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August 1, 2024

Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2025
(Under Japanese GAAP)

Listed Company: Zeria Pharmaceutical Co., Ltd.

(Stock Exchange: Tokyo Stock Exchange)

Code Number: 4559

(URL: <https://www.zeria.co.jp/english/>)

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 commence dividend payments: —

Preparation of supplementary documents to the financial results: None

Holding of financial results presentation: None

(Amounts under a million yen are truncated.)

1. Consolidated Financial Highlights (April 1, 2024 through June 30, 2024)

(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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2024	21,455	17.2	3,939	32.6	5,459	62.7	4,212	44.5
June 30, 2023	18,304	12.3	2,970	(0.2)	3,355	12.8	2,915	12.1

Note: Comprehensive income: For the three months ended June 30, 2024: 3,318 million yen [26.5%]

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

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	95.57	—
June 30, 2023	66.14	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2024	152,115	82,177	53.9
March 31, 2024	150,533	79,828	52.9

Reference: Equity: As of June 30, 2024: 81,931 million yen

As of March 31, 2024: 79,622 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	22.00	—	22.00	44.00
Year ending March 31, 2025	—				
Year ending March 31, 2025 (Forecast)		23.00	—	23.00	46.00

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

3. Consolidated Financial Forecast for Fiscal Year Ending March 31, 2025 (April 1, 2024 through March 31, 2025)

(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	41,000	11.8	5,600	5.1	5,600	1.9	4,300	(20.3)	97.55
Full year	83,000	9.6	10,000	3.9	10,000	17.5	7,800	0.9	176.95

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

* Notes

(1) Significant changes in the scope of consolidation during the period: 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 (Notes on special accounting methods for preparation of 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: Yes
- 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

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to quarterly consolidated financial statements (Notes on change in accounting policy)” on page 8 of the Attached Material.

(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, 2024: 53,119,190 shares As of March 31, 2024: 53,119,190 shares
- 2) Number of shares of treasury shares as of the end of the term:
As of June 30, 2024: 9,039,525 shares As of March 31, 2024: 9,039,354 shares
- 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):
For the three months ended June 30, 2024: 44,079,743 shares
For the three months ended June 30, 2023: 44,080,208 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

* 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. Summary of Business Results (3) Explanation of consolidated financial forecasts and other forward-looking statements” on page 3 of the Attached Material.

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1. Summary of Business Results

(1) Summary of business results for the period under review

Net sales for the first three months of the fiscal year ending March 31, 2025 were 21,455 million yen (up 17.2% from the same period of the previous fiscal year). Operating profit amounted to 3,939 million yen (up 32.6% from the same period of the previous fiscal year). Ordinary profit was 5,459 million yen (up 62.7% from the same period of the previous fiscal year), and profit attributable to owners of parent was 4,212 million yen (up 44.5% from the same period of the previous fiscal year). The increases in ordinary profit and below were due to an increase in sales and large foreign exchange gains resulting from the depreciation of the Swiss franc against the euro, British pound and other European currencies.

Below 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 to the NHI price revision implemented in April 2024. Despite this, sales increased overall as a result of strong sales in overseas markets, including Northern Europe, and the impact of foreign exchange rates. Sales of DIFICLIR (domestic sales name: Dafclir) achieved a significant sales growth in France, Spain, Germany and other countries. Sales of Entocort (domestic sales name: Zentacort), an inflammatory bowel disease therapeutic agent, increased due to strong sales in Canada. Sales of Acofide, a drug for functional dyspepsia, were almost on a par with the previous fiscal year.

As a result, net sales in the business amounted to 14,650 million yen (up 22.6% from the same period of the previous fiscal year).

(ii) *Consumer Healthcare Business*

Sales of the mainstay product, Hepalyse range, increased mainly in the pharmaceutical Hepalyse range. Sales of the Chondroitin range and the WithOne range of botanical laxative products also remained strong. In addition, sales of the Prevaline range of dermatosis treatments, also increased, with sales of Prevaline α Quick Ointment and Prevaline α Quick Cream, which were launched in November 2023, performing well.

As a result, net sales in the business amounted to 6,768 million yen (up 7.1% from the same period of the previous fiscal year).

(iii) *Other*

Net sales in this segment amounted to 36 million yen (down 4.4% from the same period of the previous fiscal year), mainly due to insurance agency business and real estate lease revenue.

(2) Overview of financial position for the period under review

Total assets at the end of the first quarter of the fiscal year ending March 31, 2025 were 152,115 million yen, an increase of 1,582 million yen from the end of the previous fiscal year. Current assets increased 2,698 million yen to 60,507 million yen from the end of the previous fiscal year, and non-current assets decreased 1,115 million yen to 91,608 million yen from the end of the previous fiscal year. Major changes in current assets included a decrease of 426 million yen in cash and deposits and an increase of 2,500 million yen in notes and accounts receivable - trade. Main changes in non-current assets were a decrease of 1,370 million yen in intangible assets.

