Consolidated Financial Results for the Three Months Ended March 31, 2022 [IFRS]

May 12, 2022

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Scheduled starting date of dividend payments: —
Supplementary briefing materials on quarterly financial results: No
Explanatory meeting on quarterly financial results: No

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended March 31, 2022 (January 1, 2022 to March 31, 2022)

(1) Consolidated operating results (% indicates changes from the previous corresponding period)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three Months ended March 31, 2022	419	(71.6)	(1,166)	-	(1,123)	-	(829)	-	(681)	-
Three Months ended March 31, 2021	1,477	-	(5)	-	(39)	-	(221)	-	(184)	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three Months ended March 31, 2022	(6.39)	(6.39)
Three Months ended March 31, 2021	(1.74)	(1.74)

(2) Consolidated financial position

	Total assets	Net assets	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of March 31, 2022	52,104	24,675	24,675	47.4
As of December 31, 2021	27,034	25,350	25,350	93.8

2. Payment of Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended December 31, 2021	-	0.00	-	0.00	0.00
Fiscal Year ending December 31, 2022	-				
Fiscal Year ending December 31, 2022 (forecast)		0.00	-	0.00	0.00

(Note) Revisions to the dividend forecast announced most recently: No

3. Consolidated Financial Forecasts for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Million yen / %	Million yen / %	Million yen / %	Million yen / %	yen
Fiscal Year ending December 31, 2022	24,500	-	-	-	-

(Note) Revisions to the consolidated financial forecast announced most recently: Yes

The Company is in the process of examining the impact of the March 28, 2022 acquisition of PDRadiopharma Inc. on its financial results, such as the purchase price allocation, and plans to disclose the consolidated financial forecasts for the fiscal year ending December 31, 2022 for items other than revenue as soon as they are finalized.

Non-consolidated financial forecasts, which form the basis for preparing consolidated financial forecasts, remain unchanged from the financial forecasts disclosed in the FY2021 financial results on February 9, 2022.

[Notes]

Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation) :Yes

Newly included : 1 company (PDRadiopharma Inc.)

Excluded : –

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

1) Changes in accounting policies required by IFRS	:	None
2) Changes in accounting policies due to other reasons	:	None
3) Changes in accounting estimates	:	None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury stock)	As of March 31, 2022	130,010,400 shares	As of December 31, 2021	130,010,400 shares
2) Number of treasury stock at the end of the period	As of March 31, 2022	183,005 shares	As of December 31, 2021	182,964 shares
3) Average number of shares during the period	Three months ended March 31, 2022	129,827,419 shares	Three months ended March 31, 2021	127,136,706 shares

(Note) The number of treasury shares at the end of the period includes shares in the Company held by the Custody Bank of Japan, Ltd. (Trust Account E) (182,800 shares as of December 31, 2021 and 182,800 shares as of March 31, 2022). In addition, the shares in the Company held by the Custody Bank of Japan, Ltd. (Trust Account E) are included in treasury shares excluded from calculating the average number of shares during the period (193,600 shares for the three months ended March 31, 2021 and 182,800 shares for the three months ended March 31, 2022).

* Quarterly financial results reports are not required to be subjected to quarterly review by a certified public accountant or an audit firm

* Explanation on the appropriate use of operating forecasts and other special instructions

(Caution regarding forward-looking statements)

Financial forecasts and other statements regarding the future presented in these materials are based on information currently available and certain assumptions deemed to be reasonable and are not meant to be taken as commitment of the Company to achieve such results. Actual performance may differ substantially due to various factors.

(Adoption of International Financial Reporting Standards (IFRS))

IFRS is applied from the three months ended March 31, 2022, in place of the Japanese standard. Accordingly, the figures for the same period of the previous fiscal year and the previous fiscal year are also calculated in accordance with IFRS for comparison purposes.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

Since the beginning of the three months ended March 31, 2022, the Group has adopted IFRS in place of the formerly used Japanese GAAP. Accordingly, figures for the three months ended March 31, 2021 and the previous fiscal year are reclassified in accordance with IFRS for the purpose of comparative analysis.

(1) Explanation of Operating Results

During the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022), PeptiDream Inc. ("the Company") continued to make excellent progress in leveraging the PDPS (Peptide Discovery Platform System) technology, its proprietary drug finding platform, across its four (4) business models; 1) Collaboration Discovery and Development, 2) PDPS Technology Transfer, 3) In-House/Strategic Discovery and Development, and 4) Radiopharmaceutical.

As of March 31, 2022, the Company's pipeline consisted of 124 discovery & development programs (representing a net increase of 1 program from the end of the prior fiscal quarter ending December 31, 2021).

The below table is a snapshot of the Company's program(s) across the three drug discovery approaches at the end of the current fiscal quarter.

【Number of programs for each drug discovery approach】	As of March 31, 2022
Peptide drugs	73
Small molecule drugs	
Peptide drug conjugates ("PDCs")	51
Multi-functional peptide conjugates ("MPCs")	
Total	124

The below table is a snapshot of the number of program(s) currently at each stage of the discovery and development process, compared to the end of the prior fiscal year.

【Number of programs at each stage of the discovery and development process】	As of December 31, 2021	As of March 31, 2022
Target Validation-to-Hit Stage	37	31
Hit-to-Lead Stage	56	60
Lead-to-GLP-Tox Stage	18	21
GLP-Tox-to-IND Stage	9	8
Phase I	3	4
Phase II	0	0
Phase III	0	0
Total	123	124

The figures in the above table include programs in the Collaboration Discovery and Development businessand the In-House/Strategic Discovery and Development business, and DO NOT include programs in the PDPS Technology Transfer business nor the Radiopharmaceuticals Business Segment.

The below table is a snapshot of the development status of main programs.

			Preclinical	Clinical			
Program	**Indication**	**Partner**	**GLP-Tox to IND**	**PhI**	**PhII**	**PhIII**	**Status**
PD-L1 Therapeutic Peptide	Oncology	Bristol-Myers Squibb BMS-986189					PhI completed Dec 2016 (NCT02739373)
PD-L1 Therapeutic Peptide	Oncology	Bristol-Myers Squibb					PhI started April 2022 (ISRCTN17572332)
PD-L1 Diagnostic PDC	Oncology	Bristol-Myers Squibb BMS-986229					PhI ongoing ~Nov 2019 (NCT04161781)
CD38 Therapeutic MPC	Multiple Myeloma	Biohaven BHV-1100 + NK Cells					PhIa/Ib ongoing ~Oct 2021 (NCT04634435)
S2-protein Therapeutic Peptide	COVID-19	PeptiAID PA-001					Clinical Research ongoing ~Feb 2022 (jRCTs031210601)
HA-protein Therapeutic Peptide	Influenza	PeptiDream PD-001					Partnering Discussions / Planning clinical studies
GhR Therapeutic Peptide	Acromegaly/NET	Amolyt AZP-3813					Anticipating entering clinic in 2022
Myostatin Therapeutic Peptide	DMD/ Muscle Disorders	Kawasaki Medical School					Anticipating entering clinic in 2023 / Partnering Discussions
Undisclosed Therapeutic Peptide	Undisclosed	Undisclosed					Anticipating entering clinic in 2023
CD38 Therapeutic MPC	Multiple Myeloma	Biohaven BHV-1100					GLP-Tox to IND stage
Undisclosed Therapeutic Peptide	Undisclosed	Undisclosed					GLP-Tox to IND stage
Undisclosed Diagnostic PDC	Oncology	Undisclosed					GLP-Tox to IND stage
Undisclosed Diagnostic PDC	Oncology	Undisclosed					GLP-Tox to IND stage

Drug Discovery and Development Business Segment:

In the Collaboration Discovery and Development Business;

During the current fiscal quarter under review there was no milestone events to which the Company was able to issue a press release due to contractual restrictions in the Collaboration Discovery and Development business.

