



Consolidated Financial Results for the Three Months Ended March 31, 2021 (IFRS)

May 12, 2021

Company name: Sosei Group Corporation

Listing: Tokyo Stock Exchange

Security code: 4565

URL: <https://www.soseiheptares.com/>

Representative: Shinichi Tamura

Representative Executive Officer, CEO

Contact person: Chris Cargill
COO and CFO

Tel: +81-3-5210-3290

Scheduled date of Quarterly Securities
Report filing

May 12, 2021

Scheduled date of dividend
payments: —

Supplementary materials for financial
results:

No

Financial results briefing session:

No

(Rounded million yen)

1. Consolidated Results for 3 month period ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

(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, 2021	1,207	3.9	(1,238)	—	(1,054)	—	(1,153)	—	(1,153)	—	(2,228)	—
3 month period ended March 31, 2020	1,162	(62.9)	(445)	—	(500)	—	(746)	—	(746)	—	(3,019)	—

	Earnings per share – basic	Earnings per share – diluted
	Yen	Yen
3 month period ended March 31, 2021	(14.28)	(14.28)
3 month period ended March 31, 2020	(9.69)	(9.69)

(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, 2021	79,373	55,017	55,017	69.3
At December 31, 2020	76,465	52,381	52,381	68.5

2. Dividends

	Dividends per share				
	End Q1	End Q2	End Q3	End Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	-	0.00	-	0.00	0.00
FY2021	-				
FY2021 (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, 2021 to December 31, 2021

We continue to focus on expanding our drug discovery business and remain well positioned to capitalize on growth opportunities. Our SBDD platform and highly productive drug discovery engine has generated multiple new exciting drug candidates, and we will continue to take steps to increase partnered and co-investment activity to ensure all programs are rapidly 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.

The Group expects 2021 to be a year of increased investment in strategic growth initiatives, including seeking an acquisition of a revenue-generating business to support our medium-term plan for corporate expansion. Like that of 2020, 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 cash R&D expenses in the underlying drug discovery business in the range of JPY 4,000 to JPY 5,000 million¹ (unchanged).
 - Forecast cash G&A expenses in the underlying drug discovery business in the range of JPY 1,800 to JPY 2,300 million² (unchanged).
 - 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 a potentially transformative acquisition to secure long-term revenue growth.
 - We will expand our drug candidate discovery and early development capabilities into new target classes.
 - We will seek out late-stage clinical assets to in-license and develop for the Japanese market.
- The Group has a strong cash runway into 2023 to fund its drug discovery and early-stage development activities.

* Notes

(1) Changes in the number of significant subsidiaries for the three-month period ended March 31, 2021 (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, 2021	80,830,128 shares	At December 31, 2020	80,596,128 shares
-------------------	-------------------	----------------------	-------------------

2) Number of treasury shares at period end

At March 31, 2021	213 shares	At December 31, 2020	213 shares
-------------------	------------	----------------------	------------

3) Average number of shares in issue in period

3 month period ended March 31, 2021	80,721,439 shares	3 month period ended March 31, 2020	77,106,576 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 The assumed FX rate of USD:JPY 106

² The assumed FX rate of USD:JPY 106

○ Contents of Attached Materials	
1. Analysis of Operating Results and Financial Position	4
1) Analysis of operating results	4
2) Analysis of financial position	10
3) Earnings forecast	11
2. Consolidated Financial Statements and Primary Notes (IFRS)	12
1) Interim Condensed Consolidated Balance Sheet	12
2) Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
3) Interim Condensed Consolidated Statement of Changes in Equity	14
4) Interim Condensed Consolidated Statement of Cash Flows	15
5) Notes of Interim Condensed Consolidated Financial Statements	16

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 three months ended March 31, 2021, 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; (i) supporting our existing partnerships with major global pharmaceutical companies, (ii) advancing R&D with innovative technology companies and venture funds, and (iii) signing new high-value partnerships based on successful in-house drug discovery and early-stage development of new candidates.

As of March 31, 2021, the Group had over 20 programs in total ongoing in discovery, with 13 in preclinical development, and multiple in-house and partnered programs currently in clinical trials^{3,4}.