Total liabilities at the end of the quarter under review were 69,938 million yen, a decrease of 766 million yen from the end of the previous fiscal year. Current liabilities increased 37 million yen to 54,556 million yen from the end of the previous fiscal year, and non-current liabilities decreased 803 million yen to 15,382 million yen from the end of the previous fiscal year. The changes in current liabilities were an increase of 116

million yen in accounts payable - trade, a decrease of 987 million yen in short-term borrowings, an increase of 861 million yen in income taxes payable, a decrease of 146 million yen in provision for bonuses, and an increase of 194 million yen in other of current liabilities, including an increase in accrued expenses. Main change in non-current liabilities was a decrease of 832 million yen in long-term borrowings.

Net assets at the end of the quarter under review were 82,177 million yen, an increase of 2,348 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 4,212 million yen, payment of 969 million yen as dividends declared at the end of the previous period, and a decrease of 876 million yen in foreign currency translation adjustment.

As a result, the equity ratio at the end of the quarter under review increased by 1.0% from the end of the previous fiscal year to 53.9%.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

As for the business results for the first three months of the fiscal year ending March 31, 2025, net sales and operating profit were generally in line with the plan, especially in the overseas Ethical Pharmaceuticals Business. Ordinary profit and profit attributable to owners of parent exceeded the plan, partly due to large foreign exchange gains.

The second quarter and beyond is expected to mainly be in line with expectations, and we are not updating our consolidated financial forecast announced on May 9, 2024 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, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	20,323,724	19,897,538
Notes and accounts receivable - trade	21,249,302	23,749,913
Merchandise and finished goods	7,569,173	8,181,428
Work in process	1,842,077	1,580,768
Raw materials and supplies	5,078,508	4,955,539
Other	1,915,485	2,308,713
Allowance for doubtful accounts	(169,241)	(166,728)
Total current assets	57,809,029	60,507,173
Non-current assets		
Property, plant and equipment		
Buildings, net	6,607,334	6,535,322
Land	12,581,849	12,585,135
Other, net	7,328,652	7,515,730
Total property, plant and equipment	26,517,836	26,636,189
Intangible assets		
Goodwill	4,262,818	4,140,263
Sales right	29,496,467	28,470,445
Other	9,380,420	9,158,817
Total intangible assets	43,139,706	41,769,527
Investments and other assets		
Investment securities	9,145,154	9,346,995
Retirement benefit asset	13,410,761	13,359,612
Other	552,538	537,947
Allowance for doubtful accounts	(41,433)	(41,474)
Total investments and other assets	23,067,020	23,203,080
Total non-current assets	92,724,563	91,608,797
Total assets	150,533,593	152,115,970
Liabilities		
Current liabilities		
Accounts payable - trade	3,273,950	3,390,190
Short-term borrowings	38,283,719	37,296,569
Income taxes payable	1,967,210	2,828,304
Provision for bonuses	1,584,737	1,438,026
Other	9,408,853	9,603,150
Total current liabilities	54,518,471	54,556,240
Non-current liabilities		
Long-term borrowings	7,943,800	7,111,350
Retirement benefit liability	458,109	476,190
Asset retirement obligations	56,239	56,292
Other	7,728,181	7,738,649
Total non-current liabilities	16,186,329	15,382,482
Total liabilities	70,704,801	69,938,723

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	6,593,398	6,593,398
Capital surplus	11,685,121	11,685,121
Retained earnings	59,254,325	62,497,346
Treasury shares	(18,265,810)	(18,266,163)
Total shareholders' equity	59,267,035	62,509,703
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,001,571	2,136,549
Foreign currency translation adjustment	14,660,305	13,783,374
Remeasurements of defined benefit plans	3,693,650	3,502,265
Total accumulated other comprehensive income	20,355,527	19,422,189
Non-controlling interests	206,229	245,353
Total net assets	79,828,792	82,177,247
Total liabilities and net assets	150,533,593	152,115,970