The Company continues to receive various R&D support payments from its big pharma discovery and development partners, in addition to being eligible for potential pre-clinical and clinical milestones payments as the programs advance, as well as being eligible for commercial sales milestones and royalties on net sales of any commercialized products. The Company looks forward to announcing future updates as additional milestones are met, and as allowed by the partner companies. In addition, the Company continues to receive considerable interest from multiple big pharma companies interested in partnering with the Company on discovery and development programs.

In the PDPS Technology Transfer Business;

As of March 31, 2022, the Company has non-exclusively licensed its PDPS technology to 10 companies; Bristol-Myers Squibb (2013), Novartis (2015), Lilly (2016), Genentech (2016), Shionogi (2017), MSD (U.S.-Merck & Co. Kenilworth, NJ, USA) (2018), MiraBiologics (2018), Taiho Pharmaceutical (2020), Janssen (2020), and Ono Pharmaceutical (2021).

In accordance with all PDPS technology license agreements, the Company is not informed as to what specific discovery and development programs are being prosecuted by the licensee company until certain initial pre-clinical milestones are achieved. The Company continues to receive various technology license and management payments from the licensee companies, in addition to potential preclinical and clinical milestone payments as programs advance. In addition, the Company continues to receive interest from multiple companies interested in licensing the PDPS technology.

In the In-House/Strategic Discovery and Development Business;

The Company continues to advance and expand the number of In-House/Strategic Discovery and Development programs. The goal of these efforts is to develop the programs to at least the lead and/or clinical candidate stage or potentially post-Phase I/II stage, before seeking to license these programs out to big pharma companies, leveraging the Company's existing network of partners, for significantly higher financials than can be attained from standard discovery and development deals. The Company has continually been expanding its capabilities in turning hit candidates identified from the PDPS technology into 1) peptide therapeutics, 2) small molecule therapeutics, 3) peptide drug conjugates ("PDCs") and 4) multi-functional peptide conjugates ("MPCs"). Programs being developed with Strategic partners, Strategic partners being companies that bring proprietary technology/know-how to combine with the Company's, are under a cost-sharing agreement, in which the costs of discovery and development are shared, allowing for the Company to have a far larger share in the program and future revenues if successful. In addition, the Company continues to pursue a number of in-house fully-owned programs and looks forward to providing future updates as these programs progress toward the clinic.

The Company has announced strategic partnerships with JCR Pharmaceuticals Co., Ltd. ("JCR Pharma"), Modulus Discovery, Inc. ("Modulus Discovery"), Heptares Therapeutics Ltd., ("Sosei-Heptares"), Kleo Pharmaceuticals, Inc. (now Biohaven Pharmaceutical Holding Company Ltd. ("Biohaven")), Nihon Medi-Physics Co., Ltd. ("NMP"), POLA Chemical Industries ("POLA"), Kawasaki Medical School, the Bill & Melinda Gates Foundation ("Gates Foundation"), JSR Corporation ("JSR"), Mitsubishi Corporation ("MC") (PeptiGrowth Inc. ("PeptiGrowth")), RayzeBio Inc.("RayzeBio"), PeptiAID Inc. ("PeptiAID"), and Amolyt Pharma ("Amolyt").

The Company and JCR Pharma have successfully development a series of constrained peptides that bind to the transferrin receptor (TfR) and are capable of carrying various therapeutic payloads across the blood-brain barrier (BBB) for delivery/targeting to the brain, and for the delivery of therapeutic payloads to muscle, arising from the joint research collaboration between the companies initiated in February 2016. Most therapeutics do not readily cross the BBB into the brain, with only a small fraction of the drug ever entering the central nervous system (CNS), posing a significant challenge to the development of effective therapeutics for the treatment of CNS disorders. The developed peptide carriers, when conjugated to various therapeutic payloads (herein referred to as a peptide-drug conjugates or "PDC"), function to facilitate the transport of the payload across the BBB into the brain, thereby significantly increasing the amount of the therapeutic in the brain, and/or can function to deliver the therapeutic payloads specifically to muscle, thereby significantly increasing the amount of therapeutic targeted to muscle. Potential payloads range from antibody and protein therapeutics to nucleic acid, peptide, and small molecules drugs. The two companies are focusing on third-party licensing activities, with PeptiDream leading such activities from execution of agreement to supply of peptide carriers, with the Dec 22, 2020 announced collaborative research and exclusive license agreement to create PDCs for neuromuscular diseases with Takeda Pharmaceutical Company Limited, representing the first of such licensing deals. The Company announced on July 27, 2021, a further expansion of the collaborative research and license agreement with Takeda Pharmaceutical Company extending into CNS Diseases. The companies are looking to conjugate the peptide carriers to a number of Takeda payloads, and the collaboration has the potential to yield a number of therapeutics products in the neuromuscular, muscular, and CNS disease space. The Company continues to discuss additional potential research and license agreements with various companies. The companies will share related revenues from licensing activities.

The Company and Modulus Discovery are working to leverage the expertise of both companies to jointly discover and develop small molecule clinical candidates based on peptide hit candidates identified from the PDPS technology against high value targets. Modulus Discovery is utilizing its computational chemistry technology and expertise to design small molecule candidates in collaboration with the Company and its internal efforts. The companies jointly share the costs of the discovery and development programs and will co-own any resulting products. The Company has already identified hit candidate peptides against a number of high-value kinase targets, that exhibit the desired inhibition activity independent of ATP-binding (allosteric inhibitors) and obtained a number of crystal structures of these candidates in complex with their respective kinase targets yielding the structural information needed to enable computational small molecule design efforts. Using this approach, the companies have now identified highly selective and potent small molecule lead compounds for KIT, a specific high value kinase target which is considered to play an important role in allergic diseases and have recently completed in vivo proof of concept studies validating the lead candidate's

efficacy. The companies are jointly continuing preclinical development efforts with the plan to nominate a clinical candidate in 2022 and are actively discussing a variety of partnering and out-licensing options for the program. The Company currently holds less than 5% equity stake in Modulus Discovery.

