Kyowa Kirin Co., Ltd.

Consolidated Financial Summary (IFRS)
Fiscal 2020 Second Quarter

(January 1, 2020 – June 30, 2020)

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

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS (IFRS)
for Six Months Ended June 30, 2020

July 30, 2020

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Scheduled date of submission of Quarterly Securities Report: July 30, 2020
Scheduled start date of dividend payment: September 1, 2020
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, 2020

(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, 2020	157,819	4.2	34,479	7.2	30,872	41.4	27,798	(42.2)
June 30, 2019	151,416	12.7	32,157	13.4	21,829	(48.3)	48,063	40.2

Total comprehensive income: Six months ended June 30, 2020: ¥19,393 million; (59.4)%
Six months ended June 30, 2019: ¥47,727 million; 58.8%

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, 2020	27,798	(42.2)	51.76	51.72
June 30, 2019	48,063	40.2	89.02	88.94

(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, 2020	779,625	685,906	685,906	88.0
December 31, 2019	784,453	678,250	678,250	86.5

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, 2019	–	20.00	–	22.00	42.00
Fiscal year ending December 31, 2020	–	22.00			
Fiscal year ending December 31, 2020 (Forecast)			–	22.00	44.00

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

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	313,000	2.3	60,000	1.1	53,000	19.1	44,000	(34.4)	44,000	(34.4)	81.92

Note: Changes to the earnings forecasts most recently announced: Yes

* 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: No

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

c. Changes in accounting estimates: No

(3) Number of shares issued (ordinary shares)

a. Number of shares issued (including treasury shares)

As of June 30, 2020	540,000,000 shares
As of December 31, 2019	540,000,000 shares

b. Number of treasury shares

As of June 30, 2020	2,832,066 shares
As of December 31, 2019	3,053,335 shares

c. Average number of shares during the period

Six months ended June 30, 2020	537,054,763 shares
Six months ended June 30, 2019	539,909,061 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.

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1. Operating Results and Financial Statements

(1) Summary of Consolidated Business Performance

1) Overview of results

Since applying IFRS, the Group 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, 2020	Six months ended June 30, 2019	Year-on-year change	Year-on-year (%)
Revenue	157.8	151.4	6.4	4.2%
Core operating profit	34.5	32.2	2.3	7.2%
Profit before tax	30.9	21.8	9.0	41.4%
Profit from continuing operations	27.8	18.7	9.1	49.0%
Profit from discontinued operations	–	29.4	(29.4)	–%
Profit attributable to owners of parent	27.8	48.1	(20.3)	(42.2)%

For the six months ended June 30, 2020 (January 1, 2020 to June 30, 2020), revenue was ¥157.8 billion (up 4.2% compared to the same period of the previous fiscal year), and core operating profit was ¥34.5 billion (up 7.2%). Profit attributable to owners of parent was ¥27.8 billion (down 42.2%).

- The increase in revenue was the result of steady growth of global strategic products in North America and EMEA and strong sales in Asia, mainly in China, despite the impact of reduction in drug price standards and switching to Darbepoetin Alfa Injection Syringe [KKF], an authorized generic of NESP®, a renal anemia treatment drug, etc. in Japan. The increase in core operating profit was the result of an increase in gross profit due to an increase in overseas revenue, despite an increase in selling, general and administrative expenses.
- Profit attributable to owners of parent decreased as a result of the absence of the profit from discontinued operations recorded in the same period of the previous fiscal year, despite lower business restructuring expenses and impairment losses in addition to an increase in core operating profit.

2) Revenue by regional control function

(Billions of yen)

