Consolidated Financial Results for the Three months Ended March 31, 2024 (IFRS)

May 9, 2024

Company name:	Nxera Pharma Co., Ltd (formerly Sosei Group Corporation)		Listing: Tokyo Stock Exchange
Security code:	4565	URL:	https://www.nxera.life
Representative:	Christopher Cargill Representative Executive Officer, CEO		
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Scheduled date of Quarterly Securities Report filing	May 9, 2024	Scheduled date of dividend payments:	-
Supplementary materials for financial results:	None		
Financial results briefing session:	None		

(Rounded million yen)

1. Consolidated Results for the 3 month period ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

(1) Consolidated Operating Results (cumulative)

(Percentages are shown as year-on-year changes)

	Revenue		Core operating profit		Operating income		Profit before income taxes		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 month period ended March 31, 2024	4,611	389.0	(931)	-	(3,076)	-	(2,796)	-	(3,281)	-
3 month period ended March 31, 2023	943	(15.7)	(1,465)	-	(1,964)	-	(1,863)	-	(1,402)	-

	Net profit attributable to owners of the parent		Total comprehensive income		Earnings per share – basic	Earnings per share – diluted
	Million yen	%	Million yen	%	Yen	Yen
3 month period ended March 31, 2024	(3,281)	-	(1,156)	-	(36.68)	(36.68)
3 month period ended March 31, 2023	(1,402)	-	143	-	(17.11)	(17.11)

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Million yen	Million yen	Million yen	%
At March 31, 2024	152,291	65,886	65,886	43.3
At December 31, 2023	157,198	66,810	66,810	42.5

2. Dividends

	Dividends per share				
	End Q1	End Q2	End Q3	End Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	-	0.00	-	0.00	0.00
FY2024	-				
FY2024 (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, 2024 to December 31, 2024

A financial results forecast for the year ended December 31, 2024 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 12 of this document.

* Notes

(1) Changes in the number of significant subsidiaries for the three month period ended March 31, 2024 (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, 2024	89,446,777 shares	At December 31, 2023	89,446,777 shares
2) Number of treasury shares at period end	At March 31, 2024	1,121 shares	At December 31, 2023	335 shares
3) Average number of shares in issue in period	3 month period ended March 31,2024	89,446,073 shares	3 month period ended March 31, 2023	81,922,976 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 our forecasts due to various factors.

○ Contents of Attached Materials

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

Nxera Pharma ("the Group" or "the Company") is a science and technology-led biopharmaceutical business whose core activities are drug discovery, drug development and the commercialization of pharmaceutical products. Within the Group, Nxera Pharma UK Limited (formerly Heptares Therapeutics Ltd), a wholly owned subsidiary based in UK, mainly engages in drug discovery, translational medicine, preclinical and early clinical development; Nxera Pharma Japan Co., Ltd. (formerly Idorsia Pharmaceuticals Japan Ltd.), a wholly owned subsidiary based in Japan, and Nxera Pharma Korea Co., Ltd. (formerly Idorsia Pharmaceuticals Korea Co., Ltd.), a wholly owned subsidiary based in South Korea, mainly engage in clinical development and product commercialization in Japan and South Korea, respectively, with potential to expand into other Asia-Pacific ("APAC") regions.

In drug discovery, the Group's core scientific focus is to discover new medicines for important unmet medical needs, including novel small molecules, peptides and therapeutic antibodies targeting G Protein-Coupled Receptors ("GPCRs"). Its proprietary GPCR-targeted structure-based drug discovery platform ("NxWave™") has enabled the Group to become a world leader in discovering new drugs to target GPCRs and to develop an extensive pipeline of over 30 active in-house and partnered discovery and development programs across important therapeutic areas, including neurology, gastroenterology, and immunology and inflammation.

In late-stage development and commercialization, the Group owns the Japan and APAC (excluding China) territory rights to PIVLAZ® (launched in Japan in 2022 to treat cerebral vasospasm) and daridorexant (filed in Japan in 2023 to treat insomnia), as well as exclusive options to license Japan and APAC (ex-China) rights from Idorsia Pharmaceuticals to its cenerimod (autoimmune diseases) and lucerastat (Fabry disease) programs, both of which are in Phase 3 development.

