Kyowa Kirin Co., Ltd.

Consolidated Financial Summary (IFRS)
Fiscal 2019

(January 1, 2019 – December 31, 2019)

This document is an English translation of parts of the Japanese-language original.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS (IFRS)
for Fiscal Year Ended December 31, 2019

(The twelve-month period from January 1, 2019 to December 31, 2019)

February 5, 2020

Company Name: Kyowa Kirin Co., Ltd.
Listed Exchanges: 1st Section of the Tokyo Stock Exchange
Stock Code: 4151
President & Chief Executive Officer: Masashi Miyamoto
Telephone: +81 3 5205 7206
Inquiries: Satoko Yoshida
Director,
Corporate Communications Department
URL: https://www.kyowakirin.com/index.html

Scheduled date of Ordinary General Meeting of Shareholders: March 19, 2020
Scheduled start date of dividend payment: March 23, 2020
Scheduled date of submission of Annual Securities Report: March 12, 2020
Appendix materials to accompany the annual financial report: Yes
FY2019 earnings presentation meeting: Yes (for institutional investors and securities analysts)

(Millions of yen rounded off)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Core operating profit		Profit before tax		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	305,820	12.6	59,353	18.0	44,492	(33.4)	67,084	23.3
December 31, 2018	271,510	–	50,306	–	66,841	–	54,414	26.8

Total comprehensive income: Fiscal year ended December 31, 2019: ¥73,162 million; 47.7%
Fiscal year ended December 31, 2018: ¥49,520 million; (5.6)%

Notes: 1. Core operating profit was calculated by deducting “selling, general and administrative expenses” and “research and development expenses” from “gross profit,” and adding “share of profit (loss) of investments accounted for using equity method” to the amount.

2. Following the conclusion of an agreement on February 5, 2019, in which Kyowa Kirin Co., Ltd. (the “Company”) agreed to transfer 95% of the shares of its consolidated subsidiary Kyowa Hakko Bio Co., Ltd. to Kirin Holdings Company, Limited, the Bio-Chemicals business is categorized as a discontinued operation from the current fiscal year. Accordingly, revenue, core operating profit, and profit before tax show figures for continuing operations and exclude discontinued operations. In addition, the consolidated financial statements for the previous fiscal year have been restated to reflect the change, and accordingly year-on-year changes are not stated for the items of that period.

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Profit before tax to total assets ratio
Fiscal year ended	Millions of yen	%	Yen	Yen	%	%
December 31, 2019	67,084	23.3	124.57	124.46	10.1	5.8
December 31, 2018	54,414	26.8	99.40	99.30	8.6	9.2

(Reference) Share of profit (loss) of investments accounted for using equity method:
Fiscal year ended December 31, 2019: ¥3,980 million;
Fiscal year ended December 31, 2018: (¥98) million

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2019	784,453	678,250	678,250	86.5	1,263.16
December 31, 2018	741,982	649,621	649,621	87.6	1,186.65

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2019	53,655	(933)	(47,371)	20,762
December 31, 2018	56,181	(39,929)	(16,501)	15,867

2. Dividends

	Dividends per share					Total dividend amount	Dividend payout ratio (consoli-dated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2018	–	15.00	–	20.00	35.00	19,160	35.2	3.0
Fiscal year ended December 31, 2019	–	20.00	–	22.00	42.00	22,552	33.7	3.4
Fiscal year ending December 31, 2020 (Forecast)	–	22.00	–	22.00	44.00		48.2	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Percentages indicate year-on-year changes.)

	Revenue		Core operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	327,000	6.9	65,000	9.5	63,000	41.6	49,000	(27.0)	49,000	(27.0)	91.26

* Notes

(1) Changes to significant subsidiaries during the period (Changes of specified subsidiaries resulting in changes in the scope of consolidation during the period under review): Yes

Excluded: three companies Kyowa Hakko Bio Co., Ltd., Kyowa Pharma Chemical Co., Ltd., Thai Kyowa Biotechnologies Co., Ltd.

(2) Changes in accounting policies, and accounting estimates:

a. Changes in accounting policies required by IFRS: Yes

b. Changes in accounting policies other than a. above: No

c. Changes in accounting estimates: No

Note: See page 23, "3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to Consolidated Financial Statements, *Significant accounting policies*."

(3) Number of shares issued (ordinary shares)

a. Number of shares issued (including treasury shares)

As of December 31, 2019	540,000,000 shares
As of December 31, 2018	576,483,555 shares

b. Number of treasury shares

As of December 31, 2019	3,053,335 shares
As of December 31, 2018	29,042,650 shares

c. Average number of shares during the period

FY ended December 31, 2019	538,542,438 shares
FY ended December 31, 2018	547,411,756 shares

(Reference)
Non-Consolidated Results for the Fiscal Year Ended December 31, 2019 (Japanese GAAP)
(from January 1, 2019 to December 31, 2019)

(1) Non-consolidated operating results *(Percentages indicate year-on-year changes.)*

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	246,274	14.5	50,029	18.5	73,363	57.2	91,473	91.1
December 31, 2018	215,154	2.2	42,230	9.3	46,660	(6.2)	47,860	11.1

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2019	169.85	169.71
December 31, 2018	87.43	87.34

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2019	618,306	549,020	88.7	1,021.09
December 31, 2018	569,900	502,413	88.0	916.31

(Reference) Equity: As of December 31, 2019: ¥548,269 million; As of December 31, 2018: ¥501,626 million

* These financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Notice regarding the appropriate use of the earnings forecasts and other special comments

1. The forward-looking statements, including earnings forecasts, contained in these materials are based on the information currently available to the Company and on certain assumptions deemed to be reasonable by management. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ materially from these projections for a wide variety of reasons.
   For more information regarding our suppositions that form the assumptions for the earnings forecasts, please see page 13 of the attachment, "(5) Outlook for Fiscal 2020" in "1. Summary of Business Performance and Financial Position."
2. The Company changed its company name from Kyowa Hakko Kirin Co., Ltd. to Kyowa Kirin Co., Ltd. on July 1, 2019.

