Consolidated Financial Results for the Nine Months Ended September 30, 2022 (IFRS)

November 11, 2022

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Financial results briefing session: No

(Rounded million yen)

1. Consolidated Results for the 9 month period ended September 30, 2022 (from January 1, 2022 to September 30, 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	%
9 month period ended September 30, 2022	8,641	140.7	(615)	-	(3,108)	-	(3,225)	-	(3,225)	-	(2,308)	-
9 month period ended September 30, 2021	3,590	(19.2)	(4,225)	-	(4,152)	-	(1,825)	-	(1,825)	-	2,094	-

	Earnings per share – basic	Earnings per share – diluted
	Yen	Yen
9 month period ended September 30, 2022	(39.46)	(39.46)
9 month period ended September 30, 2021	(22.50)	(22.50)

(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 September 30, 2022	95,168	55,701	55,701	58.5
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	Yen	Yen	Yen	Yen
FY2021	-	0.00	-	0.00	0.00
FY2022	-	0.00	-		
FY2022 (E)				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.

We continue to search for value-adding investment opportunities in strategic growth initiatives, including seeking new late-stage clinical programs to in-license for Japan, as well as the 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 range of JPY 6,750 to JPY 7,750 million[1] (no change from the previously guided range).
- Forecast G&A expenses in the range of JPY 3,750 to JPY 4,250 million[5] (no change from the previously guided range).
- 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 late-stage clinical programs to in-license and develop for the Japanese market.
- We will expand our drug candidate discovery and early development capabilities into new target classes.
- We will seek out a potentially transformative acquisition to secure long-term revenue growth potential.

The Group has a strong cash runway into 2025 to fund its drug discovery and early-stage clinical development activities.

* Notes

(1) Changes in the number of significant subsidiaries for the nine-month period ended September 30, 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)	At September 30, 2022	81,923,230 shares	At December 31, 2021	81,518,316 shares
2) Number of treasury shares at period end	At September 30, 2022	254 shares	At December 31, 2021	213 shares
3) Average number of shares in issue in period	9 month period ended September 30, 2022	81,738,514 shares	9 month period ended September 30, 2021	81,075,836 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.

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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 nine month period ended September 30, 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:

A) supporting our existing partnerships with major global pharmaceutical companies
B) advancing R&D with innovative technology companies and venture funds
C) executing new high-value partnerships based on our in-house drug discovery capabilities, and increasingly the early-stage clinical development of our candidate programs

In addition, the Group also focuses on strategic growth initiatives including: in-licensing late-stage programs for the Japan market; investing or collaborating in novel technologies; expanding drug target classes beyond G protein-coupled receptors ("GPCRs"); and continuing to seek long-term revenue-generating opportunities through M&A.

As of September 30, 2022, the Group had over 20 programs ongoing in discovery, with multiple in-house and partnered programs currently in preclinical/clinical studies[2,3].

A) Supporting our existing partnerships with major global pharmaceutical companies

The Group continued to make good progress with its partners. It 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.

AbbVie partnership

On August 1, 2022 (UK time), the Group and AbbVie, a research-based global biopharmaceutical company, entered a new drug discovery collaboration and option-to-license agreement to discover, develop and commercialize small molecules that modulate novel GPCR targets associated with neurological disease. The new agreement will leverage the Group's StaR® technology and SBDD platform and AbbVie's extensive neuroscience and disease area expertise. The agreement expands the breadth of the ongoing collaboration between the Group and AbbVie, building on the first multi-target discovery agreement signed between the companies in June 2020, which is focused on the inflammatory and autoimmune disease areas. Under the terms of the new agreement, the Group will conduct and fund R&D activities through the completion of Investigational New Drug (IND)-enabling studies. AbbVie has the exclusive option to license up to three programs at this

[2] **Clinical trials:** NBI-1117568 (formerly 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, OX2 agonist for Narcolepsy, 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 of 2021.

stage and will have responsibility for clinical, regulatory and commercial development thereafter. The Group received an upfront payment of US$40 million on signing and is eligible to receive up to US$40 million in near-term research milestone payments expected over the next three years, as well as further potential option, development and commercial milestones totaling up to US$1.2 billion, plus tiered royalties on global sales.

