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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]



July 30, 2024

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 & CEO
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 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of 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, 2024 (April 1, 2024 – June 30, 2024)

(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, 2024	21,164	9.6	2,158	32.2	2,876	6.0	4,106	25.8
June 30, 2023	19,313	18.6	1,633	-	2,712	236.2	3,265	99.6

(Note) Comprehensive income: Three months ended June 30, 2024: ¥1,594 million [(65.7)%]

Three months ended June 30, 2023: ¥4,653 million [146.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	92.89	-
June 30, 2023	70.95	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2024	257,912	220,917	85.2	4,972.54
March 31, 2024	260,929	221,136	84.3	4,977.41

(Reference) Equity: As of June 30, 2024: ¥219,812 million

As of March 31, 2024: ¥220,028 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, 2024	—	41.00	—	41.00	82.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		45.00	—	45.00	90.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(% indicates changes from the previous corresponding period.)

(% 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	41,000	10.9	1,500	(25.6)	2,200	(36.5)	5,200	(8.4)	117.63
Full year	83,000	9.8	4,200	4.6	5,400	(12.1)	11,300	1.2	255.62

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

*** Notes:**

- (1) Significant changes in scope of consolidation during the period under review: 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: None
 - 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, 2024:	49,311,185 shares
March 31, 2024:	49,311,185 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2024:	5,105,933 shares
March 31, 2024:	5,105,798 shares
 - 3) Average number of shares during the period:

Three months ended June 30, 2024:	44,205,331 shares
Three months ended June 30, 2023:	46,021,867 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

* 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.

(How to obtain supplementary explanatory materials on financial results)

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

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period under Review

In the three months ended June 30, 2024, the pharmaceutical industry continued to experience harsh business conditions. The drug price revision was implemented in April 2024 with measures to support drug prices such as classifying more items as unprofitable products for repricing, in addition to the reform of the National Health Insurance (NHI) drug pricing system which focuses on resolving the issues of drug lag and drug loss as well as assessment and promotion of innovation. However, the overall drug price remains subject to cost-containment trends due to the measures to curb medical costs, including a mid-year revision of drug price. Although ICT demand continued and there were also signs of a recovery in willingness for capital investment in the information services, construction, and merchandising industries, the current business climate, particularly personal consumption, is weak due to the weak yen and price hike, and the competitive environment remained fierce. In these circumstances, the Company's financial results for the three months ended June 30, 2024 were as stated below.

(Million yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change (%)
Net sales	19,313	21,164	9.6
Operating profit	1,633	2,158	32.2
Ordinary profit	2,712	2,876	6.0
Profit attributable to owners of parent	3,265	4,106	25.8

• Net sales

Net sales of the Pharmaceutical Business were ¥18,494 million, an increase of 15.1% year on year. In addition to the sales of Beova[®] Tablets, an overactive bladder treatment, sales increased for four products (CAROGRA[®] Tablets, a treatment for ulcerative colitis; TAVNEOS[®] Capsules for the treatment of microscopic polyangiitis and granulomatosis with polyangiitis; TAVALISSE[®] Tablets, a treatment for chronic idiopathic thrombocytopenic purpura; and KORSUVA[®] IV Injection Syringe, a treatment for pruritis in dialysis patients), which were launched during the period of the medium-term management plan, "PEGASUS," and revenue from technical fees, etc. also increased. These factors contributed to the year-on-year increase in net sales.

Net sales of the Information Services Business were ¥1,952 million, a decrease of 14.6% year on year, net sales of the Construction Business were ¥485 million, a decrease of 36.4% year on year, and net sales of the Merchandising Business were ¥231 million, an increase of 16.4% year on year.

• Profit

Regarding profit, the Company recorded a higher operating profit, ordinary profit, and profit attributable to owners of parent due to an increase in net sales as well as an improvement in the cost of sales ratio, despite an increase in selling, general and administrative expenses centering on R&D expenses. The Company also recorded a gain on sale of investment securities as extraordinary income.

• R&D

Linzagolix (generic name, development code: KLH-2109), a treatment for uterine fibroids and endometriosis, which was created by the Company, achieved primary endpoints in two Phase III clinical trials for the indication of uterine fibroids in Japan, demonstrating non-inferiority in one trial, and superiority in another, over respective control groups.