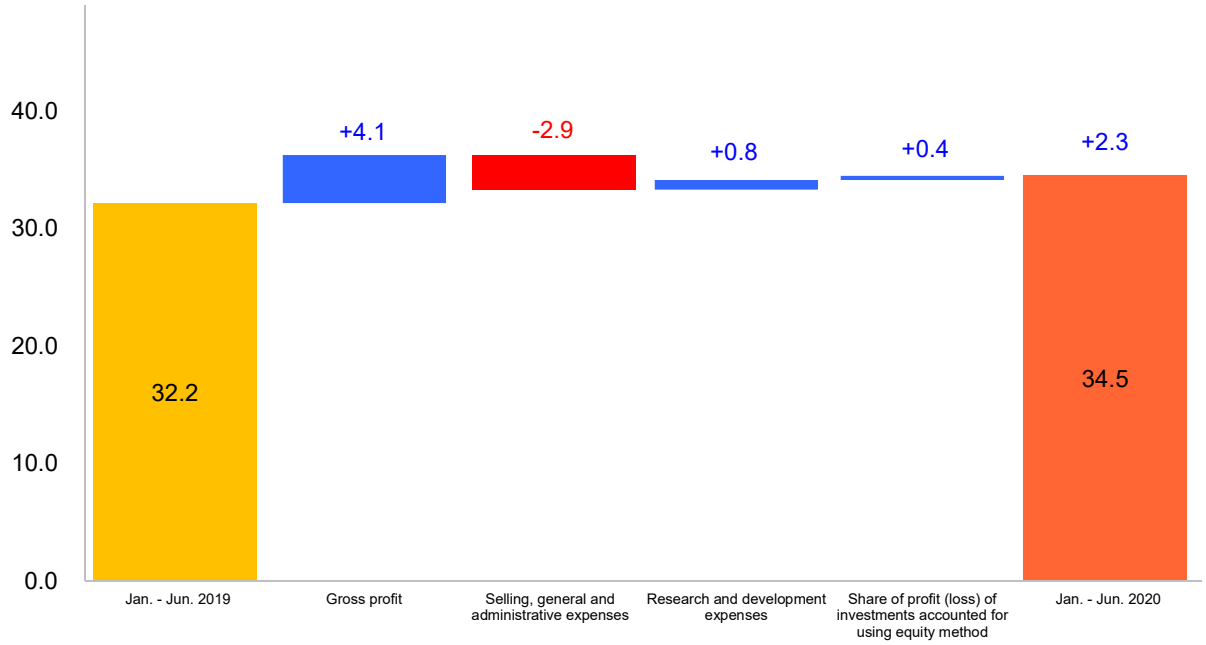
	Six months ended June 30, 2020	Six months ended June 30, 2019	Year-on-year change
Japan	82.1	90.3	(8.3)
North America	27.6	16.3	11.3
EMEA	25.1	22.2	2.9
Asia/Oceania	12.3	11.4	0.9
Others	10.7	11.2	(0.5)
Total consolidated revenue	157.8	151.4	6.4

Notes:
1. Revenue by regional control function is classified based on consolidated revenue from products of regional control functions in the One Kyowa Kirin structure (a global management structure with axes combining four regions – Japan, North America, EMEA, and Asia/Oceania – and the functions needed by a global specialty pharmaceutical company).
2. EMEA consists of Europe, the Middle East, Africa, etc.
3. Others consists of technology out-licensing and original equipment manufacturing, etc.

- Revenue in Japan decreased year on year because of the significant impact of switching to Darbepoetin Alfa Injection Syringe [KKF], an authorized generic of NESP®, a renal anemia treatment drug whose patent has expired, in addition to the impact of the reductions in drug price standards implemented in October 2019 and April 2020, despite the growth in sales of new product groups.
  - Darbepoetin Alfa Injection Syringe [KKF] achieved rapid progress in switching from NESP®, a renal anemia treatment drug.
  - Revenue from Patanol®, anti-allergy eye drops, and ALLELOCK®, an anti-allergy agent, decreased as a result of smaller pollen counts and the impact of the suppression of examinations, etc. due to the novel coronavirus disease (COVID-19).
  - Revenue from ORKEDIA®, a treatment for secondary hyperparathyroidism, 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.
  - 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 June 2019.
  - Firm growth in revenue was realized for G-Lasta®, an agent for decreasing the incidence of febrile neutropenia, and Rituximab BS [KHK], an anticancer agent.
  - In December 2019, Crysvita®, a treatment for FGF23-related diseases, and HARUROPI®, a Parkinson's disease treatment patch, were launched and they have been penetrating the market favorably.
- Revenue in North America increased year on year due to the steady growth of global strategic products.
  - Sales of Crysvita®, a treatment for X-linked hypophosphatemia, have been growing steadily since its launch in 2018.
  - Revenue from POTELIGEO®, an anticancer agent, stayed at the same level as in the same period of the previous fiscal year due to the impact of the COVID-19 pandemic.
  - NOURIANZ™ (product name in Japan: NOURIAST®), an antiparkinsonian agent which was launched in October 2019, has been penetrating the market favorably.
- Revenue in EMEA increased year on year due to the steady growth of global strategic products.
  - Sales of Crysvita®, a treatment for X-linked hypophosphatemia, have been growing steadily as the number of countries where it has been released has been increasing since its launch in 2018.
  - In Germany, POTELIGEO®, an anticancer agent, was launched in June.
- Revenue in Asia/Oceania increased year on year, reflecting strong sales particularly in China.
  - Revenue from REGPARA®, a treatment for secondary hyperparathyroidism, increased compared to the same period of the previous fiscal year due to market expansion in China.
- Revenue from Others decreased year on year.
  - Revenue decreased from the same period of the previous fiscal year due mainly to a decline in milestone revenue 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 same period of the previous fiscal year due to an increase in overseas revenue mainly from global strategic products, despite a decrease in revenue in Japan and an increase in selling, general and administrative expenses associated with sales of global strategic products.