Neurocrine Biosciences partnership
On August 4, 2022 (UK time), the Group was notified by its partner Neurocrine Biosciences ("Neurocrine") that a US$30 million milestone had become payable to the Group following Neurocrine's determination that it could proceed as planned with a Phase 2 clinical trial of NBI-1117568 for the treatment of adults with schizophrenia after receiving approval of its Investigational New Drug (IND) Application by the U.S. Food and Drug Administration (FDA).

NBI-1117568 is an oral, selective muscarinic M4 receptor agonist in development for the treatment of schizophrenia and other neuropsychiatric disorders. As a selective M4 orthosteric agonist, NBI-1117568 offers the potential to deliver therapeutic effects without the need for combination therapy to minimize side effects, as required with non-selective muscarinic agonists, whilst also avoiding the requirement for cooperativity with acetylcholine (ACh) when compared to positive allosteric modulators. Clinical studies completed to date have shown NBI-1117568 to be generally well tolerated. NBI-1117568 is the most advanced candidate from a broad portfolio of novel clinical and preclinical subtype-selective muscarinic M4, M1 and dual M1/M4 receptor agonists discovered by the Group and in development under the 2021 collaboration with Neurocrine for the treatment of major neurological disorders. Upon successful completion of pre-clinical studies, Neurocrine anticipates initiating Phase 1 studies for a dual M1/M4 and selective M1 agonist. Advancing additional compounds into clinical studies would trigger further milestone payments from Neurocrine to the Group.

B) 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 a strategic research collaboration bringing together the complementary capabilities of Verily's immune profiling platform 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
- 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.

Weatherden – strategic collaboration 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 high-value global licensing and development deals as a way to generate significant revenues and fund accelerated growth 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.

Kallyope - strategic research collaboration to identify and validate novel gastrointestinal GPCR targets
On May 17, 2022, the Group and Kallyope, pioneers in drug discovery involving the gut-brain axis, announced that they had entered a strategic research collaboration to identify and validate novel GPCR targets with a goal of creating new drug discovery programs in the area of gastrointestinal diseases. The agreement will leverage the Group's GPCR Diversified Compound Library and GPCR expertise with the innovative Kallyope gut-brain axis platform, which combines single-cell sequencing, circuit mapping, computational biology and enteroid phenotypic screening. Together, the companies will prioritize and validate GPCR drug targets that represent new opportunities for potential therapeutic intervention in gastrointestinal diseases and create programs for the development of novel small molecules that modulate these targets.

C) Executing new high-value partnerships based on our in-house drug discovery capabilities, and increasingly the early-stage clinical development of our candidate programs

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

Cancer Research UK partnership
On July 22, 2022, the Group and Cancer Research UK, the world's largest private funder of cancer research, announced the signing of an agreement to bring the Group's cancer immunotherapy drug candidate into a first-in-human trial. Under the Clinical Trial and License Agreement (CTLA),

Cancer Research UK's Centre for Drug Development will sponsor, design and execute a Phase 1/2a clinical trial of HTL0039732, a novel selective EP4 antagonist. The Group will be responsible for CTA enabling activities, including GLP toxicology, IMP manufacture and other necessary pre-clinical studies in preparation for the opening of the clinical trial. The Group holds a license to the results generated under the trial to continue the clinical development and commercialization of HTL0039732.

