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Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]

May 8, 2023

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 general shareholders' meeting: June 22, 2023

Scheduled date of commencing dividend payments: June 23, 2023

Scheduled date of filing securities report: June 22, 2023

Availability of supplementary explanatory materials on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	%
Fiscal year ended March 31, 2023	67,493	3.2	(1,129)	-	598	6.4	10,528	(18.5)
March 31, 2022	65,381	(5.3)	(1,402)	-	562	(83.8)	12,921	144.5

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥(4,229) million [-%]

Fiscal year ended March 31, 2022: ¥(13,764) million [-%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	228.31	-	5.3	0.3	(1.7)
March 31, 2022	280.20	-	6.1	0.2	(2.1)

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2023: ¥- million

Fiscal year ended March 31, 2022: ¥- million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2023	221,200	194,814	87.7	4,204.64
March 31, 2022	238,087	202,180	84.6	4,366.96

(Reference) Equity: As of March 31, 2023: ¥193,899 million

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

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	(6,679)	6,001	(3,420)	48,884
March 31, 2022	1,533	10,776	(2,756)	53,004

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2022	-	28.00	-	28.00	56.00	2,582	20.0	1.2
March 31, 2023	-	40.00	-	40.00	80.00	3,689	35.0	1.9
March 31, 2024 (Forecast)	-	41.00	-	41.00	82.00		35.7	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
First half	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	35,500	8.0	900	-	1,500	385.5	4,800	44.3	104.09
	74,500	10.4	4,200	-	5,200	768.4	10,600	0.7	229.86

(Note) At a meeting of the Board of Directors held on May 8, 2023, the Company resolved to purchase treasury shares. “Basic earnings per share” in the Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 does not take into account the impact of this purchase of treasury shares. Please refer to “3. Consolidated Financial Statements and Principal Notes (5) Notes to Consolidated Financial Statements” on page 14 of the Attachment for this purchase of treasury shares.

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) 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
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2023:	51,811,185 shares
March 31, 2022:	51,811,185 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2023:	5,695,618 shares
March 31, 2022:	5,695,353 shares
 - 3) Average number of shares during the period:

Year ended March 31, 2023:	46,115,756 shares
Year ended March 31, 2022:	46,115,890 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 - March 31, 2023)****(1) Non-consolidated Operating Results** (% indicates changes from the previous corresponding period.)

Year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	56,243	3.9	(2,207)	-	(448)	-	9,910	(19.1)
March 31, 2022	54,147	(4.0)	(2,608)	-	(613)	-	12,255	165.8

Year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	214.92	-
March 31, 2022	265.75	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	207,381	185,679	89.5	4,026.41
As of March 31, 2022	225,233	193,674	86.0	4,199.74

(Reference) Equity: As of March 31, 2023: ¥185,679 million

As of March 31, 2022: ¥193,674 million

* These consolidated financial results are outside the scope of audit 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. Overview of Operating Results, etc. (5) Future Outlook” on page 5 of the Attachments for preconditions underlying the financial forecasts and other matters.

(How to obtain supplementary explanatory materials on annual financial results and materials for financial results briefing session)

The supplementary explanatory materials on annual financial results are posted on the Company’s website together with the consolidated financial results. The Company also plans to hold a financial results briefing session for securities analysts and institutional investors on Wednesday, May 10, 2023. Materials to be used on the day will be posted on the Company’s website.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2023, the outlook for the Japanese economy remained uncertain amid the impact of the COVID-19 pandemic, as well as the global economic chaos caused by the apparently prolonged situation in Ukraine.

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 declined due to the weak yen, and the competitive environment remained harsh.

In these circumstances, the Company's financial results for the fiscal year ended March 31, 2023 were as stated below.