(2) Summary of Consolidated Financial Position

(Billions of yen)

	As of June 30, 2020	As of December 31, 2019	Change
Assets	779.6	784.5	(4.8)
Non-current assets	346.4	335.8	10.6
Current assets	433.2	448.6	(15.4)
Liabilities	93.7	106.2	(12.5)
Equity	685.9	678.2	7.7
Ratio of equity attributable to owners of parent to total assets (%)	88.0%	86.5%	1.5%

- Assets as of June 30, 2020, were ¥779.6 billion, a decrease of ¥4.8 billion compared to the end of the previous fiscal year.
  - Non-current assets increased by ¥10.6 billion to ¥346.4 billion, due mainly to an increase in deferred tax assets as well as an increase in intangible assets associated with in-licensing of development products.
  - Current assets decreased by ¥15.4 billion to ¥433.2 billion, due mainly to a decrease in cash reserves (cash and cash equivalents and loans receivable from parent) due to income taxes and dividends paid, and purchase of intangible assets, despite large increases in cash and cash equivalents due to the impact of an increase of ¥204.0 billion within loans receivable from parent with loan periods of three months or less included in the scope of cash and cash equivalents.
- Liabilities as of June 30, 2020, were ¥93.7 billion, a decrease of ¥12.5 billion compared to the end of the previous fiscal year, due mainly to decreases in trade and other payables and income taxes payable.

- Equity as of June 30, 2020, was ¥685.9 billion, an increase of ¥7.7 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, despite a decrease due to the payment of dividends as well as a decrease in exchange differences on translation of foreign operations resulting from the impact of exchange rates, 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 88.0%, an increase of 1.5 percentage points compared to the end of the previous fiscal year.

(3) Summary of Consolidated Cash Flows

(Billions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2019	Year-on-year change	Year-on-year (%)
Net cash provided by (used in) operating activities	20.6	19.8	0.8	3.8%
Net cash provided by (used in) investing activities	216.5	10.6	205.9	1,934.1%
Net cash provided by (used in) financing activities	(13.3)	(35.2)	21.9	(62.2)%
Cash and cash equivalents at beginning of period	20.8	15.9	4.9	30.9%
Cash and cash equivalents at end of period	243.5	10.9	232.6	2,130.2%

- Cash and cash equivalents as of June 30, 2020, were ¥243.5 billion, an increase of ¥222.8 billion compared with the balance of ¥20.8 billion as of December 31, 2019 as a result of the impact of an increase of ¥204.0 billion within loans receivable from parent with loan periods of three months or less included in the scope of cash and cash equivalents.
  The main contributing factors affecting cash flow during the six months ended June 30, 2020 were as follows:
- Net cash provided by operating activities was ¥20.6 billion, a 3.8% increase compared to the same period of the previous fiscal year. Major inflows included profit before tax of ¥30.9 billion and depreciation and amortization of ¥9.2 billion. Major outflows included income taxes paid of ¥16.2 billion.
- Net cash provided by investing activities was ¥216.5 billion, a 1,934.1% increase compared to the same period of the previous fiscal year. Major inflows included a net decrease of ¥233.8 billion in loans receivable from parent. Major outflows included ¥11.5 billion for purchase of intangible assets, and ¥6.1 billion for purchase of property, plant and equipment.
- Net cash used in financing activities was ¥13.3 billion, a 62.2% decrease compared to the same period of the previous fiscal year. Major outflows included dividends paid of ¥11.8 billion.