HTL0039732 has been proposed for a range of cancers including microsatellite stable colorectal, gastroesophageal, head and neck and castrate resistant prostate cancer. Many people with these types of cancer have missed out on the benefits that common immunotherapies, such as PD1/L1 checkpoint inhibitors, have brought to other cancer types. The hope is that this trial could find that HTL0039732 is an effective immunotherapy for these under-served patient populations. HTL0039732 is a type of immunotherapy known as an EP4 antagonist, which means it selectively binds and blocks a specific type of prostaglandin receptor called EP4. Prostaglandin E2 (PGE2) mediated signaling through EP4 can trigger cancer cells to evade the immune system and can also influence tumor cell growth. Therefore, blocking this type of receptor may improve patient survival, especially if used in combination with another immunotherapy.

D) Operational highlights after the period under review (period ended September 30, 2022)

Neurocrine Biosciences partnership
On October 28, 2022, the Group noted that its partner, Neurocrine, had announced the first patient has been randomized for its Phase 2 placebo-controlled, inpatient clinical study evaluating the efficacy, safety, tolerability and pharmacokinetics of investigational compound NBI-1117568 in adults with schizophrenia. The NBI-1117568 Phase 2 multi-arm, multi-stage study will enroll approximately 200 adults and is being conducted at 15 centers throughout the United States. The placebo-controlled study will evaluate multiple active dose levels of NBI-1117568. The primary outcome measure will be the change in total Positive and Negative Syndrome Scale (PANSS) score from baseline to Week 6.

As of September 30, 2022, the Group had a total of 199 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 nine month period ended September 30, 2022.

Revenue of JPY 8,641 million (an increase of JPY 5,051 million vs. the prior corresponding period), an operating loss of JPY 615 million (vs. an operating loss of JPY 4,225 million in the prior corresponding period), a net loss before income taxes of JPY 3,108 million (vs. a net loss before income taxes of JPY 4,152 million in the prior corresponding period), and a net loss of JPY 3,225 million (vs. a net loss of JPY 1,825 million in the prior corresponding period).

	9 month period ended September 30, 2022 ¥m	9 month period ended September 30, 2021 ¥m	Change
Revenue	**8,641**	3,590	5,051
Cost of sales	**(740)**	(638)	(102)
Research and development expenses	**(5,623)**	(4,332)	(1,291)
Selling, general and administrative expenses	**(3,170)**	(2,888)	(282)
Operating expenses	**(9,533)**	(7,858)	(1,675)
Net other income	**277**	43	234
Operating loss	**(615)**	(4,225)	3,610
Net finance income (costs)	**110**	(249)	359
Share of (loss) / profit of associates	**(767)**	116	(883)
(Impairment charge) / reversal of impairment charge relating to associates	**(1,836)**	206	(2,042)
Net loss before income taxes	**(3,108)**	(4,152)	1,044
Net loss	**(3,225)**	(1,825)	(1,400)
Alternative performance measure			
Core operating profit / loss[1]			
Operating loss (as stated above)	**(615)**	(4,225)	3,610
Adjustments:			
Depreciation	**421**	410	11
Amortization	**579**	551	28
Share based payments (excluding amounts in Restructuring)	**382**	532	(150)
Restructuring	**533**	-	533
Impairment	**-**	74	(74)
Core operating profit / (loss)	**1,300**	(2,658)	3,958
Average exchange rate during period			
USD:JPY	**127.94**	108.86	19.08
GBP:JPY	**160.51**	150.88	9.63

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

	9 month period ended September 30, 2022 ¥m	9 month period ended September 30, 2021 ¥m	Change
Upfront fees and milestone income	**5,947**	1,366	4,581
Royalty income	**1,918**	1,704	214
Product supply revenue	**80**	(45)	125
Other	**696**	565	131
	8,641	3,590	5,051

Revenue in the nine month period under review totaled JPY 8,641 million (an increase of JPY 5,051 million vs. the prior corresponding period).

