



# Consolidated Financial Results for the FY2023 (IFRS)

February 13, 2024

Listing: Tokyo Stock Exchange

Company name: Sosei Group Corporation

Security code: 4565

URL: <https://www.seseiheptares.com/>

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Scheduled date of annual general meeting

March 27, 2024

Scheduled date of dividend payments: -

Scheduled date of security report filing

March 27, 2024

Supplementary materials for financial results:

Yes

Financial results briefing session:

Yes

(Rounded million yen)

## 1. Consolidated results for the year ended December 31, 2023

### (1) Consolidated operating results

(Percentages are shown as year-on-year changes)

	Revenue		Core operating profit		Operating profit		Net profit before income taxes		Net profit		Net profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2023	12,766	(18.0)	(3,076)	-	(9,526)	-	(10,680)	-	(7,193)	-	(7,193)	-
Year ended December 31, 2022	15,569	(12.1)	5,856	-	3,436	(9.0)	1,078	149.0	382	(62.4)	382	(62.4)

	Total comprehensive income		Earnings per share – basic	Earnings per share – diluted	Ratio of net income to equity attributable to owners of the parent	Ratio of net income before income taxes to total assets	Ratio of operating income to revenue
	Million yen	%	Yen	Yen	%	%	%
Year ended December 31, 2023	(1,121)	-	(87.18)	(87.18)	(11.5)	(8.3)	(74.6)
Year ended December 31, 2022	(255)	-	4.68	4.63	0.7	1.1	22.1

(Note) Share of loss of associates accounted for under equity method: nil for the year ended December 31, 2023; and (429) million yen for the year ended December 31, 2022

### (2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
	Million yen	Million yen	Million yen	%	Yen
At December 31, 2023	157,198	66,810	66,810	42.5	746.92
At December 31, 2022	99,417	57,936	57,936	58.3	707.20

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2023	(5,273)	(63,791)	48,329	49,065
Year ended December 31, 2022	9,952	1,043	(4,887)	66,557

## 2. Dividends

	Dividends per share					Total amount of dividends	Dividend payout ratio (consolidated)	Ratio of dividend to equity attributable to owners of the parent company (consolidated)
	End Q1	End Q2	End Q3	End Q4	Total			
FY2022	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00	Million yen —	% —	% —
FY2023	—	0.00	—	0.00	0.00	—	—	—
FY2024(E)	—	0.00	—	0.00	0.00		—	

### 3. Forecast for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

A financial results forecast for the year ending December 31, 2024 has not been provided because it is difficult to forecast a reasonable estimate of the full-year results. Details concerning the reasons thereof, business policy and cost estimates are provided in “1. Analysis of Operating Results and Financial Position (4) Future outlook” on page 14 of this document.

#### \* Notes

(1) Changes in the number of significant subsidiaries for the year ended December 31, 2023 (changes of specified subsidiaries affecting the scope of consolidation): Yes  
Newly included: 1 company (Idorsia Pharmaceuticals Japan Ltd.)

(2) Changes in accounting policies, changes in accounting estimates

1) Changes in accounting policies required by IFRS: None

2) Changes due to changes in accounting policies other than those of item 1: None

3) Changes in accounting estimates: None

#### (3) Number of common shares issued

1) Number of shares issued at period end (including treasury shares)	At December 31, 2023	89,446,777	shares	At December 31, 2022	81,923,230	Shares
2) Number of treasury shares at period end	At December 31, 2023	335	shares	At December 31, 2022	254	Shares
3) Average number of shares in issue in the period	Year ended December 31, 2023	82,516,507	shares	Year ended December 31, 2022	81,785,008	shares

[Reference] Overview of non-consolidated financial results

#### 1. Non-consolidated results for the year ended December 31, 2023

(1) Non-consolidated operating results (Percentages are shown as year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2023	5,015	348.4	(335)	-	(3,301)	-	(3,285)	-
Year ended December 31, 2022	1,118	35.9	(1,095)	-	(1,586)	-	(1,497)	-

	Earnings per share – basic	Earnings per share – diluted
	Yen	Yen
Year ended December 31, 2023	(39.81)	-
Year ended December 31, 2022	(18.30)	-

#### (2) Non-consolidated Balance Sheet

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Million yen
At December 31, 2023	142,011	65,200	45.7	726.29
At December 31, 2022	89,385	57,544	64.1	699.45

(Note) Equity: 64,965 million yen for the year ended December 31, 2023; and 57,306 million yen for the year ended December 31, 2022

Reasons for differences between non-consolidated results and previous year's figures

In the year under review, while revenue increased due to the start of product sales, ordinary income and net income decreased due to one-off expenses such as M&A related costs, loss on cancellation of bonds and bond issuance costs.

\* The Tanshin, including the consolidated financial statements presented within it, is not subject to audit.

\* Explanation regarding the appropriate use of our forecast and other points to be noted  
(Note concerning forward-looking statements)

The financial forecast is based on judgments and estimates that have been prepared on the basis of information available as at the time of disclosure of this material. The actual business results may differ materially from the forecasts due to various factors.

The Company will host a webinar presentation virtually for institutional investors, securities analysts and the press on February 13, 2024. The webinar is open to all existing and potential investors as well and will consist of a presentation followed by a Q&A session. Presentation slides will be made available through the investor section of the Company's Home Page.

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## 1. Analysis of Operating Results and Financial Position

### (1) Analysis of operating results

Sosei Group is a science and technology-led biopharmaceutical business whose core activities are drug discovery, drug development and the commercialization of pharmaceutical products. Within the Group, Heptares Therapeutics Ltd (a wholly owned subsidiary based in UK) mainly engages in drug discovery, translational medicine, preclinical and early clinical development; Idorsia Pharmaceuticals Japan Ltd. (“IPJ”; a wholly owned subsidiary based in Japan) and Idorsia Pharmaceuticals Korea Co., Ltd. (“IPK”; a wholly owned subsidiary based in South Korea), mainly engage in clinical development and product commercialization in Japan and South Korea, respectively, with potential to expand into other Asia-Pacific (“APAC”) regions.

In drug discovery, the Group’s core scientific focus is to discover new medicines for important unmet medical needs, including novel small molecules, peptides and therapeutic antibodies targeting G Protein-Coupled Receptors (“GPCRs”). Its proprietary StaR® (“stabilized receptor”) technology and structure-based drug design (“SBDD”) platform have enabled the Group to become a world leader in discovering new drugs to target GPCRs and to develop an extensive pipeline of over 30 active in-house and partnered discovery and development programs across important therapeutic areas, including neurology, gastroenterology, and immunology and inflammation.

