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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]

May 10, 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

Contact: Takahide Kitahara, Director, Department Manager of Corporate Finance and Management Department

Phone: +81-263-25-9081

Scheduled date of general shareholders' meeting: June 23, 2022

Scheduled date of commencing dividend payments: June 24, 2022

Scheduled date of filing securities report: June 23, 2022

Availability of supplementary explanatory materials on annual financial results: Available

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 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	%
Fiscal year ended March 31, 2022	65,381	(5.3)	(1,402)	-	562	(83.8)	12,921	144.5
March 31, 2021	69,044	9.2	1,505	(19.0)	3,476	43.1	5,285	87.6

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

Fiscal year ended March 31, 2021: ¥30,762 million [143.3%]

	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, 2022	280.20	-	6.1	0.2	(2.1)
March 31, 2021	113.25	-	2.6	1.4	2.2

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2022: ¥- million

Fiscal year ended March 31, 2021: ¥- million

(Note) Effective from the beginning of the fiscal year ended March 31, 2022, the Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. Consolidated operating results for the previous fiscal year are not restated by retrospectively applying the Accounting Standard for Revenue Recognition, etc. Therefore, the % changes from the previous corresponding period indicated for the consolidated operating results for the fiscal year ended March 31, 2022 are for reference.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2022	238,087	202,180	84.6	4,366.96
March 31, 2021	268,861	219,953	81.6	4,755.74

(Reference) Equity: As of March 31, 2022: ¥201,385 million

As of March 31, 2021: ¥219,315 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, 2022	1,533	10,776	(2,756)	53,004
March 31, 2021	(2,542)	(9,329)	(4,000)	(43,447)

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 March 31, 2021	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	-	27.00	-	27.00	54.00	2,506	47.7	1.2
Fiscal year ended March 31, 2022	-	28.00	-	28.00	56.00	2,582	20.0	1.2
Fiscal year ending March 31, 2023 (Forecast)	-	40.00	-	40.00	80.00		36.9	

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

*** 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, 2022:	51,811,185 shares
March 31, 2021:	51,811,185 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2022:	5,695,353 shares
March 31, 2021:	5,695,246 shares
 - 3) Average number of shares during the period:

Year ended March 31, 2022:	46,115,890 shares
Year ended March 31, 2021:	46,666,100 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)**

(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, 2022	54,147	(4.0)	(2,608)	-	(613)	-	12,255	165.8
March 31, 2021	56,407	9.9	355	(60.4)	2,342	57.6	4,609	109.0

Year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	265.75	-
March 31, 2021	98.78	-

(Note) Effective from the beginning of the fiscal year ended March 31, 2022, the Company applies the Accounting Standard for Revenue Recognition, etc. Non-consolidated operating results for the previous fiscal year are not restated by retrospectively applying the Accounting Standard for Revenue Recognition, etc. Therefore, the % changes from the previous corresponding period indicated for the non-consolidated operating results for the fiscal year ended March 31, 2022 are for reference.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	225,233	193,674	86.0	4,199.74
As of March 31, 2021	258,213	214,708	83.2	4,655.84

(Reference) Equity: As of March 31, 2022: ¥193,674 million

As of March 31, 2021: ¥214,708 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.

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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, 2022, 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 increasingly tense 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 mid-year revision of drug prices was implemented in April 2021, following the drug price revisions in April 2020. Although ICT demand increased in the information services industry, a cautious approach to capital investment generally prevailed in the construction and merchandising industries. In addition, the recovery of personal consumption slowed down, and competition remained fierce.

In these circumstances, the Company's financial results for the fiscal year ended March 31, 2022 were as stated below.

(Million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change (%)
Net sales	69,044	65,381	(5.3)
Operating profit (loss)	1,505	(1,402)	—
Ordinary profit	3,476	562	(83.8)
Profit attributable to owners of parent	5,285	12,921	144.5

(Note) As the Company applies the Accounting Standard for Revenue Recognition, etc. effective from the beginning of the fiscal year ended March 31, 2022, % changes indicated in the table above and year-on-year changes stated below are for reference.

