



Consolidated Financial Results for the Three Months Ended March 31, 2022 (IFRS)

May 13, 2022

Company name: Sosei Group Corporation Listing: Tokyo Stock Exchange

Security code: 4565 URL: <https://www.soseiheptares.com/>

Representative: Christopher Cargill
Representative Executive Officer, CEO

Contact person: Hironoshin Nomura Executive Officer, CFO Tel: +81-3-5210-3290

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Supplementary materials for financial results: No

Financial results briefing session: No

(Rounded million yen)

1. Consolidated Results for 3 month period ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated Operating Results (cumulative) (Percentages are shown as year-on-year changes)

	Revenue		Operating income		Net profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 month period ended March 31, 2022	1,119	(7.3)	(2,206)	-	(2,497)	-	(2,070)	-	(2,070)	-	(1,181)	-
3 month period ended March 31, 2021	1,207	3.9	(1,238)	-	(1,054)	-	(1,153)	-	(1,153)	-	(2,228)	-

	Earnings per share – basic		Earnings per share – diluted	
	Yen		Yen	
3 month period ended March 31, 2022	(25.39)		(25.39)	
3 month period ended March 31, 2021	(14.28)		(14.28)	

(2) Consolidated Financial Position

	Total assets		Total equity		Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
	Million yen		Million yen		Million yen	%
At March 31, 2022	95,854		56,559		56,559	59.0
At December 31, 2021	96,985		57,468		57,468	59.3

2. Dividends

	Dividends per share				
	End Q1	End Q2	End Q3	End Q4	Total
	Yen				
FY2021	-	0.00	-	0.00	0.00
FY2022	-	-	-	-	-
FY2022 (E)	-	0.00	-	0.00	0.00

(Note) There is no change in the dividend forecast from the previous disclosure.

3. Forecast for the year from January 1, 2022 to December 31, 2022

We continue to focus on expanding our drug discovery business and remain well positioned to capitalize on both organic and inorganic growth opportunities. Our SBDD platform and highly productive drug discovery engine has generated multiple new exciting drug candidates for in-house progression into early clinical development, and we will continue to take steps to maintain partnered and co-investment activity to ensure programs are advanced in a capital efficient

manner. At the same time, we will invest in new technologies, tools and capabilities to maintain our competitive edge and bring forward an exciting pipeline of next-generation programs in areas of high unmet medical need.

The Group expects 2022 to be a year of continued incremental investment in strategic growth initiatives, including seeking an acquisition of a revenue-generating business to support our medium-term plan for corporate expansion.

As in 2021, in our underlying drug discovery business we will continue to target a sustainable balance of resources and capital in the pursuit of growth in corporate value:

- Forecast R&D expenses in the underlying drug discovery business in the range of JPY 5,750 to JPY 6,750 million¹ (unchanged).
- Forecast G&A expenses in the underlying drug discovery business in the range of JPY 3,750 to JPY 4,250 million¹ (unchanged).
- We expect to receive upfront payments related to new partnerships.
- We expect to receive milestone payments from existing drug discovery and development partnerships.
- We will continue to invest in technologies, tools and capabilities that complement and future-proof our drug discovery platform, as well as advance next-generation candidates; all while strongly managing our cost base.
- We will seek out a potentially transformative acquisition to secure long-term revenue growth.
- We will expand our drug candidate discovery and early development capabilities into new target classes.
- We will seek out late-stage clinical assets to in-license and develop for the Japanese market.

The Group has a strong cash runway into 2024 to fund its drug discovery and early-stage development activities.

* Notes

(1) Changes in the number of significant subsidiaries for the three-month period ended March 31, 2022 (changes of specified subsidiaries affecting the scope of consolidation): None

(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)

2) Number of treasury shares at period end

3) Average number of shares in issue in period

At March 31, 2022	81,522,316 shares	At December 31, 2021	81,518,316 shares
At March 31, 2022	213 shares	At December 31, 2021	213 shares
3 month period ended March 31, 2022	81,518,547 shares	3 month period ended March 31, 2021	80,721,439 shares

* Quarterly consolidated financial results reports are not subject to audit.