Attachment Index

1. Summary of Business Performance and Financial Position

The Kyowa Kirin Group (the "Group") launched global strategic products in overseas markets and spent 2019 pressing forward with initiatives aimed at achieving a further leap forward as a global specialty pharmaceutical company. These include efforts to maximize the value of the global strategic products, strengthen global governance and create value for future growth.

In March, the Group implemented a special call for voluntary retirement with the objective of achieving a speedy transition to a global business model and strengthen the fundamentals of Japan's domestic business operations. In April 2019, the Group transitioned to a global management structure made up of a matrix called "One Kyowa Kirin" constituting the four regional axes of Japan, EMEA (Europe, Middle East and Africa), North America, and Asia/Oceania, as well as an extra trans-regional functional axis. Furthermore, with the objectives of concentrating management resources into pharmaceuticals business and maximizing the value of Kyowa Hakko Bio Co., Ltd., the Company transferred 95% of its shares of Kyowa Hakko Bio Co., Ltd. to Kirin Holdings Company, Limited on April 24, 2019. As a result, Kyowa Hakko Bio Co., Ltd. was excluded from the Company's scope of consolidation. In July 2019, the Company changed its trade name from "Kyowa Hakko Kirin" to "Kyowa Kirin" and renewed the corporate logo in order to cultivate a sense of unity among the Group management and promote further popularization of the brand globally.

(1) Summary of Business Performance in Fiscal 2019

1) Overview of results

The Group now applies the International Financial Reporting Standards ("IFRS") in line with its policy of expanding business globally, and adopts "core operating profit" as a level of profit that shows the recurring profitability from operating activities. Core operating profit is calculated by deducting "selling, general and administrative expenses" and "research and development expenses" from "gross profit," and adding "share of profit (loss) of investments accounted for using equity method" to the amount.

Note that the Company has categorized the Bio-Chemicals business as a discontinued operation from the current fiscal year. As a result, the profit from discontinued operations is presented separately from continuing operations on the consolidated statement of profit or loss. Accordingly, the amounts presented for revenue, core operating profit and profit before tax are amounts from continuing operations from which discontinued operations have been excluded, and the results for the previous fiscal year have been restated to reflect the same presentation as the fiscal year under review so that comparative analysis can be performed.
In addition, the Group did have two reportable segments of "Pharmaceuticals business" and "Bio-Chemicals business." However, following the conclusion of an agreement to transfer shares of Kyowa Hakko Bio Co., Ltd., the "Bio-Chemicals business" was categorized as a discontinued operation and from the current fiscal year, the Group has only one reportable segment of the "Pharmaceuticals business."

(Billions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018	Year-on-year change	Year-on-year (%)
Revenue	305.8	271.5	34.3	12.6%
Core operating profit	59.4	50.3	9.0	18.0%
Profit before tax	44.5	66.8	(22.3)	(33.4)%
Profit from continuing operations	37.7	49.2	(11.6)	(23.5)%
Profit from discontinued operations	29.4	5.2	24.2	467.4%
Profit attributable to owners of parent	67.1	54.4	12.7	23.3%

For the fiscal year ended December 31, 2019, revenue was ¥305.8 billion (up 12.6% compared to the previous fiscal year), core operating profit was ¥59.4 billion (up 18.0%), and profit attributable to owners of parent was ¥67.1 billion (up 23.3%)

- The increase in revenue was the result of global strategic products in Europe and the U.S. and new product groups in Japan steadily penetrating into the market and strong sales in Asia, mainly in China, despite the impact of reductions in drug price standards in Japan, etc. The increase in core operating profit was the result of growth in sales of global strategic products and the improved share of profit (loss) of investments accounted for using equity method, despite increases in selling, general and administrative expenses and research and development expenses.
- The increase in profit attributable to owners of parent was owing to an increase in profit from discontinued operations due to recording of a gain on sale of investments in subsidiaries associated with the transfer of Kyowa Hakko Bio Co., Ltd. shares, despite a decrease in profit from continuing operations resulting from the impairment losses and business restructuring expenses recorded in the fiscal year under review, while there were a gain on sale of investments in subsidiaries associated with the transfer of Kyowa Medex Co., Ltd. (currently Hitachi Chemical Diagnostics Systems Co., Ltd.) shares and a reversal of impairment losses recorded in the previous fiscal year.

2) Revenue by geographic region

(Billions of yen)

		Fiscal year ended December 31, 2019	Percentage of consolidated revenue (%)	Fiscal year ended December 31, 2018	Percentage of consolidated revenue (%)	Year-on-year change
Japan		186.2	60.9%	183.5	67.6%	2.7
International		119.6	39.1%	88.0	32.4%	31.7
	Americas	49.7	16.3%	23.0	8.5%	26.7
	Europe	42.2	13.8%	42.3	15.6%	(0.1)
	Asia	27.6	9.0%	22.5	8.3%	5.1
	Others	0.1	0.0%	0.2	0.1%	(0.0)
Total consolidated revenue		305.8	100.0%	271.5	100.0%	34.3

Note: Revenue is classified by region or country based on location of customer.

- Revenue in Japan increased from the previous fiscal year mainly due to the growth in sales of new product groups, despite various factors including the reduction in drug price standards implemented in April 2018 and October 2019, the impacts of generics and rival products, as well as the impact of switching to Darbepoetin Alfa Injection Syringe [KKF], an authorized generic of NESP®, a renal anemia treatment drug whose patent has expired, following that drug's launch in August 2019.

· Core product NESP®, a renal anemia treatment drug, achieved steady market penetration in line with rapid progress in switching to Darbepoetin Alfa Injection Syringe [KKF].

