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May 13, 2022

## Summary of Consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 31, 2022 (JGAAP)

**Listed company's name:** RaQualia Pharma Inc.  
**Listed on:** Tokyo Stock Exchange (TSE)  
**Stock code:** 4579  
**URL:** <https://www.raqualia.com/>  
**Representative:** Hirobumi Takeuchi, President and CEO  
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**Scheduled date of filing of quarterly securities report:** May 13, 2022  
**Scheduled date of dividend payment:** —  
**Supplementary documents for quarterly results:** Yes  
**Quarterly results briefing:** Yes

(Amounts are rounded down to the nearest million yen.)

### 1. Consolidated financial results for the first three months of the fiscal year ending December 31, 2022 (January 1, 2022 to March 31, 2022)

#### (1) Consolidated operating results (cumulative)

(Percentage figures represent changes from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First three months ended March 31, 2022	339	(48.3)	(119)	—	(70)	—	(120)	—
March 31, 2021	655	430.7	149	—	268	—	188	—

Note: Comprehensive income Three months ended March 31, 2022: (126) million yen [–%]  
 Three months ended March 31, 2021: 206 million yen [–%]

	Earnings per share (Basic)	Earnings per share (Diluted)
First three months ended March 31, 2022	yen (5.77)	yen —
March 31, 2021	9.00	9.00

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of March 31, 2022	million yen 5,188	million yen 4,663	% 89.7
December 31, 2021	5,234	4,788	91.3

Reference: Equity As of March 31, 2022: 4,653 million yen As of December 31, 2021: 4,777 million yen

### 2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended December 31, 2021	—	—	—	—	—
Fiscal year ending December 31, 2022	—	—	—	—	—
Fiscal year ending December 31, 2022 (forecast)	—	—	—	—	—

Note: Revisions to the forecasts of dividends most recently announced: None

**3. Forecasts of consolidated financial results for the fiscal year ending December 31, 2022 (January 1, 2022 to December 31, 2022)**

(Percentage figures represent year-on-year changes)

Fiscal year ending December 31, 2022	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share (Basic)
	million yen	%	million yen	%	million yen	%	million yen	%	yen
	2,605	(6.2)	420	(40.6)	420	(51.3)	342	(54.7)	16.34

Note: Revisions to the forecasts of results most recently announced: None

\* As the Company conducts performance management on an annualized basis, forecasts of results over a six-month period are omitted.

**\* Notes**

(1) Changes in significant subsidiaries during the first three months ended March 31, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting for preparing quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of “(4) Notes to quarterly consolidated financial statements (Application of special accounting for preparing quarterly consolidated financial statements)” of “2. Quarterly consolidated financial statements and significant notes thereto” on page 8 of the attached material.

(3) Changes in accounting policies, changes in accounting estimates, and restatements of prior financial statements

a. Changes in accounting policies due to the revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatements of prior financial statements: None

Note: For more details, please refer to the section of “(4) Notes to quarterly consolidated financial statements (Changes in accounting policies)” of “2. Quarterly consolidated financial statements and significant notes thereto” on page 8 of the attached material.

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	20,959,642 shares
As of December 31, 2021	20,955,142 shares

b. Total number of treasury shares at the end of the period

As of March 31, 2022	50 shares
As of December 31, 2021	50 shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

For the first three months ended March 31, 2022	20,956,714 shares
For the first three months ended March 31, 2021	20,951,592 shares

**\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

**\* Appropriate use of financial forecasts and other special remarks**

(Caution concerning forward-looking statements)

Forward-looking statements provided in this document, including financial forecasts, are based on the information currently available to the Company and certain assumptions considered reasonable. Such statements are included without any guarantee as to their future achievement. Actual results, etc. may differ materially from the forecasts depending on various factors.

(Method of accessing supplementary documents for quarterly results and details of quarterly results briefing)

The Company plans to hold a briefing for the first three months online on May 18, 2022. The Company plans to post the documents used at the briefing on its website promptly after the briefing is held.

