

Disclaimer: This translation is prepared and provided for readers' convenience only. This summary does not constitute any guarantee, and the Company will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.



November 14, 2024

Summary of Consolidated Financial Results for the First Nine 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 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 nine months of the fiscal year ending December 31, 2024 (January 1, 2024 to September 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	
	million yen	%	million yen	%	million yen	%	million yen	%
First nine months ended September 30, 2024	2,369	58.4	(27)	—	(231)	—	(339)	—
September 30, 2023	1,495	(21.5)	(108)	—	(36)	—	(117)	—

Note: Comprehensive income
 Nine months ended September 30, 2024: (494) million yen [—%]
 Nine months ended September 30, 2023: (79) million yen [—%]

	Earnings per share (Basic)	Earnings per share (Diluted)
First nine months ended	yen	yen
September 30, 2024	(15.71)	—
September 30, 2023	(5.45)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
September 30, 2024	9,751	5,631	57.5
December 31, 2023	6,871	6,120	88.7

Reference: Equity As of September 30, 2024: 5,610 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)

Fiscal year ending December 31, 2024	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
	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 nine months ended September 30, 2024: 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 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 September 30, 2024	21,638,781 shares
As of December 31, 2023	21,623,281 shares

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

As of September 30, 2024	178 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 nine months ended September 30, 2024	21,631,875 shares
For the first nine months ended September 30, 2023	21,601,715 shares

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

*** 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 nine months” on page 4 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 via live webcast on Thursday, November 14, 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 nine months	2
(1) Qualitative information regarding consolidated operating results	2
(2) Qualitative information regarding consolidated financial position.....	3
(3) Qualitative information regarding consolidated earnings forecasts.....	4
2. Quarterly consolidated financial statements and significant notes thereto.....	5
(1) Consolidated balance sheet.....	5
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	7
Consolidated statement of income (cumulative).....	7
Consolidated statement of comprehensive income (cumulative)	8
(3) Consolidated statement of cash flows.....	9
(4) Notes to quarterly consolidated financial statements.....	11
Notes on premise of going concern	11
Notes on significant changes in the amount of shareholders' equity.....	11
Application of special accounting for preparing quarterly consolidated financial statements.....	11
Notes on segment information, etc.	11
Significant subsequent event	11

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

(1) Qualitative information regarding consolidated operating results

1) Financial results

During the first nine months of the fiscal year ending December 31, 2024, the Japanese economy continued on a gradual recovery trend overall, despite a standstill in some areas. According to the Bank of Japan's quarterly short-term economic survey (September 2024 survey), business sentiment was positive overall, with sentiment among large enterprises in the manufacturing sector maintaining flat, and sentiment among large enterprises in the non-manufacturing sector improving slightly.

In the pharmaceutical industry, many companies are expecting a growth in profits over the previous year due to the impact of foreign exchange and other factors, while there have also been moves to respond to changes in the business environment, such as a growing number of companies announcing early retirement offers. Amid voices of concern being heard about a decline in international competitiveness of Japan's pharmaceutical industry, the government has positioned it as a core industry and is implementing measures to support the practical development of venture businesses and promote the development of production systems for biopharmaceuticals, thus making the role of drug discovery venture companies like the Group increasingly important. Under such conditions, the Group achieved the following financial results during the first nine 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 (South Korea, "HK inno.N")—in South Korea continued to perform well. Sales from prescriptions in the first nine months ended September 30, 2024 amounted to 142.2 billion won, an increase of 24.6% year on year, and equivalent to approximately 15.6 billion yen at 0.11 yen to the won. Tegoprazan's share in the South Korean peptic ulcer drug market grew to 15%, continuing to maintain the No. 1 share.

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, and business activities related to tegoprazan are being carried out by HK inno.N and its business partners around the world that have received licenses or product exports from HK inno.N. As of the end of the first nine months ended September 30, 2024, tegoprazan business has been expanded in 46 countries around the world, and HK inno.N aims to expand it in 100 countries by 2028.

