



Consolidated Financial Results for the Three Months Ended March 31, 2023 (IFRS)

May 12, 2023

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 Financial results briefing session: No

(Rounded million yen)

1. Consolidated Results for the 3 month period ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

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

	Revenue		Operating income		Net profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 month period ended March 31, 2023	943	(15.7)	(1,964)	-	(1,863)	-	(1,402)	-	(1,402)	-	143	-
3 month period ended March 31, 2022	1,119	(7.3)	(2,206)	-	(2,497)	-	(2,070)	-	(2,070)	-	(1,181)	-

	Earnings per share – basic		Earnings per share – diluted	
	Yen		Yen	
3 month period ended March 31, 2023	(17.11)		(17.11)	
3 month period ended March 31, 2022	(25.39)		(25.39)	

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
	Million yen	Million yen	Million yen	%
At March 31, 2023	98,719	58,214	58,214	59.0
At December 31, 2022	99,417	57,936	57,936	58.3

2. Dividends

	Dividends per share				
	End Q1	End Q2	End Q3	End Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	-	0.00	-	0.00	0.00
FY2023	-				
FY2023 (E)		0.00		0.00	0.00

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

3. Forecast for the year from January 1, 2023 to December 31, 2023

A financial results forecast for the year ended December 31, 2023 has not been provided because it is difficult to forecast a reasonable estimate of the full-year results. Details concerning the reasons thereof, business policy and cost estimates are provided in “1. Analysis of Operating Results and Financial Position (3) Future outlook” on page 10 of this document.

* Notes

(1) Changes in the number of significant subsidiaries for the three-month period ended March 31, 2023 (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 March 31, 2023	81,923,230 shares	At December 31, 2022	81,923,230 shares
At March 31, 2023	254 shares	At December 31, 2022	254 shares
3 month period ended March 31, 2023	81,922,976 shares	3 month period ended March 31, 2022	81,518,547 shares

2) Number of treasury shares at period end

3) Average number of shares in issue in period

* 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.

○ Contents of Attached Materials	
1. Analysis of Operating Results and Financial Position	2
1) Analysis of operating results	2
2) Analysis of financial position	8
3) Future outlook	10
2. Interim Condensed Consolidated Financial Statements and Primary Notes (IFRS)	11
1) Interim Condensed Consolidated Balance Sheet	11
2) Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
3) Interim Condensed Consolidated Statement of Changes in Equity	13
4) Interim Condensed Consolidated Statement of Cash Flows	14
5) Notes to the Interim Condensed Consolidated Financial Statements	15

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

Sosei Group is a science and technology-led company, specializing in drug discovery and early-stage drug development. Our mission is to make life-changing medicines using world-leading science and our vision is to become one of Japan's global biopharmaceutical champions.

The Group has established an innovative and productive StaR[®] ("stabilized receptor") and structure-based drug design ("SBDD") and discovery technology platform, which is focused predominantly on and provides unprecedented access to an important class of proteins called G protein-coupled receptors ("GPCRs"). GPCRs represent the largest single class of targets for drug discovery across a wide range of therapeutic areas.

A significant number of novel drug candidates have been generated through the application of this platform and are currently in development by global biopharma partners and internally.

Following the creation of a new leadership team in 2022, management has outlined a clear and evolved strategy to leverage the Group's proprietary platform, pipeline and capabilities to grow the business internationally and in Japan. This strategy is based on four key strategic pillars:

- (i) Extending and enhancing the competitive advantages of the Group's world-leading StaR[®]/SBDD discovery capabilities through continued internal innovation combined with external collaborations that provide access to complementary technologies.
- (ii) Diligently driving forward existing partnerships with global biopharma companies and initiating new high-value partnerships to ensure the continued flow of revenues through upfront and development milestone payments, and ultimately royalties from sales of products that reach the market.
- (iii) Transforming R&D to a program-centric operational model, entrenching target biology, and enhancing translational medicine capabilities to quickly achieve clinical proof of concept. This, in turn, is expected to enable the advancement of higher quality candidates more cost effectively, the signing of larger out-licensing deals, as well as the generation of a deeper in-house pipeline and a pathway for clinical development in Japan.
- (iv) Building out an agile, scalable and effective clinical development and commercialization business in Japan. This new strategic initiative is designed to capitalize on significant underserved opportunities that the Group sees within this large attractive market. The Group intends to start this strategy by in-licensing foreign de-risked approved or late-stage clinical assets and will expand the pipeline with internally generated programs in the future.

