Kyowa Kirin Co., Ltd.

Consolidated Financial Summary (IFRS)
Fiscal 2023 Second Quarter

(January 1, 2023 – June 30, 2023)

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

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS (IFRS)
for Six Months Ended June 30, 2023

August 3, 2023

Company Name: Kyowa Kirin Co., Ltd. Listed Exchanges: Tokyo Stock Exchange
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Director,
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URL: https://www.kyowakirin.com/index.html
Scheduled date of submission of Quarterly Securities Report: August 3, 2023
Scheduled start date of dividend payment: September 1, 2023
Appendix materials to accompany the quarterly financial report: Yes
Quarterly results presentation meeting: Yes (for institutional investors and securities analysts)

(Millions of yen rounded off)

1. Consolidated Financial Results for the Six Months Ended June 30, 2023

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Core operating profit		Profit before tax		Profit	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	199,209	7.5	37,467	(6.1)	26,046	(40.1)	21,646	(38.2)
June 30, 2022	185,271	12.3	39,908	28.9	43,479	39.8	35,017	39.7

Total comprehensive income: Six months ended June 30, 2023: ¥46,154 million; 13.8%
Six months ended June 30, 2022: ¥40,545 million; 19.9%

Note: 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.

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Yen	Yen
June 30, 2023	21,646	(38.2)	40.27	40.26
June 30, 2022	35,017	39.7	65.16	65.14

(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
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2023	979,692	794,787	794,787	81.1
December 31, 2022	939,881	762,826	762,826	81.2

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	–	24.00	–	27.00	51.00
Fiscal year ending December 31, 2023	–	27.00			
Fiscal year ending December 31, 2023 (Forecast)			–	27.00	54.00

Note: Revisions to the dividend forecast most recently announced: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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	426,000	6.9	88,000	1.5	86,000	27.3	70,000	30.7	70,000	30.7	130.23

Note: Changes to the earnings forecasts most recently announced: None

*** 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): No

(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 21, "2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to Condensed Quarterly Consolidated Financial Statements, *Material accounting policies*."

(3) Number of shares issued (ordinary shares)

a. Number of shares issued (including treasury shares)

As of June 30, 2023	540,000,000 shares
As of December 31, 2022	540,000,000 shares

b. Number of treasury shares

As of June 30, 2023	2,392,861 shares
As of December 31, 2022	2,521,197 shares

c. Average number of shares during the period

Six months ended June 30, 2023	537,546,084 shares
Six months ended June 30, 2022	537,395,867 shares

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

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

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.

Attachment Index

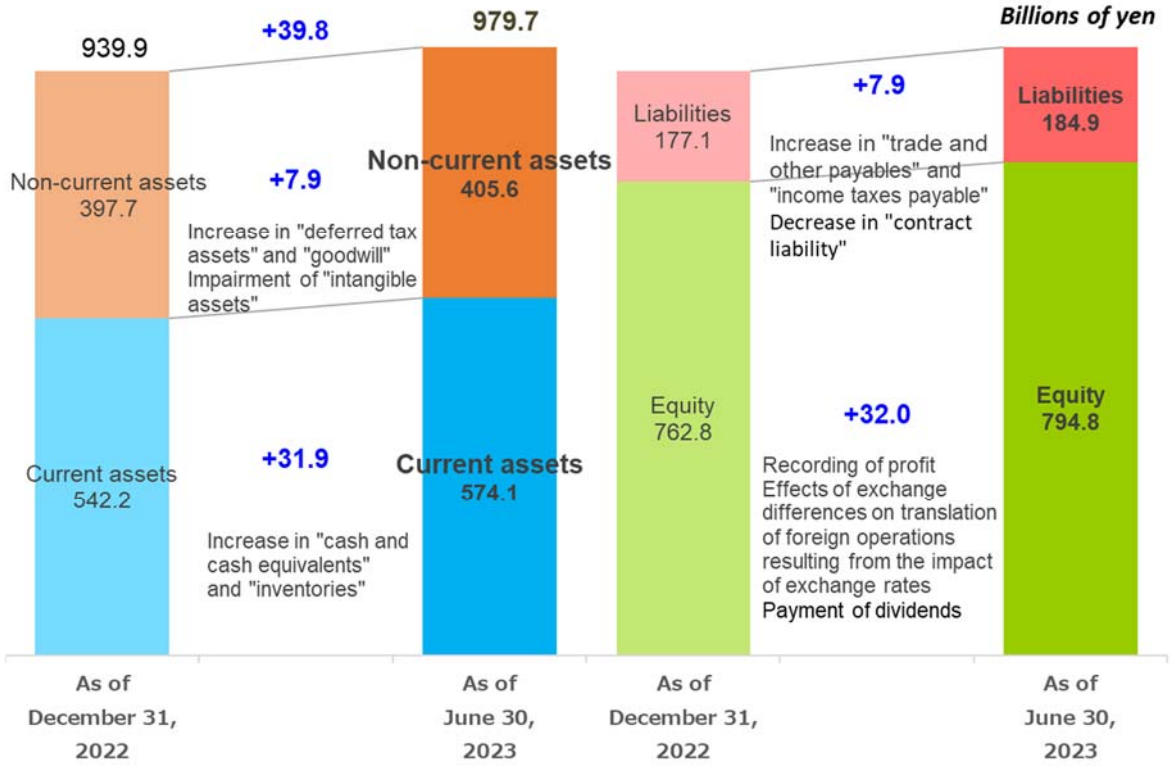
1. Operating Results and Financial Statements

