August 14, 2024

# Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2024 (JGAAP)

**Listed company's name:** RaQualia Pharma Inc.
**Listed on:** Tokyo Stock Exchange (TSE)
**Stock code:** 4579
**URL:** https://www.raqualia.com/en/ir.html
**Representative:** Hirobumi Takeuchi, President and CEO
**Contact:** Hidefumi Sugiyama, General Manager, Finance & Accounting Dept. (TEL) +81-52-446-6100
**Scheduled date of filing of semi-annual securities report:** August 14, 2024
**Scheduled date of dividend payment:** —
**Supplementary documents for financial results:** Yes
**Financial results briefing:** Yes

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

## 1. Consolidated financial results for the first six months of the fiscal year ending December 31, 2024 (January 1, 2024 to June 30, 2024)

### (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 | |
|---|---|---|---|---|---|---|---|---|
| First six months ended | million yen | % | million yen | % | million yen | % | million yen | % |
| June 30, 2024 | 1,411 | 39.1 | (154) | – | (277) | – | (323) | – |
| June 30, 2023 | 1,014 | (29.9) | (23) | – | 36 | (94.6) | 25 | (94.6) |

Note: Comprehensive income Six months ended June 30, 2024: (477) million yen [–%]
Six months ended June 30, 2023: 183 million yen [(59.9)%]

| | Earnings per share (Basic) | Earnings per share (Diluted) |
|---|---|---|
| First six months ended | yen | yen |
| June 30, 2024 | (14.97) | – |
| June 30, 2023 | 1.18 | 1.18 |

### (2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| As of | million yen | million yen | % |
| June 30, 2024 | 10,125 | 5,648 | 55.6 |
| December 31, 2023 | 6,871 | 6,120 | 88.7 |

Reference: Equity As of June 30, 2024: 5,626 million yen As of December 31, 2023: 6,094 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, 2023 | – | 0.00 | – | 0.00 | 0.00 |
| Fiscal year ending December 31, 2024 | – | 0.00 | | | |
| Fiscal year ending December 31, 2024 (forecast) | | | – | 0.00 | 0.00 |

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

**3. Forecasts of consolidated financial results for the fiscal year ending December 31, 2024 (January 1, 2024 to December 31, 2024)**

(Percentage figures represent year-on-year changes)

| | 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 |
| Fiscal year ending December 31, 2024 | 4,535 | 138.5 | 313 | – | 290 | – | 236 | – | 10.91 |

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

*** Notes**

(1) Significant changes in the scope of consolidation during the first six months ended June 30, 2024: None

(2) Application of special accounting for preparing semi-annual consolidated financial statements: Yes

Note: For more details, please refer to the section of "(4) Notes to semi-annual consolidated financial statements (Application of special accounting for preparing semi-annual consolidated financial statements)" of "2. Semi-annual consolidated financial statements and significant notes thereto" on page 11 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: None

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

c. Changes in accounting estimates: None

d. Restatements of prior financial statements: None

(4) Number of issued shares (common shares)

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

| | |
|---|---|
| As of June 30, 2024 | 21,638,281 shares |
| As of December 31, 2023 | 21,623,281 shares |

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

| | |
|---|---|
| As of June 30, 2024 | 81 shares |
| As of December 31, 2023 | 51 shares |

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

| | |
|---|---|
| For the first six months ended June 30, 2024 | 21,628,665 shares |
| For the first six months ended June 30, 2023 | 21,594,082 shares |

*** Semi-annual financial results reports are exempt from 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.

For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to the section of "(3) Qualitative information regarding consolidated earnings forecasts" of "1. Qualitative information regarding settlement of accounts for the first six months" on page 5 of the attached material.

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

The Company plans to hold a financial results briefing for institutional investors and analysts as well as general investors (via live webcast) on Thursday, August 15, 2024.

The Company plans to post the documents used at the briefing on its website promptly after the briefing is held.