In late-stage development and commercialization, the Group owns the Japan and APAC (excluding China) territory rights to PIVLAZ® (launched in Japan in 2022 to treat cerebral vasospasm) and daridorexant (filed in Japan in 2023 to treat insomnia), as well as exclusive options to license Japan and APAC (ex-China) rights from Idorsia Pharmaceuticals to its Phase 3 cenerimod (autoimmune diseases) and lucerastat (Fabry disease) programs.

In addition, the Group generates royalty revenues from the global sales of respiratory disease products Seebri® Breezhaler®, Ultibro® Breezhaler® and Enerzair® Breezhaler® from Novartis International AG (“Novartis”). These royalties provide the Group with a significant, stable source of capital to support the investment required to achieve its strategic objectives.

During 2023, management has focused on implementing an evolved strategy to more effectively leverage the Group’s proprietary platform, pipeline and capabilities to grow its business in Japan and internationally. This strategy, designed to apply cutting-edge science to create pipeline programs by design and deliver life-changing medicines to patients, has been based on four key strategic pillars:

- (i) Extending and enhancing the competitive advantages of the Group’s world-leading StaR®/SBDD discovery capabilities through continued investment and internal innovation combined with external collaborations that provide access to advanced complementary technologies.
- (ii) Transforming R&D to a program-centric operational model, entrenching target biology and enhancing translational medicine capabilities, to quickly achieve clinical proof of concept. This, in turn, is expected to enable the advancement of higher quality internal candidates more cost effectively, promote the signing of more profitable out-licensing deals, as well as the generation of a deeper in-house pipeline.
- (iii) Diligently driving forward existing partnerships with global biopharma companies and initiating new high-value partnerships to ensure the continued flow of revenues through

upfront and development milestone payments, and ultimately royalties from sales of products that reach the market. The Group aims to retain rights to develop and commercialize candidates in Japan/APAC under these partnership agreements.

- (iv) Building out an agile, scalable and effective clinical development and commercialization business in Japan and APAC. This strategic initiative aims to capitalize on significant underserved opportunities that the Group sees within this large attractive market. This strategy includes in-licensing externally sourced and de-risked clinical assets that are either approved or in late-stage clinical development, as well as expanding the pipeline with internally generated programs in the future.

**(i) Extending and enhancing the Group's world-leading StaR®/SBDD discovery capabilities**

In terms of enhancing the Group's world-leading StaR®/SBDD, the Group will focus on progressing existing strategic collaborations with companies that have complementary technologies and look to collaborate with new partners. By leveraging this enhanced technology advantage in the GPCR space, the Group aims to generate and advance multiple programs into its own development pipeline while continuing to be a discovery and development partner-of-choice for leading biopharmaceutical companies.

On October 5, 2023, the Group and Verily announced the successful validation and nomination of a first GPCR target into early drug discovery for immune-mediated diseases with an initial indication focus of inflammatory bowel disease (IBD). This scientific breakthrough between the companies is the first research milestone stemming from the strategic collaboration announced in 2022 that brings together the complementary capabilities of Verily's immune profiling technology and the Group's GPCR SBDD platform. The companies select drug targets by leveraging sophisticated computational analysis of genetic and functional genomic data and focused laboratory validation, resulting in increased confidence that identified targets have the highest relevance to human disease and significantly improved chances of clinical success.

On October 10, 2023, the Group and PharmEnable Therapeutics ("PharmEnable") announced the expansion of their collaboration to apply their respective technologies to drive novel drug discovery for a second neurological disease target. The Group is known for its expertise in receptor protein structure determination, SBDD and translational development. PharmEnable will apply its proprietary artificial intelligence (AI)-enabled medicinal chemistry platform (chemUNIVERSE) to design highly specific drug leads for further development. Expanding their 2021 agreement, the companies will jointly conduct and share the costs of the discovery and the development program and will co-own any resulting products equally. The companies are already exploiting their complementary capabilities in an ongoing collaboration focused on an initial target receptor, where they have identified promising small molecules with a new binding mode and novel chemotype.

On November 10, 2023, the Group and Kallyope Inc. ("Kallyope") announced the successful identification, validation and nomination of a first GPCR target to enter a therapeutic discovery program for gastrointestinal diseases. This is the first scientific milestone stemming from the strategic drug discovery collaboration between the two companies announced in 2022. The collaboration aims to leverage the Group's GPCR Diversified Compound Library and GPCR expertise and the innovative Kallyope Klarity™ platform, which combines single-cell sequencing, circuit mapping, computational biology and enteroid phenotypic screening. The collaborating teams at the Group and Kallyope intend to progress the nominated target into a fully supported SBDD program as well as continuing to identify additional gastrointestinal targets for future programs.

**(ii) Transforming in-house R&D to a program-centric operating model designed to enhance productivity, value and success**

The Group is focused on strengthening its in-house R&D and has achieved its goal of advancing at least two in-house programs into clinical trials in 2023.

On July 3, 2023, the Group announced that it has dosed the first subject in a Phase 1 trial evaluating HTL0048149 (HTL'149), a first-in-class GPR52 agonist, which represents a novel mechanism of action for the treatment of schizophrenia and related neurological diseases. HTL'149 was developed to be a once-daily, orally available small molecule drug with an antipsychotic and pro-cognitive profile and to avoid the adverse effects typically associated with existing antipsychotic drugs. HTL'149 achieves this profile through selectively targeting the orphan GPR52 receptor in the brain to address positive symptoms (e.g. psychosis, delusions, hallucinations), negative symptoms (e.g. social withdrawal) and cognitive impairment (e.g. attention, working memory and executive function) associated with schizophrenia. Through this novel mechanism of action, HTL'149 aims to address the significant proportion of schizophrenia patients who do not respond to or suffer side effects leading to compliance issues from using existing antipsychotics. Furthermore, current antipsychotic drugs do not effectively treat the negative or cognitive symptoms of disease. The Phase 1 trial is a two-part, randomized, double-blind, placebo-controlled, single- and multiple-ascending dose study to assess the safety, pharmacokinetics, and pharmacodynamics of oral HTL'149 in healthy volunteers aged 18-55 years. The trial is being conducted in the UK and is expected to read-out initial data in 12-18 months from initiation.