(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, 2023	Three months ended June 30, 2024
Net sales	18,304,531	21,455,861
Cost of sales	4,573,804	5,476,557
Gross profit	13,730,727	15,979,304
Selling, general and administrative expenses	10,760,562	12,039,666
Operating profit	2,970,165	3,939,638
Non-operating income		
Interest income	7,101	56,109
Dividend income	190,557	223,829
Foreign exchange gains	164,481	1,296,868
Other	140,512	68,238
Total non-operating income	502,653	1,645,045
Non-operating expenses		
Interest expenses	110,727	115,163
Other	6,373	10,032
Total non-operating expenses	117,101	125,195
Ordinary profit	3,355,717	5,459,488
Extraordinary income		
Gain on sale of non-current assets	—	1,773
Total extraordinary income	—	1,773
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Total extraordinary losses	—	0
Profit before income taxes	3,355,717	5,461,262
Income taxes	441,923	1,222,267
Profit	2,913,793	4,238,994
Profit (loss) attributable to non-controlling interests	(1,626)	26,217
Profit attributable to owners of parent	2,915,420	4,212,777

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	2,913,793	4,238,994
Other comprehensive income		
Valuation difference on available-for-sale securities	625,787	134,977
Foreign currency translation adjustment	(722,241)	(864,025)
Remeasurements of defined benefit plans, net of tax	(194,771)	(191,384)
Total other comprehensive income	(291,225)	(920,433)
Comprehensive income	2,622,567	3,318,561
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,622,878	3,279,439
Comprehensive income attributable to non-controlling interests	(310)	39,121

(3) Notes to quarterly consolidated financial statements

(Notes on change in accounting policy)

Application of the “Accounting Standard for Current Income Taxes” and other relevant ASBJ regulations

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, the “Revised Application Guidance of 2022”). This change has no impact on the quarterly consolidated financial statements for the current fiscal year.

In addition, for revisions related to the review of the treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Company has applied the Revised Application Guidance of 2022 from the beginning of the first quarter of the current fiscal year. The change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year have been prepared on a retrospective basis. This change has no impact on the quarterly consolidated financial statements and consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year.

(Notes on 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.

(Notes on segment information, etc.)**[Segment information]****I First three months of the previous 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.

II First three months of the current fiscal year (from April 1, 2024 to June 30, 2024)**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	14,650,841	6,768,140	21,418,981	36,879	21,455,861	–	21,455,861
Intersegment sales and transfers	–	64	64	181,694	181,759	(181,759)	–
Total	14,650,841	6,768,204	21,419,046	218,574	21,637,620	(181,759)	21,455,861
Segment profit	3,740,019	1,473,640	5,213,659	62,901	5,276,561	(1,336,923)	3,939,638

(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 (1,336,923) 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.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Notes on premise of a going concern)

Not applicable.

(Notes on quarterly consolidated statements of cash flows)

The quarterly consolidated statements of cash flows have not been prepared for the first three months of the current fiscal year. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first three months are as follows.

	(Thousands of yen)	
	First three months of the previous fiscal year (from April 1, 2023, to June 30, 2023)	First three months of the current fiscal year (from April 1, 2024, to June 30, 2024)
Depreciation	1,486,814	1,693,153
Amortization of goodwill	180,529	177,009

3. Supplemental Information

(1) Sales of major products and merchandise Consolidated

(Thousands of yen)

	First three months of the previous fiscal year (from April 1, 2023, to June 30, 2023)	First three months of the current fiscal year (from April 1, 2024, to June 30, 2024)	Percentage change (%)
1. Ethical Pharmaceuticals Business	11,947,965	14,650,841	22.6
Asacol	5,189,868	5,495,361	5.9
DIFICLIR	3,238,281	5,157,272	59.3
Entocort	1,092,305	1,570,726	43.8
Acofide	770,702	765,854	(0.6)
Other	1,656,807	1,661,627	0.3
2. Consumer Healthcare Business	6,317,994	6,768,140	7.1
Hepalyse range	2,557,467	2,800,364	9.5
Chondroitin range	1,407,737	1,448,849	2.9
WithOne range	293,355	333,282	13.6
Other	2,059,434	2,185,643	6.1
3. Other Business	38,571	36,879	(4.4)
Total	18,304,531	21,455,861	17.2

(2) Status of pipeline of new drugs

I. Domestic

As of August 1, 2024

Stage	Development Code/ Generic Name	Development	Indications	Classification	Origin
NDA filed	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
NDA approved (Honduras, Dominican Republic, Ecuador, Chile, El Salvador, Peru)	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 (Singapore)	Z-338/Acotiamide	United Italian Trading Corporation Pte. Ltd.	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)
NDA filed (Colombia, Costa Rica, Guatemala, Panama, Nicaragua)	Z-338/Acotiamide	Faes Farma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)
Phase III (Europe, United States, Canada)	Z-338/Acotiamide	Agastra-Lab s.r.l.	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)

Launched in Overseas

Launch Date	Development Code/ Generic Name	Development	Indications	Classification	Origin
October 2023 (Mexico)	Z-338/Acotiamide	Faes Farma	Functional dyspepsia	Upper gastrointestinal motility modulator	Original (Out-licensed)