In the overseas development of Linzagolix, preparations for market introduction are now in the final stage by Theramex (U.K.), the licensee, for launch in Europe (product name: Yselty[®]) during the first half of FY2024 for the indication of uterine fibroids. Also, the Company granted exclusive rights to develop and market Linzagolix in South Korea to JW Pharmaceutical (Korea) in June 2024.

The licensing agreement with AffaMed Therapeutics (China), which had been granting rights to develop and market a treatment for Parkinson's disease KDT-3594 (development code), which was discovered by the Company, in China and other countries, was terminated in May 2024.

(2) Overview of Financial Position for the Period under Review

- Assets

Total assets amounted to ¥257,912 million as of June 30, 2024, down ¥3,017 million from the previous fiscal year-end. Current assets were up ¥257 million, to ¥104,809 million, mainly due to an increase in notes and accounts receivable - trade, and contract assets despite decreases in cash and deposits and inventories. Non-current assets were down ¥3,275 million, to ¥153,102 million, mainly due to a decrease in investment securities despite an increase in buildings and structures.

- Liabilities

Total liabilities amounted to ¥36,994 million as of June 30, 2024, down ¥2,799 million from the previous fiscal year-end. Current liabilities were down ¥1,680 million, to ¥15,983 million, mainly due to decreases in income taxes payable and contract liabilities. Non-current liabilities were down ¥1,118 million, to ¥21,011 million, mainly due to a decrease in deferred tax liabilities.

- Net assets

Total net assets amounted to ¥220,917 million as of June 30, 2024, down ¥218 million from the previous fiscal year-end, mainly due to decreases in valuation difference on available-for-sale securities despite an increase in retained earnings.

As a result, the shareholders' equity ratio was 85.2%, up from 84.3% at the previous fiscal year-end.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	22,894	22,755
Notes and accounts receivable - trade, and contract assets	28,680	28,818
Securities	23,039	23,138
Merchandise and finished goods	14,310	14,567
Work in process	304	274
Raw materials and supplies	11,682	11,191
Other	3,640	4,064
Total current assets	104,551	104,809
Non-current assets		
Property, plant and equipment		
Buildings and structures	38,954	39,487
Accumulated depreciation	(30,954)	(31,077)
Buildings and structures, net	7,999	8,410
Land	13,594	13,465
Construction in progress	383	511
Other	16,855	16,870
Accumulated depreciation	(13,972)	(13,957)
Other, net	2,883	2,913
Total property, plant and equipment	24,861	25,301
Intangible assets	1,992	1,947
Investments and other assets		
Investment securities	106,361	103,180
Retirement benefit asset	7,311	7,448
Deferred tax assets	608	559
Other	15,260	14,684
Allowance for doubtful accounts	(18)	(18)
Total investments and other assets	129,523	125,854
Total non-current assets	156,377	153,102
Total assets	260,929	257,912

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,893	4,666
Short-term borrowings	1,340	1,340
Income taxes payable	2,380	1,354
Provision for bonuses	1,847	789
Other provisions	153	127
Contract liabilities	1,486	1,051
Other	5,562	6,652
Total current liabilities	17,663	15,983
Non-current liabilities		
Deferred tax liabilities	21,188	20,114
Provision for retirement benefits for directors (and other officers)	209	189
Asset retirement obligations	143	142
Other	588	564
Total non-current liabilities	22,129	21,011
Total liabilities	39,793	36,994
Net assets		
Shareholders' equity		
Share capital	24,356	24,356
Capital surplus	24,226	24,226
Retained earnings	127,310	129,604
Treasury shares	(13,209)	(13,209)
Total shareholders' equity	162,683	164,977
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,782	50,361
Remeasurements of defined benefit plans	4,562	4,473
Total accumulated other comprehensive income	57,344	54,835
Non-controlling interests	1,107	1,105
Total net assets	221,136	220,917
Total liabilities and net assets	260,929	257,912

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30, 2024

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	19,313	21,164
Cost of sales	9,730	10,283
Gross profit	9,583	10,881
Selling, general and administrative expenses	7,949	8,723
Operating profit	1,633	2,158
Non-operating income		
Interest income	14	6
Dividend income	647	645
Gain on valuation of securities	446	58
Other	33	23
Total non-operating income	1,141	732
Non-operating expenses		
Interest expenses	4	4
Foreign exchange losses	41	—
Commission expenses	15	4
Other	1	5
Total non-operating expenses	62	14
Ordinary profit	2,712	2,876
Extraordinary income		
Gain on sale of non-current assets	—	0
Gain on sale of investment securities	1,638	2,812
Total extraordinary income	1,638	2,812
Extraordinary losses		
Loss on disposal of non-current assets	0	37
Impairment losses	—	128
Loss on valuation of investment securities	1	—
Total extraordinary losses	1	166
Profit before income taxes	4,349	5,521
Income taxes - current	1,177	1,284
Income taxes - deferred	(151)	131
Total income taxes	1,025	1,416
Profit	3,323	4,105
Profit attributable to non-controlling interests	57	(1)
Profit attributable to owners of parent	3,265	4,106