Revenue related to upfront fees and milestone income in the nine month period under review totaled JPY 5,947 million (an increase of JPY 4,581 million vs. the prior corresponding period). Upfront fees and milestone income 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 increase in revenues related to the commencement of a new collaboration with AbbVie during the current period which attracted an upfront fee, together with three milestone events (including a USD 30 million milestone receipt from Neurocrine) vs. five milestone events in the prior corresponding period.

Revenue related to royalties in the nine month period under review totaled JPY 1,918 million (an increase of JPY 214 million vs. the prior corresponding period). The Group's royalty revenue relates to sales of Ultibro® Breezhaler®, Seebri® Breezhaler® and Enerzair® Breezhaler® by Novartis[4].

Operating expenses

Cost of sales

Cost of sales in the nine month period under review totaled JPY 740 million (an increase of JPY 102 million vs. the prior corresponding period). Cost of sales comprises the cost of pharmaceutical product sold in the period plus the internal costs of delivering research and development services to customers. The increase in cost of sales is primarily due to the occurrence of pharmaceutical product sales in the current period.

Research and development expenses

Research and development ("R&D") expenses in the nine month period under review totaled JPY 5,623 million (an increase of JPY 1,291 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 addition, costs have increased due to inflation, the impact of the weaker Yen and the reclassification of share based payment costs relating to scientists to the R&D expenses line from the G&A expenses line as this is regarded as a better presentation of that spend. In the period under review 98% of R&D spend related to our UK operations.

[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.

Selling, general and administrative expenses
Selling, general and administrative ("G&A") expenses in the nine month period under review totaled JPY 3,170 million (an increase of JPY 282 million vs. the prior corresponding period). This was primarily due to the cost of a restructuring program designed to accelerate the development of medicines, the impact of the weaker Yen and cost inflation. These increases were partly offset by the reclassification of share based payment costs relating to scientists from the G&A expenses line to the R&D expenses line as this is regarded as a better presentation of that spend.

Net other income
Net other income in nine month period under review totaled JPY 277 million (an increase of JPY 234 million vs. the prior corresponding period). This was primarily due to recording a higher UK RDEC tax credit in the current period and a low comparative figure which was impacted by a JPY 74 million impairment charge associated with a reduction in Oravi® sales and profitability forecasts in that period.

Operating loss
Operating loss in the nine month period under review totaled JPY 615 million (vs. an operating loss of JPY 4,225 million in the prior corresponding period). The main reason for the decrease in the operating loss is the increase in revenue for the reasons stated above.

Net finance income (costs)
Net finance income in the nine month period under review totaled JPY 110 million (an increase of JPY 359 million vs. the prior corresponding period). Although bond amortization costs have increased following the issuance of new convertible bonds with a face value of JPY 30,000 million and the repurchase and conversion of existing convertible bonds with a face value of JPY 16,000 million in July 2021, the impact has been more than offset by higher foreign exchange gains in the current period relating to the stronger USD.

Share of (loss) profit of associates accounted for using the equity method
Share of loss of associates accounted for using the equity method in the nine month period under review totaled JPY 767 million (an increase of JPY 883 million vs. the prior corresponding period). This was due to MiNA (Holdings) Limited (MiNA), an affiliated company of the Group, decreasing sales leading to a net loss for the nine month period under review vs. MiNA recording a net profit in the prior corresponding period.

(Impairment charge) / reversal of impairment charge relating to associates
Impairment loss for investments accounted for using the equity method during the period under review totaled JPY 1,836 million. This was due to a decrease in the estimated fair value of MiNA. 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.

Income tax (expense) credit
Income tax expense in the nine month period under review totaled JPY 117 million (vs. an Income tax credit of JPY 2,327 million in the prior corresponding period). The tax expense / credit reflects the application of the estimated full year effective tax rate to the year to date results for each taxable entity.

Net loss

Net loss in the nine month period under review totaled JPY 3,225 million (vs a net loss of JPY 1,825 million in the prior corresponding period). The main reason for the increase in net loss is the higher impairment charge and tax charge, as explained above.

