



Summary of Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending December 31, 2025 (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:	Masaki Sudo, President and CEO
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Scheduled date of filing of semi-annual securities report:	August 14, 2025
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, 2025 (January 1, 2025 to June 30, 2025)

(1) Consolidated operating results (cumulative)

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

(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, 2025	1,535	8.9	(190)	—	(291)	—	(354)	—
June 30, 2024	1,411	39.1	(154)	—	(277)	—	(323)	—

Note:	Comprehensive income	Six months ended June 30, 2025:	(334) million yen	[-%]
		Six months ended June 30, 2024:	(477) million yen	[-%]

	Earnings per share (Basic)	Earnings per share (Diluted)
First six months ended	yen	yen
June 30, 2025	(15.49)	—
June 30, 2024	(14.97)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
June 30, 2025	9,936	6,286	62.9
December 31, 2024	9,655	5,570	57.4

Reference: Equity As of June 30, 2025: 6,249 million yen As of December 31, 2024: 5,543 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, 2024	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2025	—	0.00			
Fiscal year ending December 31, 2025 (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, 2025 (January 1, 2025 to December 31, 2025)

(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, 2025	3,888	25.1	118	—	73	—	(71)	—	(3.25)

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, 2025: 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: 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 semi-annual consolidated financial statements (Notes on changes in accounting policies)” of “2. Semi-annual consolidated financial statements and significant notes thereto” on page 11 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 June 30, 2025	24,457,673 shares
As of December 31, 2024	21,838,529 shares

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

As of June 30, 2025	181 shares
As of December 31, 2024	181 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, 2025	22,906,356 shares
For the first six months ended June 30, 2024	21,628,665 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 Friday, August 15, 2025.

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	2
(1) Qualitative information regarding consolidated operating results	2
(2) Qualitative information regarding consolidated financial position.....	4
(3) Qualitative information regarding consolidated earnings forecasts.....	5
2. Semi-annual consolidated financial statements and significant notes thereto	6
(1) Consolidated balance sheet.....	6
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	8
Consolidated statement of income	8
Consolidated statement of comprehensive income	8
(3) Consolidated statement of cash flows.....	9
(4) Notes to semi-annual consolidated financial statements.....	11
Notes on premise of going concern	11
Notes on significant changes in the amount of shareholders' equity.....	11
Notes on changes in accounting policies	11
Application of special accounting for preparing semi-annual consolidated financial statements.....	11
Notes on segment information, etc.	11
Significant subsequent event	11

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

(1) Qualitative information regarding consolidated operating results

1) Financial results

During the first six months of the fiscal year ending December 31, 2025, the Japanese economy continued its gradual recovery trend, backed by improvements in the employment and income environment and increased consumption by foreign visitors to Japan. On the other hand, the outlook remains uncertain due to rising geopolitical risks, trends in U.S. tariff policies, and unstable transitions in foreign exchange rates. According to the Bank of Japan's quarterly short-term economic survey (June 2025 survey), business sentiment among large enterprises in the manufacturing sector improved slightly for the first time in two quarters due to progress in price shifting and a lull in raw material prices, despite heightened uncertainty over U.S. tariff policy, while business sentiment among large enterprises in the non-manufacturing sector deteriorated for the first time in two quarters due to stagnant consumer sentiment caused by high prices.

In the pharmaceutical industry, the "Basic Policy on Economic and Fiscal Management and Reform 2025" (Basic Policy 2025), approved by the Cabinet of Japan in June 2025, clearly states that the government will "implement policies in an integrated manner to develop the drug discovery ecosystem, expand the healthcare market, and strengthen the foundation of drug discovery capabilities." This is taken as a reiteration of the importance of the pharmaceutical industry, which is charged with the mission of delivering innovative pharmaceuticals to patients. Under these industry trends, drug discovery ventures such as the Group are playing increasingly important roles.

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 prescriptions in the first six months ended June 30, 2025 amounted to 104.7 billion won, an increase of 14.3% year on year, and equivalent to approximately 11.5 billion yen at 0.11 yen to the won. Tegoprazan's share in the South Korean peptic ulcer drug market was 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, manufacturing, and marketing 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 six months ended June 30, 2025, tegoprazan business has been expanded in 54 countries around the world, and HK inno.N aims to expand it in 100 countries by 2028. In addition, HK inno.N aims to achieve annual worldwide sales of 3 trillion won in 2030 for tegoprazan products, including K-CAB®.