· Revenue from long term NHI products such as ALLELOCK®, an anti-allergy agent, CONIEL®, a hypertension and angina pectoris drug, and Depakene®, an anti-epileptic drug, decreased compared to the previous fiscal year due mainly to the impact of the market penetration of generics.

· Revenue from new product ORKEDIA®, a treatment for secondary hyperparathyroidism, which was launched in May 2018, increased. Meanwhile, revenue from REGPARA®, a treatment for secondary hyperparathyroidism, decreased due to factors such as switching to ORKEDIA® and the impact of rival products.

· Firm growth in revenue was also realized for G-Lasta®, an agent for decreasing the incidence of febrile neutropenia, ROMIPLATE®, a treatment for chronic idiopathic thrombocytopenic purpura, Dovobet®, a topical combination drug for psoriasis vulgaris, LUMICEF®, a treatment for psoriasis, and NOURIAST®, an antiparkinsonian agent, among others.

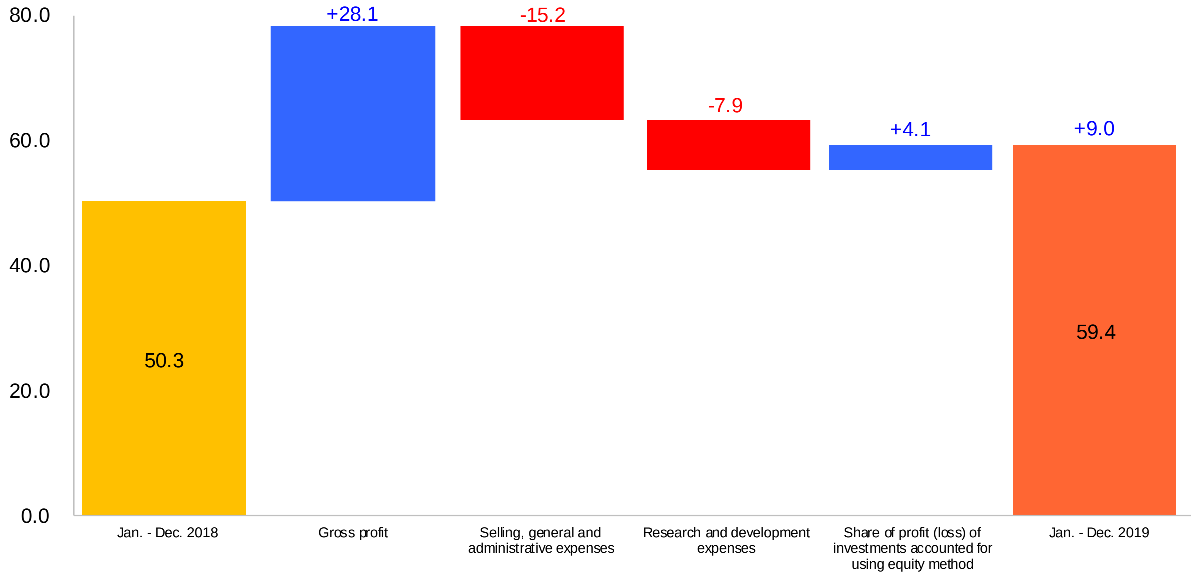
· Rituximab BS [KHK], an anticancer agent, launched in January 2018, has achieved market penetration and sales growth as planned.

- In December 2019, HARUROPI®, a Parkinson's disease treatment patch, and Crysvita®, a treatment for FGF23-related diseases were launched.

- Revenue from international business increased compared to the previous fiscal year due to the steady growth of global strategic products that were launched in 2018.
  - In the Americas and Europe, sales of Crysvita®, a treatment for X-linked hypophosphatemia whose sales commenced in the U.S. and Europe in April 2018, have continued to grow steadily since the product's launch, and the number of patients receiving the drug have also been increasing steadily. Furthermore, in the U.S., POTELIGEO®, an anticancer agent which was launched in October 2018, has also been penetrating the market favorably, and sales of NOURIANZ™ (product name in Japan: NOURIAST®), an antiparkinsonian agent, were launched in October 2019.
  - Revenue from Asia increased from the previous fiscal year, due to the growth of REGPARA® for the treatment of secondary hyperparathyroidism particularly in China as well as the start of sales of Neulasta (product name in Japan: G-Lasta®), an agent for decreasing the incidence of febrile neutropenia, and other products, from January 2019 in the Middle East.
  - Licensing revenue decreased from the previous fiscal year, reflecting the recording of the gain on sales of the Priority Review Voucher in 2018, despite an increase in royalties revenue from AstraZeneca in relation to benralizumab.

3) Core operating profit

Billions of yen



- Core operating profit increased compared to the previous fiscal year mainly due to an increase in gross profit due to strong sales of global strategic products and improved share of profit (loss) of investments accounted for using equity method, despite increases in selling, general and administrative expenses associated with global strategic products as well as in research and development expenses.

(2) Summary of Consolidated Financial Position for Fiscal 2019

(Billions of yen)

	As of December 31, 2019	As of December 31, 2018	Change
Assets	784.5	742.0	42.5
Non-current assets	335.8	356.1	(20.3)
Current assets	448.6	385.8	62.8
Liabilities	106.2	92.4	13.8
Equity	678.2	649.6	28.6
Ratio of equity attributable to owners of parent to total assets (%)	86.5%	87.6%	(1.1)%

- Assets as of December 31, 2019, were ¥784.5 billion, an increase of ¥42.5 billion compared to the end of the previous fiscal year.
  - Non-current assets declined from the end of the previous fiscal year by ¥20.3 billion to ¥335.8 billion, due mainly to Kyowa Hakko Bio Co., Ltd. and its subsidiaries being excluded from the scope of consolidation, despite an increase in property, plant and equipment resulting from the application of IFRS 16 “Leases,” etc.
  - Current assets increased from the end of the previous fiscal year by ¥62.8 billion to ¥448.6 billion due mainly to an increase in loans receivable from parent as fund management, etc. resulting from the transfer proceeds, etc. of Kyowa Hakko Bio Co., Ltd. despite a decrease due to Kyowa Hakko Bio Co., Ltd. and its subsidiaries being excluded from the scope of consolidation.
- Liabilities as of December 31, 2019, were ¥106.2 billion, an increase of ¥13.8 billion compared to the end of the previous fiscal year, due mainly to an increase in other financial liabilities resulting from the application of IFRS 16 “Leases,” despite a decrease due to Kyowa Hakko Bio Co., Ltd. and its subsidiaries being excluded from the scope of consolidation.
- Equity as of December 31, 2019, was ¥678.2 billion, an increase of ¥28.6 billion compared to the end of the previous fiscal year, due mainly to an increase resulting from the recording of profit attributable to owners of parent, despite a decrease due to a payment of dividends as well as implementation of shareholder return measures such as repurchase and cancellation of treasury shares, etc.