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## 1. Qualitative information regarding settlement of accounts for the first three months

### (1) Qualitative information regarding consolidated operating results

#### 1) Financial results

During the first three months of the fiscal year ending December 31, 2022, the outlook for the Japanese economy remained uncertain due to the impact of the outbreak of the Omicron strain of the novel coronavirus on service consumption and production activities in the manufacturing sector, as well as rising resource prices and market turmoil following the Russian invasion of Ukraine. In the pharmaceutical industry, the Ministry of Health, Labour and Welfare announced the NHI drug price revision for FY2022, with a revision rate of -1.35% on a medical cost basis and a revision equivalent to -6.69% on a drug cost basis for market prices. Such industry trends as these had no small impact on the business development activities of drug discovery startups, like the Group, that operate a drug discovery business.

Under such conditions, the Group achieved the following financial results during the first three months.

Regarding human drug products, sales of K-CAB<sup>®</sup> (generic name: tegoprazan)—a drug for gastro-esophageal reflux disease marketed by HK inno.N Corporation (South Korea, “HK inno.N (South Korea)”)—in South Korea performed well overall from last year through this year, with sales from external prescriptions recording an increase of 23% compared with the same period of the previous fiscal year. Furthermore, HK inno.N (South Korea) received manufacturing and marketing approval in South Korea for a new orally disintegrating tablet dosage form of tegoprazan.

Regarding the global development of tegoprazan, in China, review proceeded smoothly in its manufacturing and marketing approval for the indication for erosive gastro-esophageal reflux disease, and HK inno.N (South Korea)’s Chinese licensee Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (China) received manufacturing and marketing approval from the Chinese authority in April 2022. In Malaysia, a drug product supply agreement was concluded between HK inno.N (South Korea) and Pharmaniaga Logistics Sdn Bhd (Malaysia). Furthermore, in Japan, where the Company is the rights holder, the Company decided to conduct a clinical pharmacology study (Phase I clinical trial) aimed at evaluating ethnic differences between Japanese and South Korean people for the purpose of utilizing data from South Korea for rapid and efficient development and approval.

With regard to the schizophrenia drug ziprasidone, the Company and Meiji Seika Pharma Co., Ltd. have, by mutual consent in February 2022, terminated the license agreement concluded in March 2011 granting exclusive rights to develop and market the drug in Japan.

With regard to pet drugs, sales trended upward for GALLIPRANT<sup>®</sup> (generic name: grapiprant), which is a drug for osteoarthritis in dogs, and ENTYCE<sup>®</sup> (generic name: capromorelin), which has an indication for anorexia management for dogs, both of which were licensed to Elanco Animal Health Inc. (U.S., “Elanco (U.S.)”). Furthermore, Elanco (U.S.) applied for manufacturing and marketing approval for capromorelin in Europe, following approval in the U.S., where it currently markets the drug under the brand name ELURA<sup>®</sup> as a drug for the management of weight loss in cats with chronic kidney disease. As a result, the Company received a lump-sum payment for achievement of this milestone.

Other licensed programs are in the pre-clinical development stage or later at licensee companies. For programs in preparation for licensing, opportunities for face-to-face meetings continue to be limited due to COVID-19, but business development activities have steadily progressed while utilizing online conferencing and other tools. Also, pre-clinical trials for the ghrelin receptor agonist, developed in-house by the Company, are progressing smoothly.

Accordingly, financial results for the first three months, the reporting period, were as follows. Business revenue for the period was 339 million yen (down 48.3% year on year), operating loss totaled 119 million yen (compared with operating profit of 149 million yen a year earlier), ordinary loss totaled 70 million yen (compared with ordinary profit of 268 million yen a year earlier), and loss attributable to owners of parent was 120 million yen (compared with profit attributable to owners of parent of 188 million yen a year earlier).

Business revenue mainly consists of milestone income of 115 million yen (down 77.7% year on year) and sales royalty income of 184 million yen (up 36.4% year on year). On the other hand, total business expenses were 459 million yen (down 9.4% year on year). This total mainly consists of cost of business revenue (53 million yen, a 28.1% increase from the same period of the previous fiscal year), research and development expenses (263 million yen, a 3.0% increase from the same period of the previous fiscal year) and other selling, general and administrative expenses (142 million yen, a 32.0% decrease from the same period of the previous fiscal year).

#### 2) Research and development

Research and development expenses of the entire Group during the first three months were 263 million yen. For the first three months, there were no material changes to the research and development activities.