In addition, the Group generates royalty revenues from the global sales of respiratory disease products Seebri® Breezhaler®, Ultibro® Breezhaler® and Enerzair® Breezhaler® from Novartis International AG ("Novartis"). These royalties provide the Group with a significant, stable source of capital to support the investment required to achieve its strategic objectives.

During 2023, management has focused on implementing an evolved strategy to more effectively leverage the Group's proprietary platform, pipeline and capabilities to grow its business in Japan and internationally. This strategy, designed to apply cutting-edge science to create pipeline programs and deliver life-changing medicines to patients, has been based on four key strategic pillars:

(i) Extending and enhancing the competitive advantages of the Group's world-leading GPCR-targeted structure-based drug discovery "NxWave™" platform through continued investment and internal innovation combined with external collaborations that provide access to advanced complementary technologies.

(ii) 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 internal candidates more cost effectively, promote the signing of more profitable out-licensing deals, as well as the generation of a deeper in-house pipeline.

(iii) 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. The Group aims to retain rights to develop and commercialize candidates in Japan/APAC under these partnership agreements.

(iv) Building out an agile, scalable and effective clinical development and commercialization business in Japan and APAC. This strategic initiative aims to capitalize on significant underserved opportunities that the Group sees within this large attractive market. This strategy includes in-licensing externally sourced and de-risked clinical assets that are either approved or in late-stage clinical development, as well as expanding the pipeline with internally generated programs in the future.

(i) Extending and enhancing the Group's world-leading GPCR-targeted structure-based drug discovery "NxWave™" platform

In terms of enhancing the Group's world-leading GPCR-targeted structure-based drug discovery "NxWave™" platform, the Group will focus on progressing existing strategic collaborations with companies that have complementary technologies and look to collaborate with new partners. By leveraging this enhanced technology advantage in the GPCR space, the Group aims to generate and advance multiple programs into its own development pipeline while continuing to be a discovery and development partner-of-choice for leading biopharmaceutical companies.

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

On March 21, 2024, the Group announced it had dosed the first subject in a Phase 1 trial evaluating its novel EP4 receptor agonist, NXE0033744 (NXE'744) for the treatment of Inflammatory Bowel Disease ("IBD"), a therapeutic area where there remains significant unmet need for millions of people worldwide.

NXE'744 is a potent, selective and gut-restricted prostaglandin EP4 receptor agonist that has been uniquely designed to bring clinical benefit by accelerating the healing of damaged epithelial mucosa and suppressing exaggerated gut inflammation, with minimal systemic exposure to avoid adverse events. This approach is widely recognized to promote deeper remission and offer better long-term clinical outcomes. NXE'744 aims to address the significant unmet need of people with IBD that do not achieve satisfactory disease control. Current treatments for IBD typically achieve remission rates of less than 25%, and the safety profile of these drugs mean that they require careful monitoring.

The Phase 1 trial is a first-in-human randomized, double-blind study to assess the safety, pharmacokinetics and effects on pharmacodynamic biomarkers of single and multiple ascending doses of NXE'744 in adult healthy volunteers and people with Crohn's disease to generate proof of mechanism. The trial will be conducted in the UK and initial data read-outs are anticipated from 2025.

Besides the above, the Group is focused on strengthening its in-house R&D to achieve its goal to advance at least one in-house program into clinical trials in 2024.

On March 21, 2024, the Group announced it had regained full ownership from GSK of NXE0027477 (formerly GSK4381406), a clinic-ready, highly selective, first-in-class, oral GPR35 agonist in development as a potential new treatment for IBD. GPR35 is an important orphan GPCR with an established genetic association to IBD.

NXE0027477 was designed by the Group using its proprietary GPCR-targeted structure-based drug discovery "NxWave™" platform and licensed to GSK in 2020. Since then, NXE0027477 has been advanced through a joint development program, generating promising mechanistic, preclinical efficacy and safety data suggesting that it may have the potential to improve intestinal barrier function and reduce visceral pain in gastrointestinal indications such as ulcerative colitis and irritable bowel syndrome. The UK Medicines and Healthcare products Regulatory Agency ("MHRA") gave approval in mid-2023 for NXE0027477 to be investigated in first-in-human studies.

The process to regain rights to the program was initiated in late 2023 following a decision by GSK to deprioritize and discontinue its development following changes to both its immunology research strategy and immunology research leadership. The decision was not based on any scientific, preclinical or safety data related to the candidate. The Group regained full ownership of the NXE0027477 program including associated intellectual property licensed by the Group to GSK, and preclinical data generated under the partnership for no upfront payment. The Group expects to determine the optimal strategy for further clinical development of the program, which could include in-house development and re-partnering.