On August 10, 2023, the Group announced that the first patient had been dosed in a Phase 1/2a clinical trial evaluating its orally available small molecule cancer immunotherapy drug HTL0039732 for advanced solid tumors under an agreement with Cancer Research UK. HTL0039732 works by blocking signalling through a specific type of prostaglandin receptor, the prostaglandin E2 (PGE2)-type prostanoid receptor 4 (EP4). In cancer, PGE2 acts in the tumor microenvironment to trigger cancer cells to evade the immune system. Targeting EP4 to block the effects of PGE2 increases the ability of the immune system to detect and control cancer cells and makes HTL0039732 a potential candidate to treat patients with cancers that generally do not respond well to current immunotherapies, such as microsatellite stable colorectal, gastroesophageal, head and neck, and castrate-resistant prostate cancer. Cancer Research UK's Centre for Drug Development (CDD) is sponsoring, designing and conducting the Phase 1/2a trial with three main objectives: to define the toxicity, tolerability and pharmacokinetics of HTL0039732, to identify the recommended dose for Phase 2 studies, and to assess its antitumor activity as a monotherapy and in combination with the PD-L1 inhibitor atezolizumab. Phase 2a of the trial will expand the optimal combination dose in up to four cohorts in specified cancer indications. The Group holds a license to the results generated under the trial to continue the clinical development and commercialization of HTL0039732.

**(iii) Supporting our existing partnerships with major global biopharmaceutical companies to drive continued revenue flow**

Through its extensive array of partnerships with major biopharmaceutical companies, the Group has an economic interest to programs advancing in some of the most exciting and fastest growing therapeutic areas of interest to the global pharmaceutical market, particularly in metabolic and neuropsychiatric disorders.

On January 5, 2023, the Group noted its partner Tempero Bio Inc. (“Tempero Bio”) had announced US FDA clearance of its Investigational New Drug (IND) application for TMP-301 for the treatment of alcohol and substance use disorders. TMP-301 (formerly HTL0014242) is a novel mGluR5 negative allosteric modulator (NAM) candidate discovered by the Group and licensed to Tempero Bio. Tempero Bio had initiated a Phase 1 study with TMP-301 in healthy volunteers in 2023 with support from a USD 5.3 million grant from the US National Institute on Drug Abuse (NIDA).

On March 30, 2023, Centessa Pharmaceuticals (“Centessa”) announced, in its Full Year 2022 Financial Results and Business Update, that it had nominated ORX750, an orally administered, selective orexin receptor-2 (OX2R) agonist developed using the Group’s SBDD platform, as its product candidate with the potential to be a best-in-class therapy for narcolepsy and other sleep disorders. Centessa also presented ORX750 increased wakefulness in NT1 model and wild type mice. ORX750 is currently in preclinical development and undergoing IND-enabling activities.

On June 27, 2023, the Group noted the decision by its partner Pfizer Inc. (“Pfizer”) to prioritize the development of clinical-stage GLP-1 receptor agonist candidate danuglipron for the treatment of diabetes and obesity and as a result has discontinued the development of lotiglipron. Both novel and orally available candidates were being advanced by Pfizer in Phase 2 clinical trials. Lotiglipron was discovered and developed by Pfizer during a multi-target research collaboration in which Pfizer had access to the Group’s proprietary StaR® technology. The Group will explore next steps with Pfizer for the future development of lotiglipron, as the Group has done previously with other partners in similar situations.

On September 12, 2023, the Group announced that Neurocrine Biosciences Inc. (“Neurocrine”) had initiated a Phase 1 first-in-human clinical study of NBI-1117570 in healthy adult participants. NBI-1117570 is an investigational, oral, muscarinic M1/M4 selective dual agonist that may have the potential to treat neurological and neuropsychiatric conditions and was developed utilizing the Group’s SBDD platform.

On October 31, 2023, the Group announced that it would receive a USD3.75 million milestone payment under the 2019 multi-target Research Collaboration and License Agreement with Genentech Inc. (“Genentech”). The discovery-based payment is related to progression of a potential first-in-class project targeting an undisclosed GPCR. Genentech will now be responsible for further development and commercialization of this potential new medicine. This milestone is the latest arising from an ongoing collaboration that utilizes the Group’s GPCR-focused SBDD capabilities combined with Genentech’s discovery, development and therapeutic area expertise directed towards multiple GPCR targets nominated by Genentech.

On November 6, 2023, the Group announced that it had been notified by Pfizer that it had entered a new oral small molecule GLP-1 receptor agonist into a Phase 1 clinical trial. PF-06954522 was discovered by Pfizer scientists during the ongoing collaboration in which Pfizer had access to the Group’s StaR® technology.

On November 24, 2023, the Group announced it had initiated discussions with GSK to regain full ownership of GSK4381406, a selective, first-in-class, oral GPR35 agonist in development under a Global Collaboration and License Agreement with GSK as a potential new treatment for Inflammatory Bowel Diseases (“IBD”). GPR35 is an important orphan GPCR with an established genetic association to IBD.

GSK4381406 was designed by the Group and licensed to GSK in 2020. Since then, the Group and



GSK had advanced GSK4381406 through a joint development program, generating promising mechanistic, preclinical and safety data suggesting that it may have the potential to improve barrier function and reduce visceral pain in gastrointestinal indications such as ulcerative colitis and irritable bowel syndrome. These data enabled the Group and GSK to gain approval from the UK Medicines and Healthcare products Regulatory Agency (“MHRA”) in mid-2023 to enter GSK4381406 into first-in-human studies (NCT05999708).

GSK’s decision to deprioritize and discontinue the development of GSK4381406 was due to changes to both its immunology research strategy and immunology research leadership. The decision was not based on any scientific, preclinical or safety data related to GSK4381406. Under the terms of the 2020 agreement between the companies, the Group has the right – for no upfront payment – to regain full ownership of the GSK4381406 program. GSK becomes eligible for a low single digit royalty from the Group on net sales of GSK4381406 should it become commercially available.

Upon regaining ownership, the Group expects to proceed with the planned Phase 1 trial in the UK itself while determining the optimal strategy for the further clinical development and/or re-partnering of the program.

On December 6, 2023, the Group noted Neurocrine had confirmed its plans to evaluate two new muscarinic agonist candidates in Phase 1 studies: NBI-1117569, a muscarinic M4-preferring agonist, and NBI-1117567, a muscarinic M1-preferring agonist. Both investigational, oral compounds may have the potential to treat neurological and neuropsychiatric conditions and were designed by the Group. Neurocrine confirmed a Phase 1 study of NBI-1117569 has started and a Phase 1 study of NBI-1117567 will be initiated in 2024.

#### **(iv) Building out a leading commercialization business in Japan**

On April 1, 2023, the Group appointed Christopher Cargill, President and CEO, to the position of Representative Director and President of Sosei Co. Ltd., effective the same date. This appointment has enabled Mr. Cargill to directly manage the subsidiary’s business and to focus on strengthening the Japan business to achieve its strategic goals.

A key element of this strategy was to build an agile, scalable and effective clinical development and commercialization business capability that would enable the Company to deliver life-changing medicines to patients in Japan and capitalize on the significant underserved opportunities that it sees within this large attractive market.