**Contents of attachment**

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

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

#### 1) Financial results

Regarding the first six months of the fiscal year ending December 31, 2024, the Japanese economy shifted into a moderate recovery trend in the second quarter after the standstill experienced in the first quarter. According to the Bank of Japan's quarterly short-term economic survey (June 2024 survey), business sentiment was positive overall, with sentiment maintaining a high level among large enterprises in the non-manufacturing sector despite a slight decline, and sentiment among large enterprises in the manufacturing sector rising for the first time in two quarters.

In the pharmaceutical industry, the rules for the "premium to promote the development of new drugs and eliminate off-label use" have been changed as a measure to "eliminate drug lag/drug loss" in the NHI drug price revision for FY2024. Industry associations are continuing to request drug price measures that will appropriately recognize pharmaceutical innovation. Amid voices of concern being heard about a decline in international competitiveness of Japan's pharmaceutical industry, the government has positioned it as a growth sector. The interim report published following the 5th meeting of the Council of the Concept for Early Prevalence of the Novel Drugs to Patients by Improving Drug Discovery Capabilities, held in May 2024, included strategic targets for strengthening drug discovery capabilities in Japan, promptly delivering the novel drugs to the people, and the creation of a social system that sustains an environment facilitating investment and innovation. This interim report also included statements about the creation by startups of the seeds of and new modalities for pharmaceuticals, indicating that the role played by drug discovery-oriented venture companies including the Group is becoming increasingly important.

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

Regarding human drug products that are already on the market, sales of K-CAB® (generic name: tegoprazan)—gastric acid secretion inhibitor marketed by HK inno.N Corporation (headquarters: Osong, South Korea, "HK inno.N")—in South Korea continued to perform well. Sales from external prescriptions in the first six months ended June 30, 2024 amounted to 91.9 billion won, an increase of 24.1% year on year, and equivalent to approximately 10.1 billion yen at 0.11 yen to the won. Tegoprazan's share in the South Korean peptic ulcer drug market was 14%, continuing to maintain the No. 1 share. Moreover, although requests for a trial to confirm the passive scope of a patent were made in relation to the substance patent for tegoprazan in South Korea (South Korea patent number: 1088247), these requests were dismissed in their entirety in June 2024. The Company believes that this will lead to even more robust protection of exclusive sales rights for K-CAB®.

Global expansion of tegoprazan is also progressing steadily. The Company has executed exclusive license agreements with HK inno.N for the development, marketing, and manufacturing of tegoprazan with sublicensing rights. During the first six months ended June 30, 2024, sublicensee Laboratorios Carnot (headquarters: Mexico City, Mexico) received marketing approvals from local authorities in six countries: Chile, Dominican Republic, Honduras, Nicaragua, Guatemala, and El Salvador. Furthermore, in April 2024, HK inno.N concluded a licensing agreement with Tabuk Pharmaceutical Manufacturing Company (headquarters: Riyadh, Saudi Arabia) covering the Middle East and North Africa. As a result of this progress, the Company received a lump-sum payment from HK inno.N.

As of the end of the first six months ended June 30, 2024, tegoprazan is being developed, reviewed for marketing approvals, prepared for launch, or marketed in 46 countries around the world, and the 8 countries where tegoprazan products are being marketed are South Korea, China, the Philippines, Mongolia, Mexico, Indonesia, Singapore, and Peru. HK inno.N's sublicensees continue to make progress with filings for approval in Thailand, Vietnam, Argentina, and other countries in Southeast Asia and South-Central America, and they are proceeding with clinical development in a number of countries, including the United States and Canada. HK inno.N is aiming to expand sales to 100 countries around the world by 2028.

