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August 3, 2023

**Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2024
(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

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Scheduled date to submit the Quarterly Securities Report: August 7, 2023

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, 2023 through June 30, 2023)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2023	18,304	12.3	2,970	(0.2)	3,355	12.8	2,915	12.1
June 30, 2022	16,305	20.3	2,977	137.8	2,974	42.9	2,601	84.6

Note: Comprehensive income: For the three months ended June 30, 2023: 2,622 million yen [(19.6)%]

For the three months ended June 30, 2022: 3,262 million yen [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	66.14	–
June 30, 2022	58.71	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of				
June 30, 2023	139,073	67,333	48.2	1,522.29
March 31, 2023	135,034	65,680	48.5	1,484.79

Reference: Equity: As of June 30, 2023: 67,103 million yen

As of March 31, 2023: 65,449 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	–	18.00	–	22.00	40.00
Year ending March 31, 2024	–				
Year ending March 31, 2024 (Forecast)		22.00	–	22.00	44.00

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

3. Consolidated Financial Forecast for Fiscal Year Ending March 31, 2024 (April 1, 2023 through March 31, 2024)

(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	35,000	3.8	5,500	(6.7)	5,500	6.1	4,500	12.5	102.09
Full year	73,000	6.8	9,100	0.9	9,000	18.7	7,000	13.0	158.80

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

* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2023 (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: None

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

(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, 2023: 53,119,190 shares As of March 31, 2023: 53,119,190 shares

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

As of June 30, 2023: 9,038,982 shares As of March 31, 2023: 9,038,982 shares

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

For the three months ended June 30, 2023: 44,080,208 shares

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

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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, 2024 were 18,304 million yen (up 12.3% from the same period of the previous fiscal year). At the same time, operating profit was 2,970 million yen (down 0.2% from the same period of the previous fiscal year) due to the increase in expenditures such as promotion expenses, research and development expenses, and depreciation. Ordinary profit was 3,355 million yen (up 12.8% from the same period of the previous fiscal year) and profit attributable to owners of parent was 2,915 million yen (up 12.1% from the same period of the previous fiscal year) as a result of recording foreign exchange gains for the period under review despite recording foreign exchange losses from the sudden appreciation of the Swiss franc during the previous period.

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 faced challenging circumstances, owing in part to the impact of the NHI drug price revision implemented in April of 2023. Despite this, sales were steady overall as a result of strong performance in regions such as the UK due to growth in sales of Asacol 1600 mg in overseas markets. Sales of DIFICLIR, a therapeutic agent for Clostridium difficile infections, achieved a significant sales growth as a result of continuous aggressive investment of sales resources in overseas markets, which lead to a significant increase in sales in France, Spain and the UK. In April 2023, we were transferred approval from Astellas Pharma Inc. for the manufacturing and marketing of the drug in Japan and commenced its sale (domestic sales name: Dafclir). However, sales of Entocort (domestic sales name: Zentacort), an inflammatory bowel disease (IBD) therapeutic agent, struggled after the launch of generic drugs in certain countries outside Japan. With regard to Ferinject, we are working to build the market, particularly in the obstetrics and gynecology and gastroenterology fields.

As a result, net sales in the business amounted to 11,947 million yen (up 16.2% from the same period of the previous fiscal year).

(ii) *Consumer Healthcare Business*

As for the Hepalyse range, our mainstay product, due to the relaxing of behavioral restrictions related to the COVID-19 pandemic and recovery in the flow of people, sales of both the pharmaceutical Hepalyse range and the Hepalyse W range for convenience stores increased. Sales of the Chondroitin range also remained strong, due in part to aggressive advertising and promotional investments. Effort is being made to increase awareness of the nutrient tonic Hi Jelly Granules EX that launched in October 2022 and to increase its sales by utilizing various types of media.

As a result, net sales in the business amounted to 6,317 million yen (up 5.5% from the same period of the previous fiscal year).

(iii) *Other*

Net sales in this segment amounted to 38 million yen (up 6.5% 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, 2024 were 139,073 million yen, an increase of 4,039 million yen from the end of the previous fiscal year. Current assets increased 3,162 million yen to 51,365 million yen from the end of the previous fiscal year, and non-current assets increased 877 million yen to 87,708 million yen from the end of the previous fiscal year. Major changes in current assets included an increase of 665 million yen in cash and deposits, an increase of 1,567 million yen in notes and

accounts receivable - trade, and an increase of 775 million yen in inventories such as merchandise and finished goods. Main changes in non-current assets were an increase of 668 million yen in investments and other assets.