(Million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change (%)
Net sales	65,381	67,493	3.2
Operating loss	(1,402)	(1,129)	-
Ordinary profit	562	598	6.4
Profit attributable to owners of parent	12,921	10,528	(18.5)

• Net sales

Net sales of the Pharmaceutical Business were ¥56,243 million, an increase of 3.9% year on year. CAROGR[®] Tablets, a treatment for ulcerative colitis, which EA Pharma Co., Ltd. and the Company have jointly developed, was launched in May 2022, TAVNEOS[®] Capsules for the treatment of microscopic polyangiitis and granulomatosis with polyangiitis was launched in June 2022, and TAVALISSE[®] Tablets, a treatment for chronic idiopathic thrombocytopenic purpura, was launched in April 2023. In the midst of COVID-19 pandemic, we promoted a hybrid type of pharmaceutical information activities that effectively utilized various digital tools as well as the traditional physical interviews. As a result, the introduction into the market of these new products were implemented as planned, and the sales of Beova[®] Tablets, an overactive bladder treatment, and Darbepoetin Alfa BS Injection [JCR] for the treatment of renal anemia, as well as co-promotion fees increased. These increases, together with higher technical fees and export sales, contributed to the year-on-year increase in net sales.

Net sales of the Information Services Business were ¥8,285 million, an increase of 7.0% year on year, net sales of the Construction Business were ¥2,343 million, a decrease of 20.5% year on year, and net sales of the Merchandising Business were ¥621 million, an increase of 14.3% year on year.

• Profit

Regarding profit, despite an increase in net sales and a slight improvement in the cost of sales ratio, an increase in selling, general and administrative expenses centering on selling expenses could not be absorbed, resulting in an operating loss. On the other hand, while ordinary profit increased, profit attributable to owners of parent decreased despite a gain on sale of investment securities.

• R&D

Regarding difelikefalin (generic name, development code: MR13A9), a treatment for pruritis in dialysis patients,

which the Company is jointly developing with Maruishi Pharmaceutical Co., Ltd., an NDA was submitted by Maruishi Pharmaceutical in September 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 are continuing for the indication of uterine fibroids in Japan.

Overseas, the license agreement with ObsEva S.A. (Switzerland), which had been granted exclusive worldwide rights to develop and market Linzagolix, excluding Japan and other parts of Asia, was terminated at the end of November last year. The sublicensing agreement between ObsEva and Theramex (U.K.) for the commercialization of the drug outside North America and Asia, which was automatically succeeded by the Company upon termination of the agreement, has been renewed in April 2023 after a review of its terms and conditions in accordance with the latest situation. Preparations are currently underway by Theramex for the launch of this product in Europe during fiscal year 2023.

Furthermore, development of the product in the U.S. will not be made by the Company, and the Company will rather consider entering into a partnership with other companies for development. The New Drug Application (NDA) for Linzagolix for the indication of uterine fibroids was withdrawn by ObsEva in August 2022.

With respect to the out-licensing of Linzagolix in Asia, the Company granted exclusive development and commercialization rights in China to China-based Bio Genuine in September 2021 and similar exclusive rights in Taiwan to Synmosa Biopharma Corporation of Taiwan in November 2022.

(2) Overview of Financial Position for the Fiscal Year under Review

• Assets

Total assets amounted to ¥221,200 million as of March 31, 2023, down ¥16,887 million from the previous fiscal year-end. Current assets were up ¥1,299 million, to ¥100,641 million, mainly due to increases in inventories and other items, despite a decrease in cash and deposits. Non-current assets were down ¥18,186 million, to ¥120,558 million, mainly reflecting a decrease in investment securities.

• Liabilities

Total liabilities amounted to ¥26,385 million as of March 31, 2023, down ¥9,521 million from the previous fiscal year-end. Current liabilities were down ¥3,786 million, to ¥14,957 million, mainly due to decreases in income taxes payable and contract liabilities, despite increases in notes and accounts payable - trade and other items. Non-current liabilities were down ¥5,735 million, to ¥11,428 million, mainly due to a decrease in deferred tax liabilities.

• Net assets

Total net assets amounted to ¥194,814 million as of March 31, 2023, down ¥7,365 million from the previous fiscal year-end. This decrease mainly reflected a decrease in valuation difference on available-for-sale securities. As a result, the shareholders' equity ratio was 87.7%, up from 84.6% at the previous fiscal year-end.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents amounted to ¥48,884 million as of March 31, 2023, down ¥4,120 million from the previous fiscal year-end, a 7.8% decrease year on year.