With regard to pet drugs, sales were strong for GALLIPRANT® (generic name: grapiprant), which is a drug for osteoarthritis in dogs, and ENTYCE® (generic name: capromorelin), which has an indication for anorexia management for dogs, and ELURA® (generic name: capromorelin), which has an indication for weight loss management in cats with chronic kidney disease, all of which were licensed to Elanco Animal Health Inc. (headquarters: Indiana, U.S., "Elanco"). With regard to ELURA®, in February 2024, Elanco received approval from the Ministry of Agriculture, Forestry and Fisheries to manufacture and market it in Japan. Preparations are currently underway by Elanco for the product launch, as in Europe, where it received manufacturing and marketing approval in 2023.

Other licensed programs are also in the pre-clinical or later development stage at licensee and sublicensee companies. During the first six months ended June 30, 2024, Xgene Pharmaceutical Pty Ltd., a subsidiary of Xgene Pharmaceutical Co., Ltd. (headquarters: Hong Kong, "Xgene") initiated a Phase I clinical trial in Australia for the TRPM8 blocker (RQ-00434739/XG2002) (the "Phase I trial"). As a result, the Company received a lump-sum payment from Xgene. In the Phase I trial, dose-escalation studies on healthy volunteers to evaluate the tolerability and pharmacokinetics of the TRPM8 blocker are expected to yield valuable information for subsequent clinical trials.

Also in the six months ended June 30, 2024, the Company entered into a new agreement as a result of ongoing business development activities. In April 2024, the Company entered into an option and licensing agreement ("the agreement") for

development of veterinary drugs with Velovia Pharma, LLC (headquarters: Tennessee, U.S.; "Velovia Pharma"). This agreement concerns four compounds in the Company's development pipeline ("the compounds"), which are expected to have applications in gastroenterological, metabolic, and fibrotic diseases. Based on the agreement, the Company grants Velovia Pharma an option for an exclusive license to evaluate, develop, manufacture, and market veterinary drugs containing the compounds. In the event of Velovia Pharma exercising options for one or more of the compounds, the Company will receive an option exercise fee from Velovia Pharma, and will also be entitled to receive milestone payments in accordance with subsequent progress in development. Furthermore, in the event that pet drugs containing the compounds reach the market, the Company will be entitled to receive royalty payments, based on net sales of the product, and sales milestone payments from Velovia Pharma.

As for other pre-licensing programs, pre-clinical studies progressed in-house for the ghrelin receptor agonist from the previous fiscal year during the fiscal year under review. For tegoprazan, the Company retains the rights to develop, manufacture, and market the product in Japan, and has been in discussions with candidate partner companies continuously in the second quarter. For other pre-licensing programs, the Company conducted business development activities aimed at finding business partners through a flexible combination of face-to-face and online meetings.

In the discovery research stage, in addition to engaging in discovery research to generate development compounds, the Company is aiming to establish a next-generation in-house drug discovery value chain through synergistic effects from existing and new technologies, which it is approaching from the four angles of "modality," "drug target," "disease area," and "platform technology." With regard to bolstering the small molecule drug discovery that has been one of the Company's strengths, in addition to utilizing new technologies such as compound design AI and nerve cells derived from iPS cells, in terms of new initiatives the Company is moving forward with joint development with Veritas In Silico (headquarters: Shinagawa-ku, Tokyo) of small molecule drugs that target mRNA with the objective of creating drugs to treat cancer. During the first six months under review, the Company made satisfactory progress in compound discovery, identifying multiple small molecule compounds that show the desired characteristics at the cellular level. In addition, the new research base established at Shonan Health Innovation Park (Fujisawa City, Kanagawa Prefecture) in 2023 is working on drugs that use new modalities. These include joint research being undertaken with STAND Therapeutics Co., Ltd. (headquarters: Minato-ku, Tokyo), which seeks to apply drug discovery to the area of intracellular antibody technology with the aim of creating therapeutic agents for intractable and rare diseases.