The Company and Sosei-Heptares are working to discover, develop and commercialize novel therapeutics targeting Protease Activated Receptor 2 (PAR2), which is a well validated target for multiple indications in pain, cancer, and inflammatory disease. The strategic partnership brings together two powerful technologies, Sosei-Heptares's StaR platform for GPCR target protein production and the Company's PDPS hit finding technology, in addition to considerable preclinical and clinical development capabilities. Under the agreement, the companies jointly share the costs and will co-own any resulting products. As announced on May 12, 2021, the companies have previously identified high affinity and selective inhibitors against PAR2 and those candidates have been optimized to be sufficiently stable in the gut for oral administration, and therefore are now considered lead candidates. The candidates are now advancing through preclinical studies with the objective of developing a novel oral peptide therapy to treat inflammation and pain in gastrointestinal (GI) disorders, such as Inflammatory Bowel Disease. The companies are actively discussing a variety of partnering and out-licensing options for the program.

The Company and Biohaven (As announced on January 4, 2021, Biohaven agreed to merge and take over full control of Kleo and its discovery and development programs) continue to work to co-discover and develop novel Antibody Recruiting Molecule ("ARMs™") or Synthetic Antibody Mimic ("SyAMs") products in multiple indications. The Company will receive a tiered share of the proceeds of any products developed. Biohaven has taken over clinical development control of the 2 clinical candidates, both of which are referred to as CD38-ARMs (ARM™), and currently termed "BHV-1100(KP1237, ARM) + Autologous NK cells" and "BHV-1100 (ARM)". The CD38-ARMs are designed to recruit endogenous antibodies to multiple myeloma ("MM") cancer cells, targeting them for destruction via the body's innate antibody-mediated immune mechanisms. CD38 is a validated "MM" target, which is also overexpressed in chronic lymphocytic leukemia and other cancers. "BHV-1100 (ARM) + Autologous NK cells" is a short-acting ARM, whereas "BHV-1100 (ARM)" is a long-acting ARM and intended for a larger market of MM patients relapsed / refractory to Daratumumab therapy. BHV-1100 (ARM) + Autologous NK cells received Orphan Drug Designation on September 8, 2020. BHV-1100 shows similar or better activity to Johnson & Johnson's Darzalex, with the significant advantage being that it does not deplete the patients CD38-expressing immune effector cells. While many recent advances have been made to benefit MM patients, most patients will unfortunately still relapse, and the companies believe that BHV-1100 enabled NK cells will kill CD38-positive MM cells and recruit other immune effector cells to assist in reducing the tumor burden. As announced on October 27, 2021, the first patient has been enrolled in the Ph Ia/Ib study (ClinicalTrials.gov Identifier: NCT04634435). The clinical trial will assess the safety and tolerability, as well as exploratory efficacy endpoints, in newly diagnosed MM who have tested positive for minimal residual disease (MRD+) in first remission prior to autologous stem cell transplant (ASCT).

The Company and NMP have been working together across a variety of programs to conjugate Company's constrained peptides with NMP's radioisotopes to create novel therapeutic and diagnostic peptide-radioisotope (RI) products. Under the terms of the deal, both companies will independently fund their efforts, and the development and commercialization rights will be shared between the companies under a cost-sharing structured arrangement. The lead program in the collaboration continues to make progress and advance to the nomination of a clinical candidate, expected sometime in 2022. The companies will look to commercialize products in Japan & Asia, and potentially license out such products to the United States and Europe.

The Company and POLA Chemical Industries ("POLA") are working on the discovery and development of dermatology focused peptide-based cosmetics, quasi-drugs, and therapeutics. The Company has been identifying candidates using its PDPS technology against applicable dermatological targets based on POLA's extensive expertise in the field and the companies are working together to commercialize such cosmetic products. The Company retains the development and commercialization rights to any therapeutic use for any such products arising from the collaboration. The companies have identified a number of lead candidates that are now being tested in in-vitro and ex-vivo models for efficacy.

The Company and Kawasaki Medical School have been working to develop a novel Myostatin peptide inhibitor for the treatment of Duchenne Muscular Dystrophy ("DMD"). DMD is the most common type of muscular dystrophy, a fatal hereditary genetic disorder characterized by progressive weakness. Due to mutations in the dystrophin gene, dystrophin, which is important for maintaining muscle cells, becomes deficient or abnormal, with rapid muscle weakness in skeletal muscle and diaphragm

resulting in difficulty with jumping, running, and walking, and later effecting the heart and respiratory muscles, which can eventually cause acute respiratory failure. It is a rare and fatal disease in which patients' quality of life is significantly reduced. Research and development efforts have largely focused on the discovery and development of antibody-based therapeutics and/or nucleic acid based therapeutics, such as gene therapy, exon skipping, stop codon read-through, and gene repair, spanning multiple mechanisms of action, and while exciting progress has been made, there is no current effective therapeutic that can be used to treat a wide range of patients and be considered as a first line therapy, therefore there remains a significant unmet medical need for more broadly effective therapies for DMD. Myostatin (also known as growth differentiation factor 8, or GDF8) is a protein produced and released by myocytes that acts on muscle cells to inhibit muscle cell growth and is widely distributed in blood and muscle tissue (including diaphragm and extremity muscles) in normal individuals. Animals either lacking myostatin or that have been treated with myostatin inhibitors exhibit significantly more muscle mass and strength, and therefore represents an attractive target to inhibit to promote muscle growth and improve muscle function (stop or slow muscle degeneration), in patients with DMD and other muscle wasting diseases. The companies believe the current candidate could have a broad beneficial impact to all DMD patients and significantly increase their quality of life. Efforts in the discovery and development of myostatin inhibitors, largely focused on antibody-based therapeutics, and while they have shown significant promise in animal models, that promise has yet to translate into therapeutic benefits in humans for a variety of reasons. A constrained macrocyclic peptide-based myostatin inhibitor approach represents a potentially attractive alternative, as the current clinical candidate exhibits a high level of both potency and exposure in muscle tissue, both of which are known to be key attributes for any myostatin inhibitor. The companies plan to engage PeptiStar Inc., for candidate scale up and production of GLP/GMP batches, with the intention of conducting long-term safety studies, anticipating an entry into the clinic in 2023. Since DMD has been designated as a rare and intractable disease, the companies will work with the related agencies to seek priority review and shorten development timelines. The companies have initiated discussions with multiple potential partners for the joint development/partnering and/or out-licensing of the program.