On July 20, 2023, the Group acquired Idorsia Limited’s pharmaceuticals business in Japan and South Korea, accelerating its transformation into a fully integrated biopharmaceutical Group. This included the acquisition of 100% of IPJ and IPK.

This acquisition fulfils the Group’s objective to build out a leading sales platform in Japan and was the conclusion of a rigorous global search. The transaction, which was fully funded by existing cash and a new long-term, low-rate corporate loan, provides the Group with multiple strategic benefits by:

- Accelerating the Company’s mission by adding experienced clinical development capability and profitable commercial operations in Japan, with a lean model for sales and marketing, and the ability to scale and create further value.

- Securing and expanding the Company’s future pipeline with two major products PIVLAZ® and daridorexant; exclusive opt-ins for Phase 3 assets (cenerimod and lucerastat); and selected rights to up to five additional clinical-stage programs from Idorsia’s global pipeline.
- Bringing a highly skilled team with a proven track record of excellence and delivery, led by Dr. Satoshi Tanaka, who has directed several approvals and successful commercial launches over the past two decades in Japan and South Korea.
- Leveraging Japan’s quality clinical environment to target underserved, specialty disease areas; and providing a platform to expand across broader APAC regions and extend product launches.

The transaction also brings together complementary capabilities to develop and commercialize novel medicines across Japan and APAC (ex-China) from three sources of innovation: (i) The Group’s wholly owned discovery and early development pipeline, (ii) selected clinical candidates from Idorsia’s pipeline, and (iii) in-licensing of Japan/APAC (ex-China) rights to clinical product candidates from third parties.

In addition, the Company will continue to seek partners for novel candidates or programs discovered by the Group for development and commercialization outside of Japan/APAC territories where significant unmet needs exist, while seeking to retain Japan and APAC rights.

On October 31, 2023, the Group announced that IPJ had submitted a New Drug Application (“NDA”) to the Japanese Pharmaceuticals and Medical Devices Agency (“PMDA”) for the approval of daridorexant (ACT541468), a dual orexin receptor antagonist, which has been co-developed by Idorsia and Mochida Pharmaceutical Co., Ltd. (“Mochida”), for the treatment of adult patients with insomnia. In relation to the filing of this NDA and the sub-licensing of rights by Mochida to Shionogi & Co.,Ltd., the Group received milestone fees of JPY 1.5 billion.

The NDA is supported by positive results of a randomized, double-blind, placebo-controlled Phase 3 study in Japan to investigate the efficacy and safety of daridorexant. Daridorexant was approved in the US and Europe in January and April 2022, respectively, and is marketed by Idorsia in these and other approved territories as QUVIVIQ™.

On December 7, 2023, the Group announced that PIVLAZ® (clazosentan sodium) 150 mg had received marketing approval from the Ministry of Food and Drug Safety (MFDS) in South Korea for the prevention of cerebral vasospasm, vasospasm-related cerebral infarction, and cerebral ischemic symptoms after aneurysmal subarachnoid hemorrhage (“aSAH”) securing. The approval was based on scientific and clinical data from an extensive Japanese Phase 3 program submitted by IPK. In South Korea, PIVLAZ® is expected to become commercially available to patients in early 2025. PIVLAZ® received marketing approval in Japan in January 2022 and was launched in April 2022 by IPJ. PIVLAZ® had been used in approximately 8,900 patients in Japan as of November 2023.

**(v) Other developments in the year under review (12-month period ended December 31, 2023)**

**Change of the stock market**

On March 15, 2023, the Company changed the stock market on which its shares are listed from the Growth Market segment to the Prime Market segment, after it received approval from the Tokyo Stock Exchange (“TSE”).

The Company expects the move to the Prime Market will help it to achieve its vision by providing

enhanced support and access to long-term capital through greater exposure to institutional investment funds, both domestic and international. This will result from a deepening and broadening of its shareholder base to reflect the global nature of the business. On April 27, 2023, the Company's shares were included in the Tokyo Stock Price Index ("TOPIX"), an important stock market index for the TSE in Japan.

### **Activities related to financing**

On December 15, 2023, the Group announced the completion of the issuance of new shares and Euro-yen denominated convertible bonds due 2028, each in an international offering, and new shares in a third-party allotment to JICVGI Opportunity Fund No.1 Investment Limited Partnership, a new fund operated by JIC Venture Growth Investments Co., Ltd., an affiliate of Japan Investment Corporation. The issue proceeds of approximately JPY 42.1 billion were used to repurchase the Group's existing convertible bonds due 2026 and will be used to finance its strategic growth initiatives, including in-licensing and investments; to extend the maturity profile of its debt; and further strengthen its financial base.

As at December 15, 2023, the Group had repurchased and cancelled JPY 29.85 billion in principal amount of its existing convertible bonds due 2026.

As of December 31, 2023, the Group had a total of 350 employees (an increase of 148 employees vs. the end of the prior year). This increase is primarily due to the acquisition of IPJ and IPK, and their inclusion in the scope of the consolidation for the year ended December 31, 2023.

As a result of the above activities, the Group reported the following financial results for the year ended December 31, 2023.

Revenue of JPY 12,766 million (a decrease of JPY 2,803 million vs. the prior year), an operating loss of JPY 9,526 million (a decrease of JPY 12,962 million vs. the prior year), a net loss before income taxes of JPY 10,680 million (a decrease of JPY 11,758 million vs. the prior year) and a net loss of JPY 7,193 million (a decrease of JPY 7,575 million vs. the prior year).

	Year ended December 31, 2023 ¥m	Year ended December 31, 2022 ¥m	Change
<b>Revenue</b>	<b>12,766</b>	<b>15,569</b>	<b>(2,803)</b>
Cost of sales	<b>(3,102)</b>	<b>(926)</b>	<b>(2,176)</b>
Research and development expenses	<b>(10,075)</b>	<b>(7,454)</b>	<b>(2,621)</b>
Selling, general and administrative expenses	<b>(9,965)</b>	<b>(4,377)</b>	<b>(5,588)</b>
<b>Operating expenses</b>	<b>(23,142)</b>	<b>(12,757)</b>	<b>(10,385)</b>
Net other income	<b>850</b>	<b>624</b>	<b>226</b>
<b>Operating (loss) profit</b>	<b>(9,526)</b>	<b>3,436</b>	<b>(12,962)</b>
Net finance costs	<b>(1,154)</b>	<b>(93)</b>	<b>(1,061)</b>
Share of loss of associates accounted for using the equity method	<b>-</b>	<b>(429)</b>	<b>429</b>
Impairment loss on investments accounted for using the equity method	<b>-</b>	<b>(1,836)</b>	<b>1,836</b>
<b>(Loss) profit before income tax</b>	<b>(10,680)</b>	<b>1,078</b>	<b>(11,758)</b>
Income tax benefit (expense)	<b>3,487</b>	<b>(696)</b>	<b>4,183</b>
<b>Net (loss) profit</b>	<b>(7,193)</b>	<b>382</b>	<b>(7,575)</b>