As of the end of the first nine months ended September 30, 2024, tegoprazan products are being marketed in nine countries: South Korea, China, the Philippines, Mongolia, Mexico, Indonesia, Singapore, Peru, and Chile. The Company has received the sales royalty through HK inno.N based on the product sales. HK inno.N's sublicensees continue to make progress with filings for approval in countries in Southeast Asia and South-Central America, and with clinical development in a number of countries, including the United States and Canada.

During the first nine months ended September 30, 2024, a HK inno.N's business partner, Laboratorios Carnot (Mexico, "Carnot") received marketing approval from the Colombian authorities in Columbia. As a result, the Company received a lump-sum payment from HK inno.N. With marketing approval from the Colombian authorities, Carnot has now received marketing approval in nine countries in Central and South America: Mexico, Peru, Chile, the Dominican Republic, Honduras, Nicaragua, Guatemala, El Salvador and Colombia. Of the countries where approval has been received, sales have already begun in Mexico, Peru and Chile under the product name "Ki-CAB[®]," and Carnot expects to begin sales in the remaining six countries as soon as possible. Furthermore, a HK inno.N's business partner, Pharmaniaga Logistics Sdn Bhd (Malaysia) received marketing approval from the Malaysian authorities in Malaysia. In addition, in China, HK inno.N's business partner Shandong Luoxin Pharmaceutical Group Co., Ltd. (China) announced that it had received approval from the Chinese authorities to conduct clinical trials for the development of injectable drugs of tegoprazan.

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, all of which were licensed to Elanco Animal Health Inc. (U.S., "Elanco"). In addition, ELURA[®] was launched in France in August 2024. Its product name in Europe is "Eluracat[®]." As a result, the Company received a lump-sum payment from Elanco.

Other licensed programs are also in the pre-clinical or later development stage at licensee and sublicensee companies.

As for pre-licensing programs, pre-clinical studies progressed from the previous fiscal year during the fiscal year under review for a ghrelin receptor agonist, which is being developed in-house. 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 third 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, the Company is continuing to promote discovery research to generate development compounds. The Group has made it a key growth strategy to create pharmaceuticals for unexplored drug targets (genes, proteins, etc.) that have been considered difficult to address with conventional technologies by strengthening the drug discovery value chain through synergistic effects from existing and new technologies, and is working to strengthen its technologies and pipeline from the four angles of "modality," "drug target," "disease area," and "platform technology."

With regard to modality and drug targets, the Group is advancing research and development of targeted protein degraders, a new drug discovery modality, centered on FIMECS, Inc. (“FIMECS”), which became a consolidated subsidiary in March of this year. The Company is also working to apply drug discovery to the area of intracellular antibody technology through joint research with STAND Therapeutics Co., Ltd. (headquarters: Minato-ku, Tokyo). As a new initiative for the creation of small molecule drugs, the Company is moving forward with joint development with Veritas In Silico, Inc. (headquarters: Shinagawa-ku, Tokyo) of small molecule drugs that target mRNA. Through these initiatives, the disease areas in which the Group is involved in research and development have expanded to include the oncology area. Furthermore, RaPPIDS™ (Rapid Protein Proteolysis Inducer Discovery System), FIMECS’ proprietary platform technology specialized for targeted protein degraders, is greatly contributing to strengthening the Group’s platform technologies and, as in the previous quarter, is continuing to bringing in profits for the Group based on ongoing joint research.