  As a result, the ratio of equity attributable to owners of parent to total assets was 86.5%, a decrease of 1.1 percentage points compared to the end of the previous fiscal year.

(3) Cash Flow Summary for Fiscal 2019

(Billions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018	Year-on-year change	Year-on-year (%)
Net cash provided by (used in) operating activities	53.7	56.2	(2.5)	(4.5)%
Net cash provided by (used in) investing activities	(0.9)	(39.9)	39.0	(97.7)%
Net cash provided by (used in) financing activities	(47.4)	(16.5)	(30.9)	187.1%
Cash and cash equivalents at beginning of period	15.9	14.7	1.2	8.0%
Cash and cash equivalents at end of period	20.8	15.9	4.9	30.9%

- Cash and cash equivalents as of December 31, 2019 were ¥20.8 billion, an increase of ¥4.9 billion compared to the balance of ¥15.9 billion as of December 31, 2018.

  The main contributing factors affecting cash flow during the current fiscal year were as follows:
- Net cash provided by operating activities was ¥53.7 billion, a 4.5% decrease compared to the previous fiscal year. Major inflows included profit before tax from continuing operations of ¥44.5

billion and depreciation and amortization of ¥18.8 billion. Major outflows included income taxes paid of ¥22.7 billion.

- Net cash used in investing activities was ¥0.9 billion, a 97.7% decrease compared to the previous fiscal year. Major inflows included proceeds from sale of investments in subsidiaries associated with the transfer of Kyowa Hakko Bio Co., Ltd. shares of ¥105.1 billion (included in net cash provided by investing activities from discontinued operations) and the collection of loans receivable of ¥24.3 billion. Major outflows included ¥104.4 billion for a net increase in loans receivable from parent, ¥14.2 billion for purchase of intangible assets, and ¥7.0 billion for purchase of property, plant and equipment.
- Net cash used in financing activities was ¥47.4 billion, a 187.1% increase compared to the previous fiscal year. The main outflows included ¥22.6 billion for purchase of treasury shares and dividends paid of ¥21.7 billion.

(4) Research and Development Activities

Using cutting-edge biotechnology centered on antibody technology, we have made nephrology, oncology, immunology/allergy and CNS the focus of research and development, and by investing resources efficiently, we aim to further speed up the creation of new medical value and drug creation.
For the fiscal year ended December 31, 2019, the Group's research and development expenses totaled ¥53.5 billion, and the development statuses of our main late-stage development products are as follows.

Nephrology

- In Japan, we received approval for a partial change in December 2019 regarding treatment, dosage and administration for calcimimetic KHK7580 (product name in Japan: ORKEDIA®) targeting hypercalcemia in patients with parathyroid carcinoma and patients with primary hyperparathyroidism who are unable to undergo parathyroidectomy or relapse after parathyroidectomy. In China, South Korea, etc., in May 2019, we started a phase III clinical study targeting secondary hyperparathyroidism.
- In Japan, we are implementing a phase III clinical study for RTA 402 (generic name: bardoxolone methyl) targeting diabetic kidney disease.
- In China, in February 2019 we reapplied for approval of indication for KRN321 (product name in Japan: NESP®), a long-acting erythropoiesis stimulating agent for the treatment of renal anemia in maintenance dialysis patients.
- In Japan, in February 2019 we started a phase II clinical study for NHE 3 inhibitor KHK7791 (generic name: Tenapanor) targeting hyperphosphatemia in maintenance dialysis patients.
- In Japan, in November 2019 we started a phase III clinical study for KW-3357 (generic name: Antithrombin Gamma (Genetical Recombination), product name in Japan: ACOALAN®) targeting preeclampsia.

Oncology

- In Japan, we started a phase II clinical study in June 2019 targeting mobilization of hematopoietic stem cells into peripheral blood for the long-acting granulocyte-colony stimulating factor KRN125 (product name in Japan: G-Lasta®).

Immunology and allergy

- For the anti-IL-17 receptor A fully human antibody KHK4827 (product name in Japan: LUMICEF®), we have applied for approval of its indication for treatment of psoriasis in South Korea (application filed in July 2018). Additionally, in April 2019 we applied for approval of its indication for treatment of psoriasis in China. Furthermore, in Japan, we started a phase III clinical study targeting systemic sclerosis in May 2019, we started a phase III clinical study targeting palmoplantar pustulosis in August 2019, and we applied for a partial change approval of its indication for treatment of axial spondyloarthritis in December 2019.
- In Japan, the U.S., Canada and Europe, we are currently conducting a phase II clinical study for the anti-OX40 fully human antibody KHK4083 targeting atopic dermatitis.

CNS

- For adenosine A_{2A} receptor antagonist KW-6002 (product name in U.S.: NOURIANZ™; product name in Japan: NOURIAST®), we obtained approval of its indication for combination therapy with levodopa/carbidopa for adult patients with Parkinson's disease experiencing "off" episodes in the U.S. in August 2019. In addition, in November 2019 we applied for approval of its indication for combination therapy with levodopa/carbidopa for adult patients with Parkinson's disease experiencing "off" episodes in Europe.
- In Japan, we are currently conducting a phase III clinical study targeting HTLV-1 associated myelopathy for the anti-CCR4 humanized monoclonal antibody KW-0761 (product name in Japan: POTELIGEO®).