• Net sales

Net sales of the Pharmaceutical Business were ¥54,147 million, a decrease of 4.0% year on year. Continuing from the previous fiscal year, we endeavored to provide drug information in such a manner as to prevent COVID-19 infection during the pandemic. Although sales increased for certain products, including Beova[®] Tablets, an overactive bladder treatment; MINIRIN MELT[®] OD tablets 25µg and 50µg, a treatment of nocturia due to nocturnal polyuria in males; and MINIRIN MELT[®] OD Tablets 60µg, 120µg, and 240µg and DESMOPRESSIN formulations, treatments for nocturnal enuresis and central diabetes insipidus, net sales decreased mainly because of the impact of the NHI drug price revisions implemented in April 2021 and a decrease in export sales.

UPASITA[®] IV Injection Syringes for the treatment of secondary hyperparathyroidism for which the Company concluded a co-promotion agreement in Japan with SANWA KAGAKU KENKYUSHO Co., Ltd., were launched by SANWA KAGAKU KENKYUSHO in August 2021. Regarding TAVNEOS[®] Capsules 10mg (generic name: avacopan) for the treatment of microscopic polyangiitis and granulomatosis with polyangiitis, for which the Company received marketing authorization approval in Japan in September 2021, we have been promoting activities to provide drug information, spearheaded by the Rare Disease Project that is specialized in marketing of drugs for rare diseases, in preparation for launch following listing in the NHI Drug Price Standard.

Net sales of the Information Services Business were ¥7,742 million, a decrease of 8.8% year on year, net sales of the Construction Business were ¥2,948 million, a decrease of 16.7% year on year, and net sales of the Merchandising Business were ¥543 million, a decrease of 10.9% year on year.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., compared with the figures under the previous accounting standard, net sales of the Pharmaceutical Business decreased ¥456 million, net sales of the Information Services Business increased ¥96 million, net sales of the Construction Business increased ¥517 million, and net sales of the Merchandising Business decreased ¥363 million.

- Profit

Regarding profit, operating loss was recorded and ordinary profit decreased owing mainly to an increase in selling, general and administrative expenses centering on R&D expenses, in addition to a decrease in net sales. On the other hand, profit attributable to owners of parent increased owing mainly to recording of a gain on sale of investment securities.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., compared with the figures under the previous accounting treatment, operating profit and ordinary profit decreased ¥409 million, respectively.

- R&D

Regarding carotegrast methyl (generic name, development code: AJM300), a treatment for ulcerative colitis, which EA Pharma Co., Ltd. and the Company have jointly developed and for which EA Pharma submitted a New Drug Application (NDA) in Japan in May 2021, EA Pharma received marketing authorization approval in Japan in March 2022. Preparations are underway for the launch of the product under the brand name “CAROGR[®] Tablets 120 mg” following listing in the NHI Drug Price Standard. Furthermore, regarding rovatirelin (generic name, development code: KPS-0373), a treatment for spinocerebellar ataxia, which was in-licensed from Shionogi & Co., Ltd. and 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 NDAs in Japan in December 2021 and April 2022, respectively.

Regarding difelikefalin (generic name, development code: MR13A9), a treatment for pruritus in dialysis patients, which the Company is jointly developing with Maruishi Pharmaceutical Co., Ltd., the primary endpoints were achieved in phase III clinical studies in Japan.

Overseas, regarding linzagolix (generic name, development code: KLH-2109), a treatment for uterine fibroids and endometriosis, which is a drug discovered by the Company, ObsEva SA based in Switzerland, the licensee for linzagolix worldwide excluding Japan and certain other countries in Asia, has been promoting development for the indication of uterine fibroids in Europe and the U.S. ObsEva submitted a Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) for linzagolix for the treatment of uterine fibroids in November 2020, and a recommendation for approval was issued from the Committee for Medicinal Products for Human Use (CHMP) of the EMA in December 2021. Additional inquiries were received thereafter, and a renewed recommendation for approval was adopted in April 2022. Moreover, ObsEva submitted an NDA to the U.S. Food and Drug Administration (FDA) for linzagolix in September 2021.

With respect to licensing in Asia, the Company granted exclusive development and commercialization rights for linzagolix in China to China-based Bio Genuine in September 2021. For fostamatinib, the Company granted development and commercialization rights in South Korea to JW Pharmaceutical Corporation in June 2021 and those in China to China-based Inmagine Biopharmaceuticals in August 2021, respectively.

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

- Assets

Total assets amounted to ¥238,087 million as of March 31, 2022, down ¥30,773 million from the previous fiscal year-end. Current assets were up ¥6,376 million, to ¥99,342 million, mainly due to increases in cash and deposits, despite decreases in inventories, securities, and other items. Non-current assets were down ¥37,150 million, to ¥138,745 million, mainly reflecting a decrease in investment securities.