## **(2) Qualitative information regarding consolidated financial position**

### **1) Analysis of assets, liabilities and net assets**

#### Assets

Total assets as of March 31, 2022 were 5,188 million yen, a decrease of 46 million yen (down 0.9%) from the end of the previous fiscal year. This is mainly attributable to an increase in cash and deposits of 168 million yen, a decrease in accounts receivable - trade and contract assets of 857 million yen, an increase in prepaid expenses of 191 million yen, an increase in lease assets of 189 million yen, and an increase in investment securities of 292 million yen.

#### Liabilities

Total liabilities as of March 31, 2022 were 524 million yen, an increase of 78 million yen (up 17.6%) from the end of the previous fiscal year. This is mainly attributable to an increase in lease obligations of 210 million yen, a decrease in accounts payable - other of 24 million yen, a decrease in income taxes payable of 73 million yen, and a decrease in accrued consumption taxes of 37 million yen.

#### Net assets

Net assets as of March 31, 2022 were 4,663 million yen, a decrease of 124 million yen (down 2.6%) from the end of the previous fiscal year. This is mainly attributable to the recording of loss attributable to owners of parent of 120 million yen and a decrease in valuation difference on available-for-sale securities of 5 million yen.

Consequently, the equity ratio was 89.7% (down 1.6 percentage points from the end of the previous fiscal year).

### **2) Analysis of cash flows**

The balance of cash and cash equivalents (“net cash”) as of March 31, 2022 amounted to 2,404 million yen (compared with 2,041 million yen a year earlier), an increase of 163 million yen (up 7.3%) from the end of the previous fiscal year.

The respective cash flows in the first three months and the factors thereof are as follows.

#### Cash flows from operating activities

Net cash provided by operating activities was 372 million yen (up 609.7% year on year). This is mainly attributable to the recording of loss before income taxes of 85 million yen, a cash inflow from a decrease in trade receivables of 857 million yen, a cash outflow from an increase in prepaid expenses of 184 million yen, and income taxes paid of 90 million yen.

#### Cash flows from investing activities

Net cash used in investing activities was 244 million yen (up 58.2% year on year). This is mainly attributable to purchase of investment securities of 301 million yen and proceeds from redemption of investment securities of 56 million yen.

#### Cash flows from financing activities

Net cash used in financing activities was 4 million yen (compared with net cash of 6 million yen provided a year earlier). This is mainly attributable to proceeds from issuance of shares as a result of exercise of share acquisition rights of 2 million yen and repayments of lease obligations of 6 million yen.

### **(3) Qualitative information regarding consolidated earnings forecasts**

At the present time, there are no changes to the full-year consolidated earnings forecasts for the fiscal year ending December 31, 2022 presented in “Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (JGAAP)” published on February 14, 2022.

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	2,345,306	2,513,536
Accounts receivable - trade	1,205,401	-
Accounts receivable - trade, and contract assets	-	347,738
Securities	313,807	260,807
Supplies	10,547	9,578
Advance payments to suppliers	15,939	19,911
Prepaid expenses	90,382	281,690
Other	22,390	60,286
<b>Total current assets</b>	<b>4,003,775</b>	<b>3,493,549</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	70,479	68,520
Tools, furniture and fixtures, net	180,500	166,737
Leased assets, net	48,409	238,355
<b>Total property, plant and equipment</b>	<b>299,389</b>	<b>473,613</b>
Intangible assets		
Trademark right	3,839	3,648
Software	29,227	26,916
Other	731	731
<b>Total intangible assets</b>	<b>33,799</b>	<b>31,296</b>
Investments and other assets		
Investment securities	887,932	1,180,539
Other	9,300	9,083
<b>Total investments and other assets</b>	<b>897,233</b>	<b>1,189,622</b>
<b>Total non-current assets</b>	<b>1,230,422</b>	<b>1,694,533</b>
<b>Total assets</b>	<b>5,234,197</b>	<b>5,188,082</b>

(Thousands of yen)