* *Explanation regarding the appropriate use of forecasts of business results and other points to be noted*

Note concerning forward-looking statements: The financial forecast is based on judgements and estimates that have been prepared on the basis of information available as of the time of disclosure of this material. The actual business results may differ materially from the forecasts due to various factors.

¹ Guidance for 2022 has been calculated on a financial statements disclosure basis which includes non-cash costs such as depreciation, amortization and share based payments. The assumed USD:JPY FX rate in 2022 is 109.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

The Group is a science and technology-led company, specializing in drug discovery and early-stage drug development. Our mission is to make a significant contribution to improving the quality of life and health of people around the world. Our vision is to become one of Japan's global biotechnology and drug discovery champions.

During the three-month period ended March 31, 2022, the Group continued to advance its drug discovery and early-stage development pipeline, as well as enhance its proprietary StaR® (“stabilized receptor”) and aligned technologies, and Structure-based Drug Design (“SBDD”) platform.

Our business model is focused across three core areas to create value; (i) supporting our existing partnerships with major global pharmaceutical companies, (ii) advancing R&D with innovative technology companies and venture funds, and (iii) signing new high-value partnerships based on successful in-house drug discovery and early-stage clinical development of our candidates.

In addition, the Group also focuses on strategic growth initiatives including: seeking revenue-generating opportunities including M&A; investing or collaborating in novel technologies; expanding drug target classes beyond GPCRs; and in-licensing late-stage programs for the Japan market.

As of March 31, 2022, the Group had over 20 programs in total ongoing in discovery, with multiple in-house and partnered programs currently in preclinical/clinical studies^{2,3}.

Supporting our existing partnerships with major global pharmaceutical companies

The Group continued to make good progress with its partners and retained COVID-19 safety measures during the period under review to ensure R&D continuity and productivity, regardless of the relaxing of Government guidelines in the United Kingdom, where our research activities are centered. All research and development activity continued to move forward productively.

Advancing R&D with innovative technology companies and venture funds

The Group continued to make progress with its technology and venture partners.

Verily – strategic collaboration to identify novel targets and generate drug candidates for immune-mediated diseases

On January 6, 2022, the Group and Verily, an Alphabet precision health company, announced that they had entered into a strategic research collaboration. The research agreement brings together the complementary capabilities of Verily's immune profiling and the Group's GPCR SBDD. The collaboration aims to:

- Advance the understanding of GPCR biology in immune cells, particularly in the fields of immunology, gastroenterology, immuno-oncology and other disorders with immunoprotective or immunopathogenic mechanisms

² Clinical trials: HTL0016878 for schizophrenia, PF-07081532 for T2DM/Obesity, PF-07054894 for Inflammatory Bowel Disease, PF-07258669 for Anorexia, and TMP301 for neurological disorders; Preclinical trials: M1 agonist for neurological diseases, M1/M4 dual agonist for neurological diseases, GPR35 agonist for Inflammatory Bowel Disease, CGRP antagonist for neurological disorders; KY1051 for immuno-oncology, GPR52 agonist for neurological diseases, EP4 antagonist for immuno-oncology, EP4 agonist for Inflammatory Bowel Disease, and H4 antagonist for atopic dermatitis.

³ Imaradenant (AZD4635) for multiple solid malignancies was removed by AstraZeneca from its clinical development pipeline in the third quarter 2021.

- Prioritize and validate GPCR targets with strong potential as drug targets
- Discover and develop novel drug candidates that modulate these targets

Verily's proprietary Immune Profiler is a next generation immune mapping platform that combines high-resolution molecular phenotyping performed in Verily's labs and advanced computational analysis techniques to generate insights into immune system functions. It will be used to identify GPCR targets that represent new opportunities to modulate immune cell function and ameliorate disease pathology. The companies will collaborate to prioritize the GPCR targets using the Group's world-leading StaR® platform and structure-based drug design expertise, with the goal of generating lead molecules for further development or out-licensing.

Signing new high-value partnerships based on successful in-house drug discovery and early-stage clinical development of our candidates

The Group continued to make significant investments in its pipeline, as it advanced multiple discovery candidates and early development programs.