(1) Summary of Consolidated Financial Position

(Billions of yen)

	As of December 31, 2022	As of June 30, 2023	Year-on-year change
Assets	939.9	979.7	39.8
Non-current assets	397.7	405.6	7.9
Current assets	542.2	574.1	31.9
Liabilities	177.1	184.9	7.9
Equity	762.8	794.8	32.0
Ratio of equity attributable to owners of parent to total assets (%)	81.2%	81.1%	(0.1)%

- Assets as of June 30, 2023, were ¥979.7 billion, an increase of ¥39.8 billion compared to the end of the previous fiscal year.
  - Non-current assets increased by ¥7.9 billion compared to the end of the previous fiscal year, to ¥405.6 billion, due mainly to increases in deferred tax assets and an increase in goodwill due to the effect of yen depreciation in foreign exchange, despite an impairment loss for intangible assets.
  - Current assets increased by ¥31.9 billion compared to the end of the previous fiscal year, to ¥574.1 billion, due mainly to increases in cash and cash equivalents and inventories.
- Liabilities as of June 30, 2023, were ¥184.9 billion, an increase of ¥7.9 billion compared to the end of the previous fiscal year, due mainly to increases in trade and other payables and income taxes payable, despite a decrease in contract liabilities, etc.
- Equity as of June 30, 2023, was ¥794.8 billion, an increase of ¥32.0 billion compared to the end of the previous fiscal year, due mainly to an increase due to the recording of profit attributable to owners of parent as well as an increase in exchange differences on translation of foreign operations resulting from the impact of exchange rates, despite a decrease due to the payment of dividends, etc. As a result, the ratio of equity attributable to owners of parent to total assets as of the end of the second quarter was 81.1%, a decrease of 0.1 percentage points compared to the end of the previous fiscal year.



(2) Summary of Consolidated Business Performance

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.

(Billions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Year-on-year change	Rate of change (%)
Revenue	185.3	199.2	13.9	7.5%
Core operating profit	39.9	37.5	(2.4)	(6.1)%
Profit before tax	43.5	26.0	(17.4)	(40.1)%
Profit attributable to owners of parent	35.0	21.6	(13.4)	(38.2)%

< Average exchange rates for each period >

Currency	Six months ended June 30, 2022	Six months ended June 30, 2023	Year-on-year change
USD (USD/¥)	¥120	¥134	Up ¥14
GBP (GBP/¥)	¥158	¥164	Up ¥6
EUR (EUR/¥)	¥133	¥144	Up ¥11

For the six months ended June 30, 2023 (January 1, 2023 to June 30, 2023), revenue was ¥199.2 billion (up 7.5% compared to the same period of the previous fiscal year), and core operating profit was ¥37.5 billion (down 6.1%). Profit attributable to owners of parent was ¥21.6 billion (down 38.2%).

- The increase in revenue was the result of growth of global strategic products mainly in North America and a rise in revenue from technology out-licensing. The positive effect on revenue from foreign exchange was ¥9.8 billion.
- Core operating profit decreased due to increases in selling, general and administrative expenses and research and development expenses, despite higher gross profit resulting from an increase in overseas revenue and a rise in revenue from technology out-licensing. The positive effect on core operating profit from foreign exchange was ¥3.2 billion.
- Profit attributable to owners of parent decreased as a result of an increase in other expenses due mainly to the recording of impairment losses in association with the decision to discontinue development of RTA 402, in addition to a decrease in core operating profit.