**Alternative performance measure**

**Core operating profit / loss** (Note 1)

<b>Operating (loss) profit</b> (as stated above)	<b>(9,526)</b>	<b>3,436</b>	<b>(12,962)</b>
<i>Adjustments:</i>			
Depreciation	<b>983</b>	<b>563</b>	<b>420</b>
Amortization	<b>1,495</b>	<b>782</b>	<b>713</b>
Share-based payments (Note 2)	<b>844</b>	<b>542</b>	<b>302</b>
Restructuring (Note 2)	<b>53</b>	<b>533</b>	<b>(480)</b>
M&A related costs	<b>1,263</b>	<b>-</b>	<b>1,263</b>
Cost of sales adjustment (Note 3)	<b>1,812</b>	<b>-</b>	<b>1,812</b>
<b>Core operating (loss) profit</b>	<b>(3,076)</b>	<b>5,856</b>	<b>(8,932)</b>

**Average exchange rate during period**

USD:JPY	<b>140.53</b>	<b>131.30</b>	<b>9.23</b>
GBP:JPY	<b>174.81</b>	<b>161.76</b>	<b>13.05</b>

Notes 1. Core operating profit/loss is defined as IFRS Operating profit/loss + material non-cash costs + material non-recurring costs and highlights the underlying recurring cash generating capability of the business.

2. Accelerated share-based payment expenses are included in Restructuring.

3. Cost of sales includes the impact of an accounting adjustment for inventory acquired in a business combination in the year under review.

The Group operates as a single business segment and, therefore, segmental information has been omitted. Further explanation of the Group's financial performance is detailed below.

## Revenue

	Year ended December 31, 2023 ¥m	Year ended December 31, 2022 ¥m	Change
Pharmaceutical product sales	6,173	80	6,093
Upfront fees and milestone income	3,839	12,063	(8,224)
Upfront fee revenue recognised at deal inception	-	4,666	(4,666)
Milestone revenue recognised at milestone event	2,108	6,429	(4,321)
Deferred revenue releases	1,731	968	763
Royalty income	2,504	2,564	(60)
Other	250	862	(612)
	<b>12,766</b>	<b>15,569</b>	<b>(2,803)</b>

**Revenue** in the year under review totalled JPY 12,766 million (a decrease of JPY 2,803 million vs. the prior year).

**Revenue relating to pharmaceutical product sales** in the year under review totaled JPY 6,173 million (an increase of JPY 6,093 million vs. the prior year). This was primarily due to the inclusion of IPJ in the scope of consolidation from July, which resulted in the addition of PIVLAZ® sales.

**Revenue relating to upfront fees and milestone income** in the year under review totaled JPY 3,839 million (a decrease of JPY 8,224 million vs. the prior year). Upfront fees and milestone income comprises upfront fee revenue, milestone revenue and deferred revenue releases. Upfront fees and milestone income can vary considerably year on year and depend on the commencement of new partnership agreements and the achievement of defined milestone events within that year. In some contracts, income relating to research and development services is included within upfront fee revenue or milestone revenue, and recorded initially as deferred revenue. Such income is transferred from deferred revenue to revenue as a result of the performance of research and development activity in the period under review. The decrease in upfront fees and milestone income in the year under review was primarily due to signing no new partnership agreements and the occurrence of four milestone events in the current year vs. two upfront fees and five milestone events in the prior year.

**Revenue relating to royalty income** in the year under review totaled JPY 2,504 million (a decrease of JPY 60 million vs. the prior year). The Group's royalty revenue relates to sales of Ultibro® Breezhaler®, Seebri® Breezhaler® and Enerzair® Breezhaler® by Novartis<sup>1</sup>.

## Operating expenses

### Cost of sales

Cost of sales in the year under review totaled JPY 3,102 million (an increase of JPY 2,176 million vs. the prior year). Cost of sales excluding the effect of incorporating IPJ/IPK in the scope of consolidation in the year under review totaled JPY 458 million (a decrease of JPY 468 million vs. the prior year). This was due to a decrease in the internal costs of delivering research and development services to customers, as a result of lower revenues from contract research and development contracts. JPY 2,644 million has been recorded for the cost of sales of PIVLAZ® due to the inclusion of IPJ in the scope of consolidation from July 2023.

<sup>1</sup> Glycopyrronium bromide and certain use and formulation intellectual property were exclusively licensed to Novartis in April 2005 by Sosei and Vectura. Seebri®, Ultibro®, Enerzair® and Breezhaler® are registered trademarks of Novartis AG.

#### *Research and development expenses*

Research and development (“R&D”) expenses in the year under review totaled JPY 10,075 million (an increase of JPY 2,621 million vs. the prior year). R&D expenses excluding those incurred by IPJ/IPK after July 2023 totaled JPY 9,194 million (an increase of JPY 1,740 million vs. the prior year). This increase primarily reflects an increased investment in discovery activities, but also reflects the impact of the weaker Yen. JPY 881 million has been included in 2023 for R&D expenses relating to IPJ/IPK. In the period under review, 90% of R&D spend related to our UK operations.

#### *Selling, general and administrative expenses*

Selling, general and administrative (“SG&A”) expenses in the year under review totaled JPY 9,965 million (an increase of JPY 5,588 million vs. the prior year). SG&A expenses excluding those incurred by IPJ/IPK after July 2023 totaled JPY 6,210 million (an increase of JPY 1,833 million vs. the prior year). This increase was primarily due to the inclusion of non-recurring M&A related costs totaling JPY 1,263 million. JPY 3,755 million has been included in 2023 for SG&A expenses relating to IPJ/IPK, which includes an amortization charge on Idorsia related intangible assets.

#### *Net other income*

Net other income in the year under review totaled JPY 850 million (an increase of JPY 226 million vs. the prior year). This was primarily due to a higher R&D expenditure-related UK tax credit.

#### ***Operating loss***

Operating loss in the year under review totaled JPY 9,526 million (vs. an operating profit of JPY 3,436 million in the prior year). This increase reflects the combined effect of all of the movements explained above.

#### *Net finance costs*

Net finance costs in the year under review totaled JPY 1,154 million (an increase of JPY 1,061 million vs. the prior year). This was primarily due to recording an accounting charge relating to the purchase and cancellation of existing corporate bonds, and an increase in foreign exchange losses. This was partially offset by an increase in interest income as a result of higher UK interest rates.