Supporting new and existing partnerships with major global pharmaceutical companies

The Group continued to make good progress with its partners and has implemented measures to ensure R&D continuity and productivity under the new conditions imposed as a result of the COVID-19 situation. This is most notable with Takeda and Genentech, where our work on these respective research and development collaborations has been prioritized and continues to move forward productively.

Our other out-licensed programs are being advanced exclusively by our partners, such as with AstraZeneca, Pfizer, and AbbVie, whilst progress is ongoing, some delays have been experienced as a result of the global COVID-19 situation.

Advancing R&D through co-investments with innovative technology and venture funds

The Group continued to make significant progress with its technology and venture partners.

On January 12, 2021, the Group and PharmEnable, a UK drug discovery company, announced they had entered a collaboration to apply their respective technologies to drive novel drug discovery against a challenging G protein-coupled receptor ("GPCR") target associated with neurological diseases. The collaboration will combine the Group's world-leading GPCR-focused SBDD platform, which has fully structurally enabled the GPCR target, providing detailed structural insights and an assessment of tractability, with PharmEnable's proprietary advanced artificial intelligence (AI)-enabled and medicinal chemistry technologies (ChemUniverse and ChemSeek) to identify novel, highly specific drug leads for further development. PharmEnable's approach identifies three-dimensional (3D) drug candidate hits with improved specificity compared with traditional

³ Includes AZD4635 for multiple solid malignancies, HTL0016878 for neurological diseases, HTL0018318 for neurological diseases (voluntarily suspended), HTL009936 for neurological diseases, PF-07081532 for T2DM/Obesity, PF-07054894 for Inflammatory Bowel Disease, TMP301 for neurological disorders, and HTL0030310 for endocrine disorders.

⁴ Phase 2 trial of HTL0018318 for DLB in Japan remains under voluntary suspension and has been withdrawn. The Group may resubmit a new clinical trial notification for HTL0018318 (or another novel M1 agonist) to the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) in the future, pending the outcome of an ongoing analysis and studies into toxicology findings.

screening methods and allows the company to take on particularly challenging biological targets, such as “peptidergic” GPCRs, which have proved difficult to drug using existing approaches. The natural agonist ligand of a peptidergic GPCR is a large, complex peptide and is often very difficult to block with a small molecule, particularly one that has properties suitable for development as a therapeutic agent for neurological disease. Under the agreement, the companies will jointly conduct and share the costs of the discovery and development program and will co-own any resulting products.

On February 1, 2021, the Group and Metrion Biosciences, a specialist UK-based ion channel CRO and drug discovery company, announced they had entered into a strategic technology collaboration where for the first time the Group will apply its world-leading SBDD expertise and platform to ion channels. The collaboration aims to demonstrate the potential of the Group’s SBDD technologies to address disease-associated ion channels and work towards establishing a leadership position in this area, in a similar way that it has done for GPCRs. As a first step, the Group and Metrion will combine their respective capabilities in a drug discovery program to identify novel, highly specific drug leads for further development against a single ion channel associated with neurological diseases. Metrion will contribute intellectual property, know-how and use of screening models for the nominated ion channel target. The Group will have exclusive, full global rights to all molecules identified and directed to the targets for development.

On February 16, 2021, the Group noted the announcement from Centessa Pharmaceuticals (“Centessa”) about its launch as a novel asset-centric pharmaceutical company designed and built to advance a portfolio of highly validated programs. In conjunction with its launch, Centessa completed the merger of 10 private biotech companies (“Centessa Subsidiaries”) that would each continue to develop its assets with oversight from the Centessa management team. Centessa was founded by specialist life science venture capital firm Medicxi and raised \$250 million in an oversubscribed Series A financing from a group of blue-chip investors. Centessa’s asset-centric R&D model applied at scale has assembled best-in-class or first-in-class assets, each of which is led by specialized teams committed to accelerate development and reshape the traditional drug development process. With its unique operational framework, Centessa aims to reduce some of the key R&D inefficiencies that classical pharmaceutical companies face because of structural constraints. Each Centessa Subsidiary team is asset-focused, in that it prosecutes a single program or biological pathway, with leadership provided by subject matter experts who are given a high degree of autonomy to advance each program. With a singular focus on advancing exceptional science, combined with proprietary capabilities, including structure-based drug discovery and design, the subsidiary teams enable Centessa to potentially develop and deliver impactful medicines to patients. Orexia Therapeutics (“Orexia”), a new entity comprising Orexia Limited and Inexia Limited, which were created in February 2019 by the Group and Medicxi, was merged into Centessa. Orexia is developing oral and intranasal orexin receptor agonists using structure-based drug design approaches. These agonists target the treatment of narcolepsy type 1, where they have the potential to directly address the underlying pathology of orexin neuron loss, as well as other neurological disorders characterized by excessive daytime sleepiness. The Group continues to provide research services to Orexia and its equity holding in Orexia was converted into a proportional shareholding in Centessa.