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

In terms of enhancing the Group’s world-leading StaR®/SBDD, the Group will focus on making progress with existing strategic collaborations with companies which have complementary technologies and look to collaborate with new partners to successfully execute the Group’s strategy to become a multi-program, early clinical stage business while continuing to be a discovery and development partner-of-choice for leading biopharmaceutical companies.

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

In January 2023, Christopher Cargill, President and CEO of the Company, presented at the 41st Annual J.P. Morgan Healthcare Conference, and the Group had one-on-one meetings with various leading global pharmaceutical and biopharmaceutical companies at the event to strengthen existing and build new business relationships.

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

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

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

The Group will continue to focus on strengthening its in-house R&D to achieve its goal to advance at least two in-house programs into clinical trials in 2023:

- (1) A first-in-human Phase I/IIa trial of HTL0039732, a novel EP4 antagonist designed by the Group with potential to treat a wide range of cancers in combination with other immunotherapies. The trial will be conducted under a Clinical Trial and License Agreement signed between the Group and Cancer Research UK.
- (2) A first-in-human clinical trial with a selective and potent GPR52 agonist being developed as a potential treatment for schizophrenia.

(iv) Building out a leading commercialization business in Japan

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

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

The Company expects the move to the Prime Market will help it to achieve its vision by providing enhanced support and access to the long-term capital through greater exposure to institutional investment funds, both domestic and international. This will result from a deepening and broadening of its shareholder base to reflect the global nature of the business. On April 27, 2023, Sosei Group shares were included in the Tokyo Stock Price Index (TOPIX), an important stock market index for the TSE in Japan.

As of March 31, 2023, the Group had a total of 207 employees (an increase of 5 employees vs. the end of the prior year).

As a result of the above activities, the Group reported the following financial results for the three month period ended March 31, 2023.

Revenue of JPY 943 million (a decrease of JPY 176 million vs. the prior corresponding period), an operating loss of JPY 1,964 million (vs. an operating loss of JPY 2,206 million in the prior corresponding period), a net loss before income taxes of JPY 1,863 million (vs. a net loss before income taxes of JPY 2,497 million in the prior corresponding period), and a net loss of JPY 1,402 million (vs. a net loss of JPY 2,070 million in the prior corresponding period).

	3 month period ended March 31, 2023	3 month period ended March 31, 2022	Change
	¥m	¥m	
Revenue	943	1,119	(176)
Cost of sales	(92)	(288)	196
Research and development expenses	(1,957)	(1,804)	(153)
Selling, general and administrative expenses	(1,109)	(1,354)	245
Operating expenses	(3,158)	(3,446)	288
Net other income	251	121	130
Operating loss	(1,964)	(2,206)	242
Net finance income (costs)	101	(71)	172
Share of loss of associates accounted for using the equity method	-	(220)	220
Net loss before income taxes	(1,863)	(2,497)	634
Income tax benefit	461	427	34
Net loss	(1,402)	(2,070)	668

Alternative performance measure

Core operating profit / loss (Note 1)

Operating loss (as stated above)	(1,964)	(2,206)	242
<i>Adjustments:</i>			
Depreciation	140	139	1
Amortization	197	183	14
Share based payments (Note 2)	109	111	(2)
Restructuring (Note 2)	53	533	(480)
Core operating loss	(1,465)	(1,240)	(225)

Average exchange rate during period

USD:JPY	132.32	116.19	16.13
GBP:JPY	160.66	155.87	4.79

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

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

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

Revenue

	3 month period ended March 31, 2023	3 month period ended March 31, 2022	Change
	¥m	¥m	
Upfront fees and milestone income	230	121	109
Upfront fee revenue recognized at deal inception	-	-	-
Milestone revenue recognized at milestone event	-	29	(29)
Deferred revenue releases	230	92	138
Royalty income	627	747	(120)
Other revenue	86	251	(165)
Total	943	1,119	(176)

Revenue in the three month period under review totaled JPY 943 million (a decrease of JPY 176 million vs. the prior corresponding period).

