—	—	—	1,146
Information Services Business	—	2,041	—	—	2,041
Construction Business	—	—	831	—	831
Merchandising Business	—	—	—	210	210
Revenue arising from contracts with customers	13,915	2,041	831	210	16,999
Sales to third parties	13,915	1,582	612	175	16,285
Inter-segment sales or transfers	—	458	218	35	713
Total	13,915	2,041	831	210	16,999
Segment profit (loss)	(95)	185	6	(3)	93

2. Total amount of profit (loss) of reportable segments, difference from the amount stated in the quarterly consolidated statements of income, and main components of such difference

(Million yen)

Profit	Amount
Total for reportable segments	93
Elimination of inter-segment transactions	35
Adjustment of non-current assets	4
Other adjustments	(2)
Operating profit in the quarterly consolidated statements of income	130

(Revenue recognition)

Information on the disaggregation of revenue arising from contracts with customers is as presented in “Notes (Segment information, etc.)”

### 3. Other

#### (1) Sales Results

Sales results by segment for the three months ended June 30, 2022 are as follows.

Segment classification	Three months ended June 30, 2021		Three months ended June 30, 2022		Change	
	Amount (Million yen)	Composition (%)	Amount (Million yen)	Composition (%)	Amount (Million yen)	Change (%)
Pharmaceutical Business	13,924	83.7	13,915	85.4	(8)	(0.1)
Urology	3,969	23.9	4,508	27.7	538	13.6
Renal diseases and dialysis	3,641	21.9	3,596	22.1	(45)	(1.2)
Orphan drugs	16	0.1	45	0.3	28	171.8
Metabolism and endocrinology	1,909	11.5	1,743	10.7	(165)	(8.7)
Obstetrics and gynecology	276	1.7	225	1.4	(51)	(18.6)
Ophthalmology	143	0.9	121	0.7	(22)	(15.6)
Other drugs	2,052	12.3	1,559	9.6	(492)	(24.0)
Therapeutic and care foods	874	5.3	862	5.3	(12)	(1.4)
Technical fees	74	0.4	106	0.7	32	43.4
Other	965	5.8	1,146	7.0	181	18.8
Information Services Business	1,869	11.2	1,582	9.7	(286)	(15.3)
Construction Business	691	4.2	612	3.8	(79)	(11.5)
Merchandising Business	150	0.9	175	1.1	25	16.8
Total	16,635	100.0	16,285	100.0	(349)	(2.1)
[Exports]	[1,086]	[6.5]	[825]	[5.1]	[(261)]	[(24.0)]

(Note) Intersegment transactions are eliminated.