Investing in our in-house discovery and early development programs to generate new candidates for partnering

The Group continued to make significant investments in its pipeline, as it advanced multiple discovery candidates and early development programs. The Group’s ongoing in-house Phase I

clinical trial (HTL0030310) is progressing well and is now the subject of early partnering discussions. However, some delays to the completion of the study have occurred as a result of the global COVID-19 situation.

On January 5, 2021, the Group announced it regained the worldwide rights to its muscarinic agonist programs. The program was licensed to Allergan in April 2016, and Allergan was acquired by AbbVie in May 2020. This decision to return worldwide rights was based on business decisions regarding AbbVie's pipeline strategy and not on any efficacy, safety or other data related to the collaboration programs. As a result of this process, AbbVie had notified the Group that it would be returning to the Group all assets in development under the program, together with all associated intellectual property licensed by the Group to Allergan, and all clinical and preclinical data generated under the partnership. The Group is conducting a full internal review to determine a strategy for the further development and re-partnering of the program. The Group's plans regarding its strategy to advance the Muscarinic programs for partnering will be detailed at the appropriate time in 2021.

Activities related to former wholly-owned subsidiaries

The Group received a milestone related to a program previously created by Activus Pharma Inc. ("Activus").

On March 11, 2021, the Group announced that Formosa Pharmaceuticals, Inc. ("Formosa") had dosed the first patient in a 370-patient randomized Phase 3 clinical trial of APP13007 in the United States (ClinicalTrials.gov Identifier: NCT04739709). APP13007 is a nanoparticle formulation of a steroid in development for the treatment of inflammation and pain after cataract surgery. The milestone triggered a US\$2.5 million payment to the Group from Formosa. APP13007 was originally designed and developed at Activus, formerly a wholly owned subsidiary of the Company. Activus was divested in August 2017 to Formosa, a wholly owned subsidiary of Formosa Laboratories, Inc., a leading manufacturer of Active Pharmaceutical Ingredients ("APIs") listed on the Taiwan Stock Exchange. The divestment was part of Sosei Heptares' redirected growth strategy towards the design and development of new medicines originating from its proprietary GPCR-targeted StaR® technology and structure-based drug design platform capabilities.

Operational highlights after the period under review (period ended March 31, 2021)

On 21 April 2021, Centessa filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission ("SEC") for a proposed initial public offering of the American Depositary Shares ("ADSs") of Centessa Pharmaceuticals plc. Prior to the completion of this offering, Centessa intends to re-register Centessa Pharmaceuticals Limited as a public limited company and to change its name from Centessa Pharmaceuticals Limited to Centessa Pharmaceuticals plc. The proposed maximum aggregate offering price is USD 100 million. The number of ADSs to be offered and the price range for the proposed offering have not yet been determined. In connection with the initial public offering, Centessa Pharmaceuticals plc. intends to apply to list the ADSs on the Nasdaq Global Market under the symbol "CNTA." The completion date of the transaction has not been determined yet and the transaction is, subject to, among other things, completion of the SEC review process and suitable market conditions.

As of March 31, 2021, the Group had a total of 193 employees (an increase of 3 employees vs. the end of the previous financial year, 2020).

As a result of the above activities, the Group reported the following financial results for the three month period ended March 31, 2021. Revenue of JPY 1,207 million (an increase of JPY 45 million vs. the prior corresponding period), an operating loss of JPY 1,238 million (vs. an operating loss of JPY 445 million in the prior corresponding period), a net loss before taxes of JPY 1,054 million (vs. a net loss before income taxes of JPY 500 million in the prior corresponding period), and a net loss of JPY 1,153 million (vs. a net loss of JPY 746 million in the prior corresponding period).