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

Through its extensive array of partnerships with major biopharmaceutical companies, the Group has an economic interest in programs advancing in some of the most exciting and fastest growing therapeutic areas of interest to the global pharmaceutical market, particularly in metabolic and neuropsychiatric disorders.

On March 11, 2024, the Group announced it had entered a global collaboration and exclusive option-to-license agreement with Boehringer Ingelheim. At the center is a joint mission to develop and commercialize the Group's portfolio of first-in-class GPR52 agonists, a novel GPCR target, with the intent to improve patient outcomes by simultaneously addressing positive, negative, and cognitive symptoms of schizophrenia.

The Group received an upfront payment of EUR 25 million from Boehringer Ingelheim in the first quarter of 2024 and is eligible for an option exercise payment of EUR 60 million and further development, regulatory and commercialization milestone payments totaling up to EUR 670 million plus customary tiered royalties for a clinical-stage asset on future Boehringer Ingelheim product sales.

Under the terms of the agreement, Boehringer Ingelheim has the exclusive option to license the Group's portfolio of GPR52 agonists following the completion of the Group's ongoing Phase 1 and subsequent Phase 1b trial and further Phase 2 enabling activities with NXE0048149, a first-in-class GPR52 agonist. The Group will retain control and act as sponsor of these trials until option exercise, estimated in 2025. The licensed portfolio includes NXE0048149 as well as multiple differentiated back-up compounds designed by the Group using its GPCR-targeted structure-based drug discovery "NxWave™" platform.

(iv) Building out a leading commercialization business in Japan

In 2024, the Group aims to achieve PIVLAZ® Sales (NHI basis) of JPY 16,000 million or more, gain JNDA approval and launch daridorexant in Japan, and acquire/in-license at least one late-stage medicine for the Japan/APAC (ex-China) region, focusing on strengthening the Japan/APAC business to achieve its strategic goals.

Activities related to former wholly-owned subsidiaries

The Group received a milestone related to a program previously created by Activus Pharma Inc. ("Activus"), formerly a wholly owned subsidiary of the Company.

On March 6, 2024, the Group announced that Formosa Pharmaceuticals, Inc. ("Formosa") had received approval from the US Food & Drug Administration ("FDA") for clobetasol propionate ophthalmic suspension 0.05% (APP13007), for the treatment of post-operative inflammation and pain following ocular surgery. As a result, the Group received a USD 2.5 million payment from Formosa in April 2024. APP13007 was originally designed and developed at Activus, which 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. Activus developed APP13007 using its proprietary Activus Pure Nanoparticle Technology to create a novel nanoparticle formulation of steroid for treating postoperative inflammation of the eye. Since the divestment, Formosa progressed the development of APP13007 and received FDA approval.

Operational highlights after the period under review (period ended March 31, 2024)

On April 1, 2024, the Company changed its company name to Nxera Pharma Co., Ltd., having received approval at the 34th Ordinary General Meeting of Shareholders held on 27 March 2024. The new name expresses the Company's vision to lead the next era of medicine- from Japan, for Japan, and by extension, to the world – and its mission to accelerate the development of life-changing medicines, by investing in science and technology. The Company's subsidiaries, formerly Heptares Therapeutics and Idorsia Pharmaceuticals Japan and Korea, have all been renamed under the Nxera Pharma brand to Nxera Pharma UK Limited, Nxera Pharma Japan Co., Ltd. ("NPJ") and Nxera Pharma Korea Co., Ltd. ("NPK"), respectively.

On April 15, 2024, the Company announced that its operating business NPK had entered into an exclusive supply and distribution agreement with Handok Inc. ("Handok") to commercialize PIVLAZ™ (clazosentan sodium) 150 mg in South Korea. Under the terms of the agreement, NPK will provide drug product to Handok at an agreed price and Handok is exclusively responsible for the promotion, marketing, sales and distribution of PIVLAZ™ in South Korea. Nxera is eligible to receive a one-off upfront payment from Handok upon signing the agreement and is eligible to receive further commercial milestone payments plus sales revenues coming from product supply.