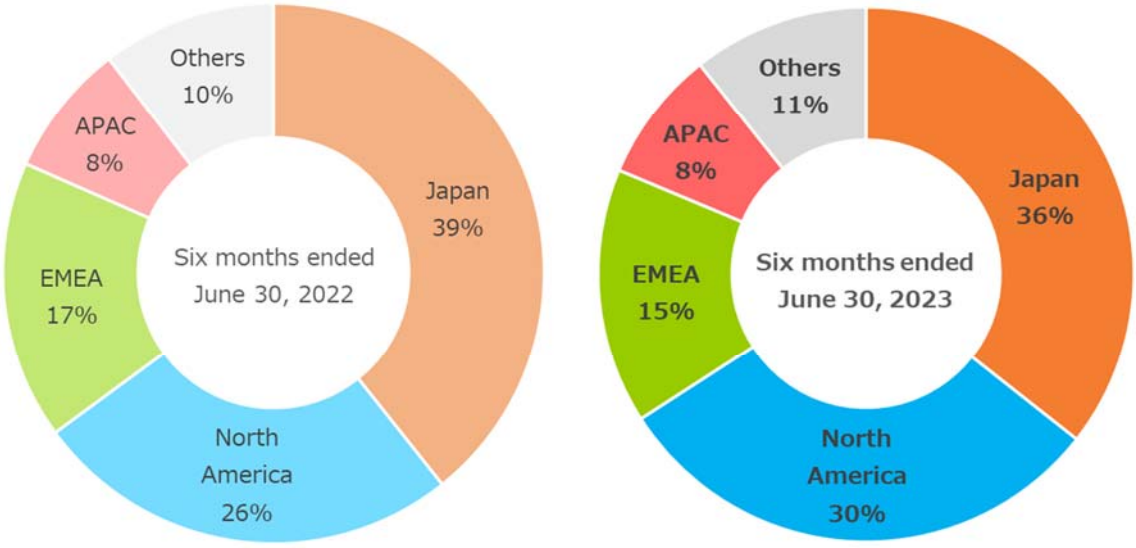
2) Revenue by regional control function

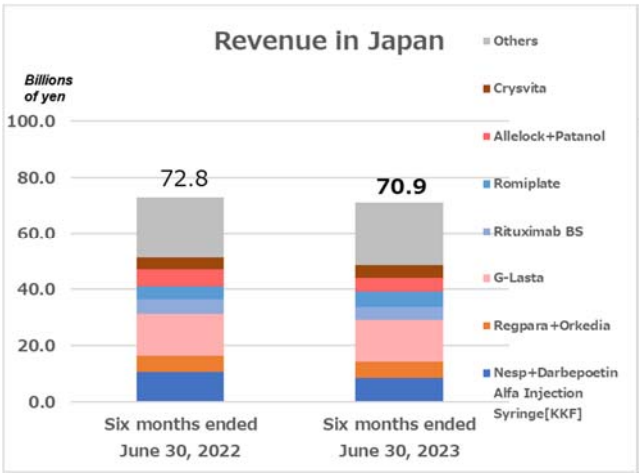
(Billions of yen)

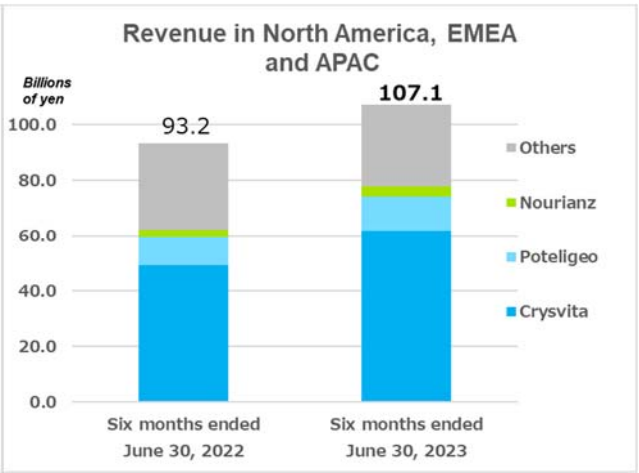
	Six months ended June 30, 2022	Six months ended June 30, 2023	Year-on-year change	Rate of change (%)
Japan	72.8	70.9	(1.9)	(2.6)%
North America	47.5	60.3	12.8	27.0%
EMEA	30.9	30.8	(0.1)	(0.4)%
APAC	14.8	16.0	1.2	7.9%
Others	19.3	21.2	1.9	10.1%
Total consolidated revenue	185.3	199.2	13.9	7.5%

Notes:
1. Revenue by regional control function is classified based on consolidated revenue from products of regional control functions in the One Kyowa Kirin (OKK) matrix global management structure, which combines a regional organization based on four regions of Japan, North America, EMEA and APAC, a functional organization, and a product organization (product franchises).
2. EMEA consists of Europe, the Middle East, Africa, etc.
3. Others consists of revenue from technology out-licensing, original equipment manufacturing, etc.

Composition of revenue by regional control function







< Revenue of major products (Japan) >

(Billions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Year-on-year change	Rate of change (%)
Darbepoetin Alfa Injection Syringe [KKF]	8.8	6.9	(2.0)	(22.4)%
Duvroq	2.7	4.2	1.5	57.4%
G-Lasta	14.8	15.0	0.2	1.1%
Romiplate	4.8	5.7	1.0	20.1%
Crysvita	4.1	4.8	0.7	17.2%

- Revenue in Japan decreased year on year due mainly to the impact of the reductions in drug price standards implemented in April 2022 and April 2023.
  - Revenue from Darbepoetin Alfa Injection Syringe [KKF] decreased due to the impact of the reductions in drug price standards and the market penetration of rival products.
  - Revenue from Duvroq, a treatment for renal anemia, has been growing steadily since its launch in 2020.
  - Revenue from G-Lasta, an agent for decreasing the incidence of febrile neutropenia, stayed at the same level as in the previous fiscal year.
  - Revenue from ROMIPLATE, a treatment for chronic idiopathic thrombocytopenic purpura, increased as a result of receiving approval of its indication for treatment of patients with aplastic anemia who have had an inadequate response to conventional therapy, in 2019, and as a result of penetrating the market.
  - Revenue from Crysvita, a treatment for FGF23-related diseases, has been growing steadily since its launch in 2019.

< Revenue of major products (overseas) >

(Billions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Year-on-year change	Rate of change (%)
Crysvita	49.4	61.9	12.5	25.3%
Poteligeo	10.3	12.5	2.2	21.0%
Nourianz	2.6	3.5	0.9	36.8%
Gran	3.8	3.2	(0.6)	(16.6)%

- Revenue in North America increased year on year due to the growth of global strategic products.
  - Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing steadily since its launch in 2018.
  - Revenue from POTELIGEO, an anticancer agent, has been growing since its launch in 2018.
  - Revenue from NOURIANZ™ (product name in Japan: NOURIAST), an antiparkinsonian agent, has been growing since its launch in 2019.

- Revenue in EMEA decreased year on year mainly due to a drop in revenue from the established medicines, despite the growth of global strategic products.
  - Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing as the number of countries where it has been released has been increasing since its launch in 2018.
  - Revenue from POTELIGEO, an anticancer agent, has been growing as the number of countries where it has been released has been increasing since its launch in 2020.