(4) Research and Development Activities

Using cutting-edge biotechnology centered on antibody technology, we have made nephrology, oncology, immunology/allergy and central nervous system (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 six months ended June 30, 2020, the Group's research and development expenses totaled ¥24.1 billion, and the progress of our main late-stage development products are as follows. ("◆" indicates the progress made during the second quarter of fiscal 2020.)

Nephrology

KRN321 (product name in Japan: NESP®)

- ◆ In June, we obtained approval of its indication for treatment of renal anemia in patients receiving hemodialysis in China.

Oncology

KRN125 (product name in Japan: G-Lasta®)

- In February, we started a phase I clinical study in Japan related to the development of an automated injection device for decreasing the incidence of febrile neutropenia in patients receiving cancer chemotherapy.

ME-401

◆ In the U.S., Europe, South Korea, Australia, etc., we are currently conducting a phase II clinical trial for treatment of follicular lymphoma. (In April, we concluded an agreement with MEI Pharma on global license, development, and commercialization.)

Immunology and allergy

KHK4827 (product name in Japan: LUMICEF®)

◆ In June, we obtained approval of its indication for treatment of plaque psoriasis in China.

Central nervous system (CNS)

KW-6002 (product name in Japan: NOURIAST®; product name in U.S.: NOURIANZ™)

- In January, an application for approval of its indication for combination therapy with levodopa-based regimens for adult patients with Parkinson's disease experiencing "off" episodes was accepted in Europe (application filed in November 2019).

Other

KRN23 (product name in Japan, U.S. and Europe: Crysvita®)

◆ In February in the U.S., we obtained approval for partial changes to our biologics license application for approval of its indication for treatment of tumor induced osteomalacia that cannot be curatively resected or localized, and in June, we obtained approval of its indication for treatment of tumor induced osteomalacia that cannot be curatively resected or localized for adult patients and pediatric patients who are two years of age or older.

antibody protein small molecule ◎ New Molecular Entity Updated since Dec. 31, 2019 Updated since Mar 31, 2020

Nephrology As of Jun. 30, 2020

Code Name Generic Name Formulation	Mechanism of Action	Indication	Area	Stage					[In-House or Licensed] Remarks
				Ph Ⅰ	Ph Ⅱ	Ph Ⅲ	Filed	Approved	
KRN321 Darbepoetin Alfa Injection	Long-Acting Erythropoiesis Stimulating Agent	Renal Anemia (on Hemodialysis)	CN						[Kirin-Amgen]
KHK7580 Evocalcet Oral	Calcimimetic	Secondary Hyperparathyroidism	CN KR TW HK						[Mitsubishi Tanabe Pharma]
◎RTA 402 Bardoxolone Methyl Oral	Antioxidant Inflammation Modulator	Diabetic Kidney Disease	JP						[Reata]
KW-3357 Antithrombin Gamma Injection	Recombinant Human Antithrombin	Preeclampsia	JP						[In-House]
KHK7791 Tenapanor Oral	NHE3 Inhibitor	Hyperphosphatemia Under Maintenance Dialysis	JP						[Ardelyx]

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	AU						[In-House] POTELLIGENT®
		Adult T-cell Leukemia/ Lymphoma	US EU others						
◎KHK2375 Entinostat Oral	HDAC Inhibitor	Breast Cancer	JP						[Syndax]
KRN125 Pegfilgrastim Injection	Long-Acting Granulocyte Colony-Stimulating Factor	Mobilization of Hematopoietic stem cell into Peripheral blood	JP						[Kirin-Amgen]
		Automated Injection Device for Decreasing the Incidence of Febrile Neutropenia in Patients Receiving Cancer Chemotherapy	JP						
◎KHK2455 Oral	IDO1 Inhibitor	Solid Tumor	US						[In-House] Combination with KW-0761
		Urothelial carcinoma	US						[In-House] Combination with avelumab
◎ME-401 Oral	PI3Kδ Inhibitor	B-cell malignancies	JP						[MEI Pharma]
			US						
		Follicular Lymphoma	US EU AU KR others						