Revenue related to upfront fees and milestone income in the three month period under review totaled JPY 230 million (an increase of JPY 109 million vs. the prior corresponding period). Upfront fees and milestone income comprises upfront fee revenue, milestone revenue and deferred revenue releases. Upfront fees and milestone income can vary considerably year on year and depend on the commencement of new partnership agreements and the achievement of defined milestone events within that year. The increase in upfront fees and milestone income was primarily due to larger releases of deferred revenue. This reflects the fact that there were four active contracts from which deferred revenue was released in the current period vs. two such contracts in the prior corresponding period. This was partially offset by a small decrease in milestone revenue.

Revenue related to royalties in the three month period under review totaled JPY 627 million (a decrease of JPY 120 million vs. the prior corresponding period). The Group's royalty revenue relates to sales of Ultibro[®] Breezhaler[®], Seebri[®] Breezhaler[®] and Enerzair[®] Breezhaler[®] by Novartis¹.

Other revenue in the three month period under review totaled JPY 86 million (a decrease of JPY 165 million vs. the prior corresponding period). Other revenue relates to fees earned from the provision of R&D services to partners, and has reduced due to the natural maturation of a number of contracts, with responsibility for further R&D passing to the partner. In addition, the two new contracts signed in the prior year are structured such that R&D services are not billable separately and they give rise to deferred revenue releases instead.

Operating expenses

Cost of sales

Cost of sales in the three month period under review totaled JPY 92 million (a decrease of JPY 196 million vs. the prior corresponding period). Cost of sales comprises the internal costs of delivering research and development services to customers. This decrease reflects the decrease in Other revenue for the reasons explained above.

Research and development expenses

Research and development ("R&D") expenses in the three month period under review totaled JPY 1,957 million (an increase of JPY 153 million vs. the prior corresponding period). This increase was primarily due to increased investment in discovery activities, but also reflects the impact of the weaker Yen. In the year under review, 98% of R&D spend related to our UK operations.

¹ 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 three month period under review totaled JPY 1,109 million (a decrease of JPY 245 million vs. the prior corresponding period). This was primarily due to a decrease in restructuring costs.

Net other income

Net other income in the three month period under review totaled JPY 251 million (an increase of JPY 130 million vs. the prior corresponding period). This was primarily due to a higher R&D expenditure-related UK tax credit.

Operating loss

Operating loss in the three month period under review totaled JPY 1,964 million (vs. an operating loss of JPY 2,206 million in the prior corresponding period). This decrease was primarily due to a reduction in G&A expenses and cost of sales, as well as an increase in net other income. These movements were partially offset by a decrease in revenue and increase in R&D costs.

Net finance income

Net finance income in the three month period under review totaled JPY 101 million (an increase of JPY 172 million vs. the prior corresponding period). This increase was primarily due to an increase in interest income as a result of higher UK interest rates.

Share of loss of associates accounted for using the equity method

The Group ceased to equity account for MiNA from October 2022, accordingly, there was no share of profit (loss) of associates accounted for using the equity method in the three month period under review.

Net loss before income tax

Net loss before income tax in the three month period under review totaled JPY 1,863 million (vs. a net loss before income tax of JPY 2,497 million in the prior corresponding period). This decrease reflects the combined effect of all of the movements explained above.

Income tax credit

Income tax credit in the three month period under review totaled JPY 461 million (vs. an income tax credit of JPY 427 million in the prior corresponding period). The tax credit reflects the application of the estimated full year effective tax to the year-to-date results for each taxable entity.