	3 month period ended March 31, 2021 ¥m	3 month period ended March 31, 2020 ¥m	Change
Revenue	1,207	1,162	45
Cash cost of sales	(184)	(175)	(9)
Cash research and development expenses	(1,102)	(557)	(545)
Cash selling, general and administrative expenses	(641)	(437)	(204)
Other cash income	37	19	18
Cash earnings	(683)	12	(695)
Non-cash costs	(555)	(457)	(98)
Operating loss	(1,238)	(445)	(793)
Net finance income	66	7	59
Share of loss of associates	(88)	(62)	(26)
Gain on reversal of impairment loss for investments accounted for using the equity method	206	-	206
Net loss before income taxes	(1,054)	(500)	(554)
Net loss	(1,153)	(746)	(407)

Notes:

1. Cash earnings describes operating profit before deducting depreciation, amortization, stock-based compensation expenses and impairment losses.

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, 2021 ¥m	3 month period ended March 31, 2020 ¥m	Change
Royalty income	585	619	(34)
Milestone income and upfront fees	422	233	189
Other	200	310	(110)
	1,207	1,162	45

Revenue in the three month period under review totaled JPY 1,207 million (an increase of JPY 45 million vs. the prior corresponding period).

Revenue related to royalties in the three month period under review totaled JPY 585 million (a decrease of JPY 34 million vs. the prior corresponding period). The majority of the Group's royalty revenue relates to sales of Ultibro® Breezhaler®, Seebri® Breezhaler® and Enerzair® Breezhaler® by Novartis⁵.

Revenue related to milestone income and upfront fees in the three month period under review totaled JPY 422 million (an increase of JPY 189 million vs. the prior corresponding period). Milestone revenues and upfront fees 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 milestones in the three-month period under review was due to (i) the achievement of two \$2m milestones in Q1 2021 relating to the delivery of StaR® proteins provided to Genentech (in respect of which USD 2.1m has been recognised) vs. the achievement of one USD 1.5m milestone in Q1 2020, and (ii) larger releases of deferred revenue in Q1 2021 due to there being an additional contract in the current quarter in respect of which revenue had been deferred in the past (AbbVie).

Operating expenses

	3 month period ended March 31, 2021 ¥m	3 month period ended March 31, 2020 ¥m	Change
Cash cost of sales	184	175	9
Cash research and development expenses	1,102	557	545
Cash general and administrative expenses	641	437	204
Non-cash expenses:	555	457	98
Cost of sales	42	-	42
Research and development expenses	105	111	(6)
General and administrative expenses	334	346	(12)
Other expenses	74	-	74

Cash cost of sales

Cost of sales in the three month period under review totaled JPY 184 million (an increase of JPY 9 million vs. the prior corresponding period). Cost of sales comprises the fully loaded cost of those employees providing research and development services to specific customers under contracts (including other costs directly associated with these activities such as lab consumables and an allocated share of depreciation of lab equipment).

⁵ 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.

Cash research and development expenses

Cash research and development (“R&D”) expenses in the three month period under review totaled JPY 1,102 million (an increase of JPY 545 million vs. the prior corresponding period). The increase in R&D spend relates primarily to (i) spend on new innovative research collaborations, including Metrion, PharmEnable and Captor (ii) an expansion in R&D headcount to support the growth of the business (iii) a low level of spend in the comparative period which included some non-recurring credits, including the successful resolution of disputed costs charged by one supplier, and (iv) a stronger GBP vs. JPY. In the period under review 98% of R&D spend related to our UK operations.

Cash general and administrative expenses

Cash general and administrative (“G&A”) expenses in the three month period under review totaled JPY 641 million (an increase of JPY 204 million vs. the prior corresponding period). The increase in G&A spend is primarily due to an increase in personnel related expenses. In the prior corresponding period personnel related expenses were lower as a result of a reduction in the UK share based payment related National Insurance liability which was driven by share price movements in that particular quarter.