The cash flows for the consolidated fiscal year under review were as stated below.

(Cash Flows from Operating Activities)

Net cash used in operating activities amounted to ¥6,679 million for the fiscal year ended March 31, 2023. This was attributable to cash outflow factors such as increase in inventories, decrease in contract liabilities, and increase in income taxes paid, despite cash inflow factors such as an increase in trade payable.

(Cash Flows from Investing Activities)

Net cash provided by investing activities amounted to ¥6,001 million for the fiscal year ended March 31, 2023. This was attributable to cash inflows such as proceeds from sale of investment securities despite cash outflows such as recording long-term prepaid expenses.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥3,420 million for the fiscal year ended March 31, 2023. The main factor was dividends paid.

(Reference) Changes in cash flow-related indices

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	83.0	81.6	84.6	87.7
Market value-based equity ratio (%)	56.0	42.0	49.5	55.1
Cash flow to interest-bearing debt ratio (year)	0.1	-	1.1	-
Interest coverage ratio (times)	585.1	-	64.9	-

Equity ratio: Equity/Total assets

Market value-based equity ratio: Market capitalization/Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payments

*1. All indices are calculated using financial values on a consolidated basis.

2. Market capitalization is calculated by multiplying the closing stock price at the end of the fiscal year by the number of shares outstanding (excluding treasury shares) at the end of the fiscal year.

3. For operating cash flow, the Company uses cash flows from operating activities in consolidated statements of cash flows. Interest-bearing debt covers all debt included in consolidated balance sheets on which interest has been paid. Interest payments also use the amount of interest paid in consolidated statements of cash flows.

(4) Basic Policy on the Distribution of Profit and Dividends for the Fiscal Year under Review and the Next Period

The Company's basic dividend policy is to make twice-yearly dividend payments, comprising interim and year-end cash dividends. The Board of Directors decides the amount of the interim cash dividend, while the General Meeting of Shareholders decides the amount of the year-end cash dividend. Also, the Company's articles of incorporation stipulate that a resolution of the Board of Directors enables the payment of interim cash dividends with a date of record of September 30 each year.

The Company considers increasing shareholder value to be of primary significance and will purchase or dispose of treasury shares flexibly when necessary, in line with business development and in accordance with resolutions of the Board of Directors.

By utilizing financial assets including cross-shareholdings effectively, in addition to through business activities, the Company will secure profit and actively pursue R&D investments (in drug discovery research, milestone payments on in-licensed products, new in-licensing, improvement of R&D equipment, etc.), strategic investments in ICT such as digital transformation (DX) and capital investments in production equipment and other assets. The Company believes this will not only contribute to future profit but also enable the Company to distribute profit to its shareholders appropriately. Regarding profit attributable to owners of parent, the Company has set the target of securing an ROE of 5% or greater.

Regarding the distribution of profit for the fiscal year under review, the Company will pay a year-end cash dividend of ¥40 per share as planned at the beginning of the fiscal year. Together with an interim cash dividend

of ¥40 per share, a full-year cash dividend of ¥80 per share will be paid.

Regarding the distribution of profit for the next fiscal year, the Company plans to pay a full-year dividend of ¥82 per share, comprising an interim cash dividend of ¥41 and a year-end cash dividend of ¥41.

As a company listed on the Tokyo Stock Exchange Prime Market, the Company will continue to pay stable dividends while bearing in mind maintaining its management foundation into the future.

(5) Future Outlook

The pharmaceutical market in Japan continues to experience harsh business conditions due to measures to curb medical costs, including the reform of the National Health Insurance (NHI) drug pricing system. In addition, uncertain business conditions are expected to continue in the future for Group companies, including the Company, due to the COVID-19 pandemic.

The current consolidated financial results forecast for the fiscal year ending March 31, 2024 are as stated below.