Total liabilities at the end of the quarter under review were 71,740 million yen, an increase of 2,386 million yen from the end of the previous fiscal year. Current liabilities increased 5,283 million yen to 52,442 million yen from the end of the previous fiscal year, and non-current liabilities decreased 2,897 million yen to 19,298 million yen from the end of the previous fiscal year. Main changes in current liabilities were an increase of 989 million yen in accounts payable - trade, and an increase of 3,695 million yen in short-term borrowings. Main change in non-current liabilities was a decrease of 2,482 million yen in long-term borrowings.

Net assets at the end of the quarter under review were 67,333 million yen, an increase of 1,652 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 2,915 million yen, payment of 969 million yen as dividends declared at the end of the previous period, an increase of 625 million yen in valuation difference on available-for-sale securities, and a decrease of 723 million yen in foreign currency translation adjustment.

As a result, equity ratio at the end of the quarter under review decreased by 0.3% from the end of the previous fiscal year to 48.2%.

(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, 2024 exceeded expectations due to a growth in overseas sales such as DIFICLIR. Net sales and profits are expected to mainly be in line with expectations starting from the second quarter, and we are not updating our consolidated financial forecast announced on May 11, 2023 due to uncertainties with energy and raw material prices and exchange rate trends.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	16,219,078	16,884,564
Notes and accounts receivable - trade	17,512,925	19,079,936
Merchandise and finished goods	6,843,723	6,984,429
Work in process	1,433,308	1,658,063
Raw materials and supplies	4,487,158	4,896,755
Other	1,800,930	1,948,938
Allowance for doubtful accounts	(93,366)	(86,818)
Total current assets	48,203,757	51,365,868
Non-current assets		
Property, plant and equipment		
Buildings, net	6,772,573	6,722,159
Land	12,359,997	12,468,684
Other, net	5,458,805	5,515,751
Total property, plant and equipment	24,591,375	24,706,595
Intangible assets		
Goodwill	5,299,798	5,162,251
Sales right	28,157,670	28,350,058
Other	8,473,201	8,512,253
Total intangible assets	41,930,669	42,024,563
Investments and other assets		
Investment securities	6,849,304	7,613,306
Retirement benefit asset	12,927,173	12,842,744
Other	578,716	578,388
Allowance for doubtful accounts	(46,460)	(57,491)
Total investments and other assets	20,308,733	20,976,947
Total non-current assets	86,830,779	87,708,106
Total assets	135,034,536	139,073,975
Liabilities		
Current liabilities		
Accounts payable - trade	1,996,122	2,985,615
Short-term borrowings	34,890,470	38,586,230
Income taxes payable	749,106	1,173,990
Provision for bonuses	1,554,662	1,246,335
Other	7,967,956	8,450,122
Total current liabilities	47,158,318	52,442,295
Non-current liabilities		
Long-term borrowings	14,541,480	12,058,670
Provision for loss on cancellation of contracts	897,300	912,407
Retirement benefit liability	234,465	221,968
Asset retirement obligations	56,031	56,083
Other	6,466,230	6,049,051
Total non-current liabilities	22,195,507	19,298,180
Total liabilities	69,353,826	71,740,475

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	6,593,398	6,593,398
Capital surplus	11,685,121	11,685,121
Retained earnings	53,462,589	55,408,244
Treasury shares	(18,264,989)	(18,264,989)
Total shareholders' equity	53,476,120	55,421,776
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(314,469)	311,317
Foreign currency translation adjustment	8,015,623	7,292,065
Remeasurements of defined benefit plans	4,272,642	4,077,871
Total accumulated other comprehensive income	11,973,796	11,681,253
Non-controlling interests	230,793	230,469
Total net assets	65,680,710	67,333,499
Total liabilities and net assets	135,034,536	139,073,975