On April 16, 2024, the Group announced that it had been notified by its partner Neurocrine Biosciences Inc. ("Neurocrine") that NBI-1117568, an oral selective muscarinic M4 receptor agonist being advanced in Phase 2 clinical trials by Neurocrine for the treatment of schizophrenia and other neuropsychiatric disorders, had successfully completed a long-term preclinical toxicity program that meets US FDA requirements to allow for safe, chronic (i.e. long-term) dosing in future clinical trials. The achievement of this important safety development milestone triggered a USD 15 million payment to the Group from Neurocrine.

NBI-1117568 is the most advanced candidate from a broad portfolio of novel clinical and preclinical subtype-selective muscarinic M4, M1 and dual M1/M4 receptor agonists discovered by the Group and advancing under the 2021 global collaboration with Neurocrine for the treatment of major neurological disorders. These candidates have potential to address a range of neurological and neuropsychiatric conditions and include:

- NBI-1117568 (an M4 selective agonist) in Phase 2 trials with top-line data expected in H2 2024
- NBI-1117570 (an M1/M4 selective dual agonist) in Phase 1
- NBI-1117569 (an M4-preferring agonist) in Phase 1
- NBI-1117567 (an M1-preferring agonist) expected to enter Phase 1 in 2024

As a result of the above activities, the Group reported the following financial results for the three month period ended March 31, 2024.

As of March 31, 2024, the Group had a total of 364 employees (an increase of 14 employees vs. the end of the prior year).

Revenue of JPY 4,611 million (an increase of JPY 3,668 million vs. the prior corresponding period), an operating loss of JPY 3,076 million (vs. an operating loss of JPY 1,964 million in the prior corresponding period), a loss before income taxes of JPY 2,796 million (vs. a loss before income taxes of JPY 1,863 million in the prior corresponding period), and a net loss of JPY 3,281 million (vs. a net loss of JPY 1,402 million in the prior corresponding period).

	3 month period ended March 31, 2024 ¥m	3 month period ended March 31, 2023 ¥m	Change
Revenue	**4,611**	**943**	3,668
Cost of sales	**(1,191)**	**(92)**	(1,099)
Research and development expenses	**(3,163)**	**(1,957)**	(1,206)
Selling, general and administrative expenses	**(3,650)**	**(1,109)**	(2,541)
Operating expenses	**(8,004)**	**(3,158)**	(4,846)
Net other income	**317**	**251**	66
Operating loss	**(3,076)**	**(1,964)**	(1,112)
Net finance income	**280**	**101**	179
Loss before income taxes	**(2,796)**	**(1,863)**	(933)
Income tax (expense) benefit	**(485)**	**461**	(946)
Net loss	**(3,281)**	**(1,402)**	(1,879)
Alternative performance measure			
Core operating profit / loss (Note 1)			
Operating loss (as stated above)	**(3,076)**	**(1,964)**	(1,112)
Adjustments:			
Depreciation	**396**	**140**	256
Amortization	**587**	**197**	390
Share-based payments (Note 2)	**234**	**109**	125
Restructuring (Note 2)	**28**	**53**	(25)
Cost of sales adjustment (Note 3)	**686**	**-**	686
Integration costs (Note 4)	**214**	**-**	214
Core operating loss	**(931)**	**(1,465)**	534
Average exchange rate during period			
USD:JPY	**148.40**	**132.32**	16.08
GBP:JPY	**188.20**	**160.66**	27.54

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 payment expenses are included in Restructuring.
3. Cost of sales includes a non-cash accounting adjustment to the cost of inventory sold in the quarter which was originally acquired as part of the Idorsia transaction in July 2023.
4. Incremental one-off integration costs including IT system integration and corporate rebranding.

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, 2024 ¥m	3 month period ended March 31, 2023 ¥m	Change
Pharmaceutical product sales	**2,283**	-	2,283
Upfront fees and milestone income	**1,904**	230	1,674
Upfront fee revenue recognized at deal inception	1,392	-	1,392
Milestone revenue recognized at milestone event	-	-	-
Deferred revenue releases	512	230	282
Royalty income	**394**	627	(233)
Other revenue	**30**	86	(56)
Total	**4,611**	943	3,668

Revenue in the three month period under review totaled JPY 4,611 million (an increase of JPY 3,668 million vs. the prior corresponding period).

