

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

August 4, 2022

**Consolidated Financial Results  
for the First Three Months of the Fiscal Year Ending March 31, 2023  
(Under Japanese GAAP)**

**Listed Company:** Zeria Pharmaceutical Co., Ltd.

(Stock Exchange: Tokyo Stock Exchange)

Code Number: 4559

(URL: <https://www.zeria.co.jp/>)

Representative: Mitsuhiro Ibe, Representative Director, President & COO

Person in charge of reference: Tomoyuki Nishizawa, Director, Public Relations Division

TEL (03) 3661-1039

Scheduled date to submit the Quarterly Securities Report: August 8, 2022

Scheduled date to commence dividend payments: –

Preparation of supplementary documents to the quarterly financial results: None

Holding of quarterly financial results presentation: None

(Amounts under a million yen are truncated.)

1. Consolidated Financial Highlights (April 1, 2022 through June 30, 2022)

(1) Consolidated Financial Results (cumulative)

(Percentage figures indicate changes from the same period of the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2022	16,305	20.3	2,977	137.8	2,974	42.9	2,601	84.6
June 30, 2021	13,548	6.4	1,251	18.3	2,081	229.1	1,408	44.8

Note: Comprehensive income: For the three months ended June 30, 2022: 3,262 million yen [-%]

For the three months ended June 30, 2021: 211 million yen [(86.1)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	58.71	–
June 30, 2021	30.91	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2022	128,987	57,039	44.1	1,286.96
March 31, 2022	124,282	55,092	44.2	1,236.09

Reference: Equity: As of June 30, 2022: 56,825 million yen As of March 31, 2022: 54,894 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	–	17.00	–	18.00	35.00
Year ending March 31, 2023	–				
Year ending March 31, 2023 (Forecast)		18.00	–	18.00	36.00

Note: Revision of the forecast of dividends most recently announced: None

3. Consolidated Financial Forecast for Fiscal Year Ending March 31, 2023 (April 1, 2022 through March 31, 2023)

(Percentage figures indicate changes from the same period of the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	33,000	15.4	3,500	31.0	3,500	12.3	2,800	32.3	63.30
Full year	66,000	10.9	7,000	10.0	7,000	17.9	5,600	41.4	126.72

Note: Revision of the financial forecast most recently announced: None

\* Notes

(1) Significant changes of subsidiaries during the three months ended June 30, 2022 (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Inclusion: – (Company name: –) Exclusion: – (Company name: –)

(2) Application of special accounting for preparing the quarterly consolidated financial statements: Yes

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to quarterly consolidated financial statements” on page 8 of the Attached Material.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements after error corrections: None

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to quarterly consolidated financial statements” on page 8 of the Attached Material.

(4) Number of shares issued (common shares)

1) Number of shares issued as of the end of the term (including treasury shares):

As of June 30, 2022: 53,119,190 shares As of March 31, 2022: 53,119,190 shares

2) Number of shares of treasury shares as of the end of the term:

As of June 30, 2022: 8,964,868 shares As of March 31, 2022: 8,709,322 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

For the three months ended June 30, 2022: 44,310,896 shares

For the three months ended June 30, 2021: 45,583,769 shares

\* Quarterly Results Reports Are Exempt from Quarterly Review Conducted by Certified Public Accountants or An Audit Corporation.

\* Cautionary Statement with Respect to Appropriate Use of Financial Forecast and Other Special Matters

The description about the future including the projection in this document is based on information available to the Company at present and certain presumptions which the Company considers reasonable. Consequently, any descriptions herein do not constitute assurances regarding actual results by the Company. The actual results for future terms may differ from the information in this document due to various factors. For the assumptions made in financial forecasts and cautions concerning the use thereof, please refer to “1. Qualitative Information on Quarterly Financial Results, (3) Explanation of consolidated financial forecasts and other forward-looking statements” on page 3 of the Attached Material.

○ **Table of contents of attachments**

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of operating results .....	2
(2) Explanation of financial position .....	2
(3) Explanation of consolidated financial forecasts and other forward-looking statements .....	3
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto .....	4
(1) Quarterly consolidated balance sheet .....	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income ...	6
Quarterly consolidated statement of income .....	6
Quarterly consolidated statement of comprehensive income .....	7
(3) Notes to quarterly consolidated financial statements .....	8
(Notes on premise of a going concern) .....	8
(Notes on significant changes in the amount of shareholders' equity) .....	8
(Adoption of special accounting methods for preparation of quarterly consolidated financial statements) ..	8
(Change in accounting policy) .....	8
(Segment information, etc.) .....	9
3. Supplemental Information .....	10
(1) Sales results .....	10
(2) Status of pipeline of new drugs .....	11

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of operating results

Net sales for the first three months of the fiscal year ending March 31, 2023 were 16,305 million yen (up 20.3% from the same period of the previous fiscal year). As for profits, operating profit was 2,977 million yen (up 137.8% from the same period of the previous fiscal year), ordinary profit was 2,974 million yen (up 42.9% from the same period of the previous fiscal year), and profit attributable to owners of parent was 2,601 million yen (up 84.6% from the same period of the previous fiscal year). The large difference in the year-on-year growth rate between operating profit and ordinary profit is due to the large amount of foreign exchange gains recorded in the same period of the previous fiscal year.