(Million yen)

	Forecast for the fiscal year ending March 31, 2024	Results for the fiscal year ended March 31, 2023	Change from the previous fiscal year	Change (%)
Net sales	74,500	67,493	7,007	10.4
Operating profit (loss)	4,200	(1,129)	5,329	-
Ordinary profit	5,200	598	4,602	768.4
Profit attributable to owners of parent	10,600	10,528	72	0.7

- Net sales

In the Pharmaceutical Business, the Company expects to increase overall sales due to the Company's efforts to promote its products, such as Beova[®], TAVNEOS[®] and CAROGRAM[®], and the introduction into the market of TAVALISSE[®] as well as higher technical fees. In addition, net sales of the Construction Business and the Merchandising Business are expected to increase, and net sales of the Information Services are expected to decrease.

- Profit

In addition to an increase in net sales, operating profit, ordinary profit and profit attributable to owners of parent are also expected to increase due to decreases in the cost of sales ratio and selling, general and administrative expenses. No extraordinary items are expected in non-operating income and expenses. Furthermore, gain on sale of investment securities is expected in extraordinary income and losses.

2. Basic Policy on Selection of Accounting Standards

In consideration of the comparability between periods and comparability between companies of consolidated financial statements, the Group's current policy is to create consolidated financial statements in accordance with the Japanese GAAP.

In light of the trend toward adopting the International Financial Reporting Standards (IFRS) at other Japanese companies in the industry, the Group will consider adopting the IFRS in the future.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	30,013	25,893
Notes receivable - trade	233	173
Accounts receivable - trade	21,723	21,910
Contract assets	850	696
Securities	23,139	23,706
Merchandise and finished goods	10,491	12,679
Work in process	63	129
Raw materials and supplies	8,433	9,990
Other	4,392	5,461
Total current assets	99,342	100,641
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,132	39,026
Accumulated depreciation	(30,525)	(30,848)
Buildings and structures, net	8,607	8,177
Land	12,611	13,615
Construction in progress	—	27
Other	16,469	16,116
Accumulated depreciation	(13,613)	(13,357)
Other, net	2,856	2,758
Total property, plant and equipment	24,074	24,579
Intangible assets		
Software	1,179	1,192
Other	389	314
Total intangible assets	1,569	1,507
Investments and other assets		
Investment securities	96,631	74,769
Long-term loans receivable	3	5
Long-term prepaid expenses	12,480	15,209
Retirement benefit asset	2,460	3,089
Deferred tax assets	524	433
Other	1,024	983
Allowance for doubtful accounts	(23)	(18)
Total investments and other assets	113,101	94,472
Total non-current assets	138,745	120,558
Total assets	238,087	221,200

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,104	4,617
Short-term borrowings	1,640	1,490
Income taxes payable	3,497	408
Provision for bonuses	1,707	1,670
Provision for bonuses for directors (and other officers)	14	9
Provision for sales promotion expenses	137	149
Contract liabilities	2,696	1,846
Other	4,946	4,764
Total current liabilities	18,744	14,957
Non-current liabilities		
Deferred tax liabilities	16,259	10,426
Provision for retirement benefits for directors (and other officers)	181	192
Asset retirement obligations	138	139
Other	583	669
Total non-current liabilities	17,163	11,428
Total liabilities	35,907	26,385
Net assets		
Shareholders' equity		
Share capital	24,356	24,356
Capital surplus	24,226	24,226
Retained earnings	118,183	125,576
Treasury shares	(12,912)	(12,912)
Total shareholders' equity	153,854	161,246
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,095	30,393
Remeasurements of defined benefit plans	2,435	2,259
Total accumulated other comprehensive income	47,531	32,653
Non-controlling interests	794	914
Total net assets	202,180	194,814
Total liabilities and net assets	238,087	221,200