The Company and the Gates Foundation are working on discovery and development programs aimed at identifying novel therapeutic macrocyclic peptide candidates to treat Malaria and Tuberculosis, two infectious diseases that disproportionately affect people in the world's poorest countries. On Nov 1, 2019, the Company announced that it had been awarded a second grant from the Gates Foundation to fund the next phase of development of a candidate series originally identified under the first grant, awarded in November 2017, for the potential treatment of Tuberculosis caused by Mycobacterium infection. The original grant provided funding for multiple discovery programs aimed at the original November 2017 grant provided funding for identifying novel therapeutic macrocyclic peptide candidates ("hit candidates") to treat Malaria and Tuberculosis, and the second November 2019 grant provided funding for turning one of the most promising hit candidate series into lead candidates ("hit-to-lead development funding") suitable for future preclinical development. The current lead candidate series is for the treatment of Tuberculosis, and the Company is currently focused on optimizing the lead candidates for orally bioavailability. One of the main advantages of the lead series is that it may be effective against dormant Tuberculosis. Bacterial infections are among the leading causes of morbidity and mortality globally. The global burden of tuberculosis is staggering, with up to one-third of the world's population latently-infected, and with 10.4 million new active cases and 1.8 million deaths occurring annually. Under the terms of the grant(s), any Gates Foundation-funded products will be made available by PeptiDream at an affordable price in lower middle-income countries (LMIC). PeptiDream will be able to merchandise each product in developed countries on its own, through licensees or a combination of both.

The Company and JSR are working to identify peptides suitable for use in affinity chromatography processes for the purification of certain biopharmaceuticals, namely antibody therapeutics. The manufacturing process for complex biopharmaceuticals, such as antibody therapeutics, generally consists of a target protein generation process, followed by a purification process that uses affinity chromatography to separate the target protein from the cells and various impurities by binding the proteins to a specific ligand or peptide. The development and commercialization of new affinity chromatography media based on unique, synthetic peptides has the potential to simplify the purification process and lower overall costs. This development effort will specifically focus on ensuring consistent quality and reliable mass production of ligands based on unique peptides that will enhance purification efficiency enabling the purification of biopharmaceuticals that are generally considered difficult to purify through conventional affinity chromatography.

The Company and MC established a joint venture company, PeptiGrowth to develop, produce and sell peptide alternatives to growth factors, key ingredients of cell culture, used in the manufacturing of cell therapy, regenerative medicines and other biopharmaceuticals. PeptiGrowth will leverage the expertise and know-how of both parent companies to work towards the advancement of cell therapies, regenerative medicines, and other biopharmaceuticals in the pharmaceutical industry. Growth factors are a class of proteins that are widely present in humans and other animals. In addition to playing important roles in cell growth and proliferation, they are crucially involved in induction of differentiation of stem cells (iPS cells, ES cells, etc.) into nerve, blood, and other types of cells. Currently, growth factors are mainly extracted from animal serum or produced by recombination technology, however, their production presents a number of challenges to the pharmaceutical industry, including safety risks due to contamination with impurities, variation in quality among production lots, and high production costs. PeptiGrowth will utilize PeptiDream's proprietary drug discovery platform system, PDPS (Peptide Discovery Platform System), to identify alternative peptides that perform the equivalent function as growth factors and develop new chemical synthetic routes that do not use animal serum or recombination technology, and by establishing such a commercial manufacturing process, PeptiGrowth can produce homogenous products of high purity, ensuring less lot to lot variation, at lower costs. Dozens of growth factors have been identified to date, and in order to realize a completely Xeno-Free culture medium, multiple growth factors need to be replaced with chemically synthesized alternative compounds. This is a world-first in terms of the comprehensive development of chemically synthesized, peptide alternatives to multiple growth factors, and both MC and PeptiDream believe such an initiative is essential for further advancement of cell therapy and regenerative medicines in the industry. PeptiGrowth will fully leverage the MC Group's global network and its broad customer base to enhance marketing and sales functions. In 2021, PeptiGrowth launched two products; PG-001 (a peptide alternative to hepatocyte growth factor (HGF)) and PG-002 (a peptide inhibitor of TGFβ1). On March 31, 2022, PeptiGrowth announced the launch of PG-003, a peptide alternative to brain derived neurotropic factor (BDNF). The Company is progressing a number of peptide alternative growth factor programs in parallel, with PG-004 expected to be launched in Q3, 2022, with additional products to follow. The Company is in active discussions with multiple potential partners regarding the therapeutic use of these alternative peptides, to which PeptiDream holds the exclusive development and commercialization rights. The Company currently holds a 39.5% equity stake in PeptiGrowth, with MC holding the remaining 60.5%.

The Company and RayzeBio are working to discover and development peptide-RI conjugates for use as therapeutics (“Peptide Radiotherapeutics”). The two companies are working on a number of programs against targets mutually agreed to, with PeptiDream providing peptide candidates, identified and optimized using its proprietary Peptide Discovery Platform System (PDPS) technology, to RayzeBio for further development as radiotherapeutics, with RayzeBio holding exclusive worldwide development and commercialization rights to the program peptides for use with RIs. PeptiDream will lead preclinical discovery and optimization efforts, with RayzeBio leading translational biology efforts to further characterize peptide-RI conjugates and advance such conjugates into clinical development and commercialization activities. Under the terms of the agreement, PeptiDream received an equity interest in RayzeBio, as well as being eligible for certain payments associated with product development and commercial success, in addition to royalties on future sales of any products that arise from the partnership. In October 2020, RayzeBio announced the completion of their $45 million Series A funding round, on December 2020, the completion of their $105 million Series B funding round, and on June 15,2021, the completion of their $108 million Series C funding round. The Company received a milestone payment in November 2020 for the progress made across multiple programs in the discovery and development of peptide-radiotherapeutics, and announced a second milestone payment on June 10, 2021, as a number of programs make progress toward the election of clinical candidates, with the Company expecting to announce the first clinical candidate in 1H, 2022. The Company currently holds a 5% equity stake in RayzeBio.

The Company and PeptiAID, a joint venture with Fujitsu, Mizuho Capital, Takenaka Corporation, and Kishida Chemical established November 12, 2020, are working on the development of therapeutics for the treatment of COVID19 and potentially any future coronavirus diseases. The Company has been applying its proprietary PDPS technology in a multi-pronged strategy toward identifying peptide candidates targeting different sites/regions of the COVID19 viral “spike“ protein, which is essential for coronavirus to enter human cells, and PeptiAID, has obtained some of Company’s COVID19 candidate compounds. On March 23, 2021, PeptiAID announced the initiation of preclinical studies of the Company’s PA-001 candidate which exhibits highly potent antiviral activity against conventional SARS-CoV-2, as well as mutant strains such as the Alpha, Beta, Gamma, Delta and Omicron

mutant strains. An in vitro study also demonstrated high synergistic effectiveness when used in combination with drugs that are currently approved for emergency use against COVID-19. Preclinical studies of PA-001, consisting of toxicity, safety pharmacology, and genotoxicity studies have been completed and confirmed the safety of PA-001. The initiation of early-stage exploratory clinical research of PA-001 based on the Clinical Trials Act, was approved by the Clinical Research Review Board. Clinical research has started in February 2022 (jRCT (Japan Registry of Clinical Trials) Trial ID: jRCTs031210601). The Company and PeptiAID are actively in discussions with interested third parties on potential partnering or licensing of the program. PeptiAID raised an additional JPY 803m in September 2021 and the Company currently holds a 39.4% equity stake in PeptiAID.