#### *Share of profit / loss of associates accounted for using the equity method*

The Group ceased to equity account for MiNA (Holdings) Limited (“MiNA”) from October 2022, accordingly, there was no share of profit / loss of associates accounted for using the equity method in the year under review.

#### *Impairment loss on investments accounted for using the equity method*

Impairment loss on investments accounted for using the equity method for the year ended 31 December 2022 was due to a decrease in the estimated value of MiNA, which was an associate accounted for under the equity method.

#### ***Loss before income tax***

Loss before income taxes in the year under review totaled JPY 10,680 million (vs. a profit before income taxes of JPY 1,078 million in the prior year). This decrease reflects the combined effect of all of the movements explained above.

#### *Income tax benefit*

Income tax benefit in the year under review totaled JPY 3,487 million (vs. an income tax expense of JPY 696 million in the prior year). This was primarily due to recording the following deferred tax assets in 2023: (i) JPY 1,289 million relating to Heptares Therapeutics Ltd. tax losses, (ii) JPY 948

million relating to Sosei Co. Ltd. tax losses, and (iii) JPY 612 million relating to the IPJ acquisition.

### ***Net loss***

Net loss in the year under review totaled JPY 7,193 million (vs. a net profit of JPY 382 million in the prior year). This reduction in profit reflects the combined effect of all of the movements explained above.

### ***Alternative performance measure: Core operating profit / loss***

Core operating profit / loss is an alternative performance measure which adjusts for material non-cash costs and one-off costs in order to provide insights into the recurring cash generation capability of the core business.

Core operating loss in the year under review totaled JPY 3,076 million (vs. a core operating profit of JPY 5,856 million in the prior year). In calculating core operating loss, the following adjustments to the IFRS operating loss have been made:

- Depreciation totaled JPY 983 million (an increase of JPY 420 million vs. the prior year), JPY 357 million of which relates to the inclusion of IPJ/IPK in the scope of consolidation in 2023.
- Amortization totaled JPY 1,495 million (an increase of JPY 713 million vs. the prior year), JPY 637 million of which relates to the inclusion of IPJ/IPK in the scope of consolidation in 2023.
- Share-based payments totaled JPY 844 million (an increase of JPY 302 million vs. the prior year).
- Restructuring costs totaled JPY 53 million (a decrease of JPY 480 million vs. the prior year). These costs related to a management restructuring program at a subsidiary company (including JPY 26 million of accelerated share-based payment expenses vs. JPY 158 million in the prior year).
- M&A related costs, including professional advisory fees, totaled JPY 1,263 million (including acquisition-related costs relating to the transaction with Idorsia totaling JPY 1,149). There were no M&A related costs in the prior year.
- Cost of sales adjustment totaled JPY 1,812 million. This relates to an accounting adjustment for inventory acquired in a business combination which feeds through to cost of sales, and which will cease when all the opening inventory has been sold (there was no cost of sales adjustment in the prior year).

## (2) Analysis of financial position

### *Assets*

Total assets as at December 31, 2023 were JPY 157,198 million (an increase of JPY 57,781 million vs. the end of the prior year). This was primarily due to an increase in intangible assets of JPY 43,714 million resulting from the inclusion of IPJ/IPK in the scope of consolidation.

### *Liabilities*

Total liabilities as at December 31, 2023 were JPY 90,388 million (an increase of JPY 48,907 million vs. the end of the prior year). This was primarily due to bank borrowings totaling JPY 40,000 million taken out to partly finance the acquisition of IPJ/IPK shares and related assets.

### *Equity*

Total equity as at December 31, 2023 was JPY 66,810 million (an increase of JPY 8,874 million vs. the end of the prior year). This was mainly due to (i) an increase of JPY 5,472 million in capital stock and JPY 4,511 million in capital surplus as a result of the issue of new shares by way of an overseas subscription and third-party allotment (ii) an increase in other components of equity of JPY 6,072 million primarily relating to an increase in exchange gains on translation, and (iii) the net loss for the year of JPY 7,193 million.

The ratios of Cash and cash equivalents, Interest-bearing debt and Equity attributable to owners of the parent company to total assets were 31.2%, 47.1% and 42.5%, respectively.

## (3) Analysis of cash flows

Cash and cash equivalents as at December 31, 2023 decreased by JPY 17,492 million from the beginning of the year and amounted to JPY 49,065 million.

### *Cash flows from operating activities*

Net cash used in operating activities in the year under review totaled JPY 5,273 million. This was primarily due to cash operating costs exceeding cash revenues.

### *Cash flows from investing activities*

Net cash used in investing activities in the year under review totaled JPY 63,791 million. This was primarily due to the acquisition of IPJ/IPK shares and related assets.

### *Cash flows from financing activities*

Net cash provided by financing activities in the year under review totaled JPY 48,329 million. This was primarily due to long-term bank borrowings to finance the acquisition of IPJ/IPK shares and related assets, and the issue of new shares by way of an overseas subscription and third-party allotment.

### *Effects of exchange rate changes on cash and cash equivalents*

Effects of exchange rate changes on cash and cash equivalents during the year under review totaled JPY 3,243 million. This positive impact was primarily due to a stronger GBP vs. JPY and a stronger USD vs JPY.



## (4) Future outlook

A substantial portion of the Group's revenue is derived from upfront payments from new partnerships and milestone payments as a result of the progress of R&D with existing partners. These payments are dependent on multiple factors, including negotiations with (potential) partners, R&D policies of partners and clinical trial results of development candidates, and these factors are difficult for the Group to control. Therefore, a consolidated financial results forecast has not been provided because it is difficult to forecast revenue.

Based on the Group's extremely productive drug discovery platform, its agile development model, its advanced translational medicine abilities, its experienced clinical development capabilities and profitable commercial operations, the Group aims to further improve efficiency and add value to its drug discovery capabilities, and will continue to make sufficient R&D investments in 2024 to achieve this goal. Management will continue to target a balance between capital and investments in the pursuit of growth in corporate value.

PIVLAZ<sup>®</sup> product sales and cost estimates for our business, and anticipated developments / initiatives for 2024 are as follows:

- Forecast PIVLAZ<sup>®</sup> Sales (NHI basis) of JPY 16,000 million or more.
- Forecast R&D expenses in the range of JPY 12,000 to JPY 14,000 million<sup>2</sup> (2023 actual: JPY 10,075 million<sup>3</sup>).
- Forecast SG&A expenses in the range of JPY 18,000 to JPY 20,000 million<sup>2</sup> (2023 actual: JPY 9,965 million).
- We expect the approval of daridorexant in Japan.
- We expect to receive upfront payments relating to one or more new partnerships.
- We expect to receive milestone payments as a result of the progress of R&D at existing partners.
- We expect to start clinical trials of multiple development candidates for which we have rights.
- We will seek out late-stage clinical candidates to in-license and develop for the Japanese market.
- We will expand our drug candidate discovery into novel drug targets to enhance our pipeline.