Net loss

Net loss in the three month period under review totaled JPY 1,402 million (vs. a net loss of JPY 2,070 million in the prior corresponding period). This decrease reflects the combined effect of all of the movements explained above.

Alternative performance measure: Core operating profit / loss

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

Core operating loss in the three month period under review totaled JPY 1,465 million (vs. a net loss of JPY 1,240 million in the prior corresponding period). In calculating core operating loss, the following adjustments to the IFRS operating profit have been made:

- Depreciation totaled JPY 140 million (an increase of JPY 1 million vs. the prior corresponding period).
- Amortization totaled JPY 197 million (an increase of JPY 14 million vs. the prior corresponding period).
- Share-based compensation totaled JPY 109 million (a decrease of JPY 2 million vs. the prior corresponding period).
- Restructuring costs totaled JPY 53 million (a decrease of JPY 480 million vs. the prior corresponding period). These costs related to a management restructuring program at a subsidiary company (including JPY 26 million of accelerated share-based compensation expenses vs. JPY 158 million in the prior corresponding period).

(2) Analysis of financial position

1) Assets, liabilities and equity

Assets

Total assets as at March 31, 2023 were JPY 98,719 million (a decrease of JPY 698 million vs. December 31, 2022, the end of the prior financial year). This was primarily due to a decrease in cash and cash equivalents relating to the payment of operating expenses.

Liabilities

Total liabilities as at March 31, 2023 were JPY 40,505 million (a decrease of JPY 976 million vs. December 31, 2022, the end of the prior financial year). This was primarily due to a decrease in trade and other payables and a decrease in accruals due to the payment of accrued staff bonuses.

Equity

Total equity as at March 31, 2023 was JPY 58,214 million (an increase of JPY 278 million vs. December 31, 2022, the end of the prior financial year). This was primarily due to an increase in other components of equity of JPY 1,545 million mainly relating to an increase in exchange gains on translation, and an increase in capital surplus of JPY 135 million linked to share-based payments, partially offset by the net loss of JPY 1,402 million.

The ratios of Cash and cash equivalents, Interest-bearing debt and Equity attributable to owners of the parent company to total assets were 67.0%, 30.3% and 59.0%, respectively.

2) Cash flows

Cash and cash equivalents as at March 31, 2023 decreased by JPY 419 million from the beginning of the year and amounted to JPY 66,138 million. The main drivers of each cash flow in the three month period ended March 31, 2023 were as follows:

Cash flows from operating activities

Net cash used in operating activities during the period under review totaled JPY 1,157 million. This was primarily due to cash operating costs exceeding cash revenues.

Cash flows from investing activities

Net cash used in investing activities during the period under review totaled JPY 130 million. This was primarily due to the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities in the period under review totaled JPY 51 million. This was due to the payment of lease liabilities.

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 919 million. This positive impact was primarily due to a stronger GBP vs. JPY and a stronger USD vs JPY.

(3) Future outlook

The Group's revenue is mostly derived from upfront payments from new partnerships and milestone payments as a result of the progress of R&D with existing partners. These payments are dependent on multiple factors, including negotiations with (potential) partners, R&D policies of partners and clinical trial results of development candidates, and these factors are difficult for the Group to control. Therefore, a Group financial results forecast for 2023 has not been provided because it is difficult to forecast revenue.

Based on its extremely productive drug discovery platform (StaR[®]/SBDD), the Group aims to further improve efficiency and add value to drug discovery by introducing an agile development model and enhancing translational medicine capabilities and will continue to make sufficient R&D investments in 2023 to achieve this goal. In addition, as a strategic alternative to achieve higher growth, we will seek late-stage clinical programs to in-license for the Japanese market, and/or the acquisition of a business. We will also continue to target a balance between capital and investments in the pursuit of growth in corporate value.

At present, the Group has a strong cash runway into 2025 to fund its R&D activities.