Non-cash expenses

Non-cash expenses primarily consist of depreciation on property, plant and equipment, amortization of intangible assets, stock-based compensation expenses and impairment losses. Non-cash expenses in the three month period under review were JPY 555 million (an increase of JPY 98 million vs. the prior corresponding period). In total, depreciation amounted to JPY 134 million (an increase of JPY 8 million vs. the prior corresponding period). Amortization for the three month period under review totaled JPY 180 million (a decrease of JPY 34 million vs. the prior corresponding period). Stock-based compensation expense for the period was JPY 167 million (an increase of JPY 50 million vs. the prior corresponding period). Impairment loss in the three month period was JPY 74 million. This was due to intangible asset impairment charge associated with a reduction in Oravi® sales and profitability forecasts.

Operating loss

Operating loss in the three month period under review totaled JPY 1,238 million (vs. an operating loss of JPY 445 million in the prior corresponding period). The main reason for the increase in the operating loss is that the increase in operating expenses exceeded the increase in revenue.

Net finance income

Net finance income in the three month period under review totaled JPY 66 million (an increase of JPY 59 million vs. the prior corresponding period). The increase in finance income is primarily due to contingent consideration gains relating to the 2017 Activus divestment in the current period, which are partially offset by higher interest costs, including the costs of convertible bonds issued in July 2020.

Gain on reversal of impairment loss for investments accounted for using the equity method

Gain on reversal of impairment loss for investments accounted for using the equity method in the three month period under review totaled JPY 206 million. This was due to an increase in the fair value of shares in JITSUBO, an affiliated company of the Group, which was disposed of in April 2021.

Net loss

The net loss in the three month period under review totaled JPY 1,153 million (a net loss of JPY 746 million in the prior corresponding period). The main reason for the net loss is the increase in operating loss (for the reasons stated above).

(2) Analysis of financial position

1) Assets, liabilities and equity

Assets

Total assets as at March 31, 2021 were JPY 79,373 million (an increase of JPY 2,908 million vs. the end of the previous financial year, 2020). The main reason for the increase was the effect of the strong GBP on the translation of GBP-denominated assets into JPY.

Liabilities

Total liabilities as at March 31, 2021 were JPY 24,356 million (an increase of JPY 272 million vs. the end of the previous financial year, 2020). The main reason for the increase was the effect of the strong GBP on the translation of GBP-denominated deferred tax liabilities into JPY offset by a decrease in trade payable.

Equity

Total equity as at March 31, 2021 was JPY 55,017 million (an increase of JPY 2,636 million vs. the end of the previous financial year, 2020). This was primarily due to the net loss of JPY 1,153 million and exchange differences of translation of JPY 3,007 million.

The ratios of Cash and cash equivalents, Interest-bearing debt and Equity attributable to owners of the parent company to total assets were 50.9%, 21.2% and 69.3%, respectively.

2) Cash flows

Cash and cash equivalents as at March 31, 2021 increased by JPY 388 million from the beginning of the year and amounted to JPY 40,396 million.

Cash flows from operating activities

Net cash provided by operating activities for the period under review totaled JPY 890 million. This was primarily due to operating expenses exceeding revenues.

Cash flows from investing activities

Net cash used in investing activities for the period under review totaled JPY 62 million. This was primarily due to purchases of property, plant and equipment of JPY 60 million.

Cash flows from financing activities

Net cash provided by financing activities for the period under review totaled JPY 197 million. This was primarily due to the issuance of new shares of JPY 240 million.

Effects of exchange rate changes on cash and cash equivalents

Effects of exchange rate changes on cash and cash equivalents for the period under review totaled JPY 1,143 million. This increase of cash and cash equivalents was primarily due to a stronger GBP vs. JPY.

(3) Earnings Forecast

We continue to focus on expanding our drug discovery business and remain well positioned to capitalize on growth opportunities. Our SBDD platform and highly productive drug discovery engine has generated multiple new exciting drug candidates, and we will continue to take steps to increase partnered and co-investment activity to ensure all programs are rapidly 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.

The Group expects 2021 to be a year of increased investment in strategic growth initiatives, including seeking an acquisition of a revenue-generating business to support our medium-term plan for corporate expansion. Like that of 2020, 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 cash R&D expenses in the underlying drug discovery business in the range of JPY 4,000 to JPY 5,000 million⁶ (unchanged).
- Forecast cash G&A expenses in the underlying drug discovery business in the range of JPY 1,800 to JPY 2,300 million⁷ (unchanged).
- 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 a potentially transformative acquisition to secure long-term revenue growth.
- We will expand our drug candidate discovery and early development capabilities into new target classes.
- We will seek out late-stage clinical assets to in-license and develop for the Japanese market.