- In Japan, we are currently conducting a phase II clinical study targeting Parkinson's disease for adenosine A_{2A} receptor antagonist KW-6356.

Other

- For human monoclonal anti-Fibroblast Growth Factor 23 (FGF23) antibody KRN23 (product name in Japan, U.S. and Europe: Crysvita®), we obtained approval of its indication for treatment of FGF23-related hypophosphatemic rickets and osteomalacia in Japan in September 2019. In addition, in November 2019 we applied for additional approval of its indication for treatment of X-linked hypophosphatemia in adult patients in Europe. Additionally, we applied for approval of its indication for treatment of FGF23-related hypophosphatemic rickets and osteomalacia in South Korea in May 2019, and we applied for approval of its indication for treatment of X-linked hypophosphatemia in China in June 2019. In addition, we are currently conducting a phase II clinical study in the U.S., Japan and South Korea, targeting tumor induced osteomalacia and epidermal nevus syndrome, and in the U.S., we submitted partial changes to our biologics license application for approval of its indication for treatment of tumor induced osteomalacia in December 2019.
- For thrombopoietin receptor agonist AMG531 (product name in Japan: ROMIPLATE®), we received approval of its indication for treatment of aplastic anemia, which so far has not been effectively treated, in Japan in June 2019. Additionally, in December 2019 we applied for approval of its indication for treatment of chronic idiopathic (immune) thrombocytopenic purpura in China. Additionally, we began conducting phase II/III clinical studies targeting aplastic anemia, which has not been treated with immunosuppressive drugs, in an international joint clinical trial that includes Japan in June 2019. Also, we are currently conducting phase II/III clinical studies in South Korea, targeting aplastic anemia, which so far has not been effectively treated.

(5) Outlook for Fiscal 2020

(Billions of yen)

	FORECAST* Fiscal year ending December 31, 2020	Change compared to fiscal year ended December 31, 2019	% Change compared to fiscal year ended December 31, 2019
Revenue	327.0	21.2	6.9%
Core operating profit	65.0	5.6	9.5%
Profit before tax	63.0	18.5	41.6%
Profit attributable to owners of parent	49.0	(18.1)	(27.0)%

These forecasts assume average exchange rates of ¥105/US$ and ¥130/British pound.

- Consolidated financial earnings forecasts for fiscal 2020 are for revenue of ¥327.0 billion (up 6.9% compared to the current fiscal year), core operating profit of ¥65.0 billion (up 9.5%), profit before tax of ¥63.0 billion (up 41.6%), and profit attributable to owners of parent of ¥49.0 billion (down 27.0%).
- In Japan, although we expect to be impacted from such effects as switching to Darbepoetin Alfa Injection Syringe [KKF], an authorized generic of NESP®, our core product, and the reduction in drug price standards, revenues are expected to increase compared to the current fiscal year due to expected growth in the global strategic products Crysvita® and POTELIGEO®, which were launched in the U.S. and Europe in 2018, as well as NOURIANZ™, which was launched in the U.S. in 2019. Moreover, although we expect an increase in selling expenses for expanding revenues and maximizing the value of global strategic products, core operating profit is expected to increase due to growth in overseas revenue.
- A year-on-year increase is forecasted for profit before tax as a result of a decrease in other expenses in addition to an increase in core operating profit.
- A year-on-year decline is forecasted for profit attributable to owners of parent for fiscal 2020 because of the absence of the profit from discontinued operations recorded in fiscal 2019 in connection with the transfer of shares of Kyowa Hakko Bio., Ltd.
- Concerning cash flows from operating activities, net cash provided is expected to be lower in the next fiscal year than the current fiscal year as the payment of income taxes is expected to be higher, despite higher expected profit before tax compared to the current fiscal year.
- Concerning cash flows from investing activities, the Company expects an increase in net cash used compared to the current fiscal year because of an expected increase in cash used in the purchase of property, plant and equipment, and intangible assets.
- Concerning cash flows from financing activities, the Company expects a decrease in net cash used compared to the current fiscal year in which the purchase of treasury shares was implemented. As regards the purchase of treasury shares and the sourcing of funds, we will continue to remain flexible and act as appropriate for the economic and funding environment.

As a result of the above, cash and cash equivalents as of the end of fiscal 2020 are expected to be at the same level as at the end of fiscal 2019.

Note: The above financial position outlook is based on information available to management at the current time. As such, they do not constitute guarantees by the Company of future performance. The actual results may differ significantly from projections.

(6) Basic Policy on Profit Distribution: Fiscal 2019 and Fiscal 2020 Dividends

The Company regards the return of profits to its shareholders as one of its key management priorities. Our basic policy on profit distribution is to deliver stable dividends, while maintaining fully adequate internal reserves for future business expansion and other developments, and considering factors such as our consolidated results for the respective fiscal years and the dividend payout ratio. We plan to improve our capital efficiency by acting rapidly with regards to purchase of treasury shares. The Company intends to use internal reserve funds for investments required to drive new growth, such as those in research and development, capital expenditures, and our development pipeline's expansion that are expected to contribute to the improvement of our future corporate value.

With respect to the dividend policy, we will aim to achieve a stable and continuous increase in the level of dividend payment according to growth in profits, guided by the consolidated dividend payout ratio of 40% stated in the FY2016-2020 Mid-term Business Plan.

In accordance with the above-mentioned policy, the Board of Directors has resolved to pay a year-end dividend for fiscal 2019 of ¥22 per share. As a result, we expect to increase dividends for the third year in a row. The annual dividend is expected to be ¥42, an increase of ¥7 compared to the previous fiscal year, including an interim dividend of ¥20. With respect to the year-end dividend, we plan to submit a proposal at the 97th Ordinary General Meeting of Shareholders to be held on March 19, 2020.