Pharmaceutical product sales in the three month period under review totaled JPY 2,283 million (an increase of JPY 2,283 million vs. the prior corresponding period). This was primarily due to the inclusion of NPJ in the scope of consolidation from July 2023, which resulted in the addition of PIVLAZ® sales.

Revenue related to upfront fees and milestone income in the three month period under review totaled JPY 1,904 million (an increase of JPY 1,674 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. In some contracts, income relating to research and development services is included within upfront fee revenue or milestone revenue, and recorded initially as deferred revenue. Such income is transferred from deferred revenue to revenue as a result of the performance of research and development activity in the period under review. The increase in upfront fees and milestone income in the three month period under review was primarily due to signing one new partnership agreement in the current period vs. no upfront fee or milestone events in the prior corresponding period.

Revenue related to royalties in the three month period under review totaled JPY 394 million (a decrease of JPY 233 million vs. the prior corresponding period). The Group's royalty revenue relates to sales of Ultibro® Breezhaler®, Seebri® Breezhaler® and Enerzair® Breezhaler® by Novartis[1].

Operating expenses

Cost of sales

Cost of sales in the three month period under review totaled JPY 1,191 million (an increase of JPY 1,099 million vs. the prior corresponding period). Cost of sales excluding the effect of including NPJ/NPK in the scope of consolidation in the three month period under review totaled JPY 171 million (an increase of JPY 79 million vs. the prior corresponding period). This was due to an increase in the internal costs of delivering research and development services to customers as a

[1] Glycopyrronium bromide and certain use and formulation intellectual property were exclusively licensed to Novartis in April 2005 by Nxera and Vectura. Seebri®, Ultibro®, Enerzair® and Breezhaler® are registered trademarks of Novartis.

result of higher revenues from contracts with research and development components. JPY 1,020 million has been recorded for the cost of sales of PIVLAZ® due to the inclusion of NPJ in the scope of consolidation.

Research and development expenses
Research and development ("R&D") expenses in the three month period under review totaled JPY 3,163 million (an increase of JPY 1,206 million vs. the prior corresponding period). R&D expenses excluding the effect of including NPJ/NPK in the scope of consolidation in the three month period under review totaled JPY 2,749 million (an increase of JPY 792 million vs. the prior corresponding period). This increase primarily reflects an increased investment in discovery activities, but also reflects the impact of the weaker Yen. JPY 414 million has been included for R&D expenses relating to NPJ/NPK. In the period under review, 86% of R&D spend related to our UK operations.

Selling, general and administrative expenses
Selling, general and administrative ("G&A") expenses in the three month period under review totaled JPY 3,650 million (an increase of JPY 2,541 million vs. the prior corresponding period). G&A expenses excluding the effect of including NPJ/NPK in the scope of consolidation in the three month period under review totaled JPY 1,601 million (an increase of JPY 492 million vs. the prior corresponding period). This increase was primarily due to incremental spend on personnel and professional fees to strengthen our organizational capabilities, as well as the cost of integrating our IT systems and unifying the Group under the Nxera Pharma brand. JPY 2,049 million has been included for G&A expenses relating to the NPJ/NPK businesses, including an amortization charge on Idorsia related intangible assets.

Net other income
Net other income in the three month period under review totaled JPY 317 million (an increase of JPY 66 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 3,076 million (vs. an operating loss of JPY 1,964 million in the prior corresponding period). This increase reflects the combined effect of all of the movements explained above.

Net finance income
Net finance income in the three month period under review totaled JPY 280 million (an increase of JPY 179 million vs. the prior corresponding period). This was primarily due to an increase in interest income as a result of higher UK interest rates, while foreign exchange gains increased as a result of foreign exchange rate movements.

Loss before income taxes
Loss before income taxes in the three month period under review totaled JPY 2,796 million (vs. a loss before income taxes of JPY 1,863 million in the prior corresponding period). This increase reflects the combined effect of all of the movements explained above.