Operational highlights after the period under review (period ended March 31, 2022)

Weatherden - to embed an agile operating model and enhance discovery and translational medicine capabilities

On April 26, 2022, the Group announced a strategic collaboration with Weatherden, a pioneering clinical development consulting group. The collaboration aims to build upon the Group's world-leading GPCR SBDD platform and expertise and Weatherden's translational medicine and drug development expertise to create an agile operating model supported by best-in-class drug discovery and development teams. The goal being to accelerate the prioritization and progression of multiple pipeline programs through Phase 1b/2a trials to establish clinical proof-of-concept. This stage represents a key value inflection point that will potentially drive the Group to enter into large global licensing deals as a way to fuel significant upside potential over the long term.

By leveraging Weatherden's extensive experience, scientific expertise and data driven approach, together with its commercial focus on pharmaceutical asset evaluation and development, the Group is bringing together the operational and technical expertise needed to enable a 'venture-like' capital allocation approach to pipeline development.

In this way, the Group aims to optimize decision-making and value generation by:

- creating new, efficient drug discovery and development pathways,
- accelerating the translation of its world-leading science into life-changing therapeutics for patients, and
- maximizing partnering transaction opportunities by taking selected in-house programs to a clinical proof-of-concept stage.

As of March 31, 2022, the Group had a total of 197 employees (an increase of 1 employee vs. the end of the previous financial year, 2021).

As a result of the above activities, the Group reported the following financial results for the three month period ended March 31, 2022.

Revenue of JPY 1,119 million (a decrease of JPY 88 million vs. the prior corresponding period), an operating loss of JPY 2,206 million (vs. an operating loss of JPY 1,238 million in the prior corresponding period), a net loss before taxes of JPY 2,497 million (vs. a net loss before income taxes of JPY 1,054 million in the prior corresponding period), and a net loss of JPY 2,070 million (vs. a net loss of JPY 1,153 million in the prior corresponding period).

	3 month period ended March 31, 2022	3 month period ended March 31, 2021	Change
	¥m	¥m	
Revenue	1,119	1,207	(88)
Cost of sales	(288)	(226)	(62)
Research and development expenses	(1,804)	(1,207)	(597)
Selling, general and administrative expenses	(1,354)	(975)	(379)
Operating expenses	(3,446)	(2,408)	(1,038)
Other income (loss)	121	(37)	158
Operating loss	(2,206)	(1,238)	(968)
Net finance (costs) income	(71)	66	(137)
Share of loss of associates	(220)	(88)	(132)
Gain on reversal of impairment loss for investments accounted for using the equity method	-	206	(206)
Net loss before income taxes	(2,497)	(1,054)	(1,443)
Net loss	(2,070)	(1,153)	(917)
Alternative performance measure			
Core operating profit / loss			
Operating loss (as stated above)	(2,206)	(1,238)	(968)
<i>Adjustments:</i>			
Depreciation	139	134	5
Amortization	183	180	3
Share based payments (excluding amounts in Restructuring)	111	167	(56)
Restructuring	533	-	533
Impairment	-	74	(74)
Core operating loss	(1,240)	(683)	(557)
Average annual exchange rate			
USD:JPY	116.19	106.09	10.10
GBP:JPY	155.87	146.32	9.55

Note 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.

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

	3 month period ended March 31, 2022	3 month period ended March 31, 2021	Change
	¥m	¥m	
Upfront fees and milestone income	121	422	(301)
Royalty income	747	585	162
Other	251	200	51
	1,119	1,207	(88)

Revenue in the three month period under review totaled JPY 1,119 million (a decrease of JPY 88 million vs. the prior corresponding period).

Revenue related to upfront fees and milestone income in the three month period under review totaled JPY 121 million (a decrease of JPY 301 million vs. the prior corresponding period). Milestone revenues and upfront fees can vary considerably quarter on quarter and depend on the achievement of defined milestone events and the commencement of new partnership agreements within a quarter. The decrease in revenues related to milestones in the three-month period under review was primarily due to there being one milestone event in Q1 2022 vs. two milestone events in Q1 2021. In addition, deferred revenue releases were lower in Q1 2022.