Clinical trials for the treatment of myelodysplastic syndrome (MDS) and acute myeloid leukemia (AML) are underway in the U.S. for a retinoic acid receptor alpha agonist (tamibarotene, AM80/TM-411/SY-1425), licensed by TMRC Co., Ltd. (headquarters: Shinjuku-ku, Tokyo), one of the Company's consolidated subsidiaries, to Syros Pharmaceuticals Inc. (headquarters: Massachusetts, U.S., "Syros"). For MDS, the enrollment of patients necessary for the analysis of the primary endpoint of Phase III clinical trials related to combined treatments using tamibarotene and azacitidine (SELECT-MDS-1) was completed in the first quarter, and data on the complete remission rate is expected by the middle of the fourth quarter.

For AML, Syros is currently operating Phase II clinical trials for patients with RARA gene overexpression for whom traditional chemotherapy treatment is not suitable and who have not been treated (SELECT-AML-1), and plans to report updated data on the clinical trial in September. In addition, Syros announced that it received Fast Track designation for AML from the U.S. Food and Drug Administration (FDA) in April 2024. Drug candidates with Fast Track Approvals enable more frequent communication with the FDA regarding development plans and, if supported by clinical data, priority review and expedited approval.

In addition, during the first six months ended June 30, 2024, the Company made FIMECS, Inc. (headquarters: Fujisawa City, Kanagawa Prefecture, "FIMECS") a wholly owned subsidiary by acquiring all of its outstanding shares and stock acquisition rights (the "Shares, etc."). The consideration for this conversion consists of (i) an upfront payment upon acquisition of the Shares, etc. (the "Closing Consideration") and (ii) a payment based on FIMECS' future earnings. The Closing Consideration was 4,500 million yen, and paid upon the acquisition of the Shares, etc. on March 26, 2024. In connection with this conversion, the Company raised 3,500 million yen through a loan from a syndicate with Mizuho Bank, Ltd. as arranger and The Shoko Chukin Bank, Ltd. as co-arranger.

FIMECS is a start-up company that aims to create innovative medicines for targets for which the creation of treatments has been considered extremely difficult (undruggable) using targeted protein degraders, a new modality of drug discovery. With RaPPIDS™ (Rapid Protein Proteolysis Inducer Discovery System), a proprietary platform technology specialized for targeted protein degraders, at the core of its business, the company has a hybrid business model that combines a pipeline business model that generates revenue through the licensing of its own pipeline with a platform business model that generates revenue through collaborations with pharmaceutical companies. With the conversion of FIMECS into a subsidiary, the Company expects to (i) strengthen its drug discovery value chain by acquiring platform technology, (ii) increase revenues by hybridizing its business model, and (iii) strengthen and expand its oncology area's drug discovery.

In May 2024, FIMECS achieved its initial milestone in joint research with Astellas Pharma Inc. (headquarters: Chuo-ku, Tokyo; "Astellas Pharma"). FIMECS has been using RaPPIDS™ in joint research with Astellas Pharma for the discovery of targeted protein degraders for multiple targets related to cancer treatment since 2022, and the recently achieved milestone relates to one specific program within this collaboration. This resulted in a lump-sum payment from Astellas Pharma to FIMECS.

Accordingly, financial results for the first six months, the reporting period, were as follows. Business revenue for the period was 1,411 million yen (up 39.1% year on year), operating loss totaled 154 million yen (compared with operating loss of 23 million yen a year earlier), ordinary loss totaled 277 million yen (compared with ordinary profit of 36 million yen a year earlier), and loss attributable to owners of parent was 323 million yen (compared with profit attributable to owners of parent of 25 million yen a year earlier).

Total business expenses were 1,565 million yen (up 50.9% year on year). This mainly consists of cost of business revenue of 226 million yen (up 85.6% year on year), research and development expenses of 832 million yen (up 38.0% year on year) and other selling, general and administrative expenses of 505 million yen (up 62.1% year on year).

**2) Research and development activities**

Research and development expenses of the entire Group during the first six months were 832 million yen. For the first six 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 June 30, 2024 were 10,125 million yen, an increase of 3,253 million yen (up 47.3%) from the end of the previous fiscal year. This is mainly attributable to a decrease in cash and deposits of 534 million yen, an increase in goodwill of 4,000 million yen, and a decrease in investment securities of 473 million yen.