Alternative performance measure: Core operating profit / loss

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

Core operating profit in the nine month period under review totaled JPY 1,300 million (vs a core operating loss of JPY 2,658 million in the prior corresponding period). In calculating core operating profit the following adjustments to the IFRS operating profit have been made:

- Depreciation totaled JPY 421 million (an increase of JPY 11 million vs. the prior corresponding period).
- Amortization totaled JPY 579 million (an increase of JPY 28 million vs. the prior corresponding period).
- Stock-based compensation totaled JPY 382 million (a decrease of JPY 150 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 profit of JPY 3,958 million is primarily due to the significant increase in revenue.

(2) Analysis of financial position

1) Assets, liabilities and equity

Assets

Total assets as at September 30, 2022 were JPY 95,168 million (a decrease of JPY 1,817 million vs. the end of the previous financial year, 2021). This was primarily due to the decrease in equity method investments following the impairment loss recorded on MiNA's shares, 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 British pound.

Liabilities

Total liabilities as at September 30, 2022 were JPY 39,467 million (a decrease of JPY 50 million vs. the end of the previous financial year, 2021). This decrease was primarily due to the payment of contingent consideration to the former shareholders of Heptares Therapeutics Limited during the current period, partially offset by an increase in deferred revenue resulting from the new collaboration with AbbVie.

Equity
Total equity as at September 30, 2022 was JPY 55,701 million (a decrease of JPY 1,767 million vs. the end of the previous financial year, 2021). This was primarily due to the net loss of JPY 3,225 million, partially offset by exchange gains on translation of JPY 1,300 million.

The ratios of Cash and cash equivalents, Interest-bearing debt and Equity attributable to owners of the parent company to total assets were 64.3%, 31.2% and 58.5%, respectively.

2) Cash flows

Cash and cash equivalents as at September 30, 2022 increased by JPY 1,088 million from the beginning of the year and amounted to JPY 61,175 million.

Cash flows from operating activities
Net cash provided by operating activities during the period under review totaled JPY 4,853 million. This was primarily due to cash revenues (including deferred revenue of portion of the USD 40 million AbbVie upfront fee) exceeding cash operating costs.

Cash flows from investing activities
Net cash used in investing activities during the period under review totaled JPY 64 million. This was due to purchases of property, plant and equipment of JPY 201 million, partially offset by the receipt of contingent consideration proceeds totaling JPY 137 million.

Cash flows from financing activities
Net cash used in financing activities during the period under review totaled JPY 4,834 million. This was primarily due to the payment of contingent consideration totaling JPY 4,680 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 1,133 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.

We continue to search for value-adding investment opportunities in strategic growth initiatives, including seeking new late-stage clinical programs to in-license for Japan, as well as the 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 range of JPY 6,750 to JPY 7,750million[5] (no change from the previously guided range).
- Forecast G&A expenses in the range of JPY 3,750 to JPY 4,250 million[5] (no change from the previously guided range).
- 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 late-stage clinical programs to in-license and develop for the Japanese market.
- We will expand our drug candidate discovery and early development capabilities into new target classes.
- We will seek out a potentially transformative acquisition to secure long-term revenue growth potential.

The Group has a strong cash runway into 2025 to fund its drug discovery and early-stage clinical 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.