Revenue related to royalties in the three month period under review totaled JPY 747 million (an increase of JPY 162 million vs. the prior corresponding period). The Group's royalty revenue relates to sales of Ultibro[®] Breezhaler[®], Seebri[®] Breezhaler[®] and Enerzair[®] Breezhaler[®] by Novartis⁴.

Operating expenses

Cost of sales

Cost of sales in the three month period under review totaled JPY 288 million (an increase of JPY 62 million vs. the prior corresponding period). Cost of sales comprises the internal costs of delivering research and development services to customers. The increase in costs is primarily due to an increase in the number of active contracts.

Research and development expenses

Research and development ("R&D") expenses in the three month period under review totaled JPY 1,804 million (an increase of JPY 597 million vs. the prior corresponding period). The increase is primarily due to increased investment in our in-house discovery and early development programs, and the cost of a restructuring program designed to accelerate the development of medicines. In the period under review 99% of R&D spend related to our UK operations.

Selling, general and administrative expenses

Selling, general and administrative ("G&A") expenses in the three month period under review totaled JPY 1,354 million (an increase of JPY 379 million vs. the prior corresponding period). This was primarily due to the cost of a restructuring program designed to accelerate the development of medicines.

Operating loss

Operating loss in the three month period under review totaled JPY 2,206 million (vs. an operating loss of JPY 1,238 million in the prior corresponding period). The main reason for the increase in the operating loss is the increase in operating expenses for the reasons stated above.

⁴ 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.

Net finance (costs) income

Net finance costs in the three month period under review totaled JPY 71 million (an increase of JPY 137 million vs. the prior corresponding period). The increase in finance costs is primarily due to an increase in bond amortisation costs and a reduction in contingent consideration revaluation gains.

Share of loss of associates accounted for using the equity method

Share of loss of associates accounted for using the equity method in the three month period under review totaled JPY 220 million (an increase of JPY 132 million vs. the prior corresponding period). This was due to MiNA (Holdings) Limited, an affiliated company of the Group, which has increased expenditure on R&D.

Gain on reversal of impairment loss for investments accounted for using the equity method

Gain on reversal of impairment loss for investments accounted for using the equity method in the prior corresponding period totaled JPY 206 million. This was due to an increase in the fair value of the shares of JITSUBO, an affiliated company of the Group, which was disposed of in April 2021.

Net loss

Net loss in the three month period under review totaled JPY 2,070 million (vs a net loss of JPY 1,153 million in the prior corresponding period). The main reason for the net loss is the increase in the operating loss and non-operating expenses (for the reasons stated 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 three month period under review totaled JPY 1,240 million (vs a core operating loss of JPY 683 million in the prior corresponding period). In calculating core operating loss the following adjustments to the IFRS operating loss have been made:

- Depreciation totaled JPY 139 million (an increase of JPY 5 million vs. the prior corresponding period).
- Amortization totaled JPY 183 million (an increase of JPY 3 million vs. the prior corresponding period).
- Stock-based compensation totaled JPY 111 million (a decrease of JPY 56 million vs. the prior corresponding period).
- Restructuring costs totaled JPY 533 million. These costs related to the management reorganization announced on February 1, 2022 (including JPY 158 million of accelerated stock-based compensation expenses).
- Impairment loss in the prior corresponding period was JPY 74 million. This was due to an intangible asset impairment charge associated with a reduction in Oravi® sales and profitability forecasts.

The increase in core operating loss of JPY 557 million is primarily due to the planned increase in investment in priority in-house R&D programs.

(2) Analysis of financial position

1) Assets, liabilities and equity

Assets

Total assets as at March 31, 2022 were JPY 95,854 million (a decrease of JPY 1,131 million vs. the end of the previous financial year, 2021). This decrease was primarily due to a decrease in cash and cash equivalents due to operating cash outflows, partially offset by an increase in the yen value of assets held by our consolidated subsidiary Heptares Therapeutics Ltd. as a result of the appreciation of the pound sterling.