Liabilities

Total liabilities as of June 30, 2024 were 4,477 million yen, an increase of 3,726 million yen (up 495.8%) from the end of the previous fiscal year. This is mainly attributable to increases in current portion of long-term borrowings of 500 million yen, advances received of 165 million yen, and long-term borrowings of 2,868 million yen.

Net assets

Net assets as of June 30, 2024 were 5,648 million yen, a decrease of 472 million yen (down 7.7%) from the end of the previous fiscal year. This is mainly attributable to the recording of loss attributable to owners of parent of 323 million yen and a decrease in valuation difference on available-for-sale securities of 153 million yen.

Consequently, the equity ratio was 55.6% (down 33.1 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 June 30, 2024 amounted to 3,114 million yen (compared with 3,565 million yen a year earlier), a decrease of 550 million yen (down 15.0%) from the end of the previous fiscal year.
The respective cash flows in the first six months and the factors thereof are as follows.

Cash flows from operating activities

Net cash used in operating activities was 129 million yen (down 81.9% year on year). This is mainly attributable to cash outflows from increases in trade receivables of 172 million yen and prepaid expenses of 154 million yen and cash inflows from a decrease in consumption taxes refund receivable of 115 million, despite the recording of loss before income taxes of 273 million yen, depreciation of 91 million yen and amortization of goodwill of 67 million yen.

Cash flows from investing activities

Net cash used in investing activities was 3,669 million yen (up 1,141.6% year on year). This is mainly attributable to the purchase of property, plant and equipment of 33 million yen, proceeds from sale of investment securities of 258 million yen, and the purchase of shares of subsidiaries resulting in change in scope of consolidation of 3,879 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 3,194 million yen (up 286.4% year on year). This is mainly attributable to proceeds from long-term borrowings of 3,357 million yen, repayments of long-term borrowings of 131 million yen, and repayments of lease liabilities of 32 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, 2024 presented in "Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (JGAAP)" published on February 14, 2024.

## 2. Semi-annual consolidated financial statements and significant notes thereto

### (1) Consolidated balance sheet

(Thousands of yen)

| | As of December 31, 2023 | As of June 30, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,714,984 | 3,180,614 |
| Accounts receivable - trade, and contract assets | 603,196 | 775,635 |
| Securities | 49,754 | 33,599 |
| Work in process | 1,713 | – |
| Supplies | 146,226 | 174,886 |
| Advance payments to suppliers | 66,600 | 32,715 |
| Prepaid expenses | 188,128 | 367,863 |
| Other | 186,290 | 72,908 |
| Total current assets | 4,956,894 | 4,638,223 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 59,173 | 55,709 |
| Tools, furniture and fixtures, net | 208,814 | 190,944 |
| Leased assets, net | 305,620 | 289,139 |
| Total property, plant and equipment | 573,608 | 535,793 |
| Intangible assets | | |
| Goodwill | – | 4,000,921 |
| Trademark right | 4,544 | 4,441 |
| Software | 25,570 | 26,046 |
| Other | 72 | 72 |
| Total intangible assets | 30,187 | 4,031,482 |
| Investments and other assets | | |
| Investment securities | 1,231,458 | 758,308 |
| Long-term prepaid expenses | 63,501 | 42,533 |
| Deferred tax assets | 5,711 | 94,086 |
| Other | 10,610 | 25,185 |
| Total investments and other assets | 1,311,281 | 920,113 |
| Total non-current assets | 1,915,077 | 5,487,388 |
| Total assets | 6,871,972 | 10,125,612 |