Following are the results by business segment.

#### (i) Ethical Pharmaceuticals Business

As for our mainstay product, Asacol, a therapeutic agent for ulcerative colitis, sales in the domestic market decreased from the same period of the previous fiscal year, affected by, among other things, the NHI drug price revision implemented in April 2022. However, in the overseas market, sales in Northern Europe, which had been weak in the first quarter of the previous fiscal year, turned around and sales of Asacol 1600mg also grew, resulting in strong overall sales. Sales of Entocort (domestic sales name: Zentacort), an inflammatory bowel disease (IBD) therapeutic agent, remained on the same level as that of the previous year in Japan. In the overseas market, on the other hand, its sales increased in such regions as Canada and Northern Europe, making overall sales grew significantly. In addition, sales of DIFICLIR, a therapeutic agent for *Clostridium difficile* infection, also achieved a significant sales growth as a result of aggressive investment of sales resources in response to its recommendation as a first-line drug in the European guidelines for the treatment of infectious diseases. With regard to Acofide and Ferinject, we are working to build the market, particularly in medical institutions performing endoscopy, the gastroenterology, and obstetrics and gynecology.

As a result, net sales in the business amounted to 10,280 million yen (up 24.5% from the same period of the previous fiscal year).

#### (ii) Consumer Healthcare Business

As for the Hepalyse range, although it is still affected by the spread of COVID-19 infection and a sharp decline in demand from inbound tourists, its sales significantly increased owing to the substantial increase in the sales of not only the pharmaceutical Hepalyse range but also the Hepalyse W range for convenience stores. Sales of the Chondroitin range also remained strong, due in part to aggressive advertising and promotional investments. On the other hand, sales of the WithOne range of botanical laxative products, and hygiene products such as disinfectants decreased due to the impact from competing products.

As a result, net sales in the business amounted to 5,988 million yen (up 14.0% from the same period of the previous fiscal year).

#### (iii) Other

Net sales in this segment amounted to 36 million yen (down 0.6% from the same period of the previous fiscal year), mainly due to insurance agency business and real estate lease revenue.

### (2) Explanation of financial position

Total assets at the end of the first quarter of the fiscal year ending March 31, 2023 were 128,987 million yen, an increase of 4,705 million yen from the end of the previous fiscal year. Current assets increased 3,950 million yen to 45,614 million yen from the end of the previous fiscal year, and non-current assets increased 754 million yen to 83,373 million yen from the end of the previous fiscal year. Major changes in current assets included an increase of 2,461 million yen in cash and deposits, an increase of 813 million yen in notes and accounts receivable - trade, and an increase of 323 million yen in inventories such as merchandise and finished

goods. Main changes in non-current assets were an increase of 1,020 million yen in intangible assets, and a decrease of 356 million yen in investments and other assets.

Total liabilities at the end of the quarter under review were 71,948 million yen, an increase of 2,758 million yen from the end of the previous fiscal year. Current liabilities increased 2,968 million yen to 47,161 million yen from the end of the previous fiscal year, and non-current liabilities decreased 209 million yen to 24,786 million yen from the end of the previous fiscal year. Main changes in current liabilities were an increase of 891 million yen in accounts payable - trade, increase of 1,523 million yen in short-term borrowings, and an increase of 595 million yen in other current liabilities including an increase in accrued expenses. Main changes in non-current liabilities were a decrease of 82 million yen in long-term borrowings and a decrease of 98 million yen in retirement benefit liability.

Net assets at the end of the quarter under review were 57,039 million yen, an increase of 1,947 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 2,601 million yen, payment of 799 million yen as dividends declared at the end of the previous period, an increase of 515 million yen in treasury shares, a decrease of 412 million yen in valuation difference on available-for-sale securities, and an increase of 1,072 million yen in foreign currency translation adjustment.

As a result, equity ratio at the end of the quarter under review decreased by 0.1% from the end of the previous fiscal year to 44.1%.