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	65,381	67,493
Cost of sales	34,143	35,118
Gross profit	31,238	32,374
Selling, general and administrative expenses	32,640	33,503
Operating loss	(1,402)	(1,129)
Non-operating income		
Interest income	42	23
Dividend income	1,544	1,379
Gain on sale of securities	—	50
Gain on valuation of securities	180	65
Foreign exchange gains	—	186
Other	325	131
Total non-operating income	2,092	1,837
Non-operating expenses		
Interest expenses	23	20
Foreign exchange losses	60	—
Provision of allowance for doubtful accounts	—	15
Other	44	73
Total non-operating expenses	127	109
Ordinary profit	562	598
Extraordinary income		
Gain on sale of non-current assets	0	67
Gain on sale of investment securities	16,601	13,018
Total extraordinary income	16,601	13,086
Extraordinary losses		
Loss on sale of non-current assets	0	—
Loss on disposal of non-current assets	35	4
Loss on sale of investment securities	1	0
Loss on valuation of investment securities	619	—
Total extraordinary losses	656	4
Profit before income taxes	16,507	13,680
Income taxes - current	4,017	2,113
Income taxes - deferred	(542)	932
Total income taxes	3,475	3,046
Profit	13,032	10,634
Profit attributable to non-controlling interests	110	105
Profit attributable to owners of parent	12,921	10,528

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	13,032	10,634
Other comprehensive income		
Valuation difference on available-for-sale securities	(29,253)	(14,688)
Remeasurements of defined benefit plans, net of tax	2,456	(174)
Total other comprehensive income	(26,796)	(14,863)
Comprehensive income	(13,764)	(4,229)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(13,920)	(4,349)
Comprehensive income attributable to non-controlling interests	156	120

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	24,356	24,226	109,270	(12,911)	144,941
Cumulative effects of changes in accounting policies			(1,472)		(1,472)
Restated balance	24,356	24,226	107,798	(12,911)	143,469
Changes during period					
Dividends of surplus			(2,536)		(2,536)
Profit attributable to owners of parent			12,921		12,921
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		0	0
Net changes in items other than shareholders' equity					
Total changes during period	—	0	10,385	(0)	10,385
Balance at end of period	24,356	24,226	118,183	(12,912)	153,854

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	74,351	22	74,373	638	219,953
Cumulative effects of changes in accounting policies					(1,472)
Restated balance	74,351	22	74,373	638	218,481
Changes during period					
Dividends of surplus					(2,536)
Profit attributable to owners of parent					12,921
Purchase of treasury shares					(0)
Disposal of treasury shares					0
Net changes in items other than shareholders' equity	(29,255)	2,413	(26,842)	156	(26,686)
Total changes during period	(29,255)	2,413	(26,842)	156	(16,300)
Balance at end of period	45,095	2,435	47,531	794	202,180

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	24,356	24,226	118,183	(12,912)	153,854
Cumulative effects of changes in accounting policies					—
Restated balance	24,356	24,226	118,183	(12,912)	153,854
Changes during period					
Dividends of surplus			(3,135)		(3,135)
Profit attributable to owners of parent			10,528		10,528
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	7,392	(0)	7,392
Balance at end of period	24,356	24,226	125,576	(12,912)	161,246

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	45,095	2,435	47,531	794	202,180
Cumulative effects of changes in accounting policies					—
Restated balance	45,095	2,435	47,531	794	202,180
Changes during period					
Dividends of surplus					(3,135)
Profit attributable to owners of parent					10,528
Purchase of treasury shares					(0)
Disposal of treasury shares					—
Net changes in items other than shareholders' equity	(14,702)	(176)	(14,878)	120	(14,757)
Total changes during period	(14,702)	(176)	(14,878)	120	(7,365)
Balance at end of period	30,393	2,259	32,653	914	194,814