Liabilities

Total liabilities as at March 31, 2022 were JPY 39,295 million (a decrease of JPY 222 million vs. the end of the previous financial year, 2021). This decrease was primarily due to a reduction in the provision for staff bonuses (which were paid in Q1 2022) and a decrease in deferred tax liabilities, largely offset by an increase in trade and other payables, an increase in the amortized cost of corporate bonds and the effect of the strong USD on the translation of USD-denominated contingent consideration in business combinations into JPY.

Equity

Total equity as at March 31, 2022 was JPY 56,559 million (a decrease of JPY 909 million vs. the end of the previous financial year, 2021). This was primarily due to the net loss of JPY 2,070 million partially offset by exchange gains on translation of JPY 1,156 million.

The ratios of Cash and cash equivalents, Interest-bearing debt and Equity attributable to owners of the parent company to total assets were 61.6%, 30.8% and 59.0%, respectively.

2) Cash flows

Cash and cash equivalents as at March 31, 2022 decreased by JPY 1,023 million from the beginning of the year and amounted to JPY 59,064 million.

Cash flows from operating activities

Net cash used in operating activities during the period under review totaled JPY 1,591 million. This was primarily due to operating expenses exceeding revenues.

Cash flows from investing activities

Net cash used in investing activities during the period under review totaled JPY 90 million. This was due to purchases of property, plant and equipment of JPY 90 million.

Cash flows from financing activities

Net cash used in financing activities during the period under review totaled JPY 46 million. This was primarily due to lease payments of JPY 46 million.

Effects of exchange rate changes on cash and cash equivalents

Effects of exchange rate changes on cash and cash equivalents during the period under review totaled JPY 704 million. This positive impact was primarily due to a stronger GBP vs. JPY and a stronger USD vs JPY.

(3) Forecast Guidance

We continue to focus on expanding our drug discovery business and remain well positioned to capitalize on both organic and inorganic growth opportunities. Our SBDD platform and highly productive drug discovery engine has generated multiple new exciting drug candidates for in-house progression into early clinical development, and we will continue to take steps to maintain partnered and co-investment activity to ensure programs are advanced in a capital efficient manner. At the same time, we will invest in new technologies, tools and capabilities to maintain our competitive edge and bring forward an exciting pipeline of next-generation programs in areas of high unmet medical need.

The Group expects 2022 to be a year of continued incremental investment in strategic growth initiatives, including seeking an acquisition of a revenue-generating business to support our medium-term plan for corporate expansion.

As in 2021, in our underlying drug discovery business we will continue to target a sustainable balance of resources and capital in the pursuit of growth in corporate value:

- Forecast R&D expenses in the underlying drug discovery business in the range of JPY 5,750 to JPY 6,750 million⁵ (unchanged).
- Forecast G&A expenses in the underlying drug discovery business in the range of JPY 3,750 to JPY 4,250 million⁵ (unchanged).
- We expect to receive upfront payments related to new partnerships.
- We expect to receive milestone payments from existing drug discovery and development partnerships.
- We will continue to invest in technologies, tools and capabilities that complement and future-proof our drug discovery platform, as well as advance next-generation candidates; all while strongly managing our cost base.
- We will seek out a potentially transformative acquisition to secure long-term revenue growth.
- We will expand our drug candidate discovery and early development capabilities into new target classes.
- We will seek out late-stage clinical assets to in-license and develop for the Japanese market.

The Group has a strong cash runway into 2024 to fund its drug discovery and early-stage development activities.

⁵ Guidance for 2022 has been calculated on a financial statements disclosure basis which includes non-cash costs such as depreciation, amortization and share based payments. The assumed USD:JPY FX rate in 2022 is 109.