### **(3) Explanation of consolidated financial forecasts and other forward-looking statements**

The business results for the first three months of the fiscal year ending March 31, 2023 slightly exceeded the initial forecasts owing to growth in overseas sales such as those of Asacol and DIFICLIR. Although net sales are expected to be almost in line with our business plan in the second quarter and beyond, the consolidated financial forecast announced on May 11, 2022 remains unchanged at this time, due to the impact of the resurgence of COVID-19 infection and the uncertainty of future trends in foreign exchange rates.

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	11,704,282	14,165,926
Notes and accounts receivable - trade	16,206,812	17,019,968
Merchandise and finished goods	6,721,583	7,206,946
Work in process	1,409,684	1,207,232
Raw materials and supplies	3,819,276	3,859,818
Other	1,855,502	2,205,228
Allowance for doubtful accounts	(53,425)	(50,833)
Total current assets	41,663,717	45,614,287
Non-current assets		
Property, plant and equipment		
Buildings, net	6,655,232	6,576,532
Land	12,354,010	12,357,258
Other, net	4,130,101	4,296,038
Total property, plant and equipment	23,139,343	23,229,829
Intangible assets		
Goodwill	5,830,459	5,756,297
Sales right	27,539,473	28,268,077
Other	7,836,095	8,202,455
Total intangible assets	41,206,029	42,226,830
Investments and other assets		
Investment securities	7,005,587	6,709,480
Retirement benefit asset	10,736,005	10,673,666
Other	583,595	581,101
Allowance for doubtful accounts	(51,945)	(47,511)
Total investments and other assets	18,273,242	17,916,736
Total non-current assets	82,618,615	83,373,396
Total assets	124,282,333	128,987,683
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	2,049,590	2,940,816
Short-term borrowings	33,842,933	35,366,065
Income taxes payable	458,297	778,944
Provision for bonuses	1,530,935	1,168,752
Other	6,311,307	6,906,577
Total current liabilities	44,193,063	47,161,156
Non-current liabilities		
Long-term borrowings	18,385,860	18,302,900
Provision for loss on cancellation of contracts	490,142	530,160
Retirement benefit liability	1,073,819	975,594
Asset retirement obligations	55,827	55,878
Other	4,991,146	4,922,315
Total non-current liabilities	24,996,794	24,786,848
Total liabilities	69,189,858	71,948,004

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	6,593,398	6,593,398
Capital surplus	11,685,121	11,685,121
Retained earnings	48,860,697	50,662,609
Treasury shares	(17,593,074)	(18,109,027)
Total shareholders' equity	49,546,143	50,832,101
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(193,416)	(605,982)
Foreign currency translation adjustment	3,215,379	4,287,438
Remeasurements of defined benefit plans	2,326,536	2,311,497
Total accumulated other comprehensive income	5,348,499	5,992,953
Non-controlling interests	197,832	214,623
Total net assets	55,092,474	57,039,679
Total liabilities and net assets	124,282,333	128,987,683

**(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**

**Quarterly consolidated statement of income**

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	13,548,962	16,305,183
Cost of sales	4,250,003	4,552,528
Gross profit	9,298,958	11,752,655
Selling, general and administrative expenses	8,047,156	8,775,525
Operating profit	1,251,802	2,977,129
Non-operating income		
Interest income	1,893	3,230
Dividend income	146,822	156,760
Foreign exchange gains	731,333	–
Other	28,102	32,780
Total non-operating income	908,152	192,772
Non-operating expenses		
Interest expenses	69,921	84,984
Foreign exchange losses	–	103,018
Other	8,648	7,031
Total non-operating expenses	78,570	195,035
Ordinary profit	2,081,384	2,974,866
Extraordinary income		
Gain on sale of non-current assets	3,719	251
Total extraordinary income	3,719	251
Extraordinary losses		
Loss on retirement of non-current assets	2,061	2,946
Total extraordinary losses	2,061	2,946
Profit before income taxes	2,083,041	2,972,172
Income taxes	671,324	367,525
Profit	1,411,717	2,604,646
Profit attributable to non-controlling interests	2,760	3,357
Profit attributable to owners of parent	1,408,956	2,601,289



## Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	1,411,717	2,604,646
Other comprehensive income		
Valuation difference on available-for-sale securities	(711,968)	(412,566)
Foreign currency translation adjustment	(341,790)	1,085,507
Remeasurements of defined benefit plans, net of tax	(146,137)	(15,039)
Total other comprehensive income	(1,199,896)	657,901
Comprehensive income	211,820	3,262,548
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	197,332	3,245,743
Comprehensive income attributable to non-controlling interests	14,488	16,805

**(3) Notes to quarterly consolidated financial statements**  
**(Notes on premise of a going concern)**

Not applicable.