The Group has a strong cash runway into 2023 to fund its drug discovery and early-stage development activities.

⁶ The assumed FX rate of USD:JPY 106

⁷ The assumed FX rate of USD:JPY 106

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

1) Interim Condensed Consolidated Balance Sheet

	March 31, 2021 (Unaudited) ¥m	December 31, 2020 (Audited) ¥m
Assets		
Non-current assets		
Property, plant and equipment	4,012	3,824
Goodwill	14,899	14,134
Intangible assets	12,562	11,802
Investments accounted for using the equity method	3,267	3,087
Other financial assets	2,057	1,593
Other non-current assets	11	7
Total non-current assets	36,808	34,447
Current assets		
Trade receivables	843	939
Income taxes receivable	65	420
Other financial assets	82	-
Other current assets	973	651
Cash and cash equivalents	40,396	40,008
Subtotal	42,359	42,018
Assets held for sale	206	-
Total current assets	42,565	42,018
Total assets	79,373	76,465
Liabilities and Equity		
Liabilities		
Non-current liabilities		
Deferred tax liabilities	2,735	2,457
Contingent consideration in business combinations	908	1,107
Corporate bonds	14,854	14,789
Lease liabilities	1,756	1,664
Other non-current liabilities	865	1,082
Total non-current liabilities	21,118	21,099
Current liabilities		
Trade and other payables	1,141	1,508
Contingent consideration in business combinations	269	-
Income taxes payable	159	29
Lease liabilities	180	170
Other current liabilities	1,489	1,278
Total current liabilities	3,238	2,985
Total liabilities	24,356	24,084
Equity		
Capital stock	40,421	40,220
Capital surplus	30,659	30,452
Treasury stock	(0)	(0)
Retained earnings	(11,938)	(10,785)
Other components of equity	(4,125)	(7,506)
Equity attributable to owners of the parent company	55,017	52,381
Total equity	55,017	52,381
Total liabilities and equity	79,373	76,465

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

	Three month period ended March 31, 2021 (Unaudited) ¥m	Three month period ended March 31, 2020 (Unaudited) ¥m
Revenue	1,207	1,162
Cost of sales	(226)	(175)
Gross profit	981	987
Research & development expenses	(1,207)	(668)
Selling, general & administrative expenses	(975)	(783)
Other income	39	19
Other expenses	(76)	(0)
Operating loss	(1,238)	(445)
Finance income	171	214
Finance costs	(105)	(207)
Share of loss of associates accounted for using the equity method	(88)	(62)
Gain on reversal of impairment loss for investments accounted for using the equity method	206	-
Loss before income taxes	(1,054)	(500)
Income tax expense	(99)	(246)
Net loss for the period	(1,153)	(746)
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	374	30
Total items that will not be reclassified subsequently to profit or loss	374	30
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	3,007	(2,303)
Total items that may be reclassified subsequently to profit or loss	3,007	(2,303)
Total other comprehensive income (loss)	3,381	(2,273)
Total comprehensive income (loss) for the period	2,228	(3,019)
Net loss for the period attributable to:		
Owners of the parent company	(1,153)	(746)
Non-controlling interests	-	(0)
	(1,153)	(746)
Total comprehensive income (loss) for the period attributable to:		
Owners of the parent company	2,228	(3,019)
Non-controlling interests	-	(0)
	2,228	(3,019)
Earnings per share (yen)		
Basic loss per share	(14.28)	(9.69)
Diluted loss per share	(14.28)	(9.69)