Dividends of Surplus

	Details of resolution (February 5, 2020)	Dividend forecast most recently announced (Announced on February 5, 2019)	Fiscal 2018 (Fiscal year ended December 31, 2018)
Record date	December 31, 2019	Same as left	December 31, 2018
Dividend per share (Yen)	22.00	20.00	20.00
Total dividend amount (Millions of yen)	11,813	–	10,949
Effective date	March 23, 2020	–	March 22, 2019
Dividend resource	Retained earnings	–	Retained earnings

(Reference) Breakdown of Dividends per Share

(Yen)

	Fiscal 2019 (Fiscal year ended December 31, 2019)	Dividend forecast most recently announced (Announced on February 5, 2019)	Fiscal 2018 (Fiscal year ended December 31, 2018)
[Second quarter-end]	[20.00]	[20.00]	[15.00]
Fiscal year-end	22.00 (Note)	20.00	20.00
Dividends per share	42.00	40.00	35.00

Note: The fiscal year-end dividend (¥22.00) for the current term (fiscal year ended December 31, 2019) is based on the assumption that it will be approved at the 97th Ordinary General Meeting of Shareholders scheduled to be held on March 19, 2020.

For the fiscal year ending December 31, 2020, we expect to pay an annual dividend of ¥44 per share, an increase of ¥2 compared to the current fiscal year, consisting of an interim dividend of ¥22 and a year-end dividend of ¥22.

2. Basic Rationale for Selection of Accounting Standards

The Group has applied IFRS from fiscal 2017 to enhance the international comparability of its financial information in the capital markets, and unify the process of the Group's accounting.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2019	As of December 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	74,216	103,153
Goodwill	133,554	140,061
Intangible assets	60,106	58,234
Investments accounted for using equity method	13,526	8,887
Other financial assets	19,511	15,452
Retirement benefit asset	12,299	7,846
Deferred tax assets	22,110	21,543
Other non-current assets	520	963
Total non-current assets	335,843	356,138
Current assets		
Inventories	47,123	77,221
Trade and other receivables	89,015	104,443
Loans receivable from parent	285,700	181,300
Other financial assets	389	736
Other current assets	5,621	6,277
Cash and cash equivalents	20,762	15,867
Total current assets	448,610	385,844
Total assets	784,453	741,982

(1) Consolidated Statement of Financial Position (continued)

(Millions of yen)

	As of December 31, 2019	As of December 31, 2018
Equity		
Share capital	26,745	26,745
Capital surplus	463,893	509,161
Treasury shares	(3,792)	(26,705)
Retained earnings	201,253	151,760
Other components of equity	(9,849)	(11,341)
Total equity attributable to owners of parent	678,250	649,621
Total equity	678,250	649,621
Liabilities		
Non-current liabilities		
Retirement benefit liability	276	511
Provisions	1,648	3,419
Deferred tax liabilities	42	181
Other financial liabilities	15,444	2,377
Other non-current liabilities	1,263	5,414
Total non-current liabilities	18,673	11,902
Current liabilities		
Trade and other payables	53,877	49,400
Provisions	2,019	–
Other financial liabilities	3,109	2,209
Income taxes payable	15,214	10,562
Other current liabilities	13,312	18,289
Total current liabilities	87,530	80,459
Total liabilities	106,204	92,362
Total equity and liabilities	784,453	741,982

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018
Continuing operations		
Revenue	305,820	271,510
Cost of sales	(79,620)	(73,361)
Gross profit	226,200	198,149
Selling, general and administrative expenses	(117,316)	(102,087)
Research and development expenses	(53,511)	(45,659)
Share of profit (loss) of investments accounted for using equity method	3,980	(98)
Other income	442	18,588
Other expenses	(15,025)	(1,420)
Finance income	1,033	758
Finance costs	(1,312)	(1,390)
Profit before tax	44,492	66,841
Income tax expense	(6,818)	(17,611)
Profit from continuing operations	37,674	49,230
Discontinued operations		
Profit from discontinued operations	29,410	5,184
Profit	67,084	54,414
Profit attributable to		
Owners of parent	67,084	54,414
Earnings per share		
Basic earnings per share (Yen)	124.57	99.40
Continuing operations	69.95	89.93
Discontinued operations	54.61	9.47
Diluted earnings per share (Yen)	124.46	99.30
Continuing operations	69.89	89.84
Discontinued operations	54.56	9.46

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018
Profit	67,084	54,414
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(560)	550
Remeasurements of defined benefit plans	3,925	(99)
Share of other comprehensive income of investments accounted for using equity method	(41)	72
Total of items that will not be reclassified to profit or loss	3,324	523
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,787	(5,381)
Share of other comprehensive income of investments accounted for using equity method	(32)	(35)
Total of items that may be reclassified to profit or loss	2,755	(5,416)
Other comprehensive income	6,079	(4,893)
Comprehensive income	73,162	49,520
Comprehensive income attributable to		
Owners of parent	73,162	49,520

(3) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2019

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance at January 1, 2019	26,745	509,161	(26,705)	151,760	787	(16,402)
Changes in accounting policies	–	–	–	(454)	–	–
Balance after restatement	26,745	509,161	(26,705)	151,306	787	(16,402)
Profit	–	–	–	67,084	–	–
Other comprehensive income	–	–	–	–	–	2,755
Total comprehensive income	–	–	–	67,084	–	2,755
Dividends of surplus	–	–	–	(21,688)	–	–
Purchase of treasury shares	–	–	(22,601)	–	–	–
Disposal of treasury shares	–	(17)	263	–	–	–
Cancellation of treasury shares	–	(45,251)	45,251	–	–	–
Share-based remuneration transactions	–	–	–	–	(36)	–
Transfer from other components of equity to retained earnings	–	–	–	4,551	–	–
Total transactions with owners	–	(45,268)	22,913	(17,136)	(36)	–
Balance at December 31, 2019	26,745	463,893	(3,792)	201,253	751	(13,647)