**(Notes on significant changes in the amount of shareholders' equity)**

Not applicable.

**(Adoption of special accounting methods for preparation of quarterly consolidated financial statements)**

Calculation of tax expenses

Tax expenses were calculated by reasonably estimating the effective tax rate after applying tax effect accounting to the profit before income taxes for the fiscal year that includes the first quarter of the current fiscal year and multiplying profit before income taxes by such estimated effective tax rate.

**(Change in accounting policy)**

Adoption of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement are to be applied prospectively. There is no impact on the consolidated quarterly financial statements for the first three months of the current fiscal year.

**(Segment information, etc.)**

[Segment information]

I First three months of the previous fiscal year (from April 1, 2021 to June 30, 2021)

1. Information on net sales and profit or loss by reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statement of income (Note 3)
	Ethical Pharmaceuticals Business	Consumer Healthcare Business	Total				
Net sales							
Sales to external customers	8,259,396	5,253,131	13,512,527	36,435	13,548,962	–	13,548,962
Intersegment sales and transfers	–	48	48	144,342	144,390	(144,390)	–
Total	8,259,396	5,253,179	13,512,575	180,777	13,693,352	(144,390)	13,548,962
Segment profit	1,546,240	986,126	2,532,366	68,596	2,600,963	(1,349,161)	1,251,802

(Notes) 1. “Other” is a business segment not included in the reportable segments and includes the insurance agency business and real estate business.

2. Adjustment of segment profit of (1,349,161) thousand yen is mainly corporate expenses such as general and administrative expenses that are not allocated to reportable segments.

3. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

2. Information on impairment losses on non-current assets or goodwill by reportable segment

Not applicable.

II First three months of the current fiscal year (from April 1, 2022 to June 30, 2022)

1. Information on net sales and profit or loss by reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statement of income (Note 3)
	Ethical Pharmaceuticals Business	Consumer Healthcare Business	Total				
Net sales							
Sales to external customers	10,280,864	5,988,085	16,268,949	36,233	16,305,183	–	16,305,183
Intersegment sales and transfers	2,816	58	2,875	109,515	112,390	(112,390)	–
Total	10,283,680	5,988,144	16,271,824	145,749	16,417,574	(112,390)	16,305,183
Segment profit	2,831,626	1,346,578	4,178,205	58,039	4,236,244	(1,259,114)	2,977,129

(Notes) 1. “Other” is a business segment not included in the reportable segments and includes the insurance agency business and real estate business.

2. Adjustment of segment profit of (1,259,114) thousand yen is mainly corporate expenses such as general and administrative expenses that are not allocated to reportable segments.

3. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

2. Information on impairment losses on non-current assets or goodwill by reportable segment

Not applicable.

### 3. Supplemental Information

#### (1) Sales results

The table below shows sales results by business segment in the first three months of the current fiscal year.

(Thousands of yen)

Name of segment	First three months of the current fiscal year (from April 1, 2022 to June 30, 2022)	Increase/(decrease) over the same period of the previous fiscal year (%)
Ethical Pharmaceuticals Business	10,280,864	24.5
Consumer Healthcare Business	5,988,085	14.0
Total reportable segment	16,268,949	20.4
Other	36,233	(0.6)
Total	16,305,183	20.3

(Note) Inter-segment transactions are offset and eliminated.

## (2) Status of pipeline of new drugs

### I. Domestic

As of August 4, 2022

Stage	Development Code/ Generic Name	Development	Indications	Classification	Origin
Phase III	Z-338/Acotiamide	Zeria	Pediatric functional dyspepsia	Upper gastrointestinal motility modulator	Original
Phase III	ZG-801/Patiromer Sorbitex Calcium	Zeria	Hyperkalemia	Potassium binder	In-licensed
Phase II* (Investigator-Initiated Trial)	Z-338/Acotiamide	Kyushu University	Esophagogastric junction outflow obstruction	Upper gastrointestinal motility modulator	Original

\*: Supported by a grant from Japan Agency for Medical Research and Development (AMED)

### II. Overseas

Stage	Development Code/ Generic Name	Development	Indications	Classification	Origin
Phase III (Europe)	Z-338/Acotiamide	Zeria	Functional dyspepsia	Upper gastrointestinal motility modulator	Original
NDA approved (Mexico)	Z-338/Acotiamide	Faes Farma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)
NDA filed (Chile, Colombia, Peru, Ecuador, Dominican Republic)	Z-338/Acotiamide	Faes Farma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)
NDA filed (Thailand, Indonesia)	Z-338/Acotiamide	Meiji Seika Pharma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)