(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, 2022	Three months ended June 30, 2023
Net sales	16,305,183	18,304,531
Cost of sales	4,552,528	4,573,804
Gross profit	11,752,655	13,730,727
Selling, general and administrative expenses	8,775,525	10,760,562
Operating profit	2,977,129	2,970,165
Non-operating income		
Interest income	3,230	7,101
Dividend income	156,760	190,557
Foreign exchange gains	–	164,481
Other	32,780	140,512
Total non-operating income	192,772	502,653
Non-operating expenses		
Interest expenses	84,984	110,727
Foreign exchange losses	103,018	–
Other	7,031	6,373
Total non-operating expenses	195,035	117,101
Ordinary profit	2,974,866	3,355,717
Extraordinary income		
Gain on sale of non-current assets	251	–
Total extraordinary income	251	–
Extraordinary losses		
Loss on retirement of non-current assets	2,946	–
Total extraordinary losses	2,946	–
Profit before income taxes	2,972,172	3,355,717
Income taxes	367,525	441,923
Profit	2,604,646	2,913,793
Profit (loss) attributable to non-controlling interests	3,357	(1,626)
Profit attributable to owners of parent	2,601,289	2,915,420

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	2,604,646	2,913,793
Other comprehensive income		
Valuation difference on available-for-sale securities	(412,566)	625,787
Foreign currency translation adjustment	1,085,507	(722,241)
Remeasurements of defined benefit plans, net of tax	(15,039)	(194,771)
Total other comprehensive income	657,901	(291,225)
Comprehensive income	3,262,548	2,622,567
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,245,743	2,622,878
Comprehensive income attributable to non-controlling interests	16,805	(310)

(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.

(Segment information, etc.)

[Segment information]

I First three months of the previous 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.

II First three months of the current fiscal year (from April 1, 2023 to June 30, 2023)

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	11,947,965	6,317,994	18,265,960	38,571	18,304,531	–	18,304,531
Intersegment sales and transfers	3,085	58	3,143	188,488	191,631	(191,631)	–
Total	11,951,050	6,318,052	18,269,103	227,060	18,496,163	(191,631)	18,304,531
Segment profit	2,874,541	1,367,016	4,241,557	64,368	4,305,926	(1,335,761)	2,970,165

(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 (1,335,761) 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, 2023 to June 30, 2023)	Increase/(decrease) over the same period of the previous fiscal year (%)
Ethical Pharmaceuticals Business	11,947,965	16.2
Consumer Healthcare Business	6,317,994	5.5
Total reportable segment	18,265,960	12.3
Other	38,571	6.5
Total	18,304,531	12.3

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

(2) Sales of major products and merchandise Consolidated

(Thousands of yen)

	First three months of the previous fiscal year (from April 1, 2022 to June 30, 2022)	First three months of the current fiscal year (from April 1, 2023 to June 30, 2023)	Percentage change (%)
1. Ethical Pharmaceuticals Business	10,280,864	11,947,965	16.2
Asacol	4,831,949	5,189,868	7.4
DIFICLIR	1,514,971	3,238,281	113.8
Entocort	1,545,144	1,092,305	(29.3)
Acofide	773,877	770,702	(0.4)
Other	1,614,920	1,656,807	2.6
2. Consumer Healthcare Business	5,988,085	6,317,994	5.5
Hepalyse range	2,336,600	2,557,467	9.5
Chondroitin range	1,329,756	1,407,737	5.9
WithOne range	296,714	293,355	(1.1)
Other	2,025,013	2,059,434	1.7
3. Other Business	36,233	38,571	6.5
Total	16,305,183	18,304,531	12.3

(3) Status of pipeline of new drugs

I. Domestic

As of August 3, 2023

Stage	Development Code/ Generic Name	Development	Indications	Classification	Origin
NDA in preparation	ZG-801/Patiromer Sorbitex Calcium	Zeria	Hyperkalemia	Potassium binder	In-licensed
Phase III	Z-338/Acotiamide	Zeria	Pediatric functional dyspepsia	Upper gastrointestinal motility modulator	Original
Phase II	ZG-802/Acotiamide	Zeria	Underactive bladder	Lower urinary tract function modulator	Original
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, Honduras, Dominican Republic, Ecuador, Chile)	Z-338/Acotiamide	Faes Farma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out- licensed)
NDA approved (Thailand)	Z-338/Acotiamide	Meiji Seika Pharma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out- licensed)
NDA filed (Vietnam)	Z-338/Acotiamide	Pharmaceutical Joint Stock Company of February 3rd	Functional dyspepsia	Upper gastrointestinal motility modulator	Original
NDA filed (Colombia, Peru, Costa Rica, Guatemala, Panama, Nicaragua, El Salvador)	Z-338/Acotiamide	Faes Farma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out- licensed)
NDA filed (Indonesia)	Z-338/Acotiamide	Meiji Seika Pharma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out- licensed)