- Liabilities

Total liabilities amounted to ¥35,907 million as of March 31, 2022, down ¥12,999 million from the previous fiscal year-end. Current liabilities were up ¥499 million, to ¥18,744 million, mainly due to an increase in income taxes payable, despite decreases in notes and accounts payable - trade and other items. Non-current liabilities were down ¥13,498 million, to ¥17,163 million, mainly due to a decrease in deferred tax liabilities.

- Net assets

Total net assets amounted to ¥202,180 million as of March 31, 2022, down ¥17,773 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 84.6%, up from 81.6% at the previous fiscal year-end.

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

Cash and cash equivalents ("cash") amounted to ¥53,004 million as of March 31, 2022, up ¥9,557 million from the previous fiscal year-end, a 22.0% increase year on year.

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

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,533 million for the fiscal year ended March 31, 2022. This was attributable to cash inflow factors such as decreases in inventories and accounts receivable and other current assets, despite a decrease in trade payables and other cash outflow factors.

(Cash Flows from Investing Activities)

Net cash provided by investing activities amounted to ¥10,776 million for the fiscal year ended March 31, 2022. This was attributable to gain on sale of investment securities, despite cash outflows from purchase of investment securities and long-term prepaid expenses incurred for purchase of commercialization rights and other items.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥2,756 million for the fiscal year ended March 31, 2022. The main factor was dividends paid.

(Reference) Changes in cash flow-related indices

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio (%)	85.4	83.0	81.6	84.6
Market value-based equity ratio (%)	63.4	56.0	42.0	49.5
Cash flow to interest-bearing debt ratio (year)	0.3	0.1	-	1.1
Interest coverage ratio (times)	270.6	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, 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 ¥28 per share as planned at the beginning of the fiscal year. Together with an interim cash dividend of ¥28 per share, a full-year cash dividend of ¥56 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 ¥80 per share, comprising an interim cash dividend of ¥40 and a year-end cash dividend of ¥40.

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, 2023 are as stated below.

(million yen)

	Forecast for the fiscal year ending March 31, 2023	Results for the fiscal year ended March 31, 2022	Change from the previous fiscal year	Change (%)
Net sales	68,000	65,381	2,619	4.0
Operating profit (loss)	2,800	(1,402)	4,202	-
Ordinary profit	4,400	562	3,838	682.1
Profit attributable to owners of parent	10,000	12,921	(2,921)	(22.6)

• Net sales

In the Pharmaceutical Business, sales of pharmaceuticals will decrease because of the impact of the NHI drug price revisions implemented in April 2022 despite the Company's ongoing efforts to promote its products, such as Beova[®], P-TOL[®], and MINIRIN MELT[®] and the introduction into the market of TAVNEOS[®] and CAROGRA[®]. However, this will be offset by revenue from technical fees, and the Company expects to increase overall sales. In addition, net sales of the Construction Business are expected to increase, and net sales of the Information Services Business and Merchandising Business are expected to decrease.

- Profit

In addition to an increase in net sales, operating profit and ordinary profit 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, although gain on sale of investment securities is expected in extraordinary income and losses, a decrease is expected in profit attributable to owners of parent.

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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	20,456	30,013
Notes and accounts receivable - trade	23,058	—
Notes receivable - trade	—	233
Accounts receivable - trade	—	21,723
Contract assets	—	850
Securities	23,998	23,139
Merchandise and finished goods	11,066	10,491
Work in process	462	63
Raw materials and supplies	8,590	8,433
Other	5,332	4,392
Total current assets	92,965	99,342
Non-current assets		
Property, plant and equipment		
Buildings and structures	38,855	39,132
Accumulated depreciation	(29,991)	(30,525)
Buildings and structures, net	8,863	8,607
Land	12,622	12,611
Construction in progress	98	—
Other	16,820	16,469
Accumulated depreciation	(14,114)	(13,613)
Other, net	2,705	2,856
Total property, plant and equipment	24,290	24,074
Intangible assets		
Software	1,175	1,179
Other	465	389
Total intangible assets	1,640	1,569
Investments and other assets		
Investment securities	138,133	96,631
Long-term loans receivable	14	3
Long-term prepaid expenses	10,262	12,480
Retirement benefit asset	—	2,460
Deferred tax assets	585	524
Other	1,002	1,024
Allowance for doubtful accounts	(34)	(23)
Total investments and other assets	149,964	113,101
Total non-current assets	175,895	138,745
Total assets	268,861	238,087