- Revenue in APAC increased year on year.
  - Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing particularly in Australia where sales were launched in November 2022.

・ Revenue from Gran, a neutropenia treatment drug, declined due to the impact of the centralized governmental purchasing system* that started in some regions in China.

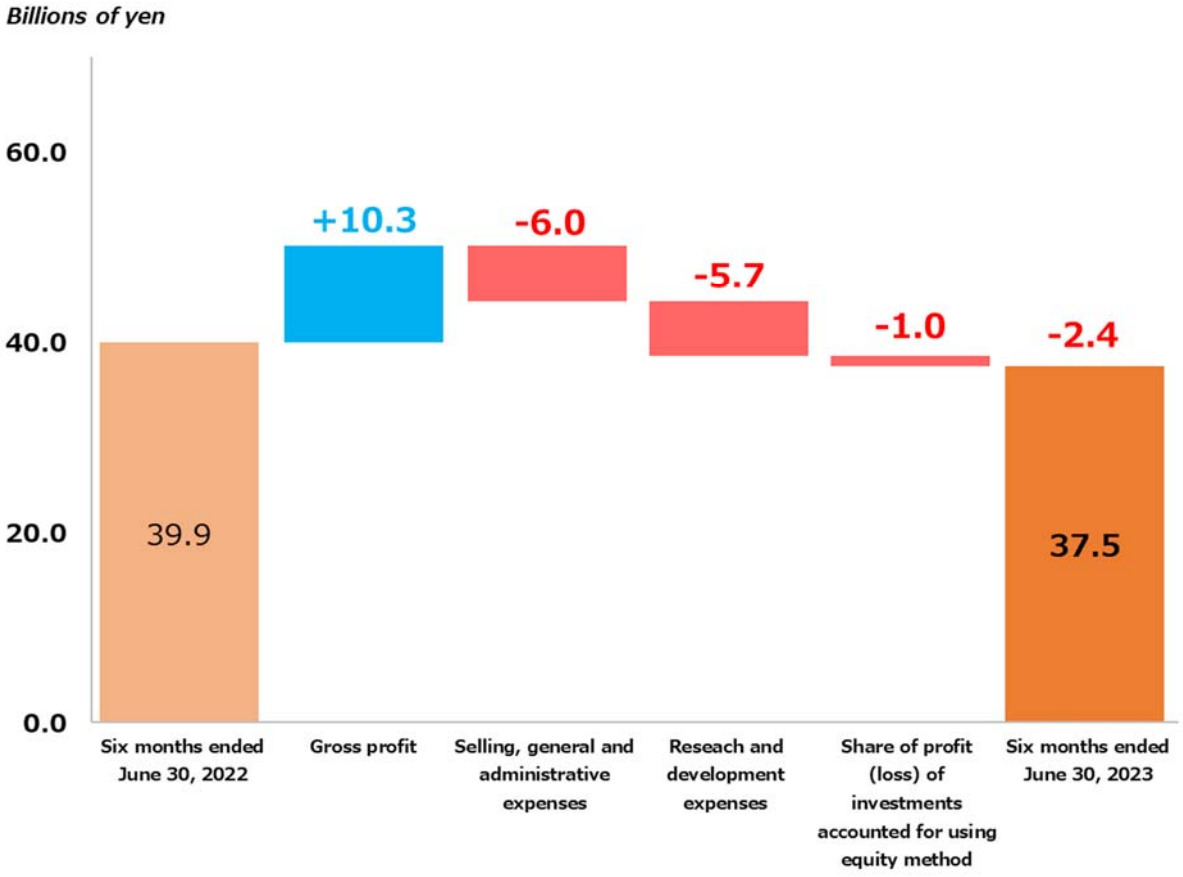
* Volume-Based Procurement (VBP) program that was introduced in 2018 for reducing healthcare cost in China. Even though only 2 to 5 companies are selected as suppliers through a tender, drug prices are dramatically dropped down.

< Revenue from Others >

- Revenue from Others increased year on year.

・ Royalties revenue from AstraZeneca in relation to benralizumab increased.