As of the end of the first six months ended June 30, 2025, tegoprazan products are being marketed in seventeen countries: South Korea, China, Mongolia, the Philippines, Mexico, Indonesia, Singapore, Malaysia, Peru, Chile, Colombia, Dominican Republic, Nicaragua, Honduras, Guatemala, El Salvador, and Panama. 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 U.S. and Canada.

In April 2025, HK inno.N concluded a regional expansion agreement with Tabuk Pharmaceutical Manufacturing Company (headquarters: Riyadh, Saudi Arabia; "Tabuk") for the licensing agreement concluded in April 2024, covering the Middle East and North Africa. With this agreement, Tabuk's coverage has been expanded to the six additional countries of Egypt, Sudan, Ethiopia, Morocco, Yemen, and Libya, for a total of 16 countries. Tabuk is a leading Saudi Arabian pharmaceutical company with a strong sales network and marketing capabilities in the Middle East and North Africa, and is expected to achieve market penetration and further expansion of tegoprazan in the region.

In April 2025, HK inno.N also announced positive top-line results from a Phase III clinical trial (the "TRIUMpH Study") being conducted in the U.S. by Braintree Laboratories (headquarters: Massachusetts, U.S.; "Braintree"), a division of Sebelo Pharmaceuticals Inc. (headquarters: Georgia, U.S.), a sublicensee. The TRIUMpH Study is being conducted as a pivotal study for the Phase III clinical trial in the U.S. covering EE (erosive esophagitis) and NERD (non-erosive reflux disease). In the TRIUMpH Study, tegoprazan met all primary and secondary endpoints in both the EE and NERD studies. In particular, the EE study showed statistical superiority over PPI (lansoprazole) for 2-week and 8-week cure rates in the overall patient group and in the group of patients with moderate to severe conditions. The NERD trial confirmed tegoprazan's efficacy in completely ameliorating heartburn and gastric acid reflux symptoms. Furthermore, the occurrence rate of treatment-related adverse events in each trial of the TRIUMpH Study was less than 3%, with events being generally mild and transient. The occurrence rate of serious treatment-related adverse events in each study was less than 2%, with events being comparable between tegoprazan, PPI, and placebo control groups. Average serum gastrin levels for tegoprazan and lansoprazole were maintained within the normal range (0-180 pg/ml) throughout the treatment period. Braintree plans to complete the EE portion of the TRIUMpH Study in the third quarter of 2025 and submit an application to the U.S. FDA in the fourth quarter of 2025 for approval for both EE and NERD as indications.

In addition, in May 2025, HK inno.N's business partner, Dr. Reddy's Laboratories (headquarters: Hyderabad, India), received marketing approval from the Central Drugs Standard Control Organization (CDSCO) in India.

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. (headquarters: Indiana, U.S.; "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 for a ghrelin receptor agonist, which is being developed in-house, have been completed. And the Company conducts business development activities aimed at finding business partners. 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, 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. (headquarters: Fujisawa, Kanagawa; "FIMECS"), which is a consolidated subsidiary. FIMECS and Astellas Pharma Inc. (Head Office: Chuo-ku, Tokyo; hereinafter "Astellas") have been exploring targeted protein degraders for multiple targets with cancer as the target disease using FIMECS's proprietary platform technology, RaPPIDS™ (Rapid Protein Proteolysis Inducer Discovery System), which is specialized for targeted protein degraders.

In May 2025, favorable results were obtained for the collaborative research being conducted with D. Western Therapeutics Institute, Inc. (headquarters: Nagoya City, Aichi Prefecture; "DWTI") for the discovery of therapeutic drugs for ocular diseases. The collaborative research began in December 2022, with the Company being in charge of synthesizing a compound group (the "Compound Group") targeting specific ion channels by utilizing its ion channel drug discovery technology, and DWTI verified the potential of the Compound Group as a therapeutic drug for ocular diseases through pharmacology and efficacy studies by utilizing its evaluation technology in the ophthalmologic field. As a result, favorable pharmacological effects were confirmed in animal models of retinal disease. The collaborative research is ongoing, and based on these results, further verification will be conducted to pursue the possibility of taking the collaboration to the next level.

Moreover, 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 ended June 30, 2025, the Company and Veritas In Silico expanded the scope of target gene research handled in the collaborative research and conducted screening against multiple genes by utilizing the know-how of both parties, thereby identifying multiple small molecule compounds that could serve as starting points for drug discovery research aimed at the creation of development compounds.