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,909	4,104
Short-term borrowings	1,743	1,640
Income taxes payable	1,487	3,497
Provision for bonuses	1,816	1,707
Provision for bonuses for directors (and other officers)	14	14
Provision for sales returns	6	—
Provision for sales rebates	320	—
Provision for sales promotion expenses	149	137
Contract liabilities	—	2,696
Other	4,796	4,946
Total current liabilities	18,245	18,744
Non-current liabilities		
Deferred tax liabilities	28,480	16,259
Provision for retirement benefits for directors (and other officers)	164	181
Retirement benefit liability	1,234	—
Asset retirement obligations	121	138
Other	660	583
Total non-current liabilities	30,662	17,163
Total liabilities	48,907	35,907
Net assets		
Shareholders' equity		
Share capital	24,356	24,356
Capital surplus	24,226	24,226
Retained earnings	109,270	118,183
Treasury shares	(12,911)	(12,912)
Total shareholders' equity	144,941	153,854
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,351	45,095
Remeasurements of defined benefit plans	22	2,435
Total accumulated other comprehensive income	74,373	47,531
Non-controlling interests	638	794
Total net assets	219,953	202,180
Total liabilities and net assets	268,861	238,087

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

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	69,044	65,381
Cost of sales	36,322	34,143
Gross profit	32,722	31,238
Selling, general and administrative expenses	31,217	32,640
Operating profit (loss)	1,505	(1,402)
Non-operating income		
Interest income	30	42
Dividend income	1,242	1,544
Gain on sale of securities	0	—
Gain on valuation of securities	720	180
Other	160	325
Total non-operating income	2,154	2,092
Non-operating expenses		
Interest expenses	23	23
Foreign exchange losses	130	60
Other	29	44
Total non-operating expenses	183	127
Ordinary profit	3,476	562
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	4,084	16,601
Other	3	—
Total extraordinary income	4,087	16,601
Extraordinary losses		
Loss on sale of non-current assets	—	0
Loss on disposal of non-current assets	10	35
Loss on sale of investment securities	—	1
Loss on valuation of investment securities	77	619
Total extraordinary losses	87	656
Profit before income taxes	7,476	16,507
Income taxes - current	1,510	4,017
Income taxes - deferred	587	(542)
Total income taxes	2,098	3,475
Profit	5,378	13,032
Profit attributable to non-controlling interests	93	110
Profit attributable to owners of parent	5,285	12,921

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	5,378	13,032
Other comprehensive income		
Valuation difference on available-for-sale securities	23,652	(29,253)
Remeasurements of defined benefit plans, net of tax	1,732	2,456
Total other comprehensive income	25,384	(26,796)
Comprehensive income	30,762	(13,764)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30,629	(13,920)
Comprehensive income attributable to non-controlling interests	133	156

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	24,356	24,226	106,461	(11,608)	143,435
Cumulative effects of changes in accounting policies					—
Restated balance	24,356	24,226	106,461	(11,608)	143,435
Changes during period					
Dividends of surplus			(2,475)		(2,475)
Profit attributable to owners of parent			5,285		5,285
Purchase of treasury shares				(1,303)	(1,303)
Disposal of treasury shares		(0)		0	0
Net changes in items other than shareholders' equity					
Total changes during period	—	(0)	2,809	(1,303)	1,505
Balance at end of period	24,356	24,226	109,270	(12,911)	144,941

	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	50,706	(1,676)	49,029	504	192,970
Cumulative effects of changes in accounting policies					—
Restated balance	50,706	(1,676)	49,029	504	192,970
Changes during period					
Dividends of surplus					(2,475)
Profit attributable to owners of parent					5,285
Purchase of treasury shares					(1,303)
Disposal of treasury shares					0
Net changes in items other than shareholders' equity	23,645	1,699	25,344	133	25,477
Total changes during period	23,645	1,699	25,344	133	26,983
Balance at end of period	74,351	22	74,373	638	219,953