3) Core operating profit



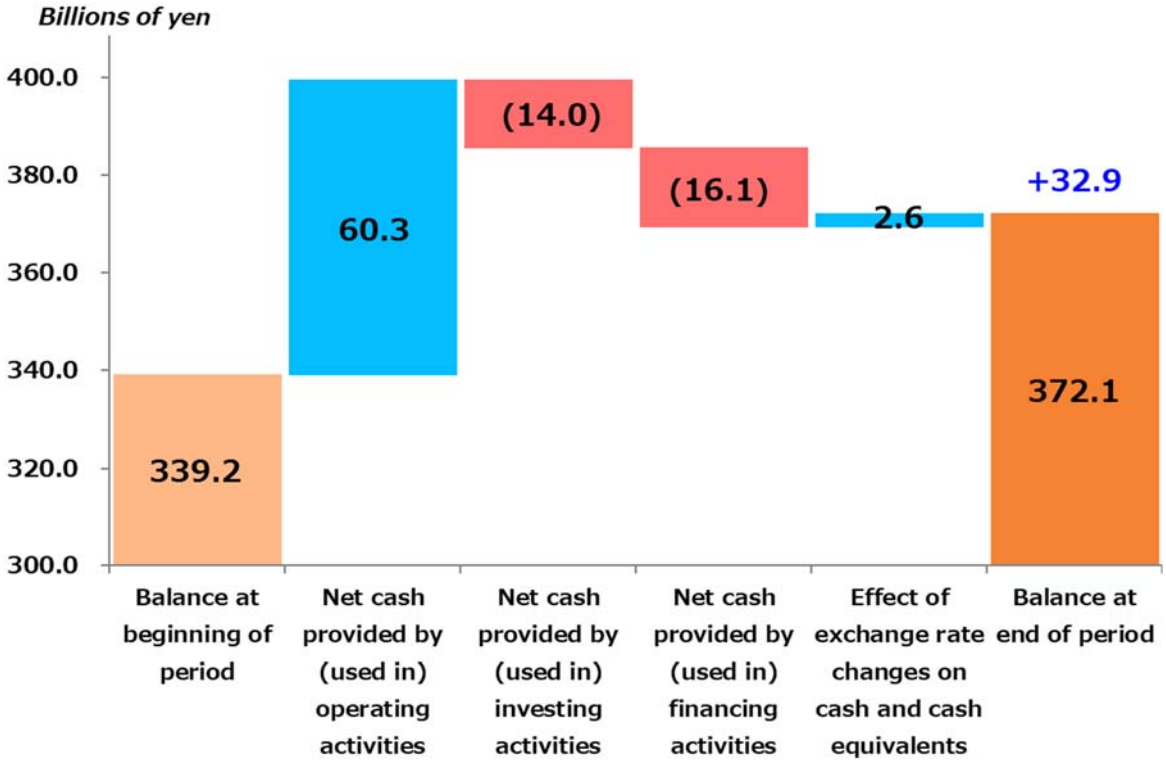
- Core operating profit decreased compared to the previous fiscal year due to an increase in personnel expenses, etc. for starting our own marketing of Crysvita in North America on April 27, 2023, in addition to increases in selling, general and administrative expenses for investment in an IT/digital platform and human resources aimed at establishing competitive global business bases, and an increase in research and development expenses as a result of progress in development for KHK4083, etc., despite an increase in gross profit due to growth in revenue from global strategic products mainly in North America and a rise in revenue from technology out-licensing. The positive effect on core operating profit from foreign exchange was ¥3.2 billion.

(3) Summary of Consolidated Cash Flows

(Billions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Year-on-year change	Rate of change (%)
Net cash provided by (used in) operating activities	22.5	60.3	37.9	168.7%
Net cash provided by (used in) investing activities	(6.8)	(14.0)	(7.1)	104.0%
Net cash provided by (used in) financing activities	(14.1)	(16.1)	(2.0)	14.2%
Cash and cash equivalents at beginning of period	335.1	339.2	4.1	1.2%
Cash and cash equivalents at end of period	339.9	372.1	32.2	9.5%

- Cash and cash equivalents as of June 30, 2023 were ¥372.1 billion, an increase of ¥32.9 billion compared with the balance of ¥339.2 billion as of December 31, 2022.
  The main contributing factors affecting cash flow during the six months ended June 30, 2023 were as follows:
- Net cash provided by operating activities was ¥60.3 billion, compared with net cash provided by operating activities of ¥22.5 billion in the same period of the previous fiscal year. Major inflows were foreign exchange loss (gain) of ¥12.0 billion mainly relating to exchange differences on translation of foreign currency denominated deposits from consolidated subsidiaries as of June 30, 2023, depreciation and amortization of ¥9.9 billion, impairment losses of ¥9.4 billion, and a decrease (increase) in trade receivables of ¥7.0 billion, in addition to profit before tax of ¥26.0 billion. A major outflow was a decrease (increase) in inventories of ¥4.8 billion.
- Net cash used in investing activities was ¥14.0 billion, compared with net cash used in investing activities of ¥6.8 billion in the same period of the previous fiscal year. Major outflows were purchase of property, plant and equipment of ¥10.9 billion and purchase of intangible assets of ¥4.8 billion. A major inflow was proceeds from redemption of bonds of subsidiaries and associates of ¥2.0 billion.
- Net cash used in financing activities was ¥16.1 billion, compared with net cash used in financing activities of ¥14.1 billion in the same period of the previous fiscal year. A major outflow was dividends paid of ¥14.5 billion.



(4) Research and Development Activities

The Group continuously and actively invests resources in research and development activities. We aim to advance both a technological pillar that can build a platform for applying various modalities and discovering innovative drugs and a disease pillar that continues to provide “only-one value drugs” for diseases for which there are no effective treatments while utilizing the disease science accumulated by the Group thus far, build a highly competitive pipeline, and provide new drugs with life-changing value worldwide.
For the six months ended June 30, 2023, the Group’s research and development expenses totaled ¥33.7 billion, and our progress in the respective disease fields of our main late-stage development products is as follows. (“◆” indicates the progress made during the second quarter of fiscal 2023.)

Nephrology

KHK7580 (product name in Japan: ORKEDIA)

- Applications for approval have been submitted for marketing as its indication for treatment of secondary hyperparathyroidism in China and South Korea (China: application filed in July 2022, South Korea: application filed in November 2022).