	Equity attributable to owners of parent				Total equity
	Other components of equity				
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	
Balance at January 1, 2019	4,275	–	(11,341)	649,621	649,621
Changes in accounting policies	–	–	–	(454)	(454)
Balance after restatement	4,275	–	(11,341)	649,166	649,166
Profit	–	–	–	67,084	67,084
Other comprehensive income	(559)	3,883	6,079	6,079	6,079
Total comprehensive income	(559)	3,883	6,079	73,162	73,162
Dividends of surplus	–	–	–	(21,688)	(21,688)
Purchase of treasury shares	–	–	–	(22,601)	(22,601)
Disposal of treasury shares	–	–	–	246	246
Cancellation of treasury shares	–	–	–	–	–
Share-based remuneration transactions	–	–	(36)	(36)	(36)
Transfer from other components of equity to retained earnings	(668)	(3,883)	(4,551)	–	–
Total transactions with owners	(668)	(3,883)	(4,587)	(44,079)	(44,079)
Balance at December 31, 2019	3,047	–	(9,849)	678,250	678,250

(3) Consolidated Statement of Changes in Equity (continued)

Fiscal year ended December 31, 2018

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance at January 1, 2018	26,745	509,145	(26,820)	113,504	698	(10,985)
Profit	–	–	–	54,414	–	–
Other comprehensive income	–	–	–	–	–	(5,416)
Total comprehensive income	–	–	–	54,414	–	(5,416)
Dividends of surplus	–	–	–	(16,148)	–	–
Purchase of treasury shares	–	–	(14)	–	–	–
Disposal of treasury shares	–	16	129	–	–	–
Share-based remuneration transactions	–	–	–	–	89	–
Transfer from other components of equity to retained earnings	–	–	–	(10)	–	–
Total transactions with owners	–	16	115	(16,158)	89	–
Balance at December 31, 2018	26,745	509,161	(26,705)	151,760	787	(16,402)

	Equity attributable to owners of parent				Total equity
	Other components of equity			Total	
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total		
Balance at January 1, 2018	3,741	–	(6,546)	616,028	616,028
Profit	–	–	–	54,414	54,414
Other comprehensive income	549	(26)	(4,893)	(4,893)	(4,893)
Total comprehensive income	549	(26)	(4,893)	49,520	49,520
Dividends of surplus	–	–	–	(16,148)	(16,148)
Purchase of treasury shares	–	–	–	(14)	(14)
Disposal of treasury shares	–	–	–	145	145
Share-based remuneration transactions	–	–	89	89	89
Transfer from other components of equity to retained earnings	(15)	26	10	–	–
Total transactions with owners	(15)	26	99	(15,928)	(15,928)
Balance at December 31, 2018	4,275	–	(11,341)	649,621	649,621

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before tax from continuing operations	44,492	66,841
Depreciation and amortization	18,797	16,243
Impairment losses (reversal of impairment losses)	6,394	(2,408)
Share of loss (profit) of investments accounted for using equity method	(3,980)	98
Gain on sale of investments in subsidiaries	–	(10,968)
Decrease (increase) in inventories	(5,835)	(4,321)
Decrease (increase) in trade receivables	(642)	(4,491)
Increase (decrease) in trade payables	2,532	1,422
Income taxes paid	(22,679)	(8,901)
Other	8,281	(4,094)
Net cash provided by (used in) operating activities from discontinued operations	6,297	6,759
Net cash provided by (used in) operating activities	53,655	56,181
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,030)	(4,231)
Proceeds from sale of property, plant and equipment	119	6,265
Purchase of intangible assets	(14,227)	(9,509)
Purchase of investments accounted for using equity method	(1,000)	(2,500)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	–	9,087
Collection of loans receivable	24,288	5,800
Net decrease (increase) in loans receivable from parent	(104,400)	(38,100)
Other	(1,883)	(306)
Net cash provided by (used in) investing activities from discontinued operations	103,200	(6,436)
Net cash provided by (used in) investing activities	(933)	(39,929)
Cash flows from financing activities		
Repayments of lease liabilities	(3,044)	–
Purchase of treasury shares	(22,601)	–
Dividends paid	(21,688)	(16,148)
Other	(19)	(196)
Net cash provided by (used in) financing activities from discontinued operations	(19)	(157)
Net cash provided by (used in) financing activities	(47,371)	(16,501)
Effect of exchange rate changes on cash and cash equivalents	(456)	357
Net increase (decrease) in cash and cash equivalents	4,896	108
Cash and cash equivalents at beginning of period (Amount on the consolidated statement of financial position)	15,867	14,685
Reversing from assets held for sale	–	1,074
Cash and cash equivalents at beginning of period	15,867	15,759
Cash and cash equivalents at end of period	20,762	15,867

(5) Notes to Consolidated Financial Statements

Notes on going concern assumption

No applicable items.

Significant accounting policies

Significant accounting policies applied in these consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year, except for the application of IFRS 16 “Leases” and the segregation of discontinued operations as mentioned below.

Application of IFRS 16 “Leases”

The Group has applied IFRS 16 “Leases” (“IFRS 16”) from the fiscal 2019.