Clinical trials for the treatment of acute myeloid leukemia (AML) and myelodysplastic syndrome (MDS) were conducted 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), a consolidated subsidiary of the Company, to Syros Pharmaceuticals Inc. (U.S., “Syros”). For AML, in August of this year, an interim analysis was conducted using data from the 51 patients enrolled in the Phase II clinical trial related to combined treatments using tamibarotene, venetoclax and azacitidine (SELECT-AML-1 trial). Results showed that the probability of the SELECT-AML-1 trial showing superiority in the final analysis was considered low, and Syros decided to stop new patient enrollment. In the SELECT-AML-1 trial, no new safety concerns were identified with the combined use of tamibarotene with venetoclax and azacitidine. Syros presented these results at the twelfth annual meeting of the Society of Hematologic Oncology (SOHO) in September 2024. 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 trial) was completed in the first quarter. Syros expects to get data on the complete remission rate in November.

Accordingly, financial results for the first nine months, the reporting period, were as follows. Business revenue for the period was 2,369 million yen (up 58.4% year on year), operating loss totaled 27 million yen (compared with operating loss of 108 million yen a year earlier), ordinary loss totaled 231 million yen (compared with ordinary loss of 36 million yen a year earlier), and loss attributable to owners of parent was 339 million yen (compared with loss attributable to owners of parent of 117 million yen a year earlier).

Total business expenses were 2,396 million yen (up 49.5% year on year). This mainly consists of cost of business revenue of 396 million yen (up 109.5% year on year), research and development expenses of 1,255 million yen (up 34.3% year on year) and other selling, general and administrative expenses of 744 million yen (up 55.2% year on year).

2) Research and development activities

Research and development expenses of the entire Group during the first nine months were 1,255 million yen. For the first nine 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 September 30, 2024 were 9,751 million yen, an increase of 2,879 million yen (up 41.9%) from the end of the previous fiscal year. This is mainly attributable to a decrease in cash and deposits of 558 million yen, an increase in goodwill of 3,933 million yen, and a decrease in investment securities of 473 million yen.

Liabilities

Total liabilities as of September 30, 2024 were 4,119 million yen, an increase of 3,367 million yen (up 448.1%) 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 74 million yen, and long-term borrowings of 2,740 million yen.

Net assets

Net assets as of September 30, 2024 were 5,631 million yen, a decrease of 488 million yen (down 8.0%) from the end of the previous fiscal year. This is mainly attributable to the recording of loss attributable to owners of parent of 339 million yen and a decrease in valuation difference on available-for-sale securities of 154 million yen.

Consequently, the equity ratio was 57.5% (down 31.2 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 September 30, 2024 amounted to 3,000 million yen (compared with 3,915 million yen a year earlier), a decrease of 664 million yen (down 18.1%) from the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash provided by operating activities was 229 million yen (compared with net cash of 405 million yen used a year earlier). This is mainly attributable to the recording of loss before income taxes of 227 million yen, depreciation of 144 million yen and amortization of goodwill of 135 million yen, cash inflows from decreases in trade receivables of 161 million yen and consumption taxes refund receivable of 91 million yen, and a cash outflow from income taxes paid of 127 million yen.

Cash flows from investing activities

Net cash used in investing activities was 3,864 million yen (up 1,337.8% year on year). This is mainly attributable to payments into time deposits of 200 million yen, proceeds from withdrawal of time deposits of 100 million yen, proceeds from sale of investment securities of 258 million yen, and 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 3,048 million yen (up 275.2% year on year). This is mainly attributable to proceeds from long-term borrowings of 3,357 million yen, repayments of long-term borrowings of 259 million yen, and repayments of lease liabilities of 50 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. Although there are differences between the consolidated operating results, as of the time of the announcement of this summary of consolidated financial results for the first nine months of the fiscal year ending December 31, 2024, and the forecasts of consolidated financial results for the fiscal year under review, this is due to the nature of the Group’s business as whether or not new agreements have been concluded will have a significant impact on financial results. Since the Group is currently negotiating with several pharmaceutical and biotech companies, in the case of revisions to the forecasts of consolidated financial results for the fiscal year under review based on the results and progress made in these negotiations and other factors, as soon as the Company determines that it is necessary to revise the forecasts, the Company will determine and disclose the revisions promptly.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	3,714,984	3,156,041
Accounts receivable - trade, and contract assets	603,196	441,916
Securities	49,754	44,269
Work in process	1,713	1,520
Supplies	146,226	174,116
Advance payments to suppliers	66,600	30,513
Prepaid expenses	188,128	325,543
Other	186,290	109,215
Total current assets	4,956,894	4,283,136
Non-current assets		
Property, plant and equipment		
Buildings, net	59,173	54,392
Tools, furniture and fixtures, net	208,814	223,155
Leased assets, net	305,620	291,176
Total property, plant and equipment	573,608	568,724
Intangible assets		
Goodwill	-	3,933,109
Trademark right	4,544	4,212
Software	25,570	29,489
Other	72	72
Total intangible assets	30,187	3,966,883
Investments and other assets		
Investment securities	1,231,458	757,464
Long-term prepaid expenses	63,501	36,483
Deferred tax assets	5,711	95,147
Other	10,610	43,277
Total investments and other assets	1,311,281	932,372
Total non-current assets	1,915,077	5,467,980
Total assets	6,871,972	9,751,117