RTA 402 (generic name: Bardoxolone Methyl)

- ◆ Concerning the Phase III clinical study for the treatment of diabetic kidney disease in Japan, although we reached the primary and key secondary endpoints which involved recognized improvements in eGFR, the result of decreasing the occurrence of ESRD was not obtained, and because such study results were obtained we decided to discontinue development. In addition, we have withdrawn the application for manufacturing and marketing approval of RTA 402 for Alport Syndrome in Japan and discontinued development for this indication. Further, we have initiated discussions with Reata Pharmaceuticals Holdings to end its participation as an In-County Clinical Caretaker CCC for the clinical trials of RTA 402 for Alport Syndrome and Autosomal Dominant Polycystic Kidney Disease.

KHK7791 (generic name: Tenapanor Hydrochloride)

- An application for approval has been submitted for manufacturing and marketing as its indication for treatment for improvement of hyperphosphatemia in chronic kidney disease patients on dialysis in Japan (application filed in October 2022).

Oncology

ME-401 (generic name: Zandelisib)

- ◆ We conducted a Phase II clinical study targeting patients with indolent B-cell Non-Hodgkin’s Lymphoma in Japan. However, we determined that it would be difficult to implement the additional randomized comparative clinical study that was suggested in discussions with the regulatory authority and decided to discontinue development.

Immunology and allergy

KHK4827 (product name in Japan: LUMICEF)

- An application for a partial change for approval has been submitted for its planned indication for treatment for systemic sclerosis in Japan (application filed in December 2021).
- An application for a partial change for approval has been submitted for its planned indication for treatment for palmoplantar pustulosis in Japan (application filed in September 2022).

Other

AMG531 (product name in Japan: Romiplate)

- An application for a partial change for approval has been submitted for its indication for treatment of aplastic anemia in Japan (application filed in November 2022).

R&D pipeline

antibody　protein　small molecule　◎ New Molecular Entity　Updated since Dec. 31, 2022　Updated since Mar. 31, 2023

Nephrology　As of June 30, 2023

Code Name / Generic Name / Formulation	Mechanism of Action	Indication	Area	Stage: Ph I	Ph II	Ph III	Filed	Approved	[In-House or Licensed] Remarks
KHK7580 Evocalcet Oral	Calcimimetic	Secondary Hyperparathyroidism	CN KR TW						[Mitsubishi Tanabe Pharma] product name in Japan: Orkedia
KW-3357 Antithrombin Gamma Injection	Recombinant Human Antithrombin	Preeclampsia	JP						[In-House] product name in Japan: Acoalan
KHK7791 Tenapanor Hydrochloride Oral	NHE3 Inhibitor	Hyperphosphatemia in Patients on Dialysis	JP						[Ardelyx]
KRN1493 Cinacalcet Hydrochloride Oral	Calcimimetic	Primary Hyperparathyroidism	HK						[NPS Pharmaceuticals Inc.] product name in Japan: Regpara

Since the development of RTA 402 for Alport Syndrome, Diabetic Kidney Disease, and Autosomal Dominant Polycystic Kidney Disease was discontinued in Japan, the relevant information was deleted from this table.

Oncology

Code Name / Generic Name / Formulation	Mechanism of Action	Indication	Area	Stage: Ph I	Ph II	Ph III	Filed	Approved	[In-House or Licensed] Remarks
KW-0761 Mogamulizumab Injection	Anti-CCR4 Humanized Antibody	Mycosis Fungoides and Sézary Syndrome	IL						[In-House] POTELLIGENT product name in Japan, US and Europe: Poteligeo
			ME						
			RS KW						
KRN125 Pegfilgrastim Injection	Long-Acting Granulocyte Colony-Stimulating Factor	Mobilization of Hematopoietic Stem Cells into Peripheral Blood for Autologous Blood Stem Cell Transplantation	JP						[Amgen K-A] product name in Japan: G-Lasta

Since the development of ME-401 for Indolent B-cell Non-Hodgkin's Lymphoma was discontinued in Japan, the relevant information was deleted from this table.

Immunology/Allergy

Code Name / Generic Name / Formulation	Mechanism of Action	Indication	Area	Stage: Ph I	Ph II	Ph III	Filed	Approved	[In-House or Licensed] Remarks
KHK4827 Brodalumab Injection	Anti-IL-17 Receptor A Fully Human Antibody	Ankylosing Spondylitis	TH						[Amgen K-A] product name in Japan and Asia: Lumicef
		Non-radiographic Axial Spondyloarthritis	TH						
		Systemic Sclerosis	JP						
		Palmoplantar Pustulosis	JP						
◎KHK4083/AMG 451 Rocatinlimab Injection	Anti-OX40 Fully Human Antibody	Atopic Dermatitis	JP NA Europe Asia Oceania others						[In-House] POTELLIGENT Fully human antibody production technology Collaboration agreement with Amgen for the development of KHK4083/AMG 451 in all the countries except for Japan.
◎KK4277 Injection		Autoimmune Disease	JP						[SBI Biotech]

Other

Code Name Generic Name Formulation	Mechanism of Action	Indication	Area	Stage Ph Ⅰ	Ph Ⅱ	Ph Ⅲ	Filed	Approved	[In-House or Licensed] Remarks
KRN23 Burosumab Injection	Anti-FGF23 Fully Human Antibody	Tumor Induced Osteomalacia (TIO)	OM QA UAE						[In-House] Fully human antibody production technology Jointly Developed with Ultragenyx in US and Europe product name in Japan, US and Europe: Crysvita
			KW BH						
			ME RS						
		X-linked Hypophosphatemia (XLH)	MO RS ME						
AMG531 Romiplostim Injection	Thrombopoietin Receptor Agonist	Aplastic Anemia Previously Untreated with Immunosuppressive Therapy	JP						[Amgen K-A] product name in Japan: Romiplate
			Asia				Ph Ⅱ / Ph Ⅲ		
KW-3357 Antithrombin Gamma Injection	Recombinant Human Antithrombin	Disseminated Intravascular Coagulation, Congenital Antithrombin Deficiency	Europe						[In-House] product name in Japan: Acoalan
KHK4951 Tivozanib Ophthalmic	VEGF Receptor Tyrosine Kinase Inhibitor	Neovascular (wet) Age-Related Macular Degeneration	JP						[In-House]

Note: Our main progress from June 30, 2023 is as follows.