	As of December 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	45,996	58,366
Lease obligations	21,547	49,955
Accounts payable - other	112,768	87,839
Accrued expenses	63,004	48,688
Income taxes payable	80,405	6,538
Accrued consumption taxes	37,475	-
Deposits received	28,884	6,260
Other	10,442	23,880
<b>Total current liabilities</b>	<b>400,524</b>	<b>281,531</b>
Non-current liabilities		
Lease obligations	17,520	199,594
Asset retirement obligations	12,129	12,153
Deferred tax liabilities	16,018	14,231
Other	-	17,053
<b>Total non-current liabilities</b>	<b>45,668</b>	<b>243,032</b>
<b>Total liabilities</b>	<b>446,193</b>	<b>524,564</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,256,920	2,258,745
Capital surplus	2,446,703	2,448,528
Retained earnings	49,631	(71,272)
Treasury shares	(21)	(21)
<b>Total shareholders' equity</b>	<b>4,753,234</b>	<b>4,635,980</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,919	17,985
<b>Total accumulated other comprehensive income</b>	<b>23,919</b>	<b>17,985</b>
Share acquisition rights	10,850	9,552
<b>Total net assets</b>	<b>4,788,004</b>	<b>4,663,518</b>
<b>Total liabilities and net assets</b>	<b>5,234,197</b>	<b>5,188,082</b>

**(2) Consolidated statement of income and consolidated statement of comprehensive income**  
**Consolidated statement of income (cumulative)**

(Thousands of yen)

	First three months ended March 31, 2021	First three months ended March 31, 2022
Business revenue	655,610	339,273
Business expenses		
Cost of business revenue	41,529	53,218
Research and development expenses	255,977	263,751
Other selling, general and administrative expenses	209,059	142,153
Total business expenses	506,566	459,122
Operating profit (loss)	149,043	(119,849)
Non-operating income		
Interest income	359	209
Interest on securities	5,319	5,117
Foreign exchange gains	111,683	62,148
Subsidy income	1,972	–
Other	2,404	6
Total non-operating income	121,738	67,482
Non-operating expenses		
Interest expenses	398	704
Loss on valuation of compound financial instruments	2,040	3,000
Share issuance costs	–	76
Loss on valuation of derivatives	–	13,438
Other	–	583
Total non-operating expenses	2,438	17,803
Ordinary profit (loss)	268,343	(70,170)
Extraordinary income		
Gain on sale of investment securities	3,382	–
Gain on redemption of investment securities	–	2,739
Total extraordinary income	3,382	2,739
Extraordinary losses		
Retirement benefits for directors (and other officers)	–	17,800
Total extraordinary losses	–	17,800
Profit (loss) before income taxes	271,726	(85,231)
Income taxes	83,148	35,671
Profit (loss)	188,578	(120,902)
Profit attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	188,578	(120,902)

**Consolidated statement of comprehensive income (cumulative)**

(Thousands of yen)

	First three months ended March 31, 2021	First three months ended March 31, 2022
Profit (loss)	188,578	(120,902)
Other comprehensive income		
Valuation difference on available-for-sale securities	18,388	(5,934)
Total other comprehensive income	18,388	(5,934)
Comprehensive income	206,967	(126,836)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	206,967	(126,836)
Comprehensive income attributable to non-controlling interests	–	–



**(3) Consolidated statement of cash flows**

(Thousands of yen)

	First three months ended March 31, 2021	First three months ended March 31, 2022
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	271,726	(85,231)
Depreciation	32,324	31,835
Interest income	(359)	(209)
Interest income on securities	(5,319)	(5,117)
Interest expenses	398	704
Foreign exchange losses (gains)	(89,487)	(47,193)
Loss (gain) on valuation of compound financial instruments	2,040	3,000
Subsidy income	(1,972)	-
Loss (gain) on valuation of derivatives	-	13,438
Share issuance costs	-	76
Loss (gain) on sale of investment securities	(3,382)	-
Loss (gain) on redemption of investment securities	-	(2,739)
Retirement benefits for directors (and other officers)	-	17,800
Decrease (increase) in trade receivables	(99,434)	857,662
Decrease (increase) in inventories	(9,415)	969
Increase (decrease) in trade payables	3,116	12,370
Decrease (increase) in advance payments to suppliers	(6,488)	(3,972)
Decrease (increase) in prepaid expenses	(199,431)	(184,891)
Decrease (increase) in consumption taxes refund receivable	74,146	(15,802)
Increase (decrease) in accrued consumption taxes	21,387	(37,475)
Increase (decrease) in accounts payable - other	94,680	(49,563)
Increase (decrease) in accrued expenses	748	(14,315)
Increase (decrease) in income taxes payable - factor based tax	(5,787)	(19,628)
Increase (decrease) in deposits received	5,068	(22,623)
Other, net	10,428	17,756
<b>Subtotal</b>	<b>94,987</b>	<b>466,850</b>
Interest and dividends received	4,653	3,988
Interest paid	(398)	(704)
Income taxes paid	(48,698)	(90,444)
Subsidies received	1,972	-
Other, net	-	(7,000)
<b>Net cash provided by (used in) operating activities</b>	<b>52,516</b>	<b>372,689</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(207,380)	-
Purchase of property, plant and equipment	(53,557)	-
Purchase of intangible assets	(4,757)	-
Purchase of investment securities	-	(301,856)
Proceeds from sale of investment securities	110,923	-
Proceeds from redemption of investment securities	-	56,940
<b>Net cash provided by (used in) investing activities</b>	<b>(154,771)</b>	<b>(244,916)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	10,000	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	2,275
Repayments of lease obligations	(3,068)	(6,385)
<b>Net cash provided by (used in) financing activities</b>	<b>6,931</b>	<b>(4,110)</b>
Effect of exchange rate change on cash and cash equivalents	75,425	39,802
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(19,898)</b>	<b>163,465</b>
Cash and cash equivalents at beginning of period	2,061,316	2,240,661
Cash and cash equivalents at end of period	2,041,418	2,404,126