(Thousands of yen)

| | As of December 31, 2023 | As of June 30, 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 54,174 | 62,669 |
| Current portion of long-term borrowings | 12,620 | 512,620 |
| Lease liabilities | 64,301 | 66,415 |
| Accounts payable - other | 158,888 | 253,096 |
| Accrued expenses | 54,197 | 73,545 |
| Income taxes payable | 19,687 | 17,109 |
| Advances received | – | 165,593 |
| Deposits received | 3,502 | 18,698 |
| Other | 21,941 | 87,162 |
| Total current liabilities | 389,313 | 1,256,909 |
| Non-current liabilities | | |
| Long-term borrowings | 39,050 | 2,907,740 |
| Lease liabilities | 251,747 | 235,415 |
| Asset retirement obligations | 12,320 | 14,560 |
| Provision for share awards | 48,222 | 49,332 |
| Provision for share awards for directors (and other officers) | 10,875 | 13,593 |
| Total non-current liabilities | 362,215 | 3,220,643 |
| Total liabilities | 751,528 | 4,477,552 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,667,649 | 2,672,254 |
| Capital surplus | 2,857,432 | 2,862,037 |
| Retained earnings | 449,358 | 125,497 |
| Treasury shares | (22) | (39) |
| Total shareholders' equity | 5,974,418 | 5,659,750 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 120,415 | (33,520) |
| Total accumulated other comprehensive income | 120,415 | (33,520) |
| Share acquisition rights | 25,610 | 21,830 |
| Total net assets | 6,120,443 | 5,648,059 |
| Total liabilities and net assets | 6,871,972 | 10,125,612 |

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

**Consolidated statement of income (cumulative)**

(Thousands of yen)

| | First six months ended June 30, 2023 | First six months ended June 30, 2024 |
|---|---|---|
| Business revenue | 1,014,084 | 1,411,048 |
| Business expenses | | |
| Cost of business revenue | 122,278 | 226,984 |
| Research and development expenses | 603,336 | 832,664 |
| Other selling, general and administrative expenses | 311,839 | 505,609 |
| Total business expenses | 1,037,453 | 1,565,259 |
| Operating loss | (23,369) | (154,211) |
| Non-operating income | | |
| Interest income | 280 | 2,574 |
| Interest on securities | 2,893 | 2,012 |
| Foreign exchange gains | 90,265 | 74,689 |
| Gain on valuation of compound financial instruments | 5,490 | – |
| Other | 9,662 | 11,257 |
| Total non-operating income | 108,592 | 90,535 |
| Non-operating expenses | | |
| Interest expenses | 3,026 | 15,843 |
| Commitment fees | 3,499 | 4,868 |
| Commission for syndicated loans | – | 140,499 |
| Share issuance costs | 3,930 | 204 |
| Loss on valuation of compound financial instruments | – | 650 |
| Loss on valuation of derivatives | 38,049 | 51,770 |
| Other | 0 | – |
| Total non-operating expenses | 48,506 | 213,837 |
| Ordinary profit (loss) | 36,716 | (277,513) |
| Extraordinary income | | |
| Gain on sale of investment securities | – | 9,379 |
| Total extraordinary income | – | 9,379 |
| Extraordinary losses | | |
| Loss on sale of investment securities | – | 5,600 |
| Total extraordinary losses | – | 5,600 |
| Profit (loss) before income taxes | 36,716 | (273,734) |
| Income taxes | 11,235 | 50,126 |
| Profit (loss) | 25,481 | (323,861) |
| Profit attributable to non-controlling interests | – | – |
| Profit (loss) attributable to owners of parent | 25,481 | (323,861) |

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

(Thousands of yen)

| | First six months ended June 30, 2023 | First six months ended June 30, 2024 |
|---|---|---|
| Profit (loss) | 25,481 | (323,861) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 158,246 | (153,935) |
| Total other comprehensive income | 158,246 | (153,935) |
| Comprehensive income | 183,728 | (477,797) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 183,728 | (477,797) |
| Comprehensive income attributable to non-controlling interests | – | – |