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	16,507	13,680
Depreciation	3,730	4,109
Increase (decrease) in provisions	(431)	(18)
Increase (decrease) in retirement benefit asset	—	(880)
Increase (decrease) in retirement benefit liability	(161)	—
Interest and dividend income	(1,586)	(1,402)
Interest expenses	23	20
Loss (gain) on sale of securities	—	(50)
Loss (gain) on valuation of securities	(180)	(65)
Loss (gain) on sale of non-current assets	0	(67)
Loss on disposal of non-current assets	35	4
Loss (gain) on sale of investment securities	(16,600)	(13,018)
Loss (gain) on valuation of investment securities	619	—
Increase/decrease in trade receivables and contract assets	250	27
Decrease (increase) in inventories	1,130	(3,810)
Decrease (increase) in other current assets	1,128	(946)
Increase (decrease) in trade payables	(3,804)	513
Increase/decrease in contract liabilities	1,224	(850)
Increase (decrease) in other current liabilities	766	466
Increase (decrease) in other non-current liabilities	14	(2)
Other, net	(22)	27
Subtotal	2,644	(2,262)
Interest and dividends received	1,479	1,302
Interest paid	(23)	(20)
Income taxes paid	(2,567)	(5,699)
Net cash provided by (used in) operating activities	1,533	(6,679)
Cash flows from investing activities		
Payments into time deposits	(75)	(75)
Proceeds from withdrawal of time deposits	75	75
Purchase of specified money in trust	—	(800)
Reduction of investments in specified trusts	97	888
Purchase of property, plant and equipment	(1,489)	(2,103)
Proceeds from sale of property, plant and equipment	23	78
Purchase of intangible assets	(430)	(444)
Purchase of investment securities	(5,682)	(991)
Proceeds from sale and redemption of investment securities	22,073	14,022
Loan advances	(3)	(8)
Proceeds from collection of loans receivable	25	11
Purchase of long-term prepaid expenses	(3,802)	(4,688)
Other, net	(34)	35
Net cash provided by (used in) investing activities	10,776	6,001

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from financing activities		
Repayments of short-term borrowings	(90)	(150)
Repayments of long-term borrowings	(13)	—
Repayments of lease liabilities	(115)	(133)
Dividends paid	(2,536)	(3,135)
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	0	—
Net cash provided by (used in) financing activities	(2,756)	(3,420)
Effect of exchange rate change on cash and cash equivalents	4	(21)
Net increase (decrease) in cash and cash equivalents	9,557	(4,120)
Cash and cash equivalents at beginning of period	43,447	53,004
Cash and cash equivalents at end of period	53,004	48,884

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

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

Effective from the beginning of the fiscal year ended March 31, 2023, 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 consolidated financial statements.

(Segment information, etc.)

a. Segment information

1. Overview of reportable segments

Separate financial information on the Company's reportable segments is available for the Company's constituent units. This subject is regularly considered by the Board of Directors in order to determine the distribution of management resources and evaluate results.

2. Calculation methods for net sales, profit (loss), assets, liabilities, and other items by reportable segment

The accounting methods for reported business segments are largely the same as presented in "Significant Accounting Policies for Preparation of Consolidated Financial Statements."

Profit figures for reportable segments are on an operating-profit basis.

Inter-segment sales are based on transaction prices between third parties.

3. Information on net sales, profit (loss), assets, liabilities and other items, and information on the disaggregation by reportable segment

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment				Total
	Pharmaceutical	Information Services	Construction	Merchandising	
Net Sales					
Pharmaceutical Business					
Pharmaceuticals sales	45,792	—	—	—	45,792
Therapeutic and care foods sales	3,568	—	—	—	3,568
Technical fees	518	—	—	—	518
Other	4,268	—	—	—	4,268
Information Services Business	—	9,562	—	—	9,562
Construction Business	—	—	4,331	—	4,331
Merchandising Business	—	—	—	763	763
Revenue arising from contracts with customers	54,147	9,562	4,331	763	68,805
Sales to third parties	54,147	7,742	2,948	543	65,381
Inter-segment sales or transfers	—	1,820	1,383	220	3,424
Total	54,147	9,562	4,331	763	68,805
Segment profit (loss)	(2,608)	914	192	30	(1,470)
Segment assets	226,428	8,549	3,058	2,127	240,164
Other items					
Depreciation (Note)	3,399	430	26	23	3,879
Increase in property, plant and equipment and intangible assets (Note)	5,343	487	15	1	5,847