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

1) Interim Condensed Consolidated Balance Sheet

	September 30, 2022 (Unaudited) ¥m	December 31, 2021 (Audited) ¥m
Assets		
Non-current assets		
Property, plant and equipment	3,859	3,817
Goodwill	15,414	15,095
Intangible assets	8,838	9,120
Investments accounted for using the equity method	991	3,479
Other financial assets	2,342	2,564
Other non-current assets	129	102
Total non-current assets	31,573	34,177
Current assets		
Trade and other receivables	1,240	2,138
Income taxes receivable	546	70
Other financial assets	-	86
Other current assets	634	427
Cash and cash equivalents	61,175	60,087
Total current assets	63,595	62,808
Total assets	95,168	96,985
Liabilities and Equity		
Liabilities		
Non-current liabilities		
Deferred tax liabilities	3,019	2,706
Contingent consideration in business combinations	-	47
Corporate bonds	27,845	27,440
Lease liabilities	1,633	1,638
Other non-current liabilities	3,902	495
Total non-current liabilities	36,399	32,326
Current liabilities		
Trade and other payables	1,309	1,176
Contingent consideration in business combinations	-	4,048
Income taxes payable	124	279
Lease liabilities	191	193
Other current liabilities	1,444	1,495
Total current liabilities	3,068	7,191
Total liabilities	39,467	39,517
Equity		
Capital stock	41,335	41,036
Capital surplus	29,343	29,100
Treasury stock	(1)	(0)
Retained earnings	(12,993)	(9,768)
Other components of equity	(1,983)	(2,900)
Equity attributable to owners of the parent company	55,701	57,468
Total equity	55,701	57,468
Total liabilities and equity	95,168	96,985

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

	Nine month period ended September 30, 2022 (Unaudited) ¥m	Nine month period ended September 30, 2021 (Unaudited) ¥m
Revenue	**8,641**	3,590
Cost of sales	**(740)**	(638)
Gross profit	**7,901**	2,952
Research & development expenses	**(5,623)**	(4,332)
Selling, general & administrative expenses	**(3,170)**	(2,888)
Other income	**278**	118
Other expenses	**(1)**	(75)
Operating loss	**(615)**	(4,225)
Finance income	**635**	478
Finance costs	**(525)**	(727)
Share of (loss) profit of associates accounted for using the equity method	**(767)**	116
Impairment loss for investments accounted for using the equity method	**(1,836)**	-
Gain on reversal of impairment loss for investments accounted for using the equity method	-	206
Loss before income taxes	**(3,108)**	(4,152)
Income tax (expense) / credit	**(117)**	2,327
Net loss for the period	**(3,225)**	(1,825)
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	**(383)**	1,234
Total items that will not be reclassified subsequently to profit or loss	**(383)**	1,234
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**1,300**	2,685
Total items that may be reclassified subsequently to profit or loss	**1,300**	2,685
Total other comprehensive income	**917**	3,919
Total comprehensive (loss) income for the period	**(2,308)**	2,094
Net loss for the period attributable to:		
Owners of the parent company	**(3,225)**	(1,825)
	(3,225)	(1,825)
Total comprehensive (loss) income for the period attributable to:		
Owners of the parent company	**(2,308)**	2,094
	(2,308)	2,094
Earnings per share (yen)		
Basic loss per share	**(39.46)**	(22.50)
Diluted loss per share	**(39.46)**	(22.50)

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	**-**	**-**	**-**	**(3,225)**	**-**	**(3,225)**	**(3,225)**
Other comprehensive income	**-**	**-**	**-**	**-**	**917**	**917**	**917**
Total comprehensive (loss) income for the period	**-**	**-**	**-**	**(3,225)**	**917**	**(2,308)**	**(2,308)**
Issuance of new shares	**299**	**(299)**	**-**	**-**	**-**	**0**	**0**
Share-based payments	**-**	**542**	**-**	**-**	**-**	**542**	**542**
Acquisition of treasury stock	**-**	**-**	**(1)**	**-**	**-**	**(1)**	**(1)**
Total transactions with owners	**299**	**243**	**(1)**	**-**	**-**	**541**	**541**
Balance at September 30, 2022 (Unaudited)	**41,335**	**29,343**	**(1)**	**(12,993)**	**(1,983)**	**55,701**	**55,701**
Balance at January 1, 2021	40,220	30,452	(0)	(10,785)	(7,506)	52,381	52,381
Net loss for the period	-	-	-	(1,825)	-	(1,825)	(1,825)
Other comprehensive income	-	-	-	-	3,919	3,919	3,919
Total comprehensive (loss) income for the period	-	-	-	(1,825)	3,919	2,094	2,094
Issuance of new shares	689	(88)	-	-	-	601	601
Share-based payments	-	532	-	-	-	532	532
Issuance of convertible bonds	-	1,809	-	-	-	1,809	1,809
Repurchase and cancellation of convertible bonds	-	(3,877)	-	-	-	(3,877)	(3,877)
Conversion of convertible bonds	127	106	-	-	-	233	233
Total transactions with owners	816	(1,518)	-	-	-	(702)	(702)
Balance at September 30, 2021 (Unaudited)	41,036	28,934	(0)	(12,610)	(3,587)	53,773	53,773