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

(Thousands of yen)

| | First six months ended June 30, 2023 | First six months ended June 30, 2024 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 36,716 | (273,734) |
| Depreciation | 71,728 | 91,564 |
| Amortization of goodwill | – | 67,812 |
| Interest income | (280) | (2,574) |
| Interest income on securities | (2,893) | (2,012) |
| Foreign exchange losses (gains) | (70,801) | (55,781) |
| Loss (gain) on valuation of compound financial instruments | (5,490) | 650 |
| Interest expenses | 3,026 | 15,843 |
| Commitment fees | 3,499 | 4,868 |
| Commission for syndicated loans | – | 140,499 |
| Share issuance costs | 3,930 | 204 |
| Loss (gain) on valuation of derivatives | 38,049 | 51,770 |
| Loss (gain) on sale of investment securities | – | (3,779) |
| Decrease (increase) in trade receivables | (213,441) | (172,439) |
| Decrease (increase) in inventories | 133 | (3,897) |
| Increase (decrease) in trade payables | (59,717) | 8,495 |
| Increase (decrease) in advances received | – | 27,589 |
| Decrease (increase) in advance payments to suppliers | 1,276 | 67,385 |
| Decrease (increase) in prepaid expenses | (261,462) | (154,562) |
| Decrease (increase) in long-term prepaid expenses | (33,752) | 19,867 |
| Increase (decrease) in accounts payable - other | (144,585) | (55,663) |
| Increase (decrease) in income taxes payable - factor based tax | (4,831) | 8,912 |
| Decrease (increase) in consumption taxes refund receivable | (5,077) | 115,947 |
| Increase (decrease) in accrued consumption taxes | – | 10,525 |
| Increase (decrease) in provision for share awards | (4,230) | 1,110 |
| Increase (decrease) in provision for share awards for directors (and other officers) | 1,813 | 2,718 |
| Other, net | (25,748) | 6,502 |
| Subtotal | (672,138) | (82,177) |
| Interest and dividends received | 9,962 | 6,204 |
| Interest paid | (3,118) | (15,861) |
| Commitment fees paid | (7,000) | (3,279) |
| Income taxes paid | (54,869) | (64,917) |
| Income taxes refund | 11,826 | 30,666 |
| Net cash provided by (used in) operating activities | (715,337) | (129,364) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (119,998) | (33,081) |
| Purchase of intangible assets | (15,571) | (7,020) |
| Purchase of investment securities | (160,000) | – |
| Proceeds from sale of investment securities | – | 258,563 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | – | (3,879,637) |
| Other payments | – | (8,815) |
| Net cash provided by (used in) investing activities | (295,570) | (3,669,991) |

(Thousands of yen)

| | First six months ended June 30, 2023 | First six months ended June 30, 2024 |
|---|---|---|
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | – | 400,000 |
| Repayments of short-term borrowings | – | (400,000) |
| Proceeds from long-term borrowings | 50,000 | 3,357,800 |
| Repayments of long-term borrowings | (3,810) | (131,310) |
| Repayments of lease liabilities | (21,808) | (32,412) |
| Proceeds from issuance of shares | 782,614 | – |
| Purchase of treasury shares | – | (16) |
| Proceeds from issuance of shares resulting from exercise of share acquisition rights | 188 | – |
| Proceeds from issuance of share acquisition rights | 19,362 | – |
| Net cash provided by (used in) financing activities | 826,545 | 3,194,060 |
| Effect of exchange rate change on cash and cash equivalents | 70,799 | 54,770 |
| Net increase (decrease) in cash and cash equivalents | (113,562) | (550,525) |
| Cash and cash equivalents at beginning of period | 3,679,304 | 3,664,738 |
| Cash and cash equivalents at end of period | 3,565,741 | 3,114,213 |

## (4) Notes to semi-annual 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 semi-annual 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 first six months. 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.

### Notes on segment information, etc.

[Segment information]

I. For the first six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

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 six months ended June 30, 2024 (January 1, 2024 to June 30, 2024)

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.