(Note) Depreciation of long-term prepaid expenses is included in depreciation and amortization, and the increase in long-term prepaid expenses is included in the increase in property, plant and equipment and intangible assets, respectively.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segment				Total
	Pharmaceutical	Information Services	Construction	Merchandising	
Net sales					
Pharmaceutical Business					
Pharmaceuticals sales	47,077				47,077
Therapeutic and care foods sales	3,461				3,461
Technical fees	1,053				1,053
Other	4,650				4,650
Information Services Business		10,342			10,342
Construction Business			3,275		3,275
Merchandising Business				824	824
Revenue arising from contracts with customers	56,243	10,342	3,275	824	70,686
Sales to third parties	56,243	8,285	2,343	621	67,493
Inter-segment sales or transfers	—	2,057	932	202	3,192
Total	56,243	10,342	3,275	824	70,686
Segment profit (loss)	(2,207)	881	78	21	(1,225)
Segment assets	209,115	9,105	2,901	1,895	223,017
Other items					
Depreciation (Note)	3,745	468	23	22	4,259
Increase in property, plant and equipment and intangible assets (Note)	5,828	1,617	18	3	7,467

(Note) Depreciation of long-term prepaid expenses is included in depreciation, and the increase in long-term prepaid expenses is included in the increase in property, plant and equipment and intangible assets, respectively.

4. Total amount of reportable segments, difference from the amount stated in the consolidated financial statements, and main components of such difference

(Million yen)

Net sales	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Total for reportable segments	68,805	70,686
Elimination of inter-segment transactions	(3,424)	(3,192)
Net sales in the consolidated financial statements	65,381	67,493

(Million yen)

Profit	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Total for reportable segments	(1,470)	(1,225)
Elimination of inter-segment transactions	69	86
Adjustment of non-current assets	4	20
Other adjustments	(5)	(10)
Operating loss in the consolidated financial statements	(1,402)	(1,129)

(Million yen)

Assets	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Total for reportable segments	240,164	223,017
Elimination of inter-segment transactions	(2,076)	(1,817)
Total assets in the consolidated financial statements	238,087	221,200

(Million yen)

Other items	Total for reportable segments		Adjustments		Amount in the consolidated financial statements	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Depreciation	3,879	4,259	(148)	(150)	3,730	4,109
Increase in property, plant and equipment and intangible assets	5,847	7,467	(126)	(146)	5,721	7,321

b. Related information

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

1. Information on products and services

Omitted as the same information is disclosed in “Segment information.”

2. Information by region

(1) Net sales

Omitted as sales to third parties in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Not applicable as the Company does not have property, plant and equipment located outside of Japan.

3. Principal information by customer

Customer name	Net sales (Million yen)	Relevant segment
Alfresa Corporation	11,022	Pharmaceutical Business
Suzuken Co., Ltd.	8,883	Pharmaceutical Business
Mediceo Corporation	8,403	Pharmaceutical Business

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

1. Information on products and services

Omitted due to disclosure of the same information in “Segment information.”

2. Information by region

(1) Net sales

Omitted due to sales to third parties in Japan exceeding 90% of net sales in consolidated statements of income.

(2) Property, plant and equipment

Not applicable due to the absence of property, plant and equipment located outside of Japan.

3. Principal information by customer

Customer title or name	Net sales (Million yen)	Relevant segment
Alfresa Corporation	11,183	Pharmaceutical Business
Mediceo Corporation	8,496	Pharmaceutical Business
Suzuken Co., Ltd.	8,471	Pharmaceutical Business

(Revenue recognition)

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

(Per share information)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	¥4,366.96	¥4,204.64
Basic earnings per share	¥280.20	¥228.31

(Notes) 1. As there are no dilutive shares, diluted earnings per share are not listed.

2. The basis for calculating basic earnings per share is as follows:

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit attributable to owners of parent (Million yen)	12,921	10,528
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	12,921	10,528
Average number of shares during the period (Thousand shares)	46,115	46,115

(Significant subsequent events)

(Execution of material contracts)

We have entered into an agreement to grant Theramex (UK, "Theramex") the exclusive worldwide development and marketing rights for Linzagolix (generic name), a drug discovered and developed by Kissei for the treatment of uterine fibroids and endometriosis, excluding North America and parts of Asia including Japan. The outline of the agreement is as follows.