(1) Policies applied from the date of initial application

At inception of a contract, the Group determines whether the contract is, or contains, a lease. The lease liabilities for leases are measured at the present value of the remaining of total lease payments at the commencement date of lease, discounted using the lessee’s incremental borrowing rate. The cost of the right-of-use asset is initially measured at the amount of the initial measurement of lease liabilities, adjusted by any initial direct costs and any lease incentives received plus costs such as restoration obligation required under the contract. The Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term on a straight-line basis. In measuring lease liabilities, the Group has elected not to separate a lease component and a related non-lease component, and to recognize them as a single lease component.
The Group presents in the consolidated statement of financial position, right-of-use assets in “property, plant and equipment” and lease liabilities in “other financial liabilities.”
The Group has elected not to recognize right-of-use assets and lease liabilities in accordance with the recognition exemption provisions in IFRS 16 for short-term leases for which the lease term ends within 12 months and low-value leases. The Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(2) Impact of application of IFRS 16

The Group has retrospectively applied IFRS 16 to its leases using the modified retrospective approach and recognized the cumulative effect of initially applying the standard as the adjustment of the beginning balance of retained earnings for the fiscal 2019. In the transition to IFRS 16, the Group chose the practical expedient mentioned in IFRS 16 to reassess whether a contract is, or contains, a lease, and continues the determination under IAS 17 “Leases” (“IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease.” The definition of a lease under IFRS 16 is applied only to contracts entered into or changed on or after the date of initial application.
At the date of initial application of IFRS 16, the Group recognized right-of-use assets and lease liabilities for leases previously classified as operating leases applying IAS 17. The lease liabilities were measured at the present value of the remaining lease payments as of the date of initial application, discounted using the lessee’s incremental borrowing rate at the date of initial application. The right-of-use assets were measured by either of the following methods, applying the first one for leases of significant importance in terms of value and the second one for other leases.

- Measure the value at the amount after depreciation until the date of initial application, of the present value of the remaining of total lease payments at the commencement date of lease, discounted using the lessee’s incremental borrowing rate at the date of initial application, adjusted by prepaid lease payments and others
- Measure the value at the measurement of lease liabilities at the date of initial application, adjusted

by prepaid lease payments and others

Right-of-use assets and lease liabilities for leases classified as finance leases applying IAS 17 were measured at the carrying amounts of leased assets and lease liabilities at the end of the previous fiscal year.
The weighted average of the lessee's incremental borrowing rate applied to the lease liabilities recognized in the consolidated statement of financial position at the date of initial application was 1.1 percent.

Furthermore, the Group uses the following practical expedients in the application of IFRS 16.
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Account for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases

The conciliation between the operating lease contracts disclosed at the end of the previous fiscal year applying IAS 17 and the lease liabilities recognized in the consolidated statement of financial position at the date of initial application is as follows:

(Millions of yen)

Operating lease contracts disclosed at end of the previous fiscal year	16,242
Amount discounted using incremental borrowing rate at the date of initial application	13,748
Finance lease liabilities recognized at end of the previous fiscal year	1,525
Present discounted value of cancelable operating lease contracts	2,770
Recognition exemption rules	
Short-term leases	(36)
Leases of low-value assets	(48)
Lease liabilities at the date of initial application	17,958

By applying IFRS 16, compared with the case that the previous standard was applied, right-of-use assets at the beginning of the current fiscal year, were up ¥15,085 million, lease liabilities were up ¥16,433 million, and retained earnings were down ¥454 million.

Discontinued operations

A discontinued operation is recognized if the operation includes a component of an entity that either has been disposed of or is classified as held for sale, represents a separate line of business of the Group or geographical area of operations, and is part of a plan to dispose of a separate line of business of the Group or geographical area of operations.

Segment information, etc.

(1) Outline of reportable segments

The Group's reportable segments, which are components of the Group about which separate financial information is available, are chosen based on business segments for which the Board of Directors can evaluate regularly to decide the resource allocation and assess performance.

Although the Group previously had two reportable segments comprising the Pharmaceuticals business and the Bio-Chemicals business, effective from the fiscal 2019, the Group has only the one reportable segment, which is the Pharmaceuticals business.

This change is the outcome of the Company entering into an agreement on February 5, 2019 to transfer 95% of the shares of Kyowa Hakko Bio Co., Ltd. to Kirin Holdings Company, Limited as of April 24, 2019. As a result, the Bio-Chemicals business is categorized as a discontinued operation.

(2) Information about products and services

Breakdown of revenue from external customers by product and service is as follows.

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018
Products	287,905	252,982
Licensing revenue	17,915	18,529
Total	305,820	271,510

(3) Information about geographical areas

i. Revenue

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018
Japan	186,181	183,527
Americas	49,699	23,002
Europe	42,228	42,339
Asia	27,567	22,465
Other	145	177
Total	305,820	271,510

Note: Revenue is classified by region or country based on location of customer.

ii. Non-current assets

(Millions of yen)

	As of December 31, 2019	As of December 31, 2018
Japan	208,478	223,153
Americas	5,800	3,145
Europe	52,647	56,475
Asia	1,471	19,639
Total	268,397	302,411

Note: Non-current assets are classified based on the location of assets, and do not include investments accounted for using the equity method, financial instruments, retirement benefit asset and deferred tax assets.

(4) Information about major customers

The customer that accounts for 10% or more of revenue in the consolidated statement of profit or loss is as follows:

(Millions of yen)

Customer	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018
Alfresa Pharma Corporation	42,006	44,592

Per share information

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018
Profit attributable to ordinary equity holders of parent		
Profit attributable to owners of parent *(Millions of yen)*	67,084	54,414
Profit not attributable to ordinary equity holders of parent *(Millions of yen)*	–	–
Profit used for calculation of earnings per share *(Millions of yen)*	67,084	54,414
Continuing operations	37,674	49,230
Discontinued operations	29,410	5,184
Average number of ordinary shares outstanding during period *(Shares)*	538,542,438	547,411,756
Increase in number of ordinary shares		
Share acquisition rights *(Shares)*	466,860	564,705
Average number of diluted ordinary shares outstanding during period *(Shares)*	539,009,298	547,976,461
Earnings per share		
Basic earnings per share *(Yen)*	124.57	99.40
Continuing operations	69.95	89.93
Discontinued operations	54.61	9.47
Diluted earnings per share *(Yen)*	124.46	99.30
Continuing operations	69.89	89.84
Discontinued operations	54.56	9.46

Significant subsequent events

No applicable items.