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	Axial Spondyloarthritis (axSpA)	TW						[Kirin-Amgen] Concurrent submit of an application for Psoriatic Arthritis
			JP						[Kirin-Amgen]
		Psoriasis	CN						
			MY MO						
		Systemic Sclerosis	JP						
		Palmoplantar Pustulosis	JP						
◎KHK4083 Injection	Anti-OX40 Fully Human Antibody	Atopic Dermatitis	JP US CA EU						[In-House] POTELLIGENT® Human Antibody Producing Technology
◎ASKP1240 Bleselumab Injection	Anti-CD40 Fully Human Antibody	Recurrence of Focal Segmental Glomerulosclerosis (FSGS) in de novo kidney transplant recipients	US						[In-House] Human Antibody-Producing Technology Jointly Developed with Astellas

※ Since the development of KHK4083 for ulcerative colitis was suspended, clinical studies for UC were deleted from this table.

Central Nervous System

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-6002 Istradefylline Oral	Adenosine A_{2A} Receptor Antagonist	Parkinson's Disease	EU						[In-House]
KW-0761 Mogamulizumab Injection	Anti-CCR4 Humanized Antibody	HTLV-1 associated myelopathy (HAM)	JP						[In-House] POTELLIGENT®
◎KW-6356 Oral	Adenosine A_{2A} Receptor Antagonist	Parkinson's Disease	JP						[In-House]
◎KHK6640 Injection	Anti–Amyloid Beta Peptide Antibody	Alzheimer's Disease	JP EU						[Immunas Pharma]

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	X-linked Hypophosphatemia (XLH)	HK						[In-House] Human Antibody-Producing Technology Jointly Developed with Ultragenyx in US and EU
				OM						
				CH						
				CN TW KW SA SG						
				BH						
			Adult X-linked Hypophosphatemia (XLH)	EU						
			FGF23-Related Hypophosphatemic Rickets and Osteomalacia	KR						
			Tumor Induced Osteomalacia (TIO)	US						
	AMG531 Romiplostim Injection	Thrombopoietin Receptor Agonist	Aplastic Anemia Who Have Had an Inadequate Response to Conventional Therapy	TW						[Kirin-Amgen]
				KR				Ph Ⅱ / Ph Ⅲ		
			Idiopathic (Immune) Thrombocytopenic Purpura	CN						
			Aplastic Anemia Who Were Previously Untreated with Immunosuppressive Therapy	JP KR TW				Ph Ⅱ / Ph Ⅲ		
	KW-3357 Antithrombin Gamma Injection	Recombinant Human Antithrombin	Disseminated Intravascular Coagulation, Congenital Antithrombin Deficiency	EU						[In-House]

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

Revenue for the six months ended June 30, 2020 was lower than initial expectations due to the impact on Darbepoetin Alfa Injection Syringe [KKF], an authorized generic of NESP®, a renal anemia treatment drug, as biosimilar products penetrated the market in Japan. In addition, in the second half of the fiscal year there are concerns that the market penetration speed of global strategic products, such as Crysvita® and POTELIGEO® with sales that have been growing steadily as the number of countries where they have been released has been increasing since their launch in 2018 and 2019 in North America and EMEA, will be slower than initial expectations due to the prolonged outbreak of COVID-19. Furthermore, other expenses increased due to the recording of impairment losses, business restructuring expenses, etc.

In light of these trends in business results, etc., we have revised the full-year consolidated earnings forecasts.

The differences from the full-year consolidated earnings forecasts for the fiscal year ending December 31, 2020 announced February 5, 2020 are as follows.

(Full year)

	Revenue	Core operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)
Previous forecast (A)	327,000	65,000	63,000	49,000	91.26
Revised forecast (B)	313,000	60,000	53,000	44,000	81.92
Change (B-A)	(14,000)	(5,000)	(10,000)	(5,000)	–
Rate of change (%)	(4.3)%	(7.7)%	(15.9)%	(10.3)%	–
Fiscal 2019 results	305,820	59,353	44,492	67,084	124.57