## 2. Basic Policy on Selection of Accounting Standards

The Group has applied International Financial Reporting Standards (IFRS) since the financial year ended March 31, 2014 in order to improve international comparability of financial information in the capital markets.

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<sup>2</sup> The assumed USD:JPY FX rate in 2024 is 140 and GBP:JPY FX rate is 172. Please note that the cost estimates are for existing operations, and if the estimates change significantly as a result of strategic developments, such as the in-licensing of development candidates or the acquisition of new businesses, we will make an announcement.

<sup>3</sup> In the 2023 actual expenses, IPJ and IPK have been consolidated for approximately 5.4 months from July 20, 2023 to December 31, 2023.

### 3. Consolidated financial statements and primary notes (IFRS)

#### 1) Consolidated Balance Sheet

	December 31, 2023 ¥m	December 31, 2022 ¥m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7,900	3,791
Goodwill	24,623	15,306
Intangible assets	52,291	8,577
Deferred tax assets	3,964	-
Other financial assets	3,266	1,737
Other non-current assets	42	64
<b>Total non-current assets</b>	<b>92,086</b>	<b>29,475</b>
<b>Current assets</b>		
Trade and other receivables	5,064	2,462
Inventories	2,903	32
Income taxes receivable	2,099	58
Other financial assets	316	-
Other current assets	5,665	833
Cash and cash equivalents	49,065	66,557
<b>Total current assets</b>	<b>65,112</b>	<b>69,942</b>
<b>Total assets</b>	<b>157,198</b>	<b>99,417</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,490	2,922
Corporate bonds	30,551	27,981
Bank borrowings	32,664	-
Lease liabilities	3,985	1,577
Provisions	484	-
Other non-current liabilities	4,029	4,909
<b>Total non-current liabilities</b>	<b>73,203</b>	<b>37,389</b>
<b>Current liabilities</b>		
Trade and other payables	4,244	1,628
Income taxes payable	378	260
Corporate bonds	143	-
Current portion of long-term bank borrowings	5,798	-
Lease liabilities	832	176
Other financial liabilities	-	36
Other current liabilities	5,790	1,992
<b>Total current liabilities</b>	<b>17,185</b>	<b>4,092</b>
<b>Total liabilities</b>	<b>90,388</b>	<b>41,481</b>
<b>Equity</b>		
Capital stock	46,807	41,335
Capital surplus	34,048	29,525
Treasury stock	(1)	(1)
Retained earnings	(16,104)	(8,911)
Other components of equity	2,060	(4,012)
Equity attributable to owners of the parent	<b>66,810</b>	<b>57,936</b>
<b>Total equity</b>	<b>66,810</b>	<b>57,936</b>
<b>Total liabilities and equity</b>	<b>157,198</b>	<b>99,417</b>

## 2) Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended December 31, 2023 ¥m	Year ended December 31, 2022 ¥m
<b>Revenue</b>	<b>12,766</b>	15,569
Cost of sales	<b>(3,102)</b>	(926)
<b>Gross profit</b>	<b>9,664</b>	14,643
Research and development expenses	<b>(10,075)</b>	(7,454)
Selling, general and administrative expenses	<b>(9,965)</b>	(4,377)
Other income	<b>944</b>	626
Other expenses	<b>(94)</b>	(2)
<b>Operating (loss) profit</b>	<b>(9,526)</b>	3,436
Finance income	<b>1,341</b>	663
Finance costs	<b>(2,495)</b>	(756)
Share of loss of associates accounted for using the equity method	-	(429)
Impairment loss on investments accounted for using the equity method	-	(1,836)
<b>(Loss) profit before income tax</b>	<b>(10,680)</b>	1,078
Income tax benefit (expense)	<b>3,487</b>	(696)
<b>Net (loss) profit</b>	<b>(7,193)</b>	382
<b>Other comprehensive income:</b>		
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	<b>668</b>	(928)
Total items that may not be reclassified subsequently to profit or loss	<b>668</b>	(928)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<b>5,404</b>	291
Total items that may be reclassified subsequently to profit or loss	<b>5,404</b>	291
<b>Total other comprehensive income</b>	<b>6,072</b>	(637)
<b>Total comprehensive income for the year</b>	<b>(1,121)</b>	(255)
<b>Net (loss) profit attributable to:</b>		
Owners of the parent	<b>(7,193)</b>	382
	<b>(7,193)</b>	382
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the parent	<b>(1,121)</b>	(255)
	<b>(1,121)</b>	(255)
<b>Earnings per share (yen)</b>		
Basic (loss) earnings per share	<b>(87.18)</b>	4.68
Diluted (loss) earnings per share	<b>(87.18)</b>	4.63

### 3) Consolidated Statement of Changes in Equity

	Capital stock ¥m	Capital surplus ¥m	Treasury stock ¥m	Retained earnings ¥m	Other components of equity ¥m	Equity attributable to owners of the parent ¥m	Total equity ¥m
<b>Balance at January 1, 2022</b>	<b>41,036</b>	<b>29,100</b>	<b>(0)</b>	<b>(9,768)</b>	<b>(2,900)</b>	<b>57,468</b>	<b>57,468</b>
Net profit	-	-	-	382	-	382	382
Other comprehensive income	-	-	-	-	(637)	(637)	(637)
Total comprehensive income for the year	-	-	-	382	(637)	(255)	(255)
Issuance of new shares	299	(299)	-	-	-	0	0
Share-based payments	-	724	-	-	-	724	724
Purchase of treasury stock	-	-	(1)	-	-	(1)	(1)
Transfer from other components of equity to retained earnings	-	-	-	475	(475)	-	-
Total transactions with owners	299	425	(1)	475	(475)	723	723
<b>Balance at December 31, 2022</b>	<b>41,335</b>	<b>29,525</b>	<b>(1)</b>	<b>(8,911)</b>	<b>(4,012)</b>	<b>57,936</b>	<b>57,936</b>
Net loss	-	-	-	(7,193)	-	(7,193)	(7,193)
Other comprehensive income	-	-	-	-	6,072	6,072	6,072
Total comprehensive income for the year	-	-	-	(7,193)	6,072	(1,121)	(1,121)
Issuance of new shares	5,472	4,511	-	-	-	9,983	9,983
Share-based payments	-	832	-	-	-	832	832
Acquisition of treasury stock	-	-	(0)	-	-	(0)	(0)
Issuance of corporate bonds	-	800	-	-	-	800	800
Repurchase and cancellation of corporate bonds	-	(1,620)	-	-	-	(1,620)	(1,620)
Total transactions with owners	5,472	4,523	(0)	-	-	9,995	9,995
<b>Balance at December 31, 2023</b>	<b>46,807</b>	<b>34,048</b>	<b>(1)</b>	<b>(16,104)</b>	<b>2,060</b>	<b>66,810</b>	<b>66,810</b>