The Company and Amolyt entered into a strategic partnership and license option agreement, announced December 8, 2020, On September 9, 2021, the Company announced that Amolyt had exercised its option to globally license a portfolio of macrocyclic peptide growth hormone receptor antagonists (GHRA) under the terms of the research collaboration agreement with the Company announced in December 2020. PeptiDream will be eligible for certain payments associated with development, and commercial success of any GHRA product(s), as well as be eligible for certain royalties on future net sales. The identified, optimized drug candidate, AZP-3813, is being developed as a potential treatment for acromegaly and neuroendocrine tumors (NET), to be used in combination with somatostatin analogues (SSAs), for patients who do not adequately respond to SSAs alone. Amolyt is currently working to advance AZP-3813 through IND-enabling studies with the goal of filing an IND and initiating the first clinical trial by the end of 2022. On September 16, 2021, Amolyt announced the closing of an $80 million Series B round, with the funds to be used in part toward the development of AZP-3813.

The Company expects to continue to form strategic partnerships with select-technology-leading bioventures and leading institutions, both in Japan and abroad, to accelerate and expand our clinical pipeline of best-in-class and first-in-class medicines. The Company continues to pursue a number of in-house fully owned programs. Some basic highlights are presented below.

The Hemagglutinin (HA) program for the treatment of influenza: The Company has previously identified highly selective potent lead candidates for the treatment of influenza. The lead candidate (referred to as PD-001) binds to the highly conserved stalk region of the influenza viral envelope protein HA, and shows strong broad efficacy against group 1 strains, including the H5N1 strain, and further enhanced potency in combination with existing influenza treatments, such as Tamiflu, in in vivo animal studies. The Company has identified no preclinical toxicity for the lead candidates. The Company is actively discussing a variety of partnering and out-licensing options for the program.

IL17 and related inflammatory cytokine program(s) for inflammatory diseases: The Company has previously identified several highly selective potent lead candidates against a variety of pro-inflammatory cytokines for the potential treatment of a variety of inflammatory diseases. The Company is continuing preclinical development efforts against a number of high value pro-inflammatory targets, and has been investigating combining various candidates into multi-functional peptide conjugates (MPCs; by linking peptides together into heterodimeric/multimeric peptide conjugates), as there is growing clinical evidence that antagonizing multiple pro-inflammatory pathways in parallel may represent a superior therapeutic strategy to the treatment of inflammatory disease, and the belief that MPCs may represent a superior modality to bispecific antibodies toward this goal.

PDC programs for the treatment of cancer and other diseases: The Company has been actively working to develop a number of in-house fully owned peptide candidates to a variety of targets applicable to the treatment of cancer and/or specific tissue/organ targeting, for potential conjugation to radionuclide, siRNA, small molecule, etc., payloads, for use as PDCs. The Company now has a growing pipeline of promising candidates that have been optimized for high affinity, high selectivity, and stability, spanning a variety of cell membrane/receptor targets, with which the Company intends to take forward into in vivo bioimaging studies, which is critical to validating the effective targeting of such conjugates and their ability to effectively deliver the payload of interest. The recent acquisition of PDRadiopharma will allow the Company to rapidly move the most promising candidates into such in vivo bioimaging studies, as the existing business has such capabilities, and based upon those results, the Company anticipates prioritizing the most promising programs with the goal of nominating its first clinical candidate by the end of 2022. Additionally, upon the in vivo cell/tissue targeting validation of candidates as peptide-RI conjugates, the Company intends to actively investigate other potential payloads, on its own or potentially in collaboration with various existing and/or new partners.

In the Radiopharmaceutical Business Segment:

On September 2, 2021, the Company announced its intention to fully acquire a newly established company, PDRadiopharma Inc. (“New Company”) that succeeds the radiopharmaceutical business (“acquired company”) of Fujifilm Toyama Chemical through an absorption-type split, and to make the New Company a subsidiary of the Company under a share purchase agreement signed with FUJIFILM Corporation (“FUJIFILM”). The acquired Company, as part of FUJIFILM’s healthcare business, engages in research, development, manufacturing and marketing of radiodiagnostics and radiotherapeutics. On March 28, 2022, the Company completed the acquisition of all shares of the New Company, and it became a wholly-owned subsidiary of the Company. It is one of only two companies operating in the radiopharmaceuticals business in Japan and offers radiodiagnostic agents for SPECT (Single Photon Emission Computed Tomography) and PET (Positron Emission Tomography), in addition to radiotherapeutics, such as, “Raiatt MIBG-I 131 injection”, which received marketing authorization on September 27, 2021 as a radiotherapeutic for the treatment of pheochromocytoma and paraganglioma, well known diseases that cannot be treated surgically. PDRadiopharma has facilities in Chiba, Kawasaki (Kanagawa), and Ibaraki (Osaka), Japan, employees a staff of 461 employees (across research, development, manufacturing, and marketing functions), and currently markets 24 approved radiodiagnostic products and 8 approved radiotherapeutic products and forecasts FY2022 revenue of 11.5 billion JPY.

The Company has been employing its proprietary PDPS discovery platform, to identify highly potent and selective hit macrocyclic peptide candidates for use in peptide-drug conjugate (PDC) therapeutics for a number of years, and has been actively engaged in the discovery and development of peptide-RI conjugates for use as radiodiagnostics and radiotherapeutics in collaboration with BMS (radiodiagnostics), Bayer (radiodiagnostics), NMP (radiodiagnostics/therapeutics), Novartis (radiodiagnostics/therapeutics), and RayzeBio (radiodiagnostics/therapeutics), and has established itself as one of the major players in the discovery and development of such products. In addition, the Company has also recently been working to develop an in-house pipeline of fully-owned peptide-RI conjugates, in addition to its in-house PDC efforts.

The Company anticipates significant synergies from the acquisition, as the acquired company possess advanced technologies and know-how in radionuclides, pre-clinical and clinical development, manufacturing, approval, and marketing capabilities, along with a track record of in-licensing and commercialization of radiopharmaceuticals from overseas partners. The Company possesses experience and know-how in discovering and developing the carrier peptides to deliver the radionuclides selectively to targeted cells and tissues, enabling the continuous discovery of next-generation radiopharmaceuticals to feed into the pipeline, and the ability to leverage its global network of partners (both existing and future) to strengthen and accelerate both in-licensing and out-licensing activities. By combining the strengths and capabilities of the two companies, the Company believes it can not only significantly accelerate its own in-house peptide-RI conjugates programs, leading to higher value out-licensing/partnering deals, while retaining Japan commercialization rights, but also leverage those programs to maximize in-licensing activities. The acquisition will not only strengthen the Company’s position in the radiopharmaceutical space, but also allow the Company to unlock more of its core value faster by enhancing all of its PDC programs (in which verification of specific cell or tissue targeting of the peptide conjugate in appropriate models, which is best done using RI payloads, represents a critical validation step for any PDC program, irrespective of payload), while providing the Company more control over the clinical development of its programs. the Company announced that the acquisition consideration has been reduced to 22.1 billion yen from the original 30.5 billion yen, and that the Company is funding the acquisition through a long-term loan of 22.4 billion yen from a syndicate of Mizuho Bank, Development Bank of Japan, and Sumitomo Mitsui Trust Bank.