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of June 30, 2020	As of December 31, 2019
Assets		
Non-current assets		
Property, plant and equipment	74,698	74,216
Goodwill	130,937	133,554
Intangible assets	66,409	60,106
Investments accounted for using equity method	13,764	13,526
Other financial assets	18,794	19,511
Retirement benefit asset	12,045	12,299
Deferred tax assets	29,299	22,110
Other non-current assets	468	520
Total non-current assets	346,414	335,843
Current assets		
Inventories	46,742	47,123
Trade and other receivables	85,239	89,015
Loans receivable from parent	51,900	285,700
Other financial assets	571	389
Other current assets	5,238	5,621
Cash and cash equivalents	243,521	20,762
Total current assets	433,211	448,610
Total assets	779,625	784,453

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

(Millions of yen)

	As of June 30, 2020	As of December 31, 2019
Equity		
Share capital	26,745	26,745
Capital surplus	463,925	463,893
Treasury shares	(3,611)	(3,792)
Retained earnings	217,165	201,253
Other components of equity	(18,319)	(9,849)
Total equity attributable to owners of parent	685,906	678,250
Total equity	685,906	678,250
Liabilities		
Non-current liabilities		
Retirement benefit liability	399	276
Provisions	1,646	1,648
Deferred tax liabilities	46	42
Other financial liabilities	15,235	15,444
Other non-current liabilities	1,126	1,263
Total non-current liabilities	18,452	18,673
Current liabilities		
Trade and other payables	45,153	53,877
Provisions	2,856	2,019
Other financial liabilities	2,978	3,109
Income taxes payable	10,423	15,214
Other current liabilities	13,858	13,312
Total current liabilities	75,267	87,530
Total liabilities	93,720	106,204
Total equity and liabilities	779,625	784,453

(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, 2020 to June 30, 2020	January 1, 2019 to June 30, 2019
Continuing operations		
Revenue	157,819	151,416
Cost of sales	(40,951)	(38,617)
Gross profit	116,868	112,799
Selling, general and administrative expenses	(58,234)	(55,307)
Research and development expenses	(24,070)	(24,879)
Share of profit (loss) of investments accounted for using equity method	(86)	(456)
Other income	657	181
Other expenses	(5,299)	(10,463)
Finance income	1,149	483
Finance costs	(114)	(530)
Profit before tax	30,872	21,829
Income tax expense	(3,074)	(3,176)
Profit from continuing operations	27,798	18,653
Discontinued operations		
Profit from discontinued operations	–	29,410
Profit	27,798	48,063
Profit attributable to		
Owners of parent	27,798	48,063
Earnings per share		
Basic earnings per share (Yen)	51.76	89.02
Continuing operations	51.76	34.55
Discontinued operations	–	54.47
Diluted earnings per share (Yen)	51.72	88.94
Continuing operations	51.72	34.52
Discontinued operations	–	54.42

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	January 1, 2020 to June 30, 2020	January 1, 2019 to June 30, 2019
Profit	27,798	48,063
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(534)	474
Share of other comprehensive income of investments accounted for using equity method	(72)	(41)
Total of items that will not be reclassified to profit or loss	(606)	433
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(7,759)	(709)
Share of other comprehensive income of investments accounted for using equity method	(40)	(61)
Total of items that may be reclassified to profit or loss	(7,799)	(770)
Other comprehensive income	(8,406)	(337)
Comprehensive income	19,393	47,727
Comprehensive income attributable to		
Owners of parent	19,393	47,727

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

January 1, 2020 to June 30, 2020

(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, 2020	26,745	463,893	(3,792)	201,253	751	(13,647)
Profit	–	–	–	27,798	–	–
Other comprehensive income	–	–	–	–	–	(7,799)
Total comprehensive income	–	–	–	27,798	–	(7,799)
Dividends of surplus	–	–	–	(11,813)	–	–
Purchase of treasury shares	–	–	(7)	–	–	–
Disposal of treasury shares	–	14	157	–	–	–
Share-based remuneration transactions	–	18	30	–	(137)	–
Transfer from other components of equity to retained earnings	–	–	–	(73)	–	–
Total transactions with owners	–	32	181	(11,885)	(137)	–
Balance at June 30, 2020	26,745	463,925	(3,611)	217,165	614	(21,446)