Income tax expense
Income tax expense in the three month period under review totaled JPY 485 million (vs. an income tax benefit of JPY 461 million in the prior corresponding period). The tax benefit 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 3,281 million (vs. a net loss of JPY 1,402 million in the prior corresponding period). This increase 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 931 million (vs. a core operating loss of JPY 1,465 million in the prior corresponding period). In calculating core operating loss, the following adjustments to the IFRS operating loss have been made:

- Depreciation totaled JPY 396 million (an increase of JPY 256 million vs. the prior corresponding period, including a JPY 202 million impact from inclusion of NPJ/NPK in the scope of consolidation).
- Amortization totaled JPY 587 million (an increase of JPY 390 million vs. the prior corresponding period, including a JPY 355 million impact from inclusion of NPJ/NPK in the scope of consolidation).
- Share-based payments totaled JPY 234 million (an increase of JPY 125 million vs. the prior corresponding period).
- Restructuring costs totaled JPY 28 million (a decrease of JPY 25 million vs. the prior corresponding period). These costs related to a management restructuring program at a subsidiary company and reorganization (including JPY nil million of accelerated share-based payment expenses vs. JPY 26 million in the prior corresponding period).
- Cost of sales adjustment totaling JPY 686 million. This relates to an accounting adjustment for inventory acquired in the Idorsia transaction in 2023 which feeds through to cost of sales when inventory is sold, and which will cease when all the opening inventory has been used up (there was no cost of sales adjustment in the prior corresponding period).
- Integration costs totaled JPY 214 million (there were no integration costs in the prior corresponding period). These costs represent one-off incremental integration costs, including IT system integration costs and the cost of the rebranding the Group under the Nxera Pharma name.

(2) Analysis of financial position

1) Assets, liabilities and equity

Assets

Total assets as at March 31, 2024 were JPY 152,291 million (a decrease of JPY 4,907 million vs. December 31, 2023, the end of the prior financial year). This was primarily due to a decrease in cash and cash equivalents relating to the payment of tax and repayment of bank borrowings.

Liabilities

Total liabilities as at March 31, 2024 were JPY 86,405 million (a decrease of JPY 3,983 million vs. December 31, 2023, the end of the prior financial year). This was primarily due to the payment of tax and repayment of bank borrowings.

Equity

Total equity as at March 31, 2024 was JPY 65,886 million (a decrease of JPY 924 million vs. December 31, 2023, the end of the prior financial year). This was primarily due to an increase in other components of equity of JPY 2,125 million mainly relating to an increase in exchange gains on translation, partially offset by the net loss of JPY 3,281 million.

The ratios of Cash and cash equivalents, Interest-bearing debt and Equity attributable to owners of the parent company to total assets were 30.5%, 47.6% and 43.3%, respectively.

2) Cash flows

Cash and cash equivalents as at March 31, 2024 decreased by JPY 2,550 million from the beginning of the year and amounted to JPY 46,515 million. The main drivers of each cash flow in the three month period ended March 31, 2024 were as follows:

Cash flows from operating activities

Net cash used in operating activities during the period under review totaled JPY 2,205 million. This was primarily due to cash operating costs and consumption tax payments exceeding cash revenues.

Cash flows from investing activities

Net cash used in investing activities during the period under review totaled JPY 50 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 1,824 million. This was primarily due to the repayment of long-term bank borrowings.

Effects of exchange rate changes on cash and cash equivalents

Effects of exchange rate changes on cash and cash equivalents during the period under review totaled JPY 1,529 million. This positive impact was primarily due to a stronger GBP vs. JPY and a stronger USD vs JPY.

(3) Future outlook

A substantial portion of the Group's revenue is derived from upfront payments from new partnerships and milestone payments as a result of the progress of R&D projects with existing partners. These payments are dependent on multiple factors, including negotiations with potential new and existing partners, R&D policies of partners and clinical trial results of development candidates, and many of these factors are outside of the Group's control. Therefore, a consolidated financial results forecast has not been provided due to the difficulty in forecasting revenue, a significant proportion of which is one-time in nature.

The Group aims to further improve efficiency and add value to its drug discovery capabilities and pipeline, and will continue to make the necessary R&D investments in 2024 to achieve these goals. Management will continue to target a balance between available capital and investment in the pursuit of growth in corporate and shareholder value.

Going forward, the Group expects to generate increasing revenues from its commercial activities in Japan and the APAC regions. We provide the following guidance on PIVLAZ® product sales as well as key cost estimates for our overall business:

- Forecast PIVLAZ® Sales (NHI basis) of JPY 16,000 million or more[2].
- Forecast R&D expenses in the range of JPY 12,000 to JPY 14,000 million[3] (unchanged).
- Forecast SG&A expenses in the range of JPY 18,000 to JPY 20,000 million[3] (unchanged).