Other Information Related to the Company;

The Company has previously announced, along with Shionogi & Co., and Sekisui Chemical Co., Ltd, the formation of PeptiStar Inc., a Contract Development and Manufacturing Organization (“CDMO”) for the research and commercial manufacture of peptide therapeutics. PeptiStar brings together the most cutting-edge technologies and innovations in large-scale peptide production from various companies throughout Japan in order to manufacture peptides of the highest quality and purity, while simultaneously driving down the cost of production. It is anticipated that PeptiStar will become the go-to CMO for many of the Company’s discovery and development partners, in addition to the Company’s own in-house/strategic partnered programs. The PeptiStar manufacturing facility is located in Osaka and became fully operational from October of 2019. On Dec 6, 2019, PeptiStar Inc., and AMED (The Japan Agency for Medical Research and Development) announced they had accomplished the CiCLE project goal, “establishment of a global leading contract manufacturing organization (CMO) for constrained peptide medicines”. On Dec 1, 2020, PeptiStar announced that it had successfully raised funds totaling 1,790 million yen through a third-party allotment. PeptiDream currently holds less than 15% equity stake in PeptiStar.

The Company continues its commitment to promoting ESG (Environmental, Social, and Governance) initiatives and its sustainability efforts including focus areas, ten most material issues, relevant policies and data are proactively disclosed on the corporate website (https://www.peptidream.com/esg/data_en.html). The Company will continue to strive to meet the highest standards for environmental responsibility, social promotion, and good corporate governance. On June 15 2021, the Company announced that the Sustainability and Governance Committee was established to further promote these ESG efforts at the core of management and continue to deliberate and monitor issues related to sustainability and governance from a medium- to long-term perspective.

In order to ensure that the 2℃ goal under the Paris Agreement is achieved, the Company had set a goal to decrease GHG emissions (Scope 1 and Scope 2) per employee by 50%, compared to the fiscal year ended June 2018, by the year 2030. The Company newly adopted the RCP8.5 scenario (IPCC), which is the highest scenario for future climate change, with reference to the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and conducted an analysis on the impact of climate change from a medium-term perspective until 2026. The Company will continue to strengthen governance on measures to address climate change, implement scenario analysis based on risks/opportunities analysis and their financial impact, respond to climate change risks and opportunities, and engage in further enhancement of disclosure, with the goal to achieve "carbon neutral" within its operations by 2026. As GHG (greenhouse gas) emissions (Scope 1+2) produced by our business operations mainly derive from electronic power consumption, the Company has selected an electricity supplier which proactively promotes the shift towards renewable energy. To further take this initiative, the Company has decided to introduce CO2 (carbon dioxide)-free power from its supplier for use at our head office and laboratory. This means that we will achieve our medium-term goal of the realization of “carbon-neutral” business operations 4 years earlier than originally planned. In addition, for the first time, the Company participated in the Climate Change Program of CDP (Carbon Disclosure Project), an organization engaged in environmental information disclosure initiatives, and received a score of B (management level) in 2021.

On September 17, 2021, the Company announced that it was successful in its bid for Lots 2-11 and 2-12 (Address: 3-chome, Tonomachi, Kawasaki-ku, Kawasaki City, Kanagawa) in the public tender for land that was conducted by the Urban Renaissance Agency as follows: Location: 102-20 and 102-21, 3-chome, Tonomachi, Kawasaki-ku, Kawasaki City, Kanagawa, Land area: 11,635.60 m2, Bid-winning price: 3.2 billion yen. KING SKYFRONT has been designated as an international strategic zone and the Keihin-Rinkai Life Innovation Comprehensive Global Strategic Special Zone. It is an open innovation hub for the creation of new industries based on world-class R&D in life science fields that are expected to grow globally. Following the successful bid, the Company will conclude a land purchase agreement with the Urban Renaissance Agency. The Company plans to expand the Company's head office and research laboratory on the land, and to strengthen and expand its drug discovery and development functions, in light of strong growth across its collaboration, strategic partnership, and in-house discovery and development businesses. Details of the plan will be announced as soon as they are finalized.

The Company intends to finance the purchase of the land using fund on hand, and the construction of the future building using funds on hand and long-term loans from financial institutions.

As of March 31, 2022, the Group had a total of 639 employees (approximately 25.4% of employees are women). The Company

had a total of 178 employees (185 employees when including its seven directors) and PDRadiopharma Inc. had a total of 461 employees, including temporary staff.

As a result of the above, for the three months ended March 31, 2022, the Group recorded revenue of 419,526 thousand yen (a 1,058,276 thousand yen decrease year on year), operating loss of 1,166,661 thousand yen (a 1,160,978 thousand yen increase year on year), loss before tax of 1,123,765 thousand yen (a 1,084,085 thousand yen increase year on year), and loss attributable to owners of parent of 829,296 thousand yen (a 607,493 thousand yen increase year on year).

(2) Explanation of Financial Position

1) Analysis of financial position

Total assets at the end of the three months ended March 31, 2022 increased by 25,069,583 thousand yen from the end of the previous fiscal year to 52,104,179 thousand yen.

This was mainly because of an increase of 9,041,048 thousand yen in property, plant and equipment, and an increase of 11,101,667 thousand yen in goodwill, despite a decrease of 1,469,051 thousand yen in cash and cash equivalents. The increase in assets included the amount recognized in line with the consolidation of PDRadiopharma Inc.

Liabilities increased by 25,744,792 thousand yen from the end of the previous fiscal year to 27,429,137 thousand yen. This was mainly because of an increase of 20,001,129 thousand yen in borrowings (non-current). The increase in liabilities included the amount recognized in line with the consolidation of PDRadiopharma Inc.

Equity decreased by 675,208 thousand yen from the end of the previous fiscal year to 24,675,042 thousand yen. This was mainly because of a decrease of 829,296 thousand yen in retained earnings due to the recording of loss.

2) Analysis of status of cash flows

Cash and cash equivalents for the three months ended March 31, 2022 decreased 1,469,051 thousand yen from the end of the previous fiscal year to 10,277,478 thousand yen.

Status of cash flows and related factors during the three months ended March 31, 2022 are described below.

(Cash flows from operating activities)

Cash flows from operating activities resulted in a cash outflow of 8,387 thousand yen (compared with an inflow of 4,718,018 thousand yen in the same period of the previous fiscal year). This was mainly due to the recording of loss before tax of 1,123,765 thousand yen, despite the recording of decrease (increase) in trade and other receivables of 678,361 thousand yen.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a cash outflow of 23,743,690 thousand yen (a 23,327,794 thousand yen increase in outflow year on year). This was mainly due to payments for acquisition of subsidiaries of 23,302,440 thousand yen.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a cash inflow of 22,187,112 thousand yen (a 22,167,382 thousand yen increase in inflow year on year). This was mainly due to proceeds from long-term borrowings of 22,400,000 thousand yen.