4) Interim Condensed Consolidated Statement of Cash Flows

	Nine month period ended September 30, 2022 (Unaudited) ¥m	Nine month period ended September 30, 2021 (Unaudited) ¥m
Cash flows from operating activities		
Loss before income taxes	(3,108)	(4,152)
Adjustments for:		
Depreciation and amortization	1,000	961
Share-based payments	540	532
Impairment loss	-	74
Loss (gain) on investments in securities	15	(3)
Change in fair value of contingent consideration	(78)	(348)
Net foreign exchange gain	(51)	(131)
Interest income	(96)	(3)
Interest expenses	509	349
Share of loss (profit) of associates accounted for using the equity method	767	(116)
Impairment loss for investments accounted for using the equity method	1,836	-
Gain on reversal of impairment loss for investments accounted for using the equity method	-	(206)
Decrease in trade and other receivables	969	244
Increase (decrease) in trade payables	72	(65)
Increase (decrease) in deferred revenue	3,560	(163)
Other	(829)	(62)
Subtotal	5,106	(3,089)
Grants received	32	-
Interest and dividends received	96	3
Interest paid	(121)	(130)
Income tax refunded	0	382
Income taxes paid	(260)	(54)
Net cash provided by (used in) operating activities	4,853	(2,888)
Cash flows from investing activities		
Purchase of property, plant and equipment	(201)	(97)
Purchase of intangible assets	-	(3)
Proceeds from sale of investment in associate	-	206
Proceeds from contingent consideration receivable	137	273
Net cash (used in) provided by investing activities	(64)	379
Cash flows from financing activities		
Payment of lease liabilities	(153)	(138)
Proceeds from issuance of corporate bonds	-	29,877
Payments for repurchase and cancellation of corporate bonds	-	(18,958)
Payment of contingent consideration	(4,680)	(191)
Proceeds from issuance of common stock	0	601
Other	(1)	-
Net cash (used in) provided by financing activities	(4,834)	11,191
Effects of exchange rate changes on cash and cash equivalents	1,133	1,151
Net increase in cash and cash equivalents	1,088	9,833
Cash and cash equivalents at the beginning of the period	60,087	40,008
Cash and cash equivalents at the end of the period	61,175	49,841

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

Cessation of equity accounting method for investment in MiNA (Holdings) Limited

Subsequent to the quarter end, the Group determined that it no longer exercised significant influence over MiNA (Holdings) Limited (MiNA) because it held less than 20% of MiNA's voting rights and resigned its directorship. Accordingly, the Group ceased to equity account its investment in MiNA with effect from October 2022 and started to record its equity investment in MiNA at fair value in accordance with IFRS 9 'Financial Instruments'.

Disposal of shareholding in Biohaven Pharmaceutical Holding Company Limited

On October 3, 2022, Pfizer completed its acquisition of Biohaven Pharmaceutical Holding Company Limited (Biohaven), which included the Group's investment in Biohaven. The Group received $8.1m of cash and 27,308 shares in Biohaven Limited (a spinout company that holds Biohaven's non-CGRP development stage pipeline compounds). Biohaven Limited is listed on the New York Stock Exchange (BHVN).