- In July 2023, we applied for partial change of approved indication of KRN125 (generic name: Pegfilgrastim) in the oncology field for the mobilization of hematopoietic stem cells into peripheral blood for autologous blood stem cell transplantation in Japan.

(5) Summary of Consolidated Earnings Forecasts and Other Forward-looking Statements

No revisions have been made to the consolidated earnings forecasts announced on May 10, 2023.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Non-current assets		
Property, plant and equipment	89,099	91,993
Goodwill	135,761	140,959
Intangible assets	64,786	58,005
Other financial assets	36,531	35,207
Retirement benefit asset	15,212	14,783
Deferred tax assets	52,946	60,697
Other non-current assets	3,357	3,985
Total non-current assets	397,692	405,628
Current assets		
Inventories	70,675	76,547
Trade and other receivables	111,746	110,859
Other financial assets	526	261
Other current assets	14,094	12,294
Cash and cash equivalents	339,194	372,131
Subtotal	536,235	572,092
Assets held for sale	5,955	1,973
Total current assets	542,189	574,065
Total assets	939,881	979,692

(1) Condensed Quarterly Consolidated Statement of Financial Position (continued)

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Equity		
Share capital	26,745	26,745
Capital surplus	464,434	464,663
Treasury shares	(3,177)	(2,978)
Retained earnings	285,842	293,158
Other components of equity	(11,018)	13,199
Total equity attributable to owners of parent	762,826	794,787
Total equity	762,826	794,787
Liabilities		
Non-current liabilities		
Liabilities from application of equity method	15,529	13,525
Retirement benefit liability	287	381
Provisions	7,532	8,512
Deferred tax liabilities	404	432
Other financial liabilities	17,549	17,781
Other non-current liabilities	25,929	21,367
Total non-current liabilities	67,229	61,999
Current liabilities		
Trade and other payables	70,922	81,755
Provisions	2,966	3,238
Other financial liabilities	5,729	6,797
Income taxes payable	1,582	7,346
Other current liabilities	28,627	23,771
Total current liabilities	109,825	122,907
Total liabilities	177,055	184,906
Total equity and liabilities	939,881	979,692

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

Condensed Quarterly Consolidated Statement of Profit or Loss

(Millions of yen)

	January 1, 2022 to June 30, 2022	January 1, 2023 to June 30, 2023
Revenue	185,271	199,209
Cost of sales	(43,380)	(47,046)
Gross profit	141,891	152,163
Selling, general and administrative expenses	(76,448)	(82,433)
Research and development expenses	(27,911)	(33,654)
Share of profit (loss) of investments accounted for using equity method	2,376	1,391
Other income	562	500
Other expenses	(1,214)	(14,167)
Finance income	4,746	2,294
Finance costs	(523)	(48)
Profit before tax	43,479	26,046
Income tax expense	(8,462)	(4,401)
Profit	35,017	21,646
Profit attributable to		
Owners of parent	35,017	21,646
Earnings per share		
Basic earnings per share (Yen)	65.16	40.27
Diluted earnings per share (Yen)	65.14	40.26

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	January 1, 2022 to June 30, 2022	January 1, 2023 to June 30, 2023
Profit	35,017	21,646
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	394	433
Total of items that will not be reclassified to profit or loss	394	433
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,964	24,010
Share of other comprehensive income of investments accounted for using equity method	171	66
Total of items that may be reclassified to profit or loss	5,134	24,076
Other comprehensive income	5,529	24,508
Comprehensive income	40,545	46,154
Comprehensive income attributable to		
Owners of parent	40,545	46,154

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

January 1, 2022 to June 30, 2022

(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, 2022	26,745	464,153	(3,359)	255,528	414	(7,299)
Profit	–	–	–	35,017	–	–
Other comprehensive income	–	–	–	–	–	5,134
Total comprehensive income	–	–	–	35,017	–	5,134
Dividends of surplus	–	–	–	(12,359)	–	–
Purchase of treasury shares	–	–	(4)	–	–	–
Disposal of treasury shares	–	73	108	–	–	–
Share-based remuneration transactions	–	76	38	–	(180)	–
Transfer from other components of equity to retained earnings	–	–	–	557	–	–
Total transactions with owners	–	150	142	(11,802)	(180)	–
Balance at June 30, 2022	26,745	464,303	(3,218)	278,743	234	(2,165)