(3) Efforts to Tackle COVID19, Financial Forecasts and Other Forward-looking Information

The COVID19 pandemic has had a certain impact on the Company's operations. Although the Company has returned to the normal business operation after the state of emergency was lifted, it has been continuing the utmost efforts to reduce the risk of corona virus infection for its employees, business partners and their families, by continuing to implement both clean/hygienic conditions/practices within office premises and various measures for social distancing to avoid "close contact" with one another.

Further to the Company's efforts to contribute to the discovery and development of therapeutics for the treatment of COVID19, on June 12, 2020, the Company announced a new discovery and development collaboration with MSD to develop peptide therapeutics capable of neutralizing both COVID19 and potential future CoV outbreaks. On November 12, 2020, the Company also announced the establishment of a joint venture PeptiAID, aimed at the development of therapeutics for the treatment of COVID19 and potentially any future coronavirus diseases. On November 11, 2021, PeptiAID announced the completion of preclinical studies of the Company's PA-001 candidate. On February, PeptiAID announced initiation of clinical research of PA-001. The Company will continue to strive to prevent the spread of infection within the Company and, through the development of effective therapeutic treatments, contribute to overcoming the threat of COVID19 and/or any other future coronavirus pandemic to society as a whole.

From a medium-term perspective, the Company expects to maintain its growth trend in both sales and profits while sustainably increasing its corporate value

【Key indices】

	Results for the full year ended December 31, 2020	Results for the three months ended March 31, 2021	Results for the full year ended December 31, 2021	Results for the three months ended March 31, 2022	Forecasts for the full year ending December 31, 2022
	2020/Jan ~ 2020/Dec	2021/Jan ~ 2021/Mar	2021/Jan ~ 2021/Dec	2022/Jan ~ 2022/Mar	2022/Jan ~ 2022/Dec
Capital Expenditures (JPY millions)	566	247	1,300	417	-
Depreciation Expense (JPY millions)	559	149	633	179	-
Research and Development Expenses (JPY millions)	1,460	339	1,638	394	-
Year-end headcount (people)	157	158	177	651	-

(Notes)
1. The amount that will actually be paid is shown for capital expenditures.
2. Capital Expenditures of fiscal year ending December 31, 2021, includes advance payments (644 million yen) for the purchase of the land.
3. The Group has adopted International Financial Reporting Standards (IFRS) from the results for the first quarter of the fiscal year ending December 31, 2022, and major management indicators for the Group as a whole are listed.
4. The Company is in the process of examining the impact of the March 28, 2022 acquisition of PDRadiopharma Inc. on its financial results, such as the purchase price allocation, and plans to disclose the consolidated financial forecasts for the fiscal year ending December 31, 2022 as soon as they are finalized.

The Company announced a new Mid-Term Management Targets on March 25, 2021 for the period from the fiscal year ended December 31, 2021 to the fiscal year ending December 31, 2026. Specifically, the Company anticipates 4 or more new therapeutic drugs (not including diagnostics) to be launched (approved), 32 or more programs to be in clinical development, and 160 or more programs to be in preclinical development, by the end of FY2026. In order to fully support and promote these targets, the Company will continue to actively expand through the hiring of highly skilled and talented professionals. In addition, in order to realize our goal of being a global "Drug Discovery Powerhouse", the Company will continue to expand our partnership network and our leading position as the hub in the global peptide-based drug discovery ecosystem (*1).

Mid-Term Targets by the end of FY2026		**As of March 31, 2022**
(1) New drugs*2 launched (approved)	4 or more	0
(2) Number of clinical programs	32 or more	4
(3) Number of preclinical drug discovery programs	160 or more	120
(4) Number of employees	220 or more	185
(5) Establishing foundation as a "Drug Discovery Powerhouse"		

*1 Mid-Term Targets on a non-consolidated basis.

*2 Diagnostic agents and products other than therapeutics are not included.

Regarding the 5th target, the aim to solidify PeptiDream's position and reputation as a global "Drug Discovery Powerhouse", we will particularly focus our efforts on the following five initiatives:

① To further lead the expansion of the global peptide-based drug discovery eco-system and our partnership network through expanding our role as the central hub.

② To continue to expand the number of licensees of our proprietary PDPS technology and its position as "the most widely-used peptide-based drug discovery platform".

③ To create a healthy, safe, and diverse work environment where all employees can maximize their abilities, have equal opportunities, and be considered a "best place to work"

④ To strive toward a "transparent, responsive, and balanced corporate governance structure", ensure the highest business ethical standards, and maintain a continuous and open dialogue with all internal and external stakeholders.

⑤ To promote operational efficiency for the sustainable growth of society, minimize our environmental impact with a focus on water, waste, and energy efficiency, and become "carbon neutral" in our operations by 2026.

2. Condensed Quarterly Consolidated Financial Statements and primary notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Thousands of yen)

	As of January 1, 2021 (Transition date)	As of December 31, 2021	As of March 31, 2022
Assets			
Current assets			
Cash and cash equivalents	7,149,358	11,746,529	10,277,478
Trade and other receivables	7,530,584	811,096	4,624,169
Other financial assets	6,241	69,047	69,048
Inventories	585,981	925,138	2,076,377
Income taxes receivable	–	10,415	244,534
Other current assets	369,353	274,197	595,479
Total current assets	15,641,519	13,836,425	17,887,087
Non-current assets			
Property, plant and equipment	5,766,856	6,437,151	15,478,200
Goodwill	–	–	11,101,667
Intangible assets	78,683	75,502	398,670
Investments accounted for using equity method	294,927	603,003	543,044
Other financial assets	3,800,421	6,080,133	6,453,452
Deferred tax assets	549,646	–	–
Retirement benefit asset	–	–	201,568
Other non-current assets	8,921	2,379	40,488
Total non-current assets	10,499,457	13,198,170	34,217,092
Total assets	26,140,976	27,034,596	52,104,179

	As of January 1, 2021 (Transition date)	As of December 31, 2021	As of March 31, 2022
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	2,562,788	886,124	2,887,089
Borrowings	–	–	2,186,070
Other financial liabilities	–	–	263,143
Income taxes payable	1,586,784	14,404	114
Provisions	–	–	13,464
Other current liabilities	712,595	475,517	828,271
Total current liabilities	4,862,168	1,376,047	6,178,154
Non-current liabilities			
Borrowings	–	–	20,001,129
Other financial liabilities	–	–	474,224
Deferred tax liabilities	–	308,298	634,911
Retirement benefit liability	–	–	140,717
Total non-current liabilities	–	308,298	21,250,982
Total liabilities	4,862,168	1,684,345	27,429,137
Equity			
Share capital	3,933,885	3,956,738	3,956,738
Capital surplus	10,305,306	4,452,358	4,459,144
Treasury shares	(655,383)	(620,123)	(620,211)
Retained earnings	7,503,531	16,372,687	15,543,390
Other components of equity	191,468	1,188,589	1,335,980
Total equity attributable to owners of parent	21,278,808	25,350,250	24,675,042
Total equity	21,278,808	25,350,250	24,675,042
Total liabilities and equity	26,140,976	27,034,596	52,104,179