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

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	7,476	16,507
Depreciation	3,148	3,730
Increase (decrease) in provisions	(12)	(431)
Increase (decrease) in retirement benefit liability	155	(161)
Interest and dividend income	(1,273)	(1,586)
Interest expenses	23	23
Loss (gain) on sale of securities	(0)	—
Loss (gain) on valuation of securities	(720)	(180)
Loss (gain) on sale of non-current assets	(0)	0
Loss on disposal of non-current assets	10	35
Loss (gain) on sale of investment securities	(4,084)	(16,600)
Loss (gain) on valuation of investment securities	77	619
Decrease (increase) in trade receivables	(3,595)	—
Increase / decrease in trade receivables and contract assets	—	250
Decrease (increase) in inventories	(6,679)	1,130
Decrease (increase) in other current assets	(509)	1,128
Increase (decrease) in trade payables	2,671	(3,804)
Increase / decrease in contract liabilities	—	1,224
Increase (decrease) in other current liabilities	279	766
Increase (decrease) in other non-current liabilities	4	14
Other, net	6	(22)
Subtotal	(3,024)	2,644
Interest and dividends received	1,157	1,479
Interest paid	(23)	(23)
Income taxes paid	(652)	(2,567)
Net cash provided by (used in) operating activities	(2,542)	1,533
Cash flows from investing activities		
Payments into time deposits	(78)	(75)
Proceeds from withdrawal of time deposits	78	75
Reduction of investments in specified trusts	98	97
Purchase of property, plant and equipment	(931)	(1,489)
Proceeds from sale of property, plant and equipment	3	23
Purchase of intangible assets	(554)	(430)
Purchase of investment securities	(3,761)	(5,682)
Proceeds from sale and redemption of investment securities	4,551	22,073
Loan advances	(5)	(3)
Proceeds from collection of loans receivable	37	25
Purchase of long-term prepaid expenses	(8,822)	(3,802)
Other, net	54	(34)
Net cash provided by (used in) investing activities	(9,329)	10,776
Cash flows from financing activities		
Repayments of short-term borrowings	—	(90)
Repayments of long-term borrowings	(16)	(13)
Repayments of lease liabilities	(204)	(115)
Dividends paid	(2,475)	(2,536)
Purchase of treasury shares	(1,303)	(0)
Proceeds from sale of treasury shares	0	0
Net cash provided by (used in) financing activities	(4,000)	(2,756)
Effect of exchange rate change on cash and cash equivalents	0	4
Net increase (decrease) in cash and cash equivalents	(15,872)	9,557
Cash and cash equivalents at beginning of period	59,319	43,447
Cash and cash equivalents at end of period	43,447	53,004

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the fiscal year ended March 31, 2022, the Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. and recognizes the amount expected to be received in exchange for goods or services as revenue when the control of the promised goods or services has been transferred to a customer. Accordingly, regarding upfront and milestone payments received based on an out-licensing contract in the Pharmaceutical Business, in the case of a contract under which performance obligations are satisfied at a point in time, the Company recognizes the upfront and milestone payments received as revenue at such point in time. On the other hand, in the case of a contract under which performance obligations are not satisfied at a point in time, the Company changed the accounting method to one under which the amount corresponding to the upfront and milestone payments received is recorded as contract liabilities and revenue is recognized over time as performance obligations pertaining to the out-licensing contract are satisfied. Moreover, regarding construction contracts in the Information Services Business and the Construction Business, the Company previously applied the percentage-of-completion method to construction contracts if the outcome of the construction activity is deemed certain during the course of the activity and otherwise applied the completed-contract method. Effective from the beginning of the fiscal year ended March 31, 2022, the Company changed the accounting method to one under which revenue is recognized over time as performance obligations are satisfied. The cost recovery method is applied to construction contracts for which the percentage of completion cannot be reasonably estimated. In the case of construction contracts and other transactions whose construction period is very short, an alternative treatment is applied under which revenue is recognized at the time when the performance obligations are fully satisfied.

For the application of the Accounting Standard for Revenue Recognition, etc., the Company follows the transitional treatment, which is stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. Accordingly, the cumulative effect of retrospectively applying the new accounting policy before the beginning of the fiscal year ended March 31, 2022 is added to or deducted from retained earnings at the beginning of the said fiscal year and the new accounting policy is applied from the said beginning balance. However, the Company applies the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition and does not apply the new accounting policy retrospectively to the contracts for which almost all the revenue had been recognized in accordance with the previous treatment before the beginning of the fiscal year ended March 31, 2022. Moreover, the Company applies the method stipulated in Paragraph 86, Proviso (1) of the Accounting Standard for Revenue Recognition and, for changes to contracts made before the beginning of the fiscal year ended March 31, 2022, accounting treatment is implemented based on the contract conditions after all changes to contracts have been reflected and its cumulative effect is added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2022.