#### 4) Consolidated Cash Flow Statement

	Year ended December 31, 2023 ¥m	Year ended December 31, 2022 ¥m
<b>Cash flows from operating activities</b>		
(Loss) profit before income taxes	(10,680)	1,078
Adjustments for:		
Depreciation and amortization	2,478	1,345
Share-based payments	870	700
Loss on investment in securities	46	41
Change in fair value of contingent consideration	(116)	(114)
Loss on repurchase and cancellation of corporate bonds	1,317	-
Net foreign exchange loss	145	195
Interest income	(1,225)	(236)
Interest expense	804	714
Share of loss of associates accounted for using the equity method	-	429
Impairment loss on investments accounted for using the equity method	-	1,836
Decrease (increase) in trade and other receivables	1,315	(210)
Decrease (increase) in inventories	1,908	(32)
Increase in trade and other payables	1,552	315
(Decrease) increase in deferred revenue	(1,732)	5,153
Other	(1,434)	(1,122)
Subtotal	(4,752)	10,092
Grants received	29	57
Interest and dividends received	1,085	236
Interest paid	(241)	(171)
Income tax paid	(1,394)	(262)
Income tax refunded	0	0
<b>Net cash (used in) provided by operating activities</b>	<b>(5,273)</b>	<b>9,952</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(804)	(277)
Purchase of intangible assets	(47)	(26)
Payment for acquisition of business	(62,941)	-
Proceeds from sales of investment securities	-	1,209
Proceeds from contingent consideration receivable	-	137
Other	1	-
<b>Net cash (used in) provided by investing activities</b>	<b>(63,791)</b>	<b>1,043</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term bank borrowings	39,900	-
Repayments of long-term bank borrowings	(1,450)	-
Repayments of lease liabilities	(485)	(206)
Proceeds from issuance of bonds	31,708	-
Payments for repurchase and cancellation of corporate bonds	(31,300)	-
Payment for settlement of contingent consideration	-	(4,680)
Proceeds from issuance of common stock	9,983	0
Other	(27)	(1)
<b>Net cash provided by (used in) financing activities</b>	<b>48,329</b>	<b>(4,887)</b>
Effects of exchange rate changes on cash and cash equivalents	3,243	362
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(17,492)</b>	<b>6,470</b>
Cash and cash equivalents at the beginning of the year	66,557	60,087
<b>Cash and cash equivalents at the end of the year</b>	<b>49,065</b>	<b>66,557</b>

## 5) Notes to the consolidated financial statements

### 5.1 Notes related to going concern assumptions

Not applicable.

### 5.2 Change in accounting policy

Not applicable.

### 5.3 Operating segments

#### Overview of reportable segments

The Group operates a single business segment being the pharmaceutical business.

#### Information regarding products and services

The breakdown of revenue is as follows:

	Year ended December 31, 2023 ¥m	Year ended December 31, 2022 ¥m
Pharmaceutical product sales	6,173	80
Upfront fees and milestone income	3,839	12,063
Royalty income	2,504	2,564
Other	250	862
	<b>12,766</b>	<b>15,569</b>

#### Geographical information

The following table provides the Group's revenue from external customers by location and information about its non-current assets by location.

#### Revenues from external customers

Country	Year ended December 31, 2023 ¥m	Year ended December 31, 2022 ¥m
Japan	6,173	80
Switzerland	4,004	2,564
USA	1,373	9,934
Bermuda	1,212	2,849
UK	4	142
	<b>12,766</b>	<b>15,569</b>

#### Non-current assets

	At December 31, 2023 ¥m	At December 31, 2022 ¥m
Japan	54,690	167
UK	30,003	27,571
Other	163	-
	<b>84,856</b>	<b>27,738</b>

Notes:

- 1 Non-current assets do not include deferred tax assets and other financial assets.

## Information about major customers

Name of customer	Year ended	Year ended
	December 31, 2023	December 31, 2022
	¥m	¥m
Medipal Holdings Corporation	4,070	-
Novartis International AG	2,504	2,564
Idorsia Pharmaceuticals Ltd. <sup>2</sup>	1,500	-
AbbVie Inc.	1,212	2,849
Eli Lilly and Company	237	3,429
Neurocrine Biosciences, Inc.	21	4,138

Notes:

- 1 Revenues in the table above include revenues from subsidiaries of the customer groups listed.
- 2 Relates to milestones receivable from IPL which originated from Mochida Pharmaceutical Co. Ltd.

## 5.4 Earnings per share

### Basic earnings per share

The following table shows basic earnings per share and explains the basis for the calculation.

	Year ended	Year ended
	December 31, 2023	December 31, 2022
Net (loss) profit attributable to owners of the parent (¥m)	(7,193)	382
Weighted-average number of common shares outstanding (Shares)	82,516,507	81,785,008
Basic earnings per share (¥)	(87.18)	4.68

## *Diluted earnings per share*

The following table shows diluted earnings per share and the basis for the calculation.

	Year ended December 31, 2023	Year ended December 31, 2022
Net (loss) profit	(7,193)	382
Adjustment to net profit used in the calculation of diluted earnings per share (¥m)	-	-
Net (loss) profit used in the calculation of diluted earnings per share (¥m)	(7,193)	382
Weighted-average number of common shares outstanding (Shares)	82,516,507	81,785,008
Increases in number of common shares used in the calculation of diluted earnings per share (Shares):		
Increases in number of common shares due to the exercise of stock options (Shares)	-	70,387
Increases in number of common shares due to the allotment of Restricted Stock Units (Shares)	-	727,124
Increases in number of common shares due to the allotment of Performance Share Units (Shares)	-	7,922
Convertible bonds (Shares)	-	-
Weighted-average number of common shares outstanding used in the calculation of diluted earnings per share (Shares)	82,516,507	82,590,441
Diluted earnings per share (¥)	(87.18)	4.63
Summary of potential stocks not included in the calculation of diluted earnings per share because they do not have a dilutive effect	-	The 32nd-35th series of stock options (Totalling common shares 15,200) Euro-yen Denominated Convertible Bonds due 2026 (Common shares 13,422,818)

Notes:

- 1 In the year under review, there was no dilutive effect from potential common shares as the conversion of stock options and RSU, reduced the loss per share.

## **5.5 Significant subsequent events**

Not applicable.