On March 21, 2025, the Company entered into a capital and business alliance agreement with HK inno.N and resolved to issue new shares to HK inno.N through third-party allotment. The Company allotted 2,592,100 shares of the Company's common stock and the payment procedure was completed on April 18, 2025.

The purpose of the alliance is to strengthen the financial base through investment by HK inno.N and to establish a strategic partnership between the two companies. Through this alliance, the Company aims to maximize its corporate value by creating synergies in a wide range of areas, including R&D. The funds raised will be used for (i) R&D expenses for the continuous creation of development compounds related to the exploratory research stage (including collaboration with external parties such as joint research and outsourcing), (ii) R&D expenses to enhance the value of existing compounds in the pre-clinical stage and beyond, such as ghrelin receptor agonists (including drug substance manufacturing, pre-clinical studies, clinical studies, etc.), (iii) investment funds for capital expenditures. During the first six months ended June 30, 2025, the Company is proceeding with initiatives based on the alliance, including discussions to start collaborative research with HK inno.N in the second half of the year.

As a result of discussions between TMRC Co., Ltd. (headquarters: Shinjuku-ku, Tokyo), a consolidated subsidiary of the Company, and Syros Pharmaceuticals Inc. (headquarters: Massachusetts, U.S.) regarding the future business strategy for the

retinoic acid receptor alpha agonist (tamibarotene, AM80/TM-411/SY-1425), which was licensed by TMRC to Syros, both parties agreed to terminate the license agreement on April 11, 2025.

Accordingly, financial results for the first six months, the reporting period, were as follows. Business revenue for the period was 1,535 million yen (up 8.9% year on year), operating loss totaled 190 million yen (compared with operating loss of 154 million yen a year earlier), ordinary loss totaled 291 million yen (compared with ordinary loss of 277 million yen a year earlier), and loss attributable to owners of parent was 354 million yen (compared with loss attributable to owners of parent of 323 million yen a year earlier).

Total business expenses were 1,726 million yen (up 10.3% year on year). This mainly consists of cost of business revenue of 389 million yen (up 71.4% year on year), research and development expenses of 782 million yen (down 6.1% year on year) and other selling, general and administrative expenses of 554 million yen (up 9.7% year on year).

2) Research and development activities

Research and development expenses of the entire Group during the first six months were 782 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, 2025 were 9,936 million yen, an increase of 280 million yen (up 2.9%) from the end of the previous fiscal year. This is mainly attributable to increases in cash and deposits of 193 million yen, securities of 87 million yen, and prepaid expenses of 116 million yen and a decrease in goodwill of 98 million yen.

Liabilities

Total liabilities as of June 30, 2025 were 3,649 million yen, a decrease of 435 million yen (down 10.7%) from the end of the previous fiscal year. This is mainly attributable to decreases in contract liabilities of 113 million yen and long-term borrowings of 256 million yen.

Net assets

Net assets as of June 30, 2025 were 6,286 million yen, an increase of 716 million yen (up 12.9%) from the end of the previous fiscal year. This is mainly attributable to an increase in share capital and capital surplus of 1,040 million yen due to capital increase through third-party allotment, and the recording of loss attributable to owners of parent of 354 million yen.

Consequently, the equity ratio was 62.9% (up 5.5 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, 2025 amounted to 3,422 million yen (compared with 3,114 million yen a year earlier), an increase of 280 million yen (up 8.9%) 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 242 million yen (up 87.3% year on year). This is mainly attributable to cash outflows from an increase in prepaid expenses of 115 million yen and a decrease in contract liabilities of 113 million yen, despite the recording of loss before income taxes of 291 million yen, depreciation of 98 million yen and amortization of goodwill of 138 million yen.

Cash flows from investing activities

Net cash used in investing activities was 52 million yen (down 98.6% year on year). This is mainly attributable to payments into time deposits of 200 million yen, proceeds from withdrawal of time deposits of 200 million yen, and purchase of property, plant and equipment of 48 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 672 million yen (down 78.9% year on year). This is mainly attributable to proceeds from issuance of shares of 1,018 million yen, repayments of long-term borrowings of 256 million yen, the purchase

of shares of subsidiaries not resulting in change in scope of consolidation of 50 million yen, and repayments of lease liabilities of 37 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, 2025 presented in “Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (JGAAP)” published on February 14, 2025.