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	54,174	53,821
Current portion of long-term borrowings	12,620	512,620
Lease liabilities	64,301	69,940
Accounts payable - other	158,888	185,788
Accrued expenses	54,197	66,296
Income taxes payable	19,687	24,028
Advances received	–	74,219
Deposits received	3,502	11,026
Other	21,941	28,011
Total current liabilities	389,313	1,025,751
Non-current liabilities		
Long-term borrowings	39,050	2,779,585
Lease liabilities	251,747	236,197
Asset retirement obligations	12,320	14,587
Provision for share awards	48,222	48,063
Provision for share awards for directors (and other officers)	10,875	14,950
Total non-current liabilities	362,215	3,093,384
Total liabilities	751,528	4,119,136
Net assets		
Shareholders' equity		
Share capital	2,667,649	2,672,407
Capital surplus	2,857,432	2,862,190
Retained earnings	449,358	109,465
Treasury shares	(22)	(101)
Total shareholders' equity	5,974,418	5,643,961
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	120,415	(33,692)
Total accumulated other comprehensive income	120,415	(33,692)
Share acquisition rights	25,610	21,712
Total net assets	6,120,443	5,631,981
Total liabilities and net assets	6,871,972	9,751,117

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

(Thousands of yen)

	First nine months ended September 30, 2023	First nine months ended September 30, 2024
Business revenue	1,495,493	2,369,438
Business expenses		
Cost of business revenue	189,420	396,850
Research and development expenses	934,434	1,255,185
Other selling, general and administrative expenses	479,715	744,624
Total business expenses	1,603,570	2,396,660
Operating loss	(108,077)	(27,222)
Non-operating income		
Interest income	711	2,914
Interest on securities	4,777	2,498
Foreign exchange gains	111,674	–
Subsidy income	2,600	2,600
Gain on valuation of compound financial instruments	3,260	–
Gain on valuation of derivatives	–	3,770
Other	9,770	11,396
Total non-operating income	132,793	23,178
Non-operating expenses		
Interest expenses	4,629	29,112
Commitment fees	5,859	5,868
Commission for syndicated loans	–	140,999
Foreign exchange losses	–	50,557
Share issuance costs	3,930	204
Loss on valuation of compound financial instruments	–	260
Loss on valuation of derivatives	46,761	–
Other	0	–
Total non-operating expenses	61,180	227,004
Ordinary loss	(36,464)	(231,047)
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
Loss on redemption of investment securities	649	–
Total extraordinary losses	649	5,600
Loss before income taxes	(37,113)	(227,268)
Income taxes	80,524	112,625
Loss	(117,637)	(339,893)
Profit attributable to non-controlling interests	–	–
Loss attributable to owners of parent	(117,637)	(339,893)

Consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	First nine months ended September 30, 2023	First nine months ended September 30, 2024
Loss	(117,637)	(339,893)
Other comprehensive income		
Valuation difference on available-for-sale securities	38,586	(154,108)
Total other comprehensive income	38,586	(154,108)
Comprehensive income	(79,051)	(494,001)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(79,051)	(494,001)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of cash flows

(Thousands of yen)

	First nine months ended September 30, 2023	First nine months ended September 30, 2024
Cash flows from operating activities		
Loss before income taxes	(37,113)	(227,268)
Depreciation	120,509	144,670
Amortization of goodwill	–	135,624
Interest income	(711)	(2,914)
Interest income on securities	(4,777)	(2,498)
Foreign exchange losses (gains)	(98,034)	76,541
Subsidy income	(2,600)	(2,600)
Interest expenses	4,629	29,112
Commitment fees	5,859	5,868
Commission for syndicated loans	–	140,999
Share issuance costs	3,930	204
Loss (gain) on valuation of compound financial instruments	(3,260)	260
Loss (gain) on valuation of derivatives	46,761	(3,770)
Loss (gain) on sale of investment securities	–	(3,779)
Loss (gain) on redemption of investment securities	649	–
Decrease (increase) in trade receivables	133,599	161,279
Decrease (increase) in inventories	744	(4,646)
Increase (decrease) in trade payables	(56,588)	(353)
Increase (decrease) in advances received	–	(63,784)
Decrease (increase) in advance payments to suppliers	5,882	69,587
Decrease (increase) in prepaid expenses	(172,678)	(113,143)
Decrease (increase) in long-term prepaid expenses	(41,505)	25,367
Increase (decrease) in accounts payable - other	(137,816)	(116,403)
Increase (decrease) in income taxes payable - factor based tax	(16,539)	1,894
Decrease (increase) in consumption taxes refund receivable	(41,045)	91,667
Increase (decrease) in accrued consumption taxes	–	2,361
Increase (decrease) in provision for share awards	1,840	(158)
Increase (decrease) in provision for share awards for directors (and other officers)	4,532	4,075
Other, net	(3,766)	1,419
Subtotal	(287,496)	349,617
Interest and dividends received	11,259	6,543
Subsidies received	2,600	2,600
Interest paid	(4,715)	(29,132)
Commitment fees paid	(19,212)	(3,379)
Income taxes paid	(119,368)	(127,611)
Income taxes refund	11,826	30,666
Net cash provided by (used in) operating activities	(405,107)	229,303
Cash flows from investing activities		
Payments into time deposits	(100,000)	(200,000)
Proceeds from withdrawal of time deposits	–	100,000
Purchase of property, plant and equipment	(189,449)	(96,917)
Purchase of intangible assets	(16,730)	(19,563)
Purchase of investment securities	(160,000)	–
Proceeds from sale of investment securities	–	258,563
Proceeds from redemption of investment securities	200,000	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(3,879,637)
Other payments	(2,592)	(26,907)
Net cash provided by (used in) investing activities	(268,771)	(3,864,463)

(Thousands of yen)

	First nine months ended September 30, 2023	First nine months ended September 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	(6,965)	(259,465)
Repayments of lease liabilities	(32,750)	(50,160)
Proceeds from issuance of shares	782,614	–
Purchase of treasury shares	–	(78)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	188	188
Proceeds from issuance of share acquisition rights	19,362	–
Net cash provided by (used in) financing activities	812,449	3,048,283
Effect of exchange rate change on cash and cash equivalents	98,030	(77,551)
Net increase (decrease) in cash and cash equivalents	236,601	(664,428)
Cash and cash equivalents at beginning of period	3,679,304	3,664,738
Cash and cash equivalents at end of period	3,915,905	3,000,310

(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.

Notes on segment information, etc.

[Segment information]

I. For the first nine months ended September 30, 2023 (January 1, 2023 to September 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 nine months ended September 30, 2024 (January 1, 2024 to September 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.