In addition, “Notes and accounts receivable - trade,” which was presented under “Current liabilities,” is included in “Notes receivable – trade,” “Accounts receivable – trade,” and “Contract assets” from the fiscal year ended March 31, 2022. However, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, reclassification based on the new presentation method is not made for the previous fiscal year. Additionally, “Reversal of provision for sales returns” and “Provision for sales returns,” which were listed independently, are included in “Net sales” in the consolidated statements of income for the fiscal year ended March 31, 2022.

As a result, compared with before the application of the Accounting Standard for Revenue Recognition, etc., total assets decreased ¥161 million and liabilities increased ¥248 million on the consolidated balance sheets for the fiscal year ended March 31, 2022. On the consolidated statements of income for the fiscal year ended March 31,

2022, net sales decreased ¥205 million, cost of sales increased ¥204 million, and operating profit, ordinary profit, and profit before income taxes each decreased ¥409 million.

There was no effect on the consolidated statements of cash flows for the fiscal year ended March 31, 2022.

The balance at the beginning of the period for retained earnings on the consolidated statements of changes in equity decreased ¥1,472 million due to the cumulative effect on net assets at the beginning of the fiscal year ended March 31, 2022.

The effect on per share information is described in the relevant section.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, there is no note to “Revenue recognition” for the fiscal year ended March 31, 2021.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of the fiscal year ended March 31, 2022, the Company applies the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. and will prospectively apply the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on quarterly consolidated financial statements.

(Changes in presentation method)

(Consolidated statements of cash flows)

“Foreign exchange losses (gains)” in “Cash flows from operating activities,” which was independently presented in the previous fiscal year, has become insignificant and is therefore included in “Other” in the fiscal year ended March 31, 2022. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation method.

As a result, ¥(0) million presented in “Foreign exchange losses (gains)” and ¥6 million in “Other” in “Cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year have been reclassified as ¥6 million in “Other.”

(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 the accounting methods used in creating 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 of revenue by reportable segment

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment				Total
	Pharmaceutical	Information Services	Construction	Merchandising	
Net Sales					
Sales to third parties	56,407	8,489	3,538	609	69,044
Inter-segment sales or transfers	—	1,947	1,101	1,345	4,395
Total	56,407	10,437	4,639	1,955	73,439
Segment profit (loss)	355	837	309	(10)	1,492
Segment assets	257,087	8,604	3,241	1,953	270,887
Other items					
Depreciation (Note)	2,866	357	26	24	3,274
Increase in property, plant and equipment and intangible assets (Note)	11,010	341	21	12	11,385

(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, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment				Total
	Pharmaceutical	Information Services	Construction	Merchandising	
Net sales					
Pharmaceutical Business					
Pharmaceuticals	45,792	—	—	—	45,792
Therapeutic and care foods	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 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, 2021	Fiscal year ended March 31, 2022
Total for reportable segments	73,439	68,805
Elimination of inter-segment transactions	(4,395)	(3,424)
Net sales in the consolidated financial statements	69,044	65,381

(Million yen)

Profit	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total for reportable segments	1,492	(1,470)
Elimination of inter-segment transactions	65	69
Adjustment of non-current assets	(62)	4
Other adjustments	9	(5)
Operating profit (loss) in the consolidated financial statements	1,505	(1,402)

(Million yen)

Assets	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total for reportable segments	270,887	240,164
Elimination of inter-segment transactions	(2,026)	(2,076)
Total assets in the consolidated financial statements	268,861	238,087

(Million yen)

Other items	Total for reportable segments		Adjustments		Amount in the consolidated financial statements	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation	3,274	3,879	(126)	(148)	3,148	3,730
Increase in property, plant and equipment and intangible assets	11,385	5,847	(245)	(126)	11,139	5,721

b. Related information

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

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	12,265	Pharmaceutical Business
Suzuken Co., Ltd.	9,066	Pharmaceutical Business
Mediceo Corporation	8,511	Pharmaceutical Business

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

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	11,022	Pharmaceutical Business
Suzuken Co., Ltd.	8,883	Pharmaceutical Business
Mediceo Corporation	8,403	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, 2021	For the fiscal year ended March 31, 2022
Net assets per share	¥4,755.74	¥4,366.96
Basic earnings per share	¥113.25	¥280.20

(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, 2021	For the fiscal year ended March 31, 2022
Profit attributable to owners of parent (Million yen)	5,285	12,921
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	5,285	12,921
Average number of shares during the period (Thousand shares)	46,666	46,115

3. As described in “Changes in accounting policies,” the Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., and follows the transitional treatment, which is stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, net assets per share and basic earnings per share decreased ¥40.81 and ¥8.89, respectively.