(1) Name of the company with which the agreement was concluded

Theramex HQ UK Limited (U.K.)

(2) Date of contract

April 26, 2023

(3) Details of the contract

Grant of exclusive worldwide development and marketing rights for Linzagolix, excluding North America and parts of Asia including Japan

(4) Significant impact of the conclusion of the agreement on business activities

Linzagolix was approved for the treatment of uterine fibroids in Europe in June 2022, and preparations are underway for its market launch by Theramex in Europe during fiscal year 2023. The Company will receive an upfront payment and sales milestone payments from Theramex, and will also supply the drug substance.

(Purchase and Retirement of Treasury Shares)

At a meeting of the Board of Directors held on May 8, 2023, the Company resolved to purchase treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing certain terms pursuant to Article 165, Paragraph 3 of the same Act, and to retire treasury shares pursuant to Article 178 of the Companies Act, as follows.

1. Reasons for purchase and retirement of treasury shares

To implement an agile capital policy in response to changes in the business environment and to improve capital efficiency and to enhance shareholder returns.

2. Details of matters relating to purchase

- | | |
|--|--|
| (1) Class of shares to be purchased | Common shares of the Company |
| (2) Total number of shares to be purchased | 2,000,000 shares (maximum)
(4.34% of total number of shares outstanding (excluding treasury shares)) |
| (3) Total amount for share purchase | ¥6,000 million (maximum) |
| (4) Purchase period | May 10, 2023 to March 29, 2024 |
| (5) Method of purchase | Open market purchase at the Tokyo Stock Exchange
(i) Purchase through Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)
(ii) Purchase based on a discretionary trading agreement pertaining to purchase of treasury shares |

(Note) The Company will announce the time and method, etc. of the purchase through Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) immediately after deciding.

3. Details of matters relating to retirement

- | | |
|---|---|
| (1) Class of shares to be retired | Common shares of the Company |
| (2) Total number of shares to be retired | 2,500,000 shares
(4.83% of total number of shares outstanding before retirement) |
| (3) Total number of shares outstanding after retirement | 49,311,185 shares |
| (4) Scheduled retirement date | June 12, 2023 |

(Reference)

State of treasury shares held as of March 31, 2023

- | | |
|--------------------------------------|-------------------|
| • Total number of shares outstanding | 46,115,567 shares |
| (excluding treasury shares) | |
| • Number of treasury shares | 5,695,618 shares |

4. Other

(1) Changes in Officers
Not applicable.

(2) Sales Results

Sales results by segment for the year ended March 31, 2023 are as follows.

Segment classification	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Change	
	Amount (Million yen)	Composition (%)	Amount (Million yen)	Composition (%)	Amount (Million yen)	Change (%)
Pharmaceutical Business	54,147	82.8	56,243	83.3	2,096	3.9
Urology	15,232	23.3	18,045	26.7	2,813	18.5
Renal diseases and dialysis	13,949	21.3	13,595	20.1	(354)	(2.5)
Orphan drugs	78	0.1	1,113	1.6	1,034	—
Metabolism and endocrinology	7,605	11.6	6,200	9.2	(1,405)	(18.5)
Obstetrics and gynecology	1,037	1.6	820	1.2	(216)	(20.9)
Ophthalmology	612	0.9	530	0.8	(82)	(13.4)
Other drugs	7,276	11.1	6,771	10.0	(504)	(6.9)
Therapeutic and care foods	3,568	5.5	3,461	5.1	(106)	(3.0)
Technical fees	518	0.8	1,053	1.6	535	103.4
Other	4,268	6.5	4,650	6.9	381	8.9
Information Services Business	7,742	11.8	8,285	12.3	542	7.0
Construction Business	2,948	4.5	2,343	3.5	(605)	(20.5)
Merchandising Business	543	0.8	621	0.9	77	14.3
Total	65,381	100.0	67,493	100.0	2,111	3.2
[Exports]	[3,713]	[5.7]	[4,584]	[6.8]	[870]	[23.4]

(Note) Intersegment transactions are eliminated.