Anticipated developments / initiatives for 2024 are as follows:

- We expect the approval of daridorexant in Japan.
- 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 projects at existing partners.
- 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 and APAC markets.
- We will continue to expand and enhance our novel drug pipeline through our drug discovery efforts.

[2] Product sales in the Income Statement are stated at net sales price.

[3] The assumed USD:JPY FX rate in 2024 is 140 and GBP:JPY FX rate is 172. 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 new businesses, we will make an announcement.

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

1) Interim Condensed Consolidated Balance Sheet

	March 31, 2024 (Unaudited) ¥m	December 31, 2023 (Audited) ¥m
Assets		
Non-current assets		
Property, plant and equipment	7,903	7,900
Goodwill	25,331	24,623
Intangible assets	52,256	52,291
Deferred tax assets	3,321	3,964
Other financial assets	2,858	3,266
Other non-current assets	31	42
Total non-current assets	91,700	92,086
Current assets		
Trade and other receivables	4,404	5,064
Inventories	2,086	2,903
Income taxes receivable	1,682	2,099
Other financial assets	-	316
Other current assets	5,904	5,665
Cash and cash equivalents	46,515	49,065
Total current assets	60,591	65,112
Total assets	152,291	157,198
Liabilities and Equity		
Liabilities		
Non-current liabilities		
Deferred tax liabilities	1,438	1,490
Corporate bonds	30,623	30,551
Bank borrowings	31,221	32,664
Lease liabilities	3,982	3,985
Provisions	497	484
Other non-current liabilities	4,129	4,029
Total non-current liabilities	71,890	73,203
Current liabilities		
Trade and other payables	3,083	4,244
Income taxes payable	215	378
Corporate bonds	-	143
Current portion of long-term bank borrowings	5,798	5,798
Lease liabilities	847	832
Other current liabilities	4,572	5,790
Total current liabilities	14,515	17,185
Total liabilities	86,405	90,388
Equity		
Capital stock	46,807	46,807
Capital surplus	34,281	34,048
Treasury stock	(2)	(1)
Retained earnings	(19,385)	(16,104)
Other components of equity	4,185	2,060
Equity attributable to owners of the parent	65,886	66,810
Total equity	65,886	66,810
Total liabilities and equity	152,291	157,198

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

	Three month period ended March 31, 2024 (Unaudited) ¥m	Three month period ended March 31, 2023 (Unaudited) ¥m
Revenue	**4,611**	943
Cost of sales	**(1,191)**	(92)
Gross profit	**3,420**	851
Research & development expenses	**(3,163)**	(1,957)
Selling, general & administrative expenses	**(3,650)**	(1,109)
Other income	**319**	251
Other expenses	**(2)**	(0)
Operating loss	**(3,076)**	(1,964)
Finance income	**465**	273
Finance costs	**(185)**	(172)
Loss before income taxes	**(2,796)**	(1,863)
Income tax (expense) benefit	**(485)**	461
Net loss	**(3,281)**	(1,402)
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	**(639)**	77
Total items that will not be reclassified subsequently to profit or loss	**(639)**	77
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**2,764**	1,468
Total items that may be reclassified subsequently to profit or loss	**2,764**	1,468
Total other comprehensive income	**2,125**	1,545
Total comprehensive income	**(1,156)**	143
Net loss for the period attributable to:		
Owners of the parent	**(3,281)**	(1,402)
	(3,281)	(1,402)
Total comprehensive income for the period attributable to:		
Owners of the parent	**(1,156)**	143
	(1,156)	143
Earnings per share (yen)		
Basic loss per share	**(36.68)**	(17.11)
Diluted loss per share	**(36.68)**	(17.11)

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 ¥m**	**Total equity ¥m**
Balance at January 1, 2024	46,807	34,048	(1)	(16,104)	2,060	66,810	66,810
Net loss	-	-	-	(3,281)	-	(3,281)	(3,281)
Other comprehensive income	-	-	-	-	2,125	2,125	2,125
Total comprehensive income	-	-	-	(3,281)	2,125	(1,156)	(1,156)
Share-based payments	-	234	-	-	-	234	234
Purchases of treasury stock	-	-	(1)	-	-	(1)	(1)
Early redemption of corporate bonds	-	(1)	-	-	-	(1)	(1)
Total transactions with owners	-	233	(1)	-	-	232	232
Balance at March 31, 2024 (Unaudited)	46,807	34,281	(2)	(19,385)	4,185	65,886	65,886
Balance at January 1, 2023	41,335	29,525	(1)	(8,911)	(4,012)	57,936	57,936
Net loss	-	-	-	(1,402)	-	(1,402)	(1,402)
Other comprehensive income	-	-	-	-	1,545	1,545	1,545
Total comprehensive income	-	-	-	(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