	Equity attributable to owners of parent		Total	Total equity
	Other components of equity			
	Financial assets measured at fair value through other comprehensive income	Total		
Balance at January 1, 2022	980	(5,904)	737,162	737,162
Profit	–	–	35,017	35,017
Other comprehensive income	394	5,529	5,529	5,529
Total comprehensive income	394	5,529	40,545	40,545
Dividends of surplus	–	–	(12,359)	(12,359)
Purchase of treasury shares	–	–	(4)	(4)
Disposal of treasury shares	–	–	181	181
Share-based remuneration transactions	–	(180)	(66)	(66)
Transfer from other components of equity to retained earnings	(557)	(557)	–	–
Total transactions with owners	(557)	(737)	(12,248)	(12,248)
Balance at June 30, 2022	818	(1,113)	765,460	765,460

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

January 1, 2023 to June 30, 2023

(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, 2023	26,745	464,434	(3,177)	285,842	219	(12,247)
Profit	–	–	–	21,646	–	–
Other comprehensive income	–	–	–	–	–	24,076
Total comprehensive income	–	–	–	21,646	–	24,076
Dividends of surplus	–	–	–	(14,512)	–	–
Purchase of treasury shares	–	–	(6)	–	–	–
Disposal of treasury shares	–	34	74	–	–	–
Share-based remuneration transactions	–	195	130	–	(108)	–
Transfer from other components of equity to retained earnings	–	–	–	182	–	–
Total transactions with owners	–	229	199	(14,329)	(108)	–
Balance at June 30, 2023	26,745	464,663	(2,978)	293,158	110	11,829

	Equity attributable to owners of parent			Total equity
	Other components of equity		Total	
	Financial assets measured at fair value through other comprehensive income	Total		
Balance at January 1, 2023	1,010	(11,018)	762,826	762,826
Profit	–	–	21,646	21,646
Other comprehensive income	433	24,508	24,508	24,508
Total comprehensive income	433	24,508	46,154	46,154
Dividends of surplus	–	–	(14,512)	(14,512)
Purchase of treasury shares	–	–	(6)	(6)
Disposal of treasury shares	–	–	109	109
Share-based remuneration transactions	–	(108)	216	216
Transfer from other components of equity to retained earnings	(182)	(182)	–	–
Total transactions with owners	(182)	(291)	(14,193)	(14,193)
Balance at June 30, 2023	1,260	13,199	794,787	794,787

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	January 1, 2022 to June 30, 2022	January 1, 2023 to June 30, 2023
Cash flows from operating activities		
Profit before tax	43,479	26,046
Depreciation and amortization	9,497	9,856
Impairment losses (reversal of impairment losses)	–	9,389
Increase (decrease) in provisions	(493)	867
Share of loss (profit) of investments accounted for using equity method	(2,376)	(1,391)
Foreign exchange loss (gain)	(9,838)	12,015
Decrease (increase) in inventories	(5,802)	(4,767)
Decrease (increase) in trade receivables	5,405	7,040
Increase (decrease) in trade payables	(2,752)	488
Increase (decrease) in contract liabilities	(4,292)	(4,052)
Income taxes paid	(12,776)	(1,513)
Other	2,404	6,364
Net cash provided by (used in) operating activities	22,456	60,344
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,673)	(10,914)
Purchase of intangible assets	(3,145)	(4,822)
Proceeds from sale of investment securities	1,976	–
Proceeds from redemption of bonds of subsidiaries and associates	–	2,000
Other	(2)	(221)
Net cash provided by (used in) investing activities	(6,844)	(13,958)
Cash flows from financing activities		
Repayments of lease liabilities	(1,811)	(1,722)
Purchase of treasury shares	(4)	(6)
Dividends paid	(12,359)	(14,512)
Other	100	172
Net cash provided by (used in) financing activities	(14,074)	(16,068)
Effect of exchange rate changes on cash and cash equivalents	3,264	2,619
Net increase (decrease) in cash and cash equivalents	4,802	32,936
Cash and cash equivalents at beginning of period	335,084	339,194
Cash and cash equivalents at end of period	339,886	372,131

(5) Notes to Condensed Quarterly Consolidated Financial Statements

Notes on going concern assumption

No applicable items.

Material accounting policies

The material accounting policies adopted for the Condensed Quarterly Consolidated Financial Statements are the same as those for the Consolidated Financial Statements for the fiscal year ended December 31, 2022, except for the following item.
Income tax expense for the six months ended June 30, 2023 was calculated based on the estimated annual effective tax rate.

IAS 12 "Income Taxes" (amended in May 2023)

Starting from the second quarter of the fiscal year ending December 31, 2023, the Group has applied International Tax Reform—Pillar Two Model Rules ("Amendments to IAS 12").
The Group has applied the exception provided in Amendments to IAS 12, and it does not recognize and does not disclose information about deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules.

Changes in presentation

Condensed Quarterly Consolidated Statement of Cash Flows

"Foreign exchange loss (gain)," which had previously been included in "Other" of "Cash flows from operating activities" in the six months ended June 30, 2022, has been presented separately because its monetary materiality has increased. To reflect this change in the presentation method, we have reclassified the amount in our Condensed Quarterly Consolidated Financial Statements for the six months ended June 30, 2022.
As a result, negative ¥7,434 million presented as "Other" in "Cash flows from operating activities" in the Condensed Quarterly Consolidated Statement of Cash Flows for the six months ended June 30, 2022, was reclassified as "Foreign exchange loss (gain)" of negative ¥9,838 million and "Other" of ¥2,404 million.

Segment information

The Group omitted information by reportable segment as the Group consists of only the one reportable segment, which is the Pharmaceuticals business.