(Significant subsequent events)

Not applicable.

4. Other

(1) Changes in Officers

1) Changes in representatives

President and Chief Operating Officer (COO)

Yasuo Takehana (Currently Managing Director, in charge of Research Division, Quality, Safety and Regulatory Affairs Division, Medical Research Department)

Director and Senior Advisor

Yoshio Furihata (Currently President and Chief Operating Officer [COO])

2) Changes in other officers

1. New candidates for Member of the Board

Part-time Outside Director

There are plans to notify the Tokyo Stock Exchange, Inc. of his appointment as an Independent Director.

Yoshinori Otsuki (Currently Executive Managing Director, Society for the Healthy Development of the Global Community Co.,Ltd.)

Director, General Manager of Sales and Marketing Division

Hiroshi Noake (Currently Department Manager of Sales Planning Department)

Director, General Manager of Research Division

Keiji Miyazawa (Currently Department Manager of Research Strategy and Planning Department)

2. Retiring Members of the Board

Currently Executive Vice President, in charge of General management, Legal Affairs Department, Public Relations Department and Corporate Information Systems Department

Hiroe Sato (Scheduled to assume the position of Executive Advisor of the Company)

Currently Director and Senior Advisor

Masaki Morozumi (Scheduled to assume the position of Executive Advisor of the Company)

Currently Director, Department Manager of General Administration Department, in charge of Ethics and Environment

Eiichi Matsushita (Scheduled to assume the position of Advisor of the Company)

Currently Director, General Manager of Research Division

Shinji Kikuchi (Scheduled to assume the position of Full-time Corporate Auditor)

Currently Director, General Manager of Sales and Marketing Division

Suminori Sagara (Scheduled to assume the position of Advisor of the Company)

3. New candidate for Corporate Auditor

Full-time Corporate Auditor

Shinji Kikuchi (Currently Director, General Manager of Research Division)

4. Retiring Corporate Auditor

Currently Part-time Corporate Auditor

Makoto Yonekubo

5. Board members to be promoted

Executive Vice President,
in charge of General management and Medical
Research Department

Keiji Fukushima (Currently Executive Managing
Director, in charge of Sales and Marketing Division
and Medical Research Department)

Executive Managing Director, in charge of Human
Resources Department and General Administration
Department

Tetsu Takayama (Currently Managing Director of
Human Resources Department)

Managing Director of Corporate Finance and
Management Department, in charge of Public
Relations Department

Takahide Kitahara (Currently Director, Department
Manager of Corporate Finance and Management
Department)

(2) Sales Results

Sales results by segment for the year ended March 31, 2022 are as follows.

Segment classification	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		Change	
	Amount (Million yen)	Composition (%)	Amount (Million yen)	Composition (%)	Amount (Million yen)	Change (%)
Pharmaceutical Business	56,407	81.7	54,147	82.8	(2,260)	(4.0)
Urology	14,402	20.9	15,232	23.3	829	5.8
Renal diseases and dialysis	15,845	22.9	13,949	21.3	(1,895)	(12.0)
Metabolism and endocrinology	8,079	11.7	7,605	11.6	(473)	(5.9)
Obstetrics and gynecology	1,146	1.7	1,037	1.6	(108)	(9.5)
Ophthalmology	789	1.1	612	0.9	(177)	(22.4)
Other drugs	7,877	11.4	7,354	11.2	(522)	(6.6)
Therapeutic and care foods	3,726	5.4	3,568	5.5	(158)	(4.2)
Technical fees	891	1.3	518	0.8	(373)	(41.9)
Other	3,649	5.3	4,268	6.5	619	17.0
Information Services Business	8,489	12.3	7,742	11.8	(746)	(8.8)
Construction Business	3,538	5.1	2,948	4.5	(589)	(16.7)
Merchandising Business	609	0.9	543	0.8	(66)	(10.9)
Total	69,044	100.0	65,381	100.0	(3,663)	(5.3)
[Exports]	[4,600]	[6.7]	[3,713]	[5.7]	[(886)]	[(19.3)]

(Note) Intersegment transactions are eliminated.