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

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2024	As of June 30, 2025
Assets		
Current assets		
Cash and deposits	3,340,057	3,533,374
Accounts receivable - trade, and contract assets	689,162	714,945
Securities	1,871	89,139
Work in process	1,520	2,826
Supplies	166,202	168,916
Advance payments to suppliers	26,953	34,515
Prepaid expenses	193,590	309,841
Other	119,605	55,379
Total current assets	4,538,963	4,908,939
Non-current assets		
Property, plant and equipment		
Buildings, net	52,653	55,501
Tools, furniture and fixtures, net	203,447	202,358
Leased assets, net	272,983	268,577
Total property, plant and equipment	529,084	526,437
Intangible assets		
Goodwill	3,865,297	3,766,339
Trademark right	3,982	3,522
Software	32,924	30,973
Other	72	72
Total intangible assets	3,902,276	3,800,908
Investments and other assets		
Investment securities	547,053	569,978
Long-term prepaid expenses	14,639	9,355
Deferred tax assets	78,460	75,372
Other	45,005	45,148
Total investments and other assets	685,158	699,854
Total non-current assets	5,116,519	5,027,200
Total assets	9,655,482	9,936,140

(Thousands of yen)

	As of December 31, 2024	As of June 30, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	59,317	54,576
Current portion of long-term borrowings	512,620	512,620
Lease liabilities	69,657	76,892
Accounts payable - other	193,789	174,335
Accrued expenses	69,136	69,395
Income taxes payable	28,044	18,920
Contract liabilities	185,829	72,654
Deposits received	19,381	13,190
Other	49,718	30,542
Total current liabilities	1,187,495	1,023,127
Non-current liabilities		
Long-term borrowings	2,651,430	2,395,120
Lease liabilities	218,627	212,227
Asset retirement obligations	14,614	14,668
Provision for share awards	6,902	2,916
Provision for share awards for directors (and other officers)	5,902	1,151
Total non-current liabilities	2,897,476	2,626,083
Total liabilities	4,084,972	3,649,210
Net assets		
Shareholders' equity		
Share capital	2,720,540	3,240,586
Capital surplus	2,910,323	3,430,369
Retained earnings	(45,673)	(400,420)
Treasury shares	(102)	(102)
Total shareholders' equity	5,585,087	6,270,433
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(41,920)	(21,373)
Total accumulated other comprehensive income	(41,920)	(21,373)
Share acquisition rights	27,342	37,870
Total net assets	5,570,509	6,286,929
Total liabilities and net assets	9,655,482	9,936,140

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

(Thousands of yen)

	First six months ended June 30, 2024	First six months ended June 30, 2025
Business revenue	1,411,048	1,535,972
Business expenses		
Cost of business revenue	226,984	389,152
Research and development expenses	832,664	782,266
Other selling, general and administrative expenses	505,609	554,748
Total business expenses	1,565,259	1,726,167
Operating loss	(154,211)	(190,195)
Non-operating income		
Interest income	2,574	7,851
Interest on securities	2,012	1,099
Foreign exchange gains	74,689	—
Gain on valuation of derivatives	—	31,610
Other	11,257	7,499
Total non-operating income	90,535	48,060
Non-operating expenses		
Interest expenses	15,843	30,181
Commitment fees	4,868	1,683
Commission for syndicated loans	140,499	1,000
Foreign exchange losses	—	104,688
Share issuance costs	204	11,018
Loss on valuation of compound financial instruments	650	710
Loss on valuation of derivatives	51,770	—
Other	—	0
Total non-operating expenses	213,837	149,282
Ordinary loss	(277,513)	(291,416)
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	—
Loss before income taxes	(273,734)	(291,416)
Income taxes	50,126	63,330
Loss	(323,861)	(354,747)
Profit attributable to non-controlling interests	—	—
Loss attributable to owners of parent	(323,861)	(354,747)

Consolidated statement of comprehensive income

(Thousands of yen)

	First six months ended June 30, 2024	First six months ended June 30, 2025
Loss	(323,861)	(354,747)
Other comprehensive income		
Valuation difference on available-for-sale securities	(153,935)	20,546
Total other comprehensive income	(153,935)	20,546
Comprehensive income	(477,797)	(334,200)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(477,797)	(334,200)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of cash flows

(Thousands of yen)