#### **(4) Notes to quarterly consolidated financial statements**

##### **Notes on premise of going concern**

No items to report.

##### **Notes on significant changes in the amount of shareholders' equity**

No items to report.

##### **Application of special accounting for preparing quarterly consolidated financial statements**

(Calculation of tax expenses)

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the quarter under review. However, in cases where calculations using said estimated effective tax rate yield a result that is notably lacking rationality, tax expenses are calculated by multiplying profit (loss) before income taxes by the statutory effective tax rate, taking into consideration the recoverability of deferred tax assets.

Income taxes is the amount inclusive of income taxes - deferred.

##### **Changes in accounting policies**

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The Group earns revenues (upfront payments, milestone-related revenues, royalty income, etc.) from licensing agreements that allow third parties to research, develop, manufacture and sell pharmaceuticals and other products and to use their technologies.

With regard to upfront payments and milestone-related revenues, when performance obligations are satisfied at a point in time, contractual performance obligations are deemed to be satisfied at the time when development, marketing, and other rights are granted, or at the time when the contractually stipulated milestone is achieved. These revenues are recognized as business revenue at the point when contractual performance obligations are deemed to be satisfied.

Royalty income is consideration based on license agreements, etc., calculated based on the sales revenue of the contract partner, etc. This income is recognized as business revenue with consideration to the point in time at which it is incurred.

The application of the Accounting Standard for Revenue Recognition and its guidance is subject to the transitional treatment provided in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application assuming the new accounting policy had been applied to periods prior to the start of the first quarter ended March 31, 2022, was added to or subtracted from the opening balance of retained earnings of the first quarter ended March 31, 2022, and thus the new accounting policy is applied from such opening balance; provided, however, that the new accounting policy is not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the first quarter ended March 31, 2022, are subject to the previous treatment by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the first quarter of the current fiscal year were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year.

As a result, there was no effect on the quarterly consolidated financial statements for the first quarter of the current fiscal year.

In addition, there was no effect on the opening balance of retained earnings.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Furthermore, the information on disaggregation of revenue from contracts with customers during the first three months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

Note that there was no effect on the quarterly consolidated financial statements.

##### **Additional information**

(Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system)

As for items regarding the transition to the group tax sharing system introduced in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and its consolidated subsidiaries have not applied the provisions of paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the "Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020). Accordingly,

amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

(Accounting estimates amid the spread of COVID-19)

The Group has determined the accounting estimates for impairment accounting of non-current assets, etc. based on information available when preparing the consolidated financial statements. The effects of the spread of COVID-19 on the Group are limited at the present time and the Group has determined that there will not be a significant impact on the estimates for the fiscal year under review.

**Segment information, etc.**

[Segment information]

- I. For the first three months ended March 31, 2021 (January 1, 2021 to March 31, 2021)  
This information is omitted because the Group consists of a single business segment dealing with research and development of pharmaceutical and related businesses.
- II. For the first three months ended March 31, 2022 (January 1, 2022 to March 31, 2022)  
This information is omitted because the Group consists of a single business segment dealing with research and development of pharmaceutical and related businesses.

**Significant subsequent event**

No items to report.