Our cost estimates and key initiatives for 2023 are as follows:

- Forecast R&D expenses in the range of JPY 8,000 to JPY 10,000 million² (unchanged).
- Forecast G&A expenses in the range of JPY 4,250 to JPY 4,750 million² (unchanged).
- We expect to receive upfront payments relating to one or more new partnerships.
- We expect to receive milestone payments as a result of the progress of R&D at existing partners.
- We will expand our drug candidate discovery into novel drug targets to enhance our pipeline.
- We expect to start clinical trials of multiple development candidates for which we have rights.
- We will seek out late-stage clinical candidates to in-license and develop for the Japanese market.
- We will seek out a potentially transformative acquisition to secure long-term revenue growth potential.

² The assumed USD:JPY FX rate in 2023 is 143 and GBP:JPY FX rate is 166. Please note that the cost estimates are for existing operations, and if the estimates change significantly as a result of strategic developments, such as the in-licensing of development candidates or the acquisition of a business, we will make an announcement.

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

1) Interim Condensed Consolidated Balance Sheet

	march 31, 2023 (Unaudited) ¥m	December 31, 2022 (Audited) ¥m
Assets		
Non-current assets		
Property, plant and equipment	3,819	3,791
Goodwill	15,660	15,306
Intangible assets	8,684	8,577
Other financial assets	1,679	1,737
Other non-current assets	55	64
Total non-current assets	29,897	29,475
Current assets		
Trade and other receivables	1,293	2,462
Income taxes receivable	298	58
Other financial assets	214	-
Other current assets	879	865
Cash and cash equivalents	66,138	66,557
Total current assets	68,822	69,942
Total assets	98,719	99,417
Liabilities and Equity		
Liabilities		
Non-current liabilities		
Deferred tax liabilities	2,554	2,922
Corporate bonds	28,117	27,981
Lease liabilities	1,594	1,577
Other non-current liabilities	4,869	4,909
Total non-current liabilities	37,134	37,389
Current liabilities		
Trade and other payables	1,286	1,628
Income taxes payable	150	260
Lease liabilities	168	176
Other financial liabilities	-	36
Other current liabilities	1,767	1,992
Total current liabilities	3,371	4,092
Total liabilities	40,505	41,481
Equity		
Capital stock	41,335	41,335
Capital surplus	29,660	29,525
Treasury stock	(1)	(1)
Retained earnings	(10,313)	(8,911)
Other components of equity	(2,467)	(4,012)
Equity attributable to owners of the parent company	58,214	57,936
Total equity	58,214	57,936
Total liabilities and equity	98,719	99,417

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

	Three month period ended March 31, 2023 (Unaudited) ¥m	Three month period ended March 31, 2022 (Unaudited) ¥m
Revenue	943	1,119
Cost of sales	(92)	(288)
Gross profit	851	831
Research & development expenses	(1,957)	(1,804)
Selling, general & administrative expenses	(1,109)	(1,354)
Other income	251	121
Other expenses	(0)	(0)
Operating loss	(1,964)	(2,206)
Finance income	273	118
Finance costs	(172)	(189)
Share of loss of associates accounted for using the equity method	-	(220)
Loss before income taxes	(1,863)	(2,497)
Income tax benefit	461	427
Net loss	(1,402)	(2,070)
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	77	(267)
Total items that will not be reclassified subsequently to profit or loss	77	(267)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	1,468	1,156
Total items that may be reclassified subsequently to profit or loss	1,468	1,156
Total other comprehensive income	1,545	889
Total comprehensive income (loss) for the period	143	(1,181)
Net loss for the period attributable to:		
Owners of the parent company	(1,402)	(2,070)
	(1,402)	(2,070)
Total comprehensive income (loss) for the period attributable to:		
Owners of the parent company	143	(1,181)
	143	(1,181)
Earnings per share (yen)		
Basic loss per share	(17.11)	(25.39)
Diluted loss per share	(17.11)	(25.39)