(2) Condensed Quarterly Consolidated Statements of Profit or Loss

Three months ended March 31, 2021 and March 31, 2022

(Thousands of yen, unless otherwise stated)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Revenue	1,477,802	419,526
Cost of sales	547,382	495,544
Gross profit or loss	930,419	(76,018)
Selling, general and administrative expenses	574,324	695,452
Research and development expenses	363,687	394,189
Other income	1,999	–
Other expenses	90	1,000
Operating loss	(5,682)	(1,166,661)
Finance income	233,536	102,855
Finance costs	–	–
Share of profit (loss) of investments accounted for using equity method	(267,533)	(59,959)
Loss before tax	(39,680)	(1,123,765)
Income tax expense	182,122	(294,469)
Loss	(221,802)	(829,296)
Profit attributable to:		
Owners of parent	(221,802)	(829,296)
Loss	(221,802)	(829,296)
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)	(1.74)	(6.39)
Diluted earnings (loss) per share (Yen)	(1.74)	(6.39)

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Loss	(221,802)	(829,296)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	36,961	147,390
Total of items that will not be reclassified to profit or loss	36,961	147,390
Other comprehensive income	36,961	147,390
Comprehensive income	(184,841)	(681,906)
Comprehensive income attributable to:		
Owners of parent	(184,841)	(681,906)
Comprehensive income	(184,841)	(681,906)

(Note) Items in the financial statements above are disclosed net of tax.

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

Three months ended March 31, 2021

(Thousands of yen)

	Equity attributable to owners of parent						Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of parent	
Balance at January 1, 2021	3,933,885	10,305,306	(655,383)	7,503,531	191,468	21,278,808	21,278,808
Loss	–	–	–	(221,802)	–	(221,802)	(221,802)
Other comprehensive income	–	–	–	–	36,961	36,961	36,961
Total comprehensive income	–	–	–	(221,802)	36,961	(184,841)	(184,841)
Issuance of new shares	10,032	10,032	–	–	–	20,065	20,065
Transfer from other components of equity to retained earnings	–	–	–	(24,175)	24,175	–	–
Share-based payment transactions	–	410,301	–	–	–	410,301	410,301
Total transactions with owners	10,032	420,333	–	(24,175)	24,175	430,366	430,366
Balance at March 31, 2021	3,943,918	10,725,640	(655,383)	7,257,552	252,605	21,524,333	21,524,333

Three months ended March 31, 2022

(Thousands of yen)

	Equity attributable to owners of parent						Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of parent	
Balance at January 1, 2022	3,956,738	4,452,358	(620,123)	16,372,687	1,188,589	25,350,250	25,350,250
Loss	—	—	—	(829,296)	—	(829,296)	(829,296)
Other comprehensive income	—	—	—	—	147,390	147,390	147,390
Total comprehensive income	—	—	—	(829,296)	147,390	(681,906)	(681,906)
Purchase of treasury shares	—	—	(87)	—	—	(87)	(87)
Share-based payment transactions	—	6,785	—	—	—	6,785	6,785
Total transactions with owners	—	6,785	(87)	—	—	6,697	6,697
Balance at March 31, 2022	3,956,738	4,459,144	(620,211)	15,543,390	1,335,980	24,675,042	24,675,042

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Cash flows from operating activities		
Loss before tax	(39,680)	(1,123,765)
Depreciation and amortization	149,726	179,389
Interest and dividend income	(171)	(116)
Foreign exchange loss (gain)	(74,613)	(95,914)
Share of loss (profit) of investments accounted for using equity method	267,533	59,959
Decrease (increase) in trade and other receivables	6,670,336	678,361
Decrease (increase) in inventories	(69,353)	(119,170)
Increase (decrease) in trade and other payables	(1,697,269)	430,735
Other	1,098,147	(3,482)
Subtotal	6,304,657	5,997
Interest and dividends received	171	116
Income taxes paid	(1,586,809)	(14,500)
Net cash provided by (used in) operating activities	4,718,018	(8,387)
Cash flows from investing activities		
Proceeds from sale of securities	145,222	–
Payments for acquisition of subsidiaries	–	(23,302,440)
Loan advances to subsidiaries and associates	(414,097)	–
Collection of loans receivable	1,560	1,561
Purchase of property, plant and equipment	(148,372)	(416,127)
Purchase of intangible assets	(209)	(26,683)
Net cash provided by (used in) investing activities	(415,895)	(23,743,690)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	–	22,400,000
Payments of borrowing fee	–	(212,800)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	19,729	–
Purchase of treasury shares	–	(87)
Net cash provided by (used in) financing activities	19,729	22,187,112
Effect of exchange rate change on cash and cash equivalents	74,613	95,914
Net increase (decrease) in cash and cash equivalents	4,396,466	(1,469,051)
Cash and cash equivalents at beginning of period	7,149,358	11,746,529
Cash and cash equivalents at end of period	11,545,824	10,277,478

(6) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes regarding going concern assumption)

Not applicable.

(Notes in case of significant changes in equity)

Not applicable.

(Segment information)

Since the Group operated in a single business segment, for both the three months ended March 31, 2021 and 2022, the description of segment information is omitted

On March 28, 2022 in the first quarter of the fiscal year under review, the Company acquired the entire shares of a newly established company, PDRadiopharma Inc., which succeeded the radiopharmaceutical business of Fujifilm Toyama Chemical Co., Ltd., through an absorption-type split. As a result of this transaction, effective from the six months ending June 30, 2022, the Board of Directors of the Company will monitor the two reportable segments of the Drug Discovery and Development Business Segment and the Radiopharmaceutical Business Segment to determine the allocation of management resources and evaluate financial results. Therefore, from the second quarter ending June 30, 2022, the Group plans to reorganize its reportable segments to the above two segments of the Drug Discovery and Development Business Segment and the Radiopharmaceutical Business Segment.

[Description of reportable segments]

Reportable Segment	Business description
Drug Discovery and Development Business Segment (Collaboration, PDPS Licensing, In-House/Strategic)	The Drug discovery and development business centers around the use of PDPS, the Company's proprietary drug discovery platform system. This segment engages primarily in the discovery, research and development of new therapeutics and diagnostics through collaborative research and development with pharmaceutical companies in Japan and overseas, PDPS technology licensing, and in-house/strategic partnering and compound licensing.
Radiopharmaceutical Business Segment	The Radiopharmaceutical business engages in the research and development, manufacturing, and sale of: diagnostic radiopharmaceuticals (diagnostic agents for SPECT and PET), used to examine blood flow of the heart and brain and bone metastasis of cancers; and therapeutic radiopharmaceuticals that address unmet medical needs, such as pheochromocytoma.