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	Non- controlling interests ¥m	Total equity ¥m
Balance at January 1, 2021	40,220	30,452	(0)	(10,785)	(7,506)	52,381	-	52,381
Net loss	-	-	-	(1,153)	-	(1,153)	-	(1,153)
Other comprehensive income	-	-	-	-	3,381	3,381	-	3,381
Total comprehensive (loss) income for the period	-	-	-	(1,153)	3,381	2,228	-	2,228
Issuance of new shares	201	39	-	-	-	240	-	240
Share-based payments	-	168	-	-	-	168	-	168
Total transactions with owners	201	207	-	-	-	408	-	408
Balance at March 31, 2021 (Unaudited)	40,421	30,659	(0)	(11,938)	(4,125)	55,017	-	55,017
Balance at January 1, 2020	37,479	26,548	(0)	(12,264)	(6,688)	45,075	3	45,078
Net loss	-	-	-	(746)	-	(746)	(0)	(746)
Other comprehensive loss	-	-	-	-	(2,273)	(2,273)	-	(2,273)
Total comprehensive (loss) for the period	-	-	-	(746)	(2,273)	(3,019)	(0)	(3,019)
Issuance of new shares	39	(29)	-	-	-	10	-	10
Share-based payments	-	156	-	-	-	156	-	156
Total transactions with owners	39	127	-	-	-	166	-	166
Balance at March 31, 2020 (Unaudited)	37,518	26,675	(0)	(13,010)	(8,961)	42,222	3	42,225

4) Interim Condensed Consolidated Statement of Cash Flows

	Three month period ended March 31, 2021 (Unaudited) ¥m	Three month period ended March 31, 2020 (Unaudited) ¥m
Cash flows from operating activities		
Loss before income taxes	(1,054)	(500)
Adjustments for:		
Depreciation and amortization	314	340
Share-based payments	167	117
Impairment loss	74	-
Loss (gain) on investments in securities	5	(45)
Loss on sale of investments in securities	-	73
Gain on investment in capital	-	(32)
Change in fair value of contingent consideration	(105)	115
Net foreign exchange (gain) loss	(100)	25
Interest income	(1)	(24)
Interest expenses	100	15
Share of loss of associates accounted for using the equity method	88	62
Gain on reversal of impairment loss for investments accounted for using the equity method	(206)	-
Decrease in trade receivables	172	766
Increase in other accounts receivables	(77)	(34)
Decrease in trade payables	(384)	(379)
Increase (decrease) in deferred revenues	51	(73)
Other	(245)	(89)
Subtotal	(1,201)	337
Interest and dividends received	1	24
Interest paid	(56)	(2)
Income tax refunded	367	1,114
Income taxes paid	(1)	(4)
Net cash (used in) provided by operating activities	(890)	1,469
Cash flows from investing activities		
Purchase of property, plant and equipment	(60)	(34)
Purchase of intangible assets	(2)	(6)
Proceeds from sales on investment securities	-	238
Net cash (used in) provided by investing activities	(62)	198
Cash flows from financing activities		
Repayments of lease liabilities	(43)	(62)
Payment for settlement of contingent consideration	-	(159)
Proceeds from issuance of common stock	240	10
Net cash provided by (used in) financing activities	197	(211)
Effects of exchange rate changes on cash and cash equivalents	1,143	(496)
Net increase in cash and cash equivalents	388	960
Cash and cash equivalents at the beginning of the period	40,008	15,375
Cash and cash equivalents at the end of the period	40,396	16,335

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 the Restricted Stock Unit ("RSU") Plan with the intention to increase 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 energetically realize the Company's vision and strategy. The Plan will also promote the sharing of 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 21, 2021 the Board of Directors adopted a resolution to issue new shares under the Restricted Stock Unit Plan as described below.

Details of Issuance

	10th RSU	11th RSU	12th RSU
1 Payment date	April 18, 2022	May 18, 2023	May 15, 2024
2 Type and number of shares to be issued	Common shares 30,610 shares	Common shares 162,342 shares (planned)	Common shares 162,342 shares (planned)
3 Payment amount (Note)	1,874 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	57,363,140 yen	Representative Executive Officer will decide the total issue value hereafter	Representative Executive Officer will decide the total issue value hereafter
5 Planned Allottees	30,610 shares will be allotted to 5 Directors of the Company	6 Executive Officers of the Company 76 Directors of subsidiaries of the Company and employees of the Company and its subsidiaries. 162,342 shares to be allotted (planned)	6 Executive Officers of the Company 76 Directors of subsidiaries of the Company and employees of the Company and its subsidiaries. 162,342 shares to be allotted (planned)

(Note) Delivered in return for provision as 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.