4) Interim Condensed Consolidated Statement of Cash Flows

	Three month period ended March 31, 2024 (Unaudited) ¥m	Three month period ended March 31, 2023 (Unaudited) ¥m
Cash flows from operating activities		
Loss before income taxes	**(2,796)**	(1,863)
Adjustments for:		
Depreciation and amortization	**983**	337
Share-based payments	**234**	135
Change in fair value of contingent consideration	**(38)**	(26)
Net foreign exchange (gain) loss	**(35)**	42
Interest income	**(357)**	(248)
Interest expenses	**179**	170
Decrease in trade payables	**1,943**	1,411
Decrease (increase) in inventories	**817**	(5)
Decrease in trade payables	**(1,255)**	(320)
Increase (decrease) in deferred revenue	**2,122**	(230)
Decrease in accrued consumption taxes	**(3,889)**	(2)
Other	**(259)**	(530)
Subtotal	**(2,351)**	(1,129)
Interest received	**311**	65
Interest paid	**(80)**	(52)
Income taxes paid	**(220)**	(41)
Income tax refunded	**135**	-
Net cash (used in) provided by operating activities	**(2,205)**	(1,157)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(46)**	(123)
Purchase of intangible assets	**(3)**	(7)
Purchase of intangible assets	**(1)**	-
Net cash used in investing activities	**(50)**	(130)
Cash flows from financing activities		
Repayments of long-term bank borrowings	**(1,450)**	-
Repayment of lease liabilities	**(211)**	(51)
Payments for early redemption of corporate bonds	**(150)**	-
Other	**(13)**	-
Net cash provided by (used in) financing activities	**(1,824)**	(51)
Effects of exchange rate changes on cash and cash equivalents	**1,529**	919
Net decrease in cash and cash equivalents	**(2,550)**	(419)
Cash and cash equivalents at the beginning of the period	**49,065**	66,557
Cash and cash equivalents at the end of the period	**46,515**	66,138

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

On April 16, 2024, the Group announced that it had been notified by its partner Neurocrine Biosciences Inc. ("Neurocrine") that NBI-1117568, an oral selective muscarinic M4 receptor agonist being advanced in Phase 2 clinical trials by Neurocrine for the treatment of schizophrenia and other neuropsychiatric disorders, had successfully completed a long-term preclinical toxicity program that meets US FDA requirements to allow for safe, chronic (i.e. long-term) dosing in future clinical trials. The achievement of this important safety development milestone triggered a USD 15 million payment to the Group from Neurocrine.

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 17, 2024 the Board of Directors adopted a resolution to issue new shares under the Restricted Stock Unit Plan as described below.

Details of Issuance

	19th RSU	20th RSU	21st RSU	22nd RSU
1 Payment date	May 15, 2025	May 18, 2026	May 18, 2027	May 16, 2028
2 Type and number of shares to be issued	Common shares 112,650 shares	Common shares 834,110 shares (planned)	Common shares 834,110 shares (planned)	Common shares 186,203 shares (planned)
3 Payment amount (Note)	1,456 yen per share	Representative Executive Officer will decide the payment amount hereafter	Representative Executive Officer will decide the payment amount hereafter	Representative Executive Officer will decide the payment amount hereafter
4 Total issue value	164,018,400 yen	Representative Executive Officer will decide the total issue value hereafter	Representative Executive Officer will decide the total issue value hereafter	Representative Executive Officer will decide the total issue value hereafter
5 Planned allottees	112,650 shares will be allotted among 8 Directors of the Company (excluding Directors who serve as Executive Officers concurrently)	8 Executive Officers of the Company 367 Directors of subsidiaries of the Company and Employees of the Company and its subsidiaries 834,110 shares to be allotted (planned)	8 Executive Officers of the Company 367 Directors of subsidiaries of the Company and Employees of the Company and its subsidiaries 834,110 shares to be allotted (planned)	1 Executive Officers of the Company 186,203 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.