2. Interim Condensed Consolidated Financial Statements and Primary Notes (IFRS)

1) Interim Condensed Consolidated Balance Sheet

	March 31, 2022 (Unaudited) ¥m	December 31, 2021 (Audited) ¥m
Assets		
Non-current assets		
Property, plant and equipment	3,982	3,817
Goodwill	15,388	15,095
Intangible assets	9,204	9,120
Investments accounted for using the equity method	3,359	3,479
Other financial assets	2,293	2,564
Other non-current assets	100	102
Total non-current assets	34,326	34,177
Current assets		
Trade and other receivables	1,302	2,138
Income taxes receivable	340	70
Other financial assets	91	86
Other current assets	731	427
Cash and cash equivalents	59,064	60,087
Total current assets	61,528	62,808
Total assets	95,854	96,985
Liabilities and Equity		
Liabilities		
Non-current liabilities		
Deferred tax liabilities	2,286	2,706
Contingent consideration in business combinations	-	47
Corporate bonds	27,574	27,440
Lease liabilities	1,715	1,638
Other non-current liabilities	623	495
Total non-current liabilities	32,198	32,326
Current liabilities		
Trade and other payables	1,471	1,176
Contingent consideration in business combinations	4,285	4,048
Income taxes payable	124	279
Lease liabilities	222	193
Other current liabilities	995	1,495
Total current liabilities	7,097	7,191
Total liabilities	39,295	39,517
Equity		
Capital stock	41,043	41,036
Capital surplus	29,365	29,100
Treasury stock	(0)	(0)
Retained earnings	(11,838)	(9,768)
Other components of equity	(2,011)	(2,900)
Equity attributable to owners of the parent company	56,559	57,468
Total equity	56,559	57,468
Total liabilities and equity	95,854	96,985

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

	Three month period ended March 31, 2022 (Unaudited) ¥m	Three month period ended March 31, 2021 (Unaudited) ¥m
Revenue	1,119	1,207
Cost of sales	(288)	(226)
Gross profit	831	981
Research & development expenses	(1,804)	(1,207)
Selling, general & administrative expenses	(1,354)	(975)
Other income	121	39
Other expenses	(0)	(76)
Operating loss	(2,206)	(1,238)
Finance income	118	171
Finance costs	(189)	(105)
Share of loss of associates accounted for using the equity method	(220)	(88)
Gain on reversal of impairment loss for investments accounted for using the equity method	-	206
Loss before income taxes	(2,497)	(1,054)
Income tax credit / (expense)	427	(99)
Net loss for the period	(2,070)	(1,153)
Other comprehensive income:		
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	(267)	374
Total items that will not be reclassified subsequently to profit or loss	(267)	374
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	1,156	3,007
Total items that may be reclassified subsequently to profit or loss	1,156	3,007
Total other comprehensive income	889	3,381
Total comprehensive (loss) income for the period	(1,181)	2,228
Net loss for the period attributable to:		
Owners of the parent company	(2,070)	(1,153)
	(2,070)	(1,153)
Total comprehensive (loss) income for the period attributable to:		
Owners of the parent company	(1,181)	2,228
	(1,181)	2,228
Earnings per share (yen)		
Basic loss per share	(25.39)	(14.28)
Diluted loss per share	(25.39)	(14.28)

3) Interim Condensed 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 company ¥m	Total equity ¥m
Balance at January 1, 2022	41,036	29,100	(0)	(9,768)	(2,900)	57,468	57,468
Net loss for the period	-	-	-	(2,070)	-	(2,070)	(2,070)
Other comprehensive income	-	-	-	-	889	889	889
Total comprehensive (loss) income for the period	-	-	-	(2,070)	889	(1,181)	(1,181)
Issuance of new shares	7	(7)	-	-	-	0	0
Share-based payments	-	272	-	-	-	272	272
Total transactions with owners	7	265	-	-	-	272	272
Balance at March 31, 2021 (Unaudited)	41,043	29,365	(0)	(11,838)	(2,011)	56,559	56,559
Balance at January 1, 2021	40,220	30,452	(0)	(10,785)	(7,506)	52,381	52,381
Net loss for the period	-	-	-	(1,153)	-	(1,153)	(1,153)
Other comprehensive income	-	-	-	-	3,381	3,381	3,381
Total comprehensive (loss) income for the period	-	-	-	(1,153)	3,381	2,228	2,228
Issuance of new shares	201	39	-	-	-	240	240
Share-based payments	-	168	-	-	-	168	168
Total transactions with owners	201	207	-	-	-	408	408
Balance at March 31, 2021 (Unaudited)	40,421	30,659	(0)	(11,938)	(4,125)	55,017	55,017