	Equity attributable to owners of parent				Total equity
	Other components of equity			Total	
	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total		
Balance at January 1, 2020	3,047	–	(9,849)	678,250	678,250
Profit	–	–	–	27,798	27,798
Other comprehensive income	(534)	(73)	(8,406)	(8,406)	(8,406)
Total comprehensive income	(534)	(73)	(8,406)	19,393	19,393
Dividends of surplus	–	–	–	(11,813)	(11,813)
Purchase of treasury shares	–	–	–	(7)	(7)
Disposal of treasury shares	–	–	–	171	171
Share-based remuneration transactions	–	–	(137)	(89)	(89)
Transfer from other components of equity to retained earnings	–	73	73	–	–
Total transactions with owners	–	73	(64)	(11,737)	(11,737)
Balance at June 30, 2020	2,513	–	(18,319)	685,906	685,906

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

January 1, 2019 to June 30, 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	–	–	–	48,063	–	–
Other comprehensive income	–	–	–	–	–	(770)
Total comprehensive income	–	–	–	48,063	–	(770)
Dividends of surplus	–	–	–	(10,949)	–	–
Purchase of treasury shares	–	–	(22,595)	–	–	–
Disposal of treasury shares	–	(17)	263	–	–	–
Cancellation of treasury shares	–	(45,251)	45,251	–	–	–
Share-based remuneration transactions	–	–	–	–	(137)	–
Transfer from other components of equity to retained earnings	–	–	–	134	–	–
Total transactions with owners	–	(45,269)	22,919	(10,814)	(137)	–
Balance at June 30, 2019	26,745	463,893	(3,786)	188,555	650	(17,171)

	Equity attributable to owners of parent				Total equity
	Other components of equity			Total	
	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	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	–	–	–	48,063	48,063
Other comprehensive income	475	(42)	(337)	(337)	(337)
Total comprehensive income	475	(42)	(337)	47,727	47,727
Dividends of surplus	–	–	–	(10,949)	(10,949)
Purchase of treasury shares	–	–	–	(22,595)	(22,595)
Disposal of treasury shares	–	–	–	246	246
Cancellation of treasury shares	–	–	–	–	–
Share-based remuneration transactions	–	–	(137)	(137)	(137)
Transfer from other components of equity to retained earnings	(176)	42	(134)	–	–
Total transactions with owners	(176)	42	(271)	(33,435)	(33,435)
Balance at June 30, 2019	4,573	–	(11,949)	663,458	663,458

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	January 1, 2020 to June 30, 2020	January 1, 2019 to June 30, 2019
Cash flows from operating activities		
Profit before tax from continuing operations	30,872	21,829
Depreciation and amortization	9,243	10,007
Impairment losses	2,679	4,757
Share of loss (profit) of investments accounted for using equity method	86	456
Decrease (increase) in inventories	(1,090)	(4,260)
Decrease (increase) in trade receivables	1,467	(6,693)
Increase (decrease) in trade payables	(3,000)	1,238
Income taxes paid	(16,173)	(14,574)
Other	(3,528)	736
Net cash provided by (used in) operating activities from discontinued operations	–	6,297
Net cash provided by (used in) operating activities	20,555	19,795
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,114)	(4,360)
Purchase of intangible assets	(11,518)	(3,693)
Purchase of investments accounted for using equity method	(500)	(1,000)
Collection of loans receivable	–	19,976
Net decrease (increase) in loans receivable from parent	233,800	(102,400)
Other	856	(1,079)
Net cash provided by (used in) investing activities from discontinued operations	–	103,200
Net cash provided by (used in) investing activities	216,524	10,645
Cash flows from financing activities		
Repayments of lease liabilities	(1,593)	(1,613)
Purchase of treasury shares	(7)	(22,595)
Dividends paid	(11,813)	(10,949)
Other	97	(7)
Net cash provided by (used in) financing activities from discontinued operations	–	(19)
Net cash provided by (used in) financing activities	(13,315)	(35,183)
Effect of exchange rate changes on cash and cash equivalents	(1,006)	(204)
Net increase (decrease) in cash and cash equivalents	222,758	(4,947)
Cash and cash equivalents at beginning of period	20,762	15,867
Cash and cash equivalents at end of period	243,521	10,919

(5) Notes to Condensed Quarterly Consolidated Financial Statements

Notes on going concern assumption

No applicable items.

Segment information

As the Bio-Chemicals business was categorized as a discontinued operation effective from the previous fiscal year, the Group omitted information by reportable segment as the Group consists of only the one reportable segment, which is the Pharmaceuticals business.