	First six months ended June 30, 2024	First six months ended June 30, 2025
Cash flows from operating activities		
Loss before income taxes	(273,734)	(291,416)
Depreciation	91,564	98,288
Amortization of goodwill	67,812	138,957
Interest income	(2,574)	(7,851)
Interest income on securities	(2,012)	(1,099)
Foreign exchange losses (gains)	(55,781)	97,289
Interest expenses	15,843	30,181
Commitment fees	4,868	1,683
Commission for syndicated loans	140,499	1,000
Share issuance costs	204	11,018
Loss (gain) on valuation of compound financial instruments	650	710
Loss (gain) on valuation of derivatives	51,770	(31,610)
Loss (gain) on sale of investment securities	(3,779)	—
Decrease (increase) in trade receivables	(172,439)	(25,783)
Decrease (increase) in inventories	(3,897)	(4,021)
Increase (decrease) in trade payables	8,495	(4,740)
Increase (decrease) in contract liabilities	27,589	(113,175)
Decrease (increase) in advance payments to suppliers	67,385	(7,562)
Decrease (increase) in prepaid expenses	(154,562)	(115,633)
Decrease (increase) in long-term prepaid expenses	19,867	4,184
Increase (decrease) in accounts payable - other	(55,663)	(14,862)
Increase (decrease) in income taxes payable - factor based tax	8,912	(4,747)
Decrease (increase) in consumption taxes refund receivable	115,947	58,651
Increase (decrease) in accrued consumption taxes	10,525	11,942
Increase (decrease) in provision for share awards	1,110	(851)
Increase (decrease) in provision for share awards for directors (and other officers)	2,718	(1,645)
Other, net	6,502	15,937
Subtotal	(82,177)	(155,156)
Interest and dividends received	6,204	9,345
Interest paid	(15,861)	(30,175)
Commitment fees paid	(3,279)	—
Income taxes paid	(64,917)	(70,086)
Income taxes refund	30,666	3,731
Net cash provided by (used in) operating activities	(129,364)	(242,340)
Cash flows from investing activities		
Payments into time deposits	—	(200,000)
Proceeds from withdrawal of time deposits	—	200,000
Purchase of property, plant and equipment	(33,081)	(48,981)
Purchase of intangible assets	(7,020)	(3,315)
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)	(143)
Net cash provided by (used in) investing activities	(3,669,991)	(52,439)

(Thousands of yen)

	First six months ended June 30, 2024	First six months ended June 30, 2025
Cash flows from financing activities		
Proceeds from short-term borrowings	400,000	–
Repayments of short-term borrowings	(400,000)	–
Proceeds from long-term borrowings	3,357,800	–
Repayments of long-term borrowings	(131,310)	(256,310)
Commission for syndicated loans paid	–	(2,200)
Proceeds from issuance of shares	–	1,018,519
Purchase of treasury shares	(16)	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	188
Repayments of lease liabilities	(32,412)	(37,545)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(50,000)
Net cash provided by (used in) financing activities	3,194,060	672,651
Effect of exchange rate change on cash and cash equivalents	54,770	(97,286)
Net increase (decrease) in cash and cash equivalents	(550,525)	280,585
Cash and cash equivalents at beginning of period	3,664,738	3,141,929
Cash and cash equivalents at end of period	3,114,213	3,422,514

(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

On April 18, 2025, the Company received payment for capital increase through third-party allotment from HK inno.N Corporation. As a result, share capital and capital surplus each increased 514,531 thousand yen. Moreover, including increases due to the exercise of share acquisition rights (stock options) and the issuance of new shares as restricted stock-based compensation for directors, etc., share capital and capital surplus each increased 520,046 thousand yen during the first six months of the fiscal year under review, resulting in share capital of 3,240,586 thousand yen and capital surplus of 3,430,369 thousand yen as of the end of the first six months of the fiscal year under review.

Notes on changes in accounting policies

(Changes in accounting policies)

(Application of "Accounting Standard for Current Income Taxes," etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022"), etc. from the beginning of the first six months of the fiscal year under review.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso to paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso to paragraph 65-2 (2) of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance of 2022").

This change in accounting policies has no impact on the semi-annual consolidated financial statements.

In addition, for changes related to the revised treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Revised Guidance of 2022 has been applied from the beginning of the first six months of the fiscal year under review.

This change in accounting policies has been applied retrospectively, and is reflected in the semi-annual consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year. This change in accounting policies has no impact on the semi-annual consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

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 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 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.
- II. For the first six months ended June 30, 2025 (January 1, 2025 to June 30, 2025)
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.