4) Interim Condensed Consolidated Statement of Cash Flows

	Three month period ended March 31, 2022 (Unaudited) ¥m	Three month period ended March 31, 2021 (Unaudited) ¥m
Cash flows from operating activities		
Loss before income taxes	(2,497)	(1,054)
Adjustments for:		
Depreciation and amortization	322	314
Share-based payments	269	167
Impairment loss	-	74
Loss on investments in securities	14	5
Change in fair value of contingent consideration	(44)	(105)
Net foreign exchange gain	(28)	(100)
Interest income	(3)	(1)
Interest expenses	171	100
Share of loss of associates accounted for using the equity method	220	88
Gain on reversal of impairment loss for investments accounted for using the equity method	-	(206)
Decrease in trade and other receivables	877	95
Increase (decrease) in trade payables	278	(384)
(Decrease) increase in deferred revenue	(92)	51
Other	(774)	(245)
Subtotal	(1,287)	(1,201)
Interest and dividends received	3	1
Interest paid	(55)	(56)
Income tax refunded	-	367
Income taxes paid	(252)	(1)
Net cash (used in) operating activities	(1,591)	(890)
Cash flows from investing activities		
Purchase of property, plant and equipment	(90)	(60)
Purchase of intangible assets	-	(2)
Net cash (used in) investing activities	(90)	(62)
Cash flows from financing activities		
Repayments of lease liabilities	(46)	(43)
Proceeds from issuance of common stock	0	240
Net cash (used in) provided by financing activities	(46)	197
Effects of exchange rate changes on cash and cash equivalents	704	1,143
Net (decrease) increase in cash and cash equivalents	(1,023)	388
Cash and cash equivalents at the beginning of the period	60,087	40,008
Cash and cash equivalents at the end of the period	59,064	40,396

5) Notes of Interim Condensed Consolidated Financial Statements

5.1 Notes related to going concern assumptions

Not applicable.

5.2 Change in accounting policy

Not applicable.

5.3 Changes in accounting estimates

Not applicable.

5.4 Operating segments

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

5.5 Significant subsequent events

In FY2019, The Company introduced a Restricted Stock Unit (“RSU”) Plan with the intention to increase the motivation and drive of the Directors, the Executive Officers and the eligible Employees of the Company and its wholly owned subsidiaries (“Executives and Employees”) to realize the Company’s vision and strategy. The Plan has also been designed to share the benefits and risks of share price fluctuations with shareholders, and further encourage the Executives and Employees of the Company and its wholly owned subsidiaries to actively contribute to the increase of the share price and enhance the Company’s corporate value.

On April 20, 2022 the Board of Directors adopted a resolution to issue new shares under the Restricted Stock Unit Plan as described below.

Details of Issuance

	13th RSU	14th RSU	15th RSU
1 Payment date	May 18, 2023	May 16, 2024	May 15, 2025
2 Type and number of shares to be issued	Common shares 93,930 shares	Common shares 304,343 shares (planned)	Common shares 304,343 shares (planned)
3 Payment amount (Note)	1,313 yen per share	Representative Executive Officer will decide the payment amount hereafter	Representative Executive Officer will decide the payment amount hereafter
4 Total issue value	123,330,090 yen	Representative Executive Officer will decide the total issue value hereafter	Representative Executive Officer will decide the total issue value hereafter
5 Planned allottees	93,930 shares will be allotted among 7 Directors of the Company (excluding Directors who serve as Executive Officers concurrently)	6 Executive Officers of the Company 193 Directors of subsidiaries of the Company and Employees of the Company and its subsidiaries 304,343 shares to be allotted (planned)	6 Executive Officers of the Company 193 Directors of subsidiaries of the Company and Employees of the Company and its subsidiaries 304,343 shares to be allotted (planned)

(Note) Delivered in return for provision of contribution in kind of monetary compensation claims against the Company granted to the Executives and Employees of the Company and its wholly owned subsidiaries as the Planned Allottees.