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, 2023	41,335	29,525	(1)	(8,911)	(4,012)	57,936	57,936
Net loss for the period	-	-	-	(1,402)	-	(1,402)	(1,402)
Other comprehensive income	-	-	-	-	1,545	1,545	1,545
Total comprehensive (loss) income for the period	-	-	-	(1,402)	1,545	143	143
Share-based payments	-	135	-	-	-	135	135
Total transactions with owners	-	135	-	-	-	135	135
Balance at March 31, 2023 (Unaudited)	41,335	29,660	(1)	(10,313)	(2,467)	58,214	58,214
Balance at January 1, 2022	41,036	29,100	(0)	(9,768)	(2,900)	57,468	57,468
Net loss for the period	-	-	-	(2,070)	-	(2,070)	(2,070)
Other comprehensive income	-	-	-	-	889	889	889
Total comprehensive (loss) income for the period	-	-	-	(2,070)	889	(1,181)	(1,181)
Issuance of new shares	7	(7)	-	-	-	0	0
Share-based payments	-	272	-	-	-	272	272
Total transactions with owners	7	265	-	-	-	272	272
Balance at March 31, 2022 (Unaudited)	41,043	29,365	(0)	(11,838)	(2,011)	56,559	56,559

4) Interim Condensed Consolidated Statement of Cash Flows

	Three month period ended March 31, 2023 (Unaudited) ¥m	Three month period ended March 31, 2022 (Unaudited) ¥m
Cash flows from operating activities		
Loss before income taxes	(1,863)	(2,497)
Adjustments for:		
Depreciation and amortization	337	322
Share-based payments	135	269
Loss on investments in securities	1	14
Change in fair value of contingent consideration	(26)	(44)
Net foreign exchange loss (gain)	42	(28)
Interest income	(248)	(3)
Interest expenses	170	171
Share of loss of associates accounted for using the equity method	-	220
Decrease in trade and other receivables	1,411	877
(Decrease) increase in trade payables	(320)	278
Decrease in deferred revenue	(230)	(92)
Other	(538)	(774)
Subtotal	(1,129)	(1,287)
Interest received	65	3
Interest paid	(52)	(55)
Income taxes paid	(41)	(252)
Net cash used in operating activities	(1,157)	(1,591)
Cash flows from investing activities		
Purchase of property, plant and equipment	(123)	(90)
Purchase of intangible assets	(7)	-
Net cash used in investing activities	(130)	(90)
Cash flows from financing activities		
Payment of lease liabilities	(51)	(46)
Net cash used in financing activities	(51)	(46)
Effects of exchange rate changes on cash and cash equivalents	919	704
Net decrease in cash and cash equivalents	(419)	(1,023)
Cash and cash equivalents at the beginning of the period	66,557	60,087
Cash and cash equivalents at the end of the period	66,138	59,064

5) Notes of Interim Condensed Consolidated Financial Statements

5.1 Notes related to going concern assumptions

Not applicable.

5.2 Change in accounting policy

Not applicable.

5.3 Changes in accounting estimates

Not applicable.

5.4 Operating segments

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

5.5 Significant subsequent events

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

On April 7, 2023 the Board of Directors adopted a resolution to issue new shares under the Restricted Stock Unit Plan as described below.

Details of Issuance

	16th RSU	17th RSU	18th RSU
1 Payment date	May 16, 2024	May 15, 2025	May 18, 2026
2 Type and number of shares to be issued	Common shares 71,018 shares	Common shares 262,639 shares (planned)	Common shares 262,639 shares (planned)
3 Payment amount (Note)	2,401 yen per share	Representative Executive Officer will decide the payment amount hereafter	Representative Executive Officer will decide the payment amount hereafter
4 Total issue value	170,514,218 yen	Representative Executive Officer will decide the total issue value hereafter	Representative Executive Officer will decide the total issue value hereafter
5 Planned allottees	71,018 shares will be allotted among 8 Directors of the Company (excluding Directors who serve as Executive Officers concurrently)	6 Executive Officers of the Company 207 Directors of subsidiaries of the Company and Employees of the Company and its subsidiaries 262,639 shares to be allotted (planned)	6 Executive Officers of the Company 207 Directors of subsidiaries of the Company and Employees of the Company and its subsidiaries 262,639 shares to be allotted (planned)

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