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30, 2024

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	3,323	4,105
Other comprehensive income		
Valuation difference on available-for-sale securities	1,400	(2,420)
Remeasurements of defined benefit plans, net of tax	(70)	(90)
Total other comprehensive income	1,330	(2,510)
Comprehensive income	4,653	1,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,592	1,597
Comprehensive income attributable to non-controlling interests	61	(2)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on segment information, etc.)

I. For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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	13,748	—	—	—	13,748
Therapeutic and care foods	890	—	—	—	890
Technical fees	99	—	—	—	99
Other	1,327	—	—	—	1,327
Information Services Business	—	2,676	—	—	2,676
Construction Business	—	—	1,044	—	1,044
Merchandising Business	—	—	—	238	238
Revenue arising from contracts with customers	16,065	2,676	1,044	238	20,025
Sales to third parties	16,065	2,285	763	199	19,313
Inter-segment sales or transfers	—	391	281	39	712
Total	16,065	2,676	1,044	238	20,025
Segment profit	1,052	480	49	10	1,592

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	1,592
Elimination of inter-segment transactions	31
Adjustment of non-current assets	8
Other adjustments	1
Operating profit in the quarterly consolidated statements of income	1,633

II. For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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	15,892	—	—	—	15,892
Therapeutic and care foods	898	—	—	—	898
Technical fees	588	—	—	—	588
Other	1,114	—	—	—	1,114
Information Services Business	—	2,391	—	—	2,391
Construction Business	—	—	1,158	—	1,158
Merchandising Business	—	—	—	281	281
Revenue arising from contracts with customers	18,494	2,391	1,158	281	22,326
Sales to third parties	18,494	1,952	485	231	21,164
Inter-segment sales or transfers	—	438	673	49	1,161
Total	18,494	2,391	1,158	281	22,326
Segment profit	1,987	3	48	26	2,065

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	2,065
Elimination of inter-segment transactions	50
Adjustment of non-current assets	49
Other adjustments	(7)
Operating profit in the quarterly consolidated statements of income	2,158

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

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 have not been prepared. Depreciation (including amortization for intangible assets) for the three months ended June 30, 2023 and 2024 is as follows.

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	1,021 million yen	1,121 million yen

3. Other

(1) Sales Results

Sales results by segment for the three months ended June 30, 2024 are as follows.

Segment classification	Three months ended June 30, 2023		Three months ended June 30, 2024		Change	
	Amount (Million yen)	Composition (%)	Amount (Million yen)	Composition (%)	Amount (Million yen)	Change (%)
Pharmaceutical Business	16,065	83.2	18,494	87.4	2,429	15.1
Urology	5,310	27.5	5,920	28.0	610	11.5
Renal diseases and dialysis	3,277	17.0	3,775	17.8	497	15.2
Orphan drugs	1,087	5.6	2,686	12.7	1,599	147.1
Metabolism and endocrinology	1,570	8.1	1,324	6.3	(245)	(15.6)
Obstetrics and gynecology	185	1.0	164	0.8	(21)	(11.6)
Ophthalmology	90	0.5	78	0.4	(11)	(13.0)
Other drugs	2,227	11.5	1,943	9.2	(284)	(12.8)
Therapeutic and care foods	890	4.6	898	4.2	8	0.9
Technical fees	99	0.5	588	2.8	489	493.6
Other	1,327	6.9	1,114	5.3	(212)	(16.0)
Information Services Business	2,285	11.8	1,952	9.2	(332)	(14.6)
Construction Business	763	4.0	485	2.3	(278)	(36.4)
Merchandising Business	199	1.0	231	1.1	32	16.4
Total	19,313	100.0	21,164	100.0	1,851	9.6
[Exports]	[1,419]	[7.4]	[1,631]	[7.7]	[211]	[14.9]